Sanlam Limited

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

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

Summarised audited results for the year ended 31 December 2016

Contents

Key features

Earnings

- Net result from financial services per share increased by 10%
- Normalised headline earnings per share down 6%
- Diluted headline earnings per share up 6%

Business volumes

- New business volumes up 11% to R233 billion
- Net value of new covered business up 18% to R1 605 million
- Net new covered business margin of 2,69% (2,62% in 2015)
- Net fund inflows of R41 billion compared to R19 billion in 2015

Group Equity Value

- Group Equity Value per share of R54,07
- Return on Group Equity Value per share of 11,8%
- Adjusted Return on Group Equity Value per share of 17,8%; exceeding target of 14,1%

Capital management

- R3,4 billion redeployed during 2016
- Unallocated discretionary capital of R550 million at 31 December 2016
- Further planned releases of discretionary capital of R500 million – R1 billion per annum over next four years
- Sanlam Life Insurance Limited CAR cover of 5,8 times
- Sanlam Group SAM cover ratio of 2,2 times; Sanlam Life Insurance Limited at 3,1 times

Dividend

- Normal dividend per share of 268 cents, up 9,4%

SALIENT RESULTS

for the year ended 31 December 2016

		2016	2015	△
SANLAM GROUP				
Earnings				
Net result from financial services per share	cents	**389,4**	355,2	10%
Normalised headline earnings per share (1)	cents	**408,5**	432,5	-6%
Diluted headline earnings per share	cents	**488,1**	459,5	6%
Net result from financial services	R million	**7 969**	7 269	10%
Normalised headline earnings (1)	R million	**8 360**	8 851	-6%
Headline earnings	R million	**9 860**	9 300	6%
Dividend per share	cents	**268**	245	9%
Business volumes				
New business volumes	R million	**233 178**	210 842	11%
Net fund inflows	R million	**40 921**	19 049	115%
Net new covered business				
Value of new covered business	R million	**1 605**	1 360	18%
Covered business PVNBP (2)	R million	**59 556**	51 856	14%
New covered business margin (3)	%	**2,69**	2,62	
Group Equity Value				
Group Equity Value	R million	**110 717**	103 506	7%
Group Equity Value per share	cents	**5 407**	5 057	7%
Return on Group Equity Value per share (4)	%	**11,8**	12,8	
SANLAM LIFE INSURANCE LIMITED				
Shareholders’ fund	R million	**83 866**	77 970	
Capital Adequacy Requirements (CAR)	R million	**8 150**	8 250	
CAR covered by prudential capital	times	**5,8**	5,8	

Notes

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

EXECUTIVE REVIEW

The Group achieved satisfactory results in the 2016 financial year, delivering double-digit growth in all key operating indicators despite a challenging environment.

Global markets were impacted by various domestic and international events during 2016. These included fears of lower than expected global economic growth driven by a slowdown in China and the soft commodity cycle, rising geopolitical risks and the impact of potentially opposing monetary policy stances by central banks in the United States (US), United Kingdom (UK), Europe and Japan. The fragile outlook for global economic growth was dealt a further blow at the end of the second quarter by the UK electorate's surprise vote in favour of Britain leaving the European Union, signifying rising pressure in a number of countries for more protectionist policies. Protectionism also featured strongly in the US presidential elections.

These conditions increased the pressure on the economic growth, currencies and investment market performance of the emerging market countries where the Group operates, with commodity-based economies such as Zambia, Nigeria and Angola particularly hard hit. The British pound was similarly under pressure. The exceptions were the rand exchange rate and returns on the bond market in South Africa. The changes in Finance Ministers in December 2015 sparked a sharp weakening in the rand and a significant rise in long-term interest rates at the end of 2015. The positive developments of cooperation between government, labour and business since then and South Africa's ability to retain its investment grade foreign credit rating, supported a rally in the rand exchange rate and a 15% return from the South African All-bond index as long-term interest rates declined by some 100 basis points (bps). The rand strengthened by 12% and 26% against the US dollar and British pound respectively, with the pound weakening on a relative basis in the aftermath of Brexit. The rand also strengthened against the emerging market currencies where the Group operates.

The Group's 2016 performance under these conditions is testimony to a well-executed sustainable strategy. The five-pillar strategy introduced in 2003 transformed the Group into a business diversified across business lines, geographies, market segments and products, with an exceptionally strong capital base. We remain focussed on:

- Improving performance through top-line **earnings growth** by increasing market share in key segments and diversifying the base (including diversification of geographical presence, products, market segments and distribution platforms).
- Optimising **operational efficiencies**.
- Enhancing **capital utilisation** on an ongoing basis, including the allocation of capital to business units in a manner that will best achieve stated RoGEV targets.
- Prioritising **diversification** by enhancing the Group's international positioning and growing the relative importance and contribution of the international business to the Group, with a specific Pan-African focus.
- Commitment to the promotion of **transformation** and diversity within operations and broadly through the contribution to socio-economic development in the countries and markets in which the Group operates, whether that be directly, or via collaboration with business partners.

The Group's strategy is by no means unique with many other multi-national insurance and financial services groups following a similar approach. Sanlam's ability to consistently execute on the strategy has, however, been a key differentiator, enabled by:

- A single-minded focus on execution across the Group operations. The strategy is well-communicated and understood, supported by incentives that reward performance aligned with the five strategic pillars.
- A client-centric approach that equitably balances value creation between Sanlam clients, shareholders and other stakeholders.
- A corporate culture embedded in ethics and prudence. Sanlam's prudent approach is unique, which often means forsaking short-term gains in support of long-term sustainable growth.

- Sanlam's ability to attract and retain the best skills available. The Group is fortunate to have a multi-level management team with some of the best financial services expertise and experience available in the market.

The Group has made good progress in the implementation of the elements of the five-pillar strategy. Below is a brief overview of the main achievements in 2016.

Earnings growth

Net result from financial services increased by 10% from R7,3 billion in 2015 to R8 billion in 2016, a particularly satisfactory performance. All businesses contributed to the growth, apart from Santam where underwriting margins normalised after an exceptional performance in 2015. New business volumes increased by 11%, with Sanlam Emerging Markets (SEM) outperforming targets for the year and the other clusters coming in only slightly below stretched targets, a commendable performance under difficult operating conditions. The 18% increase in value of new business (VNB) (10% on a consistent economic basis) is ascribed to growth in new life business as well as an improvement in the business mix. The new business performance contributed to net fund inflows of R41 billion in 2016 (2015: R19 billion), with net inflows across all clusters during the year increasing their future earnings bases.

Operating and cost efficiencies

The restructuring of several business units during 2016, including Sanlam Personal Finance (SPF), Sanlam UK and Sanlam Investments' (SI) South African investment management business, and the establishment of the new Sanlam Corporate cluster, were based on client-centric alignment, while offering the opportunity to optimise efficiency in an environment of rapidly rising regulatory compliance costs and continued pressure on fee levels. This includes the elimination of product duplication and unnecessary statutory costs and creating the ability to roll out regulatory changes in a consistent manner at the lowest possible cost. It also reduces relative levels of overhead costs, except where new ventures and innovation requirements are prioritised.

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. We again managed to achieve this in 2016. Growth in administration cost was limited to an inflationary increase despite additional restructuring expenses incurred during 2016.

Optimal capital utilisation

Capital management is a tight standard managed from the Group Office. To enhance Return on Group Equity Value (RoGEV), Group businesses are allocated an optimal level of capital and are measured against appropriate return hurdles. Further opportunities to optimise the capital base are continuously investigated as the Group and the operating environment develop, including more sophisticated statement of financial position (balance sheet) management, strategic asset allocation and the most appropriate capital structure. The new solvency regime being introduced in South Africa through the Solvency Assessment and Management (SAM) regulations enables the Group to further optimise balance sheet and capital management. Progress includes the following:

- The enhancement of the Group's projection capability within a SAM environment received significant attention. The modelling results, combined with the more conservative investment strategy introduced at the end of 2015 for the capital supporting the South African life operations, indicates that the Group should be able to release further discretionary capital over the next few years (refer Capital management section below).
- Balance sheet management also received particular attention. The diversified nature of the South African life operations will enable the Group to expand its exposure to credit assets in this business in a capital efficient manner, thereby enhancing future profitability and RoGEV. The relevant mandates have been adjusted to facilitate a higher asset allocation to credit assets in the appropriate products. This was one of the drivers for the establishment of the Central Credit Management function in Sanlam Capital Markets (SCM).
- The introduction of SAM also enables the Group to more effectively manage future profit margins embedded in certain policyholder liabilities with a dual benefit of enhancing RoGEV, while decreasing Group Equity Value (GEV) volatility. The necessary Sanlam board of directors approvals were obtained with implementation scheduled for appropriate times from 2017.

Santam declared a special interim dividend of R8 per share, after taking current and future solvency requirements into account. Sanlam's share of the special dividend enhanced available discretionary capital at a Group level by some R540 million.

Diversification

The Saham Finances transaction, which became effective in February 2016, expanded the Group's footprint to more than 30 markets in Africa. Sanlam also acquired 23% direct stakes in Shriram Life Insurance and Shriram General Insurance whereas Santam made a few small acquisitions in the local market. SPF announced the acquisition of a 53% stake in BrightRock Holdings, a provider of innovative adaptable needs-based risk solutions, in January 2017.

These initiatives further enhanced the Group's profile. The transformation of the Group from a diversification perspective over the past 14 years has been significant. From being largely a South African life insurance company, the Group's geographic and line of business exposure has become much more balanced.

Transformation

Ongoing transformation is driven at both a Group and individual business unit level. Transformation includes the Group's diversification efforts, but also aims to align the Group's demographic profile to the territories in which it operates, and contributes towards black economic empowerment in South Africa.

Sanlam's talent management strategy takes into account global and local talent management practices, and guides the Group in how to attract, recruit, develop and retain its people to strengthen Sanlam's pool of intellectual capital.

In South Africa, the Group tracks demographic developments and shifts to transform its employee profile and distribution presence. This includes, for example, the increasing importance of Gauteng as a key metropolitan area due to urbanisation. SPF has made good progress in penetrating new areas and market segments through employee and distribution transformation.

The restructuring initiatives in different clusters provided an opportunity to improve employment equity profiles to meet the Group targets for black recruitment. Good progress was made in senior and middle management appointments. Succession plans also show encouraging signs of increasing the number of black people in key roles.

Sanlam and Santam have both been certified as Top Employers in 2017.

Forward-looking statements

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

COMMENTS ON THE RESULTS

Introduction

The Sanlam Group International Financial Reporting Standards (IFRS) financial statements for the year ended 31 December 2016 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 2015 Annual Report. For segmental reporting, the newly created Sanlam Corporate cluster is shown separately for the first time, initially comprising of Sanlam Employee Benefits (SEB) and the Sanlam Healthcare businesses.

Group Equity Value

GEV amounted to R110,7 billion or 5 407 cents per share at 31 December 2016. Including the dividend of 245 cents per share paid during the year, a RoGEV per share of 11,8% was achieved for 2016. This is lower than the 14,1% target for the year, principally due to negative foreign currency translation differences recognised in respect of the non-South African operations following the sharp recovery in the rand exchange rate during 2016. The benefits of a lower risk discount rate (RDR) in South Africa at 31 December 2016 compared to end-2015 were substantially offset by the weak equity market performance during 2016. Adjusted RoGEV per share, which excludes the impact of lower investment return than the long-term assumptions, interest rate changes and other one-off effects not under management control (such as tax changes), and assuming normalised exchange rate movements, amounted to 17,8% - well in excess of the target.

South African long-term interest rates declined by some 90bps during 2016, with a corresponding 90bps 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-2016 valuations and RoGEV for 2016. This positive impact was largely negated by a weak equity market performance, which limited growth in assets under management and hence GEV valuations at SI and SPF. The strengthening of the rand against most currencies during 2016 had a pronounced negative impact of more than R5 billion on the rand-based valuations of the Group's operations outside of South Africa and Namibia. This resulted in an overall underperformance in RoGEV compared to target in 2016. Adjusted RoGEV is a more comparable measure of the underlying operational performance, which continues to reflect sound results despite the challenging operating environment during 2016.

Group Equity Value at 31 December 2016

	GEV		**RoGEV**	
R million	**December 2016**	December 2015	**Earnings**	%
Group operations	**102 035**	91 558	12 432	13,1
Sanlam Personal Finance	**41 878**	37 472	8 503	22,7
Sanlam Emerging Markets	**22 097**	18 047	(491)	-2,3
Sanlam Investments	**15 807**	16 835	(322)	-1,9
Sanlam Corporate	**6 385**	6 354	613	9,6
Santam	**15 868**	12 850	4 129	32,1

Covered business	**51 246**	47 222	7 473	15,8
Value of in-force	**35 845**	32 114	7 751	24,1
Adjusted net worth	**15 401**	15 108	(278)	(1,8)
Other operations	**50 789**	44 336	4 959	10,5
Group operations	**102 035**	91 558	12 432	13,1
Discretionary capital and other	**8 682**	11 948	(162)	(1,8)
Group Equity Value	**110 717**	103 506	12 270	11,9
Per share (cents)	**5 407**	5 057	595	11,8

Group operations yielded an overall return of 13,1% in 2016, the combination of 15,8% return on covered business and 10,5% on other Group operations.

The Group's covered business operations (comprising 46% of GEV) achieved a good overall performance, exceeding the Group hurdle rate by a healthy margin despite the economic and currency headwinds faced in 2016. This was supported by a sterling return from the mature South African covered business operations of SPF, which exceeded the 14,1% hurdle rate by 7,3% with an overall return of 21,4% (20% on an adjusted basis). A strong VNB performance, positive operating experience variances and assumptions changes, tax changes and the positive effect of the lower RDR contributed to this performance. The weak investment return earned on the South African capital portfolio during 2016 suppressed Sanlam Corporate's covered business return to 7,8% given the large relative capital allocation to this business. SEM achieved a return of only 0,7% due to foreign currency translation losses – adjusted RoGEV of 21,1% was well in excess of its target. The Sanlam UK return on covered business of -24,7% (adjusted RoGEV of 9,6%) reflects the stronger rand exchange rate, but also operational underperformance emanating from the UK restructuring, lower than expected new business production and the strengthening of the reserving basis for regulatory changes (refer Earnings section below).

Other Group operations (comprising 46% of GEV) achieved a return of 10,5% (20,4% on an adjusted basis). The valuation and return of the South African businesses were positively impacted by the lower RDR, partly offset by low growth in assets under management at the SI asset management businesses. Foreign currency translation differences on the SEM and SI non-South African operations account for most of the difference between actual and adjusted RoGEV. All of the major businesses achieved good growth in adjusted RoGEV, apart from the following:

- Sanlam Investments' international businesses. The Sanlam UK businesses experienced expense overruns and weak new business growth during the restructuring process, which inevitably led to some internal focus. Assets under management at the Dublin platform business and the asset management businesses were impacted by large withdrawals from Sanlam FOUR and a repatriation of funds by South African clients (refer Business volumes section below).
- The Shriram Capital credit businesses, where a prudent valuation approach was followed in light of the uncertain impact that de-monetisation will have on the Indian economy and credit businesses in general.
- The general insurance operations of Pacific & Orient (P&O). Diversification of the P&O product lines is taking longer than expected, impacting negatively on the short-term growth prospects and valuation of the business.
- The Soras general insurance business, where financial irregularities uncovered during the year resulted in an impairment of the GEV valuation.

Central support functions at SEM were also strengthened during the year to more effectively support the expanding footprint. Capitalisation of the increased central support costs also had a negative impact on the non-life RoGEV returns, as the valuations do not explicitly allow for any potential future benefits arising from these initiatives.

The Group's investment in Santam is valued at its listed share price, which recorded a strong return of 32% in 2016 compared to a negative performance of 8,4% in 2015.

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

- Net corporate expenses of R107 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 and Shriram Life and General Insurance transactions. (Refer Capital management section below.) The transactions were hedged through the acquisition of foreign currency, which earns a very low rate of interest due to the US Dollar denomination. The application of hedge accounting principles in the GEV presentation furthermore eliminated the foreign currency gains, essentially exposing the portfolio to some R5 billion of assets that earned close to zero return – R4 billion for two months (Saham Finances) and R1 billion for nine months (Shriram options).

Earnings

Shareholders' fund income statement for the year ended 31 December 2016

R million	**2016**	2015	△
Net result from financial services	**7 969**	7 269	10%
Sanlam Personal Finance	**4 099**	3 818	7%
Sanlam Emerging Markets	**1 557**	1 197	30%
Sanlam Investments	**1 096**	1 056	4%
Santam	**814**	933	-13%
Sanlam Corporate	**510**	374	36%
Group office and other	**(107)**	(109)	2%
Net investment return	**676**	1 946	-65%
Project costs and amortisation	**(280)**	(321)	13%
Equity participation costs	**(5)**	(43)	88%
Normalised headline earnings	**8 360**	8 851	-6%
Per share (cents)	**408,5**	432,5	-6%

Net result from financial services (net operating profit) of R8 billion increased by 10% on 2015, with sterling contributions from SEM and Sanlam Corporate and solid performances by the other Group operations. Santam achieved lower operational earnings due to the normalisation in its underwriting margin from an exceptionally high base in 2015. Structural growth (Saham Finances, the Zimbabwean operations, Afrocentric and the 23% direct stakes acquired in Shriram Life Insurance and Shriram General Insurance) contributed R221 million to net result from financial services. Excluding these, organic growth of 7% represents a satisfactory performance in an unsupportive environment.

SPF delivered a solid performance for a largely mature business in an environment of stagnant economic growth and a weak equity market performance. *Sanlam Individual Life* remains the largest contributor to SPF's operating earnings with growth in its net result from financial services of 6% in 2016.

Profit from investment products declined by 2%, largely attributable to the impact of the weak equity market performance on assets under management, a relatively lower impact on profit from actuarial basis changes, a decline in asset mismatch profits and an acceleration in deferred acquisition cost amortisation following a rise in paid up and early retirement policies.

Profit from risk products declined by 53%, the combined effect of increased new business strain and weaker claims experience. The Group follows a prudent profit recognition approach for insurance contracts in terms of which all upfront acquisition costs are expensed instead of being capitalised and amortised over the duration of the contracts. The strong growth in new recurring premium risk business in 2016 (refer below) combined with the introduction of the Risk Policy Tax Fund during 2016 contributed to a 45% increase in new business strain. Mortality claims experience deteriorated significantly in the first half of 2016 after exceptionally favourable experience in 2015. Claims experience improved in the second half of the year, but were still at a lower overall level for the 2016 full-year compared to 2015.

Profit released from the asset mismatch reserve held in respect of non-participating risk business increased by 4% in line with the higher average level of this reserve during 2016.

Profit from the annuity book almost doubled due to increased risk margin releases in line with the larger size of the book, an increase in asset mismatch profits and higher spread generated by the newly established Central Credit Manager in SCM. Other life profits increased by 82%, benefiting from higher short-term interest rates through an 18% rise in working capital profit and lower negative actuarial basis changes in 2016 compared to the 2015 comparable period.

Sanlam Personal Loans profit declined by 4%, attributable to only a marginal increase in the size of the loan book. The implementation of the National Credit Amendment Act added substantially to the administration process surrounding loan applications and also introduced more strict affordability requirements. This resulted in a decline in activations, and also a decline in the number of clients qualifying for loans. Focus remained on maintaining the quality of the book. The bad debt ratio improved to 5,0% as a result, from 5,4% in 2015.

Sanlam Sky's net result from financial services increased by 6%. Growth in the size of the in-force book and positive mortality and persistency experience variances were somewhat offset by lower investment variances and economic assumption changes.

Glacier grew its profit contribution by 25% after tax. Fund-based fee income benefited from an increase in average assets under management. Stringent expense management and lower variable costs due to the lower level of growth in new business also supported the results.

SEM grew its net result from financial services by 30%, comprising organic growth of 18% and a 12% contribution from structural growth.

Namibia's net result from financial services declined by 12% (down 7% on a gross basis). Life earnings were suppressed by negative mortality and disability claims experience, an increase in new business strain following strong growth in entry-level market risk business and lower annuity mismatch profits. Santam Namibia also experienced a normalisation in underwriting margins, similar to Santam's South African operations. Bank Windhoek performed well and achieved double-digit profit growth.

The *Botswana* operations achieved mixed results with overall growth of only 1% in net result from financial services. Life insurance profit declined marginally due to lower annuity new business volumes and asset mismatch losses recognised following adverse movements in the yield curve. Letshego, the second largest profit contributor, experienced flat earnings compared to 2015. Increased competition from banks in Botswana limited growth in the loan book while foreign currency translation losses also dampened earnings growth. The asset management business experienced strong growth of 19%, benefiting from an increase in assets under management after being awarded a large new mandate by the Botswana Public Officers Pension Fund (BPOPF).

The *Rest of Africa* operations, excluding first time contributions of R112 million from Saham Finances and the Zimbabwean operations, achieved growth in net result from financial services of 45%. All countries delivered strong growth, apart from Malawi and Zambia. The general insurance operations in Malawi experienced pressure on claims, while Zambia continues to be impacted by a difficult operating environment. The Zimbabwean and Nigerian operations exceeded expectations, while Saham Finances performed only marginally below the business plan despite pressure on the Nigerian and Angolan operations that are affected by currency liquidity constraints and pressure on economic growth from lower oil prices.

Net result from financial services in *India* rose 65%; 19% excluding profit contributed by the 23% direct stakes acquired in Shriram Life Insurance and Shriram General Insurance during the year as well as the R103 million equipment finance bad debt provision recognised in 2015 which did not reoccur in 2016. The credit businesses achieved strong growth pursuant to almost 20% growth in their loan books and an expansion in net interest margins. The general insurance business also contributed good growth despite higher than expected claims experience on the third party motor book, while the life insurance business incurred an operating loss due to increased new business strain and continued investment in expanding its distribution footprint.

The *Malaysian* businesses had a disappointing year, masked by one-off incurred but not reported (IBNR) releases. Net result from financial services increased by 110%, the aggregate of a fivefold growth in general insurance earnings and a lower contribution from the life insurance business. Growth in general insurance business premiums remained under pressure, with diversification of the product lines taking longer than anticipated. This was however more than offset by releases of the IBNR reserves recognised in 2015 as experience develops. Product innovation is a key focus for the business to regain market share and to expand its product lines. A number of new products are planned for launch during 2017. The life insurance business had a difficult year with operating earnings declining by 38%. This is attributable to a number of one-off items:

- Higher reinsurance premiums payable in respect of Group Life products in terms of renewed treaties.
- Continued medical losses due to the delayed effect of repricing of the product while awaiting regulatory approvals. The approvals have recently been received.
- Strengthening of the reserving basis in a number of areas.

SI achieved overall growth of 4% in its net result from financial services, with an exceptional performance from Capital Management largely offset by a lower profit contribution from the investment management businesses.

Investment Management net result from financial services declined by 10% on 2015, predominantly caused by lower performance fees in the South African Asset Management business.

The ability of the **South African Asset Management** business to grow assets under management and fee income in 2016 was hampered by a number of factors:

- The weak South African equity market performance in 2015 and 2016 impacted adversely on growth in assets under management with flat average market levels. Strong returns from the bond market could only compensate partially due to the lower fee base of the fixed interest asset class.
- Continued net outflows from the South African life book. 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.
- The redeployment of discretionary capital during the year further reduced the SI asset base.

- Net performance fees declined by 41% from R214 million in 2015 to R127 million in 2016. Performance fees on the SPF and SEB portfolios are measured over a rolling 3-year period. The 2015 base still included the 2013 calendar year, which was a particularly strong year of outperformance. Its exclusion from the 2016 calculation muted growth in performance fees in 2016.

The impact of the weak equity markets on assets under management and related fee income was even more pronounced at the **Wealth Management** business given the larger exposure to equities in its underlying portfolios.

These businesses have done well to limit the decline in their operational earnings to only 4% under these conditions. This was achieved through diligent cost management and success in attracting higher margin retail flows (refer below).

The **International** business had a disappointing year, with net result from financial services declining by 38% on 2015. The weakening of the rand during 2015 caused breaches in a number of South African funds' foreign investment allowance, requiring a repatriation of assets from the international portfolios. This had a negative impact on administration and asset management fee income. Sanlam FOUR also experienced large outflows from its UK equity portfolio (refer below), further suppressing fee income growth. Sanlam UK earnings also came under pressure from one-off restructuring costs incurred in realigning the business for future growth and strengthening of the reserving basis in the UK life operations following the introduction of regulatory caps on exit fees. The latter required an increase in policy liabilities of some R70 million, part of which is expected to emerge as positive experience in the future depending on persistency experience.

Capital Management achieved 89% growth in its net result from financial services. Credit spreads on Eurobonds narrowed during 2016 while commodity stock share prices linked to equity-backed financing structures rose sharply. This contributed to a reversal of the marked-to-market losses incurred on these instruments during the 2015 financial year, when credit spreads widened and share prices were under severe pressure.

The underwriting margin at **Santam** normalised during 2016 to 6,4% from an exceptionally high base of 9,6% in 2015. The 2016 performance is in the middle of the target range of 4% to 8%, representing a solid performance. The benign claims environment of 2015 reversed with higher claims experienced across most lines of business. The crop and property business lines were severely affected by drought-related and large corporate claims respectively. Net premium growth was also less than planned for 2016 in a competitive environment for especially niche and specialist classes. Net result from financial services declined by 13% as a result.

The 36% growth in **Sanlam Corporate's** net result from financial services includes a first-time contribution of R82 million by Afrocentric (14% growth excluding Afrocentric). SEB's net result from financial services increased by 18%. SEB Investments benefited from asset mismatch profits, good mortality (annuity longevity) experience and lower new business strain, supporting a doubling in Investment and other earnings. Higher short-term interest rates increased interest earned on working capital by 33%. The retirement fund administration business on boarded a large new client, which increased administration fee income in 2016 and contributed to a pleasing decline in the business's operating loss from R18 million in 2015 to R5 million in 2016, which was offset by one-off system development costs. The adverse disability claims experience in the first half of 2016 improved in the second half of the year, but with this improvement partly offset by a few large mortality claims in December 2016. Group risk profits accordingly remained under pressure and declined by 38% compared to 2015.

Normalised headline earnings of R8,4 billion are 6% down on 2015. This is the combined effect of the 10% increase in net result from financial services, a 65% decline in net investment return earned on the capital portfolio and an 22% decline in amortisation of intangible assets and equity participation costs. Net investment return was adversely affected by the following:

- The impact of the stronger rand on investment return earned on the international exposure in the South African portfolio;
- Weaker equity market returns in the major SEM geographies; and
- The additional deferred tax expense of R192 million recognised following the increase in the effective capital gains tax (CGT) rate from 19% to 22% during the first half of 2016.

Business volumes

The Group achieved overall growth of 11% in new business volumes, a credible performance. Excluding first-time contributions from structural growth, new business volumes increased by 9%. Life insurance new business volumes increased by 9%, investment business inflows by 10% and general insurance earned premiums by 18% (7% excluding structural growth). Structural growth did not contribute significantly to life insurance and investment new business.

Business volumes for the year ended 31 December 2016

R million	New business			Net inflows		
	2016	2015	△	**2016**	2015	△
Sanlam Personal Finance	**61 748**	61 173	1%	**16 493**	22 142	-26%
Sanlam Emerging Markets	**23 696**	14 565	63%	**10 929**	(6 593)	>100%
Sanlam Investments	**122 879**	113 669	8%	**5 215**	(3 023)	>100%
Sanlam Corporate	**5 029**	2 913	73%	**1 369**	(489)	>100%
Santam	**19 826**	18 522	7%	**6 915**	7 012	-1%
Total	**233 178**	210 842	11%	**40 921**	19 049	115%
Covered business	**43 599**	39 976	9%	**11 356**	12 081	-6%
Investment business	**165 740**	150 670	10%	**21 169**	(523)	>100%
General insurance	**23 839**	20 196	18%	**8 396**	7 491	12%
Total	**233 178**	210 842	11%	**40 921**	19 049	115%

SPF’s new business sales grew by 1%, with lower discretionary single premium volumes concealing a strong recurring premium performance.

Sanlam Sky new business increased by 1%. Major progress was made in improving the mix of business between risk and savings solutions after disproportionate sales of tax free savings products in 2015. The design of the savings solution was also amended during 2016 as much weaker than expected persistency experience rendered the original product launched in 2015 unprofitable. Individual life recurring premium new business declined marginally due to the management actions implemented to improve the mix of business. Individual life risk business sales increased by a healthy 13%, offset by a 43% decline in savings business. The change in mix had a significant positive impact on VNB (refer below). Group recurring premium sales were supported by a few large new schemes written by Safrican during 2016 and increased by 17%, excluding the impact of the biennial renewal of the ZCC scheme that occurred in 2015. Including the ZCC, group recurring premium business increased by 8%.

New business volumes in the *Individual Life* segment, which is largely focused on the middle income segment in South Africa, increased by 1%. Single premium sales declined by 1%, the combined effect of some pressure on disposable income and increased investor risk aversion in the uncertain political and investment market environment. Guaranteed plan business did well under these conditions and increased by 9%, but was more than offset by lower sales of the other major product lines. New recurring premium sales grew by a strong 13%, with all lines of business contributing to the growth apart from credit life that reflects the low level of growth in the Sanlam Personal Loans book. Growth in sales of the more profitable risk business remained particularly strong at 20% following recent product innovation and improvements and enhanced distribution focus. VNB benefited as a result (refer below), but new business strain recognised in operating earnings increased commensurately as highlighted above.

Glacier was also severely impacted by the heightened investor risk aversion, contributing to a 12% decline in discretionary non-life new business sales (excluding wrap funds). Demand for life licence and wrap solutions were more resilient with new business volumes increasing by 11% and 7% respectively. Within the life insurance sales, demand for both offshore and local funds persisted.

The slowdown in single premium business had a negative impact on SPF's net fund inflows, which declined from R22 billion in 2015 to R16 billion in 2016.

SEM new business volumes grew by 63% (47% excluding structural growth). New life business increased by 7% (4% excluding structural growth), investment business inflows by 80% and general insurance earned premiums by 140% (10% excluding structural growth).

New business volumes in *Namibia* increased by 4%, the combined result of 16% and 1% growth in new life and investment business respectively. Entry-level market life business sales performed particularly well, supporting growth in the Namibian VNB (refer below). The low growth in investment business is attributable to only marginal growth in both collective investment scheme inflows and Glacier Namibia new business.

The *Botswana* operations almost doubled their new business contribution. This is largely attributable to a R4,6 billion asset management mandate received from the BPOPF, a welcome development after the large withdrawals by the BPOPF in 2015. Annuity sales declined from a high base in 2015, contributing to an overall 19% decline in life insurance new business.

Rest of Africa new business volumes grew by 149%, supported by the first-time inclusion of Saham Finances and Zimbabwe. Excluding structural growth, new business volumes increased by 51%. All countries in the region contributed to the growth, apart from Zambia and Malawi. In Zambia, the operating environment remains under pressure from low copper prices, presenting headwinds to growth in new business volumes. In Malawi, general insurance premiums were under pressure, more than offsetting good growth in life business. The Kenyan business achieved good growth in single premium life and general insurance business, augmented by a threefold rise in new investment management mandates. Individual life recurring premium life sales, however, remained under pressure following a change in the agency remuneration model and declined by 17%. Particularly pleasing is the performance of the Nigerian business, which grew its new business contribution by 52% to R407 million despite a sluggish economy and a significantly weaker currency. This illustrates the benefits of low insurance penetration in Africa that enables the Group to maintain good growth despite a weaker economic environment.

Strong growth in *Indian* new business persisted, with overall growth of 55% in 2016 (21% excluding structural growth). New life and general insurance business sales increased by 86% (49% excluding structural growth) and 44% (10% excluding structural growth) respectively. The life business continued to benefit from the investments made in growing its distribution footprint. Organic growth in general insurance was less than expected due to slow progress in expanding the product mix to include new and more profitable lines of business.

New business volumes in *Malaysia* were in line with the 2015 financial year. The life business had a good sales year, experiencing growth of 22%. Pacific & Orient, however, disappointed with a 17% decline in net earned premiums. Progress with diversifying the lines of business was slower than anticipated, aggravated by some market share losses in its traditional two-wheeler line of business. Management focus in 2017 will be on accelerated diversification and effectively responding to the de-tariffing of the general insurance industry in Malaysia.

Net fund flows staged a recovery from net outflows of R7 billion in 2015 to R11 billion of net inflows in 2016. This is the combination of strong new business growth in 2016 and the large withdrawals by the BPOPF included in the 2015 comparative base.

SI’s new business growth of 8% represents a satisfactory performance given the difficult operating environment during 2016. Retail and institutional clients in South Africa took a cautious stance given political and investment market instability. The SA Investment Management business struggled to win new third party mandates under these conditions as especially pension fund trustees refrained from changing mandates and asset managers. The implemented consulting product offering, however, continued to gain traction, contributing to good growth in primary retail inflows as well as an increase in the proportion of funds invested in SI products. This supported satisfactory growth of 8% in new inflows at the SA Investment Management business. The Wealth Management business did particularly well to grow by 11% despite the heightened investor risk aversion. The international businesses achieved new business growth of only 5% as management focus was partly on the restructuring.

Net fund inflows improved from a R3 billion net outflow in 2015 to a net inflow of R5 billion in 2016. The turnaround is largely attributable to the R14 billion withdrawals by the BPOPF and the Public Investment Corporation included in the 2015 results. The International businesses experienced net outflows of some R5 billion in 2016, largely from Sanlam FOUR’s UK equity portfolio which underperformed in the aftermath of the Brexit vote due to its exposure to UK small caps.

The majority of **Santam’s** premiums are still written in the highly competitive South African market, where the niche classes were in particular under pressure. Gross written premiums and net earned premiums grew by 7%, reflecting the maturity of the South African market, competitive pressures and the current low-growth economic environment. MiWay, Santam’s direct insurance business, continues to achieve strong growth and increased its premium base by 19%.

Sanlam Corporate achieved growth of 73% in new business volumes, with net fund flows commensurately improving from a R489 million net outflow in 2015 to net inflows of R1,4 billion in 2016. Linked and smoothed bonus investment business did well, but the more profitable recurring premium risk business declined by 23% as competitive market pressures to retain existing business persisted.

Overall net fund inflows of R41 billion in 2016 is a satisfactory performance given the challenging market conditions.

Value of new covered business for the year ended 31 December 2016

R million	**2016 economic basis**			**2015 economic basis**		
	2016	2015	△	**2016**	2015	△
Value of new covered business	**1 779**	1 514	18%	**1 670**	1 514	10%
Sanlam Personal Finance	**1 163**	955	22%	**1 062**	955	11%
Sanlam Emerging Markets	**533**	448	19%	**520**	448	16%
Sanlam Investments	**7**	26	-73%	**7**	26	-73%
Sanlam Corporate	**76**	85	-11%	**81**	85	-5%
Net of non-controlling interest	**1 605**	1 360	18%	**1 501**	1 360	10%

Present value of new business premiums	**62 383**	54 362	15%	**61 763**	54 362	14%
Sanlam Personal Finance	**41 507**	38 041	9%	**40 952**	38 041	8%
Sanlam Emerging Markets	**9 654**	8 041	20%	**9 590**	8 041	19%
Sanlam Investments	**3 411**	3 947	-14%	**3 411**	3 947	-14%
Sanlam Corporate	**7 811**	4 333	80%	**7 810**	4 333	80%
Net of non-controlling interest	**59 556**	51 856	14%	**58 684**	51 856	13%
New covered business margin	**2,85%**	2,79%		**2,70%**	2,79%	
Sanlam Personal Finance	**2,80%**	2,51%		**2,59%**	2,51%	
Sanlam Emerging Markets	**5,52%**	5,57%		**5,42%**	5,57%	
Sanlam Investments	**0,21%**	0,66%		**0,21%**	0,66%	
Sanlam Corporate	**0,97%**	1,96%		**1,04%**	1,96%	
Net of non-controlling interest	**2,69%**	2,62%		**2,56%**	2,62%	

The discount rate used to determine VNB is directly linked to long-term interest rates. The 90bps and 100bps decline in the South African 9- and 5-year benchmark rates respectively during 2016 resulted in a commensurate decline in the risk discount rate with a positive impact on VNB growth and margins. In general, VNB margins were maintained on a per product basis. Changes in business mix at SPF had a significant positive impact on the Group's VNB performance in 2016, augmented by strong organic growth at SEM. Net VNB at actual discount rates increased by 18%. On a comparable basis (before economic assumption changes) net VNB increased by a pleasing 10%.

SPF achieved overall growth of 11% on a comparable basis. The change in business mix in Sanlam Sky, together with an improvement in the profitability of the savings product, contributed to a 27% increase in its VNB contribution and an increase in VNB margin from 5,86% in 2015 to 6,8% in 2016. The good growth in new risk business in Individual Life similarly supported VNB, with this segment's contribution increasing by 9% on a comparable basis despite only marginal overall growth in new business sales. Individual Life VNB margins improved from 2,59% to 2,70%. Glacier's VNB growth was in line with its new business performance.

Net VNB at **SEM** grew by 19% on a comparable basis, with strong growth in Namibia, Nigeria, Tanzania, Uganda, India and Malaysia in line with these regions' new life business performance. Saham Finances made a first-time contribution of R16 million. Malawi reported lower VNB compared to 2015 due to an adverse change in business mix. Kenya disappointed with a negative VNB contribution of R7 million as lower individual life recurring premium business resulted in an increase in maintenance unit costs. Management focus remains on improving the new business performance.

SI's VNB declined by 73%, principally due to a 15% decline in life insurance new business in the UK and an increase in the cost of capital allowance.

Sanlam Corporate VNB declined by 5% on a comparable basis, due to the change in mix towards less profitable savings business.

Capital management

Solvency Assessment and Management

The South African insurance industry performed parallel solvency reporting during 2016 to prepare for the implementation of the new Solvency Assessment and Management (SAM) regime in 2017. The SAM regime is anticipated to replace the current Financial Soundness Valuation (FSV) solvency regime in the second half of 2017. As highlighted in previous communication, SAM is a risk-based solvency regime founded on the European Solvency II principles, but adapted for South African circumstances.

The initial focus of Sanlam's SAM programme was to prepare the Group and the South African insurance subsidiaries for SAM compliance. In a second phase, the strategic asset allocation of the balanced portfolio supporting Sanlam Life's covered business was amended during the 2015 financial year to optimise the capital base from a RoGEV perspective in line with the pending SAM environment. SAM is significantly more punitive in respect of unhedged equity exposures than FSV and accordingly require a more conservative asset allocation. Implementation of the revised strategic asset allocation (illustrated in the table below) concluded in the first half of 2016.

Asset class		%
Balanced portfolio		
Equities		-
Offshore investments		8
Hedged equities		80
Zero cost collars providing a 100% floor	60	
Fences (100/80 and/or 100/85)	20	
Cash		12
Total balanced portfolio		100
Subordinated debt		
Fixed interest		100
Total subordinated debt		100

For Sanlam Life, the Group's target under the FSV basis was to ensure that its CAR cover would be at least 1,5 times over a 10-year period, within a 95% confidence level. At the end of 2015 this translated into IFRS-based required capital of some R14,5 billion for Sanlam Life's life insurance business, which was covered as follows:

- R2,5 billion by Santam shares;
- R2 billion by the subordinated debt issued by Sanlam Life; and
- R10 billion by the balanced portfolio.

A prudent approach was followed in determining required capital at the end of 2015 as further modelling capability and certainty on the final SAM standard formula were required to confirm the level of required capital under SAM.

The third phase of the SAM programme involved expansion of the Group's capital management projection capability, specifically adapted for SAM. Good progress has been made during 2016 in this regard, which enabled the Group to set an appropriate level of IFRS required capital for Sanlam Life's covered business under SAM, based on the following principles:

- A SAM solvency capital requirement (SCR) cover range of between 1,7 times and 2,1 times is targeted over a 10-year projection period.
- Investment return earned on the balanced portfolio is excluded from the projections. Actual investment return earned will therefore be available for release to discretionary capital on an annual basis under normal circumstances. In severe scenarios that result in a breach of the lower threshold, investment return can be retained in the portfolio to restore the SCR cover to the lower end of the range. This allows for increased capital management flexibility.
- Transfers to discretionary capital will occur when the upper limit of the target range is breached over the full 10-year projection period.

The IFRS required capital for Sanlam Life's covered business has been set at R12 billion at 31 December 2016, covered by the R2 billion subordinated debt and R10 billion in the balanced portfolio.

On this basis, the SAM cover ratio for Sanlam Life's covered business amounted to 2,2 times on 31 December 2016. Including Sanlam Life's investments in Group businesses, the discretionary capital held on its balance sheet as well as the cash held for the anticipated dividend payment to Sanlam Limited in 2017, the SCR cover for the Sanlam Life legal entity (solo) amounted to 3,1 times on 31 December 2016. The solo solvency ratio will be reported to the regulator once SAM is effective and will also be relevant for clients, market participants and credit rating agencies in evaluating Sanlam Life's credit risk.

SAM also requires the calculation of a Group solvency position, which is likely to become the more relevant solvency measure over time. The Sanlam Group had a healthy SCR cover of 2,2 times at 31 December 2016. The principle reason for the lower Group SCR cover compared to Sanlam Life, is the inclusion of Santam in the Group position. General insurance business can be conducted at lower cover ratios than life business given its different risk profile. Santam's well diversified book further reduces its capital requirement and hence SCR cover ratio. At a Group level a prudent approach was also followed by not including the Santam surplus capital, thereby effectively including it at a 1 times cover ratio.

Sanlam Life's capital requirement is expected to reduce over the next few years as the more capital intensive legacy business continue to decline as a proportion of the overall life book, settling at around R8 billion. The capital modelling conducted during 2016 indicate that, together with expected investment return to be earned on the balanced portfolio, between R500 million and R1 billion can be released per annum over the next four years to augment the discretionary capital available for deployment. Focus will also be placed in 2017 on opportunities to further optimise the capital position of the other South African life insurance licences.

The fourth phase of the SAM programme was also launched during 2016, focussing on optimising balance sheet management. The introduction of the Central Credit Management function in SCM is the first initiative flowing from this work.

Discretionary capital

The Group started the year with discretionary capital of R2,3 billion, which was earmarked for new growth and expansion opportunities as well as to increase stakes in existing operations on a selective basis. This balance excluded the capital allocated for the Saham Finances transaction announced in 2015 and the acquisition of 23% direct stakes in Shriram Life Insurance and Shriram General Insurance. These transactions were concluded and payment made during 2016.

A net total of R3,4 billion was redeployed in 2016 in respect of new transactions, which included the following:

- An additional investment in Saham Finances was announced in December 2016. In terms of this second transaction, the Group will acquire a further 16,6% stake for some R4,6 billion. At least R2,7 billion will be funded from discretionary capital and has been formally allocated as such from the available discretionary capital, with the remainder to be funded through the raising of debt. The acquisition price is payable in US Dollars, which the Group hedged in the latter part of 2016 and beginning of 2017.
- In January 2017 SPF announced the acquisition of a 53% stake in BrightRock for some R700 million. BrightRock is an innovative provider of unique needs-based life insurance cover in South Africa that adapts in line with changing client needs. The BrightRock products will augment SPF's existing risk product offering and is expected to enhance SPF's market share of this profitable line of business.
- SI concluded a number of smaller transactions, including:
    - A R150 million investment in Brackenham, a private client wealth management business.
    - An effective 49% shareholding in FirstGlobal Asset Management, a South African asset management company which also renders intermediary services in relation to participatory interests in collective investment schemes. The total acquisition consideration was R56 million.
    - The acquisition of the non-controlling shareholders' interest in Blue Ink for R39 million.
    - R18 million for investment in its international asset managers, to set up an African wealth management business and for trail payments for the acquisition of the Vukile property management agreement.
- Some R140 million was invested by SEM to bolster the capital position of its Rwanda operations and to expand its bancassurance arrangement with Standard Chartered Bank to general insurance business.
- The disposal of SPF's interest in Anglo African Finance and Santam's contribution to SEM general insurance transactions during 2016 (including Shriram General Insurance) generated some R360 million of discretionary capital.

The discretionary capital portfolio was augmented by the following inflows:

- Sanlam's share of the Santam special dividend payment in 2016 amounted to R542 million.
- The investment return of R182 million earned on the Sanlam Life balanced portfolio was released to discretionary capital as the balance required in the portfolio remained unchanged at R10 billion.
- Some illiquid investments were disposed of, generating some R150 million.
- The 2015 dividend cover in excess of cash operating earnings and other smaller items added some R800 million.

Together with investment return earned on the discretionary capital portfolio, unallocated discretionary capital amounted to R550 million at the end of December 2016. Further discretionary capital is expected to be generated in 2017 through a release from the Sanlam Life balanced portfolio (refer above) as well as the 2016 excess dividend cover of some R700 million. Discretionary capital remains earmarked to be utilised for value-accretive investment opportunities.

Solvency

All of the life insurance businesses within the Group were sufficiently capitalised at the end of December 2016. The total admissible regulatory capital (including identified discretionary capital) of Sanlam Life Insurance Limited, the holding company of the Group's major life insurance subsidiaries, of R46,9 billion, covered its CAR 5,8 times.

The Group's solvency position under the new SAM regime is also healthy, as indicated above.

Standard&Poors issued the following credit ratings to the Group during 2016: Sanlam Limited: South Africa National: zaA; Sanlam Life Insurance Limited: South Africa National: zaAAA, Subordinated debt: zaAA-.

Dividend

The Group only declares an annual dividend due to the costs involved in distributing an interim dividend to our large shareholder base. Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the normal dividend, subject to the Group's liquidity and solvency requirements. Dividend cover of cash operating earnings is managed broadly within a 1 to 1,1 times range to target consistent real growth in the Group's normal dividend payment. The operational performance of the Group in the 2016 financial year enabled the Board to increase the normal dividend per share by 9,4% to 268 cents. This will maintain a cash operating earnings cover of approximately 1,1 times. The South African dividend withholding tax regime applies in respect of this dividend. The dividend will in full be subject to the 20% withholding tax, where applicable, which will result in a net final dividend, to those shareholders who are not exempt from paying dividend tax, of 214,4 cents per ordinary share. The number of ordinary shares in issue in the company's share capital at the date of the declaration is 2 010 119 548 (excluding treasury shares of 156 352 258). The company's tax reference number is 9536/346/84/5.

Shareholders are advised that the final cash dividend of 268 cents for the year ended 31 December 2016 is payable on Monday, 10 April 2017 by way of electronic bank transfers to ordinary shareholders recorded in the register of Sanlam at close of business on Friday, 7 April 2017. The last date to trade to qualify for this dividend will be Tuesday, 4 April 2017, and Sanlam shares will trade ex-dividend from Wednesday, 5 April 2017.

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 April 2017 and Friday, 7 April 2017, both days included.

Sanlam Group

Summarised financial statements for the year ended 31 December 2016

ACCOUNTING POLICIES AND BASIS OF PRESENTATION

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

The policy liabilities and profit entitlement rules are determined in accordance with prevailing legislation, generally accepted actuarial practice and the stipulations contained in the demutualisation proposal. There have been no material changes in the financial soundness valuation basis since 31 December 2015, apart from changes in the economic assumptions.

The basis of presentation and accounting policies for the IFRS financial statements and Shareholders' information are in all material respects consistent with those applied in the 2015 annual report. The only amendment coming into effect in the current year that had an effect on the financial statements was an amendment to IAS1 – Presentation of Financial Statements, which requires that the equity-accounted other comprehensive income of associates and joint ventures to be shown separately on the face of the statement of comprehensive income. In the past, these other comprehensive income amounts, which for Sanlam relates to foreign currency translation differences, were included in the total 'movement in foreign currency translation reserve' line item. For segmental reporting, the newly created Sanlam Corporate cluster is shown separately for the first time, initially comprising of SEB and the Sanlam Healthcare businesses.

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

The following new or revised IFRS and interpretations have effective dates applicable to future financial years and have not been early adopted:

- IFRS 9 - *Financial Instruments* (effective 1 January 2018)
- IFRS 15 - *Revenue from Contracts with Customers* (effective 1 January 2018)
- IFRS 16 - *Leases* (effective 1 January 2019)

Management is in the process of assessing the classification and measurement of its financial instruments in light of the requirements of IFRS 9. No significant impact is expected. Initial work performed on the impact of IFRS 15 and 16 indicates that there will be limited impact on the financial statements as a result of these standards.

EXTERNAL AUDIT

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The shareholders' information was audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited shareholders' information and the auditor’s report thereon are available for inspection at the company’s registered office.

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

Summarised shareholders' information for the year ended 31 December 2016

Contents

GROUP EQUITY VALUE

at 31 December 2016

	2016 R million	2015 R million
Embedded value of covered business	**51 246**	47 222
Sanlam Personal Finance	**38 216**	34 526
Adjusted net worth	**8 358**	8 287
Value of in-force	**29 858**	26 239
Sanlam Emerging Markets	**6 370**	5 486
Adjusted net worth	**2 857**	2 323
Value of in-force	**3 513**	3 163
Sanlam Investments [1]	**1 137**	1 633
Adjusted net worth	**466**	778
Value of in-force	**671**	855
Sanlam Corporate[1]	**5 523**	5 577
Adjusted net worth	**3 720**	3 720
Value of in-force	**1 803**	1 857
Other Group operations	**50 789**	44 336
Sanlam Personal Finance [2]	**3 662**	2 946
Sanlam Emerging Markets	**15 727**	12 561
Sanlam Investments	**14 670**	15 202
Santam	**15 868**	12 850
Sanlam Corporate[2]	**862**	777
Other capital and net worth adjustments	**8 132**	9 648
	110 167	101 206
Discretionary capital	**550**	2 300
Group equity value	**110 717**	103 506
Group equity value per share (cents)	**5 407**	5 057

[1] Sanlam Employee Benefits has been reallocated from Sanlam Investments to the Sanlam Corporate cluster.

[2] The Health Management businesses have been reallocated from Sanlam Personal Finance to the Sanlam Corporate cluster.

SHAREHOLDERS' FUND INCOME STATEMENT

for the year ended 31 December 2016

	2016 R million	2015 R million
Result from financial services before tax	**12 678**	11 595
Sanlam Personal Finance [(1)]	**5 691**	5 298
Sanlam Emerging Markets	**2 896**	2 248
Sanlam Investments	**1 505**	1 376
Santam	**2 050**	2 321
Sanlam Corporate [(1)]	**712**	516
Group office and other	**(176)**	(164)
Tax on financial services income	**(3 493)**	(3 098)
Non-controlling interest	**(1 216)**	(1 228)
Net result from financial services	**7 969**	7 269
Net investment return	**676**	1 946
Net investment income	**940**	968
Net investment surpluses	**(300)**	946
Net equity-accounted headline earnings	**36**	32
Net project expenses	**(29)**	(15)
Equity participation costs	**(5)**	(43)
Amortisation of intangibles	**(251)**	(306)
Normalised headline earnings	**8 360**	8 851
Profit on disposal of operations	**31**	200
Net equity-accounted non-headline earnings	**(3)**	-
Impairments	**(265)**	(109)
Normalised attributable earnings	**8 123**	8 942
Fund transfers	**1 500**	449
Attributable profit per Group statement of comprehensive income	**9 623**	9 391

[(1)] The Health Management businesses have been reallocated from Sanlam Personal Finance to the Sanlam Corporate cluster.

NOTES TO THE SHAREHOLDERS' INFORMATION

for the year ended 31 December 2016

	2016 R million	2015 R million
1. NEW BUSINESS		
Analysed per licence:		
Life Insurance	**43 599**	39 976
Sanlam Personal Finance	**30 175**	28 443
Sanlam Emerging Markets	**5 208**	4 869
Sanlam Corporate [(1)]	**5 029**	2 913
Sanlam Investments [(1)]	**3 187**	3 751
Investment business and other	**189 579**	170 866
Sanlam Personal Finance	**31 573**	32 730
Sanlam Emerging Markets	**18 488**	9 696
Sanlam Investments	**119 692**	109 918
Santam	**19 826**	18 522
Total new business	**233 178**	210 842

	2016 R million	2015 R million
2. NET FLOW OF FUNDS		
Analysed per licence:		
Life Insurance	**11 356**	12 081
Sanlam Personal Finance	**7 298**	8 914
Sanlam Emerging Markets	**2 941**	3 428
Sanlam Corporate [(1)]	**1 369**	(489)
Sanlam Investments [(1)]	**(252)**	228
Investment business and other	**29 565**	6 968
Sanlam Personal Finance	**9 195**	13 228
Sanlam Emerging Markets	**7 988**	(10 021)
Sanlam Investments	**5 467**	(3 251)
Santam	**6 915**	7 012
Total net flow of funds	**40 921**	19 049

[(1)] *Sanlam Employee Benefits has been reallocated from Sanlam Investments to the Sanlam Corporate cluster.*

3. NORMALISED EARNINGS PER SHARE

In terms of IFRS, a consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and assets supporting those liabilities. Certain investments held in policyholder portfolios may not be recognised at fair value in terms of IFRS, whereas the valuation of the related policy liabilities is based on the assets at fair value. Similarly, deferred tax assets recognised in respect of assessed tax losses in policyholder funds increases the Group's net assets without a corresponding increase in policy liabilities. These create mismatches with a corresponding impact on the shareholders' fund. A separate reserve is created for these valuation differences owing to the fact that they represent accounting differences and not economic gains or losses for the shareholders' fund. The number of shares in issue must also be reduced with the treasury shares held by the policyholders' fund for the calculation of IFRS basic and diluted earnings per share. This is, in management's view, not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund varies significantly. The Group therefore calculates normalised earnings per share to eliminate these impacts.

	2016 cents	2015 cents
Normalised diluted earnings per share:		
Net result from financial services	**389,4**	355,2
Headline earnings	**408,5**	432,5
Profit attributable to shareholders' fund	**396,9**	437,0
	R million	R million
Analysis of normalised earnings (refer shareholders' fund income statement):		
Net result from financial services	**7 969**	7 269
Headline earnings	**8 360**	8 851
Profit attributable to shareholders' fund	**8 123**	8 942
	Million	million
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share	**2 020,1**	2 024,0
Add: Weighted average Sanlam shares held by policyholders	**26,4**	22,3
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 046,5**	2 046,3
Number of ordinary shares in issue	**2 166,5**	2 166,5
Shares held by subsidiaries in shareholders' fund	**(138,9)**	(141,2)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive scheme	**19,9**	21,3
Adjusted number of shares for value per share	**2 047,5**	2 046,6

EMBEDDED VALUE OF COVERED BUSINESS
at 31 December 2016

EMBEDDED VALUE OF COVERED BUSINESS at 31 DECEMBER 2016

	Note	**2016 R million**	2015 R million
Sanlam Personal Finance		**38 216**	34 526
Adjusted net worth		**8 358**	8 287
Net value of in-force covered business		**29 858**	26 239
Value of in-force covered business		**31 823**	28 139
Cost of capital		**(1 965)**	(1 900)
Sanlam Emerging Markets		**6 370**	5 486
Adjusted net worth		**2 857**	2 323
Net value of in-force covered business		**3 513**	3 163
Value of in-force covered business		**5 712**	5 317
Cost of capital		**(562)**	(525)
Non-controlling interest		**(1 637)**	(1 629)
Sanlam UK[1]		**1 137**	1 633
Adjusted net worth		**466**	778
Net value of in-force covered business		**671**	855
Value of in-force covered business		**828**	1 066
Cost of capital		**(157)**	(211)
Sanlam Employee Benefits[2]		**5 523**	5 577
Adjusted net worth		**3 720**	3 720
Net value of in-force covered business		**1 803**	1 857
Value of in-force covered business		**2 857**	2 804
Cost of capital		**(1 054)**	(947)
Embedded value of covered business		**51 246**	47 222
Adjusted net worth [3]		**15 401**	15 108
Net value of in-force covered business	1	**35 845**	32 114
Embedded value of covered business		**51 246**	47 222

[1] Sanlam UK is included in the Sanlam Investments cluster whereas Sanlam Employee Benefits forms part of the Sanlam Corporate cluster.
[2] Sanlam Employee Benefits is part of Sanlam Corporate cluster.
[3] Excludes subordinated debt funding of Sanlam Life.

EMBEDDED VALUE OF COVERED BUSINESS

at 31 December 2016 *(continued)*

CHANGE IN EMBEDDED VALUE OF COVERED BUSINESS for the year ended 31 December 2016

		2016			2015
R million	Note	**Total**	**Net Value of in-force**	**Adjusted net worth**	**Total**
Embedded value of covered business at the beginning of the year		**47 222**	**32 114**	**15 108**	48 393
Value of new business	2	**1 605**	**3 594**	**(1 989)**	1 360
Net earnings from existing covered business		**6 042**	**(582)**	**6 624**	5 328
Expected return on value of in-force business		**4 634**	**4 634**	**-**	3 759
Expected transfer of profit to adjusted net worth		**-**	**(5 723)**	**5 723**	-
Operating experience variances	3	**983**	**(23)**	**1 006**	1 081
Operating assumption changes	4	**425**	**530**	**(105)**	488
Expected investment return on adjusted net worth		**1 199**	**-**	**1 199**	1 256
Embedded value earnings from operations		**8 846**	**3 012**	**5 834**	7 944
Economic assumption changes	5	**485**	**484**	**1**	(1 608)
Tax changes	6	**422**	**561**	**(139)**	7
Investment variances – value of in-force		**(159)**	**(214)**	**55**	(74)
Investment variances – investment return on adjusted net worth		**(1 312)**	**-**	**(1 312)**	443
Goodwill from business		**(183)**	**(183)**	**-**	(69)
Exchange rate movements		**(626)**	**(626)**	**-**	394
Embedded value earnings from covered business		**7 473**	**3 034**	**4 439**	7 037
Acquired value of in-force		**1 247**	**651**	**596**	124
Transfer (to)/from other Group operations		**(13)**	**46**	**(59)**	-
Net transfers from covered business		**(4 683)**	**-**	**(4 683)**	(8 332)
Embedded value of covered business at the end of the year		**51 246**	**35 845**	**15 401**	47 222
Analysis of earnings from covered business					
Sanlam Personal Finance		**7 402**	**3 573**	**3 829**	4 363
Sanlam Emerging Markets		**37**	**(301)**	**338**	1 403
Sanlam UK		**(403)**	**(184)**	**(219)**	277
Sanlam Employee Benefits		**437**	**(54)**	**491**	994
Embedded value earnings from covered business		**7 473**	**3034**	**4 439**	7 037

VALUE OF NEW BUSINESS for the year ended 31 December 2016

R million	Note	2016	2015
Value of new business (at point of sale):			
Gross value of new business		**2 051**	1 729
Sanlam Personal Finance		**1 315**	1 065
Sanlam Emerging Markets		**589**	499
Sanlam UK		**13**	28
Sanlam Employee Benefits		**134**	137
Cost of capital		**(272)**	(215)
Sanlam Personal Finance		**(152)**	(110)
Sanlam Emerging Markets		**(56)**	(51)
Sanlam UK		**(6)**	(2)
Sanlam Employee Benefits		**(58)**	(52)
Value of new business		**1 779**	1 514
Sanlam Personal Finance		**1 163**	955
Sanlam Emerging Markets		**533**	448
Sanlam UK		**7**	26
Sanlam Employee Benefits		**76**	85
Value of new business attributable to:			
Shareholders' fund	2	**1 605**	1 360
Sanlam Personal Finance		**1 163**	955
Sanlam Emerging Markets		**359**	294
Sanlam UK		**7**	26
Sanlam Employee Benefits		**76**	85
Non-controlling interest		**174**	154
Sanlam Personal Finance		**-**	-
Sanlam Emerging Markets		**174**	154
Sanlam UK		**-**	-
Sanlam Employee Benefits		**-**	-
Value of new business		**1 779**	1 514
Geographical analysis:			
South Africa		**1 239**	1 040
Africa		**461**	400
Other international		**79**	74
Value of new business		**1 779**	1 514
Analysis of new business profitability[(1)]:			
Before non-controlling interest:			
Present value of new business premiums		**62 383**	54 362
Sanlam Personal Finance		**41 507**	38 041
Sanlam Emerging Markets		**9 654**	8 041
Sanlam UK		**3 411**	3 947
Sanlam Employee Benefits		**7 811**	4 333
New business margin		**2,85%**	2,79%
Sanlam Personal Finance		**2,80%**	2,51%
Sanlam Emerging Markets		**5,52%**	5,57%
Sanlam UK		**0,21%**	0,66%
Sanlam Employee Benefits		**0,97%**	1,96%

VALUE OF NEW BUSINESS for the year ended 31 December 2016 *(continued)*

R million	Note	2016	2015
Analysis of new business profitability *(continued)*:			
After non-controlling interest:			
Present value of new business premiums		**59 556**	51 856
Sanlam Personal Finance		**41 507**	38 041
Sanlam Emerging Markets		**6 827**	5 535
Sanlam UK		**3 411**	3 947
Sanlam Employee Benefits		**7 811**	4 333
New business margin		**2,69%**	2,62%
Sanlam Personal Finance		**2,80%**	2,51%
Sanlam Emerging Markets		**5,26%**	5,31%
Sanlam UK		**0,21%**	0,66%
Sanlam Employee Benefits		**0,97%**	1,96%

[1] Comparative information has been adjusted for the reallocation of Glacier Namibia from Sanlam Personal Finance to Sanlam Emerging Markets.

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2016

1. VALUE OF IN-FORCE SENSITIVITY ANALYSIS	Gross value of in-force business R million	Cost of capital R million	Net value of in-force business R million	Change from base value %
Base value	**39 379**	**(3 534)**	**35 845**	
• Risk discount rate increase by 1%	37 204	(4 094)	33 110	(8)

2. VALUE OF NEW BUSINESS SENSITIVITY ANALYSIS	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
Base value	**1 829**	**(224)**	**1 605**	
• Risk discount rate increase by 1%	1 598	(265)	1 333	(17)

	2016 R million	2015 R million
3. OPERATING EXPERIENCE VARIANCES		
Risk experience	**438**	816
Persistency	**(11)**	174
Maintenance expenses	**30**	(16)
Working capital	**354**	288
Credit spread	**89**	-
Other	**83**	(181)
Total operating experience variances	**983**	1 081
4. OPERATING ASSUMPTION CHANGES		
Risk experience	**122**	810
Persistency	**54**	(60)
Maintenance expenses	**99**	(3)
Modelling improvements and other	**150**	(259)
Total operating assumption changes	**425**	488
5. ECONOMIC ASSUMPTION CHANGES		
Investment yields	**552**	(1 603)
Long-term asset mix assumptions, inflation gap change and other	**(67)**	(5)
Total economic assumption changes	**485**	(1 608)
6. TAX CHANGES		
Risk Policy Fund (RPF)	**674**	-
Capital gains tax (inclusion rate)	**(257)**	-
Other	**5**	7
Total tax changes	**422**	7

NOTES TO THE EMBEDDED VALUE OF COVERED BUSINESS

for the year ended 31 December 2016 *(continued)*

	2016 R million	2015 R million
7. RECONCILIATION OF GROWTH FROM COVERED BUSINESS		
The embedded value earnings from covered business reconcile as follows to the net result from financial services for the year:		
Net results from financial services of covered business per shareholders' fund income statement	**4 717**	4 484
Sanlam Personal Finance	**3 680**	3 446
Sanlam Emerging Markets	**599**	603
Sanlam UK	**11**	74
Sanlam Employee Benefits	**427**	361
Investment return on adjusted net worth	**(113)**	1 699
Effect of capital gains tax inclusion rate increase on deferred tax liability	**(165)**	-
Embedded value earnings from covered business: value of in-force	**3 034**	854
Embedded value earnings from covered business	**7 473**	7 037

	2016 %	2015 %
8. ECONOMIC ASSUMPTIONS		
Gross investment return, risk discount rate and inflation		
SANLAM LIFE:		
Point used on the relevant yield curve	9 year	9 year
Fixed-interest securities	9,2	10,1
Equities and offshore investments	12,7	13,6
Hedged equities	8,6	9,5
Property	10,2	11,1
Cash	8,2	9,1
Inflation rate	7,2	8,1
Risk discount rate	11,7	12,6
SANLAM INVESTMENTS AND PENSIONS:		
Point used on the relevant yield curve	15 year	15 year
Fixed-interest securities	1,7	2,4
Equities and offshore investments	4,9	5,6
Hedged equities	n/a	n/a
Property	4,9	5,6
Cash	1,7	2,4
Inflation rate	3,4	3,2
Risk discount rate	5,4	6,1
SDM LIMITED:		
Point used on the relevant yield curve	5 year	5 year
Fixed-interest securities	8,6	9,6
Equities and offshore investments	12,1	13,1
Hedged equities	7,6	n/a
Property	9,6	10,6
Cash	7,6	8,6
Inflation rate	6,6	7,6
Risk discount rate	11,1	12,1
BOTSWANA LIFE INSURANCE:		
Fixed-interest securities	7,0	7,5
Equities and offshore investments	10,5	11,0
Hedged equities	n/a	n/a
Property	8,0	8,5
Cash	6,0	6,5
Inflation rate	4,0	4,5
Risk discount rate	10,5	11,0

	2016	2015
	%	%

8. ECONOMIC ASSUMPTIONS (*continued*)

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 (2015: 25bps and 60bps) for non-participating annuities, between 25bps and 75bps (2015: 25bps to 75bps) for inflation-linked annuities and capped at 120bps reflecting both illiquidity premiums and credit risk premiums (2015: 80bps for illiquidity premiums only) for guarantee plans.

Summarised Group IFRS financial statements for the year ended 31 December 2016

Contents

STATEMENT OF FINANCIAL POSITION at 31 December 2016

	2016 R million	2015 R million
ASSETS		
Equipment	**881**	892
Owner-occupied properties	**1 171**	1 329
Goodwill	**3 596**	3 895
Value of business acquired	**1 606**	1 943
Other intangible assets	**575**	487
Deferred acquisition costs	**3 597**	3 463
Long-term reinsurance assets	**958**	945
Investments	**592 945**	590 894
Properties	**10 664**	11 606
Equity-accounted investments	**21 560**	15 999
Equities and similar securities	**176 944**	189 214
Interest-bearing investments	**170 584**	165 261
Structured transactions	**13 756**	14 179
Investment funds	**161 050**	157 288
Cash, deposits and similar securities	**38 387**	37 347
Deferred tax	**1 880**	368
Assets of disposal groups classified as held for sale	**663**	540
General insurance technical assets	**5 022**	4 251
Working capital assets	**59 665**	65 501
Trade and other receivables	**40 904**	45 360
Cash, deposits and similar securities	**18 761**	20 141
Total assets	**672 559**	674 508
EQUITY AND LIABILITIES		
Shareholders' fund	**53 390**	53 621
Non-controlling interest	**5 696**	6 571
Total equity	**59 086**	60 192
Long-term policy liabilities	**483 748**	480 910
Insurance contracts	**177 675**	183 972
Investment contracts	**306 073**	296 938
Term finance	**6 466**	5 637
Margin business	**1 652**	1 737
Other interest-bearing liabilities	**4 814**	3 900
Structured transactions liabilities	**1 298**	2 374
External investors in consolidated funds	**55 486**	53 641
Cell owners' interest	**1 153**	980
Deferred tax	**2 069**	2 180
General insurance technical provisions	**14 557**	13 523
Working capital liabilities	**48 696**	55 071
Trade and other payables	**46 636**	52 751
Provisions	**332**	319
Taxation	**1 728**	2 001
Total equity and liabilities	**672 559**	674 508

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2016

	2016 R million	2015 R million
Net income	**86 695**	85 293
Financial services income	**58 189**	53 754
Reinsurance premiums paid	**(7 626)**	(6 831)
Reinsurance commission received	**1 396**	1 275
Investment income	**28 413**	25 241
Investment surpluses	**9 150**	13 942
Finance cost – margin business	**(106)**	(101)
Change in fair value of external investors liability	**(2 721)**	(1 987)
Net insurance and investment contract benefits and claims	**(49 329)**	(47 675)
Long-term insurance contract benefits	**(24 143)**	(15 247)
Long-term investment contract benefits	**(13 204)**	(21 736)
General insurance claims	**(17 423)**	(14 206)
Reinsurance claims received	**5 441**	3 514
Expenses	**(24 731)**	(23 024)
Sales remuneration	**(8 140)**	(7 269)
Administration costs	**(16 591)**	(15 755)
Impairments	**(340)**	(173)
Amortisation of intangibles	**(326)**	(382)
Net operating result	**11 969**	14 039
Equity-accounted earnings	**2 095**	1 310
Finance cost – other	**(460)**	(580)
Profit before tax	**13 604**	14 769
Taxation	**(3 026)**	(3 859)
Shareholders' fund	**(1 832)**	(3 078)
Policyholders' fund	**(1 194)**	(781)
Profit for the year	**10 578**	10 910
Other comprehensive income		
Movement in foreign currency translation reserve (1)	**(4 367)**	3 462
Movement in cash flow hedge	**(469)**	509
Other comprehensive income of equity accounted investments (1)	**(248)**	(72)
Employee benefits re-measurement loss	**(54)**	(11)
Comprehensive income for the year	**5 440**	14 798

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2016 *(continued)*

	2016 R million	2015 R million
Allocation of comprehensive income:		
Profit for the year	**10 578**	10 910
Shareholders' fund	**9 623**	9 391
Non-controlling interest	**955**	1 519
Comprehensive income for the year	**5 440**	14 798
Shareholders' fund	**5 139**	12 863
Non-controlling interest	**301**	1 935

Earnings attributable to shareholders of the company (cents):		
Basic earnings per share	**481,1**	468,9
Diluted earnings per share	**476,4**	464,0

[1] *Comparative information has been restated to comply with amendments to IAS 1 as described in the basis of presentation.*

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	2016 R million	2015 R million
Shareholders' fund:		
Balance at beginning of the year	**53 621**	46 037
Comprehensive income	**5 139**	12 863
Profit for the year	**9 623**	9 391
Other comprehensive income [(1)]	**(4 484)**	3 472
Net acquisition of treasury shares [(2)]	**(690)**	(1 146)
Share-based payments	**325**	409
Dividends paid [(3)]	**(4 916)**	(4 526)
Acquisitions, disposals and other movements in interests	**(89)**	(16)
Balance at end of the year	**53 390**	53 621
Non-controlling interest:		
Balance at beginning of the year	**6 571**	5 198
Comprehensive income	**301**	1 935
Profit for the year	**955**	1 519
Other comprehensive income[(1)]	**(654)**	416
Net (acquisition)/ disposal of treasury shares[(2)]	**(41)**	(16)
Share-based payments	**37**	57
Dividends paid [(3)]	**(1 224)**	(891)
Acquisitions, disposals and other movements in interests	**52**	288
Balance at end of the year	**5 696**	6 571
Shareholders' fund	**53 621**	46 037
Non-controlling interest	**6 571**	5 198
Total equity at beginning of the year	**60 192**	51 235
Shareholders' fund	**53 390**	53 621
Non-controlling interest	**5 696**	6 571
Total equity at end of the year	**59 086**	60 192

(1) *Other comprehensive income includes a realisation of cash flow hedging adjustments of R707 million (R509 million net of tax) in respect of the acquisition of interests in Saham Finances, Shriram Life Insurance and Shriram General Insurance, as well as an additional cash flow hedging adjustment of R56 million (R40 million net of tax) in respect of the cumulative fair value movements on the hedging instruments designated for funding of an additional stake in Saham Finances.*

(2) *Comprises movement in cost of shares held by subsidiaries, share incentive trusts and other consolidated funds as well as the effect of recognizing certain tax losses relating to policyholder funds recognised as deferred tax assets.*

(3) *A normal dividend of 245 cents per share declared during 2016 in respect of the 2015 financial year (2015: normal dividend of 225 cents per share)*

CASH FLOW STATEMENT for the year ended 31 December 2016

	2016 R million	2015 [1] R million
Net cash flow from operating activities	**14 428**	32 593
Net cash flow from investment activities	**(15 949)**	(16 291)
Net cash flow from financing activities	**165**	(1 477)
Net increase in cash and cash equivalents	**(1 356)**	14 825
Net foreign exchange difference	**(69)**	707
Cash and cash equivalents at beginning of the year	**54 046**	38 514
Cash and cash equivalents at end of the year	**52 621**	54 046

[1] Cash, deposits and similar securities disclosed in the statement of financial position include financial instruments of varying durations in line with the definition of the Solvency Assessment and Management regime being implemented in South Africa and the operational management of liquidity by the Group. During 2016, the Group reassessed the application of IAS7 to liquid instruments held to match certain five-year guaranteed investment contracts issued to policyholders by a subsidiary. The application of IAS7 to these instruments was amended, resulting in a reallocation of R380 million between the net movement in cash and cash equivalents and cash flows from investment activities for 2015.

R million	Previously reported	Policyholder activities adjustment	Restated
Cash flow from operating activities	32 593	-	32 593
Cash flow from investment activities	(15 911)	(380)	(16 291)
Cash flow from financing activities	(1 477)	-	(1 477)
Net movement in cash and cash equivalents	15 205	(380)	14 825
Net foreign exchange difference	707	-	707
Cash and cash equivalents at beginning of the year	41 431	(2 917)	38 514
Cash and cash equivalents at the end of year	57 343	(3 297)	54 046

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016

	2016	2015
	cents	cents
1. EARNINGS PER SHARE		
Basic earnings per share:		
Headline earnings	**493,0**	464,4
Profit attributable to shareholders' fund	**481,1**	468,9
Diluted earnings per share:		
Headline earnings	**488,1**	459,5
Profit attributable to shareholders' fund	**476,4**	464,0
	R million	R million
Analysis of earnings:		
Profit attributable to shareholders' fund	**9 623**	9 391
Less: Net profit on disposal of operations	**(31)**	(200)
Less: Equity-accounted non-headline earnings	**3**	-
Plus: Impairments	**265**	109
Headline earnings	**9 860**	9 300
	million	million
Number of shares:		
Number of ordinary shares in issue	**2 166,5**	2 166,5
Less: Weighted Sanlam shares held by subsidiaries and consolidated investment funds (including policyholders)	**(166,3)**	(163,8)
Adjusted weighted average number of shares for basic earnings per share	**2 000,2**	2 002,7
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	**19,9**	21,3
Adjusted weighted average number of shares for diluted earnings per share	**2 020,1**	2 024,0

2. RECONCILIATION OF SEGMENTAL INFORMATION

	2016 R million	2015 R million
Segment financial services income (per shareholders' fund information)	**54 382**	49 365
Sanlam Personal Finance	**16 421**	15 103
Sanlam Emerging Markets	**7 462**	6 078
Sanlam Investments	**5 546**	5 286
Santam	**20 608**	19 066
Sanlam Corporate	**4 217**	3 691
Corporate and other	**128**	141
IFRS adjustments	**3 807**	4 389
Total financial services income	**58 189**	53 754
Segment result (per shareholders' fund information after tax and non-controlling interest)	**8 123**	8 942
Sanlam Personal Finance (1)	**4 978**	3 718
Sanlam Emerging Markets	**1 517**	1 445
Sanlam Investments (1)	**913**	865
Santam	**846**	1 367
Sanlam Corporate (1)	**554**	745
Group office and other	**(685)**	802
Reverse Non-controlling interest included in segment result	**955**	1 519
Fund transfers	**1 500**	449
Total profit for the year	**10 578**	10 910

(1) Comparative information has been adjusted for the reallocation of business units from Sanlam Personal Finance and Sanlam Investments to the Sanlam Corporate cluster as described in the basis of presentation.

3. SHARE REPURCHASES

The Sanlam shareholders granted general authorities to the Group at the 2016 and 2015 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire any shares in terms of these general authorities.

4. CONTINGENT LIABILITIES

Shareholders are referred to the contingent liabilities disclosure in the 2016 annual financial statements. The circumstances surrounding the contingent liabilities remain materially unchanged.

5. SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2016 as reflected in these financial statements.

6. FAIR VALUE DISCLOSURES

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosure only cover assets and liabilities measured at fair value.

Included in **level 1** category are assets and liabilities that are measured by reference to unadjusted, quoted prices in an active market for identical assets and liabilities.

Included in **level 2** category are assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are categorised as level 2.

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

R million

Recurring fair value measurements

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Properties	**-**	**-**	**10 664**	**10 664**
Properties held for sale	**-**	**655**	**-**	**655**
Equities and similar securities	**174 452**	**2 072**	**420**	**176 944**
Interest-bearing investments	**48 621**	**120 570**	**392**	**169 583**
Structured transactions	**6 502**	**7 254**	**-**	**13 756**
Investment funds	**143 374**	**17 209**	**467**	**161 050**
Trading account assets	**3 661**	**19 288**	**-**	**22 949**
Cash deposits and similar securities	**22 792**	**15 595**	**-**	**38 387**
Investment in joint ventures	**-**	**-**	**423**	**423**
Total assets at fair value	**399 402**	**182 643**	**12 366**	**594 411**
Investment contract liabilities	**-**	**303 761**	**2 312**	**306 073**
Term finance	**-**	**4 300**	**201**	**4 501**
Structured transactions liabilities	**-**	**1 298**	**-**	**1 298**
Trading account liabilities	**1 828**	**21 170**	**-**	**22 998**
External investors in consolidated funds	**54 389**	**493**	**604**	**55 486**
Total liabilities at fair value	**56 217**	**331 022**	**3 117**	**390 356**

6. FAIR VALUE DISCLOSURES *(continued)*

R million

Recurring fair value measurements

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Properties	-	-	11 606	11 606
Equities and similar securities	186 222	2 562	430	189 214
Interest-bearing investments	72 478	91 049	490	164 017
Structured transactions	6 391	7 788	-	14 179
Investment funds	132 186	24 595	507	157 288
Trading account assets	5 549	24 243	-	29 792
Cash deposits and similar securities	25 769	11 573	-	37 342
Total assets at fair value	428 595	161 810	13 033	603 438
Investment contract liabilities	-	293 760	3 178	296 938
Term finance	2 937	104	359	3 400
Structured transactions liabilities	-	2 374	-	2 374
Trading account liabilities	170	33 416	-	33 586
External investors in consolidated funds	53 437	204	-	53 641
Total liabilities at fair value	56 544	329 858	3 537	389 939

R million

Reconciliation of movements in level 3 assets and liabilities measured at fair value
31 December 2016

Assets	Properties	Equities and similar securities	Interest bearing investments	Investment funds	Investment in joint ventures	Total Assets
Balance at 1 January 2016	**11 606**	**430**	**490**	**507**	**-**	**13 033**
Total gains/(loss) in statement of comprehensive income	**557**	**36**	**(114)**	**(33)**	**-**	**446**
Acquisitions	**1 050**	**54**	**50**	**-**	**423**	**1 577**
Disposals	**(1 014)**	**(83)**	**-**	**(7)**	**-**	**(1 104)**
Reclassified as disposal groups classified as held for sale	**(655)**	**-**	**-**	**-**	**-**	**(655)**
Foreign exchange movements	**(961)**	**(17)**	**(34)**	**-**	**-**	**(1 012)**
Transfer from owner-occupied properties	**81**	**-**	**-**	**-**	**-**	**81**
Balance at 31 December 2016	**10 664**	**420**	**392**	**467**	**423**	**12 366**

31 December 2015

Balance at 1 January 2015	10 333	395	396	452	-	11 576
Total gains in statement of comprehensive income	42	23	41	60	-	166
Acquisitions	400	64	-	2	-	466
Disposals	(207)	(70)	(1)	(7)	-	(285)
Foreign exchange movements	1 049	18	54	-	-	1 121
Transfer to owner-occupied property	(11)	-	-	-	-	(11)
Balance at 31 December 2015	11 606	430	490	507	-	13 033

Liabilities **R million**	**Investment contract liabilities**	**Term finance**	**External investors in consolidated funds**	**Total liabilities**
31 December 2016				
Balance at 1 January 2016	**3 178**	**359**	**-**	**3 537**
Total gains in statement of comprehensive income	**(84)**	**-**	**(67)**	**(151)**
Acquisitions	**201**	**-**	**-**	**201**
Disposals	**(335)**	**-**	**-**	**(335)**
Foreign exchange movements	**(648)**	**(24)**	**-**	**(672)**
Settlements	**-**	**(134)**	**-**	**(134)**
Transfers in [(1)]	**-**	**-**	**671**	**671**
Balance at 31 December 2016	**2 312**	**201**	**604**	**3 117**
31 December 2015				
Balance at 1 January 2015	2 552	347	-	2 899
Total loss in statement of comprehensive income	152	21	-	173
Acquisitions	73	-	-	73
Disposals	(193)	(101)	-	(294)
Foreign exchange movements	594	92	-	686
Balance at 31 December 2015	3 178	359	-	3 537

[(1)] The market for the shares to which the external investors in consolidated funds relate became inactive during the year.

Gains and losses (realised and unrealised) included in profit and loss **R million**	**2016**	**2015**
Total gains or losses included in profit or loss for the period	**597**	(7)
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	**515**	(47)

Transfers between categories

Assets

R million	**Equities and similar securities**	**Interest-bearing investments**	**Structured transactions**	**Investment funds**	**Cash, deposits and similar securities**	**Total assets**
2016						
Transfer from level 1 to level 2	**-**	**15 521**	**162**	**-**	**350**	**16 033**
Transfer from level 2 to level 1	**-**	**10**	**-**	**6**	**-**	**16**
2015						
Transfer from level 1 to level 2	-	2 603	-	-	1 331	3 934
Transfer from level 2 to level 1	-	313	142	469	153	1 077

Liabilities	**Term finance**
2016	
Transfer from level 1 to level 2	**3 145**

Management have revaluated their determination of what constitutes an active market to a more conservative approach.
As a result, certain bonds are now considered to be classified as level 2 valuations.

6. FAIR VALUE DISCLOSURES *(continued)*

Valuation techniques used in determining the fair value of assets and liabilities

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant Unobservable input
Properties	2 and 3	Recently contracted prices Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Capitalisation rate Discount rate
Equities and similar securities	2 and 3	DCF, Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Cost of Capital Earnings multiple
Interest bearing investments (including insurance policies)	2 and 3	DCF, Earnings multiple, Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Earnings multiple
Trading account assets and liabilities	2	DCF	Forward rate Credit risk spread Liquidity spread	n/a
Investment contract liabilities and Investment funds	2 and 3	Current unit price of underlying unitised asset, multiplied by the number of units held DCF Earnings multiple	Bond and interbank swap interest rate curve Cost of capital Consumer price index Bond interest rate curve	Earnings Multiple
Term finance	2 and 3	DCF	Bond and forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	Liquidity spread
Structured transactions assets and liabilities	2	Option pricing models DCF	Bond and interbank swap interest rate curve Forward equity and currency rates Volatility risk adjustments	n/a
External investors in consolidated funds	2 and 3	Current unit price of underlying unitised asset, multiplied by the number of units held	Based on underlying assets as discussed above	Based on underlying assets as discussed above
Cash, deposits and similar securities	2	Mark-to-market Yield curve	Bond and interbank swap interest rate curve	n/a
Investment in joint ventures	3	DCF	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Cost of Capital

6. FAIR VALUE DISCLOSURES *(continued)*

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

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount [(1)]	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties						
2016						
Cash flow risk adjustments	**10 664**	**(1 066)**	**1 066**	**-**	**-**	
Base rate	-	-	**-**	**7 670**	**(290)**	**310**
Capitalisation rate	-	-	**-**	**7 670**	**(340)**	**411**
2015						
Cash flow risk adjustments	11 606	(1 161)	1 161	-	-	-
Base rate	-	-	-	8 371	(293)	314
Capitalisation rate	-	-	-	8 371	(350)	427

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount [(3)]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other Investments						
2016						
Equities and similar securities [(2)]	**420**	**42**	**(42)**	**-**	**-**	**-**
Interest-bearing investments	**361**	**36**	**(36)**	**31**	**(1)**	**1**
Investment funds[(2)]	**467**	**47**	**(47)**	**-**	**-**	**-**
Investment in joint ventures	**-**	**-**	**-**	**423**	**(29)**	**32**
Total	**1 248**	**125**	**(125)**	**454**	**(30)**	**33**
2015						
Equities and similar securities	399	40	(40)	31	(6)	5
Interest-bearing investments	490	49	(49)	-	-	-
Investment funds	507	51	(51)	-	-	-
Total	1 396	140	(140)	31	(6)	5

6. FAIR VALUE DISCLOSURES *(continued)*

Liabilities

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value
2016			
Investment contract liabilities [(2)]	**2 312**	**231**	**(231)**
Term finance	**201**	**20**	**(20)**
External investors in consolidated funds	**604**	**60**	**(60)**
Total Liabilities	**3 117**	**311**	**(311)**
2015			
Investment contract liabilities	3 178	318	(318)
Term finance	359	36	(36)
Total Liabilities	3 537	354	(354)

[(1)] Investment Properties comprise a majority of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.

[(2)] Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.

[(3)] Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.

7. BUSINESS COMBINATIONS

There were no material business combinations during the year.

Administration

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Tax reference number: 9536/346/84/5
JSE share code (primary listing): SLM
NSX share code: SLA
ISIN: ZAE000070660
Incorporated in South Africa

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(1) Executive

(2) British

(3) Appointed 1 October 2016

Bellville
9 March 2017

Sponsor
Deutsche Securities (SA) Proprietary Limited