



# ANNUAL RESULTS 2016 FINANCIAL INFORMATION



Insurance | Financial Planning | Retirement | Investments | Wealth



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## 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	% change
<b>Sanlam Group</b>				
<b>Earnings</b>				
Net result from financial services per share	cents	389,4	355,2	10
Normalised headline earnings per share <sup>(1)</sup>	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 <sup>(1)</sup>	R million	8 360	8 851	(6)
Headline earnings	R million	9 860	9 300	6
Dividend per share	cents	268	245	9%
<b>Business volumes</b>				
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 <sup>(2)</sup>	R million	59 556	51 856	14
New covered business margin <sup>(3)</sup>	%	2,69	2,62	
<b>Group Equity Value</b>				
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 <sup>(4)</sup>	%	11,8	12,8	
<b>Sanlam Life Insurance Limited</b>				
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	

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

<sup>(2)</sup> PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums plus single premiums.

<sup>(3)</sup> New covered business margin = value of new covered business as a percentage of PVNBP.

<sup>(4)</sup> Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of Group Equity Value per share at the beginning of the year.

## 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. 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:

- ① 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).
- ① Optimising **operational efficiencies**.
- ① 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.
- ① 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.
- ① 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:

- ① 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.
- ① A client-centric approach that equitably balances value creation between Sanlam clients, shareholders and other stakeholders.
- ① 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.
- ① 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 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 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:

- ① 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).
- ① 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).
- ① 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 GEV volatility. The necessary Board 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 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

R million	GEV		RoGEV	
	December 2016	December 2015	Earnings	%
<b>Group operations</b>	<b>102 035</b>	91 558	<b>12 432</b>	<b>13,1</b>
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
<b>Covered business</b>	<b>51 246</b>	47 222	<b>7 473</b>	<b>15,8</b>
Value of in-force	35 845	32 114	7 751	24,1
Adjusted net worth	15 401	15 108	(278)	(1,8)
<b>Other operations</b>	<b>50 789</b>	44 336	<b>4 959</b>	<b>10,5</b>
<b>Group operations</b>	<b>102 035</b>	91 558	<b>12 432</b>	<b>13,1</b>
Discretionary capital and other	8 682	11 948	(162)	(1,8)
<b>Group Equity Value</b>	<b>110 717</b>	103 506	<b>12 270</b>	<b>11,9</b>
<i>Per share (cents)</i>	<b>5 407</b>	5 057	<b>595</b>	<b>11,8</b>

## Comments on the results continued

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	% change
Net result from financial services	7 969	7 269	10
Sanlam Personal Finance	4 099	3 817	7
Sanlam Emerging Markets	1 557	1 197	30
Sanlam Investments	1 096	1 057	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
<b>Normalised headline earnings</b>	<b>8 360</b>	<b>8 851</b>	<b>(6)</b>
<i>Per share (cents)</i>	<b>408,5</b>	432,5	<b>(6)</b>

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 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 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	% change	2016	2015	% change
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)
<b>Total</b>	<b>233 178</b>	<b>210 842</b>	<b>11</b>	<b>40 921</b>	<b>19 049</b>	<b>115</b>
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
<b>Total</b>	<b>233 178</b>	<b>210 842</b>	<b>11</b>	<b>40 921</b>	<b>19 049</b>	<b>115</b>

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%.

## Comments on the results continued

**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	% change	2016	2015	% change
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 nine- and five-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
<b>Total balanced portfolio</b>	<b>100</b>
Subordinated debt	
Fixed interest	100
<b>Total subordinated debt</b>	<b>100</b>

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 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 capital adequacy requirements (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.

# Group Equity Value

at 31 December 2016

R million	Note	2016			2015		
		Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
Sanlam Personal Finance		41 878	12 020	29 858	37 472	11 233	26 239
Covered business <sup>(1)</sup>		38 216	8 358	29 858	34 526	8 287	26 239
Glacier		2 192	2 192	–	1 605	1 605	–
Sanlam Personal Loans		999	999	–	913	913	–
Other operations <sup>(2)</sup>		471	471	–	428	428	–
Sanlam Emerging Markets		22 097	18 584	3 513	18 047	14 884	3 163
Covered business <sup>(1)</sup>		6 370	2 857	3 513	5 486	2 323	3 163
Shriram Capital		7 963	7 963	–	7 594	7 594	–
Saham Finances		3 197	3 197	–	–	–	–
Letshego		1 190	1 190	–	1 106	1 106	–
Pacific & Orient		476	476	–	812	812	–
Capricorn Investment Holdings		1 077	1 077	–	877	877	–
Other operations		1 824	1 824	–	2 172	2 172	–
Sanlam Investments		15 807	15 136	671	16 835	15 980	855
Covered business <sup>(1)</sup>		1 137	466	671	1 633	778	855
Investment Management		14 070	14 070	–	14 417	14 417	–
Capital Management		600	600	–	785	785	–
Santam		15 868	15 868	–	12 850	12 850	–
Sanlam Corporate		6 385	4 582	1 803	6 354	4 497	1 857
Covered business <sup>(1), (2)</sup>		5 523	3 720	1 803	5 577	3 720	1 857
Afrocentric <sup>(2)</sup>		775	775	–	703	703	–
Other operations <sup>(2)</sup>		87	87	–	74	74	–
Group operations		102 035	66 190	35 845	91 558	59 444	32 114
Discretionary capital		550	550	–	2 300	2 300	–
Balanced portfolio – other		9 916	9 916	–	11 199	11 199	–
Group Equity Value before adjustments to net worth		112 501	76 656	35 845	105 057	72 943	32 114
Net worth adjustments – present value of holding company expenses	10	(1 784)	(1 784)	–	(1 551)	(1 551)	–
<b>Group Equity Value</b>		<b>110 717</b>	<b>74 872</b>	<b>35 845</b>	<b>103 506</b>	<b>71 392</b>	<b>32 114</b>
<b>Value per share (cents)</b>	9	<b>5 407</b>	<b>3 656</b>	<b>1 751</b>	5 057	3 488	1 569
<b>Analysis per type of business</b>							
Covered business <sup>(1)</sup>		51 246	15 401	35 845	47 222	15 108	32 114
Sanlam Personal Finance		38 216	8 358	29 858	34 526	8 287	26 239
Sanlam Emerging Markets		6 370	2 857	3 513	5 486	2 323	3 163
Sanlam Investments		1 137	466	671	1 633	778	855
Sanlam Corporate		5 523	3 720	1 803	5 577	3 720	1 857
Other Group operations		50 789	50 789	–	44 336	44 336	–
Discretionary and other capital		8 682	8 682	–	11 948	11 948	–
<b>Group Equity Value</b>		<b>110 717</b>	<b>74 872</b>	<b>35 845</b>	<b>103 506</b>	<b>71 392</b>	<b>32 114</b>

<sup>(1)</sup> Refer embedded value of covered business on page 57.

<sup>(2)</sup> Sanlam Employee Benefits and the Health Management businesses in Sanlam Personal Finance have been reallocated to the Sanlam Corporate cluster.



# Change in Group Equity Value

for the year ended 31 December 2016

R million	2016	2015
<b>Earnings from covered business<sup>(1)</sup></b>	<b>7 473</b>	7 037
<b>Earnings from other Group operations</b>	<b>4 959</b>	5 154
Operations valued based on discounted cash flows	<b>798</b>	5 977
Expected return	<b>4 951</b>	3 519
Operating experience variances	<b>109</b>	56
Assumption changes	<b>(871)</b>	(1 131)
Foreign currency translation differences	<b>(3 391)</b>	3 533
Operations valued at net asset value – earnings for the year	<b>32</b>	399
Listed operations – investment return	<b>4 129</b>	(1 222)
<b>Earnings from discretionary and other capital</b>	<b>(162)</b>	35
Portfolio investments and other	<b>215</b>	178
Net corporate expenses	<b>(107)</b>	(109)
Share-based payments transactions	<b>(37)</b>	(39)
Change in net worth adjustments	<b>(233)</b>	5
<b>Group Equity Value earnings</b>	<b>12 270</b>	12 226
Dividends paid	<b>(4 967)</b>	(4 556)
Cost of treasury shares acquired		
Share incentive scheme and other	<b>(92)</b>	(100)
<b>Group Equity Value at beginning of the year</b>	<b>103 506</b>	95 936
<b>Group Equity Value at end of the year</b>	<b>110 717</b>	103 506

<sup>(1)</sup> Refer embedded value of covered business on page 58.

# Return on Group Equity Value

for the year ended 31 December 2016

	2016		2015	
	Earnings R million	Return %	Earnings R million	Return %
<b>Sanlam Personal Finance</b>	8 503	22,7	4 649	12,1
Covered business <sup>(1)</sup>	7 402	21,4	4 363	12,3
Other operations	1 101	37,4	286	9,8
<b>Sanlam Emerging Markets</b>	(491)	(2,3)	4 369	29,9
Covered business <sup>(1)</sup>	37	0,7	1 403	27,4
Other operations	(528)	(3,4)	2 966	31,2
<b>Sanlam Investments</b>	(322)	(1,9)	3 392	24,3
Covered business <sup>(1)</sup>	(403)	(24,7)	277	23,2
Other operations	81	0,5	3 115	24,5
<b>Santam</b>	4 129	32,1	(1 222)	(8,4)
<b>Sanlam Corporate</b>	613	9,6	1 003	14,9
Covered business <sup>(1)</sup>	437	7,8	994	15,0
Other operations	176	22,7	9	11,7
<b>Discretionary and other capital</b>	(162)		35	
<b>Return on Group Equity Value</b>	<b>12 270</b>	<b>11,9</b>	12 226	12,7
<b>Return on Group Equity Value per share</b>		<b>11,8</b>		12,8

<sup>(1)</sup> Refer embedded value of covered business on page 58.

R million	2016	2015
<b>Reconciliation of return on Group Equity Value:</b>		
The return on Group Equity Value reconciles as follows to normalised attributable earnings:		
Normalised attributable earnings per shareholders' fund income statement on page 26.	8 123	8 942
Net foreign currency translation gains recognised in other comprehensive income	(3 818)	3 011
Earnings recognised directly in equity		
Share-based payment transactions	27	45
Net cost of treasury shares delivered	(298)	(364)
Share-based payments	325	409
Other comprehensive income	(664)	461
Change in ownership of subsidiaries	(95)	(268)
Movement in fair value adjustment - shareholders' fund at fair value	5 687	(914)
Movement in adjustments to net worth	(24)	95
Present value of holding company expenses	(233)	5
Change in goodwill and value of business acquired adjustments less value of in-force acquired	209	90
Growth from covered business: value of in-force <sup>(1)</sup>	3 034	854
<b>Return on Group Equity Value</b>	<b>12 270</b>	12 226

<sup>(1)</sup> Refer embedded value of covered business on page 58.

# Group Equity Value sensitivity analysis

at 31 December 2016

Given the Group's exposure to financial instruments, market risk has a significant impact on the value of the Group's operations as measured by Group Equity Value. The sensitivity of Group Equity Value to market risk is presented in the table below and comprises of the following two main components:

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

The following scenarios are presented:

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

The Group's covered business is also exposed to non-market risks, which includes expense, persistency, mortality and morbidity risk. The sensitivity of the value of in-force business, and commensurately Group Equity Value, to these risks is presented in note 1 on page 61.

R million	Base value	Equities and properties -10%	Interest rates -1%	Rand exchange rate depreciation +10%
<b>2016</b>				
<b>Covered business</b>	51 246	49 392	52 517	51 932
Adjusted net worth	15 401	14 840	15 481	15 790
Value of in-force	35 845	34 552	37 036	36 142
<b>Other Group operations</b>	50 789	47 953	55 443	52 783
Valued at net asset value	2 362	2 362	2 362	2 438
Listed	15 868	14 281	15 868	15 868
Other	32 559	31 310	37 213	34 477
Group operations	102 035	97 345	107 960	104 715
Discretionary and other capital	10 466	10 455	10 456	10 749
Group Equity Value before adjustments to net worth	112 501	107 800	118 416	115 464
Net worth adjustments – present value of holding company expenses	(1 784)	(1 784)	(1 784)	(1 784)
<b>Group Equity Value</b>	<b>110 717</b>	<b>106 016</b>	<b>116 632</b>	<b>113 680</b>
<b>2015</b>				
<b>Covered business</b>	47 222	45 555	48 164	47 967
Adjusted net worth	15 108	14 704	15 120	15 562
Value of in-force	32 114	30 851	33 044	32 405
<b>Other Group operations</b>	44 336	42 044	47 844	46 211
Valued at net asset value	2 571	2 571	2 571	2 721
Listed	12 850	11 565	12 850	12 850
Other	28 915	27 908	32 423	30 640
Group operations	91 558	87 599	96 008	94 178
Discretionary and other capital	13 499	13 488	13 499	13 986
Group Equity Value before adjustments to net worth	105 057	101 087	109 507	108 164
Net worth adjustments – present value of holding company expenses	(1 551)	(1 551)	(1 551)	(1 551)
<b>Group Equity Value</b>	<b>103 506</b>	<b>99 536</b>	<b>107 956</b>	<b>106 613</b>

# Shareholders' fund at fair value

at 31 December 2016

R million	Note	2016			2015		
		Fair value	Fair value adjustment	Net asset value	Fair value	Fair value adjustment	Net asset value
<b>Covered business, discretionary and other capital</b>		<b>28 009</b>	<b>(36)</b>	<b>28 045</b>	30 324	(419)	30 743
Property and equipment		416	–	416	458	–	458
Owner-occupied properties		652	–	652	668	–	668
Goodwill <sup>(2)</sup>		634	–	634	679	–	679
Value of business acquired <sup>(2)</sup>		986	–	986	1 177	–	1 177
Other intangible assets		273	–	273	195	–	195
Deferred acquisition costs		2 648	–	2 648	2 572	–	2 572
Investments		23 600	(50)	23 650	27 412	(574)	27 986
Properties		511	–	511	456	–	456
Associated companies		3 299	–	3 299	2 304	–	2 304
Equities and similar securities		975	–	975	3 130	–	3 130
Other interest-bearing and preference share investments		4 579	–	4 579	8 351	–	8 351
Structured transactions		573	–	573	821	–	821
Investment funds		9 038	–	9 038	4 780	–	4 780
Cash, deposits and similar securities		4 625	(50)	4 675	7 570	(574)	8 144
Net term finance		–	–	–	–	–	–
Term finance		(3 810)	–	(3 810)	(3 698)	–	(3 698)
Assets held in respect of term finance		3 810	–	3 810	3 698	–	3 698
Net deferred tax		(636)	–	(636)	(870)	–	(870)
Net working capital		1 762	14	1 748	803	155	648
Structured transactions liability		(16)	–	(16)	(31)	–	(31)
Non-controlling interest		(2 310)	–	(2 310)	(2 739)	–	(2 739)
<b>Other Group operations</b>		<b>50 789</b>	<b>24 919</b>	<b>25 870</b>	44 336	19 615	24 721
Sanlam Investments		14 670	10 247	4 423	15 202	10 645	4 557
Investment Management		14 070	10 247	3 823	14 602	10 645	3 957
Capital Management		600	–	600	600	–	600
Sanlam Personal Finance		3 662	2 588	1 074	2 946	1 898	1 048
Glacier		2 192	1 788	404	1 605	1 239	366
Sanlam Personal Loans <sup>(3)</sup>		999	376	623	913	314	599
Other operations		471	424	47	428	345	83
Sanlam Emerging Markets		15 727	1 822	13 905	12 561	512	12 049
Shriram Capital		7 963	1 526	6 437	7 594	863	6 731
Saham Finances		3 197	321	2 876	–	–	–
Letshego		1 190	124	1 066	1 106	83	1 023
Pacific & Orient		476	–	476	812	75	737
Capricorn Investment Holdings		1 077	168	909	877	31	846
Other operations		1 824	(317)	2 141	2 172	(540)	2 712
Santam		15 868	11 332	4 536	12 850	7 713	5 137
Sanlam Corporate		862	127	735	777	44	733
Afrocentric		775	104	671	703	–	703
Other operations		87	23	64	74	44	30
Goodwill held on Group level in respect of the above businesses		–	(1 197)	1 197	–	(1 197)	1 197
<b>Shareholders' fund at fair value</b>		<b>78 798</b>	<b>24 883</b>	<b>53 915</b>	74 660	19 196	55 464
<b>Value per share (cents)</b>	9	<b>3 848</b>	<b>1 215</b>	<b>2 633</b>	3 648	938	2 710

R million	2016			2015		
	Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
<b>Reconciliation to Group Equity Value</b>						
Group Equity Value	110 717	74 872	35 845	103 506	71 392	32 114
Add: Net worth adjustments	1 784	1 784	–	1 551	1 551	–
Add: Goodwill and value of business acquired replaced by value of in-force	2 142	2 142	–	1 717	1 717	–
Sanlam Investments and Pensions	356	356	–	356	356	–
Sanlam Developing Markets	573	573	–	607	607	–
Saham Finances <sup>(4)</sup>	460	460	–	–	–	–
MCIS Insurance	399	399	–	446	446	–
Shriram Life Insurance <sup>(5)</sup>	285	285	–	210	210	–
Other	69	69	–	98	98	–
Less: Value of in-force	(35 845)	–	(35 845)	(32 114)	–	(32 114)
<b>Shareholders' fund at fair value</b>	<b>78 798</b>	<b>78 798</b>	<b>–</b>	<b>74 660</b>	<b>74 660</b>	<b>–</b>

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

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

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

<sup>(4)</sup> The carrying value of Saham Finances includes goodwill and value of business acquired of R460 million that is excluded in the build-up of GEV, as the current value of in-force business for Saham Finances is included in the embedded value of covered business.

<sup>(5)</sup> The carrying value of Shriram Life Insurance includes goodwill of R285 million (2015: R210 million) that is excluded in the build-up of the Group Equity Value, as the current value of in-force business for Shriram Life Insurance is included in the embedded value of covered business.

# Shareholders' fund at net asset value

at 31 December 2016

R million	Note	Sanlam			
		Sanlam Life <sup>(1)</sup>		Emerging Markets <sup>(2)</sup>	
		2016	2015	2016	2015
Property and equipment		303	291	146	195
Owner-occupied properties		470	470	238	260
Goodwill		244	278	178	350
Other intangible assets		17	22	267	183
Value of business acquired		500	543	547	705
Deferred acquisition costs		2 949	2 851	16	2
Investments	3.3	29 117	33 383	22 722	18 393
Properties		143	130	821	880
Associated companies	3.1	760	706	18 636	13 557
Joint ventures	3.2	817	805	–	–
Equities and similar securities		8 118	10 206	536	707
Interest-bearing investments		5 134	8 061	1 060	1 648
Structured transactions		812	1 197	5	–
Investment funds		9 414	4 967	301	241
Cash, deposits and similar securities		3 919	7 311	1 363	1 360
Net deferred tax		(600)	(689)	(64)	(217)
Deferred tax asset		175	56	185	40
Deferred tax liability		(775)	(745)	(249)	(257)
Disposal groups classified as held for sale		–	–	–	–
Assets of disposal groups classified as held for sale		–	–	–	–
Liabilities of disposal groups classified as held for sale		–	–	–	–
Net general insurance technical provisions		–	–	(399)	(388)
General insurance technical assets		–	–	124	109
General insurance technical provisions		–	–	(523)	(497)
Net working capital assets/(liabilities)		585	(191)	87	(6)
Trade and other receivables		2 272	2 842	1 414	1 361
Cash, deposits and similar securities		6 406	4 618	564	599
Trade and other payables		(6 694)	(6 177)	(2 011)	(1 961)
Provisions		(131)	(134)	–	–
Taxation		(1 268)	(1 340)	120	(5)
Term finance		(2 159)	(2 260)	(115)	(69)
Structured transactions liabilities		(16)	(31)	–	–
Cell owners' interest		–	–	–	–
Non-controlling interest		–	(36)	(5 238)	(4 032)
<b>Shareholders' fund at net asset value</b>		<b>31 410</b>	<b>34 631</b>	<b>18 385</b>	<b>15 376</b>
<b>Analysis of shareholders' fund</b>					
Covered business		12 078	12 007	2 857	2 323
Other operations		1 809	1 781	13 905	12 049
Discretionary and other capital		17 523	20 843	1 623	1 004
<b>Shareholders' fund at net asset value</b>		<b>31 410</b>	<b>34 631</b>	<b>18 385</b>	<b>15 376</b>
Consolidation reserve		1 253	–	–	–
<b>Shareholders' fund per Group statement of financial position</b>		<b>32 663</b>	<b>34 631</b>	<b>18 385</b>	<b>15 376</b>

## Notes:

<sup>(1)</sup> Includes the operations of Sanlam Personal Finance and Sanlam Corporate (which includes Sanlam Health and Sanlam Employee Benefits) as well as discretionary capital held by Sanlam Life. Equities and similar securities include an investment of R7 391 million (2015: R7 114 million) in Sanlam shares, which is eliminated in the consolidation column.

<sup>(2)</sup> Includes discretionary capital held by Sanlam Emerging Markets.

<sup>(3)</sup> Group Office and Other includes the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.

<sup>(4)</sup> The investment in treasury shares is reversed within the consolidation column. Inter-company balances, other investments and term finance between companies within the Group are also eliminated.



Santam		Investment Management		Capital Management		Group Office and Other <sup>(3)</sup>		Consolidation entries <sup>(4)</sup>		Total	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
321	296	61	71	9	12	-	-	-	1	840	866
1	1	115	114	-	-	-	-	-	-	824	845
774	770	1 203	1 300	-	-	-	-	1 197	1 197	3 596	3 895
81	35	179	203	-	-	-	-	-	-	544	443
-	-	559	695	-	-	-	-	-	-	1 606	1 943
-	-	-	-	-	-	-	-	-	-	2 965	2 853
11 987	10 668	1 927	2 282	-	-	1 660	1 746	(10 325)	(8 727)	57 088	57 745
-	-	-	-	-	-	-	-	-	-	964	1 010
2 624	996	418	404	-	-	-	-	(2 733)	(989)	19 705	14 674
65	66	-	1	-	-	-	-	-	-	882	872
1 404	1 694	222	288	-	-	493	543	(7 631)	(7 468)	3 142	5 970
5 892	5 076	109	180	-	-	1 165	1 195	74	(270)	13 434	15 890
714	503	-	3	-	-	-	-	(35)	-	1 496	1 703
388	310	594	837	-	-	-	-	-	-	10 697	6 355
900	2 023	584	569	-	-	2	8	-	-	6 768	11 271
25	63	60	43	73	67	-	-	(4)	3	(510)	(730)
144	140	73	57	73	67	-	-	3	8	653	368
(119)	(77)	(13)	(14)	-	-	-	-	(7)	(5)	(1 163)	(1 098)
8	540	-	-	-	-	-	-	-	-	8	540
8	540	-	-	-	-	-	-	-	-	8	540
-	-	-	-	-	-	-	-	-	-	-	-
(9 136)	(8 884)	-	-	-	-	-	-	-	-	(9 535)	(9 272)
4 898	4 142	-	-	-	-	-	-	-	-	5 022	4 251
(14 034)	(13 026)	-	-	-	-	-	-	-	-	(14 557)	(13 523)
6 744	7 081	1 672	1 637	811	725	(518)	(480)	100	339	9 481	9 105
3 720	3 584	1 902	1 619	15 963	21 365	3 000	2 899	(2 700)	(5 586)	25 571	28 084
7 278	7 489	1 889	1 983	1 695	3 771	378	650	(104)	(195)	18 106	18 915
(4 065)	(3 629)	(1 859)	(1 819)	(16 793)	(24 380)	(3 856)	(4 032)	2 914	6 123	(32 364)	(35 875)
(41)	(45)	(123)	(102)	-	-	(20)	(21)	(17)	(17)	(332)	(319)
(148)	(318)	(137)	(44)	(54)	(31)	(20)	24	7	14	(1 500)	(1 700)
(2 054)	(998)	(239)	(419)	-	-	(1 651)	(1 438)	-	-	(6 218)	(5 184)
-	(3)	-	-	-	-	-	-	-	-	(16)	(34)
(1 153)	(980)	-	-	-	-	-	-	-	-	(1 153)	(980)
(3 062)	(3 452)	(54)	(73)	-	-	-	-	2 749	1 022	(5 605)	(6 571)
4 536	5 137	5 483	5 853	893	804	(509)	(172)	(6 283)	(6 165)	53 915	55 464
-	-	466	778	-	-	-	-	-	-	15 401	15 108
4 536	5 137	3 823	3 957	600	600	-	-	1 197	1 197	25 870	24 721
-	-	1 194	1 118	293	204	(509)	(172)	(7 480)	(7 362)	12 644	15 635
4 536	5 137	5 483	5 853	893	804	(509)	(172)	(6 283)	(6 165)	53 915	55 464
-	-	-	-	-	-	-	-	(1 778)	(1 843)	(525)	(1 843)
4 536	5 137	5 483	5 853	893	804	(509)	(172)	(8 061)	(8 008)	53 390	53 621

# Shareholders' fund income statement

for the year ended 31 December 2016

R million	Note	Sanlam Personal Finance <sup>(1)</sup>		Sanlam Emerging Markets	
		2016	2015	2016	2015
Financial services income	4	16 421	15 103	7 462	6 078
Sales remuneration	5	(2 955)	(2 656)	(1 177)	(1 091)
Income after sales remuneration		13 466	12 447	6 285	4 987
Underwriting policy benefits		(3 492)	(3 236)	(1 574)	(1 258)
Administration costs	6	(4 283)	(3 913)	(1 815)	(1 481)
<b>Result from financial services before tax</b>		<b>5 691</b>	<b>5 298</b>	<b>2 896</b>	<b>2 248</b>
Tax on result from financial services		(1 590)	(1 476)	(800)	(579)
<b>Result from financial services after tax</b>		<b>4 101</b>	<b>3 822</b>	<b>2 096</b>	<b>1 669</b>
Non-controlling interest		(2)	(4)	(539)	(472)
<b>Net result from financial services</b>		<b>4 099</b>	<b>3 818</b>	<b>1 557</b>	<b>1 197</b>
Net investment income		794	746	198	129
Dividends received – Group companies		288	263	–	–
Other investment income	7	658	642	345	277
Tax on investment income		(152)	(159)	(98)	(101)
Non-controlling interest		–	–	(49)	(47)
Project expenses		–	–	(28)	(14)
Amortisation of value of business acquired and other intangibles		(39)	(46)	(45)	(58)
Equity participation costs		–	–	–	–
Net equity-accounted headline earnings		–	–	31	7
Equity-accounted headline earnings		–	–	59	16
Tax on equity-accounted headline earnings		–	–	(2)	(3)
Non-controlling interest		–	–	(26)	(6)
Net investment surpluses		114	(800)	18	238
Investment surpluses – Group companies		279	(1 099)	–	–
Other investment surpluses		(92)	345	87	426
Tax on investment surpluses		(73)	(46)	(52)	14
Non-controlling interest		–	–	(17)	(202)
<b>Normalised headline earnings</b>		<b>4 968</b>	<b>3 718</b>	<b>1 731</b>	<b>1 499</b>
Net profit/(loss) on disposal of subsidiaries and associated companies		15	–	16	(1)
Profit/(loss) on disposal of subsidiaries and associated companies		18	–	16	(2)
Tax on profit/(loss) on disposal of subsidiaries and associated companies		(3)	–	–	–
Non-controlling interest		–	–	–	1
Impairments		(5)	–	(230)	(53)
Net equity accounted non-headline earnings		–	–	–	–
<b>Normalised attributable earnings</b>		<b>4 978</b>	<b>3 718</b>	<b>1 517</b>	<b>1 445</b>
Fund transfers		1 259	–	–	–
<b>Attributable earnings per Group statement of comprehensive income</b>		<b>6 237</b>	<b>3 718</b>	<b>1 517</b>	<b>1 445</b>
<b>Diluted earnings per share</b>	8				
Adjusted weighted average number of shares (million)					
Net result from financial services (cents)		200,3	186,6	76,1	58,5

<sup>(1)</sup> 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.

<sup>(2)</sup> Group Office and Other includes the consolidation entries in respect of the dividends received and the investment surpluses on the Sanlam Limited shares held by Sanlam Life Insurance Limited.

Sanlam Investments <sup>(1)</sup>		Santam		Sanlam Corporate <sup>(1)</sup>		Group Office and Other <sup>(2)</sup>		Total	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
5 546	5 286	20 608	19 066	4 217	3 691	128	141	54 382	49 365
(193)	(198)	(2 379)	(2 004)	(54)	(50)	-	-	(6 758)	(5 999)
5 353	5 088	18 229	17 062	4 163	3 641	128	141	47 624	43 366
-	-	(12 911)	(11 510)	(2 355)	(2 135)	-	-	(20 332)	(18 139)
(3 848)	(3 712)	(3 268)	(3 231)	(1 096)	(990)	(304)	(305)	(14 614)	(13 632)
1 505	1 376	2 050	2 321	712	516	(176)	(164)	12 678	11 595
(388)	(286)	(582)	(670)	(202)	(142)	69	55	(3 493)	(3 098)
1 117	1 090	1 468	1 651	510	374	(107)	(109)	9 185	8 497
(21)	(34)	(654)	(718)	-	-	-	-	(1 216)	(1 228)
1 096	1 056	814	933	510	374	(107)	(109)	7 969	7 269
15	9	49	93	154	180	(270)	(189)	940	968
-	-	-	-	-	-	(288)	(263)	-	-
18	8	107	191	174	216	10	19	1 312	1 353
-	1	(20)	(28)	(20)	(36)	8	55	(282)	(268)
(3)	-	(38)	(70)	-	-	-	-	(90)	(117)
(1)	-	-	-	-	-	-	(1)	(29)	(15)
(153)	(179)	(9)	(19)	(5)	(4)	-	-	(251)	(306)
-	-	(5)	(43)	-	-	-	-	(5)	(43)
(3)	1	17	24	(9)	-	-	-	36	32
(3)	1	28	40	(9)	-	-	-	75	57
-	-	-	-	-	-	-	-	(2)	(3)
-	-	(11)	(16)	-	-	-	-	(37)	(22)
(41)	(15)	10	210	(93)	212	(308)	1 101	(300)	946
-	-	-	-	-	-	(279)	1 099	-	-
(48)	(13)	65	448	(42)	256	(29)	2	(59)	1 464
7	(2)	(32)	(105)	(51)	(44)	-	-	(201)	(183)
-	-	(23)	(133)	-	-	-	-	(40)	(335)
913	872	876	1 198	557	762	(685)	802	8 360	8 851
-	-	-	201	-	-	-	-	31	200
-	-	-	428	-	-	-	-	34	426
-	-	-	(99)	-	-	-	-	(3)	(99)
-	-	-	(128)	-	-	-	-	-	(127)
-	(7)	(30)	(32)	-	(17)	-	-	(265)	(109)
-	-	-	-	(3)	-	-	-	(3)	-
913	865	846	1 367	554	745	(685)	802	8 123	8 942
-	-	-	-	-	-	241	449	1 500	449
913	865	846	1 367	554	745	(444)	1 251	9 623	9 391
53,6	51,6	39,8	45,6	24,9	18,3	(5,2)	(5,3)	2 046,5	2 046,3
								389,4	355,2

# Notes to the shareholders' fund information

for the year ended 31 December 2016

## 1. Business volumes

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

Analysed per business, reflecting the split between life insurance, general insurance and investment business

R million	Life insurance <sup>(1)</sup>		General insurance		Investment business <sup>(2)</sup>		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Sanlam Personal Finance</b>	<b>30 175</b>	28 443	–	–	<b>31 573</b>	32 730	<b>61 748</b>	61 173
Sanlam Sky	<b>1 295</b>	1 279	–	–	–	–	<b>1 295</b>	1 279
Individual Life	<b>12 652</b>	12 562	–	–	<b>254</b>	267	<b>12 906</b>	12 829
Glacier <sup>(3)</sup>	<b>16 228</b>	14 602	–	–	<b>31 319</b>	32 463	<b>47 547</b>	47 065
<b>Sanlam Emerging Markets</b>	<b>5 208</b>	4 869	<b>4 013</b>	1 674	<b>14 475</b>	8 022	<b>23 696</b>	14 565
Namibia	<b>1 188</b>	1 022	–	–	<b>4 461</b>	4 410	<b>5 649</b>	5 432
Recurring	<b>191</b>	151	–	–	–	–	<b>191</b>	151
Single <sup>(3)</sup>	<b>997</b>	871	–	–	<b>4 461</b>	4 410	<b>5 458</b>	5 281
Botswana	<b>1 700</b>	2 087	<b>162</b>	57	<b>8 854</b>	3 254	<b>10 716</b>	5 398
Recurring	<b>356</b>	299	<b>162</b>	57	–	–	<b>518</b>	356
Single	<b>1 344</b>	1 788	–	–	<b>8 854</b>	3 254	<b>10 198</b>	5 042
Rest of Africa (excluding Saham Finances)	<b>1 446</b>	1 185	<b>758</b>	556	<b>1 160</b>	358	<b>3 364</b>	2 099
Recurring	<b>832</b>	690	<b>758</b>	556	–	–	<b>1 590</b>	1 246
Single	<b>614</b>	495	–	–	<b>1 160</b>	358	<b>1 774</b>	853
Saham Finances	<b>23</b>	–	<b>1 833</b>	–	–	–	<b>1 856</b>	–
India	<b>435</b>	234	<b>902</b>	628	–	–	<b>1 337</b>	862
Recurring	<b>260</b>	147	<b>902</b>	628	–	–	<b>1 162</b>	775
Single	<b>175</b>	87	–	–	–	–	<b>175</b>	87
South-East Asia	<b>416</b>	341	<b>358</b>	433	–	–	<b>774</b>	774
Recurring	<b>357</b>	255	<b>358</b>	433	–	–	<b>715</b>	688
Single	<b>59</b>	86	–	–	–	–	<b>59</b>	86
<b>Sanlam Investments<sup>(4)</sup></b>	<b>3 187</b>	3 751	–	–	<b>119 692</b>	109 918	<b>122 879</b>	113 669
Investment Management	<b>3 187</b>	3 751	–	–	<b>119 692</b>	109 909	<b>122 879</b>	113 660
Investment Management SA	–	–	–	–	<b>89 917</b>	83 132	<b>89 917</b>	83 132
Wealth Management <sup>(5)</sup>	–	–	–	–	<b>15 993</b>	14 346	<b>15 993</b>	14 346
International <sup>(5)</sup>	<b>3 187</b>	3 751	–	–	<b>13 782</b>	12 431	<b>16 969</b>	16 182
Recurring	<b>58</b>	52	–	–	<b>22</b>	16	<b>80</b>	68
Single	<b>3 129</b>	3 699	–	–	<b>13 760</b>	12 415	<b>16 889</b>	16 114
Capital Management	–	–	–	–	–	9	–	9
<b>Santam</b>	–	–	<b>19 826</b>	18 522	–	–	<b>19 826</b>	18 522
<b>Sanlam Corporate<sup>(4)</sup></b>	<b>5 029</b>	2 913	–	–	–	–	<b>5 029</b>	2 913
Recurring	<b>504</b>	487	–	–	–	–	<b>504</b>	487
Single	<b>4 525</b>	2 426	–	–	–	–	<b>4 525</b>	2 426
<b>Total new business</b>	<b>43 599</b>	39 976	<b>23 839</b>	20 196	<b>165 740</b>	150 670	<b>233 178</b>	210 842

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

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

<sup>(3)</sup> Comparative information has been adjusted for the reallocation of Glacier Namibia single premiums from Sanlam Personal Finance to Sanlam Emerging Markets.

<sup>(4)</sup> Comparative information has been adjusted for the reallocation of Sanlam Employee Benefits from Sanlam Investments to Sanlam Corporate.

<sup>(5)</sup> Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-clusters.

## 1. Business volumes (continued)

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

R million	Life insurance <sup>(1)</sup>		General insurance		Investment business <sup>(2)</sup>		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Recurring premiums on existing funds:</b>								
Sanlam Personal Finance	16 094	15 454	–	–	197	221	16 291	15 675
Sanlam Sky	4 338	4 039	–	–	–	–	4 338	4 039
Individual Life	11 756	11 415	–	–	197	221	11 953	11 636
Sanlam Emerging Markets	5 040	4 407	–	–	–	57	5 040	4 464
Namibia	1 011	916	–	–	–	–	1 011	916
Botswana	1 126	1 008	–	–	–	–	1 126	1 008
Rest of Africa (excluding Saham Finances)	907	865	–	–	–	57	907	922
Saham Finances	166	–	–	–	–	–	166	–
India	199	124	–	–	–	–	199	124
South-East Asia	1 631	1 494	–	–	–	–	1 631	1 494
Sanlam Investments <sup>(3)</sup>	407	404	–	–	2 332	2 548	2 739	2 952
Investment Management SA	–	–	–	–	2 272	2 480	2 272	2 480
International	407	404	–	–	60	68	467	472
Sanlam Corporate <sup>(3)</sup>	5 169	4 257	–	–	–	–	5 169	4 257
<b>Total funds received</b>	<b>70 309</b>	<b>64 498</b>	<b>23 839</b>	<b>20 196</b>	<b>168 269</b>	<b>153 496</b>	<b>262 417</b>	<b>238 190</b>

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

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

<sup>(3)</sup> Comparative information has been adjusted for the reallocation of Sanlam Employee Benefits from Sanlam Investments to Sanlam Corporate.

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 1. Business volumes (continued)

### 1.2 Analysis of payments to clients

R million	Life insurance <sup>(1)</sup>		General insurance		Investment business <sup>(2)</sup>		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Sanlam Personal Finance</b>	<b>38 971</b>	34 983	-	-	<b>22 575</b>	19 723	<b>61 546</b>	54 706
Sanlam Sky	<b>2 460</b>	2 579	-	-	-	-	<b>2 460</b>	2 579
Surrenders	<b>433</b>	468	-	-	-	-	<b>433</b>	468
Other	<b>2 027</b>	2 111	-	-	-	-	<b>2 027</b>	2 111
Individual Life	<b>29 090</b>	26 896	-	-	<b>524</b>	574	<b>29 614</b>	27 470
Surrenders	<b>4 011</b>	3 945	-	-	-	-	<b>4 011</b>	3 945
Other	<b>25 079</b>	22 951	-	-	<b>524</b>	574	<b>25 603</b>	23 525
Glacier <sup>(3)</sup>	<b>7 421</b>	5 508	-	-	<b>22 051</b>	19 149	<b>29 472</b>	24 657
<b>Sanlam Emerging Markets</b>	<b>7 307</b>	5 848	<b>2 532</b>	1 195	<b>7 968</b>	18 579	<b>17 807</b>	25 622
Namibia	<b>1 678</b>	1 401	-	-	<b>5 115</b>	3 836	<b>6 793</b>	5 237
Surrenders	<b>169</b>	147	-	-	-	-	<b>169</b>	147
Other <sup>(3)</sup>	<b>1 509</b>	1 254	-	-	<b>5 115</b>	3 836	<b>6 624</b>	5 090
Botswana	<b>2 098</b>	1 632	<b>78</b>	19	<b>2 621</b>	14 536	<b>4 797</b>	16 187
Surrenders	<b>441</b>	450	-	-	-	-	<b>441</b>	450
Other	<b>1 657</b>	1 182	<b>78</b>	19	<b>2 621</b>	14 536	<b>4 356</b>	15 737
Rest of Africa (excluding Saham Finances)	<b>1 205</b>	1 055	<b>371</b>	300	<b>232</b>	207	<b>1 808</b>	1 562
Surrenders	<b>268</b>	186	-	-	-	-	<b>268</b>	186
Other	<b>937</b>	869	<b>371</b>	300	<b>232</b>	207	<b>1 540</b>	1 376
Saham Finances	<b>192</b>	-	<b>1 009</b>	-	-	-	<b>1 201</b>	-
Surrenders	-	-	-	-	-	-	-	-
Other	<b>192</b>	-	<b>1 009</b>	-	-	-	<b>1 201</b>	-
India	<b>306</b>	164	<b>912</b>	559	-	-	<b>1 218</b>	723
Surrenders	<b>180</b>	88	-	-	-	-	<b>180</b>	88
Other	<b>126</b>	76	<b>912</b>	559	-	-	<b>1 038</b>	635
South-East Asia	<b>1 828</b>	1 596	<b>162</b>	317	-	-	<b>1 990</b>	1 913
<b>Sanlam Investments<sup>(4)</sup></b>	<b>3 846</b>	3 927	-	-	<b>116 557</b>	115 717	<b>120 403</b>	119 644
Investment Management	<b>3 846</b>	3 927	-	-	<b>116 522</b>	115 706	<b>120 368</b>	119 633
Investment Management SA	-	-	-	-	<b>83 404</b>	86 365	<b>83 404</b>	86 365
Wealth Management <sup>(5)</sup>	-	-	-	-	<b>14 786</b>	14 013	<b>14 786</b>	14 013
International <sup>(5)</sup>	<b>3 846</b>	3 927	-	-	<b>18 332</b>	15 328	<b>22 178</b>	19 255
Capital Management	-	-	-	-	<b>35</b>	11	<b>35</b>	11
<b>Santam</b>	-	-	<b>12 911</b>	11 510	-	-	<b>12 911</b>	11 510
<b>Sanlam Corporate<sup>(4)</sup></b>	<b>8 829</b>	7 659	-	-	-	-	<b>8 829</b>	7 659
Terminations	<b>1 843</b>	1 706	-	-	-	-	<b>1 843</b>	1 706
Other	<b>6 986</b>	5 953	-	-	-	-	<b>6 986</b>	5 953
<b>Total payments to clients</b>	<b>58 953</b>	52 417	<b>15 443</b>	12 705	<b>147 100</b>	154 019	<b>221 496</b>	219 141

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

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

<sup>(3)</sup> Comparative information has been adjusted for the reallocation of Glacier Namibia from Sanlam Personal Finance to Sanlam Emerging Markets.

<sup>(4)</sup> Comparative information has been adjusted for the reallocation of Sanlam Employee Benefits from Sanlam Investments to Sanlam Corporate.

<sup>(5)</sup> Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-clusters.

## 1. Business volumes (continued)

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

R million	Life insurance <sup>(1)</sup>		General insurance		Investment business <sup>(2)</sup>		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Sanlam Personal Finance</b>	<b>7 298</b>	8 914	-	-	<b>9 195</b>	13 228	<b>16 493</b>	22 142
Sanlam Sky	<b>3 173</b>	2 739	-	-	-	-	<b>3 173</b>	2 739
Individual Life	<b>(4 682)</b>	(2 919)	-	-	<b>(73)</b>	(86)	<b>(4 755)</b>	(3 005)
Glacier <sup>(3)</sup>	<b>8 807</b>	9 094	-	-	<b>9 268</b>	13 314	<b>18 075</b>	22 408
<b>Sanlam Emerging Markets</b>	<b>2 941</b>	3 428	<b>1 481</b>	479	<b>6 507</b>	(10 500)	<b>10 929</b>	(6 593)
Namibia <sup>(3)</sup>	<b>521</b>	537	-	-	<b>(654)</b>	574	<b>(133)</b>	1 111
Botswana	<b>728</b>	1 463	<b>84</b>	38	<b>6 233</b>	(11 282)	<b>7 045</b>	(9 781)
Rest of Africa (excluding Saham Finances)	<b>1 148</b>	995	<b>387</b>	256	<b>928</b>	208	<b>2 463</b>	1 459
Saham Finances	<b>(3)</b>	-	<b>824</b>	-	-	-	<b>821</b>	-
India	<b>328</b>	194	<b>(10)</b>	69	-	-	<b>318</b>	263
South-East Asia	<b>219</b>	239	<b>196</b>	116	-	-	<b>415</b>	355
<b>Sanlam Investments<sup>(4)</sup></b>	<b>(252)</b>	228	-	-	<b>5 467</b>	(3 251)	<b>5 215</b>	(3 023)
Investment Management	<b>(252)</b>	228	-	-	<b>5 502</b>	(3 249)	<b>5 250</b>	(3 021)
Investment Management SA	-	-	-	-	<b>8 785</b>	(753)	<b>8 785</b>	(753)
Wealth Management <sup>(5)</sup>	-	-	-	-	<b>1 207</b>	333	<b>1 207</b>	333
International <sup>(5)</sup>	<b>(252)</b>	228	-	-	<b>(4 490)</b>	(2 829)	<b>(4 742)</b>	(2 601)
Capital Management	-	-	-	-	<b>(35)</b>	(2)	<b>(35)</b>	(2)
<b>Santam</b>	-	-	<b>6 915</b>	7 012	-	-	<b>6 915</b>	7 012
<b>Sanlam Corporate<sup>(4)</sup></b>	<b>1 369</b>	(489)	-	-	-	-	<b>1 369</b>	(489)
<b>Total net inflow</b>	<b>11 356</b>	12 081	<b>8 396</b>	7 491	<b>21 169</b>	(523)	<b>40 921</b>	19 049

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

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

<sup>(3)</sup> Comparative information has been adjusted for the reallocation of Glacier Namibia from Sanlam Personal Finance to Sanlam Emerging Markets.

<sup>(4)</sup> Comparative information has been adjusted for the reallocation of Sanlam Employee Benefits from Sanlam Investments to Sanlam Corporate.

<sup>(5)</sup> Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-clusters.



# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 2. Cluster information

### 2.1 Sanlam Personal Finance

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

R million	GEV at the beginning of period	Earnings	Net capital investment	Dividend paid	GEV at the end of period	RoGEV (%)
<b>2016</b>						
Covered business	34 526	7 402	(32)	(3 680)	38 216	21,4
Non-life operations	2 946	1 101	(21)	(364)	3 662	37,4
Glacier	1 605	772	–	(185)	2 192	48,1
Sanlam Personal Loans	913	212	–	(126)	999	23,2
Other operations	428	117	(21)	(53)	471	27,3
<b>Group Equity Value</b>	<b>37 472</b>	<b>8 503</b>	<b>(53)</b>	<b>(4 044)</b>	<b>41 878</b>	<b>22,7</b>
<b>2015</b>						
Covered business	35 444	4 363	(1 835)	(3 446)	34 526	12,3
Non-life operations	2 932	286	66	(338)	2 946	9,8
Glacier	1 542	257	–	(194)	1 605	16,7
Sanlam Personal Loans	907	111	–	(105)	913	12,2
Other operations	483	(82)	66	(39)	428	(17,0)
<b>Group Equity Value</b>	<b>38 376</b>	<b>4 649</b>	<b>(1 769)</b>	<b>(3 784)</b>	<b>37 472</b>	<b>12,1</b>

Comparative information has been adjusted for the reallocation of the health businesses to Sanlam Corporate.

## 2. Cluster information (continued)

### 2.1 Sanlam Personal Finance (continued)

#### Business volumes

R million	Life business		Investment business		Total	
	2016	2015	2016	2015	2016	2015
<b>New business volumes</b>						
Sanlam Sky	1 295	1 279	–	–	1 295	1 279
Individual life	1 004	1 009	–	–	1 004	1 009
Group life	291	270	–	–	291	270
Individual life	12 652	12 562	254	267	12 906	12 829
Recurring premiums	1 714	1 523	28	24	1 742	1 547
Single premiums	10 938	11 039	226	243	11 164	11 282
Glacier <sup>(1)</sup>	16 228	14 602	31 319	32 463	47 547	47 065
<b>Total</b>	<b>30 175</b>	<b>28 443</b>	<b>31 573</b>	<b>32 730</b>	<b>61 748</b>	<b>61 173</b>
<b>Net fund flows</b>	<b>7 298</b>	<b>8 914</b>	<b>9 195</b>	<b>13 228</b>	<b>16 493</b>	<b>22 142</b>
Sanlam Sky	3 173	2 739	–	–	3 173	2 739
Individual life	(4 682)	(2 919)	(73)	(86)	(4 755)	(3 005)
Glacier <sup>(1)</sup>	8 807	9 094	9 268	13 314	18 075	22 408

#### Value of new covered business

R million	Value of new business		Present value of new business premiums		New business margin – %	
	2016	2015	2016	2015	2016	2015
Sanlam Sky	354	241	4 684	4 114	7,56	5,86
Individual life	601	502	20 644	19 347	2,91	2,59
Glacier <sup>(1)</sup>	208	212	16 179	14 580	1,29	1,45
<b>Total</b>	<b>1 163</b>	<b>955</b>	<b>41 507</b>	<b>38 041</b>	<b>2,80</b>	<b>2,51</b>

<sup>(1)</sup> Comparative information has been adjusted for the reallocation of Glacier Namibia from Sanlam Personal Finance to Sanlam Emerging Markets.

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 2. Cluster information (continued)

### 2.1 Sanlam Personal Finance (continued)

#### Analysis of earnings

R million	Life insurance		Non-life operations		Total	
	2016	2015	2016	2015	2016	2015
Gross result from financial services	5 124	4 778	567	520	5 691	5 298
Sanlam Sky	1 194	1 125	–	–	1 194	1 125
Individual Life – life and investment	3 574	3 348	54	30	3 628	3 378
Investment products	1 241	1 269	–	–	1 241	1 269
Risk products	385	826	–	–	385	826
Asset mismatch reserve release	487	468	–	–	487	468
Annuities, combined products and other	1 461	785	54	30	1 515	815
Glacier	232	184	284	242	516	426
Sanlam Personal Loans	124	121	208	225	332	346
Other operations	–	–	21	23	21	23
Tax on result from financial services	(1 444)	(1 332)	(146)	(144)	(1 590)	(1 476)
Non-controlling interest	–	–	(2)	(4)	(2)	(4)
<b>Net result from financial services</b>	<b>3 680</b>	<b>3 446</b>	<b>419</b>	<b>372</b>	<b>4 099</b>	<b>3 818</b>
Net investment return	149	676	759	(730)	908	(54)
Operations	149	676	18	14	167	690
Sanlam Limited shares	–	–	567	(836)	567	(836)
Discretionary capital and other	–	–	174	92	174	92
Net other earnings	(34)	(34)	5	(12)	(29)	(46)
Profit on disposal of subsidiaries and associated companies	–	–	15	–	15	–
Amortisation of value of business acquired and other intangibles	(34)	(34)	(5)	(12)	(39)	(46)
Impairments	–	–	(5)	–	(5)	–
<b>Normalised attributable earnings</b>	<b>3 795</b>	<b>4 088</b>	<b>1 183</b>	<b>(370)</b>	<b>4 978</b>	<b>3 718</b>

## 2. Cluster information (continued)

### 2.1 Sanlam Personal Finance (continued)

#### Assets under management

R million	2016	2015
<b>Sanlam Sky: Life insurance operations</b>	<b>5 372</b>	5 318
<b>Individual life</b>	<b>228 580</b>	226 626
Life insurance operations	<b>226 299</b>	224 302
Investment operations	<b>2 281</b>	2 324
<b>Glacier<sup>(1)</sup></b>	<b>205 467</b>	184 545
Life insurance operations	<b>86 735</b>	77 984
Investment operations	<b>118 732</b>	106 561
<b>Total</b>	<b>439 419</b>	416 489
Life insurance operations	<b>318 406</b>	307 604
Investment operations	<b>121 013</b>	108 885
	<b>439 419</b>	416 489
<sup>(1)</sup> Comparative information has been adjusted for the reallocation of Glacier Namibia from Sanlam Personal Finance to Sanlam Emerging Markets.		
<b>Sanlam Personal Loans</b>		
Gross size of loan book (R million)	<b>4 398</b>	4 195
Interest margin	<b>16,9%</b>	17,0%
Bad debt ratio	<b>5,0%</b>	5,4%
Administration cost as % of net interest	<b>30,1%</b>	27,4%

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 2. Cluster information (continued)

### 2.2 Sanlam Emerging Markets

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

R million	GEV at the beginning of period	Earnings	Net capital investment	Dividend paid	GEV at the end of period	RoGEV (%)
<b>2016</b>						
Covered business	5 486	37	1 446	(599)	6 370	0,7
Non-life operations	12 561	(528)	4 574	(880)	15 727	(3,4)
Shriram Capital	7 594	143	308	(82)	7 963	1,9
Saham Finances	–	(214)	3 411	–	3 197	(7,5)
Letshego	1 106	17	120	(53)	1 190	1,4
Pacific & Orient	812	(260)	–	(76)	476	(32,0)
Capricorn Investment Holdings	877	219	–	(19)	1 077	25,0
Sanlam Emerging Markets other operations	2 172	(433)	735	(650)	1 824	(19,3)
<b>Group Equity Value</b>	<b>18 047</b>	<b>(491)</b>	<b>6 020</b>	<b>(1 479)</b>	<b>22 097</b>	<b>(2,3)</b>
<b>2015</b>						
Covered business	5 116	1 403	(430)	(603)	5 486	27,4
Non-life operations	9 455	2 966	831	(691)	12 561	31,2
Shriram Capital	5 595	2 068	28	(97)	7 594	37,0
Letshego	923	229	–	(46)	1 106	24,8
Pacific & Orient	704	128	–	(20)	812	18,2
Capricorn Investment Holdings	845	47	–	(15)	877	5,6
Sanlam Emerging Markets other operations	1 388	494	803	(513)	2 172	34,7
<b>Group Equity Value</b>	<b>14 571</b>	<b>4 369</b>	<b>401</b>	<b>(1 294)</b>	<b>18 047</b>	<b>29,9</b>

## 2. Cluster information (continued)

### 2.2 Sanlam Emerging Markets (continued)

#### Business volumes

R million	New business volumes		Net fund flows		Value of new business		Present value of new business premiums		New business margin (%)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Namibia <sup>(1)</sup>	5 649	5 432	(133)	1 111	123	86	1 918	1 563	6,41	5,50
Botswana	10 716	5 398	7 045	(9 781)	216	204	2 849	2 923	7,58	6,98
Rest of Africa (excluding Saham Finances)	3 364	2 099	2 463	1 459	106	110	2 349	1 925	4,47	5,71
Saham Finances	1 856	–	821	–	16	–	155	–	10,32	–
India	1 337	862	318	263	16	7	752	441	2,13	1,59
South-East Asia	774	774	415	355	56	41	1 633	1 189	3,43	3,45
	23 696	14 565	10 929	(6 593)	533	448	9 656	8 041	5,51	5,57

<sup>(1)</sup> Comparative information has been adjusted for the reallocation of Glacier Namibia from Sanlam Personal Finance to Sanlam Emerging Markets.

#### Analysis of earnings

R million	2016	2015
Net result from financial services	1 557	1 197
Life insurance	599	603
General insurance	254	93
Investment management	49	47
Credit and banking	684	468
Other	(29)	(14)
Net investment return	216	367
Net investment income	198	129
Net investment surpluses	18	238
Net other earnings	(256)	(119)
Project expenses	(28)	(14)
Amortisation of value of business acquired and other intangibles	(45)	(58)
Profit/(loss) on disposal of subsidiaries and associated companies	16	(1)
Net equity-accounted headline earnings	31	7
Impairments	(230)	(53)
<b>Normalised attributable earnings</b>	<b>1 517</b>	<b>1 445</b>



# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 2. Cluster information (continued)

### 2.2 Sanlam Emerging Markets (continued)

#### Analysis of net result from financial services

R million	Life insurance		Non-life operations		Total	
	2016	2015	2016	2015	2016	2015
Namibia	151	197	151	148	302	345
Botswana	231	232	146	141	377	373
Rest of Africa (excluding Saham Finances)	200	138	11	(9)	211	129
Saham Finances	18	–	70	–	88	–
South-East Asia	13	21	48	8	61	29
India	(14)	12	548	311	534	323
Corporate and other	–	3	(16)	(5)	(16)	(2)
<b>Net result from financial services</b>	<b>599</b>	<b>603</b>	<b>958</b>	<b>594</b>	<b>1 557</b>	<b>1 197</b>

#### Analysis of net investment return

R million	Life insurance		Non-life operations		Total	
	2016	2015	2016	2015	2016	2015
Namibia	59	40	12	8	71	48
Botswana	3	42	10	45	13	87
Rest of Africa (excluding Saham Finances)	39	92	20	46	59	138
Saham Finances	6	–	20	–	26	–
South-East Asia	23	48	8	8	31	56
India	41	16	61	40	102	56
Corporate and other	–	–	(86)	(18)	(86)	(18)
<b>Net investment return</b>	<b>171</b>	<b>238</b>	<b>45</b>	<b>129</b>	<b>216</b>	<b>367</b>

#### Assets under management

R million	2016	2015
Life insurance operations <sup>(1)</sup>	42 033	44 498
Investment operations	32 793	26 623
Namibia <sup>(1)</sup>	19 679	18 912
Botswana	11 721	7 482
Rest of Africa	1 393	229
<b>Assets under management</b>	<b>74 826</b>	<b>71 121</b>

<sup>(1)</sup> Comparative information has been adjusted for the reallocation of Glacier Namibia from Sanlam Personal Finance to Sanlam Emerging Markets.

## 2. Cluster information (continued)

### 2.3 Sanlam Investments

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

R million	GEV at the beginning of period	Earnings	Net capital invest- ment	Dividend paid	GEV at the end of period	RoGEV (%)
<b>2016</b>						
Investment Management	16 235	(603)	326	(751)	15 207	(1,4)
Investment Management SA	6 287	1 030	296	(542)	7 071	16,4
Wealth Management	1 759	337	156	(97)	2 155	19,2
International	8 189	(1 970)	(126)	(112)	5 981	(24,1)
Covered business	1 633	(403)	(82)	(11)	1 137	(24,7)
Other operations	6 556	(1 567)	(44)	(101)	4 844	(23,9)
Sanlam Capital Management	600	281	–	(281)	600	46,8
<b>Group Equity Value</b>	<b>16 835</b>	<b>(322)</b>	<b>326</b>	<b>(1 032)</b>	<b>15 807</b>	<b>(1,9)</b>
<b>2015</b>						
Sanlam Investment Management	12 882	3 249	1 144	(1 040)	16 235	25,2
Investment Management SA	4 908	1 178	566	(365)	6 287	22,0
Wealth Management <sup>(1)</sup>	1 497	390	19	(147)	1 759	25,9
International	6 477	1 681	559	(528)	8 189	26,0
Covered business	1 193	277	237	(74)	1 633	23,2
Other operations <sup>(1)</sup>	5 284	1 404	322	(454)	6 556	26,7
Sanlam Capital Management	600	143	–	(143)	600	23,8
<b>Group Equity Value</b>	<b>13 482</b>	<b>3 392</b>	<b>1 144</b>	<b>(1 183)</b>	<b>16 835</b>	<b>24,3</b>

<sup>(1)</sup> Comparative information has been adjusted for the reallocation of business units between the International, Wealth Management, Capital Management and Investment Management SA sub-clusters. Sanlam Employee Benefits was also reallocated to the Sanlam Corporate cluster.

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 2. Cluster information (continued)

### 2.3 Sanlam Investments (continued)

#### Business volumes

R million	New business volumes	
	2016	2015
Investment Management	122 879	113 660
Investment Management SA	89 917	83 132
Wealth Management <sup>(1)</sup>	15 993	14 346
International <sup>(1)</sup>	16 969	16 182
Sanlam Capital Management	–	9
<b>Total</b>	<b>122 879</b>	<b>113 669</b>

<sup>(1)</sup> Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-clusters.

#### Analysis of earnings

##### R million

Financial services income<sup>(2)</sup>

Sales remuneration

Income after sales remuneration

Administration cost<sup>(2)</sup>

Results from financial services before performance fees

Net performance fees

Results from financial services

Tax on result from financial services

Non-controlling interest

Net result from financial services

Net investment return

    Net investment income

    Net investment surpluses

Net other earnings

    Project expenses

    Amortisation of intangible assets

    Other

#### Normalised attributable earnings

<sup>(2)</sup> Financial services income and administration costs on page 26 includes performance fees and the related administration costs.

<sup>(3)</sup> Comparative information has been adjusted for the reallocation of Sanlam Private Equity from Capital Management to Investment Management.

Net fund flows		Value of new business		Present value of new business premiums		New business margin (%)	
2016	2015	2016	2015	2016	2015	2016	2015
5 250	(3 021)	7	26	3 411	3 947	0,21	0,66
8 785	(753)	-	-	-	-	-	-
1 207	333	-	-	-	-	-	-
(4 742)	(2 601)	7	26	3 411	3 947	0,21	0,66
(35)	(2)	-	-	-	-	-	-
5 215	(3 023)	7	26	3 411	3 947	0,21	0,66

Investment Management <sup>(3)</sup>		Capital Management <sup>(3)</sup>		Total	
2016	2015	2016	2015	2016	2015
4 617	4 518	707	418	5 324	4 936
(193)	(198)	-	-	(193)	(198)
4 424	4 320	707	418	5 131	4 738
(3 393)	(3 303)	(360)	(273)	(3 753)	(3 576)
1 031	1 017	347	145	1 378	1 162
127	214	-	-	127	214
1 158	1 231	347	145	1 505	1 376
(311)	(284)	(77)	(2)	(388)	(286)
(21)	(34)	-	-	(21)	(34)
826	913	270	143	1 096	1 056
(20)	6	-	(12)	(20)	(6)
21	9	-	-	21	9
(41)	(3)	-	(12)	(41)	(15)
(163)	(185)	-	-	(163)	(185)
(1)	-	-	-	(1)	-
(153)	(179)	-	-	(153)	(179)
(9)	(6)	-	-	(9)	(6)
643	734	270	131	913	865

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 2. Cluster information (continued)

### 2.3 Sanlam Investments (continued)

#### Investment management

##### Analysis of net result from financial services

R million	2016	2015
Investment management	815	839
Investment Management SA <sup>(2)</sup>	513	534
Wealth Management <sup>(1)</sup>	127	131
International <sup>(1)</sup>	169	214
Support services	6	(40)
Capital Management <sup>(2)</sup>	270	143
<b>Asset management operations</b>	<b>1 085</b>	982
<b>Covered business:</b>		
Sanlam UK	11	74
<b>Sanlam Investments total</b>	<b>1 096</b>	1 056

<sup>(1)</sup> Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-clusters.

<sup>(2)</sup> Comparative information has been adjusted for the reallocation of Sanlam Private Equity from Capital Management to Investment Management SA.

#### Assets under management

	Assets under management		Fee Income		Administration cost	
	2016 R million	2015 R million	2016 %	2015 %	2016 %	2015 %
Investment Management SA <sup>(1)</sup>	672 154	627 274	0,31	0,32	0,22	0,23
Wealth Management <sup>(1)</sup>	142 360	133 606	0,77	0,69	0,61	0,53
International <sup>(1)</sup>	141 411	188 011	0,71	0,75	0,59	0,61
Inter-cluster eliminations	(163 622)	(162 346)	-	-	-	-
<b>Asset management operations</b>	<b>792 303</b>	786 545				
<b>Covered business:</b>						
Sanlam UK	42 827	51 787				
<b>Sanlam Investments total</b>	<b>835 130</b>	838 332				

<sup>(1)</sup> Comparative information has been adjusted for the reallocation of business units between the International, Wealth Management, Capital Management and Investment Management SA sub-clusters.

## 2. Cluster information (continued)

### 2.3 Sanlam Investments (continued)

#### Asset mix of assets under management

R million	Fixed interest	Equities	Offshore	Properties	Cash	Total
<b>2016</b>						
Investment Management SA	160 501	308 452	67 703	19 865	115 633	672 154
Wealth Management	-	108 791	29 464	-	4 105	142 360
International	-	-	141 411	-	-	141 411
Inter-cluster consolidation						(163 622)
<b>Assets under management – Sanlam Investments</b>	<b>160 501</b>	<b>417 243</b>	<b>238 578</b>	<b>19 865</b>	<b>119 738</b>	<b>792 303</b>
<b>2015</b>						
Investment Management SA <sup>(1)</sup>	143 451	279 328	71 566	17 088	115 841	627 274
Wealth Management <sup>(1)</sup>	-	103 407	26 583	-	3 616	133 606
International <sup>(1)</sup>	-	-	188 011	-	-	188 011
Inter-cluster consolidation						(162 346)
<b>Assets under management – Sanlam Investments</b>	<b>143 451</b>	<b>382 735</b>	<b>286 160</b>	<b>17 088</b>	<b>119 457</b>	<b>786 545</b>

<sup>(1)</sup> Comparative information has been adjusted for the reallocation of business units between the International, Wealth Management, Capital Management and Investment Management SA sub-clusters.

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 2. Cluster information (continued)

### 2.3 Sanlam Investments (continued)

#### **Sanlam Investments and Pensions**

(included in Investment Management above)

R million	2016	2015
<b>Analysis of attributable earnings</b>		
Financial services income	306	292
Sales remuneration	(131)	(129)
Income after sales remuneration	175	163
Administration cost	(164)	(89)
Gross result from financial services	11	74
Tax on result from financial services	–	–
Net result from financial services	11	74
Net investment return	2	2
<b>Normalised attributable earnings</b>	<b>13</b>	<b>76</b>

### 2.4 Santam

#### **Business volumes**

Gross written premiums	25 909	24 319
Net earned premiums	19 826	18 522
Net fund flows	6 915	7 012

#### **Analysis of earnings**

Gross result from financial services	2 050	2 321
Net result from financial services	814	933
Ratios		
Admin cost ratio	17,9%	18,9%
Claims ratio	65,1%	62,1%
Underwriting margin	6,4%	9,6%



## 2. Cluster information (continued)

### 2.5 Sanlam Corporate

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

R million	GEV at the beginning of period	Earnings	Net capital investment	Dividend paid	GEV at the end of period	RoGEV (%)
<b>2016</b>						
Covered business	5 577	437	(64)	(427)	5 523	7,8
Non-life operations	777	176	–	(91)	862	22,7
Afrocentric	703	156	–	(84)	775	22,2
Other operations	74	20	–	(7)	87	27,0
<b>Group Equity Value</b>	<b>6 354</b>	<b>613</b>	<b>(64)</b>	<b>(518)</b>	<b>6 385</b>	<b>9,6</b>
<b>2015</b>						
Covered business	6 640	994	(1 696)	(361)	5 577	15,0
Non-life operations	77	9	703	(12)	777	11,7
Afrocentric	–	–	703	–	703	–
Other operations	77	9	–	(12)	74	11,7
<b>Group Equity Value</b>	<b>6 717</b>	<b>1 003</b>	<b>(993)</b>	<b>(373)</b>	<b>6 354</b>	<b>14,9</b>

#### Business volumes

##### Sanlam Employee Benefits

R million	2016	2015
<b>New business volumes</b>	<b>5 029</b>	2 913
<i>Recurring premiums</i>	<b>504</b>	487
Guaranteed	<b>272</b>	186
Risk	<b>232</b>	301
<i>Single premiums</i>	<b>4 525</b>	2 426
Guaranteed	<b>1 428</b>	1 069
Risk	<b>60</b>	70
Retirement	<b>2 310</b>	566
Annuity	<b>374</b>	565
Special structures	<b>353</b>	156
<b>Net fund flows</b>	<b>1 369</b>	(489)
<b>Value of new business</b>	<b>76</b>	85
<b>Present value of new business</b>	<b>7 811</b>	4 333
<b>New business margin</b>	<b>0,97%</b>	1,96%

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 2. Cluster information (continued)

### 2.5 Sanlam Corporate (continued)

#### Analysis of earnings

R million	Sanlam Employee Benefits		Sanlam Healthcare and other		Total	
	2016	2015	2016	2015	2016	2015
Financial services income	3 974	3 573	243	118	4 217	3 691
Sales remuneration	(54)	(50)	–	–	(54)	(50)
Income after sales remuneration	3 920	3 523	243	118	4 163	3 641
Underwriting policy benefits	(2 355)	(2 135)	–	–	(2 355)	(2 135)
Administration cost	(971)	(887)	(125)	(103)	(1 096)	(990)
Result from financial services	594	501	118	15	712	516
Tax on result from financial services	(167)	(140)	(35)	(2)	(202)	(142)
Non-controlling interest	–	–	–	–	–	–
Net result from financial services	427	361	83	13	510	374
Risk underwriting	131	210	–	–	131	210
Investment and other	256	128	–	–	256	128
Working capital management	58	42	–	–	58	42
Administration	(18)	(19)	83	13	65	(6)
Net investment return	61	392	(9)	–	52	392
Net investment income	154	180	–	–	154	180
Net investment surpluses	(93)	212	–	–	(93)	212
Net equity-accounted headline earnings	–	–	(9)	–	(9)	–
Net other earnings	–	–	(5)	(4)	(5)	(4)
<b>Normalised attributable earnings</b>	<b>488</b>	<b>753</b>	<b>69</b>	<b>9</b>	<b>557</b>	<b>762</b>

## 2. Cluster information (continued)

### 2.6 Valuation methodology

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

R million	Fair value	
	2016	2015
<b>Valuation method</b>		
<b>Discounted cash flows</b>	<b>32 559</b>	28 915
Sanlam Investments	<b>13 240</b>	13 785
Investment Management SA <sup>(1)</sup>	<b>6 514</b>	5 742
Wealth Management <sup>(1)</sup>	<b>2 066</b>	1 808
International <sup>(1)</sup>	<b>4 660</b>	6 235
Sanlam Emerging Markets	<b>14 795</b>	11 407
Shriram Capital <sup>(2)</sup>	<b>7 963</b>	7 594
Saham Finances	<b>3 197</b>	–
Letshego <sup>(2)</sup>	<b>1 190</b>	1 106
Pacific & Orient	<b>476</b>	812
Capricorn Investment Holdings <sup>(2)</sup>	<b>1 077</b>	877
Other operations	<b>892</b>	1 018
Sanlam Personal Finance	<b>3 662</b>	2 946
Glacier	<b>2 192</b>	1 605
Sanlam Personal Loans	<b>999</b>	913
Other operations <sup>(3)</sup>	<b>471</b>	428
Sanlam Corporate <sup>(3)</sup>	<b>862</b>	777
Afrocentric	<b>775</b>	703
Other operations	<b>87</b>	74
<b>Net asset value</b>	<b>2 362</b>	2 571
Sanlam Investments	<b>1 430</b>	1 417
Investment Management SA <sup>(1)</sup>	<b>557</b>	578
Wealth Management <sup>(1)</sup>	<b>89</b>	( 49)
International <sup>(1)</sup>	<b>184</b>	288
Capital Management	<b>600</b>	600
Sanlam Emerging Markets	<b>932</b>	1 154
	<b>34 921</b>	31 486

<sup>(1)</sup> Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-clusters and Sanlam Private Equity from Capital Management to Investment Management SA.

<sup>(2)</sup> Includes the listed businesses at directors' valuation of R6 189 million (2015: R6 183 million) for Shriram Capital, R1 190 million (2015: R1 106 million) for Letshego and R1 077 million (2015: R877 million) for Capricorn Investment Holdings. The listed values of these operations are R5 923 million (2015: R6 634 million), R1 008 million (2015: R1 250 million) and R1 159 million (2015: R1 169 million) respectively.

<sup>(3)</sup> Comparative information has been adjusted for the reallocation of business units between Sanlam Personal Finance and Sanlam Corporate.

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 2. Cluster information (continued)

### 2.6 Valuation methodology (continued)

The main assumptions applied in the primary valuation for the unlisted businesses are presented below. The sensitivity analysis is based on the following changes in assumptions:

	Change in assumption	
	2016	2015
Risk discount rate (RDR)	1,0	1,0
Perpetuity growth rate (PGR)	1,0	1,0

R million	Weighted average assumption	Base value	Decrease in assumption	Increase in assumption
Discounted cash flows	RDR = 14,5% (2015: 15,4%)	32 559	37 212	28 929
Perpetuity growth rate	PGR = 2 – 5% (2015: 2,5 – 5%)	32 559	30 675	34 952

## 3. Investments

### 3.1 Investment in associated companies

R million	2016	2015
Shriram Capital	5 680	6 425
Shriram Transport Finance Company – direct investment	1 214	1 279
Shriram General Insurance – direct investment	721	–
Shriram Life Insurance – direct investment	453	–
Saham Finances	4 810	–
Pacific & Orient	777	1 043
Capricorn Investment Holdings	1 020	920
Letshego	1 842	1 784
Afrocentric	753	703
Other associated companies	2 435	2 520
<b>Total investment in associated companies</b>	<b>19 705</b>	<b>14 674</b>

Details of the investments in the material associated companies are reflected in note 7 of the Sanlam Group Annual Financial Statements.

### 3.2 Investment in joint ventures

Sanlam Personal Loans	748	739
Other joint ventures	134	133
<b>Total investment in joint ventures</b>	<b>882</b>	<b>872</b>

Details of the investments in material joint ventures are reflected in note 7 of the Sanlam Group Annual Financial Statements.

### 3. Investments (continued)

#### 3.3 Investments include the following offshore investments

R million	2016	2015
Investment properties	909	880
Equities	521	305
Structured transactions	2	(10)
Interest-bearing investments	2 181	2 518
Investment funds	1 672	2 519
Cash, deposits and similar securities	4 726	7 255
<b>Total offshore investments</b>	<b>10 011</b>	<b>13 467</b>

#### 4. Financial services income

##### Equity-accounted earnings included in financial services income

Sanlam Personal Finance	214	225
Sanlam Emerging Markets	2 180	1 392
Santam	46	45
Sanlam Investments	163	37
Sanlam Corporate	114	–
	<b>2 717</b>	<b>1 699</b>

#### 5. Sales remuneration

Life operations	4 204	3 830
Non-life operations	2 554	2 169
	<b>6 758</b>	<b>5 999</b>

#### 6. Administration costs

Life operations	6 146	5 502
Non-life operations	8 468	8 130
	<b>14 614</b>	<b>13 632</b>

##### Depreciation included in administration costs:

Sanlam Personal Finance	112	106
Sanlam Emerging Markets	66	66
Santam	27	21
Sanlam Investments	73	67
Sanlam Corporate	2	–
	<b>280</b>	<b>260</b>

#### 7. Investment income

Equities and similar securities	572	654
Interest-bearing, preference shares and similar securities	691	679
Properties	49	20
Rental income	50	21
Contingent rental income	4	4
Rental-related expenses	(5)	(5)
<b>Total investment income</b>	<b>1 312</b>	<b>1 353</b>
<b>Interest expense netted off against investment income</b>	<b>505</b>	<b>398</b>

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 8. Normalised diluted earnings per share

Cents	2016	2015
<b>Normalised diluted earnings per share:</b>		
Net result from financial services	389,4	355,2
Headline earnings	408,5	432,5
Profit attributable to shareholders' fund	396,9	437,0
<b>R million</b>		
<b>Analysis of normalised earnings (refer shareholders' fund income statement on page 26):</b>		
Net result from financial services	7 969	7 269
Headline earnings	8 360	8 851
Profit attributable to shareholders' fund	8 123	8 942
<b>Reconciliation of normalised headline earnings:</b>		
Headline earnings	9 860	9 300
Less: Fund transfers	(1 500)	(449)
<b>Normalised headline earnings</b>	<b>8 360</b>	<b>8 851</b>
	<b>Million</b>	<b>Million</b>
<b>Adjusted number of shares:</b>		
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
<b>Adjusted weighted average number of shares for normalised diluted earnings per share</b>	<b>2 046,5</b>	<b>2 046,3</b>

## 9. Value per share

R million	2016	2015
Fair value per share is calculated on the Group shareholders' fund at fair value of R78 798 million (2015: R74 660 million), divided by 2 047,5 million (2015: 2 046,6 million) shares.		
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R53 915 million (2015: R55 464 million), divided by 2 047,5 million (2015: 2 046,6 million) shares.		
Equity value per share is calculated on the Group Equity Value of R110 717 million (2015: R103 506 million), divided by 2 047,5 million (2015: 2 046,6 million) shares.		
<b>Number of shares for value per share</b>		
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 in respect of Sanlam Limited long-term incentive schemes	19,9	21,3
<b>Adjusted number of shares for value per share</b>	<b>2 047,5</b>	2 046,6

## 10. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,9 (2015: 8,8) to the after tax recurring corporate expenses.

## 11. Share repurchases

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 2016.



# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 12. Reconciliations

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

R million	2016			
	Total	Shareholder activities	Policyholder activities <sup>(1)</sup>	IFRS adjustments <sup>(2)</sup>
<b>Net income</b>	<b>86 695</b>	<b>55 666</b>	<b>29 913</b>	<b>1 116</b>
Financial services income	58 189	54 382	–	3 807
Reinsurance premiums paid	(7 626)	–	–	(7 626)
Reinsurance commission received	1 396	–	–	1 396
Investment income	28 413	1 312	20 190	6 911
Investment surpluses	9 150	(28)	9 723	(545)
Finance cost – margin business	(106)	–	–	(106)
Change in fair value of external investors liability	(2 721)	–	–	(2 721)
<b>Net insurance and investment contract benefits and claims</b>	<b>(49 329)</b>	<b>(20 332)</b>	<b>(29 005)</b>	<b>8</b>
Long-term insurance contract benefits	(24 143)	(7 421)	(15 801)	(921)
Long-term investment contract benefits	(13 204)	–	(13 204)	–
General insurance claims	(17 423)	(12 911)	–	(4 512)
Reinsurance claims received	5 441	–	–	5 441
<b>Expenses</b>	<b>(24 731)</b>	<b>(21 406)</b>	<b>–</b>	<b>(3 325)</b>
Sales remuneration	(8 140)	(6 758)	–	(1 382)
Administration costs	(16 591)	(14 648)	–	(1 943)
<b>Impairments</b>	<b>(340)</b>	<b>(265)</b>	<b>–</b>	<b>(75)</b>
<b>Amortisation of intangibles</b>	<b>(326)</b>	<b>(251)</b>	<b>–</b>	<b>(75)</b>
<b>Net operating result</b>	<b>11 969</b>	<b>13 412</b>	<b>908</b>	<b>(2 351)</b>
Equity-accounted earnings	2 095	75	–	2 020
Finance cost – other	(460)	–	–	(460)
<b>Profit before tax</b>	<b>13 604</b>	<b>13 487</b>	<b>908</b>	<b>(791)</b>
Tax expense	(3 026)	(3 981)	(908)	1 863
Shareholders' fund	(1 832)	(3 981)	–	2 149
Policyholders' fund	(1 194)	–	(908)	(286)
<b>Profit for the year</b>	<b>10 578</b>	<b>9 506</b>	<b>–</b>	<b>1 072</b>
<b>Attributable to:</b>				
Shareholders' fund	9 623	8 123	–	1 500
Non-controlling interest	955	1 383	–	(428)
	<b>10 578</b>	<b>9 506</b>	<b>–</b>	<b>1 072</b>

<sup>(1)</sup> Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group Statement of Comprehensive Income.

<sup>(2)</sup> IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.

<b>2015</b>			
<b>Total</b>	<b>Share- holder activities</b>	<b>Policy- holder activities<sup>(1)</sup></b>	<b>IFRS adjust- ments<sup>(2)</sup></b>
85 293	52 608	30 018	2 667
53 754	49 365	–	4 389
(6 831)	–	–	(6 831)
1 275	–	–	1 275
25 241	1 353	17 903	5 985
13 942	1 890	12 115	(63)
(101)	–	–	(101)
(1 987)	–	–	(1 987)
(47 675)	(18 139)	(29 550)	14
(15 247)	(6 629)	(7 814)	(804)
(21 736)	–	(21 736)	–
(14 206)	(11 510)	–	(2 696)
3 514	–	–	3 514
(23 024)	(19 689)	–	(3 335)
(7 269)	(5 999)	–	(1 270)
(15 755)	(13 690)	–	(2 065)
(173)	(109)	–	(64)
(382)	(306)	–	(76)
14 039	14 365	468	(794)
1 310	57	–	1 253
(580)	–	–	(580)
14 769	14 422	468	(121)
(3 859)	(3 651)	(468)	260
(3 078)	(3 651)	–	573
(781)	–	(468)	(313)
10 910	10 771	–	139
9 391	8 942	–	449
1 519	1 829	–	(310)
10 910	10 771	–	139

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 12. Reconciliations (continued)

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

R million	31 December 2016			
	Total	Shareholder activities	Policyholder activities <sup>(1)</sup>	Consolidation reserve
<b>ASSETS</b>				
Equipment	881	840	41	-
Owner-occupied properties	1 171	824	347	-
Goodwill	3 596	3 596	-	-
Other intangible assets	575	544	31	-
Value of business acquired	1 606	1 606	-	-
Deferred acquisition costs	3 597	2 965	632	-
Long-term reinsurance assets	958	-	958	-
Investments	592 945	57 088	537 641	(1 784)
Properties	10 664	964	9 700	-
Associated companies	19 705	19 705	-	-
Joint ventures	1 855	882	973	-
Equities and similar securities	176 944	3 142	175 586	(1 784)
Interest-bearing investments	170 584	13 434	157 150	-
Structured transactions	13 756	1 496	12 260	-
Investment funds	161 050	10 697	150 353	-
Cash, deposits and similar securities	38 387	6 768	31 619	-
Deferred tax	1 880	621	-	1 259
Assets of disposal groups classified as held for sale	663	8	655	-
General insurance technical assets	5 022	5 022	-	-
Working capital assets	59 665	43 677	15 988	-
Trade and other receivables	40 904	25 571	15 333	-
Cash, deposits and similar securities	18 761	18 106	655	-
<b>Total assets</b>	<b>672 559</b>	<b>116 791</b>	<b>556 293</b>	<b>(525)</b>
<b>EQUITY AND LIABILITIES</b>				
Shareholders' fund	53 390	53 915	-	(525)
Non-controlling interest	5 696	5 605	91	-
Long-term policy liabilities	483 748	-	483 748	-
Insurance contracts	177 675	-	177 675	-
Investment contracts	306 073	-	306 073	-
Term finance	6 466	6 218	248	-
External investors in consolidated funds	55 486	-	55 486	-
Cell owners' interest	1 153	1 153	-	-
Deferred tax	2 069	1 131	938	-
Structured transactions liabilities	1 298	16	1 282	-
General insurance technical provisions	14 557	14 557	-	-
Working capital liabilities	48 696	34 196	14 500	-
Trade and other payables	46 636	32 364	14 272	-
Provisions	332	332	-	-
Taxation	1 728	1 500	228	-
<b>Total equity and liabilities</b>	<b>672 559</b>	<b>116 791</b>	<b>556 293</b>	<b>(525)</b>

<sup>(1)</sup> Includes the impact of the consolidation of investment funds under IFRS 10.

<b>31 December 2015</b>			
<b>Total</b>	<b>Share- holder activities</b>	<b>Policy- holder activities<sup>(1)</sup></b>	<b>Consoli- dation reserve</b>
892	866	26	-
1 329	845	484	-
3 895	3 895	-	-
487	443	44	-
1 943	1 943	-	-
3 463	2 853	610	-
945	-	945	-
590 894	57 745	534 992	(1 843)
11 606	1 010	10 596	-
14 674	14 674	-	-
1 325	872	453	-
189 214	5 970	185 087	(1 843)
165 260	15 890	149 370	-
14 179	1 703	12 476	-
157 289	6 355	150 934	-
37 347	11 271	26 076	-
368	368	-	-
540	540	-	-
4 251	4 251	-	-
65 501	46 999	18 502	-
45 360	28 084	17 276	-
20 141	18 915	1 226	-
674 508	120 748	555 603	(1 843)
53 621	55 464	-	(1 843)
6 571	6 571	-	-
480 910	-	480 910	-
183 972	-	183 972	-
296 938	-	296 938	-
5 637	5 184	453	-
53 641	-	53 641	-
980	980	-	-
2 180	1 098	1 082	-
2 374	34	2 340	-
13 523	13 523	-	-
55 071	37 894	17 177	-
52 751	35 875	16 876	-
319	319	-	-
2 001	1 700	301	-
674 508	120 748	555 603	(1 843)

# Notes to the shareholders' fund information continued

for the year ended 31 December 2016

## 13. Geographical analysis

R million	Per shareholders fund' income statement on page 26	IFRS adjustments (refer note 12.1)	Total
<b>Financial services income</b>			
Financial services income is attributed to individual countries, based on where the holding company or subsidiaries are located.			
<b>2016</b>	<b>54 382</b>	<b>3 807</b>	<b>58 189</b>
South Africa	44 948	5 228	50 176
Rest of Africa	5 669	(841)	4 828
Other international <sup>(1)</sup>	3 765	(580)	3 185
<b>2015</b>	49 365	4 389	53 754
South Africa	41 327	5 094	46 421
Rest of Africa	4 769	(462)	4 307
Other international <sup>(1)</sup>	3 269	(243)	3 026

R million	Per analysis of shareholders' fund on page 24	Policyholders' fund	Total
<b>Non-current assets<sup>(2)</sup></b>			
<b>2016</b>	<b>10 383</b>	<b>1 706</b>	<b>12 089</b>
South Africa	8 169	1 088	9 257
Rest of Africa	412	242	654
Other international <sup>(1)</sup>	1 802	376	2 178
<b>2015</b>	11 385	1 164	12 549
South Africa	8 509	437	8 946
Rest of Africa	513	219	732
Other international <sup>(1)</sup>	2 363	508	2 871

R million	2016	2015
<b>Attributable earnings (per shareholders' fund income statement on page 26)</b>	<b>9 623</b>	9 391
South Africa	7 710	7 940
Rest of Africa	1 204	1 015
Other international <sup>(1)</sup>	709	436

<sup>(1)</sup> Other international comprises business in Europe, United Kingdom, Australia, India and South-East Asia.

<sup>(2)</sup> Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangible assets, non-current assets held for sale and deferred acquisition costs.

# Embedded value of covered business

at 31 December 2016

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

<sup>(1)</sup> Sanlam UK is part of the Sanlam Investments cluster.

<sup>(2)</sup> Sanlam Employee Benefits is part of the Sanlam Corporate cluster.

<sup>(3)</sup> Excludes subordinated debt funding of Sanlam Life.

# Change in embedded value of covered business

for the year ended 31 December 2016

R million	Note	2016				2015			
		Total	Value of in-force	Cost of capital	Adjusted net worth	Total	Value of in-force	Cost of capital	Adjusted net worth
<b>Embedded value of covered business at the beginning of the year</b>		<b>47 222</b>	<b>35 506</b>	<b>(3 392)</b>	<b>15 108</b>	48 393	34 299	(3 092)	17 186
Value of new business	2	1 605	3 818	(224)	(1 989)	1 360	3 364	(200)	(1 804)
Net earnings from existing covered business		6 042	(721)	139	6 624	5 328	(703)	19	6 012
Expected return on value of in-force business		4 634	4 468	166	–	3 759	3 594	165	–
Expected transfer of profit to adjusted net worth		–	(5 723)	–	5 723	–	(5 177)	–	5 177
Operating experience variances	3	983	(33)	10	1 006	1 081	281	(5)	805
Operating assumption changes	4	425	567	(37)	(105)	488	599	(141)	30
Expected investment return on adjusted net worth		1 199	–	–	1 199	1 256	–	–	1 256
<b>Embedded value earnings from operations</b>		<b>8 846</b>	<b>3 097</b>	<b>(85)</b>	<b>5 834</b>	7 944	2 661	(181)	5 464
Economic assumption changes	5	485	509	(25)	1	(1 608)	(1 506)	(140)	38
Tax changes	6	422	679	(118)	(139)	7	5	1	1
Investment variances – value of in-force		(159)	(217)	3	55	(74)	(389)	78	237
Investment variances – investment return on adjusted net worth		(1 312)	–	–	(1 312)	443	–	–	443
Goodwill from business		(183)	(183)	–	–	(69)	(69)	–	–
Exchange rate movements		(626)	(713)	87	–	394	454	(60)	–
<b>Embedded value earnings from covered business</b>	7	<b>7 473</b>	<b>3 172</b>	<b>(138)</b>	<b>4 439</b>	7 037	1 156	(302)	6 183
Acquired value of in-force		1 247	655	(4)	596	124	51	2	71
Transfers from/(to) other Group operations		(13)	46	–	(59)	–	–	–	–
Transfers from covered business		(4 683)	–	–	(4 683)	(8 332)	–	–	(8 332)
<b>Embedded value of covered business at the end of the year</b>		<b>51 246</b>	<b>39 379</b>	<b>(3 534)</b>	<b>15 401</b>	47 222	35 506	(3 392)	15 108
<b>Analysis of earnings from covered business</b>									
Sanlam Personal Finance		7 402	3 638	(65)	3 829	4 363	267	(26)	4 122
Sanlam Emerging Markets		37	(281)	(20)	338	1 403	397	(79)	1 085
Sanlam UK		(403)	(238)	54	(219)	277	208	(155)	224
Sanlam Employee Benefits		437	53	(107)	491	994	284	(42)	752
<b>Embedded value earnings from covered business</b>		<b>7 473</b>	<b>3 172</b>	<b>(138)</b>	<b>4 439</b>	7 037	1 156	(302)	6 183

# Value of new business

for the year ended 31 December 2016

R million	Note	2016	2015
<b>Value of new business (at point of sale):</b>			
<b>Gross value of new business</b>		<b>2 051</b>	1 729
Sanlam Personal Finance		<b>1 315</b>	1 065
Sanlam Emerging Markets		<b>589</b>	499
Sanlam UK		<b>13</b>	28
Sanlam Employee Benefits		<b>134</b>	137
<b>Cost of capital</b>		<b>(272)</b>	(215)
Sanlam Personal Finance		<b>(152)</b>	(110)
Sanlam Emerging Markets		<b>(56)</b>	(51)
Sanlam UK		<b>(6)</b>	(2)
Sanlam Employee Benefits		<b>(58)</b>	(52)
<b>Value of new business</b>		<b>1 779</b>	1 514
Sanlam Personal Finance		<b>1 163</b>	955
Sanlam Emerging Markets		<b>533</b>	448
Sanlam UK		<b>7</b>	26
Sanlam Employee Benefits		<b>76</b>	85
<i>Value of new business attributable to:</i>			
<b>Shareholders' fund</b>	2	<b>1 605</b>	1 360
Sanlam Personal Finance		<b>1 163</b>	955
Sanlam Emerging Markets		<b>359</b>	294
Sanlam UK		<b>7</b>	26
Sanlam Employee Benefits		<b>76</b>	85
<b>Non-controlling interest</b>		<b>174</b>	154
Sanlam Personal Finance		<b>–</b>	–
Sanlam Emerging Markets		<b>174</b>	154
Sanlam UK		<b>–</b>	–
Sanlam Employee Benefits		<b>–</b>	–
<b>Value of new business</b>		<b>1 779</b>	1 514
<b>Geographical analysis:</b>			
South Africa		<b>1 239</b>	1 040
Africa		<b>461</b>	400
Other international		<b>79</b>	74
<b>Value of new business</b>		<b>1 779</b>	1 514



## Value of new business continued

for the year ended 31 December 2016

R million	2016	2015 <sup>(1)</sup>
<b>Analysis of new business profitability:</b>		
<i>Before non-controlling interest:</i>		
<b>Present value of new business premiums</b>	<b>62 383</b>	54 362
Sanlam Personal Finance	<b>41 507</b>	38 041
Sanlam Emerging Markets	<b>9 654</b>	8 041
Sanlam UK	<b>3 411</b>	3 947
Sanlam Employee Benefits	<b>7 811</b>	4 333
<b>New business margin</b>	<b>2,85%</b>	2,79%
Sanlam Personal Finance	<b>2,80%</b>	2,51%
Sanlam Emerging Markets	<b>5,52%</b>	5,57%
Sanlam UK	<b>0,21%</b>	0,66%
Sanlam Employee Benefits	<b>0,97%</b>	1,96%
<i>After non-controlling interest:</i>		
<b>Present value of new business premiums</b>	<b>59 556</b>	51 856
Sanlam Personal Finance	<b>41 507</b>	38 041
Sanlam Emerging Markets	<b>6 827</b>	5 535
Sanlam UK	<b>3 411</b>	3 947
Sanlam Employee Benefits	<b>7 811</b>	4 333
<b>New business margin</b>	<b>2,69%</b>	2,62%
Sanlam Personal Finance	<b>2,80%</b>	2,51%
Sanlam Emerging Markets	<b>5,26%</b>	5,31%
Sanlam UK	<b>0,21%</b>	0,66%
Sanlam Employee Benefits	<b>0,97%</b>	1,96%

<sup>(1)</sup> 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 %
<b>Base value at 31 December 2016</b>	<b>39 379</b>	<b>(3 534)</b>	<b>35 845</b>	
⊙ Risk discount rate increase by 1%	37 204	(4 094)	33 110	(8)
⊙ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	40 394	(3 358)	37 036	3
⊙ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	38 007	(3 455)	34 552	(4)
⊙ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	39 949	(3 223)	36 726	2
<i>Expenses and persistency</i>				
⊙ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	40 777	(3 526)	37 251	4
⊙ Discontinuance rates decrease by 10%	40 540	(3 644)	36 896	3
<i>Insurance risk</i>				
⊙ Mortality and morbidity decrease by 5% for life assurance business	40 927	(3 516)	37 411	4
⊙ Mortality and morbidity decrease by 5% for annuity business	39 054	(3 530)	35 524	(1)
<b>Base value at 31 December 2015</b>	35 506	(3 392)	32 114	
⊙ Risk discount rate increase by 1%	33 675	(4 025)	29 650	(8)
⊙ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	36 250	(3 206)	33 044	3
⊙ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	34 166	(3 315)	30 851	(4)
⊙ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	35 986	(3 083)	32 903	2
<i>Expenses and persistency</i>				
⊙ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	36 688	(3 392)	33 296	4
⊙ Discontinuance rates decrease by 10%	36 547	(3 492)	33 055	3
<i>Insurance risk</i>				
⊙ Mortality and morbidity decrease by 5% for life assurance business	36 927	(3 384)	33 543	4
⊙ Mortality and morbidity decrease by 5% for annuity business	35 248	(3 413)	31 835	(1)

# Notes to the embedded value of covered business continued

## for the year ended 31 December 2016

### 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 %
<b>Base value at 31 December 2016</b>	<b>1 829</b>	<b>(224)</b>	<b>1 605</b>	
⊙ Risk discount rate increase by 1%	<b>1 598</b>	<b>(265)</b>	<b>1 333</b>	<b>(17)</b>
⊙ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	<b>1 900</b>	<b>(224)</b>	<b>1 676</b>	<b>4</b>
<i>Expenses and persistency</i>				
⊙ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	<b>1 990</b>	<b>(228)</b>	<b>1 762</b>	<b>10</b>
⊙ Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	<b>1 991</b>	<b>(227)</b>	<b>1 764</b>	<b>10</b>
⊙ Discontinuance rates decrease by 10%	<b>2 065</b>	<b>(242)</b>	<b>1 823</b>	<b>14</b>
<i>Insurance risk</i>				
⊙ Mortality and morbidity decrease by 5% for life assurance business	<b>1 974</b>	<b>(226)</b>	<b>1 748</b>	<b>9</b>
⊙ Mortality and morbidity decrease by 5% for annuity business	<b>1 824</b>	<b>(227)</b>	<b>1 597</b>	<b>-</b>
<b>Base value at 31 December 2015</b>	<b>1 560</b>	<b>(200)</b>	<b>1 360</b>	
⊙ Risk discount rate increase by 1%	<b>1 373</b>	<b>(242)</b>	<b>1 131</b>	<b>(17)</b>
⊙ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	<b>1 608</b>	<b>(197)</b>	<b>1 411</b>	<b>4</b>
<i>Expenses and persistency</i>				
⊙ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	<b>1 686</b>	<b>(200)</b>	<b>1 486</b>	<b>9</b>
⊙ Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	<b>1 707</b>	<b>(200)</b>	<b>1 507</b>	<b>11</b>
⊙ Discontinuance rates decrease by 10%	<b>1 767</b>	<b>(210)</b>	<b>1 557</b>	<b>14</b>
<i>Insurance risk</i>				
⊙ Mortality and morbidity decrease by 5% for life assurance business	<b>1 720</b>	<b>(198)</b>	<b>1 522</b>	<b>12</b>
⊙ Mortality and morbidity decrease by 5% for annuity business	<b>1 552</b>	<b>(199)</b>	<b>1 353</b>	<b>(1)</b>

### 3. Operating experience variances

R million	2016			
	Total	Value of in-force	Cost of capital	Adjusted net worth
Risk experience	438	52	3	383
Persistency	(11)	66	10	(87)
Maintenance expenses	30	(3)	(4)	37
Working capital	354	5	-	349
Credit spread	89	-	-	89
Other	83	(153)	1	235
<b>Total operating experience variances</b>	<b>983</b>	<b>(33)</b>	<b>10</b>	<b>1 006</b>

R million	2015			
	Total	Value of in-force	Cost of capital	Adjusted net worth
Risk experience	816	205	-	611
Persistency	174	168	(2)	8
Maintenance expenses	(16)	(12)	(1)	(3)
Working capital	288	1	-	287
Other	(181)	(81)	(2)	(98)
<b>Total operating experience variances</b>	<b>1 081</b>	<b>281</b>	<b>(5)</b>	<b>805</b>

### 4. Operating assumption changes

R million	2016			
	Total	Value of in-force	Cost of capital	Adjusted net worth
Risk experience	122	54	(6)	74
Persistency	54	125	(35)	(36)
Maintenance expenses	99	50	1	48
Modelling improvements and other	150	338	3	(191)
<b>Total operating assumption changes</b>	<b>425</b>	<b>567</b>	<b>(37)</b>	<b>(105)</b>

R million	2015			
	Total	Value of in-force	Cost of capital	Adjusted net worth
Risk experience	810	756	5	49
Persistency	(60)	13	(18)	(55)
Maintenance expenses	(3)	23	5	(31)
Modelling improvements and other	(259)	(193)	(133)	67
<b>Total operating assumption changes</b>	<b>488</b>	<b>599</b>	<b>(141)</b>	<b>30</b>

# Notes to the embedded value of covered business continued

for the year ended 31 December 2016

## 5. Economic assumption changes

R million	2016			
	Total	Value of in-force	Cost of capital	Adjusted net worth
Investment yields	552	524	28	-
Long-term asset mix assumptions and other	(67)	(15)	(53)	1
<b>Total economic assumption changes</b>	<b>485</b>	<b>509</b>	<b>(25)</b>	<b>1</b>

  

R million	2015			
	Total	Value of in-force	Cost of capital	Adjusted net worth
Investment yields	(1 603)	(1 501)	(140)	38
Long-term asset mix assumptions and other	(5)	(5)	-	-
<b>Total economic assumption changes</b>	<b>(1 608)</b>	<b>(1 506)</b>	<b>(140)</b>	<b>38</b>

## 6. Tax changes

R million	2016			
	Total	Value of in-force	Cost of capital	Adjusted net worth
Risk Policy Fund (RPF)	674	674	-	-
Capital Gains Tax inclusion rate	(257)	1	(119)	(139)
Other	5	4	1	-
<b>Total tax changes</b>	<b>422</b>	<b>679</b>	<b>(118)</b>	<b>(139)</b>

  

R million	2015			
	Total	Value of in-force	Cost of capital	Adjusted net worth
Other	7	5	1	1
<b>Total tax changes</b>	<b>7</b>	<b>5</b>	<b>1</b>	<b>1</b>

## 7. Reconciliation of growth from covered business

	2016	2015
The embedded value earnings from covered business reconciles as follows to the net result from financial services for the year:		
Net result from financial services of covered business	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 the deferred tax liability	(165)	–
Embedded value earnings from covered business: value of in-force	3 034	854
<b>Embedded value earnings from covered business</b>	<b>7 473</b>	<b>7 037</b>

## 8. Economic assumptions

### Gross investment return, risk discount rate and inflation

	2016	2015
<b>Sanlam Life</b>		
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 <sup>(1)</sup>	7,2%	8,1%
Risk discount rate	11,7%	12,6%
<sup>(1)</sup> Expense inflation of 11,2% (2015: 10,1%) assumed for retail business administered on old platforms.		
<b>SDM Limited</b>		
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%

# Notes to the embedded value of covered business continued

## for the year ended 31 December 2016

### 8. Economic assumptions (continued)

#### Gross investment return, risk discount rate and inflation (continued)

	2016	2015
<b>Sanlam Investments and Pensions</b>		
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%
<b>Botswana Life Insurance</b>		
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%

#### 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.

## 8. Economic assumptions (continued)

### Asset mix for assets supporting required capital

%	2016							Total
	R million	Fixed-interest securities	Equities	Offshore	Hedged equities	Property	Cash	
<b>Required capital</b>								
South Africa	12 069	–	3	7	78	–	12	100
Namibia	490	6	36	–	–	–	58	100
Botswana	337	–	–	–	–	50	50	100
Ghana	47	35	40	–	–	20	5	100
Kenya	76	35	40	–	–	15	10	100
Other Africa	563	82	–	–	–	–	18	100
India	171	36	63	–	–	–	1	100
South-East Asia	188	76	17	–	–	–	7	100
United Kingdom	438	–	–	–	–	–	100	100
<b>Total required capital</b>	<b>14 379</b>							
<b>Free surplus</b>	<b>1 022</b>							
<b>Adjusted net worth</b>	<b>15 401</b>							

### Assumed long-term expected return on required capital

%	2016	2015
<b>Sanlam Life</b>		
Gross return on required capital	8,9	9,8
Net return on required capital	7,2	8,1
<b>SDM Limited</b>		
Gross return on required capital	8,5	10,9
Net return on required capital	7,1	8,7
<b>Sanlam Investments and Pensions</b>		
Gross return on required capital	1,7	2,4
Net return on required capital	1,4	1,9
<b>Botswana Life Insurance</b>		
Gross return on required capital	6,9	8,8
Net return on required capital	5,2	6,6
<b>Sanlam Life Namibia Limited</b>		
Gross return on required capital	10,1	11,0
Net return on required capital	8,9	9,7
<b>Sanlam Namibia Limited</b>		
Gross return on required capital	8,9	9,9
Net return on required capital	7,8	8,6



# Administration

## Shareholders' diary

Financial year-end	31 December 2016
Annual general meeting	07 June 2017

## Reports

Interim report for 30 June 2017	September 2017
Announcement of the results for the year ended 31 December 2017	March 2018
Annual report for the year ended 31 December 2017	March 2018

## Dividends

Dividend for 2016 declared	09 March 2017
Last date to trade for 2016 dividend	04 April 2017
Shares will trade ex-dividend from	05 April 2017
Record date for 2016 dividend	07 April 2017
Payment of dividend for 2016	10 April 2017
Declaration of dividend for 2017	March 2018
Payment of dividend for 2017	April 2018

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account Nominee (Pty) Limited and Sanlam Fundshares Nominee (Pty) Limited), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between Wednesday 05 April 2017 and Friday 07 April 2017, both dates included.

Transactions on the JSE via Strate are not affected by this arrangement.

## Administration

### Registered name

Sanlam Limited  
(Registration number: 1959/001562/06)  
(Tax reference number: 9536/346/84/5)  
JSE share code (primary listing): SLM  
NSX share code: SLA  
ISIN: ZAE000070660  
Incorporated in South Africa

### Transfer secretaries

Computershare Investor Services (Pty) Limited  
(Registration number 2004/003647/07)  
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196,  
South Africa  
PO Box 61051, Marshalltown 2107, South Africa  
Telephone +27 (0)11 370 5000

### Group Company Secretary

Sana-Ullah Bray

### Registered Office

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### Sponsor

Deutsche Securities (SA) Proprietary Limited

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