Sanlam Limited

Incorporated in the Republic of South Africa
Registered name: Sanlam Limited
(Registration number 1959/001562/06)
"Sanlam", "Sanlam Group", or "the Company"

JSE share code (primary listing): SLM
NSX share code: SLA
ISIN: ZAE000070660

Summarised audited results for the year ended 31 December 2014

Contents

Key features

Earnings

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

Business volumes

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

Group Equity Value

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

Capital management

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

Dividend

- Normal dividend of 225 cents per share up 13%

SALIENT RESULTS

for the year ended 31 December 2014		2014	2013	△
SANLAM GROUP				
Earnings				
Net result from financial services per share	cents	**336,2**	266,0	26%
Normalised headline earnings per share [1]	cents	**407,6**	395,0	3%
Diluted headline earnings per share	cents	**411,6**	397,8	3%
Net result from financial services	R million	**6 879**	5 429	27%
Normalised headline earnings [1]	R million	**8 340**	8 060	3%
Headline earnings	R million	**8 325**	8 062	3%
Group administration cost ratio [2]	%	**30,2**	29,4	
Group operating margin [3]	%	**26,6**	22,2	
Business volumes				
New business volumes	R million	**182 297**	154 976	18%
Net fund inflows	R million	**41 994**	26 113	61%
Net new covered business				
Value of new covered business	R million	**1 592**	1 320	21%
Covered business PVNBP [4]	R million	**54 518**	43 197	26%
New covered business margin [5]	%	**2,92**	3,06	
Group Equity Value				
Group Equity Value	R million	**95 936**	84 409	14%
Group Equity Value per share	cents	**4 684**	4 121	14%
Return on Group Equity Value per share [6]	%	**18,5**	17,0	
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	

Notes

(1) *Normalised headline earnings = headline earnings, excluding fund transfers.*
(2) *Administration costs as a percentage of income after sales remuneration.*
(3) *Result from financial services as a percentage of income after sales remuneration.*
(4) *PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums plus single premiums.*
(5) *New covered business margin = value of new covered business as a percentage of PVNBP.*
(6) *Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of Group Equity Value per share at the beginning of the year.*

EXECUTIVE REVIEW

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

- 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.
- 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 change imposed on the savings and investment industry in South Africa as well as in a number of the other countries in which we operate, most notably in India and the UK, has placed cost pressures on all of the Group's businesses. The uncertainty created by some of these reforms has resulted in significant opportunity costs. A great deal of capacity has been invested in preparing for the implementation of these reforms at the expense of product development and other important projects.

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

The following are some of our other salient results:

- Net value of new covered business up 21%
- Net value of new covered business margin of 2.92% compared to 3,06% in 2013
- Dividend per share increased by 13% to 225 cents

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

2014 strategic initiatives

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

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

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

Earnings Growth

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

Operational efficiencies

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

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

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

Diversification

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

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

Optimal capital utilisation

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

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

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

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

Transformation

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

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

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

Forward-looking statements

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

COMMENTS ON THE RESULTS

Introduction

The Sanlam Group financial statements for the year ended 31 December 2014 are presented based on and in compliance with International Financial Reporting Standards (IFRS). The basis of presentation and accounting policies for the IFRS financial statements and shareholders' information are in all material respects consistent with those applied in the 2013 integrated report, apart from the following 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 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 no longer relevant to disclose this particular type of administration business separately. Comparative information has been restated accordingly.
- Sanlam UK reclassified business written by Sanlam Financial Solutions from covered business to other Group operations as it better reflects the underlying nature of this business. The change in classification has been disclosed in the Embedded Value of Covered business (EV) analysis as a transfer from covered business to other Group operations on 1 January 2014. Comparative information has not been restated. The 2013 comparatives include R2 056 million of new life business volumes, R7 million of value of new business (VNB) and R2 222 million Present Value of New Business Premiums (PVNBP) relating to this business. With effect from 2014 the new business volumes are included under investment business.

Group Equity Value

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 Return on Group Equity Value (RoGEV) per share of 18.5% was achieved for 2014, well in excess of the 2014 performance hurdle of 12,2%.

Investment markets performed slightly ahead of assumptions during the year, compared to a significant outperformance in 2013. Interest rates were, however, relatively stable in 2014 compared to an increase of 1.4% in the 9-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

R million	GEV December 2014	GEV December 2013	RoGEV	RoGEV %
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 (SPF) achieved strong growth for a largely mature business. *Sanlam Individual Life* remains the largest contributor to SPF's operating earnings with growth in its net result from financial services of 17% in 2014. Risk underwriting and administration profits were the main drivers of this growth, with both business lines increasing by more than 50%. Favourable claims experience, in particular mortality, continued in the second half of 2014. A higher level of assets under management supported higher fee income in the administration business.

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

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

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

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

Botswana achieved excellent growth of 36% in its net result from financial services (22% before tax and non-controlling interests). The life business' results were supported by good annuity profits following the strong new business performance over the last number of years (including 2014).

Letshego also continued on its growth path and increased its profit contribution by more than 20%. The increase in the Group's effective stake in Botswana Insurance Holdings Limited (BIHL) from 56% in 2013 to 60% in 2014 benefited growth on a net basis.

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

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

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

Sanlam Investments delivered an overall sound performance.

The *Investment Management* businesses (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, with movements in credit spreads also impacting negatively on the results.

Santam's net result from financial services more than doubled compared to 2013, with its underwriting margin improving from 2.8% in 2013 to 8.7% in 2014. Claims experience in 2014 improved considerably compared to 2013. The agricultural business, in particular, incurred significant losses from hail damage to summer crops and drought in other parts of the country in 2013. This did not recur in 2014 with widespread rainfall and an absence of hail storms. The underwriting profit of the agricultural business turned around from a loss of R128 million in 2013 to a profit of R264 million in 2014, which together with a resilient performance from the Specialist businesses, contributed to the significant increase in the overall underwriting margin and operating profit.

Normalised headline earnings of R8,3 billion are 3% up on 2013. This is the combined effect of the 27% increase in net result from financial services, largely offset by a 41% decline in net investment return. Investment surpluses in 2013 included once-off investment gains of some R215 million from an increase in the valuation of the Group's interest in Capricorn Investment Holdings following the listing of Bank Windhoek and a sizable recovery of a previously impaired portfolio investment. Excluding these, net investment return earned on the capital portfolio declined by 36%, which is in line with the relatively weaker investment market performance in 2014. Given the outperformance of equity markets over the last two years and uncertainty around a potential future correction, R2 billion of the unhedged equity exposure in Sanlam Life's capital portfolio has been protected through a fence structure at the end of September 2014. The cap of the hedge over a one year period is 112.25% plus dividends.

Business volumes

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

Life insurance new business volumes increased by 33%, augmented by 18% (excluding CUT) and 6% growth in new investment and general insurance business respectively. All businesses contributed to the solid performance, apart from Sanlam Sky in SPF and 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 advisor 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 are commendable, in particular given the highly competitive market in South Africa and some R10 billion withdrawal by the Government Employees Pension Fund from SI's third party portfolios.

Business volumes for the year ended 31 December 2014

R million	New business			Net inflows		
	2014	2013	% change	**2014**	2013	% 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
Short-term insurance	**18 624**	17 592	6	**6 711**	5 314	26
Total (excluding white label)	**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 5-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 9-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% (23% net of non-controlling interests).

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

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

SI's VNB more than doubled. The 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

R million	2014 economic basis			2013 economic basis		
	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%	

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 has 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 Ltd, 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 a total 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. No STC credits will be utilised. The dividend does not carry any STC credits and will in full be subject to the 15% withholding tax, where applicable, 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. The number of ordinary shares in issue in the company's share capital at the date of the declaration is 2 004 287 323 (excluding treasury shares of 162 184 483). The company's tax reference number is 9536/346/84/5.

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

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

Desmond Smith
Chairman

Johan van Zyl
Group Chief Executive

Sanlam Limited
Bellville
4 March 2015

Sanlam Group

Summarised financial statements for the year ended 31 December 2014

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The policy liabilities and profit entitlement rules are determined in accordance with prevailing legislation, generally accepted actuarial practice and the stipulations contained in the demutualisation proposal. There have been no material changes in the financial soundness valuation basis since 31 December 2013, apart from changes in the economic assumptions.

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 annual report, apart from the changes indicated below.

The preparation of the Group's audited annual results was supervised by the Financial Director, Kobus Möller CA(SA).

The following new or revised IFRSs 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 IFRSs 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.

EXTERNAL AUDIT

This summarised report is extracted from audited information, but is not itself audited.

The annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The shareholders' information was audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited shareholders'' information and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of the abridged report and the financial information has been correctly extracted from the underlying annual financial statements and shareholders' information.

Summarised shareholders’ information for the year ended 31 December 2014

Contents

GROUP EQUITY VALUE

at 31 December 2014

	2014 R million	2013 R million
Embedded value of covered business	**48 393**	43 475
Sanlam Personal Finance	**35 444**	33 033
Adjusted net worth	**9 446**	9 041
Value of in-force	**25 998**	23 992
Sanlam Emerging Markets	**5 116**	3 541
Adjusted net worth	**2 324**	1 533
Value of in-force	**2 792**	2 008
Sanlam Investments	**7 833**	6 901
Adjusted net worth	**5 416**	5 226
Value of in-force	**2 417**	1 675
Other Group operations	**39 346**	32 995
Sanlam Personal Finance	**3 009**	2 633
Sanlam Emerging Markets	**9 455**	6 648
Sanlam Investments	**12 289**	11 070
Santam	**14 593**	12 644
Other capital and net worth adjustments	**4 897**	3 939
	92 636	80 409
Discretionary capital	**3 300**	4 000
Group equity value	**95 936**	84 409
Group equity value per share (cents)	**4 684**	4 121

SHAREHOLDERS' FUND INCOME STATEMENT

for the year ended 31 December 2014

	2014	2013
	R million	R million
Result from financial services before tax	**10 744**	8 179
Sanlam Personal Finance	**4 801**	4 055
Sanlam Emerging Markets	**2 213**	1 736
Sanlam Investments	**1 927**	1 718
Santam	**1 968**	835
Corporate and other	**(165)**	(165)
Tax on financial services income	**(2 849)**	(2 100)
Non-controlling interest	**(1 016)**	(650)
Net result from financial services	**6 879**	5 429
Net investment return	**1 794**	3 019
Net investment income	**931**	852
Net investment surpluses	**817**	2 110
Net equity-accounted headline earnings	**46**	57
Net project expenses	**(14)**	(31)
Equity participation costs	**(109)**	(151)
Amortisation of intangibles	**(210)**	(206)
Normalised headline earnings	**8 340**	8 060
Profit on disposal of operations	**387**	90
Net equity-accounted non-headline earnings	**118**	-
Impairments	**(101)**	(21)
Normalised attributable earnings	**8 744**	8 129
Fund transfers	**(15)**	2
Attributable profit per Group statement of comprehensive income	**8 729**	8 131

NOTES TO THE SHAREHOLDERS' INFORMATION

for the year ended 31 December 2014

	2014 **R million**	2013 R million
1. NEW BUSINESS		
Analysed per licence:		
Life Insurance	**42 290**	31 687
Sanlam Personal Finance	**25 145**	21 498
Sanlam Emerging Markets	**3 286**	2 862
Sanlam Investments	**13 859**	7 327
Investment business and other	**140 007**	123 289
Sanlam Personal Finance	**27 421**	21 009
Sanlam Emerging Markets	**5 973**	6 887
Sanlam Investments	**89 391**	78 643
Santam	**17 222**	16 750
Total new business	**182 297**	154 976

	2014 **R million**	2013 R million
2. NET FLOW OF FUNDS		
Analysed per licence:		
Life Insurance	**18 430**	10 561
Sanlam Personal Finance	**8 214**	6 538
Sanlam Emerging Markets	**2 214**	1 541
Sanlam Investments	**8 002**	2 482
Investment business and other	**23 564**	15 552
Sanlam Personal Finance	**11 366**	8 455
Sanlam Emerging Markets	**1 757**	253
Sanlam Investments	**4 097**	1 702
Santam	**6 344**	5 142
Total net flow of funds	**41 994**	26 113

3. NORMALISED EARNINGS PER SHARE

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam 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 shares, resulting in a mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's earnings. The number of shares in issue must also be reduced with the treasury shares held by the policyholders' fund for the calculation of IFRS basic and diluted earnings per share. This is, in management's view, 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 varies significantly. The Group therefore calculates normalised earnings per share to eliminate the impact of investments in Sanlam shares and Group subsidiaries held by the policyholders' fund.

	2014 cents	2013 cents
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	R million
Analysis of normalised earnings (refer shareholders' fund income statement):		
Net result from financial services	**6 879**	5 429
Headline earnings	**8 340**	8 060
Profit attributable to shareholders' fund	**8 744**	8 129
	Million	million
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share	**2 022,8**	2 026,7
Add: Weighted average Sanlam shares held by policyholders	**23,4**	13,9
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 046,2**	2 040,6
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 and share options in respect of Sanlam Limited long-term incentive scheme	**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

EMBEDDED VALUE OF COVERED BUSINESS
at 31 December 2014

EMBEDDED VALUE OF COVERED BUSINESS at 31 DECEMBER 2014

	Note	2014 R million	2013 R million
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.

EMBEDDED VALUE OF COVERED BUSINESS
at 31 December 2014 *(continued)*

CHANGE IN EMBEDDED VALUE OF COVERED BUSINESS for the year ended 31 December 2014

R million	Note	2014 Total	2014 Net Value of in-force	2014 Adjusted net worth	2013 Total
Embedded value of covered business at the beginning of the year		**43 475**	**27 675**	**15 800**	38 996
Value of new business	2	**1 592**	**3 653**	**(2 061)**	1 320
Net earnings from existing covered business		**4 881**	**(667)**	**5 548**	3 991
Expected return on value of in-force business		**3 368**	**3 368**	**-**	2 585
Expected transfer of profit to adjusted net worth		**-**	**(4 598)**	**4 598**	-
Operating experience variances	3	**991**	**(86)**	**1 077**	1 021
Operating assumption changes	4	**522**	**649**	**(127)**	385
Expected investment return on adjusted net worth		**1 179**	**-**	**1 179**	935
Embedded value earnings from operations		**7 652**	**2 986**	**4 666**	6 246
Economic assumption changes	5	**86**	**74**	**12**	(1 077)
Tax changes		**(6)**	**(2)**	**(4)**	88
Investment variances – value of in-force		**557**	**161**	**396**	2 387
Investment variances – investment return on adjusted net worth		**118**	**-**	**118**	1 247
Goodwill from business		**(162)**	**(160)**	**(2)**	-
Exchange rate movements		**(6)**	**(6)**	**-**	237
Embedded value earnings from covered business		**8 239**	**3 053**	**5 186**	9 128
Acquired value of in-force		**1 358**	**534**	**824**	79
Transfer from/(to) other Group operations		**(106)**	**(55)**	**(51)**	44
Net transfers from covered business		**(4 573)**	**-**	**(4 573)**	(4 772)
Embedded value of covered business at the end of the year		**48 393**	**31 207**	**17 186**	43 475
Analysis of earnings from covered business					
Sanlam Personal Finance		**5 805**	**2 006**	**3 799**	6 205
Sanlam Emerging Markets		**932**	**250**	**682**	1 251
Sanlam UK		**147**	**64**	**83**	326
Sanlam Employee Benefits		**1 355**	**733**	**622**	1 346
Embedded value earnings from covered business		**8 239**	**3 053**	**5 186**	9 128

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
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%

VALUE OF NEW BUSINESS for the year ended 31 December 2014 *(continued)*

R million	Note	**2014**	**2013**
Analysis of new business profitability *(continued)*:			
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	**34 299**	**(3 092)**	**31 207**	
• Risk discount rate increase by 1%	32 429	(3 792)	28 637	(8)

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	**1 812**	**(220)**	**1 592**	
• Risk discount rate increase by 1%	1 596	(269)	1 327	(17)

	2014 R million	2013 R million
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, inflation gap change and other	**-**	60
Total economic assumption changes	**86**	(1 077)
6. RECONCILIATION OF GROWTH FROM COVERED BUSINESS		
The embedded value earnings from covered business reconcile as follows to the net result from financial services for the year:		
Net results from financial services of covered business per shareholders' fund income statement	**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

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2014 *(continued)*

	2014 %	2013 %
7. ECONOMIC ASSUMPTIONS		
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
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
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
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

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

	2014 %	2013 %
7. ECONOMIC ASSUMPTIONS (*continued*)		

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.

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
SANLAM INVESTMENTS AND PENSIONS:		
Cash	**100**	100
	100	100
SDM LIMITED:		
Equities	**50**	50
Cash	**50**	50
	100	100
BOTSWANA LIFE INSURANCE:		
Equities	**50**	15
Property	**-**	10
Fixed-interest securities	**-**	25
Cash	**50**	50
	100	100

Summarised Group IFRS financial statements for the year ended 31 December 2014

Contents

STATEMENT OF FINANCIAL POSITION at 31 December 2014

	2014 R million	2013 R million
ASSETS		
Equipment	**723**	586
Owner-occupied properties	**1 096**	672
Goodwill	**3 974**	3 796
Other intangible assets	**439**	111
Value of business acquired	**2 045**	1 586
Deferred acquisition costs	**3 281**	2 976
Long-term reinsurance assets	**941**	796
Investments	**538 155**	477 550
Properties	**10 333**	9 182
Equity-accounted investments	**11 895**	9 780
Equities and similar securities	**183 040**	166 122
Interest-bearing investments	**161 778**	131 417
Structured transactions	**12 348**	11 906
Investment funds	**133 552**	131 029
Cash, deposits and similar securities	**25 209**	18 114
Deferred tax	**365**	361
Assets of disposal groups classified as held for sale	**1 893**	415
Net defined benefit asset	**144**	-
Short-term insurance technical assets	**3 964**	2 716
Working capital assets	**54 233**	69 739
Trade and other receivables	**37 974**	51 339
Cash, deposits and similar securities	**16 259**	18 400
Total assets	**611 253**	561 304
EQUITY AND LIABILITIES		
Shareholders' fund	**46 037**	40 965
Non-controlling interest	**5 198**	3 651
Total equity	**51 235**	44 616
Long-term policy liabilities	**443 672**	382 309
Insurance contracts	**186 626**	158 575
Investment contracts	**257 046**	223 734
Term finance	**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	**2 498**	2 142
Liabilities of disposal groups classified as held for sale	**1 466**	-
Short-term insurance technical provisions	**12 592**	11 032
Working capital liabilities	**42 699**	57 165
Trade and other payables	**40 529**	54 799
Provisions	**283**	285
Taxation	**1 887**	2 081
Total equity and liabilities	**611 253**	561 304

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014

	2014 R million	2013 R million
Net income	**92 060**	102 000
Financial services income	**49 683**	45 104
Reinsurance premiums paid	**(6 341)**	(4 963)
Reinsurance commission received	**1 125**	675
Investment income	**22 491**	19 688
Investment surpluses	**28 891**	47 350
Finance cost – margin business	**(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	**(26 388)**	(26 480)
Long-term investment contract benefits	**(22 168)**	(34 106)
Short-term insurance claims	**(14 404)**	(13 861)
Reinsurance claims received	**4 334**	3 071
Expenses	**(20 811)**	(18 418)
Sales remuneration	**(6 442)**	(5 825)
Administration costs	**(14 369)**	(12 593)
Impairments	**(140)**	(34)
Amortisation of intangibles	**(240)**	(263)
Net operating result	**12 243**	11 909
Equity-accounted earnings	**1 603**	1 224
Finance cost – other	**(517)**	(516)
Profit before tax	**13 329**	12 617
Taxation	**(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		
Movement in foreign currency translation reserve	**569**	1 123
Employee benefits re-measurement gain	**128**	3
Comprehensive income for the year	**10 492**	10 260

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2014 *(continued)*

	2014 R million	2013 R million
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):		
Basic earnings per share	**436,7**	419,8
Diluted earnings per share	**431,5**	401,2

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	2014 R million	2013 R million
Shareholders' fund:		
Balance at beginning of the year	**40 965**	36 556
Comprehensive income	**9 393**	9 030
Profit for the year	**8 729**	8 131
Other comprehensive income	**664**	899
Net acquisition of treasury shares [1]	**(515)**	(319)
Share-based payments	**376**	329
Dividends paid [2]	**(4 009)**	(4 283)
Acquisitions, disposals and other movements in interests	**(173)**	(348)
Balance at end of the year	**46 037**	40 965
Non-controlling interest:		
Balance at beginning of the year	**3 651**	2 970
Comprehensive income	**1 099**	1 230
Profit for the year	**1 066**	1 003
Other comprehensive income:	**33**	227
Net (acquisition)/ disposal of treasury shares[1]	**(20)**	11
Share-based payments	**57**	46
Dividends paid [2]	**(636)**	(518)
Acquisitions, disposals and other movements in interests	**1 047**	(88)
Balance at end of the year	**5 198**	3 651
Shareholders' fund	**40 965**	36 556
Non-controlling interest	**3 651**	2 970
Total equity at beginning of the year	**44 616**	39 526
Shareholders' fund	**46 037**	40 965
Non-controlling interest	**5 198**	3 651
Total equity at end of the year	**51 235**	44 616

(1) Includes movement in cost of shares held by subsidiaries and the share incentive trust.

(2) Normal dividend of 225 cents per share (2013: 165 cents per share) declared during 2014 in respect of the 2013 financial year.

CASH FLOW STATEMENT

for the year ended 31 December 2014

	2014 **R million**	2013 R million
Net cash flow from operating activities	**35 944**	10 372
Net cash flow from investment activities	**(30 033)**	(4 529)
Net cash flow from financing activities	**(971)**	143
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	**41 431**	36 491

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

	2014	2013
	cents	cents
1. EARNINGS PER SHARE		
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	R million
Analysis of earnings:		
Profit attributable to shareholders' fund	**8 729**	8 131
Less: Net profit on disposal of operations	**(387)**	(90)
Less: Equity-accounted non-headline earnings	**(118)**	-
Plus: Impairment of investments and goodwill	**101**	21
Headline earnings	**8 325**	8 062
	million	million
Number of shares:		
Number of ordinary shares in issue at beginning of 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

2. RECONCILIATION OF SEGMENTAL INFORMATION

	2014	2013
	R million	R million
Segment financial services income (per shareholders' fund information)	**45 713**	42 104
Sanlam Personal Finance	**14 364**	13 249
Sanlam Emerging Markets	**5 236**	4 045
Sanlam Investments	**8 286**	7 574
Santam	**17 700**	17 124
Corporate and other	**127**	112
IFRS adjustments	**3 970**	3 000
Total financial services income	**49 683**	45 104
Segment result (per shareholders' fund information after tax and non-controlling interest)	**8 744**	8 129
Sanlam Personal Finance	**6 578**	5 536
Sanlam Emerging Markets	**1 504**	1 302
Sanlam Investments	**2 055**	1 854
Santam	**916**	692
Corporate and other	**(2 309)**	(1 255)
Reverse Non-controlling interest included in segment result	**1 066**	1 003
Fund transfers	**(15)**	2
Total profit for the year	**9 795**	9 134

3. 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. No share repurchases was done in respect of these authorities.

4. CONTINGENT LIABILITIES

Shareholders are referred to the contingent liabilities disclosure in the 2014 annual report. The circumstances surrounding the contingent liabilities remain materially unchanged from 2013.

5. SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the dates of the statement of financial position and this report that affect the financial position of the Sanlam Group at 31 December 2014 as reflected in these financial statements.

6. 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

Recurring fair value measurements

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
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
- Valued at stock exchange prices	3 031	-	-	3 031
- 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**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. FAIR VALUE DISCLOSURES *(continued)*

R million

Recurring fair value measurements

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
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
- Valued at stock exchange prices	3 047	-	-	3 047
- 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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. FAIR VALUE DISCLOSURES *(continued)*

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

R million

31 December 2014

Assets	**Properties**	**Equities and similar securities**	**Interest bearing investments**	**Structured transactions**	**Investment funds**	**Cash, deposits and similar securities**	**Total Assets**
Balance at 1 January 2014	**7 227**	**1 313**	**394**	**-**	**459**	**-**	**9 393**
Total gains/(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**
Transfer from owner-occupied properties	**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 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 valuation 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. FAIR VALUE DISCLOSURES *(continued)*

Liabilities **R million**	**Investment contract liabilities**	**Term finance**	**Structured transactions liabilities**	**Total 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.*

Gains and losses (realised and unrealised) included in profit and loss

R million	**2014**	**2013**
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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. FAIR VALUE DISCLOSURES *(continued)*

Transfers between categories

Assets **R million**	**Equities and similar securities**	**Interest-bearing investments**	**Structured transactions**	**Cash, deposits and similar securities**	**Total assets**
2014					
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.

6. 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 curves	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

6. FAIR VALUE DISCLOSURES *(continued)*

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

Assets	**Carrying amount**	**Effect of a 10% increase in risk adjustments**	**Effect of a 10% decrease in risk adjustments**	**Carrying amount [1]**	**Effect of a 1% increase in base/ capitalisation rate**	**Effect of a 1% decrease in base / capitalisation rate**
R million						
2014						
Properties						
Cash flow risk adjustments	**10 333**	**(1 033)**	**1033**			
Base rate				**7 097**	**(264)**	**282**
Capitalisation				**7 097**	**(382)**	**466**
Other investments	**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**
	R million	**R million**	**R million**	**R million**	**R million**	**R million**
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						
Properties						
Cash flow risk adjustments	7 227	(723)	723			
Base rate				7 227	(255)	272
Capitalisation				7 227	(354)	432
Other investments	**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**
	R million	**R million**	**R million**	**R million**	**R million**	**R million**
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

6. FAIR VALUE DISCLOSURES *(continued)*

Liabilities	Carrying amount [2] R million	Effect of a 10% increase in value R million	Effect of a 10% decrease in value R million	Carrying amount [3] R million	Effect of a 1% increase in discount rate R million	Effect of a 1% decrease in discount rate R million
2014						
Investment contract liabilities	**2 552**	**255**	**(255)**	**-**	**-**	**-**
Term finance	**347**	**35**	**(35)**	**-**	**-**	**-**
Total Liabilities	**2899**	**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.*

7. BUSINESS COMBINATIONS

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:

	Fair value recognised on acquisition
Assets	**R million**
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 groups 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 groups 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.

Administration

Group 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

Registered name: Sanlam Limited
(Registration number 1959/001562/06)
JSE share code (primary listing): SLM
NSX share code: SLA
ISIN: ZAE000070660
Incorporated in South Africa

Transfer secretaries:
Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)
70 Marshall Street, Johannesburg 2001,
South Africa
PO Box 61051, Marshalltown 2107, South Africa
Tel +27 (0)11 370-5000
Fax +27 (0)11 688-5200

www.sanlam.co.za

Directors: DK Smith (Chairman), PT Motsepe (Deputy Chairman), J van Zyl (1) (Group Chief Executive), MM Bakane-Tuoane, CB Booth(2), AD Botha, PR Bradshaw (2), A Duggal (3), MV Moosa, JP Möller (1), TI Mvusi (1), SA Nkosi, P Rademeyer, Y Ramiah (1), RV Simelane, CG Swanepoel, ZB Swanepoel, PL Zim

(1) Executive

(2) British

(3) American national and resident of India

Bellville
5 March 2015

Sponsor
Deutsche Securities (SA) Proprietary Limited