annual report 2014

Sanlam
Wealthsmiths™

Insurance | Financial Planning | Retirement | Investments | Wealth

Our vision

Our vision is to be the leader in wealth creation and protection in South Africa, leading that process in emerging markets and playing a niche role in our developed markets.

Our values

- **Acting with integrity**
- **Growing shareholder value through innovation and superior performance**
- **Leading with courage**
- **Serving with pride**
- **Caring because there is respect for one another**

Since our establishment in 1918, Sanlam has been a prominent part of the South African business landscape. We have always held a long-term view of how business adapts to the demands of the environment in which it operates. Today, in a dynamic world, we see an evolving set of social, economic, political and environmental imperatives that require our skilful response. For us at Sanlam, sustainable business practice means recognising both our broader responsibilities as an organisation in society, and the new opportunities that arise from this thinking.

Contents

About this report

This Annual Report comprises our comprehensive annual reporting to our stakeholders. It is addressed primarily to the providers of financial capital to the Group, but includes relevant information for our other material stakeholders, including our clients, employees, agents and brokers and the broader society in which we do business.

Scope and boundary

Reporting practices continue to evolve globally, in particular with regards to the format and content of integrated reports. The publication of the International Integrated Reporting Council's (IIRC) International <IR> Framework at the end of 2013 provided valuable direction to ensure consistency in approach towards integrated reporting. As expected, varied approaches are still followed insofar as the publishing of a separate Integrated Report or the inclusion thereof in a single document together with the Annual Financial Statements. In line with our philosophy of transparent and relevant stakeholder reporting, the content and format of the Sanlam Annual Report is informed by feedback received through our engagement with key users of our reports. These users in general prefer inclusion of the Group's Integrated Report, Annual Financial Statements and other relevant information in a single document as opposed to separate publications to ease cross referencing.

The Sanlam Annual Report is therefore an omnibus of the following distinct components:

- The Sanlam Integrated Report that provides a review of the Group and its financial, social, environmental and governance performance;
- Shareholders' Information that provides additional detailed analysis of the financial performance metrics reported on in the Integrated Report;
- Corporate Governance Report, that provides detailed information on the Group's governance practices and the functioning of its Board and Board committees;
- Remuneration Report, which provides detailed analysis of the Group's remuneration philosophy and policies and the application thereof in respect of executive directors, non-executive directors and members of the Group's Executive committee; and
- Annual Financial Statements for the Sanlam Group and Sanlam Limited.

Reporting frameworks

The Sanlam Annual Report has been prepared in accordance with the following key frameworks:

Component	Framework
Integrated Report	International <IR> Framework King Code of Governance Principles for South Africa (King III) JSE Limited Listings Requirements
Shareholders' Information	Sanlam basis of presentation JSE Limited Listings Requirements
Corporate Governance Report	King Code of Governance Principles for South Africa (King III) JSE Limited Listings Requirements Companies Act 71 of 2008 as amended in South Africa
Remuneration Report	King Code of Governance Principles for South Africa (King III) JSE Limited Listings Requirements Companies Act 71 of 2008 as amended in South Africa
Annual Financial Statements	International Financial Reporting Standards (IFRS) Companies Act 71 of 2008 as amended in South Africa

The report is also informed by the following legislation and standards:

- Financial Sector Code (FSC)
- Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines
- JSE's SRI Index

This report should be read in conjunction with the 2014 Sanlam Sustainability Report. Both this report and the Sustainability Report are published on www.sanlam.com/investorrelations.

Comparability

All information is presented on the same basis as the 2013 report in terms of the entities covered, the measurement methods applied and time frames used. The information provided covers all material matters relating to business strategy, risks and areas of critical importance to our stakeholders. The structure of the report has been further developed as part of our continuous focus on improving communication to our stakeholders.

Independent assurance

Ernst & Young Inc. has been engaged to provide independent assurance on the following aspects of this report:

- Audit opinion on the Shareholders' Information;
- Audit opinion on the Annual Financial Statements; and
- Limited independent assurance on key elements of the performance information in the online Sustainability Report.

Information relating to our Financial Sector Charter (FSC) scorecard was subject to independent assurance by AQRate.

Feedback

We need your feedback to ensure we report on the Sanlam specifics that matter to you, our stakeholders. Please go to the web link: www.sanlam.com/investorrelations to contact us.

Forward looking statements

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

Board responsibility statement for Annual Report

The Board of directors acknowledges its responsibility to ensure the integrity of the Annual Report and has evaluated its preparation and presentation accordingly. In the opinion of the Board the Integrated Report, incorporated in the Annual Report, has been prepared in accordance with the IIRC's International <IR> Framework and addresses the material matters pertaining to the long-term sustainability of the Group and presents fairly the integrated performance of the Sanlam Group and the impacts thereof.

Desmond Smith
Chairman

Johan van Zyl
Group Chief Executive

We're in the business of building legacies. For over 96 years we've been committed to our trade of helping people make the most of their money with a roll-up-your-sleeves readiness and resolve. We believe if there's a job to be done, we might as well do it very, very well. And while we want to do well, we also want to do good. Because how much money we make will never be the sole measure of our success.

Introduction

Desmond Smith
Chairman

The fundamental aim of an integrated report is to present stakeholders with a comprehensive overview of whether a company has succeeded in creating sustainable value during the year under review and will continue to do so over the short, medium and long term.

The Sanlam Group is therefore pleased to present its fifth Integrated Report, produced in line with the King Code of Corporate Governance. This report also complies with the principles of the International <IR> Framework. Our Integrated Report is assessed independently every year to ensure that we continue to apply best practice.

Creating sustainable value – our scorecard

The consistency in direction provided by the Group's five-pillar strategy over the past 11 years has been a significant contributor to the success of the Sanlam Group in 2014.

In the words of Scottish inventor, Alexander Graham Bell: "Before anything else, preparation is the key to success." The year under review presented the Group with a number of challenges. While the economic conditions certainly impacted on the business, years of preparation and some tailwinds from investment markets helped the Group not only weather the storm, but also still deliver stakeholder value. Key to this preparation was the Group's strategy, which has not changed since it was first implemented in 2003.

The Sanlam Board is of the view that the same strategy should remain in place for 2015, especially since the Group will be undergoing changes in its leadership. The Board therefore confirmed that the same five strategic pillars would continue to underpin the Sanlam Group business model in 2015. Johan van Zyl in his Strategic Review highlights the strategic enablers that are also embedded in the overall Sanlam strategy to ensure long-term sustainable value creation.

The Sanlam Board is pleased with the following results achieved by the Group in 2014:

Unlocking value through diversification

The continued success of the diversification and internationalisation drive of the Group, in line with its strategy, must once again be credited for the solid performance of all the Sanlam businesses. The next step in this strategy will be to consolidate this portfolio of investments into a truly international company, which will enable the Group to unlock value by extracting synergies through collaboration.

One of several steps towards this goal was the agreement between Sanlam Emerging Markets and Santam towards the end of 2013. This has resulted in the expansion of the Group's general insurance footprint in emerging markets from six general insurance companies in 2013 to 11 at the end of 2014.

As the custodian of the Group's corporate governance, the Board also requires the sound corporate governance principles that are fundamental to a sustainable business to cascade down into Sanlam's operations outside of South Africa. The Board is pleased with the efforts made by Sanlam Emerging Markets to ensure that subsidiary businesses adopt the Group's governance and ethics frameworks and policies. In the case of associate operations, the boards of those companies are encouraged to adopt Sanlam's corporate governance principles as far as possible.

Creating value through transformation

The partnership with Ubuntu-Botho Investments, our broad-based black economic empowerment (BBBEE) partner, not only created significant value for the Ubuntu-Botho shareholders, but also unlocked substantial value for Sanlam.

The partnership with Patrice Motsepe and his consortium remains mutually beneficial and the Board has therefore agreed to pursue a new strategic initiative with Ubuntu-Botho for the benefit of all our stakeholders. Johan van Zyl provides more details in his Strategic Review.

Both Patrice and Rejoice Simelane, who joined the Sanlam Board as non-executive directors in 2004 as part of the Ubuntu-Botho transaction, also continue to add immense value to the Group at a Board level.

Creating shareholder value

Over the past 10 years the Sanlam Group has transformed from what was predominantly a capital-intensive life insurer into a profitable world-class financial services group that is well diversified across geographies, market segments and products.

This has resulted in exceptional growth in the Sanlam share price since listing 16 years ago, from R5,85 at the end of December 1998 to R70 at the end of December 2014.

This means that R100 000 invested in Sanlam shares 16 years ago was worth more than R2 million at the end of 2014 including dividends paid to shareholders over this period. This represents an average return of 20,8% per annum. In comparison the SA Life Insurance Index returned an average 13,2% per annum over the same period.

There is no doubt that the Group has delivered consistent shareholder value over the long term. It would be unrealistic, however, to expect the Group to keep raising the bar in the short term if the difficult operating environment persists. More details on this can be found in the Strategic Review.

Delivering value to our clients

The Sanlam Group exists to deliver client-centric wealth creation and management as well as protection. In order to achieve this, the Group's client-centric business model is focused on creating solutions that deliver value to our clients. This passion and commitment to our clients is reflected in Sanlam's new "Wealthsmiths™" positioning introduced in 2014.

The Sanlam Board carries the ultimate responsibility for ensuring that this focus on the client remains a priority across the Group and that all clients are treated fairly. The Customer Interest committee is mandated to oversee this function and provide feedback to the Board.

The Customer Interest committee has also been tasked with overseeing the implementation of the six proposed fairness outcomes of the Financial Services Board's (FSB) Treating Customers Fairly (TCF) project. In 2014, Sanlam Personal Finance (SPF) and Sanlam Investments (SI) implemented the policies, procedures and structures underpinning these six outcomes in line with the FSB's current principles and guidelines. Both clusters submitted their first TCF Management Information Dashboard, which provides insight into the clusters' progress and measurement against the proposed fairness outcomes, to the Customer Interest committee in September 2014.

Key risks and opportunities

The Sanlam Group considers uncertainty in any of the environments that are considered business enablers, whether internal or external, to be one of the biggest risks to sustainable growth. This includes uncertainty about changes in the leadership of the Group and succession planning. To ensure that growth is not hampered by such uncertainty, the Board took a decision to announce the Sanlam leadership succession planning in September 2014.

To ensure a smooth leadership transition, Ian Kirk was appointed deputy Group Chief Executive of the Sanlam Group effective from 1 January 2015. The intention is for him to take over as the new Group Chief Executive when Johan van Zyl retires at the end of 2015.

Lizé Lambrechts left her position as Chief Executive of SPF at the end of 2014, to take over as Chief Executive of Santam with effect from 1 January 2015. A successor to Lizé will be appointed in due course. In the interim Ian Kirk is assuming responsibility for SPF.

Towards the end of 2014, the Group also appointed Hubert Brody as Chief Executive: Group Strategy and Projects with effect from January 2015. Hubert will be working with Johan van Zyl, Ian Kirk and other executives on a number of strategic initiatives at Group and business cluster levels, as well as coordinate various business initiatives across the Group.

The Board is very pleased with these three appointments, which provide both the Sanlam and Santam groups with the consistent leadership of highly experienced and qualified people.

As the South African savings and investment industry continues to navigate the uncertain environment of regulatory reform, consistency within the Group is critical.

The aggressive pace and volume of regulatory reform in the financial services space remains one of the biggest external risks to the Group for the following reasons:

- The uncertainty caused by changing priorities results in opportunity costs;
- The volume and pace of regulatory reform burdens the Group with heavy costs, both financially and from a resources point of view.

Reform proposals that are likely to continue to impact the most on the South African savings and investment industry in 2015 include:

- Treating Customers Fairly (TCF);
- Retail Distribution Review (RDR);
- Solvency Assessment and Management (SAM); and
- Tax Free Investment Products

However, where there is change there is also opportunity. The Sanlam Group has always recognised this and for this reason continues to be at the forefront of product innovation and client centricity. After all, being prepared is key to success. This means, for example, that Sanlam will be ready to go to market with a range of tax free savings products early in 2015. Equally, the two client facing businesses, SPF and SI, already fully embrace the TCF requirements.

The Managing our Key Risk Exposures section on page 42 outlines other potential risks.

Governance and Board review

The annual Board effectiveness review, conducted by an independent party every second year, was completed by Deloitte towards the end of 2014. The effectiveness of the Sanlam Board, the Chairman and the Board committees is reviewed as part of this process. Feedback provided indicates that the Sanlam Board is conducting its business very effectively.

The Sanlam stakeholder engagement policy, which falls under the Social, Ethics and Sustainability Board committee, has been in place for a full year. Based on feedback from stakeholders our engagements are "effective and appreciated", indicating that this policy is having the desired effect.

At the end of the 2014 financial year, the Sanlam Board had 18 members: 12 were independent non-executives (in accordance with King III's 'independence' standards), two were non-executives, and four were executive directors. The classification of directors as independent is reviewed annually. The average length of service by the directors was seven years and three months.

Clement Booth was appointed as independent non-executive director to the Sanlam Board with effect from 1 January 2015. He is based in London and brings with him vast executive and board experience in the financial services industry. We believe that Clem's wealth of experience at both executive and board level of well-established multinationals will add value to the Sanlam Board's insights into industry trends and the international markets in which Sanlam is now a player. We look forward to his contribution.

At the end of 2014 our Board comprised four black females, five black males, seven white males and two international directors.

In closing

Being consistently prepared helped the Group excel under challenging conditions in a number of areas. The Board would like to thank Johan van Zyl and his management team for creating and maintaining the required stability and long-term vision to help the Group not only weather the storm, but at the same time create outstanding value for all stakeholders.

Appreciation goes to all the Sanlam Board members who have contributed to the successes of the Sanlam Group by consistently sharing their wisdom and expertise.

I would also like to extend a sincere thank you to our clients, our staff and intermediaries, our shareholders and other stakeholders for their support in 2014. Thank you for choosing the Sanlam Group to help create your wealth.

Our integrated reporting model

The key objective of Sanlam's strategy is ***sustainable value creation for shareholders.***

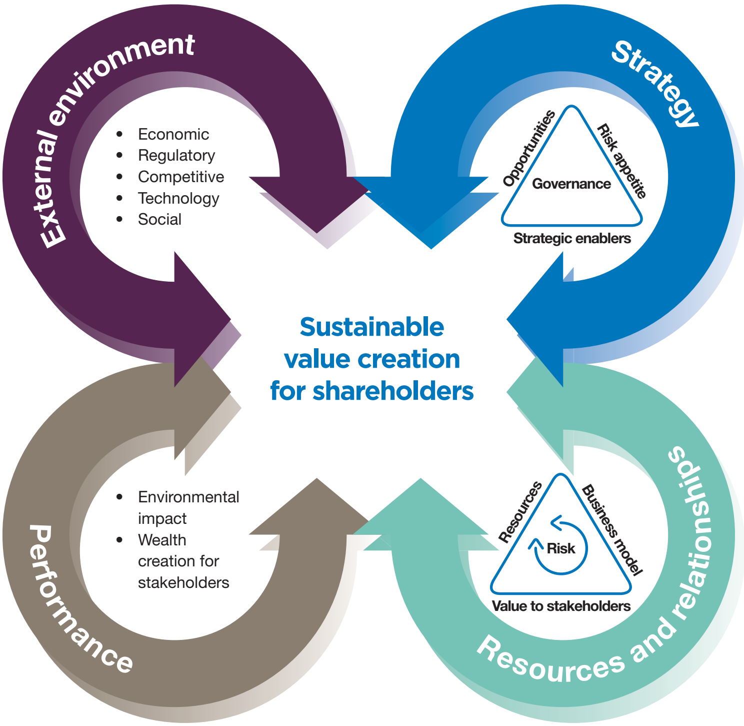
Shareholders are the main suppliers of financial capital to Sanlam, a scarce resource in an environment where institutions globally compete for investable funds. To ensure that Sanlam remains an attractive investment proposition, and continues to have access to financial capital, we need to optimise shareholder returns. This we achieve through a business model that effectively balances value creation to shareholders with the value we derive for all our other stakeholders, but in particular our clients. Sustainable value creation therefore goes beyond short-term profitability. We must recognise and manage broader economic, social and environmental factors as well. This is not only vital for our business, but for the broader sector and community in which we operate. Our approach to addressing these issues is to prioritise those that matter the most to our business. Through extensive internal and external engagements, we have identified the following material issues that form the *strategic enablers* for us to effectively execute our business model and achieve sustainable value creation for shareholders:

- **Sound governance** – We can only be a sustainable business if we continuously deliver on the promises we make to all stakeholders. This is dependent on a business model that is built on a sound governance platform embedded in our corporate culture.
- **People development** – Our people are our single most important resource together with financial capital. It is vital that we find the right people, keep them engaged and motivated in a supportive working environment and instil a culture of excellence and opportunity.
- **Responsible products and services** – Creating sustainable value for our clients is a prerequisite for shareholder value creation. Our products and services, offered to our clients through our distribution network, build, preserve and grow wealth in society. Developing responsible products with integrity is core to our business philosophy, and we have made it a priority to develop products and deliver services that promote a savings culture and protect our clients in the face of adversity.
- **Prosperous society** – The world is increasingly subject to rapid change, economic instability, unemployment and social inequality. We are acutely aware that to remain sustainable as a business we need and must contribute towards and invest in a stable, healthy and growing economy. As one of the leading providers of financial capital to other businesses, we also have the power and the responsibility to implement best practice when it comes to responsible investing. Through our support to the United Nations' Principles of Responsible Investment (UNPRI) and the Code for Responsible Investing in South Africa (CRISA) we aim to invest in businesses that have a sustainable approach to doing business.
- **Environmental footprint** – We acknowledge that a stable economy and sustainable business require a sustainable natural environment. We commit all areas of our business to a journey of responsible environmental stewardship. The financial services industry has a low direct impact on the environment. We are, however, affected by the health of the environment in which we operate, in particular with regards to the impact of climate change on our general insurance business.

These strategic enablers are integral to the Group strategy and define the business model through which we manage these enablers to create value to all stakeholders.

This Integrated Report provides a holistic view of the Sanlam Group and our approach to create value over the short, medium and long term. It also highlights our performance against key indicators that measure the overall success of our strategy to create value to our shareholders as well as our effectiveness in managing our strategic enablers.

Our integrating reporting model is illustrated in the following diagram:



Our integrated reporting model continued

Scope and boundary

Refer to page 4 for the scope and boundary of the Sanlam Annual Report, which also applies to the Integrated Report. All subsidiaries, joint ventures and associated companies recognised in the Annual Financial Statements are included in the Integrated Report, apart from:

- Investments in consolidated funds (collective investment schemes and similar investment funds), which are consolidated in terms of IFRS by virtue of the Group's shareholding, but do not form part of the Group's strategic operations.
- For some metrics, for example environmental impact, only the South African operations are included based on their relative size. The metrics to which this limitation applies are specifically indicated where relevant.

Materiality

Only material information is presented in this report. Materiality has been determined taking both quantitative and qualitative aspects into account:

- For financial information materiality is based on whether the item is of such significance that it could affect financial decisions made by financial capital providers to the Group (current and potential). Both the amount and nature of an item is considered. Materiality for financial information is in general set equal to that of the Shareholders' Information and Annual Financial Statements.
- For all other information, materiality is based on whether an item, resource or stakeholder is of such significance that it can prevent the Group from achieving its Return on Group Equity Value target over the short, medium and long term.

The determination of materiality necessarily requires judgement to be exercised. Sanlam's external communication philosophy is based on achieving full alignment between internal and external financial reporting in respect of both content and format of reporting. This philosophy ensures that all items regarded as material to the Group from an internal management perspective are included in this report.

Navigation

For ease of use the following icons are used as reference points throughout the Integrated Report:

	Group strategy pillars
	Earnings growth
	Operational efficiencies
	Optimal capital utilisation
	Diversification
	Transformation
	Strategic enablers
	Sound governance
	People development
	Responsible products and services
	Prosperous society
	Environmental footprint
	Supplementary information
	Investment Management
	Life Insurance
	General Insurance
	Administration, Health and Other
	Credit and structuring
	Sanlam Group

Key indicators for 2014

	2014	2013
Shareholders		
Return on Group Equity Value per share[F]	**18,5%**	17,0%
Net result from financial services[F]	**R6,9bn**	R5,4bn
Clients		
Policy benefits paid and increase in value of policies[F]	**R112,1bn**	R119,7bn
Funds outperforming over three years	**90,6%**	94,6%
Insurance new business volumes[F]	**R60,9bn**	R49,3bn
Investment business net inflows[F]	**R16,9bn**	R10,2bn
Customer satisfaction rating[2]	**77,8**	79,0
Employees, agents and brokers		
Employee benefits and sales remuneration paid[F]	**R13,2bn**	R11,9bn
Training and development spend[1]	**R170m**	R144m
Number of salaried employees[F]	**13 982**	12 953
Office staff turnover[1]	**11,68%**	10,9%
Field staff turnover[1]	**41,4%**	42,1%
Society		
Corporate social investment (CSI) spend[1]	**R67m**	R64m
Empowerment and infrastructure financing[1]	**R15,9bn**	R13,8bn
Direct and indirect taxes paid	**R3,9bn**	R3,9bn
Carbon footprint reduction since 2010[L, 3]	**18%**	17%
Financial Sector Code (level 2 BBBEE status)[V]	**89,14**	87,54

Assurance provided:
[F] *Full assurance (Ernst & Young Inc.).*
[L] *Limited assurance (Ernst & Young Inc.).*
[V] *Verified (AQRate).*
[1] *South African entities only.*
[2] *South African Customer Satisfaction Index (SAcsi).*
[3] *Total GHG emissions/full time employee (FTE)*

Overview of the Group

We provide financial solutions to individuals and institutional clients.

These solutions include life insurance; general insurance; investment management (including retail savings, asset management and wealth management); credit and structuring; and administration, health and other (such as estate planning, trusts, wills and health management).

The Group's business model functions through a decentralised management structure where all operations are conducted through four clusters focused on specific markets and/or market segments. The clusters are supported by a centre of excellence at the Group level, which also sets tight standards within which the clusters must operate.

We are a leading financial services group, originally established as a life insurance company in 1918. We demutualised and listed on the JSE Limited and Namibian Stock Exchange in 1998. Our head office is in Bellville near Cape Town in South Africa.

Net result from financial services R6 879 million (2013: R5 429 million)

Sanlam Group Office

Responsible for Group strategy, capital management and capital allocation to clusters. The following Group functions provide Group-wide support and coordination: Finance || Actuarial and Risk Management || Information Technology || Human Resources || Market Development || Brand Services

Net result from financial services -R107 million (2013: -R136 million)

Sanlam Personal Finance

Responsible for Sanlam's retail business in South Africa. It provides clients across all market segments (entry-level, middle-income and affluent) with a comprehensive range of appropriate and competitive financial solutions. Designed to facilitate long-term wealth creation, protection and niche financing, these solutions are engineered around client needs.

Net result from financial services R3 476 million (2013: R2 920 million)

Contribution to Group net result from financial services

51%

Sanlam Emerging Markets

Responsible for Sanlam's financial services offering in emerging markets outside South Africa with the aim of ensuring sustainable delivery and growth across the various businesses that make up this cluster.

Net result from financial services R1 241 million (2013: R1 011 million)

Contribution to Group net result from financial services

18%

Sanlam Investments

Provides retail and institutional clients in South Africa, the UK and elsewhere in Europe access to a comprehensive range of specialised investment management and risk management expertise.

Net result from financial services R1 468 million (2013: R1 301 million)

Contribution to Group net result from financial services

21%

Santam

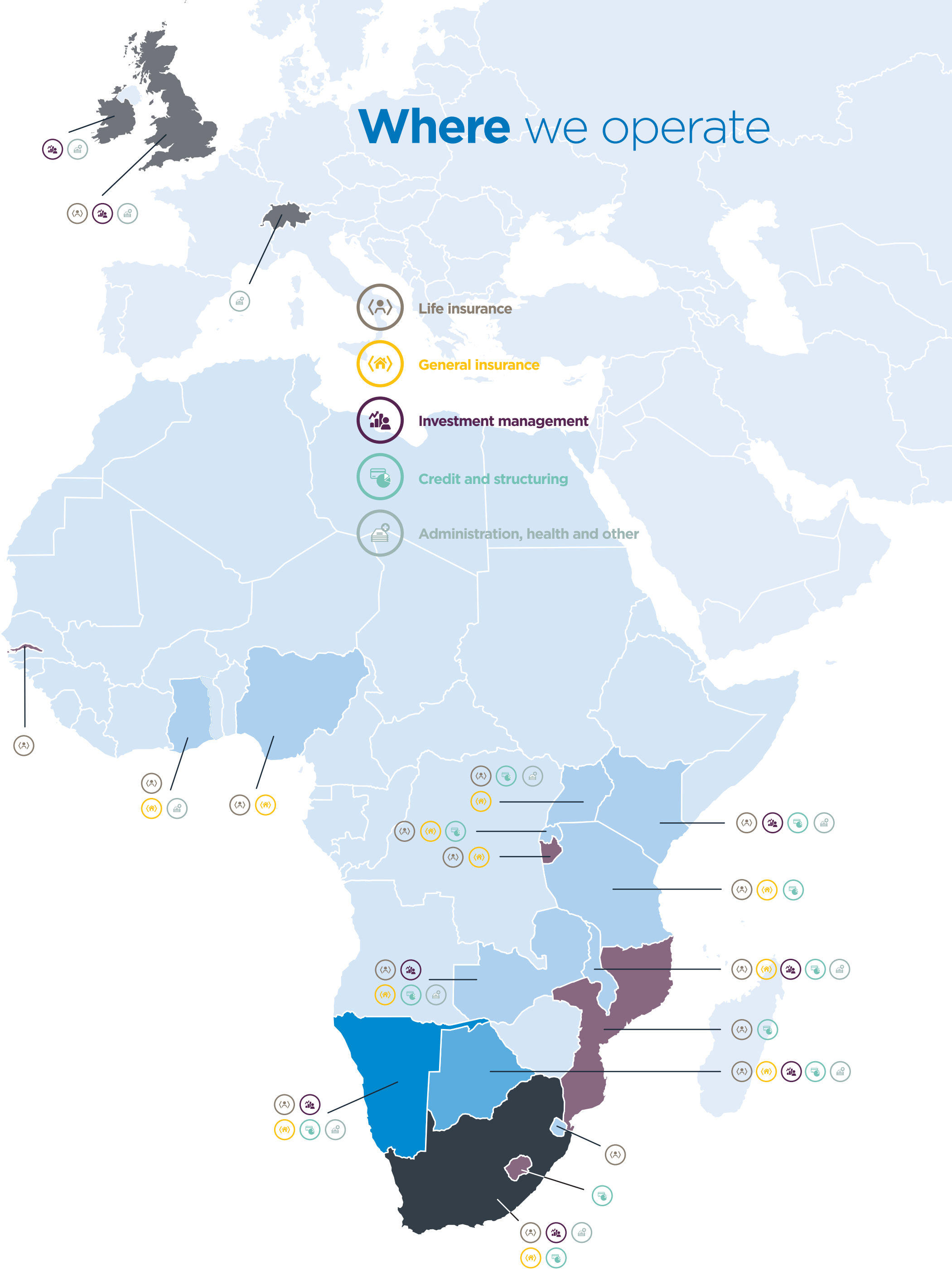
Specialises in general insurance products for a diversified market in South Africa. These include personal, commercial, agricultural and specialised insurance products. Santam's international diversification strategy focuses on reinsurance business, specialised insurance products and the role as technical partner and co-investor in Sanlam Emerging Markets' expansion into Africa, India and South-East Asia.

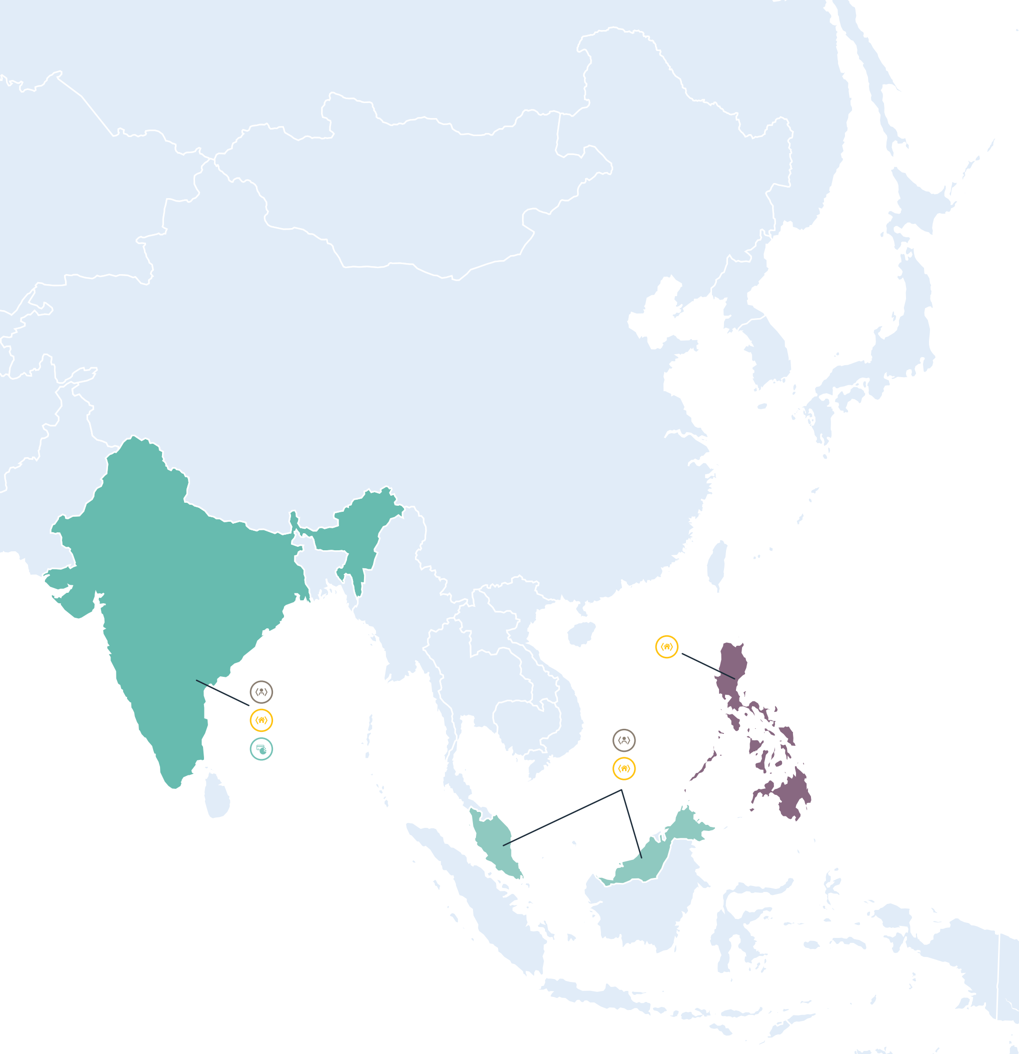
Net result from financial services R801 million (2013: R333 million)

Contribution to Group net result from financial services

12%

Where we operate





Region	Net result from financial services
South Africa	R5 108 million
Namibia	R328 million
Botswana	R319 million
Rest of Africa	R125 million
India	R456 million
Malaysia	R56 million
Other international	R487 million
Indirect presence via above operations	

Our business model

We provide financial services solutions to retail and institutional clients across a number of market segments and geographies. The solutions we offer fulfil clients' needs for wealth creation and protection. In line with our philosophy of client centricity and treating customers fairly, we provide appropriate advice and products to our clients tailored for their specific needs and circumstances at a fair price.

What we achieved
Value creation for stakeholders

Shareholders

- RoGEV 18,5%
- Net result from financial services R6,9 billion

Clients

- Policy benefits paid and increase in value of policies R112,1 billion
- 90,6% of funds under management outperforming benchmark over three years

Employees, agents and brokers

- Employee benefits and sales remuneration R13,1 billion
- Training and development spend R170 million

Society

- CSI spend R67 million
- Empowerment and infrastructure financing R15,9 billion
- Direct and indirect taxes paid R3,9 billion
- Carbon footprint reduction per FTE – 18%
- Reduction in electricity usage 15%

What we offer our clients
Products and services

Life Insurance

- **Risk products**
  Monetary benefit for unexpected events – death, disability, trauma, retrenchment
- **Investment products**
  Wealth accumulation and providing for income at retirement through a full range of investment options that offer varying levels of investment guarantees

General Insurance

- Monetary benefit to compensate for loss of physical property, loss of trading income or liability incurred. Includes motor, property, aviation, crop, engineering, guarantee, liability, accident, transportation and alternative risk transfer

Investment Management

- **Retail client solutions**
  Savings options through a wide range of collective investment schemes. Wealth management, including stockbroking
- **Institutional client solutions**
  Traditional and specialist asset management in South Africa and abroad

Credit and structuring

- **Retail client solutions**
  - Personal loans
  - Traditional banking
- **Institutional client solutions**
  - Asset-based financing
  - Debt origination and structuring
  - Asset-liability management
  - Equity and interest rate derivatives
  - Collateralised lending

Administration, Health and Other

- **Financial needs analysis and advice**
  - Estate planning
  - Trusts
  - Wills
  - Health management
  - Retirement fund administration

Focus areas of Group strategy: Earnings growth Optimal capital utilisation Operational efficiencies Diversification Transformation

This we achieve through the application of a number of resources, the most important of which are our people (financial, actuarial, risk management and other skills) and the financial capital that we hold as safeguard to our clients and other stakeholders.

What we spend it on
Activities

Product management

Investment management
Asset-liability matching
Experience analysis
Governance of participating products

Distribution and client support

Agents
- South Africa: 5 268
- Rest of Africa: 6 242
- India: 45 000
- Malaysia: 3 107

Brokers
- South Africa: 4 719

Other
- Bancassurance
- Affinity groups
- Direct

Client support services
Administration || Actuarial || Human resources || Information Technology

Product development

Retail client solutions

Institutional client solutions

Business support

Business support services
Financial and management accounting || Actuarial valuations || Regulatory reporting || Human resources || Information technology

Capital and risk management

Redeployment of discretionary capital

Optimal allocation of financial capital to clusters

Financial and actuarial risk management

Regulatory compliance

What we use
Value deployed

Financial capital
- Group Equity Value: R95,9 billion
- Subordinated debt: R3 billion

Public listings on the JSE Limited and Namibian Stock Exchange afford us access to share capital. Our financial strength also enables us to issue subordinated debt as part of our capital structure.

Human capital
- Employees: 13 982
- Agents: 59 617

We depend on the individual competencies, capabilities, talent and experience of our employees to manage the business efficiently, understand client needs, develop and distribute appropriate products and services and effectively manage the risks we are exposed to.

Intellectual capital

We depend on and continually refine our proprietary structures, systems and protocols such as our actuarial research, enterprise risk management, product development and distribution structures.

Physical capital
- Owner-occupied properties: R1,1 billion
- Equipment: R0,7 billion

The majority of our staff is housed in the Sanlam, Santam and Sanlam Investments head offices in Cape Town. We also have additional offices and branches across the regions where we operate. We make use of IT equipment throughout and depend on the existing infrastructure such as road and air travel, as well as ICT communication technology.

Social and relationship capital
- Brokers: 4 719
- Shareholders: 485 813
- Clients
- Business partners
- Government and regulators
- Society

We rely on our relationships with key stakeholders as discussed in the online Sustainability Report

Natural capital
- Carbon footprint: 53 092 tonnes

Our direct impact is low and predominantly limited to electricity and water usage. We, however, invest on behalf of our clients in businesses that are very dependent on natural resources such as those in the mineral and mining sectors.

Our business model continued

How our business model creates value to shareholders – a balancing act

Value creation for our shareholders is directly linked to the value we create for our clients. By optimising the value proposition of our products and services, we optimise our ability to retain existing clients and to grow our new business volumes profitably, thereby growing the base on which we earn fees and margins. Combining this with a focus on operational efficiencies, we are able to maximise long-term value creation for shareholders. These relationships, as well as the main value drivers, are illustrated below:

Client value proposition	Products and services	Shareholder income
Risk products: Wealth protection by providing monetary benefit when an adverse life event occurs **Investment products:** Wealth creation through superior investment returns, enabling an improved standard of living before and after retirement	Life Insurance	• Margins priced into product premiums • Fees charged on assets under management
Wealth protection through compensation for loss of property, loss of trading income and liability	General Insurance	• Margins priced into product premiums
Wealth creation through superior investment performance	Investment Management	• Fees charged on assets under management • Performance fees
Wealth creation by being able to finance asset purchases and trading activities at competitive rates Protecting wealth through effective management of market risk inherent in portfolio positions	Credit and structuring	• Interest earned on outstanding loan balances • Transaction fees and margin priced into structuring deals
Wealth creation and protection through appropriate advice and ancillary services	Administration, Health and Other	• Fees charged on assets under administration and for advice and other services

Client value proposition Products and services Shareholder income

	Value drivers		Shareholder performance metrics
In-force earnings	• Policyholder behaviour	• Lapses, surrenders and withdrawals • Renewal at maturity • Mortality, disability and morbidity experience	• Value of in-force covered business • Operating experience variances • Investment variances • Net insurance business flows
	• Administration cost relating to policy maintenance • Investment return • Capital requirements • Risk discount rate		
New Business earnings	• New business volumes	• Distribution footprint • Product innovation • Agent/broker productivity	• Value of new covered business • Present value of new business premiums • New business margin
	• Weighted average margin	• Product mix • Acquisition and maintenance costs • Capital requirements • Risk discount rate	
Earnings	• Product mix • Premium rates • Extent and frequency of loss • Administration and acquisition costs	• Growth in gross written premiums • Reinsurance • Level of float • Short-term interest rates	• Claims ratio • Acquisition cost ratio • Administration cost ratio • Underwriting margin • Insurance new business volumes
Earnings	• Fee income	• Assets under management • Investment performance	• Net investment business flows • Assets under management • Average fee base • Administration cost ratio
	• Expenses	• Acquisition cost • Administration cost	
Earnings	• Interest income	• Loan balances ← • Net loans granted • Interest rate	• Net loans granted • Size of loan book • Net interest margin • Bad debt experience • Fee and margin income • Administration cost ratio
	• Interest expense	• Level of external funding • Interest rate	
	• Loan impairments	• Client behaviour	
	• Margin	• Size of hedge book • Assets under management → • Deal flow • Hedge effectiveness • Credit spreads	
	• Expenses	• Administration cost	
Earnings	• Funds/members under administration • Size of service book • Administration costs		• Income per member/client • Administration cost ratio

RoGEV

Value drivers

Shareholder performance metrics

Our business model continued

Return on Group Equity Value (RoGEV) is our primary measure of shareholder wealth creation. Group Equity Value (GEV) provides an indication of the value of the Group's operations, but only values the Group's in-force life insurance business and excludes the value of future new life insurance business to be written by the Group. Only new life insurance business written within a particular year contributes to RoGEV. GEV is the aggregate of the following components:

- The embedded value of covered (life insurance) business, which comprises the required capital supporting these operations and the net present value of their in-force books of business (VIF);
- The fair value of other Group operations based on longer-term assumptions, which include the investment management, capital markets, credit, general insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

Sustained growth in GEV is the combined result of delivery on the value drivers indicated in the table on the previous page. The shareholder performance metrics included in the table are the secondary performance metrics used by the Group businesses to measure and monitor value created by the individual value drivers. RoGEV measured against a set performance hurdle is used by the Group as its primary internal and external performance benchmark in evaluating the success of its strategy to maximise shareholder value.

The sections that follow provide an overview of the Group's performance during 2014 as well as specific focus areas for 2015. This should be read in conjunction with the Group's online sustainability report.

How we manage and govern our business

The Sanlam Board has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, responds to and communicates on those material issues that impact on our capacity to create value. The Board further promotes and supports high standards of corporate governance and in so doing endorses the principles of the third report on Corporate Governance in South Africa (King III). Sanlam also complies with the requirements for good corporate governance stipulated in the Johannesburg Stock Exchange (JSE) Socially Responsible Investment (SRI) Index. Sanlam subscribes to a governance system whereby, in particular, ethics and integrity set the standards for compliance. It constantly reviews and adapts its structures and processes to facilitate effective leadership, sustainability and corporate citizenship in support of the Group strategy and to reflect national and international corporate governance standards, developments and best practice.

Application of and approach to King III

The Board is satisfied that every effort has been made during 2014 to apply all aspects of King III as far as appropriate. Details of the Group's application of each King III principle are available on its website (www.sanlam.com/investorrelations). The Risk and Compliance committee is satisfied that Sanlam will continue to comply with the King III principles during 2015 and has taken steps to ensure adherence with the obligations placed on the Group as a consequence thereof. The Group assesses its compliance levels in respect of King III to ensure that all areas that require improvement are identified and addressed.

Information Technology (IT) is essential for Sanlam and is truly pervasive. The Board's governance of IT directs the strategic and operational use of IT, ensuring benefits are realised at an acceptable and articulated level of risk. IT receives appropriate focus and is viewed as an important enabler of projects that effect change to businesses in the Sanlam Group. Thus, IT Governance is extended to include all major change projects. The IT Governance framework established at Group level extends into the businesses and is tailored to suit their specific needs. Similarly, IT Governance capacity and awareness are established through all Board and management structures within the businesses.

The Board continues to entrench the principles and recommendations of King III across the Group. The rollout and implementation of the King III principles at subsidiary, joint venture and associated company level (including non-SA entities) will continue with special focus on the application of the Group governance policy, disclosure requirements regarding integrated reporting as well as the composition of governance structures.

According to Sanlam's decentralised business approach, each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of King III. All the business and governance structures in the Group are supported by clear approval frameworks and agreed upon business principles, ensuring a coherent and consistent governance approach throughout the Group.

Sustainability performance

Sanlam's overall philosophy, policy and achievement of best practice in sustainability are set out in this Integrated Report, as well as a full Sustainability Report that is available on Sanlam's website. Sanlam has once again qualified for the JSE's SRI Index in 2014.

Board structures

All the directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life Insurance Limited (Sanlam Life), a wholly owned subsidiary of Sanlam. The two Boards function as an integrated unit in practice as far as possible. Both Boards have the same independent director as chairman as well as the same executive director as Chief Executive.

Board responsibilities and functioning

The Sanlam Limited and Sanlam Life Board meetings are combined meetings and are held concurrently, thereby removing one layer of discussions in the decision-making process. This is an attempt to enhance productivity and efficiency of the two Boards, to prevent duplication of effort and to optimise the flow of information.

The agenda of the Sanlam Board focuses largely on Group strategy, execution of capital management, accounting policies, financial results and dividend policy, human resource development, JSE requirements as well as corporate governance throughout the Group. It is also responsible for overseeing the relationship with stakeholders in the Group. The Sanlam Limited Board has the following Board committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Nominations
- Non-executive directors
- Customer Interest
- Social, Ethics and Sustainability.

The Sanlam Life Board is responsible for statutory issues across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as compliance with Long-term Insurance Act requirements.

The responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following Board committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Customer Interest.

Business divisions and cluster boards

The Sanlam Group follows a decentralised management structure, with all operations conducted through a number of clusters. The Sanlam business clusters are outlined in the Overview of the Group section in this Integrated Report.

Each business cluster is managed by a chief executive, supported by an executive committee and support functions that are appropriate to their particular operational needs. These chief executives form part of the Sanlam Group Executive committee and are the designated prescribed officers of the Group.

The clusters function within the strategy approved by the Sanlam Board and according to a set of "tight" management principles established by the Group Office for the Sanlam Group.

Cluster boards (not all are statutory) were established for the business clusters. Each of these boards has committees (or forums) with specific responsibilities for the operation of that particular business cluster. Each of the cluster boards has its own Financial and Risk, as well as Human Resources and Remuneration (HRRC) forum/committee.

The cluster boards consist of non-executive and executive directors. Non-executive directors include members of the Sanlam Life Board and, where appropriate, expert external appointees.

The majority of the operating business decisions are made by these boards and committees working together with the relevant cluster management. These structures are also responsible for the generation of memoranda and issues for consideration by the Sanlam Life Board.

Individual business units have their own boards and executive committees that structure their activities within appropriate delegated authority levels. Where required, the various business unit boards will also act as the statutory boards of subsidiary, joint venture and associated companies.

Group office

The Group Chief Executive is supported by a Group Executive committee as well as by a small centralised Group Office mainly performing the following functions: strategic directing (tight issues); coordinating; synergy seeking; performance monitoring; assurance provision; the allocation of capital and support functions.

Further information on the governance of the Group, including membership of the Board and its committees is contained in the Corporate governance report on page 166.

Board of directors

Desmond Smith Chairman (67)

Director since 2009

Qualifications: BSc, Fellow of Actuarial Society of SA, ISMP (Harvard)

Sanlam and Sanlam Life committee membership: Non-executive directors (Chairman), Nominations (Chairman), Customer Interest committee, Human Resources and Remuneration.

Major external positions, directorships or associations: Reinsurance Group of America (SA), Mediclinic International Limited, Stellenbosch Institute for Advanced Studies, Road Accident Fund.

Field of expertise: Financial Markets and Investment; Actuarial; General and International Business; Marketing; Risk Management.

Patrice Motsepe Deputy chairman (53)

Director since 2004

Non-executive director and Deputy Chairman of the Sanlam Board

Member of the Board's Human Resources and Remuneration committee, Nominations committee and Non-executive directors' committee

Qualifications: BA (Legal), LLB

Chairman of: Ubuntu-Botho Investments (Pty) Limited, Harmony Gold Mining Company Limited

Executive Chairman of African Rainbow Minerals (ARM)

President of: Business Unity SA (BUSA), Chamber of Commerce and Industry South Africa (CHAMSA), NAFCOC, Mamelodi Sundowns Football Club

Winner of South Africa's Best Entrepreneur of the Year Award for 2002 and voted South Africa's Sunday Times Business Leader for 2002 by the CEO's of the top 100 companies in South Africa. Director of African Fashion International.

Field of expertise: General and International Business; Legal.

Johan van Zyl (58)

Director since 2001

Qualifications: PhD (Economics), DSc (Agriculture)

Group Chief Executive of Sanlam since March 2003

Executive director of Sanlam Limited and Sanlam Life, Non-executive director of Santam, Sanlam Investment Management, Sanlam Netherlands Holdings, Sanlam Emerging Markets, Sanlam Developing Markets, Channel Life, Shriram Capital Limited.

Council member of the University of Pretoria, Non-executive director WWF-SA, Chairman of ASISA (Association of Savings and Investment South Africa) and Chairman of the Vumelana Advisory Fund.

Former: Chief Executive of Santam, Vice-chancellor and Principal of the University of Pretoria.

Field of expertise: General Management; Financial Markets; Human Resources; Sustainability; International Business.

Manana Bakane-Tuoane (66)

Director since 2004

Qualifications: PhD Economics (University of Saskatchewan, Canada), MA Economics (University of Oregon, USA), BA Economics and Statistics: University BLS (Botswana Lesotho and Swaziland)

Sanlam and Sanlam Life committee membership: Nominations, Human Resources and Remuneration, Customer Interest committee, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals.

Field of expertise: Financial Markets and Investment; General Business; Human Resources.

Board of directors continued

Anton Botha (61)

Director since 2006

Qualifications: BProc, BCom (Hons) Investment Management, EDP (Stanford)

Sanlam and Sanlam Life committee membership: Human Resources and Remuneration (Chairman), Non-executive directors.

Sanlam Group directorships: Sanlam Capital Markets, Sanlam Investment Holdings, Genbel Securities, Sanlam Employee Benefits (Divisional Board).

Major external positions, directorships or associations: JSE, University of Pretoria, Vukile Property Fund, Imalivest, African Rainbow Minerals.

Field of expertise: Financial Markets and Investment; General Business; Human Resources; Marketing; International Business.

Paul Bradshaw (64)

Director since 2013

Qualifications: BSc (Nottingham University), Fellow of the Institute of Actuaries

Sanlam and Sanlam Life committee membership: Sanlam Customer Interest, Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

Sanlam Group directorships: Nucleus Financial Group, Sanlam UK Holdings, Sanlam Life and Pensions UK, Sanlam Private Investments, Sanlam Private Wealth Holdings UK.

Major external positions, directorships or associations: River & Mercantile plc (chair), Integrated Protection Solutions.

Field of expertise: Actuarial; Financial Markets and Investment; International Business; Risk Management.

Arun Duggal (68)

Director since 2013

Qualifications: Mechanical Engineering (Indian Institute of Technology – Delhi), MBA (Indian Institute of Management – Ahmedabad)

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: Chairman of Audit Committee, Jubilant Energy (Netherlands), Info Edge and ICRA (a subsidiary of Moody's USA), Member Audit Committee of ITC Limited, Dish TV, Adani Port, Chairman of International Asset Reconstruction Company. Member of Investment Committee of Axis Private Equity, Chairman of Federation of Indian Chambers of Commerce and Industry Centre for Corporate Governance and Visiting Professor at the Indian Institute of Management, Ahmedabad, where he teaches a course on Venture Capital and Private Equity.

Field of expertise: Financial Markets; International and General Business.

Valli Moosa (57)

Director since 2004

Qualifications: BSc Mathematics and Physics

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability (Chairman), Non-executive directors.

Major external positions, directorships or associations: Lereko Investments, Imperial, Sun International, Anglo Platinum, Sappi, WWF-SA.

Field of expertise: General Business; Sustainability; Governance.

Board of directors continued

Philisiwe Mthethwa (50)

Director since 2011, resigned on 13 February 2015

Qualifications: MBA (Corporate Finance)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

Major external positions, directorships or associations: Group Five, The National Empowerment Fund, Industrial Development Corporation, Member of the BRICS Business Council (Financial Services Working Group).

Field of expertise: Financial Markets and Investment; General and International Business; Risk Management; Corporate Sustainability.

Sipho Nkosi (60)

Director since 2006

Qualifications: BCom (Hons) Economics, MBA, Diploma in Marketing Management, AMP (Oxford)

Sanlam and Sanlam Life committee membership: Non-executive directors.

Major external positions, directorships or associations: Exxaro Resources, Eyesizwe Holdings.

Field of expertise: General and International Business.

Flip Rademeyer (67)

Director since 2011

Qualifications: CA(SA), SEP (Stanford)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance (Chairman), Risk and Compliance, Social, Ethics and Sustainability, Non-executive directors.

Sanlam Group directorships: Sanlam Emerging Markets, Sanlam Collective Investments, Sanlam Coris Capital Collective Investment Managers, Glacier Management Company, Sanlam Private Investments, Sanlam Personal Finance (Divisional Board).

Major external positions, directorships or associations: Ubuntu-Botho Investments Holdings, Velacore.

Field of expertise: Accounting; Financial Markets and Investment; General Business; Risk Management.

Bernard Swanepoel (53)

Director since 2004

Qualifications: BCom (Hons), BSc Mining Engineering

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals, To-the-Point Growth Specialists, Village Main Reef.

Field of expertise: General and International Business; Corporate Sustainability.

Board of directors continued

Chris Swanepoel (64)

Director since 2011

Qualifications: BSc (Hons), FASSA

Sanlam and Sanlam Life committee membership: Risk and Compliance (Chairman), Sanlam Customer Interest (Chairman), Non-executive directors.

Sanlam Group directorships: Sanlam Investment Holdings, Sanlam Credit Conduit, Channel Life, Sanlam Developing Markets, Sanlam Personal Finance (Divisional Board), Sanlam Employee Benefits (Divisional Board).

Field of expertise: Actuarial; Risk Management; Financial Markets and Investments.

Rejoice Simelane (62)

Director since 2004

Qualifications: PhD (Economics) (Connecticut, USA), LLB (UNISA)

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability and Non-executive directors.

Major external positions, directorships or associations: Ubuntu-Botho Investments (CEO), Ubuntu-Botho Investments Holdings, Ubuntu-Botho Holdings, African Rainbow Minerals and Mamelodi Sundowns Football Club.

Field of expertise: General Business; Sustainability; Governance; Legal.

Lazarus Zim (54)

Director since 2006

Qualifications: BCom (Hons), MCom

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: Northam Platinum (Chairman), Zim Capital and Atisa Group.

Field of expertise: General and International Business; Corporate Sustainability.

Winner of African Business Leader of the Year in 2005.

Kobus Möller (55)

Director since 2006

Qualifications: BCompt (Hons), CA(SA), AMP (Harvard)

Appointed Financial Director in 2006

Executive director of Sanlam Limited and Sanlam Life

Non-executive member of Sanlam Group Cluster boards: Sanlam Personal Finance, Sanlam Employee Benefits, Channel Life, Sanlam Emerging Markets, Sanlam Developing Markets, Sanlam Investments and Santam.

Non-executive director of major Sanlam subsidiaries: Santam, Sanlam Capital Markets, Sanlam Emerging Markets, Sanlam Developing Markets, Channel Life, Sanlam Investment Holdings and Genbel Securities Limited.

Former: Chief Executive Finance of Sanlam Limited, Executive head: Operations and Finance of Sanlam Personal Finance, Executive director: Finance of Impala Platinum Holdings.

Field of expertise: Accounting; Financial Markets and Investment; General Business; Risk Management.

Board of directors continued

Temba Mvusi (59)

Director since 2009

Qualifications: Diploma in International Relations (University of New Delhi), BA, ELP (Wharton School of Business), MAP, PDP

Appointed Chief Executive: Group Market Development in August 2005 after serving as Chief Executive: Group Services since January 2004

Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Sanlam Private Investments, Sanlam Investment Management, Sanlam Investment Holdings and Chairman of IEMAS.

Former head of external interface Management, General Manager Services and Marketing Manager Management.

Field of expertise: Financial Markets and Investment; General Business; Human Resources; Legal.

Yegs Ramiah (47)

Director since 2012

Qualifications: LLB, Higher Diploma in Tax Law, MBA

Appointed Chief Executive: Sanlam Brand in 2012

Executive director of Sanlam Limited and Sanlam Life, Santam, Sanlam Investment Management and Sanlam Employee Benefits (Divisional Board).

Field of expertise: General Business; Marketing; Legal; Corporate Sustainability.

Executive committee

Johan van Zyl (58)

Appointed: 2001

Qualifications: PhD (Economics), DSc (Agriculture)

Group Chief Executive of Sanlam since March 2003

Executive director of Sanlam Limited and Sanlam Life, Non-executive director of Santam, Sanlam Investment Management, Sanlam Netherlands Holdings, Sanlam Emerging Markets, Sanlam Developing Markets, Channel Life, Shriram Capital Limited.

Council member of the University of Pretoria, Non-executive director WWF-SA, Chairman of ASISA (Association of Savings and Investment South Africa) and Chairman of the Vumelana Advisory Fund.

Former: Chief Executive of Santam, Vice-chancellor and Principal of the University of Pretoria.

Field of expertise: General Management; Financial Markets; Human Resources; Sustainability; International Business.

Ian Kirk (57)

Appointed: 2006

Qualifications: FCA (Ireland), CA(SA), HDip BDP

Appointed Chief Executive Officer of Santam from 2007 to 2014

Appointed Deputy Chief Executive Officer of Sanlam on 1 January 2015

Formerly Chief Executive: Strategy and Special Projects at Sanlam.

Director of Santam, Centriq Insurance Holdings, Centriq Insurance Company, Centriq Life Insurance Company, SAIA, Stalker Hutchison Admiral, Beaux Lane (SA) Properties, Nova Risk Partners, Emerald Risk Transfer, MiWay Insurance Limited, MiWay Group Holdings.

Former partner in PricewaterhouseCoopers, CEO of Capital Alliance Holdings, Deputy CEO of Liberty Group.

Field of expertise: Financial Markets and Investment; General and International Business.

Executive committee continued

Themba Gamedze (56)

Appointed: 2013

Qualifications: BA (Pure Mathematics), FASSA, MSc (Pure Mathematics) (Warwick, UK)

Appointed Chief Executive: Strategic Projects in March 2013

Chairman of the South African Insurance Association, Non-executive director of Santam, Sanlam Employee Benefits (Divisional Board), Sanlam Investment Management, Sanlam Investment Holdings, Specialist Trustee on Government Employees Pension Fund (GEPF).

Past President of the Actuarial Society of South Africa, former Chief Executive of Sanlam Employee Benefits, former Chief Executive of Strategy and Founding President of the Association of South African Black Actuarial Professionals.

Field of expertise: Actuarial; Risk Management; Corporate Sustainability.

Lizé Lambrechts (51)

Appointed: 2002

Qualifications: BSc (Hons), FIA (1992), EDP (Manchester)

Appointed Chief Executive of Sanlam Personal Finance in 2002 to 2014

Appointed Chief Executive of Santam on 1 January 2015

Non-executive director of Sanlam Developing Markets, Sanlam Linked Investments, Sanlam Life & Pensions UK, Channel Life and Director of Glacier Financial Holdings and Sanlam UK. Started her career in actuarial training in Sanlam in 1985 and held various senior positions in the Group's retail business.

Field of expertise: Actuarial; General Business; Information Technology.

Kobus Möller (55)

Appointed: 2003

Qualifications: BCompt (Hons), CA(SA), AMP (Harvard)

Appointed Financial Director in 2006

Executive director of Sanlam Limited and Sanlam Life

Non-executive member of Sanlam Group Cluster boards: Sanlam Personal Finance, Sanlam Employee Benefits, Channel Life, Sanlam Emerging Markets, Sanlam Developing Markets, Sanlam Investments and Santam.

Non-executive director of major Sanlam subsidiaries: Santam, Sanlam Capital Markets, Sanlam Emerging Markets, Sanlam Developing Markets, Channel Life, Sanlam Investment Holdings and Genbel Securities Limited.

Former: Chief Executive Finance of Sanlam Limited, Executive head: Operations and Finance of Sanlam Personal Finance, Executive director: Finance of Impala Platinum Holdings.

Field of expertise: Accounting; Financial Markets and Investment; General Business; Risk Management.

Temba Mvusi (59)

Appointed: 2004

Qualifications: Diploma in International Relations (University of New Delhi), BA, ELP (Wharton School of Business), MAP, PDP

Appointed Chief Executive: Group Market Development in August 2005 after serving as Chief Executive: Group Services since January 2004

Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Sanlam Private Investments, Sanlam Investment Management, Sanlam Investment Holdings and Chairman of IEMAS.

Former: head of external interface Management, General Manager Services and Marketing Manager Management.

Field of expertise: Financial Markets and Investment; General Business; Human Resources; Legal.

Executive committee continued

Yegs Ramiah (47)

Appointed: 2012

Qualifications: LLB, Higher Diploma in Tax Law, MBA

Appointed Chief Executive of Sanlam Brand in 2012

Executive director of Sanlam Limited and Sanlam Life, Santam, Sanlam Investment Management and Sanlam Employee Benefits (Divisional Board).

Field of expertise: General Business; Marketing; Legal; Corporate Sustainability.

Johan van der Merwe (49)

Appointed: 2002

Qualifications: MCom, MPhil (CANTAB), CA(SA), AMP (Harvard), COL (Insead)

Appointed Chief Executive Officer of Sanlam Investment Management in July 2002

Chairman of Sanlam Investment Management, Sanlam Properties Limited, Sanlam Multi Manager International, Sanlam Private Investments, Blue Ink Investments and Sanlam Collective Investments. Director of Sanlam UK, Attacq Limited, Sanlam Capital Markets, Sanlam FOUR Investments UK Limited (formerly FOUR Capital Partners Limited), Sanlam FOUR Investment Holdings UK Limited, Sanlam International Investment Partners, SIM International Investments Partners AUSTRALIA, Sanlam Investment Holdings Limited and Sanlam Netherlands Holdings BV.

Field of expertise: Financial Markets and Investment; General and International Business.

Heinie Werth (51)

Appointed: 2005

Qualifications: Hons B Accountancy, CA(SA), MBA, EDP (Manchester)

Appointed Chief Executive Officer of Sanlam Emerging Markets in December 2005 and before that served as Financial Director of Sanlam Life from April 2002

Executive director of Sanlam Emerging Markets, non-executive director of Shriram Capital (India), Botswana Insurance Holdings and Sanlam Namibia. Former Senior General Manager (IT) of Sanlam Life, Financial Director of Sanlam Employee Benefits and Manager: Corporate Finance of Gencor and Financial Director of Kelgran.

Field of expertise: Accounting; General and International Business.

André Zeeman (54)

Appointed: 2005

Qualifications: BCom, FASSA, EDP (Manchester)

Appointed Chief Actuary of Sanlam Limited and Statutory Actuary of Sanlam Life in September 2005

Former Chief Executive: Actuarial of Sanlam Life and held various managerial positions in the Actuarial department since appointment at Sanlam in 1982.

Field of expertise: Actuarial; Risk Management; Financial Markets and Investment.

Managing our key risk exposures

Our business model is based on the principle of balancing risks with earnings to ensure an appropriate risk adjusted return to shareholders. Sanlam assumes various risks in providing our clients with the products and services they need, for which we are compensated by the fees and risk margins we earn (refer Our business model section for a description of our products and services as well as the underlying value drivers). Our strategy and business model is based on a risk appetite set at a Sanlam Board level. This Board-approved risk appetite determines the markets where we operate, the products and services we provide as well as minimum return on capital hurdles at both a product level and for any corporate actions (new acquisitions and disposals of non-core and underperforming businesses). It also forms the foundation of the corporate governance and risk management framework we apply. We are proactive in understanding and managing the risks we are exposed to and ensure that capital is allocated to businesses where most value can be added for the risks assumed.

Risk management framework

Our risks are managed through comprehensive risk management processes. The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Life Board sets the Group enterprise risk management framework and policy and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Life Board.

Sanlam Life Board

Responsible for the Group's risk management framework and policy, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice

Sanlam Life Risk and Compliance committee

Assists the Sanlam Life board in fulfilling its responsibilities

Sanlam Group Executive committee

Responsible as the Sanlam Board's executive overseer to ensure that the businesses achieve optimal risk-adjusted returns

Group risk management

Develops Group risk management framework, policy and guidelines for approval by the Sanlam Life Board, coordinates reporting responsibilities and improves risk management across the Group

Business level risk and/or audit committee/forum

Assists the business level board in fulfilling its responsibilities to the Sanlam Life Board

Business level management committees

Additional committees that may be established by a business to assist their executive committees in certain areas of risk management

Business level (and sub-business) risk management

Identifies and manages risks faced by the business

The governance structure and the various risk management/monitoring mechanisms, the external oversight of external auditors and/or other external assurance providers, together with the various regulators, provide combined assurance that all the significant risk areas within the Group have been adequately addressed. The table below illustrates these interactions:

Board

Strategy, risk appetite and policy

1st line Risk ownership	2nd line Risk control and monitoring	3rd line Independent assurance and validation
CEO and Exco Risk taking business units	**Risk and Compliance committee** Risk management; compliance and risk modelling	**Audit, Actuarial and Finance committee** Internal and external assurance
Doing and recording	**Internal verification**	**Independent verification**
Delegated Board authority to: • Develop and implement business strategy • Measure and manage performance • Implement internal control and risk management framework within agreed risk appetite	Objective oversight of risks. Key activities include: • Designs and deploys the overall risk management framework • Develops and monitors policies and procedures • Monitors adherence to framework and strategy	• Independent and objective assurance over the effectiveness of corporate standards and business compliance • Assurance that the risk management process is functioning as designed and identifies improvement opportunities
Assurance: Management based	**Assurance: Risk and legal based**	**Assurance: Independent based**

Risk management system

Own risk and solvency assessment (ORSA)

Internal control framework

The Group also holds significant levels of capital in relation to its risk profile to safeguard clients and other stakeholders against the potential adverse effects of risks materialising. Risk and capital management is an integrated process within the Group as the level of required capital is directly related to the risk profile of the Group as well as the robustness of the risk management processes.

Risk and capital management furthermore aims to balance the expectations of two main stakeholder groups, namely:

- **Shareholders:** The providers of equity capital to the Group expect their return on investment to be maximised by retaining the minimum level of capital required for the risk profile. The higher the level of capital, the lower the return earned by shareholders. For this stakeholder group risk and capital management is founded on balancing risk and returns optimally.
- **Policyholders/debt holders/regulators:** Capital held by the Group is the main safeguard against losses for this group of stakeholders. Their preference is therefore to maximise the level of capital to the detriment of return on capital. Risk and capital management for this grouping is thus founded on risk versus the level of capital.

Managing our key risk exposures
continued

Risk profile

The risk profile of the Group is summarised in the diagram below, which provides an indication of the level of risk exposure within the various lines of business, as well as the proportion of Group Equity Value (GEV) exposed to the various lines of business.

Exposure based on GEV

R million	Total	Life insurance	General insurance	Credit and structuring	Investment management	Administration, health and other
Sanlam Personal Finance	38 453	35 444	—	967	—	2 042
Sanlam Emerging Markets	14 571	5 116	1 946	6 898	480	131
Sanlam Investments	20 122	7 833	—	685	11 604	—
Santam	14 593	—	14 593	—	—	—
Corporate and other	8 197	—	—	—	—	8 197
Sanlam Group	**95 936**	**48 393**	**16 539**	**8 550**	**12 084**	**10 370**

Diversification is a key component of the Group's strategy and is, among others, aimed at creating a balanced risk profile for the Group to reduce the variability of returns to shareholders. As outlined in the Our strategy for a sustainable future section, the entry-level market in South Africa, Rest of Africa, India and South-East Asia has been identified as growth opportunities for the Group. Organic and structural growth in these markets will further improve the risk profile both geographically and across lines of business.

Managing our key risk exposures
continued

The table below provides a summary of the material risk components, the source of risk from a value creation perspective as well as the key risk management actions we apply. Refer to the Capital and Risk Management Report for further information.

	Market risk	**Credit risk**
Definition	Risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of assets and liabilities.	Risk of default and deterioration in the credit quality of issuers of securities, counterparties and intermediaries to whom the Company has exposure.
Key potential impact on shareholder value creation	Mismatch profits and losses occur where the liabilities of products that provide a guaranteed return are not matched with assets with a similar profile. Fees based on assets under management (AuM), and consequently operating earnings, vary in line with the level of AuM. Investment return earned on the Group's capital portfolio varies directly in relation to the valuation of the financial instruments held in the portfolio.	Losses can occur where credit risk results in a decrease in the valuation of assets which are held in respect of products that provide guaranteed or smoothed returns. Decrease in fees based on AuM and operating earnings due to a decline in the level of AuM. Decrease in investment return earned on the Group's capital portfolio if credit risk results in a decline in the valuation of financial instruments held in the portfolio.
Key risk appetite limits	Projected full year net result from financial services must exceed 90% of budget. The effect of an economic shock scenario should not reduce Sanlam Life's CAR cover based on assets backing required capital below 1,2 times. Sanlam has a low appetite for unnecessary mismatch risks. Sanlam will not use derivative instruments for speculative purposes.	Projected full year net result from financial services must exceed 90% of budget. Policyholder, client and capital portfolios must be managed within mandates. Policyholder and capital portfolios (excluding the Sanlam Credit Conduit (SCC) and Sanlam Capital Management (SCM)) should not invest in assets rated below investment grade. Credit risk capital of SCM and SCC may not exceed limits set by the Sanlam Board. The Group in general only deals with reinsurers with a credit rating of A- or higher.

	Life insurance risk	General insurance risk	Strategic risk
	Risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business.	Risk arising from the underwriting of non-life insurance contracts, in relation to the perils covered and the processes used in the conduct of business.	Risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.
	Underwriting risk: lower operating earnings if the actual experience relating to mortality, longevity, disability and morbidity deviate negatively from the expected experience used in the pricing of solutions and the valuation of policy liabilities. ***Persistency risk:*** lower operating earnings due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders. ***Expense risk:*** lower operating earnings due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. ***Concentration risk:*** losses due to having written large proportions of business with policyholders of the same/similar risk profile, especially in instances of catastrophes.	Lower operating earnings if the actual level of claims deviates negatively from those used in the pricing of solutions and the valuation of claims liabilities.	Sustainable long-term RoGEV that meets the Group hurdle may not be achieved.
	Sanlam has a low appetite for concentration risk. Projected full year net result from financial services must exceed 90% of budget.	Sanlam has a low appetite for concentration risk.	No business-level strategy outside the Board approved objectives and Group strategies may be implemented.

Managing our key risk exposures

continued

	Market risk	Credit risk	
Key risk management actions	***Products provided to clients:*** The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. Liabilities are matched as far as possible with assets that have a similar investment return profile. ***Capital portfolio:*** Comprehensive measures and limits to control the exposure of the Group's capital to market risks. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.	Appropriate credit culture and environment is maintained. Formal credit risk strategy and credit risk policy that stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group and industry; geographical location; product type; currency; maturity, anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy. Continuous monitoring by responsible experts and Central Credit committee.	

	Life insurance risk	General insurance risk	Strategic risk
	Underwriting risk: Product development process and underwriting policy prevent anti-selection and ensure appropriate premium rates (loadings) for sub-standard risks. Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks. Claims handling policy. Adequate pricing and reserving. ***Persistency risk:*** Distribution models are used to identify high-risk clients at new business stage. Client relationship management programmes manage client expectations and relationships to reduce lapse, surrender and paid-up rates. Design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints. ***Expense risk:*** Budgeting process and continuous monitoring of actual versus budgeted expenses. ***Concentration risk:*** The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance.	Pricing policy is based on the theory of probability. Underwriting limits are set for underwriting managers and brokers to ensure that this policy is consistently applied. Santam also has the right to re-price and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims. Insurance underwriting strategy to diversify the type of insurance risks accepted, to achieve, within each of these categories, a sufficiently large population of risks to reduce the variability of the expected outcome. A specialised catastrophe reinsurance programme mitigates the risk arising from this source.	Governance structure and various monitoring tools ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. Group strategy is addressed on a continuous basis at various forums within the Group, including the bi-weekly Executive committee meetings where all the cluster Chief Executives are present.

Our strategy for a sustainable future

The Group's strategy is focused on maximising value creation for our shareholders. We use Group Equity Value (GEV) to measure shareholder value and Return on Group Equity Value (RoGEV) to measure value created.

Key strategic objective	Key metrics	Strategic pillars	
Sustainable value creation for shareholders (RoGEV)	• Value of new covered business • Net investment business flows • Net result from financial services	**Earnings growth**	We improve operating earnings through growing our business volumes across the markets we service by: • increasing our market share in key segments; • diversifying the base (geographical presence, products, market segments and distribution platforms); and • delivering a consistent client experience.
	• VNB margin • Operating experience variances • Persistency	**Operational efficiencies**	We control costs, maximise efficiencies and manage persistency through effective risk management and governance practices, optimising our operating structures and internal systems, and by attracting, retaining and developing the right talent.
	• Composition of GEV • Capital redeployed	**Optimal capital utilisation**	We focus on allocating appropriate capital to our business operations, while remaining financially conservative, to ensure all discretionary capital is identified and redeployed into profitable and sustainable growth opportunities or returned to shareholders if not used in a reasonable timeframe.
	• GEV, VNB and net result from financial services contribution per product type, segment and country	**Diversification**	We diversify the Group from a geographical, product, market segment and distribution perspective both organically by developing new products and services, but primarily through expanding into new markets in South Africa and globally that offer higher long-term growth and returns.
	• BEE credentials • CSI spend • Staff composition	**Transformation**	We adapt to the continuing changing operating environment and client needs and also promote transformation and diversity both within our operations and more broadly through our contribution to socio-economic development.

Focusing on the five pillars of our strategy for the past number of years, we have achieved above-average returns and transformed Sanlam into a more diversified company with a healthy capital position that is better placed to withstand market volatility and the challenges of a changing operating environment.

To ensure sustainable value creation over the long term, our material issues are embedded in the overall Group strategy as strategic enablers.

Strategic enablers

Sound governance

Sustainable delivery on the pillars of our strategy is only achievable if a strong governance culture is embedded in all our activities. This ensures that we relentlessly focus on the value drivers of each pillar and effectively manage the risks emanating from our activities.

People development

We operate within a complex environment, requiring a skilful response from our employees. Execution on our strategic pillars is only possible by having the right people focused on both the strategic and detailed activity layers of each pillar. We also need to transform our staff to reflect the demographics of our client base and the society within which we operate.

Responsible products and services

Providing the right products and services to clients at a fair price is the main long-term driver of new business and client retention, in turn the main drivers of earnings growth. Through innovative product development we not only diversify our product set, but also create opportunities to improve access to financial services for the lower income segments, a key driver to transform wealth distribution within the broader community. All our products also need to be easy to administer from an operational perspective and must use as little capital as possible.

Prosperous society

Wealth creation requires a stable socio-economic environment. We contribute to the wealth and social security of the countries in which we operate by responsibly managing the retirement savings of millions of people, providing liquidity to the banking industry, investing in local businesses and communities and contributing to the economic growth of the countries.

Environmental footprint

Mindful of the increasing impact climate change will have on our earnings potential in the future, we adapt our products, specifically our general insurance products, to take environmental changes into account. We are also committed to increase the share of our investments into environmentally responsible markets. We minimise our own environmental footprint to prepare ourselves for a low-carbon economy and enhance our reputation as a responsible corporate citizen.

Sanlam strategy

Our strategy for a sustainable future
continued

Investing for sustainable growth

We have built up a large in-force book in the middle-income market in South Africa over the more than 90 years of our existence. Given the maturity of this book, it is a source of stable cash flows that we use to pay dividends to our shareholders and fund our expansion in growth markets, either through funding the new business strain and capital requirement associated with writing new business (organic growth) or acquisitions (structural growth).

We identified the following growth markets over the short, medium and long term:

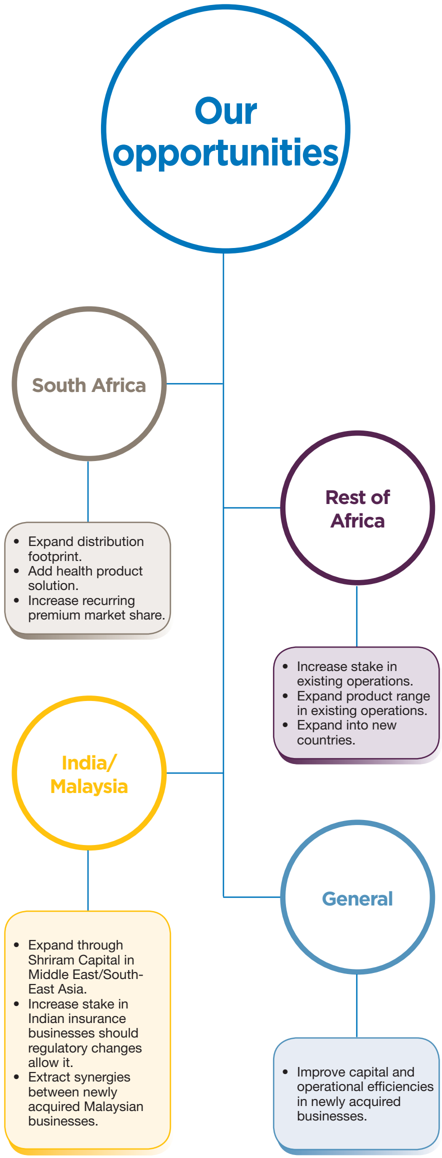
- Entry-level market in South Africa over the short to medium term;
- Rest of Africa over the medium to long term; and
- India and South-East Asia over the long term.

These markets will drive accelerated growth over the medium to long term with the more mature parts of the business generating stable but good returns. The application of discretionary capital is therefore focused on expansion in the growth markets, as further elaborated on in the Strategic Review. In the more mature markets, the main focus is on cross selling and managing cost efficiencies.

Alignment between shareholder and management interests

Sanlam's remuneration philosophy and policy supports the Group strategy by aligning predetermined strategic goals with the organisational behaviour required to meet and exceed these goals. Both short- and long-term strategic objectives are measured and rewarded and this blended approach strongly mitigates excessive risk-taking and balances longer term strategic objectives with short-term gains. The remuneration philosophy is therefore also an integral part of the Group's risk management structure. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as national and international governance principles. A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to national comparator groups and international best practice.

Meeting RoGEV hurdles, the key metric for sustainable shareholder value creation, is an explicit performance condition in the achievement of short-term incentive targets as well as for the vesting of a portion of long-term incentives. This ensures full alignment between the interests of shareholders and management. Refer to the Remuneration Report for a detailed discussion of our remuneration policy and philosophy as well as information on payments made to Sanlam directors and members of the Executive committee.

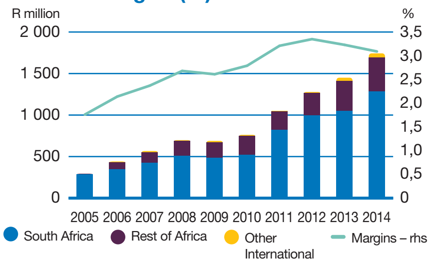


Our strategy for a sustainable future

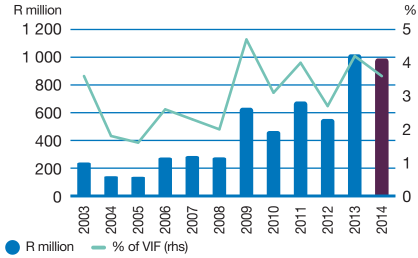
continued

Performance against our strategy

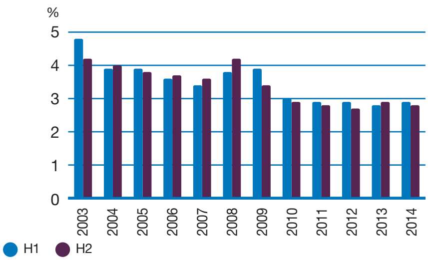
Value of new business **(R million) versus new business margins (%)**



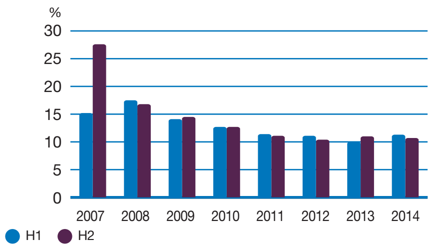
Focus on quality, costs + prudence = **consistent positive experience variances**



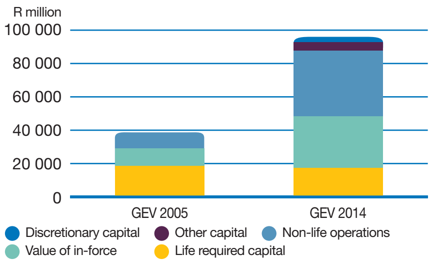
Persistency – SA middle-income Lapses, surrenders and fully paid-ups as **% of in-force per half year**



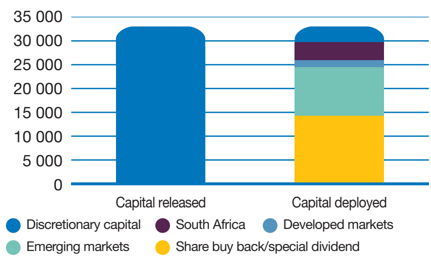
Persistency – SA entry-level Number of NTUs, lapses and **surrenders as % of in-force per half year**



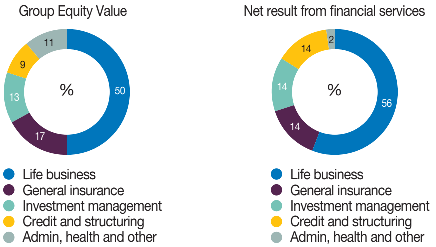
Composition of GEV **transformed since 2005**



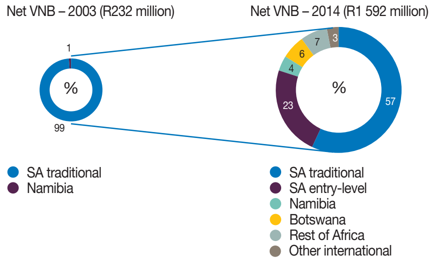
Capital redeployed **R33 billion redeployed since 2005**



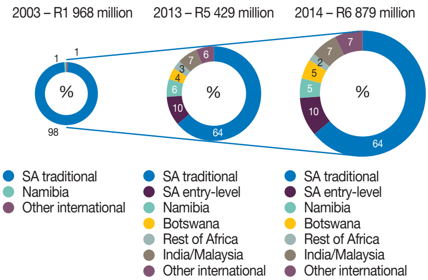
Diversification
Diversified **base**



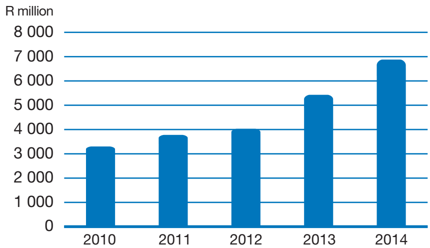
Diversification
Growth markets delivering **profitable VNB growth**



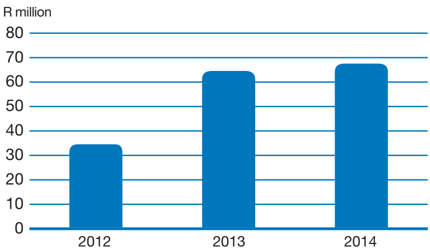
Contribution to group net result **from financial services**



Net result **from financial services**



Corporate Social **Investment spend**



Economic and operating environment

Global overview

Events unfolding at a global level during 2014, in particular developed markets, had a marked impact on the economies and investment markets where we operate.

A major source of uncertainty that flowed over from 2013 was the conclusion of the US Federal Reserve's asset purchase programme, which generated significant liquidity and support for global investment markets over the last number of years. After conclusion of the programme in October 2014, the attention of financial market participants focused on the likely pace and timing of increases in the federal funds rate. The shift towards monetary policy normalisation in the US coinciding with heightened geopolitical risk and concern over global growth prospects and resulted in bouts of financial market volatility in 2014.

The pace of world economic (GDP) growth remained restrained and uneven between countries over the past year. While economic recovery continued in the US and the UK, Europe stagnated and Japan faltered.

After increasing early in the year, global inflation slowed significantly in the latter half of 2014. In Europe, specifically, concern over possible deflation, in addition to the lack of growth, encouraged the European Central Bank (ECB) to lower its key policy rates in September 2014 and to introduce measures to expand its balance sheet. Concomitantly, the Bank of Japan announced a further increase in its government bond purchase programme.

Against the background of diverging monetary policy stances between the US Federal Reserve and the ECB, the US dollar appreciated markedly in the latter half of the year, impacting negatively on the currencies of emerging market (EM) countries.

EM GDP growth in 2014 was much softer than expected. Profit margins were depressed and real economic activity was constrained by modest external demand growth, slow productivity advances and high levels of debt relative to GDP in a number of countries. Some economies were also plagued by elevated inflation levels, while growth in resourced-based economies deteriorated due to weaker commodity prices.

The slowdown in growth in China was a focal point. In particular, the downturn in the property sector was a significant drag on real economic activity and poses downside risk to China's economy and EM more broadly.

While EM growth has disappointed in general, growth in EM Asia and sub-Saharan Africa (SSA) is markedly stronger than in the emerging markets of Europe and Latin America.

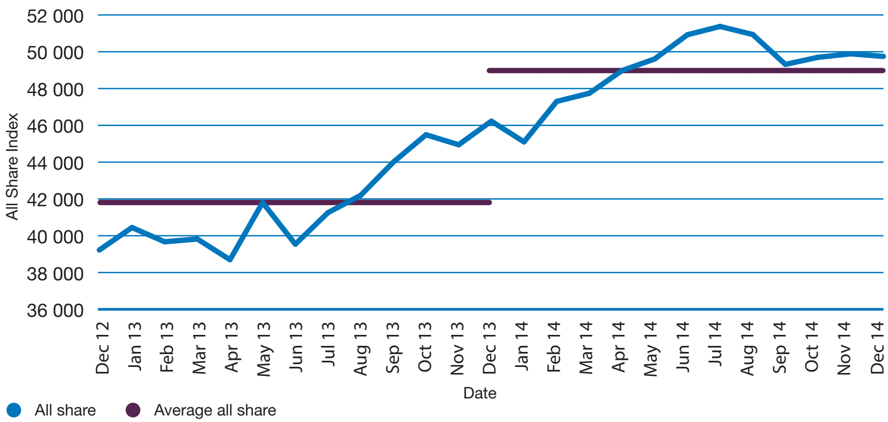
South Africa

In South Africa, supply side pressure from industrial action and electricity supply disruptions constrained real economic activity. Growth is expected to remain modest, advancing by just 2,25% in 2015, from an estimated 1,4% in 2014.

Employment growth was weak in 2014 as a result and low levels of growth in real personal disposable income continued to constrain household expenditure. Although the level of household debt has declined in recent years, it remained high at 78,3% of personal disposable income in the third quarter of 2014. Demand for recurring premium risk products offered by the Group commensurately remained weak, in particular in the middle-income market. Sales in the entry-level market were also severely impacted by industrial action, in particular in the Rustenburg platinum area, where we sell approximately 10% of our new business.

The total gross operating surplus of listed and unlisted South African companies increased by only 6,6% for the year up to the end of September 2014. However, the earnings of listed companies on the FTSE/JSE All Share index increased 17,8% in 2014, providing some support to share prices and contributing to a 10,9% total return for the FTSE/JSE All Share Index, following a return of 21,4% in 2013. The strong equity market performance in 2013, combined with good returns in 2014, supported the level of assets under management and hence fund-based fee income in Sanlam Investments and Sanlam Personal Finance.

FTSE/JSE **Indices**



Against the backdrop of sustained large current account and government budget deficits the rand remained weak throughout 2014 against most currencies, impacting positively on the overall rand-based earnings, new business volumes and value of new life insurance business (VNB) of the Group's non-South African operations. The exception was Ghana, where the rand appreciated against the cedi by 18% during 2014 (23% on an average basis) – refer Rest of Africa section below. Given Ghana's large contribution to the Rest of Africa segment, it had a marked negative impact on the Rest of Africa performance.

Rand exchange rate*	Euro	British pound	United States dollar	Botswana pula	Indian rupee	Rest of Africa (weighted)
31/12/2012	11,19	13,79	8,48	1,11	0,16	
31/12/2013	14,51	17,42	10,53	1,21	0,17	
	29,8%	26,3%	24,1%	9,5%	9,5%	11,9%
31/12/2013	14,51	17,42	10,53	1,21	0,17	
31/12/2014	14,01	18,05	11,57	1,23	0,18	
	(3,5%)	3,6%	9,9%	1,5%	7,5%	(4,1%)
Average 2013	12,78	15,00	9,61	1,16	0,17	
Average 2014	14,38	17,85	10,84	1,23	0,18	
	12,6%	19,0%	12,7%	5,2%	7,9%	(2,9%)

** Positive value indicates weakening of the rand against foreign currency*

Economic and operating environment continued

Despite sustained rand weakness, headline consumer price inflation peaked at 6,6% in June 2014, before slowing through the latter half of the year. However, firm core consumer price inflation and rand volatility prompted the South African Reserve Bank to increase its repo rate by 50bp in January 2014 and by a further 25bp in July 2014.

The major credit rating agencies downgraded South Africa's sovereign debt rating through the year, citing growth concerns and the accompanying risk to the fiscal outlook as key reasons. Nonetheless, 10 year bond yields rallied from a high of 8,8% in late January 2014 to 7,4% in early December, before rising amid the widespread sell-off of EM debt markets late in the year. The All Bond Index produced a return of 10,1% in 2014.

Rest of Africa

In SSA real GDP growth remained strong, increasing by an estimated 5% in 2014. Growth among the frontier economies of Zambia, Tanzania, Uganda, Mozambique, Malawi and Kenya is expected to remain robust in 2015.

Currencies in the region, however, depreciated during the year, in part reflecting US dollar strength. The sharp decline in oil prices late in 2014 also focused attention on oil producers. The Nigerian naira depreciated sharply as a result. Amid declining foreign exchange reserves and a high inflation rate the Central Bank of Nigeria introduced a range of measures to tighten monetary policy in November 2014, including an interest rate hike. Whereas the decrease in the country's terms of trade is expected to act as a drag on economic growth, buoyant services sector activity should help cushion the impact. The equity market recorded a negative total return in US dollar of -23,5% in 2014, partly reflecting the currency's weakness.

Elsewhere, among the middle-income countries in SSA, the currencies of Swaziland and Namibia, which are members of the Common Monetary Area of the rand, depreciated against the US dollar, in line with the rand. Namibia has been running large current account and fiscal deficits. Nonetheless, GDP growth has been firm and the level of net foreign direct investment, notably into mining, has been high relative to GDP. The equity market also yielded a positive total return in US dollar of 4,4% in 2014.

Of the remaining middle-income countries in SSA Botswana's GDP growth gained momentum in 2014. The economy is dependent on diamond proceeds, but policies are being implemented to diversify activity. In addition, the government's financial position is sound, foreign exchange reserves are high and the country has the most favourable sovereign debt rating in Africa. The equity market, nonetheless, yielded a modest total return in US dollar of 0,9% in 2014, as the Botswana pula depreciated moderately against the US dollar.

Meanwhile, bouts of currency weakness in Ghana and Zambia in 2014 in large part reflected deteriorating fiscal positions, which prompted these countries to approach the IMF for assistance. In Ghana, the fiscal and current account deficits are especially large, foreign exchange reserves are low and inflation is high. The required macro-economic adjustment is expected to weigh on near-term growth. Given this unfavourable background the equity market yielded a negative total return in US dollar of -21,4% in 2014. The weak economic position depressed the overall performance and growth of our Ghanaian operations, aggravated in rand terms by the weak currency.

India and Malaysia

Real GDP growth in EM Asia is expected to exceed 6% in 2015, following a similar performance in 2014. In India, reduced uncertainty around economic policy was accompanied by firm net foreign direct investment inflows in the past year. GDP growth stabilised and investment activity picked up. The improved outlook is reflected in the upgrade of India's sovereign debt rating to stable from negative by credit rating agency Standard and Poor's (S&P) in September 2014. India's equity market yielded a strong total return in US dollar of 29,1% in 2014. The improved environment bodes well for strong future growth in our Indian operations.

Malaysia's real GDP growth exceeded 5% in 2014. The household debt ratio is, however, high and lower oil prices can be expected to weigh on the trade balance and economic activity in the year ahead. Reflecting the more challenging environment, Malaysia's equity market yielded a negative total return in US dollar of -8,8% in 2014. However, the economic transformation programme is expected to continue driving investment expenditure and although growth is forecast to moderate in 2015, it is expected to remain firm.

Overall, while the South African economy lags, EM Asia and SSA excluding South Africa continue to deliver the strongest growth rates in the world. The sharp sell-off in EM currencies and debt markets in late 2014, led by a plunge in the Russian rouble is, however, a reminder that significant bouts of volatility in EM financial markets may occur if risk appetite wanes and liquidity dries up.

Regulatory changes

Ongoing regulatory change has become the norm globally. In the markets where Sanlam operates, most of the current regulatory activity is experienced in the South African market, where a number of projects are in various stages of implementation. The major initiatives include the introduction of Solvency Assessment and Management (a third-country equivalent of the European Solvency II regime), proposals released as part of the Retail Distribution Review (RDR) and Retirement Reform. We support all of these initiatives and the benefits they will realise for South Africa and the insurance industry over the long term, but it does come at a price over the short term in the form of capacity that has to be invested in preparing for the implementation of these reforms at the expense of product development and other important projects.

The RDR proposal was released for discussion by the Financial Services Board late in 2014. This is the first big initiative launched under the Treating Customers Fairly banner and comes with far-reaching consequences for intermediated businesses such as Sanlam Personal Finance (SPF). The anticipated areas of impact of the RDR on the SPF distribution channels include the categorisation of intermediaries as well as the introduction of fee-based advice. However, backed by a strong tied agent force of more than 5 000 the cluster is well positioned to deal with the impacts of RDR.

The regulatory environment in India remains challenging with limits on unit linked product charges, making these once-popular products unprofitable. Shriram Life Insurance's focus is therefore on the more traditional savings products and credit life, which slowed down growth to some extent.

Competitive positioning

The South African insurance industry is dominated by a few large insurers that have been operating for many years. Sanlam is one of the largest players in the life and general insurance industries with a market share of approximately 20%. Market shares of the various competitors did not change significantly during the year. Direct insurance has become an important component of especially the general insurance industry in South Africa, with new entrants into this market over the last number of years. In response Sanlam started its own direct insurer, MiWay, which competes effectively in this market. Within a few years it has become a major competitor in the general insurance industry and continues to achieve strong growth. Life insurance products will also be added to the platform in 2015. International companies operating in the South African market remain largely limited to reinsurance.

Sanlam has the largest relative footprint in Africa outside of South Africa and remains one of the largest players in most markets where we operate. Competition is generally from local players and/or other South African insurance companies. Large international insurers have recently started entering some of the markets where we operate, which will result in increased levels of competition. An expected positive spin-off of increased competition is improved customer education, which should support accelerated growth in the size of the insurance market and penetration over the longer term.

In India and Malaysia the Group's focus is on the middle- and lower-income market segments. In these segments competition is generally limited to local players and government organisations, while the large international insurers focus on the affluent market. Sanlam therefore does not compete directly with the international players. Shriram Capital, our strategic partner in India, has a particular competitive advantage in India having built a large distribution footprint over many years outside of the major cities, founded on personal relationships with clients. This model is very difficult to copy for any new entrant.

In developed markets Sanlam has a niche approach, essentially providing product solutions to our South African client base, augmented by a local distribution capability to provide scale. The strategy is therefore not to compete with the large local players in these markets.

Strategic review

Johan van Zyl
Group Chief Executive

2014 presented us with one of the more challenging operating environments since the financial crisis.

Operating conditions during 2014 are covered in detail in the Economic and Operating Environment Review, but I would like to single out the following events, which had substantial impacts on the Group and its businesses.

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

Given the difficult operating environment of 2014, I am particularly pleased to be able to report that the Group achieved solid overall operating results in 2014.

The diversified nature of the Group's operations, together with the strength of the Sanlam brand and the brands of our international partners, contributed to our total new business volumes that grew by 18%, the combination of 24% growth in new insurance business and 15% growth in new investment mandates received. Net result from financial services (net operating profit) grew by 27% (26% on a per share basis). We consider this a very satisfactory achievement in an environment where the South African economy is growing by less than 2%. In 2014 all the major businesses contributed to this growth.

The following are some of our other salient results:
- Net value of new covered business up 21%
- Net VNB margin of 2,92% compared to 3,06% in 2013
- Dividend per share increased by 13% to 225 cents

Sanlam Personal Finance, our South African business cluster operating in the retail space, performed exceptionally well within an environment where particularly the retail consumer is under increasing financial pressure. Our general insurance business, Santam, also performed substantially better in 2014 with underwriting margins that exceeded the high end of the target range. Our financial performance is covered in more detail in the Financial Review.

I believe it is the Sanlam Group's proven ability to deliver consistently on long-term promises that qualifies us to refer to ourselves as "Wealthsmiths™". We introduced the "Wealthsmiths™" brand positioning in 2014, together with our refreshed brand identity, because it encapsulates best how the Group does business: making the most of our clients' money in a straightforward, honest and hardworking way.

Sanlam is one of South Africa's 50 Most Valuable Brands as measured by independent brand valuation company, Brand Africa, and we intend keeping it that way. One of the characteristics of truly iconic brands is the ability to adapt and remain relevant while always staying authentic and true to its core. We therefore opted to refresh, rather than change, our brand identity in 2014 to better align our brand with our strategic drive to grow a more diversified client base.

This Integrated Report provides a holistic and transparent overview of Sanlam's performance in 2014, both from a financial point of view as well as in terms of our consideration of environmental, social and governance (ESG) issues.

Delivering sustainable value

The Group continued to deliver in line with its strategic objectives in 2014 as outlined in our five-pillar strategy, which has remained firmly in place for the past 11 years. Our strong commitment to this strategy has made it possible for the Group to transform into the profitable and well-diversified world-class business that Sanlam is today.

Towards the end of 2014 the Sanlam Board confirmed that the same five strategic pillars will continue to underpin the Sanlam Group business model for 2015. The five pillars are:
- Improving performance through **earnings growth**;
- Improved **operational efficiencies**, including costs and quality;
- Improving returns through **optimal capital utilisation**;
- **Diversification** of the base (including geographical presence, products, market segments and distribution platforms); and
- Embracing and accelerating **transformation** of the Group.

Focusing on these strategic pillars alone will yield results over the short term, but will not in isolation create sustainable value for our shareholders over the long term. For this reason the following strategic enablers are embedded together with the five strategic pillars in the overall Sanlam strategy for long-term sustainable value creation:

- Managing all our activities within a framework of **sound governance** and risk management;
- Placing continuous focus on human capital, our key resource, through our **people development**;
- Providing **responsible products and services** to our clients. Only by providing clients with relevant products and services at a fair price will we be able to balance the value proposition of our clients and shareholders sustainably over the long term within a TCF framework;
- Ensuring a sustainable client base by investing in a more just and **prosperous society**; and
- Contributing to a sustainable environment to operate in by managing our **environmental footprint**.

In 2014 we made substantial progress in implementing the strategy. The results achieved show the positive effects of both the diversification and internationalisation drives coming through on the bottom line.

Our primary performance target for measuring shareholder value creation is Return on Group Equity Value (RoGEV). Given the nature of the Group's diversified business we consider this measure of performance the most appropriate since it incorporates the result of all the major value drivers in the business.

The RoGEV per share for 2014 of 18,5% exceeded the target of 12,2% by a healthy margin. The adjusted RoGEV per share, which excludes the impact of investment market return deviations from long-term assumptions, tax changes and other factors outside of management's control during the period, amounted to 18,0%, also well in excess of the target.

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

Earnings growth

Given the tough conditions that plagued 2014, we consider the Group's operating earnings growth of 27% an exceptional achievement.

Our established core operations performed very well and delivered the required organic growth. We are particularly pleased with Santam's contribution, which more than doubled in 2014.

Operational efficiencies

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

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

In addition, the two long-term Group-wide initiatives introduced in recent years to foster efficiency remain firmly in place.

The *Sanlam for Sanlam* programme, which has been in place for four years, encourages effective collaboration between clusters with the goal of achieving greater growth and profitability.

The *Blueprint for Success* initiative, launched in 2012, is aimed at enhancing the *Sanlam for Sanlam* programme by helping employees embrace the critical enabling factors that will help Sanlam achieve accelerated growth. The success of this initiative is measured annually and the 2014 results show that in the two years since launch the engagement levels of our employees have improved from 45% to 75%, which is bordering on a world-class score.

These two initiatives are certainly achieving the desired results for the Group.

Managing an efficient business also requires stringent risk, compliance and corporate governance systems. In 2014 we spent more than R150 million on various initiatives aimed at ensuring that we remain a responsible corporate citizen, including internal and external audits, reporting of results and Board activities.

Diversification

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

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

In addition to the above transactions, SPF identified a need for a credible investment in a medical scheme administrator and entered into a deal of some R700 million with Afrocentric Healthcare Assets. The transaction is still subject to conditions precedent. If concluded, it will result in the Group holding a 28,7% stake in Medscheme, South Africa's largest health risk management services provider and the country's third largest medical scheme administrator. Not only will this transaction enable SPF to further diversify its product offering to include medical aid solutions for retail clients, but it also provides the cluster with an opportunity to offer other products and services to the broader Medscheme client base.

In addition to diversifying our reach and product offering, we have also taken a long hard look at how we reach our clients. While we remain a predominantly intermediated business, we are also focusing on developing viable alternative distribution models enabled by innovative technology. Our investment in MicroEnsure, for example, will enable us to sell insurance products via mobile phones. This presents a potentially significant growth opportunity across all our markets, but especially in the Rest of Africa. SPF will also launch one of its three new Tax Free Savings products, to be introduced early in 2015, via intermediaries as well as online. Life insurance products will also be added to MiWay's direct distribution platform.

Currently South Africa still contributes around 74% of the Group's profits and our international businesses around 26%. We are confident that the international contribution will increase over time as our emerging market investments continue to grow.

Optimal capital utilisation

The Group's strategic approach is to use surplus capital for further diversification and the internationalisation of our business.

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

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

In combination with our relentless focus on quality business and client retention, our strategy has created significant value for our shareholders. It is not surprising therefore that the Sanlam share has rerated over the past few years.

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

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

Transformation

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

The Group is therefore exceptionally pleased that a new formal relationship was concluded with Ubuntu-Botho Investments. In terms of this agreement:

- Ubuntu-Botho Investments has agreed to retain a core shareholding in Sanlam for a further 10 years, thereby ensuring a sustained empowerment shareholding for the Group. Sanlam will also continue to benefit from the valued involvement of the Ubuntu-Botho representatives on the Sanlam Board.
- Both parties will jointly explore and pursue opportunities of common interest while Sanlam will assist Ubuntu-Botho in its strategy to establish an independent financial services business.
- The Sanlam Ubuntu-Botho Community Development Trust that benefited from the value created in the transaction over the past 10 years will now actively contribute to the initiatives of both Sanlam and Ubuntu-Botho Investments aimed at supporting poor and disadvantaged communities.

With the Ubuntu-Botho transaction we transformed our ownership in the most meaningful way possible, namely by involving a representative spectrum of South African community groups in Sanlam's future.

In 2014 the focus of our transformation goals in South Africa shifted from ownership towards employment equity as well as training and development. At the end of 2014, our black staff percentage stood at 67%. It must be pointed out that 10 years ago only 30% of our employees were black.

While we have made significant progress in some areas in terms of improving our employment equity scorecard, we acknowledge that more must be done. The empowerment targets at the middle and senior management levels are particularly tough to meet. To accelerate our progress we are in the process of implementing a number of innovative projects.

The Group requires all businesses in South Africa to measure their employment equity achievements and submit these statistics on a quarterly basis. A complete report is then submitted to the Sanlam Board's Human Resources committee four times a year. This ongoing measuring of our progress is critically important to help us achieve our targets.

At the end of 2014 we completed two full years of working within a clear framework of how the empowerment efforts of the financial sector are measured in terms of the South African Financial Sector Code (FSC) for Black Economic Empowerment.

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

Responsible corporate citizenship

Underpinning our growth strategy is a commitment by the Group to invest in long-term sustainable development and not just where profits are to be made.

This starts with the investments in our own staff, as covered elsewhere in this Integrated Report and the Sustainability Report. Through growing our operations and businesses and those of our agents and distributors, we actively participate in job creation in all the regions where we operate.

Sanlam also remains committed to the 10 principles of the United Nations Global Compact (UNGC), which have been integrated into Sanlam's sustainability framework. The UNGC is a strategic policy initiative aimed at encouraging businesses around the world to ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

The Sanlam enterprise development (ED) programme, launched in 2013 and managed by the Association for Savings and Investment SA (ASISA), is one example of our commitment to contribute to the economic transformation of South Africa and its people. It recognises that some of the critical hurdles to sustainable growth for many entrepreneurs is access to quality business development support, mentorship and markets. The focus of the programme is therefore on incubating and developing small and medium businesses that show potential for future growth, rather than simply supplying grant money and expecting business owners to achieve growth on their own.

The Sanlam ED programme successfully completed the first phase of this enterprise and supplier development project in 2014, resulting in the following achievements:

- Five small and medium enterprises (SMEs) were handpicked from Sanlam's supply chain and provided with more than 1 500 hours of focused business development support. The aim is to double the number of participating enterprises in 2015.
- The creation of 37 new jobs for these businesses and an average growth in revenue of 20%.
- Procurement spend of around R2,1 million was channelled to these SMEs in 2014.

Following the success of the first phase the second phase was launched towards the end of 2014.

This important flagship programme added greatly to Sanlam's overall enterprise development initiatives, which in 2014:

- Supported 107 businesses with 7 600 hours of enterprise development and mentorship, thereby creating 137 new jobs; and
- Helped these enterprises achieve a 22% growth in turnover.

Equally important for sustainable economic development is helping consumers better understand the long-term implications of their financial decisions as well as the products available from the savings and investment industry. In 2014 Sanlam was able to influence the financial futures and attitudes of more than 20 000 South Africans across the country at LSM 1 – 8 levels through the Group's consumer financial education interventions.

While a comprehensive overview of all our efforts as a responsible corporate citizen is contained in the Sustainability Report published on our website, I would like to also highlight the following:

- Sanlam was included in the JSE's Socially Responsible Investment (SRI) Index for the ninth consecutive year.
- In 2014 Sanlam participated in the Carbon Disclosure Project for the first time and was included in the top performance list of the Carbon Disclosure Leadership Index (CDLI). This makes Sanlam one of nine South African listed companies to qualify for the index, and one of four financial sector companies.
- Sanlam's biggest resource use in South Africa is that of purchased electricity, which makes up 73% of the Group's total carbon footprint. In 2014 the Group managed to reduce electricity consumption by 15% (per m^2), on top of 11% in 2013.

- Although Sanlam is not a water-intensive business, as one of South Africa's leading financial services groups we recognise our responsibility as a corporate citizen to address the challenges of water scarcity. In 2014 we therefore participated in the Global Water Disclosure Project, enabling society to interrogate how its corporate citizens use this scarce resource. The Group aims to become water neutral in 2015 by investing in the Water Balance programme of the World Wide Fund for Nature South Africa (WWF-SA).
- Sanlam's responsible investment policy commits the Group to undertake research into investment-related environmental risks and opportunities. In 2014 Sanlam developed a model that includes an environmental element to company valuations, allowing us to deliver on our commitment to monitor companies on their material environmental issues. We will develop thresholds, procedures and channels for engaging with companies.

Key risks for 2015

The South African financial services industry continues to face substantial regulatory changes, which come with unintended consequences and uncertainty. We consider this a major threat to a sustainable environment conducive to doing business. A sustainable environment is one where appropriate policies and regulations enable the financial services sector to continue to operate, compete, innovate and deliver solutions for the country and its citizens.

The decision by government, for example, to delay the implementation of the retirement tax reforms, which were meant to come into effect on 1 March 2015, has had a major impact on SPF as well as Sanlam Employee Benefits (SEB).

Furthermore, the Retail Distribution Review (RDR) proposals released for discussion by the Financial Services Board (FSB) late in 2014 come with far-reaching consequences for intermediated businesses such as SPF.

As mentioned earlier all our businesses are experiencing cost pressures, mainly due to regulatory changes and new compliance requirements.

In the UK, the RDR and other reforms also impacted substantially on the financial services industry. However, we still believe that businesses like Nucleus and Sanlam UK are well positioned to take advantage of regulatory change in the UK. Furthermore, there has been valuable learning from the regulatory reform process in the UK, which can be applied across the Group as South Africa moves towards its own RDR.

In India, Shriram's credit businesses are also exposed to potential regulatory changes as non-bank institutions are increasingly being regulated as if they were banks. Finally, the life insurance operations in India are still struggling to achieve past growth numbers due to the regulatory reforms making it difficult to sell Unit Linked Insurance Plans (ULIPs).

A second major risk for the Group is the sluggish economy and the absence of strong growth in the foreseeable future. Overall, South Africa's GDP growth is expected to continue to be under pressure for some time. While the growth rates in sub-Saharan Africa, India and Malaysia are expected to be at least double that of South Africa, these economies are also performing at sub-optimal levels.

Priorities for the Sanlam Group in 2015

The Group as a whole has identified four key focus areas in 2015. The underlying priorities of the individual businesses are outlined in detail in the Operational Cluster Review section.

Driving diversification and efficiencies

The key focus in 2015 will be on driving diversification and efficiencies in the more mature South African market, while simultaneously bolstering our expansion efforts in the emerging markets (Africa, India and South-East Asia) and the developed markets so that the international component forms a meaningful and growing proportion of our total business.

Client centricity

Key to the success of Sanlam has been our unwavering commitment to putting the needs of our clients first. Our client-centric approach forms an integral part of our business philosophy and will continue to constitute the foundation of our business model.

I am pleased to report that the Treating Customers Fairly (TCF) implementation across the SPF and SI clusters is complete, in line with the current principles and guidelines as provided by the Financial Services Board. In September 2014 SPF and SI started providing the Sanlam Customer Interest committee with a TCF management information dashboard, which provides insight into the clusters' progress and measurement against the proposed fairness outcomes.

Transformation

Transformation in the South African context refers to a company's willingness to adapt the composition of its staff complement and its shareholding to more accurately reflect the demographics of the country. We demonstrated Sanlam's commitment to transforming into a truly South African business 10 years ago when we announced the Ubuntu-Botho Investments black economic empowerment (BEE) transaction. We remain as committed to transformation today as we were then and will continue to work with Ubuntu-Botho as our strategic partners.

As outlined earlier, employment equity and training and development at middle and senior management levels will be our focus for 2015.

Achieving a smooth transition

Consistency and predictability are two of the Group's main characteristics. In keeping with these character traits, which have served the Group well over the past 96 years, the Sanlam leadership succession planning was announced more than a year in advance. We understand that there is enough change in the external environment, which our business needs to absorb. Therefore, to facilitate a smooth transition in the Group's leadership, Ian Kirk was appointed as Deputy Group Chief Executive of the Sanlam Group with effect from 1 January 2015. The position of Deputy Group Chief Executive is part of Sanlam's succession planning strategy and implementation of a smooth leadership transition in 2015.

In closing

Although 2014 was a tough year, the Group once again delivered on its promises to all stakeholders and this is something I am exceptionally proud of. In 2013, I said that we had raised the bar, but in 2014 we managed to deliver against that bar despite strong headwinds.

I believe strongly that our promises are only as good as the people who make them, namely the Sanlam staff. I would therefore like to thank each and every Sanlam employee who faced adversity in 2014 and helped us break records. It is this culture that has made Sanlam the successful and sustainable financial services group that it is today.

I would also like to express my gratitude to our clients and shareholders for choosing us as your "Wealthsmiths™". A very big thank you also goes to my management team for their unwavering support and to the members of the Sanlam Board for their expert guidance and long-term vision.

I am looking forward to the energy that the new leadership will bring to the Sanlam Executive structure in 2015 and am excited about the prospects that the transition will unlock for the Sanlam Group and its stakeholders.

Financial review

Kobus Möller
Financial Director

In an environment best described as economic headwinds balanced by investment market tailwinds, the Group once again succeeded in creating significant wealth for our shareholders.

The strategic diversification of the Group across business lines, geographies, market segments and products since 2003 ensured that we were not over exposed to the areas most affected by the economic headwinds, but instead that the under performance in these areas was more than compensated for by strong growth in other parts of the Group.

Return on Group Equity Value (RoGEV) per share of 18,5% and growth of more than 20% in both operating earnings and value of new life insurance business (VNB) were particularly pleasing.

As highlighted in the Economic and Operating Environment Review, pressure on economic growth and currencies in a number of regions placed a damper on the Group's growth potential, in particular recurring premium risk business sales in South Africa, expansion of the consumer credit books in India and South Africa as well as growth in general in Ghana. This was, however, counteracted by favourable underwriting experience in the insurance operations and higher fee income in the investment management and administration businesses, which benefited from a higher level of assets under management as investment markets continued to rally into 2014, albeit at a more subdued level than 2013.

This review provides an overview of the Group results, with further information provided in the Operational Cluster Review as well as the Shareholders' information section.

Basis of presentation and accounting policies

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

- SI restructured its South African investment management operations in 2014 to better align with its client-centric model. The former Asset Management and Investment Services businesses were combined into an Asset Management SA business with three sub units: client-facing Retail and Institutional units responsible for distribution and client service and an Investment Core that houses the investment management capabilities. Comparative segmental information has been restated to combine the former Asset Management and Investment Services information into the new Investment 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. 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.

Financial performance measure

The Group chose Return on Group Equity Value (RoGEV) as its main measure of financial performance. Group Equity Value (GEV) provides an indication of the value of the Group's operations, but only values the Group's in-force covered (life insurance) business and excludes the value of future new life insurance business to be written by the Group. GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations and the net present value of their in-force books of business (VIF);
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, credit, general insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

Sustained growth in GEV is the combined result of delivery on a range of key performance drivers in the Group. RoGEV measured against a set performance hurdle is therefore used by the Group as its primary internal and external performance benchmark in evaluating the success of its strategy to maximise shareholder value.

The RoGEV target is to outperform the Group's cost of capital by at least 100bp. The cost of capital is set at the risk free nine-year bond rate (RFR) plus 300bp. The compounded RoGEV of the Group since Sanlam demutualised and listed in 1998 comprehensively outperformed this target.

The RoGEV target for 2014 has been 12,2% and for 2015 it is set at 12,1% based on the RFR of 8,1% as at the end of December 2014.

Group Equity Value

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

Financial review continued

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

Group Equity Value at 31 December 2014

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

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

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

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

Earnings

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

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

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

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

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

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

Financial review continued

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

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

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

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

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

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

Sanlam Investments delivered an overall sound performance.

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

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

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

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

Specialist businesses, contributed to the significant increase in the overall underwriting margin and operating profit.

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

Business volumes

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

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

SPF's Individual Life business achieved overall new business growth of 10%, a very good performance in this mature market segment, notwithstanding the weak economy and pressure on consumers' disposable income. Strong single premium sales continue to drive this growth, while endowment savings and retirement annuity recurring premium volumes also increased by more than 10%. Recurring premium risk sales were, however, 3% down on 2013. In a very challenging year for this business unit, Sanlam Sky's total new business sales declined by 2%. Group risk business sales were well down from a high base in 2013 that included large once-off transactions. The termination of the Capitec credit life underwriting agreement with effect from April 2015 is a disappointment. The industrial action in the Rustenburg platinum belt that persisted for most of the first half of 2014, and its secondary effects that flowed through to other provinces, placed severe pressure on individual life business volume growth. Future growth prospects for this business, however, remains intact, with the adviser channel that has already made a strong recovery in the second half of the year to record 14% growth for 2014. Glacier continued to grow its asset base, with its superior service offering and product innovation driving 30% growth in new business. Above-average investment market performance over the last number of years also contributed to this growth in the form of higher maturity values being reinvested at Glacier.

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

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

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

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

Business volumes for the year ended 31 December 2014

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

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

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

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

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

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

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

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

Financial review continued

Capital and solvency

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

- Acquiring a 40% shareholding in one of the largest general insurance companies in Ghana, Enterprise Insurance Company Limited, for R237 million. Sanlam already holds a 49% stake in Enterprise Life Assurance Company Limited as well as a 40% stake in Enterprise Trustees Limited and this transaction solidifies Sanlam's partnership with the Enterprise Group in Ghana.
- Acquiring a 63% interest in Soras Group Limited, Rwanda's largest life and non-life insurance company for R255 million. The transaction will see Sanlam doing business directly for the first time in Rwanda, which is one of the fastest growing economies on the continent.
- Acquiring a 32,7% direct interest in NIKO General Insurance Company (Tanzania) Limited and increasing the stake in NIKO Uganda to 78,7% for R34 million in total. SEM acquired a 49% direct interests in NICO Holdings Limited's General Insurance businesses in Malawi and Zambia and 48,4% in Uganda in 2013. SEM also has a 25% direct stake in NICO Holdings Limited and a 49% direct stake in NICO Life Insurance Company Limited.
- FBN Life in Nigeria increased its stake in the general insurance company, Oasis Insurance Plc, to 100%. SEM and FBN Holdings are 35% and 65% shareholders of FBN Life respectively. The Group's contribution to the acquisition amounted to R20 million.
- The Group's stake in Botswana Insurance Holdings Limited was increased from 56% to 60% for some R106 million.
- Acquiring a 22% stake in UK-based micro-insurance provider, MicroEnsure Holdings Limited, at a cost of R56 million. The company has a strong footprint in emerging markets that overlaps with that of SEM in Africa, India and South-East Asia. We consider micro-insurance, which includes the buying of insurance products through mobile phones, a substantial growth opportunity across all our markets.
- SEM concluded its acquisition of a 51% interest in MCIS Insurance Berhad (MCIS Insurance) in Malaysia for approximately R1,26 billion. By law an investor may not do business under more than one life or general insurance licence in Malaysia, unless the second is a Takaful (Sharia-compliant insurance) licence. Given SEM's acquisition of a 49% stake in the general insurer, Pacific and Orient Insurance Company Berhad, in 2013, the general insurance book of MCIS is being sold and this will be concluded in 2015. Proceeds from this disposal have been ring-fenced in terms of the acquisition agreement and will not accrue to the Group.
- The Piramal Group acquired a 20% stake in Shriram Capital Limited in 2014, in part through the injection of new capital in the business and SEM had to invest additional capital of R71 million (net of the disposal of a 2% direct stake in Shriram Transport Finance Company) to maintain its shareholding at 26%. We see the Piramal investment as a positive development. This new three-way partnership between Shriram, Piramal and Sanlam aims to further strengthen Shriram's position in the financial services industry in India.
- SI increased its stake in FOUR Capital in the United Kingdom (UK) to 90% and acquired a 20% holding in Cameron Hume, a UK-based specialist investment management boutique focused on fixed income investments. It also reacquired the property management agreement from Vukile in South Africa to unlock future synergies by internally managing the Group's property portfolio. These transactions utilised an amount of some R300 million.
- The disposal of non-core operations in the UK and Europe, together with Santam's contribution to acquire a 35% economic interest in the Group's general insurance acquisitions outside of South Africa during the year, generated some R450 million of additional discretionary capital.

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

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

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

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

Dividend

The Group only declares an annual dividend due to the costs involved in distributing an interim dividend to our large shareholder base. Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the normal dividend, subject to the Group's liquidity and solvency requirements. The operational performance of the Group in the 2014 financial year enabled the Board to increase the normal dividend per share by 13% to 225 cents. This will maintain a cash operating earnings cover of approximately 1,2 times. The South African dividend withholding tax regime applies in respect of this dividend. The dividend does not carry any STC credits and will in full be subject to the 15% withholding tax, where applicable, which will result in a net final dividend to those shareholders who are not exempt from paying dividend tax of 191,25 cents per ordinary share.

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

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

Operational cluster review

Sanlam Personal Finance

Sanlam Personal Finance (SPF) drives the Group's retail business in South Africa using market segmentation as a key enabler to deliver on its strategy.

Sanlam Sky Solutions (Sanlam Sky) is responsible for the entry-level market. Sanlam Individual Life and Segment Solutions (Individual Life) services the middle, self-employed and professional markets. Glacier by Sanlam (Glacier) focuses on the affluent market.

The SPF business model is founded on a client-centric approach, whereby solutions are designed based on a deep understanding of the needs of each specific market segment or sub-segment.

Sanlam Personal Finance
100% interest unless otherwise indicated

- **Sanlam Sky Solutions** financial services for individuals and groups in primarily the entry-level market
- **Sanlam Individual Life** financial services to the middle-income, professional and business-owner market
- **Glacier** financial services for the affluent market
- **Sanlam Trust** estate and trust services
- **Multi-Data** electronic money-transfer
- **Sanlam Healthcare Management** medical scheme administration
- **Sanlam Personal Loans** (personal loans) 70%
- **Anglo African Finance** trade and bridging finance 55%
- **Reality** loyalty programme

2014 – The Bigger Picture

SPF delivered a commendable performance in a year marked by a tough economic and operational environment, as highlighted in the Economic and Operating Environment Review (page 58). Events in 2014 that had the biggest impact on SPF and its businesses were the five-month platinum mining strike in the first half of 2014, lacklustre economic growth in South Africa as well as the uncertainty caused by regulatory reform.

Sanlam Sky felt the impact of the protracted platinum mining strike the most: premium collections were affected negatively, persistency suffered and new business volumes contracted. The National Union of Metalworkers of South Africa (Numsa) strike in July further disrupted the Sanlam Sky growth plans for 2014.

However, the mining strike also presented the cluster with an opportunity to prove that the principles of Treating Customers Fairly (TCF) and managing the business for long-term sustainability are deeply ingrained in the SPF culture. Recognising the plight of the communities affected by the mining strike, Sanlam Sky kept policies active by suppressing lapses when no premiums were received and continued to honour claims. It was gratifying to see that premium payments on a substantial portion of the impacted policies were resumed after the strike ended. Immediately after the strike, Sanlam Sky also assisted the communities of Marikana with various initiatives, including food parcels and educational material.

Ongoing regulatory change and the resulting uncertainty continue to impact heavily on SPF. A number of major initiatives, as highlighted in the Economic and Operating Environment Review, absorbed capacity and will likely have a major impact on the distribution model of the cluster going forward if adopted in their current form.

One of the highlights for 2014 was the agreement reached between SPF and Afrocentric Healthcare Assets, which will result in the Group holding an effective 28,7% in Medscheme, South Africa's largest health risk management services provider and the country's third largest medical scheme administrator. This transaction will enable SPF to further diversify its product offering to include a medical aid solution for retail clients. The transaction is, however, still subject to conditions for completion.

SPF retained its "Investor in People" accreditation for the ninth consecutive year in 2014 and managed to significantly improve on the required standards. The cluster invested more than R100 million in the training and development of its people in 2014. SPF continued with the momentum of 2013 and once again delivered on its transformation targets, both quantitative and qualitative. The focus was on middle and senior management levels and we achieved what we set out to do.

During the last quarter of 2014 SPF delivered on the first phase of its digital strategy with the launch of Sanlam.com and the rollout of new online purchase sites. The new Sanlam Gap Cover, a further building block in the Group's health strategy, was launched online in 2014. During 2014 the new Client Portal was launched giving clients improved secure access to their portfolios. A new tax free savings account product set has been developed and will be released in 2015.

Financial scorecard

Key performance indicators for the year ended 31 December 2014

R million	2014	2013	Change %
Group Equity Value			
Group Equity Value	**38 453**	35 666	
Covered business	**35 444**	33 033	
Other operations	**3 009**	2 633	
Return on Group Equity Value	**17,9%**	20,5%	
Covered business	**17,6%**	20,6%	
Other operations	**21,5%**	19,6%	
Business volumes			
New business volumes	**52 566**	42 507	24
Life business	**25 145**	21 498	17
Sanlam Sky	**1 127**	1 155	(2)
Individual life	**904**	830	9
Group life	**223**	325	(31)
Individual Life	**12 137**	11 019	10
Recurring premiums	**1 388**	1 307	6
Single premiums	**10 749**	9 712	11
Glacier	**11 881**	9 324	27
Investment business	**27 421**	21 009	31
Individual Life	**306**	309	(1)
Glacier	**27 115**	20 700	31
Net fund flows	**19 580**	14 993	31
Life business	**8 214**	6 538	26
Sanlam Sky	**2 635**	2 880	(9)
Individual Life	**(1 354)**	(1 908)	29
Glacier	**6 933**	5 566	25
Investment business	**11 366**	8 455	34
Value of new covered business			
Value of new business	**1 084**	986	10
Sanlam Sky	**361**	366	(1)
Individual Life	**551**	485	14
Glacier	**172**	135	27
Present value of new business premiums	**34 798**	30 789	13
Sanlam Sky	**3 797**	4 241	(10)
Individual Life	**19 123**	17 224	11
Glacier	**11 878**	9 324	27
New business margin	**3,12%**	3,20%	
Sanlam Sky	**9,51%**	8,63%	
Individual Life	**2,88%**	2,82%	
Glacier	**1,45%**	1,45%	
Earnings			
Gross result from financial services	**4 801**	4 055	18
Sanlam Sky	**949**	761	25
Individual Life	**3 513**	3 034	16
Glacier	**339**	260	30
Net result from financial services	**3 476**	2 920	19

Glacier

Glacier delivered strong growth in 2014 driven by healthy volumes and profit. High standards of client service, combined with product innovation, continue to give this business its competitive edge.

In the middle of 2014 Glacier launched the Investment-Linked Lifetime Income Plan. An industry first, this product was developed to address longevity concerns by helping retirees maintain a sustainable income for life.

Net fund inflows increased by 31% on 2013 to reach R18,3 billion. Augmented by positive investment market returns, it enabled Glacier to grow its assets under management to R156,9 billion at 31 December 2014, compared to R127,4 billion at the end of 2013. The higher level of assets under management supported growth of 30% in gross result from financial services (operating profit), a particularly satisfactory performance.

Individual Life

Growth in recurring premiums remained muted in 2014, increasing by only 5%. This is an industry-wide trend and the result of ongoing economic pressure experienced by consumers in the middle market. Despite being an overall disappointing result, growth in recurring premiums compared to 2013 accelerated from only 1% in the first half of 2014 to 9% in the second half of the 2014 financial year. Risk sales were particularly disappointing in 2014, decreasing by 3% on 2013. A number of actions are being implemented to address this issue. Retirement annuity and endowments sales performed well and grew by more than 10%. Single premium sales delivered excellent double-digit growth of 10%, with good demand for traditional guaranteed plan and annuity products.

The value of new life insurance business (VNB) written increased by 16% on a comparable economic basis (actual 14%), in line with the growth in new life business volumes. VNB margins expanded slightly, attributable to good expense control.

Despite a tough economic environment persistency remained satisfactory, with the total number of lapses, surrenders, paid-up policies and section 14 transfers declining by 1,3% on 2013. This is a direct result of our relentless focus on the quality of new business and providing clients with appropriate products for their needs at a fair price.

The complaints data released by the Ombudsman for Long-Term Insurance early in 2014 also shows that Sanlam Life's market share of complaints lodged with the Ombudsman is only 3,3%. This is extremely encouraging, given that the total market share of this business is around 20%. In the majority of cases (87,3%) the Ombudsman's rulings corresponded with those of Sanlam Life. This is testimony to the business' solid and well-managed processes, service and internal complaints handling. It also shows that the client-centric approach spans from the advice process, to product development and then to the claims environment where payments ultimately match client expectations, i.e. providing clients with responsible products and services.

Individual Life achieved 16% growth in its gross operating profit, attributable to strong growth in administration and risk underwriting profits. Administration profit benefited from higher fund fees earned on the higher average level of assets under management. Favourable claims experience, in particular mortality experience, continued in the second half of 2014, supporting the 65% growth in risk underwriting profit. Sanlam Personal Loans' 4% growth in operating profit is a commendable performance in light of the muted growth in the size of its loan book after a deliberate decision to curtail unsecured lending in the current economic environment.

Sanlam Sky

As mentioned earlier, this business bore the brunt of South Africa's 2014 industrial action. New business sales suffered as a result, decreasing by 2% in total.

Individual recurring business grew by a satisfactory 9%, with agency sales recovering strongly in the second half of the year to achieve overall growth of 14% for the year. Broker sales were down 9% due to declining broker numbers as a result of regulatory pressures such as Financial Advisory and Intermediary Services (FAIS) Act requirements. Sanlam Sky launched the Sanlam My Choice Funeral Plans in the second quarter of 2014, which resulted in a marked increase in sales.

Group recurring new business declined by 31%, largely attributable to one-off large schemes written in 2013 that did not repeat in 2014 and the biennial renewal of the ZCC scheme that occurred in 2013. A disappointment for the year was the termination of Sanlam Sky's credit risk underwriting arrangement with Capitec Bank with effect from April 2015.

VNB increased by 1% on a comparable economic basis (actual down 1%), with margins expanding from 8,63% to 9,51% due to the change in mix towards the more profitable individual recurring business. This is a commendable result given the overall lower new business volumes as well as the impact of the Capitec termination. Most of the VNB impact of the Capitec termination is recognised in 2014 given that new business written during 2014 will terminate in April 2015.

Unfortunately persistency deteriorated in 2014, driven primarily by the fallout from the mining strikes. Persistency experience did, however, improve in the second half of the year relative to the first six months of 2014 and ended within the actuarial assumptions for the full year.

Gross operating profit increased by 25%, reflecting growth in the in-force book augmented by favourable claims experience and strong growth at Safrican.

We look forward to an improved performance in 2015 should labour markets remain stable. We are extremely proud of the fact that during 2014 we succeeded in paying in excess of 60% of all funeral plan claims within four hours.

Opportunities for 2015

- We expect good growth in the affluent market and Glacier will further enhance current product solutions in line with regulatory changes such as retirement reform. There will also be an aggressive focus on ease of doing business for intermediaries and the end client.
- Improving risk business sales in the middle and affluent markets will be a special focus area during 2015. This will be achieved through product enhancements, underwriting and process improvements, improved product support and training.
- Sanlam Sky has the potential to deliver good growth despite economic challenges. This business will grow its agency and affiliated intermediary footprint as well as group relationships. Expanding the product range in line with client needs is another focus area.
- MiWay Insurance and Sanlam Life will launch MiWay Life. MiWay Insurance is a direct general insurance company owned by Santam. This will add products underwritten by Sanlam Life to the MiWay offering and we expect to be selling fully fledged risk policies by the end of the first quarter of 2015.
- The new tax free savings product range will be launched early in 2015. Each of the SPF businesses (Glacier, Individual Life and Sanlam Sky) will launch a product with the aim of protecting existing flows. The new products will be sold via intermediaries, while the Individual Life product will also be available online.
- The cluster will maintain operational efficiency to keep expense growth under control.
- SPF designed a development programme which will focus on the recruitment and development of middle and senior management. To be implemented in March 2015, this programme will further the transformation within SPF at leadership level. The cluster also continues to offer learnerships for people with disabilities.

Sanlam Emerging Markets

SEM drives the Group's international expansion into selected emerging markets in Africa, India and South-East Asia.

Growth opportunities in both current and new markets are pursued and developed in partnership with established businesses that have in place a strong local board and management team as well as a good distribution footprint.

Sanlam Emerging Markets
100% interest unless otherwise indicated

Retail and group life insurance and related business

- 59% **Botswana Life, Botswana** via Botswana Insurance Holdings Limited (BIHL)
- **Sanlam Life, Namibia**
- 59% **Sanlam Namibia Holdings, Namibia** (direct 54% and 5% indirect via Capricorn Investment Holdings)
- 62% **NICO Life, Malawi** (direct 49% and 13% indirect via NICO Holdings)
- 56% **Pan Africa Life, Kenya** via Pan Africa Insurance Holdings (PAIH)
- 64% **African Life, Tanzania**
- 70% **African Life, Zambia**
- 49% **Enterprise Life Assurance, Ghana**
- **Sanlam Life, Uganda**
- 35% **FBN Life, Nigeria**
- 20% **Shriram Life Insurance, India** via Shriram Capital
- 51% **MCIS Insurance, Malaysia**
- 63% **Soras VIE, Rwanda** via Soras Group

Credit and banking

- 13% **Bank Windhoek, Namibia** via Capricorn Investment Holdings
- 14% **Letshego** operating in a number of African countries via BIHL
- 13% **NBS Bank, Malawi** via NICO Holdings
- 10% **Shriram Transport Finance Company, India** (3% direct and 7% via Shriram Capital)
- 9% **Shriram City Union Finance** via Shriram Capital

Investment management

- 56% **Pan Africa Investment Management** via PAIH
- 86% **SIM Namibia**
- 59% **Botswana Insurance Fund Management** via BIHL

General insurance

Jointly responsible in partnership with Santam for managing general insurance business through:

- 62% **NICO Malawi** (direct 49% and 13% indirect via NICO Holdings)
- 41% **NICO Tanzania** (direct 33% and 8% indirect via NICO Holdings)
- 84% **NIKO Uganda** (direct 79% and 5% indirect via NICO Holdings)
- 62% **NICO Zambia** (direct 49% and 13% indirect via NICO Holdings)
- 20% **Shriram General Insurance, India** via Shriram Capital
- 49% **Pacific & Orient, Malaysia**
- 59% **Sure!, Botswana** via BIHL
- 35% **Oasis Insurance, Nigeria** via FBN Life
- 63% **Soras Assurance General, Rwanda** via Soras Group
- 37% **Santam Namibia**

Our business philosophy

The preferred approach when diversifying into emerging markets remains one of entering into partnerships with companies that share the values of the Sanlam Group. SEM's approach is to entrust local boards and management teams to run the operations with SEM playing the role of a technical partner, leveraging the expertise within the Sanlam Group to optimise and grow the business.

Integral to our partnerships is the transfer of skills through on-the-job training provided by SEM to both senior management and technical staff from partner businesses. Governance and reporting training courses, for example, are run regularly for all operations. This is augmented by seconding senior staff to South Africa for a period of up to two years.

SEM subsidiary businesses are expected to adopt the Group's governance and ethics frameworks and policies subject to local regulations. Working through the local boards, associate operations are encouraged to adopt the Sanlam principles as far as possible.

To facilitate this, the cluster hosts an annual SEM conference where the CEO's and chief financial officers of all SEM business units engage on SEM strategy, share ideas and experiences and are exposed to Sanlam best practice. In addition these delegates also attend the Sanlam Group Senior Management conference where they are exposed to the broader Group strategy and other Group operations. The cluster also hosts an annual Finance, Actuarial and Risk Management conference and *ad hoc* conferences focusing on HR and distribution.

In addition, SEM hosts a Business Partners conference every two years, which is attended by the chairman as well as other representatives of the boards of partner businesses and other major country shareholders. The aim is to foster the partnerships and achieve alignment between SEM, local boards and country management.

SEM has a direct business presence in 10 African countries and also in India and Malaysia. SEM also has an indirect presence in five other African countries via our associate companies as well as in the Philippines.

2014 – The Bigger Picture

The cluster's diversification strategy once again delivered the desired results in 2014 with SEM achieving solid growth despite the tough conditions experienced by most emerging markets.

Of particular concern for this business in 2014 was the exchange rate volatility, particularly of the rand and the Ghanaian cedi. While the rand weakness proved positive for SEM investments in most countries where we have a presence, the significant depreciation of the cedi weakened the translated rand results of investments in Ghana, a major contributor to Group VNB and operating earnings. Overall, Ghana had a difficult year marked by rising inflation, high interest rates and poor economic performance, which impacted negatively on new business volumes and persistency, but the business managed to remain flat on operating profit in local currency terms and showed good recovery in the last quarter.

SEM continued with an aggressive structural growth plan in 2014, making excellent progress in terms of further diversifying the Group's emerging markets portfolio. In 2014 SEM concluded a number of transactions with a total capital investment of some R2 billion.

The cluster placed significant focus on delivering on its mandate of expanding the Group's general insurance footprint in emerging markets as per the agreement reached with Santam at the end of 2013 in terms of which Santam obtained a 35% economic interest in SEM's general insurance businesses. This agreement also positioned SEM as the single investor for the Group's general insurance businesses in emerging markets.

The cluster expanded its footprint in Africa from seven general insurance companies in 2013 to 11 at the end of 2014. In terms of the agreement, Santam contributed R185 million to SEM during 2014 to fund Santam's 35% economic interest in SEM's expansion in general insurance businesses. This is in addition to the net R181 million paid by Santam to SEM in 2013.

Details of the businesses added to the SEM portfolio in 2014 are provided in the Financial Review on page 74.

Operational cluster review continued

Financial scorecard

Key performance indicators for the year ended 31 December 2014

R million	2014	2013	Change %
Group Equity Value			
Group Equity Value	**14 571**	10 189	
Covered business	**5 116**	3 541	
Other operations	**9 455**	6 648	
Return on Group Equity Value	**28,0%**	29,8%	
Covered business	**26,3%**	47,3%	
Other operations	**28,9%**	20,3%	
Business volumes			
New business volumes	**9 259**	9 749	(5)
Namibia	**3 322**	5 401	(39)
Botswana	**3 031**	2 281	33
Rest of Africa	**1 560**	1 139	37
India	**654**	572	14
South-East Asia	**692**	356	94
Net fund flows	**3 971**	1 794	121
Namibia	**1 021**	(807)	226
Botswana	**1 129**	1 303	(13)
Rest of Africa	**1 451**	1 195	22
India	**81**	(22)	464
South-East Asia	**289**	125	132
Value of new covered business			
Value of new business	**431**	364	18
Namibia	**111**	98	13
Botswana	**166**	116	43
Rest of Africa	**132**	146	(10)
India	**3**	4	(25)
South-East Asia	**19**	–	–
Present value of new business premiums	**5 673**	4 877	16
Namibia	**979**	980	0
Botswana	**2 166**	1 860	16
Rest of Africa	**1 888**	1 841	3
India	**223**	196	14
South-East Asia	**417**	–	–
New business margin	**7,60%**	7,46%	
Namibia	**11,34%**	10,00%	
Botswana	**7,66%**	6,24%	
Rest of Africa	**6,99%**	7,93%	
India	**1,35%**	2,04%	
South-East Asia	**4,56%**	–	
Earnings			
Gross result from financial services	**2 213**	1 736	27
Namibia	**534**	387	38
Botswana	**706**	579	22
Rest of Africa	**265**	217	22
India	**662**	536	24
South-East Asia	**87**	48	81
Corporate	**(41)**	(31)	(32)
Net result from financial services	**1 241**	1 011	23

SEM delivered overall strong results, with new business volumes increasing by 42% (excluding the Capricorn unit trust business that was sold in 2013), VNB by 18% and gross operating profit by 27% on 2013. This growth was achieved despite the difficult operating environment highlighted above. Structural growth in 2013 and 2014 supported the results. Organic growth in VNB and gross operating profit amounted to 13% and 16% respectively. Overall organic VNB growth was depressed by the currency and economic environment in Ghana and a competitive environment in Kenya that placed pressure on unit costs and annuity margins. Organic operating profit growth was similarly under pressure from the Ghana results, but also by lower property sales in Kenya, a more volatile earnings source.

Approximately 41% of SEM's gross operating profits in 2014 were derived from life business, 46% from credit and banking business and 13% from other financial services (general insurance, medical and asset management).

While most businesses in the cluster delivered strong performances in 2014, the contributions of the following operations were noteworthy:

Botswana

The turnaround achieved by Botswana Insurance Holdings Limited (BIHL) is one of the highlights for 2014. Fuelled by a recovery in the economy and the implementation of new systems in 2013, this business delivered beyond expectations in 2014. New business volumes increased by 33% with strong growth across most lines, but especially annuity business that includes a once-off tranche of government retirees. VNB increased by 43% due to the strong volume growth and favourable annuity margins. Gross operating profit also grew by a solid 22%, with the life and credit operations being the largest contributors. The leadership qualities of Catherine Lesetedi-Letegele, CEO of Botswana Life, were rewarded in July 2014 when she was awarded country and regional winner of Africa's Most Influential Women in Business and Government awards.

A disappointment in Botswana was the termination by the Botswana Public Officer's Pension Fund (BPOPF) of investment portfolio management agreements with Botswana Insurance Fund Management (BIFM) relating to around P9 billion out of the P11 billion managed for the BPOPF by BIFM. The termination becomes effective on 2 March 2015 and BIFM's remaining assets under management are around P16 billion.

Namibia

While the life businesses faced many challenges in a competitive environment, overall our Namibian businesses delivered pleasing sales growth of 54% (excluding the Capricorn Unit Trust business sold as part of the Capricorn Investment Holdings transaction in 2013) and solid gross operating profit growth of 38%. Operating profit benefited from structural growth (with the Capricorn Investment Holdings and Santam Namibia transactions that became effective in 2013), positive credit spread moves in the life book and good employee benefits market-related income, but this was to some extent offset by a strengthening in the long duration lapse assumptions in the life business. We are pleased with the performance of Santam Namibia. Santam Namibia again won the award for *"The best company to work for"* in the category for mid-sized companies.

Rest of Africa

New business volumes increased by a healthy 37%. Gross operating profit grew by 22% despite a lower contribution from Ghana.

- Ghana – Enterprise Life had a difficult year marked by rising inflation, high interest rates and poor economic performance, which impacted negatively on new business volumes and persistency, but the business managed to remain flat on operating profit in local currency terms and showed good recovery in the last quarter.
- Malawi – NICO General in Malawi continued to deliver satisfactory results in 2014. Nico Life achieved good growth in new business written during the year.
- Kenya – Pan Africa Life in Kenya achieved satisfactory growth in new business volumes despite a highly competitive environment, but pressure on annuity margins contributed to an 11% decline in VNB. Good growth in life insurance operating profit was deflated by lower property development sales as referred to above. Pan Africa won the Excellence in Financial Reporting Award in the Insurance Category. The awards are organised by the Nairobi Securities Exchange and the Institute of Certified Public Accountants Kenya.
- Tanzania – African Life Assurance Tanzania was recognised for the Best Presented Financial Statements in 2013 by Tanzania's National Board of Accountants and Auditors (NBAA).
- Nigeria – FBN Life achieved very good growth in new business and profits, off a small base. FBN Insurance received the World Finance: Best Life Insurance Company in Nigeria award in 2014.

India

General elections were held in India from April to May 2014 with a result deemed favourable for future economic growth. Considering that one third of SEM's profits are generated by our operations in India, we will be closely monitoring developments on that front.

The 24% growth in gross operating profit includes the once-off release of a R72 million reserve held in respect of third party business transferred to Shriram General Insurance as part of past regulatory changes. Shriram General Insurance and Shriram City Union Finance continued to deliver solid results. Shriram Transport Finance Company achieved reasonable results in a difficult economic environment. Shriram Life Insurance invested to extend its distribution capabilities, impacting on both its operating profit and VNB growth.

Malaysia

Malaysian general insurer, Pacific & Orient Insurance Co. Berhad, benefited from a stable economy and business environment, performing in line with expectations. The Malaysian results also include a first-time contribution from MCIS Insurance.

Only one operation disappointed in 2014, namely the general insurance start-up in Botswana. The general insurer in Botswana struggled to gain the necessary traction and this was addressed by selling a part of the business and restructuring the rest. Profitability was restored towards the end of 2014 and we are considering alternate business models for this entity.

Also pleasing to note is that the business models implemented by the loss-making medical businesses in Zambia and Uganda towards the end of 2013 resulted in SEM no longer being exposed to the medical profits or losses, while still being able to include the product in its offering.

Opportunities for 2015

- SEM will continue to drive the Group's diversification strategy across selected emerging markets in Africa, India and South-East Asia as well as product ranges with the aim of building a portfolio of businesses geared for long-term stable growth.
- For 2015 the focus will remain on Africa. We have achieved a strong presence in the Anglophone countries and believe that we are ready to explore Francophone and Lusophone countries in order to become a true Pan-African player.
- We will maintain our strong focus on ensuring organic growth where we have existing businesses while exploring further structural growth opportunities.
- SEM is working with the Shriram Group in India to explore opportunities in South-East Asia, especially in Indonesia and the Philippines.
- There will also be a strong focus on increasing the visibility of the Sanlam brand as a partnership brand in the various countries where we have operations.

Sanlam Investments (SI)

SI provides individual and institutional clients in South Africa, the United Kingdom and elsewhere in Europe, the United States of America and Australia access to a comprehensive range of specialised investment and risk management expertise.

Sanlam Investments
100% interest unless otherwise indicated

Asset Management

- **Sanlam Investment Management** manages institutional portfolios and retail collective investment (unit trust) funds
- **Sanlam Structured Solutions** structured products
- **Satrix** manages index tracking funds and portfolios
- **Sanlam Multi Manager International** investment management advisory business
- **Sanlam Collective Investments** retail, multi-managed, institutional and third-party collective investment (unit trust) funds
- **Blue Ink** hedge fund manager focusing on both the local and global investment markets
- **Graviton Wealth** provides independent advice to people leaving retirement funds
- **Graviton Financial Partners** a broker network business

Wealth Management

- **Sanlam Private Investments** private client wealth management and stockbroking business
- 50,1% **Calibre Investments** Australian investment business
- 97% **Sanlam Private Investments UK** UK private wealth management and stockbroking business
- 65% **Summit Trust** international independent trust services group in Switzerland
- **Investment Advisory Service and Fiduciary and Tax Services**

Capital Management

Manages portions of Sanlam's third-party and policyholders' funds.

- **Sanlam Capital Markets**
- **Sanlam Private Equity**
- **Sanlam Properties**

Sanlam Employee Benefits

Provides risk and investment solutions and administration services to institutions and retirement funds.

- **Sanlam Group Risk**
- **SEB Investments**
- **Sanlam Umbrella Solutions**
- **Sanlam Retirement Fund Administration**
- **Simeka Consultants and Actuaries**

International Investments

- **Sanlam International Investment Partners** manages established partnerships with specialist investment management firms abroad as outlined below:
  - 89,7% **Four Capital** London-based European and global equity manager
  - 69,6% **Centre** American and global asset management company based on Wall Street
  - 33,3% **Artisan** European property management company based on Isle of Man
  - 100% **SEA** Bangalore-based equity research hub
- **SIM Global** manages long-only specialist international equity funds
- **Sanlam Asset Management Ireland** Sanlam's international investment management platform in Dublin managing funds domiciled in Ireland
- **Sanlam UK** wealth management player in retail financial services in the United Kingdom, comprising Sanlam Investments and Pensions, Sanlam Distribution, Sanlam Private Wealth and Investment Management
- **Sanlam Global Investment Solutions** International Mutual Fund Administration

Our business model

Following a comprehensive 18-month review of its client-engagement model, the Sanlam Investments cluster started restructuring its South African asset and multi-management operations in November 2013. Implemented during 2014, the aim of the restructuring was to adopt a more sophisticated and holistic approach to understanding clients, thereby enabling the cluster to expertly craft opportunities and investment solutions that meet client needs and are underpinned by solid and consistent investment performance. Two distribution businesses were established (Retail and Institutional) and all the South African investment businesses were housed in a single Investment Core. The other businesses in the cluster, namely Wealth Management, Capital Management, Employee Benefits and International, were not directly affected by the restructuring.

The restructuring incorporated the objectives of TCF as well as the anticipated regulatory reforms that will be introduced by the RDR. The cluster is therefore well positioned to take advantage of the growth opportunities provided by the changing environment.

The new structure will reduce operating costs by lowering the client turnover rate thereby cutting client acquisition costs. This is in line with the overall Group strategy of achieving operational efficiencies.

2014 – The Bigger Picture

The restructuring meant that the businesses in the cluster were well positioned to leverage off and capitalise on opportunities in the market. As a result strong operating results were achieved in 2014 despite the adverse market conditions experienced in the third quarter.

In August 2014, the woes of African Bank resulted in an increased focus on the sustainability of unsecured lending business practices. This had a significant knock-on effect on credit markets. Also in the third quarter, South African equity markets started to pull back from the record highs achieved in the first half of the year. This led to a decrease in trading activity, which impacted on the trading businesses in the cluster.

A highlight for 2014 was the deal concluded by Sanlam Employee Benefits (SEB) with AECI, a South African-based explosives and speciality chemicals group. The deal involved the writing of an annuity policy that guarantees the pensions of 3 650 AECI pensioners for life, increasing by inflation every year. The assets of this policy total R8,3 billion, making this one of the largest life insurance policies ever written in South Africa.

Another highlight was the consolidation of the Africa Listed Equity, Real Estate and Debt products into a separate Africa Investments business. Housed within the Investment Core, Sanlam Africa Investments will facilitate growth opportunities in asset management on the rest of the continent in line with the Group's overall diversification strategy.

While 2014 was a successful year for the cluster, there were also a few disappointments. The single biggest setback was the significant withdrawal of funds by the Public Investment Corporation (PIC) as well as the Metal Industries Benefit Funds Administrators (MIBFA) of some R10 billion and R2 billion respectively. Sanlam Private Wealth (SPW) also lost two low margin share incentive portfolios of R2,9 billion.

We understand and embrace the fact that clients require visible transformation of our business that goes beyond meeting BEE scorecard requirements. The reality is, however, that the demand in the South African investment industry for black investment professionals far outweighs the availability. Therefore, in order to achieve sustainable transformation not only of our business, but also our industry, we need to focus on training new talent. Initiatives such as the Alternative Investments Academy, introduced in the Investment Core in 2014, are therefore crucial for our future success. This academy targets talented black graduates, and instead of poaching black asset managers from other investment houses, we focus on training up new entrants into the workforce and giving them every opportunity to develop into asset managers.

SI has two overarching strategies, which tie in with the Group's five-pillar strategy. The following strategies are appropriately interpreted and implemented by the underlying businesses within the cluster:

- Diversification: Through this strategy we aim to create value and lower risk for our clients and shareholders.
- Client centricity: This strategy enables us to better understand our target clients and their needs and create a culture that focuses all our efforts on what is good for the client.

Financial scorecard

Key performance indicators for the year ended 31 December 2014

R million	2014	2013	Change %
Group Equity Value			
Group Equity Value	**20 122**	17 971	
Covered business	**7 833**	6 901	
Other operations	**12 289**	11 070	
Return on Group Equity Value	**20,4%**	25,9%	
Covered business	**21,8%**	26,9%	
Other operations	**19,6%**	25,3%	
Business volumes			
Net fund flows	**12 099**	4 184	189
Investments	**4 097**	1 702	141
Investment Management SA	**4 152**	(8 002)	152
Wealth Management	**(29)**	5 299	(101)
International	**(246)**	4 203	(106)
Capital management	**220**	202	9
Life business	**8 002**	2 482	222
New life business volumes	**13 859**	7 327	89
Recurring premiums	**373**	375	(1)
Single premiums	**13 486**	6 952	94
Value of new covered business			
Value of new business	**228**	100	128
Present value of new business premiums	**15 923**	9 236	72
New business margin	**1,43%**	1,08%	
Earnings			
Gross result from financial services	**1 927**	1 718	12
Investment Management	**1 316**	1 078	22
Employee Benefits	**325**	385	(16)
Capital Management	**286**	255	12
Net result from financial services	**1 468**	1 301	13

Investment Management SA

The results of the South African Investment Management business were in general positively impacted by the strong investment market performance over the last two years that supported an increase in the level of assets under management, as well as good performance fees earned as a result of strong investment performance in Sanlam Investment Management (SIM). Gross result from financial services (gross operating profit) for the business of R736 million was 16% higher than 2013, supported by strong growth in the Retail book and increased profitability in the businesses focusing on alternative asset classes. Net fund inflows of R4,2 billion in 2014 are particularly noteworthy as this was achieved despite the large outflows referred to above.

Sanlam Investment Core

In an effort to impact on the transformation challenge facing the investments industry in a meaningful and sustainable way, the new Investment Core has embarked on a strategy to develop mutually beneficial relationships with emerging asset managers. We have already established one such partnership with First Avenue, a black owner-managed asset management business in which we own a 15% stake. We aim to conclude another such deal in early 2015 with an owner-managed and fully black-owned business that is firmly entrenched as an institutional player in the investment management space.

As mentioned earlier, another exciting development for the Investment Core was the establishment of the Africa Investments business. The traditional single manager business remains under pressure and diversifying into different geographical and non-traditional asset management arenas is thus critically important.

Satrix Managers has exceeded expectations in terms of performance and the introduction late in 2013 of passive collective investment schemes (CIS) to complement the range of exchange-traded funds (ETFs) has delivered the desired results. As a leading provider of passive investment products in South Africa, the business continues to gain traction and has been awarded significant new institutional mandates during the year under review.

In 2014 Sanlam Collective Investments made significant progress with moving its administration and IT to Silica, a third-party service provider. This is in line with a strategic decision taken by the cluster in 2013 to reduce its administration and IT footprint in order to better service the needs of our clients. The outsourcing project formally commenced in the last quarter of 2013 with significant progress being made during 2014. Projects like this are complex in nature and because of the rigorous process being followed, we anticipate going live in the second half of 2015.

Retail Business

This new business is positioning itself as the investment partner of choice for the intermediary market. In 2014 the business has made significant progress in developing value propositions for each of their client segments.

A highlight has been the development of an innovative new approach to aligning with the Sanlam distribution force and extracting value from its platforms. A number of opportunities, such as customised solutions, have been identified to assist Sanlam Financial Advisers as well as independent intermediaries thereby attracting more flows into our funds. This has resulted in a number of new clients with strong asset flows.

While the regulatory reform process driven by National Treasury and the Financial Services Board presents risks for the Group and the cluster through the uncertainty created and the drain on resources, the changes also hold many opportunities. We believe that the retirement reform process presents one such opportunity as a result of the requirement that retirement fund trustees will be expected to take more responsibility for members after they exit the retirement fund. This creates a new demand for salaried advice and low cost preservation and annuity solutions, provided within a strong governance framework. Graviton Retirement Planning Services (GRPS) was established in February 2014 to provide an end-to-end solution covering all members of a retirement fund. We believe this solution is deeply aligned with the retirement reform objectives and addresses the needs of both the trustees and the members. GRPS is therefore relevant both in the retail as well as the institutional space. GRPS is also well positioned to fill the advice gap that may be one of the unintended consequences of the RDR process.

Sharing information with intermediaries and contributing to thought leadership in the savings and investment industry is essential, and the Retail

Business, together with Glacier, therefore hosted the inaugural i3Summit in 2014 for top intermediaries. The feedback was overwhelmingly positive and the conference was highlighted by intermediaries as a stand-out value-add event on the industry calendar.

Institutional Business

In 2014 the focus for this new business has been on positioning itself as a world-class business-to-business distribution hub by segmenting and servicing clients based on their diverse needs. Client-facing staff members were assessed and placed with the various segments according to their strengths. New talent was employed where gaps and opportunities were identified in line with the cluster's enhanced focus on transformation.

The business also explored ways in which to optimise existing relationships with institutional clients from other businesses across the Group. This approach is showing positive results in the form of a healthy and lucrative pipeline, which is set to increase in 2015.

Aligned with the thought leadership objectives of the Retail Business, the Institutional Business also brought together a line-up of local and international speakers at its inaugural Institutional Insights conference (IIC) to address:

- Regulatory challenges faced by trustees;
- Global trends in retirement and asset allocation.

Sanlam Private Wealth

Despite challenging market conditions and extremely cautious investor sentiment in 2014, which put the brakes on deal flow and brokerage income, the Wealth Management business once again delivered exceptional results. Gross operating profit increased to R226 million for 2014, an increase of 20% compared to 2013. The increase was achieved against the background of very strong growth in 2013, which was a record-breaking year for the business. Operating profit growth benefited from a higher level of assets under management, the combined result of strong net fund inflows over the last few years, investment market performance as well as the success of the business in converting non-discretionary client portfolios into discretionary managed funds that earn higher fees. The business achieved net inflow of funds in the higher margin discretionary managed fund segment of more than R4 billion. Total net flows for 2014 was marginally negative as a result of the R2,9 billion outflow of share incentive scheme funds referred to above.

SPW managed to establish a solid base in 2013 when the strategy of growth and expansion implemented over a number of years paid off. This meant that the business was able to continue exploring areas of growth in 2014 from both traditional and non-traditional sources, locally and abroad. As part of the SPW strategy to provide a holistic offering to clients, the business introduced a credit facility for clients, secured by their listed share portfolios. This new offering has proven successful and assisted the business to retain clients who might otherwise have switched to alternative service providers.

Pleasingly this business was crowned top South African Wealth Manager by the 2014 Business Day Investors Monthly Top Private Banks and Wealth Managers survey and was awarded second place in the Best Stockbroker category. SPW also won the award for best broker for the "lump-sum investor" at the fifth Investors Monthly Top Stockbrokers awards. This is significant given that in a mere 10 years this business has grown from a small stockbroking firm within the Sanlam Group to a fully fledged international wealth manager.

Sanlam Investments: Capital Management (SICM)

SICM has evolved over the past 15 years into a strong and experienced financing business focused on the management of credit risk. The business has felt the stresses of the economy in 2014, but at the same time the period of tight liquidity has also presented significant opportunities since SICM is able to leverage off the advantage that insurers have over banks in terms of liquidity. The debt business did particularly well, but this was to an extent offset by low deal flow in the equities business. The business reported a return on equity of more than 30% in 2014, a very satisfactory outcome considering the market conditions experienced during the year.

Sanlam Employee Benefits

SEB has firmly established itself as a provider of choice. Aligned with the client-centricity focus of the cluster, SEB established a "SEB Client Solutions" unit during 2014 aimed at boosting new business growth. It is this continuous focus on clients and meeting their needs, which contributed to the AECI deal outlined earlier. The assets of this R8,3 billion policy will be managed by SEB Investments within the Investment Core.

SEB once again hosted its annual benchmark symposium in 2014, which continues to position Sanlam firmly as a thought leader on retirement reform. SEB was also awarded the 2014 Financial Intermediaries Association of Southern Africa (FIA) award for Product Supplier of the Year in the Employee Benefits category. This was particularly noteworthy, because the votes came from financial advisers, which means the award was independent, objective and credible.

The AECI transaction contributed to a significant increase in new business volumes and also VNB. It did, however, result in new business strain that depressed operating growth in 2014, partly offset by once-off basis changes. Gross operating profit of R325 million in 2014 compares to R385 million in 2013, with the decrease impacted by some R190 million net loss from the once-off items. The favourable claims experience of the first half of 2014 continued for the full year.

Sanlam Investments International (SII)

The International business in 2014 focused on consolidating the asset management activities of Sanlam International Investments Limited (SIIL), which focuses on multi-management and FOUR Capital Partners under a new holding company, Sanlam FOUR Investment Holdings UK Limited. The Sanlam Group owns a 90% stake in this new company. Through the merger of strong investment capabilities, this transaction is an important development in Sanlam's strategy to deliver leading edge investment solutions for both retail and institutional clients in the UK as well as the wider Group. SII also expanded its range of capabilities by acquiring a 20% holding in Cameron Hume, a UK-based specialist investment management boutique focused on fixed income investments.

The implementation of the UK's RDR at the end of 2012 significantly transformed the advice process in the UK. Sanlam UK has been significantly impacted by these reforms. On the upside, however, there have been many valuable learnings that can be applied across the Group as South Africa moves towards its own RDR.

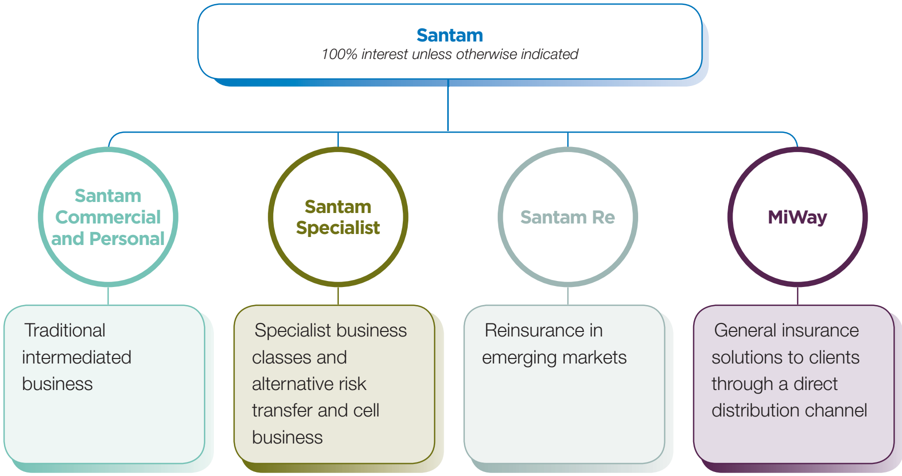
Opportunities for 2015

- Achieving superior long-term investment performance on a consistent basis will continue to be a key focus area for the investment businesses in the cluster.
- The restructured SI business model, supported by an ongoing focus on client centricity, is expected to yield significant benefits in terms of new business flows in 2015. Therefore, leveraging off the reorganised businesses will continue to be the main focus areas for 2015 with the aim of providing clients with the right blend of solutions geared for the anticipated tough market conditions.
- Diversification remains a key enabler in our strategy. Without appropriate diversification, margin and volumes will remain under pressure. In 2014 the business lined up a number of diversification opportunities likely to materialise in 2015.
- The African continent is becoming increasingly attractive as a destination for international investors searching for higher yield. The Group has an established footprint in Africa, which will support the cluster in establishing the Africa Investments business as a preferred gateway into Africa. A key focus for 2015 will be to further establish this unit, to develop the product range and build a track record in order to attract more investors into the funds and products of the business.
- In order to achieve the above goal, SI will aim to achieve greater brand recognition and loyalty by leveraging off the very successful Sanlam Wealthsmiths™ advertising campaign. The business will also focus on improving the positioning of its investment credentials. Low returns are expected from financial markets in 2015 and strong focus on operational expenditure will therefore be critical. One of the key initiatives to be completed in 2015 is the outsourcing of administration of Sanlam Collective Investments.
- Transformation is key to the sustainability of the Sanlam Investments business model. In 2015 the cluster will therefore intensify its focus on transforming in a meaningful manner.
- The belief that people and their ability to produce outstanding results when they are passionate owners is central to the success of the cluster. SI therefore developed the Employee Value Proposition (EVP) in 2014 as an essential tool to enable constructive engagement between staff and the business. The programme will be launched to staff early in 2015 following a rollout to the SI Exco to ensure buy-in and ownership at leadership level.

Santam

Santam, a listed general insurer with a market share in excess of 22% in South Africa, is a subsidiary of the Sanlam Group, which holds an effective 60% of Santam's shares.

The Santam Group provides a diversified range of general insurance products and services in South Africa, the Rest of Africa as well as India and South-East Asia. The Group holds economic participation in general insurance businesses in Africa, India and South-East Asia as a result of a series of transactions with SEM. The Group insures 80 of the top 100 companies listed on the JSE and is supported by a countrywide network of independent intermediaries.



Our strategy

Santam's long-term sustainability relies on its ability to manage systemic risk, to diversify its product and service offering, and to improve operating efficiency. These elements form the basis of the Santam Group's three-pillar strategy.

In reaffirming this strategy for 2015, Santam refined the pillars and targets to place increased emphasis on client centricity. In addition, the three pillars are underpinned by people, because highly motivated and skilled staff are essential to the successful implementation of Santam's strategy.

- Client-centric diversified growth
  - Achieve growth responsibly, balancing growth and profitability.
- Manage the risk pool
  - Build environmental, social and governance intelligence into the way risk is managed.
- Drive system efficiency
  - Leverage scale and drive efficiencies through investment in new technology.

2014 – The Bigger Picture

The general insurance industry in South Africa continued to face considerable headwinds in 2014. The main challenges included:

- Very competitive market conditions in the retail, commercial and corporate segments with a number of new entrants;
- Increased risk on the ground (pressure on South Africa's infrastructure, especially at local municipality level).
- The ability to reprice business in the short term given the rand weakness and unpredictable weather patterns;
- Volatility in equity markets.

Recognising the need for larger national intermediaries to have access to a quality independent administration system, Santam acquired Brolink during 2014. Brolink is an independent provider of information technology and business process outsourcing services to the intermediated industry. Following the acquisition, Santam consolidated its intermediary administration businesses under Brolink effective from 1 October 2014. The new consolidated administration business provides intermediaries with a quality one-stop-shop for quotations and administration services from multiple South African insurers with Santam remaining uninvolved in operations to ensure independence and parity across insurers.

Santam's commitment to offering a client-centric experience and its value proposition of *"Insurance good and proper"* has been the foundation for the TCF rollout in the Santam Group. The process of alignment to the six TCF fairness outcomes has enabled Santam to start with the refinement of its reporting system and management information requirements to be able to effectively monitor TCF on a group level.

The ability to attract and retain the best employees in the industry in line with employment equity targets continues to provide Santam with a competitive advantage that is difficult to replicate. Retention is achieved through innovative remuneration models and incentive schemes. Santam remains committed to growing this dedicated and talented pool of people through a transformation plan, which includes developing talent by creating opportunities for exposure, shadowing and learnerships. The Santam leadership development and coaching programme is also gaining traction with positive feedback from all levels in the organisation.

The 2014 Culture and Engagement Survey showed that Santam employees have high levels of engagement, positivity, enthusiasm and commitment, resulting in excellent service delivery to policyholders, business partners and other stakeholders.

Operational cluster review continued

Financial scorecard

Key performance indicators for the year ended 31 December 2014

R million	2014	2013	Change %
Group Equity Value			
Group Equity Value	**14 593**	12 644	
Return on Group Equity Value	**19,1%**	1,5%	
Business volumes			
Net earned premiums	**17 222**	16 750	3
Net fund flows	**6 344**	5 142	23
Earnings			
Gross result from financial services	**1 968**	835	136
Net result from financial services	**801**	333	141
Ratios			
Claims	**63,2%**	69,3%	
Administration costs	**18,9%**	17,1%	
Underwriting	**8,7%**	2,8%	

Under these tough operating conditions, it was a remarkable achievement for a group of Santam's scale to achieve gross written premium growth of 10% and a net underwriting margin of 8,7% in 2014. This excellent performance is a direct result of its well-diversified profile across general insurance products, geographic regions as well as distribution channels.

Amid challenging market conditions, the profitability of the business was also improved through the implementation of appropriate corrective actions, which included improvements to the claims and risk management processes. The stringent management of claims costs contributed to an improved underwriting margin despite the negative impact of a volatile exchange rate.

In addition, weather-related incidents in South Africa in 2014 were more moderate than in 2013, further contributing to improved underwriting results, supported by a considerable turnaround in the crop insurance business. Nevertheless, underwriting margins remained under pressure to some extent due to claims costs and incidents such as the widespread floods in the northern parts of the country during the first quarter of 2014.

Opportunities for 2015

- International diversification is a considerable growth opportunity for Santam. This strategic initiative will be driven aggressively in partnership with SEM. The Santam Group already has economic participation in 11 general insurance licences across Africa, India and South-East Asia through SEM. Most of these are currently small but have the potential to grow and expand their insurance operations.
- The launch in 2014 of Santam's Seamless Specialist Insurance solution, which offers comprehensive risk protection for mega-projects across Africa, will support the focus on growth in premium income from Africa in 2015. This solution will target large infrastructure projects, such as dams and renewable energy plants. In South Africa the solution is aimed at corporations that are involved with complex projects in the infrastructure development, energy and related industry sectors, in recognition of the importance of South Africa's National Development Plan in achieving future growth and prosperity.
- There will be an increased focus on improved pricing accuracy, better claims management, reduced acquisition and maintenance costs, as well as operating efficiency to reduce pressure on underwriting profitability.
- The Group will continue to focus on the implementation of enhanced underwriting practices and risk management approaches to improve the underwriting margin in the traditional Santam intermediated business.
- The integration of Santam's intermediary administration businesses under Brolink represents an opportunity to grow this portion of the group's outsourced business and to ensure best possible economies of scale are offered to the larger national intermediaries.
- MiWay, in partnership with SPF will develop its direct life insurance initiative in 2015.
- Santam will continue to work with selected municipalities to reduce risk on the ground.
- Santam continues to explore further opportunities to work with other entities such as non-governmental organisations, international donors and other government departments to create support and bring stability to communities that are vulnerable and at risk.

Five-year performance indicators

		2014	2013
Group equity value			
Group Equity Value	R million	**95 936**	84 409
Group Equity Value	cps	**4 684**	4 121
Return on Group Equity Value per share	%	**18,5**	17,0
Business volumes			
New business volumes	R million	**182 297**	154 976
Covered business		**42 290**	31 687
Investment business		**121 383**	105 697
General insurance		**18 624**	17 592
Recurring premiums on existing business	R million	**25 079**	22 096
Total inflows (excluding white label)	R million	**207 376**	177 072
Net fund flows (excluding white label)	R million	**41 994**	26 113
SIM funds under management	R billion	**762**	677
New covered business			
Value of new covered business	R million	**1 743**	1 450
Covered business PVNBP	R million	**56 394**	44 902
New covered business margin	%	**3,09**	3,23
Earnings			
Gross result from financial services	R million	**10 774**	8 179
Net result from financial services	R million	**6 879**	5 429
Normalised headline earnings	R million	**8 340**	8 060
Headline earnings	R million	**8 325**	8 062
Net result from financial services	cps	**336,2**	266,0
Normalised headline earnings	cps	**407,6**	395,0
Diluted headline earnings	cps	**427,3**	398,4
Group administration cost ratio	%	**30,2**	29,4
Group operating margin	%	**26,6**	22,2
Other			
Sanlam share price	cps	**7 000**	5 324
Dividend	cps	**225**	200
Normal dividend	cps	**225**	200
Special dividend	cps	**—**	—
Sanlam Life Insurance Limited			
Shareholders' fund	R million	**68 156**	60 542
Capital adequacy requirements (CAR)	R million	**8 325**	7 550
CAR covered by prudential capital	times	**4,5**	4,5
Foreign exchange rates			
Closing rate			
Euro		**14,01**	14,51
British pound		**18,05**	17,42
United States dollar		**11,57**	10,53
Average rate			
Euro		**14,38**	12,78
British pound		**17,85**	15,00
United States dollar		**10,84**	9,61
Non-financial[(2)]			
BEE credentials[(3)]	level	**2**	2
Corporate Social Investment spend	R million	**67**	64
Office staff turnover	%	**11,68**	10,93
Carbon footprint	Tonnes CO_2/full time employee	**9,71**	9,77
Reduction in electricity usage[(4)]	%	**15**	11

[(1)] *Excludes dividends paid.*
[(2)] *Comparative information presented with effect from year when measure was reported for the first time.*
[(3)] *Measured in terms of the Financial Sector Charter, apart from 2012 when the Department of Trade and Industry Charter applied to the financial services industry in South Africa.*
[(4)] *Cumulative decrease compared to 2010 base year.*

Integrated report

1

2

3

4

5

6

2012	2011	2010	Average annual growth rate %
75 352	63 521	57 361	14
3 707	3 146	2 818	14[1]
22	15,7	18,2	
123 072	108 956	99 947	16
25 436	21 455	17 099	25
81 670	72 679	69 181	15
15 966	14 822	13 667	8
21 271	19 354	17 754	9
144 343	128 310	117 701	
25 000	24 599	21 468	22
596	503	474	13
1 278	1 051	762	23
38 129	32 786	27 334	20
3,35	3,21	2,79	
6 285	6 050	5 396	19
4 030	3 779	3 303	20
5 919	5 023	5 143	13
5 763	5 015	5 122	13
198,9	187,1	161,5	20
292,1	248,7	251,5	13
286,8	250,1	252,4	14
30,6	29,9	29,6	1
19,4	20,3	19,8	8
4 477	2 885	2 792	26
215	130	115	18
165	130	115	18
50	—	—	—
55 466	45 172	40 521	12
7 125	7 350	7 375	
4,3	3,7	3,4	
11,18	10,48	8,88	12
13,79	12,55	10,36	15
8,48	8,07	6,62	15
10,53	10,06	9,68	10
12,99	11,59	11,29	12
8,20	7,22	7,30	10
2			
34			
11,60			
10,56			

Engaging our stakeholders

Stakeholder engagement at Group level

Sanlam has a documented stakeholder engagement strategy to guide how we engage with stakeholders. This blueprint is in line with the King III guidelines. We developed a stakeholder communication policy that was signed off by the Social, Ethics and Sustainability (SES) committee in 2013.

Every business cluster reports quarterly to the Sanlam stakeholder hub on all stakeholder engagement activity and concerns raised. This is collated and reported to the SES committee, which reviews the Sustainability Management Framework (SMF) for ongoing relevance and alignment.

The stakeholder hub is a centralised stakeholder database that also serves as an issue log. The database is being developed into an internal software system and will serve to track both stakeholder engagement and the issues raised by stakeholders.

Each cluster is tasked with managing stakeholder engagement in accordance with their business operations. This includes understanding the needs and demands of customers, engaging with the regulatory framework impacting on each business, developing employees and suppliers, as well as responding to the concerns of broader society impacted by the business unit operations.

In 2014, a dedicated resource was appointed to manage intergovernmental (national, provincial and local) and trade union engagement at Group level.

Stakeholder engagement roadshows

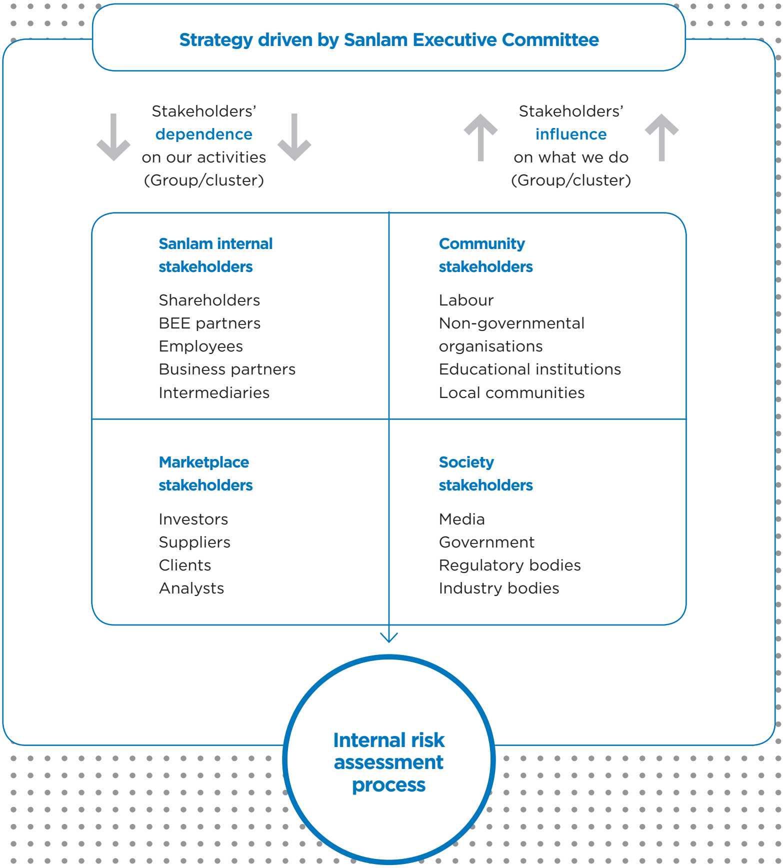
Sanlam leadership holds an annual forum in each of the nine provinces where Group strategy, economic transformation and financial results are discussed with clients, shareholders and key societal stakeholders in the geographic region. These events may be co-hosted with the local university to reach a wider and more engaging audience.

ASISA

To ensure that we play a constructive role in the development of national policy and regulation, we engage actively with government, primarily as a collective through industry associations such as the Association for Savings and Investment South Africa (ASISA), Business Unity South Africa (BUSA), Business Leadership South Africa (BLSA), National Economic Development and Labour Council (Nedlac), the National Business Initiative (NBI), and various business chambers.

We have been particularly active in the work of ASISA. The Sanlam Group Chief Executive serves as chairman of ASISA and represents the industry at the highest levels of policy-making and regulation, and Sanlam members are active on all of the ASISA standing committees and working groups.

Our corporate memberships also serve to connect us to the views of key groups of stakeholders and provide a valuable two-way communication opportunity to share learnings and to influence views, behaviours and actions.


Strategy driven by Sanlam Executive Committee
Stakeholders' dependence on our activities (Group/cluster)
Stakeholders' influence on what we do (Group/cluster)
Sanlam internal stakeholders
Shareholders
BEE partners
Employees
Business partners
Intermediaries
Community stakeholders
Labour
Non-governmental organisations
Educational institutions
Local communities
Marketplace stakeholders
Investors
Suppliers
Clients
Analysts
Society stakeholders
Media
Government
Regulatory bodies
Industry bodies
Internal risk assessment process

We are proud of our solid nature – our stability, our stature and our legacy as safe hands to be in. It's a legacy we've earned by always choosing functional over fancy and never wasting time worrying about window dressing. Because we've come to realise that success, both yours and ours, depends on us pursuing it in a resolute, determined and purposeful manner.

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.

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.

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:

- Group Equity Value (refer page 118)
- Change in Group Equity Value (refer page 119)
- Return on Group Equity Value (refer page 120)
- 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
- Embedded value of covered business, change in embedded value of covered business, value of new business and notes thereto.

Group Equity Value

GEV is the aggregate of the following components:

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

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

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

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

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

Adjustments to net worth

Present value of corporate expenses

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

Share incentive schemes granted on subsidiaries' own shares

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

Share incentive schemes granted on Sanlam shares

Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of the outstanding instruments at year-end. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in Group Equity Value

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

Return on Group Equity Value

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

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

The analysis of the shareholders' fund at net asset value and the related shareholders' fund income statement reflects the consolidated financial position and earnings of the shareholders' fund, based on accounting policies consistent with those on pages 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.

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.

Covered business

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

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

Acquisitions, disposals and other movements

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

Methodology

Embedded value of covered business

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

The embedded value of covered business comprises the following components:

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

Adjusted net worth

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

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

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

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

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

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

Net value of in-force business

The net value of in-force business consists of:

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

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

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

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

Cost of required capital

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

Value of new business

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

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Renewable recurring premiums under Group insurance contracts are treated as in-force business; and
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

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

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

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

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

Minimum investment guarantees to policyholders

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

Share incentive schemes

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

Sensitivity analysis

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

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

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

Foreign currencies

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

Assumptions

Best estimate assumptions

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

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

Economic assumptions

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

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

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

Assets backing required capital

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

Demographic assumptions

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

HIV/Aids

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

Expense assumptions

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

Project expenses

In determining the value of in-force covered business, the present value of projected expenses for certain planned projects focusing on both administration and existing distribution platforms of the life insurance business is deducted. Although these projects are of a short-term nature, similar projects may be undertaken from time-to-time. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

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

Investment management fees

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

Taxation

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

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

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

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 Total	2014 Fair value of assets	2014 Value of in-force	2013 Total	2013 Fair value of assets	2013 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.*

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:

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

The following scenarios are presented:

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

The Group's covered business is also exposed to non-market risks, which 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 Fair value	2014 Fair value adjust-ment	2014 Net asset value	2013 Fair value	2013 Fair value adjust-ment	2013 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

R million	2014 Total	2014 Fair value of assets	2014 Value of in-force	2013 Total	2013 Fair value of assets	2013 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)] 2014	Sanlam Life[(1)] 2013	Sanlam Emerging Markets[(2)] 2014	Sanlam Emerging Markets[(2)] 2013	Santam 2014	Santam 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.*

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		**235**	253
Other investment income	7	**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.*

Sanlam Emerging Markets 2014	Sanlam Emerging Markets 2013	Sanlam Investments 2014	Sanlam Investments 2013	Santam 2014	Santam 2013	Corporate and Other[3] 2014	Corporate and Other[3] 2013	Total 2014	Total 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%
								2,046,2	2 040,6
60,6	49,5	**71,7**	63,8	**39,1**	16,3	**(5,2)**	(6,7)	**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)] 2014	Life insurance[(1)] 2013	General insurance 2014	General insurance 2013	Investment business[(2)] 2014	Investment business[(2)] 2013	Total 2014	Total 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] 2014	Life insurance[1] 2013	General insurance 2014	General insurance 2013	Investment business[2] 2014	Investment business[2] 2013	Total 2014	Total 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.*

for the year ended 31 December 2014

1. Business volumes (continued)

1.2 Analysis of payments to clients

R million	Life insurance[1] 2014	Life insurance[1] 2013	General insurance 2014	General insurance 2013	Investment business[2] 2014	Investment business[2] 2013	Total 2014	Total 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.*

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.*

2. Cluster information

2.1 Sanlam Personal Finance

Analysis of attributable earnings

R million	Life operations 2014	Life operations 2013	Non-life operations 2014	Non-life operations 2013	Total 2014	Total 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

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 2014	Assets under management 2013	New business volumes 2014	New business volumes 2013	Net fund flows 2014	Net fund flows 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

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
Analysis of net result from financial services		
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

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 2014	Assets under management 2013	New business volumes 2014	New business volumes 2013	Net fund flows 2014	Net fund flows 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

	Investment Management		Capital Management	
R million	**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.

	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

Shareholders' information

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

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

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

Sanlam Investments and Pensions

(included in Investment Management above)

R million	2014	2013
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

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 invest-ment[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%

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	Fair value 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.*

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.

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:

	2014						
	Residual term to contractual maturity				Analysed by use		
R million	< 1 year	1 – 5 years	> 5 years	Total notional amounts	Trading	Asset liability management	Total fair value of amounts
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

3. Investments (continued)

3.4 Derivative instruments (continued)

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

	2014	2013
Life operations	3 308	2 948
Non-life operations	2 015	2 244
	5 323	5 192

6. Administration costs

	2014	2013
Life operations	4 941	4 562
Non-life operations	7 252	6 277
	12 193	10 839

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

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.

for the year ended 31 December 2014

12. Reconciliations

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

	2014			
R million	Total	Share-holder activities	Policy-holder activities[1]	IFRS adjust-ments[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.*

	2013			
	Total	Share-holder activities	Policy-holder activities[(1)]	IFRS adjust-ments[(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)

Shareholders' information

12. Reconciliations (continued)

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

R million	Total	Shareholder activities	Policyholder activities[(1)]	Consolidation reserve
	2014			
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.*

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)

13. Geographical analysis

R million	Per shareholders' fund income statement on page 126	IFRS adjustments (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 shareholders' fund on page 124	Policyholders' 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.*

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

		2014				2013			
R million	Note	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
Value of new business attributable to:			
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

Value of new business continued

for the year ended 31 December 2014

R million	2014	2013
Analysis of new business profitability:		
Before non-controlling interest:		
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%
After non-controlling interest:		
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**
Expenses and persistency				
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**
Insurance risk				
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
Expenses and persistency				
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
Insurance risk				
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)

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**
Expenses and persistency				
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**
Insurance risk				
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)

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.*

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

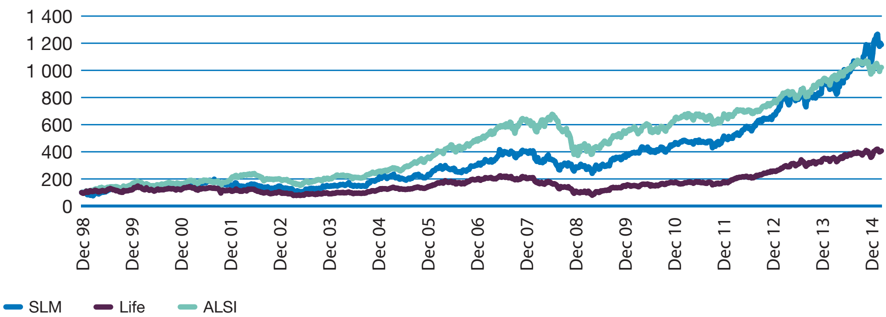
	2014	2013
Sanlam Life		
Equities	**26%**	26%
Offshore investments	**10%**	10%
Hedged equities	**13%**	13%
Fixed-interest securities	**15%**	15%
Cash	**36%**	36%
	100%	100%
SDM Limited		
Equities	**50%**	50%
Cash	**50%**	50%
	100%	100%
Sanlam Investments and Pensions		
Cash	**100%**	100%
	100%	100%
Botswana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

Stock exchange performance

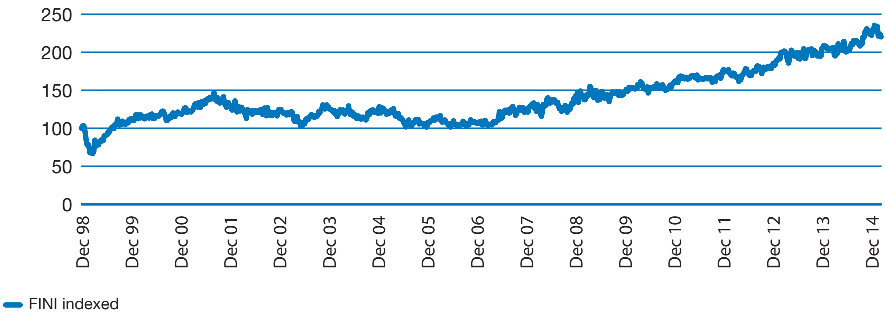
		2014	2013	2012	2011	2010	2009	2008	2007
Number of shares traded	million	**1 086**	1 247	1 160	1 082	1 059	1 259	1 490	1 474
Value of shares traded	R million	**65 974**	58 841	41 074	29 578	25 986	23 714	27 175	32 300
Percentage of issued shares traded	%	**50**	59	55	52	50	58	66	64
Price/earnings ratio	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 Number	Total shareholders %	Total shares held Number	Total shares held %
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

Our attitude is one of proper dedication. We are concerned with doing things right and doing the right things. We follow a timeless approach rooted in a tireless work ethic and a belief that anything worthwhile is worth doing properly. For us this is the only way of showing the money you entrusted to us the respect it deserves.

Corporate governance report

Sana-Ullah Bray
Company Secretary

Statement of commitment

The Board is committed to the highest standards of business integrity, ethical values and governance; it recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders.

Our 2014 Annual Report (incorporating the Integrated Report) covers the activities of the Sanlam Group. The Board has adopted an integrated approach to managing the Group to ensure that the governance structure actively identifies, responds to and communicates on those material issues that impact on our capacity to create value. The Board acknowledges its responsibility to ensure the integrity of the Annual and Integrated Reports. It believes that it addresses all material issues appropriately and that it fairly represents the integrated performance of the Group.

The Board further promotes and supports high standards of corporate governance and in so doing endorses the principles of the third report on Corporate Governance in South Africa (King III). Sanlam also complies with the requirements for good corporate governance stipulated in the Johannesburg Stock Exchange (JSE) Socially Responsible Investment (SRI) Index. Sanlam subscribes to a governance system whereby, in particular, ethics and integrity set the standards for compliance. It constantly reviews and adapts its structures and processes to facilitate effective leadership, sustainability and corporate citizenship in support of the Group strategy and to reflect national and international corporate governance standards, developments and best practice.

With regard to the year under review, the directors of Sanlam believe that the King III principles are already entrenched in the Group's internal controls, policies and procedures governing corporate conduct within all the major operations and at a Group level. The Board remains committed to the full implementation of King III throughout the Group, including the smaller operations as appropriate. The Board is committed to the highest standards of business integrity, ethical values and governance.
It recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability and safeguarding the interests of all its stakeholders. The Board also acknowledges the relationship between good governance and risk management practices, the achievement of the Group's strategic objectives and equity performance. Sound governance principles remain one of the top priorities demonstrated by the Board and Sanlam's executive management.

Application of and approach to King III

The Board is satisfied that every effort has been made during 2014 to apply all aspects of King III as far as appropriate. Details of the Group's application of each King III principle are available on its website (www.sanlam.com/investorrelations). The Risk and Compliance committee is satisfied that Sanlam will continue to comply with the King III principles during 2015 and has taken steps to ensure adherence with the obligations placed on the Group as a consequence thereof. The Group assesses its compliance levels in respect of King III to ensure that all areas that require improvement are identified and addressed.

During the past financial year these included the following:

- The existing Sanlam Group Corporate Governance Policy Framework was updated in September 2014 to ensure alignment with the King III recommendations on a subsidiary, joint venture and associated company level. It includes the Group Business Philosophy, Code of Ethical Conduct as well as the Board Approval Framework.
- The annual evaluation of the independent status of Sanlam's directors was again conducted in accordance with the King III standards and criteria.
- Sanlam prepared a comprehensive Sustainability Report for 2014.
- Sanlam's Risk Appetite Statement has been approved by the Board and is reviewed annually.
- A combined assurance model (CAM) for each significant business within the Group is kept up to date on a regular basis.
- The Group IT Governance Framework and Charter as well as the IT Policy Framework continue to be implemented.
- Sanlam annually presents a Remuneration report to its shareholders, enabling them to cast a non-binding advisory vote on the Company's Remuneration Policy. The disclosure in the 2014 Remuneration report was updated in line with developing best practice.
- The members of the Sanlam Audit, Actuarial and Finance committee have been elected by the shareholders at the AGM held in June 2014 and this process will be repeated in 2015 as members are elected annually at the AGM.
- Finalising of the JSE Information Policy.

Information Technology (IT) is essential for Sanlam and is truly pervasive. The Board's governance of IT directs the strategic and operational use of IT, ensuring benefits are realised at an acceptable and articulated level of risk. IT receives appropriate focus and is viewed as an important enabler of projects that effect change to businesses in the Sanlam Group. Thus, IT Governance is extended to include all major change projects. The IT Governance framework established at Group level extends into the businesses and is tailored to suit their specific needs. Similarly, IT Governance capacity and awareness are established through all Board and management structures within the businesses.

The Board continues to entrench the principles and recommendations of King III across the Group. The roll-out and implementation of the King III principles at subsidiary, joint venture and associated company level (including non-SA entities) will continue with special focus on the application of the Group governance policy, disclosure requirements regarding integrated reporting as well as the composition of governance structures.

According to Sanlam's decentralised business approach, each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of King III. All the business and governance structures in the Group are supported by clear approval frameworks and agreed upon business principles, ensuring a coherent and consistent governance approach throughout the Group.

Sustainability performance

Sanlam's overall philosophy, policy and achievement of best practice in sustainability are set out in the Integrated Report. A full Sustainability report will also be available on Sanlam's website. Sanlam has once again qualified for the JSE's SRI Index in 2014.

Board structures

All the directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life Insurance Limited (Sanlam Life), a wholly owned subsidiary of Sanlam. The two Boards function as an integrated unit in practice as far as possible. Both Boards have the same independent director as chairman as well as the same executive director as Chief Executive.

Board responsibilities and functioning

The Sanlam Limited and Sanlam Life Board meetings are combined meetings and are held concurrently, thereby removing one layer of discussions in the decision-making process. This is an attempt to enhance productivity and efficiency of the two Boards, to prevent duplication of effort and to optimise the flow of information.

The agenda of the Sanlam Board focuses largely on Group strategy, execution of capital management, accounting policies, financial results and dividend policy, human resource development, JSE requirements as well as corporate governance throughout the Group. It is also responsible for overseeing the relationship with stakeholders in the Group. The Sanlam Limited Board has the following Board committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Nominations
- Non-executive directors
- Customer Interest
- Social, Ethics and Sustainability.

The Sanlam Life Board is responsible for statutory issues across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as compliance with Long-term Insurance Act requirements.

The responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following Board committees:

- Audit, Actuarial and Finance
- Risk and Compliance
- Human Resources and Remuneration
- Customer Interest.

Business divisions and cluster boards

The Sanlam business clusters are Sanlam Investments (Investment Management, Capital Management and Employee Benefits), Sanlam Personal Finance (SA Retail), Sanlam Emerging Markets (Africa excluding South Africa, India and South-East Asia) and Santam (General Insurance).

Each business cluster is managed by a chief executive, supported by an executive committee and support functions that are appropriate to their particular operational needs. These chief executives form part of the Sanlam Group Executive committee and are the designated prescribed officers of the Group.

The clusters function within the strategy approved by the Sanlam Board and according to a set of "tight" management principles established by the Group Office for the Sanlam Group.

Cluster boards (not all are statutory) were established for the business clusters. Each of these boards has committees (or forums) with specific responsibilities for the operation of that particular business cluster. Each of the cluster boards has its own Financial and Risk, as well as Human Resources and Remuneration (HRRC) forum/ committee.

The cluster boards consist of non-executive and executive directors. Non-executive directors include members of the Sanlam Life Board and, where appropriate, expert external appointees.

The majority of the operating business decisions are made by these boards and committees working together with the relevant cluster management. These structures are also responsible for the generation of memoranda and issues for consideration by the Sanlam Life Board.

Individual business units have their own boards and executive committees that structure their activities within appropriate delegated authority levels. Where required, the various business unit boards will also act as the statutory boards of subsidiary, joint venture and associated companies.

Group office

The Group Chief Executive is supported by a Group Executive committee as well as by a small centralised Group Office mainly performing the following functions: strategic directing (tight issues); coordinating; synergy seeking; performance monitoring; assurance provision; the allocation of capital and support functions.

The Board and Board committees (as at 31 December 2014)

Board charter

The Board charter (and the committee charters) embraces the Code of Practices and Corporate Conduct in the King III Report which contains corporate governance guidelines and recommendations. The current Board charter has been modelled on the principles of sound corporate governance, recommended by King III. The powers of the Board include:

- Determination of the overall objectives for the Group.
- Developing strategies to meet those objectives in conjunction with management.
- Formulation of a clear and concise policy which is adhered to.
- The division of the Board's responsibilities and accountability.
- Evaluating performance of the Group Board, its committee structures and individual directors.

An annual evaluation process to review the effectiveness of the Board, its committees and individual directors has been entrenched.

Committee charters

The Board committee charters, which describe the terms of reference of the committees as delegated and approved by the Board, are reviewed at least annually.

Board composition

As at the 2014 financial year-end the Board comprised of 18 members, two of whom were non-executive, 12 were independent non-executives (in accordance with King III's standards of independence) and four executive directors.

The roles of Chairman and Group Chief Executive are separated, with Desmond Smith and Johan van Zyl holding these positions respectively. The Group Executive committee members are also attendees at the Board meetings. At least a third of Board members retire every year at Sanlam's annual general meeting (AGM). It had been agreed by the Board that executive directors would also rotate on a voluntary basis as per a determined schedule of rotation. Retiring directors are eligible for re-appointment. None of the non-executive directors has a director's service contract, and all remuneration paid to non-executive directors for their services as a director is in terms of approval, by the shareholders, at the AGM as required by the Companies Act, 2008. Executive directors are full-time employees and as such are subject to Sanlam's conditions of service.

Particulars of the Board members and their capacities categorised as executive, non-executive and independent, are set out below.

The Sanlam Board of Directors

Director	Executive (E) Non-executive (N) Independent (I)	Changes during 2014
MM Bakane-Tuoane	I	—
AD Botha	I	—
PR Bradshaw	I	—
A Duggal	I	—
MV Moosa	I	—
JP Möller	E	—
PT Motsepe	N	—
MP Mthethwa	I	—
TI Mvusi	E	—
SA Nkosi	I	—
Y Ramiah	E	—
P de V Rademeyer	I	—
RV Simelane	N	—
DK Smith	I	—
CG Swanepoel	I	—
ZB Swanepoel	I	—
J van Zyl	E	—
PL Zim	I	—

Composition of the Board as at 31 December 2014: South African: Four black females, five black males and seven white males. International: Two independent non-executive directors are foreign directors (United Kingdom and India). More information on individual director's qualifications and experience is provided in the Board of directors section of the Integrated Report.

Independence of Board members

Through the Chairman and the Nominations committee the Board annually considers and reconfirms the classification of directors as being independent. The guidelines of King III were used for the 2014 classification. Their independence in character and judgement (nine-year rule), and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, their judgement, are also taken into consideration.

The independent and non-executive directors of Sanlam and Sanlam Life are highly respected and experienced, having the required integrity, professional knowledge and skills to exercise sound judgement on various key issues relevant to the business of Sanlam, independent of management.

The Nominations committee is of the view that all the non-executive directors meet the criteria set for independence except for PT Motsepe and RV Simelane owing to their involvement in Ubuntu-Botho, as well as J van Zyl, JP Möller, TI Mvusi and Y Ramiah being executive directors.

Appointment and re-election of directors

The Board charter contains a policy detailing the formal and transparent procedures for appointment to the Board. The Nominations committee reviews the composition of the Board on a continuous basis to ensure the appropriate level of skills and experience in key areas such as strategy, industry knowledge, finance, human resources, corporate governance, risk management and sustainability. Consideration of gender and racial diversity, as well as diversity in business, geographic and academic backgrounds are also taken into account, in accordance with Sanlam's commitment to transformation.

Sanlam's Memorandum of Incorporation empowers the Board to appoint a director until the next AGM if a casual vacancy arises. In terms of the Memorandum of Incorporation, non-executive directors are subject to retirement by rotation every three years and, if put forward for re-election, are considered for re-appointment at the AGM. Shareholders may also nominate directors for election at the AGM, in accordance with formal, prescribed procedures. In the interest of good governance, executive directors are also put forward for re-election as directors on a similar basis. All directors are consequently appointed on an individual basis at an AGM by a shareholders' resolution.

Education and induction

New Board member orientation and Board training are conducted in accordance with an induction programme, designed to meet the individual needs and circumstances of each new director, and approved by the Board. The directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes as well as relevant developments that could affect the Group and its operations. The office of the Company Secretary manages the induction programme. Ongoing support and resources are also provided to Board members as required, in order to enable them to extend and refresh their skills, knowledge and understanding of the Group. Professional development and skills training are provided through regular updates on changes and proposed changes to laws and regulations affecting the Group or its businesses.

Board effectiveness evaluation

Every year, a collective Board effectiveness evaluation is conducted by the Chairman. This assessment, which is performed in alternate years with the assistance of an external service provider and by the Chairman, is aimed at determining how the Board's effectiveness can be improved. The Nominations committee considers the results of the evaluation process and makes recommendations to the Board where deemed appropriate. These assessments are transparent and well documented. The Board Chairman's own performance is appraised by the Board under the direction of the Deputy Chairman.

The names and short curricula vitae of the directors standing for re-election at the 2015 AGM are contained in the proposed resolutions for the AGM.

The annual Board effectiveness review for 2014 was conducted externally by Deloitte. It was reported that the Board and committees were functioning very well and there were no material matters to report.

Board meetings

The Board meets at least quarterly to consider business philosophy and strategic issues, to set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Feedback from its committees, as well as a number of key performance indicators, variance reports and industry trends are considered.

In addition to the quarterly Board meetings, a two-day strategy session is held and is attended by all Board members and Group Executive committee members, reviewing Group strategy which is considered and approved annually.

Board committees

The Board has established a number of permanent standing committees with specific responsibilities, defined in terms of their respective charters as approved by the Board, to assist the Board in discharging its duties and responsibilities. The ultimate responsibility at all times resides in the Board and, as such, it does not abdicate this responsibility to the committees.

There is full disclosure, transparency and reporting from these committees to the Board at each Board meeting, while the chairpersons of the committees attend the AGM and are available to respond to any shareholder questions. For the period under review, all the committees conducted their annual self-assessments to evaluate their effectiveness and procedures. The committee members are all satisfied that they have fulfilled their responsibilities in terms of their respective charters.

Audit, Actuarial and Finance committee (Audit committee)

In line with global best practice the functions of the Audit and Risk committee continue to be split into two separate committees, namely a Risk and Compliance committee and an Audit, Actuarial and Finance committee. This allows sufficient attention to be devoted to the Audit and Risk matters.

Members and dates of appointment:
P de V Rademeyer (Chairman) (08/06/2011), PR Bradshaw (04/12/2013), CG Swanepoel (08/06/2011), MP Mthethwa (01/07/2011 – attended the meetings of 27/02/2014 & 29/05/2014 whereafter she stepped down).

Attendees:
Group Chairman, Group Chief Executive, Financial Director, Chief Actuary, Chief Audit Executive, the heads of business clusters (as required) as well as expert invitees: AS du Plessis, PJ Cook and D Ladds.

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act 71 of 2008 (the Act), as amended, the individual members of the committee are appointed annually by the shareholders at the AGM for the ensuing financial year. The committee consists of three members with financial, actuarial and other relevant areas of experience (as described in its charter). The external audit partners as well as other assurance providers also attend committee meetings. This committee also discharges all the (statutory) Audit committee responsibilities in terms of the Act on behalf of almost all of the subsidiary companies within the Group.

To oversee the preparation of the sustainability information provided in the Integrated Report and to review the assurances provided regarding the sustainability information, the chairman of the Audit committee is also a member of the Social, Ethics and Sustainability committee. Likewise, the chairman of last-mentioned committee also attends selected meetings of the Audit committee when the Sustainability report is addressed.

The Audit committee has formal terms of reference approved by the Board, and is satisfied it has discharged these responsibilities. The role of the Audit committee is to fulfil all of the functions set out in the Act, to assist the Board in fulfilling its responsibility with regard to financial and auditing oversight responsibilities, as well as the overall quality and integrity of financial and actuarial reporting and internal control matters. The Audit committee annually evaluates the Company's internal controls and has satisfied itself that there were no material breakdowns in internal financial control systems during the year.

The Audit committee, after due consideration, recommends the Annual Report (incorporating the Integrated Report) to the Board for approval. It also performs the prescribed statutory requirements including those applicable to the external auditor. The last-mentioned includes the annual recommendation of the external auditor to the shareholders at the AGM, agreeing to the scope of the audit and budgeted audit fees in the annual audit plan presentation and approval of the final audit fees. As required by the Act, the committee annually reviews compliance of the external auditor with the non-audit services policy of the Group.

The Audit committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities. The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee also meets with the Chief Audit Executive independently of management.

In terms of the JSE Listings Requirements, the Audit committee performs an annual evaluation of the financial function in Sanlam. The committee executed this responsibility at its meeting in December 2014 and was satisfied that the financial function had appropriate resources, skills, expertise and experience. In December 2014 the committee also confirmed that it is and was satisfied that Mr JP Möller, the Financial Director of Sanlam, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during his service as such. The committee also reviewed and confirmed its satisfaction with the performance of Mr AC Nortier, the Chief Audit Executive. As part of Sanlam's corporate governance practices, the interim financial results are reviewed by the external auditor.

The Board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the Audit committee for all non-audit services. As required by the Act, the committee has, after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that Sanlam's external auditor is independent of the Company and has recommended the reappointment of Ernst & Young Inc. as external auditor for the 2015 financial year and Ms JC de Villiers as the designated individual registered auditor who will undertake the audit of Sanlam on behalf of Ernst & Young Inc.

Ernst & Young Inc. being the audit firm, as well as Ms JC de Villiers, being Sanlam's individual auditor for 2014, has been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements.

This committee's charter is also reviewed annually by the Board. The Audit committee is satisfied it has discharged its legal, regulatory and other responsibilities.

The committee meets at least four times a year.

The Audit, Actuarial and Finance (Audit) committee report for the 2014 financial year

The Audit committee has pleasure in submitting this report, as required in terms of the Companies Act of South Africa (Companies Act). At 31 December 2014, the Audit committee consisted of three non-executive directors who act independently as described in Section 94 of the Companies Act. During the period under review, four meetings were held and all the committee members attended all the meetings. At the meetings, the members fulfilled all their functions as prescribed by the Companies Act as well as those additional functions as determined by the Board.

A list of the functions of the Audit committee is contained in the Committee Charter, some of which is elaborated upon in the Corporate Governance report. The Audit committee evaluated the Company's internal financial controls and has satisfied itself that there were no material breakdowns in such controls during the year. The Audit committee did not receive any concerns or complaints from external stakeholders during the year.

The Audit committee has satisfied itself that the auditors are independent of the Company and are thereby able to conduct their audit functions without any undue influence from the Company.

The Audit committee has recommended the Annual Report (incorporating the Integrated Report) to the Board for approval.

P de V Rademeyer
Audit committee Chairman

Risk and Compliance committee (Risk committee)

Members and dates of appointment:
CG Swanepoel (Chairman) (08/06/2011), PR Bradshaw (04/12/2013), JP Möller (08/12/2010), MP Mthethwa (08/06/2011), P de V Rademeyer (08/06/2011).

Attendees:
Group Chairman, Group Chief Executive, Group Chief Risk Officer, Group Compliance Officer, Chief/ Statutory Actuary, Chief Audit Executive, the heads of business clusters (as required) as well as expert invitees: AS du Plessis, PJ Cook and D Ladds.

This committee is chaired by an independent non-executive director and further comprises three other independent non-executive directors, as well as the Group Financial Director. In view of this committee's Group-wide role, the external audit partners as well as other assurance providers also attend the committee meetings.

The role of the Risk committee is to advise and assist the Board in fulfilling its responsibility with regard to overseeing the design and implementation of Sanlam's Group enterprise risk management framework and responsibilities. The Risk committee assists the Board, including but not limited to:

- Determining the risk appetite and limits for the Group;
- Setting and implementing the Group enterprise risk management framework and supporting policies;
- Evaluating the adequacy and efficiency of risk policies, procedures, practices and controls;
- Considering Sanlam's total risk exposure and communicating the results to the entire Board;
- Establishing a process for appropriate risk disclosures to stakeholders;
- Ensuring that a formal assessment of the risk management processes is undertaken; and
- Overseeing the state of IT Governance across the Group.

The committee evaluates risk areas, including but not limited to:
- Market risks;
- Credit risks;
- Liquidity risks;
- Insurance risks (life business);
- Insurance risks (general insurance business);
- Operational risks;
- Reputational risks;
- Strategic risks; and
- Compliance and regulatory risks.

The committee annually reviews the performance of Sanlam's Chief Risk Officer. This committee's charter is reviewed annually by the Board to ensure that it is aligned with national and international corporate governance best practices. The Risk committee is satisfied with the effectiveness and performance of the Company's risk management processes as well as the performance of the Chief Risk Officer.

The committee meets four times a year.

Human Resources and Remuneration committee

Members:
AD Botha (Chairman), DK Smith, PT Motsepe and MM Bakane-Tuoane.

Attendees:
Group Chief Executive and Group Human Resources Executive.

This committee is responsible for monitoring and advising on the Group's human intellectual capital and transformation processes regarding employees. In particular, the committee approves executive appointments and reviews succession planning, including all the Group Executive committee members, as well as the position of the Group Chief Executive. The committee is also responsible for the remuneration strategy of the Group, the approval of guidelines for incentive schemes, and the annual determination of remuneration packages for members of the Sanlam Group's Executive committee. The committee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that excellent performance is rewarded. It also makes recommendations to the Board regarding directors' remuneration (except for the Human Resources and Remuneration committee).

In accordance with the King III recommendations, the Company's remuneration policy is tabled to shareholders for a non-binding advisory vote at its AGM. This vote enables the shareholders to express their views on the remuneration policies and their implementation. Sanlam supports the benefit of an advisory vote, which is to promote constructive dialogue between a company and its shareholders, and which helps to ensure that directors pay stronger attention to the elements of compensation that mattered most to investors, such as linking performance and business strategy. At the 2014 AGM, shareholders endorsed the Company's remuneration policy.

The committee meets four times a year.

Nominations committee

Members:

DK Smith (Chairman), MM Bakane-Tuoane and PT Motsepe.

Attendees:

Group Chief Executive.

The committee is responsible for making recommendations to the Board on all new appointments to the Board and its committees. A formal process of reviewing the balance and effectiveness of the Board and its committees, identifying the skills needed and the individuals to provide such skills in a fair and efficient manner, is required of the committee to ensure the Board and its committees remain effective and focused. This includes a regular review of the composition of the Board committees. It also includes assisting the Chairman with the annual evaluation of Board performance. It is responsible for identifying appropriate Board candidates and evaluating them against the specific disciplines and areas of expertise required.

The Board approves all interim appointments, with the final appointments being made by shareholders at the AGM. The committee is chaired by the Chairman of the Board and meets at least four times a year.

Succession planning is a key focus area within the Group. The Nominations committee considers the composition of the Board and its committees on an ongoing basis. The Board is satisfied that the current talent pool available within the Group and the work being done to strengthen it, provides Sanlam with a pool of candidates that have the necessary skills and experience to fill any vacancies that may arise in the short and long term.

Committee of non-executive directors

Members:

DK Smith (Chairman), MM Bakane-Tuoane, AD Botha, PR Bradshaw, A Duggal, MV Moosa, PT Motsepe, MP Mthethwa, SA Nkosi, P de V Rademeyer, RV Simelane, CG Swanepoel, ZB Swanepoel and PL Zim.

This committee is responsible for the governance and functioning of the Board. The committee gives due regard to the general requirements of the JSE as well as King III, and ensures that appropriate and balanced corporate governance practices and processes are entrenched within Sanlam. The committee objectively and independently oversees and gives due and careful consideration to the interests of Sanlam and all its stakeholder groups.

The committee comprises all the non-executive and independent directors. The committee meets subsequent to scheduled Board meetings.

Social, Ethics and Sustainability committee (SES committee)

Members:

MV Moosa (Chairman), A Duggal, TI Mvusi, P de V Rademeyer, Y Ramiah, RV Simelane, ZB Swanepoel and PL Zim.

Attendees:

Group Chief Executive, Group Human Resources Executive and heads of business clusters (as required).

The Social, Ethics and Sustainability committee is a committee established in terms of section 72 and Regulation 43 of the Act.

The committee's statutory functions are set out in the abovementioned regulation and are supplemented as set out in the committee charter, some of which we elaborate on in this report. The committee has the responsibility to recommend for approval, monitor and advise on all social, ethics and sustainability material and relevant issues that have a significant impact on the Group and its stakeholders. This committee also addresses transformation, safety, health and environmental matters. In respect of transformational matters, the committee recommends for approval, monitors and advises on matters pertaining to transformation and black economic empowerment throughout the Group. With regard to safety, health and environmental issues, the committee's main responsibility is to recommend for approval, monitor and advise on matters pertaining to such issues throughout the Group.

The committee annually reviews Sanlam's social, ethics and sustainability strategy and structures. It also monitors performance against specific pre-set targets and objectives. The committee considers Sanlam's Sustainability report (including the report from the independent assurance provider, Ernst & Young Inc.) and recommends the approval thereof to the Board.

Suitably qualified persons are co-opted onto the committee when necessary to render specialist services.

The committee meets four times a year.

Customer Interest committee

Members:

CG Swanepoel (Chairman), MM Bakane-Tuoane, DK Smith and PR Bradshaw.

Attendees:

Group Chief Executive, Chief Actuary and selected members of senior management.

The main responsibility of the committee is to review and monitor all customer-related decisions and other related matters in the Group at a strategic level. Its main function is to act as an advisory body and to provide guidance to the Board on strategic issues relating to customers. The committee meets four times a year.

Ad hoc Board subcommittees

The Board has the right to appoint and authorise special *ad hoc* Board subcommittees from time to time to perform specific tasks. The appropriate Board members make up these subcommittees.

In addition to the abovementioned Board committees, there is also a:

Group Executive committee

Members:

J van Zyl (Group Chief Executive and Chairman), BT Gamedze, I Kirk, L Lambrechts, JP Möller, TI Mvusi, JHP van der Merwe, Y Ramiah, HC Werth and AP Zeeman.

The Group Executive committee, which functions under the chairmanship of the Group Chief Executive, is responsible for assisting the Group Chief Executive in the operational management of Sanlam, subject to statutory and delegated limits of authority. Its main functions are strategic directing, coordination and monitoring performance.

The committee comprises the Group Chief Executive, heads of business clusters and the heads of Group service functions. Members of the committee are prescribed Sanlam officers as defined in the Act. The committee meets every fortnight or as scheduled.

Attendance of meetings

During the period under review the Board and committee members' attendance were as follows:

Attendance: board and committee meetings: 2014

	Board meeting	Audit committee		Risk and Compliance committee	Human Resources and Remuneration		Nomina-tions committee	Social, Ethics and Sustainability committee		Sanlam Customer Interest committee
Directors	**Planned/ held 5/5**	**Planned/ held 4/4**	**Ad hoc #2**	**Planned/ held 4/4**	**Planned/ held 4/4**	**Ad hoc #2**	**Planned/ held 4/4**	**Planned/ held 4/4**	**Ad hoc #1**	**Planned/ held 4/4**
MM Bakane-Tuoane	4/5				4/4	2/2	4/4			4/4
AD Botha	5/5				4/4	2/2				
PR Bradshaw	5/5	3/4	2/2	4/4						4/4
A Duggal	4/5							1/4	0	
MV Moosa	5/5							4/4	1	
JP Möller	5/5	4/4	2/2	4/4						
PT Motsepe	5/5				4/4	2/2	4/4			
MP Mthethwa	4/5	2/2*	1/1*	4/4						
TI Mvusi	5/5							4/4	1	
SA Nkosi	5/5									
P de V Rademeyer	5/5	4/4	2/2	4/4				4/4	1	
Y Ramiah	5/5							4/4	1	
RV Simelane	5/5							4/4	1	
DK Smith	5/5	4/4	2/2		4/4	2/2	4/4			4/4
ZB Swanepoel	5/5							4/4	1	
CG Swanepoel	5/5	4/4	2/2	4/4						4/4
J van Zyl	5/5	4/4	2/2	4/4	4/4	2/2	4/4	4/4	1	4/4
PL Zim	5/5							4/4	1	

** Stepped down on 29 May 2014, hence attended the planned meetings until then.*
 # Ad hoc board and committee meetings for specific subjects by selected members.

Company secretary and professional advice

Sana-Ullah Bray was appointed (01/01/2011), in accordance with the requirements of the Act, as the Group Company Secretary, acting as the Company Secretary of Sanlam and Sanlam Life. The Group Company Secretary is responsible for the execution of all relevant and regulatory requirements applicable to those positions, including those set out in the Act and the JSE Listings Requirements. The Group Company Secretary oversees the induction of new directors, including directors of subsidiary companies, as well as the ongoing education of directors.

As required by the JSE Listings Requirements, the Board, upon the recommendation of the Nominations committee, confirms that the:
- Group Company Secretary is competent and has the relevant qualifications and experience to be the company secretary;
- Group Company Secretary is not a director of the Company; and
- The Board has an arm's-length relationship with the Group Company Secretary.

All directors have unlimited access to the advice and services of the Group Company Secretariat, which office is accountable to the Board for ensuring that procedures are complied with and that sound corporate governance and ethical principles are adhered to. If appropriate, individual directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at Sanlam's expense. The Group Company Secretary attends all Board and committee meetings.

Dealings in JSE securities

Sanlam complies with the JSE Listings Requirements in respect of the share dealings of its directors. In terms of Sanlam's closed-period policy, all directors and staff with access to price sensitive information are precluded from dealing in Sanlam securities until the release of the Group's final and interim results respectively. The same arrangements apply for closed periods during other price-sensitive transactions for directors, officers and participants in the share incentive scheme and staff with access to price sensitive information. A pre-approval policy and process for all dealings in Sanlam securities by directors and selected key employees are strictly followed and duly reported on to the Board. Details of directors' and the Company Secretary's dealings in Sanlam securities are disclosed to the JSE through the Stock Exchange News Service (SENS). Even more stringent trading policies regarding personal transactions in all financial instruments are enforced at Sanlam's investment management companies.

The Group Company Secretary regularly disseminates written notices to inform the directors, executives and employees regarding the insider trading legislation and advises them of closed periods.

Sponsors

During the period under review, Deutsche Securities (SA) Proprietary Limited was Sanlam's appointed JSE sponsor.

Investor relations and communication with other stakeholders

Sanlam strives to be a leader in transparent, open and clear communication with all of its relevant shareholders and other stakeholders.

In this regard, the Group seeks to continuously improve upon its communication efforts through more detailed disclosure of relevant financial and other information. A formal Sanlam Stakeholder Engagement Strategy and Communication Policy has been developed for the Sanlam Group of companies. The Board appreciates the importance of dissemination of accurate information to all Sanlam stakeholders, and highly regards open and relevant dialogue with all parties with whom we do business.

Reports and announcements to all audiences and meetings with investment analysts, institutional investors, regulatory authorities and journalists, as well as the Sanlam website, are useful conduits for information. Open lines of communication are maintained to ensure transparency and optimal disclosure, and stakeholders are encouraged to make their views known to the Group.

Communication with institutional shareholders and the investment community is conducted by Sanlam's Investor Relations (IR) department and a comprehensive IR programme is also in place to ensure appropriate communication channels are maintained with domestic and international institutional shareholders, fund managers and investment analysts.

Political party support

While it is Sanlam's policy to support the development of democratic institutions and social initiatives across party lines, it does not provide support to any individual political party, financially or otherwise.

Corporate code of ethical conduct

Business ethics and organisational integrity

The Sanlam Group remains committed to the highest standards of integrity and ethical conduct in dealing with all stakeholders. This commitment is confirmed at Board and general management level by their endorsement of the code of ethical conduct for the Group.

A Group Ethics committee functions under the chairmanship of the Chief Risk Officer and includes representatives of the business clusters and divisions. The Group Ethics committee monitors compliance with the principles underlying the code of ethical conduct and investigates all matters brought to its attention, if necessary. A facility for the reporting of unethical conduct, the Sanlam fraud and ethics hotline, is available to all staff members in the Group. Although the hotline allows staff members to make anonymous reports and guarantees the protection of their identity, in accordance with the provisions of the Protected Disclosures Act, 2000, our preference is to create an open reporting environment, usually through our line managers. Over the past 10 years we have had 254 calls to the hotline out of a staff complement of over 10 000. Of these, less than 10% of all callers felt the need to subsequently remain anonymous. All cases are investigated and a process is in place to track, report and close out all calls received. Actions taken as a consequence of resulting investigations include termination of employment and cancellation of contracts in the case of suppliers and contractors.

In terms of Sanlam's code of ethical conduct, no employee within the Group may offer or receive any gift, favour or benefit that may be regarded as an attempt to exert influence in unduly favouring any party. Sanlam therefore has a formal Group gift/gratification policy to provide for the official declaration and recording of corporate gifts received or given.

The Board is satisfied that adequate grievance and disciplinary procedures are in place to ensure enforcement of the code of ethical conduct and to address any breaches of the code. Across the Group, no material breaches of Sanlam's Code of Ethical Conduct were reported during 2014. In 2013 Sanlam participated in the South African Business Ethics Study (SABES 2013) by EthicsSA and will conduct the next biennial ethical climate survey in the Group in 2015.

Forensics

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the code of ethical conduct, and undermine the organisational integrity of the Group.

The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted.

A forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executives of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business cluster is responsible for the implementation of the policy in his or her respective business cluster and is accountable to the Group Chief Executive and the Board.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Risk and Compliance committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Compliance

Sanlam considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The Group compliance function, together with the compliance functions of the business clusters and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring the implementation and execution thereof. Quarterly reports on the status of compliance management in the Group are submitted to the Risk and Compliance committee.

As Wealthsmiths™ we believe in a deeper reward that comes from a job well done. We have an ethos and appreciation for the commitment, diligence, care and attention that go into being a Wealthsmith™. We therefore respect and recognise our people for their contribution and inspire them to realise their worth.

Remuneration report

Contents

Context

Introduction

Sanlam's remuneration philosophy and policy support the Group strategy by aligning predetermined strategic goals with the organisational behaviour required to meet and exceed these goals. Both short- and long-term strategic objectives are measured and rewarded and this blended approach strongly mitigates excessive risk-taking and balances longer term strategic objectives with short-term gains. The remuneration philosophy is therefore also an integral part of the Group's risk management structure. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as national and international governance principles.

A great deal of attention is given to correctly position both the nature and the scale of remuneration relative to national comparator groups and international best practice. Steps are also taken to ensure alignment with the regulatory and governance requirements and specifically those of the King Code of Corporate Governance (King III) in South Africa.

Group Human Resources and Remuneration committee

The Group Human Resources and Remuneration committee of the Board (GHRRC) is responsible for developing the remuneration strategy of the Group and presenting it to the Board for approval. Its activities include approving mandates for all bonus and long-term incentive schemes and setting remuneration packages of the Sanlam Group Executive committee (Executive committee) and the heads of control functions, relative to industry benchmarks. The GHRRC has the prerogative to make all remuneration decisions it deems appropriate within an approved framework and may propose amendments to any part of the Group's remuneration policy as necessitated by changing circumstances. It also makes recommendations to the Board regarding the remuneration of Sanlam directors, other than the GHRRC's committee fees. To fulfil the role described above, the GHRRC undertakes the following:

- Develops and recommends to the Board for approval the Group's remuneration strategy as far as the remuneration of executive directors, members of the Executive committee and heads of control functions are concerned;
- Develops and recommends to the Board for approval short-term incentive schemes for the Group. It includes the setting of annual targets, monitoring those targets and reviewing the incentive schemes on a regular basis to ensure that there is a clear link between the schemes and performance in support of the Group strategy;
- Develops and recommends to the Board for approval long-term incentive schemes for the Group. It includes the setting of guidelines for annual allocations and a regular review of the appropriateness and structure of the schemes to ensure alignment with the Group strategy and shareholder and other stakeholder interests;
- Sets appropriate performance drivers for both short-term and long-term incentives, as well as monitoring and testing those drivers;
- Review the management of the contracts of employment of executive directors, members of the Executive committee and heads of control functions to ensure that their terms are aligned with good practice principles;
- Determines specific remuneration packages for executive directors, members of the Executive committee and heads of control functions, including total guaranteed packages, retirement benefits, short-term incentives, long-term incentives and other conditions of employment; and
- Makes recommendations to the Board regarding the remuneration of non-executive directors.

A copy of the GHRRC's terms of reference can be found on the Group's website (www.sanlam.com/investorrelations). Refer also the Corporate Governance Report on page 174 for the composition and summarised terms of reference for the GHRRC.

During 2014, the GHRRC considered the following matters:

- Benchmarking of remuneration levels and practices with international and local comparator groups;
- Continued alignment of Sanlam's remuneration practices with King III governance principles and pending regulations which provide a risk-based governance framework for the prudential regulation of long-term and general insurers in South Africa;
- Appointment of a Deputy Group Chief Executive as part of the succession planning for the Chief Executive position;
- Recruitment and appointment of other executive staff members;
- Monitoring and approval of short-term bonuses and long-term incentives;
- Accelerated measures to support existing strategies to correct the under-representation of black people at the senior and middle management levels of the organisation; and
- Monitored the work and decisions of the other Sanlam Group HR and Remuneration committees.

The South African Companies Act No 71 of 2008 introduced the concept of a 'prescribed officer'. The duties and responsibilities of directors under the Act will also apply to 'prescribed officers' as well as members of board committees who are not directors. The Board has considered the definition of 'prescribed officers' and resolved that the members of its Executive committee are the prescribed officers of Sanlam. Remuneration details of the Executive committee are accordingly also disclosed in this report.

Remuneration policies and practices

Remuneration philosophy

The Board recognises that appropriate remuneration for executive directors, members of its Executive committee and other employees is inextricably linked to the development and retention of top-level talent and intellectual capital within the Group. Given the current economic climate, changes in the regulatory requirements and the ongoing skills shortage, it is essential that adequate measures be implemented to attract and retain the required skills. In order to meet the strategic objectives of a high-performance organisation, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time. Sanlam's remuneration philosophy aims to:

- Inform stakeholders of Sanlam's approach to rewarding its employees;
- Identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere;
- Provide a general framework for all the other elements of the reward philosophy;
- Offer guidelines for short- and long-term incentive and retention processes; and
- Offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution.

Sanlam is the sole or part owner of a number of businesses, joint ventures and associates. Sanlam recognises the difference between these entities and where appropriate, allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework. In this regard, there are some areas where the dictates of good corporate governance, the protection of shareholder interests and those of the Sanlam brand or corporate identity require full disclosure, motivation and approval by the Human Resources committees either at Group or business level. The principle of management discretion, with regard to individual employees, is central to the remuneration philosophy on the basis that all rewards are based on merit. However, the overarching principles and design of the remuneration structure are consistent, to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. In other instances, the Sanlam remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own Remuneration/Human Resources committees will play in ensuring good governance. The Group has continued to apply a total reward strategy for its staff members. This offering comprises remuneration (which includes cash remuneration, short term incentives and long term incentives), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

Strategy

In applying the remuneration philosophy and implementing the total reward strategy, a number of principles are followed:

- **Pay for performance:** Performance is the cornerstone of the remuneration philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance. It is also positioned so that a clear link is maintained between performance hurdles and the Group strategy.
- **Competitiveness:** A key objective of the remuneration philosophy is that remuneration packages should enable the Group and its businesses to attract and retain employees of the highest quality in order to ensure the sustainability of the organisation.
- **Leverage and alignment:** The reward consequences for individual employees are as far as possible aligned with, linked to and influenced by:
  - The interests of Sanlam shareholders;
  - Sustainable performance of the Group as a whole;
  - The performance of any region, business unit or support function; and
  - The employee's own contribution.
- **Consistency:** The reward philosophy strives to be both consistent and transparent. Differentiation in terms of market comparison for specific skills groups or roles and performance is, however, imperative. Unfair differentiation is unacceptable and equal opportunities in respect of service practices and benefits are guaranteed.
- **Attraction and retention:** Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet the Group's objectives and ensure its sustainability over the long term.
- **Shared participation:** Employee identification with the success of the Group is important owing to the fact that it is directly linked to both the Group and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to the Group, and, in particular, for achieving excellent performance and results, in relation to the Group's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.
- **Best practice:** Reward packages and practices reflect local and international best practice, where appropriate and practical.
- **Communication:** The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process the link between remuneration and the Group's strategic objectives is understood by all employees.
- **Market information:** Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages.

For the Group to remain competitive, remuneration policies and practices are evaluated regularly against both national and international remuneration trends and governance frameworks, most notably King III.

Executive contracts

Executive directors and members of the Executive committee are contracted as full-time, permanent employees for employment contracting purposes. As a standard element of these contracts, a 12-month restraint of trade is included, which the Group has the discretion to enforce depending on the circumstances surrounding the individual's departure. Notice periods are three months' written notice. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme with some discretion being allowed to the GHRRC based on the recommendations of the Group Chief Executive. No clauses are included in employment contracts that relate to any form of payments in the event of change in control of the Company. However, in the event of change of control the vesting of share awards will be based on the provisions as approved by shareholders in the Group LTI rules.

Remuneration overview

Structure

The different components of remuneration paid to Sanlam Group employees are summarised in the table below. A detailed description of each component follows in the next section.

The quantum of the different components of the package is determined as follows:

- The guaranteed component is based on market-relatedness in conjunction with the individual's performance, competence and potential.
- The short-term incentive component of remuneration is based on a combination of individual and annual business performance.
- The long-term incentive component is based on the individual's performance, potential and overall value to the Group and/or business.

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed package	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys. Benchmarked against comparator group and positioned on average on the 50th percentile	Guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits
Short-term incentives (annual bonus)	Creates a high performance culture through a cash bonus in relation to performance against predetermined outputs	Annually based on short-term performance with the aim to remunerate outstanding performance in excess of market mean	Based on different levels and predetermined performance hurdles for business and personal targets. Cash settlement generally capped at 200% of total guaranteed package
Long-term incentives (long-term variable)	Alignment with shareholder interests	Annual grants vesting over either five or six years. Part early vesting is allowed from the third year provided that all the vesting conditions have been met	Upon satisfaction of performance hurdles and individual performance targets

Total guaranteed package (TGP)

Purpose

TGP is a guaranteed component of the remuneration offering. It forms the basis of the organisation's ability to attract and retain the required skills. In order to create a high performance culture, the emphasis is placed on the variable/performance component of remuneration rather than the guaranteed component. For this reason TGP is normally positioned on the 50th percentile of the market. As an integral part of TGP, Sanlam provides a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- Leave;
- Retirement funding;
- Group life cover; and
- Medical aid.

Process and benchmarking

Average TGP is normally set by reference to the median paid by a group of comparator companies which Sanlam considers to be appropriate. The comparator group is made up of a sizeable and representative sample of companies that have similar characteristics to Sanlam in terms of being in the financial services sector (but not limited only to this sector), market capitalisation and international footprint. In terms of the process followed in benchmarking TGP against these comparator companies, Sanlam obtains data from a number of global salary surveys and the data is then analysed using the Towers Watson's Global Grading Calculator. In addition to this benchmarking process, Sanlam also takes into account the skills, potential and performance of the individual concerned as well as the current consumer price index of the country.

GHRRC's role

Upon conclusion of the benchmarking process, proposals regarding increases for the following year are considered and approved by the GHRRC. The GHRRC also reviews and approves the adjustments to total guaranteed package for each of the executive directors and members of the Executive committee.

Levels

TGP levels are positioned around the 50th percentile of the comparator market. In certain instances, however, there may be a salary sacrifice in favour of the variable component. Where specific skills dictate, TGP levels may be set in excess of the 50th percentile.

Short-term incentives

Purpose

The purpose of the annual bonus plan is to align the performance of staff with the goals of the organisation and to motivate and reward employees who outperform the agreed performance hurdles. Over recent years, the focus has shifted from operational matters to growing the business and ensuring that it is managed in a sustainable way. The design and quantum of the annual performance bonus is regularly reviewed against best market practice and the quantum is benchmarked against the market using a robust comparator group.

GHRRC's role

The GHRRC's role with regard to the annual bonus plan is to:

- Determine the structure of the annual bonus plan, ensure that it provides a clear link to performance and is aligned with the Group's business strategy;
- Agree on the performance drivers for the annual bonus plan;
- Agree on the split between business, Group and personal performance criteria; and
- Set the threshold, target and stretch levels for the annual bonus plan and the percentage of total guaranteed package that can be earned at each level by each group of employees.

Vesting levels

The annual bonus plan is a cash-based bonus scheme. Where the annual bonus targets are achieved in full, 100% of the bonus will be paid. In instances where expected target goals have been exceeded, the cash component is capped at a percentage of TGP, but the total bonus can significantly exceed the target bonus.

Where the bonus targets are not achieved in full, a reduced bonus, based on a sliding scale, will be paid only if the threshold performance level has been achieved.

Where the annual bonus targets are not achieved, an amount may be set aside to reward exceptional individual performance at the discretion of the Group Chief Executive.

The annual bonus targets at a Group and cluster level incorporate a number of financial and non-financial performance measures, including net result from financial services, adjusted Return on Group Equity Value (RoGEV) and Employment Equity. The specific performance targets and relative weighting is determined per cluster based on the cluster's strategic initiatives. The Group office targets reflect the overall performance of the Group.

The Group delivered another sound performance during the 2014 financial year, as elaborated upon in the Financial Review included in this Integrated Report. A number of businesses outperformed their targets for the year, resulting in a weighted average bonus achievement of 144% (2013: 140%) of target at a Group level.

Ad hoc performance bonus rewards

Where it is determined by the Group CEO that an individual has demonstrated exceptional performance within his or her area of expertise that justifies a bonus payment in excess of the maximum cash bonus percentage of TGP, the GHRRC may award restricted shares under the Sanlam Restricted Share Plan to acknowledge such out-performance. Companies within the broader Sanlam Group may use other mechanisms such as cash retentions for amounts in excess of the cap.

The rationale of this mechanism is to encourage retention of high performing individuals and ensure the sustainability of performance driven behaviour. To the extent that performance is not sustained, the performance condition attached to a portion of the restricted awards will not be satisfied and the award will not vest. Provision is made for claw-back should this be necessary.

Long-term incentives

Overview and general policy

Sanlam currently grants awards under the following four long-term incentive plans (LTIs):

- The Sanlam Deferred Share Plan (DSP);
- The Sanlam Performance Deferred Share Plan (PDSP);
- The Sanlam Restricted Share Plan (RSP); and
- The Sanlam Out-Performance Plan (OPP).

With the exception of the OPP, these long-term incentive plans are equity-settled plans from a Sanlam Group perspective. The OPP is a cash or share-based plan, which rewards long-term performance.

In respect of the DSP and the PDSP, Sanlam's general policy is that awards are made annually to ensure that the total face value of outstanding awards (calculated on their face value at date of grant) is equal to a set multiple of the individual's TGP. The set multiples are determined by reference to the individual's job grade. In addition, transformation considerations and the role and performance of an individual and the need to attract and/or retain key talent are taken into account when determining the final multiple. In general, the total award level ranges from 35% to 280% of TGP but may exceed this in the specific circumstances referred to above.

Long-term incentive awards granted are split between individual performance (granted under the DSP and awards made without business related performance conditions under the RSP) and business related performance awards (granted under the PDSP and awards made with business related performance conditions under the RSP).

Awards granted to any one individual under all equity-settled plans (the DSP, the PDSP and the RSP) are subject to an overall limit of 6,5 million unvested shares.

GHRRC's role

The GHRRC's role as far as the long-term incentive plans are concerned is to:

- Ensure that their structure contributes to shareholder value and the long-term sustainability of the Group;
- Set appropriate performance drivers and take responsibility for monitoring and agreeing on the level of compliance with those performance drivers; and
- Approve award levels.

Non-executive directors

Non-executive directors do not participate in any of the incentive plans operated by Sanlam.

Deferred Share Plan (DSP)

Awards granted under the DSP are conditional rights to acquire shares for no consideration subject to vesting conditions being satisfied. The award has individual performance hurdles attached to it. The vesting conditions are that the individual remains employed by the Group throughout the vesting period and maintains agreed individual performance hurdles. The measurement period is five years and vesting may occur as follows, provided that all the vesting conditions have been met:

- After three years – 40%;
- After four years – 70% less any portion vested earlier; and
- After five years – 100% less any portion that vested earlier.

The award granted under the DSP is not subject to the satisfaction of the Group performance conditions but does require meeting individually contracted performance hurdles. Typically, the award granted under the DSP has a total face value of up to 105% of TGP. To the extent that this percentage falls, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of participation under the DSP.

For the year ended 31 December 2014 allocations in respect of 3 517 035 shares (2013: 3 923 450) were made to 731 participants (2013: 749) under the DSP.

Performance Deferred Share Plan (PDSP)

To the extent that the face value of the awards granted under the DSP does not satisfy the specified multiple of TGP to be granted as long-term incentive awards, the individual will be granted an award under the PDSP. Awards granted under the PDSP are conditional rights to acquire shares for no consideration subject to various vesting conditions being satisfied.

In addition to the individual remaining employed by the Group throughout the measurement period and maintaining agreed individual performance hurdles, the vesting of the award is also subject to the condition that the Group's adjusted RoGEV exceeds its cost of capital for the relevant measurement period (Group performance hurdle). Cost of capital is defined as the nine-year government bond rate in South Africa plus 300 basis points. The exact condition varies by reference to the value of the performance award as a proportion of the individual's TGP. The higher the award allocated, the more stretching the vesting conditions thereof are. For awards in excess of 175% of TGP the vesting conditions also include a business specific hurdle in addition to the personal and Group performance hurdles.

The exact performance conditions are set by the GHRRC at the relevant date of grant.

The use of adjusted RoGEV as a performance condition is considered appropriate as this is the key driver of the Group's strategy and the use of this measure means a direct link between the long-term incentive reward, Group strategy and shareholders' interests.

The performance measurement period for PDSP awards is six years. To the extent that they are not met at the end of this period, the performance related awards will lapse.

However, awards under the PDSP can vest prior to the end of the six-year performance measurement period on a proportional basis to the extent that all the vesting conditions are met earlier, as follows:

- After three years from the date of grant – 40% of the award;
- After four years – 70% less any portion that vested earlier; and
- After five years – 100% less any portion that vested earlier.

This arrangement is aimed at encouraging performance that will result in targets being met earlier within the agreed performance measurement period.

To the extent that the value of performance awards falls below the specified multiple of TGP, whether through vesting or due to a promotion or salary increase, an additional award may be granted on an annual basis to maintain the level of performance awards and encourage ongoing long-term performance.

For the year ended 31 December 2014 allocations in respect of 1 334 834 shares (2013: 1 951 658) were made to 217 participants (2013: 204) under the PDSP.

Restricted Share Plan (RSP)

The RSP has to date been operated in conjunction with the annual bonus plan (refer short term incentives section above) for selected senior staff. Where a bonus payment is awarded that is in excess of the bonus cap, that excess amount will be awarded as restricted shares under the RSP. Under this plan, individuals receive fully paid-up shares in Sanlam. The individual owns the shares from the date of grant and is entitled to receive dividends. However, the shares are subject to vesting conditions and may be forfeited and the dividends repayable if these conditions are not met during the measurement period.

The restricted shares awarded require the individual to remain employed within the Group until the final vesting date and maintain the agreed individual performance hurdles. A portion of the restricted shares awarded is subject to a business performance condition. The performance condition for awards granted to date is that the Group's adjusted RoGEV per share exceeds the Group's cost of capital and such condition varies between 0% and 100% of the award depending on the individual's role.

The measurement period is six years but early vesting can occur on a basis similar to that of the PDSP on the third, fourth and fifth anniversary of the date of grant, provided that all vesting conditions are met on such dates as determined by the GHRRC. For the year ended 31 December 2014 allocations in respect of 533 136 shares (2013: 469 918) were made to 18 participants (2013: 14) under the RSP.

Out-Performance Plan (OPP)

From time to time, at the discretion of the GHRRC, participation in the OPP is extended to certain members of the Executive committee who are leaders of the Group's main operating businesses. The OPP rewards superior performance over a three- to five-year measurement period and is used infrequently. Executive directors currently do not participate in the OPP.

No payment is made under the OPP unless the agreed growth target over the period is exceeded and full payment is only made if the stretched performance target is met. The maximum payment that can be made under the OPP is 200% of annual TGP over the respective three- or five-year measurement period (adjusted with salary inflation).

Shareholder voting

The Group's remuneration policy and the implementation thereof are subject to a non-binding advisory vote at the annual general meeting (AGM) of Sanlam Limited. At the 2014 AGM, a total of 1 461 243 306 votes (2013: 1 298 425 137) were cast on the advisory vote, with the vast majority of shareholders supporting the Group's remuneration policy and practices. The result of the voting was as follows:

	For	Against	With-held	No vote	Total
2014	96,16%	3,18%	0,66%	0%	100%
2013	96,79%	2,89%	0,32%	0%	100%

Sanlam's corporate governance practices, including the remuneration policy, are discussed with major shareholders and proxy voting organisations as part of the Group's stakeholder engagement process.

Remuneration details for executive directors and members of the Group Executive committee

Group CEO arrangement

The Board entered into a five year employment arrangement with the Sanlam Group CEO, Johan van Zyl, with effect from 1 January 2011. The objective of the arrangement is to address the leadership requirements for the Sanlam Group in order to deliver on the strategic objectives determined by the Board.

The remuneration package associated with this arrangement supports and is aligned to the delivery of the strategic objectives set for the Sanlam Group. The arrangement substitutes short-term cash remuneration and participation in the long-term incentive plans with predominantly share-based incentives with appropriate performance hurdles linked to the achievement of short, medium and long-term strategic objectives for the Group and the leadership as determined by the Board.

The Group CEO's annual fixed cash remuneration package was fixed at R5,3 million (based on the 2010 remuneration level) for the full period until 31 December 2015, with no other variable cash incentives for this employment period. He was allocated five million restricted Sanlam shares of which three million were transferred and delivered during 2011, two million during 2012 and during 2013 a further 281 209 shares were transferred in lieu of dividends not received on the two million shares that were only transferred during 2012. The vesting of the shares is measured over a six-year period until 31 December 2016. The shares are grouped into various distinct components, each with its own measurement period and detailed individual and Group performance hurdles. A substantial portion (>75%) is linked to the out-performance of the Sanlam Group's cost of capital target and the successful delivery on the longer-term growth strategies of the Sanlam Group. Vesting is dependent on meeting the performance hurdles for each of the performance categories as well as complying with the time restrictions built into the arrangement. He does not participate in any new allocations under any of the existing long-term incentive schemes of the Sanlam Group during the period of this arrangement.

Remuneration report continued

The performance conditions attached to the various components are as follows:

Performance category	Total number of shares	Number of shares subject to annual measurement	Measurement period	Performance targets	Board discretion for conditional vesting if targets are met before final release date of 31/12/2016
A	500 000	100 000	Annually from 1/1/2011 until 31/12/2015	Individual performance targets and time restriction	Shares that have met the annual performance hurdle
B	1 500 000	300 000	Annually from 1/1/2011 until 31/12/2015	Similar to short-term incentive scheme with a sliding scale from 0% vesting in respect of no achievement of annual hurdles to 100% vesting for 200% achievement and time restriction	Shares that have met the annual performance hurdle (see below)
C1	500 000	—	1/1/2011 – 31/12/2016 100 000 shares per annum (from 2011 to 2015) become eligible for performance measurement	Individual performance targets	Similar to DSP (refer above)
C2	500 000	—	Similar to C1	Individual performance targets and adjusted RoGEV exceeds cost of capital	Similar to C1
C3	500 000	—	Similar to C1	Individual performance targets and adjusted RoGEV exceeds 105% of the cost of capital	Similar to C1
D	1 500 000	—	1/1/2011 – 31/12/2016	Adjusted RoGEV exceeds 110% of the cost of capital and specific strategic goals are achieved	Board discretion
Total	**5 000 000**	**400 000**			

A summary of the position as at 31 December 2014 is as follows:

	Total
Total shares transferred in terms of the arrangement	5 281 209
Shares that have not met performance hurdles in 2011	(40 000)
Shares that have not met performance hurdles in 2012	(40 500)
Shares that have not met performance hurdles in 2013	(50 000)
Shares that have not met performance hurdles in 2014	(30 000)
Subtotal	**5 120 709**
Shares that have met the performance hurdles to date, but subject to time restrictions	(2 279 500)
Performance targets met in 2011	(360 000)
Performance targets met in 2012	(359 500)
Performance targets met in 2013	(470 000)
Performance targets met in 2014	(1 090 000)
Shares subject to time restrictions only	(281 209)
Shares subject to future performance measurement	**2 560 000**

The Board analyses the individual performance of the Group CEO on a continuous basis throughout the year. In respect of 2014 their judgement of his performance resulted in the conditional vesting of 100 000 or 100% of the applicable category A shares. The following performance targets applied to the conditional vesting of the category B shares for 2014:

%	Weight	Score 0% – 200%	Weighted score
Group operational performance:	**45**	**200**	**90**
– RoGEV	15	200	30
– Result from financial services	15	200	30
– Value of new life insurance business (VNB)	15	200	30
Relative Sanlam share price performance	**5**	**187,5**	**9,4**
Strategy implementation:	**50**	**161**	**80,6**
– Capital efficiency	17,5	150	26,3
– Diversification	17,5	175	30,6
– Optimisation	5	154	7,7
– Transformation	10	160	16
	100	Total	180

Executive remuneration summary

Remuneration earned by executive directors and members of the Executive committee were as follows:

Remuneration for the year ended 31 December 2014

R'000	Months in service	Salary	Company contri-butions	Subtotal: Guaran-teed package	Annual bonus	Attribu-table value of LTIs[4]	OPP pay-ment	Total remune-ration
Johan van Zyl[1]	12	4 452	848	5 300	—	—	—	5 300
Kobus Möller	12	3 717	708	4 425	5 000	5 804	—	15 229
Temba Mvusi[2]	12	2 544	433	2 977	2 300	2 413	—	7 690
Yegs Ramiah	12	2 820	180	3 000	2 500	2 267	—	7 767
Subtotal: executive directors		13 533	2 169	15 702	9 800	10 484	—	35 986
Themba Gamedze	12	3 131	—	3 131	2 300	1 145	—	6 576
Ian Kirk[3]	12	3 519	670	4 189	7 000	3 067	—	14 256
Lizé Lambrechts	12	3 509	479	3 988	3 100	3 846	—	10 934
Johan van der Merwe	12	4 250	810	5 060	8 500	8 875	40 000	62 435
Heinie Werth	12	3 421	467	3 888	2 900	3 859	—	10 647
André Zeeman	12	2 898	552	3 450	3 200	3 718	—	10 368
Executive committee		34 261	5 147	39 408	36 800	34 994	40 000	151 202

[1] *See Group CEO arrangement.*
[2] *Includes an amount of R271 000 paid by Santam.*
[3] *Ian Kirk as CEO of Santam up to 31 December 2014 is a member of the Executive committee. Full details of his emoluments can also be found in the Santam Annual Report.*
[4] *Fair value of LTIs granted during the year, assuming 100% vesting – refer page 204.*

Remuneration for the year ended 31 December 2013

R'000	Months in service	Salary	Company contri-butions	Subtotal: Guaran-teed package	Annual bonus	Attribu-table value of LTIs[5]	OPP pay-ment	Total remune-ration
Johan van Zyl[1]	12	4 452	848	5 300	—	263	—	5 563
Kobus Möller	12	3 475	662	4 137	4 000	4 645	—	12 782
Temba Mvusi[2]	12	2 416	411	2 827	2 000	2 429	—	7 256
Yegs Ramiah	12	2 597	166	2 763	2 000	2 735	—	7 498
Subtotal: executive directors		12 940	2 087	15 027	8 000	10 072	—	33 099
Themba Gamedze[3]	10	2 500	—	2 500	1 700	2 511	—	6 711
Ian Kirk[4]	12	3 337	691	4 028	2 300	4 728	—	11 056
Lizé Lambrechts	12	3 300	450	3 750	3 500	2 661	21 600	31 511
Johan van der Merwe	12	4 022	766	4 788	8 000	5 937	—	18 725
Heinie Werth	12	3 212	438	3 650	3 500	2 982	—	10 132
André Zeeman	12	2 730	520	3 250	3 000	3 628	—	9 878
Executive committee		32 041	4 952	36 993	30 000	32 519	21 600	121 112

[1] *See Group CEO arrangement.*
[2] *Includes an amount of R260 000 paid by Santam.*
[3] *Appointed on 1 March 2013.*
[4] *Ian Kirk as CEO of Santam is a member of the Executive committee. Full details of his emoluments can also be found in the Santam Annual Report.*
[5] *Fair value of LTIs granted during the year, assuming 100% vesting – refer page 204.*

Guaranteed package

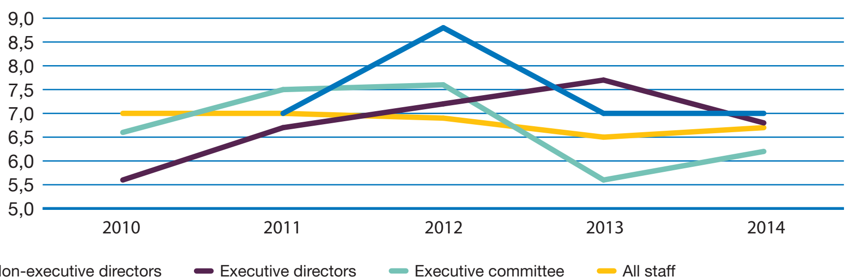
The TGP (in rand) of the executive directors and members of the Executive committee are reflected in the table below. Due to increases in TGP being granted during the year, the TGP amounts reflected in the table will not correspond to those included in the summary remuneration tables above.

Individual	**TGP as at 1 January 2015**	**TGP as at 1 January 2014**	TGP as at 1 January 2013	**% increase in TGP 2014**	% increase in TGP 2013
Johan van Zyl[(1)(2)]	**5 300 000**	**5 300 000**	5 300 000	**—**	—
Kobus Möller[(1)]	**4 500 000**	**4 200 000**	3 950 000	**7,14**	6,33
Temba Mvusi[(1)(3)]	**2 745 000**	**2 590 000**	2 500 000	**5,98**	3,60
Yegs Ramiah[(1)]	**3 050 000**	**2 850 000**	2 500 000	**7,02**	14,00
Themba Gamedze	**3 175 000**	**3 000 000**	—	**5,83**	
Ian Kirk	**5 500 000**	**4 007 508**	3 816 660	**37,24**	5,00
Lizé Lambrechts	**4 250 000**	**3 800 000**	3 600 000	**11,84**	5,56
Johan van der Merwe	**5 130 000**	**4 850 000**	4 600 000	**5,77**	5,43
Heinie Werth	**3 950 000**	**3 700 000**	3 500 000	**6,76**	5,71
André Zeeman	**3 500 000**	**3 300 000**	3 100 000	**6,06**	6,45

(1) *Executive director.*
(2) *See Group CEO arrangement.*
(3) *Receives an additional amount of R271 000 (2013: R260 000) from Santam for services rendered to Santam.*

The average salary increase paid to executive directors (excluding Johan van Zyl) for 2014 was 6,8% (2013: 7,71%) and that of members of the Executive committee for 2014 was 6,2% (2013: 5,59%) compared with an average salary increase paid to all employees of 6,7% (2013: 6,5%). The remuneration increase trends for the last five years are as follows:

Remuneration increase (%)



Remuneration report continued

Annual bonus

Performance targets

The performance targets for the annual bonus plan are set by the GHRRC on an annual basis for executive directors and members of the Executive committee. In respect of the 2014 annual bonus, the split between business, Group and personal performance criteria for executive directors and members of the Executive committee was as follows:

Individual	Business %	Group %	Personal %
Johan van Zyl[1]	–	–	–
Kobus Möller	–	50	50
Temba Mvusi	–	50	50
Yegs Ramiah	–	50	50
Themba Gamedze	–	50	50
Ian Kirk	80	–	20
Lizé Lambrechts	50	25	25
Johan van der Merwe	70	10	20
Heinie Werth	50	25	25
André Zeeman	–	–	100

[1] *See CEO arrangement.*

The Group performance measure that was applied in 2014 is:

- Return on Group Equity Value (RoGEV)
  This is the key driver of the Group's strategy and the use of this measure means a direct link between the annual bonus plan and the Group's business strategy. In order to exclude the impact of investment market volatility during the performance period in question, adjusted RoGEV is used. This assumes that the embedded value investment return assumptions as at the beginning of the reporting period were achieved for the purposes of the investment return earned on the supporting capital of covered business and the valuation of other Group operations. Any other *ad hoc* items which are not under the control of management are also excluded.
- Group net result from financial services
- Clusters' aggregate performance against targets
- Performance against transformation targets

The business-level performance measures are based on the specific strategic objectives of each business, while the personal performance measures are based on the contracted output of each individual over the vesting period.

The payments that can be achieved by executive directors and members of the Executive committee at the target and stretch levels are as indicated below.

Individual	% of TGP at target performance	Performance cash cap as % of TGP
Johan van Zyl[(1)]	–	–
Kobus Möller	56	112
Temba Mvusi	56	112
Yegs Ramiah	56	112
Themba Gamedze	56	112
Ian Kirk	80	160
Lizé Lambrechts	56	112
Johan van der Merwe	100	250[(2)]
Heinie Werth	56	112
André Zeeman	56	112

[(1)] *See Group CEO arrangement.*
[(2)] *Subject to a 200% cash payment cap in respect of any one year. Any excess in a particular year is transferred to the following year.*

These levels are benchmarked with comparator groups together with other components of remuneration.

The actual achievement of the Group performance measure for 2014 is as follows:

Sanlam Group	Weight	Threshold 0%	Target 100%	Stretch 200%	Score 0% – 200%	Weighted score
Adjusted RoGEV	20%	11,2%	12,2%	14,0%	200%	36,4%
Group net result from financial services	30%	R5 429m	R6 018m	R6 921m	195%	53,3%
Clusters' actual performance against targets	40%				120%	43,5%
Transformation	10%	16,0%	17,0%	19,0%	120%	10,8%
					Total	144,0%

Payments

The table below shows the annual bonus payments (in rand) to each of the executive directors and members of the Executive committee in respect of the performance achieved in 2014. Final individual payments are based on the outcome relative to the set performance criteria but may be adjusted by the GHRRC within a small discretionary margin to take account of any relevant facts or circumstances that may have impacted on performance during the measurement period. These bonuses are paid in 2015:

Individual	**% of TGP achieved 2014**	**Payment 2015 R million**	% of TGP achieved 2013	Payment 2014 R million
Johan van Zyl[(1)]	**—**	**—**	—	—
Kobus Möller	**111**	**5 000 000**	95	4 000 000
Temba Mvusi	**84**	**2 300 000**	70	2 000 000
Yegs Ramiah	**82**	**2 500 000**	70	2 000 000
Themba Gamedze[(2)]	**72**	**2 300 000**	57	1 700 000
Ian Kirk	**127**	**7 000 000**	57	2 300 000
Lizé Lambrechts	**73**	**3 100 000**	92	3 500 000
Johan van der Merwe	**166**	**8 500 000**	165	8 000 000
Heinie Werth	**73**	**2 900 000**	95	3 500 000
André Zeeman	**91**	**3 200 000**	91	3 000 000

[(1)] *See Group CEO arrangement.*
[(2)] *Appointed 1 March 2013.*

Remuneration report continued

Long-term incentives

The participation by executive directors and members of the Executive committee in the Group's long-term incentive schemes (excluding the OPP) at 31 December 2014 was as follows:

Number of shares

	Balance 31-12-13	Awarded in 2014	Shares vested
Johan van Zyl[1]	**5 900 768**	**—**	**(425 993)**
DSP	57 706	—	(57 307)
PDSP	222 681	—	(117 209)
Category A[4]	73 127	—	(36 563)
Category B[4]	47 333	—	(28 302)
Category C[4]	102 221	—	(52 344)
RSP	469 672	—	(251 477)
Group CEO arrangement[1]	5 150 709	—	
Kobus Möller	**629 507**	**110 077**	**(211 679)**
DSP	164 075	25 948	(56 556)
PDSP	190 705	27 802	(58 595)
Category A[4]	109 641	16 911	(36 319)
Category B[4]	81 064	10 891	(22 276)
RSP	274 727	56 327	(96 528)
Temba Mvusi[5]	**351 320**	**45 875**	**(123 910)**
DSP	113 485	17 169	(40 931)
PDSP	73 137	9 930	(21 987)
Category A[4]	73 137	9 930	(21 987)
RSP	164 698	18 776	(60 992)
Yegs Ramiah			
Sanlam	**93 910**	**43 067**	**(12 968)**
Santam[2]	**15 984**	**—**	**(7 491)**
DSP			
Sanlam	53 153	16 484	(9 155)
Santam[2]	11 476	—	(5 288)
PDSP – Category A[4]			
Sanlam	40 757	7 807	(3 813)
Santam[2]	4 508	—	(2 203)
RSP	—	18 776	—
Themba Gamedze[5]	**61 823**	**21 558**	**—**
DSP	61 823	2 782	—
RSP	—	18 776	—

Shares forfeited	Balance 31-12-14	Vesting in 2015	2016	2017	2018	2019
(30 000)	**5 444 775**	**250 868**	**5 193 907**	**—**	**—**	**—**
—	399	399	—	—	—	—
—	105 472	105 472	—	—	—	—
—	36 564	36 564	—	—	—	—
—	19 031	19 031	—	—	—	—
—	49 877	49 877	—	—	—	—
—	218 195	144 997	73 198	—	—	—
(30 000)	5 120 709	—	5 120 709	—	—	—
—	**527 905**	**171 634**	**141 488**	**117 803**	**63 955**	**33 025**
—	133 467	41 117	38 199	29 885	16 481	7 785
—	159 912	59 577	39 768	34 204	18 021	8 342
—	90 233	33 163	20 702	19 858	11 436	5 074
—	69 679	26 414	19 066	14 346	6 585	3 268
—	234 526	70 940	63 521	53 714	29 453	16 898
—	**273 285**	**99 235**	**72 924**	**57 416**	**29 948**	**13 762**
—	89 723	28 514	24 110	21 241	10 708	5 150
—	61 080	23 461	14 238	13 073	7 329	2 979
—	61 080	23 461	14 238	13 073	7 329	2 979
—	122 482	47 260	34 576	23 102	11 911	5 633
—	**124 009**	**12 646**	**27 897**	**37 426**	**33 120**	**12 920**
—	**8 493**	**7 578**	**717**	**198**	**—**	**—**
—	60 482	8 926	14 437	16 911	15 263	4 945
—	6 188	5 426	564	198	—	—
—	44 751	3 720	13 460	13 005	12 224	2 342
—	2 305	2 152	153	—	—	—
—	18 776	—	—	7 510	5 633	5 633
—	**83 381**	**—**	**24 729**	**27 170**	**25 015**	**6 467**
—	64 605	—	24 729	19 660	19 382	834
—	18 776	—	—	7 510	5 633	5 633

Number of shares (continued)

	Balance 31-12-13	Awarded in 2014	Shares vested
Ian Kirk[3]			
Santam	**57 628**	**11 263**	**(23 161)**
Sanlam	**102 299**	**16 991**	**(39 945)**
DSP			
Santam	25 541	5 050	(11 247)
Sanlam	46 814	7 618	(19 241)
PDSP			
Santam	32 087	6 213	(11 914)
Sanlam	55 485	9 373	(20 704)
Lizé Lambrechts	**471 000**	**72 935**	**(147 380)**
DSP	146 916	21 579	(46 119)
PDSP	97 604	13 803	(26 779)
Category A[4]	97 604	13 803	(26 779)
RSP	226 480	37 553	(74 482)
Johan van der Merwe	**975 790**	**168 170**	**(342 447)**
DSP	184 936	26 467	(57 552)
PDSP	346 474	47 824	(131 835)
Category A[4]	130 052	22 593	(45 375)
Category B[4]	156 579	18 350	(72 211)
Category C[4]	59 843	6 881	(14 249)
RSP	444 380	93 879	(153 060)
Heinie Werth	**465 509**	**73 189**	**(149 875)**
DSP	142 871	21 158	(46 662)
PDSP	96 158	14 478	(28 731)
Category A[4]	96 158	14 478	(28 731)
RSP	226 480	37 553	(74 482)
André Zeeman	**481 606**	**70 480**	**(153 276)**
DSP	129 525	20 078	(45 512)
PDSP	85 908	12 849	(25 773)
Category A[4]	85 908	12 849	(25 773)
RSP	266 173	37 553	(81 991)

(1) A new arrangement became effective from 1 January 2011 – refer Group CEO Arrangement.
(2) Participated in the Santam DSP and PDSP up to the date of appointment on the Sanlam Executive committee.
(3) Participates in the Santam DSP and PDSP.
(4) The performance conditions of the PDSP categories (in addition to the individual performance conditions) are as follows:
a. Category A: Adjusted RoGEV for the Group exceeds the Group's cost of capital.
b. Category B: Adjusted RoGEV for the Group exceeds 105% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Johan van der Merwe).
c. Category C: Adjusted RoGEV for the Group exceeds 110% of the Group's cost of capital (in addition to the Sanlam Group hurdle, a Sanlam Investments business hurdle is also applicable for Johan van der Merwe).
(5) Themba Gamedze and Temba Mvusi were also granted participation in the business partners trust of the Santam Broad Based Black Economic Empowerment (BBBEE) structure. These grants were made at the discretion of the trustees and do not form part of the Sanlam Group long-term incentive schemes.

Shares forfeited	Balance 31-12-14	Vesting in 2015	2016	2017	2018	2019
—	**45 730**	**8 287**	**12 759**	**12 199**	**9 106**	**3 379**
—	**79 345**	**15 860**	**22 967**	**20 692**	**14 728**	**5 098**
—	19 344	4 044	5 031	5 613	3 141	1 515
—	35 191	8 258	9 578	10 049	5 020	2 286
—	26 386	4 243	7 728	6 586	5 965	1 864
—	44 154	7 602	13 389	10 643	9 708	2 812
—	**396 555**	**142 528**	**107 288**	**85 297**	**39 562**	**21 880**
—	122 376	39 747	34 758	27 597	13 801	6 473
—	84 628	31 488	23 009	17 773	8 217	4 141
—	84 628	31 488	23 009	17 773	8 217	4 141
—	189 551	71 293	49 521	39 927	17 544	11 266
—	**801 513**	**267 112**	**221 940**	**171 730**	**90 279**	**50 452**
—	153 851	46 951	46 272	34 494	18 194	7 940
—	262 463	95 879	70 996	49 874	31 366	14 348
—	107 270	41 805	30 435	16 574	11 678	6 778
—	102 718	38 172	23 262	21 865	13 914	5 505
—	52 475	15 902	17 299	11 435	5 774	2 065
—	385 199	124 282	104 672	87 362	40 719	28 164
—	**388 823**	**144 134**	**97 166**	**83 546**	**42 019**	**21 958**
—	117 367	38 805	29 879	27 331	15 004	6 348
—	81 905	34 036	17 766	16 288	9 471	4 344
—	81 905	34 036	17 766	16 288	9 471	4 344
—	189 551	71 293	49 521	39 927	17 544	11 266
—	**398 810**	**140 587**	**108 765**	**83 189**	**45 125**	**21 144**
—	104 091	33 870	28 086	22 896	13 215	6 024
—	72 984	29 794	17 158	14 089	8 089	3 854
—	72 984	29 794	17 158	14 089	8 089	3 854
—	221 735	76 923	63 521	46 204	23 821	11 266

Remuneration report continued

Value

R'000	2014 Value of shares awarded[1]	 Value of shares vesting[2]	 Value of shares forfeited[2]	2013 Value of shares awarded[1]	 Value of shares vesting[2]	 Value of shares forfeited[2]
Johan van Zyl	**–**	**24 084**	**(2 100)**	263	33 383	(2 662)
DSP	**–**	**3 516**	**–**	80	5 101	–
PDSP	**–**	**7 192**	**–**	183	7 334	–
RSP[3]	**–**	**13 376**	**–**	–	20 948	–
Group CEO arrangement	**–**	**–**	**(2 100)**	–	–	(2 662)
Kobus Möller	**5 804**	**12 199**	**–**	4 645	12 507	–
DSP	**1 354**	**3 470**	**–**	1 270	2 670	–
PDSP	**1 450**	**3 595**	**–**	1 413	2 582	–
RSP[3]	**3 000**	**5 134**	**–**	1 962	7 255	–
Temba Mvusi	**2 413**	**7 105**	**–**	2 429	6 481	–
DSP	**895**	**2 512**	**–**	817	1 858	–
PDSP	**518**	**1 349**	**–**	631	1 352	–
RSP[3]	**1 000**	**3 244**	**–**	981	3 271	–
Yegs Ramiah	**2 267**	**2 299**	**–**	2 735	2 360	–
DSP	**860**	**1 623**	**–**	1 397	1 666	–
PDSP	**407**	**676**	**–**	1 338	694	–
RSP[3]	**1 000**	**–**	**–**	–	–	–
Subtotal: executive directors	**10 484**	**45 687**	**(2 100)**	10 072	54 731	(2 662)

R'000	**2014** Value of shares awarded[(1)]	Value of shares vesting[(2)]	Value of shares forfeited[(2)]	2013 Value of shares awarded[(1)]	Value of shares vesting[(2)]	Value of shares forfeited[(2)]
Themba Gamedze	**1 145**	**–**	**–**	2 511	–	–
DSP	**145**	**–**	**–**	2 511	–	–
RSP[(3)]	**1 000**	**–**	**–**	–	–	–
Ian Kirk	**3 067**	**7 099**	**–**	4 728	5 624	–
Santam	**2 181**	**4 648**	**–**	3 424	4 041	–
Sanlam	**886**	**2 451**	**–**	1 304	1 583	–
Lizé Lambrechts	**3 846**	**8 435**	**–**	2 661	9 730	–
DSP	**1 126**	**2 830**	**–**	1 076	2 298	–
PDSP	**720**	**1 643**	**–**	604	1 095	–
RSP[(3)]	**2 000**	**3 962**	**–**	981	6 337	–
Johan van der Merwe	**8 875**	**19 761**	**–**	5 937	17 446	–
DSP	**1 380**	**3 531**	**–**	1 496	3 406	–
PDSP	**2 495**	**8 089**	**–**	2 479	3 443	–
RSP[(3)]	**5 000**	**8 141**	**–**	1 962	10 597	–
Heinie Werth	**3 859**	**8 588**	**–**	2 982	8 884	–
DSP	**1 104**	**2 863**	**–**	1 255	2 741	–
PDSP	**755**	**1 763**	**–**	746	1 340	–
RSP[(3)]	**2 000**	**3 962**	**–**	981	4 803	–
André Zeeman	**3 718**	**8 735**	**–**	3 628	8 055	–
DSP	**1 048**	**2 793**	**–**	1 047	2 202	–
PDSP	**670**	**1 581**	**–**	619	1 050	–
RSP[(3)]	**2 000**	**4 361**	**–**	1 962	4 803	–
Executive committee	**34 994**	**98 305**	**(2 100)**	32 519	104 470	(2 662)

(1) *Based on fair value of shares on grant date, assuming 100% vesting. Actual vesting percentage will be determined on final measurement date.*
(2) *Based on market value of shares on vesting and forfeiture dates respectively.*
(3) *Grants during a year relates to performance in the prior financial year (refer description of scheme).*

It is anticipated that awards will be granted in 2015 to executive directors (excluding the Group CEO) and members of the Executive committee on a basis consistent with that described above.

Current participants in the OPP and achievement to date are as follows:

Individual	Measurement period	Performance measures	Achievement	Amount paid during 2014
Lizé Lambrechts	1 January 2013 – 31 December 2014	Outperformance of operational targets set for SPF cluster	58%	Final measurement and payment on 1 April 2015
Johan van der Merwe[(1)]	1 January 2009 – 31 March 2014	Outperformance of return targets set for Sanlam Investments international businesses over the full measurement period	100%	Final measurement on 1 April 2014 – full vesting of a R40 million conditional payment made in 2009
Heinie Werth	1 January 2012 – 31 December 2014	Outperformance of operational targets set for SEM cluster	100%	Final measurement and payment on 1 April 2015
Ian Kirk	1 January 2010 – 31 December 2014	The five-year measurement period for the OPP ended on 31 December 2014. A final assessment based on the required criteria was performed and it was concluded that no payment was due in terms of the OPP. The OPP had stretch hurdles related to real growth in net insurance result over a five-year period, which was negatively impacted by the 2012 and 2013 underwriting results.		

[(1)] *A subsidiary in the Group issued a financial instrument to an entity indirectly related to the individual as disclosed in the related party note to the Group financial statements.*

To the extent that any awards are granted under the OPP in 2015, it will occur on a basis consistent with that described above.

Sanlam share scheme allocation

Pursuant to the amendments to Schedule 14 of the JSE Listings Requirements, the shareholders of Sanlam approved a scheme allocation of 160 million ordinary shares available to be utilised for long-term incentive purposes with effect from 1 January 2009, provided that the maximum allocation during any financial year cannot exceed 16 million ordinary shares.

The following table illustrates the position as at 31 December 2014:

		Number of shares
Scheme allocation originally approved		160 000 000
Net movement during 2009		(10 701 155)
Net movement during 2010		(8 652 718)
Net movement during 2011		(13 828 369)
Net movement during 2012		(8 901 692)
Balance of scheme allocation carried forward at 31 December 2012		117 916 066
Allocation under DSP and PDSP in 2013	(5 905 362)	
Allocation under RSP in 2013 (CEO)	(281 209)	
Allocation under RSP in 2013 (Other)	(469 918)	(6 656 489)
Shares forfeited in 2013		822 979
Additional DSP and PDSP allocated in lieu of special dividend		(359 948)
Balance of scheme allocation carried forward at 31 December 2013		111 722 608
Allocation under DSP and PDSP in 2014	(4 851 869)	
Allocation under RSP in 2014	(533 136)	(5 385 005)
Shares forfeited in 2014		894 978
Balance of scheme allocation carried forward at 31 December 2014		107 232 581

Remuneration details for non-executive directors

Fee structures are recommended to the Board by the GHRRC (other than for services as a GHRRC member) and reviewed annually with the assistance of external service providers. The GHRRC takes cognisance of market norms and practices, as well as the additional responsibilities placed on Board members by new Acts, regulations and corporate governance guidelines. The Board recommends the fee structure for the year, from 1 July until 30 June the following year, to the Group's shareholders at the AGM for approval. Non-executive directors receive annual Board and committee retainers. In addition, a fee is paid for attending Board meetings. Sanlam pays for all travelling and accommodation expenses in respect of Board meetings. The Chairman receives a fixed annual fee that is inclusive of all Board and committee attendances as well as all other tasks performed on behalf of the Group. Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed below.

Non-executive directors' emoluments for the year ended 31 December 2014

R'000	Directors' fees	Allowance	Attendance and committees	Fees from Group	Total
MM Bakane-Tuoane	186	80	349	—	615
AD Botha	186	80	312	388	966
PR Bradshaw	186	80	457	1 178	1 901
A Duggal[(1)]	186	80	181	—	447
MV Moosa	186	80	311	—	577
PT Motsepe	278	119	282	—	679
MP Mthethwa[(2)]	186	80	283	—	549
SA Nkosi	186	80	115	—	381
P de V Rademeyer	186	80	601	906	1 773
RV Simelane	186	80	221	—	487
DK Smith (Chairman)	1 564	670	—	—	2 232
CG Swanepoel	186	80	637	1 330	2 233
ZB Swanepoel	186	80	221	—	487
PL Zim	186	80	221	—	487
Total non-executive directors	**4 074**	**1 749**	**4 191**	**3 802**	**13 816**

(1) *Remuneration is paid to Shriram Capital.*
(2) *Resigned on 13 February 2015.*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R853 981.

Non-executive directors' emoluments for the year ended 31 December 2013

R'000	Directors' fees	Allowance	Attendance and committees	Fees from Group	Total
MM Bakane-Tuoane	173	74	334	—	581
AD Botha	173	74	293	427	967
PR Bradshaw[(1)]	75	32	89	483	679
A Duggal[(2)]	173	74	131	—	378
FA du Plessis[(3)]	84	36	237	—	357
MV Moosa	173	74	355	—	602
PT Motsepe	260	112	250	—	622
MP Mthethwa	173	74	292	—	539
SA Nkosi	173	74	103	—	350
I Plenderleith[(4)]	129	55	238	343	765
P de V Rademeyer	173	74	547	764	1 558
RV Simelane	173	74	193	—	440
DK Smith (Chairman)	1 461	626	—	—	2 087
CG Swanepoel	173	74	540	1 385	2 172
ZB Swanepoel	173	74	208	—	455
PL Zim	173	74	171	—	418
Total non-executive directors	**3 912**	**1 675**	**3 981**	**3 402**	**12 970**

[(1)] *Appointed 7 August 2013.*
[(2)] *Appointed 15 January 2013. Remuneration is paid to Shriram Capital.*
[(3)] *Retired 5 June 2013.*
[(4)] *Retired 4 September 2013.*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R1 054 870.

Fees from Group companies for the year ended 31 December 2014

R'000	Directors' fees	Attendance fees	Committee fees	Total
2014				
AD Botha	**122**	**213**	**53**	**388**
PR Bradshaw	**1 178**	**—**	**—**	**1 178**
P de V Rademeyer	**227**	**601**	**78**	**906**
CG Swanepoel	**247**	**900**	**183**	**1 330**
Total fees from Group companies	**1 774**	**1 714**	**314**	**3 802**
2013				
AD Botha	143	235	49	427
PR Bradshaw	483	—	—	483
I Plenderleith	343	—	—	343
P de V Rademeyer	213	379	172	764
CG Swanepoel	259	973	153	1 385
Total fees from Group companies	1 441	1 587	374	3 402

Interest of directors in share capital

Total interest of directors in share capital at 31 December 2014

	Beneficial			
	Direct	Indirect	Non-beneficial	UB shares
Executive directors[1]				
J van Zyl	5 764 533	2 594 319	–	–
JP Möller	1 206 270	–	–	–
TI Mvusi	223 503	–	–	4 000
Y Ramiah	18 776	–	–	–
Total executive directors	7 213 082	2 594 319	–	4 000
Non-executive directors				
DK Smith (Chairman)	–	35 000	–	–
PT Motsepe (Deputy Chairman)[2]	–	–	–	–
MM Bakane-Tuoane	–	–	–	7 142
AD Botha[4]	–	–	270 000	–
PR Bradshaw	–	29 000	–	–
A Duggal	–	–	–	–
MV Moosa	–	–	–	7 142
MP Mthethwa	–	–	–	7 142
SA Nkosi	–	–	–	7 142
P de V Rademeyer	181 335	495 698	–	–
RV Simelane	–	–	–	7 142
CG Swanepoel	10 000	–	–	–
ZB Swanepoel	–	–	–	7 142
PL Zim	444	–	–	7 142
Total non-executive directors	191 779	559 698	270 000	49 994
Total	7 404 861	3 154 017	270 000	53 994

(1) *Includes participation in the Restricted Share Plan and Group CEO arrangement.*

(2) *Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 292 471 806 Sanlam ordinary shares.*

Sizanani-Thusanang-Helpmekaar Investments (Pty) Limited (Sizanani), beneficially holds 55% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is held by a trust that, with the exception of the Motsepe Foundation, hold those shares for the benefit of Mr Patrice Motsepe and his immediate family. This results in Mr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to 55% of Ubuntu-Botho's shareholding in Sanlam.

A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure.

(3) *At the date of this report there are no material differences with the shareholding disclosed above as at 31 December 2014.*

(4) *The return on these shares have been swapped for the return on the Imalivest Met Worldwide Flexible Fund, as declared in December 2014.*

Total interest of directors in share capital at 31 December 2013

	Beneficial			
	Direct	Indirect	Non-beneficial	UB shares
Executive directors[1]				
J van Zyl	6 038 133	2 594 319	—	—
JP Möller	1 286 743	—	—	—
TI Mvusi	236 510	36 617	—	4 000
Y Ramiah	—	—	—	—
Total executive directors	7 561 386	2 630 936	—	4 000
Non-executive directors				
DK Smith (Chairman)	—	35 000	—	—
PT Motsepe (Deputy Chairman)[2]	—	—	—	—
MM Bakane-Tuoane	—	—	—	7 142
AD Botha	—	—	286 999	—
PR Bradshaw	—	29 000	—	—
A Duggal	—	—	—	—
MV Moosa	—	—	—	7 142
MP Mthethwa	—	—	—	7 142
SA Nkosi	—	—	—	7 142
P de V Rademeyer	181 335	495 698	—	—
RV Simelane	—	—	—	7 142
CG Swanepoel	10 000	—	—	—
ZB Swanepoel	—	—	—	7 142
PL Zim	444	—	—	7 142
Total non-executive directors	191 779	559 698	286 999	49 994
Total	7 735 165	3 190 634	286 999	53 994

[1] *Includes participation in the Restricted Share Plan and Group CEO arrangement.*

[2] *Ubuntu-Botho Investments (Pty) Limited (Ubuntu-Botho) is the direct beneficial holder of 226 million Sanlam ordinary shares and 56,5 million Sanlam 'A' deferred shares.*

Sizanani-Thusanang-Helpmekaar Investments (Pty) Limited (Sizanani), beneficially holds 55% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts whose beneficiaries are Patrice Motsepe and his immediate family.

A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure.

As a result Patrice Motsepe and the above directors are indirect beneficial holders of the 226 million Sanlam ordinary shares and 56,5 million Sanlam 'A' deferred shares.

At Sanlam we have a deep appreciation for the material we work with – our clients' money. We believe that a single rand is just as important as every multiple of it. That's why we steward money with a respect for what went into making it and what can be made of it. Turning money into meaning is our trade and it's what makes us Wealthsmiths™.

Directors' responsibility for financial reporting

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Group and Company annual financial statements of Sanlam Limited in accordance with International Financial Reporting Standards. Adequate accounting records have been maintained. The Board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the annual financial statements has been delegated to management.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the annual financial statements based on their audit of Sanlam Limited and the Group. The Audit, Actuarial and Finance committee has satisfied itself that the external auditors were independent of the Company during the period under review.

The Audit, Actuarial and Finance committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Sanlam Limited Group annual financial statements. The Board is satisfied that the annual financial statements fairly present the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements consistently applied.

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Shareholders' information. The responsibility for the preparation and presentation of the Shareholders' information has been delegated to management.

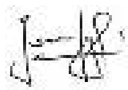
The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the preparation of the Shareholders' information.

A full description of how the Audit, Actuarial and Finance committee carried out its functions is included in the Corporate Governance report elsewhere in the Annual Report.

The Board is of the opinion that Sanlam Limited is financially sound and operates as a going concern. The annual financial statements have accordingly been prepared on this basis.

The annual financial statements on pages 218 to 351, the Corporate Governance report on pages 166 to 179, the Remuneration report on pages 182 to 211 and the Shareholders' information on pages 108 to 163 were approved by the Board and signed on its behalf by:

Desmond Smith
Chairman



Johan van Zyl
Group Chief Executive

Cape Town
4 March 2015

Certificate by the Company Secretary

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 December 2014, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Sana-Ullah Bray
Company Secretary

4 March 2015

Directors' report

for the year ended 31 December 2014

Nature of business

The Sanlam Group is one of the largest established financial services groups in South Africa. Its core activities are set out in the Annual Report.

Sanlam Limited is a public company incorporated in terms of the Companies Act No 71 of 2008, as amended, in South Africa and listed on the JSE Limited and the Namibian Stock Exchange.

Corporate governance

The Board of Sanlam endorses the Code of Corporate Practice and Conduct recommended in the King Report on Corporate Governance. Disclosures with regard to compliance with the Code are provided in the Corporate Governance report.

Group results

Profit attributable to shareholders increased from R8 131 million in 2013 to R8 729 million in 2014, largely due to the strong operational performance. Further details regarding the Group's results and prospects are included in the Financial Review. The information in the Corporate Governance and Remuneration reports, requiring disclosure in the Directors' report in terms of the Companies Act and JSE Listings Requirements, has been audited. The holding company's interest in the after tax profit of the Group subsidiaries, summarised per cluster, is set out in the shareholders' fund income statement on page 126.

Share capital

The issued ordinary share capital of the Company is 2 166 million shares. Refer to page 304 for further information.

Dividend

The Board has declared a normal cash dividend of 225 cents per share (2013: 200 cents) payable on Monday, 20 April 2015, to shareholders registered on 17 April 2015. All payments through electronic bank transfer will take place on this date.

Subsidiaries

Details of the Company's principal subsidiaries are set out on page 348.

Directors' interests in contracts

No material contracts involving directors' interests were entered into in the year under review.

Interest of directors and officers in share capital

Details of the shareholding by directors at the date of this report are provided in the remuneration report on pages 210 and 211.

Directors and secretary

Particulars of the directors and Company Secretary at the date of this report, as well as changes in directorships, are set out on pages 28 to 41 and page 170.

Subsequent events

No material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2014 as reflected in these financial statements.

Approval of annual financial statements

The annual financial statements have been approved by the directors as reflected on page 214, including the certificate by the Company Secretary on page 215, the Audit committee report for the 2014 financial year on page 173 and the analysis of shareholders on page 163.

Notice in terms of section 45(5) of the Companies Act, 2008 (the Act)

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to Group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Act.

In accordance with section 45(5) of the Act this serves to give notice that the Sanlam Board, in line with existing practice, approved that the Company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the Company's annual general meeting in 2014, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in section 45 of the Act.

The amount and format of financial assistance which may be granted pursuant to the resolution is subject to ongoing review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Group's net asset value provided for in the Act.

Independent auditors' report

To the shareholders of Sanlam Limited

We have audited the consolidated and separate financial statements of Sanlam Limited set out on pages 218 to 351, which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements 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 consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sanlam Limited as at 31 December 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the Directors' report, the Audit Committee's report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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

Capital management

Objective

Effective capital management is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is Group Equity Value (GEV), as reported on page 118. The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on GEV. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of required capital to *covered business*:

The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements. For Sanlam Life a stochastic modelling process is used to assist in determining long-term required capital levels that, within a 95% confidence level, will be able to cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over each of the next 10 year-ends. For the other smaller life insurers the Group sets supporting capital levels as a multiple of their respective regulatory capital adequacy requirements.

The fair value of *other Group operations* includes the working capital allocated to the respective operations.

The Group's approach to ensure appropriate working capital levels in these operations is twofold:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital by subsidiaries that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

Capital management

Covered business (life insurance operations)

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value. The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, e.g. non-participating annuities.
- Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business.
- The asset mix of the long term required capital also impacts the overall capital requirement. An increased exposure to hedged equity and interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. Over the longer term, the expected investment return on these instruments is however lower than equity with a potential negative impact on the return on GEV. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used as input to determine the optimal asset mix in this regard.

- The introduction of long term debt into the life insurance operations' capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, to reduce the volatility in the regulatory capital base with a consequential lower overall capital requirement.
- Management of operational risk: Internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international and South African developments surrounding solvency and capital requirements.

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on GEV.

Group Capital committee

The Group Capital committee, an internal management committee, is responsible to review and oversee the management of the Group's capital base in terms of the specific strategies approved by the Board.

Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

Capital adequacy

Capital adequacy for the South African operations is measured with reference to the cover provided by the Group's prudential regulatory capital in relation to the Capital Adequacy Requirements. The capital adequacy of Sanlam Investments and Pensions, the Group's life insurance operations in the United Kingdom (UK), is measured in terms of the Prudential Regulation Authority's guidelines in the UK, which are materially in line with those of the South African operations.

The valuation of assets and policy liabilities for prudential capital adequacy purposes is generally in line with the methodology for the published results. Some adjustments are however required, as set out below.

Reinsurance

Policy liabilities are valued net of reinsurance and the reinsurance asset is eliminated.

Investment contracts with investment management services

The liabilities are set equal to the retrospectively accumulated fair value of the underlying assets less the deferred acquisition cost (DAC) asset in the case of individual business. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates. The DAC asset is disregarded for prudential capital adequacy purposes.

Group undertakings and inadmissible assets
The value of assets is reduced by taking into account the prescribed valuation bases for Group undertakings and to eliminate inadmissible assets (as defined in the relevant prudential regulations).

Capital adequacy requirements (CAR)
The excess of assets over liabilities of life insurance operations on the prudential regulatory basis should be sufficient to cover the CAR in terms of the relevant regulations as well as professional practice notes issued by the Actuarial Society in South Africa and the Board of Actuarial Standards in the UK. The CAR provides a buffer against experience worse than that assumed in the valuation of assets and liabilities.

On the valuation date, the ordinary CAR was used for the South African operations as they exceeded the termination and minimum CAR.

The largest element of the CAR relates to stabilised bonus business. Consistent with an assumed fall in the fair value of the assets (the "resilience scenario"), which is prescribed in the actuarial practice notes, the calculation of the CAR takes into account a reduction in non-vesting bonuses and future bonus rates and for the capitalisation of some expected future profits (resulting from discretionary margins in the valuation basis and held as part of the liabilities).

At 31 December 2014, the resilience scenario assumes that:

- Equity values decline by 30%;
- Property values decline by 15%;
- Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields (whichever gives the highest total capital adequacy requirements); and
- Assets denominated in foreign currencies decline by at least 20% on the valuation date and do not subsequently recover within the short term.

Provision is made for credit and operational risk in the calculation of the CAR.

The excess of the actuarial values of assets over liabilities is disclosed in the table below. The values disclosed for Sanlam Life capture the solvency position of the entire Sanlam Life Group, including subsidiaries such as Sanlam Life Namibia, Sanlam Developing Markets Limited, Channel Life and Botswana Insurance Holdings. Sanlam Investments and Pensions is the only life insurance company in the Group that is not a subsidiary of Sanlam Life, and its solvency position is therefore shown separately. All subsidiaries of Sanlam Life were adequately capitalised.

R million	Sanlam Life Insurance Limited 2014	Sanlam Life Insurance Limited 2013	Sanlam Investments and Pensions UK Limited 2014	Sanlam Investments and Pensions UK Limited 2013
Assets				
Fair value of assets	**426 856**	379 983	**41 346**	37 189
Less: Liabilities	**358 700**	319 441	**40 754**	36 603
Actuarial value of policy liabilities	**340 059**	301 696	**39 787**	35 550
Investment contracts	**191 255**	166 363	**35 040**	30 970
Insurance contracts	**148 804**	135 333	**4 747**	4 580
Long term and current liabilities	**18 641**	17 745	**967**	1 053
Excess of assets over liabilities for financial reporting	**68 156**	60 542	**592**	586
Adjustment for prudential regulatory purposes	**(33 034)**	(29 000)	**(41)**	(275)
Adjustment for Group undertakings				
Sanlam Investment Management	**(2 694)**	(4 378)	**–**	–
Santam	**(8 943)**	(7 961)	**–**	–
SDM Limited	**(6 253)**	(5 958)	**–**	–
SEM Limited	**(3 309)**	–	**–**	–
Capital requirements of life insurance subsidiaries, adjusted for minority interests	**(2 080)**	(3 637)	**–**	–
Inadmissible assets	**(992)**	(119)	**(41)**	(275)
Other	**(8 763)**	(6 947)	**–**	–
Unsecured subordinated debt	**2 075**	2 094	**–**	–
Excess of assets over liabilities for prudential regulatory purposes	**37 197**	33 636	**551**	311
Capital adequacy requirements				
Capital adequacy requirements (CAR) before management actions	**12 650**	11 225	**117**	111
Management actions assumed	**(4 325)**	(3 675)	**–**	–
Reduction in future bonus rates	**(3 026)**	(2 703)	**–**	–
Reduction in non-vested bonuses	**(268)**	(225)	**–**	–
Capitalisation of a portion of expected future profits held as discretionary margins	**(105)**	(138)	**–**	–
Reduction in grossing up of the assets covering CAR and other	**(926)**	(609)	**–**	–
CAR after management actions assumed	**8 325**	7 550	**117**	111

Credit rating

Fitch Ratings, an international ratings agency, issues independent ratings of the following Sanlam Group entities and instruments:

	Most recent ratings issued
Sanlam Limited	National Long term: AA- (zaf)
Sanlam Life Insurance Limited	National Insurer Financial Strength: AA+ (zaf) National Long term: AA (zaf) National Short term: F1+ (zaf)
Sanlam Developing Markets Limited	National Insurer Financial Strength: AA+ (zaf) National Long term: AA (zaf)
Subordinated debt issued by Sanlam Life Insurance Limited	Subordinated debt: A+ (zaf)
Santam Limited	National Insurer Financial Strength: AA+ (zaf)
Subordinated debt issued by Santam Limited	Subordinated debt: A+ (zaf)

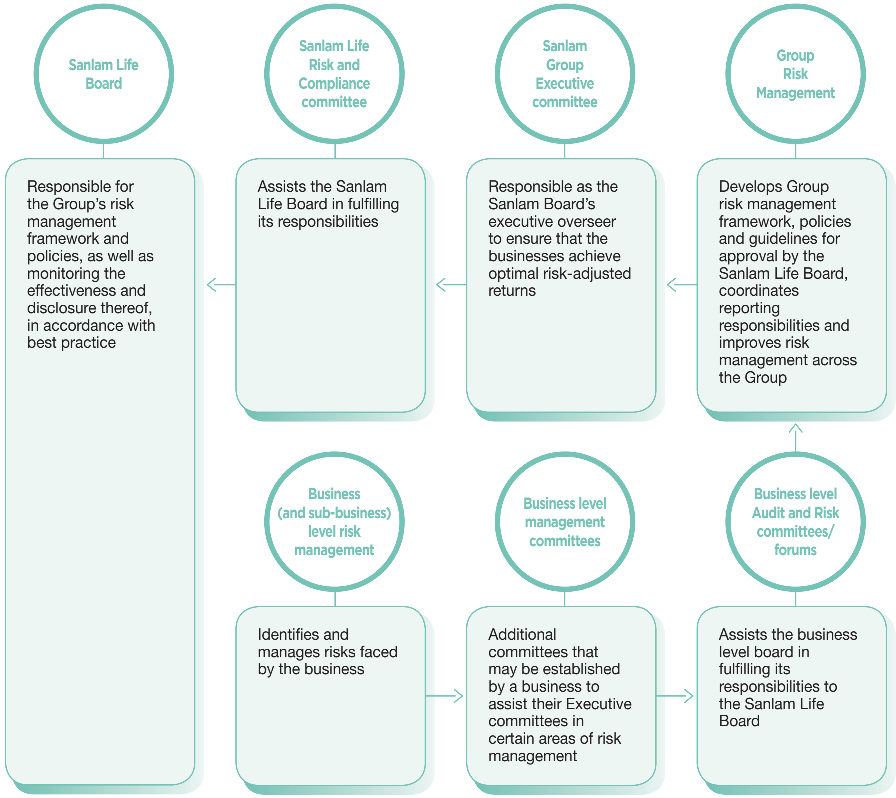
The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group's business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates. The above ratings were confirmed in October 2014 and have remained unchanged since 2011.

Risk management

Governance structure

In terms of the Group's overall governance structure, the meetings of the Sanlam Limited Board and Sanlam Life Insurance Limited Board (Sanlam Life Board) are combined to improve the flow of information and to increase the efficiency of the Boards. The agenda of the Sanlam Limited Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and JSE requirements. The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses as well as monitoring operational efficiency and risk issues throughout the Group. In respect of separately listed subsidiaries, this is done within the limitations of sound corporate governance practices. Refer to the Corporate Governance Report on page 166 for further information on the responsibilities of the Sanlam and Sanlam Life Boards and their committees.

The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Life Board sets the Group enterprise risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Life Board.



Role of Group Risk Management

The role of Group Risk Management is one of setting Group standards and guidelines, coordinating and monitoring risk management practices and ultimately reporting to the Sanlam and Sanlam Life Boards.

Group Risk Management plays an active role with regard to risk management in the Sanlam Group. The involvement includes the following:

- Permanent invitees of business units' Risk and Audit committees;
- Member of the Central Credit committee (see description below);
- Transactional approval incorporated in approval frameworks of business units where appropriate;
- Involvement and approval of corporate activity transactions;
- Chairs the Capital, Asset and Liability and Non-listed Asset committees at Group level and the Group risk forum (see descriptions below);
- Guidance on risk-related matters at a business level; and
- Involvement with specialist risk management issues at business level.

A number of other risk management/monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table:

Other risk management/monitoring mechanisms

Capital committee
Reviews and oversees the management of the Group's capital base

Asset and Liability committee
Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

Central Credit committee
Oversees the identification, measurement and control of corporate credit risk exposure

Investment committees
Determines and monitors appropriate investment strategies for policyholder solutions

Treasury function
Manages the liquidity risks in the borrowing functions of Sanlam

Non-listed asset controlling body
Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Limited and Sanlam Life Boards

Group risk forum
Aids coordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Life Board

Financial Director
Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised

Actuarial
Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques

Forensics
Investigates and reports on fraud and illegal behaviour in businesses

Group Secretariat and Public Officers
Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters

Group Compliance function
Facilitates management of compliance through analysing and advising on statutory and regulatory requirements, and monitoring implementation and execution thereof

Group IT
Manages and reports Group-wide Information and Information Technology risks

Risk Officer (per business)
Assists business management in their implementation of the Group risk management framework and policies, and to monitor the business's entire risk profile

Internal audit
Assists the Sanlam Life Board and management by monitoring the adequacy and effectiveness of risk management in businesses

Group risk policies, standards and guidelines

The main policies, standards and guidelines are:

- Sanlam Group enterprise risk management (ERM) policy and plan;
- Sanlam Group risk escalation policy;
- Sanlam Group business continuity management policy;
- Definitions of risk categories standard;
- Risk appetite guidance note;
- Sanlam Group risk appetite statement;
- Sanlam risk management maturity model;
- Sanlam Risk and Compliance committee charter; and
- Group risk forum terms of reference.

[Key: A policy sets out the mandatory minimum requirements for the businesses.

A standard endeavours to ensure consistent use of terminology.

A guidance note is aimed at providing information.]

The following also cover aspects with linkage to risk management:

- Sanlam Life combined assurance model;
- Sanlam Group internal control framework;
- Sanlam Group outsourcing policy;
- Sanlam Group information and information technology (I and IT) risk management policy;
- Representations from Group businesses to the Sanlam and Sanlam Life Audit, Actuarial and Finance committees;
- Sanlam corporate credit risk strategy and policy;
- Sanlam reinsurance and other risk mitigation policy;
- Sanlam investment policy;
- Sanlam financial crime combating policy;
- Sanlam human resources policies;
- Sanlam Group governance framework;
- Sanlam Group high-level authorisation framework;
- Sanlam Life Insurance Audit, Actuarial and Finance committee charter.

Sanlam Group enterprise risk management policy and plan

The Group ERM policy and plan includes the following main components:

- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

Sanlam Group risk escalation policy

The risk escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the Sanlam Group level. This includes quantifiable and unquantifiable measures.

Summary of Sanlam Group risk appetite

- The Sanlam Group consists of a number of decentralised businesses. These businesses have different risk profiles and appetites. They are capitalised appropriately based on these risk profiles.
- The Group determines the hurdle rates required from these businesses. These hurdle rates are set out for each business in accordance with its risk profile. On average the Sanlam Group aims to yield a return on GEV equal to at least 1% above its cost of capital, being equal to the return on nine-year government bonds plus 4%.
- Each decentralised business needs to operate within the restrictions of its allocated capital. For businesses using value at risk (VaR) as measurement, a 99,5% confidence level is required over a one-year time horizon. For businesses using capital adequacy (risk-based capital) techniques, a 95% confidence over a 10-year time horizon is required.
- Each business needs to manage their risks within the Group ERM framework.

Independent assurance reviews

The Group developed with an external assurance provider, a Risk Management Maturity Model against which the risk management processes across the Group are assessed. Annually, internal audit (in conjunction with Group Risk Management) prepares risk management process audit plans for approval by the Sanlam Life Risk and Compliance committee. The assurance reviews comprise self-assessments and independent reviews. All businesses conduct self-assessments with the independent assessments done either by an external assurance provider or internal audit. Typically, the larger businesses are assessed by an external assurance provider once every three years. Internal audit on the other hand tends to focus on the assessments for the smaller businesses which are done on a rolling basis. The overall results of both the self-assessments and the independent reviews are presented to the Sanlam Life Risk and Compliance committee.

Risk types

The Group is exposed to the following main risks:

	Risk category (primary)	Risk type (secondary) and description	Potential significant impact
General risks	**1. Operational**	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes: **Information and technology risk:** the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of critical information. **Going concern/business continuity risk:** the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future. **Legal risk:** the risk that the Group's operations or its condition are disrupted or adversely affected by legal proceedings against it, adverse judgments from courts, contracts that turn out to be unenforceable or contractual obligations which have not been provided for. **Compliance risk:** the risk of not complying with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct including acceptable market conduct practices[1], investment management mandates, as well as the failure to uphold the Group's core values and code of ethical conduct. **Human resources risk:** the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk. **Fraud risk:** the risk of financial crime and unlawful conduct impacting on the Group. It includes both internal and external fraud.	All Group businesses

[1] *Market conduct involves the behaviour of an organisation and of those that act on its behalf towards various stakeholders (including potential and current customers, regulators or supervisors, investors and other market participants). Market conduct comprises market discipline (including transparency and corporate governance) and consumer protection (including treating customers fairly).*

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
General risks continued		
1. Operational continued	**Taxation risk:** the risk of financial loss owing to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Equity Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits. **Regulatory risk:** the risk that new Acts or regulations will result in the need to change business practices that may lead to financial loss. **Process risk:** the risk of loss as a result of failed or inadequate internal processes. **Project risk:** the risks that are inherent in major projects. **Outsourcing provider risk:** the risk arising from the inability or unwillingness of an outsourcing service provider to discharge its contractual obligations; and from concentration with an individual outsourcing service provider (which exacerbates the former).	
2. Reputational	Reputational risk is the risk that adverse publicity regarding a Group's business practices, associations and market conduct, whether accurate or not, will cause a loss of confidence in the integrity of the institution. The risk of loss of confidence relates to stakeholders, which include, *inter alia*, potential and existing customers, investors, suppliers and supervisors.	All Group businesses
3. Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses

Risk category (primary)		Risk type (secondary) and description	Potential significant impact
Financial and business-specific risks	**1. Market**	Market risk is the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of assets and liabilities of the organisation. Market risk includes: **Equity risk:** the risk resulting from the sensitivity of values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities. **Interest rate risk:** the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level or volatility of interest rates. **Currency risk:** the risk of loss or adverse change in the value of assets and liabilities owing to unanticipated changes in the level or volatility of currency exchange rates. **Property risk:** the risk that the value of investment properties will fluctuate as a result of changes in the environment (i.e. the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level and volatility of market prices of property). **Asset liability mismatching (ALM) risk:** the risk of a change in value as a result of a deviation between asset and liability cash-flows, prices or carrying amounts. ALM risk originates from changes in market risk factors. **Concentration risk:** the risk of loss associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations). **Market liquidity risk** (also known as trading liquidity risk or asset liquidity risk): risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold quickly enough to prevent or minimise a loss (or realise the required profit). **Credit spread risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.	Life insurance General insurance Credit and structuring

Risk category (primary)		Risk type (secondary) and description	Potential significant impact
Financial and business-specific risks continued	**2. Credit**	Credit risk is the risk of default and deterioration in the credit quality of issuers of securities, counterparties and intermediaries to whom the company has exposure. Credit risk includes: **Default risk:** credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. **Downgrade or migration risk:** risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator. **Settlement risk:** risk arising from the lag between the transaction and settlement dates of securities transactions. **Reinsurance counterparty risk:** concentration risk with individual reinsurers, owing to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	Life insurance General insurance Credit and structuring Corporate
	3. Funding liquidity	Funding liquidity risk is the risk relating to the difficulty/ inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	Life insurance General insurance Credit and structuring Corporate

Risk category (primary)	Risk type (secondary) and description	Potential significant impact
4. Insurance risk (life business)	**Insurance risk (life business):** risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes: **Underwriting risk:** the risk that the actual experience relating to mortality, longevity, disability and medical (morbidity) will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities. **Persistency risk:** the risk of financial loss owing to negative lapse, surrender and paid-up experience. It covers the risk of loss or adverse change in insurance liabilities due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders. **Expense risk:** the risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts. **Concentration risk:** the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile (including catastrophe risk).	Life insurance
5. Insurance risk (General insurance business)	**Insurance risk (general insurance business):** risk arising from the underwriting of non-life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes: **Claims risk (premium and reserve risk):** refers to a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims risk are often split into – reserve risk (relating to incurred claims) and premium risk (relating to future claims). **Non-life catastrophe risk:** the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty relating to the pricing and provisioning assumptions for extreme or exceptional events.	General insurance

Risk management: General risks

1. Operational risk

The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is not addressed in this report, but in the Sustainability Report.

The following functionaries assist in mitigating operational risk:

Internal audit

A Board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The chief audit executive of Sanlam is appointed in consultation with the chairman of the Audit, Actuarial and Finance committee and has unrestricted access to the chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The Group's external auditors are Ernst & Young Inc. The reports of the independent auditors for the year under review are contained on pages 106 and 217 of this Annual Report. The external auditors assess certain systems of internal financial control for the purpose of expressing an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. The Group applies a policy of compulsory rotation of audit partners.

Information and technology risk

IT risks are managed across the Group in an integrated manner following the enterprise risk management framework. Group IT is the custodian of the Group's IT policy framework and ensures explicit focus on, and integration with the Group's IT governance framework, which includes the governance of information security.

The Head of Group IT facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide strategic or operational impact. The Group IT committee provides guidance to the Head of Group IT regarding his duties, such as the establishment of policy.

A quarterly IT governance report, summarising the Group-wide situation is delivered to the Risk and Compliance committee.

Going concern/business continuity risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that Sanlam will continue as a going concern. Reflecting on the year under review, the Directors considered a number of facts and circumstances and are of the opinion that adequate resources exist to continue business and that Sanlam will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Legal risk

During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. Sanlam seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Compliance risk

Laws and regulations:

Sanlam considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group Compliance Office, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates:

Automated pre-compliance rules for clients' investment guidelines are loaded on the order management system. This means that a system rule will generally prevent any transaction that may cause a breach. Apart from this continuous monitoring, post-trade compliance reports are produced from the order management system. Reporting of compliance monitoring with investment guidelines is done on a monthly basis, although the monitoring activities happen continuously. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified. When a breach is confirmed, the portfolio manager must generally rectify the breach as soon as possible. The action taken may vary depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the head of investment operations on a monthly basis.

Derivative exposures are monitored on a daily basis for compliance with approval framework limits, as well as client investment guidelines where the guidelines are more restrictive than the investment manager's own internal limits.

Fraud risk

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group's code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders are prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Sanlam and Sanlam Life Boards. Quarterly reports are submitted by Group Forensic Services to the Sanlam and Sanlam Life Risk and Compliance committees on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Regulatory risk

Regulatory risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a proactive approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed as far as possible through clear contracting. The Group monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

Process risk

The risk of failed or inadequate internal processes is addressed through a combination of the following:

- A risk-based approach is followed in the design of operational processes and internal controls;
- Operational processes are properly documented;
- Staff training and the employment of a performance-based remuneration philosophy; and
- Internal audit review of key operational processes.

Project risk

A formalised, risk-based approach is followed for the management of major projects to ensure that projects are effectively implemented and the project hurdle rate is achieved. Key deliverables, progress and risks are monitored on a continuous basis throughout the project life cycle. Internal specialists and external consultants are used as required to provide specialist knowledge and experience.

Outsourcing provider risk

A Group outsourcing policy is in place and aims to provide clear direction and policy regarding the strategic management (e.g. assessment of outsourcing options, establishment of agreements, the ongoing management of and reporting on outsourcing) of all outsourcing arrangements, whether external or internal within the Sanlam Group.

2. Reputational risk

Risks with a potential reputational impact are escalated to the appropriate level of senior management. The Audit and Risk committees are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

3. Strategic risk

The Group's governance structure and various monitoring tools ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual special strategic session of the Sanlam Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Sanlam Group Executive committee, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Sanlam Group Executive committee, which includes the chief executives of the various Group clusters, meets on a regular basis to discuss, among others, the achievement of the clusters' and Group's strategies.

Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Risk management: By business area

Investment management

The Group's investment management operations are primarily exposed to operational risks, as they have limited on-balance sheet exposure to financial instruments. Investment risk is borne principally by the client. The asset management operations are, however, exposed to market risk owing to the impact of market fluctuations on revenue levels, as investment fees are generally linked to the level of assets under management. This exposure is reduced through asset class and product diversification.

Investment performance

One of the key risks inherent to the investment management operations relates to the risk of consistently poor investment decisions i.e. incorrect asset allocation views and/or stock selection resulting in investment underperformance and impairment of track record relative to benchmark and/or peer group. In order to mitigate this risk, the following areas are focused on:

- The recruitment and retention of high quality investment professionals and support staff who are organised into stable teams with a performance culture that receive pertinent training and development and regular employee appraisals;
- The optimisation of a robust investment process to effect good investment decisions;
- The rigour of the procedures for portfolio implementation;
- The effectiveness of the dealing desk; and
- The analyses of fund performance.

The above interventions are implemented with due cognisance of Sanlam Investments' fiduciary responsibility to at all times act in the best interest of the clients and in accordance with the investment mandate directives.

Life insurance

The Group's life insurance businesses are exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non-participating policyholder solutions and those that provide investment guarantees, such as market-related business, stable and reversionary bonus business and non-participating annuity business, expose the life insurance businesses to financial risk. Other business, such as linked policies (where the value of policy benefits is directly linked to the fair value of the supporting assets) does not expose the life insurance businesses to direct financial risk as this risk is assumed by the policyholder. The life insurance businesses' capital is invested in financial instruments, which also exposes the businesses to financial risk, in the form of market, credit and liquidity risk.

The table below summarises the various risks associated with the different policyholder solutions as well as the capital portfolio. Please refer to the "Policy liabilities and profit entitlement section" on page 280 for a description of the different policyholder solutions; as well as to note 15 on page 307, which discloses the monetary value of the Group's exposure to the various solutions.

Life insurance businesses exposed to risk via:	Market risk				Credit risk	Liquidity risk	Insurance risk	
	Equity	Interest rate	Currency	Property			Persistency	Other insurance risks
Policyholder solutions								
Linked and market-related	✓[1]	✓[1]	✓[1]	✓[1]	✓[1]	✓[3]	✓	✓
Smoothed-bonus business:								
Stable bonus	✓[2]	✓[2]	✓[2]	✓[2]	✓[2]	✓[3]	✓	✓
Reversionary bonus	✓[2]	✓[2]	✓[2]	✓[2]	✓[2]	✓[3]	✓	✓
Participating annuities	✓[2]	✓[2]	✓[2]	✓[2]	✓[2]	✓[3]	✓	✓
Non-participating annuities	×	✓	×[4]	×[4]	✓	✓[3]	×	✓
Other non-participating liabilities								
Guarantee plans	×	✓	×[4]	×	✓	✓[3]	✓	✓
Other	✓	✓	×[4]	✓	✓	✓[3]	✓	✓
Capital portfolio	✓	✓	✓	×[4]	✓	×	×	×

[1] *Only market-related policies (not linked policies) expose the life insurance businesses to this risk, due to these policies providing guaranteed minimum benefits at death or maturity.*
[2] *The life insurance businesses are exposed to this risk, only if the assets backing these policies have underperformed to the extent that there are negative bonus stabilisation reserves that will not be recovered by declaring lower bonuses in the subsequent years.*
[3] *Although liquidity risk is present, it is not a significant risk for the insurance businesses due to appropriate matching of asset and liability cash flow values and duration.*
[4] *An immaterial amount of assets are exposed to this risk.*
✓ *Risk applicable to item*
× *Risk not applicable to item*

The management of these risks is described below.

1. Market risk

Life insurance businesses exposed to risk via:	Market risk: Equity	Interest rate	Currency	Property
Policyholder solutions				
Linked and market-related	✓	✓	✓	✓
Smoothed-bonus business:				
Stable bonus	✓	✓	✓	✓
Reversionary bonus	✓	✓	✓	✓
Participating annuities	✓	✓	✓	✓
Non-participating annuities	×	✓	×	×
Other non-participating liabilities				
Guarantee plans	×	✓	×	×
Other	✓	✓	×	✓
Capital portfolio	✓	✓	✓	×

✓ *Risk applicable to item*
× *Risk not applicable to item*

Linked and market-related

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies, however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance businesses to market risk. The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios. The Group's long term policy liabilities include a specific provision for investment guarantees. The current provision for investment guarantees in insurance contracts has been calculated on a market-consistent basis in accordance with professional practice notes issued by the Actuarial Society of South Africa.

Smoothed bonus business

These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a policyholder bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from the capital portfolio in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2014, all stable and reversionary bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

Market risk is borne by policyholders to the extent that the after-tax and after-cost investment return is declared as bonuses. The capital portfolio is however exposed to some market risk as an underperformance in investment markets may result in an underfunded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. ALCO oversees the investment policy for the various smoothed-bonus portfolios, while the Sanlam Personal Finance Investment committee also considers these portfolios as part of its overall brief. The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, *inter alia*, the following:

- Limitations on exposure to volatile assets;
- The benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of assets, such as unlisted equities, derivative instruments, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios is provided quarterly to the Sanlam Life Board and the Customers' Interest committee.

Non-participating annuities

Non-participating annuity business relates to contracts where income is paid to an annuitant for life or for a fixed term, in return for a lump sum consideration paid on origination of the policy. The income may be fixed, or increased at a fixed rate or in line with inflation. The Group guarantees this income and is therefore subject to interest rate risk. Liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the change in value of assets and liabilities is closely matched for a change in interest rates. The impact of changes in interest rates is continuously tested, and for a 1% parallel movement in interest rates the impact on profit will be immaterial.

Guarantee plans

These single premium policies provide for guaranteed maturity amounts. The life insurance businesses are therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value. Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

Other non-participating business

The Group is exposed to market risk to the extent of the investment of the underlying assets in interest-bearing, equity and property investments. The risk is managed through investments in appropriate asset classes. A number of the products comprising this business are matched using interest-bearing instruments, similar to non-participating annuities.

Policyholder solutions' exposure to currency risk

The majority of currency exposure within the policyholder portfolios results from offshore assets held in respect of linked and smoothed-bonus business. Offshore exposure within these portfolios is desirable from a diversification perspective.

Capital

Comprehensive measures and limits are in place to control the exposure of the Group's capital to market and credit risks. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

The exposure of the Group's capital portfolio to currency risk is analysed in the table below:

R million	Euro	United States dollar	British pound	Botswana pula	Indian rupee	Other currencies	Total
31 December 2014							
Investment properties	–	–	–	179	–	371	550
Equities and similar securities	428	532	156	558	–	624	2 298
Equity accounted investments[1]	–	–	–	1 523	5 648	1 005[2]	8 176
Interest-bearing instruments	–	–	104	301	–	1 484	1 889
Government interest-bearing investments	–	–	34	251	–	869	1 154
Corporate interest-bearing investments	–	–	70	1	–	508	579
Mortgages, policy and other loans	–	–	–	49	–	107	156
Investment funds	1	577	12	39	–	129	758
Cash, deposits and similar securities	72	441	489	488	–	367	1 857
Net working capital and other liabilities	(9)	841	110	(274)	–	(24)	644
Foreign currency exposure	492	2 391	871	2 814	5 648	3 956	16 172
Exchange rates (rand)							
Closing rate	14,01	11,57	18,05	1,23	0,18		
Average rate	14,38	10,84	17,85	1,23	0,18		
31 December 2013							
Investment properties	–	–	–	122	–	204	326
Equities and similar securities	575	549	156	408	–	870	2 558
Equity accounted investments[1]	–	–	–	1 376	4 597	968	6 941
Interest-bearing instruments	–	3	95	266	–	147	511
Government interest-bearing investments	–	3	27	–	–	28	58
Corporate interest-bearing investments	–	–	68	169	–	18	255
Mortgages, policy and other loans	–	–	–	97	–	101	198
Investment funds	15	573	14	30	–	5	637
Cash, deposits and similar securities	10	423	220	437	–	198	1 288
Net working capital and other liabilities	231	1 218	83	(377)	–	15	1 170
Foreign currency exposure	831	2 766	568	2 262	4 597	2 407	13 431
Exchange rates (rand)							
Closing rate	14,51	10,53	17,42	1,21	0,17		
Average rate	12,78	9,61	15,00	1,16	0,17		

[1] *Equity accounted investments only include significant entities that have foreign currency exposure.*
[2] *Investment in Pacific and Orient, Malaysia.*

The capital portfolio has limited exposure to investment properties and accordingly the related property risk.

Sensitivities

Refer to page 157 for an analysis of the Group's sensitivity to market risk.

2. Credit risk – policyholder solutions and capital

Life insurance businesses exposed to risk via:	Credit risk
Policyholder solutions	✓
Capital portfolio	✓

✓ Risk applicable to item

Sanlam recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss owing to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam Corporate Credit Risk policy and strategy has been established for this purpose. Credit risk occurs owing to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by either Sanlam Capital Markets (SCM) or Sanlam Investment Management (SIM) in terms of the investment guidelines granted to them by the life insurance operations. The boards of SIM and SCM have delegated responsibility for credit risk management to the Central Credit committee. On a smaller scale, Botswana Insurance Fund Management (BIFM) also performs investment activities in the Group.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, nor without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group and industry; geographical location; product type; currency; maturity; anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

The credit risk policy highlights the processes and procedures to be followed in order to maintain sound credit granting standards, to monitor and manage credit risk, to properly evaluate new business opportunities and identify and administer problem credits. Credit analysis is a structured process of investigation and assessment, involving identifying the obligor, determining whether a group of connected obligors should be consolidated as a group exposure, and analysing the financial information of the obligor. A credit rating, being a ranking of creditworthiness, is allocated to the obligor. In addition to external ratings, internal rating assessments are conducted, whereby the latest financial and related information is analysed in a specified and standardised manner, to ensure a consistent and systematic evaluation process. External ratings (e.g. Moody's Investor Services, Standard & Poor's, Fitch Ratings and Global Credit Ratings) are taken into account when available.

All significant facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Sanlam's interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to. A credit administration and reporting department is in place to implement risk control measures and maintain ongoing review of the credit reports and conditions, to ensure overall compliance with the credit risk strategy and policy.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas;
- Long term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;
- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2014 and 2013 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities remained unchanged.

The tables below provide an analysis of the ratings attached to the Group's life insurance businesses' exposure to instruments subject to credit risk.

Credit risk concentration by credit rating*

Assets backing policy liabilities	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Not rated %	Other %	Total %	Carrying value R million
31 December 2014												
Government interest-bearing investments	85	3	–	2	–	–	–	1	7	2	100	63 716
Corporate interest-bearing investments	14	23	26	8	4	6	4	2	7	6	100	49 760
Mortgages, policy and other loans	2	–	–	4	4	3	19	4	56	8	100	4 732
Cash, deposits and similar securities	33	23	19	6	–	10	–	1	6	2	100	13 071
Net working capital	1	–	–	–	–	–	–	–	99	–	100	1 858
Total	49	12	12	4	1	4	2	2	10	4	100	133 137
31 December 2013												
Government interest-bearing investments	85	5	–	2	–	–	–	1	7	–	100	52 516
Corporate interest-bearing investments	5	22	28	10	4	8	4	2	13	4	100	37 149
Mortgages, policy and other loans	–	–	7	6	10	3	23	–	51	–	100	3 055
Cash, deposits and similar securities	35	15	10	2	–	12	–	–	25	1	100	10 823
Net working capital	–	–	–	–	–	–	–	–	100	–	100	881
Total	48	12	11	5	2	4	2	2	13	1	100	104 424

** Rated externally or by using internationally recognised credit rating techniques.*

Credit risk concentration by credit rating*

Capital portfolio	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Not rated %	Other %	Total %	Carrying value R million
31 December 2014												
Government interest-bearing investments[1]	12	2	–	4	–	–	–	1	78	3	100	1 388
Corporate interest-bearing investments	21	19	24	9	4	9	4	1	3	6	100	9 606
Mortgages, policy and other loans	7	–	–	6	–	19	37	–	18	13	100	246
Cash, deposits and similar securities	39	5	15	3	–	12	–	–	24	2	100	3 333
Net working capital	199	36	5	–	–	–	–	3	(147)	4	100	1 679
Total	42	16	18	6	2	8	3	1	1	3	100	16 252
31 December 2013												
Government interest-bearing investments	85	1	–	7	–	–	–	2	5	–	100	556
Corporate interest-bearing investments	12	21	24	9	4	11	3	2	9	5	100	9 157
Mortgages, policy and other loans	–	–	–	6	–	7	20	5	48	14	100	616
Cash, deposits and similar securities	48	7	5	1	–	8	–	–	24	7	100	3 092
Net working capital	252	64	2	–	8	–	3	2	(152)	(79)	100	1 055
Total	39	19	17	7	3	9	3	2	2	(1)	100	14 476

** Rated externally or by using internationally recognised credit rating techniques.*

[1] The not-rated government interest-bearing investments relate mainly to not-rated government paper held by some of the Group's life businesses outside of South Africa in their local markets.

Interest-rate swaps are included in mortgage, policy and other loans. The majority of the counterparties to these agreements are institutions with at least an AA-rating. The Group's short-term positions are included in the above table under the counterparties' long-term rating where Sanlam has both a long-term and short-term exposure to the entities.

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, as there are no financial guarantees provided to parties outside the Group, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Reinsurance credit risk

Sanlam makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

3. Liquidity risk

Life insurance businesses exposed to risk via:	Liquidity risk	Note
Policyholder solutions		3.5
Linked and market-related	✓	3.4
Smoothed-bonus business:		
Stable bonus	✓	3.1
Reversionary bonus	✓	3.1
Participating annuities	✓	3.4
Non-participating annuities	✓	3.2
Other non-participating liabilities		
Guarantee plans	✓	3.3
Other	✓	3.4
Capital portfolio	×	3.6

✓ *Risk applicable to item*
× *Risk not applicable to item*

3.1 These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

3.2 The liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely aligned.

3.3 Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.

3.4 Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows.

3.5 The following table summarises the overall maturity profile of the policyholder business:

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
31 December 2014					
Insurance contracts	**7 011**	**28 376**	**70 164**	**81 075**	**186 626**
Investment contracts	**4 255**	**36 847**	**81 718**	**134 226**	**257 046**
Total policy liabilities	**11 266**	**65 223**	**151 882**	**215 301**	**443 672**
Properties	**—**	**—**	**—**	**8 933**	**8 933**
Equities and similar securities	**—**	**—**	**415**	**86 355**	**86 770**
Government interest-bearing investments	**964**	**4 827**	**57 925**	**—**	**63 716**
Corporate interest-bearing investments	**11 330**	**26 106**	**11 592**	**2 842**	**51 870**
Mortgages, policy and other loans	**293**	**1 557**	**1 604**	**1 279**	**4 733**
Structured transactions	**2 453**	**3 733**	**2 020**	**1 884**	**10 090**
Investment funds	**—**	**—**	**—**	**205 532**	**205 532**
Cash, deposits and similar securities	**8 756**	**4 135**	**363**	**—**	**13 254**
Deferred acquisition costs	**—**	**—**	**—**	**582**	**582**
Long-term reinsurance assets	**70**	**156**	**692**	**22**	**940**
Term finance	**—**	**—**	**(461)**	**—**	**(461)**
Structured transactions liabilities	**(285)**	**(142)**	**(337)**	**—**	**(764)**
External investors in consolidated funds	**—**	**—**	**—**	**(2 594)**	**(2 594)**
Net working capital	**1 055**	**12**	**4**	**—**	**1 071**
Total policyholder assets	**24 636**	**40 384**	**73 817**	**304 835**	**443 672**
31 December 2013					
Insurance contracts	5 422	24 883	61 702	66 568	158 575
Investment contracts	3 821	30 853	75 486	113 574	223 734
Total policy liabilities	9 243	55 736	137 188	180 142	382 309
Properties	—	—	—	8 280	8 280
Equities and similar securities	—	—	538	79 234	79 772
Government interest-bearing investments	380	4 161	47 935	41	52 517
Corporate interest-bearing investments	6 789	18 743	10 842	2 429	38 803
Mortgages, policy and other loans	186	1 522	1 346	1	3 055
Structured transactions	4 453	4 775	1 003	81	10 312
Investment funds	94	845	64	179 115	180 118
Cash, deposits and similar securities	8 252	2 289	279	2	10 822
Deferred acquisition costs	—	—	—	156	156
Long-term reinsurance assets	18	157	614	6	795
Term finance	—	—	(571)	—	(571)
Structured transactions liabilities	(467)	(126)	(351)	(93)	(1 037)
External investors in consolidated funds	—	—	—	(1 841)	(1 841)
Net working capital	1 690	2	—	(564)	1 128
Total policyholder assets	21 395	32 368	61 699	266 847	382 309

3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk. The publicly issued unsecured bonds issued by Sanlam Life are managed on a corporate level (refer to page 263 for more information).

4. Insurance risk

Life insurance businesses exposed to risk via:	Insurance risk: Persistency	Insurance risk: Other insurance risks
Policyholder solutions		
Linked and market related	✓	✓
Smoothed-bonus business:		
Stable bonus	✓	✓
Reversionary bonus	✓	✓
Participating annuities	✓	✓
Non-participating annuities	×	✓
Other non-participating liabilities		
Guarantee plans	✓	✓
Other	✓	✓
Capital portfolio	×	×

✓ *Risk applicable to item*
× *Risk not applicable to item*

Insurance risk arises primarily from the writing of non-participating annuity and other non-participating life business, as these products expose the Group to risk if actual experience relating to expenses, mortality, longevity, disability and medical (morbidity) differs from that which is assumed. The Group is, however, also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of universal life solutions.

Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timeously identified and corrective action taken. The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses, surrenders and paid-up policies.

Other insurance risk

Underwriting risk

The Group manages underwriting risk through:

- Its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for sub-standard risks;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

Quarterly actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

- All long term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business's governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;
- Specific testing for HIV/Aids is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/Aids;
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Appropriate income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of sub-standard risks;
- The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first five to 15 years;
- Risk profits are determined on a regular basis; and
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary.

Expense risk

Expenses are managed through the Group's budgeting process and continuous monitoring of actual versus budgeted expenses is conducted and reported on.

Concentration risk

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle income market and high net worth clients.

The tables below provide an analysis of the exposure to the value of benefits insured in respect of non-participating life business as well as the annuity payable per policy in respect of non-participating annuities for the Group's operations.

Non-participating annuity payable per annum per life insured

R'000	Number of lives 2014	Number of lives 2013	Before reinsurance 2014 %	Before reinsurance 2013 %	After reinsurance 2014 %	After reinsurance 2013 %
0 – 20	**216 630**	215 488	**33**	37	**33**	37
20 – 40	**21 182**	19 996	**16**	17	**16**	17
40 – 60	**7 613**	6 728	**10**	10	**10**	10
60 – 80	**4 245**	3 568	**8**	9	**8**	9
80 – 100	**2 633**	2 109	**8**	8	**8**	8
>100	**7 546**	5 032	**25**	19	**25**	19
	259 849	252 921	**100**	100	**100**	100

Value of benefits insured: non-participating life business

Benefits insured per individual life R'000	Number of lives 2014	Number of lives 2013*	Before reinsurance 2014 %	Before reinsurance 2013* %	After reinsurance 2014 %	After reinsurance 2013* %
0 – 500	**8 156 168**	7 734 976	**26**	26	**31**	31
500 – 1 000	**278 603**	262 616	**17**	17	**17**	17
1 000 – 5 000	**300 789**	268 089	**40**	38	**39**	38
5 000 – 8 000	**12 292**	10 504	**7**	8	**6**	6
>8 000	**8 596**	7 192	**10**	11	**7**	8
	8 756 448	8 283 377	**100**	100	**100**	100

** Comparative information has been restated to reflect the correct number of lives insured.*

The tables indicate that the Group's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

The geographical exposure of the Group's life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

	2014 R million	2014 %	2013 R million	2013 %
South Africa	**362 424**	**82**	320 290	84
Africa	**28 416**	**6**	26 127	7
Other International	**52 832**	**12**	35 892	9
Total policy liabilities	**443 672**	**100**	382 309	100

Credit and structuring

1. Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL) and to the retail credit and structuring businesses in the Sanlam Emerging Markets (SEM) cluster.

Sanlam Personal Loans

The balance of loans advanced by SPL to clients at 31 December 2014 is shown below:

R million	2014	2013
Gross balance	3 984	3 608
Provisions	(248)	(214)
Net balance	3 736	3 394

The main risk emanating from the retail credit operations is credit risk. The Group's maximum exposure to credit risk comprises the following:

- As SPL is a joint venture that has been equity accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of the investment, which is disclosed in note 7 on page 297.
- The Group Treasury function has also provided financing to SPL as indicated above. This exposure is managed by the Capital Management operations.

Credit risk consists of credit standing and default risk. It is the Company's policy to subject its potential customers to credit rating procedures. In addition, balances of advances are monitored on an ongoing basis. Collections strategies are in place to mitigate credit risk and all accounts in arrear are given due priority.

Sanlam Emerging Markets

Retail credit and structuring profits are a significant part of Sanlam Emerging Markets' (SEM) operating earnings. The majority of the Group's exposure to retail credit is made up of an investment in Shriram Capital Limited (which has indirect holdings in Shriram Transport Finance Company and Shriram City Union Finance) and a direct holding in Shriram Transport Finance Company. The carrying value of these investments on the Group Statement of Financial Position is R5 648 million (2013: R4 597 million), of which approximately 76% (2013: 87%) is attributed to credit business and the majority of the remainder to general insurance business. Other significant retail credit and structuring investments include Letshego that is owned by Botswana Insurance Holdings Limited (carrying value of R1 523 million (2013: R1 376 million)) and Capricorn Investment Holdings Limited (which has a stake in Bank Windhoek Holdings Limited and a carrying value of R844 million (2013: R780 million)) in Namibia.

The main risk emanating from the retail credit and structuring operations is credit risk. These investments have been equity accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure to credit risk in these investments is limited to the value of SEM's investment in these businesses.

SEM's credit risk management process entails the monitoring of key drivers in each of the significant retail credit or structuring businesses, including an analysis of trends. Risk parameters have been set for each of these key drivers and performance against these targets is monitored and reported to the SEM Audit, Actuarial and Risk committee on a quarterly basis. SEM benefits from the diversification provided by the geographic spread of its operations (throughout Africa and in India), types of credit provided (secured and unsecured lending) and range of market segments targeted. This inherently reduces the overall level of credit risk exposure.

2. Capital markets

Sanlam Capital Markets (SCM) is the largest division in the Sanlam Investments: Capital Management (SICM) sub-cluster. Other businesses within the cluster are Sanlam Private Equity (SPE), Sanlam Credit Conduit (SCC) and Sanlam Group Treasury (SGT). SCM also has a stake in the Sanlam Africa Floating Rate Credit Fund (SAFRCF).

Within SICM, the Asset Liability and Risk Management committee (ALaRMCO) is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from proprietary positions are within the approved risk parameters. Where possible, risk measurements are calculated through the application of various statistical techniques, including value at risk (VaR), and are measured against pre-approved exposure limits. These risk measurements are supplemented with stress testing and scenario analysis. While VaR models are relatively sophisticated, the quantitative market risk information generated is limited by the assumptions and parameters established when creating the related models. Sanlam believes that statistical models alone do not provide a reliable method of monitoring and controlling market risk. Therefore, such models are tools and inputs in the decision-making process, but do not substitute for the experience or judgement of senior management.

If no market data is available for a specific business or investment, the risk management is qualitative by nature. The exposure and riskiness of such types of investments are typically managed by monitoring covenants and by taking the appropriate actions as agreed with the counterparty initially.

Business-wide risk levels are reported to senior management, while desk risk levels are reported to the relevant managers and operators. Limit breaches are escalated for approval in terms of an approval framework. The risk information is summarised, reported to, and discussed by the ALaRMCO at two-weekly meetings.

The mandates for existing businesses are reviewed and submitted for ALaRMCO approval and Risk committee notification on at least an annual basis or more frequently if it was changed through the course of a financial year.

An initial mandate development process is undertaken for each new business ventured into by SICM. Based on the business mandates, quantifiable risks are measured and reported on a daily basis. Any new type of business or product is subjected to a comprehensive review process before initiation to ensure that all of the risks associated with new businesses or products have been identified and can be appropriately managed.

SICM is also exposed to credit risk in respect of its working capital assets and loans extended as part of its debt finance, property finance and equity structuring activities. Collateral is placed or received for transactions entered into by SICM, including (but not limited to) securities lending and derivative exposures.

1. Market risk

SICM uses VaR to calculate market risk capital for listed instruments. VaR measures the maximum loss over a given horizon with a specified level of confidence. VaR is computed as follows:

- At a 99,5% confidence level (to be consistent with Sanlam's risk appetite relating to SICM's business);
- Over a 10-day holding period (which takes account of market liquidity risk in the VaR calculation through setting the liquidity period at 10 days);
- Multiplied by a factor of 3 (to allow for uncertainty in estimating VaR at high confidence levels); and
- VaR is calculated on a diversified basis for SICM as a whole and takes the diversification among portfolios into account.

Equity risk

For listed equity price stress tests are performed on the SICM portfolios. The scenarios used in the stress tests incorporate a combination of equity price movements of between -30% and +20%. In the equity price stress test results, the maximum loss is R120 million (2013: R45 million).

	Maximum net loss (R million)	
Incremental change in price	**31 Dec 2014**	31 Dec 2013
-5% to 5%	**15**	6
-10% to 10%	**32**	12
-15% to 15%	**50**	17
-30% to 20%	**120**	45

Interest rate risk

Various interest rate stress tests are performed on the SICM portfolios. The relative parallel interest rate stress test calculates the market exposure based on interest rate movements of between +50% and -20%, all else being equal.

The market exposure that was calculated at 31 December for these tests was as follows:

	Maximum net loss (R million)	
Incremental change in yield	**31 Dec 2014**	31 Dec 2013
-10% to 10%	**1**	4
-20% to 20%	**1**	7
-20% to 50%	**1**	12

2. Credit risk

For credit risk capital, SICM utilises the concept of unexpected losses. Based on historical default data, expected losses are computed on a portfolio of credits. Economic principles dictate that a provision should be created for expected losses, although this is not the approach taken from an accounting perspective. An unexpected loss, on the other hand, is the maximum amount over and above the expected loss that SICM could incur over the particular time horizon with a certain level of confidence. In SICM's economic capital model, an unexpected loss over a one-year time horizon at a 99,5% confidence is used to compute the credit risk capital. This is consistent with the one-year 99,5% VaR used for market risk capital, although market risk capital is computed over a 10-day liquidation period.

At the end of the financial year, SICM's maximum unexpected loss (credit risk capital) was R319 million (2013: R320 million) based on a 21-day average of the daily economic capital amounts.

Credit spread stress tests are calculated for all instruments sensitive to credit spread changes. The profit or loss from changes in credit spreads on both the assets and funding are calculated in these stress tests. The stress test results are determined as follows:

- The credit ratings for credit assets and funding are deteriorated by 1, 2 and 3 rating notches;
- The impact of these deteriorations on credit spreads are determined with reference to a pre-defined credit spread matrix;
- The changed credit spreads are used to revalue credit assets and funding; and
- The resultant net changes in the valuations of credit assets and funding are seen as the test results.

The table below shows the possible effect of a 1, 2 and 3 notch deterioration in credit rating. The total impact on the valuation of the assets is slightly offset by the impact on the valuation of the funding that is used to acquire the positions in the market.

	31 Dec 2014 SICM	31 Dec 2013* SICM
Stress results 1 (1 notch)	**(148)**	(140)
Stress results 2 (2 notch)	**(305)**	(302)
Stress results 3 (3 notch)	**(474)**	(489)

** The 2013 stress result was restated to be on the same basis as 2014 (previously only SCM was reported, now all businesses in SICM are included).*

Maximum exposure to credit risk
SICM's maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, as there are no financial guarantees provided to parties outside the Group that is expected to result in an outflow of resources, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

Credit risk exposures are reported on a netted basis, therefore after taking collateral and netting agreements into account. Appropriate haircuts to collateral and add-ons to exposures are implemented in line with the formulated Credit Exposure Quantification policy. Credit risk exposures are mitigated through several measures, including physical collateral (e.g. mortgage bonds) considered on a case-by-case basis, the use of netting agreements; or guarantees issued by third parties.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.

Concentration risk
Management determines concentrations by counterparty, with reference to the proportion of total credit risk capital held in respect of that counterparty compared to the overall credit risk capital of the entire portfolio. The 10 largest contributors to credit risk capital make up 41% (2013: 44%) of total credit risk capital, but only 17% (2013: 18%) of the total exposure. SICM is therefore not exposed to significant concentration risk.

3. Liquidity risk
The maximum available facilities of R9,5 billion (net of qualifying collateral and certain other intergroup utilisation) exceed the amount utilised of R7,4 billion (2013: R7,7 billion), indicating available unutilised funding sources. In order to keep commitment fees within the Sanlam Group, facilities are negotiated with Sanlam at market-related terms, before external facilities are sought.

Committed facilities granted by SICM were R584 million (2013: R292 million). A significant portion of trading account assets and liabilities is due within one year.

General insurance
1. Santam
Santam has developed an internal model to analyse the quantifiable risks. The model covers the following risk categories:
- Market risk;
- Insurance risk;
- Reinsurance risk;
- Credit risk; and
- Operational risk.

The model is also used to aggregate the individual risk modules into a single economic capital requirement amount.

A number of risks faced by Santam are not modelled in the internal model, namely: strategic, liquidity, reputational, political, regulatory, legal and outsourcing risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks.

Santam has formulated a risk appetite policy which aims to quantify the amount of capital the business is willing to put at risk in the pursuit of value creation. It is within this risk appetite framework that Santam has selected its asset allocation and reinsurance programmes which are among the most important determinants of risk and hence capital requirements within the organisation. The internal model allows for the measurement of Santam's expected performance relative to the risk appetite assessment criteria agreed to by Santam's board.

Market risk

Market risk arises from the level or volatility of the market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, equity prices and exchange rates.

Santam uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal capital model to inform Santam's decision-making and planning process and also for identification and management of risks within the business units. Each of the major components of market risk faced by Santam is described in more detail below.

Price risk

Santam is subject to price risk due to daily changes in the market values of its equity and debt securities portfolios. Santam is not exposed to commodity price risk.

Equity price risk arises from the negative effect that a fall in the market value of equities can have on Santam's net asset value. Santam's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. Santam sets appropriate risk limits to ensure that no significant concentrations in individual companies arise. A long term view is taken when agreeing investment mandates with the relevant portfolio managers and Santam looks to build value over a sustained period of time rather than utilising high level of purchase and sales in order to generate short term gains from its equity holdings.

Santam makes use of derivative products as appropriate to manage equity exposure and to protect the portfolio from losses outside of its risk appetite.

Interest rate risk

Interest rate risk arises from the net effect on its assets and liabilities to a change in the level of interest rates. The market value of bonds and other fixed-interest-bearing financial instruments are dependent on the level of interest rates. This includes movements in fixed income prices reflecting changes in expectations of credit losses, changes in investor risk aversion, or price changes caused by market liquidity. The income received from floating-rate interest-bearing financial instruments is also affected by changes in interest rates.

An assumption is made that the assets backing the subordinated debt portfolio are not subject to interest rate risk as the liabilities are suitably hedged, i.e. the market value of the subordinated debt and the market value of the assets backing the debt react the same way to changes in interest rates.

Exposure to interest rate risk is monitored through several measures that include scenario testing and stress testing using measures such as duration.

Interest rate risk is also managed using derivative instruments, such as swaps, to provide a degree of hedging against unfavourable market movements in interest rates. At 31 December 2014, Santam had an interest rate swap agreement to partially mitigate the effects of potential adverse interest rate movements on financial assets underlying the unsecured subordinated callable notes. The interest rate swaps have the effect of swapping a variable interest rate for a fixed interest rate on these assets to eliminate interest rate risk on assets supporting the bond liability.

General insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that Santam will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African rand. Santam's primary foreign currency exposures are to the pound sterling, euro and the US dollar.

Santam incurs exposure to currency risk in two ways:

- Operational currency risk – by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies); and
- Structural currency risk – by mainly investing in Sanlam Emerging Market (SEM) target shares.

These risks affect both the value of Santam's assets as well as the cost of claims, particularly for imported motor parts. The fair value of the investments in the SEM target shares is impacted by changes in the foreign exchange rates of the underlying operations. Santam is also pursuing international diversification in underwriting operations through the business written by Santam Re and the underwriting managers.

Santam does not take cover on foreign currency balances, but evaluates the need for cover on transactions on a case-by-case basis.

Derivatives risk

Santam uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and equity prices. Santam does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. There is a policy on the use of derivatives that is approved by the Santam Investment committee and the board, which governs the use of derivative financial instruments.

Over-the-counter derivative contracts are entered into only with approved counterparties, in accordance with Santam policies, effectively reducing the risk of credit loss. Santam applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

Credit risk

Santam is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where Santam is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations;
- Reinsurer default on presentation of a large claim;
- Reinsurers default on their share of Santam's insurance liabilities; and
- Default on amounts due from insurance contract intermediaries.

Santam continuously monitors its exposure to its counterparties for financial statement as well as regulatory reporting purposes. It has therefore established a number of criteria in its risk appetite statement to monitor concentration risk and provide feedback to management and the risk committee on at least a quarterly basis.

Santam determines the credit quality for each of its counterparties by reference to the probability of default on the basis of assessments made by the rating agency over a one-year time horizon and the resulting loss given default. The underlying default probabilities are based on the credit migration models developed by Standard & Poor's, Fitch and Moody's which incorporate up to ninety years' worth of credit default information.

For default risk Santam uses a model which is largely based on Basel II regulations.

Credit risk capital is held for the following types of exposures:

- Risk-based assets such as bonds and bank deposits;
- Outstanding premiums due from intermediaries and reinsurance receivables due from reinsurers;
- Reinsurance claims provisions; and
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model.

For concentration risk Santam uses the proposed Solvency Assessment and Management (SAM) methodology. The calculation is performed in four steps:

- Determine the exposure by counterparty;
- Calculate the excess exposure above a specified threshold level;
- Apply a charge to this excess exposure; and
- Aggregate the individual charges to obtain an overall capital requirement for concentration risk.

Santam is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries. Debtors falling into the 'Not rated' category are managed by the internal credit control department on a daily basis to ensure recoverability of amounts.

Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments. The financial instruments, except for amounts owed by reinsurers and Santam's exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam's internal risk appetite framework no more than 15% of total portfolio assets may be invested in any one of the four major South African banks.

Accounts receivable is spread over a number of major companies and intermediary parties, clients and geographic areas. Santam assesses concentration risk for debt securities, money market instruments and cash collectively. Santam does not have concentrations in these instruments to any one company exceeding 15% of total debt securities, money market instruments or cash, except for 16,9% of debt securities, money market instruments and cash with Standard Bank Limited (2013: 19,2% ABSA Bank Limited).

Santam uses a large panel of secure reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their financial strength as part of the renewal process. Santam's largest reinsurance counterparty is Allianz (2013: Lloyds). The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

In the event that claims incurred by the cell captive exceed the related assets, the Group will be exposed to the credit risk of the related cell owners until the solvency requirements of the cell captives have been met by the cell owner. Cell owners' credit risk is evaluated before new cell arrangements are established. Solvency levels of cells are assessed on a regular basis.

The following table provides information regarding the aggregated credit risk exposure for financial and insurance assets. The 2014 credit ratings provided in these tables were determined as follows: Sanlam Investment Management (SIM) provided management with reports generated from their credit system on a quarterly basis, detailing all counterparty, duration and credit risk. These reports include international, national and internal ratings. A Fitch international equivalence table is then applied to standardise the ratings. The Fitch international equivalence table was not applied to comparative information. In 2013 international ratings were used where available, otherwise national or internal ratings were applied.

	Credit rating											Carrying value in statement of financial position
R million	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB-	B	Not rated	
31 December 2014												
Debt securities – quoted	–	–	–	–	1 361	1 195	367	275	38	–	372	3 608
Debt securities – unquoted	–	–	–	–	1 638	2 424	29	92	41	–	5	4 229
Short-term money market instruments	–	–	–	–	809	665	223	10	67	–	118	1 892
Receivables due from contract holders/intermediaries	–	–	13	38	36	8	20	–	–	–	2 122	2 237
Reinsurance receivables	–	–	1	32	–	10	17	–	–	–	102	162
Other loans and receivables	–	–	–	22	37	47	11	21	2	–	330	470
Cell owners' interest	–	–	–	–	–	–	–	–	–	–	9	9
Cash and cash equivalents	207	251	163	329	511	959	–	5	–	2	134	2 561
Total	207	251	177	421	4 392	5 308	667	403	148	2	3 192	15 168

	Credit rating									Carrying value in statement of financial position
R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	
31 December 2013										
Debt securities – quoted	307	122	146	180	79	288	399	1 818	370	3 709
Debt securities – unquoted	–	528	627	139	32	60	401	1 520	290	3 597
Receivables due from contract holders/intermediaries	–	–	–	–	3	28	33	8	1 808	1 880
Reinsurance receivables	–	11	–	224	3	2	97	–	80	417
Other loans and receivables	20	29	2	4	23	2	10	45	252	387
Cash and other short-term interest-bearing instruments	113	366	309	557	378	15	1 018	870	141	3 767
Total	440	1 056	1 084	1 104	518	395	1 958	4 261	2 941	13 757

The carrying amount of assets included in the statement of financial position represents the maximum credit exposure.

There are no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Insurance risk

Santam issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way Santam manages them.

Terms and conditions of insurance contracts:

Engineering – Provides cover for risks relating to:

- The possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- The erection of buildings or other structures or the undertaking of other works; and
- The installation of machinery or equipment.

Guarantee – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

Liability – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services, and is linked directly to the expenditure in respect of health services.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk, to provide entities with risk coverage or protection.

Insurance risk in Santam arises from fluctuations in the timing, frequency and severity of insured events. Insurance risk also includes the risk that premium provisions turn out to be insufficient to compensate claims as well as the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the insurance risk.

In order to quantify the insurance risk faced by Santam, a stochastic simulation of Santam's claims is performed at a line of business level within Santam's internal model. Assumptions for each line of business are determined based on more than 10 years' worth of historic data. The expected claims liabilities are modelled for specific lines of business, which are then split into the appropriate sub-classes. For each sub-class of business, three types of losses are modelled, namely: attritional losses, individual large losses and catastrophe losses. Each of the sub-classes is modelled based on its own assumptions whose methodology and calibration are thoroughly documented in the internal model documentation.

The attritional losses are modelled as a percentage of the premium. The large losses are modelled by fitting separate distributions to the claims frequency and the claim severity.

Santam also models various catastrophes and the losses from each catastrophe are allocated to multiple classes of business. The following catastrophes are modelled: Earthquake, Storm (small), Storm (large), Hail (excluding crop damage), Marine (cargo), Aviation (hull/liability), Conflagration (property), Conflagration (liability), Utility Failure, Latent Liability and Economic Downturn.

The net claims ratio for Santam, which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	2014	2013	2012	2011	2010	2009	2008
Claims paid and provided %*	**63,1**	69,3	68,3	64,2	64,1	70,6	68,4

** Expressed as a percentage of net earned premiums.*

Pricing for Santam's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the businesses' principal cost, Santam also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital.

Underwriting limits are set for business units, underwriting managers and intermediaries to ensure that this policy is consistently applied. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Santam has the right to reprice and change the conditions for accepting risks on renewal.

Expenses are monitored by each business unit based on an approved budget and business plan.

The underwriting strategy aims to ensure that the risks underwritten are well diversified in terms of type and amount of risk, size and geography. The Santam group has a sufficiently diversified portfolio based on insurance classes. Santam is currently focusing on obtaining international geographical diversification through the business written by Santam Re and the Santam Specialist business.

Insurance risk is further mitigated by ensuring that reserve and reinsurance risk is adequately managed.

Claims development tables

The presentation of the claims development tables for Santam is based on the actual date of the event that caused the claim (accident year basis). The claims development tables, represent the development of actual claims paid.

Payment development

General insurance claims – gross

		Claims paid in respect of (i.e. accident year)							
Reporting year	Total R million	**2014 R million**	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 and prior R million
Actual claims costs:									
– 2014	13 556	**9 031**	3 578	493	173	188	64	14	15
– 2013	13 148	**–**	9 152	3 411	250	154	106	47	28
– 2012	11 340	**–**	–	8 176	2 366	370	171	158	99
– 2011	10 327	**–**	–	–	7 767	2 141	247	52	120
– 2010	9 999	**–**	–	–	–	7 144	2 236	411	208
– 2009	10 016	**–**	–	–	–	–	7 702	1 959	355
– 2008	8 996	**–**	–	–	–	–	–	7 181	1 815
– 2007	7 971	**–**	–	–	–	–	–	–	7 971
Cumulative payments to date	85 353	**9 031**	12 730	12 080	10 556	9 997	10 526	9 822	10 611

General insurance claims – net

		Claims paid in respect of (i.e. accident year)							
Reporting year	Total R million	**2014 R million**	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 and prior R million
Actual claims costs:									
– 2014	11 040	**7 927**	2 489	323	131	108	50	7	5
– 2013	11 335	**–**	8 423	2 493	168	127	79	35	10
– 2012	9 904	**–**	–	7 616	1 743	250	116	137	42
– 2011	8 989	**–**	–	–	7 082	1 673	148	39	47
– 2010	8 710	**–**	–	–	–	6 401	1 816	323	170
– 2009	8 805	**–**	–	–	–	–	6 928	1 651	226
– 2008	7 727	**–**	–	–	–	–	–	6 172	1 555
– 2007	6 672	**–**	–	–	–	–	–	–	6 672
Cumulative payments to date	73 181	**7 927**	10 912	10 432	9 124	8 559	9 137	8 364	8 726

Reporting development

General insurance claims provision – gross

Reporting year	Total R million	2014 R million	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 and prior R million
		Financial year during which claim occurred (i.e. accident year)							
	Provision raised:								
– 2014	6 240	4 069	844	410	206	257	212	106	136
– 2013	5 523	–	3 267	788	376	462	195	175	260
– 2012	4 948	–	–	3 133	599	434	304	213	265
– 2011	4 192	–	–	–	2 448	652	333	303	456
– 2010	3 777	–	–	–	–	2 325	556	312	584
– 2009	4 288	–	–	–	–	–	2 617	712	959
– 2008	4 075	–	–	–	–	–	–	2 579	1 496
– 2007	3 774	–	–	–	–	–	–	–	3 774
	36 817	4 069	4 111	4 331	3 629	4 130	4 217	4 400	7 930

General insurance claims provision – net

Reporting year	Total R million	2014 R million	2013 R million	2012 R million	2011 R million	2010 R million	2009 R million	2008 R million	2007 and prior R million
		Financial year during which claim occurred (i.e. accident year)							
	Provision raised:								
– 2014	3 968	2 337	448	325	239	221	191	87	120
– 2013	4 207	–	2 459	568	331	298	172	146	233
– 2012	3 971	–	–	2 550	466	326	241	162	226
– 2011	3 273	–	–	–	1 919	509	260	220	365
– 2010	2 896	–	–	–	–	1 813	402	228	453
– 2009	2 952	–	–	–	–	–	1 861	435	656
– 2008	2 699	–	–	–	–	–	–	1 805	894
– 2007	2 444	–	–	–	–	–	–	–	2 444
	26 410	2 337	2 907	3 443	2 955	3 167	3 127	3 083	5 391

Reserving

Reserve risk relates to the risk that the claim provisions held for both reported and unreported claims as well as their associated expenses may prove insufficient.

Santam currently calculates its technical reserves on two different methodologies, namely the 'percentile approach' and the 'cost-of-capital approach'. The 'percentile approach' is used to evaluate the adequacy of technical reserves for financial reporting purposes, while the 'cost-of-capital approach' is used for regulatory reporting purposes.

Percentile approach

Under this methodology, reserves are held at the 75th percentile of the ultimate loss distribution.

The first step in the process is to calculate a best-estimate reserve. Being a best-estimate, there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than this calculated value.

The next step is to determine a risk margin. The risk margin is calculated such that there is now a 75% probability that the reserves will be sufficient to cover future claims.

Cost-of-capital approach

The cost-of-capital approach to reserving is aimed at determining a market value for the liabilities on the balance sheet. This is accomplished by calculating the cost of transferring the liabilities, including their associated expenses, to an independent third party.

The cost of transferring the liabilities off the balance sheet involves calculating a best-estimate of the expected future cost of claims, including all related run-off expenses, as well as a margin for the cost of capital that the independent third-party would need to hold to back the future claims payments.

Two key differences between the percentile and cost-of-capital approaches are that under the cost-of-capital approach, reserves must be discounted using a term-dependent interest-rate structure and that an allowance must be made for unallocated loss adjustment expenses.

The cost-of-capital approach will result in different levels of sufficiency per class underwritten so as to capture the differing levels of risk inherent within the different classes. This is in line with the principles of risk-based solvency measurement.

Reinsurance

Santam obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or capital. Santam has an extensive reinsurance programme that has developed over a number of years to suit the risk management needs of the business.

An internal model is used to evaluate the type and quantum of reinsurance to purchase within Santam's risk appetite framework. The reinsurance programme is placed on the local and international reinsurance markets. Reinsurance arrangements in place include proportional, excess of loss, stop loss and catastrophe coverage.

The core components of the reinsurance programme comprise:

- Individual excess-of-loss cover for property, liability and engineering risks, which provides protection to limit losses to the range of R25 million to R50 million per risk, excluding reinstatement premiums due as a result of the claim against the cover; and
- Catastrophe cover to the extent of 1,3% of the total exposure of the significant geographical areas, amounting to protection of up to R6,8 billion (2013: R7,5 billion) per event in excess of an attachment point of R100 million. At the same time catastrophe protection for an aggregate of losses from events above R50 million where such losses exceed R100 million was put in place in 2013 and renewed in 2014. The cover is for an amount of R100 million in excess of a R100 million aggregate deductible.

Santam has implemented arrangements to support growth in territories outside South Africa, in situations where this is dependent on Santam's S&P international rating scale rating. In terms of these arrangements, Santam has facilitated the use of an international insurer's AA-rated licence for such business, if required. As part of the arrangement with the international insurer, Santam entered into an alternative risk transfer quota share agreement effective from 1 January 2014. The agreement will generate dollar-denominated collateral to support Santam's use of the international insurer's AA-rated licence. The agreement also reduces Santam's net catastrophe exposure.

The Santam board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance program is placed with external reinsurers that have an international credit rating of no less than A- from Standard and Poor's or AM Best.

Liquidity risk

Santam manages the liquidity requirements by matching the duration of the assets invested to the corresponding liabilities. The net insurance liabilities are covered by investments with limited capital risk (i.e. cash and interest-bearing instruments) while Santam's subordinated debt obligation is covered by matching cash and interest-bearing instruments (including interest rate swaps).

The cash mandates include market risk limitations (average duration and maximum duration per instrument) to ensure adequate availability of liquid funds to meet Santam's payment obligations.

Santam's shareholders funds are invested in a combination of interest-bearing instruments, preference shares, listed equities and unlisted investments. The listed equity portfolio is a well-diversified portfolio with highly liquid shares.

2. Sanlam Emerging Markets

Sanlam Emerging Market's (SEM) exposure to general insurance business includes an investment in Shriram General Insurance (through the holding in Shriram Capital Limited) in India and a holding in Pacific & Orient (carrying value of R1 005 million (2013: R968 million)) in Malaysia. In addition to these investments SEM holds smaller stakes in various other general insurance businesses across Africa.

The main risk emanating from the general insurance operations is insurance risk. This risk is managed through reinsurance, close monitoring of claims and sound underwriting practices.

The general insurance investments have been equity accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure is limited to the value of the investment in these businesses.

Corporate

The Corporate Cluster is responsible for areas of financial risk management that are not allocated to individual businesses.

1. Liquidity risk

Term finance liabilities in respect of margin business are matched by appropriate assets with the same maturity profile. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities. The Group has significant liquid resources and substantial unutilised banking facilities to cover any mismatch position.

The maturity profile of term finance liabilities in respect of the margin business and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2014					
Term finance liabilities					
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in the annual financial statements)	(434)	(1 401)	–	–	(1 835)
Assets held in respect of term finance	773	577	–	485	1 835
Equities and similar securities	–	–	–	485	485
Corporate interest-bearing investments	776	573	–	–	1 349
Structured transactions	–	1	–	–	1
Cash, deposits and similar securities	2	3	–	–	5
Working capital assets and liabilities	(5)	–	–	–	(5)
Net term finance liquidity position	339	(824)	–	485	–

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2013					
Term finance liabilities					
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in the annual financial statements)	(642)	(1 396)	—	—	(2 038)
Assets held in respect of term finance	1 497	66	—	475	2 038
Equities and similar securities	—	—	—	475	475
Corporate interest-bearing investments	1 472	2	—	—	1 474
Cash, deposits and similar securities	3	—	—	—	3
Working capital assets and liabilities	22	64	—	—	86
Net term finance liquidity position	855	(1 330)	—	475	—

The unsecured subordinated bonds issued by Sanlam Life, which are matched by appropriate assets with similar maturity profiles, are also managed by the Corporate Cluster. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities.

The maturity profile of the term finance liabilities in respect of the unsecured subordinated bonds and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2014					
Term finance liabilities					
Interest-bearing liabilities	**—**	**—**	**(2 007)**	**—**	**(2 007)**
Assets held in respect of term finance	**185**	**992**	**537**	**293**	**2 007**
Government interest-bearing investments	**14**	**12**	**33**	**—**	**59**
Corporate interest-bearing investments	**172**	**792**	**493**	**—**	**1 457**
Mortgages, policy and other loans	**—**	**49**	**11**	**—**	**60**
Structured transactions	**24**	**139**	**—**	**—**	**163**
Investment funds	**—**	**—**	**—**	**293**	**293**
Cash, deposits and similar securities	**34**	**—**	**—**	**—**	**34**
Working capital assets and liabilities	**(59)**	**—**	**—**	**—**	**(59)**
Net term finance liquidity position	**185**	**992**	**(1 470)**	**293**	**—**
31 December 2013					
Term finance liabilities					
Interest-bearing liabilities	—	—	(2 026)	—	(2 026)
Assets held in respect of term finance	47	1 289	446	244	2 026
Government interest-bearing investments	—	320	11	—	331
Corporate interest-bearing investments	15	774	424	—	1 213
Mortgages, policy and other loans	—	53	11	—	64
Structured transactions	33	140	—	—	173
Investment funds	—	—	—	244	244
Cash, deposits and similar securities	56	2	—	—	58
Working capital assets and liabilities	(57)	—	—	—	(57)
Net term finance liquidity position	47	1 289	(1 580)	244	—

2. Sensitivity analysis – market risk

Refer to page 121 for an analysis of the Group's exposure to market risk as measured by GEV.

Basis of presentation and accounting policies

Basis of presentation

Introduction

The consolidated financial statements are prepared on the historical-cost basis, unless indicated otherwise, in accordance with International Financial Reporting Standards (IFRS), and the requirements of the Companies Act, No. 71 of 2008 (as amended), in South Africa. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated. The following new or revised IFRS and interpretations are applied in the Group's 2014 financial year:

- Amendment to IAS 32 – Clarification of the instances in which the set off of financial assets and liabilities is allowed
- Amendment to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets.

The application of these revised standards did not have a material impact on the Group's financial position, reported results and cash flows.

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

- IFRS 9 – *Financial Instruments* (effective 1 January 2018)
- IFRS 15 – *Revenue from Contracts with Customers* (effective 1 January 2017)

The application of these revised standards and interpretations in future financial reporting periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows.

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

The following sections provide additional information in respect of the presentation of selected items in the Group financial statements on pages 284 to 351.

Use of estimates, assumptions and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect items reported in the Group statement of financial position and statement of comprehensive income, as well as contingent liabilities. The major items subject to the application of estimates, assumptions and judgements include:

- The fair value of unlisted investments;
- The valuation of policy liabilities;
- Potential claims and contingencies; and
- The consolidation of investment funds where the Group has less than a majority interest.

Although estimates are based on management's best knowledge and judgement of current facts as at the statement of financial position date, the actual outcome may differ from these estimates, possibly significantly. Refer to note 31 for further information on critical estimates and judgements and note 34 for information on contingencies.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 284 to 351 include the consolidated activities of the policyholders and shareholders. Separate financial information on the activities of the shareholders of the Sanlam Group is disclosed on pages 108 to 161.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance businesses are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS, generally accepted actuarial practice and the stipulations contained in the Sanlam Life demutualisation proposal. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on pages 280 to 283.

Insurance contracts

The disclosure of claims experience in claims development tables is based on the period when the earliest material claims arose for which there is still uncertainty about the amount and timing of the claims payments.

Cash, deposits and similar securities

Cash, deposits and similar securities include bank account balances, call, term and negotiable deposits, promissory notes and money market collective investment schemes. A distinction is made between:

- Cash, deposits and similar securities included in the asset mix of policyholders' and shareholders' fund investment portfolios, which are disclosed as investments in the Group statement of financial position; and
- Working capital balances that are disclosed as working capital assets, apart from bank overdrafts, which are disclosed as working capital liabilities.

Financial instruments

Owing to the nature of the Group's business, financial instruments have a significant impact on the Group's financial position and performance. Audited information in respect of the major categories of financial instruments and the risks associated therewith are provided in the following sections:

- Audited Capital and Risk Management report on pages 218 to 263;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note 16: Term finance; and
- Note 31: Critical accounting estimates and judgements.

Segmental information

The Group reports in five distinct segments, grouped according to the similarity of the solution offerings and market segmentations of the various businesses. The five segments are:

- Sanlam Personal Finance;
- Sanlam Emerging Markets;
- Sanlam Investments, which includes Investment Management, Capital Management and Sanlam Employee Benefits;
- Santam; and
- Corporate and Other.

The decentralised nature of the Group businesses facilitates the allocation of costs between them as the costs are directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices.

The audited segmental information is disclosed in the shareholders' fund information on pages 108 to 161. Refer to the financial review on pages 70 to 79 and the operational cluster review on pages 80 to 99 for additional information on these business segments and to the Group structure on page 16 for a description of these businesses and the cluster to which they are allocated.

Accounting policies

Introduction

The Sanlam Group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These include policies relating to insurance liabilities, deferred acquisition costs, the ascertainment of fair values of financial assets, financial liabilities and derivative financial instruments, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex judgements based on information and financial data that may change in future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce materially different results. These policies (as set out below) are in accordance with and comply with IFRS and have been applied consistently for all periods presented unless otherwise noted.

Significant accounting policies

Basis of consolidation

Subsidiaries and consolidated funds are entities that are controlled by Sanlam Limited or any of its subsidiaries. The Group has control over an entity where it has the right or is exposed to variable returns and has the power, directly or indirectly, to affect those returns. Specifically, the Group controls an entity if and only if the Group has:

- Power or existing rights over the entity or investee that give it the ability to direct relevant activities;

- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses on a continual basis whether or not it controls an investee.

The purchase method of accounting is applied to account for acquisitions of subsidiaries. The cost of an acquisition is measured as the fair value of consideration transferred, equity instruments issued and liabilities assumed at the date of exchange. Costs directly attributable to an acquisition are expensed in the statement of comprehensive income with effect from the 2010 financial year. These costs were capitalised against the investment acquired in financial years up to the end of 2009. Identifiable assets and liabilities acquired and contingent liabilities assumed are recognised at fair value at acquisition date. The excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets and contingent liabilities represents goodwill and is accounted for in terms of the accounting policy note for goodwill. If the cost of an acquisition is less than the fair value of the net identifiable assets and contingent liabilities, the difference is recognised in the statement of comprehensive income.

The results of subsidiaries and consolidated funds are included from the effective dates when the Group has control to the effective dates when the Group ceases to have control, using accounting policies uniform to the Group. Intergroup transactions, balances and unrealised profits on intergroup transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates the impairment of the asset transferred.

The interest of non-controlling shareholders in subsidiaries is stated at the non-controlling shareholders' share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to non-controlling shareholders in excess of the non-controlling interest are recognised as negative reserves against non-controlling shareholders' interest.

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the statement of comprehensive income. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as non-controlling shareholders' interest.

The Group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the Group with a cell owner, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements:
- *First party* – where the risks that are being insured relate to the cell shareholders' own operations or operations within the cell shareholders' group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.

- *Third party* – where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products.
  The company is the principle to the insurance contract, although the business is underwritten on behalf of the cell shareholder. However, the shareholder's agreement determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds held by the insurer and is included under liabilities due to cell shareholders. The carrying value of amounts due to cells is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayment to cells.

Equipment

Equipment is reflected at its depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets, which vary between two and 20 years. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. Cost prices include costs directly attributable to the acquisition of equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Group and the expenditure can be measured reliably. All other expenditure is recognised in the statement of comprehensive income when incurred. Equipment is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

Owner-occupied property

Owner-occupied property is property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives of the owner-occupied properties and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is assessed bi-annually for indicators of impairment. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification is recognised directly in other comprehensive income as a revaluation surplus. Owner-occupied property is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

Goodwill

Goodwill arises on the acquisition of a subsidiary company or the acquisition of a business. It represents the excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition. Goodwill is not amortised. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

Goodwill is not recognised when an interest in an existing subsidiary is increased. The difference between the cost of the acquisition and the non-controlling interest acquired is accounted for directly in equity. These differences were recognised as goodwill for business combinations occurring before 1 January 2010. When an interest in an existing subsidiary is decreased without a loss of control, the difference between the proceeds received and the share of the net assets disposed of, including an appropriate portion of the related goodwill, is accounted for directly in equity. These profits and losses were recognised in the statement of comprehensive income before 1 January 2010.

For impairment purposes the carrying amount of goodwill is allocated to cash generating units, reviewed bi-annually for impairment and written down where this is considered necessary. Impairment losses in respect of goodwill are recognised in the statement of comprehensive income and are not reversed. Where a number of related businesses acquired in the same business combination are allocated to different Group business divisions, the related goodwill is allocated to those cash generating units that expect to benefit from the synergies of the business combination.

Goodwill in respect of associates and joint ventures is included in the carrying value of investments in associates and joint ventures. For impairment purposes each investment is tested for impairment individually and goodwill is not tested separately from the investment in associates and joint ventures, nor is any impairment allocated to any underlying assets.

Value of insurance and investment business acquired

The value of insurance and investment management services contracts acquired (VOBA) in a business combination is recognised as an intangible asset. VOBA, at initial recognition, is equal to the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profit that is expected to flow from the book of business acquired, after allowing for the cost of capital supporting the business, as applicable. The valuation is based on the Group's actuarial and valuation principles as well as assumptions in respect of future premium income, fee income, investment return, policy benefits, costs, taxation, mortality, morbidity and surrenders, as appropriate.

VOBA is amortised on a straight-line basis over the expected life of the client relationships underlying the book of business acquired. VOBA is tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary. Where impairment events subsequently reverse, impairments are reversed up to a maximum of what the amortised cost would have been. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of VOBA attributable to the entity or business sold. VOBA is derecognised when the related contracts are terminated, settled or disposed of.

Other intangible assets

Acquired intangible assets are recognised at cost on acquisition date. Subsequent to initial recognition, these assets are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Amortisation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted, as appropriate. Other intangible assets are assessed for indicators of impairment on a bi-annual basis and written down for impairment where this is considered necessary.

Costs associated with software development for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits.

No value is attributed to internally developed brands or similar rights. Costs incurred on these items are charged to the statement of comprehensive income in the period in which they are incurred.

Deferred acquisition costs

Incremental costs directly attributable to the acquisition of investment contracts with investment management services are capitalised to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. DAC assets are amortised to the statement of comprehensive income over the term of the contracts as the related services are rendered and revenue recognised, which varies from year to year dependent on the outstanding term of the contracts in force. The DAC asset is tested for impairment bi-annually and written down when it is not expected to be fully recovered from future fee income.

Long-term reinsurance contracts

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. The Group assesses its long-term reinsurance assets for indicators of impairment bi-annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the statement of comprehensive income.

Financial instruments

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

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires.

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

Classification

Financial instruments are classified into the following categories:

- *Financial assets:* At fair value through profit or loss
  Loans and receivables
- *Financial liabilities:* At fair value through profit or loss
  Other financial liabilities

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial instruments classified as at fair value through profit or loss comprise held-for-trading assets and liabilities as well as financial instruments designated as at fair value through profit or loss. All non-trading financial instruments are designated as at fair value through profit or loss apart from:

- Working capital receivables that are classified as loans and receivables based on their short-term nature;
- Financial assets acquired as part of interest margin business to match specific financial liabilities, which are classified as loans and receivables;

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets, which are classified as other financial liabilities; and
- Working capital payables that are classified as other financial liabilities based on their short-term nature.

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

Initial measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the statement of comprehensive income as investment surpluses. Other financial instruments are recognised at the fair value of the consideration given or received in exchange for the instrument plus transaction costs that are directly attributable to their acquisition. Regular way investment transactions are recognised by using trade date accounting.

Subsequent measurement and impairment

Financial instruments classified as at fair value through profit or loss are carried at fair value after initial recognition, with changes in fair value recognised in the statement of comprehensive income as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item. Loans and receivables and other financial liabilities are carried at amortised cost using the effective interest rate method.

The carrying values of all loans and receivables are assessed for indicators of impairment bi-annually. A financial asset is deemed to be impaired when there is objective evidence of impairment. Objective evidence of impairment would include when market rates of return have increased during the period to such an extent that the asset's recoverable amount has decreased materially.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the asset's estimated future cash flows discounted at the original effective interest rate, and is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income, to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised. If a financial asset would have been impaired had the terms of the asset not been renegotiated, the asset continues to be accounted for in accordance with its category, and the difference between the carrying amount based on the new terms and the previous carrying amount is recognised in the statement of comprehensive income as investment surpluses.

Offsetting

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

Investments

Investment properties

Investment properties comprise properties held to earn rental income and/or for capital appreciation. Investment properties are carried at fair value based on valuations by external valuators, less the cumulative straight-line rental adjustment (refer to the accounting policy for investment income). The valuators have appropriate qualifications and extensive experience in property valuations. Fair values are determined by discounting expected future cash flows at appropriate market interest rates. Valuations are carried out monthly. Changes in the fair value of investment properties are recognised in the statement of comprehensive income as investment surpluses.

When investment properties become owner-occupied, the Sanlam Group reclassifies them to owner-occupied properties at a deemed cost equal to the fair value of the investment properties at the date of reclassification. When owner-occupied properties become investment properties, they are reclassified to investment properties at a deemed cost equal to the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised in other comprehensive income as a revaluation surplus.

Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

Associates

An associate is an entity, not being a subsidiary, in which the Sanlam Group has a long-term investment and over which it has the ability to exercise significant influence, being the ability to participate in the financial and operating policies of the entity without being able to jointly control or control those policies by virtue of a majority vote.

Investments in associates are recognised on the date significant influence is obtained and derecognised on the date significant influence is lost. Investments in associates, other than those investments, or portions thereof, held by investment-linked life insurance funds, are initially recognised at cost. The results of these associated companies after initial recognition are accounted for using the equity method of accounting, whereby the Group's share of associates' post-acquisition profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of associates' other post-acquisition movement in equity reserves (other than those related to dividends) is recognised in reserves, with a corresponding adjustment to the carrying value of investments in associates. Net losses are only recognised to the extent of the net investment in an associate, unless the Group has incurred obligations or made payments on behalf of the associate. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying amount is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in an associate includes goodwill. Investments in associates, or portions thereof, held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results of joint ventures, other than those held by investment-linked life insurance funds, are accounted for using the equity method of accounting, whereby the Group's share of the joint ventures' profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of joint ventures' post-acquisition movement in reserves is recognised in reserves, with a corresponding adjustment to the carrying value of investments in joint ventures. Net losses are only recognised to the extent of the net investment in a joint venture, unless the Group has incurred obligations or made payments on behalf of the joint venture. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying value of the investment in a joint venture is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in a joint venture includes goodwill.

Investments in joint ventures held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Other investments

Other investments comprise:

- Equities and similar securities (including non-trading derivatives);
- Interest-bearing investment;
- Structured transactions;
- Investment funds; and
- Cash, deposits and similar securities.

These investments are either classified as at fair value through profit or loss (measured at fair value), or as loans and receivables (measured at amortised cost), as described in the financial instruments accounting policy note. Loans of investment scrip are not treated as sales and purchases. Structured transactions include derivatives, structured notes and collaterised securities.

Derivative instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency, interest rate and equity options and other derivative financial instruments that are measured at fair value.

Fair values are obtained from quoted market prices. In the absence of quoted market prices the Group uses valuation techniques that incorporate factors that market participants would consider in setting the price and are consistent with accepted economic methodologies for pricing derivatives such as discounted cash flow models and option pricing models, as appropriate. The Group calibrates its valuation techniques against market transactions or any available observable market data. Day one gains or losses on derivatives measured using these valuation techniques are recognised in the statement of comprehensive income to the extent that they arise from a technique that incorporates only variables based on observable market data and there has been a change in one of these variables (including time). If there has been no change in one of these variables, the gains or losses are deferred, and recognised in the statement of comprehensive income over the life of the instrument.

The Group does not separate embedded derivatives that meet the definition of an insurance contract or relate to investment contracts recognised at fair value.

Derivatives are used for trading purposes by Sanlam Capital Markets and for non-trading purposes by other Group businesses. The fair values related to trading derivatives are included in trade and other receivables (refer to policy note below) and the fair values of non-trading derivatives are included in the appropriate investment category. Non-trading transactions are those which are held for economic hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions or cash flows measured at fair value, as well as structures incorporated in the product design of policyholder products. The hedge accounting treatment prescribed by IAS 39 – *Financial Instruments: Recognition and Measurement* is not applied. Although the nature of these derivatives is non-trading from a management perspective, IAS 39 requires all derivatives to be classified as held for trading for accounting purposes.

Assets of disposal groups classified as held for sale

Assets of disposal groups classified as held for sale comprise non-current assets for which the carrying value will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of their carrying value and their fair value less costs to sell, unless they are specifically excluded from the measurement provisions of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, in which case they are measured in accordance with the applicable IFRS. Immediately before initial classification as held for sale, the assets to be reclassified are measured in accordance with applicable IFRS. When the sale of such non-current assets held for sale is expected to occur beyond one year, costs to sell are measured at their present value. Any increase in the present value of the costs to sell arising from the passage of time is presented in profit or loss as a financing cost.

Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash at hand, call deposits at banks, negotiable certificates of deposit and other short-term highly liquid investments.

General insurance technical provisions and assets

Outstanding claims

Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The Group does not discount its liabilities for unpaid claims.

Unearned premiums

General insurance premiums are recognised as financial services income proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as an unearned premium liability.

General insurance technical assets

The benefits to which the Group is entitled under its general reinsurance contracts are recognised as general insurance technical assets. These assets represent longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

Commissions and other incremental acquisition costs related to securing new contracts and renewing existing contracts are capitalised to deferred acquisition cost assets and amortised to the statement of comprehensive income over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

The Group assesses its general insurance technical assets for impairment on a bi-annual basis. If there is objective evidence that an asset is impaired, the Group reduces the carrying amount of the asset to its recoverable amount and recognises the impairment loss in the statement of comprehensive income.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Trade and other receivables

Trade and other receivables are measured at amortised cost, apart from trading account assets.

Trading account assets include equities and similar securities, interest-bearing instruments and derivative financial instruments relating to the trading transactions undertaken by Sanlam Capital Markets for market making, to service customer needs, for proprietary purposes, as well as any related economic hedging transactions. These transactions are marked-to-market (fair values) after initial recognition and any profits or losses arising are recognised in the statement of comprehensive income as financial services income. The fair values related to such contracts and commitments are determined on the same basis as described for non-trading instruments in the policy note for financial instruments and are reported on a gross basis in the statement of financial position as positive and negative replacement values to the extent that set-off is not required by IAS 32 – *Financial Instruments: Disclosure and Presentation*.

Other financial liabilities

Other financial liabilities include:

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

Trade and other payables

Trade and other payables are measured at amortised cost, apart from trading account liabilities that are measured at fair value (refer to the description on the measurement of trading account assets in the accounting policy note for trade and other receivables, which also applies to trading account liabilities, adjusted for non-performance risk).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for onerous contracts are recognised when the expected benefits to be derived from contracts are less than the unavoidable cost of meeting the obligations under the contracts. Provisions are measured at the present value of the amounts that are expected to be paid to settle the obligations.

Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Preference shares issued by the Group that are redeemable or subject to fixed dividend payment terms are classified as term finance liabilities. Dividends paid in respect of term finance are recognised in the statement of comprehensive income as a finance cost.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

Shares held in Sanlam Limited by policyholder portfolios and subsidiary companies (treasury shares) are recognised as a deduction from equity on consolidation. The cost of treasury shares acquired is deducted from equity on date of acquisition. The consideration received on the disposal of treasury shares, net of incremental costs attributable to the disposal and tax, is also recognised directly in equity.

Non-distributable reserve

The reserve comprises the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited and the regulatory non-distributable reserves of the Group's Botswana and Kenya operations.

Foreign currency translation reserve

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the statement of comprehensive income.

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and investments supporting those liabilities. Certain assets held in policyholder portfolios may not be recognised at fair value in terms of IFRS, whereas the valuation of the related policy liabilities is based on the assets at fair value. This creates a mismatch with a corresponding impact on the shareholders' fund. A separate reserve is created for these valuation differences owing to the fact that they represent accounting differences and not economic losses for the shareholders' fund. Valuation differences arise from the following investments which are accounted for as noted below for IFRS purposes, while for purposes of valuing the related policy liabilities these same investments are valued at fair value:

- Investments in subsidiaries, which are valued at net asset value plus goodwill;
- Investments in associates and joint ventures, which are recognised on an equity-accounted basis; and
- Investments in Sanlam Limited shares, which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero.

The reserve represents temporary differences insofar as the mismatch is reversed when the affected investments are realised.

Financial services income

Financial services income is considered to be revenue for IFRS purposes and includes:

- Income earned from long-term insurance activities, such as investment and administration fees, risk underwriting charges and asset mismatch profits or losses in respect of non-participating business;
- Income from general insurance business, such as general insurance premiums;
- Income from investment management activities, such as fund management fees and collective investment and linked-product administration fees;
- Income from capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities, other securities-related income and fees, and commissions; and
- Income from other financial services, such as independent financial advice and trust services.

Fees for investment management services

Fees for investment management services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

Fee income – long-term policy contracts

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

General insurance premiums

General insurance premiums are accounted for when receivable, net after a provision for unearned premiums relating to risk periods that extend to the following year. Inward general reinsurance agreement premiums are accounted for on an intimated basis.

Consulting fees earned

Consulting fees are earned for advice and other services provided to clients of the Group's financial advisory businesses. Fees are accounted for on an accrual basis as the related services are rendered.

Investment return

Investment income

Investment income includes interest, net rental income and dividend income received. Interest income is accounted for on a time proportionate basis that takes into account the effective yield on the asset and includes the net income earned from interest margin business.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as part of the carrying amount of properties in the statement of financial position.

Dividend income is recognised once the last day for registration has passed. Capitalisation shares received in terms of a capitalisation issue from reserves, other than share premium or a reduction in share capital, are treated as dividend income. Dividend income from subsidiaries is recognised when the dividends are declared by the subsidiary.

Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding investments relating to capital market activities (refer financial services income policy note for presentation of gains and losses on capital market investments) and dividend and interest income. These surpluses are recognised in the statement of comprehensive income on the date of sale or upon valuation to fair value.

Premium income – long-term policy contracts

Premium income from long-term insurance and investment policy contracts is recognised as an increase in long-term policy liabilities. The full annual premiums on individual insurance and investment policy contracts that are receivable in terms of the policy contracts are accounted for on policy anniversary dates, notwithstanding that premiums are payable in instalments. The monthly premiums in respect of certain new products are in terms of their policy contracts accounted for when due. Cover only commences when premiums are received. Group life insurance and investment contract premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. The unearned portion of accrued premiums is included within long-term policy liabilities.

Policy contract benefits

Underwriting benefits

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Provision is made for underwriting losses that may arise from unexpired general insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit.

Other policy benefits

Other policy benefits are not recognised in the Group statement of comprehensive income but reflected as a reduction in long-term policy liabilities.

Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of payment date or the date on which the policy ceases to be included in long-term policy liabilities.

Sales remuneration

Sales remuneration consists of commission payable to sales staff on long-term and short-term investment and insurance business and expenses directly related thereto, bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds. Commission is accounted for on all in-force policies in the financial period during which it is incurred.

The portion of sales remuneration that is directly attributable to the acquisition of long-term recurring premium investment policy contracts is capitalised to the deferred acquisition cost (DAC) asset and recognised over the period in which the related services are rendered and revenue recognised (refer policy statement for DAC asset).

Acquisition cost for general insurance business is deferred over the period in which the related premiums are earned.

Sales remuneration recognised in the statement of comprehensive income includes the amortisation of deferred acquisition costs as well as sales remuneration incurred that is not directly attributable to the acquisition of long-term investment policy contracts or general insurance business.

Administration costs

Administration costs include, *inter alia*, indirect taxes such as VAT, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs.

Leases

Leases of assets, under which the lessor effectively retains all the risks and benefits of ownership, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases, where the Group effectively assumes all the risks and benefits of ownership, are classified as finance leases. Finance leases are capitalised at inception at the lower of the present value of minimum lease payments and the fair value of the leased assets. The effective interest rate method is used to allocate lease payments between finance cost and the lease liability. The finance cost component is recognised as an expense in the statement of comprehensive income. Finance lease assets recognised are depreciated, where applicable, over the shorter of the assets' useful lives and the lease terms.

Borrowing costs

Borrowing costs are recognised as an expense in the statement of comprehensive income on an accrual basis.

Taxation

Normal income tax

Current income tax is provided in respect of taxable income at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method, except for:

- Temporary differences relating to investments in associates, joint ventures and subsidiaries where the Group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that at transaction date do not affect either accounting or taxable profit or loss.

The amount of deferred income tax provided is based on the expected realisation or settlement of the deferred tax assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax balances are reflected at current values and have not been discounted.

Foreign currencies

Transactions and balances

Foreign currency transactions are translated to functional currency, i.e. the currency of the primary economic environment in which each of the Group's entities operate, at the exchange rates on transaction date. Monetary assets and liabilities are translated to functional currency at the exchange rates ruling at the financial period-end. Non-monetary assets and liabilities carried at fair value are translated to functional currency at the exchange rates ruling at valuation date. Non-monetary assets and liabilities carried at historic cost are translated to functional currency at the exchange rates ruling at the date of initial recognition. Exchange differences arising on the settlement of transactions or the translation of monetary assets and liabilities are recognised in the statement of comprehensive income as financial services income. Exchange differences on non-monetary assets and monetary assets classified as investment assets, such as equities and foreign interest-bearing investments, are included in investment surpluses.

Foreign operations

Statement of comprehensive income items of foreign operations (including foreign subsidiaries, associates and joint ventures) with a functional currency different from the presentation currency 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 items, in which instances the exchange rate on transaction date is used. The closing rate is used for the translation of assets and liabilities, including goodwill and fair value adjustments arising on the acquisition of foreign entities. At acquisition, equity is translated at the rate ruling on the date of acquisition.

Post-acquisition equity is translated at the rates prevailing when the change in equity occurred. Exchange differences arising on the translation of foreign operations are transferred to a foreign currency translation reserve until the disposal of the net investment when it is released to the statement of comprehensive income.

Retirement benefits

Retirement benefits for employees are provided by a number of defined-benefit and defined-contribution pension and provident funds. The assets of these funds, including those relating to any actuarial surpluses, are held separately from those of the Group. The retirement plans are funded by payments from employees and the relevant Group companies, taking into account the recommendations of the retirement fund valuator.

Defined-benefit plans

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in net profit. When a fund is in a net surplus position, the value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined-contribution plans

Group contributions to the defined contribution funds are charged against the statement of comprehensive income in the year incurred.

Contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Staff incentive schemes

The following staff long-term incentive schemes have been implemented in the Group and have unvested conditions at 31 December 2014:

Deferred Share Plan (DSP)

The DSP was introduced in 2007. In terms of the DSP, Sanlam undertakes to deliver a fixed number of shares to selected employees on pre-determined dates in the future, on condition that the employee is still in the employment of Sanlam on those dates. Vesting can occur in three tranches over a period starting three years from the grant date, subject to certain performance targets.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

Restricted Share Plan

The Restricted Share Plan was introduced in 2006. Selected key employees are granted fully paid-up shares at no consideration in terms of retention and performance agreements. Unconditional vesting can occur on pre-determined dates subject to certain performance targets being met. The fair value of the equity instruments granted on the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting.

Dividends

Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

Policy liabilities and profit entitlement

Introduction

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied in all material respects to value the policy liabilities of Sanlam Developing Markets, Channel Life, Safrican Insurance Company and Sanlam Emerging Markets, as well as investment contracts issued by Sanlam Investments and Pensions, unless otherwise stated. The valuation methodology in respect of insurance contracts issued by Sanlam Investments and Pensions is not presented in view of their relatively immaterial contribution to earnings and the relative small size of their insurance contract liabilities.

The valuation bases and methodology, which comply with South African actuarial guidelines and requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2014 as a result of the aforementioned adequacy test.

The valuation bases and methodology comply with the requirements of IFRS.

Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the bases as set out in the accounting policy for investments, with the exception of investments in treasury shares, subsidiaries, associated companies, joint ventures and consolidated funds, which are also valued at fair value.

Classification of contracts

A distinction is made between investment contracts without discretionary participation features (DPF) (which fall within the scope of IAS 39 – *Financial Instruments: Recognition and Measurement)*, investment contracts with DPF and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 – *Insurance Contracts)*.

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the Sanlam Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Insurance contracts and investment contracts with DPF

The actuarial value of the policy liabilities is determined using the FSV method as described in professional guidance note, SAP 104 issued by the Actuarial Society of South Africa (Actuarial Society), which is consistent with the valuation method prescribed in the LTIA and consistent with the valuation of assets at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in the LTIA; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2014 exceeds the minimum requirements in terms of the LTIA, SAP 104 and APN 110.

The application of actuarial guidance, as set out in SAP 104 and APN 110 issued by the Actuarial Society, is described below in the context of the Group's major product classifications.

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account.

  For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on the market yields of South African fixed interest securities on the valuation date.

  Refer to note 7 on page 159 for investment return assumptions per asset class.
- Future expense assumptions are based on the 2014 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.
- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Bonus stabilisation reserves

Sanlam Life's individual and group stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is created, which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve is created.
A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower

bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Negative bonus stabilisation reserves in excess of 7,5% of the investment accounts are specifically disclosed. Bonus stabilisation reserves are included in long-term policy liabilities.

Provision for future bonuses

Provision was made for future bonuses so that each asset portfolio, less charges for expenses (including investment guarantee charges) and profit loadings, for each line of business would be fully utilised for the benefit of the policyholders of that portfolio.

Reversionary bonus business

The liability is set equal to the fair value of the underlying assets. This is equivalent to a best estimate prospective liability calculation using the bonus rates as set out above, and allowing for the shareholders' share of one-ninth of the cost of these bonuses.

The present value of the shareholders' entitlement is sufficient to cover the compulsory margins required in the LTIA and the Actuarial Society guidelines for the valuation of policy liabilities. These margins are thus not provided for in addition to the shareholders' entitlement.

Individual stable bonus, linked and market-related business

For investment policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

To the extent that the retrospective liabilities exceed the prospective liabilities, the valuation contains discretionary margins. The valuation methodology results in the release of these margins to shareholders on a fees minus expenses basis consistent with the work done and risks borne over the lifetime of the policies.

An exception to the above relates to policy liabilities in respect of Sanlam Developing Markets' and Channel Life's individual Universal Life business (including stable bonus and market-linked business), which are valued prospectively. Negative values are not allowed in respect of any of these policies.

Group stable bonus business

In the case of Group policies where bonuses are stabilised, the liabilities are equated to the fair value of the retrospectively accumulated underlying assets.

Future fees are expected to exceed expenses, including allowance for the prescribed margins. These excesses are released to shareholders consistent with the work done and risks borne over the lifetime of the policies.

Participating annuity business

The liabilities are equated to the fair value of the retrospectively accumulated underlying assets. This is equivalent to a best estimate prospective liability calculation allowing for future bonus rates as described above and expected future investment returns. Shareholder entitlements emerge in line with fees charged less expenses incurred consistent with work done and risks borne over the lifetime of the annuities. The present value of the shareholders' entitlement is sufficient to cover the compulsory margins for the valuation of policy liabilities. The compulsory margins are thus not provided for in addition to the shareholders' entitlement.

Non-participating annuity business

Non-participating life annuity instalments and future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Other non-participating business

Other non-participating business forms less than 7% of the total liabilities. Most of the other non-participating business liabilities are valued on a retrospective basis. The remainder is valued prospectively and contains discretionary margins via either an explicit interest rate deduction of approximately less than 1% on average or by not allowing policies with negative reserves.

For Sanlam Life's non-participating business other than life annuity business, an asset mismatch provision is maintained. The interest and asset profits arising from the non-participating portfolio are added to this provision. The asset mismatch provision accrues to shareholders at the rate of 1,33% monthly, based on the balance of the provision at the end of the previous quarter. The effect of holding this provision is, among other purposes, to dampen the impact on earnings of short-term fluctuations in fair values of assets underlying these liabilities. The asset mismatch provision represents a discretionary margin. A negative asset mismatch provision will not be created, but such shortfall will accrue to shareholders in the year in which it occurs.

Provision for HIV/Aids and other pandemics

A specific provision for HIV/Aids-related claims is maintained and included within the related prospective reserves.

A prospective calculation according to the relevant guidelines is performed for Sanlam Life's policies.

Premium rates for Group business are reviewed annually. The HIV/Aids provision is based on the expected HIV/Aids claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

In addition, provision for claims relating to other pandemics is also made based on the estimated additional death claims should a moderate pandemic occur.

Provision for minimum investment return guarantees

In addition to the liabilities described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note APN 110.

Working capital

To the extent that the management of working capital gives rise to profits, no credit is taken for this in determining the policy liabilities.

Reinsurance

Liabilities are valued gross before taking into account reinsurance. Where material, the difference between the gross and net (after reinsurance) value of liabilities is held as a reinsurance asset.

Investment contracts (other than with DPF)

Contracts with investment management services

The liabilities for individual and group contracts are set equal to the retrospectively accumulated fair value of the underlying assets. The profits or losses that accrue to shareholders are equal to fees received during the period concerned plus the movement in the DAC asset less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded derivative.

Non-participating annuity business

Term annuity instalments and expected future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Guaranteed plans

Guaranteed maturity values and expected future expenses are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Group statement of financial position

at 31 December 2014

R million	Notes	**2014**	2013
ASSETS			
Equipment	1	**723**	586
Owner-occupied properties	2	**1 096**	672
Goodwill	3	**3 974**	3 796
Other intangible assets		**439**	111
Value of business acquired	4	**2 045**	1 586
Deferred acquisition costs	5	**3 281**	2 976
Long-term reinsurance assets	6	**941**	796
Investments	7	**538 155**	477 550
Properties	7.1	**10 333**	9 182
Fixed properties		**10 119**	8 940
Straight-line rental adjustment		**214**	242
Equity-accounted investments	7.2	**11 895**	9 780
Equities and similar securities	7.3	**183 040**	166 122
Interest-bearing investments	7.4	**161 778**	131 417
Structured transactions	7.4	**12 348**	11 906
Investment funds	7.4	**133 552**	131 029
Cash, deposits and similar securities	7.4	**25 209**	18 114
Deferred tax	8	**365**	361
Assets of disposal groups classified as held for sale	38	**1 893**	415
General insurance technical assets	9	**3 964**	2 716
Net defined benefit asset	32	**144**	—
Working capital assets		**54 233**	69 739
Trade and other receivables	10	**37 974**	51 339
Cash, deposits and similar securities		**16 259**	18 400
Total assets		**611 253**	561 304
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	11	**22**	22
Treasury shares		**(3 584)**	(3 581)
Other reserves	12	**9 423**	9 250
Retained earnings		**40 176**	35 274
Shareholders' fund		**46 037**	40 965
Non-controlling interest	14	**5 198**	3 651
Total equity		**51 235**	44 616
Long-term policy liabilities	15	**443 672**	382 309
Insurance contracts		**186 626**	158 575
Investment contracts		**257 046**	223 734
Term finance	16	**5 775**	6 129
Margin business		**1 835**	2 038
Other interest-bearing liabilities		**3 940**	4 091
Structured transactions liabilities		**766**	1 387
External investors in consolidated funds		**49 625**	55 710
Cell owners' interest		**925**	814
Deferred tax	8	**2 498**	2 142
Liabilities of disposal groups classified as held for sale	38	**1 466**	—
General insurance technical provisions	9	**12 592**	11 032
Working capital liabilities		**42 699**	57 165
Trade and other payables	17	**40 529**	54 799
Provisions	18	**283**	285
Taxation		**1 887**	2 081
Total equity and liabilities		**611 253**	561 304

Group statement of comprehensive income

for the year ended 31 December 2014

R million	Note	2014	2013
Net income		**92 060**	102 000
Financial services income	19	**49 683**	45 104
Reinsurance premiums paid	20	**(6 341)**	(4 963)
Reinsurance commission received	21	**1 125**	675
Investment income	22	**22 491**	19 688
Investment surpluses	22	**28 891**	47 350
Finance cost – margin business	26	**(105)**	(69)
Change in fair value of external investors' liability		**(3 684)**	(5 785)
Net insurance and investment contract benefits and claims		**(58 626)**	(71 376)
Long-term insurance contract benefits	23	**(26 388)**	(26 480)
Long-term investment contract benefits	23	**(22 168)**	(34 106)
General insurance claims		**(14 404)**	(13 861)
Reinsurance claims received	21	**4 334**	3 071
Expenses		**(20 811)**	(18 418)
Sales remuneration		**(6 442)**	(5 825)
Administration costs	24	**(14 369)**	(12 593)
Impairments	39	**(140)**	(34)
Amortisation of intangibles		**(240)**	(263)
Net operating result		**12 243**	11 909
Equity-accounted earnings	25	**1 603**	1 224
Finance cost – other	26	**(517)**	(516)
Profit before tax		**13 329**	12 617
Taxation	27	**(3 534)**	(3 483)
Shareholders' fund		**(3 007)**	(2 422)
Policyholders' fund		**(527)**	(1 061)
Profit for the year		**9 795**	9 134
Other comprehensive income: to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve		**569**	1 123
Other comprehensive income: not to be recycled through profit or loss in subsequent periods			
Employee benefits re-measurement gain	32	**128**	3
Comprehensive income for the year		**10 492**	10 260
Allocation of comprehensive income:			
Profit for the year		**9 795**	9 134
Shareholders' fund		**8 729**	8 131
Non-controlling interest		**1 066**	1 003
Comprehensive income for the year		**10 492**	10 260
Shareholders' fund		**9 393**	9 030
Non-controlling interest		**1 099**	1 230
Earnings attributable to shareholders of the company (cents):			
Profit for the year:			
Basic earnings per share	28	**436,7**	419,8
Diluted earnings per share	28	**431,5**	401,2

Group statement of changes in equity

for the year ended 31 December 2014

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve
Balance at 1 January 2013	21	1	(3 632)	9 858
Comprehensive income	—	—	—	—
Profit for the year	—	—	—	—
Other comprehensive income	—	—	—	—
Net (acquisition)/disposal of treasury shares[2]	—	—	51	—
Share-based payments	—	—	—	—
Transfer to non-distributable reserve	—	—	—	59
Transfer (from)/to consolidation reserve	—	—	—	—
Dividends paid[1]	—	—	—	—
Acquisitions, disposals and other movements in interests	—	—	—	—
Balance at 31 December 2013	21	1	(3 581)	9 917
Comprehensive income	**—**	**—**	**—**	**—**
Profit for the year	**—**	**—**	**—**	**—**
Other comprehensive income	**—**	**—**	**—**	**—**
Net (acquisition)/disposal of treasury shares[2]	**—**	**—**	**(3)**	**—**
Share-based payments	**—**	**—**	**—**	**—**
Transfer from non-distributable reserve	**—**	**—**	**—**	**(47)**
Transfer (from)/to consolidation reserve	**—**	**—**	**—**	**—**
Dividends paid[1]	**—**	**—**	**—**	**—**
Acquisitions, disposals and other movements in interests	**—**	**—**	**—**	**—**
Balance at 31 December 2014	**21**	**1**	**(3 584)**	**9 870**

(1) *A normal dividend of 200 cents per share declared during 2014 in respect of the 2013 financial year (2013: normal dividend of 165 cents per share and a special dividend of 50 cents per share).*
(2) *Comprises movement in cost of shares held by subsidiaries, share incentive trust and other consolidated funds.*

Foreign currency translation reserve	Retained earnings	Subtotal: equity holders	Consoli-dation reserve	Total: equity holders	Non-controlling interest	Total equity
11	31 373	37 632	(1 076)	36 556	2 970	39 526
896	8 134	9 030	—	9 030	1 230	10 260
—	8 131	8 131	—	8 131	1 003	9 134
896	3	899	—	899	227	1 126
—	(195)	(144)	(175)	(319)	11	(308)
—	329	329	—	329	46	375
—	(59)	—	—	—	—	—
—	(29)	(29)	29	—	—	—
—	(4 283)	(4 283)	—	(4 283)	(518)	(4 801)
—	4	4	(352)	(348)	(88)	(436)
907	35 274	42 539	(1 574)	40 965	3 651	44 616
536	**8 857**	**9 393**	**—**	**9 393**	**1 099**	**10 492**
—	**8 729**	**8 729**	**—**	**8 729**	**1 066**	**9 795**
536	**128**	**664**	**—**	**664**	**33**	**697**
—	**(294)**	**(297)**	**(218)**	**(515)**	**(20)**	**(535)**
—	**376**	**376**	**—**	**376**	**57**	**433**
—	**47**	**—**	**—**	**—**	**—**	**—**
—	**(19)**	**(19)**	**19**	**—**	**—**	**—**
—	**(4 009)**	**(4 009)**	**—**	**(4 009)**	**(636)**	**(4 645)**
—	**(56)**	**(56)**	**(117)**	**(173)**	**1 047**	**874**
1 443	**40 176**	**47 927**	**(1 890)**	**46 037**	**5 198**	**51 235**

Group cash flow statement

for the year ended 31 December 2014

R million	Note	2014	2013
Cash flow from operating activities		**35 944**	10 372
Cash generated in operations	36.1	**23 291**	305
Interest and preference share dividends received		**13 334**	11 351
Interest paid		**(622)**	(585)
Dividends received		**7 691**	6 785
Dividends paid		**(4 554)**	(4 679)
Taxation paid		**(3 196)**	(2 805)
Cash flow from investment activities		**(30 033)**	(4 529)
Net acquisition of investments		**(30 140)**	(2 108)
Acquisition of subsidiaries and associated companies	36.2	**(968)**	(2 913)
Disposal of subsidiaries and associated companies	36.3	**1 075**	492
Cash flow from financing activities		**(971)**	143
Movement in treasury shares		**(535)**	(308)
Term finance raised		**27**	2 570
Term finance repaid		**(463)**	(2 119)
Net increase in cash and cash equivalents		**4 940**	5 986
Cash, deposits and similar securities at beginning of the year		**36 491**	30 505
Cash, deposits and similar securities at end of the year	36.4	**41 431**	36 491

	R million	2014	2013
1.	**Equipment**		
	Computer equipment	429	380
	Cost	1 375	1 184
	Accumulated depreciation and impairment	(946)	(804)
	Furniture, equipment, vehicles and other	294	206
	Cost	897	643
	Accumulated depreciation and impairment	(603)	(437)
	Equipment	**723**	**586**
	Reconciliation of carrying amount		
	Balance at beginning of the year	586	449
	Additions and expenditure capitalised	360	348
	Disposals	(59)	(19)
	Acquired through business combinations	42	—
	Depreciation	(210)	(205)
	Foreign currency translation differences	4	13
	Balance at end of the year	**723**	**586**
2.	**Owner-occupied properties**		
	Balance at beginning of the year	672	665
	Additions and expenditure capitalised	56	7
	Disposals	(1)	—
	Acquired through business combinations	477	—
	Transfer to investment properties	(111)	—
	Foreign currency translation differences	3	—
	Balance at end of the year	**1 096**	**672**

R million	2014	2013
3. Goodwill		
Balance at beginning of the year	**3 796**	3 457
Gross carrying amount	**3 970**	3 626
Accumulated impairment	**(174)**	(169)
Acquired through business combinations	**263**	296
Impairments	**(97)**	(5)
Foreign currency translation differences	**12**	48
Balance at end of the year	**3 974**	3 796
Gross carrying amount	**4 245**	3 970
Accumulated impairment	**(271)**	(174)
Allocation of goodwill		
Life insurance	**681**	504
Sanlam Life and Pensions UK	**356**	356
MCIS Insurance	**177**	—
Channel Life	**96**	96
Sanlam Developing Markets	**36**	36
Other	**16**	16
Other Sanlam businesses	**3 293**	3 292
Goodwill held on Group level	**1 198**	1 198
Santam	**1 003**	1 042
Sanlam Investment Management	**451**	442
International: Investment Management	**278**	278
Glacier	**98**	98
Other	**86**	114
Sanlam UK (excluding Sanlam Life and Pensions UK)	**73**	71
Soras Group	**57**	—
Sanlam Netherlands Holdings	**49**	49
Balance at end of the year	**3 974**	3 796

The additions to goodwill during the year ended 31 December 2014 arose primarily from the acquisitions of MCIS Insurance and Soras Limited by Sanlam Emerging Markets and the acquisition of Brolink (Pty) Limited by Santam Limited.

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash-generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount of goodwill has been determined based on the various businesses' valuations, as included in Group Equity Value plus a multiple of life insurance value of new business (representing the total value in use for entities at embedded value), less the consolidated net asset value of the respective businesses. Refer to page 118 for an analysis of Group Equity Value as well as pages 159 to 161 for valuation assumptions used.

R million	2014	2013
4. Value of business acquired		
Balance at beginning of the year	1 586	1 599
Additions during the year	27	60
Foreign currency translation differences	23	157
Acquired through business combinations	641	—
Amortisation	(232)	(230)
Balance at end of the year	2 045	1 586
Gross carrying amount	3 234	2 543
Accumulated amortisation and impairment	(1 189)	(957)
Allocation of value of business acquired		
Sanlam UK	568	663
Sanlam Developing Markets	589	659
Sanlam Emerging Markets	676	—
Other	212	264
Balance at end of the year	2 045	1 586

The additions to value of business acquired relates primarily to the acquisition of databases by Sanlam UK and the acquisition of MCIS Insurance by Sanlam Emerging Markets in 2014.

Amortisation and impairment of value of business acquired

Value of business acquired is amortised to the statement of comprehensive income on a straight-line basis over the expected life of the intangible asset, currently 25 years for Sanlam Developing Markets, 15 years for Channel Life and Sanlam Private Investments UK and 10 years for MCIS Insurance, the major businesses to which value of business acquired relates to. For impairment testing purposes, the value of business acquired is allocated to cash-generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount has been determined based on the various businesses' contribution to Group Equity Value, less the related net asset value. Refer to page 118 for an analysis of Group Equity Value. There were no impairments of value of business acquired during the year.

R million	2014	2013
5. Deferred acquisition costs		
Balance at beginning of the year	2 976	2 717
Credited to the statement of comprehensive income	305	259
Acquisition costs capitalised	716	598
Expensed for the year	(411)	(339)
Balance at end of the year	3 281	2 976

	R million	2014	2013
6.	**Long-term reinsurance assets**		
	Balance at beginning of the year	**796**	746
	Movement in reinsurers' share of insurance liabilities	**145**	50
	Balance at end of year	**941**	796
	Maturity analysis of long-term reinsurance assets		
	Due within one year	**63**	17
	Due within two to five years	**171**	167
	Due after more than five years	**689**	612
	Open ended	**18**	—
	Total long-term reinsurance assets	**941**	796
	Amounts due from reinsurers in respect of claims incurred by the Group that are reinsured, are included in trade and other receivables (refer to note 10).		
7.	**Investments**		
7.1	**Properties**		
	Properties comprise:		
	Office buildings	**3 661**	3 083
	Retail buildings	**2 760**	2 511
	Industrial buildings	**584**	567
	Undeveloped land	**21**	28
	International properties (situated outside South Africa)	**2 977**	2 753
	Other	**330**	240
	Total properties	**10 333**	9 182
	Less: Straight-line rental adjustment	**(214)**	(242)
	Total investment properties	**10 119**	8 940

R million	Note	2014	2013
7. Investments (continued)			
7.1 Properties (continued)			
Reconciliation of carrying amount of properties			
Properties – balance at beginning of the year		9 182	10 027
Additions		718	721
Disposals		(301)	(2 348)
Other movements		—	(2)
Acquired through business combinations		304	—
Foreign currency translation differences		138	524
Investment surpluses		181	260
Transfers from owner-occupied properties		111	—
Properties – balance at end of the year		10 333	9 182
Reconciliation of straight-line rental adjustment			
Straight-line rental adjustment – balance at beginning of the year		242	367
Disposals		(7)	(28)
Movement for the year included in the statement of comprehensive income		(21)	(97)
Straight-line rental adjustment – balance at end of the year		214	242
Contractual future minimum lease payments receivable under non-cancellable operating leases:			
Within one year		694	641
Within two to five years		1 923	1 501
After more than five years		643	791
Future minimum lease payments		3 260	2 933
7.2 Equity-accounted investments			
Investments in associated companies	7.2.1	10 951	8 953
Shriram Capital		4 664	3 191
Shriram Transport Finance Company		984	1 406
Letshego		1 523	1 376
Pacific & Orient		1 005	968
Capricorn Investment Holdings		844	780
Other associated companies		1 931	1 232
Investments in joint ventures	7.2.2	944	827
Sanlam Personal Loans		626	542
Other joint ventures		318	285
Total equity-accounted investments		11 895	9 780

R million	Shriram Capital[1] 2014	Shriram Capital[1] 2013	Shriram Transport Finance Company[1] 2014	Shriram Transport Finance Company[1] 2013
7. Investments (continued)				
7.2 Equity-accounted investments (continued)				
7.2.1 Investments in associated companies				
Details of material associated companies:				
Carrying value of interest – equity method	**4 664**	3 191	**984**	1 406
Fair value of interest – based on internal valuation	**4 992**	3 078	**1 078**	1 297
Fair value of interest – based on quoted prices for listed businesses	**6 582**	3 102	**1 371**	1 284
Effective interest in issued share capital – shareholders' fund[2]	**26%**	26%	**3%**	5%
Summarised financial information:				
Non-current assets	**24 722**	18 638	**54 633**	42 817
Current assets	**5 659**	3 764	**50 541**	48 823
Non-current liabilities	**(3 245)**	(2 576)	**(56 243)**	(43 860)
Current liabilities	**(8 670)**	(6 843)	**(32 247)**	(34 084)
Non-controlling interest	**(6 851)**	(4 092)	**—**	—
Shareholders' equity	**11 615**	8 891	**16 684**	13 696
	4 664	3 191	**984**	1 406
Calculated carrying value	**4 283**	2 947	**497**	681
Goodwill recognised in the carrying value of associate	**381**	244	**487**	725
Revenue	**5 588**	4 096	**15 998**	13 322
Post-tax profit/(loss) from continuing operations	**1 653**	1 413	**2 307**	2 440
Total comprehensive income	**1 653**	1 413	**2 307**	2 440

[1] *Shriram Capital was acquired with an effective date of 1 October 2012, with its business operations (credit, life and general insurance) mainly in India. Earnings for 2014 have been accounted for the period 1 October 2013 to 30 September 2014. The Group also holds a 2,98% direct interest in Shriram Transport Finance Company (associated company of Shriram Capital).*

[2] *The effective interest relates to the holding in Shriram Capital through Shriram Financial Ventures (Chennai) Limited. The Group has a 36,85% interest in Shriram Finance Ventures (Chennai) Limited.*

R million	Letshego[3] 2014	2013
7. Investments (continued)		
7.2 Equity-accounted investments (continued)		
7.2.1 Investments in associated companies (continued)		
Carrying value of interest – equity method	**1 523**	1 376
Fair value of interest – based on internal valuation	**1 650**	1 286
Fair value of interest – based on quoted prices for listed businesses	**1 661**	1 421
Interest in issued share capital – shareholders' fund	**23%**	23%
Summarised financial information:		
Non-current assets	**181**	146
Current assets	**7 205**	5 946
Non-current liabilities	**(1 946)**	(1 505)
Current liabilities	**(510)**	(371)
Non-controlling interest	**(184)**	(113)
Shareholders' equity	**4 746**	4 103
	1 523	1 376
Calculated carrying value	**1 104**	960
Goodwill recognised in the carrying value of associate	**419**	416
Dividends received	**67**	41
Revenue	**1 636**	1 293
Post-tax profit/(loss) from continuing operations	**802**	719
Total comprehensive income	**802**	719

[3] *The Group has an effective 23% interest in Letshego, a listed retail credit business in Botswana.*

R million	Pacific & Orient[4] 2014	2013	Capricorn Investment Holdings[5] 2014	2013
7. Investments (continued)				
7.2 Equity-accounted investments (continued)				
7.2.1 Investments in associated companies (continued)				
Carrying value of interest – equity method	**1 005**	968	**844**	780
Fair value of interest – based on internal valuation	**1 105**	956	**861**	764
Fair value of interest – based on quoted prices for listed businesses	**—**	—	**949**	751
Interest in issued share capital – shareholders' fund	**49%**	49%	**23%**	22%
Summarised financial information:				
Non-current assets	**3 377**	2 671	**26 804**	22 723
Current assets	**279**	291	**4 523**	4 420
Non-current liabilities	**—**	—	**(4 741)**	(4 322)
Current liabilities	**(2 761)**	(2 105)	**(22 577)**	(19 305)
Non-controlling interest	**—**	—	**(1 621)**	(1 354)
Shareholders' equity	**895**	857	**2 388**	2 162
	1 005	968	**844**	780
Calculated carrying value	**439**	420	**546**	482
Goodwill recognised in the carrying value of associate	**566**	548	**298**	298
Dividends received	**77**	—	**—**	—
Revenue	**1 132**	727	**2 506**	1 512
Post-tax profit/(loss) from continuing operations	**198**	115	**667**	375
Other comprehensive income	**—**	—	**—**	—
Total comprehensive income	**198**	115	**667**	375

[4] *The Group acquired a 49% interest in Pacific & Orient Insurance Co Berhad, a niche general insurance business in Malaysia with an effective date of 1 May 2013.*

[5] *The Group has an effective 23% interest in Capricorn Investment Holdings, an investment company in Namibia.*

R million	2014	2013
Details of immaterial associated companies:		
Post-tax profit/(loss) from continuing operations	**521**	400
Other comprehensive income	**—**	—
Total comprehensive income	**521**	400

R million	Sanlam Personal Loans[1] 2014	2013
7. Investments (continued)		
7.2 Equity-accounted investments (continued)		
7.2.2 Investments in joint ventures		
Details of material joint ventures:		
Carrying value of interest – equity method	**626**	542
Fair value of interest – based on internal valuation	**991**	967
Effective interest in issued share capital	**70%**	70%
Class A	**70%**	70%
Class B	**0%**	0%
Summarised financial information:		
Non-current assets	**2 905**	2 629
Current assets	**972**	892
Cash and cash equivalents	**69**	39
Other current assets	**903**	853
Non-current liabilities		
Long-term borrowings	**(1 712)**	(1 549)
Current liabilities	**(1 257)**	(1 269)
Trade and other payables	**(31)**	(28)
Short-term borrowings	**(1 212)**	(1 227)
Taxation payable	**(14)**	(14)
Non-controlling interest	**3**	2
Net asset value attributable to class B shares	**(17)**	(17)
Total equity	**894**	688
	626	542
Calculated carrying value	**626**	482
Shareholders' loan	**—**	60
Revenue	**130**	129
Interest income	**845**	739
Interest expense	**(250)**	(220)
Taxation	**(93)**	(86)
Post-tax profit/(loss) from continuing operations	**205**	187
Other comprehensive income	**—**	—
Total comprehensive income	**205**	187

[1] *The Group has a 70% interest in Sanlam Personal Loans, a jointly controlled entity in the personal loan business in South Africa.*

	2014	2013
Details of individually immaterial joint ventures:		
Post-tax profit/(loss) from continuing operations	**39**	87
Other comprehensive income	**—**	—
Total comprehensive income	**39**	87

R million	2014	2013
7. Investments (continued)		
7.3 Equities		
Equities and similar securities comprise:		
Listed on the JSE – at market value	70 469	65 450
Unlisted – at directors' valuation	1 219	1 488
Offshore equity investments	6 053	4 372
Listed – at market value	5 094	3 524
Unlisted – at directors' valuation	959	848
Equities held by consolidated investment funds	105 299	94 812
Total equities and similar securities	183 040	166 122
Classification of equities and similar securities		
Designated as at fair value through profit or loss	183 029	166 097
Held for trading at fair value	11	25
Total equities and similar securities	183 040	166 122

%	2014	2013
Spread of equities listed on the JSE by sector[1]		
Basic materials	12,7	15,4
Consumer goods	17,4	16,9
Consumer services	17,6	15,1
Financials	21,0	19,5
General industrials	9,8	11,2
Information technology	0,1	0,1
Healthcare	3,1	2,2
Property	3,4	3,4
Telecommunications	9,1	10,8
Other	5,8	5,4
	100	100

[1] *Includes the appropriate underlying investments of listed subsidiaries.*

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost[1]	Total
7. Investments (continued)				
7.4 Investments other than equities and similar securities, equity-accounted investments and properties				
31 December 2014				
Interest-bearing investments	**160 520**	**—**	**1 258**	**161 778**
Government interest-bearing investments	**74 818**	**—**	**—**	**74 818**
Corporate interest-bearing investments	**81 798**	**—**	**73**	**81 871**
Other interest-bearing investments	**3 904**	**—**	**1 185**	**5 089**
Structured transactions	**11 947**	**401**	**—**	**12 348**
Investment funds	**133 552**	**—**	**—**	**133 552**
Cash, deposits and similar securities	**25 206**	**—**	**3**	**25 209**
	331 225	**401**	**1 261**	**332 887**
31 December 2013				
Interest-bearing investments	131 017	—	400	131 417
Government interest-bearing investments	60 440	—	—	60 440
Corporate interest-bearing investments	66 861	—	309	67 170
Other interest-bearing investments	3 716	—	91	3 807
Structured transactions	11 317	589	—	11 906
Investment funds	131 029	—	—	131 029
Cash, deposits and similar securities	18 108	—	6	18 114
	291 471	589	406	292 466

[1] *The estimated fair value of investments valued at amortised cost amounts to R1 261 million (2013: R406 million). These are classified as level 3 instruments and the valuation is based on discounted cash flows.*

R million	<1 year	1 – 5 years	>5 years	On demand	Total
7. Investments (continued)					
7.4 Investments other than equities and similar securities, equity-accounted investments and properties (continued)					
Maturity analysis:					
31 December 2014					
Interest-bearing investments	**16 886**	**42 079**	**73 271**	**29 542**	**161 778**
Government interest-bearing investments	**1 236**	**5 935**	**58 794**	**8 853**	**74 818**
Corporate interest-bearing investments	**15 484**	**34 278**	**12 676**	**19 433**	**81 871**
Other interest-bearing investments	**166**	**1 866**	**1 801**	**1 256**	**5 089**
Structured transactions[1]	**2 970**	**4 373**	**2 020**	**2 985**	**12 348**
Investment funds	**—**	**—**	**—**	**133 552**	**133 552**
Cash, deposits and similar securities	**11 850**	**4 884**	**364**	**8 111**	**25 209**
Total	**31 706**	**51 336**	**75 655**	**174 190**	**332 887**
31 December 2013					
Interest-bearing investments	10 474	33 677	62 027	25 239	131 417
Government interest-bearing investments	505	4 443	48 683	6 809	60 440
Corporate interest-bearing investments	9 588	27 336	11 818	18 428	67 170
Other interest-bearing investments	381	1 898	1 526	2	3 807
Structured transactions[1]	3 721	5 032	621	2 532	11 906
Investment funds	—	—	—	131 029	131 029
Cash, deposits and similar securities	11 539	2 522	280	3 773	18 114
Total investments other than equities and similar securities, equity-accounted investments and properties	25 734	41 231	62 928	162 573	292 466

The amount of change, during the period and cumulatively, in the fair value of the loans and receivables that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rates. The impact of changes in credit risk for 2014 and 2013 was not material.

7.5 Use of valuation techniques to determine fair value

Refer to note 40 for additional disclosures.

(1) *The approach to the evaluation of the maturity analysis for structured transactions were updated in the current year. Comparative information has been restated accordingly.*

R million	Income tax	Capital gains tax
8. Deferred tax		
Reconciliation of the deferred tax balances:		
Balance at 1 January 2013	414	(1 297)
Temporary differences (charged)/credited to the statement of comprehensive income	(94)	(796)
Accruals and provisions	(29)	4
Tax losses and credits	(34)	—
Net unrealised investment surpluses on shareholders' fund	20	(492)
Net unrealised investment surpluses on policyholders' fund	—	(249)
Other temporary differences	(51)	(59)
Acquisition of subsidiaries	—	4
Foreign currency translation differences	3	(15)
Balance at 31 December 2013	323	(2 104)
Temporary differences (charged)/credited to the statement of comprehensive income	**(22)**	**(182)**
Accruals and provisions	**106**	**—**
Tax losses and credits	**(36)**	**—**
Net unrealised investment surpluses on shareholders' fund	**(17)**	**(174)**
Net unrealised investment surpluses on policyholders' fund	**5**	**9**
Dividends tax	**—**	**—**
Other temporary differences	**(80)**	**(17)**
Acquisition of subsidiaries	**(123)**	**(11)**
Foreign currency translation differences	**(6)**	**(5)**
Disposal of subsidiaries	**(3)**	**—**
Balance at 31 December 2014	**169**	**(2 302)**
Analysis of deferred tax balances at 31 December 2014	**169**	**(2 302)**
Accruals and provisions	**294**	**4**
Tax losses and credits	**129**	**—**
Unrealised gains/losses on shareholders' fund	**(162)**	**(1 399)**
Unrealised gains/losses on policyholders' fund	**5**	**(821)**
Other temporary differences	**(97)**	**(86)**
Analysis of deferred tax balances at 31 December 2013	323	(2 104)
Accruals and provisions	221	4
Tax losses and credits	162	—
Unrealised gains/losses on shareholders' fund	(39)	(1 213)
Unrealised gains/losses on policyholders' fund	—	(830)
Other temporary differences	(21)	(65)

R million	2014	2013
8. Deferred tax (continued)		
Total deferred tax asset recognised	**365**	361
Total deferred tax liability recognised	**(2 498)**	(2 142)
Total net deferred tax	**(2 133)**	(1 781)
9. General insurance technical provisions		
General insurance technical provisions	**12 592**	11 032
Outstanding claims	**7 993**	7 119
Provision for unearned premiums	**4 367**	3 740
Deferred reinsurance acquisition revenue	**232**	173
Less: General insurance technical assets	**3 964**	2 716
Reinsurers' share of technical provisions		
Outstanding claims	**2 487**	1 521
Unearned premiums	**1 027**	823
Deferred acquisition cost	**450**	372
Net general insurance technical provisions	**8 628**	8 316

Analysis of movement in general insurance technical provisions

	2014			2013		
R million	Gross	Re-insurance	Net	Gross	Re-insurance	Net
Outstanding claims						
Balance at beginning of the year	**7 119**	**(1 521)**	**5 598**	6 336	(1 173)	5 163
Cash paid for claims settled in the year	**(13 630)**	**2 516**	**(11 114)**	(13 144)	1 873	(11 271)
Increase in liabilities	**14 504**	**(3 482)**	**11 022**	13 927	(2 221)	11 706
Balance at end of the year	**7 993**	**(2 487)**	**5 506**	7 119	(1 521)	5 598
Unearned premiums						
Balance at beginning of the year	**3 740**	**(823)**	**2 917**	3 394	(582)	2 812
Net increase/(release) in the period	**627**	**(204)**	**423**	346	(241)	105
Balance at end of the year	**4 367**	**(1 027)**	**3 340**	3 740	(823)	2 917

R million	2014	2013
10. Trade and other receivables		
Premiums receivable	5 491	4 857
Accrued investment income	2 814	2 344
Trading account	22 826	36 626
Amounts due from reinsurers	800	801
Accounts receivable	6 043	6 711
Total trade and other receivables	37 974	51 339
Classification of trade and other receivables:		
Held for trading at fair value	22 826	36 626
Loans and receivables at amortised cost	15 148	14 713
	37 974	51 339

Trade and other receivables, excluding trading account, are receivable within one year. The estimated fair value of receivables at amortised cost approximate the carrying value. This valuation is based on a discounted cash flow basis and is classified as level 3.

R million	2014	2013
Maturity analysis of trading account – fair value		
Due within one year	5 301	6 376
Due within two to five years	8 795	9 375
Due after five years	7 567	6 302
On demand	1 163	14 573
Total trading account	22 826	36 626
Maturity analysis of trading account – undiscounted		
Due within one year	7 920	9 152
Due within two to five years	12 113	11 036
Due after five years	14 026	13 198
On demand	1 163	14 573
Total trading account	35 222	47 959

R million		**2014**	2013
11. Share capital and premium			
Authorised share capital			
4 000 million ordinary shares of 1 cent each	R million	**40,0**	40,0
56,5 million 'A' deferred shares of 1 cent each	R million	**–**	0,6
Balance at end of the year	R million	**40,0**	40,6
Issued share capital: ordinary shares			
Total shares in issue at beginning of the year	million	**2 100,0**	2 100,0
Shares reclassified during the year	million	**66,5**	–
Total shares in issue at end of the year[1]	million	**2 166,5**	2 100,0
Shares held by subsidiaries	million	**(162,2)**	(168,9)
Balance at end of the year	million	**2 004,3**	1 931,1
% of ordinary shares held by subsidiaries		**7,5%**	8,0%
Issued share capital: 'A' deferred shares			
Total number of 'A' deferred shares in issue	million	**–**	56,5
Nominal value and share premium			
Ordinary shares	R million	**22,4**	21,7
Nominal value of 1 cent per share	R million	**21,7**	21,0
Share premium	R million	**0,7**	0,7
'A' deferred shares	R million	**–**	0,6
Total nominal value and share premium	R million	**22,4**	22,3

The contractual measurement period applying to the reclassification of the Sanlam deferred shares ended in December 2013. In terms of the contractual new business volumes formula, a total of 66,5 million deferred shares qualified for reclassification as Sanlam Limited ordinary shares. This included 10 million of the 'B' deferred shares issued to Ubuntu-Botho at 1 cent each in 2014, and together with the 56,5 million 'A' deferred shares, were reclassified as ordinary shares. This increased Sanlam Limited's issued ordinary shares to 2 166,5 million.

Special resolutions by subsidiary companies since the date of the previous directors' report relate to approval of directors' remuneration, general authority to purchase shares, general authority to provide assistance in terms of section 44 of the Companies Act, and general authority to provide assistance to inter-related companies in terms of section 45 of the Companies Act.

(1) *Refer to the Analysis of shareholders on page 163 for information on the distribution of shareholders (which has been audited).*

	Shares 2014 000's	Shares 2013 000's
11. Share capital and premium (continued)		
Executive share incentive schemes[1]		
Total number of shares at beginning of the year	**37 997**	41 536
Unrestricted shares at beginning of the year	**(1 328)**	(2 064)
Restricted shares at beginning of the year	**36 669**	39 472
New restricted shares granted in terms of restricted share and DSP schemes	**5 385**	7 016
Unconditional shares released, available for release, or taken up	**(9 427)**	(8 996)
Shares forfeited	**(895)**	(823)
Restricted shares at end of the year	**31 732**	36 669
Unrestricted shares at end of the year[3]	**1 193**	1 328
Total number of shares at end of the year	**32 925**	37 997
Total equity participation by employees	**32 925**	37 997

	2014	2013
Total equity participation by employees as a percentage of total issued ordinary shares	**1,5%**	1,8%
Approved maximum level of equity participation by employees (number of shares)	**160 000**	160 000

[1] *Refer Remuneration Report on page 182 to 211 for further details of the schemes.*
[2] *Refer to the Directors' Report on page 210 where the directors' interests in contracts and interests of directors and officers in share capital and changes in directors are disclosed (which have been audited).*
[3] *996 604 shares became unrestricted during 2014 (2013: 871 851).*

Details regarding the restricted shares outstanding on 31 December 2014 and the financial years during which they become unconditional, are as follows:

Unrestricted during year ending (subject to performance targets)	Number of shares 000's
31 December 2015	8 003
31 December 2016	12 653
31 December 2017	6 051
31 December 2018	3 409
31 December 2019	1 616

A total of 5,4 million (2013: 7,0 million) restricted shares were granted to staff and executive directors during 2014.

The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R295 million (2013: R272 million) and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period and the probability that the service and performance conditions will be met in part.

	R million	2014	2013
12.	**Other reserves**		
	Non-distributable reserves	**9 870**	9 917
	Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**9 415**	9 415
	Regulatory reserves of the Group's Botswana and Kenya operations	**455**	502
	Foreign currency translation reserve	**1 443**	907
	Consolidation reserve	**(1 890)**	(1 574)
	Policyholder fund investments in consolidated subsidiaries	**(575)**	(427)
	Policyholder fund investment in Sanlam Limited shares	**(1 315)**	(1 147)
	Total reserves other than retained earnings	**9 423**	9 250

The non-distributable reserve consists of the pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998 and the regulatory non-distributable reserves of the Group's Botswana operations of R328 million (2013: R479 million) as well as the Group's Kenya operations of R127 million (2013: R23 million).

13. Contingency reserves

Contingency reserves in respect of general insurance business of R26 million are included in shareholders' reserves (2013: R22 million).

	R million	2014	2013
14.	**Non-controlling interest**		
	Santam[(1)]	**2 174**	1 837
	Sanlam Developing Markets[(2)]	**59**	1 304
	Sanlam Emerging Markets	**2 652**	202
	Botswana Insurance Holdings Limited	**1 286**	—
	MCIS Insurance	**1 033**	—
	Other	**333**	202
	Sanlam Namibia Holdings	**207**	189
	Other	**106**	119
	Total non-controlling interest	**5 198**	3 651

For additional financial information for subsidiaries with significant non-controlling interest refer to page 349.

(1) *Includes the Santam BBBEE vehicle consolidated at a Sanlam Group Level.*
(2) *Prior year comprises mainly the Group's investment in Botswana Insurance Holdings Limited, which was sold and transferred to Sanlam Emerging Markets (Pty) Limited in 2014.*

R million	2014 Total	2014 Insurance contracts	2014 Investment contracts	2013 Total	2013 Insurance contracts	2013 Investment contracts
15. Long-term policy liabilities						
15.1 Analysis of movement in policy liabilities[1]						
Income	**114 216**	**50 909**	**63 307**	112 282	40 652	71 630
Premium income (note 15.2)	**73 031**	**31 892**	**41 139**	58 795	21 271	37 524
Investment return after tax (note 23)	**41 185**	**19 017**	**22 168**	53 487	19 381	34 106
Outflow	**(66 515)**	**(35 218)**	**(31 297)**	(67 286)	(32 429)	(34 857)
Policy benefits (note 15.3)	**(41 274)**	**(17 898)**	**(23 376)**	(36 401)	(16 344)	(20 057)
Retirement fund terminations	**(3 984)**	**—**	**(3 984)**	(6 300)	—	(6 300)
Transfer to segregated assets	**—**	**—**	**—**	(5 298)	—	(5 298)
Fees, risk premiums and other payments to shareholders' fund	**(21 257)**	**(17 320)**	**(3 937)**	(19 287)	(16 085)	(3 202)
Movement in policy loans	**(66)**	**11**	**(77)**	(39)	(14)	(25)
Net movement for the year	**47 635**	**15 702**	**31 933**	44 957	8 209	36 748
Liabilities acquired through business combinations	**12 022**	**11 937**	**85**	—	—	—
Foreign currency translation differences	**1 706**	**412**	**1 294**	8 768	1 939	6 829
Balance at beginning of the year	**382 309**	**158 575**	**223 734**	328 584	148 427	180 157
Balance at end of the year	**443 672**	**186 626**	**257 046**	382 309	158 575	223 734

R million	2014	2013
15.2 Analysis of premium income[1]		
Individual business	**49 971**	43 150
Recurring	**22 534**	19 964
Single	**25 130**	20 870
Continuations	**2 307**	2 316
Employee benefits business	**23 060**	15 645
Recurring	**7 949**	6 704
Single	**15 111**	8 941
Total premium income	**73 031**	58 795

[1] *The comparative information has been restated for the consistent presentation of reinsurance on a gross basis, causing a reallocation from premium income to fees, risk premiums and other payments to shareholders' fund.*

R million	2014	2013
15. Long-term policy liabilities (continued)		
15.3 Analysis of long-term policy benefits		
Individual business	**34 662**	30 241
Maturity benefits	**17 912**	16 246
Surrenders	**7 678**	6 395
Life and term annuities	**7 384**	6 237
Death and disability benefits[1]	**1 585**	1 231
Cash bonuses[1]	**103**	132
Employee benefits business	**6 612**	6 160
Withdrawal benefits	**3 078**	2 241
Pensions	**1 495**	1 357
Lump-sum retirement benefits	**1 330**	1 181
Taxation paid on behalf of certain retirement funds	**16**	—
Death and disability benefits[1]	**693**	1 360
Cash bonuses[1]	**—**	21
Total long-term policy benefits	**41 274**	36 401

[1] Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 23).

R million	2014	2013
15.4 Composition of policy liabilities		
Individual business	**360 755**	315 376
Linked and market-related liabilities	**242 265**	213 737
Smoothed bonus business	**63 992**	53 800
Guaranteed business	**6 822**	7 005
Annuities – guaranteed	**29 918**	27 723
Annuities – participating	**2 119**	128
Non-participating risk business	**12 591**	10 324
Other non-participating liabilities	**3 048**	2 659
Employee benefits business	**82 917**	66 933
Linked and market-related liabilities	**36 972**	33 664
Smoothed bonus business	**15 989**	14 525
Guaranteed business	**212**	167
Annuities – guaranteed	**16 204**	6 712
Annuities – participating	**7 655**	6 966
Non-participating risk business	**5 745**	4 746
Other non-participating liabilities	**140**	153
Total policy liabilities	**443 672**	382 309

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
15. Long-term policy liabilities (continued)					
15.5 Maturity analysis of investment policy contracts					
2014					
Linked and market-related liabilities	**3 686**	**30 328**	**81 333**	**117 448**	**232 795**
Smoothed bonus business	**120**	**87**	**367**	**16 309**	**16 883**
Guaranteed business	**402**	**6 347**	**5**	**212**	**6 966**
Annuities – guaranteed	**43**	**85**	**13**	**1**	**142**
Annuities – participating	**—**	**—**	**—**	**—**	**—**
Non-participating risk business	**4**	**—**	**—**	**5**	**9**
Other non-participating liabilities	**—**	**—**	**—**	**251**	**251**
Total investment policies	**4 255**	**36 847**	**81 718**	**134 226**	**257 046**
2013					
Linked and market-related liabilities	3 023	24 116	75 080	98 490	200 709
Smoothed bonus business	383	90	386	14 565	15 424
Guaranteed business	370	6 562	6	167	7 105
Annuities – guaranteed	43	85	14	—	142
Annuities – participating	—	—	—	—	—
Non-participating risk business	2	—	—	3	5
Other non-participating liabilities	—	—	—	349	349
Total investment policies	3 821	30 853	75 486	113 574	223 734

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 40 for additional fair value disclosures.

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
15.6 Maturity analysis of insurance policy contracts					
2014					
Linked and market-related liabilities	**2 532**	**10 349**	**27 658**	**5 903**	**46 442**
Smoothed bonus business	**3 822**	**16 405**	**36 825**	**6 046**	**63 098**
Guaranteed business	**8**	**27**	**27**	**6**	**68**
Annuities – guaranteed	**25**	**238**	**509**	**45 208**	**45 980**
Annuities – participating	**—**	**—**	**1 493**	**8 281**	**9 774**
Non-participating risk business	**569**	**1 351**	**3 590**	**12 817**	**18 327**
Other non-participating liabilities	**55**	**6**	**62**	**2 814**	**2 937**
Total insurance policies	**7 011**	**28 376**	**70 164**	**81 075**	**186 626**
2013					
Linked and market-related liabilities	2 325	10 570	27 563	6 234	46 692
Smoothed bonus business	2 905	12 951	30 927	6 118	52 901
Guaranteed business	9	27	28	3	67
Annuities – guaranteed	16	189	394	33 694	34 293
Annuities – participating	—	—	—	7 094	7 094
Non-participating risk business	161	1 086	2 731	11 087	15 065
Other non-participating liabilities	6	60	59	2 338	2 463
Total insurance policies	5 422	24 883	61 702	66 568	158 575

	R million	2014	2013
15.	**Long-term policy liabilities (continued)**		
15.7	**Policy liabilities include the following:**		
	Provision for HIV/Aids and other pandemics	**3 475**	3 599
	Asset mismatch reserve	**3 458**	3 926

	R million	Note	2014	2013
16.	**Term finance**			
	Term finance comprises:			
	Interest-bearing liabilities held in respect of margin business	16.1	**1 835**	2 038
	Other interest-bearing liabilities	16.2	**3 940**	4 091
			5 775	6 129
16.1	**Interest-bearing liabilities held in respect of margin business**			
	Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 6,0% and 9,3% (2013: 5,5% and 8,5%) or linked to prime interest rates. The preference shares have different redemption dates up to 2016		**1 835**	2 038
16.2	**Other interest-bearing liabilities**			
	Unsecured subordinated bond, with interest payable at 8,70% and a final maturity date of 15 August 2023. The bond has a redemption call option at its nominal value of R1 160 million, which the Group can exercise on 15 August 2018		**1 157**	1 155
	Unsecured subordinated bond, with interest payable at 9,64% and a final maturity date of 15 August 2021.The bond has a redemption call option at its nominal value of R828 million, which the Group can exercise on 15 August 2016		**850**	870
	Unsecured subordinated notes, with interest payable at between 8,6% and 9,6% with a final maturity date of 15 September 2022. The notes have a redemption call option at their nominal value of R1 000 million, which the Group can exercise on 15 September 2017		**1 024**	1 022
	Mortgage bonds over properties held in unit-linked policyholder funds. The mortgage over each property is negotiated separately, varies in term from 5 to 20 years, with interest rates linked at a premium between 2,5% and 4,5% to the Bank of England base rate		**512**	626
	Obligations towards beneficiaries of companies limited by guarantee – matched by assets held in this regard		**–**	93
	Redeemable non-voting preference shares issued by subsidiary company; redeemable in tranches up to 2017.		**347**	258
	Other		**50**	67
			3 940	4 091

R million	Notes	2014	2013
16. Term finance (continued)			
16.3 Maturity analysis of term finance – fair value			
Due within one year		**618**	691
Due within two to five years		**2 677**	2 712
Due after more than five years		**2 480**	2 726
Total term finance liabilities		**5 775**	6 129
Maturity analysis of term finance – undiscounted			
Due within one year		**716**	704
Due within two to five years		**2 848**	3 042
Due after more than five years		**3 849**	4 255
Total term finance liabilities		**7 413**	8 001
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	**3 489**	3 515
Valued at stock exchange prices		**3 031**	3 047
Based on internal valuation		**458**	468
Other financial liabilities	16.4.2	**2 286**	2 614
Total term finance liabilities		**5 775**	6 129
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss		**3 489**	3 515
Amount contractually payable at maturity		**3 081**	3 174
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		**2 286**	2 614

This valuation is based on discounted cash flows and is classified as level 3. Refer to note 40 for additional fair value disclosures.

R million	Notes	2014	2013
17. Trade and other payables			
Trading account		**22 119**	32 620
Accounts payable		**11 839**	16 305
Policy benefits payable		**3 813**	3 050
Amounts due to reinsurers		**1 062**	1 235
Bank overdrafts		**37**	23
Operating lease creditor		**37**	31
Claims incurred but not reported		**1 622**	1 535
Total trade and other payables		**40 529**	54 799
Classification of trade and other payables:			
Held for trading at fair value		**22 119**	32 620
Other payables at amortised cost		**16 751**	20 613
Non-financial instruments		**1 659**	1 566
Total trade and other payables		**40 529**	54 799

Trade and other payables, excluding trading account, are payable within one year. The estimated fair value of payables at amortised cost approximates fair value. The valuation is based on discounted cash flows and is classified as level 3.

R million	2014	2013
17. Trade and other payables (continued)		
Maturity analysis of trading account – fair value		
Due within one year	**19 137**	20 398
Due within two to five years	**1 437**	1 517
Due after five years	**993**	1 278
Open ended	**552**	9 427
Total trading account	**22 119**	32 620
Maturity analysis of trading account – undiscounted		
Due within one year	**19 176**	21 004
Due within two to five years	**1 708**	1 653
Due after five years	**1 654**	1 942
Open ended	**552**	9 427
Total	**23 090**	34 026

R million	Possible claims	Onerous contracts	Other	Total
18. Provisions				
Details of the different classes of provisions are as follows:				
Balance at 1 January 2013	250	14	132	396
Charged to the statement of comprehensive income	(127)	3	40	(84)
Additional provisions	6	3	40	49
Unused amounts reversed	(133)	—	—	(133)
Utilised during the year	—	—	(27)	(27)
Balance at 31 December 2013	**123**	**17**	**145**	**285**
Charged to the statement of comprehensive income	**1**	**–**	**27**	**28**
Additional provisions	**1**	**–**	**31**	**32**
Unused amounts reversed	**–**	**–**	**(4)**	**(4)**
Utilised during the year	**–**	**–**	**(30)**	**(30)**
Balance at 31 December 2014	**124**	**17**	**142**	**283**
Analysis of provisions				
Current	**–**	**–**	**72**	**72**
Non-current	**124**	**17**	**70**	**211**
Total provisions at 31 December 2014	**124**	**17**	**142**	**283**

18 Provisions (continued)

Possible claims

The Group provides for possible claims that may arise as a result of past events, transactions or investments. Due to the nature of the provision, the timing of the expected cash outflows is uncertain.

Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Additional information in respect of possible claims cannot be provided, due to the potential prejudice that such disclosure may confer onto the Group.

Onerous contracts

Provision is made for the full term of the contractual rental payable in respect of vacated offices where the lease term has not yet expired. A provision for related costs (e.g. electricity) is also included.

Other

Includes sundry provisions for probable outflows of resources from the Group arising from past events. The timing of settlement cannot reasonably be determined.

R million	2014	2013
19. Financial services income		
Analysis per revenue source		
Long-term insurance	**22 209**	20 379
General insurance	**22 329**	20 344
Other financial services	**5 145**	4 381
Total financial services income	**49 683**	45 104
Analysis per revenue category		
Long-term insurance fee income	**22 209**	20 379
Administration services	**3 108**	3 141
Investment management fees	**720**	560
Risk benefit charges and other fee income	**18 381**	16 678
General insurance premiums	**22 329**	20 344
Premiums receivable	**22 860**	20 700
Change in unearned premium provision	**(531)**	(356)
Other financial services fees and income	**5 126**	4 323
Trading profit	**21**	57
Foreign exchange (losses)/gains	**(2)**	1
Total financial services income	**49 683**	45 104

R million	2014	2013
20. Reinsurance premiums paid		
Long-term insurance	1 355	1 422
General insurance	4 986	3 541
Premiums payable	5 105	3 741
Change in unearned premium provision	(119)	(200)
Total reinsurance premiums paid	6 341	4 963
21. Reinsurance income		
Reinsurance commission received		
Long-term insurance	6	72
General insurance	1 119	603
Total reinsurance commission received	1 125	675
Reinsurance claims received		
Long-term insurance	884	845
General insurance	3 450	2 226
Total reinsurance claims received	4 334	3 071
22. Investment return		
Investment income		
Equities and similar securities	7 691	6 785
Interest-bearing, preference shares and similar securities	13 671	11 583
Properties	996	1 214
Rental income – excluding contingent rental	1 016	1 261
Contingent rental income	127	89
Rental related expenses	(147)	(136)
Income from margin business[(1)]	133	106
Total investment income	22 491	19 688
Investment surpluses		
Financial assets designated as at fair value through profit or loss	28 171	45 847
Financial assets classified as held-for-trading	108	1 221
Investment properties	181	163
Profit on disposal of associated companies, subsidiaries and operations	431	119
Total investment surpluses	28 891	47 350
Investment return includes:		
Foreign exchange gains	3 927	6 504

(1) *Refer to note 26 for finance cost incurred in respect of margin business.*

R million	2014	2013
23. Long-term insurance and investment contract benefits		
Insurance contracts		
Underwriting policy benefits	7 371	7 099
After tax investment return attributable to insurance contract liabilities (note 15)	19 017	19 381
Total long-term insurance contract benefits	26 388	26 480
Investment contracts		
After tax investment return attributable to investment contract liabilities (note 15)	22 168	34 106
Total long-term investment contract benefits	22 168	34 106
Analysis of underwriting policy benefits		
Individual insurance	4 604	4 120
Employee benefits	2 767	2 979
Total underwriting policy benefits	7 371	7 099
24. Administration costs include:		
Directors' remuneration		
Refer to Remuneration Report on pages 182 to 211 for additional audited information on directors' remuneration.		
Auditors' remuneration		
Audit fees: statutory audit	107	98
Other services provided by:	16	17
Subsidiaries' own auditors	15	14
Other Group auditors	1	3
Total auditors' remuneration	123	115
Depreciation	210	205
Operating leases	570	513
Properties	374	330
Equipment	185	166
Other	11	17
Consultancy fees	670	692
Technical, administrative and secretarial fees	558	459
Employee benefits	7 861	6 749
Salaries and other short-term benefits	6 881	5 883
Pension costs – defined contribution plans	351	302
Pension costs – defined benefit plans	23	30
Share-based payments	433	375
Other long-term incentive schemes	173	159
Number of employees	13 982	12 953

R million	2014	2013
25. Equity-accounted earnings		
Investments in associated companies		
Shriram Capital	428	255
Shriram Transport Finance Company	101	75
Letshego	193	186
Pacific & Orient	97	46
Capricorn Investment Holdings	80	50
Other associated companies	521	400
Investments in joint ventures		
Sanlam Personal Loans	144	131
Other joint ventures	39	81
Equity-accounted earnings	**1 603**	1 224
26. Finance cost		
Interest paid and term finance cost in respect of interest margin business	105	69
Finance cost – margin business	**105**	69
Interest-bearing liabilities designated as at fair value through profit or loss	500	470
Interest-bearing liabilities held at amortised cost	17	46
Finance cost – other	**517**	516
27. Taxation		
Analysis of income tax per category		
Normal income tax	**3 330**	2 593
RSA – current year	2 133	1 918
RSA – prior year	7	(29)
Dividends tax – policyholders	115	109
Foreign	557	451
Capital gains tax	518	144
Deferred tax	**204**	890
RSA – current year	(97)	81
RSA – prior year	(7)	12
Foreign	126	1
Capital gains tax	182	796
Tax expense	**3 534**	3 483
Shareholders' fund	3 007	2 422
Policyholders' fund	527	1 061
Tax expense	**3 534**	3 483

R million	2014	2013
27. Taxation (continued)		
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:		
Included in administration costs	**317**	298
Included elsewhere in the statement of comprehensive income	**83**	75
Total indirect taxes and levies	**400**	373

Indirect taxes and levies include value added tax and statutory levies payable to the Financial Services Board.

%	2014	2013
Standard rate of taxation	**28,0**	28,0
Adjusted for:		
Non-taxable income	**(4,6)**	(3,9)
Disallowable expenses	**1,8**	1,2
Share-based payments	**(0,1)**	—
Utilisation of assessed losses	**(0,3)**	0,3
Investment surpluses	**(0,4)**	(2,9)
Foreign tax rate differential	**(0,5)**	—
Policyholders	**2,8**	6,1
Other	**(0,2)**	(1,2)
Effective tax rate	**26,5**	27,6

28. Earnings per share

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

For diluted earnings per share the weighted average number of ordinary shares is adjusted for the shares not yet issued under the Sanlam Share Incentive Scheme and treasury shares held by subsidiaries. Diluted earnings per share is calculated by dividing earnings by the adjusted diluted weighted average number of shares in issue.

Refer to page 146 for normalised earnings per share, which is based on the economic earnings attributable to the shareholders' fund, and should also be used when evaluating the Group's economic performance.

Cents	2014	2013
Basic earnings per share:		
Headline earnings	**416,5**	416,2
Profit attributable to shareholders' fund	**436,7**	419,8
Diluted earnings per share:		
Headline earnings	**411,6**	397,8
Profit attributable to shareholders' fund	**431,5**	401,2

R million	2014	2013
28. Earnings per share (continued)		
Analysis of earnings:		
Profit attributable to shareholders' fund	**8 729**	8 131
Less: Net profit on disposal of subsidiaries	**(10)**	(27)
Profit on disposal of subsidiaries	**(3)**	(49)
Tax on profit on disposal of subsidiaries	**1**	1
Non-controlling interest	**(8)**	21
Less: Net profit on disposal of associated companies	**(377)**	(63)
Profit on disposal of associated companies	**(428)**	(70)
Tax on profit on disposal of associated companies	**51**	18
Non-controlling interest	**—**	(11)
Less: Equity-accounted non-headline earnings	**(118)**	—
Plus: Impairments	**101**	21
Impairments	**140**	34
Tax on impairments	**—**	(1)
Non-controlling interest	**(39)**	(12)
Headline earnings	**8 325**	8 062

Million	2014	2013
Number of shares:		
Number of ordinary shares in issue at beginning of the year	**2 100,0**	2 100,0
Add: Shares reclassified during the year	**66,5**	—
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	**(167,6)**	(162,9)
Adjusted weighted average number of shares for basic earnings per share	**1 998,9**	1 937,1
Add: Weighted conversion of deferred shares	**—**	61,0
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	**23,9**	28,6
Adjusted weighted average number of shares for diluted earnings per share	**2 022,8**	2 026,7

29. Dividends

A dividend of 225 cents per share (2013: 200 cents per share) was declared in 2015 in respect of the 2014 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R4,9 billion, but may vary depending on the number of shares in issue on the last day to trade.

R million	2014	2013
30. Collateral		
30.1 Collateral provided		
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:		
Investments		
Properties	1 184	1 328
Interest-bearing investments	905	795
Working capital assets		
Trading account	2 648	1 368
Cash, deposits and similar securities	1 756	2 992
The transferee does not have the right to sell or repledge the assets.		
30.2 Collateral received		
The following collateral has been received in respect of securities lending activities conducted by the Group:		
Fair value of collateral accepted as security for these activities	15 690	16 916
Collateral of between 100% and 120% of the value of the loaned securities is held at 31 December 2014.		
Fair value of the collateral held that the Group is permitted to sell or repledge in the absence of default	2 714	4 703

31. Critical accounting estimates and judgements

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's assets and liabilities. Management applies judgement in determining best estimates of future experience. These judgements are based on historical experience and reasonable expectations of future events and changes in experience. Estimates and assumptions are regularly updated to reflect actual experience. It is reasonably possible that actual outcomes in future financial years may differ to the current assumptions and judgements, possibly significantly, which could require a material adjustment to the carrying amounts of the affected assets and liabilities.

The critical estimates and judgements made in applying the Group's accounting policies are summarised below. Given the correlation between assumptions, it is not possible to demonstrate the effect of changes in key assumptions while other assumptions remain unchanged. Further, in some instances the sensitivities are non-linear. Interdependencies between certain assumptions cannot be quantified and are accordingly not included in the sensitivity analyses; the primary example being the relationship between economic conditions and lapse, surrender and paid-up risk.

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variances reflected in the embedded value earnings during a period. The experience variances reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group. Refer to the embedded value of covered business on page 153 for additional information.

31.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill and value of business acquired and other intangible assets for impairment testing purposes has been determined based on the embedded value of life insurance businesses and the fair value of other businesses, as applicable, less the consolidated net asset value of the respective businesses. The embedded value (plus a value of new life insurance business multiple for goodwill) or fair value of a business therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required. Refer to pages 159 to 161 respectively for the main assumptions applied in determining the embedded value of covered business and the fair value of other Group businesses. Embedded value of covered business and fair value sensitivity analyses are provided on pages 157 and 143 respectively.

31.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services

This disclosure should be read in conjunction with the valuation methodology as described on pages 280 to 283.

The following process is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption.
- Prescribed margins are then applied as required by the Long-term Insurance Act (LTIA) in South Africa and Board Notice 14 of 2010 issued in terms of the Act.
- Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

31. Critical accounting estimates and judgements (continued)

31.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services (continued)

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. Investment return information for the most important solutions are as follows:

%	Sanlam Life		Sanlam Developing Markets		Sanlam Life Namibia		Sanlam Life and Pensions UK	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Reversionary bonus business								
Retirement annuity business	**9,8**	9,9	**n/a**	n/a	**9,8**	9,9	**n/a**	n/a
Individual policyholder business	**8,3**	8,4	**6,4**	6,3	**9,1**	9,2	**n/a**	n/a
Individual stable bonus business								
Retirement annuity business	**9,5**	9,6	**8,3**	8,1	**9,5**	9,6	**n/a**	n/a
Individual policyholder business	**8,0**	8,1	**6,4**	6,3	**8,8**	8,9	**n/a**	n/a
Non-taxable business	**9,5**	9,6	**n/a**	n/a	**9,5**	9,6	**n/a**	n/a
Corporate policyholder business	**7,5**	7,6	**n/a**	n/a	**8,8**	8,9	**n/a**	n/a
Individual market-related business								
Retirement annuity business	**9,8**	9,9	**8,3**	8,1	**9,8**	9,9	**2,1**	3,2
Individual policyholder business	**8,3**	8,4	**6,4**	6,3	**9,1**	9,2	**1,7**	2,6
Non-taxable business	**9,8**	9,9	**n/a**	n/a	**9,8**	9,9	**n/a**	n/a
Corporate policyholder business	**7,8**	7,9	**n/a**	n/a	**9,1**	9,2	**n/a**	n/a
Participating annuity business	**8,0**	8,1	**n/a**	n/a	**7,8**	7,9	**n/a**	n/a
Non-participating annuity business*	**8,6**	8,9	**8,5**	9,6	**8,7**	7,9	**2,6**	3,7
Guarantee plans*	**6,5**	6,4	**6,0**	7,5	**n/a**	n/a	**n/a**	n/a

** The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same policy liabilities as calculated using the yield curve applied in the valuation.*

Future bonus rates for participating business

Assumed future bonus rates are determined to be consistent with the valuation implicit rate assumptions.

Decrements

Assumptions with regard to future mortality, disability and disability payment termination rates and lapse, surrender and paid-up rates are consistent with the experience for the 4,5 years up to 30 June 2014. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Assumptions with regard to future surrender and lapse rates are based on the experience for the 4,75 years ending 30 September 2014.

Expenses

Unit expenses are based on the 2014 actual figures and escalated at estimated expense inflation rates per annum. Refer to note 1 on page 157 for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

31. Critical accounting estimates and judgements (continued)

31.3 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2013: 10%) from management's estimates, no impairment of the DAC asset would be required.

31.4 The ultimate liability arising from claims under general insurance contracts

The estimation of the ultimate liability arising from claims under short-term insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining its general insurance risk monitoring and management tools to enable the Group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the Group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to the Capital and Risk Management Report on page 257 for further information on the estimation of the claims liability.

31.5 Valuation of unlisted investments

The valuation of unlisted investments is based on generally accepted and applied investment techniques, but is subject to judgement in respect of the adjustments made by the Group to allow for perceived risks. The appropriateness of the valuations is continuously tested through the Group's approval framework, in terms of which the valuation of unlisted investments is reviewed and recommended for approval by the Audit, Actuarial and Finance committee and Board by the Sanlam Non-listed Asset Controlling Body at each reporting period. Refer to note 40 for additional information.

In December 2014 the President of India promulgated an insurance ordinance in order to lift the foreign investment cap on Indian insurance companies from 26% to 49%. The Sanlam Group has contractual options to increase its stake in the life and general insurance businesses of the Shriram Capital Group. Pending the finalisation of further related legislation and regulations, significant uncertainty still existed over year-end about the manner in which to execute such transactions, as well as in terms of the values at which such transactions will be approved. It was therefore not possible to estimate with sufficient certainty the probabilities attached to the wide range of possible outcomes and as a result, no values were placed on these options for purposes of 2014 reporting.

31.6 Consolidation of investment funds

The Group invests in a number of investment funds and has varying holdings. In terms of IFRS 10, the Group considers itself to have control of a fund when it both owns the asset manager of the fund and holds greater than 20% thereof.

32. Retirement benefits for employees

The Sanlam Group provides for the retirement and medical benefits of full-time employees and for certain part-time employees by means of defined benefit and defined contribution pension and provident funds.

At 31 December 2014, 99% of employees were covered by defined contribution funds and 1% by defined benefit funds (2013: 98% and 2% respectively).

32.1 Defined contribution funds

There are separate defined contribution funds for advisers, full-time and part-time office staff. The Sanlam Group contributed R351 million to these funds during 2014 (2013: R302 million).

32.2 Defined-benefit pension funds

The Sanlam Group has three defined-benefit pension funds. These funds relate to:

- Sanlam office personnel;
- Sanlam Investments and Pensions office personnel; and
- Sanlam Developing Markets defined benefit fund SA.

32. Retirement benefits for employees (continued)

32.2 Defined-benefit pension funds (continued)

The majority of the Group's defined benefit obligation is made up of the Sanlam Life Fund. This defined benefit fund is governed by the Pension Funds Act. Plan participants are insured against the financial consequences of old age, disability and death. According to the Act the minimum benefit of a defined benefit fund is the greater of the present value of the member's accrued deferred pension and accumulated value of member contributions and vested employer contributions on the date of withdrawal.

The Registrar of Pension Funds has indicated that a fund will be considered to be financially unsound when an actuarial valuation reveals that the value of the existing assets is less than the value of accrued liabilities. The accrued liabilities are the liabilities in respect of past service benefits of active members and the pension benefits of the inactive members. Adequate allowance for future salary increases for active members and allowance for pension increases in line with the fund's pension increase policy are required to ensure that the fund is always financially sound.

A board of Trustees oversees the affairs of the defined benefit fund as required by the Pension Funds Act. The responsibilities of the Trustees are defined in the Act and the Fund rules. An actuarial report on the fund is prepared annually and approved by the Registrar of Pension Funds. Other funds are managed in a similar manner.

There are no significant risks the entity is exposed to due to the plan, there are ample reserves to cover shortfalls. The plan has also used some of its reserves for a dynamic hedging strategy. The dynamic hedging investment strategy in respect of the pensioner liabilities at 1 April 2011 was implemented with the purpose of optimising pension growth and the Trustees on advice of the valuator have approved a number of contingency reserve accounts to protect the Pension Fund against specific contingencies. The plan assets are also well diversified. The funding level of the fund is 121,0% (previous year 118,0%). There are no statutory minimum funding level requirements.

During the year ended 31 December 2014 all active members of the Sanlam Office Personnel Fund were transferred to the defined contribution fund.

The fund is closed to new entrants and was regarded as financially sound at the end of the financial year.

A fund surplus of R144 million has been recognised as a result of a portion of the surplus being allocated to Sanlam Life.

Principal actuarial assumptions:		**Sanlam office personnel**	**Sanlam Investments and Pensions**	**Sanlam Developing Markets SA**
2014				
Valuation date		**31 Dec 2014**	**31 Dec 2014**	**31 Dec 2014**
Pre-retirement discount rate	% pa	**8,5%**	**3,7%**	**8,7%**
Post-retirement discount rate	% pa	**1,7%**	**3,7%**	**3,1%**
Future salary increases	% pa	**—**	**—**	**6,3%**
Future pension increases	% pa	**6,8%**	**3,0%**	**5,5%**
Actual experience:				
Actual return on assets	% pa	**10,3%**	**13,3%**	**11,8%**
2013				
Valuation date		31 Dec 2013	31 Dec 2013	31 Dec 2013
Pre-retirement discount rate	% pa	9,0%	4,5%	9,0%
Post-retirement discount rate	% pa	1,5%	4,5%	9,0%
Future salary increases	% pa	7,9%	0%	6,5%
Future pension increases	% pa	6,9%	3,3%	5,0%
Actual experience:				
Actual return on assets	% pa	9,5%	6,0%	21,8%

32. Retirement benefits for employees (continued)

32.2 Defined benefit pension funds (continued)

Based on reasonable actuarial assumptions about future experience, the employers' contribution, as a fairly constant percentage of the remuneration of the members of the funds, should be sufficient to meet the promised benefits of the funds. The expected return on defined benefit fund assets is calculated based on the long-term asset mix of these funds. The fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

R million	2014	2013	2012	2011	2010
Net liability recognised in statement of financial position:					
Present value of fund obligations	**1 602**	1 886	1 760	1 760	1 508
Actuarial value of fund assets	**(1 932)**	(2 234)	(2 006)	(1 771)	(1 678)
Net present value of funded obligations	**(330)**	(348)	(246)	(11)	(170)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**186**	348	246	11	170
Net asset recognised in statement of financial position	**(144)**	—	—	—	—
Experience adjustments on:					
Fund obligations	**2,2%**	1,0%	2,1%	0,3%	(0,8%)
Fund assets	**1,8%**	1,3%	6,0%	0,6%	1,8%

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2014				
Balance at beginning of the year	**2 234**	**(1 886)**	**(348)**	**—**
Current service cost	**—**	**(15)**	**—**	**(15)**
Contributions	**24**	**—**	**—**	**24**
Employee	**1**	**—**	**—**	**1**
Employer	**23**	**—**	**—**	**23**
Benefit payments	**(112)**	**116**	**—**	**4**
Transfers	**(488)**	**488**	**—**	**—**
Interest income/(expense)	**163**	**(143)**	**(31)**	**(11)**
Actuarial gains and losses: change in financial assumptions	**—**	**(139)**	**—**	**(139)**
Returns from plan assets (excluding amounts included in interest)	**74**	**—**	**—**	**74**
Foreign exchange gains and (losses)	**34**	**(23)**	**—**	**11**
Effect of limiting defined benefit asset to amount available to employer	**—**	**—**	**193**	**193**
Other	**3**	**—**	**—**	**3**
Balance at end of the year	**1 932**	**(1 602)**	**(186)**	**144**

32. Retirement benefits for employees (continued)

32.2 Defined-benefit pension funds (continued)

R million	Fund assets	Fund liabilities	Asset ceiling	Net asset/ (liability)
2013				
Balance at beginning of the year	2 006	(1 760)	(246)	—
Current service cost	—	(29)	—	(29)
Past service cost	—	—	—	—
Contributions	30	—	—	30
Employee	4	—	—	4
Employer	26	—	—	26
Benefit payments	(114)	112	—	(2)
Interest income/(expense)	151	(130)	(19)	2
Actuarial gains and losses: change in financial assumptions	—	43	—	43
Returns from plan assets (excluding amounts included in interest)	40	—	—	40
Foreign exchange losses	124	(122)	—	2
Effect of limiting defined benefit asset to amount available to employer	—	—	(83)	(83)
Other	(3)	—	—	(3)
Balance at end of the year	2 234	(1 886)	(348)	—

	2014 R million	2013 R million	**2014 %**	2013 %
Fund assets comprise:				
Properties	**7**	13	**—**	1
Equities and similar securities	**718**	664	**37**	23
Interest-bearing investments	**828**	949	**43**	35
Cash, deposits and similar securities	**379**	608	**20**	41
	1 932	2 234	**100**	100

The above value of fund assets includes an investment of Rnil (2013: R5,4 million) in Sanlam shares.

No material portion of these assets is unquoted.

32. Retirement benefits for employees (continued)

32.2 Defined-benefit pension funds (continued)

R million	2014	2013
Net expense recognised in the statement of comprehensive income (included in administration costs):		
Interest	11	(2)
Current service cost	15	29
Other	(3)	3
Total included in staff costs	23	30
The following discounted benefits are expected payments to be made in future years out of the defined benefit plan:		
< 1 year	(144)	(170)
1 – 5 years	(481)	(622)
> 5 years	(977)	(1 094)
Total expected payments	(1 602)	(1 886)

Sensitivity analysis for significant assumptions as at 31 December 2014:

	% Change in assumed actuarial assumptions	
	1,0% increase	1,0% decrease
Sensitivity analysis		
Effect of movement in rate of return	(103)	120
Total defined benefit obligation for post-retirement benefits	(1 705)	(1 482)

The sensitivity analysis above has been determined by varying the investment return actuarial assumptions.

The assumptions made when preparing the sensitivity analysis have been grouped into two scenarios. In scenario one the base investment return (affecting the pre- and post-retirement discount rate and expected rate of return) has been decreased by 1% and in scenario two the base investment return has been increased by 1%.

32.3 Medical aid funds

The actuarially determined present value of medical aid obligations for disabled members and certain pensioners is fully provided for at year-end and is considered to be immaterial. The Group has no further unprovided post-retirement medical aid obligations for current or retired employees.

33. Borrowing powers

In terms of the Memorandum of Incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the Company without limitation.

Material borrowings of the Sanlam Group are disclosed in note 16.

R million	2014	2013
34. Commitments and contingencies		
34.1 Operating leases		
Future operating lease commitments:		
Lease rentals due within one year	523	462
Lease rentals due within two to five years	891	700
Lease rentals due within more than five years	347	142
Total operating lease commitments	1 761	1 304

34.2 Guarantees provided in favour of Sanlam Capital Markets (SCM) and others

Sanlam has guaranteed obligations that may arise under SCM's unlisted commercial paper programme and its JSE structured note programme, as well as SCM's obligations arising from transactions with approved, specified counterparties through direct guarantees. The total limit for the unlisted commercial paper programme is R15 billion and the direct guarantees are subject to an overall R9,5 billion guarantee utilisation limit in terms of the Group governance processes. The total utilisation of the guarantee can be increased to R11 billion, subject to SCM providing acceptable collateral. At 31 December 2014 the value of unlisted commercial paper issued by SCM amounted to R9,0 billion (2013: R10,4 billion). The JSE listed structured notes programme was discontinued during 2014 (2013: R53 million).

Sanlam has also issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the Group.

34.3 Other

Financial claims are lodged against the Group from time to time. Provisions are recognised for claims based on best estimates of the expected outcome of the claims (refer to note 18). Given the high degree of uncertainty involved in determining the expected outcome, it is reasonably possible that outcomes in future financial years will be different to the current estimates. There are no material commitments or contingencies that have not been provided for or fully disclosed, unless additional disclosures may potentially prejudice the legal arguments of the Group.

35. Related parties

35.1 Major shareholders

Sanlam Limited is the ultimate holding company in the Group.

By virtue of its shareholding in Sanlam Limited, Ubuntu-Botho Investments is considered to be a related party to the Group. Apart from Ubuntu-Botho Investments' role as the Group's broad-based black economic empowerment partner and obtaining new business for the Group, the Group does not enter into transactions with Ubuntu-Botho Investments in the normal course of business.

No other Sanlam shareholders have a significant influence and thus no other shareholder is a related party. The shares are widely held by public and non-public shareholders.

Details of transactions between the policyholders' and shareholders' funds of the Sanlam Group are disclosed in note 15.

The shareholder spread is presented on page 163.

35. Related parties (continued)

35.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R375 million in 2014 (2013: R332 million). There are no amounts outstanding at year-end.

35.3 Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the Company. All directors of Sanlam Limited have notified that they did not have a material interest in any contract of significance with the Company or any of its subsidiaries, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments are included in note 24 and their shareholdings and share participation in the Company are disclosed as part of the Remuneration Report elsewhere in the annual report.

35.4 Transactions with entities in the Group

During the year the Company and its subsidiaries, in the ordinary course of business, entered into various transactions with other Group companies, associated companies, joint ventures and other stakeholders. These transactions occurred at arm's length.

The Company advanced, repaid and received loans from other entities in the Group during the current and previous years. These loans have been eliminated on consolidation.

The Group provides financing for the loans granted to Sanlam Personal Loans. Most of these loans earn interest of the asset swap rate plus a premium of between 1,48% and 2,75%, and will mature in tranches up to 31 December 2015 (refer Capital and Risk Management Report).

35.5 Policy administration

Certain companies in the Group carry out third-party policy and other administration activities for other related parties in the Group. These transactions are entered into in the normal course of business.

R million	**2014**	2013
35.6 Key management personnel compensation		
Compensation paid to the Group's key management personnel is as follows:		
Short-term employee benefits	**358**	339
Share-based payments	**179**	165
Termination benefits	**1**	5
Other long-term benefits and incentive schemes	**34**	71
Total key management personnel compensation	**572**	580

35.7 Other transactions with key management personnel

An entity indirectly related to a Group executive committee member invested an amount of US$6,2 million in a financial instrument issued by a subsidiary of the Group. The terms of the instrument entitle the holder thereof to dividends and include rights for the redemption of the instrument at the original subscription amount. No payments have been made in respect of the instrument since issuance. The subscription price for the instrument was determined at fair value on an arm's-length basis.

R million	2014	2013
36. Notes to the cash flow statement		
36.1 Cash generated/(utilised) in operations		
Profit before tax per statement of comprehensive income	**13 329**	12 617
Net movement in policy liabilities (note 15.1)	**49 341**	53 725
Non-cash flow items	**(29 438)**	(47 313)
Depreciation	**210**	205
Bad debts written off	**33**	384
Share-based payments	**433**	375
Profit/(loss) on disposal of subsidiaries and associates	**(431)**	(119)
Fair value adjustments	**(28 460)**	(47 231)
Impairment of investments and goodwill	**140**	34
Amortisation of intangibles	**240**	263
Equity-accounted earnings	**(1 603)**	(1 224)
Items excluded from cash utilised in operations	**(20 873)**	(17 889)
Interest and preference share dividends received	**(13 804)**	(11 689)
Interest paid	**622**	585
Dividends received	**(7 691)**	(6 785)
Net purchase of fixed assets	**(301)**	(329)
Net purchase of owner-occupied properties	**(55)**	(7)
Increase in net working capital assets and liabilities	**11 288**	(499)
Cash generated/(utilised) in operations	**23 291**	305
36.2 Acquisition of subsidiaries and associated companies		
During the year, various interests in subsidiaries were acquired within the Group.		
Investment in associated companies	**(338)**	(2 604)
The fair value of assets acquired via business combinations is as follows:		
Equipment	**(42)**	—
Owner-occupied property	**(477)**	—
Value of business acquired	**(641)**	—
Investments	**(12 850)**	—
Long-term reinsurance assets	**(11)**	—
Trade and other receivables	**(409)**	(48)
General insurance technical assets	**(12)**	—
Cash, deposits and similar securities	**(959)**	(18)
Deferred tax liabilities	**140**	—
Deferred tax assets	**(6)**	(4)
Long-term policy liabilities	**12 022**	—
Working capital liabilities	**641**	52
Non-controlling interest	**1 161**	1
General insurance technical provisions	**169**	—
Other intangible assets	**(58)**	(22)
Goodwill	**(263)**	(296)
Total purchase consideration	**(1 933)**	(2 939)
Less: Net asset value contributed	**6**	8
Cash, deposits and similar securities acquired	**959**	18
Cash component of acquisition of subsidiaries	**(968)**	(2 913)

R million	2014	2013
36. Notes to the cash flow statement (continued)		
36.3 Disposal of subsidiaries and associated companies		
During 2014, the Group disposed of its investment in Intrinsic and other immaterial subsidiaries		
Investments	**74**	15
Trade and other receivables	**22**	4
Cash, deposits and similar securities	**10**	—
Term finance	**(32)**	—
Deferred tax assets	**3**	—
Working capital liabilities	**(22)**	(10)
Non-controlling interest	**(3)**	—
Investment in associated company	**602**	364
Profit on disposal of subsidiaries and associates	**431**	119
Total disposal price	**1 085**	492
Less: Cash, deposits and similar securities disposed of	**(10)**	—
Cash component of disposal of subsidiaries and associated companies	**1 075**	492
36.4 Cash, deposits and similar securities		
Working capital: Cash, deposits and similar securities	**16 259**	18 400
Investment cash	**25 209**	18 114
Bank overdrafts	**(37)**	(23)
Total cash, deposits and similar securities	**41 431**	36 491

37. Business combinations

37.1 Material acquisitions of the Group consolidated in the 2014 financial year

During May 2014 the Group acquired a 51% interest in MCIS Insurance, a life and general insurance provider in Malaysia. The acquisition is in line with Sanlam's strategy to pursue value accretive growth opportunities in the South-East Asia region. The excess amount paid over fair value of net assets is recognised as goodwill. Non-controlling interests are measured at the proportional share of the acquiree's identifiable net assets.

The goodwill arising from the acquisition relates to synergies between the interest acquired and existing Sanlam Group businesses. None of the goodwill recognised is expected to be deductible for income tax purposes.

Details of the assets acquired and liabilities assumed are as follows:

R million	Fair value recognised on acquisition
Assets	
Equipment	23
Owner-occupied properties	319
Value of business acquired	641
Other intangible assets	41
Long-term reinsurance assets	9
Investment properties	34
Equities and similar securities	1 093
Interest-bearing investments	11 110
Investment funds	416
Cash, deposits and similar securities	801
Assets of disposal group held for sale	1 457
Trade and other receivables	247
Total identifiable assets	16 191
Liabilities	
Long-term policy liabilities	(11 930)
Deferred tax liability	(99)
Liabilities of disposal group held for sale	(1 457)
Trade and other payables	(584)
Taxation	(2)
Total identifiable liabilities	(14 072)
Total identifiable net assets	2 119
Non-controlling interest	(1 038)
Goodwill arising on acquisition	177
Purchase consideration	1 258

The fair value and gross amount of the trade receivables amounts to R247 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From the date of acquisition, MCIS Insurance has contributed R376 million to financial services income and R71 million to the profit before tax of the Group. If the business combination had taken place at the beginning of the year, financial services income of the Group would have increased by R356 million and profit before tax by R62 million.

37. Business combinations (continued)

37.2 Material acquisitions of the Group consolidated in the 2013 financial year

There were no material business combinations during the 2013 financial year.

The contribution to profit and revenue for 2013 is not material.

38. Disposal groups held for sale

MCIS Insurance

When Sanlam Emerging Markets (SEM) acquired MCIS Insurance, it was agreed that the company may sell and transfer, on a going concern basis, the general insurance business to a third party of MCIS's choice. This was contained in the shareholders' agreement between MCIS Insurance and SEM. The directors anticipate that this sale will take place and be complete within the next 12 months.

Cardrow Insurance Limited

During 2013, the investment held by Santam International in Cardrow Insurance Limited (previously Westminster Motor Insurance Agency Limited (WMIA)) and the deferred payments previously included under receivables, were classified as held for sale. The holdings in WMIA were sold in 2008 and Santam International only retained deferred payments relating to the sale contracts and Santam UK Limited. Santam Limited is in the process of realising the deferred payment assets which is still subject to regulatory approval.

R million	2014	2013
38.1 Assets of disposal groups classified as held for sale		
Equities and similar securities	**307**	299
Trade and other receivables	**120**	116
General insurance assets classified as held for sale	**1 466**	—
	1 893	415
38.2 Liabilities of disposal groups classified as held for sale		
General insurance liabilities classified as held for sale	**1 466**	—

R million	2014	2013
39. Impairments		
Impairment of goodwill	**97**	5
Santam businesses	**69**	5
Botswana Insurance Holdings Limited	**25**	—
Other	**3**	—
Impairment of investments	**43**	29
Investment management: International	**18**	3
MicroEnsure	**25**	—
Santam businesses	**—**	26
Total impairment of investments and goodwill for the year	**140**	34

Refer to note 3 and note 4 on page 290 and page 291 for additional information.

40. Fair value disclosures

Determination of fair value and fair value hierarchy

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

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

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

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

	R million	Level 1	Level 2	Level 3	Total
40.	**Fair value disclosures (continued)**				
	Recurring fair value measurements				
	31 December 2014				
	Properties	—	—	10 333	10 333
	Equities and similar securities	180 185	2 460	395	183 040
	Interest-bearing investments	107 061	53 063	396	160 520
	Structured transactions	4 653	7 695	—	12 348
	Investment funds	114 691	18 409	452	133 552
	Trading account assets	7 522	15 304	—	22 826
	Cash deposits and similar securities	20 053	5 153	—	25 206
	Total assets at fair value	434 165	102 084	11 576	547 825
	Investment contract liabilities	—	254 494	2 552	257 046
	Term finance	3 031	111	347	3 489
	Term finance valued at stock exchange prices	3 031	—	—	3 031
	Term finance based on internal valuation	—	111	347	458
	Structured transactions liabilities	—	766	—	766
	Trading account liabilities	1 008	21 111	—	22 119
	External investors in consolidated funds	49 476	149	—	49 625
	Total liabilities at fair value	53 515	276 631	2 899	333 045
	31 December 2013				
	Properties	—	1 955	7 227	9 182
	Equities and similar securities	162 861	1 948	1 313	166 122
	Interest-bearing investments	100 900	29 723	394	131 017
	Structured transactions	3 161	8 745	—	11 906
	Investment funds	115 828	14 742	459	131 029
	Trading account assets	3 021	33 605	—	36 626
	Cash deposits and similar securities	13 614	4 494	—	18 108
	Total assets at fair value	399 385	95 212	9 393	503 990
	Investment contract liabilities	—	222 967	767	223 734
	Term finance	3 047	209	259	3 515
	Term finance valued at stock exchange prices	3 047	—	—	3 047
	Term finance based on internal valuation	—	209	259	468
	Structured transactions liabilities	—	1 184	203	1 387
	Trading account liabilities	2 265	30 355	—	32 620
	External investors in consolidated funds	54 540	1 170	—	55 710
	Total liabilities at fair value	59 852	255 885	1 229	316 966

40. Fair value disclosures (continued)

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

R million	Properties	Equities and similar securities	Interest-bearing invest-ments	Struc-tured trans-actions	Invest-ment funds	Cash, deposits and similar securities	Total assets
Assets							
31 December 2014							
Balance at 1 January 2014	**7 227**	**1 313**	**394**	**–**	**459**	**–**	**9 393**
Total gain/(loss) in statement of comprehensive income	**181**	**82**	**34**	**2**	**50**	**–**	**349**
Acquisitions	**1 022**	**130**	**13**	**–**	**–**	**–**	**1 165**
Disposals	**(301)**	**(1 133)**	**(51)**	**(2)**	**(57)**	**–**	**(1 544)**
Foreign exchange movements	**138**	**3**	**6**	**–**	**–**	**–**	**147**
Transfers from owner occupied property	**111**	**–**	**–**	**–**	**–**	**–**	**111**
Transfers from level 2							
Significant – transfer in[1]	**1 955**	**–**	**–**	**–**	**–**	**–**	**1 955**
Balance at 31 December 2014	**10 333**	**395**	**396**	**–**	**452**	**–**	**11 576**
31 December 2013							
Balance at 1 January 2013	–	1 881	163	122	353	2	2 521
Adjustment due to IFRS 13	8 419	–	–	–	–	–	8 419
Total gain/(loss) in statement of comprehensive income	440	1 191	92	6	6	–	1 735
Acquisitions	501	222	–	–	56	–	779
Issues	–	–	160	–	–	–	160
Disposals	(2 227)	(1 985)	(34)	(128)	(11)	(2)	(4 387)
Foreign exchange movements	112	4	26	–	–	–	142
Settlements	–	–	(13)	–	–	–	(13)
Transfers from level 1 and level 2							
Not significant (net in/out)	(18)	–	–	–	55	–	37
Balance at 31 December 2013	7 227	1 313	394	–	459	–	9 393

[1] *In the valuations previously performed on these investments, insignificant adjustments were made to the rates used to discount future cash flows. The valuation methodology has been revisited and additional unobservable inputs are included, changing the classification.*

40. Fair value disclosures (continued)

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

R million	Investment contract liabilities[1]	Term finance	Structured transactions liabilities	Total liabilities
Liabilities				
31 December 2014				
Balance at 1 January 2014	**767**	**259**	**203**	**1 229**
Total (gain)/loss in statement of comprehensive income	**82**	**59**	**94**	**235**
Acquisitions	**195**	**—**	**—**	**195**
Disposals	**(505)**	**—**	**(297)**	**(802)**
Foreign exchange movements	**29**	**29**	**—**	**58**
Transfers from level 1 and level 2				
Significant – transfer in[1]	**1 984**	**—**	**—**	**1 984**
Balance at 31 December 2014	**2 552**	**347**	**—**	**2 899**
31 December 2013				
Balance at 1 January 2013	652	97	—	749
Total (gain)/loss in statement of comprehensive income	113	172	197	482
Acquisitions	151	—	6	157
Issues	160	—	—	160
Disposals	(337)	—	—	(337)
Settlements	—	(11)	—	(11)
Foreign exchange movements	28	1	—	29
Balance at 31 December 2013	767	259	203	1 229

[1] *The classification of investment contracts backing investment property has changed in line with the change in the classification of the underlying investments. The policy of the Group is to effect transfers of financial instruments between the fair value hierarchy levels at the beginning of the reporting period.*

R million	2014	2013
Gains and losses (realised and unrealised) included in profit or loss		
Total gains or losses included in profit or loss for the period	**114**	1 253
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	**191**	1 007

Transfers between categories

R million	Equities and similar securities	Interest-bearing investments	Structured transactions	Cash, deposits and similar securities	Total assets
2014					
Assets					
Transfer from level 1 to level 2	**—**	**380**	**106**	**36**	**522**
Transfer from level 2 to level 1	**5**	**—**	**—**	**—**	**5**
2013					
Transfer from level 1 to level 2	—	—	2	25	27

Transfers from level 1 to level 2 relate to Corporate interest-bearing investments and Structured transactions held within the Santam businesses portfolio that was previously disclosed at level 1 but did not trade sufficiently to meet the liquidity requirements for categorisation in level 1 and were thus transferred to level 2.

40. Fair value disclosures (continued)

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

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input
Properties	2 and 3	Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve Cost of capital Consumer price index	Capitalisation rate Discount rate
Equities and similar securities	2 and 3	Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve Cost of capital Consumer price index	Cost of capital Earnings multiple
Interest-bearing investments (including insurance policies)	2 and 3	Discounted cash flow model (DCF), Earnings multiple, Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve Cost of capital Consumer price index	Earnings multiple
Trading account assets and liabilities	2	DCF	Forward rate Credit risk spread Liquidity spread	n/a
Investment contract liabilities and investment funds	2 and 3	Current unit price of underlying unitised asset, multiplied by the number of units held DCF Earnings multiple	Bond and interbank swap interest rate curve Cost of capital Consumer price index Bond interest rate curve	Earnings multiple n/a
Term finance	2 and 3	DCF	Bond and forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	Liquidity spread
Structured transactions assets and liabilities	2 and 3	Option pricing models DCF	Bond and interbank swap interest rate curve Forward equity and currency rates Volatility risk adjustments	n/a
External investors in consolidated funds	2	Current unit price of underlying unitised asset, multiplied by the number of units held	n/a	n/a

40. Fair value disclosures (continued)

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

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjust-ments	Effect of a 10% decrease in risk adjust-ments	Carrying amount[(1)]	Effect of a 1% increase in base/capitali-sation rate	Effect of a 1% decrease in base/capitali-sation rate
Properties						
2014						
Cash flow risk adjustments	**10 333**	**(1 033)**	**1 033**			
Base rate				**7 097**	**(264)**	**282**
Capitalisation				**7 097**	**(382)**	**466**
2013						
Cash flow risk adjustments	7 227	(723)	723			
Base rate				7 227	(255)	272
Capitalisation				7 227	(354)	432

R million	Carrying amount[(2)]	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount[(3)]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2014						
Equities and similar securities	**323**	**32**	**(32)**	**72**	**(3)**	**3**
Interest-bearing investments	**396**	**40**	**(40)**	**—**	**—**	**—**
Investment funds	**452**	**45**	**(45)**	**—**	**—**	**—**
Total	**1 171**	**117**	**(117)**	**72**	**(3)**	**3**
2013						
Equities and similar securities	755	76	(76)	558	(6)	6
Interest-bearing investments	345	35	(35)	49	(12)	14
Investment funds	459	46	(46)	—	—	—
Total	1 559	157	(157)	607	(18)	20

40. Fair value disclosures (continued)

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

Liabilities

R million	Carrying amount[2]	Effect of a 10% increase in value	Effect of a 10% decrease in value	Carrying amount[3]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2014						
Investment contract liabilities	**2 552**	**255**	**(255)**	**—**	**—**	**—**
Term finance	**347**	**35**	**(35)**	**—**	**—**	**—**
Total liabilities	**2 899**	**290**	**(290)**	**—**	**—**	**—**
2013						
Investment contract liabilities	494	49	(49)	273	(8)	8
Term finance	259	26	(26)	—	—	—
Derivative liabilities	—	—	—	203	(37)	14
Total liabilities	753	75	(75)	476	(45)	22

[1] *Investment properties comprise a majority of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.*
[2] *Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.*
[3] *Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.*

40. Fair value disclosures (continued)

Assets subject to offsetting, enforceable master netting arrangements and similar agreements

R million	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not set off in the statement of financial position: Other financial instruments[1]	Related amounts not set off in the statement of financial position: Cash collateral received[2]	Net amount	Amounts not set off in the statement of financial position[3]	Total amounts recognised in the statement of financial position
31 December 2014								
Assets								
Working capital cash	**1 510**	**–**	**1 510**	**(464)**	**(786)**	**260**	**14 749**	**16 259**
Trading account assets	**5 205**	**–**	**5 205**	**(4 326)**	**(799)**	**80**	**17 621**	**22 826**
Structured transactions assets	**1 857**	**(1 465)**	**392**	**–**	**–**	**392**	**11 956**	**12 348**
Liabilities								
Trading account liabilities	**11 250**	**–**	**11 250**	**(9 557)**	**(1 585)**	**108**	**10 869**	**22 119**
Structured transactions liabilities[4]	**2 240**	**(1 918)**	**322**	**–**	**–**	**322**	**444**	**766**
31 December 2013								
Assets								
Working capital cash	2 992	–	2 992	(2 504)	–	488	15 408	18 400
Trading account assets	20 457	(718)	19 739	(2 485)	(2 366)	14 888	16 888	36 627
Structured transactions assets	4 078	(1 494)	2 584	–	–	2 584	9 322	11 906
Liabilities								
Trading account liabilities	19 568	(384)	19 184	(9 753)	–	9 431	13 436	32 620
Structured transactions liabilities[4]	3 140	(2 049)	1 091	–	–	1 091	296	1 387

(1) *The figures for other financial instruments column are made up of ISDA netting, CSA collateral, Repo's and scrip received. These amounts have been limited to the net amount recognised on the statement of financial position.*

(2) *Amount used is the lower of collateral received or the value of the financial assets (normally the latter due to over-collateralisation)*
ISDA netting refers to the netting of derivative exposures to arrive at the net amount owed to and by each counterparty as envisaged in the ISDA agreements with these counterparties.
Credit Support Agreements (CSA) have been signed with derivative counterparties to place collateral to offset the net exposures in footnote 1.
Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted.
Security/collateral received refers to equity collateral that has been pledged to SCM to cover events of default.

(3) *Excludes enforceable netting arrangements. Comparative information has been adjusted accordingly.*

(4) *Structured transactions liabilities include derivative liabilities.*

Sanlam Limited statement of financial position

at 31 December 2014

R million	Note	2014	2013
ASSETS			
Investments in subsidiaries	2	**18 520**	17 895
Working capital assets		**2 913**	3 569
Cash and bank		**52**	49
Taxation receivable		**2**	—
Loans to Group companies	2	**2 859**	3 520
Total assets		**21 433**	21 464
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	3	**22**	22
Non-distributable reserve		**9 342**	9 342
Retained earnings		**8 812**	8 060
Total equity		**18 176**	17 424
Working capital liabilities		**3 257**	4 040
Accounts payable		**696**	637
Loans from Group companies	2	**2 561**	3 403
Total equity and liabilities		**21 433**	21 464

Sanlam Limited statement of comprehensive income

for the year ended 31 December 2014

R million	Note	2014	2013
Net income		**4 472**	4 757
Dividend income		**4 432**	4 737
Investment surpluses	4	**8**	—
Other income		**32**	20
Expenses			
Administration costs	5	**(11)**	(12)
Net reversal of impairment of loans	2	**—**	41
Net reversal of impairment of investments	2	**627**	28
Profit before tax		**5 088**	4 814
Taxation		**(3)**	—
Profit for the year		**5 085**	4 814
Other comprehensive income		**—**	—
Comprehensive income for the year		**5 085**	4 814

Sanlam Limited statement of changes in equity

for the year ended 31 December 2014

R million	Share capital	Share premium	Non-distribu-table reserve[1]	Retained earnings	Total equity
Balance at 1 January 2013	21	1	9 342	7 875	17 239
Profit for the year	—	—	—	4 814	4 814
Dividends paid	—	—	—	(4 629)	(4 629)
Balance at 31 December 2013	21	1	9 342	8 060	17 424
Profit for the year	—	—	—	5 085	5 085
Dividends paid	—	—	—	(4 333)	(4 333)
Balance at 31 December 2014	**21**	**1**	**9 342**	**8 812**	**18 176**

[1] *Pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998.*

Sanlam Limited cash flow statement

for the year ended 31 December 2014

R million	Note	2014	2013
Cash flow from operating activities		**184**	218
Cash (utilised)/generated in operations	10	**(5)**	110
Dividends received		**4 432**	4 737
Dividends paid		**(4 245)**	(4 629)
Interest income		**7**	—
Taxation paid		**(5)**	—
Cash flow from investment activities			
Additional investment in subsidiaries		**—**	(2 558)
Net increase/(decrease) in cash and cash equivalents		**184**	(2 340)
Cash and cash equivalents at beginning of the year		**166**	2 465
Net impairment of loans included in cash and cash equivalents during the year		**—**	41
Cash and cash equivalents at end of the year		**350**	166

1. Accounting policies

The accounting policies of the Sanlam Group as set out on pages 264 to 279 of the Sanlam Group financial statements are also applicable to Sanlam Limited except for investments in subsidiary companies which are reflected at cost or at a lower value if there is an impairment in value.

Additional accounting policy

Financial guarantee contracts

'Financial guarantees' are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially accounted for at fair value, and are not designated as at fair value through profit or loss. Subsequently, the amount is measured at the higher of the amount determined according to IAS 37 – *Provisions*, or the initial fair value less cumulative amortisation in accordance with IAS 18 *Revenue*.

Dividends

Dividends are shown as income. Impairment is considered when the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared and the carrying amount of the investment exceeds the carrying amount of the investee's net assets, including associated goodwill.

R million	2014	2013
2. Group companies		
Investments in Group companies	**18 520**	17 895
Current loans with Group companies	**298**	117
Loans to Group companies	**2 859**	3 520
Loans from Group companies	**(2 561)**	(3 403)
Book value of interest in Group companies	**18 818**	18 012
Net reversal of impairment/(impairment) of investments in Group companies		
Genbel Securities Limited	**496**	42
Sanlam Investments (Pty) Limited	**117**	—
Sanlam PrefCo (Pty) Limited	**14**	(14)
Total net reversal of impairment of investments in Group companies	**627**	28
Fair value of net investment in Group companies		
Investments in subsidiaries – fair value	**82 510**	72 703
Total fair value of net investment in Group companies	**82 510**	72 703

Investments in Group companies are carried at cost less accumulated impairment. The fair value disclosed are classified as level 3 instruments. Investment management subsidiaries are valued at a P/AuM ratio, subsidiaries that conduct life insurance business are valued at embedded value and other subsidiaries and loans are valued at DCF. For a description of the valuation methodology used and sensitivities of main assumptions, refer to note 2.5 on page 142.

2. Group companies (continued)

Loans: Group companies

The loans to/from Group companies are unsecured and payable on demand and are carried at amortised cost less accumulated impairments. No interest is charged but these arrangements are subject to revision from time to time. The carrying value of the loans approximate the fair value. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 348.

R million	**2014**	2013
Loans to Group companies		
Sanlam Spec (Pty) Limited	**—**	548
Genbel Securities Limited	**77**	77
Sanlam Life Insurance Limited	**2 703**	2 278
Sanlam Investments (Pty) Limited	**79**	79
Sanpref (Pty) Limited	**—**	538
	2 859	3 520
Loans from Group companies		
Sanlam PrefCo (Pty) Limited	**2 556**	3 403
Sanpref (Pty) Limited	**5**	—
	2 561	3 403
Reversal of impairment of loans		
Sanlam Spec (Pty) Limited	**—**	41
Total	**—**	41

3. Share capital and premium

Details of the share capital and premium are reflected in note 11 on page 304 of the Sanlam Group financial statements.

4. Investment surpluses

Investment surpluses relate to the profit on the sale of the investment in subsidiaries during the financial year, as well as funds received on previously written off loan assets.

5. Administration costs include:

Directors' remuneration

Details of the directors' remuneration is reflected in note 24 on page 315 of the Sanlam Group financial statements.

6. Dividends

Details of the dividends declared are disclosed in note 29 on page 318 of the Sanlam Group financial statements.

7. Borrowing powers

In terms of the memorandum of incorporation of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

8. Commitments and contingencies

Details of commitments and contingencies are reflected in note 34 on page 327 of the Sanlam Group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R11 billion (2013: R11 billion).

9. Related parties

Details of related parties are reflected in note 35 on page 327 of the Sanlam Group financial statements.

R million	2014	2013
10. Notes to the cash flow statement		
Cash utilised in operations		
Profit before tax	**5 088**	4 814
Non-cash flow items		
Net reversal of impairments of investments in Group companies	**(627)**	(28)
Net (reversal of impairment)/impairment of loans	**—**	(41)
Investment surpluses	**(8)**	—
Items disclosed separately		
Dividends received	**(4 432)**	(4 737)
(Decrease)/increase in net working capital liabilities	**(26)**	102
Cash (utilised)/generated in operations	**(5)**	110

11. Capital and risk management

The main financial instrument risk that Sanlam Limited is exposed to, is credit risk in respect of its loans to Group companies. These loans are tested for impairment, by establishing whether the net asset value of the underlying Group company is sufficient to cover the outstanding loan amount. Where the net asset value (including any impairments recognised in that company), is less than the carrying value of the loan, an impairment loss is recognised, as disclosed in note 2 on page 344. The credit quality of each loan has been assessed as acceptable within the parameters used to measure and monitor credit risk.

Sanlam Limited's maximum exposure to credit risk is calculated as follows:

R million	2014	2013
Carrying value of loans granted	**2 859**	3 520

Further details of risk management are disclosed in the Capital and Risk Management report on page 218.

12. Tax rate reconciliation

The effective tax rate of Sanlam Limited of 0,1% (2013: 0%) differs from the standard rate of taxation of 28% (2013: 28%) due to the effects of non-taxable income: -27,8% (2013: -28%) and other differences -0,1% (2013: 0%).

Principal subsidiaries

at 31 December 2014

R million	% Interest	Issued ordinary capital 2014	Fair value of interest in subsidiaries – Shares 2014	Shares 2013	Loans 2014	Loans 2013
Long-term insurance						
Sanlam Life Insurance Limited	100	**5 000**	**68 155**	60 542	**2 703**	2 278
Investment and capital markets						
Genbel Securities Limited	100	**253**	**2 538**	2 042	**77**	77
Investment management and consulting						
Sanlam Independent Financial Services Pty Limited	100	(1)	(1)	(1)	**–**	–
Sanlam Investment Holdings Limited	100	(1)	**1 825**	1 705	**–**	–
Sanlam Netherlands Holding BV(2)	100	**2 309**	**6 873**	5 743	**–**	–
Investment companies						
Sanlam Spec Pty Limited(3)	100	(1)		–	**–**	548
Sanlam Investments Pty Limited	100	**500**	**127**	10	**79**	79
Sanlam Share Incentive Trust	100	(1)		–		–
Sanpref Pty Limited	100	(1)		(1)	**(5)**	538
Sanlam PrefCo Pty Limited	100	(1)	**2 694**	2 544	**(2 556)**	(3 403)
Total			**82 212**	72 586	**298**	117

(1) *Issued share capital is less than R1 000.*
(2) *Incorporated in the Netherlands.*
(3) *Sanlam Limited provided a letter of guarantee to Sanlam Investment Holdings Pty Limited and Sanlam Independent Financial Services Pty Limited.*
(4) *Sanlam Limited, with Sanlam Spec Pty Limited, provided a letter of guarantee to Real Futures Pty Limited.*

A register of al subsidiary companies is available for inspection at the registered office of Sanlam Limited. All investments above are unlisted and incorporated in South Africa unless otherwise indicated. Sanlam Limited, via its investment in Sanlam Life Insurance Limited, has the following subsidiaries with material non-controlling interests.

Analysis of the Group's holding in material subsidiaries:

	Santam Limited[1]		Botswana Insurance Holdings Limited[2]		MCIS Insurance[3]	
	2014 %	2013 %	**2014 %**	2013 %	**2014 %**	2013 %
Shareholders' fund						
Sanlam Life Insurance Limited	**59,20**	59,34	**60,39**	55,46	**51,00**	–
Policyholders' fund						
Sanlam Life Insurance Limited	**2,14**	1,80	**2,13**	2,11	**–**	–
Non-controlling interest						
Sanlam Life Insurance Limited	**38,66**	38,86	**37,48**	42,43	**49,00**	–
Total	**100,00**	100,00	**100,00**	100,00	**100,00**	–

(1) *The financial information of Santam Limited, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been presented in the Shareholders' Fund section on page 124 and page 126. The carrying amount of the non-controlling interest is presented in note 14 of the Group financial statements on page 306.*
(2) *The financial information of Botswana Insurance Holdings Limited, incorporated and operating mainly in Botswana, which has a material non-controlling interest has been summarised below. This information is provided based on amounts before inter-company eliminations.*
(3) *The financial information of MCIS Insurance, incorporated and operating mainly in Malaysia, which has a material non-controlling interest has been summarised below. This information is provided based on amounts before inter-company eliminations.*

Santam summarised statement of cash flow for the year ended 31 December 2014:

R million	**2014**	2013
Operating	**1 930**	1 277
Investing	**(989)**	(1 175)
Financing	**(795)**	(358)
Net increase/(decrease) in cash and cash equivalents	**146**	(256)
Dividends paid to non-controlling interests	**377**	340

Principal subsidiaries continued

at 31 December 2014

Financial information of Botswana Insurance Holdings Limited

R million	**2014**	2013
Summarised statement of profit or loss:		
Net income	**3 598**	5 733
Net insurance and investment contract benefits and claims	**(2 383)**	(4 658)
Expenses	**(705)**	(620)
Share of profit of associates and joint ventures	**259**	220
Profit before tax	**769**	675
Income tax	**(132)**	(99)
Profit for the year	**637**	576
Total comprehensive income	**633**	602
Attributable to non-controlling interests	**238**	244
Dividends paid to non-controlling interests	**100**	45
Summarised statement of financial position as at 31 December 2014:		
Assets		
Investments	**17 078**	15 834
Other non-current assets	**176**	209
Other current assets	**5**	7
Cash and cash equivalents (current)	**812**	705
Trade and other receivables (current)	**248**	326
Liabilities		
Policyholder liabilities	**(14 357)**	(13 514)
Deferred tax (non-current)	**(41)**	(29)
Other current liabilities	**(31)**	(42)
Trade and other payables (current)	**(555)**	(531)
Total equity	**3 335**	2 965
Attributable to:		
Equity holders of the parent	**2 049**	1 707
Non-controlling interest	**1 286**	1 258
Summarised statement of cash flows for the year ending 31 December 2014:		
Operating	**1 122**	(4 955)
Investing	**(1 033)**	4 625
Net decrease in cash and cash equivalents	**89**	(330)

Financial information of MCIS Insurance

R million	2014	2013
Summarised statement of profit or loss:		
Net income	690	—
Net insurance and investment contract benefits and claims	(351)	—
Expenses	(268)	—
Profit before tax	71	—
Income tax	(35)	—
Profit for the year	36	—
Total comprehensive income	37	—
Attributable to non-controlling interests	20	—
Dividends paid to non-controlling interests	(24)	—
Summarised statement of financial position as at 31 December 2014:		
Assets		
Investments	14 007	—
Assets of disposal group held for sale	1 466	—
Other non-current assets	1 142	—
Cash and cash equivalents (current)	7	—
Trade and other receivables (current)	288	—
Liabilities		
Policyholder liabilities	(12 449)	—
Liabilities of disposal group held for sale	(1 466)	—
Deferred tax (non-current)	(98)	—
Other current liabilities	(8)	—
Trade and other payables (current)	(779)	—
Total equity	2 110	—
Attributable to:		
Equity holders of the parent	1 077	—
Non-controlling interest	1 033	—
Summarised statement of cash flows for the year ending 31 December 2014:		
Operating	105	—
Investing	(507)	—
Net decrease in cash and cash equivalents	(402)	—

Glossary of terms, definitions and major businesses

Technical terms and definitions

"adjusted return on Group Equity Value" or "adjusted RoGEV"	the return on Group Equity Value, excluding the impact of investment market volatility. Adjusted RoGEV is based on the actuarial investment return assumptions at the beginning of the reporting period;
"capital adequacy"	capital adequacy implies the existence of a buffer against experience worse than that assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities;
"capital portfolio" or "balanced portfolio"	the consolidated capital of the Group, excluding working capital held by Group businesses. The capital portfolio includes the required capital of covered business as well as discretionary and other capital;
"cost of capital"	cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of the capital over the life of the in-force business, allowing for the after-tax investment return on the expected level of capital held in each year;
"covered business"	long-term insurance business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits;
"embedded value of covered business " or "EV"	embedded value of covered business is an actuarially determined estimate of the value of covered business, excluding any value attributable to future new business. Embedded value of covered business consists of the required capital supporting the covered business, or adjusted net worth, plus the value of the in-force covered business less the cost of capital;
"FSB"	the Financial Services Board, the regulator of insurance companies in South Africa;
"life business"	the aggregate of life insurance business and life licence business;
"life insurance business"	products provided by the Group's long-term insurance businesses in terms of insurance and investment contracts included in the Group financial statements, but excluding life licence business;
"life licence business"	investment products provided by Sanlam Personal Finance, Sanlam Investments, Sanlam Employee Benefits and Sanlam Emerging Markets by means of a life insurance policy where there is very little or no insurance risk;
"linked policy"	a non-participating policy which is allotted units in an investment portfolio. The value of the policy at any stage is equal to the number of units multiplied by the unit price at that stage less the value of unrecouped expenses;
"market-related policy" or "contract with discretionary participating feature"	a participating policy which participates in non-vesting investment growth. This growth reflects the volatility of the market value of the underlying assets of the policy;
"new business margin"	VNB as a percentage of PVNBP;
"non-life business"	financial services and products provided by the Group, excluding life insurance business;

"non-life linked business"	non-life linked business comprises investment products provided by Sanlam Personal Finance's Glacier business, which is not written under a life licence;
"non-participating annuity"	a non-participating annuity is a policy which provides, in consideration for a single premium, a series of guaranteed regular benefit payments for a defined period;
"non-participating policy"	a policy which provides benefits that are fixed contractually, either in monetary terms or by linking them to the return of a particular investment portfolio, e.g. a linked or fixed-benefit policy;
"normalised headline earnings"	normalised headline earnings measure the Group's earnings, exclusive of earnings of a capital nature and fund transfers relating to the policyholders' fund's investment in Sanlam shares and Group subsidiaries. For the Sanlam Group, the only differences between normalised attributable earnings and normalised headline earnings are: • Profits and losses on the disposal of subsidiaries, associated companies and joint ventures; • Impairment of investments, value of business acquired and goodwill; and • The Group's share of associates' and joint ventures' non-headline earnings. Normalised headline earnings exclude the above items that are of a capital nature. Given that the Group's operations are of a financial nature, normalised headline earnings include investment surpluses earned on the investments held by the shareholders' fund, resulting in volatility in normalised headline earnings;
"participating annuity"	a participating annuity is a policy which provides, in consideration for a single premium, a series of regular benefit payments for a defined period, the benefits of which are increased annually with bonuses declared;
"participating policy"	a policy which provides guaranteed benefits as well as discretionary bonuses. The declaration of such bonuses will take into account the return of a particular investment portfolio. Reversionary bonus, stable bonus, market-related and participating annuity policies are participating policies;
"policy"	unless the context indicates otherwise, a reference to a policy in this report means a long-term insurance or investment contract issued by the Group's life insurance subsidiaries in accordance with the applicable legislation;
"PVNBP"	present value of new business premiums from covered business;
"required capital"	the required level of capital supporting the covered business, based on the minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations;
"result from financial services"	profit earned by the Group from operating activities and excludes investment return earned on the capital portfolio;
"return on Group Equity Value" or "RoGEV"	change in Group Equity Value, excluding dividends and changes in issued share capital, as a percentage of Group Equity Value at the beginning of the period;
"reversionary bonus policy"	a conventional participating policy which participates in reversionary bonuses, i.e. bonuses of which the face amounts are only payable at maturity or on earlier death or disability. The present value of such bonuses is less than their face amounts;
"stable bonus policy"	a participating policy under which bonuses tend to stabilise short-term volatility in investment performance;

"Statutory Valuation Method" or "SVM"	valuation requirements as laid out in a Board Notice issued by the FSB, entitled "Prescribed requirements for the calculation of the value of the assets, liabilities and Capital Adequacy Requirement of long-term insurers" or the equivalent valuation requirements of the regulators of the Group's insurance subsidiaries outside of South Africa;
"surrender value"	the surrender value of a policy is the cash value, if any, which is payable in respect of that policy upon cancellation by the policyholder;
"value of in-force covered business" or "VIF"	the value of in-force covered business is calculated as the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profits expected to be earned over the life of the in-force book;
"value of new business" or "VNB"	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, net of the cost of capital over the life of this business;

Major businesses of the Group

"Channel Life"	Channel Life Limited, a subsidiary of Sanlam Life conducting mainly life insurance business in South Africa;
"Sanlam Investments and Pensions"	Sanlam Life and Pensions Limited, a wholly owned subsidiary of Sanlam UK Limited conducting mainly life insurance business in the United Kingdom;
"Sanlam Life"	Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited conducting mainly life insurance business;
"Sanlam Limited"	the holding company listed on the JSE Limited and the Namibian Stock Exchange;
"Sanlam", "Sanlam Group" or "the Group"	Sanlam Limited and its subsidiaries, associated companies and joint ventures;
"Sanlam Namibia"	Sanlam Life Namibia, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in Namibia.
"SDM Limited"	Sanlam Developing Markets Limited, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in South Africa and through its subsidiaries in Africa;
"SEM (Pty) Limited"	Sanlam Emerging Markets Proprietary Limited, a wholly owned subsidiary of Sanlam Life conducting mainly insurance and credit business through its subsidiaries and associated companies in Africa, India and South-East Asia.
"Shriram Capital"	Shriram Capital refers to the Group's 36,85% holding in Shriram Financial Ventures (Chennai) Pvt Limited an Indian based company that holds 70,56% of Shriram Capital Limited, resulting in a 26% effective holding by Sanlam. It also includes the Group's direct holding in Shriram Transport Finance Company, a listed business within the Shriram Capital group.

Notice of annual general meeting

Sanlam Limited

(Incorporated in the Republic of South Africa)
(Registration No 1959/001562/06)
JSE share code: SLM/NSX share code: SLA
ISIN: ZAE000070660
("the Company" or "Sanlam")

Notice is hereby given to shareholders recorded in the Company's securities register on 13 March 2015, that the seventeenth annual general meeting (AGM) of the shareholders of Sanlam, which will be held on Wednesday, 3 June 2015 at 14:00* in the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville, Cape Town (the Meeting) to (i) deal with such business as may lawfully be dealt with at the Meeting and (ii) consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, No 71 of 2008, as amended (the Companies Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements) and other stock exchanges on which the Company's ordinary shares are listed, which Meeting is to be participated in and voted at by shareholders recorded in the Company's securities register as at the voting record date of Friday, 22 May 2015.

Kindly note that meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the Meeting. Forms of identification include valid identity documents, driving licences and passports.

ORDINARY RESOLUTIONS

To consider and, if approved, to pass, with or without modification, the following nine Ordinary Resolutions:

Percentage support required for Ordinary Resolution Numbers 1 to 9

In order for these Ordinary Resolutions to be adopted, the support of more than 50% (fifty percent) of the total number of votes per Ordinary Resolution, which the shareholders present or represented by proxy at this Meeting are entitled to cast, is required.

1. Ordinary Resolution No 1 – *Presenting the Sanlam Annual Report*

To present, consider and accept the Sanlam Annual Report for the year ended 31 December 2014, that has been distributed to shareholders as required, including the consolidated audited financial statements for the Company and its subsidiaries, as well as the auditors', audit committee and directors' reports.

Reason and effect

The reason for and effect of Ordinary Resolution No 1 is to give Sanlam shareholders the opportunity to formally consider and accept the Sanlam Annual Report including the consolidated audited financial statements of the Company as required by section 30(3)(d) of the Companies Act.

2. Ordinary Resolution No 2 – *Re-appointment of auditors*

To re-appoint Ernst & Young Incorporated, as nominated by the Company's audit committee, as independent auditors of the Company to hold office until the conclusion of the next AGM of the Company. It is to be noted that Ms JC de Villiers is the individual and designated auditor who will undertake the Company's audit for the financial year ending 31 December 2015.

Reason and effect

The reason for Ordinary Resolution No 2 is that the Companies Act requires the appointment or re-appointment of the Company's auditors each year at the AGM of the Company.

3. Ordinary Resolution No 3 – *Appointment of director*

To re-elect the following retiring director (Ordinary Resolution 3.1 below) appointed to the Board as additional director in terms of Clause 26.7 of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Reason and effect

The reason for and effect of Ordinary Resolution No 3 is to re-elect a retiring director appointed to the Board as additional director in terms of the Company's Memorandum of Incorporation.

3.1 ***Ordinary Resolution No 3.1 – Appointment of CB Booth as director***

Clement Booth (60)

Independent non-executive director since 1 January 2015

Qualifications: Sr. Certificate, EDP (Wits)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance; Risk and Compliance; Non-executive directors

Major external positions, directorships or associations: Chairman of supervisory board: Euler Hermes, Paris; Directorships: Allianz, Ireland; Saracens, UK

Field of expertise: General and International Business; Human Resources; Sustainability; Risk Management; Marketing

The Board recommends the re-election of this director.

4. Ordinary Resolution No 4 – *Re-election of directors*

To individually re-elect the following non-executive directors (Ordinary Resolutions 4.1 to 4.4 below) of the Company, who retire by rotation in terms of Clause 26.2 of the Company's Memorandum of Incorporation, all being eligible and offering themselves for re-election.

Reason and effect

The reason for and effect of Ordinary Resolutions No 4.1 to 4.4 are to re-elect the directors who retire by rotation in terms of the Company's Memorandum of Incorporation.

4.1 MM Bakane-Tuoane
4.2 PT Motsepe
4.3 AD Botha
4.4 DK Smith

The Board recommends the re-election of these directors.

4.1 ***Ordinary Resolution No 4.1 – Re-election of MM Bakane-Tuoane as director***

To re-elect MM Bakane-Tuoane who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering herself for re-election.

Manana Bakane-Tuoane (66)

Non-executive director since 2004

Qualifications: M.A. Economics (University of Oregon, USA), BA Econ & Statistics: University BLS (Botswana Lesotho & Swaziland), PhD Economics (University of Saskatchewan, Canada)

Sanlam and Sanlam Life committee membership: Nominations; Human Resources and Remuneration; Sanlam Customer Interest; Non-executive directors

Major external positions, directorships or associations: African Rainbow Minerals

Field of expertise: Financial Markets and Investment; General Business; Human Resources

4.2 ***Ordinary Resolution No 4.2 – Re-election of PT Motsepe as director***

To re-elect PT Motsepe who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Patrice Motsepe (53) (Deputy chairman)

Non-executive director since 2004

Qualifications: BA Legal, LLB

Sanlam and Sanlam Life committee membership: Nominations; Human Resources and Remuneration; and Non-executive directors

Major external positions, directorships or associations: African Rainbow Minerals, Harmony, Ubuntu-Botho Investments, Mamelodi Sundowns Football Club, African Fashion International and Ubuntu-Botho Investments Holdings

Field of expertise: General and International Business; Legal

4.3 ***Ordinary Resolution No 4.3 – Re-election of AD Botha as director***

To re-elect AD Botha who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Anton Botha (61)

Independent non-executive director since 2006

Qualifications: BProc, BCom (Hons) Investment Management, EDP (Stanford)

Sanlam and Sanlam Life committee membership: Human Resources and Remuneration (Chairman); Non-executive directors

Sanlam Group directorships: Sanlam Capital Markets, Sanlam Investment Holdings, Genbel Securities, Sanlam Employee Benefits (divisional Board)

Major external positions, directorships or associations: JSE, University of Pretoria, Vukile Property Fund, Imalivest, African Rainbow Minerals

Field of expertise: Financial Markets and Investment; General and International Business; Human Resources; Marketing

4.4 Ordinary Resolution No 4.4 – Re-election of DK Smith as director

To re-elect DK Smith who retires by rotation in terms of the Company's Memorandum of Incorporation, being eligible and offering himself for re-election.

Desmond Smith (67) (Chairman)

Director since 2009

Qualifications: BSc, Fellow of Actuarial Society of SA, ISMP (Harvard)

Sanlam and Sanlam Life committee membership: Non-executive directors (Chairman); Nominations (Chairman); Sanlam Customer Interest; Human Resources and Remuneration

Major external positions, directorships or associations: Reinsurance Group of America (SA), Mediclinic International Limited, Stellenbosch Institute for Advanced Studies, Road Accident Fund

Field of expertise: Financial Markets and Investment; Actuarial; General and International Business; Marketing; and Risk Management

5. Ordinary Resolution No 5 – *Re-election of executive director*

To re-elect the following executive director (Ordinary Resolution 5.1 below) appointed to the Board, being eligible and offering himself for re-election.

Reason and effect

It had been agreed by the Board that in the interest of good governance, executive directors would also rotate on a voluntary basis as per a determined schedule of rotation. The reason for and effect of Ordinary Resolution No 5.1 is to re-elect an executive director appointed to the Board.

5.1 Ordinary Resolution No 5.1 – Re-election of TI Mvusi as an executive director

Temba Mvusi (59)

Executive director since 2009

Qualifications: Diploma in International Relations (University of New Delhi), BA, ELP (Wharton School of Business), MAP, PDP

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability

Sanlam Group directorships: Sanlam Limited and Sanlam Life, Sanlam Investment Management, Sanlam Private Investments, Sanlam Investment Holdings

Major external positions, directorships or associations: IEMAS

Field of expertise: Financial Markets and Investment; General Business; Human Resources; Legal

The Board recommends the re-election of this director.

6. Ordinary Resolution No 6 – *Election of the members of the Sanlam Audit, Actuarial and Finance committee (Audit committee)*

To individually elect the following independent non-executive directors (Ordinary Resolutions No 6.1 to 6.3) of the Company as the members of the Sanlam Audit committee until the conclusion of the next AGM of the Company. The Board recommends the election of these members.

Reason and effect

The reason for and effect of Ordinary Resolutions No 6.1 to 6.3 are that the members of the Audit committee of the Company, being a statutory committee, are required in terms of section 94(2) of the Companies Act to be appointed by the shareholders.

6.1 Ordinary Resolution No 6.1 – Appointment of PR Bradshaw as a member of the Audit committee

Paul Bradshaw (64)

Independent non-executive director since 4 December 2013

Qualifications: BSc (Nottingham Univ), FIA

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance; Risk and Compliance; Sanlam Customer Interest; Non-executive directors

Sanlam Group directorships: Nucleus Financial Group, Sanlam UK Holdings, Sanlam Life and Pensions UK, Sanlam Private Investments and Sanlam Private Wealth Holdings UK

Major external positions, directorships or associations: River & Mercantile plc (Chairman) and Integrated Protection Solutions

Field of expertise: Actuarial; Financial Markets and Investment; International Business; and Risk Management

The Board recommends the re-election of this director.

6.2 Ordinary Resolution No 6.2 – Appointment of P de V Rademeyer as a member of the Audit committee

Flip Rademeyer (67) (Chairman of the Audit committee)

Independent non-executive director since 2011 (member since 2011)

Qualifications: CA(SA), SEP (Stanford)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance (Chairman); Risk and Compliance; Social, Ethics and Sustainability; Non-executive directors

Sanlam Group directorships: Sanlam Emerging Markets, Sanlam Collective Investments, Sanlam Coris Capital Collective Investment Managers, Glacier Management Company, Sanlam Private Investments, Sanlam Personal Finance (Divisional Board)

Major external positions, directorships or associations: Ubuntu-Botho Investments Holdings and Velacore

Field of expertise: Accounting; Financial Markets and Investment; General Business; and Risk Management

The Board recommends the re-election of this director.

6.3 Ordinary Resolution No 6.3 – Appointment of CB Booth as a member of the Audit committee

Clement Booth (60)

Independent non-executive director since 1 January 2015

Qualifications: Sr. Certificate, EDP (Wits)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance; Risk and Compliance; Non-executive directors

Major external positions, directorships or associations: Chairman of supervisory board: Euler Hermes, Paris; Directorships: Allianz, Ireland; Saracens, UK

Field of expertise: General and International Business; Human Resources; Sustainability; Risk Management; Marketing

The Board recommends the re-election of this director.

7. **Ordinary Resolution No 7 – *Advisory vote on the Company's Remuneration Policy***
Shareholders are requested to cast a non-binding advisory vote on the Company's Remuneration Policy and implementation thereof, set out on page 182 of the Sanlam Annual Report.

Reason and effect
In terms of the Code of Governance principles dealing with boards and directors, companies are required to table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and their implementation.

The remuneration report is contained on pages 182 to 211 of this Annual Report.

Ordinary Resolution No 7 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Human Resources and Remuneration committee and the Board will take the outcome of the vote and any comments raised by securities holders into consideration when considering the Company's Remuneration Policy.

8. **Ordinary Resolution No 8 – *To note the total amount of non-executive directors and executive directors' remuneration for the financial year ended 31 December 2014***
To note the total amount of directors' remuneration set out in the Sanlam Annual Report on pages 182 to 211, non-executive directors page 207 and executive directors page 194 for the financial year ended 31 December 2014.

Reason and effect
The reason for and effect of Ordinary Resolution No 8 is to note the remuneration of directors for the financial year ended 31 December 2014.

9. **Ordinary Resolution No 9 – *To authorise any director of the Company, and where applicable the secretary of the Company (Company Secretary), to implement the aforesaid ordinary and the undermentioned special resolutions***
To authorise any director of the Company and, where applicable, the Company Secretary, to do all such things, sign all such documentation and take all such actions as may be necessary to implement the aforesaid Ordinary and undermentioned Special Resolutions.

Reason and effect
The reason for and effect of Ordinary Resolution No 9 is to grant the authorisation to any director of the Company, and where applicable the Company Secretary, to implement the Ordinary and Special Resolutions.

SPECIAL RESOLUTIONS

To consider and, if approved, to pass, with or without modification, the following four Special Resolutions:

Percentage support required for Special Resolutions Numbers A to D

In order for these Special Resolutions to be adopted, the support per Special Resolution of at least 75% (seventy-five per cent) of the total number of votes, which the shareholders present or represented by proxy at this AGM are entitled to cast, is required.

A. **Special Resolution No 1 – *Approval of non-executive directors' remuneration for their services as directors***
Resolved that:
"In terms of section 66(9) of the Companies Act, payment of the remuneration for their services as non-executive directors of Sanlam is approved for the period 1 July 2015 until 30 June 2016 as set out in the following table. These increases represent an average increase of 7% on the fees applicable in respect of the 12 months to 30 June 2015."

Directors/committees	Annual fee 2014/15	Attendance fee per meeting 2014/15	Annual fee 2015/16	Attendance fee per meeting 2015/16
Chairman	2 309 486	None	2 471 150	None
Deputy Chairman	411 131	22 841	439 910	24 440
Non-executive directors	274 088	22 841	293 274	24 440
Audit, Actuarial and Finance committee Chairman	264 996	None	353 543	None
Audit, Actuarial and Finance committee member	132 497	None	176 772	None
Risk and Compliance committee Chairman	186 546	None	269 604	None
Risk and Compliance committee member	93 273	None	134 802	None
Human Resources and Remuneration committee Chairman	186 546	None	269 604	None
Human Resources and Remuneration committee member	93 273	None	134 802	None
Sanlam Customer Interest committee Chairman	186 546	None	199 604	None
Sanlam Customer Interest committee member	93 273	None	99 802	None
Social, Ethics and Sustainability committee Chairman	186 546	None	199 604	None
Social, Ethics and Sustainability committee member	93 273	None	99 802	None
Nominations committee Chairman	124 362	None	133 068	None
Nominations committee member	62 181	None	66 534	None
Committee of non-executive directors Chairman	None	None	None	None
Committee of non-executive directors Members	None	None	None	None
Special *ad hoc* committees	None	16 978	None	18 166

Reason and effect

The reason for and effect of Special Resolution No 1 is to approve the basis for calculating the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period 1 July 2015 to 30 June 2016. Executive directors of the Company do not receive any fees for their services as directors of the Company.

B. Special Resolution No 2 – *General authority to provide financial assistance in terms of section 44 of the Companies Act*

Resolved that:

"As a general approval the Board of the Company may at any time and from time to time during the 2 (two) years from the passing hereof authorise the Company in terms of and subject to the provisions of section 44 of the Companies Act, to provide financial assistance by way of a guarantee or the provision of security to any party, other than a director or prescribed officer of the Company or its subsidiary companies, for the purpose of, or in connection with, the subscription or purchase of any securities issued or to be issued by a subsidiary of the Company on such terms and conditions as the Board may determine."

Reason and effect

The reason for and effect of Special Resolution No 2 is as follows:

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assurances to parties by way of a guarantee or the provision of security in respect of securities issued or to be issued by a subsidiary of the Company.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to any party as contemplated in section 44(2) of the Companies Act. The Company therefore seeks general approval for the Board of the Company to authorise the provision by the Company of financial assistance by way of a guarantee or the provision of security in respect of securities issued or to be issued by a subsidiary of the Company at any time and from time to time during the period of 2 (two) years commencing on the date of the Special Resolution.

C. Special Resolution No 3 – *General authority to provide financial assistance in terms of section 45 of the Companies Act*

Resolved that:

"As a general approval the Board of the Company may at any time and from time to time during the 2 (two) years from the passing hereof authorise the Company in terms of and subject to the provisions of section 45 of the Companies Act, to provide any type of direct or indirect financial assistance as defined in section 45 of the Companies Act, to subsidiaries of the Company, on such terms and conditions and for such amounts as the Board may determine."

Reason and effect

The reason for and effect of Special Resolution No 3 is as follows:

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to subsidiary companies of the Company as part of its day to day operations in the form of loan funding, guarantees or general financial assistance as contemplated in section 45 of the Companies Act.

In terms of the Companies Act, companies are required to obtain the approval of their shareholders by way of special resolution in order to provide financial assistance to any related or inter-related companies and the Company seeks general approval for the Board of the Company to authorise the provision by the Company of all types of financial assistance to any such related or inter-related company as contemplated in section 45(2) of the Companies Act at any time and from time to time during the period of 2 (two) years commencing on the date of the Special Resolution.

D. Special Resolution No 4 – *Authority to the Company or a subsidiary of the Company to acquire the Company's securities*

Resolved that:

"Pursuant to the Memorandum of Incorporation of the Company, the shareholders of the Company hereby approve by way of a general approval, whether by way of a single transaction or a series of transactions:

(a) the purchase of any of its securities by the Company or any subsidiary of the Company; and

(b) the purchase by and/or transfer to the Company of any of its securities purchased by any of its subsidiaries pursuant to (a) above,

upon such terms and conditions and in such amounts as the Board of the Company or its subsidiaries may from time to time decide, but subject to the provisions of the Companies Act, the JSE Listings Requirements and any other stock exchange upon which the securities of the Company may be quoted or listed from time to time, and subject to such other conditions as may be imposed by any other relevant authority, provided that:

- authority shall only be valid up to and including the date of the Company's next AGM, on condition that it does not extend beyond 15 (fifteen) months from the date of this Special Resolution;
- ordinary shares to be purchased pursuant to (a) above may only be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty;
- the general authority to purchase securities in the Company pursuant to (a) above be limited in any 1 (one) financial year to a maximum of 5% (five per cent) of the Company's issued share capital of that class at the time the authority is granted;
- purchases pursuant to (a) above must not be made at a price more than 10% (ten per cent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date of the repurchases;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any of its subsidiaries;
- the Board of the Company has resolved (i) to authorise a purchase of securities in the Company, (ii) that the Company has passed the solvency and liquidity test as contemplated in the Companies Act, and (iii) that, since the solvency and liquidity test was applied, no material change has occurred in the financial position of the Company and its subsidiaries (the Group);
- the Company or its subsidiaries may not repurchase securities during a prohibited period unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and has been submitted to the JSE in writing. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- an announcement complying with paragraph 11.27 of the JSE Listings Requirements be published by the Company (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% (three per cent) of the number of ordinary shares in issue as at the time the general authority was given and (ii) thereafter, for each 3% (three per cent) in aggregate of the initial number of ordinary shares in issue as at the time the general authority was given, acquired by the Company and/or its subsidiaries; and
- details of equity securities repurchased during the period under review will be disclosed in the annual financial statements in accordance with paragraph 8.63(o) of the JSE Listings Requirements.

Reason and effect

The reason for and effect of Special Resolution No 4 is to grant a general authority to enable the Company, or any subsidiary of the Company, to acquire securities which have been issued by the Company including the subsequent purchase by or transfer to the Company of such securities held by any subsidiary, as part of the capital management and share buyback programme of the Company.

Statement of intent

The Board shall authorise and implement a purchase of the Company's securities only if prevailing circumstances warrant same, and should the Board, having considered all reasonably foreseeable financial circumstances of the Company at that time, reasonably conclude that the following requirements have been and will be met:

- after an acquisition, the Company will continue to comply with the JSE Listings Requirements concerning shareholder spread requirements;
- the Company and the Group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date on which the Board considers that the purchase will satisfy the immediately preceding requirement and this requirement;
- the issued share capital and reserves of the Company and the Group will be adequate for the purposes of the business of the Company and the Group for a period of 12 (twelve) months after the date of the notice of the AGM of the Company; and
- the Company and the Group will have adequate working capital for ordinary business purposes for a period of 12 (twelve) months after the date of this notice.

Disclosures in the Annual Report in terms of paragraph 11.26(b) of the JSE Listings Requirements

The following disclosures are required in terms of paragraph 11.26 (b) of the JSE Listings Requirements, which appear in the Sanlam Annual Report and are provided for purposes of this Special Resolution No 4:

- major shareholders (page 163);
- share capital of the Company (page 304); and
- material changes (page 327).

Directors' responsibility statement

The Board, whose names appear on pages 28 to 36 of the Sanlam Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution No 4, and certify that:

- to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading;
- they have made all reasonable enquiries in this regard; and
- the above Special Resolution contains all information required.

Social, Ethics and Sustainability committee report

The Social, Ethics and Sustainability committee report is set out more fully in the sustainability report on pages 52 to 54, which is available on the Company's website (www.sanlam.com/investorrelations). This is tabled in terms of Regulation 43(5)(c) of the Companies Act.

General notes

1. The record date for the distribution of the notice of the AGM was set as at the close of business on Friday, 13 March 2015.

2. The record date to participate in, attend and vote at the AGM was set as at the close of business on Friday, 22 May 2015. Therefore, the last day to trade in the Company's shares on the JSE in order to be recorded in the share register on the record date is Friday, 15 May 2015.

3. A shareholder entitled to participate in, attend, speak and vote at the AGM may appoint a proxy to participate in, attend, speak and vote in his or her stead.

4. The votes of shares held by the Sanlam Share Incentive Trust and subsidiaries of the Company will not be taken into account at the AGM for approval of any resolution proposed in terms of the JSE Listings Requirements.

5. Sanlam shareholders who hold share certificates for their Sanlam ordinary shares or have dematerialised their Sanlam ordinary shares and have them registered in their own name (which includes Sanlam ordinary shares held through the arrangement with Sanlam Share Account Nominee (Pty) Limited or Sanlam Fundshares Nominee (Pty) Limited), but who are unable to attend the Meeting and wish to be represented thereat, should complete and return the enclosed form of proxy, in accordance with the instructions contained therein, to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (Private Bag X105, Marshalltown, 2107). The form of proxy is requested to be received by no later than 14:00 on Monday, 1 June 2015.

6. Sanlam ordinary shareholders who hold their dematerialised Sanlam ordinary shares through a CSDP, bank or broker nominee (Sanlam dematerialised shareholders) must provide their CSDP, bank or broker nominee with their voting instructions, in accordance with the agreement between them and their CSDP, bank or broker nominee. Should Sanlam dematerialised shareholders wish to cast their votes at the AGM in person, they must contact their CSDP, bank or broker nominee to issue them with the appropriate letter of representation. Sanlam does not accept the responsibility for any failure on the part of the CSDP, bank or broker nominee with regard hereto.

7. A person representing a corporation/company is not deemed to be a proxy as such corporation/company can only attend a meeting through a person, duly authorised by way of a resolution to act as representative. A notarially certified copy of such power of attorney or other documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached to the form of proxy. Such person enjoys the same rights at the AGM as the shareholding corporation/company.

8. A shareholder whose shares are held through the arrangement with Sanlam Share Account Nominee (Pty) Limited or Sanlam Fundshares Nominee (Pty) Limited is entitled to act and vote at the AGM.

9. On a show of hands, every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he/she represents or holds.

10. On a poll, every shareholder present in person or represented by proxy or duly authorised representative shall have one vote for every Sanlam share held by such shareholder.

11. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the AGM. If a poll is so demanded, the resolution put to the vote shall be decided on a poll.

12. The Company's Memorandum of Incorporation provides for an electronic voting process, for which purposes electronic handset devices will be used.

13. Electronic participation – Shareholders are advised that they, or their proxies, will be able to participate in the Meeting by way of electronic communication but will not be able to vote during the Meeting. Such shareholders, should they wish to have their votes counted at the Meeting, must act in accordance with the general instructions contained within this notice. Telephone lines will be made available for this purpose. Shareholders who wish to participate by way of electronic communication must register such request in writing with the company secretary (sana-ullah.bray@sanlam.co.za) by no later than 12:00 on Friday, 22 May 2015. The cost of the shareholder's phone call will be for his/her own expense. The shareholder acknowledges that the telecommunication lines are provided by a third party and indemnifies the Company against any claim arising in any way from the use or possession of the telecommunication lines. We kindly request shareholders to dial in from 13:50 on the day of the AGM. All shareholders who would like to call into the AGM should dial +27 21916 3323.

By order of the Board

Sana-Ullah Bray
Group Company Secretary
Bellville
March 2015

** The Meeting will start promptly at 14:00. Due to the electronic voting system, no late registrations will be allowed.*

Shareholders' diary and administration

SHAREHOLDERS' DIARY

Financial year-end	31 December
Annual general meeting	3 June 2015

REPORTS

Interim report for 30 June 2015	September 2015
Announcement of the results for the year ended 31 December 2015	March 2016
Annual report for the year ended 31 December 2015	March 2016

DIVIDENDS

Dividend for 2014 declared	5 March 2015
Last date to trade for 2014 dividend	10 April 2015
Shares will trade ex-dividend from	13 April 2015
Record date for 2014 dividend	17 April 2015
Payment of dividend for 2014	20 April 2015
Declaration of dividend for 2015	March 2016
Payment of dividend for 2015	April 2016

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account Nominee (Pty) Limited and Sanlam Fundshares Nominee (Pty) Limited), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between Monday, 13 April 2015 and Friday, 17 April 2015, both dates included.

Transactions on the JSE via Strate are not affected by this arrangement.

ADMINISTRATION

Registered name

Sanlam Limited

(Registration number 1959/001562/06)

(Tax reference number: 9536/346/84/5)

JSE share code (primary listing): SLM

NSX share code: SLA

ISIN: ZAE000070660

Incorporated in South Africa

Group Company Secretary

Sana-Ullah Bray

Registered Office

2 Strand Road, Bellville, 7530

South Africa

Telephone +27 (0)21 947 9111

Fax +27 (0)21 947 3670

Postal address

PO Box 1, Sanlamhof 7532,

South Africa

Sponsor

Deutsche Securities (SA) Proprietary Limited

Internet address

http://www.sanlam.co.za

Transfer secretaries

Computershare Investor Services (Pty) Limited

(Registration number 2004/003647/07)

70 Marshall Street, Johannesburg 2001, South Africa

PO Box 61051, Marshalltown 2107, South Africa

Telephone +27 (0)11 370 5000

Fax +27 (0)11 688 5200

BASTION GRAPHICS

www.sanlam.com