A journey for life

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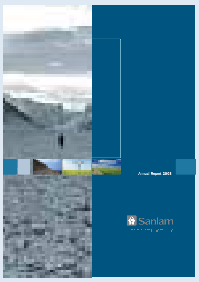

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In a nutshell

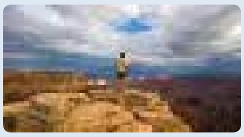
Welcome

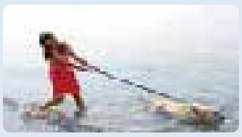
In this, our 10th Annual Report since listing on the JSE Limited and the Namibian Stock Exchange in 1998, we again have the pleasure of reporting back on a company that continues to strive for sustainable performance with the aim of providing all our stakeholders with a journey for life.

The next few pages highlight the Sanlam Investment Case and summarise our performance in 2008. You can read the detailed 2008 Annual Report from page 24.

We receive regular recognition for the standard of our communication to our stakeholders, including our annual reports. We always try to improve on this and invite you to forward any suggestions you as a stakeholder may have on this report. You can do so by using the link on our on-line edition of this annual report.

We trust that this report on our performance in 2008 will further strengthen your conviction in respect of the Sanlam Investment Case.



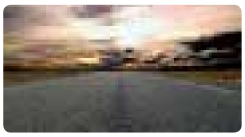


The journey for life is everyone's journey

Sanlam acknowledges that people are individuals and that each person is on his or her own, unique journey.

At Sanlam we are at your side for that journey.

A journey for life



The Sanlam Group

Who we are

We are a leading financial services group in South Africa. Our head office is in Bellville near Cape Town.

We celebrated our 90th birthday in 2008. In nine decades Sanlam has set benchmarks for wealth creation, innovation and empowerment in South Africa and we expand on our latest achievements in these fields throughout this Report.

We have offices throughout South Africa and also have business interests elsewhere in Africa, Europe, India, Australia and the USA.

How we performed in 2008

How some of the media and analysts reported on our 2008 performance

- Sanlam digs in for long haul in tough times *(Business Day 6 March)*
- Sanlam confident of strategy ahead of another tough year *(Business Report 6 March)*
- Sanlam offers decent 40% upside with none of the nervous breakdown elements associated with other life companies. A nice safe stock to hold *(Ketola Research 5 March)*
- Overall, very strong operationally in our opinion. Sanlam's historical conservatism and strong capital levels is very helpful in the current economic and market environment *(J. P. Morgan 5 March)*

We are satisfied with our performance in 2008. Our results, as you will note from the following pages, are testimony to resilient performance under very demanding circumstances. Our successful diversification over the past five years is one of the key factors of our success. **We are, in particular, proud of the 23% growth in the value of new business that we achieved in 2008.**

Our vision

Our vision is to **be the leader in wealth creation and protection in South Africa**, leading that process in the emerging markets and playing a niche role in the developed markets.

What we do

We provide financial solutions to individual and institutional clients.

These solutions include individual, group and short-term insurance, personal financial services such as estate planning, trusts, home and personal loans, savings and linked products, investment, asset management, property asset management, stockbroking, risk management and capital market activities.

We provide these solutions to various segments of the markets where we operate and offer the solutions from a number of mutually dependent business entities in our Group.

From a life insurance company with our establishment in 1918, we have, in short, grown into **a diversified one-stop financial services group**, offering our clients a journey for life for their financial needs.

Our values

Our shared business philosophy has its roots in an entrepreneurial culture with its essence captured in traditional values of honesty, diligence, superior ethical behaviour, innovation, stakeholder values and strong ties with business partners. Our business model is focused on client-centricity and on being solution orientated.

Our strategy

Our steadfast strategy has five pillars:

› To apply our resources to optimise our capital structure;

› To implement growth opportunities through acquisitions and collaboration and increase market share through client-centric solutions and service;

› To continue with our tight grip on costs;

› To persist with our transformation initiatives to build a world-class financial services group; and

› To explore opportunities for diversification through a wider range of financial solutions and geographic expansion.

The Sanlam Group
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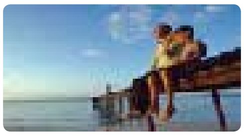


Our brand

The Sanlam brand has been part of the South African financial and economic landscape since 1918 and has evolved over time as the environment in which we operate has changed.

In line with our strategy of client-centricity, we have segmented our market into four individual sub-brands to identify unique portfolios of solutions tailored for relevant and specific retail segments:

Sanlam Sky for the entry-level market;

Sanlam Topaz for the middle market;

Sanlam Cobalt for business-owners and professionals; and

Glacier by Sanlam for the affluent market.

Our businesses in the investment and institutional markets traditionally all provide customised solutions specifically designed to meet the needs of their clients and they strongly reinforce the overall corporate brand positioning.

Thinking ahead for 2009

"Although we believe that 2009 will be another tough year full of challenges, we are not changing our strategy – only the manner in which we are executing it. We have therefore taken a strategic decision to take our foot off the accelerator on the investment for growth side this year and to focus intensely on transforming Sanlam into an even more efficient and well-diversified operation."

(**Dr Johan van Zyl** in his Group Chief Executive Review *page 41*)

Some of our corporate achievements in 2008:

Sanlam was rated as a "Best performer" on the JSE Socially Responsible Investment Index for the first time in 2008.
We were listed on the Index for the fifth consecutive year.

For the eighth time since our listing in 1998, the Investment Analysts Society of Southern Africa voted Sanlam as the best communicator to its shareholders in the Financial – Life Assurance and Insurance Sector of the JSE in 2008.

Two of our funds received recognition at the Raging Bull Awards. The SIM Growth Fund received the Top Performance Certificate for the Best Performing Domestic Equity Growth Fund over three years and The Coris Capital International Bond Fund received the Top Performance Certificate for the Best Performing Foreign Fixed Interest Bond Fund over three years.

Sanlam Limited was among the three companies nominated for the Commercial Category of the 2008 NBI Special Award for the Top Performing Energy Efficiency Accord Signatory.

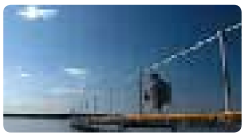
The client contact centre of Sanlam Personal Finance won the best customer service award, the best business-processing award and the best non-technical innovation of the year award in the Western Cape leg of the National Business Processing Enabling South Africa institution.

Sanlam was rated the third most respected company in South Africa after Sasol and Standard Bank by consumers in South Africa in a survey, *The World's Most Respected Companies 2008* by the US-based Reputation Institute.

The Sanlam Group office achieved accreditation from the international Investors in People Standards. Earlier, Sanlam Personal Finance became the first life company in South Africa to receive full accreditation, followed by the former African Life (now Sanlam Sky Solutions), the Group office of Sanlam Developing Markets and Sanlam Employee Benefits.

Sandaba, internal monthly newsletter for Sanlam staff, shared top spot as best overall internal corporate publication for 2008. *Sandaba* also shared top honours for the best staff newspaper.

A journey for life



Investment Case

Vast agency networks offering scale, flexibility and efficiency in South Africa

Leading in emerging markets

Niche presence in developed markets, servicing existing clients

Successfully implementing the growth strategy

Good operational performance over the long term

Creating shareholder value – outperforming competitors

Driving increased returns

Growing profitably through (product and geographic) diversification

Solid risk management

Innovation resulting in market-leading solutions

HR talent providing stability and proven track record

Sanlam – a leader in wealth creation and protection

Clear strategy

Sanlam's strategy is two-pronged. Firstly, it aims to drive **increased returns** through a continual focus on optimising capital, cutting costs and maximising efficiencies. Since 2005, more than R18 billion of existing capital (about 40% of the current Group Equity Value) has been redeployed.

The second part of the strategy is **growing profitably through diversification** by providing the full spectrum of financial services and diversifying revenue streams into new income markets and geographies, thus spreading the risk and underpinning a resilient performance in all market conditions. With a large stable life business at its core, Sanlam provides stability and consistency during difficult times, while its investment and capital market businesses capitalise on more favourable equity market conditions.

Our vision is to be a diversified financial services group that is unrivalled in wealth creation and protection in South Africa, leading in emerging markets, and specialised in developed markets.

(See diagram 1 below)

Presence

Retail

A vast internal distribution network of 1 940 tied financial advisers in **South Africa** servicing the middle- and upper-income markets, and 1 350 agents deployed for the lower-income market in SA, provides scale, flexibility and efficiency in servicing our broad range of clients. In addition, there are more than 10 000 independent financial advisers (IFAs) who support our various businesses. There are almost 3 million policyholders in Sanlam's SA core life businesses, Sanlam Personal Finance and Sanlam Sky Solutions, which equals about a quarter of the economically active population in the country.

Sanlam also has a strong corps of financial advisers and agents in the **emerging markets with** 1 760 in the rest of Africa and more than 19 000 in India. It has a niche presence in **developed markets**, following its SA client's money abroad, with *Merchant Investors* and *Principal* providing life, fund management and private client solutions in the UK.

In addition, Sanlam is not only increasing the breadth of its service solution offering by its entry into "non-life" financial services-related products, but is also expanding its breadth of distribution, by moving into the direct market, thereby entrenching the Group's leadership position in the future.

Institutional

Sanlam has a vast footprint in the corporate market in South Africa with almost every large SA corporation being a client of one of our businesses.

Sanlam Investments is predominantly entrenched in South Africa, and has a presence in the USA, Europe, Australia, Rest of Africa and India. This presence includes traditional asset management, alternative investment solutions, property asset management,

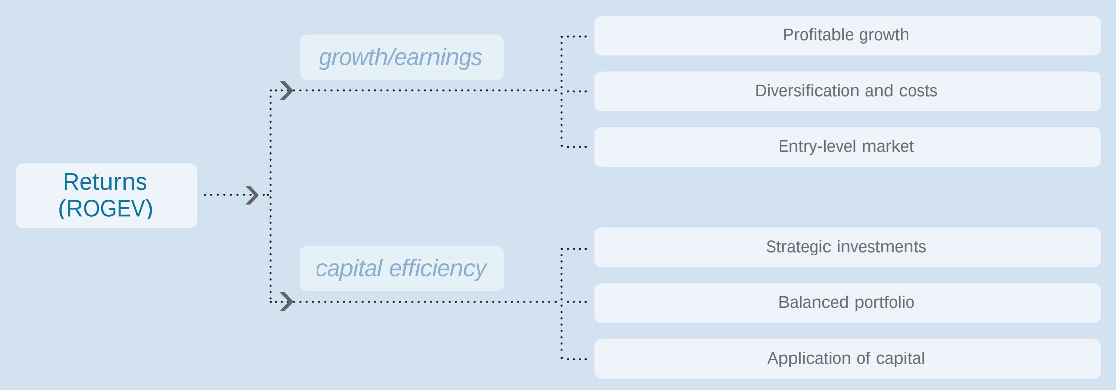


Diagram 1: Sanlam strategic focus

Investment Case
continued

collective investment (unit trusts), private client investment management and stockbroking, multi-manager management and investment administration.

Sanlam Employee Benefits provides life insurance, investment and annuity solutions to group schemes and retirement funds. The Group's capital markets business, *Sanlam Capital Markets*, provides risk management, structured product solutions and associated capital market activities.

Core expertise

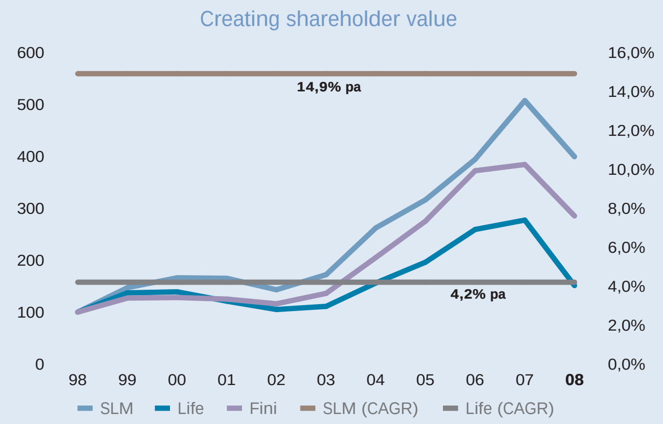
Solid risk management expertise is a core attribute required in running the Sanlam life and investment businesses, ensuring solid safety barriers in the operations. Sanlam centrally adopts conservative risk/return measures in all its pursuits, with a minimum hurdle rate being a prerequisite for all acquisitions and new capital allocations. Capital in existing businesses is also rigorously evaluated against these return hurdles. Not only is the Group planting the seeds for future growth through a disciplined and methodical approach to ventures, it also ensures that overall returns of the Group are enhanced over the long term.

Innovation has allowed the Group to pre-empt changes in an uncertain regulatory environment through market-leading solutions such as the *SanlamConnect* and *Sanlam Life Power* ranges, as well as to increase the breadth of solution and distribution offering through the solutions of *Sanlam Liquid* and *MiWay*.

Sanlam has the **human resources talent** to boast a stable, proven track record, operating for 90 years in life insurance. In addition, a relatively stable executive management team has more than 150 years of combined experience in life insurance and investments.

The Group's employment standards have earned most of its businesses full accreditation from the international *Investors in People Standards*. In working to attract, motivate and retain top talent, Sanlam encourages employees to make a difference at every level within the organisation through incentives which are directly aligned with the performance of the businesses.

Sanlam pioneered black economic empowerment in South Africa in 1993 and since then has been at the forefront, implementing its own **empowerment and transformation** strategies to ensure its long-term sustainability.



Delivery

Management has built solid foundations from which to grow the business by **successfully implementing growth strategies** in emerging markets in SA, the rest of Africa and India.

Good and improving **operational performance** over the long term is evident in new business flows and a change in the mix of offerings.

In creating **shareholder value**, Sanlam has outperformed its competitors since listing and, on average, has generated 10% higher share price returns per annum.

Not only is the Group planting the seeds for future growth through a disciplined and methodical approach to ventures, it also ensures that overall returns of the Group are enhanced over the long term

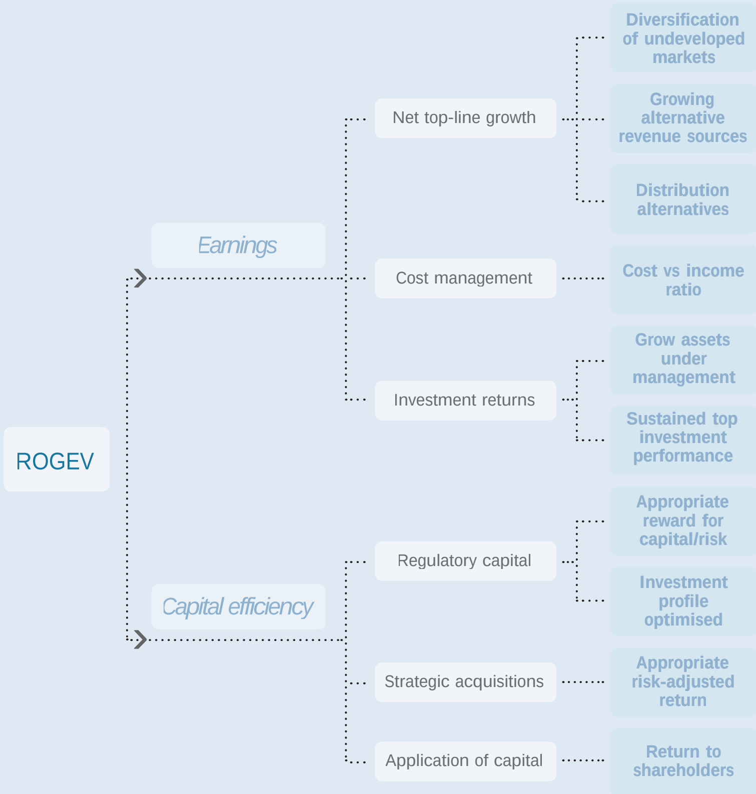
A journey for life

How we measure ourselves

The Sanlam Group's performance measurement and financial communication philosophy is based on its values which include **transparency, honesty and integrity**. We are therefore passionate about providing useful, clear and value-added information in our financial statements to our shareholders and other stakeholders. This is why the Sanlam Annual Report contains significant additional information than prescribed by International Financial Reporting Standards (IFRS). We view the requirements of IFRS and other relevant regulations and legislation as the minimum compliance standards. Our disclosures are further aligned with the Group's internal reporting structure to ensure that external users of the financial statements have the same insight into the Group's financial results as Sanlam's management.

Optimising shareholder value through maximising Return on Group Equity Value is the primary goal of the Group. Sanlam's strategic focus areas of capital efficiency, earnings growth, costs and efficiencies, diversification and transformation are aimed at achieving this objective.

The interaction of these strategies can be illustrated as follows:



The performance indicators used by the Group to measure the success of the main components of its strategy are classified into the following categories:

› **Shareholder value** (all strategic focus areas)

› **Business volumes** (future earnings growth)

› **Earnings** (earnings growth and costs and efficiencies)

› **Diversification**

› **Transformation**

› **Capital efficiency**

Shareholder value

Group Equity Value

Group Equity Value (GEV) is a measure of the value of the Group's operations, and is the aggregate of the following:

› The embedded value of the Group's life insurance operations (referred to as covered business), which comprises the capital supporting these operations and the net present value of the shareholder profits to be earned from these operations' book of in-force business;

› The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group; and

› The fair value of discretionary and other capital.

Growth in GEV per share is the most appropriate performance indicator to measure value creation for shareholders as it indicates the value that has been created in the Group during a reporting period.

Given the exposure of the Group's capital base to financial instruments, investment market performance has a significant impact on the growth in GEV per share. An adjusted return on GEV is therefore also disclosed to eliminate this impact of investment markets and to more accurately reflect management's impact on value creation.

Business volumes

Business volumes have a direct impact on the Group's assets under management and administration and commensurately on the future earnings growth. In addition to business volume indicators, the Value of New Business indicator measures the profitability of new life insurance business written during the year.

New business volumes

New business volumes measure the total new life insurance, short-term insurance and investment business written by the Group's operations during the year. New business contributes to the Group's assets under management and administration and thus increases the asset base from which the Group earns financial services income.

A journey for life

How we measure ourselves
continued

Net fund flows

Net fund flows are the aggregate of the following:

- New business volumes written during the year;
- Premiums earned from existing business in force at the beginning of the year; and
- Payments to clients.

Net fund flows are a measure of the net business retained within the Group and have a direct impact on the Group's assets under management and administration and commensurately the asset base on which the Group earns financial services income.

Value of new business and new business margin

The value of new business measures the net present value of future shareholder profits that the Group expects to earn from the new life insurance business written during the year. The new business margin is an indicator of the profitability of the new life insurance business written during the year.

Earnings

Sanlam uses four key indicators to assess earnings performance and operational efficiencies. These indicators are also presented on a per share basis (as applicable), to reflect the earnings attributable to shareholders.

Net result from financial services

This is the earnings from the Group's operating activities, net of minorities and tax.

Core earnings

Core earnings is the aggregate of the net result from financial services (refer above) and net investment income earned on the Group's capital. It is an indication of 'stable' earnings as it incorporates the relatively stable portion of the investment return earned on the capital, being investment income (interest, dividends and rental), but excludes investment surpluses which are volatile in nature owing to fluctuations in investment markets.

Normalised headline earnings

Headline earnings is a JSE disclosure requirement, equating to total earnings excluding items of a capital nature. Headline earnings is therefore equal to core earnings plus net investment surpluses (which are volatile in nature), equity-accounted earnings and other appropriate costs/amortisations.

Headline earnings includes what Sanlam refers to as ‘fund transfers’. Sanlam invests policyholder funds in the shares of Group companies, but is required in terms of IFRS to show these assets only at the consolidated Group interest (in respect of shares in subsidiaries), and at zero (in respect of Sanlam shares), instead of at fair value. This results in a non-economical mismatch between policyholder assets and liabilities, for which a ‘fund transfer’ to/from the shareholders’ fund is made.

Owing to this inconsistency within headline earnings, Sanlam discloses a normalised headline earnings figure, which excludes the effect of fund transfers, and therefore more accurately reflects the actual economic performance of the Group.

Administration cost ratio

The administration cost ratio measures the administration costs incurred by the Group as a percentage of financial services income after sales remuneration. This ratio is an indicator of the cost and operational efficiency of the Group.

Diversification

Diversification is measured through an analysis of net result from financial services and new business volumes based on:

- Geographical exposure;
- Market segmentation; and
- Type of business

Transformation

Transformation is inextricably linked to the long-term sustainability of the Group. The Annual Report includes an abridged Sustainability and Corporate Citizenship Report (refer to page 70) which measures the Group’s performance on the triple bottom-line basis (economic, social and environmental performance) as well as against the targets of the Financial Sector Charter in South Africa. The full version of the Sustainability and Corporate Citizenship Report is published on the Sanlam website (www.sanlam.co.za) at the end of May each year.

Capital efficiency

The Group’s actions in respect of capital management are covered in detail in the financial review on page 160.

A journey for life

Key performance indicators

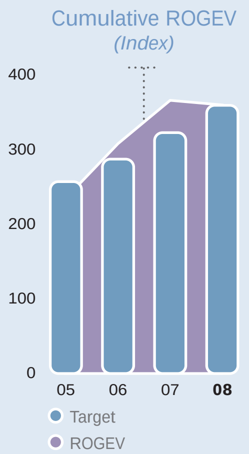
Sanlam delivered yet another solid set of results in 2008 despite unprecedented levels of uncertainty and market volatility in the face of a financial markets crisis of historic magnitude. The Group's operations were adversely affected by these conditions and the results are commensurately not spectacular in absolute terms in all areas, but Sanlam's performance during 2008 and its strong financial position are in stark contrast to the significant losses incurred by and corporate failures of major international financial conglomerates. This performance was underpinned by the Group's diversification strategy.

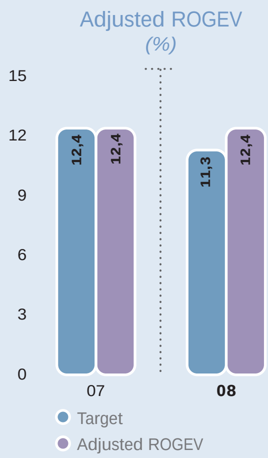
The key financial performance indicators of the Group are set out below. Refer to the Financial Review on page 134 for a detailed analysis of these results.

Return on Group Equity Value

The Group has set a return target to exceed its cost of capital on a sustainable basis. Cost of capital is set at the 10-year government bond yield plus 3%, with a target to exceed this return by at least 1%.

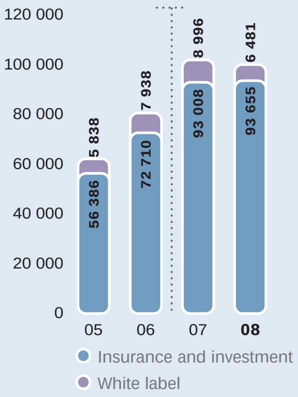
The adverse market conditions during 2008 have impacted negatively on the return earned on the Group's capital portfolio and the assets under management of the investment management businesses. This resulted in a 143% decrease in the net investment return earned on the capital supporting the life operations and a R1 billion reduction in the valuation of the investment management operations. Combined with a negative return of R1,3 billion on the listed Santam investment, it contributed to a relatively low -1,7% return on GEV (ROGEV) per share for 2008. The Group's long-term cumulative ROGEV (measured since demutualisation in 1998), however, still exceeds the cumulative target.



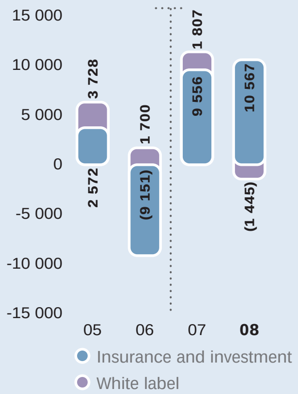


Adjusted ROGEV, which excludes the impact of investment market volatility, of 12,4% was achieved in 2008 (2007: 12,4%), compared to a target of 11,3% (2007: 12,4%).

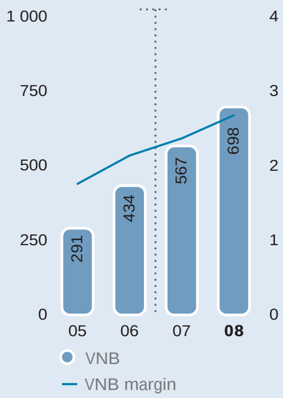
New business volumes
(R million)



Net fund flows
(R million)



Value of new business
(R million) *(%)*



Business volumes

New business volumes

The high interest rate and inflation environment in South Africa continued to impact consumers' disposable income, in particular the middle market. This, combined with extreme uncertainty and market volatility, both in South Africa and the international markets in which the Group operates, resulted in high levels of investor risk aversion and a challenging environment for new business growth. Total new business volumes decreased by 2% from R102 billion in 2007 to R100 billion in 2008. However, excluding the volatile, low-margin white label flows, new business volumes increased by 1%, a strong performance in the challenging business environment.

Net fund flows

The Group increased its net fund inflows (excluding white label) from R9,6 billion in 2007 to R10,6 billion in 2008, a particularly satisfactory result.

Value of new business

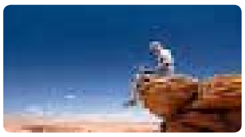
The value of new covered business (VNB) written during the year increased by 23% to R698 million, an exceptional performance in the current environment. This growth was also not achieved by sacrificing profitability, as indicated in the increase in VNB margin from 2,37% to 2,68%.

Earnings

Net result from financial services

The Group's diversification strategy supported the overall operational performance during 2008. The turmoil in investment markets and associated uncertainty, combined with a disproportionate performance of financial, industrial and resources shares during the first half of 2008, had a negative impact on the performance fees earned by the investment management businesses and the deal flow and results of the capital market business. An underperformance by these operations was offset by satisfactory results from the life and short-term insurance businesses. The net result from financial services per share was in line with 2007. Excluding the impact of new business strain and the maiden loss of MiWay, the net result from financial services increased by 9% on a per share basis. This represents a good result taking cognisance of the business environment and the significant losses reported by international financial services organisations.

A journey for life



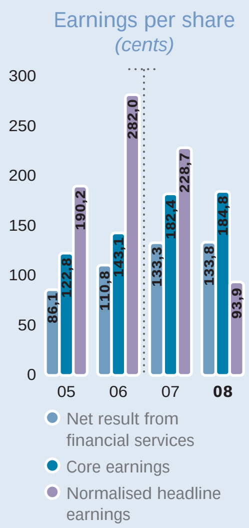
Key performance indicators
continued

Core earnings

Core earnings per share increased by 1%, in line with the operational results.

Normalised headline earnings

The return earned on the Group's capital portfolio was severely impacted by the volatile investment markets, with the JSE All Share Index closing 26% down on 2007 at 31 December 2008. This contributed to a 59% decrease in normalised headline earnings per share.



Administration costs

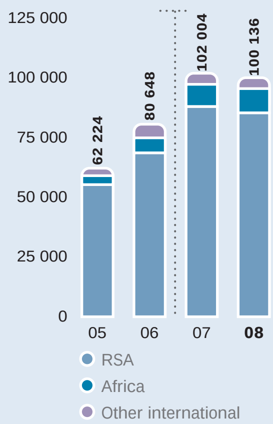
Administration costs increased by 8% in 2008, comparing favourably to the CPIX inflation of 10% during the same period. This reflects the Group's focus on cost control and operational efficiency, with the administration cost ratio increasing only slightly from 27,8% in 2007 to 28,4% in 2008.

Diversification

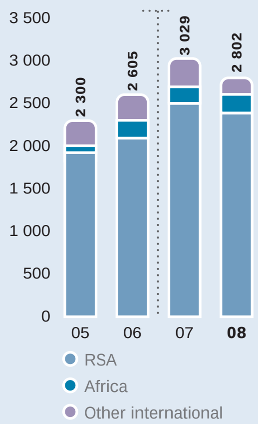
The Group continues to diversify its operations, with major progress made over the past five years in respect of its geographical expansion (outside of South Africa), market segmentation (expanding entry-level and institutional markets) and financial services exposure (expanding non-life operations).

Geographical

New business volumes *(R million)*

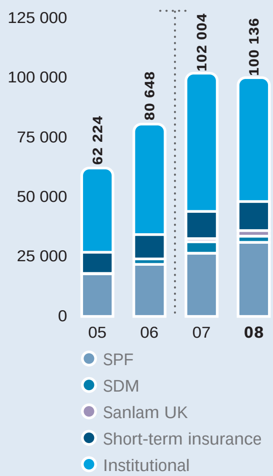


Net result from financial services *(R million)*

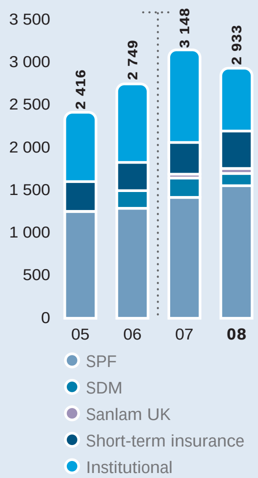


Market segmentation

New business volumes *(R million)*

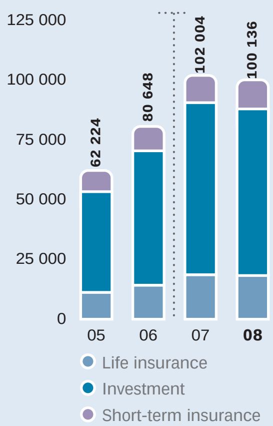


Net result from financial services *(R million)*

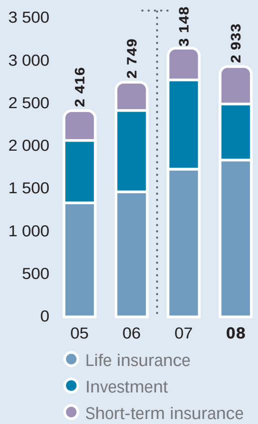


Financial services

New business volumes *(R million)*



Net result from financial services *(R million)*



Group five-year review

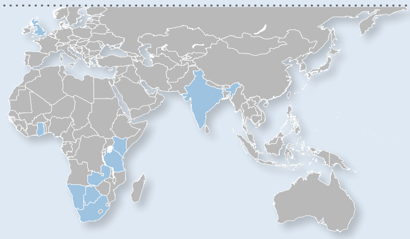
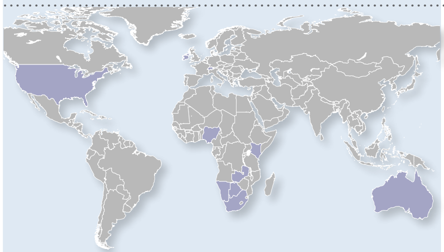
		2008
Group Equity Value		
Group Equity Value	R million	45 238
Group Equity Value	cps	2 213
Return on Group Equity Value per share	%	(1,7)
Business volumes		
New business volumes	R million	100 136
Life business		18 268
Investment business		63 222
Short-term insurance		12 165
New business volumes excluding white label		93 655
White label		6 481
Recurring premiums on existing business	R million	15 870
Total inflows	R million	116 006
Net fund flows	R million	9 122
SIM funds under management	R billion	409
New covered business		
Value of new covered business	R million	698
Covered business PVNBP	R million	26 033
New covered business margin	%	2,68
Earnings		
Gross result from financial services	R million	4 260
Net result from financial services	R million	2 802
Retail cluster		1 757
Sanlam Personal Finance		1 555
Sanlam Developing Markets		144
Sanlam UK		58
Institutional cluster		737
Sanlam Investments		589
Sanlam Employee Benefits		183
Sanlam Capital Markets		(35)
Short-term insurance		439
Corporate and other		(131)
Core earnings	R million	3 870
Normalised headline earnings	R million	1 966
Headline earnings	R million	2 702
Net result from financial services	cps	133,8
Core earnings	cps	184,8
Normalised headline earnings	cps	93,9
Diluted headline earnings	cps	132,2
Group administration cost ratio	%	28,4
Group operating margin	%	18,4
Other		
Dividend	cps	98
Sanlam Life Insurance Limited		
Shareholders' fund	R million	34 419
Capital adequacy requirements (CAR)	R million	8 075
CAR covered by prudential capital	times	2,7
Office staff (excluding marketing staff)	No of persons	9 969
Foreign exchange rates	R	
Closing rate		
Euro		12,85
British pound		13,33
United States dollar		9,24
Average rate		
Euro		11,98
British pound		15,07
United States dollar		8,13

(1) *Restated for the introduction of Sanlam UK in the 2008 financial year. Periods before 2007 have not been restated.*
(2) *Restated for the adoption of IFRS in the 2005 financial year.*

2007[1]	2006	2005	2004[2]	Average annual growth rate %
51 293	46 811	38 204	36 633	5
2 350	2 047	1 615	1 344	13
18,8	31,0	24,4	22,6	
102 004	80 648	62 224	53 902	17
17 408	13 933	11 220	11 200	13
64 193	48 574	36 295	31 652	19
11 407	10 203	8 871	7 719	12
93 008	72 710	56 386	50 571	17
8 996	7 938	5 838	3 331	18
14 906	13 761	11 815	10 879	10
116 910	94 409	74 039	64 781	16
11 363	(7 451)	6 300	10 908	
454	406	327	286	9
567	434	291	321	21
23 886	20 308	16 533	15 357	14
2,37	2,14	1,76	2,09	
4 539	4 098	3 455	3 115	8
3 029	2 605	2 300	1 812	12
1 690	1 497	1 254	1 119	12
1 418	1 290	1 254	1 119	9
227	207	—	—	(17)
45	—	—	—	29
1 086	921	813	523	9
869	730	528	301	18
123	50	159	143	6
94	141	126	79	
372	331	349	419	1
(119)	(144)	(116)	(249)	15
4 146	3 365	3 280	2 659	10
5 199	6 633	5 083	4 177	(17)
4 833	6 838	5 813	2 963	(2)
133,3	110,8	86,1	66,3	19
182,4	143,1	122,8	97,4	17
228,7	282,0	190,2	152,9	(11)
220,8	304,9	229,8	115,3	3
27,8	27,1	29,1	31,4	
20,8	21,1	20,7	21,6	
93	77	65	50	18
37 933	34 197	27 813	26 308	7
7 525	5 800	5 375	6 550	
3,5	4,4	4,0	3,6	
9 393	9 037	8 945	8 575	4
9,99	9,30	7,48	7,67	14
13,61	13,81	10,89	10,82	5
6,83	7,05	6,35	5,64	13
9,65	8,43	7,91	7,99	11
14,10	12,35	11,56	11,77	6
7,04	6,73	6,36	6,42	6

Group structure

Sanlam Limited

	1 - Retail cluster	2 - Institutional cluster
Scope of business	The Retail cluster includes Sanlam Personal Finance, Sanlam Developing Markets and Sanlam UK. › **Sanlam Personal Finance:** is a major provider of a wide range of individual life insurance and personal financial services and solutions, including estate planning and trusts, home loans, personal loans, linked products, money transfer and financial services in South Africa, Namibia and the UK. › **Sanlam Developing Markets:** provides affordable financial services solutions primarily to the entry-level market in South Africa and to the wider financial services segments in other developing markets in which Sanlam operates (five other African countries as well as India). › **Sanlam UK:** provides life, specialist pension, investment management and financial advice services in the United Kingdom market.	The Institutional cluster includes Sanlam Investments, Sanlam Employee Benefits and Sanlam Capital Markets. › **Sanlam Investments:** incorporates Sanlam's investment-related businesses in South Africa, USA, Europe, Rest of Africa, India and Australasia. Sanlam Investments' areas of service and solutions include traditional asset management, alternative investment solutions, property asset management, collective investments (unit trusts), private client investment management and stockbroking, multi-manager management and investment administration. › **Sanlam Employee Benefits:** provides life insurance, investment and annuity solutions for group schemes and retirement funds and fund administration for retirement and umbrella funds. › **Sanlam Capital Markets:** provides risk management, structured product solutions and associated capital market activities.
Contribution to net Group operating result	R1 757 million	R737 million
Contribution to Group new business volumes	R36 014 million	R51 957 million
Operational areas	 *South Africa, Botswana, Namibia, United Kingdom, Kenya, Ghana, India, Tanzania, Zambia*	 *South Africa, Switzerland, Australia, Ireland, United Kingdom, Namibia, Botswana, Nigeria, Kenya, Zambia, India, USA*

3 - Short-term Insurance cluster

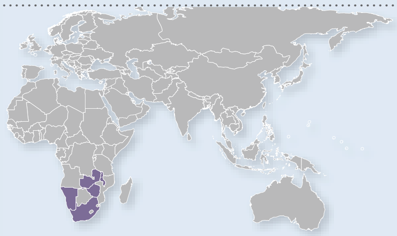
The Short-term Insurance cluster is comprised of a 57% shareholding in Santam, the leading short-term insurer in South Africa, and a direct 55% interest in MiWay, the Group's newly established direct financial services business.

› **Santam:** focuses on the corporate, commercial and personal markets. It has a market share in excess of 20% and a countrywide infrastructure and broker network. Santam has related business interests in Africa.

› **MiWay:** focuses on short-term insurance through a direct sales channel, with the intention of adding other financial services over time.

R439 million

R12 165 million

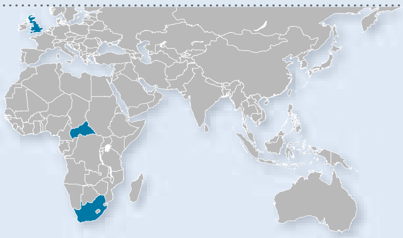


South Africa, Namibia, India

4 - Corporate

The corporate head office is responsible for the Group's centralised functions, which include strategic direction, financial and risk management, group marketing and communications, group human resources and information technology, corporate social investment and general group services.

(R131) million



South Africa

The fact that new business volumes exceeded the R100 billion mark during the past financial year for the second time is a clear indication that we are on the right track with our strategy.

Last year every single business cluster contributed to the strong performance, which makes this achievement even more significant.

Chairman's report

A journey for life

Roy Andersen
Chairman

Since listing in 1998, the Sanlam share price has delivered an average compound return of 14,9% per annum, consistently outperforming its peers as measured by the South African Life Assurance Index by around 10% each year.

Chairman's report

Five years ago, the Sanlam Group embraced a fundamentally new business strategy designed to transform the South African life insurance company into a trusted world-class diversified financial services group. When we embarked on this journey, little did we know that only a few years later the implementation of this strategy would provide Sanlam with the resilience to not only face one of the biggest crises the world's financial markets had ever faced, but to also deliver solid operational performance under very challenging circumstances.

In his report, our Group Chief Executive, Johan van Zyl, reports back in greater detail on Sanlam's five-pillar strategy and its successes. But in short, our strategy aims to drive increased returns by optimising capital, cutting costs and maximising efficiencies, and to grow profitability through effective diversification.

Only five years ago Sanlam was grappling with high cost ratios, industry low margins, significant net fund outflows, and a highly inefficient balance sheet. Today this company has significantly streamlined its operational efficiencies to develop a sustainable healthy foundation from which to grow. In addition, it also boasts a healthy capital position brought about by strong capital management principles. Since 2005, around R20 billion of existing capital has been redeployed or ring fenced for new businesses and for the buying back of shares.

Compared to our peer group, we have shown resilience to both global and local challenges as a result of our successful diversification strategy and the ability to fire on all cylinders operationally.

Yes, our share price was pulled back by the tide of volatility that had swept world markets since 2007. And yes, our headline earnings are not where we would have liked them to be. However, given the intensity of the global volatility last year, the figures hold no surprises.

In short, all aspects of our business under our control have exceeded expectations in their performance as is evidenced by the 23% increase in the value of new business in particular. The damper that was placed on our results came as a result of a factor that we cannot control: the performance of the financial markets.

Delivering shareholder value

Since listing in 1998, the Sanlam share price has delivered an average compound return of 14,9% per annum, consistently outperforming its peers as measured by the South African Life Assurance Index by around 10% each year. We also managed a 5% increase over 2007 in the dividend to 98 cents per share.

This performance is the output of an engine that has been fine-tuned in recent years. The Sanlam Investment Case is therefore driven by the core operational components of this engine, which are:

- A clear strategy that will help us achieve our vision of being a diversified financial services group that is a leader in wealth creation and protection in South Africa, leading in emerging markets and specialised in selected developed markets;
- A significant presence in these markets, providing the Group with scale, flexibility and efficiency when servicing our clients;
- Competitive advantages as a result of expertise in risk management, innovation and talent; and
- Delivery as a result of solid foundations from which to grow the business, a good and improving operational performance, and creating long-term shareholder value.

2008 – A brief overview

Financial institutions around the world had to navigate an extremely challenging environment in 2008, especially during the second half of the year when credit and stock markets collapsed and volatility increased to levels last seen at the time of the 1987 market crash.

Chairman's report
continued

For most equity markets, last year was one of the worst years in history, as reflected by the 42% decline in the MSCI World Index (20% in rand terms). The VIX, measuring volatility in US equity prices, jumped from 25,7% on 15 September to a high of 89,5% on 24 October. Commodities also tumbled – oil for example first rocketed to $144/bbl before falling to below $40/bbl.

While South Africa was spared the humiliation suffered by many developed countries of having to bail out key financial institutions, we did not escape the volatility. The JSE All Share Index lost 26% of its value last year and the rand shed 30% against the US dollar.

The JSE also recorded a net outflow of R30 billion in foreign assets in October last year, the biggest net foreign outflow ever. It is encouraging then that foreign shareholding in Sanlam declined only marginally by 2,63% to 22,5% in 2008, still higher than the 22,3% long-term average (2001 to 2008).

In addition, the South African economy was already in a downswing when the crisis hit, mainly because of a contraction in household spending from higher interest rates and tighter access to credit. The local financial services industry was caught between the pressures of a decline in household discretionary income on the one side and the turmoil in financial markets on the other.

One of the biggest concerns is the fact that the full effect of the financial crisis has not yet been determined. In my view one of the most serious consequences is the fundamental erosion of trust in the functioning of financial systems around the world. Trust is something that Sanlam has always taken very seriously, and a key ingredient in our approach to building relationships for life with our shareholders, clients and employees.

Board review

The value of the contribution by each director, as well as the effectiveness of the Sanlam Board, its committees and chairman is assessed annually with the aim of continually improving performance. The Board charter and the terms of reference of the committees are also subject to regular reviews to ensure relevance.

As at the end of the 2008 financial year, the Sanlam Board had 17 members: 12 were independent non-executives (in accordance with King

II's 'independence' standards), two were non-executives, and three were executive directors. The classification of directors as independent is reviewed at regular intervals. The average length of service by the directors was four years and six months.

In May 2008, we had the privilege of welcoming Raisibe Morathi to the Sanlam Board as the first black executive director. She was previously an independent non-executive director on the Sanlam Board.

Regrettably, last year also saw the departure of Maria Ramos as an independent non-executive director who resigned from the Board following her appointment as Group Chief Executive of the Absa Group and Wilmot James, also an independent non-executive director, who resigned from the Board early in 2009 to enter the world of party politics.

I extend my heartfelt thanks to both Maria and Wilmot, who both joined our Board in 2004, for their significant contributions to the Board and to Sanlam as a whole and we wish them the very best for the new careers they have chosen.

The Sanlam Demutualisation Trust

The Sanlam Demutualisation Trust, which was established with our demutualisation in 1998, was closed as planned on 22 October 2008. In its 10 years of operation, the Trust managed to trace and release shares to more than 500 000 shareholders who had not claimed their shares at Sanlam's demutualisation in 1998, reducing the initial number of such shareholders from 562 000 to only 48 604 by the time the Trust was closed.

This means that all but 1% of the originally allocated free shares reached their rightful owners. I would like to thank the chairperson of the Sanlam Demutualisation Trust, Judge Leonora van den Heever, the trustees and staff of the Trust for this great accomplishment.

Sanlam – A sustainable investment

While the numbers up for review at the end of every financial year (the bottom-line) are of great importance, we also realise that these achievements will only be sustainable if we pay attention to the 'triple bottom-line', which includes the governance of our non-financial impacts on stakeholders, as well as our impact on the environment and society at large.

› Corporate social responsibility

At Sanlam we believe that the JSE's Socially Responsible Investment (SRI) Index represents a good indicator of the company's ability to deliver sustainable returns to shareholders, particularly in the medium to long term.

Sanlam has been listed on this Index for five consecutive years, and last year we were rated as the 'Best performer' on the JSE SRI Index, placing us in the top 20% of SRI performers across all sectors.

› Skills development

The people who work at Sanlam are not only key to our performance, but also to our ability to transform the business into one that is sustainable. Since this can only be achieved with the right skills set in place, Sanlam maintains a continuous focus on the uplifting of educational levels and skills within the Group. During 2008, we therefore spent close to R43 million on training and development of our human capital.

Acknowledging that there is a dire skills deficit in South Africa as a whole, we also remain committed to actively growing the general pool of skilled South Africans. One such initiative involves the sponsorship of 66 students from disadvantaged backgrounds, enabling them to complete a finance-related university degree.

Chairman's report
continued

› Investing in our communities

In 2008 Sanlam and empowerment partner Ubuntu-Botho, through the Sanlam Ubuntu-Botho Community Development Trust, initiated a schools project with the aim of providing underprivileged schools with the tools to help build a better life for South Africa's youth.

Sanlam and the Sanlam/Ubuntu-Botho Trust contributed R6 million towards the schools project aimed at building capacity for teachers and light infrastructure for 'no fees schools'. This is a national schools initiative that will benefit both rural and urban schools.

The Sanlam Ubuntu-Botho Community Development Trust also donated R3 million last year to the Nelson Mandela Foundation Sustainability Fund with the aim of promoting community upliftment. The donation was made on Mr Mandela's 90th birthday, which was significant to Sanlam because we celebrated our 90th year of existence last year.

› Dwindling resources

Sanlam is concerned about the long-term impact of its operations on the environment. We are therefore managing these risks in partnership with the World Wildlife Fund (WWF), the Carbon Disclosure Project (CDP) and the United Nations Global Compact.

Our relationship with the WWF, for example, goes beyond supporting specific programmes – the two organisations enjoy a mutually beneficial long-term relationship. The WWF is helping Sanlam address and manage its own environmental impact and behaviour in order to achieve change within the organisation. Sanlam in turn is helping the WWF by supporting water management programmes across the country, in particular the WWF Sanlam Living Waters Programme.

Looking ahead

The past five years have brought about rapid change in the South African financial services industry. In addition to a fast-changing regulatory environment, the industry also has to grapple with a savings environment marked by increased job mobility, uncertainty of income and shorter investment time horizons.

The severe market volatility that marked 2008 has also had a significant impact on consumers' savings and investment patterns and their relationships with financial services providers.

One of the key challenges for 2009 will therefore be to provide the South African consumer with solutions that provide value and flexibility.

A significant step in that direction was the implementation of the Regulations on Commission and Early Termination Values on 1 January 2009. These regulations have changed the traditional commission structure for savings policies in an effort to provide policyholders with greater flexibility and better value. At Sanlam we have implemented the new regulations and have introduced performance-related bridging finance to support advisers whose cash flow may be impacted.

Last year we expected the Social Security and Retirement Reform process to gather momentum at a much faster pace. While this has not happened we continue to support this process where we can. The long-term impact that the planned National Social Security Scheme will have on our industry is not yet clear, but we are confident that public-private sector partnerships are likely to develop in time.

In recent years Sanlam has been at the forefront of encouraging the convergence of the financial services industry, since we believe that this is not only in the interests of the industry, but also to the benefit of intermediaries and our clients.

We are very pleased therefore that the savings and investment industry of South Africa unified under one umbrella association towards the end of last year.
I believe that the formation of the Association for Savings and Investment SA (ASISA) will have a significant impact on the relationship our industry develops with regulators and policymakers as well as other stakeholders. For one, we have finally created the single body Government was looking for to engage with on policy issues. Having one representative body will also help our industry develop holistic solutions in line with the needs of the consumer.

Sanlam is playing a leading role in this new association with our Group Chief Executive, Dr Johan van Zyl, serving as Chairman of ASISA.

In closing

The current economic crisis is already one of the deepest ever experienced and we have to accept that the final depth of this crisis has not yet been determined.

However, I simply cannot resist the temptation of making reference to a speech delivered more than 30 years ago in November 1974 by Jim Fullerton, then the chairman of The Capital Group Companies Inc.

He said: *"My message to you is: Courage! We have been here before. Bear markets have lasted this long before. Well-managed mutual funds have gone down this much before. And shareholders in those funds and we the industry survived and prospered."*

As you know, the stock market crash of 1974 was one of the worst in modern history and was accompanied by a stock market downturn that lasted for two years.

As did Fullerton in the 1970s, I believe that global industries will not only survive this current crisis, but emerge stronger and with better risk management systems in place. But there is little doubt that courage will be needed – it will take some time before the volatility subsides and global economies stabilise.

At Sanlam we will continue to place great emphasis on growing a resilient business that will continue achieving sustainable performance over the long term. I would like to thank my fellow Board members, Johan van Zyl and his management team, each and every Sanlam staff member and our distribution force for believing in our Group and for persevering even in challenging times to deliver the value we have promised our shareholders and our clients.

Sanlam Board of directors and committee memberships

From left:
Roy Andersen, Anton Botha, Manana Bakane-Tuoane, Attie du Plessis, Fran du Plessis

Independent non-executive directors

› **Roy Andersen** (60) *(Chairman)*
Appointed: 2004
Qualifications: CA (SA), CPA (Texas)
Major external positions, directorships or associations: Murray & Roberts, Virgin Active Group – United Kingdom, Aspen Pharmacare Holdings, Nampak, The Business Trust, Business Against Crime (SA), Chief of Defence Reserves, SA National Defence Force, SA Delville Wood Commemorative Museum Trust
Sanlam and Sanlam Life committee membership: Nominations (Chairman), Human Resources, Non-executive Directors (Chairman)

› **Anton Botha** (55)
Director since 2006
Qualifications: BProc, BCom (Hons) Investment Management, Stanford Executive Program
Major external positions, directorships or associations: JSE, University of Pretoria, Vukile Property Fund, Sanlam Capital Markets, Sanlam Investment Management, Genbel Securities, Imalivest
Sanlam and Sanlam Life committee membership: Human Resources (Chairman), Non-executive Directors, Institutional Cluster

› **Manana Bakane-Tuoane** (60)
Director since 2004
Qualifications: PhD (Economics) (University of Saskatchewan, Canada)
Major external positions, directorships or associations: African Rainbow Minerals
Sanlam and Sanlam Life committee membership: Nominations, Human Resources, Non-executive Directors, Retail Cluster

› **Attie du Plessis** (64)
Director since 2001
Qualifications: BCom, CA (SA), AMP (Harvard), AEP (Unisa)
Major external positions, directorships or associations: KWV, Sanlam Investment Management
Sanlam and Sanlam Life committee membership: Audit and Risk, Non-executive Directors, Institutional Cluster

› **Fran du Plessis** (54)
Director since 2004
Qualifications: BCom (Hons) Taxation, BCom LLB, CA (SA)
Major external positions, directorships or associations: KWV, Naspers, Keeromstraat 30 Beleggings, Heemstede Beleggings, South African Airways, LDP Incorporated
Sanlam and Sanlam Life committee membership: Audit and Risk, Policyholders' Interest (Chairperson), Non-executive Directors

From left:
Wilmot James, Valli Moosa, Rejoice Simelane, Sipho Nkosi, Ian Plenderleith

› **Wilmot James** (55)

Director since 2004

Qualifications: PhD (Wisconsin)

Major external positions, directorships or associations: Media 24, Cape Philharmonic Orchestra, African Genome Education Institute, Grape Company, The Fynbos Foundation, Fynbos Holdings

Sanlam and Sanlam Life committee membership: Policyholders' Interest, Sustainability, Non-executive Directors

› **Valli Moosa** (52)

Director since 2004

Qualifications: BSc (Mathematics, Physics – University of Durban-Westville)

Major external positions, directorships or associations: Lereko Investments, Imperial, Sun International, Real Africa Holdings, Anglo Platinum, ANC (National Executive Council)

Sanlam and Sanlam Life committee membership: Sustainability (Chairman), Non-executive Directors, Institutional Cluster

› **Sipho Nkosi** (54)

Director since 2006

Qualifications: BCom (Hons) Economics, MBA

Major external positions, directorships or associations: Exxaro Resources, Anooraq Resources, Great Basin Gold, Chamber of Mines of SA (current President)

Sanlam and Sanlam Life committee membership: Non-executive Directors, Retail Cluster

› **Ian Plenderleith** (65)

Director since 2006

Qualifications: MA (Oxon), MBA (Columbia), FCT, FSI, CBE

Major external positions, directorships or associations: Past Deputy Governor of the SA Reserve Bank, Past Executive Director of the Bank of England, BH Macro, MediCapital Bank, Bond Exchange of South Africa, International Capital Markets Association, Invoice Clearing Bureau South Africa, British Museum Friends, Columbia Business School Board of Overseers, Wits Business School Advisory Board

Sanlam and Sanlam Life committee membership: Audit and Risk, Non-executive Directors, Institutional Cluster

› **Maria Ramos** (50)

Director since 2006

Qualifications: BCom (Hons), MSc Economics (London)

Major external positions, directorships or associations: Transnet, Remgro, SABMiller plc

Sanlam and Sanlam Life committee membership: Nominations, Non-executive Directors (*Resigned from Board and committees: 2 December 2008)*

› **George Rudman** (65)

Director since 2001

Qualifications: BSc, FFA, FASSA, ISMP (Harvard)

Major external positions, directorships or associations: Santam, Lamform

Sanlam and Sanlam Life committee membership: Audit and Risk (Chairman), Non-executive Directors, Retail Cluster, Short-term Insurance Cluster

Sanlam Board of directors and committee memberships
continued

From left:
Maria Ramos, George Rudman, Bernard Swanepoel, Lazarus Zim

› **Bernard Swanepoel** (47)
Director since 2004
Qualifications: BCom (Hons), BSc (Mining Engineering)
Major external positions, directorships or associations: African Rainbow Minerals, Wits Business School Advisory Board, Pretoria University Mining Engineering Advisory Board, Delta Mining Consolidated, Village Main Reef Gold Mining Co. (1934), To the Point Growth Specialists
Sanlam and Sanlam Life committee membership: Sustainability, Non-executive Directors, Retail Cluster

› **Lazarus Zim** (48)
Director since 2006
Qualifications: BCom (Hons), MCom, DCom (HC)
Major external positions, directorships or associations: Chamber of Mines of SA, Kumba, Telkom, Afripalm, Northam Platinum, Mvelaphanda Resources, Transhex, Pinnacle Point Group
Sanlam and Sanlam Life committee membership: Non-executive Directors

Non-executive directors

› **Patrice Motsepe** (47) *(Deputy Chairman)*
Director since 2004
Qualifications: BA (Legal), LLB
Major external positions, directorships or associations: African Rainbow Minerals, Harmony, Ubuntu-Botho Investments, Sizanani-Thusanang-Helpmekaar Investments, Mamelodi Sundowns Football Club, African Fashion International
Sanlam and Sanlam Life committee membership: Nominations, Human Resources, Non-executive Directors

› **Rejoice Simelane** (56)
Director since 2004
Qualifications: PhD (Econ) (Connecticut)
Major external positions, directorships or associations: African Rainbow Minerals, Ubuntu-Botho Investments, Mamelodi Sundowns Football Club, Bureau for Economic Policy Analysis (BEPA), Presidential Economic Advisory Panel and Council of Medical Schemes
Sanlam and Sanlam Life committee membership: Sustainability, Non-executive Directors, Retail Cluster, Policyholders' Interest

From left:
Patrice Motsepe, Raisibe Morathi, Johan van Zyl, Kobus Möller

Executive directors

› **Johan van Zyl** (52)

Director since 2001

Qualifications: PhD, DSc (Agric)

Group Chief Executive since 2003

Major external positions, directorships or associations: Sanlam Investment Management, Sanlam Netherlands Holding BV, Sanlam UK, Santam, Sanlam Developing Markets, MiWay Group Holdings, University of Pretoria, Hans Merensky Foundation

Sanlam and Sanlam Life committee membership: Short-term Insurance Cluster (Chairman), Retail Cluster (Chairman), Institutional Cluster (Chairman)

› **Kobus Möller** (49)

Financial Director since 2006

Qualifications: BCompt (Hons), CA (SA), AMP (Harvard)

Major external positions, directorships or associations: Sanlam Capital Markets, Sanlam Developing Markets, Sanlam Investment Management, Santam, Sanlam UK, MiWay Group Holdings

Sanlam and Sanlam Life committee membership: Short-term Insurance Cluster, Retail Cluster, Institutional Cluster

› **Raisibe Morathi** (39)

Director since 2006

Qualifications: BCompt (Hons), CA (SA), HDip Tax (Wits), AMP (INSEAD)

Appointed Chief Executive Officer of Group Services from May 2008.

Major external positions, directorships or associations: Santam, Sanlam Investment Management, Afrisam (South Africa)

Sanlam and Sanlam Life committee membership: Short-term Insurance Cluster, Institutional Cluster and Retail Cluster

Report by the Group Chief Executive

A journey for life

Johan van Zyl
Group Chief Executive

I am exceptionally proud of the resilience that our business and our people have shown during one of the toughest years in Sanlam's 90-year history. Our intense focus on diversification over the past five years really started paying off. Our diverse portfolio of investment, life insurance and short-term insurance business achieved good stability for the Group last year and underpinned our resilience.

Our business strategy has served us well

Looking back over the past five years as Chief Executive of the Sanlam Group, I would say that 2008 has proved to be the most challenging year yet. While we had expected the period under review to be marked by heightened uncertainty and market volatility, the intensity of the global financial crisis and some of the resulting high-profile casualties were unprecedented.

When I made the comment in the 2007 Annual Report that in 2008 we would be operating in an environment marked by increased uncertainty, I also anticipated that our strong focus on diversification in recent years would underpin the resilience of the Group's performance.

I am therefore pleased to report that Sanlam's diversification strategy provided the Group with the bulwark needed to withstand the challenges of 2008. Thus, while global events have certainly impacted on our business which, by nature as a financial services group, is subject to market fluctuations, we remain in a healthy financial position. In addition, we also continued achieving strong growth in 2008 and I would like to highlight our performance in this regard.

The Sanlam Group's growth potential has from time to time been questioned by some observers. In this regard, I am pleased that the Group's gross value of new business (VNB), a key indication of profitable growth in our life insurance business, grew by an outstanding 23% to R698 million in 2008. This brings our five-year compound average growth in the VNB to 21%, and this number reflects a commendable effort and resolute commitment on behalf of our management team and staff, and hopefully dispels any myths that Sanlam is ex-growth.

In this regard, a carefully articulated strategy of diversifying our business into a broad-based financial services business, as well as venturing into new demographic markets and geographies, as outlined below, has served us well. In addition, I believe we are planting the seeds for future growth through our continued disciplined and methodical approach to acquisitions and partnerships, as well as pioneering new innovative solutions to broaden our market offering and distribution breadth.

I must confess that analyst reports released on Sanlam towards the end of 2008 resulted in a good level of satisfaction on my part. Titled "Solid, if unspectacular" and "A safety zone, not a comfort zone", these reports summarised what Sanlam and its strategy are all about. Our aim is to deliver solid and consistent performance for shareholders and policyholders, not only in favourable times, but also when conditions are tough. One of our core competencies at Sanlam is risk management and we will not raise the risk bar to uncomfortable levels to achieve unsustainable short-term profits.

From our initial engagement with our stakeholders, our aim is to take each and every one of them on a journey for life. Therefore, it is our responsibility to make sure that Sanlam, its solutions and its support structures are sustainable and able to deliver value for generations to come.

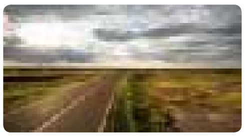
Our focused business strategy has now been in place for five years and continues to centre around five pillars: optimal capital utilisation, earnings growth, costs and efficiencies, diversification and transformation. Our business strategy has served us well and we remain committed to it. However, the turmoil in financial markets in 2008 has forced us to take a hard look at the building blocks required to realise this strategy. Most of our progress in further implementing our strategy was therefore achieved at the operational level where we could make progress without applying additional capital.

Before showcasing our performance in 2008 against our business strategy, I would like to reiterate the basis of our internationalisation strategy, which stems from our overall diversification drive.

Internationalisation

Our vision is to be the leader in wealth creation and protection in South Africa, to lead that process in selected emerging markets and to play a niche role in the developed markets where we have established a footprint.

Report by the Group Chief Executive
continued



This also constitutes our very straightforward strategy in expanding our business. We strive to be the best in all areas in which we operate. Our approach follows acquisitions and partnerships in countries with similar regulatory and legislative systems as South Africa, as well as having no language barriers.

Thus, in South Africa we continue to strive for market leadership by developing into a fully fledged financial services group able to offer far more than just life insurance. In South Africa we are making rapid progress in becoming the solutions provider of choice, the investment of choice and the employer of choice.

We apply these same characteristics in growing our business in the emerging markets through selected partnerships to lead wealth creation and to entrench our future growth potential. These partnerships already exist in a number of other African countries and in India.

In selected developed markets, such as the UK, we have chosen to grow through playing niche roles in their existing financial services industries. Not only do we aim for organic growth in such markets to establish scalable businesses and to achieve credibility of franchises, we also provide additional foreign investment opportunities for our existing South African and emerging market clients.

2008 – How did we do?

› Capital efficiency

We made substantial progress in the first half of last year towards achieving capital efficiency through share buy-backs and investments in growth initiatives. However, poor equity market performance and extreme volatility have impacted on the discretionary capital available to grow structurally and we have therefore shifted our emphasis towards a prudent approach of preserving capital instead of expansion through acquisitions.

In an effort to reduce costs and maintain capital efficiency, we therefore scaled back substantially on the development and growth of most of our credit initiatives last year. In line with this we also suspended the share buy-back programme. In addition, pressure on equity prices make some structural growth opportunities more attractive from a return perspective than buying back shares, in spite of the discount our shares are currently trading at.

Our capital position, however, is healthy enough to enable us to seize opportunities that may offer value. Our approach remains cautious and prudent. Our capital adequacy cover decreased from 3,5 at the end of December 2007 to 2,7 at the end of December 2008 – still excellent and much higher than the minimum requirement. It also compares very favourably to the position of large international groups.

Earnings

Last year's difficult economic conditions, particularly the substantial drop in equity markets, put a damper on our earnings, especially in respect of our investment returns.

I am particularly pleased, however, that we were still able to gain market share on a profitable basis by attracting substantial new business, specifically in the retail area. We managed to outperform our major competitors by achieving significant growth in the value of new business on the life insurance side.

We have managed to maintain our new business margin in recent years and as a result we have moved from being the worst performer among our major competitors a number of years ago to being among the best.

In spite of substantial increased new business strain caused by the growth in new business, core earnings per share increased slightly from 2007, bearing testimony of our excellent operational results in tough conditions.

Costs and efficiencies

Reducing costs while at the same time upping efficiency has been a strategic focus for the past five years. However, given the increased pressure on capital last year, we took a decision to intensify our efforts. Steps taken include cost-cutting initiatives such as freezing non-essential staff positions, especially in the more mature parts of our business.

SanlamConnect, a revolutionary new distribution initiative that had initially been aimed at the lower income side of the middle market, has been repositioned to serve a wider market and has been integrated into Sanlam Financial Advisers channel from the beginning of 2009.

As was to be expected, our United Kingdom-based businesses felt the global events significantly harder than what we did in South Africa. As a result a strong focus was placed on containment of costs and achieving greater efficiency by identifying and exploiting synergies and partnerships across our business interests in the UK.

This will be further facilitated by the reorganisation of Sanlam's interests in the UK into a single holding company – Sanlam UK.

Diversification

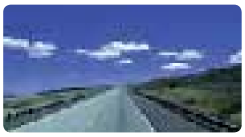
Our intense focus on diversification over the past five years really started paying off. Our diverse portfolio of investment, life insurance and short-term insurance business achieved good stability for the Group last year and underpinned our resilience. Our life insurance operations in particular proved their ability to withstand tough and volatile conditions and as a result outperformed the non-life operations. This represents a change from the past few years when non-life businesses did very well in the favourable economic conditions.

One of our success stories on the diversification front has been our Sanlam Developing Markets (SDM) business cluster. We specifically entered into this market to exploit the growth opportunities we identified. The majority of their operations delivered solid growth last year, despite the tough economic conditions. The geographically diverse portfolio of businesses that makes up SDM provided much of the required protection against the full blow of the global crisis.

Our African operations, managed through SDM, continue to form an integral part of Sanlam's diversification strategy. Africa offers strong economic growth and good margins and for now, competition from other industry players remains low.

Sanlam Investments also participated in diversification initiatives last year. In the third quarter of 2008, we announced a joint venture with SMC, India's fourth largest securities broking house. This joint venture will see the creation of two new businesses, a wealth management company and an asset management

Report by the Group Chief Executive
continued



company. We expect the wealth management business to start generating revenues as from 2009.

Sanlam Investments also acquired a majority stake in a niche Australian investment management business, Atom Funds Management, last year. Of particular interest is Atom's respected research hub in Bangalore, India. This forms an important building block in our India/Asia strategy.

› Transformation

In 2008, our major focus areas included achieving employment equity and training. We can proudly announce that, for the first time, more than 50% of our employees were black last year. However, achieving targets at middle and senior management level remains challenging and in 2009 we will be investigating creative ways of speeding up progress.

We also welcomed the first black executive director to the Sanlam Board in May 2008. Raisibe Morathi, Chief Executive of Sanlam Group Services, was previously an independent non-executive director on the Sanlam Board.

Sanlam remains an active participant in the Financial Sector Charter (FSC) process. We are confident of once again receiving an A Rating against the FSC for our Broad-based Black Economic Empowerment (BBBEE) initiatives. This is the highest rating financial sector companies can achieve for BBBEE. In addition, we have assessed ourselves as a level 4 company against the codes of the Department of Trade and Industry, up from level 6 last year.

Against whatever scorecard we are measured, Sanlam represents a recognised empowered company. This positions us favourably compared to our competitors, based on BEE procurement criteria applied by both the South African government and the private sector in awarding major tenders for financial services.

Performance highlights

The Group delivered resilient results for 2008, founded on its diversification strategy. The following are some of the salient results:

- Net result from financial services increased marginally to 133,8 cents per share;
- Core earnings per share increased by 1% to 184,8 cents per share;
- New business volumes, excluding white label, of R94 billion are 1% up on 2007;

- Value of new life business improved by 23% to R698 million;
- Dividend per share increased by 5% to 98 cents per share; and
- Group Equity Value per share of R22,13.

2008 – Special focus areas

In last year's Annual Report I mentioned two areas requiring special management focus during 2008 – Channel Life in the Sanlam Developing Markets cluster and Sanlam Employee Benefits. During 2008, we also identified Sanlam Liquid as a major opportunity. In addition, Sanlam Investments and Sanlam Capital Markets had a difficult time given the volatility in the investment markets.

Sanlam Investments and Capital Markets

While an underweight resources position by Sanlam Investment Management (SIM) started paying off handsomely in the second half of last year, this position tempered investment performance in the latter part of 2007 and for the first part of last year. While we recovered a large part towards the end of 2008, we did not make up all of the initial underperformance.

This underperformance impacted negatively on performance fees. In addition, subsidiary businesses Octane and SIM Global also returned no performance fees in 2008, impacting on Sanlam Investments' bottom-line.

In response we recruited a new Chief Investment Officer (CIO), Gerhard Cruywagen, and are implementing a number of other options aimed at bolstering long-term performance.

The fact that Sanlam Capital Markets, part of Sanlam Investments, managed to post a loss of only 8,8% on capital employed amidst the volatility that ruled the markets in 2008, is a remarkable feat.

Sanlam Employee Benefits

Sanlam Employee Benefits (SEB) underwent a major restructuring in 2007 and the main goal for 2008 was to ensure the complete alignment of the different business units making up SEB. This goal has been achieved and the focus for 2009 is therefore growth. Already last year, this business achieved a very satisfactory financial performance in a very competitive market. Profit increased by 49% in spite of new business flows still being relatively low. Focus is now shifting to address this issue.

SEB also launched two exciting new products in 2008. One was the Complete Picture Pension product, a competitive annuity solution capable of delivering satisfactory returns. Also new is the Sanlam Umbrella Fund, a top-class product designed in line with the outcome of intensive market research. We are already seeing a steady flow of new business and expect profits by 2010.

Channel Life

The Channel Life outbound call centre continued delivering poor performance and was subsequently closed down in the middle of last year. Channel Life's voluntary group scheme business, however, continued its rapid growth and performed exceptionally well in 2008 and we are busy implementing new initiatives to turn Channel Life around in 2009.

Sanlam held a 63% stake in Channel Life on 31 December 2008 and a transaction was announced on 9 February 2009 whereby, subject to regulatory approval, Sanlam will acquire the PSG Group's 34,6% stake in Channel Life.

Sanlam Liquid

Our transactional banking operation, Sanlam Liquid, is a well-rated business capable of delivering very high returns at competitive rates, using minimal capital.

We have made a strategic new appointment to head the further development and marketing of Sanlam Liquid and have also launched the Liquid Savings Account. This new product offers very competitive interest rates and should prove attractive to clients with maturing policies who want the stability of a cash-based investment in these turbulent times.

Report by the Group Chief Executive
continued

Operating environment

Much has been written and said about what has been termed the "global financial crisis" of 2008.

Preceding my report, our Chairman presented his views on last year's events and how they have shaped the financial services industry globally and in South Africa. In addition, this Annual Report also contains an analytical review by our Chief Economist.

Therefore, instead of delving into the details of what happened last year, I would like to congratulate the financial services industry of South Africa and its regulators and policymakers for a job well done. In my view South Africa and its financial services sector weathered, and continue to weather, the global financial markets crisis exceptionally well.

Obviously the long-term fall-out from the crisis will only be fully understood in months to come, but a complete overhaul of the global regulatory superstructure under which financial institutions and markets operate is inevitable. In South Africa we are no strangers to tough regulations and last year proved that we are on the right track.

In the medium to longer term our industry is facing even tougher regulatory changes. We are pleased, however, that our industry has managed to organise itself in such a way that meaningful dialogue with our regulators and policymakers has become possible. I am proud to say that Sanlam was a founding member of the new Association for Savings and Investment South Africa (ASISA), which is representative of the savings and investment industry as a whole. One of its key aims is to participate in the process of creating holistic legislation, while at the same time ensuring the sustainability of the industries it represents and the intermediaries who promote us, while also taking into consideration the interests of our clients.

The first of a series of major regulatory changes took effect on 1 January 2009, namely new Regulations on Commission and Early Termination Values, which form part of the Long-term Insurance Act. At Sanlam we have implemented the necessary systems and product changes and are embracing the new commission regulations, as we believe that they offer a better balance between upfront and as-and-when commission.

Other regulatory challenges include the issue of the transferability of retirement annuity (RA) fund policies, the compliance of advisers and of course the challenges with the gazetting of the Financial Sector Charter (FSC).

2009 – Building solid safety barriers

The biggest risks for 2009 remain the volatile markets and the decline in the real economy, both locally as well as in the major developed markets. Our capital position, the returns we give to clients and our future business prospects are closely linked to what happens in global financial markets this year.

Although we believe that 2009 will be another tough year full of challenges, we are not changing our strategy – only the manner in which we are executing it. We have therefore taken a strategic decision to take our foot off the accelerator on the investment for growth side this year and to focus intensely on transforming Sanlam into an even more efficient and well-diversified operation.

Our diversification strategy is key to achieving this, but this year there will be greater focus on expanding and diversifying through strategic partnerships rather than through major acquisitions.

The aim is to further diversify our business not only through product ranges, but also into different market segments and countries. Specific initiatives will include:

- Diversifying further into the South African middle market with our Topaz offering from Sanlam Personal Finance. While this market is relatively mature, we are confident that we can grow our business by 10% per annum;
- Growing our business in the entry-level market by another 30% over the next two years by offering a wider product range, including short-term insurance products;
- Increasing our footprint in the mass affluent market by making available more relevant products and focusing on service as a differentiator. We achieved a 20% growth in this segment in 2008 and are confident that we can continue growing through our Glacier by Sanlam offering;
- Expanding into the high net worth market through Sanlam Private Investments by adding credit products and access to private banking. Again, we are confident that we can achieve more than 10% growth in this segment this year;
- Taking our South African expertise to other African countries where we understand the language and the legal system. Our bancassurance initiative with one of the largest banks in Nigeria, falls into this space. This will be one of the few structural growth opportunities we will pursue in 2009;
- Focusing on bedding down our business interests in India and strengthening our distribution capacity there;
- Providing South African investors wanting to invest offshore with a more sophisticated UK offering. In addition, we will also strengthen our UK distribution capacity to enable us to expand our footprint there; and
- Being more diligent in our approach to the application of discretionary capital.

In closing

I am exceptionally proud of the resilience that our business and our people have shown during one of the toughest years in Sanlam's 90-year history.

Our financial performance was not spectacular in all areas in 2008, but as I pointed out earlier I am pleased that we have nevertheless been able to deliver a solid set of results under very difficult circumstances. The fact that we were able to gain market share by attracting substantial new business inflows shows that investors continue to have confidence in our abilities.

This is also testimony to the quality of our staff and our distribution channels and, in particular, to the dynamic management in all of our various businesses.

I would therefore like to thank every Sanlam client, employee, my management team and the Board for the ongoing support and commitment shown during 2008.

Executive committee

From left:
Johan van Zyl, Ian Kirk, Lizé Lambrechts, Temba Mvusi and Kobus Möller

› **Johan van Zyl** (52)

Appointed: 2001

Qualifications: PhD, DSc (Agric)

Group Chief Executive of Sanlam since March 2003.

Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Santam, Sanlam Investment Management, Sanlam Netherlands Holding, Sanlam Developing Markets, Sanlam UK and MiWay Group Holdings. Council member of the University of Pretoria and Trustee of the Hans Merensky Trust.

Former Chief Executive of Santam, Vice-chancellor and Principal of the University of Pretoria.

› **Kobus Möller** (49)

Appointed: 2003

Qualifications: BCompt (Hons), CA (SA), AMP (Harvard)

Appointed Financial Director in 2006.

Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Santam, Sanlam Capital Markets, Sanlam Developing Markets, Sanlam UK, MiWay Group Holdings and Sanlam Investment Management.

Former Chief Executive: Finance of Sanlam Limited, Executive director: Operations and Finance of Sanlam Life, Executive director: Finance of Impala Platinum Holdings.

› **Ian Kirk** (51)

Appointed: 2006

Qualifications: FCA (Ireland), CA (SA), HDip BDP (Wits)

Appointed Chief Executive Officer of Santam in 2007.

(Formerly Chief Executive: Strategy and Special Projects at Sanlam)

Director of Santam, Centriq Insurance Holdings, SAIA, The Standard General Insurance Company, Infinit Group Risk Solutions, SHA (Stalker Hutchison Admiral) and Beaux Lane (SA) Properties.

Former partner in PricewaterhouseCoopers, CEO of Capital Alliance Holdings, Deputy CEO of Liberty Group.

› **Lizé Lambrechts** (45)

Appointed: 2002

Qualifications: BSc (Hons), FIA, EDP (Manchester)

Appointed Chief Executive of Sanlam Personal Finance in 2002.

Non-executive director of Sanlam Developing Markets, Sanlam Netherlands Holding, Merchant Investors Assurance. Director of Glacier Financial Holdings and Sanlam UK.

Started her career in actuarial training in Sanlam in 1985 and held various senior positions in the Group's individual life business.

From left:
Johan van der Merwe, Heinie Werth, Raisibe Morathi and André Zeeman

› **Raisibe Morathi** (39)

Appointed: 2008

Qualifications: BCompt (Hons), CA (SA), HDip Tax (Wits), AMP (INSEAD)

Appointed Chief Executive of Group Services in May 2008.

Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Santam, Sanlam Investment Management and Afrisam (South Africa).

Former Chief Operating Officer of the Industrial Development Corporation and former Economic Adviser to the Deputy President of South Africa.

› **Temba Mvusi** (53)

Appointed: 2004

Qualifications: BA, ELP (Warton School of Business), MAP (Wits), PDP (UCT)

Appointed Chief Executive: Market Development in August 2005 after serving as Chief Executive: Group Services since January 2004. Non-executive director of Sanlam Private Investments, Sanlam Developing Markets, Santam, Sanlam Investment Management, Sanlam Employee Benefits and The National Business Initiative. Council member of the Walter Sisulu University and Bishops Cape Town.

Former head of external interface at Sanlam Investment Management, General Manager of Gensec Property Services and Marketing Manager of Franklin Asset Management.

› **Johan van der Merwe** (44)

Appointed: 2002

Qualifications: MCom, MPhil, CA (SA), AMP (Harvard)

Appointed Chief Executive Officer of Sanlam Investment Management in July 2002.

Executive director of Sanlam Investment Management and director of all the companies in Sanlam Investments and Chairman of Sanlam Capital Markets, Simeka Consultants and Actuaries, Sanlam Properties, Sanlam Multi Manager International and Sanlam Asset Management (Ireland).

› **Heinie Werth** (45)

Appointed: 2002

Qualifications: Hons B Accountancy, CA (SA), MBA (Stellenbosch), EDP (Manchester)

Appointed Chief Executive Officer of Sanlam Developing Markets in December 2005 after serving as Financial Director of Sanlam Life from April 2002.

Executive director of Sanlam Developing Markets, non-executive director of Shriram Life Insurance (India), Botswana Insurance Holdings and Chairman of Channel Life.

Former Senior General Manager (IT) of Sanlam Life, Financial Director of Sanlam Employee Benefits and Manager: Corporate Finance of Gencor and Financial Director of Kelgran.

› **André Zeeman** (48)

Appointed: 2005

Qualifications: BCom, FIA, CFP, EDP (Manchester)

Appointed Chief Actuary of Sanlam Limited and Statutory Actuary of Sanlam Life in September 2005.

Non-executive director of Sanlam Customised Insurance.

Former Chief Executive: Actuarial of Sanlam Life and held various managerial positions in the Actuarial department since appointment at Sanlam in 1982.

Corporate Governance Report

A journey for life

Johan Bester
Company Secretary:
Sanlam Limited

Magda Lombard
Company Secretary:
Sanlam Life Insurance Limited

The Board recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders.

Statement of commitment

The Sanlam Board of directors is committed to and fully endorses the principles of the South African Code of Corporate Practices and Conduct as recommended in the King Report on Corporate Governance (King II), and is committed to achieving high standards of corporate governance and global best practice. We subscribe to a governance system whereby in particular ethics and integrity set the standards for compliance, and we constantly review and adapt our structures and processes to accommodate internal corporate developments and to reflect national and international best practice.

The directors of Sanlam believe that Sanlam complies with and has implemented the main principles of King II in all significant respects, with regard to the year under review. Sanlam also takes due cognisance of international corporate governance standards and practices.

The Board recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders. The Board also appreciates that corporate governance is a component of equity risk and acknowledges the relationship between governance and risk management practices, equity performance and corporate profitability. Sound governance principles remain one of the top priorities demonstrated by the Board and Sanlam's executive management.

Application of and approach to the Code

According to Sanlam's decentralised business approach, each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of the Code of Corporate Practices and Conduct. All the business and governance structures in the Group are supported by clear approval frameworks and agreed-upon business principles, ensuring a coherent and consistent governance approach throughout the Group.

Sustainability performance

Sanlam's overall philosophy, policy and governance on sustainability are set out in the Abridged Sustainability Report on page 70 of this Annual Report. The full report, known as the GRI Report, is available on Sanlam's website.

Governance entrenched

The revised corporate governance structure for the Sanlam Group, appropriately entrenched during 2008, was as follows:

Board structures

The non-executive directors of Sanlam Limited (Sanlam) serve in the same capacity on the Board of Sanlam Life Insurance Limited (Sanlam Life). The two Boards function as an integrated unit in practice as far as possible. Both Boards have the same independent director as chairman as well as the same executive director as CEO.

Board responsibilities and functioning

The Sanlam and Sanlam Life Board meetings are combined meetings, thereby removing one layer in the decision-making process in an attempt to prevent duplication of effort and to improve the flow of information, as well as to increase the efficiency of the two Boards.

The agenda of the Sanlam Board focuses more on Group strategy, capital management, accounting policies, financial results and dividend policy, human resource development, as well as corporate governance throughout the Group and JSE requirements. It is also responsible for the relationship with shareholders and other

Corporate Governance Report
continued

stakeholders in the Group. The Sanlam Board has the following Board committees:

- Audit and Risk*
- Nominations
- Human Resources
- Sustainability
- Non-executive Directors
- Policyholders' Interest

The Sanlam Life Board is responsible for statutory issues across all Sanlam businesses, monitoring operational efficiency and operational risk issues throughout the Group, as well as FSB requirements. The responsibility for managing all Sanlam's direct subsidiaries has been formally delegated to the Sanlam Life Board. The Sanlam Life Board has the following Board committees:

- Audit, Actuarial and Risk*
- Human Resources
- Policyholders' Interest

In Sanlam Life there are also the following high-level supporting committees:

- Retail Cluster
- Institutional Cluster
- Short-term Insurance Cluster

**In support of global best practice as well as recent recommendations by Deloitte, it has been decided to, with effect from 2009, divide the functions of the committee and to have two separate committees, namely a Risk and Compliance committee and an Audit, Actuarial and Finance committee.*

Business clusters

The Group's businesses and underlying business units consist of two macro-business clusters, Retail and Institutional, to improve management and operational focus. Santam and MiWay is seen as a third macro-business cluster. The clusters are operationally autonomous with commercial, arm's length relationships between them where appropriate.

For each of the business clusters there is a cluster committee. These are high-level supporting committees, appropriately authorised to advise on and monitor all strategic and operational aspects of a particular business cluster. A majority of non-executive directors from the Sanlam Life Board, all the executive directors, as well as key cluster executives, are members of the cluster committees. External experts/specialists are also permanently invited to each committee in an advisory capacity. The Group Chief Executive acts as chairman of each of the cluster committees, which meet at least once per quarter. The committees consider and make recommendations on proposals and receive reports regarding strategy implementation, operational performance and finance and actuarial issues as far as these affect business operations, risks, governance and human resources.

The cluster committees perform no statutory functions. They escalate issues to the relevant Sanlam or Sanlam Life Board committees when appropriate, and regularly provide summarised feedback on cluster activities to the Sanlam Life Board. The cluster committees function within the authority levels delegated to them by the Sanlam Life Board.

Business divisions and divisional Boards

The business divisions all fall within a cluster and include Sanlam Investments, Sanlam Capital Markets, Sanlam Personal Finance, Sanlam Employee Benefits, Sanlam Developing Markets, Sanlam UK, Santam and MiWay. Each business division is managed by a chief executive, supported by an executive committee and support functions that are appropriate to their particular operational needs.

The divisions function within the strategy approved by the relevant business cluster committee and according to a set of management principles established by the Group Office for the Sanlam Group.

Divisional Boards were established for the business divisions. Each of these Boards has committees (or forums) with specific responsibilities for the operation of that particular business division.

The divisional Boards and committees mainly consist of executives as the majority of the operating business decisions are made by these Boards and committees. These structures are also responsible for the generation of memoranda and issues for consideration by the Sanlam Life Board and business cluster committees. Each of the divisional Boards has its own Financial and Risk as well as Human Resources (HR) forum/committee.

The divisional Boards and forums/committees are strengthened where appropriate by the appointment of expert directors or invitees who may be members of the Sanlam Life Board or may be additional external appointments.

Business units and business Boards

The business units include the underlying businesses within the business divisions such as Glacier, Sanlam Home Loans, Sanlam Trust and Merchant Investors. The business units and their Boards with their executive committees structure their own activities within appropriate delegated authority levels. Where required, the various business unit Boards will also act as the statutory Boards of subsidiary and associated companies.

Group Office

The Group Chief Executive is supported by a Group Executive committee as well as by a small centralised Group Office mainly performing the following functions: strategic directing (tight issues); co-ordinating; synergy seeking; performance monitoring and the allocation of capital. During 2008, a number of divisions were grouped together under Group Services, headed by the newly appointed executive director, Raisibe Morathi.

The Sanlam Board and Board committees (as at 31 December 2008)

Board charter

In accordance with the principles of sound corporate governance, the Sanlam Board charter – modelled on the charter principles recommended by King II – incorporates the powers of the Board, providing a clear and concise overview of the division of responsibilities and accountability of the Board members, collectively and individually, to ensure a balance of power and authority. The annual evaluation process to review the effectiveness of the Board, its committees and individual directors has been entrenched. The Board charter (and the committee charters) can be viewed on Sanlam's website (www.sanlam.co.za).

Corporate Governance Report
continued

Committee charters

The Board committee charters, which describe the terms of reference of the committees as delegated and approved by the Board, are reviewed at least annually.

Board composition

As at the 2008 financial year-end the Sanlam Board comprised 17 members, two of whom were non-executive, 12 were independent non-executives (in accordance with King II's standards of independence), and three executive directors. Dr Wilmot James subsequently stepped down on 26 January 2009, thus reducing the total number of directors to 16.

Particulars of the Sanlam Board members and their capacities categorised as executive, non-executive and independent, are set out below. Raisibe Morathi, previously an independent non-executive director, was appointed on 1 May 2008 as Sanlam's third executive director. Maria Ramos, an independent non-executive director, resigned on 2 December 2008. The roles of Chairman and Group Chief Executive are separated, with Roy Andersen and Johan van Zyl holding these positions respectively. The Group Executive committee members attend the Board meetings on invitation. At least a third of all Board members retire every year at Sanlam's annual general meeting (AGM). None of the non-executive directors have a director's service contract.

The Sanlam Board of directors

Director	Executive (E) Non-executive (N) Independent (I)	Changes during 2008/9
RC Andersen (Chairman)	I	
MMM Bakane-Tuoane	I	
AD Botha	I	
AS du Plessis	I	
FA du Plessis	I	
WG James	I	Resigned on 26 January 2009
MV Moosa	I	
JP Möller	E	
PT Motsepe	N	
RK Morathi	E	Appointed as executive director on 1 May 2008
SA Nkosi	I	
I Plenderleith	I	
M Ramos	I	Resigned on 2 December 2008
GE Rudman	I	
RV Simelane	N	
ZB Swanepoel	I	
J van Zyl	E	
PL Zim	I	

Composition of the Board as at 31 December 2008: Three black females, five black males, one white female, eight white males.

Independence of Board members

Through its Nominations committee the Board annually considers and reconfirms the categorising of independent directors with reference to the guidelines in King II. Their independence in character and judgement, and whether there are any relationships or circumstances which are likely to affect, or could appear to affect, their judgement, are also taken into consideration. The independent and non-executive directors on the Sanlam and Sanlam Life Boards are highly respected and experienced, having the required integrity, professional knowledge and skills to make sound judgements on various key issues relevant to the business of Sanlam, independent of management. These include the key issues of strategy, performance, human resources, transformation, diversity, employment equity and corporate governance. Consideration of gender and racial diversity, as well as diversity in business, geographic and academic backgrounds are taken into account, in accordance with Sanlam's commitment to transformation.

The Nominations committee is of the view that all the Sanlam directors meet the criteria set for independence except for PT Motsepe and RV Simelane owing to their involvement in Ubuntu-Botho, as well as J van Zyl, JP Möller and RK Morathi being executive directors.

Appointment and re-election of directors

The Board charter contains a policy detailing the formal and transparent procedures for appointment to the Board. While the Nominations committee ensures that the Board's composition reflects demographic diversity, Sanlam's Articles of Association also empower the Board to appoint a director until the next AGM if a casual vacancy arises. In terms of the Articles, directors are subject to retirement by rotation every three years and, if put forward for re-election, are considered for re-appointment at the AGM. Shareholders may also nominate directors for election at the AGM, in accordance with formal, prescribed procedures. In the Notice of the Annual General Meeting, shareholders are referred to the biographical details of each of the candidates as contained in the Board of Directors section of this Annual Report. All directors are consequently appointed at an AGM by a shareholders' resolution.

New Board member orientation and Board training are conducted in accordance with an induction programme, designed to meet the individual needs and circumstances of each new director, and approved by the Board. The office of the Company Secretary manages the induction programme. Ongoing training is also provided to Board members as required.

Board effectiveness evaluation

The Nominations committee annually assesses the contribution of each director standing for re-election, using an individual director evaluation process that is conducted by the Board Chairman or an external service provider. These assessments are transparent and well documented. The Board Chairman's own performance is appraised by the Board under the direction of the Deputy Chairman.

The Sanlam Board as a whole considers the result of the evaluation processes. This culminates in a determination by the Board as to whether the Board will endorse a retiring director's re-election. Where a director's performance is not considered satisfactory, the Board will not recommend the re-election.

The names of the directors standing for re-election at the 2009 AGM are contained in the explanatory notes to the resolutions for the AGM (refer to page 346).

Every year, a collective Board effectiveness evaluation is conducted. This assessment, which is performed in alternate years by an external service provider and by the Chairman, is aimed at determining how the Board's effectiveness can be improved. The Nominations committee considers the results of the evaluation process

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and makes recommendations to the Board where deemed appropriate. At the end of 2007, and towards the beginning of 2008, the Board effectiveness review was conducted by Deloitte in respect of the 2007 performances.

The Board effectiveness review for 2008 has been conducted by the Chairman and the results were positive. The assessment included an effectiveness assessment of the Board itself collectively, an assessment of five key Board committees, as well as 360º peer reviews of the individual directors, including the Chairman.

Board meetings

The Board meets at least five times a year to consider business philosophy and strategic issues, to set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Feedback from its committees, as well as a number of key performance indicators, variance reports and industry trends are considered.

Board committees

The Board has established a number of permanent standing committees with specific responsibilities, defined in terms of their respective charters as approved by the Board, to assist the Board in discharging its duties and responsibilities. The ultimate responsibility at all times resides in the Board and, as such, it will not abdicate this responsibility to the committees.

There is full disclosure, transparency and reporting from these committees to the Board at each Board meeting, while the chairpersons of the committees attend the AGM and are available to respond to any shareholder queries. For the period under review, all the committees conducted their annual self-assessments to evaluate the effectiveness of the respective committees and their procedures; the committee members are all satisfied that they have fulfilled their responsibilities in terms of their respective charters.

– Audit and Risk committee

Members:

GE Rudman (Chairman), AS du Plessis, FA du Plessis and I Plenderleith.

Attendees:

RC Andersen (Board Chairman), J van Zyl (Group Chief Executive), JP Möller (Financial Director), D Ladds, P de V Rademeyer, CG Swanepoel, AP Zeeman (Chief Actuary and Chief Risk Officer), JP Bester (Company Secretary) and M Lombard (Sanlam Life Company Secretary).

The role of the Audit and Risk committee is to assist the Board in fulfilling its responsibility with regard to financial matters and risk management activities. It also performs the prescribed statutory requirements including those applicable to the external auditor. The last-mentioned includes the annual recommendation of the external auditor to the shareholders at the AGM, agreeing to the scope of the audit and budgeted audit fees in the annual audit plan presentation and approval of the final audit fees. Annually the committee reviews compliance of the external auditor with the non-audit services policy of the Group.

In terms of the revised JSE Listings Requirements, the Audit committee must perform an annual evaluation of the financial director. The committee executed this responsibility at its meeting in December 2008, and was satisfied that JP Möller, the financial director of Sanlam, meets all the necessary requirements.

This committee's charter is reviewed annually by the Board to ensure that it is aligned with King II and international best practice.

As part of Sanlam's corporate governance practices, the interim financial results are reviewed by the external auditor. The committee is satisfied that Sanlam's external auditor is independent of the company.
Ernst & Young Inc., as well as Mr MP Rapson being Sanlam's individual registered auditor, have been registered with the JSE Limited (JSE) in terms of its revised Listings Requirements.

The committee comprises four financially experienced members, all of whom are independent directors. In view of this committee's Group-wide relevance, members of senior management, the Chief Audit Executive, the Chief Actuary and the external audit partners as well as other assurance providers also attend committee meetings. The committee meets four times a year.

– Human Resources committee

Members:

AD Botha (Chairman), RC Andersen, PT Motsepe and MMM Bakane-Tuoane.

Attendees:

J van Zyl (Group Chief Executive), RK Morathi (Chief Executive: Group Services), E van der Straaten (Group HR Executive) and JP Bester (Company Secretary).

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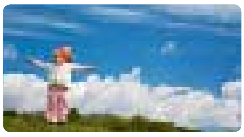

This committee is responsible for monitoring and advising on the Group's human intellectual capital and transformation processes regarding employees. In particular, the committee approves executive appointments and reviews succession planning, including all the Group Executive committee members, as well as the position of the Group Chief Executive. The committee is also responsible for the remuneration strategy of the Group, the approval of guidelines for incentive schemes, and the annual determination of remuneration packages for members of the Sanlam Group's Executive committee. The committee takes cognisance of local and international industry benchmarks, ensures that incentive schemes are aligned with good business practice and that excellent performance is rewarded. It also makes recommendations to the Board regarding directors' remuneration (except for the HR committee). The committee meets four times a year.

During the year, the committee undertook a review of the Sanlam executive remuneration packages, including the guaranteed pay, short-term incentive bonus and the long-term incentive awards. The review included the consideration by the committee of advice from its advisers, PricewaterhouseCoopers. The committee, supported by advice from PricewaterhouseCoopers, has reported that the remuneration structure is consistent with local and global best practice and that the quantum of total reward is in line with local benchmarks for South African companies of comparable size and complexity within the financial services sector. (Subject to the changes to the Sanlam Share Trust recommended for approval by the shareholders at the next annual general meeting.)

– *Nominations committee*

Members:

RC Andersen (Chairman), MMM Bakane-Tuoane, PT Motsepe and M Ramos (until 2 December 2008).

Attendees:

J van Zyl (Group Chief Executive) and JP Bester (Company Secretary).

The committee is responsible for making recommendations to the Board on all new appointments to the Board and its committees. A formal process of reviewing the balance and effectiveness of the Board and its committees, identifying the skills needed and the individuals to provide such skills in a fair and efficient manner, is required of the committee to ensure the Board and its committees remain effective and focused. This includes a regular review of the composition of the Board committees. It also includes assisting the Chairman with the annual evaluation of Board members' performance. It is responsible for identifying appropriate Board candidates and evaluating them against the specific disciplines and areas of expertise required. The Board approves all interim appointments, with the final appointments being made by the shareholders at the AGM. The committee is chaired by the Chairman of the Board and meets at least twice a year.

– Committee of non-executive directors

Members:

RC Andersen (Chairman), MMM Bakane-Tuoane, AD Botha, AS du Plessis, FA du Plessis, WG James, MV Moosa, PT Motsepe, RK Morathi (until 1 May 2008), SA Nkosi, I Plenderleith, M Ramos (until 2 December 2008), GE Rudman, RV Simelane, ZB Swanepoel and PL Zim.

Attendee:

JP Bester (Company Secretary).

This committee is responsible for the governance and functioning of the Board. The committee gives due regard to the general requirements of the JSE as well as the King Code, and ensures that there are appropriate and balanced corporate governance practices and processes in place within Sanlam. The committee objectively and independently oversees and gives due and careful consideration to the interests of Sanlam and all its stakeholder groups.

The committee comprises all the non-executive and independent directors. The committee meets subsequent to Board meetings.

– Sustainability committee

Members:

MV Moosa (Chairman), WG James, RV Simelane and ZB Swanepoel.

Attendees:

J van Zyl (Group Chief Executive), RK Morathi (Chief Executive: Group Services); all the business heads (once per year), TI Mvusi (Chief Executive: Market Development), E van der Straaten (Group HR Executive), T Chandler (Head: Group Sustainability Management) and M Lombard (Meeting Secretary).

This committee addresses transformational and safety, health and environmental matters. In respect of transformational matters, the committee recommends for approval, monitors and advises on matters pertaining to transformation and black economic empowerment throughout the Group. With regard to safety, health and environmental issues, the committee's main responsibility is to recommend for approval, monitor and advise on matters pertaining to such issues throughout the Group. Suitably qualified persons are co-opted onto the committee when necessary to render specialist services. The committee meets four times a year.

– Policyholders' Interest committee

Members:

FA du Plessis (Chairperson), WG James, CG Swanepoel, RV Simelane (from 1 May 2008) and RK Morathi (until 1 May 2008).

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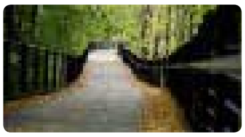

Attendees:

AP Zeeman (Chief Actuary), selected members of management within the Group and JP Bester (Company Secretary).

The main responsibility of the committee is to review and monitor all policyholder-related decisions and other related matters in the Sanlam Group at a strategic level. Its main function is to act as an advisory body and to provide guidance to the Board on strategic issues relating to policyholders. The committee meets four times a year.

– Ad hoc Board committees

The Board has the right to appoint and authorise special *ad hoc* Board committees from time to time to perform specific tasks. The appropriate Board members make up these committees.

In addition to the abovementioned Board committees, there is also a

– Sanlam Group Executive committee

Members:

J van Zyl (Group Chief Executive and Chairman),
T Gamedze (until 31 October 2008), I Kirk,
L Lambrechts, JP Möller, RK Morathi (from 1 May 2008), TI Mvusi,
JHP van der Merwe, AP Zeeman and HC Werth.

Attendee:

JP Bester (Company Secretary).

The Sanlam Group Executive committee, which functions under the chairmanship of the Group Chief Executive, is responsible for assisting the Group Chief Executive in the operational management of Sanlam, subject to statutory and delegated limits of authority. Its main functions are strategic directing, co-ordination and monitoring performance. The committee comprises the executive directors, heads of business divisions, the Chief Actuary and selected senior Group executives. The committee meets every fortnight.

Attendance of meetings

During the period under review the Board and committee members' attendance was as follows:

Board and committee meetings 2008

	Board meetings	Audit and Risk		HR	Nomi-nations	Sustain-ability	Policy-holders' Interest	*Ad hoc* sub-commit-tees
		Regular	Special					
Scheduled	5	4	0	4	4	4	4	
Held	5	4	1	4	4	4	4	
RC Andersen	5			4	4			1
MMM Bakane-Tuoane	4			3	3			
AD Botha	5			4				3
AS du Plessis	5	4	1					1
FA du Plessis	5	4	1				4	2
WG James	5					4	4	2
MV Moosa	5					4		
JP Möller	5							5
RK Morathi[a]	5						1	
PT Motsepe	5			4	4			1
SA Nkosi	4							
I Plenderleith	5	4	1					1
M Ramos[b]	3				1			
GE Rudman	5	4	1					1
RV Simelane[c]	5					4	2	
ZB Swanepoel	5					4		
J van Zyl	5							5
PL Zim	5							
CG Swanepoel[d]							3	3
D Ladds[d]								2

[a] *Appointed as executive director and had to resign from PHI committee: 1 May 2008.*
[b] *Resigned from Board and committee: 2 December 2008.*
[c] *Appointed to PHI committee: 3 June 2008.*
[d] *Only members of committee, not of Board.*

Company secretary and professional advice

The Board-appointed Company Secretary is JP Bester. He is also the Public Officer, Compliance Officer and the delegated Information Officer, and is responsible for the execution of all relevant and regulatory requirements applicable to those positions.

All directors have unlimited access to the advice and services of the Company Secretary, who is accountable to the Board for ensuring that procedures are complied with and that sound corporate governance and ethical principles are adhered

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to. If appropriate, individual directors are entitled to seek independent professional advice concerning the discharge of their responsibilities at Sanlam's expense.

Dealings in JSE securities

Sanlam complies with the JSE requirements in respect of the share dealings of its directors. In terms of Sanlam's closed-period policy, all directors and staff are precluded from dealing in Sanlam securities from 1 January and 1 July, until the release of the Group's final and interim results respectively. The same arrangements apply for closed periods during other price-sensitive transactions for directors, officers and participants in the share incentive scheme and staff who may have access to price-sensitive information. A pre-approval policy and process for all dealings in Sanlam securities by directors and selected key employees are strictly followed. Details of directors' and the Company Secretary's dealings in Sanlam securities are disclosed to the JSE through the Stock Exchange News Service (SENS). Even more stringent trading policies regarding personal transactions in all financial instruments are enforced at Sanlam's investment management companies. The Company Secretary regularly disseminates written notices to inform the directors, executives and employees regarding the insider trading legislation, and advises them of closed periods.

Investor relations and communication with stakeholders

Sanlam strives to be a leader in transparent, open and clear communications with all of its relevant stakeholders.

In this regard, the Group seeks to continuously improve upon its communication efforts through more detailed disclosure of relevant financial and other information. The Board appreciates the importance of dissemination of accurate information to all Sanlam stakeholders, and highly regards open and relevant dialogue with all parties with whom we do business. Reports and announcements to all audiences and meetings with investment analysts and journalists, as well as the Sanlam website, are useful conduits for information. Open lines of communication are maintained to ensure transparency and optimal disclosure, and stakeholders are encouraged to make their views known to the Group. All Board members are expected to attend Sanlam's AGM, and shareholders are encouraged to attend the AGM and to use this opportunity to direct questions at a Sanlam spokesperson. A summary of the proceedings of all general meetings, and the outcome of voting on the items of business are posted on the website following the AGM.

Communication with institutional shareholders and the investment community is conducted by Sanlam's Investor Relations (IR) department, and a comprehensive IR programme is also in place to ensure appropriate communication channels are maintained with domestic and international institutional shareholders, fund managers and investment analysts. An important component of this includes regular face-to-face meetings with various institutional investors on a global basis, through investor roadshows and investor conferences conducted by Sanlam's executive management.

Sanlam's remuneration philosophy and strategy

The Group Human Resources committee of the Board is responsible for determining the remuneration strategy of the Group, approving mandates for bonus and all long-term incentive schemes and decisions about the Sanlam Group Executive committee remuneration packages relative to local and international industry benchmarks. The Group Human Resources committee retains the prerogative to make all remuneration decisions it deems appropriate and may amend any part of the Group's remuneration policy as necessitated by changing circumstances. It also makes recommendations to the Board regarding the remuneration of Sanlam directors, other than Human Resources committee members. The Board is convinced that appropriate remuneration for executive directors is inextricably linked to the development and retention of top-level talent and intellectual capital within the Group.

Employee remuneration

Sanlam is the sole or part owner of a number of businesses and joint ventures. The organisation recognises the difference between these entities and allows the businesses relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework.

Sanlam's remuneration philosophy aims to:

- Inform stakeholders of Sanlam's approach to rewarding its employees;
- Identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere;
- Provide a general framework for all the other elements of the reward philosophy;
- Offer guidelines for short- and long-term incentive and retention processes; and
- Offer general guidelines about how the businesses should apply discretion in their own internal remuneration allocation and distribution.

The company has adopted a Total Reward Strategy for its staff members. This offering comprises remuneration (which includes cash remuneration and short- and long-term incentives), benefits, learning and development, an attractive work environment and a range of lifestyle benefits.

The key criterion for the implementation of this strategy is that of differentiation based on performance.

Core remuneration principles

The principle of management discretion, with regard to individual employees, is central to the remuneration philosophy on the basis that all rewards are based on merit.

Consistent overall design with differentiation where appropriate: Consistent overall principles and design parameters are applied within the Group in support of a common Sanlam philosophy and to ensure good corporate governance. Where the nature of the job, its operating environment, or market realities dictate, differences within this framework are accommodated.

Pay for performance: Performance is the cornerstone of remuneration philosophy. On this basis, all remuneration

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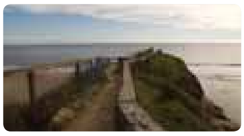

practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance.

Competitiveness: A key objective of the remuneration philosophy is that remuneration packages should enable the company and its businesses to attract and retain employees of the highest quality.

Quantum and structure of pay elements: The quantum of the different components of the package is determined as follows:

- The guaranteed component is based on market-relatedness in conjunction with the individual's performance, competence and potential.
- The short-term variable component of remuneration is based on a combination of individual and annual business performance.
- The long-term variable component is based on the individual's performance, potential and the overall value to the business.

Leverage and alignment: The reward consequences for individual employees are, as far as possible, aligned with, linked to and influenced by:

- The interests of the shareholders;
- The performance of the company as a whole;
- The performance of any region, business unit or support function; and
- The employee's own contribution.

Within this framework, however, rewards can be modified by performance against company values.

Consistency: The reward philosophy strives to be both consistent and transparent. Differentiation in terms of market comparison for specific skills groups or roles and performance is, however, imperative.

Unfair discrimination is unacceptable and equal opportunities in respect of service practices and benefits must be guaranteed.

Attraction and retention: Remuneration practices should be recognised as a key instrument in attracting and retaining talent.

Shared participation: Employee identification with the success of the Group is important owing to the fact that it is directly linked to both company and individual performance. All employees should have the chance to be recognised and rewarded for their contribution and the value they add to the Group, and, in particular, for achieving excellent performance and results.

Best practice: Reward packages and practices must reflect local and international best practice.

Communication: The remuneration philosophy and practices, as well as the processes to determine individual pay levels, must be transparent and communicated effectively to all employees.

Market information: Accurate and up-to-date market information and information on trends is a crucial factor in determining the quantum of the remuneration packages.

Areas requiring full motivation and approval

There are some areas where the dictates of good corporate governance, the protection of shareholder interests and those of the Sanlam brand or corporate identity require full disclosure, motivation and approval by the Human Resources committees either at Group or business level.

Areas in which autonomy is granted to all businesses within Group-mandated parameters

In some instances, the Sanlam remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own Remuneration/Human Resources committees will play in ensuring good governance.

Sanlam shares and other long-term incentive mechanisms

The Sanlam Group aims to make available a suite of long-term incentive plans in order to improve both performance and retention of key staff. These vary from broad-based participation schemes to very specialised plans with limited participation by key staff.

Executive directors

The packages for executive directors include a basic salary, a variable performance-linked short-term bonus and a variety of long-term incentive/retention plans. All of these are established in terms of the remuneration principles outlined.

In line with the Group's remuneration philosophy, the remuneration of the executive directors, including that of the Group Chief Executive is reviewed annually. The Group Human Resources committee reviews each executive director's performance and makes the necessary adjustments based on a number of market comparison surveys.

Short-term performance bonuses are calculated by the committee, based on predetermined performance targets in relation to the company's actual performance for that period. Long-term incentives are managed in the same way, but the predetermined performance hurdles stretch over longer periods and benefits are paid only on achievement of these performance targets.

Executive directors are employed on a permanent basis and all Sanlam's human resources policies are applicable to their conditions of service. No special arrangements regarding severance or corporate actions have been put in place. The Board is responsible for the appointment of the Sanlam executive directors as well as managing the exit arrangements that may be formulated.

Non-executive directors

Fee structures are recommended to the Board by the Group Human Resources committee (other than for services as a Human Resources committee member) and reviewed annually with the assistance of external service providers.

The committee takes cognisance of market norms and practices, as well as the additional responsibilities placed on Board members by new acts, regulations and corporate governance guidelines. The Board recommends the fee structure for the year, from 1 July until 30 June the following year, to the company's shareholders at the AGM for approval.

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Non-executive directors receive an annual retainer. In addition, a fee is paid for attending Board meetings. Sanlam pays for all travelling and accommodation expenses in respect of Board meetings. The Chairman receives a fixed annual fee that is inclusive of all Board and committee attendances as well as all other tasks performed on behalf of the Group.

Disclosure of individual directors' emoluments, as required in terms of the JSE Listings Requirements, is detailed below.

Directors' emoluments

Non-executive directors

Directors' emoluments for the year ended 31 December 2008 (R'000)

Non-executive directors	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
RC Andersen (Chairman)	1 048	—	449	—	1 497
MMM Bakane-Tuoane	140	166	60	—	366
AD Botha	140	219	60	379	798
AS du Plessis	140	177	60	280	657
FA du Plessis	140	239	60	—	439
WG James	140	184	60	—	384
MV Moosa	140	198	60	—	398
PT Motsepe	209	164	90	—	463
RK Morathi (appointed as executive 1 May 2008)	44	39	19	249	351
SA Nkosi	140	97	60	—	297
I Plenderleith	140	177	60	—	377
M Ramos (resigned 2 December 2008)	127	65	55	—	247
GE Rudman	140	260	60	301	761
RV Simelane	140	181	60	—	381
ZB Swanepoel	140	156	60	—	356
PL Zim	140	88	60	—	288
Total non-executive directors	**3 108**	**2 410**	**1 333**	**1 209**	**8 060**

Travel and subsistence expenditure paid in respect of attendance of Board and committee meetings amounted to R230 000.

Directors' emoluments for the year ended 31 December 2007 (R'000)

Non-executive directors	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
RC Andersen (Chairman)	961	—	412	—	1 373
MMM Bakane-Tuoane	128	133	55	—	316
AD Botha	128	232	55	290	705
AS du Plessis	128	200	55	224	607
FA du Plessis	128	225	55	—	408
WG James	128	172	55	—	355
MV Moosa	128	212	55	—	395
PT Motsepe	193	172	82	—	447
RK Morathi	128	173	55	255	611
SA Nkosi	128	91	55	—	274
I Plenderleith	128	170	55	—	353
M Ramos	128	120	55	—	303
GE Rudman	128	237	55	315	735
RV Simelane	128	174	55	—	357
ZB Swanepoel	128	174	55	—	357
E van As (resigned 6 June 2007)	62	40	26	—	128
JJM van Zyl (resigned 6 June 2007)	62	83	26	—	171
PL Zim	128	114	55	—	297
Total non-executive directors	**3 070**	**2 722**	**1 316**	**1 084**	**8 192**

Travel and subsistence expenditure paid in respect of attendance of Board and committee meetings amounted to R91 000.

Fees from Group companies for the year ended 31 December 2008 (R'000)

Name	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	76	108	195	379
AS du Plessis	76	62	142	280
RK Morathi	146	64	39	249
GE Rudman	146	39	116	301
Total fees from Group companies	**444**	**273**	**492**	**1 209**

Fees from Group companies for the year ended 31 December 2007 (R'000)

Name	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	130	70	90	290
AS du Plessis	65	159	—	224
RK Morathi	135	72	48	255
GE Rudman	135	84	96	315
Total fees from Group companies	**465**	**385**	**234**	**1 084**

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Executive directors

The remuneration of executive directors comprises salaries and other short-term incentives as well as participation in long-term incentive plans.

The Human Resources committee believes that participation in a short-term incentive scheme enhances the focus of the executive directors by providing a meaningful incentive to outperform. The form of the incentive is an annual bonus, which is granted only when certain criteria are met.

Short-term emoluments for the year ended 31 December 2008 (R'000)

Name	Months in service	Salary/ Fees	Bonus	Company contri-butions	Total
JP Möller	12	2 573	2 500	674	5 747
RK Morathi (appointed as executive 1 May 2008)	8	1 316	1 000	140	2 456
J van Zyl	12	4 492	7 500	684	12 676
Total executive directors		**8 381**	**11 000**	**1 498**	**20 879**

Bonuses reflected are payable in 2009, based on the 2008 results and the formulae applicable to the different businesses.

Short-term emoluments for the year ended 31 December 2007 (R'000)

Name	Months in service	Salary/ Fees	Bonus	Company contri-butions	Total
JP Möller	12	2 378	2 933	505	5 816
J van Zyl	12	4 154	9 214	387	13 755
Total executive directors		**6 532**	**12 147**	**892**	**19 571**

Long-term emoluments for the year ended 31 December 2008

The extent of long-term incentives granted is based on a percentage of executive directors' gross remuneration. The annual grant made depends on previous amounts granted, the performance of the director, and the need to retain the services of the director in future. Grants in excess of a certain percentage of guaranteed remuneration are also subject to specific predetermined performance hurdles that are aligned with the long-term strategic goals of the company.

Existing long-term incentives include share options, loans granted, restricted shares and deferred shares. A portion of the restricted and deferred shares is subject to performance hurdles.

Share options (000's)

Name	31 December 2007 No of options	Strike price	Exercised (2008)	31 December 2008 No of options	Unrestricted	Restricted	Unrestricted in 2009	Expiry date
JP Möller								
Granted 01/03/2002	**15**	**R8,26**	**15**	—	—	—	—	30/06/2009
Granted 01/05/2003	**134**	**R6,03**	**67**	67	67	—	—	01/05/2011
Granted 01/05/2004	**247**	**R9,80**	**99**	148	74	74	74	01/05/2012
Granted 01/06/2004	**308**	**R8,40**	**122**	186	93	93	93	01/06/2012
Total	**704**		**303**	**401**	**234**	**167**	**167**	
J van Zyl								
Granted 01/02/2003	**58**	**R6,03**	**58**	—	—	—	—	01/02/2011
Granted 01/05/2003	**1 505**	**R6,03**	**753**	752	752	—	—	01/05/2011
Granted 01/05/2004	**312**	**R9,80**	**125**	187	94	93	93	01/05/2012
Granted 01/06/2004	**197**	**R8,40**	**79**	118	59	59	59	01/06/2012
Total	**2 072**		**1 015**	**1 057**	**905**	**152**	**152**	
Total executive directors	**2 776**		**1 318**	**1 458**	**1 139**	**319**	**319**	

The following gains were made on the exercise of share options during the year. The gain is calculated as the difference between the market value on the date of exercise and the strike price. The date of exercise is the date that the executive director takes ownership of the shares and is entitled to dispose of them.

	2008	2007
Gains on options exercised (R'000)	**18 719**	3 286
Weighted average strike price	**R7,06**	R6,43
Weighted average market price	**R21,26**	R21,68

Share purchase plan

Loans were granted to executive directors for the purpose of acquiring Sanlam shares. The loans are secured, bear interest at market-related rates, and will be repaid over four years. An annual bonus is payable to such directors, based on the number of Sanlam shares held by the director. Details of the loans granted are as follows:

Name	Original loan (R'000)	Original no of shares purchased ('000)	Purchase price (rands)	Total loan balance at 31 Dec 2007 (R'000)	Interest accrued (R'000)	Repayments (R'000)	Balance at 31 Dec 2008 (R'000)
JP Möller							
Granted							
08/06/2006	2 808	188	14,21	2 799	321	316	2 804
J van Zyl							
Granted							
14/06/2006	15 330	1 021	14,31	14 295	1 531	3 124	12 702
Total	**18 138**	**1 209**		**17 094**	**1 852**	**3 440**	**15 506**

Corporate Governance Report
continued

Restricted Share Plan

Executive directors were granted fully paid-up Sanlam shares at no consideration, entitling the directors to all dividends in respect of such shares, subject to the directors agreeing to retention and performance conditions as determined by the Board at the time.

Details of the shares granted (000's) are as follows:

Name	Hurdle Achieved#	Shares granted	Unrestricted	Becoming unrestricted in* 2009	2010	2011	2012	2013
JP Möller								
– March 2007	yes	306	—	—	122	92	92	—
– September 2008	yes	290	—	—	—	116	87	87
		596	**—**	**—**	**122**	**208**	**179**	**87**
J van Zyl								
– June 2006	yes	300	120	90	90	—	—	—
– March 2007	yes	1 094	—	—	438	328	328	—
– September 2008	yes	871	—	—	—	349	261	261
		2 265	**120**	**90**	**528**	**677**	**589**	**261**
Total		**2 861**	**120**	**90**	**650**	**885**	**768**	**348**

**Provided that the performance hurdle, that the Group's adjusted return on Group Equity Value per share exceeds the Group's cost of capital ("agreed performance hurdle") for the period since the date of grant until certain predetermined dates, is met.*

#Agreed performance hurdle has been met since the date of grant up to 31 December 2008.

Deferred Performance Bonus Plan

In June 2007, the company entered into agreements with executive directors in terms of which cash bonuses linked to the performance of the Sanlam share price will be payable on predetermined future dates subject to the Group meeting certain performance hurdles based on 262 000 shares in respect of J van Zyl and 113 000 shares in respect of JP Möller ("the reference shares").

On 1 October 2008, these agreements were amended to convert the cash-settled bonus payments into the equity-settled Performance Deferred Share Plan based on the same number of shares as the reference shares. The other terms and conditions remained unchanged.

Deferred Share Plan (DSP) and Performance Deferred Share Plan (PDSP)

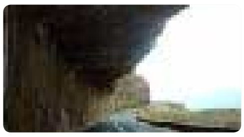
The company entered into agreements with the executive directors in terms of which the company undertook to deliver a specified number of shares on set future dates, subject to certain terms and conditions (DSP). The company's policy is that in the event that the cumulative value of all shares allocated under any long-term incentive scheme exceeds the director's remuneration by a certain percentage, vesting of such excess is subject to the achievement of the performance hurdle that Sanlam's adjusted return on Group Equity Value per share must have exceeded its cost of capital for the period from the applicable agreement date until the date of vesting by predetermined percentages (PDSP).

Details of the shares granted (000's) are as follows:

				Becoming unrestricted in*			
Name	**Plan**	**Hurdle achieved#**	**Shares granted**	**2010**	**2011**	**2012**	**2013**
JP Möller							
– June 2008	DSP	n/a	58	—	24	17	17
– June 2008	PDSP	yes	15	—	7	4	4
– October 2008	PDSP^	yes	113	45	34	34	—
RK Morathi							
– June 2008	DSP	n/a	138	—	56	41	41
– June 2008	PDSP	yes	92	—	36	28	28
J van Zyl							
– June 2008	DSP	n/a	167	—	67	50	50
– June 2008	PDSP	yes	11	—	5	3	3
– October 2008	PDSP^	yes	262	106	78	78	—
Total			**856**	**151**	**307**	**255**	**143**

**Provided that, where applicable, the agreed performance hurdles are achieved.*
#Calculated up to 31 December 2008.
^Conversion of the Deferred Performance Bonus Plan granted in 2007.

Corporate Governance Report
continued



Total interest of directors in share capital and options exercised at the date of this Report

	Beneficial	Non-beneficial	Share option scheme
Executive directors			
JP Möller	1 147 336	—	400 441
J van Zyl	1 021 325	3 018 283	1 057 595
RK Morathi	300	550	—
Total executive directors	**2 168 961**	**3 018 833**	**1 458 036**
Non-executive directors			—
RC Andersen	820	—	—
MMM Bakane-Tuoane	—	—	—
AD Botha	—	286 999	—
AS du Plessis	—	30 000	—
FA du Plessis	370	390	—
WG James	—	—	—
MV Moosa	—	—	—
PT Motsepe (refer below)	—	—	—
SA Nkosi	—	—	—
I Plenderleith	—	—	—
GE Rudman	63 887	65 700	—
RV Simelane	—	—	—
ZB Swanepoel	—	—	—
PL Zim	444	—	—
Total non-executive directors	**65 521**	**383 089**	—
Total	**2 234 482**	**3 401 922**	**1 458 036**

There are no material differences between the shareholdings disclosed above and those as at 31 December 2008.

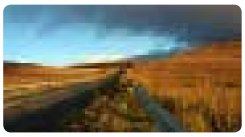
The majority shareholder of Ubuntu-Botho is Sizanani-Thusanang-Helpmekaar Investments (Proprietary) Limited (Sizanani), which holds 55% of the ordinary share capital of Ubuntu-Botho. The shares of Sizanani are beneficially owned by a company and trusts established for the benefit of PT Motsepe and that of his immediate family.

A number of directors have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure. Their effective holdings in the 10 000 000 Ubuntu-Botho shares in issue are: MMM Bakane-Tuoane, WG James, MV Moosa, RV Simelane, SA Nkosi, RK Morathi, PL Zim and ZB Swanepoel – 7 142 shares each. As a result they are the indirect beneficial shareholders of a part of the 226 000 000 Sanlam ordinary shares and a part of the 56 500 000 Sanlam “A” deferred shares held by Ubuntu-Botho.

Interest of directors in share capital and options exercised at the date of the previous Report

	Beneficial	Non-beneficial	Share option scheme
Executive directors			
JP Möller	692 838	—	703 790
J van Zyl	—	2 476 749	2 072 116
Total executive directors	**692 838**	**2 476 749**	**2 775 906**
Non-executive directors			
RC Andersen	820	—	—
MMM Bakane-Tuoane	—	—	—
AD Botha	—	286 999	—
AS du Plessis	—	15 000	—
FA du Plessis	370	390	—
WG James	—	—	—
MV Moosa	—	—	—
PT Motsepe	—	—	—
RK Morathi	300	550	—
SA Nkosi	—	—	—
I Plenderleith	—	—	—
M Ramos	—	—	—
GE Rudman	63 887	65 700	—
RV Simelane	—	—	—
ZB Swanepoel	—	—	—
PL Zim	444	—	—
Total non-executive directors	**65 821**	**368 639**	**—**
Total	**758 659**	**2 845 388**	**2 775 906**

Corporate Governance Report
continued



Corporate code of ethical conduct

Business ethics and organisational integrity

The Sanlam Group remains committed to the highest standards of integrity and ethical conduct in dealing with all stakeholders. This commitment is confirmed at Board and general management level by their endorsement of the code of ethics for the Group.

A Group Ethics committee functions under the chairmanship of the Chief Actuary and is representative of the business clusters. The Group's Ethics committee monitors compliance with the principles underlying the code of ethics and investigates all matters brought to its attention, if necessary. A facility for the reporting of unethical conduct, the Sanlam fraud and ethics hotline, is available to all staff members in the Group. This hotline allows staff members to make anonymous reports and guarantees the protection of their identity, in accordance with the provisions of the Protected Disclosures Act, 2000.

In terms of Sanlam's code of ethics, no employee within the Group may offer or receive any gift, favour or benefit that may be regarded as an attempt to exert influence in unduly favouring any party. Sanlam therefore has a formal Group gift/gratification policy to provide for the official declaration and recording of corporate gifts received or given.

The Board is satisfied that adequate grievance and disciplinary procedures are in place to ensure enforcement of the code of ethics and to address any breaches of the code. The results of an independent ethical climate study conducted by KPMG at the end of 2007 were very positive, with recommendations to implement ethics training and an awareness programme in 2008. The study concluded that the integrity profile of the company was strong and that this provides an excellent base for further improvements in future. The Group's Ethics committee is tasked with monitoring compliance, to the satisfaction of the Board, in line with the recommendations of the King II Report on organisational integrity and ethical conduct.

Forensics

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the code of ethics, and undermine the organisational integrity of the Group.

The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted.

A forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business division is responsible for the implementation of the policy in his or her respective business division and is accountable to the Group Chief Executive and the Sanlam Board.

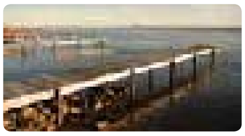
Quarterly reports are submitted by Group Forensic Services to the Sanlam Audit and Risk committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, and investigate and deal with such conduct.

Compliance

Sanlam considers compliance with applicable laws, industry regulations, codes and its own ethical standards and internal policies to be an integral part of doing business. The Group compliance function, together with the compliance functions of the business divisions and units, facilitates the management of compliance through the analysing of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Sustainability and corporate citizenship report

A journey for life



Temba Mvusi
Chief Executive: Market Development

Raisibe Morathi
Chief Executive: Group Services

For the first year in 2008 Sanlam was rated as a "Best Performer" on the JSE SRI Index, placing us in the top 20% of SRI performers across all sectors. We were also listed on the Index for the fifth consecutive year.

Introduction

In addition to this abridged version of its Sustainability Report, Sanlam also publishes a more detailed report based on the Global Reporting Indicators (GRI) by 31 May each year on its website, www.sanlam.co.za/sustainability report.

While there will always be a predominant focus on finance-related matters by investors, it is apparent that social, ethical, governance and environmental issues are becoming more prevalent owing to their ultimate impact on sustainability of companies' long-term business strategies.

As indicated elsewhere in this Annual Report, the global economy experienced strong headwinds during 2007 and 2008, with the sub-prime crisis highlighting poor governance issues in the major financial systems. In South Africa, the household debt burden has risen to levels last seen in 1999 and economic growth prospects are not encouraging. Sanlam is acutely aware of the implications of these events on our stakeholders.

From an investment perspective, we remain confident that we have the correct approach in place to ensure we remain a premium investment that is socially responsible, even under the above market conditions. By implementing the strategies detailed in our Group Chief Executive report, while constantly mindful of the material GSE (governance, social and environmental) risks relevant to its business, Sanlam will remain sustainable.

Sustainability management process

At Sanlam we believe that the implementation of sustainable development within a corporate context can best be described as the product of the integration of the following three related elements:

- Corporate (social) responsibility (CSR) – Defined as the governance of a company's material non-financial impacts (social, environmental and economic) on stakeholders, based on the application of sound *risk* management principles and *ethical* business practices.
- Corporate citizenship (CC) – Defined as an expression of the company's *values* through its voluntary compliance to and support of sector, national or international CSR initiatives relevant to its business and stakeholders.
- Corporate social investment (CSI) – Defined as the implementation of a set of programmes aimed at the measurable achievement of specific outcomes that enhance corporate *reputation* and result in socio-economic or environmental benefit to society at large.

In order to maximise the *intangible value* and goodwill associated with a modern business or brand, it is seen as critical that the above elements are effectively *aligned* and *integrated* into the overall business *strategy.*

Material sustainability issues

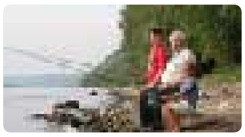
Responsible business (stewardship)

We acknowledge that a company's performance with respect to Socially Responsible Investment criteria such as those contained in the JSE Social Responsibility Index, represents a very good indicator of its ability to produce sustainable returns to shareholders, particularly in the medium to long term. For this reason our core business activities are approached in a manner that is mindful of our obligation to provide excellent returns to shareholders, as well as our impact on key stakeholders.

Broad-based black economic empowerment (BBBEE)

Empowerment credentials remain an important key performance area for companies such as Sanlam with a large presence in the South African market, as BEE status is taken into account, particularly in institutional tender processes. They are also likely to be used by Government in granting business licences and in the selection of corporate partners for key national initiatives such as the social security reform.

Sustainability and corporate citizenship report
continued



Human intellectual capital

Financial services providers such as Sanlam are intellectual capital based. Our people are thus the primary contributors to the intangible value of our brand and our people are also key to our abilities to be able to transform the business where required and respond to the ever-evolving challenges posed to responsible businesses.

Environment

While financial services providers are often characterised as low from an environmental impact perspective, Sanlam nevertheless chooses to manage its impact on the environment and climate change, based on the precautionary principle.

Key achievements during 2008

JSE SRI Index

For the first year Sanlam was rated as a "Best Performer" on the JSE SRI Index. We were also listed on the Index for the fifth consecutive year.

Empowerment

BBBEE is perhaps the key process in the South African market that assists with the upliftment of previously disadvantaged communities and enriches the overall quality of life for the majority of South Africans. It therefore represents the foundation of sustainable development in Sanlam's key market. Hence, we remain an active participant in the Financial Sector Charter (FSC) process.

We are confident of once again receiving an A Rating against the FSC for our BBBEE initiatives. This is the highest rating financial sector companies can achieve for BBBEE. In addition, we have assessed ourselves as a level 4 company against the Department of Trade and Industry (DTI) codes, up from level 6 last year. Against whatever scorecard we measure ourselves, Sanlam represents an empowered company that receives 100% recognition for its empowerment initiatives, positioning us favourably compared to our competitors, based on BEE procurement criteria applied by both the South African Government and the private sector in awarding major tenders for financial services.

Environment

Sanlam has made significant progress towards the implementation of the precautionary principle for environmental management. Three-year targets have been set for key environmental exposures. We have already met our targets for water and waste consumption. Energy and scope II carbon reduction targets remain a challenge, however, not made any easier by severe average weather conditions experienced in the Western Cape in 2008. Sanlam Limited was among the three companies nominated for the Commercial Category of the 2008 NBI Special Award for the Top Performing Energy Efficiency Accord Signatory.

Client service

The client contact centre of Sanlam Personal Finance won the best customer service award, the best business-processing award and the best non-technical innovation of the year award in the Western Cape leg of the National Business Processing Enabling South Africa institution.

Human capital

The Sanlam Group office achieved accreditation from the international Investors In People Standards. Earlier, Sanlam Personal Finance had become the first life company in South Africa to receive full accreditation with the former African Life (now Sanlam Sky Solutions), the Group office of Sanlam Developing Markets and Sanlam Employee Benefits following. These accreditations cover the vast majority of Sanlam's total office staff in South Africa.

Sandaba, internal monthly newsletter for Sanlam staff, shared top spot as best overall internal corporate publication for 2008. *Sandaba* also shared top honours for the best staff newspaper.

Other awards

Sanlam was rated the third most respected company in South Africa after Sasol and Standard Bank by consumers in South Africa in a survey, *The World's Most Respected Companies 2008* by the US-based Reputation Institute.

For the eighth time since Sanlam's listing in 1998 the Investment Analysts Society of Southern Africa voted the company as the best communicator to its shareholders in the Financial – Life Assurance and Insurance Sector of the JSE in 2008.

PMR.Africa rated Sanlam Life Insurance highest in its category (Life Assurance) in its feature on Sustainable Development in South Africa.

Governance of sustainability

Trevor Chandler
Group Sustainability Management

Role of the sustainability committee

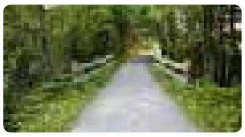
A dedicated Board sub-committee is responsible to the main Board for the governance of sustainability. The committee recommends policies on BBBEE to the Board, monitors the implementation of the FSC and also bears responsibility for health and safety matters and for environmental management. All related reporting requirements lie within this committee's area of responsibility. Where necessary and relevant, sustainability issues are also dealt with by other sub-committees of the Sanlam Board, such as the Audit and Risk committee, the Human Resources committee and the Policyholders' Interest committee.

The Sustainability committee comprises a minimum of three non-executive directors and is chaired by an independent non-executive director. The chief executives of the various Group businesses are required to report to the committee on aspects relevant to their businesses. A dedicated sustainability management function also assists the committee in carrying out its responsibilities.

Basis for implementation of sustainability

Sanlam uses internationally recognised standards and criteria to govern the reporting and management of

Sustainability and corporate citizenship report
continued



sustainability. Where relevant, these criteria are supplemented with local standards applicable to the markets in which we operate. Listed below are the main criteria which we use:

Sanlam adheres to the King II Codes (2002) on Corporate Governance, codes which set the framework for corporate governance in South Africa with guidelines regarding sustainability reporting, protecting stakeholder interests and other related matters.

Sanlam has compiled an online report in accordance with the Global Reporting Initiative (GRI (G3)) framework. The full 2008 report will be available on our website **www.sanlam.co.za** by 31 May 2009.

The FSC came into effect on 1 January 2004 and was the first voluntary empowerment charter where representatives of a sector of the economy committed themselves to achieving social and economic equality and to spur social and economic transformation and growth. This, together with the DTI codes of practice as published by the DTI in 2007, forms the basis of our reporting on BBBEE.

The United Nations Global Compact is a framework that is committed to aligning operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. Sanlam is a signatory to the Compact. Sanlam is also a signatory to the Carbon Disclosure Accord, which assists us with the management of our impacts on global climate change, measured on the basis of carbon accounting standards.

JSE Socially Responsible Investment (SRI) Index

Lerato Molebatsi
CSI, Ubuntu-Botho and Public Affairs

In our view the JSE SRI Index currently represents an extremely important tool that enables the top 100 companies on the JSE and investors alike to measure non-financial risk in an objective manner and based on publicly disclosed information.

For the first year in 2008 Sanlam was rated as a “Best Performer” on the JSE SRI Index, placing us in the top 20% of SRI performers across all sectors. We were also listed on the Index for the fifth consecutive year.

The following table presents more detail on Sanlam’s level of compliance with JSE sustainability criteria compared to 2007. As can be seen from the table, Sanlam complies with virtually all SRI governance criteria, both core and desirable. In 2009, we will investigate potential compliance with more of the desirable social criteria contained in the Index, as part of our ongoing efforts to ensure that Sanlam remains an SRI.

	Core indicators met 2008	2007	Desirable indicators met 2008	2007
Governance	**42 out of 42**	37 out of 40	**33 out of 36**	39 out of 44
Social	**39 out of 41**	32 out of 41	**42 out of 60**	37 out of 65
Environmental	Met policy, systems and reporting criteria			

Social

Broad-based black economic empowerment

Sanlam acknowledges that economic transformation is a national priority and recognises its role in redressing the social and economic imbalances in South Africa. The FSC Scorecard and the DTI's Codes of Best Practice for BBBEE are the key instruments through which BBBEE is defined and measured – the former applying to the sector, and the latter providing a framework to enable alignment of the various sector transformation initiatives.

Each scorecard provides for several aligned principles: personal empowerment through skills development and learnerships; transformation of management demographics; investment in the development and support of communities; investment into infrastructure to benefit historically marginalised communities; several focus areas such as agriculture, low-cost housing and small business; financing of black ownership of operating businesses or the purchase of ownership stakes in profitable businesses, targeted procurement and enterprise development in an effort to afford small and principally black businesses the opportunity to grow and become sustainable.

The FSC also considers the provision of financial services products that are relevant, affordable and accessible to be a priority for building the wealth of the country. The frameworks which govern the Charter provide a path away from poverty by providing opportunities to create mechanisms for black management to proceed through the ranks of businesses, for black entrepreneurs to be a conduit for wealth distribution, for investment in national economic growth, wealth-building products and services, and for direct investment into communities.

Sanlam has made significant progress in all elements of the scorecards. Highlighted below are some of our major achievements in 2008:

- Employment equity and culture change programmes have resulted in an increased complement of black managers. As a result our score for the employment equity and skills development component of the FSC improved substantially from 9 out of 20 to 15 out of 20 during the year. Specific increases in the complement of senior, middle and junior managers can be found in the table below.
- A dedicated focus on providing financing to black entrepreneurs for transactions and developing infrastructure has resulted in significant progress towards meeting relevant targets. An excess of R8 billion worth of funding has been provided by the Group since the FSC was signed in 2004.
- Sanlam's procurement performance, as measured against the requirement of the Charter and the Codes that 50% of all procurement must be derived from empowered companies by 2008/2012, shows that Sanlam is ahead of target.
- Sanlam, through Sanlam Sky Solutions, Channel Life and Safrican – with specialist knowledge of accessible products for the lower income groups – has now met its targets for products on offer that meet the specific needs of these market segments.
- Sanlam has consistently invested more than the minimum required of net operating profit into communities. In addition, the Sanlam Ubuntu-Botho Community Development Trust has made a number of key donations thereby ensuring that our pioneering empowerment deal not only benefits a broad base of beneficiaries, but also society at large.

Sustainability and corporate citizenship report

continued

The following table represents our performance at 31 December 2008 against the FSC targets and is currently subject to independent verification:

Element	Weighting	Target %
Ownership	**12**	
Black ownership (Note 3)	12	25
Management control	**8**	
Black directors	2	33
Black female directors	1	11
Black executives	4	25
Black female executives	1	4
Human resource development	**20**	
Senior management	4	25
Senior management – black female	1	4
Middle management	4	30
Middle management – black female	1	10
Junior management	4	50
Junior management – black female	1	15
Black skills development spend	3	1,5
Learnerships	2	1,5
Preferential procurement	**15**	
Percentage procured from BEE companies as defined	15	50
Socio-economic development / CSI	**3**	
CSI spend as percentage of operating profits	3	0,5
Access to financial services	**14**	
Compliant products	2	3
Transactional access	3	75
Penetration	7	100
Consumer education	2	0,2
Empowerment finance	**22**	
BEE transaction financing	5	R3 024m
Targeted investment	17	R3 840m
Total	**94**	
Rating (Note 1)		

The FSC is currently being aligned to the Department of Trade and Industry (DTI) codes of practice for BBBEE and is thus subject to change. Included below is Sanlam's BEE performance measured against the DTI codes of practice. The numbers are currently subject to independent verification.

	Scores			Actual	
2008	2007	2006	2008 %	2007 %	2006 %
13	**13**	**13**			
13	13	13	**36,75**	31,82	28,75
8	**8**	**8**			
2	2	2	**44**	44	40
1	1	1	**19**	17	15
4	4	4	**25**	30	28
1	1	1	**8**	8	5
15	**9**	**5**			
3	2	—	**17**	13	9
1	1	1	**4**	3	2
4	2	—	**30**	19	17
1	1	—	**11**	7	4
2	—	—	**37**	26	21
1	—	—	**19**	12	10
2	3	3	**1**	1,6	1,6
1	—	1	**0,4**	0,2	1,4
15	**15**	**11**			
15	15	11	**57**	50	40
3	**3**	**3**			
3	3	3	**0,7**	0,6	0,5
14	**10**	**6**			
2	1	—	**3**	2	—
3	2	3	**82,5**	71,5	75,5
7	7	3	**144**	160	62
2	—	—	**0,2**	—	—
17	**19**	**13**			
5	5	3	**R5 664m**	R3 488m	R1 056m
12	14	10	**R2 730m**	R2 459m	R1 944m
85	**77**	**59**			
A	**A**	**A**			

Sustainability and corporate citizenship report
continued

Pillar	Criteria	Target %	Actual %	Weighting	Score
Ownership				**20**	**16,46**
	Voting rights (black people)	25,00	25,66	3	3
	Voting rights (black females)	10,00	—	2	—
	Economic interest (black people)	25,00	21,51	4	3,44
	Economic interest (black females)	10,00	—	2	—
	Economic interest (black designated groups)	2,50	10,90	1	1
	Ownership fulfilment	Yes	No	1	—
	Net value	100,00	86,03	7	6,02
	Bonus points for new entrants and employee ownership schemes	10,00	10,90	3	3
Management				**10**	**7,71**
	Board voting rights (gender adjusted)	50,00	40,63	3	2,44
	Board executive members	50,00	41,67	2	1,67
	Senior top management (gender adjusted)	40,00	20,83	5	2,6
	Independent directors (bonus points)	40,00	40,00	1	1
Employment equity				**15**	**3,84**
	Senior management (gender adjusted)	43,00	14,33	2	—
	Middle management (gender adjusted)	63,00	26,07	5	1,66
	Junior management (gender adjusted)	68,00	37,07	4	2,18
	Disabled	2,00	0,09	4	—
Skills development				**15**	**2,6**
	Skills spend	3,00	0,90	6	1,8
	Disabled skills spend	0,30	0,01	3	0,1
	In-service training programmes	5,00	0,60	6	0,7
Preferential procurement				**20**	**19,2**
	Total procurement (%)	50,00	54,50	12	12
	OSE & EME procurement (%)	10,00	26,40	3	3
	Black-owned procurement (%)	9,00	8,60	3	2,9
	Black women owned (%)	6,00	3,90	2	1,3
Enterprise development			3,00	**15**	**15**
	Spend	3,00	3,00	15	15
Socio-economic development				**5**	**5**
	Spend	1,00	1,00	5	5
Total				**100**	**69,81**
Rating (Notes 1 and 2)			**Level 4**		

1. An A rating against the Financial Sector Charter as well as a level 4 rating against the DTI codes provide Sanlam with *100% recognition* when tendering for contracts.
2. The DTI Codes score includes Santam. The FSC scores exclude Santam as Santam is a separate listed entity per the FSC rules.
3. Black ownership for scores for 2006 and 2007 has been restated to reflect the exclusion of indirect shareholding.

Employment equity

The scorecards included below are published in line with the requirements of the Department of Labour, as at 30 June 2008.

The scorecard includes the total number of employees (including employees with disabilities) in each of the following occupational levels:

	Designated							Non-designated			
	Male			Female				White male	Foreign nationals		
	A	C	I	A	C	I	W	W	Male	Female	Total
Top management	5	2	—	2	1	—	4	23	—	—	**37**
Senior management	21	24	20	5	7	8	80	338	3	—	**506**
Professionally qualified and experienced specialists and mid-management	64	57	37	29	47	32	289	341	8	1	**905**
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	404	228	111	235	220	94	1 159	1 136	14	6	**3 607**
Semi-skilled and discretionary decision-making	667	214	15	1 034	574	73	703	63	2	—	**3 345**
Unskilled and defined decision-making	48	39	3	72	99	5	30	12	1	1	**310**
Total permanent	1 209	564	186	1 377	948	212	2 265	1 913	28	8	**8 710**
Non-permanent employees	14	12	1	50	47	—	49	11	—	—	**184**
Grand total	**1 223**	**576**	**187**	**1 427**	**995**	**212**	**2 314**	**1 924**	**28**	**8**	**8 894**

Note: A = Africans, C = Coloureds, I = Indians and W = Whites.

Sustainability and corporate citizenship report
continued

The scorecard below indicates the total number of employees with disabilities only in each of the following occupational levels:

Occupational levels
Top management
Senior management
Professionally qualified and experienced specialists and mid-management
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents
Semi-skilled and discretionary decision-making
Unskilled and defined decision-making
Total permanent
Non-permanent employees
Grand total

Note: A = Africans, C = Coloureds, I = Indians and W = Whites.

Human intellectual capital

Group Chief Executive commitment on skills development

About a decade ago, a new landscape for skills development was formulated with the introduction of a raft of legislation. Sanlam embraced this legislation and adopted a stance of what is possible and appropriate rather than what is required to comply with the legislation.

Sanlam not only concentrated on the development of Sanlam staff members but also identified opportunities that contributed to uplifting the skills deficit in South Africa. In Sanlam's quest to provide a high quality of training, developmental opportunities are continuously researched.

Last year Sanlam's Group Chief Executive affirmed the Group's commitment to skills development by supporting the Business Leadership South Africa initiative which compels affiliated companies to report on certain categories of skills development as indicated below:

Existing skills

Sanlam's current profile of staff members who either have a degree or three-year diploma is reflected below together with the average age:

	Black	Average age	White	Average age
Male	225	33,4	444	42,6
Female	376	32,0	424	40,6

	Designated								Non-designated Foreign nationals		
	Male				Female						
	A	C	I	W	A	C	I	W	Male	Female	Total
	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	1	—	—	—	—	—	—	1
	—	—	—	2	—	—	—	—	—	—	2
	1	—	—	3	—	1	—	2	—	—	7
	1	1	—	1	—	2	—	5	—	—	10
	—	—	—	—	—	—	—	—	—	—	—
	2	1	—	7	—	3	—	7	—	—	20
	—	—	—	—	—	—	—	—	—	—	—
	2	**1**	**—**	**7**	**—**	**3**	**—**	**7**	**—**	**—**	**20**

During the period January to December 2008 Sanlam employed the following staff members who were in possession of either a degree or three-year diploma:

	Black	Average age	White	Average age
Male	79	30,1	27	35,7
Female	84	30,7	45	33,0

The number of graduates/diplomates who exited the company over the same period is displayed below:

	Black	Average age	White	Average age
Male	50	34,0	52	43,1
Female	65	32,2	38	38,2

Although Sanlam employs skilled individuals, we spent in excess of R79 million on the training and development of staff, according to our previous annual training report issued to the Department of Labour, covering the period 1 April 2007 to 31 March 2008.

The number of staff members who are enrolled in Sanlam-customised developmental programmes through leading higher education institutions are illustrated below:

	Black	Average age	White	Average age
Male	27	39,4	16	41,8
Female	22	31,8	20	38,9

Future pipeline

Sanlam has significantly decreased the allocation of direct bursaries but has identified other initiatives that address the future pipeline of potential employees.

The number of students who received funding from Sanlam in the form of direct bursaries for 2008 decreased to five.

Skills training beyond employment

During 2008, Sanlam provided an opportunity to 40 young black South Africans to obtain a recognised qualification through a learnership programme. Upon the successful completion of the 12-month programme, the learners were awarded with the Further Education and Training Certificate: Long-term Insurance. These learners were accommodated in both Cape Town and Johannesburg. The following learners graduated during 2008:

	Black	Average age	White	Average age
Male	19	25,8	—	—
Female	18	24,6	—	—

Sustainability and corporate citizenship report

continued

Additional partnerships for skills development

In addressing the future pipeline, Sanlam has forged relationships with tertiary institutions. The focus of these partnerships is specifically on the educational disciplines that are relevant to the business, namely Mathematics and Accounting. During 2008, Sanlam invested in excess of R4 million on educational corporate social investment projects. Some of the institutions of higher learning supported included:

- University of Cape Town
- University of the Western Cape
- Nelson Mandela Metropole University

In addition, a further investment was made to the University of Fort Hare (UFH) to assist with the refurbishment of one of their lecture halls. The initiative was named "Africa's biggest classroom". An additional investment from Sanlam supports the UFH with the training of entrepreneurs and providing financial literacy training in disadvantaged communities.

The Paul Roos Gymnasium Academy was also supported by Sanlam in 2008. The main objective of Sanlam's investment is to equip pupils, Grade 7 and higher, from disadvantaged communities with the knowledge and skills in order to close the gap between primary and secondary education and to ultimately successfully complete their school careers.

On an annual basis, Sanlam also contributes financially to Thutuka Financial Services. This investment assists with the development of black chartered accountants.

Environment

Environmental management

Sanlam's considered response to environmental sustainability is to start 'at home' to understand the extent of its own impact on the environment, and to put measures in place to reduce or offset this impact, and then to use its leadership position to influence other key role-players and stakeholders in the industry.

Consequently, our initial actions included expanding and updating our existing environmental policy, formulated in 2005. The expanded approach will address primary (direct impact of operations on the environment) and secondary (supply chain) environmental impacts, Board-level responsibility for the policy, a commitment to targets, a system for auditing and reviewing the policy and creating internal communication and training programmes for employees.

Environmental impacts

The key areas of environmental concern for Sanlam are the primary impacts of its operations on for instance climate change, through its emissions of carbon, and the secondary impacts that these may have on the environment through the way it manages investments and its supply chain. Sanlam is also committed to managing these impacts responsibly and is assisted in this regard through its partnerships with the World Wildlife Fund (WWF), the Carbon Disclosure Project (CDP) and the United Nations Global Compact.

Direct impacts – carbon and climate change

The sum total of an organisation's emission of greenhouse gases, less any carbon sequestered (i.e. carbon bound in a way that prevents the emission of greenhouse gases or GHGs), represents what is commonly referred to as the organisation's carbon footprint. This figure has become important because it is now widely recognised that the build-up of GHGs in the earth's atmosphere is the main catalyst responsible for climate change. In 2007, Sanlam commissioned its first carbon footprint assessment from an independent agency to ascertain which corporate activities cause the highest environmental impact, and to indicate opportunities for making improvements. The 2008 findings are represented on the table overleaf.

The Carbon Disclosure Project

Through the Carbon Disclosure Project (CDP), Sanlam has committed itself to managing its own carbon footprint, as well as an asset manager committed to influencing the agenda of others.

The CDP is an organisation that works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations. Based on answers to its questionnaire, CDP provides the investment community with information about the greenhouse gas emissions of corporations and their climate change management strategies.

The information requested in the CDP questionnaire focuses on the following key areas: Climate Change Risks, Opportunities and Strategy, Greenhouse Gas Emissions Accounting, Greenhouse Gas Emissions Management and Climate Change Governance. Through CDP's database, this information is available in a comparable format that adds value for investors and a wide range of stakeholders.

Sustainability and corporate citizenship report
continued

The Energy Efficiency Accord

The Energy Efficiency Accord was signed in May 2005 as a voluntary effort to implement the National Energy Efficiency Strategy. The Accord was facilitated by the National Business Initiative (NBI) and signed by the Minister of Minerals and Energy and senior business leaders. An Energy Efficiency Technical Committee (EETC) was established to implement the Accord on a collaborative basis between industry signatories and Government. The NBI acts as secretariat to the Technical Committee. Sanlam was one of the first signatories in 2005.

The table below represents a full inventory of Sanlam's greenhouse gas emissions resulting from its business activities at its head office. This baseline 'carbon footprint' calculation was undertaken in full accordance with the Greenhouse Gas Protocol, which allows for direct integration with national or international greenhouse gas registries. For this baseline calculation, Sanlam is reporting only on activities associated with its head office building in Bellville, Cape Town. This office accounts for more than 50% of all Sanlam full-time employees (FTEs) in South Africa. During 2009, we will extend this scope to include 75% of our national footprint.

Sanlam Head Office	2008	2007	2010 target
Energy kWh	**37 598**	35 998	13,6% reduction in fossil fuel-based energy use
Scope 1 carbon emissions attributable to Sanlam staff	**34,32**	225,44	15% reduction in overall carbon emissions
Scope 2 carbon emissions attributable to Sanlam staff	**27 070**	25 919	15% reduction in overall carbon emissions

Aside from the carbon footprint assessment, Sanlam also measures its use of water and waste, per the table below:

Sanlam Head Office	2008	2007	2010 target
Water (K litre)	**106 183**	123 440	4% reduction
Waste (cubic metres)	**172**	192	10% reduction
Waste recycled in tons	**100**	93	Maintain 2007 levels per capita

Sanlam's partnership with the WWF goes beyond supporting specific programmes – the two organisations enjoy a mutually beneficial long-term relationship. The WWF is helping Sanlam address and manage its own environmental impact and behaviour in order to achieve change within the organisation. Sanlam in turn, is helping the WWF by supporting water management programmes across the country, in particular the WWF Sanlam Living Waters Programme. Presentations have been conducted at our head office to staff as well as management to encourage water conservation and make saving water a way of life. Awareness programmes will be expanded in 2009.

Sanlam has been materially compliant with environmental legislation and has not incurred any fines during the period under review.

Economic and financial markets review

A journey for life

Jac Laubscher
Group Economist

Financial conditions are expected to ease during 2009. The downward cycle in interest rates has started, and further declines in inflation and interest rates will bring some relief during the year, while the equity market should also retrace some of its losses from severely depressed levels.

The year 2008 will go down in the economic history of the world as an important cusp year. The risks that we highlighted in the Economic Review forming part of our 2007 Annual Report, have all come to pass. The challenging business environment we foresaw has indeed become a reality.

The global financial crisis that had been spluttering along at low intensity since August 2007, exploded into a full-blown systemic crisis after the bankruptcy of Lehman Brothers in the USA in mid-September 2008. The principle of mutual trust on which the smooth functioning of the financial system is based, was severely undermined, and central banks and governments across the world were forced to step into the breach to prevent the system from collapsing. Real economic activity weakened sharply. Although South Africa's banks escaped the havoc wreaked by the sub-prime crisis, the economy did not.

The long-term fall-out from the crisis will take time to take shape, but already there are worrying signs of a less than benign outcome. Surely business models in the financial sector, especially in banks, need to be reassessed and returned to robustness. Risk management practices have certainly been found wanting. A complete overhaul of the regulatory superstructure under which financial institutions and markets operate, is accepted as being inevitable and indeed necessary. However, the danger lies in the baby being thrown out with the bathwater.

The financial crisis has lent a new twist to the perennial debate on the relative merits of free markets and governments in guiding economic activity. The market system finds itself in the dock for its failures. Unfortunately much of the debate suffers from ideological preconceptions, as exemplified by the incomplete and biased assessments of the underlying causes of (and therefore solutions to) the crisis. The risk is that the world ends up with a heavily regulated financial system, including substantial direct government involvement, in which political expediency reigns freely. The end result could well be a system that is less efficient and less tolerant of initiative and innovation, suffering from a suppression of profitability.

In the meantime financial institutions had to navigate an extremely challenging environment in 2008, especially during the final quarter of the year when stock markets collapsed and volatility increased to levels last seen at the time of the 1987 market crash. The Morgan Stanley World Index declined by 40% from 15 September to its trough on 20 November, and the Emerging Market Free Index by an even greater 47%, putting paid to any notion that emerging markets can decouple from the developed world. The VIX, measuring volatility in US equity prices, jumped from 25,7% on 15 September to a high of 89,5% on 24 October.

Exchange rate volatility increased against a backdrop of a strengthening US dollar as investors fled to safer havens, while currencies such as the Japanese yen benefited from a reversal of the carry trade. Emerging market currencies were savaged by the sharp contraction in investors' appetite for risk and the ensuing withdrawal of portfolio investment, as well as falling commodity prices in the case of commodity exporting countries.

Bond yields plummeted to their lowest levels in 50 years as the short-term outlook for inflation improved because of declining commodity prices

Economic and financial markets review
continued

and the looming recession, official interest rates were dramatically cut, and central banks made known their intention to drive down the cost of long-term capital through outright purchases of government bonds if necessary.

The South African economy was already in a downswing, mainly because of a contraction in household spending in response to the increase in debt servicing costs, when the crisis hit. After the distortion in the growth numbers for the first two quarters caused by the electricity outages, economic growth was barely positive in the third quarter and the possibility of a technical recession cannot be ruled out. Household consumption expenditure contracted for the first time since 1998, providing clear evidence of the pressure on discretionary spending. An expected sharp decline in investment spending by the private sector is likely to lead the downturn in the economy from here on, which will, however, assist in reducing the deficit on the current account of the balance of payments to a more manageable level. A deteriorating net export position will nevertheless contribute further to the economy's woes.

The rand was caught up in the turmoil in global currency markets and weakened sharply, *inter alia* from R7,20/$ at the beginning of August to R11,58/$ at its weakest point and R9,24/$ at the end of the year. In spite of this, inflation nevertheless declined sharply after peaking in August, helped along by sharply lower oil and fuel prices, creating the opportunity for the South African Reserve Bank to reduce the repo rate by 50 basis points in December, which was earlier than had previously been anticipated and a further 100 basis points in February 2009. Bond yields followed suit, with the 10-year generic government bond yielding 7,3% by year-end compared with 10,8% at its peak at the beginning of July. It has since increased to 8,5%, mainly in lieu of a sharp increase in the public sector borrowing requirement.

The JSE tracked international bourses, suffering a steep decline from mid-September to the end of November and sharing in the general volatility. The JSE All Share Index of equity prices, for example, declined by 46% from its peak in May to its low at the end of November, although it has managed to rally somewhat since then. It registered a decline of 26% over the full calendar year.

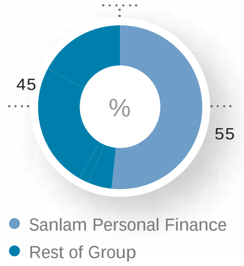
It therefore stands to reason that the past year has presented the financial services industry with an exceptionally tough environment. The industry was caught in a pincher, pressurised by a decline in household discretionary income from the one side and the turmoil in financial markets from the other. The benefits of international diversification were hampered by the general malaise in emerging markets, although the depreciation of the rand provided some buffer.

The year 2009 is unfortunately likely to be another testing year, although the weakest point in the cycle is probably not far off. The full effect of the financial crisis remains highly uncertain, as does its resolution. The impact of the global credit crunch on real economic activity is only now becoming visible and it paints a bleak picture. Governments are doing their utmost to avoid a severe recession with super-expansionary monetary and fiscal policies. South Africa is likely to achieve a growth rate of at best 1% in 2009, and the recovery is likely to be muted. Growth in household disposable income will be constrained by increasing job losses.

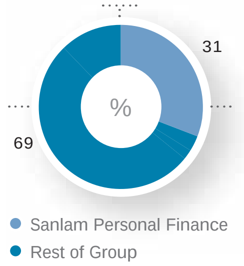
However, financial conditions are expected to ease during 2009. The downward cycle in interest rates has started, and further declines in inflation and interest rates will bring some relief during the year, while the equity market should also retrace some of its losses from severely depressed levels. It will nevertheless only be able to extend the recovery once there is greater clarity on the outlook for company profits and once the ongoing process of deleveraging has run its course.

Business review

Contribution to net result from financial services

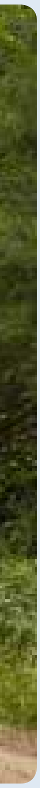


Contribution to new business volumes



Sanlam Personal Finance

The volatility in equity markets and high interest rates brought about a substantial increase in appetite for our guaranteed and discretionary money market solutions. It is therefore evident that by offering a comprehensive range of solutions, we could still find pockets of solid growth in a very difficult year.



Sanlam Personal Finance

R million	**2008**	%
Net operating profit	**1 555**	10
New business flows	**31 070**	17
– SA recurring	**1 165**	1
– SA single	**21 479**	19
– Non-SA	**8 426**	14
PVNB premiums	**17 371**	16
VNB	**386**	19
Margin	**2,22% vs 2,16%**	
ROGEV	**3,5%**	
Adjusted ROGEV	**12,7%**	

Group profile and shareholding structure

South African operations	%	
Middle and self-employed market focus – Topaz and Cobalt		
Sanlam Individual Life division	100	Life insurance
Sanlam Home Loans	50	Home loan joint venture with Absa
Multi Data	100	Electronic money transfer
Sanlam Trust	100	Estate and trust services
Sanlam Liquid[(1)]	100	Debit card and savings facility
Anglo African Finance	65	Niche trade and bridge finance
Sanlam Health Management	100	Medical scheme services
Sanlam Linked Investments	100	Linked product provider
Affluent market focus		
Glacier[(2)]	100	Financial services for affluent market

(1) *Previously a joint venture with Sanlam Collective Investments. From 2009 it is wholly-owned.*

(2) *Glacier will also source solutions from the Topaz operations above.*

Non-South African operations	%	
Sanlam Namibia Holdings	54	Financial services in Namibia
Sanlam Life Namibia	100	Closed fund business in Namibia

Sanlam Personal Finance
continued

Who we are

We provide clients in the middle, affluent and self-employed markets in South Africa and Namibia with a comprehensive range of appropriate and competitive financial services solutions designed to facilitate their long-term wealth creation, protection and niche financing needs.

Engineering these solutions around client needs and delivering the solutions through credible financial advice enables us to grow SPF on a sustainable basis, thereby maximising shareholder value while building long-term relationships with our clients.

We achieve this through our people – we foster a culture of passion for our clients and place great emphasis on diversity and innovation. At SPF we strive to be an employer of choice.

SPF provides the following financial services and advice to clients in the middle (Sanlam Topaz brand), affluent (Glacier by Sanlam brand), and self-employed and professional (Sanlam Cobalt brand) markets:

- Client protection
  - Life insurance, short-term insurance and medical cover
- Providing for retirement
- Providing for non-retirement savings needs
  - Endowments, savings accounts and fixed deposits
- Protecting and growing wealth
  - Linked investment solutions
- Managing assets in retirement
  - Flexible investment-linked annuities
  - Guaranteed annuities
- Ensuring transfer of wealth between generations
  - Estate and trust services
- Transactional requirements
  - Debit card
- Financing and credit needs
  - Home solutions
  - Personal loans
  - Niche trade and bridge finance

Our competitive advantage is our established client centric strategy, which is driven by focused market segmentation and diversification of our financial services solutions, as well as our extensive distribution footprint.

2008 in perspective

The 2008 financial year was marked by tough economic conditions, the key factors being the sharp increase in energy costs and interest rates as well as a worldwide financial and credit crisis leading to volatile and falling stock markets. In most of the market segments where we operate, these factors made it increasingly difficult to grow our new business.

Overall, we managed to increase our sales by 17%. This was largely driven by our SA single premium sales which exceeded last year's sales by 19%. The volatility in equity markets and high interest rates brought about a substantial increase in appetite for our guaranteed and discretionary money market solutions, while sales of equity-linked savings solutions declined. Solutions linked to retirement and retrenchment activities also showed increased demand. It is therefore evident that by offering a comprehensive range of solutions, we could still find pockets of solid growth in a very difficult year.

SA recurring premium sales grew by 1%. The tough economic environment impacted particularly on middle market clients' ability to save, and sales of recurring premium savings and investment solutions declined over last year. However, we were successful in penetrating the market more effectively with our risk solutions, particularly the self-employed market, which led to a 16% growth in these sales.

Namibia continued to perform well and sales were up by 14% on 2007.

The increase in sales resulted in our value of new business (VNB) growing by 19% while maintaining our VNB margins at last year's levels. The 1% reduction in the discount rate compared to 2007 also contributed to the improved VNB results. Net cash inflow of R3 876 million was achieved (2007: R3 693 million) and gross profits grew in line with expectations by 6% (10% net of tax and minorities). The profits were boosted by higher interest rates but were tempered by the increased new business strain due to higher sales and less favourable risk underwriting experience for some products.

Diversification and growing the business

Initiatives to grow and diversify our business during 2008 included the following:

The acquisition of a medical administration and healthcare company, namely Sanlam Healthcare Management, was bedded down in 2008. We have focused on competitive pricing, redesigned some of the products and established a health distribution company to increase membership. Future plans include structural growth and adding schemes for the entry-level and affluent market.

We expanded our transactional capability, driven through Sanlam Liquid, and launched the Liquid Savings Account in addition to the existing Liquid Debit Card. This new product offers high interest rates and should prove attractive to clients with maturing solutions at Sanlam. We plan to further expand the solution range to include fixed deposits in 2009.

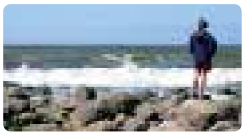
Sanlam Cobalt, our business which focuses on the professional and self-employed market, has built up a solid reputation, particularly in the professional market. In January 2008, we launched our own branded professional solution and managed to increase our risk cover sales substantially.

We have also further consolidated our existing businesses focusing on the professional and self-employed markets into Sanlam Cobalt and reprioritised strategy. We believe we have established a solid foundation for future growth in this market.

Our focus on increasing our presence in the affluent market over the past few years has been successfully driven by our Glacier business. During 2008, we spearheaded initiatives to expand our offering and footprint in this market, and future plans include structural growth opportunities. In terms of LISP business, Glacier has increased its market share and has shown resilience in these difficult economic times. The diversification of the business is gaining momentum fairly rapidly, with some exciting offerings planned for 2009.

Business review

Sanlam Personal Finance
continued



Towards the end of 2007, we piloted a new business advice model known as SanlamConnect designed to help provide simplified and cost-effective solutions to the lower middle market. The pilot has proved that this model is valuable to clients and we are integrating it into our Advisers channel from the beginning of 2009.

Towards the end of 2008, we reviewed our Home Loans business model and will focus more on distributing and advising on home solutions, which include a range of financial services products, while reducing our exposure to the mortgage product itself. In this regard, we have entered into a distribution agreement with property group, Jigsaw Holdings, with effect from 1 February 2009.

Operational efficiency

In addition to our continuous focus on operational improvements, the Group-wide initiative to leverage synergies and to effect closer co-operation between Sanlam and Santam, has progressed well. Actions have been identified to realise benefits, in particular the IT, procurement, office consolidation and distribution areas. The bulk of these benefits are expected to be realised in 2009 and beyond.

Embracing change

Early in September 2008, the regulations on Commission and Early Termination Values were gazetted with an effective date of 1 January 2009. We have implemented these regulations and have introduced performance-related bridging finance to support advisers whose cash flow may be impacted.

Another legislative change likely to impact our business is the introduction of trail fees for section 14 retirement annuity fund transfers. We have introduced measures to mitigate the impact and to ensure clients are treated fairly.

No major developments have taken place in respect of Government's Social Security and Retirement Reform initiative. We will monitor progress and will participate in the process as it unfolds.

Transformation

The transformation of our workforce to reflect the demographics of South Africa and our client base is critical for our business. Many initiatives are in place to achieve this and a component of all staff performance bonuses is linked to achieving our objectives in this regard.

We have ongoing initiatives to support our aspiration to remain an employer of choice. As an Investor In People accredited organisation, we are committed to the development and growth of our employees and to maintaining a high performance culture.

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During 2008, we implemented an initiative called **Culture@Work** to ensure the continued alignment of SPF's culture with its future business plans and strategies.

Line-up for 2009

The main challenge for 2009 lies in the ongoing global financial and credit crisis. We expect trading conditions to remain tough in 2009 and our strategy will be to:

- Contain costs;
- Target reasonable growth in new business sales while maintaining current VNB profitability margins;
- Curtail our retail credit operations to quality business and niche opportunities; and
- Continue to position ourselves for growth.

Our leadership

Executive committee

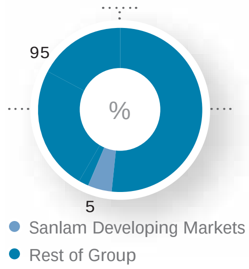
1 › Lizé Lambrechts Chief Executive
2 › Hennie de Villiers Topaz
3 › Bernard Manyatshe Information Technology
4 › Anton Gildenhuys Strategic Business Development
5 › Kobus Vlok Distribution
6 › Wally Harris Finance
7 › Joubert Ferreira Actuarial
8 › Robert Goff Human Resources
9 › Anton Raath Glacier

Divisional board and committee membership

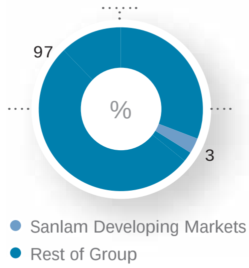
Johan van Zyl Chairman, Human Resources
Flip Rademeyer Financial and Risk Forum
Kobus Möller Financial and Risk Forum
Chris Swanepoel Financial and Risk Forum, Human Resources
David Ladds Financial and Risk Forum
Lizé Lambrechts Chief Executive
Heinie Werth

Business review

Contribution to net result from financial services



Contribution to new business volumes



Sanlam Developing Markets

The success of SDM can largely be ascribed to our approach of partnering with reputable and established operations in developing markets where potential for growth has been identified.

Sanlam Developing Markets

R million	**FY2008**	%↗
Net operating profit	**144**	(37)
New business flows*	**1 910**	33
– SA recurring	**765**	31
– Non-SA	**1 145**	35
PVNB premiums	**5 332**	(3)
VNB	**302**	49
Margin	**5,66% vs 3,71%**	
ROGEV	**29,6%**	
Adjusted ROGEV	**25,6%**	

**Excludes discontinued RSA single premium business.*

Group profile and shareholding structure

South Africa	**Rest of Africa**	**Other international**
Sanlam Sky (100%)	Botswana Life (54%)	Shriram Life India (26%)
Channel Life (63%)[(i)]	Pan Africa Life Kenya (50%)	
Safrican (54%)	ELAC Ghana (49%)	
	African Life Tanzania (65%)	
	African Life Zambia (70%)	

Alfinanz (100%) – Application Service Provider

[(i)] *As at 31 December 2008. On 9 February 2009, it was announced that, subject to regulatory approval, Sanlam will acquire the PSG Group's 34,6% stake in Channel Life.*

Business review

Sanlam Developing Markets

continued

Who we are

Sanlam Developing Markets (SDM) provides affordable financial services solutions to the entry-level market in South Africa and all market segments in other developing markets where Sanlam has established a presence, namely Botswana, Kenya, Tanzania, Zambia, Ghana and India.

In the three years since our launch, the emphasis has been on establishing a diverse mix of operations across the African continent and in India with the aim of ensuring sustainable delivery and growth across the various businesses that make up SDM.

Our client-centric approach is aimed at protecting and growing the financial interests of our clients across all our markets by providing superior financial solutions.

The success of SDM can largely be ascribed to our approach of partnering with reputable and established operations in developing markets where potential for growth has been identified. Our preference for partnerships rather than outright acquisitions has enabled us to allocate our capital resources and expertise to support these partnerships by strengthening their operational base and distribution channels to enable further growth.

Our competitive advantage remains a team that is committed to implement and deliver simple but focused strategies and plans, underpinned by a strong Sanlam brand, distribution network and claims management skills.

2008 in perspective

The year under review was marked by tough economic conditions across the globe, yet the majority of our operations delivered solid new business growth in 2008, with the value of new business (VNB) significantly surpassing our expectations as well as the VNB of 2007. This is encouraging given the fact that most of our efforts in 2006 and 2007 were focused on stabilising businesses acquired in Africa as well as India and to lay the foundation to enable strong growth.

The strong business growth that we experienced impacted on our operating profit, which was aggravated by the severe decline in the equity markets in especially Botswana. Channel Life was also affected by further call centre losses as well as call centre closure costs and much higher than expected mortality experience.

In Kenya, 2008 got off to a bad start when a wave of unrest followed the December 2007 elections in that country. The political turmoil impacted on our Kenyan operation, with individual business underperforming our expectations.

More detailed insights into how each individual segment has performed follow below:

South African operations

Our South African operations consist of Sanlam Sky Solutions and Channel Life, with its 85%-owned subsidiary, Safrican Insurance. At the end of 2008, Sanlam held a 63% stake in Channel Life, with PSG retaining a 34,6% stake. A transaction was announced on 9 February 2009 whereby Sanlam will acquire this PSG stake, subject to regulatory approval. Thebe Investment Corporation owns 15% of Safrican Insurance.

Sanlam Sky Solutions

One of the highlights for 2008 was the successful integration of African Life into the Sanlam brand. Now known as Sanlam Sky Solutions (Sanlam Sky), this operation continues to exceed expectations and we experience strong sales. As a result, new business volumes were 40% higher last year compared to 2007. Another highlight for 2008 was the migration of Sanlam Sky to the Alfinanz administration platform, a system used successfully by Channel Life.

In 2007, we focused on strengthening and expanding the former African Life distribution channels. This paid off when new business volumes hit new highs towards the end of 2007. This trend continued throughout 2008, with average sales volumes reaching 27 000 policies a month, compared to an average of 14 000 policies a month in 2006 for our traditional broker and field channels. These increased volumes did, however, result in higher new business strain negatively impacting operating profit.

Last year we continued bolstering our distribution channels – in 2008 we increased our agency force by close to 50% to 1 350 agents. We also maintained a focus on establishing strong relationships with a wider broker base and we are proud of the fact that we receive strong support from black brokerages across South Africa.

Although the partial introduction of the Sanlam brand, through Sanlam Sky, in 2007 helped boost sales volumes, the full conversion of African Life to the Sanlam Sky brand in September 2008 was well received by our distribution channels and has boosted sales volumes even further.

While the traditional distribution channels (agents and brokers) are exceeding targets, a decision was made to scale back on the broker direct business (the direct channel) in order to focus on better quality and to improve retention in this channel. We also saw a significant increase in business from our voluntary group risk division.

Given the strong new business growth, and the difficult times that we are experiencing, the quality of new business will be a strong focus area.

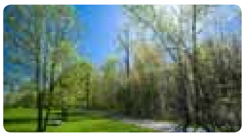
Channel Life/Safrican

Channel Life's voluntary group scheme business continued its rapid growth and performed well in 2008. The broker division also delivered consistently good performance throughout last year.

Unfortunately the Channel Life call centre (direct business) continued underperforming despite significant attempts in 2007 and early 2008 to turn this business around. As a result the call centre was closed in June last year. While this has impacted on sales volumes, the quality of business written in the remaining business areas has improved.

Channel's results were further severely affected by higher mortality claims for an individual life business

Business review



Sanlam Developing Markets
continued

product, mostly sold though its broker division. Various management actions, including premium increases, were implemented to reduce further negative impacts.

New business levels for Safrican Insurance, which focuses on both compulsory and voluntary group business, were in line with expectations although operating profit was lower than expected.

Rest of Africa operations

Our African operations form an integral part of Sanlam's diversification strategy. While economic growth in the rest of Africa has slowed as a result of turbulent stock markets and high oil and food prices, margins remain good and competition from other industry players remains low, although this is slowly changing. Given our stable footprint we remain in a good position to seek out further viable opportunities.

Challenges faced by our African operations still include insurance skills shortages and weak premium collection capabilities. To assist these businesses we have greatly improved operational support from South Africa, especially in the areas of product development, distribution training, actuarial support and IT.

Botswana Life

Botswana Life remains the main contributor to overall VNB and profits from our African operations, excluding South Africa. The business continued to deliver solid group business and bancassurance growth, and individual business has performed in line with expectations.

Extreme stock market volatility has resulted in much lower investment returns in Botswana, with a severe adverse impact on operating profit. The slowing world economy has had a negative impact on Botswana's commodity prices, especially diamonds, and we expect this situation to worsen before it improves, with the full brunt of the global financial crisis probably hitting this country only this year.

Nevertheless, we are currently pursuing a number of opportunities in Botswana, since there is still significant scope for introduction of new sales channels and product innovation. We are also investigating the possibility of expanding into broader financial services including secured personal loans.

Further optimisation of capital remains a priority and we continue to investigate ways of reducing the excess capital in the business.

Other African operations

Following a very strong performance in 2007, Kenya has struggled to recover from the political turmoil early on in 2008, and new individual business is generally lagging expectations. Management has devoted much attention to addressing this matter and we hope to see the benefits of these interventions during 2009. Group business and bancassurance ventures have delivered reasonable performances.

In Ghana, on the other hand, the individual business has performed very well, but group business continued to struggle despite the prospects being good for this business. As a result there will be greater focus on this area in 2009.

In Tanzania, bancassurance and group business did well last year. New individual business levels are, however, lower than we have expected and we are monitoring the situation closely and will decide on the future of the individual business towards the middle of this year.

Zambia managed to improve performance in 2008, but still lags expectations for individual business. Group business and bancassurance performed well. Given the impact of the international slowdown on commodity prices, copper mining has been impacted on, which could slow our business growth in Zambia.

Where we have identified weaknesses in our African operations we assist with on-the-ground support on a regular basis while capitalising on the strengths provided by the local management. We also continue to strengthen our relationships with banks and other credit providers to explore possible joint ventures, and are exploring new potential group business opportunities on an ongoing basis.

International

India remains a country with vast opportunities, with, for example, market penetration of life insurance growing strongly to more than 4% last year. The number of private insurers active in India is still increasing rapidly, resulting in an even more competitive environment.

Shriram Life India

Shriram Life, a joint venture between the Shriram Group and the Sanlam Group, has been performing largely in line with our original business plan. But while strong single premium sales were recorded, the recurring premium business lagged expectations.

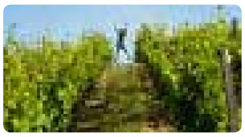
Unfortunately the global stock market turmoil caused the Indian stock market to shed more than 50% of its value towards the end of the third quarter last year. This resulted in an overall decline in demand for unit-linked investment plans having a negative impact on single premium sales towards the end of 2008.

With the aim of better positioning the business for growth, we have focused on improving Shriram Life's systems, processes and support functions. In addition to this, expansion plans for the north and west of India were also developed.

Line-up for 2009

The future of the world economy remains the wild-card for this year. While it is difficult to forecast the extent of the impact on consumer demand for our products in the various regions where we are represented, it will almost certainly impact on the pace of growth of new business levels and profitability in 2009. However, notwithstanding the current difficult times, we are continuing with our growth plan and our ongoing focus on the implementation of our various strategies and plans. But we continue to carefully monitor and manage trends and will take corrective actions in good time if needed.

Business review



Sanlam Developing Markets
continued

As part of our growth strategy we will be focusing on the following deliverables in 2009:

- Expand the distribution channels for Sanlam Sky to ensure a greater footprint across South Africa.
- Implement a co-operation agreement with short-term insurer Santam, in terms of which Sanlam Sky Solutions will distribute Santam's product offering to the entry-level market as from 2009.
- It is 'back to basics' for the Channel Life management team in 2009 as it grapples with achieving the turnaround needed in this business to start achieving top- and bottom-line growth through much-improved quality of business. Should the regulatory approval for the transaction be obtained, the buyout of the PSG interest in 2009 will also allow us to actively explore further synergies and co-operation with the Sanlam Group.
- Investigate new middle and affluent market opportunities in the rest of Africa as well as new distribution channels. Uganda and Malawi are attractive new markets with good joint-venture possibilities given that Santam is already present in these countries.
- We have concluded discussions with a potential partner in Nigeria and have applied for a licence. We plan to commence operations focusing on credit life and other embedded products. Roll-out of this initiative therefore depends on the timing of obtaining a licence.
- Botswana Life will be aiming for greater diversification by moving into the secured personal loans business.
- In India the focus for this year is on growing the current Shriram business. We are also helping Shriram expand its distribution channels to other parts of India, in particular the northern and western areas.
- Overall, client service remains fundamental to our strategy of client-centricity and this will receive continued attention during 2009, both in our South African operations and in the other markets in which we operate.
- Other priorities include the cost management within all businesses as well as achieving top-line growth without sacrificing quality.

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Our leadership

Executive committee

1 › Heinie Werth Chief Executive

2 › Margaret Dawes Finance and rest of Africa operations

3 › Anne Livingstone Actuarial Services and Risk Management

4 › Cornie Foord Group Operations and IT

5 › Rob Ward Sanlam Sky Solutions

6 › Steven Mostert Special Projects

7 › Robert Dommisse Structural Growth

Divisional board and committee memberships

Non-executive directors

Johan van Zyl Chairman, Human Resources

Lizé Lambrechts

Kobus Möller Audit, Actuarial and Risk

Temba Mvusi

Flip Rademeyer Audit, Actuarial and Risk

Chris Swanepoel Audit, Actuarial and Risk, Human Resources (resigned end of August 2008)

Tom Wixley Audit, Actuarial and Risk, Human Resources

Executive directors

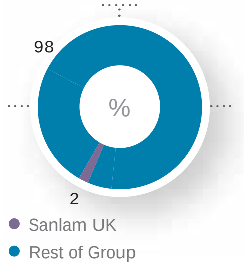
Heinie Werth Chief Executive

Margaret Dawes Finance and rest of Africa operations

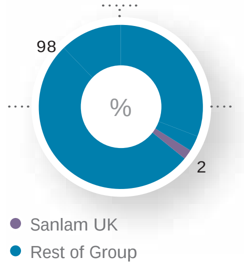
Business review

Sanlam UK

Contribution to net result from financial services



Contribution to new business volumes



Core to the rationale of creating Sanlam UK is a co-ordinated approach to growing our businesses. Sanlam UK therefore acts as a strategic holding company, empowering the individual companies to make their own decisions, but within an agreed strategic framework and with aligned priorities.

Sanlam UK

R million	2008	%↗
Net operating profit	**58**	29
New business flows	**2 350**	82
– Life insurance	**1 426**	10
– Investment	**924**	—
PVNB premiums	**1 484**	12
VNB	**1**	(88)
Margin	**0,07% vs 0,6%**	
Funds under management (R billion)		
– Life insurance	**19**	(21)
– Investment	**10**	n/a
ROGEV	**(23,4%)**	
Adjusted ROGEV	**(3,4%)**	

Group profile and shareholding structure

Investment	Shareholding	Description
Merchant Investors	100%	Bristol-based niche player in the affluent life and specialist pension markets
Principal	86%	Leading independent investment management company specialising in discretionary portfolio management
Buckles	60%	Largest independent financial adviser practice based in Wales
Nucleus	42,5%	Linked investment product platform controlled by independent financial advisers
Intrinsic	29%	Multi-tied financial intermediary business consisting of financial planning and mortgage advisory divisions
Punter Southall Group	27%	UK-based financial services advisory group

Sanlam UK
continued

Who we are

In June 2008, Sanlam announced the reorganisation of its interests in the United Kingdom, to be consolidated within a single holding company, Sanlam UK Limited, in 2009.

The Sanlam UK cluster therefore consists of subsidiary companies Merchant Investors (100% owned), Principal (86% owned) and Buckles (60% owned). The portfolio is further complemented by Sanlam's minority holdings in Intrinsic, Nucleus and the Punter Southall Group. The minority interests were previously part of Sanlam Independent Financial Services, which has been phased out as a business unit of the Sanlam Group.

The aim of consolidating our interests in the UK is to ensure the co-ordinated development of our growing portfolio of financial services businesses operating in distribution, product packaging, administration and asset management services. In addition, this initiative will position Sanlam to further develop quality intermediary relationships in a changing retail financial services landscape in the UK.

Sanlam UK is about creating a framework that will enable each of our businesses to thrive through the linking of business opportunities, sharing of knowledge and experience, and having access to the necessary capital for growth, as opposed to being an additional operating entity with centralised costs.

Our competitive advantage lies in our "newcomer" status – there is no historical conduct that prohibits us from taking a fresh partnering approach to the Independent Financial Adviser (IFA) market in the UK and no material legacy business that could lead to conflicts or vested interests.

We also have the potential to move faster than other players to capture and benefit from current and emerging opportunities, since we are backed by the Sanlam Group and its resources and as the basic building blocks are already in place.

The UK Portfolio – subsidiaries

› Merchant Investors

A niche player in the affluent life and specialist pension markets, this Bristol-based insurance company was acquired in December 2003. Its financial solutions include a suite of competitive personal pension and unit-linked bond products distributed by the intermediary market and directed at affluent individuals resident in the UK. It employs around 130 people with some £1,5 billion (R19 billion) in funds under management. Since it was acquired by Sanlam, its embedded value has grown from £39 million (R459 million) to £59 million (R786 million).

› Principal

Principal is one of the leading independent investment companies in the south of England. Founded in 1987, it now employs around 90 people in its offices in Sevenoaks, London and Bath. It specialises in discretionary portfolio management for private individuals, family trusts and smaller corporate clients, and currently has around £750 million (R10 billion) funds under management. Sanlam acquired an 86% shareholding in Principal in March 2008.

› Buckles

Buckles is the largest Independent Financial Adviser (IFA) practice based in Wales and is ranked in the top 100 in the UK by turnover. It has 25 000 clients, 44 advisers and over £100 million (R1,4 billion) in funds managed through its Snowdonia fund range. Sanlam acquired a 60% shareholding in Buckles in April 2008.

The UK Portfolio – associated companies

› Nucleus

Nucleus is an Edinburgh-based start-up company in the UK, which opened its doors to business at the beginning of 2007. It is one of the few non-product provider-controlled platforms in the UK and is controlled by IFAs. The appeal of Nucleus to independent intermediaries is its transparency in pricing and that it allows them to claim ownership of the platform and to secure better terms with asset managers for their clients by leveraging scale. Current assets on the platform amount to around £440 million (R6 billion) from 60 participating IFA practices.

› Intrinsic

Three years old, Intrinsic is a UK start-up venture focused on building a multi-tied financial intermediary business consisting of financial planning and mortgage advisory divisions. Since its launch, Intrinsic has grown its adviser force significantly and is currently the fifth largest network by adviser numbers. Intrinsic is currently supported by some 1 500 advisers.

› Punter Southall Group (PSG)

PSG is a UK-based financial services advisory group, which operates through a wide range of underlying businesses offering a range of asset and liability services and solutions to both institutional and high net worth clients. Services include actuarial consulting, investment consulting, wealth management, independent financial advice and investment management.

2008 in perspective

Last year the main focus was on establishing our new UK business by bedding down a structure and framework supportive of the long-term goals of Sanlam UK.

The Sanlam UK board appointed an executive to align Sanlam UK with the Group in terms of strategy, mindset and approach.

Core to the rationale of creating Sanlam UK is a co-ordinated approach to growing our businesses. Sanlam UK therefore acts as a strategic holding company, empowering the individual companies to make their own decisions, but within an agreed strategic framework and with aligned priorities.

During 2008, much energy was therefore spent on aligning the different companies that form Sanlam UK in terms of mindset and approach while at the same time encouraging them to function as individual business

Sanlam UK
continued

entities. It is important, therefore, that the six different companies buy into the Group strategy as well as leverage off synergies.

This is being facilitated by:

- Creating an entrepreneurial environment encouraging independent decision-making;
- Building the necessary framework for businesses to thrive;
- Encouraging a business ownership mindset among employees;
- Sharing knowledge and experiences across all businesses;
- Ensuring common values like innovation, passion, transparency and integrity, and treating customers fairly; and
- Creating innovative reward structures.

We recognise that the glue for Sanlam UK is the optimisation of the linkages across businesses without creating unnecessary bureaucracy. In terms of the linkage approach, we are seeking to construct a portfolio of independent and empowered sustainable businesses that can interact in synergy and support a common strategy and business plan.

Key to this approach is one board and management team defining the appetite for risk and as a consequence providing guidance on all regulatory obligations and risks for Sanlam UK. Equally, accountability for allocation of capital and achievement of targets has been consolidated in one management team.

The combined 2008 financial performance for the Sanlam UK cluster was disappointing when compared to expectations set earlier in the year, but credible in the context of an increasingly difficult market and economic environment, which has hit the UK consumer very hard. New business growth fell behind increasingly stretching targets as retail clients became fearful and investment averse. This resulted in weaker new business volumes and commission income across the cluster, although Merchant Investors finished with new business volumes up 10% on 2007 in rand terms. Principal recovered well towards the end of the year compared to previous quarters, and Nucleus continued to recruit advisers and add funds to its platform, finishing the year with over £400 million (R5 billion) of assets. Adviser productivity decreased in Intrinsic and Buckles in line with market conditions and sentiment, but management action was taken to restore future profitability.

Thus, notwithstanding being largely correlated to financial markets and sentiment, Sanlam UK reported profits of £4,5 million (R68 million) before tax for 2008 and its largely early growth phase businesses proved somewhat resilient, executing on their business plans to add products, functionality and distribution, which will position them well when markets start to recover.

Line-up for 2009

There are enormous longer-term opportunities in the UK for innovative players with a capacity to apply differentiated distribution management strategies as a result of a rapidly changing IFA landscape, driven by regulatory and economic pressures.

As a result, the UK is witnessing a shift in IFA business models and sentiment. We believe that Sanlam UK can be successful in growing its share in this market by:

- Adopting a fresh partnering approach and offering differentiated distribution models;
- Enabling the increase in the value of intermediary firms by increasing their participation in components of the value chain; and
- Widening the breadth of its financial solutions offering.

This year we will therefore focus on:

- Growing and strengthening relationships between the different companies, while at the same time maintaining a competitive value proposition for clients;
- Encouraging linkages between the various companies that make up Sanlam UK and ensuring buy-in into one common vision and strategy;
- Deepening and increasing relationships with IFAs; and
- Ensuring operational efficiency.

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Our leadership

Divisional board and committee membership

Non-executive directors

Johan van Zyl Chairman, Human Resources

Johan van der Merwe Human Resources, Audit and Risk

Kobus Möller Audit and Risk

Lizé Lambrechts Audit and Risk

Angus Samuels Human Resources

Paul Bradshaw Audit and Risk

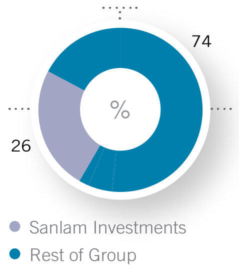
Executive directors

1 › Lukas van der Walt Chief Executive

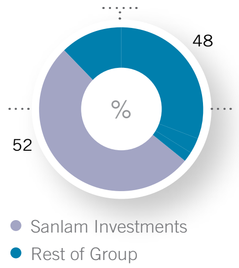
2 › Stuart Geard Financial Director

Business review

Contribution to net result from financial services



Contribution to new business volumes



Sanlam Investments

The larger businesses within our cluster with wider product sets and more diversified asset bases were better positioned to deal with the volatile 2008 economic and market environment, while some of the smaller businesses found it more challenging to meet operating targets.

Sanlam Investments

R million	2008	%↗
Net operating profit	**589**	(32)
New business flows*	**44 961**	(9)
– SA: Segregated	**11 810**	18
– SA: Other	**30 373**	(13)
– Non-SA	**2 778**	(37)
Net flows*	**3 644**	
Funds under management (R billion)	**409**	(10)
ROGEV	**(8,2%)**	
Adjusted ROGEV	**5,9%**	

**Excludes white label.*

Profile of Sanlam Investments

Sanlam Investment Management (SIM)	One of the largest investment managers in South Africa as measured by assets under management, SIM manages financial assets for individual, institutional, retail and corporate clients and offers investment strategies in vehicles ranging from collective investments to institutional portfolios.
	SIM is grouped into six boutiques that share a common research platform. The boutiques are Equities, Fixed Interest, Absolute Return, Liability Driven, Active Quants and Balanced Mandates. Our structure ensures focus, a small-team culture and speedy decision-making so our clients get access to our best thinking at all times.
Sanlam Collective Investments (SCI)	The third largest manager of collective investment portfolios in South Africa, SCI offers a wide range of retail, multi-managed, institutional and third-party collective investment funds.
Sanlam Employee Benefits (SEB)	Sanlam Employee Benefits specialises in the provision of risk, investment and fund administration services to institutions and retirement funds.
Sanlam Multi Manager International (SMMI)	An investment management advisory business, SMMI is dedicated to active multi-management.
Sanlam Private Investments (SPI)	SPI is a private client portfolio management and stockbroking business, serving high net worth individuals, charitable trusts and smaller institutions.
Sanlam Capital Markets (SCM)	SCM is a provider of risk management and structured product solutions.
SIM Emerging Markets (SIM-EM)	A fund and investment management business, SIM-EM focuses on emerging markets, particularly in Africa and Asia. SIM-EM has offices in Namibia, Botswana, Nigeria, Kenya, Zambia and India.
Sanlam International Investment Partners (SIIP)	SIIP actively seeks to form partnerships with investment teams in developed markets such as the US, UK, Europe and Australasia and to work with them to build businesses which can capably service their unique markets.
Sanlam Properties (SP)	Sanlam Properties specialises in strategic property services, including portfolio management, development, sales and listings.
Sanlam Asset Management Ireland (SAMI)	SAMI is an international investment management business based in Dublin, and manages funds domiciled in Ireland for the Sanlam Group.
Sanlam Private Equity (SPE)	One of the largest private equity fund managers in South Africa, SPE offers both a direct and fund-of-funds investment programme. SPE also drives the Group's BEE investment programme.
SIM Global	SIM Global actively manages long-only international funds from South Africa for local and international clients.
Octane	A specialist alternative investment provider, focusing on hedge fund-of-funds, Octane is based in Switzerland with a research office in New York and offices in South Africa. Octane also incorporates Blue Ink, which specialises in alternative investment strategies.
Sanlam Structured Solutions (SSS)	SSS offers derivative-based skills to the Investments cluster to enhance returns on portfolios and to improve the product offering to clients, such as derivative, tax and legal-based structured products.
Simeka	Wholly owned by Sanlam Investments, Simeka is an employee benefits consulting company operating independently within the larger Investments cluster.

Business review

Sanlam Investments

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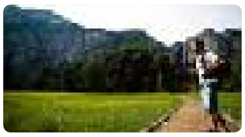


Who we are

Sanlam Investments is one of the core clusters within the Sanlam Group and consists of 15 businesses working collaboratively to offer individual and institutional clients access to a comprehensive range of specialised investment and risk management expertise spanning local and international asset management, private equity, hedge funds, employee benefits, property investments and more.

Each business within the Sanlam Investments cluster functions as an entrepreneurial entity with a shared focus on delivering leading performance and exceptional client service. We achieve this by instilling passionate ownership as an intrinsic value among our employees.

We are based in South Africa, with a strong presence in sub-Saharan Africa and footprints in the United Kingdom, Europe, the United States, Australia and India. Our diverse client base includes retirement funds, corporations, financial institutions, individual investors, trade unions, non-governmental organisations, governments and their agencies.

Sanlam Investments' competitive advantage lies in its ability to cultivate a unique entrepreneurial culture within the stability and structures of a big group. For this reason, we are able to attract talented and innovative individuals to establish investment-related businesses within the cluster. Our core value of passionate ownership encourages people to run their business as if it is their own, while we offer support in the form of essential shared services such as finance, HR, IT, marketing, compliance and legal services. Moreover, being within the cluster gives the business access to capital for innovative ideas as well as a ready support network and the advantages of cross-selling.

2008 in perspective

The period under review was a turbulent one for Sanlam Investments, with the crisis in global financial markets causing major swings in the performance of our portfolios.

In general the larger businesses within our cluster with wider product sets and more diversified asset bases were better positioned to deal with the volatile 2008 economic and market environment, while some of the smaller businesses found it more challenging to meet operating targets.

The tough operating environment placed pressure on Sanlam Investment Management's (SIM's) operating profit, particularly performance fees.

The financial performance of Sanlam Employee Benefits (SEB) has grown from strength to strength since its incorporation into the cluster in 2007 and subsequent restructuring. Overall SEB and its underlying divisions have performed well, setting a strong foundation for continued growth and increasing operating profits in the future.

Sanlam Private Investments (SPI) on the other hand was materially affected by the negative markets since this business has a very high exposure to the equity markets. Although operating profits came under pressure, they were still higher than in 2007, and the majority of portfolios also performed well for clients.

The 2008 financial year, the latter part of which was characterised by markets not seen since the Great Depression, was the most challenging year for Sanlam Capital Markets (SCM) since its inception. Despite this, SCM reported a loss of only R35 million (equal to a negative return on equity of 8,8%), a result which is highly commendable in the prevailing environment. The year 2009 is expected to be as challenging as 2008, if not more so, and against this background SCM will prudently take opportunities as they present themselves, while focusing on the preservation of capital.

Despite the turbulence in the local property market, Sanlam Properties (SP) reported solid results. Both the operating profit before tax and the attributable earnings for SP exceeded the comparable figures for 2007 by 126,7% and 35,0% respectively. This is mainly attributable to revenue SP earned from several property development projects, growth of the fair value of investment properties and performance fees earned on redevelopment and refurbishment. The performance for SP and the property portfolio under management was well balanced, meeting all strategic objectives for 2008 and in most cases exceeding targets.

SIM Emerging Markets had a satisfying year operationally with its established businesses producing solid results under fairly difficult conditions. The general economic and financial malaise that affected corporates and governments alike in the past year adversely impacted on the timelines for implementation of some of the Pan-African initiatives. The highlight for SIM Emerging Markets was by far the successful closure of the much-awaited joint-venture agreement with India's fourth largest stockbroking house SMC, which now paves the way for Sanlam Investments to roll out its plans for a mutual fund and wealth management business in the large Indian market.

Internationally, the investment performance of both SIM Global and Octane suffered as a result of their more direct exposure to events in the international financial markets. For this reason, performance fees from these two businesses were lower than expected.

Investment climate

The year under review will be remembered as the year in which the credit crisis really exploded and bludgeoned all markets globally. What started off as a tug-of-war between credit-related losses and the US Federal Reserve policy response, turned into a full-blown international battle between a potentially severe negative economic spiral and extraordinary rescue efforts from global central banks and governments. It was a year in which inflation concerns made way for severe growth concerns and eventually turned into deflation concerns. It was a year that saw the unthinkable collapse of blue chip financial organisations, leading to a co-ordinated global policy response on a scale rarely, if ever, seen before.

Last year will also be remembered as a year characterised by massive market movements. For most equity markets, 2008 was one of the worst years in history, as reflected by the 42% decline in the MSCI World Index. Volatility was rampant and the VIX volatility index jumped from a level between 20 and 30 (previously deemed high) to well over 70. On the fixed-interest side US long-bond yields dropped from their already low range of 4% to 5% to merely 2% – well below the

Sanlam Investments
continued

long-term level of US inflation, while the EMBI (emerging market bond) spread jumped from 2,5% to 7,5%. In the US, monetary policy was pushed to its limit as interest rates were cut from 4,25% to an unprecedented low of 0,25%. Commodities also tumbled – oil for example first rocketed to $144/bbl before falling to below $40/bbl.

In this turmoil there was nowhere to hide and local markets were no exception. The JSE All Share Index declined by 26% for the year, flattered to a large extent by a rapidly weakening rand which tumbled from R6,83/$ at the start of the year to R9,24/$ at year-end (after reaching almost R12/$). In US$ terms the All Share Index fell by 47%. Local long-bond yields rose from 8,35% to almost 11%, before falling back to 7,30% by year-end.

Investment performance

The third quarter of 2008 produced some of the most volatile financial markets ever recorded. But while SIM's underweight resources position paid off in the third quarter last year, this position tempered performance in 2007 and for the earlier part of last year. Nevertheless, a few of our unit trust funds delivered award-winning performances, which earned us a number of Raging Bull Awards at the beginning of last year.

This year two of our funds received recognition at the Raging Bull Awards. The SIM Growth Fund received the Top Performance Certificate for the Best Performing Domestic Equity Growth Fund over three years and The Coris Capital International Bond Fund received the Top Performance Certificate for the Best Performing Foreign Fixed Interest Bond Fund over three years.

Sanlam Investments had another successful year of attracting new business from both institutional as well as retail investors. Net fund inflows of R3,6 billion were recorded compared to R4 billion in 2007.

When SIM created their boutique model, there was a strong argument that the heads of the six boutiques in collaboration with SIM's managing director could collectively fulfil the functions of a Chief Investment Officer (CIO). As a result this position was left vacant for some 18 months. We came to realise, however, that a sizeable operation like SIM would still benefit from strong investment leadership and this led to the appointment of Gerhard Cruywagen as CIO in August 2008. In the first few months in his new role, Gerhard has made enhancements to our investment process which we believe will ultimately improve SIM's long-term investment performance.

In an effort to improve SIM's retail market share, we further optimised and refocused our existing unit trust fund offering, a process that started in 2007. All collective investment schemes were rebranded from Sanlam to SIM in order to showcase SIM's asset management skills in the retail arena. In addition, we dedicated a significant amount of attention to completely redesigning our collective investment scheme fee structures to make our offering more competitive. Consequently our initial fees were substantially reduced in line with industry trends.

SPI once again produced solid performances for its high net worth client base across its discretionary portfolios. Despite 2008 having been a difficult year in which to attract and maintain investments, as a tough economic environment put pressure on individual discretionary savings, SPI received strong inflows.

SPI's attractive and evolving range of investment solutions and products, coupled with consistent performance, will continue to support growth in its client base and the assets under management in the longer term.

Sanlam Multi Manager International (SMMI) once again produced consistent performance with good results in the Alexander Forbes Large Manager Watch for the majority of its portfolios throughout the year.

Direct exposure to the severe volatility across international investment markets resulted in marked underperformance of the SIM Global funds. However, given the stellar and consistent performance track record of the SIM Global funds over the past five years, we believe that the talented SIM Global team has the ability to substantially improve its performance during 2009.

As international markets took a tumble, the performance of our international hedge fund-of-funds business, Octane, also came under pressure. However, compared to its competitors, Octane performed well, outperforming the Hedge Fund Research Index (HFRI). The HFRI is a benchmark reflecting the hedge fund industry's performance and is based on the performance results of over 2 000 hedge funds.

International developments

We remain acutely aware of the importance of diversification, and in 2008 we continued to seek new opportunities that will manifest Sanlam as a business with global reach and geographic diversity.

One of our strategic objectives was to expand our business into selected international markets, with special focus on India, Africa and the Asia-Pacific region. Although we also consider investments in selected areas in developed markets, we believe our competitive advantage lies in doing business in the developing world.

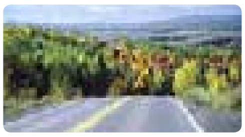
Within Sanlam Investments, a new business was formed last year – Sanlam International Investment Partners (SIIP). Through SIIP, Sanlam Investments will actively seek to form partnerships with investment teams in developed markets, such as the US, UK, Europe and Australasia, and work with them to build businesses which can capably service their unique markets.

The current economic environment places Sanlam Investments in a strong position to look abroad for opportunities. The international strategy encompassed by SIIP in the first-world markets and SIM Emerging Markets in developing markets will ensure that Sanlam Investments can protect and grow its future asset base.

› India

India is an attractive market for Sanlam Investments, not only because it offers huge growth potential, but also because it is an English-speaking democracy with an understandable and functional legal system.

The cluster made its first foray into the Indian investment markets in the third quarter last year with the announcement of a joint venture with SMC, India's fourth largest securities broking house. This joint venture will see the creation of two new businesses, a wealth management company and an asset management company.



Sanlam Investments
continued

SMC has been rated as the fastest-growing retail brokerage house in India with its corporate office in New Delhi, regional offices in Mumbai and Kolkata, and a national network of more than 1 350 offices across India.

SIM Emerging Markets has been tasked with setting up the new Indian businesses. At the end of last year the wealth management and the asset management companies were being operationalised and we expect the wealth management business to start generating revenues during 2009.

While this was our first step in establishing ourselves in the growing Indian market, it provides a springboard for further exploring synergies with Sanlam's other business interests in India and further expansion into the subcontinent.

› Africa

Through SIM Emerging Markets, Sanlam Investments boasts solid representation across Africa, supported by strong investment teams in each of the hubs. We are currently represented in Namibia, Botswana, Zambia, Kenya and Nigeria. The strength of these operations has made it possible for us to explore further opportunities in Africa from these existing offices.

We have identified our operation in Botswana, Botswana Insurance Fund Management, as the one to take the lead in Southern Africa. East African expansion will be headed by SIM Emerging Markets in Kenya. SIM Emerging Markets in Nigeria will enter other West African markets once it has reached a sufficient size.

During 2009, we will explore further pan-African initiatives in the form of property, private equity and equity funds.

Our business in Zambia deserves a special mention – the strong results from our Zambian operation contributed significantly to the operating profits reported by SIM Emerging Markets for 2008.

› Australia

Sanlam Investments acquired a majority stake (67%) in an Australian investment management business, Atom Funds Management, during the third quarter of last year through its wholly-owned subsidiary SIIP Australia.

We consider the Asia-Pacific region a long-term strategic focus area. The Australian asset management industry is the fourth largest in the world with over $1 trillion under management. This is driven by the country's very successful compulsory savings initiative.

Atom is a specialist asset management boutique with an experienced investment team. Atom has offices in Sydney, Australia, as well as Bangalore, India. Atom's research hub in Bangalore enables us to offer a valuable research facility to our other ventures in India and elsewhere in the world.

These acquisitions are the first step in our Asia-Pacific investment strategy as they offer a springboard for further expansion in line with our international expansion strategy aimed at developing competitive investment management capabilities that will boost our growth internationally and in South Africa.

Transforming our culture

The transformation of the Sanlam Investments cluster remained a key focus for 2008, with a commitment at senior level to achieve and exceed the 2008 Financial Sector Charter (FSC) targets. We are pleased to report that there has been sustained movement and further closing of the gap each year toward achieving the FSC targets and that in many but unfortunately not all respects they have been achieved. The sustained movement towards stretch targets remains a focus into the future.

We also launched a number of initiatives aimed at attracting and retaining talented black employees by creating an inclusive culture for all. These include:

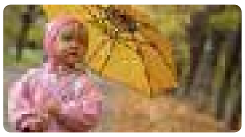
- Leading Edge, an executive development programme. The Sanlam Investments CEO invited 11 senior employees, selected for their potential and high performance delivery, into this exclusive programme. Eight of the delegates were black South Africans. The aim of the programme is to develop the next generation of senior business leaders.
- Recognising that leaders need to first transform before they can guide their staff through this journey, eight white and eight black managers from the SIM team have attended transformation sessions. This team of managers is driving the SIM transformation initiative.
- A broad base of SIM staff members have also attended transformation sessions.
- We also renewed our commitment last year to growing our own investment professionals by offering upcoming investment professionals a place on the 2009 Investment Management Professionals Induction Programme (IMPI) run by the Association for Savings and Investment SA (ASISA). The programme aims to enable investment management professionals to engage competently at any point in the investment process.
- In 2008, we enhanced our recruitment process to help identify and recruit top talent at every level and to ensure that we continue to meet our transformation targets.

Line-up for 2009

All indications are that 2009 will be another difficult year, with the full effect of the financial crisis remaining unclear. At Sanlam Investments we are bracing ourselves for an extended economic downturn accompanied by ongoing market volatility.

We therefore believe it prudent to use 2009 to bed down the new ventures entered into last year and to focus on improving long-term investment performance. Initiatives for 2009 include:

- Complete the setting-up of the Indian operations and appoint a competent and experienced investment team.
- Further diversify our product range and broaden our sources of revenue across all our businesses.
- Take existing products into new markets via other Sanlam business units.
- Launch our range of pan-African funds early in 2009.



Sanlam Investments
continued

Sanlam Employee Benefits

R million	2008	%
Net operating profit	**183**	49
New business flows	**515**	(41)
– SA recurring	**179**	13
– SA single	**336**	(53)
ROGEV	**(2,7%)**	
Adjusted ROGEV	**10,8%**	

Group profile and shareholding structure

	%	
Sanlam Employee Benefits (SEB)	100	Retirement fund business
Sanlam Umbrella Fund Administrators (SUFA)	100	Umbrella fund administration (SME focus)
Sanlam Customised Insurance Limited (SCIL)	100	Cell captive insurer
Infinit Group Solutions	50,1	Distribution of diversified Group risk products
Coris Capital	50	Retirement fund administration on outsourced basis

Who we are

Sanlam Employee Benefits (SEB) forms part of the Sanlam Investments cluster and specialises in the provision of risk and investment solutions as well as administration services to institutions and retirement funds.

As a result of significant restructuring in 2007, SEB now consists of four entrepreneurial divisions: Sanlam Group Risk, Sanlam Structured Solutions, Sanlam Umbrella Solutions and Coris Capital, our retirement fund administration platform.

Our underlying philosophy is to be driven by the needs of our clients. We therefore dedicate our time and resources to creating employee benefit solutions that respond to our clients' needs on all levels. As such we are also a leading provider of retirement fund membership information via state-of-the-art systems.

Our vision is to be the leader in client-centric wealth creation and protection by ensuring that retirement fund members realise their life-long goal: having sufficient resources enabling them to enjoy their retirement.

We offer our clients institutional investment products (market-linked investments and smoothed bonus portfolios), group life benefits, group disability benefits, cell insurance schemes, retirement fund administration, annuity solutions and an umbrella fund offering.

The SEB brand is associated with well-established and highly rated retirement fund research. Our research findings are presented annually at the SEB Symposium and are sought after by pension fund trustees, principal officers, consultants as well as competitors.

This market research enables us to identify key trends in the retirement fund industry, making it possible for us to link our solutions closely to client needs.

2008 in perspective

Following the major restructuring process in 2007, our main aim for 2008 was to improve the autonomy of the different business units and to ensure their complete alignment to the business.

We have achieved this goal and the four business units that make up SEB – Sanlam Group Risk, Sanlam Structured Solutions, Sanlam Umbrella Solutions and Coris Capital – are now at a more mature business stage and geared to embrace the growth phase.

Our focus for 2009 is therefore achieving the growth, for which we have laid the foundations over the past two years, while at the same time remaining competitive.

Overall the financial performance of the business has been very satisfactory and we have built a strong base from which to excel in 2009. We have achieved this in a very competitive market and are becoming increasingly successful financially.

We are also extremely proud that we are increasingly becoming an employer of choice, as evidenced by the number of senior and well-respected industry professionals who have joined us in recent times.

Sanlam Group Risk

Our Group Risk division once again delivered exceptional results in 2008, reporting significant growth in new business and outstanding profits both from our existing traditional death and disability benefits offering as well as Infinit Group Risk Solutions.

With the aim of acquiring functionality and resources that would enable us to expand our market share even further through product innovation we entered into a joint venture in 2007 with two key industry professionals to form Infinit Group Risk Solutions.

Infinit was firmly entrenched by the middle of last year and had managed to deliver new business far in excess of the business plan for 2008. Targeting the middle and top end of the retirement fund market with the aim of becoming the ‘private bank’ of group risk consulting, Infinit was extremely well received by this market.

Infinit is 51% owned by Sanlam, and Sanlam Group Risk underwrites and administers the business secured by Infinit.

On the whole, Sanlam Group Risk has managed to improve its book by writing more profitable business. Loss-making business was successfully weeded out during 2008.

We are also in a better position now to deliver greatly improved service to Group Risk clients. For 2009, we will remain focused on improving service delivery and product innovation even further.

Sanlam Investments

Sanlam Employee Benefits continued

Sanlam Structured Solutions

This business unit is responsible for our annuity business and smoothed bonus portfolios.

› Annuity products

The highlight for 2008 was the launch in the fourth quarter of the Complete Picture Pension product. With this product we have introduced a solution capable of delivering sustainable competitive returns. The most remarkable feature of the Complete Picture Pension product is its simplicity and user-friendly design. It was designed to better meet the needs of pensioners by aiming to offer higher increases than standard with profit annuities.

The Complete Picture Pension product is our springboard for 2009. Although Structured Solutions has performed well in the past, new business was slowing because the product range was lagging in competitiveness. Although this new product has been in the market for a relatively short period of time we have already noted a keen interest from the market.

› Smoothed bonus portfolios

Smoothed bonus funds are typically only favoured once market volatility results in casualties. These funds have therefore been out of favour with clients in recent years, but we expect demand to pick up as from 2009.

In this regard, our smoothed bonus portfolios will receive the necessary innovative enhancements in 2009 to deal with the potential pick-up in demand for this particular business line.

Sanlam Umbrella Solutions

In last year's report we acknowledged that we were late to market with a competitive umbrella fund offering. But we also pointed out that this provided us with the opportunity of learning from the mistakes of our competitors as well as our own.

In 2008, we put these lessons learnt to good use and brainstormed 21 questions that every trustee should ask before choosing an umbrella fund. With these 21 questions in mind, we designed the Sanlam Umbrella Fund and now have a top-class product in place. A special feather in our cap was the fact that the Financial Services

Board (FSB) endorsed the 21 questions we had proposed.

We are beginning to see new business success with a steady increase in the number of participating employers we are signing up each month. The challenge now is to ensure that our first-class product is backed by first-class service delivery. We expect this business to start returning profits by 2010.

We believe that umbrella fund solutions are the future since stringent pension fund legislation, combined with an ever-increasing demand for simple and transparent retirement funding solutions that offer value for money, is making it more and more onerous for employers to maintain traditional stand-alone pension funds.

Coris Capital

Coris Capital is a specialist retirement fund administrator, of which we own 50%. The aim is to outsource all our retirement fund administration to Coris Capital to achieve greatly improved service levels and more realistic pricing models.

The process of migrating funds onto the Coris Capital platform started early in 2007 and is now 66% complete. Fortunately the fund migration can now be treated as a project, with the running of the business being the main focus for 2009.

Coris Capital continues running at a loss, although at a much lower rate. We expect the business to start rendering profits, on a month-to-month basis, towards the end of 2009.

Line-up for 2009

The new-look SEB has been in existence for just over two years and the proverbial honeymoon is now over. It is time to start growing a sustainable market share, which can be supported by consistent first-class service delivery to clients.

Our long-term goal is to further transform SEB into a business run on innovation to achieve exciting long-term prospects.

The following deliverables are on our priority list for 2009:

Sanlam Group Risk

- The enhancement of administrative efficiencies is a key initiative for 2009.
- Gaining market share in the differentiated product space through Infinit remains a priority.

Sanlam Structured Solutions

- Achieving efficient capital management remains a strong focus.
- The introduction of innovative smoothed bonus solutions is a priority for 2009.
- With a competitive annuity product in place, we now need to grow market share.

Sanlam Umbrella Solutions

- Marketing the competitive umbrella fund solution with vigour and growing market share is priority number one.
- We also need to ensure that our product sustains its competitive advantage.
- A strong focus will be on ensuring that fund administration and service delivery keep up with the growth rate.

Coris Capital

- We are aiming to complete the migration of funds to the Coris Capital platform during 2009.
- Achieving profitability on a month-to-month basis before the end of 2009 is a key deliverable.

Sanlam Investments
continued

Sanlam Capital Markets

R million	2008	%↗
Net operating profit	**(35)**	(137)
Total revenue	**107**	(62)
Cost to income ratio	**157% vs 74%**	
Capital	**400**	
ROGEV	**(8,8%)**	

Who we are

Sanlam Capital Markets (SCM) forms part of the Sanlam Investments cluster and is a financial engineering business that specialises in risk management solutions for institutional clients through the use of debt and equity instruments, and the exploitation of specific synergies within other businesses in the Sanlam Group.

Sanlam Capital Markets consists of the following business units:

- Debt Structuring – debt origination, structuring and portfolio management.
- Equities – structured equity transactions, equity trading, underwriting and stockbroking.
- Market Activity – trading and structuring of equity and interest rate derivative products and funding of SCM.

At SCM, people are the driving force of the business, applying their skill and experience to design optimal solutions for SCM's clients while appropriately managing the financial risks resulting from these transactions.

2008 in perspective

The year under review has been the most challenging year for SCM since its formation. The turbulence in global credit and equity markets, signalled by the collapse of the two Bear Stearns hedge funds in May 2007, continued for all of 2008, and have shown little sign of abating in the early part of 2009. Not only did the global market turmoil spill over into South African financial markets, but the high interest rate environment added to challenging conditions locally. This saw credit spreads widening, liquidity dropping and high volatility across the different markets.

The market conditions described above have impacted on SCM in several ways. As SCM fair values all of its assets and liabilities, the Debt Structuring unit suffered a number of market-to-market losses owing to the widening credit spreads described above.

The Equities unit suffered at the hands of the unpredictable and volatile equity markets, and the trading areas lost money on certain positions. Our stockbroking business, Sanlam Securities, however, had a very good year, which meant the Equities unit overall found itself in only a marginally negative position for 2008.

The Market Activity unit actually benefited from the extreme volatility, particularly in the latter part of the year, and produced a very strong profit for 2008. This, to some extent, offset the negative results of the other two units. SCM therefore showed an attributable loss for 2008 of R35 million, equivalent to a negative return on equity of 8,8%.

Update on 2008 strategic goals

In 2008, SCM set three strategic goals, namely to establish credit as an asset class within the Sanlam Group, to build capacity to service hedge funds and to leverage human capital.

The foundations for the credit as an asset class business have been built over the past few years through the centralised approach to credit and this was advanced further in 2008. We have again set this initiative as a strategic objective for 2009 and will continue the process.

Given the global financial crisis and the changing landscape for hedge funds, a cautious approach was adopted to the second initiative of servicing hedge funds.

Regarding our human capital, we had a brief period of higher-than-normal staff turnover within the second quarter of 2008. However, this stabilised subsequently and the morale and motivation of staff remain high despite the challenging market conditions.

In terms of employment equity, we continued to make good progress and by the end of 2008 black staff made up 48% of the total staff complement, up from 37% at the end of 2007.

Line-up for 2009

Overall, we expect challenging economic and financial market conditions to persist for the foreseeable future. We are therefore positioning ourselves to weather the storm as best as possible, while prudently taking advantage of opportunities that may arise.

Sanlam Investments
continued

Sanlam Investments

Heads of businesses (*member of the Executive committee)

1 › Johan van der Merwe* Chief Executive Officer: Sanlam Investments
2 › Armien Tyer* Sanlam Investment Management
3 › Sanjeev Gupta* SIM Emerging Markets
4 › Hendrik Pfaff* Sanlam International Investment Partners
5 › Anet Ahern* Sanlam Multi Manager International
6 › Tienie van der Mescht* Sanlam Collective Investments
7 › Pieter Kriel* Sanlam Private Equity
8 › Daniël Kriel* Sanlam Private Investments
9 › Banus van der Walt* Sanlam Properties
10 › Robbie Alexander* Octane Holdings
11 › Mark Murning* Sanlam Capital Markets
12 › David Gluckman* Sanlam Umbrella Services
13 › Dawie de Villiers* Sanlam Structured Solutions
14 › Paul Myeza* Sanlam Employee Benefits and Sanlam Group Risk
15 › Johan Potgieter* Coris Capital
16 › Robert Roux* Chief Operating Officer: Sanlam Investments
17 › Kokkie Kooyman SIM Global
18 › Esmarie Strydom Blue Ink
19 › Cora Fernandez Sanlam Private Equity (Johannesburg)
20 › Richard Aslett Chief Operating Officer: Sanlam Asset Management Ireland

Other Executive committee members

Gerard Barnardt Information Technology
Francois Kellerman Finance
Raymond Schkolne Human Resources
Claire Rabe Marketing and Communication
Mbuso Mtshali Company Secretary, Legal and Compliance
Shane Tremeer Distribution Support
Kay Lala-Sides Strategic Projects
Johan Redelinghuys Product Development

Sanlam Investment Management

Board of directors and committee memberships

Non-executive directors

Johan van Zyl Chairman, Human Resources and Nominations

Flip Rademeyer Audit and Risk

Chris Swanepoel Audit and Risk, Central Credit

Kobus Möller Audit and Risk

Temba Mvusi

Independent non-executive directors

Attie du Plessis Chairman, Audit and Risk

David Ladds Audit and Risk, Human Resources and Nominations, Central Credit

Anton Botha Human Resources and Nominations

Executive directors

Johan van der Merwe

Armien Tyer

Sanlam Employee Benefits

Divisional board and committee memberships

Johan van Zyl Chairman, Human Resources

Flip Rademeyer Audit

Kobus Möller Audit

Johan van der Merwe

Temba Mvusi

Nick Christodoulou Audit, Human Resources

Chris Swanepoel Audit, Human Resources

Sanlam Capital Markets

Divisional board and committee memberships

Johan van Zyl Chairman, Human Resources

Flip Rademeyer Audit, Human Resources

Kobus Möller Audit

Anton Botha Human Resources

Chris Swanepoel Risk

Peter Cook Audit, Risk

David Ladds Audit, Human Resources, Risk

Mark Murning Chief Executive

Tony Gouveia Chief Financial Officer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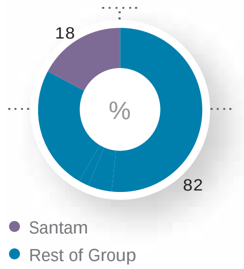
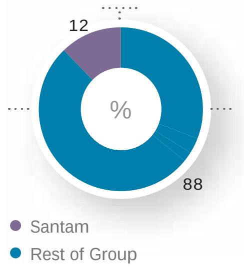
Business review

Santam

Contribution to net result from financial services



Contribution to new business volumes



Santam has always prided itself as a company with high service levels, custom-made solutions, innovation and relevance and that is why the brand continuously strives to re-invent itself to meet the demands of its clients.

Santam

R million	**2008**	%↗
Net operating profit	**494**	33
Gross written premium	**14 179**	8
New earned premiums	**11 716**	9
– Net claims ratio	**68,3%**	
– Net acquisition ratio	**25,2%**	
– Underwriting ratio	**6,4%**	
Regulatory solvency	**44%**	
ROGEV	**(20,1%)**	
Adjusted ROGEV	**10,5%**	

Business profile

Insurance classes	% contribution to gross written premium
Motor	39
Property	27
Alternative risk	12
Liability	8
Engineering	4
Transportation	3
Accident and health	3
Crop	4
Miscellaneous	<1
Guarantee	<1

Business review

Santam

continued

Who we are and what we do

Santam is the largest short-term insurer in South Africa with a market share exceeding 20% and a client list that includes the majority of the top 100 companies listed on the JSE Limited.

The company disinvested from its European insurance interests during 2008.

In the year under review, Santam's operational excellence was recognised by a cross-section of its stakeholders. Accolades included:

- Best Personal and Commercial Insurer as voted by the Financial Intermediaries' Association (FIA);
- Best Short-term Insurer in the Ask Africa Orange Index;
- The only short-term insurer on the *Financial Mail's* list of top 100 companies;
- One of the top three companies in the PricewaterhouseCoopers Peer Review;
- The second best company to work for in the Large Company category of the annual Deloitte *Best Company to Work For* survey; and
- The only short-term insurer among the constituents of the JSE's Socially Responsible Investment Index.

Salient features

- Core business performing well
- Net underwriting margin of 6,4%
- Exceptional float returns
- Strong cash flows generated
- Solvency ratio of 44%

Business environment

Santam has always prided itself as a company with high service levels, custom-made solutions, innovation and relevance and that is why the brand continuously strives to re-invent itself to meet the demands of its clients. Santam believes that its brand philosophy of *prevention is better than cure* does just that – by encouraging and empowering people to take control of their everyday risks, Santam is changing the face of short-term insurance.

It is exactly this pioneering spirit that has kept Santam young and at the top of its game for 90 years.

In response to the challenges facing the short-term insurance industry, Santam has developed a strategy to guide the company to 2010 and beyond, the details of which have been communicated over the past three years. During 2008, good progress was made with the implementation of various strategic initiatives in support of the 2010 strategy.

To ensure sustainability, a brand can only be built from the inside out. Therefore, the business places a high priority on enabling staff to support the brand promise through service delivery.

Santam follows a client-centric approach to the way in which it conducts its business, thereby putting the policyholder at the core of its decision-making. Extensive research into client needs, attitudes and behaviour enables the business to focus on specific client segments with differentiating value propositions.

Santam views its broker relationships as one of its core strengths and continues to promote it as the channel of choice to clients. During 2008, various improvements to the broker management model were implemented, enabling intermediaries to compete effectively in the distribution environment which is currently feeling the effects of competition, regulation and consumerism. The transformation of the insurance services initiative to leverage the current claims, service and procurement capabilities, is well under way.

Successful transformation makes for a much stronger, more competitive Santam. It will also enable the business to participate and contribute sustainably within the South African economy.

Financial review

After a difficult first half the Santam Group experienced an excellent second half, resulting in a pleasing overall performance for 2008 against the backdrop of the difficult economic climate.

From an underwriting perspective Santam did very well in its southern African operations, showing a substantial increase in both underwriting profit and net insurance result over 2007. Overall earnings for Santam were below 2007, attributable to lower investment returns as a result of the continued turmoil and substantial decline in equity markets. Headline earnings of R659 million were 35% lower than 2007, equating to headline earnings per share of 586 cents compared to 906 cents in 2007.

The southern African operations achieved an 8% increase in gross written premiums, experiencing growth across most classes of business. This was pleasing, given the softer market and the corrective action taken by Santam to procure and retain quality business, especially in the corporate business unit.

Santam experienced a substantially improved second half of the year mainly owing to fewer large industrial accident and fire-related claims in the corporate business unit, compared to the first half. Nevertheless, the underwriting margin of the property class ended negative for the year. The current reinsurance programme provided sufficient protection. The personal and commercial business classes outperformed 2007, despite several catastrophic flooding events in KwaZulu-Natal and the Southern Cape and continued pressure on premium rates. Of the specialist classes, the liability and engineering businesses performed well while the crop business experienced a return to profitability. The net acquisition cost ratio of 25,2% ended below the 25,7% for 2007 as the focus on cost efficiencies continued.

The net underwriting result of R739 million for the continuing operations ended 11% higher than the R664 million for 2007. The net underwriting margin of 6,4% improved slightly from 6,2% in 2007.

As reported previously, the European operations are treated as “discontinued operations” as defined by IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. In total the discontinued operations showed an after-tax profit of R25 million for the year against a loss of R168 million for 2007. In two separate transactions Santam managed to successfully dispose of Santam Europe and Westminster Motor Insurance Association before year-end for a pre-tax profit of R13 million after goodwill write-off, effectively concluding its disinvestment from the European insurance operations. Both transactions involve a deferred compensation mechanism whereby Santam shares in the potential release of excessive claims reserves. The discontinued results also include R71 million of realised translation reserve owing to the sale of the international entities.

Santam
continued

As reported with our interim results, subsequent to the payment of the special dividend of R2,5 billion at the end of 2007, the deployment of the company's float (funds generated by insurance activities) changed from only being invested in interest-bearing instruments to also include an equity component. Although equity returns were negative for the first half of the year, these losses were recovered early into the third quarter, while the company also eliminated its equity exposure in the float in this period as part of its overall strategy of reducing its equity exposure. Higher interest rates and average float levels had a favourable impact for most of the year. Consequently the investment return on insurance funds of R540 million ended significantly higher than the R319 million reported in 2007. Cash generated by continuing operations amounted to R1,98 billion, a marginal increase from the R1,91 billion generated in 2007. The winding down of the discontinued operations decreased the Group's cash generated from operations to R1,53 billion.

The combined effect of the insurance activities of the continuing operations resulted in a net insurance margin of 10,9% for the year compared to 9,2% for 2007.

Performance of the remainder of the investment portfolio remained under considerable pressure for the year, continuing the negative trend since the last quarter of 2007, but showed some improvement in the second half. Although higher interest rates had a positive impact on cash-related investments, the equity portfolio performed significantly below the performance of 2007 largely owing to the spill-over effect the global financial and economic crisis had on the South African financial markets. The company took some decisive steps to decrease its equity exposure by disposing of R1 billion of equities as well as hedging downside risk on a further effective R0,5 billion, steps which were very significant in preserving shareholder value. Cognisance should also be taken of the fact that the investment portfolio and equities in particular reduced substantially owing to the buy-back of shares and the payment of the special dividend in December 2007.

Earnings from associated companies were negative for the year and thus well below 2007 mainly owing to lower earnings from key associates and start-up losses in new ventures.

The tax charge of R54 million for the year was affected by the large dividend income as well as differences between realised accounting and capital gains tax losses on the equity and bond investment portfolio.

The Group solvency ratio of 44% at 31 December 2008 was at the higher end of the long-term target range of 35% to 45%, a slight increase from the 42% reported at the end of 2007.

Santam's Broad-based Black Economic Empowerment Scheme was finalised during 2008. The initial bridging finance was refinanced and allocations were made to strategic black business partners during the second half of the year. The next allocation to black staff is expected in 2009.

Line-up for 2009

Underwriting margins are expected to be under pressure owing to the softer market, both in commercial and personal lines, as well as the challenges faced by the industry as a result of the deterioration in global and domestic economic conditions. Although general consensus indicates lower inflation, disposable income will remain low and businesses will remain under earnings pressure. Economic growth is expected to be subdued, impacting adversely on industry growth. Having the benefit of diversification, Santam is well positioned to face these challenges and can benefit from moves by clients to place business with insurers with sound financial standing.

The continuing financial and economic climate could impact on capital growth of our investment portfolio during 2009. Indications are that the market will be less volatile but with limited overall growth. Further reductions in interest rates will have an adverse effect on our cash-related investment returns.

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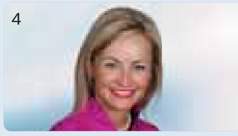

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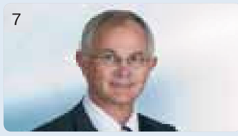

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Our leadership

Executive committee

1 › Ian Kirk Chief Executive
2 › Edward Gibbens Broker Distribution
3 › Jan de Klerk Information Management
4 › Margaret Massie People and Brand Services
5 › Temba Mvusi Market Development
6 › Hendri Nigrini Risk Services
7 › Machiel Reyneke Financial Services
8 › Mpumi Tyikwe New and External Markets

Board members and committee membership

Desmond Smith Chairman, Human Resources, Statutory Audit
Themba Gamedze
Dines Gihwala Statutory Audit
Jannie le Roux Human Resources and Sustainability
Namane Magaue Human Resources and Sustainability
Kobus Möller Risk and Financial Reporting Review
Raisibe Morathi Investment
Flip Rademeyer Risk, Financial Reporting Review and Investment
Jeremy Rowse Sustainability
George Rudman Risk and Financial Reporting Review
Johan van Zyl Human Resources
Peter Vundla Sustainability

Executive directors

Ian Kirk Risk and Investment
Machiel Reyneke Risk and Investment

Financial review 2008

Kobus Möller
Financial Director

The diversified nature of the Group's operations provided some resilience in the turbulent market conditions, with the short-term insurance and life businesses recording strong operational performances that largely offset some deterioration in the operating results of the investment and capital market operations.

Overview

Operating environment

The turmoil in international financial markets that started to emerge in the second half of 2007, intensified during 2008. A worldwide confidence crisis caused by major capital write-offs in the financial services sector culminated in a general meltdown in international investment markets, impacting on the operating environment in both South Africa and the other countries in which the Sanlam Group operates. The South African economy with its open currency and investment markets has not been shielded from the international events.

- Share prices on the JSE fell sharply during 2008 in line with international markets as offshore investors withdrew from the local market in an effort to create liquidity on their balance sheets and investors in general fled to perceived safer havens. The JSE All Share Index lost 26% (excluding dividends) in 2008 versus a gain of 16% in the comparable period in 2007. The MSCI world index (measured in rands) lost 20% over the 12 months to the end of 2008 (gain of 6% in 2007). These lower equity markets had a major negative impact on Sanlam's 2008 results, causing a sharp decline in investment returns earned on both the Sanlam policyholder and shareholder fund portfolios as well as a reduction in the base on which management fees are being earned.
- Long-term interest rates are down since the beginning of 2008, which is reflected in the 17% return of the All Bond Index in 2008, compared to a return of 4% in 2007. The lower interest rates had a positive impact on the valuation of the life businesses' in-force books and value of new business for 2008.
- The rand weakened against the US$ during 2008 and ended the year at US$/R9,24, 35% weaker than the US$/R6,83 at the end of December 2007. The rand, however, strengthened against the weakening British currency from £/R13,61 at the end of December 2007 to £/R13,33 at the end of 2008, after reaching a low of £/R18,21 in October 2008.

Salient results

Given this challenging business environment, the Group achieved satisfactory operating results for the 2008 financial year. The diversified nature of the Group's operations provided some resilience in the turbulent market conditions, with the short-term insurance and life businesses recording strong operational performances that largely offset some deterioration in the operating results of the investment and capital market operations. The lower performance level of the latter operations reflects the impact of the prevailing market volatility but should also be measured against the extraordinary impact that the strong investment markets of the past few financial years had on their operating profit and business flows. The results of the life insurance operations are reported net of the upfront cost associated with the strong growth in new business volumes, which masks the positive result flowing from the in-force book of business. Notwithstanding the pressure on earnings, the core operations of all the major Group businesses remained sound.

The Group has been fortunate to only have a relatively minor exposure to so-called toxic assets and the equity or debt of the recent series of defaulting international financial institutions. The only exposure of note is an investment of R335 million in an international collateralised debt obligation instrument, held for the account of the shareholder capital portfolio. The current market value of this instrument is severely impaired and although there is still some likelihood of recouping the investment, R73 million of the exposure had been provided for in the 2007 results and the balance of R262 million was written off in full in 2008. The Group's exposure to South African retail and institutional credit is still sound and is being closely monitored under the guidance of two dedicated and experienced credit committees. We are confident that the level of arrears in our retail credit book remains within an acceptable range and that the valuation basis applied in respect of our institutional credit exposures is sufficiently prudent to reflect fair market value for these instruments.

Financial review 2008
continued

The primary performance target of the Group is to optimise shareholder value through maximising the return on Group Equity Value (GEV). The Group embarked on a strategy of transformation into a diversified financial services organisation five years ago, with a clear focus on maximising return for our shareholders and other stakeholders. A target has been set for the growth in GEV to exceed the Group's cost of capital on a sustainable basis. Cost of capital is set at the government long-bond yield plus 3% with a target to exceed this return by at least 1%. The negative return per share of 1,7% achieved in 2008 fell short of the target of some 12% owing to the adverse impact of the investment markets. On a normalised basis, i.e. assuming a normalised investment market performance and excluding any once-off items, the return of 12,4% met the target. Over a running five-year period the total return on Group Equity Value (ROGEV) exceeded the growth target comfortably. Other key features of the Sanlam Group's results for the 2008 financial year are:

- Net result from financial services increased marginally to 133,8 cents per share;
- Core earnings per share increased by 1% to 184,8 cents per share;
- New business volumes of R100 billion are 2% down on 2007;
- Value of new life business improved by 23% to R698 million; and
- Dividend per share increased by 5% to 98 cents per share.

In the 2008 financial year, shareholders received a dividend of 93 cents per share, but experienced a 25% fall in the Sanlam share price to R17,00 by the end of December 2008. This should, however, be seen relative to a 26% fall in the JSE All Share Index and some 30% fall in the Financial Index over that period. Measured over a longer term, the Sanlam share price has outperformed the Life and Financial indices since demutualisation in 1998, providing an average return of 14,9% p.a. to shareholders over that period, notwithstanding the recent fall in equity markets.

Basis of presentation and accounting policies

The accounting policies adopted for purposes of the Sanlam Group annual financial statements are consistent with those applied in the Group's 2007 annual financial statements. The basis of presentation of the results is also consistent with that applied in the 2007 financial statements, apart from the introduction of Sanlam UK as a separate business.

The Group has not applied the reclassification option from fair value to amortised cost measurement allowed in terms of the recently amended IAS 39 to any of its financial instruments.

Group Equity Value

Embedded value terminology is traditionally associated with life insurance businesses. The ongoing transformation of the Sanlam Group into a diversified financial services organisation, which includes a growing non-life component, caused our past practice to refer to the combined Group operations in terms of embedded value terminology and methodology to become increasingly inappropriate and potentially misleading. Consistent with our objective to improve the quality and relevance of our financial communication continuously, we, with effect from the 2007 financial year, refer to the aggregate Group business as Group Equity Value (GEV). GEV is the aggregate of the following components:

- The embedded value of covered business, being the life insurance businesses of the Group, which comprises the capital supporting these operations and the net value of their in-force books of business. With effect from 31 December 2007, the methodology and assumptions used to determine the embedded value of covered business are materially consistent with the CFO Forum's European Embedded Value (EEV) principles.
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group.
- The fair value of discretionary and other capital.

GEV provides a meaningful basis of reporting the underlying value of the Group's different operations and the related performance drivers, while changes in GEV more accurately reflect the performance of the Group than results presented under IFRS.

The GEV as at 31 December 2008 amounted to R45,2 billion, down 12% on the R51,3 billion at the end of 2007. On a per share basis, GEV decreased by 6% from 2 350 cents to 2 213 cents at 31 December 2008, after allowing for the 93 cents per share dividend paid during 2008. The Sanlam share price traded at a 23% discount to GEV by close of trading on 31 December 2008.

The GEV at 31 December 2008 is analysed in the following table:

Group Equity Value

	2008			2007		
R million	**Total**	**Fair value of assets**	**Value of in-force**	**Total**	**Fair value of assets**	**Value of in-force**
Embedded value of covered business	**28 591**	**15 013**	**13 578**	28 432	14 710	13 722
Sanlam Personal Finance	**19 574**	**8 275**	**11 299**	20 089	8 285	11 804
Sanlam Developing Markets	**2 796**	**1 032**	**1 764**	2 160	860	1 300
Sanlam UK	**680**	**234**	**446**	921	447	474
Sanlam Employee Benefits	**5 541**	**5 472**	**69**	5 262	5 118	144
Other Group operations	**13 560**	**13 560**	**—**	15 451	15 451	—
Retail cluster	**2 287**	**2 287**	**—**	1 820	1 820	—
Institutional cluster	**6 000**	**6 000**	**—**	7 256	7 256	—
Short-term insurance	**5 273**	**5 273**	**—**	6 375	6 375	—
Diversification benefit	**(1 429)**	**(1 429)**	**—**	(1 232)	(1 232)	—
Other capital	**2 416**	**2 416**	**—**	2 542	2 542	—
	43 138	**29 560**	**13 578**	45 193	31 471	13 722
Discretionary capital	**2 100**	**2 100**	**—**	6 100	6 100	—
Group Equity Value	**45 238**	**31 660**	**13 578**	51 293	37 571	13 722
Issued shares for value per share	**2 044,2**			2 182,8		
GEV per share	**2 213**			2 350		
Share price	**1 700**			2 275		
Discount	**(23%)**			(3%)		

Financial review 2008
continued

The embedded value of covered business amounted to R28,6 billion compared to R28,4 billion in 2007. The embedded value contribution to GEV increased from 55% in 2007 to 63%, mainly owing to the defensive nature of the in-force book in the current environment, with the downturn in markets having a more significant impact on the valuation of other Group businesses.

Capital required by covered business of R15 billion is marginally higher than the R14,7 billion in 2007. This is the combined effect of the following:

- Expected increase from investment return earned on the required capital.
- A release of capital from a reduction in the exposure to capital-intensive smoothed bonus and participating annuity business. Net outflows from these portfolios as well as the transfer of participating annuity business to the new generation, more capital-efficient Provider Pension product, contributed to the lower exposure.
- Volatility assumptions in the stochastic capital models were updated in line with the increased market volatility experienced during 2008, which increased the capital requirement.
- The decrease in interest rates, with a commensurate reduction in the mean future investment return assumption, increased the capital requirement linked to investment guarantees.

The fair value of Other Group operations of R13,6 billion decreased by 12% on 2007 and comprised 30% of GEV at 31 December 2008 (30% in 2007). Santam is valued at traded market value and directors' valuations are used for the other businesses. The latter are based on applicable market-related yields and ratios, applying methodology and key longer-term assumptions that are consistent with those applied in 2007. Operations in the Institutional cluster, the bulk of which are investment management related, are valued at R6 billion, down 17% on 2007. The decrease is largely attributable to a decrease in the level of assets under management following the negative investment market performance during 2008. These businesses are valued based on a percentage of assets under management, with changes in asset base having a commensurate impact on the valuations. The value of the Group's investment in Santam decreased by 21% to R5 billion following the 24% decrease in its listed share price. To the extent that the net asset value of non-life Group operations qualifies for and is utilised to cover a portion of the covered business' capital requirement, a capital diversification benefit is realised. At the end of December 2008, this benefit amounted to R1,4 billion.

Discretionary capital in excess of the Group's immediate requirements amounted to R2,1 billion on 31 December 2008, down from the R6,1 billion at the end of 2007. Refer to "Capital management" section below for more information on the changes in and utilisation of the identified discretionary capital.

Return on Group Equity Value

As a financial services organisation, the Group is to a large extent exposed to investment markets, both in respect of the shareholder capital portfolio that is invested in financial instruments, as well as a significant portion of the fee income base that is linked to the level of assets under management. Therefore, viewed against the major downturn in investment markets, Sanlam did well to achieve a negative ROGEV per share of only 1,7% for 2008, significantly better than the overall equity market. This is testimony to the defensive qualities of the Group's diversified portfolio of businesses. The investment management operations were severely impacted by these conditions, but this was offset by a resilient performance by the life operations. Although the return for 2008 is below the Group's long-term target, the cumulative ROGEV per share since demutualisation still exceeds the target.

Return on Group Equity Value

for the year ended 31 December 2008

	2008		2007	
	Earnings R million	Return %	Earnings R million	Return %
Covered business	**919**	**3,2**	4 700	17,2
Sanlam Personal Finance	**453**	**2,3**	3 953	22,2
Sanlam Developing Markets	**659**	**30,5**	351	18,0
Sanlam UK	**(36)**	**(3,9)**	63	7,3
Sanlam Employee Benefits	**(157)**	**(3,0)**	333	4,9
Other operations	**(1 885)**	**(12,2)**	4 428	33,7
Sanlam Personal Finance	**291**	**24,4**	169	16,0
Sanlam Developing Markets	**(11)**	**(39,3)**	26	0,0
Sanlam UK	**(320)**	**(53,3)**	149	33,9
Institutional Cluster	**(566)**	**(8,0)**	1 722	29,4
Short-term insurance	**(1 279)**	**(20,1)**	2 362	42,0
Discretionary and other capital	**(440)**		(209)	
Balance of portfolio	**114**		365	
Shares delivered to Sanlam Demutualisation Trust	**(46)**		(71)	
Shriram goodwill less VIF acquired	**(43)**		(108)	
Treasury shares and other	**(269)**		(286)	
Change in net worth adjustments	**(196)**		(109)	
Return on Group Equity Value	**(1 406)**	**(2,7)**	8 919	19,1
Return on Group Equity Value per share		**(1,7)**		18,8

Financial review 2008
continued

Covered business yielded a return of 3% compared to 17% in 2007. This lower level of return is attributable to the negative investment market performance during 2008, which decreased the return earned on the supporting capital from positive earnings of R1,6 billion in 2007 to a loss of R0,7 billion in 2008, and also resulted in negative investment variances of R1,4 billion on the value of in-force business in 2008. Sanlam Personal Finance, Sanlam UK and Sanlam Employee Benefits' return on covered business was depressed by these items compared to the returns in 2007, with Sanlam Employee Benefits in particular being negatively impacted by the return on adjusted net worth, given its disproportionate size relative to its value of in-force. A very strong new business performance, combined with lower equity exposure in its supporting capital base, contributed to a sterling 31% return on covered business for Sanlam Developing Markets. The return on covered business is discussed in more detail below.

The Other Group operations were more severely impacted by the market conditions and yielded a negative return of 12% for 2008 compared to positive earnings of 34% in 2007. The Group's investment in *Santam* was the largest contributor to this underperformance. Compared to positive earnings of R2,4 billion in 2007 (42% return), the investment in Santam yielded a negative return of R1,3 billion (20% negative return) in 2008, a turnaround of R3,6 billion. The decline in the Santam share price was, however, in line with the general market performance. Operations in the *Institutional Cluster* achieved a negative return of 8%. As mentioned above, this performance is directly linked to the lower overall level of assets under management following the negative investment market performance during the year. The Group's businesses in the *UK* are experiencing the aftermath of the financial market crisis more severely than the South African-based operations, with the UK economy officially in recession. These economic conditions, combined with lower assets under management, are expected to have a negative impact on the business flows and profitability, and consequently also the valuation, of these operations. This is reflected in the more than 50% negative return reported for the Sanlam UK non-life operations. The newly acquired Principal private client business is the main contributor to this underperformance. Since the acquisition of Principal in the first half of the year, the UK equity markets recorded record losses with a commensurate reduction in Principal's assets under management. This, combined with a more than 20% strengthening of the rand against the British pound since acquisition, required a write-down of approximately R180 million in the Principal carrying value.

The return on discretionary and other capital was impacted by the following:

- The write-off for GEV purposes of the R43 million goodwill recognised in respect of a performance payment to Shriram in terms of the acquisition agreement of Shriram Life in India.
- Some R125 million profit realised on the disposal of the Group's interest in the Safair Lease Finance joint venture.
- A negative change of R196 million in the net worth adjustments. This is largely due to an increase in the allowance for corporate costs following a change in the calculation methodology. Up to the 2007 financial year, the Group allowed for the interest earned on the cash held in respect of the annual dividend between year-end and the dividend payment date. With effect from the 2008 financial year, it is assumed that the dividend is paid at the beginning of each reporting period, resulting in an increase in the net corporate expenses assumed in the calculation of GEV.
- A loss of R46 million incurred on the delivery of Sanlam shares to the Sanlam Demutualisation Trust (the Trust). As part of the Ubuntu-Botho (UB) empowerment transaction, the Trust sold 52 million Sanlam shares to UB in exchange for UB preference shares. This was based on expectations at the time of the number of shares that the Trust would deliver to its beneficiaries. As part of the transaction, Sanlam undertook to deliver Sanlam shares to the Trust in instances of shortfalls, in exchange for an equivalent number of UB preference shares. The Trust delivered more shares than expected and started to experience shortfalls in its stock of Sanlam shares, which required of the Group to transfer Sanlam shares to it during the year. The fair value of the UB shares received in exchange was less than the fair value of the Sanlam shares delivered, resulting in a loss of R46 million, which can be seen as part of the financing costs of the UB transaction.
- A loss of R269 million recognised in respect of treasury shares. This loss is substantially attributable to losses recognised on the delivery of share incentive scheme shares to participants at the applicable strike prices.

Return on covered business

Return on covered business

for the year ended 31 December 2008

R million	**2008**	**2007**	**%△**
Net value of new business	**612**	489	25
Earnings from existing business	**1 885**	1 996	(6)
Expected return on value of in-force	**1 838**	1 442	27
Operating experience variances	**278**	288	(3)
Operating assumption changes	**(231)**	266	<100
Expected investment return on adjusted net worth	**1 180**	1 048	13
Embedded value earnings from operations	**3 677**	3 533	4
Economic assumption and tax changes	**571**	182	>100
Investment variances – value of in-force	**(1 435)**	271	<100
Investment variances – adjusted net worth	**(1 864)**	541	<100
Project expenses and other	**(30)**	(99)	70
EEV methodology changes	**—**	272	(100)
Total embedded value earnings	**919**	4 700	(80)
Return on covered business	**3,2%**	17,2%	

Financial review 2008
continued

A return of 3% was achieved on covered business during 2008, compared to 17% in 2007. The decrease in return during 2008 is mainly attributable to the following:

- Negative investment return on the capital supporting the life operations of R0,7 billion compared to a positive return of R1,6 billion in 2007, comprising an expected investment return of R1,2 billion (2007: R1 billion) and negative investment variances of R1,9 billion (2007: positive R0,6 billion). This can mostly be ascribed to the relatively lower investment market performance in 2008.
- Negative investment variances on the value of in-force amounting to R1,4 billion in 2008 compared to positive variances of R0,3 billion in 2007. The assets held in policyholder portfolios were also negatively impacted by the depressed market conditions. This lower level of policyholder assets under management will reduce future fee income, resulting in a decrease in the value of the book of in-force business.
- Negative operating assumption changes of R231 million in 2008 compared to positive assumption changes of R266 million in 2007. The mortality and morbidity bases were strengthened on a prudent basis following some negative experience developing in the second half of the year. In addition, the persistency assumptions were also strengthened given the current economic environment and deteriorating experience.

Of particular note is the increasing contribution of value of new business to the growth from covered business, reflecting the success of the Group's growth strategy. The Group has been transformed from being at the lower end of the market with regard to the profitability of new business a few years ago to being among the best performers.

Adjusted return on Group Equity Value

Given the nature of the Group's operations and the level of required capital, the return on investment markets has a significant impact on the ROGEV reported for a specific period. In evaluating the Group's results for a specific reporting period it is important to exclude the impact of investment market volatility in that period. Adjusted ROGEV is accordingly introduced with effect from 2008 to provide an indication of the Group's underlying, longer-term performance. Adjusted ROGEV excludes the impact of investment market volatility by assuming that the embedded value investment return assumptions as at the beginning of the reporting period were achieved for purposes of the investment return earned on the supporting capital of covered business and the valuation of other Group operations. Any *ad hoc* and other items not under management's control are also excluded. Refer to page 171 for a full description of the adjusted ROGEV calculation methodology.

The adjusted ROGEV per share for 2008 and 2007 amounts to 12,4%. This return is in line with the Group's long-term ROGEV target. The return of Sanlam UK's other operations remains negative, as no adjustment is made for exchange rate movements (rand strengthening against the British pound since the acquisition of Principal) and the impact of the recessionary economic conditions in the UK market. In comparison to the actual ROGEV for 2008, it illustrates the major impact that investment markets had on the Group's earnings for the year, but also confirms the sound operational results achieved by the Group in these conditions.

Adjusted return on Group Equity Value

for the year ended 31 December 2008

	2008		2007	
	Earnings R million	Return %	Earnings R million	Return %
Sanlam Personal Finance	**2 697**	**12,7**	2 813	14,9
Covered business	**2 406**	**12,0**	2 644	14,8
Other operations	**291**	**24,4**	169	16,0
Sanlam Developing Markets	**561**	**25,6**	437	22,4
Covered business	**572**	**26,5**	411	21,1
Other operations	**(11)**	**(39,3)**	26	—
Sanlam UK	**(52)**	**(3,4)**	191	14,7
Covered business	**141**	**15,3**	42	4,8
Other operations	**(193)**	**(32,2)**	149	33,9
Institutional cluster	**980**	**7,9**	2 115	16,8
Covered business	**558**	**10,6**	436	6,5
Other operations	**422**	**5,9**	1 679	28,6
Santam	**669**	**10,5**	499	8,9
Discretionary and other capital	**549**		38	
Adjusted return on Group Equity Value	**5 404**	**10,5**	6 093	13,0
Adjusted return on Group Equity Value per share		**12,4**		12,4

Financial review 2008
continued

Business volumes

New business flows

Gross new business volumes

R million	2008	2007	%△
Per business			
Sanlam Personal Finance	**31 070**	26 516	17
Sanlam Developing Markets	**2 594**	3 615	(28)
Sanlam UK	**2 350**	1 293	82
Institutional Cluster	**45 476**	50 177	(9)
Short-term insurance	**12 165**	11 407	7
New business excluding white label	**93 655**	93 008	1
White label	**6 481**	8 996	(28)
Total	**100 136**	102 004	(2)
Per licence			
Life business	**18 268**	17 408	5
Sanlam Personal Finance	**12 092**	9 830	23
Sanlam Developing Markets	**1 910**	1 432	33
Sanlam UK	**1 426**	1 293	10
Institutional Cluster	**2 156**	2 670	(19)
	17 584	15 225	15
Sanlam Developing Markets (RSA single)	**684**	2 183	(69)
Investment business	**63 222**	64 193	(2)
Sanlam Personal Finance	**18 978**	16 686	14
Sanlam UK	**924**	—	—
Institutional Cluster	**43 320**	47 507	(9)
Short-term insurance	**12 165**	11 407	7
New business excluding white label	**93 655**	93 008	1

Total new business volumes of R100 billion were marginally down on the R102 billion achieved in 2007, a satisfactory performance in the prevailing economic environment, the impact of which became particularly evident in the slowdown in the level of new business recorded in the second half of 2008. Excluding the low-margin white label business, overall new business flows were however still marginally up on 2007. New business volumes contributed by our operations in the rest of Africa improved by 9% on 2007, but this was offset by a reduction in the contribution from the Group's other international operations and an unchanged performance by the South African operations. The latter still contributed some 85% of the Group's new business volumes.

New life insurance business volumes increased by 5% to R18,3 billion, although the level of growth deteriorated from the 24% recorded for the first six months of 2008. This is in part attributable to market conditions but also to a strategic decision to discontinue the sale of new single premium business in Sanlam Developing Markets. Without these single premiums, new life insurance business is 15% up on 2007. The *South African* life insurance operations performed well to increase new business volumes by 10% on 2007 (excluding the Sanlam Developing Markets single premiums) with particularly strong performances in the high net worth market serviced by Glacier (up 46%) and the entry-level market targeted by Sanlam Developing Markets (recurring premiums up 31%). New institutional life business premiums were however 37% down on 2007, the result of tough market conditions but also a deliberate consolidation focus while restructuring the employee benefits business. The life businesses in the *rest of Africa* continue to excel with new business growth of 64% recorded in 2008 while the Group's *Other International* life businesses (Shriram Life in India and Merchant Investors in the UK) achieved 13% growth in new business volumes.

The adverse business environment is reflected in the new investment business flows being marginally down on 2007. New inflows in the high net worth individual market (Glacier) remained strong, but this was offset by a 9% fall in institutional business flows. The reported investment flows for 2008 also include a maiden contribution from Principal, the UK private client business acquired during the year.

Short-term insurance premiums increased by 7% to R12,2 billion, the bulk of which comprises Santam's results but also includes a first-time contribution from MiWay, our new direct financial services business. Santam made a strategic decision in 2007 to discontinue its international operations in Europe. Excluding the premiums attributable to the Santam discontinued operations in 2007, net earned premiums in South Africa increased by 9% in 2008.

Gross new business volumes

R million	2008	2007	%△
Per region			
South Africa	**78 956**	79 081	—
Sanlam Personal Finance	**22 644**	19 137	18
Sanlam Developing Markets	**1 449**	2 767	(48)
Institutional Cluster	**42 698**	45 770	(7)
Short-term insurance	**12 165**	11 407	7
Rest of Africa	**10 138**	9 290	9
Sanlam Personal Finance	**8 426**	7 379	14
Sanlam Developing Markets	**968**	722	34
Institutional Cluster	**744**	1 189	(37)
Other international	**4 561**	4 637	(2)
Sanlam Developing Markets	**177**	126	40
Sanlam UK	**2 350**	1 293	82
Institutional Cluster	**2 034**	3 218	(37)
New business excluding white label	**93 655**	93 008	1

Financial review 2008
continued

Sanlam Personal Finance's total new business volumes increased by 17%. Recurring premium business (including both life and non-life) increased by 3% compared to 2007 with single premium business achieving growth of 18%. These results are commendable in the very tough economic environment.

- *South African* new business volumes increased by 18%, with good support experienced for both investment and life solutions.
  - New *recurring premium* life sales were in line with those of 2007. The impact of the high inflation and interest rate environment on clients' disposable income is evident in a fall in the sale of contractual savings products. This was however offset by an ongoing strong demand for risk solutions that led to a 16% growth in new business sales of these solutions.
  - Total *single premium* life sales are up 24% on 2007, a very satisfactory performance but somewhat down on the 37% growth reported for the first six months of 2008. Growth in the Glacier life insurance solution range accelerated during the year to achieve an increase of 46% in inflows. Guaranteed plan and contractual preservation fund solutions were popular in the volatile market conditions, while equity-linked savings solutions reflected lower sales volumes in 2008.
  - *Investment business* increased by 16% in 2008 as Glacier continued its strong growth in new business flows, confirming the successful diversification of the business into the investment space. The new Topaz linked investment solution also made a solid contribution to overall investment business volumes. The growth was supported by a strong demand for money market solutions with less demand for equity-linked solutions owing to the market volatility and uncertainty.
- The *Namibian* operations experienced another good year and increased their new business volumes by 14%.

Sanlam Developing Markets delivered sterling results with a 33% increase in new life insurance business, excluding the discontinued, relatively low-margin single premium business. Only continuations of existing single premium business are reflected in the 2008 single premium new business volumes.

- *South African* total new recurring premium business inflows increased by 31% to R765 million, the combined result of 43%

growth in Sanlam Sky Solutions (previously African Life SA) and a 14% increase in Channel Life sales. Sanlam Sky Solution's results were supported by an increase in manpower and average premium size as well as a recovery from the negative impact of administrative problems experienced in 2007. The operational problems experienced by the Channel Life call centre led to its closure in the first half of 2008. Notwithstanding the loss of these volumes, Channel Life managed to record strong new recurring business volumes.

- The other *African* operations continued on their strong growth trajectory with an increase of 34% in new business volumes. Botswana Life remains the main contributor to African flows and increased its recurring premiums by 32% to R183 million, and single premiums by 18% to R475 million. Recurring premium business was supported by the launch of new solutions in late 2007, improvements in validation and the strengthening of broker relationships. The single premium growth from the annuity product is particularly satisfactory and local assets have been acquired to back this portfolio. The other African operations also had a very good year and reported R310 million (up 72%) of new business volumes, with all operations growing in excess of 30% and Zambia and Tanzania more than doubling their sales volumes.
- *Shriram Life,* our 26%-held life operation in India, is continuing its strong sales performance, albeit at a somewhat slower pace, with 2008 full-year sales of R177 million up 40% on 2007. India is not escaping the global economic downturn, which is reflected in a lower demand for single premium savings products. Optimising the productivity of Shriram's substantial agency force remains a challenge receiving ongoing focus. At the same time an investment is being made in additional complementary distribution capacity.

The Sanlam UK unit was established in 2008 to consolidate the Group's UK operations. Its total new business volumes for the year amounted to R2,3 billion. This comprises R1,4 billion in new life insurance business from Merchant Investors (up 10% on 2007), and a first-time contribution of R0,9 billion of new investment inflows in Principal, the newly acquired private client investment business. Both these operations were affected by the major slowdown in the UK economy.

Institutional new business flows are down 9% compared to the 2007 financial year.

- New *life insurance business* of R2,2 billion is down 19% on 2007. This performance should be evaluated against a background of severe market turmoil as well as a deliberate strategy to hold back on growth in certain areas during the restructuring of the Employee Benefits business. New recurring premiums increased by 13% on 2007, but this has been more than offset by lower single premium business flows.
- New *investment* inflows are down 9% to R43,3 billion. South African wholesale segregated inflows performed well and increased by 18% to R11,8 billion. The South African multi manager unit, as well as the private client and collective investment businesses, however, all recorded lower new inflows in 2008 – these businesses attracted large volumes of business in 2007 that were not expected to continue. The market conditions weighed heavily on the non-SA operations, which halved their 2008 new inflows to R2,1 billion.

Net fund flows

Net inflows (excluding white label business) for the year amounted to R10,6 billion, 11% up on the R9,6 billion in the corresponding period in 2007. Total inflows increased by 1% to R109,5 billion, while outflows in respect of fund withdrawals and policy benefits of R99 billion were up by only 0,6%.

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continued

Net fund flows

R million	2008	2007
Per business		
Sanlam Personal Finance	**3 876**	3 693
Sanlam Developing Markets	**1 218**	2 266
Sanlam UK	**89**	(172)
Institutional Cluster	**1 650**	390
Short-term insurance	**3 734**	3 379
Net fund flows excluding white label	**10 567**	9 556
White label	**(1 445)**	1 807
Total net inflows	**9 122**	11 363
Per licence		
Life insurance	**(257)**	(3 695)
Investments	**7 090**	9 872
Short-term insurance	**3 734**	3 379
Net fund flows excluding white label	**10 567**	9 556

Sanlam Personal Finance performed well to record net flows of R3,9 billion for the year, which is marginally higher than the R3,7 billion reported in 2007. Particularly encouraging is the positive net life business flow of R1,2 billion compared to a net outflow of R1,2 billion in 2007. This is the combined effect of an increase in new business flows and a slowdown in policy maturities. Net investment inflows decreased from R4,9 billion in 2007 to R2,7 billion for the 2008 financial year.

Sanlam Developing Markets recorded net inflows of R1,2 billion compared to R2,3 billion in 2007. The reduction in net flows is essentially due to the decision to discontinue the sale of single premium business in South Africa. With the exception of Channel Life, all operations recorded positive net flows.

Merchant Investors performed well to turn around its net business flows from a R172 million net outflow in 2007 to a R182 million net inflow for the 2008 financial year, contributing to an overall R89 million net inflow for the Sanlam UK operations in 2008.

Institutional cluster net inflows improved from R390 million in 2007 to R1,7 billion in 2008. Sanlam Investments recorded net inflows of R3,6 billion in 2008 compared to R4 billion in 2007, with a major positive contribution from South African segregated business (net inflow of R2,7 billion compared to net outflow of R1,8 billion in 2007). This has been offset by negative net flows of R2 billion in Sanlam Employee Benefits relative to negative flows of R3,6 billion in 2007. These net outflows are in part attributable to a deliberate effort to reduce its capital and margin inefficient business. The multi manager business also experienced net outflows of R3,4 billion in 2008 (R75 million inflow in 2007) following the decline in new business flows.

New business embedded value

The Group's life insurance operations reported exceptional new business value for 2008. The total value of new life business (VNB) of R698 million is 23% higher than that reported in 2007. Net of minority interests, VNB improved by 24% to R612 million. The overall average new life business margin increased from 2,37% to 2,68%. This improved performance is the combined effect of cost efficiencies, higher new business volumes and beneficial product mix. At the same time lower long-term interest rates resulted in a reduction in the discount rate applied. The latter contributed R49 million to the increase in total VNB. The 2007 comparative figures presented in the table below are after allowing for the change to European Embedded Value principles at the end of 2007 to ensure a consistent comparison with the 2008 results.

Value of new covered business

R million	**2008**	**2007**	**%△**
After economic assumption changes			
Value of new business	**698**	567	23
Sanlam Personal Finance	**386**	324	19
Sanlam Developing Markets	**302**	203	49
Sanlam UK	**1**	8	(88)
Sanlam Employee Benefits	**9**	32	(72)
Net of minorities	**612**	493	24
Present value of new business premiums	**26 033**	23 886	9
Sanlam Personal Finance	**17 371**	14 985	16
Sanlam Developing Markets	**5 332**	5 476	(3)
Sanlam UK	**1 484**	1 327	12
Sanlam Employee Benefits	**1 846**	2 098	(12)
Net of minorities	**24 459**	21 886	12
Life new business margin	**2,68%**	2,37%	
Sanlam Personal Finance	**2,22%**	2,16%	
Sanlam Developing Markets	**5,66%**	3,71%	
Sanlam UK	**0,07%**	0,60%	
Sanlam Employee Benefits	**0,49%**	1,53%	
Net of minorities	**2,50%**	2,25%	
Before economic assumption changes			
Value of new business	**649**	567	14
Sanlam Personal Finance	**358**	324	10
Sanlam Developing Markets	**276**	203	36
Sanlam UK	**—**	8	(100)
Sanlam Employee Benefits	**15**	32	(53)
Present value of new business premiums	**25 686**	23 886	8
Sanlam Personal Finance	**17 094**	14 985	14
Sanlam Developing Markets	**5 252**	5 476	(4)
Sanlam UK	**1 482**	1 327	12
Sanlam Employee Benefits	**1 858**	2 098	(11)
Life new business margin	**2,53%**	2,37%	
Sanlam Personal Finance	**2,09%**	2,16%	
Sanlam Developing Markets	**5,26%**	3,71%	
Sanlam UK	**0,00%**	0,60%	
Sanlam Employee Benefits	**0,81%**	1,53%	

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continued

Sanlam Personal Finance's VNB increased by 19% to R386 million. This result was positively impacted by the good sales recorded for the year as well as the change in economic assumptions, with the average VNB margin increasing from 2,16% in 2007 to 2,22%.

The Sanlam Developing Markets operations contributed to an exceptional 49% increase in gross VNB to R302 million following the 53% growth achieved in 2007. The average VNB margin improved from 3,71% to 5,66%. This improvement can be ascribed to the strong new business growth achieved as well as the decision to discontinue the sale of low-margin single premium business. Sanlam Sky Solutions increased its VNB by 87%, while Ghana, Zambia and Tanzania more than doubled their contribution during 2008 on the back of the strong new business growth. Channel Life's VNB was however negatively impacted by deteriorating mortality experience and a consequential strengthening of the mortality basis. The Botswana operations are continuing to do well, with VNB increasing by 22% and margins broadly in line with 2007.

The Sanlam UK operations reported nominal VNB for 2008 as increased expenditure on the Merchant Investors distribution infrastructure offset the benefit of increased business volumes.

Sanlam Employee Benefits similarly reported a major reduction in VNB in 2008. This is essentially due to the lower level of new life business.

Earnings

Summarised shareholders' fund income statement
for the year ended 31 December 2008

R million	2008	2007	%△
Net result from financial services	**2 802**	3 029	(7)
Gross result from financial services	**4 260**	4 539	(6)
Taxation	**(966)**	(997)	3
Minority shareholders' interest	**(492)**	(513)	4
Net investment income	**1 068**	1 117	(4)
Core earnings	**3 870**	4 146	(7)
Project expenses	**(56)**	(85)	34
Equity-accounted earnings	**16**	152	(89)
Amortisation of VOBA	**(77)**	(51)	(51)
BEE transaction costs	**(7)**	(5)	(40)
Net investment surpluses	**(1 699)**	1 264	(234)
Secondary tax on companies	**(59)**	(131)	55
Discontinued operations	**(22)**	(91)	(76)
Normalised headline earnings	**1 966**	5 199	(62)
Disposal of subsidiaries and associates	**3**	668	
Impairments	**(244)**	(7)	
Other non-headline earnings	**33**	—	
Normalised attributable earnings	**1 758**	5 860	(70)
Core earnings (cents per share)	**184,8**	182,4	1
Normalised headline earnings (cents per share)	**93,9**	228,7	(59)

The income statement in this section follows a different presentation format than the International Financial Reporting Standards (IFRS) format disclosed on page 295. It differs from the IFRS version in the following respects:

- The IFRS income statement includes the consolidated results of both the shareholder and policyholder activities. It also does not distinguish between the shareholders' financial services and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. The income statement presented in this section includes only earnings attributable to shareholders.
- The IFRS accounting treatment of the policyholders' fund's investments in Sanlam shares (as treasury shares) and Group subsidiaries (included at consolidated Group interest) results in accounting mismatches and a misrepresentation of the Group's true operational performance. The income statement in this section is adjusted for these inconsistencies to ensure that the shareholders' fund income statement more accurately reflects the actual economic performance of the Group. The number of issued shares used for the calculation of earnings per share has also been adjusted to account for Sanlam shares held by the policyholders' fund as still being in issue.

Core earnings

Core earnings is not a statutory or regulatory required earnings concept but is presented to provide shareholders with an indication of 'stable' earnings. Core earnings comprise the net result from financial services and net investment income earned on the shareholders' fund, but exclude abnormal and non-recurring items as well as investment surpluses. Net investment income includes dividends, interest and rental income earned on the shareholders' fund discretionary investment portfolio as well as the margin earned on the Group's hybrid debt and preference share portfolios, and also includes dividends received from non-operating associated companies and joint ventures. It, however, excludes the equity-accounted retained earnings of these operations.

Core earnings for the year of R3 870 million are 7% down on 2007, the combined effect of a 7% reduction in the net result from financial services for the year and a 4% decline in net investment income over the same period. On a per share basis, core earnings increased by 1%, reflecting the impact of the 8% reduction in the weighted average number of shares in issue owing to the share buy-backs during 2008 and 2007 (refer to "Capital management" section below).

Result from financial services

The net result from financial services of R2 802 million for the 2008 financial year is 7% lower than in 2007.

Result from financial services

R million	**2008**	**2007**	**%△**
Financial services income	**26 969**	25 026	8
Sales remuneration	**(3 861)**	(3 248)	(19)
Income after sales remuneration	**23 108**	21 778	6
Underwriting policy benefits	**(12 287)**	(11 176)	(10)
Administration costs	**(6 561)**	(6 063)	(8)
Gross result from financial services	**4 260**	4 539	(6)
Taxation	**(966)**	(997)	3
Minority shareholders' interest	**(492)**	(513)	4
Net result from financial services	**2 802**	3 029	(7)
Group administration cost ratio	**28,4%**	27,8%	
Group operating margin	**18,4%**	20,8%	

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continued

Financial services income increased by 8% on 2007. The following major income components contributed to this result:

- Fees earned in respect of long-term insurance, investment management and capital market activities increased by 5% on 2007. This is the combined effect of lower investment fees from the lower asset base, lower investment performance fees earned and a reduction in capital market activity, offset by an increase in fees contributed by higher life insurance business volumes.
- Short-term insurance premiums earned, net of reinsurance premiums paid, increased by 9% on 2007.
- A 40% increase in interest earned on the working capital float, the bulk of which has been earned by Santam and Sanlam Life. The improvement is the result of relatively higher cash interest rates in 2008, an overall higher level of float as well as Santam's float income benefiting from the decrease in long-term interest rates in the second half of the year, given its exposure to bonds. The current level of working capital interest income is not sustainable owing to the expected interest rate cuts in South Africa during 2009.

Sales remuneration increased by 19%, driven by the growth in new business volumes. Net underwriting benefits grew by 10%, with Santam's claims levels increasing in line with the growth in net earned premiums and Sanlam Personal Finance claims increasing by 16% on the back of higher business volumes and claims experience.

Administration expenditure increased by 8% on 2007. The Group continued with its strategic focus on cost efficiencies and was in general able to restrict the increase in administration costs. The only areas that experienced relatively higher expense growth were Sanlam Developing Markets, Sanlam UK and corporate expenses. Sanlam Developing Markets invested further in its distribution infrastructure during the year, with the impact of these actions reflected in its strong new business performance. Non-recurring costs relating to the closure of the Channel Life call centre also had an impact on the expense base. The increase in Sanlam UK's administration costs is attributable to the acquisition of Principal and Buckles during the year, with these businesses' administration costs being consolidated in the Group results for the first time. Corporate expenses include once-off expenditure on system development. If excluded, corporate expenses increased by less than general inflation.

The gross result from financial services of R4 260 million is 6% lower than in 2007. Strong growth from Sanlam UK, Sanlam Employee Benefits and Santam was offset by a fall in earnings at Sanlam Developing Markets, Sanlam Investments and Sanlam Capital Markets and the initial losses realised at MiWay. The gross result from financial services is analysed per business in the table below:

Gross result from financial services

for the year ended 31 December 2008

R million	**2008**	**2007**	**%△**
Sanlam Personal Finance	**1 975**	1 857	6
Sanlam Developing Markets	**218**	343	(36)
Sanlam UK	**68**	49	39
Institutional Cluster	**1 022**	1 476	(31)
Sanlam Employee Benefits	**258**	173	49
Sanlam Investments	**825**	1 230	(33)
Sanlam Capital Markets	**(61)**	73	(184)
Santam	**1 288**	987	30
MiWay	**(127)**	—	—
Corporate expenses	**(184)**	(173)	(6)
Gross result from financial services	**4 260**	4 539	(6)

- Sanlam Personal Finance's gross result from financial services for the year of R1 975 million is 6% up on 2007. Market-related income which contributes some two-thirds of SPF's profit grew by 12%, largely owing to higher interest earned on working capital. The higher interest rates during the year also contributed to a higher level of asset mismatch reserve held during the year in respect of non-participating business and therefore the consequential increased level of profit released from the reserve in terms of the profit entitlement policy. Risk profits – some 22% of profit – declined by 1% largely owing to some deterioration in claims experience, in particular in respect of mortality claims. The average underwriting margin decreased from 17,3% to 16,3%. Administration profit decreased by 9%, largely owing to an increase of 17% in new business strain on the increased new business volumes. The increase in administration costs was contained at 5% notwithstanding inflationary pressures and new business units (e.g. Sanlam Health Management) established during the period. The profit contribution from non-life operations amounted to R85 million, marginally up from that in 2007 despite pressure on the profitability of Sanlam Home Loans and Sanlam Personal Loans. This is substantially due to some deterioration in the level of arrears as well as a deliberate scaling back on new loans granted (down 38% and 9% respectively). Net of taxation and minorities, the results increased by 10% to R1 555 million.
- The Sanlam Developing Markets gross result from financial services of R218 million is 36% down on 2007. Notwithstanding some fall in profitability in Botswana, owing to the negative impact of the fall in equity markets, a strong performance by all the other African operations led to an overall 18% increase in profit from the rest of Africa. The South African operations however reported a substantial fall in profit. Two main factors contributed to this lower profit level; a major negative mortality experience in a Channel Life product and increased new business strain. Corrective action has been taken to curtail the negative claims experience at Channel. New business costs incurred in 2008 increased by 31% to R335 million after tax and minorities. The deferred benefit is reflected in the value of the in-force book and will have a positive impact on future profitability. After allowing for taxation and minority interest, the Sanlam Developing Markets net operating results are down 37% to R144 million. The taxation charge in both years benefited from some reversal of an overprovision in prior years.

Financial review 2008
continued

- Sanlam UK reported gross operating profit of R68 million, a 39% improvement on their 2007 results. The 2008 results, however, include a maiden contribution from Principal and Buckles. Excluding these new acquisitions, earnings growth is 16%. A weaker average exchange rate contributed to this growth but Merchant Investors and the Punter Southall Group both achieved satisfactory trading results in a difficult UK business environment. Profit net of tax and minorities increased by 29% to R58 million.
- The Institutional Cluster operations were in particular affected by the financial turmoil in 2008 and reported a 31% fall in operating earnings for the year.
  - *Sanlam Investments'* operating results of R825 million are down 33% on 2007. This turnaround is substantially due to the volatile investment markets which had a major negative impact on these businesses' investment performance. This resulted in significantly lower performance fees being earned, down from R526 million in 2007 to R107 million in 2008. Other factors contributing to the performance include an initial diluting impact of expenditure on new ventures and acquisitions. Administration costs increased by 8%, mainly owing to once-off restructuring costs of R47 million and costs associated with business expansion, with Simeka, Blue Ink, Atom Funds Management, the growth of the Emerging Markets business and the transfer of investment-linked business from Sanlam Employee Benefits impacting on the expense base. The effect of these items has been somewhat offset by a reduction in performance bonuses.

    Profit net of minorities and tax amounted to R589 million, down 32% on 2007. Major progress has been made over the past few years in transforming the business from a wholesale asset manager into a diversified boutique of investment-related businesses. The wholesale asset manager contributed only a third of net profit in 2008, with the non-South African businesses contributing 29%.
  - *Sanlam Employee Benefits* continued its recent turnaround in profitability and posted gross profit of R258 million, a 49% improvement on 2007. The Group Risk business's profit contribution increased by 33% owing to an 8% increase in total recurring premiums and an improvement in underwriting experience. The migration of the policy administration business to Coris Capital and progress towards an initial breakeven target remains on track. The loss for the year attributable to this business of R32 million is well down on the R74 million recorded in 2007.

Adverse market conditions required a R69 million increase in the minimum investment guarantee reserve held for employee benefit products, resulting in a 23% fall in the contribution from the Structured Solutions unit. Profit net of tax and minorities amounted to R183 million, 49% up on 2007.

- *Sanlam Capital Markets* recorded its first loss of R61 million since its formation. This is the result of the volatility in debt and equity markets, the impact of widening credit spreads on the valuation of credit positions and a slowdown in deal flow associated with the uncertainty experienced by market participants in these conditions. Under the prevailing circumstances, this business performed well to contain its downside risk. After allowing for the effect of tax, the loss for the period amounted to R35 million.

- Santam's gross operating results for the year of R1 288 million are 30% higher than in 2007, the combined effect of a 12% increase in underwriting results and a 69% increase in income earned on working capital. The latter benefited from a higher working capital level, higher average interest rates as well as a positive contribution from exposure to bonds in the underlying portfolio during the year. The claims ratio of 68% was in line with 2007, while the average underwriting margin of 6,4% was marginally up on the 6,2% reported in 2007. Taking into account a marginal increase during the year to 57% in Sanlam's effective holding, Santam's contribution to the Group's after-tax results increased by 33% to R494 million. These results exclude the earnings from discontinued operations in Europe, which are recognised separately in the income statement. These operations reported a net loss of R22 million (Sanlam's effective interest) for the year compared to a loss of R91 million in 2007.
- An initial pre-tax loss of R127 million incurred by MiWay is within its original business plan. MiWay made substantial inroads into the direct insurance market since inception in the first quarter of 2008 and already had some 26 000 short-term insurance policyholders by the end of December. The initial focus has been on short-term insurance. Diversification to also include other financial services will follow in due course. Continuing strong growth in new business volumes should keep MiWay on target to break even on a monthly basis towards the end of 2009, which will be a remarkable achievement for this fledgling operation.
- Corporate administration expenses were well maintained within inflationary limits.

Net of taxation and minority interest, the result from financial services is 7% down on 2007. The relatively bigger fall on a net basis is due to the minority shareholder impact in Santam, the best performing individual business.

Net result from financial services
for the year ended 31 December 2008

R million	**2008**	**2007**	**%△**
Sanlam Personal Finance	**1 555**	1 418	10
Sanlam Developing Markets	**144**	227	(37)
Sanlam UK	**58**	45	29
Institutional Cluster	**737**	1 086	(32)
Sanlam Employee Benefits	**183**	123	49
Sanlam Investments	**589**	869	(32)
Sanlam Capital Markets	**(35)**	94	(137)
Santam	**494**	372	33
MiWay	**(55)**	—	—
Corporate expenses	**(131)**	(119)	(10)
Net result from financial services	**2 802**	3 029	(7)

Financial review 2008
continued

As mentioned above, the Group's results were impacted by increased new business strain following the strong new business performance, as well as the initial losses incurred by MiWay. As can be seen from the table below, excluding these, the net result from financial services is in line with 2007, a very pleasing result in the current environment.

Net result from financial services
for the year ended 31 December 2008

R million	2008	2007	%△
Net result from financial services on comparable basis	**3 922**	3 905	—
Retail Cluster	**2 785**	2 542	10
Institutional Cluster	**774**	1 110	(30)
Santam	**494**	372	33
Corporate and other	**(131)**	(119)	(10)
MiWay	**(55)**	—	
New business strain	**(1 065)**	(876)	(22)
Net result from financial services	**2 802**	3 029	(7)

Net investment income

Net investment income for the 2008 financial year is 4% down on the comparative period in 2007, substantially due to the relatively lower asset base resulting from the cash used for share buy-backs during the year (refer to "Capital management" section below).

Normalised headline earnings

Normalised headline earnings of R1 966 million are 62% lower than the comparative period in 2007. Normalised headline earnings exclude the IFRS accounting impact of investments in Sanlam shares and Group subsidiaries held by the policyholders' fund (refer to "Earnings" section above). Including the effect of fund transfers recognised in terms of IFRS in respect of these shares, headline earnings decreased by 44%. The reduction in the weighted average number of shares in issue following the share buy-backs during the year (refer to "Capital management" section below) resulted in the reduction in normalised headline earnings per share being somewhat lower at 59%.

The reduction in normalised headline earnings is in the main attributable to the following:

- A reduction of 7% in core earnings as discussed above.
- Project expenditure of R56 million (net of taxation and minorities) spent on

Sanlam Personal Finance's SanlamConnect distribution channel and the MiWay direct distribution channel (up to its launch in February 2008) during their set-up phases. No further project cost is envisaged in respect of these projects. Ongoing costs incurred on the process refinements will be accounted for as operational expenditure.

- Equity-accounted earnings from non-operating investments decreased substantially in 2008. This is due to the disposal of the Group's interest in Peermont Global during 2007 as well as a reduction in earnings from the Safair Lease Finance joint venture (SLF) and investments held by Sanlam Developing Markets, Sanlam Investments, Sanlam Personal Finance and Santam. The Group disposed of its interest in SLF effective from the end of 2008.
- Investment surpluses amounting to R1 264 million (after tax and minorities) in 2007 turned around to aggregate negative investment returns of R1 699 million (after tax and minorities) in the 2008 financial year. This is the effect of the substantial deterioration in global equity markets during 2008. The JSE All Share Index return in 2008 was –26% (excluding dividends) relative to a positive return of 16% in 2007.
- The 55% fall in the secondary tax on companies (STC) charge is mainly attributable to the increased availability of STC credits generated to offset the charge in respect of the dividend paid in 2008.
- Discontinued operations relate to Santam's operations in Europe that have been disposed of. The profit or loss earned from discontinued operations must be recognised separately in the income statement in terms of IFRS.

Normalised attributable earnings

Normalised headline earnings are equal to normalised attributable earnings, but exclude earnings of a capital nature. Profits and losses realised on the disposal of subsidiaries, associated companies and joint ventures or the impairment of such investments and intangible assets, as well as the Group's share of such earnings reported by associated companies and joint ventures, are all regarded to be of a capital nature. The impairments in 2008 relate mainly to the Group's interest in Sanlam Home Loans and Principal. The slowdown in the South African housing market during 2008 as a result of the high interest rate environment, as well as limits placed on new loans granted, is expected to impact negatively on Sanlam Home Loans' short-term growth and profitability. Since the acquisition of Principal at the beginning of 2008, the UK investment market and economic conditions deteriorated significantly. This resulted in a major decrease in the FTSE and commensurately Principal's asset base. In light of these conditions, it was deemed appropriate to impair the equity-accounted investment in Sanlam Home Loans and the value of business acquired intangible asset relating to Principal.

Dividend

It is Sanlam's practice to pay only an annual dividend, given the cost associated with the distribution of a dividend to our large shareholder base.

Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the dividend, subject to the Group's liquidity and solvency requirements. The operational performance of the Group in the 2008 financial year enabled the Board to increase the dividend per share by 5% to 98 cents. Taking into account the reduction in the number of shares in issue following the share buy-backs during the year, this will keep the level of dividend distribution in line with that of 2007, maintaining a cash operating earnings cover of approximately 1,1 times.

The last date to trade to qualify for this dividend will be Friday, 17 April 2009. Dividend payment by way of electronic bank transfers will be effected on Wednesday, 6 May 2009. The mailing of check payments in respect

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of dividends due to those shareholders who have not elected to receive electronic dividend payments will commence on or as soon as practically possible after this date.

Share capital

Share buy-back

The Group continued its Sanlam share buy-back programme in 2008. A total of 117,2 million shares were acquired during 2008 for R2,2 billion at an average consideration of R19,11 per share. This represents 5,1% of Sanlam's issued shares as at 31 December 2007. All shares were acquired in normal open market transactions. Since the announcement of Sanlam's share buy-back programme in 2005, a total of 705,9 million shares, or 25,5% of Sanlam's issued shares as at 1 January 2005, have been acquired for a total consideration of R11,2 billion.

Share buy-back

	No of shares million	% of issued Jan-05	Average price R	R million
Acquired in 2005	358,96	13,0	12,39	4 446
Acquired in 2006	103,55	3,7	15,88	1 644
Acquired in 2007	126,27	4,6	23,01	2 906
	588,78	**21,3**	**15,28**	**8 996**
Acquired in 2008	**117,15**	**4,2**	**19,11**	**2 239**
Up to June 2008	**81,24**	**2,9**	**19,89**	**1 616**
After June 2008	**35,91**	**1,3**	**17,35**	**623**
Total acquired up to 2008	**705,93**	**25,5**	**15,92**	**11 235**

Share buy-backs to date have been value enhancing, both from an earnings per share and GEV per share perspective. Earnings per share have grown at higher levels than the absolute growth in earnings owing to the reduction in the number of issued shares while the acquisitions were accretive for GEV per share as the shares were acquired at an average price below the prevailing GEV per share.

Sanlam Demutualisation Trust

In one of the largest empowerment and wealth creation transactions in South African history, Sanlam Limited listed on the JSE Limited and the Namibian Stock Exchange in November 1998. As part of the demutualisation of Sanlam, free Sanlam Limited shares were distributed to more than 2 million Sanlam policyholders. Shares allocated to policyholders that Sanlam could not trace at that stage, were transferred to the Sanlam Demutualisation Trust, managed by an independent board of trustees. The Trust's mandate was to find as many of the beneficiaries of these shares as possible, to ensure that all policyholders receive the benefit of their free shares.

The Trust's term ended on 22 October 2008. Over the 10 years, the Trust was extremely successful in finding these beneficiaries. Shares due to just over 48 600 beneficiaries, representing less than 2,5% of the number of policyholders to whom free shares were originally allocated in 1998, remained unclaimed in the Trust. The number of shares (about 19 million) represents only 1% of the free shares originally allocated to policyholders.

The Trust has been a party to the Sanlam/Ubuntu-Botho Investments (UB) empowerment transaction as approved by shareholders and concluded in 2004. The transaction created a major broad-based black shareholder for Sanlam, which includes the Sanlam Ubuntu-Botho Community Development Trust, targeting community upliftment and development projects. As an integral part of the transaction, Sanlam facilitated the sale of 52 million of the shares that would potentially have reverted to it from the Trust to Ubuntu-Botho at the ruling market price at the time of 765 cents per share, thus capping the value of the shares that finally reverted to Sanlam at that price.

Sanlam at the same time introduced a mechanism through the issue of 52 million 'A' preference shares at par value to the Trust to ensure that the value of the benefits accruing to beneficiaries of the Trust remained unaffected. These preference shares entitled the Trust to convert the shares into ordinary shares (or to acquire ordinary shares from Sanlam) at 765 cents per share to the extent the Trust required such ordinary shares to comply with its commitment to beneficiaries. A total of 22,7 million preference shares were utilised to acquire ordinary shares during the period, which preference shares were since held by a Sanlam subsidiary. On termination of the Trust all the 'A' preference shares were redeemed at par.

Deferred shares

Sanlam issued 56,5 million 'A' deferred shares to UB as part of the black empowerment transaction in 2004. These shares qualify for conversion into Sanlam ordinary shares based on a formula linked to Sanlam's new business flows in any year. The shares are convertible into ordinary shares when a calculated value add of R7,65 per share, based on an agreed formula, has been achieved. To the extent that the conversion rights have vested, the deferred shares qualify for an ordinary dividend and are taken into account in the calculation of earnings and GEV per share. A further 6,5 million deferred shares qualified for conversion at the end of 2008, resulting in an aggregate 18,6 million of the deferred shares entitlement that has vested to date. The entitlement accruing in respect of the 2008 financial year is set out in the following table:

Deferred shares vesting

	Value add (R million)	Shares (million)
2008		**6,49**
VNB	48,6	6,37
Third party net investment flows	(15,1)	0,00
Collective investments net flows	1,0	0,12
Previous years		**12,09**
Total number of shares vested		**18,58**

Financial review 2008
continued

Corporate activity

A key objective of the Group is to find strategic investment opportunities that will complement the Group strategy to optimise returns and to diversify and enhance its operations and value proposition to clients. During 2008, the Group concluded a number of transactions, some of which were relatively small but nevertheless important in the execution of Group strategy. Some R1,1 billion was applied towards these corporate activities aimed at further diversifying the Group's solution offering and distribution reach. The following are the largest transactions concluded:

- A total amount of R561 million was utilised to strengthen our business presence in the United Kingdom. Sanlam UK acquired an 86% interest in Principal Investment Holdings, a UK-based private client business, as well as a 60% interest in Buckles Holdings, a financial advisory and ancillary services company. These acquisitions, together with Merchant Investors, Intrinsic, Nucleus and our interest in the Punter Southall Group form the new Sanlam UK cluster.
- MiWay Finance, a direct financial services company, was launched in February 2008. The Group has a direct 55% interest in MiWay, as well as an indirect interest of 25% through Santam. Sanlam contributed R110 million to the start-up capitalisation of the business.
- The success of the Group's Shriram Life joint venture with the Shriram Group in India was extended during the year with the formation of Shriram General Insurance, a joint venture between Sanlam and the Shriram Group to further expand and diversify the Group's financial services offering in this market. Sanlam obtained a 26% interest in the new joint venture for a total consideration of R115 million.
- Approximately R200 million of discretionary capital was invested to acquire an additional 2,5 million Santam shares in the market, increasing the Group's effective interest in Santam to 57%.
- The Group disposed of its interest in the Safair Lease Finance joint venture with the Imperial Group towards the end of 2008 for a consideration of R434 million.
- It was announced in February 2009 that the Group would acquire the PSG Group's 34,6% interest in Channel Life, subject to regulatory approval.

Capital management

The effective management of Sanlam's capital base is an essential component in meeting the Group's strategic objective of maximising shareholder value. It requires a continuous review of optimal capital levels, including the possible use of alternative sources of funding, a much stronger bias for capital-efficient solutions or the termination of capital-inefficient businesses, to maximise return on GEV. The Group has an integrated capital and risk management approach. The amount of capital required by and allocated to the various businesses is directly linked to their exposure to financial and operational risks.

Discretionary capital that is surplus to the Group's immediate operational requirements is separately identified and centrally managed. Group operations compete for additional capital based on applicable risk-adjusted return hurdles. The preference is to utilise such capital on new initiatives that will further the Group's strategic goals. Unemployed capital is value dilutive and will in time be returned to shareholders. As indicated above, some R11 billion has been returned over the past three years through the buying back of Sanlam shares.

Solvency of major Group businesses

All of the life insurance businesses within the Group were sufficiently capitalised at the end of the 2008 financial year. The total capital of Sanlam Life Insurance Limited, the holding company of the Group's major life insurance subsidiaries, amounted to R34,4 billion on 31 December 2008. Its admissible regulatory capital at the end of December 2008 amounted to R21,4 billion, which covered its regulatory Capital Adequacy Requirement (CAR) 2,7 times, compared to 3,5 times on 31 December 2007.

The level and nature of the supporting capital allocated to covered life insurance business is determined with reference to minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital is also subject to certain specific requirements. An internal stochastic modelling process is used to determine long-term required capital levels that, within a 95% confidence level, will be able to cover the minimum statutory CAR at least 1,5 times over each of the next 10 year-ends. The resulting supporting capital allocated to each of the covered life insurance businesses is analysed in the following table:

Capital supporting covered life insurance business

	2008	2007
Sanlam Personal Finance	**8 275**	8 285
Sanlam Developing Markets	**1 032**	860
Sanlam UK	**234**	447
Sanlam Employee Benefits	**5 472**	5 118
Capital allocated to covered business	**15 013**	14 710

Ongoing progress is being made in managing the utilisation of capital in support of covered life insurance business. This is essentially achieved through an increased focus on optimising the capital efficiency of the different solutions being offered. Sanlam Employee Benefits' capital requirement, however, remains at a disproportionate level to the value of in-force covered business, with a consequential negative impact on the return on GEV. Management is exploring alternatives to improve the capital efficiency. Sanlam Developing Markets transferred all of the discretionary capital in its South African operations to the discretionary capital portfolio held on a Group level. Some discretionary capital remains in its Botswana operations with some limitation on its application; the optimal utilisation thereof is currently under consideration.

Adverse market conditions contributed to some reduction in the funding levels of certain participating policyholder portfolios compared to 2007. No individual policyholder portfolio held a negative bonus stabilisation reserve in excess of 7,5% of policyholder liabilities at the end of 2008.

Financial review 2008
continued

Following Santam's capital reduction in 2007, its regulatory capital (shareholders' funds including bonds) constituted 42% of net earned premiums on 31 December 2007. Despite the adverse market conditions in 2008, the solvency level increased to 44% on 31 December 2008. This solvency level is still at the higher end of the target range of 35% to 45% set by Santam.

The capital utilised in other Group operations is managed through the Group's internal dividend policy, capital allocation process and performance hurdle rates. Performance targets are set for all Group operations based on an expected return on capital, adjusted for their individual risk rating. No Group operation is allowed to carry surplus capital and the Group dividend policy requires that these companies annually transfer to Sanlam all capital that is not required for normal operations or expansion.

Discretionary capital

Net of capital set aside for the final dividend in respect of 2008, share incentive scheme commitments and an allowance for some illiquid investments, discretionary capital amounted to R2,1 billion on 31 December 2008, a reduction of R4 billion on the R6,1 billion level reported in 2007. Major factors contributing to the change in discretionary capital during the year include:

- The cost of the strategic acquisitions and other corporate activities referred to above;
- R2,2 billion utilised to buy back Sanlam shares;
- Adjustments to allow for some illiquid investments (predominantly in Botswana); and
- Investment return for the year.

Discretionary capital

	R billion
Group Equity Value	45,2
Strategic investments (not included in Life capital)	(11,1)
Life insurance subsidiaries' embedded value	(28,6)
	5,5
Provision for 2008 dividend	(2,2)
Other	(1,2)
Discretionary capital	2,1

The Group's approach towards the application of discretionary capital remains unchanged. The overall objective of the Group is to maximise return on GEV and value to shareholders. This requires that the Group cannot retain unproductive capital indefinitely. The priority, however, remains to find investment opportunities that complement Group strategy and will enhance shareholder value. Any discretionary capital not to be utilised for suitable acquisitions or ventures will be returned to shareholders in the most efficient form.

A number of strategic investment opportunities have been identified and are currently being pursued. Negotiations in respect of these ventures are at different stages of completion. It is expected that should a fair number of these be successful, most of the excess of R2 billion of capital will be utilised for this purpose. A key consideration in all these transactions remains the ability to extract value in excess of an appropriate risk-adjusted hurdle rate that will contribute to maximising the Group's return on capital.

Given the recent market weakness, in particular also in respect of the Sanlam share price, the opportunity remains to add value through the buy-back of Sanlam shares. The Sanlam Board is of the opinion that share buy-backs are still an efficient way of returning capital to shareholders should the strategic investment opportunities not materialise. Any buy-back will be executed through normal market transactions. Capacity to acquire some 174 million shares still exists in terms of the current mandate from shareholders. Shareholders will be asked to renew the mandate at the forthcoming Sanlam annual general meeting.

Credit rating and hybrid debt

During 2004, Sanlam Limited and Sanlam Life Insurance Limited for the first time obtained formal credit ratings from Fitch Ratings International. Sanlam Life was awarded an 'AA' financial strength rating and Sanlam Limited an 'A' long-term debt rating. In recognition of Sanlam's strong capital position, these ratings were upgraded during 2007 (and again confirmed in 2008) to 'AA+' and 'AA-' respectively. The positive credit ratings enable the Sanlam operations to attract business from clients who require a formal rating from its counterparty or product provider. The ratings also provide an opportunity for Sanlam to issue further rated debt instruments, should a need to do so arise. Sanlam Life Insurance Limited issued R2 billion subordinated debt in August 2006, split between a seven-year (R1,2 billion) and 10-year (R0,8 billion) maturity period. The introduction of long-term debt into Sanlam Life's capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, led to a reduction in volatility in its regulatory capital base and consequently a lower overall capital requirement.

Prospects

Recessionary conditions in most of the major international economies are likely to have a negative impact on South African trade, with an expected lower demand for commodities and reduced economic growth for the foreseeable future. These conditions will have an unavoidable impact on the Group's operations, in particular on the investment management and capital market operations that are more exposed to the market volatility and negative sentiment, but also on the life insurance businesses that are reliant on the level of consumer confidence and disposable income in its target client base. Some slowdown in new business flows can therefore be expected. This sets the stage for a challenging 2009 and although we are confident that our businesses are robust enough to weather these challenges, they will impact on our ability to repeat our 2008 operational performance.

Our overall drive to optimise capital utilisation will continue to direct management focus in 2009. Current market conditions have introduced the need for a more prudent approach in managing the Group's capital. This will, however, not detract from our longer-term growth target and the ongoing pursuit of capital optimisation and potential growth opportunities will remain a priority. At the same time, management focus will be on optimising the existing base and the effective integration of and the extraction of value-adding benefits from recent corporate ventures and acquisitions.

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, among others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. 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. The factors that could cause actual results to differ materially from such forward-looking statements are discussed more fully in the annual report on pages 325 to 327. 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.

Financial team

Left to right:

David Barnes Head: Investor Relations

Jeanne Masson Head: Corporate Finance

Wikus Olivier Head: Group Financial Reporting

Danie Claassen Head: Group Tax Services

Kobus Möller Financial Director

André Nortier Chief Audit Executive

Shareholders' information

for the year ended 31 December 2008

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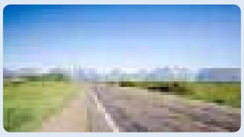


Basis of preparation and presentation

This section provides additional information in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group.

It includes analyses of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements on pages 269 to 342 are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. These IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information.

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

A glossary containing explanations of technical terms used in these financial statements is presented on page 343.

Basis of preparation and presentation – shareholders' fund information

The basis of presentation and accounting policies in respect of the financial information of the shareholders' fund are the same as those set out on pages 273 to 293, apart from the specific items described in this section.

The basis of presentation is also consistent with that applied in the 2007 financial statements, apart from allowance for the following changes in the presentation of segmental information. Comparative information has been restated accordingly:

- Information for the newly introduced Sanlam UK business unit is presented separately in the shareholders' fund information;
- The analysis of the shareholders' fund at net asset value includes Sanlam Developing Markets as a separate segment, whereas it was formerly included in the life insurance segment; and
- The life insurance segment in the analysis of the shareholders' fund at net asset value formerly included investments in Group subsidiaries held by Sanlam Life at fair value. Similarly, the investment return on these investments was included in the Sanlam Personal Finance income statement. Both the investments in these companies and the investment return thereon were eliminated in the consolidation column. These investments and the related investment return are now eliminated in the life insurance balance sheet and Sanlam Personal Finance income statement respectively.

The Group announced the creation of the Sanlam UK Cluster during June 2008, which consolidates the Group's operations in the United Kingdom (UK). The following businesses have been transferred from other Group clusters to the Sanlam UK Cluster:

- From Sanlam Personal Finance: Merchant Investors;
- From Independent Financial Services: Punter Southall Group, Intrinsic and Nucleus.

The newly acquired UK businesses, Principal and Buckles, also form part of the Sanlam UK Cluster. Responsibility for the remaining businesses formerly included in the Independent Financial Services Cluster

Basis of preparation and presentation
continued

has been transferred to the Group Finance function. These operations are accordingly not presented separately anymore but included in the Corporate and Other Cluster.

The results for MiWay, the Group's direct financial services business launched in February 2008, are included in the Short-term Insurance Cluster.

In addition, adjusted ROGEV information is also disclosed with effect from the 2008 financial year. Adjusted ROGEV excludes the impact on GEV of short-term investment market volatility.

The shareholders' fund information includes the following:

- Consolidated shareholders' fund at net asset value, together with a consolidated shareholders' fund income statement and related notes (refer pages 186 to 213);
- Shareholders' fund at fair value (refer page 184); and
- GEV and ROGEV information (refer pages 178 to 183).

Consolidated shareholders' fund, income statement and related information

The analysis of the shareholders' fund at net asset value and the related shareholders' fund income statement reflects the consolidated financial position and earnings of the shareholders' fund, based on accounting policies consistent with those on pages 273 to 293, apart from the following:

Basis of consolidation

Group companies are consolidated in the analysis of the Sanlam Group shareholders' fund at net asset value. The policyholders' and outside shareholders' interests in these companies are treated as minority shareholders' interest on consolidation.

Consolidation reserve

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS balance sheet, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund balance sheet. The fund transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised earnings. This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders' fund.

Segregated funds

Sanlam also manages and administers assets for the account of and at the risk of clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group balance sheet in terms of IFRS and are also excluded from the shareholders' fund balance sheet. Fund flows relating to segregated funds are however included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

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

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Home Loans, Sanlam Personal Loans, Shriram Life Insurance, Shriram General Insurance, Coris Administration and the Group's life insurance associates in Africa. The equity-accounted earnings from operating associates and joint ventures are included in the net result from financial services.

- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The investments in Peermont (for part of 2007), Safair Lease Finance (for 2007 and part of 2008) and the Santam Group's associates are the main non-operating associates and joint ventures. Dividends received from non-operating associates and joint ventures are included in core earnings. The remainder of equity-accounted retained earnings are reflected as equity-accounted earnings.

Core earnings

A Sanlam core earnings figure is presented as an earnings measure that excludes items of a volatile or once-off nature. Core earnings comprise the net result from financial services and net investment income earned on the shareholders' fund, but exclude abnormal and non-recurring items as well as investment surpluses. Net investment income includes dividends received from non-operating associated companies and joint ventures but excludes the remaining equity-accounted retained earnings.

Normalised earnings per share

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

Fund flows

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

Funds received from clients

Funds received from clients include single and recurring long- and short-term insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked-products as well as inflows of assets managed and administered on behalf of clients, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

White label fund flows relate to business where the Group is principally providing administrative or life licence services to third party institutions. White label business is in nature low margin business and subject to volatile cash flows.

Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

New business

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

All segregated fund inflows, inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

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

Basis of preparation and presentation
continued

Payments to clients

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

White label fund flows relate to business where the Group is principally providing administrative or life licence services to third party institutions. White label business is in nature low margin business and subject to volatile cash flows.

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

Shareholders' fund at fair value

The shareholders' fund at fair value is prepared from the consolidated shareholders' fund by replacing the net asset value of the Group operations that are not part of covered business, with the fair value of these businesses.

Group Equity Value

GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

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

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

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

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

Adjustments to net worth

Present value of corporate expenses

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses. Corporate expenses included allowance for interest earned on the cash held in respect of the annual dividend, between year-end and actual payment date, up to 31 December 2007. With effect from the 2008 financial year, it is assumed that dividends are paid at the beginning of the year and no allowance is made for interest earned for GEV purposes. This change in presentation decreased GEV by approximately R280 million in 2008.

Share incentive schemes granted on subsidiaries' own shares

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

Share incentive schemes granted on Sanlam Limited shares

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

Return on Group Equity Value

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

Adjusted return on Group Equity Value

As stated above, optimising shareholder value through maximising ROGEV is the Sanlam Group's key strategic objective.

Given the nature of the Group's operations and the level of required capital, the return on investment markets has a significant impact on the ROGEV reported for a specific period. The Group's success in achieving its return target is accordingly measured on a cumulative basis since demutualisation in 1998 to eliminate the distortion caused by market highs and lows. In evaluating the Group's results for a specific reporting period it is important to exclude the impact of investment market volatility in that period. Adjusted ROGEV is presented on this basis to provide an indication of the Group's underlying, longer-term performance.

The actual ROGEV for a reporting period is adjusted as follows to determine the equivalent adjusted ROGEV:

Key assumptions

Where applicable, the economic assumptions used for the embedded value of covered business at the end of the previous financial year (base economic assumptions or base return assumptions) remain constant for the reporting period and are assumed to have materialised. Deviations in adjusted ROGEV are therefore only affected by the result of operational performance.

Investment return

The investment return earned on shareholder assets is adjusted by replacing the actual return with an assumed return based on the base return assumptions. Both the actual and assumed returns are adjusted for taxation as appropriate.

Assets under management

Where assets under management (AUM) forms the base for the valuation of a business at fair value, it is assumed that the applicable AUM increased over the reporting period by:

- The actual net flows recorded for the period; and
- An adjusted investment return on the respective portfolios. The actual return earned on the portfolios is replaced by an assumed return based on the base return assumptions, adjusted for any actual over- or underperformance compared to benchmarks. The adjusted AUM is therefore not impacted by market movement variances compared to the base return assumptions, but any over- or underperformance against the benchmark will impact the level of AUM.

Basis of preparation and presentation
continued

The price to AUM ratio is kept constant unless changes in the underlying performance, business model or risk profile of the business justify a change.

Equity risk premiums

The risk premium applied to determine the risk discount rate for valuation purposes is adjusted if justified by changes in the underlying operational performance, business model or risk profile of the business.

Return on value of in-force

Items relating to economic assumptions, investment market returns and ad hoc adjustments are excluded from adjusted ROGEV on the basis that they are not under management's control. These will include economic assumption changes, investment variances, tax changes and similar changes.

Project expenses

Project expenses are excluded from adjusted ROGEV given that the potential benefits from the projects will only be realised over the longer term and are therefore not reflected in shorter measurement periods.

Santam

For adjusted ROGEV purposes the actual investment return earned on Santam is replaced by an assumed return equal to the base return assumptions. Santam is accordingly treated similar to other equity portfolio investments.

Basis of preparation and presentation – embedded value of covered business

The Group's embedded value of covered business information is prepared in accordance with PGN107 (version 4), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society).

The embedded value results for the Group are prepared for covered business as defined by PGN107 (version 4). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

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

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2007 financial statements, apart from additional disclosures to comply with the requirements of PGN107 (version 4) that became effective in the 2008 financial year.

Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements on pages 269 to 342. This business includes individual stable bonus, linked and market-related business, reversionary bonus business, group stable bonus business, annuity business and other non-participating business written by Sanlam Personal Finance, Sanlam Developing Markets, Sanlam UK and Sanlam Employee Benefits.

Covered business excludes the value of investment products provided under a life insurance policy where there is very little or no insurance risk.

Acquisitions, disposals and other movements

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

Methodology

Embedded value of covered business

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

The embedded value of covered business comprises the following components:

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

Adjusted net worth

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

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

Sanlam applies stochastic modelling techniques on an ongoing basis to assist in determining and confirming the most appropriate capital levels for the covered business. The modelling target is set to maintain supporting capital at such a level that will ensure, within a 95% confidence level, that it will at all times cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over the following 10 years. The required capital supporting existing covered business includes capital required in respect of future new business.

The required capital allocated to covered business is funded from two main sources:

- A balanced investment portfolio, comprising investments in equities, hedged equities, property, fixed interest securities and cash; and
- Capital diversification, where the net asset value of other Group operations are used to cover a portion of the required capital.

Given the asset mix of the balanced investment portfolio, the fair value of this portfolio will fluctuate commensurately with changes in investment market returns. The difference between the fair value of the balanced investment portfolio and the required capital is funded from capital diversification. The utilisation of capital diversification will accordingly change commensurately with changes in the fair value of the balanced investment portfolio. Changes in the utilisation of capital diversification are presented separately in the analysis of change in embedded value of covered business.

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

- Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework. In instances where markets underperform to such an extent that the allowance for capital diversification is not sufficient to fund the deficit of the portfolio compared to required capital, a transfer of capital to the portfolio is required.

Transfers to or from ANW are presented separately in the analysis of change in embedded value of covered business.

Net value of in-force business

The net value of in-force business consists of:

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

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

The long-term policy liabilities in respect of covered business in the financial statements are valued based on the statutory valuation method for insurance contracts and fair value for investment contracts.

Basis of preparation and presentation
continued

These liabilities include profit margins, which can be expected to emerge as profits in the future. The discounted value, using a risk-adjusted discount rate, placed on these expected future profits, after taxation, is the PVIF.

This value excludes the cost of required capital and any value attributable to future new business.

Cost of required capital

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

Value of new business

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

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Renewable recurring premiums under group insurance contracts are treated as in-force business;
- Life licence business, where there is very little or no insurance risk, is excluded; and
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are equal to the life insurance new business premiums disclosed in note 1 on page 193, excluding white label new business.

Risk discount rates and allowance for risk

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

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

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

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

Minimum investment guarantees to policyholders

An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market consistent basis in accordance with actuarial guidance from the Actuarial Society (PGN110). No further deduction from the value of in-force covered business is therefore required.

Share incentive schemes

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

Sensitivity analysis

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

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

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

Foreign currencies

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

Assumptions

Best estimate assumptions

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

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

Basis of preparation and presentation
continued

Economic assumptions

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

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

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

Assets backing required capital

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

Demographic assumptions

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

The surrender and paid-up bases of the South African life companies in the Group have been adjusted, where applicable, to reflect the minimum standards for early termination values agreed between the Life Offices Association and National Treasury. In all other respects, future benefits have been determined on current surrender and paid-up bases.

HIV/Aids

Allowance is made, where appropriate, for the impact of expected HIV/Aids-related claims, using models developed by the Actuarial Society, adjusted for Sanlam's practice and product design.

Premiums on individual business are assumed to be rerated, where applicable, in line with deterioration in mortality, with a three-year delay from the point where mortality losses would be experienced.

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The split between acquisition, maintenance and extraordinary project expenses is consistent with the statutory valuation assumptions and based on actual expenses incurred.

Project expenses

In determining the value of in-force covered business, the present value of projected expenses for certain planned projects focusing on both administration and existing distribution platforms of the life insurance business is deducted. Although these projects are of a short-term nature, similar projects may be undertaken from time-to-time. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

Where appropriate, special development costs that relate to investments in new distribution platforms are not allowed for in the projections. Profit from covered business is net of these development costs.

Investment management fees

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

Taxation

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

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

Allowance is made for secondary tax on companies (STC) in the value of in-force covered business and the value of new business at a rate of 10% by placing a present value on the tax liability generated by the net cash dividends paid that are attributable to covered business. It is assumed that all future dividends will be paid in cash.

No allowance was made for tax changes announced by the Minister of Finance in his budget speech in February 2009.

Earnings from covered business

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

› Value of new business

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

› Net earnings from existing covered business

Expected return on value of covered business

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

Operating experience variances

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

Operating assumption changes

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

› Expected investment return on adjusted net worth

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

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

› Economic assumption changes

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

› Investment variances

Investment variances – value of in-force

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

Investment variances – investment return on adjusted net worth

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

External audit

The shareholders' information has been subject to audit by the Group's external auditors, Ernst & Young Inc. The external auditors' unqualified audit reports are included on pages 270 and 271.

Sanlam Group
Group Equity Value

at 31 December 2008

R million	Note	2008 Total	2008 Fair value of assets	2008 Value of in-force	2007 Total	2007 Fair value of assets	2007 Value of in-force
Sanlam Personal Finance		**20 997**	**9 698**	**11 299**	21 281	9 477	11 804
Covered business[1]		**19 574**	**8 275**	**11 299**	20 089	8 285	11 804
Glacier		**696**	**696**	**—**	593	593	—
Sanlam Personal Loans		**71**	**71**	**—**	104	104	—
Multi-Data		**190**	**190**	**—**	143	143	—
Sanlam Trust		**144**	**144**	**—**	104	104	—
Sanlam Home Loans		**133**	**133**	**—**	177	177	—
Anglo African Finance		**33**	**33**	**—**	—	—	—
Sanlam Healthcare Management		**78**	**78**	**—**	—	—	—
Sanlam Namibia Holdings		**78**	**78**	**—**	71	71	—
Sanlam Developing Markets		**2 813**	**1 049**	**1 764**	2 188	888	1 300
Covered business[1]		**2 796**	**1 032**	**1 764**	2 160	860	1 300
Alfinanz		**17**	**17**	**—**	28	28	—
Sanlam UK		**1 527**	**1 081**	**446**	1 521	1 047	474
Covered business[1]		**680**	**234**	**446**	921	447	474
Principal		**299**	**299**	**—**	—	—	—
Buckles		**69**	**69**	**—**	—	—	—
Punter Southall Group		**219**	**219**	**—**	297	297	—
Other UK operations		**18**	**18**	**—**	97	97	—
Preference shares and interest-bearing instruments		**242**	**242**	**—**	206	206	—
Institutional Cluster		**11 541**	**11 472**	**69**	12 518	12 374	144
Covered business[1]		**5 541**	**5 472**	**69**	5 262	5 118	144
Sanlam Investments		**5 581**	**5 581**	**—**	6 677	6 677	—
Coris Administration		**54**	**54**	**—**	38	38	—
Capital Markets		**365**	**365**	**—**	541	541	—
Short-term Insurance		**5 273**	**5 273**	**—**	6 375	6 375	—
MiWay		**110**	**110**	**—**	—	—	—
Shriram General Insurance		**115**	**115**	**—**	—	—	—
Santam		**5 048**	**5 048**	**—**	6 375	6 375	—
Group operations		**42 151**	**28 573**	**13 578**	43 883	30 161	13 722
Capital diversification		**(1 429)**	**(1 429)**	**—**	(1 232)	(1 232)	—
Discretionary capital		**2 100**	**2 100**	**—**	6 100	6 100	—
Balanced portfolio – other		**3 499**	**3 499**	**—**	3 429	3 429	—
Group Equity Value before adjustments to net worth		**46 321**	**32 743**	**13 578**	52 180	38 458	13 722
Net worth adjustments		**(1 083)**	**(1 083)**	**—**	(887)	(887)	—
Present value of holding company expenses	18	**(1 052)**	**(1 052)**	**—**	(793)	(793)	—
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares		**(31)**	**(31)**	**—**	(94)	(94)	—
Group Equity Value		**45 238**	**31 660**	**13 578**	51 293	37 571	13 722
Value per share (cents)	17	**2 213**	**1 549**	**664**	2 350	1 721	629

R million	Note	2008 Total	2008 Fair value of assets	2008 Value of in-force	2007 Total	2007 Fair value of assets	2007 Value of in-force
Analysis per type of business							
Covered business[1]		**28 591**	**15 013**	**13 578**	28 432	14 710	13 722
Sanlam Personal Finance		**19 574**	**8 275**	**11 299**	20 089	8 285	11 804
Sanlam Developing Markets		**2 796**	**1 032**	**1 764**	2 160	860	1 300
Sanlam UK		**680**	**234**	**446**	921	447	474
Institutional Cluster		**5 541**	**5 472**	**69**	5 262	5 118	144
Other Group operations	16	**13 560**	**13 560**	**—**	15 451	15 451	—
Discretionary and other capital		**3 087**	**3 087**	**—**	7 410	7 410	—
Group Equity Value		**45 238**	**31 660**	**13 578**	51 293	37 571	13 722
Analysis of covered business							
Sanlam Personal Finance		**19 574**	**8 275**	**11 299**	20 089	8 285	11 804
Allocated capital		**18 860**	**7 561**	**11 299**	19 329	7 525	11 804
Utilisation of capital diversification		**714**	**714**	**—**	760	760	—
Sanlam Developing Markets		**2 796**	**1 032**	**1 764**	2 160	860	1 300
Allocated capital		**2 557**	**793**	**1 764**	2 158	858	1 300
Utilisation of capital diversification		**239**	**239**	**—**	2	2	—
Sanlam UK		**680**	**234**	**446**	921	447	474
Allocated capital		**680**	**234**	**446**	921	447	474
Utilisation of capital diversification		**—**	**—**	**—**	—	—	—
Institutional Cluster		**5 541**	**5 472**	**69**	5 262	5 118	144
Allocated capital		**5 065**	**4 996**	**69**	4 792	4 648	144
Utilisation of capital diversification		**476**	**476**	**—**	470	470	—
Covered business		**28 591**	**15 013**	**13 578**	28 432	14 710	13 722
Allocated capital		**27 162**	**13 584**	**13 578**	27 200	13 478	13 722
Utilisation of capital diversification		**1 429**	**1 429**	**—**	1 232	1 232	—

[1] *Refer embedded value of covered business on page 214.*

Sanlam Group
Change in Group Equity Value

for the year ended 31 December 2008

R million	2008	2007
Earnings from covered business[1]	**919**	4 700
Earnings from other Group operations	**(1 885)**	4 428
Operations valued based on ratio of price to assets under management	**(715)**	1 599
Assumption changes	**(99)**	253
Change in assets under management	**(1 005)**	392
Earnings for the year and changes in capital requirements	**188**	1 013
Foreign currency translation differences and other	**201**	(59)
Operations valued based on discounted cash flows	**144**	327
Expected return	**275**	223
Operating experience variances and other	**(6)**	6
Assumption changes	**(104)**	104
Foreign currency translation differences	**(21)**	(6)
Operations valued at net asset value – earnings for the year	**(35)**	140
Listed operations – investment return	**(1 279)**	2 362
Earnings from discretionary and other capital	**(440)**	(209)
Investment return	**68**	294
Shriram Life Insurance goodwill less value of in-force acquired	**(43)**	(108)
Treasury shares and other	**(269)**	(286)
Change in adjustments to net worth	**(196)**	(109)
Group Equity Value earnings	**(1 406)**	8 919
Change in presentation of outstanding equity compensation shares granted on Sanlam Limited shares	**—**	740
Dividends paid	**(1 968)**	(1 771)
Shares cancelled	**(2 481)**	—
Cost of treasury shares acquired	**(200)**	(3 406)
Sanlam share buy-back	**(2 238)**	(2 906)
Transfer to shares cancelled	**2 481**	—
Share incentive scheme and other	**(443)**	(500)
Group Equity Value at beginning of the year	**51 293**	46 811
Group Equity Value at end of the year	**45 238**	51 293

[1] *Refer embedded value of covered business on page 214.*

Sanlam Group
Return on Group Equity Value

for the year ended 31 December 2008

	2008 Earnings R million	2008 Return %	2007 Earnings R million	2007 Return %
Sanlam Personal Finance	**744**	**3,5**	4 122	21,8
Covered business(1)	**453**	**2,3**	3 953	22,2
Other operations	**291**	**24,4**	169	16,0
Sanlam Developing Markets	**648**	**29,6**	377	19,3
Covered business(1)	**659**	**30,5**	351	18,0
Other operations	**(11)**	**(39,3)**	26	—
Sanlam UK	**(356)**	**(23,4)**	212	16,4
Covered business(1)	**(36)**	**(3,9)**	63	7,3
Other operations	**(320)**	**(53,3)**	149	33,9
Institutional Cluster	**(723)**	**(5,8)**	2 055	16,2
Covered business(1)	**(157)**	**(3,0)**	333	4,9
Sanlam Investments	**(547)**	**(8,2)**	1 592	29,1
Coris Administration	**16**	**42,1**	(11)	—
Capital markets	**(35)**	**(8,8)**	141	35,3
Short-term insurance	**(1 279)**	**(20,1)**	2 362	42,0
Discretionary and other capital	**(440)**		(209)	
Balance of portfolio	**114**		365	
Shares delivered to Sanlam Demutualisation Trust	**(46)**		(71)	
Shriram Life Insurance goodwill less value of in-force acquired	**(43)**		(108)	
Treasury shares and other	**(269)**		(286)	
Change in adjustments to net worth	**(196)**		(109)	
Return on Group Equity Value	**(1 406)**	**(2,7)**	8 919	19,1
Return on Group Equity Value per share		**(1,7)**		18,8

(1)*Refer embedded value of covered business on page 214.*

R million	2008	2007
Reconciliation of return on Group Equity Value:		
The return on Group Equity Value reconciles as follows to normalised attributable earnings:		
Normalised attributable earnings per shareholders' fund income statement on page 191	**1 758**	5 860
Earnings recognised directly in equity	**175**	(200)
Net foreign currency translation gains	**60**	(99)
Dilution from Santam treasury share transactions	**(19)**	(175)
Share-based payments	**134**	74
Movement in fair value adjustment – shareholders' fund at fair value	**(2 724)**	2 160
Movement in adjustments to net worth	**(200)**	(181)
Present value of holding company expenses	**(259)**	(126)
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	**63**	(62)
Change in goodwill and value of business aquired adjustments less value of in-force acquired	**(4)**	(72)
Other	**—**	79
Treasury shares and other	**(271)**	(271)
Growth from covered business: value of in-force(1)	**(144)**	1 551
Return on Group Equity Value	**(1 406)**	8 919

(1)*Refer embedded value of covered business on page 214.*

Sanlam Group
Adjusted return on Group Equity Value

for the year ended 31 December 2008

	2008		2007	
	Earnings R million	Return %	Earnings R million	Return %
Sanlam Personal Finance	**2 697**	**12,7**	2 813	14,9
Covered business	**2 406**	**12,0**	2 644	14,8
Other operations	**291**	**24,4**	169	16,0
Sanlam Developing Markets	**561**	**25,6**	437	22,4
Covered business	**572**	**26,5**	411	21,1
Other operations	**(11)**	**(39,3)**	26	—
Sanlam UK	**(52)**	**(3,4)**	191	14,7
Covered business	**141**	**15,3**	42	4,8
Other operations	**(193)**	**(32,2)**	149	33,9
Institutional Cluster	**980**	**7,9**	2 115	16,8
Covered business	**558**	**10,6**	436	6,5
Other operations	**422**	**5,9**	1 679	28,6
Short-term Insurance	**669**	**10,5**	499	8,9
Discretionary and other capital	**549**		38	
Adjusted return on Group Equity Value	**5 404**	**10,5**	6 093	13,0
Adjusted return on Group Equity Value per share		**12,4**		12,4

Sanlam Group
Group Equity Value sensitivity analysis

at 31 December 2008

Given the Group's exposure to financial instruments, market risk has a significant impact on the value of the Group's operations as measured by Group Equity Value. The sensitivity of Group Equity Value to market risk is presented in the table below and comprises the following two main components:

- Impact on net result from financial services (profitability): A large portion of the Group's fee income is linked to the level of assets under management. A change in the market value of investments managed by the Group on behalf of policyholders and third parties will commensurately have a direct impact on the Group's net result from financial services. The present value of this impact is reflected in the table below as the change in the value of in-force and the fair value of other operations.
- Impact on capital: The Group's capital base is invested in financial instruments and any change in the valuation of these instruments will have a commensurate impact on the value of the Group's capital. This impact is reflected in the table below as the change in the fair value of the covered business's adjusted net worth as well as the fair value of discretionary and other capital.

The following scenarios are presented:

- Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields.
- Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately.
- The rand depreciates by 10% against all currencies, apart from the Namibian dollar.

Comparative information is not presented as data was not collected in prior periods and it is impracticable to recreate the information.

The Group's covered business is also exposed to non-market risks, which includes expense, persistency, mortality and morbidity risk. The sensitivity of the value of in-force business, and commensurately Group Equity Value, to these risks is presented in note 1 on page 217.

R million	**Base value**	**Equities and properties –10%**	**Interest rates –1%**	**Rand exchange rate depreciation +10%**
Covered business	28 591	27 774	29 055	28 723
Adjusted net worth	15 013	15 013	15 013	15 013
Value of in-force	13 578	12 761	14 042	13 710
Other Group operations	13 560	12 775	13 800	13 720
Valued at net asset value	590	590	590	590
Listed	5 048	4 543	5 048	5 048
Other	7 922	7 642	8 162	8 082
Group operations	42 151	40 549	42 855	42 443
Capital diversification	(1 429)	(2 419)	(1 439)	(1 233)
Discretionary and other capital	5 599	5 515	5 701	5 678
Group Equity Value before adjustments to net worth	46 321	43 645	47 117	46 888
Net worth adjustments	(1 083)	(1 080)	(1 083)	(1 083)
Present value of holding company expenses	(1 052)	(1 052)	(1 052)	(1 052)
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	(31)	(28)	(31)	(31)
Group Equity Value	**45 238**	**42 565**	**46 034**	**45 805**

Sanlam Group
Shareholders' fund at fair value

at 31 December 2008

R million	Note	2008 Fair value	2008 Fair value adjustment	2008 Net asset value	2007 Fair value	2007 Fair value adjustment	2007 Net asset value
Covered business, discretionary and other capital		**20 577**	**120**	**20 457**	24 397	184	24 213
Property and equipment		**228**	**—**	**228**	214	—	214
Owner-occupied properties		**613**	**—**	**613**	612	—	612
Goodwill[2]		**473**	**—**	**473**	487	—	487
Value of business acquired[2]		**802**	**—**	**802**	843	—	843
Deferred acquisition costs		**1 260**	**—**	**1 260**	1 079	—	1 079
Investments		**18 247**	**120**	**18 127**	23 023	184	22 839
Equities and similar securities		**9 036**	**112**	**8 924**	11 112	112	11 000
Associated companies		**234**	**8**	**226**	347	23	324
Joint ventures							
Safair Lease Finance		**—**	**—**	**—**	209	12	197
Shriram Life Insurance and other[3]		**208**	**—**	**208**	169	—	169
Public sector stocks and loans		**1 411**	**—**	**1 411**	2 697	—	2 697
Investment properties		**491**	**—**	**491**	245	—	245
Other interest-bearing and preference share investments		**6 867**	**—**	**6 867**	8 244	37	8 207
Net term finance		**—**	**—**	**—**	—	—	—
Term finance		**(5 101)**	**—**	**(5 101)**	(5 068)	—	(5 068)
Assets held in respect of term finance		**5 101**	**—**	**5 101**	5 068	—	5 068
Net deferred tax		**352**	**—**	**352**	(95)	—	(95)
Net working capital		**(451)**	**—**	**(451)**	(909)	—	(909)
Minority shareholders' interest		**(947)**	**—**	**(947)**	(857)	—	(857)
Other Group operations	16	**13 560**	**5 827**	**7 733**	15 451	8 487	6 964
Sanlam Investments		**5 581**	**3 949**	**1 632**	6 677	5 133	1 544
SIM Wholesale		**3 903**	**2 844**	**1 059**	4 443	3 621	822
International		**1 358**	**854**	**504**	1 857	1 207	650
Sanlam Collective Investments		**320**	**251**	**69**	377	305	72
Sanlam Personal Finance		**1 423**	**837**	**586**	1 192	563	629
Glacier		**696**	**387**	**309**	593	319	274
Sanlam Personal Loans[4]		**71**	**27**	**44**	104	29	75
Multi-Data		**190**	**164**	**26**	143	78	65
Sanlam Trust		**144**	**127**	**17**	104	89	15
Sanlam Home Loans		**133**	**—**	**133**	177	—	177
Anglo African Finance		**33**	**19**	**14**	—	—	—
Sanlam Healthcare Management		**78**	**58**	**20**	—	—	—
Sanlam Namibia Holdings		**78**	**55**	**23**	71	48	23
Sanlam UK		**847**	**28**	**819**	600	193	407
Principal		**299**	**2**	**297**	—	—	—
Buckles		**69**	**8**	**61**	—	—	—
Punter Southall Group		**219**	**—**	**219**	297	96	201
Other UK operations		**18**	**18**	**—**	97	97	—
Preference shares and interest-bearing instruments		**242**	**—**	**242**	206	—	206
Alfinanz		**17**	**13**	**4**	28	26	2
Coris Administration		**54**	**28**	**26**	38	5	33
Sanlam Capital Markets		**365**	**—**	**365**	541	—	541
MiWay		**110**	**58**	**52**	—	—	—
Shriram General Insurance		**115**	**—**	**115**	—	—	—
Santam		**5 048**	**2 161**	**2 887**	6 375	3 814	2 561
Goodwill held on Group level in respect of the above businesses		**—**	**(1 247)**	**1 247**	—	(1 247)	1 247
Shareholders' fund at fair value		**34 137**	**5 947**	**28 190**	39 848	8 671	31 177
Value per share (cents)	17	**1 670**	**291**	**1 379**	1 826	398	1 428

R million	Note	2008 Total	2008 Fair value of assets	2008 Value of in-force	2007 Total	2007 Fair value of assets	2007 Value of in-force
Reconciliation to Group Equity Value							
Group Equity Value before adjustments to net worth		**46 321**	**32 743**	**13 578**	52 180	38 458	13 722
Add: Goodwill and value of business acquired replaced by value of in-force		**1 394**	**1 394**	**—**	1 390	1 390	—
Merchant Investors		**356**	**356**	**—**	356	356	—
Sanlam Sky Solutions		**760**	**760**	**—**	794	794	—
Channel Life		**110**	**110**	**—**	114	114	—
Shriram Life Insurance[3]		**151**	**151**	**—**	108	108	—
Other		**17**	**17**	**—**	18	18	—
Less: Value of in-force		**(13 578)**	**—**	**(13 578)**	(13 722)	—	(13 722)
Shareholders' fund at fair value		**34 137**	**34 137**	**—**	39 848	39 848	—

[1] *Group businesses listed above are not consolidated, but reflected as investments at fair value.*

[2] *The value of business acquired and goodwill relate mainly to the consolidation of Sanlam Sky Solutions, Channel Life and Merchant Investors and are excluded in the build-up of the Group Equity Value, as the current value of in-force business for these life insurance companies are included in the embedded value of covered business.*

[3] *The carrying value of Shriram Life Insurance includes goodwill of R151 million that is excluded in the build-up of the Group Equity Value, as the current value of in-force business for Shriram Life Insurance is included in the embedded value of covered business.*

[4] *The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.*

Sanlam Group
Shareholders' fund at net asset value

at 31 December 2008

R million	Note	Sanlam Life[1] 2008	Sanlam Life[1] 2007	Sanlam Developing Markets[2] 2008	Sanlam Developing Markets[2] 2007	Sanlam UK 2008	Sanlam UK 2007
Property and equipment		**172**	160	**64**	56	**7**	2
Owner-occupied properties		**460**	455	**62**	61	**—**	—
Goodwill		**143**	140	**93**	91	**379**	356
Value of business acquired		**24**	13	**795**	833	**340**	—
Deferred acquisition costs		**1 355**	1 152	**—**	—	**—**	—
Investments	5	**23 436**	29 072	**2 914**	2 786	**538**	782
Properties		**629**	377	**36**	29	**—**	—
Associated companies		**—**	202	**114**	100	**219**	201
Joint ventures		**202**	288	**208**	167	**—**	—
Equities and similar securities		**13 488**	15 536	**939**	951	**26**	4
Public sector stocks and loans		**1 748**	2 697	**171**	133	**—**	—
Debentures, preference shares and other loans		**5 240**	5 544	**110**	310	**184**	206
Cash, deposits and similar securities		**2 129**	4 428	**1 336**	1 096	**109**	371
Net deferred tax		**243**	(150)	**(13)**	(40)	**1**	—
Deferred tax asset		**258**	176	**50**	38	**1**	—
Deferred tax liability		**(15)**	(326)	**(63)**	(78)	**—**	—
Net non-current assets held for sale		**—**	—	**—**	—	**—**	—
Net short-term insurance technical provisions	6	**—**	—	**—**	—	**—**	—
Short-term insurance technical assets		**—**	—	**—**	—	**—**	—
Short-term insurance technical provisions		**—**	—	**—**	—	**—**	—
Net working capital assets/(liabilities)		**1 906**	(997)	**(167)**	364	**172**	(98)
Trade and other receivables	7	**5 282**	2 022	**639**	1 191	**182**	164
Cash, deposits and similar securities		**2 808**	3 278	**270**	341	**245**	64
Trade and other payables	8	**(4 202)**	(4 518)	**(978)**	(973)	**(165)**	(197)
Provisions		**(914)**	(548)	**(67)**	(53)	**(78)**	(129)
Taxation		**(1 068)**	(1 231)	**(31)**	(142)	**(12)**	—
Term finance		**(4 702)**	(5 017)	**—**	—	**(20)**	—
External investors in consolidated funds		**(2 393)**	(1 896)	**—**	—	**—**	—
Cell owners' interest		**—**	—	**—**	—	**—**	—
Minority shareholders' interest		**(127)**	(66)	**(850)**	(809)	**(8)**	—
Shareholders' fund at net asset value		**20 517**	22 866	**2 898**	3 342	**1 409**	1 042
Analysis of shareholders' fund							
Covered business		**13 747**	13 403	**1 032**	860	**234**	447
Other operations		**612**	662	**4**	2	**819**	407
Discretionary and other capital		**6 158**	8 801	**1 862**	2 480	**356**	188
Shareholders' fund at net asset value		**20 517**	22 866	**2 898**	3 342	**1 409**	1 042
Consolidation reserve		**—**	—	**—**	—	**—**	—
Shareholders' fund per Group balance sheet on page 294		**20 517**	22 866	**2 898**	3 342	**1 409**	1 042

[1] *Includes the operations of Sanlam Personal Finance and Sanlam Employee Benefits as well as discretionary capital held by Sanlam Life. Equities and similar securities include an investment of R2 426 million (2007: R3 268 million) in Sanlam shares, which is eliminated in the consolidation column.*

[2] *Includes discretionary capital held by Sanlam Developing Markets.*

[3] *Corporate and other include the assets of Genbel Securities and Sanlam Limited Corporate on a consolidated basis.*

[4] *The investment in treasury shares is reversed within the consolidation column. Intercompany balances, other investments and term finance between companies within the Group are also eliminated.*

Short-term Insurance		Sanlam Investments		Sanlam Capital Markets		Corporate and Other[3]		Consolidation Entries[4]		Total	
2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
105	52	**31**	25	**3**	3	**—**	—	**—**	—	**382**	298
1	1	**38**	37	**—**	—	**—**	—	**91**	96	**652**	650
596	470	**174**	150	**—**	—	**1 247**	1 247	**(9)**	(7)	**2 623**	2 447
10	1	**143**	156	**—**	—	**—**	—	**(3)**	(3)	**1 309**	1 000
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**1 355**	1 152
6 894	6 580	**756**	713	**—**	—	**3 085**	2 186	**(4 969)**	(5 242)	**32 654**	36 877
—	—	**269**	174	**—**	—	**—**	—	**(100)**	(100)	**834**	480
177	478	**66**	71	**—**	—	**112**	23	**—**	—	**688**	1 075
115	—	**104**	32	**—**	—	**—**	197	**—**	—	**629**	684
2 801	4 356	**98**	161	**—**	—	**1 296**	784	**(3 539)**	(3 856)	**15 109**	17 936
534	309	**3**	3	**—**	—	**—**	—	**—**	—	**2 456**	3 142
1 164	1 314	**118**	50	**—**	—	**1 181**	245	**(1 330)**	(1 286)	**6 667**	6 383
2 103	123	**98**	222	**—**	—	**496**	937	**—**	—	**6 271**	7 177
108	(51)	**(5)**	(16)	**107**	73	**137**	120	**—**	—	**578**	(64)
120	40	**19**	10	**110**	73	**154**	136	**—**	—	**712**	473
(12)	(91)	**(24)**	(26)	**(3)**	—	**(17)**	(16)	**—**	—	**(134)**	(537)
—	454	**—**	—	**—**	—	**—**	—	**—**	—	**—**	454
(5 979)	(5 456)	**—**	—	**—**	—	**—**	—	**—**	—	**(5 979)**	(5 456)
2 250	2 263	**—**	—	**—**	—	**—**	—	**—**	—	**2 250**	2 263
(8 229)	(7 719)	**—**	—	**—**	—	**—**	—	**—**	—	**(8 229)**	(7 719)
4 763	3 767	**898**	894	**806**	665	**(1 511)**	(366)	**(796)**	(94)	**6 071**	4 135
2 764	1 974	**1 208**	1 397	**20 144**	23 344	**2 487**	1 725	**(10 078)**	(6 350)	**22 628**	25 467
3 996	3 859	**848**	764	**1 847**	2 512	**3**	1	**—**	—	**10 017**	10 819
(1 936)	(1 492)	**(1 161)**	(1 173)	**(21 185)**	(25 191)	**(3 625)**	(1 940)	**9 280**	6 256	**(23 972)**	(29 228)
(25)	(87)	**(1)**	(3)	**—**	—	**(370)**	(153)	**2**	—	**(1 453)**	(973)
(36)	(487)	**4**	(91)	**—**	—	**(6)**	1	**—**	—	**(1 149)**	(1 950)
(972)	(955)	**(108)**	(105)	**(551)**	(200)	**(406)**	(58)	**756**	521	**(6 003)**	(5 814)
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**(2 393)**	(1 896)
(447)	(336)	**—**	—	**—**	—	**—**	—	**—**	—	**(447)**	(336)
(2 025)	(1 966)	**(224)**	(236)	**—**	—	**(1)**	(1)	**623**	808	**(2 612)**	(2 270)
3 054	2 561	**1 703**	1 618	**365**	541	**2 551**	3 128	**(4 307)**	(3 921)	**28 190**	31 177
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**15 013**	14 710
3 054	2 561	**1 632**	1 544	**365**	541	**1 247**	1 247	**—**	—	**7 733**	6 964
—	—	**71**	74	**—**	—	**1 304**	1 881	**(4 307)**	(3 921)	**5 444**	9 503
3 054	2 561	**1 703**	1 618	**365**	541	**2 551**	3 128	**(4 307)**	(3 921)	**28 190**	31 177
—	—	**—**	—	**—**	—	**—**	—	**(539)**	(1 843)	**(539)**	(1 843)
3 054	2 561	**1 703**	1 618	**365**	541	**2 551**	3 128	**(4 846)**	(5 764)	**27 651**	29 334

Sanlam Group
Shareholders' fund income statement

for the year ended 31 December 2008

R million	Note	Sanlam Personal Finance 2008	Sanlam Personal Finance 2007	Sanlam Developing Markets 2008	Sanlam Developing Markets 2007	Sanlam UK 2008	Sanlam UK 2007
Financial services income	9	**6 678**	6 257	**3 115**	2 817	**399**	217
Sales remuneration		**(1 105)**	(977)	**(927)**	(708)	**(62)**	(37)
Income after sales remuneration		**5 573**	5 280	**2 188**	2 109	**337**	180
Underwriting policy benefits		**(1 631)**	(1 544)	**(1 138)**	(1 030)	**—**	—
Administration costs	10	**(1 967)**	(1 879)	**(832)**	(736)	**(269)**	(131)
Result from financial services before tax		**1 975**	1 857	**218**	343	**68**	49
Tax on financial services income	11	**(400)**	(411)	**(23)**	(41)	**(12)**	(4)
Result from financial services after tax		**1 575**	1 446	**195**	302	**56**	45
Minority shareholders' interest		**(20)**	(28)	**(51)**	(75)	**2**	—
Net result from financial services	12	**1 555**	1 418	**144**	227	**58**	45
Net investment income		**571**	424	**59**	112	**24**	51
Dividends received – Group companies		**86**	7	**—**	—	**—**	—
Other investment income	13	**600**	519	**118**	175	**26**	54
Tax on investment income	11	**(115)**	(102)	**(28)**	(38)	**(2)**	(3)
Minority shareholders' interest		**—**	—	**(31)**	(25)	**—**	—
Core earnings		**2 126**	1 842	**203**	339	**82**	96
Project expenses		**(46)**	(77)	**(7)**	—	**—**	—
Amortisation of value of business aquired		**(4)**	(2)	**(49)**	(46)	**(24)**	—
BEE transaction costs		**—**	—	**—**	—	**—**	—
Net equity-accounted headline earnings		**—**	21	**(10)**	1	**—**	—
Equity-accounted headline earnings		**—**	21	**(19)**	2	**—**	—
Minority shareholders' interest		**—**	—	**9**	(1)	**—**	—
Net investment surpluses		**(1 940)**	383	**(57)**	198	**—**	—
Investment surpluses – Group companies		**(900)**	50	**—**	—	**—**	—
Other investment surpluses		**(1 195)**	400	**(125)**	309	**—**	—
Tax on investment surpluses	11	**155**	(67)	**22**	10	**—**	—
Minority shareholders' interest		**—**	—	**46**	(121)	**—**	—
Secondary tax on companies – after minorities		**2**	63	**(26)**	(40)	**—**	—
Net loss from discontinued operations		**—**	—	**—**	—	**—**	—
Loss from discontinued operations		**—**	—	**—**	—	**—**	—
Minority shareholders' interest		**—**	—	**—**	—	**—**	—
Normalised headline earnings		**138**	2 230	**54**	452	**58**	96
Other equity-accounted earnings		**—**	—	**—**	—	**33**	—
Profit/(loss) on disposal of subsidiaries		**—**	—	**—**	21	**—**	—
Net profit on disposal of associated companies		**—**	567	**—**	1	**—**	—
Profit on disposal of associated companies		**—**	705	**—**	1	**—**	—
Tax on profit on disposal of associated companies		**—**	(138)	**—**	—	**—**	—
Impairments		**(58)**	(2)	**(1)**	—	**(126)**	—
Normalised attributable earnings	14	**80**	2 795	**53**	474	**(35)**	96
Fund transfers		**—**	—	**—**	—	**—**	—
Attributable earnings per Group income statement		**80**	2 795	**53**	474	**(35)**	96
Ratios							
Admin ratio[1]		**35,3%**	35,6%	**38,0%**	34,9%	**79,8%**	72,8%
Operating margin[2]		**35,4%**	35,2%	**10,0%**	16,3%	**20,2%**	27,2%
Diluted earnings per share							
Adjusted weighted average number of shares (million)							
Net result from financial services (cents)		**74,3**	62,4	**6,9**	10,1	**2,8**	2,0
Core earnings (cents)							

[1] *Administration costs as a percentage of income earned by the shareholders' fund less sales remuneration.*

[2] *Result from financial services before tax as a percentage of income earned by the shareholders' fund less sales remuneration.*

Sanlam Employee Benefits		Short-term Insurance		Sanlam Investments		Sanlam Capital Markets		Subtotal: Operating businesses	
2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
2 059	1 796	**12 274**	11 035	**2 259**	2 562	**107**	283	**26 891**	24 967
(40)	(38)	**(1 727)**	(1 488)	**—**	—	**—**	—	**(3 861)**	(3 248)
2 019	1 758	**10 547**	9 547	**2 259**	2 562	**107**	283	**23 030**	21 719
(1 511)	(1 299)	**(8 007)**	(7 303)	**—**	—	**—**	—	**(12 287)**	(11 176)
(250)	(286)	**(1 379)**	(1 257)	**(1 434)**	(1 332)	**(168)**	(210)	**(6 299)**	(5 831)
258	173	**1 161**	987	**825**	1 230	**(61)**	73	**4 444**	4 712
(75)	(50)	**(345)**	(288)	**(190)**	(278)	**26**	21	**(1 019)**	(1 051)
183	123	**816**	699	**635**	952	**(35)**	94	**3 425**	3 661
—	—	**(377)**	(327)	**(46)**	(83)	**—**	—	**(492)**	(513)
183	123	**439**	372	**589**	869	**(35)**	94	**2 933**	3 148
278	307	**127**	140	**17**	14	**—**	—	**1 076**	1 048
—	—	**—**	—	**—**	—	**—**	—	**86**	7
343	378	**208**	275	**38**	31	**—**	—	**1 333**	1 432
(65)	(71)	**18**	(11)	**(8)**	(7)	**—**	—	**(200)**	(232)
—	—	**(99)**	(124)	**(13)**	(10)	**—**	—	**(143)**	(159)
461	430	**566**	512	**606**	883	**(35)**	94	**4 009**	4 196
—	—	**(3)**	—	**—**	—	**—**	—	**(56)**	(77)
—	—	**—**	(3)	**—**	—	**—**	—	**(77)**	(51)
—	—	**(7)**	—	**—**	—	**—**	—	**(7)**	—
—	—	**17**	41	**(10)**	17	**—**	—	**(3)**	80
—	—	**30**	76	**(6)**	17	**—**	—	**5**	116
—	—	**(13)**	(35)	**(4)**	—	**—**	—	**(8)**	(36)
(546)	345	**(210)**	218	**(27)**	7	**—**	—	**(2 780)**	1 151
—	—	**—**	—	**—**	—	**—**	—	**(900)**	50
(627)	415	**(686)**	432	**(33)**	14	**—**	—	**(2 666)**	1 570
81	(70)	**329**	(3)	**8**	(5)	**—**	—	**595**	(135)
—	—	**147**	(211)	**(2)**	(2)	**—**	—	**191**	(334)
—	—	**(14)**	(127)	**—**	(2)	**—**	—	**(38)**	(106)
—	—	**(22)**	(91)	**—**	—	**—**	—	**(22)**	(91)
—	—	**(41)**	(168)	**—**	—	**—**	—	**(41)**	(168)
—	—	**19**	77	**—**	—	**—**	—	**19**	77
(85)	775	**327**	550	**569**	905	**(35)**	94	**1 026**	5 102
—	—	**—**	—	**—**	—	**—**	—	**33**	—
—	—	**36**	—	**(33)**	19	**—**	13	**3**	53
—	—	**—**	20	**—**	—	**—**	32	**—**	620
—	—	**—**	23	**—**	—	**—**	36	**—**	765
—	—	**—**	(3)	**—**	—	**—**	(4)	**—**	(145)
—	—	**(5)**	—	**(10)**	(2)	**—**	—	**(200)**	(4)
(85)	775	**358**	570	**526**	922	**(35)**	139	**862**	5 771
—	—	**—**	—	**—**	—	**—**	—	**—**	—
(85)	775	**358**	570	**526**	922	**(35)**	139	**862**	5 771
12,4%	16,3%	**13,1%**	13,2%	**63,5%**	52,0%	**157,0%**	74,2%	**27,4%**	26,8%
12,8%	9,8%	**11,0%**	10,3%	**36,5%**	48,0%	**(57,0%)**	25,8%	**19,3%**	21,7%
8,7	5,4	**21,0**	16,4	**28,1**	38,2	**(1,7)**	4,1	**140,1**	138,5

Sanlam Group
Shareholders' fund income statement

for the year ended 31 December 2008 continued

R million	Note	Subtotal: Operating businesses 2008	2007
Financial services income	9	**26 891**	24 967
Sales remuneration		**(3 861)**	(3 248)
Income after sales remuneration		**23 030**	21 719
Underwriting policy benefits		**(12 287)**	(11 176)
Administration costs	10	**(6 299)**	(5 831)
Result from financial services before tax		**4 444**	4 712
Tax on result from financial services	11	**(1 019)**	(1 051)
Result from financial services after tax		**3 425**	3 661
Minority shareholders' interest		**(492)**	(513)
Net result from financial services	12	**2 933**	3 148
Net investment income		**1 076**	1 048
Dividends received – Group companies		**86**	7
Other investment income	13	**1 333**	1 432
Tax on investment income	11	**(200)**	(232)
Minority shareholders' interest		**(143)**	(159)
Core earnings		**4 009**	4 196
Project expenses		**(56)**	(77)
Amortisation of value of business acquired		**(77)**	(51)
BEE transaction costs		**(7)**	—
Net equity-accounted headline earnings		**(3)**	80
Equity-accounted headline earnings		**5**	116
Minority shareholders' interest		**(8)**	(36)
Net investment surpluses		**(2 780)**	1 151
Investment surpluses – Group companies		**(900)**	50
Other investment surpluses		**(2 666)**	1 570
Tax on investment surpluses	11	**595**	(135)
Minority shareholders' interest		**191**	(334)
Secondary tax on companies – after minorities		**(38)**	(106)
Net loss from discontinued operations		**(22)**	(91)
Loss from discontinued operations		**(41)**	(168)
Minority shareholders' interest		**19**	77
Normalised headline earnings		**1 026**	5 102
Other equity-accounted earnings		**33**	—
Profit/(loss) on disposal of subsidiaries		**3**	53
Net profit on disposal of associated companies		**—**	620
Profit on disposal of associated companies		**—**	765
Tax on profit on disposal of associated companies		**—**	(145)
Impairments		**(200)**	(4)
Normalised attributable earnings	14	**862**	5 771
Fund transfers		**—**	—
Attributable earnings per Group income statement		**862**	5 771
Ratios			
Admin ratio		**27,4%**	26,8%
Operating margin		**19,3%**	21,7%
Diluted earnings per share			
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		**140,1**	138,5
Core earnings (cents)			

Corporate and Other		Consolidation entries		Total	
2008	2007	2008	2007	2008	2007
78	59	—	—	26 969	25 026
—	—	—	—	(3 861)	(3 248)
78	59	—	—	23 108	21 778
—	—	—	—	(12 287)	(11 176)
(262)	(232)	—	—	(6 561)	(6 063)
(184)	(173)	—	—	4 260	4 539
53	54	—	—	(966)	(997)
(131)	(119)	—	—	3 294	3 542
—	—	—	—	(492)	(513)
(131)	(119)	—	—	2 802	3 029
78	76	(86)	(7)	1 068	1 117
—	—	(86)	(7)	—	—
99	72	—	—	1 432	1 504
(21)	4	—	—	(221)	(228)
—	—	—	—	(143)	(159)
(53)	(43)	(86)	(7)	3 870	4 146
—	(8)	—	—	(56)	(85)
—	—	—	—	(77)	(51)
—	(5)	—	—	(7)	(5)
19	72	—	—	16	152
19	72	—	—	24	188
—	—	—	—	(8)	(36)
181	163	900	(50)	(1 699)	1 264
—	—	900	(50)	—	—
151	146	—	—	(2 515)	1 716
30	17	—	—	625	(118)
—	—	—	—	191	(334)
(21)	(25)	—	—	(59)	(131)
—	—	—	—	(22)	(91)
—	—	—	—	(41)	(168)
—	—	—	—	19	77
126	154	814	(57)	1 966	5 199
—	—	—	—	33	—
—	—	—	(9)	3	44
—	4	—	—	—	624
—	4	—	—	—	769
—	—	—	—	—	(145)
(44)	(3)	—	—	(244)	(7)
82	155	814	(66)	1 758	5 860
—	—	736	(366)	736	(366)
82	155	1 550	(432)	2 494	5 494
				28,4%	27,8%
				18,4%	20,8%
				2 094,0	2 273,2
(6,3)	(5,2)	—	—	133,8	133,3
				184,8	182,4

Notes to the shareholders' fund information

for the year ended 31 December 2008

1. Analysis of new business and total funds received

Analysed per business, reflecting the split between life and non-life business

	Total		Life Insurance[(1), (3)]		Life Licence[(2), (3)]		Other	
R million	2008	2007	2008	2007	2008	2007	2008	2007
Sanlam Personal Finance	31 070	26 516	12 092	9 830	—	—	18 978	16 686
South Africa	22 644	19 137	11 413	9 428	—	—	11 231	9 709
Recurring	1 165	1 157	1 072	1 075	—	—	93	82
Single	19 723	15 756	8 585	6 129	—	—	11 138	9 627
Continuations	1 756	2 224	1 756	2 224	—	—	—	—
Africa	8 426	7 379	679	402	—	—	7 747	6 977
Recurring	87	60	87	60	—	—	—	—
Single	8 339	7 319	592	342	—	—	7 747	6 977
Sanlam Developing Markets	2 594	3 615	2 594	3 615	—	—	—	—
South Africa	1 449	2 767	1 449	2 767	—	—	—	—
Recurring	765	584	765	584	—	—	—	—
Single	684	2 183	684	2 183	—	—	—	—
Africa	968	722	968	722	—	—	—	—
Recurring	338	240	338	240	—	—	—	—
Single	630	482	630	482	—	—	—	—
Other international	177	126	177	126	—	—	—	—
Recurring	68	53	68	53	—	—	—	—
Single	109	73	109	73	—	—	—	—
Sanlam UK	2 350	1 293	1 426	1 293	—	—	924	—
Other international	2 350	1 293	1 426	1 293	—	—	924	—
Recurring	20	13	20	13	—	—	—	—
Single	2 330	1 280	1 406	1 280	—	—	924	—
Sanlam Employee Benefits	515	878	515	878	—	—	—	—
South Africa	515	878	515	878	—	—	—	—
Recurring	179	159	179	159	—	—	—	—
Single	336	719	336	719	—	—	—	—
Sanlam Investments	44 961	49 299	—	—	1 641	1 792	43 320	47 507
Employee benefits	985	1 510	—	—	985	1 510	—	—
Recurring	—	40	—	—	—	40	—	—
Single	985	1 470	—	—	985	1 470	—	—
Collective investment schemes	18 254	19 832	—	—	—	—	18 254	19 832
Retail funds	10 780	11 592	—	—	—	—	10 780	11 592
Wholesale business	7 474	8 240	—	—	—	—	7 474	8 240
Segregated funds	22 944	23 550	—	—	—	—	22 944	23 550
Wholesale business	15 850	15 250	—	—	—	—	15 850	15 250
Private Investments	7 094	8 300	—	—	—	—	7 094	8 300
Non-South African	2 778	4 407	—	—	656	282	2 122	4 125

1. Analysis of new business and total funds received *(continued)*

R million	Total 2008	Total 2007	Life Insurance[1], [3] 2008	Life Insurance[1], [3] 2007	Life Licence[2], [3] 2008	Life Licence[2], [3] 2007	Other 2008	Other 2007
Short-term insurance	**12 165**	11 407	**—**	—	**—**	—	**12 165**	11 407
New business excluding white label	**93 655**	93 008	**16 627**	15 616	**1 641**	1 792	**75 387**	75 600
White label	**6 481**	8 996	**—**	1 202	**—**	—	**6 481**	7 794
Sanlam Collective Investments	**6 481**	7 794	**—**	—	**—**	—	**6 481**	7 794
Sanlam Developing Markets	**—**	1 202	**—**	1 202	**—**	—	**—**	—
Total new business	**100 136**	102 004	**16 627**	16 818	**1 641**	1 792	**81 868**	83 394
Recurring premiums on existing funds								
Sanlam Personal Finance	**9 425**	9 061						
Sanlam Developing Markets	**2 244**	1 916						
Sanlam UK	**606**	442						
Institutional Cluster	**3 595**	3 487						
Total funds received	**116 006**	116 910						

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

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

[3] Comparative figures have been restated for a reclassification of Botswana Insurance Fund Management business from Life Insurance to Life Licence business and Sanlam Employee Benefits Life Licence business to Sanlam Investments.

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

R million	2008	2007
1. Analysis of new business and total funds received *(continued)*		
Analysed per market		
Retail		
Life business	**12 862**	12 195
Sanlam Personal Finance	**11 413**	9 428
Sanlam Developing Markets	**1 449**	2 767
Non-life business	**29 105**	29 601
Sanlam Personal Finance	**11 231**	9 709
Sanlam Private Investments	**7 094**	8 300
Sanlam Collective Investments	**10 780**	11 592
South African	**41 967**	41 796
Non-South African	**11 921**	9 520
Sanlam Personal Finance	**8 426**	7 379
Sanlam Developing Markets	**1 145**	848
Sanlam UK	**2 350**	1 293
Total retail	**53 888**	51 316
Institutional		
Group Life business	**1 500**	2 388
Sanlam Employee Benefits	**515**	878
Investment Management	**985**	1 510
Non-life business	**23 324**	23 490
Segregated	**11 810**	10 012
Sanlam Multi-Manager	**4 040**	5 238
Sanlam Collective Investments	**7 474**	8 240
South African	**24 824**	25 878
Investment Management Non-South African	**2 778**	4 407
Total institutional	**27 602**	30 285
White label	**6 481**	8 996
Sanlam Collective Investments	**6 481**	7 794
Sanlam Developing Markets	**—**	1 202
Short-term insurance	**12 165**	11 407
Total new business	**100 136**	102 004

2. Analysis of payments to clients

R million	Total 2008	Total 2007	Life Insurance[1], [3] 2008	Life Insurance[1], [3] 2007	Life Licence[2], [3] 2008	Life Licence[2], [3] 2007	Other 2008	Other 2007
Sanlam Personal Finance	**36 619**	31 884	**20 319**	20 107	**—**	—	**16 300**	11 777
South Africa	**27 921**	25 272	**19 559**	19 359	**—**	—	**8 362**	5 913
Surrenders	**4 175**	3 753	**4 175**	3 753	**—**	—	**—**	—
Other	**23 746**	21 519	**15 384**	15 606	**—**	—	**8 362**	5 913
Africa	**8 698**	6 612	**760**	748	**—**	—	**7 938**	5 864
Surrenders	**105**	160	**105**	160	**—**	—	**—**	—
Other	**8 593**	6 452	**655**	588	**—**	—	**7 938**	5 864
Sanlam Developing Markets	**3 620**	3 265	**3 620**	3 265	**—**	—	**—**	—
South Africa	**2 945**	2 798	**2 945**	2 798	**—**	—	**—**	—
Surrenders	**453**	275	**453**	275	**—**	—	**—**	—
Other	**2 492**	2 523	**2 492**	2 523	**—**	—	**—**	—
Africa	**674**	467	**674**	467	**—**	—	**—**	—
Surrenders	**198**	9	**198**	9	**—**	—	**—**	—
Other	**476**	458	**476**	458	**—**	—	**—**	—
Other international	**1**	—	**1**	—	**—**	—	**—**	—
Surrenders	**1**	—	**1**	—	**—**	—	**—**	—
Other	**—**	—	**—**	—	**—**	—	**—**	—
Sanlam UK	**2 867**	1 907	**1 850**	1 907	**—**	—	**1 017**	—
Other international	**2 867**	1 907	**1 850**	1 907	**—**	—	**1 017**	—
Surrenders	**2 466**	1 500	**1 449**	1 500	**—**	—	**1 017**	—
Other	**401**	407	**401**	407	**—**	—	**—**	—
Sanlam Employee Benefits	**4 433**	6 966	**4 433**	6 966	**—**	—	**—**	—
South Africa	**4 433**	6 966	**4 433**	6 966	**—**	—	**—**	—
Terminations[4]	**1 489**	3 261	**1 489**	3 261	**—**	—	**—**	—
Other	**2 944**	3 705	**2 944**	3 705	**—**	—	**—**	—

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

2. Analysis of payments to clients *(continued)*

R million	Total 2008	Total 2007	Life Insurance[1], [3] 2008	Life Insurance[1], [3] 2007	Life Licence[2], [3] 2008	Life Licence[2], [3] 2007	Other 2008	Other 2007
Investment Management	**42 988**	46 308	**—**	—	**3 337**	3 798	**39 651**	42 510
Employee benefits	**2 590**	3 654	**—**	—	**2 590**	3 654	**—**	—
Terminations[4]	**1 118**	1 789	**—**	—	**1 118**	1 789	**—**	—
Other	**1 472**	1 865	**—**	—	**1 472**	1 865	**—**	—
Collective investment schemes	**15 580**	18 016	**—**	—	**—**	—	**15 580**	18 016
Retail funds	**9 834**	9 547	**—**	—	**—**	—	**9 834**	9 547
Wholesale business	**5 746**	8 469	**—**	—	**—**	—	**5 746**	8 469
Segregated funds	**21 280**	21 466	**—**	—	**—**	—	**21 280**	21 466
Wholesale business	**17 401**	16 928	**—**	—	**—**	—	**17 401**	16 928
Private Investments	**3 879**	4 538	**—**	—	**—**	—	**3 879**	4 538
Non-South African	**3 538**	3 172	**—**	—	**747**	144	**2 791**	3 028
Short-term insurance	**8 431**	8 028	**—**	—	**—**	—	**8 431**	8 028
Payments to clients excluding white label	**98 958**	98 358	**30 222**	32 245	**3 337**	3 798	**65 399**	62 315
White label	**7 926**	7 189	**—**	650	**—**	—	**7 926**	6 539
Sanlam Collective Investments	**7 926**	6 539	**—**	—	**—**	—	**7 926**	6 539
Sanlam Developing Markets	**—**	650	**—**	650	**—**	—	**—**	—
Total payments to clients	**106 884**	105 547	**30 222**	32 895	**3 337**	3 798	**73 325**	68 854

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

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

[3] *Comparative figures have been restated for a reclassification of Botswana Insurance Fund Management business from Life Insurance to Life Licence business and Sanlam Employee Benefits Life Licence business to Sanlam Investments.*

[4] *Includes taxation paid on behalf of certain retirement funds.*

3. Analysis of net inflow/(outflow) of funds

	Total		Life Insurance[1], [3]		Life Licence[2], [3]		Other	
R million	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Sanlam Personal Finance	**3 876**	3 693	**1 170**	(1 182)	**—**	—	**2 706**	4 875
South Africa	**3 691**	2 552	**794**	(1 210)	**—**	—	**2 897**	3 762
Africa	**185**	1 141	**376**	28	**—**	—	**(191)**	1 113
Sanlam Developing Markets	**1 218**	2 266	**1 218**	2 266	**—**	—	**—**	—
South Africa	**1**	1 372	**1**	1 372	**—**	—	**—**	—
Africa	**998**	768	**998**	768	**—**	—	**—**	—
Other international	**219**	126	**219**	126	**—**	—	**—**	—
Sanlam UK	**89**	(172)	**182**	(172)	**—**	—	**(93)**	—
Sanlam Employee Benefits	**(1 994)**	(3 594)	**(1 994)**	(3 594)	**—**	—	**—**	—
Sanlam Investments	**3 644**	3 984	**—**	—	**(833)**	(1 013)	**4 477**	4 997
Employee benefits	**(742)**	(1 151)	**—**	—	**(742)**	(1 151)	**—**	—
Collective investment schemes	**2 674**	1 816	**—**	—	**—**	—	**2 674**	1 816
Retail funds	**946**	2 045	**—**	—	**—**	—	**946**	2 045
Wholesale business	**1 728**	(229)	**—**	—	**—**	—	**1 728**	(229)
Segregated funds	**2 472**	2 084	**—**	—	**—**	—	**2 472**	2 084
Wholesale business	**(743)**	(1 678)	**—**	—	**—**	—	**(743)**	(1 678)
Private Investments	**3 215**	3 762	**—**	—	**—**	—	**3 215**	3 762
Non-South African	**(760)**	1 235	**—**	—	**(91)**	138	**(669)**	1 097
Santam	**3 734**	3 379	**—**	—	**—**	—	**3 734**	3 379
Net inflow/(outflow) excluding white label	**10 567**	9 556	**576**	(2 682)	**(833)**	(1 013)	**10 824**	13 251
White label	**(1 445)**	1 807	**—**	552	**—**	—	**(1 445)**	1 255
Sanlam Collective Investments	**(1 445)**	1 255	**—**	—	**—**	—	**(1 445)**	1 255
Sanlam Developing Markets	**—**	552	**—**	552	**—**	—	**—**	—
Total net inflow/(outflow)	**9 122**	11 363	**576**	(2 130)	**(833)**	(1 013)	**9 379**	14 506

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

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

[3] *Comparative figures have been restated for a reclassification of Botswana Insurance Fund Management business from Life Insurance to Life Licence business and Sanlam Employee Benefits Life Licence business to Sanlam Investments.*

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

R million	2008	2007
3. Analysis of net inflow/(outflow) of funds *(continued)*		
Analysed per market		
Retail		
Life business	**795**	162
Sanlam Personal Finance	**794**	(1 210)
Sanlam Developing Markets	**1**	1 372
Non-life business	**7 058**	9 569
Sanlam Personal Finance	**2 897**	3 762
Sanlam Private Investments	**3 215**	3 762
Sanlam Collective Investments	**946**	2 045
South African	**7 853**	9 731
Non-South African	**1 491**	1 863
Sanlam Personal Finance	**185**	1 141
Sanlam Developing Markets	**1 217**	894
Sanlam UK	**89**	(172)
Total retail	**9 344**	11 594
Institutional		
Group Life business	**(2 736)**	(4 745)
Sanlam Employee Benefits	**(1 994)**	(3 594)
Investment Management	**(742)**	(1 151)
Non-life business	**985**	(1 907)
Segregated	**2 663**	(1 753)
Sanlam Multi-Manager	**(3 406)**	75
Sanlam Collective Investments	**1 728**	(229)
South African	**(1 751)**	(6 652)
Investment Management Non-South African	**(760)**	1 235
Total institutional	**(2 511)**	(5 417)
White label	**(1 445)**	1 807
Sanlam Collective Investments	**(1 445)**	1 255
Sanlam Developing Markets	**—**	552
Short-term insurance	**3 734**	3 379
Total net inflow	**9 122**	11 363

R million	2008	2007
4. Assets under management		
Assets under management		
Sanlam Personal Finance		
Assets under management at beginning of the year	**203 318**	186 036
Life insurance	**161 706**	152 779
Other	**41 612**	33 257
Net inflow of funds[(1)]	**5 736**	5 237
Life insurance	**2 783**	435
Other	**2 953**	4 802
Investment return	**(4 189)**	18 203
Life insurance	**(2 350)**	14 630
Other	**(1 839)**	3 573
Fees, risk premiums and other payments to shareholders	**(6 275)**	(6 158)
Life insurance	**(6 252)**	(6 138)
Other	**(23)**	(20)
Business combinations	**—**	31
Life insurance	**—**	31
Other	**—**	—
Other movements	**(64)**	(31)
Life insurance	**(64)**	(31)
Other	**—**	—
Assets under management at end of the year	**198 526**	203 318
Life insurance	**155 823**	161 706
Other	**42 703**	41 612
Sanlam Developing Markets		
Assets under management at beginning of the year	**16 943**	19 108
Net inflow of funds[(1)]	**2 309**	3 374
Investment return	**(1 423)**	2 151
Fees, risk premiums and other payments to shareholders	**(3 192)**	(2 802)
Business combinations	**—**	(4 206)
Foreign currency translation differences	**1 193**	(666)
Other	**(14)**	(16)
Assets under management at end of the year	**15 816**	16 943

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

R million	2008	2007
4. Assets under management *(continued)*		
Sanlam UK		
Assets under management at beginning of the year	23 737	23 183
Life insurance	23 737	23 183
Other	—	—
Net inflow/(outflow) of funds[1]	94	(168)
Life insurance	187	(168)
Other	(93)	—
Investment return	(7 238)	1 543
Life insurance	(4 934)	1 543
Other	(2 304)	—
Fees, risk premiums and other payments to shareholders	(532)	(441)
Life insurance	(421)	(441)
Other	(111)	—
Business combinations	14 200	—
Life insurance	—	—
Other	14 200	—
Foreign currency translation differences	(1 979)	(380)
Life insurance	116	(380)
Other	(2 095)	—
Assets under management at end of the year	28 282	23 737
Life insurance	18 685	23 737
Other	9 597	—
Sanlam Employee Benefits		
Assets under management at beginning of the year	42 205	42 943
Net outflow of funds[1]	(2 098)	(2 826)
Investment return	799	3 920
Fees, risk premiums and other payments to shareholders	(2 047)	(1 832)
Assets under management at end of the year	38 859	42 205
Sanlam Investments		
Assets under management at beginning of the year	453 962	405 853
Wholesale and retail	435 723	389 885
White label	18 239	15 968
Net outflow of funds[1]	(14 391)	(6 364)
Wholesale and retail	(12 945)	(6 386)
White label	(1 446)	22
Investment return	(30 920)	52 269
Wholesale and retail	(29 024)	50 020
White label	(1 896)	2 249
Business combinations	—	2 204
Wholesale and retail	—	2 204
White label	—	—
Assets under management at end of the year	408 651	453 962
Wholesale and retail	393 754	435 723
White label	14 897	18 239

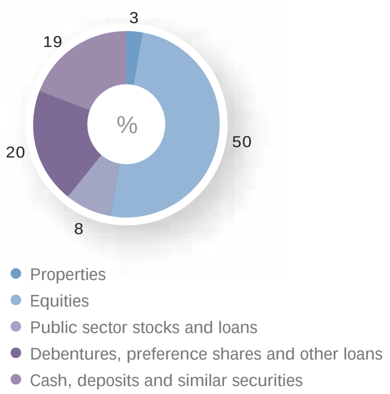
[1] *Includes business flows between Group businesses, which are eliminated in note 3. Note 3 includes risk underwriting benefits recognised in the income statement, which are excluded for assets under management fund flows, as the premiums charged for risk underwriting are included in this analysis.*

4. Assets under management *(continued)*

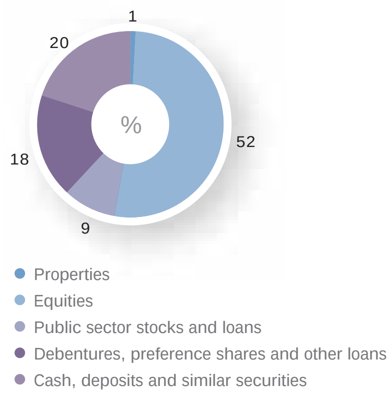
	Average assets (R million)	Administration costs (bps)	Margin (bps)
Profitability of assets under management			
31 December 2008			
Sanlam Personal Finance	**200 303**	**98**	**99**
Life insurance	**156 709**	**115**	**115**
Other	**43 594**	**49**	**27**
Sanlam Developing Markets	**17 105**	**486**	**127**
Sanlam UK	**34 365**	**78**	**20**
Life insurance	**22 466**	**80**	**20**
Other	**11 899**	**75**	**18**
Sanlam Employee Benefits	**39 634**	**63**	**65**
Sanlam Investments	**436 163**	**33**	**19**
Wholesale and retail	**420 017**	**29**	**19**
White label	**16 146**	**131**	**11**
31 December 2007			
Sanlam Personal Finance	197 439	95	94
Life insurance	159 333	89	95
Other	38 106	37	32
Sanlam Developing Markets	18 831	391	182
Sanlam UK	24 201	54	20
Life insurance	24 201	54	20
Other	—	—	—
Sanlam Employee Benefits	43 277	66	40
Sanlam Investments	432 240	31	28
Wholesale and retail	415 096	26	29
White label	17 144	139	13

5. Investments

Total shareholders' fund investment mix 2008



Total shareholders' fund investment mix 2007



R million	2008	2007
5.1 Investment in associated companies		
Collective investment schemes	**—**	504
Punter Southall Group	**219**	201
Other associated companies	**469**	370
Total investment in associated companies	**688**	1 075

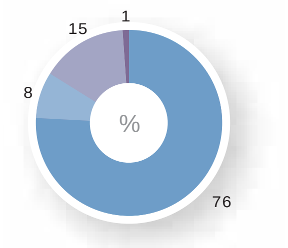
Details of the investments in the material associated companies are reflected in note 7 on page 303 of the Sanlam Group financial statements.

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

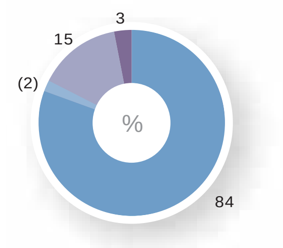
R million	2008	2007
5. Investments *(continued)*		
5.2 Investment in joint ventures		
Safair Lease Finance	**—**	197
Sanlam Personal Loans	**44**	76
Sanlam Home Loans	**133**	177
Shriram Life Insurance	**208**	167
Shriram General Insurance	**115**	—
Other joint ventures	**129**	67
Total investment in joint ventures	**629**	684
Details of the investments in material joint ventures are reflected in note 7 on pages 304 to 305 of the Sanlam Group financial statements.		
5.3 Equities and similar securities		
Listed on the JSE – at market value	**11 380**	15 097
Unlisted equity and derivative investments – at directors' valuation	**1 253**	(450)
Offshore equity investments	**2 281**	2 779
Collective investment schemes	**195**	510
Total equity investments	**15 109**	17 936

Total shareholders' fund equity mix 2008



- Listed on the JSE – at market value
- Unlisted equity and derivative investments – at directors' valuation
- Offshore equity investments
- Collective investments schemes

Total shareholders' fund equity mix 2007



- Listed on the JSE – at market value
- Unlisted equity and derivative investments – at directors' valuation
- Offshore equity investments
- Collective investment schemes

%	2008	2007
Spread of investments in equities listed on the JSE by sector[(1)]		
Basic industries	**19,2**	20,6
Consumer goods	**5,0**	7,6
Consumer services	**9,4**	5,5
Financials	**12,7**	24,0
General industrials	**10,5**	8,7
Information technology	**0,3**	0,3
Healthcare	**1,1**	1,2
Telecommunications	**8,0**	7,3
Other	**33,8**	24,8
	100,0	100,0

(1) *Excludes offshore equities, derivatives, collective investment schemes and unlisted investments and includes the appropriate underlying investments of Santam.*

R million	2008	2007
5.4 Offshore investments		
Equities	**2 281**	2 779
Interest-bearing investments	**1 008**	1 792
Investment properties	**142**	53
Total offshore investments	**3 431**	4 624

5. Investments *(continued)*

5.5 Derivative instruments

Details of the derivative instruments held by the shareholders' fund are as follows:

R million	Residual term to contractual maturity < 1 year	1 – 5 years	> 5 years	Total notional amounts	Analysed by use Trading	Asset liability manage-ment	Total fair value of amounts
2008							
Interest rate products over-the-counter							
Swap contracts – bought	**67 625**	**20 450**	**35 885**	**123 960**	**122 939**	**1 021**	**(6)**
Swap contracts – sold	**(56 836)**	**(16 116)**	**(36 533)**	**(109 485)**	**(109 485)**	**—**	**—**
Total interest rate products	**10 789**	**4 334**	**(648)**	**14 475**	**13 454**	**1 021**	**(6)**
Market risk products							
Cliquet structures – bought	**1 590**	**412**	**—**	**2 002**	**1 702**	**300**	**(28)**
Collar structures – bought	**786**	**565**	**—**	**1 351**	**—**	**1 351**	**(104)**
Forward purchase of shares							
Local – bought	**824**	**—**	**—**	**824**	**824**	**—**	**—**
Fence structures							
Local – bought	**327**	**301**	**—**	**628**	**—**	**628**	**7**
Local – sold	**(1 039)**	**(1 045)**	**—**	**(2 084)**	**(2 069)**	**(15)**	**—**
Total market risk products	**2 488**	**233**	**—**	**2 721**	**457**	**2 264**	**(125)**
Other derivative products	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2007							
Interest rate products over-the-counter							
Swap contracts – bought	45 359	20 728	24 268	90 355	88 489	1 866	(28)
Swap contracts – sold	(32 042)	(16 226)	(29 859)	(78 127)	(78 127)	—	—
Total interest rate products	13 317	4 502	(5 591)	12 228	10 362	1 866	(28)
Market risk products							
Cliquet structures – bought	3 547	3 251	5	6 803	5 949	854	(778)
Collar structures – bought	501	2 284	—	2 785	627	2 158	(235)
Fence structures							
Local – bought	1 921	—	—	1 921	1 987	(66)	48
Local – sold	—	—	—	—	—	—	—
Total market risk products	5 969	5 535	5	11 509	8 563	2 946	(965)
Other derivative products	(99)	(145)	—	(244)	—	(244)	(5)

The comparative notional amounts of swap contracts have been reconstructed and allocated between bought and sold contracts instead of the absolute values being reported as a single amount.

Register of investments

A register containing details of all investments, including fixed-property investments, is available for inspection at the registered office of Sanlam Limited.

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

	R million	2008	2007
6.	**Short-term insurance technical assets and provisions**		
	Details of short-term insurance technical assets and provisions are reflected in note 9 on page 310 of the Sanlam Group financial statements.		
7.	**Trade and other receivables**		
	Premiums receivable	**2 279**	1 846
	Accrued investment income	**625**	699
	Trading account and money market investments	**15 862**	19 153
	Amounts due from reinsurers	**815**	388
	Accounts receivable	**3 047**	3 381
	Total trade and other receivables	**22 628**	25 467
8.	**Trade and other payables**		
	Trading account	**14 562**	20 075
	Accounts payable	**5 376**	6 951
	Policy benefits payable	**3 129**	1 645
	Amounts due to reinsurers	**876**	533
	Bank overdrafts	**29**	24
	Total trade and other payables	**23 972**	29 228
9.	**Financial services income**		
	From external customers	**26 571**	24 464
	From internal customers	**398**	562
	Total financial services income	**26 969**	25 026
	Equity-accounted earnings included in financial services income:		
	Sanlam Personal Finance	**(46)**	37
	Sanlam UK	**24**	17
	Sanlam Employee Benefits	**(11)**	(14)
	Corporate and other	**1**	(3)
		(32)	37
10.	**Administration costs**		
	Depreciation included in administration costs:		
	Sanlam Personal Finance	**82**	56
	Sanlam Developing Markets	**28**	15
	Sanlam UK	**4**	1
	Short-term Insurance	**48**	22
	Sanlam Investments	**5**	9
	Sanlam Capital Markets	**16**	2
		183	105

R million	2008	2007
11. Taxation		
Result from financial services	**4 260**	4 539
Tax on result from financial services	**(966)**	(997)
Investment return	**(1 083)**	3 220
Investment income	**1 432**	1 504
Investment surpluses	**(2 515)**	1 716
Tax on investment return	**404**	(346)
Investment income	**(221)**	(228)
Investment surpluses	**625**	(118)

%	2008	2007
Reconciliation of tax rate on result from financial services		
Effective tax rate	**22,7**	22,0
Standard rate of taxation	**28,0**	29,0
Adjusted for:		
Non-taxable income	**(2,3)**	(5,8)
Disallowable expenses	**0,1**	0,4
Share-based payments	**0,3**	0,3
Prior year adjustments	**(1,9)**	0,5
Foreign tax rate differential	**(1,0)**	(3,0)
Other	**(0,5)**	0,6
Effective tax rate on result from financial services	**22,7**	22,0
Reconciliation of tax rate on investment return		
Effective tax rate	**37,3**	10,7
Standard rate of taxation	**28,0**	29,0
Adjusted for:		
Non-taxable income	**19,9**	(7,8)
Disallowable expenses	**(0,4)**	0,1
Foreign tax rate differential	**(2,2)**	(0,2)
Investment surpluses	**(8,0)**	(8,4)
Other	**—**	(2,0)
Effective tax rate on investment return	**37,3**	10,7

R million	2008	2007
12. Net result from financial services		
Covered business	**1 838**	1 731
Sanlam Personal Finance	**1 470**	1 335
Sanlam Developing Markets	**144**	227
Sanlam UK	**33**	32
Sanlam Employee Benefits	**191**	137
Other Group operations	**1 095**	1 417
Sanlam Personal Finance	**85**	83
Wealth management	**87**	61
Retail credit	**(2)**	22
Sanlam UK	**25**	13
Sanlam Employee Benefits	**(8)**	(14)
Short-term Insurance	**439**	372
Sanlam Investments	**589**	869
Sanlam Capital Markets	**(35)**	94
Discretionary and other capital	**(131)**	(119)
Net result from financial services	**2 802**	3 029

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

R million	**2008**	**2007**
13. Investment income		
Equities and similar securities	**737**	630
Interest-bearing, preference shares and similar securities	**651**	832
Properties	**44**	42
Rental income	**59**	50
Rental-related expenses	**(15)**	(8)
Total investment income	**1 432**	1 504
Interest expense netted off against investment income:		
Sanlam Personal Finance	**483**	482
Short-term Insurance	**152**	45
	635	527
14. Analysis of normalised attributable earnings		
Net result from financial services	**2 802**	3 029
Covered business	**1 838**	1 731
Other Group operations	**1 095**	1 417
Discretionary and other capital	**(131)**	(119)
Net investment income and investment surpluses	**(631)**	2 381
Covered business	**(684)**	1 589
Other Group operations	**(17)**	407
Discretionary and other capital	**70**	385
Other net income	**(413)**	450
Covered business	**(162)**	(83)
Other Group operations	**(202)**	—
Discretionary and other capital	**(49)**	533
Normalised attributable earnings	**1 758**	5 860
Covered business	**992**	3 320
Other Group operations	**876**	1 741
Discretionary and other capital	**(110)**	799
Normalised attributable earnings	**1 758**	5 860

Cents	**2008**	**2007**
15. Normalised diluted earnings per share		
Normalised diluted earnings per share:		
Net result from financial services	**133,8**	133,3
Core earnings	**184,8**	182,4
Headline earnings	**93,9**	228,7
Profit attributable to shareholders' fund	**84,0**	257,8

R million	**2008**	**2007**
Analysis of normalised earnings (refer shareholders' fund income statement on page 191):		
Net result from financial services	**2 802**	3 029
Core earnings	**3 870**	4 146
Headline earnings	**1 966**	5 199
Profit attributable to shareholders' fund	**1 758**	5 860
Reconciliation of normalised headline earnings:		
Headline earnings per note 28 on page 324	**2 702**	4 833
Less: Fund transfers	**(736)**	366
Normalised headline earnings	**1 966**	5 199

million	2008	2007
15. Normalised diluted earnings per share *(continued)*		
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share (refer note 28 on page 324)	**2 043,5**	2 189,3
Add: Weighted average Sanlam shares held by policyholders	**50,5**	83,9
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 094,0**	2 273,2

16. Fair value of other Group operations

The shareholders' fund at fair value includes the value of the Sanlam businesses based on directors' valuation, apart from Santam, which is valued according to ruling share prices.

	Fair value of businesses					
R million	Beginning of year	Earnings	Distributions	Change in holding	Other[1]	End of year
Movement in fair value of businesses						
31 December 2008						
Sanlam Investments	**6 677**	**(547)**	**(549)**	**—**	**—**	**5 581**
SIM Wholesale	**4 443**	**(355)**	**(185)**	**—**	**—**	**3 903**
International	**1 857**	**(170)**	**(329)**	**—**	**—**	**1 358**
Sanlam Collective Investments	**377**	**(22)**	**(35)**	**—**	**—**	**320**
Sanlam Personal Finance	**1 192**	**291**	**(93)**	**33**	**—**	**1 423**
Wealth management	**911**	**348**	**(93)**	**20**	**—**	**1 186**
Retail credit	**281**	**(57)**	**—**	**13**	**—**	**237**
Sanlam UK	**600**	**(320)**	**—**	**567**	**—**	**847**
Alfinanz	**28**	**(11)**	**—**	**—**	**—**	**17**
Coris Administration	**38**	**16**	**—**	**—**	**—**	**54**
Sanlam Capital Markets	**541**	**(35)**	**(141)**	**—**	**—**	**365**
Short-term insurance	**6 375**	**(1 279)**	**(255)**	**432**	**—**	**5 273**
Total fair value of businesses	**15 451**	**(1 885)**	**(1 038)**	**1 032**	**—**	**13 560**
31 December 2007						
Sanlam Investments	5 358	1 592	(560)	68	219	6 677
SIM Wholesale	3 729	1 031	(357)	26	14	4 443
International	1 336	477	(203)	42	205	1 857
Sanlam Collective Investments	293	84	—	—	—	377
Sanlam Personal Finance	1 058	169	(44)	9	—	1 192
Wealth management	796	159	(44)	—	—	911
Retail credit	262	10	—	9	—	281
Sanlam UK	439	149	—	12	—	600
Alfinanz	—	26	—	—	2	28
Coris Administration	—	(11)	—	—	49	38
Sanlam Capital Markets	541	141	(141)	—	—	541
Short-term insurance	5 628	2 362	(1 623)	(34)	42	6 375
Total fair value of businesses	13 024	4 428	(2 368)	55	312	15 451

[1] *Other includes:*
– the transfer of Botswana Insurance Fund Management from covered business to other Group operations;
– the transfer of Independent Financial Services' interest in Simeka and Coris Administration to the Sanlam Investments Cluster; and
– the transfer of capital gains tax on the disposal of Santam shares, that is included in earnings, to the balanced portfolio.

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

16. Fair value of other Group operations *(continued)*

Valuation methodology

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

R million	Fair value 2008	2007
Valuation method		
Ratio of price to assets under management	**5 958**	6 748
SIM Wholesale	**3 903**	4 443
SIM International	**1 358**	1 857
Sanlam Collective Investments	**320**	377
Principal	**299**	—
Sanlam Namibia Holdings	**78**	71
Discounted cash flows	**1 964**	1 610
Glacier	**696**	593
Sanlam Personal Loans	**71**	104
Multi-Data	**190**	143
Sanlam Trust	**144**	104
Sanlam Home Loans	**133**	—
Punter Southall Group	**219**	297
Other	**511**	369
Net asset value	**590**	718
Sanlam Home Loans	**—**	177
MiWay	**110**	—
Shriram General Insurance	**115**	—
Sanlam Capital Markets	**365**	541
Fair value of unlisted businesses	**8 512**	9 076

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

%	Change in assumption 2008	2007
Assumption		
Ratio of price to assets under management (P/AuM)	**0,1%**	0,1%
Risk discount rate (RDR)	**1,0%**	1,0%
Perpetuity growth rate (PGR)	**1,0%**	1,0%

		Fair value of Sanlam businesses		
R million	**Weighted average assumption**	**Base value**	**Decrease in assumption**	**Increase in assumption**
Ratio of price to assets under management	P/AuM = 1,44% (2007: 1,34%)	5 958	5 474	6 447
Discounted cash flows	RDR = 17,9% (2007: 17,9%)	1 964	2 116	1 839
	PGR = 2,5% – 5% (2007: 2,5% – 5%)	1 964	1 916	2 028

million	2008	2007
17. Value per share		
Fair value per share is calculated on the Group shareholders' fund at fair value of R34 137 million (2007: R39 848 million), divided by 2 044,2 million (2007: 2 182,8 million) shares.		
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R28 190 million (2007: R31 177 million), divided by 2 044,2 million (2007: 2 182,8 million) shares.		
Equity value per share is calculated on the Group Equity Value of R45 238 million (2007: R51 293 million), divided by 2 044,2 million (2007: 2 182,8 million) shares.		
Number of shares for value per share:		
Number of ordinary shares in issue (refer note 11 on page 311)	**2 190,1**	2 303,6
Shares held by subsidiaries in shareholders' fund	**(197,3)**	(168,9)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive schemes	**45,5**	43,3
Number of shares under option that would have been issued at fair value	**(12,7)**	(7,3)
Convertible deferred shares held by Ubuntu-Botho	**18,6**	12,1
Adjusted number of shares for value per share	**2 044,2**	2 182,8

18. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 6,7 (2007: 7,3) to the after-tax recurring corporate expenses.

19. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2008 and 2007 annual general meetings to repurchase Sanlam shares in the market. The Group acquired 117,2 million shares from 6 March 2008 to 31 December 2008 in terms of the general authorities. The lowest and highest prices paid were R15,33 and R21,49 per share respectively. The total consideration paid of R2,2 billion was funded from existing cash resources. All repurchases were effected through the JSE trading system without any prior understanding or arrangement between the Group and the counterparties. Authority to repurchase 174,5 million shares, or 7,8% of Sanlam's issued share capital at the time, remains outstanding in terms of the general authority granted at the annual general meeting held on 4 June 2008.

The financial effects of the share repurchases during 2008 on the IFRS earnings and net asset value per share are illustrated in the table below. Tangible net asset value excludes goodwill, value of business acquired and deferred acquisition cost included in the shareholders' fund at net asset value.

Cents	Before repurchases	After repurchases
Basic earnings per share:		
Profit attributable to shareholders' fund	125,8	125,0
Headline earnings	135,9	135,4
Diluted earnings per share:		
Profit attributable to shareholders' fund	123,0	122,0
Headline earnings	132,8	132,2
Value per share:		
Equity value	2 201	2 213
Net asset value	1 388	1 353
Tangible net asset value	1 143	1 094

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

20. Reconciliations

20.1 Reconciliation between Group and shareholders' fund income statement

R million	Year ended 31 December 2008 Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]	Year ended 31 December 2007 Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
Net income	19 700	25 889	(7 782)	1 593	52 504	29 059	23 012	433
Financial services income	28 578	26 969	—	1 609	26 715	25 026	—	1 689
Reinsurance premiums paid	(2 990)	—	—	(2 990)	(2 685)	—	—	(2 685)
Reinsurance commission received	401	—	—	401	373	—	—	373
Investment income	17 044	1 432	12 557	3 055	14 740	1 504	11 021	2 215
Investment surpluses	(24 672)	(2 512)	(20 339)	(1 821)	15 885	2 529	11 991	1 365
Finance cost – margin business	(244)	—	—	(244)	(246)	—	—	(246)
Change in fair value of external investors liability	1 583	—	—	1 583	(2 278)	—	—	(2 278)
Net insurance and investment contract benefits and claims	(4 352)	(12 287)	7 935	—	(33 414)	(11 176)	(22 238)	—
Long-term insurance contract benefits	(5 870)	(4 280)	(997)	(593)	(15 364)	(3 873)	(11 189)	(302)
Long-term investment contract benefits	8 932	—	8 932	—	(11 049)	—	(11 049)	—
Short-term insurance claims	(9 189)	(8 007)	—	(1 182)	(8 533)	(7 303)	—	(1 230)
Reinsurance claims received	1 775	—	—	1 775	1 532	—	—	1 532
Expenses	(11 134)	(10 485)	—	(649)	(9 939)	(9 401)	—	(538)
Sales remuneration	(4 189)	(3 861)	—	(328)	(3 554)	(3 248)	—	(306)
Administration costs	(6 945)	(6 624)	—	(321)	(6 385)	(6 153)	—	(232)
Impairments	(247)	(244)	—	(3)	(7)	(7)	—	—
Amortisation of value of business acquired	(77)	(77)	—	—	(51)	(51)	—	—
Net operating result	3 890	2 796	153	941	9 093	8 424	774	(105)
Equity-accounted earnings	34	57	—	(23)	228	188	—	40
Finance cost – other	(391)	—	—	(391)	(281)	—	—	(281)
Profit before tax	3 533	2 853	153	527	9 040	8 612	774	(346)
Tax expense	(621)	(621)	(153)	153	(2 493)	(1 619)	(774)	(100)
Shareholders' fund	(428)	(621)	—	193	(1 678)	(1 619)	—	(59)
Policyholders' fund	(193)	—	(153)	(40)	(815)	—	(774)	(41)
Profit from continuing operations	2 912	2 232	—	680	6 547	6 993	—	(446)
Discontinued operations	25	(41)	—	66	(168)	(168)	—	—
Profit for the year	2 937	2 191	—	746	6 379	6 825	—	(446)
Attributable to:								
Shareholders' fund	2 494	1 758	—	736	5 494	5 860	—	(366)
Minority shareholders' interest	443	433	—	10	885	965	—	(80)
	2 937	2 191	—	746	6 379	6 825	—	(446)

(1) *Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group income statement.*
(2) *IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.*

20. Reconciliations *(continued)*

20.2 Reconciliation between Group balance sheet and analysis of shareholders' fund

R million	31 December 2008 Total	31 December 2008 Shareholder activities	31 December 2008 Policyholder activities	31 December 2008 Consolidation reserve	31 December 2007 Total	31 December 2007 Shareholder activities	31 December 2007 Policyholder activities	31 December 2007 Consolidation reserve
Assets								
Property and equipment	**382**	**382**	**—**	**—**	298	298	—	—
Owner-occupied properties	**652**	**652**	**—**	**—**	650	650	—	—
Goodwill	**2 623**	**2 623**	**—**	**—**	2 447	2 447	—	—
Value of business acquired	**1 309**	**1 309**	**—**	**—**	1 000	1 000	—	—
Deferred acquisition costs	**1 970**	**1 355**	**615**	**—**	1 693	1 152	541	—
Long-term reinsurance assets	**506**	**—**	**506**	**—**	487	—	487	—
Investments	**268 530**	**32 654**	**236 415**	**(539)**	290 101	36 877	255 067	(1 843)
Properties	**15 981**	**834**	**15 147**	**—**	15 648	480	15 168	—
Associated companies	**688**	**688**	**—**	**—**	1 075	1 075	—	—
Joint ventures	**629**	**629**	**—**	**—**	684	684	—	—
Equities and similar securities	**120 284**	**15 109**	**105 714**	**(539)**	149 038	17 936	132 945	(1 843)
Public sector stocks and loans	**50 531**	**2 456**	**48 075**	**—**	49 887	3 142	46 745	—
Debentures, insurance policies, preference shares and other loans	**35 309**	**6 667**	**28 642**	**—**	34 091	6 383	27 708	—
Cash, deposits and similar securities	**45 108**	**6 271**	**38 837**	**—**	39 678	7 177	32 501	—
Deferred tax	**712**	**712**	**—**	**—**	475	473	2	—
Non-current assets held for sale	**—**	**—**	**—**	**—**	2 060	2 060	—	—
Short-term insurance technical assets	**2 250**	**2 250**	**—**	**—**	2 263	2 263	—	—
Working capital assets	**38 974**	**32 645**	**6 329**	**—**	41 357	36 286	5 071	—
Trade and other receivables	**28 908**	**22 628**	**6 280**	**—**	30 538	25 467	5 071	—
Cash, deposits and similar securities	**10 066**	**10 017**	**49**	**—**	10 819	10 819	—	—
Total assets	**317 908**	**74 582**	**243 865**	**(539)**	342 831	83 506	261 168	(1 843)

Notes to the shareholders' fund information

for the year ended 31 December 2008 continued

20. Reconciliations *(continued)*

20.2 Reconciliation between Group balance sheet and analysis of shareholders' fund *(continued)*

R million	31 December 2008 Total	31 December 2008 Share-holder activities	31 December 2008 Policy-holder activities	31 December 2008 Consoli-dation reserve	31 December 2007 Total	31 December 2007 Share-holder activities	31 December 2007 Policy-holder activities	31 December 2007 Consoli-dation reserve
Equity and liabilities								
Shareholders' fund	**27 651**	**28 190**	**—**	**(539)**	29 334	31 177	—	(1 843)
Minority shareholders' interest	**2 596**	**2 612**	**(16)**	**—**	2 220	2 270	(50)	—
Long-term policy liabilities	**229 268**	**—**	**229 268**	**—**	244 660	—	244 660	—
Insurance contracts	**120 879**	**—**	**120 879**	**—**	128 398	—	128 398	—
Investment contracts	**108 389**	**—**	**108 389**	**—**	116 262	—	116 262	—
Term finance	**6 763**	**6 003**	**760**	**—**	6 594	5 814	780	—
External investors in consolidated funds	**9 822**	**2 393**	**7 429**	**—**	12 278	1 896	10 382	—
Cell owners' interest	**447**	**447**	**—**	**—**	336	336	—	—
Deferred tax	**440**	**134**	**306**	**—**	1 354	537	817	—
Non-current liabilities held for sale	**—**	**—**	**—**	**—**	1 606	1 606	—	—
Short-term insurance technical provisions	**8 229**	**8 229**	**—**	**—**	7 719	7 719	—	—
Working capital liabilities	**32 692**	**26 574**	**6 118**	**—**	36 730	32 151	4 579	—
Trade and other payables	**29 325**	**23 972**	**5 353**	**—**	32 997	29 228	3 769	—
Provisions	**1 453**	**1 453**	**—**	**—**	973	973	—	—
Taxation	**1 914**	**1 149**	**765**	**—**	2 760	1 950	810	—
Total equity and liabilities	**317 908**	**74 582**	**243 865**	**(539)**	342 831	83 506	261 168	(1 843)

21. Geographical analysis

R million	Per shareholders' fund income statement on page 188 Internal customers	External customers	IFRS adjustments (refer note 20.1)	Total
Financial services income Financial services income is attributed to individual countries, based on where the income was earned.				
2008	**398**	**26 571**	**1 609**	**28 578**
South Africa	**186**	**24 140**	**1 819**	**26 144**
Africa	**4**	**1 914**	**—**	**1 918**
Other international[1]	**208**	**517**	**(210)**	**515**
2007	562	24 464	1 689	26 715
South Africa	247	22 469	1 915	24 631
Africa	17	1 562	10	1 589
Other international[1]	298	433	(236)	495

R million	Per analysis of shareholders' fund on page 186	Policy-holders' fund	Total
Non-current assets[2]			
2008	**6 321**	**615**	**6 936**
South Africa	**5 439**	**615**	**6 054**
Africa	**96**	**—**	**96**
Other international[1]	**786**	**—**	**786**
2007	5 547	541	6 088
South Africa	5 004	541	5 545
Africa	126	—	126
Other international[1]	417	—	417

R million	2008	2007
Net result from financial services (per shareholders' fund income statement on page 188)	**2 802**	3 029
South Africa	**2 390**	2 503
Africa	**218**	194
Other international[1]	**194**	332

[1] *Other international comprises business in the Netherlands, Europe and India.*

[2] *Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired and deferred acquisition costs.*

Sanlam Group
Embedded value of covered business

at 31 December 2008

R million	Note	2008	2007
Sanlam Personal Finance		**19 574**	20 089
Adjusted net worth		**8 275**	8 285
Net value of in-force covered business		**11 299**	11 804
Value of in-force covered business		**12 809**	13 452
Cost of capital		**(1 378)**	(1 555)
Minority shareholders' interest		**(132)**	(93)
Sanlam Developing Markets		**2 796**	2 160
Adjusted net worth		**1 032**	860
Net value of in-force covered business		**1 764**	1 300
Value of in-force covered business		**2 432**	1 833
Cost of capital		**(284)**	(268)
Minority shareholders' interest		**(384)**	(265)
Sanlam UK		**680**	921
Adjusted net worth		**234**	447
Net value of in-force covered business		**446**	474
Value of in-force covered business		**481**	506
Cost of capital		**(35)**	(32)
Minority shareholders' interest		**—**	—
Sanlam Employee Benefits		**5 541**	5 262
Adjusted net worth		**5 472**	5 118
Net value of in-force covered business		**69**	144
Value of in-force covered business		**824**	961
Cost of capital		**(755)**	(817)
Minority shareholders' interest		**—**	—
Embedded value of covered business		**28 591**	28 432
Adjusted net worth		**15 013**	14 710
Net value of in-force covered business	1	**13 578**	13 722
Embedded value of covered business		**28 591**	28 432

Sanlam Group
Change in embedded value of covered business

for the year ended 31 December 2008

R million	Note	2008 Total	2008 Value of in-force	2008 Cost of capital	2008 Adjusted net worth	2007 Total	2007 Value of in-force	2007 Cost of capital	2007 Adjusted net worth
Embedded value of covered business at the beginning of the year		**28 432**	**16 316**	**(2 594)**	**14 710**	27 403	14 336	(2 073)	15 140
Value of new business[(2)]	2	**612**	**1 750**	**(73)**	**(1 065)**	489	1 403	(38)	(876)
Net earnings from existing covered business		**1 885**	**(877)**	**184**	**2 578**	1 996	(398)	42	2 352
Expected return on value of in-force business		**1 838**	**1 749**	**89**	**—**	1 442	1 444	(2)	—
Expected transfer of profit to adjusted net worth		**—**	**(2 195)**	**—**	**2 195**	—	(2 003)	—	2 003
Operating experience variances	3	**278**	**(121)**	**29**	**370**	288	(62)	29	321
Operating assumption changes	4	**(231)**	**(310)**	**66**	**13**	266	223	15	28
Expected investment return on adjusted net worth		**1 180**	**—**	**—**	**1 180**	1 048	—	—	1 048
Embedded value earnings from operations		**3 677**	**873**	**111**	**2 693**	3 533	1 005	4	2 524
Economic assumption changes	5	**356**	**316**	**86**	**(46)**	(109)	(62)	(58)	11
Investment variances – value of in-force		**(1 435)**	**(1 781)**	**12**	**334**	271	159	(36)	148
Investment variances – investment return on adjusted net worth		**(1 864)**	**—**	**—**	**(1 864)**	541	—	—	541
Exchange rate movements		**23**	**29**	**(6)**	**—**	(22)	(26)	4	—
Tax changes	6	**215**	**186**	**30**	**(1)**	291	292	(3)	2
Net project expenses	7	**(53)**	**—**	**—**	**(53)**	(77)	—	—	(77)
EEV changes		**—**	**—**	**—**	**—**	272	700	(428)	—
Embedded value earnings from covered business		**919**	**(377)**	**233**	**1 063**	4 700	2 068	(517)	3 149
Acquired value of in-force		**—**	**—**	**—**	**—**	—	13	(4)	(9)
Transfers to other Group operations[(3)]		**—**	**—**	**—**	**—**	(205)	(101)	—	(104)
Change in utilisation of capital diversification		**197**	**—**	**—**	**197**	(300)	—	—	(300)
Transfers from covered business		**(957)**	**—**	**—**	**(957)**	(3 166)	—	—	(3 166)
Embedded value of covered business at the end of the year		**28 591**	**15 939**	**(2 361)**	**15 013**	28 432	16 316	(2 594)	14 710
Analysis of earnings from covered business									
Sanlam Personal Finance		**453**	**(683)**	**178**	**958**	3 953	1 922	(4)	2 035
Sanlam Developing Markets		**659**	**468**	**(4)**	**195**	351	165	(93)	279
Sanlam UK		**(36)**	**(25)**	**(3)**	**(8)**	63	5	1	57
Sanlam Employee Benefits		**(157)**	**(137)**	**62**	**(82)**	333	(24)	(421)	778
Embedded value earnings from covered business		**919**	**(377)**	**233**	**1 063**	4 700	2 068	(517)	3 149

(1) Comparative information has been restated to allocate the change in minority shareholders' interest to the individual line items. All line items are accordingly presented net of minority shareholders' interest.

(2) The 2007 comparative value of new business is before the impact of the adoption of EEV methodology at 31 December 2007. Value of new business disclosed on page 216 is after the EEV changes to ensure consistent comparison with the 2008 results.

(3) Reallocation of Botswana Insurance Fund Management from covered business to other Group operations.

Sanlam Group
Value of new business

for the year ended 31 December 2008

R million	Note	2008	2007
Value of new business (at point of sale):			
Gross value of new business		**787**	657
Sanlam Personal Finance		**419**	363
Sanlam Developing Markets		**343**	233
Sanlam UK		**6**	13
Sanlam Employee Benefits		**19**	48
Cost of capital		**(89)**	(90)
Sanlam Personal Finance		**(33)**	(39)
Sanlam Developing Markets		**(41)**	(30)
Sanlam UK		**(5)**	(5)
Sanlam Employee Benefits		**(10)**	(16)
Value of new business		**698**	567
Sanlam Personal Finance		**386**	324
Sanlam Developing Markets		**302**	203
Sanlam UK		**1**	8
Sanlam Employee Benefits		**9**	32
Value of new business attributable to:			
Shareholders' fund	2	**612**	493
Sanlam Personal Finance		**377**	321
Sanlam Developing Markets		**225**	132
Sanlam UK		**1**	8
Sanlam Employee Benefits		**9**	32
Minority shareholders' interest		**86**	74
Sanlam Personal Finance		**9**	3
Sanlam Developing Markets		**77**	71
Sanlam UK		**—**	—
Sanlam Employee Benefits		**—**	—
Value of new business		**698**	567
Geographical analysis:			
South Africa		**507**	426
Africa		**181**	125
Other international		**10**	16
Value of new business		**698**	567
Analysis of new business profitability:			
Before minorities:			
Present value of new business premiums		**26 033**	23 886
Sanlam Personal Finance		**17 371**	14 985
Sanlam Developing Markets		**5 332**	5 476
Sanlam UK		**1 484**	1 327
Sanlam Employee Benefits		**1 846**	2 098
New business margin		**2,68%**	2,37%
Sanlam Personal Finance		**2,22%**	2,16%
Sanlam Developing Markets		**5,66%**	3,71%
Sanlam UK		**0,07%**	0,60%
Sanlam Employee Benefits		**0,49%**	1,53%
After minorities:			
Present value of new business premiums		**24 459**	21 886
Sanlam Personal Finance		**17 080**	14 873
Sanlam Developing Markets		**4 049**	3 588
Sanlam UK		**1 484**	1 327
Sanlam Employee Benefits		**1 846**	2 098
New business margin		**2,50%**	2,25%
Sanlam Personal Finance		**2,21%**	2,16%
Sanlam Developing Markets		**5,56%**	3,68%
Sanlam UK		**0,07%**	0,60%
Sanlam Employee Benefits		**0,49%**	1,53%

Notes to the embedded value of covered business

for the year ended 31 December 2008

1. Value of in-force 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	**15 939**	**(2 361)**	**13 578**	
Interest rate and assets				
› Risk discount rate increase by 1%	14 907	(3 067)	11 840	(13)
› Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	16 338	(2 296)	14 042	3
› Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	15 079	(2 318)	12 761	(6)
› Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	16 488	(1 895)	14 593	7
Expenses and persistency				
› Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	16 424	(2 359)	14 065	4
› Discontinuance rates decrease by 10%	16 251	(2 427)	13 824	2
Insurance risk				
› Mortality and morbidity decrease by 5% for life assurance business	16 543	(2 358)	14 185	4
› Mortality and morbidity decrease by 5% for annuity business	15 817	(2 353)	13 464	(1)

2. Value of new 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	**685**	**(73)**	**612**	
Interest rate and assets				
› Risk discount rate increase by 1%	586	(88)	498	(19)
› Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	726	(74)	652	7
Expenses and persistency				
› Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	731	(73)	658	8
› Acquisition expenses (excluding commission and commission-related expenses) decrease by 10%	744	(71)	673	10
› Discontinued rates decrease by 10%	765	(77)	688	12
Insurance risk				
› Mortality and morbidity decrease by 5% for life assurance business	772	(73)	699	14
› Mortality and morbidity decrease by 5% for annuity business	658	(73)	585	(4)

Notes to the embedded value of covered business

for the year ended 31 December 2008 continued

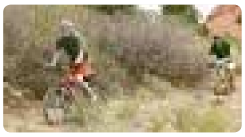
R million	2008	2007
3. Operating experience variances		
Risk experience	**307**	215
Investment guarantee reserve shortfall	**(117)**	—
Working capital and other	**88**	73
Total operating experience variances	**278**	288
4. Operating assumption changes		
Mortality and morbidity	**(196)**	98
Persistency	**(31)**	(18)
Modelling improvements and other	**(4)**	186
Total operating assumption changes	**(231)**	266
5. Economic assumption changes		
Investment yields and risk premiums	**363**	(86)
Long-term asset mix assumptions	**(7)**	(23)
Total economic assumption changes	**356**	(109)
6. Tax changes		
Change in corporate tax rate	**215**	—
Change in policyholders' fund tax rate	**—**	141
Reduction in STC rate from 12,5% to 10,0%	**—**	150
Total tax changes	**215**	291
7. Net project expenses		
Net project expenses relate to one-off expenditure on the Group's distribution platform that has not been allowed for in the embedded value assumptions.		
8. Reconciliation of embedded value earnings from covered business		
The embedded value earnings from covered business reconcile as follows to the net result from financial services for the year:		
Net result from financial services of covered business per note 14 on page 206	**1 838**	1 731
Differences between profits recognised under IFRS and the embedded value methodology	**9**	(2)
Investment return included in IFRS equity-accounted earnings	**—**	(6)
Foreign exchange differences and other	**9**	4
Less: Net project expenses	**(53)**	(77)
Less: STC projected on dividends from covered business profits for the year	**(47)**	(92)
Investment return on adjusted net worth	**(684)**	1 589
Embedded value earnings from covered business: Net value of in-force	**(144)**	1 551
Embedded value earnings from covered business	**919**	4 700

9. Economic assumptions

%	Sanlam Life 2008	Sanlam Life 2007	Merchant Investors 2008	Merchant Investors 2007	SDM Limited 2008	SDM Limited 2007	Botswana Life Insurance 2008	Botswana Life Insurance 2007
Gross investment return, risk discount rate and inflation								
Point used on the relevant yield curve	**9 year**	9 year	**15 year**	15 year	**6 year**	6 year	**n/a**	n/a
Fixed-interest securities	**7,3**	8,3	**3,7**	4,6	**7,3**	8,6	**10,5**	10,5
Equities and offshore investments	**10,8**	11,8	**7,0**	7,8	**10,8**	12,1	**14,0**	14,0
Hedged equities	**7,8**	8,8	**7,0**	7,8	**n/a**	n/a	**n/a**	n/a
Property	**8,3**	9,3	**7,0**	7,8	**8,3**	9,6	**11,5**	11,5
Cash	**6,3**	7,3	**3,7**	4,6	**6,3**	6,6	**9,5**	8,5
Return on required capital	**8,8**	9,7	**3,7**	4,6	**8,6**	9,4	**10,6**	9,5
Inflation rate	**4,3**	5,3	**2,9**	3,7	**4,3**	5,6	**7,5**	7,5
Risk discount rate	**9,8**	10,8	**7,5**	8,3	**9,8**	11,1	**14,0**	14,0

%	Sanlam Life 2008	Sanlam Life 2007	Merchant Investors 2008	Merchant Investors 2007	SDM Limited 2008	SDM Limited 2007	Botswana Life Insurance 2008	Botswana Life Insurance 2007
Asset mix for assets supporting required capital								
Equities	**44**	44	**—**	—	**50**	50	**15**	69
Hedged equities	**13**	13	**—**	—	**—**	—	**—**	—
Property	**3**	3	**—**	—	**—**	—	**10**	1
Fixed-interest securities	**25**	25	**—**	—	**—**	—	**25**	30
Cash	**15**	15	**100**	100	**50**	50	**50**	—
	100	100	**100**	100	**100**	100	**100**	100

Capital and Risk Management Report



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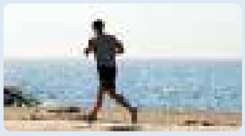

Gert van den Berg
Head: Group Actuarial and Risk

André Zeeman
Chief Actuary

Effective capital and risk management is an essential component of meeting the Group's strategic objective of maximising shareholder value.



Capital and risk management report

Capital management

Effective capital management is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is Group Equity Value, as reported on page 178. Group Equity Value is the aggregate of the following components:

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

The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on Group Equity Value. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of required capital to covered business:

The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements. For Sanlam Life a stochastic modelling process is used to assist in determining long-term required capital levels that, within a 95% confidence level, will be able to cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over each of the next 10 year-ends.

The fair value of other Group operations includes the working capital allocated to the respective operations. The Group's approach to ensure appropriate working capital levels is twofold:

- The Group's internal dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and
- Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

Capital management

Covered business (life insurance operations)

The Group's covered business requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value. The following main strategies are used to achieve this objective:

- Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, e.g. non-participating annuities.

- Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business.
- The asset mix of the long-term required capital also impacts the overall capital requirement. An increased exposure to hedged equity and interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. Over the longer term, the expected investment return on these instruments is however lower than equity with a potential negative impact on the return on Group Equity Value. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used to determine the optimal asset mix in this regard.
- The introduction of long-term debt into the life insurance operations' capital structure and the concurrent investment of the proceeds in bonds and other liquid assets, to reduce the volatility in the regulatory capital base with a consequential lower overall capital requirement.
- Certain of the Group's investments in other Group operations qualify, to a varying degree, to be utilised as regulatory capital for the covered business. Maximum capital efficiency can therefore be achieved by optimising the level of such investments held in the life companies' regulatory capital.
- Management of operational risk. Internal controls and various other operational risk management processes are used to reduce operational risk and commensurately the allowance for this risk in the calculation of required capital.

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international developments surrounding solvency and capital requirements (for example the Solvency II initiative in the European Union).

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on Group Equity Value.

Group Capital committee

The Group Capital committee, an internal management committee, is responsible to review and oversee the management of the Group's capital base in terms of the specific strategies approved by the Board.

Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed, will be returned to shareholders in the most effective form.

Capital adequacy

Capital adequacy for the South African operations is measured with reference to the cover provided by the Group's prudential regulatory capital in relation to the Capital Adequacy Requirements. The capital adequacy of Merchant Investors, the Group's life insurance operations in the United Kingdom (UK), is measured in terms of the Financial Services Authority's guidelines in the UK, which are materially in line with those of the South African operations.

Capital and risk management report
continued

The valuation of assets and policy liabilities for prudential capital adequacy purposes is generally in line with the methodology for the published results. Some adjustments are however required, as set out below.

Reinsurance

Policy liabilities are valued net of reinsurance and the reinsurance asset is eliminated.

Investment contracts with investment management services

The liabilities are set equal to the retrospectively accumulated fair value of the underlying assets less unrecouped expenses (set equal to the deferred acquisition cost (DAC) asset) in the case of individual business. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

The DAC asset is eliminated.

Group undertakings and inadmissible assets

The value of assets is reduced by taking into account the prescribed valuation bases for Group undertakings and to eliminate inadmissible assets (as defined in the relevant prudential regulations).

Capital Adequacy Requirements (CAR)

The excess of assets over liabilities of life insurance operations on the prudential regulatory basis should be sufficient to cover the CAR in terms of the relevant regulations as well as professional guidance notes issued by the Actuarial Society in South Africa and the UK. The CAR provides a buffer against experience worse than that assumed in the valuation of assets and liabilities.

On the valuation date, the ordinary CAR was used for the South African operations as they exceeded the termination and minimum CAR, apart from Sanlam Developing Markets and Channel Life where termination CAR applied.

The largest element of the CAR relates to stabilised bonus business. Consistent with an assumed fall in the fair value of the assets (the "resilience scenario"), which is prescribed in the actuarial guidance notes, the calculation of the CAR takes into account a reduction in non-vesting bonuses and future bonus rates and for the capitalisation of some expected future profits (resulting from discretionary margins in the valuation basis and held as part of the liabilities). At 31 December 2008, the resilience scenario assumes that:

- Equity values decline by 26,1%* (2007: 30%);
- Property values decline by 15%;
- Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields (whichever gives the highest total capital adequacy requirements); and
- Assets denominated in foreign currencies decline by at least 20% on the valuation date and do not subsequently recover within the short term.

**At 31 December 2008 the JSE All Share dividend yield was 4,39%. PGN104 states that where the dividend yield is less than 4%, a 30% fall in equities must be assumed in the CAR resilience scenario. Where the dividend yield is above 5%, a 20% fall in the equities must be assumed. For dividend yields between 4% and 5% interpolation must be used. The 4,39% dividend yield at 31 December 2008 thus resulted in a 26,1% fall in equities (previously this was 30%).*

Provision is made for credit and operational risk in the calculation of the CAR.

The excess of the actuarial values of assets over liabilities for the main life insurance holding companies is disclosed in the table below. The values disclosed for Sanlam Life capture the solvency position of the entire Sanlam Life Group, including subsidiaries such as Sanlam Life Namibia, SDM Limited, Channel Life and Botswana Insurance Holdings. Merchant Investors is the only life insurance company in the Group that is not a subsidiary of Sanlam Life, and its solvency position is therefore shown separately. All subsidiaries of Sanlam Life were adequately capitalised, with CAR covered by the excess of assets over liabilities for prudential regulatory purposes of at least 1,0 times (2007: 1,1 times).

	Sanlam Life		Merchant Investors	
R million	**2008**	2007	**2008**	2007
Assets				
Fair value of assets	**232 466**	248 645	**20 158**	25 393
Less: Liabilities	**198 047**	210 712	**19 759**	24 998
Actuarial value of policy liabilities	**186 234**	197 253	**18 690**	23 737
Investment contracts	**77 815**	81 492	**15 454**	19 659
Insurance contracts	**108 419**	115 761	**3 236**	4 078
Long-term and current liabilities	**11 813**	13 459	**1 069**	1 261
Excess of assets over liabilities for financial reporting	**34 419**	37 933	**399**	395
Adjustment for prudential regulatory purposes	**(15 081)**	(13 719)	**—**	—
Adjustment for Group undertakings				
Sanlam Investment Management	**(2 917)**	(3 607)	**—**	—
Santam	**(3 131)**	(3 934)	**—**	—
Sanlam Developing Markets	**(2 251)**	(1 543)	**—**	—
Capital requirements of life insurance subsidiaries, adjusted for minority interests	**(1 293)**	(843)	**—**	—
Inadmissible assets	**(351)**	(393)	**—**	—
Other	**(5 138)**	(3 399)	**—**	—
Unsecured subordinated bond	**2 084**	2 050	**—**	—
Excess of assets over liabilities for prudential regulatory purposes	**21 422**	26 264	**399**	395
Capital adequacy requirements				
Capital adequacy requirements (CAR) before management actions	**14 825**	11 125	**103**	94
Management actions assumed	**(6 750)**	(3 600)	**—**	—
Reduction in future bonus rates	**(3 946)**	(2 635)	**—**	—
Capitalisation of portion of expected future profits held as discretionary margins	**(1 131)**	—	**—**	—
Reduction in grossing up of the assets covering CAR and other	**(1 673)**	(965)	**—**	—
CAR after management actions assumed	**8 075**	7 525	**103**	94
Times CAR covered by excess of assets over liabilities for prudential regulatory purposes	**2,7**	3,5	**3,9**	4,2

Capital and risk management report
continued

Credit rating

Fitch Ratings, an international ratings agency, issues independent ratings of the following Sanlam Group entities and instruments:

	Most recent ratings issued during 2008
Sanlam Limited	National Long-term: AA- (zaf)
Sanlam Life Insurance Limited	National Insurer Financial Strength: AA+ (zaf) National Long-term: AA (zaf) National Short-term: F1+ (zaf)
Subordinated debt issued by Sanlam Life Insurance Limited	Subordinated debt: AA- (zaf)
Santam Limited	National Insurer Financial Strength: AA+ (zaf)
Subordinated debt issued by Santam Limited	Subordinated debt: AA- (zaf)
Sanlam Capital Markets Limited	National Long-term: A+ (zaf)

The independent credit ratings provide assurance to the investors in securities issued by the Group as well as the Group's business partners and other stakeholders. It also enables the Group to issue debt and equity instruments at market-related rates. The above ratings were confirmed during 2008 and are unchanged from 2007.

Risk management

Governance structure

In terms of the Group's overall governance structure, the meetings of the Sanlam Limited Board (Sanlam Board) and Sanlam Life Insurance Limited Board (Sanlam Life Board) are combined to improve the flow of information and to increase the efficiency of the Boards. The agenda of the Sanlam Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development and corporate governance and JSE requirements. The Sanlam Life Board is responsible for statutory matters across all Sanlam businesses as well as monitoring operational efficiency and risk issues throughout the Group. In respect of separately listed subsidiaries, this is done within the limitations of sound corporate governance practices. Refer to the Corporate Governance Report on page 45 for further information on the responsibilities of the Sanlam and Sanlam Life Boards and their committees.

The Group operates within a decentralised business model environment. In terms of this philosophy, the Sanlam Life Board sets the Group risk management policies and frameworks and the individual businesses take responsibility for all operational and risk-related matters on a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Life Board.

Role of Group Risk Management

The role of Group Risk Management is one of setting Group standards and guidelines, co-ordinating and monitoring risk management practices and ultimately reporting to the Sanlam and Sanlam Life Boards.

Group Risk Management plays an active role with regard to risk management in the Sanlam Group. The involvement includes the following:

- Permanent invitees of business units' Risk and Audit committees;
- Member of the Central Credit committee (see description below);
- Transactional approval incorporated in approval frameworks of business units where appropriate;
- Involvement and approval of corporate activity transactions;
- Chairs the Capital, Asset and Liability and Non-listed Asset committees at Group level and the Group Risk Forum (see descriptions below);
- Guidance on risk-related matters at a business level; and
- Involvement with specialist risk management issues at business level.

Capital and risk management report

continued

A number of other risk monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table:

Other risk monitoring mechanisms

Capital committee Reviews and oversees the management of the Group's capital base	**Asset and Liability committee** Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided	**Central Credit committee** Identifies, measures and controls credit risk exposure
Group Compliance Office Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof	**Group Risk forum** Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Board	**Non-listed Asset committee** Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Limited and Sanlam Life Boards
Financial Director Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised	**Actuarial** Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques	**Group Governance/secretariat and public officers** Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters
Forensics Investigates and reports on fraud and illegal behaviour in businesses	**Investment committees** Determines and monitors appropriate investment strategies for policyholder solutions	**Group IT Risk Management** Manages and reports Group-wide IT risks

Risk Officer (per business) Assists business management in their implementation of the Group risk management process, and to monitor the business's entire risk profile	**Internal Audit** Assists the Sanlam Life Board and management by monitoring the adequacy and effectiveness of risk management in businesses

Group risk policies, standards and guidelines

The main policies, standards and guidelines are:

- The Sanlam Group Enterprise Risk Management (ERM) policy;
- Sanlam Group Risk Escalation policy;
- Sanlam Group Business Continuity Management policy;
- Definitions of Risk categories standard;
- Risk Appetite guidance note; and
- Group Risk forum terms of reference.

Key:

A policy sets out mandatory minimum standards for all businesses.

A standard endeavours to ensure consistent use of terminology.

A guidance note is aimed at providing information.

The following also cover aspects with linkage to risk management:

- Sanlam Group Information and Information Technology (I and IT) Risk Management policy;
- Sanlam Corporate Credit Risk strategy and policy;
- Sanlam Financial Crime Combating policy;
- Sanlam Human Resources policies;
- Sanlam Group governance structures;
- Sanlam Life Insurance Audit, Actuarial and Risk committee charter; and
- Group Compliance Office policy and charter.

Sanlam Group Enterprise Risk Management policy

The Group ERM policy includes the following main components:

- The broad objectives and philosophy of risk management in the Group;
- The roles and responsibilities of the various functionaries in the Group tasked with risk management;
- The tight/loose principles on risk management as well as the appropriate King II requirements; and
- The Group's minimum standards for implementation of risk management in the businesses.

Sanlam Group Risk Escalation policy

The Risk Escalation policy defines the circumstances in which risk events and emerging risks should be escalated to the Sanlam Group level. This includes quantifiable and unquantifiable measures.

Summary of Sanlam Group Risk Appetite

- The Sanlam Group consists of a number of decentralised businesses. These businesses have different risk profiles and appetites. They are capitalised appropriately to these risk profiles.
- The Group determines the hurdle rates required from these businesses. These hurdle rates are set out for each business in accordance with its risk profile. On average the Sanlam Group aims to yield a return on Group Equity Value equal to at least 1% above its cost of capital, being equal to the return on 10-year government bonds plus 3%.
- Each decentralised business needs to operate within the restrictions of its allocated capital. For businesses using Value at Risk (VAR) as measurement, a 99,5% confidence level is required over a one-year time horizon. For businesses using capital adequacy (risk-based capital) techniques, a 95% confidence over a 10-year time horizon is required.
- Each business needs to manage its risks within the Group ERM policy parameters.

Risk process and status

The risk management process in the individual businesses comprises three distinct phases:

- Detailed identification of risk factors.
- Performance measurement by means of Key Risk Indicators and Key Performance Indicators. These can be measured in terms of financial and non-financial indicators.
- Stress testing and scenario analysis as a forward-looking methodology.

Capital and risk management report

continued

The appropriate Boards or committees thereof have approved all the policies at Group and individual business level.

Furthermore, the individual businesses have fully adopted and implemented the ERM policy, the Group Risk Escalation policy and Business Continuity Management policy as part of the individual governance structures.

The other policies are adopted by businesses where appropriate. Although in the vast majority of cases this implies full adoption (as determined by business size/Group governance principles and the tight/loose principles).

Risk management has formally been incorporated into the charters of the various Audit and Risk committees.

Independent insurance reviews

The Group appoints external consultants to perform a review of the Group's risk management processes on a bi-annual basis (or as determined by the Sanlam Life Audit, Actuarial and Risk committee). The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice.

Risk types

The Group is exposed to the following main risks:

	Risk category (primary)	Risk type (secondary) and description	Potential significant impact
General risks	**Operational**	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	All Group businesses
		Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of data.	
		Going concern/business continuity risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.	
		Legal risk: the risk that the Group will be exposed to contractual obligations which have not been provided for.	
		Compliance risk: the risk of not complying with laws and regulations, as well as investment management mandates.	
		Human resources risk: the risk that the Group does not have access to appropriate skills and staff complement to operate and effectively manage other operational risk.	
		Fraud risk: the risk of financial crime and unlawful conduct occurring within the Group.	
		Taxation risk: the risk of financial loss owing to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Equity Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.	
		Regulatory risk: the risk that unanticipated new acts or regulations will result in the need to change business practices that may lead to financial loss.	
		Process risk: the risk of loss as a result of failed or inadequate internal processes.	
		Project risk: the risks inherent in major projects.	
	Reputational	Reputational risk is the risk that the actions of a business (e.g. the treatment of clients, employment equity and social responsibility) harm its reputation and brand.	All Group businesses
	Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses

	Risk category (primary)	Risk type (secondary) and description	Potential significant impact
Financial and business-specific risks	**Market**	Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market. Market risk includes:	Life insurance Retail credit Capital markets Short-term insurance
		Equity and interest rate risk: the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices or interest rates.	
		Currency risk: the risk that the rand value of a financial instrument or liability will fluctuate owing to changes in foreign exchange rates.	
		Property risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment.	
		Asset liability mismatching risk: the risk that losses will be incurred as a result of a deviation between asset and liability cash flows, prices or carrying amounts.	
		Concentration risk: the risk of losses associated with inadequately diversified asset portfolios. This may arise either from a lack of diversification in the asset portfolio, or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations).	
		Market liquidity risk (also known as trading liquidity risk or asset liquidity risk): risk stemming from the lack of marketability of a financial instrument that cannot be bought or sold quickly enough to prevent or minimise a loss (or realise the required profit).	
	Credit	Credit risk is the risk of default and change in the credit quality of issuers of securities, counterparties and intermediaries to whom the company has exposure. Credit risk includes:	Life insurance Retail credit Capital markets Short-term insurance Corporate
		Default risk: credit risk arising from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations.	
		Downgrade or **migration risk:** risk that changes in the possibility of a future default by an obligator will adversely affect the present value of the contract with the obligator.	
		Settlement risk: risk arising from the lag between the transaction and settlement dates of securities transactions.	
		Reinsurance counterparty risk: concentration risk with individual reinsurers, owing to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	
		Credit spread risk: the sensitivity of financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure.	
	Liquidity	Liquidity risk is the risk relating to the difficulty/inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	Life insurance Retail credit Capital markets Short-term insurance Corporate
	Insurance risk (life business)	Insurance risk (life business): risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:	Life insurance
		Underwriting risk: the risk that the actual experience relating to mortality, disability and medical risks will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.	
		Persistency risk: the risk of financial loss owing to negative lapse, surrender and paid-up experience.	
		Expense risk: the risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities.	
		Claims risk: the risk of paying fraudulent claims.	
		Concentration risk: the risk of financial loss owing to having written large proportions of business with policyholders of the same/similar risk profile.	
	Insurance risk (short-term insurance business)	Insurance risk (short-term insurance business): risk arising from the underwriting of non-life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:	Short-term insurance
		Claims risk: refers to a change in value caused by the ultimate costs for full contractual obligations varying from those assumed when these obligations were estimated.	
		Catastrophe risk: the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty relating to the pricing and provisioning assumptions for extreme or exceptional events.	

Capital and risk management report
continued

Risk management: General risks

1. Operational risk

The Group mitigates this risk through its culture and values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted on the basis of the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is not addressed in this Report, but elsewhere in the Corporate Governance and Abridged Sustainability reports.

The following functionaries assist in mitigating operational risk:

Internal audit

A Board-approved internal audit charter governs internal audit activity within the Group. Regular risk-focused reviews of internal control and risk management systems are carried out. The chief audit executive of Sanlam is appointed in consultation with the chairman of the Audit, Actuarial and Risk committee and has unrestricted access to the chairman of the committee. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

External audit

The Group's external auditors are Ernst & Young Inc.. The reports of the independent auditors for the year under review are contained on pages 270 and 271 of this Annual Report.

The external auditors provide an independent assessment of certain systems of internal financial control and express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard. The Group applies a policy of compulsory rotation of audit partners.

Information and technology risk

The "Group Information and Technology (I&IT) Risk Management policy" is authorised by the Group Risk forum and the Group IT Governance committee and ratified by the Group Executive committee. It stipulates the role of the Information and IT Risk manager that each business is responsible for appointing. Furthermore, it provides a framework of IT risk management, the methods of reporting, assessment and action, appropriate documentation and management of all risk-related IT incidents that have occurred, timing of communication and liaison with other functions in the Group.

Reliance on and the continuous availability of IT systems and processes are inherent to the nature of the Group's operations. An important objective of the Group Information and Technology Risk Management policy is accordingly to ensure that the Group's IT resources and platforms are maintained and developed in line with changes in the Group's business environment and requirements, and that proper back-up processes and disaster recovery measures are in place.

Going concern/business continuity risk

The Board regularly considers and records the facts and assumptions on which it relies to conclude that Sanlam will continue as a going concern. Reflecting on the year under review, the Directors considered a number of facts and circumstances and are of the opinion that adequate resources exist to continue business in the foreseeable future and that Sanlam will remain a going concern in the year ahead. The Board's statement to this effect is also contained in the statement on the responsibility of directors in the annual financial statements.

Legal risk

During the development stage of any new product and for material transactions entered into by the Group, the legal resources of the Group monitor the drafting of the contract documents to ensure that rights and obligations of all parties are clearly set out. Sanlam seeks to minimise uncertainties through continuous consultation with internal and external legal advisers, to understand the nature of risks and to ensure that transactions are appropriately structured and documented.

Compliance risk

Laws and regulations

Sanlam considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group Compliance Office, together with the compliance functions of the Group businesses, facilitates the management of compliance through the analysis of statutory and regulatory requirements, and monitoring the implementation and execution thereof.

Compliance with client mandates

Rules for clients' investment instructions are loaded on an order management system, which produces post-trade compliance reports that are continuously monitored. On a monthly basis, these reports are manually compared with the investment instructions. When a possible breach is detected, the portfolio manager is requested to confirm whether a breach has taken place, to explain the reason for the breach and indicate when it will be rectified (which is expected to be as soon as possible). Further action may be taken, depending on the type of breach. The detailed results of the mandate monitoring process are discussed with the head of investment operations on a monthly basis.

Fraud risk

The Sanlam Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group's code of ethics, and undermines the organisational integrity of the Group. The financial crime combating policy for the Sanlam Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders are prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group or the executive of a business cluster. Group Forensic Services is also responsible for the formulation of Group standards in respect of the combating of unlawful conduct and the implementation of measures to monitor compliance with these standards.

The chief executive of each business cluster is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Board of Sanlam Limited.

Capital and risk management report
continued

Quarterly reports are submitted by Group Forensic Services to the Sanlam Limited Audit and Risk committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation, participate in discussions with the tax legislator to comment on changes in legislation and are involved in the development of new products. External tax advice is obtained as required.

Regulatory risk

Regulatory risk is mitigated by ensuring that the Group has dedicated personnel that are involved in and therefore informed of relevant developments in legislation. The Group takes a proactive approach in investigating and formulating views on all applicable issues facing the financial services industry. The risk is also managed as far as possible through clear contracting. The Group monitors and influences events to the extent possible by participation in discussions with legislators, directly and through industry organisations.

Process risk

The risk of failed or inadequate internal processes is addressed through a combination of the following:

- A risk-based approach is followed in the design of operational processes and internal controls;
- Operational processes are properly documented;
- Staff training and the employment of a performance-based remuneration philosophy; and
- Internal audit review of key operational processes.

Project risk

A formalised, risk-based approach is followed for the management of major projects to ensure that projects are effectively implemented and the project hurdle rate is achieved. Key deliverables, progress and risks are monitored on a continuous basis throughout the project life cycle. Internal specialists and external consultants are used as required to provide specialist knowledge and experience.

2. Reputational risk

Risks with a potential reputational impact are escalated to the appropriate level of senior management. The Audit committees and Boards are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups.

3. Strategic risk

The Group's governance structure and various monitoring tools ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breach of guidance.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual special strategic session of the Sanlam Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Sanlam Group Executive committee, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Sanlam Group Executive committee, which includes the chief executives of the various Group businesses, meets on a regular basis to discuss, among others, the achievement of the businesses' and Group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

Risk management: By business area

Investment management

The Group's investment management operations are primarily exposed to operational risks, as they have limited on-balance sheet exposure to financial instruments. Investment risk is borne principally by the client. The asset management operations are, however, exposed to market risk owing to the impact of market fluctuations on revenue levels, as investment fees are generally linked to the level of assets under management. This exposure is reduced through asset class and product diversification.

Life insurance

The Group's life insurance businesses are exposed to financial risk through the design of some policyholder solutions, and in respect of the value of the businesses' capital. Non-participating policyholder solutions and those that provide investment guarantees, such as market-related business, stable and reversionary bonus business and non-participating annuity business, expose the life insurance businesses to financial risk. Other business, such as linked policies (where the value of policy benefits is directly linked to the fair value of the supporting assets) does not expose the life insurance businesses to financial risk as this risk is assumed by the policyholder. The life insurance businesses' capital is invested in financial instruments and properties, which also exposes the businesses to financial risk, in the form of market, credit and liquidity risk.

Capital and risk management report

continued

The table below summarises the various risks associated with the different policyholder solutions as well as the capital portfolio. Please refer to the "Policy liabilities and profit entitlement section" on page 289 for a description of the different policyholder solutions; as well as to note 15 on page 314, which discloses the monetary value of the Group's exposure to the various solutions.

Life insurance businesses exposed to risk via:	**Market risk**				**Credit risk**	**Liquidity risk**	**Insurance risk**	
	Equity	Interest rate	Currency	Property			**Persistency**	**Other insurance risks**
Policyholder solutions								
Linked and market-related	✓(1)	✓(1)	✓(1)	✓(1)	✓(1)	✓(3)	✓	✓
Smoothed-bonus business								
Stable bonus	✓(2)	✓(2)	✓(2)	✓(2)	✓(2)	✓(3)	✓	✓
Reversionary bonus	✓(2)	✓(2)	✓(2)	✓(2)	✓(2)	✓(3)	✓	✓
Participating annuities	✓(2)	✓(2)	✓(2)	✓(2)	✓(2)	✓(3)	✓	✓
Non-participating annuities	✗	✓	✗(4)	✗(4)	✓	✓(3)	✗	✓
Other non-participating liabilities								
Guarantee plans	✗	✓	✗(4)	✗	✓	✓(3)	✓	✗
Other	✗(4)	✓	✗(4)	✓	✓	✓(3)	✓	✓
Capital portfolio	✓	✓	✓	✗(4)	✓	✗	✗	✗

(1) *Only market-related policies (not linked policies) expose the life insurance businesses to this risk, due to these policies providing guaranteed minimum benefits at death or maturity.*

(2) *The life insurance businesses are exposed to this risk, only if the assets backing these policies have underperformed to the extent that there are negative bonus stabilisation reserves that will not be recovered by declaring lower bonuses in the subsequent years.*

(3) *Although liquidity risk is present, it is not a significant risk for the insurance businesses due to appropriate matching of asset and liability cash flow values and duration.*

(4) *An immaterial amount of assets are exposed to this risk.*

The management of these risks is described below.

1. Market risk

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

Linked and market-related

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies, however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance businesses to market risk. The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Asset Liability committee (ALCO), and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios. The Group's long-term policy liabilities include a specific provision for investment guarantees. The current provision for investment guarantees in insurance contracts has been calculated on a market-consistent basis in accordance with guidance issued by the Actuarial Society of South Africa.

Smoothed-bonus business

These policies provide for the payment of an after-tax and after-cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a policyholder bonus stabilisation reserve, for future distribution to policyholders. In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from the capital portfolio in instances where negative stabilisation reserves will not be eliminated by these management actions. At 31 December 2008, all stable and reversionary bonus business portfolios had a funding level in excess of the minimum reporting level of 92,5%.

Market risk is borne by policyholders to the extent that the after-tax and after-cost investment return is declared as bonuses. The capital portfolio is however exposed to some market risk as an underperformance in investment markets may result in an underfunded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. ALCO oversees the investment policy for the various smoothed-bonus portfolios, while the Sanlam Personal Finance Investment committee also considers these portfolios as part of its overall brief. The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, *inter alia,* the following:

- Limitations on exposure to volatile assets;
- The benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;
- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;

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- Limits on exposure to some particular types of assets, such as unlisted equities, derivative instruments, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios is provided quarterly to the Sanlam Life Board and the Policyholders' Interest committee.

Non-participating annuities

Non-participating annuity business relates to contracts where income is paid to an annuitant for life or for a fixed term, in return for a lump sum consideration paid on origination of the policy. The income may be fixed, or increased at a fixed rate or in line with inflation. The Group guarantees this income and is therefore subject to interest rate risk. Liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the change in value of assets and liabilities is closely matched for a change in interest rates. The impact of changes in interest rates is continuously tested, and for a 1% parallel movement in interest rates the impact on profit will be immaterial. The management of credit risk is also of particular importance for non-participating annuities given the exposure to interest-bearing instruments (refer to section 2 below).

Guarantee plans

These single premium policies provide for guaranteed maturity amounts. The life insurance businesses are therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value. Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.

Other non-participating business

The Group is exposed to market risk to the extent of the investment of the underlying assets in interest-bearing and property investments. The risk is managed through investments in appropriate asset classes. Insurance risk is however the predominant risk attached to other non-participating business.

Currency risk

The majority of currency exposure within the policyholder portfolios results from offshore assets held in respect of linked and smoothed-bonus business. Offshore exposure within these portfolios is desirable from a diversification perspective.

Capital

Comprehensive measures and limits are in place to control the exposure of the life insurance businesses' capital to market and credit risks. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

The exposure of the capital to currency risk is for the purpose of seeking international diversification of investments. Exposure to different foreign currencies is benchmarked against the currency composition of the Morgan Stanley Developed Equity Markets Index and the Lehman Global Aggregate Bond Index. This exposure is analysed in the table below:

R million	Euro	United States dollar	British pound	Botswana pula	Other currencies	Total
31 December 2008						
Equities and similar securities	**191**	**854**	**221**	**622**	**397**	**2 285**
Public sector stocks and loans	**79**	**90**	**12**	**82**	**123**	**386**
Debentures, insurance policies, preference shares and other loans	**—**	**—**	**60**	**45**	**4**	**109**
Cash, deposits and similar securities	**—**	**166**	**116**	**654**	**44**	**980**
Investment properties	**—**	**—**	**—**	**135**	**7**	**142**
Net working capital assets	**15**	**128**	**289**	**129**	**39**	**600**
Total	**285**	**1 238**	**698**	**1 667**	**614**	**4 502**
Exchange rates (rand):						
Closing rate	**12,85**	**9,24**	**13,33**	**1,26**		
Average rate	**11,98**	**8,13**	**15,07**	**1,22**		
31 December 2007						
Equities and similar securities	318	688	338	759	571	2 674
Public sector stocks and loans	170	636	92	52	363	1 313
Debentures, insurance policies, preference shares and other loans	—	—	—	215	4	219
Cash, deposits and similar securities	4	245	673	653	56	1 631
Net working capital assets	44	61	(22)	52	22	157
Total	536	1 630	1 081	1 731	1 016	5 994
Exchange rates (rand):						
Closing rate	9,99	6,83	13,61	1,13		
Average rate	9,65	7,04	14,10	1,17		

The capital portfolio has limited exposure to investment properties and accordingly the related property risk. Diversification in property type, geographical location and tenant exposure are all used to reduce the risk exposure.

Sensitivities

Refer to page 217 for an analysis of the Group's sensitivity to market risk.

2. Credit risk – policyholder solutions and capital

Life insurance businesses exposed to risk via:	Credit risk
Policyholder solutions	✓
Capital portfolio	✓

Sanlam recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss owing to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam Investment Cluster Credit Risk policy and strategy has been established for this purpose. Credit risk occurs owing to trading, investment, structured transactions and lending activities. These activities in the Group are conducted mostly by either Sanlam Capital Markets (SCM) or Sanlam Investments (SIM) in terms of the investment guidelines granted to them by the life insurance operations. The Boards of SIM and SCM have delegated responsibility for credit risk management to the Central Credit committee. On a smaller scale, Botswana Insurance Fund Management (BIFM)

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also performs investment activities in the Group. BIFM's own credit risk management processes are currently being integrated with the credit risk management of SIM and SCM as the complete integration of the acquired African Life businesses into the Group continues to mature.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, nor without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group and industry; geographical location; product type; currency; maturity, anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

The credit risk policy highlights the processes and procedures to be followed in order to maintain sound credit granting standards, to monitor and manage credit risk, to properly evaluate new business opportunities and identify and administer problem credits. Credit analysis is a structured process of investigation and assessment, involving identifying the obligor, determining whether a group of connected obligors should be consolidated as a group exposure, and analysing the financial information of the obligor. A credit rating, being a ranking of creditworthiness, is allocated to the obligor. External ratings (e.g. Moody's Investor Services, Standard and Poors, Fitch Ratings and Global Credit Ratings) are used when available. In addition to external ratings, internal rating assessments are conducted, whereby the latest financial and related information is analysed in a specified and standardised manner, to ensure a consistent and systematic evaluation process.

All facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Sanlam's interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to. A credit administration and reporting department is in place to implement risk control measures and maintain ongoing review of the credit reports and conditions, to ensure overall compliance with the credit risk strategy and policy.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas;
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract;
- General insurance premiums outstanding for more than 60 days are not accounted for in premiums, and an appropriate level of provision is maintained; and
- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group has considered the impact of changes in credit risk on the valuation of its liabilities. Credit risk changes will only have an impact in extreme situations and are accordingly not material for the 2008 and 2007 financial years. Given the strong financial position and rating of the Group, the credit rating of its liabilities will only be impacted by a material deterioration in the solvency position of the Group.

The tables below provide an analysis of the ratings attached to the Group's exposure to instruments subject to credit risk.

Credit risk concentration by credit rating*:

Assets backing policy liabilities	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Other %	Not rated %	Total %	Carrying value R million
31 December 2008												
Public sector stocks and loans	**79,0**	**0,5**	**0,1**	**0,4**	**—**	**0,1**	**0,1**	**2,1**	**0,1**	**17,6**	**100,0**	**41 431**
Debentures, insurance policies, preference shares and other loans	**17,7**	**17,3**	**14,4**	**11,6**	**4,1**	**3,1**	**2,7**	**2,9**	**10,1**	**16,1**	**100,0**	**28 447**
Cash, deposits and similar securities	**16,8**	**8,6**	**22,6**	**8,1**	**7,0**	**2,6**	**1,4**	**—**	**3,9**	**29,0**	**100,0**	**35 523**
Net working capital assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**100,0**	**100,0**	**2 405**
Total	**40,6**	**7,6**	**11,3**	**5,9**	**3,4**	**1,7**	**1,2**	**1,6**	**4,0**	**22,7**	**100,0**	**107 806**
31 December 2007												
Public sector stocks and loans	72,7	—	0,8	—	—	0,1	0,1	1,9	0,6	23,8	100,0	41 638
Debentures, insurance policies, preference shares and other loans	17,6	16,7	9,6	11,2	7,9	6,1	1,1	4,3	2,0	23,5	100,0	26 575
Cash, deposits and similar securities	13,3	31,4	1,7	17,3	3,8	2,7	0,7	—	5,7	23,4	100,0	30 019
Net working capital assets										100,0	100,0	1 938
Total	39,1	13,7	3,4	8,1	3,2	2,5	0,5	1,9	2,4	25,2	100,0	100 170

Credit risk concentration by credit rating*:

Capital portfolio	AAA %	AA+ %	AA %	AA- %	A+ %	A %	A- %	BBB %	Other %	Not rated %	Total %	Carrying value R million
31 December 2008												
Public sector stocks and loans	**91,0**	**—**	**—**	**—**	**—**	**—**	**—**	**1,9**	**—**	**7,1**	**100,0**	**1 717**
Debentures, insurance policies, preference shares and other loans	**6,4**	**7,7**	**22,7**	**14,8**	**17,1**	**3,8**	**1,4**	**0,9**	**6,0**	**19,2**	**100,0**	**5 402**
Cash, deposits and similar securities	**9,9**	**6,9**	**19,6**	**11,8**	**5,9**	**3,7**	**3,0**	**—**	**2,3**	**36,9**	**100,0**	**3 620**
Net working capital assets	**101,3**	**0,3**	**—**	**—**	**5,3**	**—**	**0,6**	**—**	**(2,9)**	**(4,6)**	**100,0**	**2 778**
Total	**37,6**	**5,0**	**14,3**	**9,1**	**9,5**	**2,5**	**1,5**	**0,6**	**2,4**	**17,5**	**100,0**	**13 517**
31 December 2007												
Public sector stocks and loans	92,1	—	2,8	—	—	—	—	1,9	—	3,2	100,0	1 611
Debentures, insurance policies, preference shares and other loans	12,6	9,2	1,9	21,4	9,2	5,1	0,9	1,9	0,1	37,7	100,0	5 930
Cash, deposits and similar securities	17,1	17,0	3,7	13,5	10,5	2,4	0,5	—	2,7	32,6	100,0	6 155
Net working capital assets	130,2	5,6	—	7,7	0,4	—	—	—	(3,1)	(40,8)	100,0	2 451
Total	39,0	11,0	2,4	14,1	7,6	2,7	0,5	0,8	0,7	21,2	100,0	16 147

**Rated externally or by using internationally recognised credit rating techniques.*

Equity derivatives are included in equities and similar securities and interest-rate swaps are included in debentures, insurance policies, preference shares and other loans above. The majority of the counterparties to these agreements are institutions with at least an AA- rating. The Group's short-term positions are included in the above table under the counterparties' long-term rating where Sanlam has both a long-term and short-term exposure to the entities.

Capital and risk management report

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Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the balance sheet, as there are no financial guarantees provided to parties outside the Group, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.

Reinsurance credit risk

Sanlam makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

3. Liquidity risk

Life insurance businesses exposed to risk via:	Liquidity risk	
Policyholder solutions		3.5
Linked and market-related	✓	3.4
Smoothed-bonus business		
Stable bonus	✓	3.1
Reversionary bonus	✓	3.1
Participating annuities	✓	3.4
Non-participating annuities	✓	3.2
Other non-participating liabilities		
Guarantee plans	✓	3.3
Other	✓	3.4
Capital portfolio	✗	3.6

3.1 These policyholder solutions do not expose the Group to significant liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

3.2 As discussed above, the liabilities are matched as far as possible with assets, mostly interest-bearing, to ensure that the duration of assets and liabilities are closely matched. The average duration of non-participating annuity policy liabilities and the supporting assets held by the Group's life insurance operations are reflected in the table below, indicating that the Group's non-participating annuity books are well matched, which also limits the interest rate risk exposure discussed on page 238.

Years	2008 Assets	2008 Policy liabilities	2007 Assets	2007 Policy liabilities
Sanlam Life	**8,6**	**9,5**	8,6	8,9
Sanlam Developing Markets	**5,7**	**6,7**	6,0	7,0
Weighted average	**8,2**	**9,4**	8,4	8,8

3.3 Liquidity risk is managed by matching the liabilities with assets that have similar maturity profiles as the liabilities.

3.4 Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows.

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

R million	< 1 year	1-5 years	> 5 years	Open ended	Total
31 December 2008					
Insurance contracts	**4 130**	**16 174**	**52 115**	**48 460**	**120 879**
Investment contracts	**4 219**	**13 198**	**36 814**	**54 158**	**108 389**
Total policy liabilities	**8 349**	**29 372**	**88 929**	**102 618**	**229 268**
Properties	**5**	**11**	**30**	**14 011**	**14 057**
Equities and similar securities	**111**	**283**	**666**	**107 444**	**108 504**
Public sector stocks and loans	**3 592**	**3 291**	**32 609**	**1 945**	**41 437**
Debentures, insurance policies, preference shares and other loans	**8 783**	**10 972**	**7 074**	**464**	**27 293**
Cash, deposits and similar securities	**29 046**	**4 051**	**973**	**1 626**	**35 696**
Deferred acquisition cost	**—**	**—**	**—**	**615**	**615**
Long-term reinsurance assets	**6**	**41**	**363**	**—**	**410**
Net working capital	**1 519**	**—**	**—**	**(263)**	**1 256**
Total policyholder assets	**43 062**	**18 649**	**41 715**	**125 842**	**229 268**
31 December 2007					
Insurance contracts	4 381	17 787	57 875	48 355	128 398
Investment contracts	3 878	13 728	42 338	56 318	116 262
Total policy liabilities	8 259	31 515	100 213	104 673	244 660
Properties	3	11	32	13 975	14 021
Equities and similar securities	88	307	898	131 032	132 325
Public sector stocks and loans	7 594	6 903	25 485	1 656	41 638
Debentures, insurance policies, preference shares and other loans	7 396	10 468	7 963	297	26 124
Cash, deposits and similar securities	24 631	2 988	564	1 039	29 222
Deferred acquisition cost	—	—	—	540	540
Long-term reinsurance assets	3	47	354	75	479
Net working capital	1 125	—	—	(814)	311
Total policyholder assets	40 840	20 724	35 296	147 800	244 660

3.6 The life insurance businesses' capital is not subject to excessive levels of liquidity risk. The publicly issued unsecured bonds issued by Sanlam Life Insurance Limited are managed on a corporate level (refer to page 264 for more information).

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4. Insurance risk

Life insurance businesses exposed to risk via:	Insurance risk: Persistency	Insurance risk: Other insurance risks
Policyholder solutions		
Linked and market-related	✓	✓
Smoothed-bonus business		
Stable bonus	✓	✓
Reversionary bonus	✓	✓
Participating annuities	✓	✓
Non-participating annuities	✗	✓
Other non-participating liabilities		
Guarantee plans	✓	✗
Other	✓	✓
Capital portfolio	✗	✗

Insurance risk arises from the writing of non-participating annuity and other non-participating life business, as these products expose the Group to risk if actual experience differs from that which is assumed. The Group is however also exposed to persistency risk in respect of other policyholder solutions and insurance risk in respect of universal life solutions.

Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timeously identified and corrective action taken. The Group's reserving policy is based on actual experience, adjusted for expected future changes in experience, to ensure that adequate provision is made for lapses, surrenders and paid-up policies.

Other insurance risk

Underwriting risk

The Group manages underwriting risk through:

- Its product development process and underwriting policy to prevent anti-selection and ensure appropriate premium rates (loadings) for substandard risks;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

Quarterly actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

- All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business's governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;
- Specific testing for HIV/Aids is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/Aids;
- Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- Appropriate income replacement levels apply to disability insurance;
- The experience of reinsurers is used where necessary for the rating of substandard risks;
- The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary. Most of the individual new business is sold with a guarantee that risk premiums would not be increased for the first 5 to 15 years;
- Risk profits are determined on a regular basis; and
- Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example rerating of premiums, is taken where necessary.

Expense risk

Expenses are managed through the Group's budgeting process and continuous monitoring of actual versus budgeted expenses is conducted and reported on.

Claims risk

The risk that Sanlam may pay fraudulent claims (claims risk) is mitigated by employing highly trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The forensic investigation team also advises on improvements to internal control systems.

Concentration risk

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle market and high net worth clients.

The tables below provide an analysis of the Group's exposure to the value of benefits insured in respect of non-participating life business as well as the annuity payable per policy in respect of non-participating annuities:

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Non-participating annuity payable per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
	2008	2007	2008	2007	2008	2007
R'000			%	%	%	%
0 – 20	**216 331**	218 278	**48**	48	**48**	48
20 – 40	**17 015**	17 212	**19**	19	**19**	19
40 – 60	**5 447**	5 478	**10**	10	**10**	10
60 – 80	**2 463**	2 426	**6**	6	**6**	6
80 – 100	**1 271**	1 204	**4**	4	**4**	4
>100	**2 057**	1 845	**13**	13	**13**	13
	244 584	246 443	**100**	100	**100**	100

Value of benefits insured: non-participating life business

Benefits insured	Number of lives		Before reinsurance		After reinsurance	
per individual life	2008	2007	2008	2007	2008	2007
R'000			%	%	%	%
0 – 500	**12 028 131**	12 572 702	**41**	44	**43**	47
500 – 1 000	**211 050**	149 239	**18**	19	**19**	19
1 000 – 5 000	**188 343**	96 207	**32**	30	**31**	29
5 000 – 8 000	**4 627**	3 154	**4**	3	**4**	3
>8 000	**2 518**	1 657	**5**	4	**3**	2
	12 434 669	12 822 959	**100**	100	**100**	100

The tables indicate that the Group's exposure is spread over a large number of lives insured, thereby mitigating concentration risk.

The geographical exposure of the Group's life insurance operations is illustrated in the table below, based on the value of policy liabilities in each region. The majority of life insurance exposure is to the South African market.

R million	2008	2007
South Africa	**193 565**	203 540
Africa	**17 013**	17 383
Other International	**18 690**	23 737
Total policy liabilities	**229 268**	244 660

Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL) and Sanlam Home Loans (SHL). The Group is exposed to financial risk from these operations through the following:

SPL and SHL are joint-venture investments of the capital portfolio that has been equity-accounted based on Sanlam's percentage interest in its net asset value.

The Group has also provided financing to SPL and SHL.

In these businesses, financing for the loans granted is initially provided by Sanlam for SPL and by Sanlam and Absa for SHL. Tranches of loans are subsequently transferred to securitisation vehicles where external parties also provide the required financing. The different financiers are as follows:

SPL:

› Non-securitised loans: financed mainly by Sanlam; and

› Unlisted securitisation vehicle: financed by Sanlam and external investors.

SHL:

› Non-securitised loans: financed by Sanlam and by Absa; and

› Securitisation vehicle: financed by Sanlam and external investors through a listing of the vehicle on the Bond Exchange of South Africa (BESA).

The balance of loans advanced relating to each of the above categories at 31 December 2008 is shown below:

	2008			2007		
R million	**Non-securitised loans**	**Securitisation vehicle**	**Total**	**Non-securitised loans**	**Securitisation vehicle**	**Total**
Sanlam Personal Loans						
Gross balance	**342**	**1 231**	**1 573**	493	1 126	1 619
Provisions	**(45)**	**(42)**	**(87)**	(62)	(26)	(88)
Net balance	**297**	**1 189**	**1 486**	431	1 100	1 531
Sanlam Home Loans						
Gross balance	**671**	**3 946**	**4 617**	1 759	3 752	5 511
Provisions	**(11)**	**(14)**	**(25)**	(19)	(12)	(31)
Net balance	**660**	**3 932**	**4 592**	1 740	3 740	5 480

Capital and risk management report
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Sanlam Personal Loans

1. Market risk

Interest rate risk

The primary market risk to which SPL is exposed is interest rate risk. Various interest rate swaps with five-year terms and three-month cash flow exchange dates are used to hedge the interest rate exposure. The effect of an upwards movement in market interest rates of 1 basis point on SPL's interest rate exposure at 31 December 2008 would result in a positive change in value of R399 (2007: negative R2 956).

Various interest rate stress tests are calculated on SPL's book of business to monitor interest rate risk, based on possible interest rate movements. The relative parallel interest rate stress test is based on movements in interest rates of between -50% and +50% of all the reference interest rates. The stress tests at 31 December 2008 reveal that a -50% movement in market interest rates will result in a profit of approximately R2 million (2007: profit of R2 million), and a +50% movement will result in a loss of approximately R2,7 million (2007: loss of R2,3 million).

2. Credit risk

The Group's maximum exposure to credit risk in respect of SPL comprises the following:

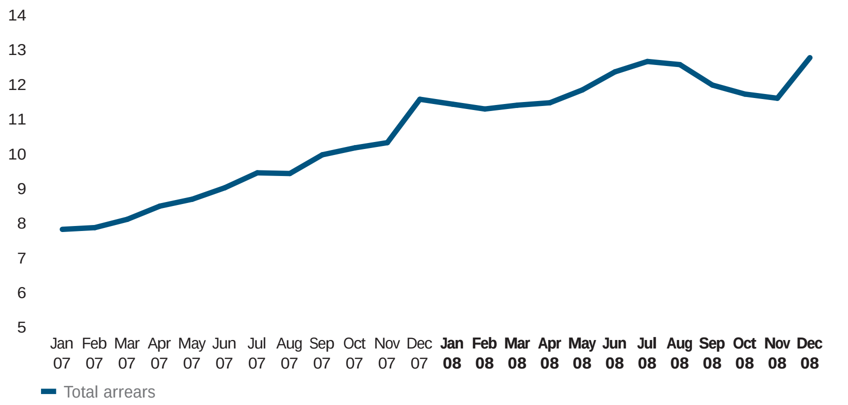
- As SPL is a joint venture that has been equity-accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of this investment, which is disclosed in note 7 on page 304.
- The Group's life insurance operations have also provided financing to SPL. This exposure is included in the credit risk assessed in the life insurance business's risk management review.

Credit risk consists of credit standing and default risk. Advances are only granted to recognised, creditworthy parties. It is the company's policy to subject its potential customers to credit verification procedures. In addition, balances of advances are monitored on an ongoing basis.

A collections strategy is in place to mitigate credit risk and all accounts in arrear are given due priority. Accounts that cannot be rehabilitated are handed over for legal action. Actual experience of bad debts is compared to impairments and provisions budgeted so that any deviation from expectations is identified and understood and credit underwriting criteria can be updated if considered necessary. The impact on the business by external factors, such as the National Credit Act (NCA), are continuously assessed and reported.

The table below shows the outstanding balance of arrear accounts as a percentage of the total book. Arrear accounts are all accounts which have one or more payments in arrears. The percentage of arrear accounts remained relatively stable during 2008 and within acceptable limits.

Capital balance of arrear accounts as % of total capital of all accounts *(%)*

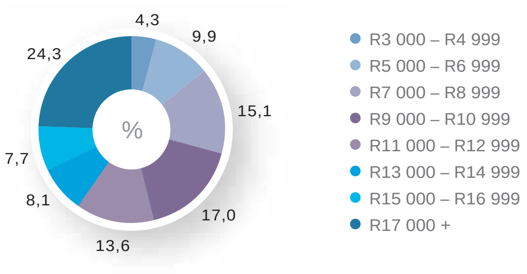


Concentration risk

Concentration risk is mitigated by ensuring that business is conducted with a variety of client types, with different occupations, and household income, across all regions in South Africa.

The graph below shows that there is a fairly even distribution across borrowers' income categories. The lowest income category of R3 000 to R4 999 makes up the smallest segment of the portfolio at 4,3%. The biggest segment of the portfolio (24,3%) comprise individuals earning in excess of R17 000.

Gross income concentration by value outstanding



3. Liquidity risk

The company is exposed to liquidity risk in the event that repayments from customers are not sufficient to meet the repayment schedules agreed with the providers of finance. The liquidity risk is managed by a loan facility provided by Sanlam Life Insurance Limited as well as commitments from providers of liquidity facilities, currently Sanlam Life Insurance Limited and Rand Merchant Bank Limited. The commercial paper that is refinanced every one to three months is 88,43% of the total funding, and is rated F1+ by a reputable rating agency.

Sanlam Home Loans

1. Market risk

The primary market risk to which SHL is exposed is interest rate risk. An interest rate swap is used to mitigate interest rate risk in the securitisation vehicle. Interest rate risk does however remain with regard to the non-securitised loans, as SHL pay a JIBAR-based rate, but receive a prime-based rate on the loans granted. Given that the gap between the prime and JIBAR interest rates remain generally at the same level, it is not considered necessary to hedge the risk for non-securitised loans.

2. Credit risk

The Group's maximum exposure to credit risk in respect of SHL comprises of the following:

- As SHL is a joint venture that has been equity-accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of this investment, which is disclosed in note 7 on page 305.
- The Group's life insurance operations have also provided financing to SHL. This exposure is included in the credit risk assessed in the life insurance business's risk management review.

A collections strategy is in place to mitigate credit risk. In addition, an intensive care unit (ICU) is used to validate the collection efforts performed, assess the propensity of rehabilitation and actively engage in these efforts. The accounts

Capital and risk management report

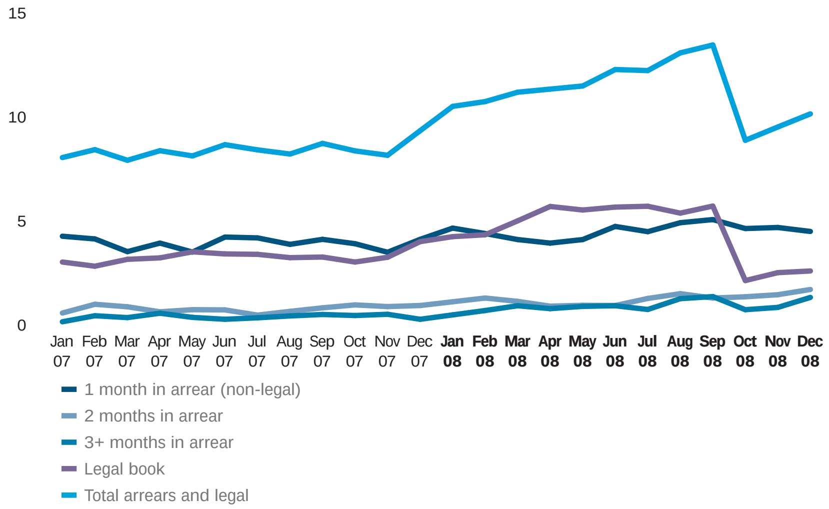
continued

that the ICU is unable to rehabilitate are handed over for legal action. A log of reasons for all bad debts is maintained and analysed to ensure that, as far as possible, similar instances do not repeat. Actual experience of bad debts is compared to impairments and provisions budgeted for, so that any deviation from expectations is identified and understood, and that the financial statements reflect best estimates.

The impact on the business by external factors, such as the National Credit Act (NCA), inflation and inflation expectations, wage negotiations, consumer activity, the current account deficit and private sector credit extension, are all continuously assessed and reported.

The graph below shows the outstanding balance of arrear accounts as a percentage of the total book. Arrear accounts are all accounts, which have one or more payments in arrears. A white labelling arrangement is in place with Absa, in terms of which loans outside of SHL's risk appetite is transferred to Absa. A number of these loans were transferred to Absa during 2008, which resulted in a decrease in the percentage of outstanding balances.

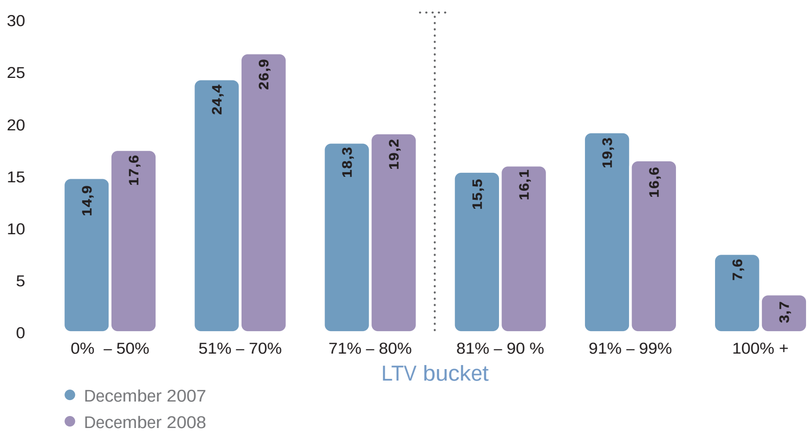
Amount of arrears balances as % of total outstanding balances *(%)*



Concentration risk

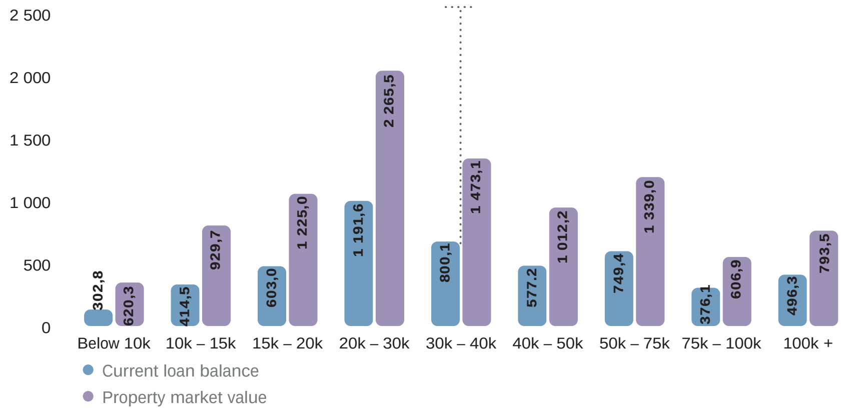
The following table shows the proportion of the SHL portfolio that relates to different loan-to-value (LTV) ratio buckets. The values are based on the last credit decision (e.g. when the client last requested an increase), or where no increase has been requested, at inception.

Analysis of loan-to-value (LTV) ratios as % of total portfolio *(%)*

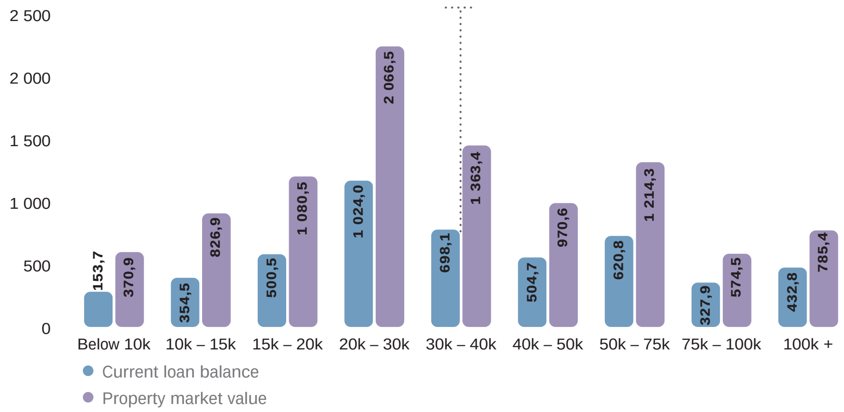


The following graph shows the household income distribution for SHL clients. A fairly evenly-spread distribution exists, thereby mitigating concentration risk.

Household income distribution – 31 December 2008 *(millions)*



Household income distribution – 31 December 2007 *(millions)*



3. Liquidity risk

The company is exposed to liquidity risk in the event that repayments from customers are not sufficient to meet the repayment schedules agreed with the providers of finance. The Group manages its liquidity risk through commitments from providers of its liquidity and redraw facilities, currently Sanlam Life Insurance Limited and ABSA Bank Limited, and the collection of amounts due from customers.

Capital markets

Within SCM, the Asset Liability and Risk Management committee (ALaRMCO) is responsible for the implementation and monitoring of risk management processes to ensure that the risks arising from trading positions are within the approved risk parameters. Risk measurements are calculated through the application of various statistical techniques, including value at risk (VaR), and are measured against pre-approved exposure limits. These risk measurements are supplemented with stress testing and scenario analysis. While VaR models are relatively sophisticated, the quantitative market risk information generated is limited by the assumptions and parameters established when creating the related models. Sanlam believes that statistical models alone do not provide a reliable method of monitoring and controlling

Capital and risk management report
continued

market risk. Therefore, such models are tools and inputs in the decision-making process, but do not substitute for the experience or judgement of senior management.

Business-wide risk levels are reported to senior management, while desk risk levels are reported to the relevant trading managers and traders. Limit breaches are escalated for approval in terms of an Approval Framework. The risk information is summarised, reported to, and discussed by the ALaRMCO at weekly meetings.

The mandates for existing businesses are reviewed and submitted for ALaRMCO approval and Risk committee notification on at least an annual basis or more frequently if it was changed through the course of a financial year.

An initial mandate development process is undertaken for each new business ventured into by SCM. Based on the business mandates, quantifiable risks are measured and reported on a daily basis. Any new type of business or product is subjected to a comprehensive review process before initiation to ensure that all of the risks associated with new businesses or products have been identified and can be appropriately managed.

SCM is also exposed to credit risk in respect of its working capital assets. Collateral is received for transactions conducted by SCM, including (but not limited to) securities lending transactions.

1. Market risk

SCM uses VaR to calculate market risk capital. VaR measures the maximum loss over a given horizon with a specified level of confidence. VaR is computed as follows:

- At a 99,5% confidence level (to be consistent with SCM's risk appetite);
- Over a 10-day holding period (which takes account of market liquidity risk in the VaR calculation through setting the liquidity period at 10 days);
- Multiplied by a factor of 3 (to allow for uncertainty in estimating VaR at high confidence levels); and
- VaR is calculated on a diversified basis for SCM as a whole and takes the diversification among portfolios into account.

Equity risk

Equity price stress tests are performed on the SCM portfolios. The scenarios used in the stress tests incorporate a combination of equity price movements of between -50% and +20%. In the equity price stress test results, the maximum loss is R0,1 million (2007: R35 million).

Interest rate risk

Various interest rate stress tests are performed on the SCM portfolios. The relative parallel interest rate stress test calculates the market exposure based on interest rate movements of between -50% and +20%, *ceteris paribus.* The interest rate volatility stress test calculates the market exposure based on movements in the absolute implied interest rate volatility of -4% and +4%, *ceteris paribus.* The market exposure that was calculated at 31 December 2008 and 2007 for these tests, and for overall market exposure, were as follows:

Overall Market Exposure (R'000)	Position 31 December 2008	31 December 2007
Interest Rate Exposure	**28 133**	100 412
Interest Rates (1 bp sensitivity)	**(2)**	79
Stress Limits		
Interest rate stress	**(16 215)**	(70 022)

The results show that at 31 December 2008, the effective size of SCM's portfolio that is exposed to interest rate changes is R28,1 million (2007: R100,4 million). If interest rates were to change upward by 1 basis point, this would result in a loss impact of R2 000 (2007: R79 000 profit). The interest rate stress test shows that a R16,2 million loss (2007: R70 million loss) would occur if interest rates changed on a relative basis by up to 40% or -40% (e.g. from 10% to 6% or 14%).

2. Credit risk

For credit risk capital, SCM utilises the concept of unexpected losses. Based on historical default data, one can compute expected losses on a portfolio of credits. Economic principles dictate that a provision should be created for expected losses, although this is not the approach taken from an accounting perspective. An unexpected loss, on the other hand, is the maximum amount over and above the expected loss that SCM could incur over the particular time horizon with a certain level of confidence. In SCM's economic capital model, an unexpected loss over a one-year time horizon at a 99,5% confidence is used to compute the credit risk capital. This is consistent with the one-year 99,5% VaR used for market risk capital, although market risk capital is computed over a 10-day liquidation period with a comfort factor of 3.

At the end of the financial year, SCM's maximum unexpected loss (credit risk capital) was R183 million (2007: R153 million) based on a 21-day average of the daily economic capital amounts calculated using a 99,5% confidence level.

Credit spread stress tests are calculated for all instruments sensitive to credit spread changes. The profit or loss from changes in credit spreads on both the assets and funding are calculated in these stress tests. The stress test results are determined as follows:

- The credit ratings for credit assets and funding are deteriorated by 1, 2 and 3 rating notches;
- The impact of these deteriorations on credit spreads are determined with reference to a pre-defined credit spread matrix used in the marked-to-market of both credit assets and funding;
- The changed credit spreads are used to revalue credit assets and funding; and
- The resultant net changes in the valuations of credit assets and funding are seen as the test results.

Capital and risk management report

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The table below shows the possible effect of a 1, 2 and 3 notch deterioration in credit rating. The total impact on the valuation of the assets is slightly offset by the impact on the valuation of the funding that is used to acquire the positions in the market. The total effect of a 1 notch deterioration is therefore -R71,9 million (2007: -R36,0 million).

	31 December 2008			31 December 2007		
R million	Assets	Funding	Total	Assets	Funding	Total
Current value	**11 924,4**	**(10 546,1)**	**1 378,3**	8 750,9	(8 353,1)	397,8
Stress results 1 (1 Notch)	**(152,6)**	**80,7**	**(71,9)**	(189,7)	153,7	(36,0)
Stress results 2 (2 Notch)	**(240,9)**	**130,3**	**(110,6)**	(361,8)	298,1	(63,7)
Stress results 3 (3 Notch)	**(343,4)**	**196,6**	**(146,8)**	(519,9)	434,5	(85,4)

Maximum exposure to credit risk

SCM's maximum exposure to credit risk is equivalent to the amounts recognised in the balance sheet, as there are no financial guarantees provided to parties outside the Group that is expected to result in an outflow of resources, nor are there any loan commitments provided that are irrevocable over the life of the facility or revocable only in adverse circumstances.

Credit risk exposures are reported on a netted basis, therefore after taking collateral and netting agreements into account. Appropriate haircuts to collateral are implemented in line with the formulated Credit Exposure Quantification policy. Credit risk exposures are mitigated through several measures, including physical collateral (e.g. mortgage bonds) considered on a case-by-case basis; the use of netting agreements; or guarantees issued by third parties.

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.

Concentration risk

Management determines concentrations by counterparty, with reference to the proportion of total credit risk capital held in respect of that counterparty compared to the overall credit risk capital of the entire portfolio. The 10 largest contributors to credit risk capital make up 52% (2007: 60%) of total credit risk capital, but only 28% (2007: 31%) of the total exposure. SCM is therefore not exposed to significant concentration risk.

3. Liquidity risk

The maximum available facilities of R5,2 billion significantly exceed the amount utilised of R309 million (2007: R615 million), indicating widely available unutilised funding sources. The net utilised funding is also well within the total available facilities of R4 billion. In order to keep commitment fees within the Sanlam Group, facilities are negotiated with Sanlam at market-related terms, before external facilities are sought. Committed facilities granted by SCM were R1,5 billion. A significant portion of trading account assets and liabilities is due within one year.

Short-term insurance

The Group's short-term insurance operations include Santam and MiWay, the direct financial services company launched during 2008. Given the immaterial contribution of MiWay to the Group's earnings during 2008 and the fact that similar risk management processes are followed by Santam and MiWay, this section is limited to information in respect of the Santam Group (Santam).

Risk management framework

Santam has established an enterprise risk management framework that is designed to identify, assess, measure and manage exposure to risk. Its primary objective is to protect the short-term insurance operations from events that hinder the sustainable achievement of performance objectives, including failing to exploit opportunities.

Regulatory impact on risk and risk assessments

Santam's short-term insurance operations are subject to regulatory requirements that prescribe the type, quality and concentrations of investments, and the level of assets to be maintained in local currency to meet insurance liabilities. These requirements help to maintain market risk at an acceptable level.

Santam monitors specific risks on a regular basis through its risk monitoring framework. Business units are required to disclose to the Group risk function all material risks, along with information on likelihood and severity of risks, and the mitigating actions taken or planned. This enables Santam to assess its overall risk exposure and to develop a Group-wide risk map, identifying any concentration of risk that may exist, and to define which risks and what level of risk Santam is prepared to accept. The risk map is refreshed quarterly, and business units are required to escalate material changes intra-quarter.

Market risk

Market risk arises in business units due to fluctuations in both the value of liabilities and the value of investments held. At a Group level, it also arises in relation to the value of investment assets owned directly by the shareholders' fund.

Santam has established a policy on market risk which sets out the principles that businesses are expected to adopt in respect of management of the key market risks to which Santam is exposed. Santam monitors adherence to this market risk policy and regularly reviews how business units are managing these risks through the Santam Investment committee. For each of the major components of market risk, described in more detail below, Santam has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Price risk

Santam is subject to price risk due to daily changes in the market values of its equity and debt securities portfolios.

The objective is to earn competitive relative returns by investing in a diverse portfolio of high-quality, liquid securities. Portfolio characteristics are analysed regularly and equity price risk is actively managed through a variety of modelling methods. Holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by management and statutory requirements.

At 31 December 2008, Santam's listed equities were recorded at their fair value of R2 764 million (2007: R4 435 million). A hypothetical 10% decline in share prices would have the net effect of decreasing profit before taxation by R201 million (2007: R444 million), after taking into account the effect of the derivative. A hypothetical 10% increase in share prices would have the net effect of increasing profit before taxation by R199 million (2007: R444 million), after taking into account the effect of the derivative.

Short-term insurance liabilities are not directly sensitive to equity price risk. Long-term investment contract liabilities are sensitive to price risk of linked assets.

The Santam Board actively monitors equity assets owned directly by Santam, which include some material shareholdings in the strategic business partners. Concentrations of specific equity holdings, e.g. strategic holdings, are also monitored.

Capital and risk management report
continued

Interest rate risk

Interest rate risk arises primarily from investments in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include scenario testing and stress testing using measures such as duration.

Interest rate risk is also managed using a variety of derivative instruments, including futures, options and swaps, to provide a degree of hedging against unfavourable market movements in interest rates inherent in the assets backing technical liabilities. At 31 December 2008, Santam had entered into a number of interest rate swap agreements to mitigate the effects of potential adverse interest rate movements on underlying financial assets to enable close matching of assets and liabilities.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing. Unquoted debt securities have variable interest rates linked to the prime rate and are valued using observable market data.

Foreign currency risk

Santam's exposure to currency risk is mainly in respect of foreign investments made in line with the long-term strategy approved by the Board for seeking desirable international diversification of investments to expand its income stream. The company has investments in foreign subsidiaries whose net assets are exposed to currency translation risk, primarily to the British pound. In addition, the Southern African operations have foreign exchange exposure in respect of net monetary assets denominated in foreign currency, predominantly US dollar and the British pound.

Santam does not take cover on foreign currency transactions and balances, as the exposure is considered minimal.

The following assets and liabilities denominated in foreign currencies are included in the balance sheet (including non-current assets classified as held for sale in 2007):

R million	Euro	United States dollar	British pound	Total
31 December 2008				
Equities and similar securities	**—**	**—**	**—**	**—**
Debentures, insurance policies, public sector stocks and other loans	**—**	**—**	**—**	**—**
Cash, deposits and similar securities	**3**	**479**	**72**	**554**
Net other liabilities	**(12)**	**(51)**	**(6)**	**(69)**
Net working capital	**1**	**20**	**(169)**	**(148)**
Foreign currency exposure	**(8)**	**448**	**(103)**	**337**
31 December 2007				
Equities and similar securities	—	—	246	246
Debentures, insurance policies, public sector stocks and other loans	—	—	601	601
Cash, deposits and similar securities	1	287	860	1 148
Net other liabilities	—	—	(1 248)	(1 248)
Net working capital	—	3	8	11
Foreign currency exposure	1	290	467	758

Derivatives risk

Derivatives are primarily used for efficient investment management, risk hedging purposes or to structure specific products. Santam does not use derivative financial instruments for speculative purposes, but instead to manage financial risks and to preserve its capital base. Predetermined mandates control the use of derivative financial instruments.

Over-the-counter derivative contracts are entered into only with approved counterparties, in accordance with Santam policies, effectively reducing the risk of credit loss. Santam applies strict requirements to the administration and valuation process it uses, and has a control framework that is consistent with market and industry practice for the activity that it has undertaken.

Credit risk

Key areas where Santam is exposed to credit risk are:

- Investments and cash equivalents;
- Amounts due from insurance policyholders;
- Amounts due from insurance contract intermediaries; and
- Reinsurers' share of insurance liabilities.

Santam determines counterparty credit quality by reference to ratings from independent ratings agencies such as Standard and Poor's or, where such ratings are not available, by internal analysis. Santam seeks to avoid concentration of credit risk to groups of counterparties, to business sectors, product types and geographical segments.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB. Financial assets which fall outside BBB are classified as not rated. Credit limits are set for each counterparty based on default probabilities that are in turn based on the ratings of the counterparty concerned.

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings.

31 December 2008

	Credit rating									
R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	Carrying value in balance sheet
Debt securities – listed	**861**	**175**	**588**	**304**	**153**	**—**	**51**	**—**	**13**	**2 145**
Debt securities – unlisted	**—**	**—**	**140**	**299**	**—**	**—**	**—**	**—**	**104**	**543**
Receivables due from contract holders/intermediaries	**31**	**5**	**11**	**21**	**—**	**—**	**—**	**17**	**1 336**	**1 421**
Reinsurance receivables	**10**	**41**	**4**	**215**	**14**	**19**	**21**	**166**	**188**	**678**
Other loans and receivables	**43**	**9**	**38**	**11**	**10**	**14**	**1**	**—**	**462**	**588**
Cash and other short-term interest-bearing instruments	**1 495**	**789**	**1 611**	**424**	**414**	**195**	**25**	**47**	**27**	**5 027**
Non-current assets held for sale	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

31 December 2007

	Credit rating									
R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	Carrying value in balance sheet
Debt securities – listed	705	406	293	416	50	144	9	8	142	2 173
Debt securities – unlisted	—	—	34	77	247	—	—	302	68	728
Receivables due from contract holders/intermediaries	8	10	88	18	—	—	—	6	1 228	1 358
Reinsurance receivables	1	11	44	79	3	82	1	8	8	237
Other loans and receivables	—	—	—	—	—	—	—	—	352	352
Cash and other short-term interest-bearing instruments	1 230	215	1 517	260	49	73	39	1	61	3 445
Non-current assets held for sale	799	—	539	—	—	76	—	—	110	1 524

Capital and risk management report
continued

The carrying amount of assets included in the balance sheet represents the maximum credit exposure.

Unrated receivables that are due from contract holders and intermediaries emanating from the Southern African business amounted to R1 336 million (2007: R1 228 million). Santam is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries to the value of R669 million (2007: R699 million).

The financial instruments, except amounts owed by reinsurers, do not represent a concentration of credit risk, as Santam deals with a variety of major banks and its accounts receivable are spread among a number of major companies, intermediary parties, clients and geographic areas.

Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge Santam's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, Santam remains liable for the payment to the policyholder. Santam has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. Santam's largest reinsurance counterparty is Munich Re. This exposure is monitored on a regular basis with the forecast to completion monitored for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for Santam will arise. BBB rated reinsurance receivables of R166 million relate to reinsurance brokers.

There were no material financial assets that would have been past due or impaired had the terms not been renegotiated.

There is no concentration of credit risk with respect to loans and receivables, as Santam has a large number of dispersed debtors.

Insurance risk

Santam issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way Santam manages them.

Terms and conditions of insurance contracts

Engineering – Provides cover for risks relating to:

- The possession, use or ownership of machinery or equipment, other than a motor vehicle, in the carrying on of a business;
- The erection of buildings or other structures or the undertaking of other works; and
- The installation of machinery or equipment.

Guarantee – A contract whereby the insurer assumes an obligation to discharge the debts or other obligations of another person in the event of the failure of that person to do so.

Liability – Provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Motor – Covers risks relating to the possession, use or ownership of a motor vehicle. This cover can include risks relating to vehicle accident, theft or damage to third-party property or legal liability arising from the possession, use or ownership of the insured vehicle.

Accident and health – Provides cover for death, disability and certain health events. This excludes the benefits to the provider of health services, and is linked directly to the expenditure in respect of health services.

Property – Covers risks relating to the use, ownership, loss of or damage to movable or immovable property other than a risk covered more specifically under another insurance contract.

Transportation – Covers risks relating to the possession, use or ownership of a vessel, aircraft or other craft or for the conveyance of persons or goods by air, space, land or water. It also covers risks relating to the storage, treatment or handling of goods that are conveyed.

Crop – Provides indemnity for crops while still on the field against hail, drought and excessive rainfall. Cover ceases as soon as harvesting has taken place.

Alternative risk transfer (ART) – The use of techniques, other than traditional insurance, that include at least an element of insurance risk, to provide entities with risk coverage or protection.

Insurance risk in Santam arises from:

› Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
› Unexpected claims arising from a single source;
› Inaccurate pricing of risks when underwritten;
› Inadequate reinsurance protection or other risk transfer techniques; and
› Inadequate reserves.

The risks under any one insurance contract are the frequency with which the insured event occurs and the uncertainty of the amount of the resulting claims. For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risks Santam face are that the actual claims and benefit payments exceed the premiums charged for the risks assumed and that the reserves set aside for policyholders' liabilities, whether they are known or still to be reported, prove to be insufficient.

By the very nature of an insurance contract, this risk is random and therefore unpredictable. Changing risk parameters and unforeseen factors, such as patterns of crime, economic and geographical circumstances, may result in unexpectedly large claims. Insurance events are random and the actual number of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Pricing

Santam bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting managers and brokers to ensure that this policy is consistently applied. Santam also has the right to re-price and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims.

Through the use of extensive expertise, well-maintained data resources, selective underwriting practices and pricing techniques it is able to produce appropriate and competitive premium rates.

The net claims ratio for Santam (continuing activities only), which is important in monitoring insurance risk, has developed as follows over the past seven years:

Loss history	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Claims paid and provided %*	**68,4**	68,2	68,6	65,3	57,0	64,8	70,7

**Expressed as a percentage of net earned premiums.*

Capital and risk management report
continued

Factors that aggravate insurance risk include a lack of risk diversification in terms of type and amount of risk, geographical location and the industries covered. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. Therefore a diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

Santam has developed its insurance underwriting strategy to diversify the type of insurance risks accepted, to achieve, within each of these categories, a sufficiently large population of risks to reduce the variability of the expected outcome. A specialised catastrophe reinsurance programme mitigates the risk arising from this.

Claims development tables

The presentation of the claims development tables for Santam is based on the actual date of the event that caused the claim (accident year basis). The claims development tables, represent the development of actual claims paid.

Payment development

– Conventional short-term insurance claims – gross

		Claims paid in respect of					
Reporting year *R million*	**Total**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003 and prior**
Actual claims costs:							
– 2008	8 996	**7 181**	1 547	156	47	46	19
– 2007	7 971	—	6 219	1 385	132	193	42
– 2006	6 988	—	—	5 521	1 062	245	160
– 2005	5 955	—	—	—	4 711	966	278
– 2004	4 797	—	—	—	—	3 813	984
– 2003	5 076	—	—	—	—	—	5 076
– 2002	4 832	—	—	—	—	—	4 832
Cumulative payments to date	44 615	**7 181**	7 766	7 062	5 952	5 263	11 391

– Conventional short-term insurance claims – net

		Claims paid in respect of					
Reporting year *R million*	**Total**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003 and prior**
Actual claims costs:							
– 2008	7 728	**6 173**	1 381	93	31	32	18
– 2007	6 672	—	5 292	1 197	99	61	23
– 2006	6 020	—	—	4 924	909	90	97
– 2005	5 185	—	—	—	4 223	820	142
– 2004	4 064	—	—	—	—	3 311	753
– 2003	4 194	—	—	—	—	—	4 194
– 2002	3 754	—	—	—	—	—	3 754
Cumulative payments to date	37 617	**6 173**	6 673	6 214	5 262	4 314	8 981

Reporting development

– Short-term insurance claims provision – gross

Reporting year *R million*	Total	**2008**	2007	2006	2005	2004	2003 and prior
		Financial year during which claim occurred					
Provision raised:							
– 2008	4 075	**2 579**	630	356	260	133	117
– 2007	3 774	**—**	2 804	405	202	129	234
– 2006	3 218	**—**	—	2 225	375	223	395
– 2005	3 187	**—**	—	—	2 340	277	570
– 2004	2 436	**—**	—	—	—	1 845	591
– 2003	2 303	**—**	—	—	—	—	2 303
– 2002	1 747	**—**	—	—	—	—	1 747
Cumulative provisions to date	20 740	**2 579**	3 434	2 986	3 177	2 607	5 957

– Short-term insurance claims provision – net

Reporting year *R million*	Total	**2008**	2007	2006	2005	2004	2003 and prior
		Financial year during which claim occurred					
Provision raised:							
– 2008	2 699	**1 805**	403	195	145	79	72
– 2007	1 331	**—**	997	137	69	44	84
– 2006	1 348	**—**	—	924	160	93	171
– 2005	1 278	**—**	—	—	887	124	267
– 2004	1 056	**—**	—	—	—	783	273
– 2003	1 104	**—**	—	—	—	—	1 104
– 2002	768	**—**	—	—	—	—	768
Cumulative provisions to date	9 584	**1 805**	1 400	1 256	1 261	1 123	2 739

Reserving

Claims are analysed separately for long-tail and short-tail claims. Short-tail claims can be estimated with greater reliability, and the Santam estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allow Santam to achieve a higher degree of certainty about the estimated cost of claims, and relatively lower levels of IBNR are held at year-end.

The longer time needed to assess the emergence of a long-tail claim makes the estimation process more uncertain for such claims. The uncertain nature of the costs of this type of claim causes greater uncertainty in the estimates, hence the higher level of IBNR. Where possible, Santam adopts multiple techniques to estimate the required level of reserving. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. At year-end, Santam believes that its liabilities for long-tail and short-tail claims are adequate.

In calculating the estimated cost of unpaid claims, Santam's estimation methodology is based on standard statistical techniques. For claims that have been reported to Santam by the valuation date, expert assessors estimate the

Capital and risk management report
continued

expected cost of final settlement. In addition to this, testing of the entire portfolio is done to determine whether or not these estimates are likely to be sufficient in aggregate or if an additional reserve amount is required.

For claims that have not been reported to Santam by the valuation date, the chain-ladder methodology as well as Bornhuetter-Ferguson techniques are used to determine the expected cost of these unreported claims.

A stochastic reserving process is performed and Santam holds its reserves for unpaid claims at at least the 75th percentile level of sufficiency.

Claim provisions for all classes of business are regularly reviewed and audited internally to make sure they are sufficient. These analyses draw on the expertise and experience of a wide range of specialists, such as actuaries, underwriting and accounting experts.

Accumulation risk

Santam is exposed to accumulation risk in the form of geographical (large metropolitan) areas as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the company is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance program has been selected to mitigate accumulation risk within its portfolio.

Reinsurance

Santam obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or capital.

This cover is placed on the local and international reinsurance market. Santam uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses to measure the effectiveness of the reinsurance programme and the net exposure of Santam. The core components of the reinsurance programme comprise:

› Individual excess-of-loss cover for property, liability and engineering risks, which provides protection to limit losses to R50 million per event, excluding reinstatement premiums due as a result of the claim against the cover; and
› Catastrophe cover to the extent of 1,8% (2007: 2,9%) of the total exposure of the significant geographical areas, amounting to protection of up to R4 billion per event.

The Santam Board approves the reinsurance renewal process on an annual basis. The major portion of the reinsurance programme is placed with external reinsurers that have an international credit rating of no less than A- from Standard and Poor's or AM Best.

Liquidity risk

Liquidity risk is the risk that the business will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturities of liabilities and assets.

Santam is exposed to daily calls on its available cash resources from claims. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Santam Board sets limits on the minimum proportion of maturing funds available to meet such calls.

Santam actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle insurance liabilities, based on monthly float projections. Santam has sufficient cash resources to cover its obligations. R7 billion (2007: R7 billion) of insurance liabilities are payable within one year, with the remaining balance predominantly payable within two to five years. Cell owners' interest liabilities are predominantly payable within two to five years.

Corporate

The Corporate Cluster is responsible for areas of financial risk management that are not allocated to individual businesses.

1. Liquidity risk

Term finance liabilities in respect of margin business are matched by appropriate assets with the same maturity profile. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities. The Group has significant liquid resources and substantial unutilised banking facilities to cover any mismatch position.

The maturity profile of term finance liabilities in respect of the margin business and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2008					
Term finance liabilities	**(1 609)**	**(1 381)**	**(60)**	**—**	**(3 050)**
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	**(1 440)**	**(1 330)**	**(60)**	**—**	**(2 830)**
Add: Preference shares issued to subsidiaries and eliminated on consolidation	**(169)**	**(51)**	**—**	**—**	**(220)**
Assets held in respect of term finance	**880**	**1 313**	**410**	**447**	**3 050**
Equities and similar securities	**—**	**—**	**—**	**—**	**—**
Public sector stocks and loans	**—**	**—**	**—**	**447**	**447**
Debentures, insurance policies, preference shares and other loans	**635**	**1 316**	**410**	**—**	**2 361**
Cash, deposits and similar securities	**252**	**(3)**	**—**	**—**	**249**
Working capital assets and liabilities	**(7)**	**—**	**—**	**—**	**(7)**
Net term finance liquidity position	**(729)**	**(68)**	**350**	**447**	**—**

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
31 December 2007					
Term finance liabilities	(836)	(1 798)	(300)	—	(2 934)
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	(811)	(1 576)	(300)		(2 687)
Add: Preference shares issued to subsidiaries and eliminated on consolidation	(25)	(222)	—		(247)
Assets held in respect of term finance	684	728	1 010	512	2 934
Equities and similar securities	—	—	—	512	512
Public sector stocks and loans	1	—	—	—	1
Debentures, insurance policies, preference shares and other loans	336	476	1 010	—	1 822
Cash, deposits and similar securities	362	251	—	—	613
Working capital assets and liabilities	(15)	1	—	—	(14)
Net term finance liquidity position	(152)	(1 070)	710	512	—

Capital and risk management report

continued

The unsecured subordinated bonds issued by Sanlam Life Insurance Limited, which are matched by appropriate assets with similar maturity profiles, are also managed by the Corporate Cluster. These assets are managed to ensure that sufficient liquid investments are available to match the cash flow profile of the term finance liabilities.

The maturity profile of the term finance liabilities in respect of the unsecured subordinated bonds and the assets held to match this term finance is provided in the following table:

R million	<1 year	1 – 5 years	>5 years	Total
31 December 2008				
Term finance liabilities	**—**	**—**	**(2 011)**	**(2 011)**
Assets held in respect of term finance	**(59)**	**813**	**1 257**	**2 011**
Public sector stocks and loans	**(1)**	**—**	**460**	**459**
Debentures, insurance policies, preference shares and other loans	**142**	**498**	**710**	**1 350**
Cash, deposits and similar securities	**(124)**	**315**	**87**	**278**
Working capital assets and liabilities	**(76)**	**—**	**—**	**(76)**
Net term finance liquidity position	**(59)**	**813**	**(754)**	**—**
31 December 2007				
Term finance liabilities	—	—	(1 977)	(1 977)
Assets held in respect of term finance	316	733	928	1 977
Public sector stocks and loans	—	—	83	83
Debentures, insurance policies, preference shares and other loans	171	288	745	1 204
Cash, deposits and similar securities	179	445	100	724
Working capital assets and liabilities	(34)	—	—	(34)
Net term finance liquidity position	316	733	(1 049)	—

2. Sensitivity analysis – market risk

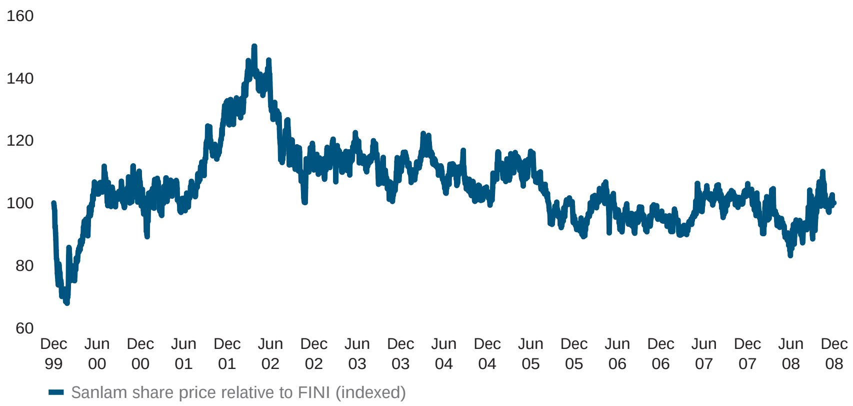
Refer to page 183 for an analysis of the Group's exposure to market risk as measured by Group Equity Value.

Stock exchange performance

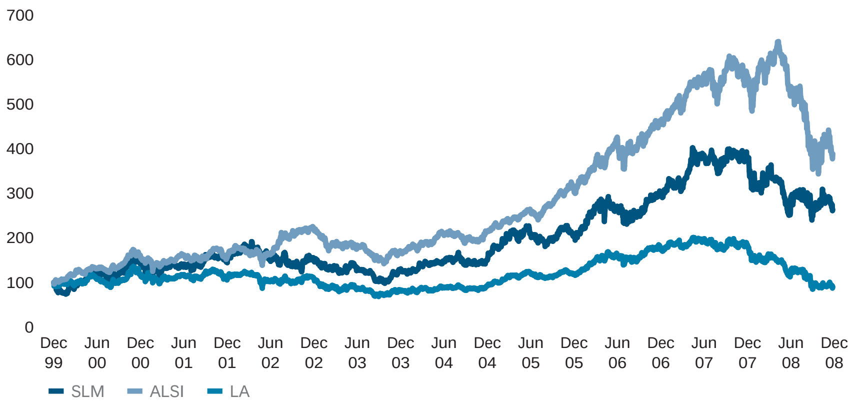
		2008	2007	2006	2005	2004
Number of shares traded	million	**1 490**	1 474	1 523	2 142	1 716
Value of shares traded	R million	**27 175**	32 300	24 444	26 762	16 661
Percentage of issued shares traded	%	**65**	64	66	89	62
Price/earnings ratio[2]	times	**12,9**	10,3	6,0	6,6	11,3
Return on Sanlam share price since listing[3]	%	**14**	19	17	16	16
Market price	cps					
– Year-end closing price		**1 700**	2 275	1 830	1 519	1 300
– Highest closing price		**2 330**	2 412	1 860	1 540	1 300
– Lowest closing price		**1 390**	1 803	1 380	1 080	830
Market capitalisation at year-end	R million	**37 232**	52 407	42 156	36 587	35 979

[1]*Sanlam Limited was listed on 30 November 1998.*
[2]*2004 figures restated for the adoption of IFRS in the 2005 financial year.*
[3]*Annualised growth in the Sanlam share price since listing plus dividends paid.*

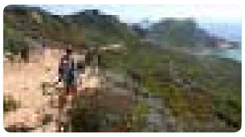
Sanlam share price relative to FINI *(indexed)*



Sanlam vs ALSI vs Life Assurance Index



Sanlam Limited Group Annual financial statements



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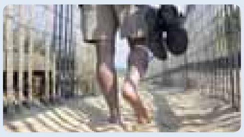


Directors' responsibility for financial reporting

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Group and company annual financial statements of Sanlam Limited in accordance with International Financial Reporting Standards. Adequate accounting records have been maintained. The Board endorses the principle of transparency in financial reporting. The responsibility for the preparation and presentation of the annual financial statements has been delegated to management.

The responsibility of the external auditors, Ernst & Young Inc., is to express an independent opinion on the fair presentation of the annual financial statements based on their audit of Sanlam Limited and the Group. The Audit and Risk committee has satisfied itself that the external auditors were independent of the company during the period under review.

The Audit and Risk committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns in the functioning of the internal financial control systems during the year, which had a material impact on the Sanlam Group annual financial statements. The Board is satisfied that the annual financial statements fairly present the financial position, the results of operations and cash flows in accordance with International Financial Reporting Standards and supported by reasonable and prudent judgements consistently applied.

The Board of Sanlam Limited takes responsibility for the integrity, objectivity and reliability of the Shareholders' information. The responsibility for the preparation and presentation of the Shareholders' information has been delegated to management.

The responsibility of the appointed external auditors, Ernst & Young Inc., is to express an independent opinion on the preparation of the Shareholders' information.

A full description of how the Audit and Risk committee carried out its functions is included in the Corporate Governance Report elsewhere in the Annual Report.

The Board is of the opinion that Sanlam Limited is financially sound and operates as a going concern. The annual financial statements have accordingly been prepared on this basis.

The annual financial statements on pages 272 to 342, including the disclosure in the Capital and Risk Management Report on pages 222 to 264, and the Shareholders' information on pages 167 to 219 were approved by the Board and signed on its behalf by:

Roy Andersen
Chairman

Johan van Zyl
Group Chief Executive

4 March 2009

Certificate by the Company Secretary

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act, that for the year ended 31 December 2008, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Johan Bester
Company Secretary

4 March 2009

Report of the independent auditors

To the members of Sanlam Limited

We have audited the annual financial statements and the Group annual financial statements of Sanlam Limited, which comprise the Directors' Report, the Balance Sheet as at 31 December 2008, the Income Statement, the Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 272 to 342.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and Group as of 31 December 2008, and of the financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst + Young Inc

Ernst & Young Inc.
Director: MP Rapson
Registered Auditor

Cape Town
4 March 2009

Independent auditors' report on the Sanlam Limited Shareholders' information

To the directors of Sanlam Limited

We have audited the Sanlam Limited Shareholders' information ("Shareholders' information") set out on pages 167 to 219 for the year ended 31 December 2008, which comprises the Report on Group Equity Value, Report on Shareholders' Fund financial statements and Report on Embedded Value of Covered Business and related notes, which has been prepared in accordance with the basis of preparation and presentation set out on pages 167 to 177. This report should be read in conjunction with the audited annual financial statements and basis of presentation and accounting policies as set out on pages 273 to 293.

Directors' responsibility for the Shareholders' information

The company's directors are responsible for the annual financial statements, as described on page 269, as well as for the preparation and presentation of the Shareholders' information in terms of the basis of preparation and presentation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Shareholders' information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate preparation principles; and making valuation estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the Shareholders' information. We conducted our audit in accordance with international Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Shareholders' information has been prepared, in all material respects, in accordance with the basis of preparation and presentation set out on pages 167 to 177.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Shareholders' information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Shareholders' information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Shareholders' information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the basis of preparation and presentation used and the reasonableness of valuation estimates made by the directors, as well as evaluating the overall presentation of the Shareholders' information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Sanlam Limited Shareholders' information has been prepared, in all material respects, in accordance with the basis of preparation and presentation set out on pages 167 to 177 of the Sanlam Limited Shareholders' information report.

Ernst + Young Inc

Ernst & Young Inc.
Director: MP Rapson
Registered Auditor

Cape Town
4 March 2009

Directors' report

for the year ended 31 December 2008

Nature of business

The Sanlam Group is one of the largest established financial services groups in South Africa. Its core activities are set out elsewhere in the Annual Report.

Sanlam Limited is a public company incorporated in terms of the Companies Act, No 61 of 1973, as amended, in South Africa and listed on the JSE Limited and the Namibian Stock Exchange.

Corporate governance

The Board of Sanlam endorses the Code of Corporate Practice and Conduct recommended in the King II Report on Corporate Governance. Disclosures with regard to compliance with the Code are provided in the Corporate Governance Report.

Group results

Profit attributable to shareholders decreased from R5 494 million in 2007 to R2 494 million in 2008, mainly owing to relatively lower equity market returns in 2008 following extreme investment market volatility stemming from the international financial markets crisis. Further details regarding the Group's results and prospects are included in the Financial Review and the Business Reviews. The information in the Financial Review and Corporate Governance Report, requiring disclosure in the Directors' Report in terms of the Companies Act, has been audited.

The holding company's interest in the after-tax profit of the Group subsidiaries, summarised per cluster, is set out in the Shareholders' fund income statement on page 188.

Share capital

A total of 113,5 million ordinary shares were cancelled during the year, thereby reducing the issued ordinary share capital of the company to 2 190,1 million shares. In addition, the 52 million 'A' preference shares were redeemed at par value during 2008. Refer to page 312 for further information.

Dividend

The Board has declared a cash dividend of 98 cents per share (2007: 93 cents), payable on Wednesday, 6 May 2009, to shareholders registered on 24 April 2009. All payments through electronic bank transfer will take place on this date. Dividend cheques to be issued to shareholders who elected not to receive electronic payment, will be mailed on or about this date.

Subsidiaries

Details of the company's principal subsidiaries are set out on page 342.

Subsequent to the financial year-end Sanlam Life Insurance Limited, a wholly-owned subsidiary of Sanlam Limited, entered into an agreement with the PSG Group to acquire its 34,6% shareholding in Channel Life Limited. This will increase Sanlam Life Insurance Limited's shareholding in Channel Life Limited to 97,6%.

Directors' interest in contracts

No material contracts involving directors' interests were entered into in the year under review.

Interest of directors and officers in share capital

Details of the shareholding by directors at the date of this Report are provided in the Corporate Governance Report elsewhere in the Annual Report.

Directors and secretary

Particulars of the Directors and Company Secretary at the date of this Report, as well as changes in directorships, are set out elsewhere in the Annual Report.

Post-balance sheet events

No material facts or circumstances have arisen between the date of the balance sheets and this Report which materially affect the financial position of the Sanlam Limited Group at 31 December 2008 as reflected in these financial statements.

Basis of presentation and accounting policies

Basis of presentation

Introduction

The consolidated financial statements are prepared on the historical-cost basis, as modified by the revaluation of investment properties, investment instruments, derivative assets and liabilities, listed term finance and long-term policy liabilities, in accordance with International Financial Reporting Standards (IFRS) and the Companies Act, No. 61 of 1973, 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 IFRSs and interpretations are applied in the Group's 2008 financial year:

- IFRIC 11 *IFRS 2 Group and Treasury share Transactions*
- IFRIC 13 *Customer Loyalty Programmes*
- IFRIC 14 *IAS19 The Limit on Defined Benefit Asset, Minimum Funding Requirement and their Interaction*
- IAS 39 Amended *Financial Instruments: Recognition and Measurement – Reclassification of financial assets*
- IFRS 7 Amended *Financial Instruments: Disclosure – Reclassification of financial assets*

The application of these standards and interpretations did not have a significant impact on the Group's reported results and cash flows for the year ended 31 December 2008 and the financial position at 31 December 2008. The Group has not applied the reclassification option from fair value to amortised cost measurement allowed in terms of the recently amended IAS 39 to any of its financial instruments.

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

- IAS 1 Revised *Presentation of Financial Statements (effective 1 January 2009)*
- IAS 1 Amended *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective 1 January 2009)
- IAS 27 Amended *Consolidated and Separate Financial Statements* (effective 1 July 2009)
- IAS 32 Amended *Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective 1 January 2009)
- IAS 39 Amended *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective 1 July 2009)
- IFRS 2 Amended *Share-based Payment – Vesting Conditions and Cancellations* (effective 1 January 2009)
- IFRS 3 Revised *Business Combinations* (effective 1 July 2009)
- May 2008 Improvements to IFRS (mostly effective 1 January 2009)

The application of these revised standards and interpretations in future financial reporting periods is not expected to have a significant impact on the Group's reported results, financial position and cash flows, except for IFRS 3 Revised and IAS 27 Amended for which the impact cannot be quantified as it will depend on the nature and structure of a specific business combination.

A glossary containing explanations of technical terms used in these financial statements is presented on page 343.

The following sections provide additional information in respect of the presentation of selected items in the Group financial statements on pages 294 to 341.

Group financial statements

Use of estimates, assumptions and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. These estimates and assumptions affect items reported in the Group balance sheet and income statement, as well as contingent liabilities. The major items subject to the application of estimates, assumptions and judgements include:

- The fair value of unlisted investments;
- Deferred taxation;

Basis of presentation and accounting policies
continued

- The valuation of policy liabilities; and
- Potential claims and contingencies.

Although estimates are based on management's best knowledge and judgement of current facts as at the balance sheet date, the actual outcome may differ from these estimates, possibly significantly. Refer to note 31 for further information on critical estimates and judgements.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 294 to 342 include the consolidated activities of the policyholders and shareholders. Separate financial information on the activities of the shareholders of the Sanlam Group is disclosed on pages 167 to 219.

The assets, liabilities and activities of the policyholders and shareholders in respect of the life insurance businesses are managed separately and are governed by the valuation bases for policy liabilities and profit entitlement rules, which are determined in accordance with prevailing legislation, IFRS, generally accepted actuarial practice and the stipulations contained in the Sanlam Life demutualisation proposal. The valuation bases in respect of policy liabilities and the profit entitlement of shareholders are set out on pages 289 to 293.

Insurance contracts

The Group elected in the 2005 financial year to disclose only five years of claims experience in its claims development tables, as permitted in the first year in which it adopted IFRS 4 *Insurance Contracts*. The disclosure was extended subsequently, and will be extended for an additional year in each succeeding year until the full disclosure requirements have been satisfied.

Cash, deposits and similar securities

Cash, deposits and similar securities include bank account balances, call, term and negotiable deposits, promissory notes and money market collective investment schemes. A distinction is made between:

- Cash, deposits and similar securities included in the asset mix of policyholders' and discretionary shareholders' fund investment portfolios, which are disclosed as investments in the Group balance sheet; and
- Working capital balances that are disclosed as working capital assets, apart from bank overdrafts, which are disclosed as working capital liabilities.

Financial instruments

Owing to the nature of the Group's business, financial instruments have a significant impact on the Group's financial position and performance. Audited information in respect of the major categories of financial instruments and the risks associated therewith are provided in the following sections:

- Audited Capital and Risk Management report on pages 222 to 264;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note 16: Term finance; and
- Note 31: Critical accounting estimates and judgements.

Cash flow statement

The Group cash flow statement includes the activities of both shareholders and policyholders. Cash flows relating to the acquisition or disposal of investments are recognised as cash flow from investing activities.

Segmental information

The Group reports in six distinct segments, grouped according to the similarity of the solution offerings and market segmentations of the various businesses. The six segments are:

- Life insurance, which includes Sanlam Personal Finance, Sanlam Employee Benefits and Sanlam Developing Markets;
- Sanlam UK;
- Short-term insurance;
- Investment management;
- Capital markets; and
- Corporate and other.

The decentralised nature of the Group businesses facilitates the allocation of costs between them as the costs are directly attributable to the different businesses. Inter-segment transfers are estimated to reflect arm's length prices.

Comparative information has been restated for changes in the Group's segments (refer page 167).

The audited segmental information is disclosed in the shareholders' fund information on pages 184 to 213. Refer to the business reviews on pages 92 to 133 for additional information on these business segments and to the Group structure on page 20 for a description of these businesses and the cluster to which they are allocated.

Accounting policies

Introduction

The Sanlam Group has identified the accounting policies that are most significant to its business operations and the understanding of its results. These include policies relating to insurance liabilities, deferred acquisition costs, the ascertainment of fair values of financial assets, financial liabilities and derivative financial instruments, and the determination of impairment losses. In each case, the determination of these is fundamental to the financial results and position, and requires management to make complex judgements based on information and financial data that may change in future periods. Since these involve the use of assumptions and subjective judgements as to future events and are subject to change, the use of different assumptions or data could produce materially different results.

These policies (as set out below) are in accordance with and comply with IFRS and have been applied consistently for all periods presented.

Significant accounting policies

Basis of consolidation

Subsidiaries and consolidated funds are entities (including special-purpose entities) that are controlled by Sanlam Limited or any of its subsidiaries. The Group has control over an entity where it has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether control exists.

The purchase method of accounting is applied to account for acquisitions of subsidiaries. The cost of an acquisition is measured as the fair value of consideration transferred, equity instruments issued and liabilities assumed at the date of exchange. Costs directly attributable to an acquisition are included in the cost of the acquisition. Identifiable assets and liabilities acquired and contingent liabilities assumed are recognised at fair value at acquisition date. The excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets and contingent liabilities represents goodwill and is accounted for in terms of the accounting policy note for goodwill. If the cost of an acquisition is less than the fair value of the net identifiable assets and contingent liabilities, the difference is recognised in the income statement.

The results of subsidiaries and consolidated funds are included from the effective dates when control is acquired to the effective dates when the Group ceases to have a controlling interest, using accounting policies uniform to the Group. Intergroup transactions, balances and unrealised profits on intergroup transactions are eliminated. Unrealised losses are also eliminated unless the transaction indicates the impairment of the asset transferred.

The interest of minority shareholders in subsidiaries is stated at the minorities' share of the recognised values of the subsidiaries' assets and liabilities. Net losses attributable to minority shareholders in excess of the minority interest are recognised against the equity attributable to the shareholders of the parent, except to the extent that the minority shareholders are required and capable to contribute additional equity to cover the losses.

Basis of presentation and accounting policies
continued

A financial liability is recognised, and classified as at fair value through profit or loss, for the fair value of external investors' interest in consolidated funds where the issued units of the fund are classified as financial liabilities in terms of IFRS. Changes in the fair value of the external investors' liability are recognised in the income statement. In all other instances, the interests of external investors in consolidated funds are not financial liabilities and are recognised as minority shareholders' interest.

The Group offers cell captive facilities to clients. Cells are classified as special-purpose entities and are regarded as being controlled by the cell owner. For this reason these cell captive facilities are not consolidated by the Group. In the case of third party cells, the insurer is still the principal to the insurance transaction, although the business is written on behalf of the cell owner. The insurer, however, in substance reinsures this business to the cell as the cell owner remains responsible for the solvency of the cell.

The cell owner's interest liability represents the cell owner's funds withheld by the insurer, similar to an insurance deposit.

Property and equipment

Property and equipment are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets, which vary between 2 and 20 years. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each balance sheet date and adjusted as appropriate. Cost prices include costs directly attributable to the acquisition of property and equipment, as well as any subsequent expenditure when it is probable that future economic benefits associated with the item will flow to the Group and the expenditure can be measured reliably. All other expenditure is recognised in the income statement when incurred. Property and equipment is included in the net asset value of cash generating units for impairment testing purposes. Property and equipment are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the income statement.

Owner-occupied property

Owner-occupied property is property held for use in the supply of services or for administration purposes. These properties are valued at carrying amount less depreciation and provisions for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and the fair value at date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful life of the property. The residual values, estimated useful lives of the owner-occupied properties and depreciation methods are reviewed at each balance sheet date and adjusted as appropriate. If the expected residual value is equal to or greater than the carrying value, no depreciation is provided for. Owner-occupied property is included in the net asset value of cash generating units for impairment testing purposes. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification is recognised directly in equity as a revaluation surplus. Owner-occupied property is derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceeds, as applicable, is recognised in the income statement.

Goodwill

Goodwill may arise on the acquisition of or change in the shareholding (adjustment) in a subsidiary company or the acquisition of a business. It represents the excess of the cost of an acquisition or adjustment over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition or adjustment. Goodwill is not amortised. For impairment purposes the carrying amount of goodwill is allocated to cash generating units, reviewed bi-annually for impairment and written down where this is considered necessary. Impairment losses in respect of goodwill are recognised in the income statement and are not reversed. Where a number of related businesses acquired in the same business combination are allocated to different Group business divisions, the related goodwill is held on a Group level and the businesses are combined for purposes of determining the recoverable amount of the goodwill. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of goodwill attributable to the entity or business sold.

Goodwill in respect of associates and joint ventures is included in the carrying value of investments in associates and joint ventures. For impairment purposes each investment is tested for impairment individually and goodwill is not tested separately from the investment in associates and joint ventures, nor is any impairment allocated to any underlying assets.

Value of insurance and investment business acquired

The value of insurance and investment management services contracts acquired (VOBA) in a business combination is recognised as an intangible asset. VOBA, at initial recognition, is equal to the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profit that is expected to flow from the book of business acquired, after allowing for the cost of capital supporting the business, as applicable. The valuation is based on the Group's actuarial and valuation principles as well as assumptions in respect of future premium income, fee income, investment return, policy benefits, costs, taxation, mortality, morbidity and surrenders, as appropriate.

VOBA is amortised on a straight-line basis over the expected life of the client relationships underlying the book of business acquired. VOBA is tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary. The gain or loss on the disposal of a subsidiary or business includes the carrying amount of VOBA attributable to the entity or business sold. VOBA is derecognised when the related contracts are terminated, settled or disposed of.

Other intangible assets

No value is attributed to internally developed brands or similar rights. Costs incurred on these items are charged to the income statement in the period in which they are incurred.

Costs associated with software development for internal use are capitalised if the completion of the software development is technically feasible, the Group has the intent and ability to complete the development and use the asset, the asset can be reliably measured and will generate future economic benefits. The assets are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each balance sheet date and adjusted, as appropriate.

Deferred acquisition costs

Incremental costs directly attributable to the acquisition of investment contracts with investment management services are capitalised to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and it is probable that they will be recovered. DAC are amortised to the income statement over the term of the contracts as the related services are rendered and

Basis of presentation and accounting policies
continued

revenue recognised, which varies from year to year dependent on the outstanding term of the contracts in force. The DAC asset is tested for impairment bi-annually and written down when it is not expected to be fully recovered from future fee income.

Long-term reinsurance contracts

Contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as long-term reinsurance contracts. The expected claims and benefits to which the Group is entitled under these contracts are recognised as assets. The Group assesses its long-term reinsurance assets for impairment bi-annually. If there is objective evidence that the reinsurance asset is impaired, the carrying amount is reduced to a recoverable amount, and the impairment loss is recognised in the income statement.

Financial instruments

Financial instruments carried on the balance sheet include investments (excluding investment properties, associates and joint ventures), receivables, cash, deposits and similar securities, investment policy contracts, term finance liabilities, liabilities in respect of external investors in consolidated funds and trade creditors.

Recognition and derecognition

Financial instruments are recognised when the Group becomes party to a contractual arrangement that constitutes a financial asset or financial liability for the Group that is not subject to suspensive conditions. Financial assets are derecognised when the contractual rights to receive the cash flows expire or when the asset is transferred. Financial liabilities are derecognised when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires.

Collateral placed at counter-parties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counter-parties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counter-party has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification

Financial instruments are classified into the following categories:

- Financial assets: At fair value through profit or loss
  Loans and receivables
- Financial liabilities: At fair value through profit or loss
  Other financial liabilities

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial instruments classified as at fair value through profit or loss comprise held-for-trading assets and liabilities as well as financial instruments designated as at fair value through profit or loss. All non-trading financial instruments are designated as at fair value through profit or loss apart from:

- Working capital receivables that are classified as loans and receivables based on their short-term nature;
- Financial assets acquired as part of interest margin business to match specific financial liabilities, which are classified as loans and receivables;
- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets, which are classified as other financial liabilities; and
- Working capital payables that are classified as other financial liabilities based on their short-term nature.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis, apart from the exceptions outlined above. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the income statement as investment surpluses. Other financial instruments are recognised at the fair value of the consideration given or received in exchange for the instrument plus transaction costs that are directly attributable to their acquisition. Regular way investment transactions are recognised by using trade date accounting.

Subsequent measurement and impairment

Financial instruments classified as at fair value through profit or loss are carried at fair value after initial recognition, with changes in fair value recognised in the income statement as investment surpluses.
The particular valuation methods adopted are disclosed in the individual policy statements associated with each item.

Loans and receivables and other financial liabilities are carried at amortised cost using the effective interest rate method.

The carrying values of all loans and receivables are reviewed for impairment bi-annually. A financial asset is deemed to be impaired when there is objective evidence of impairment. Objective evidence of impairment would include when market rates of return have increased during the period to such an extent that the asset's recoverable amount has decreased materially. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the asset's estimated future cash flows, and is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be attributed to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement, to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised. If a financial asset would have been impaired had the terms of the asset not been renegotiated, the asset continues to be accounted for in accordance with its category, and the difference between the carrying amount based on the new terms and the previous carrying amount is recognised in the income statement as investment surpluses.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Investments

Investment properties

Investment properties comprise properties held to earn rental income and/or for capital appreciation. Investment properties that generate income are carried at fair value based on valuations by valuators internally employed by the Sanlam Group, less the cumulative straight-line rental adjustment (refer to the accounting policy for investment income). The valuators have appropriate qualifications and extensive experience in property valuations. Fair value is determined by discounting expected future cash flows at appropriate market interest rates. Valuations are carried out on a monthly basis. Investment property under development is valued at cost less provision for impairment in value, where appropriate. Changes in the fair value of investment properties are recognised in the income statement as investment surpluses.

Basis of presentation and accounting policies
continued

When investment properties become owner-occupied, the Sanlam Group reclassifies them to owner-occupied properties at a deemed cost equal to the fair value of the investment properties at the date of reclassification. When owner-occupied properties become investment properties, they are reclassified to investment properties at a deemed cost equal to the fair value of the properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised directly in equity as a revaluation surplus.

Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

Associates

An associate is an entity, not being a subsidiary, in which the Sanlam Group has a long-term investment and over which it has the ability to exercise significant influence, being the ability to participate in the financial and operating policies of the entity without being able to jointly control or control those policies by virtue of a majority vote.

Investments in associates are recognised on the date significant influence is obtained and derecognised on the date significant influence is lost. Investments in associates, other than those held by investment-linked life insurance funds, are initially recognised at cost. The results of these associated companies after initial recognition are accounted for using the equity method of accounting, whereby the Group's share of associates' post-acquisition profit or loss is recognised in the Group income statement as equity-accounted earnings, and the Group's share of associates' post-acquisition movement in reserves is recognised in reserves, with a corresponding adjustment to the carrying value of investments in associates. Net losses are only recognised to the extent of the net investment in an associate, unless the Group has incurred obligations or made payments on behalf of the associate. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying amount is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in an associate includes goodwill.

Investments in associates held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Investments in associates for which significant influence is intended to be temporary, because the investments have been acquired and held exclusively with a view to their subsequent disposal, are accounted for as non-current assets held for sale.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The results of joint ventures, other than those held by investment-linked life insurance funds, are accounted for using the equity method of accounting, whereby the Group's share of the joint ventures' profit or loss is recognised in the Group income statement as equity-accounted earnings, and the Group's share of joint ventures' post-acquisition movement in reserves is recognised in reserves, with a corresponding adjustment to the carrying value of investments in joint ventures. Net losses are only recognised to the extent of the net investment in a joint venture, unless the Group has incurred obligations or made payments on behalf of the joint venture. Equity-accounted earnings are based on accounting policies uniform to those of the Group. The carrying value of the investment in a joint venture is reviewed bi-annually for impairment and written down where this is considered necessary. The carrying value of the investment in a joint venture includes goodwill.

Investments in joint ventures held by investment-linked life insurance funds are treated as investments at fair value through profit or loss and are not equity-accounted.

Other investments

Other investments comprise:

- Equities and similar securities (including non-trading derivatives);
- Public sector stocks and loans;
- Debentures, insurance policies, preference shares and other loans; and
- Cash, deposits and similar securities.

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

The following bases are used to determine fair value, for those investments that are classified as at fair value through profit or loss:

- Listed shares and units in collective investment schemes are valued at the stock exchange and net asset value prices respectively;
- The value of unlisted shares is determined by the directors using appropriate valuation bases;
- Listed bonds are valued at the stock exchange prices;
- Unlisted interest-bearing investments are valued by discounting expected future cash flows at appropriate market interest rates; and
- Listed derivative instruments are valued at the South African Futures Exchange prices and the value of unlisted derivatives is determined by the directors using generally accepted valuation models.

Derivative instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency, interest rate and equity options and other derivative financial instruments that are measured at fair value.

Fair values are obtained from quoted market prices. In the absence of quoted market prices the Group uses valuation techniques that incorporate factors that market participants would consider in setting the price and are consistent with accepted economic methodologies for pricing derivatives such as discounted cash flow models and option pricing models, as appropriate. The Group calibrates its valuation techniques against market transactions or any available observable market data. Day 1 gains or losses on derivatives measured using these valuation techniques are recognised in the income statement to the extent that they arise from a technique that incorporates only variables based on observable market data and there has been a change in one of these variables (including time). If there has been no change in one of these variables, the gains or losses are deferred, and recognised in the income statement over the life of the instrument.

The Group does not separate embedded derivatives that meet the definition of an insurance contract or relate to investment contracts recognised at fair value.

Derivatives are used for trading purposes by Sanlam Capital Markets and for non-trading purposes by other Group businesses. The fair values related to trading derivatives are included in trade and other receivables (refer to policy note below) and the fair values of non-trading derivatives are included in the appropriate investment category. Non-trading transactions are those which are held for economic hedging purposes as part of the Group's risk management strategy against assets, liabilities, positions or cash flows measured at fair value, as well as structures incorporated in the product design of policyholder products. The hedge accounting treatment prescribed by IAS 39 *Financial Instruments: Recognition and Measurement* is not applied. Although the nature of these derivatives is non-trading from a management perspective, IAS 39 requires all derivatives to be classified as held for trading for accounting purposes.

Cash, deposits and similar securities

Cash, deposits and similar securities consist of cash at hand, call deposits at banks, negotiable certificates of deposit and other short-term highly liquid investments.

Basis of presentation and accounting policies
continued

Short-term insurance technical provisions and assets

Outstanding claims

Liabilities for outstanding claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The Group does not discount its liabilities for unpaid claims.

Unearned premiums

Short-term insurance premiums are recognised as financial services income proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as an unearned premium liability.

Short-term insurance technical assets

The benefits to which the Group is entitled under its short-term reinsurance contracts are recognised as short-term insurance technical assets. These assets represent longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

In certain cases a reinsurance contract is entered into retrospectively to reinsure a notified claim under the Group's property insurance contracts. Where the premium due to the reinsurer differs from the liability established by the Group for the related claim, the difference is amortised over the estimated remaining settlement period.

Commissions and other incremental acquisition costs related to securing new contracts and renewing existing contracts are capitalised to deferred acquisition cost assets and amortised to the income statement over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

The Group assesses its short-term insurance technical assets for impairment on a bi-annual basis. If there is objective evidence that an asset is impaired, the Group reduces the carrying amount of the asset to its recoverable amount and recognises the impairment loss in the income statement.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Trade and other receivables

Trade and other receivables are measured at amortised cost, apart from trading account assets.

Trading account assets include equities and similar securities, interest-bearing instruments and derivative financial instruments relating to the trading transactions undertaken by Sanlam Capital Markets for market making, to service customer needs, for proprietary purposes, as well as any related economic hedging transactions. These transactions are marked-to-market (fair values) after initial recognition and any profits or losses arising are recognised in the income statement as financial services income. The fair values related to such contracts and commitments are determined on the same basis as described for non-trading instruments in the policy note for financial instruments and are reported on a gross basis in the balance sheet as positive and negative replacement values to the extent that set-off is not required by IAS 32 *Financial Instruments: Disclosure and Presentation.*

Other financial liabilities

Other financial liabilities include:

- Term finance liabilities incurred as part of interest margin business and matched by specific financial assets measured at amortised cost;
- Other term finance liabilities measured at stock exchange prices or amortised cost as applicable;
- Insurance contract liabilities are measured according to the bases disclosed in the section on Policy Liabilities and Profit Entitlement;
- Investment contract liabilities measured at fair value, determined on the bases as disclosed in the section on Policy Liabilities and Profit Entitlement; and
- External investors in consolidated funds measured at the attributable net asset value of the respective funds.

Trade and other payables

Trade and other payables are measured at amortised cost, apart from trading account liabilities that are measured at fair value (refer to the description on the measurement of trading account assets in the accounting policy note for trade and other receivables, which also applies to trading account liabilities).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions for onerous contracts are recognised when the expected benefits to be derived from contracts are less than the unavoidable cost of meeting the obligations under the contracts.

Provisions are measured at the present value of the amounts that are expected to be paid to settle the obligations.

Share capital

Share capital is classified as equity where the Group has no obligation to deliver cash or other assets to shareholders. Preference shares issued by the Group that are redeemable or subject to fixed dividend payment terms are classified as term finance liabilities. Dividends paid in respect of term finance are recognised in the income statement as a term finance expense.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

Shares held in Sanlam Limited by policyholder portfolios and subsidiary companies (treasury shares) are recognised as a deduction from equity on consolidation. The cost of treasury shares acquired is deducted from equity on date of acquisition. The consideration received on the disposal of treasury shares, net of incremental costs attributable to the disposal and tax, is also recognised directly in equity.

Non-distributable reserve

The reserve comprises the pre-acquisition reserve arising upon the demutualisation of Sanlam Life Insurance Limited and the regulatory non-distributable reserves of the Group's Botswana operations.

Foreign currency translation reserve

The exchange differences arising on the translation of foreign operations to the presentation currency are transferred to the foreign currency translation reserve. On disposal of the net investment, the cumulative exchange differences relating to the operations disposed of are released to the income statement.

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and

Basis of presentation and accounting policies
continued

investments supporting those liabilities. Certain assets 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. This creates a mismatch 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 losses for the shareholders' fund. Valuation differences arise from the following:

- Investments in subsidiaries and consolidated funds, which are valued at net asset value plus goodwill;
- Investments in associates and joint ventures, which are recognised on an equity-accounted basis; and
- Investments in Sanlam Limited shares, which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero.

The reserve represents temporary differences insofar as the mismatch is reversed when the affected investments are realised.

Financial services income

Financial services income includes:

- Income earned from long-term insurance activities, such as investment and administration fees, risk underwriting charges and asset mismatch profits or losses in respect of non-participating business;
- Income from short-term insurance business, such as short-term insurance premiums;
- Income from investment management activities, such as fund management fees and collective investment and linked-product administration fees;
- Income from capital market activities, such as realised and unrealised gains or losses on trading accounts, unsecured corporate bonds and money market assets and liabilities, other securities-related income and fees, and commissions; and
- Income from other financial services, such as independent financial advice and trust services.

Fees for investment management services

Fees for investment management services in respect of investment contracts are recognised as services are rendered. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

Fee income – long-term policy contracts

Investment and insurance contract policyholders are charged for policy administration, risk underwriting and other services. These fees are recognised as revenue on an accrual basis as the related services are rendered.

Short-term insurance premiums

Short-term insurance premiums are accounted for when receivable, net after a provision for unearned premiums relating to risk periods that extend to the following year. Premiums outstanding for more than 60 days are not included in income. Inward short-term reinsurance agreement premiums are accounted for on an intimated basis.

Consulting fees earned

Consulting fees are earned for advice and other services provided to clients of the Group's financial advisory businesses. Fees are accounted for on an accrual basis as the related services are rendered.

Investment return

Investment income

Investment income includes interest, rental and dividend income received. Interest income is accounted for on a time proportionate basis that takes into account the effective yield on the asset and includes the net income earned from interest margin business.

Rental income is recognised on an accrual basis, apart from operating leases that contain fixed escalation clauses, where it is recognised on a straight-line basis over the lease term. The difference between rental income on a straight-line and accrual basis is recognised as part of the carrying amount of properties in the balance sheet.

Dividend income is recognised once the last day for registration has passed. Capitalisation shares received in terms of a capitalisation issue from reserves, other than share premium or a reduction in share capital, are treated as dividend income. Dividend income from subsidiaries is recognised when the dividends are declared by the subsidiary.

Investment surpluses

Investment surpluses consist of net realised gains and losses on the sale of investments and net unrealised fair value gains and losses on the valuation of investments at fair value, excluding investments relating to capital market activities (refer Financial services income policy note for presentation of gains and losses on capital market investments). These surpluses are recognised in the income statement on the date of sale or upon valuation to fair value.

Premium income – long-term policy contracts

Premium income from long-term insurance and investment policy contracts is recognised as an increase in long-term policy liabilities.

The full annual premiums on individual insurance and investment policy contracts that are receivable in terms of the policy contracts are accounted for on policy anniversary dates, notwithstanding that premiums are payable in instalments. The monthly premiums in respect of certain new products are in terms of their policy contracts accounted for when due.

Group life insurance and investment contract premiums are accounted for when receivable. Where premiums are not determined in advance, they are accounted for upon receipt.

The unearned portion of accrued premiums is included within long-term policy liabilities.

Policy contract benefits

Underwriting benefits

Life insurance policy claims received up to the last day of each financial period and claims incurred but not reported (IBNR) are provided for and included in underwriting policy benefits. Past claims experience is used as the basis for determining the extent of the IBNR claims.

Provision is made for underwriting losses that may arise from unexpired short-term insurance risks when it is anticipated that unearned premiums will be insufficient to cover future claims.

Income from reinsurance policies is recognised concurrently with the recognition of the related policy benefit.

Other policy benefits

Other policy benefits are not recognised in the Group income statement but reflected as a reduction in long-term policy liabilities.

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

Sales remuneration

Sales remuneration consists of commission payable to sales staff on long-term and short-term investment and insurance business and expenses directly related thereto, bonuses payable to sales staff and the Group's contribution to their retirement and medical aid funds. Commission is accounted for on all in-force policies in the financial period during which it is incurred.

The portion of sales remuneration that is directly attributable to the acquisition of long-term recurring premium investment policy contracts is capitalised to the deferred acquisition cost (DAC) asset and recognised over the period in which the related services are rendered and revenue recognised (refer policy statement for DAC asset).

Basis of presentation and accounting policies
continued

Acquisition cost for short-term insurance business is deferred over the period in which the related premiums are earned.

Sales remuneration recognised in the income statement includes the amortisation of deferred acquisition costs as well as sales remuneration incurred that is not directly attributable to the acquisition of long-term investment policy contracts or short-term insurance business.

Administration costs

Administration costs include, *inter alia*, indirect taxes such as VAT, property and administration expenses relating to owner-occupied property, property and investment expenses related to the management of the policyholders' investments, claims handling costs, product development and training costs.

Leases

Leases of assets, under which the lessor effectively retains all the risks and benefits of ownership, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases, where the Group effectively assumes all the risks and benefits of ownership, are classified as finance leases. Finance leases are capitalised at inception at the lower of the present value of minimum lease payments and the fair value of the leased assets. The effective interest rate method is used to allocate lease payments between finance cost and the lease liability. The finance cost component is recognised as an expense in the income statement. Finance lease assets recognised are depreciated, where applicable, over the shorter of the assets' useful lives and the lease terms.

Borrowing costs

Borrowing costs are recognised as an expense in the income statement on an accrual basis.

Taxation

Normal income tax

Current income tax is provided in respect of taxable income based on currently enacted tax legislation.

Deferred income tax

Deferred income tax is provided for all temporary differences between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the liability method, except for:

- Temporary differences relating to investments in associates, joint ventures and subsidiaries where the Group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that at transaction date do not affect either accounting or taxable profit or loss.

The amount of deferred income tax provided is based on the expected realisation or settlement of the deferred tax assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax balances are reflected at current values and have not been discounted.

Foreign currencies

Transactions and balances

Foreign currency transactions are translated to functional currency, i.e. the currency of the primary economic environment in which each of the Group's entities operate, at the exchange rates on transaction date. Monetary assets and liabilities are translated to functional currency at the exchange rates ruling at the financial period-end. Non-monetary assets and liabilities carried at fair value are translated to functional currency at the exchange rates ruling at valuation date. Non-monetary assets and liabilities carried at historic cost are translated to functional currency at the exchange rates ruling at the date of initial recognition. Exchange differences arising on the settlement of transactions or the translation of working capital assets and liabilities are recognised in the income statement as financial services income. Exchange differences on non-monetary assets and monetary assets classified as investment assets, such as equities and foreign interest-bearing investments, are included in investment surpluses.

Foreign operations

Income statement items of foreign operations (including foreign subsidiaries, associates and joint ventures) with a functional currency different from the presentation currency are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific income statement items, in which instances the exchange rate on transaction date is used. The closing rate is used for the translation of assets and liabilities, including goodwill and fair value adjustments arising on the acquisition of foreign entities. At acquisition, equity is translated at the rate ruling on the date of acquisition. Post-acquisition equity is translated at the rates prevailing when the change in equity occurred. Exchange differences arising on the translation of foreign operations are transferred to a foreign currency translation reserve until the disposal of the net investment when it is released to the income statement.

Retirement benefits

Retirement benefits for employees are provided by a number of defined-benefit and defined-contribution pension and provident funds. The assets of these funds, including those relating to any actuarial surpluses, are held separately from those of the Group. The retirement plans are funded by payments from employees and the relevant Group companies, taking into account the recommendations of the retirement fund valuator.

The Group's contributions to the defined-contribution and defined-benefit funds are charged to the income statement in the year in which they are incurred. A valuation in accordance with IAS 19 *Employee Benefits* is performed on the balance sheet date. For the purpose of calculating pensions, medical contributions are deemed to be a part of pensionable salary. Retirement fund contributions are made on the pensionable salary. Therefore, pensioners fund post-retirement medical contributions themselves from their increased pensions. The Group has provided in full for its medical contribution commitments in respect of pensioners and disabled members who are not covered under the current scheme.

Defined-benefit plans

The schemes are valued using the valuation basis for past-service cost. Any deficits advised by the actuaries are funded either immediately or through increased contributions to ensure the ongoing soundness of the schemes. Contributions are expensed during the year in which they are funded. The net surplus or deficit in the benefit obligation is the difference between the present value of the funded obligation and the fair value of plan assets. The Group recognises the estimated liability using the projected unit credit method. The present value of the overfunded portion of these schemes is recognised as an asset to the extent that there are material benefits available in the form of refunds and reductions in contributions. The amount of actuarial gains and losses recognised in the income statement is equal to the amount that the cumulative actuarial gains and losses at the end of the previous reporting period exceeds the greater of 10% of the present value of the defined obligation or 10% of the fair value of the plan assets, amortised over the employees' average working life.

Basis of presentation and accounting policies
continued

Defined-contribution plans

Group contributions to the pension and provident funds are based on a percentage of the payroll and are charged against income as incurred.

Medical aid benefits

Group contributions to medical aid funds are charged to the income statement in the year in which they are incurred.

Post-retirement medical aid benefits

The present value of the post-retirement medical aid obligation is actuarially determined annually and any deficit or surplus is immediately recognised in the income statement. The Group recognises the estimated liability using the projected unit credit method. The Group has no significant exposure to any other post-retirement benefit obligation.

Contingencies

Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, are not recognised in the Group balance sheet but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group, are not recognised in the Group balance sheet and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Staff incentive schemes

The following staff long-term incentive schemes have been implemented in the Group:

Share Option Scheme

No allocations have been made in terms of this scheme since 2005. This scheme is operated through Sanlam Limited Share Incentive Trust, which is consolidated in the Group financial statements. Shares were offered on a combined option and deferred delivery basis, which staff can take up in tranches over a period of up to seven years, provided that they remain in the employment of the Group. The beneficiaries under the scheme are executive directors, management and sales advisers employed on a full-time basis.

The fair value of equity instruments granted is measured on grant date using option-pricing models. The models are consistent with those used for pricing financial instruments and incorporate all factors and assumptions that market participants would consider in determining a willing buyer/seller price. The fair value on grant date is recognised in the income statement on a straight-line basis over the vesting period of the equity instruments (adjusted to reflect actual levels of vesting), with a corresponding increase in equity.

Long-term Incentive Plan

In 2005, the Sanlam share option scheme was replaced with a long-term incentive bonus scheme. In terms of the scheme, employees were paid bonuses that accrue over a period of between three and five years. The beneficiaries under the scheme, which include executive directors, management and sales advisers employed on a full-time basis, are not entitled to the benefits under the scheme before the pre-determined dates. The cost associated with the bonuses is recognised in the income statement over the accrual period.

Deferred Share Plan (DSP)

In 2007, the DSP replaced the long-term incentive plan. In terms of the DSP, Sanlam undertakes to deliver a fixed number of shares to selected employees on pre-determined dates in the future, on condition that the employee is still in the employment of Sanlam on those dates. Vesting occurs in three tranches over a period starting three years from the grant date, subject to certain performance targets.

The fair value of equity instruments granted is measured on grant date using an appropriate valuation model, which takes into account the market price on grant date, the fact that employees will not be entitled to dividends until the shares vest, as well as an assumption on the actual percentage of shares that will be delivered. The fair value on grant date is recognised in the income statement on a straight-line basis over the vesting period of the equity instruments, adjusted to reflect actual levels of vesting, with a corresponding increase in equity.

Share Purchase Plan

From 2006, loans are granted to selected key employees for the purpose of acquiring Sanlam shares. The loans are secured, bear interest at market-related rates and are repayable after four years. An annual retention bonus is payable to these employees based on the number of shares held by the employee. The cost in respect of these bonuses is recognised in the income statement over the retention period.

Restricted Share Plan

The Restricted Share Plan was introduced in 2006. Selected key employees are granted fully paid-up shares at no consideration in terms of retention and performance agreements. Unconditional vesting is subject to pre-determined dates and meeting certain performance targets.

The fair value of the equity instruments granted on the date of grant is recognised in the income statement on a straight-line basis over the vesting period.

Dividends

Dividends proposed or declared after the balance sheet date are not recognised at the balance sheet date.

Policy liabilities and profit entitlement

Introduction

The valuation bases and methodology used to calculate the policy liabilities of all material lines of long-term insurance business and the corresponding shareholder profit entitlement for Sanlam Life are set out below. The same valuation methodology, where applicable, is applied in all material respects to value the policy liabilities of Sanlam Developing Markets and the Namibian insurance companies, as well as investment contracts issued by Merchant Investors and the Channel Life group of companies, unless otherwise stated. The valuation methodology in respect of insurance contracts issued by Channel Life and its subsidiaries and Merchant Investors is not presented in view of their relatively immaterial contribution to earnings and the relative small size of their insurance contract liabilities.

The valuation bases and methodology, which comply with South African actuarial guidelines and require minimum liabilities to be held based on a prospective calculation of policy liabilities, serve as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2008 as a result of the aforementioned adequacy test.

The valuation bases and methodology comply with the requirements of IFRS.

The methodology has been applied for purposes of the Group financial statements.

Where the valuation of long-term policy liabilities is based on the valuation of supporting assets, the assets are valued on the bases as set out in the accounting policy for investments, with the exception of investments in treasury shares, subsidiaries, associated companies, joint ventures and consolidated funds, which are also valued at fair value.

Classification of contracts

A distinction is made between investment contracts without discretionary participation features (DPF) (which fall within the scope of IAS 39 *Financial*

Basis of presentation and accounting policies
continued

Instruments: Recognition and Measurement), investment contracts with DPF and insurance contracts (where the Financial Soundness Valuation (FSV) method continues to apply, subject to certain requirements specified in IFRS 4 *Insurance Contracts).*

A contract is classified as insurance where Sanlam accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will significantly exceed the amount payable on early termination, before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Policy contracts not classified as insurance contracts are classified as investment contracts and comprise the following categories:

› Investment contracts with DPF;
› Investment contracts with investment management services; and
› Other investment contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits. These additional benefits have the following features:

› The benefits constitute a significant portion of each policy's total benefits;
› The timing and amount of the benefits are at the discretion of the Sanlam Group, which has to be exercised in a reasonable way; and
› The benefits are based on the investment performance of a specified pool of underlying assets.

All investment contracts that fall within the scope of IAS 39 (i.e. all investment contracts without DPF) are designated as at fair value through profit or loss.

Insurance contracts and investment contracts with DPF

The actuarial value of the policy liabilities is determined using the FSV method as described in Professional Guidance Note (PGN) 104 issued by the Actuarial Society of South Africa (Actuarial Society), which is consistent with the valuation method prescribed in the LTIA and consistent with the valuation of assets at fair value as described in the accounting policy for investments. The underlying philosophy is to recognise profits prudently over the term of each contract consistent with the work done and risk borne. In the valuation of liabilities, provision is made for:

› The best estimate of future experience;
› The compulsory margins prescribed in the LTIA; and
› Discretionary margins determined to release profits to shareholders consistent with policy design and company policy.

The value of policy liabilities at 31 December 2008 exceeds the minimum requirements in terms of the LTIA, PGN 104 and PGN 110.

The application of actuarial guidance, as set out in PGN 104 and PGN 110 issued by the Actuarial Society, is described below in the context of the Group's major product classifications.

Best estimate of future experience

The best estimate of future experience is determined as follows:

› Future investment return assumptions are derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account.

  For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns for Namibian businesses are based on the market yields of South African fixed interest securities on the valuation date.

Refer to note 9 on page 219 for investment return assumptions per asset class.

- Unit expenses are based on the 2008 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.
- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.
- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Unrecouped expenses

The timing of fees recovered from some individual life policies does not correspond to the timing of the expenses incurred in respect of the policies. For certain of these policies an unrecouped expense account is created and included in the valuation of the policy liabilities. The unrecouped expense account is increased with expenses incurred and reduced by an allocation of policy charges. Policy charges are designed to ensure that on average the unrecouped expense account is redeemed over the lifetime of the related policies. Unrecouped expenses are annually assessed for impairment and are derecognised when the related contracts are settled or disposed of.

Bonus stabilisation reserves

Sanlam Life's individual and group stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is created, which will be used to enhance future bonuses. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve is created. A negative bonus stabilisation reserve will be limited to the amount that the Statutory Actuary expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Negative bonus stabilisation reserves in excess of 7,5% of the investment accounts are specifically disclosed. Bonus stabilisation reserves are included in long-term policy liabilities.

Provision for future bonuses

Provision was made for future bonuses so that each asset portfolio, less charges for expenses (including investment guarantee charges) and profit loadings, for each line of business would be fully utilised for the benefit of the policyholders of that portfolio.

Reversionary bonus business

The liability is set equal to the fair value of the underlying assets. This is equivalent to a best estimate prospective liability calculation using the bonus rates as set out above, and allowing for the shareholders' share of one-ninth of the cost of these bonuses.

Basis of presentation and accounting policies
continued

The present value of the shareholders' entitlement is sufficient to cover the compulsory margins required in the LTIA and the Actuarial Society guidelines for the valuation of policy liabilities. These margins are thus not provided for in addition to the shareholders' entitlement.

Individual stable bonus, linked and market-related business

For investment policies where the bonuses are stabilised or directly related to the return on the underlying investment portfolios, the liabilities are equated to the retrospectively accumulated fair value of the underlying assets less any unrecouped expenses. These retrospective liabilities are higher than the prospective liabilities calculated as the present value of expected future benefits and expenses less future premiums at the relevant discount rates.

To the extent that the retrospective liabilities exceed the prospective liabilities, the valuation contains discretionary margins. The valuation methodology results in the release of these margins to shareholders on a fees minus expenses basis consistent with the work done and risks borne over the lifetime of the policies.

An exception to the above relates to policy liabilities in respect of Sanlam Developing Markets' individual Universal Life business (including stable bonus and market-linked business), which are valued prospectively. Negative values are not allowed in respect of any of these policies.

Group stable bonus business

In the case of Group policies where bonuses are stabilised, the liabilities are equated to the fair value of the retrospectively accumulated underlying assets.

Future fees are expected to exceed expenses, including allowance for the prescribed margins. These excesses are released to shareholders consistent with the work done and risks borne over the lifetime of the policies.

Participating annuity business

The liabilities are equated to the fair value of the retrospectively accumulated underlying assets.

This is equivalent to a best estimate prospective liability calculation allowing for future bonus rates as described above and expected future investment returns. Shareholder entitlements emerge in line with fees charged less expenses incurred consistent with work done and risks borne over the lifetime of the annuities. The present value of the shareholders' entitlement is sufficient to cover the compulsory margins for the valuation of policy liabilities. The compulsory margins are thus not provided for in addition to the shareholders' entitlement.

Non-participating annuity business

Non-participating life annuity instalments and future expenses in respect of these instalments are discounted at the zero-coupon yield curve adjusted to allow for credit risk and investment administration charges. All profits or losses accrue to the shareholders when incurred.

Other non-participating business

Other non-participating business forms less than 7% of the total liabilities. Most of the other non-participating business liabilities are valued on a retrospective basis. The remainder is valued prospectively and contains discretionary margins via either an explicit interest rate deduction of approximately 2% on average or by not allowing policies with negative reserves.

For Sanlam Life's non-participating business, other than life annuity business, an asset mismatch provision is maintained. The interest and asset profits arising from the non-participating portfolio are added to this provision. The asset mismatch provision accrues to shareholders at the rate of 1,33% monthly, based on the balance of the provision at the end of the previous quarter. The effect of holding this provision is, among other purposes, to dampen the impact on earnings of short-term fluctuations in fair values of assets underlying these liabilities. The asset mismatch provision represents a discretionary margin. A negative asset mismatch provision will not be created, but such shortfall will accrue to shareholders in the year in which it occurs.

Provision for HIV/Aids and other pandemics

A specific provision for HIV/Aids-related claims is maintained and included as follows:

- Within ‘Other non-participating business’ (refer above) in respect of Sanlam Life; and
- Within the related prospective reserves in respect of Sanlam Developing Markets.

A prospective calculation according to the relevant guidelines is performed for Sanlam Life’s non-participating individual policies and for those with a small savings element. The provision for Sanlam Life’s other individual policies (47% of Sanlam Life’s total HIV/Aids provision for individual policies) is built up by increasing the opening provision by the HIV/Aids risk premiums and investment returns on the underlying assets. It is then reduced by claims attributed to HIV/Aids and further limited to a maximum of the prospective calculation without allowance for future increases in HIV/Aids risk premiums. This retrospectively built-up provision is higher than a prospective calculation done according to the relevant guidelines allowing for possible increases in future HIV/Aids risk premiums. This difference can be regarded as a discretionary margin. It is the intention to rerate premiums as experience develops.

Premium rates for Group business are reviewed annually. The HIV/Aids provision is based on the expected HIV/Aids claims in a year and the time that may elapse before premium rates and underwriting conditions can be suitably adjusted should actual experience be worse than expected.

In addition, provision for claims relating to other pandemics is also made based on the estimated additional death claims should a moderate pandemic occur.

Provision for minimum investment return guarantees

In addition to the liabilities described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note PGN 110.

Working capital

To the extent that the management of working capital gives rise to profits, no credit is taken for this in determining the policy liabilities.

Reinsurance

Liabilities are valued gross before taking into account reinsurance. Where material, the difference between the gross and net (after reinsurance) value of liabilities is held as a reinsurance asset.

Investment contracts (other than with DPF)

Contracts with investment management services

The liabilities for individual and group contracts are set equal to the retrospectively accumulated fair value of the underlying assets. No deduction is made for unrecouped expenses. The profits or losses that accrue to shareholders are equal to fees received during the period concerned plus the movement in the DAC asset less expenses incurred.

Where these contracts provide for minimum investment return guarantees, provision is made for the fair value of the embedded derivative.

Non-participating annuity business

Term annuity instalments and expected future expenses in respect of these instalments are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Guarantee plans

Guaranteed maturity values and expected future expenses are discounted at market-related interest rates. All profits or losses accrue to the shareholders when incurred.

Sanlam Group Balance Sheet

at 31 December 2008

R million	Note	2008	2007
Assets			
Property and equipment	1	382	298
Owner-occupied properties	2	652	650
Goodwill	3	2 623	2 447
Value of business acquired	4	1 309	1 000
Deferred acquisition costs	5	1 970	1 693
Long-term reinsurance assets	6	506	487
Investments	7	268 530	290 101
Properties	7.1	15 981	15 648
Investment properties		15 190	14 780
Straight-line rental adjustment		791	868
Equity-accounted investments	7.2	1 317	1 759
Equities and similar securities	7.3	120 284	149 038
Public sector stocks and loans	7.4	50 531	49 887
Debentures, insurance policies, preference shares and other loans	7.4	35 309	34 091
Cash, deposits and similar securities	7.4	45 108	39 678
Deferred tax	8	712	475
Non-current assets held for sale	38	—	2 060
Short-term insurance technical assets	9	2 250	2 263
Working capital assets		38 974	41 357
Trade and other receivables	10	28 908	30 538
Cash, deposits and similar securities		10 066	10 819
Total assets		317 908	342 831
Equity and liabilities			
Capital and reserves			
Share capital and premium	11	23	955
Treasury shares		(4 142)	(3 959)
Other reserves	12	9 312	7 939
Retained earnings		22 458	24 399
Shareholders' fund		27 651	29 334
Minority shareholders' interest	14	2 596	2 220
Total equity		30 247	31 554
Long-term policy liabilities	15	229 268	244 660
Insurance contracts		120 879	128 398
Investment contracts		108 389	116 262
Term finance	16	6 763	6 594
Margin business		2 830	2 687
Other interest-bearing liabilities		3 933	3 907
External investors in consolidated funds		9 822	12 278
Cell owners' interest		447	336
Deferred tax	8	440	1 354
Non-current liabilities held for sale	38	—	1 606
Short-term insurance technical provisions	9	8 229	7 719
Working capital liabilities		32 692	36 730
Trade and other payables	17	29 325	32 997
Provisions	18	1 453	973
Taxation		1 914	2 760
Total equity and liabilities		317 908	342 831

Sanlam Group Income Statement

for the year ended 31 December 2008

R million	Note	2008	2007
Net income		**19 700**	52 504
Financial services income	19	**28 578**	26 715
Reinsurance premiums paid	20	**(2 990)**	(2 685)
Reinsurance commission received	21	**401**	373
Investment income	22	**17 044**	14 740
Investment surpluses	22	**(24 672)**	15 885
Finance cost – margin business	26	**(244)**	(246)
Change in fair value of external investors' liability		**1 583**	(2 278)
Net insurance and investment contract benefits and claims		**(4 352)**	(33 414)
Long-term insurance contract benefits	23	**(5 870)**	(15 364)
Long-term investment contract benefits	23	**8 932**	(11 049)
Short-term insurance claims		**(9 189)**	(8 533)
Reinsurance claims received	21	**1 775**	1 532
Expenses		**(11 134)**	(9 939)
Sales remuneration		**(4 189)**	(3 554)
Administration costs	24	**(6 945)**	(6 385)
Impairments	39	**(247)**	(7)
Amortisation of value of business acquired	4	**(77)**	(51)
Net operating result		**3 890**	9 093
Equity-accounted earnings	25	**34**	228
Finance cost – other	26	**(391)**	(281)
Profit before tax		**3 533**	9 040
Taxation	27	**(621)**	(2 493)
Shareholders' fund		**(428)**	(1 678)
Policyholders' fund		**(193)**	(815)
Profit from continuing operations		**2 912**	6 547
Discontinued operations	38	**25**	(168)
Profit for the year		**2 937**	6 379
Attributable to:			
Shareholders' fund		**2 494**	5 494
Minority shareholders' interest		**443**	885
		2 937	6 379
Earnings attributable to shareholders of the company (cents):			
Profit for the year:			
Basic earnings per share	28	**125,0**	256,6
Diluted earnings per share	28	**122,0**	250,9
Earnings attributable to shareholders of the company from continuing operations (cents):			
Profit for the year:			
Basic earnings per share	28	**126,1**	260,8
Diluted earnings per share	28	**123,1**	255,1

Sanlam Group Statement of Changes in Equity

for the year ended 31 December 2008

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve
Balance at 1 January 2007	24	931	(377)	9 585	227
Total recognised income	—	—	—	—	(99)
Profit for the year	—	—	—	—	—
Movement in foreign currency translation reserve	—	—	—	—	(99)
Net movement in treasury shares	—	—	(3 582)	—	—
Net realised investment deficits on treasury shares	—	—	—	—	—
Cost of net treasury shares (acquired)/disposed[2]	—	—	(3 582)	—	—
Share-based payments	—	—	—	—	—
Transfer to non-distributable reserve	—	—	—	69	—
Transfer (from)/to consolidation reserve	—	—	—	—	—
Dividends paid[1]	—	—	—	—	—
Acquisitions, disposals and other movements in minority interests	—	—	—	—	—
Transfer to discontinued operations reserve	—	—	—	—	(40)
Balance at 31 December 2007	24	931	(3 959)	9 654	88
Total recognised income	—	—	—	—	60
Profit for the year	—	—	—	—	—
Movement in foreign currency translation reserve	—	—	—	—	60
Net movement in treasury shares	—	—	(183)	—	—
Net realised investment deficits on treasury shares	—	—	—	—	—
Cost of net treasury shares (acquired)/disposed[2]	—	—	(183)	—	—
Share-based payments	—	—	—	—	—
Transfer to non-distributable reserve	—	—	—	9	—
Transfer (from)/to consolidation reserve	—	—	—	—	—
Dividends paid[1]	—	—	—	—	—
Acquisitions, disposals and other movements in minority interests	—	—	—	—	—
Transfer from discontinued operations reserve and other	—	—	—	—	40
Shares cancelled	(2)	(930)	—	—	—
Balance at 31 December 2008	**22**	**1**	**(4 142)**	**9 663**	**188**

[1] *Dividend of 93 cents per share declared during 2008 (2007: 77 cents per share) in respect of the 2007 financial year.*

[2] *Comprises movement in cost of shares held by subsidiaries and the share incentive trust.*

Discontinued operations	Retained earnings	Subtotal: equity holders	Consolidation reserve	Total: equity holders	Minority shareholders' interest	Total equity
—	20 590	30 980	(1 859)	29 121	3 934	33 055
—	5 494	5 395	—	5 395	858	6 253
—	5 494	5 494	—	5 494	885	6 379
—	—	(99)	—	(99)	(27)	(126)
—	(288)	(3 870)	319	(3 551)	(527)	(4 078)
—	(288)	(288)	—	(288)	24	(264)
—	—	(3 582)	319	(3 263)	(551)	(3 814)
—	74	74	—	74	10	84
—	(69)	—	—	—	—	—
—	303	303	(303)	—	—	—
—	(1 705)	(1 705)	—	(1 705)	(1 474)	(3 179)
—	—	—	—	—	(581)	(581)
40	—	—	—	—	—	—
40	24 399	31 177	(1 843)	29 334	2 220	31 554
—	2 494	2 554	—	2 554	537	3 091
—	2 494	2 494	—	2 494	443	2 937
—	—	60	—	60	94	154
—	(307)	(490)	507	17	(48)	(31)
—	(307)	(307)	—	(307)	(28)	(335)
—	—	(183)	507	324	(20)	304
—	134	134	—	134	23	157
—	(9)	—	—	—	—	—
—	(797)	(797)	797	—	—	—
—	(1 907)	(1 907)	—	(1 907)	(366)	(2 273)
—	—	—	—	—	259	259
(40)	—	—	—	—	(29)	(29)
—	(1 549)	(2 481)	—	(2 481)	—	(2 481)
—	**22 458**	**28 190**	**(539)**	**27 651**	**2 596**	**30 247**

Sanlam Group Cash Flow Statement

for the year ended 31 December 2008

R million	Note	2008	2007
Cash flow from operating activities		**6 810**	30
Cash utilised in operations	36.1	**(3 526)**	(7 392)
Interest and preference share dividends received		**10 511**	8 819
Interest paid		**(244)**	(246)
Dividends received		**4 971**	4 206
Dividends paid		**(2 260)**	(3 160)
Taxation paid		**(2 642)**	(2 197)
Cash flow from investment activities		**(404)**	9 859
Net disposal of investments		**416**	10 481
Acquisition of subsidiaries	36.2	**(780)**	(574)
Disposal of subsidiaries	36.3	**(40)**	(48)
Cash flow from financing activities		**(2 570)**	(3 227)
Movement in treasury shares		**(2 512)**	(4 078)
Term finance raised		**355**	1 423
Term finance repaid		**(413)**	(572)
Net increase in cash and cash equivalents		**3 836**	6 662
Cash, deposits and similar securities at beginning of the year		**51 309**	44 647
Cash, deposits and similar securities at end of the year	36.4	**55 145**	51 309
Non-current assets classified as held for sale		**—**	(812)
Cash, deposits and similar securities at end of the year – continuing operations		**55 145**	50 497
Cash flows relating to discontinued operations			
Included in the above are the following cash flows from discontinued operations:			
Operating cash flows		**(410)**	233
Investment cash flows		**(401)**	(32)
Financing cash flows		**(1)**	(197)
Net (decrease)/increase in cash and cash equivalents		**(812)**	4
Cash, deposits and similar securities at beginning of the year		**812**	808
Cash, deposits and similar securities at end of the year		**—**	812

Notes to the Group Financial Statements

for the year ended 31 December 2008

R million	2008	2007
1. Property and equipment		
Computer equipment	**215**	126
Cost	**674**	497
Accumulated depreciation and impairment	**(459)**	(371)
Furniture, equipment, vehicles and other	**167**	172
Cost	**464**	437
Accumulated depreciation and impairment	**(297)**	(265)
Total property and equipment	**382**	298
Reconciliation of carrying amount		
Balance at beginning of the year	**298**	259
Additions and expenditure capitalised	**276**	148
Disposals	**(21)**	(8)
Acquired through business combinations	**9**	9
Impairment losses recognised in the income statement	**(1)**	—
Reclassified as non-current assets held for sale	**—**	(3)
Depreciation	**(183)**	(105)
Foreign currency translation differences	**4**	(2)
Balance at end of the year	**382**	298
2. Owner-occupied properties		
Balance at beginning of the year	**650**	530
Transfer from investment properties	**—**	91
Additions and expenditure capitalised	**2**	44
Reclassified as non-current assets held for sale	**—**	(15)
Balance at end of the year	**652**	650

Register of owner-occupied properties

A register containing details of all owner-occupied properties is available for inspection at the registered office of Sanlam Limited.

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

R million	2008	2007
3. Goodwill		
Balance at beginning of the year	**2 447**	2 163
Gross carrying amount	**2 475**	2 191
Accumulated impairment	**(28)**	(28)
Additions during the year	**178**	313
Net consideration paid	**815**	655
Fair value of net assets acquired	**(564)**	(113)
Minority shareholders' interest	**(73)**	(229)
Acquired through business combinations	**—**	29
Disposals during the year	**—**	(17)
Foreign currency translation differences	**(2)**	5
Transfer to non-current assets held for sale	**—**	(46)
Balance at end of the year	**2 623**	2 447
Gross carrying amount	**2 651**	2 475
Accumulated impairment	**(28)**	(28)
Allocation of goodwill		
Life insurance	**482**	479
Merchant Investors	**356**	356
Sanlam Developing Markets	**23**	20
Channel Life	**79**	79
Other	**24**	24
Other Sanlam businesses	**2 141**	1 968
Sanlam UK (excluding Merchant Investors)	**23**	—
Sanlam Investment Management	**102**	81
International: Investment Management	**60**	60
Glacier	**91**	91
Sanlam Netherlands Holding	**49**	49
Santam	**596**	470
Other	**22**	19
Goodwill held on Group level	**1 198**	1 198
Balance at end of the year	**2 623**	2 447

The additions to goodwill during 2008 arose primarily from the acquisition of Principal Holdings Limited and the acquisition of an additional interest in Santam, and in 2007 from the acquisition of Blue Ink, Simeka and an additional interest in Santam and Channel Life.

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount of goodwill has been determined based on the various businesses' valuations, as included in Group Equity Value, less the consolidated net asset value of the respective businesses. Refer to page 178 for an analysis of Group Equity Value. Refer to note 39 for impairments of goodwill recognised during the year.

R million	2008	2007
4. Value of business acquired		
Balance at beginning of the year	**1 000**	977
Additions during the year	**553**	61
Acquired through business combinations	**21**	14
Foreign currency translation differences	**(87)**	—
Amortisation	**(77)**	(51)
Impairments	**(101)**	(1)
Balance at end of the year	**1 309**	1 000
Gross carrying amount	**1 584**	1 097
Accumulated amortisation and impairment	**(275)**	(97)

The additions to value of business acquired in 2008 relates primarily to the acquisition of Principal Holdings Limited and Buckles Holdings Limited, and to the acquisition of Blue Ink and an additional interest in Channel Life in 2007.

Amortisation and impairment of value of business acquired

Value of business acquired is amortised to the income statement on a straight-line basis over the expected life of the intangible asset, currently 25 years for Sanlam Developing Markets and 15 years for Channel Life and Principal, the major businesses to which value of business acquired relates. For impairment testing purposes, the value of business acquired is allocated to cash generating units at the lowest level of operational activity (business) to which it relates. The recoverable amount has been determined based on the various businesses' contribution to Group Equity Value, less the related net asset value. Refer to page 178 for an analysis of Group Equity Value. Refer to note 39 for impairments of value of business acquired recognised during the year.

R million	2008	2007
5. Deferred acquisition costs		
Balance at beginning of the year	**1 693**	1 397
Acquired through business combinations	**—**	6
Credited to income statement	**277**	290
Acquisition costs capitalised	**530**	473
Expensed for the year	**(253)**	(183)
Balance at end of the year	**1 970**	1 693
6. Long-term reinsurance assets		
Balance at beginning of the year	**487**	427
Movement in reinsurers' share of insurance liabilities	**19**	60
Balance at end of the year	**506**	487
Maturity analysis of long-term reinsurance assets		
Due within one year	**13**	12
Due within two to five years	**49**	51
Due after more than five years	**444**	424
Total long-term reinsurance assets	**506**	487

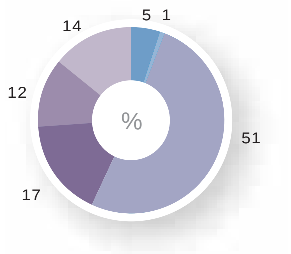
Amounts due from reinsurers in respect of claims incurred by the Group that are reinsured, are included in trade and other receivables (refer to note 10).

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

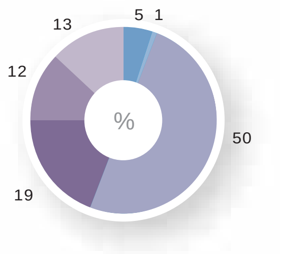
7. Investments

Total investment mix 2008



- Properties
- Equity-accounted investments
- Equities and similar securities
- Public sector stocks and loans
- Debentures, insurance policies, preference shares and other loans
- Cash, deposits and similar securities

Total investment mix 2007



- Properties
- Equity-accounted investments
- Equities and similar securities
- Public sector stocks and loans
- Debentures, insurance policies, preference shares and other loans
- Cash, deposits and similar securities

R million	**2008**	**2007**
7.1 Properties		
Properties comprise:		
Office buildings	**3 993**	3 849
Retail buildings	**4 364**	4 177
Industrial buildings	**634**	565
Undeveloped land	**51**	74
International properties (situated outside South Africa)	**2 922**	3 128
Listed property companies and property collective investment schemes	**3 693**	3 537
Other	**324**	318
Total properties	**15 981**	15 648
Less: Straight-line rental adjustment	**(791)**	(868)
Total investment properties	**15 190**	14 780
Reconciliation of carrying amount of properties		
Fixed properties – balance at beginning of the year	**12 111**	11 840
Additions	**330**	583
Disposals	**(636)**	(478)
Foreign currency translation differences	**(8)**	(58)
Transfers to owner-occupied properties	**—**	(91)
Investment surpluses	**491**	315
Fixed properties – balance at end of the year	**12 288**	12 111
Listed property and property collective investment schemes	**3 693**	3 537
Total properties	**15 981**	15 648
Reconciliation of straight-line rental adjustment		
Straight-line rental adjustment – balance at beginning of the year	**868**	943
Disposals	**(14)**	(40)
Investment surpluses	**(63)**	(35)
Straight-line rental adjustment – balance at end of the year	**791**	868
Contractual future minimum lease payments receivable under non-cancellable operating leases:		
Within one year	**1 104**	1 006
Within two to five years	**3 145**	2 864
After more than five years	**1 683**	1 707
Future minimum lease payments	**5 932**	5 577

R million	Note	2008	2007
7. Investments *(continued)*			
7.2 Equity-accounted investments			
Investments in associated companies	7.2.1	**688**	1 075
Punter Southall Group		**219**	201
Sanlam Alternative Income Fund		**—**	504
Other associated companies		**469**	370
Investments in joint ventures	7.2.2	**629**	684
Safair Lease Finance		**—**	197
Sanlam Personal Loans		**44**	75
Sanlam Home Loans		**133**	177
Shriram Life Insurance		**208**	167
Shriram General Insurance[1]		**115**	—
Other joint ventures		**129**	68
Total equity-accounted investments		**1 317**	1 759

Further details are not provided in respect of other associated companies and joint ventures as the totals comprise of amounts that are individually immaterial.

7.2.1 Investments in associated companies

Details of material associated companies:

		Punter Southall Group		Sanlam Alternative Income Fund[2]	
		2008	**2007**	**2008**	**2007**
Fair value of interest – based on internal valuation and quoted unit prices	R million	**219**	297	**—**	504
Number of shares held	000's	**8 605**	8 605	**—**	504 057
Interest in issued share capital	%				
Shareholders' fund		**26**	27	**—**	24
Policyholders' fund		**—**	—	**—**	—
Average interest in issued share capital	%				
Shareholders' fund		**26**	27	**—**	24
Policyholders' fund		**—**	—	**—**	—
Share of earnings after tax	R million				
Shareholders' fund		**51**	17	**—**	4
Policyholders' fund		**—**	—	**—**	—
Distributions received	R million				
Shareholders' fund		**—**	—	**—**	4
Policyholders' fund		**—**	—	**—**	—
Aggregate post-acquisition reserves attributable to shareholders' fund	R million	**93**	42	**—**	94
Financial information as at 31 December – total:					
Revenue	R million	**1 292**	1 285	**—**	93
Earnings attributable to shareholders	R million	**153**	42	**—**	2 166
Total assets	R million	**723**	548	**—**	15
Total liabilities	R million	**468**	516	**—**	2 151

[1] *Shriram General Insurance (in which the Group has a 26% interest) conducts the Group's short-term insurance activities in India. The Group's share of assets and liabilities are not material at 31 December 2008.*

[2] *The Group's interest in the fund reduced to below 20% during 2008 and is accordingly not accounted for as an associated company.*

The Group's share of losses incurred by associates, which have not been recognised due to the fact that the carrying values of the associates have already been reduced to zero, amounts to R102 million (2007: R69 million).

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

R million	Sanlam Personal Loans[1] 2008	Sanlam Personal Loans[1] 2007	Safair Lease Finance[2] 2008	Safair Lease Finance[2] 2007
7. Investments *(continued)*				
7.2.2 Investments in joint ventures				
Details of material joint ventures:				
Interest in issued share capital (%)	**70**	70	**—**	50
Carrying value of interest	**44**	75	**—**	197
Fair value of interest	**71**	104	**—**	209
Share of revenue	**242**	128	**125**	228
Share of earnings after tax	**(33)**	29	**19**	72
Share of expenses	**133**	93	**98**	116
Share of assets	**1 138**	1 159	**—**	1 083
Non-current	**748**	759	**—**	1 007
Current	**390**	400	**—**	76
Share of liabilities	**1 097**	1 080	**—**	585
Non-current	**101**	84	**—**	585
Interest bearing	**101**	84	**—**	585
Non-interest bearing	**—**	—	**—**	—
Current	**996**	996	**—**	—
Interest bearing	**962**	981	**—**	—
Non-interest bearing	**34**	15	**—**	—
Aggregate portion of post-acquisition reserves attributable to shareholders	**44**	75	**—**	(203)
Share of cash flows	**17**	12	**—**	—
Operating activities	**20**	(66)	**—**	—
Investment activities	**—**	—	**—**	—
Financing activities	**(3)**	78	**—**	—

7. Investments *(continued)*

7.2.2 Investments in joint ventures *(continued)*

R million	Shriram Life Insurance[3] 2008	Shriram Life Insurance[3] 2007	Sanlam Home Loans[4] 2008	Sanlam Home Loans[4] 2007
Interest in issued share capital (%)	**26**	26	**50**	50
Carrying value of interest	**208**	167	**133**	177
Fair value of interest	**208**	167	**133**	177
Share of revenue	**5**	15	**354**	283
Share of earnings after tax	**(1)**	13	**—**	(4)
Share of expenses	**—**	—	**35**	278
Share of assets	**348**	186	**2 484**	3 017
Non-current	**323**	168	**2 321**	2 773
Current	**25**	18	**163**	244
Share of liabilities	**274**	122	**2 483**	3 013
Non-current	**249**	103	**1 937**	2 942
Interest bearing	**248**	103	**1 761**	2 766
Non-interest bearing	**1**	—	**176**	176
Current	**25**	19	**546**	71
Interest bearing	**—**	—	**525**	—
Non-interest bearing	**25**	19	**21**	71
Aggregate portion of post-acquisition reserves attributable to shareholders	**12**	13	**(11)**	(11)
Contingencies and capital commitments of venturer:				
Directly incurred	**—**	—	**456**	681
Share of cash flows	**8**	15	**(113)**	105
Operating activities	**8**	15	**431**	(722)
Investment activities	**—**	—	**(31)**	(6)
Financing activities	**—**	—	**(513)**	833

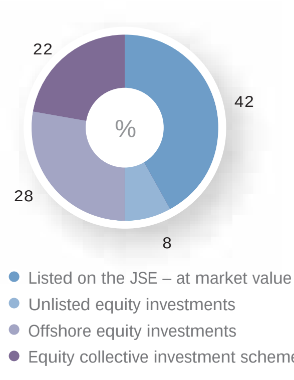
[1] *Sanlam Personal Loans conducts personal loan business in South Africa.*
[2] *Safair Lease Finance provides financing and aircraft leasing facilities to the aviation industry. The Group disposed of its interest during 2008.*
[3] *Shriram Life Insurance conducts the Group's long-term insurance business in India.*
[4] *Sanlam Home Loans conducts the Group's mortgage lending business in South Africa. Refer to note 39 for impairment recognised during the year.*

Notes to the Group Financial Statements

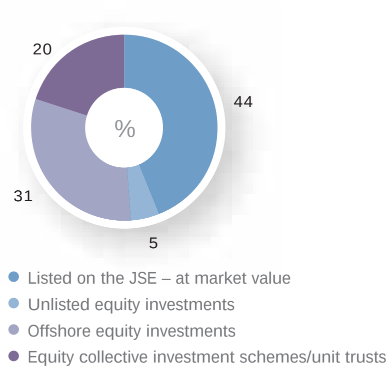
for the year ended 31 December 2008 continued

R million	2008	2007
7. Investments *(continued)*		
7.3 Equities		
Equities and similar securities comprise:		
Listed on the JSE – at market value	**49 672**	66 020
Unlisted – at directors' valuation	**9 350**	7 317
Offshore equity investments	**34 267**	45 481
Listed	**34 063**	44 947
Unlisted	**204**	534
Equity collective investment schemes	**26 995**	30 220
Units held by the Group as minority unit holder	**19 731**	18 731
Equities held by consolidated schemes	**7 264**	11 489
Total equities and similar securities	**120 284**	149 038
Classification of equities and similar securities		
Designated as at fair value through profit or loss	**118 645**	149 038
Held for trading at fair value	**1 639**	—
Total equities and similar securities	**120 284**	149 038

Total equity investment mix 2008



Total equity investment mix 2007



	%	%
Spread of equities listed on the JSE by sector[(1)]		
Basic materials	**27,1**	23,1
Consumer goods	**5,7**	8,8
Consumer services	**13,8**	7,4
Financials	**15,9**	17,4
General industrials	**11,1**	17,0
Information technology	**0,6**	1,1
Healthcare	**1,8**	2,3
Telecommunications	**9,7**	10,6
Other	**14,3**	12,3
	100	100

[(1)] *Includes the appropriate underlying investments of listed subsidiaries.*

7. Investments *(continued)*

7.4 Total investments other than equities and similar securities, equity-accounted investments and properties

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost[1]	Total
31 December 2008				
Public sector stocks and loans	**50 531**	**—**	**—**	**50 531**
Debentures, insurance policies, preference shares and other loans	**32 393**	**1 250**	**1 666**	**35 309**
Cash, deposits and similar securities	**44 935**	**—**	**173**	**45 108**
	127 859	**1 250**	**1 839**	**130 948**
31 December 2007				
Public sector stocks and loans	49 887	—	—	49 887
Debentures, insurance policies, preference shares and other loans	32 799	263	1 029	34 091
Cash, deposits and similar securities	39 510	—	168	39 678
	122 196	263	1 197	123 656

[1] *The estimated fair value of investments valued at amortised cost amounts to R1 839 million (2007: R1 197 million).*

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
Maturity analysis					
31 December 2008					
Public sector stocks and loans	**3 619**	**3 331**	**36 587**	**6 994**	**50 531**
Debentures, insurance policies, preference shares and other loans	**11 120**	**13 981**	**8 906**	**1 302**	**35 309**
Cash, deposits and similar securities	**38 595**	**4 450**	**879**	**1 184**	**45 108**
Total investments other than equities and similar securities, equity-accounted investments and properties	**53 334**	**21 762**	**46 372**	**9 480**	**130 948**
31 December 2007					
Public sector stocks and loans	6 212	7 158	28 285	8 232	49 887
Debentures, insurance policies, preference shares and other loans	10 720	12 943	10 328	100	34 091
Cash, deposits and similar securities	34 024	4 006	539	1 109	39 678
Total investments other than equities and similar securities, equity-accounted investments and properties	50 956	24 107	39 152	9 441	123 656

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

R million	2008	2007
7. Investments *(continued)*		
7.4 Total investments other than equities and similar securities, equity-accounted investments and properties *(continued)*		
Listed	**73 872**	61 411
Unlisted	**57 076**	62 245
Designated as at fair value through profit or loss	**55 237**	61 048
Loans and receivables at amortised cost	**1 839**	1 197
Total investments other than equities and similar securities, equity-accounted investments and properties	**130 948**	123 656
Unlisted investments (other than equities and similar securities, equity-accounted investments and properties) designated as at fair value through profit or loss		
Maximum exposure to credit risk at the reporting date	**57 076**	62 245

The amount of change, during the period and cumulatively, in the fair value of the loans and receivables that is attributable to changes in the credit risk of the financial asset is determined as the change triggered by factors other than changes in benchmark interest rates. The impact of changes in credit risk for 2008 and 2007 was not material.

7.5 Use of valuation techniques to determine fair value

Where a valuation technique has been used to fair value a financial instrument, all material assumptions used have been determined with reference to observable market data for material holdings.

Register of investments

A register containing details of all investments, including fixed property investments and the related lease agreements, is available for inspection at the registered office of Sanlam Limited.

R million	Income tax Asset	Income tax Liability	Capital gains tax Asset	Capital gains tax Liability
8. Deferred tax				
Reconciliation of the deferred tax balances				
Balance at 1 January 2007	548	(278)	1	(1 651)
Temporary differences (charged)/credited to income statement	(71)	234	1	337
Accruals and provisions	20	(12)	—	—
Tax losses and credits	(39)	(1)	—	4
Net unrealised investment surpluses on shareholders' fund	(119)	230	1	60
Net unrealised investment surpluses on policyholders' fund	1	—	—	193
Secondary tax on companies	66	—	—	—
Other temporary differences	—	17	—	80
Acquisition of subsidiaries	3	—	—	—
Foreign currency translation differences	—	4	—	—
Transfer to non-current assets held for sale	(2)	—	—	—
Disposal of subsidiaries	(5)	—	—	—
Balance at 31 December 2007	473	(40)	2	(1 314)
Temporary differences credited/(charged) to income statement	127	(41)	108	963
Accruals and provisions	(50)	(92)	—	(7)
Tax losses and credits	237	(4)	26	—
Net unrealised investment surpluses on shareholders' fund	(54)	59	82	461
Net unrealised investment surpluses on policyholders' fund	—	—	—	449
Secondary tax on companies[1]	1	—	—	—
Other temporary differences	(7)	(4)	—	60
Acquisition of subsidiaries	1	—	—	—
Foreign currency translation differences	1	(8)	—	—
Transfer to non-current assets held for sale	—	—	—	—
Disposal of subsidiaries	—	—	—	—
Balance at 31 December 2008	**602**	**(89)**	**110**	**(351)**

[1] *The secondary tax on companies rate changed from 12,5% to 10% during the 2007 financial period.*

	Income tax Asset	Income tax Liability	Capital gains tax Asset	Capital gains tax Liability
Analysis of the deferred tax balances				
2008				
Accruals and provisions	**23**	**(5)**	**—**	**(7)**
Tax losses and credits	**610**	**(4)**	**27**	**—**
Net unrealised investment surpluses on shareholders' fund	**(35)**	**(62)**	**83**	**(41)**
Net unrealised investment surpluses on policyholders' fund	**1**	**—**	**—**	**(314)**
Other temporary differences	**3**	**(18)**	**—**	**11**
Deferred tax balances at 31 December 2008	**602**	**(89)**	**110**	**(351)**
2007				
Accruals and provisions	73	87	—	—
Tax losses and credits	373	—	1	—
Net unrealised investment surpluses on shareholders' fund	19	(121)	1	(502)
Net unrealised investment surpluses on policyholders' fund	1	—	—	(763)
Other temporary differences	7	(6)	—	(49)
Deferred tax balances at 31 December 2007	473	(40)	2	(1 314)

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

R million	2008	2007
8. Deferred tax *(continued)*		
Total deferred tax asset	**712**	475
Total deferred tax liability	**(440)**	(1 354)
Total net deferred tax	**272**	(879)
Deferred tax in respect of investment properties is provided for at capital gains tax rates, where applicable, as it is expected that capital gains tax will be payable on the recovery of the carrying value of the properties. Refer to note 31 for additional information.		
9. Short-term insurance technical provisions		
Short-term insurance technical provisions	**8 229**	7 719
Outstanding claims	**5 208**	4 776
Provision for unearned premiums	**2 939**	2 844
Deferred reinsurance acquisition revenue	**82**	99
Less: Short-term insurance technical assets	**2 250**	2 263
Reinsurers' share of technical provisions		
Outstanding claims	**1 547**	1 495
Unearned premiums	**432**	529
Deferred acquisition cost	**271**	239
Net short-term insurance technical provisions	**5 979**	5 456

Analysis of movement in short-term insurance technical provisions

	2008			2007		
R million	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claims						
Balance at beginning of the year	**4 776**	**(1 495)**	**3 281**	4 952	(1 628)	3 324
Cash paid for claims settled in the year	**(8 971)**	**1 361**	**(7 610)**	(8 411)	1 293	(7 118)
Increase in liabilities	**9 403**	**(1 413)**	**7 990**	9 275	(1 280)	7 995
Transfer to non-current assets held for sale	**—**	**—**	**—**	(1 028)	118	(910)
Foreign currency translation differences	**—**	**—**	**—**	(12)	2	(10)
Balance at end of the year	**5 208**	**(1 547)**	**3 661**	4 776	(1 495)	3 281
Unearned premiums						
Balance at beginning of the year	**2 844**	**(529)**	**2 315**	2 726	(449)	2 277
Net increase/(release) in the period	**95**	**97**	**192**	524	(115)	409
Additions during the year	**—**	**—**	**—**	26	—	26
Transfer to non-current assets held for sale	**—**	**—**	**—**	(424)	34	(390)
Foreign currency translation differences	**—**	**—**	**—**	(8)	1	(7)
Balance at end of the year	**2 939**	**(432)**	**2 507**	2 844	(529)	2 315

R million		2008	2007
10. Trade and other receivables			
Premiums receivable		**5 215**	5 020
Accrued investment income		**2 317**	2 277
Trading account		**15 862**	19 153
Amounts due from reinsurers		**817**	388
Accounts receivable		**4 697**	3 700
Total trade and other receivables		**28 908**	30 538
Trading account comparative information has been restated by an increase of R2,6 billion for an adjustment of the inappropriate set-off of trading assets and liabilities. Shareholders' fund information at net asset value has also been restated accordingly.			
Classification of trade and other receivables:			
Held for trading at fair value		**15 862**	19 153
Loans and receivables at amortised cost		**13 046**	11 385
		28 908	30 538
Trade and other receivables, excluding trading account, are receivable within one year.			
Maturity analysis of trading account			
Due within one year		**8 881**	13 768
Due within two to five years		**3 511**	2 511
Due after five years		**3 470**	2 874
Total trading account		**15 862**	19 153
11. Share capital and premium			
Authorised share capital			
4 000 million ordinary shares of 1 cent each	R million	**40,0**	40,0
56,5 million 'A' deferred shares of 1 cent each	R million	**0,6**	0,6
56,5 million 'B' deferred shares of 1 cent each	R million	**0,6**	0,6
52 million 'A' preference shares of 1 cent each	R million	**0,5**	0,5
Balance at end of the year	R million	**41,7**	41,7
Issued share capital: ordinary shares			
Total shares in issue at beginning of the year	million	**2 303,6**	2 303,6
Shares cancelled during the year	million	**(113,5)**	—
Total shares in issue at end of the year	million	**2 190,1**	2 303,6
Shares held by subsidiaries	million	**(227,5)**	(242,8)
Balance at end of the year	million	**1 962,6**	2 060,8
% of ordinary shares held by subsidiaries		**10,4%**	10,5%
Issued share capital: 'A' deferred shares			
Total number of 'A' deferred shares in issue	million	**56,5**	56,5
Issued share capital: 'A' preference shares			
Total number of 'A' preference shares in issue at beginning of the year	million	**52,0**	52,0
Shares redeemed during the year	million	**(52,0)**	—
Shares held by subsidiaries	million	**—**	(17,8)
Balance at end of the year	million	**—**	34,2
% of 'A' preference shares held by subsidiaries		**—**	34,2%
Nominal value and share premium			
Ordinary shares		**22,6**	954,1
Nominal value of 1 cent per share	R million	**21,9**	23,0
Share premium	R million	**0,7**	931,1
'A' deferred shares	R million	**0,6**	0,6
'A' preference shares	R million	**—**	0,5
Total nominal value and share premium	R million	**23,2**	955,2

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

11. Share capital and premium *(continued)*

The ‘A’ deferred shares are held by Ubuntu-Botho and shall be converted to ordinary shares at nil rand value when the accrued value of R7,65 per share has been achieved, in accordance with the contractual new business volumes formula, within a 10-year period from 1 January 2004. The ‘A’ deferred shares which are not converted to ordinary shares in December 2013 shall be converted to redeemable preference shares which shall be redeemed at par value within 30 days of such conversion.

The ‘B’ deferred shares shall be allotted and issued to Ubuntu-Botho once all the ‘A’ deferred shares qualify for conversion to ordinary shares. The ‘B’ deferred shares shall be converted to ordinary shares on the same terms as the ‘A’ deferred shares.

The ‘A’ preference shares, which were issued to the Demutualisation Trust, entitled the Demutualisation Trust to convert the ‘A’ preference shares at R7,65 per share to ordinary shares, if and to the extent that the Demutualisation Trust required the delivery of such ordinary shares to enable it to comply with its obligations in terms of the Demutualisation Trust Deed. All outstanding ‘A’ preference shares were redeemed at par value during 2008 on termination of the Demutualisation Trust.

A register containing details of rights attached to the deferred shares, is available for inspection at the registered office of Sanlam Limited.

Sanlam Limited acquired and cancelled 113,5 million ordinary shares in 2008 as part of the capital management programme. Share capital and reserves were reduced with the consideration paid for the cancelled shares. No shares were cancelled in 2007.

	Shares 2008 000’s	Options 2008 000’s	Average option price 2008 R	Shares 2007 000’s	Options 2007 000’s	Average option price 2007 R
Executive share incentive scheme						
Total number of shares and share options at beginning of the year	**10 298**	**45 705**	**7,63**	19	69 402	7,65
Unrestricted shares and share options at beginning of the year	**—**	**(17 866)**	**7,55**	(2)	(13 134)	7,64
Restricted shares and share options at beginning of the year	**10 298**	**27 839**	**7,67**	17	56 268	7,65
New restricted shares granted in terms of restricted share and DSP schemes	**11 261**	**—**	**—**	10 279	—	—
Unconditional options and shares released, available for release, or taken up	**(258)**	**(18 851)**	**7,44**	(16)	(26 838)	7,65
Options and shares forfeited	**(326)**	**(1 058)**	**7,75**	(2)	(1 581)	7,44
Options and shares lapsed	**—**	**(25)**	**9,23**	—	(10)	7,81
Options converted to shares	**10**	**(10)**	**—**	19	—	—
Cash dividends received on restricted shares and converted into shares	**1**	**—**	**—**	1	—	—
Restricted shares and share options at end of the year	**20 986**	**7 895**	**8,20**	10 298	27 839	7,67
Unrestricted shares and share options at end of the year	**120**	**22 532**	**7,43**	—	17 866	7,55
Total number of shares and share options at end of the year	**21 106**	**30 427**	**7,63**	10 298	45 705	7,63
Shares the subject matter of loans granted(1)	**13 455**	**—**	**—**	11 509	—	—
Total equity participation by employees	**34 561**	**30 427**	**—**	21 807	45 705	—

(1)Outstanding amount of loans granted in respect of these shares amounts to R241 million (2007: R199 million).

%		2008	2007
11.	**Share capital and premium** *(continued)*		
	Total equity participation by employees as a percentage of total issued ordinary shares	**3,0**	2,9
	Approved maximum level of equity participation by employees as a percentage of total issued ordinary shares	**7,5**	7,5

Details regarding the restricted shares and share options outstanding on 31 December 2008 and the financial years during which they become unconditional, are as follows:

Unrestricted during year ending (subject to performance targets)	Number of shares 000's	Number of options 000's	Average option price R
31 December 2009	841	7 895	8,20
31 December 2010	3 785	—	—
31 December 2011	7 098	—	—
31 December 2012	6 017	—	—
31 December 2013	3 245	—	—

	2008	2007
Weighted average share price of options exercised during the year	**R20,39**	R21,42

A total of 11,3 million (2007: 10,3 million) restricted shares were granted to staff and executive directors during 2008. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R146 million (2007: R188 million) and is expensed in the income statement over the vesting period of five years. The fair value is based on the Sanlam share price on grant date, adjusted for dividends not accruing to participants during the vesting period and the probability that the performance conditions will be met in part.

R million		2008	2007
12.	**Other reserves**		
	Non-distributable reserves	**9 663**	9 654
	Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**9 415**	9 415
	Regulatory reserves of the Group's Botswana operations	**248**	239
	Foreign currency translation reserve	**188**	88
	Discontinued operations	**—**	40
	Consolidation reserve	**(539)**	(1 843)
	Policyholder fund investments in consolidated subsidiaries	**(71)**	(201)
	Policyholder fund investment in Sanlam Limited shares	**(468)**	(1 642)
	Total reserves other than retained earnings	**9 312**	7 939
13.	**Contingency reserves**		
	Contingency reserves in respect of short-term insurance business of R670 million are included in shareholders' reserves (2007: R594 million).		
14.	**Minority shareholders' interest**		
	Santam	**1 350**	1 107
	Sanlam Developing Markets	**896**	779
	Sanlam Namibia Holdings	**127**	122
	Channel Life	**108**	122
	Octane	**52**	86
	Other	**63**	4
	Total minority shareholders' interest	**2 596**	2 220

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

R million	2008 Total	2008 Insurance contracts	2008 Investment contracts	2007 Total	2007 Insurance contracts	2007 Investment contracts
15. Long-term policy liabilities						
15.1 Analysis of movement in policy liabilities						
Income	**28 917**	**16 053**	**12 864**	55 660	25 090	30 570
Premium income (note 15.2)	**36 852**	**15 056**	**21 796**	33 422	13 901	19 521
Investment return after tax (note 23)	**(7 935)**	**997**	**(8 932)**	22 238	11 189	11 049
Outflow	**(45 545)**	**(23 994)**	**(21 551)**	(43 600)	(21 999)	(21 601)
Policy benefits (note 15.3)	**(28 437)**	**(13 436)**	**(15 001)**	(28 119)	(11 841)	(16 278)
Retirement fund terminations	**(5 196)**	**(12)**	**(5 184)**	(4 267)	(370)	(3 897)
Fees, risk premiums and other payments to shareholders' fund	**(11 912)**	**(10 546)**	**(1 366)**	(11 214)	(9 788)	(1 426)
Movement in policy loans	**(78)**	**(14)**	**(64)**	(43)	4	(47)
Net movement for the year	**(16 706)**	**(7 955)**	**(8 751)**	12 017	3 095	8 922
Disposal of subsidiaries	**—**	**—**	**—**	(4 175)	—	(4 175)
Foreign currency translation differences	**1 314**	**436**	**878**	(1 046)	(214)	(832)
Balance at beginning of the year	**244 660**	**128 398**	**116 262**	237 864	125 517	112 347
Balance at end of the year	**229 268**	**120 879**	**108 389**	244 660	128 398	116 262

R million	2008	2007
15.2 Analysis of premium income		
Individual business	**26 953**	25 546
Recurring	**13 082**	12 360
Single	**11 984**	10 944
Continuations	**1 887**	2 242
Employee benefits business	**9 899**	7 876
Recurring	**5 026**	4 217
Single	**4 873**	3 659
Total premium income	**36 852**	33 422
15.3 Analysis of long-term policy benefits		
Individual business	**22 854**	22 654
Maturity benefits	**11 717**	12 484
Surrenders	**6 526**	5 960
Life and term annuities	**3 713**	3 443
Death and disability benefits[1]	**870**	759
Cash bonuses[1]	**28**	8
Employee benefits business	**5 582**	5 447
Withdrawal benefits	**3 231**	3 354
Pensions	**1 161**	1 153
Lump sum retirement benefits	**1 031**	767
Taxation paid on behalf of certain retirement funds	**4**	24
Death and disability benefits[1]	**130**	126
Cash bonuses[1]	**25**	23
White label business	**1**	18
Total long-term policy benefits	**28 437**	28 119

[1] *Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 23).*

R million	2008	2007
15. Long-term policy liabilities *(continued)*		
15.4 Composition of policy liabilities		
Individual business	**188 565**	200 443
Linked and market-related liabilities	**98 791**	108 235
Stable bonus fund	**35 317**	40 406
Reversionary bonus policies	**10 394**	12 204
Non-participating annuities	**22 547**	19 450
Other non-participating liabilities	**21 516**	20 148
Employee benefits business	**40 703**	44 217
Linked and market-related liabilities	**15 344**	19 972
Stable bonus portfolios	**10 192**	10 959
Participating annuities	**7 706**	8 292
Non-participating annuities	**3 695**	3 293
Other non-participating liabilities	**3 766**	1 701
Total policy liabilities	**229 268**	244 660

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15.5 Maturity analysis of investment policy contracts					
2008					
Linked and market-related	**2 154**	**7 799**	**31 222**	**42 839**	**84 014**
Stable bonus	**—**	**4**	**45**	**10 196**	**10 245**
Non-participating annuities	**72**	**795**	**170**	**—**	**1 037**
Other non-participating liabilities	**1 993**	**4 600**	**5 377**	**1 123**	**13 093**
Total investment policies	**4 219**	**13 198**	**36 814**	**54 158**	**108 389**
2007					
Linked and market-related	3 121	8 813	37 162	44 810	93 906
Stable bonus	10	7	27	10 959	11 003
Non-participating annuities	53	629	157	257	1 096
Other non-participating liabilities	694	4 279	4 992	292	10 257
Total investment policies	3 878	13 728	42 338	56 318	116 262

Investment policy contracts are classified as at fair value through profit or loss.

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15.6 Maturity analysis of insurance policy contracts					
2008					
Linked and market-related	**1 332**	**6 125**	**19 776**	**2 888**	**30 121**
Stable bonus	**1 497**	**6 894**	**24 009**	**2 864**	**35 264**
Reversionary bonus policies	**563**	**2 630**	**6 142**	**1 059**	**10 394**
Non-participating annuities	**1**	**35**	**75**	**25 094**	**25 205**
Participating annuities	**—**	**—**	**—**	**7 706**	**7 706**
Other non-participating liabilities	**737**	**490**	**2 113**	**8 849**	**12 189**
Total insurance policies	**4 130**	**16 174**	**52 115**	**48 460**	**120 879**
2007					
Linked and market-related	1 613	6 678	21 931	4 080	34 302
Stable bonus	1 677	7 507	27 437	3 741	40 362
Reversionary bonus policies	543	2 489	6 393	2 779	12 204
Non-participating annuities	2	22	50	21 572	21 646
Participating annuities	—	—	—	8 292	8 292
Other non-participating liabilities	546	1 091	2 064	7 891	11 592
Total insurance policies	4 381	17 787	57 875	48 355	128 398

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

R million		Note	2008	2007
15.	**Long-term policy liabilities** *(continued)*			
15.7	**Policy liabilities include the following:**			
	Provision for HIV/Aids and other pandemics		**4 371**	3 551
	Asset mismatch reserve		**1 338**	1 801
16.	**Term finance**			
	Term finance comprises:			
	Interest-bearing liabilities held in respect of margin business	16.1	**2 830**	2 687
	Other interest-bearing liabilities	16.2	**3 933**	3 907
			6 763	6 594
16.1	**Interest-bearing liabilities held in respect of margin business**			
	Redeemable cumulative non-voting preference shares issued by subsidiary companies, with dividend terms that range between 6,8% and 12,2% (2007: 6,8% and 11,6%) or linked to prime interest rates. The preference shares have different redemption dates up to 2014.		**2 829**	2 679
	Obligations for promissory notes, zero coupons, interest rate derivatives and fixed interest derivatives.		**1**	8
			2 830	2 687
16.2	**Other interest-bearing liabilities**			
	Unsecured subordinated bond, with interest payable at 9,54% and a final maturity date of 15 August 2018. The bond has a redemption call option at its nominal value of R1 160 million, which the Group can exercise on 15 August 2013.		**1 171**	1 141
	Unsecured subordinated bond, with interest payable at 9,64% and a final maturity date of 15 August 2021. The bond has a redemption call option at its nominal value of R828 million, which the Group can exercise on 15 August 2016.		**840**	836
	Unsecured subordinated notes, with interest payable at between 8,6% and 9,6% with a final maturity date of 15 September 2022. The notes have a redemption call option at their nominal value of R1 047 million, which the Group can exercise on 15 September 2017.		**972**	908
	Mortgage bonds over properties held in unit-linked policyholder funds. The mortgage over each property is negotiated separately, varies in term from 5 to 20 years, with interest rates linked at a premium to the Bank of England base rate.		**761**	780
	Obligations towards beneficiaries of companies limited by guarantee – matched by assets held in this regard.		**131**	142
	Obligations for interest rate derivatives.		**—**	47
	Finance lease on owner-occupied property, with interest payable at 10,47% and terminating on 1 June 2012.		**32**	37
	Other		**26**	16
			3 933	3 907

R million	Note	2008	2007
16. Term finance *(continued)*			
16.3 Maturity analysis of term finance			
Due within one year		**1 459**	818
Due within two to five years		**1 367**	1 614
Due after more than five years		**3 937**	4 162
Total term finance liabilities		**6 763**	6 594
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	**3 114**	3 082
Valued at stock exchange prices		**2 983**	2 940
Based on internal valuation		**131**	142
Other financial liabilities	16.4.2	**3 649**	3 512
Total term finance liabilities		**6 763**	6 594
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss		**3 114**	3 082
Amount contractually payable at maturity		**3 166**	3 185
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		**3 649**	3 512
17. Trade and other payables			
Trading account		**14 635**	19 983
Accounts payable		**9 173**	8 017
Policy benefits payable		**3 628**	3 588
Amounts due to reinsurers		**882**	540
Bank overdrafts		**29**	—
Operating lease creditor		**10**	—
Claims incurred but not reported		**968**	869
Total trade and other payables		**29 325**	32 997
Trading account comparative information has been restated by an increase of R2,6 billion for an adjustment of the inappropriate set-off of trading assets and liabilities. Shareholders' fund information at net asset value has also been restated accordingly.			
Classification of trade and other payables			
Held for trading at fair value		**14 635**	19 983
Other financial liabilities at amortised cost		**14 690**	13 014
Total trade and other payables		**29 325**	32 997
Trade and other payables, excluding trading account, are payable within one year.			
Maturity analysis of trading account			
Due within one year		**7 552**	18 568
Due within two to five years		**3 974**	89
Due after five years		**3 109**	1 326
Total trading account		**14 635**	19 983

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

R million	Possible claims	Post-retirement medical aid	Onerous contracts	Other	Total
18. Provisions					
Details of the different classes of provisions are as follows:					
Balance at 1 January 2007	608	37	58	293	996
Charged to income statement	22	—	4	57	83
Additional provisions	44	—	4	59	107
Unused amounts reversed	(22)	—	—	(2)	(24)
Utilised during the year	(50)	(4)	(50)	(2)	(106)
Balance at 31 December 2007	580	33	12	348	973
Charged to income statement	473	—	3	80	556
Additional provisions	485	—	3	128	616
Unused amounts reversed	(12)	—	—	(48)	(60)
Utilised during the year	(58)	(3)	—	(15)	(76)
Balance at 31 December 2008	**995**	**30**	**15**	**413**	**1 453**
Analysis of provisions					
Current	—	3	12	2	17
Non-current	995	27	3	411	1 436
Total provisions at 31 December 2008	**995**	**30**	**15**	**413**	**1 453**

Possible claims

The Group provides for possible claims that may arise as a result of past events, transactions or investments. Due to the nature of the provision, the timing of the expected cash outflows is uncertain.

Estimates are reviewed annually and adjusted as appropriate for new circumstances.

Additional information in respect of possible claims cannot be provided, due to the potential prejudice that such disclosure may confer on the Group. The timing of settlement cannot reasonably be determined.

Post-retirement medical aid

The Group provides for the future medical aid contributions for certain pensioners, disabled staff members and disabled advisers.

The provision represents the present value of future contributions which is actuarially determined on an annual basis.

Refer to note 32: Retirement benefits for employees.

Onerous contracts

Provision is made for the full term of the contractual rental payable in respect of vacated offices where the lease term has not yet expired.

A provision for related costs (e.g. electricity) is also included.

Other

Includes sundry provisions for probable outflows of resources from the Group arising from past events. The timing of settlement cannot reasonably be determined.

Additional information in respect of other provisions cannot be provided, due to the potential prejudice that such disclosure may confer on the Group.

R million	2008	2007
19. Financial services income		
Analysis per revenue source		
Long-term insurance	12 151	11 558
Short-term insurance	14 054	12 780
Other financial services	2 373	2 377
Total financial services income	28 578	26 715
Analysis per revenue category		
Long-term insurance fee income	12 151	11 558
Administration services	2 078	2 753
Investment management fees	681	989
Risk benefit charges and other fee income	9 392	7 816
Short-term insurance premiums	14 054	12 780
Premiums receivable	14 148	13 110
Change in unearned premium provision	(94)	(330)
Other financial services fees and income	2 322	2 376
Trading profit	58	1
Foreign exchange losses	(7)	—
Total financial services income	28 578	26 715
20. Reinsurance premiums paid		
Long-term insurance	626	560
Short-term insurance	2 364	2 125
Premiums payable	2 301	2 251
Change in unearned premium provision	63	(126)
Total reinsurance premiums paid	2 990	2 685
21. Reinsurance income		
Reinsurance commission received		
Long-term insurance	61	67
Short-term insurance	340	306
Total reinsurance commission received	401	373
Reinsurance claims received		
Long-term insurance	362	302
Short-term insurance	1 413	1 230
Total reinsurance claims received	1 775	1 532

Notes to the Group Financial Statements

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R million	2008	2007
22. Investment return		
Investment income		
Equities and similar securities	**4 962**	4 255
Interest-bearing, preference shares and similar securities	**10 112**	8 590
Properties	**1 258**	1 173
Rental income – excluding contingent rental	**1 359**	1 212
Contingent rental income	**100**	121
Rental related expenses	**(201)**	(160)
Income from margin business[1]	**712**	722
Dividend income	**19**	29
Interest received	**693**	693
Total investment income	**17 044**	14 740
Listed investments	**7 902**	8 042
Unlisted investments	**9 142**	6 698
Total investment income	**17 044**	14 740
Interest income on financial assets not classified as at fair value through profit or loss	**685**	229
Investment surpluses		
Financial assets designated as at fair value through profit or loss	**(27 919)**	15 702
Financial assets classified as held-for-trading	**2 812**	(935)
Investment properties	**428**	280
Profit on disposal of associated companies and subsidiaries	**7**	838
Total investment surpluses	**(24 672)**	15 885
Investment return includes:		
Foreign exchange gains	**7 143**	571
[1]*Refer to note 26 for finance cost incurred in respect of margin business.*		
23. Long-term insurance and investment contract benefits		
Insurance contracts		
Underwriting policy benefits	**4 873**	4 175
After-tax investment return attributable to insurance contract liabilities (note 15)	**997**	11 189
Total long-term insurance contract benefits	**5 870**	15 364
Investment contracts		
After-tax investment return attributable to investment contract liabilities (note 15)	**(8 932)**	11 049
Total long-term investment contract benefits	**(8 932)**	11 049
Analysis of underwriting policy benefits		
Individual insurance	**2 675**	2 476
Employee benefits	**2 198**	1 699
Total underwriting policy benefits	**4 873**	4 175

R million	2008	2007
24. Administration costs include:		
Directors' remuneration		
Total remuneration paid by Sanlam Limited and its consolidated subsidiaries to present and previous directors of Sanlam Limited:		
Present		
Directors' fees	7,9	8,3
Other services (basic remuneration, pensions and bonuses)	20,9	19,3
Previous		
Directors' fees	0,2	0,3
Total directors' remuneration	29,0	27,9
Analysis of directors' remuneration		
Executive directors	20,9	19,6
Non-executive directors	8,1	8,3
Total directors' remuneration	29,0	27,9
Directors' remuneration paid by subsidiaries	26,0	20,1
Refer to Corporate Governance Report on page 60 for additional information on directors' remuneration.		
Auditors' remuneration		
Audit fees: Statutory audit	65	61
Other services provided by:	3	9
Subsidiaries' own auditors		
Due diligence services	1	—
Other services	2	3
Other Group auditors	—	6
Total auditors' remuneration	68	70
Depreciation	183	105
Operating leases	338	272
Properties	180	137
Equipment	143	118
Other	15	17
Consultancy fees	361	341
Technical, administrative and secretarial fees	428	470
Employee benefits	3 624	3 471
Salaries and other short-term benefits	3 097	3 049
Pension costs – defined contribution plans	161	166
Pension costs – defined benefit plans	15	22
Other post-employment benefits	11	11
Share-based payments	157	85
Other long-term incentive schemes	183	138
Office staff (number of persons)	9 969	9 393

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R million	2008	2007
25. Equity-accounted earnings		
Peermont	—	30
Punter Southall Group	51	17
Safair Lease Finance	19	72
Sanlam Home Loans	—	(4)
Sanlam Personal Loans	(33)	29
Shriram Life Insurance	(1)	13
Other associated companies	(2)	71
Equity-accounted earnings	34	228
26. Finance cost		
Interest paid and term finance cost in respect of interest margin business	244	246
Finance cost – margin business	244	246
Interest-bearing liabilities designated as at fair value through profit or loss	343	235
Interest-bearing liabilities held at amortised cost	48	46
Finance cost – other	391	281
27. Taxation		
Analysis of income tax per category		
Normal income tax	1 778	2 899
RSA – current year	1 727	1 737
RSA – prior year	(246)	(26)
Foreign	171	156
Capital gains tax	117	727
Secondary tax on companies	9	305
Deferred tax	(1 157)	(458)
Normal tax – current year	(35)	(60)
Normal tax – prior year	2	(4)
Foreign	(48)	—
Capital gains tax	(1 041)	(329)
Secondary tax on companies	(1)	(65)
Change in RSA corporate tax rate from 29% to 28%	(34)	—
Tax on retirement funds	—	52
Tax expense	621	2 493
Shareholders' fund	428	1 678
Policyholders' fund	193	815
Tax expense	621	2 493
In addition to income tax the following indirect taxes and levies were paid, which are included in the appropriate items:		
Included in administration costs	232	192
Included elsewhere in the income statement	92	83
Total indirect taxes and levies	324	275

Indirect taxes and levies include value-added tax and statutory levies payable to the Regional Services Councils and the Financial Services Board.

%	2008	2007
27. Taxation *(continued)*		
Standard rate of taxation	**28,0**	29,0
Adjusted for:		
Non-taxable income	**(8,7)**	(6,0)
Disallowable expenses	**1,7**	0,2
Share-based payments	**0,4**	0,1
Investment surpluses	**2,1**	(4,0)
Prior year adjustments	**(6,9)**	0,2
Foreign tax rate differential	**(0,6)**	(1,6)
STC	**2,0**	2,7
Fund transfers	**(5,8)**	1,2
Policyholders	**3,9**	6,5
Other	**1,5**	(0,4)
Effective tax rate	**17,6**	27,9
Profit before tax from continuing operations	**3 533**	9 040
Profit/(loss) before tax from discontinued operations	**49**	(190)
Profit before tax including discontinued operations	**3 582**	8 850
Tax on continuing operations	**621**	2 493
Tax on discontinued operations	**24**	(22)
Taxation included in income statement	**645**	2 471

28. Earnings per share

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

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

Refer to page 206 for normalised earnings per share, which is based on the economic earnings attributable to the shareholders' fund, and should be used when evaluating the Group's economic performance.

Cents	2008	2007
Basic earnings per share:		
Headline earnings	**135,4**	225,7
Profit attributable to shareholders' fund	**125,0**	256,6
Diluted earnings per share:		
Headline earnings	**132,2**	220,8
Profit attributable to shareholders' fund	**122,0**	250,9
Basic earnings per share from continuing operations:		
Profit attributable to shareholders' fund	**126,1**	260,8
Diluted earnings per share from continuing operations:		
Profit attributable to shareholders' fund	**123,1**	255,1

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R million	2008	2007
28. Earnings per share *(continued)*		
Analysis of earnings:		
Profit attributable to shareholders' fund	**2 494**	5 494
Less: Net profit on disposal of subsidiaries	**(3)**	(44)
Profit on disposal of subsidiaries	**(47)**	(68)
Tax on profit on disposal of subsidiaries	**14**	5
Minority shareholders' interest	**30**	19
Less: Net profit on disposal of associated companies	**—**	(624)
Profit on disposal of associated companies	**—**	(770)
Tax on profit on disposal of associated companies	**—**	145
Minority shareholders' interest	**—**	1
Less: Equity-accounted non-headline earnings	**(33)**	—
Plus: Impairments	**244**	7
Impairments	**247**	7
Minority shareholders' interest	**(3)**	—
Headline earnings	**2 702**	4 833
Analysis of earnings for continuing operations:		
Profit attributable to shareholders' fund	**2 494**	5 494
Discontinued operations	**22**	91
Loss from discontinued operations	**34**	190
Tax on loss from discontinued operations	**7**	(22)
Minority shareholders' interest	**(19)**	(77)
Profit attributable to shareholders' fund from continuing operations	**2 516**	5 585
million		
Number of shares:		
Number of ordinary shares in issue at beginning of the year	**2 303,6**	2 303,6
Less: Weighted number of shares cancelled	**(64,3)**	—
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	**(243,5)**	(162,4)
Adjusted weighted average number of shares for basic earnings per share	**1 995,8**	2 141,2
Add: Weighted conversion of deferred shares	**14,9**	12,1
Add: Total number of shares and options	**45,5**	43,3
Less: Number of shares (under option) that would have been issued at fair value	**(12,7)**	(7,3)
Adjusted weighted average number of shares for diluted earnings per share	**2 043,5**	2 189,3

29. Dividends

A dividend of 98 cents per share (2007: 93 cents per share) was declared in March 2009 in respect of the 2008 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R2,1 billion, but may vary depending on the number of shares in issue on the Last Day to Trade. The secondary tax on companies (STC) liability in respect of the dividend, as well as future distributions of retained earnings, is dependent on the STC credits that will be available at the end of the dividend cycles and is impracticable to determine.

R million	2008	2007
30. Collateral		
30.1 Collateral provided		
The following assets have been pledged as collateral for the Group's derivatives, liabilities or contingent liabilities:		
Investments		
Investment property	**1 573**	1 670
Public sector stocks and loans	**1 871**	294
Cash, deposits and similar securities	**—**	69
Working capital assets		
Trading account	**6 886**	7 867
The transferee does not have the right to sell or repledge the assets.		
30.2 Collateral received		
The following collateral has been received in respect of securities lending activities conducted by the Group:		
Fair value of collateral accepted as security for these activities	**21 107**	23 422
Intergroup	**6 651**	7 457
External clients	**14 456**	15 965
Collateral of between 100% and 115% of the value of the loaned securities is held at 31 December 2008.		
Fair value of the collateral held that the Group is permitted to sell or repledge in the absence of default	**376**	626
Collateral and other credit enhancements obtained		
The following collateral and other credit enhancements were obtained and recognised during the period		
Equities – carrying amount	**—**	873
These assets are readily convertible into cash.		

31. Critical accounting estimates and judgements

Estimates and assumptions are an integral part of financial reporting and as such have an impact on the amounts reported for the Group's assets and liabilities. Management applies judgement in determining best estimates of future experience. These judgements are based on historical experience and reasonable expectations of future events and changes in experience. Estimates and assumptions are regularly updated to reflect actual experience. It is reasonably possible that actual outcomes in future financial years may differ from the current assumptions and judgements, possibly significantly, which could require a material adjustment to the carrying amounts of the affected assets and liabilities.

The critical estimates and judgements made in applying the Group's accounting policies are summarised below. Given the correlation between assumptions, it is not possible to demonstrate the effect of changes in key assumptions while other assumptions remain unchanged. Further, in some instances the sensitivities are non-linear. Interdependencies between certain assumptions cannot be quantified and are accordingly not included in the sensitivity analyses; the primary example being the relationship between economic conditions and lapse, surrender and paid-up risk.

An important indicator of the accuracy of assumptions used by a life insurance company is the experience variations reflected in the embedded value earnings during a period. The experience variations reported by the Group to date have been reasonable compared to the embedded value of covered business, confirming the accuracy of assumptions used by the Group. Refer to the embedded value of covered business on page 214 for additional information.

31.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill and value of business acquired for impairment testing purposes has been determined based on the embedded value of covered life insurance businesses and the fair value of other businesses, as applicable, less the consolidated net asset value of the respective businesses. The embedded value or fair value of a business therefore has a significant impact on whether an impairment of goodwill and/or value of business acquired is required. Refer to page 219 for the main assumptions applied in determining the embedded value of covered business and the fair value of other Group businesses. Embedded value of covered business and fair value sensitivity analyses are provided on pages 214 and 217 respectively.

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31. Critical accounting estimates and judgements *(continued)*

31.2 Properties

The valuation of properties is based on estimates and assumptions that have a direct impact on the fair value of properties included in the Sanlam Group balance sheet. The majority of the Group's properties are held by Sanlam Life Insurance Limited for which the main valuation assumptions used as at 31 December 2008 and the sensitivity of the valuations to changes in the assumptions are summarised below:

			Change in fair value of properties	
Assumption	**Base assumption**	**Change in assumption**	**Decrease in assumption R million**	**Increase in assumption R million**
2008				
Base discount rate	7,2% – 8,5%	1%	393	(369)
Capitalisation rate	9,5% – 12,0%	1%	627	(513)
2007				
Base discount rate	8,7% – 10,0%	1%	360	(340)
Capitalisation rate	9,5% – 12,0%	1%	563	(461)

31.3 Deferred tax on investment properties

In terms of the Group's accounting policies, deferred tax is recognised in respect of temporary differences between the carrying value and tax base of properties. IAS 12 *Income Taxes* requires that deferred tax be measured to reflect the tax consequences that would follow from the manner in which the entity expects, at the balance sheet date, to recover the carrying value of its assets.

Based on historic experience, the Group's investment strategy and the expected future growth in the fair value of properties, it is expected that mainly capital gains tax will be payable on the realisation of the carrying value of the properties. Deferred tax has accordingly been provided for at capital gains tax rates. Should income tax rates be applied, the deferred tax liability would have increased by R326 million on 31 December 2008 (2007: R282 million).

31.4 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services

This disclosure should be read in conjunction with the valuation methodology as described on pages 289 to 293.

The following process is followed to determine the valuation assumptions:

- Determine the best estimate for a particular assumption.
- Prescribed margins are then applied as required by the Long-term Insurance Act in South Africa and Board Notice 72 issued in terms of the Act.
- Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. Investment return information for the most important solutions are as follows:

31. Critical accounting estimates and judgements *(continued)*

31.4 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services *(continued)*

	Sanlam Life		SDM Limited		Sanlam Life Namibia		Merchant Investors	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Reversionary bonus business								
Retirement annuity business	**9,1**	10,1	**n/a**	n/a	**9,1**	10,1	**n/a**	n/a
Individual policyholder business	**7,9**	8,7	**7,8**	n/a	**8,7**	9,7	**n/a**	n/a
Individual stable bonus business								
Retirement annuity business	**8,7**	9,7	**9,0**	n/a	**8,7**	9,7	**n/a**	n/a
Individual policyholder business	**7,6**	8,4	**7,8**	n/a	**8,4**	9,4	**n/a**	n/a
Non-taxable business	**8,7**	9,7	**n/a**	n/a	**8,7**	9,7	**n/a**	n/a
Corporate policyholder business	**7,3**	8,1	**n/a**	n/a	**8,4**	9,4	**n/a**	n/a
Individual market-related business								
Retirement annuity business	**9,1**	10,1	**9,0**	10,3	**9,1**	10,1	**2,0**	4,0
Individual policyholder business	**7,9**	8,7	**7,8**	8,8	**8,7**	9,7	**2,0**	3,2
Non-taxable business	**9,1**	10,1	**n/a**	n/a	**9,1**	10,1	**n/a**	3,2
Corporate policyholder business	**7,6**	8,4	**n/a**	n/a	**8,7**	9,7	**n/a**	n/a
Participating annuity business	**7,1**	8,0	**n/a**	n/a	**7,0**	8,0	**n/a**	n/a
Non-participating annuity business*	**7,0**	8,1	**8,3**	7,9	**6,8**	7,9	**4,0**	4,9
Guarantee plans*	**8,1**	9,7	**6,0**	8,8	**n/a**	n/a	**n/a**	n/a

**The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same result.*

Future bonus rates for participating business

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

Decrements

Assumptions with regard to future mortality, disability and disability payment termination rates and lapse, surrender and paid-up rates are consistent with the experience for the five years up to 30 June 2008. Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.

Expenses

Unit expenses are based on the 2008 actual figures and escalated at estimated expense inflation rates per annum.

Refer to note 1 on page 217 for a sensitivity analysis of the value of in-force covered business to the main valuation assumptions.

31.5 Policy liabilities for investment contracts with investment management services

The valuation of these contracts is linked to the fair value of the supporting assets and deviations from future investment return assumptions will therefore not have a material impact. The recoverability of the DAC asset is not significantly impacted by changes in lapse experience; if future lapse experience was to differ by 10% (2007: 10%) from management's estimates, no impairment of the DAC asset would be required.

31.6 The ultimate liability arising from claims under short-term insurance contracts

The estimation of the ultimate liability arising from claims under short-term insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur.

The risk environment can change suddenly and unexpectedly owing to a wide range of events or influences. The Group is constantly refining its short-term insurance risk monitoring and management tools to enable the Group to assess risks appropriately, despite the greatly increased pace of change. The growing complexity and dynamism of the environment in which the Group operates means that there are, however, natural limits. There will never be absolute certainty in respect of identifying risks at an early stage, measuring them sufficiently or correctly estimating their real hazard potential.

Refer to the Capital and Risk Management Report on page 261 for further information on the estimation of the claims liability.

31.7 Valuation of unlisted investments

The valuation of unlisted investments is based on generally accepted and applied investment techniques, but is subject to judgement in respect of the adjustments made by the Group to allow for perceived risks. The appropriateness of the valuations is continuously tested through the Group's approval framework, in terms of which the valuation of unlisted investments is reviewed and recommended for approval by the Audit and Risk committee and Board by the Sanlam Non-listed Asset Controlling Body.

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

32. Retirement benefits for employees

The Sanlam Group provides for the retirement and medical benefits of full-time employees and for certain part-time employees by means of defined-benefit and defined-contribution pension and provident funds.

At 31 December 2008, 94% of employees were covered by defined-contribution funds and 6% by defined-benefit funds (2007: 94% and 6% respectively).

32.1 Defined-contribution funds

There are separate defined-contribution funds for advisers, full-time and part-time office staff. The Sanlam Group contributed R161 million to these funds during 2008 (2007: R166 million).

32.2 Defined-benefit funds

The Sanlam Group has four defined-benefit funds. These funds relate to:

- Sanlam office personnel (that did not elect to transfer to the defined-contribution fund);
- Merchant Investors office personnel;
- Sanlam Developing Markets defined-benefit fund SA; and
- BIHL Staff Pension Fund.

All funds, except the BIHL Staff Pension Fund, are closed for new entrants. The Sanlam office personnel fund and Sanlam Developing Markets defined-benefit fund SA are governed by the Pensions Funds Act in South Africa. All of the above funds are valued annually. According to the latest valuation in accordance with IAS 19 all of the above funds were in a materially sound financial position.

		Sanlam office personnel	Merchant Investors	Sanlam Developing Markets SA	BIHL Botswana
Principal actuarial assumptions:					
Latest valuation date		31 Dec 2008	31 Dec 2008	1 Mar 2008	30 Nov 2008
Pre-retirement discount rate	% pa	8,1	0,0	8,0	10,0
Post-retirement discount rate	% pa	4,2	7,0	3,0	10,0
Future salary increases	% pa	5,8	3,0	5,0	9,0
Expected return on assets	% pa	8,1	6,0	8,0	11,0
Actual experience:					
Actual return on assets	% pa	(3,5)	(6,0)	(11,0)	(15,0)

Based on reasonable actuarial assumptions about future experience, the employers' contribution, as a fairly constant percentage of the remuneration of the members of the funds, should be sufficient to meet the promised benefits of the funds. The expected return on defined-benefit fund assets is calculated based on the long-term asset mix of these funds. The fund assets are analysed into different classes such as equities, bonds and cash, and a separate expected return is calculated for each class. Current market information and research of future trends are used as the basis for calculating these expected returns.

R million	**2008**	**2007**	**2006**	**2005**	**2004**
Net liability recognised in balance sheet:					
Present value of fund obligations	**1 216**	1 261	1 293	1 088	680
Actuarial value of fund assets	**(1 380)**	(1 511)	(1 447)	(1 251)	(951)
Net present value of funded obligations	**(164)**	(250)	(154)	(163)	(271)
Unrecognised actuarial gains	**164**	250	154	163	271
Net liability recognised in balance sheet	**—**	—	—	—	—
Experience adjustments on:					
Fund obligations	**(1,3%)**	0,8%	(2,0%)	4,1%	0,4%
Fund assets	**(8,8%)**	1,6%	7,3%	7,6%	6,3%

The actuarial surplus is currently not recognised as an asset by the Group, as the extent of the surplus available to the company cannot be determined with certainty.

R million	2008	2007
32. Retirement benefits for employees *(continued)*		
32.2 Defined-benefit funds *(continued)*		
Fund obligations		
Balance at beginning of the year	**1 261**	1 293
Movement for the year:	**(45)**	(32)
Current service cost	**26**	25
Interest	**102**	100
Actuarial losses	**(56)**	(44)
Foreign exchange losses	**(3)**	(4)
Release of obligation	**(63)**	(72)
Settlements and disposal of subsidiaries	**—**	(4)
Other	**(51)**	(33)
Balance at end of the year	**1 216**	1 261
Fund assets		
Balance at beginning of the year	**1 511**	1 447
Movement for the year:	**(131)**	64
Expected return on fund assets	**122**	112
Actuarial losses and gains	**(203)**	10
Foreign exchange losses	**(1)**	(5)
Contributions by employer	**18**	14
Contributions by fund participant	**4**	4
Benefits paid	**(71)**	(67)
Settlements and disposal of subsidiaries	**—**	(4)
Balance at end of the year	**1 380**	1 511

%		
Fund assets comprise:		
Properties	**3**	2
Equities and similar securities	**33**	42
Public sector stocks and loans	**5**	9
Debentures, insurance policies, preference shares and other loans	**41**	20
Cash, deposits and similar securities	**18**	27
	100	100

The above value of fund assets includes an investment of R3 million (2007: R8 million) in Sanlam shares.

R million		
Net expense recognised in the income statement (included in administration costs):		
Current service cost	**26**	25
Interest cost	**102**	100
Expected return on fund assets	**(122)**	(112)
Net actuarial losses recognised during the year	**32**	42
Other	**(23)**	(33)
Total included in staff costs	**15**	22

The best estimate of the expected contributions payable to the fund in 2009 is R18 million.

Notes to the Group Financial Statements

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R million	2008	2007
32. Retirement benefits for employees *(continued)*		
32.3 Medical aid funds		
The actuarially determined present value of medical aid obligations for disabled members and certain pensioners is fully provided for at year-end. The Group has no further unprovided post-retirement medical aid obligations for current or retired employees.		
Principal actuarial assumptions at 31 December 2008 were as follows:		
Pre-retirement discount rate	**8,1%**	9,0%
Returns for All Bond Index (ALBI)	**17,0%**	8,7%
Expected increase in medical aid contributions	**8,1%**	9,0%
Net liability recognised in balance sheet		
Balance at beginning of the year	**33**	37
Movement for the year	**(3)**	(4)
Interest	**3**	3
Actuarial gains and losses	**(1)**	(3)
Benefits paid	**(5)**	(4)
Balance at end of the year	**30**	33

R million	2008	2007	2006	2005	2004
Net liability recognised in balance sheet					
Present value of unfunded obligation	**31**	33	37	40	44
Experience adjustments on:					
Fund obligation	**(4,1%)**	(8,1%)	(2,5%)	(10,0%)	(14,4%)

	% increase in assumed medical aid contributions	
Sensitivity analysis	-2%	+2%
Effect of change in assumed medical aid contributions (R million):		
Aggregate of current service and interest costs	3	3
Total defined benefit obligation for post-employment medical benefits	26	31

33. Borrowing powers

In terms of the articles of association of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.

Material borrowings of the Sanlam Group are disclosed in note 16.

R million	2008	2007
34. Commitments and contingencies		
34.1 Operating leases		
Future operating lease commitments:		
Lease rentals due within one year	258	194
Lease rentals due within two to five years	303	148
Lease rentals due within more than five years	91	—
Total operating lease commitments	652	342

34.2 Services provided by JP Morgan

As part of the disposal of Tasc Administration to JP Morgan during 2004, Sanlam agreed to outsource investment administration services to JP Morgan for a period of 10 years. The fees payable under the agreement are based on the market value of the investments under administration.

34.3 Guarantees provided in favour of Sanlam Capital Markets (SCM) and others

Previously Sanlam Limited undertook to guarantee Sanlam Capital Markets Limited (SCM) via the Capital Maintenance Guarantee (CMG) structure. In terms of this CMG structure Sanlam Limited undertook to guarantee the consolidated capital of Genbel Securities Limited (Gensec) in an amount of R2 billion, plus an additional R5 billion should the consolidated capital reduce below R2 billion. Gensec in turn provided an unlimited suretyship in favour of the creditors of SCM to afford them the protection of the CMG.

In the course of 2006 and 2007, direct Sanlam Guarantees were negotiated with SCM's creditors or counterparties. Both the Gensec suretyship and the CMG have now been withdrawn.

Sanlam has also guaranteed obligations that may arise under SCM's unlisted commercial paper programme and its BESA listed structured note programme. The total limit for the unlisted commercial paper programme is R10 billion and for the BESA listed structured note programme is R5 billion, but these are both subject to the overall R7 billion guarantee utilisation limit discussed below. SCM's utilisation of the BESA listed structured note programme is also expressly limited by Sanlam Limited in terms of the Group governance processes to R3 billion. At 31 December 2008 the value of unlisted commercial paper issued by SCM amounted to R4,3 billion and the value of BESA listed structured notes amounted to R817 million. Sanlam has also issued guarantees amounting to R4,2 billion in favour of subsidiaries in respect of SCM's intergroup obligations.

Notwithstanding the amounts contemplated in any of the guarantees individually, in terms of the Group governance processes, the total utilisation by SCM of all of the above guarantees is limited to a maximum of R7 billion at any one time.

Other guarantees amounting to R0,2 billion have been issued by Sanlam Limited in favour of third parties.

34.4 Other

Financial claims are lodged against the Group from time to time. For example, two medical aid schemes formerly administered by Sanlam Health have instituted legal action against Sanlam Health, claiming that the Court should issue orders that they are entitled to share in profits accumulated by Sanlam Health during the period May 1975 to December 1997 and accounting, debatement and payment in respect thereof. The claims are defended by Sanlam Health on the basis that the plaintiffs are not entitled to such orders and that accounting has been made in accordance with the obligations of Sanlam Health. Provisions also include allowance for the potential amount payable in terms of the Pension Fund Surplus Apportionment legislation.

Provisions are recognised for these claims based on best estimates of the expected outcome of the claims (refer to note 18). Given the high degree of uncertainty involved in determining the expected outcome, it is reasonably possible that outcomes in future financial years will be different to the current estimates. There are no other material commitments or contingencies that have not been provided for.

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

35. Related parties

35.1 Major shareholders

Sanlam Limited is the ultimate holding company in the Group.

By virtue of its shareholding in Sanlam Limited, Ubuntu-Botho Investments is considered to be a related party to the Group. Apart from Ubuntu-Botho Investments' role as the Group's broad-based black economic empowerment partner and obtaining new business for the Group, the Group does not enter into transactions with Ubuntu-Botho Investments in the normal course of business.

No other Sanlam shareholders have a significant influence and thus no other shareholder is a related party. The shares are widely held by public and non-public shareholders.

Details of transactions between the policyholders' and shareholders' funds of the Sanlam Group are disclosed in note 15.

35.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R176 million in 2008 (2007: R184 million). There are no amounts outstanding at year-end.

35.3 Transactions with directors

Remuneration is paid to directors in the form of fees to non-executive directors and remuneration to executive directors of the company. All directors of Sanlam Limited have notified that they did not have a material interest in any contract of significance with the company or any of its subsidiaries, which could have given rise to a conflict of interest during the year. Details relating to directors' emoluments are included in note 24 and their shareholdings and share options granted in the company are disclosed as part of the Corporate Governance Report elsewhere in the Annual Report.

35.4 Transactions with entities in the Group

During the year the company and its subsidiaries, in the ordinary course of business, entered into various transactions with other Group companies, associated companies, joint ventures and other stakeholders. These transactions occurred at arm's length.

The company advanced, repaid and received loans from two other entities in the Group during the current and previous years. These loans have been eliminated on consolidation.

Details of investments in associated companies and joint ventures are disclosed in note 7 and details of investments in subsidiaries are disclosed on page 342. The Group provides financing for a portion of the loans granted to Sanlam Home Loans and Sanlam Personal Loans. Most of these loans earn interest of JIBAR plus a premium of between 0,35% and 2,35%, and either have no fixed maturity date, or will mature in tranches up to 2012.

35.5 Policy administration

Certain companies in the Group carry out third party policy and other administration activities for other related parties in the Group. These transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with third parties.

R million	2008	2007
35.6 Key management personnel compensation		
Compensation paid to the Group's key management personnel is as follows:		
Short-term employee benefits	**390**	322
Share-based payments	**64**	27
Termination benefits	**3**	—
Other long-term benefits and incentive schemes	**70**	75
Total key management personnel compensation	**527**	424

R million	2008	2007
36. Notes to the cash flow statement		
36.1 Cash utilised in operations		
Profit before tax per income statement	**3 533**	9 040
Net movement in policy liabilities (note 15.1)	**(15 392)**	10 971
Non-cash flow items	**25 488**	(15 707)
Depreciation	**183**	105
Bad debts written off	**186**	158
Share-based payments	**157**	85
Profit/(loss) on disposal of subsidiaries and associates	**32**	(816)
Fair value adjustments	**24 640**	(15 069)
Impairment of investments and goodwill	**247**	7
Amortisation of value of business acquired	**77**	51
Equity-accounted earnings	**(34)**	(228)
Items disclosed separately	**(15 542)**	(13 321)
Interest and preference share dividends received	**(10 805)**	(9 283)
Interest paid	**244**	246
Dividends received	**(4 981)**	(4 284)
Net purchase of fixed assets	**(259)**	(140)
Net purchase of owner-occupied properties	**(2)**	(44)
Discontinued operations	**49**	(190)
(Increase)/decrease in net working capital assets and liabilities	**(1 401)**	1 999
Cash utilised in operations	**(3 526)**	(7 392)
36.2 Acquisition of subsidiaries		
During the year, various subsidiaries were acquired within the Group. The fair value of assets acquired is as follows:		
Net assets acquired (note 37)	**637**	342
Goodwill (note 3)	**178**	313
Total purchase consideration	**815**	655
Less: Net asset value contributed	**—**	(19)
Cash, deposits and similar securities acquired	**(35)**	(62)
Cash component of acquisition of subsidiaries	**780**	574
36.3 Disposal of subsidiaries		
Disposal of subsidiaries relates mainly to the disposal of a property subsidiary in 2008 and the disposal of Alternative Channel during the 2007 year. The fair value of assets disposed of was as follows:		
Investments	**26**	4 203
Trade and other receivables	**—**	262
Cash, deposits and similar securities	**—**	158
Goodwill	**—**	(3)
Term finance	**—**	(1)
Long-term policy liabilities	**—**	(4 175)
Long-term loans	**(28)**	—
Working capital liabilities	**(6)**	(381)
(Loss)/profit on disposal of subsidiaries	**(32)**	47
Total disposal price	**(40)**	110
Less: Cash, deposits and similar securities disposed of	**—**	(158)
Cash component of disposal of subsidiaries	**(40)**	(48)

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

R million	**2008**	**2007**
36. Notes to the cash flow statement *(continued)*		
36.4 Cash, deposits and similar securities		
Working capital: Cash, deposits and similar securities	**10 066**	10 819
Investment cash	**45 108**	39 678
Discontinued operations	**—**	812
Bank overdrafts	**(29)**	—
Total cash, deposits and similar securities	**55 145**	51 309

37. Business combinations

37.1 Material acquisitions of the Group consolidated in the 2008 financial year are as follows:

The Group acquired an 86% interest in Principal Holdings, a United Kingdom-based independent investment management company specialising in discretionary portfolio management, in March 2008.

Other

Other business combinations relate to the following:

- The acquisition of a 60% interest in Buckles Holdings, an independent financial adviser practice based in the United Kingdom;
- The acquisition of a 67% interest in the Australian investment management business, Atom Funds Management;
- Other smaller acquisitions; and
- Increases in the shareholding of other subsidiaries, predominantly Santam.

The contribution of these acquisitions to profit for 2008 is not material.

R million	**Principal**	**Other**
Details of the purchase consideration and goodwill acquired are as follows:		
Purchase consideration	483	332
Cash consideration	483	332
Fair value of net assets contributed	—	—
Fair value of net assets acquired	455	182
Goodwill	28	150

The goodwill acquired relates to synergies between the interests acquired and existing Sanlam Group businesses.

	Principal		**Other**	
R million	**Fair value**	**Carrying value[1]**	**Fair value**	**Carrying value[1]**
Details of the assets and liabilities acquired are as follows:				
Property and equipment	6	6	3	3
Value of business acquired	464	—	96	21
Investments	—	—	2	2
Trade and other receivables	35	35	16	16
Cash, deposits and similar securities	21	21	14	14
Term finance	(45)	(45)	—	—
Working capital liabilities	(27)	(27)	(21)	(21)
Net assets	454	(10)	110	35
Minority shareholders' interest	1		72	
Net assets acquired	455		182	

[1] *Carrying value of assets and liabilities in acquiree's own financial statements on acquisition date.*

37. Business combinations *(continued)*

37.2 Material acquisitions of the Group consolidated in the 2007 financial year are as follows:

The Group did not effect any individually material business combination transactions during the 2007 financial year.

Other

Other business combinations relate to the following:

- The acquisition of a 65% interest in Anglo African Finance, a trade and bridge finance operation;
- The acquisition of a 100% interest in Admiral Professional Underwriting Agency by Santam;
- Other smaller acquisitions; and
- Increases in the shareholding of other subsidiaries, predominantly Santam and Channel Life.

The contribution of these acquisitions to profit for 2007 is not material.

R million	**Other**
Details of the purchase consideration and goodwill acquired are as follows:	
Purchase consideration	655
Cash consideration	636
Fair value of net assets contributed	19
Fair value of net assets acquired	342
Goodwill	313

The goodwill acquired relates to the future new business potential of the Channel Life group and synergies between the other interests acquired and existing Sanlam Group businesses.

	Other	
R million	**Fair value**	**Carrying value[1]**
Details of the assets and liabilities acquired are as follows:		
Property and equipment	7	7
Goodwill	29	29
Value of business acquired	60	14
Investments	8	8
Deferred tax assets	3	3
Short-term insurance technical assets	14	14
Trade and other receivables	122	122
Cash, deposits and similar securities	62	62
Term finance	(3)	(3)
Deferred tax liabilities	(2)	(2)
Short-term insurance technical provisions	(23)	(23)
Working capital liabilities	(164)	(164)
Net assets	113	67
Minority shareholders' interest	229	
Net assets acquired	342	

[1] *Carrying value of assets and liabilities in acquiree's own financial statements on acquisition date.*

Notes to the Group Financial Statements

for the year ended 31 December 2008 continued

R million	2008	2007
38. Discontinued operations		
During the 2007 financial year, the Santam Board approved the disposal of the Santam Europe Limited and Westminster Motor Insurance Association Limited operations. These were ultimately disposed of on 15 September 2008 and 22 December 2008, respectively.		
38.1 Non-current assets classified as held for sale		
Property and equipment	—	18
Intangible assets	—	46
Deferred income tax	—	2
Financial assets		
Equity securities	—	246
Debt securities	—	601
Reinsurance assets	—	152
Deferred acquisition costs – short-term insurance	—	72
Loans and receivables including insurance receivables	—	111
Cash and cash equivalents	—	812
	—	2 060
38.2 Amounts recognised directly in equity relating to non-current assets held for sale		
Foreign currency translation reserve	—	71
38.3 Liabilities directly associated with non-current assets classified as held for sale		
Insurance liabilities	—	1 502
Trade and other payables	—	104
	—	1 606
38.4 Analysis of the result of discontinued operations		
Gross written premium	**250**	932
Net premium	**26**	872
Net insurance premium revenue	**447**	641
Net investment and reinsurance income	**57**	82
Net insurance benefits and claims	**(425)**	(725)
Expenses	**(113)**	(188)
Loss before tax	**(34)**	(190)
Taxation	**(7)**	22
Loss included in headline earnings from discontinued operations	**(41)**	(168)
Net loss on disposal of discontinued operations – Santam Europe	**(8)**	—
Loss on disposal of discontinued operations	**(8)**	—
Income tax on disposal of discontinued operations	**—**	—
Net profit on sale of WMIA book of business	**44**	—
Profit on disposal of discontinued operations	**61**	—
Income tax on disposal of discontinued operations	**(17)**	—
Translation difference realised on sale of Santam Europe and Westminster	**70**	—
Impairments	**(40)**	—
Total profit/(loss) relating to discontinued operations	**25**	(168)
38.5 Earnings per share		
Basic, from discontinued operations	**(1,1)**	(4,2)
Diluted, from discontinued operations	**(1,1)**	(4,2)

R million	2008	2007
39. Impairments		
Impairment of value of business acquired	**101**	1
Principal	**93**	—
Other	**8**	1
Impairments of investments	**77**	—
Punter Southall Group	**33**	—
Sanlam Home Loans	**44**	—
Other	**69**	6
Total impairment of investments and goodwill for the year	**247**	7

Impairment of Principal value of business acquired

Since the acquisition of Principal at the beginning of 2008, the UK investment market and economic conditions deteriorated significantly. This resulted in a major decrease in the FTSE and commensurately Principal's asset base. In light of these conditions, the Group re-evaluated the carrying value of this investment, which required an impairment of the value of business acquired intangible asset relating to the acquisition of Principal.

Impairment of investments

The slowdown in the South African housing market during 2008 as a result of the high interest rate environment, as well as limits placed on new loans granted, are expected to impact negatively on Sanlam Home Loans' short-term growth and profitability. The valuation of Sanlam Home Loans accordingly decreased from R177 million in 2007 to R133 million at the end of 2008. This required an impairment of the equity-accounted investment in Sanlam Home Loans.

The valuation of the Punter Southall Group was also reduced from R297 million in 2007 to R219 million at the end of 2008 based on the current economic climate in the UK, which required a R33 million impairment of the Group's equity-accounted investment.

Sanlam Limited Financial Statements
Sanlam Limited Balance Sheet

at 31 December 2008

R million	Note	2008	2007
Assets			
Investments in Group companies	2	**14 539**	14 927
Associates		**3**	3
Subsidiaries		**14 536**	14 924
Deferred tax – STC		**—**	2
Working capital assets		**2 211**	1 464
Accounts receivable		**1**	1
Loans to Group companies	2	**2 210**	1 463
Total assets		**16 750**	16 393
Equity and liabilities			
Capital and reserves			
Share capital and premium	3	**23**	955
Non-distributable reserve		**9 342**	9 342
Retained earnings		**4 689**	5 313
Total equity		**14 054**	15 610
Working capital liabilities		**2 696**	783
Accounts payable		**225**	207
Loans from Group companies	2	**2 471**	576
Total equity and liabilities		**16 750**	16 393

Sanlam Limited Income Statement

for the year ended 31 December 2008

R million	Note	2008	2007
Net income		**3 398**	3 202
Dividend income		**3 176**	3 196
Investment surpluses	4	**202**	—
Other income		**20**	6
Expenses			
Administration costs	5	**(3)**	(5)
Net impairment of loans	2	**(311)**	(195)
Net impairment of investments	2	**(388)**	(126)
Profit before tax		**2 696**	2 876
Taxation – STC		**(21)**	—
Profit for the year		**2 675**	2 876

Sanlam Limited Statement of Changes in Equity

for the year ended 31 December 2008

R million	Share capital	Share premium	Non-distributable reserve[1]	Retained earnings	Total equity
Balance at 1 January 2007	**24**	**931**	**9 342**	**4 216**	**14 513**
Profit for the year	—	—	—	2 876	**2 876**
Dividends paid	—	—	—	(1 779)	**(1 779)**
Balance at 31 December 2007	**24**	**931**	**9 342**	**5 313**	**15 610**
Profit for the year	—	—	—	2 675	**2 675**
Dividends paid	—	—	—	(2 095)	**(2 095)**
Shares cancelled	(2)	(930)	—	(1 204)	**(2 136)**
Balance at 31 December 2008	**22**	**1**	**9 342**	**4 689**	**14 054**

[1] *Pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998.*

Sanlam Limited Cash Flow Statement

for the year ended 31 December 2008

R million	Note	2008	2007
Cash flow from operating activities		**786**	1 246
Cash utilised in operations	10	**(274)**	(171)
Dividends received		**3 176**	3 196
Dividends paid		**(2 095)**	(1 779)
Taxation		**(21)**	—
Cash flow from investment activities			
Investment surpluses		**202**	—
Cash flow from financing activities			
Shares cancelled		**(2 136)**	—
Net (increase)/decrease in loans to Group companies		**(1 148)**	1 246
Net loans to/(from) Group companies at beginning of the year		**887**	(359)
Net loans (from)/to Group companies at end of the year		**(261)**	887

Sanlam Limited
Notes to the Financial Statements

for the year ended 31 December 2008

1. Accounting policies

The accounting policies of the Sanlam Group as set out on pages 273 to 293 of the Sanlam Group financial statements are also applicable to Sanlam Limited except for investments in subsidiary companies which are reflected at cost or at a lower value if there is an impairment in value.

Additional accounting policy

Financial guarantee contracts

'Financial guarantees' are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially accounted for at fair value, and are not designated as at fair value through profit or loss. Subsequently, the amount is measured at the higher of the amount determined according to IAS 37 *Provisions*, or the initial fair value less cumulative amortisation in accordance with IAS 18 *Revenue*.

R million	**2008**	2007
2. Group companies		
Investments in Group companies – shares at lower of cost and market value	**14 539**	14 927
Current loans with Group companies	**(261)**	887
Loans to Group companies	**2 210**	1 463
Loans from Group companies	**(2 471)**	(576)
Book value of interest in Group companies	**14 278**	15 814
Net impairment of investments in Group companies		
Genbel Securities Limited	**(284)**	(377)
Sanlam Netherlands Holding BV	**(104)**	251
Total impairment of investments in Group companies	**(388)**	(126)
Fair value of net investment in Group companies		
Investments in subsidiaries	**39 024**	44 331
Investment in associated company	**27**	40
Total fair value of net investment in Group companies	**39 051**	44 371
Loans: Group companies		
The loans to/from Group companies are unsecured and payable on demand. No interest is charged but these arrangements are subject to revision from time to time. Details regarding the principal subsidiaries of Sanlam Limited are set out on page 342.		
Loans to Group companies		
Sanlam Spec (Pty) Limited	**2 122**	1 451
Genbel Securities Limited	**78**	—
Other	**10**	12
Loans from Group companies		
Sanlam Life Insurance Limited	**(2 471)**	(576)
Impairment of loan		
Sanlam Spec (Pty) Limited	**(299)**	(188)
Real Futures (Pty) Limited	**(12)**	(7)
Total	**(311)**	(195)

3. Share capital and premium

Details of the share capital and premium are reflected in note 11 on page 311 of the Sanlam Group financial statements.

4. Investment surpluses

Investment surpluses relate to the distributions received from the Sanlam Demutualisation Trust upon the winding up of the Trust.

	R million	2008	2007
5.	**Administration costs include:**		
	Directors' remuneration		
	Details of the directors' remuneration are reflected in note 24 on page 321 of the Sanlam Group financial statements.		
	Auditors' remuneration		
	Audit fees: statutory audit	**3**	5
	Total auditors' remuneration	**3**	5
6.	**Dividends**		
	Details of the dividends declared are disclosed in note 29 on page 324 of the Sanlam Group financial statements.		
7.	**Borrowing powers**		
	In terms of the articles of association of Sanlam Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation.		
8.	**Commitments and contingencies**		
	Details of commitments and contingencies are reflected in note 34 on page 331 of the Sanlam Group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R7 billion (2007: R7 billion).		
9.	**Related parties**		
	Details of related parties are reflected in note 35 on page 332 of the Sanlam Group financial statements.		
10.	**Notes to the cash flow statement**		
	Cash utilised in operations		
	Profit before tax	**2 696**	2 876
	Non-cash flow items		
	Net impairment of investments in Group companies	**388**	126
	Items disclosed separately	**(3 378)**	(3 196)
	Dividends received from subsidiaries	**(3 176)**	(3 196)
	Investment surpluses	**(202)**	—
	Increase in net working capital liabilities	**20**	23
	Cash utilised in operations	**(274)**	(171)
11.	**Capital and risk management**		
	The main financial instrument risk that Sanlam Limited is exposed to, is credit risk in respect of its loans to Group companies. These loans are tested for impairment, by establishing whether the net asset value of the underlying Group company is sufficient to cover the outstanding loan amount. Where the net asset value (including any impairments recognised in that company) is less than the carrying value of the loan, an impairment loss is recognised, as disclosed in note 2 on page 340. The credit quality of each loan has been assessed as acceptable within the parameters used to measure and monitor credit risk.		
	Sanlam Limited's maximum exposure to credit risk is calculated as follows:		
	Carrying value of loans granted	**2 210**	1 463
	Further details of capital and risk management are disclosed in the Capital and Risk Management Report on page 220.		

Principal subsidiaries

at 31 December 2008

R million	% interest	Issued ordinary capital 2008	Fair value of interest in subsidiaries – Shares 2008	Shares 2007	Loans 2008	Loans 2007
Long-term insurance						
Sanlam Life Insurance Limited	100	**5 000**	**34 419**	37 933	**(2 471)**	(576)
Investment and capital markets						
Genbel Securities Limited	100	**253**	**1 341**	1 625	**78**	—
Investment management and consulting						
Sanlam Investment Management (Pty) Limited	100	(1)	(1)	(1)	**—**	—
Sanlam Independent Financial Services (Pty) Limited	100	(2)	(2)	(2)	**—**	—
Sanlam Investment Holdings Limited	100	(2)	**510**	474	**—**	—
Sanlam Netherlands Holding BV(3)	100	**2 309**	**3 015**	3 271	**—**	—
Investment companies						
Sanlam Spec (Pty) Limited(4)	100	(2)	**—**	—	**2 122**	1 451
Sanlam Investments (Pty) Limited	100	(2)	**—**	141	**—**	—
Sanlam Share Incentive Trust	100	(2)	(2)	(2)	**—**	—
Other	100	(2)	(2)	(2)	**10**	12
Total		**7 562**	**39 285**	**43 444**	**(261)**	**887**
Aggregate profits from subsidiaries			**3 027**	5 807		
Aggregate losses from subsidiaries			**533**	313		

(1) *The interest is held indirectly by Sanlam Life Insurance Limited.*
(2) *Issued share capital is less than R1 000.*
(3) *Incorporated in The Netherlands.*
(4) *The loan to Sanlam Spec (Pty) Limited is subordinated in favour of other creditors.*

A register of all subsidiary companies is available for inspection at the registered office of Sanlam Limited. All investments above are unlisted and incorporated in South Africa unless otherwise indicated.

Analysis of the Group's effective holding in Santam:

%	2008	2007
Shareholders' funds		
› Sanlam Life Insurance Limited	**56,56**	54,69
Policyholders' funds		
› Sanlam Life Insurance Limited	**0,38**	1,25
Total	**56,94**	55,94

Glossary of terms, definitions and major businesses

Technical terms and definitions

"adjusted return on Group Equity Value" or "adjusted ROGEV"	–	The return on Group Equity Value, excluding the impact of investment market volatility. Adjusted ROGEV is based on the actuarial investment return assumptions at the beginning of the reporting period;
"Africa"	–	the rest of Africa, excluding South Africa;
"billion"	–	one thousand million;
"capital adequacy"	–	capital adequacy implies the existence of a buffer against experience worse than that assumed under the FSB's Statutory Valuation Method. The sufficiency of the buffer is measured by comparing excess of assets over liabilities for statutory reporting purposes with the statutory capital adequacy requirement. The main element in the calculation of the capital adequacy requirement is the determination of the effect of an assumed fall in asset values on the excess of assets over liabilities;
"capital portfolio" or "balanced portfolio"	–	the consolidated capital of the Group, excluding working capital held by Group businesses. The capital portfolio includes the required capital of covered business as well as discretionary and other capital;
"core earnings"	–	a Sanlam core earnings figure is presented to provide an indication of 'stable' earnings. Core earnings comprise the net result from financial services and net investment income earned on the shareholders' fund, but exclude abnormal and non-recurring items as well as investment surpluses. Net investment income includes dividends received from non-operating associated companies and joint ventures but excludes the equity-accounted retained earnings;
"cost of capital"	–	cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of the capital over the life of the in-force business, allowing for the after-tax investment return on the expected level of capital held in each year;
"covered business"	–	long-term insurance business written by Sanlam Personal Finance, Sanlam Developing Markets, Sanlam UK and Sanlam Employee Benefits;
"embedded value of covered business" or "EV"	–	embedded value of covered business is an actuarially determined estimate of the value of covered business, excluding any value attributable to future new business. Embedded value of covered business consists of the required capital supporting the covered business, or adjusted net worth, plus the value of the in-force covered business less the cost of capital;
"FSB"	–	the Financial Services Board, the regulator of insurance companies in South Africa;
"life business"	–	the aggregate of life insurance business and life licence business;
"life insurance business"	–	products provided by the Group's long-term insurance businesses in terms of insurance and investment contracts included in the Group financial statements, but excluding life licence business;
"life licence business"	–	investment products provided by Sanlam Investments, Sanlam Employee Benefits and Glacier by means of a life insurance policy where there is very little or no insurance risk;

Glossary of terms, definitions and major businesses
continued

"linked policy"	– a non-participating policy which is allotted units in an investment portfolio. The value of the policy at any stage is equal to the number of units multiplied by the unit price at that stage less the value of unrecouped expenses;
"market-related policy" or "contract with discretionary participating feature"	– a participating policy which participates in non-vesting investment growth. This growth reflects the volatility of the market value of the underlying assets of the policy;
"new business margin"	– VNB as a percentage of PVNBP;
"non-life business"	– financial services and products provided by the Group, excluding life insurance business;
"non-life linked business"	– non-life linked business comprises investment products provided by Sanlam Personal Finance's Glacier business, which are not written under a life licence;
"non-participating annuity"	– a non-participating annuity is a policy which provides, in consideration for a single premium, a series of guaranteed regular benefit payments for a defined period;
"non-participating policy"	– a policy which provides benefits that are fixed contractually, either in monetary terms or by linking them to the return of a particular investment portfolio, e.g. a linked or fixed-benefit policy;
"normalised headline earnings"	– normalised headline earnings measure the Group's earnings, exclusive of earnings of a capital nature and fund transfers relating to the policyholders' fund's investment in Sanlam shares and Group subsidiaries. For the Sanlam group, the only differences between normalised attributable earnings and normalised headline earnings are: › Profits and losses on the disposal of subsidiaries, associated companies and joint ventures; › Impairment of investments, value of business acquired and goodwill; and › The Group's share of associates' and joint ventures' non-headline earnings. Normalised headline earnings exclude the above items that are of a capital nature. Given that the Group's operations are of a financial nature, normalised headline earnings include investment surpluses earned on the investments held by the shareholders' fund, resulting in volatility in normalised headline earnings;
"participating annuity"	– a participating annuity is a policy which provides, in consideration for a single premium, a series of regular benefit payments for a defined period, the benefits of which are increased annually with bonuses declared;
"participating policy"	– a policy which provides guaranteed benefits as well as discretionary bonuses. The declaration of such bonuses will take into account the return of a particular investment portfolio. Reversionary bonus, stable bonus, market-related and participating annuity policies are participating policies;
"policy"	– unless the context indicates otherwise, a reference to a policy in this report means a long-term insurance or investment contract issued by the Group's life insurance subsidiaries in accordance with the applicable legislation;
"PVNBP"	– present value of new business premiums from covered business;
"required capital"	– the required level of capital supporting the covered business, based on the minimum regulatory capital requirements, plus an internal assessment of adjustments required for market, operational and insurance risk, as well as economic and growth considerations;

"result from financial services"	– profit earned by the Group from operating activities excluding investment return earned on the capital portfolio;
"return on Group Equity Value" or "ROGEV"	– change in Group Equity Value, excluding dividends and changes in issued share capital, as a percentage of Group Equity Value at the beginning of the period;
"reversionary bonus policy"	– a conventional participating policy which participates in reversionary bonuses, i.e. bonuses of which the face values are only payable at maturity or on earlier death or disability. The present value of such bonuses is less than its face values;
"stable bonus policy"	– a participating policy under which bonuses tend to stabilise short-term volatility in investment performance;
"Statutory Valuation Method" or "SVM"	– valuation requirements as laid out in a Board Notice issued by the FSB, entitled "Prescribed requirements for the calculation of the value of the assets, liabilities and Capital Adequacy Requirement of long-term insurers" or the equivalent valuation requirements of the Financial Services Authority in the United Kingdom as applicable to Merchant Investors;
"surrender value"	– the surrender value of a policy is the cash value, if any, which is payable in respect of that policy upon cancellation by the policyholder;
"value of in-force covered business" or "VIF"	– the value of in-force covered business is calculated as the discounted value, using a risk-adjusted discount rate, of the projected stream of future after-tax profits expected to be earned over the life of the in-force book;
"value of new business" or "VNB"	– the value of new business is calculated as the discounted value, at point of sale, using a risk-adjusted discount rate, of the projected stream of after-tax profits for new covered business issued, net of the cost of capital over the life of this business;
"white label"	– white label products relate to business where the Group is principally providing administrative or life licence services to third-party institutions.

Major businesses of the Group

"Channel Life"	– Channel Life Limited, a subsidiary of Sanlam Life conducting mainly life insurance business in South Africa;
"Merchant Investors"	– Merchant Investors Assurance Company Limited, a wholly owned subsidiary of Sanlam Limited, conducting mainly life insurance business in the United Kingdom;
"Sanlam Life"	– Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited, conducting mainly life insurance business;
"Sanlam Limited"	– the holding company listed on the JSE Limited and the Namibian Stock Exchange;
"Sanlam", "Sanlam Group" or "the Group"	– Sanlam Limited and its subsidiaries, associates and joint ventures;
"Sanlam Namibia"	– Sanlam Life Namibia Limited, a wholly owned subsidiary of Sanlam Life, conducting mainly life insurance business in Namibia.
"SDM Limited"	– Sanlam Developing Markets Limited, a wholly owned subsidiary of Sanlam Life, conducting mainly life insurance business in South Africa and through its subsidiaries in Africa;

Notice of annual general meeting

Sanlam Limited

(Incorporated in the Republic of South Africa)
(Registration No 1959/001562/06)
JSE share code: SLM/ NSX share code: SLA

Notice is hereby given that the eleventh Annual General Meeting of the Members of Sanlam Limited (the "Company") will be held on Wednesday, 3 June 2009 at 14:00* in the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville (the "Meeting") for the following purposes:

Ordinary resolutions

1. To consider and adopt the annual financial statements of the Group and the Company for the year ended 31 December 2008.

2. To appoint a firm of external auditors for the Company. The Audit Committee of the Board recommends the re-appointment of Ernst & Young Inc, and in particular Mr M P Rapson, being the individual registered auditor who has undertaken the Company's audit.

3. To take note of the remuneration of the external auditors as determined by the Audit Committee of the Board.

4. To re-elect the following directors of the Company, retiring by rotation in terms of Article 14 of the Articles of Association of the Company, and who are eligible and offer themselves for re-election:

   ZB Swanepoel — SA Nkosi
   AD Botha — PL Zim
   RK Morathi

   The Board recommends the re-election of these directors, whose CV's appear on pages 30 to 33 in the financial statements of which this Notice forms part.

   It is stated that none of the directors proposed for re-election has a Directors' service contract with the Company.

5. To consider and approve the total amount of directors' remuneration for the financial year ended 31 December 2008.

6. To consider and approve, with or without modification, a 5 % increase in the all inclusive remuneration package of the Chairman as well as a 10% increase in the fees paid to members of Board committees for the period 1 July 2009 up to 30 June 2010. The current fixed annual Board fees and attendance fees for Board meetings payable to the Deputy Chairman as well as to the other non-executive directors remain unchanged.

7. To consider and if approved, to pass, with or without modification, the following Ordinary Resolution number 7:

**Please note: the meeting will start promptly at 14:00 and due to the electronic voting system used, no late registrations will be allowed.*

RESOLVED THAT:

"In accordance with the requirements of the JSE Limited ("JSE") Listings Requirements ("Listings Requirements"), that the amendments required to be made to –

i. the Trust Deed of the Sanlam Limited Share Incentive Trust established and approved by shareholders of the Company in 1998 and as amended (the "Initial Incentive Plan"); and

ii. each of –
   - the Deferred Share Plan;
   - the Performance Deferred Share Plan; and
   - the Restricted Share Plan,

established and approved by shareholders of the Company in 2008 (the "2008 Incentive Plans"),

pursuant to the recent amendments to Schedule 14 of the Listings Requirements, which amendments essentially removed limits previously imposed by the JSE on the number of shares which may be issued through a company's share scheme but require companies to fix the number of shares that they utilise for the purpose of their share schemes, in order to give effect to the matters summarised in paragraphs 7.1 to 7.3 on pages 346 to 348 of this notice be and are hereby approved.

7.1 The definition of Scheme Allocation contained in the Initial Incentive Plan (clause 1.2.39 thereof) and Option Date (clause 1.2.26) be replaced with the following definitions –

1.2.39:
"scheme allocation" means so many ordinary shares as, together with shares offered by the company and/or any subsidiary of the company in terms of any long-term incentive plans of the Group ("Group allocation") does not exceed 160 000 000 (one hundred and sixty million) ordinary shares in aggregate, provided that -

1.2.39.1:
in determining the number of ordinary shares utilised for purposes of this 1.2.39 at any given time the following shall be excluded

1.2.39.1.1:
shares offered to and accepted by a beneficiary prior to 1 January 2009, but delivered after this date;

1.2.39.1.2:
shares in respect of which a beneficiary has paid full market price at the time the offer was made and accepted by the beneficiary, provided that the exclusion contained in this 1.2.39.1.2 should not in the aggregate exceed 40 000 000 (forty million) shares;

1.2.39.1.3:
in respect of share options granted to and accepted by beneficiaries, the following portion of such options:

A = (B – C)/B

Where:

A = the portion of the share to be excluded;

B = the market price of the share on the option date; and

C = the fair value of an option on the option date, using an appropriate option valuation model, certified by the auditors or an appropriate investment bank, acting as experts and not as arbitrators, as being fair and reasonable in the circumstances,

provided that the exclusion contained in this 1.2.39.1.3 should not in aggregate exceed 25 000 000 (twenty five million) shares;

1.2.39.1.4:
any share not delivered to a beneficiary as a result of the lapse or forfeiture thereof;

1.2.39.2:
a maximum group allocation of 16 000 000 (sixteen million) shares may be offered during any financial year, subject to, for the purpose of determining the utilisation of this annual limit, the exclusions contained in 1.2.39.1.2 and 1.2.39.1.3, shall apply mutatis mutandis;

1.2.39.3:
any increase in the scheme allocation referred to in this 1.2.39 would require prior approval of shareholders on the basis prescribed in the listing requirements of the JSE;

1.2.39.4:
in the event of a major adjustment or reorganisation of the company or its share capital as envisaged in 25 and if an adjustment is made to the shares already offered to a beneficiary in terms of 25, a similar adjustment should also be made to the scheme allocation and the monetary limits referred to in this 1.2.39 as the auditors or an appropriate investment bank, acting as experts and not as arbitrators, certify as being fair and reasonable in the circumstances;

1.2.26:
"option date" means the effective date of the grant of an option as determined by the directors from time to time but which shall not be a date prior to the date on which such option is granted to an offeree;

7.2 clauses 16.1 and 16.2 which pertain to the imposition of limits to the amount of shares which can be allocated to an individual be replaced with the following new clause:

"16.1
in respect of awards granted to one employee in terms of all Group allocations, such awards shall not exceed 6 500 000 (six million five hundred thousand) ordinary shares in the aggregate, subject to, for the purpose of determining the utilisation of this limit, the application thereto of the adjustments contained in 1.2.39.1 and 1.2.39.4 shall apply; and

7.3 the concepts of scheme allocation and option date and individual limits referred to in paragraph 7.1 and 7.2 be incorporated into each of the 2008 Incentive Plans."

The Initial Incentive Plan and each of the 2008 Incentive Plans incorporating the aforementioned amendments are available for inspection at the registered office of the Company for a period of 14 (fourteen) days prior to the date of the Annual General Meeting of the Members of the Company called in terms of this notice.

In order for this ordinary resolution to be passed, in terms of the Listings Requirements, a 75% (seventy five percent) majority of the votes of all members present or represented by proxy at the Annual General Meeting must be cast in favour of this ordinary resolution.

Reason and effect

- Currently the Scheme allows for a participation of up to 7,5% of the issued share capital of Sanlam Ltd. For purposes of calculating the number of shares only unvested securities are taken into account, e.g. the Scheme effectively has a rolling limit.
- Local and international companies in the financial services industry follow the Association of British Insurers' guidelines of a rolling 10% capacity over any continuous 10-year period.
- Amendments to Schedule 14 of the Listings Requirements, amongst others removed fixed percentages or rolling limits on the number of shares which may be issued through a company's share scheme and now require companies to fix the number of shares that they utilise for the purpose of their share incentive schemes.
- Based on Sanlam's issued share capital of 2 190 million shares, the current capacity of 7,5% amounts to 164,3 million shares. The 25% of issued shares bought back since 2005 also diluted the capacity from well in excess of 200 million shares to the current level.
- The effect of the amendments proposed authorise the following -
  - A general scheme limit of 160 million shares. This will have to be renewed or reinstated by shareholders once exhausted. It is also proposed

Notice of annual general meeting

continued

that no more than 16 million shares of this limit be utilised in any year.

- In respect of the grant of paid-up shares (restricted and / or deferred share plans) the total number of shares subject to any grant will be deducted from the general and annual limits.
- In respect of shares acquired by participants at market value (share purchase plan) there is no cost or dilution to shareholders and it is proposed that these share transactions be excluded from the general and annual scheme limits. However, a total limit of 40 million shares is proposed for the share purchase plan. Any excess will have to be deducted from the general scheme limit or will require specific approval from shareholders.
- In respect of share options, the option price payable by participants limits the shareholder cost / dilution. It is therefore proposed that in respect of share options only a portion of the shares be included for purposes of the utilisation of the general scheme limit. Such portion of any share will be calculated on the date of the grant of the option and will be equal to the fair value of the option as percentage of the market value of the share on such date. However, a total limit of 25 million shares is proposed in respect of that portion of option shares to be excluded from the general scheme limit. Any excess will be deducted from the general scheme limit or will require specific approval from shareholders.
- Amendments to Schedule 14 of the Listings Requirements also
  - prohibit a company from back-dating any grants, and
  - require that a scheme fix a maximum number of shares for any one participant. The scheme currently allows for a maximum percentage of 0,3% of the issued share capital. Converting this percentage amounts to approximately 6 500 000.

which for the avoidance of doubt fixes the maximum number of shares to be utilised for purpose of its schemes to no more than 225 000 000 (two hundred and twenty five million) ordinary shares.

8. To consider and if approved, to pass, with or without modification, the following Ordinary Resolution number 8:

RESOLVED THAT:

"Subject to the adoption of Ordinary Resolution 7 set out in this Notice convening the Annual General Meeting in terms of section 221(2) of the Companies Act, No. 61 of 1973, as amended ("the Companies Act"), that the allotment and issue (as a fresh issue or the use of treasury shares), as a specific authority, pursuant to the provisions of any one or all of the –

i. the Trust Deed of the Sanlam Limited Share Incentive Trust established and approved by shareholders of the Company in 1998 and as amended (the "Initial Incentive Plan"); and

ii. each of –
- the Deferred Share Plan;
- the Performance Deferred Share Plan; and
- the Restricted Share Plan,

established and approved by shareholders of the Company in 2008 (the "2008 Incentive Plans"),

to the Trustees for the time being of the Sanlam Share Incentive Scheme Trust or such other Sanlam Group company in terms of the 2008 Incentive Plans of such allowable maximum number of ordinary shares as provided thereunder and subject to the terms and conditions of such Initial Incentive Plan and such 2008 Incentive Plan, be an is hereby approved."

Reason and effect

The approval will allow the Board to issue new shares or use treasury shares to meet the obligations under the Scheme up to the allowable maximum provided for in Ordinary Resolution 7. Approval is necessary to implement the Scheme effectively. Shareholders are protected by the conditions included in the scheme allocation limit as set out in the Scheme.

Special resolutions

9. To consider and if approved, to pass, with or without modification, the following Special Resolution number 1:

RESOLVED THAT:

"In terms of Section 75(1)(h) of the Companies Act, and the Articles of Association of the Company, the 52 000 000 (fifty two million) Sanlam "A" convertible redeemable non-participating Preference Shares of R0,01 (one cent) each ("Preference Shares") in the Company's authorised share capital, be and are hereby cancelled."

Reason and effect

The reason and effect of this Special Resolution is that the Preference Shares in the authorised share capital of the Company be cancelled given that the Demutualisation Trust, being the only holder of such shares, has come to an end.

10. To consider and if approved, to pass, with or without modification, the following Special Resolution number 2:

RESOLVED THAT:

"Subject to the adoption of Special Resolution 1, in terms of Section 56(4) of the Companies Act, paragraph 8 of the memorandum of association of the Company be and is hereby substituted with the following –

"8 CAPITAL

8.1
Par Value: The authorised share capital of the Company is R41 650 000 (forty one million six hundred and fifty thousand rand) divided into –

8.1.1
4 000 000 000 (four billion) ordinary par value shares of R0,01 cent each;

8.1.2
R Nil preference par value shares;

8.1.3
R Nil redeemable preference par value shares;

8.1.4
56 500 000 (fifty six million five hundred thousand) "A" convertible participating deferred shares of R0,01 cent each

8.1.5
56 500 000 (fifty six million five hundred thousand) "B" convertible participating deferred shares of R0,01 cent each.

8.2
No Par Value:

8.2.1
the number of no par value ordinary shares is Nil;

8.2.2
the number of no par value preference shares is Nil;

8.2.3
the number of no par value redeemable preference shares is Nil."

Reason and effect

The reason and effect of Special Resolution 2 is the amendment of the memorandum of association of the Company to reflect the new authorised share capital pursuant to the cancellation of the Preference Shares in accordance with Special Resolution 1.

11. To consider and if approved, to pass, with or without modification, the following Special Resolution number 3:

RESOLVED THAT:

"Subject to the adoption of Special Resolution 1, in terms of Section 62 of the Companies Act, the Articles of Association of the Company be and are hereby amended by the deletion of Article 40 (Terms and Conditions of "A" Preference Shares)".

Reason and effect

The reason and effect of Special Resolution 3 is the amendment of the articles of association of the Company to reflect the cancellation of the Preference Shares in accordance with Special Resolution 1.

12. To consider and if approved, to pass, with or without modification, the following Special Resolution number 4:

RESOLVED THAT:

"In terms of Article 37 of the Articles of Association of the Company, the Company hereby approves, as a general approval contemplated in Sections 85 and 89 of the Companies Act, whether by way of a single transaction or a series of transactions:

(a) the purchase of any of its securities by the Company or its subsidiaries, including ordinary shares of R0,01 each in the capital of the Company;

(b) the purchase of such securities by the Company in any holding company of the Company, if any, and any subsidiary of any such holding company;

(c) the purchase by and/or transfer to the Company of any of its securities purchased pursuant to (a) above; and

(d) the purchase by and/or transfer to any holding company of the Company and/or any subsidiary of any such holding company of any securities purchased pursuant to (b) above,

upon such terms and conditions and in such amounts as the directors of the Company or its subsidiaries may from time to time decide, but subject to the provisions of the Companies Act and the requirements of the JSE and any other stock exchange upon which the securities of the Company may be quoted or listed from time to time, and subject to such other conditions as may be imposed by any other relevant authority, provided that:

› the general authority shall only be valid up to and including the date of the Company's next Annual General Meeting, on condition that it does not extend beyond 15 months from the date of this Special Resolution;

Notice of annual general meeting
continued

- the ordinary shares be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty;
- the general authority to purchase be limited in any one financial year to a maximum of 20% of the relevant Company's issued share capital of that class at the time the authority is granted;
- purchases must not be made at a price more than 10% above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date of the purchases;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any of its subsidiaries;
- the Company will only undertake a repurchase of securities if, after such repurchase, the Company still complies with the shareholder spread requirements of the JSE;
- the Company or its subsidiaries may not repurchase securities during a prohibited period unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and where full details of the programme have been disclosed in an announcement on SENS prior to the commencement of the prohibited period; and
- an announcement complying with Rule 11.27 of the Listings Requirements be published by the Company (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time the general authority was given (the initial number); and (ii) for each 3% in aggregate of the initial number of ordinary shares acquired by the Company and/or its subsidiaries.

Reason and effect

The reason for and effect of Special Resolution 4 is to grant a general authority to enable the Company to acquire securities which have been issued by it, or its holding company, if any, and any subsidiary of any such holding company, and any subsidiary of the Company to acquire securities in the Company, including the transfer of such shares from a subsidiary company to its holding company.

Statement of Intent

The Board shall implement a general purchase of the Company's securities, only if prevailing circumstances (including the tax dispensation and market conditions) warrant same, and should the Board be of the opinion, after considering the effect of such purchase of securities, that the following requirements have been and will be met:

- the Company and its subsidiaries will be able, in the ordinary course of business, to pay their debts for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of the Company;
- the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the Company and the Group annual financial statements for the year ended 31 December 2008, will be in excess of the consolidated liabilities of the Company and its subsidiaries for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of the Company;
- the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of the Company; and

The following information is required in terms of Section 11.26 (b) of the Listings Requirements and it appears in the financial statements of which this Notice forms part, and is provided for purposes of Special Resolution 4:

- the Company's directors and management (pages 30 and 42);
- major shareholders (pages 332 and 351); directors' interests in securities (page 66);
- share capital (page 311); and
- litigation (page 331).

The directors, whose names are set out on page 48 of the financial statements, collectively and individually accept full responsibility for the accuracy of the information contained in this Special Resolution and certify that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard and that the notice of the Annual General Meeting contains all information required by law and the Listings Requirements.

13. To consider and if approved, to pass, with or without modification, the following Ordinary Resolution number 9:

RESOLVED THAT:

"Any director of the Company, and where applicable the secretary of the Company, be and is hereby authorised to do all such things, sign all such documentation and take all such actions as may be necessary to implement the aforesaid Ordinary and Special Resolutions".

General notes:

1. A member entitled to attend, speak and vote at the Meeting may appoint a proxy to attend, speak and vote in his or her stead.
2. Sanlam shareholders who hold share certificates for their Sanlam ordinary or Sanlam "A" deferred shares or have dematerialised their Sanlam ordinary shares and have them registered in their own name or in the name of Sanlam Share Account (Proprietary) Limited or Sanlam Fundshares Nominee (Proprietary) Limited, but who are unable to attend the Meeting and wish to be represented thereat, should complete and return the enclosed form of proxy, in accordance with the instructions contained therein, to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (Private Bag X105, Marshalltown, 2107). The form of proxy must be received by not later than 14:00 on Monday 1 June 2009.
3. Sanlam ordinary shareholders who hold their dematerialised Sanlam ordinary shares through a bank or broker nominee and wish to cast their votes at this Meeting or wish to attend the Meeting in person, must contact their bank or broker.
4. A person representing a corporation/company is not deemed to be a proxy as such corporation/company can only attend a meeting through a person, duly authorised by way of a resolution to act as representative. A notarially certified copy of such power of attorney or other documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached to the proxy form. Such person enjoys the same rights at the Meeting as the shareholding corporation/company.
5. A member whose shares are held by Sanlam Share Account (Proprietary) Limited or Sanlam Fundshares Nominee (Proprietary) Limited is empowered by such relevant nominee company to act and vote at the Meeting.
6. On a show of hands, every shareholder present in person or every proxy or duly authorised representative representing shareholders shall have only one vote, irrespective of the number of shareholders or shares he/she represents or holds.
7. On a poll, every shareholder present in person or represented by proxy or duly authorised representative shall have one vote for every Sanlam share held by such shareholder.
8. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the Meeting. If a poll is so demanded, the resolution put to the vote shall be decided on a poll.
9. Sanlam's Articles of Association (article 31.12) also provide for an electronic voting process, in which event electronic handset devices will be used.

By order of the Board

JP Bester
Company Secretary

Bellville
6 March 2009

Analysis of shareholders

on 31 December 2008

Distribution of shareholding	Total shareholders Number	%	Total shares held Number	%
1 – 1 000	479 012	86,09	181 935 408	8,31
1 001 – 5 000	68 916	12,38	134 982 052	6,16
5 001 – 10 000	5 604	1,01	38 390 584	1,75
10 001 – 50 000	2 260	0,41	39 357 808	1,80
50 001 – 100 000	154	0,03	11 312 025	0,52
100 001 – 1 000 000	350	0,06	136 106 695	6,21
1 000 001 and over	140	0,02	1 648 023 732	75,25
Total	**556 436**	**100,00**	**2 190 108 304**	**100,00**

Public and non-public shareholders	% shareholding
Public shareholders (556 419)	74,01
Non-public shareholders	
Directors' interest	0,26
Employee pension funds	0,11
Sanlam Limited Share Incentive Trust	2,48
Public Investment Commissioner (SA)	12,82
Ubuntu-Botho Investments (Pty) Limted	10,32
Total	**100,00**

Shareholder structure	% shareholding
Institutional and other shareholding	
Offshore	22,75
South Africa	61,15
Individuals	16,10
Total	**100,00**

Beneficial shareholding of 5% or more:

– Public Investment Commissioner (SA)	12,82
– Ubuntu-Botho Investments (Pty) Limited	10,32
– Sanlam Life Insurance Limited	7,15

Shareholders' diary and administration

Shareholders' diary

Financial year-end	31 December
Annual general meeting	3 June 2009

Reports

› Interim report for 30 June 2009	September 2009
› Announcement of the results for the year ended 31 December 2009	March 2010
› Annual report for the year ended 31 December 2009	April 2010

Dividends

› Dividend for 2008 declared	4 March 2009
› Last date to trade for 2008 dividend	16 or 17 April 2009*
› Shares will trade ex-dividend from	17 or 20 April 2009*
› Record date for 2008 dividend	24 April 2009
› Payment of dividend for 2008	6 May 2009
› Declaration of dividend for 2009	March 2010
› Payment of dividend for 2009	May 2010

*In the event that the South African National Elections are confirmed for Wednesday, 22 April 2009, a public holiday may be declared and the dividend timetable stated above would be impacted. In this event, the last day to trade to qualify for this dividend will be Thursday, 16 April 2009 with the corresponding ex dividend date being changed to Friday, 17 April 2009. The record and payment dates would remain as stated above.

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account (Pty) Ltd and Sanlam Fundshares Nominee (Pty) Ltd), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between 20 April 2009 and 24 April 2009, both dates included. Should 22 April 2009 be declared a public holiday, the register will be closed for these transactions between 17 April 2009 and 24 April 2009, both dates included.

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

Administration

Sanlam Limited

Registration No 1959/001562/06
Incorporated in South Africa

Sanlam Life Insurance Limited

Registration No 1998/021121/06

Group Secretary

JP Bester

Registered Office

2 Strand Road, Bellville, South Africa
Telephone (021) 947-9111
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Postal Address

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7532
South Africa

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http://www.sanlam.co.za
webmaster@sanlam.co.za

Investor Relations

David Barnes
david.barnes@sanlam.co.za

Transfer Secretaries

Computershare Investor Services (Pty) Ltd

Registration No 2004/003647/07

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South Africa	South Africa

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BASTION GRAPHICS