Sanlam Life Insurance Limited
Annual Financial Statements
2018

Insurance | Financial Planning | Retirement | Investments | Wealth

SANLAM LIFE INSURANCE LIMITED

REGISTRATION NO. 1998/021121/06

Company incorporated in South Africa

Directors at 31 December 2018

Independent Non-Executive

MM Bakane-Tuoane (retired in March 2018)
PB Hanratty
SA Nkosi
M Mokoka (appointed in March 2018)
SA Zinn (appointed in December 2018)
AD Botha
MV Moosa (retired in June 2018)
KT Nondumo
CG Swanepoel
PL Zim (retired in January 2018)

Non-Executive

J van Zyl (Chairman)
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 21 to 165 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 or company 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 Annual Financial Statements have accordingly been prepared on this basis.

The Annual Financial Statements were approved by the Board and signed on its behalf by:

IM Kirk
Director
6 March 2019

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 2018, 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

6 March 2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, 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 2018, 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 2018;
- integrating Sanlam's resilience factors into the Annual Report for 2018;
- 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 2018 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 2018. This process will be repeated in 2019 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 2018 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 2018. 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 2018.

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 non-executive 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 2018 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), M Mokoka (14/03/2018) and K Nondumo (01/01/2016).

Attendees:
During the period under review, four meetings were held, and all committee members attended all meetings.

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 four 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 2018 and was satisfied that the financial function had appropriate resources, skills, expertise and experience. In December 2018, 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 2019 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 2018 financial year

The Audit committee takes pleasure in submitting this report required in terms of the Act. The Audit committee consisted of four 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 decreased from R18 078 million in 2017 to R16 760 million in 2018, mainly due to a significant decline in investment return as a result of negative market movements in 2018 compared to positive market movements in 2017. Profit before tax for the Company decreased from R18 474 million in 2017 to R16 079 million in 2018. Further details regarding the Group's results are included in the financial statements on pages 33 to 165.

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 550 million was declared and paid in the 2018 financial year (2017: R5 200 million).

SUBSIDIARIES

Details of the company's principal subsidiaries are set out on page 106.

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 2018 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 166 for an extract of the report.

SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Life Insurance Limited Group at 31 December 2018 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 2018, 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 4 and the Audit committee report for the 2018 financial year on page 8.

Independent Auditor's Report on the Consolidated and Separate Financial Statements

To the Shareholders of Sanlam Life Insurance Limited

Opinion

We have audited the consolidated and separate financial statements of Sanlam Life Insurance Limited set out on pages 21 to 165, which comprise the statements of financial position as at 31 December 2018, 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 2018, 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.

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Key Audit Matters (continued)

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 117 to 165), Policy liabilities and profit entitlement section of the accounting policies (pages 27 to 32), Note 24 of the Group and Company financial statements (Critical accounting estimates and judgements, pages 77 to 79) and Note 14 of the Group and Company financial statements (pages 60 to 64).	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	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

Key Audit Matter	How the matter was addressed in the audit
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.	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 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 Solvency Capital Requirements (SCR) and Minimum

Key Audit Matter	How the matter was addressed in the audit
	Capital Requirements (MCR) calculation to ensure that it is in line with the Insurance Act No.18 of 2017 (Insurance Act), and the Prudential Standards (FSIs) issued by the Prudential Authority, 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 information technology (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 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, pages 77 to 79) and Note 7 of the Group financial statements (pages 40 to 50).	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

Key Audit Matter	How the matter was addressed in the audit
	• 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.
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	***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,

Key Audit Matter	How the matter was addressed in the audit
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. A multiple of Value of New Business (VNB) is also added to the embedded value of a life insurance entity where appropriate.	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;
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. Refer to Note 7.4 of the Company financial statements (Investments in subsidiaries, associates and joint ventures, (page 49) and the Principal subsidiaries note (pages 106 to 108).	• 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. • We assessed the multiples of VNB added to embedded value for reasonability considering each entity's context and market in which it operates. ***Investments in other (non-life) entities:*** • 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.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td></td><td>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.</td></tr>
<tr><td>4. Acquisition of Saham Finances S.A
On 9 October 2018, all conditions precedent were fulfilled relating to the transaction whereby the Sanlam Life Insurance Limited Group, through its holding in San JV (Pty) Ltd acquired a further interest of 53.37% in Saham Finances S.A , to take the Group’s effective ownership to 100%. The previous holding of 46.63% in Saham Finances S.A , which has been equity accounted before, is deemed to be disposed of at the fair value of this holding.
The new holding has been recognised at a purchase consideration equal to the cost of the 53.37% plus the fair value of the 46.63% disposed, and allowing for the gains on the cashflow hedge on the transaction.
International Financial Reporting Standard (IFRS) 3 Business Combinations (Revised) requires that a purchase price allocation be performed, which requires that the identifiable assets and liabilities of Saham Finances S.A be recognised at their fair values on the date of acquisition, including any identified intangibles assets. The difference between the identified net assets acquired and the purchase consideration is recognised as goodwill.
The Sanlam Life Insurance Group recognised net assets of R58 572 million, intangible assets of R7 613 million, and a resultant goodwill of R15 421 million (after the impact of the hedge is taken into account). Refer to Note 30 of the Group financial statements on page 124).
The identification and valuation of the acquired net assets can have a material impact on the consolidated financial statements and is an area that involves judgement. Due to the size and the non-routine nature of this transaction, including the judgement involved in respect of the identification, valuation and useful lives of the intangible assets, we consider this a key audit matter for our audit (refer to note 3.2 on page 39).</td><td>We evaluated the appropriateness of the acquisition accounting and the disclosure for compliance with IFRS 3. We reviewed the key contracts to and evaluated whether the accounting treatment of the transaction takes into account the contractual stipulations of the acquisition.
In assessing the valuation and completeness of the recognised intangible assets, the audit team together with the EY valuation experts performed the following procedures:
We challenged the valuation approach methodology and assumptions (such as discount and royalty rates) applied by management to value the intangibles. We also assessed the appropriateness of the valuation models and business plans underlying the measurement. This involved assessing the mathematical accuracy of the valuation models and also evaluating the expectations of future revenue based on our understanding of the locations in which the Saham Finances S.A group operates.
We performed independent recalculations and validations to assess the reasonability of the valuations of the intangible assets.
We considered the identification of intangible assets to assess the completeness of assets recognised.
For intangible assets raised on life insurance businesses, we performed procedures in respect of the embedded value calculations where we considered the actuarial assumptions, models and methodology applied in the embedded value calculations.</td></tr>
<tr><td></td><td>For purposes of assessing the completeness of net assets taken on at acquisition date, we</td></tr>
</table>

Key Audit Matter	How the matter was addressed in the audit
	considered the procedures performed by the group auditors of Saham Finances S.A over the take on statement of financial position, and the outcome and findings reported as a result of their audit. • For purposes of the 31 December 2018 results of Saham Finances S.A. that were consolidated by the Group, we considered the audit procedures performed by the group auditors of Saham Finances S.A and the outcome and findings reported as a result of their audit. • We performed site visits on the material components and conducted oversight procedures on the Saham Finances S.A group audit as appropriate.

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, 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

Report on the Audit of the Consolidated and Separate Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Ernst & Young Inc, and its predecessor firms, have been the joint auditors of Suid-Afrikaans 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 101 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.

Ernst & Young Inc.

Director: Christo du Toit
Registered Auditor
Chartered Accountant (SA)

3rd floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town

15 March 2019

Basis of presentation and accounting policies

Basis of presentation

Introduction

The consolidated and separate 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 following new or revised IFRS and interpretations became effective in the current financial year and have therefore been applied:

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

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

- IFRS 16 - *Leases* (effective 1 January 2019)
- IFRIC 23 – *Uncertainty over Income Tax Treatments* (effective 1 January 2019)
  IFRS 17- *Insurance Contracts* (effective 1 January 2022)

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 does not intend to adopt the standard before its effective date. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. Under the new standard, an asset (the right to use the leased item) and the liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The accounting for lessors will not significantly change.

As lessor: This new standard is not expected to have a significant impact on how the Group (as lessor) accounts for leases due to the carry forward of the lessor accounting model from IAS 17. However, the Group anticipates an impact as a result of the enhanced disclosures for lessors required by IFRS 16 namely:

- components of lease income; and
- risk management with respect to exposure to residual asset risk.

As lessee: The standard will affect primarily the accounting of the Group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of R2 663 million. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value assets and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

As lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

When applying the modified retrospective approach the leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The Group is not required to make any adjustments for any leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

IFRIC 23: Uncertainty over Income Tax Treatments was issued in June 2017. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. Initial work performed, indicates that there will be a limited impact on the financial statements as a result of this standard interpretation.

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 2019.

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 and Separate Statements of Financial Position and Statements of Comprehensive Income, as well as contingent liabilities. The major items subject to the application of estimates, assumptions and judgements include:

- Impairment of goodwill and value of business acquired;
- The liability arising from claims under general insurance contracts;
- The fair value of unlisted investments;
- The valuation of policy liabilities;
- Impairment of financial assets;
- Classification of financial assets;
- 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 33 to 112 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 113 to 116.

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 27 to 32.

Insurance contracts

The disclosure of general insurance 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 claim 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 117 to 165;
- 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 Investment Group;
- Sanlam Corporate;
- 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 89 to 90.

Accounting policies

The Sanlam Life Insurance Limited 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. At acquisition, equity is translated at the rate ruling on the date of acquisition. Post-acquisition equity is translated at the rates prevailing when the change in equity occurred. 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 2018 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 IFRS 9 - *Financial Instruments)*, 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 IFRS 9 (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 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 SAP104; and
- Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2018 exceeds the minimum requirements in terms of 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.

- Future expense assumptions are based on the 2018 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 2018. 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. 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 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', Safrican Nimbus 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

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 2018

R million	Note	Group 2018	Group 2017	Company 2018	Company 2017 Restated	Company 2016 Restated
ASSETS						
Equipment	1	**1 484**	829	**303**	241	244
Owner-occupied properties	2	**1 987**	940	**548**	543	532
Goodwill	3.1	**16 740**	1 877	**753**	753	753
Value of business acquired	3.2	**8 651**	1 607	**-**	-	-
Other intangible assets	4	**1 035**	495	**161**	143	156
Deferred acquisition costs	5	**3 403**	3 297	**2 784**	2 781	2 752
Long-term reinsurance assets	6	**1 919**	1 011	**879**	773	689
Investments	7	**656 076**	620 709	**556 423**	536 736	487 818
Properties	7.1	**18 485**	8 853	**8 984**	6 651	5 578
Equities and similar securities	7.3.1	**187 634**	201 904	**69 907**	76 983	70 458
Investment in subsidiaries, associated companies and joint ventures	7.2, 7.4	**17 532**	25 439	**126 509**	107 690	94 127
Interest-bearing investments	7.3.2	**207 558**	178 966	**97 441**	97 901	92 063
Structured transactions	7.3.2	**21 341**	15 381	**17 669**	12 446	10 991
Investment funds	7.3.2	**162 755**	152 343	**221 712**	221 489	199 647
Cash, deposits and similar securities	7.3.2	**40 771**	37 823	**14 201**	13 576	14 954
Deferred tax	8.1	**2 067**	1 946	**25**	7	-
Assets of disposal groups classified as held for sale	31	**139**	321	**-**	-	655
General insurance technical assets	9	**9 540**	6 400	**-**	-	-
Working capital assets		**60 675**	41 586	**12 174**	10 791	11 862
Trade and other receivables	10.1	**36 335**	26 713	**7 684**	7 436	7 671
Cash, deposits and similar securities	35.1	**24 340**	14 873	**4 490**	3 355	4 191
Total assets		**763 716**	681 018	**574 050**	552 768	505 461
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital and premium	11	**5 000**	5 000	**5 000**	5 000	5 000
Treasury shares		**(7)**	(9)	**-**	-	-
Other reserves	12	**7 572**	6 121	**5 429**	5 429	5 429
Retained earnings		**58 393**	52 617	**97 747**	89 331	77 845
Shareholders' fund		**70 958**	63 729	**108 176**	99 760	88 274
Non-controlling interest	13	**11 432**	5 962	**-**	-	-
Total equity		**82 390**	69 691	**108 176**	99 760	88 274
Long-term policy liabilities	14	**495 942**	478 430	**402 959**	401 332	370 414
Term finance	15	**5 720**	4 334	**1 013**	2 166	2 158
Structured transaction liabilities	16	**15 629**	4 187	**9 679**	3 988	892
External investors in consolidated funds	35.2	**70 475**	64 777	**-**	-	-
Cell owners' interest		**3 305**	3 217	**-**	-	-
Deferred tax	8.1	**5 209**	2 140	**981**	1 560	1 432
General insurance technical provisions	9	**37 950**	18 668	**-**	-	-
Loans from subsidiaries	7.4	**-**	-	**32 225**	32 168	31 159
Working capital liabilities		**47 096**	35 574	**19 017**	11 794	11 132
Trade and other payables	10.2	**43 602**	33 780	**17 133**	10 558	9 656
Provisions	17	**333**	214	**23**	107	109
Taxation		**3 161**	1 580	**1 861**	1 129	1 367
Total equity and liabilities		**763 716**	681 018	**574 050**	552 768	505 461

Sanlam Life Insurance Limited Group
Statement of comprehensive income
for the year ended 31 December 2018

R million	Note	Group 2018	Group 2017	Company 2018	Company 2017 Restated
Net income		**74 255**	108 320	**31 201**	68 978
Financial services income	18	**68 244**	59 943	**18 370**	16 649
Reinsurance premiums paid	19	**(11 245)**	(9 530)	**(1 452)**	(1 175)
Reinsurance commission received	20	**2 166**	1 685	**-**	-
Investment income	7.5	**30 470**	29 281	**21 011**	21 042
Investment surpluses	7.5	**(13 980)**	32 805	**(6 728)**	32 462
Change in fair value of external investors' liability		**(1 400)**	(5 864)	**-**	-
Net insurance and investment contract benefits and claims		**(30 840)**	(68 356)	**(6 903)**	(42 919)
Long-term insurance contract benefits	14.5	**(18 628)**	(26 530)	**(11 788)**	(19 937)
Long-term investment contract benefits	14.5	**1 751**	(28 688)	**3 658**	(24 136)
General insurance claims		**(20 662)**	(21 036)	**-**	-
Reinsurance claims received	20	**6 699**	7 898	**1 227**	1 154
Expenses		**(27 264)**	(23 226)	**(8 045)**	(7 369)
Sales remuneration		**(9 730)**	(8 614)	**(1 562)**	(1 916)
Administration costs	21	**(17 534)**	(14 612)	**(6 483)**	(5 453)
Impairments		**(417)**	(363)	**-**	-
Amortisation of intangibles		**(554)**	(214)	**(19)**	(21)
Net operating result		**15 180**	16 161	**16 234**	18 669
Equity-accounted earnings	7.2.1	**2 373**	2 563	**-**	-
Finance cost - other	22	**(793)**	(646)	**(155)**	(195)
Profit before tax		**16 760**	18 078	**16 079**	18 474
Taxation	8.2	**(3 995)**	(3 985)	**(2 113)**	(1 788)
Shareholders' fund		**(3 276)**	(2 862)	**(1 725)**	(968)
Policyholders' fund		**(719)**	(1 123)	**(388)**	(820)
Profit for the year		**12 765**	14 093	**13 966**	16 686
Other comprehensive income: to be recycled through profit or loss in subsequent periods					
Movement in foreign currency translation reserve		**1 835**	(1 171)	**-**	-
Other comprehensive income of equity accounted investments		**126**	20	**-**	-
Employee benefits re-measurement loss		**-**	(1)	**-**	-
Movement in cash flow hedge reserve		**166**	(602)	**-**	-
Comprehensive income for the year		**14 892**	12 339	**13 966**	16 686
Allocation of comprehensive income:					
Profit for the year		**12 765**	14 093	**13 966**	16 686
Shareholders' fund		**11 645**	13 037	**13 966**	16 686
Non-controlling interest		**1 120**	1 056	**-**	-
Comprehensive income for the year		**14 892**	12 339	**13 966**	16 686
Shareholders' fund		**13 551**	11 444	**13 966**	16 686
Non-controlling interest		**1 341**	895	**-**	-

Sanlam Life Insurance Limited Group
Statement of changes in equity
for the year ended 31 December 2018

Group

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve	Retained earnings	Subtotal: equity holders Retained Earnings	Consolidation reserve	Total: equity holders	Non-controlling interest	Total equity
Balance at 1 January 2017	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
IFRS transitional adjustments [4]	-	-	-	-	-	(429)	(429)	-	(429)	(12)	(441)
Comprehensive income	-	-	-	-	1 559	11 992	13 551	-	13 551	1 341	14 892
Profit for the year	-	-	-	-	-	11 645	11 645	-	11 645	1 120	12 765
Other comprehensive income [3]	-	-	-	-	1 559	347	1 906	-	1 906	221	2 127
Net disposal/(acquisition) of treasury shares[2]	-	-	2	-	-	(43)	(41)	(88)	(129)	(29)	(158)
Share-based payments	-	-	-	-	-	41	41	-	41	26	67
Transfer to non-distributable reserve	-	-	-	178	-	(193)	(15)	-	(15)	15	-
Transfer (from) consolidation reserve	-	-	-	-	-	178	178	(178)	-	-	-
Dividends paid [1]	-	-	-	-	-	(5 550)	(5 550)	-	(5 550)	(832)	(6 382)
Acquisitions, disposals and other movements in interests	-	-	-	-	(20)	(220)	(240)	-	(240)	4 961	4 721
Balance at 31 December 2018	1	4 999	(7)	6 163	539	58 393	70 088	870	70 958	11 432	82 390

[1] *A dividend of R111 per share was declared and paid during 2018 in respect of the 2017 financial year (2017: R104 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 a cash flow hedging adjustment of R1 500 million in respect of the acquisition of interests in Saham Finances.*

[4] *During the current year, IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers were adopted. Refer to note 36.1 for more information.*

Company

R million	Share capital	Share premium	Non-distributable reserve	Retained earnings	Total equity
Balance at 1 January 2017 as previously reported	1	4 999	5 429	73 437	83 866
Restatement (refer note 36.3)	-	-	-	4 408	4 408
Balance at 1 January 2017 - restated	1	4 999	5 429	77 845	88 274
Comprehensive income	-	-	-	16 686	16 686
Profit for the year	-	-	-	16 686	16 686
Other comprehensive income	-	-	-	-	-
Dividends paid [1]	-	-	-	(5 200)	(5 200)
Balance at 31 December 2017	1	4 999	5 429	89 331	99 760
Comprehensive income	-	-	-	13 966	13 966
Profit for the year	-	-	-	13 966	13 966
Other comprehensive income	-	-	-	-	-
Dividends paid [1]	-	-	-	(5 550)	(5 550)
Balance at 31 December 2018	1	4 999	5 429	97 747	108 176

[1] *A dividend of R111 per share was declared and paid during 2018 in respect of the 2017 financial year (2017: R104 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 2018

R million	Note	Group 2018	Group Restated 2017[1]	Company 2018	Company Restated 2017[1]
Cash flow from operating activities		**16 377**	3 574	**3 119**	(1 270)
Cash utilised in operations	29.1	**(2 069)**	(14 773)	**(10 302)**	(14 753)
Interest and preference share dividends received		**17 673**	17 912	**9 835**	10 536
Interest paid		**(846)**	(670)	**(155)**	(196)
Dividends received		**12 073**	10 997	**11 269**	10 248
Dividends paid		**(6 306)**	(5 993)	**(5 550)**	(5 200)
Taxation paid		**(4 148)**	(3 899)	**(1 978)**	(1 905)
Cash flow from investment activities		**(6 210)**	(3 134)	**(314)**	(759)
Acquisition of subsidiaries, associates and joint ventures	29.2	**(6 700)**	(4 830)	**(314)**	(759)
Disposal of subsidiaries, associates and joint ventures	29.3	**490**	1 696	**-**	-
Cash flow from financing activities		**(276)**	(118)	**(1 160)**	(11)
Movement in treasury shares		**(158)**	(50)	**-**	-
Disposal/(acquisition) of NCI		**90**	(113)	**-**	-
Term finance raised		**2 091**	1 019	**-**	-
Term finance repaid		**(2 299)**	(974)	**(1 160)**	(11)
Net increase/(decrease) in cash and cash equivalents		**9 891**	322	**1 645**	(2 040)
Net foreign exchange differences		**67**	(122)	**115**	(174)
Cash and cash equivalents at beginning of the year		**47 247**	47 047	**16 931**	19 145
Cash and cash equivalents at end of the year	29.4	**57 205**	47 247	**18 691**	16 931

(1) Comparative information has been restated. Refer to note 36.2 for additional information.

R million	Group 2018	Group 2017	Company 2018	Company 2017

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 two 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 2018	Group 2017	Company 2018	Company 2017
Computer equipment	**651**	455	**165**	119
Cost	**1 958**	1 635	**671**	630
Accumulated depreciation and impairment	**(1 307)**	(1 180)	**(506)**	(511)
Furniture, equipment, vehicles and other	**833**	374	**138**	122
Cost	**1 582**	987	**403**	361
Accumulated depreciation and impairment	**(749)**	(613)	**(265)**	(239)
Equipment	**1 484**	829	**303**	241
Reconciliation of carrying amount				
Balance at beginning of the year	**829**	828	**241**	244
Additions and expenditure capitalised	**489**	287	**176**	105
Disposals	**(206)**	(18)	**(5)**	(4)
Depreciation	**(320)**	(268)	**(109)**	(104)
Acquired through business combinations	**689**	-	**-**	-
Foreign currency translation differences	**3**	-	**-**	-
Balance at end of the year	**1 484**	829	**303**	241

2. OWNER-OCCUPIED PROPERTIES

Owner-occupied properties is 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 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of the year	**940**	1 148	**543**	532
Additions and expenditure capitalised	**92**	16	**4**	-
Disposals	**(11)**	-	**-**	-
Acquired through business combinations	**971**	-	**-**	-
Transfer to non-current assets held for sale	**(1)**	(217)	**-**	-
Transfer from investment properties	**1**	13	**1**	13
Foreign currency translation differences	**2**	(6)	**-**	-
Depreciation	**(7)**	(9)	**-**	-
Other movements	**-**	(5)	**-**	(2)
Balance at end of the year	**1 987**	940	**548**	543

R million	Group 2018	Group 2017	Company 2018	Company 2017

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 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 page 184 of the online Integrated Report for an analysis of Group Equity Value as well as pages 209 to 211 for valuation assumptions used.

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 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of the year	**1 877**	1 299	**753**	753
Gross carrying amount	**2 202**	1 616	**753**	753
Accumulated impairment	**(325)**	(317)	**-**	-
Acquired through business combinations	**15 637**	588	**-**	-
Impairments	**(1)**	(8)	**-**	-
Disposals	**(256)**	-	**-**	-
Foreign currency translation differences	**(517)**	(2)	**-**	-
Balance at end of the year	**16 740**	1 877	**753**	753
Gross carrying amount	**17 066**	2 202	**753**	753
Accumulated impairment	**(326)**	(325)	**-**	-

Allocation of goodwill	Group 2018	Group 2017
Life insurance	**3 560**	748
MCIS Insurance	**194**	163
BrightRock Holdings	**441**	441
Saham Finances	**2 777**	-
Other	**148**	144
Other Sanlam businesses	**13 180**	1 129
Santam	**1 010**	922
Sanlam Investment East Africa Limited	**100**	111
Sanlam Investment Management	**-**	32
Saham Finances	**11 879**	-
Other	**191**	64
Balance at end of the year	**16 740**	1 877

Goodwill acquired through business combinations relates mainly to the acquisitions of Saham Finances and ACA Employee Benefits contributing R15 421 million and R21 million respectively (2017: BrightRock Holdings and Sanlam Investments East Africa). Disposals relate to the sale of a subsidiary of Saham Finances.

R million	Group 2018	Group 2017	Company 2018	Company 2017

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 and Saham Finances 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 of VOBA 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 page 184 of the online Integrated Report for an analysis of Group Equity 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 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of the year	**1 607**	**1 150**	**-**	-
Acquired through business combinations	**7 682**	**609**	**-**	-
Amortisation	**(444)**	**(141)**	**-**	-
Foreign currency translation differences	**(148)**	**(11)**	**-**	-
Disposals	**(44)**	**-**	**-**	-
Impairments	**(2)**	**-**	**-**	-
Balance at end of the year	**8 651**	**1 607**	**-**	-
Gross carrying amount	**9 941**	**2 460**	**-**	-
Accumulated amortisation and impairment	**(1 290)**	**(853)**	**-**	-
Allocation of value of business acquired				
Sanlam Developing Markets	**415**	**449**	**-**	-
Sanlam Emerging Markets	**7 552**	**606**	**-**	-
Sanlam Investment Group	**119**	**139**	**-**	-
BrightRock Holdings	**339**	**374**	**-**	-
Sanlam Corporate	**177**	**-**	**-**	-
Other	**49**	**39**	**-**	-
Balance at end of the year	**8 651**	**1 607**	**-**	**-**

VOBA acquired through business combinations relates mainly to the acquisition of Saham Finances (Sanlam Emerging Markets) and ACA Employee Benefits, contributing R 7 473 million and R190 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 page 184 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 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of the year	**495**	548	**143**	156
Gross carrying amount	**913**	893	**198**	190
Accumulated impairment	**(418)**	(345)	**(55)**	(34)
Additions during the year	**69**	37	**37**	8
Acquired through business combinations	**684**	48	**-**	-
Expenditure capitalised	**6**	-		
Impairments	**(35)**	-	**-**	-
Disposals	**(58)**	(65)	**-**	-
Amortisation	**(112)**	(73)	**(19)**	(21)
Foreign currency translation differences	**(14)**	-	**-**	-
Balance at end of the year	**1 035**	495	**161**	143
Gross carrying amount	**1 566**	913	**235**	198
Accumulated impairment	**(531)**	(418)	**(74)**	(55)

Other intangibles acquired through business combinations relates to the acquisition of Saham Finances.

R million	Group 2018	Group 2017	Company 2018	Company 2017

5. DEFERRED ACQUISITION COSTS

Incremental costs of obtaining 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 are 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. The DAC asset is tested for impairment bi-annually and written down when it is not expected to be fully recovered from fee income.

R million	Group 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of the year	**3 297**	3 280	**2 781**	2 752
Acquisition costs capitalised	**552**	588	**434**	435
Acquired through business combinations	**170**	-	**-**	-
Expensed for the year	**(616)**	(571)	**(431)**	(406)
Balance at end of the year	**3 403**	3 297	**2 784**	2 781

Deferred acquisition costs acquired through business combinations relates to the acquisition of Saham Finances.

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 2018	Group 2017	Company 2018	Company 2017
Balance at beginning of the year	**1 011**	899	**773**	689
Other movement in reinsurers' share of insurance liabilities	**96**	75	**106**	84
Acquired in business combinations	**831**	39	**-**	-
Foreign currency translation differences	**(19)**	(2)	**-**	-
Balance at end of the year	**1 919**	1 011	**879**	773
Maturity analysis of long-term reinsurance assets				
Due within one year	**47**	42	**6**	6
Due within two to five years	**929**	130	**101**	90
Due after more than five years	**819**	735	**712**	636
Open ended	**124**	104	**60**	41
Total long-term reinsurance assets	**1 919**	1 011	**879**	773

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 2018	Group 2017	Company 2018	Company 2017
Properties comprise:				
Office buildings	**4 064**	2 563	**4 065**	2 563
Retail buildings	**3 335**	2 787	**3 335**	2 787
Industrial buildings	**954**	818	**954**	818
Undeveloped land	**503**	493	**-**	-
International properties (situated outside South Africa)	**8 999**	1 709	**-**	-
Other	**630**	483	**630**	483
Total properties	**18 485**	8 853	**8 984**	6 651
Less: straight-line rental adjustment	**(140)**	(128)	**(140)**	(128)
Total investment properties	**18 345**	8 725	**8 844**	6 523

R million	Group 2018	Group 2017	Company 2018	Company 2017
7. INVESTMENTS (continued)				
7.1 Properties (continued)				
Reconciliation of carrying amount of properties				
Properties - balance at beginning of the year	**8 853**	7 718	**6 651**	5 578
Additions	**2 100**	507	**1 976**	247
Disposals	**(51)**	(312)	**-**	(156)
Reclassified (to)/ from disposal groups classified as held for sale (refer note 31)	**(128)**	551	**-**	655
Transfer to owner-occupied properties	**(1)**	(13)	**(1)**	(13)
Acquired through business combinations	**7 446**	-	-	-
Foreign currency translation differences	**(91)**	(105)	**-**	-
Investment surpluses	**357**	507	**358**	340
Properties - balance at end of the year	**18 485**	8 853	**8 984**	6 651
Reconciliation of straight-line rental adjustment				
Straight-line rental adjustment - balance at beginning of the year	**128**	179	**128**	179
Disposals	**-**	(98)	**-**	(98)
Reclassified from disposal groups classified a held for sale (refer note 31)	**-**	24	**-**	24
Movement for the year included in the statement of comprehensive income	**12**	23	**12**	23
Straight-line rental adjustment - balance at end of the year	**140**	128	**140**	128
Contractual future minimum lease payments receivable under non-cancellable operating leases:				
Due within one year	**773**	535	**657**	489
Due within two to five years	**1 601**	1 024	**1 567**	982
Due after five years	**532**	227	**532**	224
Future minimum lease payments	**2 906**	1 786	**2 756**	1 695

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 associates' 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 investments 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 associated companies. 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 when 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 when 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.

R million	Note	Group 2018	Group 2017
7. INVESTMENTS (continued)			
7.2 Equity-accounted investments (continued)			
Investment in associated companies	7.2.3	**16 079**	24 108
Shriram Capital		**7 132**	6 056
Shriram Transport Finance Company		**1 422**	1 245
Shriram General Insurance		**1 008**	901
Shriram Life Insurance		**495**	450
Saham Finances [1]		**-**	9 544
Letshego		**1 494**	1 704
Capricorn Investment Holdings		**1 123**	1 159
Pacific & Orient		**651**	593
Afrocentric		**931**	868
Other associated companies		**1 823**	1 588
Investments in joint ventures	7.2.4	**1 453**	1 331
Sanlam Personal Loans		**819**	802
Speqtel Investment Holdings (Pty) Ltd [2]		**539**	359
Other joint ventures		**95**	170
Total equity-accounted investments		**17 532**	25 439

[1] The Group acquired the remaining interest in Saham Finances during 2018 and therefore has been consolidated.

[2] Investment is held by investment-linked life insurance funds.

7.2.1 Equity-accounted earnings

	2018	2017
Investments in associated companies		
Shriram Capital	**645**	580
Shriram Transport Finance Company	**153**	135
Shriram General Insurance	**96**	154
Shriram Life Insurance	**17**	29
Saham Finances [1]	**480**	546
Letshego	**138**	226
Pacific and Orient	**43**	45
Capricorn Investment Holdings	**144**	254
Afrocentric	**111**	93
Other associated companies	**344**	318
Investments in joint ventures		
Sanlam Personal Loans	**198**	178
Other joint ventures	**4**	5
Equity-accounted earnings	**2 373**	2 563

[1] Earnings for 2018 have been accounted for the period 1 January 2018 to 30 September 2018.

7.2.2 Impairments of equity-accounted investments

	2018	2017
	345	354
Letshego [1]	**229**	170
Capricorn Investment Holdings [1]	**96**	-
Pacific & Orient	**-**	184
Other	**20**	-

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

7. INVESTMENTS (continued)

7.2.3 Investments in associated companies

Details of material associated companies:

Group

R million	Shriram Capital [1] 2018	Shriram Capital [1] 2017	Shriram Transport Finance Company [1] 2018	Shriram Transport Finance Company [1] 2017
Carrying value of interest - equity method	**7 132**	6 056	**1 422**	1 245
Fair value of interest - based on internal valuation	**9 078**	7 777	**1 812**	1 899
Fair value of interest - based on quoted price for listed businesses	**8 482**	9 714	**1 739**	1 941
Effective interest in issued share capital - shareholders' fund[2]	**26%**	26%	**3%**	3%
Summarised financial information:				
Revenue	**9 627**	9 054	**27 127**	23 161
Post-tax profit from continuing operations	**2 689**	1 831	**5 136**	2 916
Other comprehensive (loss)/ income	**(223)**	71	**-**	-
Total comprehensive income	**2 466**	1 902	**5 136**	2 916
Assets and liabilities				
Non-current assets	**51 498**	37 799	**216 270**	104 591
Current assets	**3 329**	5 689	**6 199**	49 333
Non-current liabilities	**(22 674)**	(5 352)	**(124 586)**	(79 073)
Current liabilities	**(1 934)**	(13 465)	**(67 854)**	(49 898)
Net asset value	**30 219**	24 671	**30 029**	24 953
Non-controlling interest	**12 070**	9 366	**-**	-
Shareholders' fund	**18 149**	15 305	**30 029**	24 953
Calculated carrying value	**6 688**	5 640	**895**	744
Goodwill recognised in the carrying value of associate	**444**	416	**527**	501
Carrying value	**7 132**	6 056	**1 422**	1 245
Dividends received	**72**	45	**14**	16

[1] Shriram Capital has business operations (credit, life and general insurance) mainly in India. Earnings for 2018 have been accounted for the period 1 October 2017 to 30 September 2018. 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.

R million	Shriram General Insurance 2018	Shriram General Insurance 2017	Shriram Life Insurance 2018	Shriram Life Insurance 2017
Carrying value of interest - equity method	**1 008**	901	**495**	450
Fair value of interest - based on internal valuation	**1 292**	1 034	**742**	472
Interest in issued share capital - shareholders' fund	**23%**	**23%**	**23%**	**23%**
Summarised financial information:				
Revenue	**3 778**	3 638	**1 558**	1 368
Post-tax profit from continuing operations	**707**	672	**55**	54
Other comprehensive (loss)/income	**(290)**	82	**-**	-
Total comprehensive income	**417**	754	**55**	54
Assets and liabilities				
Non-current assets	**18 671**	15 122	**7 988**	6 488
Current assets	**1 144**	690	**818**	525
Non-current liabilities	**(15 691)**	(10 325)	**(6 959)**	(5 314)
Current liabilities	**(704)**	(2 370)	**(549)**	(517)
Net asset value	**3 420**	3 117	**1 298**	1 182
Non-controlling interest	**49**	49	**-**	-
Shareholders' fund	**3 371**	3 068	**1 298**	1 182
Calculated carrying value	**775**	706	**299**	272
Recognition of hedge on acquisition	**(34)**	(34)	**(10)**	(10)
Goodwill recognised in the carrying value of associate	**267**	229	**206**	188
Carrying value	**1 008**	901	**495**	450
Dividends received	**70**	21	**7**	2

7. INVESTMENTS (continued)

7.2.3 Investments in associated companies (continued)

	Saham Finances[4]		Letshego [5]	
R million	**2018**	2017	**2018**	2017
Carrying value of interest - equity method	**-**	9 544	**1 494**	1 704
Fair value of interest - based on internal valuation	**-**	10 167	**1 494**	1 704
Fair value of interest - based on quoted price for listed businesses	**-**	9 189	**1 246**	1 348
Interest in issued share capital - shareholders' fund	**-**	47%	**26%**	26%
Summarised financial information:				
Revenue	**-**	15 620	**3 438**	2 770
Post-tax profit from continuing operations	**-**	1 808	**733**	978
Other comprehensive income	**-**	(116)	**-**	-
Total comprehensive income	**-**	1 692	**733**	978
Assets and liabilities				
Non-current assets	**-**	37 091	**695**	599
Current assets	**-**	15 924	**13 933**	10 919
Non-current liabilities	**-**	(29 212)	**(8 165)**	(5 487)
Current liabilities	**-**	(9 851)	**(914)**	(407)
Net asset value	**-**	13 952	**5 549**	5 624
Non-controlling interest	**-**	3 458	**608**	401
Shareholders' fund	**-**	10 494	**4 941**	5 223
Calculated carrying value	**-**	4 893	**1 293**	1 373
Recognition of hedge on acquisition	**-**	(574)	**-**	-
Goodwill recognised in the carrying value of associate	**-**	5 225	**201**	331
Carrying value	**-**	9 544	**1 494**	1 704
Dividends received	**-**	18	**161**	101

[4] The Group acquired the remaining interest in Saham Finances during 2018 (2017: 46,6%), resulting in a deemed disposal of an associated company. Refer to note 30 for additional information.

[5] The Group holds a 26,17% interest in Letshego, a listed retail credit business in Botswana.

	Capricorn Investment Holdings [6]		Pacific & Orient [7]	
R million	**2018**	2017	**2018**	2017
Carrying value of interest - equity method	**1 123**	1 159	**651**	593
Fair value of interest - based on internal valuation	**1 123**	1 166	**677**	593
Fair value of interest - based on quoted price for listed businesses	**1 108**	1 160	**-**	-
Interest in issued share capital - shareholders' fund	**23%**	23%	**49%**	49%
Summarised financial information:				
Revenue	**658**	1 586	**904**	844
Post-tax profit from continuing operations	**617**	1 110	**43**	45
Other comprehensive income/(loss) [6]	**3**	24	**(8)**	10
Total comprehensive income	**620**	1 134	**35**	55
Assets and liabilities				
Non-current assets	**4 232**	4 870	**2 435**	2 482
Current assets	**1 108**	623	**592**	385
Non-current liabilities	**(501)**	(501)	**-**	-
Current liabilities	**(1)**	(1)	**(2 153)**	(2 058)
Net asset value	**4 838**	4 991	**874**	809
Non-controlling interest	**-**	-	**-**	-
Shareholders' fund	**4 838**	4 991	**874**	809
Calculated carrying value	**1 123**	1 159	**429**	397
Goodwill recognised in the carrying value of associate	**-**	-	**222**	196
Carrying value	**1 123**	1 159	**651**	593
Dividends received	**46**	133	**58**	50

[6] The Group holds a 22,21% (2017: 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% (2017: 49%) interest in Pacific & Orient Insurance Co. Berhad, a niche general insurance business in Malaysia.

7. INVESTMENTS (continued)

7.2.3 Investments in associated companies (continued)

R million	Afrocentric Health[8] 2018	2017
Carrying value of interest - equity method	**931**	868
Fair value of interest - based on internal valuation	**962**	1 094
Interest in issued share capital - shareholders' fund	**29%**	29%
Summarised financial information:		
Revenue	**4 468**	3 989
Post-tax profit from continuing operations	**386**	323
Total comprehensive income	**386**	323
Assets and liabilities		
Non-current assets	**2 435**	1 989
Current assets	**741**	825
Non-current liabilities	**(170)**	(125)
Current liabilities	**(458)**	(386)
Net asset value	**2 548**	**2 303**
Non-controlling interest	**50**	22
Shareholders' fund	**2 498**	2 281
Calculated carrying value	**717**	654
Goodwill recognised in the carrying value of associate	**214**	214
Carrying value	**931**	868
Dividends received	**48**	14

[8] The Group holds a 28,7% interest in ACT HealthCare Assets (Pty) Limited, a health administration and health risk management company.

Details of immaterial associated companies:

Post-tax profit from continuing operations	**344**	318
Total comprehensive income	**344**	318

7.2.4 Investments in joint ventures

Details of material joint ventures:

Group

R million	Sanlam Personal Loans [1] 2018	2017
Carrying value of interest - equity method	**819**	802
Fair value of interest - based on internal valuation	**1 394**	1 228
Effective interest in issued share capital: Class A	**70%**	70%
Summarised financial information:		
Non-current assets	**3 338**	3 318
Current assets	**1 235**	1 260
Cash and cash equivalents	**74**	79
Other current assets	**1 161**	1 181
Non-current liabilities	**(1 513)**	(1 527)
Current liabilities	**(1 866)**	(1 885)
Trade and other payables	**(29)**	(29)
Short-term borrowings	**(1 837)**	(1 856)
Net asset value attributable to class B shares	**(24)**	(20)
Total equity	**1 170**	1 146
Calculated carry value	**819**	802
Revenue	**90**	88
Interest income	**1 116**	1 047
Admin expenses excluding depreciation	**(551)**	(463)
Interest expense	**(305)**	(301)
Taxation	**(110)**	(115)
Post-tax profit from continuing operations	**240**	256
Total comprehensive income	**240**	256

[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	**8**	17
Total comprehensive income	**8**	17

7. INVESTMENTS (continued)

7.3 Other investments

Other investments comprise:

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

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

Structured transactions
Structured transactions include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, derivatives, structured notes, collateralised securities, credit default swaps, currency, 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 trading purposes by Sanlam Capital Markets and 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 measured at fair value, as well as structures incorporated in the product design of policyholder products.

Structured transaction liabilities are classified as mandatorily measured at fair value through profit or loss.

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.

7.3.1 Equities and similar securities

	Group		Company	
R million	**2018**	2017	**2018**	2017
Equities and similar securities comprise:				
Listed on the JSE - at market value	**61 846**	70 653	**58 505**	65 807
Unlisted - at directors' valuation	**2 376**	1 757	**2 207**	1 739
Offshore equity investments	**23 611**	16 650	**9 195**	9 437
Listed - at market value	**21 181**	16 298	**9 170**	9 437
Unlisted - at directors' valuation	**2 430**	352	**25**	-
Equities held by consolidated investment funds	**99 801**	112 844	**-**	-
Total equities and similar securities	**187 634**	201 904	**69 907**	76 983

Equities and similar securities are mandatorily measured at fair value through profit or loss.

7. INVESTMENTS (continued)

7.3.1 Equities and similar securities (continued)

Shares held in ultimate holding company - Sanlam Ltd

	Group		Company	
R million	**2018**	2017	**2018**	2017
Shareholders				
Number of shares (thousand)	**116 367**	116 367	**116 364**	116 364
Fair value (R million)	**9 286**	10 124	**9 286**	10 124
Policyholders				
Number of shares (thousand)	**23 007**	22 164	**10 664**	7 206
Fair value (R million)	**1 836**	1 828	**851**	627

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 (1)	Mandatorily measured at fair value through profit or loss	**Total fair value**	Amortised cost Gross	Expected credit loss allowance for financial assets at amortised cost	**Amortised cost Net (2)**	**Total**
31 December 2018							
Interest-bearing investments	**200 632**	**-**	**200 632**	**7 122**	**(196)**	**6 926**	**207 558**
Government interest-bearing investments	**61 642**	**-**	**61 642**	**2 033**	**-**	**2 033**	**63 675**
Corporate interest-bearing investments	**122 239**	**-**	**122 239**	**3 672**	**(12)**	**3 660**	**125 899**
Other interest-bearing investments	**16 751**	**-**	**16 751**	**1 417**	**(184)**	**1 233**	**17 984**
Structured transactions	**3 091**	**18 250**	**21 341**	**-**	**-**	**-**	**21 341**
Investment funds	**-**	**162 755**	**162 755**	**-**	**-**	**-**	**162 755**
Cash, deposits and similar securities	**40 771**	**-**	**40 771**	**-**	**-**	**-**	**40 771**
	244 494	**181 005**	**425 499**	**7 122**	**(196)**	**6 926**	**432 425**

R million	**Designated as at fair value through profit or loss**	**Held for trading at fair value**	**Loans and receivable at amortised cost**	**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**

(1) The amount of change, during the period and cumulatively, in the fair value of financial assets designated at fair value through profit or loss 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 the benchmark interest rate. The impact of the changes in credit risk for 2018 and 2017 was not material. For financial assets designated at fair value through profit or loss, the maximum exposure to credit risk is equivalent to the carrying amount of the financial asset.

(2) The estimated fair value of investments valued at amortised cost amounts to R 6 926 million (2017: R1 332 million). These are classified as level 3 instruments and the valuation is based on discounted cash flows.

Company

R million	Designated as at fair value through profit or loss (1)	Mandatorily measured at fair value through profit or loss	**Total fair value**	Amortised cost Gross	Expected credit loss allowance for financial assets at amortised cost	**Amortised cost Net**	**Total**
31 December 2018							
Interest bearing investments	**97 441**	**-**	**97 441**	**-**	**-**	**-**	**97 441**
Government interest bearing investments	**22 770**	**-**	**22 770**	**-**	**-**	**-**	**22 770**
Corporate interest bearing investments	**59 170**	**-**	**59 170**	**-**	**-**	**-**	**59 170**
Other interest bearing investments	**15 501**	**-**	**15 501**	**-**	**-**	**-**	**15 501**
Structured transactions	**2 953**	**14 716**	**17 669**	**-**	**-**	**-**	**17 669**
Investment funds	**-**	**221 712**	**221 712**	-	-	**-**	**221 712**
Cash, deposits and similar securities	**14 201**	**-**	**14 201**	-	-	**-**	**14 201**
	114 595	**236 428**	**351 023**	**-**	**-**	**-**	**351 023**

7. INVESTMENTS (continued)

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

R million 31 December 2017	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost	Total
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

(1) The amount of change, during the period and cumulatively, in the fair value of financial assets designated at fair value through profit or loss 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 the benchmark interest rate. The impact of the changes in credit risk for 2018 and 2017 was not material. For financial assets designated at fair value through profit or loss, the maximum exposure to credit risk is equivalent to the carrying amount of the financial asset.

Reconciliation of expected credit losses

Group R million	12-month ECL	2018 Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Lifetime ECL (simplified approach)
Corporate interest-bearing investments				
Balance at the beginning of year	-	-	-	-
IFRS transitional adjustments	11	-	-	-
Net remeasurement of loss allowance	1	-	-	-
Balance at the end of the year	12	-	-	-
Other interest-bearing investments				
Balance at the beginning of year	-	-	-	-
IFRS transitional adjustments	169	-	-	-
Net remeasurement of loss allowance	(2)	14	3	-
Balance at the end of the year	167	14	3	-

Interest-bearing investments that are rated between AAA and BBB are considered to have a lower credit risk at the reporting date and the loss allowance is therefore measured at an amount equal to the 12 month expected credit losses. At the reporting date, the credit risk of interest-bearing investments rated between BB and CCC have significantly increased since initial recognition and the loss allowance is therefore measured at an amount equal to lifetime expected credit losses. The impairment model is based on the study of historical data and the forward-looking information. The probabilities of default and the loss given default are extracted from the reports published by the rating agencies annually. When the issuer's rating deteriorates significantly it is indicative of a significant increase in credit risk since initial recognition.

Maturity analysis:

Group R million	<1 year	1-5 years	>5 years	On demand	Total
31 December 2018					
Interest-bearing investments	21 676	93 228	73 133	19 521	207 558
Government interest-bearing investments	4 251	6 998	47 082	5 344	63 675
Corporate interest-bearing investments	13 436	77 212	22 118	13 133	125 899
Other interest-bearing investments	3 989	9 018	3 933	1 044	17 984
Structured transactions	9 245	6 993	3 275	1 828	21 341
Investment funds	-	-	-	162 755	162 755
Cash, deposits and similar securities	25 219	12 892	224	2 436	40 771
Total	56 140	113 113	76 632	186 540	432 425
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)

Maturity analysis (continued):

Company R million	<1 year	1-5 years	>5 years	On demand	Total
31 December 2018					
Interest bearing investments	**9 639**	**54 858**	**32 486**	**458**	**97 441**
Government interest bearing investments	**513**	**1 856**	**20 401**	**-**	**22 770**
Corporate interest bearing investments	**6 158**	**44 284**	**8 319**	**409**	**59 170**
Other interest bearing investments	**2 968**	**8 718**	**3 766**	**49**	**15 501**
Structured transactions	**8 328**	**5 193**	**3 277**	**871**	**17 669**
Investment funds	**-**	**-**	**-**	**221 712**	**221 712**
Cash, deposits and similar securities	**9 542**	**4 434**	**225**	**-**	**14 201**
Total	**27 509**	**64 485**	**35 988**	**223 041**	**351 023**
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

R million	Company 2018	2017
7.4 Investments in subsidiaries, associated companies and joint ventures[1]		
Investments in subsidiaries	**122 318**	103 303
Equity holding	**121 689**	102 498
Loans to subsidiaries	**629**	805
Investments in associated companies	**2 702**	3 049
Shriram Transport Finance Company	**1 726**	1 941
Afrocentric	**962**	1 094
Other	**14**	14
Investments in joint ventures	**1 489**	1 338
Sanlam Personal Loans	**1 394**	1 228
Other	**95**	110
Total	**126 509**	107 690

[1] Investments in subsidiaries, associated companies and joint ventures are classified as mandatorily fair value through profit or loss

Loans from subsidiaries	**(32 225)**	(32 168)

Refer to page 106 for details of principal subsidiaries.

Valuation methodology for non-listed strategic investments

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 2018	2017
Risk discount rate (RDR)	1.0	1.0
Perpetuity growth rate (PGR)	1.0	1.0

2018	Weighted average assumption %	Base value R million	Decrease in assumption R million	Increase in assumption R million
Discounted cash flows	RDR = 14.2%	45 226	51 985	40 364
Perpetuity growth rate	PGR = 2 - 5%	45 226	42 454	49 134

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

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 financial services income policy note for presentation of gains and losses on capital market investments). 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. Investment surpluses are recognised in profit or loss in the statement of comprehensive income on the date of sale or upon valuation to fair value.

	Group		Company	
R million	**2018**	2017	**2018**	2017
Investment income				
Equities and similar securities	**12 073**	10 997	**8 231**	7 670
Dividends received from subsidiaries	**-**	-	**3 047**	2 599
Interest-bearing, preference shares and similar securities	**17 701**	17 545	**9 154**	10 225
Properties	**734**	696	**579**	548
Rental income - excluding contingent rental	**762**	702	**613**	512
Contingent rental income	**120**	119	**89**	119
Rental related expenses	**(148)**	(125)	**(123)**	(83)
(Loss)/Income from margin business [(1)]	**(38)**	43	**-**	-
Total investment income	**30 470**	29 281	**21 011**	21 042

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

	Group		Company	
R million	**2018**	2017	**2018**	2017
Investment surpluses				
Financial instruments designated as at fair value through profit or loss	**-**	31 405	**-**	32 548
Financial instruments classified as held-for-trading	**-**	(320)	**-**	(320)
Financial assets	**(18 729)**	**-**	**(7 126)**	**-**
Financial assets designated as at fair value through profit or loss	**9 756**	-	**2 025**	-
Financial assets mandatorily measured at fair value through profit or loss	**(28 486)**	-	**(9 151)**	-
Financial assets measured at amortised cost	**1**	-	**-**	-
Financial liabilities	**(46)**	**-**	**(46)**	**-**
Financial liabilities designated as at fair value through profit or loss	**(46)**	-	**(46)**	-
Investment properties	**359**	507	**358**	340
Profit on disposal of subsidiaries, associated companies and operations	**4 333**	1 369	**-**	-
Fair value adjustment - Deferred share plan	**103**	(156)	**86**	(106)
Total investment surpluses	**(13 980)**	32 805	**(6 728)**	32 462
Investment return includes:				
Foreign exchange gains/(losses)	**5 935**	(2 920)	**7 648**	**(3 619)**
Financial assets measured at amortised cost				
Gains on derecognition of financial assets measured at amortised cost	**4**	-	**-**	-
Losses on derecognition of financial assets measured at amortised cost	**(3)**	-	**-**	-

There were no material financial assets at amortised cost that were derecognised.

7.6 Use of valuation techniques to determine fair value

Refer to note 32 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	**Income**	**Capital**	**Income**	**Capital**
R million	**Tax**	**Gains Tax**	**Tax**	**Gains Tax**
Balance at 1 January 2017	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	-	-	-
Cash flow hedge	11	-	-	-
Balance at 31 December 2017	**1 876**	**(2 070)**	**7**	**(1 560)**
Temporary differences credited/(charged) to the statement of comprehensive income	**(26)**	**839**	**18**	**579**
Accruals and provisions	**186**	**-**	**18**	**-**
Tax losses and credits	**(564)**	**-**	**-**	**-**
Net unrealised investment surpluses on shareholders' fund	**203**	**297**	**-**	**285**
Net unrealised investment surpluses on policyholders' fund	**9**	**542**	**-**	**294**
Other temporary differences	**140**	**-**	**-**	**-**
Acquired through business combinations	**(3 260)**	**(468)**	**-**	**-**
Foreign currency translation differences	**(14)**	**15**	**-**	**-**
Disposal of subsidiaries	**(28)**	**(6)**		
Balance at 31 December 2018	**(1 452)**	**(1 690)**	**25**	**(981)**
Accruals and provisions	**(430)**	**(514)**	**25**	**-**
Tax losses and credits	**1 422**	**91**	**-**	**-**
Unrealised gains/losses on shareholders' fund	**352**	**(839)**	**-**	**(671)**
Unrealised gains/losses on policyholders' fund	**(2)**	**(392)**	**-**	**(316)**
Intangible assets	**(2 215)**	**(42)**		
Other temporary differences	**(579)**	**6**	**-**	**6**
Analysis of deferred tax balances at 31 December 2018	**(1 452)**	**(1 690)**	**25**	**(981)**
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
Analysis of deferred tax balances at 31 December 2017	1 876	(2 070)	7	(1 560)

	2018	2017	**2018**	2017
Total deferred tax asset recognised	**2 067**	1 946	**25**	7
Total deferred tax liability recognised	**(5 209)**	(2 140)	**(981)**	(1 560)
Total net deferred tax	**(3 142)**	(194)	**(956)**	(1 553)

8. TAXATION (continued)

8.2 Income tax

Group

Analysis of income tax per category R million	Normal income tax 2018	2017	Deferred tax 2018	2017	Total 2018	2017
RSA – current year	**2 700**	2 415	**268**	(245)	**2 968**	2 170
RSA – prior year under / (over) provision	**4**	154	**(16)**	-	**(12)**	154
Dividend tax - policyholders	**129**	129	**-**	-	**129**	129
Foreign	**835**	600	**(226)**	15	**609**	615
Capital gains tax	**1 140**	726	**(839)**	191	**301**	917
Tax expense	**4 808**	4 024	**(813)**	(39)	**3 995**	3 985

Company

Analysis of income tax per category R million	Normal income tax 2018	2017	Deferred tax 2018	2017	Total 2018	2017
RSA – current year	**1 497**	1 075	**(18)**	(7)	**1 479**	1 068
Dividend tax - policyholders	**85**	99	**-**	-	**85**	99
Foreign	**12**	8	**-**	-	**12**	8
Capital gains tax	**1 116**	485	**(579)**	128	**537**	613
Tax expense	**2 710**	1 667	**(597)**	121	**2 113**	1 788

R million	Group 2018	2017	Company 2018	2017
Shareholders' fund	**3 276**	2 862	**1 725**	968
Policyholders' fund	**719**	1 123	**388**	820
Tax expense	**3 995**	3 985	**2 113**	1 788
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:				
Included in administration costs	**436**	357	**393**	290
Included elsewhere in profit for the year	**124**	118	**101**	84
Total indirect taxes and levies	**560**	475	**494**	374

Indirect taxes and levies include value-added tax and statutory levies payable to the Prudential Authority.

%	Group 2018	2017	Company 2018	2017
Standard rate of taxation	**28.0**	28.0	**28.0**	28.0
Adjusted for:				
Non-taxable income	**(4.9)**	(5.3)	**(4.5)**	(5.9)
Disallowable expenses	**2.3**	1.1	**0.3**	0.1
Prior year adjustment	**(0.2)**	0.0		
Investment surpluses	**(5.0)**	(5.1)	**(11.9)**	(15.5)
Foreign tax rate differential	**(1.7)**	(0.8)	**-**	**-**
Policyholders	**3.3**	4.4	**1.2**	3.6
Utilisation of assessed loss (1)	**1.5**	0.0		
Other	**0.5**	(0.3)	**-**	(0.6)
Effective tax rate	**23.8**	22.0	**13.1**	9.7

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

(1) This reconciling item is as a result of assessed losses recognised relating to policyholder funds.

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.

	Group	
R million	**2018**	2017
General insurance technical provisions	**37 950**	18 668
Outstanding claims	**24 706**	11 005
Provision for unearned premiums	**12 799**	7 335
Deferred reinsurance acquisition revenue	**445**	328
Less : General insurance technical assets		
Reinsurers' share of technical provisions	**9 540**	6 400
Outstanding claims	**6 538**	4 416
Unearned premiums	**2 345**	1 430
Deferred acquisition cost	**657**	554
Net general insurance technical provisions	**28 410**	12 268

Analysis of movement in general insurance technical provisions
Group

	2018			2017		
R million	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Outstanding claims						
Balance at beginning of the year	**11 005**	**(4 416)**	**6 589**	9 288	(3 259)	6 029
Cash paid for claims settled in the year	**(18 180)**	**3 566**	**(14 614)**	(18 986)	5 046	(13 940)
Increase in liabilities	**18 474**	**(4 322)**	**14 152**	20 260	(6 223)	14 037
Acquired through business combinations	**13 611**	**(1 904)**	**11 707**	603	(377)	226
Foreign currency translation differences	**(204)**	**140**	**(64)**	(160)	(6)	(166)
Other movements: transfer to cell owners	**-**	**398**	**398**	-	403	403
Balance at end of the year	**24 706**	**(6 538)**	**18 168**	11 005	(4 416)	6 589
Unearned premiums						
Balance at beginning of the year	**7 335**	**(1 430)**	**5 905**	4 993	(1 282)	3 711
Net increase/(release) in the period	**1 564**	**(610)**	**954**	684	(330)	354
Acquired through business combinations	**3 875**	**(758)**	**3 117**	1 698	(29)	1 669
Foreign currency translation differences	**25**	**(36)**	**(11)**	(40)	32	(8)
Other movements: transfer to cell owners	**-**	**489**	**489**	-	179	179
Balance at end of the year	**12 799**	**(2 345)**	**10 454**	7 335	(1 430)	5 905

10. TRADE RECEIVABLES AND PAYABLES

10.1 Trade and other receivables

Trade and other receivables are measured in accordance with the classification categories below.

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 gains 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.

Accrued investment income is classified in accordance with the classification of the asset that the investment income stems from to the extent that it forms part of the carrying value of the instrument.

Contract receivables are recognised when performance obligations are complete, but the compensation has not yet been received. Contract receivables are unconditional rights to consideration. A right to consideration is unconditional if only the passage of time is required before payment becomes due. Contract receivables are presented separately from contract assets and cannot be netted off against contract liabilities.

R million	Group 2018						2017
	Fair value	Gross amortised cost	ECL on financial assets at amortised cost	**Net Amortised cost**	Non-financial instruments[(2)]	Total	
Trading account	5 731	-	-	-	-	**5 731**	7 637
Premiums receivable	-	11 833	(341)	11 492	-	**11 492**	6 532
Accounts receivable	22	9 415	(1 247)	8 168	534	**8 724**	5 778
Accrued investment income	1 672	1 046	-	1 046	-	**2 718**	2 728
Amounts due from holding company and fellow subsidiaries	864	3 418	-	3 418	-	**4 282**	2 831
Amounts due from reinsurers	-	3 053	(13)	3 040	-	**3 040**	1 207
Contract receivables	-	348	-	348	-	**348**	-
Total trade and other receivables	8 289	29 113	(1 601)	27 512	534	**36 335**	26 713
Classification of trade and other receivables:							
Held for trading at fair value						**-**	7 637
Mandatorily measured at fair value through profit or loss						**6 299**	
Designated at fair value through profit or loss[(1)]						**1 990**	-
Amortised cost						**27 512**	19 076
Non-financial instrument[(2)]						**534**	-
						36 335	26 713

No trade and other receivables of the Company were pledged as collateral.
The estimated fair value of trade and other receivables measured at amortised cost approximate the carrying value. This valuation is based on a discounted cash flow basis and is classified as level 3.

[(1)] The amount of change, during the period and cumulatively, in the fair value of financial assets designated at fair value through profit or loss 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 the benchmark interest rate. The impact of the changes in credit risk for 2018 and 2017 was not material.

For financial assets designated at fair value through profit or loss, the maximum exposure to credit risk is equivalent to the carrying amount of the financial asset.

[(2)] Non financial Instruments refer to prepaid expenses and tax receivables.

	2018	2017
Maturity analysis of trading account - fair value		
Due within one year	**4 919**	7 088
Due within two to five years	**324**	263
On demand	**488**	286
Total trading account	**5 731**	**7 637**
Maturity analysis of trading account - undiscounted		
Due within one year	**4 922**	7 142
Due within two to five years	**381**	314
On demand	**488**	286
Total trading account	**5 791**	**7 742**
Reconciliation of contract receivables		
Balance at 31 December 2017	**-**	-
IFRS transitional reclassification[(1)]	**267**	-
Revenue recognised in the current reporting period[(2)]	**7 008**	-
Consideration received	**(6 927)**	-
Balance at 31 December 2018	**348**	-

[(1)] With the adoption of IFRS 15, contract receivables (previously disclosed as accounts receivable) are now disclosed separately.
[(2)] Refer to financial services income note 18 for the disaggregation of revenue recognised in accordance with IFRS 15.

10. TRADE RECEIVABLES AND PAYABLES (continued)

10.1 Trade and other receivables (continued)

Reconciliation of expected credit losses

Group

R million	**2018**
Premiums receivable	
Balance at the beginning of year	-
IFRS transitional adjustments	286
Net remeasurement of loss allowance	50
Foreign currency translation differences	5
Balance at the end of the year	341
Accounts receivable	
Balance at the beginning of year	-
IFRS transitional adjustments	82
Acquired through business combinations	1 196
Net remeasurement of loss allowance	(33)
Foreign currency translation differences	2
Balance at the end of the year	1 247
Amounts due from reinsurers	
Balance at the beginning of year	-
Net remeasurement of loss allowance	13
Balance at the end of the year	13

General insurance related receivables

Santam:

Provisions for impairment are based on the recoverability of individual loans and receivables. The impairment model is based on the study of historical date and the forward-looking information.

It is considered that there is evidence of impairment if any of the following indicators are present: Significant financial difficulties, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue). The loss rates are adjusted to reflect current and forward looking information on macro-economic factors, such as the socio-economic environment affecting the ability of the debtors to settle the receivables.

Saham Finances:

A provision matrix based on historical default rates adjusted for forward-looking information is used to estimate the amount of expected losses on receivables.

Unpaid premiums (excluding litigation) is analysed by homogeneous risk classes. Annual recovery rates are then estimated by homogeneous class of risk and seniority.
Expected recoveries are determined by applying the estimated recovery rates and then discounted accordingly. The expected credit losses comprise of the difference between the unpaid premiums and the sum of discounted cash flows.

Contentious premiums and significant individual receivables are analyzed on a case-by-case basis.

Other receivables:

Expected credit losses have been provided for as follows:

Premiums receivable: 100% of premiums receivable which has been outstanding for longer than 30 days.
Commission receivable (included in accounts receivable):
- 50% of commission receivable iro active agents;
- 50% of commission receivable iro active sales representatives;
- 100% of commission receivable iro inactive sales representatives; and
- Broker commission receivable is based on the debtors which amount due is higher than net present value of unearned commission:

o Target of 83% is set as standard provision for brokers whose outstanding balance is higher than the value of unearned commission
o 100% of the outstanding amount for terminated brokers with higher risk assessment as determined by broker support.

10. TRADE RECEIVABLES AND PAYABLES (continued)

10.1 Trade and other receivables (continued)

R million	Company 2018						2017
	Fair value	Gross amortised cost	ECL on financial assets at amortised	**Net Amortised cost**	**Non-financial instruments** (2)	**Total**	
Trading account	488	-	-	-	-	**488**	286
Premiums receivable	-	1 953	-	1 953	-	**1 953**	2 134
Accounts receivable	22	1 614	-	1 614	109	**1 745**	1 200
Accrued investment income	1 383	-	-	-	-	**1 383**	2 051
Amounts due from holding company and fellow subsidiaries	819	781	-	781	-	**1 600**	1 473
Amounts due from reinsurers	-	342	-	342	-	**342**	292
Contract receivables	-	173	-	173	-	**173**	
Total trade and other receivables	**2 712**	**4 863**	**-**	**4 863**	**109**	**7 684**	7 436
Classification of trade and other receivables:							
Held for trading at fair value						**-**	286
Mandatorily measured at fair value through profit or loss						**1 019**	**-**
Designated at fair value through profit or loss (1)						**1 693**	-
Amortised cost						**4 863**	7 150
Non-financial instrument (2)						**109**	-
						7 684	7 436

No trade and other receivables of the Company were pledged as collateral.

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.

(1) The amount of change, during the period and cumulatively, in the fair value of financial assets designated at fair value through profit or loss 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 the benchmark interest rate. The impact of the changes in credit risk for 2018 and 2017 was not material.

For financial assets designated at fair value through profit or loss, the maximum exposure to credit risk is equivalent to the carrying amount of the financial asset.

(2) Non-financial Instruments refer to prepaid expenses and tax receivables

R million	2018	2017
Maturity analysis of trading account - fair value		
On demand	**488**	286
Total trading account	**488**	286
Maturity analysis of trading account - undiscounted		
On demand	**488**	**286**
Total trading account	**488**	286
Reconciliation of contract receivables		
Balance at 31 December 2017	**-**	-
IFRS transitional reclassification (1)	**84**	-
Revenue recognised in the current reporting period (2)	**4 972**	-
Consideration received	**(4 883)**	-
Balance at 31 December 2018	**173**	-

(1) Previously included in Accounts receivable.

(2) Refer to financial services income note 18 for the disaggregation of revenue recognised in accordance with IFRS 15.

10. TRADE RECEIVABLES AND PAYABLES (continued)

10.2 Trade and other payables

Trade and other payables are measured in accordance with the classification categories below. Trading account liabilities consists of borrowings in terms of the commercial paper program to fund the activities in the Group, repurchase agreements which fund the long bond positions and which are also used as a source of funding using borrowed bond scrip, CSA collateral and margin received from clients or counterparties, short bond and equity positions and interest rate and equity derivative liabilities. 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 to note 14.5).

	Group		Company	
R million	**2018**	**2017**	**2018**	**2017**
Accounts payable	**17 044**	12 503	**4 610**	4 185
Policy benefits payable	**5 108**	4 379	**3 407**	3 138
Amounts due to holding company and fellow subsidiaries	**7 319**	3 307	**7 219**	1 461
Amounts due to reinsurers	**5 017**	2 075	**11**	11
Trading account	**5 702**	9 184	**-**	-
Claims incurred but not reported	**1 808**	1 547	**1 393**	1 259
Bank overdraft	**933**	104	**-**	-
Liability for share based payments	**562**	640	**493**	504
Operating lease creditor	**109**	41	**-**	-
Total trade and other payables	**43 602**	33 780	**17 133**	10 558
Classification of trade and other payables:				
Held for trading at fair value		9 184	**-**	-
Mandatorily measured at fair value through profit or loss	**5 306**		**-**	-
Designated at fair value through profit or loss (1)	**413**	-	**18**	-
Other payables at amortised cost	**33 964**	22 368	**13 555**	8 795
Non - financial instruments (2)	**3 919**	2 228	**3 560**	1 763
Total trade and other payables	**43 602**	33 780	**17 133**	10 558

Trade and other payables, excluding the trading account and the liability for share based payments, are payable within one year. In respect of the liability for share based payments, the amount outstanding is payable over five years, however weighted towards one to two years. The effect of discounting is considered immaterial. The estimated fair value of other payables at amortised cost approximates fair value. This valuation is based on discounted cash flows and is classified as level 3.

(1) For trade and other payables designated at fair value through profit or loss, the amount contractually payable at maturity is equivalent to the carrying amount of the financial liability.

(2) Non-financial instruments include amounts due to intermediaries, leave pay accrual, deferred share plan liabilities, operating lease creditors, income received in advance and claims incurred but not reported.

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.

Maturity analysis of trading account - fair value				
Due within one year	**4 943**	9 184	**-**	-
Due within two to five years	**759**	-	**-**	-
Due after five years	**-**	-	**-**	-
Open ended	**-**	-	**-**	-
Total trading account	**5 702**	9 184	**-**	-

Maturity analysis of trading account - undiscounted				
Due within one year	**4 958**	9 274	**-**	-
Due within two to five years	**759**	-	**-**	-
Due after five years	**-**	-	**-**	-
Open ended	**-**	-	**-**	-
Total trading account	**5 717**	9 274	**-**	-

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.

	Group and company	
R million	**2018**	2017
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
Total nominal value and share premium	**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 as well as Kenya, Malaysia and Saham 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 be required to be measured on a basis inconsistent with that of the corresponding liabilities by IFRS. 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

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.

	Group		Company	
R million	**2018**	2017	**2018**	2017
Non-distributable reserves	**6 163**	5 985	**5 429**	5 429
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance	**5 429**	5 429	**5 429**	5 429
Regulatory reserves	**734**	556	**-**	-
Foreign currency translation reserve	**539**	(1 000)	**-**	-
Consolidation reserve	**870**	1 136	-	-
Policyholder fund investments in consolidated subsidiaries	**(147)**	(64)	**-**	-
Tax benefit in respect of the individual policyholders' tax fund (IPF) tax losses	**1 017**	1 200	**-**	-
Total reserves other than retained earnings	**7 572**	6 121	**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. The regulatory non-distributable reserves comprises mainly of the Group's Botswana as well as Kenya, Malaysia and Saham operations.

13. NON-CONTROLLING INTEREST

	Group	
R million	**2018**	**2017**
Santam	**3 523**	**2 943**
Sanlam Emerging Markets	**7 616**	**2 698**
Botswana Insurance Holdings	**1 506**	**1 506**
MCIS Insurance	**700**	**621**
Sanlam Namibia Holdings	**228**	**230**
Saham Finances	**4 965**	**-**
Saham Assurance Maroc	**2 987**	**-**
Other	**1 978**	**-**
Other SEM	**217**	**341**
Sanlam Personal Finance: BrightRock Holdings	**156**	**233**
Other	**69**	**1**
Non-controlling shareholders' interest	**11 364**	**5 875**
Non-controlling policyholders' interest	**68**	**87**
Total non-controlling interest	**11 432**	**5 962**

For additional financial information for subsidiaries with significant non-controlling interests refer to pages 107 to 108.

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 IFRS 9 (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		2018			2017	
R million	Total	Insurance contracts	Investment contracts [2]	Total	Insurance contracts	Investment contracts
14.1 Analysis of movement in policy liabilities						
Income	**94 940**	**40 451**	**54 489**	122 764	45 631	77 133
Premium income (note 14.3)	**88 953**	**32 713**	**56 240**	76 908	28 463	48 445
Investment return after tax (note 14.5)	**5 987**	**7 738**	**(1 751)**	45 856	17 168	28 688
Outflow	**(91 385)**	**(48 372)**	**(43 013)**	(85 903)	(44 116)	(41 787)
Policy benefits (note 14.4)	**(53 936)**	**(20 820)**	**(33 116)**	(52 081)	(19 996)	(32 085)
Retirement fund terminations	**(5 525)**	**(718)**	**(4 807)**	(5 748)	-	(5 748)
Fees, risk premiums and other payments to shareholders' fund	**(31 924)**	**(26 834)**	**(5 090)**	(28 074)	(24 120)	(3 954)
Movement in policy loans	**(20)**	**-**	**(20)**	5	108	(103)
Other movements [1]	**(3 797)**	**44**	**(3 841)**	-	-	-
Net movement for the year	**(262)**	**(7 877)**	**7 615**	36 866	1 623	35 243
Foreign currency translation differences	**2 737**	**2 567**	**170**	(615)	(513)	(102)
Liabilities acquired through business combinations	**15 037**	**14 982**	**55**	1 764	111	1 653
Balance at beginning of the year	**478 430**	**174 557**	**303 873**	440 415	173 336	267 079
Balance at end of the year	**495 942**	**184 229**	**311 713**	478 430	174 557	303 873

[1] Includes the derecognition of policy liabilities in respect of the cancellation of insurance license in Botswana. Botswana Insurance Fund Management (BIFM) changed its classification and no longer has an insurance license.

[2] For investment contract liabilities, the amount contractually payable at maturity is equivalent to the carrying amount of the financial liability.

Company		2018			2017	
R million	Total	Insurance contracts	Investment contracts	Total	Insurance contracts	Investment contracts
Income	**65 502**	**19 980**	**45 522**	93 975	28 212	65 763
Premium income (note 14.3)	**63 624**	**14 444**	**49 180**	55 573	13 946	41 627
Investment return after tax (note 14.5)	**1 878**	**5 536**	**(3 658)**	38 402	14 266	24 136
Outflow	**(63 897)**	**(29 176)**	**(34 721)**	(63 081)	(28 483)	(34 598)
Policy benefits (note 14.4)	**(40 536)**	**(14 901)**	**(25 635)**	(41 368)	(15 170)	(26 198)
Retirement fund terminations	**(5 475)**	**(718)**	**(4 757)**	(5 579)	-	(5 579)
Fees, risk premiums and other payments to shareholders' fund	**(17 886)**	**(13 557)**	**(4 329)**	(16 134)	(13 313)	(2 821)
Movement in policy loans	**22**	**-**	**22**	24	-	24
Net movement for year	**1 627**	**(9 196)**	**10 823**	30 918	(271)	31 189
Balance at beginning of year	**401 332**	**137 556**	**263 776**	370 414	137 827	232 587
Balance at end of year	**402 959**	**128 360**	**274 599**	401 332	137 556	263 776

14. LONG-TERM POLICY LIABILITIES

14.2 Composition of policy liabilities

	Group		Company	
R million	2018	2017	2018	2017
Individual business	**395 870**	382 538	**310 378**	313 237
Risk business	**15 191**	13 718	**9 352**	8 957
Risk underwriting	12 220	10 320	6 526	5 707
Asset mismatch reserve	2 971	3 398	2 826	3 250
Investments	**265 349**	247 489	**207 088**	200 693
Linked business	120 042	111 232	108 970	102 075
Business with no investment guarantees	88 837	89 850	79 050	80 070
Business with minimum investment guarantees	13 354	15 724	5 087	5 372
Smoothed bonus	32 413	21 246	11 337	10 753
Market related and smoothed bonus	2 377	2 002	2 368	1 993
Fully guaranteed business	8 326	7 435	276	430
Life annuities	**37 583**	35 236	**24 014**	23 246
Combined policies	**70 458**	80 863	**67 020**	77 006
Non-product/Other	**7 289**	5 232	**2 904**	3 335
Employee benefits business	**100 072**	**95 892**	**92 581**	88 095
Risk business	**6 641**	6 822	**5 513**	5 426
Risk underwriting	6 396	6 393	5 272	4 999
Asset mismatch reserve	245	429	241	427
Investments	**67 287**	64 323	**64 690**	59 311
Linked business	48 387	47 577	46 949	42 795
Smoothed bonus	18 695	16 519	17 741	16 516
Non guaranteed investments	47	54	-	-
Fully guaranteed business	158	173	-	-
Life annuities	**23 912**	24 602	**22 244**	23 213
Non-product/Other	**2 232**	145	**134**	145
Total policy liabilities	**495 942**	478 430	**402 959**	401 332

The composition of policy liabilities have been aligned with the new solvency regime compositions. Prior year have been restated accordingly.

14.3 Analysis of premium income

	Group 2018	Group 2017	Company 2018	Company 2017
Individual business	**61 780**	56 647	**40 732**	38 197
Recurring	**30 176**	26 806	**15 911**	15 072
Single	**28 992**	27 247	**22 506**	20 859
Continuations	**2 612**	2 594	**2 315**	2 266
Employee benefits business	**27 173**	20 261	**22 892**	17 376
Recurring	**12 854**	11 066	**10 454**	9 805
Single	**14 319**	9 195	**12 438**	7 571
Total premium income	**88 953**	76 908	**63 624**	55 573

14.4 Analysis of long-term policy benefits

	Group 2018	Group 2017	Company 2018	Company 2017
Individual business	**45 682**	43 194	**33 018**	33 268
Maturity benefits	**24 102**	22 746	**17 265**	17 866
Surrenders	**6 510**	6 999	**3 931**	4 334
Life and term annuities	**11 352**	10 251	**9 561**	8 880
Death and disability benefits [(1)]	**3 450**	2 926	**2 259**	2 186
Cash bonuses [(1)]	**268**	272	**2**	2
Employee benefits business	**8 254**	8 887	**7 518**	8 100
Withdrawal benefits	**3 557**	4 146	**2 935**	3 491
Pensions	**2 020**	2 115	**1 913**	1 994
Lump-sum retirement benefits	**1 839**	1 672	**1 839**	1 672
Taxation paid on behalf of certain retirement funds	**-**	-	**831**	-
Death and disability benefits [(1)]	**831**	943	**-**	943
Cash bonuses [(1)]	**7**	11	**-**	-
Total long-term policy benefits	**53 936**	52 081	**40 536**	41 368

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

14. LONG-TERM POLICY LIABILITIES (continued)

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.

Maturity and annuity payments are recognised when due. Surrenders are recognised at the earlier of payment date or the date on which the policy ceases to be included in long-term policy liabilities.

	Group		Company	
R million	**2018**	**2017**	**2018**	**2017**
Insurance contracts				
Underwriting policy benefits	**10 890**	9 362	**6 252**	5 671
After tax investment return attributable to insurance contract liabilities (note 14.1)	**7 738**	17 168	**5 536**	14 266
Total long-term insurance contract benefits	**18 628**	26 530	**11 788**	19 937
Investment contracts				
After tax investment return attributable to investment contract liabilities (note 14.1)	**(1 751)**	28 688	**(3 658)**	24 136
Total long-term investment contract benefits	**(1 751)**	28 688	**(3 658)**	24 136
Analysis of underwriting policy benefits				
Individual insurance	**6 155**	5 691	**2 831**	2 692
Employee benefits	**4 735**	3 671	**3 421**	2 979
Total underwriting policy benefits	**10 890**	9 362	**6 252**	5 671

14.6 Maturity analysis of investment policy

Group

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2018					
Risk business	**158**	**835**	**1 366**	**19**	**2 378**
Risk underwriting	**158**	**835**	**1 366**	**19**	**2 378**
Investments	**6 779**	**38 154**	**61 604**	**189 239**	**295 776**
Linked business	**265**	**3 782**	**6**	**160 148**	**164 201**
Business with no investment guarantees	**4 322**	**20 270**	**51 625**	**7 428**	**83 645**
Business with minimum investment guarantees	**1 956**	**5 595**	**1 256**	**1 550**	**10 357**
Smoothed bonus	**165**	**287**	**8 717**	**18 159**	**27 328**
Market related and smoothed bonus	**-**	**-**	**-**	**1 756**	**1 756**
Non guaranteed investments	**-**	**-**	**-**	**47**	**47**
Fully guaranteed business	**71**	**8 220**	**-**	**151**	**8 442**
Life annuities	**462**	**792**	**18**	**198**	**1 470**
Guaranteed annuities	**462**	**792**	**18**	**198**	**1 470**
Combined policies	**655**	**2 890**	**6 784**	**-**	**10 329**
Non-product/Other	**1 461**	**16**	**67**	**216**	**1 760**
Working capital management	**-**	**16**	**-**	**-**	**16**
Other	**1 461**	**-**	**67**	**216**	**1 744**
Total investment policies	**9 515**	**42 687**	**69 839**	**189 672**	**311 713**
2017					
Risk business	145	791	1 291	19	2 246
Risk underwriting	145	791	1 291	19	2 246
Investments	7 658	36 518	62 437	179 784	286 397
Linked business	111	1 625	-	153 421	155 157
Business with no investment guarantees	4 576	19 855	53 193	6 649	84 273
Business with minimum investment guarantees	2 616	7 554	1 266	1 088	12 524
Smoothed bonus	172	289	7 978	17 024	25 463
Market related and smoothed bonus	-	-	-	1 375	1 375
Non guaranteed investments	-	-	-	54	54
Fully guaranteed business	183	7 195	-	173	7 551
Life annuities	442	778	20	144	1 384
Guaranteed annuities	442	778	20	144	1 384
Combined policies	714	3 118	8 078	-	11 910
Non-product/Other	1 718	-	-	218	1 936
Total investment policies	10 677	41 205	71 826	180 165	303 873

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 33 for additional fair value disclosures.
The composition of policy liabilities have been aligned with the new solvency regime compositions. Prior year have been restated accordingly.

Notes to the annual financial statements
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14. LONG-TERM POLICY LIABILITIES

14.6 Maturity analysis of investment policy

Company R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2018					
Risk business	-	-	-	1	1
Risk underwriting	-	-	-	1	1
Investments	3 393	18 766	61 236	179 347	262 742
Linked business	-	3 365	-	152 553	155 918
Business with no investment guarantees	3 023	14 381	51 449	6 578	75 431
Business with minimum investment guarantees	187	484	1 107	311	2 089
Smoothed bonus	158	285	8 680	18 158	27 281
Market related and smoothed bonus	-	-	-	1 747	1 747
Fully guaranteed business	25	251	-	-	276
Life annuities	462	791	18	198	1 469
Guaranteed annuities	462	791	18	198	1 469
Participating annuities	-	-	-	-	-
Combined policies	643	2 841	6 712	-	10 196
Non-product/Other	-	-	-	191	191
Total investment policies	4 498	22 398	67 966	179 737	274 599
2017					
Risk business	-	-	-	1	1
Investments	3 424	15 817	62 240	168 953	250 434
Linked business	-	731	-	144 138	144 869
Business with no investment guarantees	2 951	14 010	53 041	6 146	76 148
Business with minimum investment guarantees	175	491	1 222	280	2 168
Smoothed bonus	165	287	7 977	17 023	25 452
Market related and smoothed bonus	-	-	-	1 366	1 366
Fully guaranteed business	133	298	-	-	431
Life annuities	441	777	18	144	1 380
Guaranteed annuities	441	777	18	144	1 380
Participating annuities	-	-	-	-	-
Combined policies	699	3 070	7 994		11 763
Non-product/Other	-	-	-	198	198
Total investment policies	4 564	19 664	70 252	169 296	263 776

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 33 for additional fair value disclosures.
The composition of policy liabilities have been aligned with the new solvency regime compositions. Prior year have been restated accordingly.

14.7 Maturity analysis of insurance policy

Group R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2018					
Risk business	568	1 399	5 288	12 199	19 454
Risk underwriting	549	1 399	5 288	9 002	16 238
Asset mismatch reserve	19	-	-	3 197	3 216
Investments	1 729	5 524	26 337	3 270	36 860
Linked business	229	1 072	2 346	581	4 228
Business with no investment guarantees	210	1 106	3 273	603	5 192
Business with minimum investment guarantees	130	650	1 870	347	2 997
Smoothed bonus	1 121	2 687	18 737	1 235	23 780
Market related and smoothed bonus	-	7	110	504	621
Fully guaranteed business	39	2	1	-	42
Life annuities	144	443	12 978	46 460	60 025
Guaranteed annuities	136	443	11 007	38 302	49 888
Participating annuities	8	-	1 971	8 158	10 137
Combined policies	5 329	18 246	28 790	7 764	60 129
Non-product/Other	451	4 647	-	2 663	7 761
Working capital management	85	4 647	-	246	4 978
Other	366	-	-	2 417	2 783
Total insurance policies	8 221	30 259	73 393	72 356	184 229

14. LONG-TERM POLICY LIABILITIES

14.7 Maturity analysis of insurance policy

Group

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2017					
Risk business	389	1 376	4 716	11 813	18 294
Risk underwriting	381	1 376	4 716	7 994	14 467
Asset mismatch reserve	8	-	-	3 819	3 827
Investments	1 691	5 536	15 014	3 174	25 415
Linked business	281	928	1 947	496	3 652
Business with no investment guarantees	233	1 213	3 533	598	5 577
Business with minimum investment guarantees	159	646	2 070	325	3 200
Smoothed bonus	983	2 719	7 363	1 237	12 302
Market related and smoothed bonus	-	9	100	518	627
Fully guaranteed business	35	21	1	-	57
Life annuities	112	354	11 267	46 721	58 454
Guaranteed annuities	108	354	9 653	38 329	48 444
Participating annuities	4	-	1 614	8 392	10 010
Combined policies	5 706	20 498	34 246	8 503	68 953
Non-product/Other	329	-	-	3 112	3 441
Working capital management	-	-	-	203	203
Other	329	-	-	2 909	3 238
Total insurance policies	**8 227**	**27 764**	**65 243**	**73 323**	**174 557**

Company

R million	< 1 year	1 -5 years	> 5 years	Open ended	Total
2018					
Risk business	**71**	**546**	**3 690**	**10 557**	**14 864**
Risk underwriting	**71**	**546**	**3 690**	**7 490**	**11 797**
Asset mismatch reserve	**-**	**-**	**-**	**3 067**	**3 067**
Investments	**353**	**1 749**	**5 104**	**1 830**	**9 036**
Linked business	**-**	**-**	**-**	**1**	**1**
Business with no investment guarantees	**144**	**705**	**2 183**	**587**	**3 619**
Business with minimum investment guarantees	**130**	**650**	**1 871**	**347**	**2 998**
Smoothed bonus	**81**	**385**	**940**	**391**	**1 797**
Market related and smoothed bonus	**(2)**	**9**	**110**	**504**	**621**
Life annuities	**-**	**-**	**-**	**44 789**	**44 789**
Guaranteed annuities	**-**	**-**	**-**	**38 199**	**38 199**
Participating annuities	**-**	**-**	**-**	**6 590**	**6 590**
Combined policies	**5 016**	**17 260**	**27 116**	**7 432**	**56 824**
Non-product/Other	**216**	**-**	**-**	**2 631**	**2 847**
Working capital management	**-**	**-**	**-**	**246**	**246**
Other	**216**	**-**	**-**	**2 385**	**2 601**
Total insurance policies	**5 656**	**19 555**	**35 910**	**67 239**	**128 360**
2017					
Risk business	**76**	**555**	**3 354**	**10 397**	**14 382**
Risk underwriting	**76**	**555**	**3 354**	**6 720**	**10 705**
Asset mismatch reserve	**-**	**-**	**-**	**3 677**	**3 677**
Investments	**423**	**1 732**	**5 606**	**1 810**	**9 571**
Linked business	**-**	**-**	**-**	**1**	**1**
Business with no investment guarantees	**167**	**703**	**2 469**	**583**	**3 922**
Business with minimum investment guarantees	**159**	**650**	**2 070**	**325**	**3 204**
Smoothed bonus	**97**	**370**	**967**	**383**	**1 817**
Market related and smoothed bonus	**-**	**9**	**100**	**518**	**627**
Life annuities	**-**	**-**	**-**	**45 079**	**45 079**
Guaranteed annuities	**-**	**-**	**-**	**38 230**	**38 230**
Participating annuities	**-**	**-**	**-**	**6 849**	**6 849**
Combined policies	**5 341**	**19 441**	**32 315**	**8 146**	**65 243**
Non-product/Other	**202**	**-**	**-**	**3 079**	**3 281**
Working capital management	**-**	**-**	**-**	**203**	**203**
Other	**202**	**-**	**-**	**2 876**	**3 078**
Total insurance policies	**6 042**	**21 728**	**41 275**	**68 511**	137 556

The composition of policy liabilities have been aligned with the new solvency regime compositions. Prior year have been restated accordingly.

R million	2018	2017	2018	2017
14.8 Policy liabilities include the following:				
Provision for HIV/Aids and other pandemics	**3 264**	3 259	**2 104**	2 095
Asset mismatch reserve	**3 216**	3 827	**3 067**	3 677

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; and
• 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 finance cost.

15.1 Term finance comprises:	**Group**		**Company**	
R million	**2018**	**2017**	**2018**	**2017**
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 exercised on 15 August 2018.	**-**	1 163	**-**	1 163
Unsecured subordinated bond, with interest payable at a floating rate of 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.	**1 013**	1 003	**1 013**	1 003
Unsecured subordinated callable notes to the value of R1 billion (issued during 2016) in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes represents the three-month JIBAR plus 245 basis points, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have an optional redemption date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028. During June 2017, the Group issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 210 basis points. The notes have an optional redemption date of 27 June 2022 with a final maturity date of 27 June 2027.	**2 072**	2 056	**-**	-
Preference share issued by Sanlam Emerging Markets to Sanpref (Pty) Limited. The preference share has a redemption put option which can be exercised on 22 December 2021. [1]	**2 000**	-	**-**	-
Other	**635**	112	**-**	-
Total	**5 720**	4 334	**1 013**	2 166

[1] Sanlam Emerging Markets (Pty) Ltd, a wholly owned subsidiary of the Company, has issued a target share of R2 billion to Sanpref (Pty) Ltd, a fellow subsidiary of the Company on 22 November 2018. The target shares allows Sanpref (Pty) Ltd to share in the fair value of the underlying investment in Saham Finances on a proportional basis. In terms of IAS32 the target share is classified as a debt instrument, the value of which is linked to fair value of the underlying investment in Saham Finances. Refer to note disclosure on principle subsidiaries for details on the valuation basis. The liability is classified as at fair value through profit and loss as a level 3 instrument. If the fair value of Saham Finances increased (or decreased) by 10%, the value of the liability will increase (or decrease) by R200 million.

15. TERM FINANCE (continued)

15.2 Reconciliation of term finance (including interest accrued)

R million	Group	Company
Balance at 1 January 2018	4 409	2 216
Cash movements	629	(1 353)
New issuances	2 091	-
Acquired through business combinations	1 683	
Capital repayment	(2 299)	(1 160)
Interest paid	(846)	(193)
Non-cash movements	695	162
Net fair value movements	24	7
Interest expense	783	155
Foreign currency translation differences	(112)	-
Balance at 31 December 2018 (including interest accruals)	5 733	1 025
Balance comprises:		
Term finance	5 720	1 013
Accrued interest (included in trade and other payables)	13	12

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 expense	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
Accrued interest (included in trade and other payables)	75	50

15. TERM FINANCE (continued)

R million		Group 2018	Group 2017	Company 2018	Company 2017
15.3 Maturity analysis of term finance - present value					
Due within one year		**123**	24	**85**	148
Due within two to five years		**3 939**	579	**294**	675
Due after more than five years		**1 658**	3 731	**634**	1 343
Total term finance liabilities		**5 720**	4 334	**1 013**	2 166
Maturity analysis of term finance - undiscounted					
Due within one year		**731**	235	**92**	194
Due within two to five years		**5 400**	1 332	**369**	868
Due after more than five years		**1 255**	5 551	**1 242**	2 466
Total term finance liabilities		**7 386**	7 118	**1 703**	3 528
15.4 Classification of term finance liabilities					
At fair value through profit or loss	15.4.1	**5 085**	4 222	**1 013**	2 166
Other financial liabilities	15.4.2	**635**	112	**-**	-
Total term finance liabilities		**5 720**	4 334	**1 013**	2 166
15.4.1 Term finance classified as at fair value through profit or loss					
Total designated as at fair value through profit or loss		**5 085**	4 222	**-**	2 166
Amount contractually payable at maturity		**3 498**	4 160	**-**	2 160
15.4.2 Term finance classified as other financial liabilities					
Estimated fair value of term finance liabilities measured at amortised cost		**635**	112	**-**	**-**

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

R million	Group 2018	Group 2017	Company 2018	Company 2017
16.1 Maturity analysis of structured transaction liabilities - fair value [(1)]				
Due within one year	**7 552**	3 458	**7 552**	3 455
Due within two to five years	**2 054**	539	**1 887**	343
Due within five to ten years	**10**	70	**10**	70
Due after ten years	**201**	120	**201**	120
Open ended	**5 812**	-	**29**	-
Total structured transaction liabilities	**15 629**	4 187	**9 679**	3 988
Maturity analysis of structured transaction liabilities - undiscounted				
Due within one year	**7 568**	3 468	**7 568**	3 448
Due within two to five years	**2 057**	797	**1 890**	601
Due within five to ten years	**55**	247	**55**	247
Due after ten years	**346**	1 069	**346**	1 069
Open ended	**5 812**	-	**29**	-
Total structured transaction liabilities	**15 838**	5 581	**9 888**	5 365

[(1)] Structured transaction liabilities are classified as mandatorily at fair value through profit or loss.

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 are measured at the present value of the amounts that are expected to be paid to settle the obligations. Provisions are charged to the income statement in the line item to which it relates.

Details of the different classes of provisions are as follows:

R million	Possible claims	Other	Total
Group			
Balance at 1 January 2017	98	75	173
Charged to the statement of comprehensive income	-	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**
Charged to the statement of comprehensive income	-	102	102
Additional provisions	-	121	121
Unused amounts reversed	-	(19)	(19)
Acquired through business combinations	30	134	164
Utilised during the year	(105)	(53)	(158)
Foreign currency translation differences	1	10	11
Balance at 31 December 2018	**24**	**309**	**333**
Analysis of provisions			
Current	8	259	267
Non-current	16	50	66
Total provisions at 31 December 2018	**24**	**309**	**333**
Company			
Balance at 1 January 2017	98	11	109
Utilised during the year		(2)	(2)
Balance at 31 December 2017	**98**	**9**	**107**
Utilised during the year	(83)	(1)	(84)
Balance at 31 December 2018	**15**	**8**	**23**
Analysis of provisions			
Current	-	2	2
Non-current	15	6	21
Total provisions at 31 December 2018	**15**	**8**	**23**

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 is 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 probable outflows of resources from the Group arising from past events. The timing of settlement cannot reasonably be determined.

18. FINANCIAL SERVICES INCOME

Financial services income is considered to be revenue for IFRS purposes and includes both IFRS 15 revenue and revenue scoped out of IFRS 15. The different sources of revenue are listed below.

Major IFRS 15 revenue sources:

- Income from investment management activities, such as fund management fees, collective investment and linked-product administration fees, commissions, performance fees and other fees;
- Income from capital market activities, such as advisory fees and structuring fees on financing provided; and
- Income from other financial services, such as independent financial advice and trust services.

Major revenue sources not within the scope of IFRS 15:

- Income earned from long-term insurance activities, such as 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 investments held for capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities.

Revenue within the scope of IFRS 15 is either recognised at a point in time or over time. Revenue is recognised over time if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If none of the above criteria is met, revenue is recognised at a point in time.

IFRS 15 Revenue disaggregation

Revenue from contracts with customers are disaggregated by geographic location and type of revenue. It is also split per the group's key reporting segments. We believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Recognition of different sources of revenue:

Fees for investment management or administration 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. Related performance fees are also recognised over time, however represent variable consideration and therefore recognition is constrained until there is a 'high degree of confidence' that revenue will not be reversed in a subsequent reporting period; this is typically on crystallisation of the fee.

Commissions from investment management or administration services in respect of investment contracts are recognised as services are rendered. For IFRS 15 purposes, these commissions are recognised either at a point in time or over time.

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. The **long-term policy contract fee income** is recognised as revenue over time 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. For IFRS 15 purposes, these fees are accounted for either over time as the related services are rendered or at a point in time, depending on when the performance obligations are satisfied.

Actuarial and risk management fees relates to actuarial billing to clients.

	Group		Company	
R million	2018	2017	2018	2017
Analysis per revenue source				
Long-term insurance	**32 127**	28 348	**18 370**	16 649
General insurance	**34 819**	29 811	**-**	-
Other financial services	**1 298**	1 784	**-**	-
Total financial services income	**68 244**	59 943	**18 370**	16 649
Analysis per revenue category				
Long-term insurance fee income	**32 128**	28 348	**18 370**	16 649
Investment management fees	**489**	591	**489**	477
Risk benefit charges and other fee income*	**31 639**	27 757	**17 881**	16 172
General insurance premiums	**34 818**	29 811	**-**	-
Premiums receivable	**36 535**	30 508	**-**	-
Change in unearned premium provision	**(1 717)**	(697)	**-**	-
Other financial services fees and income	**1 294**	1 781	**-**	-
Trading profit	**4**	3	**-**	-
Total financial services income	**68 244**	59 943	**18 370**	16 649

*Includes risk benefit charges, administration services and other fee income.

18. FINANCIAL SERVICES INCOME (continued)

Group

Disaggregation of revenue

According to primary geography

	South Africa	Rest of Africa	Other International	Total
IFRS 15 Revenue	6 205	737	66	7 008
Administration fees	4 570	438	-	5 008
Asset management and performance fees	951	228	65	1 244
Commissions	92	56	-	148
Consulting fees	181	12	-	193
Actuarial and risk management fees	198	-	-	198
Other[(1)]	213	3	1	217
Revenue not within the scope of IFRS 15	52 149	8 215	872	61 236
Financial services income	**58 354**	**8 952**	**938**	**68 244**

According to timing of revenue recognition

R million	At a point in time	Over time [(2)]	Not in the scope of IFRS 15	Total
IFRS 15 Revenue	174	6 834	-	7 008
Administration fees	7	5 001	-	5 008
Asset management and performance fees	6	1 238	-	1 244
Commissions	31	117	-	148
Consulting fees	38	155	-	193
Actuarial and risk management fees	-	198	-	198
Other[(1)]	92	125	-	217
Revenue not within the scope of IFRS 15	-	-	61 236	61 236
Financial services income	**174**	**6 834**	**61 236**	**68 244**

[(1)]Other IFRS 15 revenue includes trust and estate fee income of R156 million. The remaining amount relates to rebates and scrip lending fees received.

[(2)] Performance fees subject to constraint on recognition of variable consideration.

Company

Disaggregation of revenue

According to primary geography

R million	South Africa	Rest of Africa	Other International	Total
IFRS 15 Revenue	4 972	-	-	4 972
Administration fees	4 324	-	-	4 324
Asset management and performance fees	418	-	-	418
Consulting fees	35	-	-	35
Actuarial and risk management fees	191	-	-	191
Other[(1)]	4	-	-	4
Revenue not within the scope of IFRS 15	13 398	-	-	13 398
Financial services income	**18 370**	**-**	**-**	**18 370**

According to timing of revenue recognition

R million	At a point in time	Over time [(1)]	Not in the scope of IFRS 15	Total
IFRS 15 Revenue	37	4 935	-	4 972
Administration fees	-	4 324	-	4 324
Asset management and performance fees	-	418	-	418
Commissions	-	-	-	-
Consulting fees	35	-	-	35
Actuarial and risk management fees	-	191	-	191
Other	2	2	-	4
Revenue not within the scope of IFRS 15	-	-	13 398	13 398
Financial services income	**37**	**4 935**	**13 398**	**18 370**

[(1)] Performance fees subject to constraint on recognition of variable consideration.

	Group		Company	
	2 018	**2 017**	**2 018**	**2 017**
19. REINSURANCE PREMIUMS PAID				
Long-term insurance	**2 342**	1 693	**1 452**	1 175
General insurance	**8 903**	7 837	**-**	-
Premiums payable	**9 634**	8 257	**-**	-
Change in unearned premium provision	**(731)**	(420)	**-**	-
Total reinsurance premiums paid	**11 245**	9 530	**1 452**	1 175

20. REINSURANCE INCOME				
Reinsurance commission received				
Long-term insurance	**82**	30	**-**	-
General insurance	**2 084**	1 655	**-**	-
Total reinsurance commission received	**2 166**	1 685	**-**	-
Reinsurance claims received				
Long-term insurance	**1 658**	1 372	**1 227**	1 154
General insurance	**5 041**	6 526	**-**	-
Total reinsurance claims received	**6 699**	7 898	**1 227**	1 154

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. It also includes expected credit losses of financial assets at amortised cost.

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.

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

In terms of these plans, Sanlam undertakes to deliver a fixed number of shares to selected employees on predetermined 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, and meets specified individual performance hurdles. Group and/or cluster hurdles are also applicable for some of the plans. Refer to the online Remuneration Report for information on these plans. 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 applicable), 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.

Directors' remuneration

Non-executive directors' emoluments for the year ended 31 December 2018 (R'000)

Name	Directors' fees	Attendance and committees	Fees from Group	Total
MM Bakane-Tuoane [(1)]	93	233	-	326
AD Botha	386	1 125	653	2 164
P Hanratty	792	1 475	-	2 267
KT Nondumo	386	1 179	811	2 376
M Mokoka[(2)]	293	595	-	888
MV Moosa[(3)]	187	241	-	428
PT Motsepe	587	559	-	1 146
SA Nkosi	606	819	-	1 425
RV Simelane	386	400	-	786
CG Swanepoel	386	1 447	1 859	3 692
J van Zyl	3 297	-	-	3 297
PL Zim[(4)]	-	-	-	-
S Zinn[(5)]	-	-	-	-
Total non-executive directors	**7 399**	**8 073**	**3 323**	**18 795**

(1) *Retired March 2018.*
(2) *Appointed March 2018.*
(3) *Retired June 2018.*
(4) *Retired January 2018.*
(5) *Appointed December 2018.*

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R471 450 (2017: R868 299)

Executive directors' and prescribed officers' emoluments for the year ended 31 December 2018 (R'000)

Name	Months in service	Salary/ Fees	Company contributions	Subtotal: Guaranteed package	Annual bonus	Attributable value of LTIs [(4)]	Total
IM Kirk	12	8 910	210	9 120	11 000	10 929	31 049
HC Werth	12	5 178	210	5 388	5 000	5 791	16 179
TI Mvusi[(1)]	12	4 138	720	4 858	3 500	3 723	12 081
Subtotal: executive directors		**18 226**	**1 140**	**19 366**	**19 500**	**20 443**	**59 309**
A Gildenhuys	12	4 530	210	4 740	4 300	10 045	19 085
L Lambrechts	12	5 330	210	5 540	6 900	4 200	16 640
J Ngulube	12	4 521	289	4 810	3 750	2 509	11 069
R Roux	12	4 788	210	4 998	6 100	4 448	15 546
J Strydom	12	4 811	209	5 020	4 300	8 733	18 053
Executive committee		**42 206**	**2 268**	**44 474**	**44 850**	**50 378**	**139 702**

(1) *Includes an amount of R356 937 paid by Santam.*
(2) *Fair value of LTI's (excluding equity-settled OPPs) granted during the year, assuming 100% vesting.*

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

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

Name	Directors' fees	Allowance [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 [5]	OPP payment [5]	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 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 5 January 2018 as director. The contractual lump sum is equal to 3 months guaranteed remuneration in lieu of notice period plus accrued leave.

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.

Fees from Group companies for the year ended 31 December 2018 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	181	373	99	653
KT Nondumo	236	87	488	811
CG Swanepoel	228	126	1 505	1 859
Total fees from Group companies	**645**	**586**	**2 092**	**3 323**

21. EXPENSES (continued)

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**

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 2018	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 • 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
Jurie Strydom	1 January 2018 - 31 December 2020 338 480 Sanlam shares were awarded in 2018 and will vest in accordance with performance hurdles for net result from financial services (30% weighting), RoGEV (30% weighting), net value of new covered business (25% weighting) and key strategic initiatives (15% weighting).	**Net result from financial services:** • Base value: 2018 SPF budgeted net result from financial services of R4 292 million • Minimum hurdle: annualised real growth of 2.5% on base value • Hurdle for 100% vesting: annualised real growth of 5% on base value **RoGEV:** • Base rate: SPF budgeted RoGEV hurdle for each year as determined by Sanlam Group • Minimum hurdle: Budgeted RoGEV hurdle rate • Hurdle for 100% vesting: Budgeted RoGEV plus 2.5% **Net value of new covered business:** • Base value: 2018 SPF budgeted net value of new covered business of R1 636 million • Minimum hurdle: annualised real growth of 5% on base value • Hurdle for 100% vesting: annualised real growth of 10% on base value **Key strategic initiatives:** Advanced disclosure of these measures cannot be disclosed due to the sensitive and market sensitive nature thereof. Disclosure will be provided on vesting date.	N/A	Final measurement and vesting in March 2021

[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.

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 2018 000s	Shares 2017 000s
Group		
Executive share incentive scheme		
Total number of shares at beginning of year	**19 916**	20 694
Unrestricted shares at beginning of year	**(592)**	(428)
Restricted shares at beginning of year	**19 324**	20 266
Shares in respect of the movement of employees	**(370)**	136
Total restricted shares and share options	**18 954**	20 402
schemes	**5 222**	5 536
Unconditional shares released, available for release, or taken up	**(3 889)**	(5 062)
Options and shares forfeited/transferred to new scheme	**(636)**	(1 552)
Options converted to shares	**-**	-
Restricted shares at end of year	**19 651**	19 324
Unrestricted shares at end of year	**272** [1]	592
Total number of shares at end of year	**19 923**	19 916
Shares the subject of loans granted [1]	**-**	-
Total equity participation by employees	**19 923**	19 916
Company		
Executive share incentive scheme		
Total number of shares at beginning of year	**16 468**	17 497
Unrestricted shares at beginning of year	**(592)**	(425)
Restricted shares at beginning of year	**15 876**	17 072
Shares in respect of the movement of employees	**1 125**	182
Total restricted shares and share options	**17 001**	17 254
New restricted shares granted in terms of restricted share and DSP schemes	**4 728**	4 433
Unconditional shares released, available for release, or taken up	**(3 469)**	(4 312)
Options and shares forfeited/transferred to new scheme	**(601)**	(1 499)
Options converted to shares	**-**	-
Restricted shares at end of year	**17 659**	15 876
Unrestricted shares at end of year	**272** [1]	592
Total number of shares at end of year	**17 931**	16 468
Shares the subject of loans granted [1]	**-**	-
Total equity participation by employees	**17 931**	16 468

[1] *Outstanding amount of loans granted in respect of these shares amounts to Rnil (2017: Rnil) for the Group and Rnil (2017: Rnil) for the Company. No new loans were granted during the current year.*

[1] *During the year 317 920(Group) (2017: 800 590) and 317 920 (Company) (2017: 803 801) number of shares became unrestricted in terms of Restricted Share Plan.*

Details regarding the restricted shares outstanding on 31 December 2018 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)	**2018**	**2017**	**2018**	**2017**
31 December 2018	**-**	3 837	**-**	3 113
31 December 2019	**3 961**	4 070	**3 504**	3 253
31 December 2020	**4 436**	4 723	**3 911**	3 763
31 December 2021	**6 968**	5 114	**6 430**	4 498
31 December 2022	**2 879**	1 580	**2 552**	1 249
31 December 2023	**1 407**	-	**1 262**	-
	19 651	19 324	**17 659**	15 876

The total restricted shares granted to staff and executive directors were 5,2 million (2017: 5,5 million) for the Group and 4,7 million (2017: 4,4 million) for the Company. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R361 million (2017: R321 million) for the Group and R329 million (2017: R259 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)

	Group		Company	
R million	**2018**	**2017**	**2018**	**2017**
Auditors' remuneration				
Audit fees: statutory audit	**137**	130	**62**	55
Other services provided by	**16**	18	**5**	12
Subsidiaries' own auditors	**14**	15	**5**	12
Other Group auditors	**2**	3	**-**	-
Total auditors' remuneration	**153**	148	**67**	67
Depreciation	**327**	277	**109**	104
Operating leases	**759**	682	**116**	100
Properties	**494**	439	**114**	98
Equipment	**247**	225	**2**	2
Other	**18**	18	**-**	-
Consultancy fees	**1 156**	892	**812**	626
Technical, administrative and secretarial fees	**1 151**	829	**58**	58
Employee benefits	**9 249**	8 232	**3 824**	3 470
Salaries and other short-term benefits	**8 250**	7 214	**3 306**	3 010
Pension costs - defined contribution plans	**614**	567	**247**	221
Pension costs - defined benefit plans	**1**	(1)	**-**	-
Share-based payments	**319**	256	**270**	183
Other long-term incentive schemes	**65**	196	**1**	56
Number of employees (excluding advisors)	**19 735**	15 677	**8 015**	6 365

22. FINANCE COST

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

	Group		Company	
R million	**2018**	**2017**	**2018**	**2017**
Interest-bearing liabilities designated as at fair value through profit or loss	**787**	646	**155**	195
Interest bearing liabilities held at amortised cost	**6**	-	**-**	-
Finance cost - other	**793**	646	**155**	195

23. COLLATERAL

	Group		Company	
R million	**2018**	**2017**	**2018**	**2017**
23.1 Collateral provided				
The following assets have been pledged as collateral for the Group's structured transactions, liabilities or contingent liabilities:				
Investments	**894**	1 073	243	1 001
Interest-bearing investments	**496**	660	**243**	588
Equities and similar securities	**26**	-	**-**	-
Properties	**11**	-	**-**	-
Cash, deposits and similar securities	**361**	413	**-**	413
Working capital	**149**	**905**		
Trading account	**36**	905	**-**	-
Cash, deposits and similar securities	**113**	-	**-**	-

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:

	Group 2018	Group 2017	Company 2018	Company 2017
Fair value of collateral accepted as security for these activities	**10 397**	24 781	**12 487**	18 764

Collateral of between 100% (2017: 100%) and 120% (2017: 120%) of the value of securities on loan is held at 31 December 2018.

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 while 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 209 to 211 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 analysis are also provided in the Sanlam Integrated report on pages 207 and 213 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 27 to 32.

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 actuarial guidance notes.
· 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.

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)

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	
%	2018	2017	2018	2017	2018	2017
Reversionary bonus business						
Retirement annuity business	10.9	10.7	n/a	n/a	11.1	10.7
Individual policyholder business	8.9	8.8	7.1	6.7	10.4	10.1
Individual stable bonus business						
Retirement annuity business	10.6	10.4	9.3	8.7	10.7	10.4
Individual policyholder business	8.6	8.4	7.1	6.7	10.1	8.8
Non-taxable business	10.6	10.4	n/a	n/a	10.7	10.4
Corporate policyholder business	8.0	7.9	n/a	n/a	10.1	9.8
Individual market-related business						
Retirement annuity business	10.9	10.7	9.3	8.7	11.1	10.7
Individual policyholder business	8.9	8.8	7.1	6.7	10.1	10.1
Non-taxable business	10.9	10.7	n/a	n/a	11.1	10.7
Corporate policyholder business	8.3	8.2	n/a	n/a	10.4	10.1
Participating annuity business	9.4	8.9	n/a	n/a	9.1	8.7
Non-participating annuity business(1)	9.9	9.7	10.5	10.2	9.9	9.7
Guarantee plans(1)	6.7	4.4	4.3	4.4	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.

Future bonus rates for participating business

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

Decrements

Assumptions with regard to future mortality, disability and disability payment termination are consistent with the experience for the 4,5 years up to 30 June 2018. 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, lapse and paid-up rates are based on the experience for the 4,75 years ending 30 September 2018.

Expenses

Unit expenses are based on 31 October 2018 actual figures plus estimates for the last two months of the year (adjusted for significant differences from actual) and escalated at estimated expense inflation rates per annum.

Refer to note 2 on page 207 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% (2017: 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 117 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 Deferred tax asset

During 2016, 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.

24.8 Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payments of Principal and Interest and the business model test (refer to Investment note xx). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. Monitoring is part of the group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

24.9 Financial assets: Impairment

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used. Refer to Investments note 7.3.2 and Trade receivable note 10.1.

24.10 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 (as 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 was expected that the hedge would be effective throughout the hedging period. It was therefore concluded that hedge accounting can be applied.

The hedge was closed out on the effective date, and remained effective throughout the hedging period.

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 2018, 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 438 pensioners as at 31 December 2018 (2017: 589) who still receive an insured 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 R614 million to these funds during 2018 (2017: R567 million).

Company

The Company contributed R247 million to these funds during 2018 (2017: R221 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 Sanlam Office Personnel fund does not have any active members at the end of 2018, it only has pensioners.

The value of the fund is R776 million, of which R766 million (2017: 762 million) relates to the insurance policy with Sanlam Life Insurance Limited. 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. Approval for this transfer was granted by the regulator in February 2019.

The remaining assets of R10 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 a materially sound position as at 31 December 2018.

		Sanlam Developing Markets SA
Principal actuarial assumptions:		
2018		
Valuation date		31 Dec 2018
Pre-retirement discount rate	% pa	10.1%
Post-retirement discount rate	% pa	4.9%
Future pension increases	% pa	5.0%
Actual experience:		
Actual return on assets	% pa	-3.9%

25. RETIREMENT BENEFITS FOR EMPLOYEES (continued)

25.2 Defined benefit funds (continued)

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

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.

Group

R million	2018	2017	2016	2015	2014
Net liability recognised in statement of financial position:					
Present value of fund obligations	**863**	876	803	804	880
Actuarial value of fund assets	**(867)**	(891)	(892)	(881)	(1 205)
Net present value of funded obligations	**(4)**	(15)	(89)	(77)	(325)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**4**	15	89	77	181
Net asset recognised in statement of financial position	**-**	-	-	-	(144)

Company

R million	2018	2017	2016	2015	2014
Net liability recognised in statement of financial position:					
Present value of fund obligations	**776**	787	700	720	716
Actuarial value of fund assets	**(776)**	(787)	(778)	(769)	(1 010)
Net present value of funded obligations	**-**	-	(78)	(49)	(294)
Effect of limiting defined benefit asset to amount available to employer (asset ceiling)	**-**	-	78	49	150
Net Asset recognised in statement of financial position	**-**	-	-	-	(144)

Group

R million	Fund assets	Fund liabilities	Asset ceiling	Net Asset/Liability
2018				
Balance at beginning of the year	**891**	**(876)**	**(15)**	**-**
Contributions	**55**	**-**	**-**	**55**
Employer	**55**	**-**	**-**	**55**
Benefit payments	**(105)**	**106**	**-**	**1**
Interest income / (expense)	**10**	**(9)**	**(2)**	**(1)**
Actuarial gains and losses: change in financial assumptions	**-**	**(84)**	**-**	**(84)**
Returns from plan assets (excluding amounts included in interest)	**16**	**-**	**-**	**16**
Effect of limiting defined benefit asset to amount available to employer	**-**	**-**	**13**	**13**
Balance at end of the year	**867**	**(863)**	**(4)**	**-**
2017				
Balance at beginning of the year	892	(803)	(89)	-
Past service cost	-	(25)	-	(25)
Benefit payments	(83)	83	-	-
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)	-

Company

R million	Fund assets	Fund liabilities	Asset ceiling	Net Asset/Liability
2018				
Balance at beginning of the year	**787**	**(787)**	**-**	**-**
Contribution	**55**	**-**	**-**	**55**
Employer	**55**	**-**	**-**	**55**
Benefit payments	**(96)**	**96**	**-**	**-**
Actuarial gains and losses: change in financial assumptions	**-**	**(85)**	**-**	**(85)**
Returns from plan assets (excluding amounts included in interest)	**30**	**-**	**-**	**30**
Balance at end of the year	**776**	**(776)**	**-**	**-**
2017				
Balance at beginning of the year	778	(700)	(78)	-
Past service cost	-	(25)	-	(25)
Benefit payments	(60)	60	-	-
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)	-	-

25. RETIREMENT BENEFITS FOR EMPLOYEES (continued)

25.2 Defined benefit funds (continued)

R million	Group 2018	Group 2017	Company 2018	Company 2017
Fund assets comprise:				
Equities and similar securities	53	58	-	-
Interest-bearing investments	41	44	-	-
Cash, deposits and similar securities	7	2	-	-
Insurance policy contract	766	787	776	787
	867	891	**776**	787

No material portion of the above assets is unquoted.

The above value of fund assets includes an investment of Rnil million (2017: Rnil million) in Sanlam shares.

R million	Group 2018	Group 2017	Company 2018	Company 2017
Net expense recognised in the statement of comprehensive income (included in administration costs):				
Past service cost	**-**	(25)	-	(25)
Interest cost	1	(3)	-	-
Other	-	(58)	-	(13)
Total included in staff costs	1	(86)	-	(38)

R million	Group 2018	Group 2017	Company 2018	Company 2017
The following discounted benefits payments are expected payments to be made in future years out of the defined benefit plan obligation:				
< 1 year	**(776)**	(78)	**(776)**	(71)
1 - 5 years	**(15)**	(263)	**-**	(236)
> 5 years	**(72)**	(535)	**-**	(480)
Total expected payments	**(863)**	**(876)**	**(776)**	**(787)**

The table above includes information for both funds. As explained before, there is a process whereby, the Sanlam Office Personnel Fund will replace the current insurance policy between the fund and Sanlam Life Insurance Limited with individual policies between the pensioner and Sanlam Life Insurance Limited. This will be effected after year-end and as a result, this retirement benefit will come to an end.

25.3 Medical aid funds

The actuarially determined present value of medical aid obligations for disabled members and certain pensioners is fully provided for at year-end and is considered to be immaterial. The Group has no further unprovided post-retirement medical aid obligations for current or retired employees.

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 without limitation.

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.

R million	Group 2018	Group 2017	Company 2018	Company 2017
27.1 Operating leases				
Future operating lease commitments:				
Lease rentals due within one year	**708**	513	**104**	81
Lease rentals due within two to five years	**1 441**	1 296	**197**	200
Lease rentals due within more than five years	**514**	657	**91**	117
Total operating lease commitments	**2 663**	2 466	**392**	398

27.2 Guarantees provided in favour of others

Sanlam has provided a performance guarantee facility to third parties in respect of the business operations of Letshego Holdings, which is subject to an overall limit of R500 million in terms of the Group's governance processes. An amount of R138 million was utilised at 31 December 2018 (2017: Rnil).

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 17). 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.

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.

28. RELATED PARTIES

28.1 Ultimate shareholder

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

28.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R669 million in 2018 (2017: R567 million) for the Group and R302 million in 2018 (2017: R221 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 during 2017 (refer to note 25).

28.3 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 Remuneration Report online.

28. RELATED PARTIES (continued)

28.4 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.
Included in note 7.3.2 under corporate interest-bearing investments is R1 372 million which relates to the corporate interest-bearing investments in Bank Windhoek Limited and Letshego Holdings Limited.

Other related party transactions include: the sale of Sanlam Private Wealth to Sanlam Capital Markets for R2 billion. Sanlam Emerging Markets issued target shares of R2 billion to Sanpref for partial funding of the acquisition of further interests in Saham. Refer to note 15 for the terms and conditions relating to the target shares.

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 49.
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 109 to 112.

The Group provides financing for the loans granted to Sanlam Personal Loans. The carrying value of these loans amounts to R3 343 million. Most of these loans earn interest at the asset swap rate plus a premium of between 1,48% and 2,75%, and will mature in tranches over a period of three years up to 30 November 2021.

28.5 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.

Company					
R million		**Total Transactions**		**Balances outstanding**	
Related Parties	**Transaction / Balance type**	**2018**	**2017**	**2018**	**2017**
Holding company					
Sanlam Ltd	Inter-company balances	-	-	(5 460)	(110)
	Distributions paid	(5 550)	(5 200)	-	-
	Distributions received	337	312	-	-
Subsidiaries (Direct and Indirect)					
Channel Life Ltd	Distributions received	305	222	-	-
	Service, commission and marketing fees	20	10	-	-
Coris Capital (Pty) Ltd	Service fees	(5)	(5)	-	-
Safrican Insurance Company Limited	Distributions received	-	104	-	-
	Service, commission and marketing fees	20	8	-	-
Sanlam Developing Markets (Pty) Ltd	Service, commission and marketing fees	131	88	-	-
	Distributions received	1 196	912	-	-
Sanlam Emerging Markets (Pty) Ltd	Distributions received	465	332	-	-
	Sale of Namibian investment	-	3 362	-	-
Sanlam Health Care Management (Pty) Ltd	Service fees	7	7		
Sanlam Investment Management (Pty) Ltd	Service fees	466	444	-	-
	Scrip lending fees	15	16	-	-
	Distributions received	366	331	-	-
Sanlam Life Namibia Ltd	Cost recoveries	-	4	-	-
Sanlam Linked Investments (Pty) Ltd	Service & commission fees	32	34	-	-
Sanlam Namibia Holdings Ltd	Distributions received	-	60	-	-
	Cost recoveries	-	7	-	-
Sanlam Private Investments (Pty) Ltd	Service, commission and marketing fees	-	45	-	-
	Financial instruments	-	-	1 006	1 022
	Inter-company balances	-	-	-	4
Sanlam Trust (Pty) Ltd	Service, commission and marketing fees	(53)	37	-	-
	Distributions received	22	23	-	-
Santam Ltd	Service fees	253	235	-	-
	Inter-company balances	-	-	-	-
	Distributions received	664	614	-	-
Fellow subsidiaries (Direct and Indirect)					
Gensec Holdings BV	Inter-company balances	-	-	(20)	(475)
Glacier Financial Holdings (Pty) Ltd	Service and marketing fees	3	-	-	-
	Inter-company balances	-	-	(23)	(21)
Graviton Financial Partners (Pty) Ltd	Services, commission and marketing fees	(5)	(4)	-	-
MiWay Finance (Pty) Ltd	Inter-company balances	-	-	7	7
Radius Administrative Services (Pty) Ltd	Inter-company balances	-	-	-	-
Real Futures (Pty) Limited	Service, commission and marketing fees	3	2	-	-
Sanlam Capital Markets Ltd	Financial instruments	-	-	1 414	2 194
	Service,commission and marketing fees	2	6	-	-
	Inter-company balances	-	-	(872)	(21)
Sanlam Collective Investments (Pty) Ltd	Service, commission and marketing fees	(106)	(94)	-	-
	Inter-company balances	-	-	12	5
Sanlam FOUR Investments UK Limited	Service, commission and marketing fees	(5)	(5)	-	-
	Inter-company balances	-	-	(1)	(12)
Sanlam Health Solutions (Pty) Ltd	Inter-company balances	-	-	20	13
Sanlam Investment Holdings (Pty) Ltd	Inter-company balances	-	-	752	490
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	(54)	(54)
Sanlam Multi Managers International (Pty) Ltd	Service, commission and marketing fees	124	117	-	-
Sanlam Prefco (Pty) Ltd	Inter-company balances	-	-	(369)	(710)
Sanpref (Pty) Ltd	Inter-company balances	-	-	(331)	284
Sanlam Spec (Pty) Ltd	Inter-company balances	-	-	(89)	(58)
Satrix Managers (Pty) Ltd	Inter-company balances	-	-	1	1
Simeka Consultants and Actuaries (Pty) Ltd	Service, commission and marketing fees	(7)	(9)	-	-
	Inter-company balances	-	-	3	3
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	820	679
Associate of holding company					
AfroCentric Healthcare Assets (Pty) Ltd	Distributions received	48	14	-	-
Gensec Property Services Ltd	Property Management fee	(32)	(28)	-	-
	Tenant commission	(15)	(9)	-	-
Joint Ventures					
Indwe Broker Holdings (Pty) Ltd	Distributions received	5	4	-	-
Sanlam Personal Loans (Pty) Ltd	Distributions received	-	126	-	-
Curo Fund Services (Pty) Ltd	Asset administration fee	102	124	-	-
Speqtel Investment Holdings (Pty) Ltd	Inter-company balances	-	-	-	264

28. RELATED PARTIES (continued)

Company

R million Related Parties	Transaction	2018	2017
Denker Sanlam Collective Investments Global Dividend Feeder Fund	Distributions received	-	3
Glacier Global Stock Feeder Fund	Distributions received	1	-
Glacier Money Market Fund	Distributions received	257	264
Graviton Sanlam Collective Investments Balanced Fund	Distributions received	-	60
Graviton Sanlam Collective Investments Capital Growth Fund	Distributions received	-	10
Graviton Sanlam Collective Investments Flexible Income Fund	Distributions received	-	48
Graviton Sanlam Collective Investments Low Equity Fund	Distributions received	-	43
Sanlam Growth Institutional Fund	Distributions received	25	35
Sanlam Institutional Special Opportunities Fund	Distributions received	27	75
Sanlam Investment Management Active Income Fund	Distributions received	622	642
Sanlam Investment Management Balanced Fund	Distributions received	683	783
Sanlam Investment Management Bond Plus Fund	Distributions received	176	170
Sanlam Investment Management Enhanced Yield Fund	Distributions received	500	334
Sanlam Investment Management Financial Fund	Distributions received	12	11
Sanlam Investment Management General Equity Fund	Distributions received	256	213
Sanlam Investment Management Inflation Plus Fund	Distributions received	720	759
Sanlam Investment Management Institutional Income Plus Fund	Distributions received	137	-
Sanlam Investment Management Managed Aggressive Fund of Funds	Distributions received	40	37
Sanlam Investment Management Managed Cautious Fund of Funds	Distributions received	69	92
Sanlam Investment Management Managed Conservative Fund of Funds	Distributions received	23	32
Sanlam Investment Management Managed Moderate Aggressive Fund of Funds	Distributions received	77	78
Sanlam Investment Management Managed Moderate Fund of Funds	Distributions received	195	211
Sanlam Investment Management Medium Equity Fund	Distributions received	4	-
Sanlam Investment Management Property Fund	Distributions received	501	1 313
Sanlam Investment Management Small Cap Fund	Distributions received	17	
Sanlam Investment Management Top Choice Equity Fund	Distributions received	55	42
Sanlam Investment Management Value Fund	Distributions received	-	58
Sanlam Multi Managed Aggressive Fund of Funds	Distributions received	4	3
Sanlam Multi Managed Balanced Fund of Funds	Distributions received	108	63
Sanlam Multi Managed Bond Fund	Distributions received	242	241
Sanlam Multi Managed Cautious Fund of Funds	Distributions received	9	8
Sanlam Multi Managed Conservative Fund of Funds	Distributions received	26	27
Sanlam Multi Managed Defensive Fund of Funds	Distributions received	31	44
Sanlam Multi Managed Equity Fund	Distributions received	92	70
Sanlam Multi Managed Equity Index Fund	Distributions received	11	7
Sanlam Multi Managed Flexible Equity Fund	Distributions received	38	34
Sanlam Multi Managed Inflation Linked Bond Fund	Distributions received	11	10
Sanlam Multi Managed Institutional Positive Return Fund	Distributions received	32	-
Sanlam Multi Managed Institutional Aggressive Balanced Fund	Distributions received	76	
Sanlam Multi Managed Institutional Aggressive Equity Fund One	Distributions received	53	43
Sanlam Multi Managed Institutional Balanced Fund	Distributions received	134	104
Sanlam Multi Managed Institutional Balanced Fund of Funds	Distributions received	-	102
Sanlam Multi Managed Institutional Domestic Balanced Fund	Distributions received	-	26
Sanlam Multi Managed Institutional General Equity Fund Two	Distributions received	62	61
Sanlam Multi Managed Institutional Moderate Balanced Fund	Distributions received	151	137
Sanlam Multi Managed Institutional Positive Return Fund Three	Distributions received	59	50
Sanlam Multi Managed Institutional Positive Return Fund Four	Distributions received	30	35
Sanlam Multi Managed Institutional Prudential Balanced Fund One	Distributions received	35	31
Sanlam Multi Managed Institutional Prudential Income Provider Fund Two	Distributions received	112	123
Sanlam Multi Managed Long Term Growth Solution Fund of Funds	Distributions received	-	12
Sanlam Multi Managed Moderate Aggressive Fund of Funds	Distributions received	36	31
Sanlam Multi Managed Moderate Fund of Funds	Distributions received	15	13
Sanlam Multi Managed Property Fund	Distributions received	173	93
Sanlam Multi Managed Protection Solution 3 Fund of Funds	Distributions received	-	7
Sanlam Multi Managed Yield Plus Fund	Distributions received	20	25
Sanlam Private Wealth Equity Fund	Distributions received	-	3
Sanlam Private Wealth Global High Quality Feeder Fund	Distributions received	-	0
Sanlam Select Absolute Fund	Distributions received	35	16
Sanlam Select Bond Plus Fund	Distributions received	74	71
Sanlam Select Defensive Balanced Fund	Distributions received	121	49
Sanlam Select Flexible Equity Fund	Distributions received	48	44
Sanlam Select Managed Fund	Distributions received	43	57
Sanlam Select Optimised Equity Fund	Distributions received	17	11
Sanlam Select Strategic Income Fund	Distributions received	133	160
Sanlam Select Thematic Equity Fund	Distributions received	10	9
Sanlam Stable Growth Fund	Distributions received	25	22
Sanlam Value Institutional Fund	Distributions received	61	40
Satrix Balanced Index Fund	Distributions received	109	57
Satrix Bond Index Fund	Distributions received	74	38
Satrix Dividend + Index Fund	Distributions received	-	6
Satrix Low Equity Balanced Index Fund	Distributions received	37	17
Satrix Money Market Fund	Distributions received	17	10
Satrix Property Index Fund	Distributions received	107	63
Satrix Quality Index Fund	Distributions received	21	9
Satrix SWIX Top40 Index Fund	Distributions received	256	246
Satrix Top 40 Index Fund	Distributions received	9	5

28. RELATED PARTIES (continued)

Group R million Related Parties	Transaction / Balance type	Total Transactions 2018	Total Transactions 2017	Balances outstanding 2018	Balances outstanding 2017
Holding company					
Sanlam Ltd	Inter-company balances	-	-	(5 460)	(110)
	Dividends paid	5 550	5 200	-	-
	Dividends received	337	312	-	-
Subsidiaries of fellow subsidiaries					
Sanlam Collective Investments (Pty) Ltd	Investment Management Fees	(137)	(122)	-	-
	Investment Management Fees Income	287	299	-	-
	Performance Fees	9	53	-	-
	Financial services income	35	32	-	-
	Other Income	-			
	Administration costs	(3)	(4)	-	-
	Interest paid	-	-	-	-
	Inter-company balances	-	-	10	51
Sanlam Capital Markets (Pty) Ltd	Financial services income	(22)	-	-	-
	Interest paid	-	-	-	-
	Administration costs	2	7	-	-
	Inter-company balances	-	-	1 185	(1 124)
Glacier (Pty) Ltd	Service, commission and marketing fees	-	-	-	-
	Administration costs	30	27	-	-
	Administration costs - CDA - SEB Market link	(352)	-	-	-
	Inter-company balances	-	-	(21)	(16)
Sanlam Multi Managers International (Pty) Ltd	Administration costs	124	117	-	-
	Inter-company balances	-	-	(2)	(7)
Gensec Holdings BV	Inter-company balances	-	-	(20)	(475)
Sanpref (Pty) Ltd	Inter-company balances	-	-	(331)	284
Sanlam Spec (Pty) Ltd	Inter-company balances	-	-	(57)	(26)
Satrix Managers (Pty) Ltd	Investment Management Fees	2	7	-	-
	Inter-company balances	-	-	1	25
The Sanlam Limited Share Incentive Trust	Inter-company balances	-	-	935	868
Sanlam Investment Holdings Ltd	Inter-company balances	-	-	596	678
	Asset management fees	-	-	-	-
	Investment Management Fees	-	-	-	-
	Fee income	-	5	-	-
	Administration costs	-	-	-	-
Graviton Financial Partners (Pty) Ltd	Inter-company balances	-	-	27	42
	Investment Management Fees	(5)	(4)	-	-
Graviton Wealth (Pty) Ltd	Inter-company balances	-	-	6	10
Sanlam Asset Management Ireland Ltd	Inter-company balances	-	-	-	1
	Investment Management Fees	-	-	-	-
Coris Capital Holdings (Proprietary) Limited	Inter-company balances	-	-	41	54
Sanlam Investments (Pty) Ltd	Inter-company balances	-	-	(54)	(54)
Graviton Financial Partners	Inter-company balances	-	-	-	-
Sanlam Prefco (Pty) Ltd	Inter-company balances	-	-	(369)	(710)
Sanlam Asset Management (Ireland) Ltd	Investment Management Fees	-	18	-	-
	Inter-company balances	-	-	(0)	7
	Fee income	57	48	-	-
	Performance Fees	-	2	-	-
Sanlam Investment Management (Ireland) Ltd	Fee income	7	5	-	-
	Performance Fees	-	-	-	-
Sanlam Health Solutions	Inter-company balances	-	-	17	13
Sanlam Africa Real Estate Advisor (Pty) Ltd	Inter-company balances	-	-	24	21
Sanlam UK	Inter-company balances	-	-	(1)	(12)
	Fee income	-	8	-	-
	Administration costs	(5)	(5)	-	-
Sanlam Independent Financial Services	Inter-company balances	-	-	-	54
Real Futures	Administration costs	3	2	-	-
Simeka Consultants and Actuaries (Proprietary) Ltd	Asset management fees	(7)	(9)	3	3
Sanlam Global Investment Solutions: SGIS Division (old)	Financial services income	6	-	5	
Sanlam Private Wealth (Pty) Ltd: SA division	Financial services income	46	-	165	-
	Dividends received	141	-	-	-
Sanlam Investment Management Holdings (Pty) Ltd	Inter-company balances	-	-	255	-
Sanlam Credit Fund Advisor (Pty) Ltd	Inter-company balances	-	-	10	8
Associate of holding company					
Gensec Property Services Ltd	Asset management fees	(32)	(28)	-	-
	Tenant commission	(15)	(9)	-	-

R million	Group 2018	Group 2017	Company 2018	Company 2017
28.6 Key management personnel compensation				
Compensation to paid to the Group's key management personnel is as follows:				
Short-term employee benefits	**629**	585	**315**	312
Share-based payments(1)	**131**	139	**81**	69
Terminations	**11**	19	**-**	-
Other long-term benefits	**63**	23	**25**	4
Total key management personnel compensation	**834**	766	**421**	385

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

R million	Group 2018	Group Restated 2017	Company 2018	Company Restated 2017
29. NOTES TO THE CASH FLOW STATEMENT				
29.1 Cash generated/(utilised) in operations				
Profit before tax per statement of comprehensive income	**16 982**	18 078	**16 079**	18 474
Net movement in policy liabilities (note 14.1)	**(262)**	36 866	**1 627**	30 918
Non-cash flow items	**12 886**	(34 378)	**6 903**	(32 307)
Depreciation	**327**	277	**109**	104
Bad debts written off	**136**	45	**47**	30
Share-based payments	**67**	92	**-**	-
Profit on disposal of subsidiaries and associates	**(4 555)**	(1 369)	**-**	-
Fair value adjustments	**18 313**	(31 436)	**6 728**	(32 462)
Impairment of investments and goodwill	**417**	362	**-**	-
Amortisation of intangibles	**554**	214	**19**	21
Equity-accounted earnings	**(2 373)**	(2 563)	**-**	-
Items excluded from cash utilised in operations	**(28 890)**	(27 915)	**(20 277)**	(20 298)
Interest and preference share dividends received	**(17 663)**	(17 588)	**(9 154)**	(10 225)
Interest paid	**846**	670	**155**	196
Dividends received	**(12 073)**	(10 997)	**(11 278)**	(10 269)
Net purchase of fixed assets	**(440)**	(277)	**(171)**	(101)
Net purchase of owner-occupied properties	**(81)**	(16)	**(4)**	2
Net acquisition of investments	**(9 375)**	(17 736)	**(19 875)**	(12 111)
Increase in net working capital assets and liabilities	**7 111**	10 605	**5 416**	670
Cash utilised in operations	**(2 069)**	(14 773)	**(10 302)**	(14 753)
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	**(28)**	(4 790)	**-**	(38)
The fair value of assets acquired via business combinations is as follows:				
Equipment	**(689)**	(18)	**-**	**-**
Owner-occupied property	**(971)**	-		
Value of business acquired	**(7 682)**	(584)	**-**	**-**
Deferred acquisition costs	**(170)**	-		
Investments	**(29 324)**	(4 617)	**(314)**	(721)
Long-term reinsurance assets	**(831)**	(39)	**-**	-
Other intangible assets	**(684)**	(48)	**-**	-
Deferred tax assets	**(305)**	(15)	**-**	-
General insurance technical assets	**(2 662)**	(407)	**-**	-
Trade and other receivables	**(13 897)**	(616)	**-**	-
Cash, deposits and similar securities	**(9 011)**	(1 155)	**-**	-
Long-term policy liabilities	**15 038**	1 764	**-**	-
Term finance	**1 683**	-		
Working capital liabilities	**10 367**	512	**-**	-
Deferred tax liabilities	**4 033**	206	**-**	-
General insurance technical provisions	**17 486**	2 301	**-**	-
Cell owners' interest	**-**	1 849		
Non-controlling interest	**5 523**	260	**-**	-
Goodwill	**(15 637)**	(588)	**-**	-
Total purchase consideration (including hedge adjustment)	**(27 761)**	(5 985)	**(314)**	(759)
Cash flow hedge	**(1 500)**	-	**-**	-
Total purchase consideration (excluding hedge adjustment)	**(29 261)**	(5 985)	**(314)**	(759)
Less: Previously held interest at fair value	**13 550**	-	**-**	-
Cash element of consideration	(15 711)	(5 985)	(314)	(759)
Less: Cash, deposits and similar securities acquired	9 011	1 155	-	-
Cash component of acquisition of subsidiaries and associated companies	**(6 700)**	**(4 830)**	**(314)**	**(759)**

R million	Group 2018	Group Restated 2017	Company 2018	Company Restated 2017
29. NOTES TO THE CASH FLOW STATEMENT (continued)				
29.3 Disposal of subsidiaries and associated companies				
The fair value of assets disposed of were as follows:				
Property and equipment	**12**	-	**-**	-
Goodwill	**31**	-	**-**	-
Investments	**158**	550	**-**	-
Investments in subsidiaries and associated companies	**35**	-	**-**	-
Deferred tax assets	**46**	-	**-**	-
General insurance technical assets	**3 630**	-	**-**	-
Cash, deposits and similar securities	**277**	-	**-**	-
Deferred tax liabilities	**(7)**	-	**-**	-
Working capital liabilities	**(3 796)**	-	**-**	-
Profit on disposal of subsidiaries and associated companies	**4 555**	1 146	**-**	-
Total disposal price	**4 941**	1 696	**-**	-
Less: Deemed disposal adjustment	**(2 063)**	-	**-**	-
Less: Cash, deposits and similar securities disposed of and consideration receivable	**(2 388)**	-	**-**	-
Cash component of disposal of subsidiaries and associated companies	**490**	1 696	**-**	-
29.4 Cash and cash equivalents				
Working capital: Cash and cash equivalents	**24 340**	14 873	**4 490**	3 355
Investment cash	**33 797**	32 478	**14 201**	13 576
Bank overdraft	**(932)**	(104)	**-**	-
Total cash and cash equivalents	**57 205**	47 247	**18 691**	16 931

30. BUSINESS COMBINATIONS

Material acquisitions of the Group consolidated in the 2018 financial year

Saham Finances Group

Effective 1 October 2018, the Sanlam Group acquired the remaining interest (53.37%) in Saham Finances, gaining control for the first time. The acquisition supports the Group's vision to be a leading Pan-African financial services group. Sanlam Emerging Markets and Santam Limited hold an effective interest of 90% and 10% respectively. The Saham Finances Group provides financial services (predominately general insurance) across various countries in Africa.

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

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

R million	NAV acquired	Recognise intangibles	Recognise deferred tax/ Cash flow hedge	Total
Assets				
Equipment	702	-	-	**702**
Owner-occupied properties	971	-	-	**971**
Value of business acquired	73	7 400	-	**7 473**
Other intangible assets	460	213	-	**673**
Deferred acquisition costs	170	-	-	**170**
Long-term reinsurance assets	832	-	-	**832**
Investments	29 296	-	-	**29 296**
Deferred tax	566	-	-	**566**
General insurance technical assets	2 662	-	-	**2 662**
Working capital assets				
Trade and other receivables	13 881	-	-	**13 881**
Cash, deposits and similar securities	8 959	-	-	**8 959**
Total identifiable assets	58 572	7 613	-	**66 185**
Liabilities				
Long-term policy liabilities	(15 037)	-	-	**(15 037)**
Term finance	(1 683)	-	-	**(1 683)**
General insurance technical provisions	(17 486)	-	-	**(17 486)**
Deferred tax liability	(1 690)	-	(2 290)	**(3 980)**
Trade and other payables	(9 059)	-	-	**(9 059)**
Provisions	(361)	-	-	**(361)**
Taxation	(919)	-	-	**(919)**
Total identifiable liabilities	(46 235)	-	(2 290)	**(48 525)**
Equity				
Non-controlling interest	(4 278)	(1 795)	550	**(5 523)**
Total Equity and Liabilities	(50 513)	(1 795)	(1 740)	**(54 048)**
Total identifiable net assets	8 059	5 818	(1 740)	**12 137**
Goodwill arising on acquisition	4 822	10 359	240	**15 421**
Net purchase consideration	12 881	16 177	(1 500)	**27 558**
Purchase consideration				29 058
Cash flow hedge				(1 500)
Less: Previously held interest at fair value				**(13 550)**
Net consideration				**14 008**
Cash element of consideration				15 508
Cash flow hedge				(1 500)

Refer to the Shareholder's Fund Information in the Sanlam Limited Group Integrated Report for the analysis of Saham Finances results. The post acquisition profits for the three month period amounted to R154 million.

31. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Assets of disposal groups 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 2018, management approved the sale of three properties of Sanlam General Insurance Kenya. As at 31 December 2018 contracts of sale were not entered into yet, but is expected to occur during 2019.

During 2017, management approved the sale of the MCIS Headquarters building for R321 million. The sale occurred during the current financial year.

	Group		Company	
R million	**2018**	**2017**	**2018**	**2017**
Assets of disposal groups classified as held for sale				
Owner-occupied properties	**-**	217	**-**	-
Investment properties	**139**	104	**-**	-
	139	321	**-**	-

32. SEGMENTAL INFORMATION

Group

32.1 Business segments

R million	Sanlam Personal Finance 2018	Sanlam Personal Finance 2017	Sanlam Emerging Markets 2018	Sanlam Emerging Markets 2017	Sanlam Investments 2018	Sanlam Investments 2017	Santam 2018	Santam 2017	Sanlam Corporate 2018	Sanlam Corporate 2017	Group Office and Other 2018	Group Office and Other 2017	Consolidation entries & IFRS adjustments 2018	Consolidation entries & IFRS adjustments 2017	Policyholder activities 2018	Policyholder activities 2017	Total 2018	Total 2017
Net income	**18 398**	20 882	**14 079**	9 801	**3 441**	2 666	**24 537**	22 759	**5 591**	5 092	**(61)**	110	**1 797**	243	**6 473**	46 767	**74 255**	108 320
Financial services income	**18 477**	17 159	**11 512**	7 978	**1 376**	2 414	**23 693**	22 327	**5 491**	4 733	**80**	80	**7 615**	5 252	**-**	-	**68 244**	59 943
Reinsurance premiums paid	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(11 245)**	(9 530)	**-**	-	**(11 245)**	(9 530)
Reinsurance commission received	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**2 166**	1 685	**-**	-	**2 166**	1 685
Investment income	**700**	586	**319**	383	**83**	94	**220**	173	**93**	124	**42**	28	**8 337**	7 218	**20 676**	20 675	**30 470**	29 281
Investment surpluses	**(779)**	3 137	**2 248**	1 440	**1 982**	158	**624**	259	**7**	235	**(183)**	2	**(3 676)**	1 482	**(14 203)**	26 092	**(13 980)**	32 805
Finance cost - margin business	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-		-	**-**	-	**-**	-
Change in fair value of external investors liability & policyholder non-controlling interest	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(1 400)**	(5 864)	**-**	-	**(1 400)**	(5 864)
Net insurance and investment contract benefits and claims	**(4 542)**	(3 822)	**(3 230)**	(1 709)	**-**	-	**(13 827)**	(14 170)	**(3 254)**	(2 798)	**-**	-	**-**	-	**(5 987)**	(45 857)	**(30 840)**	(68 356)
Long-term insurance contract benefits	**(4 542)**	(3 822)	**(3 230)**	(1 709)	**-**	-	**(13 827)**	(14 170)	**(3 254)**	(2 798)	**-**	-	**13 963**	13 138	**(7 738)**	(17 169)	**(18 628)**	(26 530)
Long-term investment contract benefits	**-**	-	**-**	-	**-**	-	**-**	-		-	**-**	-	**-**	-	**1 751**	(28 688)	**1 751**	(28 688)
Short-term insurance claims	**-**	-	**-**	-	**-**	-	**-**	-		-	**-**	-	**(20 662)**	(21 036)	**-**	-	**(20 662)**	(21 036)
Reinsurance claims received	**-**	-	**-**	-	**-**	-	**-**	-		-	**-**	-	**6 699**	7 898	**-**	-	**6 699**	7 898
Expenses	**(8 645)**	(7 772)	**(4 602)**	(3 061)	**(1 045)**	(1 539)	**(6 896)**	(5 990)	**(1 446)**	(1 168)	**(342)**	(363)	**(4 288)**	(3 333)	**-**	-	**(27 264)**	(23 226)
Sales remuneration	**(3 334)**	(3 332)	**(1 568)**	(1 118)	**-**	-	**(2 635)**	(2 425)	**(67)**	(58)	**-**	-	**(2 126)**	(1 681)	**-**	-	**(9 730)**	(8 614)
Administration costs	**(5 311)**	(4 440)	**(3 034)**	(1 943)	**(1 045)**	(1 539)	**(4 261)**	(3 565)	**(1 379)**	(1 110)	**(342)**	(363)	**(2 162)**	(1 652)	**-**	-	**(17 534)**	(14 612)
Impairment of investments and goodwill	**(37)**	-	**(359)**	(297)	**-**	-	**-**	(66)		-	**-**	**-**	**(21)**	-	**-**	-	**(417)**	(363)
Amortisation of intangibles	**(78)**	(54)	**(372)**	(74)	**(19)**	(24)	**(24)**	(24)	**(17)**	(2)	**-**	-	**(44)**	(36)	**-**	-	**(554)**	(214)
Net operating result	**5 096**	9 234	**5 516**	4 660	**2 377**	1 103	**3 790**	2 509	**874**	1 124	**(403)**	(253)	**(2 556)**	(3 126)	**486**	910	**15 180**	16 161
Equity-accounted earnings	**-**	-	**2**	158	**-**	-	**18**	58	**(7)**	(13)	**-**	-	**2 360**	2 360	**-**	**-**	**2 373**	2 563
Finance cost	**-**	-		-	**-**	-		-		-	**-**	-	**(793)**	(646)	**-**	-	**(793)**	(646)
Profit before tax	**5 096**	9 234	**5 518**	4 818	**2 377**	1 103	**3 808**	2 567	**867**	1 111	**(403)**	(253)	**(989)**	(1 412)	**486**	910	**16 760**	18 078
Taxation	**(1 837)**	(1 788)	**(1 291)**	(1 181)	**(103)**	(287)	**(983)**	(601)	**(235)**	(290)	**68**	92	**872**	980	**(486)**	(910)	**(3 995)**	(3 985)
Shareholders' fund	**(1 837)**	(1 788)	**(1 291)**	(1 181)	**(103)**	(287)	**(983)**	(601)	**(235)**	(290)	**68**	92	**1 105**	1 193		-	**(3 276)**	(2 862)
Policyholders' fund	**-**	-		-				-		-	**-**	-	**(233)**	(213)	**(486)**	(910)	**(719)**	(1 123)
Profit from continuing operations	**3 259**	7 446	**4 227**	3 637	**2 274**	816	**2 825**	1 966	**632**	821	**(335)**	(161)	**(117)**	(432)	**-**	-	**12 765**	14 093
Discontinued operations		-	**-**	-	**-**	-							**-**	-	**-**	-	**-**	-
Profit for the year	**3 259**	7 446	**4 227**	3 637	**2 274**	816	**2 825**	1 966	**632**	821	**(335)**	(161)	**(117)**	(432)	**-**	-	**12 765**	14 093
Attributable to:																		
Shareholders' fund	**3 339**	7 461	**3 896**	3 312	**2 274**	816	**1 703**	1 220	**632**	821	**(82)**	(161)	**(117)**	(432)	**-**	-	**11 645**	13 037
Non-controlling interest	**(80)**	(15)	**331**	325	**-**	-	**1 122**	746	**-**	-	**(253)**	-	**-**	-	**-**	-	**1 120**	1 056
	3 259	7 446	**4 227**	3 637	**2 274**	816	**2 825**	1 966	**632**	821	**(335)**	(161)	**(117)**	(432)	**-**	-	**12 765**	14 093
Non-cash expenses/(income)	**974**	(3 031)	**(1 318)**	(1 120)	**(1 955)**	(121)	**(449)**	(63)	**23**	(215)	**260**	74	**1 370**	(3 810)	**14 203**	(26 092)	**13 108**	(34 378)
Depreciation	**51**	45	**86**	58	**8**	11	**103**	86	**2**	1	**77**	76	**-**	-	**-**	-	**327**	277
Bad debts	**29**	7	**113**	35	**-**	2	**-**	-	**4**	4	**-**	-	**(10)**	(3)	**-**	-	**136**	45
Share-based payments	**-**	-	**2**	14	**-**	-	**65**	78	**-**	-	**-**	-	**-**	-	**-**	-	**67**	92
(Profit)/loss on disposal of subsidiaries, associates and joint ventures	**-**	-	**(2 190)**	(1 189)	**(1 938)**	-	**(450)**	(180)	**(16)**	-	**(262)**	(169)	**523**	169	**-**	-	**(4 333)**	(1 369)
Fair value adjustments	**779**	(3 137)	**(58)**	(251)	**(44)**	(158)	**(174)**	(79)	**9**	(235)	**445**	167	**3 153**	(1 651)	**14 203**	(26 092)	**18 313**	(31 436)
Amortisation of intangibles	**78**	54	**372**	74	**19**	24	**24**	24	**17**	2	**-**	-	**44**	36	**-**	-	**554**	214
Impairment of investments and goodwill	**37**	-	**359**	297	**-**	-	**-**	66	**-**	-	**-**	-	**21**	(1)	**-**	-	**417**	362
Equity-accounted earnings	**-**	-	**(2)**	(158)	**-**	-	**(17)**	(58)	**7**	13	**-**	-	**(2 361)**	(2 360)	**-**	-	**(2 373)**	(2 563)

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.

The 2017 segmental split of non-cash item (fair value adjustments) has been aligned with the investment returns reported per cluster. This had no impact on the remaining segmental report or the Statement of Financial Positon and Comprehensive Income for the current or prior year.

32. SEGMENTAL INFORMATION
Group
32.1 Business segments (continued)

R million	Sanlam Life[1][2] 2018	Sanlam Life[1][2] 2017	Sanlam Emerging Markets 2018	Sanlam Emerging Markets 2017	Investment Management [2] 2018	Investment Management [2] 2017	Santam 2018	Santam 2017	Consolidation entries 2018	Consolidation entries 2017	Policyholder activities 2018	Policyholder activities 2017	Total per Group Statement of Financial Position 2018	Total per Group Statement of Financial Position 2017
Total segment assets	**40 430**	**46 600**	**83 571**	31 162	**(401)**	4 815	**43 555**	36 999	**2 801**	(730)	**593 759**	561 771	**763 715**	680 617
Total segment liabilities	**18 759**	**13 945**	**31 633**	2 433	**1 051**	3 366	**33 854**	28 888	**336**	608	**593 691**	561 685	**679 324**	610 925
Total equity	**21 671**	**32 655**	**51 938**	28 729	**(1 452)**	1 449	**9 701**	8 111	**2 465**	(1 338)	**68**	86	**84 391**	69 692

[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	2018	2017
Segment financial services income	**68 244**	59 943
South Africa & Rest of Africa	**67 307**	59 055
Other international	**937**	888
Non-current assets[2]	**33 439**	9 367
South Africa & Rest of Africa	**32 680**	8 336
Other international	**759**	1 031

[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 payables.

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. Regular way investment transactions are recognised by using trade date accounting.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. On derecognition of a financial asset, the difference between the carrying amount at the date of derecognition and the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

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 assets

On initial recognition, a financial asset is classified as measured at:

- Amortised cost, or
- Fair value through profit or loss (either mandatory or designated)
- Fair value through other comprehensive income

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at fair value through profit or loss. In addition, the group designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

On initial recognition, the group classifies its financial liabilities into one of the following categories:

- Amortised cost, or
- Fair value through profit or loss (either mandatory or designated)

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 liabilities classified as at fair value through profit or loss comprise held-for-trading liabilities, including derivatives (mandatory fair value through profit or loss) as well as financial liabilities designated as at fair value through profit or loss.

On initial recognition the group designates a financial liability as at fair value through profit or loss when doing so results in more relevant information either because:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities; or a group of financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the entity's key management personnel.

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. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

A financial asset or financial liability is initially measured at fair value, plus for a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

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 part of investment surpluses.

Subsequent measurement

Financial instruments classified as at fair value through profit or loss are measured at fair value after initial recognition. Net gains and losses (ie on the sale of investments and fair value gains and losses), interest or dividend income and foreign exchange gains or losses are recognised in profit or loss. Changes in fair value are 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.

Financial instruments classified as at amortised cost are measured at amortised cost using the effective interest method. Interest income, interest expense, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also measured in profit or loss.

33. FAIR VALUE DISCLOSURES (continued)

Impairment
The Group recognises loss allowances for expected credit losses on:
- Financial assets measured at amortised cost (including contract assets/contract receivables)
- Financial guarantee contracts

At each reporting date, the loss allowances are measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition.

At each reporting date the loss allowances are measured at an amount equal to the 12-month expected credit losses if:
- The credit risk on a financial instrument has not increased significantly since initial recognition; or
- Financial instruments are determined to have a low credit risk at the reporting date.

The Group determines whether the credit risk on a financial instrument has increased significantly by comparing this risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition together with reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition.

At each reporting date the loss allowances are measured at an amount equal to the 12-month expected credit losses if the credit risk on a financial instrument has not increased significantly since initial recognition. Financial instruments that are determined to have a low credit risk at the reporting date are assumed to have no significant increase in credit risk.

At each reporting date, the loss allowances are measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

An impairment gain or loss is recognised in profit or loss for the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

Measurement of expected credit losses
Expected credit losses are a probability-weighted estimate of credit losses measured as the present value of all cash short falls (ie the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of loss allowances in the statement of financial position
Loss allowances for expected credit losses are presented as a deduction from the gross carrying amounts of the financial assets.

Write-offs
The gross carrying amount of a financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

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 th 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 basis 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.

33. FAIR VALUE DISCLOSURES (continued)

Determination of fair value and fair value hierarchy

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

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

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

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

R million	Level 1	Level 2	Level 3	Total
Group				
Recurring fair value measurements				
31 December 2018				
Non-financial instruments	**-**	**-**	**18,485**	**18,485**
Properties	**-**	**-**	**18 485**	**18 485**
Financial instruments	**380 454**	**241 273**	**1 729**	**623 456**
Equities and similar securities	**182 828**	**4 509**	**297**	**187 634**
Interest-bearing investments	**29 253**	**171 310**	**69**	**200 632**
Investment in joint ventures	**-**	**-**	**539**	**539**
Structured transactions	**8 013**	**13 328**	**-**	**21 341**
Investment funds	**155 584**	**6 347**	**824**	**162 755**
Trade and other receivables	**4 776**	**2 649**	**-**	**7 425**
Cash, deposits and similar securities: Investments	**-**	**40 771**	**-**	**40 771**
Cash, deposits and similar securities: Working capital assets	**-**	**2 359**	**-**	**2 359**
Total assets at fair value	**380 454**	**241 273**	**20 214**	**641 941**
Financial instruments	**71 062**	**335 559**	**2 000**	**408 621**
Investment contract liabilities	**-**	**311 713**	**-**	**311 713**
External investors in consolidated funds	**66 515**	**3 960**	**-**	**70 475**
Term finance	**-**	**3 085**	**2 000**	**5 085**
Structured transactions liabilities	**-**	**15 629**	**-**	**15 629**
Trade and other payables	**4 547**	**1 172**		**5 719**
Total liabilities at fair value	**71 062**	**335 559**	**2 000**	**408 621**

R million	Level 1	Level 2	Level 3	Total
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
Trade and other receivables	7 020	617	-	7 637
Investment in joint ventures	-	-	359	359
Cash, deposits and similar securities: Investments	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
External investors in consolidated funds	64 777	-	-	64 777
Term finance	-	4 222	-	4 222
Structured transactions liabilities	-	4 187	-	4 187
Trade and other payables	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
Company				
31 December 2018				
Non-financial instruments	**-**	**-**	**8 984**	**8 984**
Properties	**-**	**-**	**8 984**	**8 984**
Financial instruments	**339 940**	**105 933**	**105 817**	**551 690**
Equities and similar securities	**68 200**	**1 692**	**15**	**69 907**
Investment in subsidiaries, joint ventures and associated companies	**21 828**	**-**	**104 681**	**126 509**
Interest-bearing investments	**25 329**	**71 695**	**417**	**97 441**
Structured transactions	**4 921**	**12 748**	**-**	**17 669**
Investment funds	**219 662**	**1 346**	**704**	**221 712**
Trade and other receivables	**-**	**1 892**	**-**	**1 892**
Cash, deposits and similar securities: Investments	**-**	**14 201**	**-**	**14 201**
Cash, deposits and similar securities: Working capital assets	**-**	**2 359**	**-**	**2 359**
Total assets at fair value	**339 940**	**105 933**	**114 801**	**560 674**
Financial instruments		**285 291**	**32 225**	**317 516**
Investment contract liabilities	**-**	**274 599**	**-**	**274 599**
Term finance	**-**	**1 013**	**-**	**1 013**
Loans from subsidiaries	**-**	**-**	**32 225**	**32 225**
Structured transactions liabilities	**-**	**9 679**	**-**	**9 679**
Total liabilities at fair value	**-**	**285 291**	**32 225**	**317 516**

33. FAIR VALUE DISCLOSURES (continued)

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	88 682	530 371
Equities and similar securities	75 119	1 772	92	76 983
Investment in subsidiaries, joint ventures and associated companies	20 050	-	87 640	107 690
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
Trade and other receivables	-	286	-	286
Cash, deposits and similar securities: Investments	7 063	6 513	-	13 576
Total assets at fair value	356 915	84 774	95 333	537 022
Financial instruments		269 930	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

Group

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

R million
31 December 2018

Assets	Properties	Equities and similar securities	Interest bearing investments	Investment Funds	Investment in joint ventures	Total assets
Balance at 1 January 2018	**8 853**	**183**	**30**	**684**	**359**	**10 109**
Net gains in statement of comprehensive income	**357**	**64**	**3**	**33**	**180**	**637**
Acquisitions/Issues	**2 100**	**130**	**36**	**106**	**-**	**2 372**
Acquired through business combinations	**7 446**	**-**	**-**	**-**	**-**	**7 446**
Disposals	**(51)**	**(100)**	**-**	**-**	**-**	**(151)**
Foreign exchange movements	**(91)**	**20**	**-**	**1**	**-**	**(70)**
Transfers to owner-occupied property	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Reclassified from disposal groups classified as held for sale	**(128)**	**-**	**-**	**-**	**-**	**(128)**
Transfers from level 2						**-**
Balance at 31 December 2018	**18 485**	**297**	**69**	**824**	**539**	**20 214**

Liabilities	Term finance	Investment contract liabilities	Total liabilities
Balance at 1 January 2018	**-**	**656**	**656**
Acquisitions	**2,000**		**2,000**
Disposals	**-**	**(677)**	**(677)**
Foreign exchange movements	**-**	**21**	**21**
Balance at 31 December 2018	**2,000**	**-**	**2,000**

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**
Net gains/(loss) in statement of comprehensive income	**507**	**5**	**-**	**(62)**	**(64)**	**386**
Acquisitions/Issues	**507**	**21**	**-**	**-**	**-**	**528**
Disposals	**(312)**	**(2)**	**-**	**(117)**	**-**	**(431)**
Settlements	**-**	**-**	**(362)**			**(362)**
Reclassified as disposal groups classified as held for sale	**551**	**-**	**-**	**-**	**-**	**551**
Foreign exchange movements	**(105)**	**(9)**	**-**	**-**	**-**	**(114)**
Transfer to owner-occupied property	**(13)**	**-**	**-**	**-**	**-**	**(13)**
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
Net gains/(loss) in statement of comprehensive income	-	-
Foreign exchange movements	(10)	(10)
Balance at 31 December 2017	656	656

33. FAIR VALUE DISCLOSURES (continued)

Company

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

R million

31 December 2018

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 2018	6 651	92	365	585	87 640	95 333
Net gains/(loss) in statement of comprehensive income	358	-	52	33	4 122	4 565
Acquisitions	1 976	-	-	86	12 921	14 983
Disposals	-	(77)	-	-	(2)	(79)
Transfer from owner-occupied properties	(1)	-	-	-	-	(1)
Properties held for sale	-	-	-	-	-	-
Balance at 31 December 2018	8 984	15	417	704	104 681	114 801

Liabilities	Loans from subsidiaries	Total liabilities
Balance at 1 January 2018	32 168	32 168
Net issues	57	57
Balance at 31 December 2018	32 225	32 225

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	77 098	83 950
Net gains/(loss) in statement of comprehensive income	340	5	(67)	(52)	4 412	4 638
Acquisitions	247	-	-	-	9 507	9 754
Disposals	(156)	-	-	(118)	(3 377)	(3 651)
Transfer from owner-occupied properties	(13)	-	-	-	-	(13)
Transfers from level 1	-	-	-	-	-	-
Properties held for sale	655	-	-	-	-	655
Balance at 31 December 2017	6 651	92	365	585	87 640	95 333

Liabilities	Loans from subsidiaries	Total financial 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

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

R million	Group 2018	Group 2017	Company 2018	Company 2017
Total gains or losses included in profit or loss for the period	**637**	386	**4 565**	4 638
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	**89**	138	**4 565**	4 513

Transfers between categories
R million
Group

Assets	Equities and similar securities	Interest bearing investments[1]	Structured transactions	Investment funds	Cash, deposits and similar securities	Total financial assets
2018						
Transfer from level 1 to level 2	**-**	**142**	**-**	**-**	**-**	**142**
2017						
Transfer from level 1 to level 2	-	169	-	-	-	169
Transfer from level 2 to level 1	-	107	-	-	-	107

Liabilities	External investors in consolidated funds[2]	Term finance	Total financial liabilities
2018			
Transfer from level 2 to level 1	**-**	**-**	**-**
2017			
Transfer from level 1 to level 2	**328**	**-**	**328**

[1] 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.

[2] External investors in consolidated funds transfers relate to investment funds that listed during the year ended 2017. As a result those funds are now classified as level 1.

33. FAIR VALUE DISCLOSURES (continued)

Company

Assets	**Equities and similar securities**	**Interest bearing investments[1]**	**Structured transactions**	**Investment funds**	**Cash, deposits and similar securities**	**Total assets**
2018						
Transfer from level 1 to level 2	-	**132**	**-**	**-**	**-**	**132**
2017						
Transfer from level 1 to level 2	-	107	-	-	-	107
Transfer from level 2 to level 1	-	143	-	-	100	243

Liabilities	**Term finance**
2018	
Transfer from level 1 to level 2	**-**
2017	
Transfer from level 1 to level 2	-

[1] 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.

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

Instrument	**Applicable to level**	**Valuation basis**	**Main assumptions**	**Significant Unobservable input**
Properties	3	Recently contracted prices Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve, Capitalisation rate, Cost of Capital, Consumer price index, Cash flow forecasts (including vacany).	Capitalisation rate Discount rate Cash flow forecasts (including vacany).
Equities and similar securities	2 and 3	DCF, Earnings multiple	Cost of Capital, Consumer price index.	Cost of Capital Adjusted earnings multiple Budgets Forecasts
Investment in subsidiaries, joint ventures and associates (including loans from subsidiaries)	3	DCF, Embedded value plus multiple of value of new business (VNB), Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index.	Cost of Capital Earnings multiple
Interest-bearing investments (including insurance policies)	2 and 3	DCF, Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index.	Discount rate
Trade and other receivables/payables	2	DCF, Earnings multiple, Quoted put/ surrender price by issuer, Option pricing models	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index, 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 Earnings multiple DCF	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index, Bond interest rate curve.	Earnings Multiple
Term finance	2 & 3	DCF	Bond & forward rate Credit ratings of issuer Liquidity spread Agreement interest curves.	n/a
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, Unit prices.	Based on underlying assets
Cash ,deposits and similar securities	2	Mark-to-market Yield curve	Bond and interbank swap interest rate curve.	n/a

33. FAIR VALUE DISCLOSURES (continued)

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

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	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base / capitalisation rate
Properties [(1)]						
2018						
Cashflow risk adjustments	**18 485**	**(1 849)**	**1 849**			
Base rate				**9 864**	**(240)**	**258**
Capitalisation				**9 864**	**(297)**	**364**
				Carrying amount	**Effect of a 10% increase in earnings**	**Effect of a 10% decrease in earnings**
Earnings multiple				**8 623**	**883**	**(850)**
2017						
Cashflow risk adjustments	8 853	(885)	885			
Base rate				6 989	(264)	284
Capitalisation				6 989	(357)	437

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

Group

Assets

R million	Carrying amount [(2)]	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount [(3)]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2018						
Equities and similar securities	**297**	**30**	**(30)**	**-**	**-**	**-**
Investment Funds	**824**	**82**	**(82)**	**-**	**-**	**-**
Interest-bearing investments	**-**	**-**	**-**	**69**	**(1)**	**2**
Investment in joint ventures	**-**	**-**	**-**	**539**	**(44)**	**50**
Other investments	**1 121**	**112**	**(112)**	**608**	**(45)**	**52**
2017						
Equities and similar securities	183	18	(18)	-	-	-
Investment Funds	684	68	(68)	-	-	36
Interest-bearing investments	-	-	-	30	(1)	1
Investment in joint ventures	-	-	-	359	(32)	-
Other investments	867	86	(86)	389	(33)	37

Liabilities

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2018						
Term finance	2 000	200	(200)	**-**	**-**	**-**
Liabilities	**2 000**	**200**	**(200)**	**-**	**-**	**-**
2017						
Investment contract liabilities	-	-	-	656	66	(66)
Liabilities				656	66	(66)

(1) Investment properties comprise of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs. It also comprises of Saham Finances properties valued using a multiple of earnings.

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

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

33. FAIR VALUE DISCLOSURES (continued)

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

Company

31 December 2018

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						
2018						
Cashflow risk adjustments	**8 984**	**(898)**	**898**			
Cost of Capital				**8 984**	**(235)**	**252**
Capitalisation				**8 984**	**(294)**	**360**
2017						
Cashflow risk adjustments	6 651	(665)	665			
Cost of Capital				6 651	(235)	251
Capitalisation				6 651	(331)	405

R million	Carrying amount	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount [(3)]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other investments						
2018						
Equities and similar securities [(4)]	**15**	**1**	**(1)**	**-**	**-**	**-**
Interest bearing investments	**9**	**1**	**(1)**	**408**	**(33)**	**38**
Investment in subsidiaries, joint ventures and associates [(2)]				**104 681**	**(5 247)**	**6 996**
Investment funds [(4)]	**704**	**70**	**(70)**			
Assets	**728**	**72**	**(72)**	**105 089**	**(5 280)**	**7 034**
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)]	-	-	-	87 640	(6 095)	4 289
Investment funds	585	58	(58)	-	-	-
Assets	682	68	(68)	88 000	(6 127)	4 325

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

[(2)] Subsidiaries that conduct life insurance business are valued at embedded value plus a multiple of VNB 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.

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

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

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value
2018			
Loans from subsidiaries	**32 225**	**3 222**	**(3 222)**
Liabilities	**32 225**	**3 222**	**(3 222)**
2017			
Loans from subsidiaries	32 168	3 217	(3 217)
Liabilities	32 168	3 217	(3 217)

34. FAIR VALUE DISCLOSURES (continued)

Assets subject to offsetting, enforceable master netting arrangements and similar agreements
Group
31 December 2018

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	Related amounts not set-off in the statement of financial position: Other financial instruments [1]	Related amounts not set-off in the statement of financial position: 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]	2 386	(2 115)	271	-	-	271	21 070	21 341
Financial Liabilities								
Structured transactions [4]	6 229	(3 362)	2 867	-	-	2 867	12 762	15 629
31 December 2017								
Financial Assets								
Structured transactions [4]	2 021	(1 746)	275	-	-	**275**	**15 106**	**15 381**
Financial Liabilities								
Structured transactions [4]	3 567	(2 136)	1 431	-	(413)	**1 018**	**3 169**	**4 187**
Company								
31 December 2018								
Financial Assets								
Structured transactions [4]	2 386	(2 115)	271	-	-	271	17 398	17 669
Financial Liabilities								
Structured transactions [4]	6 229	(3 362)	2 867	-	-	2 867	6 812	9 679
31 December 2017								
Financial Assets								
Structured transactions [4]	2 021	(1 746)	275	-	-	275	12 171	12 446
Financial Liabilities								
Structured transactions [4]	3 567	(2 136)	1 431	-	(413)	1 018	2 970	3 988

[1] The figures for other financial instruments column are made up of ISDA netting, CSA Collateral, Repo's and Scrip 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 has been pledged to SCM to cover events of default.
[3] Excludes enforceable netting arrangements. Comparative information has been adjusted accordingly.
[4] Structured transactions liabilities include derivate liabilities.

35 Classification of other financial instruments

35.1 Working capital assets: Cash, deposits and similar securities

Working capital cash: Cash, deposits and similar securities are classified as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	R million	**R million**	**R million**	**R million**
Amortised cost [(1)]	**21 981**	**14 873**	**2 131**	**3 355**
Fair value through other comprehensive income [(2)]	**2 359**	**-**	**2 359**	**-**
Total Working capital assets: Cash, deposits and similar securities	**24 340**	**14 873**	**4 490**	**3 355**

[(1)] Working capital assets: The carrying values of cash, deposits and similar securities that are classified at amortised cost approximates their fair values. These are classified as level 2 instruments and the valuation is based on discounted cash flows.

[(2)] Refer to note 32 for the fair value levels. No material adjustments to fair value occurred during the accounting period.

35.2 External investors in consolidated funds

These are designated at fair value through profit and loss. Refer to note 32 for the fair value levels.

36 ADOPTION OF NEW STANDARD AND RESTATEMENTS

36.1 Transitional adjustments

Group
STATEMENT OF FINANCIAL POSITION
At 1 January 2018

R million	Previously reported Audited	Adjustments IFRS 9	Restated Audited
ASSETS			
Investments	620 709	(434)	**620 275**
Properties	8 853	-	**8 853**
Investment in associates and joint ventures	201 904	(428)	**201 476**
Equities and similar securities	25 439	-	**25 439**
Interest-bearing investments	178 966	(6)	**178 960**
Structured transactions	15 381	-	**15 381**
Investment funds	152 343	-	**152 343**
Cash, deposits and similar securities	37 823	-	**37 823**
Working capital assets	41 586	(7)	**41 579**
Trade and other receivables	26 713	(7)	**26 706**
Cash, deposits and similar securities	14 873	-	**14 873**
Other assets	18 723	-	**18 723**
Total assets	681 018	(441)	**680 577**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	5 000	-	**5 000**
Treasury shares	(9)	-	**(9)**
Other reserves	6 121	-	**6 121**
Retained earnings	52 617	(429)	**52 188**
Shareholders' fund	63 729	(429)	**63 300**
Non-controlling interests	5 962	(12)	**5 950**
Total equity	69 691	(441)	**69 250**
Total liabilities	611 327		**611 327**
Total equity and liabilities	681 018	(441)	**680 577**

Company
The Company has assessed the impact of the adoption of IFRS 9 and IFRS 15 on opening retained earnings and concluded that there is no quantitative impact.

IFRS 9 – *Financial Instruments*

The principles with regards to the classification and measurement of financial assets and liabilities, measuring impairment allowances for financial assets, and hedge accounting have been amended due to the implementation of the new accounting standard, IFRS 9 – Financial Instruments, applicable to all accounting periods beginning on or after 1 January 2018. Sanlam has implemented the standard, other than the hedging provisions which have not yet been adopted, on a modified retrospective basis and therefore comparatives are not restated and the impact of the adoption is recognised in equity on 1 January 2018.

The key changes introduced by IFRS 9 are as follows:

1. Classification and measurement – financial assets are required to be measured and classified based on the cash flow characteristics of the instrument and the business model under which the asset is managed. The classification and measurement of financial liabilities is largely unchanged, with the exception of the amendment requiring that the own credit risk component of fair value movements on liabilities designated at fair value through profit or loss now be presented in other comprehensive income.

2. Impairment – IFRS 9 introduces an expected credit loss model. This entails the recognition of an allowance for expected credit loss looking one year into the future or over the lifetime of the financial asset if the credit risk relating to the financial asset has increased significantly. The impairment model is therefore ‘forward looking’, replacing the incurred loss model as previously required by IAS 39.

The adoption of IFRS 9 has resulted in a reduction in total equity of R441 million on 1 January 2018. The impact is primarily a result of the recognition of expected credit losses in associated entities as well as isolated incidents of changes in the classification and measurement of certain financial instruments.

The majority of financial assets were measured at fair value through profit and loss under IAS39, and continue to be under IFRS 9, either because they are mandatorily measured as such, or through designation.

The changes in classification and measurement are as follows:

Certain financial assets, predominantly interest bearing investments, previously measured at amortised cost under IAS 39, have been reclassified to fair value through profit or loss under IFRS 9. The remeasurement impact on opening retained earnings is an increase of R6 million.

The change in fair value that is attributable to changes in the credit risk of financial liabilities designated at fair value through profit or loss is presented in other comprehensive income under IFRS 9. In the current period, this portion of the movement in such instruments was immaterial.

Impairment of financial assets

Based on the impairment methodology described above, the Group has determined that the application of IFRS 9’s impairment requirements at 1 January 2018 results in additional impairment allowances in a number of equity-accounted associates.

The total impact on the balance of associates and opening retained earnings at 1 January 2018 is negative R428 million. The impact of applying the expected credit losses model in subsidiary entities resulted in a decrease in net asset value of R19 million.

IFRS 15 – *Revenue from Contracts with Customers*
This standard relates to the measurement, classification and disclosure of revenue from contracts with customers.

The key factors in the application of IFRS 15 are as follows:

- A five-step model is applied to determine when to recognise revenue from contracts with customers, and at what amount.
- Revenue is recognised when (or as) Sanlam satisfies a performance obligation and transfers control of goods or services to a customer at the amount to which the company expects to be entitled and that is allocated to that specific performance obligation.
- Depending on whether certain criteria are met, revenue is recognised either over time or at a point in time, as or when control of the goods or services is transferred to the customer.
- More extensive and detailed disclosures are required in terms of IFRS 15.

The Group has assessed the impact of the adoption of IFRS 15 on opening retained earnings and concluded that there is no quantitative impact for Sanlam.

36.2 RESTATEMENT OF GROUP CASH FLOW STATEMENT

Management reassessed the presentation of the Sanlam Life Group and Company cash flow statements in respect of cash flows relating to the acquisition and disposal of investments that are backing its core operations. These were previously classified as investing cash flows and created a disconnect between operating and investing cash flows, as these investments are funded by cash flows associated with the origination of insurance and investment contracts, which are respectively treated as operating cash flows. Management concluded that presenting acquisitions and disposals of investments as part of operating cash flows more accurately reflects to the users of the financial statements, the link between the ability to generate cash from investment and insurance contracts and the utilisation of those cash flows on various investments.

Group		**2017**	
	As previously reported	**Adjustments**	**Restated**
Cash flows from operating activities	21 310	(17 736)	3 574
Cash flows from investing activities	(20 870)	17,736	(3 134)
Net acquisition of investments	(17 736)	17 736	-
Acquisition of subsidiaries and associates	(4 830)	-	(4 830)
Disposal of subsidiaries and associated companies	1 696	-	1 696

Company		2017	
	As previously reported	Adjustments	Restated
Cash flows from operating activities	10 841	(12 111)	(1 270)
Cash flows from investing activities	(12 870)	12,111	(759)
Net acquisition of investments	(12 111)	12 111	-
Acquisition of subsidiaries and associates	(759)	-	(759)
Disposal of subsidiaries and associated companies	-	-	-

The above restatements did not have any impact on the Sanlam Life Group and Company statements of financial position, statements of comprehensive income and statements of changes in equity.

36.3 CHANGE IN VALUATION OF LIFE INSURANCE SUBSIDIARIES

Since the introduction of embedded values (EV) in South Africa, Sanlam Life Insurance Limited has been using EV to measure the fair value of its life insurance subsidiaries for purposes of its separate financial statements. At the time of adopting EV as the fair value model, it was deemed appropriate, given the nature of the life insurance businesses held by the Company, as well as prevailing market conditions. With the increasing acceptance of and confidence in EV, market participants have over time started to add a multiple of value of new business (VNB) on top of EV to the valuations to reflect future growth expectations. In addition, the Company has acquired life operations in high growth markets. In past reporting periods the Company did not recalibrate its EV models to reflect this. During 2018, the Company reassessed these valuations and concluded that the approach followed in the past resulted in the understatement of the fair values at previous reporting dates. The Company commensurately corrected its measurement from a purely EV model to an EV plus a multiple of VNB model to more appropriately reflect the valuations of its life insurance subsidiaries. The carrying value of life insurance subsidiaries as at 31 December 2017 and 31 December 2016, which were previously measured at EV, have been restated to EV plus a multiple of VNB.

Group

The change in measurement basis did not have any impact on the Sanlam Life Group's results.

Company	**2017**		
	As previously reported	**Adjustments**	**Restated**
Statement of financial position			
Investment in subsidiaries, associated companies and joint ventures	101 306	6 384	107 690
Statement of comprehensive income			
Investment surpluses	30 486	1 976	32 462

Company	**2016**		
	As previously reported	**Adjustments**	**Restated**
Statement of financial position			
Investment in subsidiaries, associated companies and joint	89 719	4 408	94 127

Sanlam Life Insurance Limited
Principal Subsidiaries
at 31 December 2018

			Fair value of interest in subsidiaries			
	Country of		Equities		Loans *	
	incorporation	%	2018	2017	2018	2017
		interest	R million	R million	R million	R million
Investment companies [#]						
U.R.D. Beleggings (Pty) Limited	RSA	100	**21 776**	21 728	**(21 521)**	(21 428)
Sanlam Africa Credit Investments Limited	MAU	100	**428**	379	**-**	-
Property investment company [#]						
Anson Holdings (Pty) Limited	RSA	100	**-**	-	**-**	-
Jane Furse Plaze (Pty) Limited	RSA	-	**-**	-	**-**	-
Rycklof Beleggings (Pty) Limited	RSA	100	**1 469**	1 470	**(1 461)**	(1 462)
San Lameer (Pty) Ltd	RSA	100	**14**	13	**(13)**	(13)
Acornhoek Plaza Share Block (Pty) Limited	RSA	-	**-**	-	**-**	-
Kwagga Plaza Share Block (Pty) Limited	RSA	-	**-**	-	**-**	-
Winter Robin Investments 26 Proprietary Limited (Waterfall Industrial)	RSA	80	**425**	397	**-**	-
Speculation company in negotiable securities [#]			**-**			
Edimed (Pty) Ltd	RSA	100	**76**	76	**(76)**	(76)
Asset Management [+]						
Sanlam Investment Management (Pty) Limited	RSA	100	**4 088**	4 633	**221**	257
Brackenham Holdings (Pty) Limited	RSA	100	**-**	-	**-**	-
Linked Investment Service Provider [+]						
Sanlam Linked Investments (Pty) Limited	RSA	100	**55**	-	**2** **	64 **
Trust services [+]						
Sanlam Trust (Pty) Limited	RSA	100	**224**	300	**(10)**	(20)
Administration Services [+]						
Completemed Healthcare Consultants (Pty) Ltd	RSA	100	**-**	-	**-**	2
Sanlam Healthcare Management (Pty) Limited	RSA	100	**68**	95	**-**	-
Infinit Group Risk Solutions (Pty) Limited	RSA	100	**-**	-	**-**	-
ABSA Consultants and Actuaries	RSA	100	**299**	-	**6**	-
Succession Financial Planning Advisory Services (Pty) Ltd	RSA	100	**5**	-	**5**	-
Life Insurance						
Brightrock Holdings (Pty) Limited	RSA	53	**1 090**	767	**-**	-
Safrican Insurance Company Limited [$]	RSA	100	**1 517**	1 710	**(69)**	(77)
Sanlam Life Namibia Limited [$]	Namibia	-	**-**	-	**84**	184
Sanlam Namibia Holdings Limited [+ $]	Namibia	-	**-**	-	**-**	-
Sanlam Developing Markets Limited [$]	RSA	100	**13 819**	13 320	**209**	199
Channel Life Limited [$]	RSA	100	**1 059**	1 271	**57**	25
Sanlam Emerging Markets (Pty) Limited [+ $]	RSA	100	**47 230**	30 286	**(1 144)**	(1 147)
Short-term insurance [^]						
Santam Limited	RSA	61	**20 102**	18 108	**7**	8
Dormant companies [#]						
Coris Capital Holdings (Pty) Limited	RSA	100	**-**	-	**41**	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				-	**11**	12
Total			**121 689**	102 498	**(31 596)**	(31 363)

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

(1) Sanlam Life Insurance Ltd holds a 35% interest directly and a 19% holding indirectly in Sanlam Namibia Holdings Ltd.

* 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 plus a multiple of VNB. Investments in Group companies are carried at cost less accumulated impairment. The fair values disclosed are classified as level 3 instruments in terms of IFRS 13. Investment management subsidiaries are valued on a discounted cash flow (DCF) basis, subsidiaries that conduct life insurance businesses are valued at embedded value plus a multiple of VNB of new life insurance business and other subsidiaries and loans are valued using DCF. Refer to note 7.4.

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

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]**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	%	%	**%**	%	**%**	**%**
Shareholder's fund	61.39	61.45	51.00	51.00	60.34	60.33
Policyholder's fund	0.38	0.15	-	-	2.27	2.27
Non-controlling interest	38.23	38.40	49.00	49.00	37.39	37.40
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	**2018**	2017	**2018**	2017	**2018**	2017
Summarised statement of profit or loss for the year ending 31 December:						
Net income	**26 746**	24 471	**1 426**	1 530	**3 000**	3 728
Net insurance and investment contract benefits and claims	**(13 848)**	(14 185)	**(762)**	(872)	**(1 573)**	(2 316)
Expenses	**(8 824)**	(7 634)	**(547)**	(539)	**(1 106)**	(927)
Share of profit of associates and joint ventures	**182**	273	**-**	-	**211**	320
Profit before tax	**3 661**	2 400	**117**	114	**532**	805
Income tax	**(895)**	(479)	**(53)**	(41)	**(131)**	(139)
Discontinued Operations	**-**	-		-	**-**	-
Profit for the year	**2 766**	1 921	**64**	73	**401**	666
Total comprehensive income	**2 986**	1 646	**196**	72	**638**	363
Attributable to non-controlling interests	**1 242**	738	**96**	35	**251**	144
Dividends paid to non-controlling interests	**522**	531	**11**	26	**232**	180
Summarised statement of financial position as at 31 December:						
Assets						
Investments	**22 941**	18 813	**15 226**	13 111	**21 090**	19 234
Other non-current assets	**1 237**	1 194	**231**	192	**350**	322
Non-current assets held for sale	**-**	-	**-**	321	**-**	-
Deferred tax (non-current)	**93**	36	**-**	-	**-**	-
Other current assets	**-**	-	**-**	-	**-**	-
Cash and cash equivalents (working capital)	**7 511**	6 978	**142**	57	**69**	194
Trade and other receivables	**6 407**	5 476	**453**	408	**521**	470
Liabilities						
Policyholder liabilities	**(1 672)**	(1 841)	**(13 642)**	(12 038)	**(13 499)**	(15 629)
Other non-current liabilities	**(5 535)**	(5 388)	**-**	-	**(3 960)**	-
Non-current liabilities held for sale	**-**	-	**-**	-	**-**	-
Deferred tax (non-current)	**-**	-	**(65)**	(65)	**(20)**	(20)
Other current liabilities	**(14 353)**	(12 015)	**(23)**	(20)	**(26)**	(46)
Trade and other payables	**(6 794)**	(5 142)	**(1 239)**	(1 050)	**(760)**	(756)
Total equity	**9 835**	8 111	**1 083**	916	**3 765**	3 769
Attributable to:						
Equity holders of the parent	**5 901**	4 830	**552**	468	**2 357**	2 359
Non-controlling interest	**3 934**	3 281	**531**	449	**1 408**	1 410
Summarised statement of cash flows for the year ending 31 December:						
Operating	**3 485**	2 494	**1 801**	498	**(3 657)**	591
Investing	**(3 015)**	282	**(1 614)**	(836)	**4 069**	(712)
Financing	**(78)**	(1 266)	**-**	-	**4**	19
Net increase/(decrease) in cash and cash equivalents	**392**	1 510	**187**	(338)	**416**	(102)

[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 Santam Limited, incorporated and operating mainly in South Africa, which has a material non-controlling interest has been summarised above. This

Principal Subsidiaries (continued)

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

	Saham Assurance Maroc [(1)] **2018** %
Shareholder's fund	58.48
Policyholder's fund	-
Non-controlling interest	41.52
Total	100.00

[(1)] The financial information of Saham Assurance Maroc, incorporated and operating mainly in Morocco which has a material non-controlling interest has been summarised below. This information provided is based on amounts before inter-company eliminations.

R million	**Saham Assurance Maroc 2018**
Summarised statement of profit or loss for the year ending 31 December:	
Net income	**1 841**
Net insurance and investment contract benefits and claims	**(1 014)**
Expenses	**(509)**
Profit before tax	**318**
Income tax	**5**
Profit for the year	**323**
Total comprehensive income	**671**
Attributable to non-controlling interests	**278**
Summarised statement of financial position as at 31 December:	
Assets	
Investments	**17 803**
Other non-current assets	**4 149**
Cash and cash equivalents (working capital)	**1 183**
Trade and other receivables	**4 461**
Liabilities	
Policyholder liabilities	**(8 499)**
Other non-current liabilities	**(11 246)**
Deferred tax (non-current)	**(1 243)**
Other current liabilities	**(282)**
Trade and other payables	**(1 246)**
Total equity	**5 080**
Attributable to:	
Equity holders of the parent	**2 971**
Non-controlling interest	**2 109**

Sanlam Life Insurance Limited
Related Parties
for the year ended 31 December 2018

Company Name	**% interest held by Sanlam Life Insurance Ltd in company(*)**	**Country of registration**
SUBSIDIARIES*		
Absa Consultants and Actuaries (Pty) Ltd	100%	RSA
African Rainbow Life Limited	51%	RSA
Brackenham Holdings (Pty) Ltd	100%	RSA
BrightRock Holdings (Pty) Ltd	55%	RSA
BlueSky Consult (Pty) Ltd	100%	RSA
Channel Life Ltd	100%	RSA
Coris Capital Holdings (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 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 Swaziland (Pty) Ltd	100%	Swaziland
Sanlam Trust (Pty) Ltd	100%	RSA
San Lameer (Pty) Ltd	100%	RSA
Santam Ltd	59%	RSA
Simeka Health (Pty) Ltd	100%	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
Sanlam African Core Real Estate Investments Ltd	20%	MAU
Shriram Transport Finance Company Limited	3%	India
Transparent Financial Services (Pty) Ltd	26%	RSA
Ubuntu-Botho Investment Holdings (Pty) Ltd (UBIH)	45%	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

*Percentage interest held directly by the company

Company Name	% interest held by Sanlam Life Insurance Ltd in company	Country of registration
INVESTMENT VEHICLES		
Sanlam Alternative Gamma Hedge Fund	100%	RSA
Sanlam Alternative Lambda Fund	100%	RSA
Sanlam Alternative Vega Fund	58%	RSA
Sanlam Alternative Zeta Retail Hedge Fund	92%	RSA
Sanlam Alternative Zeta Fund Qualified Fund	65%	RSA
Sanlam Alternative Pi Fund	97%	RSA
Sanlam Alternative Theta Fund	100%	RSA
Sanlam Alternative Upsilon Qualified	56%	RSA
Sanlam Alternative Veta Qualified Hedge Fund	71%	RSA
Sanlam Alternative Yn Qualified Hedge Fund	99%	RSA
Blue Ink-Ubator Diversified Fund LLP	100%	RSA
Blue Ink Multi Strategy Fund of Hedge Fund One	100%	RSA
Blue Ink Multi Strategy Fund of Hedge Fund Two	100%	RSA
Sanlam Beta Hedge Portfolio Fund	100%	RSA
Sanlam Enhanced Cash Fund	100%	RSA
Dynamic Alpha Fund	100%	RSA
Sanlam Africa Credit Investments Limited	100%	RSA
Satrix Balanced Index Fund	46%	RSA
Satrix Bond Index Fund	55%	RSA
Satrix Low Equity Balanced Index Fund	53%	RSA
Satrix Money Market Fund	79%	RSA
Satrix Property Index Fund	52%	RSA
Satrix Quality Index Fund	66%	RSA
Satrix Swix Top40 Index Fund	99%	RSA
Satrix Top 40 Index Fund	20%	RSA
Glacier Money Market Fund	47%	RSA
Glacier Global Stock Feeder Fund	49%	RSA
Sanlam Investment Management Active Income Fund	44%	RSA
Sanlam Select Thematic Equity Fund	95%	RSA
Sanlam Investment Management Bond Plus Fund	93%	RSA
Sanlam Investment Management Financial Fund	20%	RSA
Sanlam Multi Managed Defensive Fund of Funds	45%	RSA
Sanlam Investment Management Institutional Income Plus Fund	52%	RSA
Sanlam Investment Management Enhanced Yield Fund	32%	RSA
Sanlam Investment Management Medium Equity Fund	99%	RSA
Sanlam Global Cautious Fund of Funds	38%	RSA
Sanlam Global Balanced Fund of Funds	39%	RSA
Sanlam Inst Special Opportunities Fund	63%	RSA
Sanlam Growth Institutional Fund	90%	RSA
Sanlam Multi Managed Inst Aggressive Equity Fund One	100%	RSA
Sanlam Investment Management Managed Aggressive Fund of Funds	87%	RSA
Sanlam Multi Managed Aggressive Fund of Funds	72%	RSA
Sanlam Multi Managed Cautious Fund of Funds	69%	RSA
Sanlam Investment Management Managed Cautious Fund of Funds	76%	RSA
Sanlam Investment Management Managed Conservative Fund of Funds	66%	RSA
Sanlam Investment Management Inflation Plus Fund	40%	RSA
Sanlam Multi Managed Institutional General Equity Fund Two	99%	RSA
Sanlam Select Flexible Equity Fund	62%	RSA
Sanlam Select Bond Plus Fund	99%	RSA
Sanlam Multi Managed Yield Plus Fund	99%	RSA
Sanlam Multi Managed Bond Fund	94%	RSA
Sanlam Select Optimised Equity Fund	96%	RSA
Sanlam Multi Managed Equity Fund	100%	RSA

Company Name	% interest held by Sanlam Life Insurance Ltd in company	Country of registration
INVESTMENT VEHICLES (continued)		
Sanlam Multi Managed Inflation Linked Bond Fund	86%	RSA
Sanlam Select Strategic Income Fund	47%	RSA
Sanlam Multi Managed Institutional Positive Return Fund Four	62%	RSA
Sanlam Multi Managed Flexible Equity Fund	62%	RSA
Sanlam Value Institutional Fund	100%	RSA
Sanlam Select Defensive Balanced Fund	45%	RSA
Sanlam Multi Managed Institutional Aggressive Balanced Fund	100%	RSA
Sanlam Multi Managed Institutional Balanced Fund	100%	RSA
Sanlam Multi Managed Conservative Fund of Funds	55%	RSA
Sanlam Investment Management Managed Moderate Fund of Funds	86%	RSA
Sanlam Multi Managed Equity Index Fund	40%	RSA
Sanlam Multi Managed Institutional Moderate Balanced Fund	100%	RSA
Sanlam Multi Managed Moderate Aggressive Fund of Funds	71%	RSA
Sanlam Investment Management Managed Moderate Aggressive Fund of Funds	85%	RSA
Sanlam Multi Managed Moderate Fund of Funds	83%	RSA
Sanlam Select Managed Fund	98%	RSA
Sanlam Multi Managed Inst Positive Return Fund Three	61%	RSA
Sanlam Multi Managed Property Fund	83%	RSA
Sanlam Multi Managed Inst Prudential Balanced Fund One	83%	RSA
Sanlam Multi Managed Inst Prudential Income Provider Fund Two	60%	RSA
Sanlam Select Absolute Fund	61%	RSA
Sanlam Multi Managed Inst Positive Return Fund Two	59%	RSA
Sanlam Stable Growth Fund	99%	RSA
Sanlam Investment Management Property Fund	86%	RSA
Sanlam Multi Managed Balanced Fund of Funds	51%	RSA
Sanlam Multi Managed Small Cap Fund	21%	RSA
Sanlam Investment Management Top Choice Equity Fund	82%	RSA
Sanlam Investment Management General Equity Fund	45%	RSA
Sanlam Investment Management Balanced Fund	65%	RSA
Sanlam Global Bond Fund	32%	Ireland
Sanlam Centre Active U.S Treasury Fund	90%	Ireland
Sanlam Centre Global Listed Infrastructure Fund	92%	Ireland
Sanlam Centre American Select Equity Fund	76%	Ireland
Satrix Emerging Markets Equity Tracker Fund	56%	Ireland
Satrix Europe (Ex-UK) Equity Tracker Fund	86%	Ireland
Sanlam FOUR Global Equity Fund	92%	Ireland
Sanlam FOUR Stable Global Equity Fund	89%	Ireland
Sanlam FOUR US Dividend Income Fund	45%	Ireland
Sanlam Global Convertible Securities Fund	94%	Ireland
Sanlam Japan Equity Fund	96%	Ireland
Sanlam North America Equity Tracker Fund	98%	Ireland
Sanlam Africa Equity Fund	49%	Ireland
Sanlam Global Balanced Fund	103%	Ireland
Sanlam Global Equity Fund	101%	Ireland
Sanlam Global Investment Fund	96%	Ireland
Sanlam Real Assets Fund	86%	Ireland
Sanlam Global financial Fund	27%	Ireland
SIM Global Equity Income Fund	80%	Ireland
Sanlam Global Liquidity Fund	112%	Ireland
Sanlam Global Property Fund	60%	Ireland
Sanlam Institutional Equity Flexible Fund	101%	Ireland
SIM Global Emerging Markets Fund	45%	Ireland
Sanlam Institutional Balanced Fund	77%	Ireland
Sanlam Institutional Bond Fund	99%	Ireland
Sanlam Global Investment Fund II	96%	Ireland
Sanlam Global Investment Fund III	94%	Ireland

Company Name	% interest held by Sanlam Life Insurance Ltd in company	Country of registration
INVESTMENT VEHICLES (continued)		
Sanlam Global Investment Fund IV	93%	Ireland
Sanlam Global Investment Fund V	94%	Ireland
Sanlam Global Investment Fund VI	91%	Ireland
Sanlam Global Investment Fund VII	93%	Ireland
Sanlam Global Investment Fund VIII	96%	Ireland
Sanlam Global Investment Fund IX	100%	Ireland
Satrix Global Factor Enhanced Equity Fund	90%	Ireland
Satrix World Equity Tracker Fund	57%	Ireland
Sanlam UK Equity Tracker Fund	90%	Ireland

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES AT 31 DECEMBER 2018

R million	Notes	Dec 2018	Dec 2017 [1]
ASSETS			
Fair value of assets	**1**	**541 825**	514 397
Less : Liabilities		**433 649**	421 021
Actuarial value of policy liabilities	**2**	**402 959**	401 332
Investment contracts		**274 599**	263 776
Insurance contracts		**128 360**	137 556
Long-term and current liabilities		**30 690**	19 689
Excess of assets over liabilities for financial reporting	**2**	**108 176**	93 376
Adjustment for prudential regulatory purposes	**3**	**10 327**	11 038
Excess of assets over liabilities for prudential regulatory purposes	**4**	**118 503**	104 414
Analysis of movement in excess of assets over liabilities			
Result from financial services before tax		**4 589**	4 185
Investment return on excess of assets over liabilities		**17 563**	11 743
Investment income		**3 896**	3 477
Realised and unrealised investment surpluses		**13 667**	8 266
Minority Interest		**-**	-
Taxation		**(1 802)**	(1 218)
Income tax		**(1 387)**	(1 264)
Capital gains tax		**(415)**	46
Withholding tax on companies		**-**	-
Attributable earnings before dividends paid	**5**	**20 350**	14 710
Dividends paid		**(5 550)**	(5 200)
Movement in excess of assets over liabilities for financial reporting		**14 800**	9 510
Solvency capital requirement (SCR)	**6**	**44 853**	38 113
Times SCR covered by excess of assets over liabilities for prudential regulatory purposes		**2.64**	2.74
Adjustment for local prudential regulatory purposes		**10 327**	11 038
Excess of assets over liabilities for local prudential regulatory purposes		**118 503**	104 414
Local capital requirement		**44 853**	38 113
Times local capital requirement covered by excess of assets over liabilities for local prudential regulatory purposes		**2.64**	2.74

[1] Prior year has not been restated in line with the Statement of Financial Position. Refer to note 36.3 for more information in respect of the restatement.

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES

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. EXCESS OF ASSETS OVER LIABILITIES FOR FINANCIAL REPORTING

R million	**Dec 2018**	Dec 2017 (1)
The excess of assets over liabilities reconciles as follows with the shareholders' fund in the balance sheet:		
Shareholders' Fund per company balance sheet	**108,176**	93,376
Adjustment of goodwill to fair value	**-**	-
Other consolidation adjustments	**-**	-
Excess of assets over liabilities for financial reporting	**108,176**	**93,376**

SEGMENTATION OF EXCESS OF ASSETS OVER LIABILITIES FOR FINANCIAL REPORTING

R million	**Dec 2018**	Dec 2017 (1)
The excess of assets over liabilities is segmented as follows:		
Covered business	**7,957**	9,709
Required Capital	**7,986**	9,500
Net subordinated debt	**15**	43
Working capital and other	**(44)**	166
Participations	**103,000**	78,586
Intangible assets	**869**	896
Discretionary Capital	**(1,731)**	1,074
Dividend pool	**2,851**	2,651
Other net assets	**(4,770)**	460
Excess of assets over liabilities for financial reporting	**108,176**	93,376

3. ADJUSTMENT FOR PRUDENTIAL REGULATORY PURPOSES

R million	**Dec 2018**	Dec 2017 (1)
The adjustments to excess of assets over liabilities for prudential regulatory purposes are as follows:		
Remove DAC, goodwill and intangibles	**(3,699)**	(3,677)
Add subordinated debt	**1,025**	2,216
Liability valuation differences	**44,695**	44,116
Impact of risk margin	**(6,529)**	(6,254)
Increase in net deferred tax liabilities resulting from liability valuation differences above	**(9,947)**	(9,873)
Adjustment for Group undertakings (after adjustment for minority interests)	**(6,808)**	(6,264)
Life Insurers	**(4,261)**	(1,356)
Other	**(2,547)**	(4,908)
Write-down of investment in own shares	**(9,286)**	(10,124)
Other	**876**	898
Total Adjustment for prudential regulatory purposes	**10,327**	11,038

4. QUALITY OF PRUDENTIAL REGULATORY CAPITAL

R million	**Dec 2018**	Dec 2017 (1)
The prudential regulatory capital is segmented into the following tiers:	**118 503**	104 414
Tier 1	**117 478**	102 154
Tier 2	**1 025**	2 260
Tier 3	**-**	-

5. ATTRIBUTABLE EARNINGS

Attributable earnings reconcile as follows with the annual financial statements:

	Dec 2018 **R million**	Dec 2017 (1) R million
Attributable earnings per company income statement	**20 350**	14 710
Adjustment of goodwill to fair value	**-**	-
Other consolidation adjustments	**-**	-
Attributable earnings per Statement of Actuarial Values of Assets and Liabilities:	**20 350**	**14 710**

6. SOLVENCY CAPITAL REQUIREMENT (SCR)

R million	Dec 2018	Dec 2017 (1)
MARKET RISK	**39 466**	36 352
Interest Rate Risk	**5 240**	3 797
Equity Risk	**34 024**	31 518
Property Risk	**1 006**	693
Spread & Counterparty Default Risk	**5 174**	3 664
Currency Risk	**2 803**	4 618
Concentration risk	**926**	1 698
Illiquidity premium risk	**766**	710
Single equivalent stress adjustment (SES_adj)	**35**	699
Diversification	**(10 508)**	(11 045)
LIFE UNDERWRITING RISK	**12 718**	12 150
Mortality Risk	**3 040**	2 751
Longevity Risk	**2 009**	2 158
Disability / Morbidity Risk	**1 857**	1 783
Life Lapse Risk	**9 513**	8 794
Life Expense Risk	**2 747**	2 832
Life CAT Risk	**2 344**	2 457
Retrenchment Risk	**-**	-
Diversification	**(8 792)**	(8 625)
Undiversified BSCR	**52 184**	48 502
Diversification (BSCR)	**(7 796)**	(7 393)
BSCR	**44 388**	41 109
OPERATIONAL RISK	**1 365**	1 183
PARTICIPATIONS	**5 291**	5 694
LOSS ABSORBING CAPACITY OF DEFERRED TAXES	**(6 191)**	(9 873)
Solvency capital requirement (SCR)	**44 853**	**38 113**

7. FUTURE INVESTMENT RETURN AND INFLATION ASSUMPTIONS

%	Dec 2018	Dec 2017 (1)
Pre-tax investment returns by major asset categories and inflation assumptions were as follows:		
Fixed-interest securities	**9.5**	9.0
Equities and offshore investments	**13.0**	12.5
Hedged equities	**10.0**	9.5
Properties	**10.5**	10.0
Cash	**8.5**	8.0
Future expense inflation (excluding margin)	**7.5**	7.0
Consumer price index inflation for premium indexation	**7.5**	7.0

8. DISCOUNT RATES USED IN CALCULATING PROSPECTIVE POLICY LIABILITIES

%	Dec 2018	Dec 2017 (1)
Reversionary bonus business		
Retirement annuity business	**10.9**	10.7
Individual policyholder business	**8.9**	8.8
Individual stable bonus business		
Retirement annuity business	**10.6**	10.4
Individual policyholder business	**8.6**	8.4
Non-taxable business	**10.6**	10.4
Corporate policyholder business	**8.0**	7.9
Individual market-related business		
Retirement annuity business	**10.9**	10.7
Individual policyholder business	**8.9**	8.8
Non-taxable business	**10.9**	10.7
Corporate policyholder business	**8.3**	8.2
Participating annuity business	**9.4**	8.9
Non-participating annuity business*	**9.9**	9.7
Guarantee plans*	**6.7**	4.4

* 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. BONUS STABILISATION RESERVES

	Dec 2018 % NBSR	Dec 2017 (1) % NBSR
SMM Vesting Fund	**7.8**	-1.5

10. RESULT FROM FINANCIAL SERVICES

R million	Dec 2018	Dec 2017 (1)
A number of changes were made to the valuation methodology and assumptions, with the following effect on the result from operations.	**45**	**(106)**
Change in best estimate lapse assumption	**(122)**	(43)
Change in best estimate risk assumption (including IBNR methodology changes)	**(129)**	30
Change in best estimate expense assumption	**(24)**	(140)
Change in methodology	**320**	47

11. 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 derivatives.
This was done using the output of a market-consistent stochastic model, which was calibrated as at 31 December 2018

%	Dec 2018	Dec 2017 (1)
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.	**6.2**	**4.7**
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**1.7**	**1.0**
A 1-year forward put on the FTSE/JSE TOP40 index.	**7.9**	**6.3**
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**8.5**	**7.6**
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**14.4**	**13.5**
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	**6.7**	**6.3**
A 5-year forward put on the FTSE/JSE TOP40 index	**18.1**	**16.4**
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**3.1**	**3.2**
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**10.0**	**10.3**
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	**31.0**	**31.4**
The implied volatilities of these option contracts are as follows:		
A 1-year at-the-money (spot) put on the FTSE/JSE TOP40 index.	**21.2**	**17.1**
A 1-year 80% at-the-money (80% spot) put on the FTSE/JSE TOP40 index	**25.6**	**21.4**
A 1-year forward put on the FTSE/JSE TOP40 index.	**20.5**	**16.3**
A 5-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**25.5**	**23.0**
A 5-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^5$ of spot	**24.0**	**21.5**
A 5-year forward put on the FTSE/JSE TOP40 index	**23.3**	**21.0**
A 20-year at-the-money (spot) put on the FTSE/JSE TOP40 index	**34.6**	**34.3**
A 20-year put on the FTSE/JSE TOP40 index, with a strike price equal to $(1.04)^{20}$ of spot	**32.0**	**31.7**
A 20-year forward put on the FTSE/JSE TOP40 index	**29.7**	**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	**7.6**	**7.3**
2 years	**6.9**	**7.4**
3 years	**7.6**	**7.7**
4 years	**8.3**	**7.9**
5 years	**8.6**	**8.1**
10 years	**9.8**	**9.3**
15 years	**10.3**	**10.0**
20 years	**10.6**	**10.5**
25 years	**11.0**	**10.9**
30 years	**11.3**	**11.4**

CAPITAL AND RISK MANAGEMENT REPORT

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RISK MANAGEMENT

CAPITAL MANAGEMENT

Objective

Responsible capital management and allocation is 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), as reported on page 16 of the Integrated Report. 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 ensure appropriate solvency levels as a safeguard to our clients, regulators and broader society. 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 184.

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 is aligned with the new Prudential Standards, which replaced the Financial Soundness Valuation (FSV) regime from 1 July 2018.

At the end of 2018 the Group set an appropriate level of required capital for Sanlam Life's covered business under the Prudential Standards, based on a standard formula Solvency Capital Requirement (SCR) targeted cover range of between 170% and 210% 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 and still have SCR cover above 100%. 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 according to risk appetites based on applicable local rules and operational 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.
- Due regard is given to liquidity risk management, particularly where derivatives are utilised for matching purposes.
- 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. The Group's balance sheet management function models the overall risk and expected return on assets, including the impact on required capital to determine the optimal asset mix in this regard.
- The optimal use of long-term debt in the Group's 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 optimal use of hedges, e.g. the interest rate derivatives currently in place.
- Efficient selection of reinsurance exposures.

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 shareholders capital base (inclusive of the estate reserves) in terms of the specific strategies approved by the Board. A similar committee has been established to specifically consider the Sanlam Emerging Markets businesses.

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

For regulatory purposes, capital adequacy for the South African insurance operations is measured with reference to the standard formula as specified under the Prudential Standards.

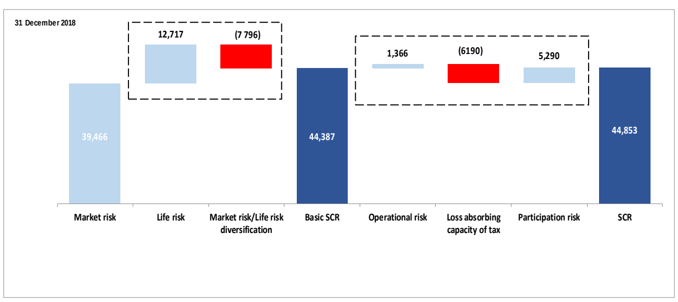
The valuation of assets and policy liabilities for prudential capital adequacy under the Prudential Standards is different to the methodology for the published IFRS results.

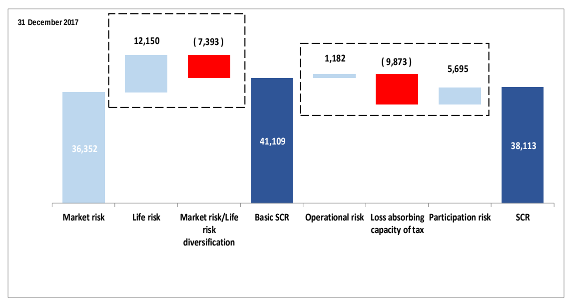
The following table provides a reconciliation between the IFRS shareholders' fund for the Sanlam Life solo entity (the largest insurer within the Sanlam Group) and its SAM Own Funds.

R million	Sanlam Life Insurance Limited	
Reconciliation of IFRS Shareholders' Fund to SAM Own Funds	**2018**	**2017**
IFRS Shareholders' Fund	108 176	93 376
Adjustments to IFRS carrying value	(10 508)	(9 941)
Remove DAC, goodwill and intangibles	(3 699)	(3 677)
Participation valuation differences	(6 809)	(6 264)
Adjustments to policyholder liabilities valuation between IFRS and solvency basis	29 096	28 887
Liability valuation differences	45 573	45 014
Impact of risk margin	(6 529)	(6 254)
Increase in net deferred tax liabilities resulting from liability valuation differences above	(9 948)	(9 873)
Add subordinated debt	1 025	2 216
Other	-	-
SAM Basic Own Funds	127 789	114 538
Write-down investment in financial and credit institutions	-	-
Write-down treasury shares	(9 286)	(10 124)
SAM Own Funds eligible to meet SCR	118 503	104 414
SCR	44 853	38 113
SCR cover	**264%**	274%

Sanlam Life solo SCR

The graph below shows the SCR for Sanlam Life (solo) under SAM. The main contributors to the SCR are market risk and life risk. The main drivers of market risk are exposure to financial instruments (especially resulting from future product fee income being linked to policyholder investment portfolios), interest rate movements and the value of investment guarantees. The main drivers of life risk include lapse assumptions, the level of interest rates as well as mortality/ longevity assumptions.





Sanlam Life covered business

For this view, the SAM balance sheet and SCR are adjusted to exclude strategic participations, cash available for dividend payments to Sanlam, discretionary capital and other capital not allocated to covered business. Sanlam sets the level of required capital for the Sanlam Life covered business on this view, based on a stated target SCR cover range of between 170% and 210%.

The SCR cover ratio for Sanlam Life covered business of 221% at 31 December 2018 remained above the stated target range.

Sensitivity analysis

The following table provides solvency sensitivity analyses for Sanlam life solo.

Sanlam Life	Own Funds eligible to meet SCR		SCR		Surplus		SCR cover	
R million	2018	**2017**	2018	**2017**	2018	**2017**	2018	**2017**
Base position	118 503	104 414	44 853	38 113	73 650	66 301	264%	274%
Equities - 30% [1]	86 887	80 693	34 274	28 243	52 613	52 450	254%	286%
Interest rates - 1%	119 653	105 606	45 350	38 550	74 303	67 056	264%	274%
Credit spreads + 1%	118 088	104 204	45 024	38 482	73 064	65 722	262%	271%
ZAR appreciation 10%	117 512	103 783	44 705	38 327	72 807	65 456	263%	271%
Shock scenario[2]	84 814	77 473	34 329	28 344	50 485	49 129	247%	273%

[1] For the equity sensitivity, the value of participations in Sanlam Life is also assumed to decline by 30%
[2] 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 widen by 1%

The sensitivities illustrate the resilience of the Sanlam Life balance sheets. The cover ratio improves for some equity sensitivities due to the effect of the equity symmetrical adjustment in the standard formula under the Prudential Standards that allows for a reduced equity stress after a downward adjustment to equity values.

Credit rating

Standard & Poor's (S&P) issued the following ratings for Group companies during 2018:

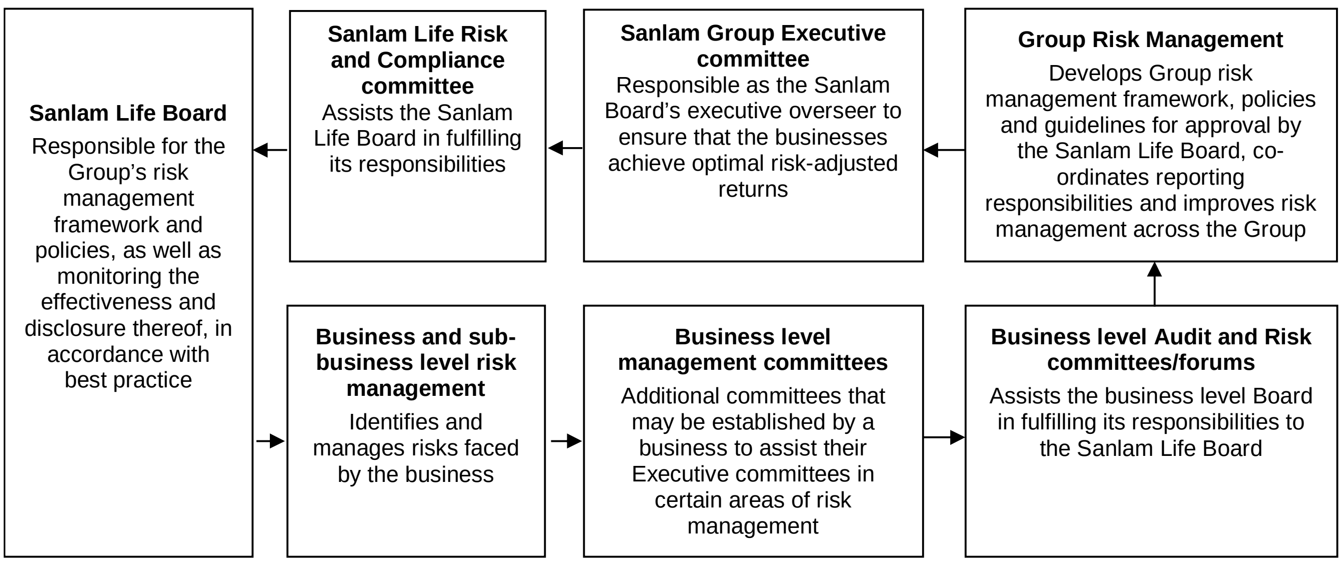
	Most recent ratings issued
Sanlam Limited	South Africa National Scale: zaAA-
Sanlam Life Insurance Limited	South Africa National Scale: zaAAA
Subordinated debt issued by Sanlam Life Insurance Limited	South Africa National Scale: zaAA-
Santam Limited	South Africa National Scale: zaAAA

RISK MANAGEMENT

Governance structure

In terms of the Group's overall governance structure, the meetings of the 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. Refer to the Corporate Governance Report online for further information on the responsibilities of the Sanlam and Sanlam Life Boards and their committees.

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;
- Involvement with specialist risk management issues at business level;
- Regular meetings / engagement with the Cluster chief risk officers; and
- Member of the Non-Listed Asset Controlling Body.

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, including policyholder portfolios where shareholders carry all investment risk	**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 coordination 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 businesses
Actuarial forum Assists the Audit, Actuarial and Finance and the Risk and Compliance committees on actuarial related matters. It also assists the Actuarial Control	**General Insurance forum** Assists the Audit, Actuarial and Finance and the Risk and Compliance committees on general insurance related matters	

OTHER RISK MANAGEMENT / MONITORING MECHANISMS		
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 risk and compliance committee charter;
- Sanlam Life risk and compliance committee charter;
- Sanlam Group Own Risk and Solvency Assessment (ORSA) policy; 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;
- Sanlam Group cyber resilience 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;
- Sanlam Life Audit, Actuarial and Finance committee charter; and
- Sanlam Group anti-money laundering and the countering of the financing of terrorism (AML/CFT) policy.

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 has a risk appetite framework that aims to articulate the types and quantum of risks that the organisation are prepared to take (i.e. seek, accept or tolerate) in pursuit of its strategic objectives (including objectives of value creation and growth). It sets out the quantitative and qualitative boundaries on risk taking activities that apply across the organisation.

The risk appetite reflects the Group's overall philosophy to risk taking, thus reflecting how it balances its goals of efficiency, growth and return from a risk taking perspective. It reflects the setting of targets for risk taking across the Group as a whole, plus the breakdown of these high-level statements into more detailed risk tolerances.

Risk appetite criteria have been specified for each of the risk categories specified in the Group's risk classification standard, together with some additional criteria around capital and solvency risks and earnings risks. The Group's risk appetite statement is thus grouped into the following risk appetite buckets:

- Capital and solvency risks;
- Earnings risks;
- Market and asset concentration risks;
- Credit risks;
- Liquidity risks;
- Operational risks;
- Brand and reputational risks; and
- Strategic risks.

Each cluster/business needs to manage its risks within the Group enterprise risk management framework including the Group risk appetite statements.

Assessment of the effectiveness of the risk management process

According to King IV, the Board should receive assurance regarding the effectiveness of the risk management process. The following process is followed to provide such assurance:

- The Sanlam Risk Management Process Maturity Model (SRMMM) was developed for Sanlam with the assistance of PricewaterhouseCoopers. Once a year all businesses conduct a self-assessment against the SRMMM.
- Internal Audit will annually, in conjunction with Group Risk Management, prepare risk management process audit plans for approval by the Sanlam Life Risk and Compliance committee.
- Typically, the larger businesses will be assessed by an external firm against the maturity model, at least once every three years.
- Internal Audit will also typically do assessments for the smaller businesses on a rolling basis.
- The information on the assessments will be presented to the cluster Financial and Risk committees and to the Sanlam Life Risk and Compliance committee

Risk types

The Group is exposed to the following main risks:

Risk categories (primary) Level 1	Risk Types (secondary) Level 2 and description
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:
	Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of critical information.
	Business continuity risk: the risk that inadequate planning, controls and preparation are in place to ensure the organisation can overcome serious incidents or disasters and resumes its normal operations within a reasonably short period.
	Going concern risk: The risk that inadequate processes, people and/or financial 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 / Regulatory 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 / Financial crime 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 due to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Equity Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.
	Regulatory change risk: the risk that unanticipated 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 risks that are inherent in major projects.
	Physical risk: risk related to financial loss that might occur due to natural and non-natural disaster events.
	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).

(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).

Risk categories (primary) Level 1	Risk Types (secondary) Level 2 and description
Conduct	**Conduct risk** relates to the failure to deliver fair client outcomes or the failure to uphold integrity within the market. It also refers to the failure to uphold the Group's core values and code of ethical conduct.
Brand and reputational	**Reputational risk**: is the risk that adverse publicity regarding the 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.
	Brand risk: is the risk that market perception of the organisation's brand might be weak or inferior when compared to other competitors within the market.
Strategic	**Strategic risk** is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.
	Capital risk: the risk related to the potential loss of part or all of on balance sheet capital.
	Competition risk: The potential for losses due to competitive pressures.
	Governance risk: is the risk that the effective, ethical management of a company by its executives and managerial levels is not achieved.
	Market share risk: risk related to the reduction of the organisation's market share or inability to grow / expand market share.
	Organisational strategy risk: risk that the structure of the organisation or the overall strategic direction of the organisation might cause the organisation not to achieve its strategic goals.
	Performance risk: risk that products or services offered by the organisation might underperform against market expectations.
	Product risk: the risk that relates to design defects within products which may cause loss to the organisation.
	Profit/earnings risk: risk that profitability of the organisation might be affected due to various internal / external factors.
	Investment risk: the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.
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:
	Equity risk: the risk resulting from the sensitivity of values of assets, liabilities and financial instruments to changes in the level or in the 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 and volatility of market prices of property).

Risk categories (primary) Level 1	Risk Types (secondary) Level 2 and description
	Asset liability mismatching (ALM) risk: the risk of a 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 losses 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): risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold quickly enough to prevent or minimise a loss (or make the required profit).
	Credit spread risk: the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of market implied credit spreads over the risk-free interest rate term structure.
Credit risk	**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 risks includes:
	Default risk: credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.
	Downgrade or migration risk: 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 today.
	Settlement risk: risk arising from the lag between the value and settlement dates of securities transactions.
	Reinsurance counterparty risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.
Funding liquidity risk	**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.
Insurance risks (life business)	**Insurance risk (life business**) - relates to life insurance classes regulated under the Insurance Act: risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:
	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 due 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 due 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).

Risk categories (primary) Level 1	Risk Types (secondary) Level 2 and description
Insurance risks **(general insurance business)**	**Insurance risk (general insurance business**) - relates to general insurance classes regulated under the Insurance Act: risk arising from the underwriting of general insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:
	Claims risk (premium and reserve risk): refers to a change in value caused by ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated. Claims risk are often split into – reserve risk (relating to incurred claims) and premium risk (relating to future claims).
	Underwriting risk: relates to inaccurate assessment of the risks associated with writing an insurance policy or from uncontrollable factors. As a result, the insurer's costs may significantly exceed the premium income.
	Reinsurance risk: the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost.
	Catastrophe risk: the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to 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 Integrated 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 reports of the independent auditors for the year under review are 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/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 Board considered a number of facts and circumstances and is 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 monitors 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 and Sanlam Life Boards. Quarterly reports are submitted by Group forensic services to the Sanlam and 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 ongoing 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. CONDUCT RISK

Conduct risk is being monitored through various means within the individual business clusters. There is a specific focus on market and client conduct such as Treating Clients Fairly (TCF). These metrics are monitored and reported on a regular basis to all relevant stakeholders within the business clusters. Escalation of conduct risk matters arising from the business clusters to Group level will follow the normal risk escalation policy.

4. 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 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.

RISK MANAGEMENT: BY BUSINESS AREA

The following business areas' risks are included:

- Investment management;
- General insurance;
- Life insurance; and
- Retail credit.

Santam and the Group Office are excluded from the above business areas, but rather disclosed separately.

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 Investment Group's fiduciary responsibility to, at all times, act in the best interest of the clients and in accordance with the investment mandate directives.

General insurance

Sanlam Emerging Markets' exposure to general insurance business includes significant exposures to general insurers in Morocco, Ivory Coast and Lebanon, an investment in Shriram General Insurance (through the holding in Shriram Capital and direct) in India and a holding in Pacific & Orient in Malaysia. In addition to these investments, SEM holds smaller stakes in various other general insurance businesses, either directly or through Saham Finances, 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.

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 exposes 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 27 for a description of the different policyholder solutions, as well as to note 14 on page 61, which discloses the monetary value of the Group's exposure to the various solutions.

	Market risk				Credit risk	Liquidity risk	Insurance risk	
Life insurance businesses exposed to risk via:	**Equity**	**Interest rate**	**Currency**	**Property**			**Persis-tency**	**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	×	✓ (5)	× (4)	× (4)	✓	✓ (5)	×	✓
Other non-participating liabilities:								
Guarantee plans	×	✓ (5)	× (4)	×	✓	✓ (6)	✓	✓
Other	✓	✓	× (4)	✓	✓	✓ (5)	✓	✓
Capital portfolio	✓ (7)	✓	✓	✓	✓	✓	×	×

(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 is exposed to this risk.
(5) Liabilities are matched, as far as possible, with interest-bearing assets to ensure that the duration of assets and liabilities are closely aligned. This may also include derivatives which could give rise to liquidity risk.
(6) Liabilities are matched with assets that have similar maturity profiles.
(7) Sanlam Life's portfolio backing required capital consists of assets managed according to a hedged equity programme.

✓ *Risk applicable to item*

× *Risk not applicable to item*

The management of these risks is as follows:

1. MARKET RISK

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

✓ *Risk applicable to item*

× *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 and cancellation of non-vested bonuses in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2018, all material stable and reversionary bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%, except for the SMM Vesting Fund, which had a fund value of R300 million at 31 December 2018 and a funding level of between 92% and 92,5%. The funding level is expected to recover within three years.

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 investments in Group listed entities, 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 Customer 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, as well as derivatives 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	**2018**	2017
Property and equipment	1 389	784
Owner-occupied properties	1 839	803
Goodwill	16 740	1 877
Other intangibles	1 035	469
Value of business acquired	8 651	1 607
Deferred acquisition costs	2 773	2 663
Investments	82 494	73 489
Properties	7 122	854
Equity-accounted investments	16 959	25 048
Equities and similar securities	14 187	13 866
Interest-bearing investments	18 412	14 327
Structured transactions	1 138	926
Investment funds	20 780	14 196
Cash, deposits and similar securities	3 896	4 272
Net deferred tax	(2 892)	561
Net disposal groups classified as held for sale	138	-
Short-term insurance technical assets	9 540	6 400
Net working capital assets	7 616	8 328
Short-term insurance technical provisions	(37 793)	(18 553)
Cell owners interest	(3 305)	(3 217)
Structured transactions	(181)	(1 271)
Term finance	(3 720)	(4 334)
Non-controlling interest	(13 364)	(5 876)
Shareholders' fund - Sanlam Life Group	70 960	63 730

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

31 December 2018								
R million	**Euro**	**United States dollar**	**British pound**	**Botswana pula**	**Indian rupee**	**Moroccan dirham**	**Other currencies**	**Total**
Investment properties	**-**	**-**	**-**	**49**	**-**	**4 067**	**2 965**	**7 081**
Equities and similar securities	**2**	**118**	**2**	**22**	**-**	**1,610**	**2,962**	**4,716**
Equity-accounted investments (1)	**-**	**-**	**-**	**1,494**	**10,057**	**-**	**651**	**12,202**
Government interest bearing investments	**-**	**7**	**-**	**-**	**-**	**269**	**1,418**	**1,694**
Corporate interest bearing investments	**-**	**409**	**-**	**1**	**-**	**480**	**680**	**1,570**
Mortgages, Policy and other loans	**-**	**-**	**-**	**55**	**-**	**2**	**23**	**80**
Structured transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investment funds	**16**	**307**	**31**	**387**	**-**	**7,370**	**461**	**8,572**
Cash deposits and similar securities	**-**	**8**	**-**	**654**	**-**	**-**	**1,292**	**1,954**
General insurance technical assets	**-**	**-**	**-**	**-**	**-**	**734**	**1,354**	**2,088**
Net working capital	**-**	**385**	**-**	**(74)**	**-**	**8 672**	**(2,940)**	**6 043**
Other liabilities (2)	**-**	**-**	**-**	**(37)**	**-**	**(11,634)**	**(5,509)**	**(17,180)**
Foreign currency exposure	**18**	**1,234**	**33**	**2,551**	**10,057**	**11,570**	**3,357**	**28,820**
Exchange rates (Rand):								
Closing rate	16.44	14.38	18.32	1.37	0.21	1.51		
Average rate	15.57	13.17	17.60	1.32	0.19	1.42		

31 December 2017								
R million	**Euro**	**United States dollar**	**British pound**	**Botswana pula**	**Indian rupee**	**Moroccan dirham**	**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	-	(82)	-	-	417	766
Structured transactions liabilities	-	-	-	(34)		-	(863)	(897)
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		

(1) Equity-accounted investments only include significant entities that have foreign currency exposure.
(2) Other liabilities include structured transaction liabilities and general insurance technical provisions.

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 011 million (2017: increase of R1 125 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 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 Specialised Finance (SanFin), via the 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 SanFin have delegated responsibility for credit risk management to the Central Credit committee. In Sanlam Emerging Markets, Botswana Insurance Fund Management (BIFM), Sanlam Investments Namibia, Sanlam Investments East Africa (SIEA) as well as the asset management team in Saham Finances, perform investment activities. The Sanlam Emerging Markets ALCO and Estate committees oversee these activities as well as the investment activities of the SEM insurers who perform their own investment activities.

The governance structures ensure that an appropriate credit culture and environment are 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 framework 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 "problematic" 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, and to ensure a consistent and systematic evaluation process. External ratings (e.g. Moody's Investor Services, Standard & Poor's 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 policy.

In addition to the above measures, some 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, clients 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 2018 and 2017 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 SanFin, to instruments subject to credit risk using international rating scales.

Credit risk concentration by credit rating:										
	AAA	AA	A	BBB	BB	B	Not rated [4]	Other	Total	Carrying value
Assets backing policy liabilities [3]	%	%	%	%	%	%	%	%	%	R million
31 December 2018										
Government interest-bearing investments [2]	**18**	**-**	**4**	**53**	**7**	**2**	**15**	**1**	**100**	**41 278**
Corporate interest-bearing investments	**2**	**7**	**4**	**32**	**35**	**9**	**8**	**3**	**100**	**75 521**
Mortgages, policy and other loans	**-**	**-**	**-**	**6**	**54**	**16**	**20**	**4**	**100**	**16 584**
Structured transactions	**-**	**28**	**14**	**34**	**20**	**4**	**-**	**-**	**100**	**17 922**
Cash, deposits and similar securities	**1**	**7**	**4**	**65**	**-**	**-**	**12**	**11**	**100**	**23 252**
Net working capital	**-**	**-**	**-**	**-**	**-**	**-**	**100**	**-**	**100**	**3 495**
Total	**5**	**7**	**4**	**39**	**24**	**6**	**12**	**3**	**100**	**178 052**
31 December 2017 [1]										
Government interest-bearing investments [2]	-	3	13	64	2	4	14	-	100	44 582
Corporate interest-bearing investments	3	6	2	61	20	3	5	-	100	67 294
Mortgages, policy and other loans	-	-	-	3	-	5	92	-	100	10 455
Structured transactions	-	-	6	64	20	10	-	-	100	13 052
Cash, deposits and similar securities	2	3	1	87	-	-	7	-	100	18 737
Net working capital	-	-	-	-	-	-	100	-	100	1 906
Total	2	4	5	60	11	4	14	-	100	156 026
Capital portfolio [3]	%	%	%	%	%	%	%	%	%	R million
31 December 2018										
Government interest-bearing investments [2]	**2**	**-**	**1**	**4**	**11**	**1**	**71**	**10**	**100**	**1 986**
Corporate interest-bearing investments	**5**	**6**	**10**	**1**	**39**	**4**	**35**	**-**	**100**	**4 373**
Mortgages, policy and other loans	**-**	**-**	**-**	**4**	**25**	**27**	**44**	**-**	**100**	**233**
Structured transactions	**4**	**-**	**56**	**-**	**39**	**1**	**-**	**-**	**100**	**628**
Cash, deposits and similar securities	**1**	**3**	**8**	**3**	**25**	**-**	**59**	**1**	**100**	**2 957**
Net working capital	**-**	**-**	**-**	**10**	**24**	**1**	**63**	**2**	**100**	**5 204**
Total	**2**	**2**	**7**	**5**	**27**	**2**	**53**	**2**	**100**	**15 381**
31 December 2017 [1]										
Government interest-bearing investments [2]	-	3	2	19	7	15	46	8	100	779
Corporate interest-bearing investments	3	7	8	39	31	10	2	-	100	4 535
Mortgages, policy and other loans	-	-	2	-	8	13	77	-	100	698
Structured transactions	4	3	-	41	50	2	-	-	100	337
Cash, deposits and similar securities	1	45	4	18	-	-	30	2	100	3 212
Net working capital	3	63	5	-	-	-	17	12	100	2 819
Total	2	29	5	21	14	5	20	4	100	12 380

(1) Prior year figures were restated to align to international rating scales.

(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.

(3) Ratings are principally derived from internally assessed ratings or issuers as supposed to external ratings.

(4) Due to timing of the Saham Finances acquisition, interest-bearing investment assets for Saham Finances have been classified as not rated.

The majority of the counterparties to structured transactions are institutions with at least a BB 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. Please refer to note 27 on page 81, which discloses the possible obligations of 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. As far as possible, 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

	Liquidity risk	Note
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*

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

31 December 2018 **R million**	**< 1 year**	**1-5 years**	**> 5 years**	**Open ended**	**Total**
Insurance contracts	**8 221**	**30 259**	**73 393**	**72 356**	**184 229**
Investment contracts	**9 515**	**42 687**	**69 839**	**189 672**	**311 713**
Total policy liabilities	**17 736**	**72 946**	**143 232**	**262 028**	**495 942**
Properties	**-**	**-**	**-**	**11 767**	**11 767**
Equities and similar securities	**-**	**-**	**-**	**73 551**	**73 551**
Government interest-bearing investments	**1 775**	**4 014**	**36 009**	**-**	**41 798**
Corporate interest-bearing investments	**7 798**	**50 483**	**16 832**	**409**	**75 522**
Mortgages, policy and other loans	**2 935**	**8 747**	**3 869**	**1 033**	**16 584**
Structured transactions	**7 882**	**5 892**	**3 276**	**871**	**17 921**
Investment funds*	**-**	**-**	**-**	**239 332**	**239 332**
Cash, deposits and similar securities	**11 945**	**9 646**	**364**	**1 298**	**23 253**
Deferred acquisition costs	**-**	**-**	**-**	**630**	**630**
Long-term reinsurance assets	**50**	**928**	**143**	**798**	**1 919**
Derivative liabilities	**(7 528)**	**(2 053)**	**(211)**	**(29)**	**(9 821)**
Net working capital	**3 486**	**-**	**-**	**-**	**3 486**
Total policyholder assets	**28 343**	**77 657**	**60 282**	**329 660**	**495 942**

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**
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**

**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 Liabilities are matched, as far as possible, with interest-bearing assets, to ensure that the duration of assets and liabilities are closely aligned. This 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 158 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	✗	✓
Other non-participating liabilities:		
Guarantee plans	✓	✓
Other	✓	✓
Capital portfolio	✗	✗

✓ *Risk applicable to item*

✗ *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 relevant Head of Actuarial Control approves 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 risk.
- 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	**2018 R million**	2017 R million
Expenses and persistency		
• Maintenance unit expenses (excluding investment expenses) decrease by 10%	**1 759**	1 448
• Discontinuance rates decrease by 10%	**1 295**	1 190
Insurance risk		
• Base mortality and morbidity rates decrease by 5% for life assurance business	**1 903**	1 767
• Base mortality and morbidity rates decrease by 5% for life assurance annuity business	**(224)**	(270)

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.

R'000	**2018**	2017 Restated*
0 - 20	**177 577**	181 538
20 - 40	**23 718**	22 409
40 - 60	**9 003**	8 244
60 - 80	**5 437**	5 052
80 - 100	**3 058**	2 874
>100	**8 516**	8 662
	227 309	228 779

** Prior year figures were restated due to a correction of data.*

Value of benefits insured: non-participating life business (excluding funeral policies)

Benefits insured per individual R'000	Number of lives **2018**	2017	Before reinsurance **2018** %	2017 %	After reinsurance **2018** %	2017 %
0 - 500	**8 244 540**	7 858 854	**19**	17	**26**	23
500 - 1 000	**293 786**	269 812	**11**	11	**13**	13
1 000 - 5 000	**438 549**	369 872	**43**	44	**43**	44
5 000 - 8 000	**32 752**	27 666	**10**	10	**8**	9
>8 000	**23 620**	20 453	**17**	18	**10**	11
	9 033 247	8 546 657	**100**	100	**100**	100

Value of benefits insured: non-participating life business (including funeral policies)

Benefits insured per individual life R'000	Number of lives **2018**	2017	Before reinsurance **2018** %	2017 %	After reinsurance **2018** %	2017 %
0 - 500	**13 577 811**	10 729 573	**24**	20	**32**	27
500 - 1 000	**293 786**	269 812	**10**	11	**11**	12
1 000 - 5 000	**438 549**	369 872	**41**	42	**40**	42
5 000 - 8 000	**32 752**	27 666	**9**	10	**7**	8
>8 000	**23 620**	20 453	**16**	17	**10**	11
	14 366 518	**11 417 376**	**100**	100	**100**	100

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.

	2018		2017	
	R million	**%**	R million	%
South Africa	**433 989**	**87**	433 925	90
Rest of Africa	**48 311**	**10**	32 467	7
Other International	**13 642**	**3**	12 038	3
Total policy liabilities	**495 942**	**100**	478 430	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 2018 is shown below:

R million	**2018**	2017
Gross balance	**4 931**	4 690
Provisions[1]	**(606)**	(289)
Net balance	**4 325**	4 401

(1) 2018 amounts are expected credit losses in terms of IFRS 9.

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'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 45.
- The Group Treasury function has also provided financing to SPL of R3 343 million at 31 December 2018 (2017: R3 520 million). This exposure is managed by SanFin. 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 clients 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 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 R8 554 million (2017: R7 301 million), of which approximately 75% (2017: 77%) is attributed to credit business and the majority of the remainder to general insurance business. Other significant retail credit investments include Letshego which is owned by Botswana Insurance Holdings and has a carrying value of R1 494 million (2017: R1 704 million), and Capricorn Investment Holdings in Namibia (which has a stake in Capricorn Investment Group, which owns 44% of Bank Windhoek) and a carrying value of R1 123 million (2017: R1 159 million).

The main risk emanating from the retail credit 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 and any funding guarantees provided.

SEM's credit risk management process entails the monitoring of key drivers in each of the significant retail credit 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 retail credit portfolio; and
- Liaise with the CCM as and 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.

Santam

Objective and framework

As an insurance group, Santam Limited and its subsidiaries are exposed to various insurance and financial risks. These risks cause uncertainty and therefore the challenge for management is to determine what level of uncertainty is acceptable for each business unit as it strives to enhance stakeholder value.

Santam has adopted an ERM approach and framework that enables management to effectively deal with uncertainty and thus enhance the capacity to build value by efficiently and effectively deploying resources in pursuit of achieving the group's objectives. The ERM process adopted is considered appropriate to the nature, scale and complexity of Santam's business and risks. The Santam approach is aligned with the principles of King IV, ISO 31000, SAM requirements as well as the requirements of our majority shareholder, Sanlam.

Santam's ERM framework and process is designed to assist the board in ensuring that management continually monitors risk and reports back to the risk committee on the status of these risks. ISO 31000 was adopted to ensure that a structured and practical approach to risk management is implemented throughout the business. Santam's ERM process is well defined and businesses are responsible and accountable for integrating ERM in the operations. ERM adds value by being aligned to the business strategy and objectives.

Risk assessment process

A key component of the ERM framework is the risk assessment process. Santam's risk assessment process consists of risk identification, risk analysis, risk evaluation and risk treatment/management of those risks that are relevant to Santam's strategic objectives. Risks are identified from a top down (strategic) and bottom up (operational) perspective to create and maintain an integrated view of material risk exposures. The top down approach is undertaken at an executive and senior management level and considers strategic risks affecting Santam in the medium to long term. In parallel, the bottom up approach is undertaken by enterprise, risk and compliance management (ERCM) at a business unit or specialist unit level to assess all categories of risks from their perspectives with specific focus on underwriting, reinsurance and financial risks.

The risk identification process is used to build an aggregated view of all significant risks faced by the organisation. This, together with the risk categories and knowledge base, is translated into the Santam risk universe. The risk universe is a summary of the most common risk themes across all categories of risk within Santam and assists management in understanding and effectively managing the relevant risks.

Risk analysis provides an input to risk evaluation and informs decisions on how the risks need to be treated. Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences and the likelihood that those consequences may occur.

Santam analyses quantifiable risks by using an internally developed economic capital model. The model covers the following risk categories:

- Insurance risk (consisting of underwriting and reinsurance risk);
- Credit risk;
- Market risk; and
- Operational risk.

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, outsourcing and cyber 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 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. These assessments are presented to the risk and investment committees as well as the Board on a quarterly basis for consideration.

Insurance risk

Insurance risk refers to the risk of loss as a result of underwriting insurance contracts. More specifically, Santam defines insurance risk to include:

- Underwriting risk; and
- Reinsurance risk.

Over the last four years, Santam's risk management function has developed a group-wide governance and risk management framework in terms of the Board-approved underwriting and reinsurance policies, required by the regulator's Prudential Standards.

This framework is implemented at business unit level through underwriting practice policies (approved by the business units' Boards) that set out the specific requirements and parameters within which insurance risks are managed. Through Santam risk management's on-going monitoring and review processes, business units are held accountable to the framework.

A key benefit of the framework from a risk management perspective is that it facilitates enhanced oversight and collaboration between business units and significantly improves the understanding and management of risk concentrations that arise from time to time and that extend over several business unit portfolios in most instances.

Underwriting risk

Santam manages underwriting risk through its underwriting strategy and proactive claims handling. The underwriting strategy aims to ensure that the portfolio of insurance contracts issued is well diversified and reasonably priced. Claims costs are actively managed to ensure that the impact of factors such as the volatility of the rand is adequately addressed.

In general, Santam issues personal, commercial, niche and cell/policyholder insurance policies, as well as reinsurance contracts in respect of most of the classes of business listed below:

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.

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. *Aviation* - Covers property (both moveable and immovable) risks associated with aircraft (i.e. in respect of their use, ownership, storage, loss or damage), as well as liability and transport risks associated with this class of business.

Bonds and Guarantees – 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.

Credit Insurance - Covers risks associated with the financial losses that result from the default of specified third parties (typically trade partners – both local and foreign) of the insured.

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.

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.

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.

Marine – Covers property (both moveable and immovable) risks associated with watercraft (i.e. in respect of their use, ownership, storage, loss or damage), as well as liability and transport risks (both on land and on water bodies) associated with this class of business.

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.

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.

Travel – Covers risks associated with local and international travel, for both business and leisure purposes.

Underwriting risk results from fluctuations in the timing, frequency and severity of insured events. It 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 underwriting 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	**2018**	2017	2016	2015	2014	2013	2012
Claims paid and provided %*	**60.6**	65,9	65,1	62,1	63,1	69,3	68,3

**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 Santam's principal cost, Santam also makes allowance in the pricing procedures for acquisition expenses, administration expenses, investment income, the cost of reinsurance and for a profit loading that adequately covers the cost of the capital.

Underwriting limits (per risk and, where relevant, per event) are set for business units, underwriting managers and intermediaries to ensure that Santam's risk appetite is appropriately delegated. Underwriting performance is monitored continuously and the pricing policy is revised accordingly. Risk factors considered as part of the review are unique to each class of business and constantly evolve as the risk environment changes. 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, economic sector and geography. Santam 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 (which underwrites inward reinsurance contracts only) and the Santam Specialist business.

Underwriting risk is further mitigated by ensuring that reserve and reinsurance risk are 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	2018	2017	2016	2015	2014	2013	2012	2011 and prior
Reporting year									
- 2018	**17 997**	**12 231**	4 627	503	371	165	84	11	5
- 2017	**18 823**	**-**	13 623	4 032	534	438	104	68	24
- 2016	**16 112**	**-**	-	11 087	3 909	506	380	111	119
- 2015	**14 019**	**-**	-	-	9 786	3 388	354	247	244
- 2014	**13 556**	**-**	-	-	-	9 031	3 578	493	454
- 2013	**13 148**	**-**	-	-	-	-	9 152	3 411	585
- 2012	**11 340**	**-**	-	-	-	-	-	8 176	3 164
- 2011	**10 327**	**-**	-	-	-	-	-	-	10 327
Cumulative payments to date	**115 322**	**12 231**	**18 250**	**15 622**	**14 600**	**13 528**	**13 652**	**12 517**	**14 922**

General insurance claims - net

		Claims paid in respect of (i.e. incident year)							
R million	Total actual claims cost	2018	2017	2016	2015	2014	2013	2012	2011 and prior
Reporting year									
- 2018	**14 107**	**10 955**	2 563	246	191	80	69	8	(5)
- 2017	**13 819**	**-**	10 852	2 359	242	196	91	68	11
- 2016	**12 809**	**-**	-	9 866	2 386	212	153	98	94
- 2015	**11 476**	**-**	-	-	8 734	2 239	171	172	160
- 2014	**11 040**	**-**	-	-	-	7 927	2 489	323	301
- 2013	**11 335**	**-**	-	-	-	-	8 423	2 493	419
- 2012	**9 904**	**-**	-	-	-	-	-	7 616	2 288
- 2011	**8 989**	**-**	-	-	-	-	-	-	8 989
Cumulative payments to date	**93 479**	**10 955**	**13 415**	**12 471**	**11 553**	**10 654**	**11 396**	**10 778**	**12 257**

Reporting development

General insurance claims provision - gross

		Financial year during which claim occurred (i.e. incident year)							
R million	**Total provisions raised**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011 and prior**
Reporting year									
- 2018	**8 497**	**5 033**	1 405	1 082	221	312	134	124	186
- 2017	**8 348**	**-**	5 240	1 541	493	506	201	125	242
- 2016	**6 814**	**-**	-	3 870	1 143	895	297	171	438
- 2015	**6 279**	**-**	-	-	3 100	1 577	758	208	636
- 2014	**6 240**	**-**	-	-	-	4 069	844	410	917
- 2013	**5 523**	**-**	-	-	-	-	3 267	788	1 468
- 2012	**4 948**	**-**	-	-	-	-	-	3 133	1 815
- 2011	**4 192**	**-**	-	-	-	-	-	-	4 192
	50 841	**5 033**	**6 645**	**6 493**	**4 957**	**7 359**	**5 501**	**4 959**	**9 894**

General insurance claims provision - net

		Financial year during which claim occurred (i.e. incident year)							
R million	**Total provisions raised**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011 and prior**
Reporting year									
- 2018	**4 345**	**2 679**	602	321	175	135	113	101	219
- 2017	**4 442**	**-**	3 031	451	252	170	171	104	263
- 2016	**3 973**	**-**	-	2 334	512	312	234	157	424
- 2015	**4 056**	**-**	-	-	2 291	581	348	197	639
- 2014	**3 968**	**-**	-	-	-	2 337	448	325	858
- 2013	**4 207**	**-**	-	-	-	-	2 459	568	1 180
- 2012	**3 971**	**-**	-	-	-	-	-	2 550	1 421
- 2011	**3 273**	**-**	-	-	-	-	-	-	3 273
	32 235	**2 679**	**3 633**	**3 106**	**3 230**	**3 535**	**3 773**	**4 002**	**8 277**

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.

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 of loss due to either insufficient or inappropriately structured reinsurance cover relative to Santam's risk management strategy and objectives. It also includes the risk that the reinsurance program is inappropriately administered. 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 programme 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 programme comprised:

- Individual excess-of-loss cover for property, liability, engineering, aviation and marine risks, which provides protection to limit losses between the range of R25 million to R85 million per risk, excluding reinstatement premiums following a claim or claims against the covers. Santam protects its Per Risk loss exposure down to a maximum amount of R50 million on any one risk;
- Santam buys catastrophe cover exceeding the 1 in 250 year earthquake catastrophe loss using an external validated earthquake loss prediction model. This model typically results in cover of up to 1,3% of the total exposure of the significant geographical areas, amounting to protection of R8,2 billion per event, with an attachment point of R150 million;
- The catastrophe program for an aggregate amount of losses from events in excess of R10 million was not renewed in 2018, since the price for value was not deemed worthwhile;
- During the course of the year, Santam purchased a multi-year aggregate excess of loss treaty, which protects the Santam Group against the accumulation of multiple catastrophe losses over a financial year, for losses below the catastrophe excess of loss retention of R150 million; and
- 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.

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 Limited (Munich Re of Africa) in terms of which selected Santam business units will be able to use the reinsurer's S&P A- 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 programme, 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 programme is placed with external reinsurers that have an international credit rating of no less than A- (2017: 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

Credit risk reflects the financial impact of the default of one or more of Santam's counterparties.

Santam is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key insurance-related areas where Santam is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations;
- Reinsurer defaults 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.

The credit quality for each of Santam counterparties is determined using rating agencies' assessments of the probability of default over a one-year time horizon. The underlying default probabilities are based on the credit migration models developed by S&P, Moody's, Fitch and GCR which incorporate up to 90 years' worth of credit default information. The probability of default assigned are based on the highest credit rating assigned by the various rating agencies.

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 Prudential Standards.. 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.

Credit risk capital is held for exposure to risk-based assets such as bonds and bank deposits as well as for the following type of exposure:

– Outstanding premiums due from intermediaries and reinsurance due from reinsurers;

– Reinsurance claims provisions; and

– Exposure to potential reinsurance recoveries based on the losses generated by the internal model.

Santam is protected by guarantees provided by the Intermediary Guarantee Facility (IGF) for the non-payment of premiums collected by intermediaries. Santam Group's protected portion of receivables due from contract holders and intermediaries amounts to 42,1% (2017: 43,3%). For Santam (the Company), this amounts to 48,2% (2017: 42,0%). The IGF will cease to exist from 31 March 2019. Debtors falling into the 'Not rated' category are managed by the internal credit control department on a daily basis to ensure recoverability of amounts.

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% on 31 December 2017 and was managed down to 11.7% in the current year 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 Allianz (2017: SCOR). 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 2018 *R million*	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB+**	**BBB**	**BBB-**	**BB+**	**BB**	**BB-**	**Not rated**	**Carrying value**
Debt securities - quoted	118	-	-	-	-	-	16	5,517	231	1,672	556	353	8,463
Debt securities - unquoted	-	-	-	-	-	4	-	4,278	51	106	176	834	5,449
Total debt securities	118	-	-	-	-	4	16	9,795	282	1,778	732	1,187	13,912
Total unitised investments	-	-	-	-	-	-	-	-	-	-	-	2,501	2,501
Short-term money market instruments	-	-	-	-	-	-	29	2,274	12	84	261	268	2,928
Receivables due from contract holders/intermediaries	-	-	-	-	69	-	-	29	-	-	-	4,651	4,749
Reinsurance receivables	12	27	7	23	40	-	-	-	-	-	-	310	419
Other loans and receivables	-	10	3	-	11	-	12	126	3	45	10	886	1,106
Cell owners' interest	-	-	-	-	-	-	-	-	-	-	-	13	13
Deposit with cell owners	-	-	-	-	-	-	-	-	-	-	-	191	191
Cash and cash equivalents	159	420	26	-	2	-	-	1,598	88	1,322	-	3	3,618
Total	289	457	36	23	122	4	57	13,822	385	3,229	1,003	10,010	29,437

31 December 2017 *R million*	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB+**	**BBB**	**BBB-**	**BB+**	**BB**	**BB-**	**Not rated**	**Carrying value**
Debt securities - quoted	-	-	-	-	-	-	1,784	3,913	377	1,484	229	624	8,411
Debt securities - unquoted	-	15	-	-	-	-	741	2,601	160	41	159	16	3,733
Total debt securities	-	15	-	-	-	-	2,525	6,514	537	1,525	388	640	12,144
Total unitised investments	-	-	-	-	-	-	-	151	-	-	-	218	369
Short-term money market instruments	-	-	2	-	-	-	426	1,515	61	79	48	43	2,174
Receivables due from contract holders/intermediaries	-	-	-	-	-	98	-	-	-	37	-	3,458	3,593
Reinsurance receivables	37	24	118	111	116	-	-	-	-	-	-	280	686
Other loans and receivables	1	9	2	3	7	10	48	105	7	34	4	747	977
Cell owners' interest	-	-	-	-	-	-	-	-	-	-	-	10	10
Deposit with cell owners	-	-	-	-	-	-	-	-	-	-	-	174	174
Cash and cash equivalents	302	320	29	-	2	101	1,229	893	1	1,430	-	14	4,321
Total	340	368	151	114	125	209	4,228	9,178	606	3,105	440	5,584	24,448

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
- Unitised funds
- 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 has a well-defined investment strategy, including return objectives, asset allocation, portfolio construction and asset manager selection. The strategy has been translated into various specialist mandates which in turn have been outsourced mostly to Sanlam Investment Management (SIM). The total level of equity investments, both listed and unlisted, is closely monitored by the investment committee and the Board. The internal economic capital model is used to model the asset mix and absolute level of equity exposure on at least a quarterly basis and to compare the results to Santam's risk appetite. The analysis is presented to the investment committee for consideration in terms of required actions.

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 10.4% (2017: 19,0%) of the total quoted equities and 0.6% (2017: 1,0%) of the total assets. The company's largest investment in any one company comprises 18.2% (2017: 22,6%) of the total quoted equities and 0.6% (2017: 1,2%) 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 impact of a change in the interest rate on the asset mix as well as the economic capital requirements is determined using the internal economic capital model. The result of this analysis is presented to the investment committee on at least a quarterly basis for consideration and approval of required actions.

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 2018 (2017: 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 and India. 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 has two sources of currency risk:

- Operational currency risk: 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: 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 values of the investments in the SEM target shares are 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. Any changes in foreign exchange rates relating to the investment in SAN JV are recognised directly in the foreign currency translation reserve in the statement of changes in equity. These movements will only be released to profit or loss should the investment in SAN JV be disposed of.

In order to mitigate the foreign currency mismatch risk, Santam monitors the level of foreign currency assets relative to foreign currency liabilities and foreign currency capital requirements

In terms of Santam's risk management strategy, foreign currency risks can be assessed on a case by case basis to determine whether specific hedging requirements exist.

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

Liquidity risk is the risk that Santam will encounter difficulty in raising funds to meet the commitments associated with its financial obligations as a result of assets not being available in a form that can immediately be converted into cash.

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 are 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.

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 2018					
Term finance liabilities					
Interest-bearing liabilities	-	(1 013)	-	-	**(1 013)**
Assets held in respect of term finance	87	679	192	55	**1 013**
Government interest-bearing investments	2	-	-	-	**2**
Corporate interest-bearing investments	74	552	192	-	**818**
Mortgages, policy and other loans	1	68	-	-	**69**
Structured transactions	-	43	-	-	**43**
Investment funds	-	-	-	55	**55**
Cash, deposits and similar securities	27	16	-	-	**43**
Working capital assets and liabilities	(17)	-	-	-	**(17)**
Net term finance liquidity position	**87**	**(334)**	**192**	**55**	**-**
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	-

2. Sensitivity analysis – market risk

Refer to page 213 of the Integrated Report online for an analysis of the Group's exposure to market risk as measured by GEV.

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	2018	2017
Property and equipment	303	241
Owner-occupied properties	500	497
Intangible assets	914	896
Deferred acquisition costs	2 384	2 381
Investments	113 156	102 077
Properties	-	10
Investment in subsidiaries, joint ventures and associates	92 957	74 655
Equities and similar securities	9 757	10 189
Interest bearing investments	1 050	3 016
Structured transactions	524	360
Investment funds	8 393	11 293
Cash, deposits and similar securities	475	2 554
Term finance	(1 013)	(2 166)
Net deferred tax	(712)	(821)
Structured transaction liabilities	(24)	(1 156)
Net working capital liabilities	(7 332)	(2 189)
Shareholders' fund	108 176	99 760

CURRENCY RISK

Company

31 December 2018 R million	Euro	United States Dollar	British Pound	African Assets	Indian Rupee	Other	Total
Equities and similar securities	2	118	2	-	-	55	177
Investment in subsidiaries, joint ventures and associates	-	-	-	-	1 726	-	1 726
Interest bearing investments		56		-	-	-	56
Investment funds	-	307	-	-	-	91	398
Structured transactions	-	-	-	-	-	-	-
Cash, deposits and similar securities	-	6	-	-	15	1	22
Net working capital assets	-	1	-	-	-	-	1
Capital portfolio	2	488	2	-	1 741	147	2 380
Exchange rates (Rand):							
Closing rate	16.44	14.38	18.32		0.21		
Average rate	15.57	13.17	17.60		0.19		

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		

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 R530 million (2017: increase of R733 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.

CREDIT RISK

Company

Credit risk concentration by credit rating:

R million	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Not rated**	**Other**	**Total**
31 December 2018									
Assets backing policy liabilities									
Government interest bearing investments	-	-	-	18 861	2 767	932	159	-	22 719
Corporate interest bearing investments	-	405	1 180	22 908	25 836	6 417	712	833	58 291
Mortgages, Policy and other loans	-	-	-	940	8 971	2 665	2 223	582	15 381
Structured transactions	-	4 969	2 696	5 543	3 203	652	(107)	189	17 145
Cash deposits and similar securities	-	873	472	5 698	2 458	30	1 623	2 572	13 726
Net working capital assets	-	-	-	-	-	-	488	-	488
	-	**6 247**	**4 348**	**53 950**	**43 235**	**10 696**	**5 098**	**4 176**	**127 750**
Capital portfolio									
Government interest bearing investments	-	-	-	39	-	12	-	-	51
Corporate interest bearing investments	-	-	2	338	441	98	-	-	879
Mortgages, Policy and other loans	-	-	-	-	57	63	1	-	121
Structured transactions	-	64	256	108	95	-	-	-	523
Cash deposits and similar securities	-	8	24	298	118	-	27	-	475
Net working capital assets	-	-	-	-	-	-	(7 332)	-	(7 332)
	-	**72**	**282**	**783**	**711**	**173**	**(7 304)**	**-**	**(5 283)**

R million	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Not rated**	**Other**	**Total**
31 December 2017									
Assets backing policy liabilities									
Government interest bearing investments	-	-	-	24,675	2,240	2,733	242	-	29 890
Corporate interest bearing investments	-	-	-	24,881	22,382	4,662	1 060	520	53 505
Mortgages and loans	-	-	-	990	4,465	3,082	1 898	1 055	11 490
Cash, deposits and similar securities	-	-	127	9,341	335	-	1 217	2	11 022
Structured Transactions	-	11	659	7,933	2,751	595	137	-	12 086
Net working capital assets	-	-	-	-	-	-	1 186	-	1 186
	-	**11**	**786**	**67 820**	**32 173**	**11 072**	**5 740**	**1 577**	**119 179**
Capital portfolio									-
Government interest bearing investments	-	-	-	118	50	32	-	-	200
Corporate interest bearing investments	-	-	-	1,342	1,164	132	-	26	2 664
Mortgages and loans	-	-	-	-	56	96	-	-	152
Cash, deposits and similar securities	-	29	-7	2,239	37	-	253	3	2 554
Structured Transactions	-	6	-	154	195	6	-	-	361
Net working capital assets	-	-	-	-	-	-	(2 189)	-	(2 189)
	-	**35**	**(7)**	**3 853**	**1 502**	**266**	**(1 936)**	**29**	**3 742**

* 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 2018 R million	< 1 year	1-5 years	> 5 years	Open ended	Total
Insurance contracts	5 656	19 555	35 910	67 239	**128 360**
Investment contracts	4 498	22 398	67 966	179 737	**274 599**
Total policy liabilities	**10 154**	**41 953**	**103 876**	**246 976**	**402 959**
Properties	**-**	**-**	**-**	**9 032**	**9 032**
Non-current assets held for sale	**-**	**-**	**-**	**-**	**-**
Equities and similar securities	**-**	**-**	**-**	**60 150**	**60 150**
Investments in subsidiaries, joint ventures and associates	**-**	**-**	**-**	**1 328**	**1 328**
Government interest bearing investments	**463**	**1 856**	**20 400**	**-**	**22 719**
Corporate interest bearing investments	**6 072**	**43 683**	**8 127**	**409**	**58 291**
Mortgages and loans	**2 916**	**8 649**	**3 766**	**50**	**15 381**
Structured transactions	**7 855**	**5 143**	**3 276**	**871**	**17 145**
Investment funds	**-**	**-**	**-**	**213 319**	**213 319**
Cash, deposits and similar securities	**9 094**	**4 407**	**225**	**-**	**13 726**
Deferred acquisition cost	**-**	**-**	**-**	**400**	**400**
Long-term reinsurance assets	**6**	**101**	**60**	**712**	**879**
Structured transaction liabilities	**(7 528)**	**(1 887)**	**(211)**	**(29)**	**(9 655)**
Net working capital and deferred taxation	**244**	**-**	**-**	**-**	**244**
Total policyholder assets	**19 122**	**61 952**	**35 643**	**286 242**	**402 959**

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**

LIQUIDITY RISK – CAPITAL

Company: R million	<1 year	1-5 years	>5 years	Open ended	Total
31 December 2018					
Term finance liabilities	-	(1 013)	-	-	(1 013)
Assets held in respect of term finance	87	679	192	55	1 013
Equities and similar securities	-	-	-	-	-
Government and interest bearing investments	1	-	-	-	1
Corporate interest bearing investments	74	552	192	-	818
Mortgages and loans	1	68	-	-	69
Structured transactions	-	43	-	-	43
Investment funds	-	-	-	55	55
Cash, deposits and similar securities	27	16	-	-	43
Working capital assets and liabilities	(16)	-	-	-	(16)
Net term finance liquidity position	87	(334)	192	55	-
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 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	-

INSURANCE RISK

31 December 2018

Sensitivity to insurance risk	**Net VIF R million**	**Δ R million**
Base value	28 221	
Expenses and persistency		
Maintenance unit expenses (excluding investment expenses) decrease by 10%	29 534	1 313
Discontinuance rates decrease by 10%	28 911	680
Insurance risk		
Base mortality and morbidity rates decreased by 5% for life assurance business	29 305	1 084
Base mortality and morbidity rates decreased by 5% for life assurance annuity business	27 964	(257)

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)

CONCENTRATION RISK

Company
Value of benefits insured: non-participating life business
Benefits insured per individual life

	Number of lives		Before reinsurance		After reinsurance	
	2018	2017	**2018**	2017	**2018**	2017
R'000			**%**	%	**%**	%
0 - 500	**599 322**	630 755	**10**	10	**12**	12
500 - 1000	**219 942**	218 303	**13**	13	**14**	14
1000 - 5000	**300 214**	296 008	**49**	48	**51**	50
5000 - 8000	**19 971**	20 935	**10**	11	**10**	10
> 8000	**14 335**	15 707	**18**	18	**13**	14
	1 153 784	1 181 708	**100**	100	**100**	100

Non-participating annuity payable per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
	2018	2017 *	**2018**	2017	**2018**	2017
R'000			**%**	%	**%**	%
0 - 20	**165 121**	169 605	**27**	29	**27**	29
20 - 40	**20 226**	19 434	**14**	14	**14**	14
40 - 60	**6 953**	6 519	**8**	8	**8**	8
60 - 80	**4 006**	3 800	**7**	7	**7**	7
80 - 100	**2 014**	1 917	**5**	5	**5**	5
> 100	**6 625**	6 107	**39**	37	**39**	37
	204 945	207 382	**100**	100	**100**	100

* Prior year figures were restated due to a correction of data.

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	
	2018	2017
	R million	R million
South Africa	402 959	401 332
Africa	-	-
Total policy liabilities	402 959	401 332

EMPLOYMENT EQUITY REPORT

1. Workforce profile

1.1 Total number of employees (including employees with disabilities) in each of the following occupational levels:

Occupational Level	Male				Female				Foreign		Grand Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	2	0	0	5	0	0	0	1	0	0	8
Senior Management	48	38	47	275	39	22	16	98	7	1	591
Middle Management	268	295	179	727	262	276	148	737	23	6	2921
Junior Management	1209	804	241	927	1642	1572	326	1675	24	18	8438
Semi-Skilled	1714	309	101	74	4756	569	89	318	26	16	7972
Unskilled	66	3	0	0	107	13	0	0	1	0	190
Grand Total	**3307**	**1449**	**568**	**2008**	**6806**	**2452**	**579**	**2829**	**81**	**41**	**20120**

1.2 Employees with disabilities in each of the following levels:

Occupational Level	Male				Female				Foreign		Grand Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top Management	0	0	0	0	0	0	0	0	0	0	0
Senior Management	2	0	0	3	0	2	1	0	0	0	8
Middle Management	2	5	4	15	1	1	1	9	0	0	38
Junior Management	21	8	4	17	16	22	1	33	0	0	122
Semi-Skilled	45	14	3	4	43	14	3	7	0	0	133
Unskilled	2	0	0	0	3	0	0	0	0	0	5
Total	**72**	**27**	**11**	**39**	**63**	**39**	**6**	**49**	**0**	**0**	**306**