

Key performance indicators for the 2020 financial year relative to 2019

Earnings

- Net result from financial services decreased 13% (up 17% excluding the impact of COVID-19)*
- Net operational earnings decreased 23%
- Headline earnings increased 24%

New business

- New business volumes exceed R300 billion for the first time, up 25% to R311 billion: life insurance +4%, general insurance +3% and investment business +37%
- Net fund inflows of R62 billion, 8% higher than the R57 billion achieved in 2019
- Net value of new covered business decreased by 16% to R1 921 million (down 14% on constant economic basis)
- Net new covered business margin of 2,58% (2,98% in 2019)

Group Equity Value

- Group Equity Value per share of R59,20 (2019: R64,36)
- Return on Group Equity Value (RoGEV) per share of -2,8% (2019: 6,4%)
- Adjusted RoGEV per share of 2,6% (2019: 11,9%)

Capital management

- Discretionary capital of R636 million at 31 December 2020 excluding expected sale of Sanlam UK holding in Nucleus Financial Group plc (2019: R220 million)
- Sanlam Group Solvency Assessment and Management (SAM) cover ratio of 191% (December 2019: 211%)

Dividend

- Dividend of 300 cents per share (2019: 334)

* Refer to the definition of the "impact of COVID-19" on page 71.

Group salient results

for the year ended 31 December

	Unit	2020	2019	△
Earnings				
Net result from financial services	R million	8 382	9 674	(13%)
Net operational earnings	R million	8 349	10 798	(23%)
Headline earnings	R million	9 249	7 481	24%
Weighted average number of shares ⁽¹⁾	million	2 087,8	2 090,0	-
Adjusted weighted average number of shares ⁽¹⁾	million	2 226,7	2 208,5	1%
Net result from financial services per share	cents	376,4	438,0	(14%)
Net operational earnings per share	cents	374,9	488,9	(23%)
Diluted headline earnings per share	cents	443,0	357,9	24%
Business volumes				
New business volumes	R million	310 875	249 323	25%
Net fund inflows	R million	61 563	56 766	8%
Net new covered business				
Value of new covered business	R million	1 921	2 280	(16%)
Covered business PVNBP ⁽²⁾	R million	74 591	76 446	(2%)
New covered business margin ⁽³⁾	%	2,58	2,98	
Group Equity Value				
Group Equity Value	R million	131 812	143 271	(8%)
Group Equity Value per share	cents	5 920	6 436	(8%)
RoGEV per share ⁽⁴⁾	%	(2,8)	6,4	
Adjusted RoGEV per share ⁽⁵⁾	%	2,6	11,9	
Solvency cover				
Sanlam Group	%	191	211	
Sanlam Life Insurance Limited	%	257	253	
Sanlam Life Insurance Limited covered business ⁽⁶⁾	%	197	206	

⁽¹⁾ Weighted average number of shares excludes Sanlam shares held directly or indirectly through consolidated investment funds in policyholder portfolios, as well as Sanlam shares held by the Group's broad-based black economic empowerment special purposes vehicle (B-BBEE SPV) that is consolidated in terms of International Financial Reporting Standards (IFRS). These shares are treated as shares in issue for purposes of adjusted weighted average number of shares in issue, which is the base to determine net result from financial services per share and net operational earnings per share. Diluted headline earnings per share is based on the weighted average number of shares.

⁽²⁾ PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums, at the relevant risk discount rate for each business, plus single premiums.

⁽³⁾ New covered business margin = value of new covered business as a percentage of PVNBP.

⁽⁴⁾ Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of Group Equity Value per share at the beginning of the year.

⁽⁵⁾ Adjusted RoGEV equals RoGEV excluding investment market and currency volatility, changes in interest rates and other factors outside of management's control.

⁽⁶⁾ Excludes investments in subsidiaries and associated companies, discretionary capital, cash accumulated for dividend payments and the net asset value of non-covered operations.

Executive review

The Group commenced the 2020 financial year from a solid and strong footing to navigate the challenges faced through the year. The outbreak of the COVID-19 pandemic, followed by the declaration of states of disaster and emergency in several countries where we operate, abruptly transformed the operating environment into one of the most challenging periods faced by the Group and our stakeholders since our listing more than 20 years ago.

We quickly responded to this changing and challenging environment by transitioning to alternative ways of work while protecting the health and safety of our employees and ensuring business stability and continuity. The Group was then able to offer support to our broader stakeholder community through premium relief for clients, subsidised income for intermediaries and broader initiatives with the objective of preserving and creating jobs.

Our business was resilient through this difficult period. The Group solvency ratio remained well above the regulatory minimum and within target ranges throughout the year. Liquidity was managed within the Group's well-established liquidity risk management framework. The cash generation of the underlying Group operations, particularly in the life insurance businesses, remained robust. The diversity of our business by product, segment and geography, supported by strategic partnerships, remains a core strength.

COVID-19, including the economic impact of preventative measures taken by governments globally, impacted the operating results of Sanlam in the following key areas:

- Increased mortality claims;
- Lower new business volumes in face-to-face distribution channels;
- Significant investment and credit market volatility;
- Contingent Business Interruption (CBI) claims; and
- Increased provisions for doubtful debts in the credit businesses.

The impact of lower new business and volatility in investment and credit markets were more severe in the first half of the year, while the other impacts were felt more severely in the second half of the year.

Overall persistency experience remained steady over the year and did not deteriorate as anticipated. We however believe future experience remains at risk given the increase in unemployment in many of our markets and the depletion of savings by many people.

Mortality claims increased significantly over the year, in line with the trends reported by the South African Medical Research Council. The Group recorded excess claims of R531 million over the year, after considering the offsetting impacts of annuitant mortality and disability experience. The significant increase in excess claims in the second half of 2020 resulted in the assessment of the utilisation of the pandemic reserve. An amount of R492 million (gross of tax) was released from the R760 million pandemic reserve held as part of policyholder liabilities, largely mitigating the impact of these claims on operating earnings.

Investment market volatility increased in the second quarter of the year, which had a significant negative impact on our interim results. Volatility however subsided over the second half of the year, with a recovery in both equity and credit markets. South African equity markets ended 2020 at levels higher than 2019; however, 2020 average market levels were below those of 2019.

The recovery in credit markets resulted in a significant portion of the credit spread losses in the Central Credit Manager (CCM) at Sanlam Specialised Finance (SanFin) reversing since 30 June 2020. Credit spreads have, however, not yet reduced to pre-COVID-19 levels. Retail credit provisions remained elevated due to the sharp deterioration in economic growth over the year.

Santam was negatively impacted by CBI claims but still reported a positive underwriting margin for the year. Improved underwriting performance from the motor, engineering and crop books supported results. The business achieved satisfactory premium growth in a difficult operating environment and despite premium relief offered to clients.

Executive review continued

Net result from financial services declined by 13%, impacted by the factors mentioned above as well as the relief offered to our clients and intermediaries. The table below summarises the sources of earnings most severely impacted (directly or indirectly) by COVID-19 (as explained below):

R million (year-to-date)	December 2020	June 2020	December 2019
Sanlam Life and Savings (SLS)	(388)	(272)	114
Excess claims	(383)	-	-
Pandemic reserve release	354	-	-
Retail credit provisions	(235)	(151)	(65)
Support to intermediaries	(185)	(101)	-
Glacier participating product fee income	61	(20)	179
Sanlam Emerging Markets (SEM)	(743)	(684)	19
Investment return on Saham general insurance funds	20	(145)	420
Shriram retail credit provisions	(676)	(445)	(401)
North and West Africa investment variances	(87)	(94)	-
Sanlam Investment Group (SIG)	(404)	(554)	53
Credit spreads: listed and unlisted bonds	(88)	(227)	-
Mark-to-market changes: listed preference shares	(69)	(61)	39
Change in provisions for doubtful debt and credit defaults	(247)	(266)	14
Santam	(547)	(115)	527
CBI claims experience and relief payments	(1 318)	(581)	-
COVID-19 support	(169)	-	-
Motor book underwriting result	940	466	527
Impact of COVID-19 on earnings	(2 082)	(1 625)	713

Excluding the COVID-19 earnings impact, net result from financial services grew by 17%. The COVID-19 adjustment is an indicative number of the earnings when adjusting for all items impacted by COVID-19 in 2020 and the corresponding contribution in 2019.

R million	2020	2019	△
Net result from financial services	8 382	9 674	(13%)
<i>COVID-19 adjustments:</i>			
Sanlam Life and Savings	388	(114)	
Sanlam Emerging Markets	743	(19)	
Sanlam Investment Group	404	(53)	
Santam	547	(527)	
Net result from financial services excluding the impact of COVID-19	10 464	8 961	17%

Net investment surpluses declined from profits of R210 million in 2019 to a loss of R810 million in 2020. The 2020 results include a net R726 million expected credit loss provision raised in respect of government bond and banking exposure on the Lebanon balance sheet. This provision was required due to a continued increase in sovereign credit risk in Lebanon, with COVID-19 placing further pressure. The remainder of the underperformance in 2020 relates to the relatively weaker investment market performance compared to 2019.

New business volumes increased a satisfactory 25%, with investment business recording strong growth. Life insurance volumes were particularly impacted in the second quarter of the year as the government-imposed lockdowns and curfews implemented in most of our markets severely affected face-to-face sales. This had a commensurate impact on the value of new covered business written (VNB).

Volumes showed a steady recovery from June 2020 with all clusters reporting higher growth in the fourth quarter relative to the first quarter as well as relative to the fourth quarter of 2019.

New business volumes	Relative to Q1 2020			Q4 2020 relative to Q4 2019
	Q2	Q3	Q4	
Sanlam Life and Savings	78%	90%	127%	104%
SA Retail Affluent	85%	97%	134%	133%
SA Retail Mass	71%	106%	116%	89%
Sanlam Corporate	43%	55%	98%	44%
Sanlam Emerging Markets	90%	84%	133%	160%
Southern Africa	108%	79%	143%	163%
North and West Africa	96%	107%	99%	112%
East Africa	37%	51%	213%	364%
Other International	89%	92%	65%	72%
Sanlam Investment Group	139%	82%	114%	128%
Investment Management SA	149%	89%	104%	107%
Wealth management	69%	68%	78%	132%
International	133%	60%	177%	239%
Sanlam Group	112%	86%	120%	122%
Life insurance	79%	105%	140%	127%
Investment business	124%	79%	119%	126%
General insurance	95%	99%	98%	98%

The Group's primary indicator of shareholder value creation remains RoGEV. 2020 RoGEV per share was -2,8% compared to a target of +13,3%. The valuations of all non-life (non-covered) businesses were adversely affected by reduced top-line growth and future investment return assumptions in the short to medium-term, while persistency assumptions were strengthened for life insurance (covered) business. RoGEV was also negatively impacted by economic assumption changes and significant weakening of Angola currency.

Adjusted RoGEV per share, which excludes investment market and currency volatility as well as changes in interest rates and other factors outside of management's control, amounted to 2,6%.

Results excluding the impact of COVID-19 and related market conditions ("impact of COVID-19")

The information included in this annual results announcement indicated as "excluding the impact of COVID-19" has been presented to illustrate the impact of the COVID-19 pandemic and other existing market conditions on the Group's results and is the responsibility of the Group's board of directors (Board). It is presented for illustrative purposes only and because of its nature may not fairly present the Group shareholders' fund information, Group's financial position, changes in equity, result of operations or cash flows. All references to information "excluding the impact of COVID-19" was calculated by excluding those components of earnings that were most significantly impacted by COVID-19 and related market conditions. The performance indicators are specifically identified. For comparability, the same earnings components are also excluded from the comparative period. It should be noted that although these impacts are ascribed mainly to COVID-19, it is acknowledged there are also other external and market impacts that could have influenced these items. Given the exclusion of the current and prior year impacts of certain elements of the results, the variances are not necessarily an indication of what the profit growth would have been had COVID-19 not occurred.

72 Comments on the results

Introduction

The Sanlam Group's International Financial Reporting Standards (IFRS) financial statements for the year ended 31 December 2020 are presented based on and in compliance with IFRS. The basis of presentation and accounting policies for the IFRS financial statements and shareholders' information are, in all material respects, consistent with those applied in the 2019 Integrated Report and Annual Financial Statements, apart from the following:

- In support of Sanlam's updated strategy, the former Sanlam Personal Finance (SPF) cluster was split into two clusters with effect from 1 September 2020 being SA Retail Mass and SA Retail Affluent. These two clusters, together with Sanlam Corporate, will form part of a new Sanlam Life and Savings cluster. This reflects the way that management information is reported internally. All comparative information that has been affected by this reorganisation has been adjusted to reflect the new structure in the shareholder information.
- IAS 29 - Financial Reporting in Hyperinflationary Economies has been applied to Lebanon from 1 January 2020. The 2020 monetary and non-monetary items on the balance sheet are reindexed at the end of the period to recognise the impact of the hyperinflation. This would have resulted in various line items on the income statement being artificially inflated but has been aggregated in fund transfers. For the second six months management has included all items of income and expense for LIA Insurance in the impairments line as it has been decided to write down the NAV to zero.

All references to 2019 relates to the 2019 financial year, unless otherwise stated.

Operating environment

Economic conditions

The estimated fall in global real gross domestic product (GDP) of 3,5% in 2020, due to widespread COVID-19-related economic restrictions, was the sharpest since World War II. The decline was, however, concentrated in the first half of 2020 as extraordinarily large fiscal and monetary policy support programmes, notably in developed markets, together with some easing of COVID-19-related economic restrictions, induced a rebound in global economic activity in the second half of the year.

Most of our key markets experienced a contraction in real gross domestic product (GDP) in 2020, with a recovery to 2019 levels of economic activity only expected in the medium term.

Real GDP growth forecasts (%)	2020	2021	2022	2023
South Africa	(7,0)	3,5	2,6	2,0
Namibia	(6,5)	3,0	2,8	2,6
Botswana	(9,5)	8,1	5,1	4,4
Morocco	(6,8)	4,8	3,5	3,5
Côte d'Ivoire	1,9	6,3	6,4	6,3
Angola	(4,3)	1,9	2,9	3,5
Nigeria	(3,6)	1,8	2,8	3,1
Zambia	(4,0)	1,0	1,8	2,1
Mozambique	(0,6)	2,6	4,8	7,5
Kenya	0,8	4,8	5,7	5,6
Uganda	(0,8)	4,9	5,6	6,1
Tanzania	2,3	4,5	6,0	6,2
India	(7,3)	11,0	4,6	7,5
Malaysia	(5,4)	7,0	5,1	5,5

Equity and interest rate markets

The key investment markets where we operate recorded marked declines up to the end of March 2020. A strong recovery commenced from April and indices in some of our markets ended the year above 2019 levels. Equity markets in Morocco and Côte d'Ivoire however, remained suppressed at December 2020, albeit higher than at June 2020.

	December 2020 (year- to-date)	June 2020 (year- to-date)
Equity markets - change in indices		
South Africa All Share	4,1%	(4,8%)
South Africa Swix	0,0%	(7,9%)
MSCI World (in Rand)	21,7%	17,1%
India Sensex	15,7%	(15,4%)
Botswana All Share	(8,2%)	(4,5%)
Namibian Overall Index	(5,7%)	(19,2%)
Morocco All Share	(7,3%)	(16,5%)
Côte d'Ivoire BRVM COMP	(8,7%)	(14,7%)
United Kingdom FTSE 100	(14,3%)	(18,2%)

The yield curve in South Africa steepened significantly in the first half of 2020 relative to the end of December 2019, before flattening somewhat in the second half. Relative to 31 December 2019, the benchmark nine-year point used for most of our South African (GEV) valuations increased by 30 basis points, but with a 140 basis points decline at the five-year point that is used for the SA Retail Mass GEV value. Reference interest rates in most of our other key markets were in line or lower than end-2019.

	31 December 2020	30 June 2020	31 December 2019
Interest rates - Sanlam reference government bond yield			
South Africa (nine-year)	9,6%	10,0%	9,3%
South Africa (five-year)	6,7%	7,5%	8,1%
Namibia	8,1%	8,7%	8,6%
Botswana	7,5%	7,0%	6,5%
Morocco	2,4%	2,8%	2,8%
Côte d'Ivoire	5,8%	5,8%	6,5%
India	6,1%	6,2%	6,8%
Malaysia	2,6%	3,0%	3,3%
United Kingdom	0,5%	0,5%	1,2%
Nigeria	7,4%	10,6%	12,4%

Foreign currency exchange rates

The South African rand weakened against most of the currencies where we operate, with the Angolan kwanza being the main exception.

Foreign currency/ZAR	United Kingdom	USA	Botswana	India	Morocco	Angola	Malaysia
31/12/2019	18,52	13,98	1,34	0,20	1,49	0,03	3,44
31/12/2020	20,08	14,69	1,36	0,20	1,65	0,02	3,64
Weakening/(strengthening)	8,4%	5,0%	1,4%	1,7%	10,9%	(23,9%)	5,7%
Average 2019	18,42	14,43	1,36	0,21	1,52	0,04	3,49
Average 2020	20,99	16,34	1,44	0,22	1,73	0,03	3,91
Weakening/(strengthening)	14,0%	13,2%	5,3%	8,0%	14,3%	(29,6%)	11,9%

The GEV valuations of the non-South African operations benefited in general from the weaker rand at 31 December 2020 compared to the end of 2019.

The weaker average rand exchange rates did not have an overall significant impact on the Group's operational earnings for the period due to offsetting positive and negative foreign currency translation differences. The latter primarily relates to the translation of negative investment return in SEM at the weaker average rand exchange rate and the weaker Angolan kwanza.

Comments on the results continued

Earnings

As stated above, COVID-19 significantly impacted the Group's earnings. The tables below provide a summary of the impact of the COVID-19 pandemic per cluster on net result from financial services.

Sanlam Life and Savings

R million (year-to-date)	December 2020	June 2020	December 2019
Excess claims	(383)	-	-
Pandemic reserve release	354	-	-
Retail credit provisions	(235)	(151)	(65)
Support provided to intermediaries	(185)	(101)	-
Glacier participating products	61	(20)	179
Impact on net result from financial services	(388)	(272)	114

Excess claims were R383 million (net of tax and reinsurance), after allowing for improved experience on annuity and disability books. This was largely driven by increased mortality directly from COVID-19 and higher deaths from existing comorbidities where COVID-19 is not indicated as cause of death. The pandemic reserve release of R354 million (net of tax) mitigated the impact of increased mortality on SLS earnings.

Sanlam Personal Loans' (SPL) retail credit book amounted to R5,6 billion at 31 December 2020 (31 December 2019: R5,6 billion). Repayment holidays granted to 5% of the book, together with some deterioration in general arrears, required an increase in doubtful debt provisions. Total provisions were 21,6% of the book at 31 December 2020 compared to 13,2% at 31 December 2019.

SLS provided support to its intermediaries as many agents lost most of their normal monthly income during levels 5 and 4 of the national lockdowns. Support was in the form of loans and non-refundable grants.

Glacier's product offering includes a line of business where there is participation in the actual investment return earned on the underlying portfolios. The equity market performance resulted in a significantly lower return being earned on the portfolios in 2020 compared to 2019, which commensurately reflects in lower fee income.

Sanlam Emerging Markets

R million (year-to-date)	December 2020	June 2020	December 2019
Investment return on Saham general insurance funds	20	(145)	420
Shriram retail credit provisions	(676)	(445)	(401)
North and West Africa investment variances	(87)	(94)	-
Impact on net result from financial services	(743)	(684)	19

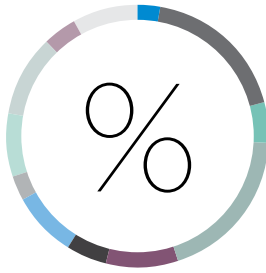
Equity and property market valuations in Morocco and Côte d'Ivoire declined over the year despite improving substantially from the positions at June 2020. This resulted in a R400 million decline in net investment return earned on general insurance funds in these markets. The impact of negative investment variances due to extreme yield curve movements on life insurance earnings in North and West Africa reduced significantly in the last two months of the year, albeit at a similar level to that at June 2020.

Retail credit businesses in India offered a six-month repayment holiday to all clients following formal requests by the regulators and in line with the rest of the industry, which ended in August 2020. The uncertainty of collections in addition to the economic impact of COVID-19 on small businesses resulted in a strengthening in doubtful debt provisions at both Shriram Transport Finance Company (STFC) and Shriram City Union Finance (SCUF). The earnings impact of changes in doubtful debt provisions increased commensurately from R401 million in 2019 to R676 million in 2020.

Sanlam Investment Group

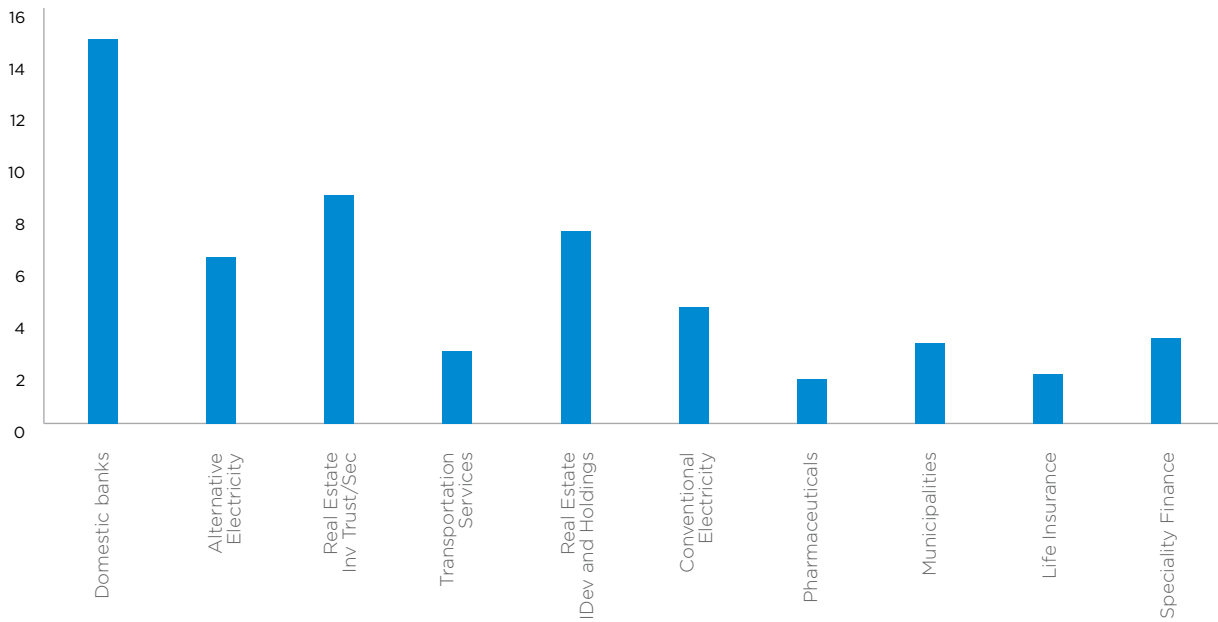
SanFin manages a well-diversified corporate credit portfolio of R55 billion that supports non-participating policyholder portfolios (through the Central Credit Manager (CCM)) and shareholders' funds for the shareholders' account. Most of the portfolio relates to the CCM. All realised and unrealised mark-to-market changes, changes in doubtful debt provisions and actual defaults are for the account of shareholders and recognised in net result from financial services. There have been no material changes to the credit quality of the book since 30 June 2020 and no material changes to the composition of the book.

Credit book composition



3	Africa unlisted	8	Properties unlisted
18	SA local listed	3	International listed
5	SA offshore listed	8	Cash
19	SA local unlisted	10	Government bonds
9	Infrastructure local unlisted	4	Collateralised lending
5	Properties local listed	8	Other

Portfolio Split by Sub Sector (%)



Comments on the results continued

Credit markets partially recovered in the second half of 2020, which resulted in a significant portion of the credit spread losses in the CCM reversing since 30 June 2020. The mark-to-market loss from credit spreads reduced to R88 million at 31 December 2020 from R227 million at 30 June 2020.

R million (year-to-date)	December 2020	June 2020	December 2019
Credit spreads: listed and unlisted bonds	(88)	(227)	-
Gross movement in credit spreads	(181)	(597)	-
Transfer to asset mismatch reserve	59	282	-
Taxation	34	88	-
Mark-to-market changes: listed preference shares	(69)	(61)	39
Change in provision for doubtful debt and credit defaults	(247)	(266)	14
Impact on net result from financial services	(404)	(554)	53

In terms of the Group's accounting policies, 50% of the movement in spreads relating to the CCM is transferred to the asset mismatch reserve held in respect of non-participating policyholder business, as it is considered to be changes in illiquidity premiums that will reverse over time, as opposed to reflecting deteriorating credit quality.

In line with the asset mismatch reserves held in respect of SLS, the SanFin asset mismatch reserve is recognised in future earnings at a rate of 16% per annum of the quarterly asset mismatch reserve balance.

The listed prices of perpetual preference shares also deteriorated, contributing to mark-to-market losses in 2020 compared to profits in 2019.

The decline in economic activity in South Africa in 2020 had a significant impact on corporate earnings, with a commensurate rise in corporate credit risk. In light of these conditions, SanFin's credit-related losses increased by R247 million in 2020.

Santam

Attributable to Sanlam (R million)	December 2020	June 2020	December 2019
CBI claims provisions and relief payments	(1 318)	(581)	-
COVID-19 support	(169)	-	-
Motor book underwriting result	940	466	527
Impact on net result from financial services	(547)	(115)	527

COVID-19 contributed to a R547 million (net of tax and non-controlling interest) adverse impact on Santam's underwriting performance. The motor book benefited from reduced accidents over the year (especially during the initial phases of lockdown) partly offset by premium relief offered to policyholders.

The Santam CBI matter is still not fully resolved. Santam announced in January 2021 that it will commence the process of assessing and settling valid claims for policies with CBI extensions after obtaining legal certainty on the insured peril for policies with contingent business interruption cover. Two major areas of uncertainty remain with respect to the quantum of these claims: firstly the extent of reinsurance recoveries, secondly the issue of whether the indemnity period in certain contracts is three months (as per Santam's view of the policy contract) or whether the indemnity period follows the underlying policy indemnity period for standard physical damage. In addition, the inherent complexity of business interruption claims, as well as bespoke policy wordings for corporate clients, require significant assumptions to be applied to determine the best estimate CBI claims provisions. For more details on the matter refer to Santam Limited annual financial statements or www.santam.co.za.

Shareholders' fund income statement for the year ended 31 December

R million				Excluding the impact of COVID-19*		
	2020	2019	△	2020	2019	△
Net result from financial services	8 382	9 674	(13%)	10 464	8 961	17%
Sanlam Life and Savings	4 600	4 855	(5%)	4 988	4 741	5%
Sanlam Emerging Markets	2 377	2 632	(10%)	3 120	2 613	19%
Sanlam Investment Group	805	1 070	(25%)	1 209	1 017	19%
Sanlam	686	1 217	(44%)	1 233	690	79%
Group office and other	(86)	(100)	14%	(86)	(100)	14%
Net investment return	271	1 254	(78%)	1 081	1 044	4%
Project expenses	(304)	(130)	134%	(304)	(130)	134%
Net operational earnings	8 349	10 798	(23%)	11 241	9 875	14%

* Excludes earnings components impacted by COVID-19, as outlined on pages 74 to 76.

Group net result from financial services of R8,4 billion declined by 13% in 2020 but increased by 17% excluding the impact of COVID-19. Net operational earnings declined by 23% but increased by 14% excluding the impact of COVID-19.

SLS net result from financial services decreased by 5%. Mortality claims with COVID-19 indicated as the cause of death amount to R399 million (net of reinsurance) for the year. However, excess claims amounted to R531 million (net of reinsurance) inclusive of COVID-19 claims, after considering the offsetting impacts of annuitant mortality and improved disability experience. The impact of mortality claims was mitigated by the pandemic reserve release of R492 million (gross of tax). Excluding all COVID-19-related items net result from financial services increased by 5%.

SLS net result from financial services for the year ended 31 December

R million	2020	2019	△
SA Retail Affluent	4 059	4 455	(9%)
Recurring premium sub-cluster	2 376	2 501	(5%)
Glacier	1 561	1 566	0%
Sanlam Personal Loans & other	122	388	(69%)
SA Retail Mass	1 050	1 348	(22%)
Sanlam Corporate	836	826	1%
Pandemic reserve release	492	-	
Gross result from financial services	6 437	6 629	(3%)
Tax on gross result from financial services	(1 882)	(1 806)	4%
Non-controlling interest	45	32	41%
Net result from financial services	4 600	4 855	(5%)

- SA Retail Mass gross result from financial services declined by 22% (up 17% excluding excess claims and COVID-19 support provided to intermediaries). Earnings were impacted by higher claims experience, negative investment variances and COVID-19 support to advisers. Higher claims experience was most intensely reported in group schemes (including Safrican). In the individual life business, higher claims experience and support to advisers resulted in a 12% reduction in earnings. African Rainbow Life contributed a loss of R92 million compared to a loss of R87 million in 2019. With increased adviser focus on retention, persistency was better than expected over the year. In this segment cause of death is not required for a claim which potentially understates the impact of COVID-19. Excess claims amounted to R394 million for the year including R46 million where COVID-19 was indicated as the cause of death. Capitec delivered a satisfactory result as the in-force book grew over the year.
- SA Retail Affluent gross result from financial services declined by 9%. A strong performance from the individual life risk and savings businesses was largely offset by a provision for one-off expenses of R197 million and a R326 million increase in provisions for doubtful debts at Sanlam Personal Loans.

Earnings from the risk business increased as good profits from annuity and disability books offset the increase in COVID-19 related mortality. The business also benefited from lower new business strain (in line with the decline in new business volumes), steady persistency and a larger overall book. Mortality claims where COVID-19 was indicated as the cause of death for the year amounted to R159 million (net of reinsurance). Earnings from the savings business increased by 9%, supported by the recovery in market levels in the second half of the year, tight cost management and positive basis changes. Lower profits from the closed book detracted from results.

Comments on the results continued

Glacier's earnings were in line with 2019 with LISP earnings down 9% and Life earnings 4% higher (benefiting from higher annuity profits). The International business benefited from strong net fund inflows and a weaker rand exchange rate. Weaker relative equity markets impacted earnings from those products where Glacier participates in the actual investment return earned on the underlying portfolios. Excluding the impact of COVID-19 discussed above, overall profits grew by 12%.

Strategic business development includes SPL, Sanlam Trust, Multi-Data and Sanlam Reality. Gross result from financial services declined 69% largely due to a R326 million increase in provision for doubtful debts attributable to the impacts of COVID-19. Growth in SPL's loan book was muted in 2020, attributable to lower client demand and management actions implemented to manage the quality of the book under the current challenging conditions.

- *Sanlam Corporate* grew its gross result from financial services by 1%, a satisfactory performance in a difficult operating environment. The business benefited from better than expected mortality profits from the annuity book, lower new business strain and lower administration expenses. Improved group disability claims experience assisted in offsetting the higher COVID-19-related mortality experience. Excess claims amounted to R95 million (net of reinsurance) for the year (COVID-19-related claims net of reinsurance were R194 million). The health business posted an improved performance as a result of good sales at the pharma cluster and lower claims in the gap cover book.

SEM's net result from financial services declined by 10% mainly due to lower returns on float in North and West Africa, increased provisions for doubtful debts in India and the poorer performance of other credit businesses in Africa in a COVID-19 environment, the impact of the Lebanon port facility explosion on Saham Re and the ongoing depreciation of the Angolan kwanza. These negative impacts were partly offset by the increase in Nigerian life insurance earnings contribution due to consolidation of the business from 1 June 2020. Excluding the COVID-19 impacts of capital markets in Sanlam-Pan Africa (SPA) and credit provisions in India, earnings were up 19%.

SEM net result from financial services for the year ended 31 December

R million	2020	2019	△
Southern Africa	1 859	1 776	5%
Life insurance	807	815	(1%)
General insurance	347	213	63%
Investment management	121	97	25%
Credit and structuring	457	596	(23%)
Other	127	55	>100%
North and West Africa	1 102	1 515	(27%)
Life insurance	180	224	(20%)
General insurance	1 102	1 436	(23%)
Other	(180)	(145)	(24%)
East Africa	122	218	(44%)
Life insurance	101	138	(27%)
General insurance	11	30	(63%)
Investment management	39	27	44%
Other	(29)	23	(>100%)
Other international	1 965	2 223	(12%)
Life insurance	173	139	24%
General insurance	776	989	(22%)
Credit and structuring	876	1 061	(17%)
Other	140	34	>100%
Corporate costs (including Cluster adjustment)	(379)	(184)	(106%)
Gross result from financial services	4 669	5 548	(16%)
<i>Life insurance</i>	<i>1 261</i>	<i>1 316</i>	<i>(4%)</i>
<i>General insurance</i>	<i>2 236</i>	<i>2 668</i>	<i>(16%)</i>
<i>Investment management</i>	<i>159</i>	<i>123</i>	<i>29%</i>
<i>Credit and structuring</i>	<i>1 323</i>	<i>1 637</i>	<i>(19%)</i>
<i>Corporate costs and other</i>	<i>(310)</i>	<i>(196)</i>	<i>(58%)</i>
Tax on gross result from financial services	(1 254)	(1 788)	30%
Non-controlling interest	(1 038)	(1 128)	8%
Net result from financial services	2 377	2 632	(10%)

- *Life insurance* gross result from financial services declined by 4% (up 7% excluding the COVID-19-related gross impact on investment variances of R142 million). Southern Africa earnings declined by 1% with steady performances from Namibia and Botswana offset by a weaker performance in Zambia. Botswana increased its contribution marginally due to positive claims experience on funeral business offset by negative expense assumption changes. Namibia's earnings also increased marginally. Cost savings, the accompanying improvement in expense assumptions and higher margin releases from favourable product mix were offset somewhat by a strengthening in persistency assumptions.

Earnings from East Africa decreased by 27% as an improved performance in Kenya was not enough to offset the weakening in other regions. Kenya benefited from reserve releases due to modelling improvements. COVID-19-related negative investment variances were the main reason for the 20% decline in earnings from North and West Africa (up 44% excluding the COVID-19-related impact on investment variances). Morocco earnings recovered in the final quarter of 2020 as a result of improved equity market performance and cost savings. Côte d'Ivoire operating profit was impacted by negative returns on equity portfolios and provisions against property holdings. Nigeria achieved strong growth, the combined effect of strong group risk profits and the consolidation of the business from 1 June 2020.

In India, Shriram Life insurance earnings declined due to lower volumes given lower business levels in the credit companies, and higher acquisition costs. Malaysia life insurance earnings benefited from lower acquisition costs and positive basis changes for expected claims on group business.

- *General insurance* earnings decreased by 16% but increased by 28% excluding the COVID-19-related impact on investment return from equities and properties earned on the Morocco and Côte d'Ivoire general insurance funds. Investment return on insurance funds was 6,1% for the year relative to 13,2% in 2019, with Morocco at 1,5% relative to 16,6% in 2019. Morocco achieved a satisfactory underwriting margin of 7,9% due to lower claims ratios on motor and health business. Angola's performance improved over the year driven by increasing volumes, an improvement in the motor loss ratio and better claims management and rate reviews in the health business. Saham Re, and to a lesser extent, Continental Re's underwriting margin was suppressed by the Beirut port facility explosion. Continental Re also experienced some large claims in the last two months of the year.

In India, Shriram General Insurance reported a decline in earnings from a high comparative base which included a reserve release in respect of motor third-party business. In Malaysia general insurance earnings benefited from a lower claims ratio.

Good progress was made in improving the underwriting performance of the Saham general insurance portfolio:

General insurance and reinsurance for the year ended 31 December

R million	Gross written premiums		Underwriting margin		Investment return on insurance funds		Net insurance result	
	2020	2019	2020	2019	2020	2019	2020	2019
Southern Africa	3 485	3 499	13,2%	11,8%	3,6%	3,1%	16,8%	14,9%
North and West Africa	14 953	12 914	6,0%	0,8%	2,7%	12,7%	8,7%	13,5%
East Africa	1 573	1 445	(5,4%)	(1,4%)	4,8%	5,3%	(0,6%)	3,9%
Other international	3 181	3 424	7,4%	13,4%	21,7%	23,2%	29,1%	36,6%
Total	23 192	21 282	6,3%	4,0%	6,1%	13,2%	12,4%	17,2%
Saham	17 853	16 312	7,3%	2,0%	3,0%	11,9%	10,3%	13,9%
Other	5 339	4 970	3,6%	11,7%	16,5%	17,7%	20,1%	29,4%
Total	23 192	21 282	6,3%	4,0%	6,1%	13,2%	12,4%	17,2%

- The overall general insurance portfolio underwriting margin improved from 4,0% in 2019 to 6,3% in 2020, with the former Saham portfolio improving from 2,0% to 7,3%.

- The SPA general insurance portfolio achieved an underwriting margin of 6,1% (7,2% excluding the impact of the Beirut port facility explosion), within the 5% to 9% target range.

- The other international portfolio achieved an underwriting margin of 7,4% compared to 13,4% in 2019. India reported an underwriting margin of 6,7% relative to 19,3% in 2019, with 2019 benefiting from reserve releases.

Comments on the results continued

Management has reviewed the composition of the investment portfolio in Morocco in the context of long-term value creation, local capital requirements and its risk appetite. The revised asset allocation strategy will support an above hurdle return on capital at a lower level of expected volatility given a planned shift to less equity and property exposure. Given the current market values and economic climate, the implementation of the strategy is expected to be phased in over time as opportunities arise.

All the *Credit* businesses were affected by a deteriorating arrears position. Gross earnings from this line of business declined by 19% (in line with 2019 excluding changes in doubtful debt provisions in India). In India, the credit businesses were affected by lower net interest margins and an increase in the provision for bad debts due to the six-month payment holiday that ended at 31 August 2020. Both disbursements and collections did, however, improve in the final quarter of the year. Southern Africa credit earnings declined by 23% due to lower interest income and higher impairment charges.

Lebanon's net asset value at 30 June 2020 was impaired to zero. For shareholder fund reporting, profits generated in Lebanon in the second half of 2020 (R57 million) were recognised against the impairment recognised at 30 June 2020, reducing the overall impairment charge for the full year.

SIG's net result from financial services decreased by 25% (up 19% excluding the COVID-19-related credit and preference share impacts), a satisfactory performance under challenging conditions. On a gross basis, net result from financial services decreased by 20%.

SIG net result from financial services for the year months ended 31 December

R million	2020	2019	△
Sanlam Investments (third-party business)	552	536	3%
Wealth Management	214	186	15%
International	282	355	(21%)
Corporate services	(40)	(28)	43%
Investment management	1 008	1 049	(4%)
Sanlam Specialised Finance	241	510	(53%)
Sanlam Asset Management	188	214	(12%)
CCM and other	53	296	(82%)
Gross result from financial services	1 249	1 559	(20%)
Tax on gross result from financial services	(378)	(392)	(4%)
Non-controlling interest	(66)	(97)	(32%)
Net result from financial services	805	1 070	(25%)

- The *Sanlam Investments third-party asset manager's* gross result from financial services increased by 3% from a high base in 2019 that included one-off income of some R60 million in the Alternatives business relating to the Climate Investor One Fund reaching its fund-raising target. Excluding this, gross result from financial services increased by 16% despite lower average investment markets for 2020 relative to 2019. Performance fees, cost controls and strong net fund inflows at Sanlam Multi-Manager and Satrix supported the performance.
- *Wealth Management* gross result from financial services increased by 15%. Brokerage income benefited from increased client trading activity, to some extent offsetting the impact of lower average equity markets. International portfolio fee income and growth in the Pan-Africa business augmented by tight cost management also supported growth.
- The weaker rand exchange rate could not fully compensate for lower fee income at the *International* businesses, with a 21% decline in gross result from financial services. International investment markets were also lower in 2020 compared to 2019, suppressing assets under management and related fee income. Sanlam UK is in the process of a large restructuring of its platform and to improve the operating systems of the underlying businesses. This includes the introduction of new operating systems and changes to the staff complement, which resulted in increased redundancy and contractor costs relating to the projects.
- *SanFin's* results were severely impacted by an increase in provisions for doubtful debts as a result of the impact of the COVID-19 pandemic on the operating environment. Gross result from financial services reduced 53% to R241 million in 2020 from R510 million in 2019. The CCM was impacted by credit-related provisions and declines in listed preference share values. The partial recovery in credit markets did support performance in the second half of 2020, resulting in an improvement in earnings from the half year. Sanlam Asset Management was impacted by lower average assets under management due to market volatility.

Santam's net result from financial services declined by 44% mainly due to provisions raised for CBI claims (refer to commentary above). The motor and property books benefited from lower claims experience in South Africa. This was, however, more than offset by CBI claims and provisions of R3,0 billion. Santam's Conventional Insurance business achieved a net underwriting margin of 2,5% (2019: 7,7%), below its 4% to 8% target range.

Investment return on insurance funds (float income) decreased by 13% (for the Conventional Insurance business), largely due to lower short-term interest rates in 2020. Santam's share of earnings from the SEM general insurance businesses decreased by 23%, reflective of the Shriram General Insurance and SPA results.

Net operational earnings of R8,3 billion are 23% down on 2019 (up 14% excluding the COVID-19 impact). This is the combined effect of the 13% decrease in net result from financial services and a decline in net investment return earned on the capital portfolio from R1 254 million in 2019 to R271 million in 2020. Expected credit loss provision in Lebanon of R726 million was the main contributor to the lower investment return in 2020.

Normalised attributable earnings include the following items in addition to net operational earnings:

Shareholders' fund income statement for the year ended 31 December

R million	2020	2019	△
Net operational earnings	8 349	10 798	(23%)
Amortisation of intangible assets	(699)	(766)	9%
Equity participation costs	(1)	(596)	
Profit on disposal of subsidiaries and associates	285	(6)	
Impairments	(8 638)	(339)	
Net non-operational equity-accounted earnings	10	19	(47%)
Normalised attributable earnings	(694)	9 110	(108%)

A net impairment charge of R8,6 billion was recognised due to the lower valuation of Group operations of which R5,8 billion (net of utilisation of hedge of R855 million) and R803 million are attributable to Saham and Shriram Capital respectively. Positive foreign currency translation differences of R2,9 billion have been recognised directly in equity in respect of the SEM businesses subject to impairment. The net effect on net asset value therefore amounts to a reduction of R5,7 billion. The Saham impairment gross of hedge comprises of the following:

- Write-down of the premium paid at acquisition for synergies (R2 712 million)
- Reducing the valuation of the Lebanon businesses to zero (R2 048 million)
- Reducing future economic growth and investment return assumptions (R1 928 million)

The valuation of Shriram Capital was reduced given the increased levels of expected credit losses in the credit businesses, and the impact that COVID-19 continues to have on the economic growth rate environment in India, and hence top-line growth in all the Shriram businesses. This was also reflected in the lower listed share prices of Shriram Transport Finance Company (STFC) and Shriram City Union Finance (SCUF) during the year.

Included in the net impairment charge is an amount of R1,7 billion in respect of the B-BBEE SPV funding.

Equity participation cost, which included a one-off charge of R594 million in 2019 in respect of the 5% B-BBEE share issuance. The total one-off IFRS 2 charge amounted to R1 686 million. R594 million was recognised in normalised attributable earnings, representing the economic cost to Sanlam shareholders from issuing the shares at a higher than market-related discount. The remainder is recognised in fund transfers.

Headlines earnings increased by 24%. The difference in growth between normalised attributable earnings and headline earnings relates primarily to the exclusion of impairments and the inclusion of fund transfers of R3,6 billion (2019: negative R2,0 billion) in headline earnings. Fund transfers include:

- Non-economic mismatch profits and losses recognised in terms of IFRS through the elimination of Sanlam shares held in policyholder portfolios as treasury shares and the recognition of deferred tax assets in respect of assessed losses in policyholder portfolios of +R710 million (2019: -R240 million).
- In 2019, the difference between the R1,7 billion IFRS 2 charge recognised in respect of the B-BBEE share issuance, and a market-related discount of R594 million (R1 092 million expense).
- Consolidation of the B-BBEE SPV, which results in the recognition of interest paid on external funding in the SPV, mark-to-market changes on the hedging instruments in the structure and administration costs incurred by the SPV in Sanlam's earnings of -R19 million (2019: -R601 million).
- Net monetary gains of R1,2 billion in respect of hyperinflation in Lebanon.

The number of shares used to calculate headline earnings per share is reduced by the 5% shares held by the SPV, as these are treated as treasury shares on consolidation and written down to zero against reserves in the IFRS statement of financial position.

Comments on the results continued

Business volumes

New business volumes increased by 25%, with the SEM and SIG clusters recording strong growth. Life insurance volumes increased by 4% relative to the 2019 financial year and general insurance volumes improved by 3%. Investment business was the key driver of overall volume growth, increasing by 37%.

SLS new business sales were 1% higher than 2019, attributable to a robust performance by Glacier, which was offset by weaker growth in the Sanlam Corporate and SA Retail Mass businesses. Life insurance volumes increased by 3% and investment business declined by 1%.

SLS new business volumes for the year ended 31 December

R million	2020	2019	△
SA Retail Mass	2 558	2 839	(10%)
SA Retail Affluent	65 441	58 974	11%
Recurring premium sub-cluster and strategic business development	2 865	3 315	(14%)
Risk	1 189	1 214	(2%)
Savings	1 676	2 101	(20%)
Glacier	62 576	55 659	12%
Life business	31 681	27 472	15%
Investment business	30 895	28 187	10%
Sanlam Corporate	9 848	15 238	(35%)
Life business	6 500	8 790	(26%)
Investment business	3 348	6 448	(48%)
New business volumes	77 847	77 051	1%

Life insurance volumes improved in the second half of the year as restrictions on face-to-face sales were eased. The recovery was slower in SA Retail Mass and Sanlam Corporate relative to SA Retail Affluent. New business in traditional channels was supported by accelerated digital adoption. Our digital business, Sanlam Indie, performed exceptionally well over the year.

- *SA Retail Mass* new business volumes decreased by 10% as a result of COVID-19 lockdown restrictions. The individual life business recorded a 28% decline in new business volumes. Distribution in this market segment is largely reliant on face-to-face contact, either at home or at worksites. This was prohibited for most of the second quarter of 2020. Sales in the second half of the year improved as lockdown restrictions were relaxed but remained below the comparative period in 2019. The Capitec Bank partnership was resilient, achieving growth of 4% on 2019. African Rainbow Life contributed new business sales of R80 million relative to R13 million in 2019. Group new business (including Safrican) sales declined by 4% relative to 2019.
- *SA Retail Affluent* new business achieved particularly pleasing growth of 11%. Sanlam Indie achieved strong growth, supported by MiWay Life and Brightrock. This partly offset lower sales in the traditional intermediated channels. The pressure on middle-market disposable income was felt in the recurring premium savings businesses, where sales declined by 20%. Glacier performed particularly well with life and investment business increasing by 15% and 10% respectively, with healthy demand for annuities, international products and money market discretionary solutions. From April to December, premium holidays were approved on 10 051 policies at individual life and 46 047 policies at savings. The premium continuance rate for these policies is 88% for individual life and for savings.
- *Sanlam Corporate* new business volumes declined by 35%, the combination of a 26% decline in life business and 48% decline in new investment business. New business was impacted by low quote activity in 2020 and a high base in the second half of 2019.

SLS's net fund inflows declined by 25% from R15,2 billion in 2019 to R11,4 billion in 2020. SA Retail Mass declined by 1% despite weak new business, as persistency improved over the year. SA Retail Affluent increased by 28% supported by strong Glacier flows. Sanlam Corporate declined by 94% due to lower new business, a high base in 2019 and the outflow of more than R2 billion relating to externally managed single manager portfolios that were loss making.

SEM new business volumes increased by 35% with all regions contributing to the growth. The Southern and East Africa regions recorded particularly strong growth in investment business.

SEM new business volumes for the year ended 31 December

R million	2020	2019	△
Southern Africa	20 840	15 695	33%
North and West Africa	14 220	12 666	12%
East Africa	7 728	2 362	>100%
Other international	4 110	4 086	1%
New business volumes	46 898	34 809	35%
Life insurance	9 241	8 343	11%
General insurance	16 479	15 604	6%
Asset management	21 178	10 862	95%

Most of the markets where SEM operates were subject to some form of COVID-19 lockdown or curfew, which inhibited new business sales, similar to South Africa. *Life insurance* new business volumes, however, increased by 11%, benefiting from the acquisition of the remaining 65% interest in the Nigerian insurance operations in June 2020. North and West Africa and East Africa both recorded strong volume growth over the year offsetting a slightly weaker performance from Southern Africa. Other international life insurance volumes improved 2% over the year.

General insurance new business increased by 6% despite COVID-19 restrictions and the deliberate non-renewal of a number of loss-making schemes aimed at improving the quality of the book. North and West Africa achieved growth of 9% and East Africa growth of 6%. This offset a 10% decline in Southern Africa and muted growth from the Other International businesses. The former Saham business achieved growth of 3%.

Investment new business volumes increased by 95% to R21,2 billion. This includes a strong improvement in East Africa, where new business of R5,7 billion was achieved compared to R738 million in 2019, and large new mandates from the government employee retirement funds in Namibia and Botswana.

Net fund flows increased by 89% from R11,2 billion in 2019 to R21,2 billion in 2020, with all regions contributing to the growth.

SIG's new business volumes increased by 43%, with Investment Management SA growing new business by 35%. This was driven by large institutional mandates awarded for index tracking and money market funds, as well as higher-than normal short-term asset allocation changes by retail clients in the uncertain environment. Wealth management grew new business volumes 51% and international volumes increased by 78% as these businesses reported strong pick-ups in client activity in volatile markets.

Net fund flows of R21,1 billion for the cluster were broadly in line with 2019. Lower net retail flows more than offset good growth in institutional net inflows over the year, contributing to a 48% decline in overall net fund inflows from the Investment Management SA business. Wealth Management reported improved net inflows of R2,8 billion compared to some R560 million in 2019. The international business reported net inflows of R8 billion relative to R579 million in 2019, largely reflective of its new business performance with no large withdrawals in 2020.

Gross written premiums at **Santam** increased by 7%, the aggregate of 5% growth in conventional insurance business and 17% in alternative risk transfer business. This is a satisfactory performance in the context of recessionary economic conditions. Motor, which contributes 43% of total gross written premiums, for the conventional business, was 1% higher than 2019 due to the premium relief offered to clients. Excluding these relief measures, gross motor premiums written grew by 3%. The property line of business grew by 8% on the back of strong growth in the specialist property business outside of South Africa. Gross written premiums from the other lines of conventional business increased 8% relative to 2019 in aggregate, largely due to good growth in the crop book. Net earned premiums increased by 3% in the conventional insurance business, with the lower growth compared to gross written premiums largely attributable to increased premium growth from the specialist business and Santam Re, where Santam retains less premium for its own account.

Overall Group net fund inflows of R62 billion (+8%) in 2020 is a particularly satisfactory performance given the challenging market conditions.

Comments on the results continued

Business volumes for the year ended 31 December 2020

R million	New business			Net inflows		
	2020	2019	△	2020	2019	△
Sanlam Life and Savings	77 847	77 051	1%	11 351	15 160	(25%)
Sanlam Emerging Markets	46 898	34 809	35%	21 192	11 239	89%
Sanlam Investment Group	161 470	113 236	43%	21 130	21 221	0%
Santam	24 660	24 227	2%	7 890	9 146	(14%)
Total	310 875	249 323	25%	61 563	56 766	8%
Life insurance	56 111	53 927	4%	14 613	15 989	(9%)
Investment business	213 625	155 565	37%	32 485	25 596	27%
General insurance	41 139	39 831	3%	14 465	15 181	(5%)
Total	310 875	249 323	25%	61 563	56 766	8%

Value of new covered business

Net VNB declined by 16% to R1 921 million at actual interest rates and 14% on constant economic assumptions. Both SLS and SEM experienced lower VNB in 2020 relative to 2019, in line with lower new business sales in most of the more profitable life insurance lines. VNB was also impacted by increased lapse assumptions and higher acquisition and maintenance unit costs.

Economic basis changes had a net marginal impact on Group VNB as there were offsetting impacts between the different regions, specifically between SA Retail Mass and the Nigerian life insurance business. The Group new business margin declined to 2,58% from 2,98% in 2019, largely due to weaker volume growth in the higher margin product lines relative to the mainly fixed cost base.

SLS VNB declined by 15% to R1 638 million (21% lower on a comparable economic basis), with SA Retail Mass down 32% to R512 million and SA Retail Affluent 3% higher than 2019 at R1 032 million. Glacier's VNB increased by 38% benefiting from a mix of business favouring higher margin life insurance lines. Sanlam Corporate VNB declined by 46% to R94 million due to lower volumes with margins reducing to 1,04% from 1,29% in 2019. The SLS new business margin reduced to 2,73% from 3,08% in 2019, a satisfactory performance in a difficult operating environment.

SEM VNB declined by 17% to R283 million from R343 million in 2019 at actual interest rates but increased by 20% on a comparable economic basis. Good growth in Namibia, Malaysia and Tanzania was offset by declines in India (lower volumes and higher cost ratio) and Nigeria. Nigeria's VNB was negatively impacted by more than R90 million due to the change in yield curve.

Value of new life business for the year ended 31 December

R million	2020	2019	△
Net value of new covered business	1 921	2 280	(16%)
Sanlam Life and Savings	1 638	1 937	(15%)
Sanlam Emerging Markets	283	343	(17%)
Gross of non-controlling interest	2 202	2 545	(13%)
Net present value of new business premiums	74 591	76 446	(2%)
Sanlam Life and Savings	59 947	62 794	(5%)
Sanlam Emerging Markets	11 176	10 242	9%
Sanlam Investment Group	3 468	3 410	2%
Gross of non-controlling interest	80 239	81 540	(2%)
Net new covered business margin	2,58%	2,98%	
Sanlam Life and Savings	2,73%	3,08%	
Sanlam Emerging Markets	2,53%	3,35%	
Gross of non-controlling interest	2,74%	3,12%	

Group Equity Value

The valuations of all Group operations were adversely affected by the COVID-19 operating environment, contributing to negative RoGEV per share of -2,8% for 2020 compared to positive return of 6,4% in 2019.

The underperformance in net result from financial services and net investment surpluses outlined above, contributed to lower GEV earnings for the current period across the life and non-life operations. A negative return was earned on the listed Santam share, with the Santam share price declining in 2020, albeit less than other listed financial services shares. A prudent approach was applied to the GEV valuations in 2020, given the significant uncertainty around the eventual outcome of COVID-19 and the trajectory of economic recovery.

The following key assumptions were adjusted:

Non-covered business

- Economic assumptions were revised downwards in the current uncertain environment, in respect of both economic growth forecasts and future investment returns. This affected the valuations of the investment management, administration and SEM general insurance operations.
- Top-line growth was reduced across the board for non-life operations, through lower net fund inflow assumptions for investment management businesses and lower premium/fee income growth at other businesses.
- The valuation of the Lebanon operations was reduced to zero as a meaningful economic recovery, as well as the potential to repatriate profits, is not expected in the foreseeable future.
- Most of the premium paid for synergies in respect of the Saham acquisition was written off. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the Saham footprint as a result of COVID-19. We remain confident that the synergies can be realised but decided to instead allow them to emerge as positive future experience variances.
- A prudent approach was followed for the valuation of the Indian credit businesses, taking cognisance of significant uncertainty that remains around the eventual impact of the COVID-19 operating environment on these businesses.
- An impairment charge of R1,7 billion in respect of the B-BBEE SPV funding.

Covered business

- Persistency assumptions were strengthened for the life insurance book, with the major portion attributable to SLS. Despite no noticeable weaker persistency experience in 2020, it is not expected to persist in the context of rising unemployment in South Africa and increasing pressure on disposable income. Maintenance unit cost expenses were also strengthened as a commensurate second order effect.
- The valuation of the Lebanon covered business was reduced to zero in line with the non-life operations.

The weaker rand provided some support to the non-South African valuations but this was to a large extent offset by the significant weakening in the Angolan kwanza.

Impairments of R8,6 billion were recognised in the shareholders' fund income statement as a result of the lower valuations (refer to the earnings section above for further information).

GEV amounted to R131,8 billion or 5 920 cents per share at 31 December 2020. Including the dividend of 334 cents per share paid, RoGEV per share for 2020 amounted to a negative 2,8%. This is lower than the 13,3% target for 2020, largely attributable to the COVID-19 impact as outlined in the previous section.

Adjusted RoGEV per share, which excludes the impact of lower actual investment return than the long-term assumptions, interest rate changes and other one-off effects not under management control, and assuming normalised exchange rate movements, amounted to 2,6%.

Group Equity Value at 31 December

R million	GEV		RoGEV	
	December 2020	December 2019	GEV earnings	%
Group operations	123 881	133 517	(1 964)	(1,5)
SA Retail Affluent	36 078	37 065	2 586	7,0
SA Retail Mass	10 596	10 076	1 170	(11,6)
Sanlam Corporate	5 604	5 920	289	4,9
Sanlam Emerging Markets	35 323	40 731	(4 106)	(10,2)
Sanlam Investment Group	19 003	20 050	8	0,0
Santam	17 277	19 675	(1 911)	(9,7)
Covered business	59 326	60 156	3 724	6,2
Value of in-force business	44 212	45 179	(1 321)	
Adjusted net worth	15 114	14 977	5 045	
Other operations	64 555	73 361	(5 688)	(7,8)
Group operations	123 881	133 517	(1 964)	(1,5)
Discretionary capital and other	7 931	9 754	(1 910)	(18,8)
Group Equity Value	131 812	143 271	(3 874)	(2,7)
<i>Per share (cents)</i>	5 920	6 436	(174)	(2,8)

Comments on the results continued

Group operations yielded an overall negative return of 1,5% for 2020, the combination of a 6,2% return on covered business and negative 7,8% on other Group operations.

The main components contributing to the return on covered business at a consolidated Group level are summarised in the table below:

Return on covered business for the year ended 31 December

%	2020	2019
Expected return – unwinding of the risk discount rate	9,3	9,4
Value of new covered business	3,2	4,1
Operating experience variances	0,6	2,4
Operating assumption changes	(4,1)	(0,4)
Economic assumption changes	0,2	0,5
Expected investment return on capital portfolio	1,7	1,8
Investment variances	(4,0)	(0,6)
Value of in-force Capital portfolio	(2,6)	0,6
	(1,4)	(1,2)
Foreign currency translation differences and other	(0,7)	(0,6)
Return on covered business	6,2	16,6

- Expected return on covered business was in line with the comparable period in 2019 given comparable risk discount rates at the start of the periods.
- Return from VNB declined due to the COVID-19 impact on new business volumes and hence VNB.
- Operating experience variances for 2020 were almost R1 billion lower than 2019 mainly due to the impacts of COVID-19 on the following key items:
 - Risk experience was severely impacted by excess mortality experience which resulted in negative experience of R125 million for 2020 relative to positive experience of R454 million in 2019.
 - Credit spread variances of R129 million were R165 million lower than the R294 million reported in 2019. This is due to the COVID-19-related impacts on credit markets in 2020.
 - Working capital management experience profits declined from R527 million in 2019 to R457 million, in line with the lower short-term interest rates.
 - Persistency experience variances improved from negative R22 million in 2019 to positive R157 million in 2020.
- Equity and interest rate markets significantly underperformed the actuarial assumptions in 2020, contributing to overall negative investment variances of 4,0%, compared to a negative variance of 0,6% in 2019.
- Foreign currency translation differences and other in 2020 is the combined effect of R610 million of goodwill acquired through business combinations that was written off in line with actuarial guidelines for embedded values and positive foreign currency translation differences. The majority of the goodwill relates to the acquisition of the remaining 65% interest in the Nigerian operations.

Other Group operations recorded a negative return of 7,8% for the year. This is largely attributable to the assumption changes as outlined in the previous section. The Santam RoGEV reflects the investment return of the listed share price.

Capital management

The Group started the year with discretionary capital of R220 million. The following major transactions were concluded in 2020:

- The acquisition of the remaining 65% interest in the Nigerian insurance operations from FirstBank of Nigeria (FBN). SEM exercised its option to acquire the stake after a decision by FBN to dispose of the majority interest in line with its strategic repositioning to focus on core banking operations. The intention remains to introduce a new partner in the business, consistent with SEM's partnership approach. The acquisition price amounted to R1,2 billion and was fully funded through debt, with commensurately no net utilisation of discretionary capital. Debt was introduced to enhance the return on investment and to better facilitate the introduction of a new partner.
- The disposal of 25% of Sanlam's third-party asset management business to African Rainbow Capital for net proceeds of R817 million in order to enhance the competitiveness and empowerment of the business by establishing a leading South African black-owned asset management company.
- Some R370 million was invested in the Sanlam UK operations.

No other significant movements occurred in the year, with a discretionary capital balance of R636 million at 31 December 2020.

In December 2020, Sanlam announced that it will acquire 25% of a new subsidiary of ARC Financial Services, subject to certain suspensive conditions. The subsidiary will hold ARC Financial Services financial assets excluding banking-related investments. The proposed transaction will be funded from Sanlam Life's existing cash resources held in the non-participating business portfolio.

The shareholder approved R2 billion ARC facility expired in December 2020. The total drawdown of R1,95 billion was made throughout the 2-year period in respect of the following investments:

- Alexander Forbes investment of R1,1 billion
- SIG third-party asset manager of R653 million
- African Rainbow Life of R65 million
- ARC Investments rights issue of R126 million

On 9 February 2021 it was announced that Nucleus Financial Group plc had reached agreement on the terms of a recommended all-cash offer to be made by James Hay Holdings Limited (James Hay), pursuant to which James Hay is to acquire the entire issued and to-be-issued share capital of Nucleus (the acquisition). Sanlam UK Limited owned 52,19% of Nucleus' issued share capital as at 8 February 2021 and gave an irrevocable undertaking to vote in favour of the acquisition. Sanlam UK Limited will receive approximately £75 million in cash. The acquisition is subject to Nucleus shareholder and regulatory approvals, and other conditions precedent. Subject to satisfaction of these conditions, the acquisition is expected to complete in the second quarter of 2021.

Solvency

All of the major life insurance businesses within the Group were sufficiently capitalised at 31 December 2020. The Sanlam Group solvency capital requirement (SCR) cover ratio remained at a healthy level of 191%. The SCR cover for the Sanlam Life Insurance Limited (Sanlam Life) covered business of 197% at 31 December 2020 was towards the upper end of the target cover range of between 170% and 210%.

The SCR cover ratio for the Sanlam Life entity as a whole at 257% exceeded the covered business ratio at the end of 31 December 2020 due to the inclusion of discretionary and other capital held on the Sanlam Life balance sheet, as well as investments in Santam and other Group operations that are not allocated to Sanlam Life's covered business operations.

Dividend

As part of our business reviews, business planning and budget processes, we stress test and apply adverse event shocks to the business to monitor and safeguard the stability of Sanlam's financial soundness and overall capital position. In terms of these stress tests, we remain within the required levels of capital. Furthermore, the Group was able to declare a dividend within its normal dividend policy range without having significant impact on the ability of the Group to deal with further financial stresses.

Sanlam's dividend policy is based on cash operating earnings, which is equal to the portion of the business clusters' reported operating earnings that are distributed to the Group as cash dividends. The level of cash earnings available for distribution to the Group is informed by a number of factors, including working capital requirements, as well as the solvency position of the various entities within a cluster. The key principle is that the entities within a cluster should be sufficiently capitalised after a dividend distribution to ensure compliance with internal risk appetites and local regulatory solvency requirements, taking cognisance of future growth plans. The same considerations apply in setting the Sanlam dividend, taking due cognisance of the Group solvency position under the South African regulations. This dividend policy is aligned with the guidance issued by the Prudential Authority during 2020 amidst the worse of the pandemic.

At a secondary level, the Group's objective is to maintain a 1.0x - 1.2x times Group cash operating earnings cover in any year to manage a smooth dividend profile. The application of this policy resulted in Sanlam accumulating some historical excess dividend cover reserves. To the extent that excess dividend cover is not utilised for investment opportunities, the policy enables some smoothing of dividends in a year such as 2020 (dividend payable 2021).

The Group declared a dividend of 300 cents per share, despite adverse impact of the COVID-19 operating environment on our key performance metrics. This reflects the resilience of Sanlam and the Board's confidence in the underlying strength of the business. The target is to grow the Sanlam dividend per share by between 2% and 4% per annum in real terms over a 3-year rolling period, but subject to at least real growth in a particular year. A declaration of 300 cents per ordinary share results in three-year rolling period real growth of negative 2,7%. Given the uncertainty brought on by the potential CBI cost at Santam and the impact of further waves of COVID-19 on levels of mortality claims in 2021, the Board is comfortable that this negative growth is reflective of the current business environment and prudent. The application of this policy resulted in Sanlam's dividend declining by 10% whilst cash operating earnings decreased by 17%. Our solvency position remains solid at 191% for Sanlam Group at 31 December 2020.

Shareholders are advised that the final gross cash dividend of 300 cents for the year ended 31 December 2020 is payable on Monday, 12 April 2021 by way of electronic bank transfers to ordinary shareholders recorded in the register of Sanlam at close of business on Friday, 9 April 2021. The last date to trade to qualify for this dividend will be Tuesday, 6 April 2021, and Sanlam shares will trade ex-dividend from Wednesday, 7 April 2021. Share certificates may not be dematerialised or rematerialised between Wednesday, 7 April 2021 and Friday, 9 April 2021, both days included.

The South African dividend withholding tax regime applies in respect of this dividend. The dividend will in full be subject to the 20% withholding tax, where applicable, which will result in a net final dividend, to the shareholders who are not exempt from paying dividend tax, of 240 cents per share. The number of ordinary shares in issue in the Company's share capital as at the date of the declaration is 2 061 645 628 excluding treasury shares of 165 328 780 at 31 December 2020. The Company's tax reference number is 9536/346/84/5.