Sanlam Wealthsmiths

100 years

Integrated Report
2017

Insurance | Financial Planning | Retirement | Investments | Wealth

Contents

Creating a **world worth living in**

We have been creating value for stakeholders since 1918 – for almost 100 years.

Our world has changed beyond recognition over this time. The pace of development is increasing exponentially, creating opportunities, presenting challenges and opening ways to improve future prospects for all. At Sanlam, the essence of our purpose has not changed: to build a world of Wealthsmiths™, supporting people in living their best possible lives through financial resilience and prosperity at the individual, organisational and societal levels.

Sanlam is one of the biggest internationally active insurance groups globally, and is classified as a domestic systemically important financial institution in South Africa. As one of the largest financial services groups in Africa, we are a key pillar of the continent's infrastructure – and any material instance of failure or impairment of Sanlam would have a significant impact on the economies in which we operate.

We therefore take our role and contribution to a stable financial system seriously and are committed to supporting financial resilience, wellbeing, prosperity and inclusion. We achieve this in a sustainable manner by creating shared value for our stakeholders.

The profile, impact and influence of our different stakeholder groups transformed over the ten decades in line with the changing world. They require new responses to changing economic, social and political environments. Over time, the needs and value perceptions of stakeholders have also changed, with Sanlam often in a position where our strategic decisions have to balance different stakeholder groups' interests.

In this report, we explain our insights and strategic response to remain true to our purpose. These define and recognise the need for Sanlam to contribute to financial resilience and prosperity in all the markets where we are present. Resilience generally describes the capacity of a system, be it an individual, an organisation, the environment or an economy, to absorb internal and external shocks, and deal with change while continuing to flourish. At Sanlam, resilience is about protecting our stakeholders against the potential negative financial consequences of these events. We create financial prosperity through enhancing people's ability to maintain financial independence beyond their income-generating capability. The focus areas and outcomes that ensure the sustainability of Sanlam's contribution to financial resilience and prosperity are set out in detail in the Resilience Report, which is supplementary to our Integrated Report.

This report reflects on our journey in 2017 by describing how we enabled financial resilience and prosperity for individuals, organisations and society, while looking forward to the next 100 years.

Sanlam Wealthsmiths | 100 years

A snapshot of Sanlam

Why invest in Sanlam

WE OUTPERFORMED OUR ROGEV TARGET –

which measures the value created for shareholders – consistently since listing in 1998.

SANLAM HAS BEEN CREATING VALUE

and contributing to financial resilience and prosperity for almost 100 years – for all our stakeholders.

WE INCREASE OUR DIVIDEND

in real terms through a stable dividend policy.

Our strategic objectives remain relevant and

CONTINUE TO CREATE VALUE OVER THE SHORT, MEDIUM AND LONG TERM.

OUR DIVERSIFIED NATURE CREATES RESILIENCE

while offering growth opportunities grounded in our culture of client-centricity.

WE HAVE A SKILLED AND EXPERIENCED MANAGEMENT TEAM

with appropriate incentives to drive high performance.

OUR LARGE, STABLE SOUTH AFRICAN BASE AND MATURE BOOK ALLOW US TO INVEST

in other high-growth, but more volatile, territories through a partnership model.

OUR OMNI-CHANNEL DISTRIBUTION APPROACH CREATES SEAMLESS INTERACTION AND COMPREHENSIVE SUPPORT

to enhance the personal intermediary model with a strong direct sales capability.

WE HAVE A FIRST-MOVER ADVANTAGE

in the Rest of Africa and an unmatched Pan-African presence.

Feedback from the **users of our report**

Sanlam has more than 450 000 shareholders, who constitute one of our material stakeholder groups. In addition to our engagement through results presentations and general meetings, the annual reporting suite is one of our main channels of communication to our shareholder base, and also to sell-side investment analysts.

Our reporting philosophy is founded on providing our shareholders and the broader investment community with relevant, transparent and value-adding information to enhance the investment analysis process. We again elicited feedback from our largest shareholders and sell-side analysts this year to determine their satisfaction with the quality and materiality of information provided in this report.

Feedback insights	Sanlam's response
The full annual reporting suite is the most preferred source of information when assessing performance, with the sustainability report a secondary source of performance assessments.	The five sustainability chapters of 2016 were refocused following a materiality process to provide more succinct and relevant reporting to our stakeholders. The Resilience Report links our sustainability clearly to our purpose, and identifies the indicators that would alert readers to progress, challenges and opportunities in this regard.
The financial review, Group Chief Executive's strategic review and the Operational review by the Group Chief Executive are the top ranking sections according to the order in which the report is read.	We included the 2017 performance reports in a clearly identified section in this report, with the more static information presented in separate sections. The shareholder value drivers have also been included in the Sanlam Snapshot in the Integrated Report, rather than an appendix – based on the feedback and ranking.
The content of the Integrated Report covers the aspects that our shareholders deemed necessary, with additional detail to be considered for the international operations (Saham Finances, Shriram Capital, other SEM operations) and human resources.	More detailed commentary has been included in the Financial and Operational Review and additional information on the SEM operations have been included in the Shareholder Information section. The annual reporting suite elements are explained visually to guide readers on where to find information that is not specifically included in the Integrated Report.
We asked shareholders how much importance they attached to external assurance of the content of the Integrated Report. 84% regarded external assurance as important to very important.	The assurance process is explained in more detail on page 146 and further assurance of material non-financial elements will be considered.
Shareholders indicated a high level of understanding of the company's strategy and long-term objectives, risks and opportunities after reading the report and are highly satisfied with the level of materiality applied. A small minority would like to see some expansion on future-oriented information and more balanced reporting in the Integrated Report – the rest are positive about current disclosure.	We continue refining our reporting content in line with the requirements of the <IR> Framework and our stakeholders' expectations – and appreciate that our current disclosure is achieving its purpose.

Financial highlights 2017

RoGEV per share

14,8%

Adjusted RoGEV of 15,8%

Net result from financial services

R8 549m

+7,3%

Dividend per share

290 cents

+8,2%

Calendar of 2017 events

January

Independent non-executive director, Paul Bradshaw, passed away on 12 January.

Through the Sanlam Foundation, Sanlam partnered with the Tertiary School of Business Administration to recruit employees as mentors to first- or second-year students.

Sanlam portfolio managers bring home accolades for being the top performers in their fund categories at the 21st Raging Bull Awards.

February

Just over 2 000 swimmers took part in the third Sanlam Cape Mile at the Eikenhof Dam near Grabouw, South Africa, promoting a healthy lifestyle.

Sanlam launches the GoCover app, an innovative on-demand insurance offering.

March

Clement Booth resigned as a non-executive director from the boards of Sanlam Limited and Sanlam Life Insurance Limited, effective 8 March.

Sanlam's 2016 annual results announced to the market.

The Sanlam Cape Town Marathon awarded Gold Label Status, making it Africa's only International Association of Athletics Federation (IAAF) Gold Label Road Race.

Sanlam launches Family Budget Week, aimed at inspiring more South Africans to draw up a family budget.

April

Temba Mvusi, the Chief Executive of Group Market Development, was appointed as acting Chief Executive Officer (CEO) of the Sanlam Corporate cluster, effective 1 April.

Paul Hanratty was appointed as an independent non-executive director to the boards of Sanlam Limited and Sanlam Life Insurance Limited, as well as to the Audit, Actuarial and Finance, and Risk and Compliance committees, effective 3 April.

Consumers again rate Santam the best at meeting and exceeding their insurance needs, the South African Customer Satisfaction Index (SAcsi) shows.

May

All conditions precedent for the acquisition of a further 16,6% in Saham Finances were fulfilled and the transaction became effective 10 May.

Sanlam Emerging Markets (SEM) wins the Insurance Company of the Year award at the third annual Africa Re awards.

Hubert Brody, CEO of Sanlam Personal Finance (SPF), stepped down on 31 May.

June

Jurie Strydom, the joint deputy CEO of SPF, was appointed as CEO of SPF effective 1 June.

The 19th annual general meeting of shareholders of Sanlam was held on 7 June, with all resolutions passed.

Johan van Zyl succeeded Desmond Smith who retired as chairman from the boards of Sanlam Limited and Sanlam Life Insurance Limited, effective 8 June.

SEM acquired a majority stake in PineBridge Investments East Africa Limited in Kenya, the largest asset manager in East Africa.

Sanlam launched its groundbreaking drama series, Uk'shona Kwelanga, which combined soap opera and social media in South Africa's first-ever WhatsApp drama series.

New business volumes

R230bn

-1,3%

Net value of new covered business (VNB)

R1 841m

+14,7%

Net VNB margin

2,94%

+25bps

July

SEM disposed of its stakes in Enterprise Life Assurance Company Limited, Enterprise Trustees Limited and Enterprise Insurance Company Limited in Ghana, effective 1 July.

Sanlam launched the Mna Nam campaign in support of National Savings Month. The Mna Nam is a limited edition bracelet with an embedded QR code that links to a savings wallet on the wearer's mobile phone – a first of its kind globally.

August

Sanlam won 10 awards at the annual prestigious Loerie Awards for branding and advertising excellence.

Sanlam was recognised as the 2017 South African New Product Innovation Leader in the insurance industry on digital transformation by the consulting and research firm Frost & Sullivan.

September

Sanlam Life Insurance Limited acquired a 53% stake in life insurance provider, BrightRock, effective 1 September.

Sanlam's 2017 interim results announced to the market.

Flip Rademeyer retired as a non-executive director from the boards of Sanlam Limited and Sanlam Life Insurance Limited, effective 6 September.

The board of the Association for Savings and Investment South Africa (ASISA) appointed Sanlam Group CEO Ian Kirk as its new Chairman.

October

Sanlam was once again awarded the Top Employers South Africa certification.

Sanlam and CANSA celebrated 25 years of teaming up against cancer at the Sanlam Cancer Challenge (SCC) national golf finals at the Gary Player Country Club at Sun City. A record-breaking R4,25 million was raised.

November

Sanlam Investments acquired a 30% stake in EasyEquities, an innovative investment platform, effective 17 November.

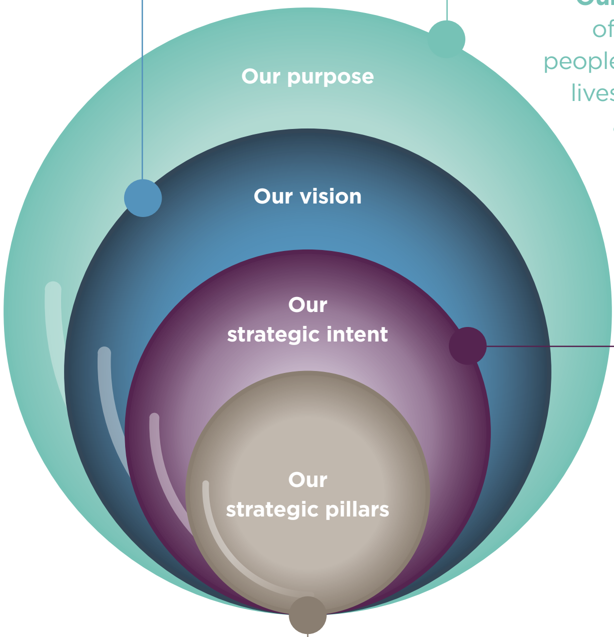
December

Sanlam announces a solid operational performance in its operational update for the 10 months to 31 December 2017.

Understanding our strategy

Our vision is to:

- Lead in client-centric wealth creation, management and protection in South Africa;
- Be a leading Pan-African financial services group with a meaningful presence in India and Malaysia; and
- Play a niche role in wealth and investment management in specific developed markets.



Our purpose is to build a world of Wealthsmiths™, supporting people in living their best possible lives through financial resilience and prosperity at individual, organisational and societal levels.

Our strategic intent is to create sustainable value for all stakeholders.

Sanlam's vision and strategic intent is pursued through a strategy focused on **four pillars:**

Profitable top-line growth through a culture of client-centricity

Extracting value through innovation and improved efficiencies

Enhancing Sanlam's resilience and earnings growth through diversification

Responsible capital allocation and management

Continuous transformation is central to Sanlam's ability to adapt to a changing world and underpins all of the strategic pillars.

Read more about our long-term strategic execution through the pillars from page 102.

RoGEV – our primary quantitative performance measure

Our primary performance target for measuring shareholder value creation is Return on Group Equity Value (RoGEV), which measures the outcome of a combination of value drivers. These value drivers are directly related to our material stakeholders, and the optimisation of RoGEV is therefore reflective of optimal value creation for all stakeholders. This makes RoGEV a robust composite value measure for a diversified group such as Sanlam.

RoGEV measured against a minimum performance hurdle is our primary quantitative performance benchmark in evaluating the success of our strategy to maximise shareholder value. Group Equity Value (GEV) provides an indication of the value of Sanlam's operations. It includes: the value of Sanlam's in-force book of life insurance business, the value of non-life operations based on longer term assumptions and the fair value of discretionary and other capital not allocated to our operations. GEV does not allow for future new life insurance business, only new business written within a particular year contribute to RoGEV.

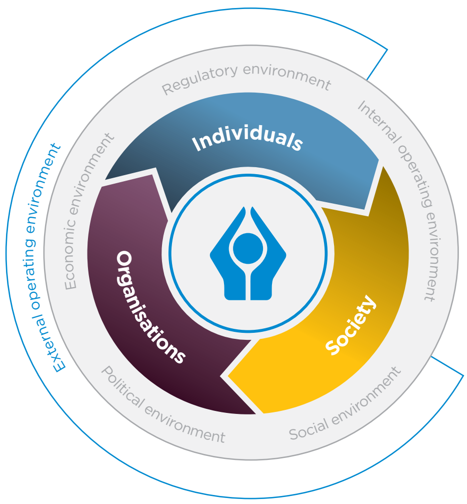
Our key opportunity

As an emerging market player, we are positioned to meet the growing demands that follow when demographic profiles change due to economic growth, urbanisation, young people entering the formal economy, and aspirational lifestyles developing. This change expands market segments and increases wealth – with the concomitant demand for financial advice, planning, investment management and protection. As we meet these demands through our products and services, we expand our client base, thereby contributing to higher levels of collective financial resilience and prosperity in society. We have a unique footprint, spanning countries with high economic growth potential and low financial services penetration – a leveraged opportunity for growth at Sanlam.

Our three stakeholder groups encapsulate our material stakeholders, being: shareholders, clients, employees, advisors, independent distribution partners, regulators and the broader society in which Sanlam operates.

In South Africa, our strategy is about retaining our leadership position in financial services and putting distance between us and our competitors.

Outside South Africa, our strategy is about deepening our existing relationships and product ranges to become a leading player in our targeted territories and accelerate organic growth.



Financial resilience and prosperity – our primary qualitative performance measures

The intended outcome of Sanlam's stakeholder value creation is to create financially resilient and prosperous individuals, organisations and societies. Resilience is the capacity of a system – be it an individual, organisation or an economy – to deal with change and continue to develop, and its ability to use shocks and disturbances, such as a financial crisis or climate change, to spur renewal and innovative thinking. Resilience thinking at Sanlam is about generating increased knowledge about how we can strengthen the financial resilience and prosperity of individuals, organisations and society to the mutual benefit of all our material stakeholders.

Understanding our business

Sanlam is a diversified financial services group, headquartered in South Africa, operating across a number of selected global markets.

We use a decentralised operational model, managed through tight principles set at a Group level, to execute on our strategy. This model is a key part of our ability to differentiate ourselves from our peers in strategic execution.

We offer the following products and services:

Life insurance

- Risk solutions provide monetary benefits to compensate for the financial impact of unexpected events such as death, disability, trauma and retrenchment
- Investment solutions facilitate wealth accumulation and provide for income at retirement through a full range of investment options that offer varying levels of investment guarantees

Credit and structuring

- Retail client solutions offer access to personal loans and traditional banking to create long-term financial prosperity
- Institutional client solutions provide asset-based financing, debt origination and structuring, asset-liability management, equity and interest rate derivatives, and collateralised lending in support of business activity and economic growth

General insurance

- Insurance solutions provide monetary benefit to compensate for the loss of physical property, loss of trading income or liability incurred. It includes motor, property, aviation, crop, engineering, guarantee, liability, accident, transportation and alternative risk transfer insurance

Administration, health and other

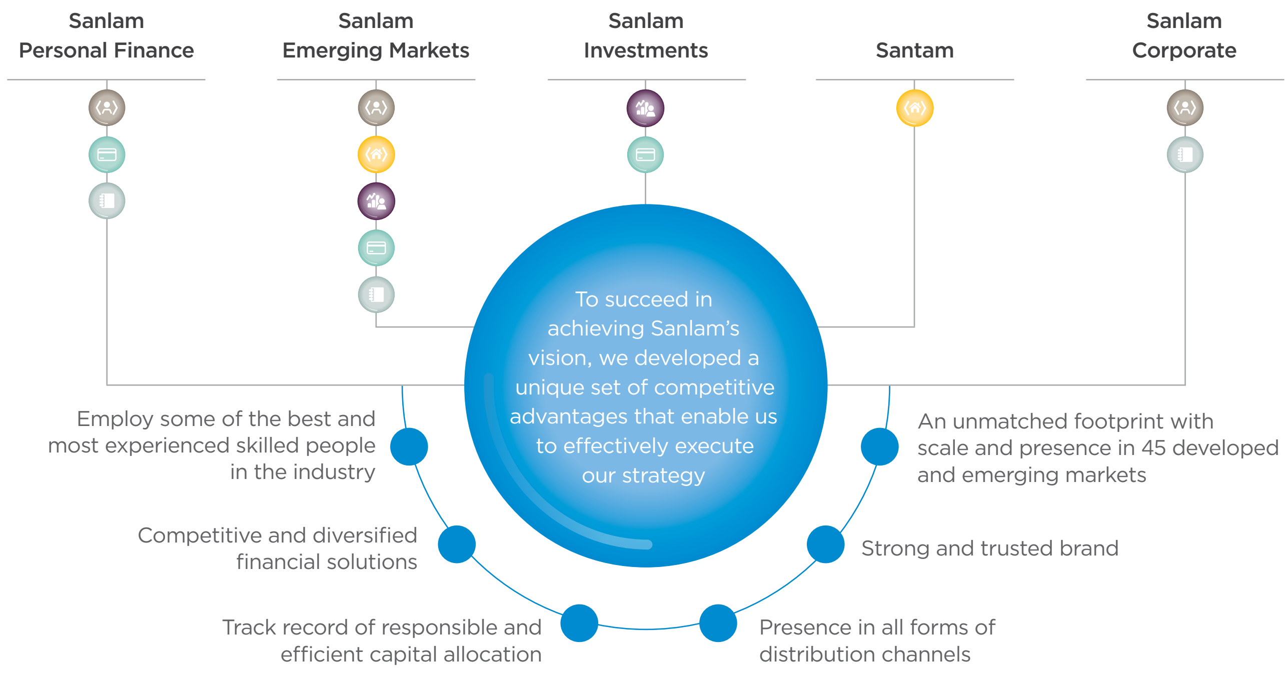
- Long-term financial resilience and prosperity is created through individual and organisational financial needs analysis and advice (including estate planning, trusts, wills), health management and retirement fund administration

Investment management

- Retail client solutions offer savings options that create wealth through a range of collective investment schemes and wealth management solutions, including stockbroking
- Institutional client solutions offer wealth creation through traditional and specialist asset management in South Africa and abroad

Sanlam's financial and risk solutions support wealth creation and protection for individuals and organisational clients. The nature of these solutions often have a positive impact beyond the client, as it supports systemic resilience for businesses, families and communities, such as in the case of death, disability or fires and floods.

We offer these products and services through businesses managed in five clusters:

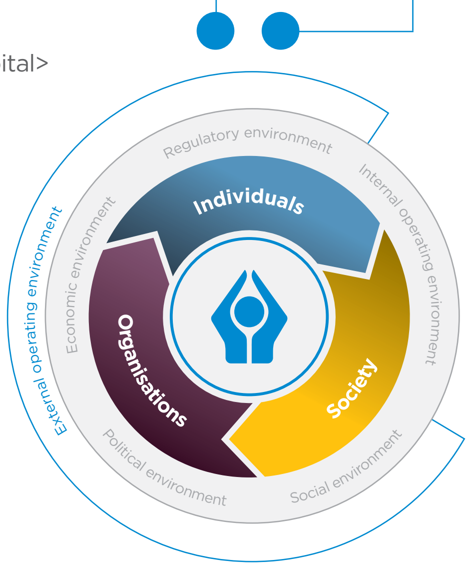


Sanlam depends on the following key resources to create sustainable shared value:

- A strong capital base to ensure our solvency over the long term <financial capital>
- Specialised financial, actuarial, investment, risk management and administration skills <human capital>
- Mature and efficient operational, financial and risk management processes <intellectual capital>
- Information technology and data transfer infrastructure <manufactured capital>
- A trusted relationship with our clients, business partners, regulators and society <social and relationship capital>
- A sustainable environment in support of a healthy and prosperous society <natural capital>

Read more about our shared value creation from page 12.

The external operating environment has a significant impact on our ability to create value for our stakeholders. This environment was marked by major change in recent years, which we continue to monitor, evaluate and respond to as appropriate.



Understanding our business (continued)

We deliver client-centric products and services through the following five primary operational activities:

Product development

Develop innovative wealth creation, management and protection products and services, including appropriate distribution channels and branding

Business support

Provide business support services including financial management, accounting, actuarial valuations, regulatory reporting, human resources and information technology

Distribution and client support

Manage our various distribution channels

Provide client support services, including administration, actuarial, human resources and information technology

Capital and risk management

Deploy discretionary capital

Optimally allocate financial capital to clusters

Financial and actuarial risk management

Regulatory compliance

Product management

Investment management of client and shareholder funds

Asset-liability matching in line with clients' needs and preferences

Conduct experience analyses to identify emerging trends as input to product pricing and claims management

Governance of participating products

Sanlam provides financial solutions to individuals and organisations through a network of channels and partnerships in 45 countries.

The key trade-offs that we manage for sustainable shared value creation:

- How profitable products are vs what is appropriate for our client
- The level of investment of shareholder profit in transformation initiatives
- Balancing profitability against investment in our employees
- Considering the potential impact of responsible investment practices on the investment return we generate for our clients
- Weighing the cost of investment in innovation against long-term efficiencies
- Optimising the level of shareholder capital to retain while ensuring our sustained solvency

We follow an omni-channel distribution approach to ensure that clients are reached and serviced through their preferred channel. The distribution model is continually adapted to changing client preferences, with increased focus being placed on further developing Sanlam's digital capability. Sanlam's current distribution channels are broadly classified into four categories:

Advisors

Advisors service our retail clients via two categories: those who are only accredited to sell Sanlam products, and those accredited to sell a wider product range. Where an advisor is accredited to sell a wider product range, limits apply to the proportion of business that can be placed at competitors.

Advisor channels are typically managed according to market segment (lower income/entry-level, middle income, affluent and professional/small business). This ensures appropriate focus on the specific needs of the various segments in line with our client-centric business philosophy.

Independent brokers

Brokers service retail and institutional clients across market segments and are supported by dedicated broker support units. Brokers are an important distribution channel, especially in the South African affluent market, where the majority of new business is written through brokers, and in the Rest of Africa, where most institutional general insurance business is placed by brokers. Given their independence to distribute all competitor products, establishing and maintaining superior support and relationships with this channel are key focus areas of the broker support units.

Direct

Direct units distribute Sanlam products directly to retail and institutional clients using technology-based channels such as outbound call centres, online platforms and mobile communication. Direct distribution contributes a major portion of Santam's general insurance premiums through MiWay, but the contribution to life and investment business volumes is still relatively small. However, this is expected to change over time as the use of technology to buy financial services becomes more prevalent. The development of our digital capability as part of the omni-channel approach is therefore receiving particular emphasis.

Affinity groups, bancassurance and telecommunications partners

Affinity groups focus on distribution through groupings of retail clients, for example, employer and church groups. The affinity group partner is typically responsible for administration at an individual member level, and Sanlam provides the relevant products.

Sanlam has relationships with a number of banks and telecommunications companies across Africa through which we distribute insurance and investment products to their client bases.

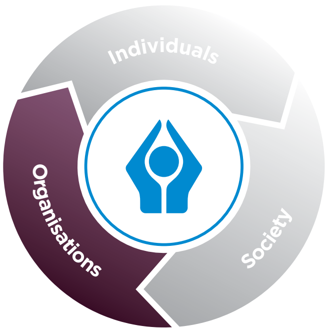
Affinity groups, bancassurance and telecommunications relationships offer us access to large client bases through single entry points. This is a key benefit for start-up operations to gain economies of scale significantly faster than through traditional retail intermediaries. It also forms a critical part of our omni-channel distribution approach and promotes financial access in under-serviced low income segments due to the lower distribution cost.

Understanding how our business creates shared value

The cornerstone of our purpose, to build a world of Wealthsmiths™, is our ability to create shared value for our material stakeholders. In this way we are able to strengthen their financial resilience and prosperity.

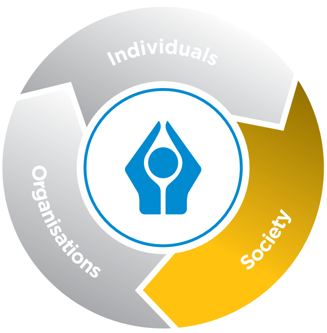
This contributes to a mutually beneficial value ecosystem for individuals, organisations and society.

Read more about shared value in the online Resilience Report.



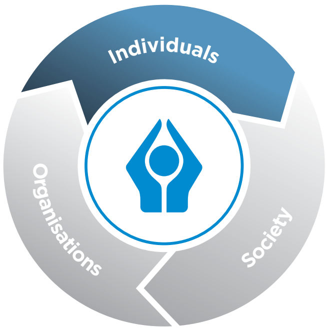
Creating a world worth living in means that organisations have the benefit of:

- Wealth creation, management and protection through sound advice, fair treatment and a range of financial solutions that meet collective needs and expectations
- Opportunities to generate fee income as distribution partners of Sanlam products and services
- Growth in dividends and the value of institutional shareholding in Sanlam
- Access to financial capital for businesses in support of sustainable economic growth through Sanlam's investment of client and shareholder funds under management
- Technical and financial support to regulators to enable economic, social, regulatory, political and environmental resilience and prosperity



Creating a world worth living in means that society has the benefit of:

- Economic empowerment and choice through consumer financial education and entrepreneurship support
- Enhanced levels of education and skills development at primary, secondary and tertiary levels
- Execution on Government's social agenda, including reduced risk through environment-related risk management and transformation initiatives
- Stability and liquidity in the financial sector through Sanlam's investment of client and shareholder funds under management
- Trust in the financial sector as a result of technical and financial support to regulators
- Collaboration and trust between business, government and labour in support of inclusive economic growth



Creating a world worth living in means that individuals have the benefit of:

- → Wealth creation, management and protection through sound advice, fair treatment and a range of financial solutions that meet individual needs and expectations
- → Employment opportunities and fair remuneration that leads to career development and financial security
- → Growth in dividends and the value of Sanlam shares owned by our individual shareholders

Creating a world worth living in creates shared value for Sanlam as we benefit from:

- Sustainable economic growth and an expanding client base
- The uptake of products and services which generates income from margins and fees
- Investment return earned on financial capital provided by Sanlam's individual and institutional shareholders
- Access to an increasing pool of specialised skills required by our business model
- Financial stability through healthy, resilient and prosperous societies in the markets where we operate
- Consumer confidence and trust which leads to systemic financial stability

Our key quantitative performance measure: RoGEV

RoGEV is a robust financial performance indicator that measures the value we add for our shareholders and reflects how successful we are in creating value for our material stakeholders.

GEV is the aggregate of:

- The value of Sanlam's in-force book of life insurance business;
- The value of our non-life operations based on longer term assumptions; and
- The fair value of discretionary and other capital not allocated to Sanlam operations.

The following valuation methodologies are applied:

- Our stake in Santam is valued at its listed market value, which represents the market's valuation of Santam's future profits (14,9% of GEV at 31 December 2017).
- 94% of our other non-life operations and the in-force book of life insurance business is valued at the present/discounted value of future profits (net result financial services and net investment return) we expect to earn from these operations, with allowance for the cost of capital allocated to these businesses (76,6% of GEV at 31 December 2017).
- Some small and/or newly acquired businesses are valued at net asset value (2% of GEV at 31 December 2017).
- Discretionary and other capital not allocated to Group operations is valued at fair value (6,5% of GEV at 31 December 2017).

RoGEV is equal to:

- The change in GEV, after adding back dividends paid and movements in share capital, as a percentage of GEV at the beginning of the year.
- RoGEV is therefore a measure of growth in the value of Sanlam, excluding future new life insurance business and any allowance for prudence in our valuation assumptions for Group operations.

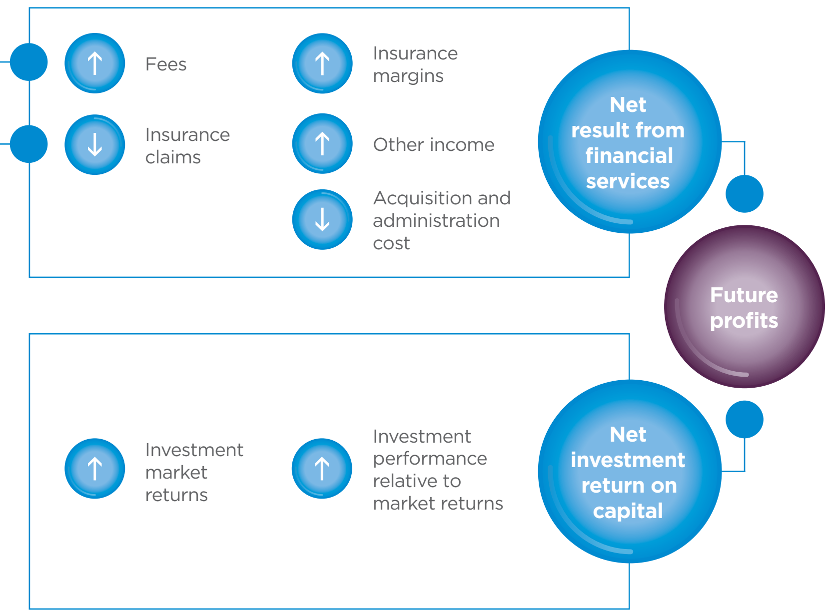
Our future profit and RoGEV drivers

Income is driven by:

- The size of our client base: New business and retention of existing clients are the key drivers of the size of our client base.
- Growth in the underlying asset base managed and administered on behalf of clients: Investment market returns and our relative investment performance are key drivers of the underlying asset base.
- The level of fees and margins priced into our products and services.

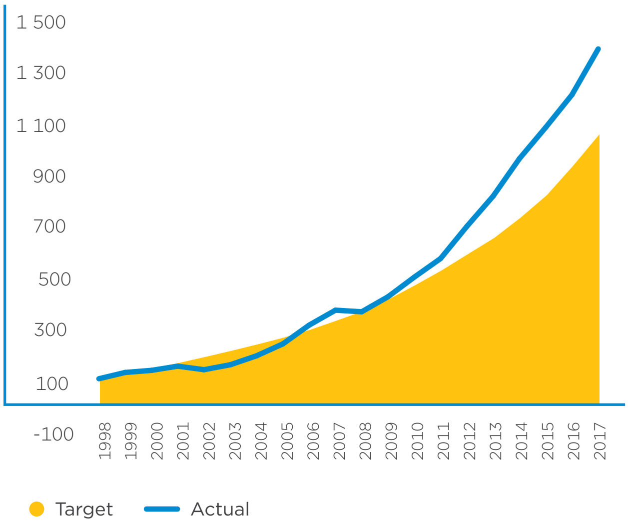
Insurance claims relate to the life insurance risk underwriting and general insurance claims that we pay to clients to protect them from unforeseen events.

Acquisition and administration cost relates to the expenses incurred in acquiring new business and running our operating activities.



Sanlam's RoGEV target is to outperform its cost of capital of i+4%, with i being the South African nine-year risk-free rate. We have outperformed this hurdle on a cumulative basis since listing in 1998.

Read more about our RoGEV performance in 2017 in the financial and operational review from page 70.



The key strategic focus areas to manage our RoGEV value drivers

To improve RoGEV and achieve our hurdle rates, Sanlam has to identify and drive the inter-connected factors which are captured in the following strategic questions:

- → How do we increase new business volumes?
- → How do we retain existing clients?
- → How do we optimise the fees and margins we earn from our products and services?
- → How do we manage the insurance claims experience?
- → How do we reduce our acquisition and administration costs?
- → How do we improve our investment performance?
- → How do we manage the amount of capital held?

Our key quantitative performance measure: RoGEV (continued)

How do we retain existing clients?

- Client-centricity – only selling products and services that a client needs at an appropriate price
- Manage value outcomes of products and services in line with client expectations
- Focus on quality of business – affordability and other measures used as part of the sales process
- Remunerate distribution channels based on actual retention experience
- Continuously measure client engagement and satisfaction
- Product innovations to improve value proposition of client product portfolio

How do we optimise the fees and margins we earn from our products and services?

- Appropriate and competitive pricing
- Optimising business mix
- Expand into under-penetrated regions that offer higher margins
- Product innovation to reduce complexity and maintenance cost
- Optimising capital requirements

How do we manage the insurance claims experience?

- Appropriate pricing of new business
- Limit exposure through product diversification
- Use reinsurance to limit exposure
- Regular claims experience analyses to identify trends
- Risk management to prevent fraudulent claims

How do we reduce our acquisition and administration costs?

- Continuous focus on improving cost efficiencies
- Product innovation: reducing the complexity of product features

How do we improve our investment performance?

- Maintain consistent superior investment performance through a robust and competitive investment process
- Continuous focus on transformation and people development

How do we manage the amount of capital held?

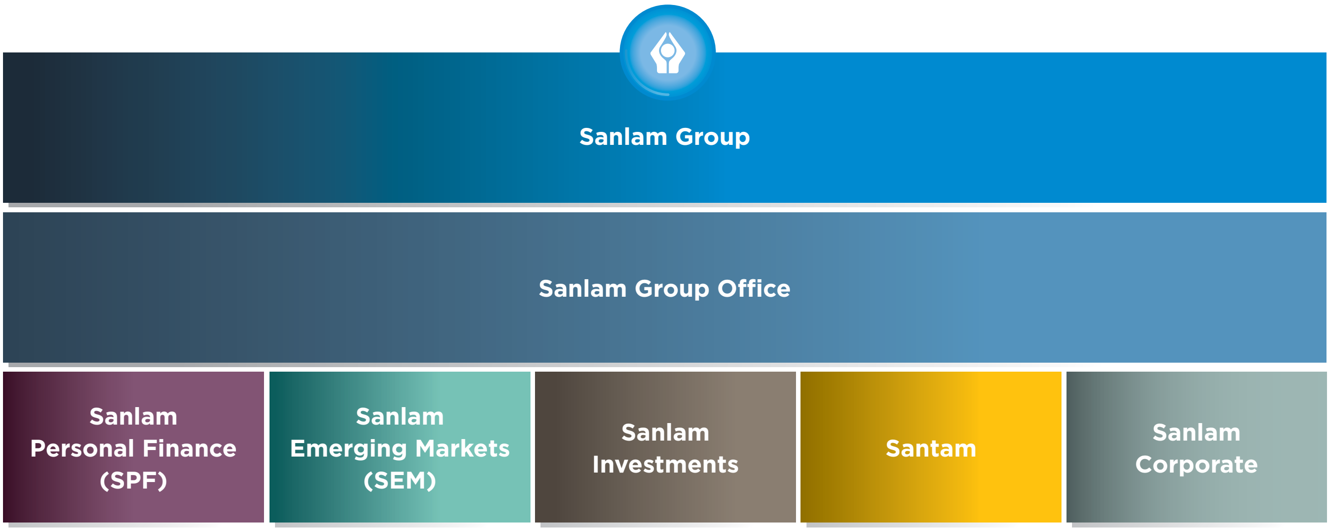
- Appropriate mix of business to optimise overall capital requirements through diversification
- Product development and innovation to optimise capital efficiency of new business
- Appropriate product pricing to ensure hurdle rates are achieved on required capital

A decentralised group

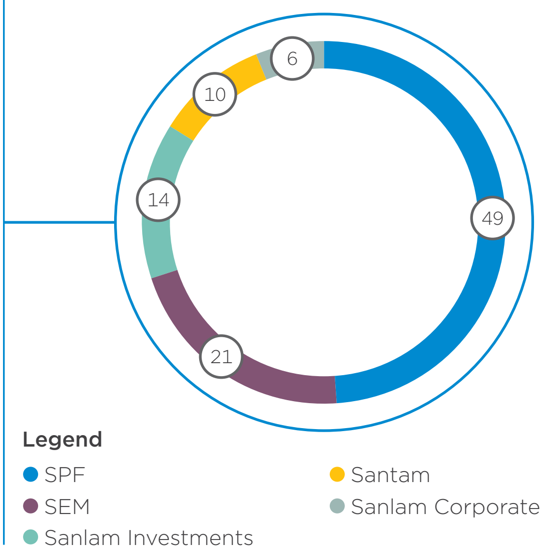
Sanlam has a decentralised management structure and conducts operations through five clusters.

Each cluster is focused on specific markets and/or market segments and is supported by a centre of excellence at Group level, which sets tight principles within which the clusters must operate.

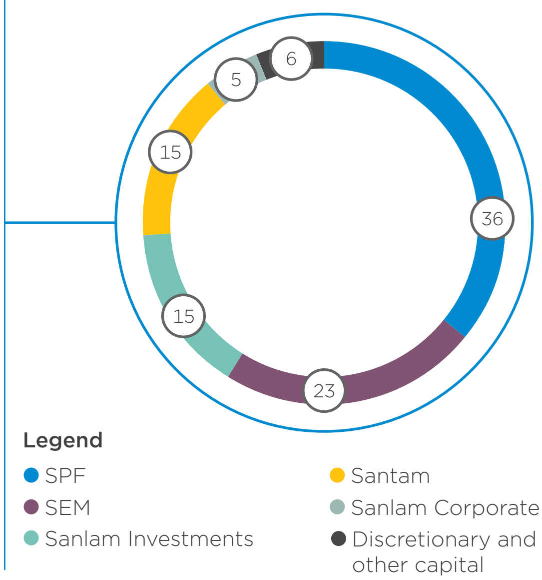
The five clusters are mutually inter-dependent and complementary in their offerings and approach, thereby ensuring that the value of the whole is larger than the sum of the parts.



Contribution to Group net result from financial services (%)



Contribution to Group Equity Value (%)



Sanlam Group Office

Responsible for Group strategy, capital and risk management, and capital allocation to clusters. The following functions provide Group-wide support and coordination:

- Finance
- Actuarial and risk management
- Information technology
- Human resources
- Market development
- Brand services

Net result from financial services -R115 million (2016: -R107 million)

Number of employees: 539

Sanlam Personal Finance (SPF)

Responsible for the Group's retail life and investment business in South Africa. It provides clients with a comprehensive range of appropriate and competitive financial solutions, designed to facilitate long-term wealth creation and protection.

- Sanlam Sky Solutions (Sanlam Sky) is responsible for funeral cover business and related services.
- The Recurring premium sub cluster provides risk underwriting products, excluding funeral cover business, and recurring premium savings solutions.
- Glacier is responsible for single premium life and linked investment savings plan (LISP) solutions.
- Strategic Business Development is an incubator for new initiatives and manages ancillary services businesses.

Net result from financial services R4 235 million (2016: R4 099 million)

Contribution to Group net result from financial services 49% (2016: 51%)

Number of employees: 5 767

A decentralised group (continued)

Sanlam Emerging Markets (SEM)

Sanlam's financial services offering in emerging markets outside South Africa, with the aim of ensuring sustainable delivery and growth across its various businesses.

Focus areas include:

- Retail and Group life insurance and related business
- Credit and banking
- General insurance
- Investment management

Net result from financial services R1 793 million (2016: R1 557 million)

Contribution to Group net result from financial services 21% (2016: 19%)

Number of employees (subsidiaries): 1 947

Sanlam Investments

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

Focus areas include:

- Investment management
- Wealth management
- International investments
- Capital management

Net result from financial services R1 227 million (2016: R1 096 million)

Contribution to Group net result from financial services 14% (2016: 14%)

Number of employees: 1 057

Santam

Provides a diversified range of general insurance products and services in Southern Africa and internationally to clients, ranging from individuals to commercial and specialist business owners and institutions.

Santam's international diversification strategy focuses on reinsurance business, specialised insurance products, and its role as technical partner and co-investor in SEM's expansion into Africa, India and Malaysia.

Santam's business units include:

- Santam Commercial and Personal
- Santam Specialist
- MiWay
- Santam Re
- Santam Emerging Markets Investments

Net result from financial services R851 million (2016: R814 million)

Contribution to Group net result from financial services 10% (2016: 10%)

Number of employees: 5 991

Sanlam Corporate

A recently formed business, targeting chosen corporate clients and offering financial solutions underpinned by:

- Employee benefits (providing risk and investment solutions and administration services to institutions and retirement funds)
- Health solutions and products
- Institutional offerings sourced from other clusters

Net result from financial services R558 million (2016: R510 million)

Contribution to Group net result from financial services 6% (2016: 6%)

Number of employees: 1 327

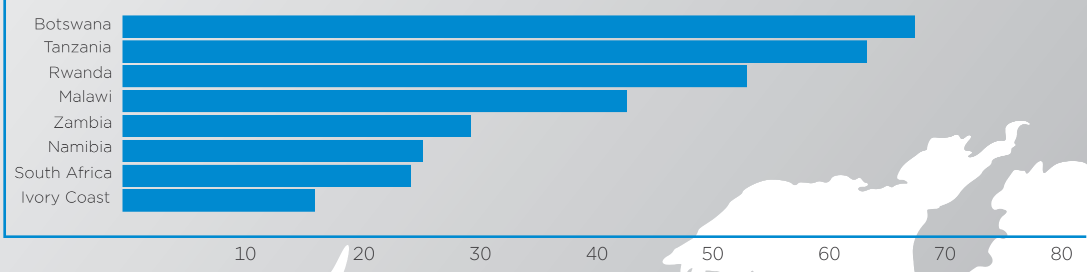
Sanlam's global presence

Sanlam is one of the 50 largest internationally active insurance groups in the world with a presence in 45 countries.

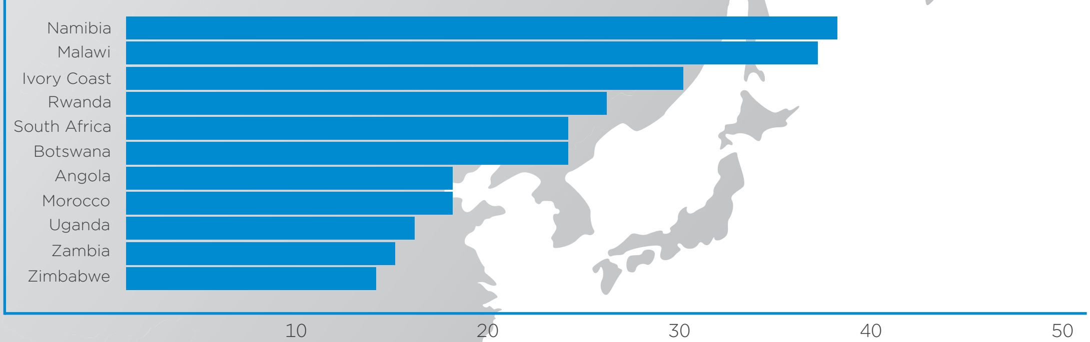
Through SEM, Sanlam has the most extensive insurance footprint in the African continent.

Sanlam is among the top three market leaders in eight African countries for life insurance, and eleven African countries for general insurance.

Life insurance market share (%)



General insurance market share (%)



Sanlam's presence per line of business

Country	Life insurance	General insurance	Investment management	Credit/ banking	Assistance	Reinsurance	Other
Algeria					[illegible]		
Angola		[illegible]			[illegible]		
Australia			Sanlam				
Benin	[illegible]	[illegible]					
Botswana	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Burkina Faso		[illegible]			[illegible]	[illegible]	
Burundi	✓	✓					
Cameroon	[illegible]	[illegible]			[illegible]		
Congo-Brazzaville					[illegible]		
Côte d'Ivoire	[illegible]	[illegible]			[illegible]	[illegible]	
France						[illegible]	
Gabon	[illegible]	[illegible]			[illegible]		
Ghana	[illegible]	[illegible]					
Guinea		[illegible]			[illegible]		
India	[illegible]	[illegible]		[illegible] [illegible]			✓
Ireland			Sanlam				
Kenya	Sanlam	Sanlam [illegible]	Sanlam	✓		[illegible]	
Lebanon	[illegible]	[illegible]				[illegible]	
Lesotho				✓			
Luxembourg						[illegible]	
Madagascar		[illegible]			[illegible]	[illegible]	
Malawi	[illegible]	[illegible]	[illegible]	[illegible]			
Malaysia	MCIS	✓					
Mali	[illegible]	[illegible]			[illegible]		
Mauritius						[illegible]	✓

Country	Life insurance	General insurance	Investment management	Credit/ banking	Assistance	Reinsurance	Other
Morocco							
Mozambique	Sanlam			✓			
Namibia	Sanlam	santam	Sanlam	✓			
Niger							
Nigeria	✓	✓					
Philippines		✓					
Rwanda				✓			
Saudi Arabia							
Senegal							
South Africa	Sanlam	santam	Sanlam	Sanlam		santam	Sanlam
Swaziland	✓			✓			
Tanzania	Sanlam	Sanlam		✓			
The Gambia	✓						
Togo							
Tunisia							
Uganda	Sanlam	Sanlam		✓			
United Kingdom			Sanlam				
United States of America			Sanlam				
Zambia	Sanlam			✓			
Zimbabwe	✓	✓	✓	✓			

✓ *Indirect presence via associated companies*

Sanlam's presence per line of business (continued)

Business units at 31 December 2017 (100% unless otherwise indicated)

Sanlam Personal Finance

- Sanlam Sky
- Recurring premium sub cluster
- Glacier
- Strategic Business Development

Sanlam Emerging Markets

Retail and Group life insurance and related business:

- Botswana Life, Botswana (59%) via Botswana Insurance Holdings (BIHL[1])
- Sanlam Life, Namibia
- Sanlam Namibia Holdings, Namibia (direct 54% and 5% indirect via Capricorn Investment Holdings)
- NICO Life, Malawi (direct 49% and 8% indirect via NICO Holdings[1])
- Sanlam Life, Kenya (57%) via Sanlam Kenya PLC[1]
- Sanlam Life, Tanzania (64%)
- Sanlam Life, Zambia (70%)
- Sanlam Life, Uganda (99%)
- FBN Life, Nigeria (35%)
- Shriram Life Insurance, India (direct 23% and 19% indirect via Shriram Capital)
- MCIS Insurance, Malaysia (51%)
- Soras VIE, Rwanda (75%) via Soras Group
- Sanlam Mozambique Vida, Mozambique (51% direct and 5% indirect via NICO Holdings)
- Zimnat Life, Zimbabwe (40% indirect via Masawara Investments)
- Saham Finances (39,6%) – excluding Santam's share

Credit and structuring:

- Bank Windhoek, Namibia[1] (9%) via Capricorn Investment Holdings
- Letshego[1] (15%) operating in a number of African countries via BIHL[1]
- NBS Bank, Malawi[1] (7%) via NICO Holdings[1]
- Shriram Transport Finance Company (STFC), India (3% direct and 7% via Shriram Capital)
- Shriram City Union Finance (SCUF), India (9%) via Shriram Capital

Sanlam Emerging Markets

Investment management:

- Sanlam Investments, Kenya (57%) via Sanlam Kenya PLC[1]
- SIM Namibia (86%)
- Sanlam Investments East Africa Limited (74%)
- Botswana Insurance Fund Management (59%) via BIHL[1]

General insurance (including Santam's participation):

- NICO Malawi (direct 49% and 8% indirect via NICO Holdings[1])
- Sanlam General Insurance – Tanzania, Tanzania (direct 47% and 3% indirect via NICO Holdings[1])
- Sanlam General Insurance – Uganda, Uganda (direct 79% and 3% indirect via NICO Holdings[1])
- Lion Assurance Company (94%)
- NICO Zambia, Zambia (direct 49% and 8% indirect via NICO Holdings[1])
- Shriram General Insurance, India (direct 23% and 20% via Shriram Capital)
- Pacific & Orient, Malaysia (49%)
- Legal Guard, Botswana (59%) via BIHL[1]
- FBN General Insurance, Nigeria (35%) via FBN Life
- Soras Assurance General, Rwanda (75%) via Soras Group
- Santam Namibia, Namibia (excluding Santam's direct share) (37%)
- Sanlam General Insurance, Kenya (39% indirect through Sanlam Kenya PLC)
- Zimnat Lion, Zimbabwe (40% indirect via Masawara Investments)
- Grand Reinsurance, Zimbabwe (40% indirect via Masawara Investments)
- BIC Botswana (29%) via BIHL
- Saham Finances (46,6%)

Sanlam Investments

Investment Management:

- Sanlam Investment Management
- Sanlam Africa Investments
- Sanlam Properties
- Sanlam Private Equity
- Sanlam Alternative Investments
- Sanlam Structured Solutions
- Satrix
- Sanlam Multi Manager International
- Sanlam Collective Investments
- Blue Ink
- Graviton Wealth
- Graviton Financial Partners
- EasyEquities (30%)

Wealth Management:

- Sanlam Private Wealth
- Sanlam Private Wealth Australia (50,1%)
- Centre (69,6%), an American and global asset management company based on Wall Street
- Sanlam Global Investment Solutions, providing specialist investment services and international mutual fund administration
- Summit Trust (65%), an international independent trust services group in Switzerland

Capital Management:

- Sanlam Capital Markets

International:

Sanlam UK, comprising:

- Sanlam Investments and Pensions
- Sanlam Distribution
- Sanlam Private Wealth (99%)
- Sanlam Four (89,7%)
- Sanlam Asset Management Ireland

Santam[1]

- Santam Commercial and Personal
- Santam Specialist
- Santam Re
- MiWay
- Santam Emerging Markets (indirect stake in SEM general insurance businesses)

Sanlam Corporate

Sanlam Employee Benefits:

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

Sanlam Healthcare:

- Afrocentric (26%)
- Sanlam Healthcare Management

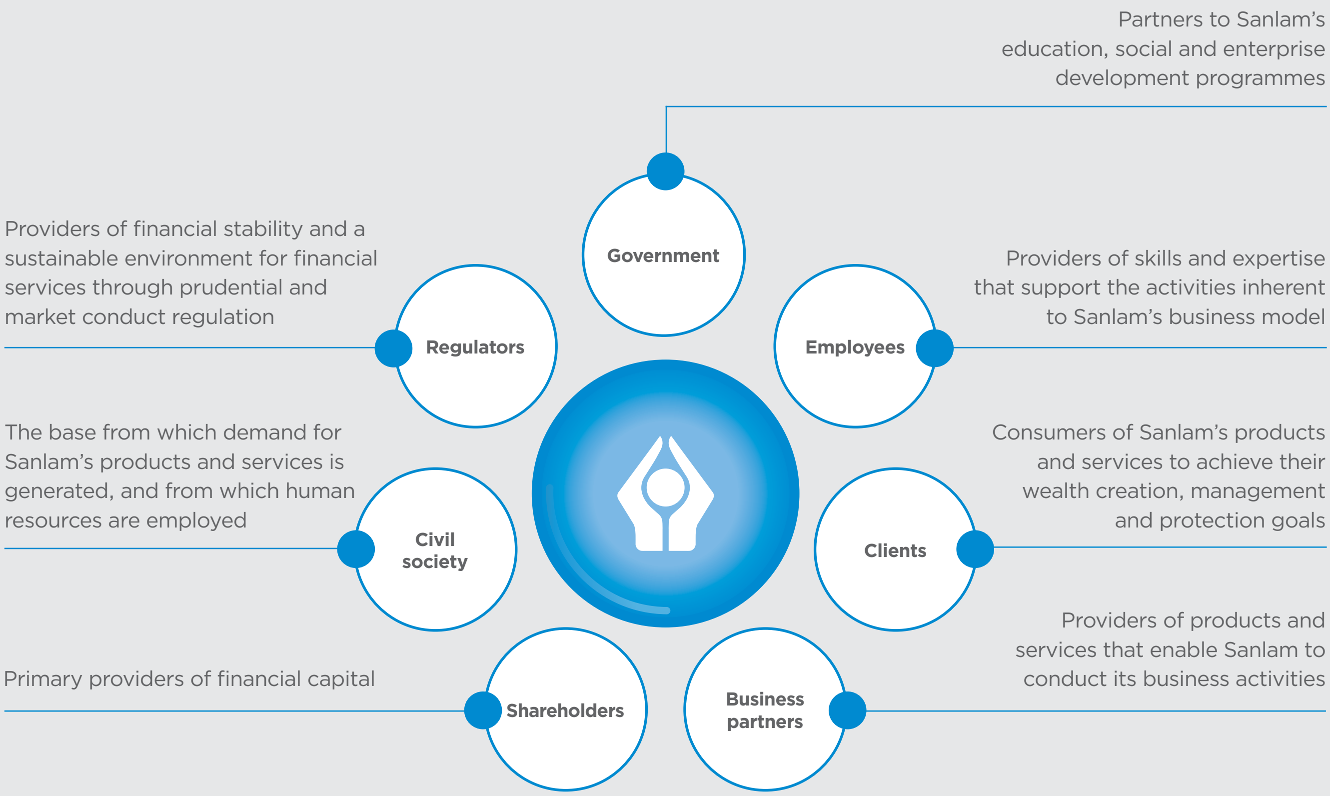
[1] *Listed entities. Refer to the relevant company website for information available in the public domain:*

BIHL: www.bihl.co.bw
Letshego: www.letshego.com
NBS Bank: www.nbsmw.com
NICO Holdings: www.nicomw.com
Sanlam Kenya: www.sanlam.com/kenya
Santam: www.santam.co.za
SCUF: www.shriramcity.in
STFC: www.stfc.in

The Sanlam stakeholder network

We are committed to mutually beneficial relationships with our material stakeholders.

Sanlam's strategic intent is to create sustainable value for all stakeholders. While we operate in an extended universe of stakeholders, we identify and select our material stakeholders on the basis of their impact on Sanlam's business and the successful execution of our strategy. These stakeholders are illustrated below:



The intended outcome of our stakeholder value creation is to create financially resilient and prosperous individuals, organisations and societies. These three groups encapsulate our key stakeholders identified above.

Read more in Sanlam's Resilience Report, which is structured around a specific set of outcomes to build financial resilience and prosperity for each material stakeholder group.

Sanlam's ability to create mutually beneficial financial resilience for individuals, organisations and societies is reflected in RoGEV, our primary performance target for measuring shareholder value creation.

RoGEV is the outcome of a combination of value drivers that are unpacked from page 14 of this report.

Governance of stakeholder relationships

The Sanlam Board and executive management are responsible for managing Sanlam in a sustainable and stakeholder-inclusive manner. This includes overseeing the strategic risks that relate to the interface between Sanlam and its stakeholders, and balancing the needs, interests and expectations of all material stakeholders in the best interests of Sanlam over time.

Find out more about the strategic risks facing Sanlam from page 118.

Stakeholder relations

Sanlam's stakeholder strategy guides engagement with material stakeholders. An approved stakeholder communication policy is in place. Stakeholder engagement is continuous and depends on the needs of the various stakeholders and business clusters.

Each business cluster manages stakeholder engagement according to the specific focus in their operations. The clusters report to the Sanlam stakeholder hub on all stakeholder engagement activities and concerns raised on a quarterly basis. The stakeholder hub is a centralised stakeholder database that serves as an issue log. This information is collated and reported to the Social, Ethics and Sustainability (SES) committee.

Group Market Development in the Group Office provides a critical support function through face-to-face and client-centric engagement. This includes established relationships with multiple tertiary institutions in South Africa, trade unions, Government departments, private sector institutions and affinity groups such as churches. Group Market Development further facilities cross-selling and collaboration between clusters to execute on market opportunities.

No significant issues were raised by stakeholders during 2017. An unfortunate social media incident at MiWay, involving altered content of a MiWay email, had the potential to cause damage to Sanlam's brand and image in the South African society. The matter was resolved in an exceptional manner by MiWay management, turning initial negative response on social media into a positive outcome.

The Sanlam stakeholder network (continued)

Type and frequency of stakeholder engagement

Stakeholder group	Key touchpoints
Clients	Client engagement occurs at various touchpoints during the course of the client transaction process and all stages of the product life cycle. Client satisfaction is measured regularly. Read more in the Resilience Report available online.
Employees	Employment engagement is ongoing and supported by the connectivity pillar of Sanlam's Employee Value Proposition (EVP). Each year, Sanlam conducts employee engagement surveys in its largest operations. The results of these surveys inform Group-wide programmes that aim to enhance employee inter-connectivity and engagement. Read more in the Resilience Report available online.
Shareholders	In addition to accessing information on Sanlam's performance via its Annual Reporting Suite, website and SENS announcements, information sharing with shareholders and investors is facilitated through biannual results presentations, operational updates, the Sanlam investor conference, the AGM, and through ad hoc meetings. Read more about specific feedback from users of this report on page 3.
Business partners	Our business model, especially in SEM, relies on partnerships and collaboration. We rely on the local knowledge and infrastructure of our partners in the markets in which we operate and invest. Our engagement with these stakeholders is therefore supportive and not intrusive. Engagement is formalised through service level agreements, governance structures, reporting requirements and personal engagement. Our business partners are essential in achieving our vision of becoming a leading Pan-African diversified financial services player. Read more in the Group Chief Executive's strategic review from page 54 and the online Governance Report.

Stakeholder group	Key touchpoints
Civil society	The Sanlam Foundation is Sanlam's primary corporate social investment (CSI) vehicle and is focused on shared-value initiatives that fulfil the needs of society and business. Various CSI initiatives that are aligned with the Group's priorities are also conducted in-country by SEM. In support of Sanlam's purpose, all business clusters pursue a specific set of outcomes that build financial resilience and prosperity for society. These outcomes include, among others, development of entrepreneurship, consumer financial education and skills development. Read more in the Resilience Report available online.
Government	Sanlam engages with Government through industry associations and various business chambers. These include the Department of Basic Education (DBE) in South Africa through the Group's Blue Ladder Schools Programmes, which are aligned with Government's National Development Plan (NDP). Read more in the Resilience Report available online.
Regulators	The Group office and cluster businesses engage on a regular basis with industry regulators to assist in creating a trusted financial services environment. Read more in the Resilience Report available online.

The world in 2017 **and our performance**

Our economic and operating environment

Global economy

Global real Gross Domestic Product (GDP) growth improved in 2017 amid an upturn in corporate profits, which supported business and consumer confidence and a consequential rise in investment spending.

The upside surprise to growth in the Euro Union (EU) region, a key trading partner for African economies, was especially welcome. In early 2017, news flow in Europe was dominated by elections in The Netherlands and France. The defeat of Euro-sceptic parties at the polls was followed by a significant appreciation of the euro against the United States (US) dollar during the year. Despite lingering political uncertainty, partly reflected in the inconclusive result of Germany's September 2017 election, growth expectations in the region are favourable in 2018.

Following the sharp depreciation of the pound sterling in 2016, United Kingdom (UK) domestic demand and overall GDP recorded only modest growth in 2017, amid higher inflation, waning consumer confidence, and a shift towards a less accommodative monetary policy stance by the Bank of England. The 25bps hike in the Bank of England's rate in November 2017 was the first increase in the policy rate since 2007. Uncertainty around negotiations to establish the terms for the withdrawal of the UK from the European Union lingered throughout the year. Progress in this regard was achieved in early December 2017 when in-principle agreement was reached on UK and EU citizens' rights, the financial compensation to be paid by the UK, and the maintenance of an "open border" between the UK and Ireland. An extended period of uncertainty lies ahead until the new trade relationship is ultimately determined.

An encouraging feature of the global economy is the marked decline in unemployment rates recorded in recent years. Lower unemployment has not, however, translated into significant wage and inflation pressure as yet. Developed economies' headline consumer price inflation increased in the latter half of 2017, but core inflation rates have remained low, including US core consumer price inflation.

Despite this, the US Federal Open Market Committee (FOMC) continued on its gradual interest rate hiking path, increasing the federal funds target rate to 1,5% by December 2017. The US Federal Reserve also announced the start of "normalisation" of its balance sheet in October 2017, signalling its intention to no longer re-invest the principal repayments of its investments (subject to a cap).

In contrast, the European Central Bank (ECB) indicated that it will continue with its asset purchase programme, although its monthly net asset purchases were reduced from April 2017. At the conclusion of its December 2017 Governing Council meeting, the ECB left its key policy interest rates unchanged and indicated that it expects the key ECB policy interest rates "to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases".

The year also witnessed the finalisation of comprehensive tax reform policy in the US. Included in the range of tax changes, to be implemented from 2018, are tax relief for households, a decrease in the corporate tax rate, and a more generous expensing allowance for capital investment. These measures are expected to support the nascent upswing in US fixed investment spending and provide a modest boost to GDP.

Among emerging market economies, China, another key trading partner for African countries, began 2017 on a cautious note as President Xi Jinping reportedly indicated to the communist party's financial and economic leadership group that the country's GDP growth target of 6,5% should not be pursued at the expense of financial stability. Even so, real GDP growth remained strong, increasing by an estimated 6,7% in 2017. Growth may ease in 2018 in response to tighter lending conditions and lower government expenditure growth, but is, nonetheless, expected to remain buoyant.

The global economic environment provided general support to commodity prices and GDP growth across many emerging markets, including a number of the markets in which Sanlam operates.

South Africa

South Africa's economic growth improved marginally during 2017, supported by the improving global real economic activity, increased terms of trade and a bounce in agricultural production. Real personal disposable income growth firmed from the second quarter of 2017, reflected in better, albeit still moderate consumer spending. However, real private sector investment expenditure remained soft, advancing just 1% in the year to 30 September 2017. This reflected a low level of business confidence, weak earnings momentum, and economic policy uncertainty.

At the end of 2017, the Reserve Bank's leading business cycle indicator remained consistent with continued modest real GDP economic activity. Real GDP growth is forecast to improve to 1,5% in 2018 from 0,9% in 2017.

Total gross operating surplus increased by a modest 6,1% in the first three quarters of 2017, relative to the same period in 2016. However, earnings of listed companies on the FTSE/JSE All Share Index, which, on aggregate, are skewed towards offshore earnings and export proceeds, advanced 26,3% in the year to 31 December 2017, supported by a bounce of 144,1% in the earnings of the FTSE/JSE Africa Resources Index companies. At the same time, the FTSE/JSE All Share Index and the FTSE/JSE Africa Resources Index yielded total returns of 21,0% and 17,9% in rand terms respectively. Most of this return was, however, recorded in the latter part of 2017, with the equity market reflecting volatility and no real growth for a large part of the year amid low investor confidence and political uncertainty in the run-up to the African National Congress's (ANC's) national elective conference in December 2017. As a result, average equity market levels in 2017 increased by less than 6% compared to 2016.

The deterioration of the South African Government's fiscal position remained a focal point of news flow throughout the year. Following the removal of the Finance Minister, Pravin Gordhan, from his post on 31 March 2017, Standard & Poor's (S&P) downgraded South Africa's long-term foreign currency sovereign debt rating from BBB- to sub-investment grade (BB+).

The National Treasury's Medium Term Budget Policy Statement (MTBPS), released in October 2017, indicated significant deterioration in the Government's primary budget balance, reflecting a large revenue collection shortfall. Furthermore, the National Treasury warned that the gross loan debt ratio could breach 60% of GDP by 2021/22 should additional fiscal consolidation not be implemented.

The disappointing MTBPS was followed by a further downgrade of South Africa's long-term foreign currency debt rating by S&P to BB from BB+ and the long-term local currency debt rating to BB+ from BBB-. These downgrades severely hampered business and investor confidence.

Despite concern over the potential negative impact of South Africa's weakening fiscal position, notably the risk posed by the deteriorating financial position of state owned companies, the rand appreciated markedly in the month leading up to Cyril Ramaphosa's election to the leadership position of the ANC in December 2017, seemingly reflecting financial market participants' expectation of reforms and improved economic policy certainty and implementation. The change in the rand exchange rate against the currencies of the major countries where Sanlam operates, is reflected in the following table (negative variances indicate a strengthening of the rand exchange rate):

Foreign currency/ Rand	**Euro**	**GBP**	**US$**	**BWP**	**INR**	**MYR**	**MAD**	**Rest of Africa (weighted)**
2015/12/31	16,84	22,83	15,49	1,405	0,235	3,620	–	
2016/12/31	14,43	16,92	13,68	1,299	0,202	3,051	–	
	(14,3%)	**(25,9%)**	**(11,7%)**	**(7,5%)**	**(14,3%)**	**(15,7%)**	**0,0%**	**(19,6%)**
2016/12/31	14,43	16,92	13,68	1,299	0,202	3,051	1,358	
2017/12/31	14,87	16,75	12,38	1,278	0,194	3,052	1,327	
	3,0%	**(1,0%)**	**(9,5%)**	**(1,6%)**	**(3,6%)**	**0,0%**	**(2,3%)**	**(12,9%)**
Average 2016	16,22	19,69	14,65	1,368	0,219	3,560	1,485	
Average 2017	15,00	17,13	13,30	1,302	0,205	3,104	1,388	
	(7,5%)	**(13,0%)**	**(9,2%)**	**(4,8%)**	**(6,6%)**	**(12,8%)**	**(6,5%)**	**(14,8%)**

Our economic and operating environment

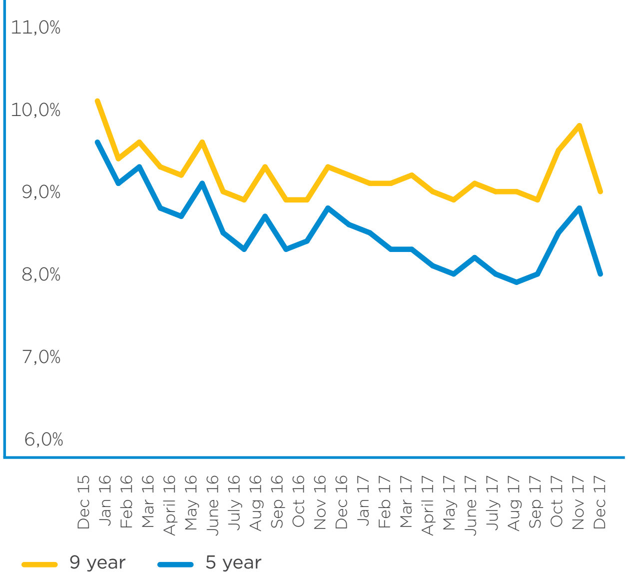
(continued)

The stronger rand exchange rate negatively impacted the key performance indicators of our foreign currency operations. Refer to the Financial and Operational review from page 70 for more information.

Downside inflation surprises and tepid economic growth prompted the South African Reserve Bank (SARB) to cut its repo rate to 6,75% on 21 July 2017 from 7% – the first interest rate cut following a cumulative 200bps increase in the SARB's policy interest rate from January 2014 to March 2016. However, the Bank's Monetary Policy Committee left its repo rate unchanged during the remainder of 2017, given the risk posed to the rand by sovereign debt rating downgrades, uncertainty around the scale and pace of the likely shift towards less accommodative monetary policy in developed economies, and political uncertainty.

Long-term interest rates trended higher in the run-up to the ANC's national elective conference and following the sovereign downgrades, but recovered sharply during December 2017 to end the year lower than the end of December 2016.

SA bond yields



The All Bond Index (ALBI) produced a return of 10,2% for the year ended December 2017. The decline in long-term interest rates benefited the valuation of the Group's operations for GEV purposes as well as the value of new life business, which are, in general, based on discounted cash flow models. Refer to the Financial and Operational review from page 70 for more information.

Rest of Africa

The growth slowdown recorded in sub-Saharan Africa (SSA) in 2016 reached a trough in 2017, as a firmer global economy and higher commodity prices supported real economic activity.

Of the large oil-producing economies on the continent, indications are that Nigeria posted mildly positive real GDP growth in 2017, partly underpinned by an increase in oil production, while foreign exchange liquidity conditions improved in response to the introduction of the market-determined Nigerian Autonomous Foreign Exchange Rate Fixing (NAFEX) for investors and exporters. The investment inflows that followed have been supportive of economic activity. Sustained high inflation has, however, constrained real income growth. In addition, under-capitalised banks have been a drag on activity and the recovery in growth remains constrained. In response to the stabilisation of Nigeria's economy, the equity market recorded a total return in US dollars of 30,2% in 2017.

Likewise, in Angola, even though oil production increased, growth has been tepid, as the economy grappled with significant macro-economic imbalances against the backdrop of an over-valued, pegged exchange rate and a shortage of foreign exchange. In addition, a relatively high level of non-performing loans and unsatisfactory banks' capital adequacy ratios weighed on activity. The Central Bank of Angola, nonetheless, announced a change in the exchange rate regime early in 2018, which appeared to signal an intention to allow the exchange rate to depreciate towards a market-clearing level over time.

Among other commodity producers, a period of macro-economic adjustment has been enforced in some countries in recent years, including Ghana and Zambia. Growth improved in both economies in 2017, most notably in Ghana where oil production increased. This helped Ghana's equity market to yield a total return of 45,4% in US dollars in 2017.

Debt sustainability, however, remains a concern in both countries. Zambia's fiscal deficit and debt level remained excessive, implying ongoing risk of debt stress and currency weakness. In Ghana, too, fiscal adjustment has disappointed and state owned enterprises' financial positions are weak.

In Namibia, a member of the Common Monetary Area (CMA) of the rand, growth disappointment and excessive consumption expenditure, including a high wage bill, produced another large fiscal deficit in 2017. Given the deterioration in government finances, amid material contingent liabilities associated with state owned companies, Namibia's sovereign debt rating was downgraded to sub-investment grade by Moody's Investors Service in August 2017. The government indicated its intention to pursue fiscal consolidation, while increased mining production is expected to lift real GDP growth in 2018, after stalling in 2017.

Given Namibia's membership of the CMA, the Namibia dollar appreciated along with the South African rand against the US dollar in 2017. This partly supported a stellar 40,2% total return in US dollars in the equity market in 2017, despite the weak economic background.

Namibia's level of real economic activity should increase in 2018, although growth is likely to remain modest.

Despite some progress, Botswana has not managed to reduce its dependence on diamond production, but the country has, nonetheless, continued to maintain macro-economic stability and its debt level is low. Real GDP is expected to advance by around 4,5% in 2018, a little firmer than the estimate for 2017. Against this stable background, Botswana's equity market produced a total return of 7,8% in US dollars in 2017.

Meanwhile, Zimbabwe's economy remained stressed in 2017, given foreign exchange shortages and liquidity constraints. The country requires comprehensive structural economic reform, including a focused fiscal adjustment. The regime change during 2017 signalled positive sentiment that these measures might be implemented.

The non-resource-rich countries and East Africa continued to deliver the highest growth rates on the African continent in 2017, although real GDP growth moderated in Uganda due to drought and weaker credit extension. A slowdown in credit extension was also evident elsewhere in the East African community, including in Kenya and Rwanda. Credit demand softened amid increasing non-performing loan ratios, while the introduction of interest rate caps in Kenya dampened the willingness of commercial banks to lend. Despite this, real GDP growth remained high in Rwanda and Tanzania and, to a degree, in Uganda and Kenya.

Continued firm economic growth supported the East African stock exchanges with total equity market returns of 33,5% and 12,7% in US dollars in Kenya and Tanzania respectively in 2017.

In West Africa, Côte d'Ivoire recorded strong growth in real GDP per capita in recent years, albeit off a low base due to the benefits of economic reform and infrastructure spending. Inflation has remained low, reflecting the peg of the currency to the euro. GDP growth eased in 2017, partly due to lower cocoa prices, which weighed on the government revenue collection. Accordingly, the country's budget deficit increased in 2017. Meanwhile, political unrest surfaced, following mutiny among military personnel regarding payment demands. Despite this, the government's debt level is moderate, the current account deficit is relatively small, and the balance of payments was supported by positive foreign direct investment inflows. Ongoing global financial conditions have also been supportive and economic growth is expected to remain strong in 2018.

SSA real GDP growth is expected to increase by almost 3,5% in 2018 from an estimated 2,5% in 2017. The aggregate growth rate, however, masks a significant degree of divergence between countries. For example, excluding Nigeria and South Africa, real SSA GDP growth is forecast to increase by around 5% in 2018 from nearly 4,5% in 2017.

Even though growth is expected to increase, the need for fiscal adjustment is likely to remain a key theme in SSA. In 2017, SSA economies benefited from buoyant global risk appetite and the search for yield. Sovereign debt spreads on the continent declined. However, sovereign risk increased. Although fiscal deficits, generally, are no longer expanding, they remain large, and government debt levels have continued to increase. Debt servicing costs are also high in a number of countries, particularly in the oil-producing economies, including Nigeria where the Government increasingly relies on the bank sector for funding.

Even among fast-growing non-resource-rich countries, fiscal consolidation is required, for example in Kenya.

Ultimately, persistent sizeable macro-economic imbalances imply vulnerability to the shift towards a more restrictive monetary policy in the US, and any potential tightening of global financial conditions.

Our economic and operating environment

(continued)

In North Africa, growth among oil importers improved significantly in 2017, including Morocco where growth is supported by lower oil prices and foreign direct investment inflows. In addition, monetary policy was accommodative, although non-performing loans increased. The upturn in economic activity underpinned a 14,6% total equity market return in US dollars in 2017.

Public sector investment spending is expected to underpin medium-term growth in Morocco, although a degree of fiscal consolidation is expected, focused on government consumption spending. After increasing by more than 4% in 2017, Morocco's real GDP is forecast to advance by 3% in 2018.

India and Malaysia

India's equity market posted a stellar 38,7% total return in US dollars in 2017, against the backdrop of relatively high economic growth and moderate appreciation of the Indian rupee against the US dollar. The currency was supported by robust capital inflows, including direct investment.

Although still buoyant, real GDP growth eased in 2017, partly reflecting the impact of India's demonetisation programme implemented in late 2016. Household real income growth and consumption spending was supported by lower inflation. In October 2017, a recapitalisation programme was announced for India's public sector banks with high levels of non-performing loans, aimed at supporting credit extension and investment spending. Higher inflation may prompt the Reserve Bank of India to hike its policy interest rate in the year ahead, but real GDP growth in 2018 is expected to be slightly firmer than the estimate of 6,6% for 2017.

Elsewhere, in the Association of Southeast Asian Nations (ASEAN), Malaysia's economy surprised to the upside, supported by higher oil and gas production and prices. Given an elevated consumer debt level, household spending was surprisingly robust. The buoyancy of Malaysia's economy was reflected in the 25% total return in US dollars on the equity market in 2017.

Infrastructure investment should help maintain Malaysia's growth momentum in 2018, but it seems unlikely that the pace of household consumption growth can be maintained, especially since the central bank is expected to adopt a less accommodative monetary policy stance. On balance, Malaysia's real GDP growth is expected to moderate to less than 5% in 2018 from 5,5% in 2017.

With a few exceptions, the economic environments in the Rest of Africa, India and Malaysia were, in general, supportive of the Group's operations in these markets. Long-term growth prospects remain intact, in line with Sanlam's strategic focus on these regions.

Made for **millennials**

In a millennial's ideal world, information, advice and transaction options are available immediately and can be adapted to suit their needs on any scale, in any geography or for any period – while being meaningful and sustainable. When translated into insurance, this means providing a millennial client with a range of choices, quick-service options, and enough information packaged in a way that will educate, reward and entertain.

For fintech startup, Indie, the challenge was to convince this generation that life insurance is necessary, despite not having dependants or hefty financial commitments. By creating a product and message that addresses their most important asset: being young and able to work, and accumulate wealth, Indie aims to capture the millennial market – through a six-minute sign-up process.

Indie – short for IndieFin or Independent Financial Services – is a Sanlam startup with a mandate to future-proof financial services while designing for the long term.

The first product offerings launched in August 2017 comprises income protection, debt protection, life cover, disability income, funeral cover and dread disease cover, and is bundled with a built-in investment. The design is such that, through gamified "CashDrops", the cost of life cover is almost cancelled out by cash perks.

Indie is an example of how a large, established entity like Sanlam can foster entrepreneurship by providing financial and licence support while enabling the startup to operate independently and flexibly. Sanlam owns the majority stake in the business, with management holding a small portion of the shares.

Our regulatory environment

In the aftermath of the global financial crisis in 2008/9, the G20 drove a comprehensive international agenda of regulatory reform. This saw a shift away from two fundamental regulatory principles: efficient market theory and *caveat emptor*: "Let the buyer beware." Up to the global financial crisis, *caveat emptor* was seen as an important component to encourage innovation. It is now believed that this did not create an efficient market – instead, many products with minimal social value swelled some parts of the financial services sector beyond their economically efficient size. Furthermore, market discipline is seen as an ineffective brake on the conduct of financial services firms. Regulators therefore believe that they need to be more assertive. This has led to the emergence of the so-called Twin Peaks model of regulation in a number of jurisdictions.

In addition to prudential regulatory reform through Solvency II, Basel III and related regulations, various measures have been and continue to be established to address concerns surrounding systemically important financial institutions (SIFIs). Despite the focus on SIFIs, these measures have a direct and indirect impact on the regulatory requirements of all financial services institutions.

Given South Africa's membership in the G20, most of these regulatory reforms play out domestically. Various other reforms are being pursued, particularly related to social security, the role of the state in the provision of financial services, and National Treasury's financial inclusion objectives.

Sanlam is committed to regulatory reform that contributes to the resilience and prosperity of individuals, organisations and society. We recognise that we operate in a highly regulated industry and share regulators' vision for efficient and effective financial services industries globally. We support regulators in developing tools and mechanisms that will ensure a more predictive response to the next potential crisis. We also welcome the way in which this is evolving from not only being focused on client-centricity and capital and liquidity management, but to include increased sensitivity for the role of strong ethics, culture and related accountabilities.

Regulation as an enabler of resilience

Sanlam's ability to contribute to resilience and create value for stakeholders is closely linked to evolving regulation, as it creates the environment within which we operate and compete. Regulations aimed at the fair treatment of clients, fair competition between product providers and the prevention of large-scale corporate failures and financial instability contribute significantly to the trust clients have in the industry and therefore its long-term sustainability.

We support the major regulatory developments currently being considered as set out in the table as these are largely in line with these resilience and sustainability objectives.

A consequence of the increased regulatory burden is significantly higher barriers of entry, which benefit large established groups such as Sanlam from a competitive perspective. However, the current scale of regulatory reform also demand skillful, considered and responsible responses, which often affects management capacity due to the analysis required, adding to real and opportunity cost in business. This is further affected by increasing delays in implementation.

The financial services industry is built on a business model that requires long-term valuations and assumptions. The uncertainty created by numerous and uncoordinated regulatory proposals therefore impacts strategic decisions, investment choices, innovation and product design.

We have a further concern that the number of concurrent initiatives create complexity and inter-dependencies that might result in unintended consequences not yet fully anticipated or mitigated.

A multinational regulatory capability

With a presence in 45 countries, Sanlam relies on local boards and management teams to influence and adhere to local regulatory requirements, with oversight by Group and cluster representatives.

The Sanlam Board receives a quarterly summary of evolving regulations in the different territories and particular short-term focus areas, such as anti-terrorism, money laundering and data privacy requirements, are covered in detail.

Sanlam participates in supervisory colleges, where financial services regulators and supervisors from Africa meet to discuss issues relevant to these authorities on the continent. These meetings assist to develop a better understanding of the different regulatory environments and challenges, and help to improve and strengthen information sharing and regional cooperation between regulatory stakeholders. Regulators in turn gain a better understanding of Sanlam's governance and operational scope, our products and services, and approach to regulation.

The most significant reforms are currently emerging in Botswana, Namibia, Malaysia, Malawi, Kenya and Ghana. Saham Finances' solid management and regulatory skills have been essential where we have expanded operations into new and different regulatory environments, mainly based on the French model.

The main current and future anticipated developments in the countries where Sanlam currently operates relate to Treating Customers Fairly and risk-based solvency requirements (equivalent to SAM).

The regulatory landscape in South Africa

Retirement reform and social security remain a priority in South Africa due to the limited options currently available. These take the form of old age pensions, unemployment insurance and child welfare grants. While various social security options are investigated and proposed, the more immediate focus of regulatory proposals and implementation is to improve the sustainability of the current system.

The objectives of financial reform are:

- → Reducing the cost of financial services and improving transparency
- → Simplifying retirement saving options
- → Encouraging innovation through more competition
- → Driving improved disclosure to make it easier for ordinary South Africans to understand complex financial products
- → Improving financial regulation and reporting to fight corruption and money laundering, while providing protection against fraud and systemic risks

Our regulatory environment (continued)

The table below provides a brief update on the progress, with the most significant South African regulatory developments in the areas of financial sector transformation.

In all cases, Sanlam engaged through its membership of and involvement with the South African Insurance Association (SAIA) and the Association for Savings and Investment South Africa (ASISA). ASISA represents the majority of the country's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers and life insurance companies. The Sanlam Group Chief Executive is the chairman of ASISA.

Regulatory elements	Sanlam's contribution and responses
The Financial Sector Regulation (FSR) Act aligns South African regulations with global best practice by creating a Prudential Authority (PA) and a Financial Sector Conduct Authority (FSCA).	The FSR Act was signed by the President on 21 August 2017 with the effective date still to be announced. This Act establishes, in conjunction with the specific sector laws, the Twin Peaks regulatory and supervisory model. The Act provides for regulations to be issued to facilitate transitional arrangements for the existing regulatory bodies into the FSCA and PA. Draft Regulations to this effect will be published along with a Commencement Notice for public consultation. National Treasury has been working with the South African Reserve Bank and the Financial Services Board on the implementation of the Act and transitional arrangements. Final details on the dates of implementation will be contained in the commencement notice.
The Insurance Act was finally signed by the President on 17 January 2018 and was gazetted on 18 January 2018. The commencement date of the Insurance Act is still to be proclaimed but is envisaged to be in the second half of the year, possibly by 1 July 2018. **The Insurance Act:** → **provides a consolidated legal framework for the prudential supervision of insurance business in the Republic that is consistent with international standards for insurance regulation and supervision;** → **introduces a legal framework for micro-insurance to promote financial inclusion; and** → **replaces certain parts of the Long-term Insurance Act, 1998, and the Short-term Insurance Act, 1998.**	The specific objectives of the Insurance Act are directed towards:- facilitating the monitoring and preservation of the safety and soundness of insurers; → enhancing the protection of policyholders and potential policyholders; → increasing access to insurance for all South Africans; → promoting broad-based transformation of the insurance sector; and → contributing to the stability of the financial system in general. These objectives are fully aligned with Sanlam's purpose as outlined in this Integrated Report, therefore supportive of the Act.

Regulatory elements	Sanlam's contribution and responses
The key objective of the Financial Intelligence Centre (FIC) Amendment Act is to improve the protection of the integrity of South Africa's financial system and strengthen its ability to punish financial crimes like money laundering, bribery and corruption and financing of terrorism. The law achieves these objectives by introducing a risk-based approach regime. It recognises that the risk of money laundering and terrorist financing can vary by individual, business sector as well as within sectors. **The risk-based approach is intended to offer a better, more cost-effective alternative to the prescriptive "tick-box" approach, enabling AIs to spend more time only on customers assessed to be risky in order to meet compliance requirements more efficiently.**	The FIC Amendment Act was signed into law on 26 April 2017. On 2 May 2017, the Minister of Finance signed and gazetted the coming into operation of various provisions of the FIC Amendment Act. A roadmap for the short-term implementation of the FIC Amendment Act for supervisors and accountable institutions (AIs) was also published. ASISA provided comments and inputs to further draft amendments and documents. The most important compliance related provisions took effect on 2 October 2017. Financial institutions have a transitional period to achieve full compliance and there will be engagement from supervisory bodies to set clear milestones and timeframes. Sanlam will be expected to show progress against these milestones, with oversight measures to be implemented. All the requirements of the FIC Amendment Act were incorporated into an internal project. Sanlam set an internal deadline for compliance by 30 June 2018 and the clusters will be measured against this deadline. It is important to note that the Board is ultimately responsible for ensuring that Sanlam maintains an effective internal control structure through a risk management and compliance programme (RMCP). This is in contrast to the current provisions that places the onus for ensuring compliance on the section 43(b) compliance officer. The Board will be held accountable if the content of the RMCP is found to be inadequate. The RMCP should further include a description of the Board's accountability and the appointment of a specific director with adequate seniority and experience to assist with ensuring compliance.
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts to ensure that relevant information is provided. This will enable users of financial statements to assess the effect that insurance contracts can have on the entity's financial position, performance and cash flows.	The International Accounting Standards Board issued the IFRS 17 insurance standard (replacing IFRS 4) on 18 May 2017. The effective date of IFRS 17 is 1 January 2021, with comparative information required from 31 December 2019. The new standard is expected to have a major impact on Sanlam's financial, actuarial and data management processes, but to a lesser extent than many global peers who currently do not follow a fair-value-based approach. Sanlam launched a Group-wide implementation project in June 2017 under coordination of Group Finance and Group Risk and Actuarial, with participation from the affected businesses. Training the relevant finance and actuarial employees at Group and cluster level was conducted and a Group-wide gap analysis was presented to the Board at the end of 2017.
Comprehensive social security reform aims to create measures to realise the constitutional right to social security (including appropriate social assistance)	The paper on Comprehensive Social Security Reform is being negotiated through the National Economic Development and Labour Council (NEDLAC). The NEDLAC task team started work in April 2017 and it is envisaged more than a year will be required for research, analysis, review and dialogue appropriate to the comprehensive nature of the subject. Sanlam is represented at the monthly NEDLAC meetings as part of the business constituency. Since July, positions from the different constituencies have been consolidated as input to determine the research required to take this process forward.

Our regulatory environment (continued)

Regulatory elements	Sanlam's contribution and responses
Retirement reform (including the draft Taxation Laws Amendment Bill, 2017) aims to harmonise the tax treatment for all types of retirement funds	Government postponed the annuitisation requirement for provident fund members (as contained in the Taxation Laws Amendment Act, 2015) until 1 March 2018 to provide for negotiations. These were delayed to allow for a Social Security Reform Paper to be published in November 2016. Subsequently, the Minister of Finance was required to consult with stakeholders on the implementation of the annuitisation requirement and table a report in the National Assembly by 31 August 2017. In the 2017 National Budget Review it was stated that, should no agreement on annuitisation be reached, Government will review the continuation of the tax deduction for member contributions to provident funds, to ensure that the tax system is equitable across all retirement funds. In terms of the draft Taxation Laws Amendment Bill, 2017, it was subsequently proposed that the provisions relating to the annuitisation requirements for provident funds be postponed to 1 March 2019. According to the explanatory memorandum on the draft Bill the reason for the postponement is that discussions on the comprehensive paper on social security are still underway in NEDLAC. The main provisions of the draft Taxation Laws Amendment Bill, 2017, affecting retirement funds, are the following: → The postponement of annuitisation requirement for provident funds to 1 March 2019 (as described above) → Transferring retirement fund benefits after reaching normal retirement date for later consumption → Allowing the tax exempt status of pre-March 1998 build-up in public sector funds to be retained when a transfer to another fund is made → Removing the 12-month limitation on joining newly established pension or provident fund → Alignment with the Income Tax Act on deductions in respect of contributions to retirement funds
The draft Policyholders' Protection Rules (PPRs) aim to improve market conduct in the insurance sector	The draft PPRs were published by the FSB on 15 December 2017 for public comment. The proposed amendments are not intended to be a comprehensive review of the PPRs, but are focused on giving effect to specific conduct of business reforms. A further, more comprehensive review of the PPRs will form part of the broader review of all conduct of business legislative frameworks across the various sectors regulated by the Financial Sector Conduct Authority that will be undertaken over the ensuing years as part of phase two of Twin peaks and the developments of the Conduct of Financial Institutions Bill. Sanlam provided comments on the PPRs through ASISA, including specific examples and details to motivate for changes or exemptions in respect of Group schemes. On 25 April 2017, the FSB informed ASISA that the draft PPRs will not become effective on 1 May 2017. The FSB is currently targeting an effective date of 1 January 2018.

Regulatory elements	Sanlam's contribution and responses
Proposed amendments to the regulations under the Long-Term Insurance Act, 1998	Proposed amendments to the Regulations made under the Long-term Insurance Act, 1998 were published for public comment at the end of 2016. Proposed revisions to the Draft Amendments were issued in July 2017, following consultation with ASISA, among others. The July 2017 Draft Amendment revisions addressed common themes which were identified as areas of interest and concern to stakeholders: → Binder fees → Fees for policy data administration services → General principles for determining remuneration → Frequency of data exchange → Integration and access-on-demand requirements → Governance, oversight and reporting requirements ASISA submitted a second round of comments to the FSB on the revised regulations in August 2017.
Draft Retirement Funds default regulations	The final default regulations were published in Notice 863 of Government Gazette Number 41064 and will take effect on 1 September 2017 for final implementation by 1 March 2019. These final regulations are meant to improve the outcomes for members of retirement funds by ensuring that they get good value for their savings and retire comfortably. The regulations require retirement funds' trustee boards to offer a default in-fund preservation arrangement to members who leave the services of the participating employer before retirement, and a default investment portfolio to contributing members who do not exercise any choice regarding how their savings should be invested. For retiring members, a fund should have an annuity strategy with annuity options, either in-fund or out-of-fund, and can only 'default' retiring members into a particular annuity product after a member has made a choice.

The following spread provides a summary of the Twin Peaks model, timeline and achievements, as it has a significant impact on the structure of the financial services industry – with concomitant changes to be implemented in terms of Sanlam's business model, products, services and distribution channels in South Africa over the next few years.

Our regulatory environment (continued)

The Twin Peaks model of financial regulation aims to strengthen our financial markets through improved

Phase 1:

The Financial Sector Regulation (FSR) Act establishes two new regulators and provides a comprehensive set of powers that enhances accountability

The FSR Act was signed by the President on 21 August 2017 with the effective date still to be announced, thereby establishing the Twin Peaks regulatory and supervisory model.

A new Financial Sector Conduct Authority (FSCA) to be established through a reformed Financial Services Board (FSB)

The prudential authority (PA) will be established in the South African Reserve Bank

The Twin Peaks model addresses financial literacy as an important mechanism to protect customers. Financial literacy will ensure that customers understand, and make decisions to promote, their own financial security and resilience. The model requires that financial institutions such as Sanlam treat customers fairly, and mandates the FSCA to provide customers with financial education programmes that promote financial literacy and financial capability.

Phase 2: Primary legislation

New legislation will focus on revising, consolidating and harmonising the legal framework for prudential and market conduct in the financial sector.

The new Conduct of Financial Institutions (CoFI) Bill

The new Insurance Act

The Insurance Act was finally signed by the President on 17 January 2018 and was gazetted on 18 January 2018. The commencement date of the Insurance Act is still to be proclaimed but is envisaged to be in the second half of the year, possibly by 1 July 2018.

Phase 3: Subordinate legislation

New standards will be published under the new acts to give effect to the detail requirements

Sanlam participates in the development of these elements, and we continue to refine our proactive implementation over time.

2017

conduct regulation and to build a more resilient and stable financial system in South Africa.

The FSCA will be responsible for the supervision of the conduct of business of all financial institutions, and the integrity of the financial markets.

The PA will maintain and enhance the safety and soundness of financial institutions that provide financial products. It will be mainly concerned with capital and liquidity requirements as defined by a risk-based regulatory regime for long and short-term insurers in South Africa, and implemented through the Solvency Assessment and Management (SAM) project. It will award licences based on conditions that include promoting developmental, financial inclusion and transformation objectives.

Outcome: clarity on who regulates

Existing sectoral legislation will be replaced by the CoFI Bill (to be tabled in Parliament in 2018) to ensure a comprehensive, consistent and complete approach to governing the conduct of financial institutions across the financial sector.

The Insurance Act provides a consolidated legal framework for the prudential supervision of the insurance sector.

Outcome: clarity on how they regulate

Conduct Standards under the CoFI Bill

The conduct of business reforms include the Retail Distribution Review (RDR), which currently contains 55 specific proposals to reform the relationships between intermediaries, product providers and clients.

Prudential Standards under the Insurance Act

A number of modifications to the prudential standards were released for public consultation.

Outcome: clarity on what they regulate

Chairman's report

Johan van Zyl was appointed as Chairman of Sanlam on 8 June 2017 following the retirement of Desmond Smith. The following responses to key questions provide his leadership perspective, summarise the main focus areas for the Board during the past year, and reflect on the longer-term value created by Sanlam for stakeholders.

Q Sanlam will celebrate 100 years of existence in 2018. You have been part of the journey for 17 years. Any reflections on the past – and the next 10 decades?

Probably the most significant difference between Sanlam 100 years ago, and the Sanlam of today, is the exponentially bigger audience that we are accountable to. Whereas Sanlam started out with a small group of Afrikaners 10 decades ago, we now have 450 217 shareholders and a range of stakeholders in 45 countries who look to Sanlam for the creation, management and protection of their wealth.

They also expect Sanlam to provide business leadership, contribute to systemic stability and provide employment by growing and expanding.

Fortunately, the stakeholder-inclusive approach has always been one of Sanlam's strengths – we take our accountability to stakeholders seriously and will continue to do so in a world that challenges all our assumptions and certainties.

We recognise that if we want Sanlam to be a part of the lives of generations to come – for another 100 years – we have to maintain momentum and be able to weather major disruptions. Whereas disruptions over the previous 100 years were mostly driven by internal changes and large competitors, we are experiencing a wave of disruption that is digital in nature and from unconventional, smaller players and new capabilities.

As you will read in this report, we continue to respond, counter and innovate to stay ahead of the wave, thereby creating sustained value for our stakeholders.

Q According to King IV™, the Board should steer and set strategic direction. Describe Sanlam's strategic journey from a Board perspective?

Sanlam's strategy has remained relatively constant since 2003, despite major challenges such as the global financial crisis and dynamic and expanding operating environments. For the past 14 years, the strategic pillars have been tested, discussed and debated by the Board every year – and have remained largely unchanged. The diversity of our Board members ensures a good mix of internal and external views, with a spread of knowledge about the business and industry. We consider a variety of perspectives and insights as part of the strategy conversation.

The stability and clarity provided by our strategy are key elements of our investment case, as it is well understood and measured, internally and externally.

In the past year, we refined our strategic pillars to bring in a stronger focus on innovation and positioned transformation as an enabler in all areas, rather than a separate strategic focus area.

The strategy process does not end with defining our long-term objectives: as a Board, we have to ensure that this translates into execution. We hold the executive team and management accountable for delivery, and track progress on a quarterly basis.

Ultimately, we know that if we achieve our vision and deliver the outcomes that our stakeholders expect, our strategy remains relevant and appropriate. This year we brought the concept of financial resilience and prosperity into our strategy conversation as a way to evaluate the overall outcome for Sanlam and our stakeholders.

There was also increased attention to developing competitive omni-channel capabilities that will allow us to have multiple touchpoints with our clients across channels. The full digital offering adds to the ease of doing business with and retaining our clients.

Q How would you describe Sanlam's performance for the year?

The annual results are never a surprise as the Board tracks performance tightly throughout the year. It has been a challenging period for South Africa, as the country is falling behind other emerging markets and even further behind developed markets. This is a concern. South Africa remains our core market despite diversification initiatives in the past few years.

Overall the business performed well. The fact that RoGEV exceeded our hurdle rate for 2017 is a pleasing result under difficult circumstances. Single premium savings was the main line of business that reflected the strain on investor and business confidence in South Africa, but this was largely offset by strong growth in the more profitable recurring premium lines of business. Santam's underwriting margin remained within its target range despite severe weather-related claims, testimony to the resilience of this market-leading business. The other clusters also delivered resilient results. We were particularly encouraged by the acquisitions done this year, including the expanded ownership in Saham Finances.

Chairman's report (continued)

Q How are Sanlam's culture and client-centricity contributing to performance, reputation and ability to grow?

Sanlam's culture aims to inspire people to realise their worth, whether they are employees, clients, partners or suppliers. The Sanlam Wealthsmiths™ value proposition explains that we have a desire to make a positive difference in people's lives, that we have a culture rooted in sincerity, respect and care for each other, and that we have a focus on doing things correctly and doing them together: being united in doing good.

This inclusive approach is particularly evident in the way products and services are developed, shared with clients and supported through our distribution channels. Read more about our approach in the Indie case study on page 39.

Sanlam is a pioneer in incorporating the client view into product development and governance structures. The Board's Customer Interest committee was established as early as 1998, and has since broadened its mandate in terms of Treating Customers Fairly (TCF) Regulations. The committee monitors client-related decisions and complaints, while ensuring that our practices remain aligned with the six fairness outcomes of TCF, even in markets where it is not yet a regulatory requirement.

A further measure of our reputational resilience is the public recognition and awards Sanlam receives. In the past year, these included a range of brand awards at the Loeries, which positioned Sanlam as the most awarded financial services brand and the second most awarded brand overall.

The #conspicuoussavings campaign, which formed part of Sanlam's National Savings Month initiatives, received a variety of accolades, including winning a gold prize at the African Excellence Awards and three PRISM awards.

We are particularly proud of SEM, which was awarded the African Insurance Company of the year at the African Insurance Organisation's annual conference in Uganda in April.

Following the rebranding of SEM partners to Sanlam in Tanzania, Uganda, Mozambique, Kenya and Zambia since 2015, the recently acquired PineBridge Investments was also rebranded as Sanlam Investments East Africa.

According to a recent brand health tracking study conducted by Millward Brown, Sanlam's brand is particularly strong where consumers are faced with investment decisions. Sanlam is the first-choice product brand for Insurance, Wealth and Financial Planning. We are achieving our goal of positioning Sanlam as the leading voice on the topic of savings in South Africa.

MiWay's strong brand and corporate culture was invaluable in dealing with a social media incident this year, where MiWay trended at number one in South Africa on Twitter after the content of a MiWay email was changed and posted on the social media platform, sparking widespread racial outrage. The way in which the incident was handled prevented reputational damage and strengthened the business's credibility.

Q To be a leading Pan-African financial services group, Sanlam has to manage the trade-off between risk and opportunity while ensuring effective control. How is the Board approaching this?

Geopolitical dynamics and sovereign status are significant risks for SEM as the economic outlook in a number of the African countries in its portfolio remain depressed and score high on the corruption perception index, which point towards a higher risk of non-compliance.

To address these risks, we are deepening our relationships and becoming more involved partners rather than investors. We are improving our governance structures and capability while aligning these businesses with Sanlam's corporate culture. To empower Board members in all our emerging market entities, we are refreshing governance and ethics training to ensure Board members are aware of Sanlam's rights and responsibilities. Tighter control mechanisms will also bolster governance – more formalised governance ensures tighter control of exercising rights, which will in turn enable more control and direction over in-country partners.

Where appropriate, Sanlam is increasing its shareholding – and thereby control – for example in Saham Finances, which has the potential to make Sanlam the undisputed financial services leader in Africa.

The opportunity for organic growth in African countries is limitless but demands high levels of collaboration and immersion. Our short-term focus is on driving our product strategy as well as exploring in-country bolt-on acquisitions.

In the Group Chief Executive's strategic review, we provide more detail on the structures and outlook for SEM.

Q As one of the 50 largest internationally active insurance groups in the world, how does Sanlam contribute to global sustainable development, resilience and prosperity for individuals, organisations and societies?

Sanlam has been a signatory of the United Nations Global Compact since 2010 and supports its 10 principles, which touch on human rights, labour, the environment and anti-corruption. We also align our socio-economic development and corporate investment initiatives to 12 of the 17 Sustainable Development Goals.

Sanlam recognises the potential impact of climate change events on our business and investments following several significant and disruptive experiences in the past year. These included catastrophe events such as Hurricane Irma, the wildfires in California and Portugal, as well as several devastating weather-related catastrophes in South Africa.

These events, combined with disruptive technology and cyberthreats – which is now the top risk for insurers – reaffirm the importance of having stable financial systems that support financial resilience, inclusion and prosperity. A well-established infrastructure of insurance companies, banks, investment groups and stock exchanges enable individuals, organisations and societies to better cope with change and unforeseen shocks.

More information about Sanlam's initiatives to support, create and maintain financial resilience and prosperity is available in the online Resilience Report.

Q Transformation is a priority for regulators as they develop and implement new standards, models and regulatory structures in South Africa. What progress has Sanlam made in this regard?

We are committed to transformation and sustainable progress, to creating a world worth living in. We invest in our communities and will continue to empower people to live their best possible lives.

Effective regulation and industry supervision are essential to build consumer confidence and to entrench the trust between stakeholders in the financial services environment. Sanlam supports the major regulatory developments currently being considered in the markets where we operate, as these are largely in line with our resilience and sustainability objectives.

We recognise that financial inclusion is one of the key elements in addressing uniquely South African challenges, in addition to broader empowerment objectives.

Over the past five years, Sanlam Sky, which focuses on the entry-level market in South Africa, significantly outperformed competitors in life premium and earnings growth, which is an indicator of our ability to enhance financial inclusion.

Sanlam's flagship vehicle for transformation is the Ubuntu-Botho empowerment partnership with Ubuntu-Botho Investments, which was arguably one of the most successful transactions of its kind in South Africa at its maturation in 2013. The partnership is an investment vehicle which aims to use its empowerment credentials, balance sheet strength and the business track record of its partners to invest in financial services distribution businesses, to take strategic equity stakes in underlying financial services product providers and to acquire majority or significant minority interests in non-financial services businesses. Several joint business opportunities are currently under consideration.

Chairman's report (continued)

Sanlam's Accelerator project is a further example of impactful transformation initiatives. The project develops selected, black-owned SMEs within Sanlam's supply chain and target markets. By providing leading practice growth support, core business interventions and investment funding to these businesses, the project is transforming Sanlam's supplier profile. Currently we focus on businesses in sectors such as: marketing, events and communications; cleaning and waste management; autoworks; information technology; and construction.

Q King IV™ has brought more reflection on the outcomes of governance structures and processes. What were the major shifts for Sanlam in applying King IV™?

The Board promotes and supports high and ethical standards of corporate governance and, in doing so, also endorses the principles of King IV™. The Board will remain committed to the full implementation of King IV™, or an appropriate local equivalent outside South Africa, as applicable, across the Group. Regarding the year under review, the Board believes that the King IV™ principles are entrenched in the internal controls, policies and procedures governing corporate conduct in the Group's major operations in South Africa.

We made the following Board changes during the year:

- → Paul Hanratty was appointed as an independent non-executive director to the boards of Sanlam Limited and Sanlam Life Insurance Limited, as well as chairman of the Audit, Actuarial and Finance committee and a member of the Risk and Compliance committee.
- → Clement Booth resigned, whereas Flip Rademeyer and Desmond Smith retired as non-executive directors from the boards of Sanlam Limited and Sanlam Life Insurance Limited.

We were also saddened by the passing of director Paul Bradshaw, who was involved with the business here and in the United Kingdom for over two decades.

Q Are there any particular people that you would like to thank for their contribution to Sanlam's performance this year?

Sanlam has the benefit of an experienced and committed Board that actively supports a strong executive team. I would like to thank all of them for the many instances of leadership and support that they provided during a challenging and exciting year.

Sanlam's resilience is testimony to a value system and work ethic that has stood the test of time for almost 100 years. Two features remain evident:

- → Consistency: we remain committed to our strategy and business philosophy
- → Execution: we have a superior ability to implement our plans to achieve our strategic objectives

A particular word of appreciation to Desmond, who was appointed as chairman of the Board in 2010 and provided exemplary leadership for the past seven years. We had great appreciation for his substantial skills and vast experience in financial services and wish him all the best for his retirement.

Also a special word of thanks to Flip and Clement for their valuable contribution over the years.

Last, but not least, I would like to extend my thanks to our clients, Sanlam's management, employees and intermediaries, as well as our shareholders and other stakeholders for their support in 2017. Thank you for choosing Sanlam as your Wealthsmiths™ partner in creating, managing and protecting wealth for individuals, organisations and society.

Building omni-channel **and analytics strength**

Digital capabilities are critical to transforming our business for client-centric growth while addressing and integrating regulatory requirements.

Sanlam started a business intelligence renewal discovery project in August 2015 to shape our response to the business' requirement for consolidated client data with improved business intelligence and analytics capabilities. To access a holistic, client-orientated view of data, a centralised access layer was created with the Group office as the custodian of the technology architecture.

Digital focus areas

Transform for growth	Overcome regulatory challenges	Optimise risk and capital management
→ Product innovation	→ Agile response	→ Balance sheet optimisation
→ Client acquisition	→ Aligned reporting bases	
→ Client experience	→ Group-wide compliance	
→ Granular pricing		

With lower cost of storage, higher processing power and advances in shared computing, we can create significant value for the business units in shaping their offerings and improving pricing. In 2017 we established an analytics and discovery capability to deliver a selection of smaller, business-determined outputs up to the end of 2018. By focusing on analytics first, we are gradually building curated data in a way that is scalable and reduces impact and delivery risk.

Simultaneous to our analytical ability, creating an omni-channel capability is a key competitive priority. This includes applying new enabling technologies and investing in fintech. The omni-channel capability is based on understanding the client experience through different touchpoints and channels, which should be seamless and context appropriate. It has shifted our focus from transactional interaction to contextual engagement, with the intermediary remaining essential. We enable intermediaries with data and tools while sharing information and experiences between them, clients and Sanlam – all in full adherence to regulatory directives.

To drive Group-wide collaboration, we created an omni-channel Board, which acts as a forum for communication and alignment on priorities. The new Sanlam Design studio is a further enabler as it focuses on the development of digital distribution channels and related product development as part of our omni-channel distribution approach.

Santam initiated a range of strategic digital projects in 2011, which have delivered online self-service offerings for policyholders and intermediaries, while centralising the cluster's back-office processing and developing a new core underwriting and product management platform. These online platforms increased Santam's ability to price and underwrite risk, improve service levels and reduce cost in the system through data efficiency and automation.

Other Sanlam digital capabilities in different stages of maturity include SPF's robo-advice offering – a self-directed, simplified and automated unit trust investment platform – as well as full-service web presences, with online fact find and buying capability, for each of SPF's 240 BlueStar franchise businesses in South Africa. Our virtual advice platform is an online service allowing users to screen, select, book and pay an adviser for a needs-specific advice session – either face-to-face or via Skype, Google Hangouts or telephone. We have achieved a paperless application submission for 75% of SPF's life new business.

Read more about our investment in fintech in the case study on page 39.

Group Chief Executive's strategic review

Sanlam is celebrating its 100-year anniversary in June 2018 – a milestone for our clients, shareholders, employees and other stakeholders.

South Africa, our key market for almost 10 decades, experienced significant change since 1918 through periods of both prosperity and hardship. By aligning and adapting our strategy to stay true to our purpose, we have consistently made a difference in people's lives. This enabled us to grow to be one of the biggest internationally active insurance groups, delivering significant value to all our stakeholders, including our shareholders since listing in 1998.

On the cusp of 100 years in existence, Sanlam has a continuing legacy that builds on:

1. always putting the client first – and doing what is right for the client;
2. evolving our client base and solution offerings for different markets, segments and channels;
3. our responsibility as a corporate citizen and stabilising role in all economies where we operate;
4. partnerships across networks, industries and countries; and
5. our contribution to transform and empower individuals, businesses and communities.

Our active participation in industry, organised business and community bodies, especially in our base country, South Africa – to positively influence economic development, job creation and ensure political and financial stability – is an important feature of our wider impact on society. Our engagement with government, labour and business leaders continues delivering responses geared toward addressing factors that lead to sub-optimal economic growth. Sanlam is well positioned to help shape an ecosystem that can achieve stability, certainty and economic growth by contributing to the financial resilience and prosperity of individuals, organisations and society.

Our present vision and strategy have been largely unchanged since 2003. Our ability to effectively execute on our strategy has been a key driver of our success over the last 14 years. It is an enduring foundation to launch us into our centenary year and to continue creating shared value for individuals, organisations and society.

Read more about the Group's performance during 2017 in the Financial and Operational Review from page 70.

Progress on our vision

To lead in client-centric wealth creation, management and protection in South Africa

Sanlam is one of the largest non-banking financial services groups in South Africa. Our aim is to occupy the top position in terms of profitable market share in all segments in which we compete. We have leading positions in general insurance, and the middle-income, mass affluent and high net worth life insurance and investments segments. We made solid progress in the health, corporate, third-party asset management and entry-level markets, but still need to improve our game to achieve a leading position in these segments.

Notwithstanding low economic growth, political instability, weak business and investor confidence and low foreign investment, our South African operations delivered solid results in the period under review. We have been gaining market share despite the difficult operating environment by focusing on those pockets where we do not have an adequate market share or where new opportunities have emerged. These include recurring premium risk business in the entry-level and middle-income markets, which proved attractive and profitable.

Investors often express their confidence in Sanlam's ability to perform in challenging circumstances. The 2017 financial year was no exception. Our diversified profile across products, market segments and geographical presence assisted us in achieving this. There is therefore general shareholder support for Sanlam's approach to reach a leadership position in all segments in South Africa, while recognising the importance of further diversification to entrench our resilience.

To be a leading Pan-African financial services group with a meaningful presence in India and Malaysia

We continued embedding and expanding our leading footprint in Africa through an increased shareholding in Saham Finances and the acquisition of PineBridge's asset management business in East Africa (subsequently renamed Sanlam Investments East Africa). This footprint is a competitive advantage that positions us well for future growth on the continent. We also continued to enlarge our distribution footprint in India. Our efforts to diversify the product lines of our general insurance businesses outside of South Africa gained momentum, albeit at a slower pace than what we would have preferred.

In March 2018, subsequent to the 2017 financial year-end, we announced the acquisition of the remaining 53,4% stake in Saham Finances, subject to regulatory approvals. Being in full control of the business significantly enhances our ability to extract synergies, and undoubtedly vests Sanlam as the leading provider of insurance and investment management on the African continent. We fully acknowledge the risks associated with such a large acquisition. Operational structures within SEM and Santam are being adjusted commensurately, with a more pronounced involvement by Santam, especially in the areas of reinsurance, capital management and specialist lines.

In Malaysia, our focus is on improving the performance and returns of the life and general insurance businesses. Structural growth in Malaysia has been de-emphasised while we execute the Saham Finances and wider Africa opportunity.

To play a niche role in wealth and investment management in specific developed markets

Our operations in developed markets have returned to stability and achieved considerably improved profitability in 2017 following the restructuring over the course of 2016. Cost savings are coming through, but we are not yet experiencing an acceptable level of new business and net fund flows to achieve appropriate scale. The 2018 targets set for these performance indicators are demanding. We will investigate partnership opportunities to accelerate the scale and returns of the UK operations.

Progress with our strategic pillars

The context and objectives of Sanlam's strategic pillars and our long-term performance trends per pillar are described from pages 104 to 113. This section reflects on our strategic execution in the past year. As highlighted in the introduction to this report, our ability to effectively execute has been a competitive advantage for more than a decade.

Profitable top-line growth through a culture of client-centricity

We deliver top-line growth through organic growth (writing new business and retaining our existing clients) and strategic acquisitions. We achieved a solid overall new business performance in 2017. Particularly satisfactory was the strong growth in the more profitable lines of business, which underpinned an exceptional value of new life business (VNB) performance. We did, however, experience pressure on top-line growth in a few areas. Challenging external operating environments in South Africa, Namibia and Botswana impacted our organic growth, particularly in new single-premium business flows. Internal challenges in the Kenyan and Malaysian operations furthermore contributed to a disappointing new business performance from these countries. These were the exceptions, though, and we achieved good growth in other lines of business in South Africa and where we operate elsewhere.

Our diligent focus on client-centricity supported the top-line growth, as clients experience how we support their financial resilience and prosperity. This was particularly evident in South Africa during 2017, when we protected our clients against the largest financial losses in our history from weather-related damage. Santam paid gross general insurance claims of R20,6 billion in 2017 (an increase of 20% since 2016), which included R2 billion in respect of weather-related catastrophes. In addition, we paid a total of R209 billion to our clients during 2017 in the form of life insurance and investment fund benefits, an increase of 1% on an already high base in 2016.

Group Chief Executive's strategic review

(continued)

We continued to adapt to our clients' changing needs through product innovation. Based on our understanding of clients' needs, SPF launched digital-enabled Go-Cover and Indie in South Africa. These products offer clients a wider range of choice of channels through which to interact with Sanlam – from the initial transaction to ongoing servicing.

Sanlam Sky obtained a three-year extension of the Zion Christian Church contract and secured the International Pentecostal Holiness Church contract from July 2017. The latter has 1,5 million active church-going members and is believed to be the second-biggest church organisation in South Africa. Our presence in the South African entry-level market through Sanlam Sky is of strategic importance to the Group considering its growth potential.

Sanlam Investments' Implemented Consulting solution continues to add value for advisers, as it provides a robust investment process that involves the financial adviser, coupled with seamless implementation of investment changes and ease of reporting to the client. The solution lowered the overall risk of inappropriate advice by the Sanlam distribution network. Implemented Consulting is a strong revenue generator for Sanlam Investments and Glacier.

Our client-centric focus contributed significantly to our ability to maintain robust persistency experience (client retention), despite the challenging operating environment.

Our commitment to client service is evident from the reports of the industry ombudsman in South Africa. Sanlam's proportion of total claims awarded in favour of clients is much lower than our relative market share.

More detailed information on how we contributed to the financial resilience and prosperity of our clients in 2017 is available in the online Resilience Report.

Strategic acquisitions that contributed to top-line growth in 2017 include the increased stake in Saham Finances and the acquisitions of BrightRock and Sanlam Investments East Africa at a Sanlam level, as well as Santam Structured Insurance at Santam.

New business volumes

R230,2 billion

(2016: R233,2 billion)
-1%

Net fund inflows

R34,6 billion

(2016: R40,9 billion)
-16%

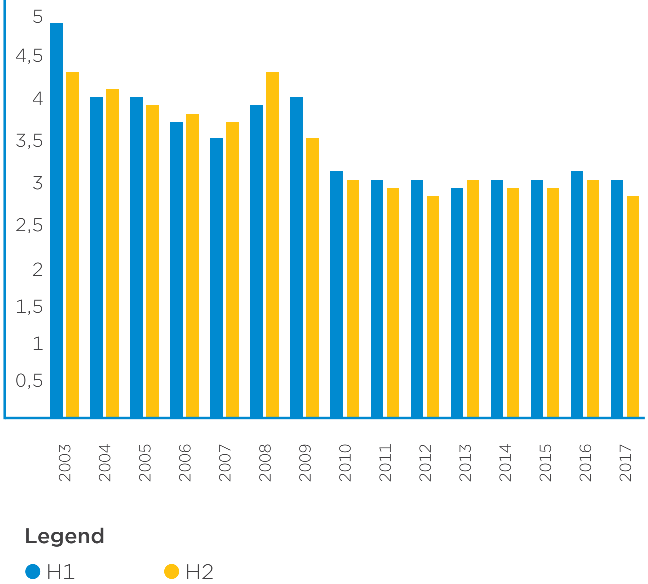
Payments to clients

R227,2 billion

(2016: R221,5 billion)
+3%

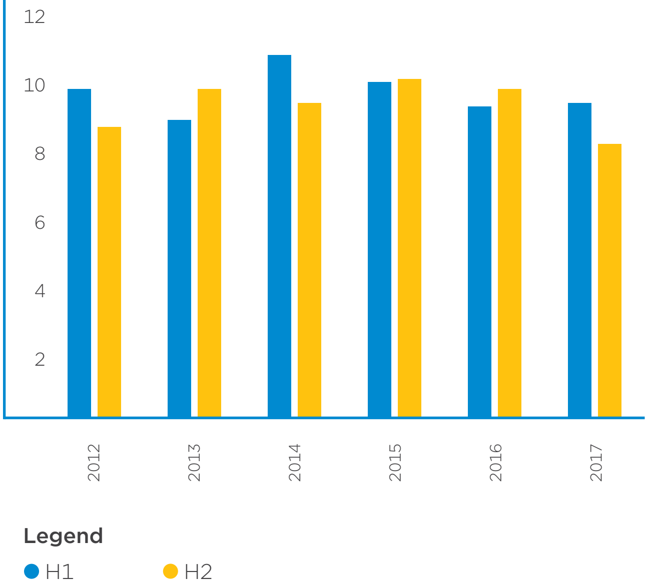
Persistency – SA middle-income market

Lapses, surrenders and fully paid-ups as % of in-force per half year



Persistency – SA lower-income market

Lapses, surrenders and fully paid-ups as % of in-force per half year



Our new business performance in 2017 also created significant value of R7,2 billion in sales remuneration for our advisors and independent distribution partners (excluding amounts paid by associated companies). This is an increase of 6% compared to 2016, despite growth being somewhat dampened by the subdued single premium performance in South Africa, Namibia and Botswana. The total number of advisors and supporting brokers in SPF increased to 11 666 (excluding BrightRock), which provided income opportunities for an additional 1 250 individuals and brokerages compared to the end of 2016.

We continue to support our more than 240 Sanlam BlueStar practices in South Africa by assisting them to achieve higher levels of positive client experience. We are particularly proud of our initiatives that enhance client experience through the provision of an online distribution capability. This allows practices to adapt to the changing client needs for omni-channel delivery. It also positions Sanlam well for the new regulatory environment to be rolled out as part of the Financial Services Board's Retail Distribution Review (RDR).

Read more about RDR in the report on Our regulatory environment from page 40.

Enhancing resilience and earnings growth through diversification

The benefits of diversification were reinforced during 2017 as the markets in which we operate experienced different levels of challenge and performance. Our partnership with Saham Finances continues to be a game changer in diversification as it increases our exposure to the higher-growth Rest of Africa region, while enhancing the line of business profile with a shift towards general insurance. Through the acquisition of PineBridge East Africa, which was renamed Sanlam Investments East Africa, we now have the largest asset management operations in East Africa. Our presence in this region was skewed towards life insurance in the past. In Ghana, we disposed of our stake in the Enterprise Group as it became clear that we will not be able to meet the future regional expansion aspirations of our partner while being a shareholder of Saham Finances. In line with our approach of having mutually beneficial partnerships in the Rest of Africa region, we decided instead to exit the business. Ghana remains an attractive market, and opportunities to build Saham Finances' life insurance presence in this market through acquisitions is a near-term focus for SEM.

Group Chief Executive's strategic review

(continued)

Our diversification efforts were further strengthened by a new partnership with Sompo International Holdings Limited (Sompo), a specialty provider of property and casualty insurance and re-insurance with a large customer base in Japan. The partnership gives Sompo and its customers access to new markets in Africa through the existing footprint of Sanlam and Saham Finances' insurance subsidiaries. This creates a unique offering for multinationals on the African continent.

The BrightRock and EasyEquities acquisitions provide opportunities for enhanced product diversification in South Africa through access to new risk products and a unique low-cost investment platform respectively, which supports our client-centric approach.

- → On 1 September, SPF acquired a 53% interest in BrightRock, a fast-growing and innovative business in the risk market. BrightRock provides clients and intermediaries with non-conventional risk-based options. Sanlam and BrightRock will continue to function as separate brands with their own management teams, and Sanlam-branded BrightRock solutions will be distributed through Sanlam's distribution channels, underwritten by Sanlam Life. Certain clients demand increasing flexibility in the type and level of life cover, which fits well with the BrightRock offering.
- → The acquisition of a 30% stake in EasyEquities in Augusts 2017 was a milestone in providing clients with innovative investment solutions. EasyEquities is an award-winning fintech business, which can disrupt the investments sector with low barriers to opening an investment account. Its low-cost platform enables access, particularly for low-income earners, by offering affordable and less complex products. This contributes to Sanlam's efforts to create a savings culture that will contribute to financial resilience and prosperity for individuals, organisations and societies.

The transaction provides EasyEquities with access to capital and skills in support of an aggressive plan to grow client numbers and products. For Sanlam Investments, the transaction expands on previous collaboration with EasyEquities to establish SatrixNOW, the first passive digital portal in South Africa giving investors easy access to exchange-traded funds (ETFs). In the past year, SatrixNOW launched three new international Satrix ETFs, which further diversified the low-cost product set available to clients.

Sanlam Private Wealth (SPW) opened its first African office outside South Africa. This Mauritian office gives private clients in the Rest of Africa access to SPW's global investment and wealth management solutions. Mauritius is more cost effective than the traditional European jurisdictions and will be the new hub of SPW Africa's expansion strategy. The business consists of SPW Mauritius, which focuses on wealth management; and Sanlam Trustees International, which offers multi-jurisdictional fiduciary and tax advice and services to private clients, and a range of company administration services to the corporate market.

Our diversification initiatives included a strong emphasis on omni-channel initiatives as a way to reach, attract, retain and service clients while empowering intermediaries. We empower intermediaries by providing enhanced business intelligence, which, in turn, strengthens our client-centric approach and competitiveness. Since non-traditional players compete in disruptive ways, we have to ensure that our offering and engagement with clients remains resilient and relevant. At the same time, we recognise that our physical branch infrastructure remains critical for financial inclusion and growth, particularly in the entry-level market in South Africa.

Earnings growth was negatively impacted by the high number of catastrophe events that Santam faced this year, which included storm damage in Cape Town, large property claims and fires in the Southern Cape, and extensive flooding in KwaZulu-Natal and Gauteng. The latter was the worst catastrophe event in South African insurance history. Santam's ability to remain within its target range for its underwriting margin is testimony to the resilience of the business and the diversified nature of its insurance book. Low growth in Santam's underwriting result was well mitigated by good growth in other businesses, which saw the Group achieve robust overall growth in its net result from financial services.

Net result from financial services

R8,6 billion

(2016: R8 billion)
+7%

Saham Finances' contribution to net result from financial services

2,8%

(2016: 1,1%)

South African contribution to net result from financial services

73%

(2016: 77%)

South African contribution to Group Equity Value

71%

(2016: 74%)

Extracting value through innovation and improved efficiencies

Operational efficiency is a key focus area across all our operations, particularly during low market growth cycles. Low growth further inspires innovation as a way to attract and retain clients, while exploiting opportunities created by new legislation and technology.

New innovative launches and initiatives include:

- Sanlam was the first financial services group in South Africa to launch a severe illness offering that allows for an affordable cancer-only option. Research showed that more than 60% of severe illness claims admitted by the life insurance industry are solely as a result of cancer. Consistent with our client-centric approach, this new solution ensures that people do not have to discontinue their cover of a statistically high-risk condition when under financial pressure.
- SPF launched investment products through Glacier that provide international exposure and guarantees during volatile equity markets. These client-centric products are designed to give investors access to a global portfolio of blue-chip stocks without the typical volatility and potential risk of losing capital associated with offshore equity investments.
- A milestone for Sanlam Investments during 2017 was the creation of a global climate fund asset manager, Climate Fund Manager (CFM), in partnership with the Development Bank of the Netherlands, FMO, and South African infrastructure investment business, Phoenix InfraWorks. This initiative culminated in the launch of a global climate fund, Climate Investor One (CIO), which had two successful capital raises in 2017. The resulting $475 million (R5,7 billion) raised is intended for deployment to combat the detrimental effects of unmitigated climate change by facilitating developments in renewable energy projects in emerging markets. This initiative also gives Sanlam Investments' clients the opportunity to invest in a fund that has a positive impact on the environment, while, at the same time, benefiting from the unique profile of an asset class that delivers long-term assets to meet the long-term cash-flow needs of our clients.
- MiWay delivered solid premium growth on the back of new business offerings such as MiChatBot, and additional product options for MiWheels – a speed-dependent excess option based on telematics speed data and a crash detection emergency alert option. MiWay Life also launched enhanced underwriting to include people that are HIV positive for comprehensive life cover; fiduciary services to clients and employees, including wills and trusts; as well as MiFitLife and MiLittleLife.

Group Chief Executive's strategic review

(continued)

- Digital transformation in the Sanlam Corporate cluster continues to be a priority. We have invested significantly in the development and implementation of a digital capability, which will position us as industry leaders. One of the key objectives of the digital project is to improve member communication. With the introduction of the My Retirement App and the improvements made to the SEB member portal, members can access information via the web or mobile devices. The cluster launched the Sanlam Financial Wellness Benchmark, a newly developed diagnostic tool that will enable employers to measure the level of financial wellness within their organisations.
- The acquisition of a 30% stake in the award-winning fintech company, EasyEquities, which allows fractional share ownership.

Read more in the case study on building omni-channel and analytics strength on page 53.

Several initiatives were implemented last year that delivered efficiency benefits:

- The restructuring of the UK business was the outcome of a vertical integration strategy, bringing together Sanlam's UK operations under one aligned vision, brand and culture. This resulted in improved integration and more efficient operations, which will deliver further scale benefits following the acquisition of the financial adviser network of Tavistock Financial Limited. The 158 financial advisers will join Sanlam UK's team of 60 financial planners, expand our reach across the UK, and increase assets under management.
- The split between third-party and Sanlam-focused investments in South Africa delivered higher institutional inflows for Sanlam Investments. The cluster is leveraging collective capabilities across different businesses, and identified the need for a closer working relationship between the South African and UK portfolio managers.
- With Sanlam Collective Investments' transition to Silica as an outsourced administration and IT service provider having stabilised, we are improving client interaction. We are addressing efficiency challenges in our retail environment due to our growing multi-manager business.

Further efforts to optimise our business include improved advisory productivity in Sanlam Sky and the implementation of the effective annual cost standard in all our South African businesses – a standardised disclosure methodology that can be used by clients and advisers to compare charges on most retail investment products. As SPF's products show particular value in the market, we are in a strong position compared to our peers. SPF concluded a distribution partnership with Capitec, one of the fastest-growing banks in South Africa. This partnership will add a lower-cost distribution channel to SPF's footprint, which will enhance our ability to provide a wider product set in the entry-level market.

We started engagements to optimise Group re-insurance operations between Santam, Saham Finances and the rest of SEM, with the potential to create significant consolidated value.

Responsible capital allocation and management

We approach capital allocation responsibly, as Sanlam's long-term sustainability depends on having a resilient balance sheet that can both support our growth initiatives as well as withstand adverse conditions. This is a safeguard to our clients, employees, suppliers and broader society, and has built stakeholder trust in Sanlam over the almost 100 years of our existence. Prudence is therefore inherent in the Sanlam culture and capital allocation methodology.

Capital management is controlled centrally from the Group Office, which means businesses must compete for capital. We allocate capital to those areas where we expect a higher return. To enhance RoGEV, Group businesses are allocated an optimal level of capital, and are measured against appropriate return hurdles. We continuously investigate opportunities to optimise the capital base as the Group and the operating environment develop, including more sophisticated balance sheet management, changes to strategic asset allocation, and the most appropriate capital structure.

Discretionary capital of R4,2 billion was released during 2017 through the excess cash dividend cover in respect of the 2016 financial year, the disposal of our stake in the Enterprise Group in Ghana and a reduction in the capital allocation to Sanlam Capital Markets and SPF. The latter is largely attributable to more effective balance sheet management.

Responsible capital allocation requires that we invest where we can optimise value to shareholders as measured by RoGEV. The deployment of capital during 2017 was focused on areas with the highest growth and return on capital prospects. This included the acquisitions already referred to.

Capital released

R4,2 billion

(2016: R1,3 billion)

Capital deployed

R2,8 billion

(2016: R3,4 billion)

Dividend per share

290 cents

(2016: 268 cents) +8,2%

Sanlam Group capital adequacy cover

2,2 times

(2016: 2,2 times)

RoGEV per share

14,8%

(2016: 11,8%)

Read more about capital management in the Financial and Operational Review from page 91.

Group Chief Executive's strategic review

(continued)

Stakeholder recognition received in 2017

We are particularly proud of the numerous awards received by Sanlam in 2017. These are testimony to our success in creating shared value for all our stakeholders through diligent execution on our strategic pillars. In South Africa, the major awards include:

Sanlam was recognised as the

2017 SOUTH AFRICAN NEW PRODUCT INNOVATION LEADER

in the Insurance Industry on Digital Transformation by global consulting and research firm, Frost & Sullivan.

Satrix received the award for

BEST AFRICAN FINTECH COMPANY

at the Financial Indaba Africa in 2016 and 2017.

Santam was named the country's

TOP SHORT-TERM INSURER

for the second year running. With an overall SAcsi score of 81,3, Santam beat the industry average of 75,8. Santam is the only general insurer to consistently improve its score over the past three years.

Sanlam Employee Benefits and Santam were awarded

TOP ACCOLADES AT THE 2017 FINANCIAL INTERMEDIARIES ASSOCIATION OF SOUTHERN AFRICA (FIA) AWARDS,

which celebrates the financial services brands that provide the best product, relationship and service to the country's financial advisers and insurance brokers.

Sanlam Investments received a number of

TOP-PERFORMER AWARDS AT THE 21ST RAGING BULL AWARDS.

THE SANLAM UMBRELLA FUND RECEIVED FOUR AWARDS FROM THE INSTITUTE FOR RETIREMENT FUNDS AFRICA:

Best in Class Trophy for Investment Practices, Best in Class Trophy for Governance, Gold Standard Certificate for Excellence in a Communications Project and Special Merit Award for communication to stakeholders.

SEM won a number of awards in 2017, including:

SEM Company	Award	Awarding company/event
Botswana Life Insurance Limited	→ PMR.africa Golden Arrow Award in the Pension/Retirement Fund Administration category → PMR.africa Golden Arrow Award in the Investment Service category → PMR.africa Golden Arrow Award in the Insurance Companies category	PMR.africa Awards in Gaborone, Botswana
Sanlam Emerging Markets	Insurance Company of the Year	Africa Reinsurance Corporation (Africa Re) Awards ceremony in Kampala, Uganda
Umesh Revankar, Managing Director of Shriram Transport Finance Company	Named one of the "100 Most Trusted CEOs of 2017"	World Consultancy & Research Corporation
Zimnat Lion Insurance Company Limited	Voted best company in the assurance sector	*The Financial Gazette Top Companies Survey*
Saham Finances	Best Project award in the category "International Training"	IFPASS Awards in Paris, France
Shriram Life Insurance Company	Award for Best Practices in Data Warehousing	Big Data, Analytics and Insights Summit and Awards in Bangalore, India organised by KamiKaze B2B Media
Dr John Simba, Chairman of Sanlam Kenya	Elder of the Order of the Golden Heart (E.G.H.) – this is the highest award any Kenyan citizen other than the president can receive	The President of Kenya
NICO General Insurance Company Limited, Malawi	Service Excellence Award	Chartered Institute of Customer Management (CICMA)
Gary Corbit, Chief Executive of Sanlam General Insurance Uganda Limited (SGIU)	One of Uganda's "Top 10 CEOs of the Year" for 2017	*Business Focus* online magazine
SORAS	Best Insurance Company	SMART Service Awards in Kigali, Rwanda
FBNInsurance	Best Life Insurance Company in Nigeria	World Finance Global Insurance Awards

Group Chief Executive's strategic review

(continued)

Transformation as a strategic enabler

Continuous transformation is key to Sanlam's ability to adapt to a changing world and underpins all our strategic pillars. Transformational challenges and changing demographics constitute a strategic risk, as they affect our relevance as a business partner, employer and service provider.

In South Africa, our key elements of transformation are measured against the targets set for BBBEE as determined by the Financial Sector Code (FSC). For 2017, we were measured against the new FSC issued towards the end of last year, which contains more challenging transformation goals. Sanlam is rated a BBBEE level 2 contributor in terms of the new FSC.

In other markets, we focus on developing people employed at local partnerships. SEM's business philosophy includes empowering local boards and management to run operations, with centralised support in talent development and skills transfer.

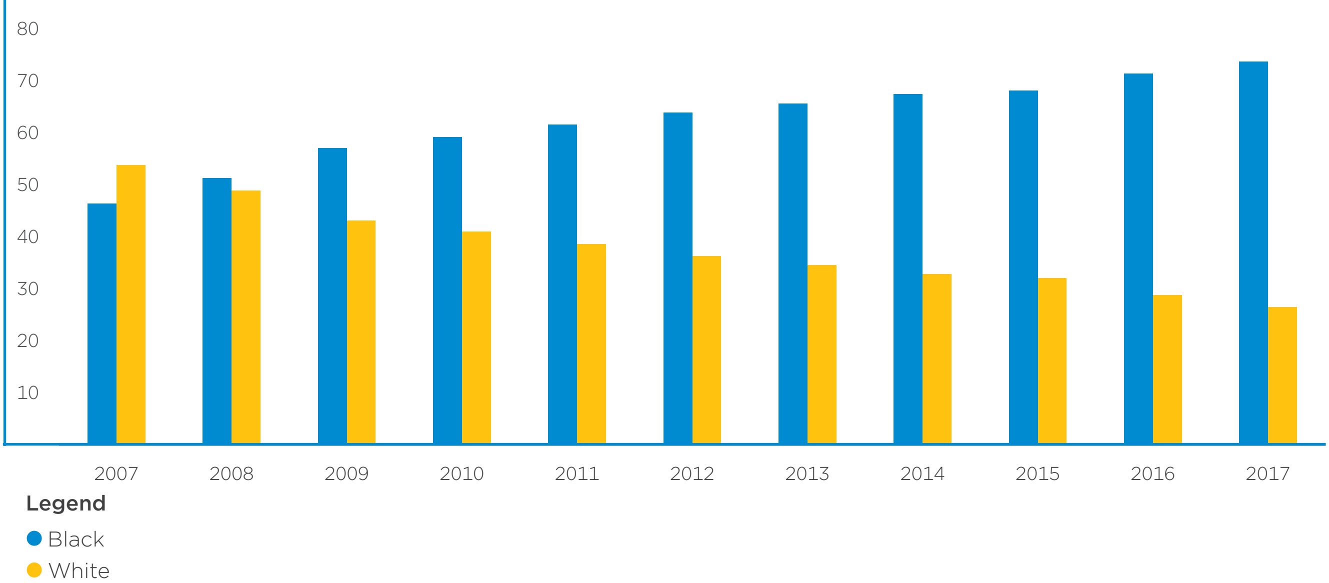
Enterprise and supplier development (ESD) is an area of high impact for Sanlam in terms of transformation. We are committed to nurturing the entrepreneurial talents of individuals, and unlocking opportunities in high-growth-potential businesses. Our ESD strategy seeks to enhance efforts to create and maintain a network of competent suppliers to drive transformation within our supply chain. In future, a member of Santam's Executive committee will focus solely on these initiatives on behalf of both Sanlam and Santam in South Africa.

As part of our commitment to achieving equity and transformation in the workplace, we pursue fair and equitable career opportunities and remuneration. In all markets in which we operate, our approach to fair opportunities and remuneration is aligned with the internationally recognised principle of "equal pay for work of equal value".

Over the last number of years, we have made significant progress in transforming the composition of our staff to better reflect the diversity of the South African population. We recognise that more work is required in this regard, in particular at management level.

Read more about our staff transformation initiatives in the online Resilience Report.

Black/White ratios: 2007 – 2017



We operate in environments that often lack the technical skills that we require as a key input for our business. In many countries, including South Africa, the skills challenge originates in sections of the population not being able to access good education at a primary and secondary school level. Education is one of the most important drivers of financial resilience and prosperity for society over the long term as it significantly improves the employability and income-earning potential of individuals, while at the same time driving enhanced economic growth potential. Education is therefore an important focus area for Sanlam as it enhances our sustainability at multiple levels:

- A financially resilient and prosperous society reduces the financial strain on families and government, and supports a stable and conducive operating environment;
- It develops the skills that we require from a human capital perspective; and
- Enhanced economic growth and higher income levels increase our potential client base and demand for our products and services.

Our flagship educational initiative is the Sanlam Foundation's Blue Ladder Schools Programmes. Through this initiative we partner with schools and relevant government bodies to improve the level of education and pass rate of disadvantaged schools. We have a two-pronged approach:

- The first phase is to improve infrastructure at schools. An enabling learning environment is impossible without basic infrastructure and sanitary conditions.
- The second phase focuses on training teachers and supporting learners.

75 schools participate in the programme, and initial positive results are evident.

We also provide opportunities for employees to be involved in development at a primary, secondary and tertiary level. Through these educational initiatives we aim to transform the level of skills and competitiveness of the markets in which we operate.

Group human resources drives initiatives that shape and strengthen Sanlam's corporate identity and culture in support of transformation, diversity and inclusivity across Sanlam and our business clusters.

Read more about transformation and empowerment in the online Resilience Report.

Human capital development as a competitive advantage

As referred to earlier in this review, our ability to effectively execute on our strategy is a competitive advantage. We are able to remain focused and continue to deliver under challenging conditions. This can be ascribed to the level of skills attracted and retained in the Group. Sanlam employs some of the best insurance and investment skills available in the market.

The Sanlam Employee Value Proposition goes much further than simply offering competitive remuneration. It takes a holistic approach by creating an overall attractive environment that offers additional benefits to employees. Training and development further ensure that we develop and grow our people for expanded career opportunities, enhanced employability and increased income-earning potential. In 2017, we invested R313 million in people development, an increase of 19% on 2016. Flagship initiatives include our chartered accountant, actuarial, investment professional and graduate development programmes. We intend to add an information technology (IT) programme to address our increasing need for specialist IT skills. These will support strategic focus areas such as business intelligence and omni-channel distribution, and proactively manage cyber-risk, which is one of our strategic risks given our reliance on IT infrastructure in all operations.

We created 772 employment opportunities during the year in our subsidiaries, increasing office employees by 5% to reach 16 628 at the end of 2017. Sanlam is one of the largest employers in most of the markets where we operate. We enhanced value creation to employees in the form of remuneration by 7% in 2017, paying total benefits of R9,4 billion to employees of our subsidiaries.

Read more about our Employee Value Proposition and other human capital activities and outcomes in the online Resilience Report and about our remuneration philosophy and policies in the online Remuneration Report.

Group Chief Executive's strategic review

(continued)

Leadership changes

The following changes were made to our executive leadership roles:

- The chief executive of SPF, Hubert Brody, stepped down on 31 May to attend more closely to his other interests. Jurie Strydom, previously the joint deputy chief executive of SPF, was subsequently appointed as the SPF chief executive, effective 1 June.
- On 1 April, Temba Mvusi, the chief executive of Group Market Development, was appointed as acting chief executive of the Sanlam Corporate cluster, which was established at the beginning of 2016. He will hold the position until a permanent appointment is made.
- Yegs Ramiah, chief executive of Sanlam Brand, resigned on 5 January 2018, post the 2017 financial year-end.

Our engagements with government and regulators in support of the financial services operating environment

Sanlam remains an active participant in supporting improved regulatory and economic environments where we operate. In South Africa, the Sanlam Group Chief Executive was elected chairman of ASISA, the insurance and investment industry body.

Sanlam is involved in the government, business and labour initiative launched in South Africa following the unfortunate change in Finance Ministers at the end of 2015 and the subsequent political and policy uncertainty. This initiative is aimed at delivering inclusive growth for all South Africans in support of accelerated long-term economic growth and sustainability. Progress was unfortunately slow during 2017, but we expect renewed traction in 2018 following the change in leadership at the African National Congress.

We furthermore contribute extensively to new proposed regulations and legislation. These included the new Solvency Assessment and Management and Twin Peaks regimes.

Refer to Our regulatory environment from page 40 for further information.

We follow a similar engagement approach outside South Africa. During 2017, our main contributions were: input towards the development of risk-based capital regimes in certain markets; and a proposed compulsory government re-insurance scheme in Namibia.

Strategic opportunities and future focus areas per cluster

Sanlam Personal Finance

SPF is developing a strong partnership approach that includes affinity groups, retailers and telecommunication companies. Simple, on-demand and self-directed products – such as the mobile GoCover product launched last year – are most attractive for these partnerships, as they offer brand exposure and new client growth.

The distribution business will continue to drive an evolving omni-channel client interaction model, while maintaining the importance of face-to-face advice. We focus on providing intermediaries with digital tools and data to optimise the strengths of the different interfaces. Our investment in digital and data analytics capability will enable us to understand customer journeys, and improve our ability to price and enhance products effectively. This, in turn, will improve our client experience.

Fintech offers increasing opportunities, supported by the Sanlam Design Studio, which drives "design thinking" throughout the business. This will be further entrenched through a design thinking course developed in collaboration with the University of Cape Town, to be rolled out in 2018.

Robotics remain an opportunity over the medium term as we phase out mundane and error-prone tasks, enabling us to overcome legacy systems challenges and run the business more efficiently.

Other strategic focus areas include:

- Increasing productivity through an improved worksite offering in the entry-level market
- Increasing market share in the middle income and affluent segments through product innovation and leveraging the portfolio (e.g. MiWay Life and BrightRock)
- Offering best-in-class customer value for savings products
- Integrating the Glacier value chain through our Sanlam Investments partnership

- Fully leverage available enablers: our omni-channel and expanded distribution footprint, platform agility, cost leadership through value optimisation and Sanlam Reality integration
- Rolling out Capitec and other partnerships

Sanlam Emerging Markets

SEM expanded rapidly over the past 10 years, with the Shriram Capital investment in 2012 and the Saham Finances transactions in 2016 and 2017 as the most significant milestones in terms of profit contribution. The cluster reached a strategic milestone with the March 2018 announcement of the acquisition of the remaining stake in Saham Finances, which repositions it for the next phase. This phase is orientated towards organic growth through existing partners and in-country bolt-on acquisitions. The cluster is adopting a regional approach to execution, with the aim of achieving our vision of Pan-African leadership through regional dominance. Appropriate support from the centre will be a key enabler.

SEM's growth plans are also supported by a continuous review of brand positioning, cultural alignment and organisational capacity.

Our collaboration with Saham Finances remains key to SEM's success as it combines Saham Finances' presence in 26 countries with SEM's presence in 23 countries – with only three countries overlapping. The complementary nature of the relationship continues to create new opportunities. To realise existing and new opportunities for growth and synergies, Saham Finances is focusing on the following:

- Optimising re-insurance within the Group via a Pan-African structure
- Cooperating on bancassurance and broker partnerships
- Cooperating on third-party administrator and health insurance
- Leveraging its footprint for multinational offerings in life, general and health insurance
- Building Saham Ghana as part of the re-entry into this market
- Building the life insurance presence in Cameroon, Senegal and Ivory Coast
- Exploring the assistance business for Southern Africa
- Optimising capital and investments

We are analysing the capital in our partner businesses to better understand the quantum of excess capital and to identify opportunities to optimise the capital base of these businesses and enhance dividend flows. Other strategic focus areas include continued appropriate support for Shriram Capital and improving performance of both Malaysian businesses.

Sanlam Investments

To maintain consistent superior investment performance for our clients, Sanlam Investments is exploring improved offerings in non-traditional asset classes. This will be complemented by our initiative to increase Sanlam's exposure to credit assets and to build a strong third-party credit offering. This will enhance Sanlam Investments' competitiveness in the third-party market to grow net inflows.

The cluster will use the new Group business intelligence capability to apply data analytics in pursuit of product innovation, to enhance client and intermediary experience and support operational efficiencies, while further leveraging capabilities across businesses to provide holistic solutions for retail and institutional clients.

Several initiatives for closer cooperation between Sanlam Investments and SPF are being implemented to enhance the proportion of SPF's open architecture flows into Sanlam Investments' portfolios.

We continue to focus on transformation and people development, which are key requirements to compete in the institutional market in South Africa.

Other strategic focus areas include:

- Dealing with fee income pressures through targeted operational efficiency initiatives
- Driving retail flows through outcomes-based fund management
- Seizing the passive and alternative opportunities
- Strengthening the turnaround of Sanlam UK, positioning the business for future growth, and enhancing offerings for our African client base

Group Chief Executive's strategic review

(continued)

Santam

Santam's focus remains on profitable growth in South Africa, and on increasing its international diversification through the Santam Specialist business and Santam Re. With SEM, it aims to realign its interests in SEM investments in line with a focus on reinsurance and specialist lines.

Efficiency initiatives include further optimising the claims and procurement value chains. In South Africa, there are particular opportunities to improve the non-motor claims channel.

Collaboration between Santam, the Department of Cooperative Governance and Traditional Affairs and the Emthunzini Broad-based Black Economic Empowerment Community Trust, resulted in an acceleration of the Programme for Risk and Resilience (P4RR), which has been extended from five to 53 local municipalities in order to reach more than five million people between now and 2020. The focus of P4RR is to identify and reduce systemic risk at municipal level through on-the-ground initiatives that protect the lives of vulnerable communities and people living in disaster-prone, high-risk areas.

Read more about P4RR in the online Resilience Report.

Other strategic focus areas for the cluster include:

- Implementing omni-channel strategy across key businesses
- Establishing Santam Re as a Pan-African re-insurer
- Focusing on underwriting management activity in Santam Specialist
- Utilising access to A-rated paper to expand international specialist and reinsurance businesses

Sanlam Corporate

Significant growth in commercial umbrella funds, new market entrants, potentially far-reaching regulatory reforms, changes in benefit design and member communication, as well as an unusually high number of disability claims, all impact South Africa's employee benefits industry. Given these conditions, SEB requires scale to achieve sustainable profit in the retirement fund administration business. The acquisition of 100% of the issued share capital of Absa Consultants and Actuaries (ACA) provides us with increased scale and presence in a market where the opportunities to exponentially grow the administration and consulting parts of the business are limited. ACA has a substantial book of more than 100 stand-alone funds and a commercial umbrella fund, 339 614 members (active and inactive) and assets of approximately R84 billion under administration. The transaction is still subject to regulatory approval.

Other key focus areas within Sanlam Corporate include:

- progressively improving our market positioning in Employee Benefits and Healthcare;
- providing a "One Sanlam" solution to targeted corporates;
- driving collaboration opportunities (SEB and Healthcare) to increase clients' employee value propositions;
- enabling profitable growth in SEB: balance cross-cluster pricing to win and retain business while maintaining adequate margins; and
- supporting SEM over the longer term with in-country support for targeted corporates.

Our governance priorities

Due to SEM's partnership model, the inherent risks in respect of business strategies and governance arrangements differ. With a rapidly changing regulatory landscape across Africa, the cluster is increasing its governance and compliance support, particularly where operations are small and capacity is limited.

Governance support focuses on on-boarding and training initiatives to ensure that Sanlam Board representatives are empowered to exercise responsible control and direction. SEM board representatives provide feedback after associate board meetings to highlight any gaps relative to Sanlam's tight governance principles and to flag any matters that impact Sanlam's interest in line with minority protection in shareholders' agreements.

To track successful strategic execution, we identified metrics to monitor performance across products and regions.

SEM is assisting partner businesses on a prioritised basis to design and implement procedures to comply with local laws and regulations, and to report on compliance matters for the cluster to oversee potential risk. This forms part of a newly developed cluster compliance monitoring programme.

Strong governance includes:

- mutually observing shareholders' rights and responsibilities;
- driving standardisation of products, systems and processes; and
- building and entrenching the Sanlam brand and ethics

The South African operating environment over the last few years experienced governance challenges in both the private and public sectors. We have a particular role to play in this regard by continuing to entrench our culture of ethical behaviour throughout the organisation and to promote similar behaviour in society in general.

Outlook summary for 2018

The general sentiment in South Africa at the start of 2018 is much more positive than it was for most of the 2017 financial year. New political leadership within the ruling party, early indications of political and policy certainty, and the distinct possibility that South Africa's main structural issues are going to be addressed are all contributing towards expectations of an improved outlook. Tangible progress in this regard is eagerly awaited and should be supportive of business and investor confidence, which in turn would provide a more favourable operating environment for our savings and investment businesses.

Economic growth in South Africa and the commodity-based economies in the Rest of Africa is still expected to remain below longer-term potential in 2018, but likely to accelerate compared to 2017. Markets that are not dependent on commodities, such as East Africa and India, are expected to record robust growth.

An improved operating environment will support growth in GEV, new business volumes, VNB and net result from financial services. These performance measures are, however, also shaped by investment market performance, currency volatility, interest rate cycles and political events, which have become even more unpredictable in the current global environment. A downgrade in South Africa's domestic sovereign rating to below investment grade by Moody's is likely to cause volatility in these measures; a risk that we are monitoring and managing as best as possible.

New and evolving business models, driven by the rapid and wide-ranging advancements in technology and the demands of a new generation of clients, will continue impacting insurance markets and business practices. Concomitantly, these pose an increasing threat to the confidentiality, integrity and availability of business-critical information and information systems.

We will remain focused on executing our strategy and are confident that we have developed the depth of experience over almost 100 years to successfully navigate through these conditions, and to continue creating value for all our stakeholders.

As highlighted in this report, it is imperative that we respond to the changing environment, competitive landscape and client needs by investing in new initiatives and innovation to remain relevant and, by doing so, drive future growth. A number of initiatives are planned for 2018, that focus on business intelligence across all clusters in South Africa and further enhancing our distribution channels, footprint and reach in South Africa and India. Negative earnings contributions from BrightRock and MiWay Life will also increase in line with anticipated strong growth in new business and VNB. These initiatives will require a combined financial investment of some R270 million after tax and non-controlling interest in 2018 (including the increase in losses at BrightRock and MiWay Life), of which R135 million will affect net result from financial services while the remainder will be recognised as project expenses.

We are also planning to grow new recurring premium risk business and VNB strongly in Sanlam Sky and the traditional middle-income market in South Africa, which will impact earnings growth through higher new business strain.

The acquisition of the additional 53,4% stake in Saham Finances is likely to be concluded only in the second half of the year, with commensurately no significant impact on the 2018 results.

Financial and operational review

We achieved a return of 14,8% for Sanlam shareholders in 2017 as measured by Return on Group Equity Value (RoGEV). This is a resilient performance in a year where our core South African market faced one of its most challenging periods in the last decade, and a fitting tribute to Sanlam's sustainability as we enter our centenary year in 2018.

Key features of the 2017 annual results

Earnings

→ Net result from financial services increased by 7% (up 10% in constant currency)

Business volumes

→ Net value of new covered business up 15% to R1,8 billion (up 17% in constant currency)

→ Net new covered business margin of 2,94% (2,69% in 2016)

→ New business volumes declined by 1% to R230 billion (in line with 2016 in constant currency)

→ Net fund inflows of R35 billion compared to R41 billion in 2016

Group Equity Value

→ Group Equity Value per share of R59,40

→ Return on Group Equity Value per share of 14,8%

→ Adjusted Return on Group Equity Value per share of 15,8%; exceeding target of 13,2%

Capital management

→ R4,2 billion of capital released; R2,8 billion deployed in strategic investments

→ Unallocated discretionary capital of R2 billion at 31 December 2017

→ Sanlam Group Solvency Assessment and Management (SAM) cover ratio of 2,2 times; Sanlam Life Insurance Limited SAM cover ratio of 2,7 times

→ Sanlam Life Insurance Limited Capital Adequacy Requirement (CAR) cover ratio of 5,8 times

→ Acquisition of remaining 53,4% stake in Saham Finances announced

Dividend

→ Dividend per share of 290 cents, up 8%

Sanlam's strategy has remained largely unchanged since 2003. We highlighted before that our strategy is by no means unique, but that our ability to execute has set us apart from our peers. This diligent focus on execution enabled us to achieve satisfactory growth in 2017 and double-digit average growth rates in all key performance indicators over the last 10 years, apart from new business volumes.

RoGEV

14,8%

(10-year Compound Annual Growth Rate (CAGR)): 14,2%)

Dividend

8,2%

(10-year CAGR: 12%)

Net result from financial services per share

7,1%

(10-year CAGR: 12,1%)

New business volumes

-1,3%

(10-year CAGR: 8,5%)

Net Value of New Business (VNB)

14,7%

(10-year CAGR: 14,1%)

Net VNB margin

2,94%

(2007: 2,25%)

Read more about our strategy and long-term performance from page 6.

We anticipated that we would face significant headwinds in 2017. Our core South African market has experienced significant political and policy uncertainty since 2015, which severely suppressed business and investor confidence. Private sector investment largely stalled as a result, with the economy entering a period of pedestrian growth. Downgrades in South Africa's sovereign credit ratings to below investment grade amidst regular reports of the extent of corruption in the country, dealt further blows to an already fragile environment. This largely prevented South Africa from sharing in the benefits of an improved global economic environment. Sentiment changed abruptly in December 2017 following the outcome of the African National Congress's national elective conference and renewed optimism that South Africa's challenges will be addressed through close cooperation between government, business and labour. The local equity and bond markets responded with year-end rallies after remaining subdued for a large part of the year. The rand also strengthened further from its end-2016 closing position, contributing to much stronger average exchange rates in 2017 against most of the major currencies.

The economies of oil-dependent countries where we operate, in particular Nigeria and Angola, experienced pressure from low oil prices, negatively affecting economic growth, currency exchange rates and liquidity. High levels of government debt in Namibia impacted on public sector expenditure, liquidity in the banking sector, and economic growth.

Financial and operational review (continued)

Operating conditions elsewhere where we operate were, however, in general more supportive of growth in 2017. India in particular started to recover from demonetisation and the introduction of Goods and Services Tax, while non-oil commodity-based economies benefited from improved terms of trade.

Read more about Our economic and operating environment and the outlook for 2018 from page 69.

The following also impacted on our performance in 2017:

- The South African general insurance market experienced the highest level of weather-related claims in recorded history during 2017. Santam, being the largest general insurer in South Africa, commensurately experienced a significant deterioration in the underwriting results of its property line of business.
- Internal challenges in Kenya and Malaysia have not been fully resolved, affecting both top-line and operational earnings growth in these countries. Internal challenges in Kenya are being addressed, while Malaysia has launched a number of operational initiatives to improve performance. Both countries have significant future growth potential and turnaround strategies in these operations are high on the agenda for Sanlam Emerging Markets (SEM) management.

Despite these challenges, the Group delivered robust overall growth in all key performance indicators. Progress on all strategic pillars contributed to the resilient performance.

Read more about our strategic execution in 2017 in the Strategic Review by the Group Chief Executive from page 54.

The key highlights and lowlights for the year are:

Highlights	Lowlights
Adjusted RoGEV of 15,8% exceeded the target of 13,2% by a healthy margin	Underperformance in Kenya and Malaysia
Exceptional growth in VNB at improved margins	Lower single premium sales in South Africa, Namibia and Botswana
Turnaround in Sanlam UK profitability	Lower net fund inflows at Sanlam Personal Finance
Improved institutional inflows at Sanlam Investments	Higher relative claims experience at Santam, Sanlam Employee Benefits and Sanlam Namibia
Santam maintaining an underwriting margin in the middle of its target range despite historically high catastrophe claims	Discovery of irregularities at Steinhoff International, with a consequential impact on the valuation of Steinhoff instruments held by the Group in client and shareholder investment portfolios
Improvement in India profitability	
Discretionary capital of R4,2 billion released, enabling acquisitions of R2,8 billion in 2017	
Acquisition of remaining stake in Saham Finances announced in March 2018	

This report provides an overview of the Group's performance, focusing on the key shareholder performance indicators. More detailed information is available in the Shareholders' information section from page 145, including balance sheet and income statement information for the shareholders' fund reconciled to the IFRS Statement of Financial Position and Statement of Comprehensive Income. Reconciliations between the IFRS net asset value and GEV are also provided.

Basis of presentation and accounting policies

The Sanlam Group IFRS financial statements for the year ended 31 December 2017 are presented based on and in compliance with IFRS. The basis of presentation and accounting policies for the IFRS financial statements and shareholders' information are in all material respects consistent with those applied in the 2016 Integrated Report and Annual Financial Statements.

All growth percentages reflected in this review are relative to the 12 months ended 31 December 2016, unless otherwise indicated.

The constant currency information included in this review and elsewhere in the Integrated Report has been presented to illustrate the impact of changes in currency exchange rates and is the responsibility of the Group's board of directors. It is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, result of operations or cash flows. All references to constant currency information are based on the translation of foreign currency results for the 12 months to 31 December 2017 at the weighted average exchange rate for the 12 months to 31 December 2016, which is also applied for the translation of comparative information. The major currencies contributing to the exchange rate movements are the British pound, United States dollar, Indian rupee, Botswana pula, Moroccan dirham and the Nigerian naira (negative movements in the table below indicate a strengthening in the rand exchange rate):

Currency	Average rand exchange rate – 12 months to 31 December 2017	Average rand exchange rate – 12 months to 31 December 2016	Change in average exchange rate
British pound	**17,13**	19,69	-13,0%
United States dollar	**13,30**	14,65	-9,2%
Indian rupee	**0,205**	0,219	-6,6%
Botswana pula	**1,302**	1,368	-4,8%
Moroccan dirham	**1,388**	1,485	-6,5%
Nigeria naira	**0,040**	0,061	-34,0%

Sanlam's external auditor has issued a limited assurance report in respect of the constant currency information in terms of section 8 of the JSE Listings Requirements. The limited assurance report is available for inspection at Sanlam Limited's registered address.

Financial performance measure

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

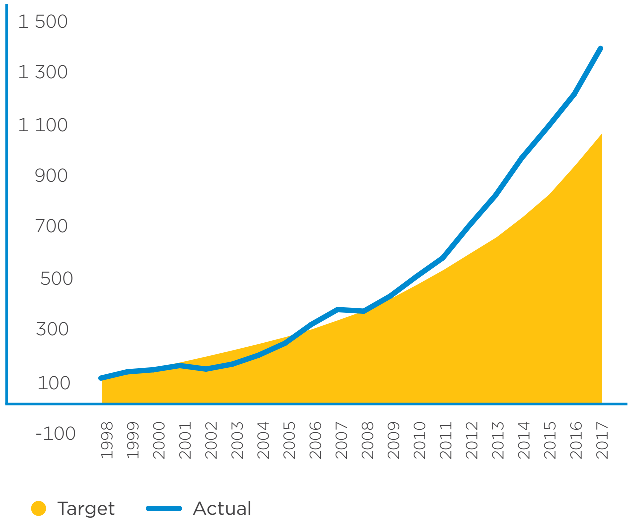
- The embedded value of covered business, which comprises the required capital supporting these operations and the net present value of their in-force books of business (VIF);
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital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

Financial and operational review (continued)

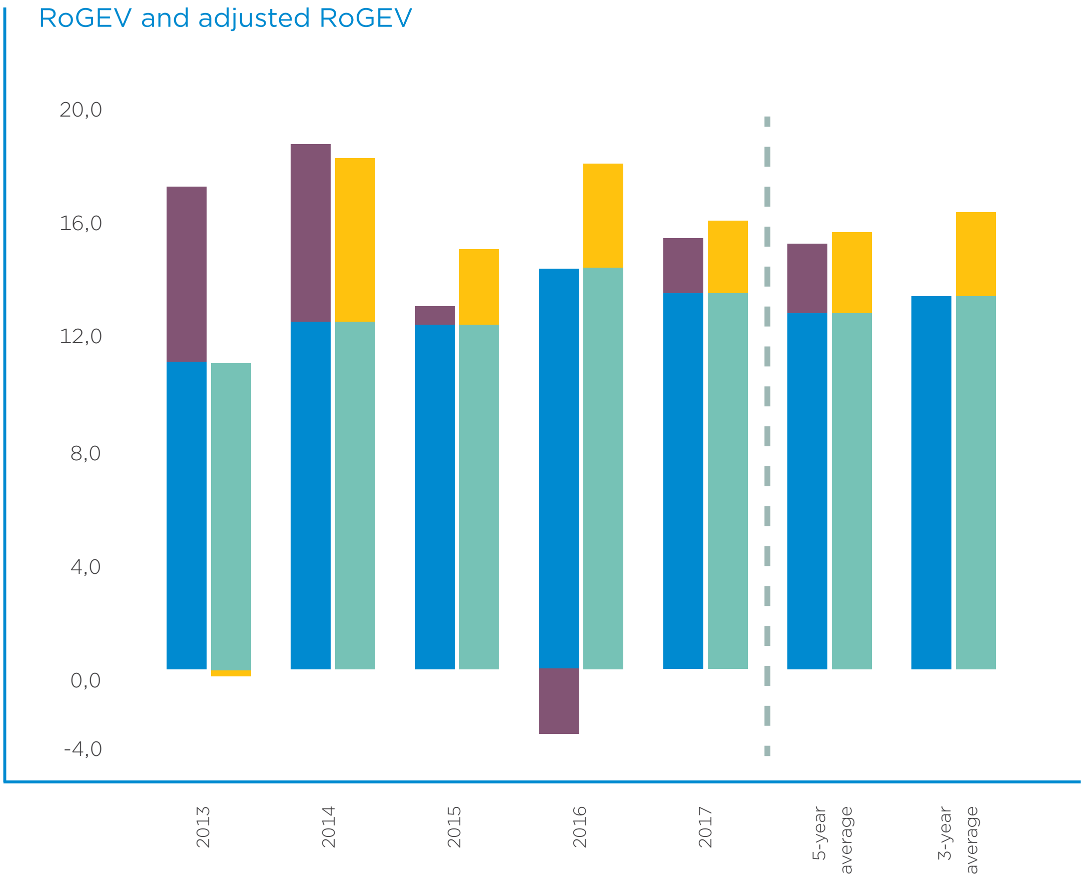
Sustained growth in GEV is the combined result of delivery on a range of key performance drivers in the Group. RoGEV measured against a set performance hurdle is therefore used by the Group as its primary internal and external performance benchmark in evaluating the success of its strategy to maximise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

Read more about RoGEV and its key drivers from page 14.

The RoGEV target is to outperform the Group's cost of capital. The cost of capital is set at the risk-free nine-year bond rate (RFR) plus 400bps. The compounded RoGEV of the Group since Sanlam demutualised and listed in 1998 comprehensively outperformed this target.



Over shorter measurement periods, RoGEV and adjusted RoGEV also exceeded the hurdle rate:



The RoGEV target for 2017 was set at 13,2% and for 2018 it is set at 13,0% based on the RFR of 9,0% as at the end of December 2017.

Group Equity Value

GEV amounted to R121,8 billion or 5 940 cents per share at 31 December 2017. Including the dividend of 268 cents per share paid during the year, a RoGEV per share of 14,8% was achieved for 2017. This exceeded the 13,2% target for the year, due to strong growth in VNB and positive experience variances, investment market returns in excess of long-term assumptions, lower risk discount rates (RDR) and profit realised on the disposal of the Enterprise Group in Ghana. These factors more than offset the negative effect of a stronger rand exchange rate, write-off of goodwill recognised in respect of the BrightRock, Saham Finances and Rwandan acquisitions in terms of the EV methodology, as well as IFRS impairments of the investments in Pacific & Orient and Letshego that also affects RoGEV. Adjusted RoGEV per share, which excludes the impact of higher investment return than the long-term assumptions, interest rate changes and other one-off effects not under management control, and assuming normalised exchange rate movements, amounted to 15,8% - well in excess of the target.

South African nine-year and five-year long-term interest rates declined by 20bps and 60bps respectively in 2017, with a corresponding decline in the RDR used to value the Group's South African businesses for GEV purposes. A discounted cash flow (DCF) valuation basis is used for essentially all of the Group's operations, with the decline in RDR having a positive effect on the end-2017 valuations and RoGEV for 2017. This positive impact was augmented by a relatively stronger equity market performance, which supported assets under management and hence GEV valuations at Sanlam Investments (SI) and Sanlam Personal Finance (SPF). After strengthening significantly in 2016, the rand ended the year slightly stronger against most of the currencies where we operate.

GEV at 31 December 2017

	GEV		RoGEV	
R million	**December 2017**	**December 2016**		**%**
Group operations	**113 829**	102 035	16 495	15,8
Sanlam Personal Finance	**43 401**	41 878	7 070	17,5
Sanlam Emerging Markets	**27 621**	22 097	2 845	11,5
Sanlam Investments	**18 331**	15 807	2 442	14,2
Santam	**18 108**	15 868	2 854	18,0
Sanlam Corporate	**6 368**	6 385	1 284	21,0
Covered business	**54 283**	51 246	9 608	18,8
Value of in-force business	**39 245**	35 845	8 678	24,2
Adjusted net worth	**15 038**	15 401	930	6,1
Other operations	**59 546**	50 789	6 887	12,9
Group operations	**113 829**	102 035	16 495	15,8
Discretionary capital and other	**7 934**	8 682	10	0,2
Group Equity Value	**121 763**	110 717	16 505	14,9
Per share (cents)	**5 940**	5 407	801	14,8

Group operations yielded an overall return of 15,8% in 2017, the combination of 18,8% return on covered business and 12,9% on other Group operations.

Financial and operational review (continued)

The main components contributing to the return on covered business are included in the table below:

Return on covered business for the year ended 31 December 2017

%	2017	2016
Expected return – unwinding of the RDR	**9,0**	9,8
Value of new covered business	**3,6**	3,4
Operating experience variances	**3,0**	2,1
Operating assumption changes	**(0,8)**	0,9
Economic assumption changes	**0,5**	1,0
Expected investment return on capital portfolio	**2,0**	2,5
Investment variances	**1,2**	(3,1)
Value of in-force	**1,4**	(0,3)
Capital portfolio	**(0,2)**	(2,8)
Foreign currency translation differences and other	**0,3**	(0,8)
Return on covered business	**18,8**	15,8

The Group's covered business operations achieved a good overall performance, exceeding the Group hurdle rate by a healthy margin, despite the economic headwinds faced in a number of countries during 2017. Most businesses achieved returns in excess of 20%, with the notable exception being Sanlam UK, which was affected by the stronger rand exchange rate. The main items contributing to the return from covered business are:

- Expected return on covered business declined in 2017 relative to 2016 based on the lower RDR applied at the end of 2016.
- Value of new covered business: The strong new business performance in 2016 persisted into 2017, despite the challenging conditions in South Africa, Namibia and Botswana. VNB benefited from the change in mix to more profitable business and contributed 3,6% to the overall return.
- Operating experience variances increased markedly in 2017. Particularly satisfactory is the improved diversification in the source of positive experience. Risk experience was broadly in line with 2016, despite weaker claims experience in Namibia and SEB. Similarly, our businesses did well to maintain robust persistency experience under challenging conditions. Our South African middle income market reflected some deterioration in some products, which was largely offset by good persistency at Sanlam Sky and successful premium updates at SEB. SEB was able to increase premium rates following weak claims experience in 2016 while retaining clients. The Central Credit Manager (CCM) is optimising the Group's exposure to credit assets, which contributed to a significant increase in positive credit spread experience. As highlighted before, the embedded value of covered business does not capitalise any future profits to be earned by the CCM, while only partial allowance is made for SPF and SEB's profit sharing. Most of the credit spread profit is therefore recognised as experience variances. Other experience variances include the decline in cost of capital following the release of capital from the South African covered business operations (refer Capital management section below).
- Operating assumption changes had a negative effect on RoGEV in 2017. Assumptions were relaxed in certain areas of consistently strong positive risk experience where the actuarial basis has moved too far from actual experience. The persistency basis was strengthened in line with the 2017 experience. The maintenance expense assumption changes relate largely to a strengthening in the unit cost assumptions applied to the closed book in SPF. In addition to various modelling improvements, one-off expense allowances were also increased in line with new regulatory requirements, in particular the introduction of IFRS 17, the new insurance accounting standard issued by the International Accounting Standards Board, effective 2021.
- The RDRs declined to a lesser extent in 2017 than 2016, contributing to a lower RoGEV from economic assumption changes.
- The relatively stronger investment market performance in 2017 is the main driver behind the improved contribution from investment variances, which supported assets under management and commensurately fee income earned in 2017 and into the future. Investment return earned on the capital portfolio was in line with expectations, as the largest part of the portfolio is invested in hedged equities.
- On a relative basis, the rand strengthened by a significantly lower margin than in 2016, with a commensurately lower negative impact from foreign currency translation differences.

The main components contributing to the return on other Group operations are:

Return on other Group operations for the year ended 31 December 2017

%	2017	2016
Return on investments valued at net asset value	**14,8**	1,2
Return on investment in Santam	**18,0**	32,1
Return on investments valued at discounted cash flows	**10,5**	2,5
Expected return – unwinding of the RDR	**14,1**	15,5
Operating experience variances	**1,0**	0,3
Operating assumption changes	**(0,6)**	(11,2)
Economic assumption changes	**(1,2)**	8,4
Foreign currency translation differences and other	**(2,8)**	(10,5)
Weighted return on other Group operations	**12,9**	10,5

Other Group operations achieved a return of 12,9%. The following impacted on RoGEV in 2017:

- Modelling changes had a negative impact of some R460 million on the valuation of the South African investment management businesses.
- The Shriram Capital valuations benefited from a relaxation of the prudent assumptions applied at the end of 2016 in the aftermath of demonetisation. This was to some extent offset by lower valuations of Letshego and Pacific & Orient in Malaysia following their operational under performance (refer below) and foreign currency translation losses recognised in respect of the investment in Saham Finances.

The Group's investment in Santam is valued at its listed share price, which achieved a strong return of 18% in 2017.

The low return on discretionary and other capital is essentially the combined effect of the following:

- Net corporate expenses of R115 million recognised in net result from financial services.
- A relatively low level of return earned on the portfolio's exposure to low yielding liquid assets.
- Hedging of the Saham Finances transactions (including the additional 16,6% stake acquired during 2017 and the anticipated acquisition of the remaining 53,4% interest in 2018).

Refer Capital management section below.

The transactions were partly hedged through forward exchange contracts and the acquisition of foreign currency, which earns a very low rate of interest due to the US dollar denomination. The marked-to-market differences on the hedging instruments of R562 million after tax, that were recognised in comprehensive income in terms of IFRS, were excluded from RoGEV as these will be capitalised against the investment once finalised in 2018.

Financial and operational review (continued)

Earnings

Shareholders' fund income statement for the year ended 31 December 2017

R million	2017	2016	Δ
Net result from financial services	**8 549**	7 969	7%
Sanlam Personal Finance	**4 235**	4 099	3%
Sanlam Emerging Markets	**1 793**	1 557	15%
Sanlam Investments	**1 227**	1 096	12%
Santam	**851**	814	5%
Sanlam Corporate	**558**	510	9%
Group office and other	**(115)**	(107)	(7%)
Net investment return	**1 663**	676	146%
Project costs and amortisation	**(375)**	(280)	(34%)
Equity participation costs	**(2)**	(5)	60%
Normalised headline earnings	**9 835**	8 360	18%
Profit on disposal of subsidiaries and associates	**1 335**	31	>100%
Impairments	**(303)**	(265)	(14%)
Net equity-accounted non-headline earnings	**134**	(3)	>100%
Normalised attributable earnings	**11 001**	8 123	35%

Net result from financial services (net operating profit) of R8,5 billion increased by 7% on 2016 (10% in constant currency), with substantial growth in SEM and SI contributions.

Structural activity that influenced growth in 2017 included the following:

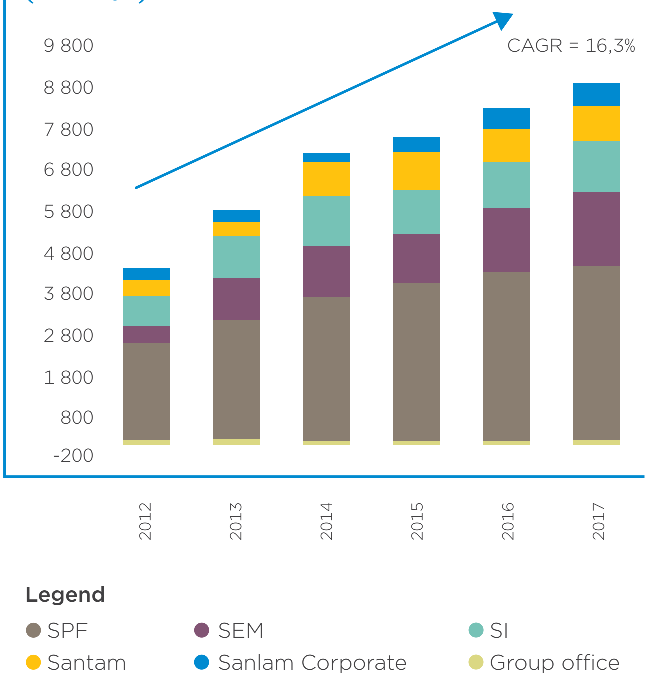
- The acquisition of a 30% stake in Saham Finances at the end of February 2016, followed by an additional 16,6% investment in May 2017
- 23% direct stakes acquired in Shriram Life Insurance and Shriram General Insurance at the end of September 2016
- The disposal of SEM's interests in the Enterprise Group in Ghana with effect from 1 July 2017
- The acquisition of a 75% interest in PineBridge's East African investment management business, effective July 2017
- The acquisition of a 53% interest in BrightRock with effect from October 2017

Sanlam Personal Finance (SPF) achieved strong growth in new recurring premium risk business, contributing to a 13% increase in new business strain recognised in terms of Sanlam's prudent accounting policies. This suppressed operational earnings growth at SPF, while Santam's performance was depressed by the abnormally large catastrophe events during June and October 2017. Excluding these, net result from financial services increased by 10% (12% in constant currency):

Analysis of net result from financial services for the year ended 31 December 2017

R million	2017	2016	Δ
Sanlam Personal Finance	**4 469**	4 099	9%
Sanlam Emerging Markets	**1 474**	1 346	10%
Sanlam Investments	**1 281**	1 096	17%
Santam	**1 007**	814	24%
Sanlam Corporate	**558**	510	9%
Group office and other	**(115)**	(107)	(7%)
Normalised net result from financial services	**8 674**	7 758	12%
Sanlam Personal Finance additional new business strain	**(218)**	–	
Santam catastrophe claims	**(156)**	–	
Structural growth	**419**	211	
Foreign exchange impact	**(170)**	–	
Net result from financial services	**8 549**	7 969	7%

Sanlam Group net result from financial services (R million)



SPF delivered a solid performance for a mature business in an environment of stagnant economic growth, low investor confidence and a lacklustre equity market performance for a large part of 2017. The restructuring of SPF into a more agile and focused business was largely completed in 2017. SPF now comprises of the following main businesses:

→ Sanlam Sky, which focuses on funeral insurance business

→ Recurring premiums sub cluster, which is responsible for all recurring premium risk and savings business. Included in the sub-cluster are: Sanlam Individual Life (traditional recurring premium risk business), Sanlam Savings (traditional recurring premium savings business), Closed Book, BrightRock, MiWay Life and Indie

→ Glacier, which incorporates single premium life investments and the Linked Investment Savings Plan platform (LISP)

→ Strategic business development, which focuses on Sanlam Personal Loans, Sanlam Reality and is an incubator for new initiatives

Financial and operational review (continued)

The profit contribution from each business unit is presented in the following table:

SPF net result from financial services for the year ended 31 December 2017

R million	2017	2016	Δ
Sanlam Sky	**1 228**	1 194	3%
Recurring premium sub-cluster	**2 568**	2 665	(4%)
Glacier	**1 753**	1 492	17%
Life investments	**1 260**	976	29%
LISP	**493**	516	(5%)
Strategic business development	**351**	340	3%
Sanlam Personal Loans	**375**	331	13%
Other	**(24)**	9	>(100%)
Gross result from financial services	**5 900**	5 691	4%
Tax on gross result from financial services	**(1 679)**	(1 590)	(6%)
Non-controlling interest	**14**	(2)	>100%
Net result from financial services	**4 235**	4 099	3%

As indicated, SPF's operational earnings for 2017 were impacted by a 13% rise in new business strain. BrightRock in addition added a maiden loss of R32 million in 2017, as this business is still in its growth phase, with profits released from the in-force book not sufficient to fully offset its new business strain. Excluding these, SPF's net result from financial services increased by 9%.

Sanlam Sky grew its profit contribution by 3%. Excluding additional new business strain, its gross result from financial services increased by 10%. Mortality experience weakened slightly, albeit still positive overall, while positive expense assumption changes recognised in 2016 did not repeat in 2017. These contributed to R67 million lower earnings in 2017 relative to 2016.

The *Recurring premium sub cluster's* gross result from financial services declined by 4%. Excluding additional new business strain and the BrightRock maiden contribution, the gross result from financial services was 6% higher than 2016. The relatively low level of growth is largely attributable to the following:

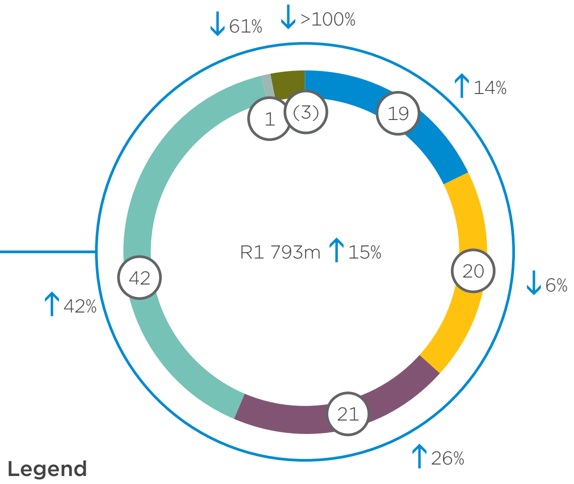
- Benefit improvements for accidental injury cover products and improved persistency experience that resulted in a lower release of reserves, in particular in respect of level premium business, suppressed profit growth from Risk business;
- Lacklustre investment market performance for a large part of the year limited growth in the average level of assets under management and commensurately asset-based fee income earned from Savings business and the Closed Book;
- Investments in MiWay Life and Indie of R113 million in 2017 compared to R80 million in 2016;
- Partly offset by the reallocation of administration costs to Glacier (refer below).

Glacier achieved sterling growth of 17%. Life investments achieved profit growth of 29%, largely due to positive annuity mortality experience and spread risk reserve releases. The LISP business's profit declined by 5%. Growth in average assets under management slowed down following lower net fund flows and weak investment market performance during the year. A reallocation of administration costs from the Recurring premium sub cluster to Glacier also occurred as part of the restructuring in 2017.

Strategic business development (SBD) profits increased by 3%. Growth in the size of the Sanlam Personal Loans book supported 13% growth in the business's profit contribution. Bad debt experience remained broadly in line with 2016. Net losses of R24 million were incurred in respect of other SBD activities, mostly related to initiatives aimed at further embedding and improving the benefits and attractiveness of the Reality loyalty scheme.

SEM grew its net result from financial services by 15% including structural activity and exchange rate differences. Organic growth in constant currency amounted to 10%.

SEM net result from financial services (% contribution and growth on 2016)



Namibia's net result from financial services increased by 14% (down 7% on a gross basis). Capricorn Investment Holdings (CIH) sold 14,5% of its stake in Bank Windhoek during the year, resulting in Bank Windhoek becoming an associate of CIH. CIH's participation in Bank Windhoek's earnings is commensurately equity accounted on a net basis from the transaction date and not consolidated on a gross basis as in the past. This is the main contributor to the variance in the level of growth in Namibia's gross and net result from financial services. The performance of the life businesses improved since June 2017 as group life claims experience stabilised. Mismatch profits also increased compared to 2016. Bank Windhoek's profit contribution declined, attributable to the lower effective stake in the business as well as higher cost of capital and lower interest income emanating from the liquidity pressure experienced by Namibian banks.

The *Botswana* operations achieved mixed results with an overall decline of 6% in net result from financial services (-1% in constant currency). Life insurance profit declined by 12% (8% in constant currency) due to lower annuity new business volumes and asset mismatch losses recognised following credit-related provisions. Letshego, the second-largest profit contributor, achieved growth of 5% (10% in constant currency). This was lower than expectations, due to low growth in advances and an increase in provisioning in respect of its East African exposure. The underperformance contributed to an impairment charge of R103 million against the carrying value of SEM's effective interest in Letshego (refer below). The asset base of the investment management business benefited from the large new mandate awarded by the Botswana Public Officers Pension Fund (BPOPF) in 2016, supporting 17% growth in its profit contribution (23% in constant currency).

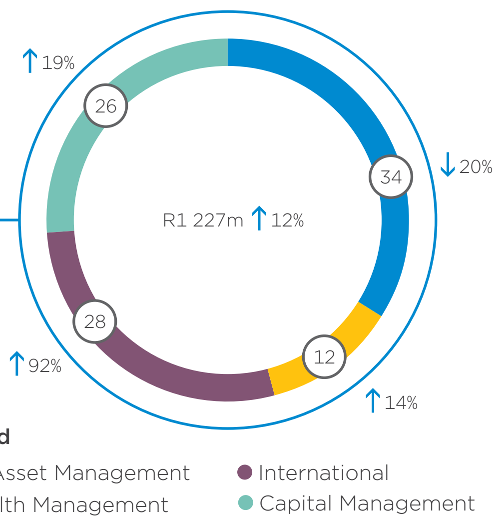
The *Rest of Africa* operations achieved growth of 26% in net result from financial services. Excluding the structural impact of the Saham Finances and PineBridge acquisitions and the disposal of the Enterprise Group investments in Ghana, net result from financial services decreased by 5% (up 20% in constant currency). All businesses achieved growth in excess of 20% in constant currencies, apart from Kenya and Tanzania that reported declines in operating earnings. Kenya continues to experience cost pressures from low new business volumes, aggravated by one-off net credit-related provisions of some R20 million in 2017. Tanzania also underperformed due to lower new business volumes. Saham Finances tracked the business plan, contributing net result from financial services of R243 million in 2017 (R264 million in constant currency) compared to R88 million in 2016. Structural activity is the main contributor to the significant increase in Saham Finances' contribution.

Net result from financial services in *India* rose 42% (54% in constant currency); 19% (29% in constant currency) excluding profit contributed by the 23% direct stakes acquired in Shriram Life Insurance and Shriram General Insurance during 2016. Shriram Transport Finance fully recovered from the impact of demonetisation in 2016 and grew its profit contribution by 38% (48% in constant currency). Double digit growth in the size of the loan book, recoveries from the equipment finance book and cost efficiency gains supported the strong performance. Shriram City Union Finance was more severely impacted by demonetisation as well as the introduction of Goods and Services Tax in 2017, given its exposure to small and medium enterprises. One-off consulting costs and higher minimum wages also placed pressure on its profit contribution, which declined by 28% (23% in constant currency). The insurance businesses recorded strong growth in operating earnings as their in-force books continue to expand. The Shriram General Insurance results were also positively impacted by R95 million of net realised profits recognised on the disposal of held-to-maturity fixed-interest instruments included in the float portfolio. Due to these disposals, the remaining held-to-maturity instruments in the portfolio are also required to be valued at fair value in terms of IFRS. The unrealised fair value gains on these instruments of R241 million (SEM's share) are recognised in other comprehensive income in the Statement of Changes in Equity, and will be recycled to net result from financial services and the IFRS Statement of Comprehensive Income on disposal.

The *Malaysian* businesses had another disappointing year. Net result from financial services declined by 61% (48% in constant currency), the aggregate of a 56% decline in general insurance earnings and a 4% lower contribution from the life insurance business. Growth in general insurance business premiums remained under pressure, with insufficient diversification of the product lines and further losses of market share in the core motorcycle market. The comparable 2016 period included one-off IBNR releases that furthermore increased the comparative base. The focus remains on product innovation and branding initiatives to regain market share and to expand its product lines. De-tariffing of the general insurance industry in the second half of 2017 did not have a significant impact on relative market pricing. The life insurance business continues to be under pressure from low new business production, resulting in negative expense experience. Weaker mortality claims experience also affected the 2017 earnings.

SI achieved overall growth of 12% in its net result from financial services (17% in constant currency), with sterling performances from Capital Management and the International businesses.

SI net result from financial services (% contribution and growth on 2016)



The *Investment Management SA* net result from financial services declined by 20% on 2016, attributable to the following:

- A R47 million after tax decline in performance fees. Some R40 million of the decline relates to performance fees earned by the Private Equity business in 2016 from the listing of Dis-Chem, with the remainder attributable to a relatively lower level of outperformance of the relevant benchmarks.
- Low growth in the average level of assets managed on behalf of the Sanlam life businesses. Net outflows from the legacy life book persisted, while the redeployment of discretionary capital further reduced assets under management. The legacy life book managed by SI is running off while SPF's open architecture approach results in only a portion, albeit increasing, of its new business being managed by SI. A weak equity market performance in the first half of the year aggravated the pressure on fee income earned from these portfolios, which declined by some 9%.
- The establishment of the CCM resulted in a reallocation of earnings of R12 million (after tax) from the SA Investment Management business to Capital Management.

These factors were partly offset by good growth in fees from third party and collective investment portfolios, which benefited from good net inflows during 2016 and 2017. Key focus areas to mitigate the impact of anticipated further outflows from the legacy life book include:

- Growing third party inflows as well as the share of open architecture business managed on behalf of SPF;
- Expanding capabilities in alternative asset classes to attract new inflows; and
- Stringent focus on cost efficiencies.

As indicated to the market in December 2017, Sanlam Investments' exposure to Steinhoff International (Steinhoff) equity instruments in Sanlam and third party portfolios was largely at or slightly above its index weighting. The collapse in the Steinhoff share price in December 2017 will therefore not have a disproportional impact on future fee income.

Wealth Management net result from financial services increased by 14%, supported by strong growth in performance fees and lower start-up losses incurred in new business units.

The *International* business experienced a sharp turnaround in profitability following the restructuring in 2016. Net result from financial services grew by 92% (116% in constant currency). Fee income benefited from the rise in global equity markets, augmented by a lower recurring cost base after the restructuring. The comparable period also included one-off restructuring costs.

Capital Management achieved 19% growth in its net result from financial services. One-off income from equity structuring and financing deals and the revaluation of property finance deals contributed some R50 million (after tax). Sanlam's largest exposure to Steinhoff instruments are within the Capital Management business:

- Steinhoff equities serve as partial security for some of the loans granted by the collateralised lending business. The maximum exposure, attaching no value to any security held, amounted to R580 million after tax. Significant progress has been made since December 2017 to obtain additional security and updated valuations for the security instruments. Allowing for the current best estimate value of security held, an after-tax adjustment of R37 million was raised in respect of this exposure. The eventual security value realised may differ from current best estimates with a potential positive or negative earnings impact in 2018.
- The non-participating policyholder portfolios managed by the CCM have exposure to foreign debt instruments of R368 million, which reflected an unrealised marked-to-market (MTM) decline of R157 million at 31 December 2017. These portfolios also have exposure to South African debt instruments of R771 million, which traded at unrealised MTM declines of R71 million. The MTM declines from these exposures were largely absorbed by discretionary margins held by the Group for such events. In the absence of actual defaults, the MTM declines will reverse up to the maturity date of the instruments. The utilisation of these margins did not affect GEV, as no value has been placed thereon in the Embedded Value of Covered Business.

Santam did exceptionally well to increase its net result from financial services by 5% despite the major catastrophe events highlighted before. Underwriting results increased by 1%, while the contributions from float income and SEM investments grew by 5% and 50% respectively.

An underwriting margin of 6% was achieved in 2017 (6,4% in 2016) including the catastrophe events, which decreased underwriting profit by R156 million after tax and non-controlling interest. The 2017 performance is in the middle of the target range of 4% to 8%, testimony to the resilience of its diversified insurance book. Net earned premiums increased by 8%, while the combined administration cost and float margin ratio remained broadly in line with 2016. The underwriting results of the key lines of business (excluding SEM investments) are reflective in the graph below.

Santam Commercial and Personal experienced the costliest 12 months for natural catastrophe losses in Santam's history. The business was challenged by the Western Cape storms, devastating Garden Route fires, further large commercial and corporate fire claims and flash flooding, and hail events in Gauteng and KwaZulu-Natal. Underwriting margins were under less pressure than expected due to the benefits of the diversified portfolio and reinsurance support. Santam Commercial and Personal's year-on-year premium growth showed a significant increase mainly due to book acquisitions and dedicated focus on the Sanlam tied advisors and Santam Direct. There was a sustained focus on improving the profitability of the business, in particular the commercial property business.

Santam Specialist has a leadership position across most segments in which it operates and leverages this position across distribution channels and specialist intermediaries. The Santam Specialist business experienced competitive trading conditions, and underwriting results were negatively impacted by a number of large corporate property claims. The engineering class of business achieved excellent underwriting results with limited claims activity during 2017. The liability class was impacted by a number of large claims and estimate adjustments, and reported underwriting results significantly lower than the strong results achieved in 2016. The crop insurance business was negatively affected by significant hail claims during the weekend of 30 December 2017; it, however, still achieved an excellent underwriting result, mainly due to low incidents of drought claims during this period.

MiWay delivered solid premium growth on the back of new business offerings, although a slowdown in growth occurred during the second half of the year due to the increased focus on profitability during 2017. The disciplined underwriting resulted in excellent underwriting results following an improvement in the claims ratio net of catastrophe reinsurance recoveries to 56,9% (2016: 62,7%).

Financial and operational review (continued)

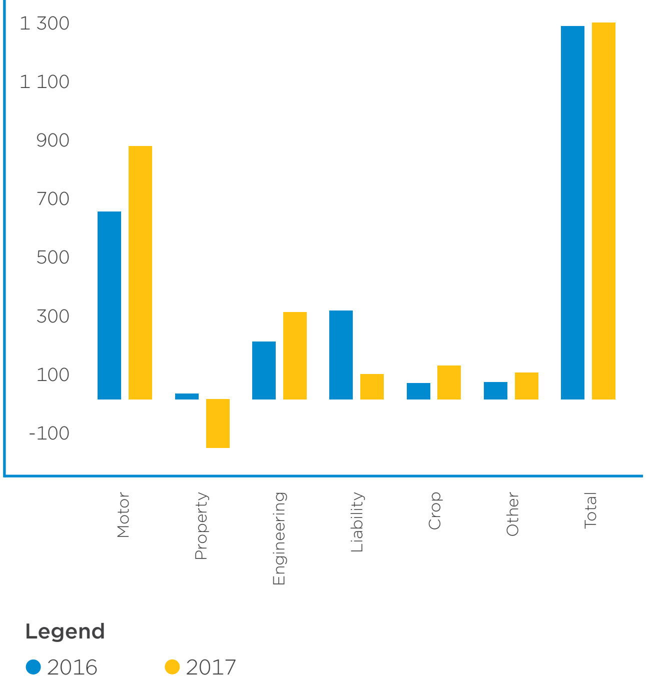
Santam Re continued to contribute to Santam's diversification strategy and its ability to create long-term value, and remains the main vehicle for Santam reinsurance optimisation. It continued to build partnerships with international reinsurers with portfolios of good standing.

The growth in float income is largely the function of prevailing short-term interest rates and the level of float balances.

Santam continued to provide comprehensive technical support to SEM business partnerships. This included product, pricing, underwriting and reinsurance input, which together with Saham Finances structural growth contributed to strong earnings growth from the SEM investments.

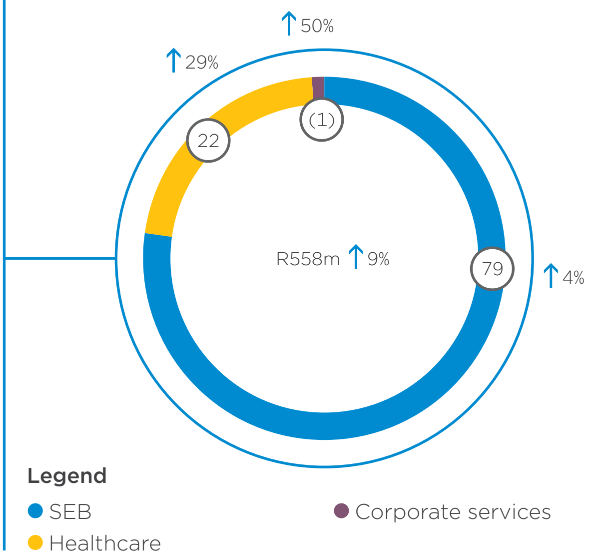
Read more about Santam's performance in the Santam Integrated Report online at www.santam.co.za.

Santam underwriting result (R million)



The 9% increase in **Sanlam Corporate's** net result from financial services is the aggregate of 29% growth in the Healthcare contribution and 4% growth at Sanlam Employee Benefits (SEB). The Healthcare businesses benefited from income earned on new business as well as cost efficiencies. At SEB, increased allowance for one-off project expenses and high disability and mortality claims experience partly offset good growth at the investments business, which benefited from positive annuity mortality experience and asset mismatch profits.

Sanlam Corporate net result from financial services (% contribution and growth on 2016)



Normalised headline earnings of R9,8 billion are 18% up on 2016. This is the combined effect of the 7% increase in net result from financial services, a 146% increase in net investment return earned on the capital portfolio, a 3% increase in amortisation of intangible assets and equity participation costs as well as an increase in net project expenses from R29 million in 2016 to R114 million in 2017.

Net investment return benefited from the relatively stronger investment market performance in 2017 and the base effect of the R192 million additional deferred tax expense recognised in 2016 after the increase in the effective CGT rate in South Africa from 19% to 22%. This more than offset the R250 million lower after-tax investment income earned following the redeployment of discretionary capital during 2016 and 2017. As communicated to shareholders in December 2017, the Group had index-weighted exposure to Steinhoff shares in the South African capital portfolio. The collapse in the Steinhoff share price contributed to some R120 million lower investment return earned on the portfolio after tax.

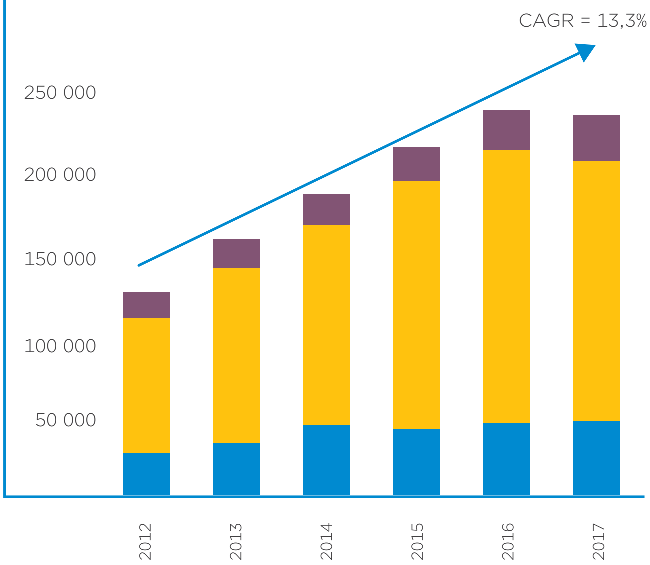
Net project expenses include Shriram Life Insurance expansion cost of R26 million, due diligence and related costs incurred on investigating and concluding transactions of R47 million and one-off restructuring and small project costs of R41 million. Shriram Life Insurance is incurring an abnormal level of branch establishment costs as it aggressively expands its own distribution footprint. These costs are recognised as project expenses, while expansion activities are significant relative to the size of the in-force book, to avoid distorting the underlying operational performance of the business. Once profit releases from the in-force book reach an appropriate size, the costs will be reallocated to net result from financial services on a prospective basis. This is anticipated to occur in the next three years. The remainder of project expenses are one-off in nature and related to specific corporate actions.

Normalised attributable earnings increased by 35% from R8,1 billion in 2016 to R11 billion in 2017. The biggest contributor to profit on disposal of subsidiaries and associates of R1,3 billion is the R1,2 billion realised on the disposal of the Enterprise Group investments in Ghana. Impairment charges largely relate to the impairment of the investments in Letshego (R103 million) and Pacific & Orient (R161 million) due to the operational underperformance in these businesses.

Business volumes

New business volumes declined by 1% amidst pressure on single premiums in South Africa, Namibia and Botswana. Life insurance new business volumes increased by 2%, investment business inflows declined by 5% and general insurance earned premiums increased by 16%. Excluding structural activity, exchange rate differences and the R4,6 billion new mandate received from the BPOPF in 2016, new business volumes increased by 1%.

Sanlam Group new business volumes (R million)

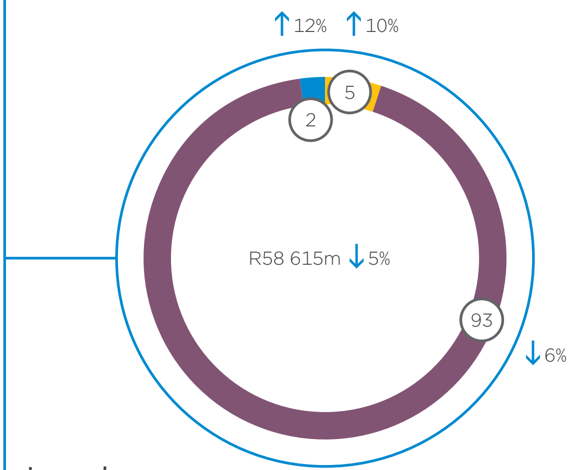


Legend

Life insurance · Investments · General insurance

SPF's new business sales declined by 5%, with lower discretionary single premium savings volumes concealing a solid recurring premium performance.

SPF new business volumes (% contribution and growth on 2016)



Legend

Sanlam Sky · Glacier

Recurring premium sub-cluster and SBD

Financial and operational review (continued)

Sanlam Sky's new business increased by 12%. The change in mix between risk and savings business continued to improve in 2017, supporting exceptional growth in VNB (refer below). Individual life recurring premium new business increased by 8%, with a 32% decline in savings business partly offsetting 15% growth in risk business. Group recurring premium sales were supported by a number of large new schemes written by Safrican and the biennial renewal of the Zionist Christian Church (ZCC) scheme, increasing by 26%. Excluding the ZCC scheme, group recurring premium business increased by 9% against a high comparative base, which also included large new schemes at Safrican in 2016.

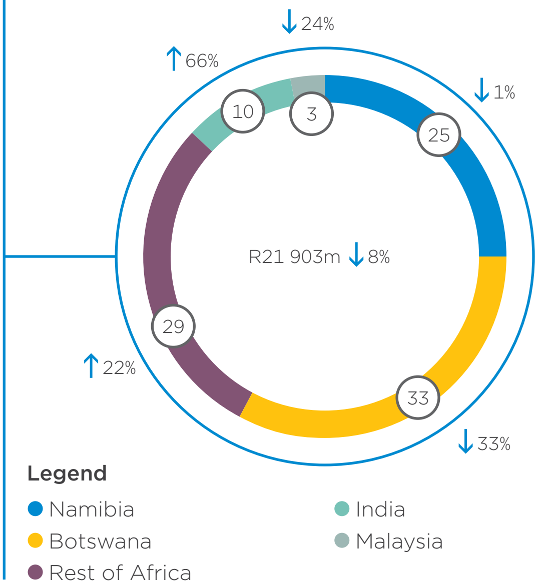
New business volumes in the *Recurring premium* sub cluster and *Strategic Business Development* increased by 10%. Risk business sales grew by 18%, supported by the first-time inclusion of BrightRock from October 2017 and more than 20% growth in credit life business. Excluding BrightRock, new risk business achieved solid growth of 8% against a high comparative base. Savings business sales increased by 8%, the combination of good growth in retirement annuities and lower demand for endowments and tax-free savings products.

Glacier new business declined by 6%. The LISP business was severely impacted by the heightened investor risk aversion, contributing to 9% and 17% declines in discretionary non-life and secondary new business sales respectively. Demand for life licence LISP solutions were more resilient with new business volumes increasing by 3%. Traditional life investment single premiums grew by 1%.

The slowdown in single premium business had a negative impact on SPF's net fund inflows, which declined from R16,5 billion in 2016 to R8,5 billion in 2017.

SEM new business volumes declined by 8% (up 8% in constant currency, excluding structural activity and the BPOPF mandate in 2016).

SEM new business volumes (% contribution and growth on 2016)



New business volumes in *Namibia* declined by 1%. New life business growth of 12% was more than offset by a 5% decline in the more volatile single premium investment business. The life business growth was, however, skewed towards lower margin lines of business following good entry-level market sales in 2016, contributing to a disappointing VNB performance (refer below).

The *Botswana* results include the impact of a stronger average rand exchange rate, as well as a high comparative base attributable to the R4,6 billion asset management mandate received from the BPOPF in 2016. Excluding the BPOPF, new business sales grew by 22% in constant currency. The investment manager continued to perform well, growing its new investment mandates by some 27% in constant currency (excluding the BPOPF from the comparable base). New life business sales (up 9% in constant currency) improved in the second half of the year after a major competitor increased its annuity pricing. Annuity volumes were, however, still lower than 2016 and at lower margins, contributing to lower VNB (refer below).

Rest of Africa new business volumes grew by 22% (36% in constant currency). Excluding structural activity, new business volumes decreased by 15% (up 1% in constant currency). All countries in the region contributed growth in excess of 20% in constant currency, apart from Kenya, Zambia and Tanzania. Kenya continued to struggle to gain traction amidst a very competitive market and internal challenges, while in Zambia, focus on the quality of new business written resulted in a decline in recurring premium business, which offset good single premium growth. A decline in agency headcount and lower productivity negatively affected the Tanzania new business performance. A particular highlight is Nigeria's new business growth of almost 50% in constant currency in a difficult operating environment. Nigeria is now the third largest contributor to Rest of Africa new business volumes after Kenya and Saham Finances. Saham Finances is tracking the business case.

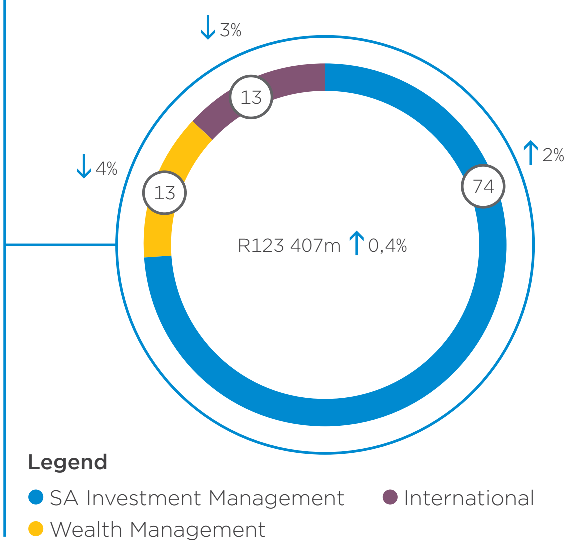
The *Indian* insurance businesses continued to perform well, growing their new business contribution by 66% in 2017 (6% in constant currency and excluding structural activity). New life and general insurance business sales increased by 51% and 74% respectively. The life business continued to benefit from the investments made in growing its distribution footprint. Business from the Shriram City Union Finance client base exceeded targets, while volumes are also expanding from the Shriram Transport Finance base. Shriram General Insurance exceeded its new business targets for 2017, but the mix of business still needs more attention.

Malaysia's new business performance continued to disappoint, with both the life and general insurance businesses experiencing some 24% decline in new business volumes (down 13% in constant currency). Progress with diversifying the lines of business still lags expectations. Several initiatives are being implemented to address the current under performance.

Net fund flows declined from R10,9 billion in 2016 to R2,1 billion in 2017. This is mainly due to the R4,6 billion BPOPF inflow included in the comparative base, a negative R542 million exchange rate impact and more than R3 billion of investment fund withdrawals in Namibia by the Government pension fund.

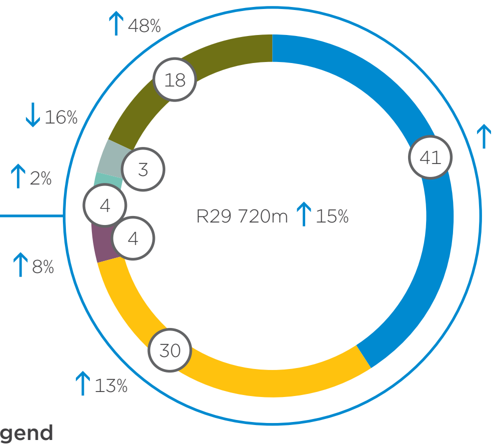
SI's new business growth of 2% in constant currency (flat at actual exchange rate) is a solid performance in an environment of low investor confidence in South Africa. Net fund inflows increased threefold from R5,2 billion in 2016 to R16,1 billion in 2017, a particularly pleasing result. The South African asset manager gained further traction in the institutional market, partly offset by lower retail flows that were to a larger extent impacted by negative investor sentiment. The Wealth Management business recorded net outflows. These relate mainly to R3,2 billion of outflows from low margin non-annuity products, mostly share incentive scheme mandates. The International business achieved a sterling turnaround in net fund flows, from an outflow of R4,7 billion in 2016 to a net inflow of R3,6 billion in 2017 (some R4 billion in constant currency). Most of the International business units achieved improved net inflows.

SI new business volumes (% contribution and growth on 2016)



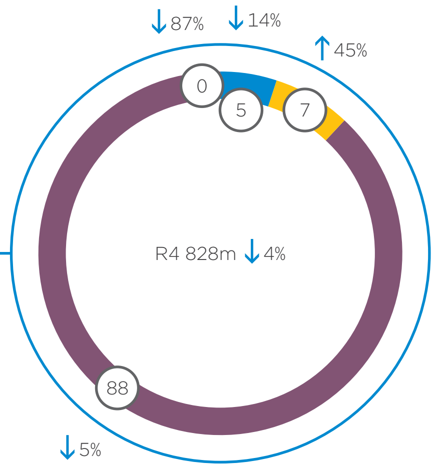
Gross written premiums at **Santam** increased by 15%. Organic growth of 9% was augmented by the first-time contribution from acquisitions. The three main lines of business, being motor, property and alternative risk, achieved double-digit organic growth, a robust performance in a highly competitive market. Net earned premiums grew by 8%, after allowing for reinsurance and reinstatement premiums of R160 million payable in respect of the catastrophe events. Gross written premium per line of business (excluding SEM investments) are analysed in the following graph:

Santam gross written premiums (% contribution and growth on 2016)



Sanlam Corporate regained some recurring premium risk market share as competitors repriced risk business after a period of weak claims experience, driving exceptional growth of 45% in this line of business. The more volatile single premium business experienced marginally lower volumes than 2016, but with a promising pipeline for the first half of 2018.

Sanlam Corporate new business volumes (% contribution and growth on 2016)



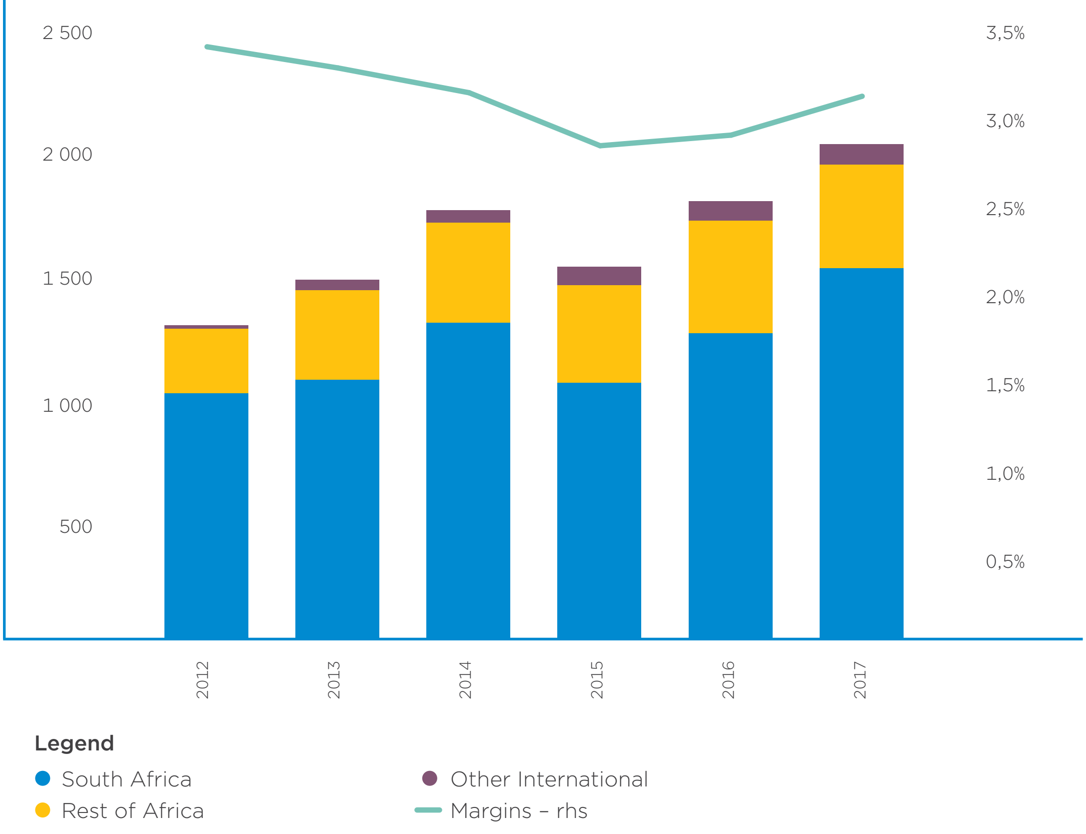
Overall net fund inflows of R34,6 billion in 2017 is a satisfactory performance given the challenging market conditions and a high base in 2016.

Business volumes for the year ended 31 December 2017

R million	New business 2017	New business 2016	Δ	Net inflows 2017	Net inflows 2016	Δ
Sanlam Personal Finance	**58 615**	61 748	(5%)	**8 454**	16 493	(49%)
Sanlam Emerging Markets	**21 903**	23 696	(8%)	**2 140**	10 929	(80%)
Sanlam Investments	**123 407**	122 879	0%	**16 110**	5 215	209%
Santam	**21 435**	19 826	8%	**7 265**	6 915	5%
Sanlam Corporate	**4 828**	5 029	(4%)	**606**	1 369	(56%)
Total	**230 188**	233 178	(1%)	**34 575**	40 921	(16%)
Covered business	**44 615**	43 599	2%	**10 235**	11 356	(10%)
Investment business	**158 016**	165 740	(5%)	**14 923**	21 169	(30%)
Short-term insurance	**27 557**	23 839	16%	**9 417**	8 396	12%
Total	**230 188**	233 178	(1%)	**34 575**	40 921	(16%)

The discount rate used to determine VNB is directly linked to long-term interest rates. The 20bps and 60bps decline in the South African nine- and five-year benchmark rates respectively during 2017 resulted in a commensurate decline in the risk discount rate, with a 3% positive impact on VNB growth. VNB margins were only marginally affected by the lower discount rate. VNB margins were in general maintained on a per product basis, with the rise in average margins attributable to a change in mix to more profitable product lines, in particular at Sanlam Sky and the Recurring premium sub cluster. Net VNB commensurately increased by 15%, an exceptional performance in a challenging environment.

Sanlam Group gross VNB and margins (R million)



SPF achieved overall growth of 21% (17% on a comparable basis). The change in business mix in Sanlam Sky contributed to a 46% increase in its VNB contribution (35% on a comparable basis) and an increase in VNB margin from 7,12% in 2016 to 8,88% in 2017. The good growth in new risk business at the Recurring premium sub cluster and strategic business development, similarly supported VNB, which increased by 42% (38% excluding BrightRock). VNB margins in these businesses improved from 2,92% to 3,46%. Glacier's VNB declined by 7% due to the weak new business performance and the reallocation of administration costs from the Recurring premium sub cluster.

Net VNB at **SEM** declined by 3% (up 9% in constant currency). Excluding structural activity, VNB increased by 3% in constant currency. All regions contributed strong organic growth, apart from Namibia, Botswana and Tanzania. Namibia VNB was in line with 2016 despite the rise in new life business volumes. This is largely attributable to the change in mix to lower margin business, while the decline in annuity sales in Botswana contributed to a 9% decline in its constant currency contribution. Tanzania also experienced lower VNB in line with the decline in new life business.

The good growth in **Sanlam Corporate** recurring premium risk business enabled a 14% increase in the cluster's VNB contribution.

Value of new life business for the year ended 31 December 2017

R million	2017	2016	Δ
Net value of new covered business	1 841	1 605	15%
Sanlam Personal Finance	1 407	1 163	21%
Sanlam Emerging Markets	347	359	(3%)
Sanlam Investments	–	7	–
Sanlam Corporate	87	76	14%
Gross of non-controlling interest	2 008	1 779	13%
Net present value of new business premiums	62 604	59 556	5%
Sanlam Personal Finance	43 940	41 507	6%
Sanlam Emerging Markets	7 146	6 827	5%
Sanlam Investments	3 259	3 411	(4%)
Sanlam Corporate	8 259	7 811	6%
Gross of non-controlling interest	65 377	62 383	5%
Net new covered business margin	2,94%	2,69%	
Sanlam Personal Finance	3,20%	2,80%	
Sanlam Emerging Markets	4,86%	5,26%	
Sanlam Investments	–	0,21%	
Sanlam Corporate	1,05%	0,97%	
Gross of non-controlling interest	3,07%	2,85%	

Capital management

The Group started the year with discretionary capital of R550 million, after allowing for the BrightRock acquisition and a portion of the acquisition consideration in respect of the additional 16,6% stake in Saham Finances. A number of capital management actions during 2017 affected the balance of available discretionary capital, which amounted to R2 billion at 31 December 2017.

Discretionary capital at 31 December 2017

R million	
Discretionary capital at 31 December 2016	550
Excess dividend cover	805
Capital released from Group operations	1 712
Sanlam Life	1 362
Sanlam Capital Management	350
Investment return and other	98
Corporate activity – disposals	1 639
Enterprise Group	1 590
Summit Trust	49
Corporate activity - acquisitions	(2 804)
South Africa	(436)
Absa Consultants and Actuaries	(285)
EasyEquities	(85)
Other	(66)
Other emerging markets	(2 365)
Saham Finances	(1 863)
Sanlam Investments East Africa	(255)
Soras Group	(113)
Sanlam General Insurance Uganda	(94)
Other	(40)
Developed markets	(3)
Discretionary capital at 31 December 2017	2 000

The discretionary capital portfolio was augmented by the following inflows:

- The excess cash operating earnings cover in respect of the dividend paid in 2017.
- Capital of R1,4 billion released from the covered business operations in Sanlam Life. As communicated in the Group's 2016 annual results announcement, capital allocated to the covered business operations on the Sanlam Life balance sheet can be reduced by R2 billion over time. Investment return earned on this capital base is also available for release. The first R500 million was released from the capital base in 2017, together with the net investment return of R862 million earned during the year. The remaining R1,5 billion will be released from the base during 2018.
- The introduction of the CCM enabled the transfer of credit exposures from the Sanlam Capital Markets balance sheet to Sanlam Life. This released R350 million of the capital allocated to the Sanlam Capital Markets business.
- Disposals of Group operations yielded R1,6 billion, with the main contribution from the Enterprise Group disposal announced earlier in 2017. Sanlam Investments also disposed of the developed market component of Summit Trust, retaining the Mauritian-based operations.
- Investment return and other small movements added R98 million.

A net total of R2,8 billion was redeployed in 2017 in respect of new transactions, which included the following major acquisitions:

- We entered into agreements for the acquisition of Absa's employee benefits and actuarial consulting business to add scale to SEB's offering. The transaction remains subject to final regulatory approval.
- Sanlam Investments acquired a 30% stake in EasyEquities, an innovative low-cost investment platform, which significantly enhanced the Cluster's reach into the lower income markets and complement its Satrix index-tracking offering.
- Debt funding of up to US$140 million was considered as part of the funding model for the acquisition of the additional 16,6% stake in Saham Finances. The Enterprise Group disposal eliminated the need for debt funding, with this portion of the acquisition consideration (R1,9 billion) also funded from discretionary capital.
- The acquisition of a controlling stake in PineBridge Investments East Africa (renamed to Sanlam Investments East Africa) and other smaller transactions utilised some R260 million. The PineBridge acquisition provides the Group with a meaningful investment management capability in East Africa for future growth in this line of business.

- Sanlam Emerging Markets acquired the non-controlling interests in the Soras Group in Rwanda for R113 million and invested R94 million to capitalise its Ugandan business, which expanded its products lines through the acquisition of a general insurance business.

Subsequent to the 2017 year-end, we concluded agreements to acquire the remaining 53,4% stake in Saham Finances. This transaction significantly enhances the strategic positioning of Sanlam as the leading insurance provider in Africa, and will accelerate the extraction of synergies from the combined footprint. The transaction price of US$ 1 050 million will be funded through a combination of available discretionary capital, debt and a Sanlam Limited share issuance within the limits of current approvals and the Group's risk appetite.

The rand experienced significant volatility during 2017, weakening in the latter half of the year as uncertainty around the outcome of the African National Congress' national elective conference heightened. General market consensus was that the rand could weaken further depending on which candidate was elected as the new party president. As the acquisition of the remaining stake in Saham Finances was only viable below a certain rand/US$ exchange rate, we decided to partially hedge the transaction through a combination of foreign currency acquisitions and forward exchange contracts. US$602 million of the total US$1 050 million consideration was hedged at an average exchange rate of R14,12. The unrealised fair value loss on the hedging instruments amounted to some R562 million after tax at 31 December 2017. The loss was recognised directly in the Statement of Changes in Equity in terms of the hedge accounting applied under IFRS. The eventual profit or loss realised at payment date will be recognised as an adjustment to the acquisition price. The investment will meet Sanlam's hurdle rate at the hedged exchange rate, taking cognisance of the expected depreciation of the rand against the US$ over the long term.

Solvency

All of the life insurance businesses within the Group were sufficiently capitalised at the end of December 2017. The total admissible regulatory capital (including identified discretionary capital) of Sanlam Life, the holding company of the Group's major life insurance subsidiaries, covered its CAR 5,8 times under the current solvency regime.

As indicated in previous results announcements, South Africa is implementing a new solvency regime (Solvency Assessment and Management – SAM) modelled on the European Solvency II regime with an anticipated effective date of 1 July 2018. A Solvency Capital Requirement (SCR) target cover range under SAM of between 1,7 times and 2,1 times has been set for Sanlam Life Insurance Limited's (Sanlam Life) covered business. The R9,5 billion of IFRS-based required capital allocated to these operations at the end of December 2017 translated into a SCR cover of 2,3 times. The SCR cover ratio for the Sanlam Life entity as a whole at 2,7 times exceeded the covered business ratio at the end of December 2017 due to the inclusion of discretionary and other capital held on the Sanlam Life balance sheet as well as investments in Santam and other Group operations that are not allocated to Sanlam Life's covered business operations (i.e. not included in the R9,5 billion allocated capital referred to above). The Sanlam Group SCR cover ratio of 2,2 times remained in line with the 2,2 times cover at 31 December 2016. The Group will increasingly focus on the Group SCR cover as the main solvency measure.

Dividend

Sanlam's dividend policy makes a clear distinction between operating earnings (net result from financial services), which is the key driver of dividends, and investment return earned on the capital portfolio. The level of capital allocated to the Group's operations is determined to ensure that regulatory solvency levels will be maintained within a set target range, taking into account potential volatility in investment market returns. The key features of Sanlam's dividend policy, and the interaction with discretionary capital, can be summarised as follows:

1. Our dividend is not impacted by short-term volatility caused by the net investment return component of our earnings.

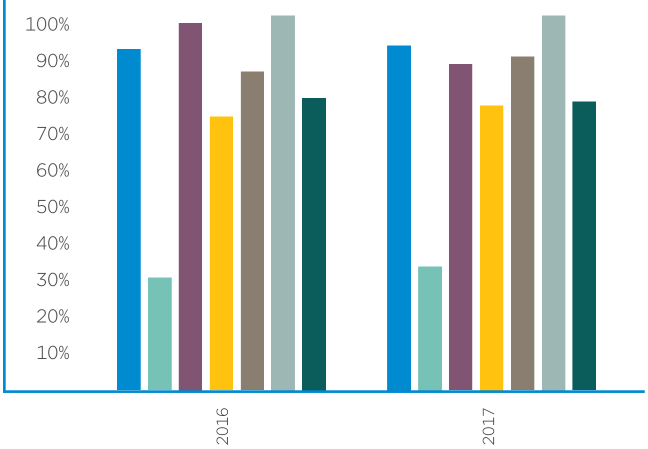
2. Potential volatility in net investment return is taken into account in setting our required capital levels. We can withstand severe investment market volatility and still remain within our target solvency range.

Dual focus on stable dividend growth and investment for future growth

Financial and operational review (continued)

The Group only declares an annual dividend due to the costs involved in distributing an interim dividend to our large shareholder base. Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the normal dividend, subject to the Group's liquidity and solvency requirements. Dividend cover of cash operating earnings is managed broadly within a 1 to 1,1 times range to target consistent real growth of between 2% and 4% in the Group's normal dividend payment. The operational performance of the Group in the 2017 financial year enabled the Board to increase the normal dividend per share by 8% to 290 cents. This will maintain a cash operating earnings cover of approximately 1,1 times. The graph below provides an indication of cash operating earnings generation in 2017.

Cash earnings as % of net result from financial services



Legend

- Sanlam Personal Finance
- Sanlam Emerging Market
- Sanlam Investments
- Santam
- Sanlam Corporate
- Group office
- Sanlam Group

Most of the net result from financial services generated by the South African operations are available for dividends due to the mature nature of these businesses. The same applies for the developed markets earnings in Sanlam Investments. Sanlam Emerging Markets' operations, however, retain a large part of their operational earnings for investment in future growth. As these operations mature over time, the cash generation will increase with a commensurate increase in cash available for Sanlam dividend payments.

The South African dividend withholding tax regime applies in respect of this dividend. The dividend does not carry any STC credits and will in full be subject to the 20% withholding tax, where applicable.

Shareholders are advised that the final cash dividend of 290 cents for the year ended 31 December 2017 is payable on Monday, 9 April 2018 by way of electronic bank transfers to ordinary shareholders recorded in the register of Sanlam at close of business on Friday, 6 April 2018. The last date to trade to qualify for this dividend will be Tuesday, 3 April 2018, and Sanlam shares will trade ex-dividend from Wednesday, 4 April 2018.

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 April 2018 and Friday, 6 April 2018, both days included.

Thought leadership through fact-based insights

The Sanlam Benchmark Survey provides a comprehensive review of South Africa's retirement industry and offers insights that enable a wide range of stakeholders to make informed decisions about the funds they invest in or manage. Ultimately, this contributes to a positive financial outcome for retiring South Africans.

Sanlam Employee Benefits (SEB) collects data, conducts interviews, and publishes and distributes the annual research survey. This research is based on long-term trends and is primarily retrospective – the events that shaped the retirement fund industry. In 2017, the survey focused on transforming hindsight into foresight with the aim of 'future-proofing' stakeholders to mitigate potential negative impacts on the retirement industry.

Research was expanded to include individual consumers of financial services to better understand drivers of individual financial wellness. Employee benefits consultants were interviewed to understand their views on the changing dynamics of the formal retirement funding sector.

The outcome of the survey was shared at the annual Benchmark Symposium. Benefits for retirement fund trustees, members and financial advisers include access to simple and easy-to-understand information to improve their knowledge around retirement matters, and their ability to take responsibility for their own retirement needs and engage more readily with funds on specific issues. Survey insights enable retirement funds to design benefit structures and communication strategies based on membership needs and current industry trends. By improving the levels of savings for retirement, the industry is in a position to improve the current savings level in South Africa.

The Sanlam Benchmark Survey is a leading example of value creation through collective stakeholder participation and information sharing. The infographic below sets out the different components of the 2017 research programme.

1 317 Consumers of financial services consulted

16 Employee benefits funds consulted

10 Interviews with professionals

4 Focus group discussions

16 Standalone funds consulted (including 10 union funds)

10 Participating employers in umbrella funds consulted

Learn more about the Sanlam Benchmark Survey on the website: https://www.sanlambenchmark.co.za/.

Five-year review

		2017	2016	2015	2014	2013	Average annual growth rate %
GROUP EQUITY VALUE							
Group Equity Value	R million	**121 763**	110 717	103 506	95 936	84 409	10
Group Equity Value	cps	**5 940**	5 407	5 057	4 684	4 121	10[1]
Return on Group Equity Value per share	%	**14,8**	11,8	12,8	18,5	17,0	
BUSINESS VOLUMES							
New business volumes	R million	**230 188**	233 178	210 842	182 297	154 976	10
Life business		**44 615**	43 599	39 976	42 290	31 687	9
Investment business		**158 016**	165 740	150 670	121 383	105 697	11
General insurance		**27 557**	23 839	20 196	18 624	17 592	12
Recurring premiums on existing business	R million	**31 571**	29 239	27 348	25 079	22 096	9
Total inflows	R million	**261 759**	262 417	238 190	207 376	177 072	10
Net fund flows	R million	**34 575**	40 921	19 049	41 994	26 113	7
SIM funds under management	R billion	**862**	792	787	762	677	5
New covered business – gross							
Value of new covered business	R million	**2 008**	1 779	1 514	1 743	1 450	8
Covered business PVNBP	R million	**65 377**	62 383	54 362	56 394	44 902	10
New covered business margin	%	**3,07**	2,85	2,79	3,09	3,23	
EARNINGS							
Gross result from financial services	R million	**13 558**	12 678	11 595	10 774	8 179	13
Net result from financial services	R million	**8 549**	7 969	7 269	6 879	5 429	12
Normalised headline earnings	R million	**9 835**	8 360	8 851	8 340	8 060	5
Headline earnings	R million	**9 757**	9 860	9 300	8 325	8 062	5
Net result from financial services	cps	**417,2**	389,4	355,2	336,2	266,0	12
Normalised headline earnings	cps	**480,0**	408,5	432,5	407,6	395,0	5
Diluted headline earnings	cps	**481,3**	488,1	437,0	427,3	398,4	5
OTHER							
Sanlam share price	cps	**8 700**	6 290	6 054	7 000	5 324	13
Dividend	cps	**290**	268	245	225	200	10
Sanlam Life Insurance Limited							
Shareholders' fund	R million	**93 376**	83 866	77 970	68 156	60 542	11
Capital adequacy requirements (CAR)	R million	**8 375**	8 150	8 250	8 325	7 550	
CAR covered by prudential capital	times	**5,8**	5,8	5,8	4,5	4,5	

		2017	2016	2015	2014	2013	Average annual growth rate %
Foreign exchange rates							
Closing rate							
Euro	R	**14,87**	14,43	16,83	14,01	14,51	1
British pound	R	**16,75**	16,92	22,83	18,05	17,42	(1)
United States dollar	R	**12,38**	13,68	15,48	11,57	10,53	4
Average rate							
Euro	R	**14,50**	16,22	14,08	14,38	12,78	3
British pound	R	**16,61**	19,69	19,39	17,85	15,00	3
United States dollar	R	**13,09**	14,65	12,69	10,84	9,61	8
NON-FINANCIAL[(2)(4)]							
BEE credentials[(3)]	level	**2**	2	2	2	2	
Corporate Social Investment spend	R million	**93**	68	74	67	64	
Office staff turnover	%	**14,10**	13,90	12,38	11,68	10,93	
Carbon footprint	tonnes CO_2/full time employee	**8,3**	8,6	9,5	9,7	9,8	

(1) *Excludes dividends paid.*

(2) *Comparative information presented with effect from year when measure was reported for the first time.*

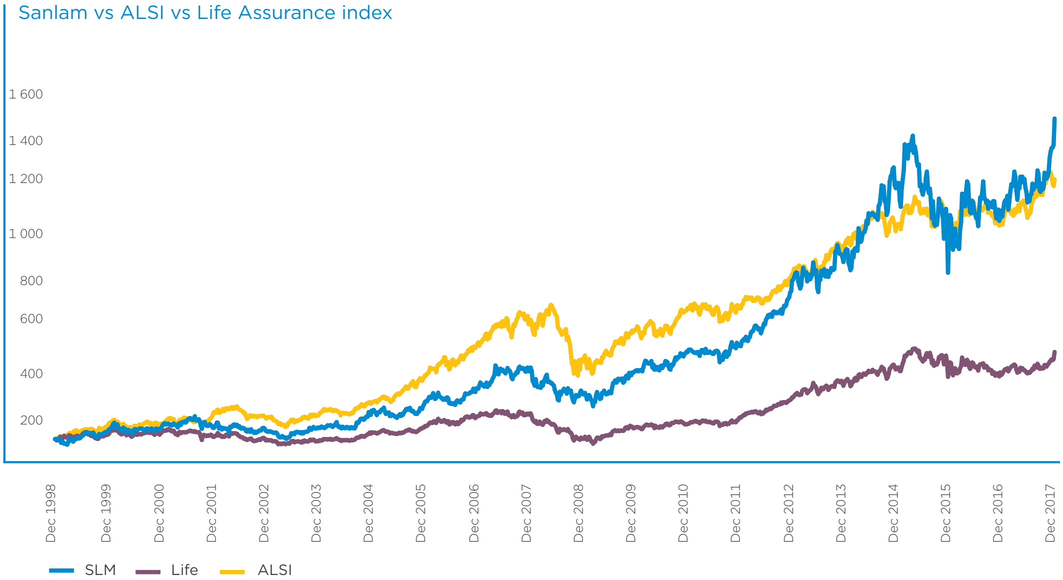
(3) *Measured in terms of the Financial Sector Charter in South Africa.*

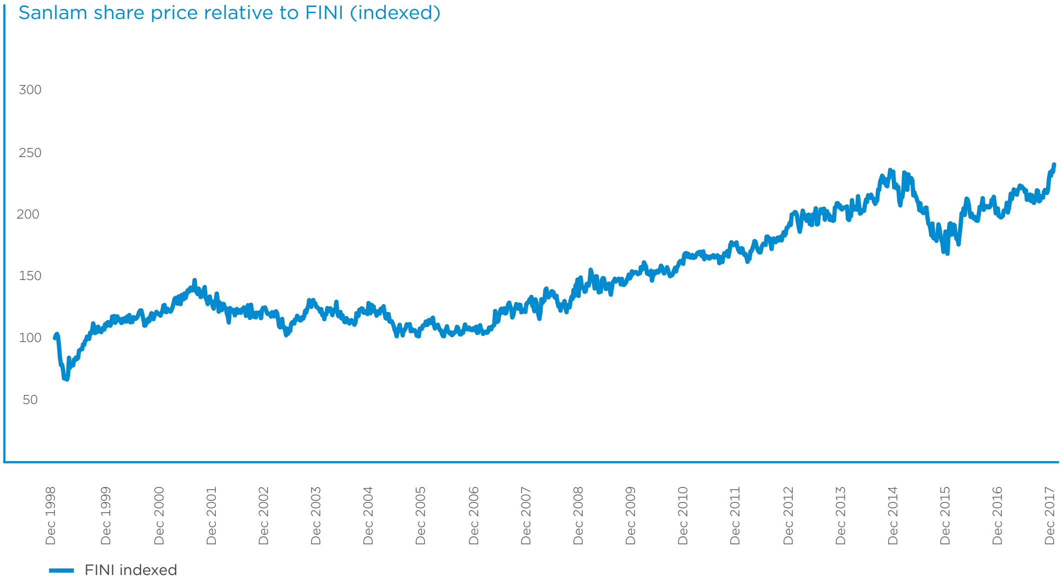
(4) *South Africa only.*

Stock exchange performance

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Number of shares traded	million	**1 340**	1 437	1 363	1 086	1 247	1 160	1 082	1 059	1 259	1 490
Value of shares traded	R million	**93 485**	89 130	90 444	65 974	58 841	41 074	29 578	25 986	23 714	27 175
Percentage of issued shares traded	%	**62**	66	63	50	59	55	52	50	58	66
Price/earnings ratio	times	**18,1**	15,4	14,0	17,2	13,5	15,3	11,6	11,1	10,4	12,9
Return on Sanlam share price since listing[1]	%	**20**	18	19	21	20	20	17	17	17	14
Market price	cps										
– Year-end closing price		**8 700**	6 290	6 054	7 000	5 324	4 477	2 885	2 792	2 275	1 700
– Highest closing price		**9 474**	7 149	8 217	7 344	5 518	4 550	3 016	2 829	2 305	2 330
– Lowest closing price		**6 100**	5 116	4 405	4 495	4 051	2 831	2 414	2 200	1 351	1 390
Market capitalisation at year-end	R million	**188 483**	136 271	131 158	151 653	111 804	94 017	60 585	58 632	49 140	37 232

[1] *Annualised growth in the Sanlam share price since listing plus dividends paid.*





Analysis of shareholders on 31 December 2017

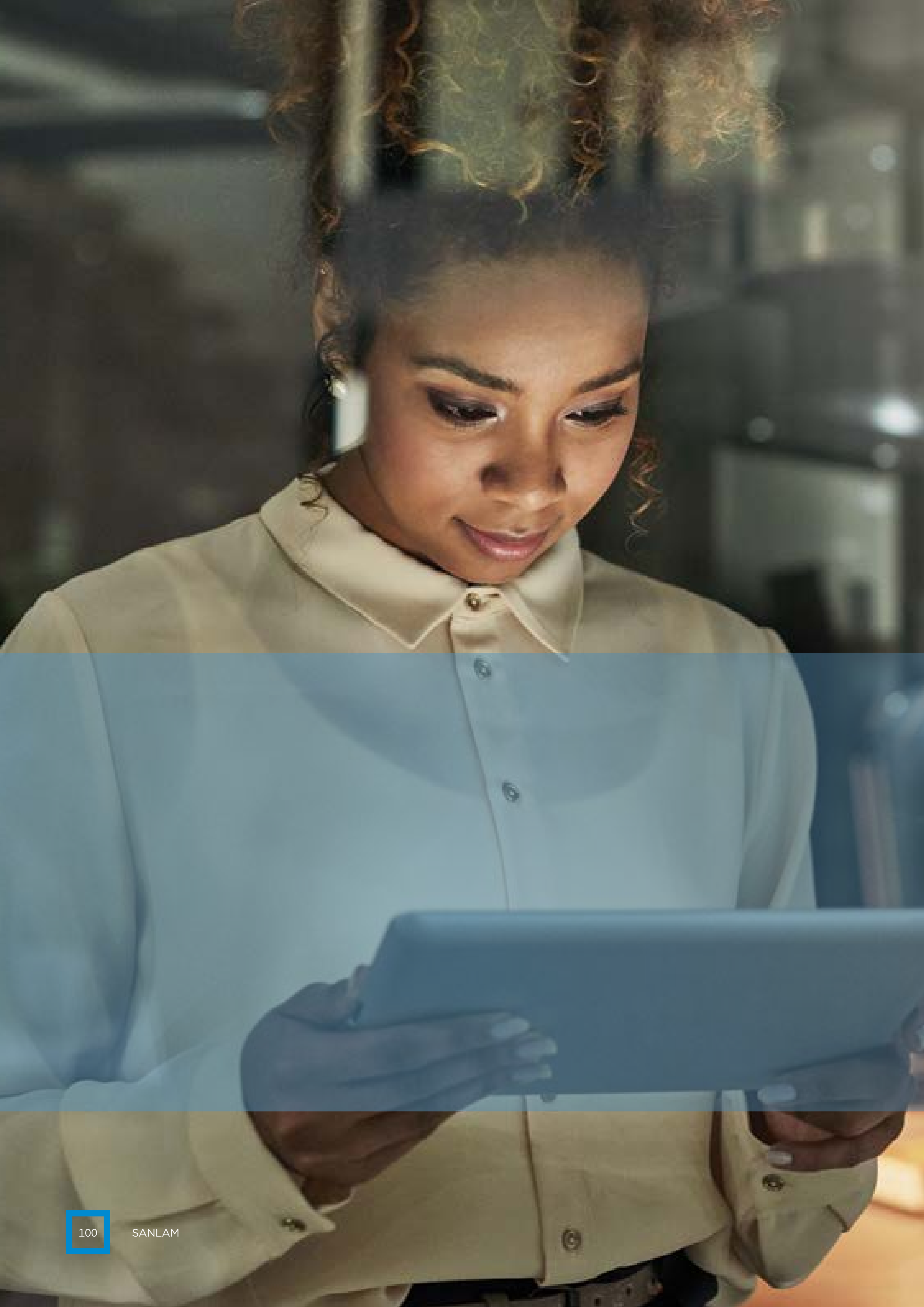
Distribution of shareholding	Total Shareholders Number	Total Shareholders %	Total Shares held Number	Total Shares held %
1 – 1 000	392 049	87,08	146 111 643	6,74
1 001 – 5 000	51 112	11,35	99 870 159	4,61
5 001 – 10 000	4 193	0,93	28 815 918	1,33
10 001 – 50 000	1 983	0,44	37 533 213	1,73
50 001 – 100 000	262	0,06	18 637 760	0,86
100 001 – 1 000 000	457	0,10	134 193 694	6,19
1 000 001 and over	161	0,04	1 701 309 419	78,54
Total	**450 217**	**100,00**	**2 166 471 806**	**100,00**

Public and non-public shareholders	% Shareholding
Public shareholders (426 786)	66,12
Non-public shareholders	
Directors' interest	0,24
Held by subsidiaries	7,46
Employee pension funds	0,04
Sanlam Limited Share Incentive Trust	0,96
Government Employees Pension Fund (PIC)	11,68
Ubuntu-Botho Investments (Pty) Ltd	13,50
Total	**100,00**

Beneficial shareholding of 5% or more:

Government Employees Pension Fund (PIC)	11,68
Ubuntu-Botho Investments (Pty) Ltd	13,50

Shareholder structure	% Shareholding
Institutional and other shareholding:	
Offshore	40,18
South Africa	47,70
Individuals	12,12
Total	**100,00**



Our long-term **strategic execution**

Our long-term **strategic execution**

A strategy for sustainable performance

Sanlam's strategy has remained largely unchanged since 2003, with some refinements applied during the Board's review process this year.

Our strategic intent of sustainable value creation for all key stakeholders remains firmly in place, underpinned by Sanlam's vision to:

- Lead in client-centric wealth creation, management and protection in South Africa.
- Be a leading Pan-African financial services group with a meaningful presence in India and Malaysia.
- Play a niche role in wealth and investment management in specific developed markets.

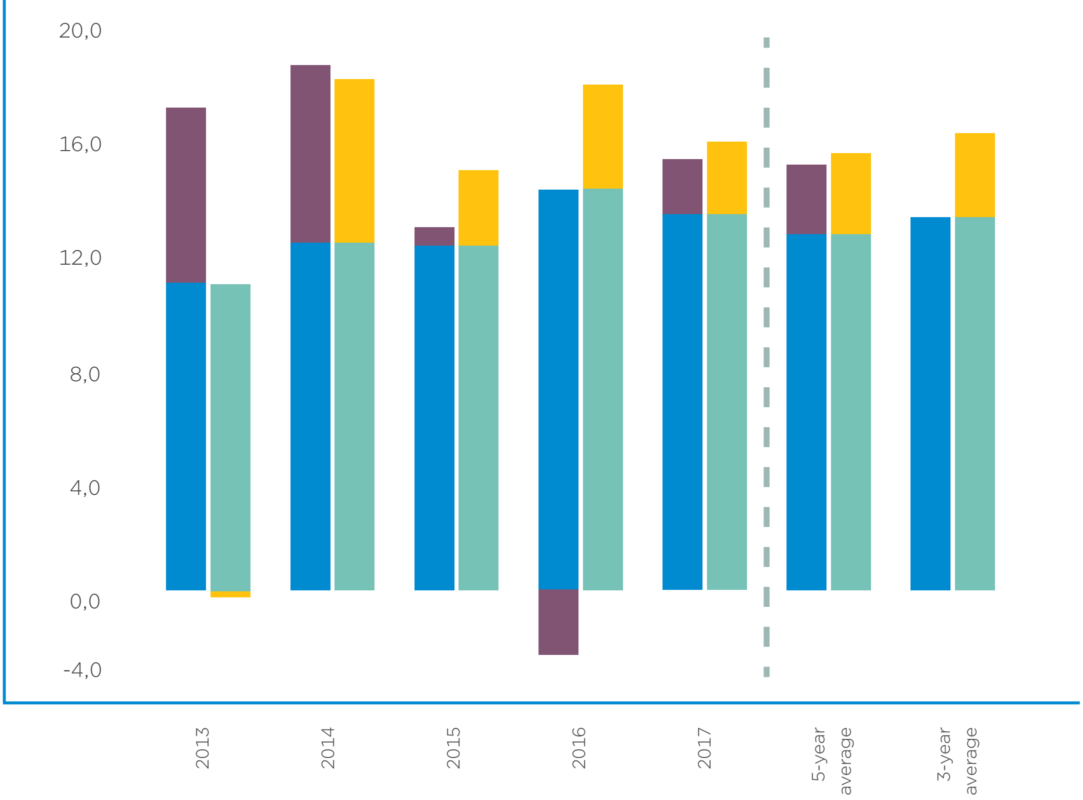
Whereas our strategy was previously focused on five pillars, we have changed the emphasis to be on four separate pillars, with transformation becoming a theme across all four pillars. More explicit reference is also made to client-centricity, resilience and innovation. These amendments do not imply new focus areas, but embeds current practice and Sanlam's philosophy towards sustainability more firmly into the strategy statement:

- Profitable top-line growth through a culture of client-centricity
- Enhancing resilience and earnings growth through diversification (including geographical presence, products, market segments and distribution platforms)
- Extracting value through innovation and improved efficiencies (operating and cost efficiencies)
- Responsible capital allocation and management

The ability to continuously transform to remain relevant in a changing world is a key enabler and underpins all aspects of our strategy. We define transformation broadly to include economic transformation to reduce wealth inequality, transforming our employees to reflect the demographic profile of our client base and societies where we operate, transforming our distribution channels and operations in line with technological and regulatory developments, and, most importantly, transforming everything we do in line with the changing needs and preferences of our clients.

Sanlam's strategy is not unique. Our ability to consistently execute on the strategy in a sustainable manner has proven to be a key differentiator. It has been a driver of success in the past and forms the foundation for Sanlam's sustainable performance over the long term as measured by RoGEV. We have consistently outperformed our RoGEV hurdle rate over the long term.

RoGEV and adjusted RoGEV



Legend

- Target
- Actual outperformance
- Target
- Adjusted RoGEV outperformance

The following spreads explain the underlying aspects of each strategic pillar in more detail. The strategic review by the Group Chief Executive from page 54 provides an overview of our strategic progress in 2017 and outlines specific focus areas for 2018.

Strategic pillar

Profitable top-line growth through a culture of client-centricity

Top-line growth is a particular focus area, as fund flows, fee income and investment returns have been under pressure due to a challenging operating environment.

Sanlam has differentiated itself from many global peers over the almost two decades since its listing in 1998 by emphasizing the profitability of new business and not driving market share at all cost. This meant that at times, when competitors priced too aggressively, we decided to rather forsake some market share over the short term than adding unprofitable business to our base that destroys shareholder value over the long term. This is an outcome of Sanlam's capital management approach of setting minimum hurdle rates for the Group clusters, and linking these hurdles to the remuneration arrangements. This ensures that clusters manage the internal rate of return of new business similar to any capital deployment decision. Sanlam's new business margin has as a result improved from being one of the lowest in the market 15 years ago to be at the higher end of our peer group.

Client-centricity is at the core of our ability to grow our top-line in a profitable manner. By meeting our clients' needs and expectations for wealth creation, management and protection through appropriately priced products and services, supported by a strong and trusted brand and exceptional service delivery, we are able to maintain and grow our market share of profitable new business, while at the same time improving the retention of our existing client base. This support growth in the size of our client base through increased net fund inflows. Sanlam's approach to client-centricity is aligned with the six fairness outcomes as defined by the Financial Services Board (FSB), namely:

1. Clients are confident that they are dealing with a Group where the fair treatment of clients is central to the firm's culture.
2. Products and services marketed and sold are designed to meet the needs of the identified client groups and are targeted accordingly.
3. Clients are given clear information and are kept appropriately informed before, during and after the time of contracting.

Value creation highlights

Shareholders

- RoGEV: 14,8%
- New business volumes: R230bn
- VNB: R1 841m
- Net result from financial services: R8 549m

Clients*

- Policy benefits paid and increase in value of policies: R123bn
- 3rd party funds outperforming over five years: 79%

Employees*

- Number of office staff: 16 628
- Remuneration paid: R9,4bn

* *Excludes associated companies.*

4 Where clients receive advice, the advice is suitable and takes account of their circumstances.

5 Clients are provided with products that perform as the Group has led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.

6 Clients do not face unreasonable post-sale barriers to change a product, switch providers, submit a claim or make a complaint.

The Sanlam Customer Interest committee is mandated by the Board to review and monitor that all customer-related decisions adhere to these fairness outcomes.

Product innovation to enhance client-centricity and our attractiveness in the market is a specific strategic focus under Pillar 3 on page 108 in support of profitable top-line growth. In addition to organic growth, we also grow our top-line through the investment of discretionary capital in new growth opportunities. Refer to Pillar 4 on page 110. Volatility in top-line growth is strategically managed through our focus on diversification. Refer to Pillar 2 on page 106.

This strategic pillar is one of the main contributors to shared value creation for Sanlam stakeholders:

- → Sanlam's profitability is enhanced to the benefit of our shareholders;
- → Advisors and our other distribution partners benefit from upfront and recurring commission and advice fees earned from new business written;
- → Additional employment and career opportunities are created as the size of Sanlam's business grows;
- → The wealth creation, management and protection benefits we provide to clients underpins their financial resilience and prosperity in the long term; and
- → A more profitable and successful Sanlam is better able to contribute to a resilient and prosperous society where we operate.

Advisors and brokers

- → Number of advisors and brokers: 23 190
- → Sales remuneration paid: R7,2bn

Society*

- → Corporate social investment spent: R93m
- → Empowerment and infrastructure financing: R65bn
- → Investments in government and public sector securities: R60bn
- → Tax paid: R4,3bn

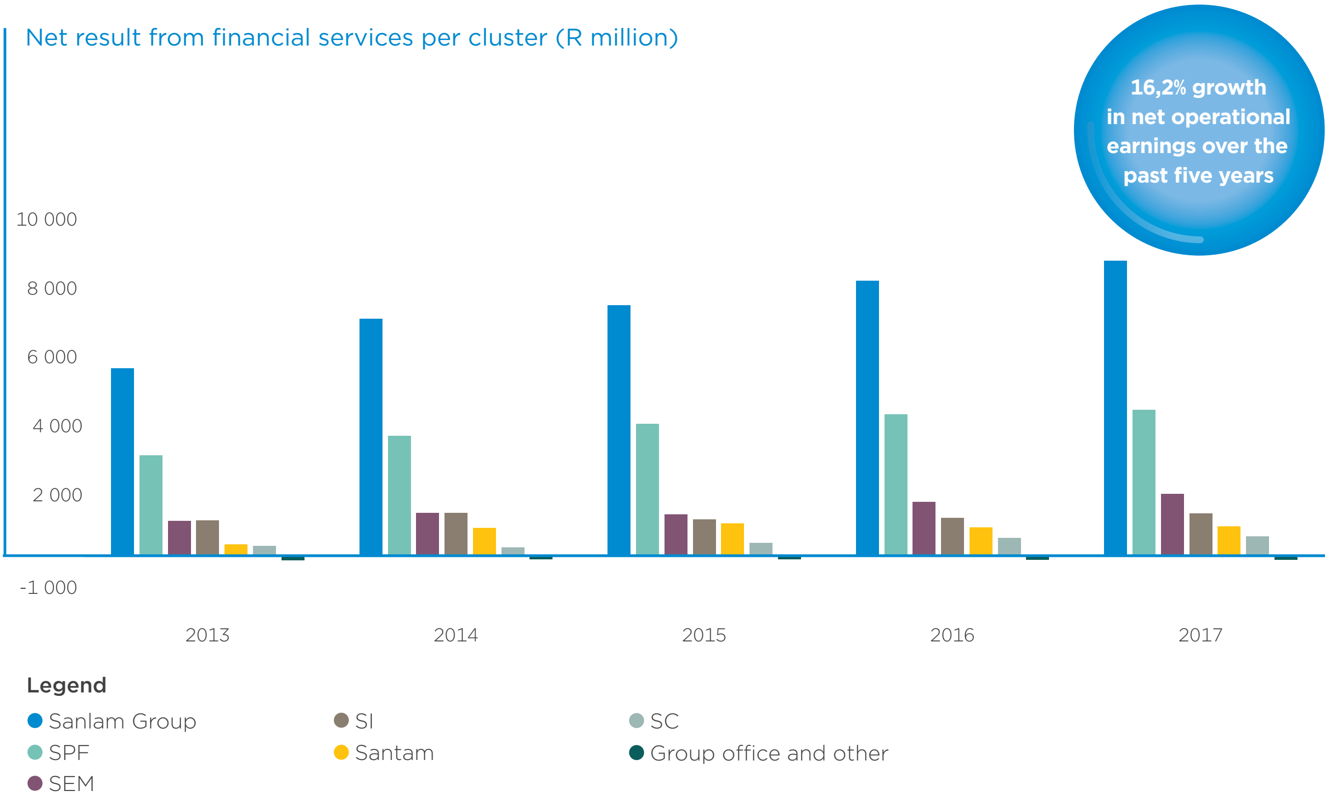
* *Excludes associated companies.*

Strategic pillar

Enhancing resilience and earnings growth through diversification

Our objective is to enhance Sanlam's international positioning and grow the relative importance and contribution of the international business to the Group, with a specific Pan-African focus.

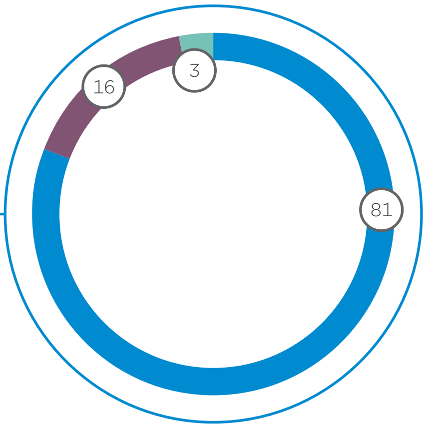
Net result from financial services per cluster (R million)



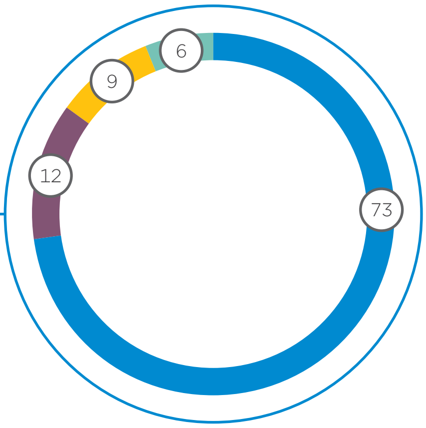
Comparable South African contribution:

	Net value of new life business	Net result from financial services	Group equity value
2007:	86%	83%	94%
2017:	81%	73%	71%

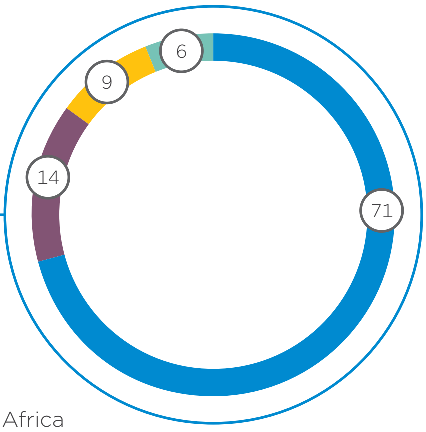
Net value of new life business



Net result from financial services



Group equity value

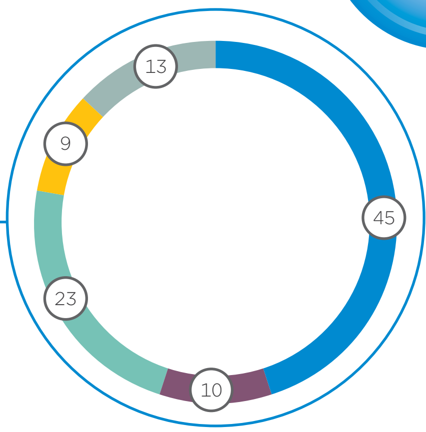


Legend

- South Africa
- Rest of Africa
- India and South-East Asia
- Other international

Diversifying our base: Group equity value per line of business

We also diversify the Group across lines of business



Legend

- Life insurance
- Admin, health and other
- Credit and structuring
- Investment management
- General insurance

Diversification across geographies and lines of business enables us to manage the earnings and currency volatility that can emanate from the countries in which we operate. This provides more stability in overall earnings generation and our dividend payment capability.

Our diversification through SEM is into higher-growth regions that enhance our future earnings growth potential. This supports the main attraction of the Sanlam investment case: stable real dividend growth combined with accelerated future growth prospects.

Our geographic diversification is depicted per cluster on pages 22 to 23 and our line of business diversification on pages 24 to 27. Our footprint in Africa is largely complete, while further improving the line of business diversification is a priority (refer to Pillar 4 on page 110).

Given our diversified business profile, the challenge for Sanlam is to maintain operational controls and governance oversight.

Strategic pillar

Extracting value through innovation and improved efficiencies

To attract and retain clients, Sanlam provides innovative financial solutions along the full extent of the wealth creation, management and protection value chain. To develop these solutions, we invest in and value diversity in our people, particularly for their contribution to innovative thinking.

Sanlam's approach to innovation covers the full spectrum of our value chain, centred around client-centricity, to ensure that we continuously adapt to the changing needs of our clients and the environments in which we operate. We focus on innovation across our products and services, distribution channels and back office processes to enhance Sanlam's attractiveness in the market and to ensure efficiency across the Sanlam business model. Digital innovation is a key focus area – our approach is threefold:

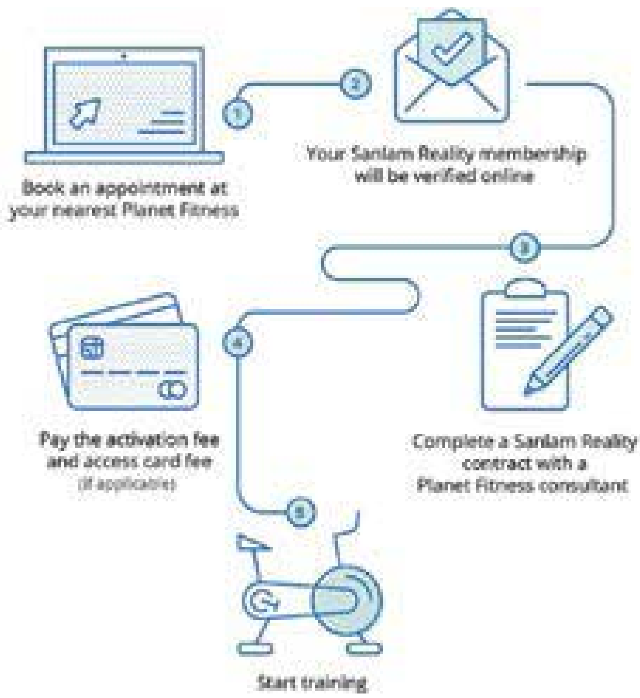
- → Digital offerings and technology-enabled product solutions as part of our omni-channel distribution approach.
- → Implementing a Group-wide business intelligence platform to assist product development, underwriting, client service and cost efficiencies through big data and enhanced data analytics.
- → Investigating opportunities to enhance operational efficiencies through robotics.

The Sanlam design studio was awarded the '2017 South African New Product Innovation Leader in the Insurance Industry on Digital Transformation' by Frost & Sullivan, a global growth consulting and research firm.

The Sanlam design studio was established in the SPF cluster to provide a working and accelerator space for cross-functional teams in Sanlam to achieve the following:

- → Rapid prototype development
- → Leverage current success stories
- → Provide training through the accredited Sanlam Design Thinking course
- → Expand the in-house fintech ability

Sanlam Reality provides an example of a seamless omni-channel registration opportunity for clients



Recent Sanlam digital and technology-based offerings include:

- Sanlam digital storefront – a comprehensive suite of financial products with full online fulfilment capability
- Robo-advice – self-directed, simplified and automated unit trust investment platform
- Indie – internal startup focused on future products with customised partner and territory requirements
- On demand – leading-edge GoCover app with on-demand finserv platform featuring accidental injury and death cover
- Acquisition of stake in EasyEquities, an innovative low-cost investment platform
- Acquisition of BrightRock, enhancing our product offering with a unique life risk product solution
- Virtual advice platform – online service allowing users to screen, select, book and pay an adviser for needs-specific advice
- Paperless application submission for 75% of SPF's life new business

Sanlam has a solid track record of delivering on operational efficiencies. This is evident in our ability to largely maintain new business margins on a per-product level, despite cost and fee pressures, as well as negligible expense experience variances recognised in life insurance RoGEV over the last 10 years. Operational efficiencies are, however, not only about cost management but also, more importantly, creating the ability to more effectively service the changing needs of clients, from a product and engagement perspective. As such, it is a core mechanism to ensure client satisfaction and persistency, which enhances top-line growth.

We are optimising operating and cost efficiencies through:

- Investments in distribution and administration systems and processes;
- Automation;
- Restructuring to enhance focus;
- System integration; and
- Implementation of business intelligence and data analytics solutions.

Strategic pillar

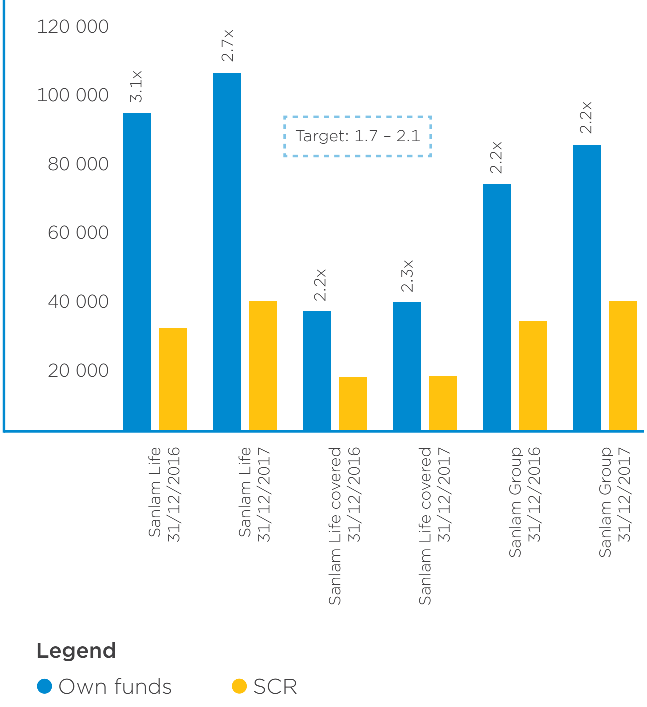
Responsible capital allocation and management

We aim to enhance capital efficiency on an ongoing basis by ensuring appropriate levels of capital allocation to our businesses and redeploying discretionary capital for investment in future growth opportunities. This optimises RoGEV over the long term.

Our capital base is a primary safeguard to our clients and regulators that we will remain solvent to honour our value creation commitments to our clients. Sanlam therefore has to be proactive in understanding and managing the risks it is exposed to and managing the trade-off between the level of capital held by the Group and clients' and regulators' trust in our future solvency.

The Group Estate committee, an internal management committee, is responsible for reviewing and overseeing the management of the Group's shareholder capital base in terms of the specific strategies approved by the Board.

SAM solvency cover



By their nature, the life and general insurance operations require the largest levels of allocated capital. We manage capital allocation at the efficient frontier by balancing:

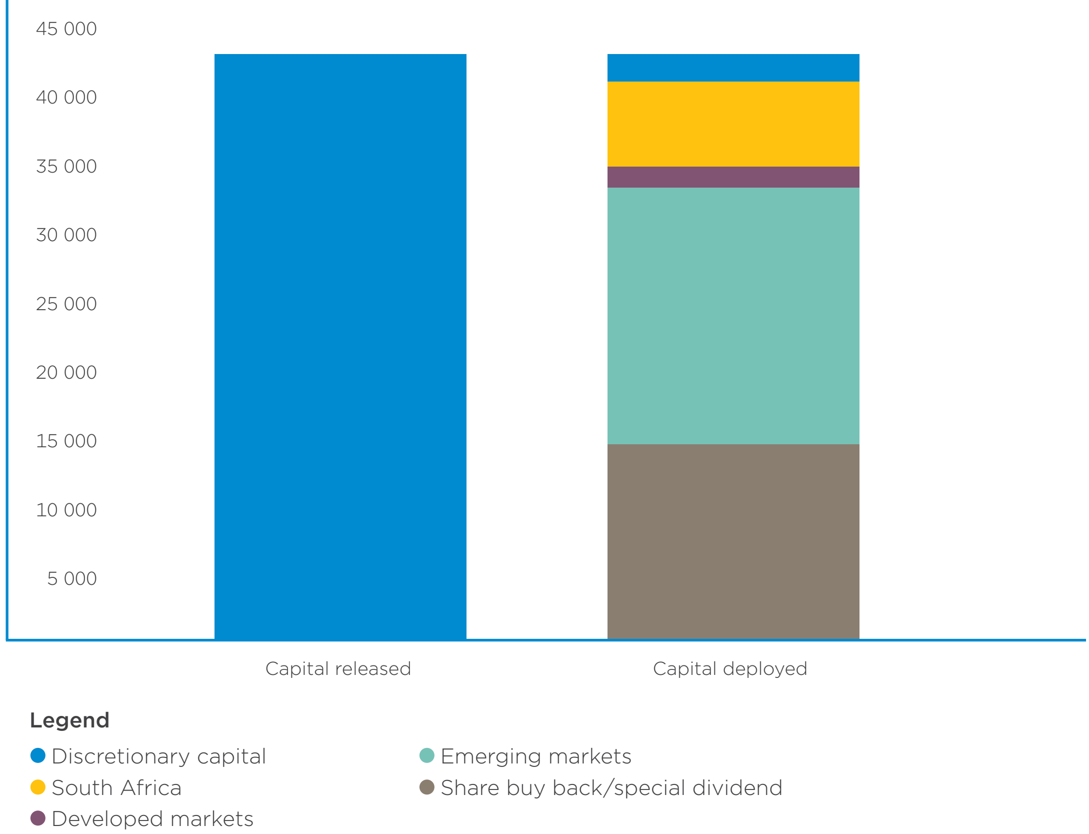
- The level of capital required to meet target solvency cover ratios over the long-term (the higher the target solvency cover ratios, the higher the amount of capital held);
- The strategic asset allocation of the allocated capital (the more conservative the portfolio is invested, the lower the amount of capital held); and
- Expected net investment return to be earned on the allocated capital (the more conservative the portfolio is invested, the lower the expected investment return will be)

to optimise RoGEV over the long term.

Any capital in excess of requirements is allocated to the discretionary capital portfolio in pursuit of structural growth initiatives.

The Group is well capitalised, and has solvency cover ratios at the upper end of the target range.

Capital redeployed since 2005



Strategic pillar (continued)

Responsible capital allocation and management

What shareholders need to know:

1. Our dividend is not impacted by short-term volatility caused by the net investment return component of our earnings.

2. Potential volatility in net investment return is taken into account in setting our required capital levels. We can withstand severe investment market volatility and still remain within our target solvency range.

Dual focus on stable dividend growth and investment for future growth

We follow a prudent approach: we only use free cash flow to fund dividends
Our dividend philosophy is embedded in our capital management approach – we therefore do not manage our capital and solvency through our dividend policy.

Strong cash generation in mature markets support real dividend growth, allowing SEM to reinvest for growth

Sources of cash earnings

Net result from financial services

Cash earnings generated by operations available to fund Sanlam dividend

Any excess dividend cover is added to the discretionary capital portfolio

Investment return on capital

Allocated capital for SA life operations assumes that investment return will be free cash flow under normal conditions

Not allowed for in dividend cash flows

Funding for increased capital requirements and to maintain targeted solvency levels

Any excess investment return is added to the discretionary capital portfolio

We maintain a cash dividend cover ratio of between 1,0 and 1,2 times to manage smooth real dividend growth of 2% – 4% per annum

Discretionary capital redeployed for structural growth or returned to shareholders

Responsible utilisation of discretionary capital

Our priority is to use available discretionary capital for investment opportunities that will enhance RoGEV and overall earnings growth. If discretionary capital cannot be used for investment in the foreseeable future, it is returned to shareholders through:

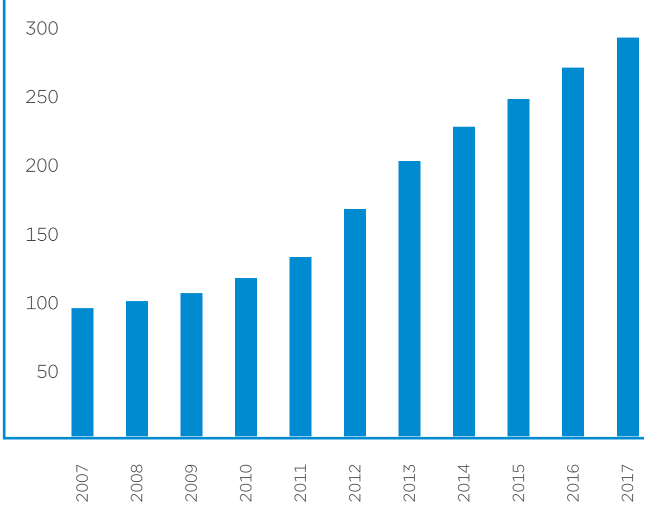
1. Share buy-backs as a preference. We use GEV per share as an approximate ceiling for buy-backs – not as an indicator of the value of a Sanlam share, but because buying Sanlam shares at this level will be undisputedly value-accretive to shareholders.
2. Special dividends if share buy backs are not feasible.

The current pipeline of investment opportunities exceeds the level of available discretionary capital. Investments in the short to medium term will be focused on:

- Increasing our shareholding in current SEM operations where possible and within our partnership model
- Consolidation opportunities in fragmented markets in Africa
- Adding Egypt and Ethiopia to the footprint at an appropriate time. Egypt will likely be pursued through Saham Finances. Ethiopia is dependent on changes to the country's foreign direct investment regulations
- Expanding and better balancing the line of business exposure in the Rest of Africa
- Niche opportunities in South Africa and the United Kingdom

Dividend per share (cents)

12% average growth in Sanlam dividend since 2007



Efficient capital management has contributed largely to Sanlam's ability to deliver an average RoGEV of 14,2% over the last 10 years, compared to a target of 12,4%.

Sanlam strategy in action

The five clusters have their own targeted strategies in support of the Group strategy, which are all reviewed annually. The strategic intent for each cluster is summarised below:

SPF: become a leader in all retail market segments in South Africa

SPF is focused on achieving profitable growth in each of its market segments through innovation and expanded distribution capabilities that enhance new business and deliver superior client retention. Specific focus is placed on those segments where Sanlam does not have a fair market share, namely the entry-level market (all products), middle-income market risk products, higher middle-income market single premium savings and the Gauteng province from a geographic perspective. Innovation aims to harness digital and data analytics opportunities to produce simpler customer journeys. Refinement of distribution channel models and further capital optimisation will continue in response to regulatory developments. Delivering value for money in a wider and differentiated product set is key for client acquisition. This requires greater agility and speed of execution. Enhanced digital capability is also harnessed to drive client experience and retention, as well as back office cost efficiencies. Continued progress in transformation of employee and management demographics remains a high priority and critical competitive enabler.

SEM: leading Pan-African player with diversifiers in India and Malaysia

SEM is placing increased emphasis on leveraging its expanded footprint through organic growth. Our unmatched Pan-African footprint provides us with a unique opportunity to service multinational corporate clients and intermediaries, augmented by an in-country retail and organisational focus. We provide our in-country business partners with expanded central support capabilities to execute on these initiatives. We remain committed to structural growth opportunities through increasing stakes in existing businesses, expanding product lines, and entering selected new markets. The primary criteria for entering new markets are market potential in terms of size and growth prospects, low financial services penetration, and relative political stability. In this regard, Egypt and Ethiopia will be considered at an appropriate time.

Sanlam Investments: growing third-party market share

Sanlam Investments is defending its leading position in private wealth while building on the success in attracting retail fund flows. The cluster focuses on growing corporate and third-party fund flows, where it does not have its fair market share. Improved cost efficiency is a priority. Transforming the employee profile to reflect South African and client demographics is a particular focus area, and supports the corporate and third-party growth initiatives, with specific emphasis on portfolio management. Digital innovation in the areas of product development, client experience and value proposition and intermediary service levels are key drivers in support of these initiatives.

Santam: entrenching leadership through value creation and growth

Santam is building a diversified business in emerging markets through its specialist risk and reinsurance offerings. In South Africa, efforts to transform from a largely intermediated distribution model to omni-channel capabilities continue. This includes protecting profitable growth through the enduring focus on the quality of risks in the pool as well as making use of data and analytics to improve underwriting capability. Santam will continue to build its 'Insurance good and proper' reputation by working with stakeholders to increase community resilience and through its sustainable business practices.

Sanlam Corporate: become the partner of choice to targeted corporates

The cluster, comprising SEB and Sanlam Healthcare, focuses on cross-selling to existing corporate clients, bundling products to unlock value, and integrating with other Sanlam clusters through Sanlam Reality. It aims to target South Africa's top companies and multinationals (South African-based and other) with corporate solutions that follow a needs-based approach, incorporating products and services from the other Sanlam clusters as necessary in building a holistic client solution. Transforming the employee profile to reflect South African and client demographics, capital management and balance sheet optimisation are priorities in the corporate cluster market space.

Understanding our key risks

How we identify and respond to risks

To provide the benefits underlying our products and services and to sustainably create value for all stakeholders means that we are exposed to a range of risks. These risks, however, also create opportunities for innovation and differentiation. We distinguish between strategic and operational risks, which are mitigated through a mature risk management governance structure.

Risks are managed on a preventive basis as far as possible through various risk management activities. Should risks materialise, Sanlam's financial capital is available to absorb the financial impact to ensure we remain solvent to honour our commitments to clients.

The top-down approach is undertaken at an executive and senior management level, and considers the key strategic risks affecting Sanlam in the medium to long term.

The clusters and business units undertake a bottom-up approach with the assistance of their risk management functions to assess all categories of key risks from an operational perspective.

Our governance approach to manage risks

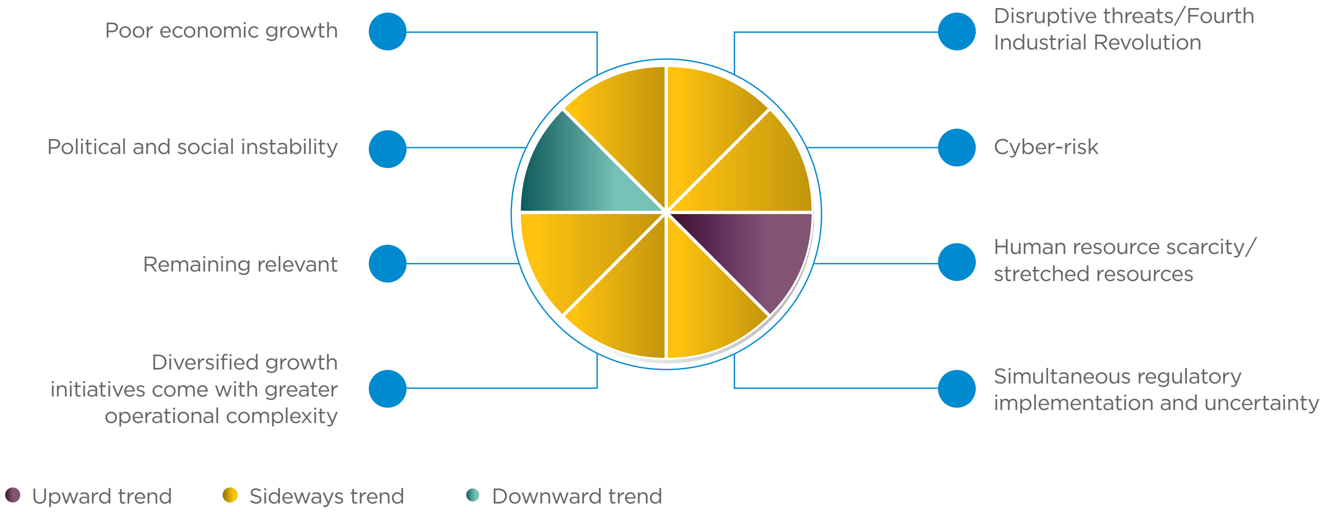
Sanlam has a comprehensive enterprise risk management framework in place, with appropriate risk escalation processes from a business unit to Group level. Sanlam's risk appetite statement is the key mechanism through which limits are set for the following material risk categories applicable to our operations:

- **Strategic risk**
- **Earnings risk**
- **Capital and solvency risk**
- **Credit risk**
- **Insurance risk**
- **Liquidity risk**
- **Market and asset concentration risk**
- **Operational risk**
- **Brand and reputational risk**
- **Contagion risk**

In the financial year, there were no material breaches of our risk appetite statement.

Strategic risks

The Group's key top-down strategic risks are shown and discussed on the pages that follow:



Operational risks

The bottom-up approach embeds risk management into Sanlam's day-to-day operations. Maintenance of risk registers and reports in each area control this process. Risk registers are aggregated and reviewed by each cluster's finance and risk committees or forums, with significant and emerging risks escalated to Group level for consideration as appropriate. The following are the key bottom-up risks facing the Group's business units and clusters (in decreasing order of relative significance):

- Market risk (especially a fall in asset prices), particularly in the context of poor economic growth and the recent downgrade of South Africa's foreign sovereign rating, which could potentially fall further
- Lack of growth in volumes and earnings
- Maintaining profit margins in light of ever-increasing competition, slow economic growth and upward pressures on the cost base
- Risk of poor investment performance relative to competitors and benchmarks – a large part of Sanlam's business flows is influenced by the perceptions around Sanlam's investment performance
- Regulatory changes and interventions, including the introduction of the new Twin Peaks regulatory model and regulatory changes related to Government's social security and health management reforms
- Credit risk, compounded by the possible failure of a big South African bank, the Government or a Government-related institution
- Retention of key employees, leadership succession and alignment with employment equity targets

Understanding our key risks (continued)

Our key strategic risks

Poor economic growth

Developed markets are showing increased economic growth and lower levels of unemployment, however possible exchange and interest rate volatility might persist in emerging markets. Improved global economic conditions have led to an increase in commodity pricing and improvement in terms of trade for economies with commodity exposure, including South Africa. South African gross domestic product (GDP) growth expectations, however, remain muted, and the sovereign rating status precarious, despite increasing investor confidence and growing political commitment to address issues of governance, inclusive growth and economic transformation.

Group response

Diversifying the business portfolio (geographic, product type, market segment and distribution platform) is a key mitigating factor, combined with a significant reduction of risky asset classes in the shareholder capital portfolio.

We adapted our investment strategy to reduce GEV exposure to interest rate risk and increased the offshore allocation in our ALCO funds.

Disruptive threats/Fourth Industrial Revolution

Threats to Sanlam's relevance (the Fourth Industrial Revolution and digital disruption) include fundamentally altering ways in which Sanlam's current and future clients, employees, partners and other stakeholders live, work and relate.

This coincides with longer-term changes in demographics and globalisation, and disruptive innovation from new entrants.

There is a risk that Sanlam's competitive position could be compromised if we fail to properly manage and respond to disruption.

Group response

Our ability to respond is hampered by slow and unwieldy legacy systems and associated pressure on costs. A group-wide business intelligence project is identifying foundational blocks to enable us to respond to these trends and add value to the business.

Sanlam Reality can link technology solutions to financial products, and the business clusters are pursuing various experimental initiatives. Sanlam Investments further acquired a stake in EasyEquities, a fintech business that can disrupt the investments sector with low barriers to entry through its low-cost platform.

Although still in its infancy, our omni-channel approach will help us to adapt our business in line with changing client expectations.

Cyber-risk

Cyber-risk emanates from digitised information, aging information technology infrastructure, and increasing use of digital channels. The threat of direct cyberattacks is escalating, and could result in reputational damage, business disruption, and theft, fraud or corruption of data and intellectual property.

Group response

Protecting against cyberattacks demands timely and effective risk intelligence, which includes a better understanding of the changing nature of threats and the assets most at risk. We respond to cyber-risk on multiple levels. This includes addressing control gaps, formulating cybercrises management processes and principles, and improving infrastructure security. Given the volume and rapid evolution of cyberattacks, prioritisation is critical. We are also focused on improving our core cyber-resilience capabilities – namely intelligence, monitoring, detection and response.

Human resource scarcity/stretched resources

Human resource scarcity and stretched resources are evident from the great demand and strain on our human resource capabilities. In addition to operational challenges, we might lose our key employees, if they seek alternative work environments in South Africa and elsewhere with more manageable workloads.

Group response

In the shorter term, retention plans are in place for key resources. We are also making additional resources available and are implementing change management processes for current projects.

Over the long-term, mitigating actions include an increase in talent pipeline feeder programmes, continued focus on compelling workplace practices, building internal resource capability, and a sharper focus on succession planning processes and pipelines.

Understanding our key risks (continued)

Simultaneous regulatory implementation and uncertainty

Simultaneous regulatory implementation and uncertainty impact our business model, competitive position, and operational efficiencies. While the recent publication of multiple pieces of regulation boosted certainty in South Africa, considerable uncertainty remains relating to further phases under the Retail Distribution Review (RDR), the National Social Security Savings Scheme (NSSS) and National Health Insurance (NHI).

Group response

We proactively investigate and formulate views on all regulatory proposals facing the financial services industry. We participate in discussions with regulators, directly and through industry associations. Our South Africa-based clusters continuously re-evaluate their business models to align with and obtain a competitive advantage in an RDR environment. We are also investigating initiatives to improve compliance monitoring and coordination with local management in the Rest of Africa through SEM's compliance team.

The simultaneous implementation of other regulatory changes further hinders our ability to invest time and resources on other initiatives. IFRS 17 requires significant investment in new valuation models and accounting systems, as well as data management and process optimisation across the Group. In response, we have initiated an IFRS 17 project to facilitate and support implementation across the Group.

Diversified growth initiatives come with greater operational complexity

Diversified growth initiatives lead to greater operational complexity and other strategic risks. Our footprint has grown rapidly over the past few years. This includes areas where we do not traditionally have expertise. This poses the risk that our operational capabilities are not well geared, or have not expanded adequately to provide the necessary support to acquired businesses or business partners.

The vast number of Group entities across Africa, India and Malaysia makes alignment with our Group governance standards challenging.

Group response

SEM has expanded its capacity and breadth of skills to help cope with the increased support requirements, while leveraging existing skills from other clusters. SEM has placed increased focus on managing risks from consumer credit and retail banking, and avoids expansion into high risk countries. This includes exercising caution with regard to further expansion into Malaysia.

Remaining relevant

Transformational challenges and changing demographics make it increasingly difficult to remain relevant in South Africa. This includes more strenuous BBBEE targets, and higher penalties if certain minimum requirements are not met.

Group response

The clusters are focused on shifting our internal leadership demographics. This is supported by targeted recruitment strategies, diversity and inclusion initiatives (with a focus on gender), and participation in industry and societal initiatives, for example the CEO Initiative. We further support product and service transformation efforts at cluster level.

Political and social stability

South Africa's socio-political and economic environment is stabilising following a period of uncertainty. Income inequality, unemployment and poor service delivery remain issues of concern. Government's resolve to confront corruption and service delivery are some of the factors contributing to a more positive outlook for the period leading up to the 2019 elections.

Group response

Sanlam's Board and executive team engage with businesses, labour and government. We continuously ensure that Sanlam businesses are in line with the relevant regulations.

Our key operational risks

Read more about our operational risks in the Capital and Risk Management Report included in the Annual Financial Statements online, and Our regulatory environment on page 40.

Understanding our key risks (continued)

The Sanlam Board adopted the three lines of defence model for managing risks. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and other matters throughout the Group. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk. This approach ensures that risk management is embedded in the culture and daily activities of business units and provides assurance to the Board and Executive committee that risks are managed effectively.

Sanlam Board
Strategy, risk appetite and policy

1

- Group Chief Executive and Executive committee
- Risk taking business units

Doing and recording

Delegated Board authority to:

- Develop and implement business strategy
- Measure and manage performance
- Implement internal control and risk management framework within agreed risk appetite

Assurance: management based

2

- Risk management, compliance and risk modelling

Internal verification

Objective oversight of risks. Key activities include:

- Design and deploy the overall risk management framework
- Develop and monitor policies and procedures
- Monitor adherence to framework and strategy

Assurance: risk and legal based

3

- Risk and Compliance committee
- Audit, Actuarial and Finance committee
- Internal and external assurance

Independent verification

Independent and objective assurance over the effectiveness of corporate standards and business compliance:

- Assurance that the risk management process is functioning as designed and identifies improvement opportunities

Assurance: independent based

Risk management system

Own risk and solvency assessment (ORSA)

Internal control

The following diagram depicts the flow of risk management information from the individual business units to the Sanlam Life Board.

Sanlam Life Board

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

Sanlam Life Risk and Compliance committee

Assists the Sanlam Life Board in fulfilling its responsibilities

Sanlam Group Executive committee

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

Group risk management

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

Business level risk and/or audit committee/forum

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

Business level management committees

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

Business level (and sub-business) risk management

Identifies and manages risks faced by the business

Remuneration, governance and King IV™

Remuneration, governance and **King IV™**

Remuneration based on performance

The Sanlam Board recognises that appropriate remuneration for executive directors, members of its Executive committee and other employees is inextricably linked to the attraction, development and retention of top-level talent and human capital within the Group.

Given the current economic climate, changes in regulatory requirements and the ongoing skills shortage, it is essential that adequate measures are in place to attract and retain the required skills. In order to meet the strategic objectives of a high-performance organisation, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time.

In applying the remuneration philosophy, a number of principles are followed:

- **Pay for performance:** Performance is the cornerstone of the remuneration philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance. It is also positioned so that a clear link is maintained between performance hurdles and the Sanlam strategy.
- **Competitiveness:** A key objective of the remuneration philosophy is that remuneration packages should enable the Group and its businesses to attract and retain employees of the highest quality in order to ensure the sustainability of the organisation.
- **Leverage and alignment:** The reward consequences for individual employees are as far as possible aligned with, linked to and influenced by:
  - The interests of Sanlam shareholders (and, where applicable, minority shareholders in subsidiaries);
  - Sustainable performance of Sanlam as a whole;
  - The performance of any region, business unit or support function; and
  - The employee's own contribution.
- **Consistency and fairness:** The reward philosophy strives to be both consistent and transparent. Where there is differentiation between employees performing similar work, the differentiation is required to be fair, rational and explainable. Differentiation in terms of market comparison for specific skills groups or roles is, however, necessary and differentiation concerning performance is imperative. Unfair differentiation is unacceptable.
- **Attraction and retention:** Remuneration practices are recognised as a key instrument in attracting and retaining the required talent to meet Sanlam's objectives and ensure its sustainability over the long term.
- **Shared participation:** Employee identification with the success of Sanlam is important owing to the fact that it is directly linked to both Sanlam's and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to Sanlam, and, in particular, for achieving excellent performance and results, in relation to Sanlam's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.

- **Best practice:** Reward packages and practices reflect local and international best practice, where appropriate and practical.
- **Communication and transparency:** The remuneration philosophy, policy and practices, as well as the processes to determine individual pay levels, are transparent and communicated effectively to all employees. In this process the link between remuneration and Sanlam's strategic objectives is understood by all employees.
- **Market information:** Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages.
- **Clawback and malus:** Where performance achievements are subsequently found to have been significantly misstated so that the bonuses and other incentives should not have been paid, provision is made for redress through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture).

For Sanlam to remain competitive, remuneration policies and practices are evaluated regularly against both local and international remuneration trends and governance frameworks, most notably King IV™.

Sanlam's remuneration philosophy and policy align the strategic pillars with organisational behaviours. Short and long-term strategic objectives are measured and rewarded to mitigate excessive risk-taking, and provide a balance between long-term sustainable growth and short-term performance.

The annual bonus targets at a Group and cluster level incorporate financial and non-financial performance measures that are directly linked to the Group strategy and key performance indicators. These include net result from financial services, VNB, RoGEV and employment equity. At a cluster level, the specific performance targets and relative weighting is determined per cluster, based on the cluster's specific strategic initiatives.

The vesting of long-term incentives is also directly linked to strategic key performance indicators that support sustainable performance, and ensure full alignment with shareholders. Remuneration components for the Group Chief Executive and Group Financial Director are illustrated in the online Remuneration Report, indicating the linkages to strategic KPIs. Performance hurdles are set relative to all strategic pillars as well as the resilience themes.

Read more about short- and long-term incentives for members of the Executive committee in the Remuneration Report online.

Understanding our governance approach

Sanlam has a comprehensive and entrenched governance system and approach that enables sustainable value creation for stakeholders. At the core is the trust that our material stakeholders place in Sanlam to uphold the highest level of integrity and ethical conduct, guided by:

- Sanlam's Code of Ethical Conduct, which embodies our core values
- The Sanlam Way, which defines our values and behaviours
- The Sanlam Business Philosophy, which sets out the most appropriate approach for implementing our strategy

Read more about our governance approach in the Governance Report available online.

Governance focus areas during 2017

- Appointment of Johan van Zyl as Chairman after Desmond Smith's retirement
- Appointment of Paul Hanratty to the Board and as Chairman of the Audit, Actuarial and Finance committee
- Ongoing compliance with and enhancement of the Sanlam Group Corporate Governance Policy Framework
- Presentation of Sanlam's Remuneration Report to our shareholders, thereby enabling them to cast a non-binding advisory vote on the Remuneration Policy. The disclosure in the 2017 Remuneration Report was updated in line with developing best practice.
- Annual evaluation of the independent status of Sanlam's directors in accordance with King IV™
- Election of members of the Sanlam Audit, Actuarial and Finance committee by shareholders at the annual general meeting (AGM) held in June 2017. This process will be repeated in 2018 as members are elected annually at the AGM.
- Annual review and approval of Sanlam's risk appetite statement
- Regular refinement of combined assurance models for each significant business within the Group
- Ongoing adherence to the Group IT Governance Framework and Charter as well as the IT Policy Framework

From King III to King IV™

The Board entrenched the principles and recommendations of King IV™ at a Group level.

The Sanlam and Sanlam Life committee charters were updated to incorporate the recommendations of King IV™.

All entities within the Group are required to endorse the spirit and principles of King IV™ by putting measures in place to ensure good corporate governance.

The existing Board charter was amended to align with principles of sound corporate governance, as recommended by King IV™.

The implementation of the King IV™ principles will be rolled out in 2018 to subsidiaries, joint ventures and associated companies (including non-SA entities).

Board structures

SANLAM BOARD
Committees

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

The Sanlam Board focuses largely on strategy, execution of capital management, accounting policies, financial results and dividend policy, human resource development, client issues, JSE requirements and corporate governance. It is also responsible for overseeing our stakeholder relationships.

SANLAM LIFE BOARD
Committees

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

The Sanlam Life Board is responsible for statutory matters across all Group businesses, monitoring operational efficiency and risks, and compliance with applicable regulatory requirements. The responsibility to manage Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board.

Group Chief Executive

Group Office	Group Executive committee

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

Clusters

Cluster boards all have committees (or forums) with specific responsibilities for the operation of that particular business cluster. The cluster boards consists of non-executive and executive directors. The majority of the operating business decisions are made by these boards and committees working together with relevant cluster management.

Understanding our governance approach

(continued)

How governance creates value

We recognise that governance, in particular ethics and integrity, contributes significantly to value creation over time. Governance ensures that we conduct our business with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring our sustainability while safeguarding the interests of all our stakeholders.

We acknowledge the relationship between good governance, risk management practices, the achievement of our strategic objectives and the performance of the Sanlam share price. Effective leadership and decision-making is crucial to safeguarding Sanlam's resilience in an increasingly competitive and regulated industry.

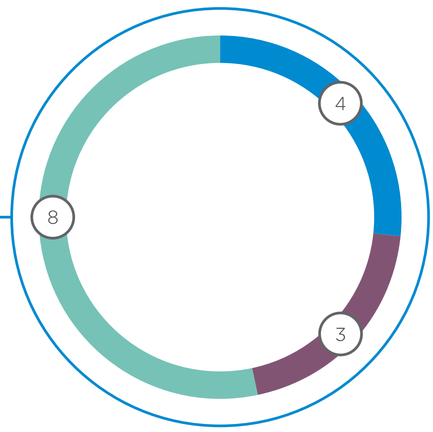
Governance processes shape our reputation as a corporate citizen, and we constantly review our business structures and processes to reflect national and international corporate governance standards, developments and best practices in all the territories where we operate. This ensures that we remain relevant and that we are in a position to contribute to the resilience of individuals, organisations and society.

The Board is also responsible for approving and monitoring Sanlam's total rewards approach, strategy and policy. Rewards create value by ensuring a fair and contracted exchange between Sanlam and our employees in all territories. This provides employees with financial security and the potential to be rewarded for exceptional performance. Sanlam in turn benefits from the effective implementation of its strategy and the skills to grow our business' performance over time. By including non-financial measures in performance contracts, rewards also ensure appropriate focus on the resilience factors that drive shared value creation among our material stakeholders.

Johan van Zyl was appointed as Chairman in 2017. Given his status as non-independent in terms of King IV™, the Sanlam Board appointed a lead independent director and established an Independent non-executive committee to uphold and safeguard adherence to good governance at all times.

Board diversity and experience profile

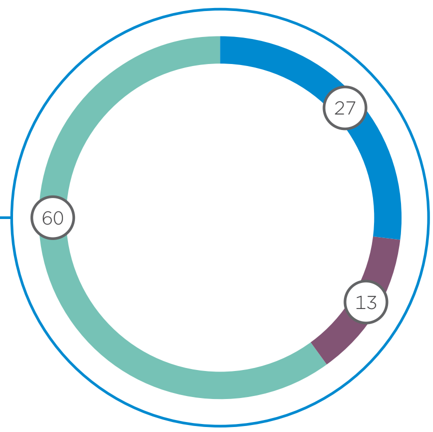
Executive/non-executive/independent directors



Legend

- Executive
- Non-executive
- Independent

Tenure (%)



Legend

- 0 – 5 years
- 5 – 10 years
- 10 – 15 years

Board gender balance (%)

Legend

● Female ● Male

Board race balance (%)

Legend

● Black female ● Black male ● White male

Average age (%)

Legend

● <50 ● 50 – 65 ● >65

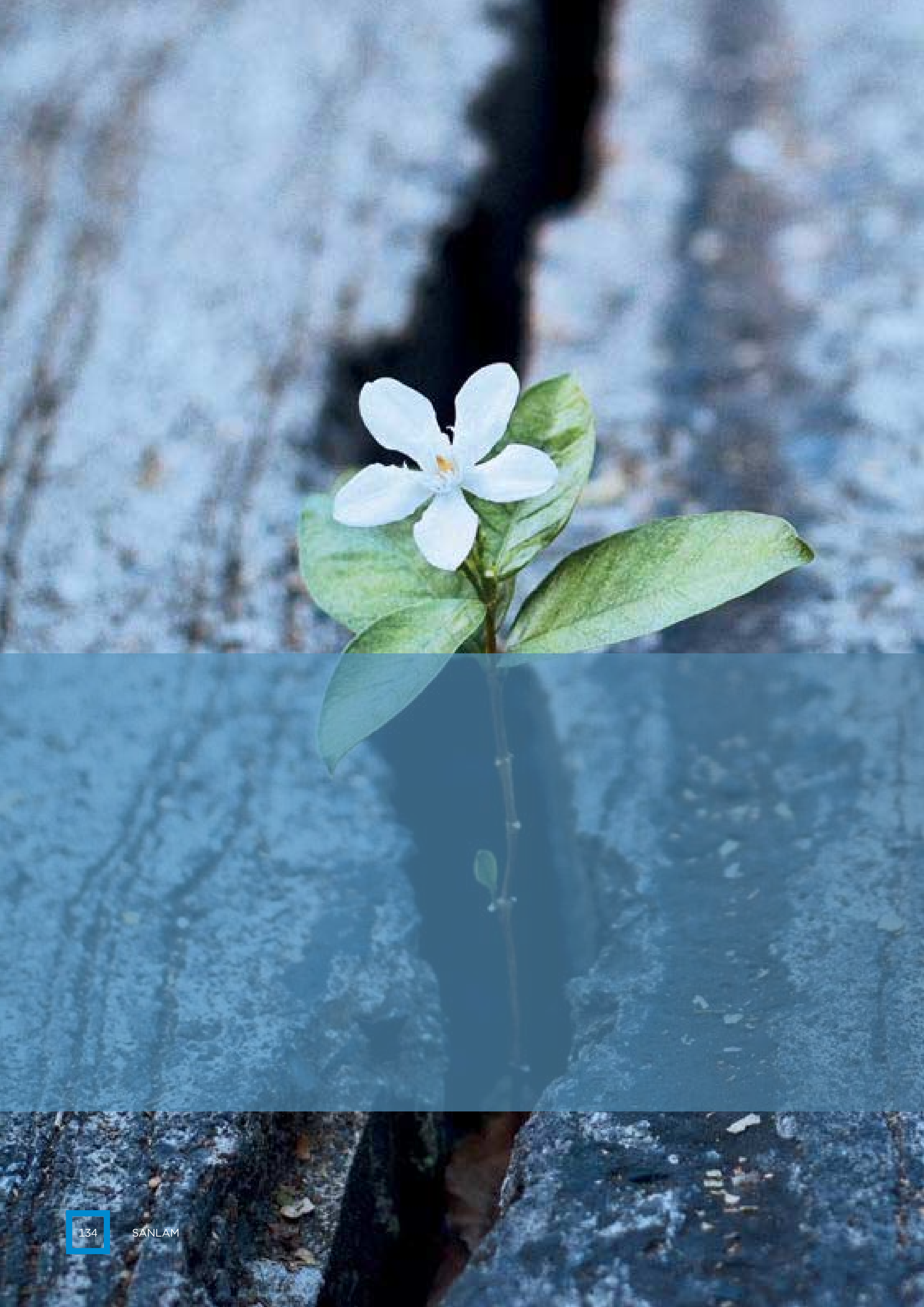
Sanlam Board of directors as at 31 December 2017

The skills and expertise of the Sanlam Board support the Group's growth ambitions, for the benefit of all stakeholders. The Board has put in place well considered and adequate processes to uphold and safeguard adherence to good governance at all times.

FROM LEFT TO RIGHT:

Rejoice V Simelane (65) *Non-executive director*, **Anton Botha (64)** *Independent non-executive director*, **Manana Bakane-Tuoane (69)** *Independent non-executive director*, **Karabo Nondumo (39)** *Independent non-executive director*, **Sipho Nkosi (63)** *Lead independent non-executive director*, **Johan Van Zyl (61)** *Chairman*, **Patrice Motsepe (56)** *Deputy Chairman*, **Paul Hanratty (56)** *Independent non-executive director*, **Lazarus Zim (57)** *Independent non-executive director*, **Valli Moosa (60)** *Independent non-executive director*, **Yegs Ramiah (50)** *Executive director*, **Chris Swanepoel (67)** *Independent non-executive director*, **Temba Mvusi (62)** *Executive director*, **Ian Kirk (60)** *Executive director*, **Heinie Werth (54)** *Executive director*

Read more about the skills and experience of the Sanlam board in the Board profiles in the online Governance Report.



About our report

About the **report**

About the 2017 Integrated Report

The 2017 Sanlam Integrated Report (the report) forms part of our Annual Reporting Suite – a combination of targeted elements made available to our stakeholders to enable them to make informed assessments about our performance and prospects.

This forms part of our commitment to transparent and relevant stakeholder reporting, and is enhanced through personal interaction and feedback.

Although this report is aimed primarily at our shareholders, we take a systemic reporting approach. This means that we take a wide range of external factors, risks and opportunities, and stakeholder interests, into account when compiling our internal response and strategy – all contained in the Annual Reporting Suite.

Building on last year's efforts to integrate our financial and non-financial reporting, we reviewed our material sustainability matters and restructured our Annual Reporting Suite. Broadly, this process entailed the following phases:

Exploring and benchmarking — 1

We reviewed our current reporting practices and best practice examples from our peers, with the emphasis on how local and international financial services companies report on material matters and the six capitals. This included conversations about the status of emerging markets' savings culture and the growing appreciation of limited financial and non-financial resources. Phase one was informed by Sanlam's enterprise risk management and Own Risk and Solvency Assessment (ORSA) reporting processes.

Reviewing our reporting options — 2

This phase included a review of the reporting frameworks, guidance documents and requirements that should be considered when defining our material matters. It included the new requirements of the King IV Report on Corporate Governance™ for South Africa (hereafter referred to as King IV™) and Sanlam's responsibility as a signatory to the United Nations Global Compact (UNGC). We continue aligning our material non-financial indicators with the recommended definitions of the Global Reporting Initiative (GRI) standards where possible.

Conducting materiality working sessions — 3

Internal working sessions were hosted, followed by discussions with the Group Chief Executive and executive team. Through these discussions, we refined our strategic and reporting approach based on the resilience theme. This theme encapsulates our previous material sustainability matters, while making allowances for repositioning based on the material matters identified in the first two phases.

Adapting our strategy — 4

As a result of the working sessions and conversations, the executive team adapted the strategic pillars slightly. The new strategic framework was tested at the August Board strategy sessions, and was refined and formally approved by the Board in September 2017.

Implementing the new reporting structure — 5

The structure of each report was defined and the different elements of Sanlam's Annual Reporting Suite were mapped to ensure integration. A key change from 2016 is the replacement of the sustainability chapters with a Resilience Report.

Developing focus areas for 2018 — 6

The new reporting approach will form the basis of our dashboards and agendas for 2018. These reporting structures will entail the integration of our resilience approach with the loose-tight principles, and a review of the Sanlam Business Philosophy. For the Resilience Report, 2017 constitutes the foundation from which our non-financial reporting will mature in coming years. This will be supported by the further integration of our resilience outcomes and reporting focus areas into cluster strategies.

Our materiality definitions:

For financial information, materiality is based on whether an item is of such significance that it could affect financial decisions made by shareholders (current and potential). The amount and nature of an item is considered. In general, materiality for financial information is equal to that of the shareholders' information and Annual Financial Statements.

For all other information, materiality is based on whether an item, resource or stakeholder is of such significance that it can limit or significantly enhance the Group's contribution to resilient individuals, institutions and society, including its ability to achieve its Return on Group Equity Value (RoGEV) target over the short, medium and long term.

Scope and boundary of our reporting

Sanlam Limited (Sanlam) is the holding company of the Sanlam group of companies, which operates through a number of subsidiaries, associated companies and joint ventures. Sanlam Life Insurance Limited (Sanlam Life) is the largest operating subsidiary and the holding company of most of Sanlam's operations in emerging markets. Sanlam Limited and all of its subsidiaries, associated companies and joint ventures are referred to as Sanlam or the Group.

Sanlam Limited is listed on the Johannesburg Stock Exchange (JSE), with a secondary listing on the Namibian Stock Exchange (NSX).

This report relates to the financial year from 1 January 2017 to 31 December 2017, and follows the release of the interim financial results on SENS for the period ended 30 June 2017. This report covers the activities of Sanlam in South Africa, the Rest of Africa, India, Malaysia and selected developed markets, with the emphasis on South African operations, which contribute 73% to net result from financial services.

Refer to page 24 for the individual countries within these regions that are included in the scope of the report.

Refer to page 26 for a full list of business units and ownership status.

All subsidiaries, joint ventures and associate companies recognised in the Annual Financial Statements are included in the report, apart from investments in consolidated funds (collective investment schemes and similar investment funds). These are consolidated in terms of International Financial Reporting Standards (IFRS) by virtue of Sanlam's shareholding, but do not form part of the Group's strategic operations.

For some non-financial metrics, only the South African operations are included, based on their relative size. The metrics to which this limitation applies are indicated where relevant.

Santam is a separately listed entity, therefore, its employee data is not included in Group numbers; however, it is included in Financial Sector Charter (FSC) Scorecard reporting and where Group-wide programmes are discussed.

Sanlam's operating structure entails five clusters that are managed on a federal basis. All have delegated levels of authority determined by the boundaries of governance principles and standards set by the Sanlam Limited Board and the respective regulatory regimes in which they operate. The clusters all have their own boards of directors governing the execution of these principles and standards. The clusters are supported by a shared Group office, which sets the standards within which the clusters must operate.

The content of this report is comparable to the 2016 report in terms of the entities covered, the measurement methods applied and time frames used for financial and non-financial data.

Events during the year, as highlighted in the calendar of events on page 4, should be kept in mind when comparing information where relevant.

About the 2017 Integrated Report (continued)

Reporting elements and guiding frameworks

Sanlam is transitioning its reporting to be fully online and updated selectively as reporting events unfold. Therefore, the online references in the table below might change during 2018. All content will, however, be available on the new investor relations website to be launched during 2018.

Element and focus	Target audience	Guiding frameworks, legislation and standards	Distribution/availability
The Integrated Report provides a review of the Group and its financial, social and governance performance (including shareholders' information)	All stakeholders, with emphasis on shareholders	→ The International Integrated Reporting Council's (IIRC's) Integrated Reporting <IR> Framework (<IR> Framework) → King IV™ → JSE Listings Requirements (JSE LR) → The Companies Act, 71 of 2008, as amended (the Companies Act) → IFRS → Department of Trade and Industry's (dti's) Broad-Based Black Economic Empowerment (BBBEE) Regulations	Incorporated as a separate report in the Sanlam Annual Reporting Suite, available online at www.sanlam.com.
Governance Report	All stakeholders, with emphasis on shareholders	→ King IV™ → JSE LR → The Companies Act → Board Notice 158 of 2014 issued by the Financial Services Board (FSB)	Incorporated as a separate report in the Sanlam Annual Reporting Suite, available online at www.sanlam.com.
Remuneration Report	All stakeholders, with emphasis on shareholders	→ King IV™ → JSE LR → The Companies Act	Incorporated as a separate report in the Sanlam Annual Reporting Suite, available online at www.sanlam.com.
Full audited Annual Financial Statements for Sanlam Limited and the Group and Sanlam Limited Notice of annual general meeting	Shareholders	→ IFRS → JSE LR → The Companies Act	Incorporated as a separate report in the Sanlam Annual Reporting Suite, available online at www.sanlam.com.

Element and focus	Target audience	Guiding frameworks, legislation and standards	Distribution/availability
Resilience Report for individuals, organisations and society	All stakeholders	→ GRI Standards → <IR> Framework → Financial Sector Code (FSC) → FTSE/JSE Responsible Investment Index → Global Goals for Sustainable Development → National Development Plan 2030 → Dow Jones Sustainability Index	www.sanlam.com
Sanlam results presentations	Shareholders	→ IFRS → JSE LR	www.sanlam.com
SENS announcements	Shareholders	→ JSE LR	www.sanlam.com
Sanlam websites, containing general and stakeholder-specific information with contact details	All stakeholders	N/A	www.sanlam.com/investorrelations (links to Group company websites)

About the 2017 Integrated Report (continued)

Introducing the 2017 Resilience Report

As part of the Annual Reporting Suite, Sanlam publishes a Resilience Report that replaces the five supplementary sustainability theme reports of 2016. The content of the report is based on the materiality process described earlier, and is structured around a specific set of outcomes that build financial resilience for each material stakeholder group.

Resilience Report for individuals, organisations and society

Individuals are profiled in terms of individual clients and employees:

Individual clients	Employees[1]
Outcomes for financial resilience: → Financial solutions that meet clients' needs and expectations → Access to financial solutions and advice through preferred distribution channels → Suitable advice and assistance provided to clients to obtain the benefit of savings and risk management → Fair treatment	Outcomes for financial resilience: → Employee financial education that enables employees to experience the benefit of savings and risk management → Training and development that result in income and growth opportunities → Employment equity → Fair remuneration

[1] *Previously, the focus was on South Africa-based employees. In 2017, Sanlam expanded its focus to include all the regions in which we operate.*

Organisations are profiled in terms of Sanlam's clients, and material primary and secondary organisations (including industry bodies, regulators and trade unions):

Organisational clients	Organisations
Outcomes for financial resilience: → Financial solutions that meet clients' needs and expectations → Access to financial solutions and advice through preferred distribution channels → Suitable advice and assistance provided to clients to obtain the benefit of savings and risk management → Fair treatment	Outcomes for financial resilience: → Engagement with and contributing to organisations that build financial resilience

Society
Outcomes for financial resilience: → Entrepreneurship (enterprise and supplier development and social entrepreneurship) → Consumer financial education → Skills development (education at primary, secondary and tertiary level; learnerships; etc.) → Environment-related risk management (how Sanlam manages the impact that climate change has on the business and how Sanlam is ensuring environmental stewardship) → Engagement (for example, engagement with Government's Sustainable Development Goals) → Investing in support of economic growth and financial stability (funding provided to Government and private enterprises, as well as liquidity provided to the banking system)

In addition to addressing each of the outcomes identified above, the Resilience Report unpacks Sanlam's approach to governance and engagement, performance against relevant key performance indicators (KPIs), risks and opportunities, and Sanlam's future priorities for each stakeholder group.

About the 2017 Integrated Report (continued)

Feedback on this report and the Annual Reporting Suite is welcomed. Please contact Sanlam Investor Relations on IR@sanlam.co.za.

Combined assurance

To ensure our key financial and non-financial risks are properly identified, managed and monitored, Sanlam adopts a combined assurance approach. This approach requires three lines of defence, namely management-based, internal and independent assurance.

EY provided independent assurance on the following aspects of the reports listed in the previous section:

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

Information relating to the FSC scorecard was subject to independent assurance by AQRate.

Forward looking information

This report includes comprehensive forward looking information through the disclosure of Group Equity Value (GEV) information (refer to page 14 for detailed description of GEV). Instead of only providing limited future growth and earnings information, GEV provides a valuation of future expected earnings from Sanlam's life and non-life operations. Detailed disclosure is provided in respect of the main valuation assumptions used, sensitivities to the main assumptions as well as an indication of the accuracy of assumptions used through the annual disclosure of variances between actual experience and the assumptions used in the calculation of GEV.

In this report, including the GEV disclosures, certain statements are made that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, among others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These statements may also relate to future prospects, developments and business strategies. These are forward looking statements as defined in the USA Private Securities Litigation Reform Act of 1995. Words such as 'believe', 'anticipate', 'intend', 'seek', 'will', 'plan', 'could', 'may', 'endeavour' and 'project' and similar expressions are intended to identify such forward looking statements, but are not the exclusive means of identifying such statements. Forward looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be 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 due to new information, future events or otherwise. Any forward looking information contained in this report has not been reviewed and reported on by Sanlam's external auditor.

Board responsibility statement

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

Johan van Zyl
Chairman

Ian Kirk
Group Chief Executive

Navigational icons

The following navigational icons are featured throughout this report to improve usability, and to indicate where additional information can be found within this report, within Sanlam's 2017 Annual Reporting Suite or online.

This icon indicates where additional information can be found within this report.

This icon indicates where additional information can be found in Sanlam's 2017 Annual Reporting Suite online.

This icon indicates where additional information can be found elsewhere online.

Shareholders' information

Independent auditor's report **on the Sanlam Limited Shareholders' Information**

To the directors of Sanlam Limited

Opinion

We have audited the Sanlam Limited Shareholders' Information ("Shareholders' Information") set out on pages 148 to 204 for the year ended 31 December 2017, comprising Group Equity Value, Change in Group Equity Value, Analysis of Group Equity Value earnings, Analysis of Shareholders' fund at net asset value; Shareholders' fund income statement; Notes to the Shareholders' fund information and a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying Shareholders' Information of Sanlam Limited for the year ended 31 December 2017 is prepared, in all material respects, in accordance with the basis of accounting described on pages 148 to 155 of the Shareholders' Information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Shareholders' Information* section of our report. We are independent of Sanlam Limited in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing the audit of Sanlam Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, the IESBA code, and in accordance with other ethical requirements applicable to performing the audit of Sanlam Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to pages 148 to 155 of the Shareholders' Information which describes the basis of accounting. The 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 Shareholders' Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the Shareholders' Information in accordance with the basis of accounting described on pages 148 to 155, for determining that the basis of accounting is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the Shareholders' Information that is free from material misstatement, whether due to fraud or error.

In preparing the Shareholders' Information, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Shareholders' Information

Our objectives are to obtain reasonable assurance about whether the Shareholders' Information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Shareholders' Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Shareholders' Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Shareholders' Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

Sanlam Limited has prepared a separate set of consolidated and separate Annual Financial Statements for the year ended 31 December 2017, in accordance with International Financial Reporting Standards, on which we issued a separate auditor's report to the shareholders of Sanlam Limited, dated 7 March 2018.

Ernst & Young Inc.

Ernst & Young Inc.

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

3rd floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town

7 March 2018

Basis of accounting – **Shareholders' information**

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

It includes analyses of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group annual financial statements are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance and capital management strategy.

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

A glossary containing explanations of technical terms used in these financial statements is presented on page 208.

Basis of Accounting – shareholders' information

The basis of accounting and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out in the online IFRS Annual Financial Statements, apart from the specific items described under separate headings in this section.

Management considers this basis of accounting applied for the shareholders' information to be suitable for the intended users of this financial information, and is consistent with that applied in the 2016 Integrated Report.

The shareholders' fund information includes the following:

- Group Equity Value (refer page 157);
- Change in Group Equity Value (refer page 160);
- Analysis of Group Equity Value earnings (refer page 164);
- Shareholders' fund financial statements, consisting of the Shareholders fund at net asset value (refer page 168) and Shareholders' fund income statement (refer page 170); and
- Related notes.

Group Equity Value

GEV is the aggregate of the following components:

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

Appropriate allowance is made in GEV for share incentive schemes granted to Group employees.

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

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

Embedded value of covered business

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

The embedded value results of the Group's covered business are included in the shareholders' information as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group.

Covered business

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

Acquisitions, disposals and other movements

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

Methodology

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

The embedded value of covered business comprises the following components:

- Adjusted net assets (ANA); and
- The net value of in-force business.

Adjusted net assets

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

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

For insurance businesses regulated under SAM (or similar regimes), the level of required capital for covered business is set to ensure that Own Funds attributable to in-force covered business maintains a SAM SCR ratio within a specific range, e.g. between 170% and 210% for Sanlam Life, over the next 10 years. In addition, these businesses may also need to maintain statutory cover ratios above a lower minimum level, e.g. 135% for Sanlam Life covered business, even after severe but plausible stress scenarios.

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

Transfers are made to or from ANA on an annual basis for the following:

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

Basis of accounting – Shareholders' information (continued)

Net value of in-force business

The net value of in-force business consists of:

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

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

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

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

Cost of required capital

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

Value of new business

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

In determining the value of new business:

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

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 1 on page 172.

Risk discount rates and allowance for risk

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

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

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

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

Minimum investment guarantees to policyholders

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

Assumptions

Best estimate assumptions

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

Economic assumptions

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

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

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

Assets backing required capital

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

Demographic assumptions

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

HIV/Aids

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

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The rate of inflation is higher for business written on legacy systems. The allocation between acquisition and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred in 2017.

Project expenses

A best estimate of future project expenses is allowed for in the embedded value of covered business, in addition to the expense assumptions outlined above, in both the value of policy liabilities and the PVIF as applicable. These projects relate to regulatory compliance, administration and existing distribution platforms of the life insurance business and are deemed to be business imperatives by management. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Investment management fees

Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investments, these margins are not included in the value

Basis of accounting – Shareholders' information (continued)

of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investments businesses at fair value.

Taxation

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

Allowance has been made for the impact of Capital Gains Tax on investments in South Africa, assuming a five-year roll-over period. No allowance has been made for changes to South African tax legislation that will emanate from the recent budget speech by the Minister of Finance.

Earnings from covered business

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

Value of new business

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

Net earnings from existing covered business

Expected return on value of covered business

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

Operating experience variances

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

Operating assumption changes

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

Expected investment return on adjusted net assets

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

Economic assumption changes

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

Investment variances

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

Fair value of other Group operations

Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

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

Acquisitions, disposals and other movements

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

Risk discount rates and allowance for risk

The underlying risks within other Group operations are allowed for through a combination of the following:

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

The risk discount rates are set using a bottom-up approach based on prevailing risk-free interest rates and market-consistent risk premiums for similar operations.

Assumptions

Best estimate assumptions

The calculation of fair values is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain.

Economic assumptions

The assumed investment return on assets under management for the investment management operations is based on the assumed long-term asset mix for these assets.

Inflation assumptions are based on an assumed long term gap relative to fixed-interest securities.

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the other Group operations, including investment in systems required to support that business, and allow for future inflation.

Taxation

Projected taxation is based on the current tax basis that applies in each country. No allowance has been made for changes to South African tax legislation that will emanate from the recent budget speech by the Minister of Finance.

Present value of corporate expenses

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

Share incentive schemes granted on subsidiaries' own shares

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

Share incentive schemes granted on Sanlam shares

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

Change in Group Equity Value

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

Return on Group Equity Value

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

Sensitivity analysis

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

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation

Basis of accounting – Shareholders' information (continued)

of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

For embedded value of covered business, risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate.

Foreign currencies

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

The closing rate is used for the conversion of foreign operations at the end of the financial year.

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

The analysis of the shareholders' fund at net asset value and the related shareholders' fund income statement reflects the consolidated financial position and earnings of the shareholders' fund, based on accounting policies consistent with those contained in the IFRS financial statements online, apart from the following:

Basis of consolidation

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

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

Consolidation reserve

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. Similarly, IFRS requires the recognition of deferred tax assets in respect of assessed tax losses in certain policyholders' funds, without a corresponding adjustment to the valuation of policy liabilities. This also results in an artificial mismatch between policy liabilities and policyholder assets. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund at net asset value as the related policyholder investments and other assets are recognised at fair value. The fund transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised earnings.

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

Target shares

Participation in strategic general insurance investments outside of South Africa between Sanlam Emerging Markets (SEM) and Santam are structured through the issuance of target shares between SEM and Santam. These shares give the holder the right to participate in the growth of the underlying general insurance investments. For purposes of the Group's shareholder fund income statement, the total return on these general insurance investments are therefore split between SEM and Santam, after consideration of the respective non-controlling interests. The presentation is therefore based on the individual segments' rights to the returns.

Segregated funds

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

Equity-accounted earnings

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

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

Normalised earnings per share

As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries, as well as assessed tax losses, creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period. The Group therefore calculates normalised diluted earnings per share that eliminates these impacts.

Fund flows

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

Funds received from clients

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

New business

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

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

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

Payments to clients

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

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

Group **Equity Value**

at 31 December 2017

R million	Note	Group Equity Value 2017	2016
Sanlam Personal Finance		**43 401**	41 878
Covered business[1]	7.1	**39 546**	38 216
Sanlam Sky		**7 956**	7 237
Other		**31 590**	30 979
Other operations		**3 855**	3 662
Glacier		**2 321**	2 192
Sanlam Personal Loans		**1 052**	999
Other operations		**482**	471
Sanlam Emerging Markets		**27 621**	22 097
Covered business	7.2	**6 686**	6 370
Namibia		**1 816**	1 709
Botswana		**1 333**	1 261
Rest of Africa (excluding Saham Finances)		**1 050**	1 509
Saham Finances[2]		**1 265**	672
India		**702**	677
Malaysia		**520**	542
Other operations		**20 935**	15 727
Shriram Capital		**9 524**	7 963
Saham Finances		**6 833**	3 197
Letshego		**991**	1 190
Pacific & Orient		**376**	476
Capricorn Investment Holdings		**1 022**	1 077
Other operations		**2 189**	1 824
Sanlam Investments		**18 331**	15 807
Covered business	7.3	**2 768**	1 137
Sanlam UK		**1 213**	1 137
Central Credit Manager[3]		**1 555**	–
Other operations		**15 563**	14 670
Investment Management SA		**7 428**	7 071
Wealth Management		**2 242**	2 155
International		**5 643**	4 844
Sanlam Capital Markets		**250**	600
Santam		**18 108**	15 868
Sanlam Corporate		**6 368**	6 385
Covered business[1]	7.5	**5 283**	5 523
Other operations		**1 085**	862
Afrocentric		**1 001**	775
Other		**84**	87

Value of in-force/fair value adjustment		*Adjusted net asset value*		Elimination of goodwill and VOBA		Shareholders' fund at net asset value	
2017	**2016**	***2017***	***2016***	**2017**	**2016**	**2017**	**2016**
35 786	32 446	***7 615***	*9 432*	**(1 145)**	(595)	**8 760**	10 027
33 290	29 858	***6 256***	*8 358*	**(1 145)**	(595)	**7 401**	8 953
7 352	6 152	***604***	*1 085*	**(467)**	(505)	**1 071**	1 590
25 938	23 706	***5 652***	*7 273*	**(678)**	(90)	**6 330**	7 363
2 496	2 588	***1 359***	*1 074*	**–**	–	**1 359**	1 074
1 867	1 788	***454***	*404*	**–**	–	**454**	404
252	376	***800***	*623*	**–**	–	**800**	623
377	424	***105***	*47*	**–**	–	**105**	47
6 319	5 335	***21 302***	*16 762*	**(1 606)**	(1 191)	**22 908**	17 953
3 665	3 513	***3 021***	*2 857*	**(1 606)**	(1 191)	**4 627**	4 048
1 318	1 219	***498***	*490*	**–**	–	**498**	490
980	924	***353***	*337*	**(66)**	(47)	**419**	384
247	635	***803***	*874*	**(10)**	(10)	**813**	884
707	321	***558***	*351*	**(878)**	(460)	**1 436**	811
206	182	***496***	*495*	**(293)**	(285)	**789**	780
207	232	***313***	*310*	**(359)**	(389)	**672**	699
2 654	1 822	***18 281***	*13 905*	**–**	–	**18 281**	13 905
2 585	1 526	***6 939***	*6 437*	**–**	–	**6 939**	6 437
363	321	***6 470***	*2 876*	**–**	–	**6 470**	2 876
8	124	***983***	*1 066*	**–**	–	**983**	1 066
–	–	***376***	*476*	**–**	–	**376**	476
8	168	***1 014***	*909*	**–**	–	**1 014**	909
(310)	(317)	***2 499***	*2 141*	**–**	–	**2 499**	2 141
11 495	10 918	***6 836***	*4 889*	**(356)**	(356)	**7 192**	5 245
124	671	***2 644***	*466*	**(356)**	(356)	**3 000**	822
679	671	***534***	*466*	**(356)**	(356)	**890**	822
(555)	–	***2 110***	*–*	**–**	–	**2 110**	–
11 371	10 247	***4 192***	*4 423*	**–**	–	**4 192**	4 423
7 129	6 793	***299***	*278*	**–**	–	**299**	278
1 936	1 684	***306***	*471*	**–**	–	**306**	471
2 306	1 770	***3 337***	*3 074*	**–**	–	**3 337**	3 074
–	–	***250***	*600*	**–**	–	**250**	600
13 278	11 332	***4 830***	*4 536*	**–**	–	**4 830**	4 536
2 423	1 930	***3 945***	*4 455*	**–**	–	**3 945**	4 455
2 166	1 803	***3 117***	*3 720*	**–**	–	**3 117**	3 720
257	127	***828***	*735*	**–**	–	**828**	735
223	104	***778***	*671*	**–**	–	**778**	671
34	23	***50***	*64*	**–**	–	**50**	64

Group **Equity Value** (continued)

at 31 December 2017

R million	Note	Group Equity Value 2017	2016
Group operations		**113 829**	102 035
Dividend pool		**5 885**	5 437
Discretionary capital[(4)]		**2 000**	550
Other capital		**1 665**	4 479
Present value of holding company expenses		**(1 616)**	(1 784)
Total		**121 763**	110 717
Covered business	2	**54 283**	51 246
Other operations	5	**59 546**	50 789
Group operations		**113 829**	102 035
Discretionary and other capital		**7 934**	8 682
Total		**121 763**	110 717
Value per share	14	**59,40**	54,07

(1) *Excludes subordinated debt funding of Sanlam Life. Capital allocated to Sanlam Personal Finance and Sanlam Employee Benefits covered business were reduced by the following amounts in 2017:*
- → *Sanlam Personal Finance: R2 303 million and R(514) million cost of capital;*
- → *Sanlam Employee Benefits: R307 million and R(37) million cost of capital.*

These reductions relate to the reallocation of credit risk capital to the Central Credit Manager (refer note 3 below) and the release of R500 million from the capital base to discretionary capital. For Return on Group Equity Value, it was assumed that R2 360 million was released on 1 January 2017 and the remaining R250 million on 30 June 2017.

(2) *The Sanlam Group increased its stake in Saham Finances from 30% to 46,6%, effective 1 May 2017. The embedded value of Saham Finances is calculated using a risk discount rate inclusive of the cost of capital.*

(3) *The Central Credit Manager was established during 2016 with a mandate to manage credit-related instruments on behalf of the Group's covered business operations. Credit risk capital of R2 110 million (and related cost of capital of R(551) million) in respect of the investments managed by the Central Credit Manager were transferred from Sanlam Personal Finance and Sanlam Employee Benefits to the Central Credit Manager (refer note 1 above). For Return on Group Equity Value, it was assumed that the transfer occurred on 1 January 2017.*

(4) *Fair value adjustments relate to the reversal of marked-to-market changes on hedging instruments, to be recognised in the financial year that the hedge transactions become effective.*

	Value of in-force/fair value adjustment		*Adjusted net asset value*		Elimination of goodwill and VOBA		Shareholders' fund at net asset value	
	2017	**2016**	***2017***	***2016***	**2017**	**2016**	**2017**	**2016**
	69 301	61 961	***44 528***	*40 074*	**(3 107)**	(2 142)	**47 635**	42 216
	–	–	***5 885***	*5 437*	**–**	–	**5 885**	5 437
	562	(36)	***1 438***	*586*	**–**	–	**1 438**	586
	–	–	***1 665***	*4 479*	**(1 197)**	(1 197)	**2 862**	5 676
	(1 616)	(1 784)	***–***	*–*	**–**	–	**–**	–
	68 247	60 141	***53 516***	*50 576*	**(4 304)**	(3 339)	**57 820**	53 915
	39 245	35 845	***15 038***	*15 401*	**(3 107)**	(2 142)	**18 145**	17 543
	30 056	26 116	***29 490***	*24 673*	**–**	–	**29 490**	24 673
	69 301	61 961	***44 528***	*40 074*	**(3 107)**	(2 142)	**47 635**	42 216
	(1 054)	(1 820)	***8 988***	*10 502*	**(1 197)**	(1 197)	**10 185**	11 699
	68 247	60 141	***53 516***	*50 576*	**(4 304)**	(3 339)	**57 820**	53 915
							28,22	26,33

Change in Group **Equity Value**

for the year ended 31 December 2017

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period	RoGEV %
Sanlam Personal Finance	41 878	7 070	(1 481)	(4 066)	43 401	17,5
Covered business	38 216	6 659	(1 481)	(3 848)	39 546	18,3
Sanlam Sky	7 237	2 087	(489)	(879)	7 956	28,8
Other	30 979	4 572	(992)	(2 969)	31 590	15,7
Other operations	3 662	411	–	(218)	3 855	11,2
Glacier	2 192	342	–	(213)	2 321	15,6
Sanlam Personal Loans	999	53	–	–	1 052	5,3
Other operations	471	16	–	(5)	482	3,4
Sanlam Emerging Markets	22 097	2 845	4 045	(1 366)	27 621	11,5
Covered business	6 370	1 476	(515)	(645)	6 686	23,2
Namibia	1 709	337	(53)	(177)	1 816	19,7
Botswana	1 261	247	13	(188)	1 333	19,6
Rest of Africa (excluding Saham Finances)	1 509	898	(1 173)	(184)	1 050	59,5
Saham Finances	672	(28)	669	(48)	1 265	(4,2)
India	677	21	42	(38)	702	3,1
Malaysia	542	1	(13)	(10)	520	0,2
Other operations	15 727	1 369	4 560	(721)	20 935	7,5
Shriram Capital	7 963	1 659	–	(98)	9 524	20,8
Saham Finances	3 197	(197)	3 909	(76)	6 833	(3,4)
Letshego	1 190	(168)	–	(31)	991	(14,1)
Pacific & Orient	476	(92)	–	(8)	376	(19,3)
Capricorn Investment Holdings	1 077	108	–	(163)	1 022	10,0
Other operations	1 824	59	651	(345)	2 189	3,2
Sanlam Investments	15 807	2 442	1 270	(1 188)	18 331	14,2
Covered business	1 137	403	1 451	(223)	2 768	14,9
Sanlam UK	1 137	76	85	(85)	1 213	6,7
Central Credit Manager	–	327	1 366	(138)	1 555	21,0
Other operations	14 670	2 039	(181)	(965)	15 563	14,1
Investment Management SA	7 071	718	84	(445)	7 428	10,1
Wealth Management	2 155	225	(44)	(94)	2 242	10,5
International	4 844	849	129	(179)	5 643	17,5
Sanlam Capital Markets	600	247	(350)	(247)	250	58,1
Santam	15 868	2 854	–	(614)	18 108	18,0
Sanlam Corporate	6 385	1 284	(822)	(479)	6 368	21,0
Covered business	5 523	1 070	(867)	(443)	5 283	20,4
Other operations	862	214	45	(36)	1 085	24,5
Afrocentric	775	211	38	(23)	1 001	26,9
Other	87	3	7	(13)	84	3,4

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period	RoGEV %
Group operations	*102 035*	*16 495*	*3 012*	*(7 713)*	*113 829*	*15,8*
Discretionary capital	550	(129)	1 579	–	2 000	
Other capital	9 916	86	(4 613)	2 161	7 550	
Present value of holding company expenses	(1 784)	53	–	115	(1 616)	
Group Equity Value	110 717	16 505	(22)	(5 437)	121 763	14,9
Covered business	51 246	9 608	(1 412)	(5 159)	54 283	18,8
Other operations	50 789	6 887	4 424	(2 554)	59 546	12,9
Group operations	102 035	16 495	3 012	(7 713)	113 829	15,8
Discretionary and other capital	8 682	10	(3 034)	2 276	7 934	0,2
Group Equity Value	110 717	16 505	(22)*	(5 437)	121 763	14,9
RoGEV per share						14,8

* *Movement in book value of treasury shares.*

Change in Group **Equity Value** (continued)

for the year ended 31 December 2016

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period	RoGEV %
Sanlam Personal Finance	37 472	8 503	(53)	(4 044)	41 878	22,7
Covered business	34 526	7 402	(32)	(3 680)	38 216	21,4
Sanlam Sky	6 362	1 725	3	(853)	7 237	28,0
Other	28 164	5 677	(35)	(2 827)	30 979	20,0
Other operations	2 946	1 101	(21)	(364)	3 662	37,4
Glacier	1 605	772	–	(185)	2 192	48,1
Sanlam Personal Loans	913	212	–	(126)	999	23,2
Other operations	428	117	(21)	(53)	471	27,3
Sanlam Emerging Markets	18 047	(491)	6 020	(1 479)	22 097	(2,3)
Covered business	5 486	37	1 446	(599)	6 370	0,7
Namibia	1 608	309	(57)	(151)	1 709	19,2
Botswana	1 229	165	98	(231)	1 261	13,4
Rest of Africa (excluding Saham Finances)	1 679	(97)	127	(200)	1 509	(5,0)
Saham Finances	–	(245)	935	(18)	672	–
India	302	7	354	14	677	2,4
Malaysia	668	(102)	(11)	(13)	542	(15,4)
Other operations	12 561	(528)	4 574	(880)	15 727	(3,4)
Shriram Capital	7 594	143	308	(82)	7 963	1,9
Saham Finances	–	(214)	3 411	–	3 197	(7,5)
Letshego	1 106	17	120	(53)	1 190	1,4
Pacific & Orient	812	(260)	–	(76)	476	(32,0)
Capricorn Investment Holdings	877	219	–	(19)	1 077	25,0
Other operations	2 172	(433)	735	(650)	1 824	(19,3)
Sanlam Investments	16 835	(322)	326	(1 032)	15 807	(1,9)
Covered business	1 633	(403)	(82)	(11)	1 137	(24,7)
Sanlam UK	1 633	(403)	(82)	(11)	1 137	(24,7)
Central Credit Manager	–	–	–	–	–	–
Other operations	15 202	81	408	(1 021)	14 670	0,5
Investment Management SA	6 287	1 030	296	(542)	7 071	16,4
Wealth Management	1 759	337	156	(97)	2 155	19,2
International	6 556	(1 567)	(44)	(101)	4 844	(23,9)
Sanlam Capital Markets	600	281	–	(281)	600	46,8
Santam	12 850	4 129	–	(1 111)	15 868	32,1
Sanlam Corporate	6 354	613	(64)	(518)	6 385	9,6
Covered business	5 577	437	(64)	(427)	5 523	7,8
Other operations	777	176	–	(91)	862	22,7
Afrocentric	703	156	–	(84)	775	22,2
Other	74	20	–	(7)	87	27,0

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period	RoGEV %
Group operations	*91 558*	*12 432*	*6 229*	*(8 184)*	*102 035*	*13,1*
Discretionary capital	2 300	215	(1 965)	–	550	
Other capital	11 199	(37)	(4 356)	3 110	9 916	
Present value of holding company expenses	(1 551)	(340)	–	107	(1 784)	
Group Equity Value	103 506	12 270	(92)	(4 967)	110 717	11,9
Covered business	47 222	7 473	1 268	(4 717)	51 246	15,8
Other operations	44 336	4 959	4 961	(3 467)	50 789	10,5
Group operations	91 558	12 432	6 229	(8 184)	102 035	13,1
Discretionary and other capital	11 948	(162)	(6 321)	3 217	8 682	(1,8)
Group Equity Value	103 506	12 270	(92)*	(4 967)	110 717	11,9
RoGEV per share						11,8

* *Movement in book value of treasury shares.*

Analysis of GEV earnings

for the year ended 31 December 2017

Covered business[1]

R million	Total 2017	Total 2016	Value of in-force 2017	Value of in-force 2016	Cost of capital 2017	Cost of capital 2016	Adjusted net asset value 2017	Adjusted net asset value 2016
Operational earnings	**7 612**	7 647	**2 568**	3 097	**132**	(85)	**4 912**	4 635
Value of new life insurance business[2]	**1 841**	1 605	**4 324**	3 818	**(195)**	(224)	**(2 288)**	(1 989)
Unwinding of discount rate	**4 620**	4 634	**4 427**	4 468	**193**	166	**–**	–
Expected profit	**–**	–	**(6 061)**	(5 723)	**–**	–	**6 061**	5 723
Operating experience variances	**1 558**	983	**77**	(33)	**187**	10	**1 294**	1 006
Risk experience	**447**	438	**(6)**	52	**7**	3	**446**	383
Persistency	**67**	(11)	**178**	66	**16**	10	**(127)**	(87)
Maintenance expenses	**(9)**	30	**(5)**	(3)	**1**	(4)	**(5)**	37
Working capital management	**452**	354	**5**	5	**–**	–	**447**	349
Credit spread	**396**	89	**–**	–	**–**	–	**396**	89
Other	**205**	83	**(95)**	(153)	**163**	1	**137**	235
Operating assumption changes	**(407)**	425	**(199)**	567	**(53)**	(37)	**(155)**	(105)
Risk experience	**183**	122	**147**	54	**(3)**	(6)	**39**	74
Persistency	**(115)**	54	**(86)**	125	**(3)**	(35)	**(26)**	(36)
Maintenance expenses	**(239)**	99	**(110)**	50	**(1)**	1	**(128)**	48
Modelling changes and other	**(236)**	150	**(150)**	338	**(46)**	3	**(40)**	(191)
Net investment return	**930**	(113)	**–**	–	**–**	–	**930**	(113)
Expected return on adjusted net asset value	**1 020**	1 199	**–**	–	**–**	–	**1 020**	1 199
Investment variances on adjusted net asset value	**(90)**	(1 312)	**–**	–	**–**	–	**(90)**	(1 312)
Valuation and economic basis	**762**	(300)	**489**	(421)	**26**	65	**247**	56
Investment variances on in-force business	**691**	(159)	**413**	(217)	**19**	3	**259**	55
Economic assumption changes	**234**	485	**253**	509	**(7)**	(25)	**(12)**	1
Investment yields	**260**	552	**253**	524	**19**	28	**(12)**	–
Long-term asset mix assumptions and other	**(26)**	(67)	**–**	(15)	**(26)**	(53)	**–**	1
Foreign currency translation differences	**(163)**	(626)	**(177)**	(713)	**14**	87	**–**	–

Covered business[1] (continued)

R million	Total 2017	Total 2016	Value of in-force 2017	Value of in-force 2016	Cost of capital 2017	Cost of capital 2016	Adjusted net asset value 2017	Adjusted net asset value 2016
Change in tax basis	–	422	–	679	–	(118)	–	(139)
Risk Policy Fund	–	674	–	674	–	–	–	–
Capital Gains Tax inclusion rate	–	(257)	–	1	–	(119)	–	(139)
Other	–	5	–	4	–	1	–	–
Profit on disposal of subsidiaries and associated companies	789	–	–	–	–	–	789	–
Goodwill and VOBA from business combinations	(485)	(183)	(485)	(183)	–	–	–	–
GEV earnings: covered business	9 608	7 473	2 572	3 172	158	(138)	6 878	4 439
Acquired value of in-force	1 443	1 247	1 026	655	(8)	(4)	425	596
Disposal of businesses	(1 331)	–	(357)	–	9	–	(983)	–
Transfers from/(to) other Group operations	–	(13)	–	46	–	–	–	(59)
Transfers from covered business	(6 683)	(4 683)	–	–	–	–	(6 683)	(4 683)
Embedded value of covered business at the beginning of the year	51 246	47 222	39 379	35 506	(3 534)	(3 392)	15 401	15 108
Embedded value of covered business at the end of the year	54 283	51 246	42 620	39 379	(3 375)	(3 534)	15 038	15 401

(1) *Refer to note 7 for an analysis per cluster.*
(2) *Refer to note 1 for additional information.*

Analysis of **GEV earnings** (continued)

for the year ended 31 December 2017

Other operations

R million	Total 2017	Total 2016	Sanlam Personal Finance 2017	Sanlam Personal Finance 2016
Earnings from operations valued at listed share prices	**2 854**	4 129	**–**	–
Earnings from operations valued at net asset value	**323**	32	**–**	–
Earnings from operations valued based on discounted cash flows	**3 710**	798	**411**	1 101
Unwinding of discount rate	**4 957**	4 951	**654**	537
Operating experience variances	**350**	109	**44**	67
General insurance	**32**	58	**–**	–
Investment management	**133**	88	**–**	–
Credit and banking	**231**	(106)	**22**	(4)
Administration, health and other	**(46)**	69	**22**	71
Assumption changes	**(210)**	(3 566)	**(376)**	264
General insurance	**(383)**	(211)	**–**	–
Investment management	**(257)**	(1 990)	**–**	–
Credit and banking	**698**	(1 394)	**(175)**	(23)
Administration, health and other	**(268)**	29	**(201)**	287
Economic assumption changes	**(409)**	2 695	**89**	233
Foreign currency translation differences	**(978)**	(3 391)	**–**	–
GEV earnings: other operations	**6 887**	4 959	**411**	1 101

Discretionary and other capital

R million	Total 2017	Total 2016
Investment return	**(129)**	215
Corporate expenses	**53**	(340)
Net corporate expenses	**(115)**	(107)
Change in present value of holding company expenses	**168**	(233)
Share-based payment transactions	**86**	(37)
GEV earnings: discretionary and other capital	**10**	(162)

Reconciliation of Group Equity Value earnings

R million	2017	2016
IFRS earnings	**9 411**	3 573
Normalised attributable earnings	**11 001**	8 123
Earnings recognised directly in equity		
Foreign currency translation differences	**(1 044)**	(3 902)
Net cost of treasury shares delivered	**(216)**	(298)
Share-based payments	**340**	325
Change in ownership of subsidiaries	**(63)**	(95)
Other comprehensive income	**(607)**	(580)
Fair value adjustments	**7 268**	8 721
Change in fair value adjustments: non-life	**4 538**	5 687
Earnings from covered business: VIF	**2 730**	3 034
Adjustments to net worth	**(174)**	(24)
Present value of holding company expenses	**168**	(233)
Movement in book value of treasury shares: non-life subsidiaries	**(47)**	(61)
Change in goodwill/VOBA less VIF acquired	**(295)**	270
Group Equity Value earnings	**16 505**	12 270

Sanlam Emerging Markets 2017	Sanlam Emerging Markets 2016	Sanlam Investments 2017	Sanlam Investments 2016	Santam 2017	Santam 2016	Sanlam Corporate 2017	Sanlam Corporate 2016
–	–	–	–	2 854	4 129	–	–
(131)	(200)	454	232	–	–	–	–
1 500	(328)	1 585	(151)	–	–	214	176
2 310	2 351	1 842	1 914	–	–	151	149
285	(14)	84	61	–	–	(63)	(5)
32	58	–	–	–	–	–	–
49	27	84	61	–	–	–	–
209	(102)	–	–	–	–	–	–
(5)	3	–	–	–	–	(63)	(5)
295	(1 886)	(241)	(1 971)	–	–	112	27
(383)	(211)	–	–	–	–	–	–
(16)	(19)	(241)	(1 971)	–	–	–	–
873	(1 371)	–	–	–	–	–	–
(179)	(285)	–	–	–	–	112	27
(677)	1 446	165	1 011	–	–	14	5
(713)	(2 225)	(265)	(1 166)	–	–	–	–
1 369	(528)	2 039	81	2 854	4 129	214	176

Analysis of **shareholders' fund at net asset value**

at 31 December 2017

R million	Note	Sanlam Life(1) 2017	Sanlam Life(1) 2016	Sanlam Emerging Markets(2) 2017	Sanlam Emerging Markets(2) 2016
Assets					
Equipment		**302**	303	**135**	146
Owner-occupied properties		**470**	470	**224**	238
Goodwill		**714**	244	**323**	178
Value of business acquired		**845**	500	**658**	547
Other intangible assets		**60**	17	**212**	267
Deferred acquisition costs		**3 012**	2 949	**13**	16
Investments	8.3	**17 699**	22 054	**27 953**	22 722
Properties		**10**	143	**843**	821
Associated companies	8.1	**882**	760	**23 157**	18 636
Joint ventures	8.2	**870**	817	**–**	–
Equities and similar securities		**424**	1 055	**357**	536
Interest-bearing investments		**3 918**	5 134	**1 878**	1 060
Structured transactions		**316**	812	**22**	5
Investment funds		**9 390**	9 414	**424**	301
Cash, deposits and similar securities		**1 889**	3 919	**1 272**	1 363
Deferred tax		**394**	175	**196**	185
Assets of disposal groups classified as held for sale		**–**	–	**–**	–
General insurance technical assets		**–**	–	**152**	124
Working capital assets		**9 149**	8 856	**2 575**	2 427
Trade and other receivables		**2 565**	2 450	**1 809**	1 863
Cash, deposits and similar securities		**6 584**	6 406	**766**	564
Total assets		**32 645**	35 568	**32 441**	26 850
Equity and liabilities					
Shareholders' fund		**19 562**	24 347	**23 672**	18 385
Non-controlling interest		**233**	–	**5 072**	5 238
Total equity		**19 795**	24 347	**28 744**	23 623
Term finance		**2 167**	2 159	**111**	115
Structured transactions liabilities		**1 156**	16	**–**	–
Cell owners' interest		**–**	–	**–**	–
Deferred tax		**943**	775	**301**	249
General insurance technical provisions		**–**	–	**552**	523
Working capital liabilities		**8 584**	8 271	**2 733**	2 340
Trade and other payables		**7 489**	6 872	**2 733**	2 340
Provisions		**127**	131	**–**	–
Taxation		**968**	1 268	**–**	–
Total equity and liabilities		**32 645**	35 568	**32 441**	26 850
Analysis of shareholders' fund					
Covered business		**10 518**	12 673	**4 627**	4 048
Other operations		**2 187**	1 809	**18 281**	13 905
Discretionary and other capital		**6 857**	9 865	**764**	432
Shareholders' fund at net asset value		**19 562**	24 347	**23 672**	18 385
Consolidation reserve		**1 200**	1 253	**–**	–
Shareholders' fund per Group statement of financial position on page 74 of the Annual Financial Statements online		**20 762**	25 600	**23 672**	18 385

(1) *Includes the operations of Sanlam Personal Finance and Sanlam Corporate (which includes Sanlam Health and Sanlam Employee Benefits) as well as discretionary capital held by Sanlam Life. Previously, equities and similar securities included the investment in Sanlam Limited shares that was eliminated in the consolidation column. From 2017, the elimination is done within the cluster with comparative information being adjusted accordingly.*

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

Sanlam Investments[3]		Santam		Group Office[4]		Consolidation entries[5]		Shareholders' fund at net asset value	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
66	70	319	321	–	–	–	–	822	840
113	115	19	1	–	–	–	–	826	824
1 159	1 203	765	774	–	–	1 197	1 197	4 158	3 596
427	559	–	–	–	–	–	–	1 930	1 606
161	179	58	81	–	–	–	–	491	544
–	–	–	–	–	–	–	–	3 025	2 965
4 622	1 927	17 099	11 987	2 219	1 660	(3 039)	(3 262)	66 553	57 088
–	–	–	–	–	–	–	–	853	964
549	418	2 763	2 624	–	–	(2 691)	(2 733)	24 660	19 705
–	–	66	65	–	–	–	–	936	882
252	222	2 956	1 404	481	493	(430)	(568)	4 040	3 142
341	109	8 315	5 892	1 736	1 165	(38)	74	16 150	13 434
–	–	588	714	–	–	–	(35)	926	1 496
2 968	594	1 351	388	–	–	120	–	14 253	10 697
512	584	1 060	900	2	2	–	–	4 735	6 768
129	146	157	144	–	–	7	3	883	653
–	–	–	8	–	–	–	–	–	8
–	–	6 248	4 898	–	–	–	–	6 400	5 022
20 009	22 660	12 334	10 998	3 655	3 378	(5 108)	(4 522)	42 614	43 797
13 827	19 076	5 415	3 720	3 319	3 000	(5 134)	(4 418)	21 801	25 691
6 182	3 584	6 919	7 278	336	378	26	(104)	20 813	18 106
26 686	26 859	36 999	29 212	5 874	5 038	(6 943)	(6 584)	127 702	116 943
8 506	6 376	4 830	4 536	136	(509)	1 114	780	57 820	53 915
42	54	3 281	3 062	–	–	(2 697)	(2 749)	5 931	5 605
8 548	6 430	8 111	7 598	136	(509)	(1 583)	(1 969)	63 751	59 520
17	239	2 056	2 054	1 917	1 651	–	–	6 268	6 218
–	–	–	–	–	–	–	–	1 156	16
–	–	3 217	1 153	–	–	–	–	3 217	1 153
22	13	121	119	–	–	43	7	1 430	1 163
–	–	18 116	14 034	–	–	–	–	18 668	14 557
18 099	20 177	5 378	4 254	3 821	3 896	(5 403)	(4 622)	33 212	34 316
17 874	19 863	5 116	4 065	3 791	3 856	(5 402)	(4 632)	31 601	32 364
82	123	68	41	20	20	17	17	314	332
143	191	194	148	10	20	(18)	(7)	1 297	1 620
26 686	26 859	36 999	29 212	5 874	5 038	(6 943)	(6 584)	127 702	116 943
3 000	822	–	–	–	–	–	–	18 145	17 543
4 192	4 423	4 830	4 536	–	–	–	–	29 490	24 673
1 314	1 131	–	–	136	(509)	1 114	780	10 185	11 699
8 506	6 376	4 830	4 536	136	(509)	1 114	780	57 820	53 915
–	–	–	–	–	–	(1 600)	(1 778)	(400)	(525)
8 506	6 376	4 830	4 536	136	(509)	(486)	(998)	57 420	53 390

[3] *Includes Sanlam Investment Management and Sanlam Capital Markets previously disclosed separately.*
[4] *Group Office and Other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.*
[5] *Elimination of intercompany balances, other investments and term finance between companies within the Group.*

Shareholders' fund **income statement**

for the year ended 31 December 2017

R million	Note	Sanlam Personal Finance[1] 2017	Sanlam Personal Finance[1] 2016	Sanlam Emerging Markets 2017	Sanlam Emerging Markets 2016
Financial services income	9	**17 823**	16 421	**7 978**	7 462
Sales remuneration	10	**(3 332)**	(2 955)	**(1 118)**	(1 177)
Income after sales remuneration		**14 491**	13 466	**6 860**	6 285
Underwriting policy benefits		**(3 822)**	(3 492)	**(1 709)**	(1 574)
Administration costs	11	**(4 769)**	(4 283)	**(1 840)**	(1 815)
Result from financial services before tax		**5 900**	5 691	**3 311**	2 896
Tax on result from financial services		**(1 679)**	(1 590)	**(936)**	(800)
Result from financial services after tax		**4 221**	4 101	**2 375**	2 096
Non-controlling interest		**14**	(2)	**(582)**	(539)
Net result from financial services		**4 235**	4 099	**1 793**	1 557
Net investment income		**223**	506	**201**	198
Investment income	12	**293**	658	**383**	345
Tax on investment income		**(67)**	(152)	**(138)**	(98)
Non-controlling interest		**(3)**	–	**(44)**	(49)
Project expenses		**–**	–	**(99)**	(28)
Net amortisation of value of business acquired and other intangibles		**(45)**	(39)	**(44)**	(45)
Equity participation costs		**–**	–	**–**	–
Net equity-accounted headline earnings		**–**	–	**10**	31
Equity-accounted headline earnings		**–**	–	**18**	59
Tax on equity-accounted headline earnings		**–**	–	**(1)**	(2)
Non-controlling interest		**–**	–	**(7)**	(26)
Net investment surpluses		**267**	(165)	**127**	18
Investment surpluses		**370**	(92)	**283**	87
Tax on investment surpluses		**(103)**	(73)	**(89)**	(52)
Non-controlling interest		**–**	–	**(67)**	(17)
Normalised headline earnings		**4 680**	4 401	**1 988**	1 731
Net profit on disposal of subsidiaries and associated companies		**–**	15	**1 159**	16
Profit on disposal of subsidiaries and associated companies		**–**	18	**1 189**	16
Tax on profit on disposal of subsidiaries and associated companies		**–**	(3)	**(22)**	–
Non-controlling interest		**–**	–	**(8)**	–
Impairments		**–**	(5)	**(230)**	(230)
Net equity-accounted non-headline earnings		**–**	–	**140**	–
Normalised attributable earnings		**4 680**	4 411	**3 057**	1 517
Fund transfers		**(53)**	1 259	**–**	–
Attributable earnings per Group statement of comprehensive income		**4 627**	5 670	**3 057**	1 517
Diluted earnings per share	13				
Adjusted weighted average number of shares (million)					
Net result from financial services (cents)		**206,7**	200,3	**87,5**	76,1

[1] *Previously, investment return included returns on the investment in Sanlam Limited shares that were eliminated in the Group Office & Other column. From 2017, the elimination is done within the cluster with comparative information being adjusted accordingly.*

Sanlam Investments		Santam		Sanlam Corporate		Group Office & Other		Total	
2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
5 581	5 546	**22 327**	20 608	**4 825**	4 217	**166**	128	**58 700**	54 382
(218)	(193)	**(2 424)**	(2 379)	**(58)**	(54)	**–**	–	**(7 150)**	(6 758)
5 363	5 353	**19 903**	18 229	**4 767**	4 163	**166**	128	**51 550**	47 624
–	–	**(14 170)**	(12 911)	**(2 798)**	(2 355)	**–**	–	**(22 499)**	(20 332)
(3 786)	(3 848)	**(3 560)**	(3 268)	**(1 190)**	(1 096)	**(348)**	(304)	**(15 493)**	(14 614)
1 577	1 505	**2 173**	2 050	**779**	712	**(182)**	(176)	**13 558**	12 678
(336)	(388)	**(621)**	(582)	**(221)**	(202)	**67**	69	**(3 726)**	(3 493)
1 241	1 117	**1 552**	1 468	**558**	510	**(115)**	(107)	**9 832**	9 185
(14)	(21)	**(701)**	(654)	**–**	–	**–**	–	**(1 283)**	(1 216)
1 227	1 096	**851**	814	**558**	510	**(115)**	(107)	**8 549**	7 969
154	15	**83**	49	**110**	154	**37**	18	**808**	940
167	18	**173**	107	**124**	174	**58**	10	**1 198**	1 312
(13)	–	**(31)**	(20)	**(14)**	(20)	**(21)**	8	**(284)**	(282)
–	(3)	**(59)**	(38)	**–**	–	**–**	–	**(106)**	(90)
(8)	(1)	**–**	–	**–**	–	**(7)**	–	**(114)**	(29)
(160)	(153)	**(10)**	(9)	**(2)**	(5)	**–**	–	**(261)**	(251)
–	–	**(2)**	(5)	**–**	–	**–**	–	**(2)**	(5)
10	(3)	**25**	17	**(7)**	(9)	**–**	–	**38**	36
10	(3)	**58**	28	**(7)**	(9)	**–**	–	**79**	75
–	–	**(17)**	–	**–**	–	**–**	–	**(18)**	(2)
–	–	**(16)**	(11)	**–**	–	**–**	–	**(23)**	(37)
178	(41)	**72**	10	**192**	(93)	**(19)**	(29)	**817**	(300)
194	(48)	**78**	65	**247**	(42)	**(19)**	(29)	**1 153**	(59)
(17)	7	**62**	(32)	**(55)**	(51)	**–**	–	**(202)**	(201)
1	–	**(68)**	(23)	**–**	–	**–**	–	**(134)**	(40)
1 401	913	**1 019**	876	**851**	557	**(104)**	(118)	**9 835**	8 360
32	–	**144**	–	**–**	–	**–**	–	**1 335**	31
32	–	**180**	–	**–**	–	**–**	–	**1 401**	34
–	–	**(2)**	–	**–**	–	**–**	–	**(24)**	(3)
–	–	**(34)**	–	**–**	–	**–**	–	**(42)**	–
(32)	–	**(41)**	(30)	**–**	–	**–**	–	**(303)**	(265)
–	–	**–**	–	**(6)**	(3)	**–**	–	**134**	(3)
1 401	913	**1 122**	846	**845**	554	**(104)**	(118)	**11 001**	8 123
–	–	**–**	–	**–**	–	**(25)**	241	**(78)**	1 500
1 401	913	**1 122**	846	**845**	554	**(129)**	123	**10 923**	9 623
								2 049,1	2 046,5
59,9	53,6	**41,5**	39,7	**27,2**	24,9	**(5,6)**	(5,2)	**417,2**	389,4

Notes to the **shareholders' fund information**

for the year ended 31 December 2017

1. Value of new covered business

R million	Note	Total 2017	Total 2016	Sanlam Personal Finance 2017	Sanlam Personal Finance 2016	Sanlam Emerging Markets 2017	Sanlam Emerging Markets 2016	Sanlam Investments 2017	Sanlam Investments 2016	Sanlam Corporate 2017	Sanlam Corporate 2016
Value of new covered business (at point of sale)											
Gross value of new covered business[1]		**2 217**	2 026	**1 512**	1 291	**550**	589	**7**	12	**148**	134
Cost of capital[1]		**(209)**	(247)	**(96)**	(128)	**(45)**	(56)	**(7)**	(5)	**(61)**	(58)
Value of new covered business		**2 008**	1 779	**1 416**	1 163	**505**	533	**–**	7	**87**	76
Value of new covered business attributable to											
Shareholders' fund	3	**1 841**	1 605	**1 407**	1 163	**347**	359	**–**	7	**87**	76
Non-controlling interest		**167**	174	**9**	–	**158**	174	**–**	–	**–**	–
Value of new covered business		**2 008**	1 779	**1 416**	1 163	**505**	533	**–**	7	**87**	76
Analysis of new business profitability											
Before non-controlling interest:											
Present value of new business premiums		**65 377**	62 383	**44 101**	41 507	**9 758**	9 654	**3 259**	3 411	**8 259**	7 811
New business margin		**3,07%**	2,85%	**3,21%**	2,80%	**5,18%**	5,52%	**–**	0,21%	**1,05%**	0,97%
After non-controlling interest:											
Present value of new business premiums		**62 604**	59 556	**43 940**	41 507	**7 146**	6 827	**3 259**	3 411	**8 259**	7 811
New business margin		**2,94%**	2,69%	**3,20%**	2,80%	**4,86%**	5,26%	**–**	0,21%	**1,05%**	0,97%
Capitalisation factor – recurring premiums		**4,5**	4,4	**4,9**	4,8	**3,1**	3,2	**4,5**	4,9	**7,0**	6,5

(1) *As a result of improved modelling, R24 million was shifted between Sanlam Personal Finance's gross value of new business and cost of capital for 2016.*

Geographical analysis

R million	Value of new covered business 2017	Value of new covered business 2016	Present value of new business premiums 2017	Present value of new business premiums 2016	New business margin 2017	New business margin 2016
Before non-controlling interest						
South Africa	**1 503**	1 239	**52 360**	49 318	**2,87%**	2,51%
Sanlam Sky	**521**	358	**5 867**	5 030	**8,88%**	7,12%
Glacier	**490**	526	**26 918**	26 215	**1,82%**	2,01%
SPF Other	**405**	279	**11 316**	10 262	**3,58%**	2,72%
Sanlam Corporate	**87**	76	**8 259**	7 811	**1,05%**	0,97%
Namibia	**122**	123	**2 000**	1 918	**6,10%**	6,41%
Botswana	**187**	216	**2 895**	2 849	**6,46%**	7,58%
Rest of Africa	**115**	122	**2 518**	2 502	**4,61%**	4,88%
Saham Finances	**20**	16	**324**	155	**6,17%**	10,32%
Other	**95**	106	**2 194**	2 347	**4,33%**	4,52%
India	**38**	13	**1 178**	752	**3,23%**	1,73%
Malaysia	**43**	59	**1 167**	1 633	**3,68%**	3,61%
Other international	**–**	7	**3 259**	3 411	**–**	0,21%
Total	**2 008**	1 779	**65 377**	62 383	**3,07%**	2,85%
After non-controlling interest						
South Africa	**1 494**	1 239	**52 199**	49 318	**2,86%**	2,51%
Sanlam Sky	**521**	358	**5 867**	5 030	**8,88%**	7,12%
Glacier	**490**	526	**26 918**	26 215	**1,82%**	2,01%
SPF Other	**396**	279	**11 155**	10 262	**3,55%**	2,72%
Sanlam Corporate	**87**	76	**8 259**	7 811	**1,05%**	0,97%
Namibia	**75**	75	**1 507**	1 418	**4,98%**	5,29%
Botswana	**111**	129	**1 750**	1 722	**6,34%**	7,49%
Rest of Africa	**105**	113	**2 116**	2 102	**4,96%**	5,38%
Saham Finances	**20**	16	**324**	155	**6,17%**	10,32%
Other	**85**	97	**1 792**	1 947	**4,74%**	4,98%
India	**38**	13	**1 178**	752	**3,23%**	1,73%
Malaysia	**18**	29	**595**	833	**3,03%**	3,48%
Other international	**–**	7	**3 259**	3 411	**–**	0,21%
Total	**1 841**	1 605	**62 604**	59 556	**2,94%**	2,69%

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

2. Value of in-force covered business sensitivity analysis

R million	Gross value of in-force business 2017	Gross value of in-force business 2016	Cost of capital 2017	Cost of capital 2016	Net value of in-force business 2017	Net value of in-force business 2016	Change from base value % 2017	Change from base value % 2016
Base value	**42 620**	39 379	**(3 375)**	(3 534)	**39 245**	35 845		
→ Risk discount rate increase by 1%	**40 330**	37 204	**(3 854)**	(4 094)	**36 476**	33 110	**(7)**	(8)
→ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**43 737**	40 394	**(3 368)**	(3 358)	**40 369**	37 036	**3**	3
→ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	**41 273**	38 007	**(3 307)**	(3 455)	**37 966**	34 552	**(3)**	(4)
→ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	**43 207**	39 949	**(3 188)**	(3 223)	**40 019**	36 726	**2**	2
→ Rand exchange rate depreciates by 10%	**42 967**	39 717	**(3 474)**	(3 575)	**39 493**	36 142	**1**	1
Expenses and persistency								
→ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**44 122**	40 777	**(3 405)**	(3 526)	**40 717**	37 251	**4**	4
→ Discontinuance rates decrease by 10%	**43 914**	40 540	**(3 463)**	(3 644)	**40 451**	36 896	**3**	3
Insurance risk								
→ Mortality and morbidity decrease by 5% for life assurance business	**44 374**	40 927	**(3 372)**	(3 516)	**41 002**	37 411	**4**	4
→ Mortality and morbidity decrease by 5% for annuity business	**42 324**	39 054	**(3 378)**	(3 530)	**38 946**	35 524	**(1)**	(1)

R million	2017	2016
Gross value of in-force business profile		
Year 1 – 5	**55%**	54%
Year 1	**17%**	15%
Year 2	**12%**	12%
Year 3	**10%**	10%
Year 4	**9%**	9%
Year 5	**7%**	8%
Year 6 – 10	**24%**	25%
Year 11 – 20	**17%**	18%
Year 20+	**4%**	3%

3. Value of new covered business sensitivity analysis

R million	Gross value of new business 2017	Gross value of new business 2016	Cost of capital 2017	Cost of capital 2016	Net value of new business 2017	Net value of new business 2016	Change from base value % 2017	Change from base value % 2016
Base value	**2 036**	1 829	**(195)**	(224)	**1 841**	1 605		
→ Risk discount rate increase by 1%	**1 803**	1 598	**(217)**	(265)	**1 586**	1 333	**(14)**	(17)
→ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**2 150**	1 900	**(193)**	(224)	**1 957**	1 676	**6**	4
Expenses and persistency								
→ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**2 224**	1 990	**(197)**	(228)	**2 027**	1 762	**10**	10
→ Acquisition expenses (excluding commission and commission-related expenses) decrease by 10%	**2 227**	1 991	**(193)**	(227)	**2 034**	1 764	**10**	10
→ Discontinuance rates decrease by 10%	**2 303**	2 065	**(206)**	(242)	**2 097**	1 823	**14**	14
Insurance risk								
→ Mortality and morbidity decrease by 5% for life assurance business	**2 220**	1 974	**(194)**	(226)	**2 026**	1 748	**10**	9
→ Mortality and morbidity decrease by 5% for annuity business	**2 022**	1 824	**(192)**	(227)	**1 830**	1 597	**(1)**	–

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

4. Economic assumptions – covered business

Gross investment return, risk discount rate and inflation

	Sanlam Life	
	2017	**2016**
Point used on the relevant yield curve	**9 year**	9 year
Fixed-interest securities	**9,0%**	9,2%
Equities and offshore investments	**12,5%**	12,7%
Hedged equities	**8,4%**	8,6%
Property	**10,0%**	10,2%
Cash	**8,0%**	8,2%
Inflation rate[1]	**7,0%**	7,2%
Risk discount rate	**11,5%**	11,7%

[1] *Expense inflation of 11,0% (2016: 11,2%) assumed for retail business administered on old platforms.*

Illiquidity premiums

Investment returns on non-participating and inflation-linked annuities, as well as guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity. Assumed illiquidity premiums generally amount to between 25bps and 60bps (2016: 25bps and 60bps) for non-participating annuities, between 25bps and 75bps (2016: 25bps to 75bps) for inflation-linked annuities and capped at 120bps (2016: 120bps) reflecting both illiquidity premiums and credit risk premium for guarantee plans.

Asset mix for assets supporting adjusted net asset value – covered business

	R million		Fixed-interest securities		Equities	
%	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Required capital						
South Africa	**11 375**	12 069	**–**	–	**2**	3
Namibia	**498**	490	**6**	6	**36**	36
Botswana Life	**353**	337	**–**	–	**–**	–
Enterprise Life (Ghana)	**–**	47	**–**	35	**–**	40
Sanlam Life Insurance (Kenya)	**108**	76	**35**	35	**40**	40
Other Africa	**760**	563	**59**	82	**6**	–
Shriram Life Insurance (India)	**192**	171	**30**	36	**66**	63
MCIS (Malaysia)	**285**	188	**73**	76	**19**	17
Sanlam Investments and Pensions (UK)	**428**	438	**–**	–	**–**	–
Total required capital	**13 999**	14 379				
Free surplus	**1 039**	1 022				
Adjusted net asset value	**15 038**	15 401				

Sanlam Developing Markets 2017	Sanlam Developing Markets 2016	Botswana Life Insurance 2017	Botswana Life Insurance 2016	Sanlam Investments and Pensions 2017	Sanlam Investments and Pensions 2016
5 year	5 year	**n/a**	n/a	**15 year**	15 year
8,0%	8,6%	**6,5%**	7,0%	**1,6%**	1,7%
11,5%	12,1%	**10,0%**	10,5%	**4,8%**	4,9%
7,0%	7,6%	**n/a**	n/a	**n/a**	n/a
9,0%	9,6%	**7,5%**	8,0%	**4,8%**	4,9%
7,0%	7,6%	**5,5%**	6,0%	**1,6%**	1,7%
6,0%	6,6%	**3,5%**	4,0%	**3,3%**	3,4%
10,5%	11,1%	**10,0%**	10,5%	**5,3%**	5,4%

Offshore 2017	Offshore 2016	Hedged Equities 2017	Hedged Equities 2016	Property 2017	Property 2016	Cash 2017	Cash 2016	Total 2017	Total 2016
7	7	**78**	78	**–**	–	**13**	12	**100**	100
–	–	**–**	–	**–**	–	**58**	58	**100**	100
–	–	**–**	–	**50**	50	**50**	50	**100**	100
–	–	**–**	–	**–**	20	**–**	5	**–**	100
–	–	**–**	–	**15**	15	**10**	10	**100**	100
–	–	**–**	–	**6**	–	**29**	18	**100**	100
–	–	**–**	–	**–**	–	**4**	1	**100**	100
–	–	**–**	–	**–**	–	**8**	7	**100**	100
–	–	**–**	–	**–**	–	**100**	100	**100**	100

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

4. Economic assumptions – covered business (continued)

Assumed long-term expected return on required capital

%	Gross return on required capital 2017	Gross return on required capital 2016	Net return on required capital 2017	Net return on required capital 2016
Sanlam Life	**8,7**	8,9	**7,0**	7,2
Sanlam Developing Markets	**7,9**	8,5	**6,1**	6,6
Sanlam Life Namibia	**9,9**	10,1	**8,8**	8,9
Sanlam Namibia	**8,5**	8,9	**7,4**	7,8
Botswana Life Insurance	**6,5**	6,9	**4,9**	5,2
Sanlam Life Insurance (Kenya)	**12,5**	12,8	**8,8**	9,0
Shriram Life Insurance (India)	**10,0**	10,1	**8,6**	8,6
MCIS (Malaysia)	**5,0**	5,3	**4,6**	4,9
Sanlam Investments and Pensions (UK)	**1,6**	1,7	**1,3**	1,4

5. Value of other Group operations sensitivity analysis

5.1 Valuation methodology

R million	Total 2017	Total 2016
Listed share price	**18 108**	15 868
Discounted cash flows	**39 130**	32 559
Sanlam Personal Finance	**3 855**	3 662
Glacier	**2 321**	2 192
Sanlam Personal Loans	**1 052**	999
Other operations	**482**	471
Sanlam Emerging Markets	**19 885**	14 795
Shriram Capital	**9 524**	7 963
Saham Finances	**6 833**	3 197
Letshego	**991**	1 190
Pacific & Orient	**376**	476
Capricorn Investment Holdings	**1 022**	1 077
Other operations	**1 139**	892
Sanlam Investments	**14 305**	13 240
Investment Management SA	**6 613**	6 514
Wealth Management	**2 192**	2 066
International	**5 500**	4 660
Sanlam Corporate	**1 085**	862
Afrocentric	**1 001**	775
Other	**84**	87
Net asset value	**2 308**	2 362
Sanlam Investments	**1 258**	1 430
Investment Management SA	**815**	557
Wealth Management	**50**	89
International	**143**	184
Sanlam Capital Markets	**250**	600
Sanlam Emerging Markets	**1 050**	932
Total	**59 546**	50 789

5.2 Sensitivity analysis: businesses valued at discounted cash flows

R million	Base value 2017	Base value 2016	Risk discount rate +1% 2017	Risk discount rate +1% 2016	Perpetuity growth rate +1% 2017	Perpetuity growth rate +1% 2016
Sanlam Personal Finance	**3 855**	3 662	**3 529**	3 355	**4 003**	3 801
Glacier	**2 321**	2 192	**2 106**	1 990	**2 426**	2 290
Sanlam Personal Loans	**1 052**	999	**982**	933	**1 078**	1 023
Other operations	**482**	471	**441**	432	**499**	488
Sanlam Emerging Markets	**19 885**	14 795	**17 186**	13 041	**21 874**	16 160
Shriram Capital	**9 524**	7 963	**8 267**	7 052	**10 469**	8 647
Saham Finances	**6 833**	3 197	**5 696**	2 707	**7 655**	3 652
Letshego	**991**	1 190	**872**	1 073	**1 065**	1 255
Pacific & Orient	**376**	476	**342**	428	**406**	513
Capricorn Investment Holdings	**1 022**	1 077	**942**	972	**1 083**	1 155
Other operations	**1 139**	892	**1 067**	809	**1 196**	938
Sanlam Investments	**14 305**	13 240	**12 746**	11 739	**15 267**	14 102
Investment Management SA	**6 613**	6 514	**5 936**	5 842	**6 983**	6 885
Wealth Management	**2 192**	2 066	**2 020**	1 868	**2 362**	2 203
International	**5 500**	4 660	**4 790**	4 029	**5 922**	5 014
Sanlam Corporate	**1 085**	862	**995**	795	**1 122**	891
Afrocentric	**1 001**	775	**923**	714	**1 036**	802
Other	**84**	87	**72**	81	**86**	89
	39 130	32 559	**34 456**	28 930	**42 266**	34 954
Weighted average assumption			**14,9%**	14,5%	**2-5%**	2-5%

R million	Equities and properties -10% 2017	Equities and properties -10% 2016	Interest rates -1% 2017	Interest rates -1% 2016	Rand exchange rate depreciation +10% 2017	Rand exchange rate depreciation +10% 2016
Sanlam Personal Finance	**3 683**	3 486	**4 235**	4 022	**3 855**	3 662
Glacier	**2 149**	2 016	**2 576**	2 432	**2 321**	2 192
Sanlam Personal Loans	**1 052**	999	**1 130**	1 074	**1 052**	999
Other operations	**482**	471	**529**	516	**482**	471
Sanlam Emerging Markets	**19 716**	14 636	**23 656**	17 191	**21 781**	16 167
Shriram Capital	**9 524**	7 963	**11 166**	9 169	**10 476**	8 759
Saham Finances	**6 833**	3 197	**8 558**	3 938	**7 516**	3 517
Letshego	**991**	1 190	**1 139**	1 334	**1 090**	1 309
Pacific & Orient	**376**	476	**419**	536	**414**	524
Capricorn Investment Holdings	**920**	969	**1 127**	1 213	**1 022**	1 077
Other operations	**1 072**	841	**1 247**	1 001	**1 263**	981
Sanlam Investments	**13 307**	12 326	**16 286**	15 060	**14 885**	13 786
Investment Management SA	**6 279**	6 099	**7 440**	7 345	**6 637**	6 540
Wealth Management	**1 911**	1 835	**2 513**	2 349	**2 198**	2 120
International	**5 117**	4 392	**6 333**	5 366	**6 050**	5 126
Sanlam Corporate	**1 085**	862	**1 180**	940	**1 085**	862
Afrocentric	**1 001**	775	**1 092**	847	**1 001**	775
Other	**84**	87	**88**	93	**84**	87
	37 791	31 310	**45 357**	37 213	**41 606**	34 477

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

6. Business volumes

6.1 Analysis of new business and total funds received

Analysed per business, reflecting the split between life insurance, general insurance and investment business

R million	Life insurance[1] 2017	Life insurance[1] 2016	General insurance 2017	General insurance 2016	Investment business[2] 2017	Investment business[2] 2016	Total 2017	Total 2016
Sanlam Personal Finance[3]	**31 182**	30 175	**–**	–	**27 433**	31 573	**58 615**	61 748
Recurring premium sub cluster	**2 592**	2 318	**–**	–	**246**	254	**2 838**	2 572
Sanlam Sky	**1 455**	1 295	**–**	–	**–**	–	**1 455**	1 295
Glacier	**27 135**	26 562	**–**	–	**27 187**	31 319	**54 322**	57 881
Sanlam Emerging Markets	**5 468**	5 208	**6 122**	4 013	**10 313**	14 475	**21 903**	23 696
Namibia	**1 336**	1 188	**–**	–	**4 257**	4 461	**5 593**	5 649
Recurring	**179**	191	**–**	–	**–**	–	**179**	191
Single	**1 157**	997	**–**	–	**4 257**	4 461	**5 414**	5 458
Botswana	**1 770**	1 700	**158**	162	**5 209**	8 854	**7 137**	10 716
Recurring	**364**	356	**158**	162	**–**	–	**522**	518
Single	**1 406**	1 344	**–**	–	**5 209**	8 854	**6 615**	10 198
Rest of Africa (excluding Saham Finances)	**1 301**	1 446	**827**	758	**847**	1 160	**2 975**	3 364
Recurring	**765**	832	**827**	758	**–**	–	**1 592**	1 590
Single	**536**	614	**–**	–	**847**	1 160	**1 383**	1 774
Saham Finances	**87**	23	**3 298**	1 833	**–**	–	**3 385**	1 856
Recurring	**87**	23	**3 298**	1 833	**–**	–	**3 385**	1 856
Single	**–**	–	**–**	–	**–**	–	**–**	–
India	**659**	435	**1 565**	902	**–**	–	**2 224**	1 337
Recurring	**427**	260	**1 565**	902	**–**	–	**1 992**	1 162
Single	**232**	175	**–**	–	**–**	–	**232**	175
Malaysia	**315**	416	**274**	358	**–**	–	**589**	774
Recurring	**249**	357	**274**	358	**–**	–	**523**	715
Single	**66**	59	**–**	–	**–**	–	**66**	59
Sanlam Investments	**3 137**	3 187	**–**	–	**120 270**	119 692	**123 407**	122 879
Investment Management	**3 137**	3 187	**–**	–	**120 270**	119 692	**123 407**	122 879
Investment Management SA	**–**	–	**–**	–	**91 492**	89 917	**91 492**	89 917
Wealth Management	**–**	–	**–**	–	**15 384**	15 993	**15 384**	15 993
International	**3 137**	3 187	**–**	–	**13 394**	13 782	**16 531**	16 969
Recurring	**36**	58	**–**	–	**8**	22	**44**	80
Single	**3 101**	3 129	**–**	–	**13 386**	13 760	**16 487**	16 889
Santam	**–**	–	**21 435**	19 826	**–**	–	**21 435**	19 826
Sanlam Corporate	**4 828**	5 029	**–**	–	**–**	–	**4 828**	5 029
Recurring	**570**	504	**–**	–	**–**	–	**570**	504
Single	**4 258**	4 525	**–**	–	**–**	–	**4 258**	4 525
Total new business	**44 615**	43 599	**27 557**	23 839	**158 016**	165 740	**230 188**	233 178

R million	Life insurance[1] 2017	2016	General insurance 2017	2016	Investment business[2] 2017	2016	Total 2017	2016
Recurring premiums on existing funds:								
Sanlam Personal Finance	**17 627**	16 094	**–**	–	**194**	197	**17 821**	16 291
Recurring premium sub cluster	**12 579**	11 709	**–**	–	**194**	197	**12 773**	11 906
Sanlam Sky	**4 998**	4 338	**–**	–	**–**	–	**4 998**	4 338
Glacier	**50**	47	**–**	–	**–**	–	**50**	47
Sanlam Emerging Markets	**5 295**	5 040	**–**	–	**–**	–	**5 295**	5 040
Namibia	**1 117**	1 011	**–**	–	**–**	–	**1 117**	1 011
Botswana	**1 247**	1 126	**–**	–	**–**	–	**1 247**	1 126
Rest of Africa (excluding Saham Finances)	**830**	907	**–**	–	**–**	–	**830**	907
Saham Finances	**261**	166	**–**	–	**–**	–	**261**	166
India	**494**	199	**–**	–	**–**	–	**494**	199
Malaysia	**1 346**	1 631	**–**	–	**–**	–	**1 346**	1 631
Sanlam Investments	**351**	407	**–**	–	**2 737**	2 332	**3 088**	2 739
Investment Management SA	**–**	–	**–**	–	**2 681**	2 272	**2 681**	2 272
International	**351**	407	**–**	–	**56**	60	**407**	467
Sanlam Corporate	**5 367**	5 169	**–**	–	**–**	–	**5 367**	5 169
Total funds received	**73 255**	70 309	**27 557**	23 839	**160 947**	168 269	**261 759**	262 417

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

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

(3) *The disclosure relating to Sanlam Personal Finance has been adjusted to reflect the revised management structure. Comparatives have been restated.*

6. Business volumes (continued)

6.2 Analysis of payments to clients

R million	Life insurance[1] 2017	Life insurance[1] 2016	General insurance 2017	General insurance 2016	Investment business[2] 2017	Investment business[2] 2016	Total 2017	Total 2016
Sanlam Personal Finance[3]	41 969	38 971	–	–	26 013	22 575	67 982	61 546
Recurring premium sub cluster	19 048	19 193	–	–	637	481	19 685	19 674
Surrenders	2 573	841	–	–	–	–	2 573	841
Other	16 475	18 352	–	–	637	481	17 112	18 833
Sanlam Sky	2 830	2 460	–	–	–	–	2 830	2 460
Surrenders	448	433	–	–	–	–	448	433
Other	2 382	2 027	–	–	–	–	2 382	2 027
Glacier	20 091	17 318	–	–	25 376	22 094	45 467	39 412
Surrenders	3 479	3 170	–	–	–	–	3 479	3 170
Other	16 612	14 148	–	–	25 376	22 094	41 988	36 242
Sanlam Emerging Markets	7 617	7 307	3 970	2 532	13 471	7 968	25 058	17 807
Namibia	2 317	1 678	–	–	7 498	5 115	9 815	6 793
Surrenders	504	169	–	–	–	–	504	169
Other	1 813	1 509	–	–	7 498	5 115	9 311	6 624
Botswana	1 789	2 098	70	78	5 126	2 621	6 985	4 797
Surrenders	409	441	–	–	–	–	409	441
Other	1 380	1 657	70	78	5 126	2 621	6 576	4 356
Rest of Africa (excluding Saham Finances)	1 135	1 205	427	371	847	232	2 409	1 808
Surrenders	156	268	–	–	–	–	156	268
Other	979	937	427	371	847	232	2 253	1 540
Saham Finances	368	192	1 746	1 009	–	–	2 114	1 201
Surrenders	–	–	–	–	–	–	–	–
Other	368	192	1 746	1 009	–	–	2 114	1 201
India	476	306	1 578	912	–	–	2 054	1 218
Surrenders	243	180	–	–	–	–	243	180
Other	233	126	1 578	912	–	–	1 811	1 038
Malaysia	1 532	1 828	149	162	–	–	1 681	1 990
Surrenders	521	670	–	–	–	–	521	670
Other	1 011	1 158	149	162	–	–	1 160	1 320
Sanlam Investments	3 845	3 846	–	–	106 540	116 557	110 385	120 403
Investment Management	3 845	3 846	–	–	106 540	116 522	110 385	120 368
Investment Management SA	–	–	–	–	80 926	83 404	80 926	83 404
Wealth Management	–	–	–	–	16 139	14 786	16 139	14 786
International	3 845	3 846	–	–	9 475	18 332	13 320	22 178
Capital Management	–	–	–	–	–	35	–	35
Santam	–	–	14 170	12 911	–	–	14 170	12 911
Sanlam Corporate	9 589	8 829	–	–	–	–	9 589	8 829
Surrenders	1 817	1 833	–	–	–	–	1 817	1 833
Other	7 772	6 996	–	–	–	–	7 772	6 996
Total payments to clients	63 020	58 953	18 140	15 443	146 024	147 100	227 184	221 496

(1) *Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*
(2) *Includes life licence and investment business. Life licence business relates to investment products provided by means of a life insurance policy where there is very little or no insurance risk. Life licence business is excluded from the calculation of embedded value of covered business.*
(3) *The disclosure relating to Sanlam Personal Finance has been adjusted to reflect the revised management structure. Comparatives have been restated.*

6.3 Analysis of net inflow/(outflow) of funds

R million	Life insurance[1] 2017	Life insurance[1] 2016	General insurance 2017	General insurance 2016	Investment business[2] 2017	Investment business[2] 2016	Total 2017	Total 2016
Sanlam Personal Finance[3]	**6 840**	7 298	**–**	–	**1 614**	9 195	**8 454**	16 493
Recurring premium sub cluster	**(3 877)**	(5 166)	**–**	–	**(197)**	(30)	**(4 074)**	(5 196)
Sanlam Sky	**3 623**	3 173	**–**	–	**–**	–	**3 623**	3 173
Glacier	**7 094**	9 291	**–**	–	**1 811**	9 225	**8 905**	18 516
Sanlam Emerging Markets	**3 146**	2 941	**2 152**	1 481	**(3 158)**	6 507	**2 140**	10 929
Namibia	**136**	521	**–**	–	**(3 241)**	(654)	**(3 105)**	(133)
Botswana	**1 228**	728	**88**	84	**83**	6 233	**1 399**	7 045
Rest of Africa (excluding Saham Finances)	**996**	1 148	**400**	387	**–**	928	**1 396**	2 463
Saham Finances	**(20)**	(3)	**1 552**	824	**–**	–	**1 532**	821
India	**677**	328	**(13)**	(10)	**–**	–	**664**	318
Malaysia	**129**	219	**125**	196	**–**	–	**254**	415
Sanlam Investments	**(357)**	(252)	**–**	–	**16 467**	5 467	**16 110**	5 215
Investment Management	**(357)**	(252)	**–**	–	**16 467**	5 502	**16 110**	5 250
Investment Management SA	**–**	–	**–**	–	**13 247**	8 785	**13 247**	8 785
Wealth Management	**–**	–	**–**	–	**(755)**	1 207	**(755)**	1 207
International	**(357)**	(252)	**–**	–	**3 975**	(4 490)	**3 618**	(4 742)
Capital Management	**–**	–	**–**	–	**–**	(35)	**–**	(35)
Santam	**–**	–	**7 265**	6 915	**–**	–	**7 265**	6 915
Sanlam Corporate	**606**	1 369	**–**	–	**–**	–	**606**	1 369
Total net inflow	**10 235**	11 356	**9 417**	8 396	**14 923**	21 169	**34 575**	40 921

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

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

(3) *The disclosure relating to Sanlam Personal Finance has been adjusted to reflect the revised management structure. Comparatives have been restated.*

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

7. Cluster information

7.1 Sanlam Personal Finance

Analysis of earnings

R million	Life insurance 2017	Life insurance 2016	Non-life operations 2017	Non-life operations 2016	Total 2017	Total 2016
Gross result from financial services	**5 350**	5 124	**550**	567	**5 900**	5 691
Recurring premium sub cluster	**2 558**	2 638	**10**	27	**2 568**	2 665
Sky	**1 228**	1 194	**–**	–	**1 228**	1 194
Glacier	**1 470**	1 208	**283**	284	**1 753**	1 492
SBD and other	**94**	84	**257**	256	**351**	340
Tax on result from financial services	**(1 516)**	(1 444)	**(163)**	(146)	**(1 679)**	(1 590)
Non-controlling interest	**14**	–	**–**	(2)	**14**	(2)
Net result from financial services	**3 848**	3 680	**387**	419	**4 235**	4 099
Net investment return	**481**	149	**9**	192	**490**	341
Operations	**481**	149	**8**	18	**489**	167
Discretionary capital and other	**–**	–	**1**	174	**1**	174
Net other earnings	**(5)**	(34)	**(40)**	5	**(45)**	(29)
Profit on disposal of subsidiaries and associated companies	**–**	–	**–**	15	**–**	15
Amortisation of value of business acquired and other intangibles	**(5)**	(34)	**(40)**	(5)	**(45)**	(39)
Impairments	**–**	–	**–**	(5)	**–**	(5)
Normalised attributable earnings	**4 324**	3 795	**356**	616	**4 680**	4 411

Analysis of change in GEV – covered business

R million	Total 2017	Total 2016	Value of in-force 2017	Value of in-force 2016	Cost of capital 2017	Cost of capital 2016	Net asset value 2017	Net asset value 2016
Operational earnings	**5 984**	6 248	**2 172**	2 597	**92**	12	**3 720**	3 639
Value of new life insurance business	**1 407**	1 163	**3 360**	2 931	**(95)**	(128)	**(1 858)**	(1 640)
Unwinding of discount rate	**3 661**	3 651	**3 563**	3 544	**98**	107	**–**	–
Expected profit	**–**	–	**(4 804)**	(4 481)	**–**	–	**4 804**	4 481
Operating experience variances	**1 107**	833	**122**	14	**134**	20	**851**	799
Risk experience	**401**	418	**98**	121	**2**	4	**301**	293
Persistency	**(100)**	(6)	**37**	34	**3**	8	**(140)**	(48)
Maintenance expenses	**10**	(14)	**(2)**	(1)	**–**	–	**12**	(13)
Working capital management	**346**	267	**5**	5	**–**	–	**341**	262
Credit spread	**186**	33	**–**	–	**–**	–	**186**	33
Other	**264**	135	**(16)**	(145)	**129**	8	**151**	272
Operating assumption changes	**(191)**	601	**(69)**	589	**(45)**	13	**(77)**	(1)
Risk experience	**118**	115	**93**	96	**(5)**	(2)	**30**	21
Persistency	**(80)**	52	**(54)**	65	**(5)**	(11)	**(21)**	(2)
Maintenance expenses	**(182)**	197	**(84)**	135	**(1)**	(4)	**(97)**	66
Modelling changes and other	**(47)**	237	**(24)**	293	**(34)**	30	**11**	(86)
Net investment return	**481**	253	**–**	–	**–**	–	**481**	253
Expected return on adjusted net asset value	**432**	662	**–**	–	**–**	–	**432**	662
Investment variances on adjusted net asset value	**49**	(409)	**–**	–	**–**	–	**49**	(409)
Valuation and economic basis	**636**	367	**533**	356	**(26)**	(4)	**129**	15
Investment variances on in-force business	**375**	(189)	**267**	(257)	**(30)**	38	**138**	30
Economic assumption changes	**261**	556	**266**	613	**4**	(42)	**(9)**	(15)
Investment yields	**261**	609	**266**	613	**4**	11	**(9)**	(15)
Long-term asset mix assumptions and other	**–**	(53)	**–**	–	**–**	(53)	**–**	–
Change in tax basis	**–**	534	**–**	685	**–**	(73)	**–**	(78)
Risk Policy Fund	**–**	674	**–**	674	**–**	–	**–**	–
Capital Gains Tax inclusion rate	**–**	(140)	**–**	11	**–**	(73)	**–**	(78)
Goodwill and VOBA from business combinations	**(442)**	–	**(442)**	–	**–**	–	**–**	–
GEV earnings: covered business	**6 659**	7 402	**2 263**	3 638	**66**	(65)	**4 330**	3 829
Acquired value of in-force	**721**	–	**596**	–	**(7)**	–	**132**	–
Transfers from/(to) other Group operations	**(1 158)**	46	**–**	46	**514**	–	**(1 672)**	–
Transfers from covered business	**(4 892)**	(3 758)	**–**	–	**–**	–	**(4 892)**	(3 758)
Embedded value of covered business at the beginning of the year	**38 216**	34 526	**31 823**	28 139	**(1 965)**	(1 900)	**8 358**	8 287
Embedded value of covered business at the end of the year	**39 546**	38 216	**34 682**	31 823	**(1 392)**	(1 965)	**6 256**	8 358

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

7. Cluster information (continued)

7.1 Sanlam Personal Finance (continued)

Assets under management

R million	2017	2016
Sanlam Sky: Life insurance operations	5 562	5 372
Recurring premium sub cluster	171 820	168 619
Life insurance operations	169 737	166 338
Investment operations	2 083	2 281
Glacier	299 905	265 428
Life insurance operations	168 690	146 696
Investment operations	131 215	118 732
Total	477 287	439 419
Life insurance operations	343 989	318 406
Investment operations	133 298	121 013
	477 287	439 419

Sanlam Personal Loans		
Gross size of loan book (R million)	4 690	4 398
Interest margin	16,6%	16,9%
Bad debt ratio	4,3%	5,0%
Administration cost as % of net interest	31,1%	30,1%

7.2 Sanlam Emerging Markets

Analysis of earnings

R million	2017	2016
Net result from financial services	1 793	1 557
Life insurance	645	599
General insurance	379	254
Investment management	58	49
Credit and banking	760	684
Other	(49)	(29)
Net investment return	328	216
Net investment income	201	198
Net investment surpluses	127	18
Net other earnings	936	(256)
Project expenses	(99)	(28)
Amortisation of value of business acquired and other intangibles	(44)	(45)
Profit on disposal of subsidiaries and associated companies	1 159	16
Net equity-accounted headline earnings	10	31
Impairments	(230)	(230)
Net equity-accounted non-headline earnings	140	–
Normalised attributable earnings	3 057	1 517

Analysis of net result from financial services

R million	Life insurance 2017	Life insurance 2016	Non-life operations 2017	Non-life operations 2016	Total 2017	Total 2016
Namibia	**177**	151	**167**	151	**344**	302
Botswana	**188**	231	**168**	146	**356**	377
Rest of Africa (excluding Saham Finances)	**184**	200	**(50)**	11	**134**	211
Saham Finances	**48**	18	**195**	70	**243**	88
India	**38**	(14)	**721**	548	**759**	534
Malaysia	**10**	13	**14**	48	**24**	61
Corporate and other	**–**	–	**(67)**	(16)	**(67)**	(16)
Net result from financial services	**645**	599	**1 148**	958	**1 793**	1 557
Analysis of net investment return[(1)]						
Namibia	**50**	48	**64**	23	**114**	71
Botswana	**8**	–	**(3)**	13	**5**	13
Rest of Africa (excluding Saham Finances)	**93**	34	**20**	25	**113**	59
Saham Finances	**–**	–	**130**	26	**130**	26
India	**11**	9	**11**	22	**22**	31
Malaysia	**–**	51	**16**	51	**16**	102
Corporate and other	**–**	–	**(72)**	(86)	**(72)**	(86)
Net investment return	**162**	142	**166**	74	**328**	216

Analysis of Saham Finances (SEM stake)

R million	2017	2016
Gross written premiums	**5 323**	2 967
Net earned premiums	**4 322**	2 247
Net claims incurred	**(2 978)**	(1 494)
Net commission	**(453)**	(268)
Management expenses	**(922)**	(569)
Underwriting result	**(31)**	(84)
Investment return on insurance funds	**577**	306
Net insurance result	**546**	222
Tax and non-controlling interest	**(303)**	(134)
Net result from financial services	**243**	88

(1) *As of 31 December 2017, the net investment return on discretionary capital has been shifted from Life insurance business to Non-life operations. Comparatives have been restated.*

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

7. Cluster information (continued)

7.2 Sanlam Emerging Markets (continued)

Analysis of change in GEV – covered business

R million	Total 2017	Total 2016	Value of in-force 2017	Value of in-force 2016	Cost of capital 2017	Cost of capital 2016	Net asset value 2017	Net asset value 2016
Operational earnings	**817**	881	**228**	334	**(10)**	(42)	**599**	589
Value of new life insurance business	**347**	359	**630**	595	**(32)**	(33)	**(251)**	(203)
Unwinding of discount rate	**494**	545	**481**	536	**13**	9	**–**	–
Expected profit	**–**	–	**(810)**	(749)	**–**	–	**810**	749
Operating experience variances	**25**	32	**(88)**	61	**18**	(8)	**95**	(21)
Risk experience	**83**	1	**(7)**	9	**5**	(1)	**85**	(7)
Persistency	**(3)**	3	**(16)**	44	**15**	1	**(2)**	(42)
Maintenance expenses	**(11)**	27	**(3)**	(2)	**1**	(4)	**(9)**	33
Working capital management	**48**	29	**–**	–	**–**	–	**48**	29
Other	**(92)**	(28)	**(62)**	10	**(3)**	(4)	**(27)**	(34)
Operating assumption changes	**(49)**	(55)	**15**	(109)	**(9)**	(10)	**(55)**	64
Risk experience	**42**	29	**56**	(18)	**1**	(5)	**(15)**	52
Persistency	**(35)**	(12)	**(32)**	29	**2**	(7)	**(5)**	(34)
Maintenance expenses	**(46)**	(103)	**(21)**	(94)	**–**	5	**(25)**	(14)
Modelling changes and other	**(10)**	31	**12**	(26)	**(12)**	(3)	**(10)**	60
Net investment return	**(29)**	(261)	**–**	–	**–**	–	**(29)**	(261)
Expected return on adjusted net asset value	**186**	220	**–**	–	**–**	–	**186**	220
Investment variances on adjusted net asset value	**(215)**	(481)	**–**	–	**–**	–	**(215)**	(481)
Valuation and economic basis	**(58)**	(400)	**(84)**	(432)	**(20)**	22	**46**	10
Investment variances on in-force business	**78**	(29)	**29**	(17)	**(2)**	(10)	**51**	(2)
Economic assumption changes	**19**	28	**55**	16	**(31)**	–	**(5)**	12
Investment yields	**45**	42	**55**	31	**(5)**	–	**(5)**	11
Long-term asset mix assumptions and other	**(26)**	(14)	**–**	(15)	**(26)**	–	**–**	1
Foreign currency translation differences	**(155)**	(399)	**(168)**	(431)	**13**	32	**–**	–
Profit on disposal of subsidiaries and associated companies	**789**	–	**–**	–	**–**	–	**789**	–
Goodwill and VOBA from business combinations	**(43)**	(183)	**(43)**	(183)	**–**	–	**–**	–
GEV earnings: covered business	**1 476**	37	**101**	(281)	**(30)**	(20)	**1 405**	338
Acquired value of in-force	**722**	1 247	**430**	655	**(1)**	(4)	**293**	596
Disposal of businesses	**(1 331)**	–	**(357)**	–	**9**	–	**(983)**	–
Transfers from covered business	**(551)**	(400)	**–**	–	**–**	–	**(551)**	(400)
Embedded value of covered business at the beginning of the year	**6 370**	5 486	**3 871**	3 497	**(358)**	(334)	**2 857**	2 323
Embedded value of covered business at the end of the year	**6 686**	6 370	**4 045**	3 871	**(380)**	(358)	**3 021**	2 857

Assets under management

R million	2017	2016
Life insurance operations	**48 769**	42 033
Investment operations	**63 908**	32 793
Namibia	**23 190**	19 679
Botswana	**11 535**	11 721
Rest of Africa	**29 183**	1 393
Assets under management	**112 677**	74 826

7.3 Sanlam Investments

Analysis of earnings

	Investment Management		Capital Management		Total	
R million	2017	2016	2017	2016	2017	2016
Financial services income[(1)]	**4 747**	4 617	**685**	707	**5 432**	5 324
Sales remuneration	**(218)**	(193)	**–**	–	**(218)**	(193)
Income after sales remuneration	**4 529**	4 424	**685**	707	**5 214**	5 131
Administration cost[(1)]	**(3 413)**	(3 393)	**(303)**	(360)	**(3 716)**	(3 753)
Result from financial services before performance fees	**1 116**	1 031	**382**	347	**1 498**	1 378
Net performance fees[(1)]	**74**	127	**5**	–	**79**	127
Result from financial services	**1 190**	1 158	**387**	347	**1 577**	1 505
Tax on result from financial services	**(269)**	(311)	**(67)**	(77)	**(336)**	(388)
Non-controlling interest	**(14)**	(21)	**–**	–	**(14)**	(21)
Net result from financial services	**907**	826	**320**	270	**1 227**	1 096
Net investment return	**131**	(20)	**201**	–	**332**	(20)
Net investment income	**85**	21	**69**	–	**154**	21
Net investment surpluses	**46**	(41)	**132**	–	**178**	(41)
Net other earnings	**(158)**	(163)	**–**	–	**(158)**	(163)
Project expenses	**(8)**	(1)	**–**	–	**(8)**	(1)
Amortisation of intangible assets	**(160)**	(153)	**–**	–	**(160)**	(153)
Other	**10**	(9)	**–**	–	**10**	(9)
Normalised attributable earnings	**880**	643	**521**	270	**1 401**	913

(1) *Financial services income and administration costs on page 170 includes performance fees and the related administration costs.*

Investment management

Analysis of net result from financial services

R million	2017	2016
Investment Management	**822**	815
Investment Management SA	**416**	519
Wealth Management	**145**	127
International	**261**	169
Capital Management	**182**	270
Asset management operations	**1 004**	1 085
Covered business		
Sanlam UK	**85**	11
Central Credit Manager	**138**	–
Net result from financial services	**1 227**	1 096

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

7. Cluster information (continued)

7.3 Sanlam Investments (continued)

Analysis of change in GEV – covered business

R million	Total 2017	Total 2016	Value of in-force 2017	Value of in-force 2016	Cost of capital 2017	Cost of capital 2016	Net asset value 2017	Net asset value 2016
Operational earnings	**239**	22	**(21)**	13	**39**	4	**221**	5
Value of new life insurance business	**–**	7	**55**	67	**(7)**	(5)	**(48)**	(55)
Unwinding of discount rate	**89**	70	**47**	58	**42**	12	**–**	–
Expected profit	**–**	–	**(119)**	(117)	**–**	–	**119**	117
Operating experience variances	**136**	4	**(8)**	(7)	**3**	(4)	**141**	15
Risk experience	**6**	4	**–**	(1)	**–**	–	**6**	5
Persistency	**10**	8	**10**	9	**–**	(1)	**–**	–
Maintenance expenses	**(5)**	(3)	**–**	–	**–**	–	**(5)**	(3)
Credit spread	**138**	–	**–**	–	**–**	–	**138**	–
Other	**(13)**	(5)	**(18)**	(15)	**3**	(3)	**2**	13
Operating assumption changes	**14**	(59)	**4**	12	**1**	1	**9**	(72)
Risk experience	**23**	(22)	**(2)**	(24)	**1**	1	**24**	1
Maintenance expenses	**(21)**	(23)	**(15)**	(19)	**–**	–	**(6)**	(4)
Modelling changes and other	**12**	(14)	**21**	55	**–**	–	**(9)**	(69)
Net investment return	**176**	(230)	**–**	–	**–**	–	**176**	(230)
Expected return on adjusted net asset value	**157**	16	**–**	–	**–**	–	**157**	16
Investment variances on adjusted net asset value	**19**	(246)	**–**	–	**–**	–	**19**	(246)
Valuation and economic basis	**(12)**	(200)	**21**	(255)	**(35)**	49	**2**	6
Investment variances on in-force business	**(8)**	44	**23**	42	**(31)**	–	**–**	2
Economic assumption changes	**4**	(17)	**7**	(15)	**(5)**	(6)	**2**	4
Investment yields	**4**	(17)	**7**	(15)	**(5)**	(6)	**2**	4
Long-term asset mix assumptions and other	**–**	–	**–**	–	**–**	–	**–**	–
Foreign currency translation differences	**(8)**	(227)	**(9)**	(282)	**1**	55	**–**	–
Change in tax basis	**–**	5	**–**	4	**–**	1	**–**	–
GEV earnings: covered business	**403**	(403)	**–**	(238)	**4**	54	**399**	(219)
Transfers from/(to) other Group operations	**1 559**	(59)	**–**	–	**(551)**	–	**2 110**	(59)
Transfers from covered business	**(331)**	(34)	**–**	–	**–**	–	**(331)**	(34)
Embedded value of covered business at the beginning of the year	**1 137**	1 633	**828**	1 066	**(157)**	(211)	**466**	778
Embedded value of covered business at the end of the year	**2 768**	1 137	**828**	828	**(704)**	(157)	**2 644**	466

Assets under management

	Assets under management 2017 R million	Assets under management 2016 R million	Fee Income 2017 %	Fee Income 2016 %	Administration cost 2017 %	Administration cost 2016 %
Investment Management						
Investment Management SA	**730 565**	672 154	**0,31**	0,31	**0,23**	0,22
Wealth Management	**164 465**	142 360	**0,68**	0,77	**0,55**	0,61
International	**153 503**	141 411	**0,76**	0,71	**0,55**	0,59
Intra-cluster eliminations and Central Credit Manager	**(217 257)**	(163 622)	**–**	–	**–**	–
Asset management operations	**831 276**	792 303				
Covered business						
Sanlam UK	**45 470**	42 827				
Central Credit Manager	**30 754**	–				
Assets under management	**907 500**	835 130				

Asset mix of assets under management

R million	Fixed Interest	Equities	Offshore	Properties	Cash	Total
2017						
Investment Management SA	**160 970**	**341 651**	**76 017**	**21 794**	**130 133**	**730 565**
Wealth Management	**–**	**129 090**	**31 290**	**–**	**4 085**	**164 465**
International	**–**	**–**	**153 503**	**–**	**–**	**153 503**
Intra-cluster consolidation	**–**	**–**	**–**	**–**	**–**	**(186 503)**
Central Credit Manager	**–**	**–**	**–**	**–**	**–**	**(30 754)**
Assets under management – Asset management	**160 970**	**470 741**	**260 810**	**21 794**	**134 218**	**831 276**
2016						
Investment Management SA	160 501	308 452	67 703	19 865	115 633	672 154
Wealth Management	–	108 791	29 464	–	4 105	142 360
International	–	–	141 411	–	–	141 411
Intra-cluster consolidation	–	–	–	–	–	(163 622)
Assets under management – Asset management	160 501	417 243	238 578	19 865	119 738	792 303

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

7. Cluster information (continued)

7.3 Sanlam Investments (continued)

Covered business

R million	Sanlam Investments and Pensions 2017	Sanlam Investments and Pensions 2016	Central Credit Manager 2017	Central Credit Manager 2016
Analysis of attributable earnings				
Financial services income	**364**	306	**355**	–
Sales remuneration	**(125)**	(131)	**–**	–
Income after sales remuneration	**239**	175	**355**	–
Administration cost	**(154)**	(164)	**(163)**	–
Gross result from financial services	**85**	11	**192**	–
Tax on result from financial services	**–**	–	**(54)**	–
Net result from financial services	**85**	11	**138**	–
Net investment return	**1**	2	**192**	–
Normalised attributable earnings	**86**	13	**330**	–

7.4 Santam

R million	2017	2016
Business volumes		
Gross written premiums	**29 720**	25 909
Net earned premiums	**21 435**	19 826
Net fund flows	**7 265**	6 915
Earnings		
Underwriting result	**1 281**	1 268
Net earned premiums	**21 435**	19 826
Sales remuneration	**(2 424)**	(2 379)
Claims incurred	**(14 170)**	(12 911)
Administration costs	**(3 560)**	(3 268)
Investment return on insurance funds	**648**	619
Net insurance result	**1 929**	1 887
Strategic participations	**244**	163
Saham Finances	**118**	79
SEM target shares	**126**	84
Gross result from financial services	**2 173**	2 050
Tax and non-controlling interest	**(1 322)**	(1 236)
Net result from financial services	**851**	814

Insurance activities

R million	Gross written premiums 2017	Gross written premiums 2016	Underwriting result 2017	Underwriting result 2016
Motor	**12 125**	11 004	**860**	622
Property	**9 000**	7 972	**(165)**	22
Alternative risk	**3 867**	2 406	**20**	16
Engineering	**1 290**	1 196	**296**	196
Liability	**1 227**	1 202	**85**	301
Transportation	**714**	676	**28**	27
Crop	**829**	984	**114**	69
Other	**668**	469	**43**	15
Total	**29 720**	25 909	**1 281**	1 268
Ratios				
Administration cost ratio[1]			**16,6%**	16,5%
Claims ratio[1]			**66,1%**	65,1%
Underwriting margin[1]			**6,0%**	6,4%
Investment return on insurance funds margin			**3,0%**	3,1%

[1] *Ratios are calculated as a percentage of net earned premiums.*

Analysis of strategic participations insurance result

R million	2017 SEM target shares	2017 Saham finances	2017 Total	2016 SEM target shares	2016 Saham finances	2016 Total
Gross written premiums	**1 267**	**1 115**	**2 382**	962	977	1 939
Net earned premiums	**881**	**909**	**1 790**	665	749	1 414
Net claims incurred	**(723)**	**(621)**	**(1 344)**	(484)	(498)	(982)
Net commission	**(30)**	**(95)**	**(125)**	(32)	(89)	(121)
Management expenses	**(236)**	**(197)**	**(433)**	(184)	(185)	(369)
Underwriting result	**(108)**	**(4)**	**(112)**	(35)	(23)	(58)
Investment return on insurance funds	**234**	**122**	**356**	119	102	221
Net insurance result	**126**	**118**	**244**	84	79	163

Notes to the shareholders' fund information (continued)

for the year ended 31 December 2017

7. Cluster information (continued)

7.5 Sanlam Corporate

Business volumes

Sanlam Employee Benefits

R million	2017	2016
New business volumes	4 828	5 029
Recurring premiums	570	504
Guaranteed	234	272
Risk	336	232
Single premiums	4 258	4 525
Guaranteed	677	1 428
Risk	8	60
Retirement	1 272	2 310
Annuity	1 425	374
Special structures	876	353
Net fund flows	606	1 369

Analysis of earnings

R million	Sanlam Employee Benefits 2017	Sanlam Employee Benefits 2016	Sanlam Healthcare and other 2017	Sanlam Healthcare and other 2016	Total 2017	Total 2016
Financial services income	4 513	3 974	312	243	4 825	4 217
Sales remuneration	(58)	(54)	–	–	(58)	(54)
Income after sales remuneration	4 455	3 920	312	243	4 767	4 163
Underwriting policy benefits	(2 798)	(2 355)	–	–	(2 798)	(2 355)
Administration cost	(1 042)	(971)	(148)	(125)	(1 190)	(1 096)
Results from financial services	615	594	164	118	779	712
Tax on result from financial services	(172)	(167)	(49)	(35)	(221)	(202)
Net result from financial services	443	427	115	83	558	510
Risk underwriting	123	131	–	–	123	131
Investment and other	263	256	–	–	263	256
Working capital management	57	58	–	–	57	58
Administration	–	(18)	115	83	115	65
Net investment return	302	61	(13)	(9)	289	52
Net investment income	110	154	–	–	110	154
Net investment surpluses	192	(93)	–	–	192	(93)
Net equity-accounted headline earnings	–	–	(13)	(9)	(13)	(9)
Net other earnings	–	–	(2)	(8)	(2)	(8)
Normalised attributable earnings	745	488	100	66	845	554

Analysis of change in GEV – covered business

R million	Total 2017	Total 2016	Value of in-force 2017	Value of in-force 2016	Cost of capital 2017	Cost of capital 2016	Net asset value 2017	Net asset value 2016
Operational earnings	**572**	496	**189**	153	**11**	(59)	**372**	402
Value of new life insurance business	**87**	76	**279**	225	**(61)**	(58)	**(131)**	(91)
Unwinding of discount rate	**376**	368	**336**	330	**40**	38	**–**	–
Expected profit	**–**	–	**(328)**	(376)	**–**	–	**328**	376
Operating experience variances	**290**	114	**51**	(101)	**32**	2	**207**	213
Risk experience	**(43)**	15	**(97)**	(77)	**–**	–	**54**	92
Persistency	**160**	(16)	**147**	(21)	**(2)**	2	**15**	3
Maintenance expenses	**(3)**	20	**–**	–	**–**	–	**(3)**	20
Working capital management	**58**	58	**–**	–	**–**	–	**58**	58
Credit spread	**72**	56	**–**	–	**–**	–	**72**	56
Other	**46**	(19)	**1**	(3)	**34**	–	**11**	(16)
Operating assumption changes	**(181)**	(62)	**(149)**	75	**–**	(41)	**(32)**	(96)
Persistency	**–**	14	**–**	31	**–**	(17)	**–**	–
Maintenance expenses	**10**	28	**10**	28	**–**	–	**–**	–
Modelling changes and other	**(191)**	(104)	**(159)**	16	**–**	(24)	**(32)**	(96)
Net investment return	**302**	125	**–**	–	**–**	–	**302**	125
Expected return on adjusted net asset value	**245**	301	**–**	–	**–**	–	**245**	301
Investment variances on adjusted net asset value	**57**	(176)	**–**	–	**–**	–	**57**	(176)
Valuation and economic basis	**196**	(67)	**19**	(90)	**107**	(2)	**70**	25
Investment variances on in-force business	**246**	15	**94**	15	**82**	(25)	**70**	25
Economic assumption changes	**(50)**	(82)	**(75)**	(105)	**25**	23	**–**	–
Investment yields	**(50)**	(82)	**(75)**	(105)	**25**	23	**–**	–
Change in tax basis	**–**	(117)	**–**	(10)	**–**	(46)	**–**	(61)
Capital Gains Tax inclusion rate	**–**	(117)	**–**	(10)	**–**	(46)	**–**	(61)
GEV earnings: covered business	**1 070**	437	**208**	53	**118**	(107)	**744**	491
Transfers from/(to) other Group operations	**(401)**	–	**–**	–	**37**	–	**(438)**	–
Transfers from covered business	**(909)**	(491)	**–**	–	**–**	–	**(909)**	(491)
Embedded value of covered business at the beginning of the year	**5 523**	5 577	**2 857**	2 804	**(1 054)**	(947)	**3 720**	3 720
Embedded value of covered business at the end of the year	**5 283**	5 523	**3 065**	2 857	**(899)**	(1 054)	**3 117**	3 720

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

8. Investments

8.1 Investment in associated companies

R million	2017	2016
Shriram Capital	**6 056**	5 680
Shriram Transport Finance Company – direct investment	**1 245**	1 214
Shriram General Insurance – direct investment	**901**	721
Shriram Life Insurance – direct investment	**450**	453
Saham Finances	**9 544**	4 810
Pacific & Orient	**593**	777
Capricorn Investment Holdings	**1 159**	1 020
Letshego	**1 704**	1 842
Afrocentric	**868**	753
Other associated companies	**2 140**	2 435
Total investment in associated companies	**24 660**	19 705

Details of the investments in the material associated companies are reflected in note 7 on page 88 of the Sanlam Group Annual Financial Statements online.

8.2 Investment in joint ventures

	2017	2016
Sanlam Personal Loans	**802**	748
Other joint ventures	**134**	134
Total investment in joint ventures	**936**	882

Details of the investments in material joint ventures are reflected in note 7 on page 93 of the Sanlam Group Annual Financial Statements online.

8.3 Investments include the following offshore investments

	2017	2016
Investment properties	**844**	909
Equities	**385**	521
Structured transactions	**189**	2
Interest-bearing investments	**2 725**	2 181
Investment funds	**1 972**	1 672
Cash, deposits and similar securities	**2 957**	4 726
Total offshore investments	**9 072**	10 011

9. Financial services income

Equity-accounted earnings included in financial services income

	2017	2016
Sanlam Personal Finance	**254**	214
Sanlam Emerging Markets	**2 692**	2 180
Santam	**244**	163
Sanlam Investments	**66**	46
Sanlam Corporate	**151**	114
	3 407	2 717

10. Sales remuneration

R million	2017	2016
Life operations	**4 544**	4 204
Non-life operations	**2 606**	2 554
	7 150	6 758

11. Administration costs

	2017	2016
Life operations	**6 572**	6 146
Non-life operations	**8 921**	8 468
	15 493	14 614
Depreciation included in administration costs:		
Sanlam Personal Finance	**125**	112
Sanlam Emerging Markets	**59**	66
Santam	**86**	27
Sanlam Investments	**25**	73
Sanlam Corporate	**1**	2
	296	280

12. Investment income

	2017	2016
Equities and similar securities	**782**	572
Interest-bearing, preference shares and similar securities	**353**	691
Properties	**63**	49
Rental income	**73**	50
Contingent rental income	**–**	4
Rental-related expenses	**(10)**	(5)
Total investment income	**1 198**	1 312
Interest expense netted off against investment income	**780**	505

13. Normalised diluted earnings per share

Cents	2017	2016
Normalised diluted earnings per share:		
Net result from financial services	**417,2**	389,4
Headline earnings	**480,0**	408,5
Profit attributable to shareholders' fund	**536,9**	396,9

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

13. Normalised diluted earnings per share (continued)

R million	2017	2016
Analysis of normalised earnings (refer shareholders' fund income statement on page 170):		
Net result from financial services	8 549	7 969
Headline earnings	9 835	8 360
Profit attributable to shareholders' fund	11 001	8 123
Reconciliation of normalised headline earnings:		
Headline earnings per note 22 on page 122 of the Sanlam Annual Financial Statements online	9 757	9 860
Add/(Less): Fund transfers	78	(1 500)
Normalised headline earnings	9 835	8 360

	2017 Million	2016 Million
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer note 22 on page 123 of the Sanlam Annual Financial Statements online)	2 027,3	2 020,1
Add: Weighted average Sanlam shares held by policyholders	21,8	26,4
Adjusted weighted average number of shares for normalised diluted earnings per share	2 049,1	2 046,5

14. Value per share

Fair value per share is calculated on the Group shareholders' fund at fair value of R87 241 million (2016: R78 798 million), divided by 2 049,9 million (2016: 2 047,5 million) shares.

Net asset value per share is calculated based on the Group shareholders' fund at net asset value of R57 820 million (2016: R53 915 million), divided by 2 049,9 million (2016: 2 047,5 million) shares.

Equity value per share is calculated based on the Group Equity Value of R121 763 million (2016: R110 717 million), divided by 2 049,9 million (2016: 2 047,5 million) shares.

	2017	2016
Number of shares for value per share		
Number of ordinary shares in issue	2 166,5	2 166,5
Shares held by subsidiaries in shareholders' fund	(137,4)	(138,9)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	20,8	19,9
Adjusted number of shares for value per share	2 049,9	2 047,5

15. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,7 (2016: 8,9) to the after tax recurring corporate expenses.

16. Share repurchases

Sanlam shareholders granted general authorities to the Group at the 2017 and 2016 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire any shares in 2017.

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

17. Reconciliations

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

R million	Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
	2017			
Net income	113 976	62 586	51 117	273
Financial services income	63 930	58 700	–	5 230
Reinsurance premiums paid	(9 546)	–	–	(9 546)
Reinsurance commission received	1 685	–	–	1 685
Investment income	30 288	1 198	21 487	7 603
Investment surpluses	33 423	2 688	29 630	1 105
Finance cost – margin business	(134)	–	–	(134)
Change in fair value of external investors liability	(5 670)	–	–	(5 670)
Net insurance and investment contract benefits and claims	(72 576)	(22 499)	(50 090)	13
Long-term insurance contract benefits	(26 863)	(8 329)	(17 502)	(1 032)
Long-term investment contract benefits	(32 588)	–	(32 588)	–
General insurance claims	(21 036)	(14 170)	–	(6 866)
Reinsurance claims received	7 911	–	–	7 911
Expenses	(26 279)	(22 759)	–	(3 520)
Sales remuneration	(8 832)	(7 150)	–	(1 682)
Administration costs	(17 447)	(15 609)	–	(1 838)
Impairments	(395)	(303)	–	(92)
Amortisation of intangibles	(350)	(261)	–	(89)
Net operating result	14 376	16 764	1 027	(3 415)
Equity-accounted earnings	2 646	79	–	2 567
Finance cost – other	(690)	–	–	(690)
Profit before tax	16 332	16 843	1 027	(1 538)
Tax expense	(4 342)	(4 254)	(1 027)	939
Shareholders' fund	(3 087)	(4 254)	–	1 167
Policyholders' fund	(1 255)	–	(1 027)	(228)
Profit from continuing operations	11 990	12 589	–	(599)
Profit for the year	11 990	12 589	–	(599)
Attributable to:				
Shareholders' fund	10 923	11 001	–	(78)
Non-controlling interest	1 067	1 588	–	(521)
	11 990	12 589	–	(599)

(1) *Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group Statement of Comprehensive Income.*

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

	2016			
	Total	Shareholder activities	Policyholder activities(1)	IFRS adjustments(2)
	86 695	55 666	29 913	1 116
	58 189	54 382	–	3 807
	(7 626)	–	–	(7 626)
	1 396	–	–	1 396
	28 413	1 312	20 190	6 911
	9 150	(28)	9 723	(545)
	(106)	–	–	(106)
	(2 721)	–	–	(2 721)
	(49 329)	(20 332)	(29 005)	8
	(24 143)	(7 421)	(15 801)	(921)
	(13 204)	–	(13 204)	–
	(17 423)	(12 911)	–	(4 512)
	5 441	–	–	5 441
	(24 731)	(21 406)	–	(3 325)
	(8 140)	(6 758)	–	(1 382)
	(16 591)	(14 648)	–	(1 943)
	(340)	(265)	–	(75)
	(326)	(251)	–	(75)
	11 969	13 412	908	(2 351)
	2 095	75	–	2 020
	(460)	–	–	(460)
	13 604	13 487	908	(791)
	(3 026)	(3 981)	(908)	1 863
	(1 832)	(3 981)	–	2 149
	(1 194)	–	(908)	(286)
	10 578	9 506	–	1 072
	10 578	9 506	–	1 072
	9 623	8 123	–	1 500
	955	1 383	–	(428)
	10 578	9 506	–	1 072

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

17. Reconciliations (continued)

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

	31 December 2017			
R million	Total	Shareholder activities	Policyholder activities[1]	Consolidation reserve
Assets				
Equipment	876	822	54	–
Owner-occupied properties	963	826	137	–
Goodwill	4 158	4 158	–	–
Other intangible assets	517	491	26	–
Value of business acquired	1 930	1 930	–	–
Deferred acquisition costs	3 659	3 025	634	–
Long-term reinsurance assets	1 063	–	1 063	–
Investments	656 020	66 553	591 067	(1 600)
Properties	11 505	853	10 652	–
Associated companies	24 660	24 660	–	–
Joint ventures	1 816	936	880	–
Equities and similar securities	201 095	4 040	198 655	(1 600)
Interest-bearing investments	185 363	16 150	169 213	–
Structured transactions	15 381	926	14 455	–
Investment funds	177 235	14 253	162 982	–
Cash, deposits and similar securities	38 965	4 735	34 230	–
Deferred tax	2 083	883	–	1 200
Assets of disposal groups classified as held for sale	321	–	321	–
General insurance technical assets	6 400	6 400	–	–
Working capital assets	55 593	42 614	12 979	–
Trade and other receivables	33 633	21 801	11 832	–
Cash, deposits and similar securities	21 960	20 813	1 147	–
Total assets	733 583	127 702	606 281	(400)
Equity and liabilities				
Shareholders' fund	57 420	57 820	–	(400)
Non-controlling interest	6 017	5 931	86	–
Long-term policy liabilities	524 441	–	524 441	–
Insurance contracts	178 868	–	178 868	–
Investment contracts	345 573	–	345 573	–
Term finance	6 426	6 268	158	–
External investors in consolidated funds	62 329	–	62 329	–
Cell owners' interest	3 217	3 217	–	–
Deferred tax	2 435	1 430	1 005	–
Structured transactions liabilities	4 187	1 156	3 031	
General insurance technical provisions	18 668	18 668	–	–
Working capital liabilities	48 443	33 212	15 231	–
Trade and other payables	46 507	31 601	14 906	–
Provisions	333	314	19	–
Taxation	1 603	1 297	306	–
Total equity and liabilities	733 583	127 702	606 281	(400)

[1] *Includes the impact of the consolidation of investment funds under IFRS 10.*

	31 December 2016		
Total	Shareholder activities	Policyholder activities[1]	Consolidation reserve
881	840	41	–
1 171	824	347	–
3 596	3 596	–	–
575	544	31	–
1 606	1 606	–	–
3 597	2 965	632	–
958	–	958	–
592 945	57 088	537 641	(1 784)
10 664	964	9 700	–
19 705	19 705	–	–
1 855	882	973	–
183 244	3 142	181 886	(1 784)
170 584	13 434	157 150	–
13 995	1 496	12 499	–
154 511	10 697	143 814	–
38 387	6 768	31 619	–
1 880	621	–	1 259
663	8	655	–
5 022	5 022	–	–
59 665	43 797	15 868	–
40 904	25 691	15 213	–
18 761	18 106	655	–
672 559	116 911	556 173	(525)
53 390	53 915	–	(525)
5 696	5 605	91	–
483 748	–	483 748	–
177 675	–	177 675	–
306 073	–	306 073	–
6 466	6 218	248	–
55 486	–	55 486	–
1 153	1 153	–	–
2 069	1 131	938	–
1 298	16	1 282	–
14 557	14 557	–	–
48 696	34 316	14 380	–
46 636	32 364	14 272	–
332	332	–	–
1 728	1 620	108	–
672 559	116 911	556 173	(525)

Notes to the **shareholders' fund information** (continued)

for the year ended 31 December 2017

18. Geographical analysis

R million	Per shareholders' fund income statement on page 170	IFRS adjustments (refer note 17.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the holding company or subsidiaries are located.			
2017	**58 700**	**5 230**	**63 930**
South Africa	**47 963**	**7 008**	**54 971**
Rest of Africa	**6 872**	**(900)**	**5 972**
Other international[1]	**3 865**	**(878)**	**2 987**
2016	54 382	3 807	58 189
South Africa[2]	44 081	5 228	49 309
Rest of Africa[2]	6 536	(841)	5 695
Other international[1]	3 765	(580)	3 185

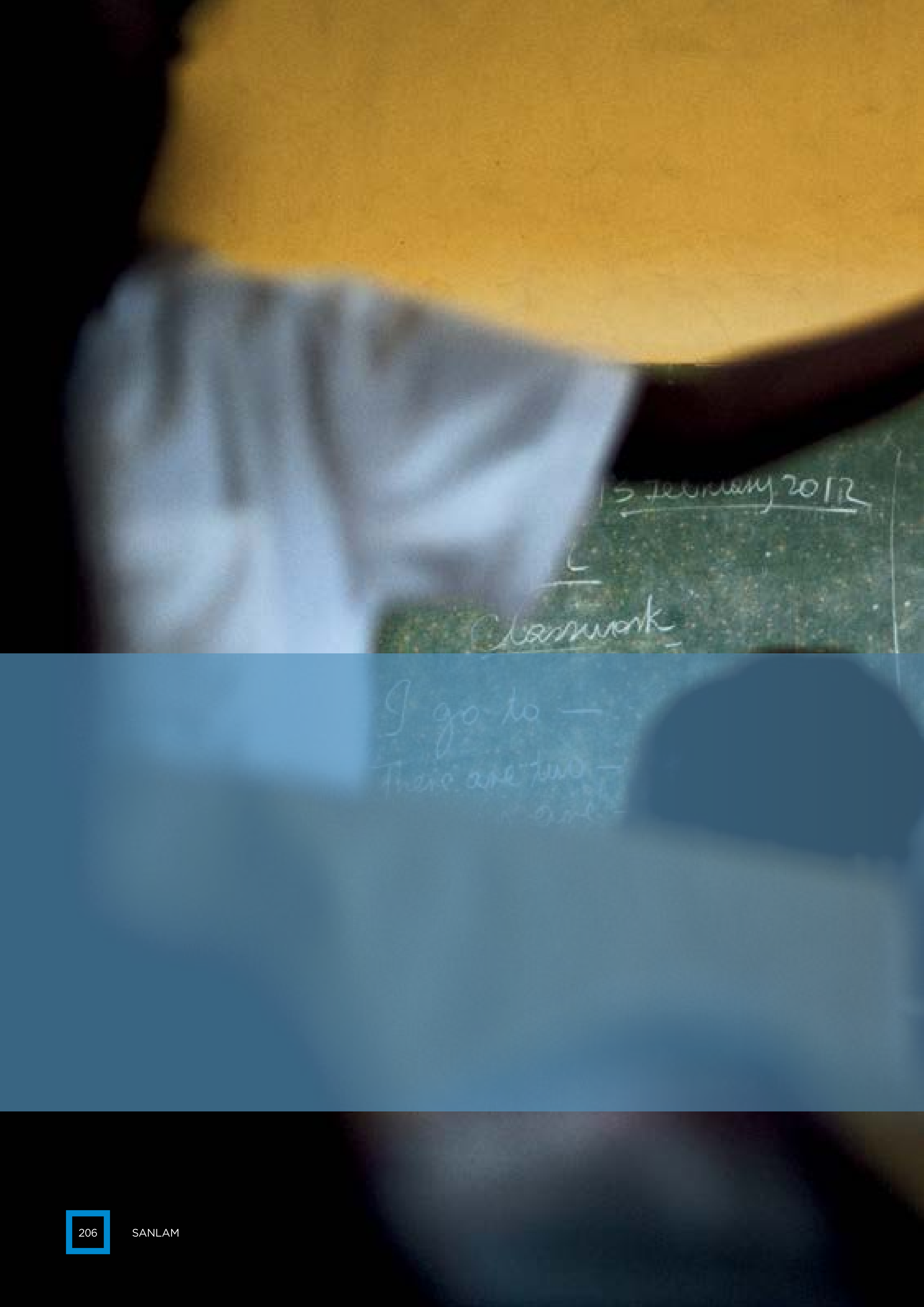
R million	Per analysis of shareholders' fund on page 168	Policyholders' fund	Total
Non-current assets[3]			
2017	**11 253**	**1 171**	**12 424**
South Africa	**8 893**	**447**	**9 340**
Rest of Africa	**729**	**241**	**970**
Other international[1]	**1 631**	**483**	**2 114**
2016	10 383	1 706	12 089
South Africa	8 169	1 088	9 257
Rest of Africa	412	242	654
Other international[1]	1 802	376	2 178

R million	2017	2016
Attributable earnings (per shareholders' fund income statement on page 170)	**10 923**	9 623
South Africa	**6 917**	7 710
Rest of Africa	**2 717**	1 204
Other international[1]	**1 289**	709

(1) *Other international comprises business in The Netherlands, Europe, United Kingdom, Australia, India and Malaysia.*

(2) *Comparatives have been restated for the reallocation of Santam Namibia between South Africa and Rest of Africa.*

(3) *Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangible assets, non-current assets held for sale and deferred acquisition costs.*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Appendices, glossary and admin

Appendix B: glossary of terms, definitions and major businesses

Technical terms and definitions	
"adjusted return on Group Equity Value" or "adjusted RoGEV"	the return on Group Equity Value, excluding the impact of investment market volatility. Adjusted RoGEV is based on the actuarial investment return assumptions at the beginning of the reporting period;
"capital adequacy"	capital adequacy implies the existence of a buffer against experience worse than that assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities;
"capital portfolio" or "balanced portfolio"	the consolidated capital of the Group, excluding working capital held by Group businesses. The capital portfolio includes the required capital of covered business as well as discretionary and other capital;
"cost of capital"	cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of the capital over the life of the in-force business, allowing for the after-tax investment return on the expected level of capital held in each year;
"covered business"	long-term insurance business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits;
"embedded value of covered business " or "EV"	embedded value of covered business is an actuarially determined estimate of the value of covered business, excluding any value attributable to future new business. Embedded value of covered business consists of the required capital supporting the covered business, or adjusted net worth, plus the value of the in-force covered business less the cost of capital;
"FSB"	the Financial Services Board, the regulator of insurance companies in South Africa;
"life business"	the aggregate of life insurance business and life licence business;
"life insurance business"	products provided by the Group's long-term insurance businesses in terms of insurance and investment contracts included in the Group financial statements, but excluding life licence business;
"life licence business"	investment products provided by Sanlam Personal Finance, Sanlam Investments, Sanlam Employee Benefits and Sanlam Emerging Markets by means of a life insurance policy where there is very little or no insurance risk;
"linked policy"	a non-participating policy which is allotted units in an investment portfolio. The value of the policy at any stage is equal to the number of units multiplied by the unit price at that stage less the value of unrecouped expenses;
"market-related policy" or "contract with discretionary participating feature"	a participating policy which participates in non-vesting investment growth. This growth reflects the volatility of the market value of the underlying assets of the policy;
"new business margin"	VNB as a percentage of PVNBP;
"non-life business"	financial services and products provided by the Group, excluding life insurance business;
"non-life linked business"	non-life linked business comprises investment products provided by Sanlam Personal Finance's Glacier business, which is not written under a life licence;
"non-participating annuity"	a non-participating annuity is a policy which provides, in consideration for a single premium, a series of guaranteed regular benefit payments for a defined period;

Technical terms and definitions	
"non-participating policy"	a policy which provides benefits that are fixed contractually, either in monetary terms or by linking them to the return of a particular investment portfolio, e.g. a linked or fixed-benefit policy;
"normalised headline earnings"	normalised headline earnings measure the Group's earnings, exclusive of earnings of a capital nature and fund transfers relating to the policyholders' fund's investment in Sanlam shares and Group subsidiaries. For the Sanlam Group, the only differences between normalised attributable earnings and normalised headline earnings are: → Profits and losses on the disposal of subsidiaries, associated companies and joint ventures; → Impairment of investments, value of business acquired and goodwill; and → The Group's share of associates' and joint ventures' non-headline earnings. Normalised headline earnings exclude the above items that are of a capital nature. Given that the Group's operations are of a financial nature, normalised headline earnings include investment surpluses earned on the investments held by the shareholders' fund, resulting in volatility in normalised headline earnings;
"participating annuity"	a participating annuity is a policy which provides, in consideration for a single premium, a series of regular benefit payments for a defined period, the benefits of which are increased annually with bonuses declared;
"participating policy"	a policy which provides guaranteed benefits as well as discretionary bonuses. The declaration of such bonuses will take into account the return of a particular investment portfolio. Reversionary bonus, stable bonus, market-related and participating annuity policies are participating policies;
"policy"	unless the context indicates otherwise, a reference to a policy in this report means a long-term insurance or investment contract issued by the Group's life insurance subsidiaries in accordance with the applicable legislation;
"PVNBP"	present value of new business premiums from covered business;
"required capital"	the required level of capital supporting the covered business, based on the minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations;
"result from financial services"	profit earned by the Group from operating activities and excludes investment return earned on the capital portfolio;
"return on Group Equity Value" or "RoGEV"	change in Group Equity Value, excluding dividends and changes in issued share capital, as a percentage of Group Equity Value at the beginning of the period;
"reversionary bonus policy"	a conventional participating policy which participates in reversionary bonuses, i.e. bonuses of which the face amounts are only payable at maturity or on earlier death or disability. The present value of such bonuses is less than their face amounts;
"SCR"	the solvency capital requirement under SAM is a risk-based measure of capital required to maintain solvency subject to a confidence level of 99,5% over a one-year period (which is equivalent to a 1-in-200 year event);
"stable bonus policy"	a participating policy under which bonuses tend to stabilise short-term volatility in investment performance;

Appendix B: glossary of terms, definitions and major businesses (continued)

Technical terms and definitions	
"Statutory Valuation Method" or "SVM"	valuation requirements as laid out in a Board Notice issued by the FSB, entitled "Prescribed requirements for the calculation of the value of the assets, liabilities and Capital Adequacy Requirement of long-term insurers" or the equivalent valuation requirements of the regulators of the Group's insurance subsidiaries outside of South Africa;
"surrender value"	the surrender value of a policy is the cash value, if any, which is payable in respect of that policy upon cancellation by the policyholder;
"value of in-force covered business" or "VIF"	the value of in-force covered business is calculated as the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profits expected to be earned over the life of the in-force book;
"value of new business" or "VNB"	the value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued, net of the cost of capital over the life of this business;

Major businesses and regions of the Group	
"Anglophone"	countries belonging to an English-speaking population especially in a country where two or more languages are spoken, e.g. Kenya and Zimbabwe;
"Channel Life"	Channel Life Limited, a subsidiary of Sanlam Life conducting mainly life insurance business in South Africa;
"Francophone"	A population using French as its first or sometimes second language;
"Lusophone"	countries where Portuguese is the common language: Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, Portugal, Sao-Tome and Principe;
"Saham Finances"	Saham Finances (the insurance arm of the Saham Group) refers to the Group's 47% interest held by SAN JV, a wholly owned subsidiary of the Group (85% held by SEM and 15% held by Santam). Saham Finances operates predominantly across Africa with a presence in the Middle East;
"Sanlam Investments and Pensions"	Sanlam Life and Pensions Limited, a wholly owned subsidiary of Sanlam UK Limited conducting mainly life insurance business in the United Kingdom;
"Sanlam Life"	Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited conducting mainly life insurance business;
"Sanlam Limited"	the holding company listed on the JSE Limited and the Namibian Stock Exchange;
"Sanlam", "Sanlam Group" or "the Group"	Sanlam Limited and its subsidiaries, associated companies and joint ventures;
"Sanlam Namibia"	Sanlam Life Namibia, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in Namibia.
"SDM Limited"	Sanlam Developing Markets Limited, a wholly owned subsidiary of Sanlam Life conducting mainly life insurance business in South Africa and through its associated companies in Africa;
"SEM (Pty) Limited"	Sanlam Emerging Markets Proprietary Limited, a wholly owned subsidiary of Sanlam Life conducting mainly insurance and credit business through its subsidiaries and associated companies in Africa, India and Malaysia.
"Shriram Capital"	Shriram Capital refers to the Group's 36,85% holding in Shriram Financial Ventures (Chennai) Pvt Limited, an Indian based company that holds 70,56% of Shriram Capital Limited, resulting in a 26% effective holding by Sanlam. It also includes the Group's direct holding in Shriram Transport Finance Company, a listed business within the Shriram Capital group.

Shareholders' diary and administration

Shareholders' diary

Financial year-end	31 December 2017
Annual general meeting	08 June 2018

Reports

Interim report for 30 June 2018	September 2018
Announcement of the results for the year ended 31 December 2018	March 2019
Annual report for the year ended 31 December 2018	March 2019

Dividends

Dividend for 2017 declared	08 March 2018
Last date to trade for 2017 dividend	03 April 2018
Shares will trade ex-dividend from	04 April 2018
Record date for 2017 dividend	06 April 2018
Payment of dividend for 2017	09 April 2018
Declaration of dividend for 2018	March 2019
Payment of dividend for 2018	April 2019

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account Nominee (Pty) Limited and Sanlam Fundshares Nominee (Pty) Limited), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between Wednesday 04 April 2018 and Friday 06 April 2018, both dates included.

Transactions on the JSE via Strate are not affected by this arrangement.

Administration

Registered name
Sanlam Limited

(Registration number: 1959/001562/06)
(Tax reference number: 9536/346/84/5)
JSE share code (primary listing): SLM
NSX share code: SLA

ISIN: ZAE000070660

Incorporated in South Africa

Group Company Secretary
Sana-Ullah Bray

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Sponsor
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Internet address
http://www.sanlam.co.za

Transfer secretaries
Computershare (Proprietary) Limited
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