Trust, responsibility and the connectivity of solid performance and expertise

Integrated Report 2013

Sanlam

INSIDE THIS SANLAM REPORT

CONTENTS

WWW.SANLAM.CO.ZA

4 ANNUAL FINANCIAL STATEMENTS

5 REFERENCES AND NOTICES

ABOUT THIS 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.

This report is addressed primarily to the providers of financial capital to the Group, but includes relevant information for our other stakeholders, including our clients, government, analysts, communities in which we do business, tertiary institutions, suppliers and non-profit companies.

SCOPE AND BOUNDARY

This report comprises two components:

- The Sanlam Integrated Report that provides a review of the Group and its financial, social, environmental and governance performance from page 5 to 195. The Integrated Report is presented in accordance with the International Integrated Reporting Council's (IIRC) International <IR> Framework.
- Annual financial statements for the Sanlam Group and Sanlam Limited on page 199 to 333. These financial statements are prepared and presented in accordance with International Financial Reporting Standards (IFRS) and the Companies Act 71 of 2008 (as amended) in South Africa.

The report is also informed by the following legislation and standards:

- King Code of Governance Principles for South Africa (King III)
- Financial Sector Code (FSC)
- Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines
- JSE's SRI Index and Listings Requirements.

Information presented covers all operating clusters of the Group, including all subsidiaries, associated companies and joint ventures, unless otherwise indicated.

NAVIGATION

For ease of use the following icons are used as reference points throughout the Integrated Report:

CROSS REFERENCE	SUSTAINABLE INFORMATION	MORE INSIGHTS	REPORTING STANDARDS	SUPPLEMENTARY INFORMATION
Cross reference icon refers the reader to parts of the report that contain relevant information	Sustainability icon indicates that a sustainability topic has been covered in the text	Insight icon provides additional information on the topic	Reporting standards icon indicates that a reporting standard has been covered in the text	Supplementary information icon provides additional information on the specified weblink

For purposes of the Integrated Report, material resources and stakeholders have also been identified, as indicated in the diagram on page 16.

This report should be read in conjunction with the 2013 Sanlam Sustainability Report. Both this report and the Sustainability Report are published on (www.sanlam.co.za).

All information is presented on the same basis as the 2012 report in terms of the entities covered, the measurement methods applied and time frames used. The information provided covers all material matters relating to business strategy, risks and areas of critical importance to our stakeholders. The structure of the report has been further developed as part of our continuous focus on improving communication to our stakeholders.

MATERIALITY

Only material information is presented in this report. Materiality has been determined taking both quantitative and qualitative aspects into account:

- For financial information materiality is based on whether the item is of such significance that it could affect financial decisions made by financial capital providers to the Group (current and potential). Both the amount and nature of an item is considered.
- For non-financial information and the identification of resources and stakeholders, materiality is based on whether an item, resource or stakeholder is of such significance that it can prevent the Group from achieving its Return on Group Equity Value target over the short, medium and long term.

The determination of materiality necessarily requires judgement to be exercised. Sanlam's external communication philosophy is based on achieving full alignment between internal and external financial reporting in respect of both content and format of reporting. The only exception is the exclusion of detailed information that will prejudice Sanlam's competitive position in the market or cannot be disclosed from a regulatory or legislative perspective. This philosophy ensures that all items regarded as material to the Group from an internal management perspective are included in this report.

INDEPENDENT ASSURANCE

Ernst & Young Inc. has been engaged to provide independent assurance on the following aspects of this report:

- Audit opinion on the Shareholders' information (refer page 137);
- Audit opinion on the annual financial statements (refer page 201); and
- Limited independent assurance on key elements of the performance information in the online Sustainability Report.

Information relating to our FSC scorecard was subject to independent assurance by AQRate.

FEEDBACK

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

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 USA 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.

BOARD RESPONSIBILITY STATEMENT FOR INTEGRATED REPORT

The Board of directors acknowledges its responsibility to ensure the integrity of the Integrated Report and has evaluated its preparation and presentation accordingly. In the opinion of the Board, this Integrated Report has been prepared in accordance with the IIRC’s International <IR> Framework and addresses the material matters pertaining to the long-term sustainability of the Group and presents fairly the integrated performance of the Sanlam Group and the impacts thereof.

Desmond Smith
Chairman

Johan van Zyl
Group Chief Executive

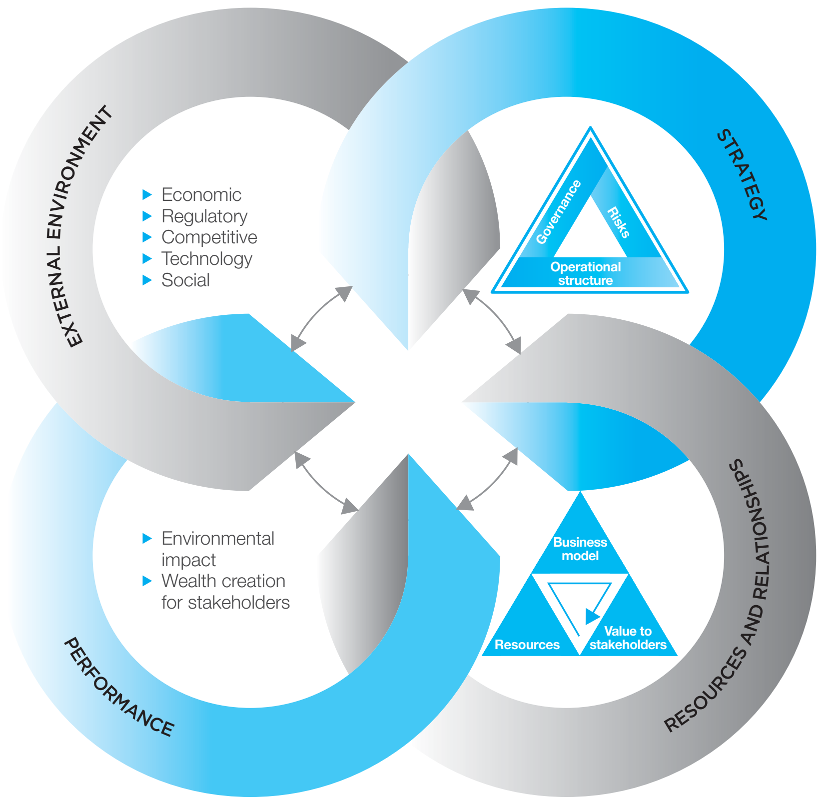
OUR INTEGRATED REPORTING MODEL

Our reporting model is informed by feedback received through our engagement with key users of our Integrated Report. These users in general prefer inclusion of the annual financial statements and the Integrated Report in a single document as opposed to separate publications. This report commensurately follows this approach, as also outlined in the 'About this report' section.

The following guiding principles are used to develop the content and presentation format of the Integrated Report:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

Financial (quantitative) and non-financial (qualitative) information is combined to provide a holistic view of the Group, its performance and sustainability over the short, medium and long term. In the sections that follow we provide an overview of the Group (what we do), our operational structure and business model (how we do it) as well as the resources we impact as part of our business model, all within the context of our strategy. The interconnectedness of the aspects covered is illustrated in the following diagram:



THIS IS SANLAM

01 Clear strategy

- Sanlam's strategy has been in place since 2003, 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.

02 Presence

- Sanlam is a market leader in Africa, providing integrated solutions in all aspects of insurance, investment 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 (direct presence in 11 African countries).
- Our partner in India, the Shriram Group, is one of India's most respected brands.
- We recently entered South-East Asia through an investment in Pacific & Orient in Malaysia.
- We also have a niche exposure in the United Kingdom, Europe, the USA and Australia.
- Our leading brands are well entrenched in the minds and lives of our clients.

03 Profitable growth prospects

- Management has built solid foundations from which to grow the business by successfully implementing growth strategies in emerging markets in South Africa, the Rest of Africa, India and South-East Asia.
- We continue to expand in growth markets.

04 Strong management team

- Sanlam's senior management team has been stable for a number of years and has 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.

05 Diversity and innovation

- Our diversification strategy has resulted in a mix of businesses that 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, Nimbus and Glacier international products.

06 Responsible corporate citizen

- Sanlam recognises the importance of sustainability as a key part of our strategy and continually considers the impact of our operations to ensure they remain socially responsible and environmentally conscious.
- Significant investment has been made in skills development and training programmes.

▶ 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.

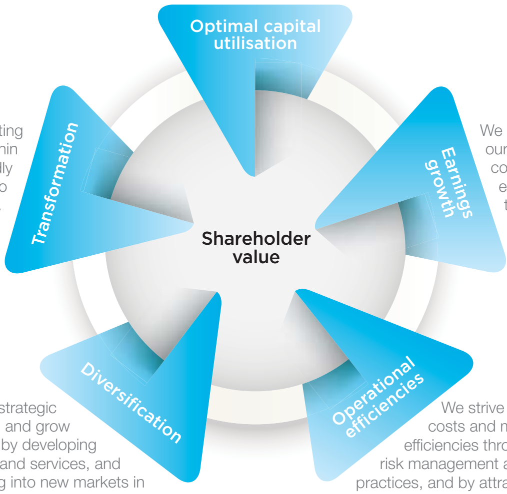
▶ OUR STRATEGY

The Group's strategy is focused on maximising value creation for our shareholders. 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 the challenges of a changing operating environment. To ensure sustainable value creation over the long term, our strategy is founded on a set of core values and our Sustainability Management Framework.

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.

We are committed to promoting transformation and diversity both within our operations and more broadly through our contribution to socio-economic development.

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



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.

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

OUR VALUES

- Acting with integrity
- Growing shareholder value through innovation and superior performance
- Leading with courage
- Serving with pride
- Caring because there is respect for one another

OUR SUSTAINABILITY MANAGEMENT FRAMEWORK

- Ensuring sound governance
- Developing our people
- Providing responsible products and services
- Investing in a prosperous society
- Promoting environmental responsibility

THE APPLICATION OF OUR STRATEGY

We have built up a large in-force book in the middle-income market in South Africa over the more than 90 years of our existence. Given the maturity of this book, it is a large source of stable cash flows that we use to pay dividends to our shareholders and fund our expansion in growth markets, either through funding the new business strain associated with writing new business (organic growth) or acquisitions (structural growth).

We identified the following growth markets over the short, medium and long term:

- Entry-level market in South Africa over the short to medium term;
- Rest of Africa over the medium term to long term; and
- India and South-East Asia over the long term.

These markets will drive accelerated growth over the medium to long term with the more mature parts of the business generating stable but good returns. The application of discretionary capital is therefore focused on expansion in these markets, as further elaborated on in the Review of the Group Chief Executive on page 103. In the more mature markets, the focus is on cross selling and managing cost efficiencies. The application of the Group strategy can be summarised as follows:

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.

The tables to the right provides an overview of the Group and the business clusters through which we operate in our selected markets.

GROUP

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.

Net result from financial services	R5 429 million (2012: R4 030 million)

SANLAM PERSONAL FINANCE

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.

Net result from financial services	R2 920 million (2012: R2 351 million)

Contribution to Group net result from financial services

SPF	52%
Other businesses	48%

SANLAM EMERGING MARKETS

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

Net result from financial services	R1 011 million (2012: R428 million)

Contribution to Group net result from financial services

SEM	18%
Other businesses	82%

SANLAM INVESTMENTS

The Sanlam Investments (SI) cluster provides individual and institutional clients in South Africa, the UK and elsewhere in Europe, the USA and Australia access to a comprehensive range of specialised investment and risk management expertise.

Net result from financial services	R1 301 million (2012: R975 million)
Assets under management	R772 billion (2012: R674 billion)

Contribution to Group net result from financial services

SI	24%
Other businesses	76%

SANTAM

Santam specialises in short-term (general) 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 and co-investor in SEM's expansion into Africa, India and South-East Asia.

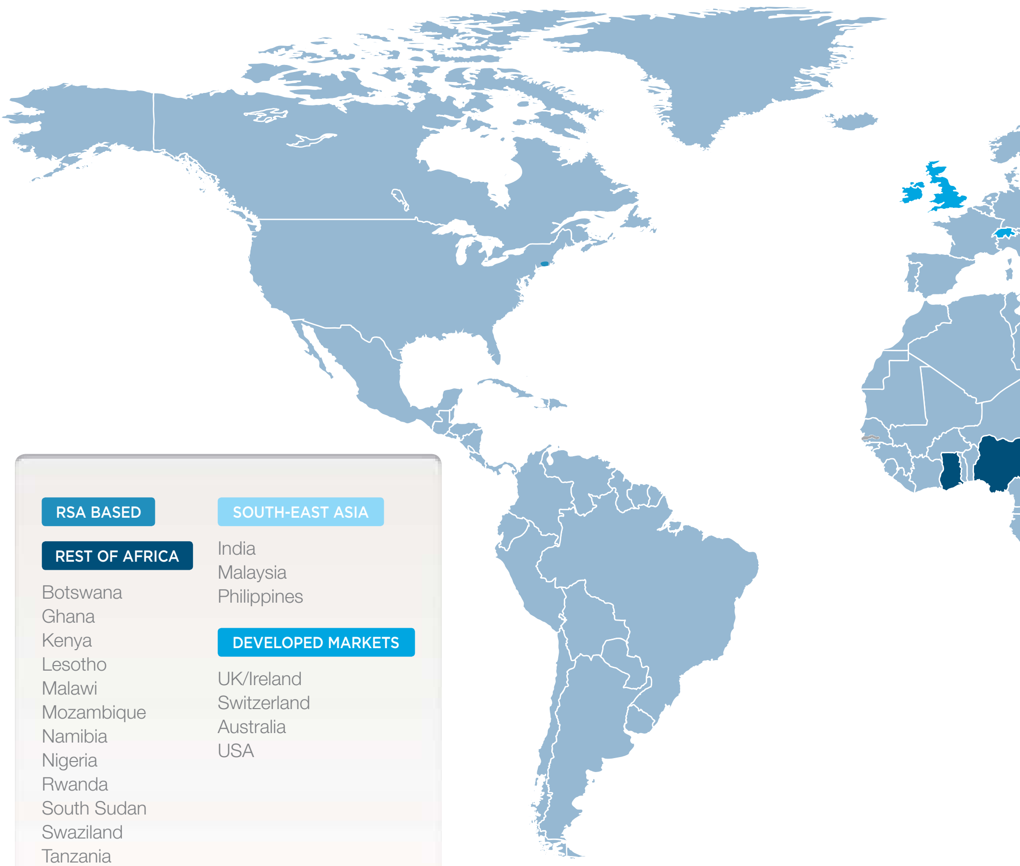
Net result from financial services	R333 million (2012: R405 million)
Underwriting margin	2,8% (2012: 3,8%)

Contribution to Group net result from financial services

Santam	6%
Other businesses	94%

WHERE WE OPERATE

Based in South Africa, the Group has a direct presence in 10 other African countries, India, Malaysia and with niche businesses in certain developed markets. We have the largest Pan African footprint of insurance groups based on number of countries and contribution to the overall consolidated Group.



RSA BASED

REST OF AFRICA

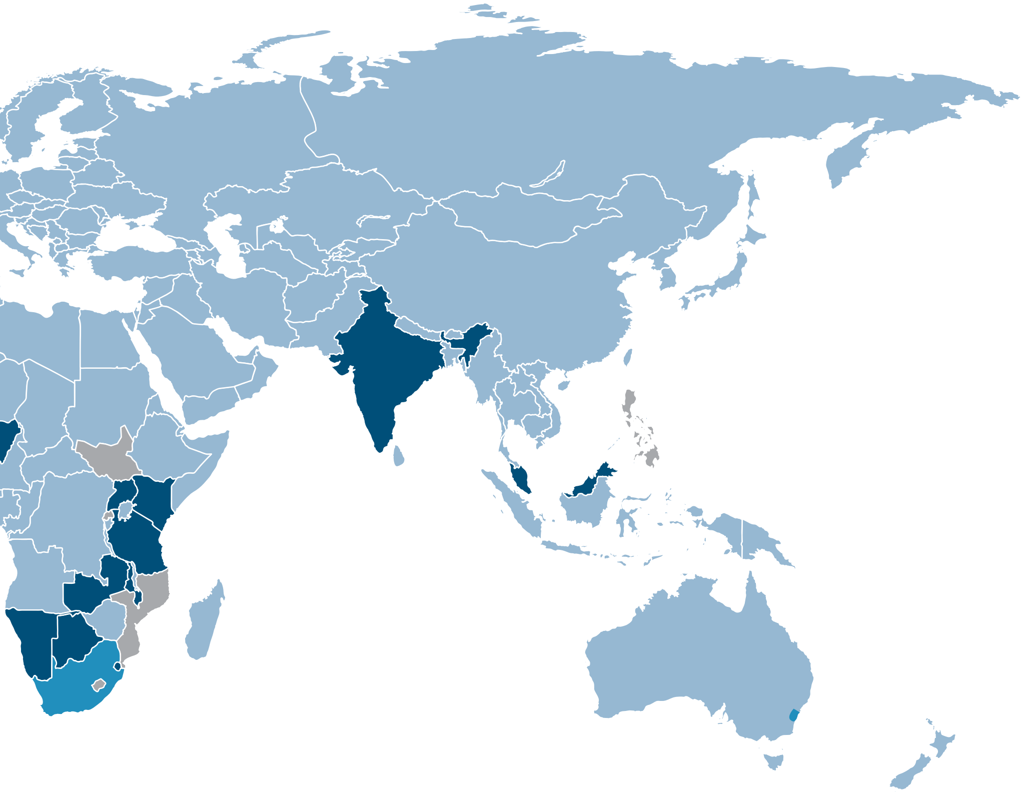
Botswana
Ghana
Kenya
Lesotho
Malawi
Mozambique
Namibia
Nigeria
Rwanda
South Sudan
Swaziland
Tanzania
The Gambia
Uganda
Zambia

SOUTH-EAST ASIA

India
Malaysia
Philippines

DEVELOPED MARKETS

UK/Ireland
Switzerland
Australia
USA



Developed markets
Emerging markets – Direct presence
Emerging markets – Indirect presence

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 operations are managed through four operating clusters (refer Overview of operations on page 104). The core businesses within each cluster are as follows (wholly owned unless otherwise indicated):

Cluster profile and shareholding structure

Sanlam Personal Finance

- **Sanlam Sky Solutions** – financial services for individuals and groups in the entry-level market
- **Sanlam Individual Life** – financial services to the middle-income, professional and business-owner markets
- **Glacier** – financial services for the affluent market
- **Strategic business development** – consists of the following diversified financial services:
  - Sanlam Trust – estate and trust services
  - Multi-Data – electronic money-transfer activities
  - Sanlam Healthcare Management – medical scheme administration services
  - Sanlam Personal Loans – 70% – personal loans joint venture
  - Reality – loyalty programme
  - Anglo African Finance – 55% – trade and bridging finance.

CROSS REFERENCE

Further information is available on p128

Sanlam Emerging Markets

Retail and group life insurance and related business

- Botswana Life, Botswana – 56% via Botswana Insurance Holdings Limited (BIHL)
- Sanlam Life, Namibia
- Sanlam Namibia Holdings, Namibia – 59% (direct 54% and 5% indirect via Capricorn Investment Holdings)
- NICO Life, Malawi – 62% (direct 49% and 13% indirect via NICO Holdings)
- Pan Africa Life, Kenya – 56% via Pan Africa Insurance Holdings (PAIH)
- African Life, Tanzania – 64%
- African Life, Zambia – 70%
- Enterprise Life Assurance, Ghana – 49%
- Sanlam Life, Uganda
- FBN Life, Nigeria – 35%
- Shriram Life Insurance, India – 20% via Shriram Capital

Credit and banking

- Bank Windhoek, Namibia – 13% via Capricorn Investment Holdings
- Letshego, operating in a number of African countries – 13% via BIHL
- NBS Bank, Malawi – 13% via NICO Holdings
- Shriram Transport Finance Company, India – 12% (5% direct and 7% via Shriram Capital)
- Shriram City Union Finance – 10% via Shriram Capital

Investment management

- SIM Kenya – 56% via PAIH
- SIM Namibia – 86%
- Botswana Insurance Fund Management – 56% via BIHL

General insurance

Jointly responsible in partnership with Santam for managing general insurance business through:

- NICO Malawi – 62% (direct 49% and 13% indirect via NICO Holdings)
- NIKO Tanzania – 41% (direct 33% and 8% indirect via NICO Holdings)
- NIKO Uganda – 61% (direct 48% and 13% indirect via NICO Holdings)
- NICO Zambia – 62% (direct 49% and 13% indirect via NICO Holdings)
- Shriram General Insurance, India – 20% via Shriram Capital
- Pacific & Orient, Malaysia – 49%
- Sure!, Botswana – 56% via BIHL

CROSS REFERENCE

Further information is available on p130

Sanlam Investments

Asset management

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

Wealth management

- Sanlam Private Investments (SPI) – private client wealth management and stockbroking
- Calibre Investments – 50,1% – Australian investment management
- Sanlam Private Investments UK – 97% – UK private wealth management and stockbroking
- 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 (SCM)
- Sanlam Private Equity (SPE)
- **Sanlam Employee Benefits** – provides risk and investment solutions and administration services to institutions and retirement funds
- Sanlam Group Risk
- Sanlam Structured Solutions (SSS)
- Sanlam Umbrella Solutions (SUS)
- Sanlam Retirement Fund Administration (RFA)
- Simeka Consultants and Actuaries

International investments

- Sanlam International Investment Partners – manages established partnerships with specialist investment management firms abroad as outlined below:
  - Four Capital – 54% – 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 (SAMI) – 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 (SMMI) – investment management advisory business
- Sanlam Collective Investments (SCI) – retail, multi-managed, institutional and third-party collective investment (unit trust) funds
- Blue Ink – hedge fund manager focusing on both the local and global investment markets
- Fin-Q – provides independent advice to people leaving retirement funds
- Graviton Financial Partners – a broker network business

CROSS REFERENCE
Further information is available on p133

Santam

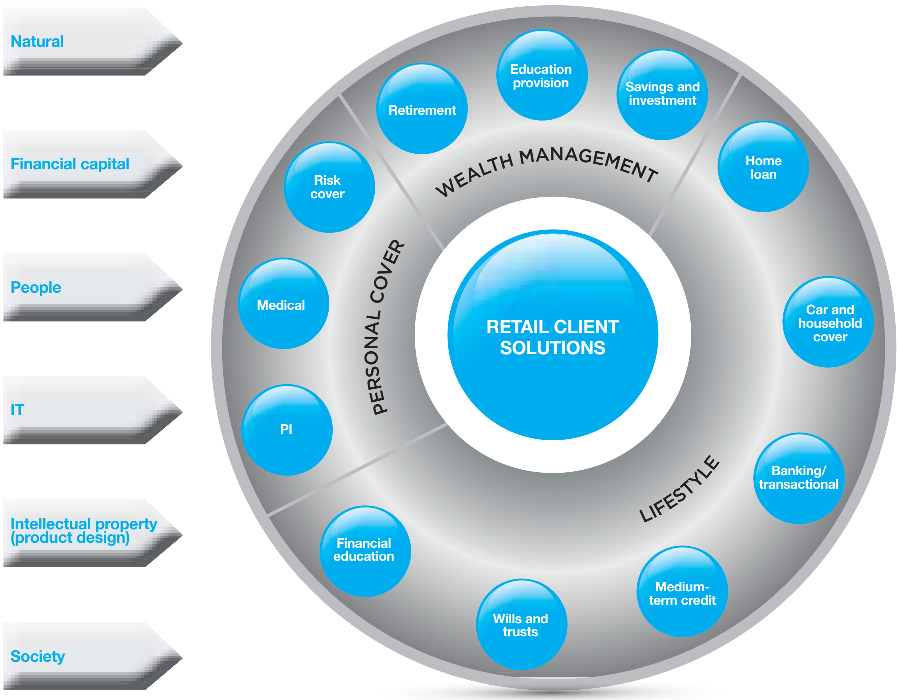
Sanlam has an effective 60% interest in Santam, which in turn operates through the following businesses:

- Santam Insurance – traditional and specialist lines intermediated business
- MiWay – short-term insurance solutions to clients through a direct distribution channel
- Santam Re – reinsurance in emerging markets

CROSS REFERENCE
Further information is available on p135

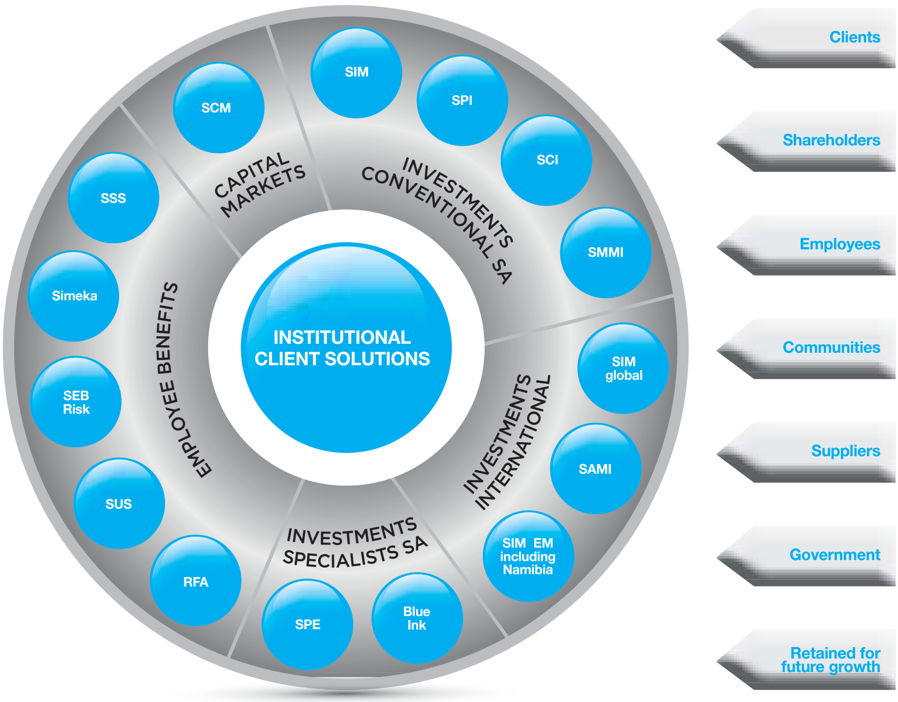
Sanlam's business model is based on providing financial services solutions to retail and institutional clients across a number of market segments and geographies. The solutions we offer fulfil clients' needs for wealth creation and protection. In line with our philosophy of client centricity and treating customers fairly, we provide appropriate advice and products to our clients tailored for their specific needs and circumstances.

RESOURCES



This we can only achieve through the application of a number of resources, the most important of which are our people (financial, actuarial, risk management and other skills) and the financial capital that we hold as safeguard to our clients and other stakeholders. The output of the business model is wealth creation for all our stakeholders.

WEALTH CREATION



KEY RISK EXPOSURES

The nature of Sanlam's business model as a diversified financial services group exposes it to a variety of risks. Sanlam assumes various risks in providing clients with the products and services they need, for which we are compensated by the fees and risk premiums we earn. These risks are managed through comprehensive risk management processes. The Group also holds significant levels of capital in relation to its risk profile to safeguard clients and other stakeholders against the potential adverse effects of risks materialising. Risk and capital management is an integrated process within the Group as the level of required capital is directly related to the risk profile of the Group as well as the robustness of the risk management processes.

Risk and capital management furthermore aims to balance the expectations of two main stakeholder groups, namely:

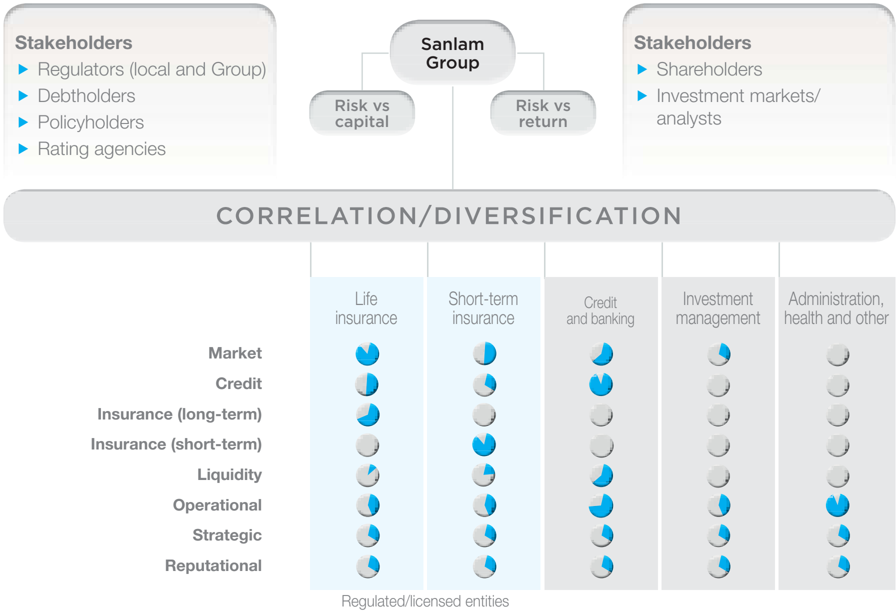
- Shareholders/investment markets/analysts: The providers of equity capital to the Group expect return on capital to be maximised by retaining the minimum level of capital required for our risk profile. The higher the level of capital, the lower the return earned by shareholders. For this stakeholder group risk and capital management is founded on balancing risk and returns optimally.
- Policyholders/debt holders/regulators/rating agencies: Capital held by the Group is the main safeguard against loss for this group of stakeholders. Their preference is therefore to maximise the level of capital to the detriment of return on capital. Risk and capital management for this grouping is thus founded on risk versus the level of capital.

The risk profile of the Group is summarised in the diagram on page 19, which provides an indication of the risk exposure within the various lines of business, as well as the proportion of Group Equity Value (GEV) exposed to the various lines of business.

The Group has a strong solvency position, with Sanlam Life Insurance Limited's (the main insurance company in the Group and the holding company of most of the regulated entities in the Group) Capital Adequacy Ratio amounting to 4,5 times at 31 December 2013.

Refer to the Capital and Risk Management report on page 202 for further information on the management of capital and risks within the Group.

Diversification is a key component of the Group's strategy and is aimed at creating a balanced risk profile for the Group to reduce the variability of returns to shareholders. As outlined in the Vision and strategy section on page 8, the entry-level market in South Africa, Rest of Africa, India and South-East Asia has been identified as growth opportunities for the Group. Organic and structural growth in these markets will further diversify the risk profile both geographically and across lines of business.



▶ EXPOSURE BASED ON GEV

R million	Total	Life insurance	Short-term insurance	Credit and banking	Investment management	Administration, health and other
Sanlam Personal Finance	35 666	33 033	—	894	—	1 739
Sanlam Emerging Markets	10 189	3 541	1 453	5 216	462	(483)
Sanlam Investments	17 971	6 901	—	616	10 454	—
Santam	12 644	—	12 644	—	—	—
Corporate and other	7 939	—	—	—	—	7 939
Sanlam Group Equity Value	**84 409**	**43 475**	**14 097**	**6 726**	**10 916**	**9 195**

Key
Indicator of the applicability of risk in question

Very high — **Decreasing levels of exposure** → Very low/not applicable/none

Sustainability drives our long-term view of value creation. A sustainability mindset guides our corporate culture and is implicit in our business model. Our strategy, which has been in place for the past 10 years, is underpinned by policies that are designed to ensure sustained growth.

We take a responsible approach in doing business, partnering clients with products that meet their real needs and which they can afford. We believe this is the right thing to do. Value has to be created for both the client and for Sanlam, versus pursuing business for the sake of short-term gains. Though the strategy has remained generally constant during this period, we have emphasised certain elements to meet the dynamic needs of our clients and operating environment. This strategy has resulted in improved operating results, despite a difficult economic environment.

Our philosophy manifests in the way that we do business. The way that we entrench our philosophy throughout our operations embeds sustainability thinking and practice and affects our products, the way we lead, invest, expand and operate.

As a leading provider of financial services, we have a responsibility that extends beyond our day-to-day business interests. The products and services we provide have a long lifespan and the value that policyholders extract when products mature depends on the stability of the financial system. The way people access financial services, how micro-loans are extended, and the existence of a savings culture are all issues that affect the health of this system. It is therefore incumbent on us to use our influence to promote a policy environment that fosters long-term stability and leads to sensible financial practices.

To exert this influence, we participate in a variety of business and civil society organisations, and in particular with the Association for Savings and Investment South Africa (ASISA). An important focus is on increasing financial inclusivity, accessibility and responsibility at the bottom of the pyramid of the market. We also take our engagement role with government, particularly on regulatory development, seriously, and often engage with National Treasury in order to spearhead negotiations on behalf of the financial services sector.

We are acutely aware that value creation requires a focus that goes beyond short-term profitability. We must recognise and manage broader economic, social and environmental factors as well. For instance, by investing in our relationships with intermediaries or employees, or reducing the direct and indirect impact our operations have on the environment, we create a more sustainable operating environment. This is not only vital for our business, but for the broader sector and community in which we operate.

Our approach to addressing these issues is to prioritise those issues that matter most to our business, a few of which are worth highlighting. These include:

INVESTING IN PEOPLE

The way our people offer appropriate products and deliver on promises is essential to our success. Over the past two years, we have invested heavily in Sanlam's Blueprint for Success to instil the right culture within the organisation. The process is based on an independently assessed, internationally recognised people-development standard.

FAIR TREATMENT OF CUSTOMERS

We are actively engaged in the emerging Treating Customers Fairly (TCF) legislation, the philosophy of which is neatly aligned with our existing client-centric approach.

RESPONSIBLE INVESTMENT

As one of the leading providers of financial services, we have the power and the responsibility to implement best practice when it comes to responsible investing. We subscribe to the United Nation's Principles for Responsible Investment (UNPRI) and the Code for Responsible Investing in South Africa (CRISA). A benchmark evaluation in accordance with the UNPRI showed our practices to be in the top 5% of the leading 1 000 companies, worldwide.

ACCESS TO FINANCIAL SERVICES

Broadening access to financial services is not only an important national imperative but critical to our prospects over the longer term. Our performance in the entry-level market over the past year has been encouraging, with the focus being on providing products that are both affordable and of value to this segment.

TRANSFORMATION

Transformation is vital for our people, our future business prospects and the economic stability of the country in general. We are currently a level 2 BBBEE company and making progress towards improving this score in the future, not only because it offers business advantage, but because it is also the right thing to do.

As a rapidly growing diversified financial services group, we have diversified geographically in recent times and in doing so, have realised that our approach to sustainability is central to our international expansion strategy. The circumstances in every region we enter or operate in are different. To ensure sustainable business practice, we spend time understanding these operating environments and determining how best to respond. In many cases, we don't have direct control over international operations, so we work to influence our business partners' behaviour, rather than dictating their practices. In some, we have been chosen as a preferred partner because of our ability to add value in this regard.

We mitigate some of the complexities of our expansions by developing strong relationships with our business partners. We conduct extensive due diligence on our prospective partners to ensure that we build relations with organisations that share our ethical and social values, and that allow us to accentuate these in our chosen countries of operation. Our sustainability approach is replicated throughout our national and international operations in this manner.

In line with our business strategy, we retain a strong focus on value creation, for Sanlam, our clients, intermediaries, regulators and other stakeholders. One of the functions of the Group Chief Executive (CEO) is to directly identify and discontinue those practices that do not create value and accentuate those practices that do. This might mean taking a decision that has a minor negative short-term financial impact but is fundamentally fair for the policyholder in the long term.

Our approach to value creation applies equally to the broader developmental landscape. For instance, our Ubuntu-Botho transformation programme included the formation of a R15 billion share transfer scheme. The transaction has yielded R3 billion in unencumbered funding that will contribute to uplifting the quality of education and living standards in stakeholder communities. To date this is one of South Africa's most successful black economic empowerment transactions.

At an operational level, Sanlam's sustainability framework underpins the implementation of our sustainability strategy. The framework enables us to prioritise issues of importance, allocate responsibilities, set goals and reward our people. It facilitates centralised coordination with devolved decision making throughout the organisation. In this way sustainability can be owned and driven by the business, across all regions and business functions. The framework also provides for a set of metrics that allows us to continually measure progress on our sustainability journey.

Sanlam continues to support the United Nations Global Compact (UNGC) and is committed to the UNGCs principles which we have integrated into Sanlam's sustainability framework.

Sanlam has only had 10 CEOs in almost 100 years of operation, which illustrates the Group philosophy of being held accountable for one's actions.

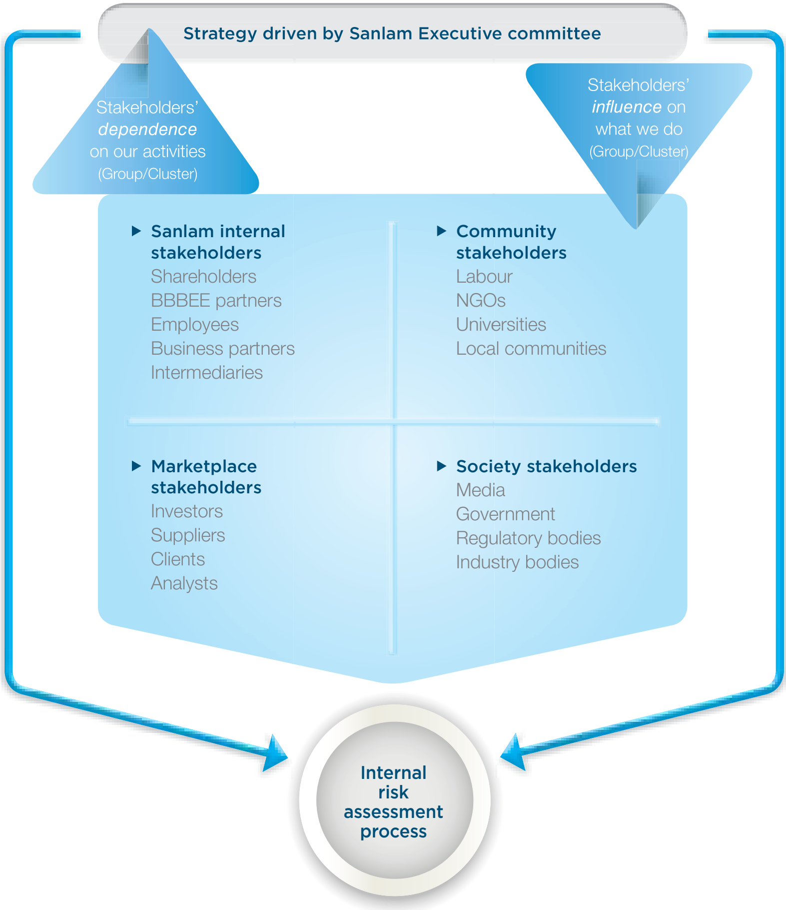
The role of the CEO has seen a significant change over the last number of years, including changes to the role and function. The CEO has to balance obligations to Sanlam's shareholders with commitments to our people and the community. In order to progress Sanlam on its sustainability journey, he first needs to ensure that our Company is financially viable and secure in the long term. This is achieved by ensuring that Sanlam consistently realises its obligations to its customers. Ultimately, Sanlam sells our customers a promise: we promise to meet our obligations in the agreement that we have with our clientele and, in order to do this, we need to have people, values and a brand that can 'make good' on that promise.

We use our sustainability philosophy and framework to drive the Group towards an end goal where we satisfy and retain our clients as well as other business stakeholders by creating long-term value. This is done through monitoring our scorecard and leveraging resources in strategic places to ensure that we are living our sustainability philosophy and continually pushing Sanlam along it sustainability path.

Refer to our full Sustainability report on the Sanlam website (www.sanlam.co.za) for further information on our sustainability framework and performance in 2013.

ENGAGING OUR STAKEHOLDERS

Sustained growth is dependent on the health of our relationships with all stakeholders, in addition to the financial interests of shareholders. For this reason, we engage a variety of key stakeholders as shown below.



Sanlam's alignment with stakeholder interests is consistent with the integrated approach to corporate governance advocated by King III.

APPROACH TO STAKEHOLDER MANAGEMENT

The process to develop and implement a systematic approach to stakeholder management started in 2011, with significant progress being made in 2013, and culminated in the Group stakeholder relations strategy and stakeholder communications policy.

The stakeholder relations strategy contains Group-wide procedures for identifying, prioritising and engaging with Sanlam's various stakeholders through a coordinated stakeholder management approach and action plan. The stakeholder communications policy outlines communications objectives, rules and levels of engagement, roles and responsibilities, key spokespeople, core messages and communication channels. Both the Sanlam Executive committee and Sanlam Board have endorsed the stakeholder strategy and it has subsequently been shared with all relevant business unit heads.

During the year, we consulted our internal business divisions to identify stakeholder interests and activities. After this process was completed, an analysis was conducted to identify the various levels and forms of engagement. One of the outcomes was a detailed stakeholder matrix.

The matrix is the first step towards the development of a stakeholder register (also known as the stakeholder hub) to monitor all our engagements with stakeholders. The hub will provide a central point from where all business units can access our stakeholder database and issue log. The hub will pull together the multiple stakeholder contact points within Sanlam, improving our coordination and integrating our stakeholder information.

OUR STAKEHOLDER ENGAGEMENT ACTIVITIES

We engage and collect stakeholder information through various channels.

Internal research projects, such as Sanlam Brand Health Tracker, measures the perception of our brand among existing and potential clients. Our customer satisfaction surveys and staff satisfaction surveys enable us to understand and improve the business interaction, while our *Blueprint for Success* cultural survey helps us to foster a high performance culture within the business. Our distribution teams facilitate multiple forums throughout the year. These forums allow us to stay in touch with our intermediaries and address pertinent regulatory and other concerns.

We conduct regular road shows to present our financial performance to investors, analysts and other stakeholders.

Sanlam Group market development, together with Sanlam provincial advisory boards, annually host stakeholder engagement sessions in all nine provinces. Key stakeholders from the public and private sectors, clients and Ubuntu-Botho (Sanlam's BBBEE partner) shareholders attend these events. The sessions provide important information about the evolving expectations of many of our stakeholders and help us understand their perceptions and expectations. They also create a platform for open dialogue between Sanlam and our stakeholders.

To ensure that 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, National Economic Development and Labour Council (Nedlac), the National Business Initiative (NBI), and various business chambers.

We have been particularly active in the work of ASISA. The Sanlam Group Chief Executive serves as chairperson of ASISA and represents the industry at the highest levels of policy making and regulation, and Sanlam members are active on all of the ASISA standing committees and working groups.

Our corporate memberships also serve to connect us to the views of key groups of stakeholders and provide a valuable two-way communication opportunity to share learnings and to influence views, behaviours and actions.

SOME OF OUR AWARDS

SANLAM PERSONAL FINANCE

- Sanlam Life scored the best in the SA Customer Satisfaction Index for the life insurance industry

SANLAM EMERGING MARKETS

- Enterprise Life by the Ghana Investment Promotion Centre – (GIPC)
  - Leader in the Financial Services Sector (Insurance Category) 2012 – Ghana Club 100
- BIHL, Botswana
  - Botswana Life Insurance Limited won a PMR Africa award diamond category

SANLAM INVESTMENTS

- Kokkie Kooyman: Investment Week's Fund Manager of the Year
- Sanlam Employee Benefits
  - Principal Officers Association awarded Sanlam Employee Benefits the 2013 Risk Benefit Underwriter of the Year award at the 2013 Imbasa Yegolide Awards for Professional Excellence

SANTAM

- 2013/14 Ask Afrika Orange Index
  - Winner – short-term insurance industry

SANLAM GROUP

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

The Group uses a number of key financial and non-financial performance indicators (KPIs) to monitor performance against our strategic objectives. These KPIs are included in the regular reporting to the Sanlam Board and Group Executive committee. Our performance against these KPIs is summarised in this section.

For information on how these KPIs are incorporated in executive remuneration, refer to the Remuneration report on page 75.

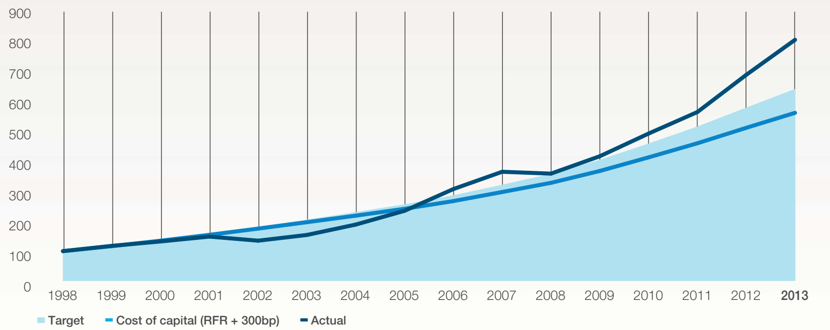
RETURN ON GROUP EQUITY VALUE (ROGEV)

RoGEV is the overall measure of value creation for our shareholders. During 2013 we continued to outperform our cumulative hurdle.

FOCUS ON RETURNS

Maximising value creation

Outperform cumulative growth target of long-bond rate + 400bp since listing

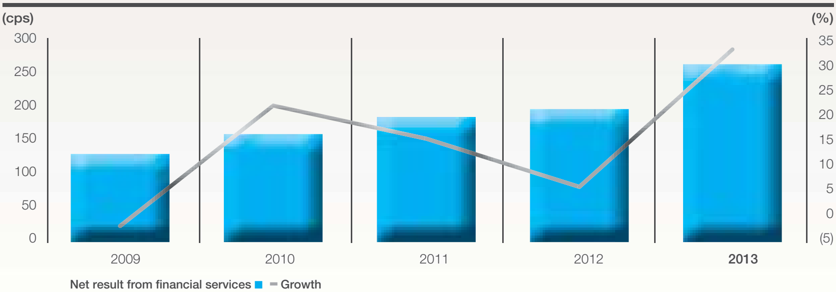


NET RESULT FROM FINANCIAL SERVICES

Our dividend policy is based on the cash component of net result from financial services (net operating profit) and growth in this measure drives dividend growth to shareholders over the long term.

Earnings growth

Net result from financial services

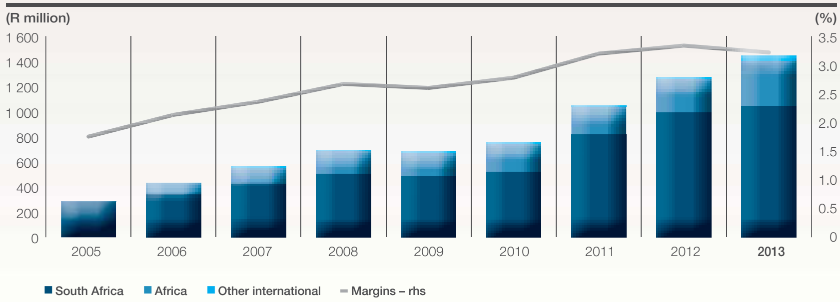


VALUE OF NEW COVERED BUSINESS

We do not drive market share, but rather profitable volume growth that creates sustainable value over the long term.

Operational efficiencies

Value of new business vs new business margins

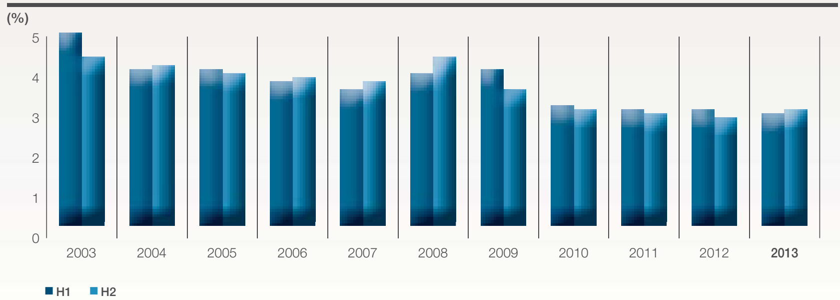


PERSISTENCY

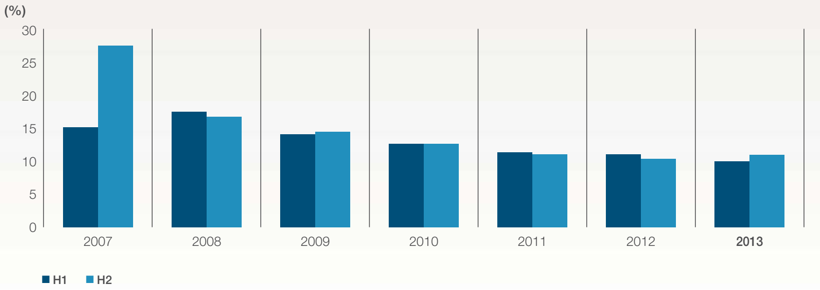
Client retention is a key component of managing the profitability and RoGEV of the Group over the long term. Client retention initiatives are built into the full value chain, incorporating marketing, appropriate advice to clients, remuneration structures of advisers, post-sales client service and claims management, to ensure that we write and retain quality business.

Operational efficiencies

Persistency – South Africa middle-income market
Lapses, surrenders and fully paid-ups as % of in-force per half year



Persistency – South Africa lower-income market
Number of not taken up (NTUs), lapses and surrenders as % of in-force per half year

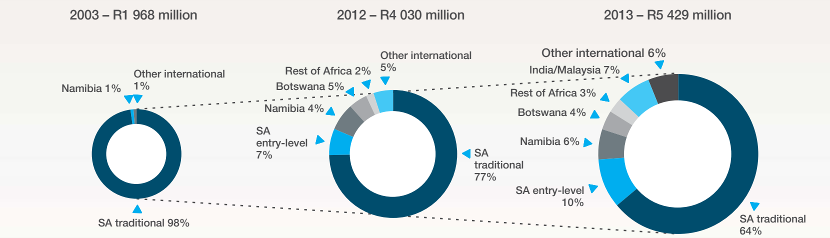


▶ CONTRIBUTION OF GROWTH MARKETS

Increasing growth markets' contribution to the Group has a direct impact on accelerating the overall growth in GEV, net result from financial services and dividends over the longer term.

Diversification

Contribution to Group net operating profit

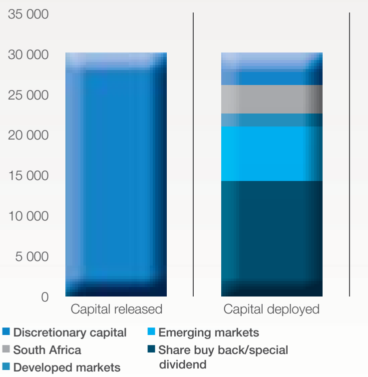


APPLICATION OF CAPITAL

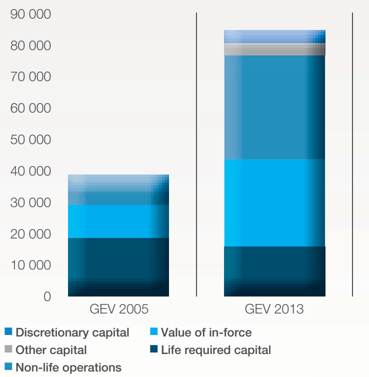
Optimising capital allocated to life operations and redeploying excess capital to growth markets leverage RoGEV over the long term.

Optimal capital utilisation

Capital redeployed since 2005



Composition of GEV transformed since 2005



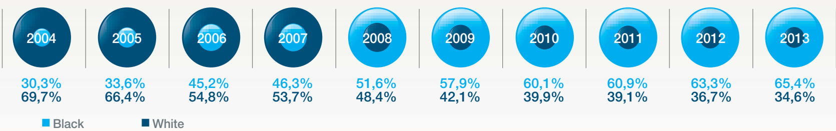
SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Sustainable performance is only possible through being a responsible corporate citizen.

Sanlam is a level 2 contributor based on the Financial Sector Code.

Transformation

Black-White ratios 2004 – 2013



R million		2013	2012
Group Equity Value			
Group Equity Value	R million	**84 409**	75 352
Group Equity Value	cps	**4 121**	3 707
Return on Group Equity Value per share	%	**17,0**	22,0
Business volumes			
New business volumes	R million	**184 855**	135 903
Life business		**31 687**	25 436
Investment business		**105 697**	81 670
Short-term insurance		**17 592**	15 966
New business volumes excluding white label		**154 976**	123 072
White label		**29 879**	12 831
Recurring premiums on existing business	R million	**22 096**	21 271
Total inflows	R million	**206 951**	157 174
Net fund flows	R million	**31 848**	22 989
SIM funds under management	R billion	**677**	596
New covered business			
Value of new covered business	R million	**1 450**	1 278
Covered business PVNBP	R million	**44 902**	38 129
New covered business margin	%	**3,23**	3,35
Earnings			
Gross result from financial services	R million	**8 179**	6 285
Net result from financial services	R million	**5 429**	4 030
Normalised headline earnings	R million	**8 060**	5 919
Headline earnings	R million	**8 062**	5 763
Net result from financial services	cps	**266,0**	198,9
Normalised headline earnings	cps	**395,0**	292,1
Diluted earnings	cps	**398,4**	286,8
Group administration cost ratio	%	**29,4**	30,6
Group operating margin	%	**22,2**	19,4
Other			
Sanlam share price	cps	**5 324**	4 477
Normal dividend	cps	**200**	165
Special dividend	cps	**—**	50
Sanlam Life Insurance Limited			
Shareholders' fund	R million	**60 542**	55 466
Capital adequacy requirements (CAR)	R million	**7 550**	7 125
CAR covered by prudential capital	times	**4,5**	4,3
Foreign exchange rates	R		
Closing rate			
Euro		**14,51**	11,18
British pound		**17,42**	13,79
United States dollar		**10,53**	8,48
Average rate			
Euro		**12,78**	10,53
British pound		**15,00**	12,99
United States dollar		**9,61**	8,20
Non-financial(2)			
BEE credentials(3)	level	**2**	3
Corporate Social Investment spend	R million	**64**	34
Office staff turnover: South Africa	%	**10,93**	11,60
Carbon footprint	Tonnes CO_2/ full time employee	**9,77**	10,56
Reduction in electricity usage(4)	%	**11**	

(1) *Excludes dividends paid.*
(2) *Comparative information presented with effect from year when measure was reported for the first time.*
(3) *Measured in terms of the Financial Sector Code, apart from 2012 when the Department of Trade and Industry Charter applied to the financial services industry in South Africa.*
(4) *Cumulative decrease compared to 2010 base year.*

2011	2010	2009	Average annual growth rate %
63 521	57 361	51 024	13
3 146	2 818	2 473	14(1)
15,7	18,2	16,2	
115 087	105 526	102 928	16
21 455	17 099	18 009	15
72 679	69 181	65 835	13
14 822	13 667	12 896	8
108 956	99 947	96 740	13
6 131	5 579	6 188	48
19 354	17 754	16 093	8
134 441	123 280	119 021	15
25 480	22 026	15 499	20
503	474	441	11
1 051	762	689	20
32 786	27 334	26 365	14
3,21	2,79	2,61	
6 050	5 396	4 229	18
3 799	3 303	2 705	19
5 023	5 143	4 485	16
5 015	5 122	4 429	16
187,1	161,5	131,8	19
248,7	251,5	218,5	16
250,1	252,4	218,4	16
29,9	29,6	27,7	
20,3	19,8	16,9	
2 885	2 792	2 275	24
130	115	104	18
–	–	–	–
45 172	40 521	37 036	13
7 350	7 375	7 675	
3,7	3,4	3,1	
10,48	8,88	10,56	8
12,55	10,36	11,89	10
8,07	6,62	7,36	9
10,06	9,68	11,62	2
11,59	11,29	13,04	4
7,22	7,30	8,31	4

GOVERNANCE

Desmond Smith
Chairman

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.

As 2013 drew to a close, the International Integrated Reporting Council (IIRC) released its International Integrated Reporting Framework. Simply put, the overarching aim of this framework is to achieve a global standard of improved and simplified disclosure that informs stakeholders whether a company has succeeded in creating sustainable value in line with their expectations.

Integrated reporting is not new to the Sanlam Group. South Africa was one of the first countries in the world expecting its listed companies to produce annual integrated reports in line with the King Code of Corporate Governance and the Sanlam Group was among the first to comply. This is therefore the Group's fourth Integrated Report, now also consistent with the principles of the IIRC's new framework. Our Integrated Report is assessed independently every year to ensure that we are applying best practice.

Since the fundamental aim of integrated reporting is to present stakeholders with a comprehensive overview of whether a company has succeeded in creating sustainable value, we are strongly focusing on this for the 2013 Sanlam Integrated Report.

CREATING VALUE – OUR SCORECARD

The year under review once again presented a difficult operating environment. I am pleased to report, however, that the solid foundation set down over the past 10 years continued to serve Sanlam well. The same five-pillar strategy, which by now is well known to our stakeholders, still drives the Sanlam Group and it is this consistency in direction and execution that has once again enabled the Group to deliver a solid operating performance for 2013.

The core business of the Sanlam Group is to sell long-term promises, whether in the form of an undertaking to a policyholder to pay an insurance claim, a commitment to an investor to deliver solid investment performance over the long term, dedication to be a responsible corporate citizen in the communities and environment where we operate, or a commitment to our shareholders to deliver consistent shareholder value.

Stakeholders will only buy these promises with peace of mind if the company backing these commitments is solid and consistent in its direction. I believe that it is exactly this consistent approach to doing business that has enabled the Sanlam Group to unlock significant value for all its stakeholders over time.

Below follows an overview of the value created for our various stakeholders:

The success of Ubuntu-Botho

For the shareholders of Ubuntu-Botho Investments (Ubuntu-Botho), our broad-based black economic empowerment (BBBEE) partner, the end of 2013 concluded 10 years of substantial value creation of more than R15 billion. We are exceptionally proud of the value we created for these broad-based shareholders through one of the most significant black economic empowerment (BEE) transactions this country has seen.

Ubuntu-Botho, led by Patrice Motsepe, initially acquired 226 million Sanlam shares at the beginning of 2004. The transaction was funded through debt of R1,1 billion and a capital investment by Ubuntu-Botho of R200 million. The Sanlam dividends received over the 10 years that followed were enough to repay all of the debt, cover costs, enable Ubuntu-Botho to pay a R50 million dividend to its shareholders and invest R110 million in Ubuntu-Botho Investments Holdings, a targeted investment company.

At the end of December 2013 Ubuntu-Botho held an interest in 292,5 million Sanlam shares (including the deferred shares that qualify for conversion into ordinary shares) worth R15,6 billion based on the end of December 2013 Sanlam share price. Deducting their initial R200 million capital investment, the total value created was about R15,4 billion.

While the Sanlam Group created significant value for the Ubuntu-Botho shareholders, it must also be said that the partnership with Patrice Motsepe and his consortium has most certainly been mutually beneficial and has unlocked substantial value for Sanlam.

Both Patrice and Rejoice Simelane, who joined the Sanlam Board as non-executive directors in 2004 as part of the Ubuntu-Botho transaction, have also added immense value to the Group at Board level.

I look forward to continuing and growing this relationship with Ubuntu-Botho. Together we can unlock even greater value for the benefit of all our stakeholders.

Creating shareholder value

Value creation must be consistent and sustainable over the long term; short-term gains cannot be considered true value creation. Looking at the exceptional growth in the Sanlam share price since listing 15 years ago, from R5,85 at the end of December 1998 to R53,24 at the end of December 2013, there is no doubt that as a Group we have made good on our commitment to deliver consistent shareholder value over the long term.

This means that R100 000 invested in Sanlam shares 15 years ago was worth more than R1,5 million at the end of 2013 including dividends paid to shareholders over this period. This represents an average return of 19,9% per annum. In comparison, the SA Life Insurance Index returned an average 12,7% per annum over the same period.

Of course this growth also shows a vote of confidence from our shareholders and clients who entrusted their money to the Sanlam Group believing that this is a viable and sustainable financial services group.

Placing clients first

The Sanlam Group exists to deliver client-centric wealth creation, management and protection. In order to achieve this, the client-centric business model is focused on creating solutions that deliver value to our clients.

Key to this is product innovation that addresses the needs of the client first. As pointed out by Johan van Zyl in his CEO Management Review, Sanlam is therefore committed to not selling product solutions that do not deliver value for clients.

This approach has served the Group well in 2013, with Sanlam Personal Finance in particular delivering superior performance through the introduction of a more diversified product range designed around client needs.

The Sanlam Board carries the ultimate responsibility for ensuring that this focus on the client remains a priority across the Group and that all clients are treated fairly. The Customer Interest committee is mandated to oversee this function and report back to the Board.

The Customer Interest committee has also been tasked with overseeing the implementation of the six proposed fairness outcomes of the Financial Services Board's (FSB) Treating Customers Fairly (TCF) project.

One of these outcomes deals with the handling of complaints, which should be taken seriously and not just treated as an administrative procedure. Sanlam has a proven track record of taking client complaints seriously and aiming for a fair and speedy resolution. In 2013, the Long-term Insurance Ombudsman published individual insurer complaints data for the first time. Less than 9% (total for Sanlam Life, Sanlam Sky, Safrican) of complaints received by the Long-term Insurance Ombudsman's office in 2012 were Sanlam related. When compared to Sanlam's market share of some 20% this percentage shows that Sanlam resolves by far the majority of client issues to the satisfaction of the client.

Our people in the value chain

Sanlam's human capital is a key value driver for the Group and we recognise that we will only remain an employer of choice if we include our people in the value chain.

Since people are our competitive advantage we have to make sure that we retain skills. The Group therefore offers a highly competitive employee value proposition, which results in a low staff turnover.

Certainty is as important to our staff as it is to clients and shareholders. I believe we continue to provide this through the consistency of our five-pillar strategy. The Sanlam Board and the Group's Executive committee, under the leadership of Johan van Zyl, also provide consistent, clear direction to the Sanlam Group and its people.

What we do for our country

Being a responsible corporate citizen means making a positive contribution to the broader society in which we operate. It also means doing business responsibly, nurturing an environment conducive to doing business in the future.

This cannot be achieved by operating in isolation and Sanlam is therefore committed to working with its regulator and other stakeholders to shape the South African financial services industry into a world-class financial services hub. We contribute by interacting directly with other stakeholders and through the Association for Savings and Investment South Africa (ASISA) and the South African Insurance Association (SAIA). Sanlam was a founding member of ASISA and Johan van Zyl chairs the ASISA Board. Themba Gamedze was appointed chairman of SAIA in 2013.

We take our role as a good corporate citizen very seriously. In fact, Sanlam considers this a business critical imperative, which therefore falls directly under the oversight of the Board via its Social, Ethics and Sustainability committee, chaired by independent non-executive director Valli Moosa. Detailed feedback from this committee is contained in the Sanlam Sustainability Report 2013, which is available on the Sanlam website (www.sanlam.co.za).

I would, however, like to single out the success of one project that is particularly close to my heart, because it aims to empower future generations through financial literacy. The partnership between the Sanlam Foundation and Operation HOPE involved the training of Sanlam volunteers who then went to several Western Cape and Gauteng schools to teach hundreds of children basic financial skills. Since the launch of this partnership in 2011, Operation HOPE together with Sanlam volunteers educated close to 5 000 learners in 20 schools.

KEY RISKS AND OPPORTUNITIES

As a financial services group, Sanlam's business model inherently exposes it to a number of risks, as further elaborated on in the Key Risk Exposures section on page 18. One of the most prominent current risks worth highlighting is regulatory reform.

The aggressive pace and volume of regulatory reform in the financial services space continues to top our risk log. While we understand that government pursues these regulatory changes with the best intention and with the aim of conforming to international developments, our key concerns are:

- The uncertainty caused by the approach taken in the introduction of draft legislation and reform proposals, and the implications for South Africa.
- The volume of regulatory reform, which loads the industry with heavy costs.
- The burden placed on capacity by forcing the redeployment of senior resources to deal with change instead of focusing on the management of businesses.
- The pace of change, which often results in shifting goal posts.

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 TCF project.
- Review of the existing legislative framework including the Micro Insurance Act.

While regulation exists primarily to protect the consumer, it is imperative that regulation also enables a sustainable environment conducive to doing business for the industry that is being regulated. If regulation does not ensure level playing fields and does not remove unnecessary barriers to doing business, the industry will not flourish. This is not in the interest of the country and most certainly not in the interest of the consumer.

While regulatory reform has been identified a prominent risk for the Sanlam Group, the wave of change that it creates also provides us with immense opportunities. A good example is the TCF legislation, to be introduced in 2014.

While competitors can replicate product innovation, a firmly entrenched culture of always placing the client first is hard to copy and provides us with our competitive advantage. We will therefore continue to align our approach with the requirements of the proposed TCF legislation with the aim of doing it better first.

Another key opportunity exists within the Group itself. Sanlam will continue to tap into existing synergies between the various business clusters to innovate product solutions in line with client needs, reduce costs and unlock value for shareholders. A good example is the new partnership agreement between Sanlam Emerging Markets and Santam, which is aimed at aligning their respective short-term insurance interests in emerging markets.
Johan van Zyl elaborates on this in his CEO Management Review.

GOVERNANCE AND BOARD REVIEW

In 2013 the Sanlam Board implemented the Sanlam Stakeholder Engagement Policy, which falls under the Social, Ethics and Sustainability Board committee. With this in place, the Sanlam Group is now fully compliant with the Code of Corporate Governance Principles for South Africa (King III).

At the end of the 2013 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 seven months.

Fran du Plessis retired from the Board in June 2013 and Ian Plenderleith in September 2013. I would like to express my appreciation to them for their valued contribution to the Group.

Paul Bradshaw was appointed as independent non-executive director. Paul is an experienced actuary from the United Kingdom with vast experience in the long-term insurance industry. I would like to welcome Paul to the Board and look forward to his contributions.

As a Board, we also enjoyed a full year of working with Arun Duggal, who was appointed to the Sanlam Board as an independent non-executive director with effect from 15 January 2013 following the conclusion of the Shriram Capital transaction in 2012. Arun is chairman of the board of directors of Shriram Capital, Shriram Transport Finance Company, Shriram Properties, and Shriram City Union Finance.

Arun is also an experienced international banker and is already playing a vital part in shaping the Sanlam strategy on diversification into the credit industry. Sanlam has identified credit, both retail and corporate, as a growth area.

At the end of 2013 our Board comprised four black females, six black males and eight white males.

IN CLOSING

The single biggest event in 2013 was the passing of former President Nelson Mandela. As we reflect on the solid performance of the Sanlam Group in 2013, I must pay tribute to this great man who, through his vision, leadership and immense ability to forgive, transitioned South Africa to a peaceful democracy that facilitated, among other things, an enabling environment for South African businesses like ours to expand and thrive beyond South Africa.

I also attribute Sanlam's success to its "can do" culture – as a Group we will always find a way of doing what needs to be done. More importantly, however, we will do it right – taking shortcuts has never been the Sanlam way.

This culture permeates the Group from the top down and I would like to thank Johan van Zyl and his management team for consistently displaying a "can do" attitude. Sanlam is extremely well managed by a competent executive management team and well governed by a strong and dedicated Board.

I would like to express my appreciation to Patrice Motsepe, deputy chairperson of the Sanlam Board, and my fellow Board members who have contributed to the successes of the Sanlam Group by sharing their wisdom and expertise.

A very big thank you goes to our clients, our staff and intermediaries, our shareholders and other stakeholders for their support in 2013. Thank you for trusting the Sanlam Group to create the value that you have come to expect from us.

Desmond Smith
Chairman

Cape Town
5 March 2014

INDEPENDENT NON-EXECUTIVE DIRECTORS

Desmond Smith *Chairman* (66)

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), Customer Interest committee, Human Resources and Remuneration.

Major external positions, directorships or associations: Reinsurance Group of America (SA), Mediclinic International Limited, Stellenbosch Institute for Advanced Studies, Road Accident Fund.

Manana Bakane-Tuoane (65)

Director since 2004

Qualifications: PhD Economics (University of Saskatchewan, Canada)

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

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

Anton Botha (60)

Director since 2006

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

Sanlam and Sanlam Life committee membership: Human Resources and Remuneration (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.

Paul Bradshaw (63)

Director since 2013

Qualifications: BSc (Nottingham University), Fellow of the Institute of Actuaries

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

Sanlam Group directorships: Nucleus Financial Group, Sanlam UK Holdings, Sanlam Life and Pensions UK, Sanlam Private Investments, Sanlam Private Wealth Holdings UK.

Major external positions, directorships or associations: Paul Bradshaw Consulting and Integrated Protection Solutions.

INDEPENDENT NON-EXECUTIVE DIRECTORS continued

Arun Duggal (67)

Director since 2013

Qualifications: Mechanical Engineering (Indian Institute of Technology – Delhi), MBA (Indian Institute of Management – Ahmedabad)

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

Sanlam associate directorships: Chairman of the board of directors of Shriram Capital, Shriram Transport Finance Company and Shriram City Union Finance.

Major external positions, directorships or associations: Chairman of International Asset Reconstruction Company, Jubilant Energy (Netherlands), Zuari Agro Chemicals Ltd (Chairman Audit Committee), Info Edge (Chairman Audit Committee), Dish TV, Adani Port, Chairman of Federation of Indian Chambers of Commerce and Industry Centre for Corporate Governance and Visiting Professor at the Indian Institute of Management, Ahmedabad, where he teaches a course on Venture Capital and Private Equity.

Valli Moosa (56)

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.

Philisiwe Mthethwa (Nee Buthelezi) (50)

Director since 2011

Qualifications: MBA (Corporate Finance)

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.

Sipho Nkosi (59)

Director since 2006

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS continued

Flip Rademeyer (66)

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 Customised Insurance, Sanlam Collective Investments, Sanlam Coris Capital Collective Investment Managers, Glacier Management Company, Sanlam Private Investments, Sanlam Personal Finance (Divisional Board).

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

Bernard Swanepoel (52)

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, Village Main Reef, Continental Coal Limited.

Chris Swanepoel (63)

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, Sanlam Customer Interest (Chairman), Non-executive directors.

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

Lazarus Zim (53)

Director since 2006

Qualifications: BCom (Hons), MCom

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

Major external positions, directorships or associations: Zim Capital, Afripalm Resources and Northam Platinum.

NON-EXECUTIVE DIRECTORS

Patrice Motsepe *Deputy Chairman* (52)

Director since 2004

Qualifications: BA Legal, LLB

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

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

Rejoice Simelane (61)

Director since 2004

Qualifications: PhD (Economics) (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 Holdings and Mamelodi Sundowns Football Club, Ubuntu-Botho Investments.

EXECUTIVE DIRECTORS

Johan van Zyl (57)

Director since 2001
Group Chief Executive since 2003

Qualifications: PhD (Economics), DSc (Agriculture)

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

Major external positions, directorships or associations: Council member of University of Pretoria, ASISA (Association of Savings and Investment South Africa) (Chairman), Vumelana Advisory Fund (Chairman), One Vision Investments 512, Dippenaar and Reinecke, former CE of Santam, former vice-chancellor and principal University Pretoria.

Kobus Möller (54)

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, Santam, Sanlam Personal Finance (Divisional Board), Channel Life, Sanlam Developing Markets Limited, Ubuntu-Botho Investments Holdings.

Temba Mvusi (58)

Chief Executive: Group Market Development
Executive director since December 2009

Qualifications: Diploma in International Relations (University 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.

Yegs Ramiah (46)

Chief Executive: Sanlam Brand
Executive director since December 2012

Qualifications: LLB, Higher Diploma in Tax Law, MBA

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

Sanlam Group directorships: Sanlam Investment Management, Santam, Sanlam Investment Holdings, Adopt a School Foundation.

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.

STATEMENT OF COMMITMENT

Our 2013 Integrated Report covers the activities of the Sanlam Group. The Board has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, responds to and communicates on 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 appropriately 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 in support of the Group strategy 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 the King III principles are already entrenched in the Group's internal controls, policies and procedures governing corporate conduct within all the major operations and at a Group level. The Board remains committed to the full implementation of King III throughout the Group, including the smaller operations as appropriate. A formal Stakeholder Engagement Strategy and Communication Policy for the Group was finalised during 2013, the only aspect of King III that was identified as an outstanding matter at the end of the 2012 financial year.

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, the achievement of the Group's strategic objectives and equity performance.

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 2013 to apply all aspects of King III as far as appropriate. Details of the Group's application of each King III principle are available on its website (www.sanlam.co.za). The Risk and Compliance committee is satisfied that Sanlam will continue to comply with the King III principles during 2014 and has taken steps to ensure adherence with the obligations placed on the Group as a consequence thereof. The Group assesses its compliance levels in respect of King III to ensure that all areas that require improvement are identified and addressed.

During the past financial year these included the following:

- The existing Sanlam Group Corporate Governance Policy Framework was updated in December 2013 to ensure alignment with the King III recommendations on a subsidiary, joint venture and associated company 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 Sustainability Report for 2013.
- Sanlam's Risk Appetite Statement has been approved by the Board and is reviewed annually.
- A Combined Assurance Model for each of the significant businesses within the Group has been updated.
- The Group IT Governance Framework and Charter as well as the IT Policy Framework continue to be implemented.
- A comprehensive Stakeholder Engagement Strategy and Communication Policy was finalised.
- Sanlam annually presents a Remuneration report to its shareholders, enabling them to cast a non-binding advisory vote on the Company's Remuneration Policy. The disclosure in the 2013 Remuneration report was expanded in line with developing best practice.
- The members of the Sanlam Audit, Actuarial and Finance committee have been elected by the shareholders at the AGM held in June 2013 and this process will be repeated in 2014 as members are elected annually at the AGM.

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, joint venture and associated company level (including non-SA 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. A full Sustainability report will also be available on Sanlam's website. Sanlam has once again qualified for the JSE's Socially Responsible Investment (SRI) Index in 2013.

BOARD STRUCTURES

All the directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life Insurance Limited (Sanlam Life), a wholly owned subsidiary of Sanlam. 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 Chief Executive.

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 largely 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 and Remuneration
- Nominations
- Non-executive directors
- 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 and Remuneration
- Customer Interest.

BUSINESS DIVISIONS AND CLUSTER BOARDS

The Sanlam business clusters are Sanlam Investments (Investment Management, Capital Management and Employee Benefits), Sanlam Personal Finance (SA Retail), Sanlam Emerging Markets (Africa excluding South Africa, India and South-East Asia) 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. These chief executives form part of the Sanlam Group Executive committee and are the designated prescribed officers of the Group.

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 (not all are statutory) were established for the business clusters. Each of these 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 and Remuneration (HRRC) 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, expert external appointees.

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, joint venture and associated companies.

GROUP OFFICE

The Group Chief Executive 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 2013)

Board charter

The Board charter (and the committee charters) embraces the Code of Practices and Corporate Conduct in the King III Report which contains 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.
- The division of the Board's responsibilities and accountability.
- Evaluating performance of the Group Board, its committee structures and individual directors.
- 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 2013 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 are also attendees at the Board meetings. At least a third of Board members retire every year at Sanlam's annual general meeting (AGM). It had been agreed by the Board that executive directors would also rotate on a voluntary basis as per a determined schedule of rotation. 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 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 2013
MMM Bakane-Tuoane	I	—
AD Botha	I	—
PR Bradshaw	I	Appointed 7/08/2013
A Duggal	I	Appointed 15/01/2013
FA du Plessis	I	Retired 5/06/2013
MV Moosa	I	—
JP Möller	E	—
PT Motsepe	N	—
MP Mthethwa (nee Buthelezi)	I	—
TI Mvusi	E	—
SA Nkosi	I	—
I Plenderleith	I	Retired 4/09/2013
Y Ramiah	E	—
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 2013: Four black females, six black males and eight white males. Two independent non-executive directors are foreign directors (United Kingdom and India). More information on individual director's qualifications and experience is provided in the Board of directors section of this Integrated Report.

Independence of Board members

Through the Chairman 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 2013 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 non-executive 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, TI Mvusi and Y Ramiah 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, non-executive 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. In the interest of good governance, executive directors are also put forward for re-election as directors on a similar basis. 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

Every year, a collective Board effectiveness evaluation is conducted by the Chairman. This assessment, which is performed in alternate years with the assistance of 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. 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 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.

The annual Board effectiveness review for 2013 was conducted internally by the Chairman with the assistance of the Nominations committee. 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 questions. For the period under review, all the committees conducted their annual self-assessments to evaluate their effectiveness and procedures. The committee members are all satisfied that they have fulfilled their responsibilities in terms of their respective charters.

Audit, Actuarial and Finance committee (Audit 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 Audit and Risk matters.

Members and dates of appointment:

P de V Rademeyer (Chairman) (8/06/2011), PR Bradshaw (4/12/2013), MP Mthethwa (nee Buthelezi) (1/07/2011), FA du Plessis (retired 5/06/2013), I Plenderleith (retired 4/09/2013) and CG Swanepoel (8/06/2011).

Attendees:

Group Chairman, Group Chief Executive, Financial Director, Chief Actuary, Chief Audit Executive, the heads of business clusters (as required) 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 four 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 when 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 Audit committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities. The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of 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 2013 and was satisfied that the financial function had appropriate resources, skills, expertise and experience. The committee also confirmed that it is and was satisfied that Mr JP Möller, the Financial Director of Sanlam, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during his service as such. The committee also reviewed and confirmed its satisfaction with the 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 recommended the reappointment of Ernst & Young Inc. as external auditor for the 2014 financial year and Ms 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 Ms JC de Villiers, being Sanlam's individual auditor for 2013, has been accredited on the JSE Limited (JSE) list of auditors in terms of the criteria in the JSE Listings Requirements.

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 at least four times a year.

THE AUDIT, ACTUARIAL AND FINANCE (AUDIT) COMMITTEE REPORT FOR THE 2013 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 four 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 has recommended the Integrated Report to the Board for approval.

P de V Rademeyer
Audit committee Chairman

Risk and Compliance committee (Risk committee)

Members and dates of appointment:

CG Swanepoel (Chairman) (8/06/2011), PR Bradshaw (4/12/2013), FA du Plessis (retired 5/6/2013), JP Möller (8/12/2010), MP Mthethwa (nee Buthelezi) (8/06/2011), I Plenderleith (retired 4/9/2013), P de V Rademeyer (8/6/2011).

Attendees:

Group Chairman, Group Chief Executive, Group Chief Risk Officer, Group Compliance Officer, Chief/Statutory Actuary, Chief Audit Executive, the heads of business clusters (as required) 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 three other independent non-executive directors, as well as the Group Financial Director. In view of this committee's Group-wide role, 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 overseeing the design and implementation of Sanlam's Group enterprise risk management framework and responsibilities. The Risk committee assists the Board, including on, but not limited to:

- Determining the risk appetite and limits for the Group;
- Setting and implementing the Group enterprise risk management framework and supporting policies;
- Evaluating the adequacy and efficiency of risk policies, procedures, practices and controls;
- Considering Sanlam's total risk exposure and communicating the results to the entire Board;
- Establishing a process for appropriate risk disclosures to stakeholders;
- Ensuring that a formal assessment of the risk management processes is undertaken; and
- Overseeing the state of IT Governance across the Group.

The committee evaluates risk areas, including but not limited to:

- Market risks;
- Credit risks;
- Liquidity risks;
- Insurance risks (life business);
- Insurance risks (short-term insurance business);
- Operational risks;
- Reputational risks; and
- Strategic 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.

Human Resources and Remuneration 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 and Remuneration committee).

In accordance with the King III recommendations, the Company's remuneration policy is tabled to shareholders for a non-binding advisory vote at its AGM. This vote enables the shareholders to express their views on the remuneration policies and their implementation. Sanlam supports the benefit of an advisory vote, which is to promote constructive dialogue between a company and its shareholders, and which helps 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 2013 AGM, shareholders endorsed the Company's remuneration policy.

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 shareholders at the AGM. The committee is chaired by the Chairman of the Board and meets at least four times 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 experience to fill any vacancies that may arise in the short and long term.

Committee of non-executive directors

Members:

DK Smith (Chairman), MMM Bakane-Tuoane, AD Botha, PR Bradshaw (appointed 7/8/2013), A Duggal (appointed 15/1/2013), MV Moosa, PT Motsepe, MP Mthethwa (nee Buthelezi), SA Nkosi, 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), A Duggal (appointed 4/9/2013), TI Mvusi, P de V Rademeyer, Y Ramiah, RV Simelane, ZB Swanepoel and PL Zim.

Attendees:

Group Chief Executive, Group Human Resources Executive and heads of business clusters (as required).

The Social, Ethics and Sustainability 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 as follows.

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.

Customer Interest committee

Members:

CG Swanepoel (Chairperson), MMM Bakane-Tuoane, DK Smith (appointed 7/8/2013) and PR Bradshaw (appointed 7/8/2013).

Attendees:

Group Chief Executive, 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:

Group Executive committee

Members:

J van Zyl (Group Chief Executive and Chairman), BT Gamedze (appointed 1/3/2013), I Kirk, L Lambrechts, JP Möller, TI Mvusi, JHP van der Merwe, Y Ramiah, HC Werth and AP Zeeman.

The 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 Group Chief Executive, heads of business clusters and the heads of Group service functions. Members of the committee are prescribed Sanlam officers as defined in the Act. The committee meets every fortnight or as scheduled.

ATTENDANCE OF MEETINGS

During the period under review the Board and committee members' attendance were as follows:

ATTENDANCE: BOARD AND COMMITTEE MEETINGS: 2013

	Board meeting		Audit committee	Risk committee	Human Resources and Remuneration committee	Nominations committee	Social, Ethics and Sustainability committee		Sanlam Customer Interest committee
Directors	**Planned/ held 5/5**	***Ad hoc* #1**	**Planned/ held 4/4**	**Planned/ held 4/4**	**Planned/ held 4/4**	**Planned/ held 4/4**	**Planned/ held 4/4**	***Ad hoc* #1**	**Planned/ held 4/4**
MMM Bakane-Tuoane	5/5	1			4/4	4/4			4/4
AD Botha	5/5	1			4/4				
PR Bradshaw*	3/3								
FA du Plessis**	2/2		2/2	2/2					2/2
A Duggal	5/5						1/1		
MV Moosa	5/5	1					4/4	1	
JP Möller	5/5	1		4/4					
PT Motsepe	5/5				4/4	4/4			
MP Mthethwa	4/5		2/4	3/4					
TI Mvusi	5/5						4/4	1	
SA Nkosi	4/5	1							
I Plenderleith***	3/3		3/3	3/3					
P de V Rademeyer	5/5	1	4/4	4/4			4/4	1	
Y Ramiah	5/5						4/4	1	
RV Simelane	5/5						4/4	0	
DK Smith	5/5	1			4/4	4/4			4/4
ZB Swanepoel	5/5						4/4	1	
CG Swanepoel	5/5		4/4	4/4					4/4
J van Zyl	5/5	1			4/4	4/4	4/4	1	4/4
PL Zim	3/5	1					1/4	0	

* *Appointed on 7 August 2013, hence attended the planned meetings from date of appointment.*
** *Retired from Board on 5 June 2013, hence attended the planned meetings up until her retirement.*
*** *Retired from Board on 4 September 2013, hence attended the planned meetings up until his retirement.*
\# *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.

As required by the JSE Listing Requirements the Board, upon the recommendation of the Nominations committee, confirms that the:

- Group Company Secretary is competent and has the relevant qualifications and experience to be the company secretary;
- 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 Listing 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 has been developed 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 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 227 calls to the hotline out of a staff complement of over 10 000. Of these, less than 10% 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. Across the Group, no material breaches of Sanlam's Code of Ethical Conduct were reported during 2013. Sanlam participated in the South African Business Ethics Study 2013 (SABES 2013) by EthicsSA and ranked second overall.

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 Risk and Compliance committee. No material deviations were reported in 2013.

REMUNERATION REPORT

CONTENTS

CONTEXT

Introduction

Sanlam's remuneration philosophy supports the Group strategy by aligning predetermined strategic goals with the organisational behaviour required to meet and exceed these goals. Both short- and long-term strategic objectives are measured and rewarded and this blended approach strongly mitigates excessive risk-taking and balances longer term strategic objectives with short-term gains. The remuneration philosophy is therefore also an integral part of the Group's risk management structure. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as national and international governance principles.

A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to national comparator groups and international best practice. Steps are also taken to ensure alignment with the regulatory and governance requirements and specifically those of the King Code of Corporate Governance (King III) in South Africa.

Group Human Resources and Remuneration committee

The Group Human Resources and Remuneration committee of the Board (GHRRC) is responsible for developing the remuneration strategy of the Group and presenting it to the Board for approval. Its activities include approving mandates for all bonus and long-term incentive schemes and setting remuneration packages of the Sanlam Group Executive committee (Executive committee) relative to industry benchmarks. The GHRRC 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 GHRRC's committee fees. To fulfil the role described above, the GHRRC 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 the 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 the Executive committee to ensure that their terms are aligned with good practice principles;
- Determines specific remuneration packages for executive directors and members of the Executive committee, including total guaranteed package, 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.

A copy of the GHRRC's terms of reference can be found on the Group's website (www.sanlam.co.za). Refer also the Corporate Governance report on page 59 for the composition and summarised terms of reference for the GHRRC.

During 2013, the GHRRC considered the following matters:

- Benchmarking of remuneration levels and practices with international and local comparator groups;
- Continued alignment of Sanlam's 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.

The South African Companies Act No 71 of 2008 introduced the concept of a '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' as well as members of Board committees who are not directors. The Board has considered the definition of 'prescribed officers' and resolved that the members of its Executive committee are the prescribed officers of Sanlam. Remuneration details of the Executive committee are accordingly also disclosed in this report.

REMUNERATION POLICIES AND PRACTICES

Remuneration philosophy

The Board recognises that appropriate remuneration for executive directors, members of its Executive committee and other employees 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 objectives 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, joint ventures and associates. Sanlam 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, short-term incentives 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 is maintained between performance hurdles and the Group strategy.
- 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 Sanlam 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 are 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 regularly against both national and international remuneration trends and governance frameworks, most notably King III. In 2013, a review was undertaken to determine whether the prerequisites for an effective Remuneration committee, as outlined in an Institute of Directors Remuneration Committee Forum Position Paper, are present for Sanlam. The comprehensive review confirmed we are in line with best practice.

Executive contracts

Executive directors and members of the 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 enforce 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 GHRRC based on the recommendations of the Group Chief Executive. No change of control clauses or provision for special events are built into either employment contracts or the rules of the relevant schemes.

REMUNERATION OVERVIEW

Structure

The different components of remuneration paid to Sanlam Group employees are summarised in the table below. A detailed description of each component follows in the next section.

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 incentive component of remuneration is based on a combination of individual and annual business performance.
- The long-term incentive component is based on the individual's performance, potential and the overall value to the Group and/or business.

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed package	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	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits
Short-term incentives (annual bonus)	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 for business and personal targets. Cash settlement generally capped at 200% of total guaranteed package
Long-term incentives (long-term variable)	Alignment with shareholder interests	Annual grants and three to six-year vesting period	Upon satisfaction of performance hurdles and individual performance targets

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 TGP is normally positioned on the 50th percentile of the market. As an integral part of TGP, Sanlam provides a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- Leave;
- Retirement funding;
- Group life cover; and
- 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 a sizeable and representative sample of companies that 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 Towers Watson's Global Grading Calculator. In addition to this benchmarking process, Sanlam also takes into account the skills, potential and performance of the individual concerned.

GHRRC's role

Upon conclusion of the benchmarking process, proposals regarding increases for the following year are considered and approved by the GHRRC. The GHRRC also reviews and approves the adjustments to total guaranteed package for each of the executive directors and members of the 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.

Short-term incentives

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 surpasses the agreed performance hurdles. Over recent years, the focus has shifted from operational matters to growing the business and ensuring that it is managed in a sustainable way.

GHRRC's role

The GHRRC's role with regard to the annual bonus plan is to:

- Determine the structure of the annual bonus plan, 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 levels for the annual bonus plan and the percentage of total guaranteed package that can be earned at each level by each group of employees.

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.

The annual bonus targets at a Group and cluster level incorporate a number of financial and non-financial performance measures, including net result from financial services, adjusted Return on Group Equity Value (RoGEV) and Employment Equity. The specific performance targets and relative weighting is determined per cluster based on the cluster's strategic initiatives. The Group office targets reflect the overall performance of the Group.

The Group delivered another sound performance during the 2013 financial year, as elaborated upon in the Financial Review included in this Integrated Report. A number of businesses outperformed their targets for the year, resulting in a bonus pool achievement of 140% at a Group level.

Ad hoc performance bonus rewards

Where it is determined by the Group CEO that an individual has demonstrated exceptional performance within his or her area of expertise that justifies a bonus payment in excess of the cash bonus limit, the GHRRC 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.

Long-term incentives

Overview and general policy

Sanlam currently grants awards under the following four long-term incentive plans (LTIs):

- 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 from a Sanlam Group perspective. The OPP is a cash or share-based plan, which rewards long-term performance.

In respect of 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 TGP. In addition, the role and performance of the individual and the need to retain his/her services in the future are taken into account when determining the multiple and therefore the value of the annual grant. The guideline level ranges from 35% to 280% of TGP. 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 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 limit of 6,5 million unvested shares.

GHRRC's role

The GHRRC'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; and
- Approve award levels.

Non-executive directors

Non-executive directors do not participate in any of the 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 year 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 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 participation under the DSP.

For the year ended 31 December 2013 allocations in respect of 3 923 450 shares (2012: 5 681 736) were made to 749 participants (2012: 716) under the DSP.

Performance Deferred Share Plan (PDSP)

To the extent that the face value of the awards granted under the DSP does not satisfy the 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 performance vesting conditions being satisfied.

In addition to the individual remaining employed by the Group throughout the measurement period and maintains agreed individual performance hurdles, the vesting of the award is also subject to the condition that the Group's adjusted RoGEV exceeds its cost of capital for the relevant measurement period (Group performance hurdle). Cost of capital is defined as the nine-year government bond rate in South Africa plus 300 basis points. The exact condition varies by reference to the value of the performance award as a proportion of the individual's TGP. The higher the value of the award, the more stretching the Group performance hurdle becomes. For awards in excess of 175% of TGP the performance conditions also includes a business specific hurdle in addition to the Group performance hurdle.

The exact performance conditions are set by the GHRRC 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, Group strategy and shareholders' interests.

The performance measurement period for PDSP awards is six years. To the extent that they are not met at the end of this period, the performance awards will lapse.

However, performance awards can vest prior to the end of the six-year performance measurement period on a proportional basis to the extent that the conditions are met earlier, as follows:

- After three years from the date of grant – 40% of the award, provided all performance hurdles were satisfied;
- After four years – 30% or 70% depending on whether any portion vested earlier; and
- After five years – 30%, 70% or 100%, depending on whether any portion vested earlier.

This arrangement is aimed at encouraging performance that will result in targets being met earlier within the agreed measurement period.

To the extent that the value of performance awards falls below the specified multiple of TGP, whether through normal or early 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 and encourage ongoing long-term performance.

For the year ended 31 December 2013 allocations in respect of 1 951 658 shares (2012: 1 192 179) were made to 204 participants (2012: 160) under the PDSP.

Restricted Share Plan (RSP)

The RSP has to date been operated in conjunction with the annual bonus plan (refer short-term incentives section above). Where an individual's performance justifies a bonus award that will be in excess of the calculated cash amount, that excess amount will be awarded as restricted shares under the RSP. Under this plan, individuals receive fully paid-up shares in Sanlam. The individual 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 and the dividends repayable if these conditions are not met during the measurement period.

A portion of the restricted shares awarded requires the individual 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 individual'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 early vesting can occur on a basis similar to that of the PDSP on the third, fourth and fifth anniversary of the date of grant, provided that all vesting conditions are met on such dates. For the year ended 31 December

2013 allocations in respect of 469 918 shares (2012: 683 018) were made to 14 participants (2012: 14) under the RSP, excluding the Group CEO (refer Group CEO arrangement below).

Out-Performance Plan (OPP)

From time to time, at the discretion of the GHRRC, participation in the OPP is extended to certain members of the Executive committee 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 the agreed growth target 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 internal rate of return achieved by the relevant business over the management period.

Shareholder voting

The Group's remuneration policy and the implementation thereof are subject to a non-binding advisory vote at the annual general meeting (AGM) of Sanlam Limited. At the 2013 AGM, a total of 1 298 425 137 votes were cast on the advisory vote, with the vast majority of shareholders supporting the Group's remuneration policy and practices. The result of the voting was as follows:

For	Against	With-held	No vote	Total
96,79%	2,89%	0,32%	0%	100%

Sanlam's corporate governance practices, including the remuneration policy, are discussed with major shareholders and proxy voting organisations as part of the Group's stakeholder engagement process.

REMUNERATION DETAILS FOR EXECUTIVE DIRECTORS AND MEMBERS OF THE EXECUTIVE COMMITTEE

Group 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 of the strategic objectives set for the Sanlam Group. The arrangement substitutes short-term cash remuneration and participation in the long-term incentive plans with predominantly 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 Group 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 were transferred and delivered during 2011 and two million during 2012. During 2013 a further 281 209 shares were transferred in lieu of dividends not received on the two million shares that were only transferred during 2012. The vesting of the shares is measured over a six-year period until 31 December 2016. The shares are 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. He does not participate in any new allocations under any of the existing long-term incentive schemes of the Sanlam Group during the period of this arrangement.

The performance conditions attached to the various components are as follows:

Performance category	Total number of shares	Number of shares subject to annual measurement	Measurement period	Performance targets	Board discretion for early release if targets are met before final release date of 31/12/2016
A	500 000	100 000	Annually from 1/1/2011 until 31/12/2015	Individual performance targets and time restriction	Shares that have met the annual performance hurdle
B	1 500 000	300 000	Annually from 1/1/2011 until 31/12/2015	Similar to short-term incentive scheme, with a sliding scale from 0% vesting in respect of no achievement of annual hurdles to 100% vesting for 200% achievement and time restriction	Shares that have met the annual performance hurdle
C1	500 000	—	1/1/2011 – 31/12/2016 100 000 shares per annum (from 2011 to 2015) become eligible for performance measurement	Individual performance targets	Similar to DSP scheme (refer above)
C2	500 000	—	Similar to C1	Individual performance targets and adjusted RoGEV exceeds cost of capital	Similar to C1
C3	500 000	—	Similar to C1	Individual performance targets and adjusted RoGEV exceeds 105% of the cost of capital	Similar to C1
D	1 500 000	—	1/1/2011 – 31/12/2016	Adjusted RoGEV exceeds 110% of the cost of capital and specific strategic goals are achieved	Board discretion
Total	**5 000 000**	**400 000**			

A summary of the position as at 31 December 2013 is as follows:

	Total
Shares transferred under the CEO arrangement	5 281 209
Shares that have not met performance hurdles in 2011	(40 000)
Shares that have not met performance hurdles in 2012	(40 500)
Shares that have not met performance hurdles in 2013	(50 000)
Subtotal	5 150 709
Shares that have met the performance hurdles to date, but subject to time restrictions	(1 189 500)
Performance targets met in 2011	(360 000)
Performance targets met in 2012	(359 500)
Performance targets met in 2013	(470 000)
Shares subject to time restrictions only	(281 209)
Shares subject to future performance measurement	3 680 000

The Board analyses the individual performance of the Group CEO on a continuous basis throughout the year. In respect of 2013 their judgement of his performance resulted in the vesting of 100 000 or 100% of the applicable Category A shares.

Executive remuneration summary

Remuneration earned by executive directors and members of the Executive committee was as follows:

Remuneration for the year ended 31 December 2013

R'000	Months in service	Salary	Company contri-butions	Subtotal: Guaran-teed package	Annual bonus	Attribu-table value of LTIs[5]	OPP payment	Total remune-ration
Johan van Zyl[1]	12	4 452	848	5 300	—	263	—	5 563
Kobus Möller	12	3 475	662	4 137	4 000	4 645	—	12 782
Temba Mvusi[2]	12	2 416	411	2 827	2 000	2 429	—	7 256
Yegs Ramiah	12	2 597	166	2 763	2 000	2 735	—	7 498
Subtotal: executive directors		12 940	2 087	15 027	8 000	10 072	—	33 099
Themba Gamedze[3]	10	2 500	—	2 500	1 700	2 511	—	6 711
Ian Kirk[4]	12	3 337	691	4 028	2 300	4 728	—	11 056
Lizé Lambrechts	12	3 300	450	3 750	3 500	2 661	21 600	31 511
Johan van der Merwe	12	4 022	766	4 788	8 000	5 937	—	18 725
Heinie Werth	12	3 212	438	3 650	3 500	2 982	—	10 132
André Zeeman	12	2 730	520	3 250	3 000	3 628	—	9 878
Executive committee		32 041	4 952	36 993	30 000	32 519	21 600	121 112

(1) *See Group CEO arrangement above.*
(2) *Includes an amount of R260 000 paid by Santam.*
(3) *Appointed on 1 March 2013.*
(4) *Ian Kirk as CEO of Santam is a member of the Executive committee. Full details of his emoluments can also be found in the Santam Integrated Report.*
(5) *Fair value of LTIs granted during the year, assuming 100% vesting – refer page 86.*

Remuneration for the year ended 31 December 2012

R'000	Months in service	Salary	Company contri-butions	Subtotal: Guaran-teed package	Annual bonus	Attribu-table value of LTIs[7]	OPP payment	Total remune-ration
Johan van Zyl[1]	12	4 502	798	5 300	—	—	—	5 300
Kobus Möller	12	3 292	583	3 875	3 700	4 282	—	11 857
Yvonne Muthien[2]	9	1 702	303	2 005	688[8]	1 000	—	3 693
Temba Mvusi[3]	12	2 356	372	2 728	2 000	2 279	—	7 007
Yegs Ramiah[4]	2	396	20	416	300	332	—	1 048
Subtotal: executive directors		12 248	2 076	14 324	6 688	7 893	—	28 905
Ian Kirk[5]	12	3 222	578	3 800	2 500	2 040	—	8 340
Lizé Lambrechts	12	3 158	392	3 550	3 000	3 867	—	10 417
Johan van der Merwe	12	3 844	681	4 525	6 000	6 581	—	17 106
Heinie Werth	12	3 036	376	3 412	3 000	3 468	—	9 880
André Zeeman	12	2 591	459	3 050	2 600	3 167	—	8 817
Buyani Zwane[6]	6	985	177	1 162	1 200[8]	—	—	2 362
Executive committee		29 084	4 739	33 823	24 988	27 016	—	85 827

(1) *See Group CEO arrangement above.*
(2) *Retired on 5 September 2012.*
(3) *Includes an amount of R250 000 paid by Santam.*
(4) *Appointed on 1 November 2012 on Executive committee and on 5 December 2012 as executive director.*
(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 Santam Integrated Report.*
(6) *Resigned on 8 June 2012.*
(7) *Fair value of LTIs granted during the year, assuming 100% vesting.*
(8) *Termination benefit.*
(9) *Comparative information has been restated for a reclassification between the Salary and Company contributions components of Guaranteed package.*

Guaranteed package

The TGP (in rand) of the executive directors and members of the Executive committee are reflected in the table below. Due to increases in TGP being granted during the year, the TGP amounts reflected in the table will not correspond to those included in the summary remuneration tables above.

Individual	TGP as at 1 January 2014	TGP as at 1 January 2013	TGP as at 1 January 2012	% increase in TGP 2013	% increase in TGP 2012
Johan van Zyl(1)(2)	5 300 000	5 300 000	5 300 000	—	—
Kobus Möller(1)	4 200 000	3 950 000	3 650 000	6,33	8,22
Temba Mvusi(1)(3)	2 590 000	2 500 000	2 410 000	3,60	3,73
Yegs Ramiah(1)(4)	2 850 000	2 500 000	—	14,00	—
Themba Gamedze(5)	3 000 000	—	—	—	
Ian Kirk	4 007 508	3 816 660	3 600 612	5,00	6,00
Lizé Lambrechts	3 800 000	3 600 000	3 400 000	5,56	5,88
Johan van der Merwe	4 850 000	4 600 000	4 300 000	5,43	6,98
Heinie Werth	3 700 000	3 500 000	3 150 000	5,71	11,11
André Zeeman	3 300 000	3 100 000	2 900 000	6,45	6,9
Yvonne Muthien(6)	—	—	2 520 000	—	—
Buyani Zwane(7)	—	—	2 300 000	—	—

(1) *Executive director.*
(2) *See Group CEO arrangement above.*
(3) *Receives an additional amount of R260 000 (2012: R250 000) from Santam for services rendered to Santam.*
(4) *Appointed on 1 November 2012 on Executive committee and on 5 December 2012 as executive director.*
(5) *Appointed on 1 March 2013.*
(6) *Retired on 5 September 2012.*
(7) *Resigned on 8 June 2012.*

The average salary increase paid to executive directors (excluding Johan van Zyl) for 2013 was 7,71% (2012: 7,23%) and that of members of the Executive committee for 2013 was 5,59% (2012: 7,64%) compared with an average salary increase paid to all employees of 6,5% (2012: 6,9%).

Annual bonus

Performance targets

The performance targets for the annual bonus plan are set by the GHRRC on an annual basis for executive directors and members of the Executive committee. In respect of the 2013 annual bonus, the split between business, Group and personal performance criteria for executive directors and members of the Executive committee was as follows:

Individual	Business %	Group %	Personal %
Johan van Zyl[1]	—	—	—
Kobus Möller	—	70	30
Temba Mvusi	—	50	50
Yegs Ramiah	—	50	50
Themba Gamedze	—	50	50
Ian Kirk	80	—	20
Lizé Lambrechts	50	25	25
Johan van der Merwe	70	10	20
Heinie Werth	50	25	25
André Zeeman	—	—	100

[1] *See Group CEO arrangement above.*

The Group performance measure that was applied in 2013 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.
- Group net result from financial services
- Clusters' aggregate performance against targets
- Performance against transformation targets

The business-level performance measures are based on the specific strategic objectives of each business, while the personal performance measures are based on the contracted output of each individual over the vesting period.

The payments that can be achieved by executive directors and members of the Executive committee at the target and stretch levels are as indicated below.

Individual	% of TGP at target performance	Performance cash cap as % of TGP
Johan van Zyl[1]	—	—
Kobus Möller	56	112
Temba Mvusi	56	112
Yegs Ramiah	56	112
Themba Gamedze	56	112
Ian Kirk	80	160
Lizé Lambrechts	56	112
Johan van der Merwe	100	250[2]
Heinie Werth	56	112
André Zeeman	56	112

[1] *See Group CEO arrangement above.*
[2] *Subject to a 200% cash payment cap in respect of any one year. Any excess in a particular year is transferred to the following year.*

These levels are benchmarked with comparator groups together with other components of remuneration.

The actual achievement of the Group performance measure for 2013 is as follows:

Sanlam Group	Weight	Threshold 0%	Target 100%	Stretch 200%	Score 0% – 200%	Weighted score
Adjusted RoGEV	20%	10,3%	10,8%	12,4%	60,0%	12,0%
Group net result from financial services	30%	R4 668m	R4 918m	R5 556m	168,3%	50,5%
Clusters' actual performance against targets	40%				159,0%	63,6%
Transformation	10%	12,5	13,75	15,0	139,0%	13,9%
					Total	140,0%

Payments

The table below shows the annual bonus payments (in rand) to each of the executive directors and members of the Executive committee in respect of the performance achieved in 2013. These bonuses are paid in 2014:

Individual	% of TGP achieved 2013	Payment 2014 R	% of TGP achieved 2012	Payment 2013 R
Johan van Zyl[(1)]	—	—	—	—
Kobus Möller	95	4 000 000	94	3 700 000
Temba Mvusi	70	2 000 000	80	2 000 000
Yegs Ramiah[(2)]	70	2 000 000	72	300 000
Themba Gamedze[(3)]	57	1 700 000	—	—
Ian Kirk	57	2 300 000	66	2 500 000
Lizé Lambrechts	92	3 500 000	83	3 000 000
Johan van der Merwe	165	8 000 000	130	6 000 000
Heinie Werth	95	3 500 000	86	3 000 000
André Zeeman	91	3 000 000	84	2 600 000

(1) *See Group CEO arrangement above.*
(2) *Appointed 1 November 2012.*
(3) *Appointed 1 March 2013.*

Long-term incentives

The participation by executive directors and members of the Executive committee in the Group's long-term incentive schemes

Number of shares

	Balance 31-12-12	Awarded in 2013[7]	Shares vested
Johan van Zyl[1]	**6 647 213**	**6 476**	**(702 921)**
DSP	163 930	1 975	(108 199)
PDSP	373 750	4 501	(155 570)
Category A[6]	123 592	1 489	(51 954)
Category B[6]	81 003	975	(34 645)
Category C[6]	169 155	2 037	(68 971)
RSP	908 824	—	(439 152)
Group CEO arrangement[1]	5 200 709	—	—
Kobus Möller	**785 086**	**107 924**	**(263 503)**
DSP	189 442	31 271	(56 638)
PDSP	210 681	34 803	(54 779)
Category A[6]	124 875	22 712	(37 946)
Category B[6]	85 806	12 091	(16 833)
RSP	384 963	41 850	(152 086)
Temba Mvusi	**431 413**	**56 582**	**(136 675)**
DSP	132 782	20 119	(39 416)
PDSP	86 278	15 537	(28 678)
Category A[6]	86 278	15 537	(28 678)
RSP	212 353	20 926	(68 581)
Yegs Ramiah[2][3]			
Sanlam	**42 154**	**67 331**	**(15 575)**
Santam[3]	**25 047**	**—**	**(9 063)**
DSP			
Sanlam	29 756	34 391	(10 994)
Santam[3]	17 874	—	(6 398)
PDSP – Category A[6]			
Sanlam	12 398	32 940	(4 581)
Santam[3]	7 173	—	(2 665)
Themba Gamedze[4]	**—**	**61 823**	**—**
DSP	—	61 823	—

(excluding the OPP) at 31 December 2013 was as follows:

Shares forfeited	Balance 31-12-13	Vesting in 2014	2015	2016	2017	2018
(50 000)	**5 900 768**	**425 993**	**250 868**	**5 223 907**	**—**	**—**
—	57 706	57 307	399	—	—	—
—	222 681	117 209	105 472	—	—	—
—	73 127	36 563	36 564	—	—	—
—	47 333	28 302	19 031	—	—	—
—	102 221	52 344	49 877	—	—	—
—	469 672	251 477	144 997	73 198	—	—
(50 000)	5 150 709	—	—	5 150 709	—	—
—	**629 507**	**211 679**	**171 634**	**141 488**	**73 773**	**30 933**
—	164 075	56 556	41 117	38 199	19 506	8 697
—	190 705	58 595	59 577	39 768	23 084	9 681
—	109 641	36 319	33 163	20 702	13 094	6 363
—	81 064	22 276	26 414	19 066	9 990	3 318
—	274 727	96 528	70 940	63 521	31 183	12 555
—	**351 320**	**123 910**	**99 235**	**72 924**	**39 066**	**16 185**
—	113 485	40 931	28 514	24 110	14 373	5 557
—	73 137	21 987	23 461	14 238	9 101	4 350
—	73 137	21 987	23 461	14 238	9 101	4 350
—	164 698	60 992	47 260	34 576	15 592	6 278
—						
—	**93 910**	**12 968**	**12 646**	**27 897**	**20 199**	**20 200**
—	**15 984**	**7 491**	**7 578**	**717**	**198**	**—**
—						
—	53 153	9 155	8 926	14 437	10 317	10 318
—	11 476	5 288	5 426	564	198	—
—	40 757	3 813	3 720	13 460	9 882	9 882
—	4 508	2 203	2 152	153	—	—
—	**61 823**	**—**	**—**	**24 729**	**18 547**	**18 547**
—	61 823	—	—	24 729	18 547	18 547

Number of shares *(continued)*

	Balance 31-12-12	Awarded in 2013[7]	Shares vested
Ian Kirk[5]			
Santam	**61 068**	**19 092**	**(22 532)**
Sanlam	**103 772**	**32 099**	**(33 572)**
DSP			
Santam	33 092	5 422	(12 973)
Sanlam	55 023	9 116	(17 325)
PDSP			
Santam	27 976	13 670	(9 559)
Sanlam	48 749	22 983	(16 247)
Lizé Lambrechts	**613 571**	**62 273**	**(204 844)**
DSP	169 177	26 484	(48 745)
PDSP	105 980	14 863	(23 239)
Category A[6]	105 980	14 863	(23 239)
RSP	338 414	20 926	(132 860)
Johan van der Merwe	**1 203 519**	**139 724**	**(367 453)**
DSP	220 366	36 833	(72 263)
PDSP	358 466	61 041	(73 033)
Category A[6]	137 950	17 994	(25 892)
Category B[6]	149 459	29 828	(22 708)
Category C[6]	71 057	13 219	(24 433)
RSP	624 687	41 850	(222 157)
Heinie Werth	**582 561**	**70 201**	**(187 253)**
DSP	170 110	30 903	(58 142)
PDSP	106 209	18 372	(28 423)
Category A[6]	106 209	18 372	(28 423)
RSP	306 242	20 926	(100 688)
André Zeeman	**568 428**	**82 863**	**(169 685)**
DSP	150 464	25 782	(46 721)
PDSP	92 953	15 231	(22 276)
Category A[6]	92 953	15 231	(22 276)
RSP	325 011	41 850	(100 688)

(1) A new arrangement became effective from 1 January 2011 – refer Group CEO arrangement above.
(2) Appointed on 1 November 2012 (previously employed by Santam).
(3) Participated in the Santam DSP and PDSP up to the date of appointment on the Sanlam Executive committee.
(4) Appointed 1 March 2013.
(5) Participates in the Santam DSP and PDSP.
(6) The performance conditions of the PDSP categories (in addition to the individual performance conditions) are as follows:
a. Category A: Adjusted RoGEV for the Group exceeds the Group's cost of capital.
b. Category B: Adjusted RoGEV for the Group exceeds 105% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a business hurdle is also applicable for Johan van der Merwe).
c. Category C: Adjusted RoGEV for the Group exceeds 110% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a business hurdle is also applicable for Johan van der Merwe).
(7) Includes additional shares awarded in respect of past grants in lieu of special dividend.

Shares forfeited	Balance 31-12-13	Vesting in 2014	2015	2016	2017	2018
—	57 628	23 161	8 287	12 759	7 694	5 727
—	102 299	39 945	15 860	22 967	13 896	9 631
—	25 541	11 247	4 044	5 031	3 593	1 626
—	46 814	19 241	8 258	9 578	7 002	2 735
—	32 087	11 914	4 243	7 728	4 101	4 101
—	55 485	20 704	7 602	13 389	6 894	6 896
—	471 000	147 380	142 528	107 288	56 123	17 681
—	146 916	46 119	39 747	34 758	18 965	7 327
—	97 604	26 779	31 488	23 009	12 252	4 076
—	97 604	26 779	31 488	23 009	12 252	4 076
—	226 480	74 482	71 293	49 521	24 906	6 278
—	975 790	342 447	267 112	221 940	104 463	39 828
—	184 936	57 552	46 951	46 272	23 907	10 254
—	346 474	131 835	95 879	70 996	30 745	17 019
—	130 052	45 375	41 805	30 435	7 537	4 900
—	156 579	72 211	38 172	23 262	14 525	8 409
—	59 843	14 249	15 902	17 299	8 683	3 710
—	444 380	153 060	124 282	104 672	49 811	12 555
—	465 509	149 875	144 134	97 166	54 271	20 063
—	142 871	46 662	38 805	29 879	18 868	8 657
—	96 158	28 731	34 036	17 766	10 497	5 128
—	96 158	28 731	34 036	17 766	10 497	5 128
—	226 480	74 482	71 293	49 521	24 906	6 278
—	481 606	153 276	140 587	108 765	54 997	23 981
—	129 525	45 512	33 870	28 086	14 865	7 192
—	85 908	25 773	29 794	17 158	8 949	4 234
—	85 908	25 773	29 794	17 158	8 949	4 234
—	266 173	81 991	76 923	63 521	31 183	12 555

Value

R'000	2013 Value of shares awarded[1]	2013 Value of shares vesting[2]	2013 Value of shares forfeited[2]	2012 Value of shares awarded[1]	2012 Value of shares vesting[2]	2012 Value of shares forfeited[2]
Johan van Zyl	263	33 383	(2 662)	—	29 933	(1 813)
DSP	80	5 101	—	—	4 192	—
PDSP	183	7 334	—	—	3 254	—
RSP[3]	—	20 948	—	—	22 487	—
Group CEO arrangement	—	—	(2 662)	—	—	(1 813)
Kobus Möller	4 645	12 507	—	4 282	11 025	—
DSP	1 270	2 670	—	1 019	1 665	—
PDSP	1 413	2 582	—	1 263	1 841	—
RSP[3]	1 962	7 255	—	2 000	7 519	—
Temba Mvusi	2 429	6 481	—	2 279	3 304	—
DSP	817	1 858	—	831	1 151	—
PDSP	631	1 352	—	448	497	—
RSP[3]	981	3 271	—	1 000	1 656	—
Yegs Ramiah[4]	2 735	2 360	—	332	—	—
DSP	1 397	1 666	—	267	—	—
PDSP	1 338	694	—	65	—	—
Yvonne Muthien[5]	—	—	—	1 000	7 474	(3 447)
DSP	—	—	—	—	4 203	—
PDSP	—	—	—	—	1 712	(1 212)
RSP[3]	—	—	—	1 000	1 559	(2 235)
Subtotal: executive directors	10 072	54 731	(2 662)	7 893	51 736	(5 260)

R'000	2013 Value of shares awarded[(1)]	2013 Value of shares vesting[(2)]	2013 Value of shares forfeited[(2)]	2012 Value of shares awarded[(1)]	2012 Value of shares vesting[(2)]	2012 Value of shares forfeited[(2)]
Themba Gamedze[(6)]	**2 511**	**—**	**—**	—	—	—
DSP	**2 511**	**—**	**—**	—	—	—
Ian Kirk	**4 728**	**5 624**	**—**	2 040	5 375	—
Santam	**3 424**	**4 041**	**—**	1 633	4 132	—
Sanlam	**1 304**	**1 583**	**—**	407	1 243	—
Lizé Lambrechts	**2 661**	**9 730**	**—**	3 867	8 421	—
DSP	**1 076**	**2 298**	**—**	1 097	1 325	—
PDSP	**604**	**1 095**	**—**	770	1 189	—
RSP[(3)]	**981**	**6 337**	**—**	2 000	5 907	—
Johan van der Merwe	**5 937**	**17 446**	**—**	6 581	16 024	—
DSP	**1 496**	**3 406**	**—**	1 287	2 208	—
PDSP	**2 479**	**3 443**	**—**	1 294	1 756	—
RSP[(3)]	**1 962**	**10 597**	**—**	4 000	12 060	—
Heinie Werth	**2 982**	**8 884**	**—**	3 468	4 291	—
DSP	**1 255**	**2 741**	**—**	962	1 378	—
PDSP	**746**	**1 340**	**—**	506	480	—
RSP[(3)]	**981**	**4 803**	**—**	2 000	2 433	—
André Zeeman	**3 628**	**8 055**	**—**	3 167	4 165	—
DSP	**1 047**	**2 202**	**—**	723	1 183	—
PDSP	**619**	**1 050**	**—**	444	549	—
RSP[(3)]	**1 962**	**4 803**	**—**	2 000	2 433	—
Executive committee	**32 519**	**104 470**	**(2 662)**	27 016	90 012	(5 260)

(1) *Based on fair value of shares on grant date, assuming 100% vesting. Actual vesting percentage will be determined on final measurement date.*
(2) *Based on market value of shares on vesting and forfeiture dates respectively.*
(3) *Grants during a year relates to performance in the prior financial year (refer description of scheme above).*
(4) *Appointed on 1 November 2012 on Executive committee and on 5 December 2012 as executive director.*
(5) *Resigned on 5 September 2012.*
(6) *Appointed on 1 March 2013.*

It is anticipated that awards will be granted in 2014 to executive directors (excluding the Group CEO) and members of the Executive committee on a basis consistent with that described above.

Current participants in the OPP and achievements to date are as follows:

Individual	Measurement period	Performance measures	Achievement	Outcome
Lizé Lambrechts	1 January 2010 – 31 December 2012	Outperformance of operational targets set for SPF cluster	100,0%	R21,6 million paid on 1 April 2013
Lizé Lambrechts	1 January 2013 – 31 December 2015	Outperformance of operational targets set for SPF cluster	22%	Final measurement and payment on 1 April 2016
Johan van der Merwe	1 January 2009 – 31 March 2014	Outperformance of return targets set for international Sanlam investment business over the full measurement period	n/a	Final measurement and payment after 1 April 2014
Heinie Werth	1 January 2012 – 31 December 2014	Outperformance of operational targets set for SEM cluster	69%	Final measurement and payment on 1 April 2015
Ian Kirk	1 January 2010 – 31 December 2014	Outperformance of operational targets set for Santam over the full measurement period	n/a	Final measurement and payment on 1 April 2015

To the extent that any awards are granted under the OPP in 2014, it will occur on a basis consistent with that described above.

SANLAM SHARE SCHEME ALLOCATION

Pursuant to the amendments to Schedule 14 of the JSE Listings Requirements, the shareholders of Sanlam approved a scheme allocation of 160 million 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 million.

The following table illustrates the position as at 31 December 2013:

		Number of shares
Scheme allocation originally approved		160 000 000
Net movement during 2009		(10 701 155)
Net movement during 2010		(8 652 718)
Net movement during 2011		(13 828 369)
Balance of scheme allocation 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 allocation carried forward at 31 December 2012		117 916 066
Allocation under DSP and PDSP in 2013	(5 905 362)	
Allocation under RSP in 2013 (CEO)	(281 209)	
Allocation under RSP in 2013 (Other)	(469 918)	(6 656 489)
Shares forfeited in 2013		822 979
Additional DSP and PDSP allocated in lieu of special dividend		(359 948)
Balance of scheme allocation carried forward at 31 December 2013		111 722 608

REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

Fee structures are recommended to the Board by the GHRRC (other than for services as a GHRRC member) and reviewed annually with the assistance of external service providers. The GHRRC 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.

Non-executive directors' emoluments for the year ended 31 December 2013

R'000	Directors' fees	Allowance	Attendance and committees	Fees from Group	Total
MMM Bakane-Tuoane	173	74	334	—	581
AD Botha	173	74	293	427	967
PR Bradshaw[(1)]	75	32	89	483	679
A Duggal[(2)]	173	74	131	—	378
FA du Plessis[(3)]	84	36	237	—	357
MV Moosa	173	74	355	—	602
PT Motsepe	260	112	250	—	622
MP Mthethwa	173	74	292	—	539
SA Nkosi	173	74	103	—	350
I Plenderleith[(4)]	129	55	238	343	765
P de V Rademeyer	173	74	547	764	1 558
RV Simelane	173	74	193	—	440
DK Smith (Chairman)	1 461	626	—	—	2 087
CG Swanepoel	173	74	540	1 385	2 172
ZB Swanepoel	173	74	208	—	455
PL Zim	173	74	171	—	418
Total non-executive directors	**3 912**	**1 675**	**3 981**	**3 402**	**12 970**

[(1)] *Appointed 7 August 2013.*
[(2)] *Appointed 15 January 2013. Remuneration is paid to Shriram Capital.*
[(3)] *Retired 5 June 2013.*
[(4)] *Retired 4 September 2013.*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R1 054 870.

Non-executive directors' emoluments for the year ended 31 December 2012

R'000	Directors' fees	Allowance	Attendance and committees	Fees from Group	Total
MMM Bakane-Tuoane	168	72	286	—	526
AD Botha	168	72	241	572	1 053
FA du Plessis	168	72	444	—	684
MV Moosa	168	72	251	—	491
PT Motsepe	251	108	218	—	577
MP Mthethwa (nee Buthelezi)	168	72	211	—	451
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.

Fees from Group companies for the year ended 31 December 2013

R'000	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	143	235	49	427
I Plenderleith	343	—	—	343
P de V Rademeyer	213	379	172	764
CG Swanepoel	259	973	153	1 385
PR Bradshaw	483	—	—	483
Total fees from Group companies	**1 441**	**1 587**	**374**	**3 402**

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**

INTEREST OF DIRECTORS IN SHARE CAPITAL

Total interest of directors in share capital at 31 December 2013

	BENEFICIAL			
	Direct	Indirect	Non-beneficial	UB shares
Executive directors[1]				
J van Zyl	6 038 133	2 594 319	—	—
JP Möller	1 286 743	—	—	—
TI Mvusi	236 510	36 617	—	4 000
Y Ramiah	—	—	—	—
Total executive directors	**7 561 386**	**2 630 936**	**—**	**4 000**
Non-executive directors				
DK Smith (Chairman)	—	35 000	—	—
PT Motsepe (Deputy Chairman)[2]	—	—	—	—
MMM Bakane-Tuoane	—	—	—	7 142
AD Botha	—	—	286 999	—
PR Bradshaw	—	29 000	—	—
A Duggal	—	—	—	—
MV Moosa	—	—	—	7 142
MP Mthethwa	—	—	—	7 142
SA Nkosi	—	—	—	7 142
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**	**559 698**	**286 999**	**49 994**
Total	**7 753 165**	**3 190 634**	**286 999**	**53 994**

[1] Includes participation in the Restricted Share Plan and Group CEO arrangement.

[2] Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 226 million Sanlam ordinary shares and 56,5 million 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 Patrice Motsepe and the above directors are indirect beneficial holders of the 226 million Sanlam ordinary shares and 56,5 million Sanlam 'A' deferred shares.

[3] At the date of this report there are no material differences with the shareholding disclosed above as at 31 December 2013.

Total interest of directors in share capital at 31 December 2012

	BENEFICIAL			
	Direct	Indirect	Non-beneficial	UB shares
Executive directors[1]				
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)[2]	—	—	—	—
MMM Bakane-Tuoane	—	—	—	7 142
AD Botha	—	—	286 999	—
MP Mthethwa	—	—	—	7 142
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**	**2 446 710**	**287 389**	**53 994**

[1] *Includes participation in the Restricted Share Plan and Group CEO arrangement.*

[2] *Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 226 million Sanlam ordinary shares and 56,5 million 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 Patrice Motsepe and the above directors are indirect beneficial holders of the 226 million Sanlam ordinary shares and 56,5 million Sanlam 'A' deferred shares.

OUR PERFORMANCE

ECONOMIC ENVIRONMENT

Central bank announcements dominated news flow in financial markets in 2013. In April, the Bank of Japan announced an extraordinarily large asset purchase programme, which was expected to double the size of its monetary base within two years. However, this announcement was overshadowed by the US Federal Reserve Chairman's comment in May on possible tapering of US Federal Open Market Committee asset purchases.

The anticipation of a shift towards monetary policy normalisation in the US was accompanied by a marked increase in US Treasury yields. The rise in risk-free interest rates exerted significant pressure on foreign exchange and debt markets in developing countries. Liquidity waned and funding conditions deteriorated, especially in countries running large government budget and current account deficits, including South Africa.

With the notable exception of Japan, fiscal consolidation continued among developed economies in 2013 in pursuit of debt stabilisation. But progress has been slow, especially in Europe, due to weaker than expected economic growth.

In the US, ongoing differences in opinion on the appropriate fiscal policy framework resulted in the temporary, partial shutdown of the federal government in October 2013 and gridlock in the US Congress over whether or not to raise the US government debt limit.

Following the financial crisis of 2007/08, global GDP growth has disappointed. The moderate recovery continued in the US in 2013, while the euro area has lagged. Although Europe emerged from recession during the year, growth remained soft with mixed outcomes between countries. The region faces a protracted period of adjustment to boost its competitiveness and the debt overhang of sovereigns and corporations continues to pose risk to the recovery.

In developing economies growth disappointed relative to earlier expectations in 2013 and profit growth was constrained, as unsatisfactory global trade conditions weighed on real economic activity. Trading conditions in South Africa and most of the other regions where the Group operates remained challenging as a result, with consumer demand for financial services solutions suppressed by slow economic growth.

Rapid credit extension among some developing countries has left debt levels at uncomfortably high levels relative to historic trends. This includes China where strong growth in off-balance sheet lending has raised concern.

In India, inflation remained stubbornly high and the pace of structural economic reform has been slow. Growth disappointed in 2013 relative to earlier expectations and India's equity market yielded a negative total return in US$ of –1,9% for the year. The double digit depreciation of the Indian rupee against US$ through 2013 highlighted the vulnerability posed by the country's current account and government budget deficits to policy normalisation in the US. Still, liquidity constraints eased late in 2013, while improved external demand and public sector investment are expected to support growth in 2014. This bodes well for future growth in the Group's Shriram Capital operations in India.

Among the members of the Association of South-East Asian Nations (ASEAN) productivity growth softened and fiscal positions weakened. In Malaysia, fiscal consolidation and the household debt overhang are significant constraints on growth. But, the Economic Transformation Program, which aims to boost competitiveness, should support investment. Also, improved external demand in developed economies is expected to underpin growth in Malaysia and in ASEAN generally in 2014, although the region would be vulnerable to any unexpected slowdown in China. Long-term growth prospects in these markets remain intact and provide a strong growth platform for the Group after the recent entry into South-East Asia through the Pacific & Orient acquisition in Malaysia. It also supports our strategic focus on further expanding our presence in these markets.

In sub-Saharan Africa (SSA), growth remained solid, advancing at an estimated 5% in 2013 and is forecast to maintain similar growth in 2014. The frontier economies of Kenya, Zambia, Tanzania, Ghana, Uganda and Nigeria, in particular, are expected to maintain especially strong growth rates, following robust outcomes in 2013 despite low demand from developed economies. Combined with the current low rate of insurance penetration in these markets, it should support continued strong growth in our Rest of Africa operations. As highlighted in the report of the Group Chief Executive, we plan to use part of our available discretionary capital to increase the exposure to our existing operations in Rest of Africa, premised on the strong growth prospects.

The positive interest rate differential between SSA and developed countries, in addition to solid growth prospects, underpinned by macro-economic stability and the benefits of former structural economic reform has attracted investor interest. Investors in equities were rewarded in 2013 with total equity market returns in US$ in excess of 30% in Tanzania and 40% in Ghana, Nigeria and Kenya.

Partly due to low liquidity levels, the increase in global financial market instability from May 2013 had a relatively modest impact on the frontier markets of SSA in 2013, although government bond spreads to US bonds did increase for Nigeria, Ghana, Tanzania and Zambia. Currencies were relatively stable. The Ghanaian cedi is a notable exception. The currency's significant depreciation during the year highlights the need for fiscal consolidation to ensure the sustainability of the government's finances. The stability in these currencies meant that they generally strengthened against the South African rand in 2013, supporting the translated rand results of our Rest of Africa operations.

Elsewhere, the currencies of middle-income countries Swaziland and Namibia, which are members of the Common Monetary Area of the rand, also depreciated markedly. Although real GDP growth was maintained at a firm pace in Namibia, the total return on the equity market fell 15,3% in US$ in 2013. In Swaziland, where growth remained weak in 2013, fiscal consolidation is a priority in the context of maintaining exchange rate parity with the South African rand.

Among other middle-income SSA countries, Botswana delivered firm, albeit below trend GDP growth in 2013. Concomitantly, the equity market yielded a total return of 12,3% in US$ for the year, even though the Bank of Botswana engineered a downward crawl of the exchange rate, so that the Botswana pula depreciated significantly against the US$. The country's overall fiscal position is balanced and the government's debt ratio is low. Further, its current account deficit is relatively well behaved, but diversification from diamonds as a source of revenue is a priority. The fiscal position was achieved through, among others, not granting general salary increases to government employees for a few years, depressing disposable income and demand for financial services products from this key part of Sanlam's client base in Botswana. In time, greater integration with global financial markets is expected to increase the SSA region's sensitivity to developments on global financial markets. Also, large current account and government budget deficits in countries such as Tanzania, Ghana, Zambia and Kenya imply vulnerability to any unexpected further increases in global risk free interest rates.

In contrast with the rest of SSA, South Africa's short-term growth forecast has been revised lower from initially 2,5% in 2013 and 3,5% in 2014 to 1,9% and 2,75% respectively.

Domestic employment growth weakened in 2013 and the slower advance in households' real disposable income constrained household final consumption expenditure. The increased strain on households was reflected in the marked slowdown in unsecured lending to individuals. Our continued focus on the quality of new business written in South Africa is imperative under these conditions with the associated elevated lapse risk.

Amid supply side shocks the total gross operating surplus of total listed and unlisted South African businesses increased just 6,3% in the year to September 2013, in part reflecting weak mining profits. Excluding mining, however, the earnings of listed companies on the FTSE/JSE Financial and Industrial 30 Index increased 17,6% in the year to November 2013.

As a result, equity market returns remained buoyant in 2013 as the FTSE/JSE All Share Total Return Index advanced 21,4% in the year to December (–1,5% in US$), following the robust 26,7% recorded in 2012. The Financial and Industrial Total Return Index increased 34,4% (+9,0% in US$). This supported the average level of assets under management and consequently fee income in both Sanlam Personal Finance and Sanlam Investments' South African asset management businesses.

But, the domestic equity market ended 2013 over-valued. This suggests another year of strong returns is unlikely in 2014 with anticipated low growth in asset management earnings.

The R/$ rate depreciated by more than 20% through 2013 as concern around South Africa's large current account deficit mounted. Still, inflation remained well contained, ending the year within the upper limit of the Reserve Bank's inflation target range. In tandem with weak real economic activity levels this encouraged the Bank to leave its repo rate unchanged throughout the year. The weaker rand had a positive impact on the results of the Group's international operations, testimony to the benefits of the Group's diversification strategy.

However, the All Bond Index produced a meagre total return of +0,6% in 2013. Bonds rallied into early 2013, following South Africa's inclusion in the Citi World Government Bond Index in late 2012, but foreign investor demand for domestic bonds waned and yields increased sharply (long-term risk free rates increased by more than 1%) in response to the rise in global risk free interest rates from May 2013. Given Sanlam's approach to match its policyholder assets and liabilities as close as possible, the increase in long-term rates did not impact significantly on asset mismatch profits and losses. It did, however, result in an increase in the risk discount rates used to determine the value of new life business (VNB) written, the in-force life book as well as some non-life businesses valued on a discounted cash flow basis for purposes of Group Equity Value (GEV). This had a negative impact on these values (refer the Financial and Operational review for further information).

Although the US Federal Reserve has used forward guidance to indicate its policy rate could remain unchanged for an extended period after asset purchase tapering begins, uncertainty around the pace of withdrawal of monetary stimulus could result in additional bouts of rising risk aversion and volatility in global capital markets.

REGULATORY ENVIRONMENT

In keeping with developments abroad aimed at promoting financial stability and safeguarding the interests of consumers of financial products, the domestic insurance industry will be confronted with numerous regulatory challenges. These include the proposed implementation of the solvency regime and the so-called 'twin peaks' regulatory regime, which aims to separate supervision of market conduct and prudential regulation between the Financial Services Board and South African Reserve Bank respectively. Other major regulatory changes on the agenda in South Africa are:

- Treating Customers Fairly (TCF), a policy initiative aimed at ensuring that all regulated firms treat their customers fairly. Sanlam's client centric business model largely complies with the principles of the regulations, but the proposed reporting requirements are onerous and will require further development of the Group's reporting systems.
- The Protection of Personal Information Bill (POPI), which seeks to protect individuals' right to privacy of personal information, and to bring South Africa in line with international data protection laws. Sanlam's internal project to ensure compliance with the proposed legislation is progressing well.
- Retirement Reform Proposals issued by National Treasury aimed at promoting household savings and reducing the cost of retirement saving. Sanlam made submissions on the discussion papers through the Association for Savings and Investment South Africa (ASISA).

Sanlam supports the regulatory initiatives as it will strengthen the financial services industry in the long term. The pace of implementation and potential unforeseen negative impacts are, however, of some concern, as highlighted by our Chairman in his report to shareholders.

The regulatory environment in India remains challenging with limits on unit linked product charges making these once-popular products unprofitable. Shriram Life Insurance's focus is therefore on the more traditional savings products and credit life, which slowed down growth to some extent.

COMPETITIVE LANDSCAPE

The South African insurance industry is dominated by a few large insurers that have been operating for many years. Sanlam is one of the largest players in the long- and short-term insurance industry with a market share of approximately 20%. Market share of the various competitors did not change significantly during the year. Direct insurance has become an important component of especially the short-term insurance industry in South Africa, with new entrants into this market over the last number of years. In response Sanlam started its own direct insurer, MiWay, which competes effectively in this market. Within a few years it has become a major competitor in the short-term insurance industry and continues to achieve strong growth. International companies operating in the South African market remain largely limited to reinsurance.

Sanlam has the largest footprint in Africa outside of South Africa insurance companies and remains one of the largest players in most markets where we operate. Competition is generally from local players and/or other South African insurance companies. The large international insurers remain absent from most of the competitive landscape in Africa.

In India and Malaysia the Group's focus is on the middle- and lower-income market segments. In these segments competition is generally limited to local players and government organisations, while the large international insurers focus on the affluent market. Sanlam therefore does not compete directly with the international players. Shriram Capital, our strategic partner in India, has a particular competitive advantage in India having built a large distribution footprint over many years outside of the major cities, founded on personal relationships with clients. This model is very difficult to copy for any new entrant.

In developed markets Sanlam has a niche approach, essentially providing product solutions to our South African client base, augmented by a local distribution capability to provide scale. The strategy is therefore not to compete with the large local players in these markets.

The competitive landscape remained broadly unchanged during the year in all territories, with no major new entrants.

I CAN SAY WITH CONFIDENCE THAT OUR STRONG COMMITMENT TO SANLAM'S STRATEGY HAS MADE IT POSSIBLE FOR THE GROUP TO TRANSFORM INTO THE PROFITABLE WORLD-CLASS BUSINESS THAT WE ENVISAGED 10 YEARS AGO.

Johan van Zyl
Group Chief Executive

Ten years ago, in my first Annual Group CEO Report, I announced to stakeholders that Sanlam was transforming. The aim was to place the Group firmly on the road to sustainable world-class performance and profitability.

Back in 2003, when I joined the Sanlam Group as CEO, we reflected on the internal and external factors that inhibited Group performance and decided on a bold back-to-basics approach. Our actions were guided by three main objectives:

- Unlock inherent value
- Focus operations and improve delivery
- Target profitability.

We then defined our goals and direction in a five-pillar strategy. This strategy has remained firmly in place for the past 10 years, allowing the Group to make steady and consistent progress. The following five strategic pillars continue to underpin the Sanlam Group business model:

- Improving performance through top-line **growth**
  - Increasing market share in key segments
  - Diversifying the base (including geographical presence, products, market segments and distribution platforms)
- Improved **operating and cost efficiencies**, including quality
- Prioritising Sanlam's international positioning through **diversification**
- Improving **capital efficiency** on an ongoing basis
- Embracing and accelerating **transformation** of the Group.

Looking at the results delivered by the Group in 2013, I can say with confidence that our strong commitment to this strategy has made it possible for the Group to transform into the profitable world-class business that we envisaged 10 years ago. I also firmly believe that on the back of this strategy we delivered value to all our stakeholders in line with their expectations. More importantly, we achieved this in a responsible manner.

This, our fourth Integrated Report, provides a holistic and transparent overview of Sanlam's performance in 2013, both from a financial point of view as well as in terms of our consideration of environmental, social and governance (ESG) issues.

DELIVERING SUSTAINABLE VALUE

The Sanlam Group in 2013 once again delivered the solid operational performance that stakeholders have come to expect from us. These excellent results were achieved despite a challenging local and global operating environment.

In 2013 we experienced a difficult environment mainly due to low short-term interest rates, which had a negative effect on several of our businesses, combined with tough economic conditions that severely restricted the disposable income of the South African consumer. A volatile currency and severe regulatory pressures and uncertainty also impacted on our businesses. The 2013 operating environment is described in greater detail in the Economic and Operating Environment Review.

The strength of the Sanlam brand together with a well-diversified business, an increased distribution footprint and a strong focus on client service helped us weather this environment and our total new business volumes grew by more than 20%.

Our primary performance target for measuring shareholder value creation is Return on Group Equity Value (RoGEV). Given the nature of the Group's diversified business, we consider this measure of performance the most appropriate since it incorporates the result of all the major value drivers in the business. The RoGEV per share for 2013 of 17% exceeded the target of 10,8% by a healthy margin.

Net operating profit (net result from financial services) grew by 35%. All businesses contributed to this growth, with the exception of Santam. The short-term insurer was hit hard by the high claims experience caused by a succession of costly natural disasters and a volatile currency that resulted in excessive vehicle repair costs.

The following are some of our other salient results:

- New business volumes (excluding white label) increased by 26% to R155 billion
- Net value of new covered business up 23% on a comparable economic basis
- Net VNB margin of 3,29% compared to 3,22% in 2012 on a comparable economic basis
- Normal dividend per share increased by 21% to 200 cents

Below is a brief overview of our achievements for 2013 against our five strategic pillars.

Earnings growth

The Group achieved exceptional operating earnings growth of 35% for 2013, surpassing our own expectations.

Earnings growth was driven by two main components. Organic growth contributed 71% of the growth and was achieved by extracting more value from existing businesses, improving efficiencies and reducing costs. Acquisitions made with surplus capital contributed 29% of earnings growth. We had particular success with this approach in India, Malaysia and Namibia.

Operating and cost efficiencies

Maintaining capital and cost efficiency remains a big driver across our businesses. We therefore launched two long-term initiatives in recent years aimed at fostering efficiency within the Group.

The *Sanlam for Sanlam* programme, which has been in place for three years, encourages effective collaboration between clusters with the goal of achieving greater growth and profitability.

The *Blueprint for Success* initiative, launched in September 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.

I am satisfied that these two initiatives are achieving the desired results for the Group.

Managing an efficient business also requires stringent risk, compliance and corporate governance systems. In 2013 we spent more than R100 million on various initiatives aimed at ensuring that we remain a responsible corporate citizen, including internal and external audits, reporting of results and Board activities.

Diversification

Our successful diversification strategy has changed the profile of the Sanlam Group from a traditional insurer 10 years ago to a well-diversified financial services provider with a direct footprint on four continents and is able to offer extensive solutions across all market segments in South Africa.

In 2013 we pushed this strategy even harder, with the aim of further diversifying revenue streams. We concluded five acquisitions in 2013 as part of a net capital investment of some R2,5 billion, which includes R817 million in respect of the Pacific & Orient Insurance Co. Berhad (P&O) transaction announced in 2012 but finalised in 2013 as well as new acquisitions of some R1,7 billion. As a result, we now have a direct footprint in 11 African countries, as well as in Europe, Australia, India and Malaysia.

In Namibia we increased our shareholding in Capricorn Investment Holdings. We expect steady year-on-year growth from this investment.

We also bedded down our 2012 acquisition of a 49% stake in Malaysian general insurer P&O and aggressively continued expanding our short-term insurance interests. We bought 49% of NICO General Insurance Company's businesses in Malawi, Zambia and Uganda. FBN Life in Nigeria, in which we have a 35% stake, received a capital contribution of R58 million to enable them to expand into general insurance.

R1,3 billion was also invested to increase our effective holding in Shriram Transport Finance Company in India.

In the Investments cluster, the dual strategy applied by Wealth Management of offshore acquisitions combined with green field investing in South Africa paid off handsomely, resulting in strong new client growth as well as a greater share of wallet from existing clients.

Sanlam Personal Finance delivered superior performance, in part through the introduction of a more diversified product range designed around client needs. I am particularly impressed by the new single premium business attracted in 2013. Sanlam Personal Loans continued to perform well, while our Sanlam Sky business produced excellent results with profits doubling on 2012.

Underpinning our expansion strategy is achieving an alignment of our triple bottom line: profit, people and planet. Since these three focus areas must be aligned in order for a business to be sustainable, we prefer to walk away from opportunities when we cannot achieve this with a partner. I must point out, however, that we have also benefited hugely from this approach by attracting quality partners who support by giving back to the communities in which we operate.

In our pursuit of new acquisition opportunities, we are occasionally confronted with ethics and business practices that are not aligned to those of the Sanlam Group. I must categorically state that we will not compromise our values for the sake of short-term gains.

Capital efficiency

Our strong focus on the effective utilisation of capital was maintained during 2013. The Group started the year with discretionary capital of R4,2 billion. The special dividend of 50 cents per share paid in April 2013 utilised R1,1 billion of capital in addition to the net R1,7 billion applied in respect of acquisitions. Investment return earned on the discretionary capital portfolio and excess capital released from Group businesses added some R2,6 billion, leaving us with unallocated discretionary capital of R4 billion at the end of December 2013. We remain focused on utilising the available discretionary capital by finding value-accretive investment opportunities.

Our solvency position remained robust in 2013 and all of the Group operations remain well capitalised. Sanlam Life Insurance Limited's statutory capital adequacy requirement (CAR) ratio remained strong at 4,5 times the minimum regulatory requirement. This means Sanlam remains well positioned to honour benefit payments due to its policyholders.

Transformation

Transformation in the South African context refers to 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 initially demonstrated Sanlam's commitment to transforming into a truly South African business 10 years ago when we announced the Ubuntu-Botho Investments (Ubuntu-Botho) black economic empowerment (BEE) transaction.

In what has been described as one of the most far-reaching black empowerment transactions to date, Ubuntu-Botho, a broad-based black empowerment consortium led by businessman Patrice Motsepe, bought an 8% shareholding in Sanlam. At the end of December 2013 the 10-year debt had been settled and 66,5 million of the deferred shares issued to Ubuntu-Botho qualified for conversion into ordinary shares in terms of a value-add formula linked to new Sanlam business flows. This resulted in a total unencumbered holding of 292,5 million Sanlam shares. The total value created was about R15 billion, which is attributable to the shareholders of Ubuntu-Botho.

Underprivileged South Africans will also benefit from the transaction through the Sanlam Ubuntu-Botho Community Development Trust, which will advance and support community upliftment and development projects, BEE initiatives and corporate social investment programmes now that the loans of Ubuntu-Botho have been repaid.

I am proud of the success of this transaction, which has enabled Sanlam to secure significant long-term growth opportunities and effect true broad-based empowerment by involving a representative spectrum of South African community groups in Sanlam's future.

The gazetting of the Financial Sector Code (FSC) for Black Economic Empowerment in December 2012 meant that we could start 2013 with a clear framework detailing how the empowerment efforts of the financial sector would be measured.

The Group achieved a level 2 BEE status when measured against the FSC. This is in line with the target that we had set ourselves at the beginning of 2013, and an achievement I am very proud of.

As part of our transformation efforts, we also have a responsibility to ensure that our distribution channels reflect the demographics of our clients. The Sanlam Foundation, in partnership with the Enterprise Development Fund of the Association for Savings and Investment South Africa (ASISA), therefore launched an enterprise development programme in July 2013 to enhance the sustainable development of small and medium-sized enterprises (SMEs) in South Africa. The Sanlam Enterprise Development Programme aims to apply best practice disciplines to enhance the competitive advantage of industry distribution networks and suppliers while empowering the environment in which it operates.

HOW OUR BUSINESS CLUSTERS PERFORMED IN 2013

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 2013 performance highlights for each of these clusters.

Sanlam Personal Finance (SPF)

Product innovation, a focused, client-centric approach, and a strong service culture helped SPF achieve a strong set of results for 2013. In a challenging business environment this cluster delivered strong new business growth of 31%, driven mainly by single premium business. This can be attributed to the introduction of innovative new products and the continued focus on service quality.

SPF operates in a mature industry that is characterised by high levels of competition. The middle-income market has, for some time now, suffered the brunt of economic pressures that have continued since the 2008 global financial crisis, while the entry-level market has been plagued by labour unrest and high levels of unemployment.

In addition, this cluster is also heavily impacted by the uncertain regulatory environment, as well as continuous regulatory changes, in particular retirement reform, the Protection of Personal Information Act (POPI), Solvency Assessment and Management (SAM), International Financial Reporting Standards (IFRS) and Treating Customers Fairly (TCF). Preparing for the anticipated impact of impending regulation continues to consume capacity.

I must therefore congratulate SPF on achieving strong growth in operating profit of 24% on 2012. I am also pleased that we managed to maintain satisfactory persistency levels across all market segments, especially in the entry-level market where the impact of labour unrest was yet again felt strongly in 2013.

SPF also delivered on its target of outperforming its RoGEV hurdle rate in 2013 by achieving a RoGEV of 20,5%.

Creating sustainable value

Product innovation alone does not create sustainable value. However, in combination with strong client focus and service excellence, innovation becomes a powerful competitive advantage. Client centricity must be ingrained in an organisation's culture; unlike product innovation it is not something that can easily be copied by competitors.

It is exactly this culture, together with true innovation in product design, which has helped SPF create sustainable value across all its market segments in 2013.

Highlights for each of the SPF market segments were as follows:

Glacier by Sanlam

Glacier by Sanlam's (Glacier) competitive advantage remains the excellent service model offered to intermediaries and its clients. Glacier is a highly rated platform in South Africa, because of its exceptionally high standards of client service.

As a result, our Glacier product offering has entrenched itself as a premier brand in its market. Both Glacier International as well as the local Glacier offerings attracted significant inflows in 2013.

Sanlam Individual Life

Product innovation introduced in 2011 and 2012 had a positive impact on new business growth in the middle-income market segment. The Cumulus and Nimbus product ranges attracted strong inflows in 2013, particularly on the single premium side.

Growth in recurring premiums, however, remained muted. This is an industry-wide trend as a result of ongoing economic pressure experienced by consumers in the middle market.

In an effort to increase our recurring premiums SPF implemented a number of product enhancements at the end of July 2013 and also launched an innovative retirement annuity (RA), Cumulus Echo RA, as well as an offering aimed specifically at graduates in the third quarter. Initial sales were excellent.

Sanlam Sky Solutions

Sanlam Sky Solutions recorded strong new recurring premium sales driven by higher agency channel sales. Broker sales were, however, much lower, mainly because of traditionally supporting brokers exiting the industry or transferring to the agency channel.

Sanlam Sky Group Benefits also performed well on the new business front, largely due to the successful acquisition of a few large schemes.

I am satisfied with the persistency levels achieved in this market segment. The focus is on keeping the number of lapses and surrenders at these relatively low levels. We are, however, concerned about the economic outlook and the impact of possible labour unrest.

Sanlam Personal Loans

Of the other SPF businesses, the sustained profitability of Sanlam Personal Loans deserves specific mention. While the size of the loan book has increased since 2012, the risk profile of the book has, at the same time, been adjusted to take into account the increased financial pressure on the South African consumer.

Nurturing value drivers

This cluster understands that it takes skilled, committed, competent and motivated people to deliver on promises such as treating clients fairly; providing innovative and appropriate product solutions; and providing appropriate and professional advice to clients. Therefore, investing in people is one of the ways that SPF nurtures its value drivers.

SPF has been an 'Investor in People' accredited organisation for eight years running. In 2013, the SPF cluster invested more than R90 million in the training and development of its people.

Together with the rest of Sanlam, this cluster strives to be an employer of choice. This is achieved by:

- A continuous focus on transformation. Aligning the demographic composition of employees to the composition of current clients and potential future clients.
- Attracting the right people. Developing and growing internal staff and attract appropriately skilled talent with a strong cultural fit from outside.
- Building on our innovation culture. Continuously enhancing the processes in place to ensure the cultivation of an innovative culture.
- Fostering a culture of high performance and collaboration. Continuing to support the Sanlam Blueprint initiative to help the cluster describe, measure and work towards an aspired organisational culture.

A true client-centric approach also requires a firm commitment to treat clients fairly. Sanlam therefore considers TCF good business practice and a core part of its commercial and customer strategy. For this reason, a key focus area for all SPF businesses is the successful implementation of TCF.

Sanlam Emerging Markets (SEM)

Despite tough trading conditions, SEM delivered a solid set of financial results in 2013, with all key measurements ahead of budget. All businesses contributed to this outperformance.

Emerging markets in general remained under pressure in 2013, as highlighted in the Economic and Operating Environment Review. I am pleased, therefore, that the SEM diversification strategy once again paid off.

As a result the cluster achieved an excellent gross operating profit in 2013, which was 104% higher than in 2012. The increase was largely due to structural growth, which was well supported by a 28% organic growth in SEM businesses.

SEM also delivered pleasing new business volumes in 2013, with value of new business (VNB) increasing by 36% over 2012.

While most businesses in the cluster performed well during the period under review, the contributions of the following operations stood out:

- India – In 2013 economic growth slowed to levels not seen in more than a decade, with inflation and interest rates increasing rapidly. Despite this, Shriram General Insurance continued to perform well while the credit businesses also performed according to expectations. Shriram Capital expanded its interests to include a 50% stake in Monarch Insurance in the Philippines.
- Namibia – Our Namibian business is doing very well, with excellent sales and overall solid VNB growth. We expect our increased shareholding in Capricorn Investment Holdings to be a significant and stable contributor to our Namibian profits.
- Rest of Africa – SEM businesses in Ghana, Nigeria, Uganda, Tanzania, Malawi, Zambia and Kenya performed in line with expectations. Ghana did exceptionally well and strong single premium business was achieved in Kenya. Our start-up business in Uganda remains a loss-making business, but is heading in the right direction. All of these businesses are expected to contribute to good growth in 2014.
- Botswana – Our business in Botswana recovered well in the second half of the year and delivered good results despite the slowdown in economic growth experienced in this market.
- Malaysia – Our acquisition here performed in line with expectations during its first year.

Creating sustainable value

We remain positive about our emerging market partnerships and our ability to deliver value for all our shareholders, customers and other stakeholders.

Our existing businesses continued to deliver satisfactory organic growth in 2013 and our structural activities were focused on expanding the geographic footprint, diversifying our product offerings, and deepening our relationships with existing partners.

In 2013, SEM concluded a number of transactions with a total capital investment of R1,9 billion.

Approximately 48% of SEM's net operating profit in 2013 was derived from life business, 42% from credit business and 10% from other financial services (general insurance, medical and asset management), with Botswana, India and Namibia being key profit contributors.

To ensure appropriate focus and support for the expansion of the short-term insurance contribution, SEM and Santam concluded a series of transactions to align their respective short-term insurance interests in emerging markets. This arrangement positions SEM as the single investor for the Sanlam Group's short-term insurance businesses in emerging markets and Santam as the provider of technical support to these businesses. This also enables Santam to share in the economic interest of the current and future short-term insurance expansion in these markets. In principle, SEM and Santam will respectively participate on a 65%/35% basis in the Sanlam Group's short-term insurance businesses in emerging markets. The deal involved Santam paying a net settlement amount of R181 million to SEM.

This enabled SEM to expand and strengthen our general insurance offering outside South Africa. As part of this transaction, SEM acquired a 37,4% participatory interest in Santam Namibia.

In a further alignment of SEM and Santam's interests in emerging markets, SEM also acquired Santam's 25,1% investment in the issued ordinary shares of NICO Holdings Limited, incorporated in Malawi. NICO Holdings is the holding company of NICO's general and life insurance business across various countries.

During 2013, SEM added the following general insurers to its portfolio:
- 49% of NICO General Insurance Company's businesses in Malawi, Zambia and Uganda. The initial capital outlay was approximately R65 million.
- A capital contribution of R58 million to FBN Life in Nigeria, in which we have a 35% stake, to enable them to expand into general insurance.
- 49% of Malaysian general insurer Pacific & Orient Insurance Co. Berhard. This acquisition was concluded at the end of 2012 and came into effect in 2013.

SEM will continue to drive new structural growth opportunities in both current and new markets, focusing on partners that offer a good distribution capability and have a strong brand. Once a partnership has been established, SEM plays the role of technical partner and leverages the technical expertise within the Sanlam Group to optimise and grow the business. In 2013, the following structural investments were made in addition to the short-term insurance businesses referred to above:
- We increased our stake in Namibian financial services group, Capricorn Investment Holdings, to 22% at a cost of R243 million. Capricorn's main asset is a controlling interest in Bank Windhoek.
- An additional R1,3 billion was invested in the listed Shriram Transport Finance Company in India.
- We increased our shareholdings in listed entities BIHL (Botswana) and PAIHL (Kenya). The investment amounted to R95 million.
- We renewed our bancassurance partnership with Standard Chartered after the successful completion of a five-year relationship.

Despite a relatively aggressive structural growth plan, SEM exited some businesses to ensure better alignment between business interests and key partners.

In an effort to strengthen our position with our life insurance business partners, SEM sold SIM Kenya to Pan Africa Insurance Holdings Limited (PAIHL). SEM also sold SIM ACA in Nigeria back to our co-shareholders.

In 2014 our focus will be on further enhancing our footprint in Malaysia, while also exploring opportunities in Zimbabwe, Rwanda, Mauritius, Angola and Mozambique. Our areas of interest remain in wider financial services in Africa, India and South-East Asia and in deepening relationships with existing partners.

Nurturing value drivers

For SEM, the key value drivers are its people and strategic partnerships. A set of behavioural guidelines has therefore been introduced to enable the SEM strategy and ensure sustainable value creation. These align with and support the Sanlam Group values and *Blueprint for Success* initiatives. The guidelines encourage:
- Focus on delivery;
- Honest and ethical behaviour;
- The courage and conviction to take decisions, even in uncertain circumstances;
- The willingness to listen to customers and stakeholders; and
- Appreciation of cultural differences.

SEM believes in the importance of local ownership in the context of long-term sustainable socio-economic growth and development. The preferred approach when diversifying into emerging markets therefore remains one of entering into partnerships with companies that share the same values.

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, as well as providing capital to support growth.

Therefore, we believe in empowering people to take ownership and entrenching the Sanlam values through responsible citizenship. All subsidiaries are expected to adopt the Group's governance and ethics frameworks and policies. In the case of associates, countries will be influenced to adopt the principles contained in the policies as far as possible.

In 2013, we therefore extended training and development opportunities to employees at our SEM businesses in other countries. This included the following:
- In 2013 five senior managers from India, Botswana and Tanzania participated in the Sanlam Executive Leadership Programme, developed in partnership with the University of Pretoria's Gordon Institute of Business Science (GIBS), to enable current high-performing senior management across global business

clusters to further refine their leadership and management skills.

- For the first time, the Sanlam Summer School for financial journalists was attended by journalists from Namibia, Ghana, Nigeria, Kenya and Botswana. These journalists were nominated by our partners in these countries. The Sanlam Summer School is an initiative to help develop investigative journalism for the improvement of corporate governance.
- Some 38 delegates from 11 countries attended the SEM conference, which focused on the overall SEM strategy and sharing of best practice across the businesses.
- The Sanlam Group Senior Management Conference, which brings together 300 of the group's senior leadership, also included 28 representatives from our business partners in Africa, India and Malaysia.
- SEM hosted an HR conference for our African businesses, which was attended by nine HR executives.
- The Finance, Actuarial and Risk Management Conference, hosted by SEM, was attended by 50 representatives from our subsidiaries and associate companies. The focus was on knowledge sharing, alignment of work practices and discussing the risks faced by the businesses in the different countries.

Sanlam Investments

Sanlam Investments reported a total net operating profit of R1,3 billion for 2013, resulting in healthy growth of 33% on 2012.

The strong financial markets supported the investment management businesses in the cluster and had a positive impact on revenue, which is significantly influenced by the levels of assets under management. The rand weakened during the course of 2013, which had a positive impact on the reported rand profits of the international businesses.

The value created by the various sub-clusters in 2013 is detailed below.

Asset Management

This sub-cluster increased net operating profits by 55% in 2013. New business volumes increased by 14%.

South African financial markets moved largely in positive territory in 2013 with some volatility, especially in the second quarter. Funds and businesses with exposure to South African equities benefited from this favourable movement in local stock markets. One of these businesses was Satrix, which became a 100% subsidiary in the second half of 2012.

The growing demand for passive investment products, coupled with the regulator calling for greater use of lower-cost investment vehicles, bodes well for Satrix. During the last quarter of 2013, Satrix expanded its product offering to include passive collective investment schemes to complement its existing range of exchange-traded funds (ETFs).

The investment performance across all our actively managed funds has been excellent, confirming that our pragmatic value investment philosophy for actively managed funds is delivering the desired results.

The Sanlam Investments Africa Frontier Fund, a long-only equity fund that targets listed investments on African exchanges, reached its three-year track record in 2013. This is an important milestone based on the solid three-year investment performance of the fund. This fund is now well placed to be an attractive investment solution for both local and international investors.

Wealth Management

The Wealth Management sub-cluster had an exceptional year as the strategy of growth and expansion followed over the last couple of years has now started to pay off.

The South African business did particularly well and new client growth, as well as an increasing share of the wallet of existing clients who are investing into the more diversified product range, resulted in strong net inflows.

The restructuring undertaken in the UK business during 2012 has started to bear fruit and the business has turned around from loss making to achieve a healthy profit. A solid foundation has been laid for growth going forward.

Total Wealth Management net operating profit of R142 million represents growth of 145% over that achieved during 2012. The business is well positioned for further growth, which will come largely as a result of further inroads into the very high net worth market in South Africa, and a focused growth strategy in the UK.

Investment Services

The strategy to integrate the value chain and keep services relevant in a constantly changing regulatory environment while reducing the cost base yielded pleasing results in 2013.

Another key focus area for this sub-cluster was to create value following the restructuring of our Fund of Hedge Funds business, Blue Ink Investments. Pleasingly, the hedge fund portfolios in Blue Ink outperformed their benchmarks resulting in strong performance fees for the business.

In 2013 we also took a decision to outsource the administration of Sanlam Collective Investments. We believe that this move will enable the business to focus and strengthen its client servicing model, which is in line with Sanlam Investments' overall strategy on client centricity. Investment Services' net operating profit declined by 8% due to once-off expenses in 2013 and new business volumes grew by 44%.

International Investments

The International Investments sub-cluster delivered a mixed set of results, which is very much a reflection of the different kind of environments in which our underlying businesses operate. Overall net operating profit for 2013 reflected growth of 34% on 2012 with an increase in new business volumes of 117%.

The investment management businesses generated strong investment performance in rand, benefiting from a weaker rand against most major currencies. Acceptable investment returns were delivered in most cases in the funds' functional currencies, with FOUR Capital Partners standing out for having returned exceptional performance on all fronts.

Despite the poor 2013 investment performance by the Sanlam Global Financial Fund, fund manager Kokkie Kooyman was still recognised by the industry as a leading fund manager by being awarded the Investment Week Fund Manager of the Year Award for Financials. He received this award, which is allocated for long-term investment performance, for the fourth consecutive year.

The administration hub of the international businesses in Dublin (Sanlam Asset Management Ireland) continues to go from strength to strength in solidifying the quality of the platform offering to segregated clients.

Sanlam UK continued to make steady progress with its strategic objective to be an advice-led, vertically integrated wealth management business. A solid level of fund flows was achieved throughout 2013. Sanlam UK is well positioned to continue to benefit from ongoing industry changes and a re-emergence of positive market sentiment in 2013.

Sanlam Employee Benefits (SEB)

SEB delivered a solid set of results for 2013 in a very challenging operating environment. The net operating profit exceeded 2012 by 6%, and was negatively impacted by increased expenditure on system enhancements to improve controls and increase the level of automation.

SEB has firmly established itself as a provider of choice over the past five years, with pleasing growth in its retirement fund administration and consulting areas.

The sub-cluster attracted more than 80 000 new members during the year, taking the total active members under administration to 450 000. This growth in membership also helped to drive the increase in the Sanlam Umbrella Funds assets under management. Sanlam believes that umbrella funds will play an important role in National Treasury's retirement fund reform plans and therefore considers this to be a major growth area. As a result, expenditure on system enhancements has been increased to further improve scalability.

Although underwriting profits in the Group Risk business were under pressure due to an increased number of large claims, the business continues to deliver strong operating results. The investment flows were lower than expected, but Sanlam Employee Benefits saw very encouraging appointments in the asset liability matching space, which underlines the superior skill set with respect to annuities.

Also worth noting is that 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.

Capital Management (SICM)

SICM reported healthy net operating profits, up 16% on 2012.

In 2013 SICM continued with the implementation of the strategy agreed on two years ago aimed at lowering exposure to volatile equity market activities. At the same time the business focused on building its capabilities and exposure to the financing type businesses, leveraging competitive advantages SICM has as a member of the Sanlam Group.

The African Funds Initiative remains a key focus for SICM with interest and appetite from both local and international investors for African exposure. During 2013, Sanlam Africa Core Real Estate Investments Limited (SACREIL) was listed on the Mauritian stock exchange following a capital raising that resulted in commitments of US$100 million from investors. The launch of African Credit, also domiciled in Mauritius, is imminent. We expect the interest into African opportunities to increase as the strong economic growth rates and fundamentals of Africa underpin higher investment returns for investors.

Creating sustainable value

Sanlam Investments focuses on providing consistent long-term performance that exceeds expectations and provides peace of mind.

Sanlam understands that by achieving this we contribute substantially to people's quality of life – today as well as in retirement. This means that Sanlam Investments must be successful not just in the short term, but over a sustained period of time in order to create value for all our stakeholders.

It is with this in mind that the Investments cluster has over a period of time incorporated a wide range of businesses that function across the financial services value chain. This has enabled Sanlam Investments to develop a range of products and solutions aimed at meeting the needs of our ever increasingly diverse client base.

Since the sustainability of our business is determined by the ability to serve clients in line with their evolving expectations, the cluster embarked on a Client Centricity Programme over a period of 18 months. This included conversations with clients, researching best practices, sourcing input and direction from global thought leaders, learnings from case studies and many deliberations with internal experts across Sanlam Investments.

A key lesson was that, in order to achieve its goals of simplifying its offering and expertly catering to all client needs, Sanlam Investments would need to reposition its business. Therefore, effective from 1 November 2013 Sanlam Investments transformed its organisational structure into two client-facing businesses, namely Sanlam Investments Retail and Sanlam Investments Institutional; and separately a single Investment Core.

The Investment Core houses all onshore investment capabilities. This includes the Asset Management and Investment Services businesses. For now SICM, Wealth Management, Employee Benefits and the International sub-clusters are excluded from the structural changes. It is envisaged that over time, alignment between these businesses and the new structure will be strengthened.

The new Sanlam Investments structure will ensure that the cluster becomes a business that takes greater direction from the client. Excellent investment performance will continue to underpin this new structure.

Nurturing value drivers

At Sanlam Investments the key value drivers are investment performance, the cluster's client-centric approach to doing business and the talented people who make it all happen.

Investment performance without the necessary inflows is, however, not sustainable. Since inflows are driven by the confidence that clients have in the ability of Sanlam Investments to manage and grow their money the business must remain client centric in addition to delivering performance that exceeds clients' expectations.

I believe that the new structure implemented on 1 November 2013 will yield benefits in terms of new business flows and creating positive energy throughout the business, while placing the client and the client experience at the centre of the business.

Sanlam Investments understands that sustainable investment performance and a consistent focus on putting the client first can only be achieved if employees take the responsibility of being entrusted with clients' money seriously. At Sanlam we believe that the impact of talented people is enhanced when operating within the right structure and consider our people our competitive advantage. Thus, we pride ourselves in the talent that Sanlam Investments has managed to attract and retain over the years.

A key lesson from the numerous interventions embarked on in 2013, aimed to strengthen Sanlam Investments as a client-centric business, is that beyond organisational design and top leadership a number of other factors all impact on the ability to achieve sustained future success. These are:

- Winning culture and the right attitude.
- The competencies of people, including those who are client facing.
- Systems and processes that enhance client intelligence.

Thus, Sanlam Investments will continue to approach all efforts to be more client centric and to achieve future sustained success holistically as part of one ecosystem.

Santam

For Santam, 2013 was a difficult underwriting year. While gross written premiums showed satisfactory growth of 9% excluding cell insurance business, the net underwriting margin was significantly impacted by challenging underwriting conditions, achieving only 2,8% against a medium-term target of between 5% and 7%.

A weak exchange rate, adverse weather-related incidents and a number of commercial property fires impacted negatively on the business, especially in the core commercial and personal lines, as well as in the crop insurance business.

The depreciation of the rand also impacted on the overall results. Since January 2013 the rand weakened by more than 20% against major currencies, which feeds directly into the Group's claims cost, especially motor claims.

During the first part of 2013, hail damage to summer crops in the eastern region of the country as well as drought claims in the central and western regions severely impacted underwriting results. In January floods in Limpopo and in November heavy flooding in the Western Cape caused damage to houses, roads and businesses. This was exacerbated by two significant November hailstorms in Gauteng, causing a wave of destruction that damaged cars and properties. The second hailstorm was one of the most severe catastrophe events experienced in South Africa to date, with total claims for the industry exceeding R1,6 billion.

The competitive nature of the short-term insurance industry, combined with weak consumer spending power, resulted in Santam not being able to increase premiums in line with claims cost in the short term. Santam managed premium increases selectively through a market and risk segmentation approach and this process will continue to return the cluster to its target underwriting margin.

Creating sustainable value

The combination of extreme weather conditions and pressure on South Africa's infrastructure, especially at local municipality level, presents one of our country's most significant long-term risks; one that Santam and the insurance industry will have to continue to help address.

Santam will therefore continue to work with municipalities and local authorities through our adopt-a-municipality programme to mitigate the key long-term drivers of risk by implementing initiatives such as fire and flood risk management support.

The selling of insurance, whether long-term or short-term, is a promise to our clients that we will be there for them when things go wrong. Santam has once again paid out more money for claims than any other insurer during 2013, almost R14 billion, in a market where the frequency and severity of claims continues on an upward trend.

For Santam the biggest challenge in the short term will be to balance growth and profitability. Therefore, in reaffirming its three-pillar strategy for 2014, Santam defined additional enablers for each pillar to ensure the sustainability of all aspects of the business:

- Growth through diversification
  - Achieve growth responsibly.
- Managing the risk pool
  - Build environmental, social and governance intelligence into the way risk is managed.
- Driving system efficiency
  - Drive efficiencies within the claims and management expense value chain.

Nurturing value drivers

Santam's key strengths remain its relative size, the fact that it continues to grow market share and the diversity of its portfolio of businesses and products. For the first time, gross written premiums exceeded R20 billion.

As with the Sanlam Group, people are Santam's key competitive advantage with their strong technical expertise and competence, as well as the ability to maintain and grow relationships, especially with intermediaries.

A highlight for 2013 was the finalisation of a series of transactions with Sanlam Emerging Markets (SEM) to formalise Santam's collaborative international expansion in emerging markets. This transaction enables Santam to achieve its international investment objective and provides access to SEM's growing footprint in some significant emerging markets for its specialist business units and Santam re.

In addition to the SEM transaction, Santam acquired 100% of Travel Insurance Consultants (TIC). TIC forms part of the Santam Specialist business unit and is one of the top travel insurance providers in South Africa.

Santam also acquired 40% of Western National Insurance Group from PSG Consult during 2013.

NURTURING THE GROUP'S VALUE DRIVERS

Sanlam's single biggest value driver consists of our people, who deliver on the promises that we sell. In my 2012 Management Review I said that 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 corporate citizen. These promises are only as good as the people who make these promises, namely the Sanlam staff.

Since these promises are long-term undertakings, it is our duty to ensure that our business is sustainable well into the future. This is why we have embarked on a journey to get our people to ingrain sustainability into their culture and their way of thinking.

Our *Sanlam Blueprint for Success* initiative has provided the Sanlam staff with 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.

The Sanlam sustainability framework is the mechanism that allows us to measure performance of people against the *Sanlam Blueprint for Success* deliverables on an annual basis and provides us with the tools needed to encourage people to strive for excellence.

Another key value driver is the quality of new business. Without quality, new business growth is meaningless as it is not sustainable. Sanlam therefore has a policy of only taking on clients who can afford the product we are selling. As a result, we managed to maintain good persistency levels across all market segments, especially in the entry-level market where the impact of labour unrest was yet again felt strongly in 2013.

The Group has also committed to not selling product solutions that do not deliver value for clients. For this reason Sanlam does not offer savings policies to the low-income market as we have not yet found a viable pricing model that enables us to make a profit while offering the client fair value.

While I am satisfied that we have the right value drivers in place, it is imperative that we remain geared to continue delivering value into the future. Furthermore, it is critically important that we achieve this in a responsible manner. We therefore also need to continue to focus on our duties as a responsible corporate citizen. As mentioned earlier, the three focus areas of our triple bottom line (profit, people and planet) must be aligned in order for this business to be sustainable.

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:

- Sanlam was included in the JSE's Socially Responsible Investment (SRI) Index for the eighth consecutive year, making us one of 72 out of 157 companies that were assessed for inclusion.
- Sanlam was included for the first time in the Robecom SAM Dow Jones Sustainability Emerging Market Index. There are only 81 companies on this index and 18 are South African companies. Sanlam is the only emerging market insurance company to make the index.

PRIORITIES FOR THE SANLAM GROUP IN 2014

As outlined by our Chairman in his message, the financial services industry is facing substantial regulatory changes in 2014. One of our key focus areas will be to ensure that our systems and processes are aligned with the new requirements to make sure we do not fall foul of regulation or legislation. We are also working with our regulator and policymaker to ensure that this flood of regulation does not lead to unintended consequences, which could impact on the long-term sustainability of our industry.

Key to the success of Sanlam has been our commitment to putting the needs of our clients first. Our client-centric approach forms an integral part of our business philosophy and constitutes the foundation of our business model. We will therefore continue to align our approach with the requirements of the proposed TCF legislation, which the Financial Services Board aims to introduce in 2014.

We have achieved very good results on most fronts in 2013 and in 2014 we will be refining our operations even further to maintain the growth momentum. Delivering a high level of performance for clients and stakeholders through strong emphasis on top-line earnings growth and capital efficiency, as well as operating and cost efficiencies remains a priority.

People are the backbone of our business. The sustainable performance of our business is directly linked to and dependent on the performance of our people and staff development therefore receives continued focus.

In 2013 our diversification strategy centred on the sourcing of new growth and expansion opportunities in emerging markets. While we will continue to explore new countries to expand our footprint, the primary focus for 2014 will be to deepen existing relationships in an effort to extract more value.

IN CLOSING

Sanlam exists to create sustainable value for all our stakeholders. Growing money in itself does not, however, equate to creating value. True value can only be created in an environment where there is political stability and economic growth supported by job creation and infrastructure development. As we have seen in one of our neighbouring countries, in the absence of political and economic stability, money has no value and becomes meaningless to those who own it.

The Sanlam Group therefore remains committed to growing not only its profits, but to also investing in South Africa and its people with the aim of making this country a better place for all of us.

In this context I would like to quote former President Nelson Mandela, who said that: "What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead."

While Madiba was referring to individuals, I believe the same is true for Sanlam. What counts is the difference that we make in people's lives.

I would therefore like to thank each and every Sanlam employee who arrives at work every day with the resolution of making a difference. It is this culture that has made Sanlam the successful and sustainable financial services group that it is today.

I would also like to express my gratitude to our clients and shareholders for recognising the value that we offer and for trusting us to deliver in line with their expectations. A very big thank you also goes to my management team for their support and to the members of the Sanlam Board for their expert guidance and long-term vision.

We have raised the bar in 2013, but I am looking forward to the challenge of unlocking even more value in 2014.

Johan van Zyl
Group Chief Executive

GROUP EXECUTIVE COMMITTEE

Johan van Zyl (57)

Appointed: 2001

Qualifications: PhD (Economics), DSc (Agriculture)

Group Chief Executive of Sanlam since March 2003

Executive director of Sanlam Limited and Sanlam Life.

Non-executive director of Santam, Sanlam Investment Management, Sanlam Netherlands Holdings, Sanlam Emerging Markets.

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.

Themba Gamedze (55)

Appointed: September 2003

Qualifications: BA (Pure Mathematics), FASSA, MSc (Pure Mathematics) (Warwick, UK)

Appointed Chief Executive: Strategic Projects in March 2013

President of the Actuarial Society of South Africa and Chairman of the South African Insurance Association.

Non-executive director of Santam, Sanlam Employee Benefits, Sanlam Capital Markets, Sanlam Investment Management, Sanlam Investment Holdings, Pan African Life, Botswana Life Insurance, Botswana Insurance Holdings Limited Insurance Company, Botswana Insurance Holdings and Sanlam Emerging Markets.

Former Chief Executive of Sanlam Employee Benefits, former Chief Executive of Strategy and Founding President of the Association of South African Black Actuarial Professionals.

Ian Kirk (56)

Appointed: 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 Company, Centriq Life Insurance Company, SAIA, Stalker Hutchison Admiral, Beaux Lane (SA) Properties, Nova Risk Partners, Emerald Risk Transfer, MiWay Insurance Limited, MiWay Group Holdings.

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

Lizé Lambrechts (50)

Appointed: 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.

Kobus Möller (54)

Appointed: 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.

Temba Mvusi (58)

Appointed: 2004

Qualifications: Diploma in International Relations (University 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 January 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.

Yegs Ramiah (46)

Appointed: 2012

Qualifications: LLB, Higher Diploma in Tax Law, MBA

Appointed Chief Executive: Sanlam Brand in 2012

Executive director of Sanlam Limited and Sanlam Life.

Johan van der Merwe (49)

Appointed: 2002

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

Appointed Chief Executive Officer of Sanlam Investment Management in July 2002

Chairman and director of Sanlam Investment Management, Sanlam UK, 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, Sanlam International Investment Partners, SIIP Mauritius, SIM International Investments Partners AUSTRALIA and Sanlam Investment Holdings Limited.

Heinie Werth (50)

Appointed: 2005

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

Appointed Chief Executive Officer of Sanlam Emerging Markets (previously Developing Markets) in December 2005 and before that served as Financial Director of Sanlam Life from April 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 and Manager: Corporate Finance of Gencor and Financial Director of Kelgran.

André Zeeman (53)

Appointed: 2005

Qualifications: BCom, FASSA, EDP (Manchester)

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

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

In 2003 we embarked on a strategy aimed at transforming Sanlam into a diversified financial services group that would deliver exceptional returns to its shareholders. Sanlam's operational performance in 2013 is a testimony to 10 years of diligent execution of this strategy.

As elaborated on in the Economic and Operating Environment report on page 96, the 2013 operating environment remained challenging as the protracted slow global economic recovery continued to impact on the markets where the Group operates. Trading conditions characterised by pressure on consumers' disposable income, investment market volatility and rising long-term interest rates were aggravated by adverse weather conditions in South Africa. This was partly alleviated by a rally in equity markets towards the end of the year and a substantial depreciation in the rand exchange rate that supported the translated rand results of our international businesses.

Despite these challenges, the Group delivered another set of sound results with satisfactory growth in all key performance indicators. Sanlam's diversification into emerging markets reached a special milestone to exceed R1 billion in net operating earnings, contributing 19% of the Group's overall net result from financial services.

CHANGES IN PRESENTATION AND ACCOUNTING POLICIES

The Sanlam Group results for the year ended 31 December 2013 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 2012 annual report, apart from the following:

- The adoption of new IFRS that became effective during the 2013 financial year (refer page 244), which impacted on the IFRS financial statements but did not have any effect on the presentation of the shareholders' information.
- The investment categories disclosed in the Group statement of financial position and in the shareholders' fund balance sheet at net asset value were aligned with those required for regulatory purposes in the future, to ensure consistency across the reporting formats.
- The presentation within Group Equity Value (GEV) of non-life Group operations that are not valued at listed market value was amended to align with the treatment of covered business. The fair value of these non-life operations previously comprised their base valuation to which the year-to-date earnings were added. The year-to-date earnings essentially constituted the dividend payment expected from the businesses in terms of the Group's dividend policy. To be consistent with the disclosure of covered business, these operations are, with effect from 2013, reflected at their base valuation in the GEV statement, with year-to-date earnings (potential dividend) included as part of Other capital. Comparative information has not been restated as the change in presentation does not have an impact on the overall GEV earnings and RoGEV.

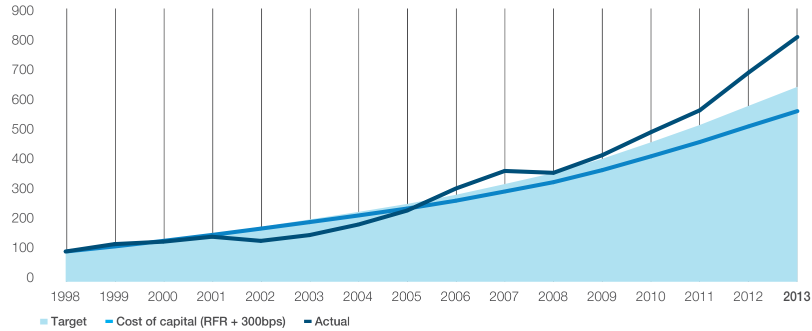
FINANCIAL PERFORMANCE MEASURE

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 only values the Group's in-force covered (life insurance) business and excludes the value of future new life insurance business to be written by the Group. GEV is the aggregate of the following components:

- The embedded value of covered business, 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.
- 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.

Return on Group Equity Value



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

The RoGEV target for 2013 has been 10,8% and for 2014 it is set at 12,2% based on the higher RFR of 8,2% as at the end of December 2013.

GROUP EQUITY VALUE

GEV amounted to R84,4 billion or 4 121 cents per share on 31 December 2013. Including the dividends of 215 cents per share paid during the year, a RoGEV of 17,7% (17% per share) was achieved for 2013, well in excess of the 2013 performance hurdle of 10,8%. The lower RoGEV on a per share basis is largely due to a further 13,5 million deferred shares held by our broad-based black economic empowerment partner, Ubuntu-Botho, qualifying for conversion to ordinary shares in terms of the value-add arrangement. The 10-year period of the agreement ended on 31 December 2013, with a final total of 66,5 million deferred shares qualifying for conversion. No further dilution will therefore occur in respect of the arrangement from 2014 onwards.

The strong equity market performance during 2013 had a marked positive impact on the RoGEV for the period, partly offset by the rise in long-term interest rates as well as a relative underperformance of the Santam share price after its outperformance in prior years. Excluding the favourable impact of investment returns in excess of the long-term expectations, higher long-term interest rates and certain other once-off effects, an adjusted RoGEV of 11,3% (10,6% per share) is still in excess of the return target (slightly lower on a per share basis). Excluding Santam, adjusted RoGEV of 15,6% (14,6% per share) is well in excess of the target.

The closing Sanlam share price at the end of December 2013 of 5 324 cents per share was at a premium of some 29% to the GEV.

Group Equity Value at 31 December 2013

	GROUP EQUITY VALUE		ROGEV	
R million	2013	2012		%
Group operations	**76 470**	68 166	13 367	19,3
Sanlam Personal Finance	**35 666**	32 762	6 721	20,5
Sanlam Emerging Markets	**10 189**	6 105	2 246	29,8
Sanlam Investments	**17 971**	16 424	4 204	25,9
Santam	**12 644**	12 875	196	1,5
Covered business	**43 475**	38 996	9 128	23,4
Value of in-force	**27 675**	24 050	6 946	28,9
Adjusted net worth	**15 800**	14 946	2 182	14,6
Other operations	**32 995**	29 170	4 239	13,3
Group operations	**76 470**	68 166	13 367	19,3
Discretionary capital and other	**7 939**	7 186	(20)	(0,3)
Group Equity Value	**84 409**	75 352	13 347	17,7
Per share (cents)	**4 121**	3 707	629	17,0

Group operations yielded an overall return of 19,3% in 2013. The embedded value of covered business (life operations) amounted to R43 billion, 52% of GEV in December 2013. The capital allocated to the life operations increased marginally to R15,8 billion. Strong earnings from the equity and foreign exposure in the supporting capital portfolios contributed to an aggregate after tax investment return of 14,6%. The in-force book of R27,7 billion yielded an exceptional return of 28,9%. Strong growth in VNB, continued positive operating experience variances, as well as investment variances of R2,4 billion emanating from investment market performance in excess of long-term assumptions, contributed to the sound result. This was partly offset by negative economic assumption changes of R1,1 billion due to the higher risk discount rate applied at the end of December 2013.

Other Group operations provided a return of 13,3%, the net result of a 1,5% return on the Group's investment in Santam and return in excess of 20% on the other non-insurance operations. The Santam share price experienced a correction during 2013, significantly underperforming the general equity market, following major outperformance in prior years. The valuations of the other non-insurance operations were in general positively impacted by a higher level of assets under management and a weaker rand, somewhat offset by a higher-risk discount rate applied to those operations valued on a discounted cash flow basis.

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.

▶ EARNINGS

Shareholders' fund income statement for the year ended 31 December 2013

R million	2013	2012	Change %
Net result from financial services	**5 429**	4 030	35
Sanlam Personal Finance	**2 920**	2 351	24
Sanlam Emerging Markets	**1 011**	428	136
Sanlam Investments	**1 301**	975	33
Santam	**333**	405	(18)
Corporate and other	**(136)**	(129)	(5)
Net investment return	**3 019**	2 356	28
Project costs and amortisation	**(237)**	(178)	(33)
Equity participation costs	**(151)**	(56)	(170)
Secondary tax on companies	**–**	(233)	100
Normalised headline earnings	**8 060**	5 919	36
Per share (cents)	**395,0**	292,1	35

Net result from financial services (net operating profit) of R5,4 billion increased by 35% on 2012, aided by maiden contributions of R410 million from new acquisitions in Sanlam Emerging Markets (SEM). All clusters achieved strong growth with the exception of Santam, where underwriting results were negatively impacted by adverse weather conditions and rand weakness. Excluding the earnings contribution from SEM structural growth, net result from financial services grew by 25%, a particularly satisfactory result. A higher level of assets under management across most asset management businesses, a growing life in-force book and the weaker rand exchange rate supported the earnings growth. In addition, Sanlam Investments earned substantially higher performance fees. The individual cluster results are discussed in more detail below.

Normalised headline earnings of R8 billion are 36% up on 2012. This is the combined effect of the following:

- The 35% growth in net result from financial services.
- A 28% increase in the net investment return earned on the Group's capital portfolio. Net investment income (dividends, interest and rental income) declined by 24%, largely due to a lower average level of discretionary capital in 2013 following the utilisation of capital for acquisitions and the Sanlam special dividend. Net realised and unrealised investment surpluses increased by 80%, supported by good returns on the international exposure in the portfolio and once-off investment gains of some R200 million realised in 2013. The latter includes an increase in the valuation of the Group's interest in Capricorn Investment Holdings (CIH) in Namibia following the listing of its main investment, Bank Windhoek, in the first half of the year (before CIH became an associated company on 1 July 2013) and a sizeable recovery of a previously impaired portfolio investment.
- The abolishment of secondary tax on companies (STC) in 2012, resulting in no expense being incurred in 2013.
- A 33% rise in project and amortisation costs, attributable to due diligence and related transaction costs incurred in respect of corporate activity in SEM as well as the weaker rand exchange rate that increased the amortisation charges of the Investment cluster's international businesses.
- The equity participation expense recognised in terms of IFRS for incentive schemes linked to the value of certain of the Group's non-life operations that increased in line with the higher valuations of these businesses.

BUSINESS VOLUMES

The Group achieved overall growth of 26% in new business volumes (excluding white label business), reaching R150 billion for the first time. All businesses contributed to the solid performance, apart from Sanlam Employee Benefits (SEB) that achieved limited growth in new flows in a very competitive market and SEM's Namibian business that recorded a decline in low-margin unit trust inflows, largely attributable to the disposal of Capricorn Unit Trust as part of the CIH transaction (refer below). Life insurance new business volumes increased by 25%, augmented by 29% and 10% growth in new investment and short-term insurance business, respectively. The ongoing strategic focus on the quality of new business written is reflected in good retention levels and strong net fund inflows. Net fund inflows of R26,1 billion compared to R25 billion in 2012 is commendable, in particular given the loss of three large mandates at Sanlam Investments during the year from clients that restructured their portfolios. Excluding these, net fund inflows of R40,3 billion was achieved, a very satisfactory result in a challenging environment.

Business volumes for the year ended 31 December 2013

	NEW BUSINESS			NET INFLOWS		
R million	**2013**	2012	Change %	**2013**	2012	Change %
Sanlam Personal Finance	**42 507**	32 355	31	**14 993**	8 974	67
Sanlam Emerging Markets	**9 749**	12 952	(25)	**1 794**	3 977	(55)
Sanlam Investments	**85 970**	62 139	38	**4 184**	7 103	(41)
Santam	**16 750**	15 626	7	**5 142**	4 946	4
Total (excluding white label)	**154 976**	123 072	26	**26 113**	25 000	4
Covered business	**31 687**	25 436	25	**10 561**	8 532	24
Investment business	**105 697**	81 670	29	**10 238**	11 431	(10)
Short-term insurance	**17 592**	15 966	10	**5 314**	5 037	5
Total (excluding white label)	**154 976**	123 072	26	**26 113**	25 000	4

The value of new life business (VNB) written increased by 13%. On a comparable basis (before economic assumption changes) VNB increased by 24% from R1 278 million in 2012 to R1 584 million in 2013 and after non-controlling interest by 23% to R1 449 million. All clusters achieved strong growth, with the overall new business margin expanding from 3,35% in 2012 to 3,46% in 2013, measured on a comparable basis. The strong growth in new business volumes, good cost control and a continued focus on the quality of new business written, had a positive impact on both VNB and new business margins.

The increase in long-term interest rates and consequently the risk discount rate used to determine VNB, had a marked negative impact on VNB after economic assumption changes, particularly on Sanlam Personal Finance's (SPF) Sanlam Sky business, where the increase in discount rate is to a much lesser extent offset by a commensurate increase in the expected investment return to be earned on investments backing policy liabilities.

Value of new covered business for the year ended 31 December 2013

R million	2013 ECONOMIC BASIS 2013	2012	Change %	2012 ECONOMIC BASIS 2013	2012	Change %
Value of new covered business	**1 450**	1 278	13	**1 584**	1 278	24
Sanlam Personal Finance	**986**	939	5	**1 113**	939	19
Sanlam Emerging Markets	**364**	267	36	**374**	267	40
Sanlam Investments	**100**	72	39	**97**	72	35
Net of non-controlling interest	**1 320**	1 176	12	**1 449**	1 176	23
Present value of new business premiums	**44 902**	38 129	18	**45 731**	38 129	20
Sanlam Personal Finance	**30 789**	27 332	13	**31 627**	27 332	16
Sanlam Emerging Markets	**4 877**	4 537	7	**4 886**	4 537	8
Sanlam Investments	**9 236**	6 260	48	**9 218**	6 260	47
Net of non-controlling interest	**43 197**	36 528	18	**44 022**	36 528	21
New covered business margin	**3,23%**	3,35%		**3,46%**	3,35%	
Sanlam Personal Finance	**3,20%**	3,44%		**3,52%**	3,44%	
Sanlam Emerging Markets	**7,46%**	5,88%		**7,65%**	5,88%	
Sanlam Investments	**1,08%**	1,15%		**1,05%**	1,15%	
Net of non-controlling interest	**3,06%**	3,22%		**3,29%**	3,22%	

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 not only aimed at increasing the Group's exposure to growth markets, but also to strengthen the resilience of the Group through a more diversified asset base. A combination of organic and structural growth in 2013 contributed to a further increase in the Group's exposure to markets outside South Africa.

Life insurance is still a major component of the Groups' business, but non-life related assets constituted 48% of the GEV at the end of 2013 (48% in 2012) and non-life businesses contributed 37% of net result from financial services for the year (2012: 32%). Businesses outside South Africa are making an increasing contribution to the Group's results, representing 20% of GEV (2012: 15%), 26% of net result from financial services (2012: 16%) and 21% of the net value of new life business (2012: 15%). Of this, our businesses in Africa, India and Malaysia accounted for 13% of the Group's GEV and 20% and 18%, respectively, of net result from financial services and the net value of new life business.

CAPITAL AND SOLVENCY

Optimal capital management remains a 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 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. The Financial Services Board's (FSB) implementation of a third-country equivalent of the European Solvency II regime in South Africa (Solvency Assessment and Management (SAM)) is ongoing, with the third and last quantitative impact study (QIS3) to be completed in 2014. The QIS3 results will inform the final set of regulations to be issued by the FSB and should give more clarity on the impact that the new regime will have on Sanlam's capital requirements.

  The mix of the Group's in-force life book is continuously changing to less capital-intensive products. This, coupled with the growth in new life business, resulted in only a slightly higher capital requirement for the life insurance operations at the end of 2013 and a release to discretionary capital of some R1,5 billion from the investment return earned on the allocated capital.
- *Disposal of non-core operations.* The Group's stake in the Punter Southall Group in the United Kingdom was sold during the year, yielding net proceeds of some R360 million.
- *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 R1,7 billion was utilised for this purpose in 2013, including the following:
  - The acquisition of a 5% direct interest in Shriram Transport Finance Company (STFC) in India. In addition to being a good growth investment on a stand-alone basis, the transaction better aligned Sanlam's interests with those of Shriram Capital, our strategic partner in India. Combined with the indirect interest in STFC through our 26% stake in Shriram Capital, the Group now has an effective interest of 12% in STFC. The transaction utilised R1,3 billion of discretionary capital.
  - Some R490 million was deployed in line with the Group's stated objective of increasing our exposure to existing operations in Africa. A net amount of R208 million was used to increase the Group's interest in CIH in Namibia to more than 20%, effective 1 July 2013. CIH is the holding company of Bank Windhoek and our strategic bancassurance partner in Namibia. CIH commensurately became a strategic associated company on 1 July 2013, with Sanlam's share of the CIH earnings being equity-accounted as operational earnings from the effective date. FBN Life, our Nigerian life insurance business with strategic partner First Bank of Nigeria, expanded into short-term insurance through the acquisition of a majority stake in a Nigerian general insurance company. The Group's share of the acquisition price amounts to some R58 million. In addition, R130 million was utilised to increase our exposure to the operations of Nico Holdings (Malawi) and R95 million to acquire an additional 3% stake in Botswana Insurance Holdings.
  - The arrangement with Santam in respect of short-term insurance business conducted outside of South Africa was formalised at the end of 2013. Through a transaction concluded at a SEM level, Santam acquired a 35% economic interest in SEM's short-term insurance holdings in Africa, India and Malaysia. SEM in turn acquired Santam's stake in Nico Holdings and a 65% economic interest in Santam's holding in Santam Namibia. After the transaction, Santam has an effective 35% economic interest in all of the short-term insurance holdings of the Group outside South Africa, with SEM retaining an effective 65% economic interest. SEM assumed overall management responsibility for the operations, with Santam continuing as the short-term insurance technical partner. Santam paid a net amount of R181 million to Sanlam in terms of the agreement.
  - A number of smaller transactions utilised a total amount of some R100 million, the most significant being the renewal of the exclusive bancassurance arrangement with Standard Chartered Bank in Africa for a minimum of five years after the expiration of the current agreement.

At the end of December 2012 the Group held discretionary capital of R4,2 billion. Taking into account the movements set out on the previous page, the special Sanlam dividend of R1,1 billion paid in April 2013 as well as the investment return earned by the discretionary capital portfolio and the cash operating profit retained in the 2012 dividend earnings cover, discretionary capital amounted to R4 billion at the end of 2013.

Transactions likely to be finalised soon will utilise a large portion of the discretionary capital. In addition, a number of potential opportunities are currently being considered which, if successful, will utilise most of the remaining available discretionary capital within a reasonable timeframe. No special dividend has therefore been considered.

All of the life insurance businesses within the Group were sufficiently capitalised at the end of December 2013. 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 R33,6 billion, covered its capital adequacy requirements (CAR) 4,5 times. No policyholder portfolio had a negative bonus stabilisation reserve at the end of December 2013.

FitchRatings has affirmed the credit ratings of the Group in 2014 and the outlook remained stable. These include Sanlam Limited: National Long-term AA- (zaf); Sanlam Life Insurance Limited: National Insurer Financial Strength: AA+ (zaf); and 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 2013 financial year enabled the Board to increase the normal dividend per share by 21% to 200 cents. This will maintain a cash operating earnings cover of approximately 1,2 times. The South African dividend withholding tax regime applies in respect of this dividend. The dividend does not carry any STC credits and will in full be subject to the 15% withholding tax, where applicable.

Shareholders are advised that the final cash dividend of 200 cents for the year ended 31 December 2013 is payable on Monday, 14 April 2014 to ordinary shareholders recorded in the register of Sanlam at the close of business on Friday, 11 April 2014. The last date to trade to qualify for this dividend will be Friday, 4 April 2014, and Sanlam shares will trade ex-dividend from Monday, 7 April 2014.

Dividend payment by way of electronic bank transfers will be effected on Monday, 14 April 2014.

Share certificates may not be dematerialised or rematerialised between Monday, 7 April 2014 and Friday, 11 April 2014, both days inclusive.

CLUSTER PERFORMANCE

Sanlam Personal Finance

Key performance indicators for the year ended 31 December 2013

R million	2013	2012	Change %
Group Equity Value			
Group Equity Value	**35 666**	32 762	
Covered business	**33 033**	30 144	
Other operations	**2 633**	2 618	
Return on Group Equity Value	**20,5%**	23,8%	
Covered business	**20,6%**	23,6%	
Other operations	**19,6%**	25,9%	
Business volumes			
New business volumes	**42 507**	32 355	31
Life business	**21 498**	18 351	17
Entry-level market	**1 155**	984	17
Individual recurring	***830***	*739*	*12*
Group recurring	***325***	*245*	*33*
Middle-income market	**11 019**	9 682	14
Recurring premiums	***1 307***	*1 255*	*4*
Single premiums	***9 712***	*8 427*	*15*
Affluent market	**9 324**	7 685	21
Investment business	**21 009**	14 004	50
Middle-income market	**309**	290	7
Affluent market	**20 700**	13 714	51
Net fund flows	**14 993**	8 974	67
Life business	**6 538**	5 771	13
Entry-level market	**2 880**	1 342	115
Middle-income market	**(1 908)**	84	(>100)
Affluent market	**5 566**	4 345	28
Investment business	**8 455**	3 203	164
Value of new covered business			
Value of new business	**986**	939	5
Entry-level market	**366**	382	(4)
Middle-income market	**485**	449	8
Affluent market	**135**	108	25
Present value of new business premiums	**30 789**	27 332	13
Entry-level market	**4 241**	4 445	(5)
Middle-income market	**17 224**	15 202	13
Affluent market	**9 324**	7 685	21
New business margin	**3,20%**	3,44%	
Entry-level market	**8,63%**	8,59%	
Middle-income market	**2,82%**	2,95%	
Affluent market	**1,45%**	1,41%	

Key performance indicators for the year ended 31 December 2013 *continued*

R million	2013	2012	Change %
Earnings			
Gross result from financial services	**4 055**	3 272	24
Entry-level market	**761**	375	103
Middle-income market	**3 034**	2 710	12
Affluent market	**260**	187	39
Net result from financial services	**2 920**	2 351	24

Sanlam Personal Finance (SPF) delivered another sterling performance in 2013 across all key performance indicators.

SPF achieved a **RoGEV** of 20,5% for 2013, compared to 23,8% for the comparable period in 2012. Strong growth in the value of new life business, continued positive experience variances and good investment returns supported the 2013 results from covered business, partly offset by negative economic assumption changes in the higher interest rate environment. The return on other operations was positively impacted by an increase in the valuation of Glacier and Sanlam Personal Loans, attributable to an increase in the level of assets under management and the size of the loan book respectively.

New business volumes increased by 31%, with all market segments achieving strong growth. Glacier in particular had an exemplary year and grew new business sales by 40%. The improvement in Sanlam Sky's new business performance in the second half of 2013 was also particularly satisfactory.

New business volumes at Sanlam Sky (entry-level market) increased by 17%. Individual recurring premiums were up 12% on 2012, supported by 23% growth in agency sales. This was partly offset by a 13% decline in broker sales as independent brokers continue to exit the industry or move to the agency channel. Group new recurring premiums increased by 33%, aided by large new Group schemes written during the year. VNB benefited from the strong sales performance as well as an improved mortality and expense assumptions basis and was up 18% on 2012 before economic basis changes. New business margins expanded from 8,6% in 2012 to 9,94% in 2013. The 1,5% rise in the risk discount rate (based on a similar increase in the five-year risk-free rate) had a marked negative impact on VNB as determined on the new economic basis, resulting in a 4% decline in reported VNB.

Individual Life (middle-income market) recorded solid new business growth of 14%, a sound performance in this mature market segment. Recurring premiums increased by 4%, the combined result of a 1% decline in savings business and 8% growth in new risk business. New innovative retirement annuity (RA) products launched during the year supported strong growth in new RA business, but this was offset by a decline in *ad hoc* premiums following the closure of the Professional Provident Society (PPS) RA for new business. Sanlam previously underwrote this product, but PPS decided to write all future new business on its own licence. New recurring premium risk business benefited from good growth in credit life volumes as well as the Matrix Growth Premium product. New single premium products launched during the last two years continued to perform well and supported the 15% growth in single premiums. VNB increased by 17% on a comparable basis, with new business margins maintained at the 2012 level on a comparable economic basis, despite a very competitive market. The 1,4% rise in the nine-year risk-free rate (and commensurately the risk discount rate used to determine VNB) limited growth in VNB after economic assumption changes to 8%.

Glacier continued to perform well in the affluent market with exceptional growth of 40% in new business sales. New life business premiums increased by 21% and new investment business was up 51%. VNB increased in line with new life business volumes.

Gross **result from financial services** increased by 24%. Sanlam Sky more than doubled its gross operating earnings from R375 million in 2012 to R761 million in 2013. The 2013 earnings include once-off items of some R130 million (primarily asset mismatch profits) and also benefited from the R25 million Channel4Life loss in 2012 that did not recur in 2013 due to the closure of the business. Excluding these items, Sanlam Sky's gross operating profit is up 58%, largely due to higher profits released from the growing in-force book and favourable mortality experience.

Individual Life gross operating profit increased by 12%, supported by a 46% increase in administration profit earned on the higher average level of assets under management. This growth was reduced by a decline in risk profits following higher new business strain and slower growth in Sanlam Personal Loans' (SPL) profit contribution. Despite growth in the average SPL loan book, a prudent increase in the provision for arrear loans limited the growth in its operating earnings to 6%.

Glacier's gross operating earnings increased by 39% due to a higher average level of assets under management, supported by both strong net fund inflows and good investment market performance.

Sanlam Emerging Markets

Key performance indicators for the year ended 31 December 2013

R million	2013	2012	Change %
Group Equity Value			
Group Equity Value	**10 189**	6 105	
Covered business	**3 541**	2 647	
Other operations	**6 648**	3 458	
Return on Group Equity Value	**29,8%**	16,9%	
Covered business	**47,3%**	27,1%	
Other operations	**20,3%**	2,5%	
Business volumes			
New business volumes	**9 749**	12 952	(25)
Namibia	**5 401**	9 532	(43)
Botswana	**2 281**	2 067	10
Rest of Africa	**1 139**	895	27
India	**572**	458	25
South-East Asia	**356**	—	—
Net fund flows	**1 794**	3 977	(55)
Namibia	**(807)**	1 629	(>100)
Botswana	**1 303**	1 228	6
Rest of Africa	**1 195**	1 024	17
India	**(22)**	96	(123)
South-East Asia	**125**	—	—

Key performance indicators for the year ended 31 December 2013 *continued*

R million	2013	2012	Change %
Value of new covered business			
Value of new business	364	267	36
Namibia	98	73	34
Botswana	116	94	23
Rest of Africa	146	98	49
India	4	2	100
Present value of new business premiums	4 877	4 537	7
Namibia	980	1 060	(8)
Botswana	1 860	1 753	6
Rest of Africa	1 841	1 490	24
India	196	234	(16)
New business margin	7,46%	5,88%	
Namibia	10,00%	6,89%	
Botswana	6,24%	5,36%	
Rest of Africa	7,93%	6,58%	
India/South-East Asia	2,04%	0,85%	
Earnings			
Gross result from financial services	1 736	850	104
Namibia	387	225	72
Botswana	579	499	16
Rest of Africa	217	117	85
India	536	34	>100
South-East Asia	48	—	—
Corporate	(31)	(25)	(24)
Net result from financial services	1 011	428	136

SEM delivered on its growth mandate in 2013, both from a structural and organic perspective. Despite a difficult operating environment in some territories, SEM achieved solid results for the year. The Botswana operations in particular must be commended for a good performance in very difficult conditions. The only business units that did not perform to expectations were the medical business in the Rest of Africa and the short-term insurance operation in Botswana. The overall SEM results include maiden contributions from the CIH, Pacific & Orient and Shriram transactions concluded in the second half of 2012 and 2013. A weakening of the rand exchange rate also had a positive impact on the results, increasing gross result from financial services by R64 million and VNB by R18 million.

SEM's **RoGEV** for the period was in general positively impacted by the weaker rand exchange rate. Life operations yielded a return of 47,3%, benefiting from strong growth in new life business as well as good investment market performance, which generated positive investment variances on the in-force life book. Operating experience variances (largely risk and persistency) of R132 million also contributed to the performance. The non-life operations delivered a return of 20,3%, the combination of the expected unwinding of the risk discount rate used to value most of the businesses and a weaker rand.

New business volumes declined by 25% on 2012, significantly impacted by once-off items in Namibia.

Namibia's new business volumes were 43% lower than 2012, reflecting lower single premium life insurance flows, the disposal of Capricorn Unit Trust (CUT) as part of the CIH transaction as well as lower inflows received from the remaining unit trust business. The CIH transaction reduced unit trust inflows by some R3 billion. Life single premiums and unit trust flows are volatile in nature with periods of lower growth being a normal feature of the Namibia results. Growth in the core recurring premium life business remained on track and increased by 23%. VNB grew by 34% at substantially higher margins, benefiting from the strong new recurring premium sales as well as a positive lapse basis change.

Economic conditions in Botswana remained tough, with many consumers not having received salary increases for a number of years. Despite these conditions, the Botswana operations had a very good second half and recorded new business sales growth of 10% for the year, a major turnaround from the 15% decline reported for the first half of 2013. Short-term insurance premiums were up 13% on 2012 and new investment business mandates 31% higher. New life business volumes declined by 1%, but with the mix of business changing from single premiums (down 5%) to the more profitable recurring premium business (up 31%). VNB benefited from the change in mix and increased by 23% at higher overall margins. The business continues to place focus on cost control in the current environment.

The Rest of Africa operations had an overall good year and increased new business volumes by 27% on 2012. Single premiums increased by 18% and recurring premium new business sales were up 41%. All businesses contributed growth in excess of 25%, apart from Malawi and Uganda. Malawi recorded an overall decline in new business sales of 6%, with core recurring premium business growing by 36%, offset by a decline in the more volatile single premium business. The strong new business sales aided VNB, which increased by 49%.

India and South-East Asia new business volumes more than doubled, including a maiden contribution of R356 million from Malaysia. Shriram General continued its strong growth trajectory and contributed to an overall 25% growth in new Indian business. The life business continues to struggle in the tough regulatory environment with overall new business volumes down 16% on 2012.

Gross **result from financial services** more than doubled, supported by both organic and structural growth. Excluding the maiden contributions from new acquisitions, gross result from financial services increased by 28%, with Rest of Africa's 85% growth particularly pleasing given the new business strain generated by the strong new business sales. All businesses achieved sound organic growth in excess of 15%. As mentioned above, the Rest of Africa medical business and Botswana short-term insurance operation disappointed, reporting losses for the year. Both these operations are receiving management attention.

Sanlam Investments

Key performance indicators for the year ended 31 December 2013

R million	2013	2012	Change %
Group Equity Value			
Group Equity Value	17 971	16 424	
Covered business	6 901	6 205	
Other operations	11 070	10 219	
Return on Group Equity Value	25,9%	16,9%	
Covered business	26,9%	16,8%	
Other operations	25,3%	16,9%	
Business volumes			
Net fund flows	4 184	7 103	(41)
Investments	1 702	6 542	(74)
Asset Management	(9 934)	4 418	(>100)
Wealth Management	5 299	1 743	204
Investment Services	1 932	(863)	>100
International	4 203	1 244	238
Capital Management	202	—	—
Life business	2 482	561	342
New life business volumes	7 327	4 163	76
Recurring premiums	375	360	4
Single premiums	6 952	3 803	83
Value of new covered business			
Value of new business	100	72	39
Present value of new business premiums	9 236	6 260	48
New business margin	1,08%	1,15%	
Earnings			
Gross result from financial services	1 718	1 322	30
Investment management	1 078	692	56
Employee Benefits	385	359	7
Capital Management	255	271	(6)
Net result from financial services	1 301	975	33

Sanlam Investments (SI) achieved a **RoGEV** of 25,9%, the combined effect of a 26,9% return on covered business and a 25,3% return on other operations. The strong investment market performance and positive operating experience variances (risk and persistency) 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 2013. The return on international businesses also benefited from the weaker rand.

SI delivered a strong overall performance in 2013, despite a few large once-off items affecting both net fund flows and operating earnings.

New business volumes for the cluster were up 38% on 2012 (excluding white label). The Asset Management operations delivered solid growth of 14% in a very competitive environment, complemented by growth in excess of 40% in most other operations. All business units benefited from strong long-term investment performance, translating into improvements in new business flows, net fund flows as well as higher performance fees (refer below). Net fund flows of R4,2 billion (excluding white label) were achieved despite once-off withdrawals of R14,2 billion by the Public Investment Corporation and two other clients due to portfolio restructuring. Excluding these withdrawals, net fund inflows of R18,4 billion compare favourably to the 2012 performance. Asset Management achieved net inflows of R4,3 billion (excluding the once-off withdrawals), comprising essentially more profitable retail funds. Wealth Management's strategic focus on converting from a predominantly execution-based brokerage firm to a wealth manager is paying off, with net inflows of R5,3 billion compared to R1,7 billion in 2012, including strong contributions from both the local and UK businesses. The other International operations also had a very successful year, attracting net inflows of R7,1 billion, more than three times the 2012 net inflows. Capital Management launched its new Africa property solution and attracted third-party mandates of some R200 million. SEB experienced net outflows of R379 million.

Gross **results from financial services** were up 30% on 2012, benefiting from sustained strong net fund inflows over the last few years, positive investment market returns and strong investment performance across the cluster that supported a higher average level of assets under management as well as higher performance fee income. Combined with effective cost control, it had a leveraged effect on operating earnings with investment management gross result from financial services increasing by 56%. This includes a more than doubling in net performance fees to R214 million. Gross result from financial services of the Capital Management business declined by 6% on the high base of 2012, attributable to a provision created against its exposure to First Strut, which went into liquidation, partly offset by a recovery of previously impaired investments. Excluding these exceptional items, Capital Management gross earnings increased by 38%. SEB had an acceptable year with all units achieving higher earnings, apart from Retirement Fund Administration where a once-off provision for administration errors reduced earnings by R21 million. Excluding this provision, SEB's gross result from financial services increased by 13%.

Santam

Key performance indicators for the year ended 31 December 2013

R million	2013	2012	Change %
Group Equity Value			
Group Equity Value	**12 644**	12 875	
Return on Group Equity Value	**1,5%**	44,0%	
Business volumes			
Net earned premiums	**16 750**	15 626	7
Net fund flows	**5 142**	4 946	4
Earnings			
Gross result from financial services	**835**	1 008	(17)
Net result from financial services	**333**	405	(18)
Ratios			
Claims	**69,3%**	68,3%	
Administration costs	**17,1%**	16,6%	
Combined	**97,2%**	96,2%	
Underwriting	**2,8%**	3,8%	

Adverse weather conditions and rand weakness during 2013 blemished an otherwise good relative performance by Santam.

Gross written premiums grew by 6% on an inclusive of cells basis and by 9% exclusive of cells, a solid performance in the highly competitive mature South African market. **Net earned premiums** increased by 7%. MiWay, Santam's direct insurance business, continued to achieve strong growth in net earned premiums of 26%.

Gross **result from financial services** declined by 17%. The underwriting margin declined from 3,8% in 2012 to 2,8% in 2013, with adverse weather conditions continuing into 2013. The agricultural business, in particular, incurred significant losses from hail damage to summer crops and drought in other parts of the country. Flooding and hail storms also drove up claims ratios in the personal lines book. This culminated in a 69,3% claims ratio for 2013, up from the 68,3% in 2012, which was already higher than the target ratio. Given the large technology projects currently being implemented, Santam did well to maintain its administration cost ratio to 17,1%, albeit slightly higher than the 16,6% achieved in 2012. MiWay's higher direct cost base also increases the administration cost ratio as this business becomes a relatively larger component of the Santam Group.

The **RoGEV** of the short-term insurance cluster reflects the investment return earned on the listed Santam shares, which significantly underperformed the South African equity market in light of the current high claims cycle.

SHAREHOLDERS' INFORMATION

INDEPENDENT AUDITORS' REPORT ON THE SANLAM LIMITED SHAREHOLDERS' INFORMATION

TO THE DIRECTORS OF SANLAM LIMITED

We have audited the accompanying Sanlam Limited Shareholders' information (Shareholders' information) set out on pages 139 to 193 for the year ended 31 December 2013, 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 accounting set out on pages 139 to 147.

DIRECTORS' RESPONSIBILITY FOR THE SHAREHOLDERS' INFORMATION

The directors are responsible for the preparation of the Shareholders' information in accordance with the basis of accounting described on pages 139 to 147, for determining that the basis of accounting is acceptable in the circumstances and 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 2013 was prepared, in all material respects, in accordance with the basis of accounting described on pages 139 to 147 of the Sanlam Limited Shareholders' information.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to pages 139 to 147 of the Sanlam Limited Shareholders' information 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 2013, in accordance with International Financial Reporting Standards, on which we issued a separate auditors' report to the shareholders of Sanlam Limited, dated 5 March 2014.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Johanna Cornelia de Villiers
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street
Cape Town

5 March 2014

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 199 to 333 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 336.

BASIS OF ACCOUNTING – 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 244 to 263, apart from the specific items described under separate headings in this section.

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

The application of the basis of preparation of the shareholders' information is also consistent with that applied in the 2012 financial statements, apart from the following:

- The presentation within Group Equity Value (GEV) of non-life Group operations that are not valued at listed market value was amended to align with the treatment of covered business. The fair value of these non-life operations previously comprised their base valuation to which the year-to-date earnings were added. The year-to-date earnings essentially constituted the dividend payment expected from the businesses in terms of the Group's dividend policy. This presentation format is not consistent with covered business, where the operations are reflected at base valuation with year-to-date earnings (potential dividend) included in other capital within the GEV statement. With effect from 30 June 2013, non-life Group operations are also reflected at base valuation, with year-to-date earnings included in other capital. This change in presentation was also applied to the shareholders' fund at fair value. Comparative information has not been restated as the change in presentation does not have an impact on the overall GEV earnings and RoGEV.
- Investments have been reclassified to new revised investment categories. These new categories align IFRS investment classifications with the required Solvency Assessment and Management (SAM) classifications. All comparative information has been reclassified accordingly.

The shareholders' fund information includes the following:

- Group Equity Value (refer page 148)
- Change in Group Equity Value (refer page 149)
- Return on Group Equity Value (refer page 150)
- Shareholders' fund financial statements consisting of the shareholders' fund at fair value (refer

page 152), shareholders' fund at net asset value (refer page 154), shareholders' fund income statement (refer page 156) 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 244 to 263, 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 non-controlling 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 (including the Group's direct interest in Shriram Transport Finance Company), Pacific & Orient, Capricorn Investment Holdings, 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 ACCOUNTING AND PRESENTATION – EMBEDDED VALUE OF COVERED BUSINESS

The Group's embedded value of covered business information is prepared in accordance with APN107 (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 2012 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 158, 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 (APN110). 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 2014.

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 2013

R million	Note	2013 Total	2013 Fair value of assets	2013 Value of in-force	2012 Total	2012 Fair value of assets	2012 Value of in-force
Sanlam Personal Finance		**35 666**	**11 674**	**23 992**	32 762	11 299	21 463
Covered business[1]		**33 033**	**9 041**	**23 992**	30 144	8 681	21 463
Glacier		**1 336**	**1 336**	**—**	1 338	1 338	—
Sanlam Personal Loans		**836**	**836**	**—**	816	816	—
Other operations		**461**	**461**	**—**	464	464	—
Sanlam Emerging Markets		**10 189**	**8 181**	**2 008**	6 105	4 603	1 502
Covered business[1]		**3 541**	**1 533**	**2 008**	2 647	1 145	1 502
Shriram Capital		**4 219**	**4 219**	**—**	2 398	2 398	—
Letshego		**698**	**698**	**—**	602	602	—
Pacific & Orient		**622**	**622**	**—**	—	—	—
Capricorn Investment Holdings		**682**	**682**	**—**	—	—	—
Other operations		**427**	**427**	**—**	458	458	—
Sanlam Investments		**17 971**	**16 296**	**1 675**	16 424	15 339	1 085
Covered business[1]		**6 901**	**5 226**	**1 675**	6 205	5 120	1 085
Sanlam Employee Benefits		**5 707**	**4 825**	**882**	5 301	4 825	476
Sanlam UK		**1 194**	**401**	**793**	904	295	609
Investment Management		**10 454**	**10 454**	**—**	9 406	9 406	—
Capital Management		**616**	**616**	**—**	813	813	—
Santam		**12 644**	**12 644**	**—**	12 875	12 875	—
Group operations		**76 470**	**48 795**	**27 675**	68 166	44 116	24 050
Discretionary capital		**4 000**	**4 000**	**—**	4 200	4 200	—
Balanced portfolio – other		**5 317**	**5 317**	**—**	4 139	4 139	—
Group Equity Value before adjustments to net worth		**85 787**	**58 112**	**27 675**	76 505	52 455	24 050
Net worth adjustments – present value of holding company expenses	9	**(1 378)**	**(1 378)**	**—**	(1 153)	(1 153)	—
Group Equity Value		**84 409**	**56 734**	**27 675**	75 352	51 302	24 050
Value per share (cents)	8	**4 121**	**2 770**	**1 351**	3 707	2 524	1 183
Analysis per type of business							
Covered business[1]		**43 475**	**15 800**	**27 675**	38 996	14 946	24 050
Sanlam Personal Finance		**33 033**	**9 041**	**23 992**	30 144	8 681	21 463
Sanlam Emerging Markets		**3 541**	**1 533**	**2 008**	2 647	1 145	1 502
Sanlam Investments		**6 901**	**5 226**	**1 675**	6 205	5 120	1 085
Other Group operations		**32 995**	**32 995**	**—**	29 170	29 170	—
Discretionary and other capital		**7 939**	**7 939**	**—**	7 186	7 186	—
Group Equity Value		**84 409**	**56 734**	**27 675**	75 352	51 302	24 050

[1] *Refer embedded value of covered business on page 185.*

CHANGE IN GROUP EQUITY VALUE

for the year ended 31 December 2013

R million	2013	2012
Earnings from covered business[1]	**9 128**	7 908
Earnings from other Group operations	**4 239**	6 395
Operations valued based on ratio of price to assets under management	**2 026**	1 450
Assumption changes	**(70)**	4
Change in assets under management	**874**	813
Earnings for the year and changes in capital requirements	**506**	497
Foreign currency translation differences and other	**716**	136
Operations valued based on discounted cash flows	**1 724**	628
Expected return	**1 459**	618
Operating experience variances and other	**229**	129
Assumption changes	**(535)**	(226)
Foreign currency translation differences	**571**	107
Operations valued at net asset value – earnings for the year	**293**	84
Listed operations – investment return	**196**	4 233
Earnings from discretionary and other capital	**(20)**	7
Portfolio investments and other	**236**	149
Net corporate expenses	**(136)**	(129)
Share-based payments transactions	**105**	(59)
Change in net worth adjustments	**(225)**	46
Group Equity Value earnings	**13 347**	14 310
Dividends paid	**(4 307)**	(2 581)
Cost of treasury shares acquired	**17**	102
Sanlam share buy back	**—**	(26)
Share incentive scheme and other	**17**	128
Group Equity Value at beginning of the year	**75 352**	63 521
Group Equity Value at end of the year	**84 409**	75 352

[1] *Refer embedded value of covered business on page 186.*

RETURN ON GROUP EQUITY VALUE

for the year ended 31 December 2013

	2013		2012	
	Earnings R million	**Return %**	Earnings R million	Return %
Sanlam Personal Finance	**6 721**	**20,5**	6 862	23,8
Covered business(1)	**6 205**	**20,6**	6 296	23,6
Other operations	**516**	**19,6**	566	25,9
Sanlam Emerging Markets	**2 246**	**29,8**	669	16,9
Covered business(1)	**1 251**	**47,3**	628	27,1
Other operations	**995**	**20,3**	41	2,5
Sanlam Investments	**4 204**	**25,9**	2 539	16,9
Covered business(1)	**1 672**	**26,9**	984	16,8
Other operations	**2 532**	**25,3**	1 555	16,9
Santam	**196**	**1,5**	4 233	44,0
Discretionary and other capital	**(20)**		7	
Return on Group Equity Value	**13 347**	**17,7**	14 310	22,5
Return on Group Equity Value per share		**17,0**		22,0

(1) *Refer embedded value of covered business on page 186.*

R million	2013	2012
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 156	**8 129**	5 811
Other comprehensive income	**899**	105
Earnings recognised directly in equity		
Share-based payment transactions	**168**	(62)
Net cost of treasury shares delivered	**(161)**	(297)
Share-based payments	**329**	235
Change in ownership of subsidiaries	**4**	(63)
Movement in fair value adjustment – shareholders' fund at fair value	**680**	4 699
Movement in adjustments to net worth	**(49)**	124
Present value of holding company expenses	**(225)**	46
Change in goodwill and value of business acquired adjustments less value of in-force acquired	**176**	78
Growth from covered business: value of in-force(1)	**3 516**	3 696
Return on Group Equity Value	**13 347**	14 310

(1) *Refer embedded value of covered business on page 186.*

GROUP EQUITY VALUE SENSITIVITY ANALYSIS

at 31 December 2013

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 of 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 includes 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 189.

R million	Base value	Equities and properties -10%	Interest rates -1%	Rand exchange rate depreciation +10%
2013				
Covered business	**43 475**	**41 778**	**44 511**	**43 965**
Adjusted net worth	**15 800**	**15 163**	**15 858**	**16 103**
Value of in-force	**27 675**	**26 615**	**28 653**	**27 862**
Other Group operations	**32 995**	**30 824**	**34 395**	**34 088**
Valued at net asset value	**611**	**611**	**611**	**634**
Listed	**12 644**	**11 380**	**12 644**	**12 644**
Other	**19 740**	**18 833**	**21 140**	**20 810**
Group operations	**76 470**	**72 602**	**78 906**	**78 053**
Discretionary and other capital	**9 317**	**9 255**	**9 317**	**9 376**
Group Equity Value before adjustments to net worth	**85 787**	**81 857**	**88 223**	**87 429**
Net worth adjustments – present value of holding company expenses	**(1 378)**	**(1 378)**	**(1 378)**	**(1 378)**
Group Equity Value	**84 409**	**80 479**	**86 845**	**86 051**
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
Listed	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

SHAREHOLDERS' FUND AT FAIR VALUE

at 31 December 2013

R million	Note	2013 Fair value	2013 Fair value adjustment	2013 Net asset value	2012 Fair value	2012 Fair value adjustment	2012 Net asset value
Covered business, discretionary and other capital		**26 393**	**112**	**26 281**	24 631	112	24 519
Property and equipment		356	–	356	271	–	271
Owner-occupied properties		564	–	564	569	–	569
Goodwill[2]		474	–	474	474	–	474
Value of business acquired[2]		607	–	607	643	–	643
Other intangible assets		86	–	86	28	–	28
Deferred acquisition costs		2 615	–	2 615	2 244	–	2 244
Investments		22 928	112	22 816	22 360	112	22 248
Properties		120	–	120	94	–	94
Associated companies		1 461	–	1 461	1 182	–	1 182
Equities and similar securities		4 808	112	4 696	4 994	112	4 882
Other interest-bearing and preference share investments		8 106	–	8 106	9 715	–	9 715
Structured transactions		872	–	872	1 354	–	1 354
Investment funds		4 351	–	4 351	4 114	–	4 114
Cash, deposits and similar securities		3 210	–	3 210	907	–	907
Net term finance		–	–	–	–	–	–
Term finance		(4 194)	–	(4 194)	(3 737)	–	(3 737)
Assets held in respect of term finance		4 194	–	4 194	3 737	–	3 737
Net deferred tax		(805)	–	(805)	(256)	–	(256)
Net working capital		1 090	–	1 090	(563)	–	(563)
Derivative liability		(147)	–	(147)	(95)	–	(95)
Non-controlling interest		(1 375)	–	(1 375)	(1 044)	–	(1 044)
Other Group operations		**32 995**	**16 737**	**16 258**	29 170	16 057	13 113
Sanlam Investments		11 070	7 665	3 405	10 219	6 333	3 886
Investment Management		10 454	7 617	2 837	9 406	6 253	3 153
Capital Management		616	48	568	813	80	733
Sanlam Personal Finance		2 633	1 853	780	2 618	1 668	950
Glacier		1 336	1 050	286	1 338	995	343
Sanlam Personal Loans[4]		836	425	411	816	349	467
Other operations		461	378	83	464	324	140
Sanlam Emerging Markets		6 648	(237)	6 885	3 458	(31)	3 489
Shriram Capital		4 219	159	4 060	2 398	93	2 305
Letshego		698	(17)	715	602	(4)	606
Pacific & Orient		622	(25)	647	–	–	–
Capricorn Investment Holdings		682	(16)	698	–	–	–
Other operations		427	(338)	765	458	(120)	578
Santam		12 644	8 703	3 941	12 875	9 334	3 541
Goodwill held on Group level in respect of the above businesses		–	(1 247)	1 247	–	(1 247)	1 247
Shareholders' fund at fair value		**59 388**	**16 849**	**42 539**	53 801	16 169	37 632
Value per share (cents)	8	**2 900**	**823**	**2 077**	2 646	795	1 851

R million	2013 Total	2013 Fair value of assets	2013 Value of in-force	2012 Total	2012 Fair value of assets	2012 Value of in-force
Reconciliation to Group Equity Value						
Group Equity Value	**84 409**	**56 734**	**27 675**	75 352	51 302	24 050
Add: Net worth adjustments	**1 378**	**1 378**	**–**	1 153	1 153	–
Add: Goodwill and value of business acquired replaced by value of in-force	**1 276**	**1 276**	**–**	1 346	1 346	–
Sanlam Life and Pensions	**356**	**356**	**–**	356	356	–
Sanlam Developing Markets	**685**	**685**	**–**	753	753	–
Shriram Life Insurance[3]	**210**	**210**	**–**	210	210	–
Other	**25**	**25**	**–**	27	27	–
Less: Value of in-force	**(27 675)**	**–**	**(27 675)**	(24 050)	–	(24 050)
Shareholders' fund at fair value	**59 388**	**59 388**	**–**	53 801	53 801	–

(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 (2012: 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.*

SHAREHOLDERS' FUND AT NET ASSET VALUE

at 31 December 2013

R million	Notes	SANLAM LIFE[(1)] 2013	SANLAM LIFE[(1)] 2012	SANLAM EMERGING MARKETS[(2)] 2013	SANLAM EMERGING MARKETS[(2)] 2012	SANTAM 2013	SANTAM 2012
Property and equipment		**261**	198	**108**	86	**172**	127
Owner-occupied properties		**472**	479	**—**	—	**2**	2
Goodwill		**301**	284	**68**	63	**1 043**	956
Other intangible assets		**21**	21	**64**	6	**19**	23
Value of business acquired		**559**	595	**138**	151	**116**	160
Deferred acquisition costs		**2 816**	2 417	**3**	3	**—**	—
Investments		**28 827**	26 855	**10 891**	6 104	**8 858**	7 783
Properties		**5**	5	**326**	261	**—**	—
Associated companies	3.1	**1**	—	**8 474**	4 266	**276**	228
Joint ventures	3.2	**542**	467	**—**	1	**—**	—
Equities and similar securities	3.3	**11 195**	10 005	**757**	486	**3 889**	3 459
Interest-bearing investments		**9 172**	9 784	**626**	487	**3 591**	3 143
Structured transactions		**1 077**	1 520	**3**	41	**326**	407
Investment funds		**4 613**	4 315	**48**	81	**372**	288
Cash, deposits and similar securities		**2 222**	759	**657**	481	**404**	258
Net deferred tax		**(769)**	(268)	**(33)**	(30)	**(135)**	(63)
Deferred tax asset		**26**	80	**7**	1	**188**	221
Deferred tax liability		**(795)**	(348)	**(40)**	(31)	**(323)**	(284)
Net non-current assets held for sale		**—**	—	**—**	—	**415**	—
Net short-term insurance technical provisions		**—**	—	**(27)**	(8)	**(8 289)**	(7 773)
Short-term insurance technical assets		**—**	—	**8**	3	**2 708**	2 093
Short-term insurance technical provisions		**—**	—	**(35)**	(11)	**(10 997)**	(9 866)
Net working capital assets/(liabilities)		**(2 816)**	(1 045)	**(348)**	(218)	**6 512**	6 234
Trade and other receivables		**3 584**	2 551	**599**	509	**2 730**	2 007
Cash, deposits and similar securities		**4 288**	4 282	**368**	538	**6 445**	6 266
Trade and other payables		**(9 431)**	(6 426)	**(1 383)**	(1 277)	**(2 622)**	(1 982)
Provisions		**(144)**	(286)	**—**	—	**(16)**	(13)
Taxation		**(1 113)**	(1 166)	**68**	12	**(25)**	(44)
Term finance		**(2 465)**	(2 751)	**(14)**	(14)	**(1 022)**	(1 034)
Derivative liabilities		**(147)**	(95)	**—**	—	**(203)**	—
Cell owners' interest		**—**	—	**—**	—	**(814)**	(688)
Non-controlling interest		**(38)**	(19)	**(2 213)**	(1 334)	**(2 733)**	(2 186)
Shareholders' fund at net asset value		**27 022**	26 671	**8 637**	4 809	**3 941**	3 541
Analysis of shareholders' fund							
Covered business		**13 866**	13 506	**1 533**	1 145	**—**	—
Other operations		**780**	950	**6 885**	3 489	**3 941**	3 541
Discretionary and other capital		**12 376**	12 215	**219**	175	**—**	—
Shareholders' fund at net asset value		**27 022**	26 671	**8 637**	4 809	**3 941**	3 541
Consolidation reserve		**—**	—	**—**	—	**—**	—
Shareholders' fund per Group statement of financial position on page 264		**27 022**	26 671	**8 637**	4 809	**3 941**	3 541

(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 R6 256 million (2012: R5 298 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. Comparatives have been restated for reallocation between corporate and other consolidation entries.*

(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) *Assets previously classified as investments were re-assessed as net working capital in the current year. Comparatives were restated accordingly.*

INVESTMENT MANAGEMENT		CAPITAL MANAGEMENT		CORPORATE AND OTHER[3]		CONSOLIDATION ENTRIES[4]		TOTAL	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
40	34	3	4	—	—	2	—	586	449
106	94	—	—	—	—	92	90	672	665
1 137	907	—	—	—	—	1 247	1 247	3 796	3 457
7	13	—	—	—	—	—	—	111	63
773	693	—	—	—	—	—	—	1 586	1 599
—	—	—	—	—	—	—	—	2 819	2 420
1 061	923	18	184	2 089	2 241	(8 170)	(5 854)	43 574	38 236[5]
—	—	18	16	—	—	—	—	349	282
112	175	—	168	—	—	90	90	8 953	4 927
16	17	—	—	—	—	—	—	558	485
189	162	—	—	568	656	(7 446)	(5 446)	9 152	9 322
531	406	—	—	1 512	1 577	(780)	(461)	14 652	14 936
—	—	—	—	—	—	(34)	(28)	1 372	1 940
—	—	—	—	—	—	—	—	5 033	4 684
213	163	—	—	9	8	—	(9)	3 505	1 660
59	25	14	11	(1)	47	17	3	(848)	(275)
63	46	17	13	43	71	17	18	361	450
(4)	(21)	(3)	(2)	(44)	(24)	—	(15)	(1 209)	(725)
—	308	—	—	—	—	—	—	415	308
—	—	—	—	—	—	—	—	(8 316)	(7 781)
—	—	—	—	—	—	—	—	2 716	2 096
—	—	—	—	—	—	—	—	(11 032)	(9 877)
1 329	1 008	752	534	(19)	(218)	3 107	888	8 517	7 183[5]
1 224	1 215	23 387	22 585	8 458	9 492	(10 764)	(12 880)	29 218	25 479
1 603	884	3 368	2 783	3 975	1 423	(3 751)	(1 255)	16 296	14 921
(1 310)	(985)	(26 014)	(24 841)	(12 430)	(11 100)	17 644	15 007	(35 546)	(31 604)
(87)	(63)	(2)	(1)	(19)	(18)	(17)	(15)	(285)	(396)
(101)	(43)	13	8	(3)	(15)	(5)	31	(1 166)	(1 217)
(327)	(153)	—	—	(1 730)	(987)	—	—	(5 558)	(4 939)
—	—	—	—	—	—	—	—	(350)	(95)
—	—	—	—	—	—	—	—	(814)	(688)
(61)	(48)	—	—	—	—	1 394	617	(3 651)	(2 970)
4 124	3 804	787	733	339	1 083	(2 311)	(3 009)	42 539	37 632
401	295	—	—	—	—	—	—	15 800	14 946
2 837	3 153	568	733	—	—	1 247	1 247	16 258	13 113
886	356	219	—	339	1 083	(3 558)	(4 256)	10 481	9 573
4 124	3 804	787	733	339	1 083	(2 311)	(3 009)	42 539	37 632
—	—	—	—	—	—	(1 574)	(1 076)	(1 574)	(1 076)
4 124	3 804	787	733	339	1 083	(3 885)	(4 085)	40 965	36 556

SHAREHOLDERS' FUND INCOME STATEMENT

for the year ended 31 December 2013

R million	Notes	SANLAM PERSONAL FINANCE 2013	2012
Financial services income	4	**13 249**	11 647
Sales remuneration		**(2 217)**	(2 057)
Income after sales remuneration		**11 032**	9 590
Underwriting policy benefits		**(3 447)**	(2 990)
Administration costs	5	**(3 530)**	(3 328)
Result from financial services before tax		**4 055**	3 272
Tax on result from financial services		**(1 127)**	(915)
Result from financial services after tax		**2 928**	2 357
Non-controlling interest		**(8)**	(6)
Net result from financial services		**2 920**	2 351
Net investment income		**689**	763
Dividends received – Group companies		**253**	157
Other investment income	6	**560**	753
Tax on investment income		**(124)**	(147)
Non-controlling interest		**—**	—
Project expenses		**—**	—
Amortisation of value of business acquired and other intangibles		**(38)**	(45)
Equity participation costs		**—**	—
Net equity-accounted headline earnings		**—**	—
Equity-accounted headline earnings		**—**	—
Tax on equity-accounted headline earnings		**—**	—
Non-controlling interest		**—**	—
Net investment surpluses		**1 965**	2 438
Investment surpluses – Group companies		**997**	1 886
Other investment surpluses		**1 194**	726
Tax on investment surpluses		**(226)**	(174)
Non-controlling interest		**—**	—
Secondary tax on companies – after non-controlling interest		**—**	(81)
Normalised headline earnings		**5 536**	5 426
Profit/(loss) on disposal of operations		**—**	—
Net profit/(loss) on disposal of subsidiaries and associated companies		**—**	—
Profit/(loss) on disposal of subsidiaries and associated companies		**—**	—
Tax on profit/(loss) on disposal of subsidiaries and associated companies		**—**	—
Non-controlling interest		**—**	—
Impairments		**—**	(6)
Normalised attributable earnings		**5 536**	5 420
Fund transfers		**—**	—
Attributable earnings per Group statement of comprehensive income		**5 536**	5 420
Ratios			
Admin ratio[1]		**32,0%**	34,7%
Operating margin[2]		**36,8%**	34,1%
Diluted earnings per share	7		
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		**143,1**	116,0

[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] *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		SANLAM INVESTMENTS		SANTAM		CORPORATE AND OTHER[(3)]		TOTAL	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	4 045	2 838	**7 574**	6 623	**17 124**	16 041	**112**	98	**42 104**	37 247
	(681)	(578)	**(173)**	(129)	**(2 121)**	(2 024)	**—**	—	**(5 192)**	(4 788)
	3 364	2 260	**7 401**	6 494	**15 003**	14 017	**112**	98	**36 912**	32 459
	(794)	(640)	**(2 045)**	(1 945)	**(11 608)**	(10 680)	**—**	—	**(17 894)**	(16 255)
	(834)	(770)	**(3 638)**	(3 227)	**(2 560)**	(2 329)	**(277)**	(265)	**(10 839)**	(9 919)
	1 736	850	**1 718**	1 322	**835**	1 008	**(165)**	(167)	**8 179**	6 285
	(373)	(158)	**(393)**	(337)	**(236)**	(297)	**29**	38	**(2 100)**	(1 669)
	1 363	692	**1 325**	985	**599**	711	**(136)**	(129)	**6 079**	4 616
	(352)	(264)	**(24)**	(10)	**(266)**	(306)	**—**	—	**(650)**	(586)
	1 011	428	**1 301**	975	**333**	405	**(136)**	(129)	**5 429**	4 030
	61	64	**188**	211	**99**	169	**(185)**	(80)	**852**	1 127
	—	—	**—**	—	**—**	—	**(253)**	(157)	**—**	—
	121	128	**229**	257	**171**	293	**121**	58	**1 202**	1 489
	(41)	(46)	**(41)**	(46)	**—**	(4)	**(53)**	19	**(259)**	(224)
	(19)	(18)	**—**	—	**(72)**	(120)	**—**	—	**(91)**	(138)
	(29)	(16)	**(2)**	(7)	**—**	—	**—**	—	**(31)**	(23)
	(10)	(11)	**(123)**	(75)	**(35)**	(24)	**—**	—	**(206)**	(155)
	—	—	**(138)**	(33)	**(13)**	(23)	**—**	—	**(151)**	(56)
	12	13	**(1)**	—	**46**	45	**—**	—	**57**	58
	26	27	**(1)**	—	**77**	75	**—**	—	**102**	102
	(3)	(2)	**—**	—	**—**	—	**—**	—	**(3)**	(2)
	(11)	(12)	**—**	—	**(31)**	(30)	**—**	—	**(42)**	(42)
	230	102	**563**	357	**297**	174	**(945)**	(1 900)	**2 110**	1 171
	—	—	**—**	—	**—**	—	**(997)**	(1 886)	**—**	—
	342	112	**661**	441	**583**	494	**52**	(16)	**2 832**	1 757
	(15)	1	**(101)**	(85)	**(86)**	(198)	**—**	1	**(428)**	(455)
	(97)	(11)	**3**	1	**(200)**	(122)	**—**	1	**(294)**	(131)
	—	—	**—**	(2)	**—**	(86)	**—**	(64)	**—**	(233)
	1 275	580	**1 788**	1 426	**727**	660	**(1 266)**	(2 173)	**8 060**	5 919
	—	3	**—**	—	**—**	—	**—**	—	**—**	3
	27	—	**69**	63	**(17)**	—	**11**	—	**90**	63
	49	—	**78**	63	**(19)**	—	**11**	—	**119**	63
	(1)	—	**(9)**	—	**(9)**	—	**—**	—	**(19)**	—
	(21)	—	**—**	—	**11**	—	**—**	—	**(10)**	—
	—	—	**(3)**	(121)	**(18)**	(47)	**—**	—	**(21)**	(174)
	1 302	583	**1 854**	1 368	**692**	613	**(1 255)**	(2 173)	**8 129**	5 811
	—	—	**—**	—	**—**	—	**2**	(156)	**2**	(156)
	1 302	583	**1 854**	1 368	**692**	613	**(1 253)**	(2 329)	**8 131**	5 655
	24,8%	34,1%	**49,2%**	49,7%	**17,1%**	16,6%			**29,4%**	30,6%
	51,6%	37,6%	**23,2%**	20,4%	**5,6%**	7,2%			**22,2%**	19,4%
									2 040,6	2 026,3
	49,5	21,1	**63,8**	48,1	**16,3**	20,0	**(6,7)**	(6,4)	**266,0**	198,9

for the year ended 31 December 2013

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

	TOTAL		LIFE INSURANCE[1]		OTHER[2]	
R million	2013	2012	2013	2012	2013	2012
Sanlam Personal Finance	42 507	32 355	21 498	18 351	21 009	14 004
Entry-level	1 155	984	1 155	984	—	—
Middle-income	11 328	9 972	11 019	9 682	309	290
Recurring	1 351	1 299	1 307	1 255	44	44
Single	9 977	8 673	9 712	8 427	265	246
Affluent	30 024	21 399	9 324	7 685	20 700	13 714
Sanlam Emerging Markets	9 749	12 952	2 862	2 922	6 887	10 030
Namibia	5 401	9 532	342	560	5 059	8 972
Recurring	154	125	154	125	—	—
Single	5 247	9 407	188	435	5 059	8 972
Botswana[3]	2 281	2 067	1 306	1 314	975	753
Recurring	247	195	195	149	52	46
Single	2 034	1 872	1 111	1 165	923	707
Rest of Africa	1 139	895	1 076	884	63	11
Recurring	518	367	518	367	—	—
Single	621	528	558	517	63	11
India	572	458	138	164	434	294
Recurring	500	369	66	75	434	294
Single	72	89	72	89	—	—
South-East Asia	356	—	—	—	356	—
Sanlam Investments	85 970	62 139	7 327	4 163	78 643	57 976
Employee benefits	2 075	2 084	2 075	2 084	—	—
Recurring	300	319	300	319	—	—
Single	1 775	1 765	1 775	1 765	—	—
Investment Management	83 693	60 055	5 252	2 079	78 441	57 976
Asset Management	32 862	28 932	—	—	32 862	28 932
Wealth Management	19 428	12 477	—	—	19 428	12 477
Investment Services	17 881	12 416	—	—	17 881	12 416
International	13 522	6 230	5 252	2 079	8 270	4 151
Recurring	75	41	75	41	—	—
Single	13 447	6 189	5 177	2 038	8 270	4 151
Capital Management	202	—	—	—	202	—
Santam	16 750	15 626	—	—	16 750	15 626
New business excluding white label	154 976	123 072	31 687	25 436	123 289	97 636
White label	29 879	12 831	–	—	29 879	12 831
Total new business	184 855	135 903	31 687	25 436	153 168	110 467

(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.*
(3) *Comparative information for Botswana's short-term insurance business has been reclassified as recurring flows.*

1. Business volumes *(continued)*

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

	TOTAL	
R million	2013	2012
Total new business	**184 855**	135 903
Recurring premiums on existing funds:		
Sanlam Personal Finance	**14 507**	13 570
Sanlam Emerging Markets	**2 187**	1 964
Sanlam Investments	**5 402**	5 737
Sanlam Employee Benefits	**3 187**	3 735
Investment Management	**2 215**	2 002
Asset Management	**596**	505
Investment Services	**1 399**	1 093
International	**220**	404
Total funds received	**206 951**	157 174

for the year ended 31 December 2013

1. Business volumes *(continued)*

1.2 Analysis of payments to clients

	TOTAL		LIFE INSURANCE[1]		OTHER[2]	
R million	**2013**	2012	**2013**	2012	**2013**	2012
Sanlam Personal Finance	**42 021**	36 951	**29 242**	25 925	**12 779**	11 026
Entry-level	**1 796**	2 699	**1 796**	2 699	**–**	–
Surrenders	**–**	319	**–**	319	**–**	–
Other	**1 796**	2 380	**1 796**	2 380	**–**	–
Middle-income	**24 140**	20 252	**23 688**	19 886	**452**	366
Surrenders	**3 635**	3 280	**3 635**	3 280	**–**	–
Other	**20 505**	16 972	**20 053**	16 606	**452**	366
Affluent	**16 085**	14 000	**3 758**	3 340	**12 327**	10 660
Sanlam Emerging Markets	**10 142**	10 939	**3 508**	2 686	**6 634**	8 253
Namibia	**6 912**	8 540	**1 518**	1 172	**5 394**	7 368
Surrenders	**406**	395	**406**	395	**–**	–
Other	**6 506**	8 145	**1 112**	777	**5 394**	7 368
Botswana	**1 806**	1 626	**1 209**	973	**597**	653
Surrenders	**325**	280	**325**	280	**–**	–
Other	**1 481**	1 346	**884**	693	**597**	653
Rest of Africa	**522**	332	**522**	332	**–**	–
Surrenders	**71**	36	**71**	36	**–**	–
Other	**451**	296	**451**	296	**–**	–
India	**671**	441	**259**	209	**412**	232
Surrenders	**198**	159	**198**	159	**–**	–
Other	**473**	282	**61**	50	**412**	232
South-East Asia	**231**	–	**–**	–	**231**	–
Sanlam Investments	**87 188**	60 773	**8 252**	7 741	**78 936**	53 032
Sanlam Employee Benefits	**5 641**	5 864	**5 641**	5 864	**–**	–
Terminations	**1 041**	1 020	**1 041**	1 020	**–**	–
Other	**4 600**	4 844	**4 600**	4 844	**–**	–
Investment Management	**81 547**	54 909	**2 611**	1 877	**78 936**	53 032
Asset Management	**43 392**	25 019	**–**	–	**43 392**	25 019
Wealth Management	**14 129**	10 734	**–**	–	**14 129**	10 734
Investment Services	**17 348**	14 372	**–**	–	**17 348**	14 372
International	**6 678**	4 784	**2 611**	1 877	**4 067**	2 907
Santam	**11 608**	10 680	**–**	–	**11 608**	10 680
Payments to clients excluding white label	**150 959**	119 343	**41 002**	36 352	**109 957**	82 991
White label	**24 144**	14 842	**–**	–	**24 144**	14 842
Total payments to clients	**175 103**	134 185	**41 002**	36 352	**134 101**	97 833

[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		LIFE INSURANCE[1]		OTHER[2]	
	2013	2012	**2013**	2012	**6 634**	2012
Sanlam Personal Finance	**14 993**	8 974	**6 538**	5 771	**8 455**	3 203
Entry-level	**2 880**	1 342	**2 880**	1 342	**—**	—
Middle-income	**(1 826)**	233	**(1 908)**	84	**82**	149
Affluent	**13 939**	7 399	**5 566**	4 345	**8 373**	3 054
Sanlam Emerging Markets	**1 794**	3 977	**1 541**	2 200	**253**	1 777
Namibia	**(807)**	1 629	**(472)**	25	**(335)**	1 604
Botswana	**1 303**	1 228	**925**	1 128	**378**	100
Rest of Africa	**1 195**	1 024	**1 132**	1 013	**63**	11
India	**(22)**	96	**(44)**	34	**22**	62
South-East Asia	**125**	—	**—**	—	**125**	—
Sanlam Investments	**4 184**	7 103	**2 482**	561	**1 702**	6 542
Sanlam Employee Benefits	**(379)**	(45)	**(379)**	(45)	**—**	—
Investment Management	**4 361**	7 148	**2 861**	606	**1 500**	6 542
Asset Management	**(9 934)**	4 418	**—**	—	**(9 934)**	4 418
Wealth Management	**5 299**	1 743	**—**	—	**5 299**	1 743
Investment Services	**1 932**	(863)	**—**	—	**1 932**	(863)
International	**7 064**	1 850	**2 861**	606	**4 203**	1 244
Capital Management	**202**	—	**—**	—	**202**	—
Santam	**5 142**	4 946	**—**	—	**5 142**	4 946
Net inflow excluding white label	**26 113**	25 000	**10 561**	8 532	**15 552**	16 468
White label	**5 735**	(2 011)	**—**	—	**5 735**	(2 011)
Total net inflow	**31 848**	22 989	**10 561**	8 532	**21 287**	14 457

[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.*

for the year ended 31 December 2013

2. Cluster information

2.1 Sanlam Personal Finance

R million	Life operations 2013	Life operations 2012	Non-life operations 2013	Non-life operations 2012	Total 2013	Total 2012
Analysis of attributable earnings						
Gross result from financial services	3 610	2 862	445	410	4 055	3 272
Entry-level market	761	375	–	–	761	375
Middle-income market life and investment	2 623	2 346	36	17	2 659	2 363
Administration	595	408	–	–	595	408
Risk underwriting – long-term insurance	589	650	–	–	589	650
Asset mismatch reserve release	522	451	–	–	522	451
Working capital management	354	318	–	–	354	318
Other	563	519	36	17	599	536
Glacier	116	67	144	120	260	187
Sanlam Personal Loans	110	74	186	205	296	279
Other operations	–	–	79	68	79	68
Tax on result from financial services	(1 003)	(795)	(124)	(120)	(1 127)	(915)
Non-controlling interest	–	(3)	(8)	(3)	(8)	(6)
Net result from financial services	2 607	2 064	313	287	2 920	2 351
Net investment return	1 113	861	1 541	2 340	2 654	3 201
Net other earnings	–	–	(38)	(132)	(38)	(132)
Amortisation of value of business acquired and other intangibles	–	–	(38)	(45)	(38)	(45)
Impairments	–	–	–	(6)	–	(6)
Secondary tax on companies – after non-controlling interest	–	–	–	(81)	–	(81)
Normalised attributable earnings	3 720	2 925	1 816	2 495	5 536	5 420

2. Cluster information *(continued)*

2.1 Sanlam Personal Finance *(continued)*

Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Capital invest-ment	Dividend paid	GEV at the end of period
2013					
Covered business	**30 144**	**6 205**	**44**	**(3 360)**	**33 033**
Other operations	**2 618**	**516**	**(81)**	**(420)**	**2 633**
Glacier	**1 338**	**205**	**—**	**(207)**	**1 336**
Sanlam Personal Loans	**816**	**251**	**(100)**	**(131)**	**836**
Other	**464**	**60**	**19**	**(82)**	**461**
Group Equity Value	**32 762**	**6 721**	**(37)**	**(3 780)**	**35 666**
2012					
Covered business	26 687	6 296	27	(2 866)	30 144
Non-life 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

Assets under management

R million	2013	2012
Life insurance operations	**263 630**	227 487
Other operations – Glacier (non-life operations)	**72 013**	55 134
Assets under management	**335 643**	282 621

	2013	2012
Sanlam Personal Loans		
Size of loan book (R million)	**3 608**	3 040
Interest margin	**16,7%**	16,5%
Bad debt ratio	**5,1%**	3,1%
Administration cost as % of net interest	**29,9%**	31,1%

for the year ended 31 December 2013

2. Cluster information *(continued)*

2.2 Sanlam Emerging Markets

R million	2013	2012
Analysis of attributable earnings		
Net result from financial services	1 011	428
Life insurance	484	345
Short-term insurance	46	(2)
Investment management	35	27
Credit and banking	428	82
Other	18	(24)
Net investment return	291	166
Net investment income	61	64
Net investment surpluses	230	102
Net other earnings	—	(11)
Project expenses	(29)	(16)
Amortisation of value of business acquired and other intangibles	(10)	(11)
Profit on disposal of subsidiaries and associates	27	3
Net equity-accounted headline earnings	12	13
Normalised attributable earnings	**1 302**	583
Analysis of net result from financial services		
Life insurance	484	345
Namibia	185	142
Botswana	135	113
Rest of Africa	142	74
India	22	16
Non-life operations	527	83
Namibia	59	16
Botswana	100	84
Rest of Africa	(3)	(15)
India	339	(2)
South-East Asia	32	—
Net result from financial services	**1 011**	428

2. Cluster information *(continued)*

2.2 Sanlam Emerging Markets *(continued)*

Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Capital invest-ment	Dividend paid	GEV at the end of period
2013					
Covered business	**2 647**	**1 251**	**79**	**(436)**	**3 541**
Non-life operations	**3 458**	**995**	**2 346**	**(151)**	**6 648**
Shriram Capital	**2 398**	**686**	**1 157**	**(22)**	**4 219**
Letshego	**602**	**114**	**34**	**(52)**	**698**
Pacific & Orient	**—**	**126**	**529**	**(33)**	**622**
Capricorn Investment Holdings	**—**	**32**	**676**	**(26)**	**682**
Sanlam Emerging Markets other operations	**458**	**37**	**(50)**	**(18)**	**427**
Group Equity Value	**6 105**	**2 246**	**2 425**	**(587)**	**10 189**
2012					
Covered business	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
Sanlam Emerging Markets other operations	472	(270)	236	20	458
Group Equity Value	3 409	669	2 332	(305)	6 105

for the year ended 31 December 2013

2. Cluster information *(continued)*

2.2 Sanlam Emerging Markets *(continued)*

Analysis of business volumes

R million	2013 LIFE INSURANCE	2013 OTHER	2013 TOTAL	2012 LIFE INSURANCE	2012 OTHER	2012 TOTAL
Recurring premiums	933	842	1 775	716	340	1 056
Risk	547	—	547	382	—	382
Investment	363	—	363	313	—	313
Short term	—	842	842	—	340	340
Annuities	23	—	23	21	—	21
Single premiums	1 929	6 045	7 974	2 206	9 690	11 896
Risk	830	—	830	781	—	781
Savings	980	—	980	1 294	—	1 294
Continuations	63	—	63	62	—	62
Other	56	6 045	6 101	69	9 690	9 759
Total new business	**2 862**	**6 887**	**9 749**	2 922	10 030	12 952
Recurring premiums on existing business	2 187	—	2 187	1 964	—	1 964
Risk	1 098	—	1 098	1 086	—	1 086
Investment	910	—	910	713	—	713
Annuities	179	—	179	165	—	165
Total funds received from clients	**5 049**	**6 887**	**11 936**	4 886	10 030	14 916
Death and disability benefits	851	—	851	675	—	675
Maturity benefits	963	—	963	532	—	532
Life and term annuities	474	—	474	412	—	412
Surrenders	1 000	—	1 000	870	—	870
Other	220	6 634	6 854	197	8 253	8 450
Total payments to clients	**3 508**	**6 634**	**10 142**	2 686	8 253	10 939

2. Cluster information *(continued)*

2.2 Sanlam Emerging Markets *(continued)*

Assets under management

R million	2013	2012
Life insurance operations	**23 496**	25 649
Other operations	**22 036**	13 089
Namibia	**7 656**	6 766
Botswana	**13 956**	6 023
Rest of Africa	**424**	300
Assets under management	**45 532**	38 738

for the year ended 31 December 2013

2. Cluster information *(continued)*

2.3 Sanlam Investments

Analysis of attributable earnings

R million	INVESTMENT MANAGEMENT 2013	INVESTMENT MANAGEMENT 2012	CAPITAL MANAGEMENT 2013	CAPITAL MANAGEMENT 2012
Financial services income*	3 450	2 955	615	605
Sales remuneration	(125)	(84)	—	—
Income after sales remuneration	3 325	2 871	615	605
Underwriting policy benefits	—	—	—	—
Administration cost*	(2 444)	(2 258)	(377)	(344)
Results from financial services before performance fees	881	613	238	261
Net performance fees	197	79	17	10
Results from financial services	1 078	692	255	271
Tax on result from financial services	(252)	(159)	(33)	(80)
Non-controlling interest	(24)	(10)	—	—
Net result from financial services	802	523	222	191
Net investment return	75	64	2	11
Net investment income	32	29	—	11
Net investment surpluses	43	35	2	—
Net other earnings	(198)	(174)	—	(1)
Normalised attributable earnings	679	413	224	201

*Financial services income on page 156 includes performance fees and related administration costs.

Investment Management

	NET RESULT FROM FINANCIAL SERVICES 2013 R million	NET RESULT FROM FINANCIAL SERVICES 2012 R million	ASSETS UNDER MANAGEMENT 2013 R million	ASSETS UNDER MANAGEMENT 2012 R million
Investment Management	740	456	674 031	593 582
Asset Management	371	239	362 934	356 605
Wealth Management	142	58	136 929	107 187
Investment Services	68	74	149 110	123 737
International	164	122	124 744	69 722
Support services	(5)	(37)	—	—
Inter-cluster eliminations	—	—	(99 686)	(63 669)
Capital Management	222	191	3 024	2 863
Asset Management operations	962	647	677 055	596 445
Covered business: Sanlam Employee Benefits	277	261	59 139	52 822
Covered business: Sanlam UK	62	67	35 550	24 385
Sanlam Investments total	1 301	975	771 744	673 652

	SANLAM EMPLOYEE BENEFITS		INTRA-CLUSTER CONSOLIDATION		TOTAL	
	2013	2012	2013	2012	2013	2012
	3 216	3 001	(13)	(44)	7 268	6 517
	(48)	(45)	—	—	(173)	(129)
	3 168	2 956	(13)	(44)	7 095	6 388
	(2 045)	(1 945)	—	—	(2 045)	(1 945)
	(738)	(652)	13	44	(3 546)	(3 210)
	385	359	—	—	1 504	1 233
	—	—	—	—	214	89
	385	359	—	—	1 718	1 322
	(108)	(98)	—	—	(393)	(337)
	—	—	—	—	(24)	(10)
	277	261	—	—	1 301	975
	674	493	—	—	751	568
	156	171	—	—	188	211
	518	322	—	—	563	357
	—	—	—	—	(198)	(175)
	951	754	—	—	1 854	1 368

	FEE INCOME		ADMINISTRATION COST RATIO	
	2013 %	2012 %	2013 %	2012 %
	0,25	0,23	0,15	0,14
	0,76	0,73	0,61	0,65
	0,69	0,73	0,62	0,66
	0,62	0,74	0,41	0,50
	0,84	0,93	0,83	0,72

for the year ended 31 December 2013

2. Cluster information *(continued)*

2.3 Sanlam Investments *(continued)*

Investment Management *(continued)*

R million	Fixed interest	Equities	Offshore	Properties	Cash	Total
Asset mix of assets under management						
2013						
Asset Management	98 744	138 448	38 105	10 611	77 026	362 934
Capital Management	—	3 014	—	—	10	3 024
Wealth Management	—	89 548	44 407	—	2 974	136 929
Investment Services	22 270	89 810	14 838	7 166	15 026	149 110
International	—	—	124 744	—	—	124 744
Inter-cluster consolidation						(99 686)
Assets under management – Sanlam Investments	121 014	320 820	222 094	17 777	95 036	677 055
2012						
Asset Management	93 445	151 181	31 954	11 011	69 014	356 605
Capital Management	513	2 341	—	—	9	2 863
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
Inter-cluster consolidation						(63 669)
Assets under management – Sanlam Investments	124 567	291 383	148 916	15 469	79 779	596 445

2. Cluster information *(continued)*

2.3 Sanlam Investments *(continued)*

Sanlam Employee Benefits

R million	2013	2012
Analysis of attributable earnings		
Net result from financial services	**277**	261
Risk underwriting	**152**	147
Investment and other	**149**	136
Working capital management	**34**	23
Administration	**(58)**	(45)
Net investment return	**674**	493
Net investment income	**156**	171
Net investment surpluses	**518**	322
Normalised attributable earnings	**951**	754
Analysis of premiums		
Recurring premiums	**300**	319
Guaranteed	**106**	128
Risk	**194**	191
Single premiums	**1 775**	1 765
Guaranteed	**1 527**	1 576
Annuity	**248**	189

for the year ended 31 December 2013

2. Cluster information *(continued)*

2.3 Sanlam Investments *(continued)*

Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Capital invest-ment	Dividend paid	GEV at the end of period
2013					
Investment Management	**10 310**	**2 628**	**(288)**	**(1 002)**	**11 648**
Asset Management	**3 919**	**591**	**—**	**(482)**	**4 028**
Wealth Management	**1 558**	**670**	**22**	**(145)**	**2 105**
Investment Services	**995**	**37**	**—**	**(86)**	**946**
International	**3 838**	**1 330**	**(310)**	**(289)**	**4 569**
Covered business	**904**	**326**	**—**	**(36)**	**1 194**
Other operations	**2 934**	**1 004**	**(310)**	**(253)**	**3 375**
Sanlam Employee Benefits	**5 301**	**1 346**	**—**	**(940)**	**5 707**
Sanlam Capital Management	**813**	**230**	**75**	**(502)**	**616**
Group Equity Value	**16 424**	**4 204**	**(213)**	**(2 444)**	**17 971**
2012					
Sanlam 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

2.4 Santam

R million	2013	2012
Business volumes		
Net earned premiums	**16 750**	15 626
Net fund flows	**5 142**	4 946
Analysis of earnings		
Gross result from financial services	**835**	1 008
Ratios		
Admin cost ratio	**17,1%**	16,6%
Claims ratio	**69,3%**	68,3%
Underwriting margin	**2,8%**	3,8%

2. Cluster information *(continued)*

2.5 Valuation methodology

The fair value of the unlisted Sanlam businesses has been determined by the application of the following valuation methodologies:

R million	FAIR VALUE 2013	2012
Valuation method		
Ratio of price to assets under management	**9 490**	8 385
Sanlam Investments	**9 040**	7 917
Asset Management	**3 792**	3 640
Wealth Management	**1 839**	1 335
Investment Services	**967**	1 003
International	**2 351**	1 844
Capital Management	**91**	95
Sanlam Emerging Markets	**450**	468
Discounted cash flows	**10 250**	6 983
Sanlam Investments	**1 419**	1 409
Asset Management	**236**	222
Wealth Management	**266**	223
International	**917**	964
Sanlam Emerging Markets	**6 198**	2 956
Shriram Capital[(1)]	**4 219**	2 398
Letshego[(1)]	**698**	602
Pacific & Orient	**622**	—
Capricorn Investment Holdings[(1)]	**682**	—
Other operations	**(23)**	(44)
Sanlam Personal Finance	**2 633**	2 618
Glacier	**1 336**	1 338
Sanlam Personal Loans	**836**	816
Other operations	**461**	464
Net asset value	**611**	927
Sanlam Investments	**611**	893
Asset Management	**—**	57
Investment Services	**(21)**	(8)
International	**107**	126
Capital Management	**525**	718
Sanlam Emerging Markets	**—**	34
	20 351	16 295

As described in the basis of accounting section the presentation format for non-life Group operations has been changed with effect from 2013 to base valuations, with year-to-date earnings reflected as Other capital in the GEV statement and net working capital in the shareholders' fund at fair value. Comparative information has not been restated as the change in presentation does not have an impact on total GEV, GEV earnings and RoGEV.

(1) *Includes the listed businesses at directors' valuation of R4 054 million (2012: R1 919 million) for Shriram Capital, R698 million (2012: R602 million) for Letshego and R682 million for Capricorn Investment Holdings. The listed values of these operations are R4 073 million (2012: R2 014 million), R803 million (2012: R588 million) and R694 million respectively.*

for the year ended 31 December 2013

2. Cluster information *(continued)*

2.5 Valuation methodology *(continued)*

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

	Change in assumption 2013	Change in assumption 2012
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 = 1,04% (2012: 1,06%)	9 490	8 500	10 480
Discounted cash flows	RDR = 16,6% (2012: 16,4%)	10 250	11 452	9 302
	PGR = 2,5 – 5% (2012: 2,5 – 5%)	10 250	9 806	10 815

3. Investments

R million	2013	2012
3.1 Investment in associated companies		
Shriram Capital	**4 597**	2 604
Pacific & Orient	**968**	—
Capricorn Investment Holdings	**780**	—
Letshego	**1 376**	1 122
Other associated companies	**1 232**	1 201
Total investment in associated companies	**8 953**	4 927

Details of the investments in the material associated companies are reflected in note 7 on page 274 of the Sanlam Group financial statements.

R million	2013	2012
3.2 Investment in joint ventures		
Sanlam Personal Loans	**542**	467
Other joint ventures	**16**	18
Total investment in joint ventures	**558**	485

Details of the investments in material joint ventures are reflected in note 7 on page 277 of the Sanlam Group financial statements.

3. Investments *(continued)*

3.3 Equities and similar securities

R million	2013	2012
Listed on the JSE – at market value	8 047	7 772
Unlisted equity and derivative investments – at directors' valuation	376	899
Offshore equity investments	729	651
Total equity investments	**9 152**	9 322

3.4 Offshore investments

R million	2013	2012
Investment properties	326	260
Equities	729	651
Interest-bearing investments	750	835
Investment funds	2 192	2 156
Cash, deposits and similar securities	756	376
Total offshore investments	**4 753**	4 278

3.5 Derivative instruments

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

	2013						
	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	(4 618)	5 019	(2 864)	(2 463)	(2 648)	185	(190)
Market risk products							
Fence structures							
Local – bought	1 747	–	–	1 747	160	1 587	(147)
Total market risk products	1 747	–	–	1 747	160	1 587	(147)

for the year ended 31 December 2013

3. Investments *(continued)*

3.5 Derivative instruments *(continued)*

	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	(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)

4. Financial services income

R million	2013	2012
Equity-accounted earnings included in financial services income:		
Sanlam Personal Finance	**186**	208
Sanlam Emerging Markets	**1 118**	411
Sanlam Investments	**18**	16
	1 322	635

5. Administration costs

R million	2013	2012
Depreciation included in administration costs:		
Sanlam Personal Finance	94	99
Sanlam Emerging Markets	25	17
Sanlam Investments	19	20
Santam	67	80
	205	216

6. Investment income

R million	2013	2012
Equities and similar securities	539	579
Interest-bearing, preference shares and similar securities	627	871
Properties	36	39
Rental income	38	44
Contingent rental income	2	—
Rental related expenses	(4)	(5)
Total investment income	1 202	1 489
Interest expense netted off against investment income	462	482

for the year ended 31 December 2013

7. Normalised diluted earnings per share

	2013 Cents	2012 Cents
Normalised diluted earnings per share		
Net result from financial services	266,0	198,9
Headline earnings	395,0	292,1
Profit attributable to shareholders' fund	398,4	286,8

	R million	R million
Analysis of normalised earnings (refer shareholders' fund income statement on page 156):		
Net result from financial services	5 429	4 030
Headline earnings	8 060	5 919
Profit attributable to shareholders' fund	8 129	5 811
Reconciliation of normalised headline earnings:		
Headline earnings per note 28 on page 297	8 062	5 763
Less: Fund transfers	(2)	156
Normalised headline earnings	8 060	5 919

	million	million
Adjusted number of shares		
Weighted average number of shares for diluted earnings per share (refer note 28 on page 297)	2 026,7	2 009,4
Add: Weighted average Sanlam shares held by policyholders	13,9	16,9
Adjusted weighted average number of shares for normalised diluted earnings per share	2 040,6	2 026,3

Million	2013	2012
8. Value per share		
Fair value per share is calculated on the Group shareholders' fund at fair value of R59 388 million (2012: R53 801 million), divided by 2 048,5 million (2012: 2 032,7 million) shares.		
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R42 539 million (2012: R37 632 million), divided by 2 048,5 million (2012: 2 032,7 million) shares.		
Equity value per share is calculated on the Group Equity Value of R84 409 million (2012: R75 352 million), divided by 2 048,5 million (2012: 2 032,7 million) shares.		
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	**(146,6)**	(150,9)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	**28,6**	30,6
Convertible deferred shares held by Ubuntu-Botho	**66,5**	53,0
Adjusted number of shares for value per share	**2 048,5**	2 032,7

9. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,1 (2012: 8,0) to the after tax recurring corporate expenses.

10. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2013 and 2012 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire shares during 2013.

for the year ended 31 December 2013

11. Reconciliations

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

R million	31 DECEMBER 2013 Total	Shareholder activities	Policyholder activities[(1)]	IFRS adjustments[(2)]
Net income	102 000	46 257	54 421	1 322
Financial services income	45 104	42 104	–	3 000
Reinsurance premiums paid	(4 963)	–	–	(4 963)
Reinsurance commission received	675	–	–	675
Investment income	19 688	1 202	13 801	4 685
Investment surpluses	47 350	2 951	40 620	3 779
Finance cost – margin business	(69)	–	–	(69)
Change in fair value of external investors liability	(5 785)	–	–	(5 785)
Net insurance and investment contract benefits and claims	(71 376)	(17 894)	(53 487)	5
Long-term insurance contract benefits	(26 480)	(6 286)	(19 381)	(813)
Long-term investment contract benefits	(34 106)	–	(34 106)	–
Short-term insurance claims	(13 861)	(11 608)	–	(2 253)
Reinsurance claims received	3 071	–	–	3 071
Expenses	(18 418)	(16 213)	–	(2 205)
Sales remuneration	(5 825)	(5 192)	–	(633)
Administration costs	(12 593)	(11 021)	–	(1 572)
Impairments	(34)	(21)	–	(13)
Amortisation of intangibles	(263)	(206)	–	(57)
Net operating result	11 909	11 923	934	(948)
Equity-accounted earnings	1 224	102	–	1 122
Finance cost – other	(516)	–	–	(516)
Profit before tax	12 617	12 025	934	(342)
Tax expense	(3 483)	(2 809)	(934)	260
Shareholders' fund	(2 422)	(2 809)	–	387
Policyholders' fund	(1 061)	–	(934)	(127)
Profit from continuing operations	9 134	9 216	–	(82)
Profit for the year	9 134	9 216	–	(82)
Attributable to:				
Shareholders' fund	8 131	8 129	–	2
Non-controlling interest	1 003	1 087	–	(84)
	9 134	9 216	–	(82)

(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 2012 – RESTATED

Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
89 337	40 559	47 332	1 446
40 414	37 247	—	3 167
(4 611)	—	—	(4 611)
583	—	—	583
19 522	1 489	13 123	4 910
38 303	1 823	34 209	2 271
(185)	—	—	(185)
(4 689)	—	—	(4 689)
(62 566)	(16 255)	(46 318)	7
(27 977)	(5 575)	(21 628)	(774)
(24 690)	—	(24 690)	—
(12 185)	(10 680)	—	(1 505)
2 286	—	—	2 286
(16 408)	(14 786)	—	(1 622)
(5 393)	(4 788)	—	(605)
(11 015)	(9 998)	—	(1 017)
(206)	(174)	—	(32)
(184)	(155)	—	(29)
9 973	9 189	1 014	(230)
584	102	—	482
(453)	—	—	(453)
10 104	9 291	1 014	(201)
(3 670)	(2 583)	(1 014)	(73)
(2 468)	(2 583)	—	115
(1 202)	—	(1 014)	(188)
6 434	6 708	—	(274)
6 434	6 708	—	(274)
5 655	5 811	—	(156)
779	897	—	(118)
6 434	6 708	—	(274)

for the year ended 31 December 2013

11. Reconciliations *continued*

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

	31 DECEMBER 2013			
R million	Total	Share-holder activities	Policy-holder activities[1]	Consoli-dation reserve
Assets				
Equipment	586	586	—	—
Owner-occupied properties	672	672	—	—
Goodwill	3 796	3 796	—	—
Other intangible assets	111	111	—	—
Value of business acquired	1 586	1 586	—	—
Deferred acquisition costs	2 976	2 819	157	—
Long-term reinsurance assets	796	—	796	—
Investments	477 550	43 574	435 550	(1 574)
Properties	9 182	349	8 833	—
Associated companies	8 953	8 953	—	—
Joint ventures	827	558	269	—
Equities and similar securities	166 122	9 152	158 544	(1 574)
Interest-bearing investments	131 417	14 652	116 765	—
Structured transactions	11 906	1 372	10 534	—
Investment funds	131 029	5 033	125 996	—
Cash, deposits and similar securities	18 114	3 505	14 609	—
Deferred tax	361	361	—	—
Non-current assets held for sale	415	415	—	—
Short-term insurance technical assets	2 716	2 716	—	—
Working capital assets	69 739	45 514	24 225	—
Trade and other receivables	51 339	29 218	22 121	—
Cash, deposits and similar securities	18 400	16 296	2 104	—
Total assets	**561 304**	**102 150**	**460 728**	**(1 574)**
Equity and liabilities				
Shareholders' fund	40 965	42 539	—	(1 574)
Non-controlling interest	3 651	3 651	—	—
Long-term policy liabilities	382 309	—	382 309	—
Term finance	6 129	5 558	571	—
External investors in consolidated funds	55 710	—	55 710	—
Cell owners' interest	814	814	—	—
Deferred tax	2 142	1 209	933	—
Derivative liabilities	1 387	350	1 037	—
Short-term insurance technical provisions	11 032	11 032	—	—
Working capital liabilities	57 165	36 997	20 168	—
Trade and other payables	54 799	35 546	19 253	—
Provisions	285	285	—	—
Taxation	2 081	1 166	915	—
Total equity and liabilities	**561 304**	**102 150**	**460 728**	**(1 574)**

[1] *Includes the impact of the consolidation of funds under IFRS 10.*

31 DECEMBER 2012 – RESTATED

Total	Shareholder activities	Policyholder activities[1]	Consolidation reserve
449	449	—	—
665	665	—	—
3 457	3 457	—	—
63	63	—	—
1 599	1 599	—	—
2 717	2 420	297	—
746	—	746	—
401 556	38 236	364 396	(1 076)
10 027	282	9 745	—
4 927	4 927	—	—
485	485	—	—
135 506	9 322	127 260	(1 076)
124 212	14 936	109 276	—
14 831	1 940	12 891	—
97 622	4 684	92 938	—
13 946	1 660	12 286	—
450	450	—	—
308	308	—	—
2 096	2 096	—	—
76 847	40 400	36 447	—
60 288	25 479	34 809	—
16 559	14 921	1 638	—
490 953	90 143	401 886	(1 076)
36 556	37 632	—	(1 076)
2 970	2 970	—	—
328 584	—	328 584	—
5 463	4 939	524	—
38 702	—	38 702	—
688	688	—	—
1 333	725	608	—
610	95	515	—
9 877	9 877	—	—
66 170	33 217	32 953	—
63 469	31 604	31 865	—
396	396	—	—
2 305	1 217	1 088	—
490 953	90 143	401 886	(1 076)

for the year ended 31 December 2013

12. Geographical analysis

R million	Per shareholders' fund income statement on page 156	IFRS adjustments (refer note 11.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the income was earned.			
2013	**42 104**	**3 000**	**45 104**
South Africa	**36 640**	**3 716**	**40 356**
Rest of Africa	**3 448**	**(316)**	**3 132**
Other international[1]	**2 016**	**(400)**	**1 616**
2012	37 247	3 167	40 414
South Africa	33 356	3 492	36 848
Rest of Africa	2 750	(254)	2 496
Other international[1]	1 141	(71)	1 070

R million	Per analysis of shareholders' fund on page 154	Policyholders' fund	Total
Non-current assets[2]			
2013	**9 985**	**157**	**10 142**
South Africa	**8 371**	**—**	**8 371**
Rest of Africa	**182**	**157**	**339**
Other international[1]	**1 432**	**—**	**1 432**
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

R million	2013	2012
Attributable earnings (per shareholders' fund income statement on page 156)	**8 131**	5 655
South Africa	**6 641**	4 792
Rest of Africa	**918**	679
Other international[1]	**572**	184

[1] *Other international comprises business in The Netherlands, Europe, United Kingdom, Australia, India and South-East Asia.*

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

EMBEDDED VALUE OF COVERED BUSINESS

at 31 December 2013

R million	Note	2013	2012
Sanlam Personal Finance		**33 033**	30 144
Adjusted net worth		**9 041**	8 681
Net value of in-force covered business		**23 992**	21 463
Value of in-force covered business		**25 834**	23 168
Cost of capital		**(1 842)**	(1 705)
Sanlam Emerging Markets		**3 541**	2 647
Adjusted net worth		**1 533**	1 145
Net value of in-force covered business		**2 008**	1 502
Value of in-force covered business		**3 313**	2 534
Cost of capital		**(350)**	(273)
Non-controlling interest		**(955)**	(759)
Sanlam UK[1]		**1 194**	904
Adjusted net worth		**401**	295
Net value of in-force covered business		**793**	609
Value of in-force covered business		**845**	664
Cost of capital		**(52)**	(55)
Sanlam Employee Benefits[1]		**5 707**	5 301
Adjusted net worth		**4 825**	4 825
Net value of in-force covered business		**882**	476
Value of in-force covered business		**1 792**	1 374
Cost of capital		**(910)**	(898)
Embedded value of covered business		**43 475**	38 996
Adjusted net worth[2]		**15 800**	14 946
Net value of in-force covered business	1	**27 675**	24 050
Embedded value of covered business		**43 475**	38 996

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

CHANGE IN EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2013

		2013				2012			
R million	Note	Total	Value of in-force	Cost of capital	Adjusted net worth	Total	Value of in-force	Cost of capital	Adjusted net worth
Embedded value of covered business at the beginning of the year		38 996	26 897	(2 847)	14 946	34 875	23 145	(2 823)	14 553
Value of new business	2	1 320	3 012	(186)	(1 506)	1 176	2 680	(153)	(1 351)
Net earnings from existing covered business		3 991	(618)	179	4 430	3 210	(946)	158	3 998
Expected return on value of in-force business		2 585	2 406	179	—	2 560	2 427	133	—
Expected transfer of profit to adjusted net worth		—	(3 693)	—	3 693	—	(3 134)	—	3 134
Operating experience variances	3	1 021	206	(31)	846	555	(342)	8	889
Operating assumption changes	4	385	463	31	(109)	95	103	17	(25)
Expected investment return on adjusted net worth		935	—	—	935	1 075	—	—	1 075
Embedded value earnings from operations		6 246	2 394	(7)	3 859	5 461	1 734	5	3 722
Economic assumption changes	5	(1 077)	(1 042)	(52)	17	874	831	138	(95)
Tax changes		88	67	—	21	(228)	(71)	(97)	(60)
Investment variances – value of in-force		2 387	2 029	(110)	468	1 344	1 229	(70)	185
Investment variances – investment return on adjusted net worth		1 247	—	—	1 247	460	—	—	460
Exchange rate movements		237	259	(22)	—	(3)	(4)	1	—
Embedded value earnings from covered business		9 128	3 707	(191)	5 612	7 908	3 719	(23)	4 212
Acquired value of in-force		79	72	(7)	14	47	33	(1)	15
Transfers from/(to) other Group operations		44	44	—	—	—	—	—	—
Transfers from covered business		(4 772)	—	—	(4 772)	(3 834)	—	—	(3 834)
Embedded value of covered business at the end of the period		43 475	30 720	(3 045)	15 800	38 996	26 897	(2 847)	14 946
Analysis of earnings from covered business									
Sanlam Personal Finance		6 205	2 622	(137)	3 720	6 296	3 355	16	2 925
Sanlam Emerging Markets		1 251	486	(45)	810	628	220	(31)	439
Sanlam UK		326	181	3	142	162	89	(21)	94
Sanlam Employee Benefits		1 346	418	(12)	940	822	55	13	754
Embedded value earnings from covered business		9 128	3 707	(191)	5 612	7 908	3 719	(23)	4 212

VALUE OF NEW BUSINESS

for the year ended 31 December 2013

R million	Note	2013	2012
Value of new business (at point of sale):			
Gross value of new business		**1 654**	1 443
Sanlam Personal Finance		**1 090**	1 003
Sanlam Emerging Markets		**407**	303
Sanlam UK		**43**	17
Sanlam Employee Benefits		**114**	120
Cost of capital		**(204)**	(165)
Sanlam Personal Finance		**(104)**	(64)
Sanlam Emerging Markets		**(43)**	(36)
Sanlam UK		**(4)**	(3)
Sanlam Employee Benefits		**(53)**	(62)
Value of new business		**1 450**	1 278
Sanlam Personal Finance		**986**	939
Sanlam Emerging Markets		**364**	267
Sanlam UK		**39**	14
Sanlam Employee Benefits		**61**	58
Value of new business attributable to:			
Shareholders' fund	2	**1 320**	1 176
Sanlam Personal Finance		**986**	939
Sanlam Emerging Markets		**234**	165
Sanlam UK		**39**	14
Sanlam Employee Benefits		**61**	58
Non-controlling interest		**130**	102
Sanlam Personal Finance		**—**	—
Sanlam Emerging Markets		**130**	102
Sanlam UK		**—**	—
Sanlam Employee Benefits		**—**	—
Value of new business		**1 450**	1 278
Geographical analysis:			
South Africa		**1 047**	997
Africa		**361**	266
Other international		**42**	15
Value of new business		**1 450**	1 278

for the year ended 31 December 2013

R million	2013	2012
Analysis of new business profitability:		
Before non-controlling interest:		
Present value of new business premiums	**44 902**	38 129
Sanlam Personal Finance	**30 789**	27 332
Sanlam Emerging Markets	**4 877**	4 537
Sanlam UK	**5 554**	2 210
Sanlam Employee Benefits	**3 682**	4 050
New business margin	**3,23%**	3,35%
Sanlam Personal Finance	**3,20%**	3,44%
Sanlam Emerging Markets	**7,46%**	5,88%
Sanlam UK	**0,70%**	0,63%
Sanlam Employee Benefits	**1,66%**	1,43%
After non-controlling interest:		
Present value of new business premiums	**43 197**	36 528
Sanlam Personal Finance	**30 789**	27 321
Sanlam Emerging Markets	**3 172**	2 947
Sanlam UK	**5 554**	2 210
Sanlam Employee Benefits	**3 682**	4 050
New business margin	**3,06%**	3,22%
Sanlam Personal Finance	**3,20%**	3,44%
Sanlam Emerging Markets	**7,38%**	5,60%
Sanlam UK	**0,70%**	0,63%
Sanlam Employee Benefits	**1,66%**	1,43%

for the year ended 31 December 2013

	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				
Base value at 31 December 2013	30 720	(3 045)	27 675	
▶ Risk discount rate increase by 1%	28 907	(3 717)	25 190	(9)
▶ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	31 645	(2 992)	28 653	4
▶ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	29 570	(2 955)	26 615	(4)
▶ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	31 273	(2 764)	28 509	3
Expenses and persistency				
▶ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	31 714	(3 041)	28 673	4
▶ Discontinuance rates decrease by 10%	31 627	(3 135)	28 492	3
Insurance risk				
▶ Mortality and morbidity decrease by 5% for life assurance business	32 138	(3 034)	29 104	5
▶ Mortality and morbidity decrease by 5% for annuity business	30 173	(3 025)	27 148	(2)
Base value at 31 December 2012	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)

for the year ended 31 December 2013

	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 at 31 December 2013	**1 506**	**(186)**	**1 320**	
▶ Risk discount rate increase by 1%	**1 302**	**(222)**	**1 080**	**(18)**
▶ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**1 572**	**(180)**	**1 392**	**5**
Expenses and persistency				
▶ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**1 604**	**(184)**	**1 420**	**8**
▶ Acquisition expenses (excluding commission and commission-related expenses) decrease by 10%	**1 585**	**(179)**	**1 406**	**7**
▶ Discontinuance rates decrease by 10%	**1 718**	**(195)**	**1 523**	**15**
Insurance risk				
▶ Mortality and morbidity decrease by 5% for life assurance business	**1 672**	**(183)**	**1 489**	**13**
▶ Mortality and morbidity decrease by 5% for annuity business	**1 501**	**(184)**	**1 317**	**—**

R million	2013	2012
3. Operating experience variances		
Risk experience	**645**	559
Persistency	**211**	26
Working capital and other	**165**	(30)
Total operating experience variances	**1 021**	555
4. Operating assumption changes		
Risk experience	**655**	66
Persistency	**13**	52
Modelling improvements and other	**(283)**	(23)
Total operating assumption changes	**385**	95
5. Economic assumption changes		
Investment yields	**(1 137)**	876
Long-term asset mix assumptions and other	**60**	(2)
Total economic assumption changes	**(1 077)**	874

R million	2013	2012
6. 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 162	3 430	2 737
Sanlam Personal Finance	2 607	2 064
Sanlam Emerging Markets	484	345
Sanlam UK	62	67
Sanlam Employee Benefits	277	261
Investment return on adjusted net worth	2 182	1 475
Embedded value earnings from covered business: value of in-force	3 516	3 696
Embedded value earnings from covered business	**9 128**	**7 908**

%	2013	2012
7. 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	8,2	6,8
Equities and offshore investments	11,7	10,3
Hedged equities	8,7	7,3
Property	9,2	7,8
Cash	7,2	5,8
Return on required capital	9,2	7,8
Inflation rate[1]	6,2	4,8
Risk discount rate	10,7	9,3

[1]Expense inflation of 8,2% (2012: 6,8%) assumed for retail business administered on old platforms.

for the year ended 31 December 2013

%	2013	2012
7. Economic assumptions *(continued)*		
SDM Limited		
Point used on the relevant yield curve	**5 year**	5 year
Fixed-interest securities	**7,4**	5,9
Equities and offshore investments	**10,9**	9,4
Hedged equities	**n/a**	n/a
Property	**8,4**	6,9
Cash	**6,4**	4,9
Return on required capital	**8,7**	7,2
Inflation rate	**5,4**	3,9
Risk discount rate	**9,9**	8,4
Sanlam Investments and Pensions		
Point used on the relevant yield curve	**15 year**	15 year
Fixed-interest securities	**3,5**	2,3
Equities and offshore investments	**6,7**	5,5
Hedged equities	**n/a**	n/a
Property	**6,7**	5,5
Cash	**3,5**	2,3
Return on required capital	**3,5**	2,3
Inflation rate	**3,4**	2,5
Risk discount rate	**7,2**	6,0
Botswana Life Insurance		
Fixed-interest securities	**8,0**	9,0
Equities and offshore investments	**11,5**	12,5
Hedged equities	**n/a**	n/a
Property	**9,0**	10,0
Cash	**7,0**	8,0
Return on required capital	**8,1**	9,1
Inflation rate	**5,0**	6,0
Risk discount rate	**11,5**	12,5

Illiquidity premiums

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

Assumed illiquidity premiums generally amount to between 25bps and 50bps (2012: 25bps and 50bps) for non-participating annuities and between 25bps and 110bps (2012: 25bps and 110bps) for guaranteed plans.

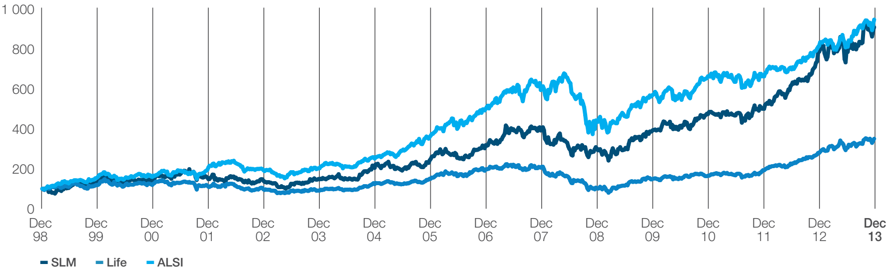
%	2013	2012
7. Economic assumptions *(continued)*		
Asset mix for assets supporting required capital		
Sanlam Life		
Equities	26	26
Offshore investments	10	10
Hedged equities	13	13
Fixed-interest securities	15	15
Cash	36	36
	100	100
SDM Limited		
Equities	50	50
Cash	50	50
	100	100
Sanlam Investments 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

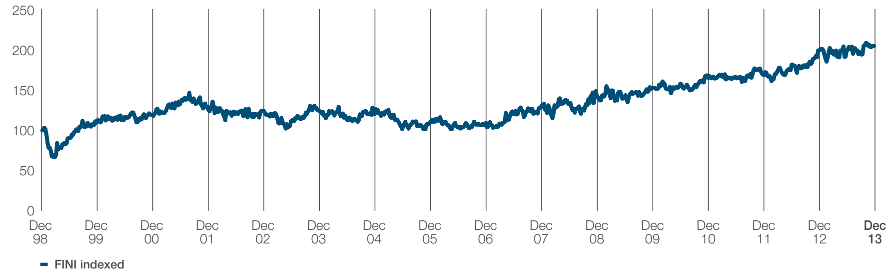
		2013	2012	2011	2010	2009
Number of shares traded	million	**1 247**	1 160	1 082	1 059	1 259
Value of shares traded	R million	**58 841**	41 074	29 578	25 986	23 714
Percentage of issued shares traded	%	**59**	55	52	50	58
Price/earnings ratio	times	**13,5**	15,3	11,6	11,1	10,4
Return on Sanlam share price since listing[(1)]	%	**20**	20	17	17	17
Market price	cps					
– Year-end closing price		**5 324**	4 477	2 885	2 792	2 275
– Highest closing price		**5 518**	4 550	3 016	2 829	2 305
– Lowest closing price		**4 051**	2 831	2 414	2 200	1 351
Market capitalisation at year-end	R million	**111 804**	94 017	60 585	58 632	49 140

Sanlam Limited was listed on 30 November 1998.
[(1)]Annualised growth in the Sanlam share price since listing plus dividends paid.

Sanlam vs ALSI vs Life Assurance index



Sanlam Share Price relative to FINI (indexed)



ANNUAL FINANCIAL STATEMENTS

SANLAM GROUP ANNUAL FINANCIAL STATEMENTS

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 202 to 333, the Corporate Governance report on pages 50 to 65, the Remuneration report on page 66 to 93 and the Shareholders' information on pages 139 to 193 were approved by the Board and signed on its behalf by:

Desmond Smith
Chairman

Johan van Zyl
Group Chief Executive

Cape Town
5 March 2014

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 2013, 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

5 March 2014

for the year ended 31 December 2013

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 655 million in 2012 to R8 131 million in 2013, largely due to the strong operational and market performance in 2013, 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 Corporate Governance and Remuneration reports, 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 156.

SHARE CAPITAL

The issued ordinary share capital of the Company is 2 100 million shares. Refer to page 284 for further information.

DIVIDEND

The Board has declared a normal cash dividend of 200 cents per share (2012: normal dividend of 165 cents and special dividend of 50 cents), payable on Monday, 14 April 2014, to shareholders registered on 11 April 2014. 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 330.

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 remuneration report on pages 92 and 93.

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 on pages 40 to 50 and page 55.

SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2013 as reflected in these financial statements.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been approved by the directors as reflected on page 199, including the certificate by the Company Secretary on page 199, the Audit committee report for the 2013 financial year on page 58 and the analysis of shareholders on page 333.

NOTICE IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT, 2008 (THE ACT)

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 Group companies 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 Act.

In accordance with section 45(5) of the Act this serves to give notice that the Sanlam Board, in line with existing practice, approved that the Company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the Company's annual general meeting in 2013, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in section 45 of the Act.

The amount and format of financial assistance which may be granted pursuant to the resolution is subject to ongoing review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Group's net asset value provided for in the Act.

INDEPENDENT AUDITORS’ REPORT

TO THE SHAREHOLDERS OF SANLAM LIMITED

We have audited the consolidated and separate financial statements of Sanlam Limited set out on pages 202 to 333, which comprise the statements of financial position as at 31 December 2013, 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 2013, 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 2013, 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: Johanna Cornelia de Villiers
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street
Cape Town

5 March 2014

CAPITAL MANAGEMENT

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 148. 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 Prudential Regulation 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 unrecouped 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 Board of Actuarial Standards in 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 2013, 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, Sanlam Developing Markets 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 2013	2012	SANLAM INVESTMENTS AND PENSIONS UK LIMITED 2013	2012
Assets				
Fair value of assets	**379 983**	333 557	**37 189**	25 643
Less: Liabilities	**319 441**	278 091	**36 603**	25 173
Actuarial value of policy liabilities	**301 696**	263 458	**35 550**	24 385
Investment contracts	**166 363**	133 857	**30 970**	20 742
Insurance contracts	**135 333**	129 601	**4 580**	3 643
Long-term and current liabilities	**17 745**	14 633	**1 053**	788
Excess of assets over liabilities for financial reporting	**60 542**	55 466	**586**	470
Adjustment for prudential regulatory purposes	**(29 000)**	(26 655)	**(275)**	(228)
Adjustment for Group undertakings				
Sanlam Investment Management	**(4 378)**	(4 152)	**–**	–
Santam	**(7 961)**	(8 306)	**–**	–
SDM Limited	**(5 958)**	(5 832)	**–**	–
Capital requirements of life insurance subsidiaries, adjusted for minority interests	**(3 637)**	(2 049)	**–**	–
Inadmissible assets	**(119)**	(418)	**(275)**	(228)
Other	**(6 947)**	(5 898)	**–**	–
Unsecured subordinated bond	**2 094**	2 159	**–**	–
Excess of assets over liabilities for prudential regulatory purposes	**33 636**	30 970	**311**	242
Capital adequacy requirements				
Capital adequacy requirements (CAR) before management actions	**11 225**	10 050	**111**	97
Management actions assumed	**(3 675)**	(2 925)	**–**	–
Reduction in future bonus rates	**(2 703)**	(2 310)	**–**	–
Reduction in non-vested bonuses	**(225)**	(218)	**–**	–
Capitalisation of portion of expected future profits held as discretionary margins	**(138)**	(62)	**–**	–
Reduction in grossing up of the assets covering CAR and other	**(609)**	(335)	**–**	–
CAR after management actions assumed	**7 550**	7 125	**111**	97
Times CAR covered by excess of assets over liabilities for prudential regulatory purposes	**4,5**	4,3	**2,8**	2,5

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)

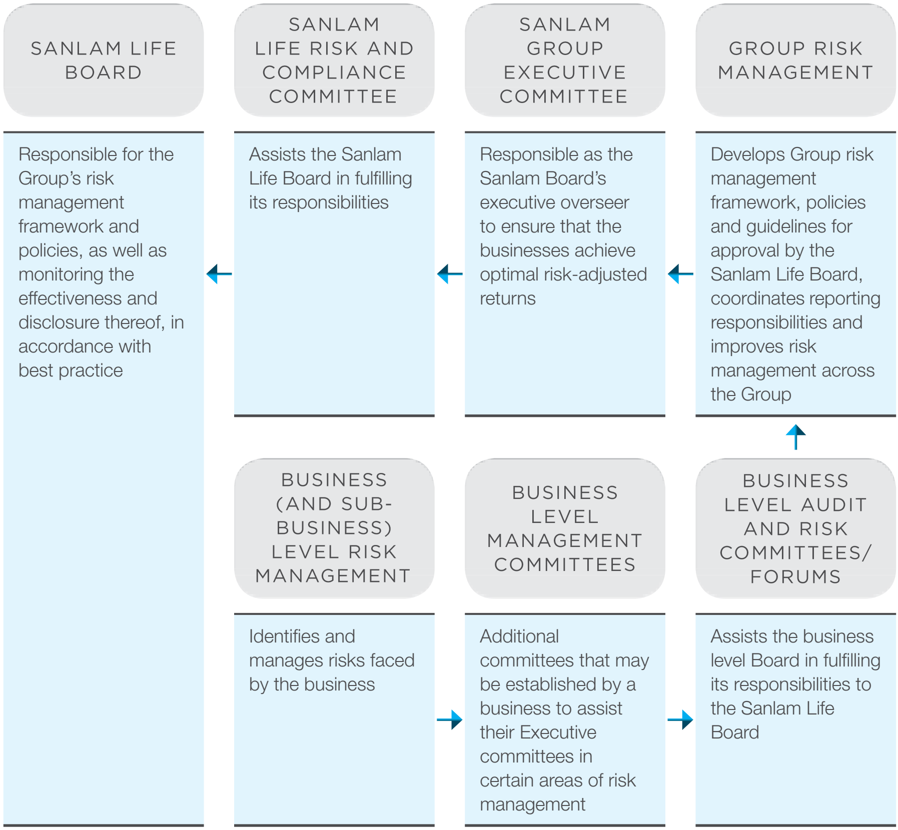
The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group's business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates. The above ratings were confirmed in October 2013 and have remained unchanged since 2011.

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 53 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.



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 corporate credit risk exposure
Investment committees Determines and monitors appropriate investment strategies for policyholder solutions	**Treasury function** 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 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 internal control framework;
- 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 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 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: **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 critical information. **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's operations or its condition are disrupted or adversely affected by legal proceedings against it, adverse judgments from courts, contracts that turn out to be unenforceable or contractual obligations which have not been provided for. **Compliance risk:** the risk of not complying with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct including acceptable market conduct practices[1], investment management mandates, as well as the failure to uphold the Group's core values and code of ethical conduct. **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. **Fraud risk:** the risk of financial crime and unlawful conduct impacting on the Group. It includes both internal and external fraud.	All Group businesses

[1] *Market conduct involves the behaviour of an organisation and of those that act on its behalf towards various stakeholders (including potential and current customers, regulators or supervisors, investors, and other market participants). Market conduct comprises market discipline (including transparency and corporate governance) and consumer protection (including treating customers fairly).*

Risk category (primary)		Risk type (secondary) and description	Potential significant impact
General risks *(continued)*	**1. Operational** *(continued)*	**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 Group Equity Value; 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 that are 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 an individual outsourcing service provider (which exacerbates the former).	
	2. Reputational	Reputational risk is the risk that adverse publicity regarding a Group's business practices, associations and market conduct, whether accurate or not, will cause a loss of confidence in the integrity of the institution. The risk of loss of confidence relates to stakeholders, which include, *inter alia*, potential and existing customers, investors, suppliers and supervisors.	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 arising from the level or volatility of market prices of financial instruments which have an impact upon the value of assets and liabilities of the organisation. Market risk includes: **Equity risk:** the risk resulting from the sensitivity of values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities. **Interest rate risk:** the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level or volatility of interest rates. **Currency risk:** the risk of loss or adverse change in the value of assets and liabilities owing to unanticipated changes in the level or volatility of currency exchange rates. **Property risk:** the risk that the value of investment properties will fluctuate as a result of changes in the environment (i.e. the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level and volatility of market prices of property).	Life insurance Retail credit Capital markets Short-term insurance Investment management

Financial and business-specific risks (continued)

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
1. Market *(continued)*	**Asset liability mismatching (ALM) risk:** the risk of a change in value as a result of a deviation between asset and liability cash flows, prices or carrying amounts. ALM risk originates from changes in market risk factors. **Concentration risk:** the risk of loss 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 deterioration in the credit quality of issuers of securities, counterparties and intermediaries to whom the Company has exposure. Credit risk includes: **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.	Life insurance Retail credit Capital markets Short-term insurance Corporate

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
3. Funding liquidity	Funding liquidity risk is the risk relating to the difficulty/inability to access/raise 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):** 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) 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. It covers the risk of loss or adverse change in insurance liabilities due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders. **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. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts. **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 (premium and reserve 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. Claims risk is often split into reserve risk (relating to incurred claims) and premium risk (relating to future claims). **Non-life 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 137 and 201 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. 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 on-going 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 analysis 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 the 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 direct financial risk as this risk is assumed by the policyholder. The life insurance businesses' capital is invested in financial instruments, 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 260 for a description of the different policyholder solutions; as well as to note 15 on page 287, which discloses the monetary value of the Group's exposure to the various solutions.

	MARKET RISK				CREDIT RISK	LIQUIDITY RISK	INSURANCE RISK	
Life insurance businesses exposed to risk via:	**Equity**	**Interest rate**	**Currency**	**Property**			**Persis-tency**	**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	×	✓	×(4)	×(4)	✓	✓(3)	×	✓
Other non-participating liabilities								
Guarantee plans	×	✓	×(4)	×	✓	✓(3)	✓	×
Other	✓	✓	×(4)	✓	✓	✓(3)	✓	✓
Capital portfolio	✓	✓	✓	×(4)	✓	×	×	×

(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
× 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	×	✓	×	×
Other non-participating liabilities				
Guarantee plans	×	✓	×	×
Other	✓	✓	×	✓
Capital portfolio	✓	✓	✓	×

✓ *Risk applicable to item*

× *Risk 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 2013, 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 Group's 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 Group's capital portfolio to currency risk is analysed in the table below.

R million	Euro	United States dollar	British pound	Botswana pula	Indian rupee	Other currencies	Total
31 December 2013							
Investment properties	–	–	–	122	–	204	326
Equities and similar securities	575	549	156	408	–	870	2 558
Equity-accounted investments[1]	–	–	–	1 376	4 597	968[2]	6 941
Interest-bearing instruments	–	3	95	266	–	147	511
Government interest-bearing investments	–	3	27	–	–	28	58
Corporate interest-bearing investments	–	–	68	169	–	18	255
Mortgages, policy and other loans	–	–	–	97	–	101	198
Investment funds	15	573	14	30	–	5	637
Cash, deposits and similar securities	10	423	220	437	–	198	1 288
Net working capital	231	1 218	83	(377)	–	15	1 170
Total	831	2 766	568	2 262	4 597	2 407	13 431
Exchange rates (rand)							
Closing rate	14,51	10,53	17,42	1,21	0,17		
Average rate	12,78	9,61	15,00	1,16	0,17		
31 December 2012							
Investment properties	–	–	–	154	–	92	246
Equities and similar securities	292	1 194	280	97	–	455	2 318
Equity-accounted investments[1]	–	–	–	1 122	2 604	–	3 726
Interest-bearing instruments	3	2	75	240	–	111	431
Government interest-bearing investment	3	2	–	244	–	6	255
Corporate interest-bearing investment	–	–	75	–	–	29	104
Mortgage, policy and other loans	–	–	–	(4)	–	76	72
Investment funds	–	646	7	–	–	–	653
Cash, deposits and similar securities	10	322	311	243	–	128	1 014
Net working capital	162	627	128	(269)	–	31	679
Net other liabilities	7	2	9	(24)	–	–	(6)
Total	474	2 793	810	1 563	2 604	817	9 061
Exchange rates (rand)							
Closing rate	11,19	8,48	13,79	1,11	0,16		
Average rate	10,53	8,20	12,99	1,10	0,15		

[1] *Equity-accounted investments only include significant entities that have foreign currency exposure.*
[2] *Investment in Pacific & Orient, Malaysia.*

The capital portfolio has limited exposure to investment properties and accordingly the related property risk.

Sensitivities

Refer to page 189 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. 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. External ratings (e.g. Moody's Investor Services, Standard & Poor's, Fitch Ratings and Global Credit Ratings) are taken into account when available.

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 2013 and 2012 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 life insurance businesses' 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 %	Not rated %	Other %	Total %	Carrying value R million
31 December 2013												
Government interest-bearing investments	85	5	–	2	–	–	–	1	7	–	100	52 516
Corporate interest-bearing investments	5	22	28	10	4	8	4	2	13	4	100	37 149
Mortgages, policy and other loans	–	–	7	6	10	3	23	–	51	–	100	3 055
Cash, deposits and similar securities	35	15	10	2	–	12	–	–	25	1	100	10 823
Net working capital	–	–	–	–	–	–	–	–	100	–	100	881
Total	48	12	11	5	2	4	2	2	13	1	100	104 424
31 December 2012**												
Government interest-bearing investments	93	–	–	–	–	–	1	2	4	–	100	46 347
Corporate interest-bearing investments	5	26	18	21	4	8	2	1	9	6	100	40 289
Mortgages, policy and other loans	–	–	13	13	15	1	9	–	49	–	100	2 082
Cash, deposits and similar securities	6	11	12	23	1	12	4	–	28	3	100	8 986
Net working capital	–	–	–	–	–	–	–	–	100	–	100	723
Total	46	12	9	11	2	4	2	1	11	2	100	98 427

* *Rated externally or by using internationally recognised credit rating techniques.*
** *Comparative information has been adjusted for the reclassification of investment funds.*

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 2013												
Government interest-bearing investments	85	1	–	7	–	–	–	2	5	–	100	556
Corporate interest-bearing investments	12	21	24	9	4	11	3	2	9	5	100	9 157
Mortgages, policy and other loans	–	–	–	6	–	7	20	5	48	14	100	616
Cash, deposits and similar securities	48	7	5	1	–	8	–	–	24	7	100	3 092
Net working capital	252	64	2	–	8	–	3	2	(152)	(79)	100	1 055
Total	39	19	17	7	3	9	3	2	2	(1)	100	14 476
31 December 2012**												
Government interest-bearing investments	72	–	–	9	–	–	–	8	11	–	100	465
Corporate interest-bearing investments	3	32	19	18	3	11	3	2	1	8	100	8 856
Mortgages, policy and other loans	–	–	4	11	20	–	–	–	65	–	100	400
Cash, deposits and similar securities	–	35	28	1	–	6	3	–	23	4	100	2 360
Net working capital	53	696	15	12	–	20	51	–	(867)	120	100	509
Total	7	57	19	14	3	10	5	2	(27)	10	100	12 590

* *Rated externally or by using internationally recognised credit rating techniques.*
** *Comparative information has been adjusted for the reclassification of investment funds.*

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	×	3.6

✓ Risk applicable to item.
× Risk 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 2013					
Insurance contracts	**5 422**	**24 883**	**61 702**	**66 568**	**158 575**
Investment contracts	**3 821**	**30 853**	**75 486**	**113 574**	**223 734**
Total policy liabilities	**9 243**	**55 736**	**137 188**	**180 142**	**382 309**
Properties	**—**	**—**	**—**	**8 280**	**8 280**
Equities and similar securities	**—**	**—**	**538**	**79 234**	**79 772**
Government interest-bearing investments	**380**	**4 161**	**47 935**	**41**	**52 517**
Corporate interest-bearing investments	**6 789**	**18 743**	**10 842**	**2 429**	**38 803**
Mortgages, policy and other loans	**186**	**1 522**	**1 346**	**1**	**3 055**
Structured transactions	**4 453**	**4 775**	**1 003**	**81**	**10 312**
Investment funds	**94**	**845**	**64**	**179 115**	**180 118**
Cash deposits and similar securities	**8 252**	**2 289**	**279**	**2**	**10 822**
Deferred acquisition costs	**—**	**—**	**—**	**156**	**156**
Long-term reinsurance assets	**18**	**157**	**614**	**6**	**795**
Term finance	**—**	**—**	**(571)**	**—**	**(571)**
Derivative liabilities	**(467)**	**(126)**	**(351)**	**(93)**	**(1 037)**
External investors in consolidated funds	**—**	**—**	**—**	**(1 841)**	**(1 841)**
Net working capital	**1 690**	**2**	**—**	**(564)**	**1 128**
Total policyholder assets	**21 395**	**32 368**	**61 699**	**266 847**	**382 309**
31 December 2012					
Insurance contracts	5 071	22 065	57 742	63 549	148 427
Investment contracts	3 663	23 835	59 917	92 742	180 157
Total policy liabilities	8 734	45 900	117 659	156 291	328 584
Properties	—	—	—	9 746	9 746
Equities and similar securities	—	15	67	70 182	70 264
Government interest-bearing investments	606	4 561	41 238	—	46 405
Corporate interest-bearing investments	8 821	21 129	9 000	1 375	40 325
Mortgages, policy and other loans	41	620	1 176	245	2 082
Structured transactions	6 776	5 445	409	(18)	12 612
Investment funds	332	578	36	137 261	138 207
Cash deposits and similar securities	6 949	1 758	258	5	8 970
Deferred acquisition costs	—	—	—	297	297
Long-term reinsurance assets	16	104	605	21	746
Term finance	—	—	(524)	—	(524)
Derivative liabilities	(3)	(35)	(136)	(341)	(515)
External investors in consolidated funds	—	—	—	(762)	(762)
Net working capital	1 135	—	—	(404)	731
Total policyholder assets	24 673	34 175	52 129	217 607	328 584

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 243 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	×	✓
Other non-participating liabilities		
Guarantee plans	✓	✓
Other	✓	✓
Capital portfolio	×	×

✓ *Risk applicable to item.*
× *Risk not applicable to item.*

Insurance risk arises primarily from the writing of non-participating annuity and other non-participating life business, as these products expose the Group to risk if actual experience relating to expenses, mortality, longevity, disability and medical (morbidity) 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's 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 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.

Non-participating annuity payable per annum per life insured

R'000	NUMBER OF LIVES 2013	NUMBER OF LIVES 2012	BEFORE REINSURANCE 2013 %	BEFORE REINSURANCE 2012 %	AFTER REINSURANCE 2013 %	AFTER REINSURANCE 2012 %
0 – 20	**215 488**	216 429	**37**	44	**37**	44
20 – 40	**19 996**	19 397	**17**	18	**17**	18
40 – 60	**6 728**	6 459	**10**	9	**10**	9
60 – 80	**3 568**	3 283	**9**	6	**9**	6
80 – 100	**2 109**	1 828	**8**	5	**8**	5
>100	**5 032**	3 768	**19**	18	**19**	18
	252 921	251 164	**100**	100	**100**	100

Comparative information has been restated to include entry-level clients.

Value of benefits insured: non-participating life business

Benefits insured per individual life R'000	NUMBER OF LIVES 2013	NUMBER OF LIVES 2012	BEFORE REINSURANCE 2013 %	BEFORE REINSURANCE 2012 %	AFTER REINSURANCE 2013 %	AFTER REINSURANCE 2012 %
0 – 500	**9 179 423**	8 822 105	**27**	30	**32**	33
500 – 1 000	**279 564**	275 298	**17**	16	**17**	18
1 000 – 5 000	**281 773**	273 519	**37**	39	**37**	38
5 000 – 8 000	**10 511**	10 195	**8**	7	**6**	6
>8 000	**7 192**	6 281	**11**	8	**8**	5
	9 758 463	9 387 398	**100**	100	**100**	100

Comparative information has been restated to include entry-level clients.

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.

	2013 R million	2013 %	2012 R million	2012 %
South Africa	**320 290**	**84**	278 410	85
Africa	**26 127**	**7**	25 650	8
Other international	**35 892**	**9**	24 524	7
Total policy liabilities	**382 309**	**100**	328 584	100

Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL) and to the retail credit and banking businesses in the Sanlam Emerging Markets (SEM) cluster.

Sanlam Personal Loans

The balance of loans advanced by SPL to clients at 31 December 2013 is shown below:

R million	2013	2012
Sanlam Personal Loans		
Gross balance	**3 608**	3 040
Provisions	**(214)**	(139)
Net balance	**3 394**	2 901

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 277.
- 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 Company's policy to subject its 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.

Sanlam Emerging Markets

Retail credit and banking profits have become a significant part of Sanlam Emerging Markets' (SEM) operating earnings. This is due to the addition of the investment in Shriram Capital Limited (which has indirect holdings in Shriram Transport Finance Company and Shriram City Union Finance) in India and the subsequent direct investment in Shriram Transport Finance Company, to the existing SEM retail credit investment in Letshego that is owned by Botswana Insurance Holdings Limited. SEM's exposure to banking business has increased with the additional investment in Capricorn Investment Holdings Limited (which has an indirect stake in Bank Windhoek Holdings Limited) in Namibia.

The main risk emanating from the retail credit and banking operations is credit risk. These investments have been equity accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure to credit risk in these investments is limited to the value of SEM's investment in these businesses.

SEM's credit risk management process entails the monitoring of key drivers in each of the significant retail credit or banking businesses, including an analysis of trends. Risk parameters have been set for each of these key drivers and performance against these targets is monitored and reported to the SEM Audit, Actuarial and Risk committee on a quarterly basis. SEM benefits from the diversification provided by the geographic spread of its operations (throughout Africa and in India), types of credit provided (secured and unsecured lending) and range of market segments targeted. This inherently reduces the overall level of credit risk exposure.

Though SEM only holds minority stakes in the different credit businesses, they do track the key results and trends in these businesses.

Capital markets

SCM is the largest division in the Sanlam Investments: Capital Management sub-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 Sanlam'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 R45 million (2012: R24 million).

	MAXIMUM NET LOSS (R MILLION)	
Incremental change in price	**31 Dec 2013**	31 Dec 2012*
-5% to 5%	**6**	6
-10% to 10%	**12**	6
-15% to 15%	**17**	6
-30% to 20%	**45**	24

**Comparative information has been restated to incorporate enhancements to the calculation methodology.*

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 for these tests was as follows:

	MAXIMUM NET LOSS (R MILLION)	
Incremental change in yield	**31 Dec 2013**	31 Dec 2012
10% to -10%	**4**	3
20% to -20%	**7**	5
50% to -20%	**12**	10

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 R320 million (2012: R339 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;
- 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 2013	31 Dec 2012*
Stress results 1 (1 Notch)	**(115)**	(116)
Stress results 2 (2 Notch)	**(244)**	(211)
Stress results 3 (3 Notch)	**(396)**	(369)

**Comparative information has been restated to incorporate enhancements to the calculation methodology.*

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 is 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 44% (2012: 45%) of total credit risk capital, but only 18% (2012: 19%) of the total exposure. SCM is therefore not exposed to significant concentration risk.

3. Liquidity risk

The maximum available facilities of R9 billion (net of qualifying collateral and certain other intergroup utilisation) exceed the amount utilised of R7,7 billion (2012: R7,4 billion), indicating 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 were R292 million (2012: R404 million). A significant portion of trading account assets and liabilities is due within one year.

Santam

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 swaps, to provide a degree of hedging against unfavourable market movements in interest rates. At 31 December 2013, 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. Mandates, as set by the Santam Investment Committee, 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 international ratings from independent ratings agencies such as Standard & Poor's or, where such ratings are not available, by either national ratings or internal analysis. Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments.

Financial assets are graded according to current issuer credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB. Financial assets which fall outside this range are classified as not rated. Credit limits are set for each counterparty based on default probabilities that are in turn based on the ratings of the counterparty concerned.

The following table provides information regarding the aggregated credit risk exposure for financial assets:

	CREDIT RATING									
R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	Carrying value in statement of financial position
31 December 2013										
Debt securities – quoted	307	122	146	180	79	288	399	1 818	370	3 709
Debt securities – unquoted	–	528	627	139	32	60	401	1 520	290	3 597
Receivables due from contract holders/intermediaries	–	–	–	–	3	28	33	8	1 808	1 880
Reinsurance receivables	–	11	–	224	3	2	97	–	80	417
Other loans and receivables	20	29	2	4	23	2	10	45	252	387
Cash and other short-term interest-bearing instruments	113	366	309	557	378	15	1 018	870	141	3 767
Total	440	1 056	1 084	1 104	518	395	1 958	4 261	2 941	13 757
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

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 880 million (2012: R1 503 million). Santam is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries and through direct control over certain bank accounts used by intermediaries. 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 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 may be invested in any one of the four major South African banks. Accounts receivable are spread among a number of major companies and intermediary parties, customers and geographic areas.

Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge Santam's liability as the 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 (2012: Lloyds).

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 locally and internationally 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 face 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:

	2013	2012	2011	2010	2009	2008	2007
Claims paid and provided %*	**69,3**	68,3	64,2	64,1	70,6	68,4	68,2

**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 Africa, India and South-East Asia.

Claims development tables

The presentation of the claims development tables for Santam 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.

Payment development

Short-term insurance claims – gross

		CLAIMS PAID IN RESPECT OF							
Reporting year	Total R million	2013	2012	2011	2010	2009	2008	2007	2006 and prior
– 2013	13 148	**9 152**	3 411	250	154	106	47	18	10
– 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	89 538	**9 152**	11 587	10 383	9 809	10 462	9 808	8 209	20 128

Short-term insurance claims – net

		CLAIMS PAID IN RESPECT OF							
Reporting year	Total R million	2013	2012	2011	2010	2009	2008	2007	2006 and prior
Actual claims costs:									
– 2013	11 335	**8 423**	2 493	168	127	79	35	7	3
– 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	77 411	**8 423**	10 109	8 993	8 451	9 087	8 357	6 973	17 018

Reporting development

Short-term insurance claims provision – gross

		CLAIMS PAID IN RESPECT OF							
Reporting year	Total R million	2013	2012	2011	2010	2009	2008	2007	2006 and prior
Provision raised:									
– 2013	5 523	3 267	788	376	462	195	175	151	109
– 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
	40 122	3 267	3 921	3 423	3 873	4 005	4 294	4 518	12 821

Short-term insurance claims provision – net

		CLAIMS PAID IN RESPECT OF							
Reporting year	Total R million	2013	2012	2011	2010	2009	2008	2007	2006 and prior
Provision raised:									
– 2013	4 207	2 459	568	331	298	172	146	132	101
– 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
	27 891	2 459	3 118	2 716	2 946	2 936	2 996	3 048	7 672

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 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 liabilities 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 program 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% 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 or 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 liquid assets to ensure that financial instruments and insurance liabilities are settled on a timely basis. Santam has sufficient liquid and open ended resources to cover its obligations. Open ended resources can be liquidated on demand. R6,6 billion (2012: R9,7 billion) of insurance liabilities are payable within one year, with the remaining balance 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.

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 2013					
Term finance liabilities	(642)	(1 396)	–	–	(2 038)
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	(642)	(1 396)	–	–	(2 038)
Add: Preference shares issued to subsidiaries and eliminated on consolidation.					
Assets held in respect of term finance	1 497	66	–	475	2 038
Equities and similar securities	–	–	–	475	475
Corporate interest-bearing investments	1 472	2	–	–	1 474
Cash, deposits and similar securities	3	–	–	–	3
Working capital assets and liabilities	22	64	–	–	86
Net term finance liquidity position	855	(1 330)	–	475	–

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2012					
Term finance liabilities	(1 224)	(263)	—	—	(1 487)
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	(1 224)	(263)	—	—	(1 487)
Add: Preference shares issued to subsidiaries and eliminated on consolidation.					
Assets held in respect of term finance	477	431	—	579	1 487
Equities and similar securities	—	—	—	579	579
Corporate interest-bearing investments	327	367			694
Cash, deposits and similar securities	4	1	—	—	5
Working capital assets and liabilities	146	63	—	—	209
Net term finance liquidity position	(747)	168	—	579	—

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 2013					
Term finance liabilities	–	–	(2 026)	–	(2 026)
Interest-bearing liabilities	–	–	(2 026)	–	(2 026)
Add: Unsecured bonds issued to subsidiaries and eliminated on consolidation	–	–	–	–	–
Assets held in respect of term finance	47	1 289	446	244	2 026
Government interest-bearing investments	–	320	11	–	331
Corporate interest-bearing investments	15	774	424	–	1 213
Mortgages, policy and other loans	–	53	11	–	64
Structured transactions	33	140	–	–	173
Investment funds	–	–	–	244	244
Cash, deposits and similar securities	56	2	–	–	58
Working capital assets and liabilities	(57)	–	–	–	(57)
Net term finance liquidity position	47	1 289	(1 580)	244	–
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
Government interest-bearing investments	–	16	23	–	39
Corporate interest-bearing investments	249	1 238	34	–	1 521
Mortgages, policy and other loans	15	24	13	–	52
Structured transactions	158	239	–	–	397
Investment funds	–	–	–	138	138
Cash, deposits and similar securities	(13)	44	–	–	31
Working capital assets and liabilities	(91)	–	–	–	(91)
Net term finance liquidity position	318	1 561	(2 017)	138	–

Sensitivity analysis – market risk

Refer to page 151 for an analysis of the Group's exposure to market risk as measured by GEV.

BASIS OF PRESENTATION

Introduction

The consolidated financial statements are prepared on the historical-cost basis, unless indicated otherwise, in accordance with International Financial Reporting Standards (IFRS), and the Companies Act 71 of 2008 (as amended), in South Africa. 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 2013 financial year:

- IFRS 10 – *Consolidated Financial Statements*
- IFRS 11 – *Joint Arrangements*
- IFRS 12 – *Disclosure of Interests in Other Entities*
- IFRS 13 – *Fair Value Measurement*
- IAS 19 – *Employee Benefits* – Amendment regarding removal of corridor method and other comprehensive income treatment
- Amendment to IFRS 7 – Disclosures relating to offsetting of financial assets and liabilities
- Amendments to IAS 1 – Financial statement presentation
- IAS 27 – *Separate Financial Statements* – Consequential amendments resulting from consolidation project
- IAS 28 – *Investments in Associates and Joint Ventures* – Consequential amendments resulting from consolidation project
- May 2012 Improvements to IFRS.

The retrospective application of IFRS 10 required restatement of the Group's previous IFRS financial statements. The nature and the effect of this change are disclosed below. The application of the remainder of the new standards and interpretations did not have a significant impact on the Group's financial position, reported results and cash flows. Certain of these new standards, however, required additional disclosures in the financial statements.

IFRS 10 – *Consolidated Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Previously, only holdings in investment funds of greater than 50% were consolidated. As a result of the adoption of IFRS 10 the Group consolidated a number of additional funds, effectively leading to reclassifications of line items on the statement of financial position and the statement of comprehensive income.

This change has been applied retrospectively, as required by the transitional arrangements of IFRS 10, and hence led to reclassifications of the comparative information.

Alignment of investment classification for SAM classifications

All investments have been reclassified to new revised investment categories. These new categories align IFRS investment classifications with the required SAM classifications. All comparative information has been reclassified accordingly.

The impact of these reclassifications on the statement of financial position as at 1 January 2012 and 31 December 2012 as well as the statement of comprehensive income for the year ended 31 December 2012 is disclosed in note 41.

These reclassifications in the current and prior period had no impact on the Group's total comprehensive income, shareholders' fund or net asset value.

Additional disclosures

IFRS 12 – *Disclosure of Interests in Other Entities*

IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Additional information as required by this standard is provided in the annual financial statements.

IFRS 13 – *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 – *Financial Instruments: Disclosures.*

The following new or revised IFRS and interpretations have effective dates applicable to future financial years and have not been early adopted:

- 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 IFRS 10 – Investment entities exemption (effective 1 January 2014)
- IFRS 9 – *Financial Instruments* (effective 1 January 2018).

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 336.

The following sections provide additional information in respect of the presentation of selected items in the Group financial statements on pages 264 to 332.

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;
- Potential claims and contingencies; and
- The consolidation of investment funds where the Group has a significant non-controlling interest.

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 264 to 332 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 148 to 193.

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 260 to 263.

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 202 to 243;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note 16: 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 137 to 193. Refer to the financial review on pages 120 to 135 for additional information on these business segments and to the Group structure on page 14 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 that are controlled by Sanlam Limited or any of its subsidiaries. The Group has control over an entity where it has the right or is exposed to variable returns and has the power, directly or indirectly, to affect those returns. Specifically, the Group controls an entity if and only if the Group has:

- Power or existing rights over the entity or investee that give it the ability to direct relevant activities;
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights, the Group consider all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses on a continual basis whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

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 the Group has control to the effective dates when the Group ceases to have control, 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 non-controlling shareholders in subsidiaries is stated at the non-controlling shareholders' share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to non-controlling shareholders in excess of the non-controlling shareholders' interest are recognised as negative reserves against non-controlling 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 non-controlling shareholders' interest.

The Group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the Group with a cell owner, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements: a) first party, and b) third party.

- *First-party* cell captive arrangements are arrangements where the risks that are being insured relate to the cell shareholder's own operations or operations within the cell shareholder's group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.
- *Third-party* cell captive arrangements are arrangements where the cell shareholder provides its own client base with the opportunity to purchase branded insurance products. The insurance company is the principle to the insurance contract, although the business is underwritten on behalf of the cell shareholder. However, the shareholder's agreement determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds held by the insurer and is included under liabilities due to cell shareholders. The carrying value of amounts due to cells is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayment to cells.

Equipment

Equipment is reflected at its 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 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. Equipment 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.

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 non-controlling 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 assets 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);
- Interest-bearing investment;
- Structured transactions;
- Investment funds; 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. Structured transactions include derivatives, structured notes and collaterised securities.

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 IFRS. Immediately before initial classification as held for sale, the assets to be reclassified are measured in accordance with applicable IFRS. 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 or 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 when the liability is settled. 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 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 a 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* – Amendment regarding removal of corridor method and other comprehensive income treatment 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 or losses recognised in other comprehensive income.

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 2013:

Deferred Share Plan (DSP)

The DSP was introduced in 2007. In terms of the DSP, 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, Channel Life, Safrican Insurance Company and Sanlam Emerging Markets, as well as investment contracts issued by Sanlam Investments and Pensions, 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 2013 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 2013 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 7 on page 191 for investment return assumptions per asset class.
- Unit expenses are based on the 2013 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 assessed annually 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 unrecouped 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' and Channel Life's 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 6% 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 less than 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 and Channel Life.

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 (30% 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 changes.

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.

GROUP STATEMENT OF FINANCIAL POSITION

at 31 December 2013

R million	Notes	2013	2012 (Restated)	As at 01-01-12 (Restated)
ASSETS				
Equipment	1	**586**	449	514
Owner-occupied properties	2	**672**	665	586
Goodwill	3	**3 796**	3 457	3 195
Other intangible assets		**111**	63	47
Value of business acquired	4	**1 586**	1 599	1 611
Deferred acquisition costs	5	**2 976**	2 717	2 427
Long-term reinsurance assets	6	**796**	746	674
Investments	7	**477 550**	401 556	346 276
Properties	7.1	**9 182**	10 027	9 381
Fixed properties		**8 940**	9 660	8 899
Straight-line rental adjustment		**242**	367	482
Equity-accounted investments	7.2	**9 780**	5 412	2 938
Equities and similar securities	7.3	**166 122**	135 506	113 357
Interest-bearing investments	7.4	**131 417**	124 212	113 222
Structured transactions	7.4	**11 906**	14 831	13 895
Investment funds	7.4	**131 029**	97 622	79 629
Cash, deposits and similar securities	7.4	**18 114**	13 946	13 854
Deferred tax	8	**361**	450	640
Non-current assets held for sale	38	**415**	308	1 390
Short-term insurance technical assets	9	**2 716**	2 096	1 831
Working capital assets		**69 739**	76 847	61 478
Trade and other receivables	10	**51 339**	60 288	45 697
Cash, deposits and similar securities		**18 400**	16 559	15 781
Total assets		**561 304**	490 953	420 669
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and premium	11	**22**	22	22
Treasury shares		**(3 581)**	(3 632)	(3 780)
Other reserves	12	**9 250**	8 793	8 865
Retained earnings		**35 274**	31 373	28 352
Shareholders' fund		**40 965**	36 556	33 459
Non-controlling interest	14	**3 651**	2 970	3 046
Total equity		**44 616**	39 526	36 505
Long-term policy liabilities	15	**382 309**	328 584	282 421
Insurance contracts		**158 575**	148 427	135 742
Investment contracts		**223 734**	180 157	146 679
Term finance	16	**6 129**	5 463	6 295
Margin business		**2 038**	1 487	2 414
Other interest-bearing liabilities		**4 091**	3 976	3 881
Derivative liabilities		**1 387**	610	212
External investors in consolidated funds		**55 710**	38 702	30 775
Cell owners' interest		**814**	688	603
Deferred tax	8	**2 142**	1 333	902
Short-term insurance technical provisions	9	**11 032**	9 877	8 682
Working capital liabilities		**57 165**	66 170	54 274
Trade and other payables	17	**54 799**	63 469	52 148
Provisions	18	**285**	396	423
Taxation		**2 081**	2 305	1 703
Total equity and liabilities		**561 304**	490 953	420 669

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

R million	Notes	2013	Restated 2012
Net income		**102 000**	89 337
Financial services income	19	**45 104**	40 414
Reinsurance premiums paid	20	**(4 963)**	(4 611)
Reinsurance commission received	21	**675**	583
Investment income	22	**19 688**	19 522
Investment surpluses	22	**47 350**	38 303
Finance cost – margin business	26	**(69)**	(185)
Change in fair value of external investors' liability		**(5 785)**	(4 689)
Net insurance and investment contract benefits and claims		**(71 376)**	(62 566)
Long-term insurance contract benefits	23	**(26 480)**	(27 977)
Long-term investment contract benefits	23	**(34 106)**	(24 690)
Short-term insurance claims		**(13 861)**	(12 185)
Reinsurance claims received	21	**3 071**	2 286
Expenses		**(18 418)**	(16 408)
Sales remuneration		**(5 825)**	(5 393)
Administration costs	24	**(12 593)**	(11 015)
Impairments	39	**(34)**	(206)
Amortisation of intangibles		**(263)**	(184)
Net operating result		**11 909**	9 973
Equity-accounted earnings	25	**1 224**	584
Finance cost – other	26	**(516)**	(453)
Profit before tax		**12 617**	10 104
Taxation	27	**(3 483)**	(3 670)
Shareholders' fund		**(2 422)**	(2 468)
Policyholders' fund		**(1 061)**	(1 202)
Profit for the year		**9 134**	6 434
Other comprehensive income: to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve		**1 123**	128
Other comprehensive income: not to be recycled through profit or loss in subsequent periods			
Employee benefits re-measurement gain	32	**3**	—
Comprehensive income for the year		**10 260**	6 562
Allocation of comprehensive income:			
Profit for the year		**9 134**	6 434
Shareholders' fund		**8 131**	5 655
Non-controlling interest		**1 003**	779
Comprehensive income for the year		**10 260**	6 562
Shareholders' fund		**9 030**	5 760
Non-controlling interest		**1 230**	802
Earnings attributable to shareholders of the company (cents):			
Profit for the year:			
Basic earnings per share	28	**419,8**	293,3
Diluted earnings per share	28	**401,2**	281,4

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

R million	Note	Share capital	Share premium	Treasury shares	Non-distributable reserve
Balance at 1 January 2012 – previously reported		21	1	(3 780)	9 792
Change in accounting policies	41	—	—	—	—
Balance at 1 January 2012 – restated		21	1	(3 780)	9 792
Comprehensive income		—	—	—	—
Profit for the year		—	—	—	—
Other comprehensive income		—	—	—	—
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
Comprehensive income		**—**	**—**	**—**	**—**
Profit for the year		**—**	**—**	**—**	**—**
Other comprehensive income		**—**	**—**	**—**	**—**
Net (acquisition)/disposal of treasury shares[2]		**—**	**—**	**51**	**—**
Share-based payments		**—**	**—**	**—**	**—**
Transfer to non-distributable reserve		**—**	**—**	**—**	**59**
Transfer (from)/to consolidation reserve		**—**	**—**	**—**	**—**
Dividends paid[1]		**—**	**—**	**—**	**—**
Acquisitions, disposals and other movements in interests		**—**	**—**	**—**	**—**
Balance at 31 December 2013		**21**	**1**	**(3 581)**	**9 917**

[1] *A normal dividend of 165 cents per share and a special dividend of 50 cents per share declared during 2013 in respect of the 2012 financial year (2012: normal dividend of 130 cents per share).*

[2] *Comprises movement in cost of shares held by subsidiaries, share incentive trust and other consolidated funds.*

Foreign currency translation reserve	Retained earnings	Subtotal: equity holders	Consoli-dation reserve	Total: equity holders	Non-controlling interest	Total equity
(94)	28 352	34 292	(470)	33 822	3 046	36 868
—	—	—	(363)	(363)	—	(363)
(94)	28 352	34 292	(833)	33 459	3 046	36 505
105	5 655	5 760	—	5 760	802	6 562
—	5 655	5 655	—	5 655	779	6 434
105	—	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)
11	31 373	37 632	(1 076)	36 556	2 970	39 526
896	**8 134**	**9 030**	**—**	**9 030**	**1 230**	**10 260**
—	**8 131**	**8 131**	**—**	**8 131**	**1 003**	**9 134**
896	**3**	**899**	**—**	**899**	**227**	**1 126**
—	**(195)**	**(144)**	**(175)**	**(319)**	**11**	**(308)**
—	**329**	**329**	**—**	**329**	**46**	**375**
—	**(59)**	**—**	**—**	**—**	**—**	**—**
—	**(29)**	**(29)**	**29**	**—**	**—**	**—**
—	**(4 283)**	**(4 283)**	**—**	**(4 283)**	**(518)**	**(4 801)**
—	**4**	**4**	**(352)**	**(348)**	**(88)**	**(436)**
907	**35 274**	**42 539**	**(1 574)**	**40 965**	**3 651**	**44 616**

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2013

R million	Notes	2013	Restated 2012
Cash flow from operating activities		**10 372**	8 818
Cash generated/(utilised) in operations	36.1	**305**	(2 811)
Interest and preference share dividends received		**11 351**	11 295
Interest paid		**(585)**	(638)
Dividends received		**6 785**	6 706
Dividends paid		**(4 679)**	(3 284)
Taxation paid		**(2 805)**	(2 450)
Cash flow from investment activities		**(4 529)**	(6 611)
Net acquisition of investments		**(2 108)**	(4 461)
Acquisition of subsidiaries and associated companies	36.2	**(2 913)**	(2 654)
Disposal of subsidiaries and associated companies	36.3	**492**	504
Cash flow from financing activities		**143**	(1 337)
Movement in treasury shares		**(308)**	(277)
Term finance raised		**2 570**	85
Term finance repaid		**(2 119)**	(1 145)
Net increase in cash and cash equivalents		**5 986**	870
Cash, deposits and similar securities at beginning of the year		**30 505**	29 635
Cash, deposits and similar securities at end of the year	36.4	**36 491**	30 505

	R million	2013	2012
1.	**Equipment**		
	Computer equipment	**380**	269
	Cost	**1 184**	989
	Accumulated depreciation and impairment	**(804)**	(720)
	Furniture, equipment, vehicles and other	**206**	180
	Cost	**643**	578
	Accumulated depreciation and impairment	**(437)**	(398)
	Equipment	**586**	449
	Reconciliation of carrying amount		
	Balance at beginning of the year	**449**	514
	Additions and expenditure capitalised	**348**	223
	Disposals	**(19)**	(74)
	Depreciation	**(205)**	(216)
	Foreign currency translation differences	**13**	2
	Balance at end of the year	**586**	449
2.	**Owner-occupied properties**		
	Balance at beginning of the year	**665**	586
	Additions and expenditure capitalised	**7**	79
	Balance at end of the year	**672**	665

for the year ended 31 December 2013

R million	2013	2012
3. Goodwill		
Balance at beginning of the year	3 457	3 195
Gross carrying amount	3 626	3 316
Accumulated impairment	(169)	(121)
Additions during the year	296	306
Impairments	(5)	(48)
Foreign currency translation differences	48	4
Balance at end of the year	3 796	3 457
Gross carrying amount	3 970	3 626
Accumulated impairment	(174)	(169)
Allocation of goodwill		
Life insurance	504	500
Sanlam Life and Pensions UK	356	356
Sanlam Developing Markets	36	32
Channel Life	96	96
Other	16	16
Other Sanlam businesses	3 292	2 957
Sanlam UK (excluding Sanlam Life and Pensions UK)	71	56
Sanlam Investment Management	442	442
International: Investment Management	278	61
Glacier	98	98
Sanlam Netherlands Holding	49	49
Santam	1 042	955
Other	114	98
Goodwill held on Group level	1 198	1 198
Balance at end of the year	3 796	3 457

The additions to Goodwill are primarily due to the acquisition of a controlling interest in Travel Insurance Consultants and Centriq Holdings by Santam, the acquisition of a controlling interest in FOUR Capital Partners and Centre Asset Management by Sanlam Netherlands Holding and acquisitions by Anglo African Finance (Pty) Limited.

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, less the consolidated net asset value of the respective businesses. Refer to page 148 for an analysis of Group Equity Value as well as pages 173, and 191 to 193 for valuation assumptions used.

R million	2013	2012
4. Value of business acquired		
Balance at beginning of the year	1 599	1 611
Additions during the year	60	180
Foreign currency translation differences	157	43
Disposals	–	(9)
Amortisation	(230)	(147)
Impairments	–	(79)
Balance at end of the year	1 586	1 599
Gross carrying amount	2 543	2 326
Accumulated amortisation and impairment	(957)	(727)
Allocation of value of business acquired		
Sanlam UK	663	582
Sanlam Developing Markets	659	701
Other	264	316
Balance at end of the year	1 586	1 599

The additions to value of business acquired relate primarily to the acquisition of databases by Sanlam UK and the acquisition of Regent and the Centriq Holdings Book by Santam.

Amortisation and impairment of value of business acquired

Value of business acquired is amortised to the statement of comprehensive income 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 to. 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 148 for an analysis of Group Equity Value. Refer to note 39 for impairments of value of business acquired recognised during the year.

R million	2013	2012
5. Deferred acquisition costs		
Balance at beginning of the year	2 717	2 427
Credited to the statement of comprehensive income	259	290
Acquisition costs capitalised	598	515
Expensed for the year	(339)	(225)
Balance at end of the year	2 976	2 717

for the year ended 31 December 2013

R million	2013	2012
6. Long-term reinsurance assets		
Balance at beginning of the year	**746**	674
Movement in reinsurers' share of insurance liabilities	**50**	72
Balance at end of the year	**796**	746
Maturity analysis of long-term reinsurance assets		
Due within one year	**17**	20
Due within two to five years	**167**	133
Due after five years	**612**	593
Total long-term reinsurance assets	**796**	746
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		
7.1 Properties		
Properties comprise:		
Office buildings	**3 083**	2 634
Retail buildings	**2 511**	4 188
Industrial buildings	**567**	610
Undeveloped land	**28**	43
International properties (situated outside South Africa, including listed properties)	**2 753**	2 337
Other	**240**	215
Total properties	**9 182**	10 027
Less: Straight-line rental adjustment	**(242)**	(367)
Total investment properties	**8 940**	9 660

R million	2013	2012
7. Investments *(continued)*		
7.1 Properties *(continued)*		
Reconciliation of carrying amount of properties		
Fixed properties – balance at beginning of the year	**10 027**	9 554
Additions	**721**	190
Disposals	**(2 348)**	(503)
Other movements	**(2)**	—
Foreign currency translation differences	**524**	151
Investment surpluses	**260**	635
Fixed properties – balance at end of year	**9 182**	10 027
Reconciliation of straight-line rental adjustment		
Straight-line rental adjustment – balance at beginning of the year	**367**	482
Disposals	**(28)**	(24)
Movement for the year included in the statement of comprehensive income	**(97)**	(91)
Straight-line rental adjustment – balance at end of the year	**242**	367
Contractual future minimum lease payments receivable under non-cancellable operating leases:		
Within one year	**641**	899
Within two to five years	**1 501**	1 776
After more than five years	**791**	929
Future minimum lease payments	**2 933**	3 604

R million	Notes	2013	2012
7.2 Equity-accounted investments			
Investments in associated companies	7.2.1	**8 953**	4 927
Shriram Capital		**3 191**	2 604
Shriram Transport Finance Company		**1 406**	—
Letshego		**1 376**	1 122
Pacific & Orient		**968**	—
Capricorn Investment Holdings		**780**	—
Other associated companies		**1 232**	1 201
Investments in joint ventures	7.2.2	**827**	485
Sanlam Personal Loans		**542**	467
Other joint ventures		**285**	18
Total equity-accounted investments		**9 780**	5 412

for the year ended 31 December 2013

R million	SHRIRAM CAPITAL[1] 2013	SHRIRAM CAPITAL[1] 2012	SHRIRAM TRANSPORT FINANCE COMPANY[1] 2013	SHRIRAM TRANSPORT FINANCE COMPANY[1] 2012
7. Investments *(continued)*				
7.2 Equity-accounted investments *(continued)*				
7.2.1 Investments in associated companies				
Details of material associated companies:				
Carrying value of interest – equity method	**3 191**	2 604	**1 406**	—
Fair value of interest – based on internal valuation	**3 078**	2 560	**1 297**	—
Fair value of interest – based on quoted prices	**3 102**	2 655	**1 284**	—
Effective interest in issued share capital – Shareholders' fund[2]	**26%**	26%	**5%**	—
Summarised financial information:				
Non-current assets	**18 638**	13 888	**42 817**	—
Current assets	**3 764**	5 209	**48 823**	—
Non-current liabilities	**(2 576)**	(2 787)	**(43 860)**	—
Current liabilities	**(6 843)**	(5 838)	**(34 084)**	—
Non-controlling interest	**(4 092)**	(3 302)	**—**	—
Shareholders' equity	**8 891**	7 170	**13 696**	—
	3 191	2 604	**1 406**	—
Calculated carrying value	**2 947**	2 377	**681**	—
Goodwill recognised in the carrying value of associate	**244**	227	**725**	—
Dividends received	**—**	—	**—**	—
Revenue	**4 096**	—	**13 322**	—
Post-tax profit/(loss) from continuing operations	**1 413**	—	**2 440**	—
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**1 413**	—	**2 440**	—

[1] *Shriram Capital was acquired with an effective date of 1 October 2012, with its business operations (credit, life and general insurance) mainly in India. No earnings have been accounted for the period 1 October 2012 to 31 December 2012 due to a three-month lag in the Shriram Capital results as allowed in terms of IFRS due to Shriram Capital having a 31 March year-end. Earnings for 2013 have been accounted for the period 1 October 2012 to 30 September 2013. The Group also holds a 4,97% direct interest in Shriram Transport Finance Company (associated company of Shriram Capital) acquired between February 2013 and August 2013.*

[2] *The interest relates to the holding of Shriram Financial Ventures (Chennai) Limited in Shriram Capital. The Group has a 33,15% interest in Shriram Financial Ventures (Chennai) Limited.*

R million	LETSHEGO[2] 2013	2012
7. Investments *(continued)*		
7.2 Equity-accounted investments *(continued)*		
7.2.1 Investments in associated companies *(continued)*		
Carrying value of interest – equity method	**1 376**	1 122
Fair value of interest – based on internal valuation	**1 286**	1 122
Fair value of interest – based on quoted prices	**1 421**	1 089
Interest in issued share capital – Shareholders' fund	**23%**	25%
Summarised financial information:		
Non-current assets	**146**	109
Current assets	**5 946**	3 980
Non-current liabilities	**(1 505)**	(828)
Current liabilities	**(371)**	(195)
Non-controlling interest	**(113)**	(90)
Shareholders' equity	**4 103**	2 976
	1 376	1 122
Calculated carrying value	**960**	754
Goodwill recognised in the carrying value of associate	**416**	368
Dividends received	**41**	34
Revenue	**1 293**	1 109
Post-tax profit/(loss) from continuing operations	**719**	601
Other comprehensive income	**—**	—
Total comprehensive income	**719**	601

[2] The Group has an effective 23% interest in Letshego, a listed retail credit business in Botswana.

for the year ended 31 December 2013

R million	PACIFIC & ORIENT[3] 2013	PACIFIC & ORIENT[3] 2012	CAPRICORN INVESTMENT HOLDINGS[4] 2013	CAPRICORN INVESTMENT HOLDINGS[4] 2012
7. Investments *(continued)*				
7.2 Equity-accounted investments *(continued)*				
7.2.1 Investments in associated companies *(continued)*				
Carrying value of interest – equity method	968	–	780	–
Fair value of interest – based on internal valuation	956	–	764	–
Fair value of interest – based on quoted prices	–	–	751	–
Interest in issued share capital – shareholders' fund	49%	–	22%	–
Summarised financial information:				
Non-current assets	2 671	–	22 723	–
Current assets	291	–	4 420	–
Non-current liabilities	–	–	(4 322)	–
Current liabilities	(2 105)	–	(19 305)	–
Non-controlling interest	–	–	(1 354)	–
Shareholders' equity	857	–	2 162	–
	968		780	
Calculated carrying value	420	–	482	–
Goodwill recognised in the carrying value of associate	548	–	298	–
Dividends received	–	–	–	–
Revenue	727	–	1 512	–
Post-tax profit/(loss) from continuing operations	115	–	375	–
Other comprehensive income	–	–	–	–
Total comprehensive income	115	–	375	–

[3] *The Group acquired a 49% interest in Pacific & Orient Insurance Co Berhad, a niche short-term insurance business in Malaysia with an effective date of 1 May 2013. The earnings recognised in the Group's results are for the period 1 May 2013 to 31 December 2013.*

[4] *The Group acquired an effective 22% interest in Capricorn Investment Holdings, an investment company in Namibia with an effective date of 1 July 2013. The earnings recognised in the Group's results are for the period 1 July 2013 to 31 December 2013.*

R million	2013	2012
Details of immaterial associated companies:		
Post-tax profit/(loss) from continuing operations	400	253
Other comprehensive income	–	–
Total comprehensive income	400	253

R million	SANLAM PERSONAL LOANS[1] 2013	2012
7. Investments *(continued)*		
7.2 Equity-accounted investments *(continued)*		
7.2.2 Investments in joint ventures		
Details of material joint ventures:		
Carrying value of interest – equity method	542	467
Fair value of interest – based on internal valuation	967	816
Effective interest in issued share capital	70%	70%
Class A	70%	70%
Class B	0%	70%
Summarised financial information:		
Non-current assets	2 629	2 225
Current assets	892	770
Cash and cash equivalents	39	46
Other current assets	853	724
Non-current liabilities	(1 549)	(1 405)
Deferred tax	—	—
Long-term borrowings	(1 549)	(1 405)
Other non-current liabilities	—	—
Current liabilities	(1 269)	(1 093)
Trade and other payables	(28)	(30)
Short-term borrowings	(1 227)	(1 063)
Taxation payable	(14)	—
Non-controlling interest	2	1
Net asset attributable to class B shares	(17)	—
Total equity	688	498
Calculated carrying value	482	351
Shareholders' loan	60	116
	542	467
Dividends received	—	—
Revenue	129	117
Interest income	739	607
Interest expense	(220)	(166)
Taxation	(86)	(88)
Post-tax profit/(loss) from continuing operations	187	212
Other comprehensive income	—	—
Total comprehensive income	187	212

[1] *The Group has a 70% interest in Sanlam Personal Loans, a jointly controlled entity in the personal loan business in South Africa.*

Details of individually immaterial joint ventures:	2013	2012
Post-tax profit/(loss) from continuing operations	87	—
Other comprehensive income	—	—
Total comprehensive income	87	—

R million	2013	2012
7. Investments *(continued)*		
7.3 Equities		
Equities and similar securities comprise:		
Listed on the JSE – at market value	**65 450**	59 774
Unlisted – at directors' valuation	**1 488**	2 217
Offshore equity investments	**4 372**	4 802
Listed – at market value	**3 524**	3 718
Unlisted – at directors' valuation	**848**	1 084
Equities held by consolidated investment funds	**94 812**	68 713
Total equities and similar securities	**166 122**	135 506
Classification of equities and similar securities		
Designated as at fair value through profit or loss	**166 097**	135 493
Held for trading at fair value	**25**	13
Total equities and similar securities	**166 122**	135 506

%	2013	2012
Spread of equities listed on the JSE by sector[1]		
Basic materials	**15,4%**	20,1%
Consumer goods	**16,9%**	13,5%
Consumer services	**15,1%**	11,2%
Financials	**19,5%**	21,7%
General industrials	**11,2%**	11,5%
Information technology	**0,1%**	0,0%
Healthcare	**2,2%**	1,8%
Property	**3,4%**	1,2%
Telecommunications	**10,8%**	11,4%
Other	**5,4%**	7,6%
	100%	100%

[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 Investments other than equities and similar securities, equity-accounted investments and properties				
31 December 2013				
Interest-bearing investments	**131 017**	**—**	**400**	**131 417**
Government interest-bearing investments	**60 440**	**—**	**—**	**60 440**
Corporate interest-bearing investments	**66 861**	**—**	**309**	**67 170**
Other interest-bearing investments	**3 716**	**—**	**91**	**3 807**
Structured transactions	**11 317**	**589**	**—**	**11 906**
Investment funds	**131 029**	**—**	**—**	**131 029**
Cash, deposits and similar securities	**18 108**	**—**	**6**	**18 114**
	291 471	**589**	**406**	**292 466**
31 December 2012				
Interest-bearing investments	123 781	—	431	124 212
Government interest-bearing investments	52 275	—	—	52 275
Corporate interest-bearing investments	69 104	—	319	69 423
Other interest-bearing investments	2 402	—	112	2 514
Structured transactions	14 337	494	—	14 831
Investment funds	97 622	—	—	97 622
Cash, deposits and similar securities	13 941	—	5	13 946
	249 681	494	436	250 611

[1] *The estimated fair value of investments valued at amortised cost amounts to R406 million (2012: R436 million) and is classified as level 3 instruments and the valuation is based on discounted cash flows.*

for the year ended 31 December 2013

7. Investments *(continued)*

7.4 Investments other than equities and similar securities, equity-accounted investments and properties *(continued)*

Maturity analysis:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2013					
Interest-bearing investments	**10 474**	**33 677**	**62 027**	**25 239**	**131 417**
Government interest-bearing investments	**505**	**4 443**	**48 683**	**6 809**	**60 440**
Corporate interest-bearing investments	**9 588**	**27 336**	**11 818**	**18 428**	**67 170**
Other interest-bearing investments	**381**	**1 898**	**1 526**	**2**	**3 807**
Structured transactions	**—**	**—**	**—**	**11 906**	**11 906**
Investment funds	**—**	**—**	**—**	**131 029**	**131 029**
Cash, deposits and similar securities	**11 539**	**2 522**	**280**	**3 773**	**18 114**
Total	**22 013**	**36 199**	**62 307**	**171 947**	**292 466**
31 December 2012					
Interest-bearing investments	12 661	36 277	53 063	22 211	124 212
Government interest-bearing investments	1 020	4 601	41 995	4 659	52 275
Corporate interest-bearing investments	11 554	30 824	9 737	17 308	69 423
Other interest-bearing investments	87	852	1 331	244	2 514
Structured transactions	—	—	—	14 831	14 831
Investment funds	—	—	—	97 622	97 622
Cash, deposits and similar securities	8 643	1 793	186	3 324	13 946
Total	21 304	38 070	53 249	137 988	250 611

Structured transactions and investment funds are classified as open ended. Assets are considered open-ended when they have no fixed maturity date or regularly traded to meet liquidity requirements.

R million	2013	2012
Listed	**100 539**	69 160
Unlisted	**48 992**	68 998
Designated as at fair value through profit or loss	**48 586**	68 562
Loans and receivables at amortised cost	**406**	436
Structured transactions	**11 906**	14 831
Investment funds	**131 029**	97 622
Total investments other than equities and similar securities, equity-accounted investments and properties	**292 466**	250 611
Unlisted investments (other than equities and similar securities, equity-accounted investments, structured transactions, properties and investment funds)		
Maximum exposure to credit risk at the reporting date	**48 992**	68 998

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 2013 and 2012 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 2012	640	(902)
Temporary differences credited/(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)
Temporary differences (charged)/credited to the statement of comprehensive income	**(94)**	**(796)**
Accruals and provisions	**(29)**	**4**
Tax losses and credits	**(34)**	**—**
Net unrealised investment surpluses on shareholders' fund	**20**	**(492)**
Net unrealised investment surpluses on policyholders' fund	**—**	**(249)**
Other temporary differences	**(51)**	**(59)**
Acquisition of subsidiaries	**—**	**4**
Foreign currency translation differences	**3**	**(15)**
Balance at 31 December 2013	**323**	**(2 104)**
Analysis of deferred tax balances at 31 December 2013	**323**	**(2 104)**
Accruals and provisions	**221**	**4**
Tax losses and credits	**162**	**—**
Unrealised gains/losses on shareholders' fund	**(39)**	**(1 213)**
Unrealised gains/losses on policyholders' fund	**—**	**(830)**
Other temporary differences	**(21)**	**(65)**
Analysis of deferred tax balances at 31 December 2012	414	(1 297)
Accruals and provisions	250	—
Tax losses and credits	196	—
Unrealised gains/losses on shareholders' fund	(59)	(721)
Unrealised gains/losses on policyholders' fund	—	(581)
Other temporary differences	27	5

for the year ended 31 December 2013

R million	2013	2012
8. Deferred tax *(continued)*		
Total deferred tax asset recognised	**361**	450
Total deferred tax liability recognised	**(2 142)**	(1 333)
Total net deferred tax	**(1 781)**	(883)
9. Short-term insurance technical provisions		
Short-term insurance technical provisions	**11 032**	9 877
Outstanding claims	**7 119**	6 336
Provision for unearned premiums	**3 740**	3 394
Deferred reinsurance acquisition revenue	**173**	147
Less: Short-term insurance technical assets	**2 716**	2 096
Reinsurers' share of technical provisions		
Outstanding claims	**1 521**	1 173
Unearned premiums	**823**	582
Deferred acquisition cost	**372**	341
Net short-term insurance technical provisions	**8 316**	7 781

Analysis of movement in short-term insurance technical provisions

	2013			2012		
R million	Gross	Re-insurance	Net	Gross	Re-insurance	Net
Outstanding claims						
Balance at beginning of the year	**6 336**	**(1 173)**	**5 163**	5 550	(1 069)	4 481
Cash paid for claims settled in the year	**(13 144)**	**1 873**	**(11 271)**	(11 427)	1 481	(9 946)
Increase in liabilities	**13 927**	**(2 221)**	**11 706**	12 213	(1 585)	10 628
Balance at end of the year	**7 119**	**(1 521)**	**5 598**	6 336	(1 173)	5 163
Unearned premiums						
Balance at beginning of the year	**3 394**	**(582)**	**2 812**	3 030	(429)	2 601
Net increase/(release) in the period	**346**	**(241)**	**105**	364	(153)	211
Balance at end of the year	**3 740**	**(823)**	**2 917**	3 394	(582)	2 812

R million	2013	2012
10. Trade and other receivables		
Premiums receivable	**4 857**	4 528
Accrued investment income	**2 344**	2 006
Trading account	**36 626**	43 612
Amounts due from reinsurers	**801**	419
Accounts receivable	**6 711**	9 723
Total trade and other receivables	**51 339**	60 288
Classification of trade and other receivables:		
Held for trading at fair value	**36 626**	43 612
Loans and receivables at amortised cost	**14 713**	16 676
	51 339	60 288
Trade and other receivables, excluding trading account, are receivable within one year. The estimated fair value of receivables at amortised cost approximate the carrying value. This valuation is based on a discounted cash flow basis and is classified as level 3.		
Maturity analysis of trading account – fair value		
Due within one year	**6 376**	2 521
Due within two to five years	**9 375**	10 267
Due after five years	**6 302**	6 758
Open ended	**14 573**	24 066
Total trading account	**36 626**	43 612
Maturity analysis of trading account – undiscounted		
Due within one year	**9 152**	5 462
Due within two to five years	**11 036**	13 229
Due after five years	**13 198**	8 182
Open ended	**14 573**	24 066
Total trading account	**47 959**	50 939

for the year ended 31 December 2013

R million		2013	2012
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 at no par value	R million	**—**	0,6
Balance at end of the year	R million	**40,6**	41,2
Issued share capital: ordinary shares			
Total shares in issue at beginning of the year	million	**2 100,0**	2 100,0
Shares cancelled during the year	million	**—**	—
Total shares in issue at end of the year	million	**2 100,0**	2 100,0
Shares held by subsidiaries	million	**(168,9)**	(163,9)
Balance at end of the year	million	**1 931,1**	1 936,1
% of ordinary shares held by subsidiaries		**8,0%**	7,8%
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		**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

The contractual measurement period applying to the reclassification of the Sanlam deferred shares ended in December 2013. In terms of the contractual new business volumes formula, a total of 66,5 million deferred shares qualify for reclassification as Sanlam Limited ordinary shares. This includes 10 million of the 'B' deferred shares to be issued to Ubuntu-Botho at 1 cent each in 2014, and together with the 56,5 million 'A' deferred shares, will be reclassified as ordinary shares. This will increase Sanlam Limited's issued ordinary shares to 2 166,5 million.

A register containing details of rights attached to the deferred shares, is available for inspection at the registered office of Sanlam Limited.

Special resolutions by subsidiary companies since the date of the previous directors' report relate to approval of directors' remuneration, general authority to purchase shares, general authority to provide assistance in terms of section 44 of the Companies Act, and general authority to provide assistance to inter-related companies in terms of section 45 of the Companies Act.

11. Share capital and premium *(continued)*

Executive share incentive scheme

	Shares 2013 000's	Options 2013 000's	Average option price 2013 R	Shares 2012 000's	Options 2012 000's	Average option price 2012 R
Total number of shares and share options at beginning of the year	**41 536**	**–**	**–**	44 220	3 202	8,22
Unrestricted shares and share options at beginning of the year	**(2 064)**	**–**	**–**	(2 682)	(3 202)	8,22
Restricted shares and share options at beginning of the year	**39 472**	**–**	**–**	41 538	–	–
New restricted shares granted in terms of restricted share and DSP schemes	**7 016**	**–**	**–**	9 593	–	–
Unconditional options and shares released, available for release, or taken up	**(8 996)**	**–**	**–**	(10 372)	–	–
Options and shares forfeited	**(823)**	**–**	**–**	(1 287)	–	–
Restricted shares and share options at end of the year	**36 669**	**–**	**–**	39 472	–	–
Unrestricted shares and share options at end of the year[3]	**1 328**	**–**	**–**	2 064	–	–
Total number of shares and share options at end of the year	**37 997**	**–**	**–**	41 536	–	–
Total equity participation by employees	**37 997**	**–**	**–**	41 536	–	–

for the year ended 31 December 2013

R million	2013	2012
11. Share capital and premium *(continued)*		
Total equity participation by employees as a percentage of total issued ordinary shares	**1,8%**	2,0%
Approved maximum level of equity participation by employees (number of shares)	**160 000**	160 000

(1) Refer Remuneration report on pages 67 to 93 for further details of the schemes.
(2) Refer to the Directors' report on page 200 where the directors' interests in contracts, the interests of directors and officers in share capital and changes in directors are disclosed (which have been audited).
(3) 871 851 shares became unrestricted during 2013.

Details regarding the restricted shares outstanding on 31 December 2013 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 2014	9 224
31 December 2015	8 411
31 December 2016	13 043
31 December 2017	4 109
31 December 2018	1 882

	2013	2012
Weighted average share price of options exercised during the year	**n/a**	R33,25

A total of 7,0 million (2012: 9,6 million) restricted shares were granted to staff and executive directors during 2013. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R272 million (2012: R302 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	2013	2012
12. Other reserves		
Non-distributable reserves	**9 917**	9 858
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**9 415**	9 415
Regulatory reserves of the Group's Botswana operations	**502**	443
Foreign currency translation reserve	**907**	11
Consolidation reserve	**(1 574)**	(1 076)
Policyholder fund investments in consolidated subsidiaries	**(427)**	(128)
Policyholder fund investment in Sanlam Limited shares	**(1 147)**	(948)
Total reserves other than retained earnings	**9 250**	8 793

13. Contingency reserves

Contingency reserves in respect of short-term insurance business of R22 million are included in shareholders' reserves (2012: R19 million).

R million	2013	2012
14. Non-controlling interest		
Santam[1]	1 837	1 568
Sanlam Developing Markets[2]	1 304	1 032
Sanlam Emerging Markets	202	115
Sanlam Namibia Holdings	189	184
Other	119	71
Total non-controlling interest	3 651	2 970

For additional financial information for subsidiaries with significant non-controlling interest refer to page 331.

[1] *Includes the Santam BBBEE vehicle consolidated at a Sanlam Group level.*

[2] *Relates mainly to the Group's investment in Botswana Insurance Holdings Limited.*

R million	2013 Total	2013 Insurance contracts	2013 Investment contracts	2012 Total	2012 Insurance contracts	2012 Investment contracts
15. Long-term policy liabilities						
15.1 Analysis of movement in policy liabilities						
Income	111 334	39 704	71 630	95 245	41 388	53 857
Premium income (note 15.2)	57 847	20 323	37 524	48 927	19 760	29 167
Investment return after tax (note 23)	53 487	19 381	34 106	46 318	21 628	24 690
Outflow	(66 338)	(31 481)	(34 857)	(51 065)	(29 048)	(22 017)
Policy benefits (note 15.3)	(36 401)	(16 344)	(20 057)	(31 928)	(14 887)	(17 041)
Retirement fund terminations	(6 300)	–	(6 300)	(2 474)	(5)	(2 469)
Transfer to segregated assets	(5 298)	–	(5 298)	–	–	–
Fees, risk premiums and other payments to shareholders' fund	(18 339)	(15 137)	(3 202)	(16 663)	(14 156)	(2 507)
Movement in policy loans	(39)	(14)	(25)	(174)	5	(179)
Net movement for the year	44 957	8 209	36 748	44 006	12 345	31 661
Foreign currency translation differences	8 768	1 939	6 829	2 157	340	1 817
Balance at beginning of the year	328 584	148 427	180 157	282 421	135 742	146 679
Balance at end of the year	382 309	158 575	223 734	328 584	148 427	180 157

R million	2013	2012
15.2 Analysis of premium income		
Individual business	42 202	36 395
Recurring	19 016	17 321
Single	20 870	16 783
Continuations	2 316	2 291
Employee benefits business	15 645	12 532
Recurring	6 704	6 950
Single	8 941	5 582
Total premium income	57 847	48 927

for the year ended 31 December 2013

R million	2013	2012
15. Long-term policy liabilities *(continued)*		
15.3 Analysis of long-term policy benefits		
Individual business	**30 241**	26 070
Maturity benefits	**16 246**	13 044
Surrenders	**6 395**	5 980
Life and term annuities	**6 237**	5 826
Death and disability benefits[1]	**1 231**	1 138
Cash bonuses[1]	**132**	82
Employee benefits business	**6 160**	5 858
Withdrawal benefits	**2 241**	2 836
Pensions	**1 357**	1 363
Lump-sum retirement benefits	**1 181**	1 085
Death and disability benefits[1]	**1 360**	474
Cash bonuses[1]	**21**	100
Total long-term policy benefits	**36 401**	31 928

[1] *Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 23).*

R million	2013	2012
15.4 Composition of policy liabilities		
Individual business	**315 376**	265 340
Linked and market-related liabilities	**213 737**	167 443
Smoothed bonus business	**53 800**	50 626
Guaranteed business	**7 005**	8 091
Annuities – guaranteed	**27 723**	27 056
Annuities – participating	**128**	118
Non-participating risk business	**10 324**	9 872
Other non-participating liabilities	**2 659**	2 134
Employee benefits business	**66 933**	63 244
Linked and market-related liabilities	**33 664**	31 645
Smoothed bonus business	**14 525**	13 130
Guaranteed business	**167**	—
Annuities – guaranteed	**6 712**	6 876
Annuities – participating	**6 966**	6 959
Non-participating risk business	**4 746**	4 628
Other non-participating liabilities	**153**	6
Total policy liabilities	**382 309**	328 584

Comparative information has been restated for new product classifications and a reclassification of R7 864 million from individual to employee benefits business.

15. Long-term policy liabilities *(continued)*

15.5 Maturity analysis of investment policy contracts

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
2013					
Linked and market-related liabilities	**3 023**	**24 116**	**75 080**	**98 490**	**200 709**
Smoothed bonus business	**383**	**90**	**386**	**14 565**	**15 424**
Guaranteed business	**370**	**6 562**	**6**	**167**	**7 105**
Annuities – guaranteed	**43**	**85**	**14**	**—**	**142**
Non-participating risk business	**2**	**—**	**—**	**3**	**5**
Other non-participating liabilities	**—**	**—**	**—**	**349**	**349**
Total investment policies	**3 821**	**30 853**	**75 486**	**113 574**	**223 734**
2012					
Linked and market-related liabilities	2 818	16 069	59 462	79 238	157 587
Smoothed bonus business	339	75	427	13 210	14 051
Guaranteed business	460	7 511	8	106	8 085
Annuities – guaranteed	44	88	20	—	152
Non-participating risk business	2	92	—	4	98
Other non-participating liabilities	—	—	—	184	184
Total investment policies	3 663	23 835	59 917	92 742	180 157

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 40 for additional fair value disclosures.

15.6 Maturity analysis of insurance policy contracts

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
2013					
Linked and market-related liabilities	**2 325**	**10 570**	**27 563**	**6 234**	**46 692**
Smoothed bonus business	**2 905**	**12 951**	**30 927**	**6 118**	**52 901**
Guaranteed business	**9**	**27**	**28**	**3**	**67**
Annuities – guaranteed	**16**	**189**	**394**	**33 694**	**34 293**
Annuities – participating	**—**	**—**	**—**	**7 094**	**7 094**
Non-participating risk business	**161**	**1 086**	**2 731**	**11 087**	**15 065**
Other non-participating liabilities	**6**	**60**	**59**	**2 338**	**2 463**
Total insurance policies	**5 422**	**24 883**	**61 702**	**66 568**	**158 575**
2012					
Linked and market-related liabilities	2 101	9 281	24 867	5 252	41 501
Smoothed bonus business	2 742	11 681	30 389	4 893	49 705
Guaranteed business	—	—	—	6	6
Annuities – guaranteed	3	32	50	33 695	33 780
Annuities – participating	—	—	—	7 077	7 077
Non-participating risk business	134	1 021	2 434	10 813	14 402
Other non-participating liabilities	92	50	—	1 814	1 956
Total insurance policies	5 072	22 065	57 740	63 550	148 427

Comparative information has been restated for new product classifications.

for the year ended 31 December 2013

R million		Notes	2013	2012
15.	**Long-term policy liabilities** *(continued)*			
15.7	**Policy liabilities include the following:**			
	Provision for HIV/Aids and other pandemics		**3 599**	4 532
	Asset mismatch reserve		**3 926**	3 325
16.	**Term finance**			
	Term finance comprises:			
	Interest-bearing liabilities held in respect of margin business	16.1	**2 038**	1 487
	Other interest-bearing liabilities	16.2	**4 091**	3 976
			6 129	5 463
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 5,5% and 8,5% (2012: 5,5% and 8,3%) or linked to prime interest rates. The preference shares have different redemption dates up to 2016.		**2 038**	1 487
16.2	**Other interest-bearing liabilities**			
	Unsecured subordinated bond, with interest payable at 8,70% and a final maturity date of 15 August 2023. The bond has a redemption call option at its nominal value of R1 160 million, which the Group can exercise on 15 August 2018.		**1 155**	—
	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 exercised on 15 August 2013.		**—**	1 186
	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.		**870**	901
	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.		**1 022**	1 034
	Mortgage bonds over properties held in unit-linked policyholder funds. The mortgage over each property is negotiated separately, varies in term from 5 to 20 years, with interest rates linked at a premium between 2,5% and 4,5% to the Bank of England base rate.		**626**	524
	Obligations towards beneficiaries of companies limited by guarantee – matched by assets held in this regard.		**93**	109
	Redeemable non-voting preference shares issued by subsidiary company; redeemable in three tranches between 1 April 2014 and 31 March 2015.		**258**	86
	Other		**67**	136
			4 091	3 976

R million	Notes	2013	2012
16. Term finance *(continued)*			
16.3 Maturity analysis of term finance – fair value			
Due within one year		691	1 265
Due within two to five years		2 712	1 365
Due after more than five years		2 726	2 833
Total term finance liabilities		**6 129**	5 463
Maturity analysis of term finance – undiscounted			
Due within one year		704	1 302
Due within two to five years		3 042	1 774
Due after more than five years		4 255	4 044
Total term finance liabilities		**8 001**	7 120
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	3 515	3 455
Valued at stock exchange prices		3 047	3 121
Based on internal valuation		468	334
Other financial liabilities	16.4.2	2 614	2 008
Total term finance liabilities		**6 129**	5 463
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss		3 515	3 455
Amount contractually payable at maturity		3 174	3 171
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		2 614	2 008

Refer to note 40 for additional fair value disclosures.

This valuation is based on discounted cash flows and is classified as level 3.

R million	Notes	2013	2012
17. Trade and other payables			
Trading account		32 620	37 711
Accounts payable		16 305	20 663
Policy benefits payable		3 050	2 779
Amounts due to reinsurers		1 235	826
Bank overdrafts		23	—
Operating lease creditor		31	26
Claims incurred but not reported		1 535	1 464
Total trade and other payables		**54 799**	63 469
Classification of trade and other payables:			
Held for trading at fair value		32 620	37 711
Other payables at amortised cost		22 179	25 758
Total trade and other payables		**54 799**	63 469

Trade and other payables, excluding trading account, are payable within one year. The estimated fair value of payables at amortised cost approximate fair value. This valuation is based on discounted cash flows and is classified as level 3.

for the year ended 31 December 2013

R million	2013	2012
17. Trade and other payables *(continued)*		
Maturity analysis of trading account – fair value		
Due within one year	**20 398**	16 857
Due within two to five years	**1 517**	2 356
Due after five years	**1 278**	2 137
Open ended	**9 427**	16 361
Total trading account	**32 620**	37 711
Maturity analysis of trading account – undiscounted		
Due within one year	**21 004**	18 437
Due within two to five years	**1 653**	3 434
Due after five years	**1 942**	815
Open ended	**9 427**	16 361
Total	**34 026**	39 047

R million	Possible claims	Post-retire-ment medical aid	Onerous contracts	Other	Total
18. Provisions					
Details of the different classes of provisions are as follows:					
Balance at 1 January 2012	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**
Charged to the statement of comprehensive income	**(127)**	**–**	**3**	**40**	**(84)**
Additional provisions	**6**	**–**	**3**	**40**	**49**
Unused amounts reversed	**(133)**	**–**	**–**	**–**	**(133)**
Utilised during the year	**–**	**(4)**	**–**	**(23)**	**(27)**
Balance at 31 December 2013	**123**	**38**	**17**	**107**	**285**
Analysis of provisions					
Current	**2**	**2**	**–**	**46**	**50**
Non-current	**121**	**36**	**17**	**61**	**235**
Total provisions at 31 December 2013	**123**	**38**	**17**	**107**	**285**

18. Provisions *(continued)*

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.

R million	2013	2012
19. Financial services income		
Analysis per revenue source		
Long-term insurance	**20 379**	17 164
Short-term insurance	**20 344**	19 101
Other financial services	**4 381**	4 149
Total financial services income	**45 104**	40 414
Analysis per revenue category		
Long-term insurance fee income	**20 379**	17 164
Administration services	**3 141**	2 663
Investment management fees	**560**	387
Risk benefit charges and other fee income	**16 678**	14 114
Short-term insurance premiums	**20 344**	19 101
Premiums receivable	**20 700**	19 433
Change in unearned premium provision	**(356)**	(332)
Other financial services fees and income	**4 323**	4 103
Trading profit	**57**	46
Foreign exchange (losses)/gains	**1**	—
Total financial services income	**45 104**	40 414

for the year ended 31 December 2013

	R million	2013	2012
20.	**Reinsurance premiums paid**		
	Long-term insurance	1 422	1 182
	Short-term insurance	3 541	3 429
	Premiums payable	3 741	3 565
	Change in unearned premium provision	(200)	(136)
	Total reinsurance premiums paid	4 963	4 611
21.	**Reinsurance income**		
	Reinsurance commission received		
	Long-term insurance	72	67
	Short-term insurance	603	516
	Total reinsurance commission received	675	583
	Reinsurance claims received		
	Long-term insurance	845	799
	Short-term insurance	2 226	1 487
	Total reinsurance claims received	3 071	2 286
22.	**Investment return**		
	Investment income		
	Equities and similar securities	6 785	6 706
	Interest-bearing, preference shares and similar securities	11 583	11 402
	Properties	1 214	1 274
	Rental income – excluding contingent rental	1 261	1 350
	Contingent rental income	89	100
	Rental related expenses	(136)	(176)
	Income from margin business[1]	106	140
	Total investment income	19 688	19 522
	Investment surpluses		
	Financial assets designated as at fair value through profit or loss	45 847	36 987
	Financial assets classified as held-for-trading	1 221	682
	Investment properties	163	544
	Profit on disposal of associated companies, subsidiaries and operations	119	90
	Total investment surpluses	47 350	38 303
	Investment return includes:		
	Foreign exchange gains	6 504	1 539

[1] *Refer to note 26 for finance cost incurred in respect of margin business.*

R million	2013	2012
23. Long-term insurance and investment contract benefits		
Insurance contracts		
Underwriting policy benefits	7 099	6 349
After tax investment return attributable to insurance contract liabilities (note 15)	19 381	21 628
Total long-term insurance contract benefits	26 480	27 977
Investment contracts		
After tax investment return attributable to investment contract liabilities (note 15)	34 106	24 690
Total long-term investment contract benefits	34 106	24 690
Analysis of underwriting policy benefits		
Individual insurance	4 120	2 995
Employee benefits	2 979	3 354
Total underwriting policy benefits	7 099	6 349
24. Administration costs include:		
Directors' remuneration		
Refer to Remuneration report on pages 67 to 93 for additional audited information on directors' remuneration.		
Auditors' remuneration		
Audit fees: statutory audit	98	87
Other services provided by:	17	18
Subsidiaries' own auditors	14	14
Other Group auditors	3	4
Total auditors' remuneration	115	105
Depreciation	205	216
Operating leases	513	475
Properties	330	302
Equipment	166	156
Other	17	17
Consultancy fees	692	562
Technical, administrative and secretarial fees	459	529
Employee benefits	6 749	5 921
Salaries and other short-term benefits	5 883	5 169
Pension costs – defined contribution plans	302	271
Pension costs – defined benefit plans	30	26
Share-based payments	375	257
Other long-term incentive schemes	159	198
Number of employees	12 953	13 139

Following the reassessment of the aggregation of employee benefits in the current year, comparative information has been restated.

for the year ended 31 December 2013

R million	2013	2012
25. Equity-accounted earnings		
Investments in associated companies		
Shriram Capital	330	—
Letshego	186	180
Pacific & Orient	46	—
Capricorn Investment Holdings	50	—
Other associated companies	400	253
Investments in joint ventures		
Sanlam Personal Loans	131	151
Other joint ventures	81	—
Equity-accounted earnings	**1 224**	584
26. Finance cost		
Interest paid and term finance cost in respect of interest margin business	69	185
Finance cost – margin business	**69**	185
Interest-bearing liabilities designated as at fair value through profit or loss	470	414
Interest-bearing liabilities held at amortised cost	46	39
Finance cost – other	**516**	453
27. Taxation		
Analysis of income tax per category		
Normal income tax	**2 593**	3 056
RSA – current year	1 918	1 738
RSA – prior year	(29)	19
Dividends tax – Policyholders	109	81
Foreign	451	455
Capital gains tax	144	555
Secondary tax on companies	—	208
Deferred tax	**890**	614
Normal tax – current year	81	131
Normal tax – prior year	12	16
Foreign	1	(7)
Capital gains tax	796	394
Secondary tax on companies	—	80
Tax expense	**3 483**	3 670
Shareholders' fund	2 422	2 468
Policyholders' fund	1 061	1 202
Tax expense	**3 483**	3 670

R million	2013	2012
27. Taxation *(continued)*		
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:		
Included in administration costs	**298**	257
Included elsewhere in the statement of comprehensive income	**75**	96
Total indirect taxes and levies	**373**	353

Indirect taxes and levies include value added tax and statutory levies payable to the Financial Services Board.

%	2013	2012
Standard rate of taxation	**28,0**	28,0
Adjusted for:		
Non-taxable income	**(3,9)**	(3,9)
Disallowable expenses	**1,2**	1,1
Share-based payments	**—**	0,1
Utilisation of assessed loss	**0,3**	—
Investment surpluses	**(2,9)**	(0,4)
Prior year adjustments	**—**	0,2
Foreign tax rate differential	**—**	(0,1)
Secondary tax on companies	**—**	2,9
Policyholders	**6,1**	8,5
Other	**(1,2)**	(0,1)
Effective tax rate	**27,6**	36,3

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 178 for normalised earnings per share, which is based on the economic earnings attributable to the shareholders' fund, and should be used when evaluating the Group's economic performance.

Cents	2013	2012
Basic earnings per share:		
Headline earnings	**416,2**	298,9
Profit attributable to shareholders' fund	**419,8**	293,3
Diluted earnings per share:		
Headline earnings	**397,8**	286,8
Profit attributable to shareholders' fund	**401,2**	281,4

for the year ended 31 December 2013

R million	2013	2012
28. Earnings per share *(continued)*		
Analysis of earnings:		
Profit attributable to shareholders' fund	8 131	5 655
Less: Net profit on disposal of subsidiaries	(27)	(3)
Profit on disposal of subsidiaries	(49)	(27)
Tax on profit on disposal of subsidiaries	1	8
Non-controlling interest	21	16
Less: Net profit on disposal of associated companies	(63)	(63)
Profit on disposal of associated companies	(70)	(63)
Tax on profit on disposal of associated companies	18	—
Non-controlling interest	(11)	—
Plus: Impairments	21	174
Impairments	34	206
Tax on impairments	(1)	—
Non-controlling interest	(12)	(32)
Headline earnings	8 062	5 763

Million	2013	2012
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)	(162,9)	(171,9)
Adjusted weighted average number of shares for basic earnings per share	1 937,1	1 928,1
Add: Weighted conversion of deferred shares	61,0	50,7
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	28,6	30,6
Adjusted weighted average number of shares for diluted earnings per share	2 026,7	2 009,4

29. Dividends

A dividend of 200 cents per share (2012: normal dividend of 165 cents and special dividend of 50 cents per share) was declared in 2014 in respect of the 2013 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R4,3 billion, but may vary depending on the number of shares in issue on the last day to trade.

R million	2013	2012
30. Collateral		
30.1 Collateral provided		
The following assets have been pledged as collateral for the Group's derivatives, liabilities or contingent liabilities:		
Investments		
Properties	**1 328**	1 174
Interest-bearing investments	**795**	316
Working capital assets		
Trading account	**1 368**	1 168
Cash, deposits and similar securities	**2 992**	1 974
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	**16 916**	14 998
Collateral of between 100% and 120% of the value of the loaned securities is held at 31 December 2013.		
Fair value of the collateral held that the Group is permitted to sell or repledge in the absence of default	**4 703**	1 273

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 while 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 185 for additional information.

31. Critical accounting estimates and judgements *(continued)*

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 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 191 to 193 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 189 and 174 respectively.

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 2013 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
2013				
Base discount rate	**11,3% – 19,1%**	**1%**	**272**	**(255)**
Capitalisation rate	**9,5% – 19,5%**	**1%**	**432**	**(354)**
2012				
Base discount rate	10% – 17,7%	1%	338	(316)
Capitalisation rate	9,5% – 19,5%	1%	558	(455)

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 260 to 263.

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.

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)*

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:

	SANLAM LIFE		SANLAM DEVELOPING MARKETS		SANLAM LIFE NAMIBIA		SANLAM LIFE AND PENSIONS UK	
%	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Reversionary bonus business								
Retirement annuity business	**9,9**	8,5	**n/a**	n/a	**9,9**	8,5	**n/a**	n/a
Individual policyholder business	**8,4**	7,2	**6,3**	5,2	**9,2**	7,9	**n/a**	n/a
Individual stable bonus business								
Retirement annuity business	**9,6**	8,2	**8,1**	6,6	**9,6**	8,2	**n/a**	n/a
Individual policyholder business	**8,1**	6,9	**6,3**	5,2	**8,9**	7,5	**n/a**	n/a
Non-taxable business	**9,6**	8,2	**n/a**	n/a	**9,6**	8,2	**n/a**	n/a
Corporate policyholder business	**7,6**	6,5	**n/a**	n/a	**8,9**	7,5	**n/a**	n/a
Individual market-related business								
Retirement annuity business	**9,9**	8,5	**8,1**	6,6	**9,9**	8,5	**3,2**	2,3
Individual policyholder business	**8,4**	7,2	**6,3**	5,2	**9,2**	7,9	**2,6**	1,9
Non-taxable business	**9,9**	8,5	**n/a**	n/a	**9,9**	8,5	**n/a**	n/a
Corporate policyholder business	**7,9**	6,8	**n/a**	n/a	**9,2**	7,9	**n/a**	n/a
Participating annuity business	**8,1**	6,7	**n/a**	n/a	**7,9**	6,5	**n/a**	n/a
Non-participating annuity business*	**8,9**	7,8	**9,6**	8,4	**7,9**	7,9	**3,7**	3,1
Guarantee plans*	**6,4**	5,3	**7,5**	5,8	**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 2013. 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 2013 actual figures and escalated at estimated expense inflation rates per annum. Refer to note 1 on page 189 for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

for the year ended 31 December 2013

31. Critical accounting estimates and judgements *(continued)*

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% (2012: 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 238 for further information on the estimation of the claims liability.

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. Refer to note 40 for additional information.

31.7 Consolidation of investment funds

The Group invests in a number of investment funds and has varying holdings. Previously, only investments in investment funds where the Group had a majority interest were consolidated. In terms of IFRS 10, the Group considers itself to have control of a fund when it both owns the asset manager of the fund and holds greater than 20% thereof. This resulted in a number of additional investment funds that required consolidation and a number of funds that were deconsolidated. Details of the impact of previously reported financial information is disclosed in note 41 on page 321.

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 2013, 98% of employees were covered by defined contribution funds and 2% by defined benefit funds (2012: 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 R302 million to these funds during 2013 (2012: R271 million).

32. Retirement benefits for employees *(continued)*

32.2 Defined-benefit pension funds

The Sanlam Group has three defined benefit pension 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.

The majority of the Group's defined benefit obligations is made up of the Sanlam Life Fund. This defined benefit fund is governed by the Pension Funds Act. Plan participants are insured against the financial consequences of old age, disability and death. According to the Act the minimum benefit of a defined benefit fund is the greater of the present value of the member's accrued deferred pension and accumulated value of member contributions and vested employer contributions on the date of withdrawal.

The Registrar of Pension Funds has indicated that a fund will be considered to be financially unsound when an actuarial valuation reveals that the value of the existing assets is less than the value of accrued liabilities. The accrued liabilities are the liabilities in respect of past service benefits of active members and the pension benefits of the inactive members. Adequate allowance for future salary increases for active members and allowance for pension increases in line with the Fund's pension increase policy are required to ensure that the fund is always financially sound.

A board of Trustees oversees the affairs of the defined benefit fund as required by the Pension Funds Act. The responsibilities of the Trustees are defined in the Act and the Fund rules. An actuarial report on the fund is prepared annually and approved by the Registrar of Pension Funds. Other funds are managed in a similar manner.

There are no significant risks the entity is exposed to due to the plan, there are ample reserves to cover shortfalls. The plan has also used some of its reserves for a dynamic hedging strategy, the dynamic hedging investment strategy in respect of the pensioner liabilities at 1 April 2011 was implemented with the purpose of optimising pension growth and the Trustees on advice of the valuator have approved a number of contingency reserve accounts to protect the Pension Fund against specific contingencies. The plan assets are also well diversified. The funding level of the fund is 118,0% (previous year 114%). There are no statutory minimum funding level requirements.

During the year ended 31 December 2013 there were no amendments, settlements or curtailments for any of the benefit plans.

The fund is closed to new entrants and was regarded as financially sound at the end of the financial year.

		Sanlam office personnel	Sanlam Investments and Pensions	Sanlam Developing Markets SA
Principal actuarial assumptions:				
Latest valuation date		31 Dec 2013	31 Dec 2013	31 Dec 2013
Pre-retirement discount rate	% pa	9,0%	4,5%	9,0%
Post-retirement discount rate	% pa	1,5%	4,5%	9,0%
Future salary increases	% pa	7,9%	0%	6,5%
Future pension increases	% pa	6,9%	3,3%	5,0%
Actual experience:				
Actual return on assets	% pa	9,5%	6,0%	21,8%

for the year ended 31 December 2013

32. Retirement benefits for employees *(continued)*

32.2 Defined-benefit funds *(continued)*

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.

R million	2013	2012	2011	2010	2009
Net liability recognised in statement of financial position:					
Present value of fund obligations	**1 886**	1 760	1 760	1 508	1 436
Actuarial value of fund assets	**(2 234)**	(2 006)	(1 771)	(1 678)	(1 599)
Net present value of funded obligations	**(348)**	(246)	(11)	(170)	(163)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**348**	246	11	170	163
Net liability recognised in statement of financial position	**—**	—	—	—	—
Experience adjustments on:					
Fund obligations	**1,0%**	2,1%	0,3%	(0,8%)	0,4%
Fund assets	**1,3%**	6,0%	0,6%	1,8%	4,5%

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ liability
2013				
Balance at beginning of the year	**2 006**	**(1 760)**	**(246)**	**—**
Current service cost	**—**	**(29)**	**—**	**(29)**
Contributions	**30**	**—**	**—**	**30**
Employee	**4**	**—**	**—**	**4**
Employer	**26**	**—**	**—**	**26**
Benefit payments	**(114)**	**112**	**—**	**(2)**
Interest income/(expense)	**151**	**(130)**	**(19)**	**2**
Actuarial gains and losses: change in financial assumptions	**—**	**43**	**—**	**43**
Returns from plan assets (excluding amounts included in interest)	**40**	**—**	**—**	**40**
Foreign exchange gains/(losses)	**124**	**(122)**	**—**	**2**
Effect of limiting defined benefit asset to amount available to employer	**—**	**—**	**(83)**	**(83)**
Other	**(3)**	**—**	**—**	**(3)**
Balance at end of the year	**2 234**	**(1 886)**	**(348)**	**—**

32. Retirement benefits for employees *(continued)*

32.2 Defined-benefit funds *(continued)*

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ liability
2012				
Balance at beginning of the year	1 771	(1 760)	(11)	—
Current service cost	—	(26)	—	(26)
Contributions	26	—	—	26
Employee	3	—	—	3
Employer	23	—	—	23
Benefit payments	(131)	130	—	(1)
Interest income/(expense)	151	(146)	(1)	4
Actuarial gains and losses: change in financial assumptions	—	76	—	76
Returns from plan assets (excluding amounts included in interest)	154	—	—	154
Foreign exchange losses	37	(36)	—	1
Effect of limiting defined benefit asset to amount available to employer	—	—	(234)	(234)
Other	(2)	2	—	—
Balance at end of the year	2 006	(1 760)	(246)	—

The asset is not recognised as we do not expect any future reduction in contributions or refunds from the fund.

	2013 R million	2012 R million	2013 %	2012 %
Fund assets comprise:				
Properties	13	40	1	2
Equities and similar securities	664	642	23	32
Interest bearing investments	949	1 043	35	52
Cash, deposits and similar securities	608	281	41	14
	2 234	2 006	100	100

The above value of fund assets includes an investment of R5,4 million (2012: R4,6 million) in Sanlam shares. No material portion of these assets is unquoted.

for the year ended 31 December 2013

32. Retirement benefits for employees *(continued)*

32.2 Defined-benefit funds *(continued)*

R million	2013	2012
Net expense recognised in the statement of comprehensive income (included in administration costs):		
Interest	(2)	(4)
Current service cost	29	26
Other	3	4
Total included in staff costs	30	26
The following discounted defined benefit payments are expected to be made out of the defined benefit plan in future years:		
< 1 year	(170)	(158)
1 – 5 years	(622)	(581)
> 5 years	(1 094)	(1 021)
Total expected payments	(1 886)	(1 760)

Sensitivity analysis for significant assumptions as at 31 December 2013:

	% CHANGE IN ASSUMED ACTUARIAL ASSUMPTIONS	
	1,0% increase	1,0% decrease
Sensitivity analysis		
Effect of movement in real rate of return	241	(192)
Total defined benefit obligation for post-retirement benefits	2 127	1 694

The sensitivity analysis above has been determined by varying the major actuarial assumptions.

The assumptions made when preparing the sensitivity analysis have been grouped into two scenarios. In scenario one the base interest rate (affecting the pre- and post-retirement discount rate and expected rate of return) has been decreased by 1% and in scenario two the base interest rate has been increased by 1%.

32. Retirement benefits for employees *(continued)*

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.

R million	2013	2012
Principal actuarial assumptions at 31 December 2013 were as follows:		
Pre-retirement discount rate	9,0%	8,2%
Returns for All Bond Index (ALBI)	9,0%	8,0%
Expected increase in medical aid contributions	9,0%	8,2%
Net liability recognised in statement of financial position		
Balance at beginning of the year	42	46
Movement for the year:	(4)	(4)
Interest	3	4
Actuarial gains and losses	(3)	(4)
Benefits paid	(4)	(4)
Balance at end of year	38	42

R million	2013	2012	2011	2010	2009
Net liability recognised in the statement of financial position:					
Present value of unfunded obligation	38	42	46	23	26
Experience adjustments on:					
Fund obligation	(1,4%)	(0,6%)	0,5%	3,3%	(10,5%)

	% 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	3	4
Total defined benefit obligation for post-employment medical benefits	39	37

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	2013	2012
34.	**Commitments and contingencies**		
34.1	**Operating leases**		
	Future operating lease commitments:		
	Lease rentals due within one year	**462**	393
	Lease rentals due within two to five years	**700**	553
	Lease rentals due within more than five years	**142**	190
	Total operating lease commitments	**1 304**	1 136

34.2 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 JSE 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 JSE listed structured note programme the limit is R5 billion, but both these and the direct guarantees are subject to an overall R9,5 billion guarantee utilisation limit in terms of the Group governance processes. The total utilisation of the guarantee can be increased to R11 billion, subject to SCM providing acceptable collateral. At 31 December 2013 the value of unlisted commercial paper issued by SCM amounted to R10,4 billion (2012: R8,8 billion) and the value of JSE listed structured notes amounted to R53 million (2012: R56 million).

Sanlam has also issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the Group.

34.3 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 333.

35. Related parties *(continued)*

35.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R332 million in 2013 (2012: R297 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 options granted in the Company are disclosed as part of the Remuneration 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 to 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 R60 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.

R million	2013	2012
35.6 Key management personnel compensation		
Compensation paid to the Group's key management personnel is as follows:		
Short-term employee benefits	**339**	303
Share-based payments	**165**	131
Termination benefits	**5**	14
Other long-term benefits and incentive schemes	**71**	58
Total key management personnel compensation	**580**	506

Following the reassessment of key management personnel identifications in the current year, comparative information has been restated.

for the year ended 31 December 2013

	R million	2013	2012
36.	**Notes to the cash flow statement**		
36.1	**Cash generated/(utilised) in operations**		
	Profit before tax per statement of comprehensive income	12 617	10 104
	Net movement in policy liabilities (note 15.1)	53 725	46 163
	Non-cash flow items	(47 313)	(37 874)
	Depreciation	205	216
	Bad debts written off	384	150
	Share-based payments	375	257
	Profit on disposal of subsidiaries and associated companies	(119)	(90)
	Fair value adjustments	(47 231)	(38 213)
	Impairment of investments and goodwill	34	206
	Amortisation of intangibles	263	184
	Equity-accounted earnings	(1 224)	(584)
	Items excluded from cash utilised in operations	(17 889)	(17 610)
	Interest and preference share dividends received	(11 689)	(11 542)
	Interest paid	585	638
	Dividends received	(6 785)	(6 706)
	Net purchase of fixed assets	(329)	(147)
	Net purchase of owner-occupied properties	(7)	(79)
	Increase in net working capital assets and liabilities	(499)	(3 368)
	Cash generated/(utilised) in operations	305	(2 811)
36.2	**Acquisition of subsidiaries and associated companies**		
	During the year, various interests were acquired within the Group.		
	Investments in associated companies	(2 604)	(2 443)
	The fair value of assets acquired via business combinations is as follows:		
	Equipment	—	(2)
	Trade and other receivables	(48)	(11)
	Cash, deposits and similar securities	(18)	(47)
	Term finance	—	4
	Deferred tax liabilities	—	10
	Deferred tax assets	(4)	—
	Working capital liabilities	52	24
	Non-controlling interest	1	—
	Other intangible assets	(22)	—
	Goodwill	(296)	(306)
	Total purchase consideration	(2 939)	(2 771)
	Less: Net asset value contributed	8	70
	Cash, deposits and similar securities acquired	18	47
	Cash component of acquisition of subsidiaries and associated companies	(2 913)	(2 654)

R million	2013	2012
36. Notes to the cash flow statement *(continued)*		
36.3 Disposal of subsidiaries and associated companies		
During 2013, the Group disposed of its investments in Punter Southall Group, Capricorn Unit Trusts and SMC India		
Equipment	—	1
Investments	15	27
Trade and other receivables	4	—
Cash, deposits and similar securities	—	18
External investors' in consolidated funds	—	(17)
Deferred tax liabilities	—	(2)
Working capital liabilities	(10)	(8)
Non-controlling interest	—	(9)
Investment in joint ventures	—	404
Investment in associated company	364	18
Profit on disposal of subsidiaries and associated companies	119	90
Total disposal price	492	522
Less: Cash, deposits and similar securities disposed of	—	(18)
Cash component of disposal of subsidiaries and associated companies	492	504
36.4 Cash, deposits and similar securities		
Working capital: Cash, deposits and similar securities	18 400	16 559
Investment cash	18 114	13 946
Bank overdrafts	(23)	—
Total cash, deposits and similar securities	36 491	30 505

37. Business combinations

37.1 Material acquisitions of the Group consolidated in the 2013 financial year

There were no material business combinations during the 2013 financial year.

The contribution to profit for 2013 is not material

37.2 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 Holding.
- Other smaller acquisitions.

The contribution to profit for 2012 is not material.

for the year ended 31 December 2013

38. Non-current assets held for sale

During 2013, the investment held by Santam International in Cardrow Insurance Limited (previously Westminster Motor Insurance Agency Limited (WMIA)) and the deferred payments previously included under receivables, were classified as held for sale. The holdings in WMIA were sold in 2008 and Santam International only retained deferred payments relating to the sale contracts and Santam UK Limited. Santam Limited is in the process of realising the deferred payment assets which is still subject to regulatory approval.

R million	2013	2012
38.1 Non-current assets classified as held for sale		
Investment in associates	–	308
Equities and similar securities	299	–
Trade and other receivables	116	–
	415	308
39. Impairments		
Impairment of goodwill	5	48
Investment management: International	–	6
Santam businesses	5	35
Other	–	7
Impairment of value of business acquired	–	79
Investment management: International	–	58
Other	–	21
Impairment of investments	29	79
Investment management: International	3	36
Santam businesses	26	43
Total impairment of investments, goodwill and value of business acquired for the year	34	206

Refer to note 3 and note 4 on pages 270 and 271 for additional information.

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 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
40. Fair value disclosures *(continued)*				
Recurring fair value measurements				
31 December 2013				
Properties	—	1 955	7 227	9 182
Equities and similar securities	162 861	1 948	1 313	166 122
Interest-bearing investments	100 900	29 723	394	131 017
Structured transactions	3 161	8 745	—	11 906
Investment funds	115 828	14 742	459	131 029
Trading account assets	3 021	33 605	—	36 626
Cash deposits and similar securities	13 614	4 494	—	18 108
Total assets at fair value	399 385	95 212	9 393	503 990
Investment contract liabilities	—	222 967	767	223 734
Term finance	3 047	209	259	3 515
Margin business	3 047	—	—	3 047
Other interest-bearing liabilities	—	209	259	468
Derivative liabilities	—	1 184	203	1 387
Trading account liabilities	2 265	30 355	—	32 620
External investors in consolidated funds	54 540	1 170	—	55 710
Total liabilities at fair value	59 852	255 885	1 229	316 966
31 December 2012 – restated				
Equities and similar securities	132 164	1 461	1 881	135 506
Interest-bearing investments	87 836	35 782	163	123 781
Structured transactions	1 278	13 431	122	14 831
Investment funds	85 087	12 182	353	97 622
Trading account assets	2 728	40 884	—	43 612
Cash deposits and similar securities	8 985	4 954	2	13 941
Total assets at fair value	318 078	108 694	2 521	429 293
Investment contract liabilities	—	179 505	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	35 010	—	37 711
External investors in consolidated funds	37 543	1 159	—	38 702
Total liabilities at fair value	43 525	216 361	749	260 635

40. Fair value disclosures *(continued)*

Reconciliation of movements in level 3 financial instruments measured at fair value

R million	Properties	Equities and similar securities	Interest-bearing invest-ments	Struc-tured trans-actions	Invest-ment funds	Cash, deposits and similar securities	Total financial assets
Financial assets							
31 December 2013							
Balance at 1 January 2013	–	1 881	163	122	353	2	2 521
Adjusted due to IFRS 13	8 419	–	–	–	–	–	8 419
Total gains/(loss) in the statement of comprehensive income	440	1 191	92	6	6	–	1 735
Acquisitions/issues	501	222	160	–	56	–	939
Disposals	(2 227)	(1 985)	(34)	(128)	(11)	(2)	(4 387)
Foreign exchange movements	112	4	26	–	–	–	142
Settlements	–	–	(13)	–	–	–	(13)
Transfers from level 1 and level 2							
Not significant (net in/out)	(18)	–	–	–	55	–	37
Balance at 31 December 2013	7 227	1 313	394	–	459	–	9 393
31 December 2012							
Balance at 1 January 2012		2 601	626	89	659	–	3 975
Total gains/(loss) in the statement of comprehensive income		(99)	(216)	11	34	–	(270)
Acquisitions		202	30	103	12	2	349
Disposals		(365)	(276)	(81)	(352)	–	(1 074)
Foreign exchange movements		38	–	–	–	–	38
Transfers from level 1 and level 2		(496)	(1)	–	–	–	(497)
Significant – transfer in		–	(1)	–	–	–	(1)
Significant – transfer out		(496)	–	–	–	–	(496)
Balance at 31 December 2012		1 881	163	122	353	2	2 521

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	Derivative liabilities	Total financial liabilities
31 December 2013				
Financial liabilities				
Balance at 1 January 2013	652	97	—	749
Total (gain)/loss in the statement of comprehensive income	113	172	197	482
Acquisitions	151	—	6	157
Issues	160	—	—	160
Disposals	(337)	—	—	(337)
Settlements	—	(11)	—	(11)
Foreign exchange movements	28	1	—	29
Balance at 31 December 2013	767	259	203	1 229
31 December 2012				
Balance at 1 January 2012	752	59	—	811
Total (gain)/loss in the 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

R million	2013	2012
Gains and losses (realised and unrealised) included in profit or loss		
Total gains or losses included in profit or loss for the period	1 253	411
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	1 007	287
Transfers between categories		

R million	Structured transactions	Interest-bearing investments	Cash, deposits and similar securities	Total financial assets
2013				
Financial assets				
Transfer from level 1 to level 2	2	—	25	27
Transfer from level 2 to level 1	—	—	—	—
2012				
Transfer from level 1 to level 2	—	103	59	162
Transfer from level 2 to level 1	—	—	—	—

for the year ended 31 December 2013

40. Fair value disclosures *(continued)*

Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input
Properties	2 and 3	Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve Cost of capital Consumer price index	Capitalisation rate Discount rate
Equities and similar securities	2 and 3	Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve Cost of capital Consumer price index	Earnings multiple Cost of capital
Interest-bearing investments (including insurance policies)	2 and 3	Discounted cash flow model (DCF), Earnings multiple Quoted put/ surrender price by issuer	Bond and interbank swap interest rate curve Cost of capital Consumer price index	Earnings multiple
Structured transactions and investment funds	2	Quoted (exit) price provided by fund manager	n/a	n/a
Trading account assets and liabilities	2	DCF	Forward rate Credit risk spread Liquidity spread	n/a
Investment contract liabilities	2	Current unit price of underlying unitised financial asset, multiplied by the number of units held	n/a	n/a
		DCF	Bond interest rate curves	n/a
Term finance	2 and 3	DCF	Bond and forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	Liquidity spread
Derivative assets and liabilities	2 and 3	Option pricing models DCF	Bond and interbank swap interest rate curve Forward equity and currency rates Volatility risk adjustments	Risk adjustments

40. Fair value disclosures *(continued)*

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions

Financial assets

R million	Carrying amount(1)	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount(2)	Effect of a 1% increase in base/capitalisation rate	Effect of a 1% decrease in base/capitalisation rate
Properties						
2013						
Cash flow risk adjustments	7 227	(723)	723	—	—	—
Base rate	—	—	—	7 227	(255)	272
Capitalisation	—	—	—	7 227	(354)	432

R million	Carrying amount(1)	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount(2)	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2013						
Equities and similar securities	755	76	(76)	558	(6)	6
Interest-bearing investments	345	35	(35)	49	(12)	14
Investment funds	459	46	(46)	—	—	—
Total	1 559	157	(157)	607	(18)	20
2012						
Equities and similar securities	1 737	174	(174)	144	(1)	1
Interest-bearing investments	—	—	—	163	(2)	2
Structured transactions	122	12	(12)	—	—	—
Investment funds	353	35	(35)	—	—	—
Cash, deposits and similar securities	2	—	—	—	—	—
Total	2 214	221	(221)	307	(3)	3

(1) *Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.*
(2) *Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.*

40. Fair value disclosures *(continued)*

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions

Financial liabilities

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
2013						
Investment contract liabilities	**494**	**49**	**(49)**	**273**	**(8)**	**8**
Term finance	**259**	**26**	**(26)**	**—**	**—**	**—**
Derivative liabilities	**—**	**—**	**—**	**203**	**(37)**	**14**
Financial liabilities	**753**	**75**	**(75)**	**476**	**(45)**	**22**
Investment contract liabilities	652	65	(65)	—	—	—
Term finance	97	10	(10)	—	—	—
Financial liabilities	749	75	(75)	—	—	—

[1] *Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.*
[2] *Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.*

40. Fair value disclosures *(continued)*

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

31 December 2013

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position			Amounts not set off in the statement of financial position	Total amounts recog-nised in the statement of financial position
				Other financial instru-ments[1]	Cash collateral received[2]	Net amount		
Financial assets								
Working capital cash	2 992	–	2 992	(2 504)	–	488	17 912	18 400
Trading account assets	20 457	(718)	19 739	(2 485)	(2 366)	14 888	21 739	36 627
Structured transactions	4 078	(1 494)	2 584	–	–	2 584	9 322	11 906
Financial liabilities								
Trading account liabilities	19 568	(384)	19 184	(9 753)	–	9 431	23 189	32 620
Derivative liabilities	2 049	(3 140)	(1 091)	–	–	(1 091)	2 478	1 387

[1] *The figures for other financial instruments column are made up of ISDA netting, CSA collateral, repo's and scrip received. These amounts have been limited to the net amount recognised on the statement of financial position.*

[2] *Amount used is the lower of collateral received or the value of the financial assets (normally the latter due to over-collateralisation)*

ISDA netting refers to the netting of derivative exposures to arrive at the net amount owed to and by each counterparty as envisaged in the ISDA agreements with these counterparties.

Credit Support Agreements (CSA) have been signed with derivative counterparties to place collateral to offset the net exposures in note 1.

Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted.

Security/collateral received refers to equity collateral that has been pledged to SCM to cover events of default.

for the year ended 31 December 2013

40. Fair value disclosures *(continued)*

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements *(continued)*

31 December 2012

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position: Other financial instruments[1]	Cash collateral received[2]	Net amount	Amounts not set off in the statement of financial position	Total amounts recognised in the statement of financial position
Financial assets								
Working capital cash	1 973	—	1 973	(1 458)	—	515	16 044	16 559
Trading account assets	32 240	(2 941)	29 299	(4 091)	(1 194)	24 014	19 598	43 612
Structured transactions	5 371	(2 063)	3 308	—	—	3 308	11 523	14 831
Financial liabilities								
Trading account liabilities	25 167	—	25 167	(9 205)	—	15 962	21 749	37 711
Derivative liabilities	1 392	(2 002)	(610)	—	—	(610)	1 220	610

[1] *The figures for other financial instruments column are made up of ISDA netting, CSA collateral, repo's and scrip received. These amounts have been limited to the net amount recognised on the statement of financial position.*
[2] *Amount used is the lower of collateral received or the value of the financial assets (normally the latter due to over-collateralisation)*
ISDA netting refers to the netting of derivative exposures to arrive at the net amount owed to and by each counterparty as envisaged in the ISDA agreements with these counterparties.
Credit Support Agreements (CSA) have been signed with derivative counterparties to place collateral to offset the net exposures in note 1.
Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted.
Security/collateral received refers to equity collateral that has been pledged to SCM to cover events of default.

41. Restatements

The application of IFRS 10 has led to certain investments in investment funds being consolidated affecting investment assets and various income and expense items. In addition, the alignment of the investment classes to SAM asset classes has resulted in reclassification within investment assets. Comparative information, including relevant notes has been restated.

Statement of financial position

	31 DECEMBER 2012			
R million	Previously reported	SAM investment category alignment	IFRS 10 adoption	Restated
Assets				
Investments	379 409	—	16 735	396 144
Properties	17 678	(7 651)	—	10 027
Equities and similar securities	202 952	(75 749)	8 303	135 506
Interest-bearing investments	102 343	10 574	11 295	124 212
Structured transactions	—	14 571	260	14 831
Investment funds	—	101 686	(4 064)	97 622
Cash, deposits and similar securities	56 436	(43 431)	941	13 946
Other assets	17 962	—	—	17 962
Working capital assets	46 193	—	30 654	76 847
Trade and other receivables	31 241	—	29 047	60 288
Cash, deposits and similar securities	14 952	—	1 607	16 559
Total assets	443 564	—	47 389	490 953
Equity and liabilities				
Capital and reserves				
Other shareholders' equity	37 632	—	—	37 632
Consolidation reserve	(713)	—	(363)	(1 076)
Shareholders' fund	36 919	—	(363)	36 556
Non-controlling interest	2 970	—	—	2 970
Total equity	39 889	—	(363)	39 526
External investors in consolidated funds	19 596	—	19 106	38 702
Other liabilities	349 256	—	—	349 256
Working capital liabilities				
Trade and other payables	34 823	—	28 646	63 469
Total equity and liabilities	443 564	—	47 389	490 953

for the year ended 31 December 2013

41. Restatements *(continued)*

Statement of financial position *(continued)*

R million	1 JANUARY 2012 Previously reported	SAM investment category alignment	IFRS 10 adoption	Restated
Assets				
Investments	326 212	—	17 126	343 338
Properties	15 310	(5 929)	—	9 381
Equities and similar securities	165 582	(60 426)	8 201	113 357
Interest-bearing investments	93 833	8 194	11 195	113 222
Structured transactions	—	13 583	312	13 895
Investment funds	—	83 302	(3 673)	79 629
Cash, deposits and similar securities	51 487	(38 724)	1 091	13 854
Other assets	15 853	—	—	15 853
Working capital assets	40 138	—	21 340	61 478
Trade and other receivables	25 761	—	19 936	45 697
Cash, deposits and similar securities	14 377	—	1 404	15 781
Total assets	382 203	—	38 466	420 669
Equity and liabilities				
Capital and reserves				
Other shareholders' equity	34 292	—	—	34 292
Consolidation reserve	(470)	—	(363)	(833)
Shareholders' fund	33 822	—	(363)	33 459
Non-controlling interest	3 046	—	—	3 046
Total equity	36 868	—	(363)	36 505
External investors in consolidated funds	11 592	—	19 183	30 775
Other liabilities	301 241	—	—	301 241
Working capital liabilities				
Trade and other payables	32 502	—	19 646	52 148
Total equity and liabilities	382 203	—	38 466	420 669

41. Restatements *(continued)*

Statement of comprehensive income	31 DECEMBER 2012 Previously reported	IFRS 10 adoption	Restated
Net income			
Financial services income	40 416	(2)	40 414
Investment income	17 749	1 773	19 522
Investment surpluses	37 091	1 212	38 303
Change in fair value of external investors' liability	(2 463)	(2 226)	(4 689)
Expenses			
Administration costs	(10 416)	(599)	(11 015)
Finance cost – other	(315)	(138)	(453)
Taxation			
Policyholders' fund	(1 182)	(20)	(1 202)

Cash flow statement	31 DECEMBER 2012 Previously reported	IFRS 10 adoption	Restated
Net cash flow from operating activities			
Cash utilised in operations	990	(3 801)	(2 811)
Interest and preference share dividends received	9 864	1 431	11 295
Interest paid	(500)	(138)	(638)
Taxation paid	(2 430)	(20)	(2 450)
Net cash flow from investment activities			
Net disposal/(acquisition) of investments	(1 984)	(2 477)	(4 461)
Net increase in cash and cash equivalents			
Cash, deposits and similar securities at the beginning of the period	65 857	(36 222)	29 635

SANLAM LIMITED STATEMENT OF FINANCIAL POSITION

at 31 December 2013

R million	Notes	2013	2012
ASSETS			
Investments in subsidiaries	2	**17 895**	15 309
Working capital assets		**3 569**	2 465
Cash and bank		**49**	83
Loans to Group companies	2	**3 520**	2 382
Total assets		**21 464**	17 774
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	3	**22**	22
Non-distributable reserve		**9 342**	9 342
Retained earnings		**8 060**	7 875
Total equity		**17 424**	17 239
Working capital liabilities		**4 040**	535
Accounts payable		**637**	524
Other payables		**—**	11
Loans from Group companies	2	**3 403**	—
Total equity and liabilities		**21 464**	17 774

SANLAM LIMITED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

R million	Notes	2013	2012
Net income		**4 757**	3 612
Dividend income		**4 737**	3 598
Investment surpluses	4	**—**	14
Other income		**20**	—
Expenses			
Administration costs	5	**(12)**	(10)
Net reversal of impairment of loans	2	**41**	110
Net reversal of impairment/(impairment) of investments	2	**28**	(128)
Profit before tax		**4 814**	3 584
Taxation		**—**	(80)
Prior periods underprovisions		**—**	(20)
Secondary tax on companies		**—**	(60)
Profit for the year		**4 814**	3 504
Other comprehensive income		**—**	—
Comprehensive income for the year		**4 814**	3 504

SANLAM LIMITED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

R million	Share capital	Share premium	Non-distributable reserve[1]	Retained earnings	Total equity
Balance at 1 January 2012	21	1	9 342	7 155	16 519
Profit for the year	—	—	—	3 504	3 504
Dividends paid	—	—	—	(2 784)	(2 784)
Balance at 31 December 2012	21	1	9 342	7 875	17 239
Profit for the year	—	—	—	4 814	4 814
Dividends paid	—	—	—	(4 629)	(4 629)
Balance at 31 December 2013	**21**	**1**	**9 342**	**8 060**	**17 424**

[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 2013

R million	Notes	2013	2012
Cash flow from operating activities		**218**	836
Cash utilised in operations	10	**110**	100
Dividends received		**4 737**	3 598
Dividends paid		**(4 629)**	(2 784)
Taxation paid		**—**	(78)
Cash flow from investment activities		**(2 558)**	(486)
Recovery of investments		**—**	14
Additional investment in subsidiaries		**(2 558)**	(500)
Net (decrease)/increase in cash and cash equivalents		**(2 340)**	350
Cash and cash equivalents at the beginning of the year		**2 465**	2 005
Net impairment of loans included in cash and cash equivalents during the year		**41**	110
Cash and cash equivalents at the end of the year		**166**	2 465

for the year ended 31 December 2013

1. Accounting policies

The accounting policies of the Sanlam Group as set out on pages 244 to 259 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	2013	2012
2. Group companies		
Investments in Group companies	17 895	15 309
Current loans with Group companies	117	2 382
Loans to Group companies	3 520	2 382
Loans from Group companies	(3 403)	—
Book value of interest in Group companies	18 012	17 691
Net reversal of impairment/(impairment) of investments in Group companies		
Genbel Securities Limited	42	362
Sanlam Investments (Pty) Limited	—	(490)
Sanlam Netherlands Holding BV	(14)	—
Total net reversal of impairment/(impairment) of investments in Group companies	28	(128)
Fair value of net investment in Group companies		
Investments in subsidiaries – fair value	72 703	65 861
Total fair value of net investment in Group companies	72 703	65 861

Investments in Group companies are carried at cost less accumulated impairment. The fair value disclosed are classified as level 3 instruments. Investment management subsidiaries are valued at a P/AUM ratio, subsidiaries that conduct life insurance business are valued at embedded value and other subsidiaries and loans are valued at DCF. For a description of the valuation methodology used and sensitivities of main assumptions, refer to note 2.5 on page 173.

2. Group companies *(continued)*

Loans: Group companies

The loans to/from Group companies are unsecured and payable on demand and are carried at amortised cost less accumulated impairments. No interest is charged but these arrangements are subject to revision from time to time. The carrying value of the loans approximate the fair value. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 330.

R million	2013	2012
Loans to Group companies		
Sanlam Spec (Pty) Limited	**548**	659
Genbel Securities Limited	**77**	110
Sanlam Life Insurance Limited	**2 278**	819
Sanlam Investments (Pty) Limited	**79**	79
Sanpref (Pty) Limited	**538**	715
Loans from Group companies		
Sanlam PrefCo (Pty) Limited	**3 403**	—
Reversal of impairment of loans		
Sanlam Spec (Pty) Limited	**41**	110

3. Share capital and premium

Details of the share capital and premium are reflected in note 11 on page 284 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 prior financial year, as well as funds received on previously written off loan assets.

5. Administration costs include:

Directors' remuneration

Details of the directors' remuneration is reflected in note 24 on page 295 of the Sanlam Group financial statements.

6. Dividends

Details of the dividends declared are disclosed in note 29 on page 298 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 308 of the Sanlam Group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R11 billion (2012: R11 billion).

9. Related parties

Details of related parties are reflected in note 35 on page 308 of the Sanlam Group financial statements.

R million	2013	2012
10. Notes to the cash flow statement		
Cash utilised in operations		
Profit before tax	**4 814**	3 584
Non-cash flow items		
Net impairment of investments in Group companies	**(28)**	128
Net (reversal of impairment)/impairment of loans	**(41)**	(110)
Investment surpluses	**–**	(14)
Items disclosed separately		
Dividends received	**(4 737)**	(3 598)
Increase in net working capital liabilities	**102**	110
Cash utilised in operations	**110**	100

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 326. 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:

R million	2013	2012
▸ Carrying value of loans granted	**3 520**	2 382

Further details of risk management are disclosed in the Capital and Risk Management report on page 202.

12. Tax rate reconciliation

The effective tax rate of Sanlam Limited of 0% (2012: 2,2%) differs from the standard rate of taxation of 28% (2012: 28%) due to the effects of non-taxable income -28% (2012: -29,1%), STC 0,0 % (2012: 1,7%), prior year under provision 0,0% (2012: 0,6%) and other differences 0% (2012: 1%)

PRINCIPAL SUBSIDIARIES

at 31 December 2013

		Issued ordinary capital	Fair value of interest in subsidiaries			
			Shares		Loans	
R million	% Interest	2013	2013	2012	2013	2012
Long-term insurance						
Sanlam Life Insurance Limited	100	5 000	60 542	55 466	2 278	819
Investment and capital markets						
Genbel Securities Limited	100	253	2 042	2 000	77	110
Investment management and consulting						
Sanlam Investment Management (Pty) Limited	100	(1)	(1)	(1)	—	—
Sanlam Independent Financial Services (Pty) Limited(5)	100	(2)	(2)	(2)	—	—
Sanlam Investment Holdings (Pty) Limited(5)	100	(2)	1 705	1 547	—	—
Sanlam Netherlands Holding BV(3)	100	2 309	5 743	4 456	—	—
Investment companies						
Sanlam Spec (Pty) Limited(4)	100	(2)	(2)	—	548	659
Sanlam Investments (Pty) Limited	100	500	10	10	79	79
Sanlam Share Incentive Trust	100	(2)	—	—	—	—
Sanpref (Pty) Limited	100	(2)	(2)	(2)	538	715
Sanlam Prefco (Pty) Limited	100	(2)	2 544	—	(3 403)	—
Total			72 586	63 479	117	2 382

(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) *Sanlam Limited provided a letter of guarantee to Sanlam Spec (Pty) Limited, as well as subordinated its loan to Sanlam Spec (Pty) Limited in favour of other creditors. In addition Sanlam Limited, with Sanlam Spec (Pty) Limited provided a letter of guarantee to Real Futures (Pty) Limited.*
(5) *Sanlam Limited provided a letter of guarantee to Sanlam Investment Holdings (Pty) Limited and Sanlam Independent Financial Services (Pty) Limited.*

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. Sanlam Limited, via its investment in Sanlam Life Insurance Limited, has the following subsidiaries with material non-controlling interests.

Analysis of the Group's holding in subsidiaries with significant non-controlling interests:

	SANTAM LIMITED[1]		BOTSWANA INSURANCE HOLDINGS LIMITED[2]	
	2013 %	2012 %	**2013 %**	2012 %
Shareholders' fund	**59,34**	59,58	**55,46**	50,25
Policyholders' fund	**1,80**	0,29	**2,11**	3,46
Non-controlling interest	**38,86**	40,13	**42,43**	46,29
Total	**100,00**	100,00	**100,00**	100,00

[1] *The financial information of Santam Limited, incorporated and operating mainly in South Africa, has been presented in the Shareholders' information section on page 154 and page 157. The carrying amount of the non-controlling interest is presented in note 14 of the Group financial statements on page 287. The cash flow information of Santam Limited and the dividends paid to the non-controlling interest have been summarised below. The information is provided based on amounts before intercompany eliminations:*

R million	**2013**	2012
Santam summarised statement of cash flows for the year ending 31 December 2013:		
Operating	**1 277**	1 735
Investing	**(1 175)**	755
Financing	**(358)**	(1 640)
Net increase/(decrease) in cash and cash equivalents	**(256)**	850
Dividends paid to non-controlling interest	**340**	689

[2] *The financial information of Botswana Insurance Holdings Limited (BIHL), incorporated and operating mainly in Botswana, which has a material non-controlling interest has been summarised below. This information is provided based on amounts before inter-company eliminations:*

at 31 December 2013

Financial information of BIHL

	2013 R million	2012 R million
Summarised statement of profit or loss:		
Net income	**5 733**	3 413
Net insurance and investment contract benefits and claims	**(4 658)**	(2 538)
Expenses	**(620)**	(558)
Share of profit of associates and joint ventures	**220**	317
Profit before tax	**675**	634
Income tax	**(99)**	(100)
Profit for the year	**576**	534
Total comprehensive income	**602**	546
Attributable to non-controlling interests	**244**	253
Dividends paid to non-controlling interests	**45**	74
Summarised statement of financial position as at 31 December 2013:		
Assets		
Investments	**15 834**	15 841
Other non-current assets	**209**	183
Other current assets	**7**	10
Cash and cash equivalents (current)	**705**	844
Trade and other receivables (current)	**326**	223
Liabilities		
Policyholder liabilities	**(13 514)**	(14 382)
Deferred tax (non-current)	**(29)**	(20)
Other non-current liabilities	**—**	—
Other current liabilities	**(42)**	(21)
Trade and other payables (current)	**(531)**	(483)
Total equity	**2 965**	2 195
Attributable to:		
Sanlam Group	**1 707**	1 187
Non-controlling interest	**1 258**	1 008
Summarised statement of cash flows for the year ending 31 December 2013:		
Operating	**(4 955)**	2 144
Investing	**4 625**	(2 795)
Net increase/(decrease) in cash and cash equivalents	**(330)**	(651)

ANALYSIS OF SHAREHOLDERS

at 31 December 2013

Distribution of shareholding	Total shareholders Number	Total shareholders %	Total shares held Number	Total shares held %
1 – 1 000	427 724	86,60	161 235 949	7,68
1 001 – 5 000	58 516	11,84	114 682 876	5,46
5 001 – 10 000	4 801	0,97	32 886 647	1,57
10 001 – 50 000	2 080	0,42	38 074 872	1,81
50 001 – 100 000	230	0,05	16 929 675	0,81
100 001 – 1 000 000	430	0,09	139 895 003	6,66
1 000 001 and over	132	0,03	1 596 294 978	76,01
Total	**493 913**	**100,00**	**2 100 000 000**	**100,00**

Public and non-public shareholders	% shareholding
Public shareholders (470 888)	66,97
Non-public shareholders	
Directors' interest	0,54
Held by subsidiaries	6,66
Employee pension funds	0,07
Sanlam Limited Share Incentive Trust	1,38
Government Employees Pension Fund (PIC)	13,62
Ubuntu-Botho Investments (Pty) Ltd	10,76
Total	**100,00**
Shareholder structure	
Institutional and other shareholding	
Offshore	31,55
South Africa	54,12
Individuals	14,33
Total	**100,00**
Beneficial shareholding of 5% or more:	
– Government Employees Pension Fund (PIC)	13,62
– Ubuntu-Botho Investments (Pty) Ltd	10,76

REFERENCES AND NOTICES

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 and Sanlam Emerging Markets 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 regulators of the Group's insurance subsidiaries outside of South Africa;
"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, 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 Proprietary Limited, a wholly owned subsidiary of Sanlam Life conducting mainly insurance and credit business through its subsidiaries in Africa, India and South-East Asia.
"Shriram Capital"	Shriram Capital refers to the Group's 33,15% holding in Shriram Financial Ventures (Chennai) Pvt Limited an Indian based company that holds 78,42% of Shriram Capital Limited, resulting in a 26% effective holding by Sanlam. It also includes the Group's direct holding in Shriram Transport Finance Company, a listed business within the Shriram Capital group.

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 14 March 2014, that the sixteenth annual general meeting (AGM) of the shareholders of Sanlam, which will be held on Wednesday, 4 June 2014 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, 23 May 2014.

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, driving licences and passports.

ORDINARY RESOLUTIONS

To consider and, if approved, to pass, with or without modification, the following nine Ordinary Resolutions:

Percentage support required for Ordinary Resolution Numbers 1 to 9

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 Sanlam Integrated Report***

   To present, consider and accept the Sanlam Integrated Report for the year ended 31 December 2013, 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 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 Ms JC de Villiers is the individual and designated auditor who will undertake the Company's audit for the financial year ending 31 December 2014.

   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 director***

   To individually re-elect the following retiring director (Ordinary Resolution 3.1 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 Resolution No 3 is 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 PR Bradshaw (63) – Re-election of PR Bradshaw as director

Independent non-executive director since 7 August 2013

Qualifications: BSc (Nottingham Univ), FIA

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

Sanlam Group directorships: Nucleus Financial Group, Sanlam UK Holdings, Sanlam Life and Pensions UK, Sanlam Private Investments and Sanlam Private Wealth Holdings Limited UK

Major external positions, directorships or associations: Paul Bradshaw Consulting and Integrated Protection Solutions Limited

The Board recommends the re-election of this director.

4. **Ordinary Resolution No 4 –** ***Re-election of directors***
To individually re-elect the following non-executive directors (Ordinary Resolutions 4.1 to 4.4 below) of the Company, who retire by rotation in terms of Clause 26.2 of the Company's Memorandum of Incorporation, all being eligible and offering themselves for re-election.

Reason and effect
The reason for and effect of Ordinary Resolutions No 4.1 to 4.4 are to re-elect the directors that retire by rotation in terms of the Company's Memorandum of Incorporation.

4.1 SA Nkosi
4.2 PL Zim
4.3 MV Moosa
4.4 P Mthethwa (nee Buthelezi)

The Board recommends the re-election of these directors.

4.1 Ordinary Resolution No 4.1 – Re-election of SA Nkosi as director
To re-elect SA Nkosi who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Sipho Nkosi (59)

Independent non-executive director since 2006

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

Sanlam and Sanlam Life committee membership: Non-executive directors

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

4.2 Ordinary Resolution No 4.2 – Re-election of PL Zim as director
To re-elect PL Zim who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Lazarus Zim (53)

Independent non-executive director since 2006

Qualifications: BCom (Hons), MCom

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

Major external positions, directorships or associations: Zim Capital, Afripalm Resources and Northam Platinum

4.3 Ordinary Resolution No 4.3 – Re-election of MV Moosa as director

To re-elect MV Moosa who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Valli Moosa (56)

Independent non-executive 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 Limited, WWF-SA

4.4 Ordinary Resolution No 4.4 – Re-election of MP Mthethwa as director

To re-elect MP Mthethwa who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering herself for re-election.

Philisiwe Mthethwa (50)

Independent non-executive director since 2011

Qualifications: MBA (Corporate Finance)

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)

5. Ordinary Resolution No 5 – Re-election of executive directors

To individually re-elect the following executive directors (Ordinary Resolution 5.1 and 5.2 below) appointed to the Board, being eligible and offering themselves for re election.

Reason and effect

It had been agreed by the Board that in the interest of good governance, executive directors would also rotate on a voluntary basis as per a determined schedule of rotation. The reason for and effect of Ordinary Resolutions No 5.1 and 5.2 are to re-elect executive directors appointed to the Board.

5.1 Ordinary Resolution No 5.1 – Re-election of J van Zyl as an executive director

Johan van Zyl (57)

Executive director since 2001

Qualifications: PhD (Economics), DSc (Agriculture)

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

Major external positions, directorships or associations: Council member of University of Pretoria, ASISA, Vumelana Advisory Fund (Chairman), One Vision Investments 512, Dippenaar & Reinecke, former CE of Santam, former Vice Chancellor and Principal University of Pretoria

The Board recommends the re-election of this director.

5.2 *Ordinary Resolution No 5.2 – Re-election of JP Möller as an executive director*

Kobus Möller (54)

Executive director since 2006

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

Sanlam and Sanlam Life committee membership: Risk and Compliance committee

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

The Board recommends the re-election of this director.

6. **Ordinary Resolution No 6 –** ***Election of the members of the Sanlam Audit, Actuarial and Finance (Audit) committee***

To individually elect the following independent non-executive directors (Ordinary Resolutions No 6.1 to 6.3) 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 6.1 to 6.3 are that 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.

6.1 *Ordinary Resolution No 6.1 – Appointment of PR Bradshaw as a member of the Audit committee*

Paul Bradshaw (63)

Independent non-executive director since 4 December 2013

Qualifications: BSc (Nottingham Univ), FIA

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

Sanlam Group directorships: Nucleus Financial Group, Sanlam UK Holdings, Sanlam Life and Pensions UK, Sanlam Private Investments and Sanlam Private Wealth Holdings UK

Major external positions, directorships or associations: Paul Bradshaw Consulting and Integrated Protection Solutions

The Board recommends the re-election of this director.

6.2 *Ordinary Resolution No 6.2 – Appointment of P de V Rademeyer as a member of the Audit committee*

Flip Rademeyer (66) (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 and Finance (Chairman); Risk and Compliance; Social, Ethics and Sustainability; Non-executive directors

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

Major external positions, directorships or associations: Ubuntu-Botho Investments Holdings and Velacore

The Board recommends the re-election of this director.

6.3 Ordinary Resolution No 6.3 – Appointment of CG Swanepoel as a member of the Audit committee

Chris Swanepoel (63)

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 and Compliance (Chairman); Audit, Actuarial and Finance; Sanlam Customer Interest (Chairman); Non-executive directors

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

The Board recommends the re-election of this director.

7. Ordinary Resolution No 7 – ***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 68 to 69 of the 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 AGM. This vote enables shareholders to express their views on the remuneration policies adopted and their implementation.

The remuneration report is contained on pages 67 to 93 of this Integrated Report.

Ordinary Resolution No 7 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 and Remuneration 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.

8. Ordinary Resolution No 8 – ***To note the total amount of non-executive directors and executive directors' remuneration for the financial year ended 31 December 2013***

To note the total amount of directors' remuneration set out in the Sanlam Integrated Report on pages 67 to 93, non-executive directors page 89 and executive directors page 77 for the financial year ended 31 December 2013.

Reason and effect

The reason for and effect of Ordinary Resolution No 8 is to note the remuneration of directors for the financial year ended 31 December 2013.

9. **Ordinary Resolution No 9 –** ***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, 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 9 is to grant the authorisation to any director of the Company, and where applicable 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 two Special Resolutions:

Percentage support required for Special Resolutions Numbers 1 and 2

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 2014 until 30 June 2015 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 2014."

Directors/committees	Annual fee 2013/14	Attendance fee per meeting 2013/14	Annual fee 2014/15	Attendance fee per meeting 2014/15
Chairman	R2 158 398	None	2 309 486	None
Deputy Chairman	R384 235	R32 020	411 131	34 261
Non-executive directors	R256 157	R21 347	274 088	22 841
Audit Actuarial and Finance committee Chairman	R247 660	None	264 996	None
Audit Actuarial and Finance committee member	R123 829	None	132 497	None
Risk and Compliance committee Chairman	R174 342	None	186 546	None
Risk and Compliance committee member	R87 171	None	93 273	None
Human Resources and Remuneration committee Chairman	R174 342	None	186 546	None
Human Resources and Remuneration committee member	R87 171	None	93 273	None
Sanlam Customer Interest committee Chairman	R174 342	None	186 546	None
Sanlam Customer Interest committee member	R87 171	None	93 273	None
Social, Ethics and Sustainability committee Chairman	R174 342	None	186 546	None
Social, Ethics and Sustainability committee member	R87 171	None	93 273	None
Nominations committee Chairman	R116 227	None	124 362	None
Nominations committee member	R58 113	None	62 181	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	R15 867	None	16 978

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 2014 to 30 June 2015. Executive directors of the Company do not receive any fees for their services as directors of the Company.

B. Special Resolution No 2 – ***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 2 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 Sanlam Integrated Report and are provided for purposes of this Special Resolution No 2:

- the Company's directors and management (pages 40 to 49 and 114 to 119);
- major shareholders (page 333);
- directors' interests in securities (page 92);
- share capital of the Company (page 284);
- material litigation (page 308) and
- material changes (page 308).

Directors' responsibility statement

The Board, whose names appear on pages 40 to 49 of the Sanlam Integrated Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution No 2, 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.

Social, Ethics and Sustainability report

The Social and Ethics committee report is set out more fully in the sustainability report on pages 20 to 22, which is available 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, 14 March 2014.

2. The record date to participate in, attend and vote at the AGM was set as at the close of business on Friday, 23 May 2014. 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 Friday, 16 May 2014.

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 and subsidiaries 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 (Pty) Limited or Sanlam Fundshares Nominee (Pty) 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, 2 June 2014.

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 representation. 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 Nominee (Pty) Limited or Sanlam Fundshares Nominee (Pty) 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, 23 May 2014. 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
Bellville
March 2014

* *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	4 June 2014

REPORTS

Interim report for 30 June 2014	September 2014
Announcement of the results for the year ended 31 December 2014	March 2015
Integrated annual report for the year ended 31 December 2014	March 2015

DIVIDENDS

Dividend for 2013 declared	5 March 2014
Last date to trade for 2013 dividend	4 April 2014
Shares will trade ex-dividend from	7 April 2014
Record date for 2013 dividend	11 April 2014
Payment of dividend for 2013	14 April 2014
Declaration of dividend for 2014	March 2015
Payment of dividend for 2014	April 2015

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 Monday 7 April 2014 and Friday 11 April 2014, 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) Proprietary 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