Sanlam

Integrated report 2012

Blueprint for Success

Our 2012 Integrated Report has as central theme the *Sanlam Blueprint for Success* and our reporting reflects on some of the elements that form part of the Sanlam Group's DNA.

The *Sanlam Blueprint for Success*

For almost 95 years, Sanlam has been setting standards of excellence in its operations – during the first number of decades as a local insurance company and over especially the past decade as an international financial services group.

Our award-winning shareholder communication and reporting since our listing in 1998 have endeavoured to comprehensively reflect our achievements and operational constraints as measured against our strategy, and against industry best practice, norms and standards.

We will continue to do so but we have added another dimension to our reporting this year by including employee-generated yardsticks for the measurement of Sanlam's success as part of our reviews in this Sanlam 2012 Integrated Report.

In our ongoing efforts to be an employer of choice and the strengthening of our high-performance culture, we undertook an extensive internal initiative in 2012 whereby Sanlam employees were asked to indicate and then prioritise elements of the Group's DNA which they believed constituted a blueprint for Sanlam's continued successful operations.

In total, 24 such elements were identified and classified into 12 business enablers (things that employees believed Sanlam should continue to do more of) and 12 business disablers (things they believed Sanlam should guard against). Each of these enablers and disablers was then weighted by staff and translated into a quantifiable formula measuring our success.

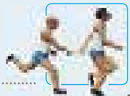
The results of the findings were very positive and showed an overall strong and positive trend indicative of a very healthy organisation. At the same time the results identified room for improvement in certain areas of our operations. These enablers and disablers have now become the yardsticks, on a tailor-made basis for each cluster and business grouping in Sanlam, for bi-annual future measurement of our performance in improving and/or maintaining the crucial elements of our DNA for the Group's success.

The final weighted enablers and disablers were compiled in an iconised formula that was launched in the Group in September 2012 as the *Sanlam Blueprint for Success* which forms the basis of our high-performance culture in support of our strategy.

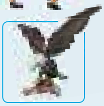
Top line ENABLERS of success

Sanlam employees identified and weighted the following enablers, those things they believe the Group must continue to do, in the ***Sanlam Blueprint for Success:***

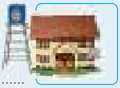
Teamwork



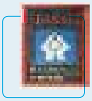
Clear goals and direction



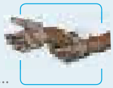
Responsible citizenship



Staying relevant

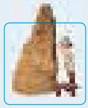


Respect



Client-centric

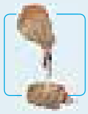
Dedicated and engaged Sanlammers



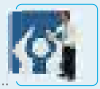
Reliable and dependable

Innovation

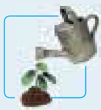
Taking ownership



Building and strengthening the brand

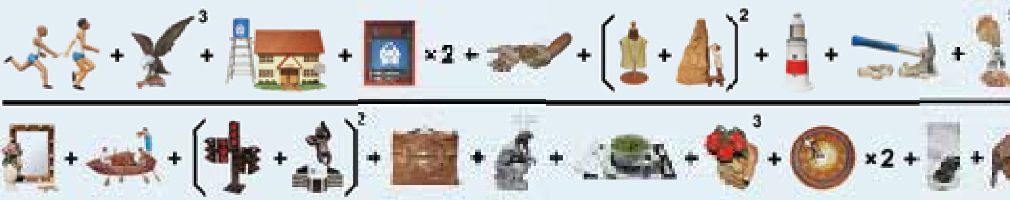


Investing in our people



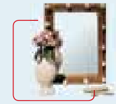
These constructs are not totally new. Many of these enablers and disablers selected by staff have played a significant role in shaping our strategies throughout our history. Likewise, based on the views and expectations of the investment communities and our other stakeholders, many of these enablers and disablers have also formed the core of our reporting structure since our listing.

As they now also form an integral part of our internal regular assessment of the Group's desired culture, we considered it appropriate to use the concept of the *Sanlam Blueprint for Success* as the central theme for our 2012 Integrated Report.



Bottom line DISABLERS of success

In contrast, Sanlam employees identified and weighted the following disablers, those things that they believe the Group should guard against and refrain from doing, in the ***Sanlam Blueprint for Success:***

Self-interest 

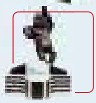
Inefficiencies 

Loss of key talent 

Accepting mediocrity 

Bureaucracy and red tape 

Resistant to progress and transformation 

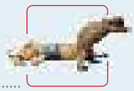
Politics and empire building 

Communication breakdown 

Poor management practices 

Favouritism and discrimination 

Negativity 

Complacency 

Accordingly, we include relevant and encompassing enablers and potential disablers from the *Blueprint* as yardsticks in reporting on our operations for 2012. These yardsticks are:

- Our goals and direction
- Our strategies to stay relevant, reliable and dependable and not become complacent
- Being innovative and not mediocre
- How we strive to treat our clients fairly (client-centric)
- What we do to strengthen our brand through transformation, investment in our people and responsible citizenship of the Sanlam Group

= Sanlam

CONTENTS

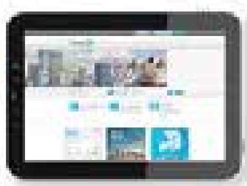
Navigation aid

Further reading icon refers the reader to parts of the report that contain relevant information.

Insight icon provides additional information on the topic.

Sustainability icon indicates that a sustainability topic has been covered in the text.

For further information on this Integrated Report please visit our website: **www.sanlam.co.za**



SCOPE OF THE REPORT

Since our establishment in 1918, Sanlam has been a prominent part of the South African business landscape. We have always held a long-term view of how business adapts to the demands of the environment in which it operates. Today, in a dynamic world, we see an evolving set of social, economic, political and environmental imperatives that require our skilful response. For us at Sanlam, sustainable business practice means recognising both our broader responsibilities as an organisation in society, and the new opportunities that arise from this thinking.

The Sanlam Group has four clusters that are responsible for the management of its various operations. These clusters are managed independently and have delegated authority levels and governance principles and standards set by the Sanlam Board and the respective industries in which they operate. The clusters all have their own boards of directors governing the execution of these principles and standards.

Assurance

This report includes the financial and operational reviews of all four clusters.

The 2012 Sanlam Integrated Report should be read in conjunction with the 2012 Sanlam Sustainability Report. Both the Integrated Report and Sustainability Report are published on www.sanlam.co.za.

The Group believes it has made significant progress during 2012 in further entrenching the principles of King III in the Group's internal controls, policies and procedures governing corporate conduct, as well as with its progressive efforts to implement and improve its reporting on the material aspects of these principles. More detail is provided in the Message from the Chairman on pages 20 to 25 and in our Corporate Governance report on pages 134 to 170.

In compiling these reports we have drawn on the recommendations provided in the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). We believe the online Sustainability Report to be in accordance with a GRI G3.1 B+ Application Level. Ernst & Young Inc. performed limited independent assurance on key elements of the Sustainability Report.

Approval

The Board of directors acknowledges its responsibility to ensure the integrity of its Integrated Report and has evaluated the contents of this 2012 Sanlam Integrated Report accordingly. In the opinion of the Board, this Integrated Report addresses the material pillars and presents fairly the integrated performance of the Sanlam Group and the impacts thereof.

The 2012 Sanlam Integrated Report has been prepared in line with best practice pursuant to the recommendations of King III and the Board authorised the public release of the 2012 Sanlam Integrated Report.

Desmond Smith

Chairman

Johan van Zyl

Group Chief Executive

We need your feedback to ensure we report on the Sanlam specifics that matter to you, our shareholders. Please go to the web link: www.Sanlam/investors/feedback.co.za to download or print our feedback form.

Our vision

Our vision is to be the leader in wealth creation and protection in South Africa, leading that process in emerging markets and playing a niche role in the developed markets.

What we do

We provide financial solutions to individuals and institutional clients.

These solutions include individual, group and short-term insurance, personal financial services such as estate planning, trusts, wills, personal loans, health management, savings and linked products, business fitness assessment and insurance investment management, asset management, stockbroking, employee benefits, risk management and capital market activities.

Our roots

We are a leading financial services group, originally established as a life insurance company in 1918. We demutualised and listed on the JSE Limited and Namibian Stock Exchange in 1998. Our head office is in Bellville near Cape Town in South Africa and we have offices throughout South Africa and business interests elsewhere in Africa, Europe, India, the USA and Australia.

Our values

Our core values are:

- Acting with integrity;
- Growing shareholder value through innovation and superior performance;
- Leading with courage;
- Serving with pride; and
- Caring because we respect one another.

Our strategy

By focusing on the five pillars of our strategy for the past number of years, we have achieved market-leading growth and have transformed Sanlam into an efficient and profitable company with a healthy capital position that is well placed to withstand market volatility and sustain its performance over the long term. These pillars are:

1. **Optimal capital utilisation**
2. **Earnings growth**
3. **Costs and efficiencies**
4. **Diversification**
5. **Transformation**

1 Optimal capital utilisation

Further information available on pages 35 and 61

We focus on allocating appropriate capital to business operations, while remaining financially conservative, to ensure all discretionary capital is identified and redistributed into profitable and sustainable growth opportunities or returned to shareholders.

2 Earnings growth

Further information available on page 34

We aim to grow our earnings through our ability to adapt effectively to the continuing changing business environment and through investments in growth markets.

3 Costs and efficiencies

Further information available on page 35

We strive to control costs and maximise efficiencies through effective risk management and governance practices, and by attracting, retaining and developing talent.

4 Diversification

Further information available on page 35

We promote strategic diversification and grow our client base by developing new products and services, and by expanding into new markets in South Africa and globally.

5 Transformation

Further information available on pages 12 to 15 and page 36

We are committed to promoting transformation and diversity both within our operations and more broadly through our contribution to socio-economic development. Sanlam is a pioneer in transformation and the Ubuntu-Botho transaction in 2004 reinforced our position as a leading financial services group, underpinned by quality BEE leadership and a comprehensive strategy to ensure meaningful and broad-based participation across South Africa.

SANLAM – A SOUND INVESTMENT OPPORTUNITY

Clear strategy

- Sanlam's current strategy has been in place since 2004, providing a solid platform to deliver on our overall objective of superior returns to shareholders.
- The strategy is two-pronged, focusing on profitable growth through net business flows, diversification and operational efficiency, as well as optimising capital allocation and utilisation within the Group.

Presence

- Sanlam is a market leader in Africa, providing integrated solutions in all aspects of insurance and related financial services through an extensive distribution network. Sanlam is the second-largest insurance group in South Africa and has the largest footprint in the rest of Africa (presence in 10 African countries).
- Our partner in India, the Shriram Group, is one of India's most respected brands.
- We also have a niche exposure in the United Kingdom, Europe, the United States of America and Australia.
- Our leading brands are well entrenched in the minds and lives of our clients.

Profitable growth prospects

- Management has built solid foundations from which to grow the business by successfully implementing growth strategies in all the markets we operate.
- We continue to expand in growth markets, with our recently announced entry into South-East Asia being the next step in this process.

Strong management team

- The depth and stability in Sanlam's management team reflects in a proven ability to execute on the Group's strategy and create long-term value for all stakeholders.
- Our human resources base has the requisite skills and expertise to deliver on the set benchmarks.
- Sustainable transformation is a key strategy for the Group.

Diversity and innovation

- Our diversification strategy has resulted in a mix of businesses that has provided us with the resilience to withstand the extreme global turmoil over the past few years and the ability to continue to do so.
- Diversity at an operational level is a main driver of our innovation. Innovation has allowed us to pre-empt changes in uncertain regulatory environments and adapt our product solutions accordingly. We also successfully respond to changes in the investment environment through market-leading new solutions such as the recently launched Cumulus and Glacier International products.

Responsible corporate citizen

- Sanlam recognises the importance of sustainability and continuously considers the impact of its operations to ensure they remain socially responsible and environmentally conscious.
- Significant investment has been made in skills development and training programmes.

OUR CORE BUSINESSES

The Corporate Office of the Sanlam Group is responsible for centralised functions that include strategic direction, Group financial and risk management, Group marketing and communications, Group human resources and information technology, Group sustainability management, corporate social investment and general Group services.

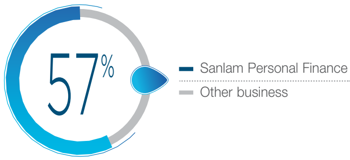
In addition, the Sanlam Group consists of the following four operating clusters (wholly owned unless otherwise indicated):

Sanlam Personal Finance

Cluster

The Sanlam Personal Finance (SPF) cluster is responsible for Sanlam's retail business in South Africa. It provides clients across all market segments (entry-level, middle-income and affluent) with a comprehensive range of appropriate and competitive financial solutions. Designed to facilitate long-term wealth creation, protection and niche financing, these solutions are engineered around client needs.

Contribution to net result from financial services



Cluster profile and shareholding structure

- *Sanlam Sky Solutions* – financial services for individuals and groups in the entry-level market
- *Sanlam Individual Life and Segment Solutions* – financial services to the middle-income, professional and small/medium enterprises markets (includes *Multi-Data* electronic money-transfer activities)
- *Glacier* – financial services for the affluent market
- *Strategic business development* – consists of the following diversified financial services:
  - *Sanlam Trust* – estate and trust services
  - *Sanlam Liquid* – debit card and saving facilities
  - *Sanlam Healthcare Management* – medical scheme administration services
  - *Sanlam Linked Investments* – linked product provider
  - *Sanlam Personal Loans* – 70% – personal loans joint venture
  - *Reality* – loyalty programme
  - *Anglo African Finance* – 65% – trade and bridging finance

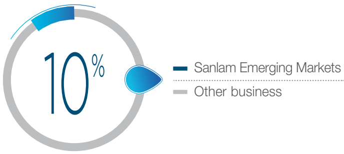
See page 62 for further information

Sanlam Emerging Markets

Cluster

The Sanlam Emerging Markets (SEM) cluster is responsible for Sanlam's financial business services in emerging markets outside South Africa with the aim of ensuring sustainable delivery and growth across the various businesses that make up this cluster.

Contribution to net result from financial services



Cluster profile and shareholding structure

Retail and group business

(financial solutions to all market segments)

- *Botswana Life*, Botswana – 54% via Botswana Insurance Holdings Limited (BIHL)
- *Sanlam Life*, Namibia
- *Sanlam Namibia Holdings*, Namibia – 54%
- *NICO Life*, Malawi – 49%
- *Pan Africa Life*, Kenya – 55,7%
- *African Life*, Tanzania – 65%
- *African Life*, Zambia – 70%
- *Enterprise Life Assurance*, Ghana – 49%
- *Sanlam Life*, Uganda
- *FBN Life*, Nigeria – 35%
- *Shriram Capital*, India – 26%

Investment Management

SIM Kenya – 72%
SIM Capital Alliance, Nigeria – 50%
SIM Namibia – 86%
Botswana Insurance Fund Management – 54% via BIHL
SIM Swaziland – 65%

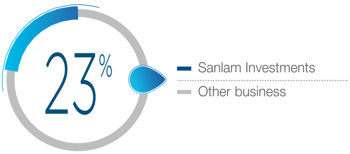
General insurance

- Jointly responsible in partnership with Santam for managing general insurance business through NICO in some of the aforementioned African countries, as well as through *Shriram General Insurance* (a subsidiary of Shriram Capital) in India.

See page 65 for further information

Sanlam Investments

The Sanlam Investments cluster provides individual and institutional clients in South Africa, the United Kingdom and elsewhere in Europe, the United States of America and Australia access to a comprehensive range of specialised investment and risk management expertise through six sub-clusters and their businesses as outlined below.



Asset Management
- *Sanlam Investment Management* – manages institutional portfolios and retail collective investment (unit trust) funds
- *Sanlam Structured Solutions* – structured products

Wealth Management
- *Sanlam Private Investments* – private client wealth management and stockbroking business
- *Calibre Investments* – 40% – Australian investment business
- *Sanlam Private Investments UK Group* – 75% – UK private wealth management and stockbroking business
- *Summit Trust* – 65% – international independent trust services group in Switzerland
- *Investment Advisory Service* and *Fiduciary and Tax Services*

Capital Management – manages portions of Sanlam's third party and policyholders' funds
- *Sanlam Capital Markets*
- *Sanlam Private Equity*
- *Sanlam Properties*

Sanlam Employee Benefits – provides risk and investment solutions and administration services to institutions and retirement funds
- *Sanlam Group Risk*
- *Sanlam Retirement Fund Administration*
- *Sanlam Structured Solutions*
- *Simeka Consultants and Actuaries*
- *Sanlam Umbrella Solutions*

International Investments
- *Sanlam International Investment Partners* – manages established partnerships with specialist investment management firms abroad as outlined below:
  - Four Capital – 49,9% – London-based European and global equity manager
  - Eight Investment Partners – 62,5% – Asia Pacific asset management company based in Sydney and Hong Kong
  - Centre – 63,2% – American and global asset management company based on Wall Street
  - Artisan – 33,3% – European property management company based on Isle of Man
  - SEA – 100% – Bangalore-based equity research hub
- *SIM Global* – manages long-only specialist international equity funds
- *Sanlam Asset Management Ireland* – Sanlam's international investment management platform in Dublin managing funds domiciled in Ireland
- *Sanlam UK* – wealth management player in retail financial services in the United Kingdom, comprising *Sanlam Investments and Pensions, Sanlam Distribution, Sanlam Private Wealth and Investment Management*
- *P2 International* – International Mutual Fund Administration

Investment Services
- *Sanlam Multi Manager International* – investment management advisory business
- *Sanlam Collective Investments* – retail, multi-managed, institutional and third-party collective investment (unit trust) funds
- *Blue Ink* – hedge fund manager focusing on both the local and the global investment markets
- *Graviton Wealth Management* – provides independent advice to people leaving retirement funds
- *Graviton Financial Partners* – a broker network business

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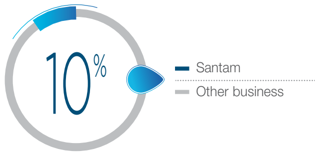
Santam

Sanlam has an effective 60% interest in Santam, which is the leading short-term insurer in South Africa with a market share of over 20%.



Santam

Santam specialises in short-term insurance products for a diversified market in South Africa.

These products are offered through broker networks and direct sales channels and include personal, commercial, agricultural and specialised insurance products.

Santam's international diversification strategy focuses on reinsurance business, specialised insurance products and the role as technical partner for Sanlam Emerging Markets' expansion into Africa, India and South-East Asia.

Refer to the Santam Integrated Report for further details on the Santam Group structure.

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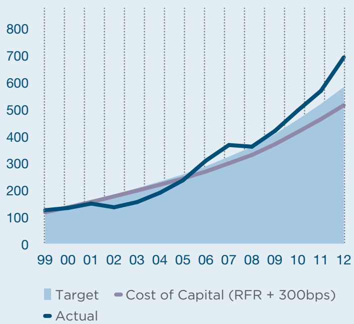
KEY PERFORMANCE INDICATORS (KPIs)

Focus on returns

Maximise shareholder value creation

Outperform cumulative growth target of long-bond rate + 400bps since listing (bps)



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Focus on quality

Persistency – successful retention of business

Persistency in SA lower-income market

Number of not taken up (NTUs), lapses and surrenders as % of in-force per half year

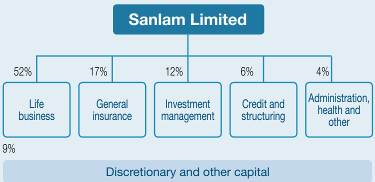
Persistency trend still positive in SA middle-income market

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

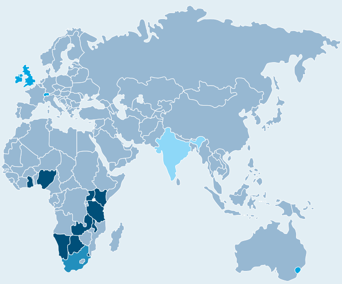
See page 62 for additional information

Diversification

Diversified Group value



Based on Group Equity Value at 31 December 2012.



RSA based

Rest of Africa

Botswana
Namibia
Swaziland
Zambia
Tanzania
Kenya
Malawi
Uganda
Ghana
Nigeria

South-East Asia

India

Developed markets

UK/Ireland
Switzerland
Australia
USA

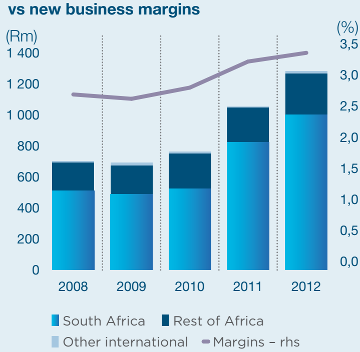
See page 60 for additional information

Profitable growth

Profitable volume growth

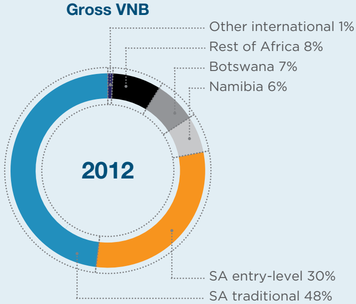
Gross VNB grew by 22% at higher average margins

Value of new business vs new business margins



Increasing contribution from growth markets

Gross VNB



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FIVE-YEAR REVIEW

R million		2012	2011[(1)]
Group Equity Value			
Group Equity Value	R million	**75 352**	63 521
Group Equity Value	cps	**3 707**	3 146
Return on Group Equity Value (RoGEV) per share	%	**22,0**	15,7
Business volumes			
New business volumes	R million	**135 903**	115 087
Life business		**25 436**	21 455
Investment business		**81 716**	72 679
Short-term insurance		**15 920**	14 822
New business volumes excluding white label		**123 072**	108 956
White label		**12 831**	6 131
Recurring premiums on existing business	R million	**21 271**	19 354
Total inflows	R million	**157 174**	134 441
Net fund flows	R million	**22 989**	25 480
SIM assets under management	R billion	**596**	503
New covered business			
Value of new covered business	R million	**1 278**	1 051
Present Value of New Business Premiums (PVNBP)	R million	**38 129**	32 786
New covered business margin	%	**3,35**	3,21
Earnings			
Gross result from financial services	R million	**6 285**	6 050
Net result from financial services	R million	**4 030**	3 779
Normalised headline earnings	R million	**5 919**	5 023
Headline earnings	R million	**5 763**	5 015
Net result from financial services	cps	**198,9**	187,1
Normalised headline earnings	cps	**292,1**	248,7
Diluted headline earnings	cps	**286,8**	250,1
Group administration cost ratio	%	**30,6**	29,9
Group operating margin	%	**19,4**	20,3
Other			
Sanlam share price	cps	**4 477**	2 885
Dividend	cps	**215**	130
Normal dividend	cps	**165**	130
Special dividend	cps	**50**	—
Sanlam Life Insurance Limited			
Shareholders' fund	R million	**55 466**	45 172
Capital adequacy requirements (CAR)	R million	**7 125**	7 350
CAR covered by prudential capital	times	**4,3**	3,7
Foreign exchange rates	R		
Closing rate			
Euro		**11,18**	10,48
British pound		**13,79**	12,55
United States dollar		**8,48**	8,07
Average rate			
Euro		**10,53**	10,06
British pound		**12,99**	11,59
United States dollar		**8,20**	7,22

(1)Restated for equity participation costs.

(2)Restated for effect of change in accounting policy of Channel Life.

(3)Excludes dividends paid.

2010[2]	2009	2008	Average annual growth rate %
57 361	51 024	45 238	14
2 818	2 473	2 213	14[3]
18,2	16,2	(1,7)	
105 526	102 928	100 136	8
17 099	18 009	18 268	9
69 181	65 835	63 222	7
13 667	12 896	12 165	7
99 947	96 740	93 655	7
5 579	6 188	6 481	19
17 754	16 093	15 870	8
123 280	119 021	116 006	8
22 026	15 499	9 122	
474	441	409	10
762	689	698	16
27 334	26 365	26 033	10
2,79	2,61	2,68	
5 396	4 229	4 260	10
3 303	2 705	2 802	10
5 143	4 485	1 966	32
5 122	4 429	2 702	21
161,5	131,8	133,8	10
251,5	218,5	93,9	33
252,4	218,4	132,2	21
29,6	27,7	28,4	
19,8	16,9	18,4	
2 792	2 275	1 700	27[3]
115	104	98	22
115	104	98	14
—	—	—	—
40 521	37 036	34 419	13
7 375	7 675	8 075	
3,4	3,1	2,7	
8,88	10,56	12,85	(3)
10,36	11,89	13,33	1
6,62	7,36	9,24	(2)
9,68	11,62	11,98	(3)
11,29	13,04	15,07	(4)
7,3	8,31	8,13	

Each of the thematic areas includes a set of key performance indicators (KPIs). We have assigned internal responsibilities for each of the KPIs to ensure accountability for effective implementation of our sustainability strategy.

Our business strategy, as well as our socio-economic context, informs our material sustainability areas or themes. The identification of our material economic, environmental, social and governance (ESG) risks and opportunities was undertaken as part of the process of developing our Sustainability Management Framework (SMF), which was approved by the Social, Ethics and Sustainability (SES)committee of the Board in December 2011.

In identifying the material sustainability themes, we engaged with our internal Risk department to understand how ESG risks affect our business value drivers, and we considered the views and interests of our stakeholders. We held workshops with our internal sustainability champions to further review and prioritise the material sustainability risks in relation to each cluster's core business, as well as to identify the KPIs for each material theme at a cluster and Group level.

Through this process we identified a range of material sustainability areas that have been grouped into the following five thematic areas:

1. Ensuring sound governance
2. Developing our people
3. Providing responsible products and services
4. Investing in a prosperous society
5. Promoting environmental responsibility

For further information regarding our material sustainability themes please visit our website: **www.sanlam.co.za**

- We continue to implement our Sustainability Management Framework
- We have submitted responses to the Carbon Disclosure Project (CDP) and the Water Disclosure Project (WDP)
- We continue to submit an annual Communication on Progress (COP) with regard to implementing the 10 principles of the United Nations Global Compact (UNGC)

- Qualified for Carbon Disclosure Project (CDP) Leadership Index
- Reaffirmed water partnership with WWF
- **6%** reduction in electricity usage through a light retrofit project at head office
- Total carbon emissions are still below the 2010 baseline

- The Sanlam *Blueprint for Success* was developed and implemented
- **53%** employees engaged on the Sanlam *Blueprint for Success*
- Office staff turnover: **11,6%**
- **100%** of employees received performance appraisal
- **99,7%** of employees were recruited locally
- **45%** of employees report that Sanlam bWELL wellness initiative is contributing to their individual health
- **17,24%** PDSA candidates in senior management positions

- We are compliant with UN PRI principles for responsible investment
- **65** the number of average monthly complaint interventions for SPF South Africa referred to the Ombudsman for Long Term Insurance
- **18%** growth in sales of products to clients in low-end economic segments through Sanlam Sky
- We remain compliant to FAIS

- Number of students in Operation HOPE Banking on Our Future South Africa Sanlam schools: **1 669**
- Total CSI spend of **R34 million**
- **15,55%** total procurement spend spent on small enterprises and exempted micro-enterprises

Our sustainability governance practices

Our governance practices on sustainability have been informed by the 2009 King Report on Corporate Governance in South Africa (King III), the South African Companies Act of 2008, as amended, the JSE SRI Index and by global voluntary initiatives such as the GRI's Sustainability Reporting Guidelines.

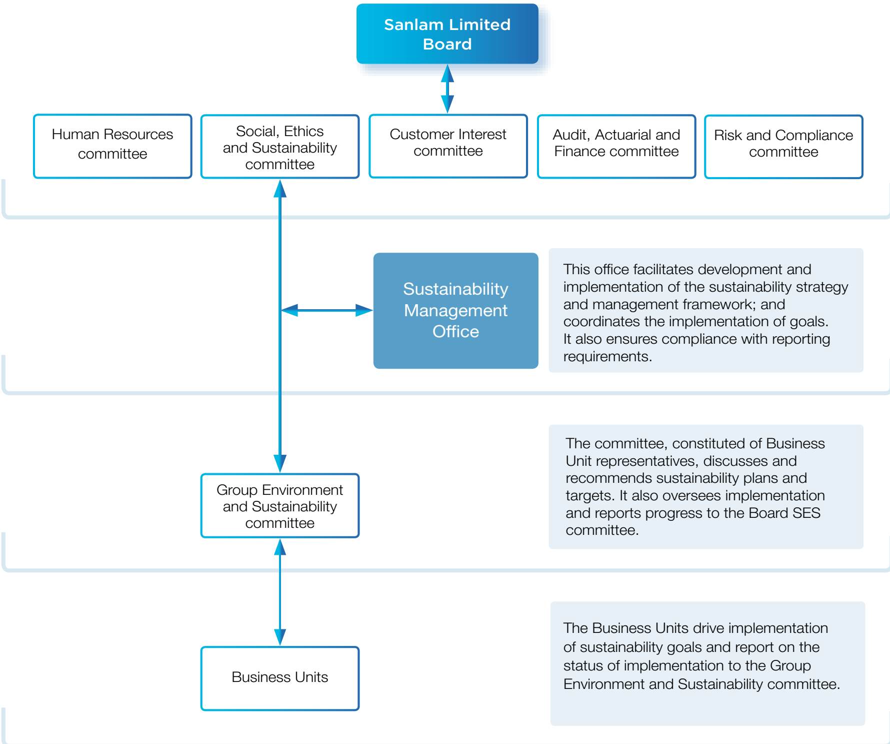
Responsibility and accountability for sustainability rests ultimately with the Sanlam Board of directors. This responsibility is executed through various committees of the Board that provide strategic oversight on our sustainability performance:

- The Social, Ethics and Sustainability committee, chaired by Valli Moosa, an independent non-executive director, has responsibility for environmental, social and governance (ESG) risks, including broad-based black economic empowerment (BBBEE), transformation performance, the safety and health of employees, and the management of internal environmental management practices across the Group.
- The Risk and Compliance committee, chaired by Chris Swanepoel, an independent non-executive director, has responsibility for ensuring enterprise risk management and IT governance across the Group.
- The Audit, Actuarial and Finance committee, chaired by Flip Rademeyer, an independent non-executive director, oversees the quality and integrity of financial and actuarial reporting and disclosures, including the Integrated Report. This committee also ensures the appropriateness and effectiveness of internal controls.
- The Human Resources committee, chaired by Anton Botha, an independent non-executive director, is responsible for overseeing and reducing the human capital risks and monitoring the Group's human resources processes.
- The Sanlam Customer Interests committee, chaired by Adv. Fran du Plessis, an independent non-executive director, reviews and monitors practices of the Group impacting customers. The committee also ensures the organisation manages customers' complaints.

The Sustainability Management unit is responsible for developing and coordinating the Group sustainability strategy, and for monitoring and managing sustainability risks and compliance throughout the Group. In addition, we have established a Group Risk Forum to ensure that a strong connection is maintained between our business strategy, governance and sustainability.

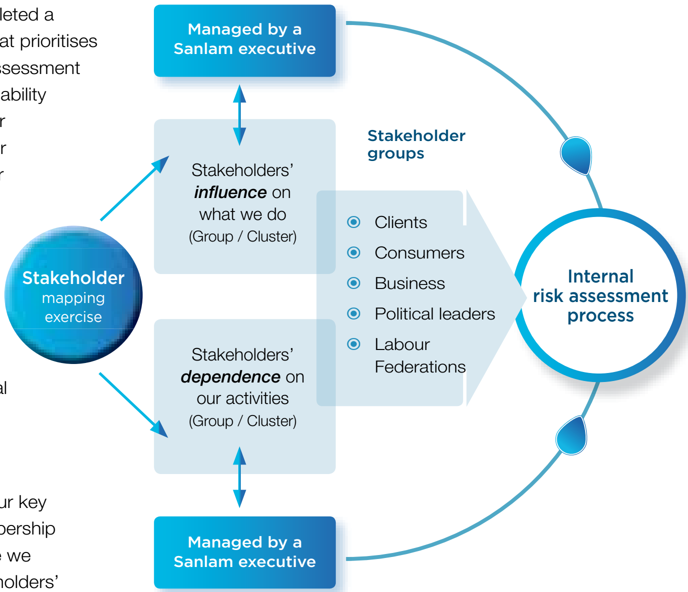
The approach to managing business risks throughout the Group is explained in more detail on page 180 of this 2012 Integrated Report and we elaborate on our corporate governance principles on page 134. Our 2012 online Sustainability Report (available at www.sanlam.co.za) covers Sanlam's sustainability performance for the period 1 January 2012 to 31 December 2012.

Sanlam's sustainability management structure



We recognise that being responsive to the interests and expectations of our stakeholders is critical to the Group's ability to create long-term value. To ensure a more coordinated stakeholder management strategy and action plan across the Group, in 2011 we began the process of developing and implementing a systematic approach to identifying, prioritising and engaging with our key stakeholders.

As part of this process we completed a stakeholder mapping exercise that prioritises our stakeholders based on an assessment of two criteria: the stakeholders' ability to influence what we do and their dependence on our activities. For each of the identified stakeholder groups we agreed on whether engagement should be coordinated at a Group or cluster level. We have assigned responsibility for managing each relationship to a senior Sanlam executive. The outcome of these engagements informs our internal risk assessment processes and the Group strategy.



The Group regularly undertakes surveys to assess the views of our key stakeholders. Through our membership of the Global Reputation Institute we are able to further analyse stakeholders' perceptions regarding the nature of our products and services, and the quality of our internal policies and procedures. These studies are reviewed at the beginning of each year and, together with the Group strategy, inform our planning for the year ahead.

In implementing our new stakeholder strategy, we undertook engagement sessions at several of the provinces in South Africa during the year and we intend to run these at all of the provinces in 2013. These structured engagement processes seek to enhance Sanlam's reputation by helping us to understand, respond to, and inform, our stakeholders' perceptions regarding the company. We seek to build an emotional connection with the brand through a frank dialogue on what the Group is doing, and can be doing, in response to stakeholders' interests. These engagements encompassed a cross-section of stakeholders, including clients and consumers, business and political leaders, labour federations and investors. Through these processes we have seen a positive shift in the perceptions of both external and internal stakeholders, all of whom seem to have found the focus on dialogue and listening to be extremely constructive.

Overall responsibility for managing Sanlam's reputation, and for coordinating the stakeholder strategy within the Group, rests with Corporate Affairs. Within this department, the Public Affairs function ensures Sanlam contributes constructively to public policy development through its membership of various corporate, government, and non-governmental bodies. Public engagement on key topical issues is managed through our Communication function, which drives thought-leadership activities and manages our consumer education initiatives aimed at improving financial literacy. Group Finance is responsible for managing our engagement with investors and analysts on issues relating to the Company's financial performance, supported by the Company Secretariat who liaises with regulators and shareholders on relevant issues. The Sanlam Group Compliance office engages with regulators on relevant policy developments. In addition, our various business unit representatives also engage with government, regulators and business partners on policy issues impacting the business.

Our Sustainability Management Framework includes specific key performance indicators to ensure we have coordinated effective engagement and feedback mechanisms. These include provision for the Group and each cluster to annually review and identify existing and emerging stakeholder interests. The outcomes of these engagements inform our integrated and sustainability reporting processes.

Engaging with policymakers on regulatory developments

Case study

The financial services sector in South Africa is facing unprecedented regulatory change. The pace and complexity of this change, the implications associated with the proposed increased levels of oversight, and the potential for unintended consequences, could all have potentially significant impacts on our business at both a strategic and operational level. The nature and pace of this change has heightened the need for effective regulatory monitoring and compliance systems, and for ensuring we maintain proactive engagement with policymakers.

We are devoting increasing energy and resources to ensure we are responsive to these changing requirements, many of which are putting greater pressure on margins and profitability. Some of the proposed changes could benefit certain businesses. To maximise these potential benefits we are gearing resources and upscaling the affected businesses, implementing the right systems, growing relevant client bases and as an example, moving into umbrella funds that support smaller businesses.

To ensure we play a constructive role in the development of national policy and regulation, we engage actively with government, primarily as a collective through industry associations such as the Association for Savings and Investment South Africa (ASISA), Business Unity South Africa (BUSA), Business Leadership South Africa, the National Business Initiative (NBI) and various business chambers. We have been particularly active at various levels in the work of ASISA. The Sanlam Group CEO serves as chairperson of ASISA and represents the industry at the highest levels of policy-making and regulation, and Sanlam members are active in all of the ASISA standing committees and working groups.

Some of the significant recent regulatory and policy developments to which we have contributed during the reporting period relate to:

- Promoting social transformation (through the anticipated Financial Sector Charter), Protecting consumers' rights (through the Consumer Protection Act), legislation on Treating Customers Fairly, and the Protection of Personal Information Bill;
- Promoting greater transparency in the life insurance industry, for example through new solvency regulations to be implemented in South Africa in 2015; and
- Mitigating poor socio-economic conditions in South Africa, for example through legislative requirements relating to the establishment of National Health Insurance and a National Social Security System.

We do not provide financial support to any political party.

The outstanding feature of 2012 has been the demonstration of the ability of business and financial markets to defy a difficult and unsupportive economic and political environment in delivering results that significantly exceeded expectations at the start of the year.

At a global level, the inability of political leaders and processes to come to grips with the challenges they face continues to hamstring the recovery from the consequences of the financial crisis. In Europe, progress in resolving the related crises in sovereign debt markets and the banking sector has been painstakingly slow. In the USA, agreement about the role of government in the economy has been elusive, resulting in an ongoing tussle on how the fiscal challenges facing the country should be resolved.

South Africa's own policy, uncertainty and capacity for effective implementation is therefore far from unique.

More specifically, the general criticism of and even hostility towards the financial sector in the wake of the financial crisis has been fed by a stream of revelations of wrong-doing, ranging from LIBOR-fixing to money-laundering and huge losses in derivatives trading. The inadequacy of internal controls within large financial institutions once again came to the fore, undermining the case for self-regulation and boosting the avalanche of new regulations the sector has been faced with, including in South Africa.

Of particular interest to a South African audience has been the debate on the role of the financial system in the allocation of capital and whether some form of government intervention is justified. The financing of infrastructure development has become the focus of government attention, in spite of the acceptance of infrastructure finance as a suitable asset class for long-term investment portfolios.

An important trend against this background has been the almost universal recognition that potential economic growth rates need to be revised down, ranging from the USA and Europe in the West to China and India in the East. South Africa finds itself in the same spot at a point in time when accelerating inclusive growth to deal with the challenges of unemployment, poverty and inequality has become imperative. Africa is generally recognised as an exception.

Short-term growth forecasts have likewise been revised down, in South Africa's case from initially about 3% for 2012 and 3,5% for 2013 to 2,25% and 2,75% respectively. Buoyant growth in the disposable income of households has been tempered and, along with a reluctance to increase debt (with the exception of unsecured lending), it has dampened the contribution of household final consumption expenditure to domestic demand. Disruptions on the supply side of the economy, of late especially in the mining sector, have also played a major role in slowing the economy.

The resilience of the growth in company profits has therefore been nothing less than remarkable. At an economy-wide level the gross operating surplus of the business sector grew by 6% in the year to September 2012. However, if the resources sector is omitted and only listed companies taken into account, the earnings base of the FTSE/JSE Financial and Industrial 30 Index recorded an increase of 16,8% for the year.

Equity market returns for 2012 therefore improved notably compared with 2011, with the JSE repeatedly achieving new highs in the second half of the year. The FTSE/JSE All Share Total Return Index delivered a return of 26,7% in the past year compared to only 2,6% in 2011. The improvement in returns from the FTSE/JSE Financial and Industrial 30 Total Return Index was even more remarkable, from 9,7% in 2011 to 42,4% in 2012.

Excellent equity market returns were supported by equally good returns from the bond market, with the All Bond Index producing a return of 16% for the year. What makes this achievement especially remarkable is that it was achieved in spite of South Africa's sovereign rating being downgraded by the major rating agencies for the first time since the country's democratic transition.

An unexpected further cut in its repo rate by the Reserve Bank in July in the face of rising inflation but ostensibly to counter the effect of a weak Europe on the South African economy played a major role. Foreign demand for South African bonds furthermore reached an all-time high during 2012, boosted by the continuing search for yield by global investors and South Africa's inclusion in the Citi World Government Bond Index.

The strong foreign interest in South African bonds was unfortunately more than cancelled out by net sales of South African equities, which along with a weakening current account balance and downward pressure on commodity prices contributed to a weakening of the exchange rate of the rand, with the R/$ rate depreciating by 5% for the 2012 calendar year. However, the rand has subsequently weakened further due to questions being asked about the attractiveness of South Africa as an investment destination.

A repeat performance in 2013 is unlikely. Equity valuations have reached levels that do not justify further rating-induced gains, while a global rotation out of bonds seems to have started. The policy outlook for South Africa remains uncertain, and the relationship between business and government needs to be clarified before it can improve. The financial services industry will also continue to be faced with regulatory challenges.

Jac Laubscher

Group Economist

Key topics

www.sanlam.co.za/investors

Our online sustainability report provides further information on our key performance indicators and our material sustainability pillars.

Average return on a Sanlam share per annum

Desmond Smith
Chairman

> "A significant contributor to the success of the Sanlam business has been its strong strategic focus driven by a consistent and well-defined strategy"

Enablers and disablers discussed

- Clear goals and direction
- Responsible citizenship
- Strategies to stay relevant, reliable and dependable
- Treat clients fairly (client-centric)
- Complacency
- Accepting mediocrity
- Resistance to progress and transformation

Over the past 14 years I have watched the Sanlam share price grow by 665% from R5,85 at the end of 1998 to R44,77 a share at the end of 2012. This means R100 000 invested in Sanlam shares 14 years ago was worth R1,2 million at the end of 2012, including reinvestment of the dividends paid by Sanlam over the years. This represents an average return of 19,7% per annum. In comparison the SA Life Insurance Index returned an average 11,5% per annum over the same period.

This exceptional growth in the Sanlam share price is significant for two reasons. It means that as a Group we have made good on our promise to deliver shareholder value. It also shows shareholders and clients are willing to place their money with us, because they believe the Sanlam Group is a viable and sustainable financial services group.

This is important since a growing and profitable organisation is the best guarantee shareholders and clients can get in respect of their investments.

Johan van Zyl in his Management Review makes the very valid point that the nature of the Sanlam business is to make long-term promises to create value for shareholders, grow investments in line with investors' expectations and pay valid claims to policyholders and their beneficiaries. The Sanlam Board understands very well that these long-term undertakings are only meaningful if they are backed by a sustainable business.

Sound corporate governance principles are fundamental to a sustainable business and therefore critical in ensuring Sanlam conducts its affairs in a manner that safeguards the interests of all our stakeholders. For this reason corporate governance is one of the top priorities of the Sanlam Board and executive management.

The King III Code of Governance, which applies to all companies listed on the JSE, recommends that the board of a company takes full responsibility not only for its corporate governance, but also for the company's information technology (IT) governance. The Board therefore dedicated much of 2012 to reviewing the Group's corporate governance framework, with a special focus on IT governance.

IT governance ensures the Group's IT capabilities are structured and managed with the aim of ultimately creating stakeholder value. This involves building the right capacity and structures to achieve alignment, manage risks, enable change, deliver quality IT services and manage costs.

Having reviewed the Sanlam Group's governance framework, its risk management systems, its internal audit functions, as well as its five-pillar strategy in 2012, I am happy to report that the Sanlam engine remains powerful and fine-tuned to continue on its path of success.

I therefore proudly present you with the Sanlam Group's third Integrated Report and hope you agree with me that this report confirms the Sanlam Group's commitment to growing a sustainable business able to deliver on its promises for the long term.

The theme for this year's report is the *Sanlam Blueprint for Success*, because striving for success is part of the Sanlam genetic make-up.

Positioned for success

In 2012 the Sanlam Board, together with executive management, reviewed the same five-pillar strategy for the eighth year in a row. Once again it was agreed that this strategy remains as relevant today as it was in 2004 when Johan van Zyl first introduced it.

A significant contributor to the success of the Sanlam business has been its strong strategic focus driven by this consistent and well-defined strategy. Coupled with this is the Group's very sophisticated risk appetite, which determines how much risk the Group is prepared to take to achieve its growth targets.

Evidenced by the success of Sanlam's diversification efforts, we have managed to deliver shareholder value without taking on excessive risk. I am pleased this has been recognised by analysts who have described Sanlam's approach to international expansion as measured and prudent.

The solid operating earnings growth for 2012, for example, was driven mainly by Sanlam Personal Finance, which is well diversified across all South African market segments, and Sanlam Emerging Markets, which delivered outstanding growth of 39% as a result of successful partnerships in its Rest of Africa segment. It is no surprise then that Sanlam is increasingly being recognised as a successful growth story.

In 2013 a key strategic focus for Sanlam is further expansion of its presence in emerging markets in Africa and Asia, which offer good growth opportunities given the low penetration of insurance products and services. The benefit will be further revenue and earnings diversification.

We have to be very vigilant, however, that this growth is never achieved at the expense of our society and our environment. If we cannot show growth and progress across our triple bottom line – profit, people and planet – our company's set of financial results is meaningless as it will not be sustainable.

Responsible growth

Achieving earnings growth in a responsible and sustainable manner is key to the Sanlam strategy. Therefore one of the key enablers of the *Sanlam Blueprint for Success* is responsible citizenship. In short, being a responsible citizen means making a positive contribution to the broader society.

Sanlam considers this a business critical imperative, which therefore falls directly under the oversight of the Board via its Social, Ethics and Sustainability Board committee, chaired by independent non-executive director Valli Moosa.

Detailed feedback from this committee is contained in the Sanlam Sustainability Report 2012. Overall our progress has been positive, but I do support the call for greater action.

The World Economic Forum's (WEF) most recent Global Competitiveness Report ranks South Africa fourth in the world in terms of "financial market development". In its report the WEF highlights the critical significance of South Africa's ranking, stating that: *"An efficient financial sector allocates the resources saved by a nation's citizens, as well as those entering the economy from abroad, to their most productive uses. It channels resources to those entrepreneurial or investment projects with the highest expected rates of return rather than to the politically connected. Business investment is also critical to productivity."*

In the light of this, I consider it only fitting that one of the Group's challenges for 2013 will be to further develop internal competencies around the integration of environmental, social and governance issues in our investments as required by the Code for Responsible Investing in South Africa (CRISA) and the United Nations Principles of Responsible Investing (UN PRI).

In addition to taking responsibility for the Group's delivery on environmental, social and governance (ESG) issues, the Board also carries ultimate responsibility for ensuring all clients are treated fairly. In 2012 we expanded the mandate of the Policyholders' Interest committee of the Board to all Sanlam clients and renamed it the Customer Interest committee.

Treating clients fairly has always been a Sanlam priority and is one of the enablers of the *Sanlam Blueprint for Success*. The Customer Interest committee has been tasked with overseeing the implementation of the six proposed fairness outcomes of the Financial Services Board's (FSB) Treating Customers Fairly (TCF) project. However, the absence of a shared understanding of what ultimately defines a fair outcome does remain of concern.

Key risks and opportunities

When identifying risks and opportunities it is important to consider internal factors in addition to external factors.

As mentioned earlier, in 2012 the Sanlam Board together with executive management conducted rigorous reviews of our governance framework and risk management processes to identify internal risks and opportunities.

While I am satisfied that Sanlam continues to be a well-managed company with solid governance in place, I agree with Johan van Zyl that more can be done to exploit internal synergies. I am also in full agreement that we need to ensure all Sanlam employees buy into the Sanlam culture, its DNA, in order for the business strategy to be successful.

This is how the *Sanlam Blueprint for Success* was born. This initiative aims to enhance the internal "can do" culture that already exists within the Group to encourage the various businesses to work closer together to identify new opportunities and use existing synergies to exploit them to the benefit of our stakeholders.

Looking at external risks and opportunities, the single biggest risk is undoubtedly posed by the wave of regulatory reform sweeping across our industry at, in my view, an unrealistic pace. While I do not doubt that government pursues these regulatory changes with the best intention, these initiatives often cause uncertainty, load the industry with heavy costs, and force the redeployment of senior resources to deal with change instead of focusing on the management of businesses.

Much of the uncertainty is caused by the often uncoordinated approach to the introduction of draft legislation and reform proposals. In our view this is due to the lack of shared vision for the future development of the savings and investment industry, not only within government, but also between business and government. The Board is supportive of a negotiated future development of the industry by the various stakeholders.

Regulatory change in South Africa is strongly influenced by international developments. While it is understood that as a contributing policymaker to the G20, South Africa has a responsibility to implement policy in line with the Financial Stability Board's recommendations, I believe not all regulatory changes are appropriate for our unique challenges.

In addition, our industry is also grappling with a multitude of reform proposals and changes to the taxation basis of insurers. My concern is that this additional uncertainty may impact on the ability of this important sector to invest in and grow the economy.

Reform proposals that are likely to impact on the South African savings and investment industry include:

- National Social Security Reform
- Intermediary Remuneration Review
- National Health Insurance
- Review of basis for taxation of insurance companies.

Some of the regulatory interventions likely to impact most on the Sanlam business include the following:

- The new risk-based solvency regime for South African short-term and long-term insurers, known as the Solvency Assessment and Management (SAM) regime.
- Review of the legislative imperatives inherent in the Treating Customers Fairly (TCF) project.
- Review of the existing legislative framework, including the Long-term Insurance Act and the Micro-insurance Act.

While I agree that South Africa needs to keep its regulatory framework in step with the international community, the volume and pace of change are of concern in that they may result in unintended consequences. The TCF project alone is likely to impact on some 24 different pieces of existing legislation.

It is also critical for our industry that level playing fields are maintained between our industry and government, especially with government considering becoming an active participant beyond offering retail savings bonds.

Board review

At the end of the 2012 financial year, the Sanlam Board had 18 members: 12 were independent non-executives (in accordance with King III's 'independence' standards), two were non-executives, and four were executive directors. The classification of directors as independent is reviewed annually. The average length of service by the directors was six years and nine months.

In September 2012 we bade farewell to Yvonne Muthien who retired from the Board after three years of service and in December 2012 we welcomed Yegs Ramiah as an executive director.

Our Board comprised four black females, five black males, one white female and eight white males at 31 December 2012.

Following the conclusion of the Shriram Capital transaction we are pleased that Arun Duggal, the chairman of Shriram Capital, has accepted an invitation to join the Sanlam Board. His appointment confirms the strong relationship between Sanlam and the Shriram Group. Arun brings extensive Indian and other international corporate experience to the Board and we look forward to his contribution.

In closing

A large part of Sanlam's success is due to the fact that it is extremely well managed by a competent executive management team and well governed by a strong and dedicated Board. A very clear understanding of the role of management versus the duties of the Board ensures that mutual trust and respect drive the business critical decision-making process at the top.

I would therefore like to thank Johan van Zyl and his management team for consistently displaying a 'can do' attitude, which permeates through the rest of the organisation and provides the Group with its genetic code for success as mapped in the *Sanlam Blueprint for Success*.

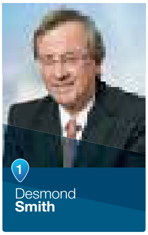
Similarly I would like to express my gratitude to Patrice Motsepe, deputy chairperson of the Sanlam Board, and my fellow Board members who have applied themselves to the business often beyond the call of duty. I must commend each and every one of them for their willingness to gain new knowledge and expertise every time a new challenge arises. Given the speed at which regulatory change washes over us, this is no small task.

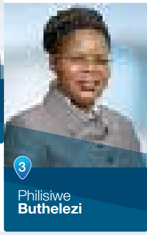
I would also like to extend a sincere thank you to our staff, our shareholders and other stakeholders for their support in 2012. Thank you for trusting the Sanlam Group to deliver on its promises.

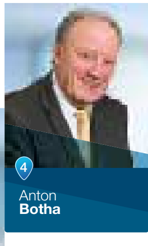
Desmond Smith
Chairman

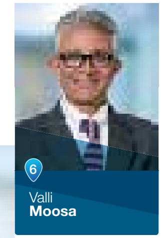
Cape Town
6 March 2013

SANLAM BOARD OF DIRECTORS AND COMMITTEE MEMBERSHIPS









Independent non-executive directors

1. Desmond Smith (65) (Chairman)

Director since 2009

Qualifications: BSc, Fellow of Actuarial Society of SA, ISMP (Harvard)

Sanlam and Sanlam Life committee membership: Non-executive directors (Chairman), Nominations (Chairman), Human Resources.

Major external positions, directorships or associations: Reinsurance Group of America (SA), Medi-Clinic Corporation, InnovUS Tegnologie Oordrag, Stellenbosch Institute for Advanced Studies, Road Accident Fund, International Actuarial Association, Twee Klippen Estates, Tedo Beleggings.

2. Manana Bakane-Tuoane (64)

Director since 2004

Qualifications: PhD Economics (University of Saskatchewan, Canada)

Sanlam and Sanlam Life committee membership: Nominations, Human Resources, Customer Interest, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals.

3. Philisiwe Buthelezi (48)

Director since 2011

Qualifications: MBA (Corporate Finance), MSc (Economics)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

Major external positions, directorships or associations: Group Five, The National Empowerment Fund, Industrial Development Corporation (IDC).

4. Anton Botha (59)

Director since 2006

Qualifications: BProc, BCom (Hons) Investment Management, EDP (Stanford)

Sanlam and Sanlam Life committee membership: Human Resources (Chairman), Non-executive directors.

Sanlam Group directorships: Sanlam Capital Markets, Sanlam Investment Holdings, Genbel Securities.

Major external positions, directorships or associations: JSE, University of Pretoria, Vukile Property Fund, Imalivest, African Rainbow Minerals.

5. Fran du Plessis (58)

Director since 2004

Qualifications: BCom (Hons) Taxation, BCom LLB, CA(SA)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance, Risk and Compliance, Customer Interest (Chairperson), Non-executive directors.

Major external positions, directorships or associations: Naspers, LDP Incorporated, Life Healthcare, Arcelor Mittal.

6. Valli Moosa (55)

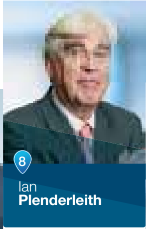
Director since 2004

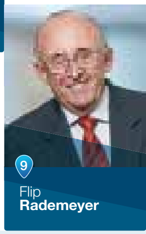
Qualifications: BSc Mathematics and Physics

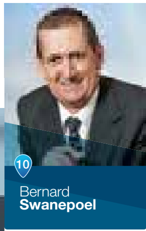
Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability (Chairman), Non-executive directors.

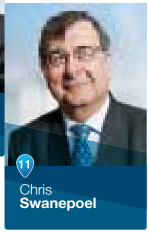
Major external positions, directorships or associations: Lereko Investments, Imperial, Sun International, Anglo Platinum, Sappi, WWF-SA.

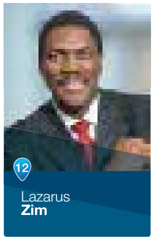
All Sanlam Limited Board members are directors of the Sanlam Life Insurance Limited Board.











7. Sipho Nkosi (58)

Director since 2006

Qualifications: BCom (Hons) Economics, MBA, Diploma in Marketing, AMP (Oxford)

Sanlam and Sanlam Life committee membership: Non-executive directors.

Major external positions, directorships or associations: Exxaro Resources, Anooraq Resources, Eyesizwe Holdings.

8. Ian Plenderleith (69)

Director since 2006

Qualifications: MA (Oxon), MBA (Columbia), FCT, FCSI, CBE

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

Sanlam Group directorships: Sanlam UK.

Major external positions, directorships or associations: Past Deputy Governor of the SA Reserve Bank, Past Executive Director of the Bank of England, BH Macro, BMCE Bank International, Invoice Clearing Bureau South Africa, Wits Business School Advisory Board, Morgan Stanley International, Morgan Stanley & Co International.

9. Flip Rademeyer (65)

Director since 2011

Qualifications: CA(SA), SEP (Stanford)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance (Chairman), Risk and Compliance, Social, Ethics and Sustainability, Non-executive directors.

Sanlam Group directorships: Sanlam Emerging Markets, Sanlam Developing Markets, Sanlam Customised Insurance, Channel Life, Sanlam Collective Investments, Sanlam Coris Capital Collective Investment Managers, Glacier Management Company, Sanlam Personal Finance (Divisional Board).

Major external positions, directorships or associations: Ubuntu-Botho Investment Holdings, Velacore.

10. Bernard Swanepoel (51)

Director since 2004

Qualifications: BCom (Hons), BSc Mining Engineering

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals, To-the-Point Growth Specialists, Advisory Board Alexander Proudfoot, Village Main Reef, Savannah Mining.

11. Chris Swanepoel (62)

Director since 2011

Qualifications: BSc (Hons), Fellow of the Institute of Actuaries, Fellow of the Actuarial Society of South Africa

Sanlam and Sanlam Life committee membership: Risk and Compliance (Chairman), Audit, Actuarial and Finance, Customer Interest, Non-executive directors.

Sanlam Group directorships: Sanlam Investment Holdings, Sanlam Capital Markets, Sanlam Credit Conduit, Genbel Securities, Sanlam Developing Markets, Channel Life, Sanlam Personal Finance (Divisional Board).

12. Lazarus Zim (52)

Director since 2006

Qualifications: BCom (Hons), MCom, DCom(HC)

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: Zim Capital, Afripalm Resources, Gulf Energy (SA), ATISA Group and Northam Platinum.

Non-executive directors

13. Patrice Motsepe (51) (Deputy Chairman)

Director since 2004

Qualifications: BA Legal, LLB

Sanlam and Sanlam Life committee membership: Nominations, Human Resources, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals, Harmony, Ubuntu-Botho Investments, Ubuntu-Botho Investment Holdings, Mamelodi Sundowns Football Club, African Fashion International.

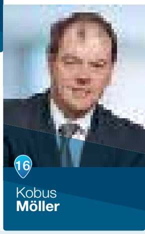
14. Rejoice Simelane (60)

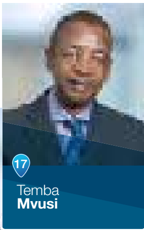
Director since 2004

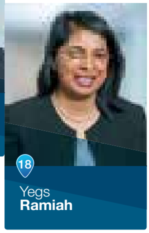
Qualifications: PhD (Econ) (Connecticut, USA), LLB

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals, Ubuntu-Botho Investments, Ubuntu-Botho Investment Holdings, Mamelodi Sundowns Football Club.







Executive directors

15. Johan van Zyl (56)

Director since 2001

Group Chief Executive since 2003

Qualifications: PhD (Economics), DSc (Agric)

Sanlam Group directorships: Sanlam Investment Holdings (Chairman), Sanlam Netherlands Holding BV, Sanlam UK, Santam, Sanlam Emerging Markets (Chairman), Sanlam Developing Markets, Channel Life, Chairman of Sanlam Personal Finance (Divisional Board).

Major external positions, directorships or associations: University of Pretoria, ASISA (Association of Savings and Investment South Africa) (Chairman), Vumelana Advisory Fund (Chairman), One Vision Investments 512, Dippenaar & Reinecke.

16. Kobus Möller (53)

Financial Director since 2006

Qualifications: BCompt (Hons), CA(SA), AMP (Harvard)

Sanlam and Sanlam Life committee membership: Risk and Compliance.

Sanlam Group directorships: Sanlam Capital Markets, Sanlam Emerging Markets, Sanlam Investment Holdings, Ubuntu-Botho Investment Holdings, Santam, Sanlam Personal Finance (Divisional Board).

17. Temba Mvusi (57)

Executive Director since 2009

Chief Executive: Group Market Development

Qualifications: Diploma in International Relations (Univ. of New Delhi), BA, ELP (Wharton School of Business), MAP, PDP

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability.

Sanlam Group directorships: Sanlam Investment Management, Sanlam Private Investments, Sanlam Investment Holdings.

Major external positions, directorships or associations: IEMAS.

18. Yegs Ramiah (45)

Member of Exco since 2012

Qualifications: BA, LLB, Higher Diploma in Tax Law, MBA, AMP (Harvard), Admitted attorney of the High Court of South Africa

Appointed Chief Executive: Sanlam Brand in 2012

Executive director of Sanlam Limited and Sanlam Life, Santam, Sanlam Investment Management, Sanlam Investment Holdings. Non-executive director of Adopt A School foundation.

Yvonne Muthien, Chief Executive: Group Services and an Executive Director since 2009, retired during 2012.

Clear goals and directions

Solid

foundations on which to grow enable us to keep delivering on our promises

MANAGEMENT REVIEW BY THE GROUP CHIEF EXECUTIVE

Key topics

www.sanlam.co.za/investors

Our online report provides further information on our key performance indicators and our material sustainability pillars.

Average return on a Sanlam share per annum

20%

Johan van Zyl
Group Chief Executive

"Over the past ten years we have put in place solid foundations on which to grow a relevant and sustainable business that will enable us to keep on delivering on our promises"

Enablers and disablers discussed

- Clear goals and direction
- Responsible citizenship
- Strategies to stay relevant, reliable and dependable
- Innovation
- Treat clients fairly (client-centric)
- Transformation
- Inefficiencies
- Complacency
- Accepting mediocrity
- Resistance to progress and transformation

At the core of the Sanlam business are promises to different stakeholders. A promise to manage our clients' money in line with their expectations, an undertaking to pay an insurance claim, a commitment to deliver solid shareholder value, a declaration to treat our people with respect and fairness, a compact to be a responsible citizen.

The Sanlam Group exists solely to deliver on these promises. Given the nature of our business our promises are long-term undertakings. We therefore need to ensure that our business is sustainable well into the future since we will only remain relevant for as long as we keep our promises.

Since promises are made and kept by people, it is imperative that as the Sanlam Group we have the enablers in place that will ensure our sustainability and help our people deliver on our promises.

In 2012 we therefore identified the critical business enablers that are key to the ongoing success of our business and mapped our very own genetic code – the DNA that makes us unique as a financial services group and that will continue to drive our future success.

Known as the *Sanlam Blueprint for Success*, this initiative consists of 12 enablers that are necessary to ensure our success and 12 disablers that can contribute to us becoming irrelevant and unsustainable if not stamped out. All Sanlam employees are expected to apply the *Sanlam Blueprint for Success* in everything they do to ensure we remain sustainable so that we are able to keep our promises.

We therefore thought it fit to compile this, our third Integrated Report, under the title *Blueprint for Success*. You will notice that throughout this report we measure ourselves against the following enablers that are of the greatest relevance to our stakeholders:

- Clear goals and direction
- Staying relevant
- Reliable and dependable
- Innovation
- Client-centric
- Responsible citizenship

While I firmly believe we have once again delivered on our promises to our clients, our shareholders, our employees and our country in 2012, the aim of this holistic and transparent overview is to enable stakeholders to judge for themselves.

The operating environment in 2012

The South African private sector and the country's financial markets showed a strong resilience in 2012 by delivering results that exceeded expectations despite a difficult and generally unsupportive environment. The financial services industry has been operating in an environment of unrelenting regulatory reform, which is impacting on the ability of this important sector to invest and grow. In his message, our Chairman has elaborated on some of the regulatory changes that are impacting the most on our industry.

As noted by our Group Economist, the growth in company profits in 2012 has therefore been nothing less than remarkable. At an economy-wide level the gross operating surplus of the business sector grew by 6% in 2012.

As a result, the Johannesburg Stock Exchange (JSE) showed a strong recovery in the second half of the year, resulting in the FTSE/JSE All Share Total Return Index increasing by 26,7% in 2012 compared with an increase of only 2,6% in 2011. The improvement in returns from the FTSE/JSE Financial and Industrial 30 Total Return Index was even more remarkable, increasing from 9,7% in 2011 to 42,4% in 2012.

The strong equity market returns were supported by equally good returns from the bond market, with the All Bond Index producing a return of 16% for the year. This achievement is made especially noteworthy by the fact that it was achieved in spite of South Africa's sovereign rating being downgraded by the major rating agencies for the first time since the country's democratic transition.

Furthermore, foreign demand for South African bonds reached an all-time high during 2012, boosted by the continuing search for yield by global investors and South Africa's inclusion in the Citi World Government Bond Index. The strong foreign interest in South African bonds was unfortunately negated by net sales of South African equities, which along with a weakening current account balance and downward pressure on commodity prices contributed to a weakening of the rand.

Delivering on our promises

The Sanlam Group delivered a solid operational performance in 2012.

I am exceptionally pleased to report that the Return on Group Equity Value (RoGEV) per share for 2012 came in at 22%, exceeding the target of 12,2% by a comfortable margin. The adjusted RoGEV per share, which excludes the impact of investment markets and tax changes during the period, amounted to 15%, also well in excess of the target.

Our primary performance target is to optimise shareholder value through maximising the RoGEV per share. Given the nature of the Group's diversified business we consider this measure of performance the most appropriate since it incorporates the results of all the major value drivers in the business.

The net results from financial services grew by 6% on a per share basis.

The following are some of our other salient results:

- New business volumes increased by 18% to R136 billion
- Net value of new covered business up 23%
- Net VNB margin of 3,22% compared to 3,05% in 2011
- Normal dividend per share increased by 27% to 165 cents
- Special dividend per share of 50 cents

2012 strategic initiatives

Our well-defined goals and direction, as outlined in our five-pillar strategy, form the backbone of our *Blueprint for Success*.

This strategy, described by analysts as clear and consistent with steady execution, has now been in place for nine years, and it has served us well as evidenced by our results. Boring as this may sound, I believe that this is still the right strategy for the Sanlam Group and it remains firmly in place.

The following five strategic pillars therefore continue to underpin the Sanlam Group business model:

- Improving performance through top-line **earnings growth**
- Achieve improved **operating and cost efficiencies**, including quality
- Improving **capital efficiency** on an ongoing basis
- Prioritising Sanlam's international positioning through **diversification**
- Embracing and accelerating **transformation** of the Group

Below is a brief overview of our achievements for 2012 against these strategic pillars.

Earnings growth

I am happy to report that the Sanlam Group delivered a healthy earnings growth rate in 2012, despite a very challenging operating environment. This again proves the resilience of our business, which is a direct result of a clear and consistent strategy supported by targeted diversification.

Earnings growth was driven by solid contributions mainly from Sanlam Personal Finance (SPF) and Sanlam Emerging Markets (SEM).

SPF achieved satisfactory organic growth of 6% in its entry-level market new business sales, middle-income new business volumes increased by 16% and the affluent market segment recorded a 21% increase in new business. SEM delivered exceptional growth of 70% in its Rest of Africa operations as a result of its successful partnerships in Africa.

I have always maintained that earnings must be grown in a responsible and sustainable manner and I am satisfied that we are achieving this. We have maintained a strong focus on the quality of new business by providing clients with affordable and appropriate products for their specific needs and as a result persistency levels remain strong across all market segments. The fact that entry-level market persistency levels remained as strong in 2012 as they had been in 2011 was quite an achievement given the impact of the mining strikes on this segment.

Operating and cost efficiencies

The *Sanlam for Sanlam* cooperation programme, introduced at the end of 2010 to increase profits through cooperation between businesses, is already making a significant contribution.

The *Blueprint for Success* initiative, launched late in 2012, is aimed at enhancing the *Sanlam for Sanlam* programme by helping employees embrace the critical enabling factors that will help Sanlam achieve accelerated growth.

In 2012 we also completed the implementation of new IT systems for SPF at a cost of R400 million, which will enable the cluster to increase efficiencies and design more innovative and competitive products.

As part of our drive to remain relevant into the future we have to recognise that future generations will engage differently with our products and services. It is imperative that our digital offering is implemented by the time South Africa's digital generation is old enough to engage with our offering. For this reason, we have intensified our focus on our digital strategy.

Sanlam Investments has also focused on improving margins through the effective use of technology to improve efficiency and to reduce costs. In addition the Sanlam Investments website has been enhanced to facilitate a better client experience by providing more regular and easily accessible information to clients.

In 2012 we spent around R34 million on various initiatives aimed at ensuring we remain a responsible corporate citizen, including internal and external audits, reporting of results and Board activities.

Capital efficiency

Our liquidity position remained robust in 2012 and all of the Group operations remain well capitalised. Sanlam Life Insurance Limited's statutory capital adequacy requirement (CAR) ratio remained strong at 4.3 times the minimum regulatory requirement. This means Sanlam remains well positioned to honour benefit payments due to its policyholders.

We started 2012 with a war chest of around R4 billion, which was bolstered by a strong initiative in 2012 to drive surplus capital out of the various businesses and allocate this money to growth initiatives. A total of R3,3 billion was redeployed during 2012. This is addressed in more detail in the financial review.

The Sanlam Group held discretionary capital of R4,2 billion at the end of December 2012. During 2013 we will continue to look for opportunities that fit in with our strategic focus of bulking up in the high-growth areas of Africa, India and South-East Asia. We will also allocate some capital to strengthening our distribution capabilities in South Africa. The Board is also conscious of the negative impact that discretionary capital has on the Group's RoGEV if not utilised within a reasonable timeframe. Given the strong capital position of the Group and the level of discretionary capital, the Board approved the payment of a special dividend of 50 cents per share.

Diversification

Our successful diversification strategy has enabled us to deliver consistent robust business performance despite challenging conditions in recent years. Diversification has therefore played a significant role in making the Sanlam Group the success story it is today.

Over the past 10 years Sanlam has evolved from a traditional insurer to a diversified financial services provider with an extensive product offering catering for all market segments. We have also successfully grown our local and international footprint with the aim of further diversifying revenue streams.

Today we have a presence in 10 African countries, excluding South Africa, as well as India. In 2012 we also confirmed two acquisitions that will see us expanding our presence in India and venturing into Malaysia in 2013. Furthermore we also have successful operations in the UK, Ireland, Switzerland and Australia.

The Group's expansion into stable target markets offering strong growth opportunities has resulted in the desired earnings and revenue diversification. In 2003 our traditional South African operations contributed 97% of gross operating profits, while Namibia and other international operations contributed 2% and 1% respectively. By 2012 the contribution to gross operating profits from our traditional South African operations was 75%, while our other operations contributed the remaining 25%.

In 2013 we will focus on extracting more value from our existing partnerships in Africa. We will also finalise our Malaysian acquisition and continue to identify other opportunities in South-East Asia, which we believe offers tremendous growth opportunities. Our preferred approach has been to enter new markets via local partnerships and we will continue to apply this winning strategy.

In South Africa our focus will be on growing our market share in the Gauteng market as well as in the entry-level market. While the South African middle-income and affluent markets are mature, we have seen strong growth emanating from the entry-level market.

The Sanlam business is still predominantly intermediated and as part of our diversification strategy we are looking at alternative methods of distribution, especially in the entry-level market. Our joint ventures with affinity groups such as unions and church groups have proven successful alternative distribution channels and we will continue to expand on this approach.

We have also made good progress with MiWay, a direct short-term insurance company owned by Santam. Our future goal is to add traditional Sanlam products to the MiWay online platform.

Transformation

In order to remain a relevant player in a constantly changing environment we need to maintain the agility to transform our business to meet new demands.

In the South African context transformation is traditionally seen as a company's willingness to adapt the composition of its staff complement and its shareholding to more accurately reflect the demographics of the country. We are committed to achieving this and as a result we have made good progress.

In 2011 we had set ourselves the target of increasing our black staff complement to 62% by the end of 2012. Not only did we achieve this, but we also exceeded this target by a small margin. At the end of 2012, 63% of our staff complement was black.

As far back as 1993, Sanlam concluded the country's first major black economic empowerment transaction with the sale of Metropolitan to a black-owned consortium. In 2004 the Ubuntu-Botho deal resulted in a broad-based black empowerment consortium buying a 10% shareholding in Sanlam in what was to become one of the most far-reaching black empowerment transactions to date. With the gazetting of the Financial Sector Code late in 2012 we now have a clear roadmap on how to build on existing achievements in black economic empowerment to the benefit of all stakeholders.

We also believe our willingness to transform must extend to other areas of our business. We have therefore been transforming our offering to the entry-level market as well as our distribution model for this segment to ensure more people have access to financial services.

As one of the biggest financial services groups in the country, the transformation of the savings and investment landscape of South Africa is an additional priority and we continue working with the Association for Savings and Investment South Africa (ASISA) as well as National Treasury and the Financial Services Board (FSB) to achieve this.

Our Blueprint for Success

Sanlam is one of South Africa's largest custodians of the nation's savings and carries an enormous responsibility to be a responsible citizen.

Responsible citizenship is therefore one of our key contributions toward enabling *Sanlam's Blueprint for Success*.

While a comprehensive overview of all our achievements is contained in the Sustainability Report published on our website, I would like to highlight the following contributions Sanlam has made as a responsible corporate citizen of South Africa in 2012:

- *The WWF Sanlam Living Waters Partnership* focuses on protecting water resources that underpin South Africa's economy. In 2012 Sanlam committed a further R16 million for the next three years to this project, bringing Sanlam's total investment in the partnership to R30 million.
- *Operation Hope SA* educates learners in the Western Cape and Gauteng in financial literacy. Sanlam staff volunteers, trained by representatives of Operation Hope SA, help present the lessons and reached 1 669 learners in 2012.
- *HIV & Me* targets learners in high schools helping them to make responsible and informed choices about their health and sexual conduct. In partnership with the Regency Foundation and provincial departments of education, Sanlam has introduced the programme in 20 KwaMashu and Umlazi schools in KwaZulu-Natal. In 2012, 9 175 learners were reached across 20 schools in five provinces.
- *The Sanlam Brilliance Winter School Programme* is a three-year partnership between the Sanlam Foundation and Protec (Programme for Technological Careers) aimed at improving the performance of educators and the results of high-school learners in 10 Limpopo and North West schools underachieving in maths and science.
- *The Thuthuka Bursary Fund* offers bursaries to recruits from traditionally marginalised segments of the economy. Sanlam renewed its sponsorship of the fund during 2012.

How our business clusters performed in 2012

The Sanlam Group consists of four operational clusters: Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investments and Santam. Below is a brief overview of the 2012 performance highlights for each of these clusters.

Sanlam Personal Finance (SPF)

SPF achieved an excellent set of results in a year characterised by economic and regulatory uncertainty. These results were achieved despite the Financial Advisory and Intermediary Services (FAIS) regulatory exams, which made recruiting and retaining productive intermediaries challenging.

SPF made good progress on a number of important goals as is evidenced by the solid financial results delivered by the business for 2012. The continued focus on treating clients fairly together with innovative product design and strategic diversification enabled SPF to achieve strong premium growth in 2012. This was driven mainly by single-premium business, which grew by 20% on the back of the success of the Cumulus single-premium savings solution and the Glacier International offering.

New recurring-premium business remained under pressure in 2012, mainly because consumers had less disposable income to commit to long-term risk cover and recurring-premium investments. Nevertheless stable growth of 4% was recorded. This was driven partly by satisfactory growth of quality business by Sanlam Sky Solutions, our product offering for the entry-level market.

I must congratulate SPF on growing the profitability of new business by 33% in 2012. This exceptional growth was achieved in a very competitive environment and was driven by our strong focus on achieving profitable new business. I am also pleased that we managed to maintain good persistency levels across all market segments, especially in the entry-level market where the impact of the labour unrest was felt strongly.

The SPF gross operating profit increased by 18%, which is a pleasing result given the maturity of the Sanlam Life book.

SPF also delivered on its target of outperforming its RoGEV hurdle rate in 2012 by achieving a RoGEV of 23,8%.

I am very satisfied with the results delivered in 2012 due to SPF's strategy of focusing on quality and profitable new business and treating our clients fairly. I recognise that the business will be faced with various regulatory and economic challenges in 2013, but I am confident SPF has the right people and strategy in place to continue to perform.

The key results for each of the SPF market segments are as follows:

- Affluent market

  The Glacier brand is fast entrenching itself as a premier brand in the affluent market. Both Glacier International as well as the Glacier local offerings attracted significant inflows in 2012, and sales grew by a very healthy 21%. Gross operating profit grew by 11%.

  The affluent market is promising steady future growth. We aim to share in this opportunity by aggressively growing fiduciary and related services for this market segment, as well as short-term insurance activities and risk business.

- Middle-income market

  Despite pressure on new recurring premiums in 2012, sales increased by 16% in 2012. New life recurring-premiums grew by 7% and single-premiums by 18%. Gross operating profit increased by 17%.

  Launched in March 2011, our Cumulus product range delivered exceptional performance in 2012 on the back of strong single premium sales. The Cumulus recurring premium retirement annuity, launched in early 2012, attracted good inflows and is expected to show further growth in 2013.

  Risk sales remain under pressure and SPF is looking at introducing a more competitive product offering in 2013. The implementation of a new policy administration system prevented the business from making changes to the SPF risk product offering for the past two years. The implementation was completed in October 2012.

- Entry-level market

  I am pleased to report a strong recovery in the sales of this segment, following a decline in 2011. Total sales were 6% higher in 2012 than in 2011, driven mainly by strong growth in individual life business of 13%. This is indicative of our growing stature of being relevant, reliable and dependable in this market segment.

  In 2011, SPF reduced the size of the sales force to improve the quality of new business. Once this had been achieved the agency footprint was expanded again. This paid off in 2012, and after an initial stabilisation period there was a definite improvement in sales and quality of business from a growing agency footprint.

  The focus on quality has boosted VNB, which ended 45% ahead of 2011.

  SPF's voluntary group schemes business reported a 9% decline, partly due to a distortion in the annual new business premium growth from the Zion Christian Church (ZCC), which adjusts its recurring premium every two years. The next increase is due in 2013. Political uncertainty and unrest in the labour market also contributed to a decline in new business in the voluntary group schemes business.

  Despite continued poor experience on hospital claims, gross operating profit grew by 27% in 2012, thanks primarily to good overall claims experience, focus on quality business and excellent cost control.

SPF's Blueprint for Success

It takes skilled, committed, competent and motivated people to deliver on promises such as treating clients fairly and providing innovative and appropriate product solutions.

Therefore, investing in people is one of SPF's key contributions toward enabling *Sanlam's Blueprint for Success*. SPF achieved the following in 2012:

- Investors in people

  During 2012 all SPF businesses were independently assessed against the internationally recognised Investors in People standard. All businesses due for re-assessment in 2012 again achieved this standard and SPF has successfully maintained the Investors in People accreditation achieved in 2006 and 2009.

  In 2012 the SPF cluster invested more than R55 million in the training and development of its people.

- Opportunities for people with disability

  SPF received recognition from the Insurance Sector Education Training Authority (INSETA) and the Deputy Minister of Women, Children and People with Disabilities for demonstrating a sustained and extraordinary commitment to skills development and creating workplace opportunities for persons with disability.

- Developing our people

  Supporting SPF's vision to be an employer of choice, the SPF Distribution Academy aims to equip and empower our distribution staff (both sales and support) with the required knowledge and skills to function optimally in their professional capacity.

  I am very pleased with the significant progress made by the Academy on preparing our intermediaries for the Regulatory Exams, as well as proactively managing our intermediaries to meet the FAIS Fit and Proper deadline of 31 December 2013.

Sanlam Emerging Markets (SEM)

SEM drives the Sanlam Group's strategic objective of becoming a leading financial services player in selected emerging markets focusing on diversified financial services. SEM's footprint spans 10 African countries and India. We also confirmed two acquisitions totalling R2,8 billion that will see us expanding our presence in India and venturing into Malaysia in 2013.

Given the diversity of this cluster, the overall financial results represent a mixed bag of performances from operations in 11 countries. This diversification yet again served us well in 2012, with the cluster achieving solid results despite persistent tough trading conditions. The fall-out from Europe's recession, US debt issues and slower growth in India and China as well as local domestic factors in many of the African regions, made doing business difficult.

Nevertheless the cluster achieved excellent gross operating profit, which was 30% higher than in 2011. SEM also delivered pleasing new business volumes, which increased by 18% over 2011.

Although the cluster's overall value of new business (VNB) was put under severe pressure by the underperformance of individual life sales in Botswana, SEM still recorded an increase of 20% over 2011 (excluding Botswana, the growth in VNB was 53%). Botswana continues to grapple with a challenging economic environment where government employees have not received salary increases for the past five years.

While most businesses in the cluster performed well in 2012, the following operations deserve a special mention:

- Our business in Namibia had an outstanding year, delivering solid profits and new record levels of VNB. We expect 2013 to be another good year for our Namibian operations.
- In Ghana, Zambia and Kenya our businesses achieved solid performances. In 2012 we increased our shareholding in Kenya's Pan Africa Life from 50% to 56% in line with our strategy of achieving growth through optimising existing partnerships.

- While the operations in Uganda and the medical businesses are still in the red, we have seen improved performances from all of these.
- In India our general insurance business continued to do well with a file size of 1,8 million after only four years in operation. Our life business fared reasonably well even though VNB margins were under pressure mainly due to regulatory pressure.

Creating sustainable value

In support of our Group strategy to achieve sustainable value creation in identified growth markets, SEM concluded one acquisition in 2012 and announced another that will expand the Sanlam footprint in India and South-East Asia.

- India

  In October 2012 we finalised a further R2 billion investment in the leading Indian financial services group Shriram Capital Limited (SCL). SEM now owns 26% of SCL, which provides us with access to SCL's wider financial services exposure in India such as credit businesses and distribution entities and will see SEM diversifying its earnings base. We foresee synergies across all these businesses and more opportunities for cross-selling to clients.

- Malaysia

  At the end of 2012, we concluded a deal that will see SEM acquire a 49% stake in Malaysian short-term insurer Pacific & Orient Insurance Co. Berhad (POI) in 2013, for MYR 270 million (approximately R780 million).

  The transaction is in line with Sanlam's stated strategy to pursue profitable growth opportunities in selected emerging markets and represents Sanlam's first step into the important South-East Asia region. We are confident the company, which specialises in motorcycle insurance, offers us a relatively low risk entry into the market and a platform for future growth.

SEM's Blueprint for Success

Our strategy for growing our footprint in emerging markets is not only about tapping into the substantial growth opportunity. Sanlam has also played a significant role in shaping South Africa's financial services sector into one that is highly regarded internationally, and we believe we can help our partners do the same in their respective industries.

Our preferred approach remains one of partnership. We recognise the importance of local ownership in the context of long-term sustainable socio-economic growth and development. Our experience has been that local management is best equipped to run local businesses, while Sanlam adds value by offering deep sector-specific technical skills, sharing of knowledge gained through our many years of operational experience, and providing capital to support growth.

Therefore, empowering people to take ownership and entrenching the Sanlam values through responsible citizenship are some of SEM's key contributions toward enabling *Sanlam's Blueprint for Success*. In 2012 the achievements of SEM's partners included the following:

- Leadership

  In November 2012, Pan Africa Life in Kenya won the Leadership and Management Award of the prestigious Company of the Year Awards (COYA) in Kenya. Tom Gitogo, its CEO, won the coveted CEO of the Year Award.

  R Thyagarajan, founder of the Shriram Group of companies, was awarded *Padma Bhushan* – one of the highest civilian honours awarded by the government of India.

- Quality

  Botswana Life was the proud recipient of the 2012 Gold Category – World Quality Commitment International Star Award.

- Excellence

  Sometimes it is not about what we do, but what we inspire. In 1974 Sanlam launched the Sanlam Awards for Excellence in Financial Journalism, an initiative that honours the indispensable role of the financial journalist. In 2012 Shriram Capital launched the Shriram Awards for Excellence in Financial Journalism, to be held in April 2013. The awards aim to motivate financial journalists in India to achieve higher levels of professional excellence.

- Knowledge

  The Indian, African and South-East Asian markets represent substantial growth opportunities for Sanlam. These markets are particularly attractive to Sanlam, because they share many of the characteristics of the South African market although they are often at earlier stages of development. However, as the industries continue to grow the regulatory environments are likely to follow global trends, becoming more restrictive and placing a greater emphasis on consumer protection and retail distribution. We believe we can assist our partners in navigating many of the changes we have already gone through in the South African market.

- Compliance and ethics

  Our business partners are encouraged to implement the Sanlam Group's governance framework. A process has been put in place to assist businesses to align with the Sanlam Group Compliance Charter and to ensure all compliance risks are adequately addressed. All operations are also required to adhere to our stringent reporting standards and to adopt the principles of Sanlam's Code of Ethics.

- Corporate social responsibility/investment

  Each of our business partners is engaged in corporate social investment initiatives in their respective countries. Most of these programmes are aligned with the social agenda of the country and the programmes span a broad range of areas that include health and welfare, education and training, sport and environmental issues.

Sanlam Investments

The key focus for the majority of businesses in the Investments cluster is consistent long-term investment performance that exceeds client expectations. I am satisfied that we have once again achieved this in 2012, despite a weakened rand.

On the international front economic conditions remained muted, with European economies struggling to recover as a result of austerity measures that impacted heavily on clients in these markets. The impact of these circumstances varied for the different businesses in this cluster, but overall our size and depth of expertise across the investments value chain helped us withstand any external shocks.

We firmly believe that by consistently and methodically applying our investment philosophy, which in the case of Sanlam Investment Management (SIM) is pragmatic value, while taking up the challenge of being socially responsible, we will provide sustainable positive investment results for our clients. In general the business units in the Investments cluster met or exceeded new inflow targets in 2012.

Our retail unit trust fund attracted net inflows of R5 billion in 2012. We continue to see a trend in consumers moving away from traditional institutional and legacy wrapper products to flexible and transparent retail choices. Our goals and direction regarding our retail offering remain clear and this side of the business is well positioned to benefit from the opportunities that new trends create.

In 2012 our businesses in the Investments cluster continued to feel the impact of regulatory changes and increased regulatory oversight that is unprecedented in terms of scope and detail requirements. Some of the regulatory changes forced us to curtail certain activities. The biggest impact has been on our white label business as a result of new restrictions on white label activities in the Collective Investment Schemes industry.

We are fully aware, however, that many of the regulatory changes are also bringing greater certainty to investors and service providers and this creates new opportunities for us. We strive to treat our clients fairly at all times and welcome measures that will ensure a better deal for consumers.

In 2012 we made a number of investments to strengthen and deepen our offering to our clients. I am confident Sanlam Investments has built the required capacity and has established a solid position to realise the full potential of its value chain in 2013 and beyond. The salient details are contained in the sub-cluster feedback below:

- Asset Management

  In response to a strong demand for lower cost investment products, we acquired the remaining 50% of Satrix Managers in the second half of 2012. Sanlam Investments has been the underlying manager for Satrix since inception and previously held a 50% stake. Given the rapid growth in the index tracking markets locally and globally, this acquisition is in line with our strategic growth and diversification objectives.

  With Satrix we are now in a position to offer passive products across all segments of the market, both retail and institutional, for intermediaries and direct clients, making us a dominant player in passive investment products.

  Another growth area is the Rest of Africa and investors are showing increasing interest in investing in this market. We believe our Sanlam Investments Africa Frontier Fund, a long-only equity fund that targets listed investments on African exchanges, presents an attractive alternative for our clients. Some US$70 million has already been invested in the fund, which will boast a three-year track record as of 2013. Increasing investor awareness of this fund will be a key focus during 2013.

- Wealth Management

  In order to deliver on our strategic goals and direction, this sub-cluster saw a number of significant developments during 2012. The business moved into the international wealth management arena with an integrated international offering for clients in South Africa as well as overseas.

  We successfully integrated and aligned the Investment Advisory Service and the Fiduciary and Tax Services with the rest of the sub-cluster's operations. These two South African business units were created in 2011.

  During 2012 we also bedded down the two acquisitions made at the end of 2011, namely Swiss-based offshore trust company, Summit Trust International, and UK-based stockbroker and investment manager, Merchant Securities. Merchant Securities was subsequently restructured to form part of Principal Investment Management, which in an effort to build and strengthen the Sanlam brand internationally was rebranded Sanlam Private Investments UK.

  We also initiated the rebranding of several other foreign operations. The Merchant Wealth Management business changed its name to Sanlam Private Investments UK, and the balance of the Merchant Group will be rebranded once regulatory approval has been granted. Calibre Investments will be renamed Sanlam Private Investments Australia.

- Capital Management (SICM)

  SICM, Sanlam's financial engineering business, significantly restructured its Equities Division in the second half of 2012 to ensure the business stays relevant and abreast of current market trends. This saw the termination of the Prime Services offering, the Equity Derivatives (EQD) business, the Index Arbitrage business and the proprietary trading of the Dual Listed Arbitrage business.

During 2012 this sub-cluster also strengthened its core funding businesses by ensuring growth in the Debt as well as the Property Finance businesses.

A key focus within SICM is the African Funds Initiative, with a plan to launch three new African funds in 2013. They are the Sanlam Africa New Frontiers Market Fund, the Sanlam African Floating Rate Credit Income Fund, and the Sanlam Africa Core Real Estate Fund.

Sanlam Employee Benefits (SEB)

SEB has delivered solid results in an operating environment where there is an increasing demand for transparency, strong competition and continuous regulatory interventions. We remain well positioned to embrace this change and to turn these demands into opportunities, particularly as we see a continued trend towards umbrella funds.

The Sanlam Umbrella Fund once again achieved exceptional growth in 2012 and is now recognised as the fifth largest umbrella fund in South Africa. This fund grew its market share by 8% in 2012 from a zero base in 2009. At the end of 2012 the fund boasted R9 billion in assets under management and 114 991 members.

The Sanlam Structured Solutions (SSS) smoothed bonus products attracted significant flows of R1,8 billion in 2012 on the back of solid investment performance.

Sanlam Group Risk maintained strong market share and continued to show growth in new business. This was despite the mixed underwriting conditions of 2012, which were on average somewhat lower than 2011.

I am particularly pleased with the turnaround delivered by the Retirement Fund Administration business, which significantly cut losses and improved client service levels considerably.

Simeka Consultants and Actuaries delivered solid results in 2012 having secured substantial new business in the actuarial, employee benefits and consulting divisions.

This sub-cluster continued the trend of winning several industry awards, which included the coveted Financial Intermediaries Association (FIA) Award for Employee Benefits Supplier of the Year and the Principal Officers Association (POA) Imbasa Yegolide Award for Actuarial Firm of the Year 2012.

International Investments

The weakening of emerging market currencies and the relaxation of foreign exchange restrictions have presented us with a number of opportunities to introduce innovation that allows us to stay relevant.

The uncertainty in global financial markets resulted in clients preferring assets that offer more predictable returns. We therefore acquired P2, an international platform with international distribution capabilities that offers our clients equity market exposure with downside protection via investment into global equity solutions.

In 2012 we also reaped the benefits of having optimised our business model for international investment businesses, but volatile global market conditions and continued aversion to equity investments resulted in mixed results for these businesses.

While the short-term investment performance of Sanlam Investment Management Global (SIMG) has been satisfactory, it must be noted that the long-term track record of SIMG, particularly that of the Global Financial Fund, is excellent. Despite the tough international investment environment, this business once again received a number of significant awards.

Sanlam Asset Management Ireland, the cluster's Dublin-based UCITS IV compliant investment platform, continued to expand its service offering to the Sanlam Group of companies and also successfully launched new products for third party clients during the period under review.

Sanlam UK continued to record strong business volume growth in 2012, despite operating in a tough business environment.

- Investment Services

  In 2012 we focused on integrating Graviton Financial Partners, a broker network business created in 2011. Graviton was established to keep our services relevant in a constantly changing regulatory environment, which places costly demands on independent financial advisers. We signed a number of new contracts with high-quality financial advisers and started to see the benefits at different points in the Sanlam value chain.

  Another key focus area for this sub-cluster was the restructuring of our Fund of Hedge Funds business, Blue Ink, to be in a better position to benefit from growth opportunities created by changing regulatory trends. These include the amendments to Regulation 28 of the Pension Funds Act as well as the pending regulation of hedge funds with the Collective Investments Schemes Control Act (CISCA). The business model has been innovatively enhanced to accommodate a more diverse range of client needs, such as hedge fund consulting, research, portfolio construction and products.

Sanlam Investments' Blueprint for Success

Investment performance is the core driver of our Investments businesses, but without the necessary inflows we will not remain sustainable. Inflows are driven by the confidence our clients have in our ability to manage and grow their money. However, this confidence, particularly in an industry where trust is a key issue, is also determined by how we engage with our clients. Therefore, in addition to delivering performance that exceeds clients' expectations, we also have a clear focus on remaining client-centric.

Client-centricity is one of Sanlam Investments' key contributions toward enabling *Sanlam's Blueprint for Success*. The cluster achieved the following in 2012:

- Client partnership

  Clients are demanding greater transparency from financial service providers. Our businesses have focused on increasingly providing clear and upfront information on fee structures and much more regular and easily accessible information to clients. This is achieved through direct contact with our staff, the use of tools that are available on our website and also changes to our Sanlam Investments website.

- Client service

  We are proud of Sanlam Investments and Pensions, in the UK, for having been awarded an 'outstanding' accreditation by Investors in Customers for customer service excellence as assessed in 2012.

- Client needs

  Clients are demanding easy access to products that offer value for money. Not only do we focus on the effective use of technology to improve efficiency and reduce costs, but we have also expanded our offering to include lower-cost investment products like Satrix.

- Client at the core

  Our annual Benchmark Symposium has positioned Sanlam firmly as a thought leader and facilitator of dialogue between key stakeholders in our industry, as well as bringing in insights from international experts on the numerous issues that relate to government's commitment to retirement reform. We embrace and advocate the ever-increasing need for transparency, competition and regulatory interventions to the extent that they place the needs of our clients at the core.

Santam

The Santam Group maintained its growth momentum in 2012 despite a challenging business environment and a number of natural disasters, which resulted in very significant losses for the short-term insurance industry.

In addition to economic pressures such as poor GDP growth, inflation and low interest rates, a number of industry-specific issues affected the Group. The year started with floods in Mpumalanga and Limpopo and ended with a spate of costly catastrophes in the form of more floods in the Eastern Cape and Natal, severe hailstorms in Gauteng and a devastating fire in St Francis Bay.

Despite these difficult conditions the Santam Group delivered a solid performance, mainly as a result of a focused diversification strategy. While the core Santam intermediated business was under pressure, the other areas of the business performed very well. The Group's specialist businesses were able to use their market position and expertise to protect margins and continue to grow premiums. MiWay achieved its growth targets, but its underwriting results were also impacted by the catastrophic events during the last quarter of 2012.

Santam achieved satisfactory growth of 9,5% in gross written premiums in a competitive short-term insurance market, with continued good growth from new ventures at MiWay and Santam Re. The overall net underwriting margin was reduced from 8% in 2011 to 4% in 2012 as a result of the natural disasters experienced in 2012, which is below the Santam medium-term target range of 5% to 7%.

A strong focus on driving efficiencies through the business and leveraging the Group's scale to cut costs wherever possible resulted in the acquisition cost ratio of 27,7% on net earned premium, remaining at the same level as in 2011. Santam management is in the process of formalising new acquisition cost targets for the Santam Group.

The net claims margin was 68,3%, compared to 64,2% in 2011, with claims handling costs remaining flat, justifying Santam's investments in increasing the efficiency of the claims handling process.

The RoGEV of Santam of 44% reflects the investment return earned on the listed Santam shares, which performed ahead of the South African equity market.

Santam has managed churn rates down to historical lows of 14%, by improving its understanding of the Group's client segments and policyholders' needs. This has enabled Santam to remain competitive in its chosen markets and improve the quality of its book.

The short-term insurance industry is currently experiencing growth and profitability pressures not only due to the global economic situation, but also as a result of an increasing number of new entrants to the industry. This has resulted in efficiency improvements, particularly in the handling of claims and innovative new products and channels being introduced.

However, increased compliance and capital requirements are, however, expected to lead to some consolidation in the industry within the next two to three years.

Santam's biggest challenge as a 94-year old company and established industry player is to avoid complacency, to stay agile and to continuously improve efficiencies to compete in an industry where new entrants can start operating immediately.

The Group therefore remains committed to the continued implementation of its focused three-pillar strategy:

- Growth through diversification
- Managing the risk pool
- Driving system efficiency

Driving Santam

Santam recognises that the sustainability of its business in South Africa is directly linked to its ability to increase the current low levels of short-term insurance penetration in the growing emerging consumer market. The Santam Group is well positioned to grow its presence in this market through relationships with affinity partners and direct sales channels.

Santam is committed to expanding responsibly in this market given the pressure on consumers. The Group recognises that financial literacy and accessibility of financial products are the most significant barriers to new clients and communities and require non-traditional approaches. This is being addressed proactively through the development of black intermediaries.

The success of the Santam Group also depends on its ability to drive the growth, diversity and quality of the risk pool. A critical part of its proactive approach to risk management is its continuing investment to manage systemic risk in South Africa by addressing the root causes of the events that trigger claims. This is most clearly seen in the work done by Santam in the Eden Project to research risk and resilience for business and society. This enables the business to drive risk management through identifying and funding projects in vulnerable districts that reduce risk on the ground and build capacity in risk services to interpret and respond to systemic risk.

Priorities for the Sanlam Group in 2013

The changing regulatory environment is likely to prove one of the biggest challenges for our industry in 2013, with the implementation of TCF legislation being a key focus area.

Putting the needs of our clients first has always been an integral part of our business philosophy and forms the foundation of our business model. In 2013 we will therefore focus on aligning our approach with the requirements of the proposed TCF legislation, which the FSB wishes to introduce in 2014.

We will also continue to focus on delivering a high level of performance for clients and stakeholders in 2013 through strong emphasis on top-line earnings growth and capital efficiency, as well as operating and cost efficiencies. Since our performance as a business is directly linked to and dependent on the performance of our people we will continue with our staff development initiatives such as *Blueprint for Success* (culture), *bWell* (wellness) and *Sanlam for Sanlam* (teamwork and collaboration).

Pursuit of our international strategy in the emerging markets through sourcing of new growth and expansion opportunities will continue to be high on the agenda for 2013. This will be supported by a continued focus on efficient and effective management of our existing South African business base so as to continue to maximise our return on investment.

The 2013 business-operating environment is likely to be a tough one in which complacency and mediocrity will not be tolerated if high performance is desired. As an organisation, we will therefore constantly strive to raise the bar.

In closing

Over the past 10 years we have put in place solid foundations on which to grow a relevant and sustainable business that will enable us to keep on delivering on our promises.

Our clear and consistent five-pillar strategy is now also supported by the Sanlam for Sanlam programme introduced to further strengthen our business model as well as the *Sanlam Blueprint for Success* initiative.

Most importantly, however, we have the right people in place. Our people give us the competitive edge, since the promises we sell are only as good as the people tasked with fulfilling them. Our people are the fabric of Sanlam. A big thank you therefore to each and every Sanlam employee for the role he or she is playing in making Sanlam the successful and sustainable financial services group that it is today.

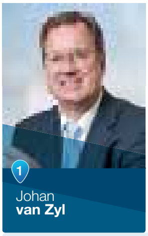
I would like to thank our clients and shareholders for buying our promises and for trusting us to deliver in line with their expectations. As the Sanlam Group we remain committed to keeping our promises. My gratitude also goes to my management team for their unwavering support and to the members of the Sanlam Board for their expert guidance and long-term vision.

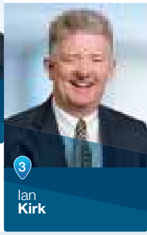
I am looking forward to continuing with building on and broadening the legacy of empowerment, economic advancement and wealth creation and protection that has been at the heart of the Sanlam Group for over 90 years.

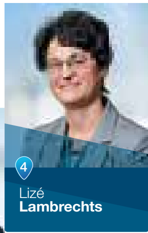
Johan van Zyl
Group Chief Executive

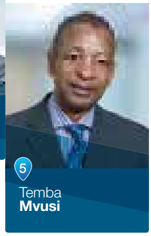
Cape Town
6 March 2013

GROUP EXECUTIVE COMMITTEE









1. Johan van Zyl (56)

Member of Exco since 2001

Qualifications: PhD (Economics), DSc (Agric)

Group Chief Executive of Sanlam since 2003

Executive director of Sanlam Limited and Sanlam Life.

Non-executive director of Santam, Sanlam Investment Management, Sanlam Netherlands Holding BV, Sanlam Emerging Markets and Sanlam UK.

Council member of the University of Pretoria, Chairman of ASISA (Association of Savings and Investment South Africa) and Chairman of the Vumelana Advisory Fund.

Former Chief Executive of Santam, Vice-chancellor and Principal of the University of Pretoria.

2. Kobus Möller (53)

Member of Exco since 2003

Qualifications: BCompt (Hons), CA(SA), AMP (Harvard)

Appointed Financial Director in 2006

Executive director of Sanlam Limited and Sanlam Life.

Non-executive director of Santam, Sanlam Capital Markets, Sanlam Emerging Markets and Sanlam Investment Holdings.

Former Chief Executive: Finance of Sanlam Limited, Executive director: Operations and Finance of Sanlam Life, Executive director: Finance of Impala Platinum Holdings.

3. Ian Kirk (55)

Member of Exco since 2006

Qualifications: FCA (Ireland), CA(SA), HDip BDP

Appointed Chief Executive Officer of Santam in 2007

(Formerly Chief Executive: Strategy and Special Projects at Sanlam.)

Director of Santam, Centriq Insurance Holdings, Centriq Insurance, Centriq Life Insurance, SAIA, Infinit Group Risk Solutions, SHA (Stalker Hutchison Admiral), Beaux Lane (SA) Properties, Nova Risk Partners, Emerald Risk Transfer, MiWay Insurance.

Former partner in PricewaterhouseCoopers, CEO of Capital Alliance Holdings, Deputy CEO of Liberty Group.

4. Lizé Lambrechts (49)

Member of Exco since 2002

Qualifications: BSc (Hons), FIA, EDP (Manchester)

Appointed Chief Executive of Sanlam Personal Finance in 2002

Non-executive director of Sanlam Developing Markets, Sanlam Linked Investments, Sanlam Investments and Pensions UK, Channel Life and Director of Glacier Financial Holdings and Sanlam UK.

Started her career in actuarial training in Sanlam in 1985 and held various senior positions in the Group's retail business.

5. Temba Mvusi (57)

Member of Exco since 2004

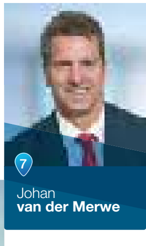
Qualifications: Diploma in International Relations (Univ. of New Delhi), BA, ELP (Wharton School of Business), MAP, PDP

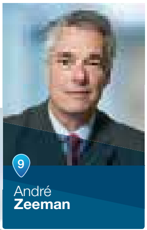
Appointed Chief Executive: Group Market Development in August 2005 after serving as Chief Executive: Group Services since 2004

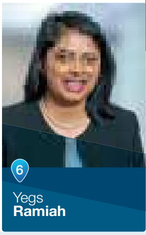
Executive director of Sanlam Limited and Sanlam Life.

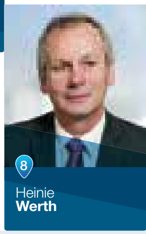
Non-executive director of Sanlam Private Investments, Sanlam Investment Management, Sanlam Investment Holdings and IEMAS.

Former head of external interface at Sanlam Investment Management, General Manager of Gensec Property Services and Marketing Manager of Franklin Asset Management.









6. Yegs Ramiah (45)

Member of Exco since 2012

Qualifications: BA, LLB, Higher Diploma in Tax Law, MBA, AMP (Harvard), Admitted attorney of the High Court of South Africa

Appointed Chief Executive: Sanlam Brand in 2012

Executive director of Sanlam Limited and Sanlam Life, Santam, Sanlam Investment Management, Sanlam Investment Holdings. Non-executive director of Adopt A School foundation.

7. Johan van der Merwe (48)

Member of Exco since 2002

Qualifications: MCom, MPhil (CANTAB), CA(SA), AMP (Harvard) INSEAD

Appointed Chief Executive Officer of Sanlam Investment Management in 2002

Chairman and director of Sanlam Investment Management, Sanlam UK, Sanlam International Investment Partners, Octane Holdings, Atterbury Investment Holdings, Sanlam Capital Markets, Sanlam Properties, Sanlam Multi Manager International, Sanlam Asset Management (Ireland), Sanlam Private Investments, Blue Ink Investments and Sanlam Collective Investments. Director of Atom Funds Management, Eight Investment Partners, FOUR Capital Partners, SIIP Mauritius, SIM International Investments Partners AUSTRALIA and Sanlam Investment Holdings.

8. Heinie Werth (49)

Member of Exco since 2005

Qualifications: Hons B Accountancy, CA(SA), MBA, EDP (Manchester)

Appointed Chief Executive Officer of Sanlam Emerging Markets (previously Developing Markets) in 2005 and before that served as Financial Director of Sanlam Life from 2002

Executive director of Sanlam Emerging Markets, non-executive director of Shriram Capital (India), Botswana Insurance Holdings and Sanlam Namibia.

Former Senior General Manager (IT) of Sanlam Life, Financial Director of Sanlam Employee Benefits, Manager: Corporate Finance of Gencor and Financial director of Kelgran.

9. André Zeeman (52)

Member of Exco since 2005

Qualifications: BCom, FASSA, EDP (Manchester)

Appointed Chief Actuary of Sanlam Limited and Statutory Actuary of Sanlam Life in 2005

Former Chief Executive: Actuarial of Sanlam Life and held various managerial positions in the Actuarial department since appointment at Sanlam in 1982.

Yvonne Muthien, Chief Executive: Group Services and a member of Exco since 2009, retired during 2012.

Buyani Zwane, Chief Executive: Group Human Resources and a member of Exco since 2011, resigned during 2012.

SOME OF OUR AWARDS AND RECOGNITION

- Sanlam and Santam each received two awards at the annual awards event of the Financial Intermediaries Association of South Africa (FIA). Sanlam was named the investment product supplier of the year – retail investment (single premium) and employee benefits product supplier of the year while Santam received awards as the Short-term Insurer of the Year – personal lines as well as commercial lines. The Southern Cape FIA also named Glacier by Sanlam as the top investment platform in 2012.

At the annual FIA awards: Richard van Dijk General Manager of Sanlam Employee Benefits, Ian Kirk Chief Executive of Santam and Kobus Vlok Chief Executive of Sanlam Personal Finance: Distribution

- Shriram General Insurance in India won the Excellence in Growth Award in the insurance segment as the fastest growing company in 2011 and 2012.

- Sanlam and the WWF won two of the *Mail & Guardian*'s Greening the Future Awards in recognition of the WWF Sanlam Living Waters Partnership.

Johan van Zyl, Group Chief Executive of Sanlam, Desmond Smith Chairman of Sanlam, Morné du Plessis Chief Executive of WWF-SA and Valli Moosa, director of Sanlam and Chairman of WWF and Sanlam Board Sustainability committee at the 2012 launch of the WWF Sanlam Living Waters Partnership

- African Life Tanzania was awarded by the National Board of Accountants and Auditors, Tanzania for the best financial statements presented in the Insurance category in 2010.

- Sanlam Sky Solutions received full Investors in People (IIP) accreditation while the Sanlam Group Office received an enhanced Bronze accreditation.

- Pan Africa Life in Kenya won the Leadership and Management Award at the prestigious Company of the Year Awards of the Kenya Institute of Management while Tom Gitogo, its CEO, won the coveted CEO of the Year Award.

- Sanlam was named the top rated South African company in the 2012 Long-term Insurance category of the Ask Afrika Orange Index awards.

- The SIM Global Best Ideas Feeder fund won an award in the Best Foreign Equity Fund category over a three-year period at the Raging Bull Awards.

- SIM Global also won the award from Morning Star South Africa, a leading provider of independent investment research, for the SIM Global Financial Fund, Sector: Financials 2012.

Kokkie Kooyman

- For the third consecutive year Kokkie Kooyman, Global Fund Manager at SIM Global, was named Financial Fund Manager of the Year by the British magazine *Investment Week*. He also received the Best Specialist Fund award for the Sanlam Global Financial Fund.

- Simeka Consultants & Actuaries won the Principal Officers Association's (POA) award for Actuarial Firm of the Year at the annual Imbasa Yegolide Awards.

- Sanlam earned a gold award in the 2012 Carbon Disclosure Leadership Index (CDLI) of the top 100 JSE listed companies. Sanlam is one of four companies in the top 10 that have been on the JSE 100 CDLI for three consecutive years. Sanlam received a disclosure score of 97 out of 100 (88 in 2011), becoming one of the companies rated best for carbon disclosure and performance.

- Botswana Life Insurance Limited (BLIL) won a gold category award of the World Quality Commitment International Star Award.

- Enterprise Life Assurance Company (ELAC) in Ghana was adjudged the Life Insurance Company of the Year 2011 by the Chartered Institute of Marketing Ghana.

- Summit Trust International in Geneva was named the Citywealth 2012 Trust Company of the Year.

- Sanlam was again included in the JSE's Socially Responsible Investment (SRI) Index, becoming one of 76 qualifying constituents out of 106 companies that were assessed for inclusion.

- Blue Ink Investments won all the awards in the Fund of Funds category at the HedgeNews Africa 2012 Awards.

Growing
shareholder and client investment

Reliable and dependable

Sanlam's 2012 financial results are another satisfactory addition to the Group's performance history and further confirmation of our strategy to generate sustained growth in shareholder value. The 2012 performance reflects the influence of a number of key economic variables that impacted on the Group's operating environment. The positive effect of strong equity markets and lower long-term interest rates was offset by weaker general insurance underwriting results in South Africa, with marginal economic growth in most of the territories where we operate.

Sanlam achieved another important milestone in 2012, with the value of new life business after minorities exceeding R1 billion for the first time, representing growth of 21% per annum since 2003; emphasising again the turnaround from a company that was viewed as 'mature' and 'ex-growth' by industry commentators at the time.

Financial and economic environment

The Group's largest exposure is to the economies of South Africa, Namibia and Botswana. The South African and Namibian economies are withstanding the global economic headwinds reasonably well and still reflect positive growth. The Botswana economy has in contrast been hard hit by the low developed market demand for resources, in particular diamonds that form the core of the Botswana economy.

The South African equity market delivered a very strong performance in 2012, in particular towards the end of the financial year. The FTSE/JSE All Share Index yielded a 27% return in 2012, compared to only a marginal return in 2011. This contributed to a 10% higher average market level during 2012, providing support to fund-based fee income. The Group's overall exposure to international equity markets remains relatively low. The MSCI World Index delivered a return of 22% in rand terms.

Long-term interest rates in general decreased since 31 December 2011, which had a positive impact on the valuation of new life business written for the year as well as the value of the in force life book as at the end of December 2012. A 16% return for the year by the South African All Bond Index also boosted investment returns. Short-term interest rates remained low and impacted negatively on the interest earned on Group companies' working capital as well as the demand for traditional guaranteed and money market solutions offered by the Group. South African consumer debt levels remain high, with lending to the entry-level market segment growing at a particularly fast rate. Through increased lending, credit providers are competing for a larger share of disposable income. Under these conditions we continue to focus on the quality of new business to limit the risk of a disproportionate deterioration in future persistency when interest rates start rising again.

The rand weakened during 2012 by 5% and 10% respectively against the United States dollar and British pound, which had a positive impact on the translated rand earnings in these currencies. The rand, however, remained relatively stable against the basket of major emerging market currencies to which the Group has exposure.

Changes in presentation and accounting policies

The Sanlam Group results for the year ended 31 December 2012 are presented based on and in compliance with International Financial Reporting Standards (IFRS). The basis of presentation and accounting policies for the IFRS Financial Statements and Shareholders' Information are, in all material respects, consistent with those applied in the 2011 annual report, apart from the following changes to the Shareholders' Information and Segmental Reporting:

- Corporate expenses relating to the SEM cluster that was included in the overall Group adjustment for holding company expenses have been reallocated to the SEM cluster. Comparative information has been restated accordingly (already implemented in the 2012 interim results).

Left to right:
Sana-Ullah Bray, Company Secretary
Danie Claassen, Head: Group Tax Services
André Nortier, Chief Audit Executive
Kobus Möller, Financial Director
Wikus Olivier, Head: Group Finance
Jeanne Joubert, Head: Corporate Finance

- The establishment and growth of certain niche and specialised Group businesses are materially linked to and dependent on the continued involvement of a few key specialist staff members. To retain and appropriately incentivise these individuals, they are in exceptional cases granted participation schemes through which they effectively share in the value created within these businesses. The cost associated with the equity participation schemes is in substance similar to intangible assets recognised in a business combination and commensurately not part of the Group's operational performance. The change in fair value of the equity participation schemes is therefore excluded from the net result from financial services and recognised as equity participation cost in the shareholder's fund income statement. Comparative information has been restated accordingly.
- The Sanlam Investments cluster has been restructured, which affects the presentation of group Equity Value, the shareholders' fund at fair value and the shareholders' fund at net asset value. Comparative information has been restated accordingly.

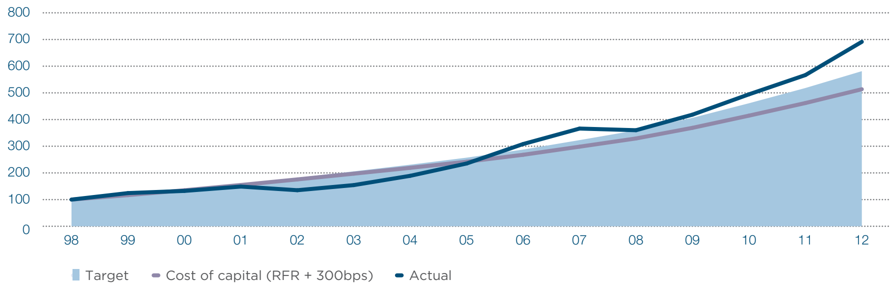
Financial performance measure

The Group chose Return on Group Equity Value (RoGEV) as its main measure of financial performance. Group Equity Value (GEV) provides an indication of the value of the Group's operations, but without placing any value on future new covered business to be written by the Group's covered (life insurance) businesses. GEV is the aggregate of the following components:

- The embedded value of covered business of the Group, which comprises the required capital supporting these operations and the net present value of their in-force books of business (VIF);

- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, credit, short-term insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

Sustained growth in GEV is the combined result of delivery on a range of key performance drivers in the Group. RoGEV measured against a set performance hurdle is therefore used by the Group as its primary internal and external performance benchmark in evaluating the success of its strategy to maximise shareholder value.



The RoGEV target is to outperform the Group's cost of capital by at least 100bps. The cost of capital is set at the risk free nine-year bond rate (RFR) plus 300bps. The compounded RoGEV of the Group since Sanlam demutualised and listed in 1998 comprehensively outperformed this target.

The RoGEV target for 2012 has been 12,2% and for 2013 it is set at 10,8% based on the lower risk free rate of 6,8% as at the end of December 2012.

Group Equity Value

As at 31 December 2012 the total GEV amounted to R75,4 billion or 3 707 cents per share. Taking into account the dividend of 130 cents per share paid in May 2012, this represents growth of 22,5% and 22,0% respectively on the R63,5 billion and 3 146 cents per share in December 2011, both well above the 2012 performance hurdle of 12,2%. The lower RoGEV on a per share basis is in part the result of the further vesting of the conversion right in respect of 11,5 million 'A' deferred shares in terms of the value-add arrangement with our broad-based black economic empowerment partner Ubuntu-Botho. In aggregate, the conversion right in respect of 53 million of the issued 56,5 million 'A' Deferred shares has vested to date. 2013 is the final year of this value-add arrangement.

The Group has a significant exposure to investment markets, both in respect of the shareholder capital portfolio that is invested in financial instruments, as well as a significant portion of the fee income base that is linked to the level of assets under management. The strong investment market performance during 2012 had a marked positive impact on the RoGEV for the period. Excluding the favourable impact of investment returns in excess of the long-term expectations, lower long-term interest rates and certain other once-off effects, an adjusted RoGEV of 15% is still in excess of the return target.

The closing Sanlam share price at the end of December 2012 of 4 477 cents per share was at a premium of some 21% to the GEV, a substantial rerating of the share relative to a discount of 8% as at the end of 2011.

	Group Equity Value		RoGEV	
R million	2012	2011		%
Group operations	**68 166**	56 809	14 303	24,9
Sanlam Personal Finance	**32 762**	28 876	6 862	23,8
Sanlam Emerging Markets	**6 105**	3 409	669	16,9
Sanlam Investments	**16 424**	14 909	2 539	16,9
Santam	**12 875**	9 615	4 233	44,0
Covered business	**38 996**	34 875	7 908	22,7
Value of in-force	**24 050**	20 322	6 433	31,7
Net worth	**14 946**	14 553	1 475	10,1
Other operations	**29 170**	21 934	6 395	28,2
Group operations	**68 166**	56 809	14 303	24,9
Discretionary and other capital	**7 186**	6 712	7	0,1
Total	**75 352**	63 521	14 310	22,5
Cents per share	**3 707**	3 146	691	22,0

Group operations yielded a return of 24,9% in 2012. The embedded value of covered business (life operations) of R39 billion accounted for 52% of GEV in December 2012, marginally down from 55% in 2011. The capital allocated to the life operations increased by some R400 million to R15 billion. This increase relates predominantly to investment return earned on the capital portfolio with no material addition to capital required in respect of these operations. In aggregate, the capital portfolios yielded an investment return of 10,1% after tax in 2012. The in-force book amounted to R24,1 billion, representing a return of 31,7% on the 2012 opening balance. Strong VNB growth and continued positive operating experience variances supported the sound result. This was partly offset by negative tax changes of R168 million emanating largely from an increase in the effective capital gains tax rate in South Africa.

Other Group operations provided a return of 28,2%, assisted by a substantial contribution from the Group's investment in Santam. The valuations of the other non-insurance operations were in general positively impacted by a higher level of assets under management, somewhat offset by a higher allowance for cluster level corporate expenses in SEM and Sanlam UK. Santam is valued at its listed share price. The Santam share price substantially outperformed general equity markets in South Africa, which supported the 44% return earned on this investment.

The low return on discretionary and other capital is essentially the combined effect of the investment return earned on surplus capital (substantially invested in low yielding liquid assets), offset by corporate costs and the secondary tax on companies (STC) expense incurred in 2012. Refer to the Capital and solvency section below for information on the movement in discretionary capital during 2012.

Earnings

Normalised headline earnings of R5,9 billion or 292,1 cents per share are 17% higher than in 2011, largely attributable to a 50% increase in the net investment return earned on the capital portfolio, the result of the strong performance in the South African equity and bond markets in 2012 relative to a weak 2011. This was partly offset by an increase in the amortisation of intangible assets acquired, the mark-to-market of equity participation rights of staff members in selected start-up Group businesses (MiWay and certain SI international initiatives), as well as the final STC charge on the dividend paid in May 2012. This charge will in 2013 be replaced by a dividend withholding tax and will thus not be reflected in the Group results.

Shareholders' fund income statement for the year ended 31 December 2012

R million	2012	2011	Δ%
Net result from financial services	**4 030**	3 779	7
Sanlam Personal Finance	**2 351**	1 990	18
Sanlam Emerging Markets	**428**	309	39
Sanlam Investments	**975**	945	3
Corporate and other	**(129)**	(124)	(4)
	3 625	3 120	16
Santam	**405**	659	(39)
Net investment return	**2 356**	1 571	50
Project costs and amortisation	**(178)**	(133)	(34)
Equity participation costs	**(56)**	(26)	(115)
Secondary tax on companies	**(233)**	(168)	(39)
Normalised headline earnings	**5 919**	5 023	18
Per share (cents)	**292,1**	248,7	17

Net operating profit (net result from financial services), of R4,0 billion, increased by 7%. A strong performance by Sanlam Personal Finance (SPF) and Sanlam Emerging Markets (SEM) was offset by marginal growth reported by Sanlam Investments (SI) and a significant deterioration in the underwriting results experienced by Santam during 2012. Excluding the Santam results, net operating profit increased by a satisfactory 16%. The individual cluster performances are discussed in further detail below.

Business volumes

The Group achieved overall growth of 13% in new business volumes (excluding white label), a solid performance in the difficult operating environment of 2012. SPF and SEM recorded strong new business growth with new life business, in particular, achieving growth of 19%. Investment and short-term insurance business increased by 12% and 7% respectively. The strategic focus on the quality of new business written is reflected in good retention levels and a continuance of strong net fund inflows. Net fund inflows achieved of R25 billion is commendable given the loss of a number of investment mandates during the year from clients restructuring their portfolios.

Business volumes for the year ended 31 December 2012

	New business			Net inflows		
R million	2012	2011	Δ%	2012	2011	Δ%
Sanlam Personal Finance	**32 355**	27 246	19	**8 974**	5 898	52
Sanlam Emerging Markets	**12 952**	10 995	18	**3 977**	2 008	98
Sanlam Investments	**62 139**	56 062	11	**7 103**	11 444	(38)
Santam	**15 626**	14 653	7	**4 946**	5 249	(6)
Total (excluding white label)	**123 072**	108 956	13	**25 000**	24 599	2
Covered business	**25 436**	21 455	19	**8 532**	6 685	28
Investment business	**81 716**	72 679	12	**11 460**	12 630	(9)
Short-term insurance	**15 920**	14 822	7	**5 008**	5 284	(5)
Total (excluding white label)	**123 072**	108 956	13	**25 000**	24 599	2

The value of new life business (VNB) written during 2012 increased by 22% on 2011 to reach R1 278 million. After minorities, VNB increased by 23% to R1 176 million. Both SPF and SEM reported very satisfactory VNB growth, with only the VNB of SI (essentially group business) being down from a high 2011 base. The average margin achieved increased to 3,35%.

The reduction in long-term interest rates and consequently the risk discount rate applied, had a marked effect on the reported VNB and contributed R117 million to the increase on 2011. At a consistent 2011 discount rate VNB increased by 10% in 2012 and the average margin achieved was somewhat lower at 3,12%, essentially due to the reduction in margin in the employee benefits business from a high base in 2011, as expected. All businesses, apart from employee benefits and the Botswana operations, achieved strong VNB growth on the 2011 economic basis as well.

Value of new covered business for the year ended 31 December 2012

R million	2012 economic basis 2012	2011	Δ%	2011 economic basis 2012	2011	Δ%
Value of new covered business	**1 278**	1 051	22	**1 161**	1 051	10
Sanlam Personal Finance	**939**	705	33	**829**	705	18
Sanlam Emerging Markets	**267**	223	20	**262**	223	17
Sanlam Investments	**72**	123	(41)	**70**	123	(43)
Net of minorities	**1 176**	958	23	**1 061**	958	11
Present value of new business premiums	**38 129**	32 786	16	**37 229**	32 786	14
Sanlam Personal Finance	**27 332**	23 423	17	**26 634**	23 423	14
Sanlam Emerging Markets	**4 537**	3 642	25	**4 471**	3 642	23
Sanlam Investments	**6 260**	5 721	9	**6 124**	5 721	7
Net of minorities	**36 528**	31 449	16	**35 657**	31 449	13
New covered business margin	**3,35%**	3,21%		**3,12%**	3,21%	
Sanlam Personal Finance	**3,44%**	3,01%		**3,11%**	3,01%	
Sanlam Emerging Markets	**5,88%**	6,12%		**5,86%**	6,12%	
Sanlam Investments	**1,15%**	2,15%		**1,14%**	2,15%	
Net of minorities	**3,22%**	3,05%		**2,98%**	3,05%	

The performance of the individual clusters is discussed in further detail below.

Diversification

A key strategic focus of the Group is to diversify the composition of the business over time, both in terms of broadening our financial services product range as well as an increasing diversification of our geographical footprint. This strategy is aimed at strengthening the risk profile of the Group through a more diversified asset base but also to increase the exposure to growth markets.

From a substantially South African-based player with a dominant life insurance focus a number of years ago the Group's profile is now much more diverse. Life insurance is still a major component of the Group's business but non-life related assets constituted 48% of the GEV in December 2012 (45% in 2011) and non-life businesses contributed 34% of net operating profit for the year. The reduction from a comparable 41% contribution in 2011 reflects the weaker relative performance in 2012 by, in particular, Santam. Businesses outside South Africa are making an increasing contribution to the Group's results, representing 15% of GEV and 16% of both net operating profit and the net value of new life business in 2012. Of this, our businesses in Africa and India accounted for 9% of the Group's GEV and 11% and 14% respectively of net operating profit and the net value of new life business.

Capital and solvency

Optimal capital management remains a key strategic priority for the Group, with specific focus on the following:

- *Optimising the capital allocated to Group operations*, taking account of the applicable regulatory requirements. Continuous attention is given to businesses and individual products attracting suboptimal levels of capital and thus diluting RoGEV. Product design, pricing and new business targets are therefore linked to capital required and the meeting of return hurdles. A major development is the Financial Services Board's implementation of a third country equivalent of the European Solvency II regime in South Africa (Solvency Assessment and Management (SAM)). Sanlam is a participant in this process with our own SAM implementation project running according to plan. The FSB conducted its second quantitative impact study in South Africa in 2012, which confirmed the Group's view that the capital allocated to the life insurance operations is appropriate.

  The mix of the Group's in-force life book is changing to less capital intensive products. This resulted in a largely unchanged capital requirement for the life insurance operations at the end of 2012 and a release to discretionary capital of some R1,1 billion from the investment return earned on the allocated capital. In addition, Santam paid a special dividend from its excess capital during 2012 that added R576 million to Sanlam's discretionary capital.
- *Releasing capital from illiquid investments*. Some R750 million was released during 2012 through the disposal of illiquid investments, the majority of which comprised properties.
- *Optimal utilisation of discretionary capital*. The Group's preference remains to invest its discretionary capital in value-adding growth opportunities, with specific focus on the identified growth markets. Some R3,3 billion was utilised for this purpose in 2012:
  - The acquisition of a 26% interest in Shriram Capital in India. The transaction that utilised some R2,1 billion was announced in the latter half of 2011 and concluded in September 2012.
  - The acquisition of a 49% interest in Pacific & Orient (P&O), a short-term insurance operation in Malaysia. Final closing of the transaction is still subject to P&O shareholder approval. Some R780 million has been reserved for this transaction.
  - The acquisition of the minority interests in Safrican and Satrix required an investment of R230 million.
  - Approximately R100 million was used to expand the international operations of SI, essentially in respect of bolt-on acquisitions and the capitalisation of start-up businesses.
  - Some R95 million was utilised to capitalise SEM's operations in Nigeria and India and to increase its holding in its Kenyan business.
  - Expenditure on the acquisition of Sanlam shares was limited to only R26 million.

At the end of December 2011 the Group held discretionary capital of R3,9 billion. Taking into account the movement set out above, as well as the investment income earned by the discretionary capital portfolio and the cash operating profit retained in the 2011 dividend earnings cover, the level of discretionary capital increased to R4,2 billion at the end of 2012. Progress made on potential transactions, the level of capital and its optimal utilisation are continuously evaluated given the suboptimal return earned on discretionary capital, which is largely invested in low yielding liquid assets. A number of potential opportunities are currently being considered which, if successful, should utilise some R3 billion of the available discretionary capital within a reasonable timeframe. In line with the Group's capital management philosophy, any excess capital that will not be applied within this timeframe will be returned to shareholders. The Board commensurately decided to pay a special dividend of R1 billion (50 cents per share). This special dividend will be declared and paid as part of the Group's normal dividend.

All of the life insurance businesses within the Group were sufficiently capitalised at the end of December 2012. The total admissible regulatory capital (including identified discretionary capital) of Sanlam Life Insurance Limited, the holding company of the Group's major life insurance subsidiaries, of R31 billion covered its capital adequacy requirements (CAR) 4,3 times. No policyholder portfolio had a negative bonus stabilisation reserve at the end of December 2012.

Fitch ratings has affirmed the credit ratings of the Group early in 2013 and the outlook remained stable. These include Sanlam Limited: National Long-term AA- (zaf); Sanlam Life Insurance Limited: National Insurer Financial Strength: AA+ (zaf), Subordinated debt: A+ (zaf).

Dividend

The Group only declares an annual dividend due to the costs involved in distributing an interim dividend to our large shareholder base. Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the normal dividend, subject to the Group's liquidity and solvency requirements. The operational performance of the Group in the 2012 financial year, as well as the effect of abolishing STC, enabled the Board to increase the normal dividend per share by 27% to 165 cents. This will maintain a cash operating earnings cover of approximately 1,1 times. Including the special dividend of 50 cents per share, the total dividend to be declared and paid to shareholders amounts to 215 cents per share. The new South African dividend withholding tax regime will apply in respect of this dividend. Shareholders will benefit from remaining STC credits held by Sanlam in that 1,8 cents of the dividend will still carry such credits and 213,2 cents will therefore be subject to the 15% withholding tax, where applicable.

Shareholders are advised that the final cash dividend of 215 cents per share for the year ended 31 December 2012 is payable on Monday, 29 April 2013 to ordinary shareholders recorded in the register of Sanlam at the close of business on Friday, 26 April 2013. The last date to trade to qualify for this dividend will be Friday, 19 April 2013, and Sanlam shares will trade ex-dividend from Monday, 22 April 2013.

Dividend payment by way of electronic bank transfers will be effected on Monday, 29 April 2013.

Share certificates may not be dematerialised or rematerialised between Monday, 22 April 2013 and Friday, 26 April 2013, both days inclusive.

Cluster performance

Sanlam Personal Finance

Key performance indicators for the year ended 31 December 2012

R million	2012	2011	Δ%
Group Equity Value			
Group Equity Value	**32 762**	28 876	13
Covered business	**30 144**	26 687	13
Other operations	**2 618**	2 189	20
Return on Group Equity Value	**23,8%**	21,5%	
Covered business	**23,6%**	21,7%	
Other operations	**25,9%**	19,1%	
Business volumes			
New business volumes	**32 355**	27 246	19
Life business	**18 351**	15 338	20
Entry-level market	**984**	925	6
Individual life	***739***	*655*	*13*
Group life	***245***	*270*	*(9)*
Middle-income market	**9 682**	8 306	17
Recurring premiums	***1 255***	*1 177*	*7*
Single premiums	***8 427***	*7 129*	*18*
Affluent market	**7 685**	6 107	26
Investment business	**14 004**	11 908	18
Middle-income market	**290**	318	(9)
Affluent market	**13 714**	11 590	18

Key performance indicators for the year ended 31 December 2012 *(continued)*

R million	2012	2011	Δ%
Net fund flows	**8 974**	5 898	52
Life business	**5 771**	4 143	39
Entry-level market	**1 342**	1 168	15
Middle-income market	**84**	(606)	114
Affluent market	**4 345**	3 581	21
Investment business	**3 203**	1 755	83
Value of new covered business			
Value of new business	**939**	705	33
Entry-level market	**382**	263	45
Middle-income market	**449**	354	27
Affluent market	**108**	88	23
Present value of new business premiums	**27 332**	23 423	17
Entry-level market	**4 445**	3 963	12
Middle-income market	**15 202**	13 358	14
Affluent market	**7 685**	6 102	26
New business margin	**3,44%**	3,01%	
Entry-level market	**8,59%**	5,64%	
Middle-income market	**2,95%**	2,65%	
Affluent market	**1,41%**	1,44%	
Earnings			
Gross result from financial services	**3 272**	2 775	18
Entry-level market	**375**	296	27
Middle-income market	**2 710**	2 311	17
Affluent market	**187**	168	11
Net result from financial services	**2 351**	1 990	18

SPF delivered an exemplary performance in 2012, with strong results achieved in respect of all key performance indicators.

SPF achieved a **RoGEV** of 23,8% for 2012, compared to 21,5% for the comparable period in 2011. The covered business results were supported in 2011 by the reversal of STC from the VIF, with this once-off adjustment resulting in a high comparative base in 2011. Strong growth in the value of new life business, continued positive experience variances and the decline in long-term interest rates during the year supported the 2012 results. The return on other operations were positively impacted by an increase in the valuation of Glacier and Sanlam Personal Loans, attributable to the decrease in long-term interest rates (benefiting the discounted cash flow valuations of these businesses) as well as an increase in the level of assets under management and the size of the loan book respectively. This was offset by a lower valuation of Sanlam Healthcare Management following the termination of the Bestmed administration agreement.

New business sales increased by 19%, with single premium business the main contributor to the growth. An improvement in the entry-level market segment performance since the first half of 2012 was particularly satisfactory. Single premiums previously reported as part of the entry-level market segment essentially comprised roll-overs of discontinued single premium business in Sanlam Sky. As these relate more to middle-income clients, the business has been reclassified to the middle-income market segment.

New business volumes in the South African *entry-level market* increased by 6%. Growth was impacted by the closure of the Channel4Life distribution channel as well as the ZCC bi-annual premium adjustment that occurred in 2011 and increased the comparative base. Excluding these two distribution channels, new business sales grew by 12%. New individual life business increased by 13% (15% excluding Channel4Life), offset by a 9% decline in new group life sales (2% increase excluding the ZCC). The agency channel recorded strong growth in individual life business, but this was partly offset by lower broker sales attributable to some instability in the broker channel. Safrican experienced a difficult year after an exceptional 2011, also contributing to the lower group life sales. VNB benefited from the change in sales mix to the more profitable individual life business, lower claims experience, the closure of the loss-making Channel4Life business as well as lower long-term interest rates. VNB increased by a healthy 45% with average VNB margins also increasing from 5,64% in 2011 to 8,59% in 2012.

The *middle-income market* segment recorded growth of 16%, with single premium sales increasing by 18% and new recurring premium business by 3%. Single premium sales were driven by continued strong demand for the Cumulus product range launched during 2011. As part of SPF's continued product innovation, a retirement annuity version of the product was launched during 2012, which contributed to strong growth of 27% in recurring premium retirement annuity sales. This performance was, however, offset by lower endowment and risk business sales in a very competitive market. Demand for traditional guaranteed solutions also remained low in the current low interest rate environment. VNB increased by 27% on 2011, with the increase before economic basis changes broadly in line with the growth in new business volumes. VNB margins expanded marginally, the combined impact of good cost control and a change in mix to more profitable business. Net fund flows improved significantly on the back of the strong single premium sales.

Glacier continued to perform well in the *affluent market* with growth of 21% and a similar increase in VNB. Demand for Glacier's new international offering remained strong.

Gross **result from financial services** increased by 18%. The entry-level market recorded gross operating earnings of R375 million, 27% up on 2011. Improved mortality and persistency experience supported individual life profit. Safrican also benefited from lower claims experience. Middle-income market profit increased by 17%, attributable to strong growth in risk profits, 33% growth in Sanlam Personal Loans' contribution and a lower impact from actuarial basis changes due to the strengthening of the mortality basis in 2011 that was not repeated in 2012. Despite the negative impact of system development expenditure, administration profit increased by 7%, supported by a strong increase in fund fees from the higher average level of assets under management. Glacier also reported satisfactory profit growth of 11%.

Sanlam Emerging Markets

Key performance indicators for the year ended 31 December 2012

R million	2012	2011	Δ%
Group Equity Value			
Group Equity Value	**6 105**	3 409	79
Covered business	**2 647**	2 320	14
Other operations	**3 458**	1 089	218
Return on Group Equity Value	**16,9%**	23,8%	
Covered business	**27,1%**	32,1%	
Other operations	**2,5%**	7,1%	
Business volumes			
New business volumes	**12 952**	10 995	18
Namibia	**9 532**	8 425	13
Botswana	**2 067**	1 675	23
Rest of Africa	**895**	526	70
India	**458**	369	24
Net fund flows	**3 977**	2 008	98
Namibia	**1 629**	1 564	4
Botswana	**1 228**	(435)	382
Rest of Africa	**1 024**	663	54
India	**96**	216	(56)
Value of new covered business			
Value of new business	**267**	223	20
Namibia	**73**	43	70
Botswana	**94**	110	(15)
Rest of Africa	**98**	70	40
India	**2**	—	
Present value of new business premiums	**4 537**	3 642	25
Namibia	**1 060**	739	43
Botswana	**1 753**	1 617	8
Rest of Africa	**1 490**	1 045	43
India	**234**	241	(3)
New business margin	**5,88%**	6,12%	
Namibia	**6,89%**	5,82%	
Botswana	**5,36%**	6,80%	
Rest of Africa	**6,58%**	6,70%	
India	**0,85%**	0,00%	
Earnings			
Gross result from financial services	**850**	656	30
Namibia	**225**	204	10
Botswana	**499**	416	20
Rest of Africa	**117**	50	134
India	**34**	4	750
Corporate	**(25)**	(18)	(39)
Net result from financial services	**428**	309	39

Despite a difficult operating environment in Botswana, SEM reported overall solid results, with all operations contributing to the growth. Rest of Africa, in particular, delivered an exemplary result. As mentioned in the Capital and solvency section above, the R2 billion additional investment in Shriram Capital in India was concluded in September. Due to reporting timelines, the Group reports the results from the Indian operations with a three-month delay. No operating earnings are therefore included in the 2012 results in respect of this additional investment.

SEM's **RoGEV** for the period was negatively impacted by a low return on its investment management operations in Botswana, where prudent valuation assumptions were used following continued fee and cost pressures in a competitive and challenging environment. In addition, the return of both covered and non-covered business was reduced by an increased allowance for cluster level corporate expenses, with the growth in the cluster requiring additional investments in capacity. This was partly offset by good returns from covered business, Letshego and Shriram Capital. The December 2012 valuation of the latter is based on a sum of the parts fair value of its individual financial services operations.

New business volumes increased by 18% on 2011, with exceptional growth in Rest of Africa.

Namibia achieved 13% growth in new business volumes, a good result from this more mature market. The positive sales trend in the entry-level segment is continuing, with recent product launches in the middle-income and affluent segments also performing well, albeit lower margin business. VNB benefited from the good entry-level sales volumes and the annual update to the actuarial basis, with improved credit life and lapse experience incorporated in the VNB assumptions.

Sales trends in Botswana remained largely unchanged from the first half of 2012, with individual life recurring sales continuing to struggle (21% lower than in 2011), offset by a 29% increase in single premiums (largely annuities). VNB and VNB margins declined as a result of the lower individual life sales and some cost overruns. The business continues to place focus on cost control in the current environment.

The Rest of Africa operations had a good year and increased new business volumes by 70% on 2011. All countries contributed to the growth. The strong new business sales supported VNB, which increased by 40%.

Shriram General continued its strong growth trajectory and contributed to an overall 24% growth in new Indian business. The life business continues to struggle in the tough regulatory environment with overall new business volumes down 18% on 2011. This is attributable to much lower single premium volumes, somewhat compensated for by 79% growth in recurring premium sales. Single premium sales were negatively impacted by the attractive returns that are currently available on banking products in India.

Gross **result from financial services** increased by 30%. A more than doubling in the Rest of Africa and India contributions was partly offset by lower growth in the more mature Namibia and Botswana markets as expected. The increased holding in Letshego from the second half of 2011 supported the Botswana results. The Nigeria operations managed to break even within two years of its launch, testimony to SEM's low cost expansion model in Africa.

Sanlam Investments

Key performance indicators for the year ended 31 December 2012

R million	2012	2011	Δ%
Group Equity Value			
Group Equity Value	**16 424**	14 909	10
Covered business	**6 205**	5 868	6
Other operations	**10 219**	9 041	13
Return on Group Equity Value	**16,9%**	12,2%	
Covered business	**16,8%**	9,9%	
Other operations	**16,9%**	13,8%	
Business volumes			
Net fund flows	**7 103**	11 444	(38)
Investments	**6 542**	10 708	(39)
South Africa segregated	**(1 484)**	24	(>100)
South Africa collective investments	**5 039**	6 836	(26)
South Africa private investments	**688**	1 596	(57)
Non-South Africa	**2 299**	2 252	2
Life business	**561**	736	(24)
New life business volumes	**4 163**	3 912	6
Recurring premiums	**360**	349	3
Single premiums	**3 803**	3 563	7
Value of new covered business			
Value of new business	**72**	123	(41)
Present value of new business premiums	**6 260**	5 721	9
New business margin	**1,15%**	2,15%	
Earnings			
Gross result from financial services	**1 322**	1 230	7
Investment management	**692**	670	3
Employee Benefits	**359**	330	9
Capital Management	**271**	230	18
Net result from financial services	**975**	945	3

Sanlam Investments achieved a **RoGEV** of 16,9%, the combined effect of a 16,8% return on covered business and a 16,9% return on other operations. The decline in long-term interest rates and strong investment market performance supported the return from covered business. The valuation of SI's other operations benefited from an increase in the level of assets under management, following a continuance of net fund inflows and the investment market performance in 2012.

The Sanlam Investments results were impacted by a few large once-off items in both net fund flows and operating earnings, shrouding an otherwise strong performance.

New business volumes for the cluster were up 11% on 2011 (excluding white label). The asset management operations delivered solid growth of 11% in a very competitive environment, complemented by a more than doubling in Sanlam UK's contribution, partly attributable to new acquisitions. The international investment management operations had a tough year with investor risk aversion not favouring the cluster's niche operations. Sanlam Employee Benefits (SEB) won a large mandate in 2011 that did not repeat in 2012, contributing to an 18% decrease in its new business volumes. As anticipated, SEB's VNB and margins declined commensurately from the high base in 2011. Net fund flows decreased by 38% from R11 billion in 2011 to R7 billion in 2012. Sanlam Private Investments (SPI) experienced a R2,3 billion once-off outflow of low margin business from a single client, which impacted negatively on SPI and the cluster's net fund flows. The South African investment management operations also lost a few mandates; this was, however, substantially due to portfolio restructuring by clients and not related to investment performance. Retail net fund flows remained strong.

Gross **result from financial services** of R1,3 billion is 7% up on the prior year. The Capital Management business had another good year and recorded growth of 18% on an already high base in 2011. The results include some once-off fees earned on large financing deals concluded during the year. Sanlam Employee Benefits increased its contribution by 9%, the combined effect of lower administration losses, strong earnings from Sanlam Structured Solutions and lower risk profits. The Investment management operations were negatively impacted by the following once-off items, which deflated operating earnings growth to 3%:

- A R55 million reduction in performance fees earned by the South African institutional asset manager from R78 million in 2011 to R22 million in 2012. Sanlam Investments follows a value-based investment philosophy. Investor risk aversion, however, favoured shares with lower earnings and dividend volatility, resulting in a further rerating of the more expensive counters. The cluster's underweight position in these shares had a negative impact on short-term investment performance with a corresponding decline in performance fees.
- The newly acquired Merchant Securities business recorded a loss of R35 million for the year, largely attributable to once-off costs relating to the integration, restructuring and reorganisation of the business.
- Start-up losses of R27 million in newly established distribution channels.

Excluding the South African performance fees as well as the above once-off losses, Investment management gross operating earnings increased by 24%, a strong underlying performance.

Santam

Key performance indicators for the year ended 31 December 2012

R million	2012	2011	Δ%
Group Equity Value			
Group Equity Value	**12 875**	9 615	34
Return on Group Equity Value	**44,0%**	14,2%	
Business volumes			
Net earned premiums	**15 626**	14 653	7
Net fund flows	**4 946**	5 249	(6)
Earnings			
Gross result from financial services	**1 008**	1 560	(35)
Net result from financial services	**405**	659	(39)
Ratios			
Claims	**68,3%**	64,2%	
Acquisition costs	**16,6%**	15,9%	
Combined	**96,2%**	92,0%	
Underwriting margin	**3,8%**	8,0%	

The South African general insurance industry experienced one of its most difficult underwriting environments in many years. Flooding in Mpumalanga early in the year was followed by significant storm-related events in Gauteng and the Eastern Cape in October and November. A fire at St Francis Bay also destroyed a large number of houses. Claims from these events contributed to an increase in Santam's claims ratio from 64,2% in 2011 to 68,3% in 2012. The underwriting margin accordingly declined from 8,0% in 2011 to 3,8% in 2012. Net earned premiums increased by 7%, above the industry average for the year.

The RoGEV of Santam reflects the investment return earned on the listed Santam shares, which performed ahead of the South African equity market.

Forward-looking statements

In this report we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, amongst others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These statements may also relate to our future prospects, developments and business strategies. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Constantly

striving to raise the bar

Innovation

SHAREHOLDERS' INFORMATION
for the year ended 31 December 2012

Contents

To the directors of Sanlam Limited

We have audited the accompanying Sanlam Limited Shareholders' Information (Shareholders' Information) set out on pages 75 to 130 for the year ended 31 December 2012, comprising Group Equity Value; Change in Group Equity Value; Return on Group Equity Value; Group Equity Value sensitivity analysis; Shareholders' fund at fair value; Shareholders' fund at net asset value; Shareholders' fund income statement; Embedded value of covered business; change in embedded value of covered business; Value of new business; and notes thereto and a summary of significant accounting policies and other explanatory information. The Shareholders' Information has been prepared by the directors of Sanlam Limited using the basis of preparation set out on pages 75 to 85.

Directors' responsibility for the Shareholders' Information

The directors are responsible for the preparation of the Shareholders' Information in accordance with the basis of preparation as set out on pages 75 to 85, and for determining that this financial reporting framework is acceptable in the circumstances. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the Shareholders' Information that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the Shareholders' Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Shareholders' Information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Shareholders' Information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Shareholders' Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Shareholders' Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Shareholders' Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Sanlam Limited Shareholders' Information for the year ended 31 December 2012 was prepared, in all material respects, in accordance with the basis of preparation set out on pages 75 to 85 of the Sanlam Limited Shareholders' Information.

Basis of accounting

Without modifying our opinion, we draw attention to the basis of preparation for the Sanlam Limited Shareholders' Information set out on pages 75 to 85, which describes the basis of accounting. The Sanlam Limited Shareholders' Information was prepared to provide additional information in respect of the Group shareholders' fund in a format that corresponds with that used by management in evaluating the performance of the Group. As a result, the Sanlam Limited Shareholders' Information may not be suitable for another purpose.

Other matter

Sanlam Limited has prepared a separate set of consolidated and separate annual financial statements for the year ended 31 December 2012, in accordance with International Financial Reporting Standards, on which we issued a separate auditors' report to the shareholders of Sanlam Limited, dated 6 March 2013.

Ernst + Young Inc

Ernst & Young Inc.
Director: Malcolm P Rapson
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street
Cape Town
6 March 2013

The purpose of this section is to provide additional information to users in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group and is additional information to the financial statements prepared in terms of IFRS.

It includes analyses of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements on pages 218 to 293 are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information to users of Sanlam's financial information.

The Group also discloses Group Equity Value (GEV) information. The Group's key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. In the directors' view GEV more accurately reflects the performance of the Group than results presented under IFRS and provides a more meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows more explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

The shareholders' information also includes the embedded value of covered business (EV), change in EV and value of new business.

A glossary containing explanations of technical terms used in these financial statements is presented on page 294.

Basis of preparation – shareholders' information

The basis of presentation and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out on pages 220 to 239, apart from the specific items described under separate headings in this section.

Management considers the basis of preparation applied for the shareholders' information to be suitable for the intended users of the financial information.

The application of the basis of preparation of the shareholders' information is also consistent with that applied in the 2011 financial statements, apart from the following:

- Corporate expenses relating to the SEM cluster that were included in the overall Group adjustment for holding company expenses are now allocated to the SEM cluster. Comparative information has been restated accordingly.
- Costs associated with equity participation schemes (refer page 77) have been reclassified from the net result from financial services to a separate line item in the shareholders' fund income statement to achieve improved presentation of the Group's underlying operating performance. Comparative information has been restated accordingly.
- The Sanlam Investments cluster has been restructured, which affects the presentation of GEV, the shareholders' fund at fair value and the shareholders' fund at net asset value. Comparative information has been restated accordingly.

The shareholders' fund information includes the following:

- Group Equity Value (refer page 86)
- Change in Group Equity Value (refer page 87)
- Return on Group Equity Value (refer page 88).
- Shareholders' fund financial statements consisting of the shareholders' fund at fair value (refer page 90), shareholders' fund at net asset value (refer page 92), shareholders' fund income statement (refer page 94) and related notes

- Embedded value of covered business, Change in embedded value of covered business, value of new business and notes thereto.

Group Equity Value

GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital. Discretionary capital represents management's assessment of capital in excess of that required for current operations of the Group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders.

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- Adjustments to net worth; and
- Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as the embedded value of covered business does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

The GEV is inherently based on estimates and assumptions, as set out in this basis of preparation and as also disclosed under critical accounting estimates and judgements in the annual financial statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analyses are provided for changes from the base estimates and assumptions within the Shareholders' information.

Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after-tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses.

Share incentive schemes granted on subsidiaries' own shares

Where Group subsidiaries grant share incentives to staff on the entities' own shares, the fair value of the outstanding incentives at year-end is deducted in determining GEV. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations as appropriate.

Share incentive schemes granted on Sanlam shares

Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of the outstanding instruments at year-end. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in Group Equity Value

The Change in Group Equity Value consists of the embedded value earnings from covered business, earnings from other Group operations on a fair value basis, earnings on discretionary and other capital and capital transactions with shareholders.

Return on Group Equity Value

The RoGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period.

Shareholders' fund at net asset value, income statement and related information

The analysis of the shareholders' fund at net asset value and the related shareholders' fund income statement reflects the consolidated financial position and earnings of the shareholders' fund, based on accounting policies consistent with those on pages 220 to 239, apart from the following:

Basis of consolidation

The shareholders' funds of Group companies are consolidated in the analysis of the Sanlam Group shareholders' fund at net asset value. The policyholders' and outside shareholders' interests in these companies are treated as minority shareholders' interest on consolidation.

The segmental analysis of the shareholders' fund at net asset value is consistent with the Group's operational management structure.

Consolidation reserve

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities, however, includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund at net asset value as the related policyholder investments are recognised as equity instruments at fair value. The fund transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised earnings.

This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders' fund.

Equity participation costs

The establishment and growth of certain niche and specialised Group businesses are materially linked to and dependent on the continued involvement of a few key specialist staff members. To retain and appropriately incentivise these individuals, they are in exceptional cases granted participation schemes through which they effectively share in the value created within these businesses. The cost associated with the equity participation schemes is in substance similar to intangible assets recognised in a business combination and commensurately not part of the Group's operational performance. The change in fair value of the equity participation schemes is therefore excluded from the net result from financial services and recognised as equity participation costs in the shareholder's fund income statement. Equity participation costs also include the IFRS 2 expense associated with black economic empowerment transactions.

Segregated funds

Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are also excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are, however, included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, Shriram Capital, Shriram Life Insurance, Shriram General Insurance, Letshego, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted earnings from operating associates and joint ventures are included in the net result from financial services.
- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Santam Group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's shares of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share

As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period. The Group therefore calculates normalised diluted earnings per share to eliminate fund transfers relating to the investments in Sanlam shares and Group subsidiaries held by the policyholders' fund.

Fund flows

The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

Funds received from clients

Funds received from clients include single and recurring long- and short-term insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked-products as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. White label fund flows relate to business where the Group is principally providing administrative or life licence services to third-party institutions. White label business is by nature low margin business and subject to volatile cash flows. Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

In the case of long-term insurance business the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded, is regarded as new business.

All segregated fund inflows, inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Payments to clients

Payments to clients include policy benefits paid in respect of long- and short-term insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance linked-products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

White label fund flows relate to business where the Group is principally providing administrative or life licence services to third-party institutions. White label business is by nature low margin business and subject to volatile cash flows.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

Shareholders' fund at fair value

The shareholders' fund at fair value is prepared from the consolidated shareholders' fund at net asset value by replacing the net asset value of the other Group operations that are not part of covered business, with the fair value of these businesses. Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

The valuation of businesses is based on generally accepted and applied investment valuation techniques, but is subject to judgement to allow for perceived risks. Estimates and assumptions are an integral part of business valuations and as such have an impact on the amounts reported. Management applies judgement in determining the appropriate valuation technique to be used. In addition in applying the valuation techniques judgement is utilised in setting assumptions of future events and experience, and where applicable, risk adjusted discount rates.

Estimates and judgements are regularly updated to reflect latest experience. It is reasonably possible that actual outcomes in future financial years may differ from current estimates and assumptions, possibly significantly, which could require a material adjustment to the business valuations.

The appropriateness of the valuations is regularly tested through the Group's approval framework, in terms of which the valuations of investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-Listed Asset Controlling Body.

Businesses may comprise legal entities or components of legal entities as determined by the directors.

Basis of preparation – embedded value of covered business

The Group's embedded value of covered business information is prepared in accordance with APN 107 (version 7), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

The embedded value results of the Group's covered business are included in the shareholders' information as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The embedded value of covered business does not include the contribution to GEV relating to other Group operations or discretionary and other capital, which are included separately in the analysis of GEV.

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2011 financial statements.

Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. This business includes individual stable bonus, linked and market-related business, reversionary bonus business, group stable bonus business, annuity business and other non-participating business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits.

Covered business excludes the value of investment products provided under a life insurance policy where there is very little or no insurance risk.

Acquisitions, disposals and other movements

The embedded value of covered business results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

Embedded value of covered business

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

- Adjusted net worth (ANW); and
- The net value of in-force business.

Adjusted net worth

ANW comprises the required capital supporting the covered business and is equal to the net value of assets allocated to covered business that does not back policy liabilities.

The required capital allocated to covered business reflects the level of capital considered sufficient to support the covered business, allowing for an assessment of the market, credit, insurance and operational risks inherent in the underlying products, subject to a minimum level of the local statutory solvency requirement for each business.

Sanlam applies stochastic modelling techniques on an ongoing basis to assist in determining and confirming the most appropriate capital levels for the covered business. The modelling target is set to maintain supporting capital at such a level that will ensure, within a 95% confidence level, that it will at all times cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over the following 10 years. The capital allocated to covered business includes an allowance for capital required in respect of future new business.

The capital allocated to covered business is funded from a balanced investment portfolio, comprising investments in equities, hedged equities, fixed interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework.

Net value of in-force business

The net value of in-force business consists of:

- The present value of future shareholder profits from in-force covered business (PVIF), after allowance for
- The cost of required capital supporting the covered business.

Present value of future shareholder profits from in-force covered business

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

The PVIF excludes the cost of required capital, which is separately disclosed.

Cost of required capital

A charge is deducted from the embedded value of covered business for the cost of required capital supporting the Group's existing covered business. The cost is the difference between the carrying value of the required capital at the valuation date and the discounted value, using a risk-adjusted discount rate, of the projected releases of the capital allowing for the assumed after-tax investment return on the assets deemed to back the required capital over the life of the in-force business.

Value of new business

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;

- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Renewable recurring premiums under Group insurance contracts are treated as in-force business; and
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 1 on page 96, excluding white label new business.

Risk discount rates and allowance for risk

In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- Explicit allowances within the projected shareholder cash flows;
- The level of required capital and the impact on cost of required capital; and
- The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

Minimum investment guarantees to policyholders

An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market consistent basis in accordance with actuarial guidance from the Actuarial Society (APN 110). No further deduction from the embedded value of covered business is therefore required.

Share incentive schemes

The embedded value of covered business assumes the payment of long-term incentives in the future and allows for the expected cost of future grants within the value of in-force covered business and value of new business.

Sensitivity analysis

Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate.

Foreign currencies

Changes in the embedded value of covered business, as well as the present value of new business premiums, of foreign operations are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the embedded value of covered business, in which instances the exchange rate on transaction date is used. The closing rate is used for the conversion of the embedded value of covered business at the end of the financial year.

Assumptions

Best estimate assumptions

The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported embedded value of covered business. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

Economic assumptions

The assumed investment return on assets supporting the policy liabilities and required capital is based on the assumed long-term asset mix for these funds.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long-term gap relative to fixed-interest securities.

Future rates of bonuses for traditional participating business, stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at each valuation date.

Assets backing required capital

The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the assumed long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Demographic assumptions

Future mortality, morbidity and discontinuance rates are based on recent experience where appropriate.

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design. Premiums on individual business are assumed to be rerated, where applicable, in line with deterioration in mortality, with a three-year delay from the point where mortality losses would be experienced.

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The split between acquisition, maintenance and extraordinary project expenses is consistent with the statutory valuation assumptions and based on actual expenses incurred.

Project expenses

In determining the value of in-force covered business, the present value of projected expenses for certain planned projects focusing on both administration and existing distribution platforms of the life insurance business is deducted. Although these projects are of a short-term nature, similar projects may be undertaken from time-to-time. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Special development costs that relate to investments in new distribution platforms are not allowed for in the projections. The actual costs relating to these projects are recognised in the earnings from covered business on an accrual basis.

Investment management fees

Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investments, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investments businesses at fair value.

Taxation

Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five-year roll-over period.

No allowance was made for tax changes announced by the Minister of Finance in his budget speech in February 2013.

Earnings from covered business

The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into the following main components:

Value of new business

The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.

Net earnings from existing covered business

Expected return on value of covered business

The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

Operating experience variances

The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

Operating assumption changes

Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.

Expected investment return on adjusted net worth

The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

The total embedded value earnings from covered business include two further main items:

Economic assumption changes

The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the embedded value of covered business.

Investment variances

Investment variances – value of in-force

The impact on the value of in-force business caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

Investment variances – investment return on adjusted net worth

Investment return variances caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

GROUP EQUITY VALUE

at 31 December 2012

R million	Notes	2012 Total	2012 Fair value of assets	2012 Value of in-force	2011[3] Total	2011[3] Fair value of assets	2011[3] Value of in-force
Sanlam Personal Finance		**32 762**	**11 299**	**21 463**	28 876	10 811	18 065
Covered business[1]		**30 144**	**8 681**	**21 463**	26 687	8 622	18 065
Glacier		**1 338**	**1 338**	**—**	1 169	1 169	—
Sanlam Personal Loans		**816**	**816**	**—**	494	494	—
Other operations		**464**	**464**	**—**	526	526	—
Sanlam Emerging Markets		**6 105**	**4 603**	**1 502**	3 409	2 101	1 308
Covered business[1]		**2 647**	**1 145**	**1 502**	2 320	1 012	1 308
Shriram Capital[2]		**2 398**	**2 398**	**—**	152	152	—
Letshego		**602**	**602**	**—**	465	465	—
Other operations		**458**	**458**	**—**	472	472	—
Sanlam Investments		**16 424**	**15 339**	**1 085**	14 909	13 960	949
Covered business[1]		**6 205**	**5 120**	**1 085**	5 868	4 919	949
Sanlam Employee Benefits		**5 301**	**4 825**	**476**	5 077	4 669	408
Sanlam UK		**904**	**295**	**609**	791	250	541
Investment Management		**9 406**	**9 406**	**—**	8 240	8 240	—
Capital Management		**813**	**813**	**—**	801	801	—
Santam		**12 875**	**12 875**	**—**	9 615	9 615	—
Group operations		**68 166**	**44 116**	**24 050**	56 809	36 487	20 322
Discretionary capital		**4 200**	**4 200**	**—**	3 900	3 900	—
Balanced portfolio – other		**4 139**	**4 139**	**—**	4 011	4 011	—
Group Equity Value before adjustments to net worth		**76 505**	**52 455**	**24 050**	64 720	44 398	20 322
Net worth adjustments – present value of holding company expenses	9	**(1 153)**	**(1 153)**	**—**	(1 199)	(1 199)	—
Group Equity Value		**75 352**	**51 302**	**24 050**	63 521	43 199	20 322
Value per share (cents)	8	**3 707**	**2 524**	**1 183**	3 146	2 140	1 006
Analysis per type of business							
Covered business[1]		**38 996**	**14 946**	**24 050**	34 875	14 553	20 322
Sanlam Personal Finance		**30 144**	**8 681**	**21 463**	26 687	8 622	18 065
Sanlam Emerging Markets		**2 647**	**1 145**	**1 502**	2 320	1 012	1 308
Sanlam Investments		**6 205**	**5 120**	**1 085**	5 868	4 919	949
Other Group operations		**29 170**	**29 170**	**—**	21 934	21 934	—
Discretionary and other capital		**7 186**	**7 186**	**—**	6 712	6 712	—
Group Equity Value		**75 352**	**51 302**	**24 050**	63 521	43 199	20 322

[1] *Refer embedded value of covered business on page 123.*

[2] *2011 comparative figure relates to a direct investment in Shriram General Insurance, which has been sold to Shriram Capital as part of the Group's investment in Shriram Capital. The value of Shriram Life is included in covered business.*

[3] *Restated as referred to in the basis of preparation.*

CHANGE IN GROUP EQUITY VALUE
for the year ended 31 December 2012

R million	2012	2011[(2)]
Earnings from covered business[(1)]	**7 908**	6 273
Earnings from other Group operations	**6 395**	2 744
Operations valued based on ratio of price to assets under management	**1 450**	809
Assumption changes	**4**	(113)
Change in assets under management	**813**	231
Earnings for the year and changes in capital requirements	**497**	377
Foreign currency translation differences and other	**136**	314
Operations valued based on discounted cash flows	**628**	603
Expected return	**618**	415
Operating experience variances and other	**129**	(19)
Assumption changes	**(226)**	72
Foreign currency translation differences	**107**	135
Operations valued at net asset value – earnings for the year	**84**	183
Operations at listed values – investment return	**4 233**	1 149
Earnings from discretionary and other capital	**7**	388
Portfolio investments and other	**149**	575
Net corporate expenses	**(129)**	(124)
Share-based payment transactions	**(59)**	(4)
Change in net worth adjustments	**46**	(59)
Group Equity Value earnings	**14 310**	9 405
Dividends paid	**(2 581)**	(2 279)
Cost of treasury shares sold/(acquired)	**102**	(966)
Sanlam share buy back	**(26)**	(979)
Share incentive scheme and other	**128**	13
Group Equity Value at beginning of the year	**63 521**	57 361
Group Equity Value at end of the year	**75 352**	63 521

[(1)] *Refer to embedded value of covered business on page 123.*

[(2)] *Restated as referred to in the basis of preparation.*

RETURN ON GROUP EQUITY VALUE

for the year ended 31 December 2012

	2012 Earnings R million	2012 Return %	2011[2] Earnings R million	2011[2] Return %
Sanlam Personal Finance	**6 862**	**23,8**	5 519	21,5
Covered business[1]	**6 296**	**23,6**	5 146	21,7
Other operations	**566**	**25,9**	373	19,1
Sanlam Emerging Markets	**669**	**16,9**	634	23,8
Covered business[1]	**628**	**27,1**	571	32,1
Other operations	**41**	**2,5**	63	7,1
Sanlam Investments	**2 539**	**16,9**	1 669	12,2
Covered business[1]	**984**	**16,8**	556	9,9
Other operations	**1 555**	**16,9**	1 113	13,8
Santam	**4 233**	**44,0**	1 195	14,2
Discretionary and other capital	**7**		388	
Return on Group Equity Value	**14 310**	**22,5**	9 405	16,4
Return on Group Equity Value per share		**22,0**		15,7

R million	2012	2011[2]
Reconciliation of return on Group Equity Value:		
The return on Group Equity Value reconciles as follows to normalised attributable earnings:		
Normalised attributable earnings per shareholders' fund income statement on page 94	**5 811**	5 174
Net foreign currency translation gains recognised in other comprehensive income	**105**	435
Earnings recognised directly in equity		
Share-based payment transactions	**(62)**	(7)
Net cost of treasury shares delivered	**(297)**	(246)
Share-based payments	**235**	239
Change in ownership of subsidiaries	**(63)**	(277)
Recognised in Statement of Changes in Equity	**(63)**	(391)
Less: Included in earnings from value of in-force	**—**	114
Movement in fair value adjustments – shareholders' funds at fair value	**4 699**	896
Movement in adjustments to net worth	**124**	36
Present value of holding company expenses	**46**	(59)
Change in goodwill and value of business acquired adjustments less value of in-force acquired	**78**	95
Growth from covered business: value of in-force[1]	**3 696**	3 148
Return on Group Equity Value	**14 310**	9 405

[1]*Refer to embedded value of covered business on page 123.*

[2]*Restated as referred to in the basis of preparation.*

GROUP EQUITY VALUE SENSITIVITY ANALYSIS

at 31 December 2012

Given the Group's exposure to financial instruments, market risk has a significant impact on the value of the Group's operations as measured by Group Equity Value. The sensitivity of Group Equity Value to market risk is presented in the table below and comprises the following two main components:

- Impact on net result from financial services (profitability): A large portion of the Group's fee income is linked to the level of assets under management. A change in the market value of investments managed by the Group on behalf of policyholders and third parties will commensurately have a direct impact on the Group's net result from financial services. The present value of this impact is reflected in the table below as the change in the value of in-force and the fair value of other operations.
- Impact on capital: The Group's capital base is invested in financial instruments and any change in the valuation of these instruments will have a commensurate impact on the value of the Group's capital. This impact is reflected in the table below as the change in the fair value of the covered business' adjusted net worth as well as the fair value of discretionary and other capital.

The following scenarios are presented:

- Equity markets and property values decrease by 10%, without a corresponding change in dividend and rental yields.
- Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately.
- The rand depreciates by 10% against all currencies, apart from the Namibian dollar.

The Group's covered business is also exposed to non-market risks, which include expense, persistency, mortality and morbidity risk. The sensitivity of the value of in-force business, and commensurately Group Equity Value, to these risks is presented in note 1 on page 127.

R million	Base value	Equities and properties -10%	Interest rates -1%	Rand exchange rate depreciation +10%
2012				
Covered business	**38 996**	**37 340**	**39 934**	**39 385**
Adjusted net worth	**14 946**	**14 297**	**14 990**	**15 202**
Value of in-force	**24 050**	**23 043**	**24 944**	**24 183**
Other Group operations	**29 170**	**27 380**	**29 962**	**29 939**
Valued at net asset value	**927**	**927**	**927**	**943**
At listed values	**12 875**	**11 588**	**12 875**	**12 875**
Other	**15 368**	**14 865**	**16 160**	**16 121**
Group operations	**68 166**	**64 720**	**69 896**	**69 324**
Discretionary and other capital	**8 339**	**8 278**	**8 339**	**8 372**
Group Equity Value before adjustments to net worth	**76 505**	**72 998**	**78 235**	**77 696**
Net worth adjustments – present value of holding company expenses	**(1 153)**	**(1 153)**	**(1 153)**	**(1 153)**
Group Equity Value	**75 352**	**71 845**	**77 082**	**76 543**
2011*				
Covered business	34 875	33 352	35 522	35 125
Adjusted net worth	14 553	13 997	14 566	14 683
Value of in-force	20 322	19 355	20 956	20 442
Other Group operations	21 934	20 438	22 248	22 135
Valued at net asset value	1 421	1 421	1 421	1 421
At listed values	10 111	9 100	10 111	10 111
Other	10 402	9 917	10 716	10 603
Group operations	56 809	53 790	57 770	57 260
Discretionary and other capital	7 911	7 731	7 915	7 933
Group Equity Value before adjustments to net worth	64 720	61 521	65 685	65 193
Net worth adjustments – present value of holding company expenses	(1 199)	(1 199)	(1 199)	(1 199)
Group Equity Value	63 521	60 322	64 486	63 994

**Restated as referred to in the basis of preparation.*

SHAREHOLDERS' FUND AT FAIR VALUE

at 31 December 2012

R million	Note	2012 Fair value	2012 Fair value adjustment	2012 Net asset value	2011[5] Fair value	2011[5] Fair value adjustment	2011[5] Net asset value
Covered business, discretionary and other capital		**24 631**	**112**	**24 519**	23 828	112	23 716
Property and equipment		**271**	**–**	**271**	332	–	332
Owner-occupied properties		**569**	**–**	**569**	416	–	416
Goodwill[2]		**474**	**–**	**474**	478	–	478
Value of business acquired[2]		**643**	**–**	**643**	694	–	694
Other intangible assets		**28**	**–**	**28**	29	–	29
Deferred acquisition costs		**2 244**	**–**	**2 244**	1 888	–	1 888
Non-current assets held for sale		**–**	**–**	**–**	512	–	512
Investments		**22 360**	**112**	**22 248**	20 422	112	20 310
Equities and similar securities		**9 210**	**112**	**9 098**	8 440	112	8 328
Associated companies		**1 182**	**–**	**1 182**	786	–	786
Joint ventures – Shriram Life Insurance		**–**	**–**	**–**	267	–	267
Public sector stocks and loans		**225**	**–**	**225**	13	–	13
Investment properties		**106**	**–**	**106**	489	–	489
Other interest-bearing and preference share investments		**11 637**	**–**	**11 637**	10 427	–	10 427
Net term finance		**–**	**–**	**–**	–	–	–
Term finance		**(3 737)**	**–**	**(3 737)**	(5 108)	–	(5 108)
Assets held in respect of term finance		**3 737**	**–**	**3 737**	5 108	–	5 108
Net deferred tax		**(256)**	**–**	**(256)**	111	–	111
Net working capital		**(563)**	**–**	**(563)**	(137)	–	(137)
Derivative liability		**(95)**	**–**	**(95)**	–	–	–
Minority shareholders' interest		**(1 044)**	**–**	**(1 044)**	(917)	–	(917)
Other Group operations		**29 170**	**16 057**	**13 113**	21 934	11 358	10 576
Sanlam Investments		**10 219**	**6 333**	**3 886**	9 041	5 453	3 588
Investment Management		**9 406**	**6 253**	**3 153**	8 240	5 354	2 886
Capital Management		**813**	**80**	**733**	801	99	702
Sanlam Personal Finance		**2 618**	**1 668**	**950**	2 189	1 407	782
Glacier		**1 338**	**995**	**343**	1 169	865	304
Sanlam Personal Loans[4]		**816**	**349**	**467**	494	141	353
Other operations		**464**	**324**	**140**	526	401	125
Sanlam Emerging Markets		**3 458**	**(31)**	**3 489**	1 089	2	1 087
Shriram Capital		**2 398**	**93**	**2 305**	152	–	152
Letshego		**602**	**(4)**	**606**	465	(62)	527
Other operations		**458**	**(120)**	**578**	472	64	408
Santam		**12 875**	**9 334**	**3 541**	9 615	5 743	3 872
Goodwill held on Group level in respect of the above businesses		**–**	**(1 247)**	**1 247**	–	(1 247)	1 247
Shareholders' fund at fair value		**53 801**	**16 169**	**37 632**	45 762	11 470	34 292
Value per share (cents)	8	**2 646**	**795**	**1 851**	2 267	568	1 699

R million	2012 Total	2012 Fair value of assets	2012 Value of in-force	2011 Total	2011 Fair value of assets	2011 Value of in-force
Reconciliation to Group Equity Value						
Group Equity Value before adjustments to net worth	**76 505**	**52 455**	**24 050**	64 720	44 398	20 322
Add: Goodwill and value of business acquired replaced by value of in-force	**1 346**	**1 346**	**–**	1 364	1 364	–
Sanlam Life and Pensions	**356**	**356**	**–**	356	356	–
Sanlam Developing Markets	**753**	**753**	**–**	780	780	–
Shriram Life Insurance[3]	**210**	**210**	**–**	210	210	–
Other	**27**	**27**	**–**	18	18	–
Less: Value of in-force	**(24 050)**	**–**	**(24 050)**	(20 322)	–	(20 322)
Shareholders' fund at fair value	**53 801**	**53 801**	**–**	45 762	45 762	–

[1]*Group businesses listed above are not consolidated, but reflected as investments at fair value.*

[2]*The value of business acquired and goodwill relate mainly to the consolidation of Sanlam Sky Solutions, Channel Life and Sanlam Life and Pensions and are excluded in the build-up of the Group Equity Value, as the current value of in-force business for these life insurance companies are included in the embedded value of covered business.*

[3]*The carrying value of Shriram Life Insurance includes goodwill of R210 million (2011: R210 million) that is excluded in the build-up of the Group Equity Value, as the current value of in-force business for Shriram Life Insurance is included in the embedded value of covered business.*

[4]*The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.*

[5]*Comparative information has been restated as referred to in the basis of preparation.*

SHAREHOLDERS' FUND AT NET ASSET VALUE

at 31 December 2012

R million	Notes	Sanlam Life(1) 2012	Sanlam Life(1) 2011	Sanlam Emerging Markets(2) 2012	Sanlam Emerging Markets(2) 2011	Santam 2012	Santam 2011
Property and equipment		**198**	287	**86**	77	**127**	115
Owner-occupied properties		**479**	456	**—**	—	**2**	2
Goodwill		**284**	287	**63**	68	**956**	991
Other intangible assets		**21**	21	**6**	8	**23**	10
Value of business acquired		**595**	656	**151**	160	**160**	99
Deferred acquisition costs		**2 417**	2 043	**3**	3	**—**	—
Investments		**26 855**	23 863	**6 104**	3 492	**7 783**	8 059
Properties		**165**	370	**261**	186	**—**	—
Associated companies	3.1	**—**	—	**4 266**	1 321	**228**	264
Joint ventures	3.2	**467**	353	**1**	419	**—**	—
Equities and similar securities	3.3	**14 061**	12 042	**544**	402	**3 496**	3 802
Public sector stocks and loans		**171**	349	**212**	225	**523**	775
Debentures, preference shares and other loans		**2 495**	2 815	**223**	93	**1 510**	1 772
Cash, deposits and similar securities		**9 496**	7 934	**597**	846	**2 026**	1 446
Net deferred tax		**(268)**	116	**(30)**	(22)	**(63)**	90
Deferred tax asset		**80**	271	**1**	1	**221**	207
Deferred tax liability		**(348)**	(155)	**(31)**	(23)	**(284)**	(117)
Net non-current assets held for sale		**—**	512	**—**	—	**—**	—
Net short-term insurance technical provisions		**—**	—	**(8)**	—	**(7 773)**	(6 851)
Short-term insurance technical assets		**—**	—	**3**	—	**2 093**	1 831
Short-term insurance technical provisions		**—**	—	**(11)**	—	**(9 866)**	(8 682)
Net working capital assets/(liabilities)		**(1 045)**	(1 926)	**(218)**	(121)	**6 234**	5 313
Trade and other receivables		**2 551**	2 858	**509**	640	**2 007**	1 861
Cash, deposits and similar securities		**4 282**	3 240	**538**	317	**6 266**	5 483
Trade and other payables		**(6 426)**	(6 861)	**(1 277)**	(1 087)	**(1 982)**	(1 932)
Provisions		**(286)**	(281)	**—**	—	**(13)**	(28)
Taxation		**(1 166)**	(882)	**12**	9	**(44)**	(71)
Term finance		**(2 751)**	(2 779)	**(14)**	(15)	**(1 034)**	(964)
Derivative liabilities		**(95)**	—	**—**	—	**—**	—
Cell owners' interest		**—**	—	**—**	—	**(688)**	(603)
Minority shareholders' interest		**(19)**	(43)	**(1 334)**	(1 165)	**(2 186)**	(2 389)
Shareholders' fund at net asset value		**26 671**	23 493	**4 809**	2 485	**3 541**	3 872
Analysis of shareholders' fund							
Covered business		**13 506**	13 291	**1 145**	1 012	**—**	—
Other operations		**950**	782	**3 489**	1 087	**3 541**	3 872
Discretionary and other capital		**12 215**	9 420	**175**	386	**—**	—
Shareholders' fund at net asset value		**26 671**	23 493	**4 809**	2 485	**3 541**	3 872
Consolidation reserve		**—**	—	**—**	—	**—**	—
Shareholders' fund per Group statement of financial position on page 240		**26 671**	23 493	**4 809**	2 485	**3 541**	3 872

(1)Includes the operations of Sanlam Personal Finance and Sanlam Employee Benefits as well as discretionary capital held by Sanlam Life. Equities and similar securities include an investment of R5 298 million (2011: R3 490 million) in Sanlam shares, which is eliminated in the consolidation column.

(2)Includes discretionary capital held by Sanlam Emerging Markets.

(3)Corporate and other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.

(4)The investment in treasury shares is reversed within the consolidation column. Intercompany balances, other investments and term finance between companies within the Group are also eliminated.

(5)Comparative information is restated as referred to in the basis of preparation.

Investment Management		Capital Management		Corporate and Other[3]		Consolidation entries[4]		Total	
2012	2011[5]	**2012**	2011[5]	**2012**	2011	**2012**	2011	**2012**	2011
34	31	**4**	4	**—**	—	**—**	—	**449**	514
94	37	**—**	—	**—**	—	**90**	(40)	**665**	455
907	602	**—**	—	**1 247**	1 247	**—**	—	**3 457**	3 195
13	8	**—**	—	**—**	—	**—**	—	**63**	47
693	696	**—**	—	**—**	—	**—**	—	**1 599**	1 611
—	—	**—**	—	**—**	—	**—**	—	**2 420**	2 046
923	1 383	**184**	173	**3 082**	4 270	**(6 811)**	(5 989)	**38 120**	35 251
—	—	**16**	15	**—**	—	**(148)**	1	**294**	572
175	450	**168**	—	**90**	90	**—**	—	**4 927**	2 125
17	36	**—**	5	**—**	—	**—**	—	**485**	813
162	158	**—**	—	**1 388**	1 636	**(6 226)**	(4 915)	**13 425**	13 125
—	1	**—**	—	**—**	—	**—**	—	**906**	1 350
406	645	**—**	153	**1 576**	1 591	**(437)**	(1 075)	**5 773**	5 994
163	93	**—**	—	**28**	953	**—**	—	**12 310**	11 272
25	(11)	**11**	36	**52**	25	**(2)**	27	**(275)**	261
46	14	**13**	47	**89**	60	**—**	27	**450**	627
(21)	(25)	**(2)**	(11)	**(37)**	(35)	**(2)**	—	**(725)**	(366)
308	—	**—**	—	**—**	—	**—**	—	**308**	512
—	—	**—**	—	**—**	—	**—**	—	**(7 781)**	(6 851)
—	—	**—**	—	**—**	—	**—**	—	**2 096**	1 831
—	—	**—**	—	**—**	—	**—**	—	**(9 877)**	(8 682)
1 008	1 061	**534**	582	**(173)**	(2 090)	**959**	3 805	**7 299**	6 624
1 215	1 108	**22 585**	18 935	**9 824**	7 874	**(13 063)**	(11 863)	**25 628**	21 413
884	722	**2 783**	4 237	**1 443**	2 144	**(1 275)**	(1 767)	**14 921**	14 376
(985)	(670)	**(24 841)**	(22 582)	**(11 423)**	(12 027)	**15 297**	17 435	**(31 637)**	(27 724)
(63)	(58)	**(1)**	—	**(33)**	(56)	**—**	—	**(396)**	(423)
(43)	(41)	**8**	(8)	**16**	(25)	**—**	—	**(1 217)**	(1 018)
(153)	(77)	**—**	(93)	**(987)**	(2 355)	**—**	559	**(4 939)**	(5 724)
—	—	**—**	—	**—**	—	**—**	—	**(95)**	—
—	—	**—**	—	**—**	—	**—**	—	**(688)**	(603)
(48)	(69)	**—**	—	**—**	—	**617**	620	**(2 970)**	(3 046)
3 804	3 661	**733**	702	**3 221**	1 097	**(5 147)**	(1 018)	**37 632**	34 292
295	250	**—**	—	**—**	—	**—**	—	**14 946**	14 553
3 153	2 886	**733**	702	**1 247**	1 247	**—**	—	**13 113**	10 576
356	525	**—**	—	**1 974**	(150)	**(5 147)**	(1 018)	**9 573**	9 163
3 804	3 661	**733**	702	**3 221**	1 097	**(5 147)**	(1 018)	**37 632**	34 292
—	—	**—**	—	**—**	—	**(713)**	(470)	**(713)**	(470)
3 804	3 661	**733**	702	**3 221**	1 097	**(5 860)**	(1 488)	**36 919**	33 822

SHAREHOLDERS' FUND INCOME STATEMENT

for the year ended 31 December 2012

R million	Notes	Sanlam Personal Finance 2012	Sanlam Personal Finance 2011
Financial services income	4	**11 647**	10 935
Sales remuneration		**(2 057)**	(1 968)
Income after sales remuneration		**9 590**	8 967
Underwriting policy benefits		**(2 990)**	(3 017)
Administration costs	5	**(3 328)**	(3 175)
Result from financial services before tax		**3 272**	2 775
Tax on result from financial services		**(915)**	(772)
Result from financial services after tax		**2 357**	2 003
Minority shareholders' interest		**(6)**	(13)
Net result from financial services		**2 351**	1 990
Net investment income		**763**	559
Dividends received — Group companies		**157**	128
Other investment income	6	**753**	552
Tax on investment income		**(147)**	(121)
Minority shareholders' interest		**—**	—
Project expenses		**—**	(1)
Amortisation of value of business acquired and other intangibles		**(45)**	(32)
Equity participation costs		**—**	—
Net equity-accounted headline earnings		**—**	—
Equity-accounted headline earnings		**—**	—
Tax on equity-accounted headline earnings		**—**	—
Minority shareholders' interest		**—**	—
Net investment surpluses		**2 438**	443
Investment surpluses — Group companies		**1 886**	137
Other investment surpluses		**726**	354
Tax on investment surpluses		**(174)**	(48)
Minority shareholders' interest		**—**	—
Secondary tax on companies — after minorities		**(81)**	(48)
Normalised headline earnings		**5 426**	2 911
Profit/(loss) on disposal of operations		**—**	—
Net profit on disposal of associates and joint ventures		**—**	—
Profit on disposal of associates and joint ventures		**—**	—
Tax on profit on disposal of associates and joint ventures		**—**	—
Impairments		**(6)**	—
Normalised attributable earnings		**5 420**	2 911
Fund transfers		**—**	—
Attributable earnings per Group statement of comprehensive income		**5 420**	2 911
Ratios			
Admin ratio[1]		**34,7%**	35,4%
Operating margin[2]		**34,1%**	30,9%
Diluted earnings per share	7		
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		**116,0**	98,5

[1]*Administration costs as a percentage of income earned by the shareholders' fund less sales remuneration.*

[2]*Result from financial services before tax as a percentage of income earned by the shareholders' fund less sales remuneration.*

[3]*Comparative information was restated as outlined in the basis of preparation.*

[4]*Corporate and other includes the consolidation entries in respect of the dividends received and the investment surpluses on the Sanlam Limited shares held by Sanlam Life Insurance Limited.*

Sanlam Emerging Markets 2012	Sanlam Emerging Markets 2011	Sanlam Investments 2012	Sanlam Investments 2011	Santam 2012	Santam 2011[3]	Corporate and Other[4] 2012	Corporate and Other[4] 2011	Total 2012	Total 2011[3]
2 838	2 279	**6 623**	5 997	**16 041**	15 041	**98**	90	**37 247**	34 342
(578)	(491)	**(129)**	(102)	**(2 024)**	(2 003)	**—**	—	**(4 788)**	(4 564)
2 260	1 788	**6 494**	5 895	**14 017**	13 038	**98**	90	**32 459**	29 778
(640)	(479)	**(1 945)**	(1 915)	**(10 680)**	(9 404)	**—**	—	**(16 255)**	(14 815)
(770)	(653)	**(3 227)**	(2 750)	**(2 329)**	(2 074)	**(265)**	(261)	**(9 919)**	(8 913)
850	656	**1 322**	1 230	**1 008**	1 560	**(167)**	(171)	**6 285**	6 050
(158)	(103)	**(337)**	(278)	**(297)**	(438)	**38**	47	**(1 669)**	(1 544)
692	553	**985**	952	**711**	1 122	**(129)**	(124)	**4 616**	4 506
(264)	(244)	**(10)**	(7)	**(306)**	(463)	**—**	—	**(586)**	(727)
428	309	**975**	945	**405**	659	**(129)**	(124)	**4 030**	3 779
64	61	**211**	163	**169**	39	**(80)**	(30)	**1 127**	792
—	—	**—**	—	**—**	—	**(157)**	(128)	**—**	—
128	82	**257**	193	**293**	51	**58**	136	**1 489**	1 014
(46)	(10)	**(46)**	(30)	**(4)**	18	**19**	(38)	**(224)**	(181)
(18)	(11)	**—**	—	**(120)**	(30)	**—**	—	**(138)**	(41)
(16)	(17)	**(7)**	(7)	**—**	—	**—**	—	**(23)**	(25)
(11)	(12)	**(75)**	(40)	**(24)**	(24)	**—**	—	**(155)**	(108)
—	—	**(33)**	—	**(23)**	(26)	**—**	—	**(56)**	(26)
13	3	**—**	(5)	**45**	36	**—**	30	**58**	64
27	6	**—**	(5)	**75**	60	**—**	30	**102**	91
(2)	—	**—**	—	**—**	—	**—**	—	**(2)**	—
(12)	(3)	**—**	—	**(30)**	(24)	**—**	—	**(42)**	(27)
102	60	**357**	27	**174**	139	**(1 900)**	46	**1 171**	715
—	—	**—**	—	**—**	—	**(1 886)**	(137)	**—**	—
112	81	**441**	34	**494**	274	**(16)**	179	**1 757**	922
1	21	**(85)**	(7)	**(198)**	(42)	**1**	4	**(455)**	(72)
(11)	(42)	**1**	—	**(122)**	(93)	**1**	—	**(131)**	(135)
—	—	**(2)**	(5)	**(86)**	(22)	**(64)**	(93)	**(233)**	(168)
580	404	**1 426**	1 078	**660**	801	**(2 173)**	(171)	**5 919**	5 023
3	17	**—**	(3)	**—**	—	**—**	—	**3**	14
—	—	**63**	—	**—**	—	**—**	172	**63**	172
	—	**63**	—	**—**	—	**—**	209	**63**	209
	—	**—**	—	**—**	—	**—**	(37)	**—**	(37)
—	(1)	**(121)**	(34)	**(47)**	—	**—**	—	**(174)**	(35)
583	420	**1 368**	1 041	**613**	801	**(2 173)**	1	**5 811**	5 174
—	—	**—**	—	**—**	—	**(156)**	(8)	**(156)**	(8)
583	420	**1 368**	1 041	**613**	801	**(2 329)**	(7)	**5 655**	5 166
34,1%	36,5%	**49,7%**	46,6%	**16,6%**	15,9%			**30,6%**	29,9%
37,6%	36,7%	**20,4%**	20,9%	**7,2%**	12,0%			**19,4%**	20,3%
								2 026,3	2 019,9
21,1	15,3	**48,1**	46,8	**20,0**	32,6	**(6,4)**	(6,1)	**198,9**	187,1

1. Business volumes

1.1 Analysis of new business and total funds received

Analysed per business reflecting the split between life and non-life business

R million	Total 2012	Total 2011	Life Insurance[1] 2012	Life Insurance[1] 2011	Other[2] 2012	Other[2] 2011
Sanlam Personal Finance	**32 355**	27 246	**18 351**	15 338	**14 004**	11 908
Entry level	**984**	925	**984**	925	**—**	—
Middle-income	**9 972**	8 624	**9 682**	8 306	**290**	318
Recurring	**1 299**	1 264	**1 255**	1 177	**44**	87
Single	**8 673**	7 360	**8 427**	7 129	**246**	231
Affluent	**21 399**	17 697	**7 685**	6 107	**13 714**	11 590
Sanlam Emerging Markets	**12 952**	10 995	**2 922**	2 205	**10 030**	8 790
Namibia	**9 532**	8 425	**560**	346	**8 972**	8 079
Recurring	**125**	108	**125**	108	**—**	—
Single	**9 407**	8 317	**435**	238	**8 972**	8 079
Botswana	**2 067**	1 675	**1 314**	1 133	**753**	542
Recurring	**149**	188	**149**	188	**—**	—
Single	**1 918**	1 487	**1 165**	945	**753**	542
Rest of Africa	**895**	526	**884**	526	**11**	—
Recurring	**367**	267	**367**	267	**—**	—
Single	**528**	259	**517**	259	**11**	—
India	**458**	369	**164**	200	**294**	169
Recurring	**369**	211	**75**	42	**294**	169
Single	**89**	158	**89**	158	**—**	—
Sanlam Investments	**62 139**	56 062	**4 163**	3 912	**57 976**	52 150
Employee benefits	**2 084**	2 534	**2 084**	2 534	**—**	—
Recurring	**319**	325	**319**	325	**—**	—
Single	**1 765**	2 209	**1 765**	2 209	**—**	—
Investment Management	**60 055**	53 528	**2 079**	1 378	**57 976**	52 150
Asset Management	**28 932**	25 962	**—**	—	**28 932**	25 962
Wealth Management	**12 477**	10 486	**—**	—	**12 477**	10 486
Investment Services	**12 416**	11 630	**—**	—	**12 416**	11 630
International	**6 230**	5 450	**2 079**	1 378	**4 151**	4 072
Recurring	**41**	24	**41**	24	**—**	—
Single	**6 189**	5 426	**2 038**	1 354	**4 151**	4 072
Santam	**15 626**	14 653	**—**	—	**15 626**	14 653
New business excluding white label	**123 072**	108 956	**25 436**	21 455	**97 636**	87 501
White label	**12 831**	6 131	**—**	—	**12 831**	6 131
Total new business	**135 903**	115 087	**25 436**	21 455	**110 467**	93 632

[1] *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

[2] *Includes life licence, investment and short-term insurance business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

1. Business volumes *(continued)*

1.1 Analysis of new business and total funds received *(continued)*

R million	Total 2012	Total 2011
Total new business	**135 903**	115 087
Recurring premiums on existing funds:		
Sanlam Personal Finance	**13 570**	12 933
Sanlam Emerging Markets	**1 964**	1 851
Sanlam Investments	**5 737**	4 570
Sanlam Employee Benefits	**3 735**	2 784
Investment Management	**2 002**	1 786
Asset Management	**505**	467
Investment Services	**1 093**	941
International	**404**	378
Total funds received	**157 174**	134 441

1. Business volumes *(continued)*

1.2 Analysis of payments to clients

	Total		Life Insurance[1]		Other[2]	
R million	2012	2011	2012	2011	2012	2011
Sanlam Personal Finance	**36 951**	34 281	**25 925**	23 965	**11 026**	10 316
Entry level	**2 699**	2 766	**2 699**	2 766	**—**	—
Surrenders	**319**	285	**319**	285	**—**	—
Other	**2 380**	2 481	**2 380**	2 481	**—**	—
Middle-income	**20 252**	18 976	**19 886**	18 673	**366**	303
Surrenders	**3 280**	3 115	**3 280**	3 115	**—**	—
Other	**16 972**	15 861	**16 606**	15 558	**366**	303
Affluent	**14 000**	12 539	**3 340**	2 526	**10 660**	10 013
Sanlam Emerging Markets	**10 939**	10 838	**2 686**	2 250	**8 253**	8 588
Namibia	**8 540**	7 477	**1 172**	894	**7 368**	6 583
Surrenders	**395**	108	**395**	108	**—**	—
Other	**8 145**	7 369	**777**	786	**7 368**	6 583
Botswana	**1 626**	2 870	**973**	999	**653**	1 871
Surrenders	**280**	391	**280**	391	**—**	—
Other	**1 346**	2 479	**693**	608	**653**	1 871
Rest of Africa	**332**	229	**332**	229	**—**	—
Surrenders	**36**	28	**36**	28	**—**	—
Other	**296**	201	**296**	201	**—**	—
India	**441**	262	**209**	128	**232**	134
Surrenders	**159**	128	**159**	128	**—**	—
Other	**282**	134	**50**	—	**232**	134
Sanlam Investments	**60 773**	49 188	**7 741**	6 338	**53 032**	42 850
Sanlam Employee Benefits	**5 864**	5 094	**5 864**	5 094	**—**	—
Terminations	**1 020**	807	**1 020**	807	**—**	—
Other	**4 844**	4 287	**4 844**	4 287	**—**	—
Investment Management	**54 909**	44 094	**1 877**	1 244	**53 032**	42 850
Asset Management	**25 019**	20 319	**—**	—	**25 019**	20 319
Wealth Management	**10 734**	7 476	**—**	—	**10 734**	7 476
Investment Services	**14 372**	11 821	**—**	—	**14 372**	11 821
International	**4 784**	4 478	**1 877**	1 244	**2 907**	3 234
Santam	**10 680**	9 404	**—**	—	**10 680**	9 404
Payments to clients excluding white label	**119 343**	103 711	**36 352**	32 553	**82 991**	71 158
White label	**14 842**	5 250	**—**	—	**14 842**	5 250
Total payments to clients	**134 185**	108 961	**36 352**	32 553	**97 833**	76 408

[1] *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

[2] *Includes life licence, investment and short-term insurance business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

1. Business volumes *(continued)*

1.3 Analysis of net inflow/(outflow) of funds

R million	Total 2012	Total 2011	Life Insurance[1] 2012	Life Insurance[1] 2011	Other[2] 2012	Other[2] 2011
Sanlam Personal Finance	**8 974**	5 898	**5 771**	4 143	**3 203**	1 755
Entry level	**1 342**	1 168	**1 342**	1 168	**—**	—
Middle-income	**233**	(428)	**84**	(606)	**149**	178
Affluent	**7 399**	5 158	**4 345**	3 581	**3 054**	1 577
Sanlam Emerging Markets	**3 977**	2 008	**2 200**	1 806	**1 777**	202
Namibia	**1 629**	1 564	**25**	68	**1 604**	1 496
Botswana	**1 228**	(435)	**1 128**	894	**100**	(1 329)
Rest of Africa	**1 024**	663	**1 013**	663	**11**	—
India	**96**	216	**34**	181	**62**	35
Sanlam Investments	**7 103**	11 444	**561**	736	**6 542**	10 708
Sanlam Employee Benefits	**(45)**	224	**(45)**	224	**—**	—
Investment management	**7 148**	11 220	**606**	512	**6 542**	10 708
Asset Management	**4 418**	6 110	**—**	—	**4 418**	6 110
Wealth Management	**1 743**	3 010	**—**	—	**1 743**	3 010
Investment Services	**(863)**	750	**—**	—	**(863)**	750
International	**1 850**	1 350	**606**	512	**1 244**	838
Santam	**4 946**	5 249	**—**	—	**4 946**	5 249
Net inflow/(outflow) excluding white label	**25 000**	24 599	**8 532**	6 685	**16 468**	17 914
White label	**(2 011)**	881	**—**	—	**(2 011)**	881
Total net inflow/(outflow)	**22 989**	25 480	**8 532**	6 685	**14 457**	18 795

[1] *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

[2] *Includes life licence, investment and short-term insurance business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*

2. Cluster information

2.1 Sanlam Personal Finance

R million	Life operations 2012	Life operations 2011	Non-life operations 2012	Non-life operations 2011	Total 2012	Total 2011
Analysis of attributable earnings						
Gross result from financial services	**2 862**	2 476	**410**	299	**3 272**	2 775
Entry-level market	**375**	296	**—**	—	**375**	296
Middle-income market	**2 346**	2 038	**17**	9	**2 363**	2 047
Administration	**408**	383	**—**	—	**408**	383
Risk underwriting – long-term insurance	**650**	557	**—**	—	**650**	557
Asset mismatch reserve release	**451**	395	**—**	—	**451**	395
Working capital management	**318**	316	**—**	—	**318**	316
Other	**519**	387	**17**	9	**536**	396
Glacier	**67**	79	**120**	89	**187**	168
Sanlam Personal Loans	**74**	63	**205**	147	**279**	210
Other operations	**—**	—	**68**	54	**68**	54
Tax on result from financial services	**(795)**	(684)	**(120)**	(88)	**(915)**	(772)
Minority shareholders' interest	**(3)**	(1)	**(3)**	(12)	**(6)**	(13)
Net result from financial services	**2 064**	1 791	**287**	199	**2 351**	1 990
Net investment return	**861**	441	**2 340**	561	**3 201**	1 002
Net other earnings	**—**	—	**(132)**	(81)	**(132)**	(81)
Project expenses	**—**	—	**—**	(1)	**—**	(1)
Amortisations of value of business acquired and other intangibles	**—**	—	**(45)**	(32)	**(45)**	(32)
Impairments	**—**	—	**(6)**	—	**(6)**	—
Secondary tax on companies – after minorities	**—**	—	**(81)**	(48)	**(81)**	(48)
Normalised attributable earnings	**2 925**	2 232	**2 495**	679	**5 420**	2 911

2. Cluster information *(continued)*

2.1 Sanlam Personal Finance *(continued)*

Analysis of Group Equity Value (GEV)

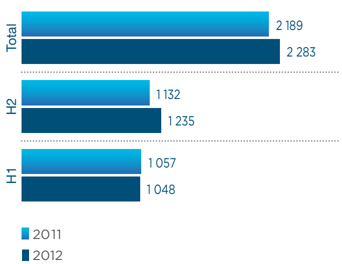
R million	GEV at beginning of period	Earnings	Capital invest-ment	Dividend paid	GEV at end of period
2012					
Life insurance operations	**26 687**	**6 296**	**27**	**(2 866)**	**30 144**
Other operations	**2 189**	**566**	**19**	**(156)**	**2 618**
Glacier	**1 169**	**249**	**—**	**(80)**	**1 338**
Sanlam Personal Loans	**494**	**360**	**1**	**(39)**	**816**
Other	**526**	**(43)**	**18**	**(37)**	**464**
Group Equity Value	**28 876**	**6 862**	**46**	**(3 022)**	**32 762**
2011					
Life insurance operations	23 663	5 146	—	(2 122)	26 687
Non-life operations	1 949	373	(21)	(112)	2 189
Glacier	965	278	—	(74)	1 169
Sanlam Personal Loans	365	150	(21)	—	494
Other	619	(55)	—	(38)	526
Group Equity Value	25 612	5 519	(21)	(2 234)	28 876

2. Cluster information *(continued)*
2.1 Sanlam Personal Finance *(continued)*

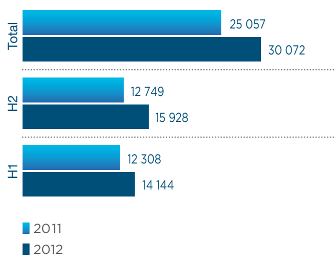
R million	Balance at beginning of period	Net fund flows	Invest-ment return	Fees and other charges	Balance at end of period
Assets under management					
2012					
Life insurance operations	**196 572**	**9 062**	**32 906**	**(11 053)**	**227 487**
Other operations – Glacier (non-life operations)	**45 931**	**3 054**	**6 149**	**—**	**55 134**
Assets under management	**242 503**	**12 116**	**39 055**	**(11 053)**	**282 621**
2011					
Life insurance operations	186 300	7 147	13 566	(10 441)	196 572
Other operations – Glacier (non-life operations)	42 860	1 577	1 494	—	45 931
Assets under management	229 160	8 724	15 060	(10 441)	242 503

	2012	2011
Sanlam Personal Loans		
Size of loan book (R million)	**3 040**	2 316
Interest margin	**16,5%**	15,3%
Bad debt ratio	**3,1%**	2,9%
Administration cost as % of net interest	**31,1%**	34,8%

New business recurring premiums (R million)



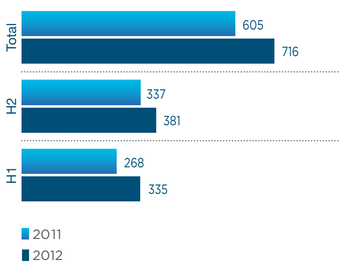
Life new business single premiums (R million)



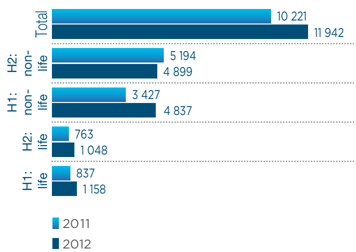
2. Cluster information *(continued)*
2.2 Sanlam Emerging Markets

R million	2012	2011
Analysis of attributable earnings		
Net result from financial services	**428**	309
Life insurance	**345**	215
Short-term insurance	**(2)**	7
Investment management	**27**	44
Credit and banking	**82**	40
Other	**(24)**	3
Net investment return	**166**	121
Net investment income	**64**	61
Net investment surpluses	**102**	60
Net other earnings	**(11)**	(10)
Project expenses	**(16)**	(17)
Amortisation of value of business acquired and other intangibles	**(11)**	(12)
Profit on disposal of operations and impairments	**3**	16
Net equity-accounted headline earnings	**13**	3
Normalised attributable earnings	**583**	420
Analysis of net result from financial services		
Covered business	**345**	215
Namibia	**142**	88
Botswana	**113**	109
Rest of Africa	**74**	16
India	**16**	2
Non-life operations	**83**	94
Namibia	**16**	26
Botswana	**84**	60
Rest of Africa	**(15)**	6
India	**(2)**	2
Net result from financial services	**428**	309

New business life recurring premiums (R million)



New business single premiums (R million)



2. Cluster information *(continued)*
2.2 Sanlam Emerging Markets *(continued)*

R million	GEV at beginning of period	Earnings	Capital movement	Dividend paid	GEV at end of period
Analysis of Group Equity Value (GEV)					
2012					
Life insurance operations	**2 320**	**628**	**5**	**(306)**	**2 647**
Non-life operations	**1 089**	**41**	**2 327**	**1**	**3 458**
Shriram Capital	**152**	**152**	**2 094**	**—**	**2 398**
Letshego	**465**	**159**	**(3)**	**(19)**	**602**
Other operations	**472**	**(270)**	**236**	**20**	**458**
Group Equity Value	**3 409**	**669**	**2 332**	**(305)**	**6 105**
2011*					
Life insurance operations	1 777	571	130	(158)	2 320
Non-life operations	886	63	190	(50)	1 089
Shriram Capital	143	9	—	—	152
Letshego	318	(43)	190	—	465
Other operations	425	97	—	(50)	472
Group Equity Value	2 663	634	320	(208)	3 409

*Restated as set out in the basis of preparation.

R million	2012 Life insurance	2012 Other	2012 Total	2011 Life insurance	2011 Other	2011 Total
Analysis of business volumes						
Recurring premiums	**716**	**294**	**1 010**	605	169	774
Risk	**382**	**—**	**382**	350	—	350
Investment	**313**	**—**	**313**	234	—	234
Short term	**—**	**294**	**294**	—	169	169
Annuities	**21**	**—**	**21**	21	—	21
Single premiums	**2 206**	**9 736**	**11 942**	1 600	8 621	10 221
Risk	**781**	**—**	**781**	1 185	—	1 185
Savings	**1 294**	**—**	**1 294**	309	—	309
Continuations	**62**	**—**	**62**	44	—	44
Other	**69**	**9 736**	**9 805**	62	8 621	8 683
Total new business	**2 922**	**10 030**	**12 952**	2 205	8 790	10 995
Recurring premiums on existing business	**1 964**	**—**	**1 964**	1 851	—	1 851
Risk	**1 086**	**—**	**1 086**	926	—	926
Investment	**713**	**—**	**713**	440	—	440
Annuities	**165**	**—**	**165**	485	—	485
Total funds received from clients	**4 886**	**10 030**	**14 916**	4 056	8 790	12 846
Death and disability benefits	**675**	**—**	**675**	493	—	493
Maturity benefits	**532**	**—**	**532**	880	421	1 301
Life and term annuities	**412**	**—**	**412**	222	—	222
Surrenders	**870**	**—**	**870**	655	—	655
Other	**197**	**8 253**	**8 450**	—	8 167	8 167
Total payments to clients	**2 686**	**8 253**	**10 939**	2 250	8 588	10 838

2. Cluster information *(continued)*

2.2 Sanlam Emerging Markets *(continued)*

R million	Balance at beginning of period	Net fund flows	Invest-ment return	Fees and other charges	Balance at end of period
2012					
Assets under management					
Life insurance operations	**21 404**	**2 469**	**3 962**	**(2 186)**	**25 649**
Other operations	**10 965**	**193**	**1 975**	**(44)**	**13 089**
Namibia	**5 170**	**154**	**1 458**	**(16)**	**6 766**
Botswana	**5 561**	**28**	**462**	**(28)**	**6 023**
Rest of Africa	**234**	**11**	**55**	**—**	**300**
Assets under management	**32 369**	**2 662**	**5 937**	**(2 230)**	**38 738**
2011					
Life insurance operations	20 567	1 839	824	(1 826)	21 404
Other operations	12 549	(2 942)	1 400	(42)	10 965
Namibia	4 746	205	233	(14)	5 170
Botswana	7 383	(2 961)	1 167	(28)	5 561
Rest of Africa	420	(186)	—	—	234
Assets under management	33 116	(1 103)	2 224	(1 868)	32 369

2. Cluster information *(continued)*

2.3 Sanlam Investments

R million	Investment Management 2012	Investment Management 2011**	Capital Management 2012	Capital Management 2011
Analysis of attributable earnings				
Financial services income*	**2 955**	2 469	**605**	535
Sales remuneration	**(84)**	(61)	**—**	—
Income after sales remuneration	**2 871**	2 408	**605**	535
Underwriting policy benefits	**—**	—	**—**	—
Administration cost*	**(2 258)**	(1 841)	**(344)**	(305)
Result from financial services before performance fees	**613**	567	**261**	230
Net performance fees*	**79**	103	**10**	—
Result from financial services	**692**	670	**271**	230
Tax on result from financial services	**(159)**	(147)	**(80)**	(43)
Minority shareholders' interest	**(10)**	(7)	**—**	—
Net result from financial services	**523**	516	**191**	187
Net investment return	**64**	(6)	**11**	—
Net investment income	**29**	12	**11**	—
Net investment surpluses	**35**	(18)	**—**	—
Net other earnings	**(174)**	(85)	**(1)**	(8)
Normalised attributable earnings	**413**	425	**201**	179

*Financial services income on page 95, includes performance fees and related administration costs.
**Comparative information has been restated as in the basis of preparation.

	Net result from financial services 2012 R million	Net result from financial services 2011 R million	Assets under management 2012 R million	Assets under management 2011 R million
Asset Management				
Investment management	**456**	447	**593 582**	499 471
Asset Management	**239**	256	**356 605**	311 804
Wealth Management	**58**	42	**107 187**	60 428
Investment Services	**74**	72	**123 737**	124 809
International	**122**	118	**69 722**	49 121
Support services	**(37)**	(41)	**—**	—
Intra-cluster eliminations	**—**	—	**(63 669)**	(46 691)
Capital Management	**191**	187	**2 863**	3 532
Asset management operations	**647**	634	**596 445**	503 003
Covered business: Sanlam Employee Benefits	**261**	242	**52 822**	45 550
Covered business: Sanlam UK	**67**	69	**24 385**	20 502
Sanlam Investments total	**975**	945	**673 652**	569 055

Sanlam Employee Benefits 2012	Sanlam Employee Benefits 2011	Intra-cluster consolidation 2012	Intra-cluster consolidation 2011	Total 2012	Total 2011
3 001	2 910	**(44)**	(46)	**6 517**	5 868
(45)	(41)	**—**	—	**(129)**	(102)
2 956	2 869	**(44)**	(46)	**6 388**	5 766
(1 945)	(1 915)	**—**	—	**(1 945)**	(1 915)
(652)	(624)	**44**	46	**(3 210)**	(2 724)
359	330	**—**	—	**1 233**	1 127
—	—	**—**	—	**89**	103
359	330	**—**	—	**1 322**	1 230
(98)	(88)	**—**	—	**(337)**	(278)
—	—	**—**	—	**(10)**	(7)
261	242	**—**	—	**975**	945
493	196	**—**	—	**568**	190
171	151	**—**	—	**211**	163
322	45	**—**	—	**357**	27
—	(1)	**—**	—	**(175)**	(94)
754	437	**—**	—	**1 368**	1 041

Fee income 2012 %	Fee income 2011 %	Administration costs 2012 %	Administration costs 2011 %
0,23	0,21	**0,14**	0,13
0,73	0,60	**0,65**	0,38
0,73	0,67	**0,66**	0,60
0,74	0,72	**0,50**	0,27
1,11	1,43	**0,72**	0,61

2. Cluster information *(continued)*
2.3 Sanlam Investments *(continued)*
Investment Management

R million	Fixed interest	Equities	Offshore	Properties	Cash	Total
Asset mix of assets under management						
2012						
Asset Management	**93 445**	**151 181**	**31 954**	**11 011**	**69 014**	**356 605**
Wealth Management	**—**	**68 775**	**35 396**	**—**	**3 016**	**107 187**
Investment Services	**30 609**	**69 086**	**11 844**	**4 458**	**7 740**	**123 737**
International	**—**	**—**	**69 722**	**—**	**—**	**69 722**
Capital Management	**513**	**2 341**	**—**	**—**	**9**	**2 863**
Intra-cluster consolidation						**(63 669)**
Assets under management – Sanlam Investments	**124 567**	**291 383**	**148 916**	**15 469**	**79 779**	**596 445**
2011						
Asset Management	90 423	121 604	28 062	12 472	59 243	311 804
Wealth Management	—	49 536	7 944	—	2 948	60 428
Investment Services	19 709	57 357	15 294	3 685	28 764	124 809
International	—	—	49 121	—	—	49 121
Capital Management	594	2 928	—	—	10	3 532
Intra-cluster consolidation						(46 691)
Assets under management – Sanlam Investments	110 726	231 425	100 421	16 157	90 965	503 003

2. Cluster information *(continued)*
2.3 Sanlam Investments *(continued)*
Sanlam Employee Benefits

R million	2012	2011
Analysis of attributable earnings		
Net result from financial services	**261**	242
Risk underwriting	**147**	169
Investment and other	**136**	109
Working capital management	**23**	18
Administration	**(45)**	(54)
Net investment return	**493**	196
Net investment income	**171**	151
Net investment surpluses	**322**	45
Net other earnings	**–**	(1)
Normalised attributable earnings	**754**	437
Analysis of premiums		
Recurring premiums	**319**	325
Guaranteed	**128**	106
Risk	**191**	219
Single premiums	**1 765**	2 209
Guaranteed	**1 576**	799
Annuity	**189**	1 409
Risk	**–**	1

2. Cluster information *(continued)*

2.3 Sanlam Investments *(continued)*

R million	GEV at beginning of period	Earnings	Capital movement	Dividend paid	GEV at end of period
Analysis of Group Equity Value (GEV)					
2012					
Investment Management	**9 031**	**1 540**	**373**	**(634)**	**10 310**
Asset Management	**3 411**	**444**	**202**	**(138)**	**3 919**
Wealth Management	**1 259**	**264**	**70**	**(35)**	**1 558**
Investment Services	**865**	**190**	**—**	**(60)**	**995**
International	**3 496**	**642**	**101**	**(401)**	**3 838**
Covered business	***791***	***162***	**—**	***(49)***	***904***
Other operations	***2 705***	***480***	***101***	***(352)***	***2 934***
Sanlam Employee Benefits	**5 077**	**822**	**—**	**(598)**	**5 301**
Sanlam Capital Management	**801**	**177**	**—**	**(165)**	**813**
Group Equity Value	**14 909**	**2 539**	**373**	**(1 397)**	**16 424**
2011					
Investment Management	7 760	1 174	480	(383)	9 031
Asset Management	3 335	191	—	(115)	3 411
Wealth Management	899	200	195	(35)	1 259
Investment Services	797	130	—	(62)	865
International	2 729	653	285	(171)	3 496
Covered business	*638*	*229*	—	*(76)*	*791*
Other operations	*2 091*	*424*	*285*	*(95)*	*2 705*
Sanlam Employee Benefits	4 992	327	114	(356)	5 077
Covered business	4 967	327	139	(356)	5 077
Other operations	25	—	(25)	—	—
Sanlam Capital Management	931	168	—	(298)	801
Group Equity Value	13 683	1 669	594	(1 037)	14 909

2.4 Santam

R million	2012	2011*
Business volumes		
Net earned premiums	**15 626**	14 653
Net fund flows	**4 946**	5 249
Analysis of earnings		
Gross result from financial services	**1 008**	1 560
Ratios		
Admin cost ratio	**16,6%**	15,9%
Claims ratio	**68,3%**	64,2%
Underwriting margin	**3,8%**	8,0%

**Restated as per the basis of preparation.*

2. Cluster information *(continued)*

2.5 Valuation methodology

The fair value of the unlisted businesses and listed businesses reflected at directors' valuations have been determined by the application of the following valuation methodologies:

R million	Fair value 2012	Fair value 2011
Valuation method		
Ratio of price to assets under management	**8 385**	7 438
Sanlam Investments	**7 917**	6 968
Asset Management	**3 640**	3 360
Wealth Management	**1 335**	1 064
Investment Services	**1 003**	866
International	**1 844**	1 548
Capital Management	**95**	130
Sanlam Emerging Markets	**468**	470
Discounted cash flows	**6 983**	2 964
Sanlam Investments	**1 409**	853
Asset Management	**222**	–
Wealth Management	**223**	–
International	**964**	853
Sanlam Emerging Markets	**2 956**	(78)
Shriram Capital[(1)]	**2 398**	–
Other operations[(1)]	**558**	(78)
Sanlam Personal Finance	**2 618**	2 189
Glacier	**1 338**	1 169
Sanlam Personal Loans	**816**	494
Other operations	**464**	526
Net asset value	**927**	1 421
Sanlam Investments	**893**	1 220
Asset Management	**57**	50
Investment Services	**(8)**	(1)
International	**126**	500
Capital Management	**718**	671
Sanlam Emerging Markets	**34**	201
	16 295	11 823

[(1)] *Includes the listed businesses at directors' valuation of R1 919 million for Shriram Capital and R602 million for Letshego. The listed values are R2 014 million and R588 million respectively.*

The main assumptions applied in the primary valuation for these values are presented below. The sensitivity analysis is based on the following changes in assumptions:

	Change in assumption 2012	Change in assumption 2011
Ratio of price to assets under management (P/AuM)	**0,1**	0,1
Risk discount rate (RDR)	**1,0**	1,0
Perpetuity growth rate (PGR)	**1,0**	1,0

R million	Weighted average assumption	Base value	Decrease in assumption	Increase in assumption
Ratio of price to assets under management	P/AuM = 1,06% (2011: 1,06%)	8 385	7 644	9 123
Discounted cash flows	RDR = 16,4% (2011: 18%)	6 983	7 611	6 465
	PGR = 2,5 – 5% (2011: 2,5 – 5%)	6 983	6 713	7 311

	R million	2012	2011
3.	**Investments**		
3.1	**Investment in associated companies**		
	Shriram Capital	**2 604**	—
	Punter Southall Group	**—**	289
	Letshego	**1 122**	976
	Other associated companies	**1 201**	860
	Total investment in associated companies	**4 927**	2 125
	Details of the investments in the material associated companies are reflected in note 7 on page 248 of the Sanlam Group financial statements.		
3.2	**Investment in joint ventures**		
	Sanlam Personal Loans	**467**	353
	Shriram Life Insurance	**—**	267
	Shriram General Insurance	**—**	152
	Other joint ventures	**18**	41
	Total investment in joint ventures	**485**	813
	Details of the investments in material joint ventures are reflected in note 7 on page 248 of the Sanlam Group financial statements.		
3.3	**Equities and similar securities**		
	Listed on the JSE – at market value	**8 588**	9 406
	Unlisted equity and derivative investments – at directors' valuation	**1 145**	733
	Offshore equity investments	**2 784**	2 195
	Collective investment schemes	**908**	791
	Total equity investments	**13 425**	13 125
3.4	**Offshore investments**		
	Equities	**2 784**	2 195
	Interest-bearing investments	**1 196**	1 143
	Investment properties	**261**	186
	Total offshore investments	**4 241**	3 524

3. Investments *(continued)*

3.5 Derivative instruments

Details of the derivative instruments held by the shareholders' fund are as follows:

	2012						
	Residual term to contractual maturity				Analysed by use		
R million	< 1 year	1 – 5 years	> 5 years	Total notional amounts	Trading	Asset liability management	Total fair value of amounts
Interest rate products over-the-counter: swaps	**(1 349)**	**3 694**	**1 069**	**3 414**	**3 347**	**67**	**(27)**
Market risk products							
Cliquet structures – sold	(87)	(158)	–	(245)	(245)	–	(18)
Fence structures							
Local – bought	1 060	240	–	1 300	–	1 300	(96)
Local – sold	(348)	–	–	(348)	(348)	–	1
Total market risk products	**625**	**82**	**–**	**707**	**(593)**	**1 300**	**(113)**

3. Investments *(continued)*

3.5 Derivative instruments *(continued)*

Details of the derivative instruments held by the shareholders' fund are as follows:

	2011						
	Residual term to contractual maturity				Analysed by use		
R million	< 1 year	1 – 5 years	> 5 years	Total notional amounts	Trading	Asset liability management	Total fair value of amounts
Interest rate products over-the-counter: swaps	(4 350)	3 151	1 877	678	553	125	(2)
Market risk products							
Cliquet structures – bought	300	239	—	539	539	—	—
Forward purchase of shares							
Local – bought	190	—	—	190	190	—	—
Fence structures							
Local – bought	1 942	160	—	2 102	—	2 102	33
Local – sold	(1 191)	—	—	(1 191)	559	(1 750)	—
Total market risk products	1 241	399	—	1 640	1 288	352	33

Register of investments

A register containing details of all investments, including fixed property investments, is available for inspection at the registered office of Sanlam Limited.

R million	2012	2011
4. Financial services income		
Equity-accounted earnings included in financial services income:		
Sanlam Personal Finance	**208**	153
Sanlam Emerging Markets	**411**	249
Sanlam Investments	**16**	13
	635	415
5. Administration costs		
Depreciation included in administration costs:		
Sanlam Personal Finance	**99**	93
Sanlam Emerging Markets	**17**	13
Sanlam Investments	**20**	22
Santam	**80**	59
	216	187
6. Investment income		
Equities and similar securities	**579**	318
Interest-bearing, preference shares and similar securities	**871**	603
Properties	**39**	93
Rental income	**44**	122
Rental related expenses	**(5)**	(29)
Total investment income	**1 489**	1 014
Interest expense netted off against investment income	**482**	513

	2012 cents	2011 cents
7. Normalised diluted earnings per share		
Normalised diluted earnings per share:		
Net result from financial services*	**198,9**	187,1
Normalised headline earnings	**292,1**	248,7
Profit attributable to shareholders' fund	**286,8**	256,2

	R million	R million
Analysis of normalised earnings (refer shareholders' fund income statement on page 94):		
Net result from financial services*	**4 030**	3 779
Headline earnings	**5 919**	5 023
Profit attributable to shareholders' fund	**5 811**	5 174
Reconciliation of normalised headline earnings:		
Headline earnings per note 28 on page 270	**5 763**	5 015
Less: Fund transfers	**156**	8
Normalised headline earnings	**5 919**	5 023

	million	million
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer note 28 on page 270)	**2 009,4**	2 004,9
Add: Weighted average Sanlam shares held by policyholders	**16,9**	15,0
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 026,3**	2 019,9

**Comparative information has been restated as set out in the basis of preparation. Net result from financial services and net result from financial services per share was previously reported as R3 760 million and 186,1 cents respectively.*

R million	2012	2011

8. Value per share

Fair value per share is calculated on the Group shareholders' fund at fair value of R53 801 million (2011 restated: R45 762 million), divided by 2 032,7 million (2011: 2 018,9 million) shares.

Net asset value per share is calculated on the Group shareholders' fund at net asset value of R37 632 million (2011: R34 292 million), divided by 2 032,7 million (2011: 2 018,9 million) shares.

Equity value per share is calculated on the Group Equity Value of R75 352 million (2011: R63 521 million), divided by 2 032,7 million (2011: 2 018,9 million) shares.

R million	2012	2011
Number of shares for value per share:		
Number of ordinary shares in issue	**2 100,0**	2 100,0
Shares held by subsidiaries in shareholders' fund	**(150,9)**	(158,1)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive schemes	**30,6**	36,5
Number of shares under option that would have been issued at fair value	**0,0**	(1,0)
Convertible deferred shares held by Ubuntu-Botho	**53,0**	41,5
Adjusted number of shares for value per share	**2 032,7**	2 018,9

9. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,0 (2011: 7,5) to the after tax recurring corporate expenses.

10. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2012 and 2011 annual general meetings to repurchase Sanlam shares in the market. The Group acquired 807 571 shares at an average price of R31,76 in terms of the general authorities. The total consideration paid of R26 million was funded from existing cash resources. All repurchases were effected through the JSE trading system without any prior understanding or arrangement between the Group and the counter parties. Authority to repurchase 419,2 million shares, or 19,96% of Sanlam's issued share capital at the time, remain outstanding in terms of the general authority granted at the annual general meeting held on 6 June 2012.

The financial effects of the share repurchases during 2012 on the IFRS earnings and net asset value per share is not material.

11. Reconciliations

11.1 Reconciliation between Group statement of comprehensive income and shareholders' fund income statement

R million	Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
	31 December 2012			
Net income	88 580	40 559	47 332	689
Financial services income	40 416	37 247	—	3 169
Reinsurance premiums paid	(4 611)	—	—	(4 611)
Reinsurance commission received	583	—	—	583
Investment income	17 749	1 489	13 123	3 137
Investment surpluses	37 091	1 823	34 209	1 059
Finance cost – margin business	(185)	—	—	(185)
Change in fair value of external investors liability	(2 463)	—	—	(2 463)
Net insurance and investment contract benefits and claims	(62 566)	(16 255)	(46 318)	7
Long-term insurance contract benefits	(27 977)	(5 575)	(21 628)	(774)
Long-term investment contract benefits	(24 690)	—	(24 690)	—
Short-term insurance claims	(12 185)	(10 680)	—	(1 505)
Reinsurance claims received	2 286	—	—	2 286
Expenses	(15 809)	(14 786)	—	(1 023)
Sales remuneration	(5 393)	(4 788)	—	(605)
Administration costs	(10 416)	(9 998)	—	(418)
Impairments	(206)	(174)	—	(32)
Amortisation of intangibles	(184)	(155)	—	(29)
Net operating result	9 815	9 189	1 014	(388)
Equity-accounted earnings	584	102	—	482
Finance cost – other	(315)	—	—	(315)
Profit before tax	10 084	9 291	1 014	(221)
Tax expense	(3 650)	(2 583)	(1 014)	(53)
Shareholders' fund	(2 468)	(2 583)	—	115
Policyholders' fund	(1 182)	—	(1 014)	(168)
Profit from continuing operations	6 434	6 708	—	(274)
Discontinued operations	—	—	—	—
Profit for the year	6 434	6 708	—	(274)
Attributable to:				
Shareholders' fund	5 655	5 811	—	(156)
Minority shareholders' interest	779	897	—	(118)
	6 434	6 708	—	(274)

[1]Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group statement of comprehensive income.

[2]IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.

31 December 2011 Total	Shareholder activities	Policyholder activities[(1)]	IFRS adjustments[(2)]
54 278	36 464	17 147	667
36 663	34 342	—	2 321
(3 661)	—	—	(3 661)
392	—	—	392
14 603	1 014	11 504	2 085
4 843	1 108	5 643	(1 908)
(203)	—	—	(203)
1 641	—	—	1 641
(31 437)	(14 815)	(16 646)	24
(15 322)	(5 411)	(9 447)	(464)
(7 199)	—	(7 199)	—
(10 766)	(9 404)	—	(1 362)
1 850	—	—	1 850
(14 187)	(13 552)	—	(635)
(4 959)	(4 564)	—	(395)
(9 228)	(8 988)	—	(240)
(36)	(35)	—	(1)
(128)	(108)	—	(20)
8 490	7 954	501	35
421	91	—	330
(336)	—	—	(336)
8 575	8 045	501	29
(2 510)	(1 953)	(501)	(56)
(1 903)	(1 953)	—	50
(607)	—	(501)	(106)
6 065	6 092	—	(27)
—	—	—	—
6 065	6 092	—	(27)
5 166	5 174	—	(8)
899	918	—	(19)
6 065	6 092	—	(27)

11. Reconciliations *(continued)*

11.2 Reconciliation between Group statement of financial position and shareholders' fund at net asset value

R million	31 December 2012 Total	Shareholder activities	Policyholder activities	Consolidation reserve
Assets				
Property and equipment	449	449	–	–
Owner-occupied properties	665	665	–	–
Goodwill	3 457	3 457	–	–
Other intangible assets	63	63	–	–
Value of business acquired	1 599	1 599	–	–
Deferred acquisition costs	2 717	2 420	297	–
Long-term reinsurance assets	746	–	746	–
Investments	384 821	38 120	347 414	(713)
Properties	17 678	294	17 384	–
Associated companies	4 927	4 927	–	–
Joint ventures	485	485	–	–
Equities and similar securities	202 952	13 425	190 240	(713)
Public sector stocks and loans	64 617	906	63 711	–
Debentures, insurance policies, preference shares and other loans	37 726	5 773	31 953	–
Cash, deposits and similar securities	56 436	12 310	44 126	–
Deferred tax	450	450	–	–
Non-current assets held for sale	308	308	–	–
Short-term insurance technical assets	2 096	2 096	–	–
Working capital assets	46 193	40 549	5 644	–
Trade and other receivables	31 241	25 628	5 613	–
Cash, deposits and similar securities	14 952	14 921	31	–
Total assets	443 564	90 176	354 101	(713)
Equity and liabilities				
Shareholders' fund	36 919	37 632	–	(713)
Minority shareholders' interest	2 970	2 970	–	–
Long-term policy liabilities	328 584	–	328 584	–
Insurance contracts	148 427	–	148 427	–
Investment contracts	180 157	–	180 157	–
Term finance	5 463	4 939	524	–
External investors in consolidated funds	19 596	–	19 596	–
Cell owners' interest	688	688	–	–
Deferred tax	1 333	725	608	–
Derivative liabilities	610	95	515	–
Short-term insurance technical provisions	9 877	9 877	–	–
Working capital liabilities	37 524	33 250	4 274	–
Trade and other payables	34 823	31 637	3 186	–
Provisions	396	396	–	–
Taxation	2 305	1 217	1 088	–
Total equity and liabilities	443 564	90 176	354 101	(713)

	31 December 2011			
	Total	Share-holder activities	Policy-holder activities	Consoli-dation reserve
	514	514	—	—
	586	455	131	—
	3 195	3 195	—	—
	47	47	—	—
	1 611	1 611	—	—
	2 427	2 046	381	—
	674	—	674	—
	329 150	35 251	294 369	(470)
	15 310	572	14 738	—
	2 125	2 125	—	—
	813	813	—	—
	165 582	13 125	152 927	(470)
	58 831	1 350	57 481	—
	35 002	5 994	29 008	—
	51 487	11 272	40 215	—
	640	627	13	—
	1 390	512	878	
	1 831	1 831	—	—
	40 138	35 789	4 349	—
	25 761	21 413	4 348	—
	14 377	14 376	1	—
	382 203	81 878	300 795	(470)
	33 822	34 292	—	(470)
	3 046	3 046	—	—
	282 421	—	282 421	—
	135 742	—	135 742	—
	146 679	—	146 679	—
	6 295	5 724	571	—
	11 592	—	11 592	—
	603	603	—	—
	902	366	536	—
	212	—	212	—
	8 682	8 682	—	—
	34 628	29 165	5 463	—
	32 502	27 724	4 778	—
	423	423	—	—
	1 703	1 018	685	—
	382 203	81 878	300 795	(470)

R million	Per shareholders[1] fund income statement on page 94	IFRS adjustments (refer note 11.1)	Total
12. Geographical analysis			
Financial services income			
Financial services income is attributed to individual countries, based on where the income was earned.			
2012	**37 247**	**3 169**	**40 416**
South Africa	**33 356**	**3 484**	**36 840**
Rest of Africa	**2 750**	**(244)**	**2 506**
Other international(1)	**1 141**	**(71)**	**1 070**
2011	34 342	2 321	36 663
South Africa	31 318	2 496	33 814
Rest of Africa	2 260	(175)	2 085
Other international(1)	764	—	764

R million	Per analysis of shareholders' fund on page 92	Policyholders' fund	Total
Non-current assets(2)			
2012	**8 961**	**297**	**9 258**
South Africa	**7 388**	**163**	**7 551**
Rest of Africa	**156**	**134**	**290**
Other international(1)	**1 417**	**—**	**1 417**
2011	8 379	1 390	9 769
South Africa	7 251	1 274	8 525
Rest of Africa	142	116	258
Other international(1)	986	—	986

R million	2012	2011
Attributable earnings before impairments (per shareholders' fund income statement on page 94)	**5 829**	5 201
South Africa	**5 068**	4 530
Rest of Africa	**602**	416
Other international(1)	**159**	255

(1)Other international comprises business in the United Kingdom, Europe, Australia and India.

(2)Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangible assets, deferred acquisition costs and non-current assets held for sale.

EMBEDDED VALUE OF COVERED BUSINESS
at 31 December 2012

R million	Note	2012	2011
Sanlam Personal Finance		**30 144**	26 687
Adjusted net worth		**8 681**	8 622
Net value of in-force covered business		**21 463**	18 065
Value of in-force covered business		**23 168**	19 813
Cost of capital		**(1 705)**	(1 721)
Non-controlling shareholders' interest		**—**	(27)
Sanlam Emerging Markets		**2 647**	2 320
Adjusted net worth		**1 145**	1 012
Net value of in-force covered business		**1 502**	1 308
Value of in-force covered business		**2 534**	2 181
Cost of capital		**(273)**	(226)
Non-controlling shareholders' interest		**(759)**	(647)
Sanlam UK[1]		**904**	791
Adjusted net worth		**295**	250
Net value of in-force covered business		**609**	541
Value of in-force covered business		**664**	575
Cost of capital		**(55)**	(34)
Sanlam Employee Benefits[1]		**5 301**	5 077
Adjusted net worth		**4 825**	4 669
Net value of in-force covered business		**476**	408
Value of in-force covered business		**1 374**	1 319
Cost of capital		**(898)**	(911)
Embedded value of covered business		**38 996**	34 875
Adjusted net worth[2]		**14 946**	14 553
Net value of in-force covered business	1	**24 050**	20 322
Embedded value of covered business		**38 996**	34 875

[1]*Sanlam UK and Sanlam Employee Benefits are part of Sanlam Investments cluster.*
[2]*Excludes subordinated debt funding of Sanlam Life.*

CHANGE IN EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2012

R million	Notes	2012 Total	2012 Value of in-force	2012 Cost of capital	2012 Adjusted net worth	2011 Total	2011 Value of in-force	2011 Cost of capital	2011 Adjusted net worth
Embedded value of covered business at the beginning of the year		**34 875**	**23 145**	**(2 823)**	**14 553**	31 045	19 840	(2 828)	14 033
Value of new business	2	**1 176**	**2 680**	**(153)**	**(1 351)**	958	2 313	(135)	(1 220)
Net earnings from existing covered business		**3 210**	**(946)**	**158**	**3 998**	3 125	(481)	105	3 501
Expected return on value of in-force business		**2 560**	**2 427**	**133**	**–**	2 404	2 269	135	–
Expected transfer of profit to adjusted net worth		**–**	**(3 134)**	**–**	**3 134**	–	(2 891)	–	2 891
Operating experience variances	3	**555**	**(342)**	**8**	**889**	681	212	(20)	489
Operating assumption changes	4	**95**	**103**	**17**	**(25)**	40	(71)	(10)	121
Expected investment return on adjusted net worth		**1 075**	**–**	**–**	**1 075**	1 062	–	–	1 062
Embedded value earnings from operations		**5 461**	**1 734**	**5**	**3 722**	5 145	1 832	(30)	3 343
Economic assumption changes	5	**874**	**831**	**138**	**(95)**	132	122	20	(10)
Tax changes	6	**(228)**	**(71)**	**(97)**	**(60)**	1 244	1 239	2	3
Investment variances – value of in-force		**1 344**	**1 229**	**(70)**	**185**	(136)	(219)	31	52
Investment variances – investment return on adjusted net worth		**460**	**–**	**–**	**460**	(259)	–	–	(259)
Exchange rate movements		**(3)**	**(4)**	**1**	**–**	151	163	(12)	–
Net project expenses	7	**–**	**–**	**–**	**–**	(4)	–	–	(4)
Embedded value earnings from covered business		**7 908**	**3 719**	**(23)**	**4 212**	6 273	3 137	11	3 125
Acquired value of in-force		**47**	**33**	**(1)**	**15**	235	142	(5)	98
Transfers from/(to) other Group operations		**–**	**–**	**–**	**–**	34	26	(1)	9
Transfers from covered business		**(3 834)**	**–**	**–**	**(3 834)**	(2 712)	–	–	(2 712)
Embedded value of covered business at end of the year		**38 996**	**26 897**	**(2 847)**	**14 946**	34 875	23 145	(2 823)	14 553
Analysis of earnings from covered business									
Sanlam Personal Finance		**6 296**	**3 355**	**16**	**2 925**	5 146	2 855	60	2 231
Sanlam Emerging Markets		**628**	**220**	**(31)**	**439**	571	265	(25)	331
Sanlam UK		**162**	**89**	**(21)**	**94**	229	120	(5)	114
Sanlam Employee Benefits		**822**	**55**	**13**	**754**	327	(103)	(19)	449
Embedded value earnings from covered business		**7 908**	**3 719**	**(23)**	**4 212**	6 273	3 137	11	3 125

VALUE OF NEW BUSINESS

for the year ended 31 December 2012

R million	Note	2012	2011
Value of new business (at point of sale):			
Gross value of new business		**1 443**	1 193
Sanlam Personal Finance		**1 003**	755
Sanlam Emerging Markets		**303**	248
Sanlam UK		**17**	11
Sanlam Employee Benefits		**120**	179
Cost of capital		**(165)**	(142)
Sanlam Personal Finance		**(64)**	(50)
Sanlam Emerging Markets		**(36)**	(25)
Sanlam UK		**(3)**	(3)
Sanlam Employee Benefits		**(62)**	(64)
Value of new business		**1 278**	1 051
Sanlam Personal Finance		**939**	705
Sanlam Emerging Markets		**267**	223
Sanlam UK		**14**	8
Sanlam Employee Benefits		**58**	115
Value of new business attributable to:			
Shareholders' fund	2	**1 176**	958
Sanlam Personal Finance		**939**	701
Sanlam Emerging Markets		**165**	134
Sanlam UK		**14**	8
Sanlam Employee Benefits		**58**	115
Minority shareholders' interest		**102**	93
Sanlam Personal Finance		**—**	4
Sanlam Emerging Markets		**102**	89
Sanlam UK		**—**	—
Sanlam Employee Benefits		**—**	—
Value of new business		**1 278**	1 051
Geographical analysis:			
South Africa		**997**	820
Africa		**266**	223
Other international		**15**	8
Value of new business		**1 278**	1 051

VALUE OF NEW BUSINESS continued

for the year ended 31 December 2012

R million	2012	2011
Analysis of new business profitability:		
Before minorities:		
Present value of new business premiums	**38 129**	32 786
Sanlam Personal Finance	**27 332**	23 423
Sanlam Emerging Markets	**4 537**	3 642
Sanlam UK	**2 210**	1 374
Sanlam Employee Benefits	**4 050**	4 347
New business margin	**3,35%**	3,21%
Sanlam Personal Finance	**3,44%**	3,01%
Sanlam Emerging Markets	**5,88%**	6,12%
Sanlam UK	**0,63%**	0,58%
Sanlam Employee Benefits	**1,43%**	2,65%
After minorities:		
Present value of new business premiums	**36 528**	31 449
Sanlam Personal Finance	**27 321**	23 353
Sanlam Emerging Markets	**2 947**	2 375
Sanlam UK	**2 210**	1 374
Sanlam Employee Benefits	**4 050**	4 347
New business margin	**3,22%**	3,05%
Sanlam Personal Finance	**3,44%**	3,00%
Sanlam Emerging Markets	**5,60%**	5,64%
Sanlam UK	**0,63%**	0,58%
Sanlam Employee Benefits	**1,43%**	2,65%

	Gross value of in-force business R million	Cost of capital R million	Net value of in-force business R million	Change from base value %
1. Value of in-force sensitivity analysis				
2012				
Base value	**26 897**	**(2 847)**	**24 050**	
Risk discount rate increase by 1%	**25 604**	**(3 546)**	**22 058**	**(8)**
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**27 745**	**(2 801)**	**24 944**	**4**
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	**25 832**	**(2 789)**	**23 043**	**(4)**
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	**27 532**	**(2 571)**	**24 961**	**4**
Expenses and persistency				
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**27 587**	**(2 849)**	**24 738**	**3**
Discontinuance rates decrease by 10%	**27 537**	**(2 933)**	**24 604**	**2**
Insurance risk				
Mortality and morbidity decrease by 5% for life assurance business	**28 135**	**(2 844)**	**25 291**	**5**
Mortality and morbidity decrease by 5% for annuity business	**26 641**	**(2 849)**	**23 792**	**(1)**
2011				
Base value	23 145	(2 823)	20 322	
Risk discount rate increase by 1%	21 862	(3 453)	18 409	(9)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	23 692	(2 736)	20 956	3
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	22 142	(2 787)	19 355	(5)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	23 643	(2 701)	20 942	3
Expenses and persistency				
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	23 766	(2 822)	20 944	3
Discontinuance rates decrease by 10%	23 751	(2 906)	20 845	3
Insurance risk				
Mortality and morbidity decrease by 5% for life assurance business	24 218	(2 819)	21 399	5
Mortality and morbidity decrease by 5% for annuity business	22 955	(2 822)	20 133	(1)

	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
2. Value of new business sensitivity analysis				
Base value	**1 329**	**(153)**	**1 176**	
⦿ Risk discount rate increase by 1%	**1 170**	**(192)**	**978**	**(17)**
⦿ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**1 400**	**(147)**	**1 253**	**7**
Expenses and persistency				
⦿ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**1 422**	**(153)**	**1 269**	**8**
⦿ Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	**1 442**	**(154)**	**1 288**	**10**
⦿ Discontinuance rates decrease by 10%	**1 514**	**(162)**	**1 352**	**15**
Insurance risk				
⦿ Mortality and morbidity decrease by 5% for life assurance business	**1 472**	**(151)**	**1 321**	**12**
⦿ Mortality and morbidity decrease by 5% for annuity business	**1 322**	**(155)**	**1 167**	**(1)**

R million	2012	2011
3. Operating experience variances		
Risk experience	**559**	431
Persistency	**26**	187
Working capital and other	**(30)**	63
Total operating experience variances	**555**	681
4. Operating assumption changes		
Risk experience	**66**	13
Persistency	**52**	(147)
Modelling improvements and other	**(23)**	174
Total operating assumption changes	**95**	40
5. Economic assumption changes		
Investment yields	**876**	130
Long-term asset mix assumptions, inflation gap change and other	**(2)**	2
Total economic assumption changes	**874**	132

6. Tax changes

Tax changes for 2012 are mostly due to dividend withholding tax and the change to the inclusion rate for capital gains tax.

7. Net project expenses

Net project expenses relate to once-off expenditure on the Group's distribution platform that has not been allowed for in the embedded value assumptions.

R million	2012	2011
8. Reconciliation of growth from covered business		
The embedded value earnings from covered business reconciles as follows to the net result from financial services for the year:		
Net result from financial services of covered business per note 2 on page 100	**2 737**	2 317
Sanlam Personal Finance	**2 064**	1 791
Sanlam Emerging Markets	**345**	215
Sanlam UK	**67**	69
Sanlam Employee Benefits	**261**	242
Less: Net project expenses and other	**—**	5
Investment return on adjusted net worth	**1 535**	803
Tax changes: adjusted net worth	**(60)**	—
Embedded value earnings from covered business: value of in-force	**3 696**	3 148
Embedded value earnings from covered business	**7 908**	6 273

%	2012	2011
9. Economic assumptions		
Gross investment return, risk discount rate and inflation		
Sanlam Life		
Point used on the relevant yield curve	**9 year**	9 year
Fixed-interest securities	**6,8**	8,2
Equities and offshore investments	**10,3**	11,7
Hedged equities	**7,3**	8,7
Property	**7,8**	9,2
Cash	**5,8**	7,2
Return on required capital	**7,8**	9,1
Inflation rate[1]	**4,8**	5,2
Risk discount rate	**9,3**	10,7
[1]*Expense inflation of 6,8% (2011: 7,2%) assumed for retail business administered on old platforms.*		
SDM Limited		
Point used on the relevant yield curve	**5 year**	5 year
Fixed-interest securities	**5,9**	7,4
Equities and offshore investments	**9,4**	10,9
Hedged equities	**n/a**	n/a
Property	**6,9**	8,4
Cash	**4,9**	6,4
Return on required capital	**7,2**	8,7
Inflation rate	**3,9**	4,4
Risk discount rate	**8,4**	9,9
Sanlam Investments and Pensions		
Point used on the relevant yield curve	**15 year**	15 year
Fixed-interest securities	**2,3**	2,5
Equities and offshore investments	**5,5**	5,7
Hedged equities	**n/a**	n/a
Property	**5,5**	5,7
Cash	**2,3**	2,5
Return on required capital	**2,3**	2,5
Inflation rate	**2,5**	2,7
Risk discount rate	**6,0**	6,2

%	2012	2011
9. Economic assumptions *(continued)*		
Botswana Life Insurance		
Fixed-interest securities	**9,0**	9,5
Equities and offshore investments	**12,5**	13,0
Hedged equities	**n/a**	n/a
Property	**10,0**	10,5
Cash	**8,0**	8,5
Return on required capital	**9,1**	9,6
Inflation rate	**6,0**	6,5
Risk discount rate	**12,5**	13,0

Illiquidity premiums

Investment returns on non-participating annuities and guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity.

Assumed illiquidity premiums generally amount to between 25bps and 50bps (2011: 25bps and 50bps) for non-participating annuities and between 25bps and 110 bps (2011: 25bps and 110bps) for guarantee plans.

%	2012	2011
Asset mix for assets supporting required capital		
Sanlam Life		
Equities	**26**	26
Offshore investments	**10**	10
Hedged equities	**13**	13
Fixed-interest securities	**15**	15
Cash	**36**	36
	100	100
SDM Limited		
Equities	**50**	50
Cash	**50**	50
	100	100
Sanlam Investments and Pensions		
Cash	**100**	100
	100	100
Botswana Life Insurance		
Equities	**15**	15
Property	**10**	10
Fixed-interest securities	**25**	25
Cash	**50**	50
	100	100

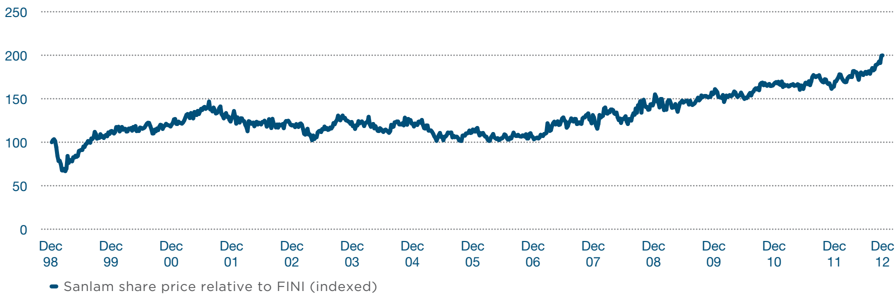
STOCK EXCHANGE PERFORMANCE

		2012	2011	2010	2009	2008
Number of shares traded	million	**1 160**	1 082	1 059	1 259	1 490
Value of shares traded	R million	**41 074**	29 578	25 986	23 714	27 175
Percentage of issued shares traded	%	**55%**	52	50	58	66
Price/earnings ratio	times	**15,3**	11,6	11,1	10,4	12,9
Return on Sanlam share price since listing[(2)]	%	**20**	17	17	17	14
Market price	cps					
– Year-end closing price		**4 477**	2 885	2 792	2 275	1 700
– Highest closing price		**4 550**	3 016	2 829	2 305	2 330
– Lowest closing price		**2 831**	2 414	2 200	1 351	1 390
Market capitalisation at year-end	R million	**94 017**	60 585	58 632	49 140	37 232

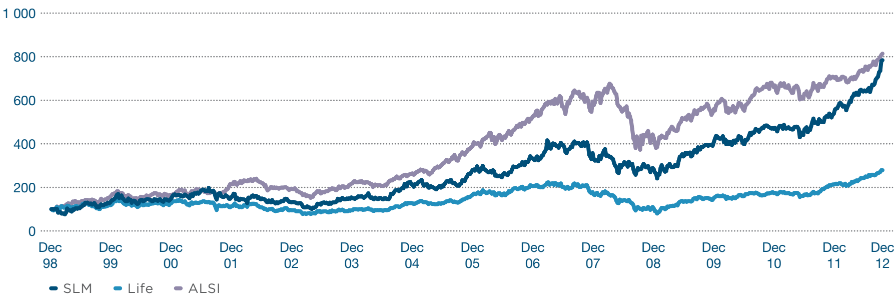
[(1)]*Sanlam Limited was listed on 30 November 1998.*

[(2)]*Annualised growth in the Sanlam share price since listing plus dividends paid.*

Sanlam share price relative to FINI (indexed)



Sanlam vs ALSI vs Life Assurance index



building and strengthening the brand

Progress

on all pillars of our strategy in 2012

Key topics

www.sanlam.co.za/investors

Our online sustainability report provides further information on our key performance indicators and our material sustainability pillars.

Sana-Ullah Bray
Company Secretary

"The Board is committed to the highest standards of business integrity, ethical values and governance; it recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders"

The Board is committed to the highest standards of business integrity, ethical values and governance; it recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders.

Statement of commitment

Our 2012 Integrated Report covers the activities of the Sanlam Group. The Board has adopted the integrated approach to managing the Group to actively engage the governing structure, including in particular, the process of identifying, communicating on, and responding to, those material issues that impact on our capacity to create value. The Board acknowledges its responsibility to ensure the integrity of the Integrated Report. It believes that it addresses all material issues and that it fairly represents the integrated performance of the Group.

The Board of directors further promotes and supports high standards of corporate governance and in so doing, endorses the principles of the third report on Corporate Governance in South Africa (King III). Sanlam also complies with the requirements for good corporate governance stipulated in the JSE SRI Index. Sanlam subscribes to a governance system whereby, in particular, ethics and integrity set the standards for compliance. It constantly reviews and adapts its structures and processes to facilitate effective leadership, sustainability and corporate citizenship and to reflect national and international corporate governance standards, developments and best practice.

With regard to the year under review, the directors of Sanlam believe that most of the King III principles are already entrenched in the Group's internal controls, policies and procedures governing corporate conduct. All reasonable efforts have been carried out to the extent that King III has largely been implemented since the beginning of the financial year and the Board is committed in continuing to carry out the full implementation of King III throughout the Group. The only area of partial compliance at a Sanlam Limited level is the development of a formal Stakeholder Engagement Strategy and Communication Policy for the Group, which will be finalised during 2013.

The Board is committed to the highest standards of business integrity, ethical values and governance. It recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability and safeguarding the interests of all its stakeholders. The Board also acknowledges the relationship between good governance and risk management practices, equity performance and corporate profitability.

Sound governance principles remain one of the top priorities demonstrated by the Board and Sanlam's executive management.

Application of and approach to King III

The Board is satisfied that every effort has been made during 2012 to apply all material aspects of King III as far as appropriate. Details of the Group's application of each King III principle is available on the website (www.sanlam.co.za). The Risk and Compliance committee is satisfied that Sanlam continues compliance with the King III principles during 2013 and has taken steps to ensure adherence with the obligations placed on the Group as a consequence thereof. The Company assessed its compliance levels in respect of King III and is continually identifying areas that require improvement. To ensure that Sanlam's governance framework will be of a superior standard and aligned with governance best practice developments, a King III task team had been established which gave guidance on King III principles and practices. Sanlam uses these governance trends and developments as an opportunity to review its governance framework and structures throughout the Group. To this end, provisions impacting operations have and are being identified and addressed through action plans and regular monitoring and reporting to the appropriate governance structures. Ongoing progress reports in this regard are presented to the Board as well as its Risk and Compliance committee. A number of policies and procedures have been addressed within the main operating companies in the Sanlam Group. The Board has embedded the principles and recommendations of King III across the Group.

During the past financial year these included the following:

- The existing Sanlam Group Corporate Governance Policy Framework was updated in December 2012 to ensure alignment with the King III recommendations on a subsidiary level. It includes the Group Business Philosophy, Code of Ethical Conduct as well as the Board Approval Framework;
- The annual evaluation of the independent status of Sanlam's directors was again conducted in accordance with the King III standards and criteria;
- Sanlam prepared a comprehensive Integrated and Sustainability Report for 2012;
- Sanlam's Risk Appetite Statement has been approved by the Board and will be reviewed annually;
- A Combined Assurance Model for Sanlam Life as well as significant businesses within the Group has been developed and approved by the Board;
- The Group IT Governance Framework and Charter as well as the IT Policy Framework have been approved and continue being implemented;
- The development of a comprehensive Stakeholder Engagement Strategy and Communication Policy had been initiated and are in the process of being finalised;
- With effect from the 2010 AGM, Sanlam annually presents a Remuneration report to its shareholders, enabling them to cast a non-binding advisory vote on the Company's Remuneration Policy; and
- The members of the Sanlam Audit, Actuarial and Finance committee have been elected by the shareholders at the AGM held in June 2012 and this process will be repeated in 2013.

Information Technology (IT) is essential for Sanlam and is truly pervasive. The Board's governance of IT directs the strategic and operational use of IT, ensuring benefits are realised at an acceptable and articulated level of risk. IT receives appropriate focus and is viewed as an important enabler of projects that effect change to businesses in the Sanlam Group. Thus IT Governance is extended to include all major change projects. The IT Governance framework established at Group level extends into the businesses and is tailored to suit their specific needs. Similarly, IT Governance capacity and awareness are established through all Board and management structures within the businesses.

The Board continues to entrench the principles and recommendations of King III across the Group. The roll-out and implementation of the King III principles at subsidiary level (including non-South African entities) will continue with special focus on the application of the Group governance policy, disclosure requirements regarding integrated reporting as well as the composition of governance structures.

According to Sanlam's decentralised business approach, each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of King III. All the business and governance structures in the Group are supported by clear approval frameworks and agreed-upon business principles, ensuring a coherent and consistent governance approach throughout the Group.

Sustainability performance

Sanlam's overall philosophy, policy and achievement of best practice in sustainability are set out in this Integrated Report. The full Sustainability Report will be available on Sanlam's website (www.sanlam.co.za).

Sanlam has once again qualified for the JSE's Socially Responsible Investment (SRI) Index in 2012.

Board structures

All the non-executive directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life Insurance Limited (Sanlam Life), a wholly owned subsidiary of Sanlam Limited. The two Boards function as an integrated unit in practice as far as possible. Both Boards have the same independent director as chairman as well as the same executive director as CEO.

Board responsibilities and functioning

The Sanlam and Sanlam Life Board meetings are combined meetings and are held concurrently, thereby removing one layer of discussions in the decision-making process. This is an attempt to enhance productivity and efficiency of the two Boards, to prevent duplication of effort and to optimise the flow of information.

The agenda of the Sanlam Board focuses more on Group strategy, capital management, accounting policies, financial results and dividend policy, human resource development, JSE requirements as well as corporate governance throughout the Group. It is also responsible for overseeing the relationship with stakeholders in the Group. The Sanlam Board has the following Board committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources
- Nominations
- Non-executive directors
- Sanlam Customer Interest
- Social, Ethics and Sustainability.

The Sanlam Life Board is responsible for statutory issues across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as compliance with Long-term Insurance Act requirements. The responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following Board committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources
- Sanlam Customer Interest.

Business divisions and cluster boards

The Sanlam business clusters are Sanlam Investments (Asset Management, Capital Management and Employee Benefits) as well as Sanlam Personal Finance (SA Retail), Sanlam Emerging Markets (mainly Africa and India) and Santam (General Insurance).

Each business cluster is managed by a chief executive, supported by an executive committee and support functions that are appropriate to their particular operational needs.

The clusters function within the strategy approved by the Board and according to a set of 'tight' management principles established by the Group Office for the Sanlam Group.

Cluster boards were established for the business cluster. Each of these (not all are statutory) boards has committees (or forums) with specific responsibilities for the operation of that particular business cluster. Each of the cluster boards has its own Financial and Risk, as well as Human Resources (HR) forum/committee.

The cluster boards consist of non-executive and executive directors. Non-executive directors include members of the Sanlam Life Board and, where appropriate, external appointments. Board committees are, where appropriate, strengthened through the appointment of independent experts.

The majority of the operating business decisions are made by these boards and Board committees working together with the relevant cluster management. These structures are also responsible for the generation of memoranda and issues for consideration by the Sanlam Life Board.

Individual business units have their own boards and executive committees that structure their activities within appropriate delegated authority levels. Where required, the various business unit boards will also act as the statutory boards of subsidiary and associated companies.

Group Office

The Group Chief Executive Officer is supported by a Group Executive committee as well as by a small centralised Group Office mainly performing the following functions: strategic directing (tight issues); coordinating; synergy seeking; performance monitoring; assurance provision, the allocation of capital and support functions.

The Board and Board committees (as at 31 December 2012)

Board charter

The Board charter (and the committee charters) embraces the Code of Practices and Corporate Conduct in the King III Report which contains the corporate governance guidelines and recommendations. The current Board charter has been modelled on the principles of sound corporate governance, recommended by King III. The powers of the Board include:

- A determination of the overall objectives for the Group;
- A formulation of a clear and concise policy which is adhered to;
- An overview of the division of the Board's responsibilities and accountability;
- Evaluating performance of the Group Board, its committee structures and individual directors; and
- Developing strategies to meet those objectives in conjunction with management.

An annual evaluation process to review the effectiveness of the Board, its committees and individual directors has been entrenched.

Committee charters

The Board committee charters, which describe the terms of reference of the committees as delegated and approved by the Board, are reviewed at least annually.

Board composition

As at the 2012 financial year end the Board comprised 18 members, two of whom were non-executive, 12 were independent non-executives (in accordance with King III's standards of independence) and four executive directors.

The roles of Chairman and Group Chief Executive remain separated, with Desmond Smith and Johan van Zyl holding these positions respectively. The Group Executive committee members (prescribed officers) are also attendees at the Board meetings. At least a third of all Board members retire every year at Sanlam's annual general meeting (AGM). Retiring directors are eligible for re-appointment. None of the non-executive directors has a director's service contract, and all remuneration paid to non-executive directors for their services as a director is in terms of the approval, by the shareholders, at the AGM as required by the Companies Act, 2008. Executive directors are full-time employees and as such are subject to Sanlam's conditions of service.

Particulars of the Board members and their capacities categorised as executive, non-executive and independent, are set out below.

The Sanlam Board of directors

Director	Executive (E) Non-executive (N) Independent (I)	Changes during 2012
MMM Bakane-Tuoane	I	–
MP Buthelezi	I	–
AD Botha	I	–
FA du Plessis	I	–
MV Moosa	I	–
JP Möller	E	–
PT Motsepe	N	–
YG Muthien	E	Retired 5/09/2012
TI Mvusi	E	–
SA Nkosi	I	–
I Plenderleith	I	–
Y Ramiah	E	Appointed 5/12/2012
P de V Rademeyer	I	–
RV Simelane	N	–
DK Smith	I	–
CG Swanepoel	I	–
ZB Swanepoel	I	–
J van Zyl	E	–
PL Zim	I	–

Composition of the Board as at 31 December 2012: Four black females, five black males, one white female and eight white males. More information on individual directors' qualifications, experience, etc. is provided in the Board of directors section of this Integrated Report.

Independence of Board members

Through the Chairman of Sanlam and the Nominations committee, the Board annually considers and reconfirms the classification of directors as being independent. The guidelines of King III were used for the 2012 classification. Their independence in character and judgement (nine-year rule), and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, their judgement, are also taken into consideration. The independent and non-executive directors on the Sanlam and Sanlam Life Boards are highly respected and experienced, having the required integrity, professional knowledge and skills to exercise sound judgement on various key issues relevant to the business of Sanlam, independent of management.

The Nominations committee is of the view that all the Sanlam directors meet the criteria set for independence except for PT Motsepe and RV Simelane owing to their involvement in Ubuntu-Botho, as well as J van Zyl, JP Möller, YG Muthien (retired 5 September 2012), TI Mvusi and Y Ramiah (appointed 5 December 2012), being executive directors.

Appointment and re-election of directors

The Board charter contains a policy detailing the formal and transparent procedures for appointment to the Board. The Nominations committee reviews the composition of the Board on a continuous basis to ensure the appropriate level of skills and experience in key areas such as strategy, industry knowledge, finance, human resources, corporate governance, risk management and sustainability. Consideration of gender and racial diversity, as well as diversity in business, geographic and academic backgrounds are also taken into account, in accordance with Sanlam's commitment to transformation.

Sanlam's Memorandum of Incorporation empowers the Board to appoint a director until the next AGM if a casual vacancy arises. In terms of the Memorandum of Incorporation, directors are subject to retirement by rotation every three years and, if put forward for re-election, are considered for re-appointment at the AGM. Shareholders may also nominate directors for election at the AGM, in accordance with formal, prescribed procedures. In the Notice of the AGM, shareholders are referred to the biographical details of each of the candidates as contained in the Board of directors section of this Integrated Report. All directors are consequently appointed on an individual basis at an AGM by a shareholders' resolution.

Education and induction

New Board member orientation and Board training are conducted in accordance with an induction programme, designed to meet the individual needs and circumstances of each new director, and approved by the Board. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes as well as relevant developments that could affect the Group and its operations. The office of the Company Secretary manages the induction programme. Ongoing support and resources are also provided to Board members as required, in order to enable them to extend and refresh their skills, knowledge and understanding of the Group. Professional development and skills training are provided through regular updates on changes and proposed changes to laws and regulations affecting the Group or its businesses.

Board effectiveness evaluation

The Nominations committee annually assesses the contribution of each director standing for re-election, using an individual director evaluation process that is conducted by the Board Chairman or an external service provider. These assessments are transparent and well documented. The Board Chairman's own performance is appraised by the Board under the direction of the Deputy Chairman.

The Board as a whole considers the result of the evaluation processes. This culminates in a determination by the Board as to whether the Board will endorse a retiring director's re-election. Where a director's performance is not considered satisfactory, the Board will not recommend the re-election.

The names and short curricula vitae of the directors standing for re-election at the 2013 AGM are contained in the proposed resolutions for the AGM.

Every year, a collective Board effectiveness evaluation is conducted. This assessment, which is performed in alternate years by an external service provider and by the Chairman, is aimed at determining how the Board's effectiveness can be improved. The Nominations committee considers the results of the evaluation process and makes recommendations to the Board where deemed appropriate.

The annual Board effectiveness review for 2012 was conducted externally by Deloitte. It was reported that the Board and committees were functioning very well and there were no material matters to report.

Board meetings

The Board meets at least quarterly to consider business philosophy and strategic issues, to set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Feedback from its committees, as well as a number of key performance indicators, variance reports and industry trends are considered. In addition to the quarterly Board meetings, a two-day strategy session is held and is attended by all Board members and Group Executive committee members, reviewing Group strategy which is considered and approved annually.

Board committees

The Board has established a number of permanent standing committees with specific responsibilities, defined in terms of their respective charters as approved by the Board, to assist the Board in discharging its duties and responsibilities. The ultimate responsibility at all times resides in the Board and, as such, it does not abdicate this responsibility to the committees.

There is full disclosure, transparency and reporting from these committees to the Board at each Board meeting, while the chairpersons of the committees attend the AGM and are available to respond to any shareholder queries. For the period under review, all the committees conducted their annual self-assessments to evaluate the effectiveness of the respective committees and their procedures. The committee members are all satisfied that they have fulfilled their responsibilities in terms of their respective charters.

Risk and Compliance committee (Risk committee)

In line with global best practice the functions of the Audit and Risk committee continue to be split into two separate committees, namely a Risk and Compliance committee and an Audit, Actuarial and Finance committee. This allows sufficient attention to be devoted to the Risk and Audit matters.

Members:

CG Swanepoel (Chairman), MP Buthelezi, FA du Plessis, JP Möller, I Plenderleith, P de V Rademeyer.

Attendees:

Group Chairman, Group Chief Executive, Group Risk Officer, Group Compliance Officer, Chief/ Statutory Actuary, Chief Audit Executive, the heads of business clusters (as needed) as well as expert invitees: AS du Plessis, PJ Cook and D Ladds.

This committee is chaired by an independent non-executive director and further comprises four other independent non-executive directors, as well as the Group Financial Director. In view of this committee's Group-wide relevance, the external audit partners as well as other assurance providers also attend the committee meetings.

The role of the Risk committee is to advise and assist the Board in fulfilling its responsibility with regard to its enterprise risk management framework and responsibilities as well as with regard to its compliance responsibilities. The Risk committee assists the Board, including on, but not limited to:

- Evaluating the adequacy and efficiency of risk policies, procedures, practices and controls;
- Identifying the build-up and concentration of risk and monitoring risk; and
- Developing risk mitigation techniques and ensuring formal risk assessments.

The committee undertakes to evaluate risk areas, including but not limited to:

- Market and trading risk;
- Asset and liability management risk;
- Investment exposure;
- Stakeholder risks;
- IT risks; and
- Compliance risks.

The committee annually reviews the performance of Sanlam's Chief Risk Officer. This committee's charter is reviewed annually by the Board to ensure that it is aligned with national and international corporate governance best practice. The Risk committee is satisfied with the effectiveness and performance of the company's risk management processes. The Risk committee is satisfied with the performance of the Chief Risk Officer.

The committee meets four times a year.

Audit, Actuarial and Finance committee (Audit committee)

Members and dates of first appointment:

P de V Rademeyer (Chairman) (08/06/2011), MP Buthelezi (01/07/2011), FA du Plessis (03/06/2004), I Plenderleith (04/09/2006) and CG Swanepoel (08/06/2011).

Attendees:

Group Chairman, Group Chief Executive, Group Financial Director, Chief Actuary, Chief Audit Executive, the heads of business clusters (as needed) as well as expert invitees: AS du Plessis, PJ Cook and D Ladds.

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act 71 of 2008 'the Act', as amended, the individual members of the committee are appointed annually by the shareholders at the AGM for the ensuing financial year. The committee consists of five members with financial, actuarial and other relevant areas of experience (as described in its charter). The external audit partners as well as other assurance providers also attend committee meetings. This committee also discharges all the (statutory) Audit committee responsibilities in terms of the Act on behalf of almost all of the subsidiary companies within the Group.

To oversee the preparation of the sustainability information provided in the Integrated Report and to review the assurances provided regarding the sustainability information, the chairman of the Audit committee is also a member of the Social, Ethics and Sustainability committee. Likewise, the chairman of last-mentioned committee also attends selected meetings of the Audit committee to ensure that the Sustainability report is addressed.

The Audit committee has formal terms of reference approved by the Board, and is satisfied it has discharged these responsibilities. The role of the Audit committee is to fulfil all of the functions set out in the Act, to assist the Board in fulfilling its responsibility with regard to financial and auditing oversight responsibilities, as well as the overall quality and integrity of financial and actuarial reporting and internal control matters. The Audit committee annually evaluates the Company's internal controls and has satisfied itself that there were no material breakdowns in internal financial control systems during the year.

The Audit committee, after due consideration, recommends the Integrated Report to the Board for approval. It also performs the prescribed statutory requirements including those applicable to the external auditor. The last-mentioned includes the annual recommendation of the external auditor to the shareholders at the AGM, agreeing to the scope of the audit and budgeted audit fees in the annual audit plan presentation and approval of the final audit fees. As required by the Act, the committee annually reviews compliance of the external auditor with the non-audit services policy of the Group.

The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of the internal audit. The committee also meets with the Chief Audit Executive independently of management.

In terms of the JSE Listings Requirements, the Audit committee performs an annual evaluation of the financial function in Sanlam. The committee executed this responsibility at its meeting in December 2012 and was satisfied that the financial function had appropriate resources, skills and experience. The committee also confirmed that it is satisfied that JP Möller, the Financial Director of Sanlam, possesses the appropriate expertise and experience to meet the responsibilities required for that position during his service as such. The committee also reviewed and confirmed its satisfaction of performance of the Chief Audit Executive.

As part of Sanlam's corporate governance practices, the interim financial results are reviewed by the external auditor.

The Board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the Audit Committee for all non-audit services. As required by the Act, the committee has, after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that Sanlam's external auditor is independent of the Company and has nominated the reappointment of Ernst & Young Inc. for the 2013 financial year. The Board has recommended to the shareholders, the appointment of Ernst & Young Inc. as external auditor and Mrs JC de Villiers as the designated individual registered auditor who will undertake the audit of Sanlam on behalf of Ernst & Young Inc.

Ernst & Young Inc. being the audit firm, as well as Mr MP Rapson being Sanlam's individual auditor for 2012, has been accredited on the JSE Limited (JSE) list of auditors in terms of the criteria in the JSE Listings Requirements. Mr Rapson is rotating off the audit following the 2012 financial year, in terms of the Group's audit partner rotation policy, which is in line with the Companies Act No 71 of 2008.

This committee's charter is also reviewed annually by the Board. The Audit committee is satisfied it has discharged its legal, regulatory and other responsibilities.

The committee meets four times a year.

The Audit, Actuarial and Finance committee report for the 2012 financial year

The Audit committee has pleasure in submitting this report, as required in terms of the Companies Act of South Africa (Companies Act). The Audit committee consists of five non-executive directors who act independently as described in Section 94 of the Companies Act. During the period under review, four meetings were held and all the committee members (with the exception of one) attended all the meetings. At the meetings, the members fulfilled all their functions as prescribed by the Companies Act as well as those additional functions as determined by the Board.

A list of the functions of the Audit committee is contained in the committee Charter, some of which is elaborated upon in the Corporate Governance report. The Audit committee evaluated the Company's internal financial controls and has satisfied itself that there were no material breakdowns in such controls during the year. The Audit committee did not receive any concerns or complaints from external stakeholders during the year.

The Audit committee has satisfied itself that the auditors are independent of the Company and are thereby able to conduct their audit functions without any undue influence from the Company. The audit committee would like to thank Mr Rapson for his diligent contribution as the lead independent auditor during his tenure at Sanlam.

P de V Rademeyer

Chairman

Human Resources committee

Members:

AD Botha (Chairman), DK Smith, PT Motsepe and MMM Bakane-Tuoane.

Attendees:

Group Chief Executive and Group Human Resources Executive.

This committee is responsible for monitoring and advising on the Group's human intellectual capital and transformation processes regarding employees. In particular, the committee approves executive appointments and reviews succession planning, including all the Group Executive committee members, as well as the position of the Group Chief Executive. The committee is also responsible for the remuneration strategy of the Group, the approval of guidelines for incentive schemes, and the annual determination of remuneration packages for members of the Sanlam Group's Executive committee. The committee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that excellent performance is rewarded. It also makes recommendations to the Board regarding directors' remuneration (except for the Human Resources committee).

In accordance with the King III recommendations, the Company's remuneration policy is tabled to the shareholders for a non-binding advisory vote at its AGM. This vote enables the shareholders to express their views on the remuneration policies adopted and their implementation. Sanlam supports the benefit of an advisory vote, which is to promote constructive dialogue between a company and its shareholders, and it would help to ensure that directors pay stronger attention to the elements of compensation that mattered most to investors, such as linking performance and business strategy. At the 2012 AGM, shareholders endorsed the Company's executive compensation.

The committee meets four times a year.

Nominations committee

Members:

DK Smith (Chairman), MMM Bakane-Tuoane and PT Motsepe.

Attendees:

Group Chief Executive.

The committee is responsible for making recommendations to the Board on all new appointments to the Board and its committees. A formal process of reviewing the balance and effectiveness of the Board and its committees, identifying the skills needed and the individuals to provide such skills in a fair and efficient manner, is required of the committee to ensure the Board and its committees remain effective and focused. This includes a regular review of the composition of the Board committees. It also includes assisting the Chairman with the annual evaluation of Board performance. It is responsible for identifying appropriate Board candidates and evaluating them against the specific disciplines and areas of expertise required. The Board approves all interim appointments, with the final appointments being made by the shareholders at the AGM. The committee is chaired by the Chairman of the Board and meets at least twice a year.

Succession planning is a key focus area within the Group. The Nominations committee considers the composition of the Board and its committees on an ongoing basis. The Board is satisfied that the current talent pool available within the Group and the work being done to strengthen it, provides Sanlam with a pool of candidates that have the necessary skills and experiences to fill any vacancies that may arrive in the short and long term.

Non-executive directors committee

Members:

DK Smith (Chairman), MMM Bakane-Tuoane, AD Botha, MP Buthelezi, FA du Plessis, MV Moosa, PT Motsepe, SA Nkosi, I Plenderleith, P de V Rademeyer, RV Simelane, CG Swanepoel, ZB Swanepoel and PL Zim.

This committee is responsible for the governance and functioning of the Board. The committee gives due regard to the general requirements of the JSE as well as King III, and ensures that appropriate and balanced corporate governance practices and processes are entrenched within Sanlam. The committee objectively and independently oversees and gives due and careful consideration to the interests of Sanlam and all its stakeholder groups.

The committee comprises all the non-executive and independent directors. The committee meets subsequent to scheduled Board meetings.

Social, Ethics and Sustainability committee (SES committee)

Members:

MV Moosa (Chairman), Y Muthien (retired 5 September 2012), TI Mvusi, P de V Rademeyer, Y Ramiah (appointed 5 December 2012), RV Simelane, ZB Swanepoel and PL Zim.

Attendees:

Group Chief Executive, Group Human Resources Executive and heads of business clusters (as required).

The SES committee is a committee established in terms of section 72 and Regulation 43 of the Companies Act 71 of 2008. The committee's statutory functions are set out in the above mentioned regulation and are supplemented as set out in the committee charter, some of which we elaborate on below.

The committee has the responsibility to recommend for approval, monitor and advise on all social, ethics and sustainability material and relevant issues that have a significant impact on the Company and its stakeholders. This committee also addresses transformation, safety, health and environmental matters. In respect of transformational matters, the committee recommends for approval, monitors and advises on matters pertaining to transformation and black economic empowerment throughout the Group. With regard to safety, health and environmental issues, the committee's main responsibility is to recommend for approval, monitor and advise on matters pertaining to such issues throughout the Group.

The committee annually reviews Sanlam's social, ethics and sustainability strategy and structures. It also monitors performance against specific pre-set targets and objectives. The committee considers Sanlam's Sustainability Report (including the report from the independent assurance provider, Ernst & Young Inc.) and recommends the approval thereof to the Board.

Suitably qualified persons are co-opted onto the committee when necessary to render specialist services.

The committee meets four times a year.

Sanlam Customer Interest committee

Members:

FA du Plessis (Chairperson), MMM Bakane-Tuoane and CG Swanepoel.

Attendees:

Chairman of the Board, Chief Executive Officer, Chief Actuary and selected members of senior management.

The main responsibility of the committee is to review and monitor all customer-related decisions and other related matters in the Group at a strategic level. Its main function is to act as an advisory body and to provide guidance to the Board on strategic issues relating to customers. The committee meets four times a year.

Ad hoc Board subcommittees

The Board has the right to appoint and authorise special *ad hoc* Board subcommittees from time to time to perform specific tasks. The appropriate Board members make up these subcommittees.

In addition to the abovementioned Board committees, there is also a:

Sanlam Group Executive committee

Members:

J van Zyl (Group Chief Executive and Chairman), I Kirk, L Lambrechts, JP Möller, YG Muthien (retired 5 September 2012), TI Mvusi, JHP van der Merwe, Y Ramiah (appointed 1 November 2012), HC Werth, AP Zeeman and PNB Zwane (resigned 8 June 2012).

The Sanlam Group Executive committee, which functions under the chairmanship of the Group Chief Executive, is responsible for assisting the Group Chief Executive in the operational management of Sanlam, subject to statutory and delegated limits of authority. Its main functions are strategic directing, coordination and monitoring performance.

The committee comprises the executive directors, heads of business clusters and the Chief Actuary.

The committee meets every fortnight.

Attendance of meetings

During the period under review the Board and committee members' attendance were as follows:

Attendance: Board and committee meetings: 2012

	Board meeting		Audit/Risk committees		Human resources commit-tee	Nomina-tions commit-tee	Social, Ethics and Sustainability committee		Sanlam Customer Interest commit-tee
Director	**Planned/ held 5/5**	**Ad hoc# 2**	**Planned/ held 4/4**	**Ad hoc# 1**	**Planned/ held 4/4**	**Planned/ held 4/4**	**Planned/ held 4/4**	**Ad hoc# 1**	**Planned/ held 4/4**
MMM Bakane-Tuoane	5/5				4/4	4/4			4/4
AD Botha	5/5				4/4				
P Buthelezi	5/5	1/2	2/4	1					
FA du Plessis	5/5	2/2	4/4	1					4/4
MV Moosa	5/5						4/4	1	
JP Möller	5/5	2/2							
PT Motsepe	5/5				4/4	4/4			
Y Muthien*	3/3						2/2	1	
TI Mvusi	5/5						4/4	1	
SA Nkosi	5/5								
I Plenderleith	5/5		4/4	1					
P Rademeyer	5/5	2/2	4/4	1			4/4	1	
Y Ramiah**	1/1								
RV Simelane	5/5	2/2					4/4	0	
DK Smith	5/5	2/2			4/4	4/4			4/4
ZB Swanepoel	5/5						4/4	1	
CG Swanepoel	5/5		4/4	1					4/4
J van Zyl	5/5	2/2							
PL Zim	4/5						3/4	1	

**Retired from Board on 5 September 2012, hence attended the planned meetings up until her retirement.*

***Appointed on 5 December 2012, hence attended the planned meetings from date of appointment.*

#Ad hoc board and committee meetings for specific subjects by selected members.

Company Secretary and professional advice

Sana-Ullah Bray was appointed with effect from 1 January 2011, in accordance with the requirements of the Companies Act, as the Group Company Secretary, acting as the Company Secretary of Sanlam and Sanlam Life. The Group Company Secretary is responsible for the execution of all relevant and regulatory requirements applicable to those positions, including those set out in the Companies Act, 2008 and the JSE Listings Requirements. The Group Company Secretary oversees the induction of new directors, including directors of subsidiary companies, as well as the ongoing education of directors.

In May 2012, the JSE Listings Requirements were amended to provide that with effect from 1 December 2012 the boards must consider and satisfy themselves annually regarding the competence, qualifications and experience of the company secretary. Therefore, during December 2012, upon the recommendation of the Nominations committee, the Board confirms the following:

- The Group Company Secretary is competent and has the relevant qualifications and experience to be the Company Secretary;
- The Group Company Secretary is not a director of the company; and
- The Board has an arm's-length relationship with the Group Company Secretary.

All directors have unlimited access to the advice and services of the Group Company Secretariat, which office is accountable to the Board for ensuring that procedures are complied with and that sound corporate governance and ethical principles are adhered to. If appropriate, individual directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at Sanlam's expense.

The Group Company Secretary attends all Board and committee meetings.

Dealings in JSE securities

Sanlam complies with the JSE Listings Requirements in respect of the share dealings of its directors. In terms of Sanlam's closed-period policy, all directors and staff with access to price sensitive information are precluded from dealing in Sanlam securities until the release of the Group's final and interim results respectively. The same arrangements apply for closed periods during other price-sensitive transactions for directors, officers and participants in the share incentive scheme and staff with access to price sensitive information. A pre-approval policy and process for all dealings in Sanlam securities by directors and selected key employees are strictly followed and duly reported on to the Board. Details of directors' and the Company Secretary's dealings in Sanlam securities are disclosed to the JSE through the Stock Exchange News Service (SENS). Even more stringent trading policies regarding personal transactions in all financial instruments are enforced at Sanlam's investment management companies. The Group Company Secretary regularly disseminates written notices to inform the directors, executives and employees regarding the insider trading legislation and advises them of closed periods.

Sponsors

During the period under review, Deutsche Securities (SA) (Pty) Limited was Sanlam's appointed JSE sponsor.

Investor relations and communication with other stakeholders

Sanlam strives to be a leader in transparent, open and clear communication with all of its relevant shareholders and other stakeholders.

In this regard, the Group seeks to continuously improve upon its communication efforts through more detailed disclosure of relevant financial and other information. A formal Sanlam Stakeholder Engagement Strategy and Communication Policy is under development for the Sanlam Group of companies. The Board appreciates the importance of dissemination of accurate information to all Sanlam stakeholders, and highly regards open and relevant dialogue with all parties with whom we do business.

Reports and announcements to all audiences and meetings with investment analysts, institutional investors, regulatory authorities and journalists, as well as the Sanlam website, are useful conduits for information. Open lines of communication are maintained to ensure transparency and optimal disclosure, and stakeholders are encouraged to make their views known to the Group.

Communication with institutional shareholders and the investment community is conducted by Sanlam's Investor Relations (IR) department and a comprehensive IR programme is also in place to ensure appropriate communication channels are maintained with domestic and international institutional shareholders, fund managers and investment analysts.

Political party support

While it is Sanlam's policy to support the development of democratic institutions and social initiatives across party lines, it does not provide support to any individual political party, financially or otherwise.

Corporate code of ethical conduct

Business ethics and organisational integrity

The Sanlam Group remains committed to the highest standards of integrity and ethical conduct in dealing with all stakeholders. This commitment is confirmed at Board and general management level by their endorsement of the code of ethical conduct for the Group.

A Group Ethics committee functions under the chairmanship of the Chief Actuary (Risk Officer) and includes representatives of the business clusters and divisions. The Group Ethics committee monitors compliance with the principles underlying the code of ethical conduct and investigates all matters brought to its attention, if necessary. A facility for the reporting of unethical conduct, the Sanlam fraud and ethics hotline, is available to all staff members in the Group. Although the hotline allows staff members to make anonymous reports and guarantees the protection of their identity, in accordance with the provisions of the Protected Disclosures Act, 2000, our preference is to create an open reporting environment, usually through our line managers. Over the past 10 years we have had 190 calls to the hotline out of a staff complement of over 10 000. Of these, less than ten percent of all callers felt the need to subsequently remain anonymous. All cases are investigated and a process is in place to track, report and close out all calls received. Actions taken as a consequence of resulting investigations include termination of employment and cancellation of contracts in the case of suppliers and contractors.

In terms of Sanlam's code of ethical conduct, no employee within the Group may offer or receive any gift, favour or benefit that may be regarded as an attempt to exert influence in unduly favouring any party. Sanlam therefore has a formal Group gift/gratification policy to provide for the official declaration and recording of corporate gifts received or given.

The Board is satisfied that adequate grievance and disciplinary procedures are in place to ensure enforcement of the code of ethical conduct and to address any breaches of the code. The results of independent ethical risk assessments conducted by KPMG on a bi-annual basis since 2003 were all very positive. The last risk assessment study in 2011 concluded that the integrity profile of the Company was strong and that this provides an excellent base for the strengthening of the ethical culture in Sanlam. Sanlam will participate in the South African Business Ethics Study 2013 (SABES 2013) by EthicsSA and the results of the SABES 2013 will serve as Sanlam's ethical risk assessment for 2013.

Across the Group, no material breaches of Sanlam's Code of Ethical Conduct were reported during 2012.

Forensics

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the code of ethical conduct, and undermine the organisational integrity of the Group.

The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted.

A forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executives of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business cluster is responsible for the implementation of the policy in his or her respective business cluster and is accountable to the Group Chief Executive and the Board.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Risk and Compliance committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Compliance

Sanlam considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The Group compliance function, together with the compliance functions of the business clusters and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring the implementation and execution thereof. Material deviations are reported to the Sanlam Risk and Compliance committee. No material deviations were reported in 2012.

REMUNERATION REPORT

Introduction

Sanlam's remuneration philosophy and strategy supports the Group strategy in that it governs processes that align predetermined strategic goals with the organisational behaviour required to meet and exceed these goals. In setting up the reward structures, cognisance is taken of prevailing economic conditions, national and international governance principles and the management of risk in the context of both short- and long-term incentive allocations. A great deal of attention was given to correctly position both the nature and the scale of remuneration relative to national comparator groups and international best practice. Steps were also taken to ensure alignment with the regulatory and governance requirements and specifically those of King III.

The Group Human Resources committee and its role

The Group Human Resources committee of the Board (GHRC) is responsible for developing the remuneration strategy of the Group and presenting it to the Board for approval. Its activities include approving mandates for bonus and all long-term incentive schemes and taking decisions about the Sanlam Group Executive committee (Executive committee) remuneration packages relative to local and international industry benchmarks. The GHRC has the prerogative to make all remuneration decisions it deems appropriate within an approved framework and may propose amendments to any part of the Group's remuneration policy as necessitated by changing circumstances. It also makes recommendations to the Board regarding the remuneration of Sanlam directors, other than the GHRC's committee fees. To fulfil the role described above, the GHRC undertakes the following:

- Develops and recommends to the Board for approval the Group's remuneration strategy as far as the remuneration of executive directors and members of its Executive committee are concerned;
- Develops and recommends to the Board for approval short-term incentive schemes for the Group. Its activities include the setting of annual targets, monitoring those targets and reviewing the incentive schemes on a regular basis to ensure that there is a clear link between the schemes and performance;
- Develops and recommends to the Board for approval long-term incentive schemes for the Group. Its activities include the setting of guidelines for annual allocations and a regular review of the appropriateness and structure of the schemes;
- Sets appropriate performance drivers for both short-term and long-term incentives, as well as monitoring and testing those drivers;
- Manages the contracts of employment of executive directors and members of its Executive committee so that their terms are compliant with good practice principles;
- Determines specific remuneration packages for executive directors and members of its Executive committee, including basic salary, retirement benefits, short-term incentives, long-term incentives and other conditions of employment; and
- Makes recommendations to the Board regarding the remuneration of non-executive directors.

The Companies Act No 71 of 2008 carries numerous references to the term 'prescribed officer', which is a new designation in the South African corporate vocabulary. The duties and responsibilities of directors under the Act will also apply to 'prescribed officers' and to members of board committees who are not directors, therefore exposing persons in senior management positions to new obligations and possible personal liability. Sanlam has adjusted its level of transparency prior to the implementation of the Act and has previously published the remuneration details of its Executive committee. The Board, as part of evolving best practice, has considered the definition of 'prescribed officers' and resolved that the members of its Executive committee are the prescribed officers of Sanlam.

A copy of the GHRC's terms of reference can be found on the Group's website (www.sanlam.co.za).

During 2012, the GHRC considered the following issues:

- benchmarking of remuneration levels and practices with international and local comparator groups;
- continued alignment of Sanlam remuneration practices with King III governance principles;
- recruitment and appointment of executive staff members with the emphasis on black recruits; and
- monitoring and approval of short-term bonuses and long-term incentives.

Sanlam's remuneration philosophy and strategy

Philosophy

The Board recognises that appropriate remuneration for executive directors and members of its Executive committee are inextricably linked to the development and retention of top-level talent and intellectual capital within the Group. Given the current economic climate, changes in the regulatory requirements and the ongoing skills shortage, it is essential that adequate measures be implemented to attract and retain the required skills. In order to meet the strategic objective of a high-performance organisation, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time. Sanlam's remuneration philosophy aims to:

- inform stakeholders of Sanlam's approach to rewarding its employees;

- identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere;
- provide a general framework for all the other elements of the reward philosophy;
- offer guidelines for short- and long-term incentive and retention processes; and
- offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution.

Sanlam is the sole or part owner of a number of businesses and joint ventures. The organisation recognises the difference between these entities and where appropriate, allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework. In this regard, there are some areas where the dictates of good corporate governance, the protection of shareholder interests and those of the Sanlam brand or corporate identity require full disclosure, motivation and approval by the Human Resources committees either at Group or business level. The principle of management discretion, with regard to individual employees, is central to the remuneration philosophy on the basis that all rewards are based on merit. However, the overarching principles and design of the remuneration structure are consistent, to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. In other instances, the Sanlam remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own Remuneration/Human Resources committees will play in ensuring good governance. The Group has continued to apply a Total Reward Strategy for its staff members. This offering comprises remuneration (which includes cash remuneration and short- and long-term incentives), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

Strategy

In applying the remuneration philosophy and implementing the Total Reward Strategy, a number of principles are followed:

- *Pay for performance:* Performance is the cornerstone of the remuneration philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance. It is also positioned so that a clear link between the performance hurdle that is being rewarded and the Group strategy is maintained.
- *Competitiveness:* A key objective of the remuneration philosophy is that remuneration packages should enable the Group and its businesses to attract and retain employees of the highest quality in order to ensure the continued success of the organisation.
- *Leverage and alignment:* The reward consequences for individual employees are, as far as possible, aligned with, linked to and influenced by:
  - the interests of the shareholders;
  - the performance of the Group as a whole;
  - the performance of any region, business unit or support function; and
  - the employee's own contribution.
- *Consistency:* The reward philosophy strives to be both consistent and transparent. Differentiation in terms of market comparison for specific skills groups or roles and performance is, however, imperative. Unfair discrimination is unacceptable and equal opportunities in respect of service practices and benefits must be guaranteed.
- *Attraction and retention:* Remuneration practices should be recognised as a key instrument in attracting and retaining the required talent to meet the Group's objectives.
- *Shared participation:* Employee identification with the success of the Group is important owing to the fact that it is directly linked to both the Group and individual performance.

All employees should have the chance to be recognised and rewarded for their contribution and the value they add to the Group, and, in particular, for achieving excellent performance and results in relation to the Group's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.

- *Best practice:* Reward packages and practices must reflect local and international best practice.
- *Communication:* The remuneration philosophy and practices, as well as the processes to determine individual pay levels, must be transparent and communicated effectively to all employees. In this process the link between remuneration and the Group's strategic objectives must be understood by all employees.
- *Market information:* Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages.

For the Group to remain competitive, remuneration policies and practices are evaluated against both national and international remuneration trends and governance frameworks. In response to developments on the international front and the implementation of King III, a number of amendments to Sanlam's remuneration policy were implemented during 2010. In 2011 a special benchmarking initiative was initiated to ensure that the remuneration of the Sanlam Executive committee was appropriate. This not only looked at the market relatedness of the remuneration but also focused on the relationship between the guaranteed components relative to short-term bonuses and long-term incentives.

An overview of the executive remuneration structure

The different components of the remuneration paid to executive directors and members of its Executive committee are summarised in the table below. A detailed description of each component follows in the next section.

In general terms, the quantum of the different components of the package is determined as follows:

- The guaranteed component is based on market-relatedness in conjunction with the individual's performance, competence and potential.
- The short-term variable component of remuneration is based on a combination of individual and annual business performance.
- The long-term variable component is based on the individual's performance, potential and the overall value to the Group and/or business.

Element	Purpose	Performance period and measure	Operation and delivery
Basic salary (guaranteed)*	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys	Benchmarked against comparator group and positioned on average on the 50th percentile
Benefits (guaranteed)*	Retirement and lifestyle benefits which assist employees in carrying out their duties	Reviewed annually	Included in comparator benchmarking

Element	Purpose	Performance period and measure	Operation and delivery
Annual bonus (short-term variable)	Create a high performance culture through a cash bonus in relation to performance against predetermined outputs	Annual	Based on different levels and predetermined performance hurdles of business and personal targets. Cash settlement capped at 200% of TGP
Long-term incentives (long-term variable)	Alignment with shareholder interests	Annual grants and three- to five-year vesting period	Upon satisfaction of performance hurdles and individual performance targets

**Total guaranteed package (TGP).*

The above arrangements are reviewed on an ongoing basis to allow for significant changes in operating conditions or governance frameworks.

Remuneration details for executive directors and members of the Executive committee

In addition to the requirements of the disclosure of the executive directors in compliance with King III guidelines, Sanlam has decided to also disclose information on its Executive committee. The following section provides a detailed description of each component of the remuneration paid to executive directors and members of its Executive committee – including the purpose of the component and its implementation – as far as these individuals are concerned.

Total guaranteed package (TGP)

Purpose

TGP is a guaranteed component of the remuneration offering. It forms the basis of the organisation's ability to attract and retain the required skills. In order to create a high performance culture, the emphasis is placed on the variable/performance component of remuneration rather than the guaranteed component. For this reason this component of remuneration is positioned on the 50th percentile of the market. Included in TGP, Sanlam provides its employees with a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- retirement fund
- group life cover
- medical aid

Process and benchmarking

Average TGP is set by reference to the median paid by a group of comparator companies which Sanlam considers to be appropriate. The comparator group is made up of 20 to 22 companies and these companies have similar characteristics to Sanlam in terms of being in the financial services sector (but not limited only to this sector), market capitalisation and international footprint. In terms of the process followed in benchmarking TGP against these comparator companies, Sanlam obtains data from a number of global salary surveys and the data is then analysed using the Watson Wyatt grading system. In addition to this benchmarking process, when setting TGP levels Sanlam also takes into account the skills, potential and performance of the individual concerned.

GHRC's role

Upon conclusion of the benchmarking process, proposals regarding basic salary level increases for the following year are considered and approved by the GHRC. The GHRC also reviews and approves the adjustments to basic salary of each of the executive directors and members of its Executive committee.

Levels

TGP levels are positioned around the 50th percentile of the comparator market. In certain instances, however, there may be a salary sacrifice in favour of the variable component. Where specific skills dictate, TGP levels may be set in excess of the 50th percentile.

Fixed payments

The table below shows the TGP (rand) to each of the executive directors and members of its Executive committee:

Individual	TGP as at 1 January 2012	TGP as at 1 January 2013	Increases as % of TGP
Johan van Zyl*[(1)]	5 300 000	5 300 000	—
Ian Kirk[(5)]	3 600 612	3 816 660	6,00
Lizé Lambrechts	3 400 000	3 600 000	5,88
Kobus Möller*	3 650 000	3 950 000	8,22
Yvonne Muthien[(2)]	2 520 000	—	
Temba Mvusi*[(3)]	2 410 000	2 500 000	3,73
Johan van der Merwe	4 300 000	4 600 000	6,98
Yegs Ramiah*[(3)]	—	2 500 000	
Heinie Werth	3 150 000	3 500 000	11,11
André Zeeman	2 900 000	3 100 000	6,9
Buyani Zwane[(4)]	2 300 000	—	

**Executive director.*

[(1)]*See CEO arrangement below.*

[(2)]*Retired on 5 September 2012.*

[(3)]*Receives an additional amount of R250 000 (2011: R241 000) from Santam for services rendered to Santam.*

[(4)]*Resigned on 8 June 2012.*

[(5)]*Ian Kirk as CEO of Santam is a member of the Executive committee. Full details of his emoluments can also be found in the 2012 Santam Annual Report.*

[(6)]*Appointed on 1 November 2012 on Executive committee and on 5 December 2012 as executive director.*

The average salary increase paid to executive directors (excluding Johan van Zyl) for 2012 was 7,23% and that of members of its Executive committee for 2012 was 7,64% compared with an average salary increase paid to all employees of 6,9%.

Variable remuneration

CEO arrangement

The Board entered into a five-year employment arrangement with the Sanlam Group CEO, Johan van Zyl with effect from 1 January 2011. The objective of the arrangement is to address the leadership requirements for the Sanlam Group in order to deliver on the strategic objectives determined by the Board.

The remuneration package associated with this arrangement supports and is aligned to the delivery on the strategic objectives set for the Sanlam Group. The revised remuneration package substitute's short-term cash remuneration with pre-dominantly share-based incentives with appropriate performance hurdles linked to the achievement of short-, medium- and long-term strategic objectives for the Group and the leadership as determined by the Board.

The CEO's annual fixed cash remuneration package was fixed at R5,3 million (based on the 2010 remuneration level) for the full period until 31 December 2015, with no other variable cash incentives for this employment period. He was allocated five million restricted Sanlam shares of which three million was transferred and delivered during 2011 and two million during 2012. The vesting of these shares will be measured over a six year period until 31 December 2016, the shares being grouped into various distinct components – each with its own measurement period and detailed individual and Group performance hurdles. A substantial portion (>75%) is linked to the out-performance of the Sanlam Group's cost of capital target and the successful delivery on the longer-term growth strategies of the Sanlam Group. Vesting is dependent on meeting the performance hurdles for each of the performance categories as well as complying with the time restrictions built into the arrangement. In terms of this arrangement he will not during the period of this arrangement participate in any new allocation under any of the existing long-term schemes of the Sanlam Group.

A summary of the position as at 31 December 2012 is as follows:

	Total
Shares transferred during 2011	3 000 000
Shares transferred during 2012	2 000 000
Shares that have not met performance hurdles in 2011	(40 000)
Shares that have not met performance hurdles in 2012*	(40 500)
Sub-total	4 919 500
Shares outstanding (to be transferred not later than 31 March 2013)	281 209
Total	5 200 709
Shares that have met the performance hurdles to date, but subject to time restrictions*	(719 500)
Shares subject to time restrictions	(281 209)
Shares subject to future performance measurement	4 200 000

**400 000 shares were subject to performance measurement in respect of 2012 (2011: 400 000).*

EXCO arrangements

Annual bonus plan

Purpose

The purpose of the annual bonus plan is to align the performance of staff with the goals of the organisation and to motivate and reward staff who surpass the agreed performance hurdles. Over recent years, the focus has shifted from alignment and operational issues to growing the business and ensuring that it is managed in a sustainable way.

GHRC's role

The GHRC's role with regard to the annual bonus plan is to:

- determine the structure of the annual bonus plan and ensure that it provides a clear link to performance and is aligned with the Group's business strategy;
- agree on the performance drivers for the annual bonus plan;
- agree on the split between business, Group and personal performance criteria; and
- set the threshold, target and stretch targets for the annual bonus plan and the percentage of basic salary which can be earned at each level by each group of employees.

Performance targets

The performance targets for the annual bonus plan are set by the GHRC on an annual basis. In respect of the 2012 annual bonus, the split between business, Group and personal performance criteria for executive directors and members of its Executive committee was as follows:

Individual	Business %	Group %	Personal %
Johan van Zyl*			
Ian Kirk	80	—	20
Lizé Lambrechts	50	25	25
Kobus Möller	—	70	30
Yvonne Muthien**	—	50	50
Temba Mvusi	—	50	50
Yegs Ramiah***	—	50	50
Johan van der Merwe	70	10	20
Heinie Werth	50	25	25
André Zeeman	—	—	100

**See CEO arrangement effective from 1 January 2011.*
***Retired on 5 September 2012.*
****Appointed on 1 November 2012.*

The Group performance measure which was applied in 2012 is:

- Return on Group Equity Value (RoGEV)

  This is the key driver of the Group's strategy and the use of this measure means a direct link between the annual bonus plan and the Group's business strategy.

  In order to exclude the impact of investment market volatility during the performance period in question, adjusted RoGEV is used. This assumes that the embedded value investment return assumptions as at the beginning of the reporting period were achieved for the purposes of the investment return earned on the supporting capital of covered business and the valuation of other Group operations. Any other *ad hoc* items which are not under the control of management are also excluded.

The business-level performance measures, applied in 2012, are determined by the specific strategic objectives of each business.

Personal performance measures are based on the contracted output with each individual over the vesting period.

- Group net operating profit
- Business' aggregate performance against targets

Vesting levels

The annual bonus plan is a cash-based bonus scheme. Where the annual bonus targets are achieved in full, 100% of the bonus will be paid. In instances where expected target goals have been exceeded, the cash component is capped at a percentage of TGP.

Where the bonus targets are not achieved in full, a *pro rata* bonus will be paid only if the threshold performance level has been achieved.

Where the annual Group and/or business performance targets are not achieved, an amount may be set aside to reward exceptional individual performance at the discretion of the Group Chief Executive.

In respect of the executive directors and members of its Executive committee, the payments which can be achieved at the target and stretch levels are as follows:

Individual	% of TGP at target performance	Performance cash cap as % of TGP
Johan van Zyl*	—	—
Ian Kirk	80	160
Lizé Lambrechts	56	112
Kobus Möller	56	112
Yvonne Muthien**	56	112
Temba Mvusi	56	112
Yegs Ramiah***	56	112
Johan van der Merwe	100	250#
Heinie Werth	56	112
André Zeeman	56	112

*See CEO arrangement effective from 1 January 2011.
**Retired on 5 September 2012.
***Appointed on 1 November 2012.
#Subject to a 200% cash payment cap in respect of any one year.

These levels are benchmarked with comparator groups together with other components of remuneration.

Ad hoc performance bonus rewards

Where it is determined by the Group CEO that an individual has exhibited exceptional performance within his or her area of expertise and a bonus payment should be awarded which justifies an amount in excess of the cash bonus, the GHRC may award restricted shares under the Sanlam Restricted Share Plan to acknowledge such out performance.

The rationale of this mechanism is to encourage retention of high performing individuals and ensure the sustainability of performance driven behaviour. To the extent that performance is not sustained, the performance condition attached to a portion of the restricted awards will not be satisfied and the award will not vest.

Payments

The table below shows the annual bonus payments (rand) made to each of the executive directors and members of its Executive committee in respect of the performance achieved in 2012. These bonuses were paid in 2013:

Individual	% of TGP achieved 2012	Payment 2013 R'm	% of TGP achieved 2011	Payment 2012 R'm
Johan van Zyl*	—	—	—	—
I Kirk	66	2 500 000	142	5 100 000
Lizé Lambrechts	83	3 000 000	82	2 800 000
Kobus Möller	94	3 700 000	88	3 200 000
Yvonne Muthien**		—	71	1 800 000
Temba Mvusi	80	2 000 000	75	1 800 000
Yegs Ramiah***	72	300 000	n/a	n/a
Johan van der Merwe	130	6 000 000	151	6 500 000
Heinie Werth	86	3 000 000	95	3 000 000
André Zeeman	84	2 600 000	103	3 000 000

*See CEO arrangement effective from 1 January 2011.
**Retired on 5 September 2012.
***Appointed on 1 November 2012

Long-term incentives

Overview and general policy

Sanlam currently grants awards to executives under the following four long-term incentive plans:

- The Sanlam Deferred Share Plan (DSP);
- The Sanlam Performance Deferred Share Plan (PDSP);
- The Sanlam Restricted Share Plan (RSP); and
- The Sanlam Out-Performance Plan (OPP).

With the exception of the OPP, these long-term incentive plans are equity-settled plans. The OPP is a cash-based plan, which rewards long-term performance.

As regards awards under the DSP and the PDSP, Sanlam's general policy is that awards are made annually to ensure that the total face value of outstanding awards (as measured by their face value at date of grant) is equal to a set multiple of the executive's TGP. In addition, the performance of the individual and the need to retain his/her services in the future are taken into account when determining the value of the annual grant. The multiple of TGP is determined by reference to the executive's role. The guideline level ranges from 175% to 280% for the executive team. However, in certain circumstances, the Group may grant awards where the face value exceeds these guidelines. Such circumstances include, but are not limited to, being able to attract or retain a specific individual with particular skills to the Group. Up to 2010 long-term incentive awards granted were split between retention awards (granted under the DSP and awards made without performance conditions under the RSP) and performance-related awards (granted under the PDSP and awards made with performance conditions under the RSP). All awards made from 2011 onwards under the DSP and RSP include individual performance conditions, in addition to the retention condition. Awards granted to any one individual under all equity-settled plans (the DSP, the PDSP and the RSP) are subject to an overall individual limit of 6 500 000 unvested shares.

GHRC's role

The GHRC's role as far as the long-term incentive plans are concerned is to:

- ensure that their structure contributes to shareholder value;
- set appropriate performance drivers and take responsibility for monitoring and agreeing on the level of compliance with those performance drivers;
- approve award levels; and

Non-executive directors

Non-executive directors do not participate in any of the long-term incentive plans operated by Sanlam.

Deferred Share Plan (DSP)

Awards granted under the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The vesting conditions are that the individual remains employed by the Group throughout the vesting period and maintains agreed individual performance hurdles. The vesting period is five years and staggered vesting occurs in years three to five as follows:

- three years – 40%
- four years – 30%
- five years – 30%

The award granted under the DSP is not subject to the satisfaction of the Group performance conditions but does require meeting individually contracted performance hurdles. Typically, the award granted under the DSP has a face value of up to 105% of the executive's TGP. To the extent that this percentage falls (whether through vesting or due to a promotion or salary increase), an additional award may be granted on an annual basis to maintain the level of retention award.

The following table sets out the participation by executive directors and members of its Executive committee in the DSP up to 31 December 2012:

Individual	Balance 31-12-11	Awarded in 2012	Shares vested	Balance 31-12-12	2013	2014	2015	2016	2017
J van Zyl*	289 060	—	125 130	163 930	106 911	56 625	394	—	—
I Kirk#									
Santam	39 777	8 763	15 448	33 092	12 974	11 247	4 043	2 862	1 966
Sanlam	62 293	14 221	21 491	55 023	17 325	19 243	8 258	5 930	4 267
L Lambrechts	170 382	38 339	39 544	169 177	48 165	45 571	39 275	24 665	11 501
JP Möller	203 525	35 605	49 688	189 442	55 964	55 884	40 627	26 286	10 681
Y Muthien**	125 452	—	125 452	—	—	—	—	—	—
T Mvusi	138 093	29 043	34 354	132 782	38 947	40 444	28 175	16 503	8 713
JHP van der Merwe	241 299	44 967	65 900	220 366	71 403	56 868	46 392	32 213	13 490
Y Ramiah***#									
Santam	16 279	1 595	—	17 874	6 398	5 288	5 426	564	198
Sanlam	29 756	—	—	29 756	10 994	9 155	8 926	681	—
HC Werth	177 626	33 633	41 149	170 110	57 451	46 107	38 343	18 119	10 090
AP Zeeman	160 491	25 277	35 304	150 464	46 165	44 971	33 466	18 279	7 583

**A new arrangement became effective from 1 January 2011.*
***Retired on 5 September 2012.*
****Appointed on 1 November 2012 (previously employed by Santam).*
#Participates in the Santam Deferred Share Plan.

It is anticipated that awards will be granted in 2013 to executive directors and members of its Executive committee on a basis consistent with that described above.

Performance Deferred Share Plan (PDSP)

To the extent that the face value of the award granted under the DSP does not satisfy the individual's specified multiple of TGP to be granted as long-term incentive awards, the individual will be granted an award under the PDSP. Awards granted under the PDSP are conditional rights to acquire shares for no consideration subject to a performance vesting condition being satisfied.

The main performance vesting condition is that, in general terms, the Group's adjusted return on RoGEV must have exceeded its cost of capital (COC) for the relevant period (Group performance hurdle). The exact condition varies by reference to the value of the performance award as a proportion of the executive's TGP. The higher the value of the award, the more stretching the performance condition becomes. For awards in excess of 175% of TGP the performance condition also includes a business specific hurdle in addition to the Group performance hurdle.

The exact performance conditions are set by the GHRC at the relevant date of grant.

The use of performance conditions in relation to adjusted RoGEV is considered appropriate as this is the key driver of the Group's strategy and the use of this measure means a direct link between the PDSP and the Group's business strategy.

The performance measurement period for PDSP awards is six years and the performance conditions will be finally tested at the end of this period. To the extent that they are not met at this point, the performance awards will lapse.

However, performance awards can vest prior to the end of the performance measurement period on a staggered basis to the extent that the condition is met earlier. To the extent that the performance condition is met, a proportion of the performance award can vest on the following basis:

- three years – 40%
- four years – 30%
- five years – 30%

To the extent that the value of performance awards falls below the specified multiple of the executive's TGP (whether through vesting or due to a promotion or salary increase), an additional award may be granted on an annual basis to maintain the level of performance awards.

The following table sets out the participation by executive directors and members of its Executive committee in the PDSP with the assumption that all awards meet the performance targets up to 31 December 2012 – a final assessment is made at the end of the measurement period:

Individual	Balance 31-12-11	Awarded in 2012	Shares vested	Balance 31-12-12	2013	2014	2015	2016	2017
J van Zyl*	470 889	—	97 139	373 750	153 719	115 814	104 217	—	—
I Kirk#									
Santam	35 206	1 992	9 222	27 976	9 560	11 913	4 243	2 260	—
Sanlam	64 354	—	15 605	48 749	16 246	20 705	7 602	4 196	—
L Lambrechts	114 554	26 926	35 500	105 980	22 963	26 461	31 113	17 365	8 078
JP Möller	221 502	44 146	54 967	210 681	54 128	57 899	58 868	26 541	13 245
Y Muthien***	83 634	—	32 527** 51 107	—	—	—	—	—	—
T Mvusi	85 476	15 649	14 847	86 278	28 338	21 726	23 182	8 338	4 694
JHP van der Merwe	365 651	45 223	52 408	358 466	106 383	96 048	94 739	47 731	13 565
Y Ramiah****,#									
Santam	6 782	391	—	7 173	2 665	2 203	2 152	153	—
Sanlam	12 398	—	—	12 398	4 581	3 813	3 720	284	—
HC Werth	102 867	17 685	14 343	106 209	28 085	28 389	33 631	10 799	5 305
AP Zeeman	93 804	15 530	16 381	92 953	22 011	25 466	29 439	11 378	4 659

**A new arrangement became effective from 1 January 2011.*
***Shares forfeited when she retired on 5 September 2012.*
****Retired on 5 September 2012.*
*****Appointed on 1 November 2012 (previously employed by Santam).*
#Participates in the Santam Performance Deferred Share Plan.

It is anticipated that awards will be granted in 2013 to executive directors and members of its Executive committee on a basis consistent with that described above.

Restricted Share Plan (RSP)

The RSP has, to date, been operated in conjunction with the annual bonus plan (short-term bonus scheme). Where an individual's performance justifies a bonus award which will be in excess of the calculated cash amount, that excess amount will be awarded as restricted shares under the RSP. Under this plan, executives receive fully paid-up shares in the Group. The executive owns the shares from the date of grant and is entitled to receive dividends. However, the shares are subject to vesting conditions and may be forfeited if these conditions are not met during the vesting period.

A portion of the restricted shares awarded requires the executive to remain employed within the Group until the vesting date and maintain the agreed individual performance hurdles. This portion varies between 0% and 50% of the award and is dependent upon the executive's role. The remaining portion of the restricted shares awarded is subject to a performance condition. The performance condition for awards granted to date is that the Group's adjusted RoGEV per share exceeds the Group's cost of capital.

The measurement period is six years but vesting can occur on a staggered basis on the third, fourth and fifth anniversary of the date of grant on the following basis, provided that all vesting conditions are met on such dates:

- three years – 40%
- four years – 30%
- five years – 30%

The following table sets out the participation by executive directors and members of its Executive committee in the RSP. Except where indicated, all awards meet the performance targets up to 31 December 2012:

Individual	Balance 31-12-11	Awarded in 2012	Shares vested	Balance 31-12-12	2013	2014	2015	2016	2017
J van Zyl*	1 607 832	—	699 008	908 824	439 152	251 477	144 997	73 198	—
L Lambrechts	459 931	62 093	183 610	338 414	132 860	74 482	71 293	41 151	18 628
JP Möller	556 607	62 093	233 737	384 963	152 086	96 528	70 940	46 781	18 628
Y Muthien**	77 426	31 046	48 459 60 013**	—	—	—	—	—	—
T Mvusi	232 796	31 046	51 489	212 353	68 581	60 992	47 260	26 206	9 314
JHP van der Merwe	875 382	124 185	374 880	624 687	222 157	153 060	124 282	87 932	37 256
HC Werth	319 766	62 093	75 617	306 242	100 688	74 482	71 293	41 151	18 628
AP Zeeman	338 535	62 093	75 617	325 011	100 688	81 991	76 923	46 781	18 628

**A new arrangement became effective from 1 January 2011.*
***Shares forfeited when she retired on 5 September 2012.*

It is anticipated that awards granted in 2013 to executive directors and members of its Executive committee, if any, would be on a basis consistent with that described above.

Out-Performance Plan (OPP)

From time to time, at the discretion of the GHRC, participation in the OPP is extended to certain executives who are leaders of the Group's main operating businesses. The OPP rewards superior performance over a three- to five-year measurement period and is used infrequently. Executive directors currently do not participate in the OPP.

No payment is made under the OPP unless expected growth over the period is exceeded and full payment is only made if the stretched performance target is met. The maximum payment that can be made under the OPP is 200% of annual TGP over the respective three- or five-year measurement period (adjusted with salary inflation) or, where applicable, based on the IRR achieved by the relevant business over the measurement period.

Current participants to the OPP and achievement to date are as follows:

Individual	Measurement period	Achievement	Reward
L Lambrechts	1 January 2010 – 31 December 2012	66,7%	Final measurement and payment on 1 April 2013
JHP van der Merwe	1 January 2009 – 31 March 2014	n/a	Final measurement and payment after 1 April 2014
HC Werth	1 January 2012 – 31 December 2014	n/a	Final measurement and payment on 1 April 2015
I Kirk	1 January 2010 – 31 December 2014	n/a	Final measurement and payment on 1 April 2015

To the extent that any awards are granted under the OPP in 2013, this will occur on a basis consistent with that described above.

Historical long-term incentive plans

In the past, awards have been granted by Sanlam under the Sanlam Share Purchase Plan, the Sanlam Long-term Incentive Plan and the Sanlam Share Option Scheme. Awards are no longer granted under these plans, although there are still outstanding awards held under them by executives.

Outstanding participation under the Sanlam Share Option Scheme is set out in the following table:

All outstanding awards are unrestricted.

Individual	Date granted	Balance 31-12-11	Strike price	Exercised 2012	Balance 31-12-12
L Lambrechts	1 May 2004	163 714	R9,80	163 714	—
JHP van der Merwe	1 June 2004	83 932	R8,40	83 932	—

Sanlam share scheme allocation

Pursuant to the amendments to Schedule 14 of the JSE Listings Requirements, the shareholders of the Group approved a scheme allocation of 160 000 000 ordinary shares available to be utilised for long-term incentive purposes with effect from 1 January 2009, provided that the maximum allocation during any financial year cannot exceed 16 000 000.

The following table illustrates the position as at 31 December 2012:

Scheme capacity originally approved		160 000 000
Net movement during 2009		(10 701 155)
Net movement during 2010		(8 652 718)
Balance of scheme capacity carried forward at 31 December 2010		140 646 127
Allocation under DSP and PDSP in 2011	11 279 216	
Allocation under RSP in 2011 (CEO)	3 000 000	
Allocation under RSP in 2011 (Other)	1 070 284	(15 349 500)
Shares forfeited in 2011		1 521 131
Balance of scheme capacity carried forward at 31 December 2011		126 817 758
Allocation under DSP and PDSP in 2012	6 873 915	
Allocation under RSP in 2012 (CEO)	2 000 000	
Allocation under RSP in 2012 (Other)	683 018	(9 556 933)
Shares forfeited in 2012		655 241
Balance of scheme capacity carried forward at 31 December 2012		117 916 066

Executive contracts

Executive directors and members of its Executive committee are contracted as full-time, permanent employees for employment contracting purposes. As a standard element of these contracts, a 12-month restraint of trade is included, which the Group has the discretion to implement depending on the circumstances surrounding the individual's departure. Notice periods are three months' written notice. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme with some discretion being allowed to the GHRC based on the recommendations of the Group Chief Executive. No change of control clauses or provision for special events are built into the employment contracts as well as in the rules of the schemes.

Non-executive directors

Fee structures are recommended to the Board by the GHRC (other than for services as a GHRC member) and reviewed annually with the assistance of external service providers. The GHRC takes cognisance of market norms and practices, as well as the additional responsibilities placed on Board members by new Acts, regulations and corporate governance guidelines. The Board recommends the fee structure for the year, from 1 July until 30 June the following year, to the Group's shareholders at the AGM for approval. Non-executive directors receive annual Board and committee retainers. In addition, a fee is paid for attending Board meetings. Sanlam pays for all travelling and accommodation expenses in respect of Board meetings. The Chairman receives a fixed annual fee that is inclusive of all

Board and committee attendances as well as all other tasks performed on behalf of the Group. Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed below.

Payments made in 2012

Non-executive directors

Directors' emoluments for the year ended 31 December 2012 (R'000)

	Directors' fee	Allowance	Attendance and committees	Fees from Group	Total
MMM Bakane-Tuoane	168	72	286	—	526
AD Botha	168	72	241	572	1 053
MP Buthelezi	168	72	211	—	451
FA du Plessis	168	72	444	—	684
MV Moosa	168	72	251	—	491
PT Motsepe	251	108	218	—	577
SA Nkosi	168	72	105	—	345
I Plenderleith	168	72	279	312	831
P de V Rademeyer	168	72	483	782	1 505
RV Simelane	168	72	202	—	442
DK Smith (Chairman)	1 366	585	—	—	1 951
CG Swanepoel	168	72	415	1 424	2 079
ZB Swanepoel	168	72	183	—	423
PL Zim	168	72	148	—	388
Total non-executive directors	3 633	1 557	3 466	3 090	11 746

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R856 956.

Directors' emoluments for the year ended 31 December 2011 (R'000)

	Directors' fee	Allowance	Attendance and committee fees	Fees from Group	Total
MMM Bakane-Tuoane	163	69	262	—	494
AD Botha	163	69	236	343	811
MP Buthelezi**	123	53	168	—	344
AS du Plessis*	78	34	191	164	467
FA du Plessis	163	69	373	—	605
MV Moosa	163	69	207	—	439
PT Motsepe	243	104	219	—	566
SA Nkosi	163	69	102	—	334
I Plenderleith	163	69	249	255	736
P de V Rademeyer**	123	53	296	515	987
GE Rudman*	78	34	109	159	380
RV Simelane	163	69	175	—	407
DK Smith (Chairman)	1 276	547	—	—	1 823
CG Swanepoel**	123	53	328	1 972	2 476
ZB Swanepoel	163	69	155	—	387
PL Zim	163	69	175	—	407
Total non-executive directors	3 511	1 499	3 245	3 408	11 663

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R570 870.

**Retired 8 June 2011.*
***Appointed 28 March 2011.*

Fees from Group companies for the year ended 31 December 2012 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	**277**	**249**	**46**	**572**
I Plenderleith	**312**	**—**	**—**	**312**
P de V Rademeyer	**308**	**393**	**81**	**782**
CG Swanepoel	**227**	**1 044**	**153**	**1 424**
Total fees from Group companies	**1 124**	**1 686**	**280**	**3 090**

Fees from Group companies for the year ended 31 December 2011 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	145	93	105	343
AS du Plessis	53	46	65	164
I Plenderleith	255	—	—	255
P de V Rademeyer	331	111	73	515
GE Rudman	159	—	—	159
CG Swanepoel	915	193	864	1 972
Total fees from Group companies	1 858	443	1 107	3 408

Executive committee

Details of the remuneration attributable to members of the Executive committee during 2012 are set out in the table below:

Emoluments for the year ended 31 December 2012 (R'000)

	Months in service	Salary/ fees	Bonus	Company contri- butions	Total
JP Möller	12	2 759	3 700	1 116	7 575
YG Muthien****	9	1 702	688#	303	2 693
TI Mvusi*	12	2 055	2 000	673	4 728
Y Ramiah	2	396	300	20	716
J van Zyl	12	4 502		798	5 300
Total executive directors		11 414	6 688	2 910	21 012
L Lambrechts	12	3 158	3 000	392	6 550
JHP van der Merwe	12	2 895	6 000	1 630	10 525
HC Werth	12	2 644	3 000	768	6 412
AP Zeeman	12	2 091	2 600	959	5 650
B Zwane**	6	985	1 200#	177	2 362
I Kirk***	12	3 222	2 500	578	6 300
Remainder of Executive committee		14 995	18 300	4 504	37 799

Includes an amount of R250 000 paid by Santam.
***Resigned on 8 June 2012.*
****Ian Kirk is the CEO of Santam Limited.*
*****Retired on 5 September 2012.*
#Termination benefit

Emoluments for the year ended 31 December 2011 (R'000)

	Months in service	Salary/ fees	Bonus	Company contri- butions	Total
JP Möller	12	3 013	3 200	574*	6 787
YG Muthien	12	2 082	1 800	397*	4 279
TI Mvusi**	12	2 197	1 800	373*	4 370
J van Zyl	12	4 452	—	848*	5 300
Total executive directors		11 744	6 800	2 192	20 736
L Lambrechts	12	2 949	2 800	402	6 151
JHP van der Merwe	12	3 778	6 500	459	10 737
HC Werth	12	2 719	3 000	371	6 090
AP Zeeman	12	2 367	3 000	451	5 818
I Kirk***	12	2 933	5 100	665	8 698
Remainder of Executive committee		14 746	20 400	2 348	37 494

*Restated to exclude employee contributions. Previously reported amounts (R'000) were R789, R545, R512 and R1 166 respectively.
**Includes an amount of R241 000 paid by Santam.
***Ian Kirk is the CEO of Santam Limited.

Sanlam Limited Board

Total interest of directors in share capital at 31 December 2012

	Beneficial Direct	Beneficial Indirect	Non-beneficial	UB shares
Executive directors****				
J van Zyl	6 628 058	–	1 915 642	–
JP Möller	1 361 493	–	–	–
TI Mvusi	324 430	–	–	4 000
Y Ramiah	–	–	–	–
Total executive directors	8 313 981		1 915 642	4 000
Non-executive directors				
DK Smith (Chairman)	–	35 000	–	–
PT Motsepe (deputy chairman)				Refer note**
MMM Bakane-Tuoane	–	–	–	7 142
MP Buthelezi	–	–	–	7 142
AD Botha	–	–	286 999	–
FA du Plessis	–	370	390	–
MV Moosa	–	–	–	7 142
SA Nkosi	–	–	–	7 142
I Plenderleith*	–	–	–	–
P de V Rademeyer	181 335	495 698	–	–
RV Simelane	–	–	–	7 142
CG Swanepoel	10 000	–	–	–
ZB Swanepoel	–	–	–	7 142
PL Zim	444	–	–	7 142
Total non-executive directors	191 779	531 068	287 389	49 994
Total	8 505 760	531 068	2 203 031	53 994

**UK citizen.*

***Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 226 000 000 Sanlam ordinary shares and 56 500 000 Sanlam 'A' deferred shares.*

Sizanani-Thusanang-Helpmekaar Investments (Pty) Limited (Sizanani), beneficially holds 55% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts whose beneficiaries are Patrice Motsepe and his immediate family.

A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure.

As a result Motsepe and the above directors are indirect beneficial holders of the 226 000 000 Sanlam ordinary shares and 56 500 000 Sanlam 'A' deferred shares.

****At the date of this report there are no material differences with the shareholding disclosed above as at 31 December 2012.*

*****Participation in the Restricted Share Plan included in the numbers.*

Total interest of directors in share capital at 31 December 2011

	Beneficial			
	Direct	Indirect	Non-beneficial	UB shares
Executive directors******				
J van Zyl	5 722 151	—	2 106 877	—
JP Möller	1 354 421	—	—	—
Y Muthien	77 426	—	—	—
TI Mvusi	293 384	—	—	4 000
Total executive directors	7 447 382	—	2 106 877	4 000
Non-executive directors				
DK Smith (Chairman)	—	35 000	—	—
PT Motsepe (deputy chairman)	—	—	—	Refer note**
MMM Bakane-Tuoane	—	—	—	7 142
MP Buthelezi	—	—	—	7 142
AD Botha	—	—	286 999	—
FA du Plessis	—	370	390	—
MV Moosa	—	—	—	7 142
SA Nkosi	—	—	—	7 142
I Plenderleith*	—	—	—	—
P de V Rademeyer	181 335	495 698	—	—
RV Simelane	—	—	—	7 142
CG Swanepoel	10 000	—	—	—
ZB Swanepoel	—	—	—	7 142
PL Zim	444	—	—	7 142
Total non-executive directors	191 779	531 068	287 389	49 994
Total	7 639 161	531 068	2 394 266	53 994

**UK citizen.*

***Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 226 000 000 Sanlam ordinary shares and 56 500 000 Sanlam 'A' deferred shares.*

Sizanani-Thusanang-Helpmekaar Investments (Pty) Limited (Sizanani), beneficially holds 55% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts whose beneficiaries are Patrice Motsepe and his immediate family.

A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure.

As a result Motsepe and the above directors are indirect beneficial holders of the 226 000 000 Sanlam ordinary shares and 56 500 000 Sanlam 'A' deferred shares.

****At the date of this report there are no material differences with the shareholding disclosed above as at 31 December 2011.*

*****Participation in the Restricted Share Plan included in the numbers.*

Contents

Objective

Effective capital management is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is Group Equity Value (GEV), as reported on page 86. The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on GEV. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of required capital to covered business:

The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements. For Sanlam Life a stochastic modelling process is used to assist in determining long-term required capital levels that, within a 95% confidence level, will be able to cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over each of the next 10 year ends. For the other smaller life insurers the Group sets supporting capital levels as a multiple of their respective regulatory capital adequacy requirements.

The fair value of other Group operations includes the working capital allocated to the respective operations.

The Group's approach to ensure appropriate working capital levels in these operations is twofold:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

Capital management

Covered business (life insurance operations)

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value. The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, e.g. non-participating annuities.
- Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business.
- The asset mix of the long-term required capital also impacts the overall capital requirement. An increased exposure to hedged equity and interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. Over the longer term, the expected investment return on these instruments is however lower than equity with a potential negative impact on the return on

GEV. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used as input to determine the optimal asset mix in this regard.

- The introduction of long-term debt into the life insurance operations' capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, to reduce the volatility in the regulatory capital base with a consequential lower overall capital requirement.
- Management of operational risk. Internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international and South African developments surrounding solvency and capital requirements.

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on GEV.

Group Capital committee

The Group Capital committee, an internal management committee, is responsible to review and oversee the management of the Group's capital base in terms of the specific strategies approved by the Board.

Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

Capital adequacy

Capital adequacy for the South African operations is measured with reference to the cover provided by the Group's prudential regulatory capital in relation to the capital adequacy requirements. The capital adequacy of Sanlam Investments and Pensions, the Group's life insurance operations in the United Kingdom (UK), is measured in terms of the Financial Services Authority's guidelines in the UK, which are materially in line with those of the South African operations.

The valuation of assets and policy liabilities for prudential capital adequacy purposes is generally in line with the methodology for the published results. Some adjustments are however required, as set out below.

Reinsurance

Policy liabilities are valued net of reinsurance and the reinsurance asset is eliminated.

Investment contracts with investment management services

The liabilities are set equal to the retrospectively accumulated fair value of the underlying assets less un-recouped expenses (set equal to the deferred acquisition cost (DAC) asset) in the case of individual business. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates. The DAC asset is eliminated.

Group undertakings and inadmissible assets

The value of assets is reduced by taking into account the prescribed valuation bases for Group undertakings and to eliminate inadmissible assets (as defined in the relevant prudential regulations).

Capital adequacy requirements (CAR)

The excess of assets over liabilities of life insurance operations on the prudential regulatory basis should be sufficient to cover the CAR in terms of the relevant regulations as well as professional practice notes issued by the Actuarial Society in South Africa and the UK. The CAR provides a buffer against experience worse than that assumed in the valuation of assets and liabilities.

On the valuation date, the ordinary CAR was used for the South African operations as they exceeded the termination and minimum CAR.

The largest element of the CAR relates to stabilised bonus business. Consistent with an assumed fall in the fair value of the assets (the 'resilience scenario'), which is prescribed in the actuarial practice notes, the calculation of the CAR takes into account a reduction in non-vesting bonuses and future bonus rates and for the capitalisation of some expected future profits (resulting from discretionary margins in the valuation basis and held as part of the liabilities).

At 31 December 2012, the resilience scenario assumes that:

- Equity values decline by 30%;
- Property values decline by 15%;
- Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields (whichever gives the highest total capital adequacy requirements); and
- Assets denominated in foreign currencies decline by at least 20% on the valuation date and do not subsequently recover within the short term.

Provision is made for credit and operational risk in the calculation of the CAR.

The excess of the actuarial values of assets over liabilities is disclosed in the table below. The values disclosed for Sanlam Life capture the solvency position of the entire Sanlam Life Group, including subsidiaries such as Sanlam Life Namibia, SDM Limited, Channel Life and Botswana Insurance Holdings. Sanlam Investments and Pensions is the only life insurance company in the Group that is not a subsidiary of Sanlam Life, and its solvency position is therefore shown separately. All subsidiaries of Sanlam Life were adequately capitalised.

R million	Sanlam Life Insurance Limited 2012	Sanlam Life Insurance Limited 2011	Sanlam Investments and Pensions UK Limited 2012	Sanlam Investments and Pensions UK Limited 2011
Assets				
Fair value of assets	**333 557**	289 624	**25 643**	21 649
Less: Liabilities	**278 091**	244 452	**25 173**	21 237
Actuarial value of policy liabilities	**263 458**	228 726	**24 385**	20 502
Investment contracts	**133 857**	108 850	**20 742**	17 220
Insurance contracts	**129 601**	119 876	**3 643**	3 282
Long-term and current liabilities	**14 633**	15 726	**788**	735
Excess of assets over liabilities for financial reporting	**55 466**	45 172	**470**	412
Adjustment for prudential regulatory purposes	**(26 655)**	(19 780)	**(228)**	(168)
Adjustment for Group undertakings				
Sanlam Investment Management	**(4 152)**	(3 063)	**–**	–
Santam	**(8 306)**	(5 812)	**–**	–
SDM Limited	**(5 832)**	(4 229)	**–**	–
Capital requirements of life insurance subsidiaries, adjusted for minority interests	**(2 049)**	(2 359)	**–**	–
Inadmissible assets	**(418)**	(497)	**(228)**	(168)
Other	**(5 898)**	(3 820)	**–**	–
Unsecured subordinated bond	**2 159**	2 151	**–**	–
Excess of assets over liabilities for prudential regulatory purposes	**30 970**	27 543	**242**	244
Capital adequacy requirements				
Capital adequacy requirements (CAR) before management actions	**10 050**	13 225	**97**	89
Management actions assumed	**(2 925)**	(5 875)	**–**	–
Reduction in future bonus rates	**(2 310)**	(3 513)	**–**	–
Reduction in non-vested bonuses	**(218)**	(309)	**–**	–
Capitalisation of portion of expected future profits held as discretionary margins	**(62)**	(705)	**–**	–
Reduction in grossing up of the assets covering CAR and other	**(335)**	(1 348)	**–**	–
CAR after management actions assumed	**7 125**	7 350	**97**	89
Times CAR covered by excess of assets over liabilities for prudential regulatory purposes	**4,3**	3,7	**2,5**	2,7

Credit rating

Fitch Ratings, an international ratings agency, issues independent ratings of the following Sanlam Group entities and instruments:

	Most recent ratings issued
Sanlam Limited	National Long-term: AA- (zaf)
Sanlam Life Insurance Limited	National Insurer Financial Strength: AA+ (zaf) National Long-term: AA (zaf) National Short-term: F1+ (zaf)
Sanlam Developing Markets Limited	National Insurer Financial Strength: AA+ (zaf) National Long-term: AA (zaf)
Subordinated debt issued by Sanlam Life Insurance Limited	Subordinated debt: A+ (zaf)
Santam Limited	National Insurer Financial Strength: AA+ (zaf)
Subordinated debt issued by Santam Limited	Subordinated debt: A+ (zaf)

The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group's business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates. The above ratings were confirmed in January 2013. They are unchanged from 2011 and remained the same throughout 2012.

In addition to the above, the following credit ratings were issued for Santam in 2012:

- In October, Santam obtained an A- international and AA+ national scale long-term counterparty credit and insurer financial strength rating from Standard & Poor's. The outlook is negative, reflecting their outlook on the sovereign rating.
- Global Credit Ratings Company (GCR) affirmed Santam's domestic rand currency claims paying ability rating of AAA and domestic rand currency long-term subordinated debt rating of AA-.

RISK MANAGEMENT

Governance structure

In terms of the Group's overall governance structure, the meetings of the Sanlam Limited Board (Sanlam Board) and Sanlam Life Insurance Limited Board (Sanlam Life Board) are combined to improve the flow of information and to increase the efficiency of the Boards. The agenda of the Sanlam Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and JSE requirements. The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses as well as monitoring operational efficiency and risk issues throughout the Group. In respect of separately listed subsidiaries, this is done within the limitations of sound corporate governance practices. Refer to the Corporate Governance report on page 137 for further information on the responsibilities of the Sanlam and Sanlam Life Boards and their committees.

The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Life Board sets the Group enterprise risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Life Board.

Sanlam Life Board

Responsible for the Group's risk management framework and policies, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice

Sanlam Life Risk and Compliance committee

Assists the Sanlam Life Board in fulfilling its responsibilities

Sanlam Group Executive committee

Responsible as the Sanlam Board's executive overseer to ensure that the businesses achieve optimal risk-adjusted returns

Group Risk Management

Develops Group risk management framework, policies and guidelines for approval by the Sanlam Life Board, coordinates reporting responsibilities and improves risk management across the Group

Business (and sub-business) level risk management

Identifies and manages risks faced by the business

Business level Management committees

Additional committees that may be established by a business to assist their Executive committees in certain areas of risk management

Business level Audit and Risk committees/ forums

Assists the business level Board in fulfilling its responsibilities to the Sanlam Life Board

Role of Group Risk Management

The role of Group Risk Management is one of setting Group standards and guidelines, coordinating and monitoring risk management practices and ultimately reporting to the Sanlam and Sanlam Life Boards.

Group Risk Management plays an active role with regard to risk management in the Sanlam Group. The involvement includes the following:

- Permanent invitees of business units' Risk and Audit committees;
- Member of the Central Credit committee (see description below);
- Transactional approval incorporated in approval frameworks of business units where appropriate;
- Involvement and approval of corporate activity transactions;
- Chairs the Capital, Asset and Liability and Non-listed Asset committees at Group level and the Group Risk forum (see descriptions below);
- Guidance on risk-related matters at a business level; and
- Involvement with specialist risk management issues at business level.

A number of other risk management/monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table:

Other risk management/monitoring mechanisms		
Capital committee Reviews and oversees the management of the Group's capital base	**Asset and Liability committee** Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	**Central Credit committee** Identifies, measures and controls credit risk exposure
Investment committees Determines and monitors appropriate investment strategies for policyholder solutions	**Group Treasury** Manages the liquidity risks in the borrowing functions of Sanlam	**Non-listed Asset committee** Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Limited and Sanlam Life Boards
Group Risk forum Aids coordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Life Board	**Financial Director** Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised	**Actuarial** Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques
Forensics Investigates and reports on fraud and illegal behaviour in businesses	**Group Secretariat and Public Officers** Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters	**Group Compliance Office** Facilitates management of compliance through analysing and advising on statutory and regulatory requirements, and monitoring implementation and execution thereof
Group IT Manages and reports Group-wide IT risks	**Risk Officer (per business)** Assists business management in their implementation of the Group risk management framework and policies, and to monitor the business' entire risk profile	**Internal Audit** Assists the Sanlam Life Board and management by monitoring the adequacy and effectiveness of risk management in businesses

Group risk policies, standards and guidelines

The main policies, standards and guidelines are:

- Sanlam Group Enterprise Risk Management (ERM) policy and plan;
- Sanlam Group Risk Escalation policy;
- Sanlam Group Business Continuity Management policy;
- Definitions of Risk categories standard;
- Risk Appetite guidance note;
- Sanlam Group Risk Appetite Statement;
- Sanlam Risk Management Maturity Model;
- Sanlam Risk and Compliance committee charter; and
- Group Risk forum terms of reference.

[Key: A policy sets out the mandatory minimum requirements for the businesses.

A standard endeavours to ensure consistent use of terminology.

A guidance note is aimed at providing information.]

The following also cover aspects with linkage to risk management:

- Sanlam Life Combined Assurance Model;
- Sanlam Group Outsourcing policy;
- Sanlam Group Information and Information Technology (I and IT) Risk Management policy;
- Representations from Group businesses to the Sanlam and Sanlam Life Audit, Actuarial and Finance committees;
- Sanlam Corporate Credit Risk strategy and policy;
- Sanlam Reinsurance and other Risk Mitigation policy;
- Sanlam Investment Policy;
- Sanlam Financial Crime Combating policy;
- Sanlam Human Resources policies;
- Sanlam Group governance framework;
- Sanlam Group High-level Authorisation Framework;
- Sanlam Life Insurance Audit, Actuarial and Finance committee charter.

Sanlam Group Enterprise Risk Management policy and plan

The Group ERM policy and plan includes the following main components:

- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

Sanlam Group Risk Escalation policy

The Risk Escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the Sanlam Group level. This includes quantifiable and unquantifiable measures.

Summary of Sanlam Group Risk Appetite

- The Sanlam Group consists of a number of decentralised businesses. These businesses have different risk profiles and appetites. They are capitalised appropriately based on these risk profiles.
- The Group determines the hurdle rates required from these businesses. These hurdle rates are set out for each business in accordance with its risk profile. On average the Sanlam Group aims to yield a return on GEV equal to at least 1% above its cost of capital, being equal to the return on nine-year government bonds plus 4%.
- Each decentralised business needs to operate within the restrictions of its allocated capital. For businesses using value at risk (VAR) as measurement, a 99,5% confidence level is required over a one-year time horizon. For businesses using capital adequacy (risk-based capital) techniques, a 95% confidence over a 10-year time horizon is required.
- Each business needs to manage their risks within the Group ERM framework.

Independent Assurance reviews

The Group developed with an external assurance provider, a Risk Management Maturity Model against which the risk management processes across the Group are assessed. Annually, internal audit (in conjunction with Group Risk Management) prepares risk management process audit plans for approval by the Sanlam Life Risk and Compliance Committee. The assurance reviews comprise self-assessments and independent reviews. All businesses conduct self-assessments with the independent assessments done either by an external assurance provider or internal audit. Typically, the larger businesses are assessed by an external assurance provider at least once every three years. internal audit on the other hand tends to focus on the assessments for the smaller businesses which are done on a rolling annual basis. The overall results of both the self-assessments and the independent reviews are presented to the Sanlam Life Risk and Compliance committee.

Risk types

The Group is exposed to the following main risks:

	Risk category (primary)	Risk type (secondary) and description	Potential significant impact
General risks	1. Operational	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	All Group businesses
		Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of data.	
		Going concern/business continuity risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.	
		Legal risk: the risk that the Group will be exposed to contractual obligations which have not been provided for.	
		Compliance risk: the risk of not complying with laws and regulations, as well as investment management mandates.	
		Human resources risk: the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk.	

Risk category (primary)		Risk type (secondary) and description	Potential significant impact
General risks (continued)	**1. Operational** *(continued)*	**Fraud risk:** the risk of financial crime and unlawful conduct occurring within the Group.	
		Taxation risk: the risk of financial loss owing to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on GEV; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.	
		Regulatory risk: the risk that new Acts or regulations will result in the need to change business practices that may lead to financial loss.	
		Process risk: the risk of loss as a result of failed or inadequate internal processes.	
		Project risk: the risks inherent in major projects.	
		Outsourcing provider risk: the risk arising from the inability or unwillingness of an outsourcing service provider to discharge its contractual obligations; and from concentration with individual outsourcing service provider (which exacerbates the former).	
	2. Reputational	Reputational risk is the risk that the actions of a business (e.g. the treatment of clients, employment equity and social responsibility) harm its reputation and brand.	All Group businesses
	3. Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses
Financial and business-specific risks	**1. Market**	Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market. Market risk includes:	Life insurance Retail credit Capital markets Short-term insurance Investment management
		Equity risk: the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices.	
		Interest rate risk: the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates and the risk that a mismatch loss will be incurred in respect of a matched asset/liability position following changes in interest rates.	
		Currency risk: the risk that the rand value of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.	
		Property risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment.	

Financial and business-specific risks *(continued)*

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
1. Market *(continued)*	**Asset liability mismatching risk:** the risk that losses will be incurred as a result of a deviation between asset and liability cash flows, prices or carrying amounts.	
	Concentration risk: the risk of losses associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations).	
	Market Liquidity Risk (also known as trading liquidity risk or asset liquidity risk): risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold quickly enough to prevent or minimise a loss (or realise the required profit).	
	Credit spread risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.	
2. Credit	Credit risk is the risk of default and change in the credit quality of issuers of securities, counterparties and intermediaries to whom the company has exposure. Credit risk includes:	Life insurance Retail credit Capital markets Short-term insurance Corporate
	Default risk: credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.	
	Downgrade or **Migration risk:** risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator.	
	Settlement risk: risk arising from the lag between the transaction and settlement dates of securities transactions.	
	Reinsurance counterparty risk: concentration risk with individual reinsurers, owing to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
3. Liquidity	Liquidity risk is the risk relating to the difficulty/inability of accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	Life insurance Retail credit Capital markets Short-term insurance Corporate
4. Insurance risk (life business)	Insurance risk (life business) is the risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes: **Underwriting risk:** the risk that the actual experience relating to mortality, longevity, disability and medical (morbidity) risks will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities. **Persistency risk:** the risk of financial loss owing to negative lapse, surrender and paid-up experience. **Expense risk:** the risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. **Concentration risk:** the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile (including catastrophe risk).	Life insurance
5. Insurance risk (short-term insurance business)	Insurance risk (short-term insurance business): risk arising from the underwriting of non-life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes: **Claims risk:** refers to a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. **Catastrophe risk:** the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty relating to the pricing and provisioning assumptions for extreme or exceptional events.	Short-term insurance

Financial and business-specific risks *(continued)*

Risk management: General risks

1. Operational risk

The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is not addressed in this report, but elsewhere in the Integrated Report.

The following functionaries assist in mitigating operational risk:

Internal audit

A Board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The Chief Audit Executive of Sanlam is appointed in consultation with the chairman of the Audit, Actuarial and Finance committee and has unrestricted access to the chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The Group's external auditors are Ernst & Young Inc. The reports of the independent auditors for the year under review are contained on pages 73 and 219 of this Integrated Report. The external auditors provide an independent assessment of certain systems of internal financial control which they may rely on to express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. The Group applies a policy of compulsory rotation of audit partners.

Information and technology risk

IT risks are managed across the Group in an integrated manner following the Enterprise Risk Management framework. Group IT is the custodian of the Group's IT Policy framework and ensures explicit focus on, and integration with the Group's IT Governance framework, which includes the governance of Information Security.

The Head of Group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide strategic or operational impact. The Group IT committee provides guidance to the Head of Group IT regarding his duties, such as the establishment of policy.

A quarterly IT Governance report, summarising the Group-wide situation is delivered to the Risk and Compliance committee.

Going concern/business continuity risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that Sanlam will continue as a going concern. Reflecting on the year under review, the directors considered a number of facts and circumstances and are of the opinion that adequate resources exist to continue business and that Sanlam will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Legal risk

During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. Sanlam seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Compliance risk

Laws and regulations:

Sanlam considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group Compliance Office, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates:

Automated pre-compliance rules for clients' investment guidelines are loaded on the order management system. This means that a system rule will generally prevent any transaction that may cause a breach. Apart from this continuous monitoring, post-trade compliance reports are produced from the order management system. Reporting of compliance monitoring with investment guidelines is done on a monthly basis, although the monitoring activities happen continuously. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified. When a breach is confirmed, the portfolio manager must generally rectify the breach as soon as possible. The action taken may vary depending on the type of breach. Post trade reports are generated daily for all portfolios that need to comply with the restriction of Regulation 28 and any breaches identified will immediately be reported to Client Services who will contact the client. The detailed results of the mandate monitoring process are discussed with the head of investment operations on a monthly basis.

Derivative exposures are monitored on a daily basis for compliance with approval framework limits, as well as client investment guidelines where the guidelines are more restrictive than the investment manager's own internal limits.

Fraud risk

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group's code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders are prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Sanlam Board. Quarterly reports are submitted by Group Forensic Services to the Sanlam Life Risk and Compliance committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Regulatory risk

Regulatory risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a proactive approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed as far as possible through clear contracting. The Group monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

Process risk

The risk of failed or inadequate internal processes is addressed through a combination of the following:

- A risk-based approach is followed in the design of operational processes and internal controls;
- Operational processes are properly documented;
- Staff training and the employment of a performance-based remuneration philosophy; and
- Internal audit review of key operational processes.

Project risk

A formalised, risk-based approach is followed for the management of major projects to ensure that projects are effectively implemented and the project hurdle rate is achieved. Key deliverables, progress and risks are monitored on a continuous basis throughout the project life cycle. Internal specialists and external consultants are used as required to provide specialist knowledge and experience.

Outsourcing provider risk

A Group outsourcing policy is in place and aims to provide clear direction and policy regarding the strategic management (e.g. assessment of outsourcing options, establishment of agreements, the ongoing management of and reporting on outsourcing) of all outsourcing arrangements, whether external or internal within the Sanlam Group.

2. Reputational risk

Risks with a potential reputational impact are escalated to the appropriate level of senior management. The Audit and Risk committees are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

3. Strategic risk

The Group's governance structure and various monitoring tools ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual special strategic session of the Sanlam Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Sanlam Group Executive committee, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Sanlam Group Executive committee, which includes the chief executives of the various Group clusters, meets on a regular basis to discuss, among others, the achievement of the clusters' and Group's strategies.

Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Risk management: by business area

Investment management

The Group's investment management operations are primarily exposed to operational risks, as they have limited on-balance sheet exposure to financial instruments. Investment risk is borne principally by the client. The asset management operations are, however, exposed to market risk owing to the impact of market fluctuations on revenue levels, as investment fees are generally linked to the level of assets under management. This exposure is reduced through asset class and product diversification.

Investment performance

One of the key risks inherent to the investment management operations relates to the risk of consistently poor investment decisions i.e. incorrect asset allocation views and/or stock selection resulting in investment underperformance and impairment of track record relative to benchmark and/or peer group. In order to mitigate this risk, the following areas are focused on:

- The recruitment and retention of high quality investment professionals and support staff who are organised into stable teams with a performance culture that receive pertinent training and development and regular employee appraisals;
- The optimisation of a robust investment process to effect good investment decisions;
- The rigour of the procedures for portfolio implementation;
- The effectiveness of the dealing desk; and
- The analyses of fund performance.

The above interventions are implemented with due cognisance of Sanlam Investments' fiduciary responsibility to at all times act in the best interest of clients and in accordance with the investment mandate directives.

Life insurance

The Group's life insurance businesses are exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non-participating policyholder solutions and those that provide investment guarantees, such as market-related business, stable and reversionary bonus business and non-participating annuity business, expose the life insurance businesses to financial risk. Other business, such as linked policies (where the value of policy benefits is directly linked to the fair value of the supporting assets) does not expose the life insurance businesses to financial risk as this risk is assumed by the policyholder. The life insurance businesses' capital is invested in financial instruments and properties, which also exposes the businesses to financial risk, in the form of market, credit and liquidity risk.

The table below summarises the various risks associated with the different policyholder solutions as well as the capital portfolio. Please refer to the “Policy liabilities and profit entitlement section” on page 235 for a description of the different policyholder solutions; as well as to note 15 on page 260, which discloses the monetary value of the Group’s exposure to the various solutions.

Life insurance businesses exposed to risk via:	Market risk				Credit risk	Liquidity risk	Insurance risk	
	Equity	Interest rate	Currency	Property			Persistency	Other insurance risks
Policyholder solutions								
Linked and market-related	√ [1]	√ [1]	√ [1]	√ [1]	√ [1]	√ [3]	√	√
Smoothed-bonus business:								
Stable bonus	√ [2]	√ [2]	√ [2]	√ [2]	√ [2]	√ [3]	√	√
Reversionary bonus	√ [2]	√ [2]	√ [2]	√ [2]	√ [2]	√ [3]	√	√
Participating annuities	√ [2]	√ [2]	√ [2]	√ [2]	√ [2]	√ [3]	√	√
Non-participating annuities	x	√	x [4]	x [4]	√	√ [3]	x	√
Other non-participating liabilities								
Guarantee plans	x	√	x [4]	x	√	√ [3]	√	x
Other	√	√	x [4]	√	√	√ [3]	√	√
Capital portfolio	√	√	√	x [4]	√	x	x	x

[1]Only market-related policies (not linked policies) expose the life insurance businesses to this risk, due to these policies providing guaranteed minimum benefits at death or maturity.

[2]The life insurance businesses are exposed to this risk, only if the assets backing these policies have underperformed to the extent that there are negative bonus stabilisation reserves that will not be recovered by declaring lower bonuses in the subsequent years.

[3]Although liquidity risk is present, it is not a significant risk for the insurance businesses due to appropriate matching of asset and liability cash flow values and duration.

[4]An immaterial amount of assets are exposed to this risk.

√*Risk applicable to item.*

x*Risk not applicable to item.*

The management of these risks is described below.

1. Market risk

Life insurance businesses exposed to risk via:	Market risk: Equity	Interest rate	Currency	Property
Policyholder solutions				
Linked and market-related	√	√	√	√
Smoothed-bonus business				
Stable bonus	√	√	√	√
Reversionary bonus	√	√	√	√
Participating annuities	√	√	√	√
Non-participating annuities	x	√	x	x
Other non-participating liabilities				
Guarantee plans	x	√	x	x
Other	√	√	x	√
Capital portfolio	√	√	√	x

√Risk applicable to item.
xRisk not applicable to item.

Linked and market-related

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies, however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance businesses to market risk. The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios. The Group's long-term policy liabilities include a specific provision for investment guarantees. The current provision for investment guarantees in insurance contracts has been calculated on a market-consistent basis in accordance with professional practice notes issued by the Actuarial Society of South Africa.

Smoothed bonus business

These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a policyholder bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from the capital portfolio in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2012, all stable and reversionary bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

Market risk is borne by policyholders to the extent that the after-tax and after-cost investment return is declared as bonuses. The capital portfolio is however exposed to some market risk as an underperformance in investment markets may result in an underfunded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. ALCO oversees the investment policy for the various smoothed-bonus portfolios, while the Sanlam Personal Finance Investment committee also considers these portfolios as part of its overall brief. The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, *inter alia*, the following:

- Limitations on exposure to volatile assets;
- The benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of assets, such as unlisted equities, derivative instruments, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios is provided quarterly to the Sanlam Life Board and the Customers' Interest committee.

Non-participating annuities

Non-participating annuity business relates to contracts where income is paid to an annuitant for life or for a fixed term, in return for a lump sum consideration paid on origination of the policy. The income may be fixed, or increased at a fixed rate or in line with inflation. The Group guarantees this income and is therefore subject to interest rate risk. Liabilities are matched as far as possible with assets, mostly interest bearing, to ensure that the change in value of assets and liabilities is closely matched for a change in interest rates. The impact of changes in interest rates is continuously tested, and for a 1% parallel movement in interest rates the impact on profit will be immaterial.

Guarantee plans

These single premium policies provide for guaranteed maturity amounts. The life insurance businesses are therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value. Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

Other non-participating business

The Group is exposed to market risk to the extent of the investment of the underlying assets in interest-bearing, equity and property investments. The risk is managed through investments in appropriate asset classes. A number of the products comprising this business are matched using interest-bearing instruments, similar to non-participating annuities.

Currency risk

The majority of currency exposure within the policyholder portfolios results from offshore assets held in respect of linked and smoothed-bonus business. Offshore exposure within these portfolios is desirable from a diversification perspective.

Capital

Comprehensive measures and limits are in place to control the exposure of the life insurance businesses' capital to market and credit risks. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

The exposure of the capital portfolio to currency risk is for the purpose of seeking international diversification of investments. Exposure to different foreign currencies is benchmarked against the currency composition of the Morgan Stanley Developed Equity Markets Index and the Barclays Capital Global Aggregate Bond Index.

This exposure is analysed in the table below:

R million	Euro	United States dollar	British pound	Botswana pula	Other currencies	Total
31 December 2012						
Equities and similar securities	**292**	**1 840**	**287**	**97**	**455**	**2 971**
Interest-bearing instruments	**3**	**2**	**75**	**240**	**111**	**431**
Cash, deposits and similar securities	**10**	**191**	**311**	**243**	**128**	**883**
Investment properties	**—**	**—**	**—**	**154**	**92**	**246**
Net other liabilities	**7**	**2**	**9**	**(24)**	**—**	**(6)**
Net working capital	**1**	**58**	**128**	**(269)**	**31**	**(51)**
Total	**313**	**2 093**	**810**	**441**	**817**	**4 474**
Exchange rates (rand):						
Closing rate	**11,19**	**8,48**	**13,79**	**1,11**		
Average rate	**10,53**	**8,20**	**12,99**	**1,10**		
31 December 2011						
Equities and similar securities	205	1 605	182	29	587	2 608
Interest-bearing instruments	24	12	330	155	52	573
Cash, deposits and similar securities	24	123	100	390	144	781
Investment properties	—	—	—	102	84	186
Net other liabilities	1	(3)	1	(15)	—	(16)
Net working capital	1	121	154	(27)	22	271
Total	255	1 858	767	634	889	4 403
Exchange rates (rand):						
Closing rate	10,48	8,07	12,55	1,11		
Average rate	10,06	7,22	11,59	1,08		

The capital portfolio has limited exposure to investment properties and accordingly the related property risk. Diversification in property type, geographical location and tenant exposure are all used to reduce the risk exposure.

Sensitivities

Refer to page 127 for an analysis of the Group's sensitivity to market risk.

2. Credit risk – policyholder solutions and capital

Life insurance businesses exposed to risk via:	**Credit risk**
Policyholder solutions	√
Capital portfolio	√

Sanlam recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss owing to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam Corporate Credit Risk policy and strategy has been established for this purpose. Credit risk occurs owing to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by either Sanlam Capital Markets (SCM) or Sanlam Investment Management (SIM) in terms of the investment guidelines granted to them by the life insurance operations. The Boards of SIM and SCM have delegated responsibility for credit risk management to the Central Credit committee. On a smaller scale, Botswana Insurance Fund Management (BIFM) also performs investment activities in the Group.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, nor without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group and industry; geographical location; product type; currency; maturity, anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

The credit risk policy highlights the processes and procedures to be followed in order to maintain sound credit granting standards, to monitor and manage credit risk, to properly evaluate new business opportunities and identify and administer problem credits. Credit analysis is a structured process of investigation and assessment, involving identifying the obligor, determining whether a group of connected obligors should be consolidated as a group exposure, and analysing the financial information of the obligor. A credit rating, being a ranking of creditworthiness, is allocated to the obligor. External ratings (e.g. Moody's Investor Services, Standard and Poor's, Fitch Ratings and Global Credit Ratings) are used when available. In addition to external ratings, internal rating assessments are conducted, whereby the latest financial and related information is analysed in a specified and standardised manner, to ensure a consistent and systematic evaluation process.

All facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Sanlam's interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to. A credit administration and reporting department is in place to implement risk control measures and maintain ongoing review of the credit reports and conditions, to ensure overall compliance with the credit risk strategy and policy.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas;
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;
- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2012 and 2011 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities remained unchanged.

The tables below provide an analysis of the ratings attached to the Group's exposure to instruments subject to credit risk.

Credit risk concentration by credit rating*

Assets backing policy liabilities	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Other %	Not rated %	Total %	Carrying value R million
31 December 2012												
Public sector stocks and loans	**73,4**	**0,2**	**1,9**	**2,0**	**0,8**	**–**	**0,9**	**1,6**	**1,9**	**17,3**	**100,0**	**58 690**
Debentures, insurance policies, preference shares and other loans	**5,5**	**14,0**	**13,6**	**16,6**	**4,1**	**6,5**	**1,0**	**0,8**	**1,4**	**36,5**	**100,0**	**30 369**
Cash, deposits and similar securities	**5,6**	**18,3**	**16,5**	**16,5**	**3,8**	**7,6**	**3,1**	**1,6**	**2,0**	**25,0**	**100,0**	**40 818**
Net working capital	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**100,0**	**100,0**	**2 271**
Total	**35,2**	**8,9**	**9,0**	**9,7**	**2,4**	**3,8**	**1,6**	**1,4**	**1,8**	**26,2**	**100,0**	**132 148**
31 December 2011												
Public sector stocks and loans	76,5	0,1	1,4	2,7	0,6	0,1	0,8	0,1	0,6	17,1	100,0	54 505
Debentures, insurance policies, preference shares and other loans	4,3	10,5	14,1	17,1	10,4	2,9	0,4	3,7	2,6	34,0	100,0	26 699
Cash, deposits and similar securities	2,4	19,7	3,5	32,9	5,9	1,8	1,5	1,3	0,1	30,9	100,0	38 263
Net working capital	–	–	–	–	–	–	–	–	(2,1)	102,1	100,0	(191)
Total	36,7	8,7	5,0	15,6	4,5	1,3	1,0	1,3	0,9	25,0	100,0	119 276

**Rated externally or by using internationally recognised credit rating techniques.*

Credit risk concentration by credit rating*

Capital portfolio	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Other %	Not rated %	Total %	Carrying value R million
31 December 2012												
Public sector stocks and loans	**21,9**	**—**	**3,9**	**20,1**	**—**	**3,4**	**—**	**8,9**	**1,3**	**40,5**	**100,0**	**383**
Debentures, insurance policies, preference shares and other loans	**3,2**	**8,8**	**11,1**	**29,5**	**3,6**	**14,8**	**2,9**	**3,9**	**1,1**	**21,1**	**100,0**	**2 898**
Cash, deposits and similar securities	**9,1**	**32,4**	**22,6**	**9,5**	**2,7**	**7,4**	**3,2**	**2,1**	**5,8**	**5,2**	**100,0**	**10 252**
Net working capital	**16,4**	**214,1**	**4,6**	**3,6**	**0,1**	**10,7**	**9,8**	**—**	**38,0**	**(197,3)**	**100,0**	**1 656**
Total	**8,9**	**46,0**	**17,7**	**12,7**	**2,4**	**8,9**	**3,7**	**2,3**	**8,2**	**(10,8)**	**100,0**	**15 462**
31 December 2011												
Public sector stocks and loans	47,5	—	7,4	8,8	11,9	2,8	—	—	—	21,6	100,0	570
Debentures, insurance policies, preference shares and other loans	4,8	6,4	7,9	15,6	16,1	12,5	—	7,3	5,3	24,1	100,0	3 713
Cash, deposits and similar securities	3,3	33,6	0,5	36,6	8,0	3,1	0,9	0,4	0,9	12,7	100,0	9 701
Net working capital	0,4	148,8	0,1	24,6	—	—	—	—	41,8	(115,7)	100,0	1 669
Total	5,0	38,2	2,5	29,3	9,2	5,0	0,6	2,0	6,3	1,9	100,0	15 653

**Rated externally or by using internationally recognised credit rating techniques.*

Equity derivatives are included in equities and similar securities and interest-rate swaps are included in debentures, insurance policies, preference shares and other loans above. The majority of the counterparties to these agreements are institutions with at least an AA- rating. The Group's short-term positions are included in the above table under the counterparties' long-term rating where Sanlam has both a long-term and short-term exposure to the entities.

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, as there are no financial guarantees provided to parties outside the Group, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Reinsurance credit risk

Sanlam makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

3. Liquidity risk

Life insurance businesses exposed to risk via:	Liquidity risk	Note
Policyholder solutions		3.5
Linked and market-related	√	3.4
Smoothed-bonus business		
Stable bonus	√	3.1
Reversionary bonus	√	3.1
Participating annuities	√	3.4
Non-participating annuities	√	3.2
Other non-participating liabilities		
Guarantee plans	√	3.3
Other	√	3.4
Capital portfolio	x	3.6

√Risk applicable to item.
xRisk not applicable to item.

3.1 These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

3.2 The liabilities are matched as far as possible with assets, mostly interest bearing, to ensure that the duration of assets and liabilities are closely aligned.

3.3 Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.

3.4 Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows.

3.5 The following table summarises the overall maturity profile of the policyholder business:

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
31 December 2012					
Insurance contracts	**4 771**	**21 488**	**56 021**	**66 147**	**148 427**
Investment contracts	**3 664**	**23 888**	**59 914**	**92 691**	**180 157**
Total policy liabilities	**8 435**	**45 376**	**115 935**	**158 838**	**328 584**
Properties	**—**	**—**	**—**	**15 587**	**15 587**
Equities and similar securities	**216**	**25**	**67**	**181 705**	**182 013**
Public sector stocks and loans	**5 112**	**6 981**	**45 083**	**1 514**	**58 690**
Debentures, insurance policies, preference shares and other loans	**8 185**	**11 410**	**6 291**	**4 483**	**30 369**
Cash, deposits and similar securities	**22 466**	**16 458**	**1 440**	**454**	**40 818**
Deferred acquisition cost	**—**	**—**	**—**	**297**	**297**
Long-term reinsurance assets	**16**	**104**	**605**	**21**	**746**
Derivative liability	**(3)**	**(35)**	**(136)**	**(341)**	**(515)**
Net working capital	**1 111**	**—**	**(3)**	**(529)**	**579**
Total policyholder assets	**37 103**	**34 943**	**53 347**	**203 191**	**328 584**
31 December 2011					
Insurance contracts	4 362	19 679	55 198	56 503	135 742
Investment contracts	3 915	18 208	49 456	75 100	146 679
Total policy liabilities	8 277	37 887	104 654	131 603	282 421
Properties	919[1]	—	—	13 692	14 611
Equities and similar securities	1 330	19	—	147 570	148 919
Public sector stocks and loans	5 197	6 934	41 771	603	54 505
Debentures, insurance policies, preference shares and other loans	7 647	10 183	6 383	2 486	26 699
Cash, deposits and similar securities	22 269	14 595	909	490	38 263
Deferred acquisition cost	—	—	—	381	381
Long-term reinsurance assets	12	137	521	5	675
Derivative liability	(8)	(22)	(135)	(47)	(212)
Net working capital	(863)	—	(3)	(554)	(1 420)
Total policyholder assets	36 503	31 846	49 446	164 626	282 421

[1] *Includes properties classified as non-current assets held for sale.*

3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk. The publicly issued unsecured bonds issued by Sanlam Life are managed on a corporate level (refer to page 213 for more information).

4. Insurance risk

	Insurance risk	
Life insurance businesses exposed to risk via:	**Persistency**	**Other insurance risks**
Policyholder solutions		
Linked and market-related	√	√
Smoothed-bonus business		
Stable bonus	√	√
Reversionary bonus	√	√
Participating annuities	√	√
Non-participating annuities	x	√
Other non-participating liabilities		
Guarantee plans	√	x
Other	√	√
Capital portfolio	x	x

√Risk applicable to item.
xRisk not applicable to item.

Insurance risk arises from the writing of non-participating annuity and other non-participating life business, as these products expose the Group to risk if actual experience differs from that which is assumed. The Group is, however, also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of universal life solutions.

Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timeously identified and corrective action taken.

The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses, surrenders and paid-up policies.

Other insurance risk

Underwriting risk:

The Group manages underwriting risk through:

- Its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

Quarterly actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;
- Specific testing for HIV/Aids is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/Aids;
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Appropriate income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of substandard risks;
- The risk premiums for group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first five to 15 years;
- Risk profits are determined on a regular basis; and
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary.

Expense risk:

Expenses are managed through the Group's budgeting process and continuous monitoring of actual versus budgeted expenses is conducted and reported on.

Concentration risk:

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle income market and high net worth clients.

The Group's operations in the entry-level market segment are not exposed to excessive concentration risk given the nature of business sold in this market, which comprises small value policies to a large number of policyholders. The main concentration risk is assumed by Sanlam Life, which serves the middle income and high net worth market segments in South Africa and Namibia. The tables below provide an analysis of the exposure to the value of benefits insured in respect of non-participating life business, as well as the annuity payable per policy in respect of non-participating annuities for the Group's operations in the middle income and high net worth markets.

Non-participating annuity payable per annum per life insured

R'000	Number of lives 2012	Number of lives 2011	Before reinsurance 2012 %	Before reinsurance 2011 %	After reinsurance 2012 %	After reinsurance 2011 %
0 – 20	**214 189**	214 467	**44**	48	**44**	48
20 – 40	**18 074**	17 795	**18**	18	**18**	18
40 – 60	**5 501**	5 468	**10**	9	**10**	9
60 – 80	**2 651**	2 626	**7**	6	**7**	6
80 – 100	**1 345**	1 328	**4**	4	**4**	4
>100	**2 583**	2 495	**17**	15	**17**	15
	244 343	244 179	**100**	100	**100**	100

Value of benefits insured: non-participating life business

Benefits insured per individual life R'000	Number of lives 2012	Number of lives 2011	Before reinsurance 2012 %	Before reinsurance 2011 %	After reinsurance 2012 %	After reinsurance 2011 %
0 – 500	**1 263 149**	1 196 472	**20**	22	**23**	25
500 – 1 000	**191 241**	179 708	**18**	18	**19**	19
1 000 – 5 000	**182 590**	158 656	**44**	43	**45**	43
5 000 – 8 000	**9 748**	8 128	**8**	8	**7**	7
>8 000	**5 776**	4 643	**10**	9	**6**	6
	1 652 504	1 547 607	**100**	100	**100**	100

The tables indicate that the Group's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

The geographical exposure of the Group's life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

R million	2012	2011
South Africa	**278 410**	240 516
Africa	**25 650**	21 404
Other international	**24 524**	20 501
Total policy liabilities	**328 584**	282 421

Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL).

The balance of loans advanced by SPL to clients at 31 December 2012 is shown below:

R million	2012	2011
Sanlam Personal Loans		
Gross balance	**3 040**	2 316
Provisions	**(139)**	(106)
Net balance	**2 901**	2 210

The main risk emanating from the retail credit operations is credit risk. The Group's maximum exposure to credit risk comprises the following:

- As SPL is a joint venture that has been equity-accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of the investment, which is disclosed in note 7 on page 251.
- The Group Treasury function has also provided financing to SPL as indicated above. This exposure is managed by the Capital Management operations.

Credit risk consists of credit standing and default risk. It is the companies' policy to subject their potential customers to credit verification procedures. In addition, balances of advances are monitored on an ongoing basis. Collections strategies are in place to mitigate credit risk and all accounts in arrear are given due priority.

Capital markets

SCM is the largest division in the Capital Management cluster. Within SCM, the Asset Liability and Risk Management committee (ALaRMCO) is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from proprietary positions are within the approved risk parameters. Risk measurements are calculated through the application of various statistical techniques, including value at risk (VaR), and are measured against pre-approved exposure limits. These risk measurements are supplemented with stress testing and scenario analysis. While VaR models are relatively sophisticated, the quantitative market risk information generated is limited by the assumptions and parameters established when creating the related models. Sanlam believes that statistical models alone do not provide a reliable method of monitoring and controlling market risk. Therefore, such models are tools and inputs in the decision-making process, but do not substitute for the experience or judgement of senior management.

Business-wide risk levels are reported to senior management, while desk risk levels are reported to the relevant managers and operators. Limit breaches are escalated for approval in terms of an Approval Framework. The risk information is summarised, reported to, and discussed by the ALaRMCO at two-weekly meetings.

The mandates for existing businesses are reviewed and submitted for ALaRMCO approval and Risk committee notification on at least an annual basis or more frequently if it was changed through the course of a financial year.

An initial mandate development process is undertaken for each new business ventured into by SCM. Based on the business mandates, quantifiable risks are measured and reported on a daily basis. Any new type of business or product is subjected to a comprehensive review process before initiation to ensure that all of the risks associated with new businesses or products have been identified and can be appropriately managed.

SCM is also exposed to credit risk in respect of its working capital assets and loans extended as part of its debt finance, property finance and equity structuring activities. Collateral is placed or received for transactions entered into by SCM, including (but not limited to) securities lending and derivative exposures.

1. Market risk

SCM uses VaR to calculate market risk capital. VaR measures the maximum loss over a given horizon with a specified level of confidence. VaR is computed as follows:

- At a 99,5% confidence level (to be consistent with SCM's risk appetite relating to SCM's business);
- Over a 10-day holding period (which takes account of market liquidity risk in the VaR calculation through setting the liquidity period at 10 days);
- Multiplied by a factor of 3 (to allow for uncertainty in estimating VaR at high confidence levels); and
- VaR is calculated on a diversified basis for SCM as a whole and takes the diversification among portfolios into account.

Equity risk

Equity price stress tests are performed on the SCM portfolios. The scenarios used in the stress tests incorporate a combination of equity price movements of between -30% and +20%. In the equity price stress test results, the maximum loss is R24 million (2011: R131 million).

	Maximum net loss (R million)	
Incremental change in price	**31 Dec 2012**	31 Dec 2011
-5% to 5%	**6**	4
-10% to 10%	**5**	16
-15% to 15%	**—**	38
-30% to 20%	**24**	131

Interest rate risk

Various interest rate stress tests are performed on the SCM portfolios. The relative parallel interest rate stress test calculates the market exposure based on interest rate movements of between +50% and -20%, *ceteris paribus*.

The market exposure that was calculated at 31 December 2012 for these tests was as follows:

	Maximum net loss (R million)	
Incremental change in yield	**31 Dec 2012**	31 Dec 2011
10% to -10%	**3**	1
20% to -20%	**5**	3
50% to -20%	**10**	11

2. Credit risk

For credit risk capital, SCM utilises the concept of unexpected losses. Based on historical default data, expected losses are computed on a portfolio of credits. Economic principles dictate that a provision should be created for expected losses, although this is not the approach taken from an accounting perspective. An unexpected loss, on the other hand, is the maximum amount over and above the expected loss that SCM could incur over the particular time horizon with a certain level of confidence. In SCM's economic capital model, an unexpected loss over a one-year time horizon at a 99,5% confidence is used to compute the credit risk capital. This is consistent with the one-year 99,5% VaR used for market risk capital, although market risk capital is computed over a 10-day liquidation period.

At the end of the financial year, SCM's maximum unexpected loss (credit risk capital) was R339 million (2011: R182 million) based on a 21-day average of the daily economic capital amounts.

Credit spread stress tests are calculated for all instruments sensitive to credit spread changes. The profit or loss from changes in credit spreads on both the assets and funding are calculated in these stress tests. The stress test results are determined as follows:

- The credit ratings for credit assets and funding are deteriorated by 1, 2 and 3 rating notches;
- The impact of these deteriorations on credit spreads are determined with reference to a pre-defined credit spread matrix used in the marked-to-market of both credit assets and funding;
- The changed credit spreads are used to revalue credit assets and funding; and
- The resultant net changes in the valuations of credit assets and funding are seen as the test results.

The table below shows the possible effect of a 1, 2 and 3 notch deterioration in credit rating. The total impact on the valuation of the assets is slightly offset by the impact on the valuation of the funding that is used to acquire the positions in the market.

	31 Dec 2012	31 Dec 2011
Stress results 1 (1 Notch)	**(110)**	(61)
Stress results 2 (2 Notch)	**(198)**	(112)
Stress results 3 (3 Notch)	**(346)**	(196)

Maximum exposure to credit risk

SCM's maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, as there are no financial guarantees provided to parties outside the Group that are expected to result in an outflow of resources, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

Credit risk exposures are reported on a netted basis, therefore after taking collateral and netting agreements into account. Appropriate haircuts to collateral and add-ons to exposures are implemented in line with the formulated Credit Exposure Quantification policy. Credit risk exposures are mitigated through several measures, including physical collateral (e.g. mortgage bonds) considered on a case-by-case basis; the use of netting agreements; or guarantees issued by third parties.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.

Concentration risk

Management determines concentrations by counterparty, with reference to the proportion of total credit risk capital held in respect of that counterparty compared to the overall credit risk capital of the entire portfolio. The 10 largest contributors to credit risk capital make up 45% (2011: 50%) of total credit risk capital, but only 19% (2011: 18%) of the total exposure. SCM is therefore not exposed to significant concentration risk.

3. Liquidity risk

The maximum available facilities of R9,5 billion (net of qualifying collateral and certain other intergroup utilisation) significantly exceed the amount utilised of R7,4 billion (2011: R6,6 billion), indicating widely available unutilised funding sources. In order to keep commitment fees within the Sanlam Group, facilities are negotiated with Sanlam at market-related terms, before external facilities are sought.

Committed facilities granted by SCM, which were undrawn, were R1 296 million (2011: R478 million). A significant portion of trading account assets and liabilities is due within one year.

Short-term insurance

The Group's short-term insurance operations comprise of the Santam Group.

Market risk

Market risk arises in business units due to fluctuations in both the value of liabilities and the value of investments held. At a Santam Group level, it also arises in relation to the value of investment assets owned directly by the shareholders' fund.

Santam has established a policy on market risk which sets out the principles that businesses are expected to adopt in respect of management of the key market risks to which Santam is exposed. Santam monitors adherence to this market risk policy and regularly reviews how business units are managing these risks through the Santam Investment committee. For each of the major components of market risk, described in more detail below, Santam has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Price risk

Santam is subject to price risk due to daily changes in the market values of its equity and debt securities portfolios. Santam is not exposed to commodity price risk.

The objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. Holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by management and statutory requirements.

Short-term insurance liabilities are not directly sensitive to equity price risk.

The Santam Board actively monitors equity assets owned directly by Santam, which include some material shareholdings in the strategic business partners. Concentrations of specific equity holdings, e.g. strategic holdings, are also monitored.

Interest rate risk

Interest rate risk arises primarily from investments in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include scenario testing and stress testing using measures such as duration.

Interest rate risk is also managed using derivative instruments, such as futures, options and swaps, to provide a degree of hedging against unfavourable market movements in interest rates. At 31 December 2012, Santam had an interest rate swap agreement to partially mitigate the effects of potential adverse interest rate movements on financial assets underlying the unsecured subordinated callable notes.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

Foreign currency risk

Santam's exposure to currency risk is mainly in respect of foreign investments made in line with the long-term strategy approved by the Board for seeking desirable international diversification of investments to expand its income stream. The company has investments in foreign subsidiaries whose net assets are exposed to currency translation risk, primarily to the British pound. In addition, the Southern African operations have foreign exchange exposure in respect of net monetary assets denominated in foreign currency, predominantly US dollar and the British pound.

Santam does not take cover on foreign currency balances, but evaluates the need for cover on transactions on a case-by-case basis.

Derivatives risk

Derivatives are primarily used for efficient investment management, risk hedging purposes or to structure specific products. Santam does not use derivative financial instruments for speculative purposes, but instead to manage financial risks and to preserve its capital base. Predetermined mandates govern the use of derivative financial instruments.

Over-the-counter derivative contracts are entered into only with approved counterparties, in accordance with Santam policies, effectively reducing the risk of credit loss. Santam applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

Credit risk

Key areas where Santam is exposed to credit risk are:

- Financial assets and cash and cash equivalents;
- Amounts due from insurance policyholders;
- Amounts due from insurance contract intermediaries;
- Amounts due from reinsurers; and
- Reinsurers' share of insurance liabilities.

Santam determines counterparty credit quality by reference to ratings from independent ratings agencies such as Global Credit Ratings or, where such ratings are not available, by internal analysis. Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments.

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings.

Credit rating

R million	AAA	AA+	AA	AA–	A+	A	A–	BBB	Not rated	Carrying value in statement of financial position
31 December 2012										
Debt securities – quoted	**432**	**896**	**375**	**1 001**	**56**	**370**	**95**	**7**	**287**	**3 519**
Debt securities – unquoted	**—**	**1 132**	**931**	**991**	**9**	**60**	**—**	**51**	**264**	**3 438**
Receivables due from contract holders/ intermediaries	**—**	**29**	**14**	**—**	**—**	**21**	**—**	**2**	**1 437**	**1 503**
Reinsurance receivables	**—**	**1**	**—**	**4**	**6**	**5**	**26**	**—**	**55**	**97**
Other loans and receivables	**6**	**53**	**11**	**27**	**3**	**5**	**21**	**1**	**361**	**488**
Cash and other short-term interest-bearing instruments	**126**	**1 480**	**229**	**976**	**268**	**194**	**33**	**17**	**65**	**3 388**
Total	**564**	**3 591**	**1 560**	**2 999**	**342**	**655**	**175**	**78**	**2 469**	**12 433**
31 December 2011										
Debt securities – quoted	404	336	709	1 012	321	186	5	547	—	3 520
Debt securities – unquoted	284	196	1 128	580	431	6	15	—	—	2 640
Receivables due from contract holders/ intermediaries	—	18	16	—	18	—	—	—	1 095	1 147
Reinsurance receivables	—	3	(4)	45	5	3	10	81	79	222
Other loans and receivables	52	15	18	13	9	2	—	7	351	467
Cash and other short-term interest-bearing instruments	331	1 303	799	422	293	43	55	86	41	3 373
Total	1 071	1 871	2 666	2 072	1 077	240	85	721	1 566	11 369

The carrying amount of assets included in the statement of financial position represents the maximum credit exposure. Receivables that are due from contract holders and intermediaries emanating from the Southern African business amounted to R1 503 million (2011: R1 147 million). Santam is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries. The protected portion of receivables due from contract holders and intermediaries amounts to 56,5% (2011: 58,6%). Debtors falling into the 'Not rated' category are managed by the internal credit control departments on a daily basis to ensure recoverability of amounts.

The financial instruments, except for amounts owed by reinsurers and Santam's exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam's internal risk appetite framework not more than 15% of portfolio assets should be invested in one of the four major South African banks. Accounts receivable are spread among a number of major companies, intermediary parties, clients and geographic areas.

Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge Santam's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, Santam remains liable for the payment to the policyholder. Santam has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. Santam's largest reinsurance counterparty is Lloyds (2011: Lloyds).

This exposure is monitored on a regular basis with the forecast to completion monitored for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposue for Santam will arise. BBB-rated reinsurance receivables amounting to Rnil (2011: R81 million) relate to reinsurance brokers for the Santam Group. The reinsurance receivable balances, disclosed as not-rated on a Santam Group level, mainly relate to cell owners (2012: R23 million, 2011: R35 million) and reinsurance brokers.

There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

There is no concentration of credit risk with respect to loans and receivables, other than reinsurance debtors, as Santam has a large number of dispersed debtors.

Insurance risk

Santam issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way Santam manages them.

Terms and conditions of insurance contracts:

Engineering – Provides cover for risks relating to:

- the possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- the erection of buildings or other structures or the undertaking of other works; and
- the installation of machinery or equipment.

Guarantee – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

Liability – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services, and is linked directly to the expenditure in respect of health services.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk, to provide entities with risk coverage or protection.

Insurance risk in Santam arises from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source;
- Inaccurate pricing of risks when underwritten;
- Inadequate reinsurance protection or other risk transfer techniques; and
- Inadequate reserving.

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risks Santam faces are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, prove to be insufficient.

By the very nature of an insurance contract, this risk is random and therefore unpredictable. Changing risk parameters and unforeseen factors, such as patterns of crime, economic and geographical circumstances, may result in unexpectedly large claims. Insurance events are random and the actual number of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Pricing

Santam bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting managers and brokers to ensure that this policy is consistently applied. Santam also has the right to re-price and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims.

Through the use of extensive expertise, well-maintained data resources, selective underwriting practices and pricing techniques it is able to produce appropriate and competitive premium rates.

The net claims ratio for Santam (continuing activities only), which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	**2012**	2011	2010	2009	2008	2007	2006
Claims paid and provided %*	**68,3**	64,2	64,1	70,6	68,4	68,2	68,6

**Expressed as a percentage of net earned premiums*

Factors that aggravate insurance risk include a lack of risk diversification in terms of type and amount of risk, geographical location and the industries covered. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. Therefore a diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Santam has developed its insurance underwriting strategy to diversify the type of insurance risks accepted, to achieve, within each of these categories, a sufficiently large population of risks to reduce the variability of the expected outcome. A specialised catastrophe reinsurance programme mitigates the risk arising from this.

Santam underwrites insurance contracts in Southern Africa. The Santam Re business unit underwrites insurance contracts in other emerging market territories, including South Africa, India and South-East Asia. These exposures are currently not material.

Claims development tables

The presentation of the claims development tables for the Santam group, is based on the actual date of the event that caused the claim (accident year basis). The claims development tables represent the development of actual claims paid for continuing operations.

Payment development

Short-term insurance claims – gross

		Claims paid in respect of						
Reporting year	Total R million	**2012**	2011	2010	2009	2008	2007	2006 and prior
Actual claims costs:								
– 2012	11 341	**8 176**	2 366	370	171	158	58	42
– 2011	10 327	**–**	7 767	2 141	247	52	54	66
– 2010	9 999	**–**	—	7 144	2 236	411	116	92
– 2009	10 016	**–**	—	—	7 702	1 959	197	158
– 2008	8 996	**–**	—	—	—	7 181	1 547	268
– 2007	7 971	**–**	—	—	—	—	6 219	1 752
– 2006	6 988	**–**	—	—	—	—	—	6 988
– 2005	5 955	**–**	—	—	—	—	—	5 955
– 2004	4 797	**–**	—	—	—	—	—	4 797
Cumulative payments to date	76 390	**8 176**	10 133	9 655	10 356	9 761	8 191	20 118

Short-term insurance claims – net

Reporting year	Total R million	Claims paid in respect of 2012	2011	2010	2009	2008	2007	2006 and prior
Actual claims costs:								
– 2012	9 904	**7 616**	1 743	250	116	137	36	6
– 2011	8 989	**—**	7 082	1 673	148	39	23	24
– 2010	8 710	**—**	—	6 401	1 816	323	103	67
– 2009	8 805	**—**	—	—	6 928	1 651	131	95
– 2008	7 727	**—**	—	—	—	6 172	1 381	174
– 2007	6 672	**—**	—	—	—	—	5 292	1 380
– 2006	6 020	**—**	—	—	—	—	—	6 020
– 2005	5 185	**—**	—	—	—	—	—	5 185
– 2004	4 064	**—**	—	—	—	—	—	4 064
Cumulative payments to date	66 076	**7 616**	8 825	8 324	9 008	8 322	6 966	17 015

Reporting development

Short-term insurance claims provision – gross

Reporting year	Total R million	Financial year during which claim occurred 2012	2011	2010	2009	2008	2007	2006 and prior
Provision raised:								
– 2012	4 948	**3 133**	599	434	304	213	170	95
– 2011	4 192	**—**	2 448	652	333	303	191	265
– 2010	3 777	**—**	—	2 325	556	312	171	413
– 2009	4 288	**—**	—	—	2 617	712	401	558
– 2008	4 075	**—**	—	—	—	2 579	630	866
– 2007	3 774	**—**	—	—	—	—	2 804	970
– 2006	3 922	**—**	—	—	—	—	—	3 922
– 2005	3 187	**—**	—	—	—	—	—	3 187
– 2004	2 436	**—**	—	—	—	—	—	2 436
	34 599	**3 133**	3 047	3 411	3 810	4 119	4 367	12 712

Short-term insurance claims provision – net

		Financial year during which claim occurred						
Reporting year	Total R million	**2012**	2011	2010	2009	2008	2007	2006 and prior
Provision raised:								
– 2012	3 971	**2 550**	466	326	241	162	145	81
– 2011	3 273	**–**	1 919	509	260	220	149	216
– 2010	2 896	**–**	—	1 813	402	228	132	321
– 2009	2 952	**–**	—	—	1 861	435	280	376
– 2008	2 699	**–**	—	—	—	1 805	403	491
– 2007	2 444	**–**	—	—	—	—	1 807	637
– 2006	2 484	**–**	—	—	—	—	—	2 484
– 2005	1 909	**–**	—	—	—	—	—	1 909
– 2004	1 056	**–**	—	—	—	—	—	1 056
	23 684	**2 550**	2 385	2 648	2 764	2 850	2 916	7 571

Reserving

Claims are analysed separately for long-tail and short-tail claims. Short-tail claims can be estimated with greater reliability, and the Santam estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement periods for these claims allow Santam to achieve a higher degree of certainty about the estimated cost of claims, and relatively lower levels of Incurred But Not Reported (IBNR) are held at year-end.

The longer time needed to assess the emergence of a long-tail claim makes the estimation process more uncertain for such claims. The uncertain nature of the costs of this type of claim causes greater uncertainty in the estimates, hence the higher level of IBNR. Where possible, Santam adopts multiple techniques to estimate the required level of reserving. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. At year-end, Santam believes that its reserves for long-tail and short-tail claims are adequate.

In calculating the estimated cost of unpaid claims, Santam's estimation methodology is based on standard statistical techniques. For claims that have been reported to Santam by the valuation date, expert assessors estimate the expected cost of final settlement. In addition to this, testing of the entire portfolio is done to determine whether or not these estimates are likely to be sufficient in aggregate or if an additional reserve amount is required.

For claims that have not been reported to Santam by the valuation date, the chain-ladder methodology is used to determine the expected cost of these unreported claims.

A stochastic reserving process is performed and Santam holds its reserves for unpaid claims at the 75th percentile level of sufficiency at the very least.

Claim provisions for all classes of business are regularly reviewed and audited internally to make sure they are sufficient. These analyses draw on the expertise and experience of a wide range of specialists, such as actuaries, underwriting and accounting experts.

Accumulation risk

Santam is exposed to accumulation risk in the form of geographical (large metropolitan) areas as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the company is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio.

Reinsurance

Santam obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or capital.

This cover is placed on the local and international reinsurance market. Santam uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses to measure the effectiveness of the reinsurance programme and the net exposure of Santam. The core components of the reinsurance programme comprise:

- Individual excess-of-loss cover for property, liability and engineering risks, which provides protection to limit losses to the range of R25 million to R50 million per risk, excluding reinstatement premiums due as a result of the claim against the cover; and
- Catastrophe cover to the extent of 1,3% (2011:1,6%) of the total exposure of the significant geographical areas, amounting to protection of up to R7,5 billion per event in excess of an attachment point of R100 million.

The Santam Board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is placed with external reinsurers that have an international credit rating of no less than A- from Standard & Poor's or AM Best.

Liquidity risk

Santam actively manages its cash resources, split between short term and long term to ensure sufficient cash is at hand to settle insurance liabilities, based on monthly cash flow projections. Santam has sufficient liquid resources to cover its obligations. R9,7 billion (2011: R7,0 billion) of insurance liabilities are payable within one year, with the remaining balance predominantly payable within two to five years. Cell owners' interest liabilities are predominantly payable within two to five years.

Corporate

The Corporate cluster is responsible for areas of financial risk management that are not allocated to individual businesses.

1. Liquidity risk

Term finance liabilities in respect of margin business are matched by appropriate assets with the same maturity profile. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities. The Group has significant liquid resources and substantial unutilised banking facilities to cover any mismatch position.

The maturity profile of term finance liabilities in respect of the margin business and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2012					
Term finance liabilities					
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	**(1 224)**	**(263)**	**—**	**—**	**(1 487)**
Assets held in respect of term finance	**477**	**431**	**—**	**579**	**1 487**
Debentures, insurance policies, preference shares and other loans	**327**	**367**	**—**	**579**	**1 273**
Cash, deposits and similar securities	**4**	**1**	**—**	**—**	**5**
Working capital assets and liabilities	**146**	**63**	**—**	**—**	**209**
Net term finance liquidity position	**(747)**	**168**	**—**	**579**	**—**
31 December 2011					
Term finance liabilities	(1 067)	(1 734)	(53)	—	(2 854)
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	(731)	(1 630)	(53)	—	(2 414)
Add: Preference shares issued to subsidiaries and eliminated on consolidation	(336)	(104)	—	—	(440)
Assets held in respect of term finance	254	1 758	53	789	2 854
Debentures, insurance policies, preference shares and other loans	205	1 553	—	789	2 547
Cash, deposits and similar securities	33	—	—	—	33
Working capital assets and liabilities	16	205	53	—	274
Net term finance liquidity position	(813)	24	—	789	—

The unsecured subordinated bonds issued by Sanlam Life, which are matched by appropriate assets with similar maturity profiles, are also managed by the Corporate cluster. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities.

The maturity profile of the term finance liabilities in respect of the unsecured subordinated bonds and the assets held to match this term finance is provided in the following table:

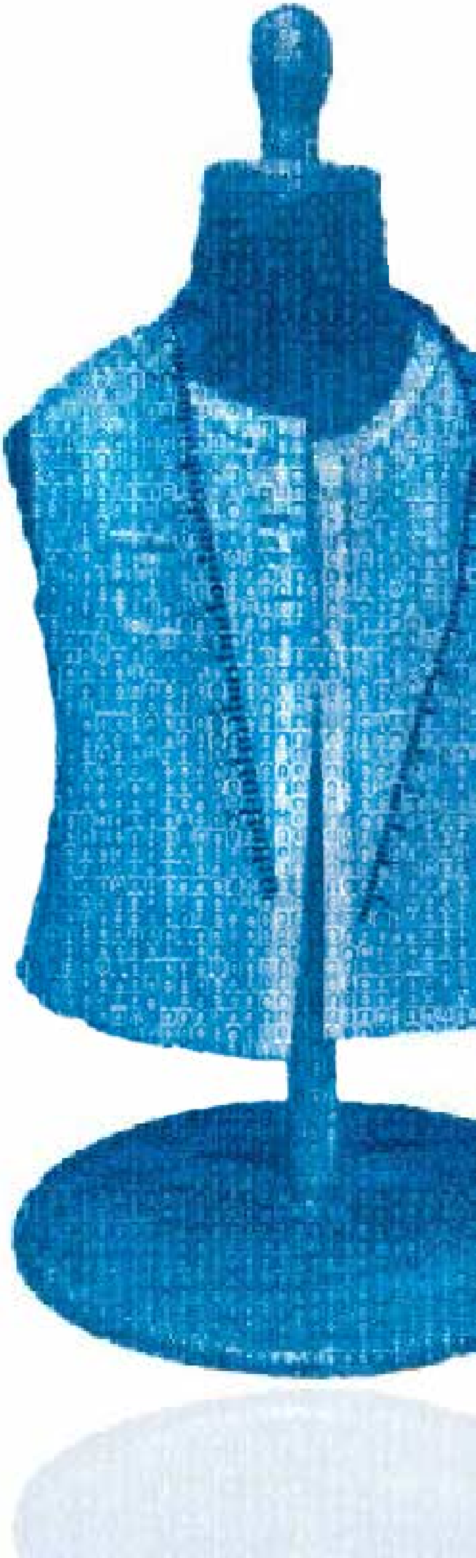
R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2012					
Term finance liabilities	—	—	(2 087)	—	(2 087)
Interest-bearing liabilities	—	—	(2 062)	—	(2 062)
Add: Unsecured bonds issued to subsidiaries and eliminated on consolidation	—	—	(25)	—	(25)
Assets held in respect of term finance	318	1 561	70	138	2 087
Public sector stocks and loans	15	58	36	—	109
Debentures, insurance policies, preference shares and other loans	303	1 272	34	138	1 747
Cash, deposits and similar securities	91	231	—	—	322
Working capital assets and liabilities	(91)	—	—	—	(91)
Net term finance liquidity position	318	1 561	(2 017)	138	—
31 December 2011					
Term finance liabilities	—	—	(2 079)	—	(2 079)
Interest-bearing liabilities	—	—	(2 054)	—	(2 054)
Add: Unsecured bonds issued to subsidiaries and eliminated on consolidation	—	—	(25)	—	(25)
Assets held in respect of term finance	(40)	1 663	330	126	2 079
Public sector stocks and loans	(2)	90	114	—	202
Debentures, insurance policies, preference shares and other loans	69	1 374	151	126	1 720
Cash, deposits and similar securities	(42)	199	65	—	222
Working capital assets and liabilities	(65)	—	—	—	(65)
Net term finance liquidity position	(40)	1 663	(1 749)	126	—

2. Sensitivity analysis – market risk

Refer to page 89 for an analysis of the Group's exposure to market risk as measured by GEV.

Putting

the needs of our clients first forms the foundation of our business model



client-centric

Contents

The preparation of the Group's audited consolidated results was supervised by the Financial Director, Kobus Möller CA(SA).

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Group and Company annual financial statements of Sanlam Limited in accordance with International Financial Reporting Standards. Adequate accounting records have been maintained. The Board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the annual financial statements has been delegated to management.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the annual financial statements based on their audit of Sanlam Limited and the Group. The Audit, Actuarial and Finance committee has satisfied itself that the external auditors were independent of the Company during the period under review.

The Audit, Actuarial and Finance committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Sanlam Group annual financial statements. The Board is satisfied that the annual financial statements fairly present the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements consistently applied.

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Shareholders' Information. The responsibility for the preparation and presentation of the Shareholders' Information has been delegated to management.

The responsibility of the appointed external auditors, Ernst & Young Inc., is to express an independent opinion on the preparation of the Shareholders' Information.

A full description of how the Audit, Actuarial and Finance committee carried out its functions is included in the Corporate Governance report elsewhere in the Integrated Report.

The Board is of the opinion that Sanlam Limited is financially sound and operates as a going concern. The annual financial statements have accordingly been prepared on this basis.

The annual financial statements on pages 220 to 293, including the disclosure in the Capital and Risk Management report on pages 171 to 213, the Corporate Governance report on pages 134 to 170, the analysis of shareholders on page 293 and the Shareholders' Information on pages 72 to 130 were approved by the Board and signed on its behalf by:

Desmond Smith
Chairman

Johan van Zyl
Group Chief Executive

Cape Town
6 March 2013

CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 December 2012, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Sana-Ullah Bray
Company Secretary

6 March 2013

DIRECTORS' REPORT
for the year ended 31 December 2012

Nature of business

The Sanlam Group is one of the largest established financial services groups in South Africa. Its core activities are set out elsewhere in the Integrated Report.

Sanlam Limited is a public company incorporated in terms of the Companies Act No 71 of 2008, as amended, in South Africa and listed on the JSE Limited and the Namibian Stock Exchange.

Corporate governance

The Board of Sanlam endorses the Code of Corporate Practice and Conduct recommended in the King Report on Corporate Governance. Disclosures with regard to compliance with the Code are provided in the Corporate Governance report.

Group results

Profit attributable to shareholders increased from R5 166 million in 2011 to R5 655 million in 2012, largely due to the strong market performance in 2012, which resulted in an increase in the net investment return earned on the capital portfolio. Further details regarding the Group's results and prospects are included in the Financial Review. The information in the Financial Review and Corporate Governance report, requiring disclosure in the Directors' report in terms of the Companies Act and JSE Listings Requirements, has been audited.

The holding company's interest in the after tax profit of the Group subsidiaries, summarised per cluster, is set out in the shareholder's fund income statement on page 94.

Share capital

The issued ordinary share capital of the Company is 2 100 million shares. Refer to page 257 for further information.

Dividend

The Board has declared a cash dividend of 215 cents per share (2011: 130 cents), payable on Wednesday, 29 April 2013, to shareholders registered on 19 April 2013. All payments through electronic bank transfer will take place on this date.

Subsidiaries

Details of the Company's principal subsidiaries are set out on page 292.

Directors' interests in contracts

No material contracts involving directors' interests were entered into in the year under review.

Interest of directors and officers in share capital

Details of the shareholding by directors at the date of this report are provided in the Corporate Governance report elsewhere in the Integrated Report.

Directors and secretary

Particulars of the directors and Company Secretary at the date of this report, as well as changes in directorships, are set out elsewhere in the Integrated Report.

Subsequent events

No material facts or circumstances have arisen between the date of the balance sheets and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2012 as reflected in these financial statements. Subsequent to year-end Sanlam acquired a 3,7% direct stake in Shriram Transport Finance Company, part of the Shriram Capital Group, for some R1 billion.

Approval of annual financial statements

The annual financial statements have been approved by the directors as reflected on page 217, including the certificate by the Company Secretary on page 217, the Audit committee report for the 2012 financial year on page 143 and the analysis of shareholders on page 293.

To the Shareholders of Sanlam Limited

Report on the consolidated financial statements

We have audited the consolidated and separate financial statements of Sanlam Limited set out on pages 220 to 293, which comprise the statements of financial position as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sanlam Limited as at 31 December 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2012, we have read the Directors' report, the Audit Committee's report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst + Young Inc

Ernst & Young Inc.
Director: Malcolm P Rapson
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street
Cape Town
6 March 2013

Basis of presentation

Introduction

The consolidated financial statements are prepared on the historical-cost basis, as modified by the revaluation of investment properties, investment instruments, derivative assets and liabilities, listed term finance and long-term policy liabilities, in accordance with International Financial Reporting Standards (IFRS), the Companies Act, No. 71 of 2008 as amended, in South Africa, and the AC 500 Standards as issued by the Accounting Practices Board and its successor. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated. The following new or revised IFRS and interpretations are applied in the Group's 2012 financial year:

- Amendments to IFRS 1 – Severe hyperinflation and removal of fixed dates for first-time adopters (effective 1 July 2011)
- Amendment to IFRS 7 – Disclosures – Transfers of Financial Assets (effective 1 July 2011)
- Amendment to IAS 12 – Deferred tax: Recovery of underlying assets (effective 1 January 2012)

The application of these standards and interpretations did not have a significant impact on the Group's financial position, reported results and cash flows. The following new or revised IFRS and interpretations have effective dates applicable to future financial years and have not been early adopted:

- Amendment to IFRS 7 – Disclosures relating to offsetting of financial assets and liabilities (effective 1 January 2013)
- Amendment to IAS 32 – Clarification of the instances in which the set off of financial assets and liabilities is allowed (effective 1 January 2014)
- Amendment to IAS 1 – Financial statement presentation (effective 1 July 2012)
- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- Amendment to IFRS 10 – Investment entities exemption (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits – Amendment regarding removal of corridor method and other comprehensive income treatment (effective 1 January 2013)
- IAS 27 Separate Financial Statements – Consequential amendments resulting from consolidation project (effective 1 January 2013)
- IAS 28 Investments in Associates and Joint Ventures – Consequential amendments resulting from consolidation project (effective 1 January 2013)
- IAS 19 Employee Benefits (revised) – removal of corridor approach and changes to concept of expected return on plan assets (effective 1 January 2013)
- May 2012 Improvements to IFRS (mostly effective 1 January 2013)

The application of these revised standards and interpretations in future financial reporting periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows.

A glossary containing explanations of technical terms used in these financial statements is presented on page 294.

The following sections provide additional information in respect of the presentation of selected items in the Group financial statements on pages 240 to 292.

Use of estimates, assumptions and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect items reported in the Group statement of financial position and statement of comprehensive income, as well as contingent liabilities. The major items subject to the application of estimates, assumptions and judgements include:

- The fair value of unlisted investments;
- Deferred taxation;
- The valuation of policy liabilities; and
- Potential claims and contingencies.

Although estimates are based on management's best knowledge and judgement of current facts as at the statement of financial position date, the actual outcome may differ from these estimates, possibly significantly. Refer to note 31 for further information on critical estimates and judgements and note 34 for information on contingencies.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 240 to 292 include the consolidated activities of the policyholders and shareholders. Separate financial information on the activities of the shareholders of the Sanlam Group is disclosed on pages 72 to 130.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance businesses are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS, generally accepted actuarial practice and the stipulations contained in the Sanlam Life demutualisation proposal. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on pages 235 to 239.

Insurance contracts

The disclosure of claims experience in claims development tables is based on the period when the earliest material claims arose for which there is still uncertainty about the amount and timing of the claims payments.

Cash, deposits and similar securities

Cash, deposits and similar securities include bank account balances, call, term and negotiable deposits, promissory notes and money market collective investment schemes. A distinction is made between:

- Cash, deposits and similar securities included in the asset mix of policyholders' and shareholders' fund investment portfolios, which are disclosed as investments in the Group statement of financial position; and
- Working capital balances that are disclosed as working capital assets, apart from bank overdrafts, which are disclosed as working capital liabilities.

Financial instruments

Owing to the nature of the Group's business, financial instruments have a significant impact on the Group's financial position and performance. Audited information in respect of the major categories of financial instruments and the risks associated therewith are provided in the following sections:

- Audited Capital and Risk Management report on pages 171 to 213;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note16: Term finance; and
- Note 31: Critical accounting estimates and judgements.

Segmental information

The Group reports in five distinct segments, grouped according to the similarity of the solution offerings and market segmentations of the various businesses. The five segments are:

- Sanlam Personal Finance;
- Sanlam Emerging Markets;
- Sanlam Investments, which includes Investment Management, Capital Management and Sanlam Employee Benefits;
- Santam; and
- Corporate and other.

The decentralised nature of the Group businesses facilitates the allocation of costs between them as the costs are directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices.

The audited segmental information is disclosed in the shareholders' fund information on pages 73 to 122. Refer to the financial review on pages 54 to 69 for additional information on these business segments and to the Group structure on page 6 for a description of these businesses and the cluster to which they are allocated.

Accounting policies

Introduction

The Sanlam Group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These include policies relating to insurance liabilities, deferred acquisition costs, the ascertainment of fair values of financial assets, financial liabilities and derivative financial instruments, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex judgements based on information and financial data that may change in future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce materially different results. These policies (as set out below) are in accordance with and comply with IFRS and have been applied consistently for all periods presented unless otherwise noted.

Significant accounting policies

Basis of consolidation

Subsidiaries and consolidated funds are entities (including special-purpose entities) that are controlled by Sanlam Limited or any of its subsidiaries. The Group has control over an entity where it has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether control exists.

The purchase method of accounting is applied to account for acquisitions of subsidiaries. The cost of an acquisition is measured as the fair value of consideration transferred, equity instruments issued and liabilities assumed at the date of exchange. Costs directly attributable to an acquisition are expensed in the statement of comprehensive income with effect from the 2010 financial year. These costs were capitalised against the investment acquired in financial years up to the end of 2009. Identifiable assets and liabilities acquired and contingent liabilities assumed are recognised at fair value at acquisition date. The excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets and contingent liabilities represents goodwill and is accounted for in terms of the accounting policy note for goodwill. If the cost of an acquisition is less than the fair value of the net identifiable assets and contingent liabilities, the difference is recognised in the statement of comprehensive income.

The results of subsidiaries and consolidated funds are included from the effective dates when control is acquired to the effective dates when the Group ceases to have a controlling interest, using accounting policies uniform to the Group. Intergroup transactions, balances and unrealised profits on intergroup transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates the impairment of the asset transferred.

The interest of minority shareholders in subsidiaries is stated at the minorities' share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to minority shareholders in excess of the minority interest are recognised as negative reserves against minority shareholders' interest.

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the statement of comprehensive income. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as minority shareholders' interest.

The Group offers cell captive facilities to clients. Cells are classified as special-purpose entities and are regarded as being controlled by the cell owner. For this reason these cell captive facilities are not consolidated by the Group. In the case of third party cells, the insurer is still the principal to the insurance transaction, although the business is written on behalf of the cell owner. The insurer, however, in substance reinsures this business to the cell as the cell owner remains responsible for the solvency of the cell. The cell owner's interest liability represents the cell owner's funds withheld by the insurer, similar to an insurance deposit. The assets relating to the cell captives are under the control of the insurer and are therefore reflected as part of the financial assets at fair value through income or cash and cash equivalents, depending on the nature of the assets.

Property and equipment

Property and equipment are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets, which vary between two and 20 years. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. Cost prices include costs directly attributable to the acquisition of property and equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Group and the expenditure can be measured reliably. All other expenditure is recognised in the statement of comprehensive income when incurred. Property and equipment are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

Owner-occupied property

Owner-occupied property is property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives of the owner-occupied properties and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is tested bi-annually for impairment. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification is recognised directly in other comprehensive income as a revaluation surplus. Owner-occupied property is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

Goodwill

Goodwill arises on the acquisition of a subsidiary company or the acquisition of a business. It represents the excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition. Goodwill is not amortised. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

Goodwill is not recognised when an interest in an existing subsidiary is increased. The difference between the cost of the acquisition and the minority interest acquired is accounted for directly in equity. These differences were recognised as goodwill for business combinations occurring before 1 January 2010. When an interest in an existing subsidiary is decreased without a loss of control, the difference between the proceeds received and the share of the net assets disposed of, including an appropriate portion of the related goodwill, is accounted for directly in equity.

These profits and losses were recognised in the statement of comprehensive income before 1 January 2010.

For impairment purposes the carrying amount of goodwill is allocated to cash-generating units, reviewed bi-annually for impairment and written down where this is considered necessary. Impairment losses in respect of goodwill are recognised in the statement of comprehensive income and are not reversed. Where a number of related businesses acquired in the same business combination are allocated to different Group business divisions, the related goodwill is held on a Group level and the businesses are combined for purposes of determining the recoverable amount of the goodwill.

Goodwill in respect of associates and joint ventures is included in the carrying value of investments in associates and joint ventures. For impairment purposes each investment is tested for impairment individually and goodwill is not tested separately from the investment in associates and joint ventures, nor is any impairment allocated to any underlying assets.

Value of insurance and investment business acquired

The value of insurance and investment management services contracts acquired (VOBA) in a business combination is recognised as an intangible asset. VOBA, at initial recognition, is equal to the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profit that is expected to flow from the book of business acquired, after allowing for the cost of capital supporting the business, as applicable. The valuation is based on the Group's actuarial and valuation principles as well as assumptions in respect of future premium income, fee income, investment return, policy benefits, costs, taxation, mortality, morbidity and surrenders, as appropriate.

VOBA is amortised on a straight-line basis over the expected life of the client relationships underlying the book of business acquired. VOBA is tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary. Where impairment events subsequently reverse, impairments are reversed up to a maximum of what the depreciated cost would have been. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of VOBA attributable to the entity or business sold. VOBA is derecognised when the related contracts are terminated, settled or disposed of.

Other intangible assets

Acquired intangible assets are recognised at cost on acquisition date. Subsequent to initial recognition, these assets are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted, as appropriate. Other intangible assets are tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary.

Costs associated with software development for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits.

No value is attributed to internally developed brands or similar rights. Costs incurred on these items are charged to the statement of comprehensive income in the period in which they are incurred.

Deferred acquisition costs

Incremental costs directly attributable to the acquisition of investment contracts with investment management services are capitalised to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. DAC are amortised to the statement of comprehensive income over the term of the contracts as the related services are rendered and revenue recognised, which varies from year to year dependent on the outstanding term of the contracts in force. The DAC asset is tested for impairment bi-annually and written down when it is not expected to be fully recovered from future fee income.

Long-term reinsurance contracts

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. The Group assesses its long-term reinsurance assets for impairment bi-annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the statement of comprehensive income.

Financial instruments

Financial instruments carried on the statement of financial position include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and trade creditors.

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires.

Collateral placed at counterparties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counterparties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counterparty has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification

Financial instruments are classified into the following categories:

- Financial assets: At fair value through profit or loss
  Loans and receivables
- Financial liabilities: At fair value through profit or loss
  Other financial liabilities

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial instruments classified as at fair value through profit or loss comprise held-for-trading assets and liabilities as well as financial instruments designated as at fair value through profit or loss. All non-trading financial instruments are designated as at fair value through profit or loss apart from:

- Working capital receivables that are classified as loans and receivables based on their short-term nature;
- Financial assets acquired as part of interest margin business to match specific financial liabilities, which are classified as loans and receivables;
- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets, which are classified as other financial liabilities; and
- Working capital payables that are classified as other financial liabilities based on their short-term nature.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis, apart from the exceptions outlined above. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the statement of comprehensive income as investment surpluses. Other financial instruments are recognised at the fair value of the consideration given or received in exchange for the instrument plus transaction costs that are directly attributable to their acquisition. Regular way investment transactions are recognised by using trade date accounting.

Subsequent measurement and impairment

Financial instruments classified as at fair value through profit or loss are carried at fair value after initial recognition, with changes in fair value recognised in the statement of comprehensive income as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item. Loans and receivables and other financial liabilities are carried at amortised cost using the effective interest rate method.

The carrying values of all loans and receivables are reviewed for impairment bi-annually. A financial asset is deemed to be impaired when there is objective evidence of impairment.

Objective evidence of impairment would include when market rates of return have increased during the period to such an extent that the asset's recoverable amount has decreased materially. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the asset's estimated future cash flows, and is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income, to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised. If a financial asset would have been impaired had the terms of the asset not been renegotiated, the asset continues to be accounted for in accordance with its category, and the difference between the carrying amount based on the new terms and the previous carrying amount is recognised in the statement of comprehensive income as investment surpluses.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Investments

Investment properties

Investment properties comprise properties held to earn rental income and/or for capital appreciation. Investment properties are carried at fair value based on valuations by external valuators, less the cumulative straight-line rental adjustment (refer to the accounting policy for investment income). The valuators have appropriate qualifications and extensive experience in property valuations. Fair values are determined by discounting expected future cash flows at appropriate market interest rates. Valuations are carried out monthly. Changes in the fair value of investment properties are recognised in the statement of comprehensive income as investment surpluses.

When investment properties become owner-occupied, the Sanlam Group reclassifies them to owner-occupied properties at a deemed cost equal to the fair value of the investment properties at the date of reclassification.

When owner-occupied properties become investment properties, they are reclassified to investment properties at a deemed cost equal to the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised directly in equity as a revaluation surplus.

Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

Associates

An associate is an entity, not being a subsidiary, in which the Sanlam Group has a long-term investment and over which it has the ability to exercise significant influence, being the ability to participate in the financial and operating policies of the entity without being able to jointly control or control those policies by virtue of a majority vote.

Investments in associates are recognised on the date significant influence is obtained and derecognised on the date significant influence is lost. Investments in associates, other than those investments, or portions thereof, held by investment-linked life insurance funds, are initially recognised at cost. The results of these associated companies after initial recognition are accounted for using the equity method of accounting, whereby the Group's share of associates' post-acquisition profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of associates' other post-acquisition movement in equity reserves (other than those related to dividends) is recognised in reserves, with a corresponding adjustment to the carrying value of investments in associates. Net losses are only recognised to the extent of the net investment in an associate, unless the Group has incurred obligations or made payments on behalf of the associate. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying amount is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in an associate includes goodwill. Investments in associates, or portions thereof, held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results of joint ventures, other than those held by investment-linked life insurance funds, are accounted for using the equity method of accounting, whereby the Group's share of the joint ventures' profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of joint ventures' post-acquisition movement in reserves is recognised in reserves, with a corresponding adjustment to the carrying value of investments in joint ventures. Net losses are only recognised to the extent of the net investment in a joint venture, unless the Group has incurred obligations or made payments on behalf of the joint venture. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying value of the investment in a joint venture is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in a joint venture includes goodwill.

Investments in joint ventures held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Other investments

Other investments comprise:

- Equities and similar securities (including non-trading derivatives);
- Public sector stocks and loans;
- Debentures, insurance policies, preference shares and other loans; and
- Cash, deposits and similar securities.

These investments are either classified as at fair value through profit or loss (measured at fair value), or as loans and receivables (measured at amortised cost), as described in the financial instruments accounting policy note. Loans of investment scrip are not treated as sales and purchases.

The following bases are used to determine fair value, for those investments that are classified as at fair value through profit or loss:

- Listed shares and units in collective investment schemes are valued at the stock exchange and net asset value prices respectively;
- The value of unlisted shares is determined by the directors using appropriate valuation bases;
- Listed bonds are valued at the stock exchange prices;
- Unlisted interest-bearing investments are valued by discounting expected future cash flow at appropriate market interest rates; and
- Listed derivative instruments are valued at the South African Futures Exchange prices and the value of unlisted derivatives is determined by the directors using generally accepted valuation models.

Derivative instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency, interest rate and equity options and other derivative financial instruments that are measured at fair value.

Fair values are obtained from quoted market prices. In the absence of quoted market prices the Group uses valuation techniques that incorporate factors that market participants would consider in setting the price and are consistent with accepted economic methodologies for pricing derivatives such as discounted cash flow models and option pricing models, as appropriate. The Group calibrates its valuation techniques against market transactions or any available observable market data. Day one gains or losses on derivatives measured using these valuation techniques are recognised in the statement of comprehensive income to the extent that they arise from a technique that incorporates only variables based on observable market data and there has been a change in one of these variables (including time). If there has been no change in one of these variables, the gains or losses are deferred, and recognised in the statement of comprehensive income over the life of the instrument.

The Group does not separate embedded derivatives that meet the definition of an insurance contract or relate to investment contracts recognised at fair value.

Derivatives are used for trading purposes by Sanlam Capital Markets and for non-trading purposes by other Group businesses. The fair values related to trading derivatives are included in trade and other receivables (refer to policy note below) and the fair values of non-trading derivatives are included in the appropriate investment category. Non-trading transactions are those which are held for economic hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions or cash flows measured at fair value, as well as structures incorporated in the product design of policyholder products. The hedge accounting treatment prescribed by IAS 39 *Financial Instruments: Recognition and Measurement* is not applied. Although the nature of these derivatives is non-trading from a management perspective, IAS 39 requires all derivatives to be classified as held for trading for accounting purposes.

Non-current assets held for sale

Non-current assets held for sale comprise non-current assets for which the carrying value will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of their carrying value and their fair value less costs to sell, unless they are specifically excluded from the measurement provisions of IFRS 5: *Non-current assets held for sale and discontinued operations,* in which case they are measured in accordance with the applicable IFRSs. Immediately before initial classification as held for sale, the assets to be reclassified are measured in accordance with applicable IFRSs. When the sale of such non-current assets held for sale is expected to occur beyond one year, costs to sell are measured at their present value. Any increase in the present value of the costs to sell arising from the passage of time is presented in profit and loss as a financing cost.

Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash at hand, call deposits at banks, negotiable certificates of deposit and other short-term highly liquid investments.

Short-term insurance technical provisions and assets

Outstanding claims

Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The Group does not discount its liabilities for unpaid claims.

Unearned premiums

Short-term insurance premiums are recognised as financial services income proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as an unearned premium liability.

Short-term insurance technical assets

The benefits to which the Group is entitled under its short-term reinsurance contracts are recognised as short-term insurance technical assets. These assets represent longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

Commissions and other incremental acquisition costs related to securing new contracts and renewing existing contracts are capitalised to deferred acquisition cost assets and amortised to the statement of comprehensive income over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

The Group assesses its short-term insurance technical assets for impairment on a bi-annual basis. If there is objective evidence that an asset is impaired, the Group reduces the carrying amount of the asset to its recoverable amount and recognises the impairment loss in the statement of comprehensive income.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Trade and other receivables

Trade and other receivables are measured at amortised cost, apart from trading account assets.

Trading account assets include equities and similar securities, interest-bearing instruments and derivative financial instruments relating to the trading transactions undertaken by Sanlam Capital Markets for market making, to service customer needs, for proprietary purposes, as well as any related economic hedging transactions. These transactions are marked-to-market (fair values) after initial recognition and any profits or losses arising are recognised in the statement of comprehensive income as financial services income. The fair values related to such contracts and commitments are determined on the same basis as described for non-trading instruments in the policy note for financial instruments and are reported on a gross basis in the statement of financial position as positive and negative replacement values to the extent that set-off is not required by IAS 32 *Financial Instruments: Disclosure and Presentation.*

Other financial liabilities

Other financial liabilities include:

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
- Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
- Insurance contract liabilities are measured according to the bases disclosed in the section on Policy Liabilities and Profit Entitlement;
- Investment contract liabilities measured at fair value, determined on the bases as disclosed in the section on Policy Liabilities and Profit Entitlement; and
- External investors in consolidated funds measured at the attributable net asset value of the respective funds.

Trade and other payables

Trade and other payables are measured at amortised cost, apart from trading account liabilities that are measured at fair value (refer to the description on the measurement of trading account assets in the accounting policy note for trade and other receivables, which also applies to trading account liabilities).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for onerous contracts are recognised when the expected benefits to be derived from contracts are less than the unavoidable cost of meeting the obligations under the contracts. Provisions are measured at the present value of the amounts that are expected to be paid to settle the obligations.

Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Preference shares issued by the Group that are redeemable or subject to fixed dividend payment terms are classified as term finance liabilities. Dividends paid in respect of term finance are recognised in the statement of comprehensive income as a term finance expense.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

Shares held in Sanlam Limited by policyholder portfolios and subsidiary companies (treasury shares) are recognised as a deduction from equity on consolidation. The cost of treasury shares acquired is deducted from equity on date of acquisition. The consideration received on the disposal of treasury shares, net of incremental costs attributable to the disposal and tax, is also recognised directly in equity.

Non-distributable reserve

The reserve comprises the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited and the regulatory non-distributable reserves of the Group's Botswana and Kenya operations.

Foreign currency translation reserve

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the statement of comprehensive income.

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and investments supporting those liabilities. Certain assets held in policyholder portfolios may not be recognised at fair value in terms of IFRS, whereas the valuation of the related policy liabilities is based on the assets at fair value. This creates a mismatch with a corresponding impact on the shareholders' fund. A separate reserve is created for these valuation differences owing to the fact that they represent accounting differences and not economic losses for the shareholders' fund. Valuation differences arise from the following investments which are accounted for as noted below for IFRS purposes, while for purposes of valuing the related policy liabilities these same investments are valued at fair value:

- Investments in subsidiaries and consolidated funds, which are valued at net asset value plus goodwill;
- Investments in associates and joint ventures, which are recognised on an equity-accounted basis; and
- Investments in Sanlam Limited shares, which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero.

The reserve represents temporary differences insofar as the mismatch is reversed when the affected investments are realised.

Financial services income

Financial services income is considered to be revenue for IFRS purposes and includes:

- income earned from long-term insurance activities, such as investment and administration fees, risk underwriting charges and asset mismatch profits or losses in respect of non-participating business;
- income from short-term insurance business, such as short-term insurance premiums;
- income from investment management activities, such as fund management fees and collective investment and linked-product administration fees;
- income from capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities, other securities-related income and fees, and commissions; and
- income from other financial services, such as independent financial advice and trust services.

Fees for investment management services

Fees for investment management services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

Fee income – long-term policy contracts

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

Short-term insurance premiums

Short-term insurance premiums are accounted for when receivable, net after a provision for unearned premiums relating to risk periods that extend to the following year. Inward short-term reinsurance agreement premiums are accounted for on an intimated basis.

Consulting fees earned

Consulting fees are earned for advice and other services provided to clients of the Group's financial advisory businesses. Fees are accounted for on an accrual basis as the related services are rendered.

Investment return

Investment income

Investment income includes interest, rental and dividend income received. Interest income is accounted for on a time proportionate basis that takes into account the effective yield on the asset and includes the net income earned from interest margin business.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as part of the carrying amount of properties in the statement of financial position.

Dividend income is recognised once the last day for registration has passed. Capitalisation shares received in terms of a capitalisation issue from reserves, other than share premium or a reduction in share capital, are treated as dividend income. Dividend income from subsidiaries is recognised when the dividends are declared by the subsidiary.

Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding investments relating to capital market activities (refer Financial services income policy note for presentation of gains and losses on capital market investments) and dividend and interest income. These surpluses are recognised in the statement of comprehensive income on the date of sale or upon valuation to fair value.

Premium income – long-term policy contracts

Premium income from long-term insurance and investment policy contracts is recognised as an increase in long-term policy liabilities. The full annual premiums on individual insurance and investment policy contracts that are receivable in terms of the policy contracts are accounted for on policy anniversary dates, notwithstanding that premiums are payable in instalments. The monthly premiums in respect of certain new products are in terms of their policy contracts accounted for when due. Cover only commences when premiums are received. Group life insurance and investment contract premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. The unearned portion of accrued premiums is included within long-term policy liabilities.

Policy contract benefits

Underwriting benefits

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Provision is made for underwriting losses that may arise from unexpired short-term insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit.

Other policy benefits

Other policy benefits are not recognised in the Group statement of comprehensive income but reflected as a reduction in long-term policy liabilities. Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of payment date or the date on which the policy ceases to be included in long-term policy liabilities.

Sales remuneration

Sales remuneration consists of commission payable to sales staff on long-term and short-term investment and insurance business and expenses directly related thereto, bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds. Commission is accounted for on all in-force policies in the financial period during which it is incurred.

The portion of sales remuneration that is directly attributable to the acquisition of long-term recurring premium investment policy contracts is capitalised to the deferred acquisition cost (DAC) asset and recognised over the period in which the related services are rendered and revenue recognised (refer policy statement for DAC asset).

Acquisition cost for short-term insurance business is deferred over the period in which the related premiums are earned.

Sales remuneration recognised in the statement of comprehensive income includes the amortisation of deferred acquisition costs as well as sales remuneration incurred that is not directly attributable to the acquisition of long-term investment policy contracts or short-term insurance business.

Administration costs

Administration costs include, *inter alia,* indirect taxes such as VAT, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs.

Leases

Leases of assets, under which the lessor effectively retains all the risks and benefits of ownership, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases, where the Group effectively assumes all the risks and benefits of ownership, are classified as finance leases. Finance leases are capitalised at inception at the lower of the present value of minimum lease payments and the fair value of the leased assets. The effective interest rate method is used to allocate lease payments between finance cost and the lease liability. The finance cost component is recognised as an expense in the statement of comprehensive income.

Finance lease assets recognised are depreciated, where applicable, over the shorter of the assets' useful lives and the lease terms.

Borrowing costs

Borrowing costs are recognised as an expense in the statement of comprehensive income on an accrual basis.

Taxation

Normal income tax

Current income tax is provided in respect of taxable income based on currently enacted tax legislation.

Deferred income tax

Deferred income tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method, except for:

- Temporary differences relating to investments in associates, joint ventures and subsidiaries where the Group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that at transaction date do not affect either accounting or taxable profit or loss.

The amount of deferred income tax provided is based on the expected realisation or settlement of the deferred tax assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax balances are reflected at current values and have not been discounted.

Foreign currencies

Transactions and balances

Foreign currency transactions are translated to functional currency, i.e. the currency of the primary economic environment in which each of the Group's entities operate, at the exchange rates on transaction date. Monetary assets and liabilities are translated to functional currency at the exchange rates ruling at the financial period-end. Non-monetary assets and liabilities carried at fair value are translated to functional currency at the exchange rates ruling at valuation date. Non-monetary assets and liabilities carried at historic cost are translated to functional currency at the exchange rates ruling at the date of initial recognition. Exchange differences arising on the settlement of transactions or the translation of working capital assets and liabilities are recognised in the statement of comprehensive income as financial services income. Exchange differences on non-monetary assets and monetary assets classified as investment assets, such as equities and foreign interest bearing investments, are included in investment surpluses.

Foreign operations

Statement of comprehensive income items of foreign operations (including foreign subsidiaries, associates and joint ventures) with a functional currency different from the presentation currency are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific items, in which instances the exchange rate on transaction date is used. The closing rate is used for the translation of assets and liabilities, including goodwill and fair value adjustments arising on the acquisition of foreign entities. At acquisition, equity is translated at the rate ruling on the date of acquisition. Post-acquisition equity is translated at the rates prevailing when the change in equity occurred. Exchange differences arising on the translation of foreign operations are transferred to a foreign currency translation reserve until the disposal of the net investment when it is released to the statement of comprehensive income.

Retirement benefits

Retirement benefits for employees are provided by a number of defined-benefit and defined-contribution pension and provident funds. The assets of these funds, including those relating to any actuarial surpluses, are held separately from those of the Group. The retirement plans are funded by payments from employees and the relevant Group companies, taking into account the recommendations of the retirement fund valuator.

The Group's contributions to the defined-contribution and defined-benefit funds are charged to the statement of comprehensive income in the year in which they are incurred. A valuation in accordance with IAS 19 *Employee Benefits* is performed on the statement of financial position date. For the purpose of calculating pensions, medical contributions are deemed to be a part of pensionable salary. Retirement fund contributions are made on the pensionable salary. Therefore, pensioners fund post-retirement medical contributions themselves from their increased pensions. The Group has provided in full for its medical contribution commitments in respect of pensioners and disabled members who are not covered under the current scheme.

Defined-benefit plans

The schemes are valued using the valuation basis for past-service cost. Any deficits advised by the actuaries are funded either immediately or through increased contributions to ensure the ongoing soundness of the schemes. Contributions are expensed during the year in which they are funded. The net surplus or deficit in the benefit obligation is the difference between the present value of the funded obligation and the fair value of plan assets. The Group recognises the estimated liability using the projected unit credit method. The present value of the overfunded portion of these schemes is recognised as an asset to the extent that there are material benefits available in the form of refunds and reductions in contributions. The amount of actuarial gains and losses recognised in the statement of comprehensive income is equal to the amount that the cumulative actuarial gains and losses at the end of the previous reporting period exceeds the greater of 10% of the present value of the defined obligation or 10% of the fair value of the plan assets, amortised over the employees' average working life.

Defined-contribution plans

Group contributions to the pension and provident funds are based on a percentage of the payroll and are charged against income as incurred.

Medical aid benefits

Group contributions to medical aid funds are charged to the statement of comprehensive income in the year in which they are incurred.

Post-retirement medical aid benefits

The present value of the post-retirement medical aid obligation is actuarially determined annually and any deficit or surplus is immediately recognised in the statement of comprehensive income. The Group recognises the estimated liability using the projected unit credit method. The Group has no significant exposure to any other post-retirement benefit obligation.

Contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Staff incentive schemes

The following staff long-term incentive schemes have been implemented in the Group and have unvested conditions at 31 December 2012:

Deferred Share Plans DSPs

The DSPs was introduced in 2007. In terms of the DSPs, Sanlam undertakes to deliver a fixed number of shares to selected employees on pre-determined dates in the future, on condition that the employee is still in the employment of Sanlam on those dates. Vesting occurs in three tranches over a period starting three years from the grant date, subject to certain performance targets.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

Restricted Share Plan

The Restricted Share Plan was introduced in 2006. Selected key employees are granted fully paid-up shares at no consideration in terms of retention and performance agreements. Unconditional vesting occurs on pre-determined dates subject to certain performance targets being met. The fair value of the equity instruments granted on the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting.

Dividends

Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

Introduction

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied in all material respects to value the policy liabilities of Sanlam Developing Markets and the Namibian insurance companies, as well as investment contracts issued by Sanlam Investments and Pensions and the Channel Life group of companies, unless otherwise stated. The valuation methodology in respect of insurance contracts issued by Sanlam Investments and Pensions is not presented in view of their relatively immaterial contribution to earnings and the relative small size of their insurance contract liabilities.

The valuation bases and methodology, which comply with South African actuarial guidelines and requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2012 as a result of the aforementioned adequacy test.

The valuation bases and methodology comply with the requirements of IFRS.

The methodology has been applied for purposes of the Group financial statements and the changes to determine the prudential regulatory results in terms of the requirements of the Long-term Insurance Act of 1998 as amended (LTIA), are presented at the end of this section.

Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the bases as set out in the accounting policy for investments, with the exception of investments in treasury shares, subsidiaries, associated companies, joint ventures and consolidated funds, which are also valued at fair value.

Classification of contracts

A distinction is made between investment contracts without discretionary participation features (DPF) (which fall within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*), investment contracts with DPF and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in *IFRS 4 Insurance Contracts*).

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the Sanlam Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Insurance contracts and investment contracts with DPF

The actuarial value of the policy liabilities is determined using the FSV method as described in Professional Guidance Note SAP 104 issued by the Actuarial Society of South Africa (Actuarial Society), which is consistent with the valuation method prescribed in the LTIA and consistent with the valuation of assets at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in the LTIA; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2012 exceeds the minimum requirements in terms of the LTIA, SAP 104 and APN 110.

The application of actuarial guidance, as set out in SAP 104 and APN 110 issued by the Actuarial Society, is described below in the context of the Group's major product classifications.

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account.

For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on the market yields of South African fixed interest securities on the valuation date.

Refer to note 9 on page 129 for investment return assumptions per asset class.

- Unit expenses are based on the 2012 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.
- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Unrecouped expenses

The timing of fees recovered from some individual life policies does not correspond to the timing of the expenses incurred in respect of the policies. For certain of these policies an unrecouped expense account is created and included in the valuation of the policy liabilities. The unrecouped expense account is increased with expenses incurred and reduced by an allocation of policy charges. Policy charges are designed to ensure that on average the unrecouped expense account is redeemed over the lifetime of the related policies. Unrecouped expenses are annually assessed for impairment and are derecognised when the related contracts are settled or disposed of.

Bonus stabilisation reserves

Sanlam Life's individual and group stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is created, which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Negative bonus stabilisation reserves in excess of 7,5% of the investment accounts are specifically disclosed. Bonus stabilisation reserves are included in long-term policy liabilities.

Provision for future bonuses

Provision was made for future bonuses so that each asset portfolio, less charges for expenses (including investment guarantee charges) and profit loadings, for each line of business would be fully utilised for the benefit of the policyholders of that portfolio.

Reversionary bonus business

The liability is set equal to the fair value of the underlying assets. This is equivalent to a best estimate prospective liability calculation using the bonus rates as set out above, and allowing for the shareholders' share of one-ninth of the cost of these bonuses.

The present value of the shareholders' entitlement is sufficient to cover the compulsory margins required in the LTIA and the Actuarial Society guidelines for the valuation of policy liabilities. These margins are thus not provided for in addition to the shareholders' entitlement.

Individual stable bonus, linked and market-related business

For investment policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets less any un-recouped expenses. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

To the extent that the retrospective liabilities exceed the prospective liabilities, the valuation contains discretionary margins. The valuation methodology results in the release of these margins to shareholders on a fees minus expenses basis consistent with the work done and risks borne over the lifetime of the policies.

An exception to the above relates to policy liabilities in respect of Sanlam Developing Markets' individual Universal Life business (including stable bonus and market-linked business), which are valued prospectively. Negative values are not allowed in respect of any of these policies.

Group stable bonus business

In the case of Group policies where bonuses are stabilised, the liabilities are equated to the fair value of the retrospectively accumulated underlying assets.

Future fees are expected to exceed expenses, including allowance for the prescribed margins. These excesses are released to shareholders consistent with the work done and risks borne over the lifetime of the policies.

Participating annuity business

The liabilities are equated to the fair value of the retrospectively accumulated underlying assets. This is equivalent to a best estimate prospective liability calculation allowing for future bonus rates as described above and expected future investment returns. Shareholder entitlements emerge in line with fees charged less expenses incurred consistent with work done and risks borne over the lifetime of the annuities.

The present value of the shareholders' entitlement is sufficient to cover the compulsory margins for the valuation of policy liabilities. The compulsory margins are thus not provided for in addition to the shareholders' entitlement.

Non-participating annuity business

Non-participating life annuity instalments and future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Other non-participating business

Other non-participating business forms less than 7% of the total liabilities. Most of the other non-participating business liabilities are valued on a retrospective basis. The remainder is valued prospectively and contains discretionary margins via either an explicit interest rate deduction of approximately 1% on average or by not allowing policies with negative reserves.

For Sanlam Life's non-participating business other than life annuity business, an asset mismatch provision is maintained. The interest and asset profits arising from the non-participating portfolio are added to this provision. The asset mismatch provision accrues to shareholders at the rate of 1,33% monthly, based on the balance of the provision at the end of the previous quarter. The effect of holding this provision is, among other purposes, to dampen the impact on earnings of short-term fluctuations in fair values of assets underlying these liabilities. The asset mismatch provision represents a discretionary margin. A negative asset mismatch provision will not be created, but such shortfall will accrue to shareholders in the year in which it occurs.

Provision for HIV/Aids and other pandemics

A specific provision for HIV/Aids-related claims is maintained and included as follows:

- Within 'Other non-participating business' (refer above) in respect of Sanlam Life; and
- Within the related prospective reserves in respect of Sanlam Developing Markets.

A prospective calculation according to the relevant guidelines is performed for Sanlam Life's non-participating individual policies and for those with a small savings element. The provision for Sanlam Life's other individual policies (36% of Sanlam Life's total HIV/Aids provision for individual policies) is built up by increasing the opening provision by the HIV/Aids risk premiums and investment returns on the underlying assets. It is then reduced by claims attributed to HIV/Aids and further limited to a maximum of the prospective calculation without allowance for future increases in HIV/Aids risk premiums. This retrospectively built-up provision is higher than a prospective calculation done according to the relevant guidelines allowing for possible increases in future HIV/Aids risk premiums. This difference can be regarded as a discretionary margin. It is the intention to rerate premiums as experience deteriorates.

Premium rates for Group business are reviewed annually. The HIV/Aids provision is based on the expected HIV/Aids claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

In addition, provision for claims relating to other pandemics is also made based on the estimated additional death claims should a moderate pandemic occur.

Provision for minimum investment return guarantees

In addition to the liabilities described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note APN 110.

Working capital

To the extent that the management of working capital gives rise to profits, no credit is taken for this in determining the policy liabilities.

Reinsurance

Liabilities are valued gross before taking into account reinsurance. Where material, the difference between the gross and net (after reinsurance) value of liabilities is held as a reinsurance asset.

Investment contracts (other than with DPF)

Contracts with investment management services

The liabilities for individual and group contracts are set equal to the retrospectively accumulated fair value of the underlying assets. No deduction is made for unrecouped expenses. The profits or losses that accrue to shareholders are equal to fees received during the period concerned plus the movement in the DAC asset less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded derivative.

Non-participating annuity business

Term annuity instalments and expected future expenses in respect of these instalments are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Guaranteed plans

Guaranteed maturity values and expected future expenses are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

SANLAM GROUP STATEMENT OF FINANCIAL POSITION

at 31 December 2012

R million	Notes	2012	2011
Assets			
Property and equipment	1	**449**	514
Owner-occupied properties	2	**665**	586
Goodwill	3	**3 457**	3 195
Other intangible assets		**63**	47
Value of business acquired	4	**1 599**	1 611
Deferred acquisition costs	5	**2 717**	2 427
Long-term reinsurance assets	6	**746**	674
Investments	7	**384 821**	329 150
Properties	7.1	**17 678**	15 310
Investment properties		**17 311**	14 828
Straight-line rental adjustment		**367**	482
Equity-accounted investments	7.2	**5 412**	2 938
Equities and similar securities	7.3	**202 952**	165 582
Public sector stocks and loans	7.4	**64 617**	58 831
Debentures, insurance policies, preference shares and other loans	7.4	**37 726**	35 002
Cash, deposits and similar securities	7.4	**56 436**	51 487
Deferred tax	8	**450**	640
Non-current assets held for sale	38	**308**	1 390
Short-term insurance technical assets	9	**2 096**	1 831
Working capital assets		**46 193**	40 138
Trade and other receivables	10	**31 241**	25 761
Cash, deposits and similar securities		**14 952**	14 377
Total assets		**443 564**	382 203
Equity and liabilities			
Capital and reserves			
Share capital and premium	11	**22**	22
Treasury shares		**(3 632)**	(3 780)
Other reserves	12	**9 156**	9 228
Retained earnings		**31 373**	28 352
Shareholders' fund		**36 919**	33 822
Minority shareholders' interest	14	**2 970**	3 046
Total equity		**39 889**	36 868
Long-term policy liabilities	15	**328 584**	282 421
Insurance contracts		**148 427**	135 742
Investment contracts		**180 157**	146 679
Term finance	16	**5 463**	6 295
Margin business		**1 487**	2 414
Other interest-bearing liabilities		**3 976**	3 881
Derivative liabilities		**610**	212
External investors in consolidated funds		**19 596**	11 592
Cell owners' interest		**688**	603
Deferred tax	8	**1 333**	902
Short-term insurance technical provisions	9	**9 877**	8 682
Working capital liabilities		**37 524**	34 628
Trade and other payables	17	**34 823**	32 502
Provisions	18	**396**	423
Taxation		**2 305**	1 703
Total equity and liabilities		**443 564**	382 203

SANLAM GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

R million	Notes	2012	2011
Net income		**88 580**	54 278
Financial services income	19	**40 416**	36 663
Reinsurance premiums paid	20	**(4 611)**	(3 661)
Reinsurance commission received	21	**583**	392
Investment income	22	**17 749**	14 603
Investment surpluses	22	**37 091**	4 843
Finance cost – margin business	26	**(185)**	(203)
Change in fair value of external investors' liability		**(2 463)**	1 641
Net insurance and investment contract benefits and claims		**(62 566)**	(31 437)
Long-term insurance contract benefits	23	**(27 977)**	(15 322)
Long-term investment contract benefits	23	**(24 690)**	(7 199)
Short-term insurance claims		**(12 185)**	(10 766)
Reinsurance claims received	21	**2 286**	1 850
Expenses		**(15 809)**	(14 187)
Sales remuneration		**(5 393)**	(4 959)
Administration costs	24	**(10 416)**	(9 228)
Impairments	39	**(206)**	(36)
Amortisation of intangibles		**(184)**	(128)
Net operating result		**9 815**	8 490
Equity-accounted earnings	25	**584**	421
Finance cost – other	26	**(315)**	(336)
Profit before tax		**10 084**	8 575
Taxation	27	**(3 650)**	(2 510)
Shareholders' fund		**(2 468)**	(1 903)
Policyholders' fund		**(1 182)**	(607)
Profit for the year		**6 434**	6 065
Other comprehensive income			
Movement in foreign currency translation reserve		**128**	541
Comprehensive income for the year		**6 562**	6 606
Allocation of comprehensive income:			
Profit for the year		**6 434**	6 065
Shareholders' fund		**5 655**	5 166
Minority shareholders' interest		**779**	899
Comprehensive income for the year		**6 562**	6 606
Shareholders' fund		**5 760**	5 601
Minority shareholders' interest		**802**	1 005
Earnings attributable to shareholders of the Company (cents):			
Profit for the year:			
Basic earnings per share	28	**293,3**	266,9
Diluted earnings per share	28	**281,4**	257,7

SANLAM GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve
Balance at 1 January 2011	21	1	(2 824)	9 703	(529)
Comprehensive income	–	–	–	–	435
Profit for the year	–	–	–	–	–
Other comprehensive income: movement in foreign currency translation reserve	–	–	–	–	435
Net (acquisition)/disposal of treasury shares[2]	–	–	(956)	–	–
Share-based payments	–	–	–	–	–
Transfer to non-distributable reserve	–	–	–	89	–
Transfer from consolidation reserve	–	–	–	–	–
Dividends paid[1]	–	–	–	–	–
Acquisitions, disposals and other movements in interests	–	–	–	–	–
Balance at 31 December 2011	21	1	(3 780)	9 792	(94)
Comprehensive income	**–**	**–**	**–**	**–**	**105**
Profit for the year	**–**	**–**	**–**	**–**	**–**
Other comprehensive income: movement in foreign currency translation reserve	**–**	**–**	**–**	**–**	**105**
Net (acquisition)/disposal of treasury shares[2]	**–**	**–**	**148**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**
Transfer to non-distributable reserve	**–**	**–**	**–**	**66**	**–**
Transfer (from)/to consolidation reserve	**–**	**–**	**–**	**–**	**–**
Dividends paid[1]	**–**	**–**	**–**	**–**	**–**
Acquisitions, disposals and other movements in interests	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2012	**21**	**1**	**(3 632)**	**9 858**	**11**

(1) *Dividend of 130 cents per share declared during 2012 (2011: 115 cents per share) in respect of the 2011 financial year.*

(2) *Comprises movement in cost of shares held by subsidiaries and the share incentive trust.*

Retained earnings	Subtotal: equity holders	Consolidation reserve	Total: equity holders	Minority shareholders' interest	Total equity
25 958	32 330	(552)	31 778	2 608	34 386
5 166	5 601	—	5 601	1 005	6 606
5 166	5 166	—	5 166	899	6 065
—	435	—	435	106	541
(246)	(1 202)	58	(1 144)	(22)	(1 166)
239	239	—	239	28	267
(89)	—	—	—	—	—
(24)	(24)	24	—	—	—
(2 261)	(2 261)	—	(2 261)	(455)	(2 716)
(391)	(391)	—	(391)	(118)	(509)
28 352	34 292	(470)	33 822	3 046	36 868
5 655	**5 760**	**—**	**5 760**	**802**	**6 562**
5 655	**5 655**	**—**	**5 655**	**779**	**6 434**
—	**105**	**—**	**105**	**23**	**128**
(320)	**(172)**	**(107)**	**(279)**	**2**	**(277)**
235	**235**	**—**	**235**	**22**	**257**
(66)	**—**	**—**	**—**	**—**	**—**
136	**136**	**(136)**	**—**		**—**
(2 556)	**(2 556)**	**—**	**(2 556)**	**(851)**	**(3 407)**
(63)	**(63)**	**—**	**(63)**	**(51)**	**(114)**
31 373	**37 632**	**(713)**	**36 919**	**2 970**	**39 889**

SANLAM GROUP CASH FLOW STATEMENT

for the year ended 31 December 2012

R million	Notes	2012	2011
Cash flow from operating activities		**11 002**	18 929
Cash generated by operations	36.1	**990**	11 489
Interest and preference share dividends received		**9 864**	9 135
Interest paid		**(500)**	(539)
Dividends received		**6 362**	4 237
Dividends paid		**(3 284)**	(2 651)
Taxation paid		**(2 430)**	(2 742)
Cash flow from investment activities		**(4 134)**	(12 562)
Net acquisition of investments		**(1 984)**	(13 114)
Acquisition of subsidiaries, associates and joint ventures	36.2	**(2 654)**	(208)
Disposal of subsidiaries, associates and joint ventures	36.3	**504**	760
Cash flow from financing activities		**(1 337)**	(1 674)
Movement in treasury shares		**(277)**	(1 166)
Term finance raised		**85**	571
Term finance repaid		**(1 145)**	(1 079)
Net increase in cash and cash equivalents		**5 531**	4 693
Cash, deposits and similar securities at beginning of the year		**65 857**	61 164
Cash, deposits and similar securities at end of the year	36.4	**71 388**	65 857

R million	2012	2011
1. Property and equipment		
Computer equipment	**269**	310
Cost	**989**	960
Accumulated depreciation and impairment	**(720)**	(650)
Furniture, equipment, vehicles and other	**180**	204
Cost	**578**	589
Accumulated depreciation and impairment	**(398)**	(385)
Total property and equipment	**449**	514
Reconciliation of carrying amount		
Balance at beginning of the year	**514**	470
Additions and expenditure capitalised	**223**	248
Disposals	**(76)**	(26)
Acquired through business combinations	**2**	5
Disposal of subsidiaries	**(1)**	(3)
Depreciation	**(216)**	(187)
Foreign currency translation differences	**3**	7
Balance at end of the year	**449**	514
2. Owner-occupied properties		
Balance at beginning of the year	**586**	653
Additions and expenditure capitalised	**79**	1
Reclassified as non-current assets held for sale (refer note 38)	**—**	(68)
Balance at end of the year	**665**	586

R million	2012	2011
3. Goodwill		
Balance at beginning of the year	**3 195**	3 197
Gross carrying amount	**3 316**	3 284
Accumulated impairment	**(121)**	(87)
Additions during the year	**306**	30
Acquired through business combinations	**—**	7
Disposals	**—**	(8)
Impairments	**(48)**	(34)
Foreign currency translation differences	**4**	3
Balance at end of the year	**3 457**	3 195
Gross carrying amount	**3 626**	3 316
Accumulated impairment	**(169)**	(121)
Allocation of goodwill		
Life insurance	**500**	500
Sanlam Life and Pensions UK	**356**	356
Sanlam Developing Markets	**32**	32
Channel Life	**96**	96
Other	**16**	16
Other Sanlam businesses	**2 957**	2 695
Sanlam UK (excluding Sanlam Life and Pensions UK)	**56**	37
Sanlam Investment Management	**442**	159
International: Investment Management	**61**	61
Glacier	**98**	98
Sanlam Netherlands Holding	**49**	49
Santam	**955**	990
Other	**98**	103
Goodwill held on Group level	**1 198**	1 198
Balance at end of the year	**3 457**	3 195

The additions to goodwill during 2012 arose primarily from the acquisition of Satrix Managers (Pty) Limited and P2 International by Sanlam Investments, and in 2011 from the acquisition of Associated Insurance Brokers by Glacier, and Mirabilis Engineering Underwriting Managers by Santam.

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash-generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount of goodwill has been determined based on the various businesses' valuations, as included in Group Equity Value, being the value in use, less the consolidated net asset value of the respective businesses. Refer to page 86 for an analysis of Group Equity Value, as well as pages 111, 129 and 130 for valuation assumptions used.

R million	2012	2011
4. Value of business acquired		
Balance at beginning of the year	**1 611**	1 320
Additions during the year	**180**	310
Foreign currency translation differences	**43**	88
Disposals	**(9)**	—
Amortisation	**(147)**	(107)
Impairments	**(79)**	—
Balance at end of the year	**1 599**	1 611
Gross carrying amount	**2 326**	2 112
Accumulated amortisation and impairment	**(727)**	(501)
Allocation of value of business acquired		
Sanlam UK	**582**	582
Sanlam Developing Markets	**701**	740
Other	**316**	289
Balance at end of the year	**1 599**	1 611

The additions in value of business acquired relates primarily to the purchase of English Mutual Limited, and a customer database by Sanlam UK and Riscor Underwriting Managers (Pty) Limited by Santam. In 2011 the additions related to the purchase of Merchant Securities Group and Summit Trust International SA.

Amortisation and impairment of value of business acquired

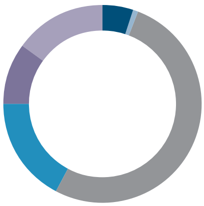
Value of business acquired is amortised to the income statement on a straight-line basis over the expected life of the intangible asset, currently 25 years for Sanlam Developing Markets and 15 years for Channel Life and Principal, the major businesses to which value of business acquired relates. For impairment testing purposes, the value of business acquired is allocated to cash-generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount has been determined based on the various businesses' contribution to Group Equity Value, less the related net asset value. Refer to page 86 for an analysis of Group Equity Value. Refer to note 39 for impairments of value of business acquired recognised during the year.

R million	2012	2011
5. Deferred acquisition costs		
Balance at beginning of the year	**2 427**	2 270
Credited to statement of comprehensive income	**290**	157
Acquisition costs capitalised	**515**	382
Expensed for the year	**(225)**	(225)
Balance at end of the year	**2 717**	2 427
6. Long-term reinsurance assets		
Balance at beginning of the year	**674**	588
Movement in reinsurers' share of insurance liabilities	**72**	86
Balance at end of the year	**746**	674
Maturity analysis of long-term reinsurance assets		
Due within one year	**20**	23
Due within two to five years	**133**	137
Due after more than five years	**593**	514
Total long-term reinsurance assets	**746**	674

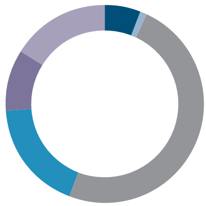
Amounts due from reinsurers in respect of claims incurred by the Group that are reinsured, are included in trade and other receivables (refer to note 10).

7. Investments

Total investment mix 2012



Total investment mix 2011



R million	2012	2011
7.1 Properties		
Properties comprise:		
Office buildings	2 487	2 364
Retail buildings	4 188	4 090
Industrial buildings	610	560
Undeveloped land	43	43
International properties (situated outside South Africa, including listed properties)	2 578	2 459
Listed property companies and property collective investment schemes	7 557	5 603
Other	215	191
Total properties	17 678	15 310
Less: Straight-line rental adjustment	(367)	(482)
Total investment properties	17 311	14 828
Reconciliation of carrying amount of properties		
Fixed properties – balance at beginning of the year	9 707	10 739
Additions	624	142
Disposals	(983)	(747)
Reclassified as non-current assets held for sale (refer note 38)	—	(1 322)
Foreign currency translation differences	149	312
Investment surpluses	624	583
Fixed properties – balance at end of the year	10 121	9 707
Listed property companies and property collective investment schemes	7 557	5 603
Total properties	17 678	15 310
Reconciliation of straight-line rental adjustment		
Straight-line rental adjustment – balance at beginning of the year	482	618
Disposals	(24)	(32)
Reclassified as non-current assets held for sale	—	(18)
Movement for the year included in the statement of comprehensive income	(91)	(86)
Straight-line rental adjustment – balance at end of the year	367	482
Contractual future minimum lease payments receivable under non-cancellable operating leases:		
Within one year	899	850
Within two to five years	1 776	1 911
After more than five years	929	1 147
Future minimum lease payments	3 604	3 908

R million	Notes	2012	2011
7. Investments *(continued)*			
7.2 Equity-accounted investments			
Investments in associated companies	7.2.1	**4 927**	2 125
Punter Southall Group[1]		**–**	289
Letshego		**1 122**	976
Shriram Capital		**2 604**	–
Other associated companies		**1 201**	860
Investments in joint ventures	7.2.2	**485**	813
Sanlam Personal Loans		**467**	353
Shriram Life Insurance		**–**	267
Shriram General Insurance		**–**	152
Other joint ventures		**18**	41
Total equity-accounted investments		**5 412**	2 938

Other associated companies include the investments in Newshelf 101 of R168 million and Feune of R102 million. Further details are not provided in respect of other associated companies and joint ventures as the totals comprise amounts that are individually immaterial.

7.2.1 Investments in associated companies

Details of material associated companies:

		Punter Southall Group[1]		Letshego	
		2012	2011	2012	2011
Fair value of interest – based on internal valuation	R million	**–**	307	**1 122**	976
Fair value of interest – based on quoted price	R million			**1 089**	861
Number of shares held	000's	**–**	7 744	**506 347**	506 347
Interest in issued share capital	%				
Shareholders' fund		**–**	22	**25**	26
Policyholders' fund		**–**	–	**–**	–
Average interest in issued share capital	%				
Shareholders' fund		**–**	23	**25**	22
Policyholders' fund		**–**	–	**–**	–
Share of earnings after tax	R million				
Shareholders' fund		**21**	16	**180**	132
Policyholders' fund		**–**	–	**–**	–
Aggregate post-acquisition reserves attributable to shareholders' fund	R million	**–**	130	**406**	226
Financial information as at 31 December – total:					
Revenue	R million	**–**	1 032	**1 109**	848
Earnings attributable to shareholders	R million	**–**	54	**601**	521
Total assets	R million	**–**	632	**4 089**	3 450
Total liabilities	R million	**–**	441	**1 023**	970

[1] *Punter Southall Group has been reclassified as a non-current asset held for sale. Refer to note 38 for additional information.*

R million		Shriram Capital[1] 2012	Shriram Capital[1] 2011
7. Investments *(continued)*			
7.2 Equity-accounted investments *(continued)*			
7.2.1 Investments in associated companies *(continued)*			
Fair value of interest – based on internal valuation	R million	**2 560**	–
Number of shares held[2]	000's	**716 238**	–
Interest in issued share capital	%	**26**	–
Shareholders' fund		**26**	–
Policyholders' fund		**–**	–
Average interest in issued share capital	%	**7**	–
Shareholders' fund		**7**	–
Policyholders' fund		**–**	–
Share of earnings after tax	R million	**–**	–
Shareholders' fund		**–**	–
Policyholders' fund		**–**	–
Aggregate post-acquisition reserves attributable to shareholders' fund	R million	**–**	–
Financial information as at 30 September 2012 – total:		**–**	–
Revenue (12 months ended 30 September 2012)	R million	**–**	–
Earnings attributable to shareholders (12 months ended 30 September 2012)	R million	**–**	–
Total assets	R million	**19 321**	–
Total liabilities	R million	**8 626**	–

[1] *Shriram Capital was acquired with an effective date of 1 October 2012. No earnings have been accounted for the period 1 October 2012 to 31 December 2012 due to a three-month time lag in the reporting of the Shriram Capital results as allowed in terms of IFRS. Includes the listed businesses at directors' valuation of R1 919 million for Shriram Capital. The listed values are R2 014 million.*

[2] *The number of shares relate to the shareholding of Shriram Financial Ventures (Chennai) Limited in Shriram Capital. The Group has a 33,15% interest in Shriram Financial Ventures (Chennai) Limited.*

7. Investments *(continued)*
7.2 Equity-accounted investments *(continued)*
7.2.2 Investments in joint ventures
Details of material joint ventures

	Sanlam Personal Loans[1]		Shriram Life Insurance[2]	
R million	2012	2011	2012	2011
Interest in issued share capital (%)	70	70	–	26
Carrying value of interest	467	353	–	267
Fair value of interest – based on internal valuation	816	494	–	267
Share of revenue	481	371	29	14
Share of earnings after tax	151	114	18	10
Share of expenses	(155)	(118)	–	–
Share of assets	2 094	1 597	–	819
Non-current	1 535	1 174	–	771
Current	559	423	–	48
Share of liabilities	1 746	1 358	–	730
Non-current	274	688	–	685
Interest bearing	156	573	–	685
Non-interest bearing	118	115	–	–
Current	1 472	670	–	45
Interest bearing	1 436	635	–	–
Non-interest bearing	36	35	–	45
Aggregate portion of post-acquisition reserves (attributable to shareholders)	390	239	–	9
Share of cash flows	3	3	–	12
Operating activities	(384)	(221)	–	12
Financing activities	387	224	–	–

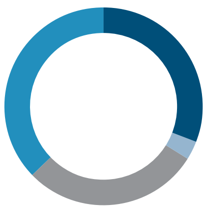
[1] *Sanlam Personal Loans conducts personal loan business in South Africa.*
[2] *Shriram Life Insurance has been sold effectively as part of the Shriram Capital acquisition transaction on 1 October 2012.*

R million	2012	2011
7. Investments *(continued)*		
7.3 Equities		
Equities and similar securities comprise:		
Listed on the JSE – at market value	**61 244**	54 736
Unlisted – at directors' valuation[1]	**7 057**	8 386
Offshore equity investments	**59 556**	47 091
Listed[1]	**58 925**	46 572
Unlisted	**631**	519
Equity collective investment schemes	**75 095**	55 369
Units held by the Group as minority unit holder	**55 403**	41 470
Equities held by consolidated schemes	**19 692**	13 899
Total equities and similar securities	**202 952**	165 582

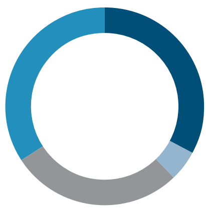
[1]*The unlisted equities for 2011 were reclassified by R1 243 million to more appropriately reflect the classification between offshore listed equities and unlisted equities. Unlisted equities were previously reflected at R7 143 million and offshore listed equities at R47 815 million.*

	2012	2011
Classification of equities and similar securities		
Designated as at fair value through profit or loss	**202 769**	165 188
Held for trading at fair value	**183**	394
Total equities and similar securities	**202 952**	165 582

Total equity investment mix 2012



Total equity investment mix 2011



%	2012	2011
Spread of equities listed on the JSE by sector[1]		
Basic materials	**19,6**	21,4
Consumer goods	**10,4**	10,1
Consumer services	**10,9**	9,5
Financials	**20,2**	19,3
General industrials	**13,1**	12,4
Information technology	**—**	0,1
Healthcare	**1,8**	0,7
Telecommunications	**11,1**	11,0
Other	**12,9**	15,5
	100,0	100,0

[1]*Includes the appropriate underlying investments of listed subsidiaries.*

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost[1]	Total

7. Investments *(continued)*

7.4 Total investments other than equities and similar securities, equity-accounted investments and properties

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost[1]	Total
31 December 2012				
Public sector stocks and loans	**64 207**	**410**	**–**	**64 617**
Debentures, insurance policies, preference shares and other loans	**36 868**	**375**	**483**	**37 726**
Cash, deposits and similar securities	**56 262**	**9**	**165**	**56 436**
	157 337	**794**	**648**	**158 779**
31 December 2011				
Public sector stocks and loans	58 587	244	–	58 831
Debentures, insurance policies, preference shares and other loans	33 455	242	1 305	35 002
Cash, deposits and similar securities	50 283	3	1 201	51 487
	142 325	489	2 506	145 320

[1] *The estimated fair value of investments valued at amortised cost amounts to R648 million (2011: R2 506 million).*

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R million	<1 year	1 – 5 years	>5 years	Open ended	Total
7. Investments *(continued)*					
7.4 Total investments other than equities and similar securities, equity-accounted investments and properties *(continued)*					
Maturity analysis					
31 December 2012					
Public sector stocks and loans	**6 410**	**7 222**	**46 425**	**4 560**	**64 617**
Debentures, insurance policies, preference shares and other loans	**10 657**	**15 310**	**6 895**	**4 864**	**37 726**
Cash, deposits and similar securities	**29 197**	**24 334**	**1 438**	**1 467**	**56 436**
Total investments other than equities and similar securities, equity-accounted investments and properties	**46 264**	**46 866**	**54 758**	**10 891**	**158 779**
31 December 2011					
Public sector stocks and loans	5 041	9 420	40 749	3 621	58 831
Debentures, insurance policies, preference shares and other loans	10 732	14 374	6 802	3 094	35 002
Cash, deposits and similar securities	28 772	20 309	1 009	1 397	51 487
Total investments other than equities and similar securities, equity-accounted investments and properties	44 545	44 103	48 560	8 112	145 320

R million	2012	2011
Listed	**88 589**	77 761
Unlisted	**70 190**	67 559
Designated as at fair value through profit or loss	**69 542**	65 053
Loans and receivables at amortised cost	**648**	2 506
Total investments other than equities and similar securities, equity-accounted investments and properties	**158 779**	145 320
Unlisted investments (other than equities and similar securities, equity-accounted investments and properties)		
Maximum exposure to credit risk at the reporting date	**70 190**	67 559

The amount of change, during the period and cumulatively, in the fair value of the loans and receivables that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rates. The impact of changes in credit risk for 2012 and 2011 was not material.

7.5 Use of valuation techniques to determine fair value

Refer to note 40 for additional disclosures.

R million	Income tax	Capital gains tax
8. Deferred tax		
Reconciliation of the deferred tax balances		
Balance at 1 January 2011	681	(927)
Temporary differences credited/(charged) to the statement of comprehensive income	(38)	25
Accruals and provisions	(23)	—
Tax losses and credits	(46)	(27)
Net unrealised investment surpluses on shareholders' fund	(5)	(8)
Net unrealised investment surpluses on policyholders' fund	—	16
Secondary tax on companies	(73)	—
Other temporary differences	109	44
Net disposal of subsidiaries	2	—
Foreign currency translation differences	(5)	—
Balance at 31 December 2011	640	(902)
Temporary differences charged to the statement of comprehensive income	(220)	(394)
Accruals and provisions	(60)	—
Tax losses and credits	(121)	—
Net unrealised investment surpluses on shareholders' fund	(6)	(313)
Net unrealised investment surpluses on policyholders' fund	—	(48)
Secondary tax on companies	(80)	—
Other temporary differences	47	(33)
Acquisition of subsidiaries	(10)	—
Foreign currency translation differences	2	(1)
Disposal of subsidiaries	2	—
Balance at 31 December 2012	414	(1 297)
Analysis of deferred tax balances at 31 December 2012		
Accruals and provisions	**250**	**—**
Tax losses and credits	**196**	**—**
Unrealised gain on shareholders' fund	**(59)**	**(721)**
Unrealised gain on policyholders' fund	**—**	**(581)**
Other temporary differences	**27**	**5**
	414	**(1 297)**
Analysis of deferred tax balances at 31 December 2011		
Accruals and provisions	310	—
Tax losses and credits	403	—
Unrealised gain on shareholders' fund	(53)	(408)
Unrealised gain on policyholders' fund	—	(533)
Other temporary differences	(20)	39
	640	(902)

	R million	2012	2011
8.	**Deferred tax** *(continued)*		
	Total deferred tax asset recognised	**450**	640
	Total deferred tax liability recognised	**(1 333)**	(902)
	Total net deferred tax	**(883)**	(262)
9.	**Short-term insurance technical provisions**		
	Short-term insurance technical provisions	**9 877**	8 682
	Outstanding claims	**6 336**	5 550
	Provision for unearned premiums	**3 394**	3 030
	Deferred reinsurance acquisition revenue	**147**	102
	Less: Short-term insurance technical assets	**2 096**	1 831
	Reinsurers' share of technical provisions		
	Outstanding claims	**1 173**	1 069
	Unearned premiums	**582**	429
	Deferred acquisition cost	**341**	333
	Net short-term insurance technical provisions	**7 781**	6 851

Analysis of movement in short-term insurance technical provisions

R million	2012 Gross	2012 Reinsurance	2012 Net	2011 Gross	2011 Reinsurance	2011 Net
Outstanding claims						
Balance at beginning of the year	**5 550**	**(1 069)**	**4 481**	5 117	(1 069)	4 048
Cash paid for claims settled in the year	**(11 427)**	**1 481**	**(9 946)**	(10 305)	1 317	(8 988)
Increase in liabilities	**12 213**	**(1 585)**	**10 628**	10 738	(1 317)	9 421
Balance at end of the year	**6 336**	**(1 173)**	**5 163**	5 550	(1 069)	4 481
Unearned premiums						
Balance at beginning of the year	**3 030**	**(429)**	**2 601**	2 788	(240)	2 548
Net increase/(release) in the period	**364**	**(153)**	**211**	242	(189)	53
Balance at end of the year	**3 394**	**(582)**	**2 812**	3 030	(429)	2 601

R million		2012	2011
10. Trade and other receivables			
Premiums receivable		**4 529**	4 724
Accrued investment income		**2 008**	1 759
Trading account		**19 546**	15 240
Amounts due from reinsurers		**419**	397
Accounts receivable		**4 739**	3 641
Total trade and other receivables		**31 241**	25 761
Classification of trade and other receivables:			
Held for trading at fair value		**19 546**	15 240
Loans and receivables at amortised cost		**11 695**	10 521
Total trade and other receivables		**31 241**	25 761
Trade and other receivables, excluding trading account, are receivable within one year.			
Maturity analysis of trading account – fair value			
Due within one year		**2 521**	4 162
Due within two to five years		**10 267**	7 150
Due after five years		**6 758**	3 928
Total trading account		**19 546**	15 240
Maturity analysis of trading account – undiscounted			
Due within one year		**5 462**	8 771
Due within two to five years		**13 229**	11 878
Due after five years		**8 182**	5 170
Total trading account		**26 873**	25 819
11. Share capital and premium			
Authorised share capital			
4 000 million ordinary shares of 1 cent each	R million	**40,0**	40,0
56,5 million ‘A’ deferred shares of 1 cent each	R million	**0,6**	0,6
56,5 million ‘B’ deferred shares of 1 cent each	R million	**0,6**	0,6
Balance at end of the year	R million	**41,2**	41,2
Issued share capital: ordinary shares			
Total shares in issue	million	**2 100,0**	2 100,0
Shares held by subsidiaries	million	**(163,9)**	(172,2)
Balance at end of the year	million	**1 936,1**	1 927,8
% of ordinary shares held by subsidiaries		**7,8%**	8,2%
Issued share capital: ‘A’ deferred shares			
Total number of ‘A’ deferred shares in issue	million	**56,5**	56,5
Nominal value and share premium			
Ordinary shares	R million	**21,7**	21,7
Nominal value of 1 cent per share	R million	**21,0**	21,0
Share premium	R million	**0,7**	0,7
‘A’ deferred shares	R million	**0,6**	0,6
Total nominal value and share premium	R million	**22,3**	22,3

11. Share capital and premium *(continued)*

The 'A' deferred shares are held by Ubuntu-Botho and shall be converted to ordinary shares at nil rand value when the accrued value of R7,65 per share has been achieved, in accordance with the contractual new business volumes formula, within a 10-year period from 1 January 2004. The 'A' deferred shares which are not converted to ordinary shares in December 2013 shall be converted to redeemable preference shares which shall be redeemed at par value within 30 days of such conversion.

The 'B' deferred shares shall be allotted and issued to Ubuntu-Botho once all the 'A' deferred shares qualify for conversion to ordinary shares. The 'B' deferred shares shall be converted to ordinary shares on the same terms as the 'A' deferred shares.

A register containing details of rights attached to the deferred shares, is available for inspection at the registered office of Sanlam Limited.

	Shares 2012 000's	Options 2012 000's	Average option price 2012 R	Shares 2011 000's	Options 2011 000's	Average option price 2011 R
Executive share incentive scheme						
Total number of shares and share options at beginning of the year	**44 220**	**3 202**	**8,22**	35 558	6 372	7,48
Unrestricted shares and share options at beginning of the year	**(2 682)**	**(3 202)**	**8,22**	(1 005)	(6 372)	7,48
Restricted shares at beginning of the year	**41 538**	**–**	**–**	34 553	–	–
New restricted shares granted in terms of restricted share and DSP schemes	**9 593**	**–**	**–**	15 311	–	–
Unconditional shares released, available for release, or taken up	**(10 372)**	**–**	**–**	(6 805)	–	–
Shares forfeited	**(1 287)**	**–**	**–**	(1 521)	–	–
Restricted shares at end of the year	**39 472**	**–**	**–**	41 538	–	–
Unrestricted shares at end of the year	**2 064**(3),(4)	**–**	**–**	2 682	3 202	8,22
Total number of shares at end of the year	**41 536**	**–**	**–**	44 220	3 202	8,22
Shares the subject matter of loans granted(1)	**–**	**–**	**–**	2 158	–	–
Total equity participation by employees	**41 536**	**–**	**–**	46 378	3 202	–

(1)*There were no outstanding amount of loans granted in respect of these shares for the Group at 31 December 2012 (2011: R38 million). There were no new loans granted during 2012.*

(2)*Refer Remuneration report on pages 159 to 164 for further details of the schemes.*

(3)*1 913 000 shares became unrestricted in the current year.*

(4)*Refer to the Directors' report on page 218 where directors' interests in contracts and interests of directors and officers in share capital, which have been audited are disclosed.*

	2012	2011
11. Share capital and premium *(continued)*		
Total equity participation by employees as a percentage of total issued ordinary shares (%)	**2,0**	2,4
Approved maximum level of equity participation by employees (number of shares)	**160 000**	160 000

Details regarding the restricted shares outstanding on 31 December 2012 and the financial years during which they become unconditional, are as follows:

Unrestricted during year ending (subject to performance targets)	Number of shares 000's
31 December 2013	8 873
31 December 2014	9 347
31 December 2015	8 660
31 December 2016	10 362
31 December 2017	2 230

	2012	2011
Weighted average share price of options exercised during the year	**R33,25**	R28,05

A total of 9,6 million (2011: 15,3 million) restricted shares were granted to staff and executive directors during 2012. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R302 million (2011: R415 million) and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period and the probability that the service and performance conditions will be met in part.

R million	2012	2011
12. Other reserves		
Non-distributable reserves	**9 858**	9 792
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**9 415**	9 415
Regulatory reserves of the Group's Botswana and Kenya operations	**443**	377
Foreign currency translation reserve	**11**	(94)
Consolidation reserve	**(713)**	(470)
Policyholder fund investments in consolidated subsidiaries	**(128)**	(65)
Policyholder fund investment in Sanlam Limited shares	**(585)**	(405)
Total reserves other than retained earnings	**9 156**	9 228

13. Contingency reserves

Contingency reserves in respect of short-term insurance business of R19 million are included in shareholders' reserves (2011: R883 million).

R million	2012	2011
14. Minority shareholders' interest		
Santam	**1 568**	1 771
Sanlam Developing Markets	**1 032**	998
Sanlam Emerging Markets	**115**	—
Channel Life	**—**	14
Sanlam Namibia Holdings	**184**	180
Other	**71**	83
Total minority shareholders' interest	**2 970**	3 046

R million	2012 Total	2012 Insurance contracts	2012 Investment contracts	2011 Total	2011 Insurance contracts	2011 Investment contracts
15. Long-term policy liabilities						
15.1 Analysis of movement in policy liabilities						
Income	**95 245**	**41 388**	**53 857**	59 844	28 447	31 397
Premium income (note 15.2)	**48 927**	**19 760**	**29 167**	43 198	19 000	24 198
Investment return after tax (note 23)	**46 318**	**21 628**	**24 690**	16 646	9 447	7 199
Outflow	**(51 065)**	**(29 048)**	**(22 017)**	(47 591)	(26 662)	(20 929)
Policy benefits (note 15.3)	**(31 928)**	**(14 887)**	**(17 041)**	(29 900)	(13 885)	(16 015)
Retirement fund terminations	**(2 474)**	**(5)**	**(2 469)**	(2 413)	—	(2 413)
Fees, risk premiums and other payments to shareholders' fund	**(16 663)**	**(14 156)**	**(2 507)**	(15 278)	(12 777)	(2 501)
Movement in policy loans	**(174)**	**5**	**(179)**	26	7	19
Net movement for the year	**44 006**	**12 345**	**31 661**	12 279	1 792	10 487
Foreign currency translation differences	**2 157**	**340**	**1 817**	4 447	965	3 482
Balance at beginning of the year	**282 421**	**135 742**	**146 679**	265 695	132 985	132 710
Balance at end of the year	**328 584**	**148 427**	**180 157**	282 421	135 742	146 679

R million	2012	2011
15.2 Analysis of premium income		
Individual business	**36 395**	32 216
Recurring	**17 321**	16 139
Single	**16 783**	13 987
Continuations	**2 291**	2 090
Employee benefits business	**12 532**	10 982
Recurring	**6 950**	6 180
Single	**5 582**	4 802
Total premium income	**48 927**	43 198
15.3 Analysis of long-term policy benefits		
Individual business	**26 070**	24 317
Maturity benefits	**13 044**	12 629
Surrenders	**5 980**	5 714
Life and term annuities	**5 826**	5 050
Death and disability benefits[1]	**1 138**	832
Cash bonuses[1]	**82**	92
Employee benefits business	**5 858**	5 583
Withdrawal benefits	**2 836**	2 429
Pensions	**1 363**	2 004
Lump-sum retirement benefits	**1 085**	794
Death and disability benefits[1]	**474**	288
Cash bonuses[1]	**100**	68
Total long-term policy benefits	**31 928**	29 900

[1] *Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 23).*

R million	2012	2011
15. Long-term policy liabilities *(continued)*		
15.4 Composition of policy liabilities		
Individual business	**273 204**	234 812
Linked and market-related liabilities	**165 894**	136 051
Stable bonus fund	**40 597**	37 636
Reversionary bonus policies	**10 285**	9 912
Non-participating annuities	**27 765**	24 528
Participating annuities	**55**	54
Other non-participating liabilities	**28 608**	26 631
Employee benefits business	**55 380**	47 609
Linked and market-related liabilities	**22 945**	19 017
Stable bonus portfolios	**13 115**	11 317
Participating annuities	**6 959**	6 440
Non-participating annuities	**6 874**	6 068
Other non-participating liabilities	**5 487**	4 767
Total policy liabilities	**328 584**	282 421

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15.5 Maturity analysis of investment policy contracts					
2012					
Linked and market-related	**2 710**	**15 829**	**53 338**	**78 477**	**150 354**
Stable bonus	**—**	**—**	**25**	**13 118**	**13 143**
Non-participating annuities	**319**	**484**	**26**	**—**	**829**
Other non-participating liabilities	**635**	**7 575**	**6 525**	**1 096**	**15 831**
Total investment policies	**3 664**	**23 888**	**59 914**	**92 691**	**180 157**
2011					
Linked and market-related	2 591	10 724	43 105	62 932	119 352
Stable bonus	3	—	28	11 321	11 352
Non-participating annuities	341	556	24	—	921
Other non-participating liabilities	980	6 928	6 299	847	15 054
Total investment policies	3 915	18 208	49 456	75 100	146 679

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 40 for additional fair value disclosures.

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15.6 Maturity analysis of insurance policy contracts					
2012					
Linked and market-related	**1 782**	**8 662**	**22 958**	**5 083**	**38 485**
Stable bonus	**2 024**	**9 292**	**24 891**	**4 362**	**40 569**
Reversionary bonus policies	**523**	**2 365**	**5 540**	**1 857**	**10 285**
Non-participating annuities	**3**	**32**	**50**	**33 725**	**33 810**
Participating annuities	**—**	**—**	**—**	**7 014**	**7 014**
Other non-participating liabilities	**439**	**1 137**	**2 582**	**14 106**	**18 264**
Total insurance policies	**4 771**	**21 488**	**56 021**	**66 147**	**148 427**

	R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15.	**Long-term policy liabilities** *(continued)*					
15.6	**Maturity analysis of insurance policy contracts** *(continued)*					
	2011					
	Linked and market-related	1 598	7 902	22 800	3 416	35 716
	Stable bonus	1 800	8 484	24 415	2 902	37 601
	Reversionary bonus policies	514	2 344	5 477	1 577	9 912
	Non-participating annuities	3	32	54	29 586	29 675
	Participating annuities	—	—	—	6 494	6 494
	Other non-participating liabilities	447	917	2 452	12 528	16 344
	Total insurance policies	4 362	19 679	55 198	56 503	135 742

	R million	Notes	2012	2011
15.7	**Policy liabilities include the following:**			
	Provision for HIV/Aids and other pandemics		**4 532**	4 435
	Asset mismatch reserve		**3 325**	2 830
16.	**Term finance**			
	Term finance comprises:			
	Interest-bearing liabilities held in respect of margin business	16.1	**1 487**	2 414
	Other interest-bearing liabilities	16.2	**3 976**	3 881
			5 463	6 295
16.1	**Interest-bearing liabilities held in respect of margin business**			
	Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 5,2% and 8,3% (2011: 5,5% and 8,3%) or linked to prime interest rates. The preference shares have different redemption dates up to 2015.		**1 487**	2 414
16.2	**Other interest-bearing liabilities**			
	Unsecured subordinated bond, with interest payable at 9,54% and a final maturity date of 15 August 2018. The bond has a redemption call option at its nominal value of R1 160 million, which the Group can exercise on 15 August 2013.		**1 186**	1 207
	Unsecured subordinated bond, with interest payable at 9,64% and a final maturity date of 15 August 2021. The bond has a redemption call option at its nominal value of R828 million, which the Group can exercise on 15 August 2016.		**901**	872
	Unsecured subordinated notes, with interest payable at between 8,6% and 9,6% with a final maturity date of 15 September 2022. The notes have a redemption call option at their nominal value of R1 000 million, which the Group can exercise on 15 September 2017.		**1 034**	939
	Mortgage bonds over properties held in unit-linked policyholder funds. The mortgage over each property is negotiated separately, varies in term from five to 20 years, with interest rates linked at a premium between 2,5% and 4,5% to the Bank of England base rate.		**524**	586
	Obligations towards beneficiaries of companies limited by guarantee – matched by assets held in this regard.		**109**	104
	Finance lease on owner-occupied property, with interest payable at 10,44% and terminating on 1 June 2012.		**—**	6
	Finance lease, with interest payable at various rates and terminating from 2011 to 2012.		**—**	96
	Other		**222**	71
			3 976	3 881

R million	Notes	2012	2011
16. Term finance *(continued)*			
16.3 Maturity analysis of term finance – fair value			
Due within one year		**1 265**	782
Due within two to five years		**1 365**	1 738
Due after more than five years		**2 833**	3 775
Total term finance liabilities		**5 463**	6 295
Maturity analysis of term finance – undiscounted			
Due within one year		**1 302**	782
Due within two to five years		**1 774**	1 738
Due after more than five years		**4 044**	3 792
Total term finance liabilities		**7 120**	6 312
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	**3 455**	3 280
Valued at stock exchange prices		**3 121**	3 018
Based on internal valuation		**334**	262
Other financial liabilities	16.4.2	**2 008**	3 015
Total term finance liabilities		**5 463**	6 295
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss		**3 455**	3 280
Amount contractually payable at maturity		**3 171**	3 210
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		**2 008**	3 015
Refer to note 40 for additional fair value disclosures.			
17. Trade and other payables			
Trading account		**21 350**	17 997
Accounts payable		**8 378**	9 512
Policy benefits payable		**2 779**	2 936
Amounts due to reinsurers		**826**	674
Bank overdrafts		**—**	7
Operating lease creditor		**26**	31
Claims incurred but not reported		**1 464**	1 345
Total trade and other payables		**34 823**	32 502
Classification of trade and other payables:			
Held for trading at fair value		**21 350**	17 997
Other financial liabilities at amortised cost		**13 473**	14 505
Total trade and other payables		**34 823**	32 502
Trade and other payables, excluding trading account, are payable within one year.			
Maturity analysis of trading account – fair value			
Due within one year		**16 857**	15 018
Due within two to five years		**2 356**	1 318
Due after five years		**2 137**	1 661
Total trading account		**21 350**	17 997
Maturity analysis of trading account – undiscounted			
Due within one year		**18 437**	15 897
Due within two to five years		**3 434**	1 809
Due after five years		**815**	963
Total trading account		**22 686**	18 669

18. Provisions

Details of the different classes of provisions are as follows:

R million	Possible claims	Post-retirement medical aid	Onerous contracts	Other	Total
Balance at 1 January 2011	250	23	15	329	617
Charged to the statement of comprehensive income	3	25	2	(156)	(126)
Additional provisions	5	25	2	59	91
Unused amounts reversed	(2)	—	—	(215)	(217)
Utilised during year	(1)	(2)	(2)	(63)	(68)
Balance at 31 December 2011	**252**	**46**	**15**	**110**	**423**
Charged to the statement of comprehensive income	**(2)**	**(1)**	**—**	**(20)**	**(23)**
Additional provisions	**7**	**—**	**—**	**1**	**8**
Unused amounts reversed	**(9)**	**(1)**	**—**	**(21)**	**(31)**
Utilised during the year	**—**	**(3)**	**(1)**	**—**	**(4)**
Balance at 31 December 2012	**250**	**42**	**14**	**90**	**396**
Analysis of provisions					
Current	**1**	**2**	**—**	**29**	**32**
Non-current	**249**	**40**	**14**	**61**	**364**
Total provisions at 31 December 2012	**250**	**42**	**14**	**90**	**396**

Possible claims
The Group provides for possible claims that may arise as a result of past events, transactions or investments. Due to the nature of the provision, the timing of the expected cash outflows is uncertain.
Estimates are reviewed annually and adjusted as appropriate for new circumstances.
Additional information in respect of possible claims cannot be provided, due to the potential prejudice that such disclosure may confer on the Group.

Post-retirement medical aid
The Group provides for the future medical aid contributions for certain pensioners, disabled staff members and disabled advisers.
The provision represents the present value of future contributions which is actuarially determined on an annual basis.
Refer to note 32: Retirement benefits for employees.

Onerous contracts
Provision is made for the full term of the contractual rental payable in respect of vacated offices where the lease term has not yet expired.
A provision for related costs (e.g. electricity) is also included.

Other
Includes sundry provisions for probable outflows of resources from the Group arising from past events. The timing of settlement cannot reasonably be determined.
Additional information in respect of other provisions cannot be provided, due to the potential prejudice that such disclosure may confer on the Group.

R million	2012	2011
19. Financial services income		
Analysis per revenue source		
Long-term insurance	**17 164**	15 776
Short-term insurance	**19 101**	17 449
Other financial services	**4 151**	3 438
Total financial services income	**40 416**	36 663
Analysis per revenue category		
Long-term insurance fee income	**17 164**	15 776
Administration services	**2 663**	2 428
Investment management fees	**387**	489
Risk benefit charges and other fee income	**14 114**	12 859
Short-term insurance premiums	**19 101**	17 449
Premiums receivable	**19 433**	17 708
Change in unearned premium provision	**(332)**	(259)
Other financial services fees and income	**4 105**	3 380
Trading profit	**46**	57
Foreign exchange gains	**—**	1
Total financial services income	**40 416**	36 663
20. Reinsurance premiums paid		
Long-term insurance	**1 182**	865
Short-term insurance	**3 429**	2 796
Premiums payable	**3 565**	3 033
Change in unearned premium provision	**(136)**	(237)
Total reinsurance premiums paid	**4 611**	3 661
21. Reinsurance income		
Reinsurance commission received		
Long-term insurance	**67**	71
Short-term insurance	**516**	321
Total reinsurance commission received	**583**	392
Reinsurance claims received		
Long-term insurance	**799**	467
Short-term insurance	**1 487**	1 383
Total reinsurance claims received	**2 286**	1 850

R million	2012	2011
22. Investment return		
Investment income		
Equities and similar securities	6 362	4 237
Interest-bearing, preference shares and similar securities	9 973	8 830
Properties	1 274	1 264
Rental income – excluding contingent rental	1 350	1 362
Contingent rental income	100	115
Rental related expenses	(176)	(213)
Income from margin business[1]	140	272
Total investment income	17 749	14 603
Interest income on financial assets not classified as at fair value through profit or loss	–	95
Investment surpluses		
Financial assets designated as at fair value through profit or loss	35 785	4 348
Financial assets classified as held for trading	683	(241)
Investment properties	533	497
Profit on disposal of associates, joint ventures and operations	90	239
Total investment surpluses	37 091	4 843
Investment return includes:		
Foreign exchange gains	1 539	5 370

[1]*Refer to note 26 for finance cost incurred in respect of margin business.*

R million	2012	2011
23. Long-term insurance and investment contract benefits		
Insurance contracts		
Underwriting policy benefits	6 349	5 875
After tax investment return attributable to insurance contract liabilities (note 15)	21 628	9 447
Total long-term insurance contract benefits	27 977	15 322
Investment contracts		
After tax investment return attributable to investment contract liabilities (note 15)	24 690	7 199
Total long-term investment contract benefits	24 690	7 199
Analysis of underwriting policy benefits		
Individual insurance	2 995	2 791
Employee benefits	3 354	3 084
Total underwriting policy benefits	6 349	5 875

R million	2012	2011
24. Administration costs include:		
Directors' and Executive committee members' remuneration		
Refer to Corporate Governance report on pages 150 to 168 for additional audited information on directors' remuneration.		
Auditors' remuneration		
Audit fees: statutory audit	**87**	81
Other services provided by:	**18**	4
Subsidiaries' own auditors	**14**	3
Other Group auditors	**4**	1
Total auditors' remuneration	**105**	85
Depreciation	**216**	187
Operating leases	**475**	443
Properties	**302**	272
Equipment	**156**	156
Other	**17**	15
Consultancy fees	**562**	370
Technical, administrative and secretarial fees	**529**	544
Employee benefits	**6 099**	5 395
Salaries and other short-term benefits	**5 169**	4 668
Pension costs – defined contribution plans	**271**	256
Pension costs – defined benefit plans	**13**	11
Share-based payments	**257**	267
Other long-term incentive schemes	**389**	193
Number of employees	**13 139**	12 586

	R million	2012	2011
25.	**Equity-accounted earnings**		
	Punter Southall Group	**21**	16
	Sanlam Personal Loans	**151**	114
	Vukile	**—**	30
	Shriram Life Insurance	**18**	10
	Letshego	**180**	132
	Other associated companies	**214**	119
	Equity-accounted earnings	**584**	421
26.	**Finance cost**		
	Interest paid and term finance cost in respect of margin business	**185**	203
	Finance cost – margin business	**185**	203
	Interest-bearing liabilities designated as at fair value through profit or loss	**276**	285
	Interest-bearing liabilities held at amortised cost	**39**	51
	Finance cost – other	**315**	336
27.	**Taxation**		
	Analysis of income tax per category		
	Normal income tax	**3 036**	2 497
	RSA – current year	**1 738**	1 813
	RSA – prior year	**19**	(12)
	Dividend tax – policyholders	**61**	—
	Foreign	**455**	295
	Capital gains tax	**555**	307
	Secondary tax on companies	**208**	94
	Deferred tax	**614**	13
	Normal tax – current year	**131**	(11)
	Normal tax – prior year	**16**	(10)
	Foreign	**(7)**	(14)
	Capital gains tax	**394**	(25)
	Secondary tax on companies	**80**	73
	Tax expense	**3 650**	2 510
	Shareholders' fund	**2 468**	1 903
	Policyholders' fund	**1 182**	607
	Tax expense	**3 650**	2 510
	In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:		
	Included in administration costs	**257**	232
	Included elsewhere in the statement of comprehensive income	**96**	65
	Total indirect taxes and levies	**353**	297

Indirect taxes and levies include value added tax and statutory levies payable to the Financial Services Board.

%	2012	2011
27. Taxation *(continued)*		
Standard rate of taxation	**28,0**	28,0
Adjusted for:		
Non-taxable income	**(3,9)**	(2,6)
Disallowable expenses	**1,1**	1,0
Share-based payments	**0,1**	0,2
Investment surpluses	**(0,4)**	(2,2)
Prior year adjustments	**0,2**	(0,4)
Foreign tax rate differential	**(0,1)**	(0,8)
Secondary tax on companies	**2,9**	2,0
Policyholders	**8,4**	5,1
Other	**(0,1)**	(1,0)
Effective tax rate	**36,2**	29,3

28. Earnings per share

For basic earnings per share the weighted average number of ordinary shares is adjusted for the treasury shares held by subsidiaries and policyholders. Basic earnings per share is calculated by dividing earnings by the adjusted weighted average number of shares in issue.

For diluted earnings per share the weighted average number of ordinary shares is adjusted for the shares not yet issued under the Sanlam Share Incentive Scheme, treasury shares held by subsidiaries and the conversion of deferred shares. Diluted earnings per share is calculated by dividing earnings by the adjusted diluted weighted average number of shares in issue.

Refer to page 116 for normalised earnings per share, which is based on the economic earnings attributable to the shareholders' fund and in management's view, should be used when evaluating the Group's economic performance.

Cents	2012	2011
Basic earnings per share:		
Headline earnings	**298,9**	259,1
Profit attributable to shareholders' fund	**293,3**	266,9
Diluted earnings per share:		
Headline earnings	**286,8**	250,1
Profit attributable to shareholders' fund	**281,4**	257,7

R million	2012	2011
28. Earnings per share *(continued)*		
Analysis of earnings:		
Profit attributable to shareholders' fund	**5 655**	5 166
Less: Net profit on disposal of subsidiaries	**(3)**	(14)
Profit on disposal of subsidiaries	**(27)**	(30)
Tax on profit on disposal of subsidiaries and businesses	**8**	1
Minority shareholders' interest	**16**	15
Less: Net profit on disposal of associates and joint ventures	**(63)**	(172)
Profit on disposal of associates and joint ventures	**(63)**	(209)
Tax on profit on disposal of associates and joint ventures	**–**	37
Plus: Impairments	**174**	35
Impairments	**206**	36
Non-controlling shareholders' interest	**(32)**	(1)
Headline earnings	**5 763**	5 015

Million	2012	2011
Number of shares:		
Number of ordinary shares in issue at beginning of the year	**2 100,0**	2 100,0
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	**(171,9)**	(164,8)
Adjusted weighted average number of shares for basic earnings per share	**1 928,1**	1 935,2
Add: Weighted conversion of deferred shares	**50,7**	34,2
Add: Total number of shares and options	**30,6**	36,5
Less: Number of shares (under option) that would have been issued at fair value	**–**	(1,0)
Adjusted weighted average number of shares for diluted earnings per share	**2 009,4**	2 004,9

29. Dividends

A dividend of 215 cents per share (2011: 130 cents per share) was declared in 2013 in respect of the 2012 earnings. The 2012 dividend comprises of a normal dividend of 165 cents per share (2011: 130 cents per share) and a special dividend of 50 cents per share (2011: nil). Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R4,5 billion, but may vary depending on the number of shares in issue on the last day to trade.

R million	2012	2011
30. Collateral		
30.1 Collateral provided		
The following assets have been pledged as collateral for the Group's derivatives, liabilities or contingent liabilities:		
Investments		
Investment property	**1 174**	1 189
Public sector stocks and loans	**316**	284
Working capital assets		
Trading account	**1 168**	2 502
Cash, deposits and similar securities	**1 974**	3 441
The transferee does not have the right to sell or repledge the assets.		
30.2 Collateral received		
The following collateral has been received in respect of securities lending activities conducted by the Group:		
Fair value of collateral accepted as security for these activities	**14 998**	16 318
Collateral of between 100% and 120% of the value of the loaned securities is held at 31 December 2012.		
Fair value of the collateral held that the Group is permitted to sell or repledge the collateral in the absence of default	**1 273**	1 048

31. Critical accounting estimates and judgements

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's assets and liabilities. Management applies judgement in determining best estimates of future experience. These judgements are based on historical experience and reasonable expectations of future events and changes in experience. Estimates and assumptions are regularly updated to reflect actual experience. It is reasonably possible that actual outcomes in future financial years may differ to the current assumptions and judgements, possibly significantly, which could require a material adjustment to the carrying amounts of the affected assets and liabilities.

The critical estimates and judgements made in applying the Group's accounting policies are summarised below. Given the correlation between assumptions, it is not possible to demonstrate the effect of changes in key assumptions whilst other assumptions remain unchanged. Further, in some instances the sensitivities are non-linear. Interdependencies between certain assumptions cannot be quantified and are accordingly not included in the sensitivity analyses; the primary example being the relationship between economic conditions and lapse, surrender and paid-up risk.

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variances reflected in the embedded value earnings during a period. The experience variances reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group. Refer to the embedded value of covered business on page 123 for additional information.

31.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill and value of business acquired and other intangible assets for impairment testing purposes has been determined based on the embedded value of covered life insurance businesses and the fair value of other businesses, as applicable, less the consolidated net asset value of the respective businesses. The embedded value or fair value of a business therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required. Refer to pages 129 and 130 respectively for the main assumptions applied in determining the embedded value of covered business and the fair value of other Group businesses. Embedded value of covered business and fair value sensitivity analyses are provided on pages 127 and 111 respectively.

31. Critical accounting estimates and judgements *(continued)*

31.2 Properties

The valuation of properties is based on estimates and assumptions that have a direct impact on the fair value of properties included in the Sanlam Group statement of financial position. The majority of the Group's properties are held by the Sanlam Life Insurance Limited group for which the main valuation assumptions used as at 31 December 2012 and the sensitivity of the valuations to changes in the assumptions are summarised below:

			Change in fair value of properties	
	Base assumption	Change in assumption	Decrease in assumption R million	Increase in assumption R million
2012				
Base discount rate	**10,0% – 17,7%**	**1%**	**338**	**(316)**
Capitalisation rate	**9,5% – 19,5%**	**1%**	**558**	**(455)**
2011				
Base discount rate	8,0% – 9,3%	1%	354	(334)
Capitalisation rate	9,5% – 12,0%	1%	625	(514)

31.3 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services

This disclosure should be read in conjunction with the valuation methodology as described on pages 235 to 239.

The following process is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption.
- Prescribed margins are then applied as required by the Long-term Insurance Act in South Africa and Board Notice 14 of 2010 issued in terms of the Act.
- Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. Investment return information for the most important solutions are as follows:

31. Critical accounting estimates and judgements *(continued)*

31.3 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services *(continued)*

%	Sanlam Life 2012	Sanlam Life 2011	Sanlam Developing Markets 2012	Sanlam Developing Markets 2011	Sanlam Life Namibia 2012	Sanlam Life Namibia 2011	Sanlam Life and Pensions UK 2012	Sanlam Life and Pensions UK 2011
Reversionary bonus business								
Retirement annuity business	**8,5**	9,9	**n/a**	n/a	**8,5**	9,9	**n/a**	n/a
Individual policyholder business	**7,2**	8,6	**5,2**	6,2	**7,9**	9,2	**n/a**	n/a
Individual stable bonus business								
Retirement annuity business	**8,2**	9,6	**6,6**	8,1	**8,2**	9,6	**n/a**	n/a
Individual policyholder business	**6,9**	8,3	**5,2**	6,2	**7,5**	8,9	**n/a**	n/a
Non-taxable business	**8,2**	9,6	**n/a**	n/a	**8,2**	9,6	**n/a**	n/a
Corporate policyholder business	**6,5**	8,0	**n/a**	n/a	**7,5**	8,9	**n/a**	n/a
Individual market-related business								
Retirement annuity business	**8,5**	9,9	**6,6**	8,1	**8,5**	9,9	**2,3**	2,5
Individual policyholder business	**7,2**	8,6	**5,2**	6,2	**7,9**	9,2	**1,9**	2,0
Non-taxable business	**8,5**	9,9	**n/a**	n/a	**8,5**	9,9	**n/a**	n/a
Corporate policyholder business	**6,8**	8,4	**n/a**	n/a	**7,9**	9,2	**n/a**	n/a
Participating annuity business	**6,7**	7,9	**n/a**	n/a	**6,5**	7,9	**n/a**	n/a
Non-participating annuity business*	**7,8**	8,5	**8,4**	9,3	**7,9**	8,8	**3,1**	3,5
Guarantee plans*	**5,3**	6,5	**5,8**	7,0	**n/a**	n/a	**n/a**	n/a

**The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same policy liabilities as calculated using the yield curve applied in the valuation.*

Future bonus rates for participating business

Assumed future bonus rates are determined to be consistent with the valuation implicit rate assumptions.

Decrements

Assumptions with regard to future mortality, disability and disability payment termination rates and lapse, surrender and paid-up rates are consistent with the experience for the five years up to 30 June 2012. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.

Expenses

Unit expenses are based on the 2012 actual figures and escalated at estimated expense inflation rates per annum. Refer to note 1 on page 127 for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

31.4 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2011: 10%) from management's estimates, no impairment of the DAC asset would be required.

31.5 The ultimate liability arising from claims under short-term insurance contracts

The estimation of the ultimate liability arising from claims under short-term insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining its short-term insurance risk monitoring and management tools to enable the Group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the Group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to the Capital and Risk Management report on page 208 for further information on the estimation of the claims liability.

31. Critical accounting estimates and judgements *(continued)*

31.6 Valuation of unlisted investments

The valuation of unlisted investments is based on generally accepted and applied investment techniques, but is subject to judgement in respect of the adjustments made by the Group to allow for perceived risks. The appropriateness of the valuations is continuously tested through the Group's approval framework, in terms of which the valuation of unlisted investments is reviewed and recommended for approval by the Audit, Actuarial and Finance committee and Board by the Sanlam Non-listed Asset Controlling Body at each reporting period.

32. Retirement benefits for employees

The Sanlam Group provides for the retirement and medical benefits of full-time employees and for certain part-time employees by means of defined benefit and defined contribution pension and provident funds. At 31 December 2012, 98% of employees were covered by defined contribution funds and 2% by defined benefit funds (2011: 98% and 2% respectively).

32.1 Defined contribution funds

There are separate defined contribution funds for advisers, full-time and part-time office staff. The Sanlam Group contributed R271 million to these funds during 2012 (2011: R256 million).

32.2 Defined benefit funds

The Sanlam Group has three defined benefit funds. These funds relate to:

- Sanlam office personnel (who did not elect to transfer to the defined contribution fund);
- Sanlam Investments and Pensions office personnel; and
- Sanlam Developing Markets Defined Benefit Fund SA.

All funds are closed for new entrants. The Sanlam office personnel fund and Sanlam Developing Markets defined benefit fund SA are governed by the Pensions Funds Act in South Africa. All of the above funds are valued annually. According to the latest valuation in accordance with IAS 19 all of the above funds were in a materially sound financial position.

		Sanlam office personnel	Sanlam Investments and Pensions	Sanlam Developing Markets SA
Principal actuarial assumptions:				
Latest valuation date		31 Dec 2012	31 Dec 2012	31 Dec 2012
Pre-retirement discount rate	% pa	8,2	4,6	7,9
Post-retirement discount rate	% pa	1,5	4,6	2,7
Future salary increases	% pa	7,9	3,0	5,3
Expected return on assets	% pa	8,2	4,8	8,9
Actual experience:				
Actual return on assets	% pa	18,8	10,1	21,0

Based on reasonable actuarial assumptions about future experience, the employers' contribution, as a fairly constant percentage of the remuneration of the members of the funds, should be sufficient to meet the promised benefits of the funds. The expected return on defined benefit fund assets is calculated based on the long-term asset mix of these funds. The fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

32. Retirement benefits for employees *(continued)*

32.2 Defined benefit funds *(continued)*

R million	2012	2011	2010	2009	2008
Net liability recognised in statement of financial position					
Present value of fund obligations	**2 051**	1 760	1 508	1 436	1 216
Actuarial value of fund assets	**(2 006)**	(1 771)	(1 678)	(1 599)	(1 380)
Net present value of funded obligations	**45**	(11)	(170)	(163)	(164)
Unrecognised actuarial (losses)/gains	**(45)**	11	170	163	164
Net liability recognised in statement of financial position	**—**	—	—	—	—
Experience adjustments on:					
Fund obligations	**2,1%**	0,3%	(0,8%)	0,4%	(1,3%)
Fund assets	**6,0%**	0,6%	1,8%	4,5%	(8,8%)

R million	2012	2011
Fund obligations		
Balance at beginning of the year	**1 760**	1 508
Movement for the year:	**291**	252
Current service cost	**26**	21
Past service cost	**—**	165
Interest	**146**	135
Actuarial gains and losses	**215**	25
Foreign exchange gains	**36**	56
Release of obligations	**(130)**	(148)
Other	**(2)**	(2)
Balance at end of the year	**2 051**	1 760
Fund assets		
Balance at beginning of the year	**1 771**	1 678
Movement for the year:	**235**	93
Expected return on fund assets	**143**	139
Actuarial gains and losses	**162**	18
Foreign exchange gains	**37**	58
Contributions by employer	**23**	17
Contributions by fund participant	**3**	3
Benefits paid	**(131)**	(140)
Other	**(2)**	(2)
Balance at end of the year	**2 006**	1 771

	%	2012	2011
32.	**Retirement benefits for employees** *(continued)*		
32.2	**Defined benefit funds** *(continued)*		
	Fund assets comprise:		
	Properties	**2**	1
	Equities and similar securities	**32**	29
	Public sector stocks and loans	**1**	1
	Debentures, insurance policies, preference shares and other loans	**51**	58
	Cash, deposits and similar securities	**14**	11
		100	100

The above value of fund assets includes an investment of R4,6 million (2011: R3,4 million) in Sanlam shares.

R million	2012	2011
Net expense recognised in the statement of comprehensive income (included in administration costs):		
Current service cost	**26**	21
Past service cost	**—**	165
Interest cost	**146**	135
Expected return on fund assets	**(143)**	(139)
Net actuarial losses/(gains) recognised during the year	**(20)**	(152)
Other	**4**	(19)
Total included in staff costs	**13**	11

The best estimate of the expected contributions payable to the fund in 2012 is R28 million.

	R million	2012	2011
32.3	**Medical aid funds**		
	The actuarially determined present value of medical aid obligations for disabled members and certain pensioners is fully provided for at year-end. The Group has no further unprovided post-retirement medical aid obligations for current or retired employees.		
	Principal actuarial assumptions at 31 December 2012 were as follows:		
	Pre-retirement discount rate	**8,2%**	9,0%
	Returns for All Bond Index (ALBI)	**8,0%**	8,8%
	Expected increase in medical aid contributions	**8,2%**	9,0%
	Net liability recognised in statement of financial position		
	Balance at beginning of the year	**46**	23
	Movement for the year:	**(4)**	23
	Interest	**4**	4
	Actuarial gains and losses	**(4)**	2
	Additional provisions	**—**	25
	Benefits paid	**(4)**	(8)
	Balance at end of the year	**42**	46

32. Retirement benefits for employees *(continued)*
32.3 Medical aid funds *(continued)*

R million	2012	2011	2010	2009	2008
Net liability recognised in the statement of financial position:					
Present value of unfunded obligation	**42**	46	23	26	30
Experience adjustments on:					
Fund obligation	**(0,6%)**	0,5%	3,3%	(10,5%)	(4,1%)

	% increase in assumed medical aid contributions	
Sensitivity analysis	(2)	2
Effect of change in assumed medical aid contributions (R million):		
Aggregate of current service and interest costs	4	4
Total defined benefit obligation for post-employment medical benefits	45	39

33. Borrowing powers

In terms of the memorandum of incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the Company without limitation.

Material borrowings of the Sanlam Group are disclosed in note 16.

R million	2012	2011
34. Commitments and contingencies		
34.1 Operating leases		
Future operating lease commitments:		
Lease rentals due within one year	**393**	385
Lease rentals due within two to five years	**553**	436
Lease rentals due within more than five years	**190**	58
Total operating lease commitments	**1 136**	879

34. Commitments and contingencies *(continued)*

34.2 Services provided by Curo Fund Services

As part of the acquisition of Curo Fund Services effective 1 September 2012, Sanlam Life agreed to outsource investment administration services to Curo for a period of three years. The fees payable under the agreement are fixed for the first year and will be negotiated by the parties for the following two years. Management's best estimate of the fees for year two is R63,4 million and for year three is R67,3 million.

34.3 Guarantees provided in favour of Sanlam Capital Markets (SCM) and others

Sanlam has guaranteed obligations that may arise under SCM's unlisted commercial paper programme and its BESA listed structured note programme, as well as SCM's obligations arising from transactions with approved, specified counterparties through direct guarantees. The total limit for the unlisted commercial paper programme is R15 billion and for the BESA listed structured note programme the limit is R5 billion, but both these and the direct guarantees are subject to an overall R15 billion guarantee utilisation limit in terms of the Group governance processes. The total utilisation of the guarantee can be increased to R16,5 billion, subject to SCM providing acceptable collateral. At 31 December 2012 the total utilisation of the guarantee amounted to R12,0 billion, including R1,5 billion provided against collateral, the value of unlisted commercial paper issued by SCM of R8,8 billion (2011: R7,2 billion) and the value of BESA listed structured notes of R56 million (2011: R180 million).

Sanlam has also issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the Group.

34.4 Other

Financial claims are lodged against the Group from time to time. Provisions are recognised for claims based on best estimates of the expected outcome of the claims (refer to note 18). Given the high degree of uncertainty involved in determining the expected outcome, it is reasonably possible that outcomes in future financial years will be different to the current estimates. There are no material commitments or contingencies that have not been provided for or fully disclosed, unless additional disclosures may potentially prejudice the legal arguments of the Group.

35. Related parties

35.1 Major shareholders

Sanlam Limited is the ultimate holding company in the Group.

By virtue of its shareholding in Sanlam Limited, Ubuntu-Botho Investments is considered to be a related party to the Group. Apart from Ubuntu-Botho Investments' role as the Group's broad-based black economic empowerment partner and obtaining new business for the Group, the Group does not enter into transactions with Ubuntu-Botho Investments in the normal course of business.

No other Sanlam shareholders have a significant influence and thus no other shareholder is a related party. The shares are widely held by public and non-public shareholders.

Details of transactions between the policyholders' and shareholders' funds of the Sanlam Group are disclosed in note 15.

The shareholder spread is presented on page 293.

35.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R284 million in 2012 (2011: R267 million). There are no amounts outstanding at year-end.

35.3 Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the Company. All directors of Sanlam Limited have notified that they did not have a material interest in any contract of significance with the Company or any of its subsidiaries, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments are included in note 24 and their shareholdings and share incentives granted in the Company are disclosed as part of the Corporate Governance report elsewhere in the Integrated Report.

35.4 Transactions with entities in the Group

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various transactions with other Group companies, associated companies, joint ventures and other stakeholders. These transactions occurred at arm's length.

The Company advanced, repaid and received loans from two other entities in the Group during the current and previous years. These loans have been eliminated on consolidation.

The Group provides financing for the loans granted by Sanlam Personal Loans. Most of these loans earn interest of the asset swap rate plus a premium of between 1,48% and 2,75%, and will mature in tranches up to 31 December 2015 (refer Capital and Risk Management report). Apart from these financing loans, an interest free shareholders' loan of R116 million was granted to Sanlam Personal Loans.

35.5 Policy administration

Certain companies in the Group carry out third party policy and other administration activities for other related parties in the Group. These transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with third parties.

	R million	2012	2011
35.6	**Key management personnel compensation**		
	Compensation paid to the Group's key management personnel is as follows:		
	Short-term employee benefits	**456**	422
	Share-based payments	**95**	48
	Termination benefits	**14**	7
	Other long-term benefits and incentive schemes	**58**	51
	Total key management personnel compensation	**623**	528

R million	2012	2011
36. Notes to the cash flow statement		
36.1 Cash generated by operations		
Profit before tax per statement of comprehensive income	**10 084**	8 575
Net movement in policy liabilities (note 15.1)	**46 163**	16 726
Non-cash flow items	**(36 662)**	(4 467)
Depreciation	**216**	187
Bad debts written off	**150**	179
Share-based payments	**257**	267
Profit on disposal of associates, joint ventures and operations	**(90)**	(239)
Fair value adjustments	**(37 001)**	(4 604)
Impairment of investments and goodwill	**206**	36
Amortisation of intangibles	**184**	128
Equity-accounted earnings	**(584)**	(421)
Items excluded from cash utilised in operations	**(15 975)**	(12 800)
Interest and preference share dividends received	**(10 113)**	(9 102)
Interest paid	**500**	539
Dividends received	**(6 362)**	(4 237)
Net purchase of property and equipment	**(147)**	(217)
Net purchase of owner-occupied properties	**(79)**	(1)
(Increase)/decrease in net working capital assets and liabilities	**(2 394)**	3 673
Cash generated by operations	**990**	11 489
36.2 Acquisition of subsidiaries, associates and joint ventures		
During the year, various interests in subsidiaries were acquired within the Group. The fair value of assets acquired is as follows:		
Property and equipment	**2**	8
Value of business acquired	**—**	208
Investments	**2 443**	68
Trade and other receivables	**11**	35
Cash, deposits and similar securities	**47**	41
Term finance	**(4)**	—
Deferred tax liabilities	**(10)**	—
Short-term insurance technical provisions	**—**	(38)
Working capital liabilities	**(24)**	(58)
Minority shareholders' interest	**—**	(9)
Goodwill	**306**	30
Total purchase consideration	**2 771**	282
Less: Net asset value contributed	**(70)**	(33)
Cash, deposits and similar securities acquired	**(47)**	(41)
Cash component of acquisition of subsidiaries, associates and joint ventures	**2 654**	208

R million	2012	2011
36. Notes to the cash flow statement *(continued)*		
36.3 Disposal of subsidiaries, associates and joint ventures		
Disposals relate mainly to the disposal of Shriram Life Insurance and Shriram General Insurance in 2012. The fair value of assets disposed of was as follows:		
Property and equipment	**1**	3
Investments	**27**	62
Trade and other receivables	**—**	16
External investors in consolidated funds	**(17)**	—
Cash, deposits and similar securities	**18**	18
Deferred tax liabilities	**(2)**	(2)
Working capital liabilities	**(8)**	(20)
Minority shareholders' interest	**(9)**	(20)
Goodwill	**—**	8
Investment in joint ventures	**404**	—
Investment in associates	**18**	474
Profit on disposal of subsidiaries, associates and joint ventures	**90**	239
Total disposal price	**522**	778
Less: Cash, deposits and similar securities disposed of	**(18)**	(18)
Cash component of disposal of subsidiaries, associates and joint ventures	**504**	760
36.4 Cash, deposits and similar securities		
Working capital: Cash, deposits and similar securities	**14 952**	14 377
Investment cash	**56 436**	51 487
Bank overdrafts	**—**	(7)
Total cash, deposits and similar securities	**71 388**	65 857

37. Business combinations

37.1 Material acquisitions of the Group consolidated in the 2012 financial year

There were no material business combinations during the 2012 financial year.
Other acquisitions relate to the following:

- The acquisition of the remaining 50% interest in Satrix by Sanlam Investments Holdings;
- Other smaller acquisitions.

The contribution to profit for 2012 is not material.

37.2 Material acquisitions of the Group consolidated in the 2011 financial year

There were no material business combinations during the 2011 financial year.
Other acquisitions relate to the following:

- The acquisition of Mirabilis Engineering Underwriting Managers by Santam;
- Other smaller acquisitions.

The contribution of these acquisitions to profit for 2011 is not material.

R million	2012	2011
38. Non-current assets held for sale		
During 2012 Sanlam UK concluded a formal agreement of sale in terms of which Sanlam's investment in Punter Southall Group (PSG) was sold to management. The transaction was concluded shortly after 31 December 2012. During 2011 Sanlam Life Insurance Limited concluded a formal agreement of sale with Vukile Property Fund Limited in terms of which a portfolio of excess properties were sold to Vukile. These properties did not form part of the Group's normal investment portfolio. The transaction was concluded during 2012.		
38.1 Non-current assets classified as held for sale		
Investment in associates	**308**	—
Owner occupied properties (refer note 2)	**—**	68
Investment properties (refer note 7.1)	**—**	1 322
	308	1 390
39. Impairments		
Impairment of goodwill	**48**	34
Investment management: International	**6**	33
Santam businesses	**35**	—
Other	**7**	1
Impairment of value of business acquired	**79**	—
Investment management: International	**58**	—
Other	**21**	—
Impairment of investments	**79**	—
Investment management: International	**36**	—
Santam businesses	**43**	—
Other	**—**	2
Total impairment of investments, goodwill and value of business acquired for the year	**206**	36

40. Fair value disclosures

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosures only cover instruments measured at fair value.

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3.

R million	Level 1	Level 2	Level 3	Total
31 December 2012				
Equities and similar securities	**188 794**	**11 802**	**2 356**	**202 952**
Public sector stocks and loans	**55 579**	**9 038**	**—**	**64 617**
Listed property companies and property collective investments	**6 673**	**884**	**—**	**7 557**
Debentures, insurance policies, preference shares and other loans	**19 182**	**17 898**	**163**	**37 243**
Trading account assets	**2 729**	**16 817**	**—**	**19 546**
Cash deposits and similar securities	**17 079**	**39 190**	**2**	**56 271**
Total financial assets	**290 036**	**95 629**	**2 521**	**388 186**
Investment contract liabilities	**2 804**	**176 701**	**652**	**180 157**
Term finance	**3 281**	**77**	**97**	**3 455**
Margin business	**3 121**	**—**	**—**	**3 121**
Other interest-bearing liabilities	**160**	**77**	**97**	**334**
Derivative liabilities	**—**	**610**	**—**	**610**
Trading account liabilities	**2 701**	**18 649**	**—**	**21 350**
Total financial liabilities	**8 786**	**196 037**	**749**	**205 572**
31 December 2011				
Equities and similar securities	151 839	10 394	3 349	165 582
Public sector stocks and loans	52 353	6 477	1	58 831
Listed property companies and property collective investments	4 595	1 265	—	5 860
Debentures, insurance policies, preference shares and other loans	17 699	15 373	625	33 697
Trading account assets	348	14 892	—	15 240
Cash deposits and similar securities	15 057	35 229	—	50 286
Total financial assets	241 891	83 630	3 975	329 496
Investment contract liabilities	2 774	143 153	752	146 679
Term finance	3 134	87	59	3 280
Margin business	3 018	—	50	3 068
Other interest-bearing liabilities	116	87	9	212
Derivative liabilities	—	212	—	212
Trading account liabilities	4 437	13 560	—	17 997
Total financial liabilities	10 345	157 012	811	168 168

40. Fair value disclosures *(continued)*

Reconciliation of movements in level 3 financial instruments measured at fair value

R million	Equities and similar securities	Public sector stocks and loans	Debentures, insurance policies, preference shares and other loans	Cash, deposits and similar securities	Total financial assets
31 December 2012					
Financial assets					
Balance at 1 January 2012	**3 349**	**1**	**625**	**–**	**3 975**
Total gain/(loss) in statement of comprehensive income	**(54)**	**–**	**(216)**	**–**	**(270)**
Acquisitions	**317**	**–**	**30**	**2**	**349**
Disposals	**(798)**	**–**	**(276)**	**–**	**(1 074)**
Foreign exchange movements	**38**	**–**	**–**	**–**	**38**
Transfers to level 1 and level 2	**(496)**	**(1)**	**–**	**–**	**(497)**
Not significant transfer out	**–**	**(1)**	**–**	**–**	**(1)**
Significant – transfer out	**(496)**	**–**	**–**	**–**	**(496)**
Balance at 31 December 2012	**2 356**	**–**	**163**	**2**	**2 521**
31 December 2011					
Financial assets					
Balance at 1 January 2011	3 155	–	143	–	3 298
Total gain/(loss) in statement of comprehensive income	324	–	324	–	648
Acquisitions	245	1	88	–	334
Disposals	(454)	–	(93)	–	(547)
Foreign exchange movements	4	–	–	–	4
Transfers from level 1 and level 2	75	–	163	–	238
Not significant (net in/out)	1	–	–	–	1
Significant – transfer in	74	–	163	–	237
Balance at 31 December 2011	3 349	1	625	–	3 975

40. Fair value disclosures *(continued)*

Reconciliation of movements in level 3 financial instruments measured at fair value *(continued)*

R million	Investment contract liabilities	Term finance	Total financial liabilities
31 December 2012			
Financial liabilities			
Balance at 1 January 2012	**752**	**59**	**811**
Total (gain)/loss in statement of comprehensive income	**126**	**34**	**160**
Acquisitions	**128**	**—**	**128**
Disposals	**(354)**	**—**	**(354)**
Foreign exchange movements	**—**	**4**	**4**
Balance at 31 December 2012	**652**	**97**	**749**
31 December 2011			
Financial liabilities			
Balance at 1 January 2011	59	—	59
Total (gain)/loss in statement of comprehensive income	830	—	830
Acquisitions	18	59	77
Disposals	(159)	—	(159)
Foreign exchange movements	4	—	4
Balance at 31 December 2011	752	59	811

40. Fair value disclosures *(continued)*

R million	2012	2011
Gains and losses (realised and unrealised) included in profit or loss		
Total gains or losses included in profit or loss for period	**411**	(182)
Total gains or losses included in profit or loss for period for assets held at the end of reporting period	**287**	453
Transfers between categories		

R million	Equities and similar securities	Public sector stocks and loans	Listed property companies	Debentures, insurance policies, preference shares and other loans	Cash, deposits and similar securities	Total financial assets
2012						
Financial assets						
Transfer from level 1 to level 2	**—**	**103**	**—**	**—**	**59**	**162**
2011						
Financial assets						
Transfer from level 1 to level 2	—	905	20	—	—	925

40. Fair value disclosures *(continued)*

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions

R million	Carrying amount[1]	Effect of a 10% increase in value	Effect of a 10% decrease in value	Carrying amount[2]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2012						
Equities and similar securities	**2 212**	**221**	**(221)**	**144**	**1**	**(1)**
Public sector stocks and loans	**—**	**—**	**—**		**—**	**—**
Debentures, insurance policies, preference shares and other loans	**—**	**—**	**—**	**163**	**2**	**(2)**
Financial assets	**2 212**	**221**	**(221)**	**307**	**3**	**(3)**
Investment contract liabilities	**652**	**65**	**(65)**	**—**	**—**	**—**
Term finance	**97**	**10**	**(10)**	**—**	**—**	**—**
Financial liabilities	**749**	**75**	**(75)**	**—**	**—**	**—**
2011						
Equities and similar securities	3 235	324	(324)	114	(1)	1
Public sector stocks and loans	—	—	—	1	—	—
Debentures, insurance policies, preference shares and other loans	—	—	—	625	(6)	6
Financial assets	3 235	324	(324)	740	(7)	7
Investment contract liabilities	752	75	(75)	—	—	—
Term finance	59	6	(6)	—	—	—
Financial liabilities	811	81	(81)	—	—	—

[1] *Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.*

[2] *Represents mainly private equity investments valued on a discounted cashflow basis, with sensitivities based on changes in the discount rate.*

41. Subsequent events

No material facts or circumstances have arisen between the date of the balance sheets and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2012 as reflected in these financial statements. Subsequent to year-end Sanlam acquired a 3,7% direct stake in Shriram Transport Finance Company, part of the Shriram Capital Group, for some R1 billion.

SANLAM LIMITED STATEMENT OF FINANCIAL POSITION

at 31 December 2012

R million	Notes	2012	2011
Assets			
Investments in subsidiaries	2	**15 309**	14 937
Deferred tax – STC credits		**—**	4
Working capital assets		**2 465**	2 028
Cash and bank		**83**	39
Trade and other receivables		**—**	23
Loans to Group companies	2	**2 382**	1 966
Total assets		**17 774**	16 969
Equity and liabilities			
Capital and reserves			
Share capital and premium	3	**22**	22
Non-distributable reserve		**9 342**	9 342
Retained earnings		**7 875**	7 155
Total equity		**17 239**	16 519
Working capital liabilities		**535**	450
Accounts payable		**524**	414
Taxation payable		**—**	2
Other payables		**11**	11
Provisions		**—**	23
Total equity and liabilities		**17 774**	16 969

SANLAM LIMITED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

R million	Notes	2012	2011
Net income		**3 612**	2 765
Dividend income		**3 598**	2 617
Investment surpluses	4	**14**	129
Other income		**—**	19
Expenses			
Administration costs	5	**(10)**	(7)
Net reversal of impairment of loans	2	**110**	163
Net (impairment)/reversal of impairment of investments	2	**(128)**	629
Profit before tax		**3 584**	3 550
Taxation		**(80)**	(84)
Normal tax		**—**	(16)
Prior periods under provision		**(20)**	
Secondary tax on companies		**(60)**	(68)
Profit for the year		**3 504**	3 466
Other comprehensive income		**—**	—
Comprehensive income for the year		**3 504**	3 466

SANLAM LIMITED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

R million	Share capital	Share premium	Non-distri-butable reserve[1]	Retained earnings	Total equity
Balance at 1 January 2011	21	1	9 342	6 136	15 500
Profit for the year				3 466	3 466
Other comprehensive income				—	—
Dividends paid				(2 447)	(2 447)
Balance at 31 December 2011	21	1	9 342	7 155	16 519
Profit for the year				3 504	3 504
Other comprehensive income				—	—
Dividends paid				(2 784)	(2 784)
Balance at 31 December 2012	**21**	**1**	**9 342**	**7 875**	**17 239**

[1] *Pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998.*

SANLAM LIMITED CASH FLOW STATEMENT
for the year ended 31 December 2012

R million	Note	2012	2011
Cash flow from operating activities		**836**	146
Cash generated by operations	10	**100**	70
Dividends received		**3 598**	2 617
Dividends paid		**(2 784)**	(2 447)
Taxation paid		**(78)**	(94)
Cash flow from investment activities			
Proceeds from sale less cost of acquisition of associate		**—**	113
Recovery of investments		**14**	16
Additional investment in subsidiaries		**(500)**	—
Net increase in cash and cash equivalents		**350**	275
Cash and cash equivalents at beginning of the year		**2 005**	1 367
Net reversal of impairment of loans included in cash and cash equivalents during the year		**110**	163
Cash and cash equivalents at end of the year		**2 465**	2 005

1. Accounting policies

The accounting policies of the Sanlam Group as set out on pages 220 to 239 of the Sanlam Group financial statements are also applicable to Sanlam Limited except for investments in subsidiary companies which are reflected at cost or at a lower value if there is an impairment in value.

Additional accounting policy

Financial guarantee contracts

'Financial guarantees' are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially accounted for at fair value, and are not designated as at fair value through profit or loss. Subsequently, the amount is measured at the higher of the amount determined according to IAS 37 *Provisions*, or the initial fair value less cumulative amortisation in accordance with IAS 18 *Revenue*.

Dividends

Dividends are shown as income. Impairment is considered when the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared and the carrying amount of the investment exceeds the carrying amount of the investee's net assets, including associated goodwill.

R million	2012	2011
2. Group companies		
Investments in Group companies – shares at lower of cost or market value	**15 309**	14 937
Current loans with Group companies	**2 382**	1 966
Loans to Group companies	**2 382**	1 966
Book value of interest in Group companies	**17 691**	16 903
Net (impairment)/reversal of impairment of investments in Group companies		
Genbel Securities Limited	**362**	(40)
Sanlam Investments (Pty) Limited	**(490)**	—
Sanlam Netherlands Holding BV	**—**	669
Total net (impairment)/reversal of impairment of investments in Group companies	**(128)**	629
Fair value of net investment in Group companies		
Investments in subsidiaries	**65 861**	54 046
Total fair value of net investment in Group companies	**65 861**	54 046
Loans: Group companies		
The loans to Group companies are unsecured and payable on demand. No interest is charged but these arrangements are subject to revision from time to time. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 292.		
Loans to Group companies		
Sanlam Spec (Pty) Limited	**659**	748
Genbel Securities Limited	**110**	110
Sanlam Life Insurance Limited	**819**	1 108
Sanlam Investments (Pty) Limited	**79**	—
Sanpref (Pty) Limited	**715**	—
Reversal of impairment of loans		
Sanlam Spec (Pty) Limited	**110**	163
Total	**110**	163

3. Share capital and premium

Details of the share capital and premium are reflected in note 11 on page 257 of the Sanlam Group financial statements.

4. Investment surpluses

Investment surpluses relate to the profit on the sale of the investment in associate during the financial year, as well as funds received on previously written off loan assets.

5. Administration costs include:

Directors' remuneration and Executive committee members' remuneration

Details of the directors' and Executive committee members' remuneration is reflected in note 24 on page 267 of the Sanlam Group financial statements.

6. Dividends

Details of the dividends declared are disclosed in note 29 on page 270 of the Sanlam Group financial statements.

7. Borrowing powers

In terms of the memorandum of incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

8. Commitments and contingencies

Details of commitments and contingencies are reflected in note 34 on page 277 of the Sanlam Group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R11 billion (2011: R8,5 billion).

9. Related parties

Details of related parties are reflected in note 35 on page 279 of the Sanlam Group financial statements.

R million	2012	2011
10. Notes to the cash flow statement		
Cash utilised in operations		
Profit before tax	**3 584**	3 550
Non-cash flow items		
Net impairment/(reversal) of investments in Group companies	**128**	(629)
Net reversal of impairment of loans	**(110)**	(163)
Other income	**—**	(19)
Investment surpluses	**(14)**	(129)
Items disclosed separately		
Dividends received	**(3 598)**	(2 617)
Increase in net working capital liabilities	**110**	77
Cash generated by operations	**100**	70
11. Capital and risk management		
The main financial instrument risk that Sanlam Limited is exposed to, is credit risk in respect of its loans to Group companies. These loans are tested for impairment, by establishing whether the net asset value of the underlying Group company is sufficient to cover the outstanding loan amount. Where the net asset value (including any impairments recognised in that company), is less than the carrying value of the loan, an impairment loss is recognised, as disclosed in note 2 on page 290. The credit quality of each loan has been assessed as acceptable within the parameters used to measure and monitor credit risk.		
Sanlam Limited's maximum exposure to credit risk is calculated as follows:		
Carrying value of loans granted	**2 382**	1 966
Further details of risk management are disclosed in the Capital and Risk Management Report on page 171.		

12. Tax rate reconciliation

The effective tax rate of Sanlam Limited of 2,2% (2011: 2,4%) differs from the standard rate of taxation of 28% (2011: 28%) due to the effects of non-taxable income -29,1%. (2011: -27,2%), STC 1,7% (2011: 1,9%), prior year under provision 0,6% (2011: 0%) and other differences 1% (2011: -0,3%).

PRINCIPAL SUBSIDIARIES
at 31 December 2012

		Issued ordinary capital	Fair value of interest in subsidiaries			
			Shares		Loans	
	% Interest	2012 R million	2012 R million	2011 R million	2012 R million	2011 R million
Long-term insurance						
Sanlam Life Insurance Limited	100	**5 000**	**55 466**	45 172	**819**	1108
Investment and capital markets						
Genbel Securities Limited	100	**253**	**2 000**	1 638	**110**	110
Investment management and consulting						
Sanlam Investment Management (Pty) Limited	100	(1)	(1)	(1)	**—**	—
Sanlam Independent Financial Services (Pty) Limited	100	(2)	(2)	(2)	**—**	—
Sanlam Investment Holdings Limited	100	(2)	**1 547**	1 405	**—**	—
Sanlam Netherlands Holding BV[3]	100	**2 309**	**4 456**	3 865	**—**	—
Investment companies						
Sanlam Spec (Pty) Limited[4]	100	(2)	**—**	—	**659**	748
Sanlam Investments (Pty) Limited	100	**500**	**10**	—	**79**	—
Sanlam Share Incentive Trust	100	(2)	**—**	—	**—**	—
Sanpref (Pty) Limited	100	(2)	(2)	(2)	**715**	—
Other	100	(2)	**—**	—	**—**	—
Total			**63 479**	52 080	**2 382**	1 966

(1) *The interest is held indirectly by Sanlam Life Insurance Limited.*

(2) *Issued share capital is less than R1 000.*

(3) *Incorporated in the Netherlands.*

(4) *The loan to Sanlam Spec (Pty) Limited is subordinated in favour of other creditors.*

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Limited. All investments above are unlisted and incorporated in South Africa unless otherwise indicated.

Analysis of the Group's holding in Santam*:

%	2012	2011
Shareholders' fund		
Sanlam Life Insurance Limited	**59,58**	59,87
Policyholders' fund		
Sanlam Life Insurance Limited	**0,29**	0,00
Total	**59,87**	59,87

Effective holding net of Santam's treasury shares.

ANALYSIS OF SHAREHOLDERS
at 31 December 2012

Distribution of shareholding	Total shareholders Number	Total shareholders %	Total shares Number	Total shares %
1 – 1000	438 838	86,55	165 648 131	7,89
1 001 – 5 000	60 530	11,94	118 389 843	5,64
5 001 – 10 000	4 911	0,97	33 571 252	1,60
10 001 – 50 000	2,023	0,40	36,281 572	1,73
50 001 – 100 000	184	0,04	13 206 829	0,63
100 001 – 1 000 000	398	0,08	134 465 651	6,40
1 000 001 and over	128	0,02	1 598 436 722	76,11
Total	507 012	100.00	2 100 000 000	100,00

Geographic split of beneficial shareholders

Region	Total shareholding	% of issued capital
South Africa	1 469 897 769	70,00
United States of America and Canada	345 768 878	16,46
United Kingdom	28 892 026	1,37
Rest of Europe	94 233 324	4,49
Rest of the world[1]	141 727 539	6,75
Unknown	19 480 464	0,93
Total	**2 100 000 000**	**100,00**

[1]*Represents all shareholdings except those in the above regions.*

Public and non-public shareholders	% Shareholding
Public shareholders	66,42
Non-public shareholders	
Directors' interest	0,54
Held by subsidiaries	7,19
Employee pension funds	0,07
Sanlam Limited Share Incentive Trust	1,55
Government Employees Pension Fund (PIC)	13,47
Ubuntu-Botho Investments (Pty) Ltd	10,76
Total	100.00

Shareholder structure	% Shareholding
Institutional and other shareholding	
Offshore	30,00
South Africa	55,17
Individuals	14,83
Total	100,00

Beneficial shareholding of 5% or more:

– Government Employees Pension Fund (PIC)	13,47
– Ubuntu-Botho Investments (Pty) Ltd	10,76

GLOSSARY OF TERMS, DEFINITIONS AND MAJOR BUSINESSES

Technical terms and definitions

"adjusted return on Group Equity Value" or "adjusted RoGEV"	the return on Group Equity Value, excluding the impact of investment market volatility. Adjusted RoGEV is based on the actuarial investment return assumptions at the beginning of the reporting period;
"capital adequacy"	capital adequacy implies the existence of a buffer against experience worse than that assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities;
"capital portfolio" or "balanced portfolio"	the consolidated capital of the Group, excluding working capital held by Group businesses. The capital portfolio includes the required capital of covered business as well as discretionary and other capital;
"cost of capital"	cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of the capital over the life of the in-force business, allowing for the after-tax investment return on the expected level of capital held in each year;
"covered business"	long-term insurance business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits;
"embedded value of covered business " or "EV"	embedded value of covered business is an actuarially determined estimate of the value of covered business, excluding any value attributable to future new business. Embedded value of covered business consists of the required capital supporting the covered business, or adjusted net worth, plus the value of the in-force covered business less the cost of capital;
"FSB"	the Financial Services Board, the regulator of insurance companies in South Africa;
"life business"	the aggregate of life insurance business and life licence business;
"life insurance business"	products provided by the Group's long-term insurance businesses in terms of insurance and investment contracts included in the Group financial statements, but excluding life licence business;
"life licence business"	investment products provided by Sanlam Personal Finance, Sanlam Investments, Sanlam Employee Benefits, Sanlam Emerging Markets and Glacier by means of a life insurance policy where there is very little or no insurance risk;
"linked policy"	a non-participating policy which is allotted units in an investment portfolio. The value of the policy at any stage is equal to the number of units multiplied by the unit price at that stage less the value of unrecouped expenses;
"market-related policy" or "contract with discretionary participating feature"	a participating policy which participates in non-vesting investment growth. This growth reflects the volatility of the market value of the underlying assets of the policy;
"new business margin"	VNB as a percentage of PVNBP;
"non-life business"	financial services and products provided by the Group, excluding life insurance business;

"non-life linked business"	non-life linked business comprises investment products provided by Sanlam Personal Finance's Glacier business, which is not written under a life licence;
"non-participating annuity"	a non-participating annuity is a policy which provides, in consideration for a single premium, a series of guaranteed regular benefit payments for a defined period;
"non-participating policy"	a policy which provides benefits that are fixed contractually, either in monetary terms or by linking them to the return of a particular investment portfolio, e.g. a linked or fixed-benefit policy;
"normalised headline earnings"	normalised headline earnings measure the Group's earnings, exclusive of earnings of a capital nature and fund transfers relating to the policyholders' fund's investment in Sanlam shares and Group subsidiaries. For the Sanlam Group, the only differences between normalised attributable earnings and normalised headline earnings are: – Profits and losses on the disposal of subsidiaries, associated companies and joint ventures; – Impairment of investments, value of business acquired and goodwill; and – The Group's share of associates' and joint ventures' non-headline earnings. Normalised headline earnings exclude the above items that are of a capital nature. Given that the Group's operations are of a financial nature, normalised headline earnings include investment surpluses earned on the investments held by the shareholders' fund, resulting in volatility in normalised headline earnings;
"participating annuity"	a participating annuity is a policy which provides, in consideration for a single premium, a series of regular benefit payments for a defined period, the benefits of which are increased annually with bonuses declared;
"participating policy"	a policy which provides guaranteed benefits as well as discretionary bonuses. The declaration of such bonuses will take into account the return of a particular investment portfolio. Reversionary bonus, stable bonus, market-related and participating annuity policies are participating policies;
"policy"	unless the context indicates otherwise, a reference to a policy in this report means a long-term insurance or investment contract issued by the Group's life insurance subsidiaries in accordance with the applicable legislation;
"PVNBP"	present value of new business premiums from covered business;
"required capital"	the required level of capital supporting the covered business, based on the minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations;
"result from financial services"	profit earned by the Group from operating activities and excludes investment return earned on the capital portfolio;
"return on Group Equity Value" or "RoGEV"	change in Group Equity Value, excluding dividends and changes in issued share capital, as a percentage of Group Equity Value at the beginning of the period;
"reversionary bonus policy"	a conventional participating policy which participates in reversionary bonuses, i.e. bonuses of which the face amounts are only payable at maturity or on earlier death or disability. The present value of such bonuses is less than their face amounts;

"stable bonus policy"	a participating policy under which bonuses tend to stabilise short-term volatility in investment performance;
"Statutory Valuation Method" or "SVM"	valuation requirements as laid out in a Board Notice issued by the FSB, entitled "Prescribed requirements for the calculation of the value of the assets, liabilities and Capital Adequacy Requirement of long-term insurers" or the equivalent valuation requirements of the Financial Services Authority in the United Kingdom as applicable to Sanlam Investments and Pensions;
"surrender value"	the surrender value of a policy is the cash value, if any, which is payable in respect of that policy upon cancellation by the policyholder;
"value of in-force covered business" or "VIF"	the value of in-force covered business is calculated as the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profits expected to be earned over the life of the in-force book;
"value of new business" or "VNB"	the value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued, net of the cost of capital over the life of this business;
"white label"	white label products relate to business where the Group is principally providing administrative or life licence services to third party institutions.

Major businesses of the Group

"Channel Life"	Channel Life Limited, a subsidiary of Sanlam Life conducting mainly life insurance business in South Africa;
"Sanlam Investments and Pensions"	Sanlam Life and Pensions Limited (formerly Merchant Investors Assurance Company Limited), a wholly owned subsidiary of Sanlam UK Limited conducting mainly life insurance business in the United Kingdom;
"Sanlam Life"	Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited conducting mainly life insurance business;
"Sanlam Limited"	the holding company listed on the JSE Limited and the Namibian Stock Exchange;
"Sanlam", "Sanlam Group" or "the Group"	Sanlam Limited and its subsidiaries, associates and joint ventures;
"Sanlam Namibia"	Sanlam Life Namibia, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in Namibia.
"SDM Limited"	Sanlam Developing Markets Limited, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in South Africa and through its subsidiaries in Africa;
"SEM (Pty) Limited"	Sanlam Emerging Markets Limited, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business through its subsidiaries in Africa.
"Shiram Capital"	Shriram Capital refers to the Group's 33,15% holding in Shriram Financial Ventures (Chennai) PCT Limited an Indian based company that holds 78,42% of Shriram Capital Limited, resulting in a 26% effective holding by Sanlam.

Sanlam Limited

(Incorporated in the Republic of South Africa)
(Registration No 1959/001562/06)
JSE share code: SLM/ NSX share code: SLA
ISIN: ZAE000070660
(the Company" or "Sanlam)

Notice is hereby given to shareholders recorded in the Company's securities register on 15 March 2013, that the fifteenth annual general meeting (AGM) of the shareholders of Sanlam, which will be held on Wednesday, 5 June 2013 at 14:00* in the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville, Cape Town (the Meeting) to (i) deal with such business as may lawfully be dealt with at the Meeting and (ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, No 71 of 2008, as amended (the Companies Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements) and other stock exchanges on which the Company's ordinary shares are listed, which Meeting is to be participated in and voted at by shareholders recorded in the Company's securities register as at the voting record date of Friday, 24 May 2013.

Kindly note that meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the Meeting. Forms of identification include valid identity documents, drivers' licences and passports.

Ordinary resolutions

To consider and, if approved, to pass, with or without modification, the following eight Ordinary Resolutions:

Percentage support required for Ordinary Resolution Numbers 1 to 8

In order for these Ordinary Resolutions to be adopted, the support of more than 50% (fifty percent) of the total number of votes per Ordinary Resolution, which the shareholders present or represented by proxy at this Meeting are entitled to cast, is required.

1. Ordinary Resolution No 1 – *Presenting the 2012 Sanlam Integrated Report*

To present, consider and accept the 2012 Sanlam Integrated Report for the year ended 31 December 2012, that has been distributed to shareholders as required, including the consolidated audited financial statements for the Company and its subsidiaries, as well as the auditors', audit committee and directors' reports.

Reason and effect

The reason for and effect of Ordinary Resolution No 1 is to give Sanlam shareholders the opportunity to formally consider and accept the 2012 Sanlam Integrated Report including the consolidated audited financial statements of the Company as required by section 30(3)(d) of the Companies Act.

2. Ordinary Resolution No 2 – *Re-appointment of auditors*

To re-appoint Ernst & Young Incorporated, as nominated by the Company's Audit Committee, as independent auditors of the Company to hold office until the conclusion of the next AGM of the Company. It is to be noted that Mrs JC de Villiers is the individual and designated auditor who will undertake the Company's audit for the financial year ending 31 December 2013.

Reason and effect

The reason for Ordinary Resolution No 2 is that the Companies Act requires the appointment or re-appointment of the Company's auditors each year at the AGM of the Company.

3. Ordinary Resolution No 3 – *Appointment of directors*

To individually re-elect the following retiring directors (Ordinary Resolution 3.1 and 3.2 below) appointed to the Board in casual vacancies or as additional directors in terms of Clause 26.7 of the Company's Memorandum of Incorporation, being eligible and offering themselves for re-election.

Reason and effect

The reason for and effect of Ordinary Resolutions 3.1 and 3.2 are to re-elect the retiring directors appointed to the Board in casual vacancies or as additional directors in terms of the Company's Memorandum of Incorporation.

3.1 Y Ramiah (45) (Re-election of Y Ramiah as director)

Member of Exco since 2012

Qualifications: BA, LLB, Higher Diploma in Tax Law, MBA, AMP (Harvard), Admitted attorney of the High Court of South Africa

Appointed Chief Executive: Sanlam Brand in 2012

Executive director of Sanlam Limited and Sanlam Life, Santam, Sanlam Investment Management, Sanlam Investment Holdings. Non-executive director of Adopt A School foundation

3.2 A Duggal (66) (Re-election of A Duggal as director)

Independent non-executive director since 15 January 2013

Qualifications: Mechanical Engineer (Indian Institute of Technology, Delhi); MBA (Indian Institute of Management, Ahmedabad)

Sanlam and Sanlam Life committee membership: Non-executive directors

Major external positions, directorships or associations: Shriram Capital, Shriram Transport Finance Company, Shriram City Union Finance, Bellwether Microfinance Fund, Info Edge, Adani Port & SEZ and a visiting Professor at the Indian Institute of Management in Ahmedabad

The Board recommends the re-election of these directors.

4. Ordinary Resolution No 4 – *Re-election of directors*

To individually re-elect the following non-executive directors of the Company, who retire by rotation in terms of Clause 26.2 of the Company's Memorandum of Incorporation.

Reason and effect

The reason for and effect of the following Ordinary Resolutions are to re-elect the directors that retire by rotation in terms of the Company's Memorandum of Incorporation.

4.1 DK Smith

4.2 CG Swanepoel

4.3 RV Simelane

4.4 PdeV Rademeyer

Please note that FA du Plessis also retires by rotation during 2013 however, has decided not to offer herself for re-election. The Board has decided to close this vacant position.

The Board recommends the re-election of those directors eligible and offering themselves for re-election.

4.1 Ordinary Resolution No 4.1 – Re-election of DK Smith as director

To re-elect DK Smith who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

DK Smith (65) (Chairman of the Board)

Independent non-executive director since 2009

Qualifications: BSc, Fellow of Actuarial Society of SA, ISMP (Harvard)

Sanlam and Sanlam Life committee membership: Non-executive directors (Chairman), Nominations (Chairman), Human Resources

Major external positions, directorships or associations: Reinsurance Group of America (SA), Medi-Clinic Corporation, InnovUS Tegnologie Oordrag, Stellenbosch Institute for Advanced Studies, Road Accident Fund, International Actuarial Association, Twee Klippen Estates, Tedo Beleggings.

4.2 Ordinary Resolution No 4.2 – Re-election of CG Swanepoel as director

To re-elect CG Swanepoel who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

CG Swanepoel (62)

Independent non-executive director since 2011

Qualifications: BSc (Hons); Fellow of the Institute of Actuaries; Fellow of the Actuarial Society of South Africa

Sanlam and Sanlam Life committee membership: Risk & Compliance (Chairman); Audit, Actuarial & Finance; Sanlam Customer Interest; Non-executive directors

Sanlam Group directorships: Sanlam Investment Holdings; Sanlam Capital Markets; Sanlam Credit Conduit; Genbel Securities; Sanlam Developing Markets; Channel Life; Sanlam Personal Finance (Divisional Board).

4.3 Ordinary Resolution No 4.3 – Re-election of RV Simelane as director

To re-elect RV Simelane who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering herself for re-election.

RV Simelane (60)

Non-executive director since 2004

Qualifications: PhD (Econ) (Connecticut, USA); LLB (UNISA)

Sanlam and Sanlam Life committee membership: Social, Ethics & Sustainability; Non-executive directors

Major external positions, directorships or associations: African Rainbow Minerals, Ubuntu-Botho Investments, Ubuntu-Botho Investments Holdings and Mamelodi Sundowns Football Club.

4.4 Ordinary Resolution No 4.4 – Re-election of PdeV Rademeyer as director

To re-elect PdeV Rademeyer who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

PdeV Rademeyer (65)

Independent non-executive director since 2011

Qualifications: CA(SA), SEP (Stanford)

Sanlam and Sanlam Life committee membership: Audit, Actuarial & Finance (Chairman); Risk & Compliance; Social, Ethics & Sustainability; Non-executive directors

Sanlam Group directorships: Sanlam Emerging Markets; Sanlam Developing Markets; Channel Life; Sanlam Customised Insurance; Sanlam Collective Investments; Sanlam Coris Capital Collective Investment Managers; Glacier Management Company; Sanlam Personal Finance (Divisional Board)

Major external positions, directorships or associations: Ubuntu-Botho Investment Holdings and Velacore.

5. Ordinary Resolution No 5 – *Election of the members of the Sanlam Audit, Actuarial and Finance (Audit) Committee*

To individually elect the following independent non-executive directors (Ordinary Resolutions 5.1 to 5.4) of the Company as the members of the Sanlam Audit Committee until the conclusion of the next AGM of the Company. The Board recommends the election of these members.

Reason and effect

The reason for and effect of Ordinary Resolutions 5.1 to 5.4 are the members of the Audit Committee of the Company, being a statutory committee, are required in terms of section 94(2) of the Companies Act to be appointed by the shareholders.

5.1 Ordinary Resolution No 5.1 – Appointment of MP Buthelezi as a member of the Audit Committee

MP Buthelezi (49)

Independent non-executive director since 2011 (Member since 1 July 2011)

Qualifications: MBA (Corp. Finance), MSc (Economics)

Sanlam and Sanlam Life committee membership: Audit, Actuarial & Finance, Risk & Compliance, Non-executive directors

Major external positions, directorships or associations: Group Five, The National Empowerment Fund, Industrial Development Corporation (IDC).

5.2 Ordinary Resolution No 5.2 – Appointment of I Plenderleith as a member of the Audit Committee

I Plenderleith (69)

Independent non-executive director since 2006 (Member since 7 June 2006)

Qualifications: MA (Oxon), MBA (Columbia), FCT, FCSI, CBE

Sanlam and Sanlam Life committee membership: Audit, Actuarial & Finance, Risk & Compliance, Non-executive directors

Sanlam Group directorships: Sanlam UK

Major external positions, directorships or associations: Past Deputy Governor of the SA Reserve Bank, Past Executive Director of the Bank of England, BH Macro, BMCE Bank International, Invoice Clearing Bureau South Africa, Wits Business School Advisory Board, Morgan Stanley International, Morgan Stanley & Co International.

5.3 *Ordinary Resolution No 5.3 – Appointment of PdeV Rademeyer as a member of the Audit Committee*

PdeV Rademeyer (65) (Chairman of the Audit Committee)

Independent non-executive director since 2011 (Member since 1 July 2011)

Qualifications: CA(SA), SEP (Stanford)

Sanlam and Sanlam Life committee membership: Audit, Actuarial & Finance (Chairman), Risk & Compliance, Social, Ethics & Sustainability, Non-executive directors

Sanlam Group directorships: Sanlam Emerging Markets, Sanlam Developing Markets, Channel Life, Sanlam Customised Insurance, Sanlam Collective Investments, Sanlam Coris Capital Collective Investment Managers, Glacier Management Company, Sanlam Personal Finance (Divisional Board).

Major external positions, directorships or associations: Ubuntu-Botho Investments Holdings and Velacore.

5.4 *Ordinary Resolution No 5.4 – Appointment of CG Swanepoel as a member of the Audit Committee*

CG Swanepoel (62)

Independent non-executive director since 2011 (Member since 1 July 2011)

Qualifications: BSc (Hons); Fellow of the Institute of Actuaries, Fellow of the Actuarial Society of South Africa

Sanlam and Sanlam Life committee membership: Risk & Compliance (Chairman); Audit, Actuarial & Finance; Sanlam Customer Interest; Non-executive directors

Sanlam Group directorships: Sanlam Investment Holdings, Sanlam Capital Markets; Sanlam Credit Conduit; Genbel Securities. Sanlam Developing Markets, Channel Life, Sanlam Personal Finance (Divisional Board).

6. Ordinary Resolution No 6 – *Advisory vote on the Company's Remuneration Policy*

Shareholders are requested to cast a non-binding advisory vote on the Company's Remuneration Policy and implementation thereof, set out on pages 150 to 153 of the 2012 Sanlam Integrated Report.

Reason and effect

In terms of the Code of Governance principles dealing with boards and directors, companies are required to table their remuneration policy every year to shareholders for a non-binding advisory vote at the Annual General Meeting. This vote enables shareholders to express their views on the remuneration policies adopted and their implementation.

The Remuneration report is contained on pages 150 to 168 of this Integrated Report.

Ordinary resolution number 6 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Human Resources Committee and the Board will take the outcome of the vote and any comments raised by securities holders into consideration when considering Sanlam's remuneration policy.

7. Ordinary Resolution No 7 – *To note the total amount of non-executive directors and executive directors' remuneration for the financial year 31 December 2012*

To note the total amount of directors' remuneration set out in the 2012 Sanlam Integrated Report on pages 165 to 168, non-executive directors page 165 and executive directors page 167 for the financial year ended 31 December 2012.

Reason and effect

The reason for and effect of Ordinary Resolution No 7 is to note the remuneration of directors for the year ended 31 December 2012.

8. Ordinary Resolution No 8 – *To authorise any director of the Company, and where applicable the secretary of the Company (Company Secretary), to implement the aforesaid ordinary and the undermentioned special resolutions*

To authorise any director of the Company and, where applicable, the Company Secretary, be and is hereby authorised to do all such things, sign all such documentation and take all such actions as may be necessary to implement the aforesaid Ordinary and undermentioned Special Resolutions.

Reason and effect

The reason for and effect of Ordinary Resolution
No 8 is to grant the authorisation to any director or the Company Secretary to implement the Ordinary and Special resolutions.

Special resolutions

To consider and, if approved, to pass, with or without modification, the following five Special Resolutions:

Percentage support required for Special Resolution Numbers 1 to 5

In order for these Special Resolutions to be adopted, the support per Special Resolution of at least 75% (seventy-five percent) of the total number of votes, which the shareholders present or represented by proxy at this AGM are entitled to cast, is required.

A. Special Resolution No 1 – *Approval of non-executive directors' remuneration for their services as directors.*

Resolved that:

"In terms of section 66(9) of the Companies Act, payment of the remuneration for their services as non-executive directors of Sanlam is approved for the period 1 July 2013 till 30 June 2014 as set out in the following table. These increases represent an average increase of 7% on the fees applicable in respect of the 12 months to 30 June 2013."

Directors/Committees	Annual fee 2012/13	Attendance fee per meeting 2012/13	Annual fee 2013/14	Attendance fee per meeting 2013/14
Chairman	R2 017 194	None	R2 158 398	None
Deputy Chairman	R359 098	R20 952	R384 235	R22 419
Non-executive directors	R239 399	R20 952	R256 157	R22 419
Audit, Actuarial & Finance Committee Chairman	R231 458	None	R247 660	None
Audit, Actuarial & Finance Committee Member	R115 728	None	R123 829	None
Risk & Compliance Committee Chairman	R162 936	None	R174 342	None
Risk & Compliance Committee Member	R81 468	None	R87 171	None
Human Resources Committee Chairman	R162 936	None	R174 342	None
Human Resources Committee Member	R81 468	None	R87 171	None
Sanlam Customer Interest Committee Chairman	R162 936	None	R174 342	None
Sanlam Customer Interest Committee Member	R81 468	None	R87 171	None
Social Ethics & Sustainability Committee Chairman	R162 936	None	R174 342	None
Social Ethics & Sustainability Member	R81 468	None	R87 171	None
Nominations Committee Chairman	R108 623	None	R116 227	None
Nominations Committee Member	R54 311	None	R58 113	None
Committee of Non-Executive Directors Chairman	None	None	None	None
Committee of Non-Executive Directors Members	None	None	None	None
Special *ad hoc* committees	None	R14 829	None	R15 867

Reason and effect

The reason for and effect of Special Resolution No 1 is to approve the basis for calculating the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period 1 July 2013 to 30 June 2014. Executive directors of the Company do not receive any fees for their services as directors of the Company.

B. Special Resolution No 2 – General authority to provide financial assistance in terms of section 44 of the Companies Act

Resolved that:

"As a general approval the Board of the Company may at any time and from time to time during the 2 (two) years from the passing hereof authorise the Company in terms of and subject to the provisions of section 44 of the Companies Act, to provide financial assistance by way of a guarantee or the provision of security to any party for the purpose of, or in connection with, the subscription or purchase of any securities issued or to be issued by a subsidiary company on such terms and conditions as the Board may determine."

Reason and effect

The reason for and effect of Special Resolution No 2 is as follows:

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assurances to parties by way of a guarantee or the provision of security in respect of securities issued or to be issued by a subsidiary company.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to any party as contemplated in section 44(2) of the Companies Act. The Company therefore seeks general approval for the Board of the Company to authorise the provision by the Company of financial assistance by way of a guarantee or the provision of security in respect of securities issued or to be issued by a subsidiary company at any time and from time to time during the period of 2 (two) years commencing on the date of the Special Resolution.

C. Special Resolution No 3 – *General authority to provide financial assistance to related or inter-related companies in terms of section 45 of the Companies Act*

Resolved that:

"As a general approval the Board of the Company may at any time and from time to time during the 2 (two) years from the passing hereof authorise the Company in terms of and subject to the provisions of section 45 of the Companies Act, to provide any type of direct or indirect financial assistance as defined in section 45 of the Companies Act, to any company or corporation that is related or inter-related to the Company, on such terms and conditions and for such amounts as the Board may determine."

Reason and effect

The reason for and effect of Special Resolution No 3 is as follows:

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to a related or inter-related company as part of its day to day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Companies Act.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to any related or inter-related companies and the Company seeks general approval for the Board of the Company to authorise the provision by the Company of all types of financial assistance to any such related or inter-related company as contemplated in section 45(2) of the Companies Act at any time and from time to time during the period of 2 (two) years commencing on the date of the Special Resolution.

D. Special Resolution No 4 – *Authority to the Company or a subsidiary of the Company to acquire the Company's shares*

Resolved that:

"Pursuant to the Memorandum of Incorporation of the Company, the shareholders of the Company hereby approve by way of a general approval, whether by way of a single transaction or a series of transactions:

(a) the purchase of any of its securities by the Company or any subsidiary of the Company; and

(b) the purchase by and/or transfer to the Company of any of its securities purchased by any of its subsidiaries pursuant to (a) above,

upon such terms and conditions and in such amounts as the Board of the Company or its subsidiaries may from time to time decide, but subject to the provisions of the Companies Act, the JSE Listings Requirements and any other stock exchange upon which the securities of the Company may be quoted or listed from time to time, and subject to such other conditions as may be imposed by any other relevant authority, provided that:

- authority shall only be valid up to and including the date of the Company's next AGM, on condition that it does not extend beyond 15 (fifteen) months from the date of this Special Resolution;
- ordinary shares to be purchased pursuant to (a) above may only be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty;
- the general authority to purchase securities in the Company pursuant to (a) above be limited in any 1 (one) financial year to a maximum of 5% (five percent) of the Company's issued share capital of that class at the time the authority is granted;
- purchases pursuant to (a) above must not be made at a price more than 10% (ten percent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date of the repurchases;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any of its subsidiaries;
- the Board of the Company has resolved (i) to authorise a purchase of securities in the Company, (ii) that the Company has passed the solvency and liquidity test as contemplated in the Companies Act, and (iii) that, since the solvency and liquidity test was applied, no material change has occurred in the financial position of the Company and its subsidiaries (the Group);
- the Company or its subsidiaries may not repurchase securities during a prohibited period unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and where full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period;
- an announcement complying with paragraph 11.27 of the JSE Listings Requirements be published by the Company (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% (three percent) of the number of ordinary shares in issue as at the time the general authority was given and (ii) thereafter, for each 3% (three percent) in aggregate of the initial number of ordinary shares in issue as at the time the general authority was given, acquired by the Company and/or its subsidiaries; and
- details of equity securities repurchased during the period under review will be disclosed in the annual financial statements in accordance with paragraph 8.63(n) of the JSE Listings Requirements.

Reason and effect

The reason and effect of Special Resolution No 4 is to grant a general authority to enable the Company, or any subsidiary of the Company, to acquire securities which have been issued by the Company including the subsequent purchase by or transfer to the Company of such securities held by any subsidiary.

Statement of intent

The Board shall authorise and implement a purchase of the Company's securities only if prevailing circumstances warrant same, and should the Board, having considered all reasonably foreseeable financial circumstances of the Company at that time, reasonably conclude that the following requirements have been and will be met:

- after an acquisition, the Company will continue to comply with the JSE Listings Requirements concerning shareholder spread requirements;
- the Company and the Group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date on which the Board considers that the purchase will satisfy the immediately preceding requirement and this requirement;
- the issued share capital and reserves of the Company and the Group will be adequate for the purposes of the business of the Company and the Group for a period of 12 (twelve) months after the date of the notice of the AGM of the Company; and
- the Company and the Group will have adequate working capital for ordinary business purposes for a period of 12 (twelve) months after the date of this notice.

Disclosures in the Integrated Report in terms of paragraph 11.26(b) of the JSE Listings Requirements

The following disclosures are required in terms of paragraph 11.26 (b) of the JSE Listings Requirements, which appear in the 2012 Sanlam Integrated Report and are provided for purposes of this Special Resolution:

- the Company's directors and management (pages 26 to 29);
- major shareholders (page 293);
- directors' interests in securities (page 170);

- share capital of the Company (page 257);
- material litigation (page 277) and
- material changes (page 277).

Directors' responsibility statement

The Board, whose names appear on pages 26 to 29 of the 2012 Sanlam Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution No 4, and certify that:

- to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading;
- they have made all reasonable enquiries in this regard; and
- the above Special Resolution contains all information required.

E. Special Resolution No 5 – The issuing of 'B' convertible participating deferred shares

Resolved that:

The issue to Ubuntu-Botho Investments (Proprietary) Limited (UBI) of 56 500 000 'B' convertible participating deferred shares in the Company at R0,01 each is hereby approved.

Reason and effect

Shareholders approved a transaction through a range of inter-related resolutions which introduced UBI as the Company's black empowerment partner shareholder in April 2004. Full details of the terms and effect of the transaction and the applicable resolutions were set out in a circular to shareholders dated 4 March 2004 which is available for information on the Company's web site. The transaction *inter alia* entailed the creation and issue to UBI of 56 500 000 'A' convertible participating deferred shares in the Company (the "'A' Deferred Shares) and 56 500 000 'B' convertible participating deferred shares in the Company (the "'B' Deferred Shares) at R0,01 each. These shares will convert into ordinary shares in the Company if and to the extent that their conversion rights have vested by 31 December 2013 in terms of a value-add formula based on the annual new business flows of the Sanlam Group as set out in the terms of the shares. The 'B' Deferred Shares have not yet been issued as their issue is subject to the full vesting of the conversion rights of the 'A' Deferred Shares. The transitional arrangements of the new Companies Act require that any issue of shares to a party related or inter-related to the Company be approved by shareholders of the Company by way of special resolution even if their issue had previously been approved. In April 2004, the issue of the 'B' Deferred Shares was approved with a 98,45% majority of votes present or represented at the relevant meeting by way of ordinary resolution as was then required by the JSE Listings Requirements and the previous Companies Act and not by way of special resolution. Shareholders are therefore required to re-approve, by way of special resolution, the previously approved issue of the 'B' Deferred Shares to enable the completion of the UBI transaction and to allow Sanlam to issue the 'B' Deferred Shares to UBI if and when so required.

Sanlam securities held by UBI and its associates will not have their votes taken into account for the purposes of determining the validity of Special Resolution number 5.

Social, Ethics and Sustainability report

The Social and Ethics Committee report is set out more fully in the Sustainability report on pages 12 to 15 of the 2012 Sanlam Integrated Report, of which this report forms a part of, as well as on the Company's website (www.sanlam.co.za). This is tabled in terms of Regulation 43(5)(c) of the Companies Act.

General notes

1. The record date for the distribution of the notice of the AGM was set as at the close of business on Friday, 15 March 2013.
2. The record date to participate in, attend and vote at the AGM was set as at the close of business on Friday, 24 May 2013. Therefore the last day to trade in the Company's shares on the JSE in order to be recorded in the share register on the record date is 17 May 2013.
3. A shareholder entitled to participate in, attend, speak and vote at the AGM may appoint a proxy to participate in, attend, speak and vote in his or her stead.
4. The votes of shares held by the Sanlam Share Incentive Trust will not be taken into account at the AGM for approval of any resolution proposed in terms of the JSE Listings Requirements.
5. Sanlam shareholders who hold share certificates for their Sanlam ordinary or Sanlam 'A' deferred shares or have dematerialised their Sanlam ordinary shares and have them registered in their own name (which includes Sanlam ordinary shares held through the arrangement with Sanlam Share Account (Proprietary) Limited or Sanlam Fundshares Nominee (Proprietary) Limited), but who are unable to attend

the meeting and wish to be represented thereat, should complete and return the enclosed form of proxy, in accordance with the instructions contained therein, to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (Private Bag X105, Marshalltown, 2107). The form of proxy is requested to be received by no later than 14:00 on Monday, 3 June 2013.

6. Sanlam ordinary shareholders who hold their dematerialised Sanlam ordinary shares through a CSDP, bank or broker nominee (Sanlam dematerialised shareholders) must provide their CSDP, bank or broker nominee with their voting instructions, in accordance with the agreement between them and their CSDP, bank or broker nominee. Should Sanlam dematerialised shareholders wish to cast their votes at the AGM in person, they must contact their CSDP, bank or broker nominee to issue them with the appropriate letter of authority. Sanlam does not accept the responsibility for any failure on the part of the CSDP, bank or broker nominee with regard hereto.
7. A person representing a corporation/company is not deemed to be a proxy as such corporation/company can only attend a meeting through a person, duly authorised by way of a resolution to act as representative. A notarially certified copy of such power of attorney or other documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached to the form of proxy. Such person enjoys the same rights at the AGM as the shareholding corporation/company.
8. A shareholder whose shares are held through the arrangement with Sanlam Share Account (Proprietary) Limited or Sanlam Fundshares Nominee (Proprietary) Limited is entitled to act and vote at the AGM.
9. On a show of hands, every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he/she represents or holds.
10. On a poll, every shareholder present in person or represented by proxy or duly authorised representative shall have one vote for every Sanlam share held by such shareholder.
11. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the AGM. If a poll is so demanded, the resolution put to the vote shall be decided on a poll.
12. The Company's Memorandum of Incorporation provides for an electronic voting process, for which purposes electronic handset devices will be used.
13. Electronic participation – Shareholders are advised that they, or their proxies, will be able to participate in the meeting by way of electronic communication but will not be able to vote during the meeting. Such shareholders, should they wish to have their votes counted at the meeting, must act in accordance with the general instructions contained within this notice. Telephone lines will be made available for this purpose. Shareholders who wish to participate by way of electronic communication must register such request in writing with the company secretary (sana-ullah.bray@sanlam.co.za) by no later than 12:00 on Friday, 24 May 2013. The cost of the shareholder's phone call will be for his/her own expense. The shareholder acknowledges that the telecommunication lines are provided by a third party and indemnifies the Company against any claim arising in any way from the use or possession of the telecommunication lines. We kindly request shareholders to dial in from 13:50 on the day of the AGM. All shareholders who would like to call into the AGM should dial +27 21916 3323.

By order of the Board

Sana-Ullah Bray
Company Secretary

Cape Town
6 March 2013

**The meeting will start promptly at 14:00. Due to the electronic voting system, no late registrations will be allowed.*

Shareholders' diary

Financial year-end	31 December
Annual general meeting	5 June 2013

Reports

Interim report for 30 June 2013	September 2013
Announcement of the results for the year ended 31 December 2013	March 2014
Integrated annual report for the year ended 31 December 2013	March 2014

Dividends

Dividend for 2012 declared	6 March 2013
Last date to trade for 2012 dividend	Friday, 19 April 2013
Shares will be trade ex-dividend from	Monday, 22 April 2013
Record date for 2012 dividend	Friday, 26 April 2013
Payment of dividend for 2012	Monday, 29 April 2013
Declaration of dividend for 2013	March 2014
Payment of dividend for 2013	May 2014

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account (Pty) Limited and Sanlam Fundshares Nominee (Pty) Limited), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between 22 April 2013 and 26 April 2013, both dates included.

Transactions on the JSE via STRATE are not affected by this arrangement.

Administration

Registered name

Sanlam Limited
(Registration number 1959/001562/06)
(Tax reference number: 9536/346/84/5)
JSE share code (primary listing): SLM
NSX share code: SLA
ISIN: ZAE000070660
Incorporated in South Africa

Group secretary

Sana-Ullah Bray

Registered Office

2 Strand Road, Bellville, 7530
South Africa
Telephone +27 (0)21 947 9111
Fax +27 (0)21 947 3670

Postal address

PO Box 1, Sanlamhof 7532,
South Africa

Sponsor

Deutche Securities (SA) (Pty) Limited

Internet address

http://www.sanlam.co.za

Transfer secretaries

Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
70 Marshall Street, Johannesburg 2001, South Africa
PO Box 61051, Marshalltown 2107, South Africa
Telephone +27 (0)11 373 0000
Fax +27 (0)11 688 5200

BASTION GRAPHICS