



**Annual
Results 2018
Investor
Presentation**



Investor Presentation

2018 Annual Results

7 March 2019

Insurance

Financial Planning

Retirement

Investments

Wealth

Notes

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Strategic review

Operating environment in 2018

Financial review

Strategic priorities for 2019

Outlook

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Strategic review

| Transforming for enhanced growth



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Delivery on all strategic pillars in 2018



Dual focus on operational execution and corporate activity for future growth



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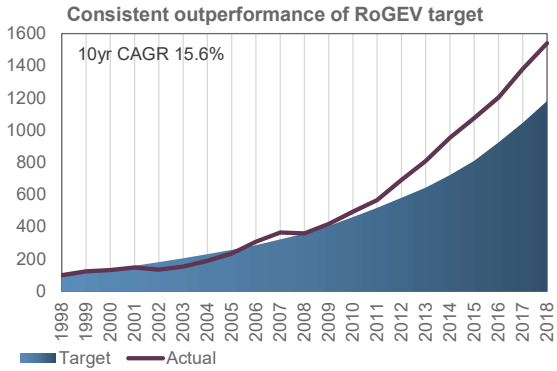
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Sustainable shareholder value creation

Solid growth despite major headwinds

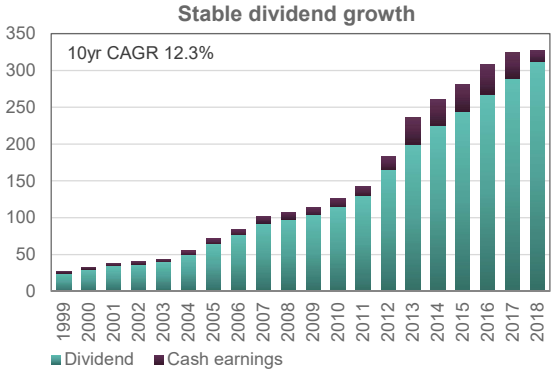


Target: SA 9yr risk free + 4%



Dual focus on future growth and dividend flows

Target: 2% - 4% real growth



Strategic focus on growing dividends from SEM operations

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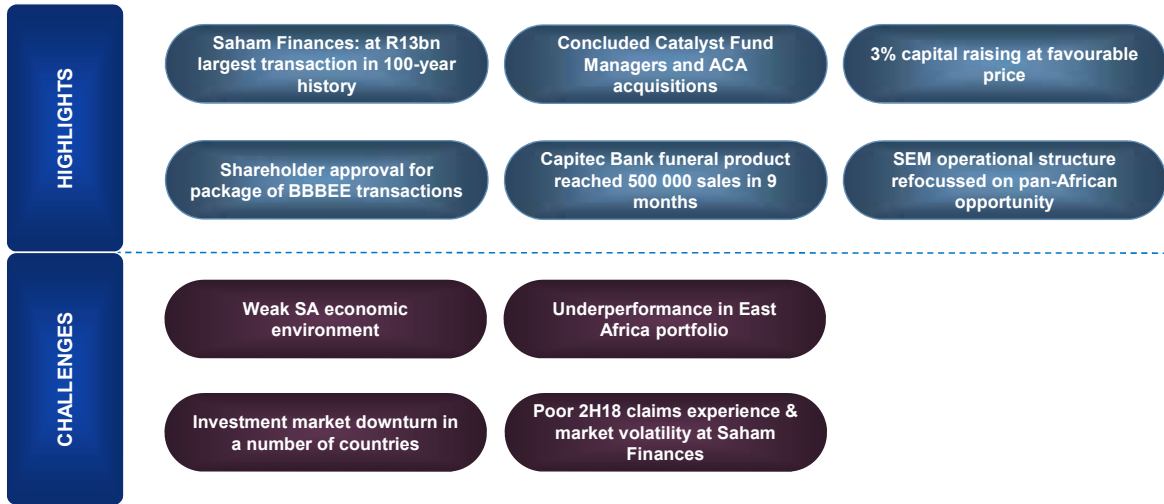
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Our strategic scorecard

Positioning for accelerated growth in SA and beyond



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An unmatched pan-African footprint in place

Focus is now on delivering the business case



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Operating environment in 2018

Challenging conditions in South Africa and Namibia persisting



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Our business environment in 2018



Not conducive to growth in short term, but more favourable outlook

- ① Renewed optimism at start of the year soon turned into more realistic views of path to recovery
- ① Economic growth remains under pressure; requires structural reform
- ① Sovereign credit rating downgrade risk remains
- ① More positive outlook
- ① Need to restore confidence

- ① Liquidity constraints in India
- ① Share prices of credit businesses under pressure despite robust operational performance
- ① Strong economic growth prospects



- ① Slow recovery in most regions
- ① Regulatory changes supportive of insurance opportunity
- ① Risk-based capital introduced in a number of markets – provides opportunities

- ① Steady rise in US interest rates during 2018
- ① Uncertainties around Brexit
- ① Escalating trade war between US and China
- ① Risks to Chinese economic growth and impact on commodity prices

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Financial review

Resilience through diversification



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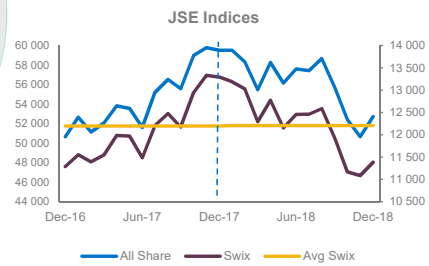
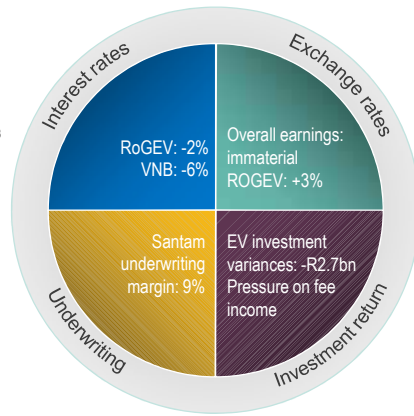
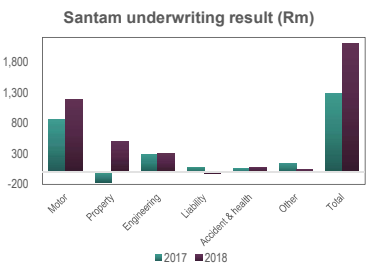
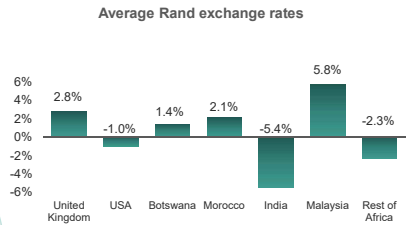
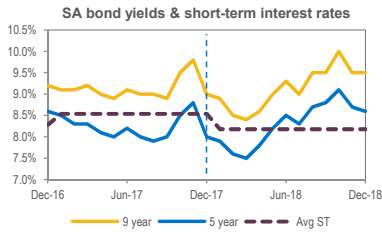
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Our economic and underwriting environment in 2018



Weak equity markets had a pronounced negative effect on earnings and RoGEV



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Overview of 2018 performance



HIGHLIGHTS	CHALLENGES
Adjusted RoGEV of 19.4% per share exceeded target of 13%	Weak investment markets impacted on SIG and SPF profitability
Exceptional underwriting performance by Santam	New business volumes at SIG and Glacier under pressure from low investor confidence
Strong growth in VNB, sterling contributions from Sanlam Sky and Sanlam Corporate	Adverse group risk claims experience continued in 2018
Positive experience variances exceeded R2 billion for the first time	Underperformance in East Africa and Letshego
Dividend up 8% to 312 cents per share	Saham Finances 2H18 results impacted by adverse claims experience and lower investment markets
Net fund inflows of R42 billion	

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Key Performance Indicators



- ③ Earnings
 - › Net result from financial services increased by 4%
 - › Normalised headline earnings down 8%
- ③ Business volumes
 - › Net value of new covered business up 8% to R2 billion (+14% on consistent economic basis)
 - › Net new covered business margin of 2.8% on consistent economic basis (2.94% in 2017)
 - › New business volumes increased by 1% to R223 billion
 - › Net fund inflows of R42 billion compared to R37 billion in 2017
- ③ Group Equity Value
 - › Group Equity Value of R63.41 per share
 - › RoGEV per share of 11.6%; adjusted 19.4% compared to hurdle of 13%
- ③ Dividend per share of 312 cents; up 8% (3% real growth)

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Financial review

| Sanlam Personal Finance



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Sanlam Personal Finance



R million	2018	2017	△
New business volumes	60 971	58 615	4%
Sanlam Sky	2 494	1 455	71%
Individual life recurring	1 125	994	13%
Capitec Bank credit and funeral	999	-	-
Other channels	370	461	-20%
Recurring premium & SBD	3 412	2 838	20%
Glacier	55 065	54 322	1%
Life	28 336	27 135	4%
Non-life	26 729	27 187	-2%
Net flows	10 294	8 454	
Sanlam Sky	3 625	3 623	
Recurring premium & SBD	(2 355)	(4 074)	
Glacier	9 024	8 905	

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Sanlam Personal Finance



<u>R million</u>	<u>2018</u>	<u>2017</u>	<u>△</u>	<u>CEB*</u>
Net value of new life business	1 504	1 407	7%	14%
Sanlam Sky	606	521	16%	28%
Recurring premium & SBD	447	396	13%	20%
Glacier	451	490	-8%	-6%
Net new business margin	3,08%	3,20%		3,26%
Sanlam Sky	7,89%	8,88%		8,93%
Recurring premium & SBD	3,47%	3,55%		3,54%
Glacier	1,60%	1,82%		1,63%

* Consistent economic basis

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Sanlam Personal Finance



R million	2018	2017	△
Net operating profit	4 033	4 235	-5%
Sanlam Sky	897	875	3%
<i>Excl NUB strain and African Rainbow Life</i>	970	875	11%
Recurring premium sub cluster	2 028	1 856	9%
Glacier	854	1 264	-32%
SBD & Other	254	240	6%
Excluding growth initiatives	4 258	4 280	-1%
Group Equity Value	43 185	43 401	
RoGEV	11,4%	17,5%	

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Financial review

Sanlam Emerging Markets



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Sanlam Emerging Markets



R million	2018	2017	△
New business volumes	26 224	21 903	20%
Namibia	6 802	5 593	22%
Botswana	5 833	7 137	-18%
Rest of Africa	10 655	6 360	68%
<i>Saham Finance</i>	7 569	3 385	124%
<i>Ghana</i>	-	130	-100%
<i>Other</i>	3 086	2 845	8%
India	2 329	2 224	5%
Malaysia	605	589	3%
Net fund flows	8 607	2 140	
Namibia	354	(3 105)	
Botswana	1 538	1 399	
Rest of Africa	5 636	2 928	
India/Malaysia	1 079	918	

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Sanlam Emerging Markets



R million	2018	2017	△
Net value of new life business	338	347	-3%
Namibia	87	75	16%
Botswana	108	111	-3%
Rest of Africa	67	105	-26%
<i>Saham Finances</i>	38	20	90%
<i>Ghana</i>	-	34	-100%
<i>Other</i>	29	51	-43%
India/Malaysia	76	56	36%
Net new business margin	4,04%	4,86%	
Namibia	4,66%	4,98%	
Botswana	6,46%	6,34%	
Rest of Africa	2,39%	4,96%	
India/Malaysia	3,76%	3,16%	

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Sanlam Emerging Markets



R million	2018	2017	△
Net operating profit	2 038	1 793	14%
Namibia	294	344	-15%
Botswana	315	356	-12%
Rest of Africa	595	377	58%
<i>Saham Finances</i>	511	243	110%
<i>Ghana</i>	-	28	-100%
<i>Other</i>	84	106	-21%
India	793	759	4%
Malaysia	29	24	21%
Corporate expenses	12	(67)	>100%
Group equity value	44 659	27 621	
RoGEV	14,8%	11,5%	

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Financial review

Sanlam Investments



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Sanlam Investment Group



R million	2018	2017	△
Net investment business flows	7 602	19 035	
Investment management SA	4 133	13 247	
Wealth management	785	3 052	
International	2 684	2 736	
New life business	3 219	3 137	3%
Net life business	(388)	(357)	

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Sanlam Investment Group



R million	2018	2017	△
Net operating profit	1 152	1 227	-6%
Investment management SA	258	256	1%
Wealth management	125	140	-11%
International	405	351	15%
Specialised finance	364	480	-24%
Group Equity Value	18 703	18 331	
Covered business	2 797	2 768	
Other	15 906	15 563	
RoGEV	3,7%	14,2%	

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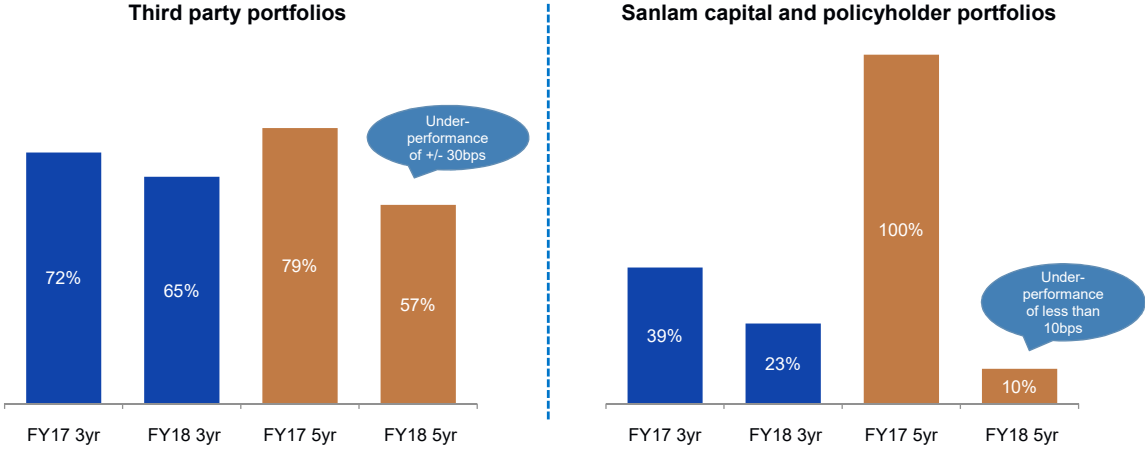
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Sanlam Investment Group

Investment performance



Percentage of SIM's benchmark-managed funds exceeding hurdle



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Santam



R million	2018	2017	△
Net earned premiums	22 812	21 435	6%
Gross operating profit	2 978	2 173	37%
Underwriting surplus	2 097	1 281	64%
Working capital & other	881	892	-1%
Net operating profit	1 196	851	41%
<i>Excl 2017 abnormal catastrophe claims</i>	<i>1 196</i>	<i>1 007</i>	<i>19%</i>
Underwriting margin	9,2%	6,0%	
Group Equity Value	20 102	18 108	
RoGEV	14,7%	18,0%	

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Financial review

Sanlam Corporate



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Sanlam Corporate



<u>R million</u>	<u>2018</u>	<u>2017</u>	<u>Δ</u>
New business volumes	13 326	4 828	176%
Risk	379	344	10%
Investment & retirement - life	9 695	4 484	116%
Investment – non-life	3 252	-	-
Net fund flows	6 438	606	
Value of new life business	143	87	64%
New business margin	1,03%	1,05%	

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Sanlam Corporate



R million	2018	2017	Δ
Net operating profit	580	558	4%
Employee Benefits	467	443	5%
Healthcare	136	120	13%
Integrated solutions and corporate	(23)	(5)	>-100%
Group Equity Value	6 009	6 368	
RoGEV	12,8%	21,0%	

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Financial review

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Business flows



R million	2018	Gross 2017	Δ	2018	Net 2017	Δ
by business						
Personal Finance	60 971	58 615	4%	10 294	8 454	22%
Emerging Markets	26 224	21 903	20%	8 607	2 140	>100%
Investment Group	99 696	114 391	-13%	7 214	18 678	-61%
Santam	22 812	21 435	6%	8 986	7 265	24%
Sanlam Corporate	13 326	4 828	176%	6 438	606	>100%
by licence						
Life insurance	53 815	44 615	21%	16 814	10 235	64%
General insurance	32 685	27 557	19%	12 946	9 417	37%
Investment	136 529	149 000	-8%	11 779	17 491	-33%
Total	223 029	221 172	1%	41 539	37 143	12%

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Net value of new covered business



R million	Net value of New Business				Margin		CEB*
	2018	2017	Δ	ΔCEB*	2018	2017	
Personal Finance	1 504	1 407	7%	14%	3,08%	3,20%	3,26%
Emerging Markets	338	347	-3%	-1%	4,04%	4,86%	4,11%
Sanlam Corporate	143	87	64%	71%	1,03%	1,05%	1,06%
Total	1 985	1 841	8%	14%	2,67%	2,94%	2,80%

* Consistent economic basis

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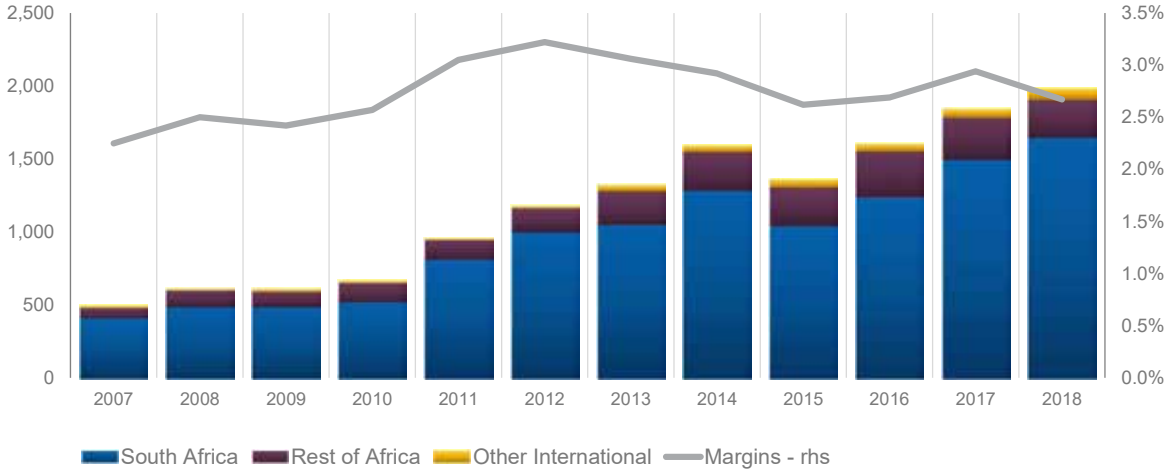
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Net value of new covered business



Value of new business (Rm) vs new business margins (%)



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Net operating profit



R million	2018	2017	△
Personal Finance	4 033	4 235	-5%
Emerging Markets	2 038	1 793	14%
Investment Group	1 152	1 227	-6%
Santam	1 196	851	41%
Sanlam Corporate	580	558	4%
Corporate & other	(109)	(115)	5%
Total	8 890	8 549	4%

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Income statement



R million	2018	2017	△
Net operating profit	8 890	8 549	4%
<i>Per share (cents)</i>	423,6	417,2	2%
Net investment return	707	1 663	-57%
Amortisation of intangible assets	(400)	(261)	-53%
Project expenses and other	(141)	(116)	-22%
Normalised headline earnings	9 056	9 835	-8%
<i>Per share (cents)</i>	431,5	480,0	-10%
Fund transfers	106	(78)	
Headline earnings	9 162	9 757	-6%
<i>Per share (cents)</i>	441,1	481,3	-8%

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Group Equity Value



R million	Equity Value		RoGEV	
	2018	2017	Rm	%
Group operations	132 658	113 829	13 526	11,6%
Personal Finance	43 185	43 401	4 832	11,4%
Emerging Markets	44 659	27 621	4 580	14,8%
Investment Group	18 703	18 331	682	3,7%
Santam	20 102	18 108	2 658	14,7%
Sanlam Corporate	6 009	6 368	774	12,8%
Discretionary & Other	1 394	7 934	(668)	-12,0%
TOTAL	134 052	121 763	12 858	10,6%
cps	6 341	5 940	691	11,6%
Adjusted RoGEV cps				19,4%
Return target				13,0%

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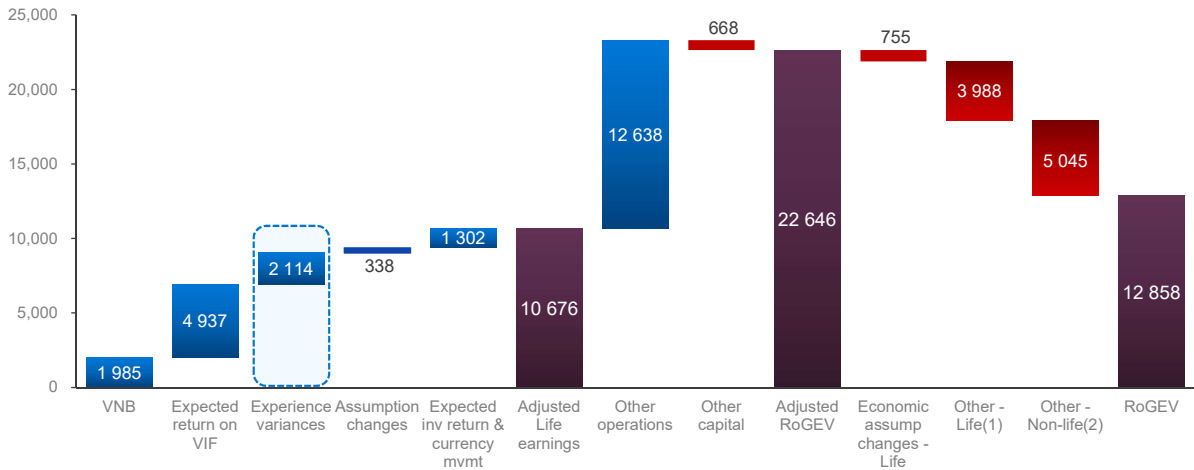
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Group Equity Value earnings



¹ Investment variances, currency movements, goodwill write-off & other
² Investment variances, economic assumption changes, currency movements & other

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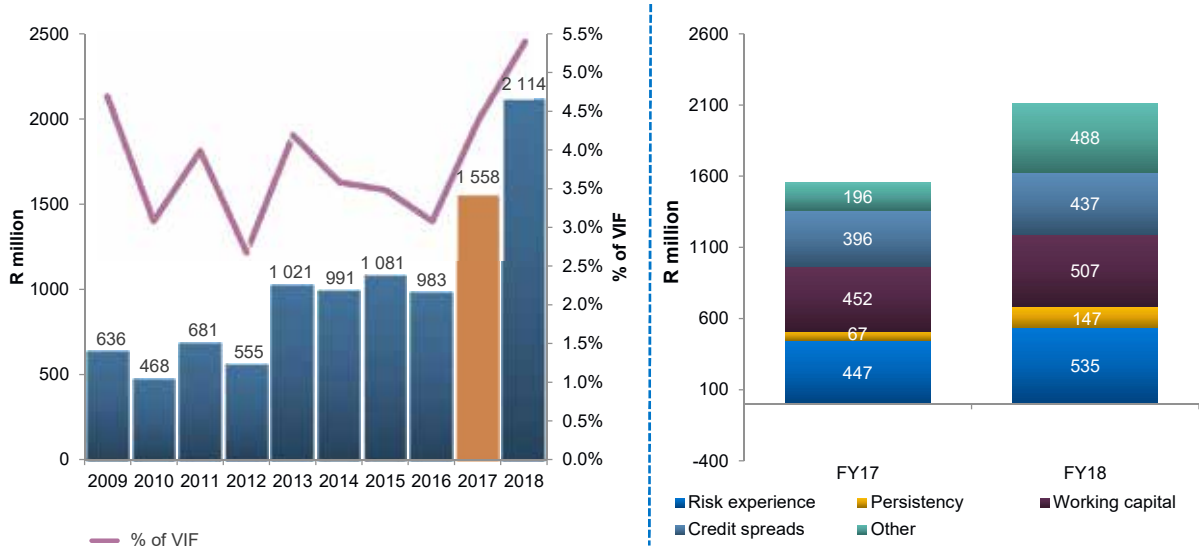
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Experience variances



Risk, working capital, credit spreads major contributors



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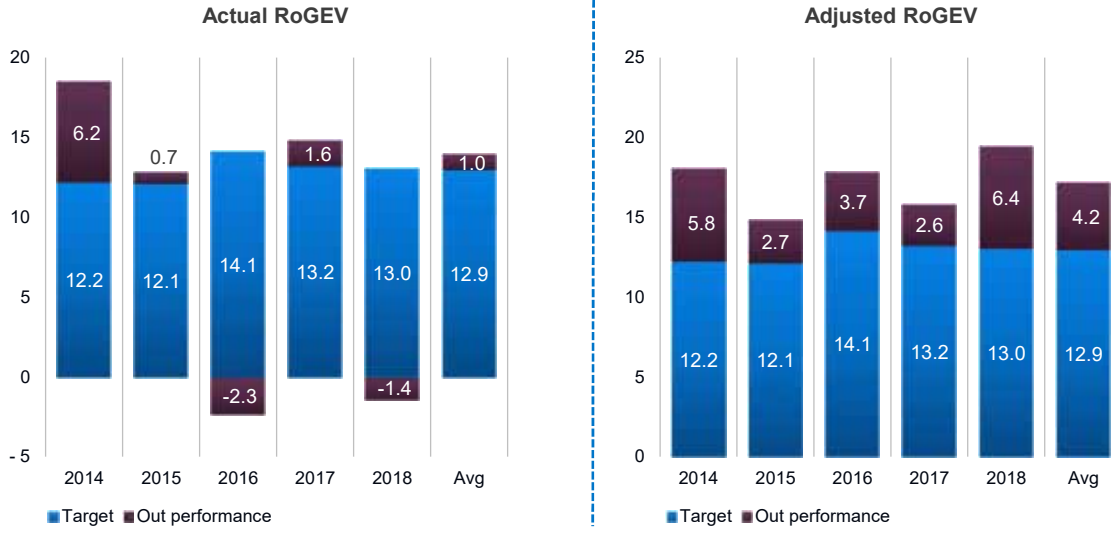
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Return on Group Equity Value

Out perform growth target of long-bond rate +400bp



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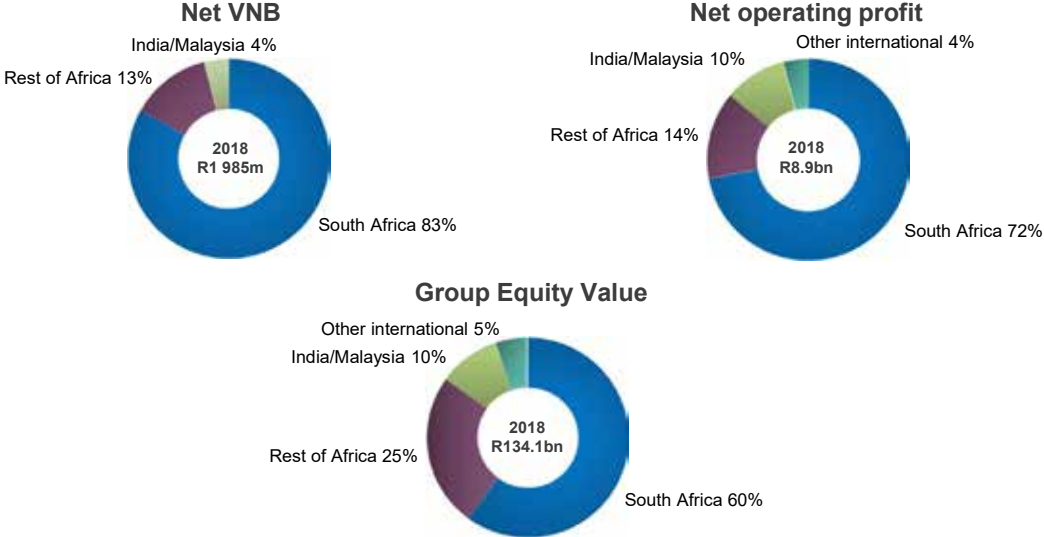
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Geographic diversification



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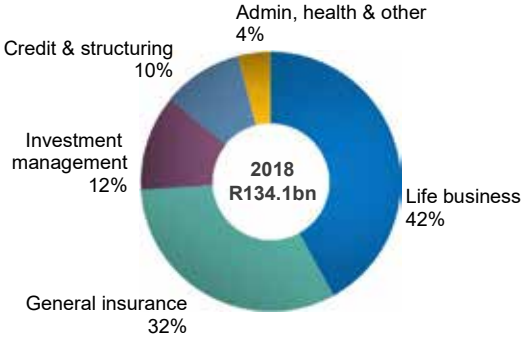
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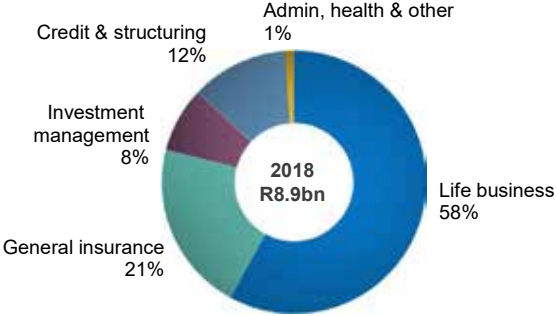
Line of business diversification



Group Equity Value



Net operating profit



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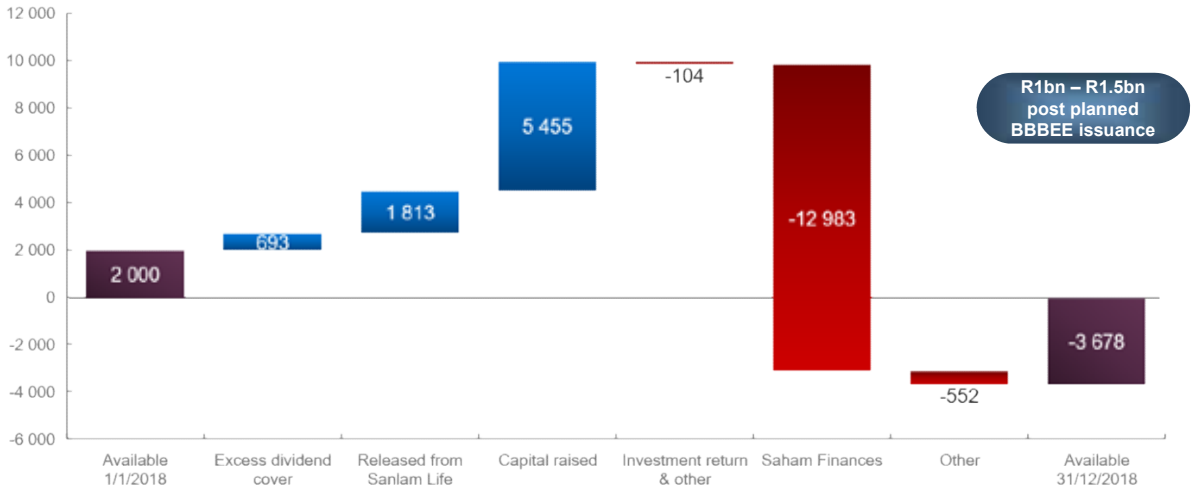
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Discretionary capital



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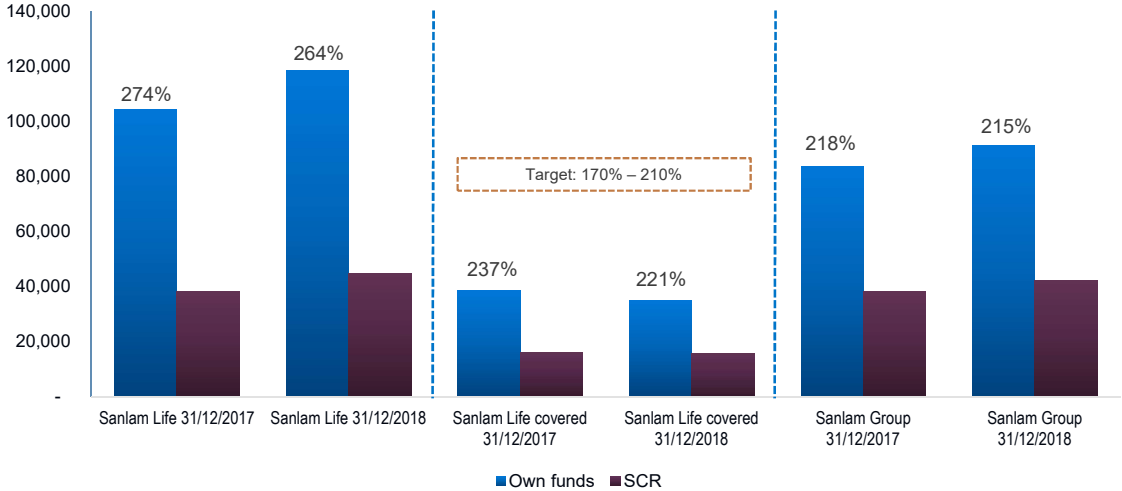
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Solvency position



Solvency cover exceeding upper end of target range

SAM solvency cover



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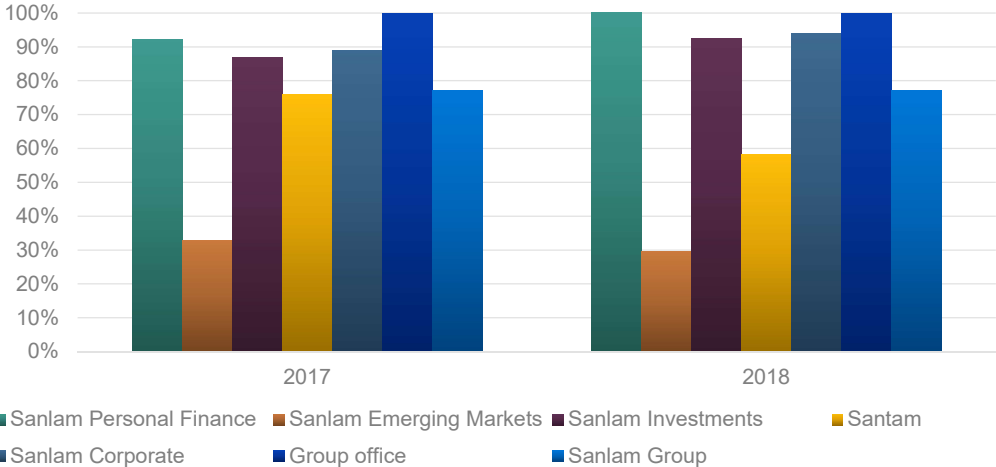
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Dividend

Cash dividend generation



Dividend as % of net result from financial services



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Strategic Priorities for 2019



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Sanlam Emerging Markets



Saham Finances synergies

- ③ Complementary footprint and businesses; opportunities for synergies
 - › A truly pan-African insurance and investment group
 - › Growing Saham Finances life insurance operations
 - › Growing other SEM general insurance businesses
 - › Expanding Saham Finances offering in assistance and health insurance
 - › Optimising reinsurance and specialist lines
- ③ Creates platform to realise our vision of being a leading pan-African financial services business:
 - › The “go-to” insurer for multinationals iro their own and employees’ needs
 - › The preferred partner to brokers, banks and other distribution entities operating across Africa
 - › The preferred network partner to international insurers with no African footprint
 - › Having the leading life and general insurance businesses on the ground, in each key country across the continent

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Sanlam Emerging Markets

Analysis of Saham Finances earnings



R million	2018	2017	Δ
Net result from financial services	690	1 097	-37%
Underwriting result	296	325	-9%
Return on insurance funds	951	1 734	-45%
Other income, tax and non-controlling interest	(557)	(962)	42%
Net investment return	172	110	56%
Net finance cost	(160)	(76)	-110%
Foreign currency translation differences	(124)	151	>-100%
Comprehensive income	578	1 282	-55%
Operational one-off items	68	-	
Investment market volatility	209	(156)	
One-off foreign currency gains and losses	178	(115)	
Normalised earnings	1 033	1 011	2%
Price/earnings ratio	25	26	

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Sanlam Emerging Markets



Other strategic focus areas

- ③ Continue with shift in focus from acquisitive to accelerated organic growth through superior execution and enhanced strategic alliances
- ③ Lift focus on governance, operational controls, compliance and ethics
- ③ Improved life distribution
- ③ Deliver on corporate opportunities in Africa in support of retail and commercial business growth
- ③ Increased visibility of Sanlam brand as partnership brand for markets and our employees
- ③ Santam focus on reinsurance and specialist business opportunity
- ③ Increase collaboration on human resource development across the cluster
- ③ Continue to explore industry consolidation, increased shareholding or strategic partnerships where it makes sense

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Sanlam Personal Finance



- ③ Increasing productivity through an improved worksite offering in the entry-level market
- ③ Increasing market share in the middle income and affluent segments through product innovation and leveraging the portfolio, including MiWayLife, Indie and BrightRock
- ③ Offering best-in-class client value for savings products
- ③ Further enhancing the full suite of integrated offerings at Glacier in cooperation with SIG
- ③ Continue to build multi-channel, digitally-enabled distribution footprint across all segments
- ③ Deepen strategic partnerships with Capitec and others
- ③ Harness digital to improve client experience while achieving further operational efficiencies and productivity improvements, including AI and robotic process automation

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Sanlam Investment Group



- ③ Maintain consistent superior investment performance
- ③ Leveraging capabilities across businesses to provide holistic solutions for retail and institutional clients, including closer cooperation with Sanlam Personal Finance and Ubuntu-Botho
- ③ Seizing the passive and alternatives opportunities
- ③ Strengthening the turn-around of Sanlam UK, positioning the business for future growth and enhancing offerings for our African client base
- ③ Dealing with fee income pressures through targeted cost reduction initiatives
- ③ Continued focus on transformation and people development
- ③ Driving retail flows through outcomes-based fund management
- ③ Using business intelligence capability to apply data analytics in pursuit of product innovation, to enhance client and intermediary experience, and to support operational efficiencies

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Santam



- Remaining focused on profitable growth in South Africa, and increasing international diversification through the Santam Specialist business and Santam Re
- Further focus on cost efficiencies and optimising the claims and procurement value chains
- Implementing omni-channel strategy across key businesses
- Focusing on underwriting management activity, balancing growth and profit

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Sanlam Corporate



- ③ Improving market positioning in Employee Benefits and Healthcare
- ③ Leveraging Sanlam’s enhanced empowerment credentials to engage institutional clients
- ③ Enabling profitable growth in SEB especially with respect to group risk
- ③ Supporting SEM over the longer term with in-country support for targeted corporates
- ③ Enhancing the customer experience through digitisation
- ③ Adapting our engagement model to interact with individuals within funds and employers

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Outlook



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Outlook for 2019



- ③ Economic and operating environment to remain subdued over the short term in largest markets
- ③ Low economic growth in SA and political risk associated with national election, ongoing risk of credit downgrade
- ③ SA in somewhat better position than it was a year ago, but significant challenges remain. Business must play a very active role in fixing SA
- ③ More positive outlook for pan-Africa and India
- ③ Regulatory changes support growth prospects, but add complexity and cost pressure
- ③ Saham Finances acquisition and package of BBBEE transactions have fundamentally changed Sanlam's profile and future opportunities - supports our belief in African growth story over medium to long term
- ③ We remain confident that Sanlam is uniquely positioned for accelerated future growth

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**Annual
Results 2018
Financial
Information**



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KEY FEATURES OF THE 2018 ANNUAL RESULTS

Earnings

- ➔ Net result from financial services increased by 4%
- ➔ Dividend per share of 312 cents, up 8%

Business volumes

- ➔ Net value of new covered business up 8% to R2 billion (up 14% on consistent economic basis)
- ➔ Net new covered business margin of 2,8% on consistent economic basis (2,94% in 2017)
- ➔ New business volumes increased by 1% to R223 billion
- ➔ Net fund inflows of R42 billion compared to R37 billion in 2017

Group Equity Value

- ➔ Group Equity Value per share of R63,41
- ➔ Return on Group Equity Value per share of 11,6%
- ➔ Adjusted Return on Group Equity Value per share of 19,4%; exceeding target of 13,0%

Capital management

- ➔ R7,9 billion of capital raised and released; R13,5 billion deployed in strategic investments
- ➔ Acquisition of remaining 53% stake in Saham Finances finalised
- ➔ Package of BBBEE transactions approved by shareholders; planned implementation 1H2019
- ➔ Sanlam Group SAM cover ratio of 215% (2017: 218%); Sanlam Life Insurance Limited SAM cover ratio for covered business of 221% (2017: 237%)

FINANCIAL REVIEW 2018 ANNUAL RESULTS



We celebrated 100 years of value creation for our stakeholders in 2018. We faced major headwinds in our centenary year, which makes the 11,6% RoGEV per share we achieved a fitting tribute to our resilience, diversification and ability to execute under adverse conditions.

We made major progress in executing on our strategic pillars during 2018. Our federal model and diversified profile are major contributors, enabling a dual focus on growing our existing operations while also concluding new corporate transactions to drive enhanced future growth. This diligent focus on strategic execution enabled us to achieve solid

growth in 2018 and double-digit average growth rates in most key performance indicators over the last 10 years. Growth of 14% in the value of new covered business (VNB) on a consistent economic basis and more than R2 billion in positive experience variances is testimony to Sanlam's resilience in difficult times

<p>RoGEV 11,6% 10yr CAGR: 15,6%</p>	<p>Dividend 7,6% 10yr CAGR: 12,3%</p>	<p>Net result from financial services 4,0% 10yr CAGR: 12,2%</p>
<p>New business volumes 0,8% 10yr CAGR: 9,1%</p>	<p>Net VNB 7,8% 10yr CAGR: 12,5%</p>	<p>Net VNB margin 2,67% 2008: 2,50%</p>

We entered 2018 with renewed optimism in South Africa. The election of Mr Cyril Ramaphosa as president of the African National Congress and South Africa boded well for an improved operating environment. Corporate and individual investor confidence soared, but it was unfortunately short-lived. It was soon realised that it will take longer than expected to transform the positive changes into enhanced economic growth. Investor confidence faded as a result, compounded by international developments including a steady rise in the US Federal Reserve policy interest rate, the uncertainties surrounding Brexit and an escalating trade war between the US and China. Operating conditions in South Africa remained challenging as a result, with pedestrian economic growth, negative returns on the local equity market and currency volatility.

The negative return of 9% for the JSE/FTSE All Share Index compared to a positive return of 21% in 2017 had a pronounced impact on RoGEV and earnings growth in 2018.

Economic growth in a number of the other key emerging markets where we operate was also constrained. In addition, equity markets across most of our markets recorded declines, placing severe pressure on our ability to grow earnings and create value for our clients. The currencies of oil-producing countries, Nigeria and Angola in particular, remained weak.

FINANCIAL REVIEW 2018 ANNUAL RESULTS (continued)

Despite these challenges, the Group delivered robust overall growth in key performance indicators, supported by our diversification across geographies, market segments and lines of business.

The key highlights and challenges for the year are:

HIGHLIGHTS	CHALLENGES
Adjusted RoGEV of 19,4% per share exceeded the target of 13%	Underperformance in East Africa and at Letshego
Exceptional underwriting performance by Santam	Lower new business volumes, net inflows and profitability at SIG
Strong growth in VNB, with a sterling performance by Sanlam Sky and Sanlam Corporate	Adverse group risk claims experience continued in 2018
Continuation of track record of positive experience variances from covered business – exceeding R2 billion for the first time. Positive variances from all clusters and from various sources	SPF operating profit impacted by new initiatives and poor investment markets
Saham Finances acquisition concluded and consolidated from 1 October 2018	Saham Finances 2H18 results impacted by adverse claims experience and lower investment markets
Package of BBBEE transactions approved and successful book build of R5,5 billion in March 2018, increasing issued share capital by 3%	

Basis of presentation and accounting policies

The Sanlam Group IFRS financial statements for the year ended 31 December 2018 are presented based on and in compliance with International Financial Reporting Standards (IFRS). The basis of presentation and accounting policies for the IFRS financial statements are in all material respects consistent with those applied in the 2017 Integrated Report and Annual Financial Statements, apart from the adoption of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

Read more about the impact of the adoption of these new accounting standards in the Annual Financial Statements available on the www.sanlam.com website.

In addition to the IFRS Annual Financial Statements, Shareholders' Information is presented in the Integrated Report. The basis of presentation and accounting policies for the Shareholders' Information are in all material respects consistent with those applied in the 2017 Integrated Report, apart from the following:

- The Sanlam Investment Group (SIG) cluster was restructured with effect from 1 January 2018. Following the creation of the Central Credit Manager (CCM) within Sanlam Capital Markets (SCM), it was decided to further enhance focus

on the management of Sanlam assets within the SIG cluster, while at the same time creating a third-party asset manager that can more effectively compete with leading independent asset managers. The Sanlam Asset Management division and the part of Sanlam Structured Solutions responsible for the Sanlam assets were accordingly combined with Sanlam Capital Markets (SCM) to form the new Sanlam Specialised Finance sub-cluster. Comparative Shareholders' Information has been restated accordingly, apart from GEV that has not been restated for Sanlam Asset Management. The valuation of Sanlam Asset Management as a separate business was only finalised during 2018. Comparative GEV valuations are not available with the business accordingly transferred to SanFin with effect from 1 January 2018 for GEV purposes. As it is an intra cluster transfer, it does not have an impact on GEV or RoGEV for the overall SIG cluster. As part of the restructuring, operational responsibility for the Group's term finance margin business was also transferred from the Group Office to Sanlam Specialised Finance. Comparative information was not restated for this change in operational responsibility based on materiality.

- Non-annuity assets and business flows at Sanlam Private Wealth have been reclassified from Assets under Management to Assets under Administration in line with industry practice. Business flows relating to these assets are commensurately excluded from new business volumes and net fund flows. Comparative 2017 information for SIG and the Group has been restated as follows:
 - New business volumes decreased by R9 016 million
 - Net fund flows increased by R2 568 million
 - Reclassification of assets amounting to R98 446 million from assets under management to assets under administration.
- Savings business written through the Sanlam Sky distribution channels are recognised within the SPF Savings business with effect from 2018. Comparative information has not been restated. The 2018 SPF Savings results include new business volumes of R118 million and VNB of negative R15 million relating to business formerly recognised in Sanlam Sky.

All growth percentages reflected in this review are relative to the 12 months ended 31 December 2017, unless otherwise indicated.

The 3% new shares issued through an accelerated book build in the first quarter (refer Capital management section) had a 2,3% dilutive effect on earnings per share metrics due to an increase in the weighted average number of shares in issue during the year. In addition, the acquisition of the remaining stake in Saham Finances, for which the capital was raised, only completed and started contributing to earnings from 1 October 2018.

Corporate activity during 2017 and 2018 impacts on the comparability of the Group's results. The following were the largest transactions:

- SPF acquired a 53% stake in BrightRock with effect from 1 September 2017. Shares acquired subsequent to the initial acquisition has increased Sanlam's stake to 55,1% at 31 December 2018.
- SPF started Indie as a new greenfields business in 2017, with initial losses recognised in earnings in both 2018 and 2017.
- SEM sold its stake in the Enterprise Group in Ghana with an effective date of 1 July 2017.
- Absa Consultants and Actuaries (renamed ACA Employee Benefits (ACA)) was acquired effective 1 April 2018.
- Saham Finances is consolidated with effect from 1 October 2018; before this date, the Group's investment in Saham Finances was recognised as an equity-accounted investment. The table below provides a summary of Sanlam's participation in Saham Finances' earnings, new business volumes, VNB and net fund flows based on the changes in shareholding:

Period	Sanlam Group	SEM	Santam
1/1/2017 - 30/4/2017	30%	22,5%	7,5%
1/5/2017 - 31/12/2017	46,6%	39,63%	6,97%
1/1/2018 - 30/9/2018	46,6%	39,63%	6,97%
1/10/2018 - 31/12/2018	100%	90%	10%

The impact of corporate activity is highlighted in the remainder of this report where relevant.

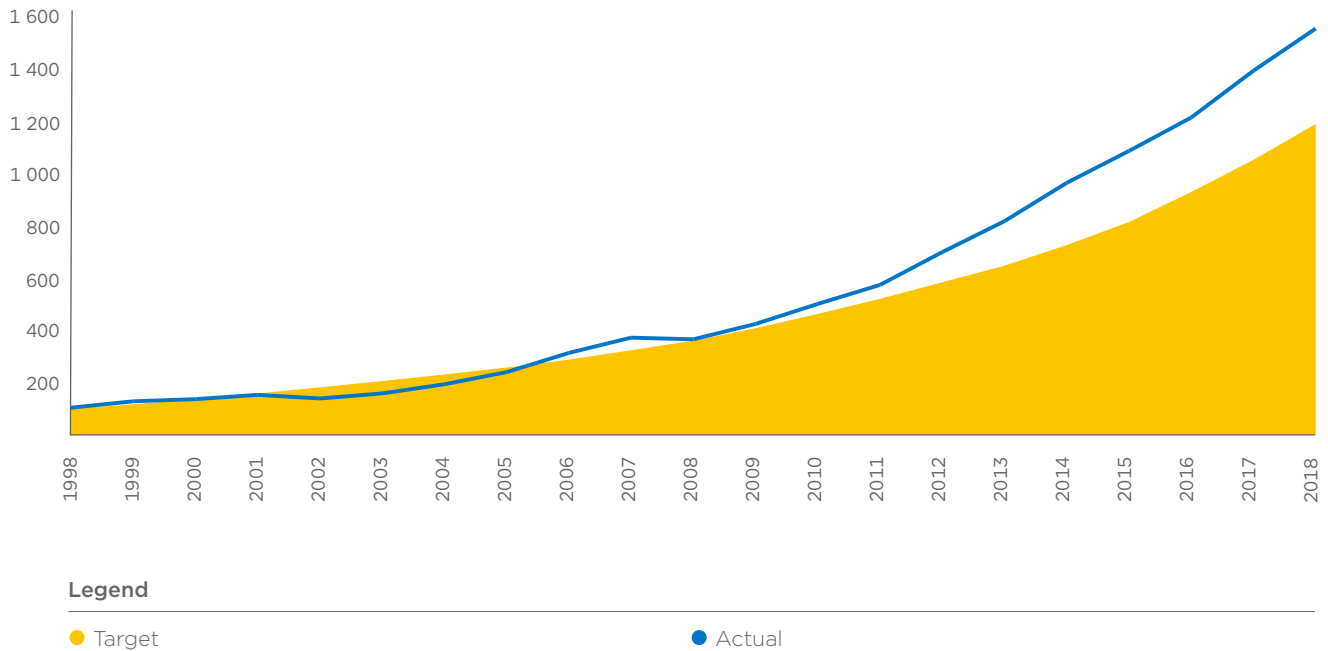
Financial performance measure

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

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

FINANCIAL REVIEW 2018 ANNUAL RESULTS (continued)

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



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

The RoGEV target for 2018 was set at 13% and for 2019 it is set at 13,5% based on the RFR of 9,5% as at the end of December 2018.

Group Equity Value

GEV amounted to R134 billion or 6 341 cents per share at 31 December 2018. Including the dividend of 290 cents per share paid during the year, a RoGEV per share of 11,6% was achieved. This was lower than the 13% target for the year. Strong growth in VNB, all-time high positive experience variances from covered business, good returns from the investment in Santam, the profit realised from the foreign exchange hedge implemented for the Saham Finances acquisition and the benefit of a weaker rand exchange rate on the valuation of non-South African operations provided support to returns in 2018. This was, however, not sufficient to compensate for the pronounced negative impact of weaker equity markets across most regions, higher risk discount rates (RDR) and the write-off of

goodwill recognised in respect of the Saham Finances and other smaller acquisitions in terms of the EV methodology. The capital raising during 2018 (refer Capital management section below) occurred at a price of R87 per share, in excess of GEV per share at the time. This supported RoGEV per share by some 1% compared to the absolute RoGEV of 10,6% for 2018.

Adjusted RoGEV per share, which excludes the impact of lower investment return than the long-term assumptions, interest rate changes and other one-off effects not under management control, and assuming normalised exchange rate movements, amounted to 19,4% - well in excess of the target.

Group Equity Value at 31 December 2018

R million	GEV		RoGEV	
	December 2018	December 2017		%
Group operations	132 658	113 829	13 526	11,6
Sanlam Personal Finance	43 185	43 401	4 832	11,4
Sanlam Emerging Markets	44 659	27 621	4 580	14,8
Sanlam Investment Group	18 703	18 331	682	3,7
Santam	20 102	18 108	2 658	14,7
Sanlam Corporate	6 009	6 368	774	12,8
Covered business	56 234	54 283	5 933	11,0
Value of in-force business	41 456	39 245	5 137	12,9
Adjusted net worth	14 778	15 038	796	5,8
Other operations	76 424	59 546	7 593	12,2
Group operations	132 658	113 829	13 526	11,6
Discretionary capital and other	1 394	7 934	(668)	(12,3)
Group Equity Value	134 052	121 763	12 858	10,6
<i>Per share (cents)</i>	6 341	5 940	691	11,6

Group operations yielded an overall return of 11,6% in 2018, the combination of 11% return on covered business and 12,2% on other Group operations. All clusters achieved satisfactory growth in GEV, apart from SIG, where valuations were severely suppressed by the negative equity market performance. Adjusted RoGEV for group operations amounted to 20,1% and 14,5% for SIG, which better reflects the underlying operational performance.

The covered business operations delivered a very strong operational performance. Adjusted RoGEV amounted to 19,9%, with all businesses exceeding the Group hurdle rate by a healthy margin, apart from the Sanlam Investment Group businesses. The latter is predominantly due to negative expense experience variances and assumption changes at Sanlam Investments and Pensions in the UK.

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

Return on covered business for the year ended 31 December 2018

%	2018	2017
Expected return - unwinding of the RDR	9,2	9,0
Value of new covered business	3,7	3,6
Operating experience variances	3,9	3,0
Operating assumption changes	0,6	(0,8)
Economic assumption changes	(1,4)	0,5
Expected investment return on capital portfolio	1,7	2,0
Investment variances	(5,1)	1,2
Value of in-force Capital portfolio	(4,9) (0,2)	1,4 (0,2)
Foreign currency translation differences and other	(1,6)	0,3
Return on covered business	11,0	18,8

The main items contributing to the return from covered business are:

- Expected return on covered business increased in 2018 relative to 2017 based on the slightly higher RDR applied at the end of 2017 and the change in mix of the book to the higher-RDR SEM businesses.
- Value of new covered business: Despite the higher RDR in 2018, VNB still contributed 3,7% to the overall return. As highlighted in the Business volumes section, Sanlam Sky, Sanlam Corporate and SEM Namibia made particularly satisfactory progress in growing their VNB.
- Operating experience variances reached an all-time high, exceeding R2 billion for the first time (2017: R1,6 billion), up 35%.
 - Risk experience variances of R535 million increased by 20% on 2017, driven by favourable experience across most lines of business in SPF, including Sanlam Sky. SEM also achieved overall positive experience, albeit slightly lower than 2017. Claims experience weakened further at SEB, contributing to negative experience variances of R96 million compared to negative R43 million in 2017.
 - Our focus on client centricity is a major factor in our success to maintain good persistency under challenging economic conditions.

Positive persistency experience variances of R147 million in 2018 (up from R67 million in 2017) is a particularly satisfactory achievement. SPF's negative variance of R45 million is largely due to lower than expected continuations of single premium savings products. Persistency across risk products remained resilient. Dedicated focus on managing the in-force book contributed to an improvement in SEM's experience from negative R3 million in 2017 to positive R99 million in 2018.

- Working capital experience variances include a one-off reserve release of R47 million. Excluding this, experience was in line with 2017, commensurate with short-term interest rate trends during the year.
- Credit spread experience increased by 10% in line with growth in the corporate debt book managed by SanFin.
- Other experience variances of R436 million include an amount of R272 million relating to a reduction in cost of capital following the release of R1,5 billion of allocated capital from Sanlam Life's covered business (refer Capital management section below), which should be regarded as one-off. The remainder comprises of a number of smaller variances.

- After strengthening the persistency and maintenance expense bases in 2017, no significant operating assumption changes were required in 2018. Modelling improvements and other result from the continuous refinement of actuarial models and are small relative to the size of the in-force book.
- RDR's increased across most of the portfolio in 2018 compared to a decline in the prior year. RoGEV from economic assumption changes were accordingly negative in 2018 compared to a positive contribution in 2017.
- Negative returns from equity markets in a number of countries in 2018 had a 5,1% negative impact on RoGEV in 2018 (1,2% positive in 2017). The hedging strategy applied in the Sanlam Life capital portfolio, the largest component of adjusted net worth, provided downside protection to returns on the overall capital portfolio.
- Foreign currency translation differences and other include forex gains from a weaker rand exchange rate (R393 million), which was more than offset by the write-off of goodwill acquired in terms of actuarial guidance (R1,2 billion). The goodwill write-off is net of R300 million of profit realised on the Saham Finances forex hedge that is attributable to covered business.

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

Return on other Group operations for the year ended 31 December 2018

%	2018	2017
Return on investments valued at net asset value	(3,0)	14,8
Return on investment in Santam	14,7	18,0
Return on investments valued at discounted cash flows	11,7	10,5
Expected return - unwinding of the RDR	14,2	14,1
Operating experience variances	(0,3)	1,0
Operating assumption changes	(4,3)	(0,6)
Economic assumption changes	(3,7)	(1,2)
Foreign currency translation differences and other	5,8	(2,8)
Weighted return on other Group operations	12,2	12,9

Other Group operations achieved a return of 12,2%:

- Sanlam Capital Markets within SanFin is valued at net asset value for GEV purposes, with profits earned in this business the main contributor to RoGEV from investments valued at net asset value. Losses recognised against equity-backed empowerment transactions and the non-recognition of income on the Mayfair collateralised loan (refer Earnings section below) are the main drivers behind the decline in RoGEV in 2018.
- The Group's investment in Santam is valued at its listed share price, which significantly outperformed the market with a return of more than 14% in 2018, compared to the 9% negative return of the JSE/FTSE All Share Index.
- The majority of the Group's other operations (excluding Santam) is valued on a discounted cash flow (DCF) basis. The benefits of the Group's

diversified profile are evident in the overall 11,7% return earned from these businesses, with negative operating and economic assumption changes largely offset by foreign currency translation gains.

The impact of lower equity markets is noticeable in the 4,3% negative operating assumption changes. More than half of this relates to SIG, where future fee income assumptions were reduced in line with lower than expected assets under management. A prudent valuation approach was also followed for Saham Finances and the Indian businesses. It is our usual approach to keep valuations at or close to transaction prices shortly after acquisitions, which was applied for Saham Finances' local currency valuation. Valuations of the Indian credit businesses were kept broadly unchanged in local currency given recent liquidity constraints in the Indian market. This is also in line with movements in the listed share prices.

Economic assumption changes (-3,7%) reflect the higher RDR as referred to above.

The valuation of the non-South African operations benefited from the weaker rand exchange rate. This was augmented by some R1 billion of profit realised on the Saham Finances forex hedge. The total hedge profit amounted to R1,3 billion after tax, of which R300 million is attributable to covered business (refer above). Overall, foreign currency translation gains contributed 5,8% to the RoGEV of businesses valued on a DCF basis.

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

- Net corporate expenses of R109 million recognised in net result from financial services.
- The low-yielding nature of liquid assets held in the discretionary capital portfolio.
- Funding cost in respect of the temporary debt incurred for the Saham Finances acquisition.
- An increase in the present value of future corporate expenses, with additional investment in capacity, including new appointments to the Executive committee.

Earnings

Normalised attributable earnings increased by 5% in 2018, the aggregate of an 8% decline in normalised headline earnings and a substantial increase in profit recognised on the (deemed and actual) disposal of subsidiaries and associates.

Shareholders' fund income statement for the year ended 31 December 2018

R million	2018	2017	Δ
Net result from financial services	8 890	8 549	4%
Sanlam Personal Finance	4 033	4 235	(5%)
Sanlam Emerging Markets	2 038	1 793	14%
Sanlam Investment Group	1 152	1 227	(6%)
Santam	1 196	851	41%
Sanlam Corporate	580	558	4%
Group Office and other	(109)	(115)	5%
Net investment return	707	1 663	(57%)
Net investment income	644	846	(24%)
Net investment surpluses	63	817	(92%)
Project costs and amortisation	(536)	(375)	(43%)
Equity participation costs	(5)	(2)	(150%)
Normalised headline earnings	9 056	9 835	(8%)
Profit on disposal of subsidiaries and associates	2 773	1 335	108%
Impairments	(305)	(303)	-
Net equity-accounted non-headline earnings	(3)	134	(102%)
Normalised attributable earnings	11 521	11 001	5%

Net result from financial services

Net result from financial services (net operating profit) of R9 billion increased by 4% on 2017, with substantial growth in Santam's contribution.

Corporate activity supported the results, as well as a benign claims environment at Santam in 2018 compared to abnormally large catastrophe events during June and October 2017 in the comparable period.

Normalising for these, net result from financial services were marginally up on 2017, as reflected in the following table:

Analysis of net result from financial services for the year ended 31 December 2018

R million	2018	2017	Δ
Sanlam Personal Finance	4 258	4 280	(1%)
Sanlam Emerging Markets	1 724	1 720	-
Sanlam Investment Group	1 152	1 227	(6%)
Santam	1 141	1 006	13%
Sanlam Corporate	541	558	(3%)
Group Office and other	(109)	(115)	5%
Normalised net result from financial services	8 707	8 676	-
Santam abnormal catastrophe claims	-	(156)	
Corporate activity	183	29	
BrightRock, Indie, African Rainbow Life	(225)	(45)	
Enterprise Group Ghana	-	28	
ACA	39	-	
Saham Finances	314	45	
Saham Finances - Santam share	55	1	
Net result from financial services	8 890	8 549	4%

SPF net result from financial services declined by 5% (also down 5% on a gross basis). Excluding corporate activity and new growth initiatives, SPF's contribution was 1% down on 2017, due to the major impact that the weak equity market performance had on fund-based fee income at Glacier, the Closed Book and Savings business units.

SPF net result from financial services for the year ended 31 December 2018

R million	2018	2017	Δ
Sanlam Sky and African Rainbow Life Insurance	1 268	1 228	3%
Recurring premium sub cluster	2 780	2 568	8%
Glacier	1 190	1 753	(32%)
Life investments	651	1 260	(48%)
LISP	539	493	9%
Strategic business development	374	351	7%
Sanlam Personal Loans	422	375	13%
Other	(48)	(24)	(100%)
Gross result from financial services	5 612	5 900	(5%)
Tax on gross result from financial services	(1 636)	(1 679)	3%
Non-controlling interest	57	14	>100%
Net result from financial services	4 033	4 235	(5%)

Sanlam Sky and African Rainbow Life Insurance's gross profit contribution increased by 3%, the combination of 5% growth at Sanlam Sky and initial expenses of R25 million incurred in 2018 to create the new African Rainbow Life Insurance business (planned launch date in the first half of 2019). Strong new business growth at Sanlam Sky (refer Business volumes section) contributed to higher new business strain being recognised in 2018 in terms of the Group's prudent accounting policies, which recognise upfront acquisition costs incurred in respect of insurance contracts in earnings as opposed to capitalising and spreading it over the duration of the policies. Excluding the additional new business strain, Sanlam Sky's gross result from financial services increased by 10%, reflecting the increase in the size of the in-force book. Mortality experience improved in 2018, but was more than offset by a slight weakening in persistency experience and negative investment and other variances.

The Recurring premium sub-cluster's gross result from financial services grew by 8%. Excluding BrightRock, gross result from financial services was 15% higher than 2017. BrightRock is experiencing very strong growth as a relatively young company, with new business strain exceeding profit releases from the in-force book. It therefore still contributes operating losses to the SPF earnings. Strong growth in risk profits (excluding BrightRock) was partially offset by 3% and 4% respective declines in the profit contributions of the Savings and Closed Book businesses. Risk profits benefited from the increased size of the in-force book,

improved claims experience and flat new business strain following no growth in new business volumes from the traditional risk business channels (excluding BrightRock). Earnings from the Savings and Closed Book businesses were negatively affected by the weak investment market performance that depressed growth in assets under management, and declining units in the Closed Book.

Glacier's Life investments profit was severely impacted by the weak equity market performance as well as negative modelling and assumption changes. The Life investments portfolio includes products where Glacier participates in the absolute investment return earned on the underlying asset base. These products experienced marginal negative investment returns in 2018 compared to double digit positive returns in 2017, contributing to a R317 million decline in fee income. Weak investment returns and net outflows of guaranteed business also placed pressure on fee income from the other lines of savings business. The LISP business's profit increased by 9%. The weakening in the rand exchange rate and good demand for international products protected the overall assets under management of the LISP business from the weak South African equity market performance. Cost saving initiatives also had a positive effect.

Strategic Business Development (SBD) profits increased by 7%. Growth in the size of the Sanlam Personal Loans book supported 12% growth in the business's profit contribution. Bad debt provisioning increased in line with the requirements of IFRS 9, which was adopted with effect from 2018.

FINANCIAL REVIEW 2018 ANNUAL RESULTS (continued)

SEM grew its net result from financial services by 14%; up 21% excluding the increase in new business strain recognised in terms of the Group's prudent accounting policies. Excluding corporate activity, earnings were marginally up on 2017 (up 8% excluding increased new business strain). Gross of tax and non-controlling interest, result from financial services also increased by 14%. Changes in the rand exchange rate did not have a significant impact on the translated SEM earnings, apart from India as indicated below.

SEM net result from financial services for the year ended 31 December 2018

R million	2018	2017	Δ
Namibia	412	535	(23%)
Botswana	916	872	5%
Rest of Africa	1 166	790	48%
Saham Finances (including Lebanon)	1 055	545	94%
Enterprise Group Ghana	-	30	(100%)
Other	111	215	(48%)
Pan-Africa portfolio	2 494	2 197	14%
Other emerging markets	1 241	1 192	4%
India	1 169	1 134	3%
Malaysia	72	58	24%
Corporate – South Africa	38	(78)	>100%
Gross result from financial services	3 773	3 311	14%
Tax on gross result from financial services	(1 109)	(936)	(18%)
Non-controlling interest	(626)	(582)	(8%)
Net result from financial services	2 038	1 793	14%

Gross result from financial services from the Pan-Africa portfolio increased by 14%:

- *Namibia's* gross result from financial services declined by 23%. Corporate activity resulted in Bank Windhoek changing from a subsidiary to an associated company of CIH in 2017. As a subsidiary, Bank Windhoek's gross earnings were included in the CIH gross result from financial services, with the Bank Windhoek non-controlling interest being recognised as a separate component in net result from financial services. As an associate, only CIH's effective stake in Bank Windhoek's earnings is recognised in gross result from financial services. Excluding this change in accounting treatment, as well as the additional new business strain in the life insurance business (refer below), gross result from financial services increased by 9%.

Life insurance gross result from financial services declined by 22%, primarily due to a significant increase in new business strain emanating from the strong growth in entry-level market new business volumes. Excluding this, operating earnings increased by 24%. Group life claims experience improved in the second half of the year, with overall risk profit increasing on 2017.

Fund withdrawals by the Government Institutions Pension Fund of R2 billion at the end of 2017 and a further R1 billion in 2018, combined with a weak equity market performance, depressed fee income and gross result from financial services of the asset management business, with the latter declining by 10%. Santam Namibia struggled to grow its premium base under challenging operating conditions, with gross written premiums declining by 5% and gross result from financial services declining by 17%. Earnings from credit business declined by 22% (up 7% excluding the impact of the change in accounting treatment of Bank Windhoek), with the relatively low growth reflecting the weak general operating environment in Namibia and liquidity constraints within the banking sector.

- The *Botswana* operations achieved mixed results with an overall increase of 5% in gross result from financial services. Life insurance profit increased by 14%. Annuities underperformed due to low new business volumes, but this was more than offset by good growth in the funeral, group credit life and term assurance lines. Letshego's gross earnings were in line with 2017, the combined effect of limited growth in the size of the loan

book, additional bad debt provisions recognised in terms of IFRS 9 and some one-off expenses. A new business plan has been developed under the auspices of a new chief executive to address the underperformance. The decline in the Botswana equity market placed pressure on the asset base and fee income of the investment management business, which did well to increase its gross earnings by 1% despite the challenging conditions. Earnings contributions from the other Botswana businesses were also broadly in line with the prior year.

- The *Rest of Africa* gross result from financial services increased by 48%.

The Saham Finances contribution almost doubled, supported by corporate activity in 2018 and 2017. The table below provides an analysis of the Saham Finances earnings on a 100% basis for 2018 and 2017, which eliminates the distortion caused by changes in shareholding at a Sanlam level during the two years. The average exchange rates used for translation purposes were R/MAD 1,417 and R/MAD 1,388 for 2018 and 2017 respectively.

Saham Finances net result from financial services for the year ended 31 December 2018

R million	2018	2017	Δ
Gross written premiums	16 569	15 975	4%
Net earned premiums	13 843	12 723	9%
Net claims incurred	(9 448)	(8 537)	(11%)
Net commission	(1 454)	(1 289)	(13%)
Management expenses	(2 645)	(2 572)	(3%)
Underwriting result	296	325	(9%)
Investment return on insurance funds	951	1 734	(45%)
Other earnings	52	116	(55%)
Gross result from financial services	1 299	2 175	(40%)
Taxation and non-controlling interest	(609)	(1 078)	44%
Net result from financial services	690	1 097	(37%)

Key features for 2018:

- Gross written premiums increased by 4% (8% in local currency). Refer Business volumes section below for more information.
- Underwriting profit decreased by 9%, with life insurance earnings decreasing to a loss of R448 million (2017: loss of R419 million) due to investments in growth, and general insurance earnings being in line with 2017.
- The general insurance combined ratio amounted to 95,9% (2017: 94,4%). The following items impacted on the general insurance results:
 - One-off incentives of R28 million was paid to staff as part of the post-acquisition integration process.
 - General insurance claims experience weakened at Saham Maroc during the year, impacted by an increase in motor claims frequency and one-off fire claims in the fourth quarter of 2018, which is traditionally a strong quarter for the Moroccan business.
 - Angola's loss declined from R40 million in 2017 to R29 million in 2018. An improvement in claims experience was partially offset by a higher cost base. Exchange rate weakness contributed to higher expense inflation.
- Lebanon also experienced a better claims environment, with a combined ratio of 88,2% in 2018 (2017: 91,2%). Underwriting profit increased by 107% as a result despite the pressure on premium growth (refer Business volumes section below).
- The other regions recorded lower earnings from direct insurance, primarily due to pressure on premium growth in Côte d'Ivoire.
- Reinsurance profit increased by 11% from R232 million in 2017 to R257 million in 2018.
- Investment return earned on insurance funds declined by 45%. The underlying portfolios included legacy equity exposures, which benefited from positive investment market returns in 2017, while most markets declined in 2018. The difference in relative market performance contributed R725 million to the decline. The strategic asset allocation of these portfolios will be reassessed as part of the planned capital management activities following the acquisition and Saham Finances becoming a wholly-owned subsidiary.

FINANCIAL REVIEW 2018 ANNUAL RESULTS (continued)

Relative investment market returns and a number of one-off items impacted on the Saham Finances earnings for 2018. The table below provides an analysis of the Saham Finances attributable and normalised earnings in context of the purchase consideration:

Analysis of Saham Finances earnings

R million	2018	2017
Net result from financial services	690	1 097
Net investment return	172	110
Net finance cost	(160)	(76)
Attributable earnings	702	1 131
Foreign currency translation differences	(124)	151
Comprehensive income	578	1 282
Operational adjustments	68	-
Prior year tax adjustment	49	-
Post-acquisition incentives	28	-
Profit on disposal of subsidiary	(80)	-
Net reduction in funding cost post acquisition	71	-
Investment market volatility	387	(271)
Marked-to-market adjustments – return on insurance funds	86	(371)
Marked-to-market adjustments – net investment return	123	215
One-off currency gains and losses	178	(115)
Normalised comprehensive income	1 033	1 011
Purchase price at hedged rate – 100% holding	25 914	
Transaction Price/Earnings ratio	25	26

A number of synergies have been identified during the acquisition phases, as elaborated on in the Group Chief Executive's report available at www.sanlam.com. Good progress has already been made, with net synergies of US\$1 million after tax and minorities realised in 2018, after allowing for integration costs. The key integration efforts for 2019 include:

- Growing our share of the Pan-African specialist market, in partnership with Santam specialist underwriting managers.
- Growing the life markets where Saham Finances is still underpenetrated.
- Focused capital management.
- Developing opportunities with the Sanlam Corporate cluster.

The other Rest of Africa operations had a disappointing year. Nigeria, Uganda and Zimbabwe achieved strong growth, with their combined gross earnings increasing by 66%. This was, however, more than offset by underperformance in other large regions and the impact of the Ghana disposal in 2017. Ghana contributed R30 million to the 2017 gross earnings.

- The Zambian health business experienced one-off losses of R32 million, which includes bad debt

provisions in respect of amounts owing by the former outsourced partner. The health business was transferred to Saham Finances in the latter part of 2018, who has a strong track record of managing this line of business profitably in Africa. A turnaround in prospects is already evident. The Zambian life business also had a difficult year, with low new business production and one-off costs relating to a cost reduction initiative contributing to a break-even position. Corrective actions have been implemented, including the pending appointment of a new chief executive as well as increased distribution support from a SEM cluster level.

- Gross result from financial services of the Malawian life business exceeded the 2018 budget, but still declined by 23% from a high base in 2017. Profitability of the general insurance business was under pressure from high claims and expense experience.
- The Tanzanian life business had a good year and grew its earnings contribution by 15%. This was, however, not sufficient to compensate for underperformance in the general insurance business. Regulatory changes in the general insurance industry in Tanzania included a change to a 'no premium no cover' regime. This had a one-

off impact on both current year production and terminations within the in-force book. Combined with weaker claims experience, it reduced the 2018 general insurance earnings by R36 million compared to 2017.

- The Kenya operations recorded a 17% decrease to R25 million. The life insurance business gained traction and achieved strong growth. The asset management business exceeded expectations for the year and more than doubled its contribution, partly assisted by the acquisition of a controlling stake in the former Pinebridge investment management business during 2017. These good performances were, however, more than countered by one-off restructuring and administration costs of some R20 million. A new group chief executive with in depth insurance experience has been appointed, augmenting the appointment of the new life insurance chief executive in 2017. This substantially strengthens the management team and prospects of the business. Cluster level distribution support will also be provided in 2019 to accelerate new business production.

Other emerging markets delivered 4% growth in gross result from financial services.

- The *Indian* businesses had a solid year, increasing their gross result from financial services by 3% in rand terms (10% in local currency). Shriram Transport Finance delivered growth of 14% in local currency, supported by good growth in its loan book. The Shriram City Union Finance loan

book also grew by double digits, but a decline in net interest margin limited its operating earnings growth to 9% in local currency. Liquidity constraints in the Indian markets increased funding costs for the business. Shriram General Insurance earnings grew by 13% in local currency, attributable to an improvement in underwriting margin. Expansion costs incurred by the life insurance business were recognised as project expenses in the initial two years of the initiative to take cognisance of the fact that the growing in-force book will take some time to reflect in higher earnings. Recognition of these costs within project expenses was discontinued on 30 June 2018 and reallocated to gross result from financial services with effect from 1 July 2018, limiting growth in life insurance operating earnings to 2% in local currency.

- The *Malaysian* operations achieved satisfactory growth in 2018. Life insurance profit increased by 23% (17% in local currency), benefiting from positive investment variances and lower administration costs. A more diversified book of business contributed to an improvement in the general insurance claims experience, with operating earnings from this line of business increasing by 12% (6% in local currency).

The 18% increase in tax on financial services income includes prior year tax adjustments in Botswana and Kenya.

SIG overall net result from financial services declined by 6%:

SIG SIG gross result from financial services for the year ended 31 December 2018

R million	2018	2017	Δ
Sanlam Investments (3rd party business)	377	396	(5%)
Wealth Management	170	203	(16%)
International	515	401	28%
Corporate services	(16)	(5)	>-100%
Investment management	1 046	995	5%
Sanlam Specialised Finance	496	582	(15%)
Sanlam Asset Management	204	196	4%
Central Credit Manager and other	292	386	(24%)
Gross result from financial services	1 542	1 577	(2%)
Tax on gross result from financial services	(326)	(336)	3%
Non-controlling interest	(64)	(14)	>-100%
Net result from financial services	1 152	1 227	(6%)

The 3rd party *Sanlam Investments* gross result from financial services declined by 5% on 2017, attributable to a R47 million decrease in performance fees from R58 million in 2017 to R11 million in 2018. This is due to a slight underperformance of some 0,3% in the larger portfolios, attributable to the severe devaluation of properties in the first quarter of 2018 and underperformance in the emerging markets fund. Excluding performance fees, gross operating earnings increased by 8%, a particularly satisfactory result given no growth in the average level of the South African equity market in 2018. Satrix achieved meaningful earnings growth, with the positive impact of net fund inflows more than offsetting fee pressures in a highly competitive market. The third party component of Sanlam Structured Solutions also had a good year, benefiting from a number of new structuring transactions. The other business units experienced a decline in earnings in line with generally no growth in assets under management, but with administration costs increasing in line with inflation.

Wealth Management gross result from financial services decreased by 16% (3% down excluding Summit Trust that was disposed during 2017 and one-off performance fees earned from a specific client arrangement in 2017). The 3% decline is substantially due to administration costs incurred in respect of operational system upgrades.

The *International* business' gross results were positively impacted by Nucleus being consolidated after its listing (compared to equity-accounting as an associate up to 30 June 2018), strong growth in assets under administration at the Ireland-based platform business due to third party inflows and increased international allocation in the South African portfolios, and property development profits earned by Artisan. Excluding the change in accounting treatment of Nucleus, gross results were up 12%.

Sanlam Specialised Finance did well to grow the profit contribution of the Sanlam Asset Manager and the related division of Sanlam Structured Solutions by 4% against the backdrop of weak equity markets. The Structured Solutions business earned higher structuring fee income and recognised its share in the margin earned on the Sanlam Life bond that matured in August 2018. The proceeds from the Sanlam Life bonds are invested in a portfolio of matching assets, with Structured Solutions sharing in the net margin earned over the period until maturity. The remainder of the operations were negatively impacted by losses of some R40 million relating to equity-backed

empowerment transactions following a decline in the underlying share prices and some R70 million in respect of the non-recognition of income on the Mayfair collateralised loan. A prudent approach is followed in respect of the exposure during the winding up of Mayfair Holdings and Mayfair Speculators.

Following a year of major catastrophe events in 2017, **Santam** experienced a relatively benign claims environment in 2018. Combined with acceptable growth in net earned premiums, it contributed to a 37% increase in gross result from financial services (41% after tax and non-controlling interest). The conventional insurance book achieved an underwriting margin of 9% in 2018 (6% in 2017), well in excess of its 4% to 8% target range. Profit from the motor and property books, the largest lines of business, increased by 144%. This was driven by an absence of large catastrophe events and fewer large commercial fires. The aggregate profit contribution from other insurance classes declined by 32%. Engineering and accident and health did well due to limited claims activity. Liability business experienced a number of large claims, including the listeriosis outbreak early in 2018, while the Guarantee business experienced losses in the difficult economic environment.

The management expense ratio increased compared to 2017, mainly due to increased variable incentive costs in 2018, increased direct acquisition costs to support growth initiatives at MiWay, as well as additional underwriting risk management costs incurred to improve the loss ratio across all lines. A provision was also raised to account for the liquidity concerns at a third-party collection agency that went into voluntary curatorship. The 16% increase in gross result from financial services from the SEM investments reflect the benefit of the Saham Finances corporate activity. Excluding Saham Finances, gross earnings from the SEM investments were in line with 2017 due to the weaker general insurance performance in the SEM Rest of Africa portfolio and solid results from SGI in India (refer SEM section above).

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

Sanlam Corporate's net result from financial services increased by 4% (3% on a gross basis), with the muted growth caused by ongoing high group risk claims experience. This conceals an overall good operational performance. SEB earnings declined by 3% due to a R66 million (39%) decline in risk profits. Mortality and disability claims experience weakened significantly in the second half of the year, which is likely to

require further rerating of premiums in 2019. The administration units turned profitable in 2018, a major achievement after many years of operating losses. The healthcare businesses reported satisfactory double digit growth in gross earnings, while ACA made a first time contribution of R54 million, well in excess of the business plan. The new corporate solutions team established in 2018 contributed to an increase in cluster costs from R7 million in 2017 to R32 million in 2018.

Normalised headline earnings of R9,1 billion are 8% down on 2017. This is the combined effect of the 4% increase in net result from financial services, a 57% decline in net investment return earned on the capital portfolio, a 53% (R139 million) increase in amortisation of intangible assets as well as an increase in net project expenses from R114 million in 2017 to R136 million in 2018.

Net investment return was negatively impacted by:

- A decline in equity and fixed interest markets across most regions where the Group operates;
- Impairment of corporate credit exposures in Kenya of some R86 million; and
- Investment return lost on capital redeployed for strategic acquisitions in 2017 and 2018.

The amortisation of the value of business acquired intangible asset recognised upon the consolidation of Saham Finances contributed R117 million to the R139 million increase in the amortisation charge.

Net project expenses include R56 million one-off expenses incurred by SIG on new data capabilities and platforms (including big data and advanced analytics) (2017: R8 million), R22 million due diligence and related expenses in respect of the Saham Finances acquisition (2017: R8 million), Shriram Life Insurance expansion cost of R8 million up to 30 June 2018 (2017: R26 million) and R44 million of SEM cluster level project-related expenses (2017: R 42 million).

Normalised attributable earnings increased by 5% from R11 billion in 2017 to R11,5 billion in 2018. The biggest contributors to profit on disposal of subsidiaries and associates of R2,8 billion is the change in accounting treatment of Saham Finances (R1,8 billion) and Nucleus (R0,7 billion) from associated companies to subsidiaries. In terms of IFRS, when an associated company becomes a subsidiary, the former investment in the associated company must be derecognised as a deemed disposal at fair value, with the subsidiary being fully recognised as an acquisition at fair value. In essence, the profit on disposal of the associate is reflected in higher intangible assets being recognised on acquisition date of the subsidiary. The 2017 comparative profit on disposal of subsidiaries and associates comprised substantially of R1,2 billion realised on the disposal of the Enterprise Group in Ghana. Impairment charges largely relate to the impairment of the investments in Letshego (R105 million) and CIH (R96 million). Letshego's operational performance did not improve in 2018, requiring a further impairment of the investment. The CIH impairment follows the decline in the Bank Windhoek performance and share price due to pressure in the Namibian banking sector.

Business volumes

New business volumes increased by 1% amidst pressure on investor confidence in South Africa and a high comparative base in Botswana. Life insurance new business volumes increased by 21%, investment

business inflows declined by 8% and general insurance earned premiums increased by 19%, with the latter in particular benefiting from corporate activity. Net fund flows increased by 12%, with all clusters apart from SIG achieving sterling growth.

Business volumes for the year ended 31 December 2018

R million	New business			Net inflows		
	2018	2017	Δ	2018	2017	Δ
Sanlam Personal Finance	60 971	58 615	4%	10 294	8 454	22%
Sanlam Emerging Markets	26 224	21 903	20%	8 607	2 140	302%
Sanlam Investment Group	99 696	114 391	(13%)	7 214	18 678	(61%)
Santam	22 812	21 435	6%	8 986	7 265	24%
Sanlam Corporate	13 326	4 828	176%	6 438	606	962%
Total	223 029	221 172	1%	41 539	37 143	12%
Life insurance business	53 815	44 615	21%	16 814	10 235	64%
Investment business	136 529	149 000	(8%)	11 779	17 491	(33%)
General insurance	32 685	27 557	19%	12 946	9 417	37%
Total	223 029	221 172	1%	41 539	37 143	12%

SPF's new business sales increased by 4%, an overall satisfactory result under challenging conditions.

SPF new business volumes for the year ended 31 December 2018

R million	2018	2017	Δ
Sanlam Sky	2 494	1 455	71%
Recurring premium sub-cluster and Strategic Business Development	3 412	2 838	20%
BrightRock	410	64	>100%
Other	3 002	2 774	8%
Glacier	55 065	54 322	1%
Life investments	10 082	10 219	(1%)
LISP	44 983	44 103	2%
New business volumes	60 971	58 615	4%

Sanlam Sky's new business increased by an exceptional 71% (83% excluding the savings business transferred to the SPF Savings business). The annual R566 million Capitec credit life new business recognised in the first half of the year was augmented by strong demand for the new Capitec funeral product, which generated new business of R433 million. The traditional individual life intermediary channel continued on its growth path, growing new business sales by 13%. Safrican's performance improved in the second half of the year, achieving 9% growth for the full year.

New business volumes in the *Recurring premium sub-cluster and Strategic Business Development* increased by 20%. Risk business sales increased by 51%. Strong organic growth at BrightRock was augmented by the structural impact of the acquisition concluded during the course of 2017. Excluding BrightRock, new risk business sales were up 3%, with MiWayLife providing the growth. Savings and personal loans credit life sales increased by 10%, with strong demand for

retirement annuities partially offset by lower traditional endowment sales.

Glacier new business grew marginally by 1%. Primary sales onto the LISP platform improved by 5%, an acceptable result given the pressure on investor confidence in the mass affluent market. Secondary sales into Glacier funds declined by 4% - wrap inflows were down 7% as conversions of platform assets slowed, but with good demand for global stock feeder funds and the artificial intelligence fund providing some relief. Life investments sales experienced an overall decline of 1% with a significant change in mix of business from endowments to guaranteed plans and life annuities.

The BrightRock contribution and good sales of single premium LISP business supported an overall 22% rise in SPF's net fund inflows.

SEM new business volumes increased by 20%.

SEM SEM new business volumes for the year ended 31 December 2018

R million	2018	2017	Δ
Namibia	6 802	5 593	22%
Botswana	5 833	7 137	(18%)
Rest of Africa	10 655	6 360	68%
Saham Finances (including Lebanon)	7 569	3 385	124%
Enterprise Group Ghana	-	130	(100%)
Other	3 086	2 845	8%
Pan-Africa portfolio	23 290	19 090	22%
Other emerging markets	2 934	2 813	4%
India	2 329	2 224	5%
Malaysia	605	589	3%
New business volumes	26 224	21 903	20%

Namibia did exceptionally well to increase new business volumes by 22% despite weak economic conditions. Both life and investment new business grew strongly. Within the life insurance segment, the mix of business changed to the more profitable entry-level market.

The main detractor from new business growth in the *Botswana* business was the investment line of business, which declined by 24%. This line of business is historically more volatile in nature. Life insurance new business volumes declined by 3%, with lower funeral and annuity sales offsetting good growth in group life business.

The 68% new business growth in the *Rest of Africa* portfolio is largely due to corporate activity relating to Saham Finances.

- The Saham Finances growth of 124% was supported by corporate activity. On a 100% basis, gross written premiums increased by 4% (8% in local currency) (life insurance up 8%, general insurance up 3% and reinsurance up 1%) and net earned premiums by 9%.
 - Morocco achieved 10% growth in gross written premiums, an acceptable performance in a competitive market. Renewals of contracts with national banks supported 11% growth in Saham Assistance gross written premiums.
 - Saham Angola gross written premiums decreased by 31%, entirely attributable to a weaker Kwanza exchange rate. In local currency, the business continued to deliver good growth. All lines of business achieved double digit growth rates.
 - The Lebanese insurance market contracted by 3% in 2018, reflective of the weak economic environment. The Saham Finances business did well to limit its decline to only 1,5%, half of the industry average. The motor class had a particularly difficult year as a slowdown in retail credit extension depressed vehicle sales.
 - The CIMA region experienced competitive pressures in the motor market and lower demand for fire insurance from exploration companies. This contributed to growth of only 4% in general insurance gross written premiums from the other Saham Finances regions. Life and health insurance provided some support, with overall growth of 7% across all lines of business.
 - Reinsurance premiums were broadly in line with 2017.
- The remainder of the Rest of Africa portfolio (excluding the Ghana disposal) increased by 8%. Kenya, Malawi and Rwanda underperformed, with strong growth in the other regions. The areas of underperformance are receiving attention, through a combination of management changes and cluster level distribution support.

The *Indian* insurance businesses continued to perform well, achieving double digit growth in both life and general insurance. Within the life insurance business, group single premiums from the credit businesses' client bases did particularly well.

The *Malaysian* businesses are finding some traction after a period of underperformance, increasing their overall new business contribution by 3%. New business production is not yet meeting expectations, but the mix of business improved at both businesses.

Net fund flows increased threefold, with most regions contributing to the strong growth.

Low investor confidence had a pronounced effect on **SIG's** new business volumes, which declined by 13%. The international businesses attracted strong new inflows (up 57%), but this was more than offset by declines in South Africa across all business units. Institutional new inflows remained weak for the full year, while retail inflows also slowed down significantly after a more positive start to the year. A number of strategic initiatives aimed at gaining market share are being implemented, including closer cooperation with Glacier and the package of BBBEE transactions approved by shareholders in December 2018. Improved investor confidence will, however, remain a key determinant of future growth. Lower new business volumes, coupled with an R8,5 billion withdrawal of a low margin index tracking fund managed for an institutional client on an outsourced basis, contributed to a 61% reduction in net fund flows from R18,7 billion in 2017 to R7,2 billion in 2018.

Gross written premiums at **Santam** increased by 11% (9,5% excluding the impact of the Santam Structured Insurance acquisition in 2017); 6% on a net earned basis. Conventional insurance gross written premiums increased by a satisfactory 7%, while alternative risk transfer premiums grew by 40% (26% excluding corporate activity). Intermediated personal and commercial lines of business, MiWay and Namibia experienced pressure on growth amidst difficult economic conditions. The property class grew by 12% on the back of strong growth in the corporate property business following lower reinsurance capacity available in the market. The motor class grew by 6%, with an 8% higher contribution from MiWay. Within the specialist classes, accident and health grew by 11% on the back

of strong demand for travel insurance. Crop insurance premiums declined by 12% following lower take-up. The liability and transportation classes recorded growth of 2% and 1% respectively amidst a focus on profitability. Growth of 3% in engineering reflects the impact of fewer large construction contracts within an industry under pressure.

Sanlam Corporate had an exceptional year, more than doubling life insurance new business volumes. Single premiums grew by 109%, while recurring premiums increased by a particularly satisfactory 56%, supported by good inflows of guaranteed business premiums. Life licence business has been reclassified from SIG to Sanlam Corporate in 2018, which supported overall new business growth of 176%. The new business performance also reflects in a substantial improvement in net fund inflows.

Overall Group net fund inflows of R41,5 billion in 2018 is a particularly satisfactory performance given the

challenging market conditions and large institutional withdrawal at SIG.

Value of new covered business

The discount rate used to determine VNB is directly linked to long-term interest rates. The 50bps and 60bps increase in the South African nine- and five-year benchmark rates respectively during 2018 resulted in a commensurate rise in the risk discount rate, with a 6% negative effect on overall VNB growth. VNB margins were also some 13 basis points lower due to the higher discount rate. The strong growth in Sanlam Sky and SEB new business volumes were the main contributors to particularly satisfactory growth of 14% in net VNB on a consistent economic basis (CEB) (8% based on the actual economic basis at the end of 2018). Overall net VNB margins declined from 2,94% in 2017 to 2,8% in 2018 (on a CEB), largely due to the underperformance in East Africa and a relatively larger contribution from the lower margin SEB business.

Value of new covered business for the year ended 31 December 2018

R million	2018	2017	Δ	CEB
Net value of new covered business	1 985	1 841	8%	14%
Sanlam Personal Finance	1 504	1 407	7%	14%
Sanlam Emerging Markets	338	347	(3%)	(1%)
Sanlam Investment Group	-	-	-	-
Sanlam Corporate	143	87	64%	71%
Gross of non-controlling interest	2 187	2 008	9%	14%
Net present value of new business premiums	74 378	62 604	19%	20%
Sanlam Personal Finance	48 790	43 940	11%	12%
Sanlam Emerging Markets	8 366	7 146	17%	17%
Sanlam Investment Group	3 334	3 259	2%	2%
Sanlam Corporate	13 888	8 259	68%	70%
Gross of non-controlling interest	78 085	65 377	19%	20%
Net new covered business margin	2,67%	2,94%		2,80%
Sanlam Personal Finance	3,08%	3,20%		3,26%
Sanlam Emerging Markets	4,04%	4,86%		4,11%
Sanlam Investment Group	-	-		-
Sanlam Corporate	1,03%	1,05%		1,06%
Gross of non-controlling interest	2,80%	3,07%		2,92%

SPF achieved overall growth of 7% (14% on a comparable basis). The strong growth in new business volumes at *Sanlam Sky* had a major positive effect on VNB, which increased by 16% (25% on a comparable basis). Capitec contributed R80 million. The Sanlam Sky VNB margin declined slightly from 8,88% in 2017 to 8,30% in 2018 due to a change in mix of business to lower margin group business. The *Recurring premium sub cluster and Strategic Business Development* achieved growth of 13% (23% on a CEB and 20% on a CEB and excluding BrightRock). MiWayLife made a welcome first contribution of R11 million, augmented by good growth at BrightRock, a change in mix to more profitable lines of business, positive modelling changes and lower acquisition costs. VNB margins improved commensurately. *Glacier* experienced an 8% decline in VNB (6% on a comparable basis) due to the change in mix from higher margin endowment business to guaranteed and annuity business.

Net VNB at **SEM** declined by 3% (up 6% on a CEB and excluding Ghana and Saham Finances). Namibia did exceptionally well pursuant to the strong growth in entry-level market sales, growing its net VNB by more than 20%. Most other businesses contributed satisfactory growth, apart from Botswana, Kenya, Uganda and Malawi that underperformed in line with their weak new business production and declining file sizes. Nigeria's contribution was broadly in line with 2017 despite strong new business growth, due to a one-off regulatory increase in capital requirements that resulted in a higher cost of capital charge. Saham Finances contributed R38 million compared to R20 million in 2017.

The good growth in **Sanlam Corporate** recurring and single premium business, combined with modelling improvements, supported a 64% (71% on a comparable basis) increase in the cluster's VNB contribution.

Capital management

The Group started the year with discretionary capital of R2 billion, after allowing for the ACA acquisition. A number of capital management actions during 2018 affected the balance of available discretionary capital, including the \$1 billion (R13 billion) Saham Finances transaction. Discretionary capital at the end of 2018 was negative due to the approved BBBEE share issuance not being concluded before year-end as we are still awaiting regulatory approvals.

Sanlam shareholders approved a BBBEE equity raising at the extraordinary general meeting held on 12 December 2018, with the cash raised from this issuance earmarked to repay the internal (R1,7 billion) and external (R2 billion) debt incurred as partial funding for the Saham Finances acquisition and to restore the discretionary capital portfolio to an appropriate level. All regulatory approvals have been received, apart from Mauritius. Once these approvals are granted, we will proceed with the issuance, subject to the Sanlam share price being within the R74 – R86 range approved by shareholders.

Discretionary capital amounted to a negative R3,7 billion at 31 December 2018, equal to the combined internal and external debt. At the lower end of the share issuance range (R74) cash proceeds of R4,6 billion will be raised, which will restore the discretionary capital portfolio to some R1 billion.

Discretionary capital at 31 December 2018

R million	2018
Discretionary capital at 31 December 2017	2 000
Excess dividend cover	693
Capital released from Sanlam Life	1 813
Allocated capital	1 500
Excess investment return	313
Capital raised through accelerated book build	5 455
Investment return and other	(104)
Corporate activity	(13 535)
South Africa	(267)
Catalyst Fund Managers SA	(168)
Sanlam Private Wealth	(96)
Other	(3)
Other emerging markets	(12 913)
Saham Finances	(12 983)
Sanlam Investments East Africa	101
Sanlam General Insurance Uganda	(19)
Other	(12)
Developed markets	(355)
Catalyst Fund Managers Foreign	(250)
Phoenix Infracore	(102)
Other	(3)
Discretionary capital at 31 December 2018*	(3 678)

* Discretionary capital balance will be between R1 billion and R1,5 billion post the BBBEE share issuance.

Movements in discretionary capital during 2018 included the following:

- The excess cash operating earnings cover in respect of the dividend paid in 2018.
- Capital of R1,8 billion released from the covered business operations in Sanlam Life. As communicated in the Group's 2017 annual results announcement, capital allocated to the covered business operations on the Sanlam Life balance sheet was reduced by R1,5 billion in the first half of 2018. Investment return earned on the Sanlam Life capital base in 2018 (R313 million) was also available for release.
- Capital of R5,5 billion was raised through an accelerated book build at the end of March 2018 as partial funding for the acquisition of the remaining stake in Saham Finances.
- Corporate activity during 2018 included:
 - The acquisition of the remaining 53% stake in Saham Finances for R12,9 billion at the hedged rate of R13,24 (after allowing for Santam's contribution to increase its effective stake in Saham Finances from 7% to 10%). The actual exchange rate on payment date was R14,77, with the forex hedges providing protection of some R1,5 billion on close-out.
 - SIG acquired 69% and 100% stakes in Catalyst Fund Managers' South African and foreign operations respectively for a total consideration of R418 million. The acquisition significantly enhances SIG's property management offering in line with the strategic investment in alternative asset management capabilities. In line with this strategy, SIG also invested R102 million for a 30% stake in Phoenix Infracore, a specialist infrastructure investment business.
 - Sanlam Private Wealth acquired a wealth management book for R96 million.
 - SEM sold a stake in the Kenyan-based Sanlam Investments East Africa asset management business to its local partner, realising R101 million. This disposal compliments SEM's Pan-Africa partnership model.
- Investment return, taxation on the forex hedges and other small movements utilised R104 million.

Solvency

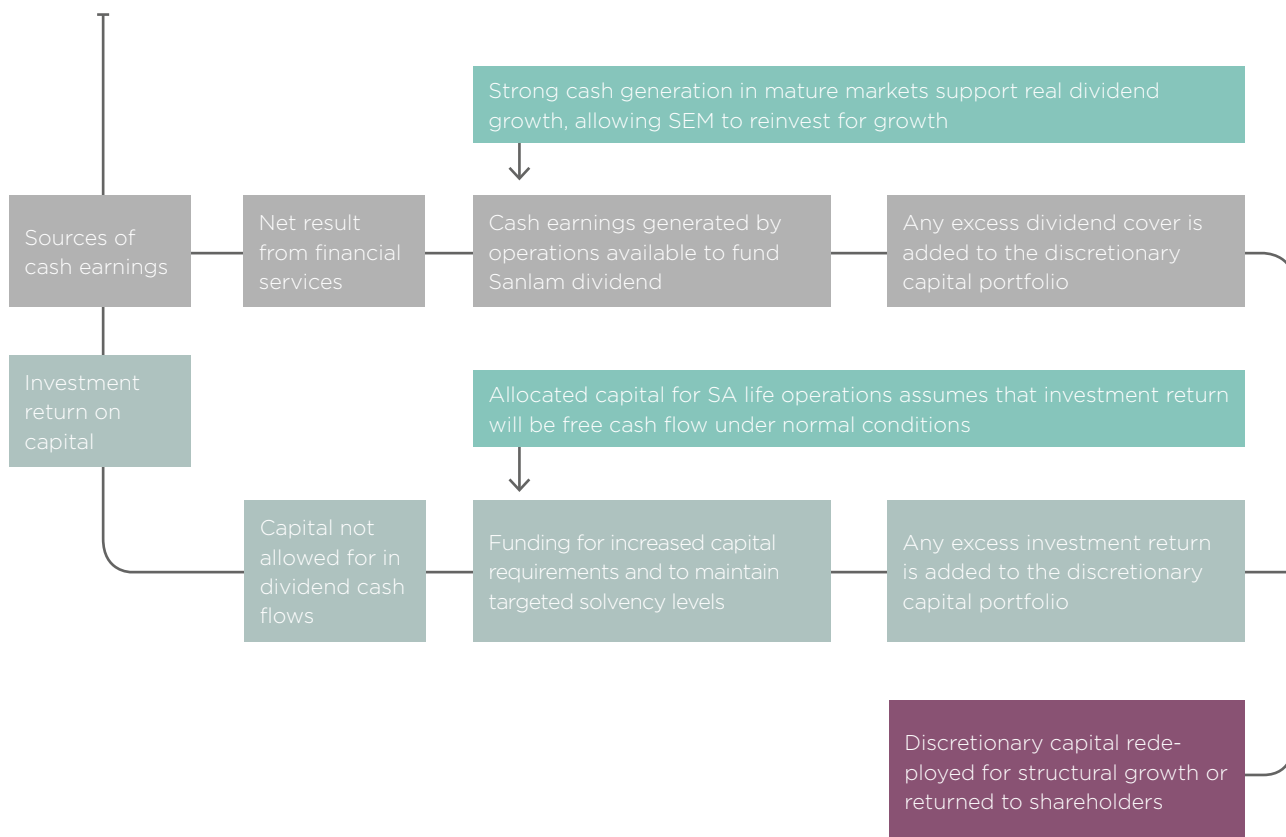
All of the major insurance businesses within the Group were sufficiently capitalised at the end of December 2018. The Sanlam Group SCR cover ratio of 215% remained in line with the 220% cover at 31 December 2017. As indicated in previous results announcements, a Solvency Capital Requirement (SCR) target cover range of between 170% and 210% has been set for Sanlam Life Insurance Limited's (Sanlam Life) covered business. The R8 billion of IFRS-based required capital allocated to these operations at the end of December 2018 translated into a SCR cover of 221%. The SCR cover ratio for the Sanlam Life entity as a whole at 264% exceeded the covered business ratio at the end of December 2018 due to the inclusion of discretionary and other capital held on the Sanlam Life balance sheet as well as investments in Santam and other Group

operations that are not allocated to Sanlam Life's covered business operations (i.e. not included in the R8 billion allocated capital referred to above).

Dividend

Sanlam's dividend policy makes a clear distinction between operating earnings (net result from financial services), which is the key driver of dividends, and investment return earned on the capital portfolio. The level of capital allocated to the Group's operations is determined to ensure that regulatory solvency levels will be maintained within a set target range, taking into account potential volatility in investment market returns. Investment market volatility therefore does not have an impact on Sanlam's dividend paying capability, with the exception of extreme scenarios. The key features of Sanlam's dividend policy, and the interaction with discretionary capital, can be summarised as follows:

We are prudent: we only use free cash flow to fund dividends. Our dividend philosophy is embedded in our capital management approach – we therefore do not manage our capital and solvency through our dividend policy. We maintain a cash dividend cover ratio of between 1,0 and 1,2 times to manage smooth real dividend growth of 2% – 4% per annum

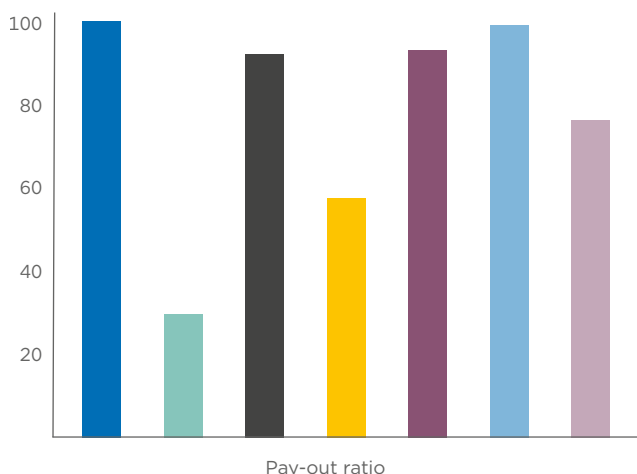


As highlighted above, the cash component of net result from financial services is the key driver of Sanlam's dividend potential. This is defined as: Net result from financial services less non-cash earnings included in net result from financial services less retained cash earnings.

Given the Group's prudent accounting policies (expensing of upfront acquisition costs), the non-cash earnings included in the reported net result from financial services is negligible. Wholly owned subsidiaries are not allowed to retain any earnings, unless required for solvency purposes or to fund future growth. Pre-approval by the Group Financial Director is required in these instances. Businesses with minority shareholders have their own dividend policies, but aligned with the Sanlam policy as far as possible. Most of the net result from financial services generated by the South African operations are available for dividends due to the mature nature of these businesses. The same applies for the developed markets earnings in SIG. The exception in South Africa is Santam, which has its own dividend policy as a separately listed entity. SEM's operations, however, retain a large part of their operational earnings for investment in future growth. As these operations mature over time, the cash generation will increase with a commensurate increase in cash available for Sanlam dividend payments. In addition, balance sheet efficiencies and enhancing the dividend payment capability of the SEM businesses have been identified as a strategic focus area for 2019.

The graph below provides an indication of cash earnings generation from the Sanlam clusters in 2018.

Cash operating earnings (%)



Legend

- Sanlam Personal Finance
- Sanlam Emerging Markets
- Sanlam Investment Group
- Santam
- Sanlam Corporate
- Group office
- Sanlam Group

Applying the Group's dividend policy, the Board decided to increase the normal dividend per share by 7,6% to 312 cents. This is well within our target range of 2% to 4% real growth given the 2018 average inflation rate of 4,6%. It will maintain a cash operating earnings cover of approximately 1 times.

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

Shareholders are advised that the final cash dividend of 312 cents for the year ended 31 December 2018 is payable on Monday, 15 April 2019 by way of electronic bank transfers to ordinary shareholders recorded in the register of Sanlam at close of business on Friday, 12 April 2019. The last date to trade to qualify for this dividend will be Tuesday, 9 April 2019, and Sanlam shares will trade ex-dividend from Wednesday, 10 April 2019. Share certificates may not be dematerialised or rematerialised between Wednesday, 10 April 2019 and Friday, 12 April 2019, both days included.

GROUP EQUITY VALUE

at 31 December 2018

R million	Note	Group Equity Value	
		2018	2017
Sanlam Personal Finance		43 185	43 401
Covered business ⁽¹⁾	7.1	39 209	39 546
Sanlam Sky		8 755	7 956
Other		30 454	31 590
Other operations		3 976	3 855
Glacier		2 359	2 321
Sanlam Personal Loans		1 224	1 052
Other operations		393	482
Sanlam Emerging Markets		44 659	27 621
Covered business	7.2	9 151	6 686
Namibia		1 867	1 816
Botswana		1 587	1 333
Rest of Africa (excluding Saham Finances)		1 274	1 050
Saham Finances ⁽²⁾		2 968	1 265
India		854	702
Malaysia		601	520
Other operations		35 508	20 935
Saham Finances		20 309	6 833
Shriram Capital		10 632	9 524
Letshego		889	991
Pacific & Orient		433	376
Capricorn Investment Holdings		968	1 022
Other operations		2 277	2 189
Sanlam Investment Group		18 703	18 331
Covered business	7.3	2 797	2 768
Sanlam UK		1 268	1 213
Central Credit Manager		1 529	1 555
Other operations		15 906	15 563
Investment Management SA ⁽³⁾		5 559	6 882
Wealth Management		2 709	2 242
International		6 138	5 643
Sanlam Specialised Finance ⁽³⁾		1 500	796
Santam		20 102	18 108
Sanlam Corporate		6 009	6 368
Covered business ⁽¹⁾	7.5	5 077	5 283
Other operations		932	1 085
Afrocentric		892	1 001
Other		40	84
Dividend pool		6 464	5 885
Discretionary capital ⁽⁴⁾		(3 678)	2 000
Other capital		691	1 665
Present value of holding company expenses		(2 083)	(1 616)
Group Equity Value		134 052	121 763

Value of in-force/Fair value adjustment		Adjusted net asset value		Elimination of goodwill and VOBA		Shareholders' fund at net asset value	
2018	2017	2018	2017	2018	2017	2018	2017
36 644	35 786	6 541	7 615	(1 145)	(1 145)	7 686	8 760
33 858	33 290	5 351	6 256	(1 145)	(1 145)	6 496	7 401
8 057	7 352	698	604	(437)	(467)	1 135	1 071
25 801	25 938	4 653	5 652	(708)	(678)	5 361	6 330
2 786	2 496	1 190	1 359	-	-	1 190	1 359
1 898	1 867	461	454	-	-	461	454
635	252	589	800	-	-	589	800
253	377	140	105	-	-	140	105
8 146	6 319	36 513	21 302	(3 610)	(1 606)	40 123	22 908
4 894	3 665	4 257	3 021	(3 610)	(1 606)	7 867	4 627
1 359	1 318	508	498	-	-	508	498
1 124	980	463	353	(25)	(66)	488	419
241	247	1 033	803	(12)	(10)	1 045	813
1 633	707	1 335	558	(2 881)	(878)	4 216	1 436
317	206	537	496	(313)	(293)	850	789
220	207	381	313	(379)	(359)	760	672
3 252	2 654	32 256	18 281	-	-	32 256	18 281
954	363	19 355	6 470	-	-	19 355	6 470
2 447	2 585	8 185	6 939	-	-	8 185	6 939
-	8	889	983	-	-	889	983
18	-	415	376	-	-	415	376
-	8	968	1 014	-	-	968	1 014
(167)	(310)	2 444	2 499	-	-	2 444	2 499
10 227	11 495	8 476	6 836	(356)	(356)	8 832	7 192
(6)	124	2 803	2 644	(356)	(356)	3 159	3 000
617	679	651	534	(356)	(356)	1 007	890
(623)	(555)	2 152	2 110	-	-	2 152	2 110
10 233	11 371	5 673	4 192	-	-	5 673	4 192
5 307	6 583	252	299	-	-	252	299
2 439	1 936	270	306	-	-	270	306
1 290	2 306	4 848	3 337	-	-	4 848	3 337
1 197	546	303	250	-	-	303	250
14 284	13 278	5 818	4 830	-	-	5 818	4 830
2 789	2 423	3 220	3 945	(227)	-	3 447	3 945
2 710	2 166	2 367	3 117	(227)	-	2 594	3 117
79	257	853	828	-	-	853	828
73	223	819	778	-	-	819	778
6	34	34	50	-	-	34	50
-	-	6 464	5 885	-	-	6 464	5 885
205	562	(3 678)	1 438	-	-	(3 883)	1 438
-	-	691	1 665	(1 197)	(1 197)	1 888	2 862
(2 083)	(1 616)	-	-	-	-	-	-
70 212	68 247	63 840	53 516	(6 535)	(4 304)	70 375	57 820

GROUP EQUITY VALUE
at 31 December 2018 (continued)

R million	Note	Group Equity Value	
		2018	2017
Covered business	2	56 234	54 283
Other operations	5	76 424	59 546
Group operations		132 658	113 829
Discretionary and other capital		1 394	7 934
Group Equity Value		134 052	121 763
Value per share	14	63,41	59,40

⁽¹⁾ Excludes subordinated debt funding of Sanlam Life. At 1 January 2018, capital allocated to Sanlam Personal Finance and Sanlam Employee Benefits covered business was reduced by R969 million and R531 million respectively.

⁽²⁾ The embedded value of Saham Finances is calculated using a risk discount rate inclusive of the cost of capital at 31 December 2017.

⁽³⁾ Comparative information has been adjusted for the reallocation of businesses from Investment Management SA to Sanlam Specialised Finance.

⁽⁴⁾ Fair value adjustments relate to the reversal of marked-to-market changes on hedging instruments, to be recognised in the financial year that the hedged transactions become effective. The balance at 31 December 2018 includes term finance of R2 billion raised for Saham Finances acquisition.

Analysis of Group Equity Value per line of business

at 31 December 2018

R million	Total		Life Insurance	
	2018	2017	2018	2017
South Africa	80 931	86 537	45 815	46 384
Namibia	4 213	3 982	1 867	1 816
Botswana	3 164	3 033	1 587	1 333
Rest of Africa (excluding Saham Finances)	2 331	1 894	1 274	1 050
Saham Finances	23 277	8 098	2 968	1 265
India	11 621	10 361	854	702
Malaysia	1 182	1 032	601	520
Other international	7 333	6 826	1 268	1 213
Total	134 052	121 763	56 234	54 283

Value of in-force/Fair value adjustment		Adjusted net asset value		Elimination of goodwill and VOBA		Shareholders' fund at net asset value	
2018	2017	2018	2017	2018	2017	2018	2017
41 456	39 245	14 778	15 038	(5 338)	(3 107)	20 116	18 145
30 634	30 056	45 790	29 490	-	-	45 790	29 490
72 090	69 301	60 568	44 528	(5 338)	(3 107)	65 906	47 635
(1 878)	(1 054)	3 272	8 988	(1 197)	(1 197)	4 469	10 185
70 212	68 247	63 840	53 516	(6 535)	(4 304)	70 375	57 820
						33,27	28,22

General Insurance		Investment Management		Credit & Structuring		Administration, Health & Other	
2018	2017	2018	2017	2018	2017	2018	2017
20 102	18 108	8 993	9 565	1 860	1 302	4 161	11 178
342	322	186	171	968	1 022	850	651
100	114	421	405	889	991	167	190
562	420	360	291	84	71	51	62
20 309	6 833	-	-	-	-	-	-
1 553	1 213	135	135	9 079	8 311	-	-
433	376	-	-	-	-	148	136
-	-	6 065	5 613	-	-	-	-
43 401	27 386	16 160	16 180	12 880	11 697	5 377	12 217

CHANGE IN GROUP EQUITY VALUE

for the year ended 31 December 2018

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Personal Finance	43 401	4 832	(1 032)	(4 016)	43 185
Covered business	39 546	4 372	(1 032)	(3 677)	39 209
Sanlam Sky	7 956	1 612	89	(902)	8 755
Other	31 590	2 760	(1 121)	(2 775)	30 454
Other operations	3 855	460	-	(339)	3 976
Glacier	2 321	245	-	(207)	2 359
Sanlam Personal Loans	1 052	342	-	(170)	1 224
Other operations	482	(127)	-	38	393
Sanlam Emerging Markets	27 621	4 580	13 891	(1 433)	44 659
Covered business	6 686	417	2 714	(666)	9 151
Namibia	1 816	233	(40)	(142)	1 867
Botswana	1 333	418	67	(231)	1 587
Rest of Africa (excluding Saham Finances)	1 050	292	80	(148)	1 274
Saham Finances	1 265	(770)	2 570	(97)	2 968
India	702	158	30	(36)	854
Malaysia	520	86	7	(12)	601
Other operations	20 935	4 163	11 177	(767)	35 508
Saham Finances	6 833	3 049	10 378	49	20 309
Shriram Capital	9 524	1 253	90	(235)	10 632
Letshego	991	(81)	-	(21)	889
Pacific & Orient	376	94	-	(37)	433
Capricorn Investment Holdings	1 022	(30)	-	(24)	968
Other operations	2 189	(122)	709	(499)	2 277
Sanlam Investment Group	18 331	682	845	(1 155)	18 703
Covered business	2 768	305	31	(307)	2 797
Sanlam UK	1 213	90	64	(99)	1 268
Central Credit Manager	1 555	215	(33)	(208)	1 529
Other operations	15 563	377	814	(848)	15 906
Investment Management SA	6 882	(920)	(234)	(169)	5 559
Wealth Management	2 242	483	117	(133)	2 709
International	5 643	594	289	(388)	6 138
Sanlam Specialised Finance	796	220	642	(158)	1 500
Sanlam	18 108	2 658	-	(664)	20 102
Sanlam Corporate	6 368	774	(595)	(538)	6 009
Covered business	5 283	839	(578)	(467)	5 077
Other operations	1 085	(65)	(17)	(71)	932
Afrocentric	1 001	(84)	-	(25)	892
Other	84	19	(17)	(46)	40

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Discretionary capital	2 000	95	(5 773)	-	(3 678)
Other capital	7 550	(296)	5 981	(6 080)	7 155
Present value of holding company expenses	(1 616)	(467)	-	-	(2 083)
Elimination of intergroup dividends	-	-	(7 806)	7 806	-
Group Equity Value	121 763	12 858	5 511	(6 080)	134 052
Covered business	54 283	5 933	1 135	(5 117)	56 234
Other operations	59 546	7 593	11 974	(2 689)	76 424
Group operations	113 829	13 526	13 109	(7 806)	132 658
Discretionary and other capital	7 934	(668)	208	(6 080)	1 394
Elimination of intergroup dividends	-	-	(7 806)	7 806	-
Group Equity Value	121 763	12 858	5 511	(6 080)	134 052

CHANGE IN GROUP EQUITY VALUE
for the year ended 31 December 2017 (continued)

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Sanlam Personal Finance	41 878	7 070	(1 481)	(4 066)	43 401
Covered business	38 216	6 659	(1 481)	(3 848)	39 546
Sanlam Sky	7 237	2 087	(489)	(879)	7 956
Other	30 979	4 572	(992)	(2 969)	31 590
Other operations	3 662	411	-	(218)	3 855
Glacier	2 192	342	-	(213)	2 321
Sanlam Personal Loans	999	53	-	-	1 052
Other operations	471	16	-	(5)	482
Sanlam Emerging Markets	22 097	2 845	4 045	(1 366)	27 621
Covered business	6 370	1 476	(515)	(645)	6 686
Namibia	1 709	337	(53)	(177)	1 816
Botswana	1 261	247	13	(188)	1 333
Rest of Africa (excluding Saham Finances)	1 509	898	(1 173)	(184)	1 050
Saham Finances	672	(28)	669	(48)	1 265
India	677	21	42	(38)	702
Malaysia	542	1	(13)	(10)	520
Other operations	15 727	1 369	4 560	(721)	20 935
Saham Finances	3 197	(197)	3 909	(76)	6 833
Shriram Capital	7 963	1 659	-	(98)	9 524
Letshego	1 190	(168)	-	(31)	991
Pacific & Orient	476	(92)	-	(8)	376
Capricorn Investment Holdings	1 077	108	-	(163)	1 022
Other operations	1 824	59	651	(345)	2 189
Sanlam Investment Group	15 807	2 442	1 270	(1 188)	18 331
Covered business	1 137	403	1 451	(223)	2 768
Sanlam UK	1 137	76	85	(85)	1 213
Central Credit Manager	-	327	1 366	(138)	1 555
Other operations	14 670	2 039	(181)	(965)	15 563
Investment Management SA	6 581	603	84	(386)	6 882
Wealth Management	2 155	225	(44)	(94)	2 242
International	4 844	849	129	(179)	5 643
Sanlam Specialised Finance	1 090	362	(350)	(306)	796
Sanlam	15 868	2 854	-	(614)	18 108
Sanlam Corporate	6 385	1 284	(822)	(479)	6 368
Covered business	5 523	1 070	(867)	(443)	5 283
Other operations	862	214	45	(36)	1 085
Afrocentric	775	211	38	(23)	1 001
Other	87	3	7	(13)	84

R million	GEV at the beginning of the period	Earnings	Net capital investment	Dividend paid	GEV at the end of the period
Discretionary capital	550	(129)	1 579	-	2 000
Other capital	9 916	86	2 985	(5 437)	7 550
Present value of holding company expenses	(1 784)	53	115	-	(1 616)
Elimination of intergroup dividends	-	-	(7 713)	7 713	-
Group Equity Value	110 717	16 505	(22)	(5 437)	121 763
Covered business	51 246	9 608	(1 412)	(5 159)	54 283
Other operations	50 789	6 887	4 424	(2 554)	59 546
Group operations	102 035	16 495	3 012	(7 713)	113 829
Discretionary and other capital	8 682	10	4 679	(5 437)	7 934
Elimination of intergroup dividends	-	-	(7 713)	7 713	-
Group Equity Value	110 717	16 505	(22)	(5 437)	121 763

RETURN ON GROUP EQUITY VALUE

for the year ended 31 December 2018

%	Audited December	
	2018	2017
Sanlam Personal Finance	11,4	17,5
Covered business	11,3	18,3
Sanlam Sky	20,3	28,8
Other	9,0	15,7
Other operations	11,9	11,2
Glacier	10,6	15,6
Sanlam Personal Loans	32,5	5,3
Other operations	(26,3)	3,4
Sanlam Emerging Markets	14,8	11,5
Covered business	5,7	23,2
Namibia	12,8	19,7
Botswana	27,2	19,6
Rest of Africa (excluding Saham Finances)	33,1	59,5
Saham Finances	(39,5)	(4,2)
India	22,5	3,1
Malaysia	16,5	0,2
Other operations	17,7	7,5
Saham Finances	32,3	(3,4)
Shriram Capital	13,2	20,8
Letshego	(8,2)	(14,1)
Pacific & Orient	25,0	(19,3)
Capricorn Investment Holdings	(2,9)	10,0
Other operations	(5,6)	3,2
Sanlam Investment Group	3,7	14,2
Covered business	11,0	14,9
Sanlam UK	7,4	6,7
Central Credit Manager	13,8	21,0
Other operations	2,3	14,1
Investment Management SA	(14,6)	10,1
Wealth Management	20,8	10,5
International	10,4	17,5
Sanlam Specialised Finance	12,5	58,1
Santam	14,7	18,0
Sanlam Corporate	12,8	21,0
Covered business	16,8	20,4
Other operations	(6,0)	24,5
Afrocentric	(8,4)	26,9
Other	22,6	3,4
Discretionary capital and other	(12,3)	0,2
Return on Group Equity Value	10,6	14,9

%	Audited December	
	2018	2017
Covered business	11,0	18,8
Other operations	12,2	12,9
Group operations	11,6	15,8
Discretionary and other capital	(12,0)	0,2
Group Equity Value	10,6	14,9
RoGEV per share	11,6	14,8
<i>Sanlam Group hurdle rate</i>	13,0	13,2

Cumulative return on Group Equity Value

%	Audited		
	Cumulative average growth rate up to 31 December 2018		
	3 years	4 years	5 years
Sanlam Personal Finance	17,1	15,8	16,2
Sanlam Emerging Markets	7,7	12,9	15,8
Sanlam Investment Group	5,1	8,9	11,1
Santam	21,4	13,1	14,3
Sanlam Corporate ⁽¹⁾	14,5	N/A	N/A
Sanlam Group	12,4	12,5	13,7

⁽¹⁾ Sanlam Corporate was part of the Sanlam Investment Group cluster up to the 2015 financial year.

ANALYSIS OF GEV EARNINGS

for the year ended 31 December 2018

Covered business⁽¹⁾

R million	Total		Value of in-force		Cost of capital		Adjusted net asset value	
	2018	2017	2018	2017	2018	2017	2018	2017
Operational earnings	9 374	7 612	3 699	2 568	47	132	5 628	4 912
Value of new life insurance business ⁽²⁾	1 985	1 841	4 758	4 324	(206)	(195)	(2 567)	(2 288)
Unwinding of discount rate	4 937	4 620	4 760	4 427	177	193	-	-
Expected profit	-	-	(6 831)	(6 061)	-	-	6 831	6 061
Operating experience variances	2 114	1 558	374	77	251	187	1 489	1 294
Risk experience	535	447	138	(6)	3	7	394	446
Persistence	147	67	202	178	-	16	(55)	(127)
Maintenance expenses	43	(9)	(6)	(5)	-	1	49	(5)
Working capital management	507	452	-	5	-	-	507	447
Credit spread	437	396	-	-	-	-	437	396
Other	445	205	40	(95)	248	163	157	137
Operating assumption changes	338	(407)	638	(199)	(175)	(53)	(125)	(155)
Risk experience	177	183	201	147	3	(3)	(27)	39
Persistence	66	(115)	140	(86)	4	(3)	(78)	(26)
Maintenance expenses	20	(239)	108	(110)	(1)	(1)	(87)	(128)
Modelling changes and other	75	(236)	189	(150)	(181)	(46)	67	(40)
Net investment return	796	930	-	-	-	-	796	930
Expected return on adjusted net asset value	921	1 020	-	-	-	-	921	1 020
Investment variances on adjusted net asset value	(125)	(90)	-	-	-	-	(125)	(90)
Valuation and economic basis	(2 965)	762	(2 587)	489	42	26	(420)	247
Investment variances on in-force business	(2 603)	691	(2 265)	413	89	19	(427)	259
Economic assumption changes	(755)	234	(773)	253	11	(7)	7	(12)
Investment yields	(717)	260	(743)	253	19	19	7	(12)
Long-term asset mix assumptions and other	(38)	(26)	(30)	-	(8)	(26)	-	-
Foreign currency translation differences	393	(163)	451	(177)	(58)	14	-	-

Covered business⁽¹⁾ (continued)

R million	Total		Value of in-force		Cost of capital		Adjusted net asset value	
	2018	2017	2018	2017	2018	2017	2018	2017
Change in tax basis	(36)	-	(19)	-	(1)	-	(16)	-
Profit on disposal of subsidiaries and associated companies	-	789	-	-	-	-	-	789
Net project expenses	(13)	-	-	-	-	-	(13)	-
Goodwill and VOBA from business combinations	(1 223)	(485)	(1 212)	(485)	-	-	(11)	-
GEV earnings: covered business	5 933	9 608	(119)	2 572	88	158	5 964	6 878
Acquired value of in-force	3 124	1 443	2 243	1 026	(1)	(8)	882	425
Disposal of businesses	-	(1 331)	-	(357)	-	9	-	(983)
Transfers from covered business	(7 106)	(6 683)	-	-	-	-	(7 106)	(6 683)
Embedded value of covered business at the beginning of the year	54 283	51 246	42 620	39 379	(3 375)	(3 534)	15 038	15 401
Embedded value of covered business at the end of the year	56 234	54 283	44 744	42 620	(3 288)	(3 375)	14 778	15 038

⁽¹⁾ Refer to note 7 for an analysis per cluster.

⁽²⁾ Refer to note 1 for further information.

Covered business per cluster

R million	Total		Value of in-force		Cost of capital		Adjusted net asset value	
	2018	2017	2018	2017	2018	2017	2018	2017
Sanlam Personal Finance	39 209	39 546	35 086	34 682	(1 228)	(1 392)	5 351	6 256
Sanlam Emerging Markets	9 151	6 686	5 501	4 045	(607)	(380)	4 257	3 021
Sanlam Investment Group	2 797	2 768	781	828	(787)	(704)	2 803	2 644
Sanlam Corporate	5 077	5 283	3 376	3 065	(666)	(899)	2 367	3 117
	56 234	54 283	44 744	42 620	(3 288)	(3 375)	14 778	15 038

ANALYSIS OF GEV EARNINGS
for the year ended 31 December 2018 (continued)

Other operations

R million	Total		Sanlam Personal Finance	
	2018	2017	2018	2017
Earnings from operations valued at listed share prices	2 814	2 854	-	-
Earnings from operations valued at net asset value	(76)	323	-	-
Earnings from operations valued based on discounted cash flows	4 855	3 710	460	411
Unwinding of discount rate	5 821	4 957	681	654
Operating experience variances	135	350	(3)	44
General insurance	(32)	32	-	-
Investment management	(13)	133	-	-
Credit and banking	163	231	(9)	22
Administration, health and other	17	(46)	6	22
Assumption changes	(2 588)	(210)	(15)	(376)
General insurance	413	(383)	-	-
Investment management	(913)	(257)	-	-
Credit and banking	(1 218)	698	188	(175)
Administration, health and other	(870)	(268)	(203)	(201)
Economic assumption changes	(1 725)	(409)	(203)	89
Foreign currency translation differences	3 212	(978)	-	-
GEV earnings: other operations	7 593	6 887	460	411

Discretionary and other capital

R million	Total	
	2018	2017
Investment return	(172)	(129)
Corporate expenses	(576)	53
Net corporate expenses	(109)	(115)
Change in present value of holding company expenses	(467)	168
Share-based payment transactions	80	86
GEV earnings: discretionary and other capital	(668)	10

Sanlam Emerging Markets		Sanlam Investment Group		Santam		Sanlam Corporate	
2018	2017	2018	2017	2018	2017	2018	2017
-	-	156	-	2 658	2 854	-	-
(111)	(131)	35	454	-	-	-	-
4 274	1 500	186	1 585	-	-	(65)	214
3 125	2 310	1 829	1 842	-	-	186	151
237	285	(67)	84	-	-	(32)	(63)
(32)	32	-	-	-	-	-	-
54	49	(67)	84	-	-	-	-
172	209	-	-	-	-	-	-
43	(5)	-	-	-	-	(32)	(63)
(1 540)	295	(852)	(241)	-	-	(181)	112
413	(383)	-	-	-	-	-	-
(61)	(16)	(852)	(241)	-	-	-	-
(1 406)	873	-	-	-	-	-	-
(486)	(179)	-	-	-	-	(181)	112
(109)	(677)	(1 375)	165	-	-	(38)	14
2 561	(713)	651	(265)	-	-	-	-
4 163	1 369	377	2 039	2 658	2 854	(65)	214

Reconciliation of Group Equity Value Earnings

R million	Total	
	2018	2017
IFRS earnings	13 186	9 411
Normalised attributable earnings	11 521	11 001
Earnings recognised directly in equity		
Foreign currency translation differences	1 726	(1 044)
Net cost of treasury shares delivered	(231)	(216)
Share-based payments	359	340
Change in ownership of subsidiaries	(103)	(63)
IFRS 9 transitional provisions	(429)	-
Other comprehensive income	343	(607)
Fair value adjustments	189	7 268
Change in fair value adjustments: non-life	220	4 538
Earnings from covered business: VIF	(31)	2 730
Adjustments to net worth	(517)	(174)
Present value of holding company expenses	(467)	168
Movement in book value of treasury shares: non-life subsidiaries	(56)	(47)
Change in goodwill/VOBA less VIF acquired	6	(295)
Group Equity Value earnings	12 858	16 505

ANALYSIS OF SHAREHOLDERS' FUND AT NET ASSET VALUE

at 31 December 2018

R million	Note	Sanlam Life ⁽¹⁾		Sanlam Emerging Markets ⁽²⁾	
		2018	2017	2018	2017
Assets					
Equipment		382	302	690	135
Owner-occupied properties		470	470	1 250	224
Goodwill		816	714	15 027	323
Value of business acquired		951	845	7 604	658
Other intangible assets		25	60	816	212
Deferred acquisition costs		2 631	3 012	142	13
Investments	8.3	12 135	17 699	39 492	27 953
Properties		-	10	7 122	843
Associated companies		904	882	14 960	23 157
Joint ventures		828	870	-	-
Equities and similar securities		376	424	2 926	357
Interest-bearing investments		2 217	3 918	4 252	1 878
Structured transactions		472	316	24	22
Investment funds		6 453	9 390	8 179	424
Cash, deposits and similar securities		885	1 889	2 029	1 272
Deferred tax		214	394	697	196
Assets of disposal groups classified as held for sale		-	-	138	-
General insurance technical assets		-	-	2 428	152
Working capital assets		8 389	9 149	16 156	2 575
Trade and other receivables		1 571	2 565	11 045	1 809
Cash, deposits and similar securities		6 818	6 584	5 111	766
Total assets		26 013	32 645	84 440	32 441
Equity and liabilities					
Shareholders' fund		9 580	19 562	40 612	23 672
Non-controlling interest		143	233	11 331	5 072
Total equity		9 723	19 795	51 943	28 744
Term finance		1 013	2 167	537	111
Structured transactions liabilities		24	1 156	-	-
Cell owners' interest		-	-	-	-
Deferred tax		895	943	4 001	301
General insurance technical provisions		-	-	16 846	552
Working capital liabilities		14 358	8 584	11 113	2 733
Trade and other payables		13 324	7 489	10 130	2 733
Provisions		46	127	130	-
Taxation		988	968	853	-
Total equity and liabilities		26 013	32 645	84 440	32 441
Analysis of shareholders' fund					
Covered business		9 090	10 518	7 867	4 627
Other operations		2 043	2 187	32 256	18 281
Discretionary and other capital		(1 553)	6 857	489	764
Shareholders' fund at net asset value		9 580	19 562	40 612	23 672
Consolidation reserve		1 010	1 200	-	-
Shareholders' fund per Group statement of financial position		10 590	20 762	40 612	23 672

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

⁽²⁾ Includes discretionary capital held by Sanlam Emerging Markets.

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

⁽⁴⁾ Elimination of intercompany balances, other investments and term finance between companies within the Group.

Sanlam Investment Group		Santam		Group Office ⁽³⁾		Consolidation Entries ⁽⁴⁾		Shareholders' fund at net asset value	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
110	66	298	319	-	-	-	-	1 480	822
117	113	25	19	-	-	-	-	1 862	826
2 091	1 159	854	765	-	-	1 197	1 197	19 985	4 158
987	427	-	-	-	-	-	-	9 542	1 930
204	161	37	58	-	-	-	-	1 082	491
43	-	-	-	-	-	-	-	2 816	3 025
4 747	4 622	21 397	17 099	1 400	2 219	(4 524)	(3 039)	74 647	66 553
-	-	-	-	-	-	-	-	7 122	853
242	549	4 168	2 763	-	-	(3 953)	(2 691)	16 321	24 660
2	-	53	66	-	-	-	-	883	936
345	252	1 721	2 956	367	481	(547)	(430)	5 188	4 040
644	341	10 829	8 315	1 033	1 736	(144)	(38)	18 831	16 150
133	-	509	588	-	-	-	-	1 138	926
2 890	2 968	3 202	1 351	-	-	120	120	20 844	14 253
491	512	915	1 060	-	2	-	-	4 320	4 735
176	129	154	157	-	-	(2)	7	1 239	883
-	-	-	-	-	-	-	-	138	-
-	-	7 112	6 248	-	-	-	-	9 540	6 400
15 389	20 009	13 675	12 334	3 497	3 655	(1 609)	(5 108)	55 497	42 614
12 163	13 827	6 327	5 415	3 153	3 319	(1 809)	(5 134)	32 450	21 801
3 226	6 182	7 348	6 919	344	336	200	26	23 047	20 813
23 864	26 686	43 552	36 999	4 897	5 874	(4 938)	(6 943)	177 828	127 702
9 778	8 506	5 818	4 830	245	136	4 342	1 114	70 375	57 820
241	42	3 882	3 281	-	-	(3 998)	(2 697)	11 599	5 931
10 019	8 548	9 700	8 111	245	136	344	(1 583)	81 974	63 751
974	17	2 072	2 056	2 704	1 917	-	-	7 300	6 268
-	-	-	-	-	-	-	-	24	1 156
-	-	3 305	3 217	-	-	-	-	3 305	3 217
62	22	62	121	-	-	-	43	5 020	1 430
-	-	21 104	18 116	-	-	-	-	37 950	18 668
12 809	18 099	7 309	5 378	1 948	3 821	(5 282)	(5 403)	42 255	33 212
12 418	17 874	6 793	5 116	1 918	3 791	(5 296)	(5 402)	39 287	31 601
81	82	132	68	20	20	17	17	426	314
310	143	384	194	10	10	(3)	(18)	2 542	1 297
23 864	26 686	43 552	36 999	4 897	5 874	(4 938)	(6 943)	177 828	127 702
3 159	3 000	-	-	-	-	-	-	20 116	18 145
5 673	4 192	5 818	4 830	-	-	-	-	45 790	29 490
946	1 314	-	-	245	136	4 342	1 114	4 469	10 185
9 778	8 506	5 818	4 830	245	136	4 342	1 114	70 375	57 820
-	-	-	-	-	-	(1 879)	(1 600)	(869)	(400)
9 778	8 506	5 818	4 830	245	136	2 463	(486)	69 506	57 420

SHAREHOLDERS' FUND INCOME STATEMENT

for the year ended 31 December 2018

R million	Note	Sanlam Personal Finance		Sanlam Emerging Markets	
		2018	2017	2018	2017
Financial services income	9	19 136	17 823	11 526	7 978
Sales remuneration	10	(3 334)	(3 332)	(1 568)	(1 118)
Income after sales remuneration		15 802	14 491	9 958	6 860
Underwriting policy benefits		(4 542)	(3 822)	(3 230)	(1 709)
Administration costs	11	(5 648)	(4 769)	(2 955)	(1 840)
Result from financial services before tax		5 612	5 900	3 773	3 311
Tax on result from financial services		(1 636)	(1 679)	(1 109)	(936)
Result from financial services after tax		3 976	4 221	2 664	2 375
Non-controlling interest		57	14	(626)	(582)
Net result from financial services		4 033	4 235	2 038	1 793
Net investment income		234	223	207	201
Investment income	12	379	293	319	383
Tax on investment income		(139)	(67)	(119)	(138)
Non-controlling interest		(6)	(3)	7	(44)
Project expenses		-	-	(74)	(99)
Net amortisation of value of business acquired and other intangibles		(54)	(45)	(193)	(44)
Equity participation costs		-	-	-	-
Net equity-accounted headline earnings		-	-	-	10
Equity-accounted headline earnings		-	-	2	18
Tax on equity-accounted headline earnings		-	-	-	(1)
Non-controlling interest		-	-	(2)	(7)
Net investment surpluses		27	267	27	127
Investment surpluses		24	370	52	283
Tax on investment surpluses		3	(103)	(27)	(89)
Non-controlling interest		-	-	2	(67)
Normalised headline earnings		4 240	4 680	2 005	1 988
Net profit on disposal of subsidiaries and associated companies		-	-	1 808	1 159
Profit on disposal of subsidiaries and associated companies		-	-	2 190	1 189
Tax on profit on disposal of subsidiaries and associated companies		-	-	(118)	(22)
Non-controlling interest		-	-	(264)	(8)
Impairments		(22)	-	(252)	(230)
Net equity-accounted non-headline earnings		-	-	-	140
Normalised attributable earnings		4 218	4 680	3 561	3 057
Fund transfers		(190)	(53)	-	-
Attributable earnings per Group statement of comprehensive income		4 028	4 627	3 561	3 057
Diluted earnings per share	13				
Weighted average number of shares for normalised earnings per share (million)					
Net result from financial services (cents)					

Sanlam Investment Group		Santam		Sanlam Corporate		Group Office & Other		Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
6 396 (408)	5 581 (218)	23 693 (2 635)	22 327 (2 424)	5 622 (67)	4 825 (58)	156 -	166 -	66 529 (8 012)	58 700 (7 150)
5 988 - (4 446)	5 363 - (3 786)	21 058 (13 827) (4 253)	19 903 (14 170) (3 560)	5 555 (3 254) (1 497)	4 767 (2 798) (1 190)	156 - (321)	166 - (348)	58 517 (24 853) (19 120)	51 550 (22 499) (15 493)
1 542 (326)	1 577 (336)	2 978 (877)	2 173 (621)	804 (224)	779 (221)	(165) 56	(182) 67	14 544 (4 116)	13 558 (3 726)
1 216 (64)	1 241 (14)	2 101 (905)	1 552 (701)	580 -	558 -	(109) -	(115) -	10 428 (1 538)	9 832 (1 283)
1 152 45	1 227 154	1 196 114	851 83	580 81	558 110	(109) (43)	(115) 37	8 890 638	8 549 808
52 (7) - (56)	167 (13) - (8)	220 (26) (80) -	173 (31) (59) -	93 (12) - -	124 (14) - -	(40) (3) - (6)	58 (21) - (7)	1 023 (306) (79) (136)	1 198 (284) (106) (114)
(126) - -	(160) - 10	(10) (5) 11	(10) (2) 25	(17) - (5)	(2) - (7)	- - -	- - -	(400) (5) 6	(261) (2) 38
- - - (9)	10 - - 178	18 - (7) 68	58 (17) (16) 72	(5) - - (11)	(7) - - 192	- - - (39)	- - - (19)	15 - (9) 63	79 (18) (23) 817
(6) (3) -	194 (17) 1	173 (50) (55)	78 62 (68)	(11) - -	247 (55) -	(39) - -	(19) - -	193 (77) (53)	1 153 (202) (134)
1 006	1 401	1 374	1 019	628	851	(197)	(104)	9 056	9 835
718	32	235	144	12	-	-	-	2 773	1 335
718	32	450	180	16	-	(262)	-	3 112	1 401
- - (31) -	- - (32) -	(39) (176) - -	(2) (34) (41) -	(4) - - (3)	- - (6)	- 262 - -	- - - -	(161) (178) (305) (3)	(24) (42) (303) 134
1 693 -	1 401 -	1 609 -	1 122 -	637 -	845 -	(197) 296	(104) (25)	11 521 106	11 001 (78)
1 693	1 401	1 609	1 122	637	845	99	(129)	11 627	10 923
								2 098,8 423,6	2 049,1 417,2

NET RESULT FROM FINANCIAL SERVICES

for the year ended 31 December 2018

Analysis per line of business

R million	Total		Life Insurance	
	2018	2017	2018	2017
South Africa	6 361	6 297	4 362	4 611
Entry level	897	875	897	875
Traditional	5 464	5 422	3 465	3 736
Namibia	313	358	142	177
Botswana	339	365	231	197
Rest of Africa	618	378	245	176
Saham Finances	511	223	97	45
Other	107	155	148	131
India	827	770	36	37
Malaysia	37	30	12	10
Other international	395	351	89	85
Total	8 890	8 549	5 117	5 293

General Insurance		Investment Management		Credit & Structuring		Administration, Health Management & Other	
2018	2017	2018	2017	2018	2017	2018	2017
1 129	791	383	396	354	337	133	162
-	-	-	-	-	-	-	-
1 129	791	383	396	354	337	133	162
51	61	14	18	106	102	-	-
-	1	37	39	71	128	-	-
390	153	(1)	3	5	(1)	(21)	47
414	178	-	-	-	-	-	-
(24)	(25)	(1)	3	5	(1)	(21)	47
222	203	(1)	(1)	570	531	-	-
25	20	-	-	-	-	-	-
-	-	306	266	-	-	-	-
1 817	1 229	738	721	1 106	1 097	112	209

NOTES TO THE SHAREHOLDERS' FUND INFORMATION

for the year ended 31 December 2018

1. Value of new covered business

R million	Note	Total	
		2018	2017
Value of new covered business (at point of sale)			
Gross value of new covered business		2 426	2 217
Cost of capital		(239)	(209)
Value of new covered business		2 187	2 008
Value of new business attributable to			
Shareholders' fund	3	1 985	1 841
Non-controlling interest		202	167
Value of new covered business		2 187	2 008
Analysis of new business profitability			
<i>Before non-controlling interest:</i>			
Present value of new business premiums		78 085	65 377
New business margin		2,80%	3,07%
<i>After non-controlling interest:</i>			
Present value of new business premiums		74 378	62 604
New business margin		2,67%	2,94%
Capitalisation factor - recurring premiums		4,1	4,5

⁽¹⁾ Excluding the new business from the Capitec credit life scheme and new funeral business, SPF's capitalisation factor would be 4,9.

Sanlam Personal Finance		Sanlam Emerging Markets		Sanlam Investment Group		Sanlam Corporate	
2018	2017	2018	2017	2018	2017	2018	2017
1 630 (95)	1 512 (96)	592 (83)	550 (45)	7 (7)	7 (7)	197 (54)	148 (61)
1 535	1 416	509	505	-	-	143	87
1 504 31	1 407 9	338 171	347 158	- -	- -	143 -	87 -
1 535	1 416	509	505	-	-	143	87
49 764 3,08%	44 101 3,21%	11 099 4,59%	9 758 5,18%	3 334 -	3 259 -	13 888 1,03%	8 259 1,05%
48 790 3,08%	43 940 3,20%	8 366 4,04%	7 146 4,86%	3 334 -	3 259 -	13 888 1,03%	8 259 1,05%
4,2⁽¹⁾	4,9	3,2	3,1	4,1	4,5	5,3	7,0

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

1. Value of new covered business (continued)
Geographical analysis

R million	Value of new covered business		Present value of new business premiums		New business margin	
	2018	2017	2018	2017	2018	2017
<i>Before non-controlling interest</i>						
South Africa	1 678	1 503	63 652	52 360	2,64%	2,87%
Sanlam Sky	606	521	7 685	5 867	7,89%	8,88%
Glacier	451	490	28 216	26 918	1,60%	1,82%
Sanlam Corporate	143	87	13 888	8 259	1,03%	1,05%
Other	478	405	13 863	11 316	3,45%	3,58%
Namibia	146	122	2 381	2 000	6,13%	6,10%
Botswana	184	187	2 767	2 895	6,65%	6,46%
Rest of Africa	75	115	3 274	2 518	2,29%	4,61%
Saham Finances	41	20	1 119	324	3,66%	6,17%
Other	34	95	2 155	2 194	1,58%	4,33%
India	54	38	1 338	1 178	4,04%	3,23%
Malaysia	50	43	1 339	1 167	3,73%	3,68%
Other international	-	-	3 334	3 259	-	-
Total	2 187	2 008	78 085	65 377	2,80%	3,07%
<i>After non-controlling interest</i>						
South Africa	1 647	1 494	62 678	52 199	2,63%	2,86%
Sanlam Sky	606	521	7 685	5 867	7,89%	8,88%
Glacier	451	490	28 216	26 918	1,60%	1,82%
Sanlam Corporate	143	87	13 888	8 259	1,03%	1,05%
Other	447	396	12 889	11 155	3,47%	3,55%
Namibia	87	75	1 865	1 507	4,66%	4,98%
Botswana	108	111	1 672	1 750	6,46%	6,34%
Rest of Africa	67	105	2 808	2 116	2,39%	4,96%
Saham Finances	38	20	1 040	324	3,65%	6,17%
Other	29	85	1 768	1 792	1,64%	4,74%
India	54	38	1 338	1 178	4,04%	3,23%
Malaysia	22	18	683	595	3,22%	3,03%
Other international	-	-	3 334	3 259	-	-
Total	1 985	1 841	74 378	62 604	2,67%	2,94%

2. Value of in-force covered business sensitivity analysis

R million	Gross value of in-force business		Cost of capital		Net value of in-force business		Change from base value %	
	2018	2017	2018	2017	2018	2017	2018	2017
Base value	44 744	42 620	(3 288)	(3 375)	41 456	39 245		
Risk discount rate increase by 1%	42 475	40 330	(3 708)	(3 854)	38 767	36 476	(6)	(7)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	45 812	43 737	(3 342)	(3 368)	42 470	40 369	2	3
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	43 504	41 273	(3 231)	(3 307)	40 273	37 966	(3)	(3)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	45 377	43 207	(2 981)	(3 188)	42 396	40 019	2	2
Rand exchange rate depreciates by 10%	45 227	42 967	(3 356)	(3 474)	41 871	39 493	1	1
<i>Expenses and persistency</i>								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	46 571	44 122	(3 316)	(3 405)	43 255	40 717	4	4
Discontinuance rates decrease by 10%	46 147	43 914	(3 364)	(3 463)	42 783	40 451	3	3
<i>Insurance risk</i>								
Mortality and morbidity decrease by 5% for life assurance business	46 641	44 374	(3 287)	(3 372)	43 354	41 002	5	4
Mortality and morbidity decrease by 5% for annuity business	44 492	42 324	(3 285)	(3 378)	41 207	38 946	(1)	(1)
Gross value of in-force business profile								
Year 1-5	56%	55%						
Year 1	18%	17%						
Year 2	12%	12%						
Year 3	10%	10%						
Year 4	9%	9%						
Year 5	7%	7%						
Year 6 - 10	23%	24%						
Year 11 - 20	17%	17%						
Year 20+	4%	4%						

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

3. Value of new covered business sensitivity analysis

R million	Gross value of new business		Cost of capital		Net value of new business		Change from base value %	
	2018	2017	2018	2017	2018	2017	2018	2017
Base value	2 191	2 036	(206)	(195)	1 985	1 841		
Risk discount rate increase by 1%	1 945	1 803	(235)	(217)	1 710	1 586	(14)	(14)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	2 316	2 150	(205)	(193)	2 111	1 957	6	6
<i>Expenses and persistency</i>								
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	2 396	2 224	(208)	(197)	2 188	2 027	10	10
Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	2 405	2 227	(208)	(193)	2 197	2 034	11	10
Discontinuance rates decrease by 10%	2 477	2 303	(219)	(206)	2 258	2 097	14	14
<i>Insurance risk</i>								
Mortality and morbidity decrease by 5% for life assurance business	2 441	2 220	(207)	(194)	2 234	2 026	13	10
Mortality and morbidity decrease by 5% for annuity business	2 183	2 022	(208)	(192)	1 975	1 830	(1)	(1)

4. Economic assumptions – covered business

Gross investment return, risk discount rate and inflation

	2018	2017
Sanlam Life⁽¹⁾		
Point used on the relevant yield curve	9 year	9 year
Fixed-interest securities	9,5%	9,0%
Equities	13,0%	12,5%
Offshore investments	12,0%	12,5%
Hedged equity	8,9%	8,4%
Property	10,5%	10,0%
Cash	8,5%	8,0%
Inflation rate ⁽¹⁾	7,5%	7,0%
Risk discount rate	12,0%	11,5%
⁽¹⁾ Expense inflation of 11,5% (Dec 2017: 11,0%) assumed for retail business administered on old platforms.		
Sanlam Developing Markets⁽²⁾		
Point used on the relevant yield curve	5 year	5 year
Fixed-interest securities	8,6%	8,0%
Equities and offshore investments	12,1%	11,5%
Hedged equities	7,6%	7,0%
Property	9,6%	9,0%
Cash	7,6%	7,0%
Inflation rate	6,6%	6,0%
Risk discount rate	11,1%	10,5%
⁽²⁾ Excludes the single premium products written on the SDM license.		
Botswana Life Insurance		
Point used on the relevant yield curve	n/a	n/a
Fixed-interest securities	7,0%	6,5%
Equities and offshore investments	10,5%	10,0%
Hedged equities	n/a	n/a
Property	8,0%	7,5%
Cash	6,0%	5,5%
Inflation rate	4,0%	3,5%
Risk discount rate	10,5%	10,0%
Sanlam Investments and Pensions		
Point used on the relevant yield curve	15 year	15 year
Fixed-interest securities	1,6%	1,6%
Equities and offshore investments	4,8%	4,8%
Hedged equities	n/a	n/a
Property	4,8%	4,8%
Cash	1,6%	1,6%
Inflation rate	3,3%	3,3%
Risk discount rate	5,3%	5,3%

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

4. **Economic assumptions – covered business** (continued)

Illiquidity premiums

Investment returns on non-participating and inflation-linked annuities, as well as guarantee plans include assumed illiquidity premiums due to matching assets being held to maturity.

Assumed illiquidity premiums generally amount to between 25bps and 70bps (2017: 25bps and 60bps) for non-participating annuities, between 25bps and 75bps (2017: 25bps to 75bps) for inflation-linked annuities and capped at 120bps (2017: 120bps) reflecting both illiquidity premiums and credit risk premium for guarantee plans.

Asset mix of the assets supporting adjusted net asset value – covered business

%	R million		Fixed-interest securities		Equities	
	2018	2017	2018	2017	2018	2017
Required capital						
South Africa ⁽¹⁾	9 861	11 375	-	-	3	2
Namibia	508	498	6	6	36	36
Botswana Life	463	353	-	-	-	-
Sanlam Life Insurance (Kenya)	134	108	35	35	40	40
Other Africa	1 219	760	59	59	6	6
Shriram Life Insurance (India)	255	192	35	30	60	66
MCIS (Malaysia)	356	285	73	73	19	19
Sanlam Investments and Pensions (UK)	533	428	-	-	-	-
Total required capital	13 329	13 999				
Free Surplus	1 449	1 039				
Adjusted net asset value	14 778	15 038				

⁽¹⁾ The 31 December 2018 asset mix backing the Sanlam Life required capital is unchanged from 31 December 2017, which includes 80% hedged equities. However, the percentage hedged equities will be increased to 100% in 2019.

Assumed long-term expected return on required capital

%	Gross return on required capital		Net return on required capital	
	2018	2017	2018	2017
Sanlam Life	9,1	8,7	7,4	7,0
Sanlam Developing Markets	8,5	7,9	6,6	6,1
Sanlam Life Namibia	10,3	9,9	9,2	8,8
Sanlam Namibia Holdings	9,0	8,5	7,9	7,4
Botswana Life	7,0	6,5	5,3	4,9
Sanlam Life Insurance (Kenya)	11,3	12,5	7,9	8,8
Shriram Life Insurance (India)	8,6	10,0	7,0	8,6
MCIS (Malaysia)	4,9	5,0	4,5	4,6
Sanlam Investments and Pensions (UK)	1,6	1,6	1,3	1,3

Offshore		Hedged Equities		Property		Cash		Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
-	7	91	78	-	-	6	13	100	100
-	-	-	-	-	-	58	58	100	100
-	-	-	-	50	50	50	50	100	100
-	-	-	-	15	15	10	10	100	100
-	-	-	-	6	6	29	29	100	100
-	-	-	-	-	-	5	4	100	100
-	-	-	-	-	-	8	8	100	100
-	-	-	-	-	-	100	100	100	100

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

5. Value of other Group operations sensitivity analysis

5.1 Valuation methodology

R million	Total	
	2018	2017
Listed share price	21 082	18 108
Santam	20 102	18 108
Sanlam Investment Group: Nucleus	980	-
Discounted cash flows	52 722	39 130
Sanlam Personal Finance	3 976	3 855
Glacier	2 359	2 321
Sanlam Personal Loans	1 224	1 052
Other operations	393	482
Sanlam Emerging Markets	34 248	19 885
Shriram Capital	10 632	9 524
Saham Finances	20 309	6 833
Letshego	889	991
Pacific & Orient	433	376
Capricorn Investment Holdings	968	1 022
Other operations	1 017	1 139
Sanlam Investment Group ⁽¹⁾	13 566	14 305
Investment Management SA	4 822	6 067
Wealth Management	2 708	2 192
International	4 926	5 500
Sanlam Specialised Finance	1 110	546
Sanlam Corporate	932	1 085
Afrocentric	892	1 001
Other	40	84
Net asset value	2 620	2 308
Sanlam Investment Group ⁽¹⁾	1 360	1 258
Investment Management SA	738	815
Wealth Management	-	50
International	232	143
Sanlam Specialised Finance	390	250
Sanlam Emerging Markets	1 260	1 050
Total	76 424	59 546

⁽¹⁾ Comparative information has been adjusted for the reallocation of businesses from Investment Management SA to Sanlam Specialised Finance.

5.2 Sensitivity analysis: businesses valued at discounted cash flows

R million	Base value		Risk discount rate +1%		Perpetuity growth rate +1%	
	2018	2017	2018	2017	2018	2017
	Sanlam Personal Finance	3 976	3 855	3 652	3 529	4 117
Glacier	2 359	2 321	2 151	2 106	2 457	2 426
Sanlam Personal Loans	1 224	1 052	1 138	982	1 256	1 078
Other operations	393	482	363	441	404	499
Sanlam Emerging Markets	34 248	19 885	30 188	17 186	37 778	21 874
Shriram Capital	10 632	9 524	9 071	8 267	11 990	10 469
Saham Finances	20 309	6 833	18 195	5 696	22 197	7 655
Letshego	889	991	791	872	946	1 065
Pacific & Orient	433	376	378	342	477	406
Capricorn Investment Holdings	968	1 022	891	942	1 025	1 083
Other operations	1 017	1 139	862	1 067	1 143	1 196
Sanlam Investment Group	13 566	14 305	12 024	12 746	14 382	15 267
Investment Management SA	4 822	6 067	4 365	5 437	5 057	6 415
Wealth Management	2 708	2 192	2 397	1 974	2 772	2 309
International	4 926	5 500	4 243	4 836	5 398	5 975
Sanlam Specialised Finance	1 110	546	1 019	499	1 155	568
Sanlam Corporate	932	1 085	863	995	962	1 122
Afrocentric	892	1 001	825	923	921	1 036
Other	40	84	38	72	41	86
	52 722	39 130	46 727	34 456	57 239	42 266
Weighted average assumption			14,5%	14,9%	2-5%	2-5%

R million	Equities and properties -10%		Risk discount rate -1%		Rand exchange rate depreciation +10%	
	2018	2017	2018	2017	2018	2017
	Sanlam Personal Finance	3 801	3 683	4 354	4 235	3 976
Glacier	2 184	2 149	2 606	2 576	2 359	2 321
Sanlam Personal Loans	1 224	1 052	1 321	1 130	1 224	1 052
Other operations	393	482	427	529	393	482
Sanlam Emerging Markets	34 216	19 716	40 050	23 656	37 628	21 781
Shriram Capital	10 632	9 524	12 774	11 166	11 695	10 476
Saham Finances	20 309	6 833	23 428	8 558	22 340	7 516
Letshego	889	991	1 010	1 139	978	1 090
Pacific & Orient	433	376	509	419	476	414
Capricorn Investment Holdings	936	920	1 068	1 127	968	1 022
Other operations	1 017	1 072	1 261	1 247	1 171	1 263
Sanlam Investment Group	12 758	13 307	15 367	16 286	14 073	14 885
Investment Management SA	4 422	5 747	5 373	6 839	4 822	6 091
Wealth Management	2 545	1 911	2 948	2 457	2 655	2 198
International	4 731	5 117	5 825	6 389	5 486	6 050
Sanlam Specialised Finance	1 060	532	1 221	601	1 110	546
Sanlam Corporate	932	1 085	1 015	1 180	932	1 085
Afrocentric	892	1 001	972	1 092	892	1 001
Other	40	84	43	88	40	84
	51 707	37 791	60 786	45 357	56 609	41 606

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

6. Business volumes

6.1 Analysis of new business and total funds received

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

R million	Life insurance ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Sanlam Personal Finance	34 112	31 182	-	-	26 859	27 433	60 971	58 615
Recurring premium sub cluster	3 282	2 592	-	-	130	246	3 412	2 838
Sky	2 494	1 455	-	-	-	-	2 494	1 455
Glacier	28 336	27 135	-	-	26 729	27 187	55 065	54 322
Sanlam Emerging Markets	6 410	5 468	9 873	6 122	9 941	10 313	26 224	21 903
Namibia	1 585	1 336	-	-	5 217	4 257	6 802	5 593
Recurring	213	179	-	-	-	-	213	179
Single	1 372	1 157	-	-	5 217	4 257	6 589	5 414
Botswana	1 710	1 770	172	158	3 951	5 209	5 833	7 137
Recurring	343	364	172	158	-	-	515	522
Single	1 367	1 406	-	-	3 951	5 209	5 318	6 615
Rest of Africa (excluding Saham Finances)	1 440	1 301	873	827	773	847	3 086	2 975
Recurring	698	765	873	827	-	-	1 571	1 592
Single	742	536	-	-	773	847	1 515	1 383
Saham Finances	637	87	6 932	3 298	-	-	7 569	3 385
Recurring	166	87	6 932	3 298	-	-	7 098	3 385
Single	471	-	-	-	-	-	471	-
India	704	659	1 625	1 565	-	-	2 329	2 224
Recurring	416	427	1 625	1 565	-	-	2 041	1 992
Single	288	232	-	-	-	-	288	232
Malaysia	334	315	271	274	-	-	605	589
Recurring	296	249	271	274	-	-	567	523
Single	38	66	-	-	-	-	38	66
Sanlam Investment Group	3 219	3 137	-	-	96 477	111 254	99 696	114 391
Investment Management SA	-	-	-	-	72 100	91 492	72 100	91 492
Wealth Management ⁽³⁾	-	-	-	-	4 985	8 481	4 985	8 481
International ⁽³⁾	3 219	3 137	-	-	19 392	11 281	22 611	14 418
Recurring	37	36	-	-	8	8	45	44
Single	3 182	3 101	-	-	19 384	11 273	22 566	14 374
Santam	-	-	22 812	21 435	-	-	22 812	21 435
Sanlam Corporate	10 074	4 828	-	-	3 252	-	13 326	4 828
Recurring	888	570	-	-	-	-	888	570
Single	9 186	4 258	-	-	3 252	-	12 438	4 258
Total new business	53 815	44 615	32 685	27 557	136 529	149 000	223 029	221 172

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

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

⁽³⁾ Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-cluster and non-annuity flows have been excluded.

R million	Life insurance ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Recurring premiums on existing funds:								
Sanlam Personal Finance	18 467	17 627	-	-	171	194	18 638	17 821
Recurring premium sub cluster	13 485	12 579	-	-	171	194	13 656	12 773
Sky	4 879	4 998	-	-	-	-	4 879	4 998
Glacier	103	50	-	-	-	-	103	50
Sanlam Emerging Markets	5 873	5 295	-	-	252	-	6 125	5 295
Namibia	1 115	1 117	-	-	-	-	1 115	1 117
Botswana	1 385	1 247	-	-	-	-	1 385	1 247
Rest of Africa (excluding Saham Finances)	979	830	-	-	252	-	1 231	830
Saham Finances	382	261	-	-	-	-	382	261
India	631	494	-	-	-	-	631	494
Malaysia	1 381	1 346	-	-	-	-	1 381	1 346
Sanlam Investment Group	361	351	-	-	49	2 737	410	3 088
Investment Management SA	-	-	-	-	-	2 681	-	2 681
International	361	351	-	-	49	56	410	407
Sanlam Corporate	5 492	5 367	-	-	3 862	-	9 354	5 367
Total funds received	84 008	73 255	32 685	27 557	140 863	151 931	257 556	252 743

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

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

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

6. Business volumes (continued)
6.2 Analysis of payments to clients

R million	Life insurance ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Sanlam Personal Finance	43 860	41 969	-	-	25 455	26 013	69 315	67 982
Recurring premium sub cluster	18 936	19 048	-	-	487	637	19 423	19 685
Surrenders	2 366	2 573	-	-	-	-	2 366	2 573
Other	16 570	16 475	-	-	487	637	17 057	17 112
Sanlam Sky	3 748	2 830	-	-	-	-	3 748	2 830
Surrenders	455	448	-	-	-	-	455	448
Other	3 293	2 382	-	-	-	-	3 293	2 382
Glacier	21 176	20 091	-	-	24 968	25 376	46 144	45 467
Surrenders	3 426	3 479	-	-	-	-	3 426	3 479
Other	17 750	16 612	-	-	24 968	25 376	42 718	41 988
Sanlam Emerging Markets	8 057	7 617	5 913	3 970	9 772	13 471	23 742	25 058
Namibia	1 998	2 317	-	-	5 565	7 498	7 563	9 815
Surrenders	180	504	-	-	-	-	180	504
Other	1 818	1 813	-	-	5 565	7 498	7 383	9 311
Botswana	1 963	1 789	69	70	3 648	5 126	5 680	6 985
Surrenders	227	409	-	-	-	-	227	409
Other	1 736	1 380	69	70	3 648	5 126	5 453	6 576
Rest of Africa (excluding Saham Finances)	1 289	1 135	460	427	559	847	2 308	2 409
Surrenders	156	156	-	-	-	-	156	156
Other	1 133	979	460	427	559	847	2 152	2 253
Saham Finances	516	368	3 808	1 746	-	-	4 324	2 114
Surrenders	-	-	-	-	-	-	-	-
Other	516	368	3 808	1 746	-	-	4 324	2 114
India	444	476	1 450	1 578	-	-	1 894	2 054
Surrenders	170	243	-	-	-	-	170	243
Other	274	233	1 450	1 578	-	-	1 724	1 811
Malaysia	1 847	1 532	126	149	-	-	1 973	1 681
Surrenders	429	521	-	-	-	-	429	521
Other	1 418	1 011	126	149	-	-	1 544	1 160
Sanlam Investment Group	3 968	3 845	-	-	88 924	94 956	92 892	98 801
Investment Management SA	-	-	-	-	67 967	80 926	67 967	80 926
Wealth Management ⁽³⁾	-	-	-	-	4 200	5 429	4 200	5 429
International ⁽³⁾	3 968	3 845	-	-	16 757	8 601	20 725	12 446
Santam	-	-	13 826	14 170	-	-	13 826	14 170
Sanlam Corporate	11 309	9 589	-	-	4 933	-	16 242	9 589
Surrenders	1 899	1 817	-	-	1 036	-	2 935	1 817
Other	9 410	7 772	-	-	3 897	-	13 307	7 772
Total payments to clients	67 194	63 020	19 739	18 140	129 084	134 440	216 017	215 600

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

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

⁽³⁾ Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-cluster and non-annuity flows have been excluded.

6.3 Analysis of net inflow/(outflow) of funds

R million	Life Insurance ⁽¹⁾		General insurance		Investment business ⁽²⁾		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Sanlam Personal Finance	8 719	6 840	-	-	1 575	1 614	10 294	8 454
Recurring premium sub cluster	(2 169)	(3 877)	-	-	(186)	(197)	(2 355)	(4 074)
Sky	3 625	3 623	-	-	-	-	3 625	3 623
Glacier	7 263	7 094	-	-	1 761	1 811	9 024	8 905
Sanlam Emerging Markets	4 226	3 146	3 960	2 152	421	(3 158)	8 607	2 140
Namibia	702	136	-	-	(348)	(3 241)	354	(3 105)
Botswana	1 132	1 228	103	88	303	83	1 538	1 399
Rest of Africa (excluding Saham Finances)	1 130	996	413	400	466	-	2 009	1 396
Saham Finances	503	(20)	3 124	1 552	-	-	3 627	1 532
India	891	677	175	(13)	-	-	1 066	664
Malaysia	(132)	129	145	125	-	-	13	254
Sanlam Investment Group	(388)	(357)	-	-	7 602	19 035	7 214	18 678
Investment Management SA	-	-	-	-	4 133	13 247	4 133	13 247
Wealth Management ⁽³⁾	-	-	-	-	785	3 052	785	3 052
International ⁽³⁾	(388)	(357)	-	-	2 684	2 736	2 296	2 379
Santam	-	-	8 986	7 265	-	-	8 986	7 265
Sanlam Corporate	4 257	606	-	-	2 181	-	6 438	606
Total net inflow	16 814	10 235	12 946	9 417	11 779	17 491	41 539	37 143

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

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

⁽³⁾ Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-cluster and non-annuity flows have been excluded.

7. Cluster information

7.1 Sanlam Personal Finance

Analysis of earnings

R million	Life insurance		Non-life operations		Total	
	2018	2017	2018	2017	2018	2017
Net result from financial services	3 677	3 848	356	387	4 033	4 235
Recurring premium sub cluster	2 042	1 847	(14)	9	2 028	1 856
Sanlam Sky	897	875	-	-	897	875
Glacier	658	1 059	196	205	854	1 264
SBD and other	80	67	174	173	254	240
Net investment return	162	481	99	9	261	490
Operations	162	481	99	8	261	489
Discretionary capital and other	-	-	-	1	-	1
Net other earnings	(36)	(5)	(40)	(40)	(76)	(45)
Amortisation of value of business acquired and other intangibles	(15)	(5)	(39)	(40)	(54)	(45)
Impairments	(21)	-	(1)	-	(22)	-
Normalised attributable earnings	3 803	4 324	415	356	4 218	4 680

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

7. Cluster information (continued)

7.1 Sanlam Personal Finance (continued)

Analysis of change in GEV – covered business

R million	Total		Value of in-force		Cost of capital		Net asset value	
	2018	2017	2018	2017	2018	2017	2018	2017
Operational earnings	7 459	5 984	3 150	2 172	127	92	4 182	3 720
Value of new life insurance business	1 504	1 407	3 644	3 360	(95)	(95)	(2 045)	(1 858)
Unwinding of discount rate	3 895	3 661	3 816	3 563	79	98	-	-
Expected profit	-	-	(5 298)	(4 804)	-	-	5 298	4 804
Operating experience variances	1 499	1 107	376	122	171	134	952	851
Risk experience	575	401	139	98	-	2	436	301
Persistence	(45)	(100)	105	37	-	3	(150)	(140)
Maintenance expenses	38	10	(4)	(2)	-	-	42	12
Working capital management	405	346	-	5	-	-	405	341
Credit spread	137	186	-	-	-	-	137	186
Other	389	264	136	(16)	171	129	82	151
Operating assumption changes	561	(191)	612	(69)	(28)	(45)	(23)	(77)
Risk experience	262	118	260	93	1	(5)	1	30
Persistence	54	(80)	120	(54)	12	(5)	(78)	(21)
Maintenance expenses	150	(182)	148	(84)	-	(1)	2	(97)
Modelling changes and other	95	(47)	84	(24)	(41)	(34)	52	11
Net investment return	162	481	-	-	-	-	162	481
Expected return on adjusted net asset value	354	432	-	-	-	-	354	432
Investment variances on adjusted net asset value	(192)	49	-	-	-	-	(192)	49
Valuation and economic basis	(3 187)	636	(2 737)	533	38	(26)	(488)	129
Investment variances on in-force business	(2 456)	375	(2 037)	267	67	(30)	(486)	138
Economic assumption changes	(731)	261	(700)	266	(29)	4	(2)	(9)
Investment yields	(720)	261	(689)	266	(29)	4	(2)	(9)
Long-term asset mix assumptions and other	(11)	-	(11)	-	-	-	-	-
Change in tax basis	(37)	-	(20)	-	-	-	(17)	-
Goodwill and VOBA from business combinations	(25)	(442)	(14)	(442)	-	-	(11)	-
GEV earnings: covered business	4 372	6 659	379	2 263	165	66	3 828	4 330
Acquired value of in-force	26	721	25	596	(1)	(7)	2	132
Transfers from/(to) other covered business Group operations	177	(1 158)	-	-	-	514	177	(1 672)
Transfers from covered business	(4 912)	(4 892)	-	-	-	-	(4 912)	(4 892)
Embedded value of covered business at the beginning of the year	39 546	38 216	34 682	31 823	(1 392)	(1 965)	6 256	8 358
Embedded value of covered business at the end of the year	39 209	39 546	35 086	34 682	(1 228)	(1 392)	5 351	6 256

Assets under management

R million	2018	2017
Sanlam Sky: Life insurance operations	5 291	5 562
Recurring premium sub cluster	154 268	171 820
Life insurance operations	152 459	169 737
Investment operations	1 809	2 083
Glacier	312 769	299 905
Life insurance operations	181 986	168 690
Investment operations	130 783	131 215
Total	472 328	477 287
Life insurance operations	339 736	343 989
Investment operations	132 592	133 298
Sanlam Personal Loans		
Gross size of loan book (R million)	4 931	4 690
Interest margin	16,7%	16,6%
Bad debt ratio	5,6%	4,3%
Administration cost as % of net interest	28,5%	31,1%

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

7. Cluster information (continued)

7.2 Sanlam Emerging Markets

Analysis of net result from financial services

R million	Life insurance		General Insurance		Investment Management	
	2018	2017	2018	2017	2018	2017
Namibia	142	177	33	37	14	18
Botswana	231	188	-	1	37	39
Rest of Africa (excluding Saham Finances)	148	184	(24)	(25)	(1)	3
Saham Finances	97	48	414	177	-	-
India	36	38	165	151	(1)	(1)
Malaysia	12	10	17	14	-	(1)
Corporate and other	-	-	17	24	-	-
Net result from financial services	666	645	622	379	49	58

R million	Credit and Banking		Other		Total	
	2018	2017	2018	2017	2018	2017
Namibia	107	103	(2)	9	294	344
Botswana	71	128	(24)	-	315	356
Rest of Africa (excluding Saham Finances)	5	(1)	(44)	(27)	84	134
Saham Finances	-	(1)	-	19	511	243
India	569	532	24	39	793	759
Malaysia	-	(1)	-	2	29	24
Corporate and other	-	-	(5)	(91)	12	(67)
Net result from financial services	752	760	(51)	(49)	2 038	1 793

Analysis of net investment return

R million	Life insurance		Non-life operations		Total	
	2018	2017	2018	2017	2018	2017
Namibia	152	50	16	64	168	114
Botswana	5	8	(19)	(3)	(14)	5
Rest of Africa (excluding Saham Finances)	(25)	93	(81)	20	(106)	113
Saham Finances	59	-	97	130	156	130
Malaysia	11	11	3	11	14	22
India	(9)	-	21	16	12	16
Corporate and other	-	-	4	(72)	4	(72)
Net investment return	193	162	41	166	234	328

Analysis of change in GEV – covered business

R million	Total		Value of in-force		Cost of capital		Net asset value	
	2018	2017	2018	2017	2018	2017	2018	2017
Operational earnings	918	817	382	228	(182)	(10)	718	599
Value of new life insurance business	338	347	776	630	(49)	(32)	(389)	(251)
Unwinding of discount rate	536	494	499	481	37	13	-	-
Expected profit	-	-	(924)	(810)	-	-	924	810
Operating experience variances	206	25	13	(88)	(2)	18	195	95
Risk experience	50	83	18	(7)	2	5	30	85
Persistence	99	(3)	8	(16)	(5)	15	96	(2)
Maintenance expenses	16	(11)	(2)	(3)	-	1	18	(9)
Working capital management	35	48	-	-	-	-	35	48
Credit spread	15	-	-	-	-	-	15	-
Other	(9)	(92)	(11)	(62)	1	(3)	1	(27)
Operating assumption changes	(162)	(49)	18	15	(168)	(9)	(12)	(55)
Risk experience	50	42	38	56	4	1	8	(15)
Persistence	7	(35)	9	(32)	(2)	2	-	(5)
Maintenance expenses	(66)	(46)	(59)	(21)	1	-	(8)	(25)
Modelling changes and other	(153)	(10)	30	12	(171)	(12)	(12)	(10)
Net investment return	437	(29)	-	-	-	-	437	(29)
Expected return on adjusted net asset value	240	186	-	-	-	-	240	186
Investment variances on adjusted net asset value	197	(215)	-	-	-	-	197	(215)
Valuation and economic basis	272	(58)	294	(84)	(44)	(20)	22	46
Investment variances on in-force business	(51)	78	(73)	29	(2)	(2)	24	51
Economic assumption changes	(11)	19	(11)	55	2	(31)	(2)	(5)
Investment yields	15	45	6	55	11	(5)	(2)	(5)
Long-term asset mix assumptions and other	(26)	(26)	(17)	-	(9)	(26)	-	-
Foreign currency translation differences	334	(155)	378	(168)	(44)	13	-	-
Change in tax basis	1	-	1	-	(1)	-	1	-
Profit on disposal of subsidiaries and associated companies	-	789	-	-	-	-	-	789
Goodwill and VOBA from business combinations	(1 198)	(43)	(1 198)	(43)	-	-	-	-
Net project expenses	(13)	-	-	-	-	-	(13)	-
GEV earnings: covered business	417	1 476	(521)	101	(227)	(30)	1 165	1 405
Acquired value of in-force	2 810	722	1 977	430	-	(1)	833	293
Disposal of businesses	-	(1 331)	-	(357)	-	9	-	(983)
Transfers from covered business	(762)	(551)	-	-	-	-	(762)	(551)
Embedded value of covered business at the beginning of the year	6 686	6 370	4 045	3 871	(380)	(358)	3 021	2 857
Embedded value of covered business at the end of the year	9 151	6 686	5 501	4 045	(607)	(380)	4 257	3 021

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

7. Cluster information (continued)
7.2 Sanlam Emerging Markets (continued)
Analysis of Saham Finances

R million	2018	2017
	Saham Total (100%)	
Gross written premiums	16 569	15 975
Net earned premium	13 843	12 723
Net claims incurred	(9 448)	(8 537)
Net commission	(1 454)	(1 289)
Management expenses	(2 645)	(2 572)
Underwriting result	296	325
Other non-insurance activities	52	116
Investment return on insurance funds	951	1 734
Net insurance result	1 299	2 175
Tax and non-controlling interest	(609)	(1 078)
Net result from financial services	690	1 097
Net investment return	172	110
Net finance cost	(160)	(76)
Attributable earnings	702	1 131
Foreign currency translation differences	(124)	151
Comprehensive income	578	1 282

Analysis of net result from financial services

R million	Life insurance		General Insurance		Reinsurance		Other non-insurance companies		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Morocco	(34)	79	458	712	-	-	16	43	440	834
Lebanon	(52)	(16)	128	107	-	-	-	-	76	91
Mauritius	-	-	-	-	188	284	-	-	188	284
Ivory Coast	70	13	79	88	-	-	2	3	151	104
Angola	2	19	(6)	(5)	-	-	-	-	(4)	14
Other	(61)	(76)	(66)	(107)	(39)	(51)	5	4	(161)	(230)
Net result from financial services	(75)	19	593	795	149	233	23	50	690	1 097
<i>Analysis of gross written premium</i>										
Morocco	1 481	1 420	6 708	6 000	-	-	-	-	8 189	7 420
Lebanon	736	680	791	871	-	-	-	-	1 527	1 551
Mauritius	-	-	-	-	1 108	1 061	-	-	1 108	1 061
Ivory Coast	585	547	1 251	1 220	-	-	-	-	1 836	1 767
Angola	35	42	968	1 415	-	-	-	-	1 003	1 457
Other	462	363	2 335	2 246	1 305	1 267	-	-	4 102	3 876
Consolidation	(23)	(30)	(145)	(164)	(1 028)	(963)	-	-	(1 196)	(1 157)
Gross written premium	3 276	3 022	11 908	11 588	1 385	1 365	-	-	16 569	15 975

Analysis of underwriting result

R million	Life insurance		General Insurance		Reinsurance		Other non-insurance companies		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Morocco	(135)	(191)	440	488	-	-			305	297
Lebanon	(117)	(78)	58	28	-	-			(59)	(50)
Mauritius	-	-	-	-	311	289			311	289
Ivory Coast	(111)	(72)	77	100	-	-			(34)	28
Angola	1	18	(29)	(40)	-	-			(28)	(22)
Other	(86)	(96)	(59)	(64)	(54)	(57)			(199)	(217)
Underwriting result	(448)	(419)	487	512	257	232			296	325

Statement of Financial position of Saham Finances at 31 December 2018

R million	2018
Assets	61 484
Equipment	521
Owner-occupied properties	1 011
Goodwill	16 156
Value of business acquired	7 004
Other intangible assets	629
Deferred acquisition costs	130
Investments	19 610
Deferred tax	628
General insurance technical assets	2 088
Working capital assets	13 707
Liabilities	28 399
Term finance	417
Deferred tax	3 746
General insurance technical provisions	16 038
Working capital liabilities	8 198
Net asset value	33 085
Non-controlling interest	4 924
Shareholders' fund	28 161

Assets under management

R million	2018	2017
Life insurance operations	61 953	48 769
Investment operations	73 949	63 908
Namibia	23 136	23 190
Botswana	13 180	11 535
Rest of Africa	37 633	29 183
Assets under management	135 902	112 677

Size of loan book (Sanlam share)

R million	2018	2017
Shriram Transport Finance Company	21 158	16 194
Shriram City Union Finance	5 426	4 253
Capricorn Investment Holdings	8 726	7 912
Letshego	2 063	1 651

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

7. Cluster information (continued)

7.3 Sanlam Investment Group

Analysis of net result from financial services

R million	Life insurance		Non-life operations		Total	
	2018	2017	2018	2017	2018	2017
Sanlam Investments SA	-	-	258	256	258	256
Sanlam Specialised Finance	208	138	156	342	364	480
Wealth Management	-	-	125	140	125	140
International	99	85	306	266	405	351
Net result from financial services	307	223	845	1 004	1 152	1 227

Analysis of change in GEV – covered business

R million	Total		Value of in-force		Cost of capital		Net asset value	
	2018	2017	2018	2017	2018	2017	2018	2017
Operational earnings	154	239	(60)	(21)	(82)	39	296	221
Value of new life insurance business	-	-	53	55	(7)	(7)	(46)	(48)
Unwinding of discount rate	86	89	52	47	34	42	-	-
Expected profit	-	-	(124)	(119)	-	-	124	119
Operating experience variances	141	136	(6)	(8)	(24)	3	171	141
Risk experience	6	6	(1)	-	-	-	7	6
Persistency	4	10	6	10	(2)	-	-	-
Maintenance expenses	(6)	(5)	-	-	-	-	(6)	(5)
Credit spread	201	138	-	-	-	-	201	138
Other	(64)	(13)	(11)	(18)	(22)	3	(31)	2
Operating assumption changes	(73)	14	(35)	4	(85)	1	47	9
Risk experience	46	23	(12)	(2)	2	1	56	24
Persistency	5	-	11	-	(6)	-	-	-
Maintenance expenses	(44)	(21)	(35)	(15)	-	-	(9)	(6)
Modelling changes and other	(80)	12	1	21	(81)	-	-	(9)
Net investment return	128	176	-	-	-	-	128	176
Expected return on adjusted net asset value	146	157	-	-	-	-	146	157
Investment variances on adjusted net asset value	(18)	19	-	-	-	-	(18)	19
Valuation and economic basis	23	(12)	13	21	(1)	(35)	11	2
Investment variances on in-force business	(70)	(8)	(69)	23	(1)	(31)	-	-
Economic assumption changes	34	4	9	7	14	(5)	11	2
Investment yields	34	4	9	7	14	(5)	11	2
Foreign currency translation differences	59	(8)	73	(9)	(14)	1	-	-
GEV earnings: covered business	305	403	(47)	-	(83)	4	435	399
Transfers from/(to) other covered business Group operations	42	1 559	-	-	-	(551)	42	2 110
Transfers from covered business	(318)	(331)	-	-	-	-	(318)	(331)
Embedded value of covered business at the beginning of the year	2 768	1 137	828	828	(704)	(157)	2 644	466
Embedded value of covered business at the end of the year	2 797	2 768	781	828	(787)	(704)	2 803	2 644

Assets under management

	Assets under management		Fee Income		Administration cost	
	2018 R million	2017 R million	2018 %	2017 %	2018 %	2017 %
Investment Management SA ⁽¹⁾	595 616	585 775	0,30	0,29	0,22	0,21
Wealth Management ^{(2), (3)}	72 885	72 060	1,11	1,20	0,88	0,94
International ^{(2), (3)}	128 950	113 369	1,50	1,16	1,15	0,87
Intra-cluster eliminations	(38 646)	(38 374)				
Asset management operations	758 805	732 830				
Covered business	81 631	76 224				
Sanlam UK	47 283	45 470				
Central Credit Manager	34 348	30 754				
Assets under management	840 436	809 054				
Non-annuity assets	77 453	98 446				
Wealth Management	65 417	85 781				
International	12 036	12 665				
Assets under management and administration	917 889	907 500				

Asset mix of assets under management

R million	Fixed Interest	Equities	Offshore	Pro- perties	Cash	Total
2018						
Investment Management SA	109 268	281 819	77 826	25 350	101 353	595 616
Wealth Management	-	41 604	27 288	-	3 993	72 885
International	-	-	128 950	-	-	128 950
Intra-cluster consolidation						(38 646)
Assets under management - Asset management	109 268	323 423	234 064	25 350	105 346	758 805
2017						
Investment Management SA	108 966	291 056	67 211	23 301	95 241	585 775
Wealth Management	-	45 864	24 264	-	1 932	72 060
International	-	-	113 369	-	-	113 369
Intra-cluster consolidation						(38 374)
Assets under management - Asset management	108 966	336 920	204 844	23 301	97 173	732 830

⁽¹⁾ Includes Sanlam assets of R194,4bn (2017: R201,2bn)

⁽²⁾ Comparative information has been adjusted for the reallocation of businesses between Wealth Management and International sub-clusters.

⁽³⁾ Non-annuity assets and business flows have been reclassified from Assets under Management to Assets under Administration in line with industry practice.

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

7. Cluster information (continued)

7.4 Santam

R million	2018	2017
Business volumes		
Gross written premiums	33 109	29 720
Net earned premiums	22 812	21 435
Net fund flows	8 986	7 265

Insurance activities

R million	Gross written premiums		Underwriting result	
	2018	2017	2018	2017
Conventional insurance				
Motor	12 801	12 125	1 176	860
Property	10 031	9 000	519	(165)
Engineering	1 335	1 290	296	296
Liability	1 250	1 227	(20)	85
Transportation	721	714	29	28
Accident and health	535	435	82	60
Guarantee	301	227	(69)	(18)
Other	737	835	53	115
Alternative risk	5 398	3 867	31	20
Total	33 109	29 720	2 097	1 281

	2018	2017
Admin cost ratio ⁽¹⁾	18,6%	16,6%
Claims ratio ⁽¹⁾	60,6%	66,1%
Underwriting margin ⁽¹⁾	9,2%	6,0%
Investment return on insurance funds	2,6%	3,0%

⁽¹⁾ Ratios are calculated as a percentage of net earned premiums.

R million	Total		Conventional insurance		Alternative risk	
	2018	2017	2018	2017	2018	2017
Earnings						
Underwriting result	2 097	1 281	2 065	1 261	32	20
Net earned premiums	22 812	21 435	22 370	20 894	442	541
Net claims incurred	(13 826)	(14 170)	(13 499)	(13 753)	(327)	(417)
Net commission	(2 636)	(2 424)	(2 764)	(2 526)	128	102
Management expenses (excluding BEE costs)	(4 253)	(3 560)	(4 042)	(3 354)	(211)	(206)
Investment return on insurance funds	597	648	532	584	65	64
Net insurance result	2 694	1 929	2 597	1 845	97	84
Strategic participations	284	244				
Saham Finances	157	118				
SEM target shares	127	126				
Gross result from financial services	2 978	2 173				
Tax and Non-controlling interest	(1 782)	(1 322)				
Net result from financial services	1 196	851				

7.5 Sanlam Corporate
Business volumes
Sanlam Employee Benefits

R million	Total		Life operations		Investment business	
	2018	2017	2018	2017	2018	2017
New business volumes	13 326	4 828	10 074	4 828	3 252	-
<i>Recurring premiums</i>	888	570	888	570	-	-
Guaranteed	520	234	520	234	-	-
Risk	368	336	368	336	-	-
<i>Single premiums</i>	12 438	4 258	9 186	4 258	3 252	-
Guaranteed	3 559	677	3 559	677	-	-
Risk	11	8	11	8	-	-
Retirement	2 578	1 272	2 578	1 272	-	-
Annuity	219	1 425	219	1 425	-	-
Special structures	2 819	876	2 819	876	-	-
Other	3 252	-	-	-	3 252	-

Analysis of earnings

R million	Life operations		Non-life operations		Total	
	2018	2017	2018	2017	2018	2017
Net result from financial services	467	443	113	115	580	558
Sanlam Employee Benefits	428	443	-	-	428	443
ACA Employee Benefits	39	-	-	-	39	-
Healthcare and other	-	-	113	115	113	115
Net investment return	70	302	(5)	(7)	65	295
Net investment income	81	110	-	-	81	110
Net investment surpluses	(11)	192	-	-	(11)	192
Net equity-accounted headline earnings	-	-	(5)	(7)	(5)	(7)
Net other earnings	(15)	-	7	(8)	(8)	(8)
Normalised attributable earnings	522	745	115	100	637	845

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

7. Cluster information (continued)

7.5 Sanlam Corporate

Analysis of change in GEV – covered business

R million	Total		Value of in-force		Cost of capital		Net asset value	
	2018	2017	2018	2017	2018	2017	2018	2017
Operational earnings	843	572	227	189	184	11	432	372
Value of new life insurance business	143	87	285	279	(55)	(61)	(87)	(131)
Unwinding of discount rate	420	376	393	336	27	40	-	-
Expected profit	-	-	(485)	(328)	-	-	485	328
Operating experience variances	268	290	(9)	51	106	32	171	207
Risk experience	(96)	(43)	(18)	(97)	1	-	(79)	54
Persistence	89	160	83	147	7	(2)	(1)	15
Maintenance expenses	(5)	(3)	-	-	-	-	(5)	(3)
Working capital management	67	58	-	-	-	-	67	58
Credit spread	84	72	-	-	-	-	84	72
Other	129	46	(74)	1	98	34	105	11
Operating assumption changes	12	(181)	43	(149)	106	-	(137)	(32)
Risk experience	(181)	-	(85)	-	(4)	-	(92)	-
Maintenance expenses	(20)	10	54	10	(2)	-	(72)	-
Modelling changes and other	213	(191)	74	(159)	112	-	27	(32)
Net investment return	69	302	-	-	-	-	69	302
Expected return on adjusted net asset value	181	245	-	-	-	-	181	245
Investment variances on adjusted net asset value	(112)	57	-	-	-	-	(112)	57
Valuation and economic basis	(73)	196	(157)	19	49	107	35	70
Investment variances on in-force business	(26)	246	(86)	94	25	82	35	70
Economic assumption changes	(47)	(50)	(71)	(75)	24	25	-	-
Investment yields	(46)	(50)	(69)	(75)	23	25	-	-
Long-term asset mix assumptions and other	(1)	-	(2)	-	1	-	-	-
GEV earnings: covered business	839	1 070	70	208	233	118	536	744
Acquired value of in-force	288	-	241	-	-	-	47	-
Transfers from/(to) other covered business Group operations	(219)	(401)	-	-	-	37	(219)	(438)
Transfers from covered business	(1 114)	(909)	-	-	-	-	(1 114)	(909)
Embedded value of covered business at the beginning of the year	5 283	5 523	3 065	2 857	(899)	(1 054)	3 117	3 720
Embedded value of covered business at the end of the year	5 077	5 283	3 376	3 065	(666)	(899)	2 367	3 117

8. Investments

8.1 Investment in associated companies

R million	2018	2017
Shriram Capital	7 132	6 056
Shriram Transport Finance Company – direct investment	1 422	1 245
Shriram General Insurance – direct investment	1 008	901
Shriram Life Insurance – direct investment	495	450
Saham Finances	–	9 544
Pacific & Orient	651	593
Capricorn Investment Holdings	1 123	1 159
Letshego	1 494	1 704
Afrocentric	931	868
Other associated companies	2 065	2 140
Total investment in associated companies	16 321	24 660

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

8.2 Investment in joint ventures

Sanlam Personal Loans	819	802
Other joint ventures	64	134
Total investment in joint ventures	883	936

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

8.3 Investments include the following offshore investments

Investment properties	7 121	844
Equities	4 875	385
Structured transactions	–	189
Interest-bearing investments	5 575	2 725
Investment funds	8 821	1 972
Cash, deposits and similar securities	2 959	2 957
Total offshore investments	29 351	9 072

9. Financial services income

Equity-accounted earnings included in financial services income

Sanlam Personal Finance	280	254
Sanlam Emerging Markets	2 784	2 692
Santam	284	244
Sanlam Investment Group	56	66
Sanlam Corporate	160	151
	3 564	3 407

NOTES TO THE SHAREHOLDERS' FUND INFORMATION
for the year ended 31 December 2018 (continued)

10. Sales remuneration

R million	2018	2017
Life operations	4 631	4 544
Non-life operations	3 381	2 606
	8 012	7 150

11. Administration costs

Life operations	7 976	6 572
Non-life operations	11 144	8 921
	19 120	15 493

Depreciation included in administration costs:

Sanlam Personal Finance	132	125
Sanlam Emerging Markets	86	59
Santam	103	86
Sanlam Investment Group	35	25
Sanlam Corporate	1	1
	357	296

12. Investment income

Equities and similar securities	327	782
Interest-bearing, preference shares and similar securities	682	353
Properties	14	63
Rental income	23	73
Contingent rental income	-	-
Rental-related expenses	(9)	(10)
Total investment income	1 023	1 198
Interest expense netted off against investment income	949	780

13. Normalised diluted earnings per share

Cents	2018	2017
Normalised diluted earnings per share:		
Net result from financial services	423,6	417,2
Headline earnings	431,5	480,0
Profit attributable to shareholders' fund	548,9	536,9
	R million	R million
Analysis of normalised earnings (refer shareholders' fund income statement on page 42):		
Net result from financial services	8 890	8 549
Headline earnings	9 056	9 835
Profit attributable to shareholders' fund	11 521	11 001
Reconciliation of normalised headline earnings:		
Headline earnings per note 22 of the Sanlam Annual Financial Statements online	9 162	9 757
(Less)/Add: Fund transfers	(106)	78
Normalised headline earnings	9 056	9 835
	Million	Million
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer note 22 of the Sanlam Annual Financial Statements online)	2 077,3	2 027,3
Add: Weighted average Sanlam shares held by policyholders	21,5	21,8
Adjusted weighted average number of shares for normalised diluted earnings per share	2 098,8	2 049,1
14. Value per share		
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R70 375 million (2017: R57 820 million), divided by 2 115,4 million (2017: 2 049,9 million) shares.		
Equity value per share is calculated based on the Group Equity Value of R134 052 million (2017: R121 763 million), divided by 2 115,3 million (2017: 2 049,9 million) shares.		
Number of shares for value per share		
Number of ordinary shares in issue	2 232,0	2 166,5
Shares held by subsidiaries in shareholders' fund	(137,7)	(137,4)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	21,0	20,8
Adjusted number of shares for value per share	2 115,3	2 049,9

15. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 8,9 (2017: 8,7) to the after tax recurring corporate expenses.

16. Shares issued

During 2018, Sanlam Limited issued 65 517 241 shares at a price of R87 per share. The shares issued represent approximately 3,0% of the Company's issued ordinary share capital of 2 166 471 806 prior to the issuance.

17. Share repurchases

Sanlam shareholders granted general authorities to the Group at the 2018 and 2017 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire any shares in 2018.

ADMINISTRATION

Shareholders' diary

Financial year-end	31 December 2018
Annual general meeting	5 June 2019

Reports

Interim report for 30 June 2019	September 2019
Announcement of the results for the year ended 31 December 2019	March 2020
Annual report for the year ended 31 December 2019	March 2020

Dividends

Dividend for 2018 declared	7 March 2019
Last date to trade for 2018 dividend	9 April 2019
Shares will trade ex-dividend from	10 April 2019
Record date for 2018 dividend	12 April 2019
Payment of dividend for 2018	15 April 2019
Declaration of dividend for 2019	March 2020
Payment of dividend for 2019	April 2020

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account Nominee (Pty) Limited and Sanlam Fundshares Nominee (Pty) Limited), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between Wednesday 10 April 2019 and Friday 12 April 2019, both dates included.

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

Administration

Registered name

Sanlam Limited

(Registration number: 1959/001562/06)

(Tax reference number: 9536/346/84/5)

JSE share code (primary listing): SLM

A2X share code: SLM

NSX share code: SLA

ISIN: ZAE000070660

Incorporated in South Africa

Group Company Secretary

Sana-Ullah Bray

Registered Office

2 Strand Road, Bellville 7530

South Africa

Telephone: +27 (0)21 947 9111

Fax: +27 (0)21 947 3670

Postal address

PO Box 1, Sanlamhof 7532, South Africa

Sponsor

The Standard Bank of South Africa Limited

Internet address

<http://www.sanlam.com>

Transfer secretaries

Computershare (Proprietary) Limited

(Registration number 2000/006082/07)

Rosebank Towers, 15 Biermann Avenue, Rosebank 2196,
South Africa

PO Box 61051, Marshalltown 2107, South Africa

Telephone +27 (0)11 370 5000

