Sanlam

Sanlam Life Insurance Limited
Annual Financial Statements
2017

Insurance | Financial Planning | Retirement | Investments | Wealth

SANLAM LIFE INSURANCE LIMITED

REGISTRATION NO. 1998/021121/06

Company incorporated in South Africa

Directors at 31 December 2017

Independent Non-Executive

MM Bakane-Tuoane
PB Hanratty (appointed in April 2017)
SA Nkosi
P de V Rademeyer (retired in September 2017)
DK Smith (retired in June 2017)
CB Booth (resigned 8 March 2017)
AD Botha
MV Moosa
KT Nondumo
CG Swanepoel
PL Zim

Non-Executive

J van Zyl (Chairman) (appointed in June 2017)
PT Motsepe
RV Simelane

Executive

IM Kirk (1)
HC Werth (1)
Y Ramiah (1) (resigned in January 2018)
TI Mvusi (1)

(1) Full time employees

Company Secretary

S Bray

Registered office

2 Strand Road
Bellville
7530

Postal address

PO Box 1
Sanlamhof
7532

Auditors

Ernst & Young Inc.
P O Box 504
Sanlamhof
7532

Pages 19 to 142 of the financial statements have been audited. Refer to the Independent Auditors' report on page 11. The preparation of the consolidated and separate financial statements was supervised by the Financial Director, HC Werth CA(SA).

SANLAM LIFE INSURANCE LIMITED

Annual Financial Statements

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Sanlam Life Insurance Limited takes responsibility for the integrity, objectivity and reliability of the group and company annual financial statements of Sanlam Life Insurance Limited in accordance with International Financial Reporting Standards. Adequate accounting records have been maintained. The Board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the annual financial statements has been delegated to management.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the financial statements based on their audit of Sanlam Life Insurance Limited and the Group. The Audit, Actuarial and Finance committee has satisfied itself that the external auditors were independent of the company during the period under review.

The Audit, Actuarial and Finance committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Sanlam Life Insurance Limited Group annual financial statements. The Board is satisfied that the annual financial statements fairly present the financial position, changes in equity, the results of operations and cash flows from the Group in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements consistently applied.

A full description of how the Audit, Actuarial and Finance Committee carried out its functions is included in the directors' report.

The Board is of the opinion that Sanlam Life Insurance Limited is financially sound and operates as a going concern. The financial statements have accordingly been prepared on this basis.

The financial statements were approved by the Board and signed on its behalf by:

IM Kirk
Director
7 March 2018

HC Werth
Director

CERTIFICATE BY COMPANY SECRETARY

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 December 2017, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

S Bray
Company Secretary
7 March 2018

REPORT OF THE STATUTORY ACTUARY OF SANLAM LIFE INSURANCE LIMITED

Statutory valuation

The following major life insurance companies have been consolidated in the Sanlam Life Insurance Limited group annual financial statements set out on pages 19 to 142:

- Sanlam Life Insurance Limited;
- Sanlam Developing Markets Limited;
- BrightRock Life Limited;
- Sanlam Life Namibia Limited;
- Botswana Life Insurance Limited; and
- MCIS Insurance Berhad.

In respect of each of the above companies I have obtained confirmation from the appointed Statutory Actuary that:

- The valuation of the company as at 31 December 2017, has been performed in all material respects on the bases as set out on pages 25 to 30, as applicable. The valuation has been prepared and the results are presented in accordance with the applicable actuarial and statutory guidelines;
- The assets of the company exceeded its liabilities plus the capital adequacy requirements as at 31 December 2017;
- The company was financially sound on the statutory basis as at the valuation date, and in the opinion of the Statutory Actuary is likely to remain financially sound for the foreseeable future; and
- The management actions assumed for the calculation of the capital adequacy requirements have been approved by the Board of Directors of the company and the Statutory Actuary expects that these actions would be taken if the corresponding risks were to materialise.

B Laggar
Statutory Actuary
7 March 2018

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

NATURE OF BUSINESS

The core activities of Sanlam Life Insurance Limited (Sanlam Life) include long-term insurance, investment management and other related financial services activities. Sanlam Life is a public company incorporated in terms of the Companies Act No 71 of 2008, as amended, in South Africa.

CORPORATE GOVERNANCE

Application of and approach to King IV™

The Board is satisfied that, during 2017, every effort was made to apply and explain all aspects of King IV™, as appropriate. The Risk and Compliance committee is also satisfied that Sanlam has applied the King IV™ principles during 2017, and is taking steps to ensure adherence to the obligations placed upon the Group as a consequence thereof. The Group regularly assessed its compliance levels to ensure that all areas requiring improvement were appropriately identified and addressed.

During the reporting period the focus areas included:

- ongoing complying to and enhancing the Sanlam Group and Sanlam Life Group's corporate governance policy framework;
- implementing the Sanlam Group strategy as refined in 2017;
- integrating Sanlam's resilience factors into the Annual Report for 2017;
- presenting Sanlam's Remuneration Report to shareholders, enabling them to cast a non-binding advisory vote on the Company's remuneration policy. The disclosure in the 2017 Remuneration Report was updated in line with developing best practice. The Remuneration Policy is also applicable to the Sanlam Life Group.
- evaluating the independence of Sanlam's directors in accordance with King IV™ criteria;
- shareholders electing members of the Sanlam Audit, Actuarial and Finance committee at the annual general meeting (AGM) held in June 2017. This process will be repeated in 2018 as members are elected annually at the AGM;
- reviewing and approving Sanlam's risk appetite statement;
- regularly refining combined assurance models (CAMs) for each significant business within the Group; and
- ongoing adherence to the Group IT governance framework and Charter as well as the IT policy framework.

Information and technology (IT) is essential for Sanlam as it has become truly pervasive. The Board's IT governance directs the strategic and operational use of IT to ensure benefits are realised at an acceptable and articulated level of risk. IT receives the appropriate level of focus and is an important enabler of projects that effect change to our businesses. Thus, IT governance is extended to include all major change projects. The IT governance framework is established at Group level.
It extends into the businesses and is tailored to suit their specific needs. Similarly, IT governance capacity and awareness are supported by all Board and management structures within the businesses.

The Board entrenched the principles and recommended practices of King IV™ across the Group. A process to apply and explain King IV™ principles was initiated and is expected to be rolled out further to subsidiaries, joint ventures and associated companies (including non-SA entities). It will continue to focus on the application of the Group governance policy, disclosure requirements regarding integrated reporting, and the composition of governance structures.

Sanlam's decentralised business approach requires that each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to endorse the principles of King IV™ by putting measures in place to ensure good corporate governance. All businesses and governance structures in the Group are supported by clear approval frameworks and agreed-upon business principles, which ensure a coherent and consistent application of the Group's governance approach across the businesses.

Refer to the Sanlam Group Corporate Governance Report 2017 for a greater appreciation of the application of King IV™ by the Sanlam Group. Specifically, under the Group's Code of Ethical Conduct, no material breaches were reported during 2017. The Group compliance office, with the compliance functions of the business clusters and units, facilitates the management of compliance through analysing statutory and regulatory requirements, and monitoring the implementation and execution thereof. Material deviations are reported to the Risk and Compliance committee. No material deviations were reported in 2017.

Board responsibilities and functioning

All the directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life, a wholly owned subsidiary of Sanlam. The two Boards function as an integrated unit in practice as far as possible. Both Boards have the same independent director as chairman, as well as the same executive director as Chief Executive.

The Sanlam Limited and Sanlam Life Board meetings are combined meetings and are held concurrently, thereby removing one layer of discussions in the decision-making process. This promotes the productivity and efficiency of the two Boards and prevents duplication of effort while optimising the flow of information.

The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as ensuring compliance with the requirements set out in the Long-term Insurance Act, 52 of 1998. The responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following Board Committees:

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

Refer to the Sanlam Group Corporate Governance Report 2017 online for a greater appreciation of the composition and functioning of the Board.

Audit, Actuarial and Finance committee (Audit committee)

In line with global best practice, the functions of the Audit and Risk committee continue to be split into two separate committees, namely, a Risk and Compliance committee and an Audit, Actuarial and Finance committee. This allows sufficient attention to be devoted to the Audit and Risk matters.

Members and dates of appointment:
PB Hanratty (Chairman) (01/12/2017), AD Botha (02/03/2017) and K Nondumo (01/01/2016).

Attendees:
Group Chief Executive, Financial Director, Chief Actuary, Chief Audit Executive, the heads of business clusters (as required), heads of control functions, as well as expert invitees: CG Swanepoel, JP Möller, D Ladds and AP Zeeman.

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act No 71 of 2008 (the Act), as amended, the individual members of the committee are appointed annually by the shareholders at the Sanlam Annual General Meeting (AGM) for the ensuing financial year. The committee consists of three members with financial, actuarial and other relevant areas of experience (as described in its charter). The external audit partners as well as other assurance providers, also attend committee meetings. This committee also discharges all the (statutory) Audit committee responsibilities in terms of the Act on behalf of almost all of the subsidiary companies within the Group.

The Audit committee has Board-approved formal terms of reference, and is satisfied that it has discharged its responsibilities as set out in these terms. The role of the Audit committee is to fulfil all functions as set out in the Companies Act, to assist the Board in fulfilling its responsibility regarding financial and auditing oversight, and to oversee their overall quality. It assists the Board with the effectiveness, design and implementation, and the nature and extent of any significant weaknesses in the design, implementation, or integrity of financial and actuarial reporting, and internal control matters that may result in material financial loss, fraud, corruption or error. The Audit committee evaluates the Group's internal controls annually and has satisfied itself on the effectiveness of the design and implementation and that there were no material breakdowns in internal financial control systems during the year.

The Audit committee, after due consideration, recommends the annual financial statements to the Board for approval. It also performs the prescribed statutory requirements, including those applicable to the external auditor. The last-mentioned includes the annual recommendation of the external auditor to the shareholders at the AGM, agreement as to the scope of the audit and budgeted audit fees in the annual audit plan presentation, as well as the approval of the final audit fees. As required by the Act, the committee reviews compliance of the external auditor with the non-audit services policy of the Group annually.

The Audit committee ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities. The committee also reviews and approves the Internal Audit Charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee also meets with the Chief Audit Executive independently of management.

The Audit committee performs an annual evaluation of the financial function in Sanlam. The committee executed this responsibility at its meeting in December 2017 and was satisfied that the financial function had appropriate resources, skills, expertise and experience. In December 2017, the committee also confirmed that it was and still is satisfied that Mr HC Werth, the Financial Director of Sanlam and Sanlam Life, possesses the appropriate skills, expertise and experience to meet the responsibilities required for this position during his service. The committee also reviewed and confirmed its satisfaction with the performance of the Chief Audit Executive.

The Board institutes a policy that governs the level and nature of non-audit services, which requires pre-approval by the Audit committee for all non-audit services. As required by the Act, the committee has, after consideration of the level and types of non-audit services provided and other enquiries and representations, satisfied itself that Sanlam's external auditor is independent of the Company and has recommended the reappointment of Ernst & Young Inc. as external auditor for the 2018 financial year with Mr C du Toit as the designated individual registered auditor who will undertake the audit of Sanlam Life on behalf of Ernst & Young Inc.

This committee's charter is also reviewed by the Board annually. The Audit committee is satisfied it has discharged its legal, regulatory and other responsibilities.

The committee meets at least four times a year.

The Audit, Actuarial and Finance (Audit) committee report for the 2017 financial year

The Audit committee takes pleasure in submitting this report required in terms of the Act. The Audit committee consisted of three non-executive directors who acted independently as described in section 94 of the Act. During the period under review, four meetings were held and all the committee members attended all the meetings. At the meetings, the members fulfilled all their functions as prescribed by the Act as well as those additional functions as determined by the Board.

A list of the functions of the Audit committee is contained in the committee charter, some of which are elaborated upon above. The Audit committee evaluated the Company's internal financial controls and has satisfied itself that there were no material breakdowns in such controls during the year. The Audit committee did not receive any concerns or complaints from external stakeholders during the year.

The Audit committee has satisfied itself that the auditors are independent of the Company and are thereby able to conduct their audit functions without any undue influence from the Company.

The Audit committee has recommended the Annual Financial Statements to the Board for approval.

P Hanratty
Audit committee Chairman

GROUP AND COMPANY RESULTS

Profit before tax for the Group increased from R13 057 million in 2016 to R18 078 million in 2017, largely due to the strong operational performance. Profit before tax for the Company increased from R12 592 million in 2016 to R16 498 million in 2017. Further details regarding the Group's results are included in the financial statements on pages 31 to 142.

SHARE CAPITAL

There were no changes in the authorised and issued share capital of the company during the financial year.

DIVIDEND

A dividend of R5 200 million was declared and paid in the 2017 financial year (2016: R4 750 million).

SUBSIDIARIES

Details of the company's principal subsidiaries are set out on page 82.

HOLDING COMPANY

Sanlam Life is a wholly owned subsidiary of Sanlam, a company incorporated in South Africa and listed on the JSE and the Namibia Stock Exchange.

DIRECTORS' INTEREST IN CONTRACTS

No material contracts involving directors' interests were entered into in the year under review.

DIRECTORS AND SECRETARY

Particulars of the directors and secretary of the company are set out on page 1.

DIRECTORS' EMOLUMENTS

Refer to note 21 for details on directors' emoluments. Further details can also be found in the Sanlam Group Remuneration Report 2017 online.

EMPLOYMENT EQUITY

The required report in terms of section 21 of the Employment Equity Act has been submitted and a compliance certificate has been issued. See page 143 for an extract of the report.

SUBSEQUENT EVENTS

Subsequent to the 2017 year-end, the Group concluded agreements to acquire the remaining 53.4% stake in Saham Finances. This transaction significantly enhances the strategic positioning of Sanlam as the leading insurance provider in Africa, and will accelerate the extraction of synergies from the combined footprint. The transaction price of US$ 1 050 million will be funded from the following sources:

- A Sanlam Limited share issuance of up to 5% of the issued Sanlam shares in terms of the general authority granted by shareholders at the 2017 annual general meeting. The opportunity to further enhance Sanlam's Black Economic Empowerment initiatives and shareholding at a minimum level of dilution will be considered as part of the share issuance.
- Available discretionary capital of R3 billion to R4 billion, allowing for the additional R1.5 billion to be released from the Sanlam Life covered business operations in 2018.
- Debt funding for the remainder. Any utilisation of debt capacity will be subject to the Group's risk appetite, while also ensuring that the funding cost can be comfortably covered by dividend cash flows from the Saham Finances investment. The Group intends to redeem the R1,2 billion of Sanlam Life subordinated debt that reaches its call option date in August 2018, which will partly offset the increase in overall Group debt from this transaction.

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

No other material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2017 as reflected in these financial statements.

NOTICE IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT, 2008 (THE ACT)

The Company is from time to time, as an essential part of conducting the business of the Sanlam Group, required to provide financial assistance to Group companies as part of its day-to-day operations in the form of loan funding, guarantees or general financial assistance as contemplated in Section 45 of the Act.

In accordance with Section 45(5) of the Act this serves to give notice that the Sanlam Life Board, in line with existing practice, approved that the Company may, in accordance with and subject to the provisions of section 45 of the Act and in terms of the special resolution passed at the Company's annual general meeting in 2017, provide such direct or indirect financial assistance to related and inter-related companies and corporations as described in Section 45 of the Act.

The amount and format of financial assistance which may be granted pursuant to the resolution is subject to on-going review by the Sanlam Board and may in total exceed the reporting threshold of 0,1% of the Sanlam Life Group's net asset value provided for in the Act.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been approved by the directors as reflected on page 3, including the certificate by the Company Secretary on page 3 and the Audit committee report for the 2017 financial year on page 8.

Independent Auditor's Report

To the Shareholders of Sanlam Life Insurance Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Sanlam Life Insurance Limited set out on pages 19 to 142, which comprise the statements of financial position as at 31 December 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sanlam Life Insurance Limited as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of Sanlam Life Insurance Limited in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing the audit of Sanlam Life Insurance Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Sanlam Life Insurance Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
1. **Valuation of insurance contract liabilities** We considered the valuation of insurance contract liabilities to be significant to the audit of the Sanlam Life Insurance Limited Company and Group. Specifically, actuarial assumptions and methodologies involve judgements about future events, both internal and external to the Company and Group, for which small changes can result in a material impact to the valuation of insurance contract liabilities. Additionally, the valuation of insurance contract liabilities is dependent on the quality, integrity and accuracy of the data used in the valuations. We have therefore identified the following areas of focus in relation to the valuation of insurance contract liabilities: a) Appropriateness of actuarial assumptions, models and methodology; and b) Data processes and controls relevant to the actuarial valuation. Refer to the Capital and risk management report (pages 91 to 142), Policy liabilities and profit entitlement section of the accounting policies (pages 25 to 30), Note 24 of the Group and Company financial statements (Critical accounting estimates and judgements, pages 63 to 64) and Note 14 of the Group and Company financial statements (pages 52 to 54).	Refer to sections 1.a and 1.b below.
1a. Appropriateness of actuarial assumptions, models and methodology Actuarial assumptions and methodologies reflected in policyholder liabilities are subject to a considerable level of judgement. The operational assumptions are informed by actual experience, market experience and practice, and expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the Sanlam Group approved policy. The assumptions that we consider to have the most significant impact on the actuarial valuations are: • Mortality, longevity, disability and morbidity; • Persistency; • Expenses; • Risk discount rates; and • Allowance for credit defaults. The integrity and appropriateness of models and methodology are also considered to be critical in the overall valuation of insurance contract liabilities.	Our audit of these actuarial assumptions, models and methodology applied in the valuation of insurance liabilities, inter alia, included the following audit procedures that were executed with the assistance of our actuarial experts, across the areas considered material: • We assessed the valuation methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved company policy. • We assessed the design and operating effectiveness of the key controls of the actuarial valuation process for the setting and updating of actuarial assumptions and the process for model and methodology changes; • We focused our analysis on management's key assumptions around mortality, longevity, disability, morbidity, persistency and expenses and assessed the results of management's experience analyses; • We assessed the economic basis, including allowances for credit risk and the risk discount rates, by independently validating the risk free yield curve, product yield curves and the credit

Key Audit Matter	How the matter was addressed in the audit
	spreads; • We confirmed, on a sample basis, that model and methodology changes have been appropriately implemented by comparing the impacts of these changes to our own calculations of what we would expect the impact to be; • We evaluated the assumptions and methodology against expectations based on our knowledge of the Group, industry practice, and regulatory and reporting requirements. This included an independent evaluation of the sensitivities of the models to various changes in inputs; • We evaluated the key sources of profit and loss and assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements; • We evaluated and performed procedures over management's modelling of Investment Guarantee Reserves in terms of the applicable actuarial guidance notes; • We considered the level of margins held, management's justification for holding these margins and how these will be released in future; • We performed procedures over the calculation of the non-participating annuity liability, to consider whether the minimum prescribed margin is provided and we evaluated how the provision for credit risk is being managed; and • We performed procedures over the Capital Adequacy Requirements (CAR) calculation to ensure that it is in line with the applicable actuarial guidance notes and we evaluated management actions under the prevailing market conditions.
1b. Data processes and controls relevant to the actuarial valuation Data is a key input into the valuation process: the calculation of insurance contract liabilities has a number of inputs, which are reliant on various processes and systems for accurate and complete data. A breakdown of these processes and systems could result in a misstatement of the value of insurance contracts.	In obtaining sufficient audit evidence to assess the integrity of data used as inputs into the actuarial valuations, we, inter alia, performed the following audit procedures: • We assessed the design and operating effectiveness of the key aspects of the control environment over data integrity, including an evaluation of the effectiveness of the IT environment over the policy administration systems and the actuarial valuation systems, together with the data extraction and conversion processes; • We performed an evaluation of the key controls over management's collection, extraction and data validation processes, which included testing of the reconciliations between the policy

Key Audit Matter	How the matter was addressed in the audit
	administration systems and the actuarial data extract from the actuarial valuation systems; and • We performed procedures to evaluate management's grouping of data for input into the actuarial valuation models.
2. Valuation of unlisted financial instruments We considered the valuation of unlisted financial instruments to be significant to the audit because of the materiality thereof to the consolidated and separate financial statements of Sanlam Life Insurance Limited and the sensitivity thereof to the various unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement. The financial instruments we considered most complex and most sensitive to unobservable valuation inputs are private equity and unlisted debt. Refer to Note 24 of the Group financial statements (Critical accounting estimates and judgements, page 63 to 64) and Note 33 of the Group financial statements pages 75 to 80).	Our audit included the following audit procedures across the areas considered material: • We assessed the design and operating effectiveness of the financial reporting controls we considered significant in the valuations and model approval process. This included the controls over the maintenance and use of credit ratings utilised in the valuations; • We assessed the valuation methodologies applied for appropriateness against generally accepted market practice; • We compared the assumptions used in the Group's models and methodologies to independent external sources where possible; • Where valuation inputs were unobservable, we involved our valuation experts to assist us in assessing these inputs; and • We independently tested the valuation of a sample from each type of financial instruments. In addition to the above, our specific procedures included the following: ***Private equity:*** • We considered whether the application of methodologies is consistent with generally accepted valuation methodologies and prior periods and that assumptions and inputs used are consistent, in all material respects, with the business' past performance and management business strategy, adjusted for the implicit risk of achieving this strategy under prevailing market conditions. • Where deemed appropriate, we performed an independent corroboration of the valuations to comparable entities in the market. ***Unlisted debt:*** • We evaluated the valuation inputs, in particular, the construction of the risk free curve, liquidity and credit spreads by performing independent checks against external sources. • In respect of counter party exposure, we involved our valuation experts to assist us in considering whether credit risk has been appropriately considered and applied in the valuation at year-end.

Key Audit Matter

3. Valuation of unlisted investments in subsidiaries, associates and joint ventures

We considered the valuation of unlisted investments in subsidiaries, associates and joint ventures to be significant to the audit, because of the materiality thereof to the separate financial statements of Sanlam Life Insurance Limited and the sensitivity thereof to the various unobservable valuation inputs, uncertain future cash flows and assumptions that require considerable judgement.

In our consideration, we distinguished investments in life insurance entities from other (non-life) entities.

For investments in life insurance entities, we considered the fact that actuarial assumptions and methodologies reflected in the embedded value are subject to a considerable level of judgement. The operational assumptions are informed by actual experience, market experience and practice, and best estimate expectations as to future trends. Economic assumptions are typically based on latest market conditions and are set in accordance with relevant guidance and the Sanlam Group approved policy.

The assumptions that we consider to have the most significant impact on the actuarial valuations are:

- Mortality, longevity, disability and morbidity;
- Persistency;
- Expenses;
- Risk discount rates; and
- Allowance for credit defaults
- The cost of required capital.

The integrity and appropriateness of models and methodology are also considered to be critical in the calculations of embedded value. Additionally, we recognise that the valuation is dependent on the quality, integrity and accuracy of the data used in the valuations. However, we have already covered this aspect as part of our consideration of the valuation of insurance contract liabilities and, therefore, do not repeat the consideration here.

How the matter was addressed in the audit

Investments in life insurance entities:

Our audit of the actuarial assumptions, models and methodology applied in the embedded value calculations, inter alia, included the following audit procedures that were executed with the assistance of our actuarial team, across the areas considered material:

- We assessed the embedded value methodology and assumptions for compliance with the latest actuarial guidance, legislation and approved company policy, including consistency with the valuation of insurance contract liabilities.
- We assessed the design and operating effectiveness of the key controls of the embedded value process for the setting and updating of actuarial assumptions and the process for model and methodology changes;
- We focused our analysis on management's key assumptions around mortality, longevity, disability, morbidity, persistency and expenses and assessed the results of management's experience analyses;
- We assessed the economic basis, including allowances for credit risk and the risk discount rates, by independently validating the risk free yield curve, product yield curves and the credit spreads;
- We confirmed, on a sample basis, that model and methodology changes have been appropriately implemented by comparing the impacts of these changes to our own calculations of what we would expect the impact to be;
- We evaluated the assumptions and methodology against expectations based on our knowledge of the Group, industry practice, and regulatory and reporting requirements. This included an independent evaluation of the sensitivities of the models to various changes in inputs;
- We evaluated the key sources of profit and loss and assessed management's analysis of movements in the embedded value and obtained evidence to support large or unexpected movements; and
- We performed procedures over the required capital to ensure it was calculated in line with the basis of preparation and the cost of required capital to ensure that it was consistent with the applicable actuarial guidance notes.

Investments in other (non-life) entities:

- We considered whether the application of methodologies is consistent with generally

Key Audit Matter	How the matter was addressed in the audit
Refer to Note 7.4 of the Company financial statements (Investments in subsidiaries, associates and joint ventures, (page 46) and the Principal subsidiaries note (pages 82 to 83).	accepted valuation methodologies and prior periods and that assumptions and inputs used are consistent, in all material respects, with the business' past performance and management business strategy, adjusted for the implicit risk of achieving this strategy under prevailing market conditions. • Where deemed appropriate, we performed an independent corroboration of the valuations to comparable entities in the market. • Where valuation inputs were unobservable, we involved our valuation experts to assist us in assessing these inputs.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Responsibility for Financial Reporting, Certificate by the Company Secretary, Report of the Statutory Actuary, Directors' Report as required by the Companies Act of South Africa as well as the Employment Equity Report.

Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and/or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Ernst & Young Inc, and its predecessor firms, have been the joint auditors of Suid-Afrikaaans Nasionale Lewens Assuransie Maatskappij Beperk (South African National Life Assurance Company Limited) since it came into existence in 1918. The entity was demutualised and incorporated as the company, Sanlam Life Insurance Limited, in 1998. As of 2002, Ernst & Young Inc. was appointed as the sole auditor of Sanlam Life Insurance Limited. In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, and subsequent guidance, we report that Ernst & Young Inc., and its predecessor firms, have been the auditors of Sanlam Life Insurance Limited for a total of 100 years. We confirm that we are independent in accordance with the Independent

Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors and other Independence requirements applicable to the independent audit of Sanlam Life Insurance Limited.

Ernst & Young Inc.

Johanna Cornelia de Villiers
Director
Registered Auditor
7 March 2018

Ernst & Young House
3 Dock Road
V&A Waterfront
Cape Town

Basis of presentation and accounting policies

Basis of presentation

Introduction

The consolidated financial statements are prepared on the historical-cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act, No. 71 of 2008 (as amended), in South Africa. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated. The amendments to standards, effective 1 January 2017, did not have a significant impact on the basis of preparation.

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

- IFRS 9 - *Financial Instruments* (effective1 January 2018)
- IFRS 15 - *Revenue from Contracts with Customers*(effective 1 January 2018)
- IFRS 16 - *Leases* (effective 1 January 2019)
- IFRS 17- *Insurance Contracts* (effective 1 January 2021)

IFRS 9: *Financial Instruments* will replace IAS 39: *Financial Instruments: Recognition and Measurement*. The Group will be adopting this standard from 1 January 2018 using the modified retrospective approach and will not make use of any of the deferral options provided in IFRS 4: *Insurance Contracts*. The standard introduces new requirements for the classification and measurement of financial instruments. During the year the Group conducted an assessment of the potential classification and measurement changes that may result from the adoption of the new standard, based on the composition of the Group Statement of Financial Position as at 31 December 2016, for the purposes of a preliminary impact assessment, as well as 31 December 2017, to assess the impact on adoption. The outcome of this process indicates that there will be limited changes in classification and measurement across the Group.

IFRS 9 introduces a new expected credit loss (“ECL”) impairment model for all financial assets and certain loan commitments and guarantees.

As the majority of the group’s financial assets subject to more than an insignificant amount of credit risk are measured at fair value through profit or loss, the potential significant impacts from changes in the measurement basis of impairment provisions are limited to the Group’s investment in associated companies and joint ventures, as a number of these conduct credit business. Based on ongoing assessments, while the carrying value of these associates will decrease on adoption of IFRS 9, the impact based on current assessments indicate that this decrease should not be in excess of 2% of the balance of equity accounted investments, and therefore will not be material to the Group.

IFRS 15: *Revenue from Contracts with Clients* replaces all existing revenue recognition requirements in IFRS and applies to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The standard is effective for the Group for the financial year commencing 1 January 2018.

The potential areas of significant impact for the Group relate to performance fees earned by the asset management operations, upfront fees received, deferred acquisition costs on investment business and isolated instances of more complex fee structures. Based on the level of performance fees earned, no significant impact is expected from this. The impact of other areas is still being assessed.

IFRS 16: *Leases* was issued by the IASB in January 2016 and replaces IAS 17: Leases for reporting periods beginning on or after 1 January 2019. The Group is in the process of assessing the impact of IFRS 16. Initial work performed, indicates that there will be limited impact on the financial statements as a result of this standard.

IFRS 17: *Insurance Contracts* was issued in May 2017. The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Initial work performed on the impact of IFRS 17 indicates that there will be a significant impact on the underlying valuation models, systems and processes. The Group is in the process of assessing the requirements of the standard against current data, processes and valuation models and is expected to finalise this assessment during the second half of 2018.

Use of estimates, assumptions and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect items reported in the Group Statement of Financial Position and Statement of Comprehensive Income, as well as contingent liabilities. The major items subject to the application of estimates, assumptions and judgements include:

- The fair value of unlisted investments;
- The valuation of policy liabilities;
- Potential claims and contingencies; and
- The consolidation of investment funds where the Group has less than a majority interest.

Although estimates are based on management's best knowledge and judgement of current facts as at the Statement of Financial Position date, the actual outcome may differ from these estimates, possibly significantly. Refer to note 24 for further information on critical estimates and judgements and note 27 for information on contingencies.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 31 to 86 include the consolidated activities of the policyholders and shareholders. The Statement of Actuarial Values of Assets and Liabilities of the Group is disclosed on pages 87 to 90.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance businesses are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS, generally accepted actuarial practice and the stipulations contained in the Sanlam Life demutualisation proposal. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on pages 25 to 30.

Insurance contracts

The disclosure of claims experience in claims development tables is based on the period when the earliest material claims arose for which there is still uncertainty about the amount and timing of the claims payments.

Cash, deposits and similar securities

Cash, deposits and similar securities include bank account balances, call, term and negotiable deposits, promissory notes and money market collective investment schemes. A distinction is made between:

- Cash, deposits and similar securities included in the asset mix of policyholders' and shareholders' fund investment portfolios, which are disclosed as investments in the statement of financial position; and
- Working capital balances that are disclosed as working capital assets, apart from bank overdrafts, which are disclosed as working capital liabilities.

Financial instruments

Owing to the nature of the Group's business, financial instruments have a significant impact on the Group's financial position and performance. Audited information in respect of the major categories of financial instruments and the risks associated therewith are provided in the following sections:

- Audited Capital and Risk Management report on pages 91 to 142;
- Note 7: Investments;
- Note 14: Long-term policy liabilities;
- Note 15: Term finance; and
- Note 24: Critical accounting estimates and judgements.

Segmental information

The Group reports in six distinct segments, grouped according to the similarity of the solution offerings and market segmentations of the various businesses. The six segments are:

- Sanlam Personal Finance;
- Sanlam Emerging Markets;
- Sanlam Investments, which includes Investment Management and Capital Management;
- Sanlam Corporate, which includes Sanlam Employee Benefits and Sanlam Health Management;
- Santam; and
- Group Office and Other.

The decentralised nature of the Group businesses facilitates the allocation of costs between them as the costs are directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices.

The audited segmental information is disclosed in the annual financial statements on pages 73 to 74.

Accounting policies

The Sanlam Group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These include policies relating to insurance liabilities, deferred acquisition costs, the ascertainment of fair values of financial assets, financial liabilities and derivative financial instruments, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex judgements based on information and financial data that may change in future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce materially different results. These policies (as set out in the relevant notes to the financial statements) are in accordance with and comply with IFRS and have been applied consistently for all periods presented unless otherwise noted.

Basis of consolidation

Subsidiaries and consolidated funds are entities that are controlled by Sanlam Life Insurance Limited or any of its subsidiaries.
The Group has control over an entity where it has the right to or is exposed to variable returns and has the power, directly or indirectly, to affect those returns. Specifically, the Group controls an entity if and only if the Group has:

- Power or existing rights over the entity or investee that give it the ability to direct relevant activities;
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights, the Group consider all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses on a continuous basis whether or not it controls an investee.

The purchase method of accounting is applied to account for acquisitions of subsidiaries. The cost of an acquisition is measured as the fair value of consideration transferred, equity instruments issued and liabilities assumed at the date of exchange. Costs directly attributable to an acquisition are expensed in the Statement of Comprehensive Income. Identifiable assets and liabilities acquired and contingent liabilities assumed are recognised at fair value at acquisition date.

The excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets and contingent liabilities represents goodwill and is accounted for in terms of the accounting policy note for goodwill. If the cost of an acquisition is less than the fair value of the net identifiable assets and contingent liabilities, the difference is recognised in the Statement of Comprehensive Income.

The results of subsidiaries and consolidated funds are included from the effective dates when the Group obtains control to the effective dates when the Group ceases to have control, using accounting policies uniform to the Group. Intergroup transactions, balances and unrealised profits on intergroup transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates the impairment of the asset transferred.

The interest of non-controlling shareholders in subsidiaries is stated at the non-controlling shareholders' share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to non-controlling shareholders in excess of the non-controlling interest are recognised as negative reserves against non-controlling shareholders' interest.

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the Statement of Comprehensive Income. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as non-controlling shareholders' interest.

The Group offers cell captive facilities to clients. A cell captive is a contractual arrangement entered into by the Group with a cell owner, whereby the risks and rewards associated with certain insurance activities accrue to the cell shareholder. Cell captives allow clients to purchase non-convertible preference shares in the registered insurance company which undertakes the professional insurance management of the cell, including: underwriting, reinsurance, claims management, actuarial and statistical analysis, investment and accounting services. The terms and conditions are governed by the shareholders' agreement. There are currently two distinct types of cell captive arrangements:

- First party – where the risks that are being insured relate to the cell shareholders' own operations or operations within the cell shareholders' group of companies. The cell shareholder and the policyholder are considered the same person. Where more than one contract is entered into with a single counterparty, it shall be considered a single contract, and the shareholder and insurance agreement are considered together for risk transfer purposes. As these contracts are a single contract there is no significant risk transfer and such cell captive facilities are accounted for as investment contracts.
- Third party – where the cell shareholder provides the opportunity to its own client base to purchase branded insurance products. The company is the principle to the insurance contract, although the business is underwritten on behalf of the cell shareholder. However, the shareholder's agreement determines that the cell shareholders remain responsible for the solvency of the cell captive arrangements. In substance, the insurance company therefore reinsures this business to the cell shareholder as the cell shareholder remains responsible for the solvency of the cell captive arrangement.

The cell shareholder's interest represents the cell shareholder's funds held by the insurer and is included under liabilities due to cell shareholders. The carrying value of amounts due to cells is the consideration received for preference shares plus the accumulated funds in respect of business conducted in the cells less repayment to cells.

Foreign currencies

Transactions and balances

Foreign currency transactions are translated to functional currency, i.e. the currency of the primary economic environment in which each of the Group's entities operate, at the exchange rates on transaction date. Monetary assets and liabilities are translated to functional currency at the exchange rates ruling at the financial period-end. Non-monetary assets and liabilities carried at fair value are translated to functional currency at the exchange rates ruling at valuation date. Non-monetary assets and liabilities carried at historic cost are translated to functional currency at the exchange rates ruling at the date of initial recognition.

Exchange differences arising on the settlement of transactions or the translation of monetary assets and liabilities (excluding investment assets and liabilities) are recognised in the Statement of Comprehensive Income as financial services income. Exchange differences on non-monetary assets and liabilities and monetary assets and liabilities classified as investment assets and liabilities, such as equities and foreign interest-bearing investments, are included in investment surpluses.

Foreign operations

Statement of Comprehensive Income items of foreign operations (including foreign subsidiaries, associates and joint ventures) with a functional currency different from the presentation currency, are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific items, in which instances the exchange rate on transaction date is used.

The closing rate is used for the translation of assets and liabilities, including goodwill, intangible assets and fair value adjustments arising on the acquisition of foreign entities. Exchange differences arising on the translation of foreign operations are transferred to a foreign currency translation reserve until the disposal of the net investment when it is released to the Statement of Comprehensive Income.

Policy liabilities and profit entitlement

Introduction

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied in all material respects to value the policy liabilities of Sanlam Developing Markets, Channel Life, Safrican insurance company, BrightRock Holdings and Sanlam Emerging Markets, unless otherwise stated.

The valuation bases and methodology, which comply with South African actuarial guidelines and requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2017 as a result of the aforementioned adequacy test.

The valuation bases and methodology comply with the requirements of IFRS.

Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the bases as set out in the accounting policy for investments, with the exception of investments in treasury shares, subsidiaries, associated companies, joint ventures and consolidated funds, which are also valued at fair value.

Classification of contracts

A distinction is made between investment contracts without discretionary participation features (DPF) (which fall within the scope of IAS 39 - *Financial Instruments: Recognition and Measurement)*, investment contracts with DPF and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 - *Insurance Contracts).*

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the Sanlam Life Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Insurance contracts and investment contracts with DPF

The actuarial value of the policy liabilities is determined using the FSV method as described in Professional Guidance Note, SAP 104 issued by the Actuarial Society of South Africa (Actuarial Society), which is consistent with the valuation method prescribed in the LTIA and consistent with the valuation of assets at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

- The best estimate of future experience;
- The compulsory margins prescribed in the LTIA; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2017 exceeds the minimum requirements in terms of the LTIA, SAP 104 and APN 110.

The application of actuarial guidance, as set out in SAP 104 and APN 110 issued by the Actuarial Society, is described below in the context of the Group's major product classifications.

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions are derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantee are taken into account.

  For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on the market yields of South African fixed interest securities on the valuation date.

  Refer to note 7 on page 89 for investment return assumptions per asset class.

- Future expense assumptions are based on the 2017 actual expenses and escalated at estimated expense inflation rates per annum, with a higher rate assumed for legacy business. The allocation of initial and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred during 2017. Allowance is made for project expenses consistently with the best estimate used for embedded value purposes.

- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.

- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Bonus stabilisation reserves

Sanlam Life's individual and group stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is created, which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Negative bonus stabilisation reserves in excess of 7,5% of the investment accounts are specifically disclosed. Bonus stabilisation reserves are included in long-term policy liabilities.

Provision for future bonuses

Provision was made for future bonuses so that each asset portfolio, less charges for expenses (including investment guarantee charges) and profit loadings, for each line of business would be fully utilised for the benefit of the policyholders of that portfolio.

Reversionary bonus business

The liability is set equal to the fair value of the underlying assets. This is equivalent to a best estimate prospective liability calculation using the bonus rates as set out above, and allowing for the shareholders' share of one-ninth of the cost of these bonuses.

The present value of the shareholders' entitlement is sufficient to cover the compulsory margins required in the LTIA and the Actuarial Society guidelines for the valuation of policy liabilities. These margins are thus not provided for in addition to the shareholders' entitlement.

Individual stable bonus, linked and market-related business

For investment policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

To the extent that the retrospective liabilities exceed the prospective liabilities, the valuation contains discretionary margins. The valuation methodology results in the release of these margins to shareholders on a fees minus expense basis consistent with the work done and risks borne over the lifetime of the policies.

An exception to the above relates to policy liabilities in respect of Sanlam Developing Markets' and Channel Life's individual Universal Life business (including stable bonus and market-linked business), which are valued prospectively. Negative values are not allowed in respect of any of these policies.

Group stable bonus business

In the case of group policies where bonuses are stabilised, the liabilities are equated to the fair value of the retrospectively accumulated underlying assets.

Future fees are expected to exceed expenses, including allowance for the prescribed margins. These excesses are released to shareholders consistent with the work done and risks borne over the lifetime of the policies.

Participating annuity business

The liabilities are equated to the fair value of the retrospectively accumulated underlying assets. This is equivalent to a best estimate prospective liability calculation allowing for future bonus rates as described above and expected future investment returns. Shareholder entitlements emerge in line with fees charged less expenses incurred consistent with work done and risks borne over the lifetime of the annuities. The present value of the shareholders' entitlement is sufficient to cover the compulsory margins for the valuation of policy liabilities. The compulsory margins are thus not provided for in addition to the shareholders' entitlement.

Non-participating annuity business

Non-participating life annuity instalments and future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Other non-participating business

Other non-participating business forms less than 7% of the total liabilities. Most of the other non-participating business liabilities are valued on a retrospective basis. The remainder is valued prospectively and contains discretionary margins via either an explicit interest rate deduction of approximately less than 1% on average or by not allowing policies with negative reserves.

For Sanlam Life's non-participating business other than life annuity business, an asset mismatch provision is maintained. The interest and asset profits arising from the non-participating portfolio are added to this provision. The asset mismatch provision accrues to shareholders at the rate of 1,33% monthly, based on the balance of the provision at the end of the previous quarter. The effect of holding this provision is, amongst other purposes, to dampen the impact on earnings of short-term fluctuations in fair values of assets underlying these liabilities. The asset mismatch provision represents a discretionary margin. A negative asset mismatch provision will not be created, but such shortfall will accrue to shareholders in the year in which it occurs.

Provision for HIV/Aids and other pandemics

A specific provision for HIV/Aids-related claims is maintained and included within the related prospective reserves.

A prospective calculation according to the relevant guidelines is performed for Sanlam Life's policies.

Premium rates for Group business are reviewed annually. The HIV/Aids provision is based on the expected HIV/Aids claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

In addition, provision for claims relating to other pandemics is also made based on the estimated additional death claims should a moderate pandemic occur.

Provision for minimum investment returns guarantees

In addition to the liabilities described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note APN 110.

Working capital

To the extent that the management of working capital gives rise to profits, no credit is taken for this in determining the policy liabilities.

Reinsurance

Liabilities are valued gross before taking into account reinsurance. Where material, the difference between the gross and net (after reinsurance) value of liabilities is held as a reinsurance asset.

Investment contracts (other than with DPF)

Contracts with investment management services

The liabilities for individual and group contracts are set equal to the retrospectively accumulated fair value of the underlying assets. The profits or losses that accrue to shareholders are equal to fees received during the period concerned plus the movement in the DAC asset less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded derivative.

Non-participating annuity business

Term annuity instalments and expected future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Guaranteed plans

Guaranteed maturity values and expected future expenses are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Sanlam Life Insurance Limited Group
Statement of financial position
at 31 December 2017

R million	Note	Group 2017	Group 2016	Company 2017	Company 2016
ASSETS					
Equipment	1	**829**	828	**241**	244
Owner-occupied properties	2	**940**	1 148	**543**	532
Goodwill	3.1	**1 877**	1 299	**753**	753
Value of business acquired	3.2	**1 607**	1 150	**-**	-
Other intangible assets	4	**495**	548	**143**	156
Deferred acquisition costs	5	**3 297**	3 280	**2 781**	2 752
Long-term reinsurance assets	6	**1 011**	899	**773**	689
Investments	7	**620 709**	556 490	**530 352**	483 410
Properties	7.1	**8 853**	7 718	**6 651**	5 578
Equities and similar securities	7.3.1	**201 904**	179 916	**76 983**	70 458
Investment in subsidiaries, associated companies and joint ventures	7.2, 7.4	**25 439**	20 617	**101 306**	89 719
Interest bearing investments	7.3.2	**178 966**	165 093	**97 901**	92 063
Structured transactions	7.3.2	**15 381**	14 030	**12 446**	10 991
Investment funds	7.3.2	**152 343**	132 748	**221 489**	199 647
Cash, deposits and similar securities	7.3.2	**37 823**	36 368	**13 576**	14 954
Deferred tax	8.1	**1 946**	1 765	**7**	-
Assets of disposal groups classified as held for sale	31	**321**	663	**-**	655
General insurance technical assets	9	**6 400**	5 022	**-**	-
Working capital assets		**41 586**	42 237	**10 791**	11 862
Trade and other receivables	10.1	**26 713**	27 153	**7 436**	7 671
Cash, deposits and similar securities		**14 873**	15 084	**3 355**	4 191
Total assets		**681 018**	615 329	**546 384**	501 053
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	11	**5 000**	5 000	**5 000**	5 000
Treasury shares		**(9)**	(30)	**-**	-
Other reserves	12	**6 121**	7 018	**5 429**	5 429
Retained earnings		**52 617**	45 491	**82 947**	73 437
Shareholders' fund		**63 729**	**57 479**	**93 376**	83 866
Non-controlling interest	13	**5 962**	5 632	**-**	-
Total equity		**69 691**	63 111	**93 376**	83 866
Long-term policy liabilities	14	**478 430**	440 415	**401 332**	370 414
Term finance	15	**4 334**	4 327	**2 166**	2 158
Structured transaction liabilities	16	**4 187**	1 298	**3 988**	892
External investors in consolidated funds		**64 777**	56 999	**-**	-
Cell owners interest		**3 217**	1 153	**-**	-
Deferred tax	8.1	**2 140**	1 836	**1 560**	1 432
General insurance technical provisions	9	**18 668**	14 557	**-**	-
Loans from subsidiaries	7.4	**-**	-	**32 168**	31 159
Working capital liabilities		**35 574**	31 633	**11 794**	11 132
Trade and other payables	10.2	**33 780**	29 786	**10 558**	9 656
Provisions	17	**214**	173	**107**	109
Taxation		**1 580**	1 674	**1 129**	1 367
Total equity and liabilities		**681 018**	615 329	**546 384**	501 053

Sanlam Life Insurance Limited Group
Statement of comprehensive income
for the year ended 31 December 2017

R million	Not	Group 2017	Group 2016	Company 2017	Company 2016
Net income		**108 320**	76 700	**67 002**	43 182
Financial services income	18	**59 943**	54 005	**16 649**	15 259
Reinsurance premiums paid	19	**(9 530)**	(7 607)	**(1 175)**	(1 015)
Reinsurance commission received	20	**1 685**	1 396	**-**	-
Investment income	7.5	**29 281**	27 188	**21 042**	20 051
Investment surpluses	7.5	**32 805**	4 243	**30 486**	8 887
Finance cost - margin business	22	**-**	(5)	**-**	-
Change in fair value of external investors liability		**(5 864)**	(2 520)	**-**	-
Net insurance and investment contract benefits and claims		**(68 356)**	(43 518)	**(42 919)**	(23 599)
Long-term insurance contract benefits	14.5	**(26 530)**	(23 509)	**(19 937)**	(17 547)
Long-term investment contract benefits	14.5	**(28 688)**	(8 019)	**(24 136)**	(7 085)
General insurance claims		**(21 036)**	(17 423)	**-**	-
Reinsurance claims received	20	**7 898**	5 433	**1 154**	1 033
Expenses		**(23 226)**	(21 134)	**(7 369)**	(6 787)
Sales remuneration		**(8 614)**	(7 947)	**(1 916)**	(1 787)
Administration costs	21	**(14 612)**	(13 187)	**(5 453)**	(5 000)
Impairments		**(363)**	(335)	**-**	-
Amortisation of intangibles		**(214)**	(186)	**(21)**	(17)
Net operating result		**16 161**	11 527	**16 693**	12 779
Equity-accounted earnings	1	**2 563**	1 929	**-**	-
Finance cost - other	22	**(646)**	(399)	**(195)**	(187)
Profit before tax		**18 078**	13 057	**16 498**	12 592
Taxation	8.2	**(3 985)**	(2 583)	**(1 788)**	(1 946)
Shareholders' fund		**(2 862)**	(1 610)	**(968)**	(1 320)
Policyholders' fund		**(1 123)**	(973)	**(820)**	(626)
Profit for the year		**14 093**	10 474	**14 710**	10 646
Other comprehensive income: to be recycled through profit or loss in subsequent periods					
Movement in foreign currency translation reserve		**(1 171)**	(3 778)	**-**	-
Other comprehensive income of equity accounted investments		**20**	(248)	**-**	-
Employee benefits re-measurement loss		**(1)**	-	**-**	-
Movement in cashflow hedge reserve		**(602)**	(469)	**-**	-
Comprehensive income for the year		**12 339**	5 979	**14 710**	10 646
Allocation of comprehensive income:					
Profit for the year		**14 093**	10 474	**14 710**	10 646
Shareholders' fund		**13 037**	9 539	**14 710**	10 646
Non-controlling interest		**1 056**	935	**-**	-
Comprehensive income for the year		**12 339**	5 979	**14 710**	10 646
Shareholders' fund		**11 444**	5 686	**14 710**	10 646
Non-controlling interest		**895**	293	**-**	-

Sanlam Life Insurance Limited Group
Statement of changes in equity
for the year ended 31 December 2017

Group

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve	Retained earnings	Subtotal: equity holders	Consolidation reserve	Total: equity holders	Non-controlling interest	Total equity
Balance at 1 January 2016	1	4 999	(16)	5 908	3 322	42 547	**56 761**	(165)	**56 596**	6 486	**63 082**
Comprehensive income	-	-	-	-	(3 325)	9 011	**5 686**	-	**5 686**	293	**5 979**
Profit for the year	-	-	-	-	-	9 539	**9 539**	-	**9 539**	935	**10 474**
Other comprehensive income [3]	-	-	-	-	(3 325)	(528)	**(3 853)**	-	**(3 853)**	(642)	**(4 495)**
Net disposal/(acquisition) of treasury shares [2]	-	-	(14)	-	-	(49)	**(63)**	-	**(63)**	(41)	**(104)**
Share-based payments	-	-	-	-	-	58	**58**	-	**58**	37	**95**
Transfer to non-distributable reserve	-	-	-	(23)	-	23	**-**	-	**-**	-	**-**
Transfer (from)/to consolidation reserve	-	-	-	-	-	(1 296)	**(1 296)**	1 296	**-**	-	**-**
Dividends paid	-	-	-	-	-	(4 750)	**(4 750)**	-	**(4 750)**	(1 200)	**(5 950)**
Acquisitions, disposals and other movements in interests	-	-	-	-	-	(53)	**(53)**	5	**(48)**	57	**9**
Balance at 31 December 2016	**1**	**4 999**	**(30)**	**5 885**	**(3)**	**45 491**	**56 343**	**1 136**	**57 479**	**5 632**	**63 111**
Comprehensive income	-	-	-	-	(997)	12 441	**11 444**	-	**11 444**	895	**12 339**
Profit for the year	-	-	-	-	-	13 037	**13 037**	-	**13 037**	1 056	**14 093**
Other comprehensive income [3]	-	-	-	-	(997)	(596)	**(1 593)**	-	**(1 593)**	(161)	**(1 754)**
Net disposal/(acquisition) of treasury shares [2]	-	-	21	-	-	(52)	**(31)**	-	**(31)**	(19)	**(50)**
Share-based payments	-	-	-	-	-	56	**56**	-	**56**	36	**92**
Transfer to non-distributable reserve	-	-	-	100	-	(100)	**-**	-	**-**	-	**-**
Transfer (from)/to consolidation reserve	-	-	-	-	-	-	**-**	-	**-**	-	**-**
Dividends paid [1]	-	-	-	-	-	(5 200)	**(5 200)**	-	**(5 200)**	(793)	**(5 993)**
Acquisitions, disposals and other movements in interests	-	-	-	-	-	(19)	**(19)**	-	**(19)**	211	**192**
Balance at 31 December 2017	**1**	**4 999**	**(9)**	**5 985**	**(1 000)**	**52 617**	**62 593**	**1 136**	**63 729**	**5 962**	**69 691**

[1] A dividend of R104 per share was declared and paid during April 2017 in respect of the 2016 financial year (2016: R95 per share). Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

[2] Comprises movement in cost of shares held by subsidiaries and other consolidated funds as well as the effect of recognising certain tax losses relating to policyholder funds as a deferred tax asset.

[3] Other comprehensive income includes a realisation of cash flow hedging adjustments of R56 million (R40 million net of tax) in respect of the acquisition of an additional interest in Saham Finances, as well as an additional cash flow hedging adjustment of R781 million (R562 million net of tax) in respect of the cumulative fair value movements on the hedging instruments designated for funding of the remaining stake in Saham Finances in the current year.

Company

R million	Share capital	Share premium	Non-distributable reserve	Retained earnings	Total equity
Balance at 1 January 2016	**1**	**4 999**	**5 429**	**67 541**	**77 970**
Comprehensive income	-	-	-	10 646	**10 646**
Profit for the year	-	-	-	10 646	**10 646**
Other comprehensive income	-	-	-	-	**-**
Dividends paid	-	-	-	(4 750)	**(4 750)**
Balance at 31 December 2016	**1**	**4 999**	**5 429**	**73 437**	**83 866**
Comprehensive income	-	-	-	14 710	**14 710**
Profit for the year	-	-	-	14 710	**14 710**
Other comprehensive income	-	-	-	-	**-**
Dividends paid [1]	-	-	-	(5 200)	**(5 200)**
Balance at 31 December 2017	**1**	**4 999**	**5 429**	**82 947**	**93 376**

[1] A dividend of R111 per share was declared and paid during April 2017 in respect of the 2016 financial year (2016: R95 per share). Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.

Sanlam Life Insurance Limited Group
Cash flow statement

for the year ended 31 December 2017		Group		Company	
R million	Note	2017	2016	2017	2016
Cash flow from operating activities		**21 310**	16 086	**10 841**	9 652
Cash generated/(utilised) in operations	29.1	**2 963**	736	**(2 642)**	(2 431)
Interest and preference share dividends received		**17 912**	16 627	**10 536**	9 583
Interest paid		**(670)**	(404)	**(196)**	(187)
Dividends received		**10 997**	9 689	**10 248**	9 694
Dividends paid		**(5 993)**	(5 950)	**(5 200)**	(4 750)
Taxation paid		**(3 899)**	(4 612)	**(1 905)**	(2 257)
Cash flow from investment activities		**(20 870)**	(15 646)	(12 870)	(9 063)
Net acquisition of investments		**(17 736)**	(7 999)	**(12 111)**	(8 943)
Acquisition of subsidiaries, associates and joint ventures	29.2	**(4 830)**	(7 664)	**(759)**	(150)
Disposal of subsidiaries, associates and joint ventures	29.3	**1 696**	17	**-**	30
Cash flow from financing activities		**(118)**	826	**(11)**	161
Movement in treasury shares		**(50)**	(104)	**-**	-
Acquisition of non-controlling interest		**(113)**			
Term finance raised		**1 019**	2 001	**-**	1 000
Term finance repaid		**(974)**	(1 071)	**(11)**	(839)
Net increase in cash and cash equivalents		**322**	1 266	**(2 040)**	750
Net foreign exchange differences		**(122)**	(69)	**(174)**	(146)
Cash and cash equivalents at beginning of the year		**47 047**	45 850	**19 145**	18 541
Cash and cash equivalents at end of the year	29.4	**47 247**	47 047	**16 931**	19 145

1. EQUIPMENT

Equipment is reflected at depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets, which vary between 2 and 20 years. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. Cost prices include costs directly attributable to the acquisition of equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Group or company and the expenditure can be measured reliably. All other expenditure is recognised in the statement of comprehensive income when incurred. Equipment is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Computer equipment	**455**	495	**119**	131
Cost	**1 635**	1 536	**630**	578
Accumulated depreciation and impairment	**(1 180)**	(1 041)	**(511)**	(447)
Furniture, equipment, vehicles and other	**374**	333	**122**	113
Cost	**987**	978	**361**	329
Accumulated depreciation and impairment	**(613)**	(645)	**(239)**	(216)
Total	**829**	828	**241**	244
Reconciliation of carrying amount				
Balance at beginning of year	**828**	828	**244**	243
Additions and expenditure capitalised	**287**	288	**105**	107
Depreciation	**(268)**	(247)	**(104)**	(95)
Net other movements	**(18)**	(41)	**(4)**	(11)
Balance at end of year	**829**	828	**241**	244

2. OWNER-OCCUPIED PROPERTIES

Owner-occupied properties consists of property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is assessed bi-annually for indicators of impairment. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification is recognised directly in other comprehensive income as a revaluation surplus. Owner-occupied property is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the statement of comprehensive income.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Balance at beginning of the year	**1 148**	1 306	**532**	534
Additions and expenditure capitalised	**16**	1	**-**	1
Transfer to non-current assets held for sale	**(217)**	-	**-**	-
Transfer from/(to) investment properties	**13**	(81)	**13**	(3)
Foreign currency translation differences	**(6)**	(64)	**-**	-
Depreciation	**(9)**	(14)	**-**	-
Other movements	**(5)**	-	**(2)**	-
Balance at end of year	**940**	1 148	**543**	532

R million	Group 2017	Group 2016	Company 2017	Company 2016

3. INTANGIBLE ASSETS ARISING ON ACQUISITION

3.1 GOODWILL

Goodwill arises on the acquisition of a subsidiary or the acquisition of a business. It represents the excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition. Goodwill is not amortised. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

Goodwill is not recognised when an interest in an existing subsidiary is increased. The difference between the cost of the acquisition and the minority interest acquired is accounted for directly in equity. When an interest in an existing subsidiary is decreased without a loss of control, the difference between the proceeds received and the share of the net assets disposed of, including an appropriate portion of the related goodwill, is accounted for directly in equity.

For impairment purposes, the carrying amount of goodwill is allocated to cash generating units at the lowest level of operational activity (business) to which it relates. The carrying amount of goodwill is reviewed bi-annually for indicators of impairment and written down where this is considered necessary. Impairment losses in respect of goodwill are recognised in the statement of comprehensive income and are not reversed. Where a number of related businesses acquired in the same business combination are allocated to different Group business divisions, the related goodwill is allocated to those cash generating units that expect to benefit from the synergies of the business combination. The recoverable amount of goodwill has been determined based on the various businesses' valuations, as included in Group Equity Value plus a multiple of life insurance value of new business (representing the total value in use for entities at embedded value), less the consolidated net asset value of the respective businesses. Refer to page156 of the Integrated Report online, for an analysis of Group Equity Value as well as pages 176 to 178 for valuation assumptions used. R922 million of the Sanlam Life Group goodwill relates to Santam. The fair value of the investment in Santam of R18.1 billion at 31 December 2017 (based on its listed price) exceeded its net asset value, including goodwill, by approximately R13.3 billion indicating no required impairment of the goodwill allocated to Santam.

Goodwill in respect of associated companies and joint ventures is included in the carrying value of investments in associated companies and joint ventures. For impairment purposes each investment is tested for impairment individually and goodwill is not tested separately from the investment in associated companies and joint ventures, nor is any impairment allocated to any underlying assets.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Balance at beginning of year	**1 299**	1 502	**753**	753
Gross carrying amount	**1 616**	1 727	**753**	753
Accumulated impairment	**(317)**	(225)	**-**	-
Acquired through business combinations	**588**	6	**-**	-
Impairments	**(8)**	(107)	**-**	-
Disposals	**-**	(34)	**-**	-
Foreign currency translation differences	**(2)**	(68)	**-**	-
Balance at end of year	**1 877**	1 299	**753**	753
Gross carrying amount	**2 202**	1 616	**753**	753
Accumulated impairment	**(325)**	(317)	**-**	-

Allocation of goodwill	Group 2017	Group 2016
Life insurance	**748**	308
MCIS Insurance	**163**	163
BrightRock Holdings	**441**	-
Other	**144**	145
Other Sanlam businesses	**1 129**	991
Santam	**922**	930
Sanlam Investments East Africa	**111**	-
Sanlam Investment Management	**32**	32
Other	**64**	29
Balance at end of year	**1 877**	1 299

Goodwill acquired through business combinations relates mainly to the acquisitions of BrightRock Holdings and Sanlam Investments East Africa, contributing R441 million and R111 million respectively.

3.2 VALUE OF BUSINESS ACQUIRED

The value of insurance and investment management services contracts acquired (VOBA) in a business combination is recognised as an intangible asset. VOBA, at initial recognition, is equal to the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profit that is expected to flow from the book of business acquired, after allowing for the cost of capital supporting the business, as applicable. The valuation is based on the Group's actuarial and valuation principles as well as assumptions in respect of future premium income, fee income, investment return, policy benefits, costs, taxation, mortality, morbidity and surrenders, as appropriate.

VOBA is amortised on a straight-line basis over the expected life of the client relationships underlying the book of business acquired, currently 25 years for Sanlam Developing Markets, 15 years for Channel Life and Brackenham Holdings, 11 years for Brightrock Holdings and 10 years for MCIS Insurance, the major businesses to which value of business acquired relates. VOBA is tested for indicators of impairment on a bi-annual basis and written down for impairment where this is considered necessary. Where impairment events subsequently reverse, impairments are reversed up to a maximum of what the amortised cost would have been. VOBA is derecognised when the related contracts are terminated, settled or disposed of. For impairment testing purposes, the value of business acquired is allocated to cash-generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount has been determined based on the various businesses' contribution to Group Equity Value, less the related net asset value. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of VOBA attributable to the entity or business sold.

R million	Group 2017	Group 2016	Company 2017	Company 2016
3. INTANGIBLE ASSETS ARISING ON ACQUISITION (continued)				
3.2 VALUE OF BUSINESS ACQUIRED (continued)				
Balance at beginning of year	**1 150**	**1 197**	**-**	-
Acquired through business combinations	**609**	**150**	**-**	-
Additions	**-**	**6**		
Amortisation	**(141)**	**(125)**	**-**	-
Foreign currency translation differences	**(11)**	**(78)**	**-**	-
Balance at end of year	**1 607**	**1 150**	**-**	-
Gross carrying amount	**2 460**	**1 862**	**-**	-
Accumulated amortisation and impairment	**(853)**	**(712)**	**-**	-
Allocation of value of business acquired				
Sanlam Developing Markets	**449**	**445**	**-**	-
Sanlam Emerging Markets	**606**	**494**	**-**	-
Sanlam Investments	**139**	**150**	**-**	-
BrightRock Holdings	**374**	**-**		
Other	**39**	**61**	**-**	-
Balance at end of year	**1 607**	**1 150**	**-**	**-**

VOBA acquired through business combinations relates mainly to the acquisition of BrightRock Holdings and Sanlam Investments East Africa, contributing R386 million and R198 million on a gross basis respectively.

4. OTHER INTANGIBLE ASSETS

Acquired intangible assets are recognised at cost on acquisition date. Subsequent to initial recognition, these assets are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Amortisation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted, as appropriate. Other intangible assets are assessed for indicators of impairment on a bi-annual basis and written down for impairment where this is considered necessary. The recoverable amount has been determined based on the various businesses' contribution to Group Equity Value, less the related net asset value. Refer to page156 of the Integrated Report online, for an analysis of Group Equity Value.

Costs associated with software development for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the costs can be reliably measured and will generate future economic benefits.

No value is attributed to internally developed brands or similar rights. Costs incurred on these items are charged to the statement of comprehensive income in the period in which they are incurred.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Balance at beginning of year	**548**	454	**156**	173
Gross carrying amount	**893**	738	**190**	190
Accumulated impairment	**(345)**	(284)	**(34)**	(17)
Additions during the year	**37**	113	**8**	-
Acquired through business combinations	**48**	59	**-**	-
Disposals	**(65)**	(1)	**-**	-
Amortisation	**(73)**	(61)	**(21)**	(17)
Net other movements	**-**	(16)	**-**	-
Balance at end of year	**495**	548	**143**	156
Gross carrying amount	**913**	893	**198**	190
Accumulated impairment	**(418)**	(345)	**(55)**	(34)

5. DEFERRED ACQUISITION COSTS

Incremental costs directly attributable to the acquisition of investment contracts with investment management services are capitalised to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. DAC is amortised to the statement of comprehensive income over the term of the contracts as the related services are rendered and revenue recognised, which varies from year to year dependent on the outstanding term of the contracts in force. DAC is tested for impairment bi-annually and written down when it is not expected to be fully recovered from future fee income.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Balance at beginning of year	**3 280**	3 182	**2 752**	2 672
Acquisition costs capitalised	**588**	577	**435**	419
Amortisation	**(571)**	(479)	**(406)**	(339)
Balance at end of year	**3 297**	3 280	**2 781**	2 752

6. LONG-TERM REINSURANCE ASSETS

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. The Group assesses its long-term reinsurance assets for indicators of impairment bi-annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the statement of comprehensive income.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Balance at beginning of year	**899**	862	**689**	650
Movement in reinsurers' share of insurance liabilities	**75**	44	**84**	39
Reinsurance receivables acquired in business combinations	**39**	-	**-**	-
Foreign currency translation differences	**(2)**	(7)	**-**	-
Balance at end of year	**1 011**	899	**773**	689
Maturity analysis of long-term reinsurance assets				
Due within one year	**42**	41	**6**	5
Due within two to five years	**130**	121	**90**	84
Due after more than five years	**735**	674	**636**	600
Open ended	**104**	63	**41**	-
Total	**1 011**	899	**773**	689

Amounts due from reinsurers in respect of claims incurred by the Group that are reinsured, are included in trade and other receivables (refer to note 10.1).

7. INVESTMENTS

7.1 Properties

Investment properties comprise properties held to earn rental income and/or for capital appreciation. Investment properties are carried at fair value, less the cumulative straight-line rental adjustment (refer to the accounting policy for investment income). Valuations are carried out monthly by valuators who possess appropriate qualifications and extensive experience in property valuations. Changes in the fair value of investment properties are recognised in the statement of comprehensive income as investment surpluses.

When investment properties become owner-occupied, they are reclassified to owner-occupied properties at a deemed cost equal to the fair value of the investment properties at the date of reclassification. When owner-occupied properties become investment properties, they are reclassified to investment properties at a deemed cost equal to the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised in other comprehensive income as a revaluation surplus.

Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Office buildings	**2 563**	1 861	**2 563**	1 861
Retail buildings	**2 787**	2 506	**2 787**	2 506
Industrial buildings	**818**	767	**818**	767
Undeveloped land	**493**	469	**-**	-
International properties (situated outside South Africa)	**1 709**	1 625	**-**	-
Other	**483**	490	**483**	444
Total	**8 853**	7 718	**6 651**	5 578
Less: straight-line rental adjustment	**(128)**	(179)	**(128)**	(179)
Total investment properties	**8 725**	**7 539**	**6 523**	**5 399**
Reconciliation of carrying amount of properties				
Balance at beginning of year	**7 718**	7 752	**5 578**	6 223
Additions	**507**	824	**247**	64
Disposals	**(312)**	(679)	**(156)**	(580)
Reclassified as disposal groups classified as held for sale (refer note 31)	**551**	(655)	**655**	(655)
Transfer from/(to) owner occupied properties	**(13)**	81	**(13)**	3
Foreign currency translation differences	**(105)**	(182)	**-**	-
Investment surpluses	**507**	577	**340**	523
Balance at end of year	**8 853**	7 718	**6 651**	5 578
Reconciliation of straight-line rental adjustment				
Straight-line rental adjustment - balance at the beginning of the year	**179**	215	**179**	215
Disposals	**(98)**	(16)	**(98)**	(16)
Reclassified as disposal groups classified as held for sale	**24**	(24)	**24**	(24)
Movement for the year included in the statement of comprehensive income	**23**	4	**23**	4
Straight-line rental adjustment - balance at end of year	**128**	**179**	**128**	**179**
Contractual future minimum lease payments receivable under non-cancellable operating leases:				
Due within one year	**535**	437	**489**	393
Due within two to five years	**1 024**	972	**982**	911
Due after five years	**227**	184	**224**	174
Future minimum lease payments	**1 786**	1 593	**1 695**	1 478

7. INVESTMENTS (continued)

7.2 Equity-accounted investments

Associated companies

An associated company is an entity, not being a subsidiary, in which the Group has a long-term investment and over which it has the ability to exercise significant influence, being the ability to participate in the financial and operating policies of the entity without being able to jointly control or control those policies by virtue of a majority vote.

Investments in associated companies are recognised on the date significant influence is obtained and derecognised on the date significant influence is lost. Investments in associated companies, other than those investments, or portions thereof, held by investment-linked life insurance funds, are initially recognised at cost. The results of these associated companies after initial recognition are accounted for using the equity method of accounting, whereby the Group's share of associated companies' post-acquisition profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of associated companies' other post-acquisition movement in equity reserves (other than those related to dividends) is recognised in reserves, with a corresponding adjustment to the carrying value of investment in associated companies. Net losses are only recognised to the extent of the net investment in an associated company, unless the Group has incurred obligations or made payments on behalf of the associates. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying amount is reviewed bi-annually for indicators of impairment and written down where this is considered necessary. The carrying value of the investment in an associated company includes goodwill. Investments in associated companies, or portions thereof, held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results of joint ventures, other than those held by investment-linked life insurance funds, are accounted for using the equity method of accounting, whereby the Group's share of the joint ventures' profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of joint ventures' post-acquisition movement in reserves is recognised in reserves, with a corresponding adjustment to the carrying value of investments in joint ventures. Net losses are only recognised to the extent of the net investment in a joint venture, unless the Group has incurred obligations or made payments on behalf of the joint venture. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying value of the investment in a joint venture is reviewed bi-annually for indicators of impairment and written down where this is considered necessary. The carrying value of the investment in a joint venture includes goodwill.

Investments in joint ventures, or portions thereof, held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

		Group	
R million	Note	**2017**	**2016**
Investment in associated companies	7.2.3	**24 108**	19 282
Shriram Capital		**6 056**	5 680
Shriram Transport Finance Company		**1 245**	1 214
Shriram General Insurance		**901**	721
Shriram Life Insurance		**450**	453
Saham Finances [1]		**9 544**	4 810
Letshego		**1 704**	1 842
Capricorn Investment Holdings		**1 159**	1 020
Pacific and Orient		**593**	777
Afrocentric		**868**	753
Other associated companies		**1 588**	2 012
Investments in joint ventures	7.2.4	**1 331**	1 335
Sanlam Personal Loans		**802**	748
Speqtel Investment Holdings		**359**	423
Other joint ventures		**170**	164
Total		**25 439**	20 617

[1] The Group acquired an additional 16.6% interest in Saham Finances during 2017.

R million	Group 2017	Group 2016
7. INVESTMENTS (continued)		
7.2.1 Equity-accounted earnings		
Investments in associated companies		
Shriram Capital	**580**	562
Shriram Transport Finance Company	**135**	97
Shriram Life Insurance	**29**	9
Shriram General Insurance	**154**	29
Saham Finances	**546**	180
Letshego	**226**	220
Pacific and Orient	**45**	95
Capricorn Investment Holdings	**254**	106
Afrocentric	**93**	72
Other associated companies	**318**	405
Investments in joint ventures		
Sanlam Personal Loans	**178**	150
Other joint ventures	**5**	4
Total	**2 563**	1 929

7.2.2 Impairments of equity-accounted investments

	2017	2016
	354	224
Letshego [(1)]	**170**	-
Soras Group	**-**	78
Pacific & Orient [(2)]	**184**	146

[(1)] Lower forecasted cash flows resulted in a lower GEV valuation and the recognition of an IFRS impairment charge as a result.

[(2)] Lack of progress in diversifying Pacific & Orient's product mix resulted in a lower GEV valuation and the recognition of an IFRS impairment charge as a result.

7.2.3 Details of material associated companies

Group

R million	Shriram Capital [(1)] 2017	Shriram Capital [(1)] 2016	Shriram Transport Finance Company [(1)] 2017	Shriram Transport Finance Company [(1)] 2016
Carrying value of interest - equity method	**6 056**	5 680	**1 245**	1 214
Fair value of interest - based on internal valuation	**7 777**	6 689	**1 899**	1 431
Fair value of interest - based on quoted price for listed businesses	**9 714**	6 668	**1 941**	1 162
Effective interest in issued share capital [(2)]	**26%**	26%	**3%**	3%
Summarised financial information:				
Revenue	**9 054**	8 509	**23 161**	23 972
Post-tax profit from continuing operations	**1 831**	1 767	**2 916**	2 820
Other comprehensive income	**71**		**-**	-
Total comprehensive income	**1 902**	1 767	**2 916**	2 820
Assets and liabilities				
Non-current assets	**37 799**	35 578	**104 591**	95 829
Current assets	**5 689**	5 158	**49 333**	48 266
Non-current liabilities	**(5 352)**	(4 634)	**(79 073)**	(73 108)
Current liabilities	**(13 465)**	(13 306)	**(49 898)**	(48 986)
Net asset value	**24 671**	22 796	**24 953**	22 001
Non-controlling interest	**9 366**	8 554	**-**	-
Shareholders' fund	**15 305**	14 242	**24 953**	22 001
Calculated carrying value	**5 640**	5 248	**744**	656
Goodwill recognised in the carrying value of associated company	**416**	432	**501**	558
Carrying value	**6 056**	5 680	**1 245**	1 214
Dividends received	**45**	33	**16**	14

[(1)] Shriram Capital has business operations (credit, life and general insurance) mainly in India. Earnings for 2017 have been accounted for the period 1 October 2016 to 30 September 2017. The group also holds a 2.98% direct interest in Shriram Transport Finance Company (associated company of Shriram Capital).

[(2)] The effective interest of 26% relates to the holding in Shriram Capital through the Group's 36.85% interest in Shriram Financial Ventures (Chennai) Limited.

7. INVESTMENTS (continued)

7.2.3 Details of material associated companies (continued)

R million	Shriram General Insurance [3] 2017	2016	Shriram Life Insurance [3] 2017	2016
Carrying value of interest - equity method	**901**	721	**450**	453
Fair value of interest - based on internal valuation	**1 034**	936	**472**	493
Fair value of interest - based on quoted price for listed businesses	**-**	-	**-**	-
Interest in issued share capital - Shareholders fund	**23%**	**23%**	**23%**	**23%**
Summarised financial information:				
Revenue	**3 638**	909	**1 368**	364
Post-tax profit from continuing operations	**672**	126	**54**	39
Other comprehensive income	**82**	-	**-**	-
Total comprehensive income	**754**	126	**54**	39
Assets and liabilities				
Non-current assets	**15 122**	13 160	**6 488**	5 722
Current assets	**690**	614	**525**	517
Non-current liabilities	**(10 325)**	(9 538)	**(5 314)**	(4 589)
Current liabilities	**(2 370)**	(2 044)	**(517)**	(517)
Net asset value	**3 117**	2 192	**1 182**	1 133
Non-controlling interest	**49**	54	**-**	-
Shareholders' fund	**3 068**	2 138	**1 182**	1 133
Calculated carrying value	**706**	492	**272**	261
Foreign currency hedge	**(34)**	(34)	**(10)**	(10)
Goodwill recognised in the carrying value of associated company	**229**	263	**188**	202
Carrying value	**901**	721	**450**	453

[3] The Group acquired a 23% interest in Shriram Life Insurance (direct) and Shriram General Insurance (direct) during the 2016 financial year.

R million	Saham Finances[4] 2017	2016	Letshego [5] 2017	2016
Carrying value of interest - equity method	**9 544**	4 810	**1 704**	1 842
Fair value of interest - based on internal valuation	**10 167**	5 385	**1 704**	2 039
Fair value of interest - based on quoted price for listed businesses	**9 189**	4 881	**1 348**	1 668
Interest in issued share capital - Shareholders fund	**47%**	30%	**26%**	26%
Summarised financial information:				
Revenue	**15 620**	13 187	**2 770**	2 564
Post-tax profit from continuing operations	**1 808**	932	**978**	865
Other comprehensive income	**(116)**	401	**-**	(490)
Total comprehensive income	**1 692**	1 333	**978**	375
Assets and liabilities				
Non-current assets	**37 091**	36 174	**599**	466
Current assets	**15 924**	15 509	**10 919**	9 763
Non-current liabilities	**(29 212)**	(31 288)	**(5 487)**	(4 601)
Current liabilities	**(9 851)**	(10 398)	**(407)**	(440)
Net asset value	**13 952**	9 997	**5 624**	5 188
Non-controlling interest	**3 458**	3 567	**401**	251
Shareholders' fund	**10 494**	6 430	**5 223**	4 937
Calculated carrying value	**4 893**	1 929	**1 373**	1 297
Foreign currency hedge	**(574)**	(542)	**-**	-
Goodwill recognised in the carrying value of associated company	**5 225**	3 423	**331**	545
Carrying value	**9 544**	4 810	**1 704**	1 842
Dividends received	**18**	-	**101**	118

[4] The Group acquired an additional 16.6% in the Saham Finance Group during 2017, increasing its effective stake to 46.6%. The Saham Finance Group provides financial services (predominately general insurance) across various countries in Africa.

[5] The Group holds a 26.28% interest in Letshego, a listed retail credit business in Botswana.

7. INVESTMENTS (continued)

7.2.3 Details of material associated companies (continued)

R million	Capricorn Investment Holdings (6) 2017	2016	Pacific & Orient (7) 2017	2016
Carrying value of interest - equity method	**1 159**	1 020	**593**	777
Fair value of interest - based on internal valuation	**1 166**	1 179	**593**	777
Fair value of interest - based on quoted price for listed businesses	**1 160**	1 241	**-**	-
Interest in issued share capital - Shareholders fund	**23%**	23%	**49%**	49%
Summarised financial information:				
Revenue	**1 586**	3 758	**844**	1 092
Post-tax profit from continuing operations	**1 110**	887	**45**	189
Other comprehensive income	**24**	(39)	**10**	-
Total comprehensive income	**1 134**	848	**55**	189
Assets and liabilities				
Non-current assets	**4 870**	27 504	**2 482**	2 704
Current assets	**623**	12 058	**385**	323
Non-current liabilities	**(501)**	(6 434)	**-**	-
Current liabilities	**(1)**	(27 849)	**(2 058)**	(2 223)
Net asset value	**4 991**	5 279	**809**	804
Non-controlling interest	**-**	2 124	**-**	-
Shareholders' fund	**4 991**	3 155	**809**	804
Calculated carrying value	**1 159**	722	**397**	394
Goodwill recognised in the carrying value of associated company	**-**	298	**196**	383
Carrying value	**1 159**	1 020	**593**	777
Dividends received	**133**	-	**50**	42

(6) The Group holds a 22.85% interest in Capricorn Investment Holdings, an investment company in Namibia. Capricorn Investment Holdings sold their controlling interest in Bank Windhoek during 2017. Other comprehensive income includes the profit realised on this disposal.

(7) The Group holds a 49% interest in Pacific & Orient Insurance Co. Berhad, a niche general insurance business in Malaysia.

R million	Afrocentric (8) 2017	2016
Carrying value of interest - equity method	**868**	753
Fair value of interest - based on internal valuation	**1 094**	859
Interest in issued share capital - Shareholders fund	**29%**	29%
Summarised financial information:		
Revenue	**3 989**	3 145
Post-tax profit from continuing operations	**323**	251
Total comprehensive income	**323**	251
Assets and liabilities		
Non-current assets	**1 989**	1 742
Current assets	**825**	918
Non-current liabilities	**(125)**	(11)
Current liabilities	**(386)**	(622)
Net asset value	**2 303**	**2 027**
Non-controlling interest	**22**	16
Shareholders' fund	**2 281**	2 011
Calculated carrying value	**654**	577
Goodwill recognised in the carrying value of associated company	**214**	176
Carrying value	**868**	753
Dividends received	**14**	-

(8) The Group holds a 28.7% interest in ACT Healthcare Assets, a health administration and health risk management company.

Details of individually immaterial associated companies:

Post-tax profit from continuing operations	**318**	405
Post-tax profit / (loss) from discontinued operations	**-**	-
Total comprehensive income	**318**	405

7. INVESTMENTS (continued)

7.2.4 Details of material joint ventures

Group

R million	**Sanlam Personal Loans [1] 2017**	**2016**
Carrying value of interest - equity method	**802**	748
Fair value of interest - based on internal valuation	**1 228**	1 161
Effective interest in issued share capital: Class A	**70%**	70%
Summarised financial information:		
Non-current assets	**3 318**	3 044
Current assets	**1 260**	1 234
Cash and cash equivalents	**79**	73
Other current assets	**1 181**	1 161
Non-current liabilities		
Long-term borrowings	**(1 527)**	(1 459)
Current liabilities	**(1 885)**	(1 732)
Trade and other payables	**(29)**	(46)
Short-term borrowings	**(1 856)**	(1 677)
Taxation payable	**-**	(9)
Non-controlling interest	**-**	-
Net asset value attributable to class B shares	**(20)**	(19)
Total equity	**1 146**	1 068
Calculated carry value	**802**	748
Dividends received		
Revenue	**88**	83
Interest income	**1 047**	992
Admin expenses excluding depreciation	**(463)**	(470)
Interest expense	**(301)**	(309)
Taxation	**(115)**	(83)
Post-tax profit from continuing operations	**256**	213
Total comprehensive income	**256**	213

[1] The Group holds a 70% interest in Sanlam Personal Loans, a jointly controlled entity in the personal loans business in South Africa.

Details of individually immaterial joint ventures:

Post-tax profit/(loss) from continuing operations	**5**	132
Total comprehensive income	**5**	132

7. INVESTMENTS (continued)

7.3 Other investments

Other investments comprise:

- Equities and similar securities (including non-trading derivatives);
- Interest-bearing investments;
- Structured transactions;
- Investment funds; and
- Cash, deposits and similar securities.

These investments are either classified as at fair value through profit or loss (measured at fair value), or as loans and receivables (measured at amortised cost), as described in the financial instruments accounting policy note. Loans of investment scrip are not treated as sales and purchases.

Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash at hand, call deposits at banks, negotiable certificates of deposit and other short-term highly liquid investments.

Structured Transactions

Structured transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, credit default swaps, currency, structured notes, collateralised securities, interest rate and equity options and other derivative financial instruments that are measured at fair value.

Fair values are obtained from quoted market prices. In the absence of quoted market prices the Group uses valuation techniques that incorporate factors that market participants would consider in setting the price and are consistent with accepted economic methodologies for pricing derivatives such as discounted cash flow models and option pricing models, as appropriate. The Group calibrates its valuation techniques against market transactions or any available observable market data. Day one gains or losses on structured transactions measured using these valuation techniques are recognised in the statement of comprehensive income to the extent that they arise from a technique that incorporates only variables based on observable market data and there has been a change in one of these variables (including time). If there has been no change in one of these variables, the gains or losses are deferred, and recognised in the statement of comprehensive income over the life of the instrument.

The Group does not separate embedded derivatives that meet the definition of an insurance contract or relate to investment contracts recognised at fair value.

Derivatives are used for non-trading purposes by other Group businesses. The fair values related to trading derivatives are included in trade and other receivables and the fair values of non-trading derivatives are included in the structured transactions. Non-trading transactions are those which are held for accounting and economic hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions or cash flows, as well as structures incorporated in the product design of policyholder products. Although the nature of these derivatives is non-trading from a management perspective, IAS 39 requires all derivatives to be classified as held for trading for accounting purposes.

7.3.1 Equities and similar securities

	Group		Company	
R million	**2017**	2016 *	**2017**	2016 *
Listed on the JSE - at market value	**70 653**	65 794	**65 807**	60 843
Unlisted - at directors' valuation	**1 757**	1 437	**1 739**	1 511
Offshore equity investments	**16 650**	11 336	**9 437**	8 104
Listed - at market value	**16 298**	11 036	**9 437**	8 104
Unlisted - at directors' valuation	**352**	300	**-**	-
Equities held by consolidated investment funds	**112 844**	101 349	**-**	-
Total	**201 904**	179 916	**76 983**	70 458

Equities and similar securities are designated at fair value through profit and loss.

* Prior year figures have been restated. Refer to note 7.6 for additional information.

Shares held in ultimate holding company - Sanlam Ltd

	Group		Company	
	2017	2016	**2017**	2016
Shareholders				
Number of shares (thousand)	**116 367**	116 368	**116 364**	116 364
Fair value (R million)	**10 124**	7 320	**10 124**	7 319
Policyholders				
Number of shares (thousand)	**22 164**	25 693	**7 206**	15 930
Fair value (R million)	**1 828**	1 616	**627**	1 002

7. INVESTMENTS (continued)

7.3.2 Investments other than equities and similar securities, equity-accounted investments and properties

Group

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost [1]	Total
31 December 2017				
Interest bearing investments	**177 634**	**-**	**1 332**	**178 966**
Government interest bearing investments	**58 290**	**-**	**-**	**58 290**
Corporate interest bearing investments	**107 349**	**-**	**-**	**107 349**
Other interest bearing investments	**11 995**	**-**	**1 332**	**13 327**
Structured transactions	**13 259**	**2 122**	**-**	**15 381**
Investment funds	**152 343**	**-**	**-**	**152 343**
Cash, deposits and similar securities	**37 823**	**-**	**-**	**37 823**
	381 059	**2 122**	**1 332**	**384 513**
31 December 2016 [2]				
Interest bearing investments	164 110	-	983	165 093
Government interest bearing investments	68 428	-	-	68 428
Corporate interest bearing investments	89 154	-	-	89 154
Other interest bearing investments	6 528	-	983	7 511
Structured transactions	13 650	380	-	14 030
Investment funds	132 748	-	-	132 748
Cash, deposits and similar securities	36 368	-	-	36 368
	346 876	380	983	348 239

(1) The estimated fair value of investments valued at amortised cost amounts to R1 332 million (2016: R983 million). These are classified as level 3 instruments and the valuation is based on discounted cash flows.

(2) Prior year figures have been restated. Refer to note 7.6 for additional information.

Company

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost	Total
31 December 2017				
Interest bearing investments	**97 901**	**-**	**-**	**97 901**
Government interest bearing investments	**30 090**	**-**	**-**	**30 090**
Corporate interest bearing investments	**56 169**	**-**	**-**	**56 169**
Other interest bearing investments	**11 642**	**-**	**-**	**11 642**
Structured transactions	**10 324**	**2 122**	**-**	**12 446**
Investment funds	**221 489**	-	-	**221 489**
Cash, deposits and similar securities	**13 576**	-	-	**13 576**
	343 290	**2 122**	**-**	**345 412**
31 December 2016 [1]				
Interest bearing investments	92 063	**-**	-	92 063
Government interest bearing investments	39 782	**-**	-	39 782
Corporate interest bearing investments	46 503	**-**	-	46 503
Other interest bearing investments	5 778	**-**	-	5 778
Structured transactions	10 545	446	-	10 991
Investment funds	199 647	-	-	199 647
Cash, deposits and similar securities	14 954	-	-	14 954
	317 209	446	-	317 655

(1) Prior year figures have been restated. Refer to note 7.6 for additional information.

Maturity analysis:

Group

R million	<1 year	1-5 years	>5 years	On demand	Total
31 December 2017					
Interest bearing investments	**20 357**	**75 523**	**72 738**	**10 348**	**178 966**
Government interest bearing investments	**3 500**	**3 773**	**47 307**	**3 710**	**58 290**
Corporate interest bearing investments	**15 088**	**65 049**	**21 582**	**5 630**	**107 349**
Other interest bearing investments	**1 769**	**6 701**	**3 849**	**1 008**	**13 327**
Structured transactions	**4 893**	**7 768**	**1 015**	**1 705**	**15 381**
Investment funds	**-**	**-**	**-**	**152 343**	**152 343**
Cash, deposits and similar securities	**21 905**	**12 097**	**2 753**	**1 068**	**37 823**
Total	**47 155**	**95 388**	**76 506**	**165 464**	**384 513**

7. INVESTMENTS (continued)

7.3.2 Investments other than equities and similar securities, equity-accounted investments and properties (continued)

Group R million	<1 year	1-5 years	>5 years	On demand	Total
31 December 2016 [1]					
Interest bearing investments	17 049	60 035	79 346	8 663	165 093
Government interest bearing investments	1 303	4 189	59 790	3 146	68 428
Corporate interest bearing investments	15 122	52 957	16 591	4 484	89 154
Other interest bearing investments	624	2 889	2 965	1 033	7 511
Structured transactions	3 570	6 112	2 031	2 317	14 030
Investment funds	-	-	-	132 748	132 748
Cash, deposits and similar securities	21 515	12 241	210	2 402	36 368
Total	42 134	78 388	81 587	146 130	348 239

[1] Prior year figures have been restated. Refer to note 7.6 for additional information.

Company R million	<1 year	1-5 years	>5 years	On demand	Total
31 December 2017					
Interest bearing investments	**11 647**	**46 923**	**38 754**	**577**	**97 901**
Government interest bearing investments	**1 200**	**1 360**	**27 530**	**-**	**30 090**
Corporate interest bearing investments	**8 827**	**39 187**	**7 652**	**503**	**56 169**
Other interest bearing investments	**1 620**	**6 376**	**3 572**	**74**	**11 642**
Structured transactions	**4 262**	**5 497**	**1 006**	**1 681**	**12 446**
Investment funds	**-**	**-**	**-**	**221 489**	**221 489**
Cash, deposits and similar securities	**9 582**	**3 786**	**208**	**-**	**13 576**
Total	**25 491**	**56 206**	**39 968**	**223 747**	**345 412**
31 December 2016 [1]					
Interest bearing investments	8 762	35 988	46 640	673	92 063
Government interest bearing investments	925	1 378	37 479	-	39 782
Corporate interest bearing investments	7 504	31 918	6 518	563	46 503
Other interest bearing investments	333	2 692	2 643	110	5 778
Structured transactions	2 775	3 980	1 942	2 294	10 991
Investment funds	-	-	-	199 647	199 647
Cash, deposits and similar securities	10 193	4 555	206	-	14 954
Total	21 730	44 523	48 788	202 614	317 655

The amount of change, during the period and cumulatively, in the fair value of the loans and receivables that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rates. The impact of changes in credit risk for 2017 and 2016 was not material.

[1] Prior year figures have been restated. Refer to note 7.6 for additional information.

R million	Company 2017	2016
7.4 Investments in subsidiaries, associated company and joint ventures		
Investments in subsidiaries	**96 919**	86 424
Equity holding	**96 114**	85 672
Loans to subsidiaries	**805**	752
Investments in associated company	**3 049**	2 028
Shriram Transport Finance Company	**1 941**	1 162
Afrocentric	**1 094**	859
Other	**14**	7
Investments in joint ventures	**1 338**	1 267
Sanlam Personal Loans	**1 228**	1 161
Other	**110**	106
Total	**101 306**	89 719
Loans from subsidiaries	**(32 168)**	(31 159)

Refer to page 83 for details of principal subsidiaries.

Valuation methodology for non-listed strategic investments held

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

	Change in assumption 2017	2016
Risk discount rate (RDR)	1,0	1,0
Perpetuity growth rate (PGR)	1,0	1,0

2017	Weighted average assumption %	Base value R million	Decrease in assumption R million	Increase in assumption R million
Discounted cash flows	RDR = 15.7%	32 403	37 592	28 525
Perpetuity growth rate	PGR = 2 - 5%	32 403	30 461	34 999

2016	Weighted average assumption %	Base value R million	Decrease in assumption R million	Increase in assumption R million
Discounted cash flows	RDR = 15.2%	26 526	30 273	23 651
Perpetuity growth rate	PGR = 2 - 5%	26 526	25 045	28 467

Refer to note 33 for a sensitivity analysis on the full balance of level 3 investment in subsidiaries.

7. INVESTMENTS (continued)

7.5 Investment return

Investment income

Investment income includes interest, net rental income and dividend income received. Interest income is accounted for on a time proportionate basis that takes into account the effective yield on the asset and includes the income earned from interest margin business.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as part of the carrying amount of properties in the statement of financial position.

Dividend income is recognised once the last day for registration has passed. Capitalisation shares received in terms of a capitalisation issue from reserves, other than share premium or a reduction in share capital, are treated as dividend income.

Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding investments relating to capital market activities (refer to financial services income policy note for presentation of gains and losses on capital market investments). Investment surpluses are recognised in the statement of comprehensive income on the date of sale or upon valuation to fair value.

	Group		Company	
R million	**2017**	2016	**2017**	2016
Investment income				
Equities and similar securities	**10 997**	9 689	**7 670**	6 765
Dividends received from subsidiaries	**-**	-	**2 599**	2 927
Interest-bearing, preference shares and similar securities	**17 545**	16 634	**10 225**	9 700
Properties	**696**	831	**548**	659
Rental income - excluding contingent rental	**702**	688	**512**	481
Contingent rental income	**119**	273	**119**	273
Rental related expenses	**(125)**	(130)	**(83)**	(95)
Income from margin business [1]	**43**	34	**-**	-
Total investment income	**29 281**	27 188	**21 042**	20 051
Interest income on financial assets not classified as at fair value through profit or loss	**-**	558	**-**	558
Investment surpluses				
Financial instruments designated as at fair value through profit or loss	**31 405**	2 046	**30 572**	6 749
Financial instruments classified as held-for-trading	**(320)**	1 595	**(320)**	1 595
Investment properties	**507**	577	**340**	523
Profit on disposal of associated companies, subsidiaries and operations[2]	**1 369**	34	**-**	5
Fair value adjustment - Deferred share plan	**(156)**	(9)	**(106)**	15
Total investment surpluses	**32 805**	4 243	**30 486**	8 887
Investment return includes:				
Foreign exchange (losses)/gains	**(2 920)**	(3 596)	**(3 619)**	(3 668)

[1] Refer to note 22 for finance cost incurred in respect of margin business.

[2] The majority of the profit on disposal of subsidiaries, associated companies and operations related to the sale of Enterprise Insurance Company.

7.6 Restatements

Sanlam Life Insurance Limited, through its Bermuda branch, issued life insurance policies that were backed by an investment policy issued by a 3rd party with the underlying assets being held in investment funds. These assets were correctly classified as investment funds until 31 December 2015. This investment policy was terminated effective 1 January 2016 and was replaced by investments in various asset classes. The administration process for the classification of these assets in the relevant investment asset classes was not amended appropriately by the end of 31 December 2016, resulting in an incorrect classification on the statement of financial position with no impact on the statement of comprehensive income. The 31 December 2016 information is accordingly restated for this error.

	2016		
Group	**Previously reported**	**Adjustments**	**Restated**
Equities and similar securities	173 616	6 300	179 916
Structured transactions	13 791	239	14 030
Investment funds	139 287	(6 539)	132 748

	2016		
Company	**Previously reported**	**Adjustments**	**Restated**
Equities and similar securities	64 158	6 300	70 458
Structured transactions	10 752	239	10 991
Investment funds	206 186	(6 539)	199 647

7.7 Use of valuation techniques to determine fair value

Refer to note 33 for additional disclosures.

8. TAXATION

Deferred tax
Deferred tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method, except for:

- Temporary differences relating to investment in subsidiaries, associated companies and joint ventures where the Group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that at transaction date do not affect either accounting or taxable profit or loss.

The amount of deferred tax provided is based on the expected realisation or settlement of the deferred tax assets and liabilities using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax balances are reflected at current values and have not been discounted.

Normal tax
Current income tax is provided in respect of taxable income at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

8.1 Deferred tax

Reconciliation of the deferred tax balances:	Group		Company	
Group		Capital Gains		Capital Gains
R million	Income Tax	Tax	Income Tax	Tax
Balance at 1 January 2016	78	(1 842)	-	(1 635)
Temporary differences credited/(charged) to the statement of comprehensive income	1 542	(37)	-	203
Accruals and provisions	(11)	-	-	-
Tax losses and credits	1 582	-	-	-
Net unrealised investment surpluses on shareholders' fund	18	(126)	-	(25)
Net unrealised investment surpluses on policyholders' fund	(7)	89	-	228
Other temporary differences	(40)	-	-	-
Acquisition of subsidiaries	(17)	-	-	-
Foreign currency translation differences	39	-	-	-
Cashflow hedge	164	-	-	-
Disposal of subsidiaries	2	-	-	-
Balance at 31 December 2016	**1 808**	**(1 879)**	**-**	**(1 432)**
Temporary differences credited/(charged) to the statement of comprehensive income	**230**	**(191)**	**7**	**(128)**
Accruals and provisions	**40**	**-**	**7**	**-**
Tax losses and credits	**195**	**-**	**-**	**-**
Net unrealised investment surpluses on shareholders' fund	**96**	**(63)**	**-**	**(107)**
Net unrealised investment surpluses on policyholders' fund	**(10)**	**(128)**	**-**	**(21)**
Other temporary differences	**(91)**	**-**	**-**	**-**
Acquisition of subsidiaries	**(191)**	**-**	**-**	**-**
Foreign currency translation differences	**18**	**-**	**-**	**-**
Cashflow hedge	**11**	**-**	**-**	**-**
Balance at 31 December 2017	**1 876**	**(2 070)**	**7**	**(1 560)**

Analysis of deferred tax balances at 31 December 2017				
Accruals and provisions	**231**	**-**	**7**	**-**
Tax losses and credits	**1 878**	**-**	**-**	**-**
Unrealised gains/losses on shareholders' fund	**(4)**	**(1 071)**	**-**	**(956)**
Unrealised gains/losses on policyholders' fund	**(10)**	**(1 018)**	**-**	**(610)**
Other temporary differences	**(219)**	**19**	**-**	**6**
	1 876	**(2 070)**	**7**	**(1 560)**

Analysis of deferred tax balances at 31 December 2016				
Accruals and provisions	188	-	-	-
Tax losses and credits	1 670	-	-	-
Unrealised gains/losses on shareholders' fund	(106)	(1 008)	-	(849)
Unrealised gains/losses on policyholders' fund	(1)	(890)	-	(589)
Other temporary differences	57	19	-	6
	1 808	(1 879)	-	(1 432)

	2017	2016	**2017**	2016
Total deferred tax asset recognised	**1 946**	1 765	**7**	-
Total deferred tax liability recognised	**(2 140)**	(1 836)	**(1 560)**	(1 432)
Net deferred tax	**(194)**	(71)	**(1 553)**	(1 432)

8. TAXATION (continued)

8.2 Income tax

Group

Analysis of income tax per category	Normal income tax		Deferred tax		Total	
R million	**2017**	2016	**2017**	2016	**2017**	2016
RSA – current year	**2 415**	2 691	**(245)**	(1 545)	**2 170**	1 146
RSA – prior year under / (over) provision	**154**	6	**-**	-	**154**	6
Dividend tax - policyholders	**129**	101	**-**	-	**129**	101
Foreign	**600**	546	**15**	3	**615**	549
Capital gains tax	**726**	744	**191**	37	**917**	781
Tax expense	**4 024**	4 088	**(39)**	(1 505)	**3 985**	2 583

Company

Analysis of income tax per category	Normal income tax		Deferred tax		Total	
R million	**2017**	2016	**2017**	2016	**2017**	2016
RSA – current year	**1 075**	1 414	**(7)**	-	**1 068**	1 414
Dividend tax - policyholders	**99**	74	**-**	-	**99**	74
Foreign	**8**	10	**-**	-	**8**	10
Capital gains tax	**485**	651	**128**	(203)	**613**	448
Tax expense	**1 667**	2 149	**121**	(203)	**1 788**	1 946

	Group		Company	
R million	**2017**	2016	**2017**	2016
Shareholders' fund	**2 862**	1 610	**968**	1 320
Policyholders' fund	**1 123**	973	**820**	626
Tax expense	**3 985**	2 583	**1 788**	1 946
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:				
Included in administration costs	**358**	320	**290**	235
Included elsewhere in profit for the year	**118**	103	**84**	75
Total indirect taxes and levies	**476**	423	**374**	310

Indirect taxes and levies include value-added tax and statutory levies payable to the Financial Services Board.

%				
Standard rate of taxation	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Non-taxable income	**(5.3)**	(5.8)	**(5.9)**	(8.3)
Disallowable expenses	**1.1**	1.0	**0.1**	0.3
Previously unrecognised assessed losses	**0.0**	(9.6)	**-**	**-**
Change in inclusion rate	**0.0**	(1.6)	**-**	1. 3
Investment surpluses	**(5.1)**	(0.1)	**(14.4)**	(9.4)
Foreign tax rate differential	**(0.8)**	(0.3)	**-**	**-**
Fund transfers	**0.0**	(0.1)	**-**	**-**
Policyholders	**4.4**	5.3	**3.6**	3.6
Other	**(0.3)**	(0.2)	**(0.6)**	-
Effective tax rate	**22.0**	19.8	**10.8**	15.5

Non-taxable income relates primarily to equity-accounted earnings and dividend income. Disallowable expenses vary depending on the jurisdiction and includes non-deductible impairments.

9. GENERAL INSURANCE TECHNICAL PROVISIONS

Outstanding claims
Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The Group does not discount its liabilities for unpaid claims.

Unearned premiums
General insurance premiums are recognised as financial services income proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as an unearned premium liability.

General insurance technical assets
The benefits to which the Group is entitled under its general reinsurance contracts are recognised as general insurance technical assets. These assets represent longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period. Commissions and other incremental acquisition costs related to securing new contracts and renewing existing contracts are capitalised to deferred acquisition cost assets and amortised to the statement of comprehensive income over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred. The Group assesses its general insurance technical assets for impairment on a bi-annual basis. If there is objective evidence that an asset is impaired, the Group reduces the carrying amount of the asset to its recoverable amount and recognises the impairment loss in the statement of comprehensive income.

Salvage and subrogation reimbursements
Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

9. GENERAL INSURANCE TECHNICAL PROVISIONS (continued)

R million	Group 2017	2016
General insurance technical provisions	**18 668**	14 557
Outstanding claims	**11 005**	9 288
Provision for unearned premiums	**7 335**	4 993
Deferred reinsurance acquisition revenue	**328**	276
Less: General insurance technical assets		
Reinsurers' share of technical provisions	**6 400**	5 022
Outstanding claims	**4 416**	3 259
Unearned premiums	**1 430**	1 282
Deferred acquisition cost	**554**	481
Net general insurance technical provisions	**12 268**	9 535

Analysis of movement in general insurance technical provisions
Group

R million	2017 Gross	2017 Reinsurance	2017 Net	2016 Gross	2016 Reinsurance	2016 Net
Outstanding claims						
Balance at beginning of year	**9 288**	**(3 259)**	**6 029**	8 356	(2 562)	5 794
Cash paid for claims settled in the year	**(18 986)**	**5 046**	**(13 940)**	(16 277)	3 332	(12 945)
Increase in liabilities	**20 260**	**(6 223)**	**14 037**	17 209	(4 029)	13 180
Acquired through business combinations	**603**	**(377)**	**226**	-	-	-
Foreign currency translation differences	**(160)**	**(6)**	**(166)**	-	-	-
Other movements: transfer to cell owners	**-**	**403**	**403**			
Balance at end of year	**11 005**	**(4 416)**	**6 589**	9 288	(3 259)	6 029
Unearned premiums						
Balance at beginning of year	**4 993**	**(1 282)**	**3 711**	4 885	(1 154)	3 731
Net increase/(release) in the period	**684**	**(330)**	**354**	108	(128)	(20)
Acquired through business combinations	**1 698**	**(29)**	**1 669**	-	-	-
Foreign currency translation differences	**(40)**	**32**	**(8)**	-	-	-
Other movements: transfer to cell owners	**-**	**179**	**179**			
Balance at end of year	**7 335**	**(1 430)**	**5 905**	4 993	(1 282)	3 711

10. TRADE RECEIVABLES AND PAYABLES
10.1 Trade and other receivables

Trade and other receivables are measured at amortised cost, apart from trading account assets.

Trading account assets include equities and similar securities, interest-bearing instruments and derivative financial instruments relating to the trading transactions undertaken by the Group for market making, to service customer needs, for proprietary purposes, as well as any related economic hedging transactions. These transactions are marked-to-market (fair values) after initial recognition and any profits or losses arising are recognised in the statement of comprehensive income as financial services income. The fair values related to such contracts and commitments are determined on the same basis as described for non-trading instruments in the policy note for financial instruments and are reported on a gross basis in the statement of financial position as positive and negative replacement values to the extent that set-off is not required by IAS 32 – Financial Instruments: Disclosure and Presentation.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Trading account	**7 637**	7 901	**286**	522
Premiums receivable	**6 532**	5 831	**2 134**	2 330
Accounts receivable	**5 778**	7 224	**1 200**	690
Accrued investment income	**2 728**	3 052	**2 051**	2 362
Amounts due from holding company and fellow subsidiaries	**2 831**	2 510	**1 473**	1 516
Amounts due from reinsurers	**1 207**	635	**292**	251
Total	**26 713**	27 153	**7 436**	7 671
Classification of trade and other receivables:				
Held for trading at fair value	**7 637**	7 901	**286**	522
Loans and receivables at amortised cost	**19 076**	19 252	**7 150**	7 149
Total	**26 713**	27 153	**7 436**	7 671

No trade and other receivables of the Company were pledged as collateral. Trade and other receivables, excluding the trading account on demand of R286 million (2016: R5 965 million), are receivable within one year. The estimated fair value of receivables at amortised cost approximate the carrying value. This valuation is based on a discounted cash flow basis and is classified as level 3.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Maturity analysis of trading account - fair value				
Due within one year	**7 088**	1 936	**-**	-
Due within two to five years	**263**	-	**-**	-
On demand	**286**	5 965	**286**	522
Total trading account	**7 637**	7 901	**286**	522
Maturity analysis of trading account - undiscounted				
Due within one year	**7 142**	1 936	**-**	-
Due within two to five years	**314**	-	**-**	-
On demand	**286**	5 965	**286**	522
Total trading account	**7 742**	7 901	**286**	522

10. TRADE RECEIVABLES AND PAYABLES (continued)

10.2 Trade and other payables

Trade and other payables are measured at amortised cost, apart from trading account liabilities that are measured at fair value (refer to the description on the measurement of trading account assets in the accounting policy note for trade and other receivables, which also applies to trading account liabilities, adjusted for non-performance risk).

Life insurance policy claims recorded up to the last day of each financial period and claims incurred but not yet reported (IBNR) are included as part of trade and other payables (refer note 14.5).

	Group		Company	
R million	**2017**	**2016**	**2017**	**2016**
Accounts payable	**12 503**	13 588	**4 185**	3 713
Policy benefits payable	**4 379**	3 931	**3 138**	2 810
Amounts due to holding company and fellow subsidiaries	**3 307**	3 151	**1 461**	1 578
Amounts due to reinsurers	**2 075**	1 864	**11**	12
Trading account	**9 184**	5 313	**-**	-
Claims incurred but not reported	**1 547**	1 379	**1 259**	1 150
Bank overdraft	**104**	50	**-**	-
Liability for share based payments	**640**	467	**504**	393
Operating lease creditor	**41**	43	**-**	-
Total	**33 780**	29 786	**10 558**	9 656
Classification of trade and other payables:				
Held for trading at fair value - due within one year	**9 184**	5 313	**-**	-
Other financial liabilities at amortised cost	**22 368**	22 584	**8 795**	8 113
Non - financial instruments	**2 228**	1 889	**1 763**	1 543
Total	**33 780**	29 786	**10 558**	9 656

Trade and other payables, excluding trading account, are payable within one year. The estimated fair value of payables at amortised cost approximates fair value. The valuation is based on discounted cash flows and is classified as level 3.

11. SHARE CAPITAL AND PREMIUM

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

Shares held in Sanlam Limited by policyholder portfolios and subsidiary companies (treasury shares) are recognised as a deduction from equity on consolidation. The cost of treasury shares acquired is deducted from equity on date of acquisition. The consideration received on the disposal of treasury shares, net of incremental costs attributable to the disposal and tax, is also recognised directly in equity.

	Group and company	
R million	**2017**	2016
Authorised share capital		
100 million ordinary shares of 1 cent each	**1**	1
Issued share capital and share premium		
50 million ordinary shares issued at:		
Nominal value of 1 cent per share	**1**	1
Share premium	**4 999**	4 999
Balance at end of year	**5 000**	5 000

Authorised and unissued shares

Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

12. OTHER RESERVES

Non-distributable reserve

The reserve comprises the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited and the regulatory non-distributable reserves of the Group's Botswana and Kenya operations.

Foreign currency translation reserve

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the statement of comprehensive income.

Cash flow hedge reserve

Certain financial instruments are designated as hedging instruments of the exposures arising on certain highly probable forecast transactions (cash flow hedge). On designation of a hedged transaction, the Group documents the relationship between the hedging instruments and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in the hedging transaction have been and will continue to be highly effective in offsetting changes in cash flows of the hedged item. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and accumulated in reserves in equity, while any ineffective portion is recognised immediately in profit or loss within investment surpluses (if applicable).

When the highly probable forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the asset or liability. The deferred amounts are ultimately recognised in profit or loss when the related asset is impaired or sold. If the highly probable forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is reclassified to profit or loss.

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and assets supporting those liabilities. Certain assets held in policyholder portfolios may not be recognised at fair value in terms of IFRS, whereas the valuation of the related policy liabilities is based on the assets at fair value. Similarly, deferred tax assets recognised in respect of assessed tax losses in policyholder funds increases the Group's net assets without a corresponding increase in policy liabilities. These create mismatches with a corresponding impact on the shareholders' fund. A separate reserve is created for these valuation differences owing to the fact that they represent accounting differences and not economic gains or losses for the shareholders' fund.

Valuation differences arise from the following investments which are accounted for as noted below for IFRS purposes, while for purposes of valuing the related policy liabilities these investments are valued at fair value:

- Investments in subsidiaries which are valued at net asset value plus goodwill;
- Investments in associated companies and joint ventures, which are recognised on an equity-accounted basis; and
- Investments in Sanlam Limited shares, which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero.

In respect of the deferred tax, the reserve represents net assessed losses to the extent that assets are considered recognisable, and will be realised as the assessed tax losses are utilised.

12. OTHER RESERVES (continued)

R million	Group 2017	Group 2016	Company 2017	Company 2016
Non-distributable reserves	**5 985**	5 885	**5 429**	5 429
Foreign currency translation reserve	**(1 000)**	(3)	**-**	-
Consolidation reserve	**1 136**	1 136	**-**	-
Policyholder fund investments in consolidated subsidiaries	**(64)**	(123)	**-**	-
Tax benefit in respect of the individual policyholders' tax fund (IPF) tax losses	**1 200**	1 259	**-**	-
Total reserves other than retained earnings	**6 121**	7 018	**5 429**	5 429

The non-distributable reserve consists of the pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998 and the regulatory non-distributable reserves of the Group's Botswana operations of R387 million (2016: R287 million) as well as the Group's Kenya operations of R169 million (2016: R169 million).

13. NON-CONTROLLING INTEREST

R million	Group 2017	Group 2016
Santam	**2 943**	2 748
Sanlam Developing Markets	**-**	50
Sanlam Emerging Markets	**2 698**	2 739
Botswana Insurance Holdings	**1 506**	1 528
MCIS Insurance	**621**	640
Sanlam Namibia Holdings	**230**	224
Other	**341**	347
Sanlam Personal Finance: BrightRock Holdings	**233**	-
Other	**1**	4
Non-controlling shareholders' interest	**5 875**	5 541
Non-controlling policyholders' interest	**87**	91
Total non-controlling interest	**5 962**	5 632

For additional financial information for subsidiaries with significant non-controlling interests refer to page 83.

14. LONG-TERM POLICY LIABILITIES

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Policy contracts not classified as insurance contracts are classified as investment contracts and comprise the following categories:

- Investment contracts with DPF;
- Investment contracts with investment management services; and
- Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:
- The benefits constitute a significant portion of each policy's total benefits;
- The timing and amount of the benefits are at the discretion of the Sanlam Group, which has to be exercised in a reasonable way; and
- The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Premium income from long-term insurance and investment policy contracts is recognised as an increase in long-term policy liabilities. The full annual premiums on individual insurance and investment policy contracts that are receivable in terms of the policy contracts are accounted for on policy anniversary dates, notwithstanding that premiums are payable in instalments. The monthly premiums in respect of certain new products are in terms of their policy contracts accounted for when due. Cover only commences when premiums are received. Group life insurance and investment contract premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt. The unearned portion of accrued premiums is included within long-term policy liabilities.

Group R million	2017 Total	2017 Insurance contracts	2017 Investment contracts	2016 Total	2016 Insurance contracts	2016 Investment contracts
14.1 Analysis of movement in policy liabilities						
Income	**122 764**	**45 631**	**77 133**	94 849	40 855	53 994
Premium income (note 14.3)	**76 908**	**28 463**	**48 445**	71 663	25 688	45 975
Investment return after tax (note 14.5)	**45 856**	**17 168**	**28 688**	23 186	15 167	8 019
Outflow	**(85 903)**	**(44 116)**	**(41 787)**	(78 913)	(42 414)	(36 499)
Policy benefits (note 14.4)	**(52 081)**	**(19 996)**	**(32 085)**	(48 458)	(20 651)	(27 807)
Retirement fund terminations	**(5 748)**	**-**	**(5 748)**	(4 802)	-	(4 802)
Fees, risk premiums and other payments to shareholders' fund	**(28 074)**	**(24 120)**	**(3 954)**	(25 653)	(21 763)	(3 890)
Movement in policy loans	**5**	**108**	**(103)**	(103)	-	(103)
Net movement for the year	**36 866**	**1 623**	**35 243**	15 833	(1 559)	17 392
Foreign currency translation differences	**(615)**	**(513)**	**(102)**	(3 761)	(3 471)	(290)
Liabilities acquired through business combinations	**1 764**	**111**	**1 653**	12	12	-
Balance at beginning of year	**440 415**	**173 336**	**267 079**	428 331	178 354	249 977
Balance at end of year	**478 430**	**174 557**	**303 873**	440 415	173 336	267 079

Company R million	2017 Total	2017 Insurance contracts	2017 Investment contracts	2016 Total	2016 Insurance contracts	2016 Investment contracts
Income	**93 975**	**28 212**	**65 763**	70 588	24 793	45 795
Premium income (note 14.3)	**55 573**	**13 946**	**41 627**	51 014	12 304	38 710
Investment return after tax (note 14.5)	**38 402**	**14 266**	**24 136**	19 574	12 489	7 085
Outflow	**(63 081)**	**(28 483)**	**(34 598)**	(58 396)	(27 384)	(31 012)
Policy benefits (note 14.4)	**(41 368)**	**(15 170)**	**(26 198)**	(38 810)	(15 429)	(23 381)
Retirement fund terminations	**(5 579)**	**-**	**(5 579)**	(4 734)	-	(4 734)
Fees, risk premiums and other payments to shareholders' fund	**(16 134)**	**(13 313)**	**(2 821)**	(14 852)	(11 955)	(2 897)
Movement in policy loans	**24**	**-**	**24**	8	-	8
Net movement for year	**30 918**	**(271)**	**31 189**	12 200	(2 591)	14 791
Balance at beginning of year	**370 414**	**137 827**	**232 587**	358 214	140 418	217 796
Balance at end of year	**401 332**	**137 556**	**263 776**	370 414	137 827	232 587

14. LONG-TERM POLICY LIABILITIES (continued)

14.2 Composition of policy liabilities

	Group		Company	
R million	**2017**	**2016**	**2017**	**2016**
Individual business	**382 538**	353 612	**313 237**	290 438
Linked and market-related liabilities	**268 910**	240 575	**233 243**	208 886
Smoothed bonus business	**53 561**	55 785	**41 341**	43 782
Guaranteed business	**8 509**	7 782	**1 506**	1 840
Annuities - guaranteed	**32 116**	31 022	**22 113**	21 622
Annuities - participating	**2 045**	2 010	**58**	55
Non-participating risk business	**12 867**	12 649	**10 491**	10 486
Other non-participating liabilities	**4 530**	3 789	**4 485**	3 767
Employee benefits business	**95 892**	86 803	**88 095**	79 976
Linked and market-related liabilities	**47 320**	40 806	**42 941**	37 339
Smoothed bonus business	**17 252**	15 791	**16 515**	15 256
Guaranteed business	**173**	202	**-**	-
Annuities - guaranteed	**17 796**	16 572	**16 423**	15 287
Annuities - participating	**6 807**	7 030	**6 790**	7 015
Non-participating risk business	**6 544**	6 186	**5 426**	5 079
Other non-participating liabilities	**-**	216	**-**	-
Total	**478 430**	440 415	**401 332**	370 414

14.3 Analysis of premium income

	Group		Company	
R million	**2017**	**2016**	**2017**	**2016**
Individual business	**56 647**	53 827	**38 197**	36 447
Recurring	**26 806**	24 737	**15 072**	14 309
Single	**27 247**	26 585	**20 859**	20 033
Continuations	**2 594**	2 505	**2 266**	2 105
Employee benefits business	**20 261**	17 836	**17 376**	14 567
Recurring	**11 066**	9 845	**9 805**	8 613
Single	**9 195**	7 991	**7 571**	5 954
Total	**76 908**	71 663	**55 573**	51 014

14.4 Analysis of long-term policy benefits

	Group		Company	
R million	**2017**	**2016**	**2017**	**2016**
Individual business	**43 194**	40 363	**33 268**	31 314
Maturity benefits	**22 746**	21 581	**17 866**	17 170
Surrenders	**6 999**	6 774	**4 334**	4 257
Life and term annuities	**10 251**	9 210	**8 880**	7 895
Death and disability benefits [(1)]	**2 926**	2 606	**2 186**	1 990
Cash bonuses [(1)]	**272**	192	**2**	2
Employee benefits business	**8 887**	8 095	**8 100**	7 496
Withdrawal benefits	**4 146**	3 614	**3 491**	3 115
Pensions	**2 115**	2 019	**1 994**	1 926
Lump-sum retirement benefits	**1 672**	1 719	**1 672**	1 719
Taxation paid on behalf of certain retirement funds	**-**	7	**-**	-
Death and disability benefits [(1)]	**943**	736	**943**	736
Cash bonuses [(1)]	**11**	-	**-**	-
White label business	**-**	-	**-**	-
Total	**52 081**	48 458	**41 368**	38 810

[(1)] *Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 14.5).*

14.5 Long-term insurance and investment contract benefits

Underwriting benefits
Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Provision is made for underwriting losses that may arise from unexpired general insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit.

Other policy benefits
Other policy benefits are not recognised in the Group statement of comprehensive income but reflected as a reduction in long-term policy liabilities.

	Group		Company	
R million	**2017**	**2016**	**2017**	**2016**
Insurance contracts				
Underwriting policy benefits	**9 362**	8 342	**5 671**	5 058
After tax investment return attributable to insurance contract liabilities (note 14.1)	**17 168**	15 167	**14 266**	12 489
Total long-term insurance contract benefits	**26 530**	23 509	**19 937**	17 547
Investment contracts				
After tax investment return attributable to investment contract liabilities (note 14.1)	**28 688**	8 019	**24 136**	7 085
Total long-term investment contract benefits	**28 688**	8 019	**24 136**	7 085
Analysis of underwriting policy benefits				
Individual insurance	**5 691**	5 155	**2 692**	2 575
Employee benefits	**3 671**	3 187	**2 979**	2 484
Total underwriting policy benefits	**9 362**	8 342	**5 671**	5 059

Notes to the annual financial statements
for the year ended 31 December 2017

14. LONG-TERM POLICY LIABILITIES (continued)

14.6 Maturity analysis of investment policy contracts

Group

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2017					
Linked and market-related liabilities	**9 927**	**33 114**	**71 480**	**162 067**	**276 588**
Smoothed bonus business	**124**	**117**	**328**	**17 542**	**18 111**
Guaranteed business	**571**	**7 873**	**4**	**173**	**8 621**
Annuities - guaranteed	**54**	**101**	**14**	**144**	**313**
Non-participating risk business	**1**	**-**	**-**	**32**	**33**
Other non-participating liabilities	**-**	**-**	**-**	**207**	**207**
Total investment policies	**10 677**	**41 205**	**71 826**	**180 165**	**303 873**
2016					
Linked and market-related liabilities	6 624	30 314	65 199	139 924	242 061
Smoothed bonus business	110	100	332	16 089	16 631
Guaranteed business	894	6 828	7	206	7 935
Annuities - guaranteed	51	92	13	66	222
Non-participating risk business	1	-	-	33	34
Other non-participating liabilities	-	-	-	196	196
Total investment policies	7 680	37 334	65 551	156 514	267 079

Company

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2017					
Linked and market-related	**3 873**	**18 474**	**69 906**	**152 143**	**244 396**
Smoothed bonus business	**117**	**115**	**328**	**16 809**	**17 369**
Guaranteed business	**521**	**975**	**4**	**-**	**1 500**
Annuities - guaranteed	**53**	**100**	**14**	**144**	**311**
Non-participating risk business	**-**	**-**	**-**	**2**	**2**
Other non-participating liabilities	**-**	**-**	**-**	**198**	**198**
Total investment policies	**4 564**	**19 664**	**70 252**	**169 296**	**263 776**
2016					
Linked and market-related	3 297	15 335	63 820	131 785	214 237
Smoothed bonus business	108	98	330	15 557	16 093
Guaranteed business	839	990	7	4	1 840
Annuities - guaranteed	50	94	12	66	222
Non-participating risk business	-	-	-	1	1
Other non-participating liabilities	-	-	-	194	194
Total investment policies	4 294	16 517	64 169	147 607	232 587

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 33 for additional fair value disclosures.

14.7 Maturity analysis of insurance policy contracts

Group

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2017					
Linked and market-related liabilities	**2 764**	**10 377**	**23 208**	**3 294**	**39 643**
Smoothed bonus business	**4 713**	**15 795**	**26 347**	**5 847**	**52 702**
Guaranteed business	**35**	**21**	**1**	**6**	**63**
Annuities - guaranteed	**108**	**354**	**9 654**	**39 482**	**49 598**
Annuities - participating	**3**	**-**	**1 614**	**7 234**	**8 851**
Non-participating risk business	**397**	**1 217**	**4 419**	**13 342**	**19 375**
Other non-participating liabilities	**207**	**-**	**-**	**4 118**	**4 325**
Total insurance policies	**8 227**	**27 764**	**65 243**	**73 323**	**174 557**
2016					
Linked and market-related liabilities	3 230	10 181	22 967	2 944	39 322
Smoothed bonus business	4 642	15 436	30 679	4 190	54 947
Guaranteed business	5	24	20	-	49
Annuities - guaranteed	107	350	630	46 280	47 367
Annuities - participating	1	-	1 457	7 582	9 040
Non-participating risk business	460	1 388	3 865	13 089	18 802
Other non-participating liabilities	326	-	-	3 483	3 809
Total insurance policies	8 771	27 379	59 618	77 568	173 336

Company

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2017					
Linked and market-related	**2 163**	**8 257**	**18 782**	**2 586**	**31 788**
Smoothed bonus business	**3 598**	**12 916**	**19 139**	**4 834**	**40 487**
Guaranteed business	**-**	**-**	**-**	**6**	**6**
Annuities - guaranteed	**-**	**-**	**-**	**38 225**	**38 225**
Annuities - participating	**-**	**-**	**-**	**6 848**	**6 848**
Non-participating risk business	**79**	**555**	**3 354**	**11 927**	**15 915**
Other non-participating liabilities	**202**	**-**	**-**	**4 085**	**4 287**
Total insurance policies	**6 042**	**21 728**	**41 275**	**68 511**	**137 556**
2016					
Linked and market-related	2 522	8 072	19 048	2 346	31 988
Smoothed bonus business	3 710	12 420	23 587	3 228	42 945
Annuities - guaranteed	-	-	-	36 687	36 687
Annuities - participating	-	-	-	7 070	7 070
Non-participating risk business	88	514	3 152	11 810	15 564
Other non-participating liabilities	166	-	-	3 407	3 573
Total insurance policies	6 486	21 006	45 787	64 548	137 827

14.8 Policy liabilities include the following:

	Group		Company	
R million	**2017**	**2016**	**2017**	**2016**
Provision for HIV/Aids and other pandemics	**3 259**	3 120	**2 095**	2 040
Asset mismatch reserve	**3 827**	3 680	**3 677**	3 537

15. TERM FINANCE

Term financial liabilities include:
• Liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost
• Other term finance liabilities measured at stock exchange prices or amortised cost as applicable

Preference shares issued by the Group that are redeemable or subject to fixed dividend payment terms are classified as term finance liabilities. Dividends paid in respect of term finance are recognised in the statement of comprehensive income as a finance cost.

15.1 Term finance comprises:

Other interest-bearing liabilities:

Unsecured subordinated bond, with interest payable at 8.70% and a final maturity date of 15 August 2023. The bond has a redemption call option at its nominal value of R1 160 million, which the Group can exercise on 15 August 2018.	**1 163**	1 147	**1 163**	1 147
Unsecured subordinated bond, with interest payable at 9,27% and a final maturity date of 15 August 2026. The bond has a redemption call option at its nominal value of R1 000 million, which the Group can exercise on 15 August 2021.	**1 003**	1 000	**1 003**	1 000
Unsecured subordinated notes, which include both notes that pay interest at a floating and a fixed rate of interest, with interest payable between 8,6% and 11,77% for both types of notes. Fixed interest rate notes have a redemption call option at their nominal value of R1 500 million with a maturity date of 12 April 2028. The group has exercised their call option of R1 000 million of the fixed interest rate notes on 15 September 2017 and the remainder of the fixed rate notes have an optional redemption date on 12 April 2023. The unsecured unsubordinated notes that pay interest at a floating rate of interest have a final maturity date of 12 April 2028. These notes have a redemption call option at their nominal value of R500 million which the Group can exercise on 13 April 2023. Additional floating rate notes were issued at an effective interest rate representing the three-month JIBAR plus 210 basis points. Such notes have an optional redemption date on 27 June 2022 and a final maturity date on 27 June 2027.	**2 056**	2 054	**-**	-
Other	**112**	126	**-**	11
Total	**4 334**	4 327	**2 166**	2 158

15.2 Reconciliation of term finance (including interest accrued) *

R million	Group	Company
Balance at 1 January 2017	**4 426**	**2 209**
Cash movements	**(625)**	**(207)**
New issuances	**1 019**	**-**
Capital repayment	**(974)**	**(11)**
Interest paid	**(670)**	**(196)**
Non-cash movements	**608**	**214**
Net fair value movements	**(24)**	**19**
Interest accrued	**646**	**195**
Foreign currency translation differences	**(14)**	**-**
Balance at 31 December 2017 (including interest accruals)	**4 409**	**2 216**
Balance comprises:		
Term finance	**4 334**	**2 166**
Interest accruals	**75**	**50**

** Comparative information not required in terms of IFRS.*

		Group		Company	
R million		**2017**	**2016**	**2017**	**2016**
15.3 Maturity analysis of term finance - present value					
Due within one year		**24**	**1 041**	**-**	**11**
Due within two to five years		**579**	**576**	**-**	**-**
Due after more than five years		**3 731**	**2 710**	**2 166**	**2 147**
Total term finance liabilities		**4 334**	**4 327**	**2 166**	**2 158**
Maturity analysis of term finance - undiscounted					
Due within one year		**235**	1 217	**-**	12
Due within two to five years		**1 332**	1 034	**-**	-
Due after more than five years		**5 551**	4 387	**3 528**	3 750
Total term finance liabilities		**7 118**	6 638	**3 528**	3 762
15.4 Classification of term finance liabilities					
At fair value through profit or loss	15.4.1	**4 222**	4 220	**2 166**	2 158
Other financial liabilities	15.4.2	**112**	107	**-**	-
Total term finance liabilities		**4 334**	4 327	**2 166**	2 158
15.4.1 Term finance classified as at fair value through profit or loss					
Total designated as at fair value through profit or loss		**4 222**	4 220	**2 166**	**2 158**
Amount contractually payable at maturity		**4 160**	4 160	**2 160**	**2 160**
15.4.2 Term finance classified as other financial liabilities					
Estimated fair value of term finance liabilities measured at amortised cost		**112**	107	**-**	**-**

This valuation is based on a discounted cash flow and is classified as a level 3 valuation. Refer to note 33 for additional fair value disclosures.

16. STRUCTURED TRANSACTION LIABILITIES

	Group		Company	
	2017	**2016**	**2017**	**2016**
16.1 Maturity analysis of structured transaction liabilities - fair value				
Due within one year	**3 458**	609	**3 455**	490
Due within two to five years	**539**	481	**343**	194
Due within five to ten years	**70**	62	**70**	62
Due after ten years	**120**	146	**120**	146
Total structured transaction liabilities	**4 187**	1 298	**3 988**	892
Maturity analysis of structured transaction liabilities - undiscounted				
Due within one year	**3 468**	620	**3 448**	490
Due within two to five years	**797**	764	**601**	477
Due within five to ten years	**247**	196	**247**	196
Due after ten years	**1 069**	413	**1 069**	413
Total structured transaction liabilities	**5 581**	1 993	**5 365**	1 576

17. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for onerous contracts are recognised when the expected benefits to be derived from contracts are less than the unavoidable cost of meeting the obligations under the contracts. Provisions are measured at the present value of the amounts that are expected to be paid to settle the obligations.

R million	**Possible claims**	**Other**	**Total**
Details of the different classes of provisions are as follows:			
Group			
Balance at 1 January 2016	98	81	179
Charged to income statement	-	7	7
Additional provisions	-	12	12
Unused amounts reversed	-	(5)	(5)
Utilised during the year		(13)	(13)
Balance at 31 December 2016	**98**	**75**	**173**
Charged to income statement	-	56	56
Additional provisions	-	57	57
Unused amounts reversed	-	(1)	(1)
Utilised during the year		(15)	(15)
Balance at 31 December 2017	**98**	**116**	**214**
Current	-	72	72
Non-current	98	44	142
Company			
Balance at 1 January 2016	98	13	111
Utilised during the year		(2)	(2)
Balance at 31 December 2016	**98**	**11**	**109**
Utilised during the year		(2)	(2)
Balance at 31 December 2017	**98**	**9**	**107**
Current	-	2	2
Non-current	98	7	105

Possible claims

The Group provides for claims that may arise as a result of past events, transactions or investments. Due to the nature of the provisions, the timing of the expected cash outflows are uncertain.

Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Additional information in respect of these claims cannot be provided, due to the potential prejudice that such disclosure may confer on the Group.

Other

Includes sundry provisions for possible outflows of resources from the Group arising from past events. The timing of settlement cannot reasonably be determined.

R million	Group 2017	Group 2016	Company 2017	Company 2016

18. FINANCIAL SERVICES INCOME

Financial services income is considered to be revenue for IFRS purposes and includes:
• Income earned from long-term insurance activities, such as investment and administration fees, risk underwriting charges and asset mismatch profits or losses in respect of non-participating business;
• Income from general insurance business, such as general insurance premiums;
• Income from investment management activities, such as fund management fees and collective investment and linked-product administration fees;
• Income from capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities, other securities-related income and fees, and commissions; and
• Income from other financial services, such as independent financial advice and trust services.

Fees for investment management services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. **Long-term policy contract fee income** is recognised as revenue on an accrual basis as the related services are rendered.

General insurance premiums are accounted for when receivable, net after a provision for unearned premiums relating to risk periods that extend to the following year. Inward general reinsurance agreement premiums are accounted for on an intimated basis.

Consulting fees are earned for advice and other services provided to clients of the Group's financial advisory businesses. Fees are accounted for on an accrual basis as the related services are rendered.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Analysis per revenue source				
Long-term insurance	**28 348**	26 003	**16 649**	15 259
General insurance	**29 811**	26 348	**-**	-
Other financial services	**1 784**	1 654	**-**	-
Total	**59 943**	54 005	**16 649**	15 259
Analysis per revenue category				
Long-term insurance fee income	**28 348**	26 004	**16 649**	15 259
Investment management fees	**591**	746	**477**	637
Risk benefit charges and other fee income*	**27 757**	25 258	**16 172**	14 622
General insurance premiums	**29 811**	26 348	**-**	-
Premiums receivable	**30 508**	26 541	**-**	-
Change in unearned premium provision	**(697)**	(193)	**-**	-
Other financial services fees and income	**1 781**	1 630	**-**	-
Trading profit	**3**	23	**-**	-
Total	**59 943**	54 005	**16 649**	15 259

(1) Includes risk benefit charges, administration services and other fee income.

19. REINSURANCE PREMIUMS PAID

R million	Group 2017	Group 2016	Company 2017	Company 2016
Long-term insurance	**1 693**	1 501	**1 175**	1 015
General insurance	**7 837**	6 106	**-**	-
Premiums payable	**8 257**	6 307	**-**	-
Change in unearned premium provision	**(420)**	(201)	**-**	-
Total	**9 530**	7 607	**1 175**	1 015

20. REINSURANCE INCOME

R million	Group 2017	Group 2016	Company 2017	Company 2016
Reinsurance commission received				
Long-term insurance	**30**	25	**-**	-
General insurance	**1 655**	1 371	**-**	-
Total	**1 685**	1 396	**-**	-
Reinsurance claims received				
Long-term insurance	**1 372**	1 152	**1 154**	1 033
General insurance	**6 526**	4 281	**-**	-
Total	**7 898**	5 433	**1 154**	1 033

21. EXPENSES

Sales remuneration

Sales remuneration consists of commission payable to sales staff on long-term and short-term investment and insurance business and expenses directly related thereto, bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds. Commission is accounted for on all in-force policies in the financial period during which it is incurred.

The portion of sales remuneration that is directly attributable to the acquisition of long-term recurring premium investment policy contracts is capitalised to the deferred acquisition cost (DAC) asset and recognised over the period in which the related services are rendered and revenue recognised (refer to policy statement for DAC).

Acquisition cost for general insurance business is deferred over the period in which the related premiums are earned.

Sales remuneration recognised in the statement of comprehensive income includes the amortisation of deferred acquisition costs as well as sales remuneration incurred that is not directly attributable to the acquisition of long-term investment policy contracts or general insurance business.

Administration costs include, inter alia, indirect taxes such as VAT, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs.

Leases of assets, under which the lessor effectively retains all the risks and benefits of ownership, are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.
Leases, where the Group effectively assumes all the risks and benefits of ownership, are classified as finance leases. Finance leases are capitalised at inception at the lower of the present value of minimum lease payments and the fair value of the leased assets. The effective interest rate method is used to allocate lease payments between finance cost and the lease liability. The finance cost component is recognised as an expense in the statement of comprehensive income. Finance lease assets recognised are depreciated, where applicable, over the shorter of the assets' useful lives and the lease terms.

The following staff **long-term incentive schemes** have been implemented in the Group and have unvested conditions at the reporting date:

Deferred Share Plan (DSP)
The DSP was introduced in 2007. In terms of the DSP, Sanlam undertakes to deliver a fixed number of shares to selected employees on pre-determined dates in the future, on condition that the employee is still in the employment of Sanlam on those dates. Vesting can occur in three tranches over a period starting three years from the grant date, subject to certain performance targets. The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the statement of comprehensive income on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

Restricted Share Plan
The Restricted Share Plan was introduced in 2006. Selected key employees are granted fully paid-up shares at no consideration in terms of retention and performance agreements. Unconditional vesting can occur on predetermined dates subject to certain performance targets being met. The fair value of the equity instruments granted on the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period, adjusted to reflect actual levels of vesting.

Directors' remuneration

Non-executive directors' emoluments for the year ended 31 December 2017 (R'000)

Name	Directors' fees	Allowances [1]	Attendance and committees	Fees from Group	Total
MMM Bakane-Tuoane	293	46	568	-	907
AD Botha	293	46	767	557	1 663
CB Booth (resigned 8 March 2017)	-	-	-		
PR Hanratty (appointed 3 April 2017)	477	23	729	-	1 229
MV Moosa	293	46	448	-	787
PT Motsepe	447	70	453	-	970
SA Nkosi	326	46	267	-	639
KT Nondumo	293	46	591	274	1 204
P de V Rademeyer (retired 6 September 2017)	189	46	774	979	1 988
RV Simelane	293	46	331	-	670
DK Smith (retired 7 June 2017)	921	395	-	-	1 316
CG Swanepoel	293	46	1 033	1 850	3 222
J van Zyl (Chairman)[2] (appointed 8 June 2017)	1 699	46	219	149	2 113
PL Zim (resigned 5 January 2018)	293	46	312	-	651
Total non-executive directors	**6 110**	**948**	**6 492**	**3 809**	**17 359**

(1) Travel allowance was only paid for the first half of 2017 and included in director fees thereafter.

(2) J van Zyl was paid as ordinary director for the first half of 2017 and as a Chair for the second half of 2017.

Executive directors' and prescribed officers' emoluments for the year ended 31 December 2017 (R'000)

Name	Months in service	Salary/ Fees	Company contributions	Subtotal: Guaranteed package	Annual bonus	Attributable value of LTIs [4]	OPP payment	Contractual payment	Total
IM Kirk	12	8 407	201	8 608	10 000	4 089	-	-	22 697
HC Werth	12	4 757	208	4 965	4 500	11 111	-	-	20 576
TI Mvusi[1]	12	3 670	639	4 309	3 500	2 672	-	-	10 481
Y Ramiah[6]	12	3 421	218	3 639	-	2 723	-	1 186	7 548
Subtotal: executive directors		**20 255**	**1 266**	**21 521**	**18 000**	**20 595**	**-**	**1 186**	**61 302**
H Brody[2]	5	2 202	84	2 286	-	2 500	-	-	4 786
J Strydom[3]	7	2 649	122	2 771	4 000	3 325	3 214	-	13 310
A Gildenhuys	12	3 920	210	4 130	4 250	9 080	-	-	17 460
L Lambrechts	12	5 000	201	5 201	6 300	2 430	19 000	-	32 931
J Ngulube	12	4 180	267	4 447	3 750	4 171	-	-	12 368
R Roux	12	4 489	203	4 692	6 800	4 223	-	-	15 715
Executive committee		**42 695**	**2 353**	**45 048**	**43 100**	**46 324**	**22 214**	**1 186**	**157 872**

(1) Includes an amount of R315 082 paid by Santam.

(2) Retired as Chief Executive: Sanlam Personal Finance 31 May 2017.

(3) Appointed as Chief Executive: Sanlam Personal Finance 1 June 2017. An OPP was granted with effect from 1 January 2016 in respect of his role as Deputy Chief Executive of Sanlam Personal Finance. Achievement in respect of this OPP was measured as at 31 December 2017, with the amount convertible into RSP shares that will vest in April 2019. A proportional amount of the final measurement is included in the table to reflect the period from 1 June 2017 when he became a prescribed officer.

(4) Fair value of LTIs (excluding equity-settled OPPs) granted during the year, assuming 100% vesting.

(5) Value of equity-settled OPPs are included on vesting date only.

(6) Resigned on 5 January 2018 as director. The contractual payment lumpsum is equal to 3 months guaranteed remuneration in lieu of notice period plus accrued leave.

21. EXPENSES (continued)
Directors' remuneration (continued)

Non-executive directors' emoluments for the year ended 31 December 2016 (R'000)

Name	Directors' fees	Allowances	Attendance and committees	Fees from Group	Total
MMM Bakane-Tuoane	210	90	480	-	780
AD Botha	210	90	430	700	1 430
PR Bradshaw	398	44	888	2 323	3 653
CB Booth [(1)]	103	44	207	194	548
MV Moosa	210	90	376	-	676
PT Motsepe	318	136	378	-	832
SA Nkosi	210	90	152	-	452
K Nondumo	210	90	469	31	800
P deV Rademeyer	210	90	774	1 330	2 404
RV Simelane	210	90	273	-	573
DK Smith (Chairman)	1 786	765	-	-	2 551
CG Swanepoel	210	90	883	1 855	3 038
J van Zyl [(2)]	210	90	453	376	1 129
PL Zim	210	90	226	-	526
Total non-executive directors	**4 705**	**1 889**	**5 989**	**6 809**	**19 392**

[(1)] Also receives fees in lieu of a consulting agreement on special projects.
[(2)] Appointed 1 January 2016.

Executive directors' and prescribed officers emoluments for the year ended 31 December 2016 (R'000)

Name	Months in service	Salary/ Fees	Company contributions	Subtotal: Guaranteed package	Annual bonus	Attributable value of LTIs [(5)]	Ad hoc bonus payment [(6)]	Restraint of trade [(7)]	Total
IM Kirk	12	7 782	398	8 180	11 100	3 241	-	-	22 521
HC Werth [(1)]	12	4 254	261	4 515	3 500	4 205	-	-	12 220
TI Mvusi [(2)]	12	2 778	473	3 251	2 500	2 526	-	-	8 277
JP Möller [(3)]	9	3 482	313	3 795	4 800	-	-	2 000	10 595
Y Ramiah	12	3 188	204	3 392	2 600	2 518	-	-	8 510
Subtotal: executive directors		**21 484**	**1 649**	**23 133**	**24 500**	**12 490**	**- -**	**2 000**	**62 123**
H Brody	12	5 000	317	5 317	3 600	2 477	2 400	-	13 794
A Gildenhuys	12	3 430	225	3 655	3 500	3 107	-	-	10 262
L Lambrechts	12	4 515	289	4 804	5 725	2 771	-	-	13 300
J Ngulube [(4)]	11	3 265	208	3 473	3 000	4 416	-	-	10 889
R Roux	12	4 111	285	4 396	8 800	3 878	-	-	17 074
Executive committee		**41 805**	**2 973**	**44 778**	**49 125**	**29 139**	**2 400**	**2 000**	**127 442**

[(1)] Retired as Chief Executive: Sanlam Emerging Markets 30 September 2016 and appointed as Group Financial Director 1 October 2016.
[(2)] Includes an amount of R295 748 paid by Santam.
[(3)] Retired from the Executive committee and as Group Financial Director 30 September 2016.
[(4)] Appointed to Executive committee as Chief Executive: Corporate cluster 1 February 2016 and as Chief Executive: Sanlam Emerging Markets 1 October 2016.
[(5)] Fair value of LTIs (excluding equity-settled OPPs) granted during the year, assuming 100% vesting – refer to page 17 of the Sanlam Remuneration Report online.
[(6)] Additional bonus for strategic initiatives, including restructuring of Sanlam Personal Finance.
[(7)] Restraint of trade is for a period of 18 months ending 30 June 2018.
[(8)] Value of equity-settled OPPs are included on vesting date only.

Executive directors are employed on a full-time basis and all Sanlam's human resources policies are applicable to their conditions of service.
No special arrangements regarding severance or corporate actions have been put in place.

None of the non-executive directors have a director's service contract.

Further detail of Sanlam Life Insurance Limited's remuneration policy and directors' emoluments are provided in the Sanlam Remuneration report online on pages 3 to 27.

Fees from Group companies for the year ended 31 December 2017 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	178	310	69	557
KT Nondumo	107	43	124	274
P de V Rademeyer	375	138	466	979
CG Swanepoel	443	854	553	1 850
J van Zyl	110	-	39	149
Total fees from Group companies	**1 213**	**1 345**	**1 251**	**3 809**

21. EXPENSES (continued)

Fees from Group companies for the year ended 31 December 2016 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	280	360	60	700
CB Booth	-	194	-	194
PR Bradshaw	2 323	-	-	2 323
KT Nondumo	-	31	-	31
P de V Rademeyer	260	558	512	1 330
CG Swanepoel	372	1 103	380	1 855
J van Zyl	212	88	76	376
Total fees from Group companies	**3 447**	**2 334**	**1 028**	**6 809**

Out-Performance Plan (OPP)

From time to time, at the discretion of the Group Human Resources and Remuneration committee (GHRC), participation in an OPP is extended to certain members of the Sanlam Executive committee who are leaders of the Group's main operating businesses and infrequently, to senior leaders within the main businesses. The OPP rewards superior performance over a three- to five-year measurement period.

No payment is made under the OPP unless expected growth over the period is exceeded and full payment is only made if the stretched performance target is met. The maximum payment that can be made under the OPP is 200% of annual TGP over the respective three- or five-year measurement period (adjusted with salary inflation).

Current participants in the OPP and achievement to date are as follows:

Individual	Measurement period and description	Performance measures [(1)]	Achievement to 2017	Payment
Ian Kirk	1 January 2016 - 31 December 2020 1 375 000 Sanlam shares were awarded in 2016 and will vest in accordance with performance hurdles for net result from financial services (40% weighting) and RoGEV (60% weighting).	**Net result from financial services:** • Base value: 2015 net result from financial services of R7 270 million • Minimum hurdle: annualised real growth of 5% • Hurdle for 100% vesting: annualised real growth of 15% **RoGEV** • Base rate: Annual Group RoGEV hurdle, e.g. 14.1% in 2016 • Minimum hurdle: average annual outperformance of base rate by 2% • Hurdle for 100% vesting: average annual outperformance of base rate by 5%	N/A	Financial measurement and vesting in March 2021
Robert Roux	1 January 2017 – 31 December 2020 550 454 Sanlam shares were awarded in 2016 and will vest in accordance with performance hurdles for net result from financial services (30% weighting), RoGEV (40% weighting) and net new business flows (30% weighting).	**Net result from financial services:** •Base value: 2016 SI cluster (excluding SEB) net result from financial services of R1 093 million of R1 093 million • Minimum hurdle: annualised real growth of 5% • Hurdle for 100% vesting: annualised real growth of 15% **RoGEV:** • Base rate: Annual SI cluster RoGEV hurdle • Minimum hurdle: average annual RoGEV equal to base rate • Hurdle for 100% vesting: average annual outperformance of base rate by 5% **Net new business flows:** • Base value: aggregate investment management fees earned (after acquisition costs) on net new third-party business flows (NF) of R43,75 million • Minimum hurdle: annual NF equal to base value • Hurdle for 100% vesting: annual NF of R87,5 million	N/A	Final measurement and vesting in March 2021
Lize Lambrechts	1 January 2015 - 31 December 2017 Cash payment of up to 6 times the 2017 TGP.	Outperformance of operational targets set for Santam. Refer to the Santam Remuneration Report available online at www.santam.co.za	R19 000 000	Final measurement and payment on 1 April 2018

[(1)] *Sliding scale applies to determine vesting percentage between minimum and maximum hurdles.*
Growth targets may be adjusted by the GHRRC for material reorganisation, acquisitions and disposals during the measurement period.
Actual RoGEV achieved in each year can be adjusted by the GHRRC for any material economic or market events during the measurement period.

To the extent that any awards are granted under the OPP in 2018, this will occur on a basis consistent with that described above.

21. EXPENSES (continued)

Equity compensation plans

The details of the Sanlam Ltd shares that have been granted to Sanlam Life group employees are as follows:

	Shares 2017 000s	Shares 2016 000s
Group		
Executive share incentive scheme		
Total number of shares at beginning of year	**20 694**	20 486
Unrestricted shares at beginning of year	**(428)**	(807)
Restricted shares at beginning of year	**20 266**	19 679
Shares in respect of the movement of employees	**136**	624
Total restricted shares and share options	**20 402**	20 303
schemes	**5 536**	7 576
Unconditional shares released, available for release, or taken up	**(5 062)**	(6 377)
Options and shares forfeited/transferred to new scheme	**(1 552)**	(1 236)
Options converted to shares	**-**	-
Restricted shares at end of year	**19 324**	20 266
Unrestricted shares at end of year	**592** (1)	428
Total number of shares at end of year	**19 916**	20 694
Shares the subject of loans granted (1)	**-**	-
Total equity participation by employees	**19 916**	20 694
Company		
Executive share incentive scheme		
Total number of shares at beginning of year	**17 497**	18 056
Unrestricted shares at beginning of year	**(425)**	(792)
Restricted shares at beginning of year	**17 072**	17 264
Shares in respect of the movement of employees	**182**	(551)
Total restricted shares and share options	**17 254**	16 713
schemes	**4 433**	6 621
Unconditional shares released, available for release, or taken up	**(4 312)**	(5 197)
Options and shares forfeited/transferred to new scheme	**(1 499)**	(1 065)
Options converted to shares	**-**	-
Restricted shares at end of year	**15 876**	17 072
Unrestricted shares at end of year	**592** (1)	425
Total number of shares at end of year	**16 468**	17 497
Shares the subject of loans granted (1)	**-**	-
Total equity participation by employees	**16 468**	17 497

(1) Outstanding amount of loans granted in respect of these shares amounts to Rnil (2016: Rnil) for the Group and Rnil (2016: Rnil) for the Company. No new loans were granted during the current year.

(1) During the year 800 590 (Group) (2016: 877 204) and 803 801 (Company) (2016: 877 204) number of shares became unrestricted in terms of Restricted Share Plan.

Details regarding the restricted shares outstanding on 31 December 2017 and the financial years during which they become unconditional, are as follows:

	Group Number of shares 000's		Company Number of shares 000's	
Unrestricted during year ending (subject to performance targets)	**2017**	**2016**	**2017**	**2016**
31 December 2017	**-**	4 306	**-**	3 529
31 December 2018	**3 837**	4 613	**3 113**	3 854
31 December 2019	**4 070**	4 650	**3 253**	3 810
31 December 2020	**4 723**	2 961	**3 763**	2 431
31 December 2021	**5 114**	3 736	**4 498**	3 448
31 December 2022	**1 580**	-	**1 249**	-
	19 324	20 266	**15 876**	17 072

The total restricted shares granted to staff and executive directors were 5,5 million (2016: 7,6 million) for the Group and 4,4 million (2016: 6,6 million) for the Company. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R321 million (2015: R407 million) for the Group and R259 million (2016: R354 million) for the Company and is expensed in the statement of comprehensive income over the vesting period of five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period.

21. EXPENSES (continued)

R million	Group 2017	Group 2016	Company 2017	Company 2016
Auditors' remuneration				
Audit fees: statutory audit	**130**	95	**55**	42
Other services provided by	**18**	23	**12**	8
Subsidiaries' own auditors	**15**	21	**12**	8
Other Group auditors	**3**	2	**-**	-
Total auditors' remuneration	**148**	118	**67**	50
Depreciation	**277**	261	**104**	95
Operating leases	**682**	628	**100**	93
Properties	**439**	400	**98**	89
Equipment	**225**	211	**2**	4
Other	**18**	17	**-**	-
Consultancy fees	**892**	728	**626**	477
Technical, administrative and secretarial fees	**829**	690	**58**	67
Employee benefits	**8 232**	7 398	**3 470**	3 136
Salaries and other short-term benefits	**7 214**	6 480	**3 010**	2 704
Pension costs - defined contribution plans	**567**	509	**221**	199
Pension costs - defined benefit plans	**(1)**	-	**-**	-
Share-based payments	**256**	353	**183**	179
Other long-term incentive schemes	**196**	56	**56**	54

22. FINANCE COST

Finance costs are recognised as an expense in the statement of comprehensive income on an accrual basis.

R million	Group 2017	Group 2016	Company 2017	Company 2016
Interest paid and term finance cost in respect of interest margin business	**-**	5	**-**	-
Finance cost - margin business	**-**	5	**-**	-
Interest-bearing liabilities designated as at fair value through profit or loss	**646**	399	**195**	187
Interest bearing liabilities held at amortised cost	**-**	-	**-**	-
Finance cost - other	**646**	399	**195**	187

23. COLLATERAL

23.1 Collateral provided

The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:

R million	Group 2017	Group 2016	Company 2017	Company 2016
Investments				
Interest-bearing investments	**660**	852	**588**	852
Cash, deposits and similar securities	**413**		**413**	-
Working capital				
Trading account	**905**	-	**-**	-
Cash, deposits and similar securities	**905**	-	**-**	-

The transferee does not have the right to sell or repledge the assets.

23.2 Collateral received

The following collateral has been received in respect of securities lending activities conducted by the Group:

Fair value of collateral accepted as security for these activities	**24 781**	21 098	**18 764**	15 983

Collateral of between 100% (2016: 105%) and 120% (2016: 115%) of the value of the loaned securities is held at 31 December 2017.

24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's assets and liabilities. Management applies judgement in determining best estimates of future experience. These judgements are based on historical experience and reasonable expectations of future events and changes in experience. Estimates and assumptions are regularly updated to reflect actual experience. It is reasonably possible that actual outcomes in future financial years may differ to the current assumptions and judgements, possibly significantly, which could require a material adjustment to the carrying amounts of the affected assets and liabilities.

The critical estimates and judgements made in applying the Group's accounting policies are summarised below. Given the correlation between assumptions, it is not possible to demonstrate the effect of changes in key assumptions whilst other assumptions remain unchanged. Further, in some instances the sensitivities are non-linear. Interdependencies between certain assumptions cannot be quantified and are accordingly not included in the sensitivity analyses; the primary example being the relationship between economic conditions and lapse, surrender and paid-up risk.

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variances reflected in the embedded value earnings during a period. The experience variances reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group.

24.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill, value of business acquired and other intangible assets for impairment testing purposes has been determined based on the embedded value of life insurance businesses and the fair value of other businesses, as applicable, less the consolidated net asset value of the respective businesses. The embedded value (plus a value of new life insurance business multiple for goodwill) or fair value of a business therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required. Refer to pages 176 to 178 respectively for the main assumptions applied in determining the embedded value of covered business and the fair value of other Group businesses in the Sanlam Integrated report. Embedded value of covered business and fair value sensitivity analyses are also provided in the Sanlam Integrated report on pages 174 and 179 respectively.

24.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services

This disclosure should be read in conjunction with the valuation methodology as described on pages 25 to 30.

The following process is followed to determine the valuation assumptions:
· Determine the best estimate for a particular assumption.
· Prescribed margins are then applied as required by the Long-term Insurance Act in South Africa and Board Notice 14 of 2010 issued in terms of the Act.
· Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. Investment return information for the most important solutions are as follows:

	Sanlam Life		**Sanlam Developing Markets**		**Sanlam Life Namibia**	
%	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Reversionary bonus business						
Retirement annuity business	10.7	10.9	n/a	n/a	10.7	10.9
Individual policyholder business	8.8	9.1	6.7	7.1	10.1	10.2
Individual stable bonus business						
Retirement annuity business	10.4	10.6	8.7	9.3	10.4	10.6
Individual policyholder business	8.4	8.8	6.7	7.1	8.8	9.9
Non-taxable business	10.4	10.6	n/a	n/a	10.4	10.6
Corporate policyholder business	7.9	8.1	n/a	n/a	9.8	9.9
Individual market-related business						
Retirement annuity business	10.7	10.9	8.7	9.3	10.7	10.9
Individual policyholder business	8.8	9.1	6.7	7.1	10.1	10.2
Non-taxable business	10.7	10.9	n/a	n/a	10.7	10.9
Corporate policyholder business	8.2	8.4	n/a	n/a	10.1	10.2
Participating annuity business	8.9	9.1	n/a	n/a	8.7	8.9
Non-participating annuity business(1)	9.7	9.6	10.2	10.3	9.7	9.7
Guarantee plans(1)	4.4	7.5	4.4	4.8	n/a	n/a

(1) The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same policy liabilities as calculated using the yield curve applied in the valuation.

24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

24.2 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services (continued)

Future bonus rates for participating business

Assumed future bonus rates are determined to be consistent with the valuation implicit rate assumptions.

Decrements

Assumptions with regards to future mortality, disability and disability payment termination rates and lapse, surrender and paid-up rates are consistent with the experience for the five years up to 30 June 2017. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Assumptions with regard to future surrender and lapse rates are based on the experience for the 4.75 years ending 30 September 2017.

Expenses

Unit expenses are based on 31 October 2017 actual figures plus estimates for the last two months of the year (adjusted for significant difference from actual) and escalated at estimated expense inflation rates per annum.

Refer to note 2 on page 174 of the Sanlam Integrated report for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

24.3 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2016: 10%) from management's estimates, no impairment of the DAC asset would be required.

24.4 The ultimate liability arising from claims under general insurance contracts

The estimation of the ultimate liability arising from claims under general insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining its general insurance risk monitoring and management tools to enable the Group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the Group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to the Capital and Risk Management Report on page 91 for further information on the estimation of the claims liability.

24.5 Valuation of unlisted investments

The valuation of unlisted investments is based on generally accepted and applied investment techniques, but is subject to judgement in respect of the adjustments made by the Group to allow for perceived risks. The appropriateness of the valuations is continuously tested through the Group's approval framework, in terms of which the valuation of unlisted investments is reviewed and recommended for approval by the Audit, Actuarial and Finance committee and Board by the Sanlam Non-listed Asset Controlling Body at each reporting period. Refer to note 33 for additional information.

24.6 Consolidation of investment funds

The Group invest in a number of investment funds and has varying holdings. In terms of IFRS 10, the Group considers itself to have control of a fund when it both owns the asset manager of the fund and holds greater than 20% thereof.

24.7 Cash flow hedging instruments

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk, in this case the foreign currency and equity risk associated with a forecast transaction, and could affect profit or loss. For a forecast transaction, the key criterion for hedge accounting purposes is that the forecast transaction must be "highly probable". Management has assessed the facts and circumstances relating to the proposed acquisition of the remaining interest of 53.4% in Saham Finances (to be announced on 8 March 2018), and concluded that the likelihood of the transaction not being concluded was remote. The expected effectiveness of the hedging relationship was also assessed and it is expected that the hedge would be effective throughout the hedging period. It was therefore concluded that hedge accounting can be applied. Refer to page 134 for more information on the hedging transactions.

24.8 Deferred tax asset

In the current year, changes to South African insurance tax legislation gave rise to a change in the probability and timing of utilisations of historic losses in certain tax funds. As a result, management determined that it is now probable that these losses will be utilised and therefore that a deferred tax asset should be raised. In determining the extent to which these losses should be recognised, management forecast future profits, including the impact of new business, where applicable, as well as other business decisions that may affect future profits. Changes in these assumptions, as well as decisions made by the Group in future may affect the extent to which these losses are utilised.

25. RETIREMENT BENEFITS FOR EMPLOYEES

Retirement benefits for employees are provided by a number of defined-benefit and defined-contribution pension and provident funds. The assets of these funds, including those relating to any actuarial surpluses, are held separately from those of the Group. The retirement plans are funded by payments from employees and the relevant Group companies, taking into account the recommendations of the retirement fund valuator.

Defined-benefit plans

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in net profit. When a fund is in a net surplus position, the value of any defined benefit asset recognised is restricted to the sum of any unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined-contribution plans

Group contributions to the defined contribution funds are charged against the statement of comprehensive income in the year incurred.

The Sanlam Life Group provides for the retirement and medical benefits of full-time employees and for certain part-time employees by means of defined benefit and defined contribution pension and provident funds.

Group and Company

At 31 December 2017, 100% of employees were covered by defined contribution funds.

Although there are no active employees under the defined benefit plan the Sanlam Life Group has 589 pensioners as at 31 December 2017 (2015: 589) who still receive a pension from the defined benefit fund.

25.1 Defined contribution funds

There are separate defined contribution funds for advisers, full-time and part-time office staff.

Group

The Group contributed R567 million to these funds during 2017 (2016: R509 million).

Company

The Company contributed R221 million to these funds during 2017 (2016: R199 million).

25.2 Defined benefit pension funds

The Sanlam Life Group has two defined benefit funds. These funds relate to:

Sanlam office personnel; and

Sanlam Developing Markets defined-benefit fund SA.

The majority of the Group's defined benefit obligation was made up of the Sanlam Office Personnel fund at the end of 2017. This fund does not have any active members, only pensioners.

In the second half of 2017, the trustees of the fund fully insured the pension obligations through a policy with Sanlam Life Insurance Limited. The value of the fund is R787 million, of which R762 million has been paid as a premium in terms of this insurance policy. The trustees also decided to replace the current insurance policy between the fund and Sanlam Life Insurance Limited with individual policies between the pensioners and Sanlam Life Insurance Limited, to be effected after year end.

The remaining assets of R25 million in the fund will be used to augment the pensions payable in terms of the individual policies. Through this process the fund obligations towards the pensioners will be transferred to Sanlam Life Insurance Limited in terms of the relevant Pension Fund regulations. The fund will thereafter have no further obligations.

Boards of Trustees oversee the affairs of the other defined benefit funds as required by the relevant legislation. The responsibilities of the Trustees are defined in these regulations. Adequate allowance for future salary increases for active members and allowance for pension increases in line with the funds' pension increase policies are required to ensure that the funds are always financially sound.

Sanlam Developing Markets SA were in materially sound position as at 31 December 2017.

		Sanlam Developing Markets SA
Principal actuarial assumptions:		
Latest valuation date		31 Dec 2017
Pre-retirement discount rate	% pa	9.8%
Post-retirement discount rate	% pa	4.6%
Future salary increases	% pa	0.0%
Future pension increases	% pa	5.0%
Actual experience:		
Actual return on assets	% pa	14.1%

		Sanlam Developing Markets SA
Principal actuarial assumptions:		
Latest valuation date		31 Dec 2016
Pre-retirement discount rate	% pa	9.8%
Post-retirement discount rate	% pa	4.6%
Future salary increases	% pa	0.0%
Future pension increases	% pa	5.0%
Actual experience:		
Actual return on assets	% pa	9.6%

Based on reasonable actuarial assumptions about future experience, the employers' contribution, as a fairly constant percentage of the remuneration of the members of the funds, should be sufficient to meet the promised benefits of the funds. The expected return on defined benefit fund assets is calculated based on the long-term asset mix of these funds. The fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

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for the year ended 31 December 2017

25. RETIREMENT BENEFITS FOR EMPLOYEES (continued)

25.2 Defined benefit funds (continued)

Group

R million	2017	2016	2015	2014	2013
Net liability recognised in statement of financial position:					
Present value of fund obligations	**876**	803	804	880	1 279
Actuarial value of fund assets	**(891)**	(892)	(881)	(1 205)	(1 625)
Net present value of funded obligations	**(15)**	(89)	(77)	(325)	(346)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**15**	89	77	181	346
Net asset recognised in statement of financial position:	**-**	-	-	(144)	-

Company

R million	2017	2016	2015	2014	2013
Net liability recognised in statement of financial position:					
Present value of fund obligations	**787**	700	720	716	1 127
Actuarial value of fund assets	**(787)**	(778)	(769)	(1 010)	(1 443)
Net present value of funded obligations	**-**	(78)	(49)	(294)	(316)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**-**	78	49	150	316
Net Asset recognised in statement of financial position:	**-**	-	-	(144)	-

Group

R million	Fund assets	Fund liabilities	Asset ceiling	Net Asset/Liability
2017				
Balance at beginning of the year	**892**	**(803)**	**(89)**	**-**
Past service cost	**-**	**(25)**	**-**	**(25)**
Benefit payments	**(83)**	**83**	**-**	**-**
Employer surplus transferred from defined benefit assets	**-**	**-**	**-**	**-**
Interest income / (expense)	**85**	**(81)**	**(1)**	**3**
Actuarial gains and losses: change in financial assumptions	**-**	**(50)**	**-**	**(50)**
Returns from plan assets (excluding amounts included in interest)	**17**	**-**	**-**	**17**
Effect of limiting defined benefit asset to amount available to employer	**-**	**-**	**(3)**	**(3)**
Other	**(20)**	**-**	**78**	**58**
Balance at end of the year	**891**	**(876)**	**(15)**	**-**
2016				
Balance at beginning of the year	881	(804)	(77)	-
Past service cost	-	(13)	-	(13)
Benefit payments	(77)	77	-	-
Interest income / (expense)	89	(69)	-	20
Actuarial gains and losses: change in financial assumptions		6	(7)	(1)
Returns from plan assets (excluding amounts included in interest)	(1)	-	-	(1)
Effect of limiting defined benefit asset to amount available to employer	-	-	(5)	(5)
Balance at end of the year	892	(803)	(89)	-

Company

R million	Fund assets	Fund liabilities	Asset ceiling	Net Asset/Liability
2017				
Balance at beginning of the year	**778**	**(700)**	**(78)**	**-**
Past service cost	**-**	**(25)**	**-**	**(25)**
Benefit payments	**(60)**	**60**	**-**	**-**
Employer surplus transferred from defined benefit assets	**-**	**-**	**-**	**-**
Interest income / (expense)	**79**	**(71)**	**(8)**	**-**
Actuarial gains and losses: change in financial assumptions	**-**	**(51)**	**-**	**(51)**
Returns from plan assets (excluding amounts included in interest)	**12**	**-**	**-**	**12**
Effect of limiting defined benefit asset to amount available to employer	**-**	**-**	**51**	**51**
Other	**(22)**	**-**	**35**	**13**
Balance at end of the year	**787**	**(787)**	**-**	**-**
2016				
Balance at beginning of the year	769	(720)	(49)	-
Past service cost	-	-	-	-
Benefit payments	(70)	70	-	-
Employer surplus transferred from defined benefit assets	-	-	-	-
Interest income / (expense)	77	(72)	(5)	-
Actuarial gains and losses: change in financial assumptions	-	22	-	22
Returns from plan assets (excluding amounts included in interest)	2	-	-	2
Foreign exchange gains and (losses)	-	-	(24)	(24)
Other	-	-	-	-
Balance at end of the year	778	(700)	(78)	-

25. RETIREMENT BENEFITS FOR EMPLOYEES (continued)

25.2 Defined benefit funds (continued)

R million	Group 2017	Group 2016	Company 2017	Company 2016
Fund assets comprise:				
Properties	**-**	9	**-**	9
Equities and similar securities	**58**	326	**-**	212
Interest-bearing investments	**44**	331	**-**	331
Cash, deposits and similar securities	**2**	226	**-**	226
Insurance policy contract	**787**	-	**787**	-
	891	892	**787**	778

No material portion of the above assets is unquoted.

The above value of fund assets includes an investment of Rnil million (2016: Rnil million) in Sanlam shares.

Net expense recognised in the statement of comprehensive income (included in administration costs):	Group 2017	Group 2016	Company 2017	Company 2016
Current service cost	**-**	13	**-**	-
Past service cost	**(25)**	-	**(25)**	-
Interest cost	**(3)**	(13)	**-**	-
Other	**(58)**	-	**(13)**	-
Total included in staff costs	**(86)**	-	**(38)**	-

The following discounted benefits payments are expected payments to be made in future years out of the defined benefit plan obligation:

	Group 2017	Group 2016	Company 2017	Company 2016
< 1 year	**(78)**	(71)	**(71)**	(61)
1 - 5 years	**(263)**	(241)	**(236)**	(203)
> 5 years	**(535)**	(491)	**(480)**	(412)
Total Expected payments	**(876)**	**(803)**	**(787)**	**(676)**

26. BORROWING POWERS

In terms of the memorandum of incorporation of Sanlam Life Insurance Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company subject to the prior approval of the Registrar of Long Term insurance.

Material borrowings of the Group and Company are disclosed in note 15.

27. COMMITMENTS AND CONTINGENCIES

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

27.1 Operating leases

R million	Group 2017	Group 2016	Company 2017	Company 2016
Future operating lease commitments:				
Lease rentals due within one year	**513**	443	**81**	85
Lease rentals due within two to five years	**1 296**	834	**200**	207
Lease rentals due within more than five years	**657**	219	**117**	103
Total operating lease commitments	**2 466**	1 496	**398**	395

27.2 Guarantees provided in favour of others

Sanlam Limited has issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the Group.

27.3 Other

Financial claims are lodged against the Group from time to time. Provisions are recognised for claims based on best estimates of the expected outcome of the claims (refer to note 16). Given the high degree of uncertainty involved in determining the expected outcome, it is reasonably possible that outcomes in future financial years will be different to the current estimates.

Agreements were concluded whereby Sanlam Life Insurance will acquire the remaining 53.4% stake in Saham Finances, a financial services provider (predominately general insurance) across various countries in Africa. The total consideration is dependent on the effective date of the transaction and is expected to be a maximum of US$1 050 million, should the effective date occur in the second half of 2018. Sanlam will fund the acquisition from a combination of a Sanlam Limited share issuance, debt and available discretionary capital.

There are no material commitments or contingencies that have not been provided for or fully disclosed, unless additional disclosures may potentially prejudice the legal arguments of the Group. For details in respect of the Saham Finances transaction, refer to page 65 of the Integrated Report online.

28. RELATED PARTIES

Ultimate shareholder

Sanlam Limited is the ultimate holding company of Sanlam Life Insurance Limited.

Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R567 million in 2017 (2016: R509 million) for the Group and R221 million in 2017 (2016: R199 million) for the company. There are no amounts outstanding at year-end.

The trustees of the Sanlam Office Personnel Fund insured the pension fund obligations through a policy with Sanlam Life Insurance Limited (refer to note 25)

Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the company. All directors of Sanlam Life Insurance Limited have notified that they did not have a material interest in any contract of significance with the company, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments are included in note 21 and their shareholdings and share participation in Sanlam Limited are disclosed as part of the online Remuneration Report.

Policy administration

Certain companies in the Group carry out third party policy and other administration activities for other related parties in the Sanlam Group. These transactions are entered into in the normal course of business.

28. RELATED PARTIES (continued)

Transactions with entities in the Sanlam group

During the year the Company in the ordinary course of business entered into various transactions with subsidiary companies, associated companies, joint ventures and other stakeholders. Refer below for detail of transactions and balances outstanding with related parties.

The Company advanced, repaid and received loans from other subsidiaries in the Sanlam group during the current and previous years.

Details of investments in subsidiaries, associates and joint ventures are disclosed in notes 7.2 and note 7.4.
Inter-company balances with subsidiaries are disclosed below other than loans which are disclosed on page 46.
Details of transactions that occurred during the financial period and outstanding balances with related parties, are listed below. A complete list of all subsidiaries, fellow subsidiaries, associates and joint ventures that are considered related parties are disclosed on pages 84 to 86.

The Group provides financing for the loans granted to Sanlam Personal Loans. Most of these loans earn interest of the asset swap rate plus a premium of between 1,48% and 2,75%, and will mature in tranches up to 30 December 2018 (refer Capital and Risk Management Report).

Company					
R million		**Total Transactions**		**Balances outstanding**	
Related Parties	**Transaction / Balance type**	**2017**	**2016**	**2017**	**2016**
Holding company					
Sanlam Ltd	Inter-company balances	-	-	(110)	(408)
	Distributions paid	(5 200)	(4 750)	-	-
	Distributions received	312	288	-	-
Subsidiaries (Direct and Indirect)					
Channel Life Ltd	Distributions received	222	264	-	-
	Service,commission and marketing fees	10	9	-	-
Coris Capital (Pty) Ltd	Service fees	(5)	(5)	-	-
Safrican Insurance Company Limited	Distributions received	104	102	-	-
	Service, commission and marketing fees	8	5	-	-
Sanlam Developing Markets (Pty) Ltd	Service, commission and marketing fees	88	81	-	-
	Distributions received	912	631	-	-
Sanlam Emerging Markets (Pty) Ltd	Distributions received	332	411	-	-
	Sale of Namibian investment	3 362	-	-	-
Sanlam Health Care Management (Pty) Ltd	Service fees	7	3		
Sanlam Investment Management (Pty) Ltd	Service fees	444	425	-	-
	Scrip lending fees	16	16	-	-
	Distributions received	331	315	-	-
Sanlam Life Namibia Ltd	Cost recoveries	4	4	-	-
Sanlam Linked Investments (Pty) Ltd	Service & commission fees	34	40	-	-
Sanlam Namibia Holdings Ltd	Distributions received	60	71	-	-
	Cost recoveries	7	3	-	-
Sanlam Private Investments (Pty) Ltd	Service, commission and marketing fees	45	44	-	-
	Financial instruments	-	-	1 022	-
	Inter-company balances	-	-	4	7
Sanlam Trust (Pty) Ltd	Service, commission and marketing fees	37	25	-	-
	Distributions received	23	22	-	-
Santam Ltd	Service fees	235	232	-	-
	Inter-company balances	-	-	-	3
	Distributions received	614	1 111	-	-
Fellow subsidiaries (Direct and Indirect)					
Gensec Holdings BV	Inter-company balances	-	-	(475)	(475)
Glacier Financial Holdings (Pty) Ltd	Service and marketing fees	-	32	-	-
	Inter-company balances	-	-	(21)	(14)
Graviton Financial Partners (Pty) Ltd	Services, commission and marketing fees	(4)	(5)	-	-
MiWay Finance (Pty) Ltd	Inter-company balances	-	-	7	6
Radius Administrative Services (Pty) Ltd	Inter-company balances	-	-	-	-
Real Futures (Pty) Limited	Service, commission and marketing fees	2	22	-	-
Sanlam Capital Markets Ltd	Financial instruments	-	-	2 194	3 340
	Service, commission and marketing fees	6	-	-	-
	Inter-company balances	-	-	(21)	33
Sanlam Collective Investments (Pty) Ltd	Service, commission and marketing fees	(94)	44	-	-
	Inter-company balances	-	-	5	-
Sanlam FOUR Investments UK Limited	Service, commission and marketing fees	(5)	-	-	-
	Inter-company balances	-	-	(12)	
Sanlam Health Solutions (Pty) Ltd	Service fees	-	1	-	-
	Inter-company balances	-	-	13	-
Sanlam Investment Holdings (Pty) Ltd	Inter-company balances	-	-	490	527
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	(54)	(54)
Sanlam Multi Managers International (Pty) Ltd	Service, commission and marketing fees	117	92	-	-
Sanlam Prefco (Pty) Ltd	Inter-company balances	-	-	(710)	(625)
Sanpref (Pty) Ltd	Inter-company balances	-	-	284	(1)
Sanlam Spec (Pty) Ltd	Inter-company balances	-	-	(58)	339
Sanlam Netherlands Holding BV	Inter-company balances	-	-	-	-
Satrix Managers (Pty) Ltd	Inter-company balances	-	-	1	-
Simeka Consultants and Actuaries (Pty) Ltd	Inter-company balances	-	-	3	-
	Service, commission and marketing fees	(9)	(9)	-	-
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	679	583
Associate of holding company					
AfroCentric Healthcare Assets (Pty) Ltd	Distributions received	14	-	-	-
Gensec Property Services Ltd	Property Management fee	(28)	(29)	-	-
	Tenant commission	(9)	(11)	-	-
Joint Ventures					
Indwe Broker Holdings (Pty) Ltd	Distributions received	4	-	-	-
Sanlam Personal Loans (Pty) Ltd	Distributions received	126	140	-	-
Curo Fund Services (Pty) Ltd	Asset administration fee	124	83	-	-
Speqtel Investment Holdings (Pty) Ltd	Inter-company balances	-	-	264	-

28. RELATED PARTIES (continued)

Company

R million Related Parties	Transaction	2017	2016
Denker Sanlam Collective Investments Global Dividend Feeder Fund	Distributions received	3	4
First Avenue Sanlam Collective Investments Equity Fund	Distributions received	-	36
Glacier Money Market Fund	Distributions received	264	259
Graviton Sanlam Collective Investments Balanced Fund	Distributions received	60	52
Graviton Sanlam Collective Investments Capital Growth Fund	Distributions received	10	10
Graviton Sanlam Collective Investments Flexible Income Fund	Distributions received	48	27
Graviton Sanlam Collective Investments Low Equity Fund	Distributions received	43	40
Sanlam Diversified Income Fund of Funds	Distributions received	-	21
Sanlam Growth Institutional Fund	Distributions received	35	64
Sanlam Institutional Special Opportunities Fund	Distributions received	75	91
Sanlam Investment Management Active Income Fund	Distributions received	642	508
Sanlam Investment Management Balanced Fund	Distributions received	783	592
Sanlam Investment Management Bond Plus Fund	Distributions received	170	158
Sanlam Investment Management Enhanced Yield Fund	Distributions received	334	249
Sanlam Investment Management Financial Fund	Distributions received	11	13
Sanlam Investment Management General Equity Fund	Distributions received	213	297
Sanlam Investment Management Inflation Plus Fund	Distributions received	759	561
Sanlam Investment Management Managed Aggressive Fund of Funds	Distributions received	37	37
Sanlam Investment Management Managed Cautious Fund of Funds	Distributions received	92	78
Sanlam Investment Management Managed Conservative Fund of Funds	Distributions received	32	25
Sanlam Investment Management Managed Moderate Aggressive Fund of Funds	Distributions received	78	77
Sanlam Investment Management Managed Moderate Fund of Funds	Distributions received	211	213
Sanlam Investment Management Property Fund	Distributions received	1 313	334
Sanlam Investment Management Top Choice Equity Fund	Distributions received	42	64
Sanlam Investment Management Value Fund	Distributions received	58	90
Sanlam Multi Managed Aggressive Balanced Fund of Funds	Distributions received	-	3
Sanlam Multi Managed Aggressive Fund of Funds	Distributions received	3	4
Sanlam Multi Managed Balanced Fund of Funds	Distributions received	63	-
Sanlam Multi Managed Bond Fund	Distributions received	241	269
Sanlam Multi Managed Cautious Fund of Funds	Distributions received	8	11
Sanlam Multi Managed Conservative Fund of Funds	Distributions received	27	34
Sanlam Multi Managed Defensive Fund of Funds	Distributions received	44	34
Sanlam Multi Managed Equity Fund	Distributions received	70	41
Sanlam Multi Managed Equity Index Fund	Distributions received	7	21
Sanlam Multi Managed Flexible Equity Fund	Distributions received	34	44
Sanlam Multi Managed Inflation Linked Bond Fund	Distributions received	10	13
Sanlam Multi Managed Institutional Aggressive Equity Fund One	Distributions received	43	13
Sanlam Multi Managed Institutional Balanced Fund	Distributions received	104	4
Sanlam Multi Managed Institutional Balanced Fund of Funds	Distributions received	102	59
Sanlam Multi Managed Institutional Domestic Balanced Fund	Distributions received	26	2
Sanlam Multi Managed Institutional General Equity Fund Two	Distributions received	61	67
Sanlam Multi Managed Institutional Moderate Balanced Fund	Distributions received	137	10
Sanlam Multi Managed Institutional Positive Return Fund Three	Distributions received	50	37
Sanlam Multi Managed Institutional Positive Return Fund Four	Distributions received	35	50
Sanlam Multi Managed Institutional Prudential Balanced Fund One	Distributions received	31	25
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	Distributions received	123	102
Sanlam Multi Managed Long Term Growth Solution Fund of Funds	Distributions received	12	-
Sanlam Multi Managed Moderate Aggressive Fund of Funds	Distributions received	31	35
Sanlam Multi Managed Moderate Fund of Funds	Distributions received	13	15
Sanlam Multi Managed Property Fund	Distributions received	93	52
Sanlam Multi Managed Protection Solution 3 Fund of Funds	Distributions received	7	7
Sanlam Multi Managed Yield Plus Fund	Distributions received	25	25
Sanlam Private Wealth Equity Fund	Distributions received	3	3
Sanlam Select Absolute Fund	Distributions received	16	37
Sanlam Select Bond Plus Fund	Distributions received	71	67
Sanlam Select Defensive Balanced Fund	Distributions received	49	40
Sanlam Select Flexible Equity Fund	Distributions received	44	33
Sanlam Select Managed Fund	Distributions received	57	52
Sanlam Select Optimised Equity Fund	Distributions received	11	7
Sanlam Select Strategic Income Fund	Distributions received	160	109
Sanlam Select Thematic Equity Fund	Distributions received	9	54
Sanlam Stable Growth Fund	Distributions received	22	21
Sanlam Value Institutional Fund	Distributions received	40	38
Satrix ALSI Index Fund	Distributions received	-	6
Satrix Balanced Index Fund	Distributions received	57	52
Satrix Bond Index Fund	Distributions received	38	42
Satrix Dividend + Index Fund	Distributions received	6	-
Satrix Low Equity Balanced Index Fund	Distributions received	17	13
Satrix Money Market Fund	Distributions received	10	-
Satrix Property Index Fund	Distributions received	63	46
Satrix Quality Index Fund	Distributions received	9	2
Satrix SWIX Top40 Index Fund	Distributions received	246	188
Satrix Top 40 Index Fund	Distributions received	5	3

Notes to the annual financial statements
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28. RELATED PARTIES (continued)

Group R million Related Parties	Transaction / Balance type	Total Transactions 2017	2016	Balances outstanding 2017	2016
Holding company					
Sanlam Ltd	Inter-company balances	-	-	(110)	(408)
	Distributions paid	5 200	4 750		
	Dividends received	312	288	-	-
Subsidiaries of fellow subsidiaries					
Sanlam Collective Investments (Pty) Ltd	Service,commission and marketing fees	-	346	-	-
	Investment Management Fees	299	(8)	-	-
	Performance Fees	53	-	-	-
	Financial services income	32	-	-	-
	Administration costs	(4)	-	-	-
	Interest paid	-	-	-	-
	Inter-company balances	-	-	51	65
Sanlam Capital Markets (Pty) Ltd	Investment Management Fees	-	-	-	-
	Interest paid	-	-	-	-
	Administration costs	7	-	-	-
	Inter-company balances	-	-	(1 124)	(1 066)
Glacier (Pty) Ltd	Service,commission and marketing fees	-	-	-	-
	Administration costs	27			
	Inter-company balances	-	-	(16)	(11)
Sanlam Multi Managers International (Pty) Ltd	Administration costs	117	92	-	-
	Inter-company balances	-	-	(7)	(12)
Gensec Holdings BV	Inter-company balances	-	-	(475)	(475)
Sanpref (Pty) Ltd	Inter-company balances	-	-	284	(1)
Sanlam Spec (Pty) Ltd	Inter-company balances	-	-	(26)	371
Satrix Managers (Pty) Ltd	Investment Management Fees	7	8	-	-
	Inter-company balances	-	-	25	1
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	868	714
Sanlam Investment Holdings Ltd	Inter-company balances	-	-	678	687
	Asset management fees	-	-	-	-
	Investment Management Fees	-	(4)	-	-
	Fee income	5	-	-	-
	Administration costs	-	-	-	-
Graviton Financial Partners (Pty) Ltd	Inter-company balances	-	-	42	50
Graviton Wealth (Pty) Ltd	Inter-company balances	-	-	10	10
Sanlam Asset Management Ireland Ltd	Inter-company balances	-	-	1	3
	Investment Management Fees	-	42	-	-
Coris Capital Holdings (Proprietary) Limited	Inter-company balances	-	-	-	54
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	(54)	(54)
Graviton Financial Partners	Inter-company balances	-	-	-	-
Sanlam Prefco (Pty) Ltd	Inter-company balances	-	-	(710)	(625)
Sanlam Asset Management (Ireland) Ltd	Investment Management Fees	-	-	-	-
	Inter-company balances	-	-	7	-
	Fee income	48	-	-	-
	Performance Fees	2	-	-	-
Sanlam Health Solutions	Inter-company balances	-	-	13	5
Sanlam Africa Real Estate Advisor (Pty) Ltd	Inter-company balances	-	-	21	23
Sanlam UK	Inter-company balances	-	-	(12)	-
	Fee income	8	-	-	-
Sanlam Independent Financial Services	Inter-company balances	-	-	54	-
Real Futures	Administration costs	2	-	-	-
Associate of holding company					
Gensec Property Services Ltd	Asset management fees	(28)	(29)	-	-
	Tenant commission	(9)	(11)	-	-

R million	Group 2017	2016	Company 2017	2016
Key management personnel compensation				
Short-term employee benefits	**585**	540	**312**	312
Share-based payments[(1)]	**139**	126	**69**	69
Terminations	**19**	3	**-**	-
Other long-term benefits	**23**	22	**4**	4
Total key management personnel compensation	**766**	691	**385**	385

[(1)] Consist of redemption of shares in respect of share-based payment schemes.

R million	Group 2017	Group 2016	Company 2017	Company 2016
29. NOTES TO THE CASH FLOW STATEMENT				
29.1 Cash generated/(utilised) in operations				
Profit before tax per statement of comprehensive income	**18 078**	13 057	**16 498**	12 592
Net movement in policy liabilities (note 14.1)	**36 866**	15 845	**30 918**	12 200
Non-cash flow items	**(34 378)**	(5 297)	**(30 331)**	(8 603)
Depreciation	**277**	261	**104**	95
Bad debts written off	**45**	24	**30**	26
Share-based payments	**92**	95	**-**	-
(Profit)/loss on disposal of subsidiaries and associates	**(1 369)**	(34)	**-**	(5)
Fair value adjustments	**(31 436)**	(4 208)	**(30 486)**	(8 736)
Impairment of investments and goodwill	**362**	334	**-**	-
Amortisation of intangibles	**214**	160	**21**	17
Equity-accounted earnings	**(2 563)**	(1 929)	**-**	-
Items excluded from cash utilised in operations	**(27 915)**	(25 953)	**(20 298)**	(19 205)
Interest and preference share dividends received	**(17 588)**	(16 668)	**(10 225)**	(9 700)
Interest paid	**670**	404	**196**	187
Dividends received	**(10 997)**	(9 689)	**(10 269)**	(9 692)
Net purchase of fixed assets	**(277)**	(268)	**(101)**	(96)
Net purchase of owner-occupied properties	**(16)**	(1)	**2**	(1)
Decrease/(Increase) in net working capital assets and liabilities	**10 605**	3 353	**670**	682
Cash generated/(utilised) in operations	**2 963**	736	**(2 642)**	(2 431)
29.2 Acquisition of subsidiaries and associated companies				
During the year, interests in subsidiaries and associated companies were acquired within the Group.				
Investments in associated companies	**(4 790)**	(7 546)	**(38)**	-
The fair value of assets acquired via business combinations is as follows:				
Equipment	**(18)**	(2)	**-**	**-**
Value of business acquired	**(584)**	(150)	**-**	**-**
Investments	**(4 617)**	(13)	**(721)**	(150)
Long-term reinsurance assets	**(39)**	-	**-**	-
Other intangible assets	**(48)**	(59)	**-**	-
Deferred tax assets	**(15)**	(3)	**-**	-
General insurance technical assets	**(407)**	-	**-**	-
Trade and other receivables	**(616)**	(1)	**-**	-
Cash, deposists and similar securities	**(1 155)**	(85)	**-**	-
Long-term policy liabilities	**1 764**	-	**-**	-
Working capital liabilities	**512**	13	**-**	-
Deferred tax liabilities	**206**	20	**-**	-
General insurance technical provisions	**2 301**	83	**-**	-
Cell owners' interest	**1 849**		**-**	
Non-controlling interest	**260**	-	**-**	-
Goodwill	**(588)**	(6)	**-**	-
Total purchase consideration	**(5 985)**	(7 749)	**(759)**	(150)
Less: Cash and cash equivalents acquired	**1 155**	85	**-**	-
Cash component of acquisition of subsidiaries and associated companies	**(4 830)**	(7 664)	**(759)**	(150)
29.3 Disposal of subsidiaries and associated companies				
During 2016, the Group disposed of its investment in Anglo African Finance and other immaterial subsidiaries:				
Goodwill	**-**	34	**-**	-
Trade and other receivables	**-**	254	**-**	-
Cash, deposits and similar securities	**-**	57	**-**	-
Deferred tax liabilities	**-**	(3)	**-**	-
Term finance	**-**	(247)	**-**	-
Working capital liabilities	**-**	(18)	**-**	-
Investment in subsidiaries and associates	**550**	-	**-**	25
Non-controlling interest	**-**	(37)	**-**	-
Profit on disposal of subsidiaries and associated companies	**1 146**	34	**-**	5
Total disposal price	**1 696**	74	**-**	30
Less: Cash and cash equivalents disposed of	**-**	(57)	**-**	-
Less: Deferred purchase consideration	**-**	-	**-**	-
Cash component of disposal of subsidiaries and associated companies	**1 696**	17	**-**	30
29.4 Cash, deposits and similar securities				
Working capital: Cash, deposits and similar securities	**14 873**	15 084	**3 355**	4 191
Investment cash	**32 478**	32 013	**13 576**	14 954
Bank overdraft	**(104)**	(50)	**-**	-
Total cash, deposits and similar securities	**47 247**	47 047	**16 931**	19 145

30. BUSINESS COMBINATIONS

Material acquisitions of the Group consolidated in the 2017 financial year

BrightRock Holdings

During August 2017 the Group acquired a 53% interest in BrightRock Holdings, a life insurance provider in South Africa. The acquisition is in line with Sanlam's commitment to invest in South Africa. The excess amount paid over fair value of net assets is recognised as goodwill. Non-controlling interests are measured at the proportional share of the acquiree's identifiable net assets.

The goodwill arising on the acquisition is attributable to synergies and future opportunities expected.

Santam Structured Insurance (Pty) Ltd

During March 2017, the Santam Group acquired a shareholding of 100% in RMB-SI Investments (Pty) Ltd (now Santam Structured Insurance (Pty) Ltd (SSI)) for R193 million in cash.

Details of the assets acquired and liabilities assumed, at fair value, are as follows:

R million	BrightRock Holdings	Santam Structured Insurance
Assets		
Equipment	-	15
Intangibles	49	-
Value of business acquired	386	-
Long-term reinsurance assets	6	-
General insurance technical assets	-	400
Investment assets	243	4 358
Cash, deposits and similar securities	10	1 045
Trade and other receivables	50	519
Deferred tax asset	15	-
Total identifiable assets	759	6 337
Liabilities		
Long-term policy liabilities	(49)	(1 551)
Cell owners' interest	-	(1 849)
General insurance technical provisions	-	(2 242)
Deferred tax liability	(108)	(86)
Trade and other payables	(74)	(372)
Provisions	-	(30)
Taxation	-	(14)
Total identifiable liabilities	(231)	(6 144)
Total identifiable net assets	528	193
Non-controlling interest	(248)	-
Goodwill	441	-
Purchase consideration	721	193

31. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Assets of disposal group classified as held for sale comprise non-current assets for which the carrying value will be recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of their carrying value and their fair value less costs to sell, unless they are specifically excluded from the measurement provisions of IFRS 5: Non-current Assets Held For Sale and Discontinued Operations, in which case they are measured in accordance with the applicable IFRS. Immediately before initial classification as held for sale, the assets to be reclassified are measured in accordance with applicable IFRS. When the sale of such non-current assets held for sale is expected to occur beyond one year, costs to sell are measured at their present value. Any increase in the present value of the costs to sell arising from the passage of time is presented in profit and loss as a financing cost.

Investment properties

During 2016, management approved the sale of two properties, namely Roodepoort Hillfox Centre and Johannesburg Braampark, for a combined sales price of R655 million. Contracts of sale were entered into and duly authorised. As at 31 December 2016 transfer had not yet taken place, but was originally expected to have occurred by 31 December 2017. The group did not dispose of the properties during the 2017 financial year. The properties were reclassified from disposal groups to Investment Properties as at 31 December 2017.

During 2017, management approved the sale of the MCIS Headquarters building for R321 million. The sale is expected to occur within the next financial year.

	Group		Company	
R million	2017	2016	2017	2016
Assets of disposal groups classified as held for sale				
Equities and similar securities	-	8	-	-
Owner-occupied properties	217	-	-	-
Investment properties	104	655	-	655
	321	663	-	655

32. SEGMENTAL INFORMATION
Group
32.1 Business segments

R million	Sanlam Personal Finance 2017	Sanlam Personal Finance 2016	Sanlam Emerging Markets 2017	Sanlam Emerging Markets 2016	Sanlam Investments 2017	Sanlam Investments 2016	Santam 2017	Santam 2016	Sanlam Corporate 2017	Sanlam Corporate 2016	Group Office and Other 2017	Group Office and Other 2016	Consolidation entries & IFRS adjustments 2017	Consolidation entries & IFRS adjustments 2016	Policyholder activities 2017	Policyholder activities 2016	Total 2017	Total 2016
Net income	20 882	17 008	9 801	7 907	2 666	2 062	22 759	20 780	5 092	4 276	110	183	243	574	46 767	23 910	108 320	76 700
Financial services income	17 159	15 777	7 978	7 462	2 414	2 003	22 327	20 608	4 733	4 140	80	70	5 252	3 945	-	-	59 943	54 005
Reinsurance premiums paid	-	-	-	-	-	-	-	-	-	-	-	-	(9 530)	(7 607)	-	-	(9 530)	(7 607)
Reinsurance commission received	-	-	-	-	-	-	-	-	-	-	-	-	1 685	1 396	-	-	1 685	1 396
Investment income	586	930	383	345	94	4	173	107	124	174	28	40	7 218	6 433	20 675	19 155	29 281	27 188
Investment surpluses	3 137	301	1 440	100	158	55	259	65	235	(38)	2	73	1 482	(1 068)	26 092	4 755	32 805	4 243
Finance cost - margin business	-	-	-	-	-	-	-	-	-	-	-	-	-	(5)	-	-	-	(5)
Change in fair value of external investors liability & policyholder non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(5 864)	(2 520)	-	-	(5 864)	(2 520)
Net insurance and investment contract benefits and claims	(3 822)	(3 492)	(1 709)	(1 574)	-	-	(14 170)	(12 911)	(2 798)	(2 355)	-	-	-	-	(45 857)	(23 186)	(68 356)	(43 518)
Long-term insurance contract benefits	(3 822)	(3 492)	(1 709)	(1 574)	-	-	(14 170)	(12 911)	(2 798)	(2 355)	-	-	13 138	11 990	(17 169)	(15 167)	(26 530)	(23 509)
Long-term investment contract benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(28 688)	(8 019)	(28 688)	(8 019)
Short-term insurance claims	-	-	-	-	-	-	-	-	-	-	-	-	(21 036)	(17 423)	-	-	(21 036)	(17 423)
Reinsurance claims received	-	-	-	-	-	-	-	-	-	-	-	-	7 898	5 433	-	-	7 898	5 433
Expenses	(7 772)	(6 929)	(3 061)	(3 030)	(1 539)	(1 301)	(5 990)	(5 656)	(1 168)	(1 080)	(363)	(359)	(3 333)	(2 779)	-	-	(23 226)	(21 134)
Sales remuneration	(3 332)	(2 955)	(1 118)	(1 177)	-	-	(2 425)	(2 379)	(58)	(54)	-	-	(1 681)	(1 382)	-	-	(8 614)	(7 947)
Administration costs	(4 440)	(3 974)	(1 943)	(1 853)	(1 539)	(1 301)	(3 565)	(3 277)	(1 110)	(1 026)	(363)	(359)	(1 652)	(1 397)	-	-	(14 612)	(13 187)
Impairment of investments and goodwill	-	-	(297)	(286)	-	-	(66)	(49)	-	-	-	-	-	-	-	-	(363)	(335)
Amortisation of intangibles	(54)	(41)	(74)	(76)	(24)	(20)	(24)	(18)	(2)	(5)	-	-	(36)	(26)	-	-	(214)	(186)
Net operating result	9 234	6 546	4 660	2 941	1 103	741	2 509	2 146	1 124	836	(253)	(176)	(3 126)	(2 231)	910	724	16 161	11 527
Equity-accounted earnings	-	-	158	59	-	-	58	28	(13)	(9)	-	-	2 360	1 851	-	-	2 563	1 929
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	(646)	(399)	-	-	(646)	(399)
Profit before tax	9 234	6 546	4 818	3 000	1 103	741	2 567	2 174	1 111	827	(253)	(176)	(1 412)	(779)	910	724	18 078	13 057
Taxation	(1 788)	(454)	(1 181)	(931)	(287)	(259)	(601)	(631)	(290)	(272)	92	82	980	606	(910)	(724)	(3 985)	(2 583)
Shareholders' fund	(1 788)	(454)	(1 181)	(931)	(287)	(259)	(601)	(631)	(290)	(272)	92	82	1 193	855	-	-	(2 862)	(1 610)
Policyholders' fund	-	-	-	-			-	-	-	-	-	-	(213)	(249)	(910)	(724)	(1 123)	(973)
Profit from continuing operations	7 446	6 092	3 637	2 069	816	482	1 966	1 543	821	555	(161)	(94)	(432)	(173)	-	-	14 093	10 474
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	7 446	6 092	3 637	2 069	816	482	1 966	1 543	821	555	(161)	(94)	(432)	(173)	-	-	14 093	10 474
Attributable to:																		
Shareholders' fund	7 461	6 090	3 312	1 745	816	482	1 220	934	821	555	(161)	(94)	(432)	(173)	-	-	13 037	9 539
Non-controlling interest	(15)	2	325	324	-	-	746	609	-	-	-	-	-	-	-	-	1 056	935
	7 446	6 092	3 637	2 069	816	482	1 966	1 543	821	555	(161)	(94)	(432)	(173)	-	-	14 093	10 474
Non-cash expenses/(income)	(5 419)	(4 574)	(3 257)	462	(123)	(27)	40	151	(885)	(157)	(1 287)	1 298	2 645	2 318	(26 092)	(4 755)	(34 378)	(5 284)
Depreciation	45	108	58	52	11	11	86	73	1	3	76	-	-	-	-	-	277	247
Bad debts	7	2	35	14	2	-	-	-	4	9	-	-	(3)	(1)	-	-	45	24
Share-based payments	-	-	14	17	-	-	78	79	-	-	-	-	-	-	-	-	92	96
(Profit)/loss on disposal of subsidiaries, associates and joint ventures	-	(18)	(1 189)	(16)	-	-	(180)	-	-	-	(169)	13	169	(13)	-	-	(1 369)	(34)
Fair value adjustments	(5 525)	(4 707)	(2 388)	92	(160)	(58)	24	(40)	(905)	(183)	(1 194)	1 285	4 804	4 157	(26 092)	(4 755)	(31 436)	(4 209)
Amortisation of intangibles	54	41	74	76	24	20	24	18	2	5	-	-	36	26	-	-	214	186
Impairment of investments and goodwill	-	-	297	286	-	-	66	49	-	-	-	-	(1)	-	-	-	362	335
Equity-accounted earnings	-	-	(158)	(59)	-	-	(58)	(28)	13	9	-	-	(2 360)	(1 851)	-	-	(2 563)	(1 929)

The Sanlam Personal Finance segment is responsible for Sanlam's retail business in South Africa. It provides clients across all market segments (entry-level, middle-income and affluent) with a comprehensive range of appropriate and competitive financial solutions. Designed to facilitate long-term wealth creation, protection and niche financing, these solutions are engineered around client needs.

The Sanlam Emerging Markets segment is responsible for Sanlam's financial services offering in emerging markets outside South Africa with the aim of ensuring sustainable delivery and growth across the various businesses that make up this cluster.

The Sanlam Investments segment comprises: Sanlam Investment Management and Sanlam Capital Markets. The Sanlam Investments segment provides individual and institutional clients in South Africa, the UK and elsewhere in Europe, the USA and Australia access to comprehensive range of specialised investment and risk management expertise.

Santam specialises in short-term (general) insurance products for a diversified market in South Africa. These products are offered through broker networks and direct sales channels and include personal, commercial, agricultural and specialised insurance products. Santam's international diversification strategy focusses on reinsurance business, specialised insurance products and the role as technical partner and co-investor in SEM's expansion into Africa, India and South-East Asia.

Within the consolidation column the investment in subsidiaries are reversed. Intercompany balances, other investments and term finance between companies within the Group are also consolidated.

Policyholders' assets and liabilities are reflected in the Policyholder segment.

Comparative information has been adjusted for the reallocation of Sanlam Employee Benefits (previously reported under Sanlam Investments) and Sanlam Health (previously reported under Sanlam Personal Finance) to the newly formed Sanlam Corporate cluster.

32. SEGMENTAL INFORMATION (continued)

R million	Sanlam Life[1][2] 2017	Sanlam Life[1][2] 2016	Sanlam Emerging Markets 2017	Sanlam Emerging Markets 2016	Investment Management [2] 2017	Investment Management [2] 2016	Santam 2017	Santam 2016	Consolidation entries 2017	Consolidation entries 2016	Policyholder activities 2017	Policyholder activities 2016	Total per Group Statement of Financial Position 2017	Total per Group Statement of Financial Position 2016
Total segment assets	**46 600**	**44 324**	**31 162**	25 852	**4 815**	4 852	**36 999**	29 210	**(730)**	(2 209)	**561 771**	513 300	**680 617**	615 329
Total segment liabilities	**13 945**	**12 184**	**2 433**	2 217	**3 366**	2 630	**28 888**	21 612	**608**	366	**561 685**	513 209	**610 925**	552 218
Total equity	**32 655**	**32 140**	**28 729**	23 635	**1 449**	2 222	**8 111**	7 598	**(1 338)**	(2 575)	**86**	91	**69 692**	63 111

(1) Includes the operations of Sanlam Personal Finance and Sanlam Corporate as well as discretionary capital held by Sanlam Life.

(2) Comparative information has been restated due to reclassification between Investment Management and Sanlam Life.

32.2 Geographical segments

R million	2017	2016
Segment financial services income	**59 943**	54 005
South Africa[1]	**53 083**	47 333
Rest of Africa[1]	**5 972**	5 695
Other international	**888**	977
Non-current assets[2]	**9 367**	8 915
South Africa	**7 373**	7 288
Rest of Africa	**963**	644
Other international	**1 031**	983

(1) Prior year figures were restated to move Santam Namibia from South Africa to Rest of Africa.

(2) Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangibles, deferred acquisition costs and assets of disposal groups classified as held for sale.

33. FAIR VALUE DISCLOSURES

Financial instruments
Financial instruments carried on the statement of financial position include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and trade creditors.

Recognition and derecognition
Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires.

Collateral placed at counter-parties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counter-parties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counterparty has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification
Financial instruments are classified into the following categories:

• Financial assets:
o At fair value through profit or loss
o Loans and receivables

• Financial liabilities:
o At fair value through profit or loss
o Other financial liabilities

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial instruments classified as at fair value through profit or loss comprise held-for-trading assets and liabilities as well as financial instruments designated as at fair value through profit or loss. All non-trading financial instruments are designated as at fair value through profit or loss apart from:

• Working capital receivables that are classified as loans and receivables based on their short-term nature;
• Financial assets acquired as part of interest margin business to match specific financial liabilities, which are classified as loans and receivables;
• Term finance liabilities incurred as part of interest margin business and matched by specific financial assets, which are classified as other financial liabilities; and
• Working capital payables that are classified as other financial liabilities based on their short-term nature.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis, apart from the exceptions outlined above. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement
Financial instruments at fair value through profit or loss are initially recognised at fair value. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the statement of comprehensive income as investment surpluses. Other financial instruments are recognised at the fair value of the consideration given or received in exchange for the instrument plus transaction costs that are directly attributable to their acquisition. Regular way investment transactions are recognised by using trade date accounting.

Subsequent measurement and impairment
Financial instruments classified as at fair value through profit or loss are carried at fair value after initial recognition, with changes in fair value recognised in the statement of comprehensive income as investment surpluses. The particular valuation methods adopted are disclosed in the individual policy statements associated with each item. Loans and receivables and other financial liabilities are carried at amortised cost using the effective interest rate method.

The carrying values of all loans and receivables are assessed for indicators of impairment bi-annually. A financial asset is deemed to be impaired when there is objective evidence of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the asset's estimated future cash flows discounted at the original effective interest rate, and is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income, to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Other financial liabilities
Other financial liabilities include:

• Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
• Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
• Investment contract liabilities measured at fair value, determined on the bases as disclosed in the section on Policy Liabilities and Profit Entitlement; and
• External investors in consolidated funds measured at the attributable net asset value of the respective funds.

Determination of fair value and fair value hierarchy

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

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

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

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

33. FAIR VALUE DISCLOSURES (continued)

R million	Level 1	Level 2	Level 3	Total
Group				
31 December 2017				
Non-financial instruments	**-**	**-**	**8 853**	**8 853**
Properties	**-**	**-**	**8 853**	**8 853**
Financial instruments	**423 537**	**168 288**	**1 256**	**593 081**
Equities and similar securities	**199 675**	**2 046**	**183**	**201 904**
Interest bearing investments	**38 797**	**138 807**	**30**	**177 634**
Structured transactions	**7 130**	**8 251**	**-**	**15 381**
Investment funds	**148 556**	**3 103**	**684**	**152 343**
Trading account assets	**7 020**	**617**	**-**	**7 637**
Investment in joint ventures	**-**	**-**	**359**	**359**
Cash deposits and similar securities	**22 359**	**15 464**	**-**	**37 823**
Total assets at fair value	**423 537**	**168 288**	**10 109**	**601 934**
Financial instruments	**73 836**	**311 751**	**656**	**386 243**
Investment contract liabilities	**-**	**303 217**	**656**	**303 873**
Term finance	**-**	**4 222**	**-**	**4 222**
Structured transactions liabilities	**-**	**4 187**	**-**	**4 187**
External investors in consolidated funds	**64 777**	**-**	**-**	**64 777**
Trading account liabilities	**9 059**	**125**	**-**	**9 184**
Total liabilities at fair value	**73 836**	**311 751**	**656**	**386 243**

R million	Level 1	Level 2	Level 3	Total
31 December 2016				
Non-financial instruments	-	655	7 718	8 373
Properties	-	-	7 718	7 718
Properties held for sale	-	655	-	655
Financial instruments	368 825	164 825	1 846	535 496
Equities and similar securities *	178 052	1 696	168	179 916
Interest bearing investments	48 621	115 097	392	164 110
Structured transactions *	6 741	7 289	-	14 030
Investment funds *	114 676	17 209	863	132 748
Trading account assets	-	7 901	-	7 901
Investment in joint ventures	-	-	423	423
Cash deposits and similar securities	20 735	15 633	-	36 368
Total assets at fair value	368 825	165 480	9 564	543 869

* Prior year figures have been restated. Refer to note 7.6 for additional information.

R million	Level 1	Level 2	Level 3	Total
Financial instruments	56 506	277 737	666	334 909
Investment contract liabilities	-	266 413	666	267 079
Term finance	-	4 220	-	4 220
Structured transactions liabilities	-	1 298	-	1 298
External investors in consolidated funds	56 506	493	-	56 999
Trading account liabilities	-	5 313	-	5 313
Total liabilities at fair value	56 506	277 737	666	334 909

R million	Level 1	Level 2	Level 3	Total
Company				
31 December 2017				
Non-financial instruments	**-**	**-**	**6 651**	**6 651**
Properties	**-**	**-**	**6 651**	**6 651**
Financial instruments	**356 915**	**84 774**	**82 298**	**523 987**
Equities and similar securities	**75 119**	**1 772**	**92**	**76 983**
Interest bearing investments	**30 678**	**66 858**	**365**	**97 901**
Structured transactions	**4 924**	**7 522**	**-**	**12 446**
Investment funds	**219 081**	**1 823**	**585**	**221 489**
Trading account assets	**-**	**286**	**-**	**286**
Investment in subsidiaries, joint ventures and associated companies	**20 050**	**-**	**81 256**	**101 306**
Cash deposits and similar securities	**7 063**	**6 513**	**-**	**13 576**
Total assets at fair value	**356 915**	**84 774**	**88 949**	**530 638**
Financial instruments	**-**	**272 088**	**32 168**	**302 098**
Investment contract liabilities	**-**	**263 776**	**-**	**263 776**
Term finance	**-**	**2 166**	**-**	**2 166**
Loans from subsidiaries			**32 168**	**32 168**
Structured transactions liabilities	**-**	**3 988**	**-**	**3 988**
Total liabilities at fair value	**-**	**269 930**	**32 168**	**302 098**

R million	Level 1	Level 2	Level 3	Total
Company				
31 December 2016				
Non-financial instruments	-	655	5 578	6 233
Properties	-	-	5 578	5 578
Properties held for sale	-	655	-	655
Financial instruments	320 412	83 978	73 964	478 354
Equities and similar securities *	68 843	1 528	87	70 458
Interest bearing investments	39 766	51 865	432	92 063
Structured transactions *	4 694	6 297	-	10 991
Investment funds *	182 625	16 267	755	199 647
Trading account assets	-	522	-	522
Investment in subsidiaries, joint ventures and associated companies	17 029	-	72 690	89 719
Cash deposits and similar securities	7 455	7 499	-	14 954
Total assets at fair value	320 412	84 633	79 542	484 587

* Prior year figures have been restated. Refer to note 7.6 for additional information.

R million	Level 1	Level 2	Level 3	Total
Financial instruments	-	235 637	31 159	266 796
Investment contract liabilities	-	232 587	-	232 587
Term finance	-	2 158	-	2 158
Loans from subsidiaries	-	-	31 159	31 159
Structured transactions liabilities	-	892	-	892
Total liabilities at fair value	-	235 637	31 159	266 796

Notes to the annual financial statements
for the year ended 31 December 2017
33. FAIR VALUE DISCLOSURES (continued)

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

R million
31 December 2017

Assets	Properties	Equities and similar securities	Interest bearing investments	Investment Funds	Investment in joint ventures	Total assets
Balance at 1 January 2017	7 718	168	392	863	423	9 564
Total gains/(loss) in statement of comprehensive income	507	5	-	(62)	(64)	386
Acquisitions/Issues	507	21	-	-		528
Disposals	(312)	(2)	-	(117)	-	(431)
Foreign exchange movements	(105)	(9)	-	-	-	(114)
Transfers from owner occupied property	(13)	-	-	-	-	(13)
Settlements	-	-	(362)	-	-	(362)
Reclassified as disposal groups classified as held for sale	551	-	-	-	-	551
Transfers from level 2	-	-	-	-	-	-
Balance at 31 December 2017	**8 853**	**183**	**30**	**684**	**359**	**10 109**

Liabilities	Investment contract liabilities	Total liabilities
Balance at 1 January 2017	666	666
Total (gains)/loss in statement of comprehensive income	-	-
Foreign exchange movements	(10)	(10)
Balance at 31 December 2017	**656**	**656**

R million
31 December 2016

Assets	Properties	Equities and similar securities	Interest bearing investments	Investment Funds	Investment in joint ventures	Total assets
Balance at 1 January 2016	7 752	192	490	507	-	8 941
Total gains/(loss) in statement of comprehensive income	577	37	(114)	(108)	-	392
Acquisitions/Issues	824	32	48	-	423	1 327
Disposals	(679)	(78)	-	(6)	-	(763)
Reclassified as disposal groups classified as held for sale	(655)	-	-	-	-	(655)
Foreign exchange movements	(182)	(15)	(32)	-	-	(229)
Transfer from owner-occupied property	81	-	-	-	-	81
Transfer in (1)	-	-	-	470	-	470
Balance at 31 December 2016	**7 718**	**168**	**392**	**863**	**423**	**9 564**

(1) The transfers in relates to investment funds which traded in a market that became inactive in the current period.

Liabilities	Investment contract liabilities	Total liabilities
Balance at 1 January 2016	846	846
Total gains/(loss) in statement of comprehensive income	(122)	(122)
Foreign exchange movements	(58)	(58)
Balance at 31 December 2016	666	666

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

R million
31 December 2017

Assets	Properties	Equities and similar securities	Interest bearing investments	Investment funds	Investment in subsidiaries, joint ventures and associated companies	Total assets
Balance at 1 January 2017	5 578	87	432	755	72 690	79 542
Total gains/(loss) in statement of comprehensive income	340	5	(67)	(52)	2 436	2 662
Acquisitions	247	-	-	-	9 507	9 754
Disposals	(156)	-	-	(118)	(3 377)	(3 651)
Transfer from owner occupied properties	(13)	-	-	-	-	(13)
Properties held for sale	655	-	-	-	-	655
Balance at 31 December 2017	6 651	92	365	585	81 256	88 949

Liabilities	Loans from subsidiaries	Total liabilities
Balance at 1 January 2017	31 159	31 159
Net issues	1 009	1 009
Balance at 31 December 2017	32 168	32 168

R million
31 December 2016

Assets	Properties	Equities and similar securities	Interest bearing investments	Investment funds	Investment in subsidiaries, joint ventures and associated companies	Total assets
Balance at 1 January 2016	6 223	89	460	507	65 354	72 633
Total gains/(loss) in statement of comprehensive income	523	58	(78)	(93)	4 013	4 423
Acquisitions	64	-	50	-	3 348	3 462
Disposals	(580)	(60)	-	(6)	(25)	(671)
Transfer from owner occupied properties	3	-	-	-	-	3
Transfers from level 1	-	-	-	347	-	347
Properties held for sale	(655)	-	-	-	-	(655)
Balance at 31 December 2016	5 578	87	432	755	72 690	79 542

Liabilities	Loans from subsidiaries	Total financial liabilities
Balance at 1 January 2016	30 406	30 406
Net issues	753	753
Balance at 31 December 2016	31 159	31 159

33. FAIR VALUE DISCLOSURES (continued)

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

	Group		Company	
R million	**2017**	**2016**	**2017**	**2016**
Total gains or losses included in profit or loss for the period	**386**	514	**2 662**	4 423
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	**138**	515	**2 537**	4 423

Transfers between categories
R million
Group

Assets	**Equities and similar securities**	**Interest bearing investments**	**Structured transactions**	**Investment funds**	**Cash, deposits and similar securities**	**Total financial assets**
2017 (2)						
Transfer from level 1 to level 2	**-**	**169**	**-**	**-**	**-**	**169**
Transfer from level 2 to level 1	**-**	**107**	**-**	**-**	**-**	**107**
2016 (1)						
Transfer from level 1 to level 2	-	15 521	162	-	350	16 033
Transfer from level 2 to level 1	-	10	-	6	-	16

Liabilities	**External investors in consolidated funds**(3)	**Term finance**(1)	**Total financial liabilities**
2017			
Transfer from level 2 to level 1	**328**		**328**
2016			
Transfer from level 1 to level 2		3 145	**3 145**

(1) During the year ended December 2016, management have re-evaluated their determination of what constitutes an active market to a more conservative approach. As a result, certain bonds are now considered to be classified as level 2 valuations.

(2) During the year ended December 2017, instruments that were not actively traded in the market have been transferred from level 1 to level 2. Conversely, instruments that have become actively traded in the market have been transferred from level 2 to level 1.

(3) External investors in consolidated funds transfers relate to investment funds that listed during the year ended December 2017. As a result, those funds are now classified as level 1.

Company

Assets	**Equities and similar securities**	**Interest bearing investments**(1)	**Structured transactions**	**Investment funds**	**Cash, deposits and similar securities**	**Total assets**
2017 (2)						
Transfer from level 1 to level 2	-	**107**	**-**	**-**	**-**	**107**
Transfer from level 2 to level 1	-	**143**	**-**	**100**	**-**	**243**
2016 (1)						
Transfer from level 1 to level 2	-	12 990	-	-	-	12 990

Liabilities	**Term finance**(1)
2017	
Transfer from level 1 to level 2	**-**
2016	
Transfer from level 1 to level 2	2 147

(1) During the year ended December 2016, management have re-evaluated their determination of what constitutes an active market to a more conservative approach. As a result, certain bonds are now considered to be classified as level 2 valuations.

(2) During the year ended December 2017, instruments that were not actively traded in the market have been transferred from level 1 to level 2. Conversely, instruments that have become actively traded in the market have been transferred from level 2 to level 1.

33. FAIR VALUE DISCLOSURES (continued)

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

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

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

Group

Assets

R million	Carrying amount [1]	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount [1]	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties						
2017						
Cashflow risk adjustments	**8 853**	**(885)**	**885**			
Base rate				**6 989**	**(264)**	**284**
Capitalisation				**6 989**	**(357)**	**437**
2016						
Cashflow risk adjustments	7 718	(772)	772			
Base rate				6 370	(246)	265
Capitalisation				6 370	(340)	411

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

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

Assets

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount [2]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2017						
Equities and similar securities [1]	**183**	**18**	**(18)**	**-**	**-**	**-**
Investment in joint ventures	**-**	**-**	**-**	**359**	**(32)**	**36**
Interest-bearing investments	**-**	**-**	**-**	**30**	**(1)**	**1**
Investment Funds [1]	**684**	**68**	**(68)**	**-**	**-**	**-**
Other investments	**867**	**86**	**(86)**	**389**	**(33)**	**37**
2016						
Equities and similar securities	168	17	(17)	-	-	-
Investment Funds	863	86	(86)	-	-	-
Interest-bearing investments	361	36	(36)	31	(1)	1
Investment in joint ventures	-	-		423	(29)	32
Other investments	1 392	139	(139)	454	(30)	33

33. FAIR VALUE DISCLOSURES (continued)

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

Liabilities

R million	Carrying amount [(1)]	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple
2017			
Investment contract liabilities	**656**	**66**	**(66)**
Liabilities	**656**	**66**	**(66)**
2016			
Investment contract liabilities	666	67	(85)
Liabilities	666	67	(85)

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

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

Company

31 December 2017

R million	Carrying amount [(1)]	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount [(1)]	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties						
2017						
Cashflow risk adjustments	**6 651**	**(665)**	**665**			
Cost of Capital				**6 651**	**(235)**	**251**
Capitalisation				**6 651**	**(331)**	**405**
2016						
Cashflow risk adjustments	5 578	(558)	558			
Cost of Capital				5 578	(216)	231
Capitalisation				5 578	(318)	390

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

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2017						
Equities and similar securities	**92**	**9**	**(9)**	**-**	**-**	**-**
Interest bearing investments	**5**	**1**	**(1)**	**360**	**(32)**	**36**
Investment in subsidiaries, joint ventures and associates [(2)]	**-**	**-**	**-**	**81 256**	**(4 265)**	**5 337**
Investment funds	**585**	**58**	**(58)**	**-**	**-**	**-**
Assets	**682**	**68**	**(68)**	**81 616**	**(4 297)**	**5 373**
Other investments						
2016						
Equities and similar securities	87	9	(9)	-	-	-
Interest bearing investments	9	1	(1)	423	(29)	32
Investment in subsidiaries, joint ventures and associates [(2)]	-	-	-	72 690	(3 806)	3 388
Investment funds	755	75	(75)	-	-	-
Assets	851	85	(85)	73 113	(3 835)	3 420

[(2)] Subsidiaries that conduct life insurance business are valued at embedded value and other subsidiaries are valued at DCF. Sensitivities for life insurance subsidiaries have been calculated as a 1% increase/decrease of the rate that is used to discount the value of in-force business.

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value
2017			
Loans from subsidiaries	**32 168**	**3 217**	**(3 217)**
Liabilities	**32 168**	**3 217**	**(3 217)**

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value
2016			
Loans from subsidiaries	31 159	3 116	(3 116)
Liabilities	31 159	3 116	(3 116)

34. FINANCIAL ASSETS SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

Group
31 December 2017

				Related amounts not set off in the statement of financial position				
R million	**Gross amounts of recognised financial instruments**	**Gross amounts of recognised financial instruments set-off in the statement of financial position**	**Net amounts of financial instruments presented in the statement of financial position**	**Other Financial instruments [1]**	**Cash collateral received [2]**	**Net amount**	**Amounts not set off in the statement of financial position [3]**	**Total amounts recognised in the statement of financial position**
Financial Assets								
Structured Transactions	**2 021**	**(1 746)**	**275**	**-**	**-**	**275**	**15 106**	**15 381**
Financial Liabilities								
Structured Transactions [5]	**3 567**	**(2 136)**	**1 431**	**-**	**(413)**	**1 018**	**3 169**	**4 187**

Group
31 December 2016

				Related amounts not set off in the statement of financial position				
R million	**Gross amounts of recognised financial instruments**	**Gross amounts of recognised financial instruments set-off in the statement of financial position**	**Net amounts of financial instruments presented in the statement of financial position**	**Other Financial instruments [1]**	**Cash collateral received [2]**	**Net amount**	**Amounts not set off in the statement of financial position [3]**	**Total amounts recognised in the statement of financial position**
Financial Assets								
Structured Transactions [4]	1 453	(1 236)	217	-	-	217	13 813	14 030
Financial Liabilities								
Structured Transactions [5]	2 581	(2 009)	572	-	-	572	726	1 298

Company
31 December 2017

				Related amounts not set off in the statement of financial position				
R'million	**Gross amounts of recognised financial instruments**	**Gross amounts of recognised financial instruments set-off in the statement of financial position**	**Net amounts of financial instruments presented in the statement of financial position**	**Other Financial instruments [1]**	**Cash collateral received [2]**	**Net amount**	**Amounts not set off in the statement of financial position [3]**	**Total amounts recognised in the statement of financial position**
Financial Assets								
Structured Transactions	**2 021**	**(1 746)**	**275**	**-**	**-**	**275**	**12 171**	**12 446**
Financial Liabilities								
Structured Transactions [5]	**3 567**	**(2 136)**	**1 431**	**-**	**(413)**	**1 018**	**2 970**	**3 988**

31 December 2016

				Related amounts not set off in the statement of financial position				
R million	**Gross amounts of recognised financial instruments**	**Gross amounts of recognised financial instruments set-off in the statement of financial position**	**Net amounts of financial instruments presented in the statement of financial position**	**Other Financial instruments [1]**	**Cash collateral received [2]**	**Net amount**	**Amounts not set off in the statement of financial position [3]**	**Total amounts recognised in the statement of financial position**
Financial Assets								
Structured Transactions [4]	1 453	(1 236)	217	-	-	217	10 774	10 991
Financial Liabilities								
Structured Transactions [5]	2 581	(2 009)	572	-	-	572	320	892

(1) The figures for other financial instruments column are made up of ISDA netting, CSA Collateral, Repo's and Script Received. These amounts have been limited to the net amount recognised on the statement of financial position.

(2) Amount used is the lower of collateral received or the value of the financial assets (normally latter due to over-collateralisation). ISDA netting refers to the netting of derivative exposures to arrive at the net amount owed to and by each counterparty as envisaged in the ISDA agreements with these counterparties. Credit Support Agreements (CSA) have been signed with derivative counterparties to place collateral to offset the net exposures in footnote 1. Scrip lending agreements are governed by GMSLA agreements in terms of which the collateral provided and the scrip received can be netted. Security / Collateral received refers to equity collateral that that has been pledged to SCM to cover events of default.

(3) Excludes enforceable netting arrangements.

(4) Structured transactions assets have been restated. Refer to note 7.6 for additional information.

(5) Structured transactions liabilities include derivate liabilities.

Sanlam Life Insurance Limited
Principal Subsidiaries
at 31 December 2017

	Country of incorporation	% interest	Fair value of interest in subsidiaries: Equities 2017 R million	Equities 2016 R million	Loans * 2017 R million	Loans * 2016 R million
Investment companies [#]						
U.R.D. Beleggings (Pty) Limited	RSA	100	**21 728**	21 907	**(21 428)**	(21 415)
Sanlam Africa Credit Investments Limited	MAU	100	**379**	-	**-**	-
Property investment company [#]						
Anson Holdings (Pty) Limited	RSA	100	**-**	8	**-**	33 **
Jane Furse Plaze (Pty) Limited	RSA	-	**-**	-	**-**	-
Rycklof Beleggings (Pty) Limited	RSA	100	**1 470**	1 470	**(1 462)**	(1 462)
San Lameer (Pty) Ltd	RSA	100	**13**	11	**(13)**	(9)
Acornhoek Plaza Share Block (Pty) Limited	RSA	-	**-**	-	**-**	-
Kwagga Plaza Share Block (Pty) Limited	RSA	-	**-**	-	**-**	-
Winter Rogin Investments 26 Proprietary Limited (Waterfall Industrial)	RSA	80	**397**	371	**-**	-
Speculation company in negotiable securities [#]						
Edimed (Pty) Ltd	RSA	100	**76**	76	**(76)**	(76)
Asset Management [+]						
Sanlam Investment Management (Pty) Limited	RSA	100	**4 633**	4 592	**257**	404
Brackenham Holdings (Pty) Limited	RSA	100	**-**	156	**-**	-
Linked Investment Service Provider [+]						
Sanlam Linked Investments (Pty) Limited	RSA	100	**-**	-	**64** **	68 **
Trust services [+]						
Sanlam Trust (Pty) Limited	RSA	100	**300**	277	**(20)**	(24)
Administration Services [+]						
Completemed Healthcare Consultants (Pty) Ltd	RSA	100	**-**	-	**2**	1
Sanlam Healthcare Management (Pty) Limited	RSA	100	**95**	99	**-**	-
Infinit Group Risk Solutions (Pty) Limited	RSA	100	**-**	-	**-**	-
Life Insurance						
Brightrock Holdings (Pty) Limited	RSA	53	**767**	-	**-**	-
Safrican Insurance Company Limited [$]	RSA	100	**1 110**	848	**(77)**	(53)
Sanlam Life Namibia Limited [$ >]	Namibia	-	**-**	2 486	**184**	27
Sanlam Namibia Holdings Limited [+ $ >]	Namibia	-	**-**	689	**-**	-
Sanlam Developing Markets Limited [$]	RSA	100	**10 072**	9 383	**199**	146
Channel Life Limited [$]	RSA	100	**1 271**	1 049	**25**	4
Sanlam Emerging Markets (Pty) Limited [+ $ >]	RSA	100	**27 750**	18 437	**(1 147)**	(175)
Short-term insurance [^]						
Santam Limited	RSA	59	**18 108**	15 868	**8**	6
Dormant companies [#]						
Coris Capital Holdings (Pty) Limited	RSA	100	**-**	-	**54**	54
Sankorp (Pty) Limited	RSA	100	**701**	701	**(701)**	(701)
Electra Investments (South Africa) (Pty) Limited	RSA	100	**6 306**	6 306	**(6 306)**	(6 306)
Electra Share Ventures (Pty) Limited	RSA	100	**532**	532	**(532)**	(532)
Status Beleggings (Pty) Limited	RSA	100	**406**	406	**(406)**	(406)
Other			**-**	-	**12**	9
Total			**96 114**	85 672	**(31 363)**	(30 407)

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Life Insurance Limited.

* Except for Anson Holdings (Proprietary) Limited, loans are unsecured and are repayable on demand. No interest is charged but these arrangements are subject to revision from time to time.

** The company has subordinated its claim against certain subsidiaries in favour of other creditors of the subsidiary until such time as the subsidiaries assets fairly valued exceed its liabilities.

\# The valuations of these unlisted entities are based on the fair values of the underlying net assets.

\+ These non-life valuations are determined and approved by Sanlam Non-Listed Asset Controlling Board.

$ The valuations of the life businesses are based on embedded value.

^ The fair value of Santam is based on the listed share price.

> During 2016 Sanlam Life Insurance Ltd held a 35% interest directly and a 19% holding indirectly in Sanlam Namibia Holdings Ltd. During the 2017 financial year Sanlam Life Namibia Limited and Sanlam Namibia Holdings Limited were acquired by Sanlam Emerging Markets (Proprietary) Limited from Sanlam Life Insurance Limited. The purchase price was settled through the issuance of shares by SEM.

Principal Subsidiaries (continued)

Analysis of the company's holdings in subsidiaries with significant non-controlling interests:

	Santam Limited		MCIS Insurance [1]		Botswana Insurance Holdings Limited [2]	
	2017 %	2016 %	**2017 %**	2016 %	**2017 %**	**2016 %**
Shareholder's fund	**61.45**	61.50	**51.00**	51.00	**60.33**	60.16
Policyholder's fund	**0.15**	0.16	**-**	-	**2.27**	-
Non-controlling interest	**38.40**	38.34	**49.00**	49.00	**37.40**	39.84
Total	**100.00**	100.00	**100.00**	100.00	**100.00**	100.00

	Santam Limited		MCIS Insurance [1]		Botswana Insurance Holdings Limited [2]	
R million	**2017**	2016	**2017**	2016	**2017**	2016
Summarised statement of profit or loss for the year ending 31 December:						
Net income	**24 471**	22 171	**1 530**	1 772	**3 728**	1 920
Net insurance and investment contract benefits and claims	**(14 185)**	(12 911)	**(872)**	(998)	**(2 316)**	(500)
Expenses	**(7 634)**	(7 039)	**(539)**	(623)	**(927)**	(883)
Share of profit of associates and joint ventures	**273**	135	**-**	-	**320**	329
Profit before tax	**2 400**	2 077	**114**	151	**805**	866
Income tax	**(479)**	(572)	**(41)**	(69)	**(139)**	(149)
Discontinued Operations	**-**	-	**-**	-	**-**	-
Profit for the year	**1 921**	1 505	**73**	82	**666**	717
Total comprehensive income	**1 646**	914	**72**	(71)	**363**	158
Attributable to non-controlling interests	**738**	452	**35**	(40)	**144**	62
Dividends paid to non-controlling interests	**531**	803	**26**	166	**180**	190
Summarised statement of financial position as at 31 December:						
Assets						
Investments	**18 813**	11 987	**13 111**	12 789	**19 234**	18 107
Other non-current assets	**1 194**	1 176	**192**	407	**322**	320
Non-current assets held for sale	**-**	8	**321**	-	**-**	-
Deferred tax (non-current)	**36**	25	**-**	-	**-**	-
Other current assets	**-**	-	**-**	-	**-**	-
Cash and cash equivalents (working capital)	**6 978**	7 278	**57**	43	**194**	51
Trade and other receivables	**5 476**	3 718	**408**	344	**470**	266
Liabilities						
Policyholder liabilities	**(1 841)**	-	**(12 038)**	(11 677)	**(15 629)**	(14 202)
Other non-current liabilities	**(5 388)**	(3 431)	**-**	-	**-**	(109)
Non-current liabilities held for sale	**-**	-	**-**	-	**-**	-
Deferred tax (non-current)	**-**	-	**(65)**	(54)	**(20)**	(23)
Other current liabilities	**(12 015)**	(9 101)	**(20)**	-	**(46)**	(20)
Trade and other payables	**(5 142)**	(4 064)	**(1 050)**	(955)	**(756)**	(577)
Total equity	**8 111**	7 596	**916**	897	**3 769**	3 813
Attributable to:						
Equity holders of the parent	**4 830**	4 534	**468**	457	**2 359**	2 294
Non-controlling interest	**3 281**	3 062	**449**	440	**1 410**	1 519
Summarised statement of cash flows for the year ending 31 December:						
Operating	**2 494**	1 329	**498**	(2 376)	**591**	971
Investing	**282**	(553)	**(836)**	2 570	**(712)**	(1 315)
Financing	**(1 266)**	(1 091)	**-**	-	**19**	(5)
Net increase/(decrease) in cash and cash equivalents	**1 510**	(315)	**(338)**	194	**(102)**	(349)

(1) The financial information of MCIS Insurance, incorporated and operating in Malaysia.
(2) The financial information of Botswana Insurance Holdings Limited, incorporated and operating mainly in Botswana.
(3) The financial information of Sanlam, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been summarised above. This information is provided based on amounts before inter-company eliminations.

Sanlam Life Insurance Limited
Related Parties
for the year ended 31 December 2017

Company Name	% interest held by Sanlam Life Insurance Ltd in company(*)	Country of registration
SUBSIDIARIES*		
Brackenham Holdings (Pty) Ltd	100%	RSA
BrightRock Holdings (Pty) Ltd	53%	RSA
BlueSky Consult (Pty) Ltd	100%	RSA
Channel Life Ltd	100%	RSA
Completemed Healthcare Consultants (Pty) Ltd	100%	RSA
Coris Capital Holdings (Pty) Ltd	100%	RSA
Echelon Distribution Services (Pty) Ltd	100%	RSA
Edimed (Pty) Ltd	100%	RSA
Electra Investments (South Africa) (Pty) Ltd	100%	RSA
Electra Share Ventures (Pty) Ltd	100%	RSA
Infinit Group Risk Solutions (Pty) Ltd	100%	RSA
Phoenix Industriële Park (Pty) Ltd	100%	RSA
Rheezicht Investments (Pty) Ltd	100%	RSA
Rycklof-Beleggings (Pty) Ltd	100%	RSA
Safrican Insurance Company Ltd	100%	RSA
Sankorp (Pty) Ltd	100%	RSA
Sanlam Africa Credit Investments Ltd	100%	MAU
Sanlam Developing Markets Ltd	100%	RSA
Sanlam Emerging Markets (Pty) Ltd	100%	RSA
Sanlam Endowment Options (Pty) Ltd	100%	RSA
Sanlam Fundshares Nominee (Pty) Ltd	100%	RSA
Sanlam Healthcare Distribution Services (Pty) Ltd	100%	RSA
Sanlam Healthcare Management (Pty) Ltd	100%	RSA
Sanlam Home Solutions (Pty) Ltd	100%	RSA
Sanlam Investment Management (Pty) Ltd	100%	RSA
Sanlam Linked Investments (Pty) Ltd	100%	RSA
Sanlam Share Account Nominee (Pty) Ltd	100%	RSA
Sanlam STI Administration (Pty) Ltd	100%	RSA
Sanlam Swaziland (Pty) Ltd	100%	Swaziland
Sanlam Trust (Pty) Ltd	100%	RSA
San Lameer (Pty) Ltd	100%	RSA
Santam Ltd	59%	RSA
Status Beleggings (Pty) Ltd	100%	RSA
Succession Financial Planning Advisory Services (Pty) Ltd	100%	RSA
U.R.D. Beleggings (Pty) Ltd	100%	RSA
Winter Robin Investments 26 (Pty) Ltd	80%	RSA
ASSOCIATES*		
AfroCentric Healthcare Assets (Pty) Ltd	29%	RSA
IFAnet Independent Distribution Services (Pty) Ltd	26%	RSA
Shriram Transport Finance Company Limited	3%	India
Transparent Financial Services (Pty) Ltd	26%	RSA
Uyanda STI Careers (Pty) Ltd	26%	RSA
JOINT VENTURES*		
AWIC Pocket 3 JVCO (Pty) Ltd	50%	RSA
Indwe Broker Holdings (Pty) Ltd	25%	RSA
Sanlam Personal Loans (Pty) Ltd	70%	RSA
Speqtel Investment Holdings (Pty) Ltd	50%	RSA

*Percentage interest held directly by the company

Company Name	% interest held by Sanlam Life Insurance Ltd in company	Country of registration
INVESTMENT VEHICLES		
Blue Ink Sanlam Collective Investments Inflation Linked Hedge Fund	93%	RSA
Blue Ink Sanlam Collective Investments Special Opportunity Hedge Fund	95%	RSA
Sanlam Alternative Delta Qualified Hedge Fund	86%	RSA
Sanlam Alternative Gamma Retail Hedge Fund	99%	RSA
Sanlam Alternative Iota Qualified Hedge Fund	93%	RSA
Sanlam Alternative Lambda Fund	98%	RSA
Sanlam Alternative Mu Qualified Hedge Fund	96%	RSA
Sanlam Alternative Pi Fund	96%	RSA
Sanlam Alternative Rho Fund	38%	RSA
Sanlam Alternative Upsilon Fund	44%	RSA
Sanlam Alternative Vega Fund	57%	RSA
Sanlam Alternative Veta Fund	85%	RSA
Sanlam Alternative Xi Fund	45%	RSA
Sanlam Alternative Yn Qualified Hedge Fund	100%	RSA
Sanlam Alternative Zeta Fund	69%	RSA
Sanlam Beta Hedge Portfolio Fund	100%	RSA
Sanlam Dynamic Alpha Fund	100%	RSA
Sanlam Enhanced Cash Fund	100%	RSA
Satrix Balanced Index Fund	52%	RSA
Satrix Bond Index Fund	70%	RSA
Satrix Dividend + Index Fund	23%	RSA
Satrix Low Equity Balanced Index Fund	44%	RSA
Satrix Money Market Fund	95%	RSA
Satrix Property Index Fund	43%	RSA
Satrix Quality Index Fund	99%	RSA
Satrix SWIX Top40 Index Fund	100%	RSA
Satrix Top 40 Index Fund	22%	RSA
Denker Sanlam Collective Investments Global Dividend Feeder Fund	25%	RSA
Denker Sanlam Collective Investments Global Equity Feeder Fund	26%	RSA
Denker Sanlam Collective Investments Global Financial Feeder Fund	23%	RSA
Glacier Global Stock Feeder Fund	38%	RSA
Glacier Money Market Fund	45%	RSA
Graviton Sanlam Collective Investments Balanced Fund	67%	RSA
Graviton Sanlam Collective Investments Capital Growth Fund	85%	RSA
Graviton Sanlam Collective Investments Flexible Income Fund	84%	RSA
Graviton Sanlam Collective Investments Low Equity Fund	45%	RSA
Sanlam Global Balanced Fund of Funds	36%	RSA
Sanlam Global Cautious Fund of Funds	33%	RSA
Sanlam Growth Institutional Fund	91%	RSA
Sanlam Institutional Special Opportunities Fund	86%	RSA
Sanlam Investment Management Active Income Fund	46%	RSA
Sanlam Investment Management Balanced Fund	67%	RSA
Sanlam Investment Management Bond Plus Fund	88%	RSA
Sanlam Investment Management Enhanced Yield Fund	51%	RSA
Sanlam Investment Management Financial Fund	21%	RSA
Sanlam Investment Management General Equity Fund	46%	RSA
Sanlam Investment Management Inflation Plus Fund	40%	RSA
Sanlam Investment Management Managed Aggressive Fund of Funds	85%	RSA
Sanlam Investment Management Managed Cautious Fund of Funds	75%	RSA
Sanlam Investment Management Managed Conservative Fund of Funds	66%	RSA
Sanlam Investment Management Managed Moderate Aggressive Fund of Funds	83%	RSA
Sanlam Investment Management Managed Moderate Fund of Funds	85%	RSA
Sanlam Investment Management Property Fund	87%	RSA
Sanlam Investment Management Top Choice Equity Fund	81%	RSA
Sanlam Investment Management Value Fund	49%	RSA
Sanlam Multi Managed Aggressive Fund of Funds	70%	RSA
Sanlam Multi Managed Balanced Fund of Funds	52%	RSA
Sanlam Multi Managed Bond Fund	99%	RSA
Sanlam Multi Managed Cautious Fund of Funds	71%	RSA

Sanlam Multi Managed Conservative Fund of Funds	54%	RSA
Sanlam Multi Managed Defensive Fund of Funds	51%	RSA
Sanlam Multi Managed Equity Fund	100%	RSA
Sanlam Multi Managed Equity Index Fund	38%	RSA
Sanlam Multi Managed Flexible Equity Fund	59%	RSA
Sanlam Multi Managed Inflation Linked Bond Fund	77%	RSA
Sanlam Multi Managed Institutional Aggressive Balanced Fund	100%	RSA
Sanlam Multi Managed Institutional Aggressive Equity Fund One	100%	RSA
Sanlam Multi Managed Institutional Balanced Fund	100%	RSA
Sanlam Multi Managed Institutional Domestic Balanced Fund	100%	RSA
Sanlam Multi Managed Institutional Moderate Balanced Fund	100%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Three	60%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Four	59%	RSA
Sanlam Multi Managed Institutional Prudential Balanced Fund One	78%	RSA
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	69%	RSA
Sanlam Multi Managed Long Term Growth Solutions Fund of Funds	21%	RSA
Sanlam Multi Managed Moderate Aggressive Fund of Funds	68%	RSA
Sanlam Multi Managed Moderate Fund of Funds	81%	RSA
Sanlam Multi Managed Property Fund	87%	RSA
Sanlam Multi Managed Protection Solution 3 Fund of Funds	40%	RSA
Sanlam Multi Managed Yield Plus Fund	97%	RSA
Sanlam Private Wealth Equity Fund	41%	RSA
Sanlam Private Wealth Global High Equity Quality Feeder Fund	51%	RSA
Sanlam Select Absolute Fund	59%	RSA
Sanlam Select Bond Plus Fund	96%	RSA
Sanlam Select Defensive Balanced Fund	59%	RSA
Sanlam Select Flexible Equity Fund	57%	RSA
Sanlam Select Managed Fund	94%	RSA
Sanlam Select Optimised Equity Fund	96%	RSA
Sanlam Select Strategic Income Fund	49%	RSA
Sanlam Select Thematic Equity Fund	94%	RSA
Sanlam Stable Growth Fund	100%	RSA
Sanlam Value Institutional Fund	100%	RSA
BIFM World Equity Fund	43%	Ireland
Sanlam Africa Equity Fund	97%	Ireland
Sanlam African Frontiers Markets Fund	34%	Ireland
Sanlam Centre American Select Equity Fund	89%	Ireland
Sanlam Equity Allocation Fund	96%	Ireland
Sanlam Europe (Ex-UK) Equity Tracker Fund	72%	Ireland
Sanlam FOUR Global Equity Fund	87%	Ireland
Sanlam FOUR Stable Global Equity Fund	86%	Ireland
Sanlam FOUR US Dividend Income Fund	65%	Ireland
Sanlam Global Balanced Fund	94%	Ireland
Sanlam Global Best Ideas Universal Fund	45%	Ireland
Sanlam Global Bond Fund	47%	Ireland
Sanlam Global Equity Fund	100%	Ireland
Sanlam Global Property Fund	57%	Ireland
Sanlam Institutional Balanced Fund	94%	Ireland
Sanlam Institutional Bond Fund	96%	Ireland
Sanlam Institutional Equity Flexible Fund	96%	Ireland
Sanlam North America Equity Tracker Fund	96%	Ireland
Sanlam Japan Equity Fund	99%	Ireland
Sanlam UK Equity Tracker Fund	77%	Ireland
Sanlam World Equity Fund	74%	Ireland
Sanlam World Equity Tracker Fund	55%	Ireland
SIM Global Emerging Markets Fund A	41%	Ireland
SIM Global Equity Income Fund	81%	Ireland

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES AT 31 DECEMBER 2017

R million	Notes	**Dec 2017**	Dec 2016
Assets			
Fair value of assets	**1**	**514 397**	469 893
Less : Liabilities		**421 021**	386 027
Actuarial value of policy liabilities		**401 332**	370 414
Investment contracts		**263 776**	232 587
Insurance contracts		**137 556**	137 827
Long-term and current liabilities		**19 689**	15 613
Excess of assets over liabilities for financial reporting		**93 376**	83 866
Adjustment for prudential regulatory purposes	**2**	**(46 685)**	(39 127)
Unsecured subordinated bond	**3**	**2 216**	2 198
Excess of assets over liabilities for prudential regulatory purposes		**48 907**	46 937
Analysis of movement in excess of assets over liabilities			
Result from financial services before tax		**4 185**	4 066
Investment return on excess of assets over liabilities		**11 743**	7 960
Investment income		**3 477**	4 087
Realised and unrealised investment surpluses		**8 266**	3 873
Other		**-**	-
Minority Interest		**-**	-
Taxation		**(1 218)**	(1 380)
Income tax		**(1 264)**	(1 233)
Capital gains tax		**46**	(147)
Withholding tax on companies		**-**	-
Attributable earnings before dividends paid	**4**	**14 710**	10 646
Dividends paid		**(5 200)**	(4 750)
Movement in excess of assets over liabilities for financial reporting		**9 510**	5 896
Capital adequacy requirements			
Capital adequacy requirements (CAR) before management actions		**15 650**	16 250
Management actions assumed	**5**	**(7 279)**	(8 100)
CAR after management actions assumed		**8 371**	8 150
Times CAR covered by excess of assets over liabilities for prudential regulatory purposes		**5.8**	5.8

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES
AT 31 DECEMBER 2017

1. FAIR VALUE OF ASSETS

Assets have been valued on the bases as set out before, apart from equity investments in treasury shares and Group subsidiaries, associated companies and joint ventures, which are valued at fair value.

2. ADJUSTMENT FOR PRUDENTIAL REGULATORY PURPOSES

	Dec 2017 R million	Dec 2016 R million
Total adjustment	**(46 685)**	(39 127)
Adjustment for life insurance Group undertakings (including capital requirements after adjustment for minority interests)	**(19 027)**	(15 827)
Sanlam Developing Markets	**(8 270)**	(7 228)
Sanlam Emerging Markets	**(9 331)**	(6 191)
Other	**(1 426)**	(2 408)
Adjustment for other Group undertakings	**(16 736)**	(15 174)
Sanlam Investment Management	**(3 839)**	(3 890)
Santam	**(11 612)**	(10 136)
Other	**(1 285)**	(1 148)
Shares held in holding company	**(10 124)**	(7 319)
Inadmissible assets	**(798)**	(807)

3. UNSECURED SUBORDINATED BONDS

	Dec 2017 R million	Dec 2016 R million
The unsecured subordinated bonds reconcile as follows to the annual financial statements:	**2 216**	2 198
Unsecured subordinated bonds	**2 166**	2 147
Accrued interest	**50**	51

4. ATTRIBUTABLE EARNINGS

Attributable earnings reconcile as follows to the annual financial statements:

	Dec 2017 R million	Dec 2016 R million
Attributable earnings per company income statement	**14 710**	10 646
Adjustment of goodwill to fair value	**-**	-
Attributable earnings per Statement of Actuarial Values of Assets and Liabilities:	**14 710**	**10 646**

5. MANAGEMENT ACTIONS

	Dec 2017 R million	Dec 2016 R million
The following management actions were assumed in the calculation of the capital adequacy requirements:		
Reduction in non-vested bonuses	**786**	751
Reduction in future bonus rates	**4,398**	4 996
Capitalisation of proportion of expected future profits held as discretionary margins	**961**	610
Reduction in grossing up of the assets covering CAR & other	**1,134**	1 743
Total management actions	**7,279**	**8 100**
	%	%
The average change in non-vested bonuses for Reversionary Bonus type business	**-7.0**	-6.0
The average change in future bonus rates below expected long-term rates, for three years	**-4.0**	-4.0

6. ASSET COMPOSITION

	Dec 2017 %	Dec 2016 %
The assets backing the capital adequacy requirements after management actions were invested as follows:		
Cash	**15.0**	15.0
Fixed-interest securities	**25.0**	25.0
Hedged equities	**60.0**	60.0
Total	**100.0**	100.0

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES
AT 31 DECEMBER 2017 (continued)

7. FUTURE INVESTMENT RETURN AND INFLATION ASSUMPTIONS

	Dec 2017	Dec 2016
	%	%
Pre-tax investment returns by major asset categories and inflation assumptions were as follows:		
Fixed-interest securities	**9.0**	9.2
Equities and offshore investments	**12.5**	12.7
Hedged equities	**9.5**	9.7
Properties	**10.0**	10.2
Cash	**8.0**	8.2
Future expense inflation (excluding margin)	**7.0**	7.2
Consumer price index inflation for premium indexation	**7.0**	7.2

8. DISCOUNT RATES USED IN CALCULATING PROSPECTIVE POLICY LIABILITIES

	Dec 2017	Dec 2016
	%	%
Reversionary bonus business		
Retirement annuity business	**10.7**	10.9
Individual policyholder business	**8.8**	9.1
Individual stable bonus business		
Retirement annuity business	**10.4**	10.6
Individual policyholder business	**8.4**	8.8
Non-taxable business	**10.4**	10.6
Corporate policyholder business	**7.9**	8.1
Individual market-related business		
Retirement annuity business	**10.7**	10.9
Individual policyholder business	**8.8**	9.1
Non-taxable business	**10.7**	10.9
Corporate policyholder business	**8.2**	8.4
Participating annuity business	**8.9**	9.1
Non-participating annuity business*	**9.7**	9.6
Guarantee plans*	**4.4**	7.5

* The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same result.

9. RESULT FROM FINANCIAL SERVICES

R million	**Dec 2017** **R million**	Dec 2016 R million
A number of changes were made to the valuation methodology and assumptions, with the following effect on the result from operations.	**(106)**	114
Change in best estimate lapse assumption	**(43)**	(11)
Change in best estimate risk assumption	**30**	118
Change in best estimate expense assumption	**(140)**	59
Change in roll-up rate of guarantee premiums	**-**	-
Change in methodology	**47**	(52)
Release of tax provision, NPA build-up reserve, TCPP accumulated profits, SEB IBNR change	**-**	-
Increase in SBR IGR reserve	**-**	-
Unexplained	**-**	-

10. MARKET CONSISTENT STOCHASTIC MODEL USED IN RESERVING FOR EMBEDDED INVESTMENT DERIVATES

Monte Carlo simulation techniques were used in the calculation of the liabilities in respect of embedded investment
This was done using the output of a market-consistent stochastic model, which was calibrated as at 31 December 2017.

	Dec 2017	Dec 2016
	%	%
This stochastic model was used to price the following option contracts. (Prices are expressed as percentages of the nominal)		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	**4.7**	6.4
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**1.0**	1.9
A 1-year forward put on the FTSE/JSE TOP40 index.	**6.3**	8.3
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**7.6**	8.7
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**13.5**	14.7
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot, on an underlying index constructed as 60% FTSE/JSE TOP40 and 40% ALBI, with rebalancing of the underlying index back to these weights taking place annually	**6.3**	6.7
A 5-year forward put on the FTSE/JSE TOP40 index	**16.4**	18.4
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**3.2**	3.3
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**10.3**	11.0
A 20-year put based on an interest rate with a strike equal to the present 5-year forward rate as at maturity of the put, which pays out if the 5-year interest rate at the time of maturity (in 20 years) is lower than this strike	**0.3**	0.3
A 20-year forward put on the FTSE/JSE TOP40 index	**31.4**	31.0

The implied volatilities of these option contracts are as follows:

A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	**17.1**	22.5
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**21.4**	27.1
A 1-year forward put on the FTSE/JSE TOP40 index.	**16.3**	21.4
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**23.0**	25.9
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**21.5**	24.5
A 5-year forward put on the FTSE/JSE TOP40 index	**21.0**	23.7
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**34.3**	33.6
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**31.7**	31.4
A 20-year forward put on the FTSE/JSE TOP40 index	**30.1**	30.1

The risk-free zero coupon yield curve (annually compounded) used to calibrate the market-consistent stochastic model, is shown in the table below. This yield curve is based on the zero coupon government bond curve.

1 year	**7.3**	8.0
2 years	**7.4**	7.9
3 years	**7.7**	8.2
4 years	**7.9**	8.4
5 years	**8.1**	8.6
10 years	**9.3**	9.3
15 years	**10.0**	10.0
20 years	**10.5**	10.2
25 years	**10.9**	10.4
30 years	**11.4**	10.6

CAPITAL AND RISK MANAGEMENT REPORT

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CAPITAL MANAGEMENT

RISK MANAGEMENT

CAPITAL MANAGEMENT

Objective

Responsible capital management and allocation are an essential component of meeting the Group's strategic objective of shared value creation for all stakeholders, including maximising shareholder value. The capital value used by the Group as the primary performance measurement base is Group Equity Value (GEV). The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on GEV (RoGEV) and to ensure appropriate solvency levels as a safeguard to clients and regulators. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Accordingly, risk management is an important component of responsible capital management and allocation.

Full information on the Sanlam Limited Group Equity Value is provided in the Sanlam Limited Annual Reporting Suite on page 156.

Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The methodology used to determine the allocation of required capital to South African covered business changed at the end of 2016 to allow for the anticipated introduction of the new Solvency Assessment and Management (SAM) regime, which will replace the current Financial Soundness Valuation (FSV) regime.

At the end of 2016 the Group set an appropriate level of required capital for Sanlam Life's covered business under SAM, based on a SAM Solvency Capital Requirement (SCR) targeted cover range of between 1.7 times and 2.1 times over a 10-year projection period. At the lower end of the range, Sanlam Life's covered business should be able to withstand two economic shock scenarios before reaching the minimum 1 times SCR cover. A similar methodology was followed to set ranges for the other South African life insurers. The revised approach remains aligned with the overarching principle to set the level and nature of the supporting capital taking cognisance of minimum regulatory capital requirements, as well as economic, risk and growth considerations.
For the non-South African life insurers the Group sets supporting capital levels as a multiple of their respective regulatory capital adequacy requirements.

The fair value of other Group operations includes the working capital allocated to the respective operations.

The Group's approach to ensure appropriate working capital levels in these operations is twofold:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital by subsidiaries that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

Capital management

Covered business (life insurance operations)

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value, while maintaining appropriate solvency levels. The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, such as non-participating annuities.
- Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business.
- The asset mix of the long-term required capital, as well as estate reserves in the policyholder portfolios also impact the overall capital requirement. An increased exposure to hedged equity and interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. Over the longer term, the expected investment return on these instruments is, however, lower than equity with a potential negative impact on RoGEV. Consequently, there is a trade-off between lower capital levels and the return on capital. The Group's balance sheet management function uses stochastic modelling and the impact on required capital to determine the optimal asset mix in this regard.
- The optimal use of long-term debt in the life insurance operations' capital structure.
- Utilisation of capital diversification benefits, when deemed necessary, whereby the capital requirements of insurance entities can be partly covered by investments in other Group operations within the limits available in the particular regulatory regime.
- Management of operational risk: internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice.

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks of the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising RoGEV.

Group Estate committee

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

Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not efficiently redeployed, will be returned to shareholders in the most effective form.

Capital adequacy – current FSV regime

For regulatory purposes, capital adequacy for the South African operations is measured with reference to the cover provided by the Group's prudential regulatory capital in relation to the Capital Adequacy Requirements as specified by the FSV regime. It is expected that the current FSV regime will be replaced by the SAM regime during the course of 2018.

The valuation of assets and policy liabilities for prudential capital adequacy purposes is generally in line with the methodology for the published results. Some adjustments are, however, required, as set out below.

Reinsurance

Policy liabilities are valued net of reinsurance and the reinsurance asset is eliminated.

Investment contracts with investment management services

The liabilities are set equal to the retrospectively accumulated fair value of the underlying assets less the deferred acquisition cost (DAC) asset in the case of individual business. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

The DAC asset is disregarded for prudential capital adequacy purposes.

Group undertakings and inadmissible assets

The value of assets is reduced by taking into account the prescribed valuation bases for Group undertakings and to eliminate inadmissible assets (as defined in the relevant prudential regulations).

Capital Adequacy Requirements (CAR)

The excess of assets over liabilities of life insurance operations on the prudential regulatory basis should be sufficient to cover the CAR in terms of the relevant local regulations, as well as professional practice notes issued by the Actuarial Society in South Africa. The CAR provides a buffer against experience worse than that assumed in the valuation of assets and liabilities.

On the valuation date, the ordinary CAR was used for the South African operations as they exceeded the termination and minimum CAR.

The largest element of the CAR relates to stabilised bonus business. Consistent with an assumed fall in the fair value of the assets (the “resilience scenario”), which is prescribed in the actuarial practice notes, the calculation of the CAR takes into account a reduction in non-vesting bonuses and future bonus rates and for the capitalisation of some expected future profits (resulting from discretionary margins in the valuation basis and held as part of the liabilities).

At 31 December 2017, the resilience scenario assumes that:

- Equity values decline by 30%;
- Property values decline by 15%;
- Fixed-interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields (whichever gives the highest total capital adequacy requirements); and
- Assets denominated in foreign currencies decline by at least 20% on the valuation date and do not subsequently recover within the short term.

Provision is made for credit and operational risk in the calculation of the CAR.

The excess of the actuarial values of assets over liabilities is disclosed in the table on page 87.

The values disclosed for Sanlam Life capture the material solvency position of the entire Sanlam Life Group, including its subsidiaries. All subsidiaries of Sanlam Life were adequately capitalised.

Capital adequacy under SAM

The following table summarises the SAM solo position for Sanlam Life Insurance Limited as at 31 December 2017.

SAM solo solvency position

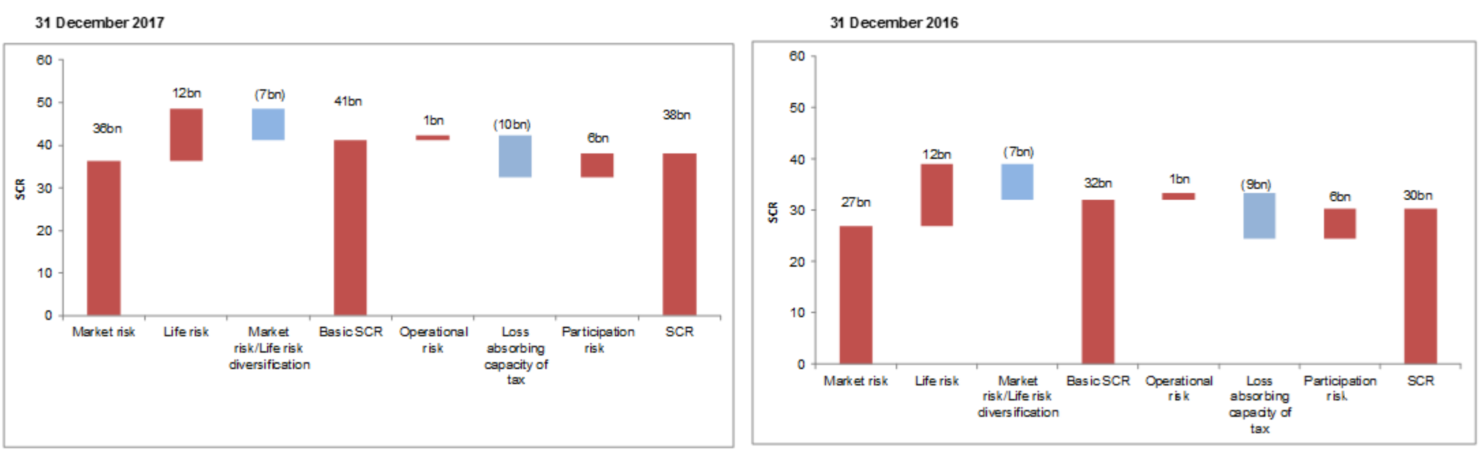
	Sanlam Life Insurance Limited			
	2017		**2016**	
R million	**IFRS (1)**	**SAM**	**IFRS**	**SAM**
Total assets	511,494	502,450	469,238	461,043
Total liabilities	(418 118)	(387 912)	(385 372)	(358 033)
Shareholders fund/basic own funds	93,376	114,538	83,866	103,010
Adjustments	-	(10 124)	-	(10 248)
Investment in financial and credit institutions	-	-	-	(2 929)
Treasury shares	-	(10 124)	-	(7 319)
Own funds eligible to meet SCR	93,376	104,414	83,866	92,762
SCR		38,113		30,298
SCR cover		2.74		3.06

(1) The valuation of IFRS total assets and liabilities is disclosed in accordance with the SAM Financial Soundness Standards.

The Group uses the Standard Formula SCR calculation to determine Sanlam Life's solo solvency cover. Although the SAM subordinate legislation has not been promulgated, Sanlam has been submitting solo results to the FSB on a quarterly basis since the second half of 2014. The decline in the SCR cover ratio in 2017 is attributable to changes in the specifications on how participations (subsidiaries, associates, joint ventures) are treated for own funds purposes, as well as a more severe shock scenario for equities and participations based on the higher level of equity markets at the end of 2017 relative to 31 December 2016. The table below shows Sanlam Life's solo SCR under SAM as at 31 December 2017. The calculations have been based on Sanlam's interpretation of the latest available SAM technical specifications.

Sanlam Life SCR components

Sanlam Life SCR components (R billion)



The following table includes a build-up of Sanlam Life's solo SCR cover between covered business and non-covered business as at 31 December 2017.

Analysis of SAM solvency position

	31 December 2017				31 December 2016			
	IFRS R million	SAM R million	SCR R million	SCR cover times	IFRS R million	SAM R million	SCR R million	SCR cover times
Covered business	**9 709**	**37 829**			**10 034**	**35 204**		
Policyholders fund	-	25 904			-	22 972		
Assets backing policyholder liabilities	402 064	400 180			371 082	369 116		
Net investment assets	401 664	400,180			370 682	369,116		
Deferred acquisition cost - policyholders	400	-			400	-		
Policyholder liabilities	(402 064)	(374 276)			(371 082)	(346 144)		
Long-term policy liabilities	(401 332)	(363 470)	**16,212**	**2.3**	(370 414)	(336 543)	**15,977**	**2.2**
Deferred tax - policyholders fund	(732)	(10 806)			(668)	(9 601)		
Required capital	9 500	9 500			10 000	10 000		
Net subordinated debt	43	2 259			36	2 234		
Subordinated debt liabilities	(2 216)	-			(2 198)	-		
Assets backing subordinated debt	2 259	2 259			2 234	2 234		
Working capital and other	166	166			(2)	(2)		
Working capital assets	4 332	6 713			3 820	6 172		
Deferred acquisition cost - shareholders	2 381	-			2 352	-		
Working capital liabilities	(6 547)	(6 547)			(6 174)	(6 174)		
Participations	**78 586**	**62 198**			**64 468**	**48 900**		
Financial and credit institutions	7 806	3 633			7 074	-		
Sanlam Investment Management	4 633	887			4 592	-		
Sanlam Personal Loans	1 228	801			1 161	-		
Shriram Transport Finance Company	1 942	1 942			1 162	-		
Other	3	3			159	-		
Strategic insurance participations	31 406	30 050			30 399	29 797		
Santam	18 108	18 108	**19,257**	**3.2**	15 868	15 868	**12,785**	**3.8**
Sanlam Developing Markets	10 550	9 885			9 383	9 269		
Sanlam Namibia [(1)]	-	-			3 175	3 175		
Other	2 748	2 057			1 973	1 485		
Other strategic participations	29 250	28 515			19 676	19 103		
Sanlam Emerging Markets [(1)]	27 750	27 750			18 437	18 437		
Other	1 500	765			1 239	666		
Treasury shares	10 124	-			7 319	-		
Intangible assets	**896**	**-**			**909**	**-**		
Goodwill	753	-			753	-		
Other intangible assets	143	-			156	-		
Other net assets	**4 185**	**4 387**			**8 455**	**8 658**		
Deferred tax - shareholders fund	(1)	201			-	203		
Discretionary capital	1 074	1 074	**2,644**	**1.7**	550	550	**1,536**	**5.6**
Dividend allowance	2 651	2 651			2 610	2 610		
Other capital	461	461			5 295	5 295		
Shareholders fund/Own funds eligible to meet SCR	**93 376**	**104 414**	**38,113**	**2.7**	**83 866**	**92 762**	**30,298**	**3.1**

[1] *Sanlam Namibia transferred from Sanlam Life Insurance Limited to Sanlam Emerging Markets*

Sensitivity analysis: SAM solvency position as at 31 December 2017

Sanlam Life R million	**Available capital resources**	**SCR**	**Surplus**	**SCR cover**
Base position	104,414	38 113	66 301	274%
Equities - 30%	80,693	28 243	52 450	286%
Equities - 10%	96,607	33 245	63 362	291%
Interest rates - 1%	105,606	38 550	67 056	274%
Credit spreads + 1%	104,204	38 482	65 722	271%
ZAR appreciation 10%	103,783	38 327	65 456	271%
Shock scenario*	77,473	28 344	49 129	273%

** Equities decline by 30% and implied equity volatility increases by 25%*

Property values decline by 15%

Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields

Emerging market currencies decline by 20% against developed market currencies

Credit spreads widening by 1%

Credit rating

Standard & Poor's (S&P) issued the following ratings for Group companies during 2017:

	Most recent ratings issued
Sanlam Life Insurance Limited	South Africa National Scale: zaAA+
Subordinated debt issued by Sanlam Life Insurance Limited	South Africa National Scale: zaA
Santam Limited	South Africa National Scale: zaAA+

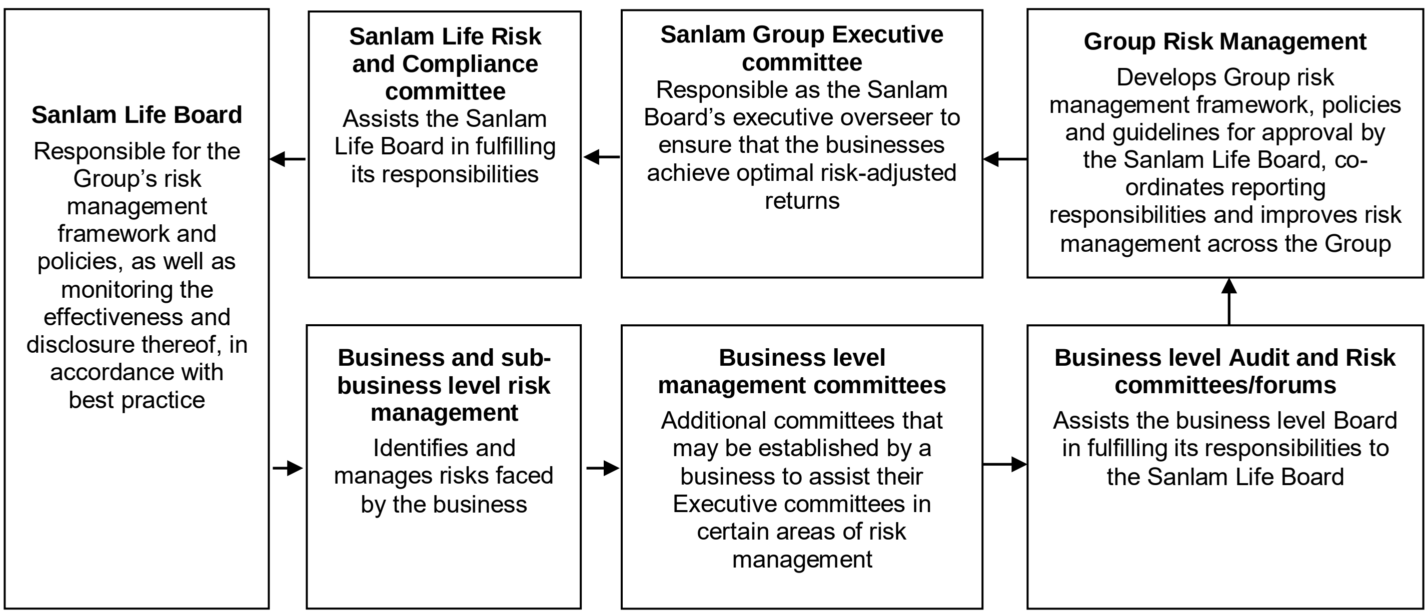
The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group's business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates.

RISK MANAGEMENT

Governance structure

In terms of the Group's overall governance structure, the meetings of the Sanlam Limited Board (Sanlam Board) and Sanlam Life Board are combined to improve the flow of information and to increase the efficiency of the Boards. The agenda of the Sanlam Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and JSE requirements. The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses, as well as monitoring operational efficiency and risk issues throughout the Group. In respect of separately listed subsidiaries, this is done within the limitations of sound corporate governance practices.

The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Life Board sets the Group enterprise risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram depicts the generic flow of risk management information from the individual businesses to the Sanlam Life Board.



Role of Group Risk Management

The role of Group Risk Management is one of setting Group standards and guidelines, coordinating and monitoring risk management practices and ultimately reporting to the Sanlam and Sanlam Life Boards.

Group Risk Management plays an active role with regard to risk management in the Sanlam Group. The involvement includes the following:

- Permanent invitees of business units' Risk and Audit committees;
- Member of the Central Credit committee (see description below);
- Transactional approval incorporated into approval frameworks of business units where appropriate;
- Involvement and approval of corporate activity transactions;
- Chairs the Estate committee and Asset and Liability committee at Group level, as well as the Group risk forum (see descriptions below);
- Chairs the Group IT Steering committee;
- Guidance on risk-related matters at business level; and
- Involvement with specialist risk management issues at business level.

A number of other risk management/monitoring mechanisms operate within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table:

OTHER RISK MANAGEMENT / MONITORING MECHANISMS		
Estate committee Reviews and oversees the management of the Group's capital base	**Asset and Liability committee** Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	**Central Credit committee** Oversees the identification, measurement and control of corporate credit risk exposure
Investment committees Determine and monitor appropriate investment strategies for policyholder solutions	**Treasury function** Manages the liquidity risks in the borrowing functions of Sanlam	**Non-listed asset controlling body** Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam and Sanlam Life Boards
Group risk forum Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Life Board	**Financial Director** Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised	**Actuarial** Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques
Forensics Investigates and reports on fraud and illegal behaviour in businesses	**Group Secretariat and Public Officers** Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters	**Group Compliance function** Facilitates management of compliance through analysing and advising on statutory and regulatory requirements, and monitoring implementation and execution thereof
Group Technology and Information Manages and reports Group-wide Technology, Cyber and Information Security risks	**Risk Officer (per business)** Assists business management in their implementation of the Group risk management framework and policies, and to monitor the business's entire risk profile	**Internal Audit** Assists the Sanlam Life Board and management by monitoring the adequacy and effectiveness of risk management in the business
Actuarial forum Assists the Audit,Actuarial, Finance and the Risk and Compliance committees on actuarial related matters. It also assists the Actuarial Control function in providing oversight over first line activities in Group Actuarial, most notably balance sheet management		

Group risk policies, standards and guidelines

The main policies, standards and guidelines are:

- Sanlam Group enterprise risk management (ERM) policy and plan;
- Sanlam Group risk escalation policy;
- Sanlam Group business continuity management policy;
- Definitions of risk categories standard;
- Risk appetite guidance note;
- Sanlam Group risk appetite statement;
- Sanlam risk management maturity model;
- Sanlam Life risk and compliance committee charter; and
- Group risk forum terms of reference.

A policy sets out the mandatory minimum requirements for the businesses.
A standard endeavours to ensure consistent use of terminology.
A guidance note is aimed at providing information.

The following also cover aspects with linkage to risk management:

- Sanlam Life combined assurance model;
- Sanlam Group internal control policy;
- Sanlam Group outsourcing policy;
- Sanlam Group information and information technology (I and IT) risk management policy;
- Representations from Group businesses to the Sanlam and Sanlam Life Audit, Actuarial and Finance committees;
- Sanlam corporate credit risk strategy and policy;
- Sanlam reinsurance and other risk mitigation policy;
- Sanlam Life underwriting risk management policy;
- Sanlam investment policy;
- Sanlam financial crime combating policy;
- Sanlam human resources policies;
- Sanlam Group governance framework;
- Sanlam Group high-level authorisation framework; and
- Sanlam Life Insurance Audit, Actuarial and Finance committee charter.

Sanlam Group enterprise risk management policy and plan

The Group ERM policy and plan include the following main components:

- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management; and
- The Group's minimum standards for implementation of risk management in the businesses.

Sanlam Group risk escalation policy

The risk escalation policy defines the circumstances under which risk events and emerging risks should be escalated to the Sanlam Group level. This includes quantitative and qualitative measures.

Summary of Sanlam Group risk appetite

- The Sanlam Group consists of a number of decentralised businesses. These businesses have different risk profiles and appetites. They are capitalised appropriately based on these risk profiles.
- The Group determines the hurdle rates required from these businesses. These hurdle rates are set out for each business in accordance with its risk profile. The higher the risk profile of a business the higher the required return will be set. On average, the Sanlam Group aims to yield a RoGEV equal to at least 400bps above the reference rate, with the reference rate being set at the nine year point on the relevant yield curve.
- Each decentralised business needs to operate within the restrictions of its allocated capital. For businesses using value at risk (VaR) as measurement, a 99,5% confidence level is required over a one-year time horizon. For insurance businesses regulated under SAM (or similar regimes) the level of allocated capital for covered business is set to ensure that Own Funds attributable to in-force covered business maintains a SAM SCR ratio within a specified range, e.g. between 1.7 and 2.1 times for Sanlam Life, over the next 10 years. For businesses using capital adequacy (risk-based capital) techniques, a 95% confidence level over a 10- year time horizon is required.
- Each business needs to manage their risks within the Group ERM framework.

Independent assurance reviews

In collaboration with an external assurance provider, the Group developed a risk management maturity model against which the risk management processes across the Group are assessed. Annually, internal audit (in conjunction with Group risk management) prepares risk management process audit plans for approval by the Sanlam Life risk and compliance committee. The assurance reviews comprise self-assessments and independent reviews. All businesses conduct self-assessments with the independent assessments done either by an external assurance provider or internal audit. Typically, the larger businesses are assessed by an external assurance provider once every three years. Internal audit, on the other hand, tends to focus on the assessments for the smaller businesses which are done on a rolling basis. The overall results of both the self-assessments and the independent reviews are presented to the Sanlam Life Risk and Compliance committee.

Risk types

The Group is exposed to the following main risks:

	Risk category (primary)	Risk type (secondary) and description	Potential significant impact
General risks	**1. Operational**	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	All Group businesses
		Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of confidentiality, availability and integrity of information, which includes cyber risks and its knock-on effects. Information risk also includes the loss of quality of information.	
		Going concern/business continuity risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.	
		Legal risk: the risk that the Group's operations or its condition are disrupted or adversely affected by legal proceedings against it, adverse judgements from courts, contracts that turn out to be unenforceable or contractual obligations which have not been provided for.	
		Compliance risk: the risk of not complying with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct including acceptable market conduct practices[1], investment management mandates, as well as the failure to uphold the Group's core values and code of ethical conduct.	
		Human resources risk: the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk.	
		Fraud risk: the risk of financial crime and unlawful conduct impacting on the Group. It includes both internal and external fraud.	
		Taxation risk: the risk of financial loss owing to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in RoGEV; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.	
		Regulatory risk: the risk that new Acts or regulations will result in the need to change business practices that may lead to financial loss.	
		Process risk: the risk of loss as a result of failed or inadequate internal processes.	
		Project risk: the risk that is inherent in major projects.	
		Outsourcing provider risk: the risk arising from the inability or unwillingness of an outsourcing service provider to discharge its contractual obligations; and from concentration with an individual outsourcing service provider (which exacerbates the former).	
	2. Reputational	Reputational risk is the risk that adverse publicity regarding a Group's business practices, associations and market conduct, whether accurate or not, will cause a loss of confidence in the integrity of the institution. The risk of loss of confidence relates to stakeholders, which include, inter alia, potential and existing clients, investors, suppliers and supervisors.	All Group businesses
	3. Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses

[1] *Market conduct involves the behaviour of an organisation and of those that act on its behalf towards various stakeholders (including potential and current clients, regulators or supervisors, investors and other market participants). Market conduct comprises market discipline (including transparency and corporate governance) and consumer protection (including treating clients fairly).*

Financial and business-specific risks	**1. Market**	Market risk is the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of assets and liabilities of the organisation. Market risk includes:	• Life insurance • General insurance • Credit and structuring • Investment Management
		Equity risk: the risk resulting from the sensitivity of values of assets, liabilities and financial instruments to changes in the level or volatility of market prices of equities.	
		Interest rate risk: the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level or volatility of interest rates.	
		Currency risk: the risk of loss or adverse change in the value of assets and liabilities owing to unanticipated changes in the level or volatility of currency exchange rates	
		Property risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment (i.e. the risk of loss or adverse change in the value of assets and liabilities due to unanticipated changes in the level or volatility of market prices of property).	
		Asset liability mismatching (ALM) risk: the risk of change in value as a result of a deviation between asset and liability cash-flows, prices or carrying amounts. ALM risk originates from changes in market risk factors.	
		Concentration risk: the risk of loss associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations).	
		Market liquidity risk (also known as trading liquidity risk or asset liquidity risk): the risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold timeously to prevent or minimise a loss (or realise the required profit).	
		Credit spread risk: the risk resulting from sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.	
	2. Credit	Credit risk is the risk of default and deterioration in the credit quality of issuers of securities, counterparties and intermediaries to whom the company has exposure. Credit risk includes:	• Life insurance • General insurance • Credit and structuring • Corporate
		Default risk: the credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.	
		Downgrade or **migration risk:** the risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator.	
		Settlement risk: the risk arising from the lag between the transaction and settlement dates of securities transactions.	
		Reinsurance counterparty risk: the concentration risk with individual reinsurers, owing to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	
	3. Funding Liquidity	Funding Liquidity risk is the risk relating to the difficulty/inability to access/raise funds to meet commitments associated with financial instruments or policy contracts.	• Life insurance • General insurance • Credit and structuring • Corporate
	4. Insurance risk (life business)	Insurance risk (life business) is the risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. Insurance risk, in life business includes:	• Life insurance
		Underwriting risk: the risk that the actual experience relating to mortality, longevity, disability and medical (morbidity) will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.	
		Persistency risk: the risk of financial loss owing to negative lapse, surrender and paid-up experience. It covers the risk of loss or adverse change in insurance liabilities due to unanticipated change in the rate of policy lapses, terminations, renewals and surrenders.	
		Expense risk: the risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. It covers the risk of loss or adverse change in insurance liabilities due to adverse variation in the expenses incurred in servicing insurance and reinsurance contracts.	
		Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/similar risk profile (including catastrophe risk).	

	5. Insurance risk (general insurance business)	Insurance risk (general insurance business) is the risk arising from the underwriting of non-life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. Insurance risk, in general insurance business, includes:	• General insurance
		Claims risk (premium and reserve risk): the risk associated with a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims risk is often split into reserve risk (relating to incurred claims) and premium risk (relating to future claims).	
		Non-life catastrophe risk: the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty relating to the pricing and provisioning assumptions for extreme or exceptional events.	

Risk management: General risks

1. OPERATIONAL RISK

The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions in addition to other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration are conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is not addressed in this report. A discussion of the aforementioned is included in the Resilience report available online.

The following functionaries assist in mitigating operational risk:

Internal audit
A Board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The chief audit executive of Sanlam is appointed in consultation with the chairman of the Audit, Actuarial and Finance committee and has unrestricted access to the chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit
The Group's external auditors are Ernst & Young Inc. The report of the independent auditors for the year under review is included on page 11.

The external auditors assess certain systems of internal financial control for the purpose of expressing an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. The Group applies a policy of compulsory rotation of audit partners.

Technology, Cyber and Information Security ("IT") risk

Technology, Cyber and Information Security (collectively referred to as "IT") risks are managed across the Group in an integrated manner following the ERM framework. Group Technology and Information (GTI) is the custodian of the Group's IT policy framework and ensures explicit focus on, and integration with the Group's IT governance framework, which includes the governance of cyber resilience and information security.

The Group IT Governance department and Group Cyber Security Centre in GTI report to the Group Chief Information Officer (CIO) who facilitates the process of identifying emerging IT risks as well as unpacking significant IT risks with Group-wide impact. The Group IT Steering committee (a sub-committee of the Group Exco) provides guidance to the Group CIO regarding his or her duties, such as the definition and execution of the Group's IT strategy and the establishment of policy in response to IT risks.

The quarterly IT Risk and CIO reports, summarising the Group-wide IT risk and IT strategy position, are delivered to the Group IT Steering committee and the Risk and Compliance committee.

Going concern/business continuity risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that Sanlam will continue as a going concern. Reflecting on the year under review, the Directors considered a number of facts and circumstances and are of the opinion that adequate resources exist to continue business and that Sanlam will remain a going concern in the foreseeable future. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Legal risk

During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that the rights and obligations of all parties are clearly set out. Sanlam seeks to minimise uncertainties through continuous consultation with internal and external legal advisers to understand the nature of risks, and to ensure that transactions are structured and documented appropriately.

Compliance risk

Laws and regulations:
Sanlam considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group Compliance Office, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates:
Automated pre-compliance rules for clients' investment guidelines are loaded on the investment management operations' order management system. This means that a system rule will generally prevent any transaction that may cause a breach. Apart from this continuous monitoring, post-trade compliance reports are produced from the order management systems. Reporting of compliance monitoring with investment guidelines is done on a monthly basis, although the monitoring activities happen continuously. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and to indicate when it will be rectified. When a breach is confirmed, the portfolio manager must generally rectify the breach as soon as possible. The action taken may vary depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the head of investment operations on a monthly basis.

Derivative exposures are monitored on a daily basis for compliance with approval framework limits, as well as client investment guidelines where the guidelines are more restrictive than the investment manager's own internal limits.

Fraud risk

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group's code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders are prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group forensic services are also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Group chief executive and the Sanlam Life Boards. Quarterly reports are submitted by Group forensic services to the Sanlam Life Risk and Compliance committees on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Regulatory risk

Regulatory risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a proactive approach in investigating and formulating views on all applicable issues facing the financial services industry.

The risk is also managed as far as possible through clear contracting. The Group monitors and influences events to the extent possible through participation in discussions with legislators, predominantly through industry organisations.

Process risk

The risk of failed or inadequate internal processes is addressed through a combination of the following:

- A risk-based approach is followed in the design of operational processes and internal controls;
- Operational processes are properly documented;
- Staff training and the employment of a performance-based remuneration philosophy; and
- Internal audit review of key operational processes.

Project risk

A formalised, risk-based approach is followed for the management of major projects to ensure that projects are effectively implemented and the project hurdle rate is achieved. Key deliverables, progress and risks are monitored on a continuous basis throughout the project life cycle. Internal specialists and external consultants are used as required to provide specialist knowledge and experience.

Outsourcing provider risk

A Group outsourcing policy is in place and aims to provide clear direction and policy regarding the strategic management (e.g. assessment of outsourcing options, establishment of agreements, the on-going management of and reporting on outsourcing) of all outsourcing arrangements, whether external or internal within the Sanlam Group.

2. REPUTATIONAL RISK

Risks with a potential reputational impact are escalated to the appropriate level of senior management. The Audit, Actuarial and Finance and the Risk and Compliance committees are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

3. STRATEGIC RISK

The Group's governance structure and various monitoring tools ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success are discussed and evaluated at an annual special strategic session of the Sanlam Life Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Sanlam Group Executive committee, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Sanlam Group Executive committee, which includes the chief executives of the various Group clusters, meets on a regular basis to discuss, among others, the achievement of the clusters' and Group's strategies.

Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Investment management

The Group's investment management operations are primarily exposed to operational risks, as they have limited on-balance sheet exposure to financial instruments. Investment risk is borne principally by the client. The investment management operations are, however, exposed to market risk owing to the impact of market fluctuations on revenue levels, as investment fees are generally linked to the level of assets under management. This exposure is reduced through asset class and product diversification.

Investment performance:
One of the key risks inherent to the investment management operations relates to the risk of consistently poor investment decisions, i.e. incorrect asset allocation views and/or stock selection resulting in investment underperformance and impairment of the track record relative to benchmarks and/or peer groups. In order to mitigate this risk, the following areas are focused on:

- Recruitment and retention of high quality investment professionals and support staff who are organised into stable teams, with a performance culture that receive pertinent training and development and regular employee appraisals;
- Optimisation of a robust investment process to affect good investment decisions;
- Rigour of the procedures for portfolio implementation;
- Effectiveness of the dealing desk; and
- Analyses of fund performance.

The above interventions are implemented with due cognisance of Sanlam Investments' fiduciary responsibility to, at all times, act in the best interest of the clients and in accordance with the investment mandate directives.

Life insurance

The Group's life insurance businesses are exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non-participating policyholder solutions and those that provide investment guarantees (such as market-related business, stable and reversionary bonus business and non-participating annuity business), expose the life insurance businesses to financial risk. Other business, such as linked policies (where the value of policy benefits is linked directly to the fair value of the supporting assets) does not expose the life insurance businesses to direct financial risk as this risk is assumed by the policyholder. The life insurance businesses' capital is invested in financial instruments, which also expose the businesses to financial risk, in the form of market, credit and liquidity risk.

The table below summarises the various risks associated with the different policyholder solutions as well as with the capital portfolio.

Please refer to the 'Policy liabilities and profit entitlement section' on page 25 for a description of the different policyholder solutions; as well as to note 14 on page 53, which discloses the monetary value of the Group's exposure to the various solutions.

Life insurance businesses exposed to risk via:	Market risk				Credit risk	Liquidity risk	Insurance risk	
	Equity	Interest rate	Currency	Property			Persistency	Other insurance risks
Policyholder solutions								
Linked and market-related	✔ (1)	✔ (1)	✔ (1)	✔ (1)	✔ (1)	✔ (3)	✔	✔
Smoothed-bonus business:								
Stable bonus	✔ (2)	✔ (2)	✔ (2)	✔ (2)	✔ (2)	✔ (3)	✔	✔
Reversionary bonus	✔ (2)	✔ (2)	✔ (2)	✔ (2)	✔ (2)	✔ (3)	✔	✔
Participating annuities	✔ (2)	✔ (2)	✔ (2)	✔ (2)	✔ (2)	✔ (3)	✔	✔
Non-participating annuities	X	✔	X (4)	X (4)	✔	✔ (5)	X	✔
Other non-participating liabilities:								
Guarantee plans	X	✔	X (4)	X	✔	✔ (6)	✔	✔
Other	✔	✔	X (4)	✔	✔	✔ (5)	✔	✔
Capital portfolio	✔	✔	✔	X (4)	✔	✔	X	X

(1) Only market-related policies (not linked policies) expose the life insurance businesses to this risk, due to these policies providing guaranteed minimum benefits at death or maturity.

(2) The life insurance businesses are exposed to this risk, only if the assets backing these policies have underperformed to the extent that there are negative bonus stabilisation reserves that will not be recovered by declaring lower bonuses in the subsequent years.

(3) Although liquidity risk is present, it is not a significant risk for the savings businesses due to an appropriate amount of liquid assets held in respect of expected outflows.

(4) An immaterial amount of assets are exposed to this risk.

(5) As far as possible, the liabilities are matched with interest-bearing assets to ensure that the duration of assets and liabilities is closely aligned, but may also include derivatives.

(6) Liabilities are matched with assets that have similar maturity profiles.

✔ Risk applicable to item

X Risk not applicable to item

The management of these risks is described below.

1. MARKET RISK

Life insurance businesses exposed to risk via:	Equity	Interest rate	Currency	Property
Policyholder solutions				
Linked and market-related	✔	✔	✔	✔
Smoothed-bonus business:				
Stable bonus	✔	✔	✔	✔
Reversionary bonus	✔	✔	✔	✔
Participating annuities	✔	✔	✔	✔
Non-participating annuities	X	✔	X	X
Other non-participating liabilities:				
Guarantee plans	X	✔	X	X
Other	✔	✔	X	✔
Capital portfolio	✔	✔	✔	X

✔ Risk applicable to item

X Risk not applicable to item

Linked and market-related

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies, however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance businesses to market risk. The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios. The Group's long-term policy liabilities include a specific provision for investment guarantees. The current provision for investment guarantees in insurance contracts has been calculated on a market-consistent basis in accordance with professional practice notes issued by the Actuarial Society of South Africa.

Smoothed bonus business

These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a policyholder bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from the capital portfolio in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2017, all stable and reversionary bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

Market risk is borne by policyholders to the extent that the after-tax and after-cost investment returns are declared as bonuses. The capital portfolio is, however, exposed to some market risk as an underperformance in investment markets may result in an underfunded position that would require financial support from the capital portfolio. The Group manages this risk through an appropriate investment policy. ALCO oversees the investment policy for the various smoothed-bonus portfolios. The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, inter alia, the following:

- Limitations on exposure to volatile assets;
- Benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of assets, such as unlisted equities, derivative instruments, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios are provided quarterly to the Sanlam Life Board and the Sanlam Customers Interest committee.

Non-participating annuities

Non-participating annuity business relates to contracts where income is paid to an annuitant for life or for a fixed term, in return for a lump sum consideration paid on origination of the policy. The income may be fixed, or increased at a fixed rate or in line with inflation. The Group guarantees this income and is therefore subject to interest rate risk. Liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the change in value of assets and liabilities is closely matched for a change in interest rates. The impact of changes in interest rates is tested continuously, and for a 1% parallel movement in interest rates the impact on profit will be immaterial.

Guarantee plans

These single premium policies provide for guaranteed maturity amounts. The life insurance businesses are therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value. Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

Other non-participating business

The Group is exposed to market risk to the extent of the investment of the underlying assets in interest-bearing, equity and property investments. The risk is managed through investments in appropriate asset classes. A number of the products comprising this business are matched using interest-bearing instruments, similar to non-participating annuities.

Policyholder solutions' exposure to currency risk

The majority of currency exposure within the policyholder portfolios results from offshore assets held in respect of linked and smoothed bonus business. Offshore exposure within these portfolios is desirable from a diversification perspective.

Capital

Comprehensive measures and limits are in place to control the exposure of the Group's capital to market and credit risks. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

The exposure of the life insurance operations' shareholders' funds to various classes of investments is reflected in the following table:

SHAREHOLDERS' FUND

R million	**2017**	2016
Property and equipment	**784**	795
Owner-occupied properties	**803**	801
Goodwill	**1 877**	1 299
Other intangibles	**469**	517
Value of business acquired	**1 607**	1 150
Deferred acquisition costs	**2 663**	2 648
Investments	**73 489**	61 771
Properties	**854**	964
Equity-accounted investments	**25 048**	20 164
Equities and similar securities	**13 866**	10 048
Interest-bearing investments	**14 327**	12 084
Structured transactions	**926**	1 531
Investment funds	**14 196**	10 697
Cash, deposits and similar securities	**4 272**	6 283
Net deferred tax	**561**	610
Net disposal groups classified as held for sale	**-**	8
Short-term insurance technical assets	**6 400**	5 022
Net working capital assets	**8 328**	8 454
Short-term insurance technical provisions	**(18 553)**	(14 333)
Cell owners interest	**(3 217)**	(1 153)
Structured transactions	**(1 271)**	(240)
Term finance	**(4 334)**	(4 327)
Non-controlling interest	**(5 877)**	(5 544)
Shareholders' fund - Sanlam Life Group	**63 729**	57 478

The exposure of the Group's capital portfolio to currency risk is analysed in the table below

31 December 2017 R million	Euro	United States dollar	British pound	Botswana pula	Indian rupee	Moroccan dirham (2)	Other currencies	Total
Investment properties	-	-	-	43	-	-	763	806
Equities and similar securities	210	637	127	(87)	-	-	2 512	3 399
Equity-accounted investments (1)	-	-	-	1 704	8 652	9 544	593	20 493
Government interest bearing investments	-	-	-	-	-	-	442	442
Corporate interest bearing investments	-	88	24	-	-	-	356	468
Mortgages, Policy and other loans	-	38	170	88	-	-	91	387
Structured transactions	-	1	-	-	-	-	-	1
Investment funds	-	276	-	322	-	-	97	695
Cash deposits and similar securities	3	1 388	2	708	-	-	514	2 615
Net working capital	-	431	-	(116)	-	-	(446)	(131)
Foreign currency exposure	213	2 859	323	2 662	8 652	9 544	4 922	29 175
Exchange rates (Rand):								
Closing rate	14.87	12.38	16.75	1.28	0.19	1.33		
Average rate	15.00	13.30	17.13	1.30	0.20	1.39		

31 December 2016 R million	Euro	United States dollar	British pound	Botswana pula	Indian rupee	Moroccan dirham (2)	Other currencies	Total
Investment properties	-	-	-	176	-	-	645	821
Equities and similar securities	147	441	346	34	-	-	408	1 376
Equity-accounted investments (1)	-	-	-	1 842	8 068	4 810	777	15 497
Government interest bearing investments	-	41	-	-	-	-	424	465
Corporate interest bearing investments	-	76	2	-	-	-	276	354
Mortgages, Policy and other loans	-	-	-	95	-	-	79	174
Structured transactions	-	2	-	-	-	-	-	2
Investment funds	-	190	1	157	-	-	281	629
Cash deposits and similar securities	3	2 990	6	698	-	-	597	4 294
Net working capital	20	206	56	(470)	-	-	(494)	(682)
Foreign currency exposure	170	3 946	411	2 532	8 068	4 810	2 993	22 930
Exchange rates (Rand):								
Closing rate	14.43	13.68	16.92	1.30	0.20	1.36		
Average rate	16.22	14.65	19.69	1.37	0.22	1.49		

(1) Equity-accounted investments only include significant entities that have foreign currency exposure.
(2) Saham Finances. Sanlam has increased the shareholding in Saham Finances from 30% to 46,6% in the current year.

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The capital portfolio has limited exposure to investment properties and accordingly the related property risk.

Sensitivities

Changes in investment return assumptions have an impact on the return on the Group's capital, as changes in the market value of the capital portfolio's investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase of R1 125 million (2016: increase of R1 177 million).

The impact on current year profit of the above scenarios is limited, due to the Group's policy of closely matching assets and liabilities together with the fact that any mismatch profits and losses in respect of non-participating life business are absorbed by the asset mismatch reserve, while this reserve has a positive balance.

2. CREDIT RISK – POLICYHOLDER SOLUTIONS AND CAPITAL

Life insurance businesses exposed to risk via:	Credit risk
Policyholder solutions	✔
Capital portfolio	✔

✔ Risk applicable to item

Sanlam recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss owing to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam Corporate Credit Risk policy and strategy has been established for this purpose. Credit risk occurs owing to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by either Sanlam Capital Markets (SCM), including the recently established Central Credit Manager (CCM) activities, or Sanlam Investment Management (SIM) in terms of the investment guidelines granted to them by the life insurance operations. The boards of SIM and SCM have delegated responsibility for credit risk management to the Central Credit committee. On a smaller scale, Botswana Insurance Fund Management (BIFM) also performs investment activities in the Group.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, or without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group and industry; geographical location; product type; currency; maturity, anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

The credit risk policy highlights the processes and procedures to be followed in order to maintain sound credit granting standards, to monitor and manage credit risk, to properly evaluate new business opportunities, and to identify and administer problem credits. Credit analysis is a structured process of investigation and assessment, involving identifying the obligor, determining whether a group of connected obligors should be consolidated as a group exposure, and analysing the financial information of the obligor. A credit rating, being a ranking of creditworthiness, is allocated to the obligor. In addition to external ratings, internal rating assessments are conducted, whereby the latest financial and related information is analysed in a specified and standardised manner, to ensure a consistent and systematic evaluation process. External ratings (e.g. Moody's Investor Services, Standard & Poor's, Fitch Ratings and Global Credit Ratings) are taken into account when available.

All facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Sanlam's interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to. A credit administration and reporting department is in place to implement risk control measures and maintain ongoing review of the credit reports and conditions, and to ensure overall compliance with the credit risk strategy and policy.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas;
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;
- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and

- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are not material for the 2017 and 2016 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities remained unchanged.

The tables below provide an analysis of the ratings attached to the Group's life insurance businesses' exposure, including the exposure managed by SCM, to instruments subject to credit risk.

Credit risk concentration by credit rating * :												
									Not			**Carrying**
	AAA	**AA+**	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB**	**rated**	**Other**	**Total**	**value**
Assets backing policy liabilities	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**R million**
31 December 2017**												
Government interest-bearing investments	**67**	**8**	**1**	**-**	**4**	**2**	**2**	**-**	**10**	**6**	**100**	**44 582**
Corporate interest-bearing investments	**6**	**29**	**11**	**5**	**7**	**10**	**10**	**5**	**4**	**13**	**100**	**67 294**
Mortgages, policy and other loans	**-**	**2**	**-**	**10**	**8**	**9**	**8**	**4**	**21**	**38**	**100**	**10 455**
Structured Transactions	**13**	**45**	**13**	**-**	**2**	**2**	**6**	**8**	**1**	**10**	**100**	**13 052**
Cash, deposits and similar securities	**21**	**39**	**26**	**-**	**2**	**1**	**1**	**-**	**9**	**1**	**100**	**18 737**
Net working capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100**	**-**	**100**	**1 906**
Total	**26**	**23**	**9**	**3**	**5**	**6**	**6**	**3**	**7**	**12**	**100**	**156 026**
31 December 2016**												
Government interest-bearing investments	70	4	-	-	4	1	2	-	9	10	100	54 005
Corporate interest-bearing investments	7	11	26	4	14	8	8	3	4	15	100	56 467
Mortgages, policy and other loans	-	5	2	5	14	7	5	10	26	26	100	6 979
Structured Transactions [(1)]	11	16	38	-	1	3	9	2	4	16	100	11 136
Cash, deposits and similar securities	14	19	48	2	5	-	1	1	10	-	100	18 579
Net working capital	-	-	-	-	-	-	-	-	100	-	100	826
Total	31	9	19	2	8	4	5	2	8	12	100	147 992
Capital portfolio	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**R million**
31 December 2017**												
Government interest-bearing investments [(2)]	**21**	**4**	**-**	**-**	**5**	**12**	**-**	**-**	**36**	**22**	**100**	**779**
Corporate interest-bearing investments	**5**	**28**	**12**	**5**	**7**	**18**	**9**	**2**	**1**	**13**	**100**	**4 535**
Mortgages, policy and other loans	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**11**	**80**	**7**	**100**	**698**
Structured Transactions	**44**	**13**	**-2**	**-**	**13**	**2**	**1**	**21**	**-**	**8**	**100**	**337**
Cash, deposits and similar securities	**44**	**10**	**6**	**-**	**1**	**2**	**-**	**-**	**34**	**3**	**100**	**3 212**
Net working capital	**3**	**22**	**37**	**-**	**2**	**2**	**1**	**-**	**33**	**-**	**100**	**2 819**
Total	**17**	**18**	**14**	**2**	**4**	**8**	**4**	**2**	**8**	**23**	**100**	**12 380**
31 December 2016**												
Government interest-bearing investments [(2)]	11	15	-	-	10	6	-	-	42	16	100	713
Corporate interest-bearing investments	5	11	30	5	13	8	13	2	1	12	100	5 077
Mortgages, policy and other loans	-	-	-	-	-	3	-	20	53	24	100	402
Structured Transactions	56	5	7	1	-	3	8	-	-	20	100	817
Cash, deposits and similar securities	56	5	14	1	2	-	-	-	21	1	100	5 382
Net working capital	22	16	42	-	-	-	-	-	20	-	100	2 326
Total	29	9	23	2	6	3	5	1	15	7	100	14 717

* *Rated externally, or by using internationally recognised credit rating techniques.*
** *Sanlam has changed the process by which ratings are derived to align with the SAM disclosure process and as such are now derived principally from the internally assessed rating for issuers as opposed to external ratings.*
(1) *Prior year figures have been restated. Refer to note 7.6 in the Annual Financial Statements for additional information.*
(2) *The not-rated government interest-bearing investments relate mainly to not-rated government paper held by some of the Group's life businesses outside of South Africa in their local markets.*

The majority of the counterparties to structured transactions are institutions with at least an AA- rating. The Group's short-term positions are included in the above table under the counterparties' long-term rating where Sanlam has both a long-term and short-term exposure to the entities.

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, as there are no financial guarantees provided to parties outside the Group. There are also no loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Reinsurance credit risk

Sanlam makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

3. LIQUIDITY RISK

Life insurance businesses exposed to risk via:	Liquidity risk	
Policyholder solutions		3.1
Linked and market-related	✔	3.2
Other non-participating liabilities	✔	3.2
Smoothed-bonus business:		
Participating annuities	✔	3.2
Stable bonus	✔	3.3
Reversionary bonus	✔	3.3
Non-participating annuities	✔	3.4
Other non-participating liabilities: Guarantee plans	✔	3.5
Capital portfolio	✔	3.6

✔ Risk applicable to item

X Risk not applicable to item

3.1 The following table summarises the overall maturity profile of the policyholder business:

31 December 2017 R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	8 227	27 764	65 243	73 323	174 557
Investment contracts	10 677	41 205	71 826	180 165	303 873
Total policy liabilities	18 904	68 969	137 069	253 488	478 430
Properties	321	-	-	8 153	8 474
Equities and similar securities	-	-	-	75 162	75 162
Government interest-bearing investments	2 299	2 043	40 241	-	44 583
Corporate interest-bearing investments	9 443	42 588	14 736	518	67 285
Mortgages, Policy and other loans	1 504	6 353	3 650	995	12 502
Structured transactions	4 242	6 122	1 007	1 681	13 052
Investment funds	-	-	-	240 910	240 910
Cash deposits and similar securities	9 649	8 874	208	7	18 738
Deferred acquisition costs	-	-	-	633	633
Long-term reinsurance assets	43	121	721	125	1 010
Term finance	-	-	-	-	-
Derivative liabilities	(2 303)	(539)	(183)	(7)	(3 032)
Net working capital	(887)	-		-	(887)
Total policyholder assets	24 311	65 562	60 380	328 177	478 430

31 December 2016 R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	8 772	27 377	59 615	77 568	173 332
Investment contracts	7 679	37 338	65 551	156 514	267 082
Total policy liabilities	16 451	64 715	125 166	234 082	440 414
Properties	655	-	-	7 106	7 761
Equities and similar securities	-	-	-	68 489	68 489
Government interest-bearing investments	862	2 492	50 650	-	54 004
Corporate interest-bearing investments	9 151	33 897	12 856	563	56 467
Mortgages, Policy and other loans	367	2 645	2 933	1 033	6 978
Structured transactions	2 245	4 655	1 942	2 294	11 136
Investment funds *	-	-	-	216 606	216 606
Cash deposits and similar securities	9 726	8 644	206	-	18 576
Deferred acquisition costs	-	-	-	632	632
Long-term reinsurance assets	67	121	667	45	900
Term finance	-	-	-	-	-
Derivative liabilities	(472)	(564)	(244)	-	(1 280)
Net working capital	145	-		-	145
Total policyholder assets	22 746	51 890	69 010	296 768	440 414

* The effects of consolidating investment funds are not taken into account in the above analysis and controlled funds are reflected as ‘investment funds’.

3.2 Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking expected cash outflows into account.

3.3 These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

3.4 As far as possible, the liabilities are matched with interest-bearing assets, to ensure that the duration of assets and liabilities is closely aligned, but may also include derivatives.

3.5 Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.

3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk but assets could be realised in a short timeframe if need be. The publicly issued unsecured bonds issued by Sanlam Life are managed on a corporate level (refer to page 134 for more information).

4. INSURANCE RISK

	Insurance risk	
Life insurance businesses exposed to risk via:	Persistency	Other insurance risks
Policyholder solutions		
Linked and market-related	✔	✔
Smoothed-bonus business:		
Stable bonus	✔	✔
Reversionary bonus	✔	✔
Participating annuities	✔	✔
Non-participating annuities	X	✔
Other non-participating liabilities		
Guarantee plans	✔	✔
Other	✔	✔
Capital portfolio	X	X

✔ Risk applicable to item

X Risk not applicable to item

Insurance risk arises primarily from the writing of non-participating annuity and other non-participating life business, as these products expose the Group to risk if actual experience relating to expenses, mortality, longevity, disability and medical (morbidity) differs from that which is assumed. The Group is however also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of universal life solutions.

Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programs are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timeously identified and corrective action taken. The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses, surrenders and paid-up policies.

Other insurance risk

Underwriting risk:
The Group manages underwriting risk through:

- its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for sub-standard risks;
- adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- claims handling policy; and
- adequate pricing and reserving.

Quarterly actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business's governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;
- A risk based approach is followed towards testing for HIV/Aids, smoking and other underwriting factors, to balance the cost of testing with managing underwriting risks. Product pricing and reserving policies also include specific allowance for the risk of HIV/Aids;
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Appropriate income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of sub-standard risks;
- The risk premiums for group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first five to 15 years;
- Risk profits are determined on a regular basis; and
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary.

Expense risk:
Expenses are managed through the Group's budgeting process and continuous monitoring of actual versus budgeted unit expenses is conducted and reported on.

Sensitivity to insurance risk:
The table below illustrates the change in the present value of future after-tax profit for changes in insurance risk:

Sensitivity to insurance risk	**2017 R million**	2016 R million
Expenses and persistency		
• Maintenance unit expenses (excluding investment expenses) decrease by 10%	**1 448**	1 366
• Discontinuance rates decrease by 10%	**1 190**	1 021
Insurance risk		
• Base mortality and morbidity rates decrease by 5% for life assurance business	**1 767**	1 562
• Base mortality and morbidity rates decrease by 5% for life assurance annuity business	**(270)**	(305)

Concentration risk:
The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle- income market and high net worth clients.

The tables below provide an analysis of the exposure to the value of benefits insured in respect of non-participating life business by the major life insurance companies, as well as the annuity payable per policy in respect of non-participating annuities for the Group's operations.

Non-participating annuity per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
	2017	2016	**2017**	2016	**2017**	2016
R'000			**%**	%	**%**	%
0 - 20	**207 491**	210 616	**27**	29	**27**	29
20 - 40	**25 238**	22 736	**14**	13	**14**	13
40 - 60	**9 113**	8 437	**9**	9	**9**	9
60 - 80	**5 468**	5 020	**7**	8	**7**	8
80 - 100	**3 088**	3 010	**6**	6	**6**	6
>100	**9 085**	9 179	**37**	35	**37**	35
	259 483	258 998	**100**	100	**100**	100

Value of benefits insured: non-participating life business

	Number of lives (1)		Before reinsurance		After reinsurance	
Benefits insured per individual life	**2017**	2016	**2017**	2016	**2017**	2016
R'000			**%**	%	**%**	%
0 - 500	**7 858 854**	7 610 485	**17**	20	**23**	25
500 - 1 000	**269 812**	232 116	**11**	12	**13**	13
1 000 - 5 000	**369 872**	303 202	**44**	44	**44**	43
5 000 - 8 000	**27 666**	20 689	**10**	9	**9**	8
>8 000	**20 453**	14 553	**18**	15	**11**	11
	8 546 657	8 181 045	**100**	100	**100**	100

(1) *Excludes funeral policies.*

The tables above indicate that the Group's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

The geographical exposure of the Group's consolidated life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

	2017		2016	
	R million	**%**	R million	%
South Africa	**433 925**	**90**	398 382	90
Rest of Africa	**32 467**	**7**	30 356	7
Other International	**12 038**	**3**	11 676	3
Total policy liabilities	**478 430**	**100**	440 414	100

Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL) and to the retail credit businesses in the Sanlam Emerging Markets (SEM) cluster.

Sanlam Personal Loans

The balance of loans advanced by SPL to clients at 31 December 2017 is shown below:

R million	**2017**	**2016**
Gross balance	4 690	4 398
Provisions	(289)	(287)
Net balance	**4 401**	**4 111**

The balance of loans advanced by SPL to clients at 31 December 2017 is shown below:

The main risk emanating from the retail credit operations is credit risk. The Group's maximum exposure to credit risk comprises the following:

- As SPL is a joint venture that has been equity accounted based on Sanlam Life's percentage interest in its net asset value, the Group is exposed to credit risk to the value of the investment, which is disclosed in note 7 on page 44.
- The Group Treasury function has also provided financing to SPL of R3 520 million at 31 December 2017 (2016: R3 103 million). This exposure is managed by the Capital Management operations. The maximum approved limit of financing that can be advanced to SPL is R4,9 billion.

Credit risk consists of credit standing and default risk. It is the company's policy to subject its potential customers to credit rating procedures. In addition, balances of advances are monitored on an ongoing basis. Collection strategies are in place to mitigate credit risk and all accounts that are in arrears are given due priority.

Sanlam Emerging Markets

Retail credit and structuring profits are a significant part of SEM's operating earnings. The majority of the Group's exposure to retail credit is made up of an investment in Shriram Capital (which has indirect holdings in Shriram Transport Finance Company and Shriram City Union Finance) and a direct holding in Shriram Transport Finance Company. The carrying value of these investments on the Group Statement of Financial Position is R7 301 million (2016: R6 894 million), of which approximately 77% (2016: 78%) is attributed to credit business and the majority of the remainder to general insurance business. Other significant retail credit and structuring investments include Letshego which is owned by Botswana Insurance Holdings and has a carrying value of R1 704 million (2016: R1 842 million)), and Capricorn Investment Holdings in Namibia (which has a stake in Bank Windhoek Holdings and carrying value of R1 159 million (2016: R1 020 million)).

The main risk emanating from the retail credit and structuring operations is credit risk. These investments have been equity-accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure to credit risk in these investments is limited to the value of SEM's investment in these businesses.

SEM's credit risk management process entails the monitoring of key drivers in each of the significant retail credit and structuring businesses, including an analysis of trends. Risk parameters have been set for each of these key drivers and performance against these targets is monitored and reported to the SEM Retail Credit committee on a quarterly basis. The primary role of the SEM Retail Credit committee is to:

- Review SEM's exposure to its portfolio of associate investments into retail credit and banking businesses, as well as identify, measure and review key risk drivers;

- Propose appropriate risk appetite measures and monitor SEM's exposure against these measures, as well as advise on appropriate actions to take with regards to breaches of the risk appetite;

- Assess the performance of the of the retail credit portfolio; and

- Liaise with the CCM as an when necessary to form a Group wide view on relevant counterparties.

SEM benefits from the diversification provided by the geographic spread of its operations (throughout Africa, India and South East Asia), types of credit provided (secured and unsecured lending) and range of market segments targeted. This inherently reduces the overall level of credit risk exposure.

General Insurance

Santam

Santam analyses quantifiable risks by using an internally developed economic model. The model covers the following risk categories:

- Insurance risk;
- Reinsurance risk;
- Credit risk;
- Market risk; and
- Operational risk.

The model is also used to aggregate the individual risk modules into a single economic capital requirement amount.

A number of risks faced by Santam are not modelled in the internal model, namely: strategic, liquidity, conduct, reputational, political, regulatory, compliance, sovereign downgrade, legal and outsourcing risks. These risks are analysed individually by management and appropriate measures are implemented to monitor and mitigate these risks.

Once the relevant risks are better understood, the risk appetite framework governs how the the risks should be managed. Santam has formulated a risk appetite policy which aims to quantify the amount of capital the business is willing to put at risk in the pursuit of value creation. It is within this risk appetite framework that Santam has selected its asset allocation and reinsurance programmes which are among the most important determinants of risk and hence capital requirements within the organisation. The internal model allows for the measurement of Santam's expected performance relative to the risk appetite assessment criteria agreed to by Santam's Board. The risk appetite process also includes the assessment of non-financial measures in determining the overall capital requirements.

Insurance risk

Santam issues contracts that transfer insurance risk or financial risk or both. Santam manages insurance risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. This section summarises these risks and the way Santam manages them.

In general, Santam issues personal, commercial and cell insurance policies that include the following terms and conditions:

Engineering – Provides cover for risks relating to:

- the possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- the erection of buildings or other structures or the undertaking of other works; and
- the installation of machinery or equipment.

Guarantee – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

Liability – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services, and is linked directly to the expenditure in respect of health services.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk, to provide entities with risk coverage or protection.

Insurance risk results from fluctuations in the timing, frequency and severity of insured events. Insurance risk also includes the risk that premium provisions turn out to be insufficient to compensate claims as well as the risk resulting from the volatility of expense payments. Expense risk is implicitly included as part of the insurance risk.

In order to quantify the insurance risk faced by Santam, a stochastic simulation of Santam's claims is performed at a line of business level within Santam's internal economic capital model. Assumptions for each line of business are determined based on more than 15 years' worth of historic data. The expected claims liabilities are modelled for specific lines of business, which are then split into the appropriate sub-classes. For each sub-class of business, three types of losses are modelled, namely attritional losses, individual large losses and catastrophe losses. Each of the sub-classes is modelled based on its own assumptions whose methodology and calibration are thoroughly documented in the internal model documentation.

The attritional losses are modelled as a percentage of the premium. The large losses are modelled by fitting separate distributions to the claims frequency and the claim severity.

Santam also models various catastrophes and the losses from each catastrophe are allocated to multiple classes of business. The following catastrophes are modelled: Earthquake, Storm (small), Storm (large), Hail (excluding crop damage), Marine (cargo), Aviation (hull/liability), Conflagration (property), Conflagration (liability), Utility Failure, Latent Liability and Economic Downturn.

The net claims ratio for Santam, which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
Claims paid and provided %*	66.1	65.1	62.1	63.1	69.3	68.3	64.2

**Expressed as a percentage of net earned premiums.*

Pricing for Santam's products is generally based upon historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes trended forward to recognise anticipated changes in claims patterns. While claims remain the businesses' principal cost, Santam also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, and the cost of reinsurance, as well as for a profit loading that adequately covers the cost of the capital.

Underwriting limits are set for business units, underwriting managers and intermediaries to ensure that this policy is consistently applied. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Risk factors considered as part of the review would typically include factors such as the age of the insured person, past loss experiences, past insurance history, type and value of asset covered, security measures taken to protect the asset and major use of the covered item. Santam has the right to reprice and change the conditions for accepting risks on renewal and/or 30 days.

Expenses are monitored by each business unit based on an approved budget and business plan.

The underwriting strategy aims to ensure that the risks underwritten are well diversified in terms of type and amount of risk, size and geography. The Santam group has a sufficiently diversified portfolio based on insurance classes. Santam is currently focusing on obtaining international geographical diversification through the business written by Santam Re and the Santam Specialist business.

Insurance risk is further mitigated by ensuring that reserve and reinsurance risk is adequately managed.

Claims development tables

The presentation of the claims development tables for Santam is based on the actual date of the event that caused the claim (incident year basis). The claims development tables, represent the development of actual claims paid.

Payment development

General insurance claims - gross

		Claims paid in respect of (i.e. incident year)							
R million	**Total actual claims cost**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010 and prior**
Reporting year									
- 2017	**18 823**	**13 623**	4 032	534	438	104	68	16	8
- 2016	**16 112**	**-**	11 087	3 909	506	380	111	93	26
- 2015	**14 019**	**-**	-	9 786	3 388	354	247	112	132
- 2014	**13 555**	**-**	-	-	9 030	3 578	493	173	281
- 2013	**13 148**	**-**	-	-	-	9 152	3 411	250	335
- 2012	**11 340**	**-**	-	-	-	-	8 176	2 366	798
- 2011	**10 327**	**-**	-	-	-	-	-	7 767	2 560
- 2010	**9 999**	**-**	-	-	-	-	-	-	9 999
payments to date	**107 323**	**13 623**	**15 119**	**14 229**	**13 362**	**13 568**	**12 506**	**10 777**	**14 139**

General insurance claims - net

		Claims paid in respect of (i.e. incident year)							
R million	**Total actual claims cost**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010 and prior**
Reporting year									
- 2017	**13 819**	**10 852**	2 359	242	196	91	68	10	1
- 2016	**12 809**	**-**	9 866	2 386	212	153	98	85	9
- 2015	**11 476**	**-**	-	8 734	2 239	171	172	75	85
- 2014	**11 040**	**-**	-	-	7 927	2 489	323	131	170
- 2013	**11 335**	**-**	-	-	-	8 423	2 493	168	251
- 2012	**9 904**	**-**	-	-	-	-	7 616	1 743	545
- 2011	**8 989**	**-**	-	-	-	-	-	7 082	1 907
- 2010	**8 710**	**-**	-	-	-	-	-	-	8 710
Cumulative payments to date	**88 082**	**10 852**	**12 225**	**11 362**	**10 574**	**11 327**	**10 770**	**9 294**	**11 678**

Reporting development

General insurance claims provision - gross

R million	Total provisions raised	Financial year during which claim occurred (i.e. incident year) 2017	2016	2015	2014	2013	2012	2011	2010 and prior
Reporting year									
- 2017	**8 348**	**5 240**	1 541	493	506	201	125	132	110
- 2016	**6 814**	**-**	3 870	1 143	895	297	171	135	303
- 2015	**6 279**	**-**	-	3 100	1 577	758	208	193	443
- 2014	**6 240**	**-**	-	-	4 069	844	410	206	711
- 2013	**5 523**	**-**	-	-	-	3 267	788	376	1 092
- 2012	**4 948**	**-**	-	-	-	-	3 133	599	1 216
- 2011	**4 192**	**-**	-	-	-	-	-	2 448	1 744
- 2010	**3 777**	**-**	-	-	-	-	-	-	3 777
	46 121	**5 240**	**5 411**	**4 736**	**7 047**	**5 367**	**4 835**	**4 089**	**9 396**

General insurance claims provision - net

R million	Total provisions raised	Financial year during which claim occurred (i.e. incident year) 2017	2016	2015	2014	2013	2012	2011	2010 and prior
Reporting year									
- 2017	**4 442**	**3 031**	451	252	170	171	104	169	94
- 2016	**3 973**	**-**	2 334	512	312	234	157	173	251
- 2015	**4 056**	**-**	-	2 291	581	348	197	257	382
- 2014	**3 968**	**-**	-	-	2 337	448	325	239	619
- 2013	**4 207**	**-**	-	-	-	2 459	568	331	849
- 2012	**3 971**	**-**	-	-	-	-	2 550	466	955
- 2011	**3 273**	**-**	-	-	-	-	-	1 919	1 354
- 2010	**2 896**	**-**	-	-	-	-	-	-	2 896
	30 786	**3 031**	**2 785**	**3 055**	**3 400**	**3 660**	**3 901**	**3 554**	**7 400**

Reserving

Reserve risk relates to the risk that the claim provisions held for both reported and unreported claims as well as their associated expenses may prove insufficient.

Santam currently calculates its technical reserves on two different methodologies, namely the ‘percentile approach’ and the ‘cost of capital approach’. The ‘percentile approach’ is used to evaluate the adequacy of technical reserves for financial reporting purposes, while the ‘cost of capital approach’ is used as one of the inputs for regulatory reporting purposes.

Percentile Approach

Under this methodology, reserves are held to be at least sufficient at the 75th percentile of the ultimate loss distribution.

The first step in the process is to calculate a best-estimate reserve. Being a best-estimate, there is an equally likely chance that the actual amount needed to pay future claims will be higher or lower than this calculated value.

The next step is to determine a risk margin. The risk margin is calculated such that there is now at least a 75% probability that the reserves will be sufficient to cover future claims.

Cost of Capital Approach

The cost of capital approach to reserving is aimed at determining a market value for the liabilities on the statement of financial position. This is accomplished by calculating the cost of transferring the liabilities, including their associated expenses, to an independent third party.

The cost of transferring the liabilities off the statement of financial position involves calculating a best-estimate of the expected future cost of claims, including all related run-off expenses, as well as a margin for the cost of capital that the independent third-party would need to hold to back the future claims payments.

Two key differences between the percentile and cost of capital approaches are that under the cost-of-capital approach, reserves must be discounted using a term-dependent interest-rate structure and that an allowance must be made for unallocated loss adjustment expenses.

The cost of capital approach will result in different levels of sufficiency per class underwritten so as to capture the differing levels of risk inherent within the different classes. This is in line with the principles of risk-based solvency measurement.

Santam is not significantly exposed to seasonality due to the broad range of insurance contracts that Santam writes. Motor and Property contain an element of seasonality e.g. hail storms in the summer, however, there may not be a direct correlation between that seasonality and Santam's financial results. There is an element of seasonality attached to Crop, however, Santam's exposure is limited.

Reinsurance risk

Reinsurance risk is the risk that the reinsurance cover placed is inadequate and/or inefficient relative to Santam's company's risk management strategy and objectives. Santam obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or capital. Santam has an extensive reinsurance program that has developed over a number of years to suit the risk management needs of the business. The internal model is used to evaluate the type and quantum of reinsurance to purchase within Santam's risk appetite framework. The reinsurance programme is placed into both the local and international reinsurance markets. Reinsurance arrangements in place include proportional, excess of loss, stop loss and catastrophe coverage.

The core components of the reinsurance program comprise:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses to the range of R25 million to R50 million per risk, excluding reinstatement premiums due as a result of the claim against the cover. In 2016 the range was increased to a maximum of R85 million per risk through participations by Santam Re on selected group reinsurance programmes;

- Catastrophe cover to the extent of 1.1% of the total exposure of the significant geographical areas, amounting to protection of up to R8.8 billion (2016: R8.8 billion) per event with an attachment point of R100 million. These balances include catastrophe cover of R1.2 billion for each year included in the alternative risk transfer quota share arrangement as described below. At the same time catastrophe protection for an aggregate of losses from events above R10 million where such aggregated losses exceed R300 million was put in place in 2017. This cover expires on 30 April 2018 and Santam will purchase this cover subject to acceptable commercial terms. The cover is for an amount of R200 million in excess of a R300 million aggregate deductible;

- Santam's agriculture portfolio is protected through a 60% proportional and a non-proportional reinsurance arrangement with non-proportional cover set at levels offering protection from extreme loss events; and

- Santam Re purchases retrocession protection on its international portfolio. This protection is in the form of a 50% quota share on specified territories and catastrophe excess of loss with a gross attachment point of US$10 million. There is, in addition, per risk protection for individual exposures in excess of R25 million.

Santam has implemented arrangements to support growth in territories outside South Africa in situations where this is dependent on Santam's S&P international rating scale rating. In 2016, Santam entered into an agreement with Munich Reinsurance Company of Africa Ltd (Munich Re of Africa) in terms of which selected Santam business units will be able to use the reinsurer's S&P AA- credit rating to write inwards international reinsurance business on Munich Re of Africa's licence where an international credit rating of A- or better is required. The agreement between Santam and Munich Re of Africa became effective 1 January 2017.

The agreement with Munich Re of Africa replaced the credit rating agreement which expired on 31 December 2016. Santam has decided to retain the ART reinsurance quota share program, which was linked to the expired credit rating agreement. A number of key international reinsurers participated on the program from 1 January 2017 with an annual reinsurance quota share premium of R1 billion. The agreement also reduces Santam's net catastrophe exposure.

The Santam Board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance program is placed with external reinsurers that have an international credit rating of no less than A- from S&P or AM Best, unless specific approval is obtained from the Board to use reinsurers with ratings lower than the agreed benchmark.

Insurance-related credit risk

Key insurance-related areas where Santam is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations;
- Reinsurer default on presentation of a large claim;
- Reinsurers default on their share of Santam's insurance liabilities; and
- Default on amounts due from insurance contract intermediaries.

Santam continuously monitors its exposure to its counterparties for financial statement as well as regulatory reporting purposes. It has therefore established a number of criteria in its risk appetite statement to monitor concentration risk and provide feedback to management and the risk committee on at least a quarterly basis.

Santam determines the credit quality for each of its counterparties by reference to the probability of default on the basis of assessments made by the rating agency over a one-year time horizon and the resulting loss given default. The underlying default probabilities are based on the credit migration models developed by S&P and Moody's which incorporate up to 90 years' worth of credit default information.

For default risk, Santam uses a model which is largely based on the Basel II regulation.

The credit risk analysis is used by management to determine the level of risk capital that should be held for the following types of exposures:

- Risk-based assets such as bonds and bank deposits;
- Outstanding premiums due from intermediaries and reinsurance receivables due from reinsurers;
- Reinsurance claims provisions; and
- Exposure to potential reinsurance recoveries based on the losses generated by the internal model.

For concentration risk, Santam uses the proposed SAM methodology. The calculation is performed in four steps:

- Determine the exposure by counterparty;
- Calculate the excess exposure above a specified threshold level;
- Apply a charge to this excess exposure; and

- Aggregate the individual charges to obtain an overall capital requirement for concentration risk.

Santam is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries. The protected portion of receivables due from contract holders and intermediaries amounts to 50.3% (2016: 48.3%). For Santam (the company), this amounts to 49.3% (2016: 48.3%). Debtors falling into the ‘Not rated’ category are managed by the internal credit control department on a daily basis to ensure recoverability of amounts. Historically, no material defaults occurred on the insurance debtor book.

Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments. The financial instruments, except for Santam’s exposure to the four large South African banks, do not represent a concentration of credit risk. In terms of Santam’s internal risk appetite framework, no more than 15% of total portfolio assets are generally invested in any one of the four major South African banks. Accounts receivable is spread over a number of major companies and intermediary parties, clients and geographic areas. Santam assesses concentration risk for debt securities, money market instruments and cash collectively. Santam does not have concentrations in these instruments to any one company exceeding 15% of total debt securities, money market instruments or cash, except for Absa where the total exposure amounted to 16.5% (2016: 16.1%) on 31 December 2017 and was managed down to 14.2% on 2 January 2018 in accordance with the risk appetite framework.

Santam uses a large panel of secure reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their financial strength as part of the renewal process. Santam’s largest reinsurance counterparty is SCOR (2016: Allianz). The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

The following table provides information regarding the aggregated credit risk exposure for financial and insurance assets. The credit ratings provided in these tables were determined as follows: Sanlam Investment Management (SIM) provided management with reports generated from their credit system on a quarterly basis, detailing all counterparty duration and credit risk. These reports include international, national and internal ratings. SIM also provides management with a conversion table that is then applied to standardise the ratings to standardised international long-term rates. For assets held by subsidiaries and not managed by SIM, a process is agreed with the subsidiaries to align the credit rating analysis with Group requirements.

31 December 2017 *R million*	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB+**	**BBB**	**BBB-**	**BB+**	**BB**	**BB-**	**Not rated**	**Carrying value**
Debt securities - quoted	-	-	-	-	-	-	1,793	3,913	377	1,484	229	623	8,419
Debt securities - unquoted	-	15	-	-	-	-	741	2,593	160	41	159	16	3,725
Total debt securities	-	15	-	-	-	-	2,534	6,506	537	1,525	388	639	12,144
Total unitised investments	-	-	-	-	-	-	-	151	-	-	-	218	369
Short-term money market instruments	-	-	2	-	-	-	426	1,371	61	224	48	42	2,174
Receivables due from contract holders/intermediaries	-	-	-	-	-	98	-	-	-	-	-	3,725	3,823
Reinsurance receivables	-	16	54	48	116	-	-	-	-	-	-	452	686
Other loans and receivables	1	9	2	3	4	10	48	105	7	34	4	777	1,004
Cell owners' interest	-	-	-	-	-	-	-	-	-	-	-	10	10
Deposit with cell owners	-	-	-	-	-	-	-	-	-	-	-	174	174
Cash and cash equivalents	296	320	29	-	2	-	1,230	993	1	1,430	-	20	4,321
Total	297	360	87	51	122	108	4,238	9,126	606	3,213	440	6,057	24,705

31 December 2016 *R million*	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	Not rated	Carrying value
Debt securities - quoted	-	-	-	244	-	61	3,399	1,644	256	188	24	164	5,980
Debt securities - unquoted	-	15	-	-	-	-	4,193	266	215	20	75	85	4,869
Total debt securities	-	15	-	244	-	61	7,592	1,910	471	208	99	249	10,849
Total unitised investments (1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term money market instruments	-	-	-	-	-	10	1,067	259	-	2	18	5	1,361
Receivables due from contract liabilities/intermediaries	41	13	-	33	-	-	-	33	-	-	-	2,776	2,896
Reinsurance receivables	38	28	3	-	12	-	-	-	-	-	-	224	305
Other loans and receivables	2	1	-	-	-	-	157	25	5	4	-	359	553
Cell owners' interest	-	-	-	-	-	-	-	-	-	-	-	7	7
Deposit with cell owners	-	-	-	-	-	-	-	-	-	-	-	219	219
Cash and cash equivalents	241	47	18	-	-	-	1,340	1,229	-	-	-	12	2,887
Total	322	104	21	277	12	71	10,156	3,456	476	214	117	3,851	19,077

(1) Total unlisted investments have been included in prior year disclosure to improve comparability.

The carrying amount of assets included in the statement of financial position represents the maximum credit exposure.

There are no material financial assets that would have been past due or impaired had the terms not been renegotiated.

Market risk

Market risk arises from the level or volatility of the market prices of financial instruments. Exposure to market risk is measured by the impact of movements in the level of financial variables such as interest rates, equity prices and exchange rates. The following financial and insurance assets, disclosed based on similar characteristics, are affected by market risk:

- Equity securities
- Debt securities
- Receivables due from contract holders/intermediaries
- Reinsurance receivables
- Reinsurance assets
- Other loans and receivables
- Cash and cash equivalents
- Short-term money market instruments
- Cell owners' interest
- Derivatives

Santam uses a number of sensitivity or stress-test based risk management tools to understand the impact of the above risks on earnings and capital in both normal and stressed conditions. These stress tests combine deterministic shocks, analysis of historical scenarios and stochastic modelling using the internal economic capital model to inform Santam's decision making and planning process and also for identification and management of risks within the business units. Each of the major components of market risk faced by Santam is described in more detail below.

Price risk

Santam is subject to price risk due to daily changes in the market values of its equity portfolios. Santam is not directly exposed to commodity price risk.

Santam takes a long-term view when agreeing investment mandates with the relevant portfolio managers and looks to build value over a sustained period of time rather than utilising high levels of purchases and sales in order to generate short-term gains from its equity holdings.

Equity price risk arises from the negative effect that a fall in the market value of equities can have on Santam's net asset value. Santam's objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities.

Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. Santam sets appropriate risk limits to ensure that no significant concentrations in individual companies arise. Santam's largest investment in any one company comprises 19.0% (2016: 14.7%) of the total quoted equities and 1.0% (2016: 0.7%) of the total assets. The company's largest investment in any one company comprises 22.6% (2016: 14.7%) of the total quoted equities and 1.2% (2016: 0.8%) of the total assets.

Santam makes use of derivative products as appropriate to manage equity exposure and to protect the portfolio from losses outside of its risk appetite.

Interest rate risk

Interest rate risk arises from the net effect on its assets and liabilities of a change in the level of interest rates.

The assets backing the subordinated debt are managed within a mandate to ensure that adequate cover is provided for the related liabilities i.e. the market value of the subordinated debt and the market value of the assets backing the debt react the same way to changes in interest rates.

Exposure to interest rate risk is monitored through several methods that include scenario testing and stress testing using measures such as duration. The bond returns are modelled based on the historic performance of the individual bonds held in the portfolio, and adjusted to reflect the current interest rates and inflation environment. The risk-free rate used for modelling is 9% as at 31 December 2017 (2016: 9%).

Interest rate risk is also managed using derivative instruments, such as swaps, to provide a degree of hedging against unfavourable market movements in interest rates.

General insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. Interest-bearing instruments with a fixed rate give rise to fair value interest rate risk, while interest-bearing instruments with a floating rate give rise to cash flow interest rate risk.

Currency risk

Foreign currency risk is the risk that Santam will be negatively impacted by changes in the level or volatility of currency exchange rates relative to the South African rand.

In accordance with Santam's international diversification strategy, Santam is entering into various transactions where there is an underlying foreign currency risk such as the SEM target shares and SAN JV. Santam is also expanding its reinsurance offering to predominantly other countries in Africa as well as South-East Asia, India and China. Furthermore, Santam has established an international investment portfolio to ensure adequate asset liability matching in terms of the claims process and capital requirements.

Santam has a well-defined foreign currency management policy which is used to ensure adequate overall asset liability matching. Santam applies hedge accounting only when approved by the Investment committee.

Santam incurs exposure to currency risk in two ways:

- Operational currency risk – by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies); and
- Structural currency risk – by mainly investing in SEM target shares and SAN JV.

These risks affect both the value of Santam's assets as well as the cost of claims, particularly for imported motor parts, directly and indirectly. The fair value of the investments in the SEM target shares and SAN JV is impacted by changes in the foreign exchange rates of the underlying operations. Santam is also pursuing international diversification in underwriting operations through the business written by Santam Re and the specialist underwriting managers.

Santam does not take cover on foreign currency balances, but evaluates the need for cover on transactions on a case-by-case basis.

Derivatives risk

Santam uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in interest rates, foreign exchange rates and equity prices. Santam does not use derivatives to leverage its exposure to markets and does not hold or issue derivative financial instruments for speculative purposes. There is a policy on the use of derivatives that is approved by the Santam Investment committee and the Board.

Over-the-counter derivative contracts are entered into only with approved counterparties, in accordance with Santam policies, effectively reducing the risk of credit loss. Santam applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

Liquidity risk

Santam manages the liquidity requirements by matching the duration of the assets invested to the corresponding liabilities. The net insurance liabilities are covered by cash and very liquid interest-bearing instruments while Santam's subordinated debt obligation is covered by matching cash and interest-bearing instruments (including interest rate swaps).

The cash mandates include market risk limitations (average duration and maximum duration per instrument) to ensure adequate availability of liquid funds to meet Santam's payment obligations.

Santam's shareholders funds are invested in a combination of interest-bearing instruments, preference shares, listed equities and unlisted investments. The listed equity portfolio is a well-diversified portfolio with highly liquid shares.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events and inadequate or failed internal processes and systems. Operational risks are inherent in Santam's operations and are typical of any large enterprise. Major sources of operational risk can include operational process reliability, information security, outsourcing of operations, dependence on key suppliers, implementation of strategic and operational change, integration of acquisitions, fraud, human error such as not placing the necessary facultative reinsurance, client service quality, inadequacy of business continuity arrangements, recruitment, training and retention of employees, and social and environmental impact.

Santam manages operational risk by a comprehensive system of internal controls. From a risk governance perspective, the three lines of defence approach is used to identify the various levels of controls, oversight and assurance, including consideration of role-player independence. Risk management processes for oversight include using a range of techniques and tools to identify, monitor and mitigate its operational risk in accordance with Santam's risk appetite. These tools include Risk and Control Self Assessments and questionnaires, Key Risk Indicators (e.g. fraud and service indicators), Scenario Analyses and Loss Reporting. In addition, Santam has developed a number of contingency plans including Incident Management and Business Continuity Plans. Quantitative analysis of operational risk exposures material to Santam is used to inform decisions on controls and the overall amount of capital held for potential risk exposures. A compulsory annual internal control declaration is completed by senior and executive management and results reported to the Risk and Audit committee. The outcome of the declaration is reviewed to ensure material control breakdowns have been noted and appropriately addressed. The declaration process supports the Board in their assessment of the system of internal controls.

Sanlam Emerging Markets

SEM's exposure to general insurance business includes an investment in Shriram General Insurance (through the holding in Shriram Capital and direct) in India, a holding in Pacific & Orient in Malaysia, and a 46.6% holding in Saham in Morocco. In addition to these investments, SEM holds smaller stakes in various other general insurance businesses across Africa.

The main risk emanating from the general insurance operations is insurance risk. This risk is managed through reinsurance, close monitoring of claims and sound underwriting practices.

The general insurance investments have been equity accounted to reflect SEM's percentage interest in the net asset value of the respective investments. SEM's exposure is limited to the value of the investment in these businesses.

Group Office

The Group Office is responsible for areas of financial risk management that are not allocated to individual businesses.

1. Liquidity risk

The unsecured subordinated bonds issued by Sanlam Life, which are matched by assets with appropriate maturity profiles, are managed by the Group Office. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities.

The maturity profile of the term finance liabilities in respect of the unsecured subordinated bonds and the assets held to match this term finance is provided in the following table:

R million	<1 year	1-5 years	>5 years	Open ended	Total
31 December 2017					
Term finance liabilities					
Interest-bearing liabilities	-	-	(2 166)	-	(2 166)
Assets held in respect of term finance	262	1 353	206	345	2 166
Government interest-bearing investments	6	41	11	-	58
Corporate interest-bearing investments	170	1 149	195	-	1 514
Mortgages, policy and other loans	3	31	-	-	34
Structured transactions	77	110	-	-	187
Investment funds	-	-	-	345	345
Cash, deposits and similar securities	64	22	-	-	86
Working capital assets and liabilities	(58)	-	-	-	(58)
Net term finance liquidity position	**262**	**1 353**	**(1 960)**	**345**	**-**
31 December 2016					
Term finance liabilities					
Interest-bearing liabilities	-	-	(2 147)	-	(2 147)
Assets held in respect of term finance	80	1 430	127	510	2 147
Government interest-bearing investment	-	39	12	-	51
Corporate interest-bearing investments	102	1 136	115	-	1 353
Mortgages, policy and other loan	-	29	-	-	29
Structured transactions	11	198	-	-	209
Investment funds	-	-	-	510	510
Cash, deposits and similar securities	23	28	-	-	51
Working capital assets and liabilities	(56)	-	-	-	(56)
Net term finance liquidity position	80	1 430	(2 020)	510	-

2. Sensitivity analysis – market risk

Refer to page 179 of the integrated report online for an analysis of the Group's exposure to market risk.

3. Cash flow hedging

Saham Finances transaction

Subsequent to the 2017 year-end, agreements were concluded to acquire the remaining 53.4% stake in Saham Finances. This transaction significantly enhances the strategic positioning of Sanlam as the leading insurance provider in Africa, and will accelerate the extraction of synergies from the combined footprint. The transaction price of US$1 050 million will be funded from a combination of a Sanlam Limited share issuance, available discretionary capital and debt funding.

The effective date of this transaction is dependent on the fulfilment of the conditions precedent.

In terms of Sanlam's risk management strategy, foreign currency risks can be assessed on a case-by-case basis to determine whether specific hedging requirements exist. The proposed transaction with Saham Finances was therefore assessed and it was concluded by the Executive committee that the foreign currency risk relating to this transaction should be appropriately hedged, and as such it was decided to partially hedge the transaction through a combination of foreign currency acquisitions and forward exchange contracts. A total of US$602 million was hedged through this strategy at an average exchange rate of R14.12.

The designated foreign currency and forward exchange contracts were identified as the hedging instruments and the proposed acquisition as described above was identified as the hedge item. The implementation date of the hedge was 7 December 2017, when the transaction became highly probable.

To determine the expected effectiveness of the hedge the "Dollar offset method" (i.e. the ratio of the cumulative foreign currency movements on the designated foreign currency resources divided by the cumulative foreign currency movements on the purchase price) was considered. The hedge was deemed effective on inception date on a prospective basis, and again deemed effective on 31 December 2017 on a retrospective and a prospective basis. Hedge effectiveness will continue to be assessed over the life of the hedge.

SANLAM LIFE INSURANCE LIMITED COMPANY

The tables below are presented in terms of the requirements of International Financial Reporting Standards and are for information purposes only. In management's view they do not present a true reflection of the company's risk exposure and the management thereof. The information presented in the remainder of this report is also reflective of the underlying risk exposure of the company and is in line with the Group's risk management process.

EQUITY AND INTEREST RATE RISK

SANLAM LIFE INSURANCE LIMITED

SHAREHOLDERS' FUND - LIFE INSURANCE

R million	2017	2016
Property and equipment	241	244
Owner-occupied properties	497	498
Intangible assets	896	908
Deferred acquisition costs	2 381	2 352
Investments	95 693	83 782
Properties	10	143
Investment in subsidiaries, joint ventures and associates	68 271	57 898
Equities and similar securities	10 189	7 854
Interest bearing investments	3 016	3 895
Structured transactions	360	794
Investment funds	11 293	9 577
Cash, deposits and similar securities	2 554	3 621
Term finance	(2 166)	(2 158)
Net deferred tax	(821)	(764)
Structured transaction liabilities	(1 156)	(16)
Net working capital liabilities	(2 189)	(980)
Shareholders' fund	93 376	83 866

CURRENCY RISK

31 December 2017 R million	Euro	United States Dollar	British Pound	African Assets	Indian Rupee	Other	Total
Equities and similar securities	210	637	99	-	-	265	1 211
Investment in subsidiaries, joint ventures and associates	-	-	-	-	1 941	-	1 941
Interest bearing investments		-		-	-	45	45
Investment funds	1	276	-	-	-	12	289
Structured transactions	-	-	-	-	-	-	-
Cash, deposits and similar securities	3	1 388	2	-	46	15	1 454
Net working capital assets	-	(1)	-	-	-	-	(1)
Capital portfolio	214	2 300	101	-	1 987	337	4 939
Exchange rates (Rand):							
Closing rate	14.87	12.38	16.75		0.19		
Average rate	15.00	13.30	17.13		0.20		

31 December 2016 R million	Euro	United States Dollar	British Pound	African Assets	Indian Rupee	Other	Total
Equities and similar securities	147	441	270	-	7	120	985
Investment in subsidiaries, joint ventures and associates	-	-	-	-	1 162	-	1 162
Interest bearing investments	-	-	-	-	-	44	44
Investment funds	-	175	1	-	-	164	340
Structured transactions	-	3	-	-	-	-	3
Cash, deposits and similar securities	3	2 990	7	-	33	12	3 045
Net working capital assets	-	(9)	1	-	-	-	(8)
Capital portfolio	150	3 600	279	-	1 202	340	5 571
Exchange rates (Rand):							
Closing rate	14.43	13.68	16.92		0.20		
Average rate	16.22	14.65	19.69		0.22		

Sensitivities

Changes in investment return assumptions have an impact on the return on the company's capital, as changes in the market value of the capital portfolio's investments will have a commensurate impact on earnings for the year, and the future profitability of the life insurance operations as reflected in the impact on the value of in-force business (the present value of future after-tax profit to be earned from covered business). If investment return (and inflation) assumptions were to decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately, the impact on the present value of future after-tax profits would be an increase of R733 million (2016: increase of R784 million).

The impact on current year profit of the above scenarios is limited, due to the company's policy of closely matching assets and liabilities together with the fact that any mismatch profits and losses in respect of non-participating life business are absorbed by the asset mismatch reserve, while this reserve has a positive balance.

Company

Credit risk concentration by credit rating:

R million	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	Other	Not rated *	Total
31 December 2017												
Assets backing policy liabilities												
Government interest bearing investments	24 755	2 165	139	-	300	972	551	-	-	764	244	29 890
Corporate interest bearing investments	1 902	16 291	6 819	1 636	4 039	5 520	5 044	-	2 418	9 208	627	53 504
Mortgages and loans	-	198	-	1 050	853	899	1 805	-	455	4 970	1 260	11 490
Cash, deposits and similar securities	3 354	3 886	2 232	-	233	16	35	-	13	31	1 222	11 022
Structured Transactions	1 481	5 431	1 478	65	245	215	687	-	1 023	1 325	136	12 086
Net working capital assets	-	-	-	-	-	-	-	-	-	-	1 186	1 186
	31 492	**27 971**	**10 668**	**2 751**	**5 670**	**7 622**	**8 122**	**-**	**3 909**	**16 298**	**4 675**	**119 178**
Capital portfolio												
Government interest bearing investments	62	2	2	-	22	88	-	-	-	24	-	200
Corporate interest bearing investments	64	563	385	199	214	387	312	-	70	470	-	2 664
Mortgages and loans	-	-	-	-	-	-	4	-	75	49	24	152
Cash, deposits and similar securities	1 902	320	179	-	18	3	2	-	-	42	87	2 553
Structured Transactions	127	40	17	-	77	5	2	-	65	27	-	360
Net working capital assets	-	-	-	-	-	-	-	-	-	-	(2 189)	(2 189)
	2 155	**925**	**583**	**199**	**331**	**483**	**320**	**-**	**210**	**612**	**(2 078)**	**3 740**

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	Other	Not rated *	Total
31 December 2016												
Assets backing policy liabilities												
Government interest bearing investments	33 444	67	18	-	627	645	824	-	-	3 936	-	39 561
Corporate interest bearing investments	2 016	4 169	12 824	1 002	6 131	3 731	4 179	-	1 341	7 238	426	43 057
Mortgages and loans	-	352	140	165	743	454	322	-	723	1 842	809	5 550
Cash, deposits and similar securities	2 282	1 927	5 368	-	656	-	77	-	-	32	992	11 334
Structured Transactions	1 001	1 798	3 673	35	122	367	912	-	248	1 745	57	9 958
Net working capital assets	-	-	-	-	-	-	-	-	-	-	1 710	1 710
	38 743	**8 313**	**22 023**	**1 202**	**8 279**	**5 197**	**6 314**	**-**	**2 312**	**14 793**	**3 994**	**111 170**
Capital portfolio												
Government interest bearing investments	77	7	2	-	58	40	-	-	-	37	-	221
Corporate interest bearing investments	93	342	868	200	590	295	510	-	64	484	-	3 446
Mortgages and loans	-	-	-	-	-	11	-	-	82	98	37	228
Cash, deposits and similar securities	2 849	164	467	-	61	-	7	-	-	29	43	3 620
Structured Transactions	446	37	53	9	-	23	62	-	3	163	(2)	794
Net working capital assets	-	-	-	-	-	-	-	-	-	-	(980)	(980)
	3 465	**550**	**1 390**	**209**	**709**	**369**	**579**	**-**	**149**	**811**	**(902)**	**7 329**

* Not rated externally or by using internationally recognised credit rating techniques.

LIQUIDITY RISK – POLICYHOLDER SOLUTIONS

The following table summarises the overall maturity profile of the policyholder business:

Company

31 December 2017 **R million**	**< 1 year**	**1-5 years**	**> 5 years**	**Open ended**	**Total**
Insurance contracts	6 042	21 728	41 275	68 511	**137 556**
Investment contracts	4 564	19 664	70 252	169 296	**263 776**
Total policy liabilities	**10 606**	**41 392**	**111 527**	**237 807**	**401 332**
Properties	-	-	-	6 687	**6 687**
Non-current assets held for sale	-	-	-	-	**-**
Equities and similar securities	-	-	-	66 794	**66 794**
Investments in subsidiaries, joint ventures and associates	-	-	-	867	**867**
Government interest bearing investments	1 055	1 316	27 519	-	**29 890**
Corporate interest bearing investments	8 296	37 309	7 457	442	**53 504**
Mortgages and loans	1 503	6 342	3 571	74	**11 490**
Structured transactions	4 037	5 361	1 007	1 681	**12 086**
Investment funds	-	-	-	210 196	**210 196**
Cash, deposits and similar securities	7 212	3 603	207	-	**11 022**
Deferred acquisition cost	-	-	-	400	**400**
Long-term reinsurance assets	6	90	637	41	**774**
Structured transaction liabilities	(2 300)	(343)	(182)	(7)	**(2 832)**
Net working capital and deferred taxation	454	-	-	-	**454**
Total policyholder assets	**20 263**	**53 678**	**40 216**	**287 175**	**401 332**

31 December 2016 **R million**	**< 1 year**	**1-5 years**	**> 5 years**	**Open ended**	**Total**
Insurance contracts	6 486	21 006	45 786	64 549	**137 827**
Investment contracts	4 294	16 517	64 169	147 607	**232 587**
Total policy liabilities	**10 780**	**37 523**	**109 955**	**212 156**	**370 414**
Properties	-	-	-	5 469	**5 469**
Non-current assets held for sale	655	-	-	-	**655**
Equities and similar securities [1]	-	-	-	62 604	**62 604**
Investments in subsidiaries, joint ventures and associates	-	-	-	661	**661**
Government interest bearing investments	775	1 318	37 468	-	**39 561**
Corporate interest bearing investments	6 653	29 439	6 402	563	**43 057**
Mortgages and loans	187	2 610	2 644	109	**5 550**
Structured transactions [1]	2 238	3 722	1 942	2 294	**10 196**
Investment funds [1]	-	-	-	190 070	**190 070**
Cash, deposits and similar securities	7 002	4 126	206	-	**11 334**
Deferred acquisition cost	-	-	-	400	**400**
Long-term reinsurance assets	6	84	600	-	**690**
Structured transaction liabilities	(471)	(159)	(244)	(1)	**(875)**
Net working capital and deferred taxation	1 042	-	-	-	**1 042**
Total policyholder assets	**18 087**	**41 140**	**49 018**	**262 169**	**370 414**

[1] Prior year figures have been restated. Refer to note 7.6 in the Annual Financial Statements for additional information

LIQUIDITY RISK – CAPITAL

Company: R million	<1 year	1-5 years	>5 years	Open ended	Total
31 December 2017					
Term finance liabilities	-	-	(2 166)	-	(2 166)
Assets held in respect of term finance	263	1 352	206	345	2 166
Equities and similar securities	-	-	-	-	-
Government and interest bearing investments	6	41	11	-	58
Corporate interest bearing investments	170	1 148	195	-	1 513
Mortgages and loans	3	31	-	-	34
Structured transactions	77	110	-	-	187
Investment funds	-	-	-	345	345
Cash, deposits and similar securities	64	22	-	-	86
Working capital assets and liabilities	(57)	-	-	-	(57)
Net term finance liquidity position	263	1 352	(1 960)	345	-
31 December 2016					
Term finance liabilities	-	-	(2 147)	-	(2 147)
Assets held in respect of term finance	80	1 431	126	510	2 147
Equities and similar securities	-	-	-	-	-
Government interest bearing investments	-	39	11	-	50
Corporate interest bearing investments	102	1 137	115	-	1 354
Mortgages and loans	-	29	-	-	29
Structured transactions	11	198	-	-	209
Investment funds	-	-	-	510	510
Cash, deposits and similar securities	23	28	-	-	51
Working capital assets and liabilities	(56)	- -	-	-	(56)
Net term finance liquidity position	80	1 431	(2 021)	510	-

INSURANCE RISK

31 December 2017

Sensitivity to insurance risk	**Net VIF R million**	**Δ R million**
Base value	26 617	
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	27 728	1 111
Discontinuance rates decrease by 10%	27 273	656
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	27 784	1 167
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	26 333	(284)

31 December 2016

Sensitivity to insurance risk	**Net VIF R million**	**Δ R million**
Base value	24 313	
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	25 353	1 040
Discontinuance rates decrease by 10%	24 839	526
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	25 331	1 018
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	24 011	(302)

CONCERNTRATION RISK

Company
Value of benefits insured: non-participating life business
Benefits insured per individual life

	Number of lives		Before reinsurance		After reinsurance	
	2017	2016	**2017**	2016	**2017**	2016
R'000			**%**	%	**%**	%
0 - 500	**630 755**	671 557	**10**	11	**12**	13
500 - 1000	**218 303**	204 031	**13**	13	**14**	14
1000 - 5000	**296 008**	277 372	**48**	48	**50**	49
5000 - 8000	**20 935**	19 816	**11**	10	**10**	10
> 8000	**15 707**	14 245	**18**	18	**14**	14
	1 181 708	1 187 021	**100**	100	**100**	100

Company
Non-participating annuity payable per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
	2017	2016	**2017**	2016	**2017**	2016
R'000			**%**	%	**%**	%
0 - 20	**195 558**	200 274	**30**	32	**30**	32
20 - 40	**22 263**	20 063	**15**	15	**15**	15
40 - 60	**7 388**	6 644	**8**	8	**8**	8
60 - 80	**4 216**	3 692	**7**	7	**7**	7
80 - 100	**2 131**	1 945	**5**	5	**5**	5
> 100	**6 530**	5 705	**35**	33	**35**	33
	238 086	238 323	**100**	100	**100**	100

The tables indicate that the Company's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

The geographical exposure of the Company's life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

	Company	
	2017	2016
	R million	R million
South Africa	401 332	370 414
Africa	-	-
Total policy liabilities	401 332	370 414

WORKFORCE PROFILE AND CORE & SUPPORT FUNCTIONS

1. WORKFORCE PROFILE

1.1 Total number of employees (including employees with disabilities) in each of the following occupational levels:

	MALE				FEMALE				FOREIGN		
OCCUPATIONAL LEVEL	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
Top Management	2	0	0	5	0	0	1	1	0	0	9
Senior Management	51	36	42	295	29	20	14	103	6	1	597
Middle Management	236	257	167	746	214	244	133	720	24	6	2747
Junior Management	998	757	219	915	1368	1441	303	1722	23	12	7758
Semi-Skilled	2094	347	94	152	4131	628	89	374	23	21	7953
Unskilled	77	3	0	0	129	17	0	2	1	0	229
Grand Total	**3458**	**1400**	**522**	**2113**	**5871**	**2350**	**540**	**2922**	**77**	**40**	**19293**

1.2 Employees with disabilities in each of the following occupational levels:

Disabled only

	MALE				FEMALE				FOREIGN		
OCCUPATIONAL LEVEL	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	1	0	1	2	0	0	0	1	0	0	5
Middle Management	2	4	2	17	2	0	1	9	0	0	37
Junior Management	13	8	3	13	6	20	1	34	0	0	98
Semi-Skilled	44	14	4	8	50	20	4	10	0	0	154
Unskilled	4	0	0	0	3	1	0	0	0	0	8
Grand Total	**64**	**26**	**10**	**40**	**61**	**41**	**6**	**54**	**0**	**0**	**302**