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► 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 to 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			2012		
		Total	Fair value of assets		Total	Fair value of assets	
			Value of in-force			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.

1

2

3

OUR PERFORMANCE

4

5

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			2012		
		Fair value	Fair value adjustment	Net asset value	Fair value	Fair value adjustment	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			2012		
	Total	Fair value of assets	Value of in-force	Total	Fair value of assets	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⁾		SANLAM EMERGING MARKETS ⁽²⁾		SANTAM	
		2013	2012	2013	2012	2013	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 ⁽⁶⁾
—	—	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 ⁽⁶⁾
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

SANLAM
PERSONAL
FINANCE

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

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

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

R million	TOTAL		LIFE INSURANCE ⁽¹⁾		OTHER ⁽²⁾	
	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)*

R million	TOTAL	
	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



NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the year ended 31 December 2013

1. Business volumes (continued)

1.2 Analysis of payments to clients

R million	TOTAL		LIFE INSURANCE ⁽¹⁾		OTHER ⁽²⁾	
	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.

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the year ended 31 December 2013

2. Cluster information

2.1 Sanlam Personal Finance

	LIFE OPERATIONS		NON-LIFE OPERATIONS		TOTAL	
R million	2013	2012	2013	2012	2013	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 investment	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%

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

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 investment	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



NOTES TO THE SHAREHOLDERS' FUND INFORMATION continued

for the year ended 31 December 2013

2. Cluster information (continued)

2.2 Sanlam Emerging Markets (continued)

Analysis of business volumes

R million	LIFE INSURANCE			LIFE INSURANCE		
	OTHER	TOTAL	OTHER	TOTAL	TOTAL	
	2013			2012		
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



NOTES TO THE SHAREHOLDERS' FUND INFORMATION continued

for the year ended 31 December 2013

2. Cluster information (continued)

2.3 Sanlam Investments

Analysis of attributable earnings

R million	INVESTMENT MANAGEMENT		CAPITAL MANAGEMENT	
	2013	2012	2013	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		ASSETS UNDER MANAGEMENT	
	2013 R million	2012 R million	2013 R million	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 (48)	3 001 (45)	(13) —	(44) —	7 268 (173)	6 517 (129)
3 168 (2 045) (738)	2 956 (1 945) (652)	(13) — 13	(44) — 44	7 095 (2 045) (3 546)	6 388 (1 945) (3 210)
385 —	359 —	— —	— —	1 504 214	1 233 89
385 (108) —	359 (98) —	— — —	— — —	1 718 (393) (24)	1 322 (337) (10)
277 674	261 493	— —	— —	1 301 751	975 568
156 518	171 322	— —	— —	188 563	211 357
—	—	—	—	(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



NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

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



NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

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 investment	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.

NOTES TO THE SHAREHOLDERS' FUND INFORMATION continued

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	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.		
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

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:

R million	2013						
	Residual term to contractual maturity				Analysed by use		Total fair value of amounts
	< 1 year	1 – 5 years	> 5 years	Total notional amounts	Trading	Asset liability management	
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)



NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the year ended 31 December 2013

3. Investments (continued)

3.5 Derivative instruments (continued)

R million	2012						
	Residual term to contractual maturity			Total notional amounts	Analysed by use		Total fair value of amounts
	< 1 year	1 – 5 years	> 5 years		Trading	Asset liability management	
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		
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

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

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.		

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

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	Share- holder activities	Policy- holder activities ⁽¹⁾	IFRS adjust- ments ⁽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)

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

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	Shareholder activities	Policyholder activities ⁽¹⁾	Consolidation 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				
Non-controlling interest	40 965	42 539	—	(1 574)
Long-term policy liabilities	3 651	3 651	—	—
Term finance	382 309	—	382 309	—
External investors in consolidated funds	6 129	5 558	571	—
Cell owners' interest	55 710	—	55 710	—
Deferred tax	814	814	—	—
Derivative liabilities	2 142	1 209	933	—
Short-term insurance technical provisions	1 387	350	1 037	—
Working capital liabilities	11 032	11 032	—	—
Trade and other payables	57 165	36 997	20 168	—
Provisions	54 799	35 546	19 253	—
Taxation	285	285	—	—
	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	Share- holder activities	Policy- holder activities ¹	Consoli- dation 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)



NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

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	Policy-holders' 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.

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CHANGE IN EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2013

R million	Note	2013				2012			
		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
<i>Value of new business attributable to:</i>			
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

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VALUE OF NEW BUSINESS *continued*

for the year ended 31 December 2013

R million	2013	2012
Analysis of new business profitability:		
<i>Before non-controlling interest:</i>		
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%
<i>After non-controlling interest:</i>		
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%

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

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
<i>Expenses and persistency</i>				
▶ 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
<i>Insurance risk</i>				
▶ 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
<i>Expenses and persistency</i>				
▶ 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
<i>Insurance risk</i>				
▶ 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)

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

continued

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
<i>Expenses and persistency</i>				
▶ 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
<i>Insurance risk</i>				
▶ 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.

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS continued

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



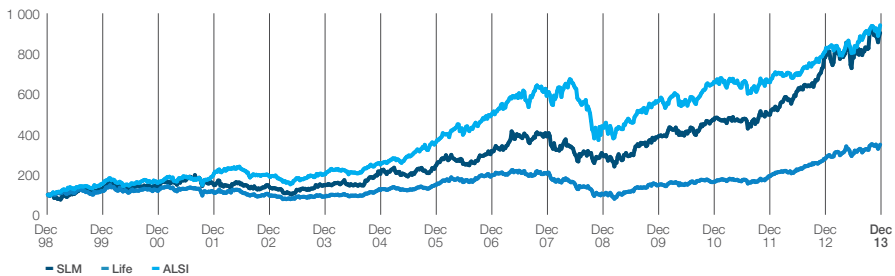
STOCK EXCHANGE PERFORMANCE

		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)

