

A man and a young girl are sitting at a desk, looking at a book together. The man is pointing at the book, and the girl is holding a pink pencil. A large, stylized blue graphic, resembling a speech bubble or a stylized 'S', is overlaid on the image. The background is a bright, out-of-focus window.

We empower
generations
to be...

...financially
confident, secure
and prosperous



Audited Annual
Results
2020

Insurance | Financial Planning | Retirement | Investments | Wealth

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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 5.

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%)
COVID-19 adjustments:			
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.

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.

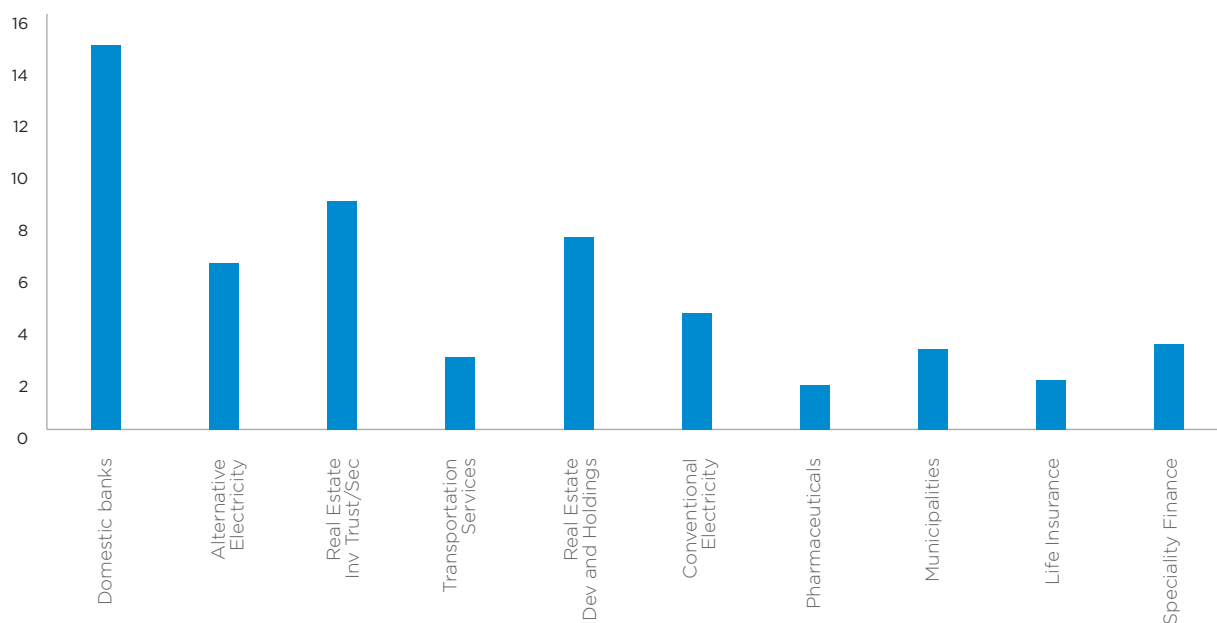
Sanlam Investment Group

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



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%
Santam	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 8 to 10.

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%)
Life insurance	1 261	1 316	(4%)
General insurance	2 236	2 668	(16%)
Investment management	159	123	29%
Credit and structuring	1 323	1 637	(19%)
Corporate costs and other	(310)	(196)	(58%)
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	(2,6)	0,6
Capital portfolio	(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.

Independent auditor's report on the Sanlam Limited Shareholders' Information

To the directors of Sanlam Limited

Opinion

We have audited the Sanlam Limited Shareholders' Information ("Shareholders' Information") of Sanlam Limited set out on pages 24 to 90 for the year ended 31 December 2020, comprising Group Equity Value, Change in Group Equity Value, Return on Group Equity Value, Analysis of GEV earnings, Analysis of Shareholders' Fund at net asset value, Shareholders' fund income statement, Net operating profit, Notes to the Shareholders' fund information and a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying Shareholders' Information of Sanlam Limited for the year ended 31 December 2020 is prepared, in all material respects, in accordance with the basis of accounting described on pages 24 to 31 of the Shareholders' Information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Shareholders' Information section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to pages 24 to 31 of the Shareholders' Information which describes the basis of accounting. The Shareholders' Information is 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 and allocation of resources. As a result, the Shareholders' Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the Shareholders' Information in accordance with the basis of accounting described on pages 24 to 31, 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 is free from material misstatement, whether due to fraud or error.

In preparing the Shareholders' Information, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Shareholders' Information

Our objectives are to obtain reasonable assurance about whether the Shareholders' Information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Shareholders' Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Shareholders' Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's internal control.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Shareholders' Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the Shareholders' Information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Other matter

Sanlam Limited has prepared a separate set of consolidated and separate annual financial statements for the year ended 31 December 2020, in accordance with International Financial Reporting Standards, on which we issued a separate auditor's report to the shareholders of Sanlam Limited, dated 10 March 2021.

Ernst & Young Inc.

Director: Christo du Toit
Registered Auditor
Chartered Accountant (SA)

3 Dock Road
V&A Waterfront
Cape Town
10 March 2021

Basis of accounting – Shareholders' information

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 analysis 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 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. For the purpose of internal monitoring, the directors make use of GEV to reflect the performance of the Group. This is considered to provide a meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows 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.

Basis of Accounting – shareholders' information

The basis of accounting and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out in the online IFRS Annual Financial Statements, apart from the specific items described under separate headings in this section. Management considers this basis of accounting applied for the shareholders' information to be suitable for the intended users of this financial information.

The application of the basis of accounting of the shareholders' information is also consistent with that applied in the 2019 annual report 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.
- The Conceptual Framework for Financial Reporting
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest rate benchmark reform – Phase 1 (Amendments to IFRS 7, IFRS 9 and IAS 39)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

With the exception of IAS 29, these amendments did not have a significant impact on these Annual Financial Statements and no further disclosures have therefore been made.

The shareholders' fund information includes the following:

- Group Equity Value (refer page 32)
- Change in Group Equity Value (refer page 36)
- RoGEV (refer page 38)
- Analysis of Group Equity Value earnings (refer page 40)
- Shareholders' fund financial statements consisting of the Shareholders fund at net asset value (refer page 44), Shareholders' fund income statement (refer page 46) and related notes, including embedded value of covered business related disclosures.

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, general 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.

Fair value of businesses included in GEV

Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

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

Estimates and judgements are regularly updated to reflect latest experience. 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.

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.

Basis of accounting – Shareholders' information continued

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, weighted for changes in issued share capital during the year.

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 contained in IFRS Financial Statements online, 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. 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. Similar mismatches are created by the recognition of deferred tax assets in respect of assessed losses in policyholder funds. These deferred tax assets, and movements therein, are also recognised in the consolidation reserve and fund transfers, respectively.

In addition, the consolidation of the broad-based black economic empowerment (B-BBEE) Special Purpose Vehicle (SPV) to which 111 349 999 shares were issued in 2019, is treated similarly and is also recognised in the consolidation reserve and fund transfers, respectively. The SPV was funded 50% by a loan issued by Sanlam to the SPV, and 50% by external debt. For IFRS purposes:

- the SPV is consolidated
- the shares held within the SPV are treated as treasury shares
- the loan to the SPV is eliminated, and
- the external debt is reflected on the balance sheet.

Given that the shares will be sold in the market should the SPV not be able to repay the loan, management has, for Shareholders' Information purposes, recognised the full share issue in the Shareholders' Fund and not consolidated the SPV. Given the close relationship between the valuation of the loan and the Sanlam share price, this balance is classified as equities in the Shareholders' Fund at NAV. Management tests the recoverability of the Sanlam loan semi-annually and has, as a result of this recoverability assessment, decided to impair the asset by R1,7 billion at 31 December 2020. As this is not necessarily reflective of the longer-term value of the SPV, this impairment can decrease or increase in future periods based on the movement in the Sanlam share price.

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

Target shares

Strategic diversification activities between Sanlam Emerging Markets (SEM) and Santam consist of the investment in target shares issued by SEM to Santam and vice versa. These shares give the holder the right to participate in the growth of the underlying short-term insurance investments. For purposes of the Group's shareholder fund income statement, the total return on these short-term insurance investments are therefore split between SEM and Santam, after consideration of the respective non-controlling interests.

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), Shriram General Insurance and Shriram Life Insurance direct investments, Pacific & Orient, Capricorn Investment Holdings, Letshego, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted operating earnings and investment return on capital from operating associates and joint ventures are included in the net result from financial services and net investment return respectively.
- 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 B-BBEE SPV, 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 and B-BBEE SPV. 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, consolidated vehicles (B-BBEE SPV) 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 life and general 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. Funds received in respect of non-annuity assets under administration are excluded from funds received from clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. 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 (excluding those related to assets under administration), 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 life and general 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. Withdrawals of non-annuity funds under administration are excluded. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

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

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 8), 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.

Basis of accounting – Shareholders' information continued

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 2019 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, group stable bonus business, annuity business and other non-participating business written by SA Retail Affluent, SA Retail Mass, Sanlam Corporate, Sanlam Emerging Markets and Sanlam UK.

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.

For South African insurance businesses (and businesses with similar regulatory regimes) the level of required capital for covered business is set to ensure that Own Funds attributable to in-force covered business maintains a solvency cover ratio within a specific range, e.g. between 170% and 210% for Sanlam Life, over the next 10 years. In addition, these businesses may also need to maintain statutory cover ratios above a lower minimum level, e.g. 135% for Sanlam Life covered business, 115% for Santam Limited, even after severe but plausible stress scenarios.

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;
- Annuities purchased by retirement fund members using in-fund options are treated as new business; 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 6 on page 60, 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.

Basis of accounting – Shareholders' information continued

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 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, adjusted for expected future trends 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.

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 rate of inflation is higher for business written on legacy systems. The allocation between acquisition and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred in 2020.

Project expenses

A best estimate of future project expenses is allowed for in the embedded value of covered business, in addition to the expense assumptions outlined above, in both the value of policy liabilities and the PVIF as applicable. These projects relate to regulatory compliance, digital transformation, administration and existing distribution platforms of the life insurance business and are deemed to be business imperatives by management. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

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 Investment Group, 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 Investment Group 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.

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

R million	Note	Group Equity Value		Value of in-force/ Fair value adjustment	
		2020	2019	2020	2019
Sanlam Life and Savings		52 278	53 061	43 137	43 732
Covered business ⁽¹⁾	7.1	47 597	48 306	40 619	41 078
SA Retail Affluent		32 043	32 894	28 024	28 569
SA Retail Mass		10 596	10 076	9 696	9 232
Sanlam Corporate		4 958	5 336	2 899	3 277
Other operations		4 681	4 755	2 518	2 654
SA Retail Affluent		4 035	4 171	2 847	2 956
Glacier		2 553	2 501	2 139	1 984
Sanlam Personal Loans		1 119	1 320	414	692
Other operations		363	350	294	280
Sanlam Corporate: Health Operations		646	584	(329)	(302)
Sanlam Emerging Markets		35 323	40 731	5 381	7 395
Covered business	7.2	8 638	8 794	3 775	4 254
Saham		1 548	2 306	92	539
Namibia		2 063	1 997	1 546	1 487
Botswana		1 588	1 575	1 216	1 263
Other African operations		1 594	1 293	175	302
India		1 002	935	393	363
Malaysia		843	688	353	300
Other operations		26 685	31 937	1 606	3 141
Saham		15 827	19 400	2 241	1 918
Shriram Capital		8 954	9 282	191	1 222
Other operations		1 904	3 255	(826)	1
Sanlam Investment Group		19 003	20 050	9 337	10 579
Covered business	7.3	3 091	3 056	(182)	(153)
Sanlam UK		1 425	1 374	656	669
Central Credit Manager ⁽¹⁾		1 666	1 682	(838)	(822)
Other operations		15 912	16 994	9 519	10 732
Sanlam Investments ⁽²⁾		2 949 ⁽³⁾	5 058 ⁽³⁾	1 639	3 623
Wealth Management		2 588	2 275	2 331	2 024
International ⁽²⁾		8 928	7 997	4 190	3 613
Sanlam Specialised Finance		1 447	1 664	1 359	1 472
Santam		17 277	19 675	10 923	13 196
Dividend pool		6 185	6 911	-	-
Discretionary capital		636	220	-	-
Other capital		3 597	4 593	-	-
Present value of holding company expenses	15	(2 487)	(1 970)	(2 487)	(1 970)
Group Equity Value		131 812	143 271	66 291	72 932
Covered business	2	59 326	60 156	44 212	45 179
Other operations	5	64 555	73 361	24 566	29 723
Group operations		123 881	133 517	68 778	74 902
Discretionary and other capital		7 931	9 754	(2 487)	(1 970)
Group Equity Value		131 812	143 271	66 291	72 932
Value per share (Rand)	14	59,20	64,36		

⁽¹⁾ Excludes subordinated debt funding of Sanlam Life.

⁽²⁾ Adjusted for reallocation of consolidation journals.

⁽³⁾ Include Sanlam share (75%) of the third party asset management business of R3 379 million (31 December 2019: R5 395 million – 100% share).

Adjusted net asset value		Elimination of goodwill and VOBA		Shareholders' fund at net asset value	
2020	2019	2020	2019	2020	2019
9 141	9 329	(1 240)	(1 304)	10 381	10 633
6 978	7 228	(1 240)	(1 304)	8 218	8 532
4 019	4 325	(681)	(694)	4 700	5 019
900	844	(371)	(403)	1 271	1 247
2 059	2 059	(188)	(207)	2 247	2 266
2 163	2 101	-	-	2 163	2 101
1 188	1 215	-	-	1 188	1 215
414	517	-	-	414	517
705	628	-	-	705	628
69	70	-	-	69	70
975	886	-	-	975	886
29 942	33 336	(3 154)	(3 316)	33 096	36 652
4 863	4 540	(3 154)	(3 316)	8 017	7 856
1 456	1 767	(1 774)	(2 677)	3 230	4 444
517	510	-	-	517	510
372	312	(2)	(3)	374	315
1 419	991	(744)	(11)	2 163	1 002
609	572	(302)	(297)	911	869
490	388	(332)	(328)	822	716
25 079	28 796	-	-	25 079	28 796
13 586	17 482	-	-	13 586	17 482
8 763	8 060	-	-	8 763	8 060
2 730	3 254	-	-	2 730	3 254
9 666	9 471	(356)	(356)	10 022	9 827
3 273	3 209	(356)	(356)	3 629	3 565
769	705	(356)	(356)	1 125	1 061
2 504	2 504	-	-	2 504	2 504
6 393	6 262	-	-	6 393	6 262
1 310	1 435	-	-	1 310	1 435
257	251	-	-	257	251
4 738	4 384	-	-	4 738	4 384
88	192	-	-	88	192
6 354	6 479	-	-	6 354	6 479
6 185	6 911	-	-	6 185	6 911
636	220	-	-	636	220
3 597	4 593	(1 197)	(1 197)	4 794	5 790
-	-	-	-	-	-
65 521	70 339	(5 947)	(6 173)	71 468	76 512
15 114	14 977	(4 750)	(4 976)	19 864	19 953
39 989	43 638	-	-	39 989	43 638
55 103	58 615	(4 750)	(4 976)	59 853	63 591
10 418	11 724	(1 197)	(1 197)	11 615	12 921
65 521	70 339	(5 947)	(6 173)	71 468	76 512
				32,10	34,37

Analysis of Group Equity Value per line of business at 31 December

R million	Total		Life Business	
	2020	2019	2020	2019
Southern Africa	92 374	99 655	53 387	54 028
South Africa	84 590	91 654	49 263	49 988
Other ⁽¹⁾	7 784	8 001	4 124	4 040
North and West Africa	16 639	20 579	2 068	2 017
East Africa	1 170	1 138	607	583
Other International ⁽¹⁾	21 629	21 899	3 264	3 528
Total	131 812	143 271	59 326	60 156

⁽¹⁾ Comparative information has been adjusted to reflect Saham in the underlying regions.

General Insurance		Investment Management		Credit & Structuring		Administration, Health and Other	
2020	2019	2020	2019	2020	2019	2020	2019
17 934	20 508	6 576	8 544	3 926	4 302	10 551	12 273
17 277	19 675	5 881	7 874	2 090	2 354	10 079	11 763
657	833	695	670	1 836	1 948	472	510
15 871	18 562	-	-	-	-	(1 300)	-
654	511	161	207	-	-	(252)	(163)
2 434	2 798	9 060	8 086	6 794	7 382	77	105
36 893	42 379	15 797	16 837	10 720	11 684	9 076	12 215

Change in Group Equity Value

at 31 December 2020

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Life and Savings	53 061	4 045	(397)	(4 431)	52 278
Covered business	48 306	4 032	(454)	(4 287)	47 597
SA Retail Affluent ¹	32 894	2 679	(434)	(3 096)	32 043
SA Retail Mass	10 076	1 170	53	(703)	10 596
Sanlam Corporate	5 336	183	(73)	(488)	4 958
Other operations	4 755	13	57	(144)	4 681
SA Retail Affluent	4 171	(93)	55	(98)	4 035
Glacier	2 501	208	-	(156)	2 553
Sanlam Personal Loans	1 320	(332)	55	76	1 119
Other operations	350	31	-	(18)	363
Sanlam Corporate: Health Operations	584	106	2	(46)	646
Sanlam Emerging Markets	40 731	(4 106)	701	(2 003)	35 323
Covered business	8 794	(446)	979	(689)	8 638
Saham	2 306	(677)	(139)	58	1 548
Namibia	1 997	261	(21)	(174)	2 063
Botswana	1 575	213	36	(236)	1 588
Other African operations	1 293	(463)	1 030	(266)	1 594
India	935	89	9	(31)	1 002
Malaysia	688	131	64	(40)	843
Other operations	31 937	(3 660)	(278)	(1 314)	26 685
Saham	19 400	(3 177)	146	(542)	15 827
Shriram Capital	9 282	(315)	105	(118)	8 954
Other operations	3 255	(168)	(529)	(654)	1 904
Sanlam Investment Group	20 050	8	(510)	(545)	19 003
Covered business	3 056	138	(65)	(38)	3 091
Sanlam UK	1 374	51	22	(22)	1 425
Central Credit Manager	1 682	87	(87)	(16)	1 666
Other operations	16 994	(130)	(445)	(507)	15 912
Sanlam Investments	5 058	(1 174)	(790)	(145)	2 949
Wealth Management	2 275	450	-	(137)	2 588
International	7 997	820	345	(234)	8 928
Sanlam Specialised Finance	1 664	(226)	-	9	1 447
Santam	19 675	(1 911)	-	(487)	17 277
Discretionary capital	220	98	318	-	636
Other capital	11 504	(1 491)	7 134	(7 365)	9 782
Present value of holding company expenses	(1 970)	(517)	-	-	(2 487)
Elimination of intergroup dividends	-	-	(7 466)	7 466	-
Group Equity Value	143 271	(3 874)	(220)	(7 365)	131 812
Covered business	60 156	3 724	460	(5 014)	59 326
Other operations	73 361	(5 688)	(666)	(2 452)	64 555
Group operations	133 517	(1 964)	(206)	(7 466)	123 881
Discretionary and other capital	9 754	(1 910)	7 452	(7 365)	7 931
Elimination of intergroup dividends	-	-	(7 466)	7 466	-
Group Equity Value	143 271	(3 874)	(220)	(7 365)	131 812

⁽¹⁾ The Pandemic reserve release is reported under SA Retail Affluent in Change in Group Equity value, but shown separately in the detailed information as reported in Note 7.1 on page 63.

Change in Group Equity Value

at 31 December 2019

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Life and Savings	49 194	9 414	(711)	(4 836)	53 061
Covered business	44 286	9 075	(711)	(4 344)	48 306
SA Retail Affluent	30 454	5 755	(532)	(2 783)	32 894
SA Retail Mass	8 755	2 258	107	(1 044)	10 076
Sanlam Corporate	5 077	1 062	(286)	(517)	5 336
Other operations	4 908	339	-	(492)	4 755
SA Retail Affluent	3 976	627	-	(432)	4 171
<i>Glacier</i>	2 359	339	-	(197)	2 501
<i>Sanlam Personal Loans</i>	1 224	291	-	(195)	1 320
<i>Other operations</i>	393	(3)	-	(40)	350
Sanlam Corporate: Health Operations	932	(288)	-	(60)	584
Sanlam Emerging Markets	44 659	(3 186)	1 497	(2 239)	40 731
Covered business	9 151	(83)	435	(709)	8 794
Saham	2 968	(1 192)	603	(73)	2 306
Namibia	1 867	371	(67)	(174)	1 997
Botswana	1 587	372	(143)	(241)	1 575
Other African operations	1 274	147	39	(167)	1 293
India	854	98	14	(31)	935
Malaysia	601	121	(11)	(23)	688
Other operations	35 508	(3 103)	1 062	(1 530)	31 937
Saham	20 309	(1 571)	662	-	19 400
Shriram Capital	10 632	(841)	9	(518)	9 282
Other operations	4 567	(691)	391	(1 012)	3 255
Sanlam Investment Group	18 703	1 452	906	(1 011)	20 050
Covered business	2 797	359	148	(248)	3 056
Sanlam UK	1 268	139	42	(75)	1 374
Central Credit Manager	1 529	220	106	(173)	1 682
Other operations	15 906	1 093	758	(763)	16 994
Sanlam Investments	4 821	666	(51)	(378)	5 058
Wealth Management	2 647	(283)	44	(133)	2 275
International	6 938	535	655	(131)	7 997
Sanlam Specialised Finance	1 500	175	110	(121)	1 664
Santam	20 102	290	-	(717)	19 675
Discretionary capital	(3 678)	242	3 656	-	220
Other capital	7 155	166	11 067	(6 884)	11 504
Present value of holding company expenses	(2 083)	113	-	-	(1 970)
Elimination of intergroup dividends	-	-	(8 803)	8 803	-
Group Equity Value	134 052	8 491	7 612	(6 884)	143 271
Covered business	56 234	9 351	(128)	(5 301)	60 156
Other operations	76 424	(1 381)	1 820	(3 502)	73 361
Group operations	132 658	7 970	1 692	(8 803)	133 517
Discretionary and other capital	1 394	521	14 723	(6 884)	9 754
Elimination of intergroup dividends	-	-	(8 803)	8 803	-
Group Equity Value	134 052	8 491	7 612	(6 884)	143 271

Return on Group Equity Value

at 31 December

%	2020	2019
Sanlam Life and Savings	7,6	19,2
Covered business	8,3	20,6
SA Retail Affluent	8,1	18,9
SA Retail Mass	11,6	25,8
Sanlam Corporate	3,4	21,9
Other operations	0,3	6,9
SA Retail Affluent	(2,2)	15,8
Glacier	8,3	14,4
Sanlam Personal Loans	(24,7)	23,8
Other operations	8,9	(0,8)
Sanlam Corporate: Health Operations	18,1	(30,9)
Sanlam Emerging Markets	(10,2)	(7,1)
Covered business	(5,2)	(0,9)
Saham	(31,3)	(40,2)
Namibia	13,1	19,9
Botswana	13,5	23,4
Other African operations	(27,6)	11,5
India	9,5	11,5
Malaysia	19,0	20,1
Other operations	(11,6)	(8,7)
Saham	(16,3)	(7,7)
Shriram Capital	(3,3)	(7,9)
Other operations	(6,3)	(14,6)
Sanlam Investment Group	-	7,6
Covered business	4,5	11,8
Sanlam UK	3,7	10,9
Central Credit Manager	5,2	12,5
Other operations	(0,8)	6,8
Sanlam Investments	(23,3)	13,7
Wealth Management	19,8	(10,6)
International	10,2	7,5
Sanlam Specialised Finance	(13,6)	11,7
Santam	(9,7)	1,4
Discretionary capital and other	(18,8)	65,4
Group Equity Value	(2,7)	6,3
Covered business	6,2	16,6
Other operations	(7,8)	(1,8)
Group operations	(1,5)	6,0
Discretionary and other capital	(18,8)	65,4
Group Equity Value	(2,7)	6,3
RoGEV per share	(2,8)	6,4
<i>Sanlam Group hurdle rate</i>	13,3	13,5

Cumulative RoGEV average growth rate

up to 31 December 2020

%	3 years	4 years	5 years
Sanlam Life and Savings	12,7	14,0	15,3
Sanlam Emerging Markets	(1,4)	1,7	0,9
Sanlam Investment Group	3,7	6,2	4,5
Santam	1,7	5,5	10,4
Sanlam Group RoGEV	4,5	7,0	8,0

Analysis of GEV Earnings

for the year ended 31 December

Covered business⁽¹⁾

R million	Total		Value of in-force	
	2020	2019	2020	2019
Operational earnings	5 428	8 691	119	3 573
Value of new life insurance business ⁽²⁾	1 921	2 280	4 835	5 302
Unwinding of discount rate	5 576	5 285	5 360	5 080
Expected profit	-	-	(7 831)	(7 099)
Operating experience variances	367	1 361	347	506
Risk experience	(125)	454	(47)	131
Persistency	157	(22)	358	328
Maintenance expenses	67	83	15	(6)
Working capital management	457	527	-	-
Credit spread	129	294	-	(1)
Other	(318)	25	21	54
Operating assumption changes	(2 436)	(235)	(2 592)	(216)
Risk experience	438	208	(218)	27
Persistency	(1 856)	(98)	(1 514)	260
Maintenance expenses	(353)	255	(267)	210
Modelling changes and other	(665)	(600)	(593)	(713)
Net investment return	184	330	-	-
Expected return on adjusted net asset value	1 006	1 025	-	-
Investment variances on adjusted net asset value	(822)	(695)	-	-
Valuation and economic basis	(1 279)	347	(850)	325
Investment variances on in-force business	(1 599)	337	(1 202)	282
Economic assumption changes	125	318	148	380
Investment yields	104	164	141	152
Long-term asset mix assumptions and other	21	154	7	228
Foreign currency translation differences	195	(308)	204	(337)
Change in tax basis	19	-	20	-
Net project expenses	(18)	-	-	-
Goodwill and VOBA from business combinations	(610)	(17)	(610)	(17)
GEV earnings: covered business	3 724	9 351	(1 321)	3 881
Acquired value of in-force	907	128	724	5
Transfers from/(to) other Group operations	(146)	-	(146)	-
Transfers from covered business	(5 315)	(5 557)	-	-
Embedded value of covered business at the beginning of the period	60 156	56 234	48 630	44 744
Embedded value of covered business at the end of the period	59 326	60 156	47 887	48 630

⁽¹⁾ Refer to note 7.1 for an analysis per cluster.

⁽²⁾ Refer to note 1 for further information.

Covered business per cluster

R million	Total		Value of in-force	
	2020	2019	2020	2019
Sanlam Life and Savings	47 597	48 306	42 476	42 943
Sanlam Emerging Markets	8 638	8 794	4 613	4 871
Sanlam Investment Group	3 091	3 056	798	816
Sanlam Group	59 326	60 156	47 887	48 630

Cost of capital		Adjusted net asset value	
2020	2019	2020	2019
(161)	(138)	5 470	5 256
(247)	(220)	(2 667)	(2 802)
216	205	-	-
-	-	7 831	7 099
(59)	(94)	79	949
9	(1)	(87)	324
(28)	(70)	(173)	(280)
-	(4)	52	93
-	-	457	527
-	-	129	295
(40)	(19)	(299)	(10)
(71)	(29)	227	10
1	7	655	174
(12)	(30)	(330)	(328)
(3)	-	(83)	45
(57)	(6)	(15)	119
-	-	184	330
-	-	1 006	1 025
-	-	(822)	(695)
27	(23)	(456)	45
23	1	(420)	54
13	(53)	(36)	(9)
(2)	49	(35)	(37)
15	(102)	(1)	28
(9)	29	-	-
(1)	-	-	-
-	-	(18)	-
-	-	-	-
(135)	(161)	5 180	5 631
(89)	(2)	272	125
-	-	-	-
-	-	(5 315)	(5 557)
(3 451)	(3 288)	14 977	14 778
(3 675)	(3 451)	15 114	14 977

Cost of capital		Adjusted net asset value	
2020	2019	2020	2019
(1 857)	(1 865)	6 978	7 228
(838)	(617)	4 863	4 540
(980)	(969)	3 273	3 209
(3 675)	(3 451)	15 114	14 977

Analysis of GEV Earnings continued

Other operations

R million	Total		Sanlam Life and Savings	
	2020	2019	2020	2019
Earnings from operations valued at listed share prices	(1 798)	608	-	-
Earnings from operations valued at net asset value	(5)	(156)	-	-
Earnings from operations valued based on discounted cash flows	(3 885)	(1 833)	13	339
Unwinding of discount rate	6 231	7 852	977	884
Operating experience variances	(5 168)	(596)	(963)	82
General insurance	(1 429)	(583)	-	-
Investment management	(2 725)	(87)	-	-
Credit and banking	(393)	97	(331)	116
Administration, health and other	(621)	(23)	(632)	(34)
Operating assumption changes	(8 604)	(7 660)	(81)	(719)
General insurance	(5 029)	(459)	-	-
Investment management	(825)	(2 755)	-	-
Credit and banking	(2 861)	(3 217)	(197)	(83)
Administration, health and other	111	(1 229)	116	(636)
Economic assumption changes	2 215	2 612	80	92
Foreign currency translation differences	1 441	(4 041)	-	-
GEV earnings: other operations	(5 688)	(1 381)	13	339

Discretionary and other capital

R million	Total	
	2020	2019
Investment return ⁽¹⁾	(1 561)	456
Corporate expenses	(603)	13
Net corporate expenses	(86)	(100)
Change in present value of holding company expenses	(517)	113
Share-based payment transactions	254	52
GEV earnings: discretionary and other capital	(1 910)	521

⁽¹⁾ Includes an impairment of R1,7 billion as described on page 26.

Sanlam Emerging Markets		Sanlam Investment Group		Santam	
2020	2019	2020	2019	2020	2019
-	-	113	318	(1 911)	290
(80)	(122)	75	(34)	-	-
(3 580)	(2 981)	(318)	809	-	-
3 051	4 739	2 203	2 229	-	-
(1 395)	(545)	(2 810)	(133)	-	-
(1 429)	(583)	-	-	-	-
85	46	(2 810)	(133)	-	-
(62)	(19)	-	-	-	-
11	11	-	-	-	-
(7 751)	(4 395)	(772)	(2 546)	-	-
(5 029)	(459)	-	-	-	-
(53)	(209)	(772)	(2 546)	-	-
(2 664)	(3 134)	-	-	-	-
(5)	(593)	-	-	-	-
1 444	1 158	691	1 362	-	-
1 071	(3 938)	370	(103)	-	-
(3 660)	(3 103)	(130)	1 093	(1 911)	290

Reconciliation of Group Equity Value earnings

R million	2020	2019
IFRS earnings (excluding fund transfers)	2 572	5 448
Normalised attributable earnings	(694)	9 110
Earnings recognised directly in equity		
Foreign currency translation differences	2 813	(3 890)
Net cost of treasury shares delivered	(578)	(338)
Share-based payments	474	391
Change in ownership of subsidiaries	595	(112)
Other comprehensive income	(38)	287
Fair value adjustments	(6 613)	2 605
Change in fair value adjustments: non-life	(5 157)	(1 115)
Earnings from covered business: VIF	(1 456)	3 720
Adjustments to net worth	167	438
Present value of holding company expenses	(517)	113
Movement in book value of treasury shares: non-life subsidiaries	(30)	(11)
Change in goodwill/VOBA less VIF acquired	714	336
Group Equity Value earnings	(3 874)	8 491

Analysis of Shareholders' Fund Net Asset Value

at 31 December

R million	Sanlam Life ⁽¹⁾		Sanlam Emerging Markets ⁽²⁾		Sanlam Investment Group	
	2020	2019	2020	2019	2020	2019
Assets						
Equipment	445	432	610	707	90	103
Rights-of-use assets	420	433	205	212	311	346
Owner-occupied properties	477	477	1 999	1 061	123	120
Goodwill	725	769	11 875	13 598	1 960	2 466
Value of business acquired	766	858	4 526	5 947	837	1 963
Other intangible assets	23	27	548	637	159	188
Deferred acquisition costs	2 436	2 572	331	269	18	24
Investments	14 645	13 912	40 534	39 432	5 021	5 007
Properties	-	-	5 869	6 815	-	-
Associated companies	1 086	1 011	15 527	15 380	335	280
Joint ventures	796	874	-	-	42	89
Equities and similar securities	493	462	6 588	7 199	263	348
Interest-bearing investments	4 992	2 766	5 115	3 477	366	596
Structured transactions	160	177	111	14	-	137
Investment funds	6 453	7 676	6 131	4 996	3 481	3 170
Cash, deposits and similar securities	665	946	1 193	1 551	534	387
Deferred tax	529	192	1 204	735	207	212
Assets of disposal groups classified as held for sale	-	-	9	127	2 187	-
General insurance technical assets	-	-	4 089	2 641	-	-
Working capital assets	7 765	8 456	19 085	17 347	16 109	14 923
Trade and other receivables	1 266	534	12 161	11 106	12 155	11 504
Taxation	24	6	849	842	23	3
Cash, deposits and similar securities	6 475	7 916	6 075	5 399	3 931	3 416
Total assets	28 231	28 128	85 015	82 713	27 022	25 352
Equity and liabilities						
Shareholders' fund	19 473	13 167	34 345	38 473	10 934	10 952
Non-controlling interest	101	150	11 222	11 538	1 137	650
Total equity	19 574	13 317	45 567	50 011	12 071	11 602
Term finance	1 004	1 013	1 973	545	607	882
Lease liabilities	472	478	221	223	347	370
Structured transactions liabilities	183	58	-	-	57	-
Cell owners' interest	-	-	-	-	-	-
Deferred tax	732	826	3 218	3 499	107	262
Liabilities of disposal groups classified as held for sale	-	-	-	-	454	-
General insurance technical provisions	-	-	20 443	17 696	-	-
Working capital liabilities	6 266	12 436	13 593	10 739	13 379	12 236
Trade and other payables	6 218	12 298	12 614	9 720	12 729	11 692
Provisions	48	52	170	152	77	90
Taxation	-	86	809	867	573	454
Total equity and liabilities	28 231	28 128	85 015	82 713	27 022	25 352
Analysis of shareholders' fund						
Covered business	8 218	8 532	8 017	7 856	3 629	3 565
Other operations	2 163	2 101	25 079	28 796	6 393	6 262
Discretionary and other capital	9 092	2 534	1 249	1 821	912	1 125
Shareholders' fund at net asset value	19 473	13 167	34 345	38 473	10 934	10 952
Consolidation reserve	817	641	62	62	-	-
Shareholders' fund per Group statement of financial position on page 92	20 290	13 808	34 407	38 535	10 934	10 952

⁽¹⁾ Includes the operations of SA Retail Affluent, SA Retail Mass and Sanlam Corporate (Sanlam Health and Sanlam Employee Benefits) as well as discretionary capital held by Sanlam Life.

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

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

⁽⁴⁾ Elimination of intercompany balances, other investments and term finance between companies within the Group.

Santam		Group office ⁽³⁾		Consolidation entries ⁽⁴⁾		Shareholders' fund at net asset value	
2020	2019	2020	2019	2020	2019	2020	2019
342	291	-	-	-	-	1 487	1 533
624	861	-	-	-	-	1 560	1 852
25	25	-	-	-	-	2 624	1 683
946	944	-	-	1 197	1 197	16 703	18 974
-	-	-	-	-	-	6 129	8 768
58	74	-	-	-	-	788	926
-	-	-	-	-	-	2 785	2 865
26 677	24 145	7 267	5 707	(5 719)	(4 517)	88 425	83 686
-	-	-	-	-	-	5 869	6 815
4 086	4 508	-	-	(4 079)	(4 489)	16 955	16 690
35	49	-	-	-	-	873	1 012
2 314	2 089	-	367	3 161	4 310	12 819	14 775
15 196	11 919	7 267	5 340	(4 922)	(4 458)	28 014	19 640
264	400	-	-	-	-	535	728
4 433	4 480	-	-	121	120	20 619	20 442
349	700	-	-	-	-	2 741	3 584
102	107	-	-	(23)	(15)	2 019	1 231
-	-	-	-	-	-	2 196	127
9 758	7 525	-	-	-	-	13 847	10 166
16 445	14 654	3 579	3 897	(1 773)	(1 251)	61 210	58 026
7 015	6 632	3 509	3 643	(2 153)	(1 386)	33 953	32 033
15	16	1	-	-	-	912	867
9 415	8 006	69	254	380	135	26 345	25 126
54 977	48 626	10 846	9 604	(6 318)	(4 586)	199 773	189 837
6 354	6 479	5 451	4 260	(5 089)	3 181	71 468	76 512
4 547	4 405	-	-	(4 507)	(4 716)	12 500	12 027
10 901	10 884	5 451	4 260	(9 596)	(1 535)	83 968	88 539
3 089	2 080	3 470	2 954	-	-	10 143	7 474
782	978	-	-	-	-	1 822	2 049
80	-	-	-	-	-	320	58
4 226	3 935	-	-	-	-	4 226	3 935
82	39	-	-	-	-	4 139	4 626
-	-	-	-	-	-	454	-
29 309	23 636	-	-	-	-	49 752	41 332
6 508	7 074	1 925	2 390	3 278	(3 051)	44 949	41 824
6 164	6 585	1 915	2 378	3 224	(3 074)	42 864	39 599
153	174	10	10	18	18	476	496
191	315	-	2	36	5	1 609	1 729
54 977	48 626	10 846	9 604	(6 318)	(4 586)	199 773	189 837
-	-	-	-	-	-	19 864	19 953
6 354	6 479	-	-	-	-	39 989	43 638
-	-	5 451	4 260	(5 089)	3 181	11 615	12 921
6 354	6 479	5 451	4 260	(5 089)	3 181	71 468	76 512
-	-	-	-	(7 635)	(9 898)	(6 756)	(9 195)
6 354	6 479	5 451	4 260	(12 724)	(6 717)	64 712	67 317

Shareholders' Fund Income Statement

for the year ended 31 December

Sanlam Life and Savings

R million	SA Retail Affluent ⁽¹⁾		SA Retail Mass		Sanlam Corporate	
	2020	2019	2020	2019	2020	2019
Financial services income	14 166	13 195	8 799	7 873	6 230	5 989
Sales remuneration	(2 144)	(2 016)	(1 605)	(1 721)	(80)	(70)
Income after sales remuneration	12 022	11 179	7 194	6 152	6 150	5 919
Underwriting policy benefits	(2 814)	(2 258)	(4 476)	(3 183)	(3 707)	(3 511)
Administration costs	(4 657)	(4 466)	(1 668)	(1 621)	(1 607)	(1 582)
Result from financial services before tax	4 551	4 455	1 050	1 348	836	826
Tax on result from financial services	(1 266)	(1 174)	(392)	(396)	(224)	(236)
Result from financial services after tax	3 285	3 281	658	952	612	590
Non-controlling interest	-	1	45	31	-	-
Net result from financial services	3 285	3 282	703	983	612	590
Net investment income	201	191	65	65	75	55
Investment income	240	236	76	74	80	60
Tax on investment income	(37)	(40)	(11)	(9)	(5)	(5)
Non-controlling interest	(2)	(5)	-	-	-	-
Net investment surpluses	(30)	69	(12)	33	(1)	49
Investment surpluses	(45)	86	(7)	31	(5)	62
Tax on investment surpluses	13	(17)	(5)	2	4	(13)
Non-controlling interest	2	-	-	-	-	-
Project expenses	(21)	-	(1)	(2)	(10)	-
Net operational earnings	3 435	3 542	755	1 079	676	694
Net amortisation of value of business acquired and other intangibles	(51)	(53)	(8)	(5)	(5)	(20)
Equity participation costs ⁽¹⁾	-	-	-	-	-	-
Net non-operational equity-accounted earnings	-	-	-	-	(21)	(9)
Non-operational equity-accounted earnings	-	-	-	-	(21)	(9)
Tax on non-operational equity-accounted headline earnings	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-
Net profit on disposal of subsidiaries and associated companies	-	-	-	-	-	(3)
Profit on disposal of subsidiaries and associated companies	-	-	-	-	-	(3)
Non-controlling interest	-	-	-	-	-	-
Impairments	-	(4)	(3)	-	(44)	-
Normalised attributable earnings	3 384	3 485	744	1 074	606	662
Fund transfers ⁽²⁾	1	-	176	(370)	-	-
Attributable earnings per Group statement of comprehensive income	3 385	3 485	920	704	606	662
Net profit on disposal of subsidiaries and associated companies	-	-	-	-	-	3
Expected credit losses included in impairment	-	-	-	-	-	-
Impairments	-	4	3	-	44	-
Net equity-accounted non-headline earnings	-	-	-	-	4	(14)
Headline earnings	3 385	3 489	923	704	654	651
Diluted earnings per share						
Weighted average number of shares for operational earnings per share (million)						
Net result from financial services (cents)	147,5	148,6	31,6	44,5	27,5	26,7

⁽¹⁾ The Pandemic reserve release is reported under SA Retail Affluent in the income statement but shown separately in the detailed information as reported in Note 7.1 on page 63.

⁽²⁾ The B-BBEE transaction in 2019 gave rise to a non-recurring share-based payment charge of R1 686 million. The above market-related discount of R594 million was recognised as equity participation cost in Shareholders' fund income statement, with the remainder recognised in fund transfers.

⁽³⁾ Impairment in respect of B-BBEE SPV funding reversed in fund transfers

Sanlam Emerging Markets		Sanlam Investment Group		Santam		Group office and other ⁽²⁾		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
25 335 (3 650)	25 367 (3 345)	7 133 (751)	6 800 (547)	25 673 (3 035)	25 396 (2 882)	(175) -	(370) -	87 161 (11 265)	84 250 (10 581)
21 685 (10 098) (6 918)	22 022 (10 043) (6 431)	6 382 - (5 133)	6 253 - (4 694)	22 638 (16 770) (4 154)	22 514 (15 080) (4 382)	(175) - (327)	(370) - (302)	75 896 (37 865) (24 464)	73 669 (34 075) (23 478)
4 669 (1 254)	5 548 (1 789)	1 249 (378)	1 559 (392)	1 714 (456)	3 052 (898)	(502) 137	(672) 214	13 567 (3 833)	16 116 (4 671)
3 415 (1 038)	3 759 (1 127)	871 (66)	1 167 (97)	1 258 (572)	2 154 (937)	(365) 279	(458) 358	9 734 (1 352)	11 445 (1 771)
2 377 244	2 632 299	805 99	1 070 82	686 211	1 217 120	(86) 186	(100) 232	8 382 1 081	9 674 1 044
473 (152) (77)	568 (174) (95)	120 (21) -	89 (9) 2	455 (109) (135)	263 (64) (79)	97 39 50	106 87 39	1 541 (296) (164)	1 396 (214) (138)
(674)	(136)	(6)	53	(118)	152	31	(10)	(810)	210
(720) 11 35	48 (152) (32)	7 (11) (2)	81 (28) -	(246) 48 80	379 (125) (102)	22 4 5	(75) 37 28	(994) 64 120	612 (296) (106)
(178)	(89)	(41)	(39)	(40)	-	(13)	-	(304)	(130)
1 769 (353) 1	2 706 (437) (1)	857 (254) -	1 166 (211) -	739 (28) 30	1 489 (40) 29	118 - -	122 - -	8 349 (699) 10	10 798 (766) 19
3 (1) (1)	2 (2) (1)	- - -	- - -	49 - (19)	48 - (19)	- - -	- - -	31 (1) (20)	41 (2) (20)
285	(4)	-	1	-	-	-	-	285	(6)
288 (3)	(7) 3	- -	1 -	- -	- -	- -	- -	288 (3)	(9) 3
(6 370)	(314)	(100)	(5)	(448)	(16)	(1 673) ⁽³⁾	-	(8 638)	(339)
(4 668) 1 136	1 950 (27)	503 (23)	951 -	292 81	1 460 -	(1 555) 2 186	(472) (1 563)	(694) 3 557	9 110 (1 960)
(3 532)	1 923	480	951	373	1 460	631	(2 035)	2 863	7 150
(285) (279) 6 370 -	4 - 314 -	- - 100 -	(1) - 5 -	- (19) 448 -	- - 16 -	- - - -	- - - -	(285) (298) 6 965 4	6 - 339 (14)
2 274	2 241	580	955	802	1 476	631	(2 035)	9 249	7 481
106,7	119,2	36,2	48,4	30,8	55,1	(3,9)	(4,4)	2 226,7 376,4	2 208,5 438,0

Net Operating Profit

for the year ended 31 December

Analysis per line of business

R million	Life Business		General Insurance	
	2020	2019	2020	2019
Southern Africa	4 733	4 981	804	1 162
South Africa	4 303	4 517	519	998
Other	430	464	285	164
North and West Africa	130	112	610	586
East Africa	37	59	9	18
Other International	114	149	497	585
Emerging Markets	92	74	497	585
Developed Markets	22	75	-	-
Total	5 014	5 301	1 920	2 351

⁽¹⁾ Comparatives have been adjusted for the reallocation of lines of business.

Investment Management ⁽¹⁾		Credit & Structuring ⁽¹⁾		Administration, Health Management & Other ⁽¹⁾		Total	
2020	2019	2020	2019	2020	2019	2020	2019
535	498	305	681	(98)	35	6 279	7 357
495	463	118	439	228	177	5 663	6 594
40	35	187	242	(326)	(142)	616	763
-	-	(21)	(26)	(128)	(107)	591	565
14	4	-	-	(17)	22	43	103
152	153	642	753	64	9	1 469	1 649
(1)	(1)	642	753	64	9	1 294	1 420
153	154	-	-	-	-	175	229
701	655	926	1 408	(179)	(41)	8 382	9 674

Notes to the Shareholders' Fund Information

for the year ended 31 December

1. Value of new covered business

R million	Note	Total	
		2020	2019
Value of new covered business (at point of sale)			
Gross value of new covered business		2 507	2 807
Cost of capital		(305)	(262)
Value of new covered business		2 202	2 545
Value of new business attributable to Shareholders' fund		3	1 921
Non-controlling interest		281	265
Value of new covered business		2 202	2 545
Analysis of new business profitability			
<i>Before non-controlling interest</i>			
Present value of new business premiums		80 239	81 540
New business margin		2,74%	3,12%
<i>After non-controlling interest:</i>			
Present value of new business premiums		74 591	76 446
New business margin		2,58%	2,98%
Capitalisation factor – recurring premiums		3,8	4,1

Sanlam Life and Savings

SA Retail Affluent		SA Retail Mass		Sanlam Corporate		Sanlam Emerging Markets		Sanlam Investment Group	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
1 165 (83)	1 129 (79)	524 (7)	770 (10)	138 (44)	231 (57)	672 (163)	670 (109)	8 (8)	7 (7)
1 082	1 050	517	760	94	174	509	561	-	-
1 032 50	1 005 45	512 5	758 2	94 -	174 -	283 226	343 218	-	-
1 082	1 050	517	760	94	174	509	561	-	-
44 044 2,46%	41 290 2,54%	7 844 6,59%	8 854 8,58%	9 047 1,04%	13 525 1,29%	15 836 3,21%	14 461 3,88%	3 468 -	3 410 -
43 112 2,39%	40 417 2,49%	7 788 6,57%	8 852 8,56%	9 047 1,04%	13 525 1,29%	11 176 2,53%	10 242 3,35%	3 468 -	3 410 -
6,0	5,8	3,2	3,1	6,1	5,5	2,8	3,0	4,3	4,2

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

1. Value of new covered business (continued)

Geographical analysis

R million	Value of new covered business		Present value of new business premiums		New business margin	
	2020	2019	2020	2019	2020	2019
Before non-controlling interest						
Southern Africa	2 073	2 372	67 276	70 233	3,08%	3,38%
South Africa	1 693	1 984	60 935	63 669	2,78%	3,12%
SA Retail Affluent	1 082	1 050	44 044	41 290	2,46%	2,54%
SA Retail Mass	517	760	7 844	8 854	6,59%	8,58%
Sanlam Corporate	94	174	9 047	13 525	1,04%	1,29%
Other Southern Africa	380	388	6 341	6 564	5,99%	5,91%
North and West Africa	16	58	3 464	3 098	0,46%	1,87%
East Africa	26	(8)	1 532	1 185	1,70%	(0,68%)
Other International	87	123	7 967	7 024	1,09%	1,75%
Total	2 202	2 545	80 239	81 540	2,74%	3,12%
After non-controlling interest						
Southern Africa	1 866	2 166	64 221	67 203	2,91%	3,22%
South Africa	1 638	1 937	59 947	62 794	2,73%	3,08%
SA Retail Affluent	1 032	1 005	43 112	40 417	2,39%	2,49%
SA Retail Mass	512	758	7 788	8 852	6,57%	8,56%
Sanlam Corporate	94	174	9 047	13 525	1,04%	1,29%
Other Southern Africa	228	229	4 274	4 409	5,33%	5,19%
North and West Africa	1	45	2 774	2 346	0,04%	1,92%
East Africa	16	(13)	998	832	1,60%	(1,56%)
Other International	38	82	6 598	6 065	0,58%	1,35%
Total	1 921	2 280	74 591	76 446	2,58%	2,98%

2. Value of in-force covered business sensitivity analysis

R million	Gross value of in-force business		Cost of capital		Net value of in-force business		Change from base value (%)	
	2020	2019	2020	2019	2020	2019	2020	2019
Base value	47 887	48 630	(3 675)	(3 451)	44 212	45 179		
Risk discount rate increase by 1%	45 186	45 944	(4 147)	(3 862)	41 039	42 082	(7)	(7)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	48 971	49 876	(3 740)	(3 508)	45 231	46 368	2	3
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	46 650	47 153	(3 624)	(3 428)	43 026	43 725	(3)	(3)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	48 577	49 292	(3 276)	(3 052)	45 301	46 240	2	2
Rand exchange rate depreciates by 10%	48 269	49 042	(3 769)	(3 519)	44 500	45 523	1	1
<i>Expenses and persistency</i>								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	49 901	50 525	(3 680)	(3 453)	46 221	47 072	5	4
Discontinuance rates decrease by 10%	49 712	50 349	(3 777)	(3 548)	45 935	46 801	4	4
<i>Insurance risk</i>								
Mortality and morbidity decrease by 5% for life assurance business	50 237	50 706	(3 673)	(3 446)	46 564	47 260	5	5
Mortality and morbidity decrease by 5% for annuity business	47 600	48 367	(3 683)	(3 454)	43 917	44 913	(1)	(1)
Gross value of in-force business profile								
Year 1 – 5	53%	55%						
Year 1	15%	17%						
Year 2	12%	12%						
Year 3	10%	10%						
Year 4	9%	9%						
Year 5	7%	7%						
Year 6 – 10	25%	24%						
Year 11 – 20	18%	17%						
Year 20+	4%	4%						

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

3. Value of new covered business sensitivity analysis

R million	Gross value of new business		Cost of capital		Net value of new business		Change from base value (%)	
	2020	2019	2020	2019	2020	2019	2020	2019
Base value	2 168	2 500	(247)	(220)	1 921	2 280		
Risk discount rate increase by 1%	1 918	2 214	(278)	(246)	1 640	1 968	(15)	(14)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	2 312	2 652	(256)	(221)	2 056	2 431	7	7
<i>Expenses and persistency</i>								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	2 351	2 706	(271)	(222)	2 080	2 484	8	9
Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	2 403	2 725	(253)	(222)	2 150	2 503	12	10
Discontinuance rates decrease by 10%	2 456	2 820	(269)	(233)	2 187	2 587	14	13
<i>Insurance risk</i>								
Mortality and morbidity decrease by 5% for life assurance business	2 393	2 760	(253)	(222)	2 140	2 538	11	11
Mortality and morbidity decrease by 5% for annuity business	2 154	2 484	(254)	(224)	1 900	2 260	(1)	(1)

4. Economic assumptions – covered business

Gross investment return, risk discount rate and inflation

%	2020	2019
Sanlam Life⁽¹⁾		
Point used on the relevant yield curve	9 year	9 year
Fixed-interest securities	9,6%	9,3%
Equities	13,1%	12,8%
Offshore investments	12,1%	11,8%
Hedged equity	8,6%	8,3%
Property	10,6%	10,3%
Cash	8,6%	8,3%
Inflation rate ⁽¹⁾	7,6%	7,3%
Risk discount rate	12,1%	11,8%
⁽¹⁾ Expense inflation of 11,6% (2019: 11,3%) assumed for retail business administered on old platforms.		
Sanlam Developing Markets⁽¹⁾		
Point used on the relevant yield curve	5 year	5 year
Fixed-interest securities	6,7%	8,1%
Equities and offshore investments	10,2%	11,6%
Hedged equities	5,7%	7,1%
Property	7,7%	9,1%
Cash	5,7%	7,1%
Inflation rate	4,7%	6,1%
Risk discount rate	9,2%	10,6%
⁽¹⁾ Excludes the Sanlam Life products written on the SDM licence.		
Botswana Life Insurance		
Point used on the relevant yield curve	n/a	n/a
Fixed-interest securities	7,5%	6,5%
Equities and offshore investments	11,0%	10,0%
Hedged equities	n/a	n/a
Property	8,5%	7,5%
Cash	6,5%	5,5%
Inflation rate	4,5%	3,5%
Risk discount rate	11,0%	10,0%
Saham Assurance Maroc		
Point used on the relevant yield curve	n/a	n/a
Fixed-interest securities	2,4%	2,8%
Equities and offshore investments	5,9%	6,3%
Hedged equities	n/a	n/a
Property	3,4%	3,8%
Cash	1,4%	1,8%
Inflation rate	0,0%	0,0%
Risk discount rate	6,4%	6,8%
Sanlam Investments and Pensions		
Point used on the relevant yield curve	15 year	15 year
Fixed-interest securities	0,5%	1,2%
Equities and offshore investments	3,8%	4,4%
Hedged equities	n/a	n/a
Property	3,8%	4,4%
Cash	0,5%	1,2%
Inflation rate	2,9%	3,0%
Risk discount rate	4,3%	4,9%

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

4. Economic assumptions – covered business (continued)

Illiquidity premiums

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

Assumed illiquidity premiums generally amount to between 25bps and 70bps (2019: 25bps and 70bps) for non-participating annuities, between 25bps and 75bps (2019: 25bps and 75bps) for inflation-linked annuities and capped at 120bps (2019: 120bps) reflecting both illiquidity premiums and credit risk premium for guarantee plans.

Asset mix of the assets supporting adjusted net asset value – covered business

%	R million		Fixed-interest securities		Equities	
	2020	2019	2020	2019	2020	2019
Required capital						
South Africa ⁽¹⁾	9 447	9 676	-	-	2	3
Namibia	517	510	6	6	36	36
Botswana Life	372	312	-	-	-	-
Saham	986	903	95	95	5	5
Sanlam Life insurance (Kenya)	96	111	85	100	-	-
Other African operations	946	521	74	39	3	4
Shriram Life Insurance (India)	308	277	85	85	10	10
MCIS (Malaysia)	490	402	69	69	18	18
Sanlam Investments and Pensions (UK)	612	541	80	80	-	-
Total required capital	13 774	13 253				
Free Surplus	1 340	1 724				
Adjusted net asset value	15 114	14 977				

⁽¹⁾ The 31 December 2020 asset mix backing the Sanlam Life required capital is 94% hedged (31 December 2019: 100%).

Assumed long-term expected return on required capital

%	Gross return on required capital		Net return on required capital	
	2020	2019	2020	2019
Sanlam Life	8,6%	8,3%	7,2%	6,9%
Sanlam Developing Markets	6,6%	8,0%	5,1%	6,2%
Sanlam Namibia	10,6%	10,3%	9,5%	9,2%
Sanlam Namibia Holdings	8,0%	8,5%	7,0%	7,4%
Botswana Life Insurance	7,5%	6,5%	5,6%	4,9%
Saham Assurance Maroc	2,4%	2,8%	2,4%	2,8%
Sanlam Life insurance (Kenya)	10,8%	10,7%	7,6%	7,5%
Shriram Life Insurance (India)	7,1%	7,8%	6,1%	6,1%
MCIS (Malaysia)	3,4%	4,1%	3,1%	3,8%
Sanlam Investments and Pensions (UK)	0,9%	1,6%	0,8%	1,2%

Hedged Equities		Property		Cash		Total	
2020	2019	2020	2019	2020	2019	2020	2019
93	91	-	-	5	6	100	100
-	-	-	-	58	58	100	100
-	-	50	50	50	50	100	100
-	-	-	-	-	-	100	100
-	-	-	-	15	-	100	100
-	-	3	4	20	53	100	100
-	-	-	-	5	5	100	100
-	-	-	-	13	13	100	100
-	-	-	-	20	20	100	100

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

5. Value of other Group operations sensitivity analysis

5.1 Valuation methodology

R million	Total	
	2020	2019
Listed share price	18 688	20 973
Sanlam	17 277	19 675
Sanlam Investment Group: Nucleus	1 411	1 298
Discounted cash flows	45 346	50 003
Sanlam Life and Savings	4 681	4 755
Glacier	2 553	2 501
Sanlam Personal Loans	1 119	1 320
Sanlam Corporate: Health	646	584
Other operations	363	350
Sanlam Emerging Markets	27 700	31 556
Saham	15 827	19 400
Shriram Capital	8 954	9 282
Letshego	937	935
Pacific & Orient	274	330
Capricorn Investment Holdings	825	936
Other operations	883	673
Sanlam Investment Group	12 965	13 692
Sanlam Investments	2 862	5 058
Wealth Management	2 588	2 275
International	6 458	5 085
Sanlam Specialised Finance	1 057	1 274
Net asset value	521	2 385
Sanlam Investment Group	1 536	2 004
Sanlam Investments	87	-
International	1 059	1 614
Sanlam Specialised Finance	390	390
Sanlam Emerging Markets	(1 015)	381
Total	64 555	73 361

5. Value of other Group operations sensitivity analysis (continued)

5.2 Sensitivity analysis: businesses valued at discounted cash flows

R million	Base value		Risk discount rate +1%		Perpetuity growth rate +1%	
	2020	2019	2020	2019	2020	2019
Sanlam Life and Savings	4 681	4 755	4 291	4 372	4 855	4 927
Glacier	2 553	2 501	2 324	2 275	2 662	2 610
Sanlam Personal Loans	1 119	1 320	1 036	1 234	1 150	1 352
Sanlam Corporate: Health	646	584	594	540	669	604
Other operations	363	350	337	323	374	361
Sanlam Emerging Markets	27 700	31 556	24 218	26 957	30 561	35 613
Saham	15 827	19 400	14 155	16 752	17 005	21 638
Shriram Capital	8 954	9 282	7 575	7 805	10 380	10 773
Letshego	937	935	807	805	1 034	1 033
Pacific & Orient	274	330	240	286	296	361
Capricorn Investment Holdings	825	936	738	817	877	1 026
Other operations	883	673	703	492	969	782
Sanlam Investment Group	12 965	13 692	11 352	11 990	14 019	14 781
Investment Management SA	2 862	5 058	2 566	4 558	3 007	5 304
Wealth Management	2 588	2 275	2 356	2 059	2 709	2 386
International	6 458	5 085	5 454	4 198	7 210	5 772
Sanlam Specialised Finance	1 057	1 274	976	1 175	1 093	1 319
	45 346	50 003	39 861	43 319	49 435	55 321
Weighted average assumption			14,7%	14,6%	2 – 6%	2 – 5%

⁽ⁱ⁾ Includes third party asset management business of R3 379 million (31 December 2019: R5 395 million) based on the following main assumptions:

- Weighted average discount rate: 16,9% (2019: 16,4%)
- Weighted average perpetuity growth rate: 5,0% (2019: 5,0%)
- Fee income (excluding performance fees) compound annual growth rate (10 years): 10,2% (2019: 9,8%)

R million	Equities and properties -10%		Risk discount rate -1%		Rand exchange rate depreciation +10%	
	2020	2019	2020	2019	2020	2019
Sanlam Life and Savings	4 467	4 757	5 142	5 206	4 681	4 755
Glacier	2 339	2 503	2 825	2 770	2 553	2 501
Sanlam Personal Loans	1 119	1 320	1 215	1 420	1 119	1 320
Sanlam Corporate: Health	646	584	708	636	646	584
Other operations	363	350	394	380	363	350
Sanlam Emerging Markets	27 700	31 556	32 755	38 131	30 368	34 618
Saham	15 827	19 400	18 286	23 189	17 410	21 340
Shriram Capital	8 954	9 282	11 009	11 452	9 848	10 209
Letshego	937	935	1 108	1 107	1 031	1 029
Pacific & Orient	274	330	321	392	301	363
Capricorn Investment Holdings	825	936	932	1 092	825	936
Other operations	883	673	1 099	899	953	741
Sanlam Investment Group	11 713	11 775	15 042	15 880	13 640	14 223
Investment Management SA	2 556	3 963	3 219	5 658	2 879	5 071
Wealth Management	2 278	1 930	2 867	2 538	2 601	2 284
International	5 905	4 686	7 803	6 294	7 103	5 594
Sanlam Specialised Finance	974	1 196	1 153	1 390	1 057	1 274
	43 880	48 088	52 939	59 217	48 689	53 596

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

6. Business volumes

6.1 Analysis of new business and total funds received

R million	Life business ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Sanlam Life and Savings	43 517	42 295	-	-	34 330	34 756	77 847	77 051
SA Retail Affluent	34 459	30 666	-	-	30 982	28 308	65 441	58 974
Recurring	1 906	2 203	-	-	15	15	1 921	2 218
Single	32 553	28 463	-	-	30 967	28 293	63 520	56 756
SA Retail Mass	2 558	2 839	-	-	-	-	2 558	2 839
Sanlam Corporate	6 500	8 790	-	-	3 348	6 448	9 848	15 238
Recurring	504	1 045	-	-	108	95	612	1 140
Single	5 996	7 745	-	-	3 240	6 353	9 236	14 098
Sanlam Emerging Markets	9 241	8 343	16 479	15 604	21 178	10 862	46 898	34 809
Southern Africa	4 268	4 365	1 091	1 206	15 481	10 124	20 840	15 695
Recurring	852	927	1 091	1 206	-	-	1 943	2 133
Single	3 416	3 438	-	-	15 481	10 124	18 897	13 562
North and West Africa	2 524	1 901	11 696	10 765	-	-	14 220	12 666
Recurring	1 419	738	11 696	10 765	-	-	13 115	11 503
Single	1 105	1 163	-	-	-	-	1 105	1 163
East Africa	1 126	774	905	850	5 697	738	7 728	2 362
Recurring	338	246	905	850	-	-	1 243	1 096
Single	788	528	-	-	5 697	738	6 485	1 266
Other International	1 323	1 303	2 787	2 783	-	-	4 110	4 086
Recurring	1 005	965	2 787	2 783	-	-	3 792	3 748
Single	318	338	-	-	-	-	318	338
Sanlam Investment Group	3 353	3 289	-	-	158 117	109 947	161 470	113 236
Investment Management SA	-	-	-	-	120 006	88 857	120 006	88 857
Wealth Management	-	-	-	-	10 403	6 890	10 403	6 890
International	3 353	3 289	-	-	27 708	14 200	31 061	17 489
Recurring	35	37	-	-	1	3	36	40
Single	3 318	3 252	-	-	27 707	14 197	31 025	17 449
Santam	-	-	24 660	24 227	-	-	24 660	24 227
Total new business	56 111	53 927	41 139	39 831	213 625	155 565	310 875	249 323

⁽¹⁾ Life 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 and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk that is excluded from the calculation of embedded value of covered business.

6.1 Analysis of new business and total funds received (continued)

R million	Life business		General insurance		Investment business		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Recurring premiums on existing funds:								
Sanlam Life and Savings	30 285	27 287	-	-	3 982	3 013	34 267	30 300
SA Retail Affluent	15 090	14 616	-	-	139	161	15 229	14 777
SA Retail Mass	7 709	6 116	-	-	-	-	7 709	6 116
Sanlam Corporate	7 486	6 555	-	-	3 843	2 852	11 329	9 407
Sanlam Emerging Markets	8 453	8 615	-	-	2 278	644	10 731	9 259
Southern Africa	3 616	3 199	-	-	-	-	3 616	3 199
North and West Africa	1 382	2 184	-	-	-	-	1 382	2 184
East Africa	659	535	-	-	2 278	644	2 937	1 179
Other International	2 796	2 697	-	-	-	-	2 796	2 697
Sanlam Investment Group	365	340	-	-	41	48	406	388
Investment Management SA	-	-	-	-	-	-	-	-
International	365	340	-	-	41	48	406	388
Total funds received	95 214	90 169	41 139	39 831	219 926	159 270	356 279	289 270

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

6 Business volumes (continued)

6.2 Analysis of payments to clients

R million	Life business ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Sanlam Life and Savings	64 438	58 587	-	-	36 325	33 604	100 763	92 191
SA Retail Affluent	45 858	42 668	-	-	28 167	25 893	74 025	68 561
Surrenders	8 057	6 571	-	-	-	-	8 057	6 571
Other	37 801	36 097	-	-	28 167	25 893	65 968	61 990
SA Retail Mass	5 905	4 552	-	-	-	-	5 905	4 552
Surrenders	586	536	-	-	-	-	586	536
Other	5 319	4 016	-	-	-	-	5 319	4 016
Sanlam Corporate	12 675	11 367	-	-	8 158	7 711	20 833	19 078
Surrenders	2 659	2 178	-	-	1 129	1 279	3 788	3 457
Other	10 016	9 189	-	-	7 029	6 432	17 045	15 621
Sanlam Emerging Markets	11 327	11 007	9 904	9 569	15 206	12 253	36 437	32 829
Southern Africa	5 133	4 691	384	570	11 123	11 743	16 640	17 004
Surrenders	755	788	-	-	-	-	755	788
Other	4 378	3 903	384	570	11 123	11 743	15 885	16 216
North and West Africa	2 109	1 645	7 257	6 930	-	-	9 366	8 575
Surrenders	1 167	1 511	-	-	-	-	1 167	1 511
Other	942	134	7 257	6 930	-	-	8 199	7 064
East Africa	1 051	885	487	445	4 083	510	5 621	1 840
Surrenders	173	37	-	-	-	-	173	37
Other	878	848	487	445	4 083	510	5 448	1 803
Other International	3 034	3 786	1 776	1 624	-	-	4 810	5 410
Surrenders	795	651	-	-	-	-	795	651
Other	2 239	3 135	1 776	1 624	-	-	4 015	4 759
Sanlam Investment Group	4 836	4 586	-	-	135 910	87 817	140 746	92 403
Investment Management SA	-	-	-	-	109 647	68 778	109 647	68 778
Wealth Management	-	-	-	-	7 648	6 327	7 648	6 327
International	4 836	4 586	-	-	18 615	12 712	23 451	17 298
Santam	-	-	16 770	15 081	-	-	16 770	15 081
Total payments to clients	80 601	74 180	26 674	24 650	187 441	133 674	294 716	232 504

⁽¹⁾ Life 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 and investment business. Life licence business relates to investment products provided by means of a policy where there is very little or no insurance risk that is excluded from the calculation of embedded value of covered business.

6.3 Analysis of net inflow/(outflow) of funds

R million	Life business ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Sanlam Life and Savings	9 364	10 995	-	-	1 987	4 165	11 351	15 160
SA Retail Affluent	3 691	2 614	-	-	2 954	2 576	6 645	5 190
SA Retail Mass	4 362	4 403	-	-	-	-	4 362	4 403
Sanlam Corporate	1 311	3 978	-	-	(967)	1 589	344	5 567
Sanlam Emerging Markets	6 367	5 951	6 575	6 035	8 250	(747)	21 192	11 239
Southern Africa	2 751	2 873	707	636	4 358	(1 619)	7 816	1 890
North and West Africa	1 797	2 440	4 439	3 835	-	-	6 236	6 275
East Africa	734	424	418	405	3 892	872	5 044	1 701
Other International	1 085	214	1 011	1 159	-	-	2 096	1 373
Sanlam Investment Group	(1 118)	(957)	-	-	22 248	22 178	21 130	21 221
Investment Management SA	-	-	-	-	10 359	20 079	10 359	20 079
Wealth Management	-	-	-	-	2 755	563	2 755	563
International	(1 118)	(957)	-	-	9 134	1 536	8 016	579
Santam	-	-	7 890	9 146	-	-	7 890	9 146
Total funds received	14 613	15 989	14 465	15 181	32 485	25 596	61 563	56 766

7. Cluster information

7.1 Sanlam Life and Savings

Analysis of earnings

R million	Life business		Non-life operations		Total	
	2020	2019	2020	2019	2020	2019
Net result from financial services	4 287	4 344	313	511	4 600	4 855
SA Retail Affluent	2 742	2 844	189	438	2 931	3 282
Recurring premium business	1 712	1 794	7	9	1 719	1 803
Glacier	970	963	152	176	1 122	1 139
SBD and Other	60	87	30	253	90	340
SA Retail Mass	703	983	-	-	703	983
Sanlam Corporate	488	517	124	73	612	590
Pandemic reserve release	354	-	-	-	354	-
Net investment return	219	375	79	87	298	462
Net other earnings	(122)	(38)	(42)	(58)	(164)	(96)
Normalised attributable earnings	4 384	4 681	350	540	4 734	5 221

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.1 Sanlam Life and Savings (continued)

Analysis of change in GEV – covered business

R million	Total		Value of in-force		Cost of capital		Net asset value	
	2020	2019	2020	2019	2020	2019	2020	2019
Operational earnings	4 982	8 058	328	3 800	(43)	(16)	4 697	4 274
Value of new life insurance business	1 638	1 937	3 986	4 410	(125)	(143)	(2 223)	(2 330)
Unwinding of discount rate	4 828	4 533	4 731	4 417	97	116	-	-
Expected profit	-	-	(6 591)	(5 943)	-	-	6 591	5 943
Operating experience variances	322	1 212	231	502	(7)	(47)	98	757
Risk experience	(203)	420	(64)	116	7	2	(146)	302
Persistency	140	44	289	315	7	(49)	(156)	(222)
Maintenance expenses	110	91	-	(2)	-	-	110	93
Working capital management	391	470	-	-	-	-	391	470
Credit spread	103	117	-	(1)	-	-	103	118
Other	(219)	70	6	74	(21)	-	(204)	(4)
Operating assumption changes	(1 806)	376	(2 029)	414	(8)	58	231	(96)
Risk experience	306	154	(292)	26	(5)	2	603	126
Persistency ⁽¹⁾	(1 764)	(30)	(1 458)	306	(1)	(11)	(305)	(325)
Maintenance expenses	(148)	400	(136)	353	(3)	-	(9)	47
Modelling changes and other	(200)	(148)	(143)	(271)	1	67	(58)	56
Net investment return	219	375	-	-	-	-	219	375
Expected return on adjusted net asset value	490	530	-	-	-	-	490	530
Investment variances on adjusted net asset value	(271)	(155)	-	-	-	-	(271)	(155)
Valuation and economic basis	(1 160)	659	(801)	666	51	(77)	(410)	70
Investment variances on in-force business	(1 509)	260	(1 165)	195	23	(5)	(367)	70
Economic assumption changes	349	399	364	471	28	(72)	(43)	-
Investment yields	349	242	364	244	28	10	(43)	(12)
Long-term asset mix assumptions and other	-	157	-	227	-	(82)	-	12
Goodwill and VOBA from business combinations	(9)	(17)	(9)	(17)	-	-	-	-
GEV earnings: covered business	4 032	9 075	(482)	4 449	8	(93)	4 506	4 719
Acquired value of in-force	16	138	15	32	-	(1)	1	107
Transfers from/(to) other Group operations	-	(231)	-	-	-	123	-	(354)
Transfers from covered business	(4 757)	(4 962)	-	-	-	-	(4 757)	(4 962)
Embedded value of covered business at the beginning of the period	48 306	44 286	42 943	38 462	(1 865)	(1 894)	7 228	7 718
Embedded value of covered business at the end of the period	47 597	48 306	42 476	42 943	(1 857)	(1 865)	6 978	7 228

⁽¹⁾ Includes a persistency assumption basis change to allow for the possible impact of COVID-19 on policyholder behaviour. For those products where policyholders can lapse or surrender, the impact of increased lapse and surrender experience over the next two to three years is allowed for by assuming an immediate loss of 5% of the business.

7. Cluster information (continued)

7.1 Sanlam Life and Savings (continued)

Assets under management

R million	SA Retail Affluent									
	SA Retail Mass		Recurring premium business		Glacier		Sanlam Corporate		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Life business	5 329	5 267	154 613	158 816	215 877	201 775	111 563	106 236	487 382	472 094
Investment operations	-	-	1 728	1 827	158 977	147 316	-	-	160 705	149 143
Total assets under management	5 329	5 267	156 341	160 643	374 854	349 091	111 563	106 236	648 087	621 237

Credit business

R million	Gross size of loan book		Interest margin		Bad debt ratio		Administration cost as % of net interest	
	2020	2019	2020	2019	2020	2019	2020	2019
Sanlam Personal Loans	5 605	5 633	15,9%	16,5%	12,4%	5,6%	27,6%	29,9%

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets

Analysis of net result from financial services

R million	Life Business		General Insurance	
	2020	2019	2020	2019
Southern Africa	807	815	347	213
North and West Africa	180	224	1 102	1 436
East Africa	101	138	11	30
Other International	173	139	776	989
Corporate costs	-	-	-	-
Gross result from financial services	1 261	1 316	2 236	2 668
Tax on result from financial services	(260)	(293)	(474)	(873)
Non-controlling interests	(312)	(314)	(528)	(661)
Net result from financial services	689	709	1 234	1 134
<i>Southern Africa</i>	430	464	257	125
<i>North and West Africa</i>	130	112	583	546
<i>East Africa</i>	37	59	7	16
<i>Other International</i>	92	74	387	447
<i>Corporate costs</i>	-	-	-	-
Saham ⁽¹⁾	(81)	73	808	905
Other	770	636	426	229
Net result from financial services	689	709	1 234	1 134

⁽¹⁾ Earnings exclude cost allocation.

Analysis of General insurance and reinsurance gross result from financial services

R million	Gross written premiums		Net earned premiums ⁽¹⁾	
	2020	2019	2020	2019
Southern Africa	3 485	3 499	1 691	1 766
North and West Africa	14 953	12 914	11 058	10 220
East Africa	1 573	1 445	896	834
Other International	3 181	3 424	2 785	2 779
Total General insurance and reinsurance	23 192	21 282	16 430	15 599
Saham	17 853	16 312	12 577	12 248
Other	5 339	4 970	3 853	3 351
Total General insurance and reinsurance	23 192	21 282	16 430	15 599

⁽¹⁾ Net earned premiums consists of General insurance, Reinsurance and Health business before consolidation.

Investment Management		Credit and Structuring		Corporate and other		Total	
2020	2019	2020	2019	2020	2019	2020	2019
121	97	457	596	127	55	1 859	1 776
-	-	(10)	(20)	(170)	(125)	1 102	1 515
39	27	-	-	(29)	23	122	218
(1)	(1)	876	1 061	141	35	1 965	2 223
-	-	-	-	(379)	(184)	(379)	(184)
159	123	1 323	1 637	(310)	(196)	4 669	5 548
(49)	(41)	(414)	(559)	(57)	(22)	(1 254)	(1 788)
(57)	(44)	(101)	(109)	(40)	-	(1 038)	(1 128)
53	38	808	969	(407)	(218)	2 377	2 632
40	35	187	242	-	10	914	876
-	-	(21)	(26)	(128)	(107)	564	525
14	4	-	-	(17)	22	41	101
(1)	(1)	642	753	64	9	1 184	1 282
-	-	-	-	(326)	(152)	(326)	(152)
-	-	-	-	(333)	(248)	394	730
53	38	808	969	(74)	30	1 983	1 902
53	38	808	969	(407)	(218)	2 377	2 632

Claims ratio (%)		Underwriting margin (%)		Investment return on insurance funds (%)		Net insurance result (%)	
2020	2019	2020	2019	2020	2019	2020	2019
49,8	51,9	13,2	11,8	3,6	3,1	16,8	14,9
61,7	65,0	6,0	0,8	2,7	12,7	8,7	13,5
54,5	53,0	(5,4)	(1,4)	4,8	5,3	(0,6)	3,9
63,9	58,8	7,4	13,4	21,7	23,2	29,1	36,6
60,3	61,6	6,3	4,0	6,1	13,2	12,4	17,2
60,2	63,3	7,3	2,0	3,0	11,9	10,3	13,9
60,8	55,5	3,6	11,7	16,5	17,7	20,1	29,4
60,3	61,6	6,3	4,0	6,1	13,2	12,4	17,2

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of insurance funds

R million	R million	
	2020	2019
Southern Africa	328	673
North and West Africa	12 025	12 518
East Africa	601	424
Other International	1 583	1 951
Total insurance funds	14 537	15 566
Saham	12 061	13 686
Other subsidiaries	843	309
Total Subsidiaries	12 904	13 995
Associated companies ⁽¹⁾	1 633	1 571
Total insurance funds	14 537	15 566

⁽¹⁾ Sanlam's effective share.

Analysis of net investment return

R million	Life business		General Insurance	
	2020	2019	2020	2019
Southern Africa	96	137	(43)	(59)
North and West Africa	47	50	(224)	257
East Africa	49	42	66	32
Other International	(559)	(3)	415	132
Corporate	-	-	-	-
Gross investment return	(367)	226	214	362
Tax on investment return	(45)	(70)	(16)	(178)
Non-controlling interests	23	(32)	(23)	(125)
Net investment return	(389)	124	175	59
Saham	(565)	20	(207)	58
Other	176	104	382	1
Net investment return	(389)	124	175	59

Asset allocation (%)

Equities and similar securities		Investment properties		Interest-bearing securities		Cash, deposits and similar securities	
2020	2019	2020	2019	2020	2019	2020	2019
36	50	7	2	22	14	35	34
43	44	41	45	15	11	1	-
13	-	15	5	48	55	24	40
14	15	-	-	84	56	2	29
39	39	35	37	24	18	2	6
45	44	41	41	14	11	-	4
9	-	11	-	58	45	22	55
42	42	39	41	17	12	2	5
10	9	-	-	81	74	9	17
39	39	35	37	24	18	2	6

Investment Management		Credit and Banking		Corporate and other		Total	
2020	2019	2020	2019	2020	2019	2020	2019
10	(2)	(3)	(2)	(36)	70	24	144
-	2	-	-	30	(67)	(147)	242
1	(1)	-	-	(150)	(18)	(34)	55
-	-	(36)	(7)	12	65	(168)	187
-	-	-	-	78	(12)	78	(12)
11	(1)	(39)	(9)	(66)	38	(247)	616
(3)	(7)	(1)	1	(76)	(72)	(141)	(326)
(3)	9	-	-	(39)	21	(42)	(127)
5	1	(40)	(8)	(181)	(13)	(430)	163
-	-	-	-	(158)	(60)	(930)	18
5	1	(40)	(8)	(23)	47	500	145
5	1	(40)	(8)	(181)	(13)	(430)	163

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of capital portfolio

R million	R million	
	2020	2019
Southern Africa	1 955	2 462
North and West Africa	14 491	13 645
East Africa	1 797	1 793
Other International	2 749	3 600
Total capital portfolio⁽¹⁾	20 992	21 500
Saham	13 926	15 703
Other subsidiaries	4 771	3 294
Total subsidiaries	18 697	18 997
Associated companies ⁽²⁾	2 295	2 503
Total capital portfolio⁽¹⁾	20 992	21 500

⁽¹⁾ Includes float assets.

⁽²⁾ Sanlam's effective share.

⁽³⁾ LIA has been reallocated from North and West Africa to Other International.

Assets under management

R million	Southern Africa	
	2020	2019
Life business	33 335	32 115
Investment operations	44 486	40 621
Total assets under management	77 821	72 736

Credit and structuring

R million	Size of loan books (Sanlam share)	
	2020	2019
Shriram Transport Finance Company	22 301	20 811
Shriram City Union Finance	4 860	5 158
Capricorn Investment Holdings	9 931	9 219
Letshego	2 432	2 201

Asset allocation (%)

Equities and similar securities		Investment properties		Interest-bearing securities		Cash, deposits and similar securities	
2020	2019 ⁽³⁾	2020	2019 ⁽³⁾	2020	2019 ⁽³⁾	2020	2019 ⁽³⁾
22	39	8	4	36	32	34	25
41	44	36	44	22	12	1	-
8	10	35	42	34	33	23	15
23	19	-	-	74	54	3	27
34	36	28	32	31	23	7	9
46	45	37	38	16	12	1	5
4	5	14	24	60	49	22	22
35	38	31	36	27	18	7	8
28	28	3	-	57	59	12	13
34	36	28	32	31	23	7	9

North and West Africa		East Africa		Other International		Total	
2020	2019	2020	2019	2020	2019	2020	2019
20 716	13 157	3 738	3 590	16 726	16 326	74 515	65 188
-	-	43 530	40 855	-	-	88 016	81 476
20 716	13 157	47 268	44 445	16 726	16 326	162 531	146 664

Net interest margin (%)		Bad debt ratio (%)		Administration cost as % of net interest margin	
2020	2019	2020	2019	2020	2019
6,9	7,3	2,9	2,2	23,8	22,7
13,1	12,3	3,7	2,3	38,6	40,6
4,7	2,9	0,9	0,1	95,9	95,1
17,6	21,1	0,3	1,7	59,7	52,7

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of change in GEV – covered business

R million	Total	
	2020	2019
Operational earnings	554	485
Value of new life insurance business	283	343
Unwinding of discount rate	669	680
Expected profit	-	-
Operating experience variances	125	8
Risk experience	73	18
Persistency	13	(66)
Maintenance expenses	(34)	2
Working capital management	66	57
Credit spread	12	5
Other	(5)	(8)
Operating assumption changes	(523)	(546)
Risk experience	102	45
Persistency	(97)	(74)
Maintenance expenses	(155)	(105)
Modelling changes and other	(373)	(412)
Net investment return	(164)	(180)
Expected return on adjusted net asset value	343	317
Investment variances on adjusted net asset value	(507)	(497)
Valuation and economic basis	(258)	(388)
Investment variances on in-force business	(107)	33
Economic assumption changes	(287)	(106)
Investment yields	(308)	(118)
Long-term asset mix assumptions and other	21	12
Foreign currency translation differences	136	(315)
Change in tax basis	41	-
Goodwill and VOBA from business combinations	(601)	-
Net project expenses	(18)	-
GEV earnings: covered business	(446)	(83)
Acquired value of in-force	891	(10)
Transfers from/(to) other Group operations	(146)	-
Transfers from covered business	(455)	(264)
Embedded value of covered business at the beginning of the period	8 794	9 151
Embedded value of covered business at the end of the period	8 638	8 794

Value of in-force		Cost of capital		Net asset value	
2020	2019	2020	2019	2020	2019
(163)	(204)	(63)	(62)	780	751
794	840	(114)	(71)	(397)	(426)
582	621	87	59	-	-
(1 110)	(1 043)	-	-	1 110	1 043
101	14	(31)	(28)	55	22
20	16	2	(3)	51	5
63	12	(33)	(20)	(17)	(58)
15	(4)	-	(4)	(49)	10
-	-	-	-	66	57
-	-	-	-	12	5
3	(10)	-	(1)	(8)	3
(530)	(636)	(5)	(22)	12	112
81	3	5	5	16	37
(63)	(55)	(9)	(16)	(25)	(3)
(94)	(110)	-	-	(61)	5
(454)	(474)	(1)	(11)	82	73
-	-	-	-	(164)	(180)
-	-	-	-	343	317
-	-	-	-	(507)	(497)
(98)	(399)	(69)	53	(91)	(42)
(11)	43	-	6	(96)	(16)
(220)	(96)	(72)	16	5	(26)
(227)	(97)	(87)	5	6	(26)
7	1	15	11	(1)	-
133	(346)	3	31	-	-
41	-	-	-	-	-
(601)	-	-	-	-	-
-	-	-	-	(18)	-
(821)	(603)	(132)	(9)	507	529
709	(27)	(89)	(1)	271	18
(146)	-	-	-	-	-
-	-	-	-	(455)	(264)
4 871	5 501	(617)	(607)	4 540	4 257
4 613	4 871	(838)	(617)	4 863	4 540

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of Saham (100%)

R million	Life business		General insurance ⁽¹⁾		Consolidation and other ⁽²⁾		Saham Total	
	2020	2019	2020	2019	2020	2019	2020 ⁽³⁾	2019
Financial services income	962	1 229	13 458	14 085	543	283	14 963	15 597
Long-term insurance contracts	884	1 139	-	-	-	-	884	1 139
General insurance contracts	-	-	12 577	12 248	-	-	12 577	12 248
Investment return on insurance funds	50	70	376	1 454	-	-	426	1 524
Other	28	20	505	383	543	283	1 076	686
Sales remuneration	(260)	(212)	(1 605)	(1 617)	-	-	(1 865)	(1 829)
Underwriting policy benefits	(259)	(376)	(7 579)	(7 757)	-	-	(7 838)	(8 133)
Administration costs	(440)	(468)	(3 035)	(2 947)	(609)	(460)	(4 084)	(3 875)
Gross result from Financial services	3	173	1 239	1 764	(66)	(177)	1 176	1 760
Tax	(30)	(61)	(284)	(504)	39	17	(275)	(548)
Profit after tax	(27)	112	955	1 260	(27)	(160)	901	1 212
Non-controlling interest	(21)	(38)	(250)	(354)	(18)	(6)	(289)	(398)
Net result from financial services	(48)	74	705	906	(45)	(166)	612	814
Project expenses	(2)	-	-	-	-	-	(2)	-
Net investment return on shareholders' funds	(201)	(101)	(755)	(108)	(148)	(2)	(1 104)	(211)
Amortisation of intangibles	-	(5)	(39)	(24)	(15)	(10)	(54)	(39)
Impairments	(40)	-	(318)	-	-	-	(358)	-
Foreign currency translation differences	-	-	17	(76)	70	(40)	87	(116)
Net other earnings	(2)	-	26	-	-	-	24	-
Fund transfers	(325)	-	1 616	-	-	-	1 291	-
Attributable (Losses)/Earnings	(618)	(32)	1 252	698	(138)	(218)	496	448

⁽¹⁾ General insurance includes the following lines of business namely, general insurance, health, property, reinsurance and Elite broker company.

⁽²⁾ Consolidation and other includes the following: central corporate costs, withholding tax incurred by holding companies in the structure and Netis Group.

⁽³⁾ Impairments and VOBA amortisation are excluded and are shown at a consolidated level.

Statement of financial position at 31 December – SAN JV/Saham consolidated

R million	2020	2019
Assets	57 417	59 209
Equipment	384	525
Right-of-use assets	77	74
Owner-occupied properties	1 646	830
Goodwill	10 727	14 106
Value of business acquired	4 114	5 439
Other intangible assets	449	542
Deferred acquisition costs	329	265
Investments	18 949	19 511
Investment properties	5 190	6 023
Equity-accounted investments	11	7
Equities and similar securities	6 361	7 017
Interest bearing investments	2 231	1 748
Investment funds	5 011	4 143
Cash, deposits and similar securities	145	573
Deferred tax	1 141	669
General insurance technical assets	3 554	2 281
Working capital assets	16 047	14 967
Trade and Other receivables	10 419	9 584
Cash, deposits and similar securities	4 873	4 596
Taxation	755	787
Liabilities	32 507	29 218
Term finance	673	534
Lease liabilities	74	76
Deferred tax	2 929	3 220
General insurance technical provisions	19 139	16 843
Working capital liabilities	9 692	8 545
Trade and other payables	8 739	7 410
Provisions	170	152
Tax	783	983
Net asset value	24 910	29 991
Non-controlling interest	4 768	4 848
Shareholders' fund	20 142	25 143

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.3 Sanlam Investment Group

Analysis of net result from financial services

R million	Sanlam Investments		Wealth Management	
	2020	2019	2020	2019
Financial services income ⁽¹⁾	2 053	2 017	921	862
Sales remuneration	-	-	-	-
Income after sales remuneration	2 053	2 017	921	862
Administration cost ⁽¹⁾	(1 605)	(1 585)	(721)	(679)
Results from financial services before performance fees	448	432	200	183
Net performance fees ⁽¹⁾	104	104	14	3
Results from financial services	552	536	214	186
Tax on result from financial services	(147)	(145)	(57)	(56)
Non-controlling interest	(34)	(37)	-	-
Net result from financial services	371	354	157	130
Covered	-	-	-	-
Non covered	371	354	157	130
Net investment return	(71)	(30)	1	(5)
Covered	-	-	-	-
Non covered	(71)	(30)	1	(5)
Project expenses	(14)	(37)	-	-
Net operational earnings	286	287	158	125
Amortisation of intangible assets	(19)	(19)	(19)	(20)
Profit on disposal of associates	-	-	-	-
Other	(41)	-	-	-
Normalised attributable earnings	226	268	139	105

⁽¹⁾ Financial services income and administration costs on page 46 includes performance fees and the related administration costs.

International		Sanfin		Corporate Services		Consolidation		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
3 222 (751)	2 701 (547)	773 -	1 090 -	- -	3 -	(45) -	(46) -	6 924 (751)	6 627 (547)
2 471 (2 179)	2 154 (1 791)	773 (534)	1 090 (585)	- (40)	3 (31)	(45) 45	(46) 46	6 173 (5 034)	6 080 (4 625)
292 (10)	363 (8)	239 2	505 5	(40) -	(28) -	- -	- -	1 139 110	1 455 104
282 (75) (32)	355 (66) (60)	241 (106) -	510 (132) -	(40) 7 -	(28) 7 -	- - -	- - -	1 249 (378) (66)	1 559 (392) (97)
175	229	135	378	(33)	(21)	-	-	805	1 070
22 153	75 154	16 119	173 205	- (33)	- (21)	- -	- -	38 767	248 822
66	39	86	123	11	8	-	-	93	135
(16) 82	5 34	87 (1)	126 (3)	- 11	- 8	- -	- -	71 22	131 4
(14)	(2)	-	-	(13)	-	-	-	(41)	(39)
227 (210) - (52)	266 (172) 1 (5)	221 - - -	501 - - -	(35) (6) - (7)	(13) - - -	- - - -	- - - -	857 (254) - (100)	1 166 (211) 1 (5)
(35)	90	221	501	(48)	(13)	-	-	503	951

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.3 Sanlam Investment Group (continued)

Analysis of change in GEV – covered business

R million	Total		Value of in-force		Cost of capital		Net asset value	
	2020	2019	2020	2019	2020	2019	2020	2019
Operational earnings	(108)	148	(46)	(23)	(55)	(60)	(7)	231
Value of new life insurance business	-	-	55	52	(8)	(6)	(47)	(46)
Unwinding of discount rate	79	72	47	42	32	30	-	-
Expected profit	-	-	(130)	(113)	-	-	130	113
Operating experience variances	(80)	141	15	(10)	(21)	(19)	(74)	170
Risk experience	5	16	(3)	(1)	-	-	8	17
Persistency	4	-	6	1	(2)	(1)	-	-
Maintenance expenses	(9)	(10)	-	-	-	-	(9)	(10)
Credit spread	14	172	-	-	-	-	14	172
Other	(94)	(37)	12	(10)	(19)	(18)	(87)	(9)
Operating assumption changes	(107)	(65)	(33)	6	(58)	(65)	(16)	(6)
Risk experience	30	9	(7)	(2)	1	-	36	11
Persistency	5	6	7	9	(2)	(3)	-	-
Maintenance expenses	(50)	(40)	(37)	(33)	-	-	(13)	(7)
Modelling changes and other	(92)	(40)	4	32	(57)	(62)	(39)	(10)
Net investment return	129	135	-	-	-	-	129	135
Expected return on adjusted net asset value	173	178	-	-	-	-	173	178
Investment variances on adjusted net asset value	(44)	(43)	-	-	-	-	(44)	(43)
Valuation and economic basis	139	76	49	58	45	1	45	17
Investment variances on in-force business	17	44	(26)	44	-	-	43	-
Economic assumption changes	63	25	4	5	57	3	2	17
Investment yields	63	40	4	5	57	34	2	1
Long-term asset mix assumptions and other	-	(15)	-	-	-	(31)	-	16
Foreign currency translation differences	59	7	71	9	(12)	(2)	-	-
Change in tax basis	(22)	-	(21)	-	(1)	-	-	-
GEV earnings: covered business	138	359	(18)	35	(11)	(59)	167	383
Transfers from/(to) other covered business Group operations	-	231	-	-	-	(123)	-	354
Transfers from covered business	(103)	(331)	-	-	-	-	(103)	(331)
Embedded value of covered business at the beginning of the period	3 056	2 797	816	781	(969)	(787)	3 209	2 803
Embedded value of covered business at the end of the period	3 091	3 056	798	816	(980)	(969)	3 273	3 209

Assets under management

R million	Assets under management		Fee income (%)		Administration cost (%)	
	2020	2019	2020	2019	2020	2019
Sanlam Investments ⁽¹⁾	648 805	663 705	0,30	0,31	0,22	0,22
Wealth Management	90 446	80 738	1,08	1,12	0,82	0,88
International	211 166	152 717	1,19	1,30	1,03	1,10
Intra-cluster eliminations	(33 858)	(39 314)				
Asset management operations	916 559	857 846				
Covered business	104 879	85 746				
Sanlam UK	57 732	51 668				
Central Credit Manager	47 147	34 078				
Assets under management	1 021 438	943 592				

⁽¹⁾ Includes Sanlam assets of R179 billion (2019: R215,4 billion).

Mix of assets under management

R million	Fixed interest	Equities	Offshore	Properties	Cash	Total
2020						
Sanlam Investments	127 513	273 173	112 274	26 633	109 212	648 805
Wealth Management	-	45 101	42 280	-	3 065	90 446
International	-	-	211 166	-	-	211 166
Intra-cluster consolidation						(33 858)
Assets under management - Asset management	127 513	318 274	365 720	26 633	112 277	916 559
2019						
Sanlam Investments	111 329	311 003	93 332	37 692	110 349	663 705
Wealth Management	-	46 163	32 666	-	1 909	80 738
International	-	-	152 717	-	-	152 717
Intra-cluster consolidation						(39 314)
Assets under management - Asset management	111 329	357 166	278 715	37 692	112 258	857 846

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

7. Cluster information (continued)

7.4 Santam

R million	2020		2019	
Business volumes				
Gross written premiums	38 273		35 852	
Net earned premiums	24 660		24 227	
Net fund flows	7 890		9 146	
<i>Insurance activities</i>				
R million	Gross written premiums		Underwriting result	
	2020	2019	2020	2019
Conventional insurance	31 098	29 725	699	1 820
Motor	13 430	13 340	2 141	1 201
Property	11 798	10 974	(2 375)	212
Engineering	1 651	1 601	439	312
Liability	1 362	1 310	153	159
Transportation	799	762	125	50
Accident and health	641	585	96	24
Guarantee	117	246	(14)	(58)
Crop	1 262	886	151	(86)
Other	38	21	(17)	6
Alternative risk (ART)	7 175	6 127	2	62
Total	38 273	35 852	701	1 882
Ratios				
			2020	2019
Administration cost ratio ⁽¹⁾			16,2%	17,7%
Claims ratio ⁽¹⁾			68,2%	62,1%
Underwriting margin ⁽¹⁾			2,9%	7,7%
Investment return on insurance funds margin ⁽¹⁾			2,1%	2,4%
R million				
			2020	2019
Conventional Insurance				
Net earned premiums	24 320		23 673	
Net claims incurred	(16 593)		(14 711)	
Net commission	(3 083)		(2 950)	
Management expenses (excluding BEE costs)	(3 945)		(4 192)	
Underwriting result: Conventional insurance	699		1 820	
Investment return on insurance funds	501		579	
Net insurance result	1 200		2 399	
Net Other Income	166		173	
Alternative Risk ⁽²⁾	165		171	
Other	1		2	
Strategic participations	350		483	
Saham ⁽³⁾	97		162	
SEM target shares	253		321	
Santam BEE cost	(2)		(3)	
Gross result from financial services	1 714		3 052	
Tax and Non-controlling interest	(1 028)		(1 835)	
Net result from financial services	686		1 217	

⁽¹⁾ Ratios are calculated as a percentage of net earned premiums for the conventional business.

⁽²⁾ Includes operating income and expenses relating to ART business and other operating income and expenses not related to underwriting results.

⁽³⁾ Includes SEM cluster cost allocation of R7 million (2019: R14 million).

7. Cluster information (continued)

7.5 Group Office

Analysis of earnings

R million	Group Office & Other		Consolidation ⁽¹⁾		Total	
	2020	2019	2020	2019	2020	2019
Financial services income	206	162	(381)	(532)	(175)	(370)
Sales remuneration	-	-	-	-	-	-
Income after sales remuneration	206	162	(381)	(532)	(175)	(370)
Administration cost	(327)	(302)	-	-	(327)	(302)
Results from financial services	(121)	(140)	(381)	(532)	(502)	(672)
Tax on result from financial services	35	40	102	174	137	214
Non-controlling interest	-	-	279	358	279	358
Net result from financial services	(86)	(100)	-	-	(86)	(100)
Net investment income	186	232	-	-	186	232
Net investment surpluses	31	(10)	-	-	31	(10)
Project expenses	(13)	-	-	-	(13)	-
Net operational earnings	118	122	-	-	118	122
Impairments	(1 673)	-	-	-	(1 673)	-
Net equity participation costs	-	(594)	-	-	-	(594)
Normalised attributable earnings	(1 555)	(472)	-	-	(1 555)	(472)

⁽¹⁾ Includes the consolidation entries relating to SEM target shares and Saham included within the Santam results.

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

8. Investments

8.1 Investment in associated companies

R million	2020	2019
Shriram Capital	7 671	7 381
Shriram Transport Finance Company	1 571	1 497
Shriram General Insurance	1 351	1 150
Shriram Life Insurance	531	501
Pacific & Orient	426	503
Capricorn Investment Holdings	1 000	1 097
Letshego	1 571	1 522
Afrocentric	1 109	1 043
Other associated companies	1 725	1 996
Total investment in associated companies	16 955	16 690

Details of the investments in the material associated companies are reflected in note 8.2.3 on page 84 of the Sanlam Annual Financial Statements online.

8.2 Investment in joint ventures

R million	2020	2019
Sanlam Personal Loans	665	811
Other joint ventures	208	201
Total investment in joint ventures	873	1 012

Details of the investments in the material joint ventures are reflected in note 8.2.4 on page 88 of the Sanlam Annual Financial Statements online.

8.3 Investments include the following offshore investments

R million	2020	2019
Investment properties	5 897	6 828
Equities	8 612	9 023
Structured transactions	-	9
Interest-bearing investments	7 583	4 626
Investment funds	6 939	5 648
Cash, deposits and similar securities	2 582	2 869
Total offshore investments	31 613	29 003

9. Financial services income

R million	2020	2019
Equity-accounted earnings included in financial services income		
Sanlam Life and Savings	208	406
SA Retail Affluent	6	240
Sanlam Corporate	202	166
Sanlam Emerging Markets	2 710	3 047
Santam	350	483
Sanlam Investment Group	143	159
	3 411	4 095
10. Sales remuneration		
Life business	5 639	4 934
Non-life operations	5 626	5 647
	11 265	10 581
11. Administration costs		
Life business	9 559	9 059
Non-life operations	14 905	14 419
	24 464	23 478
Depreciation included in administration costs:		
Sanlam Life and Savings	189	333
SA Retail Affluent	127	232
SA Retail Mass	43	86
Sanlam Corporate	19	15
Sanlam Emerging Markets	257	320
Santam	144	257
Sanlam Investment Group	50	107
	640	1 017
12. Investment income		
Equities and similar securities	1 043	915
Interest-bearing, preference shares and similar securities	486	444
Properties	12	37
Rental income	30	49
Rental-related expenses	(18)	(12)
Total investment income	1 541	1 396
Interest expense netted off against investment income	578	974

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

13. Normalised diluted earnings per share

Cents	2020	2019
Normalised diluted earnings per share:		
Net result from financial services	376,4	438,0
Operational earnings	374,9	488,9
(Loss)/profit attributable to shareholders' fund	(31,2)	412,5
R million		
Analysis of operational earnings (refer shareholders' fund income statement on page 46):		
Net result from financial services	8 382	9 674
Operational earnings	8 349	10 798
(Loss)/profit attributable to shareholders' fund	(694)	9 110
Reconciliation of operational earnings:		
Headline earnings per note 23 on page 121 of the Sanlam Annual Financial Statements online	9 249	7 481
Add/(Less):	(900)	3 317
<i>Fund transfers</i>	(3 557)	1 960
<i>B-BBEE SPV impairment reversal</i>	1 673	-
<i>Net equity-accounted earnings</i>	(14)	(5)
<i>Net amortisation of value of business acquired and other intangibles</i>	699	766
<i>Expected credit losses</i>	298	-
<i>Equity participation costs</i>	1	596
Operational earnings	8 349	10 798
Adjusted number of shares (million):		
Weighted average number of shares for diluted earnings per share (refer note 23 on page 122 of the Sanlam Annual Financial Statements online)	2 087,8	2 090,0
Add: Weighted average Sanlam shares held by policyholders and B-BBEE SPV	138,9	118,5
Adjusted weighted average number of shares for normalised diluted earnings per share	2 226,7	2 208,5

14. Value per share

R million	2020	2019
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R71 468 million (31 December 2019: R76 512 million), divided by 2 226,5 million (31 December 2019: 2 226,2 million) shares.		
Equity value per share is calculated based on the Group Equity Value of R131 812 million (31 December 2019: R143 271 million), divided by 2 226,5 million (31 December 2019: 2 226,2 million) shares.		
Number of shares for value per share		
Number of ordinary shares in issue	2 226,9	2 343,3
Shares held by subsidiaries in shareholders' fund	(26,2)	(139,2)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	25,8	22,1
Adjusted number of shares for value per share	2 226,5	2 226,2

15. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,1 (2019: 8,8) to the after tax recurring corporate expenses.

16. Shares repurchased and cancelled

Sanlam shareholders granted general authorities to the Group at the 2020 and 2019 annual general meetings to repurchase Sanlam shares in the market.

During 2020, Sanlam Limited repurchased 116,363,639 ordinary shares of 1 cent each held in treasury by its wholly-owned subsidiary, Sanlam Life Insurance Limited at a repurchase price of R56,29 per share (in aggregate R6,550,109,239).

The Repurchase constitutes a transfer to, and subsequent cancellation of the Treasury Shares previously acquired by Sanlam Life pursuant to the General Authorities and is cash neutral for the Sanlam Group.

The Treasury Shares represented 4,97% of the issued share capital of the Company immediately prior to their cancellation. Following the cancellation, the issued share capital of the Company now comprises 2,226,974,408 ordinary shares of 1 cent each.

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

17. Reconciliations

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

R million	2020			
	Total	Shareholder activities	Policyholder activities ⁽¹⁾	IFRS adjustments ⁽²⁾
Net income	132 866	87 992	38 768	6 106
Financial services income	104 701	87 161	-	17 540
Reinsurance premiums paid	(18 794)	-	-	(18 794)
Reinsurance commission received	2 929	-	-	2 929
Investment income	31 879	1 541	23 785	6 553
Investment surpluses	11 001	(710)	14 983	(3 272)
Finance cost – margin business	(216)	-	-	(216)
Change in fair value of external investors liability	1 366	-	-	1 366
Net insurance and investment contract benefits and claims	(75 896)	(37 865)	(37 577)	(454)
Long-term insurance contract benefits	(25 596)	(13 547)	(10 931)	(1 118)
Long-term investment contract benefits	(26 646)	-	(26 646)	-
General insurance claims	(37 593)	(24 318)	-	(13 275)
Reinsurance claims received	13 939	-	-	13 939
Expenses	(42 201)	(36 034)	-	(6 167)
Sales remuneration	(14 319)	(11 265)	-	(3 054)
Administration costs	(27 882)	(24 769)	-	(3 113)
Impairments	(9 275)	(8 638)	(158)	(479)
Amortisation of intangibles	(1 323)	(699)	-	(624)
Net operating result	4 171	4 756	1 033	(1 618)
Equity-accounted earnings	2 568	35	-	2 533
Finance cost – other	(835)	-	-	(835)
Net monetary gain (Lebanon hyperinflation)	1 535	-	-	1 535
Profit before tax	7 439	4 791	1 033	1 615
Tax expense	(3 805)	(4 066)	(1 033)	1 294
Shareholders' fund	(2 154)	(4 066)	-	1 912
Policyholders' fund	(1 651)	-	(1 033)	(618)
Profit from continuing operations	3 634	725	-	2 909
Profit for the year	3 634	725	-	2 909
Attributable to:				
Shareholders' fund	2 863	(694)	-	3 557
Non-controlling interest	771	1 419	-	(648)
	3 634	725	-	2 909

⁽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 are not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.

2019

Total	Shareholder activities	Policyholder activities ⁽¹⁾	IFRS adjustments ⁽²⁾
147 796	86 263	58 952	2 581
95 520	84 250	-	11 270
(15 893)	-	-	(15 893)
2 676	-	-	2 676
33 003	1 396	22 595	9 012
43 064	617	36 357	6 090
(242)	-	-	(242)
(10 332)	-	-	(10 332)
(91 526)	(34 075)	(57 458)	7
(30 802)	(11 304)	(17 952)	(1 546)
(39 506)	-	(39 506)	-
(29 646)	(22 771)	-	(6 875)
8 428	-	-	8 428
(41 051)	(34 785)	-	(6 266)
(13 246)	(10 581)	-	(2 665)
(27 805)	(24 204)	-	(3 601)
(742)	(339)	-	(403)
(1 405)	(766)	-	(639)
13 072	16 298	1 494	(4 720)
2 989	27	-	2 962
(1 500)	-	-	(1 500)
-	-	-	-
14 561	16 325	1 494	(3 258)
(5 756)	(5 183)	(1 494)	921
(4 017)	(5 183)	-	1 166
(1 739)	-	(1 494)	(245)
8 805	11 142	-	(2 337)
8 805	11 142	-	(2 337)
7 150	9 110	-	(1 960)
1 655	2 032	-	(377)
8 805	11 142	-	(2 337)

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

17. Reconciliations (continued)

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

2020

R million	Total	Shareholder activities	Policyholder activities ⁽¹⁾	Consolidation reserve
Assets				
Equipment	1 652	1 487	165	-
Rights-of-use assets	1 614	1 560	54	-
Owner-occupied properties	2 692	2 624	68	-
Goodwill	16 703	16 703	-	-
Other intangible assets	788	788	-	-
Value of business acquired	6 129	6 129	-	-
Deferred acquisition costs	3 374	2 785	589	-
Long-term reinsurance assets	2 258	-	2 258	-
Investments	814 074	88 425	733 222	(7 573)
Properties	20 302	5 869	14 433	-
Associated companies	16 955	16 955	-	-
Joint ventures	1 818	873	945	-
Equities and similar securities	186 990	12 819	181 744	(7 573)
Interest-bearing investments	261 434	28 014	233 420	-
Structured transactions	29 566	535	29 031	-
Investment funds	252 026	20 619	231 407	-
Cash, deposits and similar securities	44 983	2 741	42 242	-
Deferred tax	2 843	2 019	7	817
Assets of disposal groups classified as held for sale	2 218	2 196	22	-
General insurance technical assets	13 847	13 847	-	-
Working capital assets	75 604	61 210	14 394	-
Trade and other receivables	44 568	33 953	10 615	-
Taxation	942	912	30	-
Cash, deposits and similar securities	30 094	26 345	3 749	-
Total assets	943 796	199 773	750 779	(6 756)
Equity and liabilities				
Shareholders' fund	64 712	71 468	-	(6 756)
Non-controlling interest	12 512	12 500	12	-
Long-term policy liabilities	625 527	-	625 527	-
Insurance contracts	190 943	-	190 943	-
Investment contracts	434 584	-	434 584	-
Term finance	13 837	10 143	3 694	-
Lease liabilities	1 878	1 822	56	-
External investors in consolidated funds	83 714	-	83 714	-
Cell owners' interest	4 226	4 226	-	-
Deferred tax	5 810	4 139	1 671	-
Liabilities of disposal groups classified as held for sale	454	454	-	-
Structured transactions liabilities	22 970	320	22 650	-
General insurance technical provisions	49 752	49 752	-	-
Working capital liabilities	58 404	44 949	13 455	-
Trade and other payables	55 356	42 864	12 492	-
Provisions	506	476	30	-
Taxation	2 542	1 609	933	-
Total equity and liabilities	943 796	199 773	750 779	(6 756)

⁽¹⁾ Includes the impact of IFRS adjustments.

2019

Total	Shareholder activities	Policyholder activities ⁽¹⁾	Consolidation reserve
1 655	1 533	122	-
1 912	1 852	60	-
1 794	1 683	111	-
18 974	18 974	-	-
926	926	-	-
8 768	8 768	-	-
3 505	2 865	640	-
2 042	-	2 042	-
770 995	83 686	697 145	(9 836)
21 565	6 815	14 750	-
16 690	16 690	-	-
1 992	1 012	980	-
201 501	14 775	196 562	(9 836)
234 509	19 640	214 869	-
23 090	728	22 362	-
222 141	20 442	201 699	-
49 507	3 584	45 923	-
1 872	1 231	-	641
159	127	32	-
10 166	10 166	-	-
77 461	58 026	19 435	-
46 180	32 033	14 147	-
912	867	45	-
30 369	25 126	5 243	-
900 229	189 837	719 587	(9 195)
67 317	76 512	-	(9 195)
12 043	12 027	16	-
591 168	-	591 168	-
189 687	-	189 687	-
401 481	-	401 481	-
11 187	7 474	3 713	-
2 110	2 049	61	-
85 187	-	85 187	-
3 935	3 935	-	-
5 766	4 626	1 140	-
-	-	-	-
19 272	58	19 214	-
41 332	41 332	-	-
60 912	41 824	19 088	-
58 062	39 599	18 463	-
523	496	27	-
2 327	1 729	598	-
900 229	189 837	719 587	(9 195)

Notes to the Shareholders' Fund Information

for the year ended 31 December (continued)

18. Geographical analysis

R million	Per shareholders fund' income statement on page 46	IFRS adjustments (refer note 17.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the holding company or subsidiaries are located.			
2020	87 161	17 540	104 701
South Africa	57 259	13 727	70 986
Other African operations	23 237	5 419	28 656
Other international ⁽¹⁾	6 665	(1 606)	5 059
2019	84 250	11 270	95 520
South Africa	55 020	11 075	66 095
Other African operations	22 941	2 238	25 179
Other international ⁽¹⁾	6 289	(2 043)	4 246

R million	Per analysis of shareholders' fund on page 44	Policyholders' fund	Total
Non-current assets⁽²⁾			
2020	34 272	898	35 170
South Africa	20 190	431	20 621
Other African operations	9 743	201	9 944
Other international ⁽¹⁾	4 339	266	4 605
2019	36 728	965	37 693
South Africa	24 767	456	25 223
Other African operations	7 606	250	7 856
Other international ⁽¹⁾	4 355	259	4 614

R million	2020	2019
Attributable earnings (per shareholders' fund income statement on page 46)	2 863	7 150
South Africa	5 721	4 150
Other African operations	(3 088)	1 519
Other international ⁽¹⁾	230	1 481

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

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

Financial information

Basis of presentation

The consolidated financial statements are prepared on the historical-cost basis, unless otherwise indicated, in accordance with IFRS, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act in South Africa. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated.

The following new or revised IFRS and interpretations became effective on 1 January 2020 and have therefore been applied:

- *The Conceptual Framework for Financial Reporting*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest rate benchmark reform – Phase 1 (Amendments to IFRS 7, IFRS 9 and IAS 39)*

The following new or revised IFRS and interpretations became effective on 1 June 2020 and have therefore been applied:

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*

These amendments did not have a significant impact on the amounts recognised in prior or current period(s) and are not expected to significantly affect the current or future periods. No further disclosures have accordingly been made.

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

- Effective 1 January 2021:
 - *Interest rate benchmark reform – Phase 2 (Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39)*
- Effective 1 January 2022:
 - *Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37)*
 - *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*
 - *Reference to the Conceptual Framework (Amendments to IFRS 3)*
 - *Annual Improvements to IFRS Standards 2018-2020, pertaining to IFRS 1, IFRS 9, IFRS 16 and IAS 41*
- Effective 1 January 2023:
 - *IFRS 17 – Insurance Contracts*
 - *Classification of liabilities as current or non-current (Amendments to IAS 1)*

IFRS 17 – *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The granular level of modelling and accounting required to meet the requirements of IFRS 17 will have a significant impact on the underlying valuation models, systems and processes. The Group's assessment of the requirements of the standard against current data, processes and valuation models is complete, as well as the overall design of the future actuarial and financial reporting processes and architecture. Solution build activities are tracking in line with the Group-wide programme plan.

The Group does not expect the other amendments to standards issued by the IASB, but not yet effective, to have a material impact on the Group.

External audit

This summarised report is extracted from audited information, but is not in itself audited. The Annual Financial Statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited Annual Financial Statements and the auditor's report thereon are available for inspection at the company's registered office. The Shareholders' Information was audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited Shareholders' Information and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of the summarised report and that the financial information has been correctly extracted from the underlying Annual Financial Statements and Shareholders' Information.

Group Statement of Financial Position

at 31 December

R million	2020	2019
ASSETS		
Equipment	1 652	1 655
Right-of-use assets	1 614	1 912
Owner-occupied properties	2 692	1 794
Goodwill	16 703	18 974
Value of business acquired	6 129	8 768
Other intangible assets	788	926
Deferred acquisition costs	3 374	3 505
Long-term reinsurance assets	2 258	2 042
Investments	814 074	770 995
Properties	20 302	21 565
Investment in associates and joint ventures	18 773	18 682
Equities and similar securities	186 990	201 501
Interest-bearing investments	261 434	234 509
Structured transactions	29 566	23 090
Investment funds	252 026	222 141
Cash, deposits and similar securities	44 983	49 507
Deferred tax	2 843	1 872
Assets of disposal groups classified as held for sale	2 218	159
General insurance technical assets	13 847	10 166
Working capital assets	75 604	77 461
Trade and other receivables	44 568	46 180
Taxation	942	912
Cash, deposits and similar securities	30 094	30 369
Total assets	943 796	900 229
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital and premium	12 784	13 452
Treasury shares	(1 633)	(4 127)
Other reserves	2 238	(1 859)
Retained earnings	51 323	59 851
Shareholders' fund	64 712	67 317
Non-controlling interest	12 512	12 043
Total equity	77 224	79 360
Long-term policy liabilities	625 527	591 168
Term finance	13 837	11 187
Margin business	5 330	3 614
Other interest-bearing liabilities	8 507	7 573
Lease liabilities	1 878	2 110
Structured transactions liabilities	22 970	19 272
External investors in consolidated funds	83 714	85 187
Cell owners' interest	4 226	3 935
Deferred tax	5 810	5 766
Liabilities of disposal groups classified as held for sale	454	-
General insurance technical provisions	49 752	41 332
Working capital liabilities	58 404	60 912
Trade and other payables	55 356	58 062
Provisions	506	523
Taxation	2 542	2 327
Total equity and liabilities	943 796	900 229

Group Statement of Comprehensive Income

for the year ended 31 December

R million	2020	2019
Net income	132 866	147 796
Financial services income	104 701	95 520
Reinsurance premiums paid	(18 794)	(15 893)
Reinsurance commission received	2 929	2 676
Investment income	31 879	33 003
Investment surpluses	11 001	43 064
Finance cost – margin business	(216)	(242)
Change in fair value of external investors' liability	1 366	(10 332)
Net insurance and investment contract benefits and claims	(75 896)	(91 526)
Long-term insurance contract benefits	(25 596)	(30 802)
Long-term investment contract benefits	(26 646)	(39 506)
General insurance claims	(37 593)	(29 646)
Reinsurance claims received	13 939	8 428
Expenses	(42 201)	(41 051)
Sales remuneration	(14 319)	(13 246)
Administration costs	(27 882)	(27 805)
Impairments	(9 275)	(742)
Net impairment losses on financial assets	(1 903)	(338)
Other impairments	(7 372)	(404)
Amortisation of intangibles	(1 323)	(1 405)
Net operating result	4 171	13 072
Equity-accounted earnings	2 568	2 989
Finance cost – other	(835)	(1 500)
Net monetary gain (Lebanon hyperinflation)	1 535	–
Profit before tax	7 439	14 561
Taxation	(3 805)	(5 756)
Shareholders' fund	(2 154)	(4 017)
Policyholders' fund	(1 651)	(1 739)
Profit for the year	3 634	8 805
Other comprehensive income (net of tax): to be recycled through profit or loss in subsequent periods		
Movement in foreign currency translation reserve	3 143	(4 707)
Other comprehensive income of equity accounted investments	–	(335)
Other comprehensive income (net of tax): not to be recycled through profit or loss in subsequent periods		
Employee benefits re-measurement loss	–	25
Comprehensive income for the year	6 777	3 788
Allocation of comprehensive income		
Profit for the year	3 634	8 805
Shareholders' fund	2 863	7 150
Non-controlling interest	771	1 655
Comprehensive income for the year	6 777	3 788
Shareholders' fund	5 676	2 951
Non-controlling interest	1 101	837
Earnings attributable to shareholders of the company (cents)		
Profit for the year:		
Basic earnings per share	138,8	345,8
Diluted earnings per share	137,1	342,1

Group Statement of Changes in Equity

for the year ended 31 December

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve
Balance at 1 January 2019	22	5 635	(3 934)	10 154
Comprehensive income	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Shares issued	1	7 794	-	-
Net (acquisition)/disposal of treasury shares ⁽¹⁾	-	-	(193)	-
Share-based payments	-	-	-	-
B-BBEE IFRS 2 costs ⁽²⁾	-	-	-	-
Transfer to non-distributable reserve	-	-	-	(173)
Transfer to/(from) consolidation reserve	-	-	-	-
Dividends paid ⁽³⁾	-	-	-	-
Acquisitions, disposals and other movements in interests	-	-	-	(2)
Balance at 31 December 2019	23	13 429	(4 127)	9 979
Hyperinflation ⁽⁴⁾	-	-	-	-
Comprehensive income	-	-	-	-
Profit for the year	-	-	-	-
Other comprehensive income	-	-	-	-
Shares cancelled	(1)	(667)	2 744	-
Net (acquisition)/disposal of treasury shares ⁽¹⁾	-	-	(250)	-
Share-based payments	-	-	-	-
Transfer from non-distributable reserve	-	-	-	81
Transfer (from)/to consolidation reserve	-	-	-	-
Dividends paid ⁽³⁾	-	-	-	-
Acquisitions, disposals and other movements in interests	-	-	-	(15)
Balance at 31 December 2020	22	12 762	(1 633)	10 045

⁽¹⁾ Comprises movement in cost of shares held by subsidiaries, the share incentive trust, other consolidated funds and the broad-based black economic empowerment special purpose vehicle (B-BBEE SPV).

⁽²⁾ A one-off expense of R1 686 billion was recognised during 2019 in terms of International Financial Reporting Standards (IFRS) 2 Share-Based Payment in respect of the broad-based black economic empowerment (B-BBEE) share issuance to the new B-BBEE special purpose vehicle (SPV).

⁽³⁾ A dividend of 300 cents per share (2019: 334 cents per share) was declared in 2021 in respect of the 2020 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R6,2 billion (after allowing for treasury shares), but may vary depending on the number of shares in issue on the last day to trade. Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

⁽⁴⁾ The initial application of IAS 29 resulted in an opening adjustment of (R1 234) million, attributable to the shareholder. It comprises of the rebase of December 2019 equity of R 1 388 million and reduction of the indexed non-monetary items to recoverable amounts of (R2 622) which both includes Goodwill as well as Voba.

Foreign currency translation reserve ⁽⁴⁾	Retained earnings	Subtotal: equity	Consolidation reserve	Shareholders' fund	Non- controlling interest	Total equity
1 210	57 288	70 375	(869)	69 506	12 111	81 617
(3 888)	6 839	2 951	-	2 951	837	3 788
-	7 150	7 150	-	7 150	1 655	8 805
(3 888)	(311)	(4 199)	-	(4 199)	(818)	(5 017)
-	-	7 795	-	7 795	-	7 795
-	(338)	(531)	(7 871)	(8 402)	1	(8 401)
-	391	391	-	391	33	424
-	1 686	1 686	-	1 686	-	1 686
-	173	-	-	-	-	-
-	456	456	(456)	-	-	-
-	(6 500)	(6 500)	-	(6 500)	(1 095)	(7 595)
36	(144)	(110)	-	(110)	156	46
(2 642)	59 851	76 513	(9 196)	67 317	12 043	79 360
(1 234)	-	(1 234)	-	(1 234)	-	(1 234)
2 813	2 863	5 676	-	5 676	1 101	6 777
-	2 863	2 863	-	2 863	771	3 634
2 813	-	2 813	-	2 813	330	3 143
-	(2 076)	-	-	-	-	-
-	(577)	(827)	(351)	(1 178)	(60)	(1 238)
-	474	474	-	474	32	506
-	(81)	-	-	-	-	-
-	(2 791)	(2 791)	2 791	-	-	-
-	(6 938)	(6 938)	-	(6 938)	(816)	(7 754)
12	598	595	-	595	212	807
(1 051)	51 323	71 468	(6 756)	64 712	12 512	77 224

Group Statement of Cash Flow

for the year ended 31 December

R million	2020	Restated 2019
Cash flow from operating activities⁽¹⁾	(6 082)	7 320
Cash generated (utilised in) operations ⁽¹⁾	(22 868)	(9 235)
Interest and preference share dividends received	18 542	17 541
Interest paid	(1 004)	(1 094)
Dividends received	12 358	13 198
Dividends paid	(8 454)	(7 433)
Taxation paid	(4 656)	(5 657)
Cash flow from investment activities	(1 733)	(509)
Acquisition of subsidiaries and associated companies	(1 144)	(685)
Disposal of subsidiaries and associated companies	51	176
Payments made for the acquisition of equipment	(737)	-
Proceeds in respect of the sale of equipment	61	-
Payments made for the acquisition of owner occupied properties	(405)	-
Proceeds in respect of the sale of owner occupied properties	441	-
Cash flow from financing activities	1 792	2 503
Shares issued	-	7 795
Acquisition of treasury shares	(1 241)	(8 401)
Disposal of non-controlling interest	818	-
Term finance raised	3 530	3 998
Term finance repaid	(664)	(299)
Lease liabilities repaid	(651)	(590)
Net (decrease)/increase in cash and cash equivalents⁽¹⁾	(6 023)	9 314
Effect of exchange rate movements on cash balances	1 695	(325)
Cash and cash equivalents at beginning of the year ⁽¹⁾	52 738	43 749
Cash and cash equivalents at end of the year⁽¹⁾	48 410	52 738

⁽¹⁾ The prior year amounts have been restated to exclude cash and cash equivalents that do not meet the definition of cash as per IAS 7. It did not affect the Statement of Financial Position, Statement of Comprehensive Income or the Statement of Changes in Equity.

Notes to the Group financial statements

for the year ended 31 December 2020

1. Earnings per share

For **basic earnings per share** the weighted average number of ordinary shares is adjusted for the treasury shares held by subsidiaries, consolidated investment funds and policyholders. Basic earnings per share is calculated by dividing earnings by the adjusted weighted average number of shares in issue.

For **diluted earnings per share** the weighted average number of ordinary shares is adjusted for the shares not yet issued under the Sanlam Share Incentive Scheme and treasury shares held by subsidiaries, consolidated investment vehicles (including the B-BBEE SPV) and policyholders. The shares held by the B-BBEE SPV is seen as an option for dilutive earnings per share purposes that will have an impact on the dilution as the Sanlam share price increases. Diluted earnings per share is calculated by dividing earnings by the adjusted diluted weighted average number of shares in issue.

Cents	2020	2019
Basic earnings per share:		
Headline earnings	448,5	361,8
Profit attributable to shareholders' fund	138,8	345,8
Diluted earnings per share:		
Headline earnings	443,0	357,9
Profit attributable to shareholders' fund	137,1	342,1

R million	2020	2019
Analysis of earnings:		
Profit attributable to shareholders' fund	2 863	7 150
Less: Net profit on disposal of subsidiaries and associated companies	(26)	6
Profit on disposal of subsidiaries	(27)	9
Non-controlling interest	1	(3)
Less: Net profit on disposal of associated companies	(259)	-
Profit on disposal of associated companies	(258)	-
Non-controlling interest	(1)	-
Less: Equity-accounted non-headline earnings	4	-
Plus: Impairments	6 667	325
Gross Impairments	7 300	395
Tax on impairment	(318)	-
Non-controlling interest	(315)	(70)
Headline earnings	9 249	7 481

Million	2020	2019
Number of shares:		
Weighted number of ordinary shares in issue	2 265,7	2 324,8
Less: Weighted Sanlam shares held by subsidiaries and consolidated vehicles (including policyholders and B-BBEE SPV)	(203,7)	(256,9)
Adjusted weighted average number of shares for basic earnings per share	2 062,0	2 067,9
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	25,8	22,1
Adjusted weighted average number of shares for diluted earnings per share	2 087,8	2 090,0

⁽¹⁾ For more information in respect of the share cancellations, refer to note 16 of the Shareholders' information section on page 85.

Notes to the Group financial statements continued

2. Fair value disclosures

Financial instruments

Financial instruments carried on the Statement of Financial Position include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and payables.

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Regular way investment transactions are recognised by using trade date accounting.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Collateral placed at counter-parties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counter-parties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counterparty has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification

Financial assets

On initial recognition, a financial asset is classified as measured at:

- Amortised cost,
- Fair value through profit or loss (either mandatory or designated), or
- Fair value through other comprehensive income.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at fair value through profit or loss. In addition, the Group designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

On initial recognition, the Group classifies its financial liabilities into one of the following categories:

- Amortised cost, or
- Fair value through profit or loss (either mandatory or designated)

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial liabilities classified as at fair value through profit or loss comprise held-for-trading liabilities, including derivatives (mandatory fair value through profit or loss) as well as financial liabilities designated as at fair value through profit or loss.

On initial recognition the Group designates a financial liability as at fair value through profit or loss when doing so results in more relevant information either because:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different basis; or
- a group of financial liabilities; or a group of financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to the entity's key management personnel.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of investment surpluses.

Subsequent measurement

Financial instruments classified as at fair value through profit or loss are measured at fair value after initial recognition. Net gains and losses (on the sale of investments and fair value gains and losses), interest or dividend income and foreign exchange gains or losses are recognised in profit or loss. Changes in fair value recognised in the Statement of Comprehensive Income as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments classified as at amortised cost are measured at amortised cost using the effective interest method. Interest income, interest expense, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss or derecognition is also measured in profit or loss.

Impairment

The Group recognises loss allowances for expected credit losses on:

- Financial assets measured at amortised cost (including contract assets/contract receivables); and
- Financial guarantee contracts

At each reporting date, the loss allowances are measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition.

At each reporting date the loss allowances are measured at an amount equal to the 12 month expected credit losses if:

- The credit risk on a financial instrument has not increased significantly since initial recognition; or
- Financial instruments are determined to have a low credit risk at the reporting date.

The Group determines whether the credit risk on a financial instrument has increased significantly by comparing this risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition together with reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition.

At each reporting date, the loss allowances are measured at an amount equal to the 12 month expected credit losses if the credit risk on a financial instrument has not increased significantly since initial recognition. Financial instruments that are determined to have a low credit risk at the reporting date are assumed to have no significant increase in credit risk.

At each reporting date, the loss allowances are measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

An impairment gain or loss is recognised in profit or loss for the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

Notes to the Group financial statements continued

2. Fair value disclosures (continued)

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses, measured as the present value of all cash short falls (the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of loss allowances in the Statement of Financial Position

Loss allowances for expected credit losses are presented as a deduction from the gross carrying amounts of the financial assets.

Write-offs

The gross carrying amount of a financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Other financial liabilities

Other financial liabilities include:

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
- Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
- Investment contract liabilities measured at fair value, determined on the bases as disclosed in the section on Policy Liabilities and Profit Entitlement; and
- External investors in consolidated funds measured at the attributable net asset value of the respective funds.

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosures only cover assets and liabilities measured at fair value.

Included in **level 1** category are assets and liabilities that are measured by reference to unadjusted, quoted prices in an active market for identical assets and liabilities.

Included in **level 2** category are assets and liabilities measured using inputs other than quoted prices and quoted prices in an inactive market included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

Assets and liabilities measured using inputs that are not based on observable market data are categorised as **level 3**.

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
31 December 2020				
Non-financial instruments				
Properties	-	-	20 302	20 302
Financial instruments	521 527	253 495	3 130	778 152
Equities and similar securities	181 126	4 718	1 146	186 990
Investment in joint ventures	-	-	427	427
Interest-bearing investments	94 948	155 101	542	250 591
Structured transactions	117	29 449	-	29 566
Investment funds	239 067	12 342	617	252 026
Trade and other receivables	6 269	6 356	398	13 023
Cash deposits and similar securities: Investments	-	42 236	-	42 236
Cash deposits and similar securities: Working capital	-	3 293	-	3 293
Total assets at fair value	521 527	253 495	23 432	798 454
Financial instruments	84 892	471 535	2 156	558 583
Investment contract liabilities	387	432 499	1 698	434 584
External investors in consolidated funds	82 228	1 040	446	83 714
Term finance	50	4 090	-	4 140
Structured transactions liabilities	-	22 958	12	22 970
Trade and other payables	2 227	10 948	-	13 175
Total liabilities at fair value	84 892	471 535	2 156	558 583
Recurring fair value measurements				
31 December 2019				
Non-financial instruments				
Properties	-	-	21 565	21 565
Financial instruments	478 583	255 866	2 808	737 257
Equities and similar securities	195 603	4 764	1 134	201 501
Investment in joint ventures	-	-	400	400
Interest-bearing investments	77 456	147 811	498	225 765
Structured transactions	862	22 228	-	23 090
Investment funds	200 354	21 073	714	222 141
Trade and other receivables	4 308	7 971	62	12 341
Cash deposits and similar securities: Investments	-	48 504	-	48 504
Cash deposits and similar securities: Working capital	-	3 515	-	3 515
Total assets at fair value	478 583	255 866	24 373	758 822
Financial instruments	84 903	434 493	2 184	521 580
Investment contract liabilities	-	399 840	1 641	401 481
External investors in consolidated funds	84 247	397	543	85 187
Term finance	-	3 314	-	3 314
Structured transactions liabilities	-	19 272	-	19 272
Trade and other payables	656	11 670	-	12 326
Total liabilities at fair value	84 903	434 493	2 184	521 580

Notes to the Group financial statements continued

2. Fair value disclosures (continued)

Reconciliation of movements in level 3 assets and liabilities measured at fair value

R million	Properties	Equities and similar securities	Investment in joint ventures	Interest bearing investments	Investment funds	Trade and other receivables	Total assets
2020							
Assets							
Balance at 1 January 2020	21 565	1 134	400	498	714	62	24 373
Net (loss)/gains in Statement of Comprehensive Income	(2 222)	62	27	20	(24)	45	(2 092)
Acquired through business combinations	4	-	-	-	-	-	4
Acquisitions	1 530	142	-	24	139	338	2 173
Disposal of subsidiaries	(91)	-	-	-	-	-	(91)
Disposals	(458)	(225)	-	-	(221)	-	(904)
Foreign exchange movements	921	33	-	-	9	(47)	919
Reclassified from disposal groups classified as held for sale	(3)	-	-	-	-	-	(3)
Transfers to owner-occupied properties	(944)	-	-	-	-	-	(944)
Balance at 31 December 2020	20 302	1 146	427	542	617	398	23 432
2019							
Balance at 1 January 2019	21 349	504	539	69	732	-	23 193
Net gains/(loss) in Statement of Comprehensive Income	847	100	(139)	(2)	(68)	-	738
Acquired through business combinations	71	-	-	-	-	-	71
Acquisitions	469	175	-	437	56	-	1 137
Disposals	(698)	(86)	-	(6)	(5)	-	(795)
Foreign exchange movements	(263)	(15)	-	-	(1)	-	(279)
Reclassified from disposal groups classified as held for sale	(2)	-	-	-	-	-	(2)
Transfers to owner-occupied properties	(208)	-	-	-	-	-	(208)
Transfers from level 2	-	456	-	-	-	62	518
Balance at 31 December 2019	21 565	1 134	400	498	714	62	24 373

R million	Investment contract liabilities	External investors in consolidated funds	Term finance	Total liabilities
2020				
Liabilities				
Balance at 1 January 2020	1 641	543	-	2 184
Net loss/(gains) in Statement of Comprehensive Income	1	(138)	-	(137)
Acquisitions	47	-	12	59
Disposals	(133)	-	-	(133)
Foreign exchange movements	142	41	-	183
Balance at 31 December 2020	1 698	446	12	2 156

2019				
Liabilities				
Balance at 1 January 2019	1 665	613	-	2 278
Net loss/(gains) in Statement of Comprehensive Income	49	(55)	-	(6)
Acquisitions	50	-	-	50
Disposals	(141)	-	-	(141)
Foreign exchange movements	18	(15)	-	3
Balance at 31 December 2019	1 641	543	-	2 184

R million	2020	2019
Losses (realised and unrealised) included in Statement of Comprehensive Income		
Total losses included in Statement of Comprehensive Income for the period	(2 665)	(804)
Total unrealised losses included in Statement of Comprehensive Income for assets held at the end of the reporting period	(1 485)	(112)

Transfers between levels

R million	Equities and similar securities	Interest bearing investments ⁽¹⁾	Structured transactions	Investment funds ⁽¹⁾	Cash, deposits and similar securities	Total assets
Assets						
2020						
Transfer from level 1 to level 2	-	(3 627)	-	(2 715)	-	(6 342)
Transfer from level 2 to level 1	-	-	-	11 013	-	11 013
2019						
Transfer from level 1 to level 2	(172)	(2 043)	(4 291)	-	-	(6 506)

⁽¹⁾ Instruments that were not actively traded in the market have been transferred from level 1 to level 2. Conversely, instruments that have become actively traded in the market have been transferred from level 2 to level 1.

Notes to the Group financial statements continued

2. Fair value disclosures (continued)

Valuation techniques used in determining the fair value of assets and liabilities

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant Unobservable input
Properties	3	Recently contracted prices, discounted cash flow model (DCF) and Earnings multiple.	Bond and interbank swap interest rate curve, Capitalisation rate, Cost of Capital, Consumer price index and Cash flow forecasts (including vacancy rates).	Capitalisation rate, Discount rate and Cash flow forecasts (including vacancy rates).
Equities and similar securities	2 and 3	Discounted cash flow model (DCF) and Earnings multiple.	Cost of Capital and Consumer price index.	Cost of Capital, Adjusted earnings multiple, Budgets and Forecasts.
Interest-bearing investments	2 and 3	DCF, Quoted put/surrender price by issuer.	Bond and interbank swap interest rate curve, Cost of Capital and Consumer price index.	Discount rate and Cost of Capital.
Structured transactions assets and liabilities	2 and 3	Option pricing models and DCF.	Bond and interbank swap interest rate curve, Forward equity and currency rates and Volatility risk adjustments.	n/a
Investment contract liabilities and investment funds	2 and 3	Current unit price of underlying unitised asset, multiplied by the number of units held, Earnings multiple and DCF.	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index and Bond interest rate curve.	Earnings multiple
Trade and other receivables/payables	2 and 3	DCF, Earnings multiple, Quoted put/surrender price by issuer and Option pricing models.	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index, Forward rate, Credit risk spread and Liquidity spread.	n/a
Cash, deposits and similar securities	2	Mark-to-market and Yield curve.	Bond and interbank swap interest rate curve.	n/a
Investment in joint ventures	3	Earnings multiple.	Earnings Multiple, Country risk and size of the business and marketability.	Adjusted earnings multiple and Sustainable EBITDA.
Term finance	2	DCF	Bond and forward rate, Credit ratings of issuer, Liquidity spread and Agreement interest curves.	n/a
External investors in consolidated funds	2 and 3	Current unit price of underlying unitised asset multiplied by the number of units held.	Unit prices	Based on underlying assets.

Sensitivity of level 3 assets and liabilities measured at fair value to changes in key assumptions

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount	Effect of a 1% increase in base/capitalisation rate	Effect of a 1% decrease in base/capitalisation rate
Properties⁽¹⁾						
2020						
Cashflow risk adjustments	20 302	(2 030)	2 030			
Base rate				10 144	(364)	394
Capitalisation				10 144	(470)	574

R million	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple	10 158	1 016	(1 016)

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount	Effect of a 1% increase in base/capitalisation rate	Effect of a 1% decrease in base/capitalisation rate
2019						
Cashflow risk adjustments	21 565	(2 157)	2 157			
Base rate				11 464	(436)	473
Capitalisation				11 464	(479)	582

R million	Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple	10 101	936	(930)

⁽¹⁾ Investment Properties comprise of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs. It also comprises of Saham Finances properties valued using a multiple of earnings.

Notes to the Group financial statements continued

2. Fair value disclosures (continued)

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2020						
Equities and similar securities	1 146	115	(115)	-	-	-
Investment in joint ventures	427	43	(43)	-	-	-
Interest bearing investments	-	-	-	542	(21)	21
Investment funds	617	62	(62)	-	-	-
Trade and other receivables	-	-	-	398	(16)	16
Total	2 100	220	(220)	940	(37)	38
2019						
Equities and similar securities	1 134	113	(113)	-	-	-
Investment in joint ventures	400	40	(40)	-	-	-
Interest bearing investments	-	-	-	498	(23)	14
Investment funds	714	71	(71)	-	-	-
Trade and other receivables	-	-	-	62	(20)	21
Total	2 248	224	(224)	560	(43)	35

Liabilities

R million	Carrying amount ⁽¹⁾	Effect of a 10% increase in value	Effect of a 10% decrease in value
2020			
Investment contract liabilities	1 698	170	(170)
External investors in consolidated funds	446	45	(45)
Structured transaction liabilities	12	1	(1)
Total liabilities	2 156	216	(216)
2019			
Investment contract liabilities	1 641	164	(164)
External investors in consolidated funds	543	54	(54)
Total liabilities	2 184	218	(218)

⁽¹⁾ Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.

3. Notes to the cash flow statement

3.1 Cash generated/(utilised) in operations

R million	2020	2019
Profit before tax per Statement of Comprehensive Income	7 439	14 561
Net movement in policy liabilities	24 446	48 780
Non-cash flow items	(2 690)	(40 459)
Depreciation	1 139	1 024
Bad debts written off	171	313
Share-based payments	506	424
(Profit)/loss on disposal of subsidiaries and associates	(285)	8
Fair value adjustments	(10 716)	(43 072)
Net monetary gain (hyperinflation)	(1 535)	-
Impairment of investments and goodwill	9 275	742
Amortisation of intangibles	1 323	1 405
IFRS 2 B-BBEE cost	-	1 686
Equity-accounted earnings	(2 568)	(2 989)
Items excluded from cash utilised in operations	(29 633)	(30 151)
Interest and preference share dividends received	(18 326)	(18 695)
Interest paid	1 051	1 742
Dividends received	(12 358)	(13 198)
Net acquisition of investments ⁽¹⁾	(31 124)	(18 140)
Increase in net working capital assets and liabilities	8 694	16 174
Cash utilised in operations⁽²⁾	(22 868)	(9 235)

⁽¹⁾ Prior year negative amount has been reduced with R675 million. Refer to note 10.1 for more information.

3.2 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value.

R million	2020	Restated ⁽¹⁾ 2019
Working capital: Cash and cash equivalents	30 094	30 369
Investment cash ⁽¹⁾	19 164	24 400
Bank overdrafts	(848)	(2 031)
Total cash and cash equivalents	48 410	52 738

⁽¹⁾ Refer to note 10.1 for more information.

Included in cash and cash equivalents are restricted cash balances of R3 435 million (2019: R1 740 million) relating mainly to Credit Support Agreements (CSA) with derivative counterparties as well as initial margins with JSE in respect of exchange traded derivatives.

4. Shares repurchased and cancelled

Sanlam shareholders granted general authorities to the Group at the 2020 and 2019 annual general meetings to repurchase Sanlam shares in the market.

During 2020, Sanlam Limited repurchased 116,363,639 ordinary shares of 1 cent each held in treasury by its wholly-owned subsidiary, Sanlam Life Insurance Limited at a repurchase price of R56,29 per share (in aggregate R6,550,109,239).

The Repurchase constitutes a transfer to, and subsequent cancellation of the Treasury Shares previously acquired by Sanlam Life pursuant to the General Authorities and is cash neutral for the Sanlam Group.

The Treasury Shares represented 4,97% of the issued share capital of the Company immediately prior to their cancellation. Following the cancellation, the issued share capital of the Company now comprises 2,226,974,408 ordinary shares of 1 cent each.

5. Contingent liabilities

Shareholders are referred to the contingent liabilities disclosure in the 2020 annual financial statements. The circumstances surrounding the contingent liabilities remain materially unchanged.

Notes to the Group financial statements continued

6. Subsequent events

No other material facts or circumstances arose between the date of 31 December 2020 and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2020 as reflected in these financial statements.

7. Business combinations

Material acquisitions of the Group consolidated in the 2020 financial year

Sanlam has acquired the remaining stake in the Nigerian insurance business FBN Insurance from its partner, FBN Holdings Plc (FBNH), effective 1 June 2020. This gives the Group 100% ownership of FBN Insurance Limited (FBNI) and its subsidiary, FBN General Insurance Limited.

The goodwill arising on the acquisition is attributable to synergies. The acquisition accounting of the above acquisition has been based on provisional estimates, which might result in adjustments to goodwill, value of business acquired, other intangibles, as well as deferred tax during the next 12 months.

Details of the assets acquired and liabilities assumed, at fair value, are as follows:

R million	Total
Assets	
Equipment	36
Owner-occupied properties	77
Other intangible assets	12
Deferred acquisition costs	8
Long-term reinsurance assets	50
Investments	5 436
General insurance technical assets	138
Working capital assets	237
Total identifiable assets	5 994
Liabilities	
Long-term policy liabilities	(4 577)
General insurance technical provisions	(251)
Deferred tax liability	(10)
Trade and other payables	(248)
Taxation	(142)
Total identifiable liabilities	(5 228)
Total identifiable net assets	766
Goodwill arising on acquisition	991
Net purchase consideration	1 757
Less: Previously held interest at fair value	(548)
Net cash consideration	1 209

The post acquisition (loss) and revenue of FBN for the seven month period amounted to (R92) million and R659 million respectively. The profit and revenue of FBN for the full year was respectively R116 million and R1 879 million.

Trade Receivables had a fair value of R97 million at acquisition date, it comprised of prepayments R42 million, staff loans R17 million, premiums receivable R12 million, prepaid reinsurance R12 million and reinsurance share of unearned premiums receivable R9 million. The gross amount is R97 million and it is expected that the full contractual amount will be collected.

8. Impairment

8.1 Impairment of goodwill, value of business acquired and other assets

The recoverable amount of goodwill, value of business acquired and other intangible assets for impairment testing purposes has been determined based on the value in use of the businesses. For life businesses this is determined as the embedded value of life insurance businesses plus a value of new life insurance business multiple. For non-life businesses the value in use was determined on a discounted cash flow valuation basis. These are considered to be the appropriate measure of value in use.

8.1.1 Saham

An impairment assessment was conducted as at 30 June 2020 which resulted in the recognition of impairment. A reassessment was conducted as at 31 December 2020. As reflected per the table below the value in use is higher than the carrying value and as a result no additional impairment is required. Impairment recognised during the current year amounted to R6 560 million, reduced by the utilisation of the hedge reserve of R855 million. Impairment of the carrying value of goodwill recognised as at 30 June 2020 is not reversed.

R million	Non-life	Life	Lebanon	Total
31 December 2020				
Value in use	17 950	2 390	-	20 340
Carrying value	17 646	2 496	-	20 142
Impairment recognised during the current year	(4 327)	(502)	(1 731)	(6 560)
Utilisation of hedge reserve previously capitalised				855
Net impairment as at 31 December 2020				(5 705)

Goodwill, included in the 30 June 2020 carrying values above pre-impairment, are allocated to the CGUs as follows: R13,4 billion (Non-life), R2,2 billion (Life) and R816 million (Lebanon) respectively. Remaining goodwill after impairments amounts to R9,0 billion (Non-life) and R1,7 billion (Life) respectively.

8.1.2 Shriram Capital

The gross impairment amounts to R131 million (STFC) and R672 million (Shriram Capital) respectively:

R million	STFC	Shriram Capital
Value in use	1 571	7 671
Carrying value	1 702	8 343
Gross impairment	(131)	(672)

Refer to note 25 in the Annual Financial Statements online for further information.

9. Related parties

As announced to the market in August 2020, an agreement was reached in respect of a transaction to establish a leading South African black-owned asset management company. The transaction will support Sanlam to grow and enhance its position in this important market, whilst also building on the Sanlam philosophy of mutually beneficial partnerships in pursuit of shareholder value creation. African Rainbow Capital Financial Services Holdings (Pty) Ltd ("ARC FS"), has purchased 25% of the shares in SIH Capital Pty Ltd (a new investment company that holds the 3rd party asset management business of Sanlam Investment Holdings (SIH)) of which will give it an effective economic interest of 25% in SIH. The effective date of the transaction was 7 December 2020 and the purchase price amounted to R817 million. Approximately 80% of the purchase price was settled by utilising a portion of the preference share facility made available to UBI, which was approved by Shareholders in December 2018. ARC FS is owned 50.1% by African Rainbow Capital Pty Ltd ("ARC") and 49.9% by the ARC Fund. ARC is a wholly-owned subsidiary of UBI which is, a material shareholder in Sanlam and accordingly deemed a related party.

Refer to note 29 in the Annual Financial Statements online for further information.

Notes to the Group financial statements continued

10. Restatements**10.1 Restatement of Group cash flow statement**

For the purposes of the statement of cash flows, management reassessed the definition of cash and cash equivalents in line with the definition of IAS 7, eg short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. An investment would qualify as cash and cash equivalents when it has a short maturity of three months or less from the date of acquisition. Acquisitions and disposals of short term investments that do not meet the definition of cash and cash equivalents as per IAS 7, are included in operating cash flows. The adjustment of R675 million reflects the cash outflow with respect to the 2019 acquisition of these investments. The impact is as follows:

R million	2019		
	As previously reported	Adjustments	Restated
Cash flows from operating activities	6 645	675	7 320
Net increase in cash and cash equivalents	8 639	675	9 314
Cash and cash equivalents at beginning of the year	63 343	(19 594)	43 749
Cash and cash equivalents at end of the year	71 657	(18 919)	52 738

The above restatements did not have any impact on the Statement of Financial Position, Statement of Comprehensive Income or the Statement of Changes in Equity.

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