

SANLAM LIMITED

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Key features

- Earnings
 - Net result from financial services increased by 1% (up 5% in constant currency)
 Business volumes
 - Net value of new covered business up 11% to R782 million (up 17% in constant currency)
 - Net new covered business margin of 2.61% (2.44% in 2016)
 - New business volumes declined by 4% to R110 billion (down 2% in constant currency)
 - Net fund inflows of R19 billion compared to R22 billion in 2016
 Group Equity Value
 - Group Equity Value per share of R54.69
 - Return on Group Equity Value per share of 6.1% for the six-month period
 - Adjusted Return on Group Equity Value per share of 8.1%; exceeding target of 6.4%
 Capital management
 - Strategic investments of R4.8 billion finalised during 2017
 - Unallocated discretionary capital up to R2 billion at 30 June 2017
 - Sanlam Group SAM cover ratio of 2.1 times; Sanlam Life Insurance Limited SAM cover ratio of 3 times
 - Sanlam Life Insurance Limited CAR cover ratio of 5.3 times

Salient results

for the six months ended 30 June 2017

		2017	2016	% change
Sanlam Group				
Earnings				
Net result from financial services per share	cents	197,9	196,8	1%
Normalised headline earnings per share(1)	cents	218,7	208,0	5%
Diluted headline earnings per share(2)	cents	225,3	277,2	(19%)
Net result from financial services	R million	4 056	4 028	1%
Normalised headline earnings(1)	R million	4 481	4 256	5%
Headline earnings(2)	R million	4 565	5 597	(18%)
Business volumes				
New business volumes	R million	110 257	115 353	(4%)
Net fund inflows	R million	18 879	21 746	(13%)
Net new covered business				
Value of new covered business	R million	782	702	11%
Covered business PVNBP(3)	R million	29 976	28 759	4%
New covered business margin(4)	%	2,61	2,44	
Sanlam Investments assets under management	R million	868 892	835 130	4%
Group Equity Value				
Group Equity Value(5)	R million	112 100	110 717	1%
Group Equity Value per share(5)	cents	5 469	5 407	1%
Return on Group Equity Value per share(6)	%	6,1	7,9	
Adjusted Return on Group Equity Value per share(7)	%	8,1	9,3	
Sanlam Life Insurance Limited				
Shareholders' fund(5)	R million	85 045	83 866	
Capital Adequacy Requirement (CAR)(5)	R million	8 100	8 150	
CAR covered by prudential capital(5)	Times	5,3	5,8	

(1) Normalised headline earnings = headline earnings, excluding fund transfers.

(2) The divergent growth between normalised headline earnings and headline earnings is attributable to one-off deferred tax assets raised in the 2016 results in respect of assessed losses in certain policyholder funds following the implementation of the new Risk Policy Fund for South African insurers, which increased the comparative base.

- (3) PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums plus single premiums.
- (4) New covered business margin = value of new covered business as a percentage of PVNBP.
- (5) Comparative figures are as at 31 December 2016.
- (6) Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired reversed) as a percentage of Group Equity Value per share at the beginning of the year.
- (7) Adjusted Return on Group Equity Value = Return on Group Equity Value excluding investment market and currency volatility, as well as changes in interest rates and other factors outside of management's control. Adjusted Return on Group Equity Value better reflects the underlying operational performance of the Group.

Executive review

The operating environment during the first half of 2017 proved even more demanding than anticipated, in particular in South Africa, our largest market. Growth in all key performance indicators was also impacted by a significantly stronger average Rand exchange rate in the first half of 2017, increased new business strain at Sanlam Personal Finance, catastrophe claims at Santam and the effect of the demonetisation initiative in India. Strategic execution remained a key focus under these difficult conditions, enabling the Group to deliver resilient results for the first six months of the 2017 financial year. Particularly pleasing is the double-digit annualised Adjusted Return on Group Equity Value (RoGEV) of 16.2% delivered to shareholders. This exceeded the target of 13.2% for 2017 by a healthy margin.

The global environment was in general supportive of emerging markets during the first six months of 2017. Global economic conditions improved in the latter half of 2016 and remained relatively firm in the first half of 2017, with 3% projected growth in global GDP in 2017 and 2018. This is supported by encouraging growth momentum in Europe and the United States (US), and a stabilisation in China's growth prospects. Political risk also eased in Europe after favourable election outcomes in The Netherlands and France, with initial fears of rising support for Euro-sceptic parties not materialising. Commodity prices responded to expectations for rising demand, improving the terms of trade of many emerging market countries. The exception was oil-dependent countries, which are still under pressure from structurally lower oil prices. International investor sentiment and risk appetite rebounded, buoyed by the robust global economic outlook, some decline in geopolitical risk and indications that the major developed market central banks will opt for moderated easing of their current loose monetary policy. A number of equity markets reached new highs as a result, with many emerging investment markets benefiting from the renewed appetite for risk.

The South African operating environment was, however, not supportive of growth in the first half of 2017. A number of factors drove renewed optimism for accelerated economic growth at the start of the year:

- An improvement in South Africa's terms of trade following the rise in commodity prices;
- Lower inflation, signifying higher real growth in household disposable income;
- The economic slowdown seemed to have bottomed;
- The interest rate cycle has probably peaked; and
- Improved prospects for agricultural production after good rainfall in large parts of the country.

Business and consumer confidence were, however, dealt severe blows by heightened political and economic policy uncertainty, which has risen sharply since the end of 2015. The shock to business and consumer confidence that followed a cabinet reshuffle is evident in the collapse in manufacturers' investment spending plans as recorded by the Bureau for Economic Research's latest surveys. This weighed heavily on private sector fixed-investment activity and constrained growth in employment. Consumer confidence continued to wane in the uncertain environment, especially after the downgrade of South Africa's foreign currency sovereign rating to below investment grade by major agencies, impacting consumer spending trends and savings activity. This considerably weakened the economic climate in South Africa and largely eliminated the benefits of otherwise improving local and global conditions. The South African economy entered a technical recession in the first quarter of 2017 as a result, with only pedestrian growth expected for the remainder of 2017 and 2018.

The impact of waning consumer confidence was already evident in 2016 when Glacier experienced a marked slowdown in single premium investment flows from the mass affluent market. This trend continued into 2017, but also expanded to the high net worth segment. Both Glacier and Sanlam Private Wealth struggled to attract new single premium business in the first half of 2017. The higher tax burden (increase in rate of highest tax bracket and higher dividend withholding tax) for clients in these businesses' target markets further exacerbated the situation. A highlight, however, was continued strong growth in recurring premium risk business across all segments.

Santam faced a tough claims cycle in the first half of 2017. A number of large fire-related property claims during the period were aggravated by catastrophe claims in the Western Cape in June 2017. A severe winter storm caused widespread wind and water damage in Cape Town. Strong winds from the same storm also drove runaway wildfires in the Knysna and Plettenberg Bay areas that resulted in significant property damage. Despite these claims, Santam still managed to achieve an underwriting margin at the lower end of its target range.

Commodity-based economies in the Rest of Africa are benefiting from better terms of trade and the firmer global growth outlook. Economic growth in these countries is recovering slowly, augmenting robust growth in the East-African region that is less dependent on commodity exports. Oil-dependent countries, Nigeria and Angola in particular, are however still adapting to lower oil prices and the need to diversify their economic bases away from oil is evident. Economic conditions in Namibia were under some pressure in the first half of 2017. The Namibian government's finances and liquidity are under strain from twin deficits, which negatively impacted on liquidity and cost of capital in the banking sector, as well as general economic activity. Overall though, the Rest of Africa region continued to expand at a much faster pace than South Africa, providing a good base for accelerated growth at Sanlam's operations in this region. Namibia and Botswana remain the most competitive markets in the Rest of Africa region given their more mature profile. The Botswana operations in particular faced aggressive pricing by competitors in the unsecured lending and life annuity lines of business, which eroded some of our market share and margins.

Demonetisation in India during 2016 had a negative impact on the economy and credit businesses at the start of 2017. Consumers and corporates, however, adapted faster than anticipated to the new environment, with the economy on track to continue delivering high growth in 2017 of some 7%. Shriram Capital similarly experienced a weak first quarter in 2017, but has largely recovered by the second quarter of the year. We are optimistic that Shriram Capital will deliver improved results in the second half of 2017.

Malaysia's economic momentum has stabilised after a period of slower growth. Economic growth is accelerating, aided by a competitive Ringgit. A lack of progress in diversifying our operations in Malaysia has, however, prevented our businesses from sharing in the growth.

The Group's primary indicator of shareholder value creation remains RoGEV. Given the nature of the Group's diversified business, we consider this measure of performance the most appropriate since it incorporates the result of all the major value drivers in the business. The RoGEV per share for the six months to 30 June 2017 of 6.1% (annualised 11.7%) was below the target of 6.4% (annualised 13.2%), largely due to the stronger Rand exchange rate. Adjusted RoGEV per share, which excludes investment market and currency volatility as well as changes in interest rates and other factors outside of management's control, was well in excess of the target at 8.1% (annualised 16.2%). Annualised actual and adjusted RoGEV excludes the annualisation of the revaluation of businesses held for sale and acquired goodwill written off for embedded value purposes.

Net result from financial services increased by 1%. The low level of growth is largely attributable to the stronger average Rand exchange rate, higher new business strain at Sanlam Personal Finance following the good growth in risk business, the weak claims experience at Santam and one-off credit provisioning in Shriram Capital following demonetisation in India. This was partly offset by the contributions from structural growth. Excluding these, net result from financial services increased by a satisfactory 11%.

New business volumes declined by 4%, an acceptable performance under difficult conditions. The Group did particularly well to achieve net fund inflows of R19 billion given the significant pressure on single premium business. A highlight for the period is the strong growth in value of new life (covered) business written. The net value of the new covered business (VNB) increased by 11% (17% in constant currency) at a margin of 2.61%, which exceeds the comparable 2016 margin.

Strategic initiatives

The Group's strategic intent of sustainable value creation for all key stakeholders remains firmly in place, underpinned by the Group's vision to:

- Lead in client-centric wealth creation, management and protection in South Africa.
- Be a leading Pan-African financial services group with a meaningful presence in India and South-East Asia.

- Play a niche role in wealth and investment management in specific developed markets.

The Group's vision and strategic intent is pursued through a strategy focussed on four pillars:

- Profitable top-line growth through a culture of client centricity
- Enhancing resilience and earnings growth through diversification (including geographical presence, products, market segments and distribution platforms)
- Extracting value through innovation and improved efficiencies (operating and cost efficiencies)
- Responsible capital allocation and management

Continuous transformation of the Group to remain relevant in a changing world is key. We define transformation broadly to include among others economic transformation to reduce wealth inequality, transforming our staff to reflect the demographic profile of our client base and societies where we operate, transforming our distribution channels and operations in line with technological and regulatory developments and most importantly, transforming everything we do in line with the changing needs and preferences of our clients. Transformation therefore underpins the Group's strategy in its entirety as a key focus area under each of the strategic pillars.

We have highlighted before that Sanlam's strategy is not particularly unique. Our ability to consistently execute on the strategy in a sustainable manner has proved to be a key differentiator. It has been a key driver of success in the past and forms the foundation for Sanlam's sustainability over the long term.

Good progress has been made on all four strategic pillars:

Profitable top-line growth through a culture of client centricity

The challenging conditions in South Africa, Namibia and Botswana provided significant headwinds to grow the Group's top-line in the first half of 2017. By remaining focused on growing market share in the more profitable recurring premium space, in particular in market segments where we do not have a fair market share, enabled us to deliver the sterling growth of 17% in VNB in constant currency, at higher overall margins. The strategic restructuring of Sanlam Personal Finance during 2016 into focussed business units made a significant contribution to this growth.

Diligent focus on client centricity and the quality of new business written also enhances the resilience of the life insurance in-force book.

Enhancing resilience and earnings growth through diversification

The benefits of diversification was again evident in the Group's first-half 2017 performance. Despite pressure in a number of areas, the Group achieved an overall satisfactory performance in all key performance indicators.

The Group's profile was significantly enhanced in the first half of 2017 by the acquisition of an additional 16.6% stake in Saham Finances. This not only increases the Group's exposure to the higher-growth Rest of Africa region, but also enhances the line of business profile with a shift towards general insurance. The acquisition of a majority stake in PineBridge Investments East Africa (renamed Sanlam Investments East Africa) provides for a better balanced and complementary business profile in East Africa, which was skewed towards life insurance.

Good progress has also been made with the Central Credit Manager initiative launched during 2016, as further elaborated on in the results commentary below.

Extracting value through innovation and improved efficiencies

Cost efficiency is a key focus area across all of the Group's operations. This is especially prevalent during periods of low growth. In particular, lacklustre investment market performance in South Africa since the end of 2015 and pressure on net fund inflows, are negatively affecting Sanlam Investments' fee income base. Various cost saving initiatives were launched, with benefits already realised in the first half of 2017 across the cluster.

A number of initiatives at Group and cluster level are aimed at enhancing client offerings, agility and process efficiency through technological and product innovation. These include:

- The acquisition of a majority stake in BrightRock (refer Capital Management section below) provides us with access to an innovative risk product platform that enables seamless adaptation of product design and structure according to changing client needs. This is a unique offering that further enhances the attractiveness and agility of the Sanlam product offering.
- We recently announced the acquisition of a 30% stake in the Purple Group's EasyEquities platform. EasyEquities is an award-winning fintech business, which has disrupted the investments sector with its low barriers to opening an investment account through its low-cost platform. One of its primary objectives is to provide investment solutions to all South Africans by removing barriers such as high cost and product complexity. This deal is one further step towards our efforts to make it easier for investors to be able to save by facilitating easier access to investments.
- A Business Information project was launched at Group level to enhance client service offerings, underwriting capabilities and product development through advanced data analytics using the latest developments in data management technology, and incorporating Big Data.
- The Sanlam Design Studio that focusses on the development of digital distribution channels and related product development as part of our omni-channel distribution approach. The non-traditional and younger market segments are specific focus areas. The Sanlam Design Studio was awarded the '2017 South African New Product Innovation Leader in the Insurance Industry on Digital Transformation' by Frost & Sullivan, a global growth consulting and research firm.

Responsible capital allocation and management

Discretionary capital of R1.9 billion was released during the first half of 2017 through the excess cash dividend cover in respect of the 2016 financial year as well as a reduction in the capital allocation to Sanlam Capital Markets and Sanlam Personal Finance. The latter is largely attributable to more effective balance sheet management. We also disposed of our stakes in the Enterprise Group in Ghana. Sanlam follows a partnership approach in emerging markets outside of South Africa, a key driver of value over the long term. After the Saham Finances acquisitions, it became clear that we will not be able to meet the future regional aspirations of our partner in Ghana while also being a shareholder in Saham Finances. Exiting the investment was the responsible option for our partners in Ghana and Sanlam shareholders, both being key stakeholders for the Group.

Opportunities to extract further capital are under investigation. This is approached in a responsible manner as the Group's long-term sustainability is dependent on having a resilient balance sheet that can withstand adverse conditions. This is a safeguard to our clients, staff, suppliers and broader society, and has built stakeholder trust in Sanlam over the almost 100 years of our existence. Conservatism is therefore inherent in the Sanlam culture and capital allocation methodology.

Responsible capital allocation also requires of us to invest where we can optimise value to our stakeholders. The deployment of capital during 2017 (refer Capital management section below) was focused on areas with the highest growth and return on capital prospects. We also recently reached in principle agreement with ABSA to acquire ABSA Consultants and Actuaries (ACA). ACA houses the entire employee benefits business of the ABSA Group.

Outlook

Growth prospects outside of South Africa remain more positive with the improvement in economic conditions likely to persist in the medium term across most regions where we operate. Sanlam Emerging Markets is well placed to extract growth from this environment. In the short-term, though, growth in Rand terms in all key performance indicators will be inhibited by the stronger average Rand exchange rate. The disposal of the Group's stakes in the Enterprise Group in Ghana will also impact on full-year growth for 2017 and 2018, in particular for the Rest of Africa region. Ghana's contribution to the Group's new business volumes, net VNB and net result from financial services in the first half of 2017 were R130 million, R34 million and R28 million respectively.

In contrast, prospects for South Africa will remain muted for the remainder of 2017 and 2018. Political and economic policy uncertainty is not likely to dissipate before the African National Congress' National Elective Conference in December. Until policy certainty returns, low business and investor confidence will prevail. We commensurately do not expect an improvement in the performance of the South African businesses for the remainder of the year. The risk of further downgrades to South Africa's sovereign credit ratings must be recognised, which will likely result in equity market, interest rate and currency volatility.

Shareholders need to be aware of the impact that the level of interest rates and financial market returns and volatility have on the Group's earnings and Group Equity Value.

Relative movements in these elements may have a major impact on the growth in normalised headline earnings, VNB and GEV to be reported for the 2017 financial year.

We will continue to diligently execute on the strategic priorities identified in the Group's 2016 Integrated Report.

Forward-looking statements

In this report we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, amongst others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These statements may also relate to our future prospects, developments and business strategies. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Any forward-looking information contained in this announcement has not been reviewed and reported on by Sanlam's external auditors.

Constant currency information

The constant currency information included in this interim results announcement has been presented to illustrate the impact of changes in currency exchange rates and is the responsibility of the Group's board of directors. It is presented for illustrative purposes only and because of its nature may not fairly present the Group's financial position, changes in equity, result of operations or cash flows. All references to constant currency information are based on the translation of foreign currency results for the six months to 30 June 2017 at the weighted average exchange rate for the six months to 30 June 2016, which is also applied for the translation of comparative information. The major currencies contributing to the exchange rate movements are the Botswana Pula, British Pound, Ghanaian Cedi, Indian Rupee, Kenyan Shilling, Malaysian Ringgit, Moroccan Dirham, Nigerian Naira and the United States Dollar.

Comments on the results

Introduction

The Sanlam Group's International Financial Reporting Standards (IFRS) financial statements for the six months ended 30 June 2017 are presented based on and in compliance with IFRS, specifically IAS34 on Interim Financial Reporting. The basis of presentation and accounting policies for the IFRS financial statements and Shareholders' information are in all material respects consistent with those applied in the 2016 Integrated Report and Annual Financial Statements, apart from the treatment of the Central Credit Manager (CCM):

- The CCM was introduced as a new initiative within Sanlam Capital Markets in the latter part of 2016 to extract value from credit exposures. Based on materiality, the CCM was included in other operations for GEV purposes in 2016. With effect from 1 January 2017, the CCM has been reallocated to covered business given its focus on managing assets of the covered business operations. The credit risk component of capital allocated to Sanlam Personal Finance and Sanlam Employee Benefits was transferred to the CCM together with the related cost of capital charge. No value of in-force (VIF) or VNB are recognised in respect of future margins expected to be earned by the CCM, resulting in a negative VIF for the CCM equal to the cost of capital. All margins earned by the CCM are commensurately recognised as positive experience variances. The CCM margins are net of a spread payment to Sanlam Personal Finance and Sanlam Employee Benefits, which is capitalised in the VIF of the latter businesses.

Comparative information has been restated for the recognition of deferred tax assets in respect of certain assessed losses in policyholder funds after the introduction of a separate Risk Policy Fund for South African insurance companies in the first half of 2016. Similar deferred tax assets were recognised in the Group's 2016 full year results. It resulted in a large one-off tax income in the 2016 comparable period, which contributed to a significant decline in headline earnings in 2017. For purposes of the Shareholders' fund income statement and normalised headline earnings, the earnings impact was recognised as fund transfers, similar to the 2016 full year results.

Most of the Group businesses achieved a solid underlying performance in the first half of 2017 despite challenging economic and investment market conditions. Highlights and lowlights for the six months include the following:

HIGHLIGHTS

Adjusted RoGEV of 8.1% exceeded the target of 6.4% by a healthy margin
Strong growth in new recurring premium risk business and VNB at Sanlam Personal Finance
Strong overall new business growth at Sanlam Emerging Markets in constant currency
Improvement in Sanlam Investments institutional net inflows

Strong VNB and operational earnings performance by Sanlam Corporate
Finalisation of additional 16.6% stake in Saham Finances
Good progress with capital and balance sheet management
Finalisation of BrightRock acquisition
Acquisition of 30% stake in EasyEquities and acquisition of ACA in H2 2017
Discretionary capital available for redeployment back to R2 billion following the sale of our Ghana interests

LOWLIGHTS

Significantly lower single premium inflows at Glacier and Sanlam Private Wealth
Increased claims experience at Santam
Lower annuity new business volumes and VNB in Botswana
Adverse change in life insurance new business mix in Namibia, resulting in lower VNB
Higher claims experience in Namibia
Under performance in Kenya and Malaysia

Operating environment

Economic conditions

Economic conditions in South Africa during the first six months of the 2017 financial year were not conducive to growth, as elaborated on in the Executive Review.

Equity markets

The South African equity market delivered a relatively weaker performance with the FTSE/JSE Swix Index recording a total return of 3.3% for the six months to 30 June 2017, compared to a return of 7.3% in the comparable six-month period in 2016. On average, the Swix was only 1.3% higher in the first half of 2017 compared to the same period in 2016. The MSCI World Index return in Rand of 6% was well in excess of the -3.9% return for the first half of 2016. Investment performance in a number of the Rest of Africa markets where the Group operates were relatively stronger than the comparable 2016 period.

Interest rates

The South African 9- and 5-year interest rates declined by 10 and 40 basis points respectively since the end of 2016, but were broadly in line with the 30 June 2016 levels. Movements in interest rates therefore did not have a major impact on VNB growth and RoGEV for the first six months of 2017. The South African All Bond Index returned 4% in the first half of 2017 compared to a return of 11.2% for the same period in 2016, reflecting the more stable interest rate environment during 2017 compared to excessive volatility in 2016.

Foreign currency exchange rates

The South African Rand strengthened sharply against most currencies during 2016, after a significant depreciation at the end of the 2015 financial year. Average exchange rates during the first half of 2017 were commensurately stronger relative to the first six months of 2016. This had a major negative impact on the Rand-based performance of the Group's non-South African operations. The exchange rate of the Rand against the currencies to which the Group has major exposure is summarised in the table below.

	United Kingdom GBP	USA USD	Botswana BWP	India INR	Morocco MAD	Malaysia MYR	Rest of Africa (weighted)
Foreign currency/ZAR							
31/12/2016	16,92	13,68	1,30	0,20	1,36	3,05	

30/06/2017	17,02	13,10	1,29	0,20	1,36	3,04	
Weakening/(strengthening)	0,6%	(4,2%)	(0,5%)	0,2%	0,4%	(0,2%)	(6,0%)
Average first half 2016	22,05	15,40	1,40	0,23	1,57	3,77	
Average first half 2017	16,59	13,20	1,28	0,20	1,34	3,02	
Weakening/(strengthening)	(24,8%)	(14,3%)	(8,6%)	(12,4%)	(14,8%)	(20,0%)	(20,0%)

Group Equity Value

GEV amounted to R112.1 billion or 5 469 cents per share on 30 June 2017. Including the dividend of 268 cents per share paid during the year, a RoGEV per share of 6.1% was achieved for the first six months of 2017. This was below the 2017 six-month target of 6.4%. Adjusted RoGEV per share, which excludes the impact of investment market and currency volatility, interest rate changes and other one-off effects not under management control (such as tax changes), was well in excess of the target.

The interest rate environment did not have a significant impact on the valuation of the Group's businesses and hence RoGEV in the first half of 2017, due to more stable interest rates and largely offsetting movements in long-term interest rates in South Africa and the Rest of Africa region. In the comparable 2016-period, long-term interest rates declined by more than 100bps in South Africa, which had a positive impact on the discounted cash flow-based valuations of the South African businesses. RoGEV of these businesses was therefore in general higher in the first six months of 2016 than in 2017. RoGEV benefited from the following in the first half of 2017:

- Revaluation of the Group's operations in Ghana by some R870 million in line with the transaction price;
- Strong growth in VNB, which added 1.5% (annualised 3.1%) to the return on covered business; and
- Positive operating experience variances and assumption changes, which added R687 million to RoGEV. Positive experience variances of R595 million emanated broadly from risk business, working capital management profit and credit spreads. Negative persistency experience of R114 million is an acceptable result in light of the pressure on South African consumers. Assumption changes include a reduction in cost of capital following the decrease in capital allocated to the Sanlam Life covered business operations (refer Capital Management section below). Similar assumption changes will result from the further planned releases of capital.

The following detracted from RoGEV in the first half of 2017:

- An overall strengthening in the Rand exchange rate, which contributed to unrealised currency translation losses of some R820 million relative to longer term expected exchange rate movements;
- Lacklustre investment market performance, in particular in South Africa. Actual investment returns were lower than long-term assumptions, contributing to negative investment variances of some R270 million in respect of covered business, while also depressing the valuations of the Group's asset management businesses;
- A disappointing performance at Pacific & Orient in Malaysia;
- Negative economic assumption changes in the Sanlam Finances valuation;
- The impact of the CCM initiative. Assets formerly managed by Sanlam Investment Management were transferred to the CCM during the period. No value has been placed on the future margins to be earned by the CCM on these assets, while the asset management income was formerly valued in Sanlam Investment Management. This had a one-off negative impact of R150 million on RoGEV in 2017; and
- A relatively low return from Santam shares, which were also impacted by the unfavourable investment market conditions. The investment in Santam is valued at its listed market price for GEV purposes and reflects the share price performance during the period. This amounted to only 4.7% (annualised 9.6%) in the first six months of 2017, which was well below the Group target.

Group Equity Value at 30 June 2017

R million	GEV		RoGEV - %*	
	June 2017	December 2016	June 2017	June 2016
Group operations	109 312	102 035	6,8	9,1
Sanlam Personal Finance	41 665	41 878	8,5	13,9
Sanlam Emerging Markets	28 171	22 097	6,6	1,5
Sanlam Investments	16 828	15 807	4,0	(0,1)
Santam	16 228	15 868	4,7	23,8
Sanlam Corporate	6 420	6 385	9,2	(0,3)
Covered business	53 524	51 246	9,5	8,8
Value of in-force	38 208	35 845	12,5	13,2
Adjusted net worth	15 316	15 401	2,6	(0,5)
Other operations	55 788	50 789	4,2	9,4
Group operations	109 312	102 035	6,8	9,1
Discretionary capital and other	2 788	8 682	(1,4)	(3,8)
Group Equity Value	112 100	110 717	6,3	7,9
Per share (cents)	5 469	5 407	6,1	7,9

* 6-months return (not annualised)

Group operations yielded an overall return of 6.8% in the first half of 2017, the combination of 9.5% return on covered business and 4.2% on other Group operations.

Sanlam Personal Finance's RoGEV of 8.5% was well in excess of its target. Covered business yielded a return of 8.6% compared to 12.8% in the first half of 2016. This is a commendable result despite a relatively low 3.0% return on the capital backing the covered business operations during the six months to June 2017. The comparable period included a one-off benefit from tax changes. The strong VNB performance and positive experience variances were the main contributors to the excess return. The main components of the positive experience variances were positive risk experience, working capital management profit and credit spreads earned from the CCM initiative. In addition, a positive cost of capital assumption change was recognised in respect of the lower capital allocation to the Sanlam Life covered business (refer Capital Management section below). The valuations of Glacier and Sanlam Personal Loans reflect solid operational results from these businesses, supporting a return of 8.2% from other operations in the first half of 2017 compared to 27.1% in the comparable 2016 period.

Despite an overall solid operational performance by Sanlam Emerging Markets in the first half of 2017, the cluster did not achieve its RoGEV hurdle for the six-month period. RoGEV for the first half of 2017 of 6.6% (2016: 1.5%) is the combined result of 18% (2016: -0.8%) return on covered business and a yield of 2.4% (2016: 2.3%) on other operations. The below-target return is mostly attributable to a stronger Rand exchange rate and negative economic assumptions changes in the Rest of Africa region, which had a major negative impact on the valuation of Saham Finances' life and non-life operations. Adjusted RoGEV of 10.8% was well in excess of the target. The return from covered business includes positive contributions from the revaluation of the Ghana operations, VNB and experience variances.

The Sanlam Investments operations recorded a RoGEV of 4.0% in the first half of 2017 compared to -0.1% in the first six months of 2016. Covered business yielded 8.0% (2016:-10.3%) and other operations 3.4% (2016: 1%). The return on covered business includes positive credit spread operating experience variances generated by the CCM. The relatively low return from other operations were largely due to the impact of investment market conditions on the asset bases, fee income and hence valuations of the South African asset management businesses, as well as the R150 million negative valuation methodology impact relating to the transfer of assets from Sanlam Investment Management to the CCM. Excluding the latter, RoGEV for the cluster amounted to 4.9%.

As mentioned above, the RoGEV on Santam reflects the return on the listed Santam share.

Sanlam Corporate achieved a RoGEV of 9.2%, well in excess of its target (2016: -0.3%). The strong operational performance of the healthcare business supported a RoGEV of 25.1% for other operations (2016: 6%). This was augmented by a return of 6.6% from Sanlam Employee Benefits covered business, which includes positive operating experience variances from risk experience, working capital management profit and credit spreads earned from the CCM activities.

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

- A lower level of discretionary capital following payment of the Saham Finances and Shriram Life and General Insurance acquisitions during 2016.
- Hedging of the additional investment in Saham Finances during 2017. The transaction was hedged through the acquisition of foreign currency, which earned a very low rate of interest due to the US Dollar denomination. The application of hedge accounting principles in the GEV presentation furthermore eliminated the foreign currency movements, essentially exposing the portfolio to assets that earned close to zero return.

Earnings

Shareholders' fund income statement for the six months ended 30 June 2017

R million	2017	2016	% change
Net result from financial services	4 056	4 028	1%
Sanlam Personal Finance	2 133	2 088	2%
Sanlam Emerging Markets	771	788	(2%)
Sanlam Investments	573	580	(1%)
Santam	337	388	(13%)
Sanlam Corporate	244	186	31%
Group office and other	(2)	(2)	-
Net investment return	586	377	55%
Project costs and amortisation	(159)	(145)	(10%)
Equity participation costs	(2)	(4)	50%
Normalised headline earnings	4 481	4 256	5%
Per share (cents)	218,7	208,0	5%

Net result from financial services for the six months ended 30 June 2017

allowing for abnormal items			
Sanlam Personal Finance	2 247	2 088	8%
Sanlam Emerging Markets	820	697	18%
Sanlam Investments	617	580	6%
Santam	456	388	18%
Sanlam Corporate	244	186	31%
Group office and other	(2)	(2)	-

Net result from financial services excluding abnormal items	4 382	3 937	11%
Sanlam Personal Finance additional new business strain	(114)	-	
Santam June catastrophe claims	(102)	-	
Sanlam Emerging Markets structural growth	168	91	
India demonetisation provisions	(110)	-	
Foreign exchange impact	(168)	-	
Net result from financial services	4 056	4 028	1%

Net result from financial services (net operating profit) of R4.1 billion increased by 1% on 2016. Solid operational growth at all clusters were impacted by the following:

- In terms of the Group's accounting policies, up front acquisition costs incurred in respect of insurance contracts are not capitalised but immediately expensed, resulting in new business strain at initial recognition. New business strain incurred by Sanlam Personal Finance increased by R114 million after tax due to the strong growth in new recurring premium risk business.
- Catastrophe claims incurred by Santam in June 2017 reduced its net underwriting profit by R102 million after reinsurance and reinstatement premiums.
- Demonetisation in India in the latter half of 2016 had a negative impact on the arrears position of the Shriram credit businesses, requiring an increase in provisioning in terms of IFRS of some R110 million after tax and allowing for Sanlam Emerging Markets' effective shareholding. This impact appears temporary in nature, with improvements in performance already evident. Depending on future arrears development, partial reversal of this provision is possible.
- The stronger average Rand exchange rate suppressed net result from financial services by R168 million in the first half of 2017.
- The acquisition of the initial 30% shareholding in Saham Finances at the end of February 2016 and an additional 16.6% stake at the beginning of May 2017 enhanced Sanlam Emerging Markets' profit contribution relative to 2016. The acquisition of 23% direct stakes in Shriram Life and General Insurance in the latter half of 2016 similarly supported growth in the first half of 2017 on a relative basis.

Excluding the above abnormal items, net result from financial services increased by a solid 11%, a commendable overall performance.

Sanlam Personal Finance achieved solid growth for a largely mature business in a challenging South African business environment.

Sanlam Individual Life grew its net result from financial services by 2% in the first half of 2017. Excluding the increase in new business strain, Individual Life net result from financial services grew by a healthy 9%. Despite pressure on single premium new business, assets under management in the savings business increased by some 6%, supporting fund-based fee income. This was augmented by additional margins earned from an increase in the size of the in-force books of risk and guarantee plan business (due to strong new business growth in recent years) and a higher profit contribution from annuity business. The latter is largely attributable to the establishment of the CCM, which enhanced the credit margins being extracted from the annuity portfolio. Sanlam Personal Loans' profit contribution was in line with 2016, with a conservative bad debt reserving approach and an increase in administration costs offsetting the positive impact of a larger loan book.

Sanlam Sky's net result from financial services increased by 3%. An increase in margins released from the growing in-force book was largely offset by new business strain recognised in respect of the strong growth in new business volumes. Excluding the latter, net result from financial services increased by 8%.

Glacier grew its net profit contribution by 8%. Growth in assets under management slowed down, attributable to lower net fund inflows and lacklustre South African investment market performance since the end of 2015. Earnings growth was largely in line with the growth in assets under management.

Sanlam Emerging Market's net result from financial services declined by 2%. Excluding structural growth, the impact of a stronger Rand exchange rate and demonetisation-related credit provisioning in India, net result from financial services grew by 18%.

Namibia had a difficult six months, resulting in a marginal 2% increase in its net result from financial services. Group life claims experience weakened in the life insurance business, with disability claims increasing substantially. This is similar to the trend experienced in South Africa during 2016 and is partly attributable to the current difficult economic environment in Namibia. Capricorn Investment Holdings (CIH) earnings were also under pressure from a decline in Bank Windhoek's net interest margin following the liquidity constraints and increase in cost of capital in the Namibian banking industry. Growth in Namibia's gross result from financial services will be negatively affected for the remainder of 2017 and 2018 by corporate transactions in Namibia, but with only a small effect on net result from financial services. CIH sold 14.5% of its stake in Bank Windhoek to the Namibian government pension fund during the six months. Cavmont Bank Zambia and Bank of Gabarone in Botswana were also sold to Bank Windhoek. The disposals resulted in Bank Windhoek becoming an associate of CIH. Bank Windhoek will accordingly be accounted for as an associate within CIH in future reporting periods as opposed to a consolidated subsidiary.

Botswana's net result from financial services declined by 23% (down 16% in constant currency). Life insurance profit was negatively affected by the decline in annuity new business volumes as well as credit-related loss recognised in the annuity portfolio. The asset management business achieved good growth following strong net fund inflows in

2016 and 2017 year-to-date. Letshego also delivered a solid contribution in constant currency despite competitive pressures from local banks in Botswana.

The Rest of Africa operations (excluding Saham Finances) grew their contribution by 37% (doubling in constant currency) with most businesses achieving strong growth. Saham Finances' contribution of R116 million increased by 27% on 2016 (up more than 50% in constant currency) and remains in line with expectations.

Net result from financial services in India declined by 5% due to the stronger Rand exchange rate and demonetisation-related credit provisioning, partly offset by structural growth related to the acquisition of the 23 direct stakes in Shriram Life and Shriram General Insurance in the latter half of 2016. Excluding these, underlying organic growth amounted to 30% in constant currency. All lines of business achieved good organic growth. Shriram Life Insurance continued to expand its new dedicated distribution footprint, with initial losses from new branches suppressing the profit contribution to net result from financial services by some R20 million. The expanding footprint contributed to strong growth in VNB.

In Malaysia, net result from financial services decreased by 17% (up 21% in constant currency), the aggregate of strong growth from MCIS and a disappointing decline in Pacific & Orient's contribution. The MCIS performance was supported by a low base in 2016, which included a number of one-offs, and improved cost efficiencies. Net written premiums declined at Pacific & Orient, attributable to a loss in market share in its traditional line of business. Diversification of the Pacific & Orient book remains a challenge but is receiving dedicated attention. The general insurance industry in Malaysia is going through detariffing in July 2017. This creates an opportunity to price more appropriately, but will be dependent on market participants' response.

Sanlam Investment's net result from financial services declined by 1% (up 6% in constant currency).

Investment management net result from financial services increased by 13% in constant currency. Fee income in the South African businesses was under pressure from relatively flat equity markets (the average JSE/FTSE Swix Index increased by only 1%) and lower brokerage volumes as investor risk aversion remained high. This was partly alleviated by strategic focus on cost efficiencies. The international businesses achieved strong growth from a low base in the first half of 2016, which included restructuring costs. Sanlam Capital Markets' profitability declined by 11% net of tax. This is largely attributable to large one-off items in 2016. The comparable 2016 period included marked-to-market gains from credit and equity-participation structures following losses in respect of these instruments at the end of 2015 when credit spreads widened and the share prices of counters underlying the equity participation structures declined. This increased the comparative base.

Santam had a difficult first six months in 2017 with a number of large corporate claims and catastrophe events highlighted in the Executive Review. Profitability of the property line of business was severely affected, partly offset by good performance from the crop and motor lines.

Santam's overall underwriting margin declined from 6.4% in the first half of 2016 to 4% in 2017, a resilient performance in these circumstances, assisted by Santam's diversified book. Higher float income and the structural impact of the Shriram General and Saham Finances acquisitions limited the decline in Santam's net result from financial services to 13%.

Sanlam Corporate achieved exceptional growth of 31% in its net result from financial services.

Claims experience at Sanlam Employee Benefits was still higher than long term expectations, but improved on the first half of 2016. Group risk profit increased by 55% as a result, supporting overall growth of 26% in Sanlam Employee Benefits' net result from financial services.

Sanlam Healthcare Management (which predominantly includes the Group's stake in Medscheme) also achieved sterling growth of 49%, benefiting from new schemes and an increase in the number of members under administration.

Normalised headline earnings of R4.5 billion are 5% up on the comparable 2016 period. This is the combined effect of the 1% increase in net result from financial services and a 55% rise in net investment return earned on the capital portfolio. Net investment return were negatively affected in the first half of 2016 by:

- The sharp strengthening of the Rand from 31 December 2015 to 30 June 2016, which suppressed the Rand-based performance of the offshore exposure in the capital portfolio;
- Investment market under performance in a number of Sanlam Emerging Markets regions; and
- A R175 million one-off CGT expense incurred due to the increase in the effective CGT rate in South Africa.

More favourable investment market returns outside of South Africa supported net investment return in 2017. The redeployment of capital for investment in Saham Finances and Shriram Life and Shriram General Insurance subsequent to the end of June 2016 reduced net investment income by some R100 million in 2017.

Headline earnings declined by 18% compared to the first six months of 2016. The divergent growth between normalised headline earnings and headline earnings is attributable to the deferred tax assets raised in the 2016 comparative half-year results in respect of assessed losses in certain policyholder funds (refer Introduction above). This increased the comparable base.

Business volumes

Overall new business volumes declined by 4%, largely attributable to lower single premium life and investment inflows in South Africa, Namibia and Botswana.

Life and investment new business volumes declined by 3% and 8% respectively, while general insurance earned premiums increased by 16%. In constant currency and excluding structural growth, new business volumes declined by 3%.

Sanlam Personal Finance's new business sales declined by 7%, a resilient performance in an environment of weak investor confidence.

Sanlam Sky, operating largely in the South African entry-level market, achieved sterling growth of 15%. Individual life recurring premium new business increased by 5%, the combination of 16% growth in risk business and a 48% decline in savings business as the business mix continued to improve. Group recurring premium sales increased by 48%, benefiting from a large new scheme written by Safrican and the biennial renewal of the Zionist Christian Church scheme in 2017.

New business volumes in the Individual Life segment, which is largely focused on the middle-income market in South Africa, increased by 3%. Single premium sales increased by 2% with good demand for guaranteed products in the uncertain environment. New recurring premium risk business grew by 14% and this was augmented by good demand for retirement annuities, which increased by 9%. Endowments and ad hoc premium increases experienced lower demand in the first half of 2017.

Glacier new business volumes declined by a disappointing 10%. New life business volumes were in line with the first half of 2016, but investment business inflows declined by 16%. This is largely attributable to low investor confidence.

The Sanlam Emerging Markets operations grew their new business contribution by 19% (6% excluding structural growth). In constant currency, new business increased by 32% (17% excluding structural growth), a satisfactory overall performance. All regions and lines of business achieved strong growth, with the exception of:

- Namibian investment business, which declined by 9%. This more than offset 16% growth in new life business.
- Botswana life business, which declined by 11% in constant currency due to lower single premium annuity inflows. A decrease in the value of retirement funds available for investment contributed to competitive market pricing and a loss in market share for the Group's life insurance business. Appropriate management actions are under consideration by Sanlam Emerging Markets' regional and local management. New investment business inflows to the Botswana investment management operations increased by more than 60%, supporting overall new business growth of 35% in constant currency.
- Tanzania and Zimbabwe, which had a slow start to the year.
- The Malaysian life and general insurance businesses, which disappointed with an overall 18% decline in new business sales in constant currency due to slow progress in diversifying lines of business.

Sanlam Investments' new business volumes declined by 8% (5% down in constant currency).

The South African investment management business did well to attract new mandates broadly in line with the comparable period in 2016. Particularly satisfactory is an increase in new institutional mandates, an area where the business has struggled to gain traction for a number of years. Retail inflows slowed down due to low investor confidence in the retail market and increased competition for the cluster's Implemented Consulting offering. As highlighted in the Executive Review, the impact of low investor confidence is now also experienced by Sanlam Private Wealth in the high net worth segment, with new inflows declining by 25%. Similar to Glacier, Sanlam Private Wealth is working on new innovative product offerings to improve its share of profitable new business. The international operations' new inflows declined by 8% compared to the first six months of 2016 in constant currency. The United Kingdom management team's focus has returned to growth after the period of restructuring, with an improved performance expected over the next 18 months.

Despite a highly competitive South African market, Santam achieved sterling growth of 14% in gross written premiums, with double digit growth in all of the major lines of business. Net earned premiums increased by a lower 9% mainly due to reinstatement premiums payable in respect of the catastrophe claims.

New business volumes at Sanlam Corporate declined by 5% due to a decrease in the more volatile single premium inflows. Gaining market share of the more profitable, but highly competitive, recurring premium risk business has been a strategic focus area for Sanlam Corporate. The initiatives gained good traction and, together with some re-pricing, contributed to sterling growth of more than 200% in this line of business.

Net fund inflows of R18.9 billion were achieved in the first half of 2017 despite significantly lower single premium inflows at Glacier and Sanlam Private Wealth. The increase in Sanlam Investments' net inflows from R6.9 billion in the first half of 2016 to R9.2 billion in 2017 is a particularly pleasing result.

Business volumes for the six months ended 30 June 2017

R million	New business			Net inflows		
	2017	2016	% change	2017	2016	% change
Sanlam Personal Finance	28 614	30 806	(7%)	3 961	8 680	(54%)
Sanlam Emerging Markets	10 068	8 487	19%	1 859	2 562	(27%)
Sanlam Investments	58 983	64 218	(8%)	9 232	6 914	34%
Santam	10 551	9 700	9%	3 298	3 411	(3%)
Sanlam Corporate	2 041	2 142	(5%)	529	179	196%
Total	110 257	115 353	(4%)	18 879	21 746	(13%)
Covered business	21 267	21 853	(3%)	4 935	6 034	(18%)
Investment business	75 716	82 054	(8%)	9 694	11 680	(17%)
General insurance	13 274	11 446	16%	4 250	4 032	5%
Total	110 257	115 353	(4%)	18 879	21 746	(13%)

The discount rate used to determine VNB is directly linked to long-term interest rates. Long-term interest rates at 30 June 2017 were broadly in line with the 30 June 2016 levels, with no significant impact on VNB growth on a comparable basis. The 17% growth in VNB in constant currency (11% at actual average exchange rates) is an exceptional performance and testimony to the Group's resilience in challenging conditions. By remaining focused on the profitability and quality of new business written, the Group's life insurance operations managed to increase the overall VNB margin from 2.44% in the first six months of 2016 to 2.61% in the first half of 2017.

Sanlam Personal Finance achieved exceptional growth of 17% in VNB while also increasing its overall VNB margin from 2.49% in the first half of 2016 to 2.76% in 2017. The strong growth in new recurring premium risk business across all market segments, augmented by good demand for single premium guaranteed business, contributed to a favourable change in business mix towards the more profitable product ranges. Investment in capacity as part of the realignment of Sanlam Personal Finance during 2016 and increased allowance for one-off project expenses in the unit costing resulted in some margin contraction in the individual life risk and savings businesses. This is expected to be temporary in nature as the new structure will drive enhanced future new business growth.

Sanlam Emerging Markets net VNB declined by 6%, but was 17% up in constant currency (5% up in constant currency and excluding structural growth). Namibian net VNB declined by 36% due to a change in business mix from individual lines of business to group life business. A decline in VNB in Botswana, Tanzania and Malaysia was in line with the new life business production. All other regions achieved very strong VNB growth. VNB margins were broadly in line with the comparable 2016 period.

The growth in recurring premium risk business at Sanlam Corporate supported a more than 100% increase in the cluster's VNB contribution.

Sanlam UK was restructured into a more vertically integrated business during 2016. A consequence of the new structure is that most of the profit from new business written on the life licence is earned in the non-life operations. VNB of Sanlam Investments commensurably reduced to close to zero, but does not represent the actual profit throughout the value chain.

Value of new covered business

R million	2017	2016	% change
Net value of new covered business	782	702	11%
Sanlam Personal Finance	585	499	17%
Sanlam Emerging Markets	171	181	(6%)
Sanlam Investments	-	11	(100%)
Sanlam Corporate	26	11	136%
Gross of non-controlling interest	846	798	6%
Net present value of new business premiums	29 976	28 759	4%
Sanlam Personal Finance	21 164	20 038	6%
Sanlam Emerging Markets	3 566	3 712	(4%)
Sanlam Investments	1 456	2 209	(34%)
Sanlam Corporate	3 790	2 800	35%
Gross of non-controlling interest	31 230	30 735	2%
Net new covered business margin	2,61%	2,44%	
Sanlam Personal Finance	2,76%	2,49%	
Sanlam Emerging Markets	4,80%	4,88%	
Sanlam Investments	-	0,50%	
Sanlam Corporate	0,69%	0,39%	
Gross of non-controlling interest	2,71%	2,60%	

Capital management

The Group started the year with unallocated discretionary capital of R550 million, after allowing for the BrightRock acquisition and a portion of the acquisition consideration in respect of the additional 16.6% stake in Saham Finances.

Additional discretionary capital of R2.7 billion was released during the six months ended 30 June 2017:

- The disposal of the Group's stakes in the Enterprise Group in Ghana will yield net proceeds of some R1.6 billion.
- As communicated in the Group's 2016 annual results announcement, capital allocated to the covered business operations on the Sanlam Life balance sheet can be reduced by R2 billion over time. Investment return earned on this capital base is also available for release. The first R500 million was released from the capital base at the end of June 2017, together with the net investment return of R292 million earned during the six months then ended.
- The introduction of the Central Credit Manager enabled the transfer of credit exposures from the Sanlam Capital Markets balance sheet to Sanlam Life. This released R350 million of the capital allocated to Sanlam Capital Markets.

The excess cash dividend cover relating to the 2016 financial year also added some R800 million.

Utilisation of discretionary capital during the first half of 2017 included the following transactions:

- Debt funding of up to US\$140 million was considered as part of the funding model for the acquisition of the additional 16.6% stake in Saham Finances. The Enterprise Group disposal eliminated the need for debt funding, with this portion of the acquisition consideration (R1.8 billion) also funded from discretionary capital.
- The acquisition of a controlling stake in PineBridge Investments East Africa (renamed to Sanlam Investments East Africa) and other smaller transactions utilised some R260 million. The PineBridge acquisition provides the Group with a meaningful investment management capability in East Africa for future growth in this line of business.

The Enterprise Group disposal became effective on 25 August 2017, while the BrightRock acquisition was effective on 1 September 2017.

Allowing for the above transactions, including payment of the BrightRock acquisition, available discretionary capital increased to R2 billion at 30 June 2017. We remain focused on utilising the available discretionary capital for value-accretive investment opportunities. The EasyEquities and ACA acquisitions referred to in the Executive Review will utilise some of the available R2 billion discretionary capital.

Solvency

All of the life insurance businesses within the Group were sufficiently capitalised at the end of June 2017. The total admissible regulatory capital (including identified discretionary capital) of Sanlam Life, the holding company of the Group's major life insurance subsidiaries, of R43 billion, covered its capital adequacy requirements (CAR) 5.3 times under the current solvency regime.

As indicated in previous results announcements, South Africa is implementing a new solvency regime (Solvency Assessment and Management - SAM) modelled on the European Solvency II regime with an anticipated effective date of 1 July 2018. A Solvency Capital Requirement (SCR) target cover range under SAM of between 1.7 times and 2.1 times has been set for Sanlam Life's covered business. The R9.5 billion of IFRS-based required capital allocated to these operations at the end of June 2017 translated into a SCR cover at the upper end of this target range. The SCR cover ratio for the Sanlam Life entity as a whole at 3 times exceeded the covered business ratio at the end of June 2017 due to the inclusion of discretionary and other capital held on the Sanlam Life balance sheet as well as investments in Santam and other Group operations that are not allocated to Sanlam Life's covered business operations (i.e. not included in the R9.5 billion allocated capital referred to above). The Sanlam Group SCR cover ratio of 2.1 times remained broadly in line with the 2.2 times cover at 31 December 2016. The Group will increasingly focus on the Group SCR cover as the main solvency measure.

Dividend

The Group only declares an annual dividend due to the costs involved in distributing an interim dividend to our large shareholder base.

Johan van Zyl Ian Kirk
Chairman Group Chief Executive

6 September 2017

Accounting policies and basis of preparation

The preparation of the Group's reviewed interim financial statements was supervised by the financial director, Heinie Werth CA(SA).

The basis of presentation applied for purposes of the interim condensed financial statements is in accordance with and contain the information required by International Financial Reporting Standards (IFRS), specifically IAS 34 on interim financial reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The policy liabilities and profit entitlement rules are determined in accordance with prevailing legislation, generally accepted actuarial practice and the stipulations contained in the demutualisation proposal. There have been no material changes in the financial soundness valuation basis since 31 December 2016, apart from changes in the economic assumptions.

The accounting policies and basis of preparation for the IFRS financial statements and shareholders' information are in all material respects consistent with those applied in the 2016 annual report apart from the treatment of the Central Credit Manager (CCM).

- The CCM was introduced as a new initiative within Sanlam Capital Markets in the latter part of 2016 to extract value from credit exposures. With effect from 1 January 2017, the CCM has been reallocated to covered business given its focus on managing assets of the covered business operations. The credit risk component of capital allocated to Sanlam Personal Finance and Sanlam Employee Benefits was transferred to the CCM together with the related cost of capital charge. No value of in-force (VIF) or VNB is recognised in respect of future margins expected to be earned by the CCM, resulting in a negative VIF for the CCM equal to the cost of capital. All margins earned by the CCM are commensurately recognised as positive experience variances. The CCM margins are net of a spread payment to Sanlam Personal Finance and Sanlam Employee Benefits, which is capitalised in the VIF of the latter businesses.

Comparative information has been restated for the following:

- Sanlam Employee Benefits and the Healthcare businesses in Sanlam Personal Finance were reallocated to the newly formed Sanlam Corporate cluster, in line with the restatements made in the December 2016 annual financial statements.
- The recognition of deferred tax assets in respect of certain assessed losses in policyholder funds after the introduction of a separate Risk Policy Fund for South African insurance companies during 2016. These deferred tax assets were recognised in the Group's 2016 full year results, but erroneously not in the June 2016 results. It resulted in a large one-off tax income in the 2016 comparable period. For purposes of the Shareholders' fund income statement and normalised headline earnings, the earnings impact was recognised as fund transfers, similar to the 2016 full year results.

None of the new or revised IFRSs or interpretations, including IFRS 15, that become effective in the current period had a material effect on the Group's interim results; however, they will require certain additional disclosures in the annual financial statements.

The following new or revised IFRSs and interpretations, effective in future years and not early adopted, may have an impact on future results:

- Amendments to IFRS 2 - Share-based Payment: Classification and Measurement of Share-based Transactions (effective 1 January 2018)
- IFRS 9 - Financial Instruments (effective 1 January 2018)
- IFRS 16 - Leases (effective 1 January 2019)
- IFRIC 23 - Uncertainty over Income Tax Treatments (effective 1 January 2019)
- IFRS 17 - Insurance Contracts (effective 1 January 2021)

The impact of the application of these revised standards and interpretations in future financial reporting periods on the Group's reported results, financial position and cash

flows are still being assessed. The Group is currently focusing on projects to determine the impact of IFRS 9 and IFRS 17. The key complexity of applying IFRS 9 is likely to be on classification and measurement, but the outcome of this project is expected to be that no significant change to the overall statement of financial position will be required. In addition, we are expecting adjustments in certain equity accounted investments that are primarily lending businesses as a result of the changes to the impairment requirements of the standard. Comparative information will not be restated on adoption of IFRS 9 and the hedging guidance of IFRS 9 will not be adopted. The IFRS 17 project is currently focused on performing a gap analysis at this early stage and the Group will provide an update in future reporting periods. No significant changes are expected as a result of the adoption of IFRS 15 and IFRS 16.

External review

The appointed auditors, Ernst & Young Inc, reviewed the interim condensed financial statements and Shareholders' information of the Group at 30 June 2017. These reviews were conducted in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Copies of the unqualified review reports of Ernst & Young Inc are presented below.

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Independent auditors' review report on Sanlam Limited interim Shareholders' information

To the directors of Sanlam Limited

Introduction

We have reviewed the accompanying interim Shareholders' Information of Sanlam Limited for the six months ended 30 June 2017, comprising Group Equity Value; Change in Group Equity Value; Return on Group Equity Value; Shareholders' fund at fair value; Shareholders' fund at net asset value; Shareholders' fund income statement; Notes to the shareholders' fund information; and Embedded Value of covered business, Change in Embedded Value of covered business, Value of New Business and Notes to the Embedded Value of covered business; as set out below.

Directors' responsibility for interim financial information

The directors of Sanlam Limited are responsible for the preparation and presentation of this interim financial information in accordance with the basis of accounting set out above, and for such internal control as the directors determine is necessary to enable the preparation of interim financial information that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on this interim financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the basis of accounting set out above. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim Shareholders' Information for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with the basis of accounting set out above.

Basis of accounting

Without modifying our conclusion, we draw attention to the Sanlam Limited Shareholders' Information, which describes the basis of accounting. The Sanlam Limited Interim 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 Sanlam Limited Interim Shareholders' information may not be suitable for another purpose.

Ernst & Young Inc.
 Director: Johanna Cornelia de Villiers
 Registered Auditor
 Chartered Accountant (SA)

No. 3 Dock Road
 Waterway House
 V&A Waterfront
 Cape Town

6 September 2017

Group Equity Value
 at 30 June 2017

R million	Note	June reviewed 2017			December audited 2016		
		Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
Sanlam Personal Finance		41 665	10 411	31 254	41 878	12 020	29 858
Covered business(1)		37 924	6 670	31 254	38 216	8 358	29 858
Glacier		2 301	2 301	-	2 192	2 192	-

Sanlam Personal Loans	990	990	-	999	999	-	
Other operations	450	450	-	471	471	-	
Sanlam Emerging Markets	28 171	23 453	4 718	22 097	18 584	3 513	
Covered business(1)	7 946	3 228	4 718	6 370	2 857	3 513	
Shriram Capital	8 668	8 668	-	7 963	7 963	-	
Saham Finances	6 600	6 600	-	3 197	3 197	-	
Letshego	1 102	1 102	-	1 190	1 190	-	
Pacific & Orient	480	480	-	476	476	-	
Capricorn Investment Holdings	991	991	-	1 077	1 077	-	
Other operations	2 384	2 384	-	1 824	1 824	-	
Sanlam Investments	16 828	16 592	236	15 807	15 136	671	
Covered business(1)	2 316	2 080	236	1 137	466	671	
Sanlam UK	1 184	508	676	1 137	466	671	
Central Credit Manager	1 132	1 572	(440)	-	-	-	
Investment Management	14 262	14 262	-	14 070	14 070	-	
Capital management	250	250	-	600	600	-	
Santam	16 228	16 228	-	15 868	15 868	-	
Sanlam Corporate	6 420	4 420	2 000	6 385	4 582	1 803	
Covered business(1)	5 338	3 338	2 000	5 523	3 720	1 803	
AfroCentric	990	990	-	775	775	-	
Other operations	92	92	-	87	87	-	
Group operations	109 312	71 104	38 208	102 035	66 190	35 845	
Discretionary capital	2 000	2 000	-	550	550	-	
Enterprise Group held for sale	(1 598)	(1 598)	-	-	-	-	
Balanced portfolio - other	4 274	4 274	-	9 916	9 916	-	
Group Equity Value before adjustments to net worth	113 988	75 780	38 208	112 501	76 656	35 845	
Net worth adjustments - present value of holding company expenses	5	(1 888)	(1 888)	-	(1 784)	(1 784)	-
Group Equity Value	112 100	73 892	38 208	110 717	74 872	35 845	
Value per share (cents)	4	5 469	3 605	1 864	5 407	3 656	1 751
Analysis per type of business							
Covered business (1)	53 524	15 316	38 208	51 246	15 401	35 845	
Sanlam Personal Finance	37 924	6 670	31 254	38 216	8 358	29 858	
Sanlam Emerging Markets	7 946	3 228	4 718	6 370	2 857	3 513	
Sanlam Investments	2 316	2 080	236	1 137	466	671	
Sanlam Corporate	5 338	3 338	2 000	5 523	3 720	1 803	
Other Group operations	55 788	55 788	-	50 789	50 789	-	
Discretionary and other capital	2 788	2 788	-	8 682	8 682	-	
Group Equity Value	112 100	73 892	38 208	110 717	74 872	35 845	

Change in Group Equity Value for the six months ended 30 June 2017

R million	Six months reviewed	
	2017	2016
Earnings from covered business(1)	4 882	4 146
Earnings from other Group operations	2 168	4 393
Operations valued based on discounted cash flows	1 273	1 241
Expected return	2 480	2 229
Operating experience variances	218	(179)
Assumption changes	(1 337)	330
Foreign currency translation differences	(88)	(1 139)
Operations valued at net asset value - earnings for the period	148	90
Listed operations - investment return	747	3 062
Earnings from discretionary and other capital	(100)	(363)
Portfolio investments and other	(27)	44
Net corporate expenses	(2)	(2)
Share-based payment transactions	33	(138)
Change in net worth adjustments	(104)	(267)
Group Equity Value earnings	6 950	8 176
Dividends paid	(5 437)	(4 967)
Cost of treasury shares acquired		
Share incentive scheme and other	(130)	(116)
Group Equity Value at beginning of the period	110 717	103 506
Group Equity Value at end of the period	112 100	106 599

(1) Refer embedded value of covered business below.

Return on Group Equity Value for the six months ended 30 June 2017

	Six months reviewed			
	2017		2016	
	Earnings R million	Return %	Earnings R million	Return %
Sanlam Personal Finance	3 535	8,5	5 224	13,9
Covered business(1)	3 234	8,6	4 427	12,8
Other operations(2)	301	8,2	797	27,1
Sanlam Emerging Markets	1 550	6,6	296	1,5
Covered business(1)	1 148	18,0	(43)	(0,8)
Other operations	402	2,4	339	2,3
Sanlam Investments	655	4,0	(21)	(0,1)
Covered business(1), (2)	153	8,0	(169)	(10,3)
Other operations	502	3,4	148	1,0
Santam	747	4,7	3 062	23,8
Sanlam Corporate	563	9,2	(22)	(0,3)

Covered business(1), (2)	347	6,6	(69)	(1,2)
Other operations(2)	216	25,1	47	6,0
Discretionary and other capital	(100)		(363)	
Return on Group Equity Value	6 950	6,3	8 176	7,9
Return on Group Equity Value per share		6,1		7,9
Annualised return on Group Equity Value per share		11,7		16,4

(1) Refer embedded value of covered business below.

(2) Comparative information has been restated for the reallocation of Sanlam Employee Benefits and the Healthcare businesses in Sanlam Personal Finance to the Sanlam Corporate cluster.

R million

Six months reviewed
2017 2016

Reconciliation of return on Group Equity Value:
The return on Group Equity Value reconciles as follows to
normalised attributable earnings:

Normalised attributable earnings per shareholders' fund income statement	4 783	4 176
Net foreign currency translation gains recognised in other comprehensive income	(209)	(1 460)
Earnings recognised directly in equity		
Share-based payment transactions	19	(98)
Net cost of treasury shares delivered	(162)	(266)
Share-based payments	181	168
Other comprehensive income	(36)	(410)
Change in ownership of subsidiaries	-	(31)
Movement in fair value adjustment - shareholders' fund at fair value	524	4 333
Movement in adjustments to net worth	(71)	(242)
Present value of holding company expenses	(104)	(267)
Change in goodwill and value of business acquired adjustments less value of in-force acquired	33	25
Growth from covered business: value of in-force(1)	1 940	1 908
Return on Group Equity Value	6 950	8 176

(1) Refer embedded value of covered business below.

Shareholders' fund at fair value
at 30 June 2017

R million	Note	June reviewed 2017			December audited 2016		
		Fair value	adjust- ment(1)	Net asset value	Fair value	adjust- ment(1)	Net asset value
Covered business, discretionary and other capital	22	525	-	22 525	28 009	(36)	28 045
Property and equipment		388	-	388	416	-	416
Owner-occupied properties		648	-	648	652	-	652
Goodwill(2)		636	-	636	634	-	634
Value of business acquired(2)		936	-	936	986	-	986
Other intangible assets		264	-	264	273	-	273
Non-current assets held for sale		204	-	204	-	-	-
Deferred acquisition costs		2 660	-	2 660	2 648	-	2 648
Investments	19	988	-	19 988	23 600	(50)	23 650
Properties		600	-	600	511	-	511
Associated companies		3 953	-	3 953	3 299	-	3 299
Equities and similar securities		1 127	-	1 127	975	-	975
Other interest-bearing and preference share investments		3 360	-	3 360	4 579	-	4 579
Structured transactions		343	-	343	573	-	573
Investment funds		9 492	-	9 492	9 038	-	9 038
Cash, deposits and similar securities		1 113	-	1 113	4 625	(50)	4 675
Net term finance		-	-	-	-	-	-
Term finance		(3 882)	-	(3 882)	(3 810)	-	(3 810)
Assets held in respect of term finance		3 882	-	3 882	3 810	-	3 810
Net deferred tax		(600)	-	(600)	(636)	-	(636)
Net working capital		(278)	-	(278)	1 762	14	1 748
Structured transactions liability		(29)	-	(29)	(16)	-	(16)
Non-controlling interest		(2 292)	-	(2 292)	(2 310)	-	(2 310)
Other Group operations		55 788	25 407	30 381	50 789	24 919	25 870
Sanlam Investments	2.3	14 512	10 226	4 286	14 670	10 247	4 423
Investment Management		14 262	10 226	4 036	14 070	10 247	3 823
Capital Management		250	-	250	600	-	600
Sanlam Personal Finance	2.1	3 741	2 634	1 107	3 662	2 588	1 074
Glacier		2 301	1 894	407	2 192	1 788	404
Sanlam Personal Loans(3)		990	367	623	999	376	623
Other operations		450	373	77	471	424	47
Sanlam Emerging Markets	2.2	20 225	1 675	18 550	15 727	1 822	13 905
Shriram Capital		8 668	1 935	6 733	7 963	1 526	6 437
Saham Finances		6 600	(116)	6 716	3 197	321	2 876
Letshego		1 102	6	1 096	1 190	124	1 066
Pacific & Orient		480	-	480	476	-	476
Capricorn Investment Holdings		991	(44)	1 035	1 077	168	909
Other operations		2 384	(106)	2 490	1 824	(317)	2 141
Santam		16 228	11 772	4 456	15 868	11 332	4 536
Sanlam Corporate	2.5	1 082	297	785	862	127	735
AfroCentric		990	262	728	775	104	671

Other operations	92	35	57	87	23	64
Goodwill held on Group level in respect of the above businesses	-	(1 197)	1 197	-	(1 197)	1 197
Shareholders' fund at fair value	78 313	25 407	52 906	78 798	24 883	53 915
Value per share (cents)	4	3 820	1 239	2 581	3 848	1 215
						2 633

R million	Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
Reconciliation to Group Equity Value						
Group Equity Value	112 100	73 892	38 208	110 717	74 872	35 845
Add: Net worth adjustments	1 888	1 888	-	1 784	1 784	-
Add: Goodwill and value of business acquired replaced by value of in-force	2 533	2 533	-	2 142	2 142	-
Sanlam Life and Pensions	356	356	-	356	356	-
Sanlam Developing Markets	556	556	-	573	573	-
Saham Finances(4)	878	878	-	460	460	-
MCIS Insurance	370	370	-	399	399	-
Shriram Life Insurance(5)	293	293	-	285	285	-
Other	80	80	-	69	69	-
Less: Value of in-force	(38 208)	-	(38 208)	(35 845)	-	(35 845)
Shareholders' fund at fair value	78 313	78 313	-	78 798	78 798	-

- (1) Group businesses listed above are not consolidated, but reflected as investments at fair value.
- (2) The value of business acquired and goodwill relate mainly to the consolidation of Sanlam Developing Markets, Channel Life, Sanlam Life and Pensions and MCIS Insurance and are excluded in the build-up of the Group Equity Value, as the current value of in-force business for these life insurance companies are included in the embedded value of covered business.
- (3) The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.
- (4) The carrying value of Saham Finances includes goodwill and value of business acquired of R878 million (2016: R460 million) that is excluded in the build-up of GEV, as the current value of in-force business for Saham Finances is included in the embedded value of covered business.
- (5) The carrying value of Shriram Life Insurance includes goodwill of R293 million (2016: R285 million) that is excluded in the build-up of the Group Equity Value, as the current value of in-force business for Shriram Life Insurance is included in the embedded value of covered business.

Shareholders' fund at net asset value at 30 June 2017

R million	Sanlam Life(1)		Sanlam Emerging Markets(2)		Santam		Investment Management		Capital Management		Group Office and Other(3)		Consolidation Entries(4)		Total	
	2017	2016(5)	2017	2016(5)	2017	2016(5)	2017	2016(5)	2017	2016(5)	2017	2016(5)	2017	2016(5)	2017	2016(5)
Property and equipment	274	303	145	146	333	321	61	61	10	9	-	-	-	-	823	840
Owner-occupied properties	470	470	232	238	-	1	113	115	-	-	-	-	-	-	815	824
Goodwill	244	244	298	178	772	774	1 203	1 203	-	-	1 197	1 197	3 714	3 596	3 714	3 596
Other intangible assets	15	17	258	267	64	81	164	179	-	-	-	-	501	544	501	544
Value of business acquired	481	500	712	547	-	-	510	559	-	-	-	-	1 703	1 600	1 703	1 600
Deferred acquisition costs	2 959	2 949	16	16	-	-	-	-	-	-	-	-	2 975	2 965	2 975	2 965
Investments	24 862	29 117	27 943	22 722	17 000	11 987	1 971	1 927	-	-	1 703	1 600	(10 634)	(10 325)	62 845	57 088
Properties	143	143	827	821	-	-	-	-	-	-	-	-	-	-	970	964
Associated companies	804	760	23 332	18 636	2 784	2 624	439	418	-	-	-	-	(2 803)	(2 733)	24 556	19 705
Joint ventures	776	817	-	-	67	65	-	-	-	-	-	-	-	-	843	882
Equities and similar securities	8 290	8 118	672	536	1 902	1 404	251	222	-	-	490	493	(7 807)	(7 631)	3 798	3 142
Interest-bearing investments	3 705	5 134	1 469	1 060	8 487	5 892	112	109	-	-	1 160	1 165	(24)	(74)	14 909	13 434
Structured transactions	525	812	16	5	1 262	714	-	-	-	-	-	-	(35)	1 803	1 496	1 496
Investment funds	9 871	9 414	438	301	1 268	388	703	594	-	-	-	-	-	-	12 280	10 697
Cash, deposits and similar securities	748	3 919	1 189	1 363	1 230	900	466	584	-	-	53	2	-	-	3 686	6 768
Net deferred tax	(529)	(600)	(98)	(64)	(124)	25	28	60	99	73	(9)	-	(4)	(4)	(637)	(510)
Deferred tax asset	253	175	198	185	102	144	76	73	99	73	-	-	-	3	728	653
Deferred tax liability	(782)	(775)	(296)	(249)	(226)	(119)	(48)	(13)	-	-	(9)	-	(4)	(7)	(1 365)	(1 163)
Disposal groups classified as held for sale	-	-	423	-	-	8	-	-	-	-	-	-	-	-	423	8
Net general insurance technical provisions	-	-	(444)	(399)	(11 613)	(9 136)	-	-	-	-	-	-	-	-	(12 057)	(9 535)
General insurance technical assets	-	-	168	124	6 353	4 898	-	-	-	-	-	-	-	-	6 521	5 022
General insurance technical provisions	-	-	(612)	(523)	(17 966)	(14 034)	-	-	-	-	-	-	-	-	(18 578)	(14 557)
Net working capital assets/(liabilities)	(1 060)	585	(229)	87	7 101	6 744	1 244	1 672	291	811	(285)	(518)	414	100	7 476	9 481
Trade and other receivables	2 081	2 272	1 476	1 414	4 164	3 720	3 729	1 902	12 994	15 963	3 220	3 000	(3 046)	(2 700)	24 618	25 571
Cash, deposits and similar securities	5 277	6 406	565	564	7 383	7 278	1 638	1 889	2 530	1 695	375	378	25	(104)	17 793	18 106
Trade and other payables	(6 913)	(6 694)	(2 403)	(2 011)	(4 322)	(4 065)	(3 914)	(1 859)	(15 150)	(16 793)	(3 840)	(3 856)	3 437	2 914	(33 105)	(32 364)
Provisions	(129)	(131)	-	-	(43)	(41)	(125)	(123)	-	-	(20)	(20)	(18)	(17)	(335)	(332)
Taxation	(1 376)	(1 268)	133	120	(81)	(148)	(84)	(137)	(83)	(54)	(20)	(20)	16	7	(1 495)	(1 500)
Term finance	(2 159)	(2 159)	(125)	(115)	(3 069)	(2 054)	(18)	(239)	-	-	(1 723)	(1 651)	-	-	(7 094)	(6 218)
Structured transactions liabilities	(29)	(16)	-	-	-	-	-	-	-	-	-	-	-	-	(29)	(16)
Cell owners' interest	-	-	-	-	(2 989)	(1 153)	-	-	-	-	-	-	-	-	(2 989)	(1 153)
Non-controlling interest	-	-	(5 300)	(5 238)	(3 019)	(3 062)	(59)	(54)	-	-	-	-	2 815	2 749	(5 563)	(5 605)
Shareholders' fund at net asset value	25 528	31 410	23 831	18 385	4 456	4 536	5 217	5 483	400	893	(314)	(509)	(6 212)	(6 283)	52 906	53 915
Analysis of shareholders' fund																
Covered business	11 580	12 078	3 228	2 857	-	-	508	466	-	-	-	-	-	-	15 316	15 401
Other operations	1 892	1 809	18 550	13 905	4 456	4 536	4 036	3 823	250	600	-	-	1 197	1 197	30 381	25 870
Discretionary and other capital	12 056	17 523	2 053	1 623	-	-	673	1 194	150	293	(314)	(509)	(7 480)	(7 480)	7 209	12 644
Shareholders' fund at net asset value	25 528	31 410	23 831	18 385	4 456	4 536	5 217	5 483	400	893	(314)	(509)	(6 212)	(6 283)	52 906	53 915
Consolidation reserve	1 225	1 253	-	-	-	-	-	-	-	-	-	-	(1 583)	(1 778)	(358)	(525)
Shareholders' fund per Group statement of financial position below	26 753	32 663	23 831	18 385	4 456	4 536	5 217	5 483	400	893	(314)	(509)	(7 795)	(8 061)	52 548	53 390

- (1) Includes the operations of Sanlam Personal Finance, Central Credit Manager and Sanlam Corporate (which includes Sanlam Healthcare and Sanlam Employee Benefits) as well as discretionary capital held by Sanlam Life. Equities and similar securities include an investment of R7 540 million (Dec 2016: R7 319 million) in Sanlam shares, which is eliminated in the consolidation column.
- (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) The investment in treasury shares is reversed within the consolidation column. Intercompany balances, other investments and term finance between companies within the Group

India	342	206	751	352	-	-	1 093	558
Recurring	231	120	751	352	-	-	982	472
Single	111	86	-	-	-	-	111	86
South-East Asia	143	232	140	198	-	-	283	430
Recurring	122	203	140	198	-	-	262	401
Single	21	29	-	-	-	-	21	29
Sanlam Investments(4)	1 383	2 029	-	-	57 600	62 189	58 983	64 218
Investment Management SA	-	-	-	-	45 807	46 572	45 807	46 572
Wealth Management(5)	-	-	-	-	5 944	7 960	5 944	7 960
International(5)	1 383	2 029	-	-	5 849	7 657	7 232	9 686
Recurring	17	44	-	-	4	8	21	52
Single	1 366	1 985	-	-	5 845	7 649	7 211	9 634
Santam	-	-	10 551	9 700	-	-	10 551	9 700
Sanlam Corporate(4)	2 041	2 142	-	-	-	-	2 041	2 142
Recurring	294	121	-	-	-	-	294	121
Single	1 747	2 021	-	-	-	-	1 747	2 021
Total new business	21 267	21 853	13 274	11 446	75 716	82 054	110 257	115 353

Recurring premiums on existing funds:

Sanlam Personal Finance	8 448	7 899	-	-	102	99	8 550	7 998
Sanlam Sky	2 424	2 143	-	-	-	-	2 424	2 143
Individual Life	6 024	5 756	-	-	102	99	6 126	5 855
Sanlam Emerging Markets	2 720	2 645	-	-	-	-	2 720	2 645
Namibia	562	488	-	-	-	-	562	488
Botswana	581	586	-	-	-	-	581	586
Rest of Africa (excluding Saham Finances)	477	540	-	-	-	-	477	540
Saham Finances	163	96	-	-	-	-	163	96
India	280	100	-	-	-	-	280	100
South-East Asia	657	835	-	-	-	-	657	835
Sanlam Investments	179	205	-	-	1 199	1 142	1 378	1 347
Investment Management SA	-	-	-	-	1 171	1 104	1 171	1 104
International	179	205	-	-	28	38	207	243
Sanlam Corporate	2 786	2 579	-	-	-	-	2 786	2 579
Total funds received	35 400	35 181	13 274	11 446	77 017	83 295	125 691	129 922

(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 Glacier Namibia single premiums from Sanlam Personal Finance to Sanlam Emerging Markets.

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

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

1.2 Analysis of payments to clients

R million	Life insurance(1)		General insurance		Investment business(2)		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Sanlam Personal Finance	20 377	18 887	-	-	12 826	11 237	33 203	30 124
Sanlam Sky	1 331	1 175	-	-	-	-	1 331	1 175
Surrenders	232	214	-	-	-	-	232	214
Other	1 099	961	-	-	-	-	1 099	961
Individual Life	14 637	14 122	-	-	300	284	14 937	14 406
Surrenders	1 294	2 081	-	-	-	-	1 294	2 081
Other	13 343	12 041	-	-	300	284	13 643	12 325
Glacier(3)	4 409	3 590	-	-	12 526	10 953	16 935	14 543
Sanlam Emerging Markets	3 894	3 605	1 771	1 125	5 264	3 840	10 929	8 570
Namibia	1 389	742	-	-	3 294	2 169	4 683	2 911
Surrenders	413	80	-	-	-	-	413	80
Other(3)	976	662	-	-	3 294	2 169	4 270	2 831
Botswana	840	1 034	35	31	1 570	1 555	2 445	2 620
Surrenders	190	216	-	-	-	-	190	216
Other	650	818	35	31	1 570	1 555	2 255	2 404
Rest of Africa (excluding Saham Finances)	589	607	213	208	400	116	1 202	931
Surrenders	107	119	-	-	-	-	107	119
Other	482	488	213	208	400	116	1 095	812
Saham Finances	132	76	678	442	-	-	810	518
Surrenders	-	-	-	-	-	-	-	-
Other	132	76	678	442	-	-	810	518
India	227	109	778	358	-	-	1 005	467
Surrenders	98	65	-	-	-	-	98	65
Other	129	44	778	358	-	-	907	402
South-East Asia	717	1 037	67	86	-	-	784	1 123
Surrenders	196	380	-	-	-	-	196	380
Other	521	657	67	86	-	-	588	743
Sanlam Investments(4)	1 896	2 113	-	-	49 233	56 538	51 129	58 651
Investment Management	1 896	2 113	-	-	49 233	56 506	51 129	58 619
Investment Management SA	-	-	-	-	35 890	39 146	35 890	39 146
Wealth Management(5)	-	-	-	-	8 408	6 692	8 408	6 692
International(5)	1 896	2 113	-	-	4 935	10 668	6 831	12 781
Capital Management	-	-	-	-	-	32	-	32
Santam	-	-	7 253	6 289	-	-	7 253	6 289
Sanlam Corporate(4)	4 298	4 542	-	-	-	-	4 298	4 542
Surrenders	972	932	-	-	-	-	972	932
Other	3 326	3 610	-	-	-	-	3 326	3 610
Total payments to clients	30 465	29 147	9 024	7 414	67 323	71 615	106 812	108 176

(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 Glacier Namibia single premium business from Sanlam Personal Finance to Sanlam Emerging Markets.
(4) Comparative information has been adjusted for the reallocation of Sanlam Employee Benefits from Sanlam Investments to Sanlam Corporate.
(5) Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-clusters.

1.3 Analysis of net inflow/(outflow) of funds

R million	Life insurance(1)		General insurance		Investment business(2)		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Sanlam Personal Finance	3 207	3 841	-	-	754	4 839	3 961	8 680
Sanlam Sky	1 768	1 556	-	-	-	-	1 768	1 556
Individual Life	(2 550)	(2 496)	-	-	(124)	(80)	(2 674)	(2 576)
Glacier(3)	3 989	4 781	-	-	878	4 919	4 867	9 700
Sanlam Emerging Markets	1 533	1 893	952	621	(626)	48	1 859	2 562
Namibia(3)	(117)	358	-	-	(1 369)	(50)	(1 486)	308
Botswana	565	569	45	35	787	(5)	1 397	599
Rest of Africa (excluding Saham Finances)	543	706	192	120	(44)	103	691	929
Saham Finances	64	33	669	360	-	-	733	393
India	395	197	(27)	(6)	-	-	368	191
South-East Asia	83	30	73	112	-	-	156	142
Sanlam Investments(4)	(334)	121	-	-	9 566	6 793	9 232	6 914
Investment Management	(334)	121	-	-	9 566	6 825	9 232	6 946
Investment Management SA	-	-	-	-	11 088	8 530	11 088	8 530
Wealth Management(5)	-	-	-	-	(2 464)	1 268	(2 464)	1 268
International(5)	(334)	121	-	-	942	(2 973)	608	(2 852)
Capital Management	-	-	-	-	-	(32)	-	(32)
Santam	-	-	3 298	3 411	-	-	3 298	3 411
Sanlam Corporate(4)	529	179	-	-	-	-	529	179
Total net inflow	4 935	6 034	4 250	4 032	9 694	11 680	18 879	21 746

- (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 Glacier Namibia single premium business from Sanlam Personal Finance to Sanlam Emerging Markets.
(4) Comparative information has been adjusted for the reallocation of Sanlam Employee Benefits from Sanlam Investments to Sanlam Corporate.
(5) Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-clusters.

2. Cluster information

2.1 Sanlam Personal Finance

Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Net capital investment	Dividend paid	GEV at the end of period	RoGEV (%)
30 June 2017 - reviewed						
Covered business	38 216	3 234	(1 596)	(1 930)	37 924	8,6
Non-life operations	3 662	301	-	(222)	3 741	8,2
Glacier	2 192	240	-	(131)	2 301	10,9
Sanlam Personal Loans	999	73	-	(82)	990	7,3
Other operations	471	(12)	-	(9)	450	(2,5)
Group Equity Value	41 878	3 535	(1 596)	(2 152)	41 665	8,5
31 December 2016 - audited						
Covered business	34 526	7 402	(32)	(3 680)	38 216	21,4
Non-life operations	2 946	1 101	(21)	(364)	3 662	37,4
Glacier	1 605	772	-	(185)	2 192	48,1
Sanlam Personal Loans	913	212	-	(126)	999	23,2
Other operations	428	117	(21)	(53)	471	27,3
Group Equity Value	37 472	8 503	(53)	(4 044)	41 878	22,7

Business volumes

R million	Life business		Investment business		Total	
	2017	2016	2017	2016	2017	2016
New business volumes						
Sanlam Sky	675	588	-	-	675	588
Individual Life	471	450	-	-	471	450
Group Life	204	138	-	-	204	138
Individual Life	6 063	5 870	74	105	6 137	5 975
Recurring premiums	834	782	10	15	844	797
Single premiums	5 229	5 088	64	90	5 293	5 178
Glacier(1)	8 398	8 371	13 404	15 872	21 802	24 243
Total	15 136	14 829	13 478	15 977	28 614	30 806
Net fund flows						
Sanlam Sky	1 768	1 556	-	-	1 768	1 556
Individual Life	(2 550)	(2 496)	(124)	(80)	(2 674)	(2 576)
Glacier(1)	3 989	4 781	878	4 919	4 867	9 700
Total	3 207	3 841	754	4 839	3 961	8 680

Value of new covered business

Value of new business	Present value of new business premiums	New business margin (%)
-----------------------	--	-------------------------

R million	2017	2016	2017	2016	2017	2016
Sanlam Sky	203	129	2 605	2 081	7,79	6,20
Individual Life	294	251	10 206	9 601	2,88	2,61
Glacier(1)	88	119	8 353	8 356	1,05	1,42
Total	585	499	21 164	20 038	2,76	2,49

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

Analysis of earnings

R million	Life insurance		Non-life operations		Total	
	2017	2016	2017	2016(2)	2017	2016
Gross result from financial services	2 694	2 608	284	296	2 978	2 904
Sanlam Sky	637	611	-	-	637	611
Middle Income Segment: life and investments(1)	1 879	1 827	21	28	1 900	1 855
Glacier	117	109	151	140	268	249
Sanlam Personal Loans	61	61	114	113	175	174
Other operations	-	-	(2)	15	(2)	15
Tax on result from financial services	(764)	(736)	(81)	(78)	(845)	(814)
Non-controlling interest	-	-	-	(2)	-	(2)
Net result from financial services	1 930	1 872	203	216	2 133	2 088
Net investment return	229	71	507	372	736	443
Operations	229	71	6	5	235	76
Sanlam Limited shares	-	-	533	268	533	268
Discretionary and other	-	-	(32)	99	(32)	99
Net other earnings	(20)	(22)	-	15	(20)	(7)
Profit on disposal of subsidiaries and associated companies	-	-	-	15	-	15
Amortisation of value of business acquired and other intangibles	(20)	(22)	-	-	(20)	(22)
Normalised attributable earnings	2 139	1 921	710	603	2 849	2 524

(1) Includes an asset mismatch reserve release of R264 million (2016: R227 million).

(2) Comparative information has been adjusted for the reallocation of the Healthcare businesses to the Sanlam Corporate cluster.

Assets under management

R million	June reviewed 2017	December audited 2016
Sanlam Sky: Life insurance operations	5 484	5 372
Individual Life	229 987	228 580
Life insurance operations	227 932	226 299
Investment operations	2 055	2 281
Glacier	215 873	205 467
Life insurance operations	92 749	86 735
Investment operations	123 124	118 732
Total	451 344	439 419
Life insurance operations	326 165	318 406
Investment operations	125 179	121 013
	451 344	439 419
Sanlam Personal Loans		
Gross size of loan book (R million)	4 570	4 398
Interest margin	16,9%	16,9%
Bad debt ratio	5,3%	5,0%
Administration cost as % of net interest	32,7%	30,1%

2.2 Sanlam Emerging Markets

Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Net capital investment	Dividend paid	GEV at the end of period	RoGEV (%)
30 June 2017 - reviewed						
Covered business	6 370	1 148	748	(320)	7 946	18,0
Non-life operations	15 727	402	4 497	(401)	20 225	2,4
Shriram Capital	7 963	714	-	(9)	8 668	9,0
Saham Finances	3 197	(428)	3 909	(78)	6 600	(9,5)
Letshego	1 190	(79)	-	(9)	1 102	(6,6)
Pacific & Orient	476	3	-	1	480	0,6
Capricorn Investment Holdings	1 077	56	-	(142)	991	5,2
Sanlam Emerging Markets other operations	1 824	136	588	(164)	2 384	7,5
Group Equity Value	22 097	1 550	5 245	(721)	28 171	6,6
31 December 2016 - audited						
Covered business	5 486	37	1 446	(599)	6 370	0,7
Non-life operations	12 561	(528)	4 574	(880)	15 727	(3,4)
Shriram Capital	7 594	143	308	(82)	7 963	1,9
Saham Finances	-	(214)	3 411	-	3 197	(7,5)
Letshego	1 106	17	120	(53)	1 190	1,4
Pacific & Orient	812	(260)	-	(76)	476	(32,0)
Capricorn Investment Holdings	877	219	-	(19)	1 077	25,0
Sanlam Emerging Markets other operations	2 172	(433)	735	(650)	1 824	(19,3)
Group Equity Value	18 047	(491)	6 020	(1 479)	22 097	(2,3)

Business volumes

R million	New business volumes		Net fund flows		Value of new business		Present value of new business premiums		New business margin (%)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Namibia(1)	2 635	2 731	(1 486)	308	44	71	1 025	1 651	4,29	4,30
Botswana	3 261	2 633	1 397	599	72	109	1 358	1 530	5,30	7,12
Rest of Africa (excluding Saham Finances)	1 416	1 320	691	929	69	54	1 152	1 200	5,99	4,50
Saham Finances	1 380	815	733	393	8	6	106	48	7,55	12,50
India	1 093	558	368	191	27	4	612	358	4,41	1,12
South-East Asia	283	430	156	142	15	33	567	901	2,65	3,66
Total	10 068	8 487	1 859	2 562	235	277	4 820	5 688	4,88	4,87

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

Analysis of earnings

R million	2017	2016
Net result from financial services	771	788
Life insurance	320	270
General insurance	160	157
Investment management	25	22
Credit and banking	292	354
Other	(26)	(15)
Net investment return	155	60
Net investment income	84	85
Net investment surpluses	71	(25)
Net other earnings	125	(120)
Project expenses	(31)	(3)
Amortisation of value of business acquired and other intangibles	(19)	(28)
Profit/(loss) on disposal of subsidiaries and associated companies	5	19
Net equity-accounted headline earnings	5	3
Impairments	(14)	(111)
Net equity-accounted non-headline earnings	179	-
Normalised attributable earnings	1 051	728

Analysis of net result from financial services

R million	Life insurance		Non-life operations		Total	
	2017	2016	2017	2016	2017	2016
Namibia	73	79	80	71	153	150
Botswana	88	126	67	76	155	202
Rest of Africa (excluding Saham Finances)	110	73	(24)	(10)	86	63
Saham Finances	24	13	92	78	116	91
South-East Asia	10	(10)	10	34	20	24
India	15	(11)	238	278	253	267
Corporate and other	-	-	(12)	(9)	(12)	(9)
Net result from financial services	320	270	451	518	771	788

Analysis of net investment return

R million	Life insurance		Non-life operations		Total	
	2017	2016	2017	2016	2017	2016
Namibia	24	9	6	8	30	17
Botswana	(4)	(27)	-	8	(4)	(19)
Rest of Africa (excluding Saham Finances)	35	5	2	(11)	37	(6)
Saham Finances	8	7	27	(14)	35	(7)
South-East Asia	10	16	3	4	13	20
India	14	7	19	38	33	45
Corporate and other	11	10	-	-	11	10
Net investment return	98	27	57	33	155	60

Assets under management

R million	June 2017	December 2016
Life insurance operations	42 465	42 033
Investment operations	59 629	32 793
Namibia	18 487	19 679
Botswana	12 087	11 721
Rest of Africa	29 055	1 393
Assets under management	102 094	74 826

2.3 Sanlam Investments

Analysis of Group Equity Value (GEV)

R million	GEV at the beginning of period	Earnings	Net capital investment	Dividend paid	GEV at the end of period	RoGEV (%)
30 June 2017 - reviewed	15 207	384	130	(275)	15 446	2,5
Investment Management						

Investment Management SA	7 071	(245)	-	(211)	6 615	(3,5)
Wealth Management	2 155	3	5	(8)	2 155	0,1
International	5 981	626	125	(56)	6 676	10,5
Covered business	1 137	47	-	-	1 184	4,1
Other operations	4 844	579	125	(56)	5 492	12,0
Sanlam Capital Management	600	271	747	(236)	1 382	19,8
Covered business	-	106	1 097	(71)	1 132	13,8
Other operations	600	165	(350)	(165)	250	27,5
Group Equity Value	15 807	665	877	(511)	16 828	4,0
31 December 2016 - audited						
Investment Management	16 235	(603)	326	(751)	15 207	(1,4)
Investment Management SA	6 287	1 030	296	(542)	7 071	16,4
Wealth Management	1 759	337	156	(97)	2 155	19,2
International	8 189	(1 970)	(126)	(112)	5 981	(24,1)
Covered business	1 633	(403)	(82)	(11)	1 137	(24,7)
Other operations	6 556	(1 567)	(44)	(101)	4 844	(23,9)
Sanlam Capital Management	600	281	-	(281)	600	46,8
Group Equity Value	16 835	(322)	326	(1 032)	15 807	(1,9)

Business volumes

R million	New business volumes		Net fund flows		Value of new business		Present value of new business premiums		New business margin (%)	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Investment Management	58 983	64 218	9 232	6 946	-	11	1 456	2 209	-	0,50
Investment Management SA	45 807	46 572	11 088	8 530	-	-	-	-	-	-
Wealth Management(1)	5 944	7 960	(2 464)	1 268	-	-	-	-	-	-
International(1)	7 232	9 686	608	(2 852)	-	11	1 456	2 209	-	0,50
Sanlam Capital Management	-	-	-	(32)	-	-	-	-	-	-
Total	58 983	64 218	9 232	6 914	-	11	1 456	2 209	-	0,50

Analysis of earnings

R million	Investment Management(2)		Capital Management(2)		Total	
	2017	2016	2017	2016	2017	2016
Financial services income(2)	2 224	2 366	359	402	2 583	2 768
Sales remuneration	(81)	(117)	-	-	(81)	(117)
Income after sales remuneration	2 143	2 249	359	402	2 502	2 651
Administration cost(2)	(1 604)	(1 695)	(188)	(196)	(1 792)	(1 891)
Results from financial services before performance fees	539	554	171	206	710	760
Net performance fees(2)	33	27	-	-	33	27
Results from financial services	572	581	171	206	743	787
Tax on result from financial services	(134)	(148)	(28)	(46)	(162)	(194)
Non-controlling interest	(8)	(13)	-	-	(8)	(13)
Net result from financial services	430	420	143	160	573	580
Net investment return	65	11	31	-	96	11
Net investment income	57	9	15	-	72	9
Net investment surpluses	8	2	16	-	24	2
Net other earnings	(73)	(86)	-	-	(73)	(86)
Project expenses	(5)	(6)	-	-	(5)	(6)
Amortisation of intangible assets	(78)	(79)	-	-	(78)	(79)
Other	10	(1)	-	-	10	(1)
Normalised attributable earnings	422	345	174	160	596	505

(1) Comparative information has been adjusted for the reallocation of business units between the International and Wealth Management sub-clusters and Sanlam Employee benefits to the Sanlam Corporate cluster.

(2) Financial services income and administration costs includes performance fees and the related administration costs.

Investment management

Analysis of net result from financial services

R million	2017	2016
Investment Management	391	382
Investment Management SA	199	234
Wealth Management	65	61
International	126	92
Support services	1	(5)
Capital Management	72	160
Asset management operations	463	542
Covered business:		
Sanlam UK	39	38
Central Credit Manager	71	-
Sanlam Investments total	573	580

Assets under management

R million	Assets under management		Fee income		Administration cost	
	June 2017	December 2016(1)	June 2017	December 2016(1)	June 2017	December 2016(1)
	R million	R million	(%)	(%)	(%)	(%)
Investment Management	666 717	672 154	0,30	0,31	0,23	0,22
Investment Management SA	151 565	142 360	0,69	0,77	0,55	0,61
Wealth Management	149 534	141 411	0,71	0,71	0,50	0,59
International	(168 735)	(163 622)	-	-	-	-
Intra-cluster eliminations						

Asset management operations	799 081	792 303
Covered business:		
Sanlam UK	44 533	42 827
Central Credit Manager	25 278	-
Sanlam Investments total	868 892	835 130

(1) Audited.

Asset mix of assets under management

R million	Fixed interest	Equities	Offshore	Properties	Cash	Total
30 June 2017 - reviewed						
Investment Management SA	133 375	320 760	69 323	19 494	123 765	666 717
Wealth Management International	-	118 835	29 487	-	3 243	151 565
Intra-cluster consolidation	-	-	149 534	-	-	149 534
Assets under management - Sanlam Investments	133 375	439 595	248 344	19 494	127 008	799 081
31 December 2016 - audited						
Investment Management SA	160 501	308 452	67 703	19 865	115 633	672 154
Wealth Management International	-	108 791	29 464	-	4 105	142 360
Intra-cluster consolidation	-	-	141 411	-	-	141 411
Assets under management - Sanlam Investments	160 501	417 243	238 578	19 865	119 738	792 303

Covered business (1)

R million	Sanlam Investments and Pensions		Central Credit Manager	
	2017	2016	2017	2016
Analysis of attributable earnings				
Financial services income	166	186	190	-
Sales remuneration	(57)	(76)	-	-
Income after sales remuneration	109	110	190	-
Administration cost	(70)	(72)	(91)	-
Gross results from financial services	39	38	99	-
Tax on result from financial services	-	-	(28)	-
Net result from financial services	39	38	71	-
Net investment return	-	2	31	-
Normalised attributable earnings	39	40	102	-

(1) Sanlam Investments and Pensions included in Investment Management and Central Credit Manager included in Capital Management above.

2.4 Santam

R million	2017	2016
Business volumes		
Gross written premiums	13 795	12 134
Net earned premiums	10 551	9 700
Net fund flows	3 298	3 411
Earnings		
Underwriting result	422	616
Net earned premiums	10 551	9 700
Sales remuneration	(1 255)	(1 217)
Claims incurred	(7 252)	(6 289)
Administration costs	(1 622)	(1 578)
Investment return on insurance funds	338	291
Net insurance result	760	907
Strategic investments	101	76
Saham Finances	62	55
SEM target shares	39	21
Gross result from financial services	861	983
Tax and non-controlling interest	(524)	(595)
Net result from financial services	337	388

Insurance activities

R million	Gross written premiums		Underwriting result	
	2017	2016	2017	2016
Motor	5 944	5 316	459	297
Property	4 188	3 772	(415)	18
Alternative risk	1 710	1 334	(6)	18
Engineering	645	579	114	81
Liability	566	489	93	172
Transportation	356	333	12	21
Crop	72	108	131	8
Other	314	203	34	1
Total	13 795	12 134	422	616

Ratios

Administration cost ratio(1)	15,4%	16,3%
Claims ratio(1)	68,7%	64,8%
Underwriting margin(1)	4,0%	6,4%
Investment return on insurance funds margin	3,2%	3,0%

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

2.5 Sanlam Corporate
Analysis of Group Equity Value (GEV)

	GEV at the beginning of period	Earnings	Net capital investment	Dividend paid	GEV at the end of period	RoGEV (%)
R million						
30 June 2017 - reviewed						
Covered business	5 523	347	(355)	(177)	5 338	6,6
Non-life operations	862	216	-	4	1 082	25,1
AfroCentric	775	210	-	5	990	27,1
Other operations	87	6	-	(1)	92	6,9
Group Equity Value	6 385	563	(355)	(173)	6 420	9,2
31 December 2016 - audited						
Covered business	5 577	437	(64)	(427)	5 523	7,8
Non-life operations	777	176	-	(91)	862	22,7
AfroCentric	783	156	-	(84)	775	22,2
Other operations	74	20	-	(7)	87	27,0
Group Equity Value	6 354	613	(64)	(518)	6 385	9,6

Business volumes
Sanlam Employee Benefits

	2017	2016
R million		
New business volumes	2 041	2 142
Recurring premiums	294	121
Guaranteed	152	75
Risk	142	46
Single premiums	1 747	2 021
Guaranteed	457	843
Risk	4	-
Retirement	1 041	1 012
Annuity	152	106
Special structures	93	60
Net fund flows	529	179
Value of new business	26	11
Present value of new business	3 790	2 800
New business margin	0,69%	0,39%

Analysis of earnings

R million	Sanlam Employee Benefits		Sanlam Healthcare and other		Total	
	2017	2016	2017	2016	2017	2016
Financial services income	2 091	1 905	166	119	2 257	2 024
Sales remuneration	(28)	(28)	-	-	(28)	(28)
Income after sales remuneration	2 063	1 877	166	119	2 229	1 996
Underwriting policy benefits	(1 309)	(1 198)	-	-	(1 309)	(1 198)
Administration cost	(510)	(483)	(67)	(58)	(577)	(541)
Result from financial services	244	196	99	61	343	257
Tax on result from financial services	(67)	(55)	(32)	(16)	(99)	(71)
Non-controlling interest	-	-	-	-	-	-
Net result from financial services	177	141	67	45	244	186
Risk underwriting	56	36	-	-	56	36
Investments	99	95	-	-	99	95
Administration and other	22	10	67	45	89	55
Net investment return	95	20	-	-	95	20
Net investment income	45	67	-	-	45	67
Net investment surpluses	50	(47)	-	-	50	(47)
Net other earnings	-	-	(12)	(17)	(12)	(17)
Normalised attributable earnings	272	161	55	28	327	189

2.6 Valuation methodology

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

R million	Fair value	
	June 2017 Reviewed	December 2016 Audited
Valuation method		
Discounted cash flows	37 385	32 559
Sanlam Investments	13 349	13 240
Investment Management SA	6 036	6 514
Wealth Management	2 005	2 066
International	5 308	4 660
Sanlam Emerging Markets	19 213	14 795
Shriram Capital(1)	8 668	7 963
Saham Finances	6 600	3 197
Letshego(1)	1 182	1 190
Pacific & Orient	480	476
Capricorn Investment Holdings(1)	991	1 077
Other operations	1 372	892
Sanlam Personal Finance	3 741	3 662
Glacier	2 301	2 192
Sanlam Personal Loans	990	999

Other operations	450	471
Sanlam Corporate	1 082	862
AfroCentric	990	775
Other operations	92	87
Net asset value	2 175	2 362
Sanlam Investments	1 163	1 430
Investment Management SA	579	557
Wealth Management	150	89
International	184	184
Capital Management	250	600
Sanlam Emerging Markets	1 012	932
	39 560	34 921

(1) Includes the listed businesses at directors' valuation of R6 717 million (2016: R6 189 million) for Shriram Capital, R1 102 million (2016: R1 190 million) for Letshego and R991 million (2016: R1 077 million) for Capricorn Investment Holdings. The listed values of these operations are R7 258 million (2016: R5 923 million), R995 million (2016: R1 008 million) and R1 135 million (2016: R1 159 million) respectively.

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

	Change in assumption			
	June 2017			
Risk discount rate (RDR)	1,0			
Perpetuity growth rate (PGR)	1,0			
R million	Weighted average assumption	Base value	Decrease in assumption	Increase in assumption
Discounted cash flows	RDR = 14,8% (2016: 14,5%)	37 385	43 046	33 054
Perpetuity growth rate	PGR = 2 - 5% (2016: 2 - 5%)	37 385	35 054	40 495

3. Normalised diluted earnings per share

Cents	June reviewed	
	2017	2016
Normalised diluted earnings per share:		
Net result from financial services	197,9	196,8
Headline earnings	218,7	208,0
Profit attributable to shareholders' fund	233,4	204,1

R million

Analysis of normalised earnings (refer shareholders' fund income statement above):

Net result from financial services	4 056	4 028
Headline earnings	4 481	4 256
Profit attributable to shareholders' fund	4 783	4 176

Reconciliation of normalised headline earnings:

Headline earnings	4 565	5 597
Less: Fund transfers	(84)	(1 341)
Normalised headline earnings	4 481	4 256

Million

Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share	2 026,0	2 018,8
Add: Weighted average Sanlam shares held by policyholders	23,2	27,5
Adjusted weighted average number of shares for normalised diluted earnings per share	2 049,2	2 046,3

4. Value per share

R million	June 2017 Reviewed	December 2016 Audited
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Fair value per share is calculated on the Group shareholders' fund at fair value of R78 313 million (2016: R78 798 million), divided by 2 049.9 million (December 2016: 2 047.5 million) shares.

Net asset value per share is calculated on the Group shareholders' fund at net asset value of R52 906 million (2016: R53 915 million), divided by 2 049.9 million (2016: 2 047.5 million) shares.

Equity value per share is calculated on the Group Equity Value of R112 100 million (2016: R110 717 million), divided by 2 049.9 million (2016: 2 047.5 million) shares.

Number of shares for value per share		
Number of ordinary shares in issue	2 166,5	2 166,5
Shares held by subsidiaries in shareholders' fund	(137,7)	(138,9)
Outstanding shares in respect of Sanlam Limited long-term incentive schemes	21,1	19,9

Adjusted number of shares for value per share 2 049,9 2 047,5

5. Present value of holding company expenses
The present value of holding company expenses has been calculated by applying a multiple of 8.8 (2016: 8.9) to the after tax recurring corporate expenses.

6. Share repurchases
Sanlam shareholders granted general authorities to the Group at the 2017 and 2016 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire any shares in 2017.

Embedded value of covered business
at 30 June 2017

R million	Note	June	December
		2017 Reviewed	2016 Audited
Sanlam Personal Finance		37 924	38 216
Adjusted net worth(1)		6 670	8 358
Net value of in-force covered business		31 254	29 858
Value of in-force covered business		32 799	31 823
Cost of capital(1)		(1 545)	(1 965)
Sanlam Emerging Markets		7 946	6 370
Adjusted net worth		3 228	2 857
Net value of in-force covered business		4 718	3 513
Value of in-force covered business		7 000	5 712
Cost of capital		(621)	(562)
Non-controlling interest		(1 661)	(1 637)
Sanlam Investments		2 316	1 137
Sanlam UK		1 184	1 137
Adjusted net worth		508	466
Net value of in-force covered business		676	671
Value of in-force covered business		833	828
Cost of capital		(157)	(157)
Central Credit Manager		1 132	-
Adjusted net worth(1)		1 572	-
Net value of in-force covered business		(440)	-
Value of in-force covered business		-	-
Cost of capital(1)		(440)	-
Sanlam Corporate(2)		5 338	5 523
Adjusted net worth(1)		3 338	3 720
Net value of in-force covered business		2 000	1 803
Value of in-force covered business		2 917	2 857
Cost of capital(1)		(917)	(1 054)
Embedded value of covered business		53 524	51 246
Adjusted net worth(3)		15 316	15 401
Net value of in-force covered business	1	38 208	35 845
Embedded value of covered business		53 524	51 246

- (1) The Central Credit Manager was established during 2016 with a mandate to manage credit-related instruments on behalf of the Group's covered business operations. The credit risk capital (and related cost of capital) in respect of the investments managed by the Central Credit Manager were transferred from Sanlam Personal Finance and Sanlam Employee Benefits to the Central Credit Manager effective 1 January 2017 as follows:
- From Sanlam Personal Finance: R710 million of capital (R199 million of cost of capital);
- From Sanlam Employee Benefits: R367 million of capital (R108 million of cost of capital).
- (2) Sanlam Employee Benefits is part of the Sanlam Corporate cluster.
- (3) Excludes subordinated debt funding of Sanlam Life.

Change in embedded value of covered business
for the six months ended 30 June 2017

R million	Note	Six months reviewed				2016			
		2017	2016	Adjusted net worth	Adjusted net worth	2017	2016	Adjusted net worth	Adjusted net worth
		Total	Value of in-force	Cost of capital	Adjusted net worth	Total	Value of in-force	Cost of capital	Adjusted net worth
Embedded value of covered business at the beginning of the year		51 246	39 379	(3 534)	15 401	47 222	35 506	(3 392)	15 108
Value of new business	2	782	2 016	(105)	(1 129)	702	1 815	(107)	(1 006)
Net earnings from existing covered business		3 002	(891)	166	3 727	2 339	(982)	63	3 258
Expected return on value of in-force business		2 315	2 221	94	-	2 197	2 112	85	-
Expected transfer of profit to adjusted net worth		-	(3 142)	-	3 142	-	(3 007)	-	3 007
Operating experience variances	3	595	(1)	104	492	75	(150)	(8)	233
Operating assumption changes	4	92	31	(32)	93	67	63	(14)	18
Expected investment return on adjusted net worth		556	-	-	556	604	-	-	604
Embedded value earnings from operations		4 340	1 125	61	3 154	3 645	833	(44)	2 856
Economic assumption changes	5	150	149	4	(3)	764	753	25	(14)
Tax changes		-	-	-	-	488	724	(107)	(129)
Investment variances - value of in-force		(120)	(65)	3	(58)	190	192	(55)	53
Investment variances - investment return on adjusted net worth		(151)	-	-	(151)	(528)	-	-	(528)
Goodwill from business		(43)	(43)	-	-	(172)	(172)	-	-
Revaluation of business held for sale	6	745	745	-	-	-	-	-	-
Exchange rate movements		(39)	(42)	3	-	(241)	(278)	37	-
Embedded value earnings from covered business		4 882	1 869	71	2 942	4 146	2 052	(144)	2 238
Acquired value of in-force		690	423	-	267	853	541	-	312
Transfers from/(to) other Group operations		-	-	-	-	49	49	-	-
Transfers from covered business		(3 294)	-	-	(3 294)	(2 304)	-	-	(2 304)
Embedded value of covered business at the end of the period		53 524	41 671	(3 463)	15 316	49 966	38 148	(3 536)	15 354

Analysis of earnings from covered business								
Sanlam Personal Finance	3 234	976	99	2 159	4 427	2 495	(11)	1 943
Sanlam Emerging Markets	1 148	828	(46)	366	(43)	(186)	(60)	203
Sanlam Investments	153	5	4	144	(169)	(125)	25	(69)
Sanlam UK	47	5	-	42	(169)	(125)	25	(69)
Central Credit Manager	106	-	4	102	-	-	-	-
Sanlam Corporate	347	60	14	273	(69)	(132)	(98)	161
Embedded value earnings from covered business	4 882	1 869	71	2 942	4 146	2 052	(144)	2 238

Value of new business
for the six months ended 30 June 2017

R million	Six months reviewed	
	2017	2016
Value of new business (at point of sale):		
Gross value of new business	957	917
Sanlam Personal Finance	643	557
Sanlam Emerging Markets	256	312
Sanlam Investments	4	12
Sanlam Corporate	54	36
Cost of capital	(111)	(119)
Sanlam Personal Finance	(58)	(58)
Sanlam Emerging Markets	(21)	(35)
Sanlam Investments	(4)	(1)
Sanlam Corporate	(28)	(25)
Value of new business	846	798
Sanlam Personal Finance	585	499
Sanlam Emerging Markets	235	277
Sanlam Investments	-	11
Sanlam Corporate	26	11
Value of new business attributable to:		
Shareholders' fund	782	702
Sanlam Personal Finance	585	499
Sanlam Emerging Markets	171	181
Sanlam Investments	-	11
Sanlam Corporate	26	11
Non-controlling interest	64	96
Sanlam Personal Finance	-	-
Sanlam Emerging Markets	64	96
Sanlam Investments	-	-
Sanlam Corporate	-	-
Value of new business	846	798
Geographical analysis:		
South Africa	611	510
Africa	193	239
Other international	42	49
Value of new business	846	798
Analysis of new business profitability:		
Before non-controlling interest:		
Present value of new business premiums	31 230	30 735
Sanlam Personal Finance	21 164	20 038
Sanlam Emerging Markets	4 820	5 688
Sanlam Investments	1 456	2 209
Sanlam Corporate	3 790	2 800
New business margin	2,71%	2,60%
Sanlam Personal Finance	2,76%	2,49%
Sanlam Emerging Markets	4,88%	4,87%
Sanlam Investments	-	0,50%
Sanlam Corporate	0,69%	0,39%
After non-controlling interest:		
Present value of new business premiums	29 976	28 759
Sanlam Personal Finance	21 164	20 038
Sanlam Emerging Markets	3 566	3 712
Sanlam Investments	1 456	2 209
Sanlam Corporate	3 790	2 800
New business margin	2,61%	2,44%
Sanlam Personal Finance	2,76%	2,49%
Sanlam Emerging Markets	4,80%	4,88%
Sanlam Investments	-	0,50%
Sanlam Corporate	0,69%	0,39%

Notes to the embedded value of covered business
for the six months ended 30 June 2017 - reviewed

1. Value of in-force sensitivity analysis

	Gross value of in-force business	Cost of capital	Net value of in-force business	Change from base value (%)
R million	R million	R million	R million	
Base value at 30 June 2017	41 671	(3 463)	38 208	
- Risk discount rate increase by 1%	39 450	(4 138)	35 312	(8)
Base value at 31 December 2016	39 379	(3 534)	35 845	
- Risk discount rate increase by 1%	37 204	(4 094)	33 110	(8)

2. Value of new business sensitivity analysis

Base value at 30 June 2017	887	(105)	782	
- Risk discount rate increase by 1%	766	(119)	647	(17)
Base value at 30 June 2016	809	(107)	702	
- Risk discount rate increase by 1%	702	(124)	578	(18)

3. Operating experience variances

R million	Total	Value of in-force	Cost of capital	Adjusted net worth
Six months-Reviewed 2017				
Risk experience	261	71	(6)	196
Persistency	(114)	(78)	13	(49)
Maintenance expenses	1	2	2	(3)
Working capital	191	2	-	189
Credit spread	170	-	-	170
Other	86	2	95	(11)
Total operating experience variances 2016	595	(1)	104	492
Risk experience	80	(20)	(3)	103
Persistency	(99)	(56)	2	(45)
Maintenance expenses	(57)	(1)	-	(56)
Working capital and other	151	(73)	(7)	231
Total operating experience variances	75	(150)	(8)	233

4. Operating assumption changes

R million	Total	Value of in-force	Cost of capital	Adjusted net worth
Six months - Reviewed 2017				
Risk experience	71	50	2	19
Persistency	-	7	(3)	(4)
Maintenance expenses	7	(13)	-	20
Modelling improvements and other	14	(13)	(31)	58
Total operating assumption changes 2016	92	31	(32)	93
Risk experience	50	3	-	47
Persistency	(50)	(16)	-	(34)
Maintenance expenses	80	59	(2)	23
Modelling improvements and other	(13)	17	(12)	(18)
Total operating assumption changes	67	63	(14)	18

5. Economic assumption changes

R million	Total	Value of in-force	Cost of capital	Adjusted net worth
Six months - Reviewed 2017				
Investment yields	149	148	4	(3)
Long-term asset mix assumptions and other	1	1	-	-
Total economic assumption changes 2016	150	149	4	(3)
Investment yields	759	748	25	(14)
Long-term asset mix assumptions and other	5	5	-	-
Total economic assumption changes	764	753	25	(14)

6. Revaluation of business held for sale

Sanlam Emerging Markets entered into agreements for the disposal of its 49% stake in Enterprise Life Assurance Company in Ghana during the second quarter of 2017. The revaluation of the disposal value amounted to R745 million.

7. Economic assumptions

%	June		December
	Reviewed 2017	2016	Audited 2016
Gross investment return, risk discount rate and inflation			
Sanlam Life			
Point used on the relevant yield curve	9 year	9 year	9 year
Fixed-interest securities	9,1	9,0	9,2
Equities and offshore investments	12,6	12,5	12,7
Hedged equities	8,5	8,4	8,6
Property	10,1	10,0	10,2
Cash	8,1	8,0	8,2
Inflation rate(1)	7,1	7,0	7,2
Risk discount rate	11,6	11,5	11,7

(1) Expense inflation of 11.1% (Dec 2016: 11.2%) assumed for retail business administered on old platforms.

Sanlam Developing Markets

Point used on the relevant yield curve	5 year	5 year	5 year
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Fixed-interest securities	8,2	8,5	8,6
Equities and offshore investments	11,7	12,0	12,1
Hedged equities	7,2	n/a	7,6
Property	9,2	9,5	9,6
Cash	7,2	7,5	7,6
Inflation rate	6,2	6,5	6,6
Risk discount rate	10,7	11,0	11,1
Sanlam Investments and Pensions			
Point used on the relevant yield curve	15 year	15 year	15 year
Fixed-interest securities	1,7	1,5	1,7
Equities and offshore investments	4,9	4,8	4,9
Hedged equities	n/a	n/a	n/a
Property	4,9	4,8	4,9
Cash	1,7	1,5	1,7
Inflation rate	3,3	2,9	3,4
Risk discount rate	5,4	5,3	5,4
Botswana Life Insurance			
Fixed-interest securities	7,0	7,0	7,0
Equities and offshore investments	10,5	10,5	10,5
Hedged equities	n/a	n/a	n/a
Property	8,0	8,0	8,0
Cash	6,0	6,0	6,0
Inflation rate	4,0	4,0	4,0
Risk discount rate	10,5	10,5	10,5

Illiquidity premiums

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

Assumed illiquidity premiums generally amount to between 25bps and 60bps (Dec 2016: 25bps and 60bps) for non-participating annuities, between 25bps and 75bps (Dec 2016: 25bps to 75bps) for inflation-linked annuities and capped at 120bps reflecting both illiquidity premium and credit risk premium (Dec 2016: 120bps) for guarantee plans.

Asset mix for assets supporting required capital

%	R million	Fixed-interest securities	Equities	Offshore	Hedged equities	Property	Cash	Total
June 2017 - reviewed								
Required capital								
South Africa	11 570	-	3	7	77	-	13	100
Namibia	493	6	36	-	-	-	58	100
Botswana	343	-	-	-	-	50	50	100
Ghana	48	35	40	-	-	20	5	100
Kenya	76	35	40	-	-	15	10	100
Other Africa	787	66	5	-	-	5	24	100
India	185	30	66	-	-	-	4	100
South-East Asia	231	72	19	-	-	-	9	100
Other International	435	-	-	-	-	-	100	100
Total required capital	14 168							
Free surplus	1 148							
Adjusted net worth	15 316							

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

%	June Reviewed 2017	December Audited 2016	June Reviewed 2016
Return on required capital			
Sanlam Life			
Gross return on required capital	8,8	8,7	8,9
Net return on required capital	7,1	7,0	7,2
Sanlam Developing Markets			
Gross return on required capital	8,1	9,8	8,5
Net return on required capital	6,7	7,6	7,1
Sanlam Investments and Pensions			
Gross return on required capital	1,7	1,5	1,7
Net return on required capital	1,4	1,2	1,4

Botswana Life Insurance			
Gross return on required capital	6,9	6,9	6,9
Net return on required capital	5,2	5,2	5,2
Sanlam Life Namibia			
Gross return on required capital	10,0	9,9	10,1
Net return on required capital	8,8	8,7	8,9
Sanlam Namibia Holdings			
Gross return on required capital	8,7	8,7	8,9
Net return on required capital	7,6	7,6	7,8

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Independent auditors' review report on interim condensed consolidated financial statements

To the shareholders of Sanlam Limited

Introduction

We have reviewed the condensed consolidated financial statements of Sanlam Limited, contained in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2017 and condensed consolidated statements of comprehensive income, changes in equity and cash flow for the six-month period then ended and selected explanatory notes.

Directors' responsibility for the interim financial statements

The directors of Sanlam Limited are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 - "Interim Financial Reporting", the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements. We conducted our review in accordance with International Standard of Review Engagements (ISRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review is substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Sanlam Limited for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting", the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Ernst & Young Inc.

Director: Johanna Cornelia de Villiers
Registered Auditor
Chartered Accountant (SA)

No.3 Dock Road
Waterway House
V&A Waterfront
Cape Town

6 September 2017

Group statement of financial position
at 30 June 2017

	Reviewed June 2017	Audited December 2016
R million		
ASSETS		
Equipment	876	881
Owner-occupied properties	1 151	1 171
Goodwill	3 714	3 596
Value of business acquired	1 703	1 606
Other intangible assets	530	575
Deferred acquisition costs	3 608	3 597
Long-term reinsurance assets	1 014	958
Investments	615 353	592 945
Properties	11 693	10 664
Equity-accounted investments	26 379	21 560
Equities and similar securities	182 186	176 944
Interest-bearing investments	174 607	170 584
Structured transactions	13 281	13 756
Investment funds	170 890	161 050
Cash, deposits and similar securities	36 317	38 387
Deferred tax	1 926	1 880

Assets of disposal groups classified as held for sale	423	663
General insurance technical assets	6 521	5 022
Working capital assets	52 776	59 665
Trade and other receivables	34 168	40 904
Cash, deposits and similar securities	18 608	18 761
Total assets	689 595	672 559
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital and premium	22	22
Treasury shares	(3 913)	(3 790)
Other reserves	9 964	9 903
Retained earnings	46 475	47 255
Shareholders' fund	52 548	53 390
Non-controlling interests	5 658	5 696
Total equity	58 206	59 086
Long-term policy liabilities	497 168	483 748
Insurance contracts	176 078	177 675
Investment contracts	321 090	306 073
Term finance	7 312	6 466
Margin business	1 724	1 652
Other interest-bearing liabilities	5 588	4 814
Structured transactions liabilities	1 366	1 298
External investors in consolidated funds	58 096	55 486
Cell owners' interest	2 989	1 153
Deferred tax	2 153	2 069
General insurance technical provisions	18 578	14 557
Working capital liabilities	43 727	48 696
Trade and other payables	41 583	46 636
Provisions	335	332
Taxation	1 809	1 728
Total equity and liabilities	689 595	672 559

Group statement of comprehensive income
for the six months ended 30 June 2017

R million	Note	Reviewed 2017	Reviewed 2016
Net income		47 289	49 796
Financial services income		30 465	28 514
Reinsurance premiums paid		(4 380)	(3 828)
Reinsurance commission received		742	657
Investment income		14 921	14 494
Investment surpluses		8 281	11 940
Finance cost - margin business		(54)	(54)
Change in fair value of external investors' liability		(2 686)	(1 927)
Net insurance and investment contract benefits and claims		(28 084)	(31 237)
Long-term insurance and investment contract benefits		(21 390)	(25 403)
General insurance claims		(10 901)	(8 658)
Reinsurance claims received		4 207	2 824
Expenses		(12 485)	(12 088)
Sales remuneration		(4 073)	(3 937)
Administration costs		(8 412)	(8 151)
Impairments		(27)	(147)
Amortisation of intangibles		(146)	(153)
Net operating result		6 547	6 171
Equity-accounted earnings		1 296	985
Finance cost - other		(501)	(311)
Profit before tax		7 342	6 845
Taxation		(1 962)	(858)
Shareholders' fund(1)		(1 439)	(518)
Policyholders' fund		(523)	(340)
Profit for the period		5 380	5 987
Other comprehensive income: to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve		(306)	(1 591)
Other comprehensive income of equity-accounted investments		4	(34)
Movement in cash flow hedge		(40)	(428)
Comprehensive income for the period		5 038	3 934
Allocation of comprehensive income:		5 380	5 987
Profit for the period			
Shareholders' fund		4 867	5 517
Non-controlling interests		513	470
Comprehensive income for the period		5 038	3 934
Shareholders' fund		4 622	3 647
Non-controlling interests		416	287
Earnings attributable to shareholders of the Company (cents):			
Profit for the period			
Basic earnings per share	1	242,8	276,0
Diluted earnings per share	1	240,2	273,3

(1) As described in the basis of preparation, comparative information has been restated for the recognition of deferred tax assets of R1 275 million in respect of certain assessed losses in the policyholder funds after the introduction of a separate Risk Policy Fund for South African insurance companies during 2016.

Group statement of changes in equity
for the six months ended 30 June 2017

R million	Reviewed 2017	Reviewed 2016
Shareholders' fund		
Balance at beginning of the period	53 390	53 621
Comprehensive income	4 622	3 647
Profit for the period(1)	4 867	5 517
Other comprehensive income	(245)	(1 870)
Net acquisition of treasury shares(2)	(245)	(566)
Share-based payments	181	168
Acquisitions, disposals and other movements in interests	-	(28)
Dividends paid(3)	(5 400)	(4 916)
Balance at end of the period	52 548	51 926
Non-controlling interests		
Balance at beginning of the period	5 696	6 571
Comprehensive income	416	287
Profit for the period	513	470
Other comprehensive income	(97)	(183)
Net acquisition of treasury shares(2)	(27)	(40)
Share-based payments	16	19
Acquisitions, disposals and other movements in interests	46	(34)
Dividends paid	(489)	(635)
Balance at end of the period	5 658	6 168
Shareholders' fund	53 390	53 621
Non-controlling interests	5 696	6 571
Total equity at beginning of the period	59 086	60 192
Shareholders' fund	52 548	51 926
Non-controlling interests	5 658	6 168
Total equity at end of the period	58 206	58 094

(1) As described in the basis of preparation, comparative information has been restated for the recognition of deferred tax assets of R1 275 million in respect of certain assessed losses in the policyholder funds after the introduction of a separate Risk Policy Fund for South African insurance companies during 2016.

(2) Comprises movement in cost of shares held by subsidiaries, the share incentive trust and other consolidated funds.

(3) Dividend of 268 cents per share declared and paid during 2017 in respect of the 2016 financial year (2016: 245 cents).

Group cash flow statement
for the six months ended 30 June 2017

R million	Reviewed 2017	Restated Reviewed 2016
Cash flow from operating activities	10 333	(3 231)
Cash flow from investment activities	(13 444)	(2 704)
Cash flow from financing activities	548	25
Net increase in cash and cash equivalents	(2 563)	(5 910)
Net foreign exchange difference	(5)	58
Cash, deposits and similar securities at beginning of the period	52 621	54 046
Cash, deposits and similar securities at end of the period	50 053	48 194

Restatement of the Group cash flow statement

Cash, deposits and similar securities disclosed in the statement of financial position include financial instruments of varying durations in line with the definition of the Solvency Assessment and Management regime being implemented in South Africa and the operational management of liquidity by the Group. During 2016, the Group reassessed the application of IAS 7 to liquid instruments held to match certain five-year guaranteed investment contracts issued to policyholders by a subsidiary. The application of IAS 7 to these instruments was amended, resulting in a reallocation of R25 million between the movement in cash, deposits and similar securities and cash flows from investment activities for 2016.

R million	Previously reported	2016 Policyholder activities adjustments	Restated
Cash flow from operating activities	(3 231)	-	(3 231)
Cash flow from investment activities	(2 679)	(25)	(2 704)
Cash flow from financing activities	25	-	25
Net increase in cash and cash equivalents	(5 885)	(25)	(5 910)
Net foreign exchange difference	58	-	58
Cash, deposits and similar securities at beginning of the period	57 343	(3 297)	54 046
Cash, deposits and similar securities at end of the period	51 516	(3 322)	48 194

Notes to the interim condensed consolidated financial statements
for the six months ended 30 June 2017

1. Earnings per share

For basic earnings per share the weighted average number of ordinary shares is adjusted for the treasury shares held by subsidiaries, consolidated investment funds and policyholders. Basic earnings per share is calculated by dividing earnings by the adjusted weighted average number of shares in issue.

For diluted earnings per share the weighted average number of ordinary shares is adjusted for the shares not yet issued under the Sanlam Share Incentive Scheme and treasury shares held by subsidiaries, consolidated investment funds and policyholders. Diluted earnings per share is calculated by dividing earnings by the adjusted diluted weighted average number of shares in issue.

Refer above for normalised earnings per share, which is based on the economic earnings attributable to the shareholders' fund, and should also be used when evaluating the Group's economic performance.

	Reviewed 2017	Restated Reviewed 2016	Previously Reported Reviewed 2016
Cents			
Basic earnings per share(1):			
Headline earnings	227,7	280,0	216,2
Profit attributable to shareholders' fund	242,8	276,0	212,2
Diluted earnings per share(1):			
Headline earnings	225,3	277,2	214,1
Profit attributable to shareholders' fund	240,2	273,3	210,1

R million

Analysis of earnings(1):			
Profit attributable to shareholders' fund	4 867	5 517	4 242
Less: Net loss/(profit) on disposal of operations	(150)	(34)	(34)
Loss/(profit) on disposal of subsidiaries and associated companies	(188)	(37)	(37)
Tax on loss/(profit) on disposal of subsidiaries and associated companies	-	3	3
Non-controlling interests	38	-	-
Less: Equity-accounted non-headline earnings	(173)	3	3
Plus: Impairments	21	111	111
Gross impairments	27	147	147
Tax on impairments	(1)	(12)	(12)
Non-controlling interests	(5)	(24)	(24)
Headline earnings	4 565	5 597	4 322

Million

Number of shares:		
Number of ordinary shares in issue at beginning of the period	2 166,5	2 166,5
Less: Weighted Sanlam shares held by subsidiaries and consolidated investment funds (including policyholders)	(161,6)	(167,7)
Adjusted weighted average number of shares for basic earnings per share	2 004,9	1 998,8
Add: Number of shares in respect of Sanlam Limited long-term incentive schemes	21,1	20,0
Adjusted weighted average number of shares for diluted earnings per share	2 026,0	2 018,8

(1) As described in the basis of preparation, comparative information has been adjusted for the recognition of a deferred tax asset relating to the introduction of a separate Risk Policy Fund (RPF) for South African insurance companies during 2016.

2. Reconciliation of segmental information(1)

	Reviewed 2017	Reviewed 2016
R million		
Segment financial services income (per shareholders' fund income statement)	28 004	26 660
Sanlam Personal Finance(2)	8 471	7 960
Sanlam Emerging Markets	3 525	3 687
Sanlam Investments(2)	2 627	2 802
Santam	10 990	10 067
Sanlam Corporate(2)	2 257	2 024
Group Office and other	134	120
IFRS adjustments	2 461	1 854
Total financial services income	30 465	28 514
Segment results (per shareholders' fund income statement after tax and non-controlling interest)	4 783	4 176
Sanlam Personal Finance(2)	2 849	2 524
Sanlam Emerging Markets	1 051	728
Sanlam Investments(2)	596	505
Santam	523	481
Sanlam Corporate(2)	327	189
Group Office and other	(563)	(251)
Non-controlling interests included in segment result	513	470
Fund transfers	84	1 341
Total profit for the period	5 380	5 987

(1) Additional segmental information is provided in the Shareholders' information.

(2) Comparative information has been adjusted for the reallocation of business units from Sanlam Personal Finance and Sanlam Investments to the Sanlam Corporate cluster.

3. Contingent liabilities

Shareholders are referred to the contingent liabilities disclosed in the 2016 annual report. The circumstances surrounding the contingent liabilities remain materially unchanged.

4. Subsequent events

All conditions precedent to the disposal of the Group's stakes in the Enterprise Group and the acquisition of a 53% stake in BrightRock Holdings were fulfilled during August 2017 and September 2017, respectively. Due to the timing of the BrightRock Holdings transaction, the acquisition accounting will be finalised in the second half of 2017. No further material facts or circumstances have arisen between the dates of the statement of financial position and this report that affect the financial position of the Sanlam Group at 30 June 2017 as reflected in these financial statements.

5. Fair value disclosures

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining

the measurements. It should be noted that these disclosures only cover assets and liabilities measured at fair value.

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

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

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

R million	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
30 June 2017 - reviewed				
Equities and similar securities	179 589	2 211	386	182 186
Interest-bearing investments	45 622	127 923	34	173 579
Structured transactions	6 688	6 593	-	13 281
Investment funds	151 776	18 675	439	170 890
Trading account assets	5 318	10 643	-	15 961
Cash, deposits and similar securities	22 597	13 720	-	36 317
Investment in joint ventures and associates	-	-	436	436
Total assets at fair value	411 590	179 765	1 295	592 650
Investment contract liabilities	-	319 118	1 972	321 090
Term finance	-	5 311	-	5 311
Structured transactions liabilities	-	1 366	-	1 366
Trading account liabilities	2 283	14 615	-	16 898
External investors in consolidated funds	57 512	-	584	58 096
Total liabilities at fair value	59 795	340 410	2 556	402 761

31 December 2016 - audited				
Equities and similar securities	174 452	2 072	420	176 944
Interest-bearing investments	48 621	120 570	392	169 583
Structured transactions	6 502	7 254	-	13 756
Investment funds	143 374	17 209	467	161 050
Trading account assets	3 661	19 288	-	22 949
Cash, deposits and similar securities	22 792	15 595	-	38 387
Investment in joint ventures	-	-	423	423
Total assets at fair value	399 402	181 988	1 702	583 092
Investment contract liabilities	-	303 761	2 312	306 073
Term finance	-	4 300	201	4 501
Structured transactions liabilities	-	1 298	-	1 298
Trading account liabilities	1 828	21 170	-	22 998
External investors in consolidated funds	54 389	493	604	55 486
Total liabilities at fair value	56 217	331 022	3 117	390 356

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

R million	Equities and similar securities	Interest bearing investments	Investment funds	Investment in joint ventures	Total assets
Assets					
30 June 2017 - reviewed					
Balance at 1 January 2017	420	392	467	423	1 702
Total gain/(loss) in statement of comprehensive income	(31)	(1)	(28)	13	(47)
Acquisitions	-	4	-	-	4
Foreign exchange movements	(3)	(4)	-	-	(7)
Settlements	-	(357)	-	-	(357)
Balance at 30 June 2017	386	34	439	436	1 295
31 December 2016 - audited					
Balance at 1 January 2016	430	490	507	-	1 427
Total gain/(loss) in statement of comprehensive income	36	(114)	(33)	-	(111)
Acquisitions	54	50	-	423	527
Disposals	(83)	-	(7)	-	(90)
Foreign exchange movements	(17)	(34)	-	-	(51)
Balance at 31 December 2016	420	392	467	423	1 702

R million	Investment contract liabilities	Term finance	External investors in consolidated funds	Total liabilities
Liabilities				
30 June 2017 - reviewed				
Balance at 1 January 2017	2 312	201	604	3 117
Total gain in statement of comprehensive income	45	-	(16)	29
Acquisitions	27	-	-	27
Disposals	(59)	-	-	(59)
Settlements	(357)	(201)	-	(558)
Foreign exchange movements	-	4	(4)	-
Balance at 30 June 2017	1 972	-	584	2 556
31 December 2016 - audited				
Balance at 1 January 2016	3 178	359	-	3 537
Total gain/(loss) in statement of comprehensive income	(84)	-	(67)	(151)

Acquisitions	201	-	-	201
Disposals	(335)	-	-	(335)
Settlements	-	(134)	-	(134)
Foreign exchange movements	(648)	(24)	-	(672)
Transfers in(1)	-	-	671	671
Balance at 31 December 2016	2 312	201	604	3 117

(1) The market for the shares to which the external investors in consolidated funds relate became inactive in 2016.

	Six months Reviewed	Full year Audited
(realised and unrealised) included in profit and loss	2017	2016
Total gains or losses included in profit or loss for the period	(76)	597
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	(24)	515

Transfers between categories

R million	Equities and similar securities	Interest- bearing invest- ments(1)	Structured trans- actions	Invest- ment funds	Cash, deposits and similar securities	Total assets
Financial assets						
Six months						
Reviewed - 2017						
Transfer from level 1 to level 2	-	259	-	-	-	259
Transfer from level 2 to level 1	-	3	-	-	-	3
Full year						
Audited - 2016						
Transfer from level 1 to level 2	-	15 521	162	-	350	16 033
Transfer from level 2 to level 1	-	10	-	6	-	16

R million	External investors in consoli- dated funds(2)	Term finance(1)	Total liabilities
Liabilities			
Six months			
Reviewed - 2017			
Transfer from level 2 to level 1		357	357
Full year			
Audited - 2016			
Transfer from level 1 to level 2		3 145	3 145

(1) During the year ended December 2016 management have re-evaluated their determination of what constitutes an active market to a more conservative approach. As a result, certain bonds are now considered to be classified as level 2 valuations. During the 6 months ended June 2017, instruments that were not actively traded in the market have been transferred from level 1 to level 2. Conversely, instruments that have become actively traded in the market have been transferred from level 2 to level 1.

(2) External investors in consolidated funds transfers relate to investment funds that listed during the 6 months ended June 2017. As a result, those funds are now classified as level 1.

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

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant unobservable input
Equities and similar securities	2 and 3	Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Cost of Capital Earnings multiple
Interest-bearing investments (including insurance policies)	2 and 3	DCF, Earnings multiple, Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Earnings multiple Discount Rate
Structured transactions assets and liabilities	2	Option pricing models DCF	Bond and interbank swap interest rate curve, Forward equity and currency rates, Volatility risk adjustments	n/a
Investment contract liabilities and investment funds	2 and 3	Current unit price of underlying unitised asset, multiplied by the number of units held Earnings multiple DCF	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index, Bond interest rate curve	Earnings multiple

Trading account assets and liabilities	2	DCF	Forward rate Credit risk spread Liquidity spread	n/a
Cash, deposits and similar securities	2	Mark to market Yield curve	Bond and interbank swap interest rate curve	n/a
Investment in joint ventures	3	DCF	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Cost of Capital
Term finance	2 and 3	DCF	Bond and forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	Liquidity spread
External investors in consolidated funds	2 and 3	Current unit price of unitised net asset value, multiplied by the number of units held	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Capitalisation Rate Discount Rate

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

R million	Effect of a 10% increase in carrying amount	Effect of a 10% decrease in multiple	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Six months - reviewed				
30 June 2017				
Other investments				
Equities and similar securities(2)	386	39	(39)	-
Interest-bearing investments	-	-	-	34
Investment funds(2)	439	44	(44)	-
Investment in joint ventures	-	-	-	436
Total assets	825	83	(83)	470
Liabilities				
Investment contract liabilities	1 972	197	(197)	-
External investors in consolidated funds	584	58	(58)	-
Total liabilities	2 556	255	(255)	-
Full year - audited				
31 December 2016				
Other investments				
Equities and similar securities(2)	420	42	(42)	-
Interest-bearing investments	361	36	(36)	31
Investment funds(2)	467	47	(47)	-
Investment in joint ventures	-	-	-	423
Total assets	1 248	125	(125)	454
Liabilities				
Investment contract liabilities(2)	2 312	231	(231)	-
Term finance	201	20	(20)	-
External investors in consolidated funds	604	60	(60)	-
Total liabilities	3 117	311	(311)	-

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

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

6. Business combinations

During 2017, the Group acquired subsidiaries for a total consideration of R448 million, resulting in a net cash inflow of R640 million.

7. Acquisition of associated companies

During May 2017, the Sanlam Group concluded the acquisition of an additional interest of 16.6% in Saham Finances for a total consideration of \$351 million (R4.8 billion). The cash flow hedge reserve of R32 million was released against the carrying value of the investment.

Administration

Registered name

Sanlam Limited
(Registration number: 1959/001562/06)
(Tax reference number: 9536/346/84/5)
JSE share code (primary listing): SLM
NSX share code: SLA
ISIN: ZAE00070660
Incorporated in South Africa

Transfer secretaries

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Group Company Secretary

Sana-Ullah Bray

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Sponsor

Deutsche Securities (SA) Proprietary Limited

Internet address

<http://www.sanlam.co.za>

Directors

J van Zyl (Chairman)(1), PT Motsepe (Deputy Chairman), IM Kirk(2) (Group Chief Executive), MM Bakane-Tuoane, CB Booth(5), AD Botha, P Hanratty(3), (4), MV Moosa, TI Mvusi(2), SA Nkosi (Lead independent director), K Nonduma, P de V Rademeyer, Y Ramiah(2), RV Simelane, CG Swanepoel, HC Werth(2), PL Zim

(1) Chairman since 8 June 2017

(2) Executive

(3) British

(4) Appointed 3 April 2017

(5) Resigned 8 March 2017