

Independent auditors' report on the Sanlam Limited shareholders' information

➤ To the directors of Sanlam Limited

We have audited the accompanying Sanlam Limited Shareholders' information (Shareholders' information) set out on pages 108 to 161 for the year ended 31 December 2014, comprising Group Equity Value; Change in Group Equity Value; Return on Group Equity Value; Group Equity Value sensitivity analysis; Shareholders' fund at fair value; Shareholders' fund at net asset value; Shareholders' fund income statement; Embedded value of covered business; Change in embedded value of covered business; Value of new business; and notes thereto and a summary of significant accounting policies and other explanatory information. The Shareholders' information has been prepared by the directors of Sanlam Limited using the basis of accounting set out on pages 108 to 117.

➤ Directors' responsibility for the shareholders' information

The directors are responsible for the preparation of the Shareholders' information in accordance with the basis of accounting described on pages 108 to 117, for determining that the basis of accounting is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the Shareholders' information that are free from material misstatement, whether due to fraud or error.

➤ Auditors' responsibility

Our responsibility is to express an opinion on the Shareholders' information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Shareholders' information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Shareholders' information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Shareholders' information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Shareholders' information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Shareholders' information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Opinion

In our opinion, the Sanlam Limited Shareholders' information for the year ended 31 December 2014 was prepared, in all material respects, in accordance with the basis of accounting described on pages 108 to 117 of the Sanlam Limited Shareholders' information.

Basis of accounting

Without modifying our opinion, we draw attention to pages 108 to 117 of the Sanlam Limited Shareholders' information which describes the basis of accounting. The Sanlam Limited Shareholders' Information was prepared to provide additional information in respect of the Group shareholders' fund in a format that corresponds with that used by management in evaluating the performance of the Group. As a result, the Sanlam Limited Shareholders' information may not be suitable for another purpose.

Other matter

Sanlam Limited has prepared a separate set of consolidated and separate annual financial statements for the year ended 31 December 2014, in accordance with International Financial Reporting Standards, on which we issued a separate auditors' report to the shareholders of Sanlam Limited, dated 4 March 2015.

Ernst & Young Inc.

Ernst & Young Inc.

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

Ernst & Young House
35 Lower Long Street
Cape Town

4 March 2015

Basis of accounting – Shareholders' information

The purpose of this section is to provide additional information to users in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group and is additional information to the financial statements prepared in terms of IFRS.

It includes analysis of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements on pages 214 to 351 are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information to users of Sanlam's financial information.

The Group also discloses Group Equity Value (GEV) information. The Group's key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and Return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. In the directors' view GEV more accurately reflects the performance of the Group than results presented under IFRS and provides a more meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows more explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

The shareholders' information also includes the embedded value of covered business (EV), change in EV and value of new business.

A glossary containing explanations of technical terms used in these financial statements is presented on page 352.

➤ Basis of accounting – shareholders' information

The basis of accounting and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out on pages 264 to 283, apart from the specific items described under separate headings in this section.

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

The application of the basis of accounting of the shareholders' information is also consistent with that applied in the 2013 integrated report, apart from the following:

- Sanlam Investments 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.
- 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 not relevant anymore to disclose this particular type of administration business separately. Comparative information has been restated accordingly.
- Sanlam UK reclassified business written by Sanlam Financial Services 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.



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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.

The shareholders' fund information includes the following:

- ④ Group Equity Value (refer page 118)
- ④ Change in Group Equity Value (refer page 119)
- ④ Return on Group Equity Value (refer page 120)
- ④ Shareholders' fund financial statements consisting of the Shareholders' fund at fair value (refer page 122), Shareholders' fund at net asset value (refer page 124), Shareholders' fund income statement (refer page 126) and related notes
- ④ Embedded value of covered business, change in embedded value of covered business, value of new business and notes thereto.

Group Equity Value

GEV is the aggregate of the following components:

- ④ The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- ④ The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, general insurance and the non-covered wealth management operations of the Group; and
- ④ The fair value of discretionary and other capital. Discretionary capital represents management's assessment of capital in excess of that required for current operations of the Group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders.

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- ④ Adjustments to net worth; and
- ④ Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as

the embedded value of covered business does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

The GEV is inherently based on estimates and assumptions, as set out in this basis of preparation and as also disclosed under critical accounting estimates and judgements in the annual financial statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analyses are provided for changes from the base estimates and assumptions within the Shareholders' information.

④ Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after-tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses.

Share incentive schemes granted on subsidiaries' own shares

Where Group subsidiaries grant share incentives to staff on the entities' own shares, the fair value of the outstanding incentives at year-end is deducted in determining GEV. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations as appropriate.

Share incentive schemes granted on Sanlam shares

Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of the outstanding instruments at year-end. The expected

Basis of accounting – Shareholders’ information continued

cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in Group Equity Value

The Change in Group Equity Value consists of the embedded value earnings from covered business, earnings from other Group operations on a fair value basis, earnings on discretionary and other capital and capital transactions with shareholders.

Return on Group Equity Value

The RoGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period.

Shareholders’ fund at net asset value, income statement and related information

The analysis of the shareholders’ fund at net asset value and the related shareholders’ fund income statement reflects the consolidated financial position and earnings of the shareholders’ fund, based on accounting policies consistent with those on pages 264 to 283, apart from the following:

➤ Basis of consolidation

The shareholders’ funds of Group companies are consolidated in the analysis of the Sanlam Group shareholders’ fund at net asset value. The policyholders’ and outside shareholders’ interests in these companies are treated as non-controlling shareholders’ interest on consolidation.

The segmental analysis of the shareholders’ fund at net asset value is consistent with the Group’s operational management structure.

➤ Consolidation reserve

In terms of IFRS, the policyholders’ fund’s investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a

consequential impact on the Group’s shareholders’ fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders’ fund at net asset value as the related policyholder investments are recognised as equity instruments at fair value. The fund transfers between the shareholders’ and policyholders’ fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders’ fund’s normalised earnings.

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

➤ Target shares

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

➤ Equity participation costs

The establishment and growth of certain niche and specialised Group businesses are materially linked to and dependent on the continued involvement of a few key specialist staff members. To retain and appropriately incentivise these individuals, they are in exceptional cases granted participation schemes through which they effectively share in the value created within these businesses. The cost associated with the equity participation schemes is in substance similar to intangible assets recognised in a business combination and commensurately not part of the Group’s operational performance. The change in fair value of the equity participation schemes is therefore excluded from the net result from financial services and recognised as equity participation costs in the shareholder’s fund income statement. Equity participation costs also include the IFRS 2 expense associated with black economic empowerment transactions.



Segregated funds

Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are also excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are however included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, Shriram Capital (including the Group's direct interest in Shriram Transport Finance Company), Pacific & Orient, Capricorn Investment Holdings, Letshego, Enterprise Insurance, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted earnings from operating associates and joint ventures are included in the net result from financial services.
- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Santam Group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's shares of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share

As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with

the treasury shares held by the policyholders' fund. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period. The Group therefore calculates normalised diluted earnings per share to eliminate fund transfers relating to the investments in Sanlam shares and Group subsidiaries held by the policyholders' fund.

Fund flows

The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

Funds received from clients

Funds received from clients include single and recurring life and general insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked-products as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

In the case of long-term insurance business the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded, is regarded as new business.

All segregated fund inflows, inflows to collective investment schemes and general insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Basis of accounting – Shareholders’ information continued

Payments to clients

Payments to clients include policy benefits paid in respect of life and general insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance linked-products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

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

Shareholders’ fund at fair value

The shareholders’ fund at fair value is prepared from the consolidated shareholders’ fund at net asset value by replacing the net asset value of the other Group operations that are not part of covered business, with the fair value of these businesses. Fair values for listed businesses are determined by using stock exchange prices or directors’ valuations and for unlisted businesses by using directors’ valuations. Where directors’ valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

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

Estimates and judgements are regularly updated to reflect latest experience. It is reasonably possible that actual outcomes in future financial years may differ from current estimates and assumptions, possibly significantly, which could require a material adjustment to the business valuations.

The appropriateness of the valuations is regularly tested through the Group’s approval framework, in terms of which the valuations of investments is reviewed and recommended for approval by the Audit, Actuarial and Finance committee and Board by the Sanlam Non-Listed Asset Controlling Body.

Businesses may comprise legal entities or components of legal entities as determined by the directors.

➤ Basis of accounting and presentation – embedded value of covered business

The Group’s embedded value of covered business information is prepared in accordance with APN107 (version 7), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group’s long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

The embedded value results of the Group’s covered business are included in the shareholders’ information as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The embedded value of covered business does not include the contribution to GEV relating to other Group operations or discretionary and other capital, which are included separately in the analysis of GEV.

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2013 financial statements.



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Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. This business includes individual stable bonus, linked and market-related business, reversionary bonus business, group stable bonus business, annuity business and other non-participating business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits.

Covered business excludes the value of investment products provided under a life insurance policy where there is very little or no insurance risk.

Acquisitions, disposals and other movements

The embedded value of covered business results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

Embedded value of covered business

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

- ④ Adjusted net worth (ANW); and
- ④ The net value of in-force business.

Adjusted net worth

ANW comprises the required capital supporting the covered business and is equal to the net value of assets allocated to covered business that does not back policy liabilities.

The required capital allocated to covered business reflects the level of capital considered sufficient to support the covered business, allowing for an assessment of the market, credit, insurance and operational risks inherent in the underlying products, subject to a minimum level of the local statutory solvency requirement for each business.

Sanlam applies stochastic modelling techniques on an ongoing basis to assist in determining and confirming the most appropriate capital levels for the covered business. The modelling target is set to maintain supporting capital at such a level that will ensure, within a 95% confidence level, that it will at all times cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over the following 10 years. The capital allocated to covered business includes an allowance for capital required in respect of future new business.

The capital allocated to covered business is funded from a balanced investment portfolio, comprising investments in equities, hedged equities, fixed interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- ④ Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- ④ Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework.

Net value of in-force business

The net value of in-force business consists of:

- ④ The present value of future shareholder profits from in-force covered business (PVIF), after allowance for
- ④ The cost of required capital supporting the covered business.

Present value of future shareholder profits from in-force covered business

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins,

Basis of accounting – Shareholders' information continued

which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

The PVIF excludes the cost of required capital, which is separately disclosed.

Cost of required capital

A charge is deducted from the embedded value of covered business for the cost of required capital supporting the Group's existing covered business. The cost is the difference between the carrying value of the required capital at the valuation date and the discounted value, using a risk-adjusted discount rate, of the projected releases of the capital allowing for the assumed after-tax investment return on the assets deemed to back the required capital over the life of the in-force business.

Value of new business

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

- ④ A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- ④ Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- ④ Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- ④ The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- ④ Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy

benefit payments at their respective maturity dates;

- ④ For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- ④ Renewable recurring premiums under Group insurance contracts are treated as in-force business; and
- ④ Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 1 on page 128, excluding white label new business.

Risk discount rates and allowance for risk

In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- ④ Explicit allowances within the projected shareholder cash flows;
- ④ The level of required capital and the impact on cost of required capital; and
- ④ The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.



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To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

Minimum investment guarantees to policyholders

An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market consistent basis in accordance with actuarial guidance from the Actuarial Society (APN110). No further deduction from the embedded value of covered business is therefore required.

Share incentive schemes

The embedded value of covered business assumes the payment of long-term incentives in the future and allows for the expected cost of future grants within the value of in-force covered business and value of new business.

Sensitivity analysis

Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate.

Foreign currencies

Changes in the embedded value of covered business, as well as the present value of new business premiums, of foreign operations are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the embedded value of covered business, in which instances the exchange rate on transaction date is used. The closing rate is used for the conversion of the embedded value of covered business at the end of the financial year.

Assumptions

Best estimate assumptions

The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported embedded value of covered business. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

Economic assumptions

The assumed investment return on assets supporting the policy liabilities and required capital is based on the assumed long-term asset mix for these funds.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long-term gap relative to fixed-interest securities.

Basis of accounting – Shareholders' information continued

Future rates of bonuses for traditional participating business, stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at each valuation date.

Assets backing required capital

The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the assumed long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Demographic assumptions

Future mortality, morbidity and discontinuance rates are based on recent experience where appropriate.

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design. Premiums on individual business are assumed to be rerated, where applicable, in line with deterioration in mortality, with a three-year delay from the point where mortality losses would be experienced.

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The split between acquisition, maintenance and extraordinary project expenses is consistent with the statutory valuation assumptions and based on actual expenses incurred.

Project expenses

In determining the value of in-force covered business, the present value of projected expenses for certain planned projects focusing on both administration and existing distribution platforms of the life insurance business is deducted. Although these projects are of a short-term nature, similar

projects may be undertaken from time-to-time. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Special development costs that relate to investments in new distribution platforms are not allowed for in the projections. The actual costs relating to these projects are recognised in the earnings from covered business on an accrual basis.

Investment management fees

Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investments, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investments businesses at fair value.

Taxation

Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five-year roll-over period.

No allowance was made for tax changes announced by the Minister of Finance in his budget speech in February 2015.

➤ Earnings from covered business

The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into the following main components:

Value of new business

The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.



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Net earnings from existing covered business

Expected return on value of covered business

The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

Operating experience variances

The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

Operating assumption changes

Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.

Expected investment return on adjusted net worth

The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

The total embedded value earnings from covered business include two further main items:

Economic assumption changes

The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the embedded value of covered business.

Investment variances

Investment variances – value of in-force

The impact on the value of in-force business caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

Investment variances – investment return on adjusted net worth

Investment return variances caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

Group Equity Value

at 31 December 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 ⁽¹⁾		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 ⁽¹⁾		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 ⁽¹⁾		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)	—
Group Equity Value		95 936	64 729	31 207	84 409	56 734	27 675
Value per share (cents)	9	4 684	3 160	1 524	4 121	2 770	1 351
Analysis per type of business							
Covered business ⁽¹⁾		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	—
Group Equity Value		95 936	64 729	31 207	84 409	56 734	27 675

⁽¹⁾ Refer embedded value of covered business on page 153.



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Change in Group Equity Value

for the year ended 31 December 2014

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

⁽¹⁾ Refer embedded value of covered business on page 154.

Return on Group Equity Value

for the year ended 31 December 2014

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

⁽¹⁾ Refer embedded value of covered business on page 154.

R million	2014	2013
Reconciliation of Return on Group Equity Value:		
The Return on Group Equity Value reconciles as follows to normalised attributable earnings:		
Normalised attributable earnings per shareholders' fund income statement on page 126	8 744	8 129
Net foreign currency translation gains recognised in other comprehensive income	536	899
Earnings recognised directly in equity		
Share-based payment transactions	82	168
Net cost of treasury shares delivered	(294)	(161)
Share-based payments	376	329
Other comprehensive income	128	—
Change in ownership of subsidiaries	(56)	4
Movement in fair value adjustment – shareholders' fund at fair value	3 200	680
Movement in adjustments to net worth	(104)	(49)
Present value of holding company expenses	(178)	(225)
Change in goodwill and value of business acquired adjustments less value of in-force acquired	74	176
Growth from covered business: value of in-force ⁽¹⁾	3 053	3 516
Return on Group Equity Value	15 583	13 347

⁽¹⁾ Refer embedded value of covered business on page 154.

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 157.

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

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
Covered business, discretionary and other capital		28 691	112	28 579	26 393	112	26 281
Property and equipment		360	—	360	356	—	356
Owner-occupied properties		470	—	470	564	—	564
Goodwill ⁽²⁾		648	—	648	474	—	474
Value of business acquired ⁽²⁾		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)
Other Group operations		39 346	19 998	19 348	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 ⁽⁴⁾		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
Shareholders' fund at fair value		68 037	20 110	47 927	59 388	16 849	42 539
Value per share (cents)	9	3 322	982	2 340	2 900	823	2 077



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R million	2014			2013		
	Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
Reconciliation to Group Equity Value						
Group Equity Value	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 ⁽³⁾	210	210	—	210	210	—
Other	34	34	—	25	25	—
Less: Value of in-force	(31 207)	—	(31 207)	(27 675)	—	(27 675)
Shareholders' fund at fair value	68 037	68 037	—	59 388	59 388	—

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

⁽²⁾ The value of business acquired and goodwill relate mainly to the consolidation of Sanlam 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.

⁽³⁾ 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.

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

Shareholders' fund at net asset value

at 31 December 2014

R million	Note	Sanlam Life ⁽¹⁾		Sanlam Emerging Markets ⁽²⁾		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)
Shareholders' fund at net asset value		28 698	27 022	12 463	8 637	4 443	3 941
Analysis of shareholders' fund							
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	—	—
Shareholders' fund at net asset value		28 698	27 022	12 463	8 637	4 443	3 941
Consolidation reserve		—	—	—	—	—	—
Shareholders' fund per Group statement of financial position on page 284		28 698	27 022	12 463	8 637	4 443	3 941

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

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



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Investment Management		Capital Management		Corporate and Other ⁽³⁾		Consolidation entries ⁽⁴⁾		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

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

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

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)
Result from financial services before tax		4 801	4 055
Tax on result from financial services		(1 325)	(1 127)
Result from financial services after tax		3 476	2 928
Non-controlling interest		—	(8)
Net result from financial services		3 476	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		—	—
Net investment surpluses		2 406	1 965
Investment surpluses – Group companies		1 964	997
Other investment surpluses		558	1 194
Tax on investment surpluses		(116)	(226)
Non-controlling interest		—	—
Normalised headline earnings		6 578	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		—	—
Normalised attributable earnings		6 578	5 536
Fund transfers		—	—
Attributable earnings per Group statement of comprehensive income		6 578	5 536
Ratios			
Admin ratio ⁽¹⁾		31,3%	32,0%
Operating margin ⁽²⁾		40,0%	36,8%
Diluted earnings per share	8		
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		169,9	143,1

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

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

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Sanlam Emerging Markets		Sanlam Investments		Santam		Corporate and Other ⁽³⁾		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

⁽³⁾ Corporate and Other includes the consolidation entries in respect of the dividends received and the investment surpluses on the Sanlam Limited shares held by Sanlam Life Insurance Limited.

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 ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Sanlam Personal Finance	25 145	21 498	—	—	27 421	21 009	52 566	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
Sanlam Emerging Markets	3 286	2 862	1 402	842	4 571	6 045	9 259	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	—
Sanlam Investments	13 859	7 327	—	—	89 391	78 643	103 250	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 ⁽³⁾	—	—	—	—	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
Santam	—	—	17 222	16 750	—	—	17 222	16 750
Total new business	42 290	31 687	18 624	17 592	121 383	105 697	182 297	154 976

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

⁽²⁾ Includes life licence 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.

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

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

⁽²⁾ Includes life licence 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.

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

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

⁽²⁾ Includes life licence 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.

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



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Shareholders' information

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1. Business volumes (continued)

1.3 Analysis of net inflow/(outflow) of funds

R million	Life insurance ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Sanlam Personal Finance	8 214	6 538	–	–	11 366	8 455	19 580	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
Sanlam Emerging Markets	2 214	1 541	367	172	1 390	81	3 971	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
Sanlam Investments	8 002	2 482	–	–	4 097	1 702	12 099	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 ⁽³⁾	–	–	–	–	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
Santam	–	–	6 344	5 142	–	–	6 344	5 142
Total net inflow	18 430	10 561	6 711	5 314	16 853	10 238	41 994	26 113

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

⁽²⁾ Includes life licence 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.

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



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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 ⁽¹⁾	Dividend paid	GEV at the end of period
2014					
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
Group Equity Value	35 666	6 372	(187)	(3 398)	38 453
2013					
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
Group Equity Value	32 762	6 721	(834)	(2 983)	35 666

⁽¹⁾ 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
Sanlam Sky	5 153	4 951	1 127	1 155	2 635	2 880
Individual life	220 820	205 510	12 443	11 328	(1 372)	(1 826)
Life insurance operations	218 503	203 319	12 137	11 019	(1 354)	(1 908)
Investment operations	2 317	2 191	306	309	(18)	82
Glacier	156 904	127 373	38 996	30 024	18 317	13 939
Life insurance operations	67 656	55 360	11 881	9 324	6 933	5 566
Investment operations	89 248	72 013	27 115	20 700	11 384	8 373
Total	382 877	337 834	52 566	42 507	19 580	14 993
Life insurance operations	291 312	263 630	25 145	21 498	8 214	6 538
Investment operations	91 565	74 204	27 421	21 009	11 366	8 455
	382 877	337 834	52 566	42 507	19 580	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
Sanlam Personal Loans		
Size of loan book (R million)	3 984	3 608
Interest margin	16,5%	16,7%
Bad debt ratio	5,6%	5,1%
Administration cost as % of net interest	27,9%	29,9%

2.2 Sanlam Emerging Markets

Analysis of attributable earnings

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



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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 ⁽¹⁾	Dividend paid	GEV at the end of period
2014					
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
Group Equity Value	10 189	2 910	2 194	(722)	14 571
2013					
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
Group Equity Value	6 105	2 246	2 473	(635)	10 189

⁽¹⁾ 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
Total	61 696	45 532	7 857	8 907	3 604	1 622

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 126 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 ⁽¹⁾	517	439
Wealth Management	163	142
International	242	164
Support services	(7)	(5)
Capital Management	251	222
Asset Management operations	1 166	962
Covered business:		
Sanlam Employee Benefits	234	277
Sanlam UK	68	62
Sanlam Investments total	1 468	1 301

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



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	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 ⁽¹⁾	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
Asset Management operations	761 504	677 055
Covered business:		
Sanlam Employee Benefits	74 115	59 139
Sanlam UK	39 787	35 550
Sanlam Investments total	875 406	771 744

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

⁽¹⁾ 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	2013	2014	2013	2014	2013	2014	2013
R million	R million	R million	R million	%	%	%	%
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
Analysis of attributable earnings		
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
Normalised attributable earnings	620	951
Analysis of premiums		
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
Risk	—	—
Sanlam Investments and Pensions (included in Investment Management above)		
Analysis of attributable earnings		
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
Normalised attributable earnings	71	63



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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 ⁽²⁾	Dividend paid	GEV at the end of period
2014					
Investment Management	11 648	2 075	(154)	(772)	12 797
Investment Management SA ⁽¹⁾	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
Group Equity Value	17 971	3 671	(267)	(1 253)	20 122
2013					
Sanlam Investment Management	10 310	2 628	(262)	(1 028)	11 648
Investment Management SA ⁽¹⁾	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
Group Equity Value	16 424	4 204	(850)	(1 807)	17 971

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

⁽²⁾ 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
Business volumes		
Net earned premiums	17 222	16 750
Net fund flows	6 344	5 142
Analysis of earnings		
Gross result from financial services	1 968	835
Ratios		
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
Valuation method		
Ratio of price to assets under management	10 802	9 490
Sanlam Investments	10 334	9 040
Investment Management SA ⁽¹⁾	4 610	4 759
Wealth Management	2 360	1 839
International	3 279	2 351
Capital Management	85	91
Sanlam Emerging Markets	468	450
Discounted cash flows	12 433	10 250
Sanlam Investments	1 175	1 419
Investment Management SA ⁽¹⁾	238	236
Wealth Management	162	266
International	775	917
Sanlam Emerging Markets	8 249	6 198
Shriram Capital ⁽²⁾	5 595	4 219
Letshego ⁽²⁾	923	698
Pacific & Orient	704	622
Capricorn Investment Holdings ⁽²⁾	845	682
Other operations	182	(23)
Sanlam Personal Finance	3 009	2 633
Glacier	1 542	1 336
Sanlam Personal Loans	907	836
Other operations	560	461
Net asset value	1 518	611
Sanlam Investments	780	611
Investment Management SA ⁽¹⁾	(25)	(21)
International	205	107
Capital Management	600	525
Sanlam Emerging Markets	738	—
	24 753	20 351

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

⁽²⁾ 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.



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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
3.1 Investment in associated companies		
Shriram Capital and Shriram Transport Finance Company	5 648	4 597
Pacific & Orient	1 005	968
Capricorn Investment Holdings	844	780
Letshego	1 523	1 376
Other associated companies	1 931	1 232
Total investment in associated companies	10 951	8 953
Details of the investments in the material associated companies are reflected in note 7 on page 294 of the Sanlam Group financial statements.		
3.2 Investment in joint ventures		
Sanlam Personal Loans	626	542
Other joint ventures	–	16
Total investment in joint ventures	626	558

Details of the investments in material joint ventures are reflected in note 7 on page 297 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
Total offshore investments	6 922	4 753

3.4 Derivative instruments

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

R million	2014				Analysed by use		Total fair value of amounts
	Residual term to contractual maturity			Total notional amounts	Trading	Asset liability management	
	< 1 year	1 – 5 years	> 5 years				
Interest rate products over-the-counter	205	5 962	(1 078)	5 089	4 939	150	141
Market risk products							
Fence structures – bought	3 808	418	100	4 326	560	3 766	620
Total market risk products	3 808	418	100	4 326	560	3 766	620



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3. Investments (continued)

3.4 Derivative instruments (continued)

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

4. Financial services income

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

Notes to the shareholders' fund information continued

for the year ended 31 December 2014

6. Administration costs (continued)

R million	2014	2013
Depreciation included in administration costs:		
Sanlam Personal Finance	93	94
Sanlam Emerging Markets	40	25
Sanlam Investments	19	19
Santam	58	67
	210	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)
Total investment income	1 330	1 202
Interest expense netted off against investment income	379	462

8. Normalised diluted earnings per share

Cents	2014	2013
Normalised diluted earnings per share:		
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		
Analysis of normalised earnings (refer shareholders' fund income statement on page 126):		
Net result from financial services	6 879	5 429
Headline earnings	8 340	8 060
Profit attributable to shareholders' fund	8 744	8 129
Reconciliation of normalised headline earnings:		
Headline earnings per note 28 on page 317	8 325	8 062
Add/(less): Fund transfers	15	(2)
Normalised headline earnings	8 340	8 060
Million		
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer note 28 on page 317)	2 022,8	2 026,7
Add: Weighted average Sanlam shares held by policyholders	23,4	13,9
Adjusted weighted average number of shares for normalised diluted earnings per share	2 046,2	2 040,6



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9. Value per share

R million	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.		
Number of shares for value per share		
Number of ordinary shares in issue	2 166,5	2 100,0
Shares held by subsidiaries in shareholders' fund	(142,1)	(146,6)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	23,9	28,6
Convertible deferred shares held by Ubuntu-Botho	—	66,5
Adjusted number of shares for value per share	2 048,3	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 ⁽¹⁾	IFRS adjustments ⁽²⁾
Net income	92 060	48 813	41 428	1 819
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)
Net insurance and investment contract benefits and claims	(58 626)	(17 453)	(41 185)	12
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
Expenses	(20 811)	(17 639)	—	(3 172)
Sales remuneration	(6 442)	(5 323)	—	(1 119)
Administration costs	(14 369)	(12 316)	—	(2 053)
Impairments	(140)	(101)	—	(39)
Amortisation of intangibles	(240)	(210)	—	(30)
Net operating result	12 243	13 410	243	(1 410)
Equity-accounted earnings	1 603	88	—	1 515
Finance cost – other	(517)	—	—	(517)
Profit before tax	13 329	13 498	243	(412)
Tax expense	(3 534)	(3 490)	(243)	199
Shareholders' fund	(3 007)	(3 490)	—	483
Policyholders' fund	(527)	—	(243)	(284)
Profit from continuing operations	9 795	10 008	—	(213)
Profit for the year	9 795	10 008	—	(213)
Attributable to:				
Shareholders' fund	8 729	8 744	—	(15)
Non-controlling interest	1 066	1 264	—	(198)
	9 795	10 008	—	(213)

⁽¹⁾ Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group statement of comprehensive income.

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



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Year ended 31 December 2013

Total	Shareholder activities	Policyholder activities ⁽¹⁾	IFRS adjustments ⁽²⁾
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 ⁽¹⁾	Consolidation reserve
Assets				
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	—
Total assets	611 253	111 101	502 042	(1 890)
Equity and liabilities				
Shareholders' fund	46 037	47 927	—	(1 890)
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	—
Total equity and liabilities	611 253	111 101	502 042	(1 890)

⁽¹⁾ Includes the impact of the consolidation of funds in terms of IFRS 10.



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31 December 2013			
Total	Shareholder activities	Policyholder activities ⁽¹⁾	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 126	IFRS adjust- ments (refer note 12.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the holding companies or subsidiaries are located.			
2014	45 713	3 970	49 683
South Africa	38 587	4 882	43 469
Rest of Africa	4 122	(446)	3 676
Other international ⁽¹⁾	3 004	(466)	2 538
2013	42 104	3 000	45 104
South Africa	36 640	3 716	40 356
Rest of Africa	3 448	(316)	3 132
Other international ⁽¹⁾	2 016	(400)	1 616

R million	Per analysis of share- holders' fund on page 124	Policy- holders' fund	Total
Non-current assets⁽²⁾			
2014	12 335	1 116	13 451
South Africa	8 465	437	8 902
Rest of Africa	231	187	418
Other international ⁽¹⁾	3 639	492	4 131
2013	9 985	157	10 142
South Africa	8 371	—	8 371
Rest of Africa	182	157	339
Other international ⁽¹⁾	1 432	—	1 432

R million	2014	2013
Attributable earnings (per shareholders' fund income statement on page 126)	8 729	8 131
South Africa	6 920	6 641
Rest of Africa	797	918
Other international ⁽¹⁾	1 012	572

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

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



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Embedded value of covered business

at 31 December 2014

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

⁽¹⁾ Sanlam UK and Sanlam Employee Benefits are part of the Sanlam Investments cluster.

⁽²⁾ Excludes subordinated debt funding of Sanlam Life.

Change in embedded value of covered business

for the year ended 31 December 2014

R million	Note	2014				2013			
		Total	Value of in-force	Cost of capital	Adjusted net worth	Total	Value of in-force	Cost of capital	Adjusted net worth
Embedded value of covered business at the beginning of the year									
		43 475	30 720	(3 045)	15 800	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
Embedded value earnings from operations									
		7 652	2 984	2	4 666	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)	—
Embedded value earnings from covered business									
		8 239	3 045	8	5 186	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)
Embedded value of covered business at the end of the period									
		48 393	34 299	(3 092)	17 186	43 475	30 720	(3 045)	15 800
Analysis of earnings from covered business									
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
Embedded value earnings from covered business									
		8 239	3 045	8	5 186	9 128	3 707	(191)	5 612

Value of new business

for the year ended 31 December 2014

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



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Value of new business continued

for the year ended 31 December 2014

R million	2014	2013
Analysis of new business profitability:		
<i>Before non-controlling interest:</i>		
Present value of new business premiums	56 394	44 902
Sanlam Personal Finance	34 798	30 789
Sanlam Emerging Markets	5 673	4 877
Sanlam UK	3 978	5 554
Sanlam Employee Benefits	11 945	3 682
New business margin	3,09%	3,23%
Sanlam Personal Finance	3,12%	3,20%
Sanlam Emerging Markets	7,60%	7,46%
Sanlam UK	0,75%	0,70%
Sanlam Employee Benefits	1,66%	1,66%
<i>After non-controlling interest:</i>		
Present value of new business premiums	54 518	43 197
Sanlam Personal Finance	34 798	30 789
Sanlam Emerging Markets	3 797	3 172
Sanlam UK	3 978	5 554
Sanlam Employee Benefits	11 945	3 682
New business margin	2,92%	3,06%
Sanlam Personal Finance	3,12%	3,20%
Sanlam Emerging Markets	7,37%	7,38%
Sanlam UK	0,75%	0,70%
Sanlam Employee Benefits	1,66%	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 %
Base value at 31 December 2014	34 299	(3 092)	31 207	
⌚ Risk discount rate increase by 1%	32 429	(3 792)	28 637	(8)
⌚ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	35 445	(3 078)	32 367	4
⌚ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	33 042	(3 024)	30 018	(4)
⌚ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	34 806	(2 789)	32 017	3
<i>Expenses and persistency</i>				
⌚ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	35 415	(3 092)	32 323	4
⌚ Discontinuance rates decrease by 10%	35 292	(3 185)	32 107	3
<i>Insurance risk</i>				
⌚ Mortality and morbidity decrease by 5% for life assurance business	35 856	(3 074)	32 782	5
⌚ Mortality and morbidity decrease by 5% for annuity business	34 009	(3 130)	30 879	(1)
Base value at 31 December 2013	30 720	(3 045)	27 675	
⌚ Risk discount rate increase by 1%	28 907	(3 717)	25 190	(9)
⌚ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	31 645	(2 992)	28 653	4
⌚ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	29 570	(2 955)	26 615	(4)
⌚ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	31 273	(2 764)	28 509	3
<i>Expenses and persistency</i>				
⌚ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	31 714	(3 041)	28 673	4
⌚ Discontinuance rates decrease by 10%	31 627	(3 135)	28 492	3
<i>Insurance risk</i>				
⌚ Mortality and morbidity decrease by 5% for life assurance business	32 138	(3 034)	29 104	5
⌚ Mortality and morbidity decrease by 5% for annuity business	30 173	(3 025)	27 148	(2)

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 %
Base value at 31 December 2014	1 812	(220)	1 592	
⊙ 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

3. Operating experience variances

Risk experience	842	645
Persistency	(64)	211
Maintenance expenses	22	6
Working capital and other	191	159

Total operating experience variances

991

1 021

4. Operating assumption changes

Risk experience	167	655
Persistency	88	13
Maintenance expenses	32	26
Modelling improvements and other	235	(309)

Total operating assumption changes

522

385

5. Economic assumption changes

Investment yields	86	(1 137)
Long-term asset mix assumptions and other	—	60

Total economic assumption changes

86

(1 077)



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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 per note 2 on page 132.	3 889	3 430
Sanlam Personal Finance	3 110	2 607
Sanlam Emerging Markets	477	484
Sanlam UK	68	62
Sanlam Employee Benefits	234	277
Investment return on adjusted net worth	1 297	2 182
Embedded value earnings from covered business: value of in-force	3 053	3 516
Embedded value earnings from covered business	8 239	9 128

7. Economic assumptions

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

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

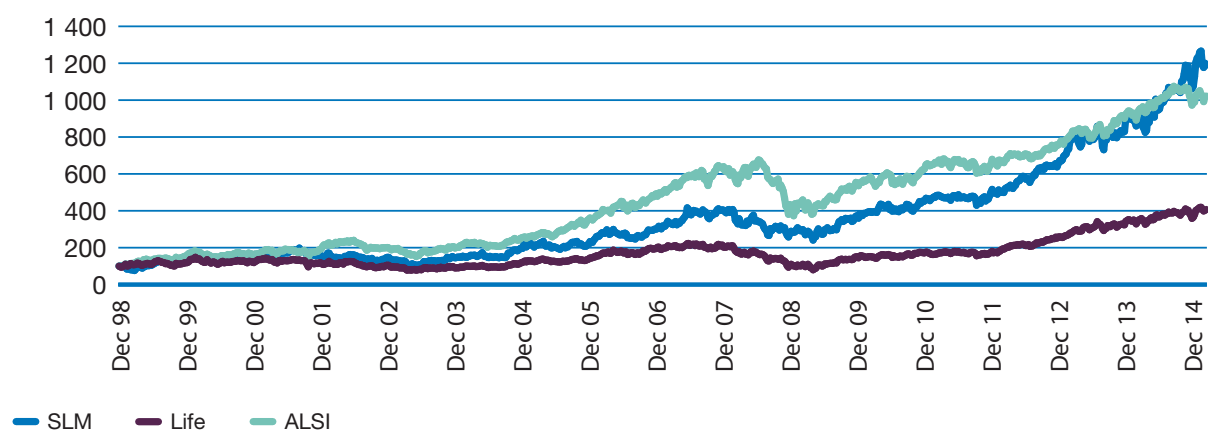
	2014	2013
Sanlam Life		
Equities	26%	26%
Offshore investments	10%	10%
Hedged equities	13%	13%
Fixed-interest securities	15%	15%
Cash	36%	36%
	100%	100%
SDM Limited		
Equities	50%	50%
Cash	50%	50%
	100%	100%
Sanlam Investments and Pensions		
Cash	100%	100%
	100%	100%
Botswana Life Insurance		
Equities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

Stock exchange performance

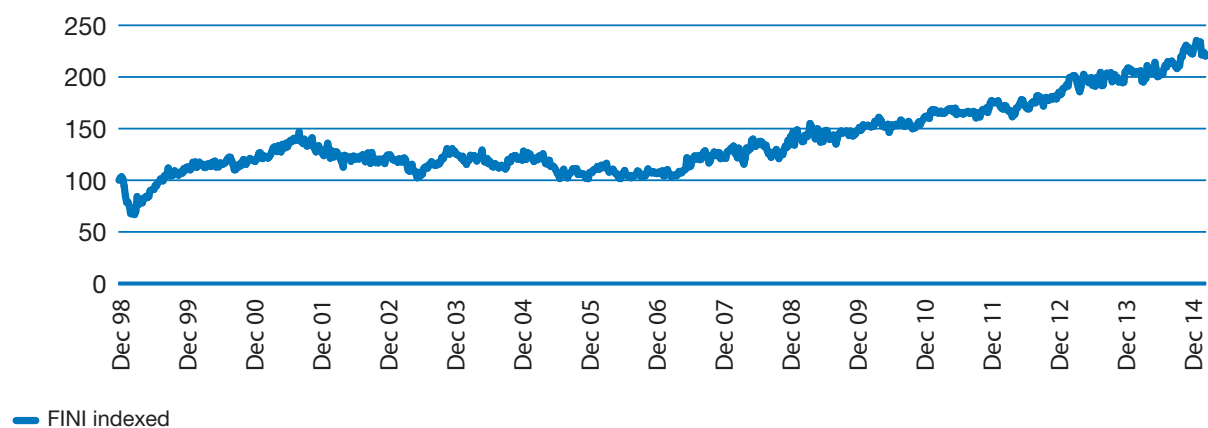
		2014	2013	2012	2011	2010	2009	2008	2007
Number of shares traded	million	1 086	1 247	1 160	1 082	1 059	1 259	1 490	1 474
Value of shares traded	R million	65 974	58 841	41 074	29 578	25 986	23 714	27 175	32 300
Percentage of issued shares traded	%	50	59	55	52	50	58	66	64
Price/earnings ratio	times	17,2	13,5	15,3	11,6	11,1	10,4	12,9	10,3
Return on Sanlam share price since listing ⁽¹⁾	%	21	20	20	17	17	17	14	19
Market price	cps								
– Year-end closing price		7 000	5 324	4 477	2 885	2 792	2 275	1 700	2 275
– Highest closing price		7 344	5 518	4 550	3 016	2 829	2 305	2 330	2 412
– Lowest closing price		4 495	4 051	2 831	2 414	2 200	1 351	1 390	1 803
Market capitalisation at year-end	R million	151 653	111 804	94 017	60 585	58 632	49 140	37 232	52 407

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

Sanlam vs ALSI vs Life Assurance index



FINI (indexed)





Analysis of shareholders

at 31 December 2014

Distribution of shareholding	Total shareholders		Total shares held	
	Number	%	Number	%
1 – 1000	420 657	86,60	158 390 754	7,31
1 001 – 5 000	57 436	11,82	112 667 824	5,20
5 001 – 10 000	4 758	0,98	32 714 606	1,50
10 001 – 50 000	2 154	0,44	40 421 810	1,87
50 001 – 100 000	265	0,05	18 895 037	0,87
100 001 – 1 000 000	404	0,08	122 955 908	5,68
1 000 001 and over	139	0,03	1 680 425 867	77,57
Total	485 813	100,00	2 166 471 806	100,00

Public and non-public shareholders	% shareholding
Public shareholders (460 240)	64,97
Non-public shareholders	
Directors' interest	0,49
Held by subsidiaries	6,66
Employee pension funds	0,06
Sanlam Limited Share Incentive Trust	1,15
Government Employees Pension Fund (PIC)	13,17
Ubuntu-Botho Investments (Pty) Limited	13,50
Total	100,00

Shareholder structure

Institutional and other shareholding	
Offshore	35,27
South Africa	51,27
Individuals	13,46
Total	100,00

Beneficial shareholding of 5% or more

– Government Employees Pension Fund (PIC)	13,17
– Ubuntu-Botho Investments (Pty) Limited	13,50