Sanlam Limited

Incorporated in the Republic of South Africa
(Registration number 1959/001562/06)
"Sanlam", "Sanlam Group", or "the Company"

JSE Share code (Primary listing): SLM
NSX share code: SLA
ISIN: ZAE000070660
A2X share code: SLM

Summarised audited results for the year ended 31 December 2018

Key features

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

Business volumes
- Net value of new covered business up 7.8% to R2 billion (up 14% on consistent economic basis)
- Net new covered business margin of 2.67% on consistent economic basis (2.94% in 2017)
- New business volumes increased by 1% to R223 billion
- Net fund inflows of R42 billion compared to R37 billion in 2017

Group Equity Value
- Group Equity Value per share of R63.41
- Return on Group Equity Value per share of 11.6%
- Adjusted Return on Group Equity Value per share of 19.4%; exceeding target of 13.0%

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

Salient results

for the year ended 31 December 2018		2018	2017	Change
Sanlam Group				
Earnings				
Net result from financial services per share	cents	423,6	417,2	2%
Normalised headline earnings per share (1)	cents	431,7	480,0	-10%
Diluted headline earnings per share	cents	441,1	481,3	-8%
Net result from financial services	R million	8 890	8 549	4%
Normalised headline earnings (1)	R million	9 056	9 835	-8%
Headline earnings	R million	9 162	9 757	-6%
Dividend per share	cents	312	290	8%
Business volumes				
New business volumes	R million	223 029	221 172	1%
Net fund inflows	R million	41 539	37 143	12%
Net new covered business				
Value of new covered business	R million	1 985	1 841	8%
Covered business PVNBP (2)	R million	74 378	62 604	19%
New covered business margin (3)	%	2,67	2,94	
Group Equity Value				
Group Equity Value	R million	134 052	121 763	10%
Group Equity Value per share	cents	6 341	5 940	7%
Return on Group Equity Value per share (4)	%	11,6	14,8	
SOLVENCY				
Sanlam Group SCR cover ratio	%	215	218	
Sanlam Life Insurance SCR cover ratio - covered business	%	221	233	

Notes

(1) Normalised headline earnings = headline earnings, excluding fund transfers.
(2) PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums plus single premiums.
(3) New covered business margin = value of new covered business as a percentage of PVNBP.
(4) 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.

EXECUTIVE REVIEW

We made major progress in executing on our strategic pillars during 2018. Our federal model and diversified profile are major contributors, enabling a dual focus on growing our existing operations while also concluding new corporate transactions to drive enhanced future growth. This diligent focus on strategic execution enabled us to achieve solid growth in 2018 and double-digit average growth rates in most key performance indicators over the last 10 years. Highlights for the year include two major transformative transactions that positions us well for sustainable future growth: the acquisition of the remaining stake in Saham Finances in October 2018 and the approval of a package of Broad-Based Black Economic Empowerment (BBBEE) transactions by shareholders in December 2018. Growth of 14% in the value of new covered business (VNB) on a consistent economic basis and more than R2 billion in positive experience variance is testimony to Sanlam's resilience in difficult times.

We entered 2018 with renewed optimism in South Africa. The election of Mr Cyril Ramaphosa as president of the African National Congress and South Africa boded well for an improved operating environment. Corporate and individual investor confidence soared, but it was unfortunately short lived. It was soon realised that it will take longer than expected to transform the positive changes into enhanced economic growth. Investor confidence faded as a result, compounded by international developments including a steady rise in the US Federal Reserve policy interest rate, the uncertainties surrounding Brexit and an escalating trade war between the US and China. Operating conditions in South Africa remained challenging as a result, with pedestrian economic growth, negative returns on the local equity market and currency volatility. The negative return of 9% for the JSE/FTSE All Share index compared to a positive return of 21% in 2017 had a pronounced impact on RoGEV and earnings growth in 2018.

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

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

The key highlights and challenges for the year are:

HIGHLIGHTS	CHALLENGES
Adjusted RoGEV of 19.4% per share exceeded the target of 13%	Weak investment markets impacted on Sanlam Investment Group (SIG) and Sanlam Personal Finace (SPF) profitability
Exceptional underwriting performance by Santam	New business volumes at SIG and Glacier under pressure from low investor confidence
Strong growth in VNB, with a sterling performance by Sanlam Sky and Sanlam Corporate	Adverse group risk claims experience continued in 2018
Continuation of track record of positive experience variances from covered business - exceeding R2 billion for the first time. Positive variances from all clusters and from various sources	Underperformance in East Africa and Letshego
Saham Finances acquisition concluded and consolidated from 1 October 2018	Saham Finances 2H18 results impacted by adverse claims experience and lower investment markets
Package of BBBEE transactions approved and successful book build of R5,5 billion in March 2018, increasing issued share capital by 3%	

CORPORATE GOVERNANCE

The board of directors of Sanlam ("Board") is committed to ensuring the continued practice of good corporate governance and have decided on the following:

i) Independent non-executive directors who have served on the board beyond 9 years would come up for rotation at the AGM on an annual basis going forward. Mr Anton Botha and Mr Sipho Nkosi would stand for re-election at the Annual General Meeting ("AGM") of the Company being held on 05 June 2019.
ii) Dr Van Zyl would step down as chair of the Board on or before the AGM of 03 June 2020. A suitable independent non-executive chairman would take his place. He would remain a non-executive director of the Board. He would step down as a member of the nominations committee.
iii) Mr Chris Swanepoel will officially retire in November 2020 (when he reaches the age of 70 - Sanlam's retirement age) and he has requested that he formally retire on 03 June 2020 at the AGM.
iv) The intention of the Board is to appoint further independent non-executive directors in order to strengthen the independence at the board and board committee

levels.

The above steps and timeframes is to ensure that Sanlam attracts the highest caliber of independent non-executive Board directors to the Company and this would take some time to implement through its structures. Sanlam continues to ensure the highest levels of corporate governance as governance standards develop in South Africa.

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.

COMMENTS ON THE RESULTS

Basis of presentation and accounting policies

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

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

- Non-annuity assets and business flows at Sanlam Private Wealth have been reclassified from Assets under Management to Assets under Administration in line with industry practice. Business flows relating to these assets are commensurately excluded from new business volumes and net fund flows. Comparative 2017 information for SIG and the Group has been restated as follows:

  - New business volumes decreased by R9 016 million
  - Net fund flows increased by R2 568 million
  - Reclassification of assets amounting to R98 446 million from assets under management to assets under administration.

- Savings business written through the Sanlam Sky distribution channels are recognised within the SPF Savings business with effect from 2018. Comparative information has not been restated. The 2018 SPF Savings results include new business volumes of R118 million and VNB of negative R15 million relating to business formerly recognised in Sanlam Sky.

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

The 3% new shares issued through an accelerated book build in the first quarter (refer Capital management section) had a 2.3% dilutive effect on earnings per share metrics due to an increase in the weighted average number of shares in issue during the year. In addition, the acquisition of the remaining stake in Saham Finances, for which the capital was raised, only completed and started contributing to earnings from 1 October 2018.

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

- SPF acquired a 53% stake in BrightRock with effect from 1 September 2017. Shares acquired subsequent to the initial acquisition has increased Sanlam's stake to 55.1% at 31 December 2018.

- SPF started Indie as a new greenfields business in 2017, with initial losses recognised in earnings in both 2018 and 2017.

- SEM sold its stake in the Enterprise Group in Ghana with an effective date of 1 July 2017.

- Absa Consultants and Actuaries (renamed ACA Employee Benefits (ACA)) was acquired effective 1 April 2018.

- Saham Finances is consolidated with effect from 1 October 2018; before this date, the Group's investment in Saham Finances was recognised as an equity-accounted investment. The table below provides a summary of Sanlam's participation in Saham Finances' earnings, new business volumes, VNB and net fund flows based on the changes in shareholding:

Period	Sanlam Group	SEM	Santam
1/1/2017 - 30/4/2017	30%	22.5%	7.5%
1/5/2017 - 31/12/2017	46.6%	39.63%	6.97%
1/1/2018 - 30/9/2018	46.6%	39.63%	6.97%
1/10/2018 - 31/12/2018	100%	90%	10%

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

The structural information included in this results announcement has been presented to illustrate the impact of changes in the group structure and is the responsibility of the Group's board of directors ("Board"). It is presented for illustrative purposes only and because its nature may not fairly present the Group's financial position, changes in equity, result of operations or cash flows.

Sanlam's external auditor, Ernst & Young Inc., issued a limited assurance report in respect of the structural information in terms of section 8 of the JSE Listings Requirements. The limited assurance report is available for inspection at Sanlam Limited's registered addresss.

Group Equity Value

GEV amounted to R134 billion or 6 341 cents per share at 31 December 2018. Including the dividend of 290 cents per share paid during the year, a RoGEV per share of 11.6% was achieved. This was lower than the 13% target for the year. Strong growth in VNB, all-time high positive experience variances from covered business, good returns from the investment in Santam, the profit realised from the foreign exchange hedge implemented for the Saham Finances acquisition and the benefit of a weaker rand exchange rate on the valuation of non-South African operations provided support to returns in 2018. This was, however, not sufficient to compensate for the pronounced negative impact of weaker equity markets across most regions, higher risk discount rates (RDR) and the write-off of goodwill recognised in respect of the Saham Finances and other smaller acquisitions in terms of the Embedded Value methodology. The capital raising during 2018 (refer Capital management section below)
occurred at a price of R87 per share, in excess of GEV per share at the time. This supported RoGEV per share by some 1% compared to the absolute RoGEV of 10.6% for 2018.

Adjusted RoGEV per share, which excludes the impact of lower investment return than the long-term assumptions, interest rate changes and other one-off effects not under management control, and assuming normalised exchange rate movements, amounted to 19.4% - well in excess of the target.

Group Equity Value at 31 December 2018

	GEV		RoGEV	
R million	December 2018	December 2017		%
Group operations	132 658	113 829	13 526	11.6
Sanlam Personal Finance	43 185	43 401	4 832	11.4
Sanlam Emerging Markets	44 659	27 621	4 580	14.8
Sanlam Investments	18 703	18 331	682	3.7
Santam	20 102	18 108	2 658	14.7
Sanlam Corporate	6 009	6 368	774	12.8
Covered business	56 234	54 283	5 933	11.0
Value of in-force business	41 456	39 245	5 137	12.9
Adjusted net worth	14 778	15 038	796	5.8
Other operations	76 424	59 546	7 593	12.2
Group operations	132 658	113 829	13 526	11.6
Discretionary capital and other	1 394	7 934	(668)	-12.3
Group equity value	134 052	121 763	12 858	10.6
Per share (cents)	6 341	5 940	691	11.6

Group operations yielded an overall return of 11.6% in 2018, the combination of 11% return on covered business and 12.2% on other Group operations. All clusters achieved satisfactory growth in GEV, apart from SIG, where valuations were severely suppressed by the negative equity market performance. Adjusted RoGEV for group operations amounted to 20.1% and 14.5% for SIG, which better reflects the underlying operational performance.

The covered business operations delivered a very strong operational performance. Adjusted RoGEV amounted to 19.9%, with all businesses exceeding the Group hurdle rate by a healthy margin, apart from the SIG businesses. The latter is predominantly due to negative expense experience variances and assumption changes at Sanlam Investments and Pensions in the UK.

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

Return on covered business for the year ended 31 December 2018

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

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

- Expected return on covered business increased in 2018 relative to 2017 based on the slightly higher RDR applied at the end of 2017 and the change in mix of the book to the higher-RDR SEM businesses.

- Value of new covered business: Despite the higher RDR in 2018, VNB still contributed 3.7% to the overall return. As highlighted in the Business volumes section, Sanlam Sky, Sanlam Corporate and SEM Namibia made particularly satisfactory progress in growing their VNB.

- Operating experience variances reached an all-time high, exceeding R2 billion for the first time (2017: R1.6 billion), up 35%.
  - Risk experience variances of R535 million increased by 20% on 2017, driven by favourable experience across most lines of business in SPF, including Sanlam Sky. SEM also achieved overall positive experience, albeit slightly lower than 2017. Claims experience weakened further at SEB, contributing to negative experience variances of R96 million compared to negative R43 million in 2017.

  - Our focus on client centricity is a major factor in our success to maintain good persistency under challenging economic conditions. Positive persistency experience variances of R147 million in 2018 (up from R67 million in 2017) is a particularly satisfactory achievement. SPF's negative variance of R45 million is largely due to lower than expected continuations of single premium savings products. Persistency across risk products remained resilient. Dedicated focus on managing the in-force book contributed to an improvement in SEM's experience from negative R3 million in 2017 to positive R99 million in 2018.
  - Working capital experience variances include a one-off reserve release of R47 million. Excluding this, experience was in line with 2017, commensurate with short-term interest rate trends during the year.

  - Credit spread experience increased by 10% in line with growth in the corporate debt book managed by Sanfin.

  - Other experience variances of R436 million include an amount of R272 million relating to a reduction in cost of capital following the release of R1.5 billion of allocated capital from Sanlam Life's covered business (refer Capital management section below), which should be regarded as one-off. The remainder comprises of a number of smaller variances.

- After strengthening the persistency and maintenance expense bases in 2017, no significant operating assumption changes were required in 2018. Modelling improvements and other result from the continuous refinement of actuarial models and are small relative to the size of the in-force book.

- RDR's increased across most of the portfolio in 2018 compared to a decline in the prior year. RoGEV from economic assumption changes were accordingly negative in 2018 compared to a positive contribution in 2017.

- Negative returns from equity markets in a number of countries in 2018 had a 5.1% negative impact on RoGEV in 2018 (1.2% positive in 2017). The hedging strategy applied in the Sanlam Life capital portfolio, the largest component of adjusted net worth, provided downside protection to returns on the overall capital portfolio.

- Foreign currency translation differences and other include forex gains from a weaker rand exchange rate (R393 million), which was more than offset by the write-off of goodwill acquired in terms of actuarial guidance (R1.2 billion). The goodwill write-off is net of R300 million of profit realised on the Saham Finances forex hedge that is attributable to covered business.

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

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

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

Other Group operations achieved a return of 12.2%:

- Sanlam Capital Markets within Sanfin is valued at net asset value for GEV purposes, with profits earned in this business the main contributor to RoGEV from investments valued at net asset value. Losses recognised against equity-backed empowerment transactions and the non-recognition of income on the Mayfair collateralised loan (refer Earnings section below) are the main drivers behind the decline in RoGEV in 2018.

- The Group's investment in Santam is valued at its listed share price, which significantly outperformed the market with a return of more than 14% in 2018, compared to the 9% negative return of the JSE/FTSE All Share Index.

- The majority of the Group's other operations (excluding Santam and Nucleus) is valued on a discounted cash flow (DCF) basis. The benefits of the Group's diversified profile are evident in the overall 11.7% return earned from these businesses, with negative operating and economic assumption changes largely offset by foreign currency translation gains.

  The impact of lower equity markets is noticeable in the 4.3% negative operating assumption changes. More than half of this relates to SIG, where future fee income assumptions were reduced in line with lower than expected assets under management. A prudent valuation approach was also followed for Saham Finances and the Indian businesses. It is our usual approach to keep valuations at or close to transaction prices shortly after acquisitions, which was applied for Saham Finances' local currency valuation. Valuations of the Indian credit businesses were kept broadly unchanged in local currency given recent liquidity constraints in the Indian market. This is also in line with movements in the listed share prices.

  Economic assumption changes (-3.7%) reflect the higher RDR as referred to above.

  The valuation of the non-South African operations benefited from the weaker rand exchange rate. This was augmented by some R1 billion of profit realised on the Saham Finances forex hedge. The total hedge profit amounted to R1.3 billion after tax, of which R300 million is attributable to covered business (refer above). Overall, foreign currency translation gains contributed 5.8% to the RoGEV of businesses valued on a DCF basis.

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

- Net corporate expenses of R109 million recognised in net result from financial services.

- The low-yielding nature of liquid assets held in the discretionary capital portfolio.

- Funding cost in respect of the temporary debt incurred for the Saham Finances acquisition.

- An increase in the present value of future corporate expenses, with additional investment in capacity, including new appointments to the Executive committee.

Earnings

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

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

R million	2018	2017	Change
Net result from financial services	8 890	8 549	4%
Sanlam Personal Finance	4 033	4 235	-5%
Sanlam Emerging Markets	2 038	1 793	14%
Sanlam Investment Group	1 152	1 227	-6%
Santam	1 196	851	41%
Sanlam Corporate	580	558	4%
Group office and other	(109)	(115)	5%
Net investment return	707	1 663	-57%
Net investment income	644	846	-24%
Net investment surpluses	63	817	-92%
Project costs and amortisation	(536)	(375)	-43%
Equity participation costs	(5)	(2)	>-100%
Normalised headline earnings	9 056	9 835	-8%
Profit on disposal of subsidiaries and associates	2 773	1 335	>-100%
Impairments	(305)	(303)	-
Net equity-accounted non-headline earnings	(3)	134	>-100%
Normalised attributable earnings	11 521	11 001	5%

Net result from financial services

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

Corporate activity supported the results, as well as a benign claims environment at Santam in 2018 compared to large catastrophe events during June and October 2017 in the comparable period. Normalising for these, net result from financial services were marginally up on 2017.

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

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

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

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

The Recurring premium sub cluster's gross result from financial services grew by 8%. Excluding BrightRock, gross result from financial services was 15% higher than 2017. BrightRock is experiencing very strong growth as a relatively young company, with new business strain exceeding profit releases from the in-force book. It therefore still contributes operating losses to the SPF earnings. Strong growth in risk profits (excluding BrightRock) was partially offset by 3% and 4% respective declines in the profit contributions of the Savings and Closed Book businesses. Risk profits benefited from the increased size of the in-force book, improved claims experience and flat new business strain following no growth in new business volumes from the traditional risk business channels (excluding BrightRock). Earnings from the Savings and Closed Book businesses were negatively affected by the weak investment market performance that depressed growth in assets under management, and declining units in the Closed Book.

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

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

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

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

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

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

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

  Life insurance gross result from financial services declined by 22%, primarily due to a significant increase in new business strain emanating from the strong growth in entry-level market new business volumes. Excluding this, operating earnings increased by 24%. Group life claims experience improved in the second half of the year, with overall risk profit increasing on 2017. Fund withdrawals by the Government Institutions Pension Fund of R2 billion at the end of 2017 and a further R1 billion in 2018, combined with a weak equity market performance, depressed fee income and gross result from financial services of the asset management business, with the latter declining by 10%. Santam Namibia struggled to grow its premium base under challenging operating conditions, with gross written premiums declining by 5% and gross result from financial services declining by 17%. Earnings from credit business declined by 22% (up 7% excluding the impact of the change in accounting treatment of Bank Windhoek), with the relatively low growth reflecting the weak general operating environment in Namibia and liquidity constraints within the banking sector.

- The Botswana operations achieved mixed results with an overall increase of 5% in gross result from financial services. Life insurance profit increased by 14%. Annuities underperformed due to low new business volumes, but this was more than offset by good growth in the funeral, group credit life and term assurance lines. Letshego's gross earnings were in line with 2017, the combined effect of limited growth in the size of the loan book, additional bad debt provisions recognised in terms of IFRS 9 and some one-off expenses. A new business plan has been developed under the auspices of a new chief executive to address the underperformance. The decline in the Botswana equity market placed pressure on the asset base and fee income of the investment management business, which did well to increase its gross earnings by 1% despite the challenging conditions. Earnings contributions from the other Botswana businesses were broadly in line with the prior year.

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

  - The Saham Finances contribution almost doubled, supported by corporate activity in 2018 and 2017. The table below provides an analysis of the Saham Finances earnings on a 100% basis for both years, which eliminates the distortion caused by changes in shareholding at a Sanlam level. The average exchange rates used for translation purposes were R/MAD 1.417 and R/MAD 1.388 for 2018 and 2017 respectively.

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

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

Key features for 2018:

- Gross written premiums increased by 4% (8% in local currency). Refer Business volumes section below for more information.

- Gross underwriting profit decreased by 9%, with life insurance earnings decreasing to a loss of R448 million (2017: loss of R419 million) due to investments in growth, and general insurance earnings being in line with 2017.

- The general insurance combined ratio amounted to 95.9% (2017: 94.4%). The following items impacted on the general insurance results:

  - One-off incentives of R28 million were paid to staff as part of the post-acquisition integration process.

  - General insurance claims experience weakened at Saham Maroc during the year, impacted by an increase in motor claims frequency and one-off fire claims in the fourth quarter of 2018, which is traditionally a strong quarter for the Moroccan business.

  - Angola's loss declined from R40 million in 2017 to R29 million in 2018. An improvement in claims experience was partially offset by a higher cost base. Exchange rate weakness contributed to higher expense inflation.

  - Lebanon also experienced a better claims environment, with a combined ratio of 88.2% in 2018 (2017: 91.2%). Underwriting profit increased by 107% as a result, despite the pressure on premium growth (refer Business volumes section below).

  - The other regions recorded lower earnings from direct insurance, primarily due to pressure on premium growth in Cote d'Ivoire.

  - Reinsurance profit increased by 11% from R232 million on 2017 to R257 million in 2018.

- Investment return earned on insurance funds declined by 45%. The underlying portfolios included legacy equity exposures, which benefited from positive investment market returns in 2017, while most markets declined in 2018. The difference in relative market performance contributed R725 million to the decline. The strategic asset allocation of these portfolios will be reassessed as part of the planned capital management activities following the acquisition and Saham Finances becoming a wholly-owned subsidiary.

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

Analysis of Saham Finances earnings

R million	2018	2017
Net result from financial services	690	1 097
Net investment return	172	110
Net finance cost	(160)	(76)
Attributable earnings	702	1 131

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

A number of synergies have been identified during the acquisition phases. Good progress has already been made, with net synergies of USD1 million after tax and minorities realised in 2018, after allowing for integration costs.

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

  - The Zambian health business experienced one-off losses of R32 million, which includes bad debt provisions in respect of amounts owing by the former outsourced partner. The health business was transferred to Saham Finances in the latter part of 2018, who has a strong track record of managing this line of business profitably in Africa. A turnaround in prospects is already evident. The Zambian life business also had a difficult year, with low new business production and one-off costs relating to a cost reduction initiative contributing to a break-even position. Corrective actions have been implemented, including the pending appointment of a new chief executive as well as increased distribution support from a SEM cluster level.

  - Gross result from financial services of the Malawian life business exceeded the 2018 budget, but still declined by 23% from a high base in 2017. Profitability of the general insurance business was under pressure from high claims and expense experience.

  - The Tanzanian life business had a good year and grew its earnings contribution by 15%. This was, however, not sufficient to compensate for underperformance in the general insurance business. Regulatory changes in the general insurance industry in Tanzania included a change to a "no premium no cover" regime. This had a one-off impact on both current year production and terminations within the in-force book. Combined with weaker claims experience, it reduced the 2018 general insurance earnings by R36 million compared to 2017.

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

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

- The Indian businesses had a solid year, increasing their gross result from financial services by 3% in rand terms (10% in local currency). Shriram Transport Finance delivered growth of 14% in local currency, supported by good growth in its loan book. The Shriram City Union Finance loan book also grew by double digits, but a decline in net interest margin limited its operating earnings growth to 9% in local currency. Liquidity constraints in the Indian market increased funding costs for the business. Shriram General Insurance earnings grew by 13% in local currency, attributable to an improvement in underwriting margin. Expansion costs incurred by the life insurance business were recognised as project expenses in the initial two years of the initiative to take cognisance of the fact that the growing in-force book will take some time to reflect in higher earnings. Recognition of these costs within project expenses was discontinued on 30 June 2018 and reallocated to gross result from financial services with effect from 1 July 2018, limiting growth in life insurance operating earnings to 2% in local currency.

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

The 18% increase in tax on financial services income includes prior year tax adjustments in Botswana and Kenya.
SIG overall net result from financial services declined by 6%:

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

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

The 3rd party Sanlam Investments gross result from financial services declined by 5% on 2017, attributable to a R47 million decrease in performance fees from R58 million in 2017 to R11 million in 2018. This is due to a slight underperformance of some 0.3% in the larger portfolios, attributable to the severe devaluation of properties in the first quarter of 2018 and underperformance in the emerging markets fund. Excluding performance fees, gross operating earnings increased by 8%, a particularly satisfactory result given no growth in the average level of the South African equity market in 2018. Satrix achieved meaningful earnings growth, with the positive impact of net fund inflows more than offsetting fee pressures in a highly competitive market. The third party component of Sanlam Structured Solutions also had a good year, benefiting from a number of new structuring transactions. The other business units experienced a decline in earnings in line with generally no growth in assets under management, but with administration costs increasing in line with inflation.

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

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

Sanlam Specialised Finance did well to grow the profit contribution of the Sanlam Asset Manager and the related division of Sanlam Structured Solutions by 4% against the backdrop of weak equity markets. The Structured Solutions business earned higher structuring fee income and recognised its share in the margin earned on the Sanlam Life bond that matured in August 2018. The proceeds from the Sanlam Life bonds are invested in a portfolio of matching assets, with Structured Solutions sharing in the net margin earned over the period until maturity. The remainder of the operations were negatively impacted by losses of some R40 million relating to equity-backed empowerment transactions following a decline in the underlying share prices and some R70 million in respect of the non-recognition of income on the Mayfair collateralised loan. A prudent approach is followed in respect of the exposure during the winding up of Mayfair Holdings and Mayfair Speculators.

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

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

Sanlam Corporate's net result from financial services increased by 4% (3% on a gross basis), with the muted growth caused by ongoing high group risk claims experience. This conceals an overall good operational performance. SEB earnings declined by 3% due to a R66 million (39%) decline in risk profits. Mortality and disability claims experience weakened significantly in the second half of the year, which is likely to require further rerating of premiums in 2019. The administration units turned profitable in 2018, a major achievement after many years of operating losses. The healthcare businesses reported satisfactory double digit growth in gross earnings, while ACA made a first time contribution of R54 million, well in excess of the business plan. The new corporate solutions team established in 2018 contributed to an increase in cluster costs from R7 million in 2017 to R32 million in 2018.

Normalised headline earnings

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

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

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

Net project expenses include R56 million one-off expenses incurred by SIG on new data capabilities and platforms (including big data and advanced analytics) (2017: R8 million), R22 million due diligence and related expenses in respect of the Saham Finances acquisition (2017: R8 million), Shriram Life Insurance expansion cost of R8 million up to 30 June 2018 (2017: R26 million) and R44 million of SEM cluster level project-related expenses (2017: R42 million).

Normalised attributable earnings

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

Business volumes

New business volumes increased by 1% amidst pressure on investor confidence in South Africa and a high comparative base in Botswana. Life insurance new business volumes increased by 21%, investment business inflows declined by 8% and general insurance earned premiums increased by 19%, with the latter in particular benefiting from corporate activity. Net fund flows increased by 12%, with all clusters apart from SIG achieving sterling growth.

Business volumes for the year ended 31 December 2018

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

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

SPF new business volumes for the year ended 31 December 2018

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

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

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

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

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

SEM new business volumes increased by 20%.

SEM new business volumes for the year ended 31 December 2018

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

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

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

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

- The Saham Finances growth of 124% was supported by corporate activity. On a 100% basis, gross written premiums increased by 4% (8% in local currency)

(life insurance up 8%, general insurance up 3% and reinsurance up 1%) and net earned premiums by 9%.
  - Morocco achieved 10% growth in gross written premiums, an acceptable performance in a competitive market. Renewals of contracts with national banks supported 11% growth in Saham Assistance gross written premiums.
  - Saham Angola gross written premiums decreased by 31%, entirely attributable to a weaker Kwanza exchange rate. In local currency, the business continued to deliver good growth. All lines of business achieved double digit growth rates.
  - The Lebanese insurance market contracted by 3% in 2018, reflective of the weak economic environment. The Saham Finances business did well to limit its decline to only 1.5%, half of the industry average. The motor class had a particularly difficult year as a slowdown in retail credit extension depressed vehicle sales.
  - The CIMA region experienced competitive pressures in the motor market and lower demand for fire insurance from exploration companies. This contributed to growth of only 4% in general insurance gross written premiums from the other Saham Finances regions. Life and health insurance provided some support, with overall growth of 7% across all lines of business.
  - Reinsurance premiums were broadly in line with 2017.
- The remainder of the Rest of Africa portfolio (excluding the Ghana disposal) increased by 8%. Kenya, Malawi and Rwanda underperformed, with strong growth in the other regions. The areas of underperformance are receiving attention, through a combination of management changes and cluster level distribution support.

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

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

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

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

Gross written premiums at Santam increased by 11% (9.5% excluding the impact of the Santam Structured Insurance acquisition in 2017); 6% on a net earned basis. Conventional insurance gross written premiums increased by a satisfactory 7%, while alternative risk transfer premiums grew by 40% (26% excluding corporate activity). Intermediated personal and commercial lines of business, MiWay and Namibia experienced pressure on growth amidst difficult economic conditions. The property class grew by 12% following strong growth in the corporate property market due to reinsurance capacity constraints. The motor class grew by 6%, with an 8% higher contribution from MiWay. Within the specialist classes, accident and health grew by 11% on the back of strong demand for travel insurance. Crop insurance premiums declined by 12% following lower take-up. The liability and transportation classes recorded growth of 2% and 1% respectively amidst a focus on profitability. Growth of 3% in engineering reflects the impact of fewer large construction contracts within an industry under pressure.

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

Overall Group net fund inflows of R41.5 billion in 2018 is a particularly satisfactory performance given the challenging market conditions and large institutional withdrawal at SIG.

Value of new covered business

The discount rate used to determine VNB is directly linked to long-term interest rates. The 50bps and 60bps increase in the South African nine- and five-year benchmark rates respectively during 2018 resulted in a commensurate rise in the risk discount rate, with a 6% negative effect on overall VNB growth. VNB margins were also some 13 basis points lower due to the higher discount rate. The strong growth in Sanlam Sky and SEB new business volumes were the main contributors to particularly satisfactory growth of 14% in net VNB on a consistent economic basis (CEB) (8% based on the actual economic basis at the end of 2018). Overall net VNB margins declined from 2.94% in 2017 to 2.8% in 2018 (on a CEB), largely due to the underperformance in East Africa and a relatively larger contribution from the lower margin SEB business.

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

R million	2018	2017	Change	CEB
Net value of new covered business	1 985	1 841	8%	14%

Sanlam Personal Finance	1 504	1 407	7%	14%
Sanlam Emerging Markets	338	347	-3%	-1%
Sanlam Investment Group	-	-	-	-
Sanlam Corporate	143	87	64%	71%
Gross of non-controlling interest	2 187	2 008	9%	14%
Net present value of new business premiums	74 378	62 604	19%	20%
Sanlam Personal Finance	48 790	43 940	11%	12%
Sanlam Emerging Markets	8 366	7 146	17%	17%
Sanlam Investment Group	3 334	3 259	2%	2%
Sanlam Corporate	13 888	8 259	68%	70%
Gross of non-controlling interest	78 085	65 377	19%	20%
Net new covered business margin	2,67%	2,94%		2,80%
Sanlam Personal Finance	3,08%	3,20%		3,26%
Sanlam Emerging Markets	4,04%	4,86%		4,11%
Sanlam Investment Group	-	-		-
Sanlam Corporate	1.03%	1.05%		1,06%
Gross of non-controlling interest	2,80%	3,07%		2,92%

SPF achieved overall growth of 7% (14% on a comparable basis). The strong growth in new business volumes at Sanlam Sky had a major positive effect on VNB, which increased by 16% (25% on a comparable basis). Capitec contributed R80 million. The Sanlam Sky VNB margin declined slightly from 8.88% in 2017 to 8.30% in 2018 due to a change in mix of business to lower margin group business. The Recurring premium sub cluster and Strategic Business Development achieved growth of 13% (23% on a CEB, and 20% on an CEB and excluding BrightRock). MiWayLife made a welcome first contribution of R11 million, augmented by good growth at BrightRock, a change in mix to more profitable lines of business, positive modelling changes and lower acquisition costs. VNB margins improved commensurately. Glacier experienced an 8% decline in VNB (6% on a comparable basis) due to the change in mix from higher margin endowment business to guaranteed and annuity business.

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

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

Capital management

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

Sanlam shareholders approved a BBBEE equity raising at the extraordinary general meeting held on 12 December 2018, with the cash raised from this issuance earmarked to repay the internal (R1.7 billion) and external (R2 billion) debt incurred as partial funding for the Saham Finances acquisition and to restore the discretionary capital portfolio to an appropriate level. All regulatory approvals have been received, apart from Mauritius. [Once these approvals are granted, we will proceed with the issuance, subject to the Sanlam share price being within the R74 - R86 range approved by shareholders.]
Discretionary capital amounted to a negative R3.7 billion at 31 December 2018, equal to the combined internal and external debt. Cash proceeds of R4.6 billion will be raised at the lower end of the share issuance range (R74), which will restore the discretionary capital portfolio to some R1 billion.

Discretionary capital at 31 December 2018

R million	
Discretionary capital at 31 December 2017	2 000
Excess dividend cover	693
Capital released from Sanlam Life	1 813
Allocated capital	1 500
Excess investment return	313
Capital raised through accelerated book build	5 455
Investment return and other	(104)
Corporate activity	(13 535)

South Africa	(267)
Catalyst Fund Managers SA	(168)
Sanlam Private Wealth	(96)
Other	(3)
Other emerging markets	(12 913)
Saham Finances	(12 983)
Sanlam Investments East Africa	101
Sanlam General Insurance Uganda	(19)
Other	(12)
Developed markets	(355)
Catalyst Fund Managers Foreign	(250)
Phoenix Infraworks	(102)
Other	(3)
Discretionary capital at 31 December 2018*	(3 678)

* Before planned BBBEE issuance referred to above.

Movements in discretionary capital during 2018 included the following:

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

Solvency

All of the major life insurance businesses within the Group were sufficiently capitalised at the end of December 2018. The Sanlam Group SCR cover ratio of 215% remained largely in line with the 218% cover at 31 December 2017. As indicated in previous results announcements, a Solvency Capital Requirement (SCR) target cover range of between 170% and 210% has been set for Sanlam Life Insurance Limited's (Sanlam Life) covered business. The R8 billion of IFRS-based required capital allocated to these operations at the end of December 2018 translated into a SCR cover of 221%. The SCR cover ratio for the Sanlam Life entity as a whole at 264% exceeded the covered business ratio at the end of December 2018 due to the inclusion of discretionary and other capital held on the Sanlam Life balance sheet as well as investments in Santam and other Group operations that are not allocated to Sanlam Life's covered business operations (i.e. not included in the R8 billion allocated capital referred to above).

Dividend

Applying the Group's dividend policy, the Board decided to increase the normal dividend per share by 7.6% to 312 cents. This is well within our target range of 2% to 4% real growth given the 2018 average inflation rate of 4.6%. It will maintain a cash operating earnings cover of approximately 1.05 times.

The South African dividend withholding tax regime applies in respect of this dividend. The dividend will in full be subject to the 20% withholding tax, where applicable, which will result in a net final dividend, to the shareholders who are not exempt from paying dividend tax, of 249.6 cents per share. The number of ordinary shares in issue in the company's share capital as at the date of the declaration is 2 070 079 299 excluding treasury shares of 161 909 748 at 31 December 2018. The company's tax reference number is 9536/346/84/5.

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

Sanlam Group

Summarised financial statements for the year ended 31 December 2018

Accounting policies and basis of presentation

Basis of presentation

Introduction
The consolidated financial statements are prepared on the historical-cost basis, unless otherwise indicated, in accordance with The JSE Listings Requirements, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council , the information required by IAS 34 Interim Financial Reporting and the requirements of the Companies Act , No. 71 of 2008 (as amended), in South Africa. The financial statements are presented in South African rand rounded to the nearest million, unless otherwise stated.

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

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

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

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

IFRS 16: Leases was issued by the IASB in January 2016 and replaces IAS 17: Leases for reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. Under the new standard, an asset (the right to use the leased item) and the liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The accounting for lessors will not significantly change.

As lessor: This new standard is not expected to have a significant impact on how the group (as lessor) accounts for leases due to the carry forward of the lessor accounting model from IAS 17. However, the group anticipates an impact as a result of the enhanced disclosures for lessors required by IFRS 16 namely: components of lease income and risk management with respect to exposure to residual asset risk.

As lessee: The standard will affect primarily the accounting of the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of R2 765 million. However, the group has not yet determined to what extent these commitments will result in recognition of an asset and a liability for future payments and how this affects the group's profit and classification of cash flows.

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

As lessee, the Group can either apply the standard using a:
- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

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

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

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

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

IFRS 17: Insurance Contracts was issued in May 2017. The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. Initial work performed on the impact of IFRS 17 indicates that there will be a significant impact on the underlying valuation models, systems and processes. The Group is in the process of assessing the requirements of the standard against current data, processes and valuation models and is expected to finalise this assessment during 2019.

Other: The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

External audit

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The shareholders' information was audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The audited shareholders' information and the auditor's report thereon are available for inspection at the company's registered office.
The directors take full responsibility for the preparation of the summarised report and that the financial information has been correctly extracted from the underlying annual financial statements and shareholders' information.

Summarised shareholders' information for the year ended 31 December 2018

Contents

Group equity value
at 31 December 2018

	2018 R million	2017 R million
Embedded value of covered business	56 234	54 283
Sanlam Personal Finance	39 209	39 546
Adjusted net worth	5 351	6 256
Value of in-force	33 858	33 290
Sanlam Emerging Markets	9 151	6 686
Adjusted net worth	4 257	3 021
Value of in-force	4 894	3 665
Sanlam Investment Group	2 797	2 768
Adjusted net worth	2 803	2 644
Value of in-force	(6)	124
Sanlam Corporate	5 077	5 283
Adjusted net worth	2 367	3 117
Value of in-force	2 710	2 166
Other Group operations	76 424	59 546
Sanlam Personal Finance	3 976	3 855
Sanlam Emerging Markets	35 508	20 935
Sanlam Investment Group	15 906	15 563
Santam	20 102	18 108
Sanlam Corporate	932	1 085
Other capital and net worth adjustments	5 072	5 934
	137 730	119 763
Discretionary capital	(3 678)	2 000
Group equity value	134 052	121 763
Group equity value per share (cents)	6 341	5 940

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

	2018 R million	2017 R million
Result from financial services before tax	14 544	13 558
Sanlam Personal Finance	5 612	5 900
Sanlam Emerging Markets	3 773	3 311
Sanlam Investments	1 542	1 577
Santam	2 978	2 173
Sanlam Corporate	804	779
Group office and other	(165)	(182)
Tax on financial services income	(4 116)	(3 726)
Non-controlling interest	(1 538)	(1 283)
Net result from financial services	8 890	8 549
Net investment return	707	1 663
Net investment income	638	808
Net investment surpluses	63	817
Net equity-accounted headline earnings	6	38
Net project expenses	(136)	(114)
Equity participation costs	(5)	(2)
Amortisation of intangibles	(400)	(261)
Normalised headline earnings	9 056	9 835
Profit on disposal of operations	2 773	1 335
Net equity-accounted non-headline earnings	(3)	134
Impairments	(305)	(303)
Normalised attributable earnings	11 521	11 001
Fund transfers	106	(78)
Attributable earnings per Group statement of comprehensive income	11 627	10 923

Notes to the shareholders' information
for the year ended 31 December 2018

	2018 R million	2017 R million
1. New business		
Analysed per licence:		
Life Insurance	53 815	44 615
Sanlam Personal Finance	34 112	31 182
Sanlam Emerging Markets	6 410	5 468
Sanlam Corporate	10 074	4 828
Sanlam Investment Group	3 219	3 137
Investment business and other	169 214	176 557
Sanlam Personal Finance	26 859	27 433
Sanlam Emerging Markets	19 814	16 435
Sanlam Investment Group	96 477	111 254
Santam	22 812	21 435
Sanlam Corporate	3 252	-
Total new business	223 029	221 172
2. Net flows of funds		
Analysed per licence:		
Life Insurance	16 814	10 235
Sanlam Personal Finance	8 719	6 840
Sanlam Emerging Markets	4 226	3 146
Sanlam Corporate	4 257	606
Sanlam Investment Group	(388)	(357)

Investment business and other	24 725	26 908
Sanlam Personal Finance	1 575	1 614
Sanlam Emerging Markets	4 381	(1 006)
Sanlam Investment Group	7 602	19 035
Sanlam Corporate	2 181	-
Santam	8 986	7 265
Total net flow of funds	41 539	37 143

3. Normalised earnings per share

In terms of IFRS, a consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and assets supporting those liabilities. Certain investments held in policyholder portfolios may not be recognised at fair value in terms of IFRS, whereas the valuation of the related policy liabilities is based on the assets at fair value. Similarly, deferred tax assets recognised in respect of assessed tax losses in policyholder funds increases the Group's net assets without a corresponding increase in policy liabilities. These create mismatches with a corresponding impact on the shareholders' fund. A separate reserve is created for these valuation differences owing to the fact that they represent accounting differences and not economic gains or losses for the shareholders' fund. The number of shares in issue must also be reduced with the treasury shares held by the policyholders' fund for the calculation of IFRS basic and diluted earnings per share. This is, in management's view, not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of shares held by the policyholders' fund varies significantly. The Group therefore calculates normalised earnings per share to eliminate these impacts.

	2018 cents	2017 cents
Normalised diluted earnings per share:		
Net result from financial services	423,6	417,2
Headline earnings	431,7	480,0
Profit attributable to shareholders' fund	548,9	536,9
	R million	R million
Analysis of normalised earnings (refer shareholders' fund income statement):		
Net result from financial services	8 890	8 549
Headline earnings	9 056	9 835
Profit attributable to shareholders' fund	11 521	11 001
	Million	Million
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share	2 077,3	2 027,3
Add: Weighted average Sanlam shares held by policyholders	21,5	21,8
Adjusted weighted average number of shares for normalised diluted earnings per share	2 098,8	2 049,1
Number of ordinary shares in issue	2 232,0	2 166,5
Shares held by subsidiaries in shareholders' fund	(137,7)	(137,4)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive scheme	21,0	20,8
Adjusted number of shares for value per share	2 115,3	2 049,9

Embedded value of covered business at 31 December 2018

	Note	2018 R million	2017 R million
Sanlam Personal Finance		39 209	39 546
Adjusted net worth		5 351	6 256
Net value of in-force covered business		33 858	33 290
Value of in-force covered business		35 336	34 840
Cost of capital		(1 242)	(1 400)
Non-controlling interest		(236)	(150)
Sanlam Emerging Markets		9 151	6 686
Adjusted net worth		4 257	3 021
Net value of in-force covered business		4 894	3 665

Value of in-force covered business	7 654	5 962
Cost of capital	(842)	(593)
Non-controlling interest	(1 918)	(1 704)
Sanlam Investment Group	2 797	2 768
Adjusted net worth	2 803	2 644
Net value of in-force covered business	(6)	124
Value of in-force covered business	781	828
Cost of capital	(787)	(704)
Sanlam Corporate	5 077	5 283
Adjusted net worth	2 367	3 117
Net value of in-force covered business	2 710	2 166
Value of in-force covered business	3 376	3 065
Cost of capital	(666)	(899)
Embedded value of covered business	56 234	54 283
Adjusted net worth (1)	14 778	15 038
Net value of in-force covered business	41 456	39 245
Embedded value of covered business	56 234	54 283

(1) Excludes subordinated debt funding of Sanlam Life. At 1 January 2018, capital allocated to Sanlam Personal Finances and Sanlam Employee Benefits were reduced as follows:
- From Sanlam Personal Finance: R969 million;
- From Sanlam Employee Benefits: R531 million.

Change in embedded value of covered business for the year ended 31 December 2018

		2018			2017
R million	Note	Total	Net Value of in-force	Adjusted net worth	Total
Embedded value of covered business at the beginning of the year		54 283	39 245	15 038	51 246
Value of new business	2	1 985	4 552	(2 567)	1 841
Net earnings from existing covered business		7 389	(806)	8 195	5 771
Expected return on value of in-force business		4 937	4 937	-	4 620
Expected transfer of profit to adjusted net worth		-	(6 831)	6 831	-
Operating experience variances	3	2 114	625	1 489	1 558
Operating assumption changes	4	338	463	(125)	(407)
Expected investment return on adjusted net worth		921	-	921	1 020
Embedded value earnings from operations		10 295	3 746	6 549	8 632
Economic assumption changes	5	(755)	(762)	7	234
Tax changes	6	(36)	(20)	(16)	-
Investment variances - value of in-force		(2 603)	(2 176)	(427)	691
Investment variances - investment return on adjusted net worth		(125)	-	(125)	(90)
Profit on disposal of subsidiaries and associated companies		-	-	-	789
Goodwill from business		(1 223)	(1 212)	(11)	(485)
Exchange rate movements		393	393	-	(163)
Net project expenses		(13)	-	(13)	-
Embedded value earnings from covered business		5 933	(31)	5 964	9 608
Acquired value of in-force		3 124	2 242	882	1 443
Transfer (to)/from other Group operations		-	-	-	-
Disposal of businesses		-	-	-	(1 331)
Net transfers from covered business		(7 106)	-	(7 106)	(6 683)
Embedded value of covered business at the end of the year		56 234	41 456	14 778	54 283

Analysis of earnings from covered business

Sanlam Personal Finance	4 372	544	3 828	6 659
Sanlam Emerging Markets	417	(748)	1 165	1 476
Sanlam Investment Group	305	(130)	435	403
Sanlam Corporate	839	303	536	1 070
Embedded value earnings from covered business	5 933	(31)	5 964	9 608

Value of new business for the year ended 31 December 2018

R million	Note	2018	2017
Value of new business (at point of sale):			
Gross value of new business		2 426	2 217
Sanlam Personal Finance		1 630	1 512
Sanlam Emerging Markets		592	550
Sanlam Investment Group		7	7
Sanlam Corporate		197	148
Cost of capital		(239)	(209)
Sanlam Personal Finance (1)		(95)	(96)
Sanlam Emerging Markets		(83)	(45)
Sanlam Investment Group		(7)	(7)
Sanlam Corporate		(54)	(61)
Value of new business		2 187	2 008
Sanlam Personal Finance		1 535	1 416
Sanlam Emerging Markets		509	505
Sanlam Investment Group		-	-
Sanlam Corporate		143	87
Value of new business attributable to:			
Shareholders' fund	2	1 985	1 841
Sanlam Personal Finance		1 504	1 407
Sanlam Emerging Markets		338	347
Sanlam Investment Group		-	-
Sanlam Corporate		143	87
Non-controlling interest		202	167
Sanlam Personal Finance		31	9
Sanlam Emerging Markets		171	158
Sanlam Investment Group		-	-
Sanlam Corporate		-	-
Value of new business		2 187	2 008
Geographical analysis:			
South Africa		1 678	1 503
Africa		405	424
Other international		104	81
Value of new business		2 187	2 008
Analysis of new business profitability:			
Before non-controlling interest:			
Present value of new business premiums		78 085	65 377
Sanlam Personal Finance		49 764	44 101
Sanlam Emerging Markets		11 099	9 758
Sanlam Investment Group		3 334	3 259
Sanlam Corporate		13 888	8 259
New business margin		2,80%	3,07%
Sanlam Personal Finance		3,08%	3,21%
Sanlam Emerging Markets		4,59%	5,18%

Sanlam Investment Group	-	-
Sanlam Corporate	1,03%	1,05%
After non-controlling interest:		
Present value of new business premiums	74 378	62 604
Sanlam Personal Finance	48 790	43 940
Sanlam Emerging Markets	8 366	7 146
Sanlam Investment Group	3 334	3 259
Sanlam Corporate	13 888	8 259
New business margin	2,67%	2,94%
Sanlam Personal Finance	3,08%	3,20%
Sanlam Emerging Markets	4,04%	4,86%
Sanlam Investment Group	-	-
Sanlam Corporate	1,03%	1,05%

Notes to the embedded value of covered business
for the year ended 31 December 2018

1. VALUE OF IN-FORCE COVERED BUSINESS SENSITIVITY ANALYSIS

	Gross value of in-force business R million	Cost of capital R million	Net value of in-force business R million	Change from base value %
BASE VALUE	44 744	(3 288)	41 456	
Risk discount rate increase by 1%	42 475	(3 708)	38 767	(6)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	45 812	(3 342)	42 470	2
Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	43 504	(3 231)	40 273	(3)
Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	45 377	(2 981)	42 396	2
Rand exchange rate depreciation by 10%	45 227	(3 356)	41 871	1
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	46 571	(3 316)	43 255	4
Discontinuance rates decrease by 10%	46 147	(3 364)	42 783	3
Mortality and morbidity decrease by 5% for life assurance business	46 641	(3 287)	43 354	5
Mortality and morbidity decrease by 5% for annuity business	44 492	(3 285)	41 207	(1)

2. VALUE OF NEW COVERED BUSINESS SENSITIVITY ANALYSIS

	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
Base value	2 191	(206)	1 985	
Risk discount rate increase by 1%	1 945	(235)	1 710	(14)
Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	2 316	(205)	2 111	6
Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	2 396	(208)	2 188	10

Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	2 405	(208)	2 197	11
Discontinuance rates decrease by 10%	2 477	(219)	2 258	14
Mortality and morbidity decrease by 5% for life assurance business	2 441	(207)	2 234	13
Mortality and morbidity decrease by 5% for annuity business	2 183	(208)	1 975	(1)

	2018 R million	2017 R million
3. OPERATING EXPERIENCE VARIANCES		
Risk experience	535	447
Persistency	147	67
Maintenance expenses	43	(9)
Working capital management	507	452
Credit spread	437	396
Other	445	205
Total operating experience variances	2 114	1 558
4. OPERATING ASSUMPTION CHANGES		
Risk experience	177	183
Persistency	66	(115)
Maintenance expenses	20	(239)
Modelling changes and other	75	(236)
Total operating assumption changes	338	(407)
5. ECONOMIC ASSUMPTION CHANGES		
Investment yields	(717)	260
Long-term asset mix assumptions and other	(38)	(26)
Total economic assumption changes	(755)	234

Summarised Group IFRS financial statements for the year ended 31 December 2018

Contents

STATEMENT OF FINANCIAL POSITION at 31 December 2018

	2018 R million	Restated 2017 R million
ASSETS		
Equipment	1 587	876
Owner-occupied properties	2 010	963

Goodwill	19 985	4 158
Value of business acquired	9 985	1 930
Other intangible assets	1 082	517
Deferred acquisition costs	3 446	3 659
Long-term reinsurance assets	1 971	1 063
Investments	690 744	656 020
Properties	21 349	11 505
Equity-accounted investments	18 361	26 476
Equities and similar securities	184 787	201 095
Interest-bearing investments	211 770	185 363
Structured transactions	21 341	15 381
Investment funds	190 005	177 235
Cash, deposits and similar securities	43 131	38 965
Deferred tax	2 249	2 083
Assets of disposal groups classified as held for sale	139	321
General insurance technical assets	9 540	6 400
Working capital assets	72 863	55 593
Trade and other receivables	44 712	33 633
Cash, deposits and similar securities	28 151	21 960
Total assets	815 601	733 583
Equity and liabilities		
Shareholders' fund	69 506	57 420
Non-controlling interest	12 111	6 017
Total equity	81 617	63 437
Long-term policy liabilities	543 785	524 441
Insurance contracts	188 448	178 868
Investment contracts	355 337	345 573
Term finance	7 413	6 426
Margin business	3 654	1 918
Other interest-bearing liabilities	3 759	4 508
Structured transactions liabilities	15 629	4 187
External investors in consolidated funds	66 146	62 329
Cell owners' interest	3 305	3 217
Deferred tax	5 460	2 435
General insurance technical provisions	37 950	18 668
Working capital liabilities	54 296	48 443
Trade and other payables	50 761	46 507
Provisions	450	333
Taxation	3 085	1 603
Total equity and liabilities	815 601	733 583

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	2018 R million	2017 R million
Net income	77 721	113 976
Financial services income	73 619	63 930
Reinsurance premiums paid	(11 262)	(9 546)
Reinsurance commission received	2 166	1 685
Investment income	31 208	30 288
Investment surpluses	(16 447)	33 423
Finance cost - margin business	(164)	(134)
Change in fair value of external investors liability	(1 399)	(5 670)
Net insurance and investment contract benefits and claims	(29 524)	(72 576)
Long-term insurance contract benefits	(18 566)	(26 863)
Long-term investment contract benefits	2 999	(32 588)
General insurance claims	(20 662)	(21 036)
Reinsurance claims received	6 705	7 911

Expenses	(31 701)	(26 279)
Sales remuneration	(10 139)	(8 832)
Administration costs	(21 562)	(17 447)
Impairments	(449)	(395)
Amortisation of intangibles	(659)	(350)
Net operating result	15 338	14 376
Equity-accounted earnings	2 424	2 646
Finance cost - other	(846)	(690)
Profit before tax	16 966	16 332
Taxation	(4 164)	(4 342)
Shareholders' fund	(3 510)	(3 087)
Policyholders' fund	(654)	(1 255)
Profit for the year	12 802	11 990
Other comprehensive income		
Movement in foreign currency translation reserve (1)	2 002	(1 217)
Movement in cash flow hedge	166	(602)
Other comprehensive income of equity accounted investments (1)	126	21
Employee benefits re-measurement loss	4	(12)
Comprehensive income for the year	15 100	10 180
Allocation of comprehensive income:		
Profit for the year	12 802	11 990
Shareholders' fund	11 627	10 923
Non-controlling interest	1 175	1 067
Comprehensive income for the year	15 100	10 180
Shareholders' fund	13 698	9 272
Non-controlling interest	1 402	908
Earnings attributable to shareholders of the company (cents):		
Basic earnings per share	565,4	544,4
Diluted earnings per share	559,7	538,8

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	2018 R million	2017 R million
Shareholders' fund:		
Balance at beginning of the year	57 420	53 390
IFRS Transitional adjustments (4)	(429)	-
Comprehensive income	13 698	9 272
Profit for the year	11 627	10 923
Other comprehensive income (3)	2 071	(1 651)
Net (acquisition)/disposal of treasury shares (2)	(1 022)	(119)
Shares issued	5 635	-
Share-based payments	358	340
Dividends paid (1)	(6 053)	(5 400)
Acquisitions, disposals and other movements in interests	(101)	(63)
Balance at end of the year	69 506	57 420
Non-controlling interest:		
Balance at beginning of the year	6 017	5 696
IFRS Transitional adjustments (4)	(12)	-
Comprehensive income	1 402	908
Profit for the year	1 175	1 067
Other comprehensive income (3)	227	(159)
Net (acquisition)/ disposal of treasury shares (2)	(29)	(19)
Share-based payments	26	36
Dividends paid (1)	(867)	(796)
Acquisitions, disposals and other movements in interests	5 574	192

Balance at end of the year	12 111	6 017
Shareholders' fund	57 420	53 390
Non-controlling interest	6 017	5 696
Total equity at beginning of the year	63 437	59 086
Shareholders' fund	69 506	57 420
Non-controlling interest	12 111	6 017
Total equity at end of the year	81 617	63 437

(1) A dividend of 312 cents per share (2017: 290 cents per share) was declared in 2019 in respect of the 2018 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R6.5 billion, but may vary depending on the number of shares in issue on the last day to trade. Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position date.
(2) Comprises movement in cost of shares held by subsidiaries, the share incentive trust and other consolidated funds.
(3) Other comprehensive income include, a realisation of cash flow hedging adjustment of R1 500 million (gross and net of tax) in respect of the acquisition of interests in Saham Finances.
(4) The following new standards have been adopted in the 2018 financial year:
- IFRS 9
- IFRS 15

CASH FLOW STATEMENT
for the year ended 31 December 2018

	2018 R million	Restated(1) 2017 R million
Cash flow from operating activities	10 760	6 356
Cash utilised in operations	(7 286)	(12 101)
Interest and preference share dividends received	18 199	18 343
Interest paid	(1 136)	(868)
Dividends received	12 307	11 343
Dividends paid	(6 844)	(6 118)
Taxation paid	(4 480)	(4 243)
Cash flow from investment activities	(6 764)	(3 221)
Acquisition of subsidiaries and associated companies	(7 254)	(4 917)
Disposal of subsidiaries and associated companies	490	1 696
Cash flow from financing activities	4 052	(215)
Shares issued	5 635	-
Movement in treasury shares	(1 051)	(138)
Disposal/(acquisition) of non-controlling interest	90	(113)
Term finance raised	2 455	1 388
Term finance repaid	(3 077)	(1 352)
Net increase in cash and cash equivalents	8 048	2 920
Net foreign exchange difference	(124)	(122)
Cash and cash equivalents at beginning of the year	55 419	52 621
Cash and cash equivalents at end of the year	63 343	55 419

(1) Comparative information has been restated. Refer to note 8.2 for additional information.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

	2018 cents	2017 cents

EARNINGS PER SHARE

Basic earnings per share:		
Headline earnings	445,6	486,3
Profit attributable to shareholders' fund	565,4	544,4
Diluted earnings per share:		
Headline earnings	441,1	481,3
Profit attributable to shareholders' fund	559,7	538,8
	R million	R million
Analysis of earnings:		
Profit attributable to shareholders' fund	11 627	10 923
Less: Net profit on disposal of operations	(2 773)	(1 335)
Less: Equity-accounted non-headline earnings	(17)	(134)
Plus: Impairments	325	303
Headline earnings	9 162	9 757
	million	million
Number of shares:		
Weighted number of ordinary shares in issue	2 215,6	2 166,5
Less: Weighted Sanlam shares held by subsidiaries and consolidated investment funds (including policyholders)	(159,3)	(160,0)
Adjusted weighted average number of shares for basic earnings per share	2 056,3	2 006,5
Add: Total number of shares in respect of Sanlam Limited long-term incentive schemes	21,0	20,8
Adjusted weighted average number of shares for diluted earnings per share	2 077,3	2 027,3

2. SEGMENTAL INFORMATION

	2018 R million	2017 R million
Segment financial services income (per shareholders' fund information)	66 529	58 700
Sanlam Personal Finance	19 136	17 823
Sanlam Emerging Markets	11 526	7 978
Sanlam Investment Group	6 396	5 581
Santam	23 693	22 327
Sanlam Corporate	5 622	4 825
Group Office and other	156	166
IFRS adjustments	7 090	5 230
Total financial services income	73 619	63 930
Segment result (per shareholders' fund information after tax and non-controlling interest)	11 521	11 001
Sanlam Personal Finance	4 218	4 680
Sanlam Emerging Markets	3 561	3 057
Sanlam Investment Group	1 693	1 401
Santam	1 609	1 122
Sanlam Corporate	637	845
Group Office and other	(197)	(104)
Reverse Non-controlling interest included in segment result	1 175	1067
Fund transfers	106	(78)
Total profit for the year	12 802	11 990

Segment IFRS 15 revenue from contracts with customers(1) 2018

Sanlam Personal Finance	3 874
Sanlam Emerging Markets	704
Sanlam Investment Group	6 060
Santam	234
Sanlam Corporate	1 747
Total IFRS 15 revenue	12 619

(1) Comparative information not required in terms of IFRS 15.

Disaggregation of revenue
According to primary geography

	South Africa	Rest of Africa	Other Inter-national	Total
IFRS 15 Revenue	9 148	738	2 733	12 619
Administration fees	5 093	438	498	6 029
Asset management and performance fees	2 832	228	1 744	4 804
Commissions	372	57	479	908
Consulting fees	367	12	1	380
Actuarial and risk management fees	198	-	-	198
Other(1)	286	3	11	300
Revenue not within the scope of IFRS 15	51 710	8 217	1 073	61 000
Financial services income	60 858	8 955	3 806	73 619

3. SHARE REPURCHASES
The 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 terms of these general authorities.

4. CONTINGENT LIABILITIES
Shareholders are referred to the contingent liabilities disclosure in the 2018 annual financial statements. The circumstances surrounding the contingent liabilities remain materially unchanged.

5. SUBSEQUENT EVENTS
No other material facts or circumstances have arisen between the date of the statement of financial position and this report which materially affects the financial position of the Sanlam Limited Group at 31 December 2018 as reflected in these financial statements.

6. 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 disclosure only cover assets and liabilities measured at fair value.

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

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

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

R million
Recurring fair value measurements

31 December 2018	Level 1	Level 2	Level 3	Total
Properties	-	-	21 349	21 349
Investment in joint ventures	-	-	539	539

Equities and similar securities	179 365	4 918	504	184 787
Interest-bearing investments	30 137	174 617	69	204 823
Structured transactions	8 013	13 328	-	21 341
Investment funds	182 926	6 347	732	190 005
Trade and other receivables	10 855	5 653	-	16 508
Cash deposits and similar securities:				
Investments	-	43 131	-	43 131
Cash deposits and similar securities:				
Working capital assets	-	2 359	-	2 359
Total assets at fair value	411 296	250 353	23 193	684 842
Investment contract liabilities	-	353 672	1 665	355 337
Term finance	-	3 085	-	3 085
Structured transactions liabilities	-	15 629	-	15 629
Trading account liabilities	5 595	11 088	-	16 683
External investors in consolidated funds	61 573	3 960	613	66 146
Total liabilities at fair value	67 168	387 434	2 278	456 880

R million
Recurring fair value measurements

31 December 2017	Level 1	Level 2	Level 3	Total
Properties	-	-	11 505	11 505
Equities and similar securities	198 226	2 436	433	201 095
Interest-bearing investments	42 154	141 825	30	184 009
Structured transactions	7 130	8 251	-	15 381
Investment funds	173 802	3 103	330	177 235
Trading account assets	11 090	5 233	-	16 323
Cash deposits and similar securities:				
Investments	24 353	14 572	-	38 925
Investment in joint ventures	-	-	359	359
Total assets at fair value	456 755	175 420	12 657	644 832
Investment contract liabilities	-	343 368	2 205	345 573
Term finance	-	4 300	-	4 300
Structured transactions liabilities	-	4 187	-	4 187
Trade and other payables	11 547	11 447	-	22 994
External investors in consolidated funds	61 882	-	527	62 329
Total liabilities at fair value	73 349	363 302	2 732	439 383

R million
Reconciliation of movements in level 3 assets and liabilities measured at fair value
31 December 2018

Assets	Properties	Equities and similar securities	Interest bearing investments	Investment funds	Investment in joint ventures	Total Assets
Balance at 1 January 2018	11 505	433	30	330	359	12 657
Total gains/(loss) in statement of comprehensive income	309	20	3	33	180	545
Acquired through business combinations	7 446	-	-	-	-	7 446
Acquisitions	2 165	131	36	368	-	2 700
Disposals	(171)	(100)	-	-	-	(271)
Reclassified from disposal groups classified as held for sale	(128)	-	-	-	-	(128)
Foreign exchange movements	224	20	-	1	-	245
Transfer to owner-occupied properties	(1)	-	-	-	-	(1)
Balance at 31 December 2018	21 349	504	69	732	539	23 193

31 December 2017						
Balance at 1 January 2017	10 664	420	392	467	423	12 366
Total gains/(loss) in statement of comprehensive income	499	1	-	(19)	(64)	417
Acquisitions	544	21	-	-	-	565
Disposals	(501)	(2)	-	(118)	-	(621)
Reclassified as disposal groups classified as held for sale	551	-	-	-	-	551
Settlements	-	-	(362)	-	-	(362)
Foreign exchange movements	(239)	(7)	-	-	-	(246)
Transfer from owner-occupied properties	(13)	-	-	-	-	(13)
Balance at 31 December 2017	11 505	433	30	330	359	12 657

Liabilities

R million	Investment contract liabilities	Term finance	External investors in consolidated funds	Total liabilities
31 December 2018				
Balance at 1 January 2018	2 205	-	527	2 732
Total gains in statement of comprehensive income	25	-	1	26
Acquisitions	65	-	-	65
Disposals	(797)	-	-	(797)
Foreign exchange movements	167	-	85	252
Settlements	-	-	-	-
Balance at 31 December 2018	1 665	-	613	2 278
31 December 2017				
Balance at 1 January 2017	2 312	201	604	3 117
Total gains in statement of comprehensive income	72	-	(38)	34
Acquisitions	36	-	-	36
Disposals	(189)	-	-	(189)
Foreign exchange movements	(26)	(37)	(39)	(102)
Settlements	-	(164)	-	(164)
Balance at 31 December 2017	2 205	-	527	2 732

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

R million	2018	2017
Total gains or losses included in profit or loss for the period	519	383
Total unrealised gains or losses included in profit or loss for the period for assets held at the end of the reporting period	89	258

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

Transfers between categories

Assets

R million	Equities and similar securities	Interest-bearing investments (1)	Structured transactions	Investment funds	Cash, deposits and similar securities	Total assets
2018						
Transfer from level 1 to level 2	-	142	-	-	-	142

Transfer from level 2 to level 1	-	-	-	-	-	-
2017						
Transfer from level 1 to level 2	-	169	-	-	-	169
Transfer from level 2 to level 1	-	107	-	-	-	107

Liabilities	External investors (2)	Term finance	Total liabilities
2018			
Transfer from level 2 to level 1	-	-	-
2017			
Transfer from level 1 to level 2	328	-	328

(1) Instruments that were not actively traded in the market have been transferred from level 1 to level 2. Conversely, instrument that have become actively traded in the market have been transferred from level 2 to level 1.
(2) External investors in consolidated funds transfers relate to investment funds that listed during the year ended December 2017. As a result, those funds are now classified as level 1.

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

Instrument	Applicable to level	Valuation basis	Main assumptions	Significant Unobservable input
Properties	3	Recently contracted prices, Discounted cash flow model (DCF), Earnings multiple	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index, Cash flow forecasts (including vacancy rates)	Capitalisation rate Discount rate Cash flow forecasts (including vacancy rates)
Equities and similar securities	2 and 3	DCF,Earnings multiple	Cost of Capital, Consumer price index	Cost of Capital Adjusted earnings multiple
Interest bearing investments	2 and 3	DCF,Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Discount rate
Trade and other receivables/ payables	2	DCF, Earnings multiple Quoted put/surrender price by issuer	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	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

Term finance	2	DCF	Bond and forward rate Credit ratings of issuer Liquidity spread Agreement interest curves	n/a
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
External investors in consolidated funds	2 and 3	Current unit price of underlying unitised asset, multiplied by the number of units held	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index, unit prices	Based on underlying assets
Cash, deposits and similar securities	2	Mark-to-market Yield curve	Bond and interbank swap interest rate curve	n/a
Investment in joint ventures	3	DCF	Bond and interbank swap interest rate curve, Cost of Capital, Consumer price index	Cost of Capital

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

Assets

R million	Carrying amount	Effect of a 10% increase in risk adjustments	Effect of a 10% decrease in risk adjustments	Carrying amount	Effect of a 1% increase in base/ capitalisation rate	Effect of a 1% decrease in base/ capitalisation rate
Properties (1)						
2018						
Cash flow risk adjustments	21 349	(2 135)	2 135	-	-	
Base rate	-	-	-	9 864	(240)	258
Capitalisation rate	-	-	-	9 864	(297)	364
				Carrying amount	Effect of a 10% increase in earnings	Effect of a 10% decrease in earnings
Earnings multiple				11 477	1 002	(969)
2017						
Cash flow risk adjustments	11 505	(1 151)	1 151	-	-	-
Base rate	-	-		8 091	(264)	284
Capitalisation rate	-	-		8 091	(357)	437

R million	Carrying amount(2)	Effect of a 10% increase in multiple	Effect of a 10% decrease in multiple	Carrying amount(3)	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
Other Investments						

2018						
Equities and similar securities	504	(50)	50	-	-	-
Interest-bearing investments	-	-	-	69	(1)	2
Investment funds	732	(73)	73	-	-	-
Investment in joint ventures	-	-	-	539	(44)	50
Total	1 236	(123)	123	608	(45)	52
2017						
Equities and similar securities	433	43	(43)	-	-	-
Interest-bearing investments	-	-	-	30	(1)	1
Investment funds	330	33	(33)	-	-	-
Investment in joint ventures	-	-	-	359	(32)	36
Total	763	76	(76)	389	(33)	37

Liabilities

R million	Carrying amount(2)	Effect of a 10% increase in value	Effect of a 10% decrease in value
2018			
Investment contract liabilities	1 665	167	(167)
External investors in consolidated funds	613	61	(61)
Total Liabilities	2 278	228	(228)
2017			
Investment contract liabilities	2 205	221	(221)
External investors in consolidated funds	527	53	(53)
Total Liabilities	2 732	274	(274)

(1) Investment Properties comprise a majority of Sanlam Life properties valued using capitalisation and discount rates, with sensitivities based on these two unobservable inputs.
(2) Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.
(3) Represents mainly instruments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.

7. BUSINESS COMBINATIONS

Material acquisitions of the Group consolidated in the 2018 financial year

Saham Finances Group

Effective 1 October 2018, The Sanlam Group acquired the remaining stake (53,37%) in Saham Finances, gaining control for the first time. The acquisition supports the Group's vision to be a leading Pan-African financial services group. Sanlam Emerging Markets and Santam Limited hold an effective interest of 90% and 10% respectively. The Saham Finances Group provides financial services (predominately general insurance) across various countries in Africa.

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

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

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

Refer to the Shareholder's Fund Information for the analysis of Saham Finances results. The post acquisition profits for the 3 month period amounted to R154 million.

8. Restatements

8.1 IFRS Transitional adjustments

STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Previously reported Audited	Adjustments IFRS 9	Restated Reviewed

R million			
ASSETS			
Investments	656 020	(434)	655 586
Properties	11 505		11 505
Investment in associated and joint ventures	26 476	(428)	26 048
Equities and similar securities	201 095		201 095
Interest-bearing investments	185 363	(6)	185 357
Structured transactions	15 381		15 381
Investment funds	177 235		177 235
Cash, deposits and similar securities	38 965		38 965
Working capital assets	55 593	(7)	55 586
Trade and other receivables	33 633	(7)	33 626
Cash, deposits and similar securities	21 960		21 960
Other assets	21 970		21 970
Total asset	733 583	(441)	733 142
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	22		22
Treasury shares	(3 811)		(3 811)
Other reserves	9 084		9 084
Retained earnings	52 125	(429)	51 696
Shareholders' fund	57 420	(429)	56 991
Non-controlling interests	6 017	(12)	6 005
Total equity	63 437	(441)	62 996
Total liabilities	670 146		670 146
Total equity and liabilities	733 583	(441)	733 142

IFRS 9 - Financial Instruments

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

The key changes introduced by IFRS 9 are as follows:

1. Classification and measurement - financial assets are required to be measured and classified based on the cash flow characteristics of the instrument and the business model under which the asset is managed. The classification and measurement of financial liabilities is largely unchanged, with the exception of the amendment requiring that the own credit risk component of fair value movements on liabilities designated at fair value through profit or loss now be presented in other comprehensive income.
2. Impairment - IFRS 9 introduces an expected credit loss model. This entails the recognition of an allowance for expected credit loss looking one year into the future or over the lifetime of the financial asset if the credit risk relating to the financial asset has increased significantly. The impairment model is therefore "forward looking", replacing the incurred loss model as previously required by IAS 39.

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

The majority of financial assets were measured at fair value through profit and loss under IAS 39, and continue to be under IFRS 9, either because they are mandatorily measured as such, or through designation.

The changes in classification and measurement are as follows:

- Certain financial assets, predominantly interest bearing investments, previously measured at amortised cost under IAS 39, have been reclassified to fair value through profit or loss under IFRS 9. The remeasurement impact on opening retained earnings is an increase of R6 million.
- The change in fair value that is attributable to changes in the credit risk of financial liabilities designated at fair value through profit or loss is presented in other comprehensive income under IFRS 9. In the current period, this portion of the movement in such instruments was immaterial.

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

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

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

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

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

8.2 Restatement of Group cash flow statement

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

	2017		
	As previously reported	Adjustments	Restated
Cash flows from operating activities	23 402	(17 046)	6 356
Cash flows from investing activities	(20 267)	17 046	(3 221)
Net acquisition of investments	(17 046)	17 046	-
Acquisition of subsidiaries and associates	(4 917)	-	(4 917)
Disposal of subsidiaries and associated companies	1 696	-	1 696

The above restatements did not have any impact on the Group's statement of financial position, statement of comprehensive income and statement of changes in equity.

Bellville
7 March 2019

JSE Sponsor
The Standard Bank Group of South Africa Limited