

# Financial information 2014 annual results



Insurance

Financial Planning

Retirement

Investments

Wealth

# Financial information

for the year ended 31 December 2014

## Contents

---

1

### Overview

Key features	2
Salient features	3
Executive review	4
Comments on the results	7

---

2

### Summarised shareholders' information

Group Equity Value	16
Change in Group Equity Value	17
Return of Group Equity Value	18
Group Equity Value sensitivity analysis	19
Shareholders' fund at fair value	20
Shareholders' fund at net asset value	22
Shareholders' fund income statement	24
Notes to the shareholder's information	26
Embedded value of covered business	51

---

## Key features

### Earnings

- ⌚ Net result from financial services per share increased by **26%**
- ⌚ Normalised headline earnings per share up **3%**

### Business volumes

- ⌚ New business volumes up 18% to **R182 billion**
- ⌚ Net value of new covered business up 21% to **R1 592 million**
- ⌚ Net new covered business margin of **2,92%**
- ⌚ Net fund inflows of **R42 billion**

### Group Equity Value

- ⌚ Group Equity Value per share of **R46,84**
- ⌚ Return on Group Equity Value per share of **18,5%**

### Capital management

- ⌚ Discretionary capital of **R3,3 billion** at 31 December 2014
- ⌚ Sanlam Life Insurance Limited CAR cover of **4,5 times**

### Dividend

- ⌚ Normal dividend of 225 cents per share, up **13%**

# Salient results

for the year ended 31 December 2014

		2014	2013	% Δ
<b>Sanlam Group</b>				
<b>Earnings</b>				
Net result from financial services per share	cents	<b>336,2</b>	266,0	26
Normalised headline earnings per share <sup>(1)</sup>	cents	<b>407,6</b>	395,0	3
Diluted headline earnings per share	cents	<b>411,6</b>	397,8	3
Net result from financial services	R million	<b>6 879</b>	5 429	27
Normalised headline earnings <sup>(1)</sup>	R million	<b>8 340</b>	8 060	3
Headline earnings	R million	<b>8 325</b>	8 062	3
Group administration cost ratio <sup>(2)</sup>	%	<b>30,2</b>	29,4	
Group operating margin <sup>(3)</sup>	%	<b>26,6</b>	22,2	
<b>Business volumes</b>				
New business volumes	R million	<b>182 297</b>	154 976	18
Net fund inflows	R million	<b>41 994</b>	26 113	61
Net new covered business				
Value of new covered business	R million	<b>1 592</b>	1 320	21
Covered business PVNBP <sup>(4)</sup>	R million	<b>54 518</b>	43 197	26
New covered business margin <sup>(5)</sup>	%	<b>2,92</b>	3,06	
<b>Group Equity Value</b>				
Group Equity Value	R million	<b>95 936</b>	84 409	14
Group Equity Value per share	cents	<b>4 684</b>	4 121	14
Return on Group Equity Value per share <sup>(6)</sup>	%	<b>18,5</b>	17,0	
<b>Sanlam Life Insurance Limited</b>				
Shareholders' fund	R million	<b>68 156</b>	60 542	
Capital Adequacy Requirements (CAR)	R million	<b>8 325</b>	7 550	
CAR covered by prudential capital	Times	<b>4,5</b>	4,5	

<sup>(1)</sup> Normalised headline earnings = headline earnings, excluding fund transfers.

<sup>(2)</sup> Administration costs as a percentage of income after sales remuneration.

<sup>(3)</sup> Result from financial services as a percentage of income after sales remuneration.

<sup>(4)</sup> PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums plus single premiums.

<sup>(5)</sup> New covered business margin = value of new covered business as a percentage of PVNBP.

<sup>(6)</sup> 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.

## Executive review

The Sanlam Group achieved another sound performance in 2014, despite one of the more challenging operating environments since the introduction of the current Group strategy in 2003. Factors that impacted on the Group and its businesses in 2014 included:

- ① Economic growth: The pressure on economic growth, both in South Africa and in the other major regions where Sanlam operates, put a damper on the Group's growth potential.
- ① Industrial action in South Africa: Around 10% of Sanlam Sky Solutions' new business originates from the platinum belt. In addition Sanlam Employee Benefits administers a large portion of the employee benefits for the platinum mining companies. The five month platinum mining strike in the first half of 2014 therefore had a significant impact on these businesses.
- ① Currency exchange rates: Although the weak average rand exchange rate worked in our favour in some instances, investing offshore with a volatile currency is difficult. In addition, weak currencies in some of the regions where we operate depressed the translated rand results of these operations. The biggest impact came from the significant depreciation of the Ghanaian cedi.
- ① Regulatory change: The raft of regulatory change imposed on the savings and investment industry in South Africa as well as in a number of the other countries in which we operate, most notably in India and the UK, has placed cost pressures on all of the Group's businesses. The uncertainty created by some of these reforms has resulted in significant opportunity costs. A great deal of capacity has been invested in preparing for the implementation of these reforms at the expense of product development and other important projects.

The diversified nature of the Group's operations, together with the strength of the Sanlam brand and the brands of our international partners, contributed to our new business volumes that grew by 18%, the combination of 24% growth in new insurance business and 15% growth in new investment mandates received. Net result from financial services grew by 27% (26% on a per share basis). We consider this a very satisfactory achievement.

The following are some of our other salient results:

- ① Net value of new covered business up 21%
- ① Net VNB margin of 2,92% compared to 3,06% in 2013
- ① Dividend per share increased by 13% to 225 cents

All the major businesses contributed to this growth. Sanlam Personal Finance, our South African business cluster operating in the retail space performed exceptionally well in an environment where particularly the retail consumer is under increasing financial pressure. Our general insurance business, Santam, also performed substantially better in 2014 with underwriting margins that exceeded the high end of the target range.

### ① 2014 strategic initiatives

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

- ① Improving performance through earnings growth;
- ① Improved operational efficiencies, including costs and quality;
- ① Improving returns through optimal capital utilisation;
- ① Diversification of the base (including geographical presence, products, market segments and distribution platforms); and
- ① Embracing and accelerating transformation of the Group.

Below is a brief overview of our achievements for 2014 against these strategic pillars.

## Earnings growth

Given the tough conditions that plagued 2014, we consider the Group's operating earnings growth of 27% an exceptional achievement. Our established core operations performed very well and delivered the required organic growth. We are particularly pleased with Santam's contribution, which more than doubled in 2014.

## Operational efficiencies

Maintaining cost efficiency across the Group remains a key focus. All businesses are experiencing cost pressures, which is aggravated by additional costs associated with regulatory changes and new compliance requirements as well as relatively low growth rates in certain key areas, in part due to already significant market shares. The areas experiencing most of the cost pressures are our more mature businesses – Sanlam Investments (SI), Sanlam Personal Finance (SPF) and Santam.

These businesses are therefore continuously exploring ways to increase cost-efficiencies. Santam introduced a project in 2014 aimed at reducing management costs, while SPF focused on driving down acquisition costs. SI implemented a new distribution structure in 2014 that should reduce client acquisition costs through an improvement in client retention.

In addition, the two long-term Group-wide initiatives introduced in recent years to foster efficiency remain firmly in place. The *Sanlam for Sanlam* programme, which has been in place for four years, encourages effective collaboration between clusters with the goal of achieving greater growth and profitability. The *Blueprint for Success* initiative, launched in 2012, is aimed at enhancing the *Sanlam for Sanlam* programme by helping employees embrace the critical enabling factors that will help Sanlam achieve accelerated growth. The success of this initiative is measured annually and the 2014 results show that in the two years since launch the engagement levels of our employees have improved from 45% to 75%, which is bordering on a world-class score.

## Diversification

Our successful strategy of diversification across geographies, market segments and products once again enabled the Group to deliver overall solid growth and value to our stakeholders in a more sustainable manner. In just 10 years this strategy has helped us transform the profile of the Group from a traditional insurer to a well-diversified financial services provider with a direct footprint on four continents and able to offer extensive solutions across all market segments in South Africa.

In 2014 we continued to aggressively pursue this strategy with the aim of further diversifying revenue streams. We concluded several transactions in 2014, including some 10 acquisitions and the disposal of our stake in Intrinsic in the UK. These transactions utilised a net R1,9 billion of surplus capital. As a result, we now have a direct footprint in 10 African countries, as well as Europe, India and Malaysia.

## Optimal capital utilisation

The Group's strategic approach is to use surplus capital for further diversification and the internationalisation of our business. Over the past five years we redeployed R30 billion of surplus capital. With R13 billion we bought back our own shares when they were still significantly undervalued and we used R1 billion for a special dividend in 2013. A total of R16 billion was used to give effect to our diversification strategy. This substantial investment fundamentally changed the structure of the Group.

Only 10 years ago this business mainly consisted of a large capital base and a relatively small life business. Through the efficient use of capital, we have succeeded in largely de-risking the business and transforming it into a profitable world-class business that is far less capital intensive. This has significantly increased the return on capital.

The Group started the year with discretionary capital of R4 billion. An additional R1,2 billion was added to this war chest during the year, generated from investment returns, capital releases and excess dividend cover. This provided us with R5,2 billion in capital available for strategic deployment in 2014.

## Executive review continued

Investment opportunities of significant scale are generally scarce in financial services. Our focus has therefore been on smaller bolt-on deals across the spectrum of financial services in partnership with established businesses in a number of countries in the emerging markets. As outlined earlier under the diversification section, we were able to apply a total of R1,9 billion of the available capital in respect of a number of growth opportunities in 2014, leaving available discretionary capital of some R3,3 billion at 31 December 2014. All of this is earmarked for further expansion and diversification of the Group.

### Transformation

At the end of 2013, what has been described as one of the most successful black economic empowerment transactions in South Africa with Ubuntu-Botho Investments came to an end. The Group's continued alignment with Ubuntu-Botho post the original 10-year deal is a key part of our sustainability and future strategy. Both parties agreed in 2014 to continue with the partnership and to formalise an ongoing strategic relationship.

With the Ubuntu-Botho transaction we transformed our ownership in the most meaningful way possible, namely by involving a representative spectrum of South African community groups in Sanlam's future. In 2014 the focus of our transformation goals in South Africa shifted from ownership towards employment equity as well as training and development. While we have made significant progress in some areas in terms of improving our employment equity scorecard, we acknowledge that more must be done. The empowerment targets at the middle and senior management levels are particularly tough to meet. To accelerate our progress we are in the process of implementing a number of innovative projects.

The Group again achieved a level 2 BEE status in 2014 when measured against the FSC. This is in line with our target and an achievement that we are very proud of.

## Forward looking statements

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

## Comments on the results

### Introduction

The Sanlam Group financial statements for the year ended 31 December 2014 are presented based on and in compliance with International Financial Reporting Standards (IFRS). The basis of presentation and accounting policies for the IFRS financial statements and shareholders' information are in all material respects consistent with those applied in the 2013 integrated report, apart from the following:

- ① SI restructured its South African investment management operations in 2014 to better align with its client-centric model. The former Asset Management and Investment Services businesses were combined into an Asset Management SA business with three sub-units: client-facing Retail and Institutional units responsible for distribution and client service and an Investment Core that houses the investment management capabilities. Comparative segmental information has been restated to combine the former Asset Management and Investment Services information into the new Asset Management SA business.
- ① White label fund flows have been removed from the fund flow analysis. This business relates to low margin administration business managed by Sanlam Collective Investments. Given the expansion in administration businesses across the Group, it is no longer relevant to disclose this particular type of administration business separately. Comparative information has been restated accordingly.
- ① Sanlam UK reclassified business written by Sanlam Financial Solutions from covered business to other Group operations as it better reflects the underlying nature of this business. The change in classification has been disclosed in the Embedded Value of Covered business (EV) analysis as a transfer from covered business to other Group operations on 1 January 2014. Comparative information has not been restated. The 2013 comparatives include R2 056 million of new life business volumes, R7 million of VNB and R2 222 million Present Value of New Business Premiums (PVNBP) relating to this business. With effect from 2014 the new business volumes are included under investment business.

### Group Equity Value

GEV amounted to R95,9 billion or 4 684 cents per share on 31 December 2014. Including the dividend of 200 cents per share paid during the year, a RoGEV per share of 18,5% was achieved for 2014, well in excess of the 2014 performance hurdle of 12,2%.

Investment markets performed slightly ahead of assumptions during the year, compared to a significant outperformance in 2013. Interest rates were, however, relatively stable in 2014 compared to an increase of 1,4% in the nine-year risk free rate in 2013. The consequence was much more subdued investment and economic assumption variances during 2014, resulting in a generally lower RoGEV for both the life insurance and investment management operations than in 2013. Strong underlying operational performance, however, continued to support returns in 2014, which is particularly pleasing as this is the sustainable part of RoGEV over the long term. Excluding the favourable impact of investment returns in excess of the long-term expectations, interest rate changes and certain other once-off effects not under management control, an adjusted RoGEV per share of 18,0% is also well in excess of the return target.



## Comments on the results continued

### Group Equity Value at 31 December 2014

R million	GEV		RoGEV	
	December 2014	December 2013		%
<b>Group operations</b>	<b>87 739</b>	76 470	15 374	20,0
Sanlam Personal Finance	<b>38 453</b>	35 666	6 372	17,9
Sanlam Emerging Markets	<b>14 571</b>	10 189	2 910	28,0
Sanlam Investments	<b>20 122</b>	17 971	3 671	20,4
Santam	<b>14 593</b>	12 644	2 421	19,1
<b>Covered business</b>	<b>48 393</b>	43 475	8 239	19,0
Value of in-force	<b>31 207</b>	27 675	6 942	25,1
Adjusted net worth	<b>17 186</b>	15 800	1 297	8,2
<b>Other operations</b>	<b>39 346</b>	32 995	7 135	21,5
<b>Group operations</b>	<b>87 739</b>	76 470	15 374	20,0
Discretionary capital and other	<b>8 197</b>	7 939	209	2,7
<b>Group Equity Value</b>	<b>95 936</b>	84 409	15 583	18,5
<i>Per share (cents)</i>	<b>4 684</b>	4 121	763	18,5

Group operations yielded an overall return of 20% in 2014. The embedded value of covered business (life operations) amounted to R48,4 billion, 50% of GEV at 31 December 2014. The capital allocated to the life operations increased from R15,8 billion at the end of 2013 to R17,2 billion in 2014. This is substantially due to new acquisitions during the year, in particular MCIS Insurance in Malaysia. The capital requirement of the rest of the book increased by some R500 million, attributable to new business written as well as growth in the overall size of the in-force book. The return on covered business of 19% benefited from the net VNB written of R1,6 billion and continued strong operating experience variances of R1 billion, which was at a similar level than 2013. Positive risk experience, in particular mortality experience, continued across all covered business and contributed the substantial part of the positive operating experience. Economic assumption changes and investment variances contributed R761 million to the return, compared to R2,8 billion in 2013. The reduced impact from investment market outperformance is the main cause of a lower overall RoGEV on covered business when compared to the return of 23,4% achieved in 2013.

Other Group operations delivered a return of 21,5% compared to 13,3% in 2013. The valuations of the investment management operations were in general positively impacted by a higher level of assets under management, augmented by a strong performance in the Santam share price during 2014. The listed Santam share provided a return of 19,1% on our investment in Santam during the year compared to only 1,5% in 2013. This improved performance is also the main driver behind the overall increase in the return on other Group operations.

The low return on discretionary and other capital is essentially the combined effect of the investment return earned on surplus capital (substantially invested in low yielding liquid assets), offset by corporate costs.

## ➤ Earnings

### Shareholders' fund income statement for the year ended 31 December 2014

R million	2014	2013	% Δ
Net result from financial services	6 879	5 429	27
Sanlam Personal Finance	3 476	2 920	19
Sanlam Emerging Markets	1 241	1 011	23
Sanlam Investments	1 468	1 301	13
Santam	801	333	141
Corporate and other	(107)	(136)	21
Net investment return	1 794	3 019	(41)
Project costs and amortisation	(224)	(237)	5
Equity participation costs	(109)	(151)	28
<b>Normalised headline earnings</b>	<b>8 340</b>	8 060	3
<i>Per share (cents)</i>	<b>408</b>	395	3

Net result from financial services (net operating profit) of R6,9 billion increased by 27% on 2013, with all clusters achieving solid results. Structural growth in SEM contributed 1% to the overall growth in the Group net operating profit, with organic growth of 26% particularly pleasing. A higher level of assets under management across most asset management and administration businesses, a growing life in-force book, the weaker average rand exchange rate against most currencies and favourable claims experience in the life and general insurance operations supported the earnings growth. The 2013 comparable period also included once-off losses relating to the impairment of the Group's exposure to First Strut, with similar losses not repeating in 2014.

**Sanlam Personal Finance** achieved strong growth for a largely mature business. *Sanlam Individual Life* remains the largest contributor to SPF's operating earnings with growth in its net result from financial services of 17% in 2014. Risk underwriting and administration profits were the main drivers of this growth, with both business lines increasing by more than 50%. Favourable claims experience, in particular mortality, continued in the second half of 2014. A higher level of assets under management supported higher fee income in the administration business.

*Sanlam Sky's* net result from financial services increased by 23%, attributable to the growth in the in-force book over the last number of years and improved mortality claims experience in 2014.

A higher level of assets under management is also the main driver of the 38% increase in *Glacier's* profit contribution.

**Sanlam Emerging Markets' (SEM)** operating profit includes the contribution from structural activity in 2013 and 2014, with organic growth of 16% a satisfactory result given the challenging conditions experienced in Ghana and India.

*Namibia* (up 27% net of tax and non-controlling interests; 38% on a gross basis) benefited from the Capricorn Investment Holdings acquisition concluded in 2013, credit spread profits in the life insurance book and higher employee benefits market related income, partly offset by a strengthening of the long duration lapse assumptions for level premium risk business. The deviation between gross and net growth is mostly attributable to relatively stronger growth in the businesses with minority interests.

## Comments on the results continued

*Botswana* achieved excellent growth of 36% in its net result from financial services (22% before tax and non-controlling interests). The life business' results were supported by good annuity profits following the strong new business performance over the last number of years (including 2014). Letshego also continued on its growth path and increased its profit contribution by more than 20%. The increase in the Group's effective stake in Botswana Insurance Holdings Limited (BIHL) from 56% in 2013 to 60% in 2014 benefited growth on a net basis.

The *Rest of Africa* contribution to net result from financial services declined by 10%, due to once-off prior year tax adjustments. Before tax and non-controlling interests, result from financial services in this region increased by 22% despite lower property sales in Kenya and a lower contribution from Ghana due to the weak currency and economic environment in that country. This reflects the positive impact of diversification across a number of countries, an increasing in-force book and lower losses from the medical business, which has been restructured into essentially a distribution and administration business.

Net result from financial services in *India* (up 23%; 24% before tax and non-controlling interests) includes a R51 million (R72 million before tax) once-off release of a provision held in respect of the third-party pool business that was transferred to Shriram General Insurance after the change in regulations governing this business. Excluding this once-off item, net result from financial services increased by 9%. Low growth in the Shriram Transport Finance Company loan book (after a deliberate decision to slow down new loan grants) hampered growth to some extent. Shriram City Union Finance and Shriram General Insurance, however, achieved good growth. The weakening of the rand against the rupee had a positive impact on the translated rand results.

*Malaysia* includes the first-time contribution from MCIS Insurance, which was acquired at the end of June 2014.

**Sanlam Investments** delivered an overall sound performance.

The *Investment Management* businesses (up 23%) benefited from a higher level of assets under management as well as strong investment performance across most businesses, contributing to higher recurring fee income and good performance fees.

Similar to SPF, *Sanlam Employee Benefits (SEB)* also experienced a favourable mortality claims environment, contributing to a 34% increase in its net result from financial services before once-off items. The AECI transaction (refer below) generated significant new business strain, which was partly alleviated by positive actuarial basis changes. These once-off items amounting to a net R138 million after tax reduced SEB's net operating earnings to R234 million, 16% lower than 2013.

*Capital Management* managed to achieve 13% growth in its net result from financial services in a very difficult year for structuring businesses. The volatile environment limited deal flow, with movements in credit spreads also impacting negatively on the results.

**Santam's** net result from financial services more than doubled compared to 2013, with its underwriting margin improving from 2,8% in 2013 to 8,7% in 2014. Claims experience in 2014 improved considerably compared to 2013. The agricultural business, in particular, incurred significant losses from hail damage to summer crops and drought in other parts of the country in 2013. This did not recur in 2014 with widespread rainfall and an absence of hail storms. The underwriting profit of the agricultural business turned around from a loss of R128 million in 2013 to a profit of R264 million in 2014, which together with a resilient performance from the Specialist businesses, contributed to the significant increase in the overall underwriting margin and operating profit.

Normalised headline earnings of R8,3 billion are 3% up on 2013. This is the combined effect of the 27% increase in net result from financial services, largely offset by a 41% decline in net investment return. Investment surpluses in 2013 included once-off investment gains of some R215 million from an increase in the valuation of the Group's interest in Capricorn Investment Holdings following the listing of Bank Windhoek and a sizable recovery of a previously impaired portfolio investment. Excluding these, net investment return earned on the capital portfolio declined by 36%, which is in line with the relatively weaker investment market performance in 2014. Given the outperformance of equity markets over the last two years and uncertainty around a potential future correction, R2 billion of the unhedged equity exposure in Sanlam Life's capital portfolio has been protected through a fence structure at the end of September 2014. The cap of the hedge over a one year period is 112,25% plus dividends.

## 🔍 Business volumes

The Group achieved overall growth of 18% in new business volumes, including the Capricorn Unit Trust (CUT) business that was sold on 1 July 2013. Excluding CUT, new business volumes grew by 20%. SEB concluded one of the largest South African life insurance policies ever with the AECl retirement fund with a premium of R8,3 billion, a highlight for the year.

Life insurance new business volumes increased by 33%, augmented by 18% (excluding CUT) and 6% growth in new investment and general insurance business respectively. All businesses contributed to the solid performance, apart from Sanlam Sky in SPF and Wealth Management in SI.

**SPF's** Individual Life business achieved overall new business growth of 10%, a very good performance in this mature market segment, notwithstanding the weak economy and pressure on consumers' disposable income. Strong single premium sales continue to drive this growth, while endowment savings and retirement annuity recurring premium volumes also increased by more than 10%. Recurring premium risk sales were,

however, 3% down on 2013. In a very challenging year for this business unit, Sanlam Sky's total new business sales declined by 2%. Group risk business sales were well down from a high base in 2013 that included large once-off transactions. The termination of the Capitec credit life underwriting agreement with effect from April 2015 is a disappointment. The industrial action in the Rustenburg platinum belt that persisted for most of the first half of 2014, and its secondary effects that flowed through to other provinces, placed severe pressure on individual life business volume growth. Future growth prospects for this business, however, remains intact, with the adviser channel that has already made a strong recovery in the second half of the year to record 14% growth for 2014. Glacier continued to grow its asset base, with its superior service offering and product innovation driving 30% growth in new business. Above-average investment market performance over the last number of years also contributed to this growth in the form of higher maturity values being reinvested at Glacier.

The 5% decline in **SEM's** new business volumes is entirely attributable to the CUT sale in 2013. Excluding CUT, SEM achieved overall growth of 42%, with all regions achieving strong growth apart from Ghana.

The AECl policy written by SEB made a considerable contribution to SI's 20% growth in new business. New mandates awarded to Wealth Management declined by 24% from a high base in 2013.

**Santam** grew its gross written premium by 10% in a very demanding and competitive South African market. All business lines contributed to this growth. The lower level of growth on a net earned premium basis of 3% is attributable to the increased use of reinsurance.

The ongoing strategic focus on the quality of new business written is reflected in good retention levels and strong net fund inflows. Net fund inflows of R42 billion compared to R26,1 billion in 2013 is commendable, in particular given the highly competitive market in South Africa and some R10 billion withdrawal by the PIC from SI's third-party portfolios.

## Comments on the results continued

### Business volumes for the year ended 31 December 2014

R million	New business			Net inflows		
	2014	2013	% Δ	2014	2013	% Δ
Sanlam Personal Finance	52 566	42 507	24	19 580	14 993	31
Sanlam Emerging Markets	9 259	9 749	(5)	3 971	1 794	121
Sanlam Investments	103 250	85 970	20	12 099	4 184	189
Santam	17 222	16 750	3	6 344	5 142	23
<b>Total</b>	<b>182 297</b>	154 976	18	<b>41 994</b>	26 113	61
Covered business	42 290	31 687	33	18 430	10 561	75
Investment business	121 383	105 697	15	16 853	10 238	65
Short-term insurance	18 624	17 592	6	6 711	5 314	26
<b>Total (excluding white label)</b>	<b>182 297</b>	154 976	18	<b>41 994</b>	26 113	61

The discount rate used to determine VNB is directly linked to long-term interest rates. The rise in the five-year long-term benchmark rate during 2014 resulted in a commensurate increase in the risk discount rate used by Sanlam Sky with a negative effect on the growth in VNB. The nine-year rate was broadly in line with 2013. VNB at actual discount rates increased by 20% (21% net of non-controlling interests). On a comparable basis (before economic assumption changes) VNB increased by 22% before and after non-controlling interests.

**SPF** achieved overall growth of 12% on a comparable basis despite Sanlam Sky only increasing by 1%. A change in mix to the more profitable individual life business in Sanlam Sky enabled a marginal increase in its VNB notwithstanding lower new business sales. In a highly competitive market, SPF did well to maintain VNB margins on a per product basis.

**SEM's** VNB growth of 20% on a comparable basis is the combined effect of growth in excess of 20% in all regions, apart from Rest of Africa where VNB declined by 11%. Ghana and Kenya are the main contributors to this disappointing performance. Ghana's VNB was depressed by the economic and currency weakness in the country, while Kenya was negatively impacted by higher unit costs and significantly lower annuity rates in a highly competitive market.

**SI's** VNB more than doubled. The AECl transaction generated most of the VNB growth and was augmented by good growth in recurring premium risk business at SEB.

VNB margins were in general maintained at a product level with the relative size of the AECl transaction resulting in marginally lower overall margins.

## Value of new covered business for the year ended 31 December 2014

R million	2014 economic basis			2013 economic basis		
	2014	2013	% Δ	2014	2013	% Δ
Value of new covered business	<b>1 743</b>	1 450	20	<b>1 770</b>	1 450	22
Sanlam Personal Finance	<b>1 084</b>	986	10	<b>1 106</b>	986	12
Sanlam Emerging Markets	<b>431</b>	364	18	<b>436</b>	364	20
Sanlam Investments	<b>228</b>	100	128	<b>228</b>	100	128
Net of non-controlling interest	<b>1 592</b>	1 320	21	<b>1 616</b>	1 320	22
Present value of new business premiums	<b>56 394</b>	44 902	26	<b>56 363</b>	44 902	26
Sanlam Personal Finance	<b>34 798</b>	30 789	13	<b>34 790</b>	30 789	13
Sanlam Emerging Markets	<b>5 673</b>	4 877	16	<b>5 649</b>	4 877	16
Sanlam Investments	<b>15 923</b>	9 236	72	<b>15 924</b>	9 236	72
Net of non-controlling interest	<b>54 518</b>	43 197	26	<b>54 497</b>	43 197	26
New covered business margin	<b>3,09%</b>	3,23%		<b>3,14%</b>	3,23%	
Sanlam Personal Finance	<b>3,12%</b>	3,20%		<b>3,18%</b>	3,20%	
Sanlam Emerging Markets	<b>7,60%</b>	7,46%		<b>7,72%</b>	7,46%	
Sanlam Investments	<b>1,43%</b>	1,08%		<b>1,43%</b>	1,08%	
Net of non-controlling interest	<b>2,92%</b>	3,06%		<b>2,97%</b>	3,06%	

## Capital and solvency

The Group started the year with discretionary capital of R4 billion, which was earmarked for new growth and expansion opportunities as well as to strengthen existing relationships. A net total of R1,9 billion was redeployed in the year, which included the following:

- ① Acquiring a 40% shareholding in one of the largest general insurance companies in Ghana, Enterprise Insurance Company Limited, for R237 million. Sanlam already holds a 49% stake in Enterprise Life Assurance Company Limited as well as a 40% stake in Enterprise Trustees Limited and this transaction solidifies Sanlam's partnership with the Enterprise Group in Ghana.
- ① Acquiring a 63% interest in Soras Group Limited, Rwanda's largest life and non-life insurance company for R255 million. The transaction will see Sanlam doing business directly for the first time in Rwanda, which has one of the fastest growing economies on the continent.
- ① Acquiring a 32,7% direct interest in NIKO General Insurance Company (Tanzania) Limited and increasing the stake in NIKO Uganda to 78,7% for R34 million in total. SEM acquired a 49% direct interests in NICO Holdings Limited's General Insurance businesses in Malawi and Zambia and 48,4% in Uganda in 2013. SEM also has a 25% direct stake in NICO Holdings Limited and a 49% direct stake in NICO Life Insurance Company Limited.

## Comments on the results continued

- ④ FBN Life in Nigeria increased its stake in the general insurance company, Oasis Insurance Plc, to 100%. SEM and FBN Holdings are 35% and 65% shareholders of FBN Life respectively. The Group's contribution to the acquisition amounted to R20 million.
- ④ The Group's stake in Botswana Insurance Holdings Limited was increased from 56% to 60% for some R106 million.
- ④ Acquiring a 22% stake in UK-based micro-insurance provider, MicroEnsure Holdings Limited, at a cost of R56 million. The company has a strong footprint in emerging markets that overlaps with that of SEM in Africa, India and South-East Asia. We consider micro-insurance, which includes the buying of insurance products through mobile phones, a substantial growth opportunity across all our markets.
- ④ SEM concluded its acquisition of a 51% interest in MCIS Insurance Berhad (MCIS Insurance) in Malaysia for approximately R1,26 billion. By law an investor may not do business under more than one life or general insurance licence in Malaysia, unless the second is a Takaful (Sharia-compliant insurance) licence. Given SEM's acquisition of a 49% stake in the general insurer, Pacific and Orient Insurance Company Berhad, in 2013, the general insurance book of MCIS is being sold and this will be concluded in 2015. Proceeds from this disposal have been ring-fenced in terms of the acquisition agreement and will not accrue to the Group.
- ④ The Piramal Group acquired a 20% stake in Shriram Capital Limited in 2014, in part through the injection of new capital in the business, and SEM had to invest additional capital of R71 million (net of the disposal of a 2% direct stake in Shriram Transport Finance Company) to maintain its shareholding at 26%. We see the Piramal investment as a positive development. This new three-way partnership between Shriram, Piramal and Sanlam aims to further strengthen Shriram's position in the financial services industry in India.
- ④ SI increased its stake in FOUR Capital in the United Kingdom (UK) to 90% and acquired a 20% holding in Cameron Hume, a UK based specialist investment management boutique focused on fixed income investments. It also reacquired the property management agreement from Vukile in South Africa to unlock future synergies by internally managing the Group's property portfolio. These transactions utilised a total amount of some R300 million.
- ④ The disposal of non-core operations in the UK and Europe, together with Santam's contribution to acquire a 35% economic interest in the Group's general insurance acquisitions outside of South Africa during the year, generated some R450 million of additional discretionary capital.

The application of discretionary capital further enhances the Group's geographic diversification and exposure to identified growth markets.

Investment return earned on the discretionary capital portfolio, excess capital released from Group businesses and the 2014 dividend cover in excess of cash operating earnings added some R1,2 billion of surplus capital, leaving unallocated discretionary capital of R3,3 billion at the end of December 2014. We remain focused on utilising the available discretionary capital by finding value-accretive investment opportunities.

All of the life insurance businesses within the Group were sufficiently capitalised at the end of December 2014. The total admissible regulatory capital (including identified discretionary capital) of Sanlam Life Insurance Limited, the holding company of the Group's major life insurance subsidiaries, of R37,2 billion, covered its capital adequacy requirements (CAR) 4,5 times. No policyholder portfolio had a negative bonus stabilisation reserve at the end of December 2014.

FitchRatings has affirmed the credit ratings of the Group in 2014 and the outlook remained stable. These include Sanlam Limited: National Long-term AA- (zaf); Sanlam Life Insurance Limited: National Insurer Financial Strength: AA+ (zaf), Subordinated debt: A+ (zaf).

## ➤ Dividend

The Group only declares an annual dividend due to the costs involved in distributing an interim dividend to our large shareholder base. Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the normal dividend, subject to the Group's liquidity and solvency requirements. The operational performance of the Group in the 2014 financial year enabled the Board to increase the normal dividend per share by 13% to 225 cents. This will maintain a cash operating earnings cover of approximately 1,2 times. The South African dividend withholding tax regime applies in respect of this dividend. No STC credits will be utilised. The dividend does not carry any STC credits and will in full be subject to the 15% withholding tax, where applicable. The number of ordinary shares in issue in the Company's share capital at the date of the declaration is 2 004 287 323 (excluding treasury shares of 162 184 483). The Company's tax reference number is 9536/346/84/5.

Shareholders are advised that the final cash dividend of 225 cents for the year ended 31 December 2014 is payable on Monday, 20 April 2015 by way of electronic bank transfers to ordinary shareholders recorded in the register of Sanlam at close of business on Friday, 17 April 2015. The last date to trade to qualify for this dividend will be Friday, 10 April 2015, and Sanlam shares will trade ex-dividend from Monday, 13 April 2015.

Share certificates may not be dematerialised or rematerialised between Monday, 13 April 2015 and Friday, 17 April 2015, both days included.



# Group Equity Value

at 31 December 2014

R million	Note	2014			2013		
		Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
Sanlam Personal Finance		38 453	12 455	25 998	35 666	11 674	23 992
Covered business <sup>(1)</sup>		35 444	9 446	25 998	33 033	9 041	23 992
Glacier		1 542	1 542	—	1 336	1 336	—
Sanlam Personal Loans		907	907	—	836	836	—
Other operations		560	560	—	461	461	—
Sanlam Emerging Markets		14 571	11 779	2 792	10 189	8 181	2 008
Covered business <sup>(1)</sup>		5 116	2 324	2 792	3 541	1 533	2 008
Shriram Capital		5 595	5 595	—	4 219	4 219	—
Letshego		923	923	—	698	698	—
Pacific & Orient		704	704	—	622	622	—
Capricorn Investment Holdings		845	845	—	682	682	—
Other operations		1 388	1 388	—	427	427	—
Sanlam Investments		20 122	17 705	2 417	17 971	16 296	1 675
Covered business <sup>(1)</sup>		7 833	5 416	2 417	6 901	5 226	1 675
Sanlam Employee Benefits		6 640	5 025	1 615	5 707	4 825	882
Sanlam UK		1 193	391	802	1 194	401	793
Investment Management		11 604	11 604	—	10 454	10 454	—
Capital Management		685	685	—	616	616	—
Santam		14 593	14 593	—	12 644	12 644	—
Group operations		87 739	56 532	31 207	76 470	48 795	27 675
Discretionary capital		3 300	3 300	—	4 000	4 000	—
Balanced portfolio – other		6 453	6 453	—	5 317	5 317	—
Group Equity Value before adjustments to net worth		97 492	66 285	31 207	85 787	58 112	27 675
Net worth adjustments – present value of holding company expenses	10	(1 556)	(1 556)	—	(1 378)	(1 378)	—
<b>Group Equity Value</b>		<b>95 936</b>	<b>64 729</b>	<b>31 207</b>	<b>84 409</b>	<b>56 734</b>	<b>27 675</b>
<b>Value per share (cents)</b>	9	<b>4 684</b>	<b>3 160</b>	<b>1 524</b>	<b>4 121</b>	<b>2 770</b>	<b>1 351</b>
<b>Analysis per type of business</b>							
Covered business <sup>(1)</sup>		48 393	17 186	31 207	43 475	15 800	27 675
Sanlam Personal Finance		35 444	9 446	25 998	33 033	9 041	23 992
Sanlam Emerging Markets		5 116	2 324	2 792	3 541	1 533	2 008
Sanlam Investments		7 833	5 416	2 417	6 901	5 226	1 675
Other Group operations		39 346	39 346	—	32 995	32 995	—
Discretionary and other capital		8 197	8 197	—	7 939	7 939	—
<b>Group Equity Value</b>		<b>95 936</b>	<b>64 729</b>	<b>31 207</b>	<b>84 409</b>	<b>56 734</b>	<b>27 675</b>

<sup>(1)</sup> Refer embedded value of covered business on page 51.

## Change in Group Equity Value

for the year ended 31 December 2014

R million	2014	2013
<b>Earnings from covered business<sup>(1)</sup></b>	<b>8 239</b>	9 128
<b>Earnings from other Group operations</b>	<b>7 135</b>	4 239
Operations valued based on ratio of price to assets under management	<b>1 675</b>	2 026
Assumption changes	<b>(369)</b>	(70)
Change in assets under management	<b>1 270</b>	874
Earnings for the year and changes in capital requirements	<b>363</b>	506
Foreign currency translation differences and other	<b>411</b>	716
Operations valued based on discounted cash flows	<b>2 756</b>	1 724
Expected return	<b>1 541</b>	1 459
Operating experience variances and other	<b>132</b>	229
Assumption changes	<b>683</b>	(535)
Foreign currency translation differences	<b>400</b>	571
Operations valued at net asset value – earnings for the year	<b>283</b>	293
Listed operations – investment return	<b>2 421</b>	196
<b>Earnings from discretionary and other capital</b>	<b>209</b>	(20)
Portfolio investments and other	<b>455</b>	236
Net corporate expenses	<b>(107)</b>	(136)
Share-based payments transactions	<b>39</b>	105
Change in net worth adjustments	<b>(178)</b>	(225)
<b>Group Equity Value earnings</b>	<b>15 583</b>	13 347
Dividends paid	<b>(4 044)</b>	(4 307)
Cost of treasury shares acquired		
Share incentive scheme and other	<b>(12)</b>	17
<b>Group Equity Value at beginning of the year</b>	<b>84 409</b>	75 352
<b>Group Equity Value at end of the year</b>	<b>95 936</b>	84 409

<sup>(1)</sup> Refer embedded value of covered business on page 52.

## Return on Group Equity Value

for the year ended 31 December 2014

	2014		2013	
	Earnings R million	Return %	Earnings R million	Return %
<b>Sanlam Personal Finance</b>	<b>6 372</b>	<b>17,9</b>	6 721	20,5
Covered business <sup>(1)</sup>	<b>5 805</b>	<b>17,6</b>	6 205	20,6
Other operations	<b>567</b>	<b>21,5</b>	516	19,6
<b>Sanlam Emerging Markets</b>	<b>2 910</b>	<b>28,0</b>	2 246	29,8
Covered business <sup>(1)</sup>	<b>932</b>	<b>26,3</b>	1 251	47,3
Other operations	<b>1 978</b>	<b>28,9</b>	995	20,3
<b>Sanlam Investments</b>	<b>3 671</b>	<b>20,4</b>	4 204	25,9
Covered business <sup>(1)</sup>	<b>1 502</b>	<b>21,8</b>	1 672	26,9
Other operations	<b>2 169</b>	<b>19,6</b>	2 532	25,3
<b>Santam</b>	<b>2 421</b>	<b>19,1</b>	196	1,5
<b>Discretionary and other capital</b>	<b>209</b>		(20)	
<b>Return on Group Equity Value</b>	<b>15 583</b>	<b>18,5</b>	13 347	17,7
<b>Return on Group Equity Value per share</b>		<b>18,5</b>		17,0

<sup>(1)</sup> Refer embedded value of covered business on page 52.

R million	2014	2013
<b>Reconciliation of Return on Group Equity Value:</b>		
The Return on Group Equity Value reconciles as follows to normalised attributable earnings:		
Normalised attributable earnings per shareholders' fund income statement on page 24	<b>8 744</b>	8 129
Net foreign currency translation gains recognised in other comprehensive income	<b>536</b>	899
Earnings recognised directly in equity		
Share-based payment transactions	<b>82</b>	168
Net cost of treasury shares delivered	<b>(294)</b>	(161)
Share-based payments	<b>376</b>	329
Other comprehensive income	<b>128</b>	—
Change in ownership of subsidiaries	<b>(56)</b>	4
Movement in fair value adjustment – shareholders' fund at fair value	<b>3 200</b>	680
Movement in adjustments to net worth	<b>(104)</b>	(49)
Present value of holding company expenses	<b>(178)</b>	(225)
Change in goodwill and value of business acquired adjustments less value of in-force acquired	<b>74</b>	176
Growth from covered business: value of in-force <sup>(1)</sup>	<b>3 053</b>	3 516
<b>Return on Group Equity Value</b>	<b>15 583</b>	13 347

<sup>(1)</sup> Refer embedded value of covered business on page 52.

## Group Equity Value sensitivity analysis

at 31 December 2014

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

- ① Impact on net result from financial services (profitability): A large portion of the Group's fee income is linked to the level of assets under management. A change in the market value of investments managed by the Group on behalf of policyholders and third parties will commensurately have a direct impact on the Group's net result from financial services. The present value of this impact is reflected in the table below as the change in the value of in-force and the fair value of other operations.
- ② Impact on capital: The Group's capital base is invested in financial instruments and any change in the valuation of these instruments will have a commensurate impact on the value of the Group's capital. This impact is reflected in the table below as the change in the fair value of the covered businesses' adjusted net worth as well as the fair value of discretionary and other capital.

The following scenarios are presented:

- ① Equity markets and property values decrease by 10%, without a corresponding change in dividend and rental yields.
- ② Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately.
- ③ The rand depreciates by 10% against all currencies, apart from the Namibian dollar.

The Group's covered business is also exposed to non-market risks, which include expense, persistency, mortality and morbidity risk. The sensitivity of the value of in-force business, and commensurately Group Equity Value, to these risks is presented in note 1 on page 55.

R million	Base value	Equities and properties -10%	Interest rates -1%	Rand exchange rate depreciation +10%
<b>2014</b>				
<b>Covered business</b>	<b>48 393</b>	<b>46 643</b>	<b>49 566</b>	<b>48 869</b>
Adjusted net worth	17 186	16 625	17 199	17 409
Value of in-force	31 207	30 018	32 367	31 460
<b>Other Group operations</b>	<b>39 346</b>	<b>36 776</b>	<b>40 705</b>	<b>40 572</b>
Valued at net asset value	1 518	1 518	1 518	1 620
Listed	14 593	13 134	14 593	14 593
Other	23 235	22 124	24 594	24 359
Group operations	87 739	83 419	90 271	89 441
Discretionary and other capital	9 753	9 695	9 753	9 790
Group Equity Value before adjustments to net worth	97 492	93 114	100 024	99 231
Net worth adjustments – present value of holding company expenses	(1 556)	(1 556)	(1 556)	(1 556)
<b>Group Equity Value</b>	<b>95 936</b>	<b>91 558</b>	<b>98 468</b>	<b>97 675</b>
<b>2013</b>				
<b>Covered business</b>	43 475	41 778	44 511	43 965
Adjusted net worth	15 800	15 163	15 858	16 103
Value of in-force	27 675	26 615	28 653	27 862
<b>Other Group operations</b>	32 995	30 824	34 395	34 088
Valued at net asset value	611	611	611	634
Listed	12 644	11 380	12 644	12 644
Other	19 740	18 833	21 140	20 810
Group operations	76 470	72 602	78 906	78 053
Discretionary and other capital	9 317	9 255	9 317	9 376
Group Equity Value before adjustments to net worth	85 787	81 857	88 223	87 429
Net worth adjustments – present value of holding company expenses	(1 378)	(1 378)	(1 378)	(1 378)
<b>Group Equity Value</b>	<b>84 409</b>	<b>80 479</b>	<b>86 845</b>	<b>86 051</b>

# Shareholders' fund at fair value

at 31 December 2014

R million	Note	2014			2013		
		Fair value	Fair value adjustment	Net asset value	Fair value	Fair value adjustment	Net asset value
<b>Covered business, discretionary and other capital</b>		<b>28 691</b>	<b>112</b>	<b>28 579</b>	26 393	112	26 281
Property and equipment		360	—	360	356	—	356
Owner-occupied properties		470	—	470	564	—	564
Goodwill <sup>(2)</sup>		648	—	648	474	—	474
Value of business acquired <sup>(2)</sup>		1 214	—	1 214	607	—	607
Other intangible assets		153	—	153	86	—	86
Deferred acquisition costs		2 457	—	2 457	2 615	—	2 615
Investments		25 365	112	25 253	22 928	112	22 816
Properties		338	—	338	120	—	120
Associated companies		1 540	—	1 540	1 461	—	1 461
Equities and similar securities		5 157	112	5 045	4 808	112	4 696
Other interest-bearing and preference share investments		9 792	—	9 792	8 106	—	8 106
Structured transactions		737	—	737	872	—	872
Investment funds		4 883	—	4 883	4 351	—	4 351
Cash, deposits and similar securities		2 918	—	2 918	3 210	—	3 210
Net term finance		—	—	—	—	—	—
Term finance		(3 875)	—	(3 875)	(4 194)	—	(4 194)
Assets held in respect of term finance		3 875	—	3 875	4 194	—	4 194
Net deferred tax		(1 145)	—	(1 145)	(805)	—	(805)
Net defined benefit asset		144	—	144	—	—	—
Net working capital		1 563	—	1 563	1 090	—	1 090
Structured transactions liability		(2)	—	(2)	(147)	—	(147)
Non-controlling interest		(2 536)	—	(2 536)	(1 375)	—	(1 375)
<b>Other Group operations</b>		<b>39 346</b>	<b>19 998</b>	<b>19 348</b>	32 995	16 737	16 258
Sanlam Investments		12 289	8 588	3 701	11 070	7 665	3 405
Investment Management		11 604	8 536	3 068	10 454	7 617	2 837
Capital Management		685	52	633	616	48	568
Sanlam Personal Finance		3 009	2 092	917	2 633	1 853	780
Glacier		1 542	1 235	307	1 336	1 050	286
Sanlam Personal Loans <sup>(4)</sup>		907	365	542	836	425	411
Other operations		560	492	68	461	378	83
Sanlam Emerging Markets		9 455	415	9 040	6 648	(237)	6 885
Shriram Capital		5 595	516	5 079	4 219	159	4 060
Letshego		923	70	853	698	(17)	715
Pacific & Orient		704	71	633	622	(25)	647
Capricorn Investment Holdings		845	84	761	682	(16)	698
Other operations		1 388	(326)	1 714	427	(338)	765
Santam		14 593	10 150	4 443	12 644	8 703	3 941
Goodwill held on Group level in respect of the above businesses		—	(1 247)	1 247	—	(1 247)	1 247
<b>Shareholders' fund at fair value</b>		<b>68 037</b>	<b>20 110</b>	<b>47 927</b>	59 388	16 849	42 539
<b>Value per share (cents)</b>	9	<b>3 322</b>	<b>982</b>	<b>2 340</b>	2 900	823	2 077

R million	2014			2013		
	Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
<b>Reconciliation to Group Equity Value</b>						
Group Equity Value	95 936	64 729	31 207	84 409	56 734	27 675
Add: Net worth adjustments	1 556	1 556	—	1 378	1 378	—
Add: Goodwill and value of business acquired replaced by value of in-force	1 752	1 752	—	1 276	1 276	—
Sanlam Life and Pensions	356	356	—	356	356	—
Sanlam Developing Markets	646	646	—	685	685	—
MCIS Insurance	506	506	—	—	—	—
Shriram Life Insurance <sup>(3)</sup>	210	210	—	210	210	—
Other	34	34	—	25	25	—
Less: Value of in-force	(31 207)	—	(31 207)	(27 675)	—	(27 675)
<b>Shareholders' fund at fair value</b>	<b>68 037</b>	<b>68 037</b>	<b>—</b>	<b>59 388</b>	<b>59 388</b>	<b>—</b>

<sup>(1)</sup> Group businesses listed above are not consolidated, but reflected as investments at fair value.

<sup>(2)</sup> The value of business acquired and goodwill relate mainly to the consolidation of Sanlam Developing Markets, Channel Life, Sanlam Life and Pensions and MCIS Insurance and are excluded in the build-up of Group Equity Value, as the current value of in-force business for these life insurance companies is included in the embedded value of covered business.

<sup>(3)</sup> The carrying value of Shriram Life Insurance includes goodwill of R210 million (2013: R210 million) that is excluded in the build-up of Group Equity Value, as the current value of in-force business for Shriram Life Insurance is included in the embedded value of covered business.

<sup>(4)</sup> The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.

# Shareholders' fund at net asset value

at 31 December 2014

R million	Note	Sanlam Life <sup>(1)</sup>		Sanlam Emerging Markets <sup>(2)</sup>		Sanlam	
		2014	2013	2014	2013	2014	2013
Property and equipment		252	261	125	108	269	172
Owner-occupied properties		470	472	53	—	1	2
Goodwill		301	301	273	68	1 005	1 043
Other intangible assets		—	21	158	64	23	19
Value of business acquired		527	559	767	138	89	116
Deferred acquisition costs		2 696	2 816	3	3	—	—
Investments	3.3	30 869	28 827	15 139	10 891	9 557	8 858
Properties		139	5	550	326	—	—
Associated companies	3.1	2	1	10 575	8 474	1 038	276
Joint ventures	3.2	626	542	—	—	—	—
Equities and similar securities		12 850	11 195	973	757	3 068	3 889
Interest-bearing investments		9 302	9 172	1 941	626	4 245	3 591
Structured transactions		900	1 077	—	3	248	326
Investment funds		5 059	4 613	170	48	364	372
Cash, deposits and similar securities		1 991	2 222	930	657	594	404
Net deferred tax		(848)	(769)	(292)	(33)	(120)	(135)
Deferred tax asset		42	26	7	7	161	188
Deferred tax liability		(890)	(795)	(299)	(40)	(281)	(323)
Disposal groups classified as held for sale		—	—	—	—	427	415
Assets of disposal groups classified as held for sale		—	—	1 466	—	427	415
Liabilities of disposal groups classified as held for sale		—	—	(1 466)	—	—	—
Net general insurance technical provisions		—	—	(153)	(27)	(8 475)	(8 289)
General insurance technical assets		—	—	12	8	3 952	2 708
General insurance technical provisions		—	—	(165)	(35)	(12 427)	(10 997)
Net defined benefit asset		144	—	—	—	—	—
Net working capital assets/(liabilities)		(3 335)	(2 816)	5	(348)	6 703	6 512
Trade and other receivables		4 409	3 584	1 035	599	2 871	2 730
Cash, deposits and similar securities		3 705	4 288	560	368	6 854	6 445
Trade and other payables		(10 239)	(9 431)	(1 614)	(1 383)	(2 776)	(2 622)
Provisions		(138)	(144)	—	—	(25)	(16)
Taxation		(1 072)	(1 113)	24	68	(221)	(25)
Term finance		(2 340)	(2 465)	(12)	(14)	(1 024)	(1 022)
Structured transactions liabilities		(2)	(147)	—	—	—	(203)
Cell owners' interest		—	—	—	—	(925)	(814)
Non-controlling interest		(36)	(38)	(3 603)	(2 213)	(3 087)	(2 733)
<b>Shareholders' fund at net asset value</b>		<b>28 698</b>	<b>27 022</b>	<b>12 463</b>	<b>8 637</b>	<b>4 443</b>	<b>3 941</b>
<b>Analysis of shareholders' fund</b>							
Covered business		14 471	13 866	2 324	1 533	—	—
Other operations		917	780	9 040	6 885	4 443	3 941
Discretionary and other capital		13 310	12 376	1 099	219	—	—
<b>Shareholders' fund at net asset value</b>		<b>28 698</b>	<b>27 022</b>	<b>12 463</b>	<b>8 637</b>	<b>4 443</b>	<b>3 941</b>
Consolidation reserve		—	—	—	—	—	—
<b>Shareholders' fund per Group statement of financial position</b>		<b>28 698</b>	<b>27 022</b>	<b>12 463</b>	<b>8 637</b>	<b>4 443</b>	<b>3 941</b>

<sup>(1)</sup> Includes the operations of Sanlam Personal Finance and Sanlam Employee Benefits as well as discretionary capital held by Sanlam Life. Equities and similar securities include an investment of R8 196 million (2013: R6 256 million) in Sanlam shares, which is eliminated in the consolidation column.

<sup>(2)</sup> Includes discretionary capital held by Sanlam Emerging Markets.

Investment Management		Capital Management		Corporate and Other <sup>(3)</sup>		Consolidation entries <sup>(4)</sup>		Total	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
44	40	5	3	—	—	1	2	696	586
109	106	—	—	—	—	—	92	633	672
1 148	1 137	—	—	—	—	1 247	1 247	3 974	3 796
214	7	—	—	—	—	—	—	395	111
662	773	—	—	—	—	—	—	2 045	1 586
—	—	—	—	—	—	—	—	2 699	2 819
1 314	1 061	—	18	2 022	2 089	(10 334)	(8 170)	48 567	43 574
—	—	—	18	—	—	—	—	689	349
215	112	—	—	—	—	(879)	90	10 951	8 953
—	16	—	—	—	—	—	—	626	558
164	189	—	—	556	568	(8 530)	(7 446)	9 081	9 152
197	531	—	—	1 464	1 512	(925)	(780)	16 224	14 652
—	—	—	—	—	—	—	(34)	1 148	1 372
326	—	—	—	—	—	—	—	5 919	5 033
412	213	—	—	2	9	—	—	3 929	3 505
69	59	59	14	(45)	(1)	18	17	(1 159)	(848)
73	63	59	17	5	43	18	17	365	361
(4)	(4)	—	(3)	(50)	(44)	—	—	(1 524)	(1 209)
—	—	—	—	—	—	—	—	427	415
—	—	—	—	—	—	—	—	1 893	415
—	—	—	—	—	—	—	—	(1 466)	—
—	—	—	—	—	—	—	—	(8 628)	(8 316)
—	—	—	—	—	—	—	—	3 964	2 716
—	—	—	—	—	—	—	—	(12 592)	(11 032)
—	—	—	—	—	—	—	—	144	—
1 627	1 329	816	752	(62)	(19)	3 820	3 107	9 574	8 517
1 564	1 224	22 887	23 387	2 826	8 458	(5 255)	(10 764)	30 337	29 218
1 866	1 603	2 090	3 368	513	3 975	(199)	(3 751)	15 389	16 296
(1 613)	(1 310)	(24 133)	(26 014)	(3 407)	(12 430)	9 297	17 644	(34 485)	(35 546)
(84)	(87)	—	(2)	(18)	(19)	(18)	(17)	(283)	(285)
(106)	(101)	(28)	13	24	(3)	(5)	(5)	(1 384)	(1 166)
(403)	(327)	—	—	(1 536)	(1 730)	—	—	(5 315)	(5 558)
—	—	—	—	—	—	—	—	(2)	(350)
—	—	—	—	—	—	—	—	(925)	(814)
(48)	(61)	—	—	—	—	1 576	1 394	(5 198)	(3 651)
4 736	4 124	880	787	379	339	(3 672)	(2 311)	47 927	42 539
391	401	—	—	—	—	—	—	17 186	15 800
3 068	2 837	633	568	—	—	1 247	1 247	19 348	16 258
1 277	886	247	219	379	339	(4 919)	(3 558)	11 393	10 481
4 736	4 124	880	787	379	339	(3 672)	(2 311)	47 927	42 539
—	—	—	—	—	—	(1 890)	(1 574)	(1 890)	(1 574)
4 736	4 124	880	787	379	339	(5 562)	(3 885)	46 037	40 965

<sup>(3)</sup> Corporate and Other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.

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



# Shareholders' fund income statement

for the year ended 31 December 2014

R million	Note	Sanlam Personal Finance	
		2014	2013
Financial services income	4	14 364	13 249
Sales remuneration	5	(2 369)	(2 217)
Income after sales remuneration		11 995	11 032
Underwriting policy benefits		(3 442)	(3 447)
Administration costs	6	(3 752)	(3 530)
<b>Result from financial services before tax</b>		<b>4 801</b>	4 055
Tax on result from financial services		(1 325)	(1 127)
<b>Result from financial services after tax</b>		<b>3 476</b>	2 928
Non-controlling interest		—	(8)
<b>Net result from financial services</b>		<b>3 476</b>	2 920
Net investment income		735	689
Dividends received – Group companies	7	235	253
Other investment income		649	560
Tax on investment income		(149)	(124)
Non-controlling interest		—	—
Project expenses		—	—
Amortisation of value of business acquired and other intangibles		(39)	(38)
Equity participation costs		—	—
Net equity-accounted headline earnings		—	—
Equity-accounted headline earnings		—	—
Tax on equity-accounted headline earnings		—	—
Non-controlling interest		—	—
<b>Net investment surpluses</b>		<b>2 406</b>	1 965
Investment surpluses – Group companies		1 964	997
Other investment surpluses		558	1 194
Tax on investment surpluses		(116)	(226)
Non-controlling interest		—	—
<b>Normalised headline earnings</b>		<b>6 578</b>	5 536
Profit/(loss) on disposal of operations		—	—
Net profit/(loss) on disposal of subsidiaries and associated companies		—	—
Profit/(loss) on disposal of subsidiaries and associated companies		—	—
Tax on profit/(loss) on disposal of subsidiaries and associated companies		—	—
Non-controlling interest		—	—
Impairments		—	—
Net equity-accounted non-headline earnings		—	—
<b>Normalised attributable earnings</b>		<b>6 578</b>	5 536
Fund transfers		—	—
<b>Attributable earnings per Group statement of comprehensive income</b>		<b>6 578</b>	5 536
<b>Ratios</b>			
Admin ratio <sup>(1)</sup>		31,3%	32,0%
Operating margin <sup>(2)</sup>		40,0%	36,8%
<b>Diluted earnings per share</b>	8		
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		169,9	143,1

<sup>(1)</sup> Administration costs as a percentage of income earned by the shareholders' fund less sales remuneration.

<sup>(2)</sup> Result from financial services before tax as a percentage of income earned by the shareholders' fund less sales remuneration.

Sanlam Emerging Markets		Sanlam Investments		Santam		Corporate and Other <sup>(a)</sup>		Total	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
5 236	4 045	8 286	7 574	17 700	17 124	127	112	45 713	42 104
(842)	(681)	(249)	(173)	(1 863)	(2 121)	—	—	(5 323)	(5 192)
4 394	3 364	8 037	7 401	15 837	15 003	127	112	40 390	36 912
(1 070)	(794)	(2 063)	(2 045)	(10 878)	(11 608)	—	—	(17 453)	(17 894)
(1 111)	(834)	(4 047)	(3 638)	(2 991)	(2 560)	(292)	(277)	(12 193)	(10 839)
2 213	1 736	1 927	1 718	1 968	835	(165)	(165)	10 744	8 179
(604)	(373)	(425)	(393)	(553)	(236)	58	29	(2 849)	(2 100)
1 609	1 363	1 502	1 325	1 415	599	(107)	(136)	7 895	6 079
(368)	(352)	(34)	(24)	(614)	(266)	—	—	(1 016)	(650)
1 241	1 011	1 468	1 301	801	333	(107)	(136)	6 879	5 429
112	61	178	188	94	99	(188)	(185)	931	852
—	—	—	—	—	—	(235)	(253)	—	—
217	121	224	229	181	171	59	121	1 330	1 202
(72)	(41)	(46)	(41)	(18)	—	(12)	(53)	(297)	(259)
(33)	(19)	—	—	(69)	(72)	—	—	(102)	(91)
(13)	(29)	(1)	(2)	—	—	—	—	(14)	(31)
(13)	(10)	(143)	(123)	(15)	(35)	—	—	(210)	(206)
—	—	(60)	(138)	(49)	(13)	—	—	(109)	(151)
11	12	—	(1)	35	46	—	—	46	57
30	26	—	(1)	58	77	—	—	88	102
(2)	(3)	—	—	—	—	—	—	(2)	(3)
(17)	(11)	—	—	(23)	(31)	—	—	(40)	(42)
111	230	221	563	93	297	(2 014)	(945)	817	2 110
—	—	—	—	—	—	(1 964)	(997)	—	—
209	342	270	661	234	583	(50)	52	1 221	2 832
(48)	(15)	(49)	(101)	(77)	(86)	—	—	(290)	(428)
(50)	(97)	—	3	(64)	(200)	—	—	(114)	(294)
1 449	1 275	1 663	1 788	959	727	(2 309)	(1 266)	8 340	8 060
—	—	—	—	—	—	—	—	—	—
95	27	292	69	—	(17)	—	11	387	90
119	49	312	78	—	(19)	—	11	431	119
(32)	(1)	(20)	(9)	—	(9)	—	—	(52)	(19)
8	(21)	—	—	—	11	—	—	8	(10)
(40)	—	(18)	(3)	(43)	(18)	—	—	(101)	(21)
—	—	118	—	—	—	—	—	118	—
1 504	1 302	2 055	1 854	916	692	(2 309)	(1 255)	8 744	8 129
—	—	—	—	—	—	(15)	2	(15)	2
1 504	1 302	2 055	1 854	916	692	(2 324)	(1 253)	8 729	8 131
25,3%	24,8%	50,4%	49,2%	18,9%	17,1%	—	—	30,2%	29,4%
50,4%	51,6%	24,0%	23,2%	12,4%	5,6%	—	—	26,6%	22,2%
60,6	49,5	71,7	63,8	39,1	16,3	(5,2)	(6,7)	2,046,2	2 040,6
—	—	—	—	—	—	—	—	336,2	266,0

<sup>(a)</sup> Corporate and Other includes the consolidation entries in respect of the dividends received and the investment surpluses on the Sanlam Limited shares held by Sanlam Life Insurance Limited.

# Notes to the shareholders' fund information

for the year ended 31 December 2014

## 1. Business volumes

### 1.1 Analysis of new business and total funds received

R million	Life insurance <sup>(1)</sup>		General insurance		Investment business <sup>(2)</sup>		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Sanlam Personal Finance</b>	<b>25 145</b>	21 498	—	—	<b>27 421</b>	21 009	<b>52 566</b>	42 507
Sanlam Sky	1 127	1 155	—	—	—	—	1 127	1 155
Individual Life	12 137	11 019	—	—	306	309	12 443	11 328
Recurring	1 388	1 307	—	—	36	44	1 424	1 351
Single	10 749	9 712	—	—	270	265	11 019	9 977
Glacier	11 881	9 324	—	—	27 115	20 700	38 996	30 024
<b>Sanlam Emerging Markets</b>	<b>3 286</b>	2 862	<b>1 402</b>	842	<b>4 571</b>	6 045	<b>9 259</b>	9 749
Namibia	362	342	—	—	2 960	5 059	3 322	5 401
Recurring	153	154	—	—	—	—	153	154
Single	209	188	—	—	2 960	5 059	3 169	5 247
Botswana	1 477	1 306	54	52	1 500	923	3 031	2 281
Recurring	261	195	54	52	—	—	315	247
Single	1 216	1 111	—	—	1 500	923	2 716	2 034
Rest of Africa	1 163	1 076	286	—	111	63	1 560	1 139
Recurring	614	518	286	—	—	—	900	518
Single	549	558	—	—	111	63	660	621
India	146	138	508	434	—	—	654	572
Recurring	67	66	508	434	—	—	575	500
Single	79	72	—	—	—	—	79	72
South-East Asia	138	—	554	356	—	—	692	356
Recurring	104	—	554	356	—	—	658	356
Single	34	—	—	—	—	—	34	—
<b>Sanlam Investments</b>	<b>13 859</b>	7 327	—	—	<b>89 391</b>	78 643	<b>103 250</b>	85 970
Employee benefits	10 154	2 075	—	—	—	—	10 154	2 075
Recurring	305	300	—	—	—	—	305	300
Single	9 849	1 775	—	—	—	—	9 849	1 775
Investment Management	3 705	5 252	—	—	89 391	78 643	93 096	83 895
Investment Management SA <sup>(3)</sup>	—	—	—	—	63 314	50 743	63 314	50 743
Wealth Management	—	—	—	—	14 716	19 428	14 716	19 428
International	3 705	5 252	—	—	11 141	8 270	14 846	13 522
Recurring	68	75	—	—	32	—	100	75
Single	3 637	5 177	—	—	11 109	8 270	14 746	13 447
Capital Management	—	—	—	—	220	202	220	202
<b>Sanlam</b>	<b>—</b>	—	<b>17 222</b>	16 750	—	—	<b>17 222</b>	16 750
<b>Total new business</b>	<b>42 290</b>	31 687	<b>18 624</b>	17 592	<b>121 383</b>	105 697	<b>182 297</b>	154 976

<sup>(1)</sup> Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.

<sup>(2)</sup> Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.

<sup>(3)</sup> The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

## 1. Business volumes (continued)

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

R million	Life insurance <sup>(1)</sup>		General insurance		Investment business <sup>(2)</sup>		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Total new business</b>	<b>42 290</b>	31 687	<b>18 624</b>	17 592	<b>121 383</b>	105 697	<b>182 297</b>	154 976
<b>Recurring premiums on existing funds:</b>								
Sanlam Personal Finance	<b>15 412</b>	14 282	—	—	<b>211</b>	225	<b>15 623</b>	14 507
Sanlam Sky	<b>4 099</b>	3 521	—	—	—	—	<b>4 099</b>	3 521
Individual Life	<b>11 313</b>	10 761	—	—	<b>211</b>	225	<b>11 524</b>	10 986
Sanlam Emerging Markets	<b>3 342</b>	2 187	—	—	—	—	<b>3 342</b>	2 187
Namibia	<b>841</b>	704	—	—	—	—	<b>841</b>	704
Botswana	<b>891</b>	828	—	—	—	—	<b>891</b>	828
Rest of Africa	<b>757</b>	578	—	—	—	—	<b>757</b>	578
India	<b>99</b>	77	—	—	—	—	<b>99</b>	77
South-East Asia	<b>754</b>	—	—	—	—	—	<b>754</b>	—
Sanlam Investments	<b>3 626</b>	3 407	—	—	<b>2 488</b>	1 995	<b>6 114</b>	5 402
Sanlam Employee Benefits	<b>3 384</b>	3 187	—	—	—	—	<b>3 384</b>	3 187
Investment Management	<b>242</b>	220	—	—	<b>2 488</b>	1 995	<b>2 730</b>	2 215
Investment Management SA <sup>(3)</sup>	—	—	—	—	<b>2 449</b>	1 995	<b>2 449</b>	1 995
International	<b>242</b>	220	—	—	<b>39</b>	—	<b>281</b>	220
<b>Total funds received</b>	<b>64 670</b>	51 563	<b>18 624</b>	17 592	<b>124 082</b>	107 917	<b>207 376</b>	177 072

<sup>(1)</sup> Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.

<sup>(2)</sup> Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.

<sup>(3)</sup> The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

# Notes to the shareholders' fund information continued

for the year ended 31 December 2014

## 1. Business volumes (continued)

### 1.2 Analysis of payments to clients

R million	Life insurance <sup>(1)</sup>		General insurance		Investment business <sup>(2)</sup>		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Sanlam Personal Finance</b>	<b>32 343</b>	29 242	—	—	<b>16 266</b>	12 779	<b>48 609</b>	42 021
Sanlam Sky	<b>2 591</b>	1 796	—	—	—	—	<b>2 591</b>	1 796
Surrenders	<b>380</b>	—	—	—	—	—	<b>380</b>	—
Other	<b>2 211</b>	1 796	—	—	—	—	<b>2 211</b>	1 796
Individual Life	<b>24 804</b>	23 688	—	—	<b>535</b>	452	<b>25 339</b>	24 140
Surrenders	<b>3 708</b>	3 635	—	—	—	—	<b>3 708</b>	3 635
Other	<b>21 096</b>	20 053	—	—	<b>535</b>	452	<b>21 631</b>	20 505
Glacier	<b>4 948</b>	3 758	—	—	<b>15 731</b>	12 327	<b>20 679</b>	16 085
<b>Sanlam Emerging Markets</b>	<b>4 414</b>	3 508	<b>1 035</b>	670	<b>3 181</b>	5 964	<b>8 630</b>	10 142
Namibia	<b>1 287</b>	1 518	—	—	<b>1 855</b>	5 394	<b>3 142</b>	6 912
Surrenders	<b>259</b>	406	—	—	—	—	<b>259</b>	406
Other	<b>1 028</b>	1 112	—	—	<b>1 855</b>	5 394	<b>2 883</b>	6 506
Botswana	<b>1 438</b>	1 209	<b>31</b>	27	<b>1 324</b>	570	<b>2 793</b>	1 806
Surrenders	<b>409</b>	325	—	—	—	—	<b>409</b>	325
Other	<b>1 029</b>	884	<b>31</b>	27	<b>1 324</b>	570	<b>2 384</b>	1 481
Rest of Africa	<b>704</b>	522	<b>160</b>	—	<b>2</b>	—	<b>866</b>	522
Surrenders	<b>121</b>	71	—	—	—	—	<b>121</b>	71
Other	<b>583</b>	451	<b>160</b>	—	<b>2</b>	—	<b>745</b>	451
India	<b>179</b>	259	<b>493</b>	412	—	—	<b>672</b>	671
Surrenders	<b>120</b>	198	—	—	—	—	<b>120</b>	198
Other	<b>59</b>	61	<b>493</b>	412	—	—	<b>552</b>	473
South-East Asia	<b>806</b>	—	<b>351</b>	231	—	—	<b>1 157</b>	231
<b>Sanlam Investments</b>	<b>9 483</b>	8 252	—	—	<b>87 782</b>	78 936	<b>97 265</b>	87 188
Sanlam Employee Benefits	<b>6 813</b>	5 641	—	—	—	—	<b>6 813</b>	5 641
Terminations	<b>995</b>	1 041	—	—	—	—	<b>995</b>	1 041
Other	<b>5 818</b>	4 600	—	—	—	—	<b>5 818</b>	4 600
Investment Management	<b>2 670</b>	2 611	—	—	<b>87 782</b>	78 936	<b>90 452</b>	81 547
Investment Management SA <sup>(3)</sup>	—	—	—	—	<b>61 611</b>	60 740	<b>61 611</b>	60 740
Wealth Management	—	—	—	—	<b>14 745</b>	14 129	<b>14 745</b>	14 129
International	<b>2 670</b>	2 611	—	—	<b>11 426</b>	4 067	<b>14 096</b>	6 678
<b>Sanlam</b>	—	—	<b>10 878</b>	11 608	—	—	<b>10 878</b>	11 608
<b>Total payments to clients</b>	<b>46 240</b>	41 002	<b>11 913</b>	12 278	<b>107 229</b>	97 679	<b>165 382</b>	150 959

<sup>(1)</sup> Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.

<sup>(2)</sup> Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.

<sup>(3)</sup> The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

## 1. Business volumes (continued)

### 1.3 Analysis of net inflow/(outflow) of funds

R million	Life insurance <sup>(1)</sup>		General insurance		Investment business <sup>(2)</sup>		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Sanlam Personal Finance</b>	<b>8 214</b>	6 538	—	—	<b>11 366</b>	8 455	<b>19 580</b>	14 993
Sanlam Sky	2 635	2 880	—	—	—	—	2 635	2 880
Individual Life	(1 354)	(1 908)	—	—	(18)	82	(1 372)	(1 826)
Glacier	6 933	5 566	—	—	11 384	8 373	18 317	13 939
<b>Sanlam Emerging Markets</b>	<b>2 214</b>	1 541	<b>367</b>	172	<b>1 390</b>	81	<b>3 971</b>	1 794
Namibia	(84)	(472)	—	—	1 105	(335)	1 021	(807)
Botswana	930	925	23	25	176	353	1 129	1 303
Rest of Africa	1 216	1 132	126	—	109	63	1 451	1 195
India	66	(44)	15	22	—	—	81	(22)
South-East Asia	86	—	203	125	—	—	289	125
<b>Sanlam Investments</b>	<b>8 002</b>	2 482	—	—	<b>4 097</b>	1 702	<b>12 099</b>	4 184
Sanlam Employee Benefits	6 725	(379)	—	—	—	—	6 725	(379)
Investment Management	1 277	2 861	—	—	3 877	1 500	5 154	4 361
Investment Management SA <sup>(3)</sup>	—	—	—	—	4 152	(8 002)	4 152	(8 002)
Wealth Management	—	—	—	—	(29)	5 299	(29)	5 299
International	1 277	2 861	—	—	(246)	4 203	1 031	7 064
Capital Management	—	—	—	—	220	202	220	202
<b>Santam</b>	<b>—</b>	—	<b>6 344</b>	5 142	<b>—</b>	—	<b>6 344</b>	5 142
<b>Total net inflow</b>	<b>18 430</b>	10 561	<b>6 711</b>	5 314	<b>16 853</b>	10 238	<b>41 994</b>	26 113

<sup>(1)</sup> Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.

<sup>(2)</sup> Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.

<sup>(3)</sup> The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

## Notes to the shareholders' fund information continued

for the year ended 31 December 2014

### 2. Cluster information

#### 2.1 Sanlam Personal Finance

##### Analysis of attributable earnings

R million	Life operations		Non-life operations		Total	
	2014	2013	2014	2013	2014	2013
Gross result from financial services	<b>4 318</b>	3 610	<b>483</b>	445	<b>4 801</b>	4 055
Entry-level market	<b>949</b>	761	—	—	<b>949</b>	761
Middle-income market life and investment	<b>3 116</b>	2 623	<b>46</b>	36	<b>3 162</b>	2 659
Administration	<b>936</b>	595	—	—	<b>936</b>	595
Risk underwriting – long-term insurance	<b>970</b>	589	—	—	<b>970</b>	589
Asset mismatch reserve release	<b>543</b>	522	—	—	<b>543</b>	522
Working capital management	<b>340</b>	354	—	—	<b>340</b>	354
Other	<b>327</b>	563	<b>46</b>	36	<b>373</b>	599
Glacier	<b>145</b>	116	<b>194</b>	144	<b>339</b>	260
Sanlam Personal Loans	<b>108</b>	110	<b>200</b>	186	<b>308</b>	296
Other operations	—	—	<b>43</b>	79	<b>43</b>	79
Tax on result from financial services	<b>(1 208)</b>	(1 003)	<b>(117)</b>	(124)	<b>(1 325)</b>	(1 127)
Non-controlling interest	—	—	—	(8)	—	(8)
<b>Net result from financial services</b>	<b>3 110</b>	2 607	<b>366</b>	313	<b>3 476</b>	2 920
Net investment return	<b>689</b>	1 113	<b>2 452</b>	1 541	<b>3 141</b>	2 654
Net other earnings	—	—	<b>(39)</b>	(38)	<b>(39)</b>	(38)
<b>Normalised attributable earnings</b>	<b>3 799</b>	3 720	<b>2 779</b>	1 816	<b>6 578</b>	5 536

## 2. Cluster information (continued)

### 2.1 Sanlam Personal Finance (continued)

#### Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Net capital investment <sup>(1)</sup>	Dividend paid	GEV at the end of period
<b>2014</b>					
Covered business	33 033	5 805	(284)	(3 110)	35 444
Other operations	2 633	567	97	(288)	3 009
Glacier	1 336	312	26	(132)	1 542
Sanlam Personal Loans	836	84	71	(84)	907
Other	461	171	—	(72)	560
<b>Group Equity Value</b>	<b>35 666</b>	<b>6 372</b>	<b>(187)</b>	<b>(3 398)</b>	<b>38 453</b>
<b>2013</b>					
Covered business	30 144	6 205	(753)	(2 563)	33 033
Non-life operations	2 618	516	(81)	(420)	2 633
Glacier	1 338	205	—	(207)	1 336
Sanlam Personal Loans	816	251	(100)	(131)	836
Other	464	60	19	(82)	461
<b>Group Equity Value</b>	<b>32 762</b>	<b>6 721</b>	<b>(834)</b>	<b>(2 983)</b>	<b>35 666</b>

<sup>(1)</sup> Comparative figures restated to reallocate the change in capital allocated to covered business from dividend paid to net capital investment.

#### Assets under management

R million	Assets under management		New business volumes		Net fund flows	
	2014	2013	2014	2013	2014	2013
<b>Sanlam Sky</b>	<b>5 153</b>	4 951	<b>1 127</b>	1 155	<b>2 635</b>	2 880
<b>Individual life</b>	<b>220 820</b>	205 510	<b>12 443</b>	11 328	<b>(1 372)</b>	(1 826)
Life insurance operations	<b>218 503</b>	203 319	<b>12 137</b>	11 019	<b>(1 354)</b>	(1 908)
Investment operations	<b>2 317</b>	2 191	<b>306</b>	309	<b>(18)</b>	82
<b>Glacier</b>	<b>156 904</b>	127 373	<b>38 996</b>	30 024	<b>18 317</b>	13 939
Life insurance operations	<b>67 656</b>	55 360	<b>11 881</b>	9 324	<b>6 933</b>	5 566
Investment operations	<b>89 248</b>	72 013	<b>27 115</b>	20 700	<b>11 384</b>	8 373
<b>Total</b>	<b>382 877</b>	337 834	<b>52 566</b>	42 507	<b>19 580</b>	14 993
Life insurance operations	<b>291 312</b>	263 630	<b>25 145</b>	21 498	<b>8 214</b>	6 538
Investment operations	<b>91 565</b>	74 204	<b>27 421</b>	21 009	<b>11 366</b>	8 455
	<b>382 877</b>	337 834	<b>52 566</b>	42 507	<b>19 580</b>	14 993



## Notes to the shareholders' fund information continued

for the year ended 31 December 2014

### 2. Cluster information (continued)

#### 2.1 Sanlam Personal Finance (continued)

	2014	2013
<b>Sanlam Personal Loans</b>		
Size of loan book (R million)	<b>3 984</b>	3 608
Interest margin	<b>16,5%</b>	16,7%
Bad debt ratio	<b>5,6%</b>	5,1%
Administration cost as % of net interest	<b>27,9%</b>	29,9%

#### 2.2 Sanlam Emerging Markets

##### *Analysis of attributable earnings*

R million	2014	2013
Net result from financial services	<b>1 241</b>	1 011
Life insurance	<b>477</b>	484
General insurance	<b>157</b>	46
Investment management	<b>46</b>	35
Credit and banking	<b>553</b>	428
Other	<b>8</b>	18
Net investment return	<b>223</b>	291
Net investment income	<b>112</b>	61
Net investment surpluses	<b>111</b>	230
Net other earnings	<b>40</b>	—
<b>Normalised attributable earnings</b>	<b>1 504</b>	1 302
<i>Analysis of net result from financial services</i>		
Life insurance	<b>477</b>	484
Namibia	<b>186</b>	185
Botswana	<b>174</b>	135
Rest of Africa	<b>93</b>	142
South-East Asia	<b>5</b>	—
India	<b>19</b>	22
Non-life operations	<b>764</b>	527
Namibia	<b>106</b>	59
Botswana	<b>140</b>	100
Rest of Africa	<b>32</b>	(3)
India	<b>427</b>	339
South-East Asia	<b>59</b>	32
<b>Net result from financial services</b>	<b>1 241</b>	1 011

## 2. Cluster information (continued)

### 2.2 Sanlam Emerging Markets (continued)

#### Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Net capital investment <sup>(1)</sup>	Dividend paid	GEV at the end of period
<b>2014</b>					
Covered business	3 541	932	1 120	(477)	5 116
Non-life operations	6 648	1 978	1 074	(245)	9 455
Shriram Capital	4 219	1 344	71	(39)	5 595
Letshego	698	297	35	(107)	923
Pacific & Orient	622	155	—	(73)	704
Capricorn Investment Holdings	682	169	—	(6)	845
Sanlam Emerging Markets other operations	427	13	968	(20)	1 388
<b>Group Equity Value</b>	<b>10 189</b>	<b>2 910</b>	<b>2 194</b>	<b>(722)</b>	<b>14 571</b>
<b>2013</b>					
Covered business	2 647	1 251	127	(484)	3 541
Non-life operations	3 458	995	2 346	(151)	6 648
Shriram Capital	2 398	686	1 157	(22)	4 219
Letshego	602	114	34	(52)	698
Pacific & Orient	—	126	529	(33)	622
Capricorn Investment Holdings	—	32	676	(26)	682
Sanlam Emerging Markets other operations	458	37	(50)	(18)	427
<b>Group Equity Value</b>	<b>6 105</b>	<b>2 246</b>	<b>2 473</b>	<b>(635)</b>	<b>10 189</b>

<sup>(1)</sup> Comparative figures restated to reallocate the change in capital allocated to covered business from dividend paid to net capital investment.

#### Assets under management

R million	Assets under management		New business volumes		Net fund flows	
	2014	2013	2014	2013	2014	2013
Life insurance operations	37 823	23 496	3 286	2 862	2 214	1 541
Investment operations	23 873	22 036	4 571	6 045	1 390	81
Namibia	8 326	7 656	2 960	5 059	1 105	(335)
Botswana	15 004	13 956	1 500	923	176	353
Rest of Africa	543	424	111	63	109	63
<b>Total</b>	<b>61 696</b>	<b>45 532</b>	<b>7 857</b>	<b>8 907</b>	<b>3 604</b>	<b>1 622</b>

# Notes to the shareholders' fund information continued

for the year ended 31 December 2014

## 2. Cluster information (continued)

### 2.3 Sanlam Investments

#### Analysis of attributable earnings

R million	Investment Management		Capital Management	
	2014	2013	2014	2013
Financial services income*	4 053	3 450	625	615
Sales remuneration	(194)	(125)	—	—
Income after sales remuneration	3 859	3 325	625	615
Underwriting policy benefits	—	—	—	—
Administration cost*	(2 790)	(2 444)	(364)	(377)
Results from financial services before performance fees	1 069	881	261	238
Net performance fees	247	197	25	17
Results from financial services	1 316	1 078	286	255
Tax on result from financial services	(299)	(252)	(35)	(33)
Non-controlling interest	(34)	(24)	—	—
Net result from financial services	983	802	251	222
Net investment return	29	75	(16)	2
Net investment income	22	32	—	—
Net investment surpluses	7	43	(16)	2
Net other earnings	188	(198)	—	—
Normalised attributable earnings	1 200	679	235	224

\* Financial services income and administration costs on page 25 includes performance fees and related administration costs.

#### Investment Management

##### Analysis of net result from financial services

R million	2014	2013
Investment Management	915	740
Investment Management SA <sup>(1)</sup>	517	439
Wealth Management	163	142
International	242	164
Support services	(7)	(5)
Capital Management	251	222
<b>Asset Management operations</b>	<b>1 166</b>	<b>962</b>
Covered business:		
Sanlam Employee Benefits	234	277
Sanlam UK	68	62
<b>Sanlam Investments total</b>	<b>1 468</b>	<b>1 301</b>

<sup>(1)</sup> The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

Sanlam Employee Benefits		Intra-cluster consolidation		Total	
2014	2013	2014	2013	2014	2013
3 252	3 216	(19)	(13)	7 911	7 268
(55)	(48)	—	—	(249)	(173)
3 197	3 168	(19)	(13)	7 662	7 095
(2 063)	(2 045)	—	—	(2 063)	(2 045)
(809)	(738)	19	13	(3 944)	(3 546)
325	385	—	—	1 655	1 504
—	—	—	—	272	214
325	385	—	—	1 927	1 718
(91)	(108)	—	—	(425)	(393)
—	—	—	—	(34)	(24)
234	277	—	—	1 468	1 301
386	674	—	—	399	751
156	156	—	—	178	188
230	518	—	—	221	563
—	—	—	—	188	(198)
620	951	—	—	2 055	1 854

## Notes to the shareholders' fund information continued

for the year ended 31 December 2014

### 2. Cluster information (continued)

#### 2.3 Sanlam Investments (continued)

##### Investment Management (continued)

##### Assets under management

	Assets under management	
	2014 R million	2013 R million
Investment Management	758 132	674 031
Investment Management SA <sup>(1)</sup>	604 309	512 044
Wealth Management	163 091	136 929
International	131 863	124 744
Inter-cluster eliminations	(141 131)	(99 686)
Capital Management	3 372	3 024
<b>Asset Management operations</b>	<b>761 504</b>	<b>677 055</b>
Covered business:		
Sanlam Employee Benefits	74 115	59 139
Sanlam UK	39 787	35 550
<b>Sanlam Investments total</b>	<b>875 406</b>	<b>771 744</b>

<sup>(1)</sup> The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

##### Asset mix of assets under management

R million	Fixed Interest	Equities
<b>2014</b>		
Investment Management SA <sup>(1)</sup>	143 188	271 801
Capital Management	—	2 829
Wealth Management	—	101 512
International	—	—
Inter-cluster consolidation		
<b>Assets under management – Sanlam Investments</b>	<b>143 188</b>	<b>376 142</b>
<b>2013</b>		
Investment Management SA <sup>(1)</sup>	121 014	228 258
Capital Management	—	3 014
Wealth Management	—	89 548
International	—	—
Inter-cluster consolidation		
<b>Assets under management – Sanlam Investments</b>	<b>121 014</b>	<b>320 820</b>

<sup>(1)</sup> The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

New business volumes		Net fund flows		Fee income		Administration cost ratio	
2014 R million	2013 R million	2014 R million	2013 R million	2014 %	2013 %	2014 %	2013 %
89 171	78 441	3 877	1 500				
63 314	50 743	4 152	(8 002)	0,30	0,31	0,21	0,22
14 716	19 428	(29)	5 299	0,72	0,76	0,58	0,61
11 141	8 270	(246)	4 203	0,71	0,62	0,53	0,41
—	—	—	—				
220	202	220	202	0,75	0,84	0,71	0,83
89 391	78 643	4 097	1 702				
10 154	2 075	6 725	(379)				
3 705	5 252	1 277	2 861				
103 250	85 970	12 099	4 184				

Offshore	Properties	Cash	Total
61 997	17 790	109 533	604 309
533	—	10	3 372
58 091	—	3 488	163 091
131 863	—	—	131 863
			(141 131)
252 484	17 790	113 031	761 504
52 943	17 777	92 052	512 044
—	—	10	3 024
44 407	—	2 974	136 929
124 744	—	—	124 744
			(99 686)
222 094	17 777	95 036	677 055

## Notes to the shareholders' fund information continued

for the year ended 31 December 2014

### 2. Cluster information (continued)

#### 2.3 Sanlam Investments (continued)

##### Sanlam Employee Benefits

R million	2014	2013
<b>Analysis of attributable earnings</b>		
Net result from financial services	234	277
Risk underwriting	227	152
Investment and other	10	149
Working capital management	40	34
Administration	(43)	(58)
Net investment return	386	674
Net investment income	156	156
Net investment surpluses	230	518
<b>Normalised attributable earnings</b>	<b>620</b>	<b>951</b>
<b>Analysis of premiums</b>		
Recurring premiums	305	300
Guaranteed	69	106
Risk	236	194
Single premiums	9 849	1 775
Guaranteed	1 296	1 527
Annuity	8 553	248
<b>Sanlam Investments and Pensions</b>		
(included in Investment Management above)		
<b>Analysis of attributable earnings</b>		
Financial services income	271	294
Sales remuneration	(114)	(89)
Income after sales remuneration	157	205
Administration cost	(89)	(143)
Gross results from financial services	68	62
Tax on result from financial services	—	—
Net result from financial services	68	62
Net investment return	3	1
<b>Normalised attributable earnings</b>	<b>71</b>	<b>63</b>

## 2. Cluster information (continued)

### 2.3 Sanlam Investments (continued)

#### Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Net capital investment <sup>(2)</sup>	Dividend paid	GEV at the end of period
<b>2014</b>					
Investment Management	11 648	2 075	(154)	(772)	12 797
Investment Management SA <sup>(1)</sup>	4 974	58	167	(376)	4 823
Wealth Management	2 105	528	—	(111)	2 522
International	4 569	1 489	(321)	(285)	5 452
Covered business	1 194	147	(80)	(68)	1 193
Other operations	3 375	1 342	(241)	(217)	4 259
Sanlam Employee Benefits	5 707	1 355	(188)	(234)	6 640
Sanlam Capital Management	616	241	75	(247)	685
<b>Group Equity Value</b>	<b>17 971</b>	<b>3 671</b>	<b>(267)</b>	<b>(1 253)</b>	<b>20 122</b>
<b>2013</b>					
Sanlam Investment Management	10 310	2 628	(262)	(1 028)	11 648
Investment Management SA <sup>(1)</sup>	4 914	628	—	(568)	4 974
Wealth Management	1 558	670	22	(145)	2 105
International	3 838	1 330	(284)	(315)	4 569
Covered business	904	326	26	(62)	1 194
Other operations	2 934	1 004	(310)	(253)	3 375
Sanlam Employee Benefits	5 301	1 346	(663)	(277)	5 707
Sanlam Capital Management	813	230	75	(502)	616
<b>Group Equity Value</b>	<b>16 424</b>	<b>4 204</b>	<b>(850)</b>	<b>(1 807)</b>	<b>17 971</b>

<sup>(1)</sup> The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

<sup>(2)</sup> Comparative figures restated to reallocate the change in capital allocated to covered business from dividend paid to net capital investment.

### 2.4 Santam

R million	2014	2013
<b>Business volumes</b>		
Net earned premiums	17 222	16 750
Net fund flows	6 344	5 142
<b>Analysis of earnings</b>		
Gross result from financial services	1 968	835
<b>Ratios</b>		
Admin cost ratio	18,9%	17,1%
Claims ratio	63,2%	69,3%
Underwriting margin	8,7%	2,8%



# Notes to the shareholders' fund information continued

for the year ended 31 December 2014

## 2. Cluster information (continued)

### 2.5 Valuation methodology

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

R million	Fair value	
	2014	2013
<b>Valuation method</b>		
Ratio of price to assets under management	<b>10 802</b>	9 490
Sanlam Investments	<b>10 334</b>	9 040
Investment Management SA <sup>(1)</sup>	<b>4 610</b>	4 759
Wealth Management	<b>2 360</b>	1 839
International	<b>3 279</b>	2 351
Capital Management	<b>85</b>	91
Sanlam Emerging Markets	<b>468</b>	450
<b>Discounted cash flows</b>	<b>12 433</b>	10 250
Sanlam Investments	<b>1 175</b>	1 419
Investment Management SA <sup>(1)</sup>	<b>238</b>	236
Wealth Management	<b>162</b>	266
International	<b>775</b>	917
Sanlam Emerging Markets	<b>8 249</b>	6 198
Shriram Capital <sup>(2)</sup>	<b>5 595</b>	4 219
Letshego <sup>(2)</sup>	<b>923</b>	698
Pacific & Orient	<b>704</b>	622
Capricorn Investment Holdings <sup>(2)</sup>	<b>845</b>	682
Other operations	<b>182</b>	(23)
Sanlam Personal Finance	<b>3 009</b>	2 633
Glacier	<b>1 542</b>	1 336
Sanlam Personal Loans	<b>907</b>	836
Other operations	<b>560</b>	461
<b>Net asset value</b>	<b>1 518</b>	611
Sanlam Investments	<b>780</b>	611
Investment Management SA <sup>(1)</sup>	<b>(25)</b>	(21)
International	<b>205</b>	107
Capital Management	<b>600</b>	525
Sanlam Emerging Markets	<b>738</b>	—
	<b>24 753</b>	20 351

<sup>(1)</sup> The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

<sup>(2)</sup> Includes the listed businesses at directors' valuation of R4 669 million (2013: R4 054 million) for Shriram Capital, R923 million (2013: R698 million) for Letshego and R845 million (2013: R682 million) for Capricorn Investment Holdings. The listed values of these operations are R6 552 million (2013: R4 073 million), R997 million (2013: R803 million) and R949 million (2013: R694 million) respectively.

## 2. Cluster information (continued)

### 2.5 Valuation methodology (continued)

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

	Change in assumption	
	2014	2013
Ratio of price to assets under management (P/AuM)	0,1	0,1
Risk discount rate (RDR)	1,0	1,0
Perpetuity growth rate (PGR)	1,0	1,0

R million	Weighted average assumption	Base value	Decrease in assumption	Increase in assumption
Ratio of price to assets under management	P/AuM = 0,95% (2013: 1,04%)	10 802	9 670	11 937
Discounted cash flows	RDR = 16,6% (2013: 16,6%)	12 433	14 017	11 188
Perpetuity growth rate	PGR = 2,5 – 5% (2013: 2,5 – 5%)	12 433	11 883	13 206

## 3. Investments

R million	2014	2013
<b>3.1 Investment in associated companies</b>		
Shriram Capital and Shriram Transport Finance Company Pacific & Orient	5 648	4 597
Capricorn Investment Holdings	1 005	968
Letshego	844	780
Other associated companies	1 523	1 376
	1 931	1 232
<b>Total investment in associated companies</b>	<b>10 951</b>	8 953

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

### 3.2 Investment in joint ventures

Sanlam Personal Loans	626	542
Other joint ventures	–	16
<b>Total investment in joint ventures</b>	<b>626</b>	558

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

## Notes to the shareholders' fund information continued

for the year ended 31 December 2014

### 3. Investments (continued)

#### 3.3 Investments include the following offshore investments

R million	2014	2013
Investment properties	549	326
Equities	922	729
Interest-bearing investments	2 363	750
Investment funds	2 079	2 192
Cash, deposits and similar securities	1 009	756
<b>Total offshore investments</b>	<b>6 922</b>	<b>4 753</b>

#### 3.4 Derivative instruments

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

R million	2014						
	Residual term to contractual maturity			Total notional amounts	Analysed by use		Total fair value of amounts
	< 1 year	1 – 5 years	> 5 years		Trading	Asset liability management	
<b>Interest rate products over-the-counter</b>	<b>205</b>	<b>5 962</b>	<b>(1 078)</b>	<b>5 089</b>	<b>4 939</b>	<b>150</b>	<b>141</b>
<b>Market risk products</b>							
Futures – sold	(2)	–	–	(2)	(2)	–	6
Options – bought	–	65	–	65	65	–	1 674
Options – sold	(6)	(48)	–	(54)	(54)	–	(929)
Swaps – sold	50	401	100	551	551	–	(173)
<b>Total market risk products</b>	<b>42</b>	<b>418</b>	<b>100</b>	<b>560</b>	<b>560</b>	<b>–</b>	<b>578</b>

### 3. Investments (continued)

#### 3.4 Derivative instruments (continued)

R million	Residual term to contractual maturity			Analysed by use			Total fair value of amounts
	< 1 year	1 – 5 years	> 5 years	Total notional amounts	Analysed by use		
					Trading	Asset liability management	
<b>Interest rate products over-the-counter</b>	(4 618)	5 019	(2 864)	(2 463)	(2 648)	185	(190)
<b>Market risk products</b>							
Fence structures							
Local – bought	1 747	–	–	1 747	160	1 587	(147)
<b>Total market risk products</b>	1 747	–	–	1 747	160	1 587	(147)

#### 4. Financial services income

R million	2014	2013
<b>Equity-accounted earnings included in financial services income</b>		
Sanlam Personal Finance	200	186
Sanlam Emerging Markets	1 498	1 118
Santam	54	–
Sanlam Investments	27	18
	<b>1 779</b>	1 322
<b>5. Sales remuneration</b>		
Life operations	3 308	2 948
Non-life operations	2 015	2 244
	<b>5 323</b>	5 192
<b>6. Administration costs</b>		
Life operations	4 941	4 562
Non-life operations	7 252	6 277
	<b>12 193</b>	10 839

## Notes to the shareholders' fund information continued

for the year ended 31 December 2014

### 6. Administration costs (continued)

R million	2014	2013
<b>Depreciation included in administration costs:</b>		
Sanlam Personal Finance	93	94
Sanlam Emerging Markets	40	25
Sanlam Investments	19	19
Santam	58	67
	<b>210</b>	205

### 7. Investment income

R million	2014	2013
Equities and similar securities	491	539
Interest-bearing, preference shares and similar securities	794	627
Properties	45	36
Rental income	46	38
Contingent rental income	4	2
Rental-related expenses	(5)	(4)
<b>Total investment income</b>	<b>1 330</b>	1 202
<b>Interest expense netted off against investment income</b>	<b>379</b>	462

### 8. Normalised diluted earnings per share

Cents	2014	2013
<b>Normalised diluted earnings per share:</b>		
Net result from financial services	336,2	266,0
Headline earnings	407,6	395,0
Profit attributable to shareholders' fund	427,3	398,4
R million		
<b>Analysis of normalised earnings (refer shareholders' fund income statement on page 24):</b>		
Net result from financial services	6 879	5 429
Headline earnings	8 340	8 060
Profit attributable to shareholders' fund	8 744	8 129
<b>Reconciliation of normalised headline earnings:</b>		
Headline earnings	8 325	8 062
Add/(less): Fund transfers	15	(2)
<b>Normalised headline earnings</b>	<b>8 340</b>	8 060
Million		
<b>Adjusted number of shares:</b>		
Weighted average number of shares for diluted earnings per share	2 022,8	2 026,7
Add: Weighted average Sanlam shares held by policyholders	23,4	13,9
<b>Adjusted weighted average number of shares for normalised diluted earnings per share</b>	<b>2 046,2</b>	2 040,6

## 9. Value per share

	2014	2013
Fair value per share is calculated on the Group shareholders' fund at fair value of R68 037 million (2013: R59 388 million), divided by 2 048,3 million (2013: 2 048,5 million) shares.		
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R47 927 million (2013: R42 539 million), divided by 2 048,3 million (2013: 2 048,5 million) shares.		
Equity value per share is calculated on the Group Equity Value of R95 936 million (2013: R84 409 million), divided by 2 048,3 million (2013: 2 048,5 million) shares.		
<b>Number of shares for value per share (million)</b>		
Number of ordinary shares in issue	<b>2 166,5</b>	2 100,0
Shares held by subsidiaries in shareholders' fund	<b>(142,1)</b>	(146,6)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	<b>23,9</b>	28,6
Convertible deferred shares held by Ubuntu-Botho	—	66,5
<b>Adjusted number of shares for value per share</b>	<b>2 048,3</b>	2 048,5

## 10. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,4 (2013: 8,1) to the after tax recurring corporate expenses.

## 11. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2014 and 2013 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire shares during 2014.

# Notes to the shareholders' fund information continued

for the year ended 31 December 2014

## 12. Reconciliations

### 12.1 Reconciliation between Group statement of comprehensive income and shareholders' fund income statement

R million	Year ended 31 December 2014			
	Total	Shareholder activities	Policyholder activities <sup>(1)</sup>	IFRS adjustments <sup>(2)</sup>
<b>Net income</b>	<b>92 060</b>	<b>48 813</b>	<b>41 428</b>	<b>1 819</b>
Financial services income	49 683	45 713	—	3 970
Reinsurance premiums paid	(6 341)	—	—	(6 341)
Reinsurance commission received	1 125	—	—	1 125
Investment income	22 491	1 330	16 236	4 925
Investment surpluses	28 891	1 770	25 192	1 929
Finance cost – margin business	(105)	—	—	(105)
Change in fair value of external investors' liability	(3 684)	—	—	(3 684)
<b>Net insurance and investment contract benefits and claims</b>	<b>(58 626)</b>	<b>(17 453)</b>	<b>(41 185)</b>	<b>12</b>
Long-term insurance contract benefits	(26 388)	(6 575)	(19 017)	(796)
Long-term investment contract benefits	(22 168)	—	(22 168)	—
General insurance claims	(14 404)	(10 878)	—	(3 526)
Reinsurance claims received	4 334	—	—	4 334
<b>Expenses</b>	<b>(20 811)</b>	<b>(17 639)</b>	<b>—</b>	<b>(3 172)</b>
Sales remuneration	(6 442)	(5 323)	—	(1 119)
Administration costs	(14 369)	(12 316)	—	(2 053)
<b>Impairments</b>	<b>(140)</b>	<b>(101)</b>	<b>—</b>	<b>(39)</b>
<b>Amortisation of intangibles</b>	<b>(240)</b>	<b>(210)</b>	<b>—</b>	<b>(30)</b>
<b>Net operating result</b>	<b>12 243</b>	<b>13 410</b>	<b>243</b>	<b>(1 410)</b>
Equity-accounted earnings	1 603	88	—	1 515
Finance cost – other	(517)	—	—	(517)
<b>Profit before tax</b>	<b>13 329</b>	<b>13 498</b>	<b>243</b>	<b>(412)</b>
Tax expense	(3 534)	(3 490)	(243)	199
Shareholders' fund	(3 007)	(3 490)	—	483
Policyholders' fund	(527)	—	(243)	(284)
<b>Profit from continuing operations</b>	<b>9 795</b>	<b>10 008</b>	<b>—</b>	<b>(213)</b>
<b>Profit for the year</b>	<b>9 795</b>	<b>10 008</b>	<b>—</b>	<b>(213)</b>
<b>Attributable to:</b>				
Shareholders' fund	8 729	8 744	—	(15)
Non-controlling interest	1 066	1 264	—	(198)
	<b>9 795</b>	<b>10 008</b>	<b>—</b>	<b>(213)</b>

<sup>(1)</sup> 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.

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

Year ended 31 December 2013

Total	Shareholder activities	Policyholder activities <sup>(1)</sup>	IFRS adjustments <sup>(2)</sup>
102 000	46 257	54 421	1 322
45 104	42 104	—	3 000
(4 963)	—	—	(4 963)
675	—	—	675
19 688	1 202	13 801	4 685
47 350	2 951	40 620	3 779
(69)	—	—	(69)
(5 785)	—	—	(5 785)
(71 376)	(17 894)	(53 487)	5
(26 480)	(6 286)	(19 381)	(813)
(34 106)	—	(34 106)	—
(13 861)	(11 608)	—	(2 253)
3 071	—	—	3 071
(18 418)	(16 213)	—	(2 205)
(5 825)	(5 192)	—	(633)
(12 593)	(11 021)	—	(1 572)
(34)	(21)	—	(13)
(263)	(206)	—	(57)
11 909	11 923	934	(948)
1 224	102	—	1 122
(516)	—	—	(516)
12 617	12 025	934	(342)
(3 483)	(2 809)	(934)	260
(2 422)	(2 809)	—	387
(1 061)	—	(934)	(127)
9 134	9 216	—	(82)
9 134	9 216	—	(82)
8 131	8 129	—	2
1 003	1 087	—	(84)
9 134	9 216	—	(82)



# Notes to the shareholders' fund information continued

for the year ended 31 December 2014

## 12. Reconciliations (continued)

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

R million	31 December 2014			
	Total	Shareholder activities	Policyholder activities <sup>(1)</sup>	Consolidation reserve
<b>Assets</b>				
Equipment	723	696	27	—
Owner-occupied properties	1 096	633	463	—
Goodwill	3 974	3 974	—	—
Other intangible assets	439	395	44	—
Value of business acquired	2 045	2 045	—	—
Deferred acquisition costs	3 281	2 699	582	—
Long-term reinsurance assets	941	—	941	—
Investments	538 155	48 567	491 478	(1 890)
Properties	10 333	689	9 644	—
Associated companies	10 951	10 951	—	—
Joint ventures	944	626	318	—
Equities and similar securities	183 040	9 081	175 849	(1 890)
Interest-bearing investments	161 778	16 224	145 554	—
Structured transactions	12 348	1 148	11 200	—
Investment funds	133 552	5 919	127 633	—
Cash, deposits and similar securities	25 209	3 929	21 280	—
Deferred tax	365	365	—	—
Assets of disposal groups classified as held for sale	1 893	1 893	—	—
General insurance technical assets	3 964	3 964	—	—
Net defined benefit asset	144	144	—	—
Working capital assets	54 233	45 726	8 507	—
Trade and other receivables	37 974	30 337	7 637	—
Cash, deposits and similar securities	16 259	15 389	870	—
<b>Total assets</b>	<b>611 253</b>	<b>111 101</b>	<b>502 042</b>	<b>(1 890)</b>
<b>Equity and liabilities</b>				
<b>Shareholders' fund</b>	<b>46 037</b>	<b>47 927</b>	<b>—</b>	<b>(1 890)</b>
Non-controlling interest	5 198	5 198	—	—
Long-term policy liabilities	443 672	—	443 672	—
Insurance contracts	186 626	—	186 626	—
Investment contracts	257 046	—	257 046	—
Term finance	5 775	5 315	460	—
External investors in consolidated funds	49 625	—	49 625	—
Cell owners' interest	925	925	—	—
Deferred tax	2 498	1 524	974	—
Liabilities of disposal groups classified as held for sale	1 466	1 466	—	—
Structured transactions liabilities	766	2	764	—
General insurance technical provisions	12 592	12 592	—	—
Working capital liabilities	42 699	36 152	6 547	—
Trade and other payables	40 529	34 485	6 044	—
Provisions	283	283	—	—
Taxation	1 887	1 384	503	—
<b>Total equity and liabilities</b>	<b>611 253</b>	<b>111 101</b>	<b>502 042</b>	<b>(1 890)</b>

<sup>(1)</sup> Includes the impact of the consolidation of funds in terms of IFRS 10.

	31 December 2013			
Total	Shareholder activities	Policyholder activities <sup>(1)</sup>	Consolidation reserve	
586	586	—	—	
672	672	—	—	
3 796	3 796	—	—	
111	111	—	—	
1 586	1 586	—	—	
2 976	2 819	157	—	
796	—	796	—	
477 550	43 574	435 550	(1 574)	
9 182	349	8 833	—	
8 953	8 953	—	—	
827	558	269	—	
166 122	9 152	158 544	(1 574)	
131 417	14 652	116 765	—	
11 906	1 372	10 534	—	
131 029	5 033	125 996	—	
18 114	3 505	14 609	—	
361	361	—	—	
415	415	—	—	
2 716	2 716	—	—	
—	—	—	—	
69 739	45 514	24 225	—	
51 339	29 218	22 121	—	
18 400	16 296	2 104	—	
561 304	102 150	460 728	(1 574)	
40 965	42 539	—	(1 574)	
3 651	3 651	—	—	
382 309	—	382 309	—	
158 575	—	158 575	—	
223 734	—	223 734	—	
6 129	5 558	571	—	
55 710	—	55 710	—	
814	814	—	—	
2 142	1 209	933	—	
—	—	—	—	
1 387	350	1 037	—	
11 032	11 032	—	—	
57 165	36 997	20 168	—	
54 799	35 546	19 253	—	
285	285	—	—	
2 081	1 166	915	—	
561 304	102 150	460 728	(1 574)	

# Notes to the shareholders' fund information continued

for the year ended 31 December 2014

## 13. Geographical analysis

R million	Per share- holders' fund income statement on page 24	IFRS adjust- ments (refer note 12.1)	Total
<b>Financial services income</b>			
Financial services income is attributed to individual countries, based on where the holding companies or subsidiaries are located.			
<b>2014</b>	<b>45 713</b>	<b>3 970</b>	<b>49 683</b>
South Africa	38 587	4 882	43 469
Rest of Africa	4 122	(446)	3 676
Other international <sup>(1)</sup>	3 004	(466)	2 538
<b>2013</b>	42 104	3 000	45 104
South Africa	36 640	3 716	40 356
Rest of Africa	3 448	(316)	3 132
Other international <sup>(1)</sup>	2 016	(400)	1 616

R million	Per analysis of share- holders' fund on page 22	Policy- holders' fund	Total
<b>Non-current assets<sup>(2)</sup></b>			
<b>2014</b>	<b>12 335</b>	<b>1 116</b>	<b>13 451</b>
South Africa	8 465	437	8 902
Rest of Africa	231	187	418
Other international <sup>(1)</sup>	3 639	492	4 131
<b>2013</b>	9 985	157	10 142
South Africa	8 371	—	8 371
Rest of Africa	182	157	339
Other international <sup>(1)</sup>	1 432	—	1 432

R million	<b>2014</b>	2013
<b>Attributable earnings (per shareholders' fund income statement on page 24)</b>	<b>8 729</b>	8 131
South Africa	6 920	6 641
Rest of Africa	797	918
Other international <sup>(1)</sup>	1 012	572

<sup>(1)</sup> Other international comprises business in the Netherlands, Europe, United Kingdom, Australia, India and South-East Asia.

<sup>(2)</sup> Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangible assets, assets of disposal groups classified as held for sale and deferred acquisition costs.

## Embedded value of covered business

at 31 December 2014

R million	Note	2014	2013
<b>Sanlam Personal Finance</b>		<b>35 444</b>	33 033
Adjusted net worth		9 446	9 041
<b>Net value of in-force covered business</b>		<b>25 998</b>	23 992
Value of in-force covered business		27 872	25 834
Cost of capital		(1 874)	(1 842)
<b>Sanlam Emerging Markets</b>		<b>5 116</b>	3 541
Adjusted net worth		2 324	1 533
<b>Net value of in-force covered business</b>		<b>2 792</b>	2 008
Value of in-force covered business		4 618	3 313
Cost of capital		(384)	(350)
Non-controlling interest		(1 442)	(955)
<b>Sanlam UK<sup>(1)</sup></b>		<b>1 193</b>	1 194
Adjusted net worth		391	401
<b>Net value of in-force covered business</b>		<b>802</b>	793
Value of in-force covered business		858	845
Cost of capital		(56)	(52)
<b>Sanlam Employee Benefits<sup>(1)</sup></b>		<b>6 640</b>	5 707
Adjusted net worth		5 025	4 825
<b>Net value of in-force covered business</b>		<b>1 615</b>	882
Value of in-force covered business		2 520	1 792
Cost of capital		(905)	(910)
<b>Embedded value of covered business</b>		<b>48 393</b>	43 475
Adjusted net worth <sup>(2)</sup>		17 186	15 800
Net value of in-force covered business	1	31 207	27 675
<b>Embedded value of covered business</b>		<b>48 393</b>	43 475

<sup>(1)</sup> Sanlam UK and Sanlam Employee Benefits are part of the Sanlam Investments cluster.

<sup>(2)</sup> Excludes subordinated debt funding of Sanlam Life.

# Change in embedded value of covered business

for the year ended 31 December 2014

R million	Note	2014				2013			Adjusted net worth
		Total	Value of in-force	Cost of capital	Adjusted net worth	Total	Value of in-force	Cost of capital	
<b>Embedded value of covered business at the beginning of the year</b>		<b>43 475</b>	<b>30 720</b>	<b>(3 045)</b>	<b>15 800</b>	38 996	26 897	(2 847)	14 946
Value of new business	2	1 592	3 873	(220)	(2 061)	1 320	3 012	(186)	(1 506)
Net earnings from existing covered business		4 881	(889)	222	5 548	3 991	(618)	179	4 430
Expected return on value of in-force business		3 368	3 210	158	—	2 585	2 406	179	—
Expected transfer of profit to adjusted net worth		—	(4 598)	—	4 598	—	(3 693)	—	3 693
Operating experience variances	3	991	(82)	(4)	1 077	1 021	206	(31)	846
Operating assumption changes	4	522	581	68	(127)	385	463	31	(109)
Expected investment return on adjusted net worth		1 179	—	—	1 179	935	—	—	935
<b>Embedded value earnings from operations</b>		<b>7 652</b>	<b>2 984</b>	<b>2</b>	<b>4 666</b>	6 246	2 394	(7)	3 859
Economic assumption changes	5	86	74	—	12	(1 077)	(1 042)	(52)	17
Tax changes		(6)	(2)	—	(4)	88	67	—	21
Investment variances – value of in-force		557	160	1	396	2 387	2 029	(110)	468
Investment variances – investment return on adjusted net worth		118	—	—	118	1 247	—	—	1 247
Goodwill from business		(162)	(167)	7	(2)	—	—	—	—
Exchange rate movements		(6)	(4)	(2)	—	237	259	(22)	—
<b>Embedded value earnings from covered business</b>		<b>8 239</b>	<b>3 045</b>	<b>8</b>	<b>5 186</b>	9 128	3 707	(191)	5 612
Acquired value of in-force		1 358	589	(55)	824	79	72	(7)	14
Transfers from/(to) other Group operations		(106)	(55)	—	(51)	44	44	—	—
Transfers from covered business		(4 573)	—	—	(4 573)	(4 772)	—	—	(4 772)
<b>Embedded value of covered business at the end of the period</b>		<b>48 393</b>	<b>34 299</b>	<b>(3 092)</b>	<b>17 186</b>	43 475	30 720	(3 045)	15 800
<b>Analysis of earnings from covered business</b>									
Sanlam Personal Finance		5 805	2 038	(32)	3 799	6 205	2 622	(137)	3 720
Sanlam Emerging Markets		932	211	39	682	1 251	486	(45)	810
Sanlam UK		147	68	(4)	83	326	181	3	142
Sanlam Employee Benefits		1 355	728	5	622	1 346	418	(12)	940
<b>Embedded value earnings from covered business</b>		<b>8 239</b>	<b>3 045</b>	<b>8</b>	<b>5 186</b>	9 128	3 707	(191)	5 612

## Value of new business

for the year ended 31 December 2014

R million	Note	2014	2013
<b>Value of new business (at point of sale):</b>			
<b>Gross value of new business</b>		<b>1 979</b>	1 654
Sanlam Personal Finance		1 191	1 090
Sanlam Emerging Markets		466	407
Sanlam UK		33	43
Sanlam Employee Benefits		289	114
<b>Cost of capital</b>		<b>(236)</b>	(204)
Sanlam Personal Finance		(107)	(104)
Sanlam Emerging Markets		(35)	(43)
Sanlam UK		(3)	(4)
Sanlam Employee Benefits		(91)	(53)
<b>Value of new business</b>		<b>1 743</b>	1 450
Sanlam Personal Finance		1 084	986
Sanlam Emerging Markets		431	364
Sanlam UK		30	39
Sanlam Employee Benefits		198	61
<i>Value of new business attributable to:</i>			
<b>Shareholders' fund</b>	2	<b>1 592</b>	1 320
Sanlam Personal Finance		1 084	986
Sanlam Emerging Markets		280	234
Sanlam UK		30	39
Sanlam Employee Benefits		198	61
<b>Non-controlling interest</b>		<b>151</b>	130
Sanlam Personal Finance		—	—
Sanlam Emerging Markets		151	130
Sanlam UK		—	—
Sanlam Employee Benefits		—	—
<b>Value of new business</b>		<b>1 743</b>	1 450
<b>Geographical analysis:</b>			
South Africa		1 282	1 047
Africa		409	361
Other international		52	42
<b>Value of new business</b>		<b>1 743</b>	1 450

## Value of new business continued

for the year ended 31 December 2014

R million	2014	2013
<b>Analysis of new business profitability:</b>		
<i>Before non-controlling interest:</i>		
<b>Present value of new business premiums</b>	<b>56 394</b>	44 902
Sanlam Personal Finance	<b>34 798</b>	30 789
Sanlam Emerging Markets	<b>5 673</b>	4 877
Sanlam UK	<b>3 978</b>	5 554
Sanlam Employee Benefits	<b>11 945</b>	3 682
<b>New business margin</b>	<b>3,09%</b>	3,23%
Sanlam Personal Finance	<b>3,12%</b>	3,20%
Sanlam Emerging Markets	<b>7,60%</b>	7,46%
Sanlam UK	<b>0,75%</b>	0,70%
Sanlam Employee Benefits	<b>1,66%</b>	1,66%
<i>After non-controlling interest:</i>		
<b>Present value of new business premiums</b>	<b>54 518</b>	43 197
Sanlam Personal Finance	<b>34 798</b>	30 789
Sanlam Emerging Markets	<b>3 797</b>	3 172
Sanlam UK	<b>3 978</b>	5 554
Sanlam Employee Benefits	<b>11 945</b>	3 682
<b>New business margin</b>	<b>2,92%</b>	3,06%
Sanlam Personal Finance	<b>3,12%</b>	3,20%
Sanlam Emerging Markets	<b>7,37%</b>	7,38%
Sanlam UK	<b>0,75%</b>	0,70%
Sanlam Employee Benefits	<b>1,66%</b>	1,66%

# Notes to the embedded value of covered business

for the year ended 31 December 2014

## 1. Value of in-force sensitivity analysis

	Gross value of in-force business R million	Cost of capital R million	Net value of in-force business R million	Change from base value %
<b>Base value at 31 December 2014</b>	<b>34 299</b>	<b>(3 092)</b>	<b>31 207</b>	
⌚ Risk discount rate increase by 1%	<b>32 429</b>	<b>(3 792)</b>	<b>28 637</b>	<b>(8)</b>
⌚ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	<b>35 445</b>	<b>(3 078)</b>	<b>32 367</b>	<b>4</b>
⌚ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	<b>33 042</b>	<b>(3 024)</b>	<b>30 018</b>	<b>(4)</b>
⌚ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	<b>34 806</b>	<b>(2 789)</b>	<b>32 017</b>	<b>3</b>
<i>Expenses and persistency</i>				
⌚ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	<b>35 415</b>	<b>(3 092)</b>	<b>32 323</b>	<b>4</b>
⌚ Discontinuance rates decrease by 10%	<b>35 292</b>	<b>(3 185)</b>	<b>32 107</b>	<b>3</b>
<i>Insurance risk</i>				
⌚ Mortality and morbidity decrease by 5% for life assurance business	<b>35 856</b>	<b>(3 074)</b>	<b>32 782</b>	<b>5</b>
⌚ Mortality and morbidity decrease by 5% for annuity business	<b>34 009</b>	<b>(3 130)</b>	<b>30 879</b>	<b>(1)</b>
<b>Base value at 31 December 2013</b>	<b>30 720</b>	<b>(3 045)</b>	<b>27 675</b>	
⌚ Risk discount rate increase by 1%	<b>28 907</b>	<b>(3 717)</b>	<b>25 190</b>	<b>(9)</b>
⌚ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	<b>31 645</b>	<b>(2 992)</b>	<b>28 653</b>	<b>4</b>
⌚ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	<b>29 570</b>	<b>(2 955)</b>	<b>26 615</b>	<b>(4)</b>
⌚ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	<b>31 273</b>	<b>(2 764)</b>	<b>28 509</b>	<b>3</b>
<i>Expenses and persistency</i>				
⌚ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	<b>31 714</b>	<b>(3 041)</b>	<b>28 673</b>	<b>4</b>
⌚ Discontinuance rates decrease by 10%	<b>31 627</b>	<b>(3 135)</b>	<b>28 492</b>	<b>3</b>
<i>Insurance risk</i>				
⌚ Mortality and morbidity decrease by 5% for life assurance business	<b>32 138</b>	<b>(3 034)</b>	<b>29 104</b>	<b>5</b>
⌚ Mortality and morbidity decrease by 5% for annuity business	<b>30 173</b>	<b>(3 025)</b>	<b>27 148</b>	<b>(2)</b>



## Notes to the embedded value of covered business continued

for the year ended 31 December 2014

### 2. Value of new business sensitivity analysis

	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
<b>Base value at 31 December 2014</b>	<b>1 812</b>	<b>(220)</b>	<b>1 592</b>	
⊖ Risk discount rate increase by 1%	1 596	(269)	1 327	(17)
⊖ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	1 911	(224)	1 687	6
<i>Expenses and persistency</i>				
⊖ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	1 922	(222)	1 700	7
⊖ Acquisition expenses (excluding commission and commission-related expenses) decrease by 10%	1 946	(222)	1 724	8
⊖ Discontinuance rates decrease by 10%	2 038	(231)	1 807	14
<i>Insurance risk</i>				
⊖ Mortality and morbidity decrease by 5% for life assurance business	1 968	(220)	1 748	10
⊖ Mortality and morbidity decrease by 5% for annuity business	1 775	(236)	1 539	(3)
R million			2014	2013
<b>3. Operating experience variances</b>				
Risk experience			842	645
Persistency			(64)	211
Maintenance expenses			22	6
Working capital and other			191	159
<b>Total operating experience variances</b>			<b>991</b>	<b>1 021</b>
<b>4. Operating assumption changes</b>				
Risk experience			167	655
Persistency			88	13
Maintenance expenses			32	26
Modelling improvements and other			235	(309)
<b>Total operating assumption changes</b>			<b>522</b>	<b>385</b>
<b>5. Economic assumption changes</b>				
Investment yields			86	(1 137)
Long-term asset mix assumptions and other			–	60
<b>Total economic assumption changes</b>			<b>86</b>	<b>(1 077)</b>

## 6. Reconciliation of growth from covered business

R million	2014	2013
The embedded value earnings from covered business reconciles as follows to the net result from financial services for the year:		
Net result from financial services of covered business	<b>3 889</b>	3 430
Sanlam Personal Finance	<b>3 110</b>	2 607
Sanlam Emerging Markets	<b>477</b>	484
Sanlam UK	<b>68</b>	62
Sanlam Employee Benefits	<b>234</b>	277
Investment return on adjusted net worth	<b>1 297</b>	2 182
Embedded value earnings from covered business: value of in-force	<b>3 053</b>	3 516
<b>Embedded value earnings from covered business</b>	<b>8 239</b>	9 128

## 7. Economic assumptions

	2014	2013
<b>Gross investment return, risk discount rate and inflation</b>		
<b>Sanlam Life</b>		
Point used on the relevant yield curve	<b>9 year</b>	9 year
Fixed-interest securities	<b>8,1%</b>	8,2%
Equities and offshore investments	<b>11,6%</b>	11,7%
Hedged equities	<b>8,6%</b>	8,7%
Property	<b>9,1%</b>	9,2%
Cash	<b>7,1%</b>	7,2%
Return on required capital	<b>9,1%</b>	9,2%
Inflation rate <sup>(1)</sup>	<b>6,1%</b>	6,2%
Risk discount rate	<b>10,6%</b>	10,7%

<sup>(1)</sup> Expense inflation of 8,1% (2013: 8,2%) assumed for retail business administered on old platforms.

## Notes to the embedded value of covered business continued

for the year ended 31 December 2014

### 7. Economic assumptions (continued)

	2014	2013
<b>SDM Limited</b>		
Point used on the relevant yield curve	<b>5 year</b>	5 year
Fixed-interest securities	<b>7,6%</b>	7,4%
Equities and offshore investments	<b>11,1%</b>	10,9%
Hedged equities	<b>n/a</b>	n/a
Property	<b>8,6%</b>	8,4%
Cash	<b>6,6%</b>	6,4%
Return on required capital	<b>8,9%</b>	8,7%
Inflation rate	<b>5,6%</b>	5,4%
Risk discount rate	<b>10,1%</b>	9,9%
<b>Sanlam Investments and Pensions</b>		
Point used on the relevant yield curve	<b>15 year</b>	15 year
Fixed-interest securities	<b>2,2%</b>	3,5%
Equities and offshore investments	<b>5,4%</b>	6,7%
Hedged equities	<b>n/a</b>	n/a
Property	<b>5,4%</b>	6,7%
Cash	<b>2,2%</b>	3,5%
Return on required capital	<b>2,2%</b>	3,5%
Inflation rate	<b>2,9%</b>	3,4%
Risk discount rate	<b>5,9%</b>	7,2%
<b>Botswana Life Insurance</b>		
Fixed-interest securities	<b>7,5%</b>	8,0%
Equities and offshore investments	<b>11,0%</b>	11,5%
Hedged equities	<b>n/a</b>	n/a
Property	<b>8,5%</b>	9,0%
Cash	<b>6,5%</b>	7,0%
Return on required capital	<b>8,8%</b>	8,1%
Inflation rate	<b>4,5%</b>	5,0%
Risk discount rate	<b>11,0%</b>	11,5%

#### Illiquidity premiums

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

Assumed illiquidity premiums generally amount to between 25bps and 55bps (2013: 25bps and 50bps) for non-participating annuities, between 25bps and 75bps (2013: 25bps to 50bps) for inflation-linked annuities and between 50bps and 110bps (2013: 25bps and 110bps) for guaranteed plans.

## 7. Economic assumptions (continued)

### Asset mix for assets supporting required capital

	2014	2013
<b>Sanlam Life</b>		
Equities	26%	26%
Offshore investments	10%	10%
Hedged equities	13%	13%
Fixed-interest securities	15%	15%
Cash	36%	36%
	<b>100%</b>	100%
<b>SDM Limited</b>		
Equities	50%	50%
Cash	50%	50%
	<b>100%</b>	100%
<b>Sanlam Life and Pensions</b>		
Cash	100%	100%
	<b>100%</b>	100%
<b>Botswana Life Insurance</b>		
Equities	50%	15%
Property	–	10%
Fixed-interest securities	–	25%
Cash	50%	50%
	<b>100%</b>	100%



