

Insurance

Financial planning

Retirement

Investments

Wealth

## Interim results

for the six months ended 30 June 2014



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## Earnings

- ▶ Net result from financial services per share increased by **43%**
- ▶ Normalised headline earnings per share up **27%**

## Business volumes

- ▶ New business volumes up 7% to **R89 billion**
- ▶ Net value of new covered business up 7% to **R626 million**
- ▶ Net new covered business margin of **2,68%**
- ▶ Net fund inflows of **R22 billion**

## Group Equity Value

- ▶ Group Equity Value per share of **R42,77**
- ▶ Annualised Return on Group Equity Value per share of **18%**

## Capital management

- ▶ Discretionary capital of **R3,3 billion** at 30 June 2014
- ▶ Sanlam Life Insurance Limited CAR cover of **4,4 times**

## SALIENT RESULTS

for the six months ended 30 June 2014

		2014	2013	%Δ
<b>Sanlam Group</b>				
<b>Earnings</b>				
Net result from financial services per share	cents	169,2	118,1	43
Normalised headline earnings per share <sup>(1)</sup>	cents	214,8	169,1	27
Diluted headline earnings per share	cents	220,2	171,4	28
Net result from financial services	R million	3 461	2 409	44
Normalised headline earnings <sup>(1)</sup>	R million	4 393	3 449	27
Headline earnings	R million	4 447	3 474	28
Group administration cost ratio <sup>(2)</sup>	%	29,2	29,3	
Group operating margin <sup>(3)</sup>	%	27,5	20,5	
<b>Business volumes</b>				
New business volumes	R million	88 774	83 244	7
Net fund inflows	R million	21 708	12 611	72
Net new covered business				
Value of new covered business	R million	626	587	7
Covered business PVNBP <sup>(4)</sup>	R million	23 335	20 731	13
New covered business margin <sup>(5)</sup>	%	2,68	2,83	
<b>Group Equity Value</b>				
Group Equity Value <sup>(7)</sup>	R million	87 588	84 409	4
Group Equity Value per share <sup>(7)</sup>	cents	4 277	4 121	4
Annualised Return on Group Equity Value per share <sup>(6) (7)</sup>	%	18,0	17,0	
<b>Sanlam Life Insurance Limited</b>				
Shareholders' fund <sup>(7)</sup>	R million	62 763	60 542	
Capital Adequacy Requirements (CAR) <sup>(7)</sup>	R million	7 775	7 550	
CAR covered by prudential capital <sup>(7)</sup>	times	4,4	4,5	

### Notes

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

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

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

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

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

<sup>(6)</sup> Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of Group Equity Value per share at the beginning of the year.

<sup>(7)</sup> Comparative figures are as at 31 December 2013.

The Sanlam Group delivered a commendable performance in the first half of 2014, with all clusters achieving strong growth in operating earnings.

The Group's largest exposure remains to the South African market, where a supportive investment market performance countered the effect of a strained local economy. Despite an initial emerging markets sell-off, the South African equity market remained buoyant and followed global markets higher to reach new record levels during the six-month period. Fee-based earnings in Sanlam Investments and Sanlam Personal Finance benefited from the higher average level of assets under management with particularly robust growth in investment management and administration profits. This was augmented by favourable underwriting conditions in both the life and short-term insurance operations.

The weak economic environment in South Africa persisted during the first half of 2014, aggravated by prolonged periods of industrial action. The economic growth outlook for 2014 has been reduced to below 2%, limiting any potential improvement in employment in the short term. Consumers' disposable income also remained under pressure from a combination of high exposure to debt and inflationary strain. These conditions proved exceptionally challenging for writing new recurring premium business. It also necessitated a further strengthening of the Group's risk criteria for unsecured lending, with a deliberate slowdown in the growth of the Sanlam Personal Loans book.

Our identified growth markets in Africa, India and South-East Asia made a strong contribution to the Group's results for the period, notwithstanding slower economic growth also being experienced in a number of those areas. The strategy of diversification across geographies, market segments and product offering once again enabled the Group to deliver overall solid growth and value creation to our stakeholders.

Our primary strategic objective is to optimise value creation for shareholders as measured by 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 annualised RoGEV per share for the six months to 30 June 2014 of 18% exceeded the target of 12,2% by a healthy margin. Normalised RoGEV per share (annualised), which excludes the investment market performance in excess of long-term assumptions, as well as changes in interest rates and other factors outside of management's control, amounted to 15,3%, also in excess of the target.

Net operating profit (net result from financial services) grew by 44% (43% on a per share basis). All businesses achieved growth in excess of 20%, with Santam's contribution more than doubling. After two years of costly natural disasters, Santam's claims experience improved significantly in the first half of 2014 enabling it to achieve an underwriting margin of 7,4% compared to 1,3% in the first six months of 2013. While the 44% earnings growth achieved reflects an excellent operational performance across the Group for the six months it has been somewhat boosted by a few once-off items in both the 2014 and the comparable 2013 reporting periods, the timing effect of the accounting for new acquisitions during 2013 and the weak first half 2013 performance by Santam. Excluding the once-off items and the base effect of new acquisitions, as well as adjusting the Santam first half 2013 underwriting margin to be in line with the second half of 2013, the comparable increase in operating profit is some 29%. It should therefore not be expected that the first half growth percentage will be sustained for the remainder of 2014.



The following are some of our other salient results:

- ▶ New business volumes (excluding white label) increased by 8% to R82 billion (13% excluding the Namibian unit trust business disposed of in 2013).
- ▶ Net value of new covered business up 11% on a comparable economic basis.
- ▶ Net VNB margin of 2,77% compared to 2,83% in 2013 on a comparable economic basis.

## ▶ 2014 STRATEGIC INITIATIVES

The Group's strategic positioning remains focused on five pillars:

- ▶ Improving performance through top-line growth;
  - Increasing market share in key segments;
  - Diversifying the base (including geographical presence, products, market segments and distribution platforms);
- ▶ Improved operating and cost efficiencies, including quality;
- ▶ Prioritising Sanlam's international positioning through diversification;
- ▶ Improving capital efficiency on an ongoing basis; and
- ▶ Embracing and accelerating transformation of the Group.

In executing on the strategy since 2003, changes in the Group, our client base, other stakeholders and the operating environment required ongoing focus on each of the different pillars. Below is a brief overview of our progress on the specific priorities identified for 2014.

## Top-line and earnings growth

New business volumes, excluding white label, grew by 8% despite the challenging market conditions for recurring premium business in South Africa. Excluding the impact of the disposal of Capricorn Unit Trust in 2013, comparable growth of 13% was achieved. The main areas of focus in 2014 to drive new business growth over the longer term are:

- ▶ Our commitment to putting the needs of our clients first. Our client service and new product development models are focused on providing our clients with appropriate and affordable solutions based on their particular needs, and supporting these through superior service delivery over their lifetime with us. During 2014 we continued to improve our client service models and refine our product solutions.
- ▶ Building the Sanlam brand. Sanlam has built a strong and trusted brand in the South African market over the almost 100 years of our existence. A refreshed and repositioned Sanlam brand was successfully launched in June 2014 to enhance its appeal to our client base and to better reflect the change in the Group profile from predominantly a life insurer a few years ago to a broad financial services group.
- ▶ Increasing our distribution footprint in key market segments. We are growing the size of our agency force at a steady rate and entered new markets in Africa and Malaysia (refer Capital efficiency and diversification section below).

The Group achieved operating earnings growth of 44% in the first half of 2014. Organic growth of 40% was augmented by an earnings contribution of R130 million (2013: R33 million) from recent acquisitions. A number of new acquisitions were concluded in 2014 that will contribute to future earnings growth, as further elaborated on below.

## Operating and cost efficiencies

Maintaining operating and cost efficiencies remains a key focus area across our businesses. We continue to leverage off the *Sanlam for Sanlam* and *Blueprint for Success* initiatives to further improve collaboration and maximise synergies available in the Group.

## Capital efficiency and diversification

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 total of R1,8 billion was redeployed in the six months ended 30 June 2014, which included the following:

- ▶ Some R1,3 billion was utilised to acquire a 51% shareholding in MCIS Insurance, a life insurance business in Malaysia. This transaction adds to the Group's short-term insurance presence in Malaysia, which was established through the acquisition in May 2013 of a 49% stake in Pacific & Orient (P&O). The acquisition follows our partnership approach in emerging markets outside of South Africa and we look forward to building a mutually beneficial working relationship with our new partners. The combined exposure in Malaysia creates a solid platform for future growth through internal synergies, as well as organic growth in this high-potential market.
- ▶ We expanded our footprint in Rest of Africa to include Rwanda through the acquisition of a 63% shareholding in the Soras Group for R255 million. The Soras Group is the largest long-term and short-term insurance company in Rwanda. Rwanda has one of the fastest-growing economies in Africa, which together with low levels of insurance penetration, creates substantial scope for future growth.
- ▶ R56 million was invested to acquire a 22% stake in the United Kingdom (UK)-based micro-insurance provider, MicroEnsure. We see micro-insurance, which includes the buying of insurance products through mobile phones at low premiums, as a substantial opportunity for growth across all our markets. MicroEnsure has a strong footprint in emerging markets that overlaps with that of Sanlam Emerging Markets (SEM) in Africa, India and South-East Asia.
- ▶ Some R130 million was invested to increase the Group's exposure to existing operations in Botswana, Tanzania and the UK.
- ▶ The remainder of the R1,8 billion capital utilisation was applied to bolster the capital position of some of the Group's South African operations.

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 2013 dividend cover in excess of cash operating earnings added some R1,1 billion of surplus capital, leaving unallocated discretionary capital of R3,3 billion at the end of June 2014. We remain focused on utilising the available discretionary capital by finding value-accretive investment opportunities.

The Group's effective interest in Shriram Capital in India diluted to 23% during the first half of the year after a share issuance by Shriram Capital to a new strategic investor. The Group subsequently (in August 2014) subscribed for new shares in Shriram Capital for some R730 million to increase our effective stake to 26%, the level before the dilution. This investment was funded by a reduction in the Group's direct interest in the listed Shriram Transport Finance Company in India during June 2014 from 5% to 3%.



## Compliance to new regulatory requirements

The primary focus in 2014 is the Financial Services Board's introduction of a third-country equivalent of the European Solvency II regime (Solvency Assessment and Management or SAM) in South Africa, as well as Treating Customers Fairly (TCF) regulations. We completed a third quantitative impact study during the first half of 2014 as part of the SAM implementation, which indicated that adequate capital is allocated to the Group's life insurance operations. A TCF culture has been at the heart of Sanlam for many years. Compliance to TCF is therefore mainly a function of reviewing current practices to confirm compliance and implementing the systems required to adhere to the evidencing and reporting requirements under TCF. Good progress has been made in this regard, which included compulsory TCF training for all affected staff members.

## 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. Any forward-looking statements in this announcement have not been reviewed and reported on by Sanlam's auditors.



### ► INTRODUCTION

The Sanlam Group IFRS financial statements for the six months ended 30 June 2014 are presented based on and in compliance with International Financial Reporting Standards (IFRS), specifically IAS 34 – *Interim Financial Reporting*. 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 presentation of the Sanlam Investments (SI) cluster's segmental results.

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.

The Group acquired controlling interests in MCIS Insurance and the Soras Group close to the end of the 30 June 2014 reporting period. Both these businesses were allocated to other Group operations for GEV purposes at 30 June 2014, although they contain covered (life) business and non-life operations. In addition, the excess consideration paid over the fair value of assets and liabilities acquired from MCIS was recognised as a Value of Business Acquired intangible asset. The allocation between covered business and other Group operations, as well as the separate recognition of intangible assets acquired, will be finalised during the second half of the year for 2014 year-end reporting purposes as allowed for in terms of IFRS.

The presentation of business volumes as part of the Shareholders' information disclosure will be amended for the 2014 annual results. New business volumes, payments to clients and net fund flows are currently presented for all types of business. This disclosure is not the most appropriate format for asset management operations due to the volatility of investment-related fund flows and the fact that net fund flows is the main driver of value and future profitability for an asset management business. With effect from the 2014 annual results, only net fund flow information will be presented for investment business. The current disclosure format will be maintained for long- and short-term insurance business. This will ensure appropriate focus on the key value drivers in the various businesses.

### ► OPERATING ENVIRONMENT

#### Economic conditions

The economic conditions in South Africa remained strained during the first half of 2014, as highlighted in the Executive Review. Economic conditions elsewhere in Africa were in general more supportive as also reflected in the higher levels of growth achieved in these markets. The Indian economy continued to grow below its long-term potential, with Shriram Capital taking a cautious approach to growth in its credit businesses under these conditions. We remain optimistic about the future growth potential in India, especially given positive statements from the newly elected government to support economic growth. Growth prospects for the Malaysian economy also remain intact.



## Equity markets

The South African equity market delivered a strong performance with the FTSE/JSE All Share Index recording a total return of 11,8% for the six months to 30 June 2014, compared to a return of 2,3% in the comparable six-month period in 2013. This supported investment return earned on the Group's capital portfolio, as well as asset-based fee income. The MSCI World Index in rand terms underperformed in 2014 relative to the first half of 2013, growing by 7,9% compared to 26,9% in 2013. The international exposure in the capital portfolio commensurately underperformed in 2014 relative to the first six months of 2013. On a weighted basis, however, the portfolio earned higher returns in 2014.

## Interest rates

South African long-term interest rates continued to rise in the first half of 2014. The benchmark nine-year government bond yield used to value the majority of the Group's business increased by 0,3% since the end of December 2013 and was 0,7% higher than 30 June 2013. This had a negative impact on RoGEV, as well as the growth in the value of new life business (VNB). The South African All Bond Index returned 3,4% in the first half of 2014 compared to a negative return of 1,3% in 2013.

## Foreign currency exchange rates

Some stability returned to the rand exchange rate after its sharp depreciation against most currencies in 2013. Growth in foreign earnings, new business volumes and VNB benefited from a weaker average rand exchange rate for the six months ended 30 June 2014 compared to the same period in 2013.

Foreign currency/ ZAR	Europe EUR	United Kingdom GBP	USA USD	Botswana BWP	India INR	Rest of Africa (weighted)
31/12/2013	14,51	17,42	10,53	1,21	0,17	
<b>30/6/2014</b>	<b>14,56</b>	<b>18,18</b>	<b>10,64</b>	<b>1,22</b>	<b>0,18</b>	
Weakening/ (strengthening)	0,3%	4,4%	1,0%	0,4%	4,0%	(8,6%)
Average first half 2013	12,10	14,15	9,19	1,14	0,17	
<b>Average first half 2014</b>	<b>14,66</b>	<b>17,85</b>	<b>10,70</b>	<b>1,23</b>	<b>0,18</b>	
Weakening	21,2%	26,2%	16,4%	7,6%	5,3%	0,2%

## Group Equity Value

GEV amounted to R87,6 billion or 4 277 cents per share on 30 June 2014. Including the dividend of 200 cents per share paid during the year, a RoGEV per share of 8,6% (annualised 18%) was achieved for the first half of 2014, well in excess of the 2014 performance hurdle of 5,9% (annualised 12,2%). Investment market performance in the first six months of 2014 exceeded the long-term assumptions used for Group GEV purposes at 31 December 2013. This had a positive impact on the valuation of the in-force life insurance book, as well as the Group's asset management operations, contributing to the strong RoGEV performance for the first half of 2014. Augmenting the performance were

R626 million of new life insurance business written during the six months, as well as a continuance of positive operating experience variances. This was partly offset by the rise in long-term interest rates during the six months to 30 June 2014, which resulted in an increase in the discount rate used to value the in-force life insurance business, as well as some of the other Group operations. Excluding the favourable impact of investment returns in excess of the long-term expectations, higher long-term interest rates and certain other once-off effects, an adjusted RoGEV per share of 7,4% (annualised 15,3%) is still well in excess of the return target.

## ► GROUP EQUITY VALUE AT 30 JUNE 2014

R million	GEV		RoGEV	
	June 2014	December 2013		%Δ*
<b>Group operations</b>	<b>82 446</b>	76 470	7 282	9,5
Sanlam Personal Finance	36 976	35 666	3 107	8,7
Sanlam Emerging Markets	12 967	10 189	1 258	12,3
Sanlam Investments	19 267	17 971	2 031	11,2
Sanlam	13 236	12 644	886	7,0
<b>Covered business</b>	<b>44 903</b>	43 475	3 945	9,1
Value of in-force	28 925	27 675	3 180	11,5
Adjusted net worth	15 978	15 800	765	4,8
<b>Other operations</b>	<b>37 543</b>	32 995	3 337	10,1
<b>Group operations</b>	<b>82 446</b>	76 470	7 282	9,5
Discretionary capital and other	5 142	7 939	6	0,1
<b>Group Equity Value</b>	<b>87 588</b>	84 409	7 288	8,6
Per share (cents)	4 277	4 121	356	8,6

\* Return for the six months, non-annualised.

Group operations yielded an overall return of 9,5% in the first half of 2014 (annualised 19,9%). The embedded value of covered business (life operations) amounted to R44,9 billion, 51% of GEV at 30 June 2014. The capital allocated to the life operations increased marginally to R16 billion. The strong equity market performance over the period contributed to R189 million of positive investment variances and an after-tax return of 4,8% on the capital portfolios supporting the life operations. The in-force book of R28,9 billion yielded a return of 11,5% (annualised 24,3%). Good growth in VNB, continued positive operating experience variances, as well as investment variances of some R500 million emanating from the investment market performance in excess of long-term assumptions, contributed to the sound result. This was partly offset by negative economic assumption changes of R200 million due to the higher risk discount rate applied at the end of June 2014.

Other Group operations provided a return of 10,1% (annualised 21,2%). The valuations of the non-insurance operations were in general positively impacted by a higher level of assets under management, somewhat offset by a higher risk discount rate applied to those operations valued on a discounted cash flow basis.



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 and timing differences in respect of the recognition of long-term incentive scheme costs at the interim reporting stage.

## Earnings

### Shareholders' fund income statement for the six months ended 30 June 2014

R million	2014	2013	%Δ
Net result from financial services	3 461	2 409	44
Sanlam Personal Finance	1 763	1 409	25
Sanlam Emerging Markets	624	391	60
Sanlam Investments	727	523	39
Santam	353	128	176
Corporate and other	(6)	(42)	86
Net investment return	1 122	1 150	(2)
Project costs and amortisation	(123)	(101)	(22)
Equity participation costs	(67)	(9)	(>100)
<b>Normalised headline earnings</b>	<b>4 393</b>	3 449	27
Per share (cents)	214,8	169,1	27

Net result from financial services (net operating profit) of R3,5 billion increased by 44% on 2013, including structural growth of R130 million in SEM. Organic growth of 40% is particularly pleasing, with all clusters achieving good results. 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 and favourable claims experience in the life and short-term 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. The individual cluster results are discussed in more detail below.

Normalised headline earnings of R4,4 billion are 27% up on 2013. This is the combined effect of the 44% increase in net result from financial services, partly offset by a 2% decline in net investment return. Investment surpluses in the first half of 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 increased by 19%, which is in line with the relatively stronger investment market performance in the first half of 2014.

## ► BUSINESS VOLUMES

The Group achieved overall growth of 8% in new business volumes (excluding white label business), including the Capricorn Unit Trust (CUT) business that was sold on 1 July 2013. Excluding CUT, new business volumes grew by 13%. Life insurance new business volumes increased by 17%, augmented by 12% (excluding CUT) and 8% growth in new investment and short-term insurance business respectively. All businesses contributed to the solid performance, apart from Sanlam Sky and

Sanlam Employee Benefits (SEB). Sanlam Sky was impacted by lower Group risk business in 2014 as well as the industrial action in the platinum sector, which persisted for most of the first half of 2014. Rustenburg in the heart of the platinum belt is Sanlam Sky's largest branch, which experienced a very poor first half. SEB achieved growth of 8% in new recurring premium sales, but this was offset by a 21% decline in the more volatile single premium business. The 32% decline in SEM's new business volumes is entirely attributable to the CUT sale in 2013. Excluding CUT, SEM achieved overall growth of 50%. A 90% increase in the Rest of Africa contribution was particularly satisfactory. Single premium sales continue to drive growth in South African life business, with lacklustre new recurring premium sales reflecting the weak economy and pressure on consumers' disposable income. 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 R19,2 billion compared to R13,7 billion in 2013 is commendable, in particular given the highly competitive market in South Africa.

## Business volumes for the six months ended 30 June 2014

R million	New business			Net inflows		
	2014	2013	%Δ	2014	2013	%Δ
Sanlam Personal Finance	23 662	19 239	23	8 087	6 564	23
Sanlam Emerging Markets	4 030	5 933	(32)	1 762	607	190
Sanlam Investments	45 682	42 528	7	6 362	4 194	52
Santam	8 459	8 096	4	3 011	2 381	26
<b>Total (excluding white label)</b>	<b>81 833</b>	<b>75 796</b>	<b>8</b>	<b>19 222</b>	<b>13 746</b>	<b>40</b>
Covered business	17 536	14 956	17	6 137	5 159	19
Investment business	55 251	52 436	5	9 979	6 160	62
Short-term insurance	9 046	8 404	8	3 106	2 427	28
<b>Total (excluding white label)</b>	<b>81 833</b>	<b>75 796</b>	<b>8</b>	<b>19 222</b>	<b>13 746</b>	<b>40</b>

The discount rate used to determine the value of new life business written (VNB) is directly linked to long-term interest rates. The rise in the long-term benchmark rates during 2014 resulted in a commensurate increase in the Group's risk discount rate with a negative effect on the growth in VNB. VNB at actual discount rates increased by 9% (7% net of non-controlling interest). On a comparable basis (before economic assumption changes) VNB increased by 13% (11% net of non-controlling interest). Sanlam Personal Finance (SPF) achieved disappointing growth of only 4% on a comparable basis. This is attributable to the decline in Sanlam Sky new business, as well as a change in mix to lower margin single premium savings products. VNB margins were, however, maintained at an individual product level, a satisfactory achievement in a very competitive market. SEM achieved strong VNB growth of 45% on a comparable basis, in line with its new business performance. The decline in single premiums at SEB limited SI's VNB growth to 9%. The overall VNB margin declined slightly since 2013 largely due to the change in business mix at SPF.



Value of new covered business for the six months ended 30 June 2014

R million	2014 economic basis			2013 economic basis		
	2014	2013	%Δ	2014	2013	%Δ
Value of new covered business	<b>697</b>	639	9	<b>722</b>	639	13
Sanlam Personal Finance	<b>437</b>	450	(3)	<b>467</b>	450	4
Sanlam Emerging Markets	<b>196</b>	136	44	<b>197</b>	136	45
Sanlam Investments	<b>64</b>	53	21	<b>58</b>	53	9
Net of non-controlling interest	<b>626</b>	587	7	<b>650</b>	587	11
Present value of new business premiums	<b>24 202</b>	21 455	13	<b>24 349</b>	21 455	13
Sanlam Personal Finance	<b>15 990</b>	14 667	9	<b>16 164</b>	14 667	10
Sanlam Emerging Markets	<b>2 684</b>	2 085	29	<b>2 669</b>	2 085	28
Sanlam Investments	<b>5 528</b>	4 703	18	<b>5 516</b>	4 703	17
Net of non-controlling interest	<b>23 335</b>	20 731	13	<b>23 488</b>	20 731	13
New covered business margin	<b>2,88%</b>	2,98%		<b>2,97%</b>	2,98%	
Sanlam Personal Finance	<b>2,73%</b>	3,07%		<b>2,89%</b>	3,07%	
Sanlam Emerging Markets	<b>7,30%</b>	6,52%		<b>7,38%</b>	6,52%	
Sanlam Investments	<b>1,16%</b>	1,13%		<b>1,05%</b>	1,13%	
Net of non-controlling interest	<b>2,68%</b>	2,83%		<b>2,77%</b>	2,83%	

## ► CLUSTER PERFORMANCE

### Sanlam Personal Finance

Key performance indicators for the six months ended 30 June 2014

R million	2014	2013	%Δ
<b>Group Equity Value</b>			
Group Equity Value *	36 976	35 666	4
Covered business	34 103	33 033	3
Other operations	2 873	2 633	9
Return on Group Equity Value (six months)	8,7%	6,8%	
Covered business	8,7%	6,2%	
Other operations	9,0%	13,8%	
<b>Business volumes</b>			
New business volumes	23 662	19 239	23
Life business	11 552	10 114	14
Sanlam Sky	474	503	(6)
Individual life	373	353	6
Group life	101	150	(33)
Individual Life	5 672	5 200	9
Recurring premiums	645	628	3
Single premiums	5 027	4 572	10
Glacier	5 406	4 411	23
Investment business	12 110	9 125	33
Individual Life	149	168	(11)
Glacier	11 961	8 957	34
Net fund flows	8 087	6 564	23
Life business	3 538	3 197	11
Sanlam Sky	1 307	1 410	(7)
Individual Life	(820)	(791)	(4)
Glacier	3 051	2 578	18
Investment business	4 549	3 367	35
Value of new covered business (gross)			
Value of new business	437	450	(3)
Sanlam Sky	135	146	(8)
Individual Life	228	240	(5)
Glacier	74	64	16
Present value of new business premiums	15 990	14 667	9
Sanlam Sky	1 772	1 956	(9)
Individual Life	8 812	8 300	6
Glacier	5 406	4 411	23
New business margin	2,73%	3,07%	
Sanlam Sky	7,62%	7,46%	
Individual Life	2,59%	2,89%	
Glacier	1,37%	1,45%	
<b>Earnings</b>			
Gross result from financial services	2 439	1 941	26
Sanlam Sky	518	360	44
Individual Life	1 750	1 459	20
Glacier	171	122	40
Net result from financial services	1 763	1 409	25

\* Comparative information as at 31 December 2013.

SPF had a good start to the 2014 financial year, with the only exception being recurring premium new business where a number of factors contributed to disappointing growth.

SPF achieved a **RoGEV** of 8,7% for the six months to June 2014, compared to 6,8% for the comparable period in 2013. The improved return on covered business relative to 2013 is largely attributable to lower negative economic assumption changes in the first half of 2014, partly offset by lower positive operating assumption changes. Long-term interest rates increased by 0,3% in 2014 compared to a 1% increase during the first six months of 2013, resulting in negative economic assumption changes of R264 million in the first of half of 2014 compared to R869 million in 2013. Operating assumption changes of some R270 million were recognised in the first six months of 2013 due to the introduction of new HIV/Aids tables. This did not repeat in 2014, contributing to a decline in operating assumption changes to some R40 million in the first half of 2014. The return on the non-life operations were positively impacted by an increase in the valuation of Glacier due to an increase in the level of assets under management and profitability.

**New business volumes** increased by 23% on the first half of 2013, with new life business up 14% and new investment business sales increasing by 33%.

Sanlam Sky experienced a 6% decline in new business sales. Individual recurring premium business grew by 6% overall, with agency channels up 9% and broker and other channels down 5%. The prolonged industrial action at platinum mines impacted negatively on sales of the Rustenburg area, with other areas performing well. Excluding the platinum belt, individual recurring premium new business grew 10%. Group recurring premium business declined by 33% after a slower start to the year with less large schemes written than in the first half of 2013. The biennial ZCC renewal also occurred in 2013, further increasing the comparative base. The lower new business volumes resulted in only a marginal increase of 2% in VNB on a comparable economic basis (8% decline at actual rates). The average VNB margin benefited from the change in mix towards the more profitable individual life business, and increased from 7,46% in 2013 to 7,62%.



Individual Life sales (predominantly middle-income market) were 8% higher in the first six months of 2014 compared to the same period in 2013. Single premiums increased by 9% with demand for the traditional guaranteed and annuity products improving in the higher interest rate environment. Recurring premium new business increased by 1%. Retirement annuities attracted good demand, but this was offset by lower endowment and risk products sales in the challenging economic environment. Credit life new business also declined due to the deliberate curtailment of unsecured lending in Sanlam Personal Loans. VNB was negatively impacted by the new business performance, in particular the decline in the more profitable risk and credit life business, and increased only marginally against 2013 on a comparable economic basis. VNB margins as a result declined marginally.

Glacier achieved very strong growth of 30% in the affluent market segment where personal wealth continued to expand, supported by the strong investment market performance that increased the value of retirement benefits invested with Glacier. Inflows into Glacier's money market funds also improved as investor uncertainty over equity market levels increased.

The strategic focus on writing quality new business continues to impact positively on retention and the protection of the in-force book. Despite a difficult economic environment and the severe impact of industrial action on Sanlam Sky, overall persistency experience essentially remained in line with assumptions. **Net fund flows** commensurately benefited and increased by 23%. The only segment experiencing net outflows was the Individual Life market, where higher maturity values result in an increase in benefit payments.

Gross **result from financial services** increased by 26% (25% on a net of tax and non-controlling interest basis). Sanlam Sky's gross earnings were up 44%, primarily due to higher profits released from the increasing in-force book, good mortality experience and flat new business strain from the lower new business volumes. Individual Life profit grew by 20%, supported by good mortality claims experience and fund-based fee income earned on the higher average level of assets under management. Higher assets under management is also the main driver of Glacier's 40% earnings growth.



## Sanlam Emerging Markets

Key performance indicators for the six months ended 30 June 2014

R million	2014	2013	%Δ
<b>Group Equity Value</b>			
Group Equity Value*	12 967	10 189	27
Covered business	3 532	3 541	–
Other operations	9 435	6 648	42
Return on Group Equity Value (six months)	12,3%	22,0%	
Covered business	10,3%	21,6%	
Other operations	13,5%	22,2%	
<b>Business volumes</b>			
New business volumes	4 030	5 933	(32)
Namibia	1 541	4 263	(64)
Botswana	1 137	871	31
Rest of Africa	827	436	90
India	331	284	17
South-East Asia	194	79	146
Net fund flows	1 762	607	190
Namibia	343	(419)	182
Botswana	478	460	4
Rest of Africa	814	530	54
India	53	8	563
South-East Asia	74	28	164
Value of new covered business (gross)			
Value of new business	196	136	44
Namibia	45	44	2
Botswana	81	37	119
Rest of Africa	68	55	24
India	2	–	–
Present value of new business premiums	2 684	2 085	29
Namibia	432	444	(3)
Botswana	1 092	809	35
Rest of Africa	1 046	720	45
India	114	112	2
New business margin	7,30%	6,52%	
Namibia	10,42%	9,91%	
Botswana	7,42%	4,57%	
Rest of Africa	6,50%	7,64%	
India	1,75%	0,00%	
<b>Earnings</b>			
Gross result from financial services	1 129	697	62
Namibia	254	112	127
Botswana	348	276	26
Rest of Africa	108	76	42
India	389	231	68
South-East Asia	43	13	231
Corporate	(13)	(11)	(18)
Net result from financial services	624	391	60

\* Comparative information as at 31 December 2013.

The SEM results for the first half of 2014 include the impact of corporate transactions concluded during the course of 2013. These transactions contributed to the 2014 interim results for the full six months, but only proportionally to the 2013 first half results. The majority of the impact emanates from the direct stake acquired in Shriram Transport Finance Company (contributing from April 2013), the P&O investment in Malaysia (contributing from May 2013) and the Capricorn Investment Holdings (CIH) acquisition in Namibia (contributing from July 2013). The weaker average rand exchange rate against the Indian rupee and Botswana pula also had a positive impact on the growth reported for 2014.

SEM achieved a **RoGEV** of 12,3%, well in excess of its target. The return for the period is lower than the comparable period in 2013 for both covered and other operations. This is largely due to the significant weakening of the rand exchange rate in the first six months of 2013 that did not repeat in 2014, with a consequential lower exchange rate impact included in the 2014 earnings.

**New business volumes** declined by 32%, impacted by the disposal of CUT as part of the CIH transaction. Excluding the discontinued operations in Namibia, new business volumes increased by 50%. All regions contributed to the growth, with strong recurring and single premium sales in most regions. Namibian new business volumes increased by 52% (excluding CUT), supported by strong unit trust sales. The Botswana operations received a once-off annuity tranche from government retirees, contributing to a 31% rise in Botswana new business volumes. Rest of Africa continued on its growth path, assisted by a sharp increase in non-life new business from R34 million in 2013 to R215 million in 2014 due to the first-time inclusion of Oasis in Nigeria and the increased stakes in the Nico General Insurance businesses. The 146% increase in Malaysia's new business contribution is due to the base effect of including P&O from May 2013. VNB benefited from the strong growth in new life business, in particular the high margin annuity business in Botswana. VNB grew by 44% on 2013, with VNB margins increasing from 6,52% in the first six months of 2013 to 7,30% in 2014. The marginal increase in Namibian VNB reflects the low growth in new life business in this region.

The strong new business performance is also evident in a more than doubling in **net fund flows**.

SEM delivered growth of 62% in gross **result from financial services** (60% net of tax and non-controlling interest). The 2014 earnings include a R72 million 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, as well as earnings from structural growth, comparable gross earnings increased by 26%. All regions contributed to the growth, reflecting the increasing in-force book across Africa, as well as higher fee income in the asset management operations from a higher level of assets under management.



## Sanlam Investments

Key performance indicators for the six months ended 30 June 2014

R million	2014	2013	%Δ
<b>Group Equity Value</b>			
Group Equity Value*	19 267	17 971	7
Covered business	7 268	6 901	5
Other operations	11 999	11 070	8
Return on Group Equity Value (six months)	11,2%	9,2%	
Covered business	10,3%	9,5%	
Other operations	11,8%	9,1%	
<b>Business volumes</b>			
Net fund flows (excluding white label)	6 362	4 194	52
Investments	4 871	2 959	65
Asset management SA	3 883	(810)	579
Wealth management	(457)	2 457	(119)
International	1 346	1 312	3
Capital management	99	—	
Life business	1 491	1 235	21
New life business volumes	4 389	3 644	20
Recurring premiums	222	178	25
Single premiums	4 167	3 466	20
Value of new covered business (gross)			
Value of new business	64	53	21
Present value of new business premiums	5 528	4 703	18
New business margin	1,16%	1,13%	
<b>Earnings</b>			
Gross result from financial services	982	687	43
Investment management	605	451	34
Employee Benefits	216	174	24
Capital Management	161	62	160
Net result from financial services	727	523	39

\* Comparative information as at 31 December 2013.

SI delivered a robust overall performance, supported by an increase in assets under management and the weaker average rand exchange rate.

SI achieved a **RoGEV** of 11,2% for the six months to June 2014, with both covered and other operations contributing to the growth. The valuation of SI's operations benefited from an increase in the level of assets under management, following a continuance of net fund inflows and net positive investment returns. Good growth in operating profit in the investment management operations also contributed to the RoGEV.

**New business volumes** increased by 7% with all business units contributing to the growth apart from Wealth Management and SEB. The International businesses were the main contributors, with the 10% growth at the SA Asset Manager a particularly satisfactory achievement in a very competitive market.

The new business performance flowed through to the cluster's **net fund flows**, which increased from R4,2 billion in the first six months of 2013 to R6,4 billion in 2014. The SA Asset Management operations turned around its net outflow of R810 million in the first half of 2013 to a net inflow of R3,9 billion in 2014. The Wealth Management business reported a net outflow of R457 million after losing very low margin share incentive scheme portfolios of R1,5 billion during the first six months of 2014.

Gross **result from financial services** increased by 43%. A higher level of assets under management, augmented by performance fees earned on third-party mandates and higher scriplending fees, contributed to a 34% increase in earnings from the Investment Management businesses. SEB's operating earnings improved by 24% on the first half of 2013, largely attributable to good risk claims experience. Gross operating profit in the Capital Management business increased by 160% from a low base in 2013. The 2013 earnings included once-off items relating to the First Strut impairment and recoveries of previously impaired investments. Excluding these exceptional items, Capital Management grew its operating earnings by 21%, benefiting from exit fees earned by the Private Equity business unit.



## Santam

### Key performance indicators for the six months ended 30 June 2014

R million	2014	2013	%Δ
<b>Group Equity Value</b>			
Group Equity Value*	13 236	12 644	5
Return on Group Equity Value (six months)	7,0%	2,9%	
<b>Business volumes</b>			
Net earned premiums	8 459	8 096	4
Net fund flows	3 011	2 381	26
<b>Earnings</b>			
Gross result from financial services	871	296	194
Net result from financial services	353	128	176
<b>Ratios</b>			
Claims	64,4%	70,6%	
Administration costs	18,9%	17,2%	
Underwriting	7,4%	1,3%	

\* Comparative information as at 31 December 2013.

The RoGEV of the short-term insurance cluster reflects the investment return earned on the listed Santam shares.

Claims experience in 2014 improved considerably compared to the first half of 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 R112 million in 2013 to a profit of R187 million in the first six months of 2014, which together with a resilient performance from the Specialist businesses, contributed to a significant increase in the overall underwriting margin and operating profit.

Gross written premium increased by 10% excluding cell captive business and 7% including cell captive business. This is a good performance in a highly competitive and mature South African market. After allowing for an additional quota share reinsurance treaty to support Santam's international business following the sovereign rating downgrade of South Africa, net earned premiums increased by 4%.

## Solvency

All of the life insurance businesses within the Group were sufficiently capitalised at the end of June 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 R34,1 billion, covered its capital adequacy requirements (CAR) 4,4 times. No policyholder portfolio had a negative bonus stabilisation reserve at the end of June 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.



**Desmond Smith**

Chairman



**Johan van Zyl**

Group Chief Executive

Sanlam Limited  
Cape Town  
3 September 2014









**Sanlam Group**

**Interim financial statements**

for the six months ended 30 June 2014

## ACCOUNTING POLICIES AND BASIS OF PREPARATION

The preparation of the Group's reviewed interim financial statements was supervised by the financial director, Kobus Möller CA(SA).

The basis of presentation applied for purposes of the interim condensed financial statements is in accordance with and contain the information required by International Financial Reporting Standards (IFRS), specifically IAS 34 on interim financial reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

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 accounting policies and basis of preparation for the IFRS financial statements and shareholders' information are in all material respects consistent with those applied in the 2013 integrated report, except for the adoption of new IFRS standards and interpretations effective as of 1 January 2014 and changes to the shareholders' information as indicated below.

- ▶ 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.

The following new or revised IFRSs and interpretations that became effective in the current year and are applicable to the Group's 2014 financial year were adopted:

- ▶ Amendment to IAS 32 – Clarification of the instances in which the set off of financial assets and liabilities is allowed.

The application of these revised standards did not have a significant impact on the Group's financial position, reported results and cash flows.

The following new or revised IFRSs and interpretations that are applicable to the Group 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 impact of the application of these revised standards and interpretations in future financial reporting periods on the Group's reported results, financial position and cash flows are still being assessed.

## External review

The appointed auditors, Ernst & Young Inc, reviewed the interim condensed financial statements and shareholders' information of the Group at 30 June 2014. These reviews were conducted in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Copies of the unqualified review reports of Ernst & Young Inc are presented on pages 27 and 64.



## SHAREHOLDERS' INFORMATION

for the six months ended 30 June 2014

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# INDEPENDENT AUDITORS' REVIEW REPORT ON SANLAM LIMITED INTERIM SHAREHOLDERS' INFORMATION

## To the directors of Sanlam Limited

### Introduction

We have reviewed the accompanying interim Shareholders' Information of Sanlam Limited for the six months ended 30 June 2014, comprising Group Equity Value; Change in Group Equity Value; Return on Group Equity Value; Shareholders' fund at fair value; Shareholders' fund income statement; Notes to the shareholders' fund information; and Embedded Value of covered business; Change in Embedded Value of covered business; Value of New Business and Notes to the Embedded Value of covered business; as set out on pages 28 to 62.

### Directors' responsibility for interim financial information

The directors of Sanlam Limited are responsible for the preparation and presentation of this interim financial information in accordance with the basis of accounting set out on page 24, and for such internal control as the directors determine is necessary to enable the preparation of interim financial information that is free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express a conclusion on this interim financial information. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the basis of accounting set out on page 24. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim Shareholders' Information for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with the basis of accounting set out on page 24.

### Basis of accounting

Without modifying our conclusion, we draw attention to page 24 of the Sanlam Limited Shareholders' Information, which describes the basis of accounting. The Sanlam Limited Interim Shareholders' Information is prepared to provide additional information in respect of the Group shareholders' fund in a format that corresponds with that used by management in evaluating the performance of the Group. As a result the Sanlam Limited Interim Shareholders' information may not be suitable for another purpose.

*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

3 September 2014



## GROUP EQUITY VALUE

at 30 June 2014

R million	Note
Sanlam Personal Finance	
Covered business <sup>(1)</sup>	
Glacier	
Sanlam Personal Loans	
Other operations	
Sanlam Emerging Markets	
Covered business <sup>(1)</sup>	
Shriram Capital	
MCIS Malaysia	
Letshego	
Pacific & Orient	
Capricorn Investment Holdings	
Other operations	
Sanlam Investments	
Covered business <sup>(1)</sup>	
<i>Sanlam Employee Benefits</i>	
<i>Sanlam UK</i>	
Investment Management	
Capital Management	
Santam	
Group operations	
Discretionary capital	
Balanced portfolio – other	
Group Equity Value before adjustments to net worth	
Net worth adjustments – present value of holding company expenses	

### Group Equity Value

Value per share (cents)

4

### Analysis per type of business

Covered business <sup>(1)</sup>
Sanlam Personal Finance
Sanlam Emerging Markets
Sanlam Investments
Other Group operations
Discretionary and other capital

### Group Equity Value

<sup>(1)</sup> Refer embedded value of covered business on page 55.

## JUNE REVIEWED

## DECEMBER AUDITED

2014			2013		
Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
36 976	12 115	24 861	35 666	11 674	23 992
34 103	9 242	24 861	33 033	9 041	23 992
1 508	1 508	—	1 336	1 336	—
825	825	—	836	836	—
540	540	—	461	461	—
12 967	10 851	2 116	10 189	8 181	2 008
3 532	1 416	2 116	3 541	1 533	2 008
4 148	4 148	—	4 219	4 219	—
1 258	1 258	—	—	—	—
802	802	—	698	698	—
684	684	—	622	622	—
712	712	—	682	682	—
1 831	1 831	—	427	427	—
19 267	17 319	1 948	17 971	16 296	1 675
7 268	5 320	1 948	6 901	5 226	1 675
6 018	4 925	1 093	5 707	4 825	882
1 250	395	855	1 194	401	793
11 314	11 314	—	10 454	10 454	—
685	685	—	616	616	—
13 236	13 236	—	12 644	12 644	—
82 446	53 521	28 925	76 470	48 795	27 675
3 300	3 300	—	4 000	4 000	—
3 265	3 265	—	5 317	5 317	—
89 011	60 086	28 925	85 787	58 112	27 675
(1 423)	(1 423)	—	(1 378)	(1 378)	—
87 588	58 663	28 925	84 409	56 734	27 675
4 277	2 865	1 412	4 121	2 770	1 351
44 903	15 978	28 925	43 475	15 800	27 675
34 103	9 242	24 861	33 033	9 041	23 992
3 532	1 416	2 116	3 541	1 533	2 008
7 268	5 320	1 948	6 901	5 226	1 675
37 543	37 543	—	32 995	32 995	—
5 142	5 142	—	7 939	7 939	—
87 588	58 663	28 925	84 409	56 734	27 675



## CHANGE IN GROUP EQUITY VALUE

for the six months ended 30 June 2014

SIX MONTHS REVIEWED

R million	2014	2013
<b>Earnings from covered business<sup>(1)</sup></b>	<b>3 945</b>	3 038
<b>Earnings from other Group operations</b>	<b>3 337</b>	2 627
Operations valued based on ratio of price to assets under management	<b>1 160</b>	733
Assumption changes	<b>89</b>	(142)
Change in assets under management	<b>466</b>	371
Earnings for the period and changes in capital requirements	<b>436</b>	142
Foreign currency translation differences and other	<b>169</b>	362
Operations valued based on discounted cash flows	<b>1 057</b>	1 307
Expected return	<b>918</b>	552
Operating experience variances	<b>(54)</b>	175
Assumption changes and other	<b>(30)</b>	173
Foreign currency translation differences	<b>223</b>	407
Operations valued at net asset value – earnings for the period	<b>234</b>	215
Listed operations – investment return	<b>886</b>	372
<b>Earnings from discretionary and other capital</b>	<b>6</b>	(160)
Portfolio investments and other	<b>157</b>	128
Net corporate expenses	<b>(6)</b>	(42)
Share-based payments transactions	<b>(100)</b>	(113)
Change in net worth adjustments	<b>(45)</b>	(133)
<b>Group Equity Value earnings</b>	<b>7 288</b>	5 505
Dividends paid	<b>(4 044)</b>	(4 309)
Cost of treasury shares (acquired)/sold	<b>(65)</b>	61
<b>Group Equity Value at beginning of the period</b>	<b>84 409</b>	75 352
<b>Group Equity Value at end of the period</b>	<b>87 588</b>	76 609

<sup>(1)</sup> Refer embedded value of covered business on page 56.



## RETURN ON GROUP EQUITY VALUE

for the six months ended 30 June 2014

	SIX MONTHS REVIEWED			
	2014		2013	
	Earnings R million	Return %	Earnings R million	Return %
<b>Sanlam Personal Finance</b>	<b>3 107</b>	<b>8,7</b>	2 241	6,8
Covered business <sup>(1)</sup>	2 870	8,7	1 879	6,2
Other operations	237	9,0	362	13,8
<b>Sanlam Emerging Markets</b>	<b>1 258</b>	<b>12,3</b>	1 548	22,0
Covered business <sup>(1)</sup>	363	10,3	572	21,6
Other operations	895	13,5	976	22,2
<b>Sanlam Investments</b>	<b>2 031</b>	<b>11,2</b>	1 504	9,2
Covered business <sup>(1)</sup>	712	10,3	587	9,5
Other operations	1 319	11,8	917	9,1
<b>Santam</b>	<b>886</b>	<b>7,0</b>	372	2,9
<b>Discretionary and other capital</b>	<b>6</b>		(160)	
<b>Return on Group Equity Value</b>	<b>7 288</b>	<b>8,6</b>	5 505	7,3
<b>Return on Group Equity Value per share</b>		<b>8,6</b>		6,9
<b>Annualised return on Group Equity Value per share</b>		<b>18,0</b>		14,3

<sup>(1)</sup> Refer embedded value of covered business on page 56.

R million	SIX MONTHS REVIEWED	
	2014	2013
<b>Reconciliation of return on Group Equity Value:</b>		
The return on Group Equity Value reconciles as follows to normalised attributable earnings:		
Normalised attributable earnings per shareholders' fund income statement on page 36	4 485	3 483
Other comprehensive income	229	571
Earnings recognised directly in equity		
Share-based payment transactions	(96)	(122)
Net cost of treasury shares delivered	(262)	(265)
Share based payments	166	143
Change in ownership of subsidiaries	63	(36)
Movement in fair value adjustment – shareholders' fund at fair value	1 389	1 040
Movement in adjustments to net worth	7	(39)
Present value of holding company expenses	(45)	(133)
Change in goodwill and value of business acquired adjustments less value of in-force acquired	52	94
Growth from covered business: value of in-force <sup>(1)</sup>	1 211	608
<b>Return on Group Equity Value</b>	<b>7 288</b>	5 505

<sup>(1)</sup> Refer embedded value of covered business on page 56.

## SHAREHOLDERS' FUND AT FAIR VALUE

at 30 June 2014

R million	Note
<b>Covered business, discretionary and other capital</b>	
Equipment	
Owner-occupied properties	
Goodwill <sup>(2)</sup>	
Value of business acquired <sup>(2)</sup>	
Other intangible assets	
Deferred acquisition costs	
Investments	
Properties	
Associated companies	
Equities and similar securities	
Other interest-bearing and preference share investments	
Structured transactions	
Investment funds	
Cash, deposits and similar securities	
Net term finance	
Term finance	
Assets held in respect of term finance	
Net deferred tax	
Net working capital	
Derivative liability	
Non-controlling interest	
<b>Other Group operations</b>	
Sanlam Personal Finance	2.1
Glacier	
Sanlam Personal Loans <sup>(3)</sup>	
Other operations	
Sanlam Emerging Markets	2.2
Shriram Capital	
MCIS Malaysia	
Letshego	
Pacific & Orient	
Capricorn Investment Holdings	
Other operations	
Sanlam Investments	2.3
Investment Management	
Capital Management	
Santam	
Goodwill held on Group level in respect of the above businesses	
<b>Shareholders' fund at fair value</b>	
<b>Value per share (cents)</b>	<b>4</b>

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

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

<sup>(3)</sup> The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.

## JUNE REVIEWED

## DECEMBER AUDITED

2014			2013		
Fair value	Fair value adjustment	Net asset value	Fair value	Fair value adjustment	Net asset value
23 806	112	23 694	26 393	112	26 281
376	—	376	356	—	356
568	—	568	564	—	564
473	—	473	474	—	474
588	—	588	607	—	607
148	—	148	86	—	86
2 293	—	2 293	2 615	—	2 615
22 317	112	22 205	22 928	112	22 816
187	—	187	120	—	120
1 450	—	1 450	1 461	—	1 461
4 891	112	4 779	4 808	112	4 696
7 689	—	7 689	8 106	—	8 106
911	—	911	872	—	872
4 340	—	4 340	4 351	—	4 351
2 849	—	2 849	3 210	—	3 210
—	—	—	—	—	—
(3 952)	—	(3 952)	(4 194)	—	(4 194)
3 952	—	3 952	4 194	—	4 194
(990)	—	(990)	(805)	—	(805)
(449)	—	(449)	1 090	—	1 090
(174)	—	(174)	(147)	—	(147)
(1 344)	—	(1 344)	(1 375)	—	(1 375)
37 543	18 126	19 417	32 995	16 737	16 258
2 873	1 945	928	2 633	1 853	780
1 508	1 211	297	1 336	1 050	286
825	283	542	836	425	411
540	451	89	461	378	83
9 435	(140)	9 575	6 648	(237)	6 885
4 148	207	3 941	4 219	159	4 060
1 258	—	1 258	—	—	—
802	(21)	823	698	(17)	715
684	32	652	622	(25)	647
712	(23)	735	682	(16)	698
1 831	(335)	2 166	427	(338)	765
11 999	8 505	3 494	11 070	7 665	3 405
11 314	8 489	2 825	10 454	7 617	2 837
685	16	669	616	48	568
13 236	9 063	4 173	12 644	8 703	3 941
—	(1 247)	1 247	—	(1 247)	1 247
61 349	18 238	43 111	59 388	16 849	42 539
2 996	891	2 105	2 900	823	2 077



## SHAREHOLDERS' FUND AT FAIR VALUE *continued*

at 30 June 2014

R million

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### Reconciliation to Group Equity Value

Group Equity Value

Add: Net worth adjustments

Add: Goodwill and value of business acquired replaced by value of in-force

Sanlam Life and Pensions

Sanlam Developing Markets

Shriram Life Insurance<sup>(4)</sup>

Other

Less: Value of in-force

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### Shareholders' fund at fair value

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<sup>(4)</sup> The carrying value of Shriram Life Insurance includes goodwill of R210 million (2013: R210 million) that is excluded in the build-up of the Group Equity Value, as the current value of in-force business for Shriram Life Insurance is included in the embedded value of covered business.

## JUNE REVIEWED

## DECEMBER AUDITED

2014			2013		
Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
87 588	58 663	28 925	84 409	56 734	27 675
1 423	1 423	—	1 378	1 378	—
1 263	1 263	—	1 276	1 276	—
356	356	—	356	356	—
672	672	—	685	685	—
210	210	—	210	210	—
25	25	—	25	25	—
(28 925)	—	(28 925)	(27 675)	—	(27 675)
61 349	61 349	—	59 388	59 388	—



# SHAREHOLDERS' FUND INCOME STATEMENT

for the six months ended 30 June 2014 – reviewed

R million	Note	SANLAM PERSONAL FINANCE		SANLAM EMERGING MARKETS	
		2014	2013	2014	2013
Financial services income		6 985	6 240	2 437	1 754
Sales remuneration		(1 071)	(1 027)	(361)	(313)
Income after sales remuneration		5 914	5 213	2 076	1 441
Underwriting policy benefits		(1 695)	(1 632)	(494)	(339)
Administration costs		(1 780)	(1 640)	(453)	(405)
<b>Result from financial services before tax</b>		<b>2 439</b>	<b>1 941</b>	<b>1 129</b>	<b>697</b>
Tax on result from financial services		(674)	(528)	(328)	(158)
<b>Result from financial services after tax</b>		<b>1 765</b>	<b>1 413</b>	<b>801</b>	<b>539</b>
Non-controlling interest		(2)	(4)	(177)	(148)
<b>Net result from financial services</b>		<b>1 763</b>	<b>1 409</b>	<b>624</b>	<b>391</b>
Net investment income		501	482	61	75
Dividends received – Group companies		235	253	–	–
Other investment income		351	298	108	124
Tax on investment income		(85)	(69)	(30)	(24)
Non-controlling interest		–	–	(17)	(25)
Project expenses		–	–	(4)	(4)
Amortisation of value of business acquired and other intangibles		(20)	(18)	(7)	(6)
Equity participation costs		–	–	–	–
Net equity-accounted headline earnings		–	–	10	2
Equity-accounted headline earnings		–	–	24	4
Tax on equity-accounted headline earnings		–	–	(1)	(1)
Non-controlling interest		–	–	(13)	(1)
Net investment surpluses		1 312	471	13	150
Investment surpluses – Group companies		997	146	–	–
Other investment surpluses		406	409	17	160
Tax on investment surpluses		(91)	(84)	1	(1)
Non-controlling interest		–	–	(5)	(9)
<b>Normalised headline earnings</b>		<b>3 556</b>	<b>2 344</b>	<b>697</b>	<b>608</b>
Net profit on disposal of subsidiaries and associated companies		–	–	92	–
Profit on disposal of subsidiaries and associated companies		–	–	124	–
Tax on profit on disposal of subsidiaries and associated companies		–	–	(32)	–
Impairments		–	–	(10)	–
<b>Normalised attributable earnings</b>		<b>3 556</b>	<b>2 344</b>	<b>779</b>	<b>608</b>
Fund transfers		–	–	–	–
<b>Attributable earnings per Group statement of comprehensive income</b>		<b>3 556</b>	<b>2 344</b>	<b>779</b>	<b>608</b>
<b>Ratios</b>					
Admin ratio <sup>(1)</sup>		30,1%	31,5%	21,8%	28,1%
Operating margin <sup>(2)</sup>		41,2%	37,2%	54,4%	48,4%
<b>Diluted earnings per share</b>	3				
Adjusted weighted average number of shares (million)					
Net result from financial services (cents)		86,2	69,1	30,5	19,2

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

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

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

SANLAM INVESTMENTS		SANTAM		CORPORATE & OTHER <sup>(3)</sup>		TOTAL	
2014	2013	2014	2013	2014	2013	2014	2013
3 923 (127)	3 493 (77)	8 704 (910)	8 291 (1 027)	103 —	96 —	22 152 (2 469)	19 874 (2 444)
3 796 (900) (1 914)	3 416 (1 064) (1 665)	7 794 (5 448) (1 475)	7 264 (5 715) (1 253)	103 — (116)	96 — (150)	19 683 (8 537) (5 738)	17 430 (8 750) (5 113)
982 (238)	687 (152)	871 (247)	296 (69)	(13) 7	(54) 12	5 408 (1 480)	3 567 (895)
744 (17)	535 (12)	624 (271)	227 (99)	(6) —	(42) —	3 928 (467)	2 672 (263)
727 92	523 84	353 40	128 21	(6) (206)	(42) (280)	3 461 488	2 409 382
— 118 (26)	— 110 (26)	— 72 (3)	— 33 6	(235) 26 3	(253) (11) (16)	— 675 (141)	— 554 (129)
— (86) (59)	— (59)	— (6) (8)	— (12) (9)	— — —	(2) — —	(4) (119) (67)	(6) (95) (9)
— — —	— — —	10 17 (7)	16 26 (10)	— — —	— — —	20 41 (20)	18 30 (11)
165	175	124	97	(1 000)	(143)	614	750
— 215 (50)	— 198 (21)	— 245 (36)	— 204 (43)	(997) (3) —	(146) 3 —	— 880 (176)	— 974 (149)
— 839 19	— 723 42	— 513 —	— 241 —	(97) (1 212) —	(146) (467) —	— 4 393 111	— 3 449 42
19	42	—	—	—	—	143	42
— (9)	— (1)	— —	— (7)	— —	— —	(32) (19)	— (8)
849 —	764 —	513 —	234 —	(1 212) 54	(467) 25	4 485 54	3 483 25
849	764	513	234	(1 158)	(442)	4 539	3 508
50,4% 25,9%	48,7% 20,1%	18,9% 11,2%	17,2% 4,1%			29,2% 27,5%	29,3% 20,5%
35,5	25,6	17,3	6,3	(0,3)	(2,1)	2 045,6 169,2	2 039,2 118,1

# NOTES TO THE SHAREHOLDERS' FUND INFORMATION

for the six months ended 30 June 2014 – reviewed

## 1. Business volumes

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

Analysed per business, reflecting the split between life and non-life business

R million	LIFE INSURANCE <sup>(1)</sup>		OTHER <sup>(2)</sup>		TOTAL	
	2014	2013	2014	2013	2014	2013
<b>Sanlam Personal Finance</b>	<b>11 552</b>	10 114	<b>12 110</b>	9 125	<b>23 662</b>	19 239
Sanlam Sky	474	503	—	—	474	503
Individual Life	<b>5 672</b>	5 200	<b>149</b>	168	<b>5 821</b>	5 368
Recurring	<b>645</b>	628	<b>17</b>	25	<b>662</b>	653
Single	<b>5 027</b>	4 572	<b>132</b>	143	<b>5 159</b>	4 715
Glacier	<b>5 406</b>	4 411	<b>11 961</b>	8 957	<b>17 367</b>	13 368
<b>Sanlam Emerging Markets</b>	<b>1 595</b>	1 198	<b>2 435</b>	4 735	<b>4 030</b>	5 933
Namibia	<b>162</b>	155	<b>1 379</b>	4 108	<b>1 541</b>	4 263
Recurring	<b>66</b>	73	—	—	<b>66</b>	73
Single	<b>96</b>	82	<b>1 379</b>	4 108	<b>1 475</b>	4 190
Botswana	<b>745</b>	561	<b>392</b>	310	<b>1 137</b>	871
Recurring	<b>126</b>	87	<b>31</b>	25	<b>157</b>	112
Single	<b>619</b>	474	<b>361</b>	285	<b>980</b>	759
Rest of Africa	<b>612</b>	402	<b>215</b>	34	<b>827</b>	436
Recurring	<b>317</b>	204	<b>107</b>	—	<b>424</b>	204
Single	<b>295</b>	198	<b>108</b>	34	<b>403</b>	232
India	<b>76</b>	80	<b>255</b>	204	<b>331</b>	284
Recurring	<b>36</b>	38	<b>255</b>	204	<b>291</b>	242
Single	<b>40</b>	42	—	—	<b>40</b>	42
South-East Asia	—	—	<b>194</b>	79	<b>194</b>	79
<b>Sanlam Investments</b>	<b>4 389</b>	3 644	<b>41 293</b>	38 884	<b>45 682</b>	42 528
Sanlam Employee Benefits	<b>952</b>	1 157	—	—	<b>952</b>	1 157
Recurring	<b>154</b>	143	—	—	<b>154</b>	143
Single	<b>798</b>	1 014	—	—	<b>798</b>	1 014
Investment Management	<b>3 437</b>	2 487	<b>41 194</b>	38 884	<b>44 631</b>	41 371
Investment Management SA <sup>(3)</sup>	—	—	<b>28 344</b>	25 713	<b>28 344</b>	25 713
Wealth Management	—	—	<b>7 594</b>	9 874	<b>7 594</b>	9 874
International	<b>3 437</b>	2 487	<b>5 256</b>	3 297	<b>8 693</b>	5 784
Recurring	<b>68</b>	35	—	—	<b>68</b>	35
Single	<b>3 369</b>	2 452	<b>5 256</b>	3 297	<b>8 625</b>	5 749
Capital Management	—	—	<b>99</b>	—	<b>99</b>	—
<b>Santam</b>	—	—	<b>8 459</b>	8 096	<b>8 459</b>	8 096
<b>New business excluding white label</b>	<b>17 536</b>	14 956	<b>64 297</b>	60 840	<b>81 833</b>	75 796
White label	—	—	<b>6 941</b>	7 448	<b>6 941</b>	7 448
<b>Total new business</b>	<b>17 536</b>	14 956	<b>71 238</b>	68 288	<b>88 774</b>	83 244



## 1. Business volumes (continued)

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

R million	LIFE INSURANCE <sup>(1)</sup>		OTHER <sup>(2)</sup>		TOTAL	
	2014	2013	2014	2013	2014	2013
<b>Recurring premiums on existing funds:</b>						
Sanlam Personal Finance	7 553				7 553	7 073
Sanlam Emerging Markets	1 230				1 230	1 091
Sanlam Investments	2 823				2 823	2 680
Sanlam Employee Benefits	1 654				1 654	1 656
Sanlam Investments	1 169				1 169	1 024
Investment Management SA	1 043				1 043	929
International	126				126	95
<b>Total funds received</b>	<b>100 380</b>				<b>100 380</b>	<b>94 088</b>

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

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

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



# NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the six months ended 30 June 2014 – reviewed

## 1. Business volumes (continued)

### 1.2 Analysis of payments to clients

R million	LIFE INSURANCE <sup>(1)</sup>		OTHER <sup>(2)</sup>		TOTAL	
	2014	2013	2014	2013	2014	2013
<b>Sanlam Personal Finance</b>	<b>15 461</b>	13 874	<b>7 667</b>	5 874	<b>23 128</b>	19 748
Sanlam Sky	1 238	828	—	—	1 238	828
Individual Life	11 868	11 213	294	194	12 162	11 407
Surrenders	1 876	1 751	—	—	1 876	1 751
Other	9 992	9 462	294	194	10 286	9 656
Glacier	2 355	1 833	7 373	5 680	9 728	7 513
<b>Sanlam Emerging Markets</b>	<b>1 717</b>	1 562	<b>1 781</b>	4 855	<b>3 498</b>	6 417
Namibia	587	672	975	4 338	1 562	5 010
Surrenders	204	94	—	—	204	94
Other	383	578	975	4 338	1 358	4 916
Botswana	710	546	383	267	1 093	813
Surrenders	192	147	—	—	192	147
Other	518	399	383	267	901	666
Rest of Africa	345	230	54	—	399	230
Surrenders	62	29	—	—	62	29
Other	283	201	54	—	337	201
India	75	114	249	199	324	313
Surrenders	52	90	—	—	52	90
Other	23	24	249	199	272	223
South-East Asia	—	—	120	51	120	51
<b>Sanlam Investments</b>	<b>4 678</b>	4 160	<b>37 465</b>	36 854	<b>42 143</b>	41 014
Sanlam Employee Benefits	2 967	2 967	—	—	2 967	2 967
Terminations	668	973	—	—	668	973
Other	2 299	1 994	—	—	2 299	1 994
Investment Management	1 711	1 193	37 465	36 854	39 176	38 047
Investment Management SA <sup>(3)</sup>	—	—	25 504	27 452	25 504	27 452
Wealth Management	—	—	8 051	7 417	8 051	7 417
International	1 711	1 193	3 910	1 985	5 621	3 178
<b>Sanlam</b>	<b>—</b>	—	<b>5 448</b>	5 715	<b>5 448</b>	5 715
<b>Payments to clients excluding white label</b>	<b>21 856</b>	19 596	<b>52 361</b>	53 298	<b>74 217</b>	72 894
White label	—	—	4 455	8 583	4 455	8 583
<b>Total payments to clients</b>	<b>21 856</b>	19 596	<b>56 816</b>	61 881	<b>78 672</b>	81 477

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

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

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

## 1. Business volumes (continued)

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

R million	LIFE INSURANCE <sup>(1)</sup>		OTHER <sup>(2)</sup>		TOTAL	
	2014	2013	2014	2013	2014	2013
<b>Sanlam Personal Finance</b>	<b>3 538</b>	3 197	<b>4 549</b>	3 367	<b>8 087</b>	6 564
Sanlam Sky Individual Life	<b>1 307</b>	1 410	—	—	<b>1 307</b>	1 410
Glacier	<b>(820)</b>	(791)	<b>(39)</b>	90	<b>(859)</b>	(701)
	<b>3 051</b>	2 578	<b>4 588</b>	3 277	<b>7 639</b>	5 855
<b>Sanlam Emerging Markets</b>	<b>1 108</b>	727	<b>654</b>	(120)	<b>1 762</b>	607
Namibia	<b>(61)</b>	(189)	<b>404</b>	(230)	<b>343</b>	(419)
Botswana	<b>469</b>	417	<b>9</b>	43	<b>478</b>	460
Rest of Africa	<b>653</b>	496	<b>161</b>	34	<b>814</b>	530
India	<b>47</b>	3	<b>6</b>	5	<b>53</b>	8
South-East Asia	<b>—</b>	—	<b>74</b>	28	<b>74</b>	28
<b>Sanlam Investments</b>	<b>1 491</b>	1 235	<b>4 871</b>	2 959	<b>6 362</b>	4 194
Sanlam Employee Benefits	<b>(361)</b>	(154)	—	—	<b>(361)</b>	(154)
Investment Management	<b>1 852</b>	1 389	<b>4 772</b>	2 959	<b>6 624</b>	4 348
Investment Management SA <sup>(3)</sup>	<b>—</b>	—	<b>3 883</b>	(810)	<b>3 883</b>	(810)
Wealth Management	<b>—</b>	—	<b>(457)</b>	2 457	<b>(457)</b>	2 457
International	<b>1 852</b>	1 389	<b>1 346</b>	1 312	<b>3 198</b>	2 701
Capital Management	<b>—</b>	—	<b>99</b>	—	<b>99</b>	—
<b>Santam</b>	<b>—</b>	—	<b>3 011</b>	2 381	<b>3 011</b>	2 381
<b>Net inflow excluding white label</b>	<b>6 137</b>	5 159	<b>13 085</b>	8 587	<b>19 222</b>	13 746
White label	<b>—</b>	—	<b>2 486</b>	(1 135)	<b>2 486</b>	(1 135)
<b>Total net inflow</b>	<b>6 137</b>	5 159	<b>15 571</b>	7 452	<b>21 708</b>	12 611

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

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

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

# NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the six months ended 30 June 2014 – reviewed

## 2. Cluster information

### 2.1 Sanlam Personal Finance

R million	LIFE OPERATIONS		NON-LIFE OPERATIONS		TOTAL	
	2014	2013	2014	2013	2014	2013
<b>Analysis of attributable earnings</b>						
Gross result from financial services	<b>2 187</b>	1 715	<b>252</b>	226	<b>2 439</b>	1 941
Sanlam Sky	<b>518</b>	360	–	–	<b>518</b>	360
Individual Life	<b>1 542</b>	1 251	<b>29</b>	16	<b>1 571</b>	1 267
Administration	<b>491</b>	338	–	–	<b>491</b>	338
Risk underwriting – long-term insurance	<b>465</b>	414	–	–	<b>465</b>	414
Asset-mismatch reserve	<b>276</b>	251	–	–	<b>276</b>	251
Working capital management	<b>146</b>	143	–	–	<b>146</b>	143
Other	<b>164</b>	105	<b>29</b>	16	<b>193</b>	121
Glacier	<b>74</b>	51	<b>97</b>	71	<b>171</b>	122
Sanlam Personal Loans	<b>53</b>	53	<b>95</b>	104	<b>148</b>	157
Other operations	–	–	<b>31</b>	35	<b>31</b>	35
Tax on result from financial services	<b>(615)</b>	(465)	<b>(59)</b>	(63)	<b>(674)</b>	(528)
Non-controlling interest	–	–	<b>(2)</b>	(4)	<b>(2)</b>	(4)
<b>Net result from financial services</b>	<b>1 572</b>	1 250	<b>191</b>	159	<b>1 763</b>	1 409
Net investment return*	<b>430</b>	363	<b>1 383</b>	590	<b>1 813</b>	953
Amortisation of intangibles	<b>(20)</b>	(18)	–	–	<b>(20)</b>	(18)
<b>Normalised attributable earnings</b>	<b>1 982</b>	1 595	<b>1 574</b>	749	<b>3 556</b>	2 344

\* Comparative information has been adjusted to reallocate the return on discretionary capital from life to non-life operations, in line with the 2013 full year disclosures.

## 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	Capital movement	Dividend	GEV at the end of period
<b>30 June 2014 – reviewed</b>					
Covered business	33 033	2 870	–	(1 800)	34 103
Non-life operations	2 633	237	97	(94)	2 873
Glacier	1 336	220	26	(74)	1 508
Sanlam Personal Loans	836	(73)	71	(9)	825
Other	461	90	–	(11)	540
<b>Group Equity Value</b>	<b>35 666</b>	<b>3 107</b>	<b>97</b>	<b>(1 894)</b>	<b>36 976</b>
<b>31 December 2013 – audited</b>					
Covered business	30 144	6 205	44	(3 360)	33 033
Non-life operations	2 618	516	(81)	(420)	2 633
Glacier	1 338	205	–	(207)	1 336
Sanlam Personal Loans	816	251	(100)	(131)	836
Other	464	60	19	(82)	461
<b>Group Equity Value</b>	<b>32 762</b>	<b>6 721</b>	<b>(37)</b>	<b>(3 780)</b>	<b>35 666</b>



# NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the six months ended 30 June 2014 – reviewed

## 2. Cluster information (continued)

### 2.2 Sanlam Emerging Markets

R million	2014	2013
<b>Analysis of attributable earnings</b>		
Net result from financial services	624	391
Life insurance	217	180
Short-term insurance	100	5
Investment management	23	16
Credit and banking	270	179
Other	14	11
Net investment return	74	225
Net investment income	61	75
Net investment surpluses	13	150
Net other earnings	81	(8)
Amortisation of intangibles and impairments	(17)	(6)
Profit on disposal of associated companies	92	–
Other	6	(2)
<b>Normalised attributable earnings</b>	<b>779</b>	<b>608</b>
<b>Analysis of net result from financial services</b>		
Life insurance operations	217	180
Namibia	110	64
Botswana	93	56
Rest of Africa	5	49
India	9	11
Non-life operations	407	211
Namibia	53	8
Botswana	66	52
Rest of Africa	16	–
India	250	160
South-East Asia	22	(9)
<b>Net result from financial services</b>	<b>624</b>	<b>391</b>

### Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Capital movement	Dividend	GEV at the end of period
<b>30 June 2014 – reviewed</b>					
Covered business	3 541	363	39	(411)	3 532
Non-life operations	6 648	895	1 934	(42)	9 435
Shriram Capital	4 219	599	(659)	(11)	4 148
MCIS Malaysia	–	–	1 258	–	1 258
Letshego	698	74	31	(1)	802
Pacific & Orient	622	91	–	(29)	684
Capricorn Investment Holdings	682	15	–	15	712
Sanlam Emerging Markets other operations	427	116	1 304	(16)	1 831
<b>Group Equity Value</b>	<b>10 189</b>	<b>1 258</b>	<b>1 973</b>	<b>(453)</b>	<b>12 967</b>
<b>31 December 2013 – audited</b>					
Covered business	2 647	1 251	79	(436)	3 541
Non-life operations	3 458	995	2 346	(151)	6 648
Shriram Capital	2 398	686	1 157	(22)	4 219
Letshego	602	114	34	(52)	698
Pacific & Orient	–	126	529	(33)	622
Capricorn Investment Holdings	–	32	676	(26)	682
Sanlam Emerging Markets other operations	458	37	(50)	(18)	427
<b>Group Equity Value</b>	<b>6 105</b>	<b>2 246</b>	<b>2 425</b>	<b>(587)</b>	<b>10 189</b>

## 2. Cluster information (continued)

### 2.2 Sanlam Emerging Markets (continued)

#### Analysis of business volumes – reviewed

R million	LIFE INSURANCE		OTHER		TOTAL	
	2014	2013	2014	2013	2014	2013
Recurring premiums	545	402	587	308	1 132	710
Risk	289	248	—	—	289	248
Investment	253	154	—	—	253	154
Short term	—	—	587	308	587	308
Annuities	3	—	—	—	3	—
Single premiums	1 050	796	1 848	4 427	2 898	5 223
Risk	437	369	—	—	437	369
Savings	583	424	—	—	583	424
Continuations	30	3	—	—	30	3
Other	—	—	1 848	4 427	1 848	4 427
<b>Total new business</b>	<b>1 595</b>	<b>1 198</b>	<b>2 435</b>	<b>4 735</b>	<b>4 030</b>	<b>5 933</b>
Recurring premiums on existing business	1 230	1 091	—	—	1 230	1 091
Risk	690	563	—	—	690	563
Investment	423	428	—	—	423	428
Annuities	117	100	—	—	117	100
<b>Total funds received from clients</b>	<b>2 825</b>	<b>2 289</b>	<b>2 435</b>	<b>4 735</b>	<b>5 260</b>	<b>7 024</b>
Death and disability benefits	523	390	—	—	523	390
Maturity benefits	309	502	—	—	309	502
Life and term annuities	299	226	—	—	299	226
Surrenders	510	360	—	—	510	360
Other	76	84	1 781	4 855	1 857	4 939
<b>Total payments to clients</b>	<b>1 717</b>	<b>1 562</b>	<b>1 781</b>	<b>4 855</b>	<b>3 498</b>	<b>6 417</b>



# NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the six months ended 30 June 2014 – reviewed

## 2. Cluster information (continued)

### 2.3 Sanlam Investments

#### Analysis of attributable earnings

R million	INVESTMENT MANAGEMENT		CAPITAL MANAGEMENT	
	2014	2013	2014	2013
Financial services income*	1 956	1 621	322	214
Sales remuneration	(101)	(57)	–	–
Income after sales remuneration	1 855	1 564	322	214
Underwriting policy benefits	–	–	–	–
Administration costs*	(1 321)	(1 144)	(189)	(152)
Result from financial services before performance fees	534	420	133	62
Net performance fees	71	31	28	–
Result from financial services	605	451	161	62
Tax on result from financial services	(148)	(104)	(30)	1
Non-controlling interest	(17)	(12)	–	–
Net result from financial services	440	335	131	63
Net investment return	11	42	–	2
Net investment income	22	10	–	2
Net investment surpluses	(11)	32	–	–
Net other earnings	(135)	(18)	–	–
<b>Normalised attributable earnings</b>	<b>316</b>	<b>359</b>	<b>131</b>	<b>65</b>

\* Financial services income on page 36 includes performance fees and related administration costs.

	NET RESULT FROM FINANCIAL SERVICES		ASSETS UNDER MANAGEMENT	
	June 2014 R million	June 2013 R million	June 2014 R million	December* 2013 R million
<b>Asset management</b>				
Investment management	422	307	718 421	674 031
Investment Management SA <sup>(1)</sup>	235	167	538 555	512 044
Wealth Management	74	53	157 645	136 929
International	112	82	128 053	124 744
Support Services	1	5	–	–
Intra-cluster eliminations	–	–	(105 832)	(99 686)
Capital Management	131	63	2 818	3 024
<b>Asset management operations</b>	<b>553</b>	<b>370</b>	<b>721 239</b>	<b>677 055</b>
Covered business: Sanlam Employee Benefits	156	125	63 440	59 139
Covered business: Sanlam UK	18	28	38 426	35 550
<b>Sanlam Investments total</b>	<b>727</b>	<b>523</b>	<b>823 105</b>	<b>771 744</b>

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

\* Audited



SANLAM EMPLOYEE BENEFITS		INTRA-CLUSTER ELIMINATIONS		TOTAL	
2014	2013	2014	2013	2014	2013
1 516 (26)	1 600 (20)	(8) —	(8) —	3 786 (127)	3 427 (77)
1 490 (900) (374)	1 580 (1 064) (342)	(8) — 8	(8) — 8	3 659 (900) (1 876)	3 350 (1 064) (1 630)
216 —	174 —	— —	— —	883 99	656 31
216 (60) —	174 (49) —	— — —	— — —	982 (238) (17)	687 (152) (12)
156 246	125 215	— —	— —	727 257	523 259
70 176	72 143	— —	— —	92 165	84 175
—	—	—	—	(135)	(18)
402	340	—	—	849	764

FEE INCOME		ADMINISTRATION COST	
June 2014 %	December* 2013 %	June 2014 %	December* 2013 %
0,31	0,31	0,20	0,22
0,72	0,76	0,58	0,61
0,67	0,62	0,46	0,41
1,75	0,84	0,69	0,83

## NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the six months ended 30 June 2014 – reviewed

### 2. Cluster information (continued)

#### 2.3 Sanlam Investments (continued)

Asset mix of assets under management

R million	Fixed interest	Equities	Off-shore	Pro-perties	Cash	Total
<b>June 2014 – reviewed</b>						
Investment Management SA	125 218	244 079	56 613	17 912	94 733	538 555
Wealth Management International	–	97 298	56 623	–	3 724	157 645
Capital Management	–	–	128 053	–	–	128 053
Intra-cluster eliminations	–	2 808	–	–	10	2 818
						(105 832)
<b>Assets under management – Sanlam Investments</b>	<b>125 218</b>	<b>344 185</b>	<b>241 289</b>	<b>17 912</b>	<b>98 467</b>	<b>721 239</b>
<b>December 2013 – audited</b>						
Investment Management SA <sup>(1)</sup>	121 014	228 258	52 943	17 777	92 052	512 044
Wealth Management International	–	89 548	44 407	–	2 974	136 929
Capital Management	–	–	124 744	–	–	124 744
Intra-cluster eliminations	–	3 014	–	–	10	3 024
						(99 686)
<b>Assets under management – Sanlam Investments</b>	<b>121 014</b>	<b>320 820</b>	<b>222 094</b>	<b>17 777</b>	<b>95 036</b>	<b>677 055</b>

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

## 2. Cluster information *(continued)*

### 2.3 Sanlam Investments *(continued)*

#### Analysis of covered business

#### Sanlam Employee Benefits

R million	JUNE	
	Reviewed	
	2014	2013
<b>Analysis of attributable earnings</b>		
Net result from financial services	156	125
Risk underwriting	92	61
Investment and other	65	67
Working capital management	19	15
Administration	(20)	(18)
Net investment return	246	215
Net investment income	70	72
Net investment surpluses	176	143
<b>Normalised attributable earnings</b>	<b>402</b>	340
<b>Analysis of premiums</b>		
Recurring premiums	154	143
Guaranteed	28	31
Risk	126	112
Single premiums	798	1 014
Guaranteed	621	726
Annuity	106	56
Special structures	71	232
<b>Sanlam Investments and Pensions</b> <i>(included in Investment Management on page 46)</i>		
<b>Analysis of attributable earnings</b>		
Financial services income	169	136
Sales remuneration	(59)	(40)
Income after sales remuneration	110	96
Administration costs	(92)	(68)
Result from financial services before tax	18	28
Tax on result from financial services	—	—
Result from financial services after tax	18	28
Net investment return	1	1
<b>Normalised attributable earnings</b>	<b>19</b>	29



## NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the six months ended 30 June 2014 – reviewed

### 2. Cluster information (continued)

#### 2.3 Sanlam Investments (continued)

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

R million	GEV at the beginning of period	Earnings	Capital movement	Dividend	GEV at the end of period
<b>30 June 2014 – reviewed</b>					
Investment Management	11 648	1 297	35	(416)	12 564
Investment Management SA	4 974	19	–	(212)	4 781
Wealth Management	2 105	435	–	(54)	2 486
International	4 569	843	35	(150)	5 297
Covered business	1 194	98	–	(42)	1 250
Other operations	3 375	745	35	(108)	4 047
Sanlam Employee Benefits	5 707	614	–	(303)	6 018
Capital Management	616	120	75	(126)	685
<b>Group Equity Value</b>	<b>17 971</b>	<b>2 031</b>	<b>110</b>	<b>(845)</b>	<b>19 267</b>
<b>31 December 2013 – audited</b>					
Investment Management	10 310	2 628	(288)	(1 002)	11 648
Investment Management SA*	4 914	628	–	(568)	4 974
Wealth Management	1 558	670	22	(145)	2 105
International	3 838	1 330	(310)	(289)	4 569
Covered business	904	326	–	(36)	1 194
Other operations	2 934	1 004	(310)	(253)	3 375
Sanlam Employee Benefits	5 301	1 346	–	(940)	5 707
Capital Management	813	230	75	(502)	616
<b>Group Equity Value</b>	<b>16 424</b>	<b>4 204</b>	<b>(213)</b>	<b>(2 444)</b>	<b>17 971</b>

\* The former Asset Management and Investment Services businesses were combined into an Investment Management SA business.

## 2. Cluster information (continued)

### 2.4 Valuation methodology

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

R million	FAIR VALUE	
	June 2014 Reviewed	December 2013 Audited
<b>Valuation method</b>		
<b>Ratio of price to assets under management</b>	<b>10 285</b>	9 490
Sanlam Investments	9 777	9 040
Investment Management SA	4 583	4 759
Wealth Management	2 205	1 839
International	2 904	2 351
Capital Management	85	91
Sanlam Emerging Markets	508	450
<b>Discounted cash flows</b>	<b>12 302</b>	10 250
Sanlam Investments	1 524	1 419
Investment Management SA	221	236
Wealth Management	281	266
International	1 022	917
Sanlam Emerging Markets	7 905	6 198
Shriram Capital <sup>(1)</sup>	4 148	4 219
MCIS Malaysia	1 258	—
Letshego <sup>(1)</sup>	802	698
Pacific & Orient	684	622
Capricorn Investment Holdings <sup>(1)</sup>	712	682
Other operations	301	(23)
Sanlam Personal Finance	2 873	2 633
Glacier	1 508	1 336
Sanlam Personal Loans	825	836
Other operations	540	461
<b>Net asset value</b>	<b>1 720</b>	611
Sanlam Investments	698	611
Investment Management SA	(23)	(21)
International	121	107
Capital Management	600	525
Sanlam Emerging Markets	1 022	—
	<b>24 307</b>	20 351

<sup>(1)</sup> Includes the listed businesses at directors' valuation of R3 530 million (2013: R4 054 million) for Shriram Capital, R813 million (2013: R698 million) for Letshego and R712 million (2013: R682 million) for Capricorn Investment Holdings. The listed values of these operations are R4 653 million (2013: R4 073 million), R813 million (2013: R803 million) and R765 million (2013: R694 million) respectively.

## NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the six months ended 30 June 2014 – reviewed

### 2. Cluster information (continued)

#### 2.4 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		
		June 2014 Reviewed	December 2013 Audited	
%				
	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 = 1,05% (Dec 2013: 1,04%)	10 285	9 301	11 269
Discounted cash flows	RDR = 15,5% (Dec 2013: 16,6%)	12 302	13 680	11 162
	PGR = 2,5 – 5% (Dec 2013: 2,5 – 5%)	12 302	11 829	12 879

### 3. Normalised diluted earnings per share

Cents	June 2014 Reviewed	June 2013 Reviewed
<b>Normalised diluted earnings per share:</b>		
Net result from financial services	169,2	118,1
Normalised headline earnings	214,8	169,1
Profit attributable to shareholders' fund	219,3	170,8

R million	June 2014 Reviewed	June 2013 Reviewed
<b>Analysis of normalised earnings (refer shareholders' fund income statement on page 36):</b>		
Net result from financial services	3 461	2 409
Headline earnings	4 393	3 449
Profit attributable to shareholders' fund	4 485	3 483
<b>Reconciliation of normalised headline earnings:</b>		
Headline earnings per note 1 on page 70	4 447	3 474
Fund transfers	(54)	(25)
<b>Normalised headline earnings</b>	<b>4 393</b>	<b>3 449</b>

Million	June 2014 Reviewed	June 2013 Reviewed
<b>Adjusted number of shares:</b>		
Weighted average number of shares for diluted earnings per share (refer note 1 on page 70)	2 019,1	2 026,6
Add: Weighted average Sanlam shares held by policyholders	26,5	12,6
<b>Adjusted weighted average number of shares for normalised diluted earnings per share</b>	<b>2 045,6</b>	<b>2 039,2</b>



## NOTES TO THE SHAREHOLDERS' FUND INFORMATION

continued

for the six months ended 30 June 2014 – reviewed

### 4. Value per share

Fair value per share is calculated on the Group shareholders' fund at fair value of R61 349 million (December 2013: R59 388 million), divided by 2 048,0 million (December 2013: 2 048,5 million) shares.

Net asset value per share is calculated on the Group shareholders' fund at net asset value of R43 111 million (December 2013: R42 539 million), divided by 2 048,0 million (December 2013: 2 048,5 million) shares.

Equity value per share is calculated on the Group Equity Value of R87 588 million (December 2013: R84 409 million), divided by 2 048,0 million (December 2013: 2 048,5 million) shares.

Million	June 2014 Reviewed	December 2013 Audited
<b>Number of shares for value per share:</b>		
Number of ordinary shares in issue	2 166,5	2 100,0
Shares held by subsidiaries in shareholders' fund	(143,4)	(146,6)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	24,9	28,6
Convertible deferred shares held by Ubuntu-Botho	—	66,5
<b>Adjusted number of shares for value per share</b>	<b>2 048,0</b>	<b>2 048,5</b>



## EMBEDDED VALUE OF COVERED BUSINESS

at 30 June 2014

R million	Note	June 2014 Reviewed	December 2013 Audited
<b>Sanlam Personal Finance</b>		<b>34 103</b>	33 033
Adjusted net worth		9 242	9 041
Net value of in-force covered business		24 861	23 992
Value of in-force covered business		26 737	25 834
Cost of capital		(1 876)	(1 842)
<b>Sanlam Emerging Markets</b>		<b>3 532</b>	3 541
Adjusted net worth		1 416	1 533
Net value of in-force covered business		2 116	2 008
Value of in-force covered business		3 446	3 313
Cost of capital		(338)	(350)
Non-controlling interest		(992)	(955)
<b>Sanlam UK<sup>(1)</sup></b>		<b>1 250</b>	1 194
Adjusted net worth		395	401
Net value of in-force covered business		855	793
Value of in-force covered business		910	845
Cost of capital		(55)	(52)
<b>Sanlam Employee Benefits<sup>(1)</sup></b>		<b>6 018</b>	5 707
Adjusted net worth		4 925	4 825
Net value of in-force covered business		1 093	882
Value of in-force covered business		2 003	1 792
Cost of capital		(910)	(910)
<b>Embedded value of covered business</b>		<b>44 903</b>	43 475
Adjusted net worth <sup>(2)</sup>		15 978	15 800
Net value of in-force covered business	1	28 925	27 675
<b>Embedded value of covered business</b>		<b>44 903</b>	43 475

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

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



## CHANGE IN EMBEDDED VALUE OF COVERED BUSINESS

for the six months ended 30 June 2014

		SIX MONTHS REVIEWED			
		2014			Adjusted net worth
R million	Note	Total	Value of in-force	Cost of capital	
<b>Embedded value of covered business at the beginning of period</b>		43 475	30 720	(3 045)	15 800
Value of new business	2	626	1 574	(74)	(874)
Net earnings from existing covered business		2 260	(546)	61	2 745
Expected return on value of in-force business		1 659	1 577	82	–
Expected transfer of profit to adjusted net worth		–	(2 381)	–	2 381
Operating experience variances	3	477	6	(31)	502
Operating assumption changes	4	124	252	10	(138)
Expected investment return on adjusted net worth		576	–	–	576
<b>Embedded value earnings from operations</b>		3 462	1 028	(13)	2 447
Economic assumption changes	5	(200)	(215)	8	7
Tax changes		(3)	(2)	–	(1)
Investment variances – value of in-force		527	462	(27)	92
Investment variances – investment return on adjusted net worth		189	–	–	189
Exchange rate movements		(30)	(29)	(1)	–
<b>Embedded value earnings from covered business</b>		3 945	1 244	(33)	2 734
Acquired value of in-force		43	43	(4)	4
Transfers from/(to) other Group operations		–	–	–	–
Transfers from covered business		(2 560)	–	–	(2 560)
<b>Embedded value of covered business at the end of period</b>		44 903	32 007	(3 082)	15 978
<b>Analysis of earnings from covered business</b>					
Sanlam Personal Finance		2 870	903	(34)	2 001
Sanlam Emerging Markets		363	65	4	294
Sanlam UK		98	65	(3)	36
Sanlam Employee Benefits		614	211	–	403
<b>Embedded value earnings from covered business</b>		3 945	1 244	(33)	2 734

SIX MONTHS REVIEWED

2013			
Total	Value of in-force	Cost of capital	Adjusted net worth
38 996	26 897	(2 847)	14 946
587	1 499	(68)	(844)
2 029	(371)	9	2 391
1 269	1 192	77	—
—	(1 884)	—	1 884
471	(4)	(16)	491
289	325	(52)	16
462	—	—	462
3 078	1 128	(59)	2 009
(888)	(850)	(46)	8
3	3	—	—
316	323	(35)	28
385	—	—	385
144	161	(17)	—
3 038	765	(157)	2 430
—	—	—	—
44	44	—	—
(2 151)	—	—	(2 151)
39 927	27 706	(3 004)	15 225
1 879	332	(66)	1 613
572	161	(15)	426
133	78	—	55
454	194	(76)	336
3 038	765	(157)	2 430



## VALUE OF NEW BUSINESS

for the six months ended 30 June 2014

R million	Note	Six months 2014 Reviewed	Six months 2013 Reviewed
<b>Value of new business (at point of sale):</b>			
<b>Gross value of new business</b>		<b>779</b>	713
Sanlam Personal Finance		479	484
Sanlam Emerging Markets		213	152
Sanlam UK		24	25
Sanlam Employee Benefits		63	52
<b>Cost of capital</b>		<b>(82)</b>	(74)
Sanlam Personal Finance		(42)	(34)
Sanlam Emerging Markets		(17)	(16)
Sanlam UK		(2)	(2)
Sanlam Employee Benefits		(21)	(22)
<b>Value of new business</b>		<b>697</b>	639
Sanlam Personal Finance		437	450
Sanlam Emerging Markets		196	136
Sanlam UK		22	23
Sanlam Employee Benefits		42	30
<i>Value of new business attributable to:</i>			
<b>Shareholders' fund</b>	2	<b>626</b>	587
Sanlam Personal Finance		437	450
Sanlam Emerging Markets		125	84
Sanlam UK		22	23
Sanlam Employee Benefits		42	30
<b>Non-controlling interest</b>		<b>71</b>	52
Sanlam Personal Finance		–	–
Sanlam Emerging Markets		71	52
Sanlam UK		–	–
Sanlam Employee Benefits		–	–
<b>Value of new business</b>		<b>697</b>	639
<b>Geographical analysis:</b>			
South Africa		479	480
Africa		195	136
Other international		23	23
<b>Value of new business</b>		<b>697</b>	639

R million	Six months 2014 Reviewed	Six months 2013 Reviewed
<b>Analysis of new business profitability:</b>		
<i>Before non-controlling interest:</i>		
<b>Present value of new business premiums</b>	<b>24 202</b>	21 455
Sanlam Personal Finance	<b>15 990</b>	14 667
Sanlam Emerging Markets	<b>2 684</b>	2 085
Sanlam UK	<b>3 703</b>	2 636
Sanlam Employee Benefits	<b>1 825</b>	2 067
<b>New business margin</b>	<b>2,88%</b>	2,98%
Sanlam Personal Finance	<b>2,73%</b>	3,07%
Sanlam Emerging Markets	<b>7,30%</b>	6,52%
Sanlam UK	<b>0,59%</b>	0,87%
Sanlam Employee Benefits	<b>2,30%</b>	1,45%
<i>After non-controlling interest:</i>		
<b>Present value of new business premiums</b>	<b>23 335</b>	20 731
Sanlam Personal Finance	<b>15 990</b>	14 667
Sanlam Emerging Markets	<b>1 817</b>	1 361
Sanlam UK	<b>3 703</b>	2 636
Sanlam Employee Benefits	<b>1 825</b>	2 067
<b>New business margin</b>	<b>2,68%</b>	2,83%
Sanlam Personal Finance	<b>2,73%</b>	3,07%
Sanlam Emerging Markets	<b>6,88%</b>	6,17%
Sanlam UK	<b>0,59%</b>	0,87%
Sanlam Employee Benefits	<b>2,30%</b>	1,45%



# NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

for the six months ended 30 June 2014 – reviewed

	Gross value of in-force business R million	Cost of capital R million	Net value of in-force business R million	Change from base value %
<b>1. Value of in-force sensitivity analysis</b>				
<b>Base value at 30 June 2014</b>	32 007	(3 082)	28 925	
▶ Risk discount rate increase by 1%	30 290	(3 765)	26 525	(8)
<b>Base value at 31 December 2013</b>	30 720	(3 045)	27 675	
▶ Risk discount rate increase by 1%	28 907	(3 717)	25 190	(9)

	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
<b>2. Value of new business sensitivity analysis</b>				
<b>Base value</b>	700	(74)	626	
▶ Risk discount rate increase by 1%	609	(93)	516	(18)

R million	Six months 2014 Reviewed	Six months 2013 Reviewed
<b>3. Operating experience variances</b>		
Risk experience	405	325
Persistency	(24)	123
Maintenance expenses	22	29
Working capital and other	74	(6)
<b>Total operating experience variances</b>	<b>477</b>	<b>471</b>
<b>4. Operating assumption changes</b>		
Risk experience	94	552
Persistency	73	45
Maintenance expenses	65	18
Modelling improvements and other	(108)	(326)
<b>Total operating assumption changes</b>	<b>124</b>	<b>289</b>
<b>5. Economic assumption changes</b>		
Investment yields	(229)	(923)
Long-term asset mix assumptions and other	29	35
<b>Total economic assumption changes</b>	<b>(200)</b>	<b>(888)</b>

%	June 2014 Reviewed	June 2013 Reviewed	December 2013 Audited
<b>6. Economic assumptions</b>			
<b>Gross investment return, risk discount rate and inflation</b>			
<b>Sanlam Life</b>			
Point used on the relevant yield curve	<b>9 year</b>	9 year	9 year
Fixed-interest securities	<b>8,5</b>	7,8	8,2
Equities and offshore investments	<b>12,0</b>	11,3	11,7
Hedged equities	<b>9,0</b>	8,3	8,7
Property	<b>9,5</b>	8,8	9,2
Cash	<b>7,5</b>	6,8	7,2
Return on required capital	<b>9,5</b>	8,8	9,2
Inflation rate <sup>(1)</sup>	<b>6,5</b>	5,8	6,2
Risk discount rate	<b>11,0</b>	10,3	10,7
<i><sup>(1)</sup> Expense inflation of 8.5% (Dec 2013: 8.2%) assumed for retail business administered on old platforms</i>			
<b>SDM Limited</b>			
Point used on the relevant yield curve	<b>5 year</b>	5 year	5 year
Fixed-interest securities	<b>7,8</b>	7,2	7,4
Equities and offshore investments	<b>11,3</b>	10,7	10,9
Hedged equities	<b>n/a</b>	n/a	n/a
Property	<b>8,8</b>	8,2	8,4
Cash	<b>6,8</b>	6,2	6,4
Return on required capital	<b>9,1</b>	8,5	8,7
Inflation rate	<b>5,8</b>	5,2	5,4
Risk discount rate	<b>10,3</b>	9,7	9,9
<b>Sanlam Investments and Pensions</b>			
Point used on the relevant yield curve	<b>15 year</b>	15 year	15 year
Fixed-interest securities	<b>3,2</b>	3,0	3,5
Equities and offshore investments	<b>6,4</b>	6,2	6,7
Hedged equities	<b>n/a</b>	n/a	n/a
Property	<b>6,4</b>	6,2	6,7
Cash	<b>3,2</b>	3,0	3,5
Return on required capital	<b>3,2</b>	3,0	3,5
Inflation rate	<b>3,3</b>	3,0	3,4
Risk discount rate	<b>6,9</b>	6,7	7,2



# NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS continued

for the six months ended 30 June 2014 – reviewed

%	June 2014 Reviewed	June 2013 Reviewed	December 2013 Audited
<b>6. Economic assumptions (continued)</b>			
<b>Gross investment return, risk discount rate and inflation (continued)</b>			
<b>Botswana Life Insurance</b>			
Fixed-interest securities	8,0	9,0	8,0
Equities and offshore investments	11,5	12,5	11,5
Hedged equities	n/a	n/a	n/a
Property	9,0	10,0	9,0
Cash	7,0	8,0	7,0
Return on required capital	8,1	9,1	8,1
Inflation rate	5,0	6,0	5,0
Risk discount rate	11,5	12,5	11,5
<b>Illiquidity premiums</b>			
Investment returns on non-participating annuities and 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 and between 25bps and 110bps (2013: 25bps and 110bps) for guaranteed plans.			
<b>Asset mix for assets supporting required capital</b>			
<b>Sanlam Life</b>			
Equities	26	26	26
Offshore investments	10	10	10
Hedged equities	13	13	13
Fixed-interest securities	15	15	15
Cash	36	36	36
	100	100	100
<b>SDM Limited</b>			
Equities	50	50	50
Cash	50	50	50
	100	100	100
<b>Sanlam Investments and Pensions</b>			
Cash	100	100	100
	100	100	100
<b>Botswana Life Insurance</b>			
Equities	40	15	15
Property	–	10	10
Fixed-interest securities	–	25	25
Cash	60	50	50
	100	100	100



# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2014

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# INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## To the directors of Sanlam Limited

### Introduction

We have reviewed the condensed consolidated financial statements of Sanlam Limited, contained in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2014 and condensed consolidated statements of comprehensive income, changes in equity and cash flow for the six-month period then ended and selected explanatory notes set out on pages 66 to 80 and the basis of accounting set out on page 24.

### Directors' responsibility for the interim financial statements

The directors of Sanlam Limited are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 – "Interim Financial Reporting", the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements. We conducted our review in accordance with International Standard of Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review is substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Sanlam Limited for the six-month period ended 30 June 2014 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting", the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

*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

3 September 2014



# STATEMENT OF FINANCIAL POSITION

at 30 June 2014

R million	Reviewed June 2014	Audited December 2013
<b>Assets</b>		
Equipment	684	586
Owner-occupied properties	994	672
Goodwill	3 845	3 796
Other intangible assets	207	111
Value of business acquired	1 859	1 586
Deferred acquisition costs	3 066	2 976
Long-term reinsurance assets	868	796
Investments	509 505	477 550
Properties	10 296	9 182
Equity-accounted investments	10 045	9 780
Equities and similar securities	179 384	166 122
Interest-bearing investments	149 720	131 417
Structured transactions	12 127	11 906
Investment funds	122 555	131 029
Cash, deposits and similar securities	25 378	18 114
Deferred tax	366	361
Non-current assets held for sale	428	415
Short-term insurance technical assets	3 383	2 716
Working capital assets	51 852	69 739
Trade and other receivables	37 360	51 339
Cash, deposits and similar securities	14 492	18 400
<b>Total assets</b>	<b>577 057</b>	<b>561 304</b>
<b>Equity and liabilities</b>		
Capital and reserves		
Share capital and premium	22	22
Treasury shares	(3 633)	(3 581)
Other reserves	9 217	9 250
Retained earnings	35 800	35 274
<b>Shareholders' fund</b>	<b>41 406</b>	<b>40 965</b>
Non-controlling interest	4 732	3 651
<b>Total equity</b>	<b>46 138</b>	<b>44 616</b>
Long-term policy liabilities	420 240	382 309
Insurance contracts	176 186	158 575
Investment contracts	244 054	223 734
Term finance	5 910	6 129
Margin business	1 832	2 038
Other interest-bearing liabilities	4 078	4 091
Derivative liabilities	1 177	1 387
External investors in consolidated funds	44 533	55 710
Cell owners' interest	850	814
Deferred tax	2 516	2 142
Short-term insurance technical provisions	12 190	11 032
Working capital liabilities	43 503	57 165
Trade and other payables	40 750	54 799
Provisions	290	285
Taxation	2 463	2 081
<b>Total equity and liabilities</b>	<b>577 057</b>	<b>561 304</b>

# STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2014

R million	Note	Reviewed 2014	Reviewed 2013
<b>Net income</b>		<b>50 160</b>	40 431
Financial services income		24 025	21 572
Reinsurance premiums paid		(3 048)	(2 582)
Reinsurance commission received		521	337
Investment income		10 995	9 660
Investment surpluses		20 507	13 025
Finance cost – margin business		(51)	(19)
Change in fair value of external investors' liability		(2 789)	(1 562)
<b>Net insurance and investment contract benefits and claims</b>		<b>(33 349)</b>	(26 524)
Long-term insurance and investment contract benefits		(28 308)	(21 176)
Short-term insurance claims		(6 739)	(6 892)
Reinsurance claims received		1 698	1 544
<b>Expenses</b>		<b>(9 750)</b>	(8 634)
Sales remuneration		(2 988)	(2 774)
Administration costs		(6 762)	(5 860)
<b>Impairments</b>		<b>(25)</b>	(12)
<b>Amortisation of intangibles</b>		<b>(131)</b>	(114)
<b>Net operating result</b>		<b>6 905</b>	5 147
Equity-accounted earnings		665	505
Finance cost – other		(243)	(176)
<b>Profit before tax</b>		<b>7 327</b>	5 476
Taxation		(2 249)	(1 602)
Shareholders' fund		(1 565)	(1 005)
Policyholders' fund		(684)	(597)
<b>Profit for the period</b>		<b>5 078</b>	3 874
Other comprehensive income: to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve		234	713
<b>Comprehensive income for the period</b>		<b>5 312</b>	4 587
<b>Allocation of comprehensive income:</b>			
Profit for the period		5 078	3 874
Shareholders' fund		4 539	3 508
Non-controlling interest		539	366
Comprehensive income for the period		5 312	4 587
Shareholders' fund		4 768	4 079
Non-controlling interest		544	508
<b>Earnings attributable to shareholders of the company (cents):</b>			
Profit for the period			
Basic earnings per share	1	227,6	181,1
Diluted earnings per share	1	224,8	173,1



## STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014

R million	Reviewed 2014	Reviewed 2013
<b>Shareholders' fund</b>		
Balance at the beginning of period	40 965	36 556 <sup>(3)</sup>
Comprehensive income	4 768	4 079
Profit for the period	4 539	3 508
Other comprehensive income	229	571
Net acquisition of treasury shares <sup>(1)</sup>	(494)	(182)
Share-based payments	166	143
Acquisitions, disposals and other movements in interests	10	(194)
Dividends paid <sup>(2)</sup>	(4 009)	(4 283)
<b>Balance at the end of period</b>	<b>41 406</b>	<b>36 119</b>
<b>Non-controlling interest</b>		
Balance at the beginning of period	3 651	2 970
Comprehensive income	544	508
Profit for the period	539	366
Other comprehensive income	5	142
Net acquisition of treasury shares <sup>(1)</sup>	(15)	–
Share-based payments	18	18
Acquisitions, disposals and other movements in interests	891	(52)
Dividends paid	(357)	(325)
<b>Balance at the end of period</b>	<b>4 732</b>	<b>3 119</b>
Shareholders' fund	40 965	36 556
Non-controlling interest	3 651	2 970
<b>Total equity at the beginning of period</b>	<b>44 616</b>	<b>39 526</b>
Shareholders' fund	41 406	36 119
Non-controlling interest	4 732	3 119
<b>Total equity at the end of period</b>	<b>46 138</b>	<b>39 238</b>

<sup>(1)</sup> Comprises movement in cost of shares held by subsidiaries and the share incentive trust.

<sup>(2)</sup> Dividend of 200 cents per share paid during 2014 in respect of the 2013 financial year (2013: normal dividend of 165 cents and special dividend of 50 cents per share).

<sup>(3)</sup> Restated in 2013 annual financial statements for the application of IFRS 10 and its impact on policyholder investments in Sanlam Limited.

## CASH FLOW STATEMENT

for the six months ended 30 June 2014

R million	Reviewed 2014	Reviewed 2013 <sup>(1)</sup>
Cash flow from operating activities	8 334	8 790
Cash flow from investment activities	(4 226)	(2 993)
Cash flow from financing activities	(779)	(829)
<b>Net increase in cash and cash equivalents</b>	<b>3 329</b>	<b>4 968</b>
Cash, deposits and similar securities at the beginning of period	36 491	30 505
<b>Cash, deposits and similar securities at the end of period</b>	<b>39 820</b>	<b>35 473</b>

<sup>(1)</sup> For the 2013 year-end, all investments have been reclassified to new revised investment categories. These new categories align IFRS investment classifications with the required SAM classifications. June 2013 comparative cash flow information has been reclassified accordingly, with the effect of changing the cash inflow from operating activities from R7 228 million to R8 790 million and the cash outflow from investment activities from R6 017 million to R2 993 million. Similarly, the opening cash, deposits and similar securities at the beginning of the period changed from R82 415 million to R30 505 million. Consequently, the closing cash, deposits and similar securities at the end of the period changed from R82 797 million to R35 473 million.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2014

## 1. Earnings per share

For basic earnings per share the weighted average number of ordinary shares is adjusted for the treasury shares held by subsidiaries 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 and policyholders. Diluted earnings per share is calculated by dividing earnings by the adjusted diluted weighted average number of shares in issue.

Refer to page 53 for normalised earnings per share, which is based on the economic earnings attributable to the shareholders' fund, and in management's view should also be used when evaluating the Group's economic performance.

Cents	Reviewed 2014	Reviewed 2013
<b>Basic earnings per share:</b>		
Headline earnings	223,0	179,4
Profit attributable to shareholders' fund	227,6	181,1
<b>Diluted earnings per share:</b>		
Headline earnings	220,2	171,4
Profit attributable to shareholders' fund	224,8	173,1

R million

<b>Analysis of earnings:</b>		
Profit attributable to shareholders' fund	4 539	3 508
Less: Net profit on disposal of operations	(111)	(42)
Profit on disposal of subsidiaries and associated companies	(143)	(42)
Tax on profit on disposal of subsidiaries and associated companies	32	—
Plus: Impairments	19	8
Gross impairments	25	12
Non-controlling interest	(6)	(4)
Headline earnings	4 447	3 474



## 1. Earnings per share (continued)

Million	Reviewed 2014	Reviewed 2013
<b>Number of shares:</b>		
Number of ordinary shares in issue at beginning of the period	2 100,0	2 100,0
Add: Reclassification of deferred shares	66,5	–
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	(172,3)	(163,2)
<b>Adjusted weighted average number of shares for basic earnings per share</b>	<b>1 994,2</b>	<b>1 936,8</b>
Add: Weighted conversion of deferred shares	–	57,7
Add: Total number of shares held in staff incentive schemes	24,9	32,1
<b>Adjusted weighted average number of shares for diluted earnings per share</b>	<b>2 019,1</b>	<b>2 026,6</b>

R million

<b>2. Reconciliation of segmental information</b>		
Segment financial services income (per shareholders' fund income statement)	22 152	19 874
Sanlam Personal Finance	6 985	6 240
Sanlam Emerging Markets	2 437	1 754
Sanlam Investments	3 923	3 493
Santam	8 704	8 291
Corporate, consolidation and other	103	96
IFRS adjustments	1 873	1 698
<b>Total financial services income</b>	<b>24 025</b>	<b>21 572</b>
Segment results (per shareholders' fund income statement after tax and non-controlling interest)	4 485	3 483
Sanlam Personal Finance	3 556	2 344
Sanlam Emerging Markets	779	608
Sanlam Investments	849	764
Santam	513	234
Corporate, consolidation and other	(1 212)	(467)
Non-controlling interest included in segment result	539	366
Fund transfers	54	25
<b>Total profit for the period</b>	<b>5 078</b>	<b>3 874</b>

Additional segmental information is provided in the shareholders' information (refer pages 32 to 37).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2014

## 3. Contingent liabilities

Shareholders are referred to the contingent liabilities disclosed in the 2013 integrated report. The circumstances surrounding the contingent liabilities remain materially unchanged.

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## 4. 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 30 June 2014 as reflected in these financial statements. During August 2014, the Group subscribed for new shares in Shriram Capital for some R730 million (refer page 5).

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## 5. 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 disclosures only cover instruments measured at fair value.

Included in **level 1** category are financial 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 financial 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.

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

## 5. Fair value disclosures (continued)

R million	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements</b>				
<b>30 June 2014 – reviewed</b>				
Equities and similar securities	177 142	1 809	433	179 384
Interest-bearing investments	108 498	38 972	546	148 016
Structured transactions	3 955	8 172	–	12 127
Investment funds	105 851	16 257	447	122 555
Trading account assets	4 195	17 892	–	22 087
Cash, deposits and similar securities	17 267	6 745	–	24 012
<b>Total financial assets</b>	<b>416 908</b>	<b>89 847</b>	<b>1 426</b>	<b>508 181</b>
Investment contract liabilities	–	243 278	776	244 054
Term finance	3 010	199	319	3 528
Margin business	3 010	–	–	3 010
Other interest-bearing liabilities	–	199	319	518
Derivative liabilities	–	1 177	–	1 177
Trading account liabilities	1 065	21 721	–	22 786
External investors in consolidated funds	44 533	–	–	44 533
<b>Total financial liabilities</b>	<b>48 608</b>	<b>266 375</b>	<b>1 095</b>	<b>316 078</b>
<b>31 December 2013 – audited</b>				
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
<b>Total financial assets</b>	<b>399 385</b>	<b>93 257</b>	<b>2 166</b>	<b>494 808</b>
Investment contract liabilities	–	222 967	767	223 734
Term finance	3 047	209	259	3 515
Margin business	3 047	–	–	3 047
Other interest-bearing liabilities	–	209	259	468
Derivative 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
<b>Total financial liabilities</b>	<b>59 852</b>	<b>255 885</b>	<b>1 229</b>	<b>316 966</b>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2014

## 5. Fair value disclosures *(continued)*

### Reconciliation of movements in level 3 financial instruments measured at fair value

R million	Equities and similar securities	Interest-bearing investments
<b>30 June 2014 – reviewed</b>		
<b>Financial assets</b>		
<b>Balance at 1 January 2014</b>	1 313	394
Total gain/(loss) in statement of comprehensive income	146	32
Acquisitions/issues	414	4
Disposals	(1 426)	(85)
Foreign exchange movements	–	1
Transfers from level 1 and level 2		
Not significant (net in/out)	(14)	200
<b>Balance at 30 June 2014</b>	<b>433</b>	<b>546</b>
<b>31 December 2013 – audited</b>		
<b>Financial assets</b>		
<b>Balance at 1 January 2013</b>	1 881	163
Total gain/(loss) in statement of comprehensive income	1 191	92
Acquisitions/issues	222	160
Disposals	(1 985)	(34)
Foreign exchange movements	4	26
Settlements	–	(13)
Transfers from level 1 and level 2		
Not significant (net in/out)	–	–
<b>Balance at 31 December 2013</b>	<b>1 313</b>	<b>394</b>

Structured transactions	Investment funds	Cash, deposits and similar securities	Total financial assets
—	459	—	2 166
—	45	—	223
—	—	—	418
—	—	—	(1 511)
—	—	—	1
—	(57)	—	129
—	447	—	1 426
122	353	2	2 521
6	6	—	1 295
—	56	—	438
(128)	(11)	(2)	(2 160)
—	—	—	30
—	—	—	(13)
—	55	—	55
—	459	—	2 166



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2014

## 5. Fair value disclosures *(continued)*

### Reconciliation of movements in level 3 financial instruments measured at fair value *(continued)*

R million	Investment contract liabilities	Term finance	Derivative liabilities	Total financial liabilities
<b>30 June 2014 – reviewed</b>				
<b>Financial liabilities</b>				
Balance at 1 January 2014	767	259	203	1 229
Total (gain)/loss in statement of comprehensive income	38	60	94	192
Acquisitions	119	–	–	119
Disposals	(149)	–	(297)	(446)
Foreign exchange movements	1	–	–	1
<b>Balance at 30 June 2014</b>	<b>776</b>	<b>319</b>	<b>–</b>	<b>1 095</b>
<b>31 December 2013 – audited</b>				
<b>Financial liabilities</b>				
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
<b>Balance at 31 December 2013</b>	<b>767</b>	<b>259</b>	<b>203</b>	<b>1 229</b>
R million	<b>Six months Reviewed 2014</b>			Full year Audited 2013
<b>Gains and losses (realised and unrealised) included in profit and loss – level 3 instruments</b>				
Gains and losses included in profit or loss for the period	<b>31</b>			1 253
Gains and losses included in profit or loss for the period for assets held at the end of the reporting period	<b>6</b>			1 007

## 5. Fair value disclosures (continued)

### Transfers between categories

R million	Structured transactions	Interest-bearing investments	Cash, deposits and similar securities	Total financial assets
<b>Financial assets</b>				
<b>Six months reviewed – 2014</b>				
Transfer from level 1 to level 2	–	686	–	686
<b>Full year audited – 2013</b>				
Transfer from level 1 to level 2	2	–	25	27

Valuation techniques with relatively less market observable inputs are being used in the current period.

### Valuation techniques used in determining the fair value of financial instruments

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input
Equities and similar securities	2 & 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 & 3	DCF, Earnings multiple, Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Earnings multiple
Structured transactions and investment funds	2	Quoted (exit) price provided by fund manager	n/a	n/a
Trading account assets and liabilities	2	DCF	Forward rate Credit risk spread Liquidity spread	n/a
Investment contract liabilities	2 & 3	Current unit price of underlying unitised financial asset, multiplied by the number of units held DCF	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index Bond interest rate curves	Earnings multiple n/a
Term finance	2 & 3	DCF	Bond & Forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	Liquidity spread
Derivative assets and liabilities	2 & 3	Option pricing models DCF	Bond and interbank swap interest rate curve Forward equity and currency rates Volatility risk adjustments	Risk adjustments



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2014

## 5. Fair value disclosures *(continued)*

**Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions**

R million

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### Six months – reviewed

#### 30 June 2014

Equities and similar securities  
Interest-bearing investments  
Investment funds

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#### Financial assets

Investment contract liabilities  
Term finance

---

#### Financial liabilities

---

### Full year – audited

#### 31 December 2013

Equities and similar securities  
Interest-bearing investments  
Investment funds

---

#### Financial assets

Investment contract liabilities  
Term finance  
Derivative liabilities

---

#### Financial liabilities

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

<sup>(2)</sup> Represents mainly investments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.



Carrying amount <sup>(1)</sup>	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount <sup>(2)</sup>	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
394	39	(39)	39	(3)	3
471	47	(47)	75	(19)	22
447	45	(45)	—	—	—
1 312	131	(131)	114	(22)	25
614	61	(61)	162	(16)	16
319	32	(32)	—	—	—
933	93	(93)	162	(16)	16
755	76	(76)	558	(6)	6
345	35	(35)	49	(12)	14
459	46	(46)	—	—	—
1 559	157	(157)	607	(18)	20
494	49	(49)	273	(8)	8
259	26	(26)	—	—	—
—	—	—	203	(37)	14
753	75	(75)	476	(45)	22



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2014

## 6. Business combinations

### Material acquisitions of the Group consolidated in the 2014 financial year

#### Material business combinations

During May 2014 the Group acquired a 51% interest in MCIS Insurance Berhad, a life and general insurance provider in Malaysia, and obtained control of the entity. The acquisition is in line with Sanlam's strategy to pursue value accretive growth opportunities into the South-East Asia region. The acquisition accounting in respect of the MCIS transaction will be finalised in the second half of the year due to the timing of the transaction being close to the 30 June 2014 reporting period. The excess amount paid over the fair value of the already identified net assets is expected to be predominately value of business acquired, and therefore has been recognised as such for the interim reporting period and could change when the acquisition accounting is finalised. Non-controlling interest is measured at the proportional share of the acquiree's identifiable net assets.

#### Other

There were no other material business combinations during the six month period.

R million	Reviewed 2014
Details of the acquisition are as follows:	
Cash consideration	1 258
Fair value of net assets acquired	(1 741)
Non-controlling interest	853
<b>Value of business acquired</b>	<b>370</b>
Details of the assets acquired and liabilities assumed are as follows:	
Equipment	23
Owner-occupied properties	319
Other intangible assets	41
Long-term reinsurance assets	9
Investment properties	174
Equities and similar securities	1 093
Interest-bearing investments	11 564
Investment funds	416
Cash, deposits and similar securities	1 433
Short-term technical assets	510
Trade and other receivables	563
Long-term policy liabilities	(12 384)
Deferred tax liability	(99)
Short-term insurance technical provisions	(1 335)
Trade and other payables	(584)
Taxation	(2)
<b>Total identifiable net assets</b>	<b>1 741</b>

Net profits from 1 January 2014 to the effective date of the transaction would not have been material. The short period since the effective date of the transaction did not allow for the alignment of the reporting of Financial Services Income to the Sanlam Group accounting policy, and as such disclosure of the impact on revenues from 1 January 2014 to the effective date of the transaction is impracticable.

## ADMINISTRATION

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Sana-Ullah Bray

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(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

### Transfer secretaries

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### Directors

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(Group Chief Executive), MMM Bakane-Tuoane, AD Botha, PR Bradshaw<sup>(2)</sup>,

A Duggal<sup>(3)</sup>, MV Moosa, JP Möller<sup>(1)</sup>, MP Mthethwa, TI Mvusi<sup>(1)</sup>, SA Nkosi,

P Rademeyer, Y Ramiah<sup>(1)</sup>, RV Simelane, CG Swanepoel,

ZB Swanepoel, PL Zim

<sup>(1)</sup> Executive

<sup>(2)</sup> British

<sup>(3)</sup> American national and resident of India

Cape Town

3 September 2014

### Sponsor

Deutsche Securities (SA) (Pty) Limited

