

Shareholders' information



INDEPENDENT AUDITOR'S REPORT ON THE SANLAM LIMITED SHAREHOLDERS' INFORMATION

To the directors of Sanlam Limited

Opinion

We have audited the Sanlam Limited Shareholders' Information ("Shareholders' Information") set out on pages 176 to 236 for the year ended 31 December 2018, comprising Group Equity Value, Change in Group Equity Value, Return on Group Equity Value, Analysis of GEV Earnings, Analysis of Shareholders' Fund at Net Asset Value, Shareholders' Fund Income Statement, Net Result from Financial Services, Notes to the Shareholders' Information and a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying Shareholders' Information of Sanlam Limited for the year ended 31 December 2018 is prepared, in all material respects, in accordance with the basis of accounting described on pages 176 to 183 of the Shareholders' Information.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

We draw attention to pages 176 to 183 of the Shareholders' Information which describes the basis of accounting. The Shareholders' Information is prepared to provide additional information in respect of the Group Shareholders' Fund in a format that corresponds with that used by management in evaluating the performance of the Group. As a result, the Shareholders' Information may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the Shareholders' Information in accordance with the basis of accounting described on pages 176 to 183, for determining that the basis of accounting is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the Shareholders' Information that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Shareholders' Information

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

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

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

- Identify and assess the risks of material misstatement of the Shareholders' Information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Shareholders' Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

Other matter

Sanlam Limited has prepared a separate set of consolidated and separate Annual Financial Statements for the year ended 31 December 2018, in accordance with International Financial Reporting Standards, on which we issued a separate auditor's report to the shareholders of Sanlam Limited, dated 6 March 2019.

ERNST & YOUNG INC.

Ernst & Young Inc.

Director: Christo du Toit

Registered Auditor
Chartered Accountant (SA)

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

6 March 2019

BASIS OF ACCOUNTING – SHAREHOLDERS’ INFORMATION

The purpose of this section is to provide additional information to users in respect of the Group shareholders’ fund in a format that corresponds to that used by management in evaluating the performance of the Group and is additional information to the financial statements prepared in terms of IFRS.

It includes analysis of the Group shareholders’ fund’s consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. The IFRS financial statements also do not distinguish between the shareholders’ operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group’s financial performance. Information is presented in this section to provide this additional shareholders’ fund information to users of Sanlam’s financial information.

The Group also discloses Group Equity Value (GEV) information. The Group’s key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. In the directors’ view GEV more accurately reflects the performance of the Group than results presented under IFRS and provides a more meaningful basis of reporting the underlying value of the Group’s operations and the related performance drivers. This basis allows more explicitly for the impact of uncertainty in future investment returns and is consistent with the Group’s operational management structure.

The shareholders’ information also includes the embedded value of covered business (EV), change in EV and value of new business.

A glossary containing explanations of technical terms used in these financial statements is presented on page 245.

Basis of Accounting – shareholders’ information

The basis of accounting and accounting policies in respect of the financial information of the shareholders’ fund are the same as those set out in the online IFRS Annual Financial Statements, apart from the specific items described under separate headings in this section.

Management considers this basis of accounting applied for the shareholders’ information to be suitable for the intended users of this financial information.

The application of the basis of accounting of the shareholders’ information is also consistent with that applied in the 2017 annual 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. 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 segment. 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 shareholders' fund information includes the following:

- ➔ Group Equity Value (refer page 184)
- ➔ Change in Group Equity Value (refer page 188)
- ➔ Return on Group Equity Value (refer page 192)
- ➔ Analysis of Group Equity Value earnings (refer page 194)
- ➔ Shareholders' fund financial statements consisting of the Shareholders fund at net asset value (refer page 198), Shareholders' fund income statement (refer page 200) and related notes, including embedded value of covered business related disclosures.

Group Equity Value

GEV is the aggregate of the following components:

- ➔ The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- ➔ The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, general insurance and the non-covered wealth management operations of the Group; and
- ➔ The fair value of discretionary and other capital. Discretionary capital represents management's assessment of capital in excess of that required for current operations of the Group. Such capital may be used to fund future operations and acquisitions or be returned to shareholders.

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- ➔ Adjustments to net worth; and
- ➔ Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as the embedded value of covered business does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

The GEV is inherently based on estimates and assumptions, as set out in this basis of preparation and as also disclosed under critical accounting estimates and judgements in the annual financial statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analyses are provided for changes from the base estimates and assumptions within the Shareholders' information.

Fair value of businesses included in GEV

Fair values for listed businesses are determined by using stock exchange prices or directors' valuations and for unlisted businesses by using directors' valuations. Where directors' valuations are used for listed businesses, the listed values of these businesses are disclosed for information purposes.

The valuation of businesses is based on generally accepted and applied investment valuation techniques, but is subject to judgement to allow for perceived risks. Estimates and assumptions are an integral part of business valuations and as such have an impact on the amounts reported. Management applies judgement in determining the appropriate valuation technique to be used. In addition, in applying the valuation techniques judgement is utilised in setting assumptions of future events and experience, and where applicable, risk adjusted discount rates.

Estimates and judgements are regularly updated to reflect latest experience. Actual outcomes in future financial years may differ from current estimates and assumptions, possibly significantly, which could require a material adjustment to the business valuations.

The appropriateness of the valuations is regularly tested through the Group's approval framework, in terms of which the valuations of investments is reviewed and recommended for approval by the Audit, Actuarial and Finance Committee and Board by the Sanlam Non-Listed Asset Controlling Body.

Businesses may comprise legal entities or components of legal entities as determined by the directors.

Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after-tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses.

Share incentive schemes granted on subsidiaries’ own shares

Where Group subsidiaries grant share incentives to staff on the entities’ own shares, the fair value of the outstanding incentives at year-end is deducted in determining GEV. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations as appropriate.

Share incentive schemes granted on Sanlam shares

Long-term incentives granted by the Group on Sanlam shares are accounted for as dilutive instruments. The GEV is accordingly not adjusted for the fair value of these outstanding shares, but the number of issued shares used to calculate GEV per share is adjusted for the dilutionary effect of the outstanding instruments at year-end. The expected cost of future grants in respect of these incentive schemes is allowed for in the calculation of the value of in-force covered business and the fair value of other Group operations.

Change in Group Equity Value

The Change in Group Equity Value consists of the embedded value earnings from covered business, earnings from other Group operations on a fair value basis, earnings on discretionary and other capital and capital transactions with shareholders.

Return on Group Equity Value

The RoGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period, weighted for changes in issued share capital during the year.

Shareholders’ fund at net asset value, income statement and related information

The analysis of the shareholders’ fund at net asset value and the related shareholders’ fund income statement reflects the consolidated financial position and earnings of the shareholders’ fund, based on accounting policies consistent with those contained in IFRS Financial Statements online, apart from the following:

Basis of consolidation

The shareholders’ funds of Group companies are consolidated in the analysis of the Sanlam Group shareholders’ fund at net asset value. The policyholders’ and outside shareholders’ interests in these companies are treated as non-controlling shareholders’ interest on consolidation.

The segmental analysis of the shareholders’ fund at net asset value is consistent with the Group’s operational management structure.

Consolidation reserve

In terms of IFRS, the policyholders’ fund’s investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group’s shareholders’ fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders’ fund at net asset value. The fund transfers between the shareholders’ and policyholders’ fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders’ fund’s normalised earnings. Similar mismatches are created by the recognition of deferred tax assets in respect of assessed losses in policyholder funds. These deferred tax assets, and movements therein, are also recognised in the consolidation reserve and fund transfers, respectively.

This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders’ fund.

Target shares

Strategic diversification activities between Sanlam Emerging Markets (SEM) and Santam consist of the investment in target shares issued by SEM to Santam and vice versa. These shares give the holder the right to participate in the growth of the underlying short-term insurance investments. For purposes of the Group’s shareholder fund income statement, the total return on these short-term insurance investments are therefore split between SEM and Santam, after consideration of the respective non-controlling interests.

Segregated funds

Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are also excluded from the shareholders’ fund at net asset value and fair value. Fund flows relating to segregated funds are however included in the notes to the shareholders’ fund information to reflect all fund flows relating to the Group’s assets under management.

Equity-accounted earnings

Equity-accounted earnings are presented in the shareholders' fund income statement based on the allocation of the Group's investments in associates and joint ventures between operating and non-operating entities:

- ➔ Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, Shriram Capital (including the Group's direct interest in Shriram Transport Finance Company), Shriram General Insurance and Shriram Life Insurance direct investments, Pacific & Orient, Capricorn Investment Holdings, Letshego, Nico Holdings and the Group's life insurance associates in Africa. The equity-accounted operating earnings and investment return on capital from operating associates and joint ventures are included in net result from financial services and net investment return respectively.
- ➔ Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Santam Group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's share of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share

As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund change significantly during the reporting period. The Group therefore calculates normalised diluted earnings per share to eliminate fund transfers relating to the investments in Sanlam shares and Group subsidiaries held by the policyholders' fund.

Fund flows

The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

Funds received from clients

Funds received from clients include single and recurring life and general insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked-products as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Funds received in respect of non-annuity assets under administration are excluded from funds received from clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated. Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

In the case of long-term insurance business the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded, is regarded as new business.

All segregated fund inflows (excluding those related to assets under administration), inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

Payments to clients

Payments to clients include policy benefits paid in respect of life and general insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance linked-products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients. Withdrawals of non-annuity funds under administration are excluded. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

Basis of Accounting and presentation – embedded value of covered business

The Group's embedded value of covered business information is prepared in accordance with APN107 (version 7), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

BASIS OF ACCOUNTING – SHAREHOLDERS' INFORMATION (continued)

The embedded value results of the Group's covered business are included in the shareholders' information as it forms an integral part of GEV and the information used by management in evaluating the performance of the Group. The embedded value of covered business does not include the contribution to GEV relating to other Group operations or discretionary and other capital, which are included separately in the analysis of GEV.

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2017 financial statements.

➔ **Covered business**

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. This business includes individual stable bonus, linked and market-related business, reversionary bonus business, group stable bonus business, annuity business and other non-participating business written by Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam UK and Sanlam Employee Benefits.

➔ **Acquisitions, disposals and other movements**

The embedded value of covered business results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

Embedded value of covered business

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

- ➔ Adjusted net worth (ANW); and
- ➔ The net value of in-force business.

Adjusted net worth

ANW comprises the required capital supporting the covered business and is equal to the net value of assets allocated to covered business that does not back policy liabilities.

The required capital allocated to covered business reflects the level of capital considered sufficient to support the covered business, allowing for an assessment of the market, credit, insurance and operational risks inherent in the underlying products, subject to a minimum level of the local statutory solvency requirement for each business.

For insurance businesses regulated under SAM (or similar regimes) the level of required capital for covered business is set to ensure that Own Funds attributable to in-force covered business maintains a SAM SCR ratio within a specific range, e.g. between 170% and 210% for Sanlam Life, over the next 10 years. In addition, these businesses may also need to maintain statutory cover ratios above a lower minimum level, e.g. 135% for Sanlam Life covered business, 120% for Santam Limited, even after severe but plausible stress scenarios.

The capital allocated to covered business is funded from a balanced investment portfolio, comprising investments in equities, hedged equities, fixed interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- ➔ Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- ➔ Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework.

Net value of in-force business

The net value of in-force business consists of the present value of future shareholder profits from in-force covered business (PVIF), after allowance for the cost of required capital supporting the covered business.

Present value of future shareholder profits from in-force covered business

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the applicable statutory valuation method for insurance contracts and fair value for investment contracts. These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

The PVIF excludes the cost of required capital, which is separately disclosed.

Cost of required capital

A charge is deducted from the embedded value of covered business for the cost of required capital supporting the Group's existing covered business. The cost is the difference between the carrying value of the required capital at the valuation date and the discounted value, using a risk-adjusted discount rate, of the projected releases of the capital allowing for the assumed after-tax investment return on the assets deemed to back the required capital over the life of the in-force business.

Value of new business

The value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued during the financial year under review. The value of new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

- ➔ A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- ➔ Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- ➔ Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- ➔ The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- ➔ Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- ➔ For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- ➔ Renewable recurring premiums under Group insurance contracts are treated as in-force business; and
- ➔ Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 6 on page 214.

Risk discount rates and allowance for risk

In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- ➔ Explicit allowances within the projected shareholder cash flows;
- ➔ The level of required capital and the impact on cost of required capital; and
- ➔ The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

Minimum investment guarantees to policyholders

An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market

BASIS OF ACCOUNTING – SHAREHOLDERS' INFORMATION (continued)

consistent basis in accordance with actuarial guidance from the Actuarial Society (APN110). No further deduction from the embedded value of covered business is therefore required.

Share incentive schemes

The embedded value of covered business assumes the payment of long-term incentives in the future and allows for the expected cost of future grants within the value of in-force covered business and value of new business.

Sensitivity analysis

Sensitivities are determined at the risk discount rates used to determine the base values, unless stated otherwise. For each of the sensitivities, all other assumptions are left unchanged. The different sensitivities do not imply that they have a similar chance of occurring.

The risk discount rate appropriate to an investor will depend on the investor's own requirements, tax position and perception of the risk associated with the realisation of the future profits from the covered business. The disclosed sensitivities to changes in the risk discount rate provide an indication of the impact of changes in the applied risk discount rate.

Risk premiums relating to mortality and morbidity are assumed to be increased consistent with mortality and morbidity experience respectively, where appropriate.

Foreign currencies

Changes in the embedded value of covered business, as well as the PVNBP, of foreign operations are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the embedded value of covered business, in which instances the exchange rate on transaction date is used. The closing rate is used for the conversion of the embedded value of covered business at the end of the financial year.

Assumptions

Best estimate assumptions

The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported embedded value of covered business. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

Economic assumptions

The assumed investment return on assets supporting the policy liabilities and required capital is based on the assumed long-term asset mix for these funds.

Inflation assumptions for unit cost, policy premium indexation and employee benefits salary inflation are based on an assumed long term gap relative to fixed-interest securities.

Future rates of bonuses for traditional participating business, stable bonus business and participating annuities are set at levels that are supportable by the assets backing the respective product asset funds at each valuation date.

Assets backing required capital

The assumed composition of the assets backing the required capital is consistent with Sanlam's practice and with the assumed long-term asset distribution used to calculate the statutory capital requirements and internal required capital assessments of the Group's covered business.

Demographic assumptions

Future mortality, morbidity and discontinuance rates are based on recent experience where appropriate.

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design. Premiums on individual business are assumed to be rerated, where applicable, in line with deterioration in mortality, with a three-year delay from the point where mortality losses would be experienced.

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The rate of inflation is higher for business written on legacy systems. The allocation between acquisition and maintenance expenses is based on functional cost analyses and reflects actual expenses incurred in 2018.

Project expenses

A best estimate of future project expenses is allowed for in the embedded value of covered business, in addition to the expense assumptions outlined above, in both the value of policy liabilities and the PVIF as applicable. These projects relate to regulatory compliance, administration and existing distribution platforms of the life insurance business and are deemed to be business imperatives by management. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Investment management fees

Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investment Group, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investment Group businesses at fair value.

Taxation

Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five-year roll-over period.

Earnings from covered business

The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into the following main components:

➔ **Value of new business**
The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.

➔ **Net earnings from existing covered business**
Expected return on value of covered business
The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

Operating experience variances

The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

Operating assumption changes

Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.

➔ **Expected investment return on adjusted net worth**
The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

The total embedded value earnings from covered business include two further main items:

➔ **Economic assumption changes**
The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the embedded value of covered business.

➔ **Investment variances**
Investment variances – value of in-force
The impact on the value of in-force business caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

Investment variances – investment return on adjusted net worth

Investment return variances caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

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	(3 883)	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
Santam	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	(12,3)	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
Persistency	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
Persistency	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 on page 64		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)
1 006 718 718 - - (31) -	1 401 32 32 - - (32) -	1 374 235 450 (39) (176) - -	1 019 144 180 (2) (34) (41) -	628 12 16 (4) - - (3)	851 - - - - - (6)	(197) - (262) - - - -	(104) - - - - - -	9 056 2 773 3 112 (161) (178) (305) (3)	9 835 1 335 1 401 (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 (continued)

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
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 licence.		
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	2 709	2 192
International	4 925	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	2 709	2 192	2 397	1 974	2 772	2 309
International	4 925	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 ⁽⁴⁾		Administration cost ⁽⁴⁾	
	2018	2017	2018	2017	2018	2017
	R million	R million	%	%	%	%
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.

⁽⁴⁾ Comparative information has been adjusted as certain asset management and distribution fees, together with items previously reported as intra-cluster eliminations, have been eliminated in the relevant sub-cluster.

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 7.2.3 on page 77 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 7.2.4 on page 82 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
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
Analysis of normalised earnings (refer shareholders' fund income statement on page 200):		
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 on page 112 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 on page 112 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 2 115,3 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 2 115,4 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.

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

18. Reconciliations

18.1 Reconciliation between Group statement of comprehensive income and shareholders' fund income statement

R million	2018			
	Total	Shareholder activities	Policyholder activities ⁽¹⁾	IFRS adjustments ⁽²⁾
Net income	77 721	70 854	5 081	1 786
Financial services income	73 619	66 529	-	7 090
Reinsurance premiums paid	(11 262)	-	-	(11 262)
Reinsurance commission received	2 166	-	-	2 166
Investment income	31 208	1 023	21 369	8 816
Investment surpluses	(16 447)	3 302	(16 288)	(3 461)
Finance cost - margin business	(164)	-	-	(164)
Change in fair value of external investors liability	(1 399)	-	-	(1 399)
Net insurance and investment contract benefits and claims	(29 524)	(24 853)	(4 677)	6
Long-term insurance contract benefits	(18 566)	(11 026)	(7 676)	136
Long-term investment contract benefits	2 999	-	2 999	-
General insurance claims	(20 662)	(13 827)	-	(6 835)
Reinsurance claims received	6 705	-	-	6 705
Expenses	(31 701)	(27 273)	-	(4 428)
Sales remuneration	(10 139)	(8 012)	-	(2 127)
Administration costs	(21 562)	(19 261)	-	(2 301)
Impairments	(449)	(305)	-	(144)
Amortisation of intangibles	(659)	(400)	-	(259)
Net operating result	15 388	18 023	404	(3 039)
Equity-accounted earnings	2 424	15	-	2 409
Finance cost - other	(846)	-	-	(846)
Profit before tax	16 966	18 038	404	(1 476)
Tax expense	(4 164)	(4 660)	(404)	900
Shareholders' fund	(3 510)	(4 660)	-	1 150
Policyholders' fund	(654)	-	(404)	(250)
Profit from continuing operations	12 802	13 378	-	(576)
Discontinued operations	-	-	-	-
Profit for the year	12 802	13 378	-	(576)
Attributable to:				
Shareholders' fund	11 627	11 521	-	106
Non-controlling interest	1 175	1 857	-	(682)
	12 802	13 378	-	(576)

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

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

2017			
Total	Shareholder activities	Policyholder activities ⁽¹⁾	IFRS adjustments ⁽²⁾
113 976	62 586	51 117	273
63 930	58 700	-	5 230
(9 546)	-	-	(9 546)
1 685	-	-	1 685
30 288	1 198	21 487	7 603
33 423	2 688	29 630	1 105
(134)	-	-	(134)
(5 670)	-	-	(5 670)
(72 576)	(22 499)	(50 090)	13
(26 863)	(8 329)	(17 502)	(1 032)
(32 588)	-	(32 588)	-
(21 036)	(14 170)	-	(6 866)
7 911	-	-	7 911
(26 279)	(22 759)	-	(3 520)
(8 832)	(7 150)	-	(1 682)
(17 447)	(15 609)	-	(1 838)
(395)	(303)	-	(92)
(350)	(261)	-	(89)
14 376	16 764	1 027	(3 415)
2 646	79	-	2 567
(690)	-	-	(690)
16 332	16 843	1 027	(1 538)
(4 342)	(4 254)	(1 027)	939
(3 087)	(4 254)	-	1 167
(1 255)	-	(1 027)	(228)
11 990	12 589	-	(599)
-	-	-	-
11 990	12 589	-	(599)
10 923	11 001	-	(78)
1 067	1 588	-	(521)
11 990	12 589	-	(599)

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

18. Reconciliations (continued)

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

R million	31 December 2018			Consolidation reserve
	Total	Shareholder activities	Policyholder activities ⁽¹⁾	
Assets				
Equipment	1 587	1 480	107	-
Owner-occupied properties	2 010	1 862	148	-
Goodwill	19 985	19 985	-	-
Other intangible assets	1 082	1 082	-	-
Value of business acquired	9 985	9 542	443	-
Deferred acquisition costs	3 446	2 816	630	-
Long-term reinsurance assets	1 971	-	1 971	-
Investments	690 744	74 647	617 976	(1 879)
Properties	21 349	7 122	14 227	-
Associated companies	16 321	16 321	-	-
Joint ventures	2 040	883	1 157	-
Equities and similar securities	184 787	5 188	181 478	(1 879)
Interest-bearing investments	211 770	18 831	192 939	-
Structured transactions	21 341	1 138	20 203	-
Investment funds	190 005	20 844	169 161	-
Cash, deposits and similar securities	43 131	4 320	38 811	-
Deferred tax	2 249	1 239	-	1 010
Assets of disposal groups classified as held for sale	139	138	1	-
General insurance technical assets	9 540	9 540	-	-
Working capital assets	72 863	55 497	17 366	-
Trade and other receivables	44 712	32 450	12 262	-
Cash, deposits and similar securities	28 151	23 047	5 104	-
Total assets	815 601	177 828	638 642	(869)
Equity and liabilities				
Shareholders' fund	69 506	70 375	-	(869)
Non-controlling interest	12 111	11 599	512	-
Long-term policy liabilities	543 785	-	543 785	-
Insurance contracts	188 448	-	188 448	-
Investment contracts	355 337	-	355 337	-
Term finance	7 413	7 300	113	-
External investors in consolidated funds	66 146	-	66 146	-
Cell owners' interest	3 305	3 305	-	-
Deferred tax	5 460	5 020	440	-
Structured transactions liabilities	15 629	24	15 605	-
General insurance technical provisions	37 950	37 950	-	-
Working capital liabilities	54 296	42 255	12 041	-
Trade and other payables	50 761	39 287	11 474	-
Provisions	450	426	24	-
Taxation	3 085	2 542	543	-
Total equity and liabilities	815 601	177 828	638 642	(869)

⁽¹⁾ Includes the impact of IFRS adjustments.

31 December 2017			
Total	Shareholder activities	Policyholder activities⁽¹⁾	Consolidation reserve
876	822	54	-
963	826	137	-
4 158	4 158	-	-
517	491	26	-
1 930	1 930	-	-
3 659	3 025	634	-
1 063	-	1 063	-
656 020	66 553	591 067	(1 600)
11 505	853	10 652	-
24 660	24 660	-	-
1 816	936	880	-
201 095	4 040	198 655	(1 600)
185 363	16 150	169 213	-
15 381	926	14 455	-
177 235	14 253	162 982	-
38 965	4 735	34 230	-
2 083	883	-	1 200
321	-	321	-
6 400	6 400	-	-
55 593	42 614	12 979	-
33 633	21 801	11 832	-
21 960	20 813	1 147	-
733 583	127 702	606 281	(400)
57 420	57 820	-	(400)
6 017	5 931	86	-
524 441	-	524 441	-
178 868	-	178 868	-
345 573	-	345 573	-
6 426	6 268	158	-
62 329	-	62 329	-
3 217	3 217	-	-
2 435	1 430	1 005	-
4 187	1 156	3 031	-
18 668	18 668	-	-
48 443	33 212	15 231	-
46 507	31 601	14 906	-
333	314	19	-
1 603	1 297	306	-
733 583	127 702	606 281	(400)

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

19. Geographical analysis

R million	Per shareholders' fund income statement on page 200	IFRS adjustments (refer note 18.1)	Total
Financial services income			
Financial services income is attributed to individual countries, based on where the holding company or subsidiaries are located.			
2018	66 529	7 090	73 619
South Africa	51 420	8 481	59 901
Rest of Africa	10 418	(505)	9 913
Other international ⁽¹⁾	4 691	(886)	3 805
2017	58 700	5 230	63 930
South Africa	47 963	7 008	54 971
Rest of Africa	6 872	(900)	5 972
Other international ⁽¹⁾	3 865	(878)	2 987

R million	Per analysis of shareholders' fund on page 198	Policyholders' fund	Total
Non-current assets⁽²⁾			
2018	36 905	1 329	38 234
South Africa	26 741	448	27 189
Rest of Africa	7 228	242	7 470
Other international ⁽¹⁾	2 936	639	3 575
2017	11 253	1 171	12 424
South Africa	8 893	447	9 340
Rest of Africa	729	241	970
Other international ⁽¹⁾	1 631	483	2 114

R million	2018	2017
Attributable earnings (per shareholders' fund income statement on page 200)	11 627	10 923
South Africa	8 319	6 917
Rest of Africa	2 158	2 717
Other international ⁽¹⁾	1 150	1 289

⁽¹⁾ Other international comprises of business in Europe, United Kingdom, Australia, India and Malaysia.

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

FIVE-YEAR REVIEW

		2018	2017	2016	2015	2014	Average annual growth rate %
GROUP EQUITY VALUE							
Group Equity Value	R million	134 052	121 763	110 717	103 506	95 936	9%
Group Equity Value	cps	6 341	5 940	5 407	5 057	4 684	8% ⁽¹⁾
Return on Group Equity							
Value per share	%	11,6	14,8	11,8	12,8	18,5	
BUSINESS VOLUMES							
New business volumes	R million	223 029	221 172	225 339	205 391	178 292	6%
Life business		53 815	44 615	43 599	39 976	42 290	6%
Investment business		136 529	149 000	157 901	145 219	117 378	4%
General insurance		32 685	27 557	23 839	20 196	18 624	15%
Recurring premiums on existing business	R million	34 527	31 571	29 239	27 348	25 079	8%
Total inflows	R million	257 556	252 743	254 578	232 739	203 371	
Net fund flows	R million	41 539	37 143	42 535	21 753	47 528	-3%
SIM funds under management	R billion	758	733	711	711	684	-
New covered business							
Value of new covered business	R million	2 187	2 008	1 779	1 514	1 743	6%
Covered business PVNBP	R million	78 085	65 377	62 383	54 362	56 394	8%
New covered business margin	%	2,80	3,07	2,85	2,79	3,09	
EARNINGS							
Gross result from financial services	R million	14 544	13 558	12 678	11 595	10 774	8%
Net result from financial services	R million	8 890	8 549	7 969	7 269	6 879	7%
Normalised headline earnings	R million	9 056	9 835	8 360	8 851	8 340	2%
Headline earnings	R million	9 162	9 757	9 860	9 300	8 325	2%
Net result from financial services	cps	423,6	417,2	389,4	355,2	336,2	6%
Normalised headline earnings	cps	431,5	480,0	408,5	432,5	407,6	1%
Diluted headline earnings	cps	441,1	481,3	488,1	437,0	427,3	1%
Group operating margin	%	24,9	26,3	26,6	26,7	26,6	-2%
OTHER							
Sanlam share price	cps	7 980	8 700	6 290	6 054	7 000	3%
Normal dividend	cps	312	290	268	245	225	9%
Sanlam Life Insurance Limited							
Shareholders' fund	R million	108 177	93 376	83 866	77 970	68 156	12%
Capital adequacy requirements (CAR)	R million		8 375	8 150	8 250	8 325	
SAM cover ratio	%	221	233				
CAR covered by prudential capital ⁽⁴⁾	times		5,8	5,8	5,8	4,5	

FIVE-YEAR REVIEW (continued)

		2018	2017	2016	2015	2014	Average annual growth rate %
Foreign exchange rates							
Closing rate							
Euro		16,44	14,87	14,43	16,83	14,01	4%
British Pound		18,32	16,75	16,92	22,83	18,05	-
United States Dollar		14,39	12,38	13,68	15,48	11,57	6%
Moroccan Dirham		1,51	1,33	1,36	n/a	n/a	5%
Indian Rupee		0,21	0,19	0,20	0,24	0,18	4%
Average rate							
Euro		15,57	14,50	16,22	14,08	14,38	2%
British Pound		17,60	16,61	19,69	19,39	17,85	-
United States Dollar		13,17	13,09	14,65	12,69	10,84	5%
Moroccan Dirham		1,42	1,39	1,49	n/a	n/a	-2%
Indian Rupee		0,19	0,20	0,22	0,20	0,18	1%
NON-FINANCIAL ⁽²⁾⁽³⁾							
BEE credentials	level	1	2	2	2	2	
Corporate Social Investment spend	R million	62	93	68	74	67	
Office staff turnover	%	17,25	14,10	13,90	12,38	11,68	
Carbon footprint	Tonnes CO ₂ /full time employee	9,0	8,3	8,6	9,5	9,7	

⁽¹⁾ Excludes dividends paid.

⁽²⁾ Comparative information presented with effect from year when measure was reported for the first time.

⁽³⁾ South Africa only

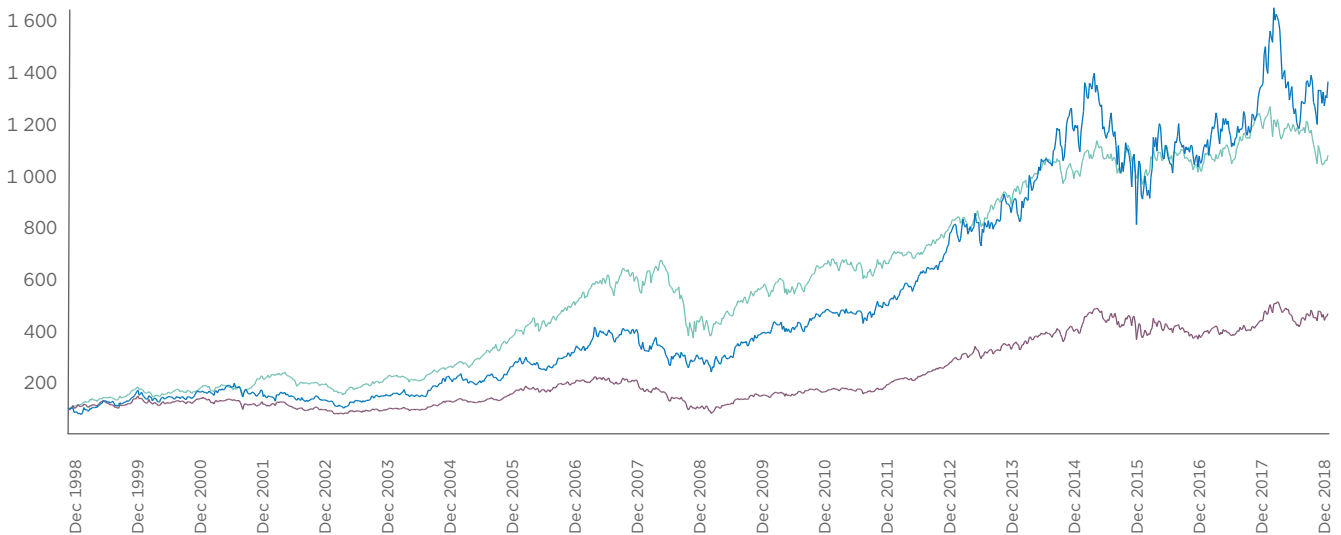
⁽⁴⁾ SCR is used for 2017 and 2018

STOCK EXCHANGE PERFORMANCE

		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of shares traded	million	1 458	1 340	1 437	1 363	1 086	1 247	1 160	1 082	1 059	1 259
Value of shares traded	R million	115 756	93 485	89 130	90 444	65 974	58 841	41 074	29 578	25 986	23 714
Percentage of issued shares traded	%	65	62	66	63	50	59	55	52	50	58
Price/earnings ratio	times	17,2	18,1	15,4	14,0	17,2	13,5	15,3	11,6	11,1	10,4
Return on Sanlam share price since listing ⁽¹⁾	%	20	20	18	19	21	20	20	17	17	17
Market price	cps										
- Year-end closing price		7 980	8 700	6 290	6 054	7 000	5 324	4 477	2 885	2 792	2 275
- Highest closing price		9 849	9 474	7 149	8 217	7 344	5 518	4 550	3 016	2 829	2 305
- Lowest closing price		6 540	6 100	5 116	4 405	4 495	4 051	2 831	2 414	2 200	1 351
Market capitalisation at year-end	R million	178 113	188 483	136 271	131 158	151 653	111 804	94 017	60 585	58 632	49 140

⁽¹⁾ Annualised growth in the Sanlam share price since listing plus dividends paid.

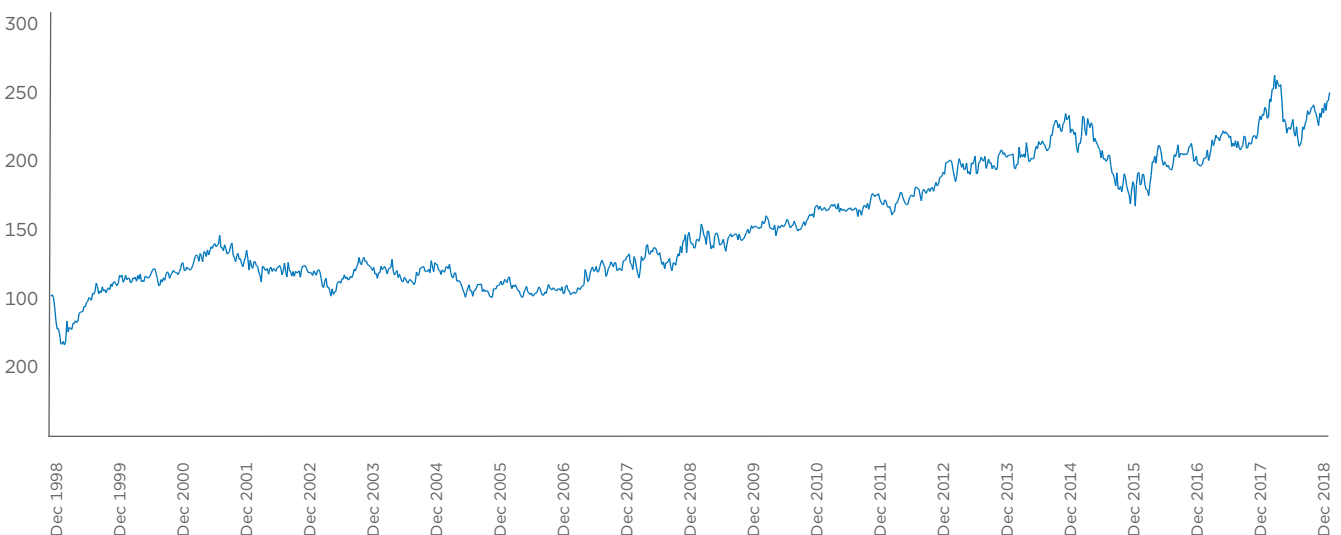
Sanlam vs ALSI vs Life Assurance Index



Legend

- SLM
- ALSI
- Life

Sanlam share price relative to FINI (indexed)



Legend

- FINI indexed

ANALYSIS OF SHAREHOLDERS

on 31 December 2018

Distribution of shareholding	Total Shareholders		Total Shares held	
	Number	%	Number	%
1 - 1 000	386 762	87,2	143 548 934	6,43
1 001 - 5 000	49 777	11,22	97 171 510	4,35
5 001 - 10 000	4 063	0,92	27 931 175	1,25
10 001 - 50 000	1 986	0,45	37 869 777	1,70
50 001 - 100 000	280	0,06	19 922 879	0,89
100 001 - 1 000 000	528	0,12	161 837 922	7,25
1 000 001 and over	154	0,03	1 743 706 850	78,12
Total	443 550	100	2 231 989 047	100,00

Public and non-public shareholders	% Shareholding	Shareholder structure	% Shareholding
Public shareholders (417 114)	66,73	Institutional and other shareholding	
Non-public shareholders		Offshore	40,36
Directors' interest	0,27	South Africa	45,34
Held by subsidiaries	7,46	Individuals	14,30
Employee pension funds	0,03		
Sanlam Limited Share Incentive Trust	0,96		
Government Employees Pension Fund (PIC)	11,45		
Ubuntu-Botho Investments (Pty) Ltd	13,10		
Total	100,00	Total	100,00

Beneficial shareholding of 5% or more:

Government Employees Pension Fund (PIC)	11,45%
Ubuntu-Botho Investments (Pty) Ltd	13,10%