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Sanlam

Postal address:
PO Box 1, Sanlamhof,
7532, South Africa

Internet address:
http://www.sanlam.co.za

Physical address:
2 Strand Road, Bellville,
Western Cape, South Africa
Telephone: +27(0) 21 947 9111
Fax: +27(0) 21 947 3670

E-mail:
webmaster@sanlam.co.za

This is Sanlam

We are a leading financial services group, established in 1918, with our head office in Bellville near Cape Town in South Africa.

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

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, wills, personal loans, health management, savings and linked products, business fitness assessment and insurance investment management, asset management, property asset management, stockbroking, employee benefits, risk management and capital market activities.

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.



This is Sanlam continued

Group structure

Sanlam Limited

Scope of business

1 – Retail cluster

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.

2 – Institutional cluster

The Institutional cluster includes Sanlam Investments, Sanlam Employee Benefits and Sanlam Capital Markets.

- **Sanlam Investments** incorporates Sanlam's investment-related businesses in South Africa, Europe, Rest of Africa, India and Australia. 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.

	1 – Retail cluster	2 – Institutional cluster
Contribution to net Group operating result	R1 703 million	R890 million
Contribution to Group new business volumes	R35 814 million	R54 218 million



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 69% interest in MiWay, the Group's 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.

R242 million

R12 896 million

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, group sustainability management, corporate social investment and general group services.

(R121) million

This is Sanlam continued

Start with what you hope for . . .

Our latest corporate advertising campaign, launched in October 2009 under the theme, *Start with what you hope for,* encourages our clients and potential clients to take action if they want to fulfil their hopes.

What one sees and hears in this new campaign are but small elements of Sanlam's corporate positioning in its ongoing transformation programme. In latter years this programme included moving from mainly an insurance company to a more comprehensive financial services group and, more recently, shifting from a strict product focus to a broad and intensified client-centric focus.

The new campaign builds on this evolution of the Sanlam brand. In our focus on clients and their financial needs, the essence of the Sanlam brand lies in a journey of Sanlam and its clients to reach specific financial destinations together. But this journey requires the client to take action to achieve what he or she hopes for. And Sanlam wants to be the partner in doing that by understanding the hopes of our clients and helping them with their financial planning on their way to fulfilling their dreams and aspirations.

Instead of shooting footage for the television advertisements, we asked the public to submit their home movies of precious moments in their lives from which our advertising agency selected engaging scenes portraying that most basic of human emotions, *Hope*.

Start with what you hope for connects the future with the current. It requires the clients to take action and Sanlam will be the worthy partner on their journey to fulfilling their hopes and dreams.

http://www.startwithhope.co.za

This is Sanlam

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;
- To maintain 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.

Our performance in 2009

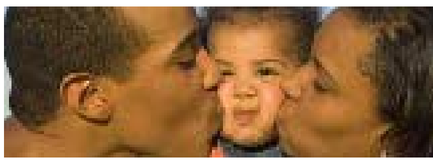
- "The Group delivered a solid and stable performance in 2009 – our persistence has been commended by both shareholders as well as analysts." Roy Andersen in his Chairman's report, page 17.
- "The successful implementation of our strategy has transformed Sanlam into an efficient and profitable company with a healthy capital position. Dedicated focus on all five pillars of our strategy helped us to achieve sustainable higher returns for the Group." Johan van Zyl, in his Report by the Group Chief Executive, page 29.
- "Notwithstanding the tough economic conditions, we maintained our sales at similar levels as in 2008. Our strong focus on client centricity paid off, and the much-improved retention levels enhanced SPF's net cash flow by 82% compared to 2008." Lizé Lambrechts, Chief Executive: Sanlam Personal Finance, in her business review, page 101.
- "Performance in the latter half of 2009 was, however, much improved largely as a result of the strong rally in financial markets, the narrowing of credit spreads and increase in business and consumer confidence." Lukas van der Walt, Chief Executive: Sanlam UK, in his business review, page 116.
- "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." Heinie Werth, Chief Executive: Sanlam Developing Markets, in his business review, page 108.
- "Sanlam Investments successfully navigated what proved to be the toughest year for the investment industry in at least two decades and ended 2009 in a stronger position than the year before." Johan van der Merwe, Chief Executive: Sanlam Investments, in his business review, page 122.
- "The Group delivered significantly improved earnings in 2009, with headline earnings of R1 022 million, up 55% on 2008." Ian Kirk, Chief Executive: Santam, in his business review, page 135.

This is Sanlam continued

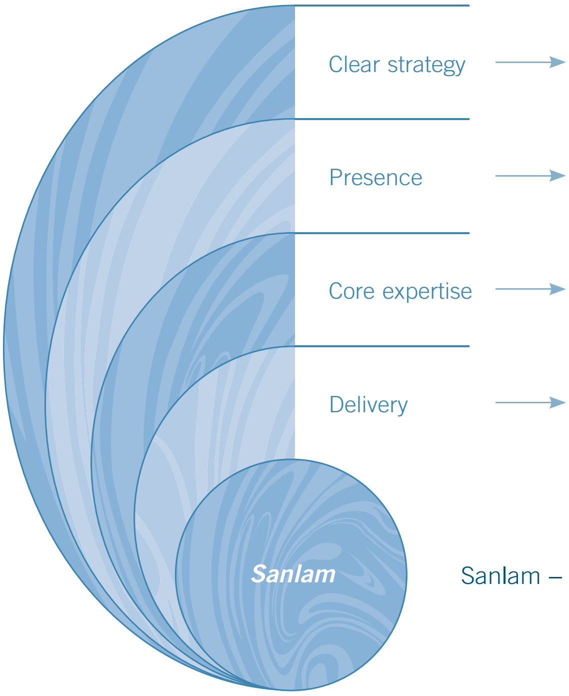
Some of our corporate achievements in 2009

- Sanlam was again rated as a "Best performer" in the low-impact category of the JSE Socially Responsible Investment Index. We were listed on the Index for the sixth consecutive year.
- Sanlam was rated as first overall in a benchmark study by the Ethics Institute of South Africa in 2009 that assessed ethics capacities and practices among 20 large listed companies.
- Sanlam was recognised as one of the top 16 companies of the JSE 100 for the level of disclosure of carbon emissions in the 2009 Carbon Disclosure Project. Sanlam also received the highest possible rating from the international RiskMetrics Group for its Environmental, Social and Governance strategy and results.
- Sanlam received a level 4 BBBEE rating against the Department of Trade and Industry's Codes of Good Practice and Broad-based Black Economic Empowerment, indicating 100% compliance and a competitive industry position.
- Most of our businesses achieved accreditation from the international "Investors in People Standards" for the period 2009 to 2012.
- Reality, the lifestyle and rewards programme for the Sanlam Group of companies, was created three years ago and by the end of 2009 it had enrolled more than 75 000 principal members. Reality allows Sanlam to provide its clients with a lifestyle, wellness and rewards programme that will contribute to improving their awareness of their health and wellness, ultimately reducing the underwriting risk to the Group.
- Sanlam spent over R5 million on a range of consumer education and financial literacy projects in 2009, including the Sanlam Kaya FM Consumer Education programme, our Sunshine Street radio campaign, SASI's Teach Children to Save campaign, the Cobalt Financial Literacy campaign, and the University of Fort Hare Financial Literacy project. In addition, more than R17 million of Sanlam's sponsorship budget was spent on initiatives that played a direct role in bettering the lives of needy South Africans while Sanlam spent more than R19 million on a range of CSI projects in the areas of education, entrepreneurial and skills development, and environmental protection.





Investment case



- Driving increased returns
- Growing profitability through (product and geographic) diversification

- Vast agency networks offering scale, flexibility and efficiency in South Africa
- Leading in emerging markets
- Niche presence in developed markets, servicing existing clients

- Solid risk management
- Innovation resulting in market-leading solutions
- HR talent providing stability and proven track record

- Successfully implementing the growth strategy
- Good operational performance over the long term
- Creating shareholder value – outperforming competitors

Sanlam – provides a strong case for investors

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, close to R20 billion of existing capital (over 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.

Presence

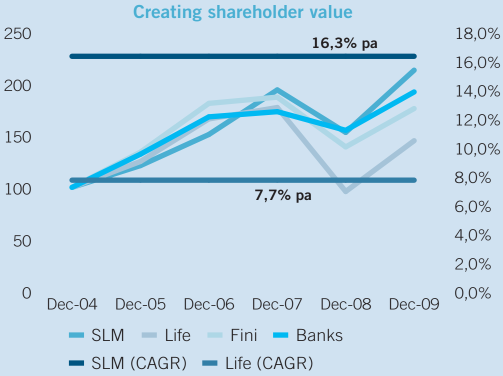
Retail

An internal distribution network of 1 898 tied financial advisers in **South Africa** servicing the middle- and upper-income markets, and 2 296 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. Sanlam is also expanding its breadth of distribution, by moving into the direct market, thereby entrenching the Group's leadership position in the future.

There are approximately 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 2 658 in the rest of Africa and more than 20 500 in India. It has a niche presence in **developed markets**, following its SA clients' money abroad, with *Merchant Investors* and *Principal* providing life, fund management and private client solutions in the UK.

Investment case continued



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 Europe, Australia, rest of Africa and India. This presence includes 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 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, having operated for 92 years in life insurance. In addition, a relatively stable executive management team has some 160 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.

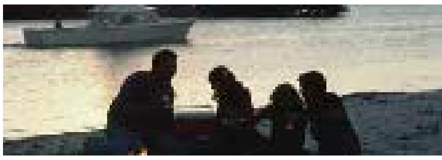
Delivery

Sanlam performed well in a recent influential biannual perception survey of all listed companies in South Africa by taking the 4th position overall in the financial services sector, the highest rated life assurer. In the particular category of "Living up to promises (company results match expectations)" Sanlam was the 2nd highest rated in financial services – clearly supporting the view that Sanlam delivers.

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, net life cash flows, change in the mix of offerings, strong growth in value of new business and new business margins.

In creating shareholder value, Sanlam has outperformed its competitors since listing and, on average, has generated more than 8% higher share price returns per annum over the past five years.

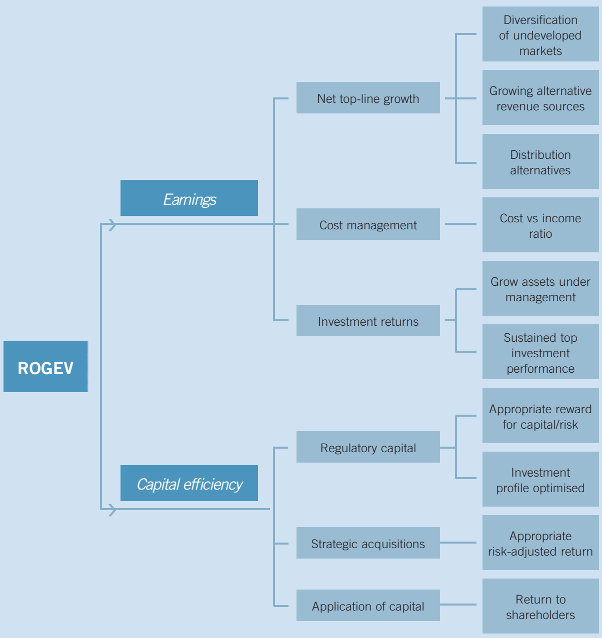


How we measure ourselves

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 (ROGEV) 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.

How we measure ourselves continued

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.

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

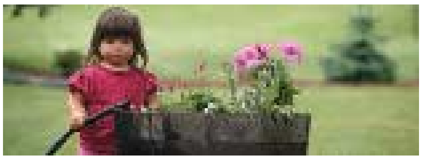
Sanlam uses four key indicators to assess earnings performance and operational efficiencies. These indicators are also presented on a per share basis (as applicable), to reflect the earnings attributable to shareholders.

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 profit for the year excluding certain specified identifiable re-measurements. 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 Management Review (refer to page 76) 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 Management Review is published on the Sanlam website (www.sanlam.co.za).

Capital efficiency

The Group's actions in respect of capital management are covered in detail in the financial review on page 142.

Sanlam Group five-year review

		2009	2008
Group Equity Value			
Group Equity Value	R million	**51 024**	45 238
Group Equity Value	cps	**2 473**	2 213
Return on Group Equity Value per share	%	**16,2**	(1,7)
Business volumes			
New business volumes	R million	**102 928**	100 136
Life business		**18 009**	18 268
Investment business		**65 835**	63 222
Short-term insurance		**12 896**	12 165
New business volumes excluding white label		**96 740**	93 655
White label		**6 188**	6 481
Recurring premiums on existing business	R million	**16 572**	15 870
Total inflows	R million	**119 500**	116 006
Net fund flows	R million	**15 499**	9 122
SIM funds under management	R billion	**441**	409
New covered business			
Value of new covered business	R million	**689**	698
Covered business PVNBP	R million	**26 365**	26 033
New covered business margin	%	**2,61**	2,68
Earnings			
Gross result from financial services	R million	**4 242**	4 260
Net result from financial services	R million	**2 714**	2 802
Retail cluster		**1 703**	1 757
Sanlam Personal Finance		**1 498**	1 555
Sanlam Developing Markets		**172**	144
Sanlam UK		**33**	58
Institutional cluster		**890**	737
Sanlam Investments		**593**	589
Sanlam Employee Benefits		**154**	183
Sanlam Capital Markets		**143**	(35)
Short-term insurance		**242**	439
Corporate and other		**(121)**	(131)
Core earnings	R million	**3 690**	3 870
Normalised headline earnings	R million	**4 494**	1 966
Headline earnings	R million	**4 438**	2 702
Net result from financial services	cps	**132,2**	133,8
Core earnings	cps	**179,7**	184,8
Normalised headline earnings	cps	**218,9**	93,9
Diluted headline earnings	cps	**218,8**	132,2
Group administration cost ratio	%	**27,6**	28,4
Group operating margin	%	**16,9**	18,4
Other			
Dividend	cps	**104**	98
Sanlam Life Insurance Limited			
Shareholders' fund	R million	**37 036**	34 419
Capital adequacy requirements (CAR)	R million	**7 675**	8 075
CAR covered by prudential capital	times	**3,1**	2,7
Office staff (excluding marketing staff)	No of persons	**9 457**	9 969
Foreign exchange rates	R		
Closing rate			
Euro		**10,56**	12,85
British pound		**11,89**	13,33
United States dollar		**7,36**	9,24
Average rate			
Euro		**11,62**	11,98
British pound		**13,04**	15,07
United States dollar		**8,31**	8,13

[1] *Restated for the introduction of Sanlam UK in the 2008 financial year. Periods before 2007 have not been restated.*

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

Chairman's report

I am pleased to be able to present you, in this my last Chairman's report for Sanlam, with a set of financial results described by some analysts at the interim stage as resilient and healthy and therefore 'boring'. Those who know me can attest that I do not easily embrace boring, but in this instance I willingly do so.

In the context of Sanlam's financial results having been achieved in a year heavily scarred by turmoil in world financial markets, the magnitude of which claimed unprecedented victims late in 2008, boring is good. The Group delivered a solid and stable performance in 2009 – our persistence has been commended by both shareholders as well as analysts. The resilience of Sanlam's business model stood out clearly when compared to some of our local competitors.

Feedback received towards the end of 2009 from one of the sell-side analysts summed up our performance as follows: "This is probably what one would expect; Sanlam's combination of well-managed operations, its chosen accounting policies and conservative actuarial assumptions are conducive to boring results."

The business model that proved such a resilient shield in 2009 has been nurtured for six years under the watchful eye of our Group Chief Executive, Johan van Zyl. He and his team have implemented the focused new business strategy, as approved by the Board, with the aim of growing a trusted world-class South African financial services group that delivers complete client-centric solutions aimed at creating and protecting wealth for both private as well as institutional investors.

The ongoing strategy centres around five pillars: capital efficiency, earnings, costs and efficiencies, transformation and diversification. The successful implementation of this strategy has transformed Sanlam into a company with streamlined operational efficiencies, a healthy capital position brought about by strong capital management principles, and profitability through effective diversification.

We went back to basics and the reward is a solid and resilient foundation. The disposal of our interest in Absa in 2005, for example, enabled Sanlam to redeploy excess capital of around R7 billion. We expanded into new market segments and geographical areas through, for instance, the establishment of Sanlam Private Investments, Glacier, Sanlam UK and Sanlam Developing Markets, and through our acquisition of Sanlam Developing Markets Limited (formerly African Life), Channel Life and Safrican.

Delivering shareholder value

The performance of the Sanlam share price reflects the Group's resilient results, providing a total return of 40% to shareholders in 2009.

I believe that while we have succeeded in convincing investors of our resilience, shareholders now want to see growth. It is a reality that survival and growth do not go hand in hand. Therefore, given the intensity of the global financial crisis from the latter half of 2008, Sanlam considered it prudent to put on the brakes and sacrifice growth for a period.

Chairman's report continued

We believe, however, that the time has come to continue in 2010 where we left off in 2008. Shareholders have commended Sanlam for its staying power. It is now time to reward them with the growth that they expect from us.

Sanlam has ring-fenced discretionary capital of some R3,5 billion to take advantage of profitable growth opportunities that may arise in 2010.

Johan van Zyl in his report provides greater insight into the growth already achieved by the Group and the line-up for 2010.

Board review

The value of the contribution by each director, as well as the effectiveness of the Sanlam Board, its committees and Chairman was assessed in February 2009 with the aim of continually improving performance. The next assessment will be conducted in the latter half of 2010. 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 2009 financial year, the Sanlam Board had 18 members: 12 were independent non-executives (in accordance with King II's 'independence' standards), two were non-executives, and four were executive directors. The classification of directors as independent is reviewed at regular intervals. Before the appointment of two new directors towards the end of 2009, the average length of service by the directors was five years and five months.

Last year we were able to attract to our Board a very experienced individual, and one who understands our business very well. Desmond Smith, a former managing director of Sanlam, joined the Board as a non-executive Board member in 2009. As you know, Desmond will take over the reins from me as Chairman of the Board at the close of the Board meeting in June 2010.

Towards the end of 2009 the Board welcomed Dr Yvonne Muthien and Temba Mvusi as new executive directors. Yvonne holds the portfolio of Chief Executive: Group Services on the Executive committee of Sanlam and Temba the portfolio of Chief Executive: Market Development of Sanlam.

It is with much regret that we had to accept a resignation from Raisibe Morathi, the Sanlam Board's first black executive director, in the third quarter of 2009. I would like to thank her for the valued contribution she made to the Board and to Sanlam as a whole.

As was mentioned in the 2008 Annual Report, Wilmot James, an independent non-executive director, resigned from the Board early in 2009 to enter the world of politics.

Growing responsibly

For a company to remain relevant, its bottom-line cannot be grown in isolation. Equal attention must be given to the 'triple bottom-line', which measures a company's economic, social and environmental impact.

The Sanlam Board recognises that a holistic approach to sustainable shareholder value is imperative and we acknowledge that economic value cannot be created in a vacuum.

While our success in delivering value for our stakeholders has undoubtedly been the result of Sanlam's robust business strategy, we continue to raise the bar on a business model designed for sustainable growth, on investment in our country's social and economic fabric, the transformation of our employee base, the development of ethical products that serve the needs of our diverse client base and management of our environmental impact.

We are confident of our ability to continue delivering results in this regard and to entrench sustainable business practices into the core fibre of Sanlam's business.

- Corporate social responsibility
  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 six consecutive years and was acknowledged as one of the best performers in the low environmental impact category in 2009.
- Skills development
  Our people are key to helping Sanlam achieve sustainable growth. This can only be achieved with the right skills set in place and Sanlam therefore maintains a continuous focus on the uplifting of educational levels and skills within the Group. During 2009, we spent close to R73 million on training and development of our human capital.

Good governance and disclosure

The global financial crisis drew back the blanket on critical shortcomings in the approach to corporate governance around the world. Excessive risk-taking in a number of prominent financial services companies had gone undetected – the checks and balances that were meant to be in place as required by the principles of good corporate governance were simply not there in so many instances.

The South African financial services industry did not suffer a single casualty to the global crisis. The credit for this goes to a strong regulatory framework as overseen by the Financial Services Board and the Reserve Bank as well as the largely prudential management of businesses by the private sector.

Around the world policy-makers and regulators are looking at an overhaul of regulatory structures under which financial institutions and markets operate with the aim of preventing another global meltdown. South Africa is no exception, but the local financial services industry is no stranger to tough regulations and 2009 proved that we are on the right track. Our industry, as represented by the Association for Savings and Investment South Africa (ASISA), is therefore working together with our regulator and policy-makers on upgrades to our regulatory structures.

As from 2010, corporate governance and disclosure in South Africa will be influenced by the following:

Chairman’s report continued

King III

The King III Report on Corporate Governance was released in September last year. It was necessitated by recent changes to statutory requirements relating to companies and changing trends in international corporate governance.

The Sanlam Board supports the King III Report as it promotes the principle of self-regulation and forms the link between governance principles and the law.

Companies are expected to report back to shareholders in line with the King III recommendations once these come into effect for financial years starting after 1 March 2010. This Annual Report therefore still complies with the King II provisions. The new requirements will be incorporated into the Annual Report for 2010. This means that Sanlam will be implementing the King III recommendations as far as possible throughout the business during the course of 2010, and if necessary during 2011.

Solvency II

Due for implementation by European insurers in 2012, Solvency II aims to protect policyholders and the financial system as a whole by ensuring the financial soundness of insurance undertakings.

The Insurance Department of the FSB, in consultation with the industry, is currently developing a number of requirements in line with international standards such as Solvency II, but incorporating specific South African aspects.

Sanlam is following these developments closely and will be adjusting its systems where necessary to incorporate new best practice recommendations.

Companies Act

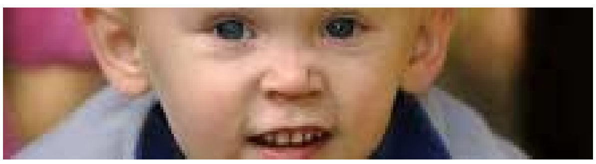
South Africa’s new Companies Act provides some recourse for companies in distress, reduces the cost of doing business in the country, promotes corporate governance and transparency and empowers shareholders. It is ultimately aimed at ensuring that companies are saved before they reach a stage of insolvency and ultimate liquidation.

The Act has been gazetted and the draft Regulations were released in December 2009. Sanlam is therefore working closely with a team of legal advisers to ensure that compliance with the Companies Act is achieved as soon as the Act and its Regulations come into effect.

In closing

The global crisis resulted in a new focus in financial services: risk management. This is a good thing and long overdue. If more emphasis had been placed on effective risk management, much of the world market turmoil of the past 18 months could have been avoided.

However, risk management is not new to the Sanlam operation. It kicked in like a well-oiled machine when it was most needed and helped us deliver solid results in very challenging times. I am optimistic though that the



turbulence will make way for smoother market conditions. While I do not, for one moment, believe that the turbulent conditions are completely behind us, there are definite signs that 2010 may benefit from the early stages of a recovery.

I am sure that South Africans would like to blow the vuvuzela without having to worry about volatile market conditions and a contracting economy. On a more serious note, I do believe that the 2010 FIFA World Cup will act as a much-needed morale and confidence booster for our nation.

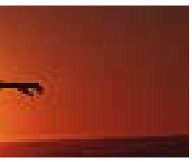
We have proved that our business model is resilient, and the anticipated economic recovery will enable us to demonstrate that the Group is set to achieve sustainable growth.

I would like to thank our shareholders for believing in us, even during difficult times. I would also like to thank my fellow Board members, Johan van Zyl and his management team for the courage, leadership and determination displayed over the past 18 months. To each and every Sanlam staff member and our distribution force, thank you for believing in our Group and for persevering to deliver the value we have promised our shareholders, our clients and all our stakeholders.

In June this year I will have completed two three-year terms as non-executive chairman. In this time we achieved a very important goal: the clear alignment of thinking between the Board and the management of Sanlam. It is therefore my firm conviction that the time is right to hand over to someone of Desmond’s calibre. I wish him, the members of the Board, and the Executive Management every success in achieving sustainable growth for Sanlam.

Roy Andersen

Chairman



Sanlam Board of directors and committee memberships

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1 Roy Andersen
2 Anton Botha

3	4
5	6

3 Manana Bakane-Tuoane
4 Attie du Plessis
5 Fran du Plessis
6 Valli Moosa

7	8
9	10

7 Sipho Nkosi
8 Ian Plenderleith
9 George Rudman
10 Desmond Smith

Independent non-executive directors

Roy Andersen (61) *(Chairman)*

Director since 2004

Qualifications: CA (SA), CPA (Texas)

Sanlam and Sanlam Life committee membership: Nominations (Chairman), Human Resources, Non-executive Directors (Chairman)

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

Manana Bakane-Tuoane (61)

Director since 2004

Qualifications: PhD Economics (University of Saskatchewan, Canada)

Sanlam and Sanlam Life committee membership: Nominations, Human Resources, Non-executive Directors, Retail cluster

Major external positions, directorships or associations: African Rainbow Minerals

Anton Botha (56)

Director since 2006

Qualifications: BProc, BCom (Hons) Investment Management, EDP (Stanford)

Sanlam and Sanlam Life committee membership: Human Resources (Chairman), Non-executive Directors, Institutional cluster

Sanlam Group directorships: Sanlam Capital Markets, Sanlam Investment Management, Genbel Securities

Major external positions, directorships or associations: JSE, University of Pretoria, Vukile Property Fund, Imalivest, African Rainbow Minerals

Attie du Plessis (65)

Director since 2001

Qualifications: BCom, CA (SA), AMP (Harvard), AEP (Unisa)

Sanlam and Sanlam Life committee membership: Audit (Chairman), Risk (Chairman), Non-executive Directors, Institutional cluster

Sanlam Group directorships: Sanlam Investment Management, Punter Southall

Fran du Plessis (55)

Director since 2004

Qualifications: BCom (Hons) Taxation, BCom LLB, CA (SA)

Sanlam and Sanlam Life committee membership: Audit, Risk, Policyholders' Interest (Chairperson), Non-executive Directors

Major external positions, directorships or associations: KWV, Naspers, LDP Incorporated, Kaap Agri, Palabora Mining, Tulca

Valli Moosa (53)

Director since 2004

Qualifications: BSc Mathematics and Physics

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

Major external positions, directorships or associations: Lereko Investments, Imperial, Sun International, Real Africa Holdings, Anglo Platinum

Sipho Nkosi (55)

Director since 2006

Qualifications: BCom (Hons) Economics, MBA

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

Major external positions, directorships or associations: Exxaro Resources, Anooraq Resources, Eyesizwe Holdings

Ian Plenderleith (66)

Director since 2006

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

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

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, Invoice Clearing Bureau South Africa, British Museum Friends, Wits Business School Advisory Board, Europe Arab Bank

George Rudman (66)

Director since 2001

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

Sanlam and Sanlam Life committee membership: Audit, Risk, Non-executive Directors, Retail cluster

Sanlam Group directorships: Santam

Desmond Smith (62)

Director since 2009

Qualifications: BSc, FIA, ISMP (Harvard)

Sanlam and Sanlam Life committee membership: Audit, Risk, Non-executive Directors, Policyholders' Interest, Institutional cluster and Retail cluster

Sanlam Group directorships: Santam (Chairman)

Major external positions, directorships or associations: Reinsurance Group of America (SA), Medi-Clinic Corporation, Clover Danone Beverages, Clover Industries

Sanlam Board of directors and committee memberships continued

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1 Bernard Swanepoel
2 Lazarus Zim

3 4
5 6

3 Patrice Motsepe
4 Rejoice Simelane
5 Johan van Zyl
6 Kobus Möller

7
8

7 Yvonne Muthien
8 Temba Mvusi

Bernard Swanepoel (48)
Director since 2004
Qualifications: BCom (Hons), BSc Mining Engineering
Sanlam and Sanlam Life committee membership:
Non-executive Directors, Retail cluster, Sustainability
Major external positions, directorships or associations:
African Rainbow Minerals, Wits Business School Advisory Board, Pretoria University Mining Engineering Advisory Board, Village Main Reef Gold Mining Co. (1934), To-the-Point Growth Specialists, Savannah Gold

Lazarus Zim (49)
Director since 2006
Qualifications: BCom (Hons), MCom, DCom (HC)
Sanlam and Sanlam Life committee membership:
Non-executive Directors, Sustainability
Major external positions, directorships or associations:
Kumba, Telkom, Afripalm, Northam Platinum, Mvelaphanda Resources, Transhex, Pinnacle Point Group

Non-executive directors

Patrice Motsepe (48) *(Deputy Chairman)*
Director since 2004
Qualifications: BA Legal, LLB
Sanlam and Sanlam Life committee membership:
Nominations, Human Resources, Non-executive Directors
Major external positions, directorships or associations:
African Rainbow Minerals, Harmony, Ubuntu-Botho Investments, Sizanani-Thusanang-Helpmekaar Investments, Mamelodi Sundowns Football Club, African Fashion International

Rejoice Simelane (57)
Director since 2004
Qualifications: PhD (Econ) (Connecticut, USA)
Sanlam and Sanlam Life committee membership:
Sustainability, Non-executive Directors, Retail cluster, Policyholders' Interest
Major external positions, directorships or associations:
African Rainbow Minerals, Ubuntu-Botho Investments, Mamelodi Sundowns Football Club, Council of Medical Schemes

Executive directors

Johan van Zyl (53)
Director since 2001
Qualifications: PhD, DSc (Agric)
Group Chief Executive since 2003
Sanlam and Sanlam Life committee membership:
Short-term Insurance cluster (Chairman), Retail cluster (Chairman), Institutional cluster (Chairman)
Sanlam Group directorships: Sanlam Investment Management (Chairman), Sanlam Netherlands Holding BV (Chairman), Sanlam UK (Chairman), Santam, Sanlam Developing Markets (Chairman), MiWay Group Holdings
Major external positions, directorships or associations:
University of Pretoria, Hans Merensky Foundation, ASISA (Association of Savings and Investment South Africa)

Kobus Möller (50)
Financial Director since 2006
Qualifications: BCompt (Hons), CA (SA), AMP (Harvard)
Sanlam and Sanlam Life committee membership:
Short-term Insurance cluster, Retail cluster, Institutional cluster
Sanlam Group directorships: Sanlam Capital Markets, Sanlam Developing Markets, Sanlam Investment Management, Santam, Sanlam UK, MiWay Group Holdings, Channel Life

Yvonne Muthien (53)
Chief Executive: Group Services
Executive Director since December 2009
Qualifications: BA (Hons), MA, DPhil (Oxford)
Sanlam and Sanlam Life committee membership: Retail cluster, Institutional cluster
Sanlam Group directorships: Santam
Major external positions, directorships or associations:
Trustee of Sasol Inzalo Foundation, Chairperson of the President's Advisory Council on National Orders

Temba Mvusi (54)
Chief Executive: Group Market Development
Executive Director since December 2009
Qualifications: BA, ELP (Warton School of Business), MAP (Wits), PDP (UCT)
Sanlam and Sanlam Life committee membership: Retail cluster, Institutional cluster
Sanlam Group directorships: Sanlam Developing Markets, Sanlam Investment Management, Sanlam Private Investments, Channel Life
Major external positions, directorships or associations:
National Business Initiative, SA Master Distributors, Walter Sisulu University, Bishops Cape Town

Ongoing transformation with sustainable growth as the destination

Sanlam is transforming. This, my opening line from the 2003 Sanlam Annual Report as newly appointed CEO, is as relevant today as it was then. Sanlam remains firmly committed to its journey of transformation, the end point being a business able to deliver sustainable growth into the future.

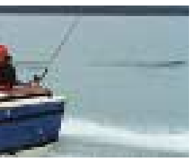
In 2003, when we embarked on our complex journey of strategic repositioning and operational restructuring, I said that Sanlam's future success rests on our transforming into a financial services organisation that is both world-class and truly South African in every respect.

At the time, inhibited Group performance resulted in the Sanlam share trading at a significant discount to embedded value. If Sanlam was going to weather future storms and deliver value to shareholders, a radical back-to-basics approach was required.

Six years on, was our approach the right one? The global credit crunch that started gripping the world in the third quarter of 2008 proved the great leveller, and I am proud of the fact that Sanlam weathered the storm with unprecedented resilience. The events of the past 18 months have proved to us that our strategy is working and that we are clearly on the right track with our approach to transformation.

Over the past five years the Sanlam share has delivered a total return of 20% a year, while the life sector has delivered 9% a year, the JSE Alsi 20%, the JSE Financial Index 15% and the JSE Banking Index 18%.

We have seen some of our competitors, both locally and internationally, falter as a result of the intense pressure exerted by global events, forcing them to re-evaluate their strategies.



Our strategy, which has proved to be resilient and sustainable, was fundamental in distinguishing our performance from that of many of our peers. Our strategy will therefore continue to centre around five pillars: optimal capital utilisation, earnings growth, costs and efficiencies, diversification and transformation.

As pointed out by our Chairman in his report, the successful implementation of our strategy has transformed Sanlam into an efficient and profitable company with a healthy capital position. Dedicated focus on all five pillars of our strategy helped us to achieve sustainable higher returns for the Group.

But the biggest mistake we could make now would be to rest on our laurels. We have proved to our shareholders, clients and other stakeholders that we are a world-class operation. We are now in a good position to accelerate our journey of transformation.

Performance highlights

The Group delivered a solid and stable performance in 2009. The following are some of the salient results:

- Net result from financial services decreased marginally to 132,2 cents per share;
- Core earnings per share decreased by 3% to 179,7 cents;
- Normalised headline earnings per share increased by 133%;
- New business volumes, excluding white-label business, of R97 billion are 3% up on 2008;
- Value of new life business increased by 9% on a comparable economic basis;
- Dividend per share is 6% higher than in 2008 at 104 cents; and
- Group Equity Value per share up 12% to R24,73.

Report by the Group Chief Executive continued

2009 – How did we do?

Global economies remained in crisis for much of 2009 and South Africa was not spared. For the first time in 17 years, South Africa went into recession in 2009, mainly after a decline in demand for commodity exports as a result of the global economic downturn. In addition, spiralling Eskom tariff increases and job losses put further pressure on inflation.

Worldwide, the recovery in stock markets seemed totally divorced from what was happening in global economies. Global equity markets showed signs of recovery towards the latter half of 2009 and the JSE All Share Index followed suit, climbing by some 50% since its lows in March 2009.

The increased cost of living in South Africa resulted in a decline in demand for retail financial products, mainly in the middle, self-employed and professional markets. The impact was, however, cushioned well by our diversification strategy. Affluent market sales remained at similar levels in 2009 as in 2008.

We are also extremely proud of the persistency rate of existing business. Sanlam has one of the lowest lapse and surrender rates in the insurance industry. We attribute this to our client-centric approach and strong focus on providing clients with appropriate financial advice and solutions.

Overall, our focused strategy continued to serve the Group well in 2009. Here is a brief overview of how the five pillars of our strategy proved relevant under the economic and market conditions that prevailed.

Optimal capital utilisation

We maintained our prudent approach to the application of discretionary capital and focused on further optimising the capital base of the Group. Limited investments were made in existing operations and future growth markets during the period under review. No share buy-back opportunities presented themselves.

In order to enhance shareholder value by unlocking surplus capital, the Sanlam Board in 2009 approved a more conservative asset mix for the required capital backing the covered business operations, thereby reducing the level of required capital. This reduced the volatility in the capital base and also released some R900 million in capital into the Group's discretionary capital portfolio. In addition, a further R400 million in capital was released through reduced exposure to capital-intensive business.

As a result Sanlam now has discretionary capital of R3,5 billion. While it was prudent to use this capital as a buffer during 2009, we will be looking for profitable growth opportunities and other ways of efficiently redistributing some of this capital in 2010.

Sanlam Life Insurance Limited's admissible capital covered its capital adequacy requirements 3,1 times at 31 December 2009, increasing from 2,7 times at the end of December 2008 – still excellent and comfortably higher than the minimum requirement. It also compares very favourably with the position of large international groups.

Our approach to capital management met the approval of shareholders in 2009. As one shareholder pointed out: "Very strong operationally in our opinion. Sanlam's historical conservatism and strong capital levels are very helpful in the current economic and market environment."

Earnings growth

Difficult market conditions and volatile equity markets significantly influenced our earnings. But despite the challenging environment, the Group achieved a commendable operational performance for the 2009 financial year, including a 3% growth in new business volumes, strong net cash inflows and solid Value of New Covered Business (VNB) and new business margins.

Core earnings per share decreased by 3%, impacted by lower investment income following the utilisation of discretionary capital during the year and new business strain (R1,1 billion) caused by the new life business written during the year. This represents a significant investment in the future, which will lead to growth.

Cost and efficiencies

Ongoing focus on reducing costs, while at the same time upping efficiencies, significantly buffered our operations when the economy and financial markets were placed under intense pressure by global events.

Given the increased strain on capital in 2009, we intensified our efforts. Sanlam Investments and Sanlam Personal Finance, which have been impacted most by lower assets under management and new business volumes, made a concerted effort to reduce costs even further. Containment of costs in all other business units was also a priority, although not to the detriment of future growth opportunities.

Sanlam Developing Markets (SDM) managed to drastically reduce operating costs in its South African operation by acquiring PSG's 34,6% stake in Channel Life. This paved the way in August 2009 for the integration of Channel Life and Sanlam Sky Solutions into a single South African business.

Diversification

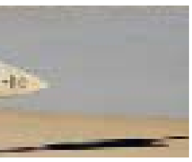
Diversification is key to ensuring sustainable future growth. The successful diversification of our business since 2003 has helped us achieve a significant rebalancing of our mix of new business, with an increasing contribution (83%) channelled via our non-life operations.

Our geographic diversification through SDM once again paid off. The majority of operations within this business cluster delivered reasonable new business results in 2009 despite the tough economic conditions experienced by most of the markets in which these businesses operate.

Through SDM, Sanlam has established a presence in the entry-level market in South Africa as well as all market segments in Botswana, Kenya, Tanzania, Zambia, Ghana and India. Africa continues to offer strong economic growth and good margins. At the same time competition from other industry players remains lower than in South Africa. Our focus remains on growing our bancassurance relationships in Africa.

In 2009, Sanlam Investments bedded down its joint venture with SMC, India's fourth largest securities broking house. In terms of this venture a wealth management company was created.

Through Sanlam International Investment Partners (SIIP) we formed an investment partnership with UK-based investment manager, FOUR Capital Partners. In terms of the partnership, Sanlam acquired an initial equity interest of 29,9% in the firm. The transaction is in line with our strategy of acquiring stakes in specialist asset managers in selected global markets.



Report by the Group Chief Executive continued

A tough recession in Britain negatively impacted on new business volumes as well as assets under management for Sanlam UK. However, solid diversification and persistency of existing business resulted in positive earnings for 2009.

In 2009, the Telemed and BESTmed medical schemes amalgamated, increasing Sanlam Health's membership under administration by about 23 000 principal members.

Transformation

Transformation remains one of the key pillars of Sanlam's business strategy, because only true qualitative change across all spheres of our business will facilitate sustainable growth into the future. In the 2008 Annual Report we positioned Sanlam as "a journey for life" – only through focused transformation will we ensure that this business remains viable for generations to come.

- Transforming with people

  Sanlam views transformation in terms of staff composition and the development of an equitable workplace as a business imperative. Increasing the representation of previously disadvantaged people at middle and senior management level remains a priority.

  While we are proud of the fact that more than half of our employees are black, attracting and retaining previously disadvantaged people at middle and senior management level remains a challenge. This is due to tough competition for skilled people in the financial services industry, a larger demand than supply, and to some extent geographic location.

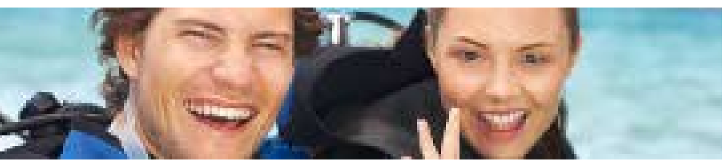
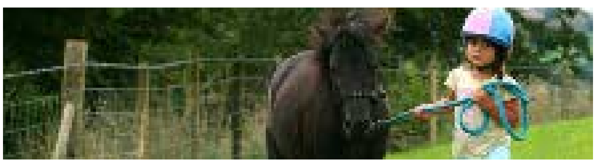
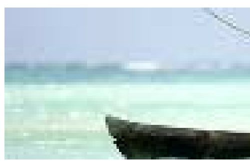
  Sanlam has in place Board-approved Human Capital Transformation Strategy and Employment Equity plans for all parts of our business, which set out required targets and actions until 2012. Implementation of these plans, which are aligned to the requirements of the Departments of Labour and Trade and Industry, is monitored on an ongoing basis and quarterly feedback is given to the Board. The Employment Equity Targets and performance against these targets is linked to bonus structures.

- Doing business the clean way

  Sanlam prides itself as a responsible and accountable corporate citizen, serious about doing business the clean way. We therefore took up official membership of the United Nations Global Compact (UNGC) in 2008, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. We have, however, been involved with the work of the UNGC relating to anti-corruption since June 2006.

  We were also represented on a UNGC taskforce, which over the past two years developed guidelines to assist organisations with the implementation of anti-corruption practices. These guidelines were released in December last year.

  In line with UNGC requirements, Sanlam will be releasing its first Communication on Progress in 2010.

- Environmentally responsible

  Towards the end of 2009, the world focused its attention on the UN climate talks in Copenhagen. The outcome indicated that we simply cannot afford to sit back and wait for the world super powers to find solutions to climate change. It is up to us, the corporate citizens of this world, to change our ways and to contribute towards reducing consumption and pollution without waiting to be prompted by global protocols.

  In addition to drafting a new Environmental Policy for Sanlam in 2009, we also launched the Sanlam Environment committee. This committee consists of staff representatives as well as representatives from WWF as part of Sanlam's investment in the WWF Living Waters Partnership.

  The focus of this committee is to direct and guide a more comprehensive approach to environmental sustainability within Sanlam, and to create internal ambassadors. WWF representatives continue to assist the committee and our Sustainability Management department with environmental target-setting and measurement, and have directed the re-drafting of Sanlam's environmental policy.

  Since we believe that responsible environmental citizenship needs to start at home we have defined clear targets aimed at ensuring that our direct environmental impact is measured and understood to enable us to make the appropriate changes. The first step was to assess the environmental impact of our head office facilities. During 2009, we managed to extend the scope of our carbon footprint assessment beyond our head office to include three other large buildings belonging to our Group.

  We are currently working towards targets aimed at reducing our carbon footprint at all of these facilities, and intend to include every building that houses Sanlam staff in this project, first in South Africa and then also beyond our borders.

2009 – Taking stock

In response to the global credit crunch and the impact on the South African economy, we considered it prudent to take our foot off the growth accelerator in 2009 and to focus on transforming Sanlam into an even more efficient and well-diversified operation.

We therefore placed greater focus on expanding and diversifying through strategic partnerships rather than through major acquisitions. The aim was to further diversify our business not only through product ranges, but also into different market segments and countries.

Here are some of the highlights:

- With the aim of growing our market share of the South African middle market, Sanlam Topaz completed the development of client value propositions for three prioritised client segments during 2009. We have also managed to achieve significant growth in our healthcare business.
- The roll-out of a new business assurance advice tool by Sanlam Cobalt, our offering for the professional and self-employed market, has resulted in the outperformance of its VNB target of 200%.
- A strategic growth initiative was the acquisition in 2009 by Sanlam Glacier of a short-term insurance brokerage with the aim of expanding the range of financial solutions specifically tailored for the affluent market. The Glacier short-term offering was launched in September through the acquired brokerage, AIB, and was very well received.

Report by the Group Chief Executive continued

- The integration of Channel Life and Sanlam Sky Solutions into a single South African business enables us to proceed with a single strategy aimed at achieving continued profitable top-line growth in the entry-level market. Sanlam Sky Solutions also managed to grow its contingent of agents by 800 in 2009, bringing the total number of agents to 2 200. This propelled new business volume by almost 40% in 2009.
- Further growth in the entry-level market is expected from the joint venture between Sanlam Sky Solutions, Santam and the JD Group. This initiative provides access to the extensive JD Group client base.
- Given the economic climate we delayed plans to further expand into the high net worth market through Sanlam Private Investments. We will be revisiting plans to add credit products and access to private banking to this offering in 2010.
- Our expansion plans for our other African operations are progressing well. In Botswana we purchased Legal Guard, which administers a legal expenses insurance policy. The intention is to use this as a base from which to launch a wider range of general insurance products. Unfortunately our bancassurance initiative in Nigeria has not yet been finalised, but other bancassurance relationships in Africa through our agreement with, *inter alia,* Barclays and Standard Chartered are progressing well.
- One of the highlights for 2009 was the launch of Shriram Life's NEW (North, East & West) Channel in India. By the end of 2009 NEW Channel had established 38 new Shriram Life branches in India.
- Sanlam Employee Benefits completed its very ambitious migration project in the third quarter of 2009 and can now focus on attracting new business.

2010 – Gearing for sustainable growth

I would like nothing more than to join the optimists in their outlook for 2010, but I am not convinced that the so-called green shoots of recovery are about to burst into vigorous growth.

The South African economy is likely to see further job losses this year and inflation remains under pressure largely as a result of Eskom's tariff hikes, the oil price and wage increases. The arrival of 2010, and with it the FIFA World Cup, will not suddenly and miraculously iron out the structural imbalances in our economy. In my view the true bottom was only reached at the end of 2009 with a delayed recovery from the middle of this year.

How does this impact our growth ambitions? While 2010 will not be an easy year, I do believe that we are well placed to deliver another set of solid results this year. We remain well positioned to aim for growth and will therefore start accelerating slowly to start achieving the sustainable growth for which we have positioned the Group over the past seven years.

In 2007 we invested heavily in new projects identified to spearhead the growth of this business well into the future. In 2008 much of our focus was placed on bedding down these initiatives. In 2009 we took a strategic decision to delay investing in furthering this growth as a result of the uncertainties created by the global credit crunch.



We are now ready to proceed with caution since we have the efficient and well-diversified base from which to launch our sustainable growth. The following initiatives are on our priority list for 2010:

- We will continue our diversification strategy by focusing on expanding the non-life side of our business. In combination, the stability of our life business and the growth potential of non-life opportunities will help us achieve sustainable and resilient growth.
- While it was prudent to amass surplus capital during the credit crunch, we believe that we can now start looking for opportunities to efficiently redistribute some of this capital. The first prize is to allocate the R3,5 billion of existing discretionary capital to growth opportunities over time.
- Shareholder value will be enhanced further by unlocking additional surplus capital.
- We will continue expanding our adviser and broker footprint in South Africa, the rest of Africa, India and the UK. A wider distribution reach will enable us to launch a more diversified range of financial solutions into various market segments.
- It is our aim to grow our business through a continued strong focus on profitable volume growth, client service and cost management.
- A critical goal is to identify ways of attracting and retaining previously disadvantaged people at middle and senior management.

In closing

There are many definitions for resilience, but it is probably best described as using energy productively to move ahead in the face of adversity.

The financial results presented in this Sanlam Annual Report prove that we did this well in 2009. But it takes a team effort to make a company resilient. I would therefore like to thank each and every Sanlam employee, our intermediaries, my management team and the Board for their role in bringing about the resilience in our business that helped us deliver our solid performance in 2009 despite adverse conditions. Equally, I would like to thank our clients and our shareholders for their ongoing support.

I would also like to express my appreciation to Roy Andersen for his valued contribution to the Sanlam Group over the past six years. I am pleased that Desmond Smith has agreed to take over as chairman when Roy steps down at the close of the Board meeting in June 2010 and I look forward to working with him.

I am excited about taking Sanlam into the second decade of the 21st century. We are well positioned to embrace sustainable growth and I would like to encourage our shareholders and our clients to continue embracing Sanlam as a journey for life.

Johan van Zyl
Group Chief Executive

Executive committee

1 Johan van Zyl
2 Kobus Möller

3 Ian Kirk
4 Lizé Lambrechts
5 Yvonne Muthien
6 Temba Mvusi

7 Johan van der Merwe
8 Heinie Werth
9 André Zeeman

Johan van Zyl (53)
Appointed: 2003
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, Trustee of the Hans Merensky Trust and Chairman of ASISA (Association of Savings and Investment South Africa)
Former Chief Executive of Santam, Vice-chancellor and Principal of the University of Pretoria

Kobus Möller (50)
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, Channel Life 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 (52)
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 (46)
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, Channel Life and 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

Yvonne Muthien (53)
Appointed: 2009
Qualifications: BA (Hons), MA, DPhil (Oxford)
Appointed Chief Executive: Group Services in December 2009
Executive director of Sanlam Limited and Sanlam Life. Non-executive Director of Santam, Trustee of Sasol Inzalo Foundation and Chairperson of the President's Advisory Council on National Orders
Former director of Aurecon, Sentech, SABC, Transnet and Mossgas
Former council member of the University of Stellenbosch

Temba Mvusi (54)
Appointed: 2004
Qualifications: BA, ELP (Warton School of Business), MAP (Wits), PDP (UCT)
Appointed Chief Executive: Group Market Development in August 2005 after serving as Chief Executive: Group Services since January 2004. Executive director of Sanlam Limited and Sanlam Life, Non-executive director of Sanlam Private Investments, Sanlam Developing Markets, Sanlam Investment Management, Sanlam Employee Benefits, Channel Life 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 (45)
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, director of Sanlam UK, Sanlam International Investment Partners, Octane Holdings, Attacq Property Fund and all the companies in Sanlam Investments and Chairman of Sanlam Capital Markets, Simeka Consultants and Actuaries, Sanlam Properties, Sanlam Multi Manager International, Sanlam Asset Management (Ireland), Sanlam Private Investments and Sanlam Collective Investments

Heinie Werth (46)
Appointed: 2005
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 Chief Executive Officer 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 (49)
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

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 second King Report on Corporate Governance (King II). Sanlam also complies with the additional requirements for good corporate governance stipulated in the JSE SRI Index. It will continue to be committed to pursue the high standards of corporate governance and global best practice as recommended by the subsequent and third Report (King III), effective for financial years commencing after 1 March 2010. Sanlam welcomes King III and is taking steps to ensure that it will become compliant with the obligations placed on the company as a consequence thereof. Sanlam subscribes to a governance system whereby in particular ethics and integrity set the standards for compliance, and constantly reviews and adapts its structures and processes to facilitate effective leadership, sustainability and corporate citizenship, and to reflect national and international corporate governance standards, developments and best practice.

With regard to the year under review, the directors of Sanlam believe that Sanlam complies with and has implemented the main principles of King II in all significant respects. Adherence to King III will be reflected in the 2010 Annual Report.

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 practising good 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 King II

According to Sanlam's decentralised business approach, each of its business clusters operates in conjunction with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of King II. 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 achievement of best practice in sustainability are set out in the Abridged Sustainability Management Review included in this Annual Report. The full report, known as the GRI Report, is available on Sanlam's website.

Governance entrenched

Sanlam has once again qualified for the (2009) JSE's Social Responsible Investment (SRI) Index. The overall quality of Sanlam's corporate governance practices has also been evaluated by an independent research and ratings firm namely GovernanceMetrics International (GMI), and the result of the GMI rating, on a scale of 1 to 10, was 7.5, which is considered above average.

Corporate Governance Report continued

Board structures

All the directors of Sanlam Limited (Sanlam) also serve 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 and are held concurrently, thereby removing one layer in the decision-making process. This is an attempt to enhance productivity and efficiency of the two Boards, to prevent duplication of effort and to optimise the flow of information.

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

- Audit and Finance
- Risk and Compliance
- 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 Financial Services Board (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 Finance
- Risk and Compliance
- Human Resources
- Policyholders' Interest

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

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

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, MiWay and Shriram General Insurance are seen to represent a third short-term insurance 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 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, MiWay and Shriram General Insurance. Santam is a separate listed entity.

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 (not all statutory) 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 Personal 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. A number of divisions in the Group Office are grouped together under Group Services, headed by the newly appointed executive director, Dr Yvonne Muthien, who, with effect from 2 December 2009, replaced Raisibe Morathi.

The Sanlam Board and Board committees (as at 31 December 2009)

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) are under review to be aligned with the King III principles and recommendations.

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 2009 financial year-end the Sanlam Board comprised 18 members, two of whom were non-executive, 12 were independent non-executives (still in accordance with King II's standards of independence) and four executive directors. Dr Wilmot James stepped down on 26 January 2009 and Raisibe Morathi on 3 August 2009. Yvonne Muthien and Temba Mvusi were appointed on 2 December 2009 as executive directors. Desmond Smith was appointed on 8 June 2009 as independent non-executive director.

The roles of Chairman and Group Chief Executive are separated, with Roy Andersen and Johan van Zyl still holding these positions respectively. The Group Executive committee members are also attendees at the Board meetings. At least a third of all Board members retire every year at Sanlam's annual general meeting (AGM). None of the non-executive directors has a director's service contract.

Particulars of the Sanlam Board members and their capacities categorised as executive, non-executive and independent, are set out below.

The Sanlam Board of directors

Director	Executive (E) Non-executive (N) Independent (I)	Changes during 2009
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	Resigned on 3 August 2009
YG Muthien	E	Appointed on 2 December 2009
TI Mvusi	E	Appointed on 2 December 2009
SA Nkosi	I	
I Plenderleith	I	
GE Rudman	I	
RV Simelane	N	
DK Smith	I	Appointed on 8 June 2009
ZB Swanepoel	I	
J van Zyl	E	
PL Zim	I	

Composition of the Board as at 31 December 2009: Three black females, five black males, one white female, nine 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 the King Report. The guidelines of King II were used for the 2009 classification. 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 Patrice Motsepe and Rejoice Simelane owing to their involvement in Ubuntu-Botho, as well as Johan van Zyl, Kobus Möller, Yvonne Muthien and Temba Mvusi 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 reappointment 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 shareholders' resolutions.

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 support and resources are also provided to Board members as required, in order to enable them to extend and refresh their skills, knowledge and understanding of the Group. Professional development and skills training are provided through regular updates on changes and proposed changes to laws and regulations affecting the Group or its businesses.

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 2010 AGM are contained in the explanatory notes to the resolutions for the AGM (refer to page 340).



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 and makes recommendations to the Board where deemed appropriate.

The Board effectiveness review was conducted by Deloitte in respect of the 2007 performances, and for 2008 by the Chairman; the latter 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. The 2009 assessments have been deferred until the second semester of 2010, after the evaluation of the impact of the additional King III requirements.

Board meetings

The Board meets at least quarterly 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. In addition to the quarterly Board meetings, a two-day strategy session is held and is attended by all Board members and Group Exco members, reviewing Group strategy which is considered and approved annually.

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 does 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.

– Risk and Compliance committee (Risk committee)

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

Members:
AS du Plessis (Chairman since 1 March 2009), GE Rudman, FA du Plessis, I Plenderleith and DK Smith (since 8 June 2009).

Advisers:

D Ladds, P de V Rademeyer, CG Swanepoel, PJ Cook (since 1 March 2009).

Attendees:

RC Andersen (Board Chairman), J van Zyl (Group Chief Executive), JP Möller (Financial Director), AP Zeeman (Chief Actuary and Chief Risk Officer), J Marnewicke (Head: Compliance), AC Nortier (Chief Audit Executive), JP Bester (Company Secretary) and M Lombard (Company Secretary: Sanlam Life). The heads of the businesses also attend: L Lambrechts (Sanlam Personal Finance – SPF), HC Werth (Sanlam Developing Markets – SDM), JHP van der Merwe (Sanlam Investments – SI) and I Kirk (Santam).

The committee comprises five experienced members, all of whom are independent directors, and four advisers. In view of this committee's Group-wide relevance, the external audit partners as well as other assurance providers also attend committee meetings.

The role of the Risk committee is to advise and assist the Board in fulfilling its responsibility with regard to its enterprise risk management framework and responsibilities as well as with regard to its compliance responsibilities.

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

The committee meets four times a year.

– Audit, Actuarial and Finance committee (Audit committee)

Members:

AS du Plessis (Chairman since 1 March 2009), GE Rudman, FA du Plessis, I Plenderleith and DK Smith (since 8 June 2009).

Advisers:

D Ladds, P de V Rademeyer, CG Swanepoel, PJ Cook (since 1 March 2009).

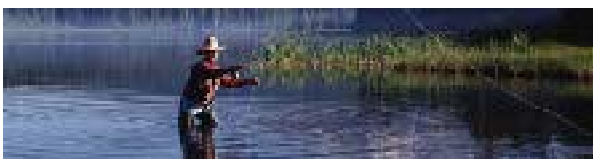
Attendees:

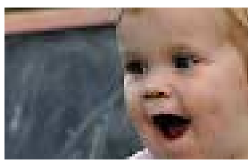
RC Andersen (Board Chairman), J van Zyl (Group Chief Executive), JP Möller (Financial Director), AP Zeeman (Chief Actuary and Chief Risk Officer), AC Nortier (Chief Audit Executive), JP Bester (Company Secretary) and M Lombard (Company Secretary: Sanlam Life). The heads of the businesses also attend: L Lambrechts (SPF), HC Werth (SDM), JHP van der Merwe (SI) and I Kirk (Santam).

This committee is chaired by and comprises only independent non-executive directors and four advisers. In accordance with the requirements of the Corporate Laws Amendment Act 24 of 2006, members of the committee are appointed annually by the Board for the ensuing financial year. This committee also discharges all the (statutory) Audit committee responsibilities in terms of the said Act on behalf of all the subsidiary companies within the Group.

The committee consists of five members with financial and actuarial experience and four advisers. The external audit partners as well as other assurance providers also attend committee meetings.

The role of the Audit committee is to assist the Board in fulfilling its responsibility with regard to financial and auditing oversight responsibilities, as well as the overall quality and integrity of financial and actuarial reporting and internal control matters. 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 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 2009 and has confirmed that it is satisfied that JP Möller, the financial director of Sanlam, possesses the appropriate expertise and experience to meet the responsibilities required for that position.

This committee's charter is also reviewed annually by the Board, as well as compliance to the charter.

As part of Sanlam's corporate governance practices, the interim financial results are reviewed by the external auditor. The committee has to satisfy itself that Sanlam's external auditor is independent of the company based on representations received and review and approval of non-audit services rendered.

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 (until 3 August 2009), E van der Straaten (Group HR Executive) and JP Bester (Company Secretary).

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.

In accordance with the King III recommendations, Sanlam's remuneration policy will be tabled to the shareholders for a non-binding advisory vote at the 2010 AGM. This vote will enable the shareholders to express their views on the remuneration policies adopted and their implementations.

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. Non-executive remuneration were also reviewed. 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.

– Nominations committee

Members:

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

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 (until 26 January 2009), MV Moosa, PT Motsepe, SA Nkosi, I Plenderleith, GE Rudman, RV Simelane, DK Smith (since 8 June 2009), ZB Swanepoel and PL Zim.

Attendees:

JP Bester (Company Secretary) and M Lombard (Company Secretary: Sanlam Life).

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 appropriate and balanced corporate governance practices and processes are entrenched 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 (until 26 January 2009), RV Simelane, ZB Swanepoel and PL Zim (since 1 September 2009).

Attendees:

J van Zyl (Group Chief Executive), RK Morathi (until 3 August 2009), YG Muthien (Chief Executive: Group Services) (since 2 December 2009), all the business heads (once a year), TI Mvusi (Chief Executive: Market Development), E van der Straaten (Group HR Executive), E Masilela (Head: Sustainability Management and Retirement Reform until 30 November 2009 and now Head: Policy Analysis) 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 (until 26 January 2009), CG Swanepoel, RV Simelane and DK Smith (since 8 June 2009).

Attendees:

AP Zeeman (Chief Actuary), selected members of senior 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 subcommittees

The Board has the right to appoint and authorise special *ad hoc* Board subcommittees from time to time to perform specific tasks. The appropriate Board members make up these subcommittees. A standing annual subcommittee is the Bonus Declaration subcommittee, under chairmanship of the Group Chief Executive, J van Zyl, tasked to make recommendations to the Board in respect of SPF and SEB annual bonus declarations.

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

– Sanlam Group Executive committee

Members:

J van Zyl (Group Chief Executive and Chairman), I Kirk, L Lambrechts, JP Möller, RK Morathi (until 3 August 2009), YG Muthien (since 2 December 2009), TI Mvusi, JHP van der Merwe, HC Werth and AP Zeeman.

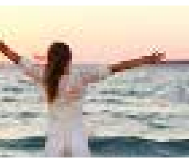
Attendee:

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 2009

	Board meetings		Audit and Risk		HR	Nominations		Sustain-ability	Policy-holders' Interest	*Ad hoc* sub-commit-tees
	Regular	Special	Regular	Special		Regular	Special			
Scheduled	5	0	4	0	4	4	0	4	4	0
Held	5	2	4	1	4	4	2	4	4	—
RC Andersen	5	2			4	4	2			1/1
MMM Bakane-Tuoane	5	1			4	4	2			1/1
AD Botha	5	2			4					1/2
AS du Plessis	5	2	4	1						2/2
FA du Plessis	5	2	4	1					4	4/4
MV Moosa	5	1						4		
JP Möller	5	2								4/4
RK Morathi[(a)]	2	1								1/1
PT Motsepe	5	2			4	4	2			1/1
YG Muthien[(b)]	0	0								
T Mvusi[(b)]	0	0								
SA Nkosi	5	1								
I Plenderleith	5	2	4	1						
GE Rudman	4	2	4	1						2/3
RV Simelane	5	2						4	3	
DK Smith[(c)]	3	0	1						2	1/1
ZB Swanepoel	5	2						3		0/1
J van Zyl	5	2								5/5
PL Zim[(d)]	4	0						2		

[(a)] *Resigned from Board: 3 August 2009.*
[(b)] *Appointed to Board at December 2009 Board meeting.*
[(c)] *Appointed to Board: 8 June 2009.*
[(d)] *Appointed to the Sustainability committee: 3 June 2009.*



Company secretary and professional advice

The Board-appointed Company Secretary is JP Bester. He is also the Public 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 Secretariat, whose office is accountable to the Board for ensuring that procedures are complied with and that sound corporate governance and ethical principles are adhered 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 and duly reported on to the Board. 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.

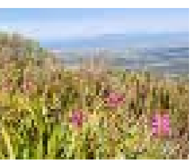
Sponsors

During the period under review, Deutsche Securities (SA) (Proprietary) Limited was Sanlam's appointed JSE sponsor.

Investor relations and communication with stakeholders

Sanlam strives to be a leader in transparent, open and clear communication 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, institutional investors, regulatory authorities 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



Corporate Governance Report continued

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.

Political party support

While it is Sanlam's policy to support the development of democratic institutions and social initiatives, it does not provide support to any individual political party, financially or otherwise.

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 for the Group.

A Group Ethics committee functions under the chairmanship of the Chief Actuary and is representative of the business clusters. The Group Ethics committee monitors compliance with the principles underlying the code of ethical conduct 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 ethical conduct, 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 ethical conduct and to address any breaches of the code. The results of an independent ethical assessment conducted by KPMG during 2009 were very positive. The risk assessment study concluded that the integrity profile of the company was strong and that this provides an excellent base for further improvements in future.

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 ethical conduct, 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 Risk and Compliance 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.

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.

External Auditors

As part of Sanlam's corporate governance practices, the interim financial results are reviewed by the external auditor. The Audit committee is satisfied that Sanlam's external auditor is independent of the company based on representations received and review and approval of non-audit services rendered and has nominated the reappointment of Ernst & Young Inc. for the 2009/2010 financial year. The Board has, subject to shareholder approval, appointed Ernst & Young Inc. as external auditor and Mr MP Rapson as audit partner for Sanlam.

Ernst & Young Inc., as well as Mr MP Rapson being Sanlam's individually registered auditor, are registered with the JSE Limited (JSE) in terms of its revised Listings Requirements.

Corporate Governance Report continued

Remuneration report

Introduction

Sanlam's remuneration philosophy and strategy supports the Group strategy in that it governs processes that align predetermined strategic goals with the organisational behaviour required to meet and exceed these goals. In setting up the reward structures, cognisance is taken of prevailing economic conditions, national and international governance principles and the management of risk in the context of both short- and long-term incentive allocation.

During 2009, a great deal of attention was given to correctly positioning both the nature and the scale of remuneration relative to national comparator groups and international best practice. Steps were also taken to ensure alignment with the regulatory and governance requirements and specifically those of King III.

This section covers the following aspects:

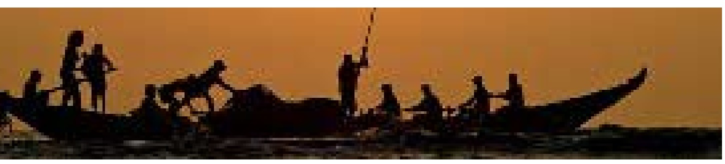
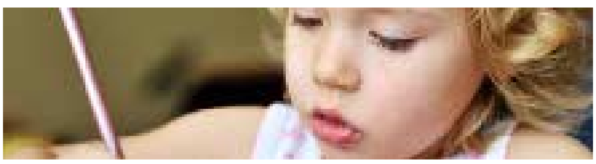
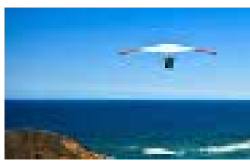
- The Group Human Resources committee and its role;
- Sanlam's remuneration philosophy and strategy;
- An overview of the executive remuneration structure;
- Remuneration details for executive directors and members of the Executive committee;
- Executive contracts;
- Non-executive directors remuneration;
- Payments made in 2009 including interest in shares; and
- Share scheme dilution limits.

The Group Human Resources committee and its role

The Group Human Resources committee of the Board (GHRC) is responsible for developing the remuneration strategy of the Group and presenting it to the Sanlam Board for approval. Its other activities include approving mandates for bonus and all long-term incentive schemes and taking decisions about the Sanlam Group Executive committee remuneration packages relative to local and international industry benchmarks. The GHRC retains the prerogative to make all remuneration decisions it deems appropriate within the approved framework and may propose amendments to 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 the GHRC's committee fees.

To fulfil the role described above, the GHRC undertakes the following:

- Develops and recommends to the Sanlam Board for approval the Group's remuneration strategy as far as the remuneration of executive directors and members of the Sanlam Group Executive committee is concerned;
- Develops and recommends to the Sanlam Board for approval short-term incentive schemes for the Group. Its activities include the setting of annual targets, monitoring those targets and reviewing the incentive schemes on a regular basis to ensure that there is a clear link between the schemes and performance;
- Develops and recommends to the Sanlam Board for approval long-term share incentive schemes for the Group. Its activities include the setting of guidelines for annual allocations and a regular review of the structure of the schemes;
- Sets appropriate performance drivers for both short-term and long-term incentives, as well as monitoring and testing those drivers;
- Manages the contracts of employment of executive directors and Executive committee members so that their terms are compliant with good practice principles;

- Determines specific remuneration packages for executive directors and Executive committee members, including basic salary, pensions, short-term incentives, long-term incentives and conditions of employment; and
- Makes recommendations to the Board regarding the remuneration of non-executive directors.

A copy of the GHRC's terms of reference can be found on the company's website **(www.sanlam.co.za)**.

During 2009, the GHRC considered the following issues:

- Benchmarking of remuneration levels and practices with international and local comparator groups;
- Alignment of Sanlam remuneration practices with King III governance principles;
- Recruitment and appointment of executive staff members; and
- Monitoring and approval of short-term bonuses and the allocation of long-term incentives.

Sanlam's remuneration philosophy and strategy

Philosophy

The Board is convinced that appropriate remuneration for executive directors and members of the Executive committee is inextricably linked to the development and retention of top-level talent and intellectual capital within the Group. Given the current economic climate, changes in the regulatory requirements and the ongoing skills shortage it is essential that adequate measures be implemented to attract and retain the required skills. In order to meet the strategic objective of a high-performance organisation, the remuneration philosophy is positioned to reward exceptional performance and to maintain that performance over time.

Sanlam's remuneration philosophy aims to:

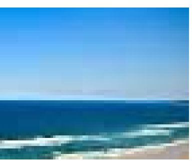
- Inform stakeholders of Sanlam's approach to rewarding its employees;
- Identify those aspects of the reward philosophy that are prescribed and to which all businesses should adhere;
- Provide a general framework for all the other elements of the reward philosophy;
- Offer guidelines for short- and 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.

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

In this regard, 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.

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. However, the overarching principles and design of the remuneration structure are consistent, to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. In other 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.

To this end, 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 (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

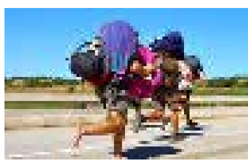
Strategy

In applying the remuneration philosophy and implementing the Total Reward Strategy, a number of principles are followed:

- *Pay for performance:* Performance is the cornerstone of the remuneration philosophy. On this basis, all remuneration practices are structured in such a way as to provide for clear differentiation between individuals with regard to performance. It is also positioned so that a clear link between the performance hurdle that is being rewarded and the company strategy is maintained.
- *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 in order to ensure the continued success of the organisation.
- *Leverage and alignment:* The reward consequences for individual employees are, as far as possible, aligned with, linked to and influenced by:
    - o The interests of the shareholders;
    - o The performance of the company as a whole;
    - o The performance of any region, business unit or support function; and
    - o The employee's own contribution.
- *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 the required talent to meet the company's objectives.
- *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 in relation to the Group's stated strategic objectives. The performance management process contributes significantly towards obtaining this level of participation and towards lending structure to the process.
- *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. In this process the link between remuneration and company strategic objectives must be understood by 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.

For the Sanlam Group to remain competitive, remuneration policies and practices are evaluated against both national and international remuneration trends and governance frameworks. In response to developments on the international front and the implementation of King III, a number of amendments to Sanlam's remuneration policy





are being considered for 2010. These amendments will focus on the relationship of risk to incentives and issues related to claw-back mechanisms (last mentioned includes the discretion to reduce or reclaim payments where performance achievement are subsequently found to have been significantly mis-stated). Other actions relate to explicitly describing certain processes that are already in place but need further elaboration.

An overview of the executive remuneration structure

The different components of the remuneration paid to executive directors and members of the Executive committee are summarised in the table below. A detailed description of each component follows in the next section.

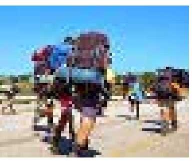
In general terms, the quantum of the different components of the package is determined as follows:

- 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.

Element	Purpose	Performance period and measures	Operation and delivery
Basic salary (guaranteed)*	Core element that reflects market value of role and individual performance	Reviewed annually based on performance against contracted output and market surveys	Benchmarked against comparator group and positioned on average on the 50th percentile
Benefits (guaranteed)*	Retirement and lifestyle benefits which assist employees in carrying out their duties	Reviewed annually	Included in comparator benchmarking
Annual bonus (short-term variable)	Create a high-performance culture through a cash bonus in relation to performance against predetermined outputs	Annual	Based on different levels and predetermined performance hurdles of business and personal targets. Cash settlement capped at 200% of TGP
Long-term incentives (long-term variable)	Alignment with shareholder interests	Annual grants and 3- to 5-year vesting period	Upon satisfaction of return target

** Total Guaranteed Package (TGP).*

The above arrangements will be modified in 2010 should significant changes in operating conditions or governance frameworks occur.



Remuneration details for executive directors and members of the Executive committee

In addition to the requirements of the disclosure of the executive directors in compliance with King II guidelines, Sanlam has decided to also disclose information on its Executive committee.

The following section provides a detailed description of each component of the remuneration paid to executive directors and members of the Executive committee – including the purpose of the component and its implementation – as far as these individuals are concerned. Brief details are also provided of the payments made in 2009 and Sanlam's policy pertaining to that component for 2010.

TGP

Purpose

TGP is a guaranteed component of the remuneration offering. It forms the basis of the organisation's ability to attract and retain the required skills. In order to create a high-performance culture, the emphasis is placed on the variable/performance component of remuneration rather than the guaranteed component. For this reason this component of remuneration is positioned on the 50th percentile of the market. Included in TGP, Sanlam provides its employees with a flexible structure of benefits that can be tailored, within certain limits, to individual requirements. These include:

- Retirement fund
- Group life cover
- Medical aid
- Motor-car scheme
- Cellphone allowance

Process and benchmarking

TGP is set by reference to the median to upper quartile level paid by a group of comparator companies which Sanlam considers to be appropriate. The comparator group is made up of 20 to 22 companies and these companies have similar characteristics to Sanlam in terms of being in the financial services sector (but not limited only to this sector), market capitalisation and international footprint.

In terms of the process followed in benchmarking TGP against these comparator companies, Sanlam obtains data from a number of global salary surveys and the data is then analysed using the Watson Wyatt grading system. In addition to this benchmarking process, when setting TGP levels Sanlam also takes into account the skills, potential and performance of the individual concerned.

GHRC's role

Upon conclusion of the benchmarking process, proposals regarding basic salary level increases for the following year are considered by the GHRC and approved.

The Human Resources committee reviews the adjustments to basic salary of each of the executive directors and members of the Executive committee.

Levels

Basic salary levels are positioned around the 50th percentile of the comparator market. In certain instances, however, there may be a salary sacrifice in favour of the variable component. Where specific skills dictate, TGP levels may be set in excess of the 50th percentile.



Payments

The table below shows the basic salary paid (rand) to each of the executive directors and members of the Executive committee:

Individual	TGP as at 1 January 2009	TGP as at 1 January 2010	Increase as % of TGP
Johan van Zyl*	4 975 300	4 975 300	0**
Kobus Möller*	3 113 700	3 313 700	6
Raisibe Morathi*	2 100 000	Out of service	8
Yvonne Muthien*	n/a	2 200 000	n/a
Johan van der Merwe	3 670 100	3 890 100	6
Lizé Lambrechts	2 882 000	3 102 000	8
Ian Kirk	2 867 748	3 200 000	12
Heinie Werth	2 381 400	2 651 400	11
André Zeeman	2 163 840	2 343 840	8
Temba Mvusi*, ***	1 919 000	2 079 000	8

** Executive director.*
*** Johan van Zyl opted to decline a proposed salary increase for 2009 offered to him by the GHRC.*
**** Receives an additional amount of 10% on TGP from Santam for services rendered.*

The average salary increase paid to executive directors for 2009 was 4,6% and that of members of the Executive committee for 2009 was 8,8%, compared with an average salary increase paid to all employees of 8%.

Annual bonus plan

Purpose

The purpose of the annual bonus plan is to align the performance of staff with the goals of the organisation and to motivate and reward staff who surpass the agreed performance hurdles. Over recent years, the focus has shifted from alignment and operational issues to growing the business and ensuring that it is managed in a sustainable way.

GHRC's role

The GHRC's role with regard to the annual bonus is to:

- Determine the structure of the annual bonus plan and ensure that it provides a clear link to performance and is aligned with the Group's business strategy;
- Agree on the performance drivers for the annual bonus plan;
- Agree on the split between business, Group and personal performance criteria; and
- Set the threshold, target and stretch targets for the annual bonus plan and the percentage of basic salary which can be earned at each level by each group of employees.

Performance targets

The performance targets for the annual bonus plan are set by the GHRC on an annual basis. In respect of the 2009 annual bonus, the split between business, group and personal performance criteria for executive directors and members of the Executive committee was as follows (however, it should be noted that the annual bonus plan may not be structured in the same way in future years):

Individual	Business %	Group %	Personal %
Johan van Zyl	—	100	—
Kobus Möller	—	70	30
Johan van der Merwe	70	10	20
Lizé Lambrechts	50	25	25
Raisibe Morathi	—	50	50
Heinie Werth	50	25	25
André Zeeman	—	—	100
Temba Mvusi	—	50	50
Yvonne Muthien	—	50	50

The Group performance measures which will be applied in 2010 are:

- Return on Group Equity Value (ROGEV).

  This is the key driver of the Group's strategy and the use of this measure means a direct link between the annual bonus plan and the Group's business strategy.

  In order to exclude the impact of investment market volatility during the performance period in question, adjusted ROGEV is used. This assumes that the embedded value investment return assumptions as at the beginning of the reporting period were achieved for the purposes of the investment return earned on the supporting capital of covered business and the valuation of other Group operations.

  Any other *ad hoc* items which are not under the control of management are also excluded.

- Operating profit

  This measure has been chosen because increasing the profitability of the Group is key to the business strategy and this is felt to be the most appropriate measure to track profitability.

- Value of new covered business (VNB)

  This measure has been chosen as it links directly into the Group's business strategy in terms of growing VNB.

The business-level performance measures, which will be applied in 2010, are determined by the specific strategic objectives of each business.

Personal performance measures are based on the contracted output with each individual at the start of the contracted period.



Vesting levels

The short-term bonus is a cash-based bonus scheme. Where the annual bonus targets are achieved in full, 100% of the bonus will be paid. In instances where expected target goals have been exceeded, the cash component is capped at a percentage of TGP and the balance deferred.

Where the bonus targets are not achieved in full, a *pro rata* bonus will be paid only if the threshold performance level has been achieved.

Where the annual bonus targets are not achieved, an amount may be set aside to reward exceptional individual performance at the discretion of the Group Chief Executive.

In respect of the executive directors and members of the Executive committee, the payments which can be achieved at the target and stretch levels are as follows:

Individual	% of TGP at target performance	Performance cash cap as % of TGP
Johan van Zyl	100	250*
Kobus Möller	56	100
Johan van der Merwe	100	250
Lizé Lambrechts	56	100
Raisibe Morathi	56	100
Heinie Werth	56	100
André Zeeman	56	100
Temba Mvusi	56	100
Yvonne Muthien	56	100

**20% of this amount is applied to his long-term incentive obligation (SPP).*

These levels are benchmarked with comparator groups together with other components of remuneration.

Deferral

Where it is determined that an executive has exhibited exceptional performance within his or her area of expertise and a bonus payment should be awarded which is in excess of the bonus cap, that excess amount will be deferred and awarded as restricted shares under the Sanlam Restricted Share Plan.

A portion of the restricted shares awarded is subject to a retention condition in that the executive must remain employed within the Group until the vesting date. This portion varies between 0% and 50% of the award and is dependent upon the executive's role. The remaining portion of the restricted shares awarded is subject to a performance condition.

The vesting period is five years in duration. Further details of the plan can be found in the "Long-term incentives" section below.

The rationale for this deferral mechanism is to encourage retention of high-performing individuals and to sustain profitable business areas. To the extent that performance is not sustained, the performance condition attached to a portion of the restricted awards will not be satisfied and the award will not vest.

Payments

The table below shows the annual bonus payments (rand) made to each of the executive directors and members of the Executive committee in respect of the performance achieved in 2008. These bonuses were paid in 2009:

Individual	Performance level achieved 2008 (% of TGP)	Payment 2009	Performance level achieved 2009 (% of TGP)	Payment 2010
Johan van Zyl	150	7 500 000	111	5 500 000
Kobus Möller	80	2 500 000	67	2 200 000
Johan van der Merwe	177	6 500 000	190	5 500 000
Lizé Lambrechts	69	2 000 000	64	2 000 000
Raisibe Morathi*	72	1 000 000	n/a	n/a
Heinie Werth	75	1 800 000	76	2 000 000
André Zeeman	83	1 800 000	77	1 800 000
Temba Mvusi	72	1 400 000	69	1 500 000
Yvonne Muthien	n/a	n/a	n/a	n/a

** The bonus paid to Raisibe Morathi is for eight months only as she joined Sanlam on a permanent basis in May 2008.*

Long-term incentives

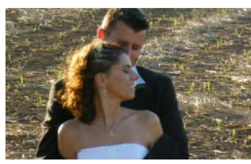
Overview and general policy

Sanlam currently grants awards to executives under the following four long-term incentive plans:

- The Sanlam Deferred Share Plan (DSP);
- The Sanlam Performance Deferred Share Plan (PDSP);
- The Sanlam Restricted Share Plan (RSP); and
- The Sanlam Out-Performance Plan (OPP).

With the exception of the OPP, these long-term incentive plans are equity-settled plans. The OPP is a cash-based plan, which rewards long-term performance.





In addition, the executives have outstanding awards under the following legacy plans that will vest and be settled under the rules in force at the time of grant, but the Group does not intend to make new awards under these plans:

- The Sanlam Share Purchase Plan (SPP);
- The Sanlam Long-term Incentive Plan (LTIP); and
- The Sanlam Share Option Scheme (SOS).

The LTIP is a cash-based plan.

As regards awards under the DSP and the PDSP, Sanlam's general policy is that awards are made annually to ensure that the total face value of outstanding awards (as measured by their face value at date of grant) is equal to a set multiple of the executive's TGP. In addition, the performance of the individual and the need to retain his/her services in the future are taken into account when determining the value of the annual grant.

The multiple is determined by reference to the executive's role. The guideline level is 315% of TGP for the CEO, and ranges from 175% to 280% for the rest of the executive team. However, in certain circumstances, the company may grant awards where the face value exceeds these guidelines. Such circumstances include, but are not limited to, being able to attract or retain a specific individual with particular skills to the company.

Long-term incentive awards granted are split between retention awards (granted under the DSP and awards made without performance conditions under the RSP) and performance-related awards (granted under the PDSP and awards made with performance conditions under the RSP).

Awards granted to any one individual under all equity-settled plans (the DSP, the PDSP, the RSP, the SPP and SOS) are subject to an overall individual limit of 6 500 000 unvested shares.

GHRC's role

The GHRC's role as far as the long-term incentive plans are concerned is to:

- Ensure that their structure contributes to shareholder value;
- Set appropriate performance drivers and take responsibility for monitoring and testing those performance drivers; and
- Approve award levels.

Non-executive directors

Non-executive directors do not participate in any of the long-term incentive plans operated by Sanlam.

Deferred Share Plan (DSP)

Awards granted under the DSP are conditional rights to acquire shares subject to a vesting condition being satisfied. The award can be characterised as a "retention award". The vesting condition is that the executive remains employed by the Group throughout the vesting period. The vesting period is five years and staggered vesting occurs in years 3 to 5 as follows:

- 3 years – 40%
- 4 years – 30%
- 5 years – 30%

The retention award granted under the DSP is not subject to performance conditions being satisfied. Typically, the retention award granted under the DSP has a face value of up to 105% of the executive's TGP. To the extent that this percentage falls (whether through vesting or due to a promotion or salary increase), an additional award is granted on an annual basis to maintain the level of retention award.

The following table sets out the participation by executive directors and members of the Executive committee in the DSP:

Individual	Balance 31-12-08	Awarded in 2009	Shares forfeited	Balance 31-12-09	Vesting during 2010	2011	2012	2013	2014
J van Zyl	167 184	187 437	—	354 621	—	66 874	125 130	106 386	56 231
JP Möller	57 634	80 994	—	138 628	—	23 054	49 688	41 588	24 298
T Mvusi	19 895	70 963	—	90 858	—	7 958	34 354	27 257	21 289
Y Muthien*	—	—	—	—	—	—	—	—	—
L Lambrechts	55 169	57 482	—	112 651	—	22 068	39 544	33 795	17 244
JHP vd Merwe	120 903	74 073	—	194 976	—	48 361	65 900	58 493	22 222
HC Werth	54 755	61 805	—	116 560	—	21 902	41 149	34 968	18 541
AP Zeeman	37 453	60 170	—	97 623	—	14 981	35 304	29 287	18 051
R Morathi**	137 984	11 674	149 658	—	—	—	—	—	—

** Appointed on 2 December 2009 and will participate in the 2010 annual allocation.*

*** Resigned on 3 August 2009 and forfeited all benefits under the DSP.*

It is anticipated that awards will be granted in 2010 to executive directors and members of the Executive committee on a basis consistent with that described above.

Performance Deferred Share Plan (PDSP)

To the extent that the face value of the award granted under the DSP does not satisfy the executive's specified percentage of TGP to be granted as long-term incentive awards, he/she will be granted an award under the PDSP. Awards granted under the PDSP are conditional rights to acquire shares subject to a performance vesting condition being satisfied. The award can be characterised as a "performance award".

The performance vesting condition is that, in general terms, the Group's adjusted return on Group Equity Value per share (ROGEV) must have exceeded its cost of capital (COC) for the relevant period. The exact condition varies by reference to the value of the performance award as a proportion of the executive's TGP. The higher the value of the award, the more stretching the performance condition. The conditions applicable to performance awards granted under the PDSP in 2009 are as follows:

- 105 – 175% of TGP – ROGEV is equal to COC
- 175 – 245% of TGP – ROGEV is equal to 105% of COC
- 245 – 315% of TGP – ROGEV is equal to 110% of COC

It is intended that the same conditions will apply to awards to be granted under the PDSP in 2010 but the exact performance conditions will be set by the GHRC at the relevant date of grant. This condition is considered to be appropriate as this is the key driver of the Group's strategy and the use of this measure means a direct link between the PDSP and the Group's business strategy.

The performance measurement period for PDSP awards is six years and the performance conditions will be finally tested at the end of this period. To the extent that they are not met at this point, the performance awards will lapse,



unless the GHRC determines otherwise. However, performance awards can vest prior to the end of the performance measurement period on a staggered basis to the extent that the condition is met earlier. The condition will be tested on the third, fourth and fifth anniversaries of the date of grant and, to the extent that the performance condition is met, a proportion of the performance award will vest at this time on the following basis:

- 3 years – 40%
- 4 years – 30%
- 5 years – 30%

If the performance condition is not met in year 3, but fully met at the end of year 4, then 70% of the award would vest at this time with the remaining 30% vesting in year 5. To the extent that the performance condition is not satisfied early in years 3, 4 and 5, it will be tested at the end of the performance measurement period. This is not viewed by the company as the retesting of the performance condition but rather as extended testing over the entire performance measurement period. To the extent that the performance condition is not achieved in year 3, for example, it can only vest in year 4 if any shortfall has been made up and the full performance condition satisfied.

To the extent that the value of performance awards falls below the specified percentage of the executive's TGP (whether through vesting or due to a promotion or salary increase), an additional award is granted on an annual basis to maintain the level of performance awards.

The following table sets out the participation by executive directors and members of the Executive committee in the PDSP. Except where indicated, all awards meet the performance targets up to 31 December 2009:

Individual	Balance 31-12-08	Awarded in 2009	Shares forfeited	Balance 31-12-09	Vesting during 2010	2011	2012	2013	2014
J van Zyl	272 252	38 659	—	310 911	104 680	82 732	97 139	14 763	11 597
JP Möller	128 754	40 851	—	169 605	45 294	40 178	54 967	16 912	12 254
T Mvusi	33 536	11 967	—	45 503	4 026	12 408	14 847	10 632	3 590
Y Muthien*	—	—	—	—	—	—	—	—	—
L Lambrechts	104 896	10 079	—	114 975	35 028	33 202	35 500	8 222	3 023
JHP vd Merwe	10 517	26 712	—	37 229	—	4 207	13 840	11 169	8 013
	128 559**	—	—	128 559	—	51 424	38 568	38 567	—
HC Werth	47 810	—	—	47 810	19 124	14 343	14 343	—	—
AP Zeeman	54 604	—	—	54 604	21 842	16 381	16 381	—	—
R Morathi***	91 989	7 815	99 804	—	—	—	—	—	—

**Appointed on 2 December 2009 and will participate in the 2010 annual allocation.*

***Shares awarded in 2008 that do not meet the performance target at 31 December 2009.*

****Resigned on 3 August 2009 and forfeited all benefits under the DSP.*

It is anticipated that awards will be granted in 2010 to executive directors and members of the Executive committee on a basis consistent with that described above.

Restricted Share Plan (RSP)

The RSP has, to date, been operated in conjunction with a bonus deferral. Where a bonus payment is awarded which is in excess of the bonus cap, that excess amount will be deferred and awarded as restricted shares under the RSP.

Under this plan, executives receive fully paid-up shares in the company. The executive owns the shares from the date of grant and is entitled to receive dividends. However, the shares are subject to a vesting period and may be forfeited if certain conditions are not met during the vesting period.

A portion of the restricted shares awarded is subject to a retention condition in that the executive must remain employed within the Group until the vesting date. This portion varies between 0% and 50% of the award and is dependent upon the executive's role. The remaining portion of the restricted shares awarded is subject to a performance condition. The performance condition for awards granted in 2009 is that the Group's adjusted ROGEV per share exceeds the COC.

The vesting period is five years in duration and vesting occurs on a staggered basis on the third, fourth and fifth anniversary of the date of grant on the following basis:

- 3 years – 40%
- 4 years – 30%
- 5 years – 30%

The performance condition is tested in the same way as the performance condition imposed on awards granted under the PDSP in that the performance condition will be finally tested at the end of the performance period but the award can vest prior to the end of the performance measured period on a staggered basis to the extent that the condition is met earlier.

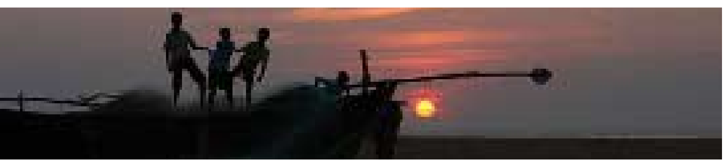
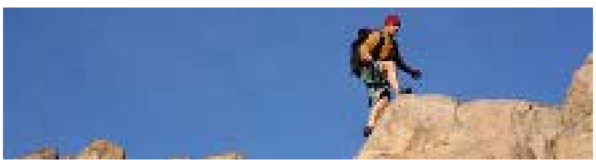
The following table sets out the participation by executive directors and members of the Executive committee in the RSP. Except where indicated, all awards meet the performance targets up to 31 December 2009:

Individual	Balance 31-12-08	Awarded in 2009	Shares forfeited (f) vested (v)	Balance 31-12-09	Vesting during 2010	2011	2012	2013	2014
J van Zyl	2 265 227	273 600	210 000 (v)	2 328 827	527 637	676 682	699 008	343 420	82 080
JP Möller	596 724	136 800	—	733 524	122 538	208 055	233 737	128 154	41 040
T Mvusi	80 430	68 400	—	148 830	—	32 172	51 489	44 649	20 520
Y Muthien*	—	—	—	—	—	—	—	—	—
L Lambrechts	520 833	68 400	—	589 233	101 094	183 060	183 610	100 949	20 520
JHP vd Merwe	1 726 547	205 200	750 547 (v)	1 181 200	218 818	335 696	374 880	190 246	61 560
HC Werth	160 857	68 400	—	229 257	—	64 343	75 617	68 777	20 520
AP Zeeman	160 857	68 400	—	229 257	—	64 343	75 617	68 777	20 520
R Morathi**	—	136 800	136 800 (f)	—	—	—	—	—	—

Appointed on 2 December 2009.

***Resigned on 3 August 2009 and forfeited all benefits under the RSP.*

It is anticipated that awards granted in 2010 to executive directors and members of the Executive committee, if any, would be on a basis consistent with that described above.


Out-Performance Plan (OPP)

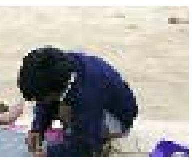
From time to time, at the discretion of the GHRC, participation in the OPP is extended to certain executives who are leaders of the Group's main operating businesses. The OPP rewards superior performance over a three- to five-year measurement period and is used infrequently. No executive director currently participates in the OPP.

No payment is made under the OPP unless expected growth over the period is exceeded and full payment is only made if the stretched performance target is met. The maximum payment that can be made under the OPP is 200% of annual TGP over the respective three- or five-year measurement period.

Current participants to the OPP and achievement to date are as follows:

Individual	Measurement period	Achievement	Reward
L Lambrechts	1 January 2007 – 31 December 2009	28,7%	Payment of R5 353 603 in respect of the three years in cash due on 1 April 2010
JHP vd Merwe	1 January 2004 – 31 December 2008	100%	750 547 restricted shares issued on 31 March 2007, vested on 1 April 2009 (payment for last two years of measurement period)
HC Werth	1 January 2006 – 31 December 2008	82,7%	Payment of R11 907 000 in respect of the three years in cash on 1 April 2009
	1 January 2009 – 31 December 2010	25%	Final measurement and payment on 1 April 2011

To the extent that any awards are granted under the OPP in 2010, this will occur on a basis consistent with that described above.



Corporate Governance Report continued

Historical long-term incentive plans

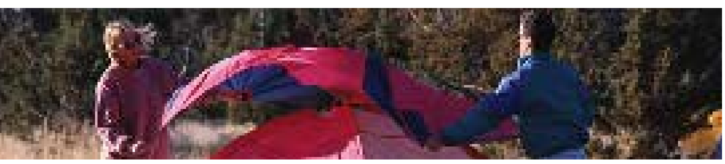
In the past, awards have been granted by Sanlam under the Sanlam Share Purchase Plan, the Sanlam Long-term Incentive Plan and the Sanlam Share Option Scheme. Awards are no longer granted under these plans, although there are still outstanding awards held under them by executives. These awards are disclosed in the section entitled “Remuneration in detail” in this report.

Outstanding participation under the Sanlam Share Purchase Scheme is set out in the following table:

Individual	Number of shares purchased	Loan balance 31-12-08 Rand	Interest charged Rand	Repayments 2009 Rand	Loan balance 31-12-09 Rand
J van Zyl	1 021 325	12 701 631	1 110 638	2 858 572	10 953 697
JP Möller	188 388	2 804 452	260 609	325 683	2 739 378
T Mvusi	140 148	2 086 539	193 899	242 228	2 038 210
JHP vd Merwe	732 706	12 697 781	1 186 052	1 346 219	12 537 614
HC Werth	351 865	5 237 335	486 676	608 498	5 115 513
AP Zeeman	180 507	2 687 166	249 711	312 049	2 624 828

Outstanding participation under the Sanlam Long-term Incentive Plan is set out in the following table:

Individual	Unamortised bonus 31-12-08 Rand	Amortised 2009 Rand	Unamortised bonus 31-12-09 Rand	Amortise 2010 Rand	Amortise 2011 Rand
JP Möller	1 320 000	660 000	660 000	660 000	—
T Mvusi	780 000	390 000	390 000	390 000	—
L Lambrechts	1 496 600	640 640	855 960	532 980	322 980
JHP vd Merwe	1 020 000	510 000	510 000	510 000	—
HC Werth	600 000	300 000	300 000	300 000	—
AP Zeeman	120 000	60 000	60 000	60 000	—

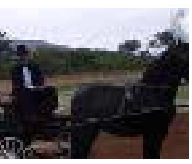


Outstanding participation under the Sanlam Share Option Scheme is set out in the following table:
All outstanding awards are unrestricted.

Individual	Date granted	Balance 31-12-08	Strike price	Exercised 2009	Balance 31-12-09
J van Zyl	01-05-2003	752 555	R6,03	752 555	—
	01-05-2004	187 063	R9,80	187 063	—
	01-06-2004	117 977	R8,40	117 977	—
JP Möller	01-05-2003	67 164	R6,03	67 164	—
	01-05-2004	148 162	R9,80	148 162	—
	01-06-2004	185 115	R8,40	185 115	—
T Mvusi	01-05-2004	35 281	R8,40	35 281	—
	01-06-2004	128 090	R8,40	128 090	—
L Lambrechts	01-05-2003	488 225	R6,03	488 225	—
	01-05-2004	163 714	R9,80	—	163 714
	01-06-2004	226 106	R8,40	—	226 106
JHP vd Merwe	01-10-2002	820 000	R7,49	820 000	—
	01-05-2003	144 278	R6,03	144 278	—
	01-06-2004	167 865	R8,40	83 932	83 933
HC Werth	01-05-2003	74 627	R6,03	74 627	—
	01-05-2004	58 378	R9,25	58 378	—
	01-05-2004	49 591	R9,80	49 591	—
	01-06-2004	144 568	R8,40	144 568	—
AP Zeeman	01-05-2003	248 756	R6,03	248 756	—
	01-05-2004	165 498	R8,40	—	165 498
	01-06-2004	67 415	R8,40	—	67 415

The following gains were made by executive directors 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.

Benefits realised from long-term incentive plans:	2009	2008
Gains on options exercised (R'000)	**29 523**	18 719
Weighted average strike price	**R7,49**	R7,06
Weighted average market price	**R18,21**	R21,26



Sanlam share scheme allocation

Pursuant to the amendments to Schedule 14 of the JSE Listings Requirements, the shareholders of the company approved a scheme allocation of 160 000 000 ordinary shares available to be utilised for long-term incentive purposes with effect from 1 January 2009, provided that the maximum allocation during any financial year cannot exceed 16 000 000.

The following table illustrates the position as at 31 December 2009:

Scheme allocation approved		160 000 000
Allocation under the DSP and PDSP	9 722 641	
Allocation under the RSP	1 197 000	
Total allocation	10 919 641	(10 919 641)
Shares forfeited		218 486
Balance of scheme allocation carried forward		149 298 845

Executive contracts

Both executive directors and members of the Executive committee are contracted as full-time, permanent employees for employment contracting purposes.

As a standard element of these contracts, a 12-month restraint of trade is included, which the company has the discretion to implement depending on the circumstances surrounding the individual's departure.

Notice periods are three months' written notice.

Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme with some discretion being allowed to the GHRC based on the recommendations of the Group Chief Executive.

No change of control clauses or provision for special events are built into the employment contracts as well as in the rules of the schemes.

Non-executive directors

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

The GHRC 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.

Non-executive directors receive annual Board and committee retainers. 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.

Payments made in 2009

Non-executive directors

Directors' emoluments for the year ended 31 December 2009 (R'000)

	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
RC Andersen (Chairman)	1 125	—	482	—	1 607
MMM Bakane-Tuoane	146	223	63	—	432
AD Botha	146	257	63	375	841
AS du Plessis	146	370	63	237	816
FA du Plessis	146	357	63	—	566
WG James (resigned 26/01/09)	12	—	5	—	17
MV Moosa	146	231	63	—	440
PT Motsepe	220	211	94	—	525
SA Nkosi	146	140	63	—	349
I Plenderleith	146	264	63	—	473
GE Rudman	146	309	63	343	861
RV Simelane	146	249	63	—	458
ZB Swanepoel	146	204	63	—	413
DK Smith (appointed 08/06/09)	85	156	37	668	946
PL Zim	146	101	63	—	310
Total non-executive directors	**3 048**	**3 072**	**1 311**	**1 623**	**9 054**

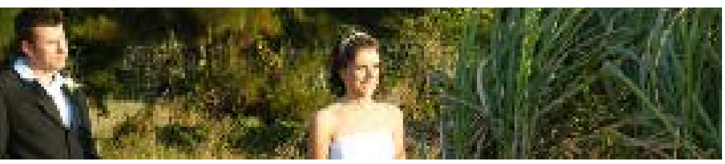
Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R300 000.

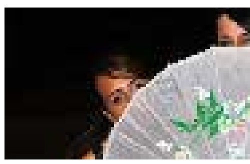
Corporate Governance Report continued

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

	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 01/05/2008)	44	39	19	249	351
SA Nkosi	140	97	60	—	297
I Plenderleith	140	177	60	—	377
M Ramos (resigned 02/12/2008)	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 paid in respect of attendance of Board and committee meetings amounted to R230 000.





Fees from Group companies for the year ended 31 December 2009 (R'000)

	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	81	151	143	375
AS du Plessis	81	70	86	237
DK Smith	654	0	14	668
GE Rudman	159	71	113	343
Total fees from Group companies	**975**	**292**	**356**	**1 623**

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

	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**

Executive directors

Remuneration

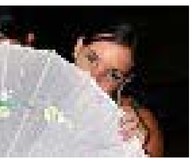
Details of the remuneration of executive directors for 2009 are set out in the table below:

Emoluments for the year ended 31 December 2009 (R'000)

Name	Months in service	Salary/ fees	Bonus	Company contributions	Total
J van Zyl	12	4 577	5 500	697	10 774
JP Möller	12	2 733	2 200	716	5 649
RK Morathi (resigned 03/08/2009)	7	1 382	—	147	1 529
YG Muthien (appointed as executive 02/12/2009)	1	183	—	—	183
TI Mvusi (appointed as executive 02/12/2009)	1	138	1 500	36	1 674
Short-term:		**9 013**	**9 200**	**1 596**	**19 809**
Long-term incentive plans (page 69)					**29 523**
Total executive directors					**49 332**

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

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
Short-term:		**8 381**	**11 000**	**1 498**	**20 879**
Long-term incentive plans (page 69)					**18 719**
Total executive directors					**39 598**



Corporate Governance Report continued

Interests in share capital

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

Directors	Beneficial	Non-beneficial	UB shares
Executive directors			
JP Möller	1 284 136	—	—
J van Zyl	2 238 827	2 547 364	—
Y Muthien***	—	—	—
TI Mvusi	288 978	—	14 000
Total executive directors	**3 811 941**	**2 547 364**	**14 000**
Non-executive directors			
RC Andersen (Chairman)	820	—	—
PT Motsepe (Deputy Chairman)	—	—	**
MMM Bakane-Tuoane	—	—	7 142
AD Botha	—	286 999	—
AS du Plessis	—	30 000	—
FA du Plessis	370	390	—
MV Moosa	—	—	7 142
SA Nkosi	—	—	7 142
I Plenderleith*	—	—	—
GE Rudman	63 887	65 700	—
RV Simelane	—	—	7 142
DK Smith	35 000	—	—
ZB Swanepoel	—	—	7 142
PL Zim	444	—	7 142
Total non-executive directors	**130 521**	**353 089**	**42 852**
Total	**3 942 462**	**2 900 453**	**56 852**

** British.*

*** 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 share capital of Sizanani is beneficially held by Ubuntu-Botho Commercial Enterprises (Proprietary) Limited, whose beneficial shareholders in turn are family trusts whose beneficiaries are Mr Patrice Motsepe, the Deputy Chairman of Sanlam, and his immediate family.*

**** Allocation will be made during 2010.*

***** There are no material differences between the shareholding disclosed above and those at 31 December 2009.*



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

Directors	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	—	—	—
RK Morathi	—	—	—
SA Nkosi	—	—	—
I Plenderleith	—	—	—
M Ramos	—	—	—
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**

Background to this review

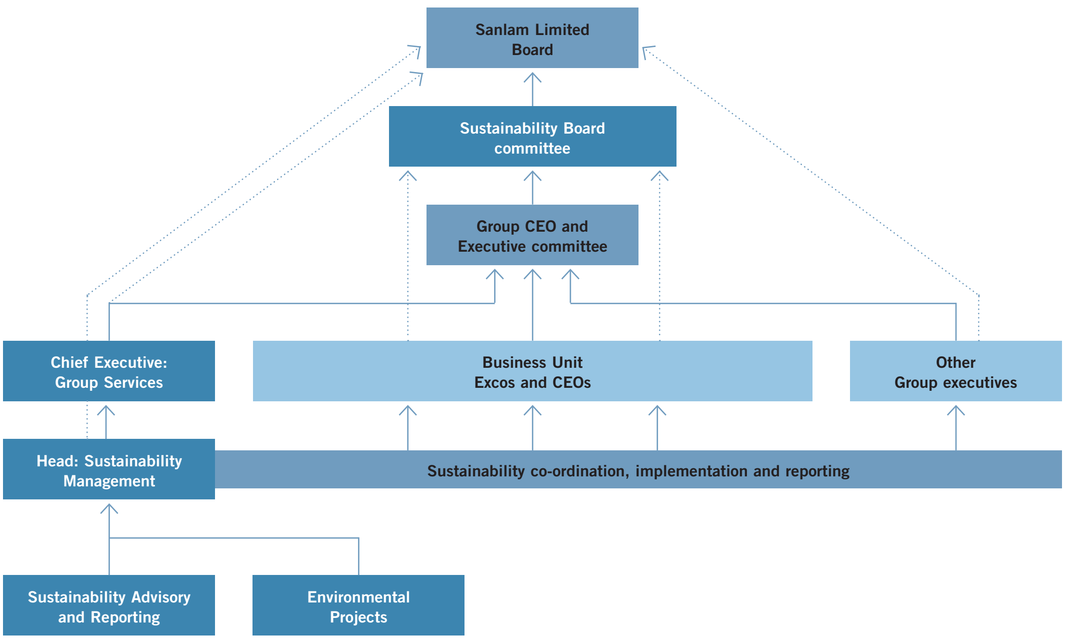
This Sustainability management review covers highlights for the reporting period from 1 January to 31 December 2009. For comprehensive information covering sustainability and Environmental, Social and Governance disclosure (ESG)-related matters for the period under review, please refer to the following:

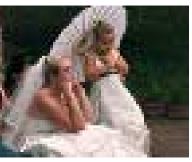
- Our full 2009 Sustainability Report is published online at **www.sanlam.co.za**. There are also various substantiating documents referenced in and linked to this website-based report.
- Other relevant sections of this 2009 Annual Report include some sustainability-related information – such as the Chairman's and Chief Executive's Reports, the Corporate Governance Report and the Business Reviews.
- Our major subsidiary Santam, which is 57% owned by Sanlam, also publishes its own separate sustainability report, which is available at **www.santam.co.za**.

How we manage sustainability at Sanlam

During 2009, we undertook a comprehensive and strategic review of our approach to sustainability and to the way we manage ESG issues in the Group. Flowing from that review, we placed stronger emphasis on Sustainability Management. It is also a fundamental shift in the way we think about, co-ordinate and manage sustainability and ESG issues in the business, both internally and externally. The diagram below illustrates our governance and operational management structures for sustainability.

Schematic representation of sustainability management at Sanlam





Abridged sustainability management review continued

Sanlam has clear leadership, governance, management and co-ordination structures in place to address sustainability:

- There is strong Board-level accountability for sustainability through a dedicated Board Sustainability committee, which oversees and is responsible to the Sanlam Board for the governance of sustainability.
- The Sustainability Management department – which reports to the Chief Executive: Group Services and has 'dotted line' responsibility directly to the Sustainability Board committee – plays a very important strategic, policy, advisory, co-ordination, oversight and reporting role for ESG and BEE transformation issues across all business units.
- The Sustainability Management department is responsible for the core principles and parameters that guide Sanlam's sustainability work. It manages sustainability within the Group on a 'core satellite' basis, which means that while the department provides strategic direction and co-ordination, the leaders of each business unit are responsible for implementing sustainability-related issues within their businesses and are accountable to the Group CEO. They also have 'dotted line' reporting responsibility to the Sustainability Board committee on aspects that are relevant to their businesses.

Our sustainability governance

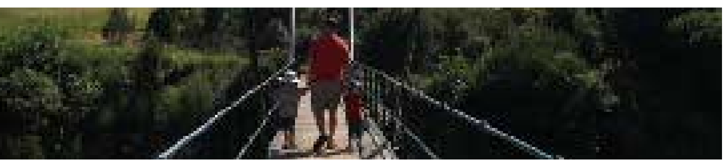
Our Sustainability Board committee recommends policies for approval by the Sanlam Board, offers advice, and provides monitoring and oversight on Group-wide health, safety, social and environmental issues, and on the Group's broad-based black economic empowerment (BBBEE) and transformation progress. All related reporting requirements lie within this sub-committee's area of responsibility.

This Sustainability Board committee comprises a minimum of three non-executive directors, is chaired by an independent non-executive director, and co-opts suitably qualified persons onto the committee as and when required. The committee meets four times a year, when it reviews the quarterly report submitted by the Head of Sustainability Management.

Where necessary and relevant, sustainability issues are also dealt with by other sub-committees of the Sanlam Board, such as the Audit, Actuarial and Finance committee, Risk and Compliance committee, the Human Resources committee and the Policyholders' Interest committee.

Sustainability oversight is but one aspect of our overarching approach to responsible corporate governance. Indeed, responsible corporate governance is one of the cornerstones of our business, and a top priority of the Sanlam Board and executive management. For a comprehensive overview of Sanlam's corporate governance, please refer to our Corporate Governance Report on pages 38 to 75 of this Annual Report.

Within the context of sustainable business practices, Sanlam is also committed to the highest standards of integrity and ethical conduct in dealing with all our stakeholders. This commitment is given effect through our Group Ethics committee, which functions under the chairmanship of the Chief Actuary and is representative of all business clusters.



Our approach to sustainability management

For Sanlam, being a sustainable financial institution is as much about ensuring a sustainable society in which to do business as it is about ensuring a strong financial bottom-line. The Group's success is undoubtedly the result of its ability to balance its triple bottom-line, which includes the governance of its non-financial impacts on the environment and society at large.

Indeed, we recognise that governance, corporate strategy and sustainability have become intrinsically linked, and should be considered as such on all Board agendas. Sustainability management is, therefore, fundamentally about understanding and managing all relevant risks and opportunities in our business, and about considering the impacts of our activities on our stakeholders, both internal and external. Our approach to managing sustainability, therefore, encompasses the following:

- *Sustainability leadership* – Providing intellectual leadership and advisory services across the entire Group.
- *Strategic integration* – Supporting the Sanlam Group strategy in an integrated manner by ensuring that the focus of every area of responsibility within the Sustainability Management department is aligned to the Group vision and core business strategy.
- *Facilitation* – Co-ordinating discussion, interaction and engagement on sustainability-related issues between the Sustainability Board committee, business unit leaders/teams and external parties/experts.
- *Issue management* – Keeping abreast of the changing external environment through risk and opportunity scanning as well as research to ensure that we address all relevant sustainability issues.
- *Regulatory response* – Identifying relevant regulations, codes and standards and ensuring an appropriate business response.
- *Stakeholder engagement* – Overseeing Sanlam's stakeholder mapping and engagement process from a sustainability perspective, and embedding sustainability issues within existing engagement processes.
- *Memberships* – Ensuring appropriate participation and representation by Sanlam in relevant sustainability-related forums.
- *Information and data management* – Setting up information-gathering systems and co-ordinating sustainability information flows.
- *Reporting* – Ensuring that our Group meets all its public and internal reporting requirements on sustainability-related matters.

The Sustainability Management department's actions during 2009

From a management perspective, we worked hard during 2009 to transform and energise the way we manage sustainability at Sanlam. Some of our specific initiatives included the following:

- *Sustainability Management business plan* – We conducted a comprehensive and strategic review of our approach to sustainability, developed a new Sustainability Management department business plan through a widely consultative process, and presented it to a range of internal stakeholders to achieve buy-in. This was imperative to ensure effective implementation.
- *Group Sustainability Forum* – We established a Group Sustainability Forum, chaired by the Head of Sustainability Management and with representation from key stakeholders across the Group. The aim of the Forum is to ensure broader buy-in and participation in accountability for sustainability issues.

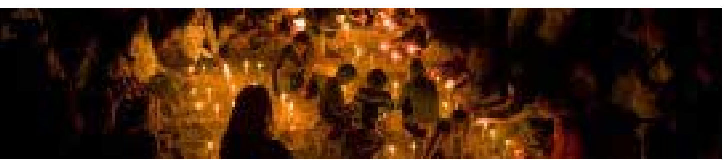
Abridged sustainability management review continued

- *Environmental committee* – We constituted an Environmental committee with representation from key interested parties and stakeholders across the Group. This committee's mandate is to drive environmental sustainability in the business and to identify and drive resource consumption targets set by the Group.
- *Environmental Dashboard* – We piloted an electronic 'Environmental Dashboard' that serves to show our ongoing progress and trends against environmental targets. As we develop this Dashboard further, it will help to embed sustainability thinking and to change the environmental behaviour of our employees and business units.
- *BEE Dashboard* – We set up an electronic 'BEE Dashboard', which is a tracking system that assists with ongoing valuable trigger information regarding the BBBEE performance of businesses in the Group against the Department of Trade and Industry (DTI) Scorecard targets as well as Financial Sector Charter (FSC) commitments.
- *BEE workshops* – Through strategic workshop sessions, we engaged actively with businesses in the Group to improve their understanding of the requirements of the DTI Codes of Good Practice, and to strategically advise them about ways to improve business practices with the resultant outcome of improving our BEE rating.
- *Retirement reform* – We continued to work with Government, directly and through other structures, by making meaningful contributions to the proposed National Social Security System deliberations and evaluating current proposals.
- *Sustainability reporting* – During the year, we finalised our web-based Sustainability Report for 2008 and began the process of compiling this review for 2009.

Our ongoing commitment to codes and standards

On an ongoing basis, the Sustainability Management department also uses a number of internationally and locally recognised standards and criteria to underpin our governance, management and reporting on sustainability, including the following:

- *King Reports on Corporate Governance* – During 2009, we adhered in all material respects to the principles and recommendations contained in the King II Code (2002) on Corporate Governance, as more fully described in the section on governance. We have also undertaken a gap analysis against the recommendations of the King III report (effective in March 2010), and will strive to follow its recommendations where they differ materially from our current practices during the course of 2010. This analysis, however, reflects that we are compliant with the majority of the recommendations.
- *JSE SRI Index* – Each year we are assessed in terms of the SRI Index review process, based on our public reporting of ESG issues. We are also asked to participate actively in this review process by responding to various information requests by the JSE. More details about our 2009 results are presented in the following section.



- *DTI Codes and FSC* – In recent years, the FSC and the DTI Codes of Good Practice have informed our transformation approach and the targets we have set for ourselves to achieve social and economic equality and to spur transformation. Our internal BEE Dashboard assists in measuring and monitoring our ongoing progress against the relevant industry targets, and we commission annual third-party verification of our broad-based transformation data to certify our progress.
- *United Nations Global Compact* – We are a signatory to the United Nations Global Compact, which commits us to aligning our operations and strategies with 10 universally accepted principles in the areas of human rights, labour, the environment and anti-corruption, and to submit a periodic 'Communication on Progress' (COP) in this regard. Our first COP is due in 2010.
- *GRI G3 Reporting* – Our sustainability actions and reporting are informed by the Global Reporting Initiative's G3 reporting guidelines. We are self-declared level-B compliant, based on the information in our web-based Sustainability Report, together with information in various substantiating documents, the relevant sections of our Annual Report 2009, and other parts of the Sanlam website.
- *Carbon Disclosure Project* – We commission an annual carbon footprint assessment and contribute to the Carbon Disclosure Project each year, through which we report publicly on our direct and indirect contributions to greenhouse gas emissions.
- *UN PRI* – Through our investment arm, Sanlam Investment Management, we are a signatory to the United Nations Principles for Responsible Investment, in terms of which we commit to consider social and environmental criteria in our investment analysis and decision-making processes.
- *Energy Efficiency Accord* – Sanlam was one of the first corporate signatories (in May 2005) to South Africa's Energy Efficiency Accord, which commits us to a targeted reduction of our fossil fuel-based energy consumption.

Our performance on the 2009 JSE SRI Index

Each year, the JSE uses a comprehensive set of criteria to produce its SRI Index based on the sustainability performance of listed companies on the JSE All Share Index. This year the analysis used publicly available information together with subsequent information submitted by us in response to their corporate profile questionnaire. In our view, it is an important tool to advance the sustainability and corporate responsibility agenda in South Africa.

Sanlam has been listed on the SRI Index for the past six consecutive years. In 2009, the JSE identified 30 best performers as those companies that met the relevant required environmental threshold, as well as all applicable core indicators in the social and governance areas. Sanlam was listed as one of the best performers in the low environmental impact category for 2009.

The following table presents more detail on our level of compliance with SRI Index sustainability criteria for 2009 compared to 2008 and 2007. Sanlam met 98% of the 'core' governance criteria, and 95% of the 'desirable' criteria; we met 98% of the 'core' social criteria and 83% of the 'desirable'; and we met the criteria relating to our environmental policies, systems and reporting. The trend in Sanlam's performance is clearly upwards over the observation period.

Abridged sustainability management review continued

Criteria met by Sanlam for the 2009, 2008 and 2007 JSE SRI Index

	Core indicators met			Desirable indicators met		
	2009	2008	2007	**2009**	2008	2007
Governance	**42 out of 43 (98%)**	42 out of 42 (100%)	37 out of 40 (93%)	**35 out of 37 (95%)**	33 out of 36 (92%)	39 out of 44 (89%)
Social	**40 out of 41 (98%)**	39 out of 41 (95%)	32 out of 41 (78%)	**48 out of 58 (83%)**	42 out of 60 (70%)	37 out of 65 (57%)
Environmental	Met the policy, systems and reporting criteria					

Our material sustainability considerations

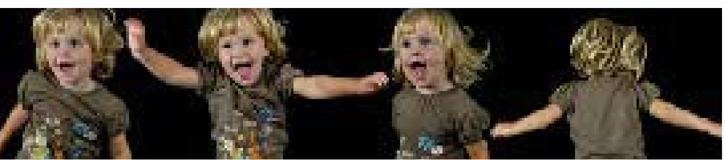
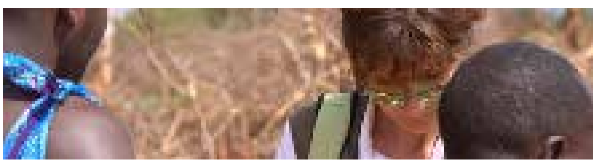
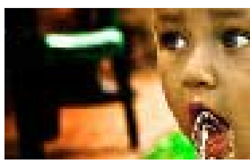
Being a world-class, responsible and sustainable organisation requires us to think beyond the financial bottom-line, across a much broader front that encompasses governance, ethical, transformational, social and environmental issues. For us, being a sustainable organisation means:

- *Sustainable business* – Ensuring that we are geared for growth at all times
- *Prosperous society and community* – Investing in our country for life
- *Motivated employees* – Offering a compelling employment value proposition for life
- *Dependable products and services* – Providing products responsibly for life
- *Responsible investment* – Ensuring responsible investment for life
- *Trustworthy business partners* – Choosing business partners responsibly for life
- *Healthy biophysical environment* – Protecting our biophysical environment for life

Sustainable business for life

At its heart, a sustainable business must have a rigorous and robust business model; one that ensures we continue to provide sustained economic value to all our stakeholders and that we endure through most challenging economic times. This means we make sure that our solutions, our people and our support structures are able to deliver value for generations to come, and that we:

- Offer diverse and relevant products and services to consumers across all socio-economic strata.
- Ensure that our business strategy provides sustained financial and operational capability by taking into account all long-term risks and opportunities.
- Contribute to the economy across a broad front by adding value to all our stakeholders.

Prosperous society and community for life

In South Africa's transforming society, our business can only become sustainable if it plays its part in ensuring that the socio-economic circumstances of all our people improve significantly. To this end, we are engaged with initiatives to:

- Transform our organisation to be fully integrated into society, in line with the requirements of the DTI Codes of Good Practice and the principles of the FSC.
- Diversify the ownership, management and control of our Group.
- Provide finance for empowerment transactions and infrastructural development projects.
- Make grants and invest in CSI projects and sponsorships that support underprivileged communities, socio-economic development, and our fragile biophysical environment.

Motivated employees for life

We recognise that to be a sustainable, leading financial services company we need to employ the right people, in the right numbers, in the right places, and at the right time. Consequently, we go to great lengths to provide a compelling employee value proposition; one through which we:

- Recognise that our employees are our most important assets.
- Focus on transforming our workplace and on promoting workplace diversity.
- Offer ongoing training, learnerships and skills development and ensure a sustainable 'talent pipeline' through career progression, leadership development and succession planning.
- Foster a cordial and conducive working environment and a healthy work-life balance.
- Take care of employees' health and pay attention to HIV/Aids.

Dependable products and services for life

Particularly in South Africa, financial products and services are often not well understood and market penetration remains very low. We recognise that we must educate our clients and that it is our responsibility to ensure that we market, sell and support our solutions and services in ways that take into account consumers' legitimate interests, needs and expectations. In particular, we:

- Broaden access to financial services through innovative products that reach new market segments that were previously underserved by the insurance sector.
- Market and sell our products and services responsibly using unambiguous product and contractual information, educate our intermediaries, offer customer education initiatives, and help customers make the right decisions about their financial and savings needs.
- Treat our customers fairly by providing superior client service, query resolution mechanisms and satisfactory avenues for recourse.

Responsible investment for life

A strong case is being made, internationally, for institutional investors to start considering ESG factors in their investment decisions and in the investment products they offer. As one of the largest institutional investors in South Africa, we recognise that we must pay attention to socially responsible investment, which we are doing by:

- Considering how best to incorporate ESG issues into our investment analysis and decision-making processes.
- Launching our own socially responsible investment funds.

Abridged sustainability management review continued

Trustworthy business partners for life

We acknowledge that our economic, social and environmental impacts extend beyond our own direct operations, and include the actions and products of those suppliers and contractors with whom we do business. We also recognise that our influence on our supply chain can be a powerful driver of change. To this end, we have started to:

- Procure as many goods and services as possible from BEE-accredited suppliers as one way to promote more widespread inclusion in the South African economy.
- Consider how best we can begin to incorporate ESG criteria into our procurement decisions.

Healthy biophysical environment for life

We recognise that although Sanlam is a so-called ‘low-impact’ business, our operations nevertheless have far-reaching environmental consequences – through our carbon emissions (direct and indirect), our resources consumption, the waste we produce, the properties we own and occupy, the suppliers we choose to do business with and the people we employ. We have a responsibility to minimise these impacts and have started doing so by:

- Committing to managing our direct and indirect environmental impacts responsibly.
- Assessing and reporting on our carbon footprint and signing up to the Carbon Disclosure Project.
- Measuring our energy, water and materials consumption and exploring efficiency measures to reduce this consumption.
- Supporting a number of key environmental initiatives.

Our transformation credentials

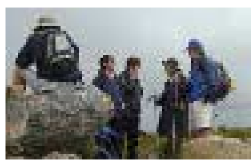
Sanlam acknowledges the national priority and the critical importance of transforming the South African economy so that it is inclusive of all our people and affords everyone the opportunity to participate meaningfully in the mainstream economy. For us, this is both a social and a business imperative.

Transformation is, therefore, one of the five key pillars of our business strategy and is one of the cornerstones of our approach to sustainable development. During 2009, we went to considerable lengths to improve our transformation performance across all aspects of the broad-based approach to black economic empowerment, namely:

- Diversifying company ownership and control.
- Focusing on workplace transformation and diversity.
- Offering training, skills development and learnerships.
- Broadening access to financial services.
- Financing empowerment and investing in infrastructure.
- Procuring from preferred BEE suppliers and developing enterprise.
- Investing in communities and socio-economic development.

The following table shows our performance against the DTI Scorecard for the periods of 1 January to 31 December 2009 and 1 January to 31 December 2008. While the 2008 score is verified, the 2009 score is not, as Sanlam is currently engaged in its annual independent BEE verification.

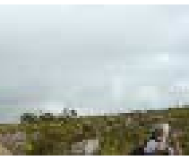
Once we have received independent verification of this data, the information will be updated and published in our web version of the full 2009 Sustainability Report.



Element	DTI weighting	Indicators	Total score 2009 (unverified)	Total score 2008 (verified)
Equity ownership	20	Exercisable voting rights in the hands of black people Exercisable voting rights in the hands of black women Economic interest of black people Economic interest of black women Economic interest of other specific black beneficiaries Ownership fulfilment Current equity interest Black new entrant involvement in ownership (bonus points) Other black beneficiaries' involvement in ownership (bonus points)	**16,65**	**16,65**
Management control	10	Exercisable voting rights of black Board members Black executive directors Black senior top management Black other top management Black independent non-executive Board members (bonus point)	**7,85**	**7,74**
Employment equity	15	Black disabled employees as % of all employees Black senior management employees as % of all employees Black middle management employees as % of all employees Black junior management employees as % of all employees Exceeding EAP targets in each category (bonus points)	**4,03**	**3,83**
Skills development	15	Skills development for black employees as % of leviable amount Skills development for black employees with disabilities as % of leviable amount Number of black employees (as % of total employees) participating in in-service training programmes	**3,49**	**1,36**
Preferential procurement	20	BBBEE procurement spend from all suppliers as % of total procurement spend BBBEE procurement spend from QSEs or EMEs as % of total procurement spend BBBEE procurement spend as % of total procurement spend from suppliers that are: • >50% black owned or • >30% black women owned	**18,61**	**17,56**
Enterprise development	15	Average annual value of enterprise development spend as % of net profit after tax	**15,00**	**15,00**
Socio-economic development	5	Average annual value of socio-economic development spend as % of net profit after tax	**3,89**	**3,04**
Total score			**69,52**	**65,18**

Our unverified 2009 ratings are satisfactory and reflect the good progress we have made in terms of our broad-based transformation in recent years.

In our 2008 verification we achieved very good scores on most categories of the DTI Scorecard. However, we still have much work to do to improve our overall transformation scores as well as performance.



Abridged sustainability management review continued

After our 2008 verification we noted that our principal challenge lies in the categories of employment equity and skills/ human resource development, where we scored well below targets and thresholds. The challenge of improved scores in these areas features at all levels of management, and a human resources strategy and an action plan are in place to address these aspects as a matter of urgency. From a skills development perspective, indications were that we were underscoring through the fact that our financial systems were not sufficiently able to capture race-based training statistics for BEE reporting purposes. We have started to address this with urgency and we believe that our 2009 rating may already show some improvement under Skills Development as a result of our actions.

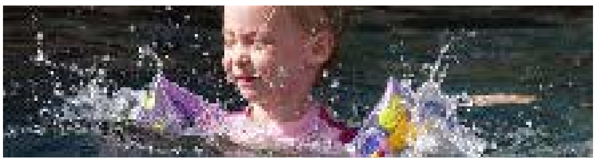
For the year 2008, independent assessment indicated that we qualified as a Level-4 contributor against the DTI Scorecard. We also achieved an 'A' rating against the requirements for the FSC Scorecard. This means that Sanlam qualified as an empowered company against its 2008 ratings, and that it was entitled to 100% recognition for its empowerment initiatives. This positioned us favourably for the awarding of tenders for financial services, based on BEE procurement criteria applied by the South African government and the private sector.

Employment equity

The employment equity data in the tables below was published in line with the requirements of the Department of Labour, as at 30 June 2009.

The table below shows the total number of Sanlam employees (including employees with disabilities) across the different race groups (African, Coloured, Indian and White) at the various occupational levels:

	Male				Female				Foreign nationals		
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	**Total**
Top management	4	2	—	23	2	1	—	4	—	—	**36**
Senior management	25	29	24	358	7	7	11	98	2	—	**561**
Professionally qualified and experienced specialists and mid-management	74	64	49	342	27	46	26	307	7	1	**943**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	357	240	124	1 117	226	265	109	1 197	7	2	**3 644**
Semi-skilled and discretionary decision-making	882	251	21	62	1 441	648	85	671	2	—	**4 063**
Unskilled and defined decision-making	39	29	1	6	113	66	8	25	—	—	**287**
Total permanent	**1 381**	**615**	**219**	**1 908**	**1 816**	**1 033**	**239**	**2 302**	**18**	**3**	**9 534**
Temporary employees	19	15	2	20	48	42	5	44	—	—	**195**
Grand total	**1 400**	**630**	**221**	**1 928**	**1 864**	**1 075**	**244**	**2 346**	**18**	**3**	**9 729**


The following table indicates the total number of employees with disabilities only at the various occupational levels:

	Male				Female				Foreign nationals		
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	**Total**
Top management	—	—	—	2	—	—	—	—	—	—	**2**
Senior management	—	—	—	3	—	—	—	—	—	—	**3**
Professionally qualified and experienced specialists and mid-management	2	—	—	3	—	1	—	4	—	—	**10**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	1	—	1	—	2	—	7	—	—	**12**
Semi-skilled and discretionary decision-making	—	—	—	—	—	—	—	—	—	—	**—**
Unskilled and defined decision-making	—	—	—	—	—	—	—	—	—	—	**—**
Total permanent	**3**	**1**	**—**	**9**	**—**	**3**	**—**	**11**	**—**	**—**	**27**
Temporary employees	1	—	—	—	—	—	—	—	—	—	**1**
Grand total	**4**	**1**	**—**	**9**	**—**	**3**	**—**	**11**	**—**	**—**	**28**

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

Abridged sustainability management review continued

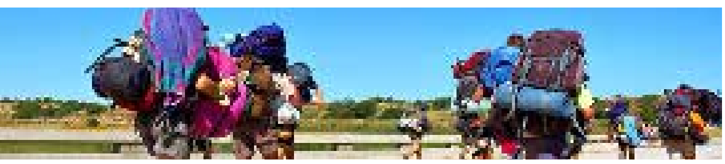
Our sustainability highlights for 2009

Ensuring a sustainable business journey

- During 2009, we placed greater emphasis on Sustainability Management.
- We conducted a comprehensive and strategic review of our approach to sustainability and put several new plans and structures in place – including a new Sustainability Management department business plan, a Group Sustainability Forum and an Environmental committee.
- We conducted a thorough gap analysis of our current approach to corporate governance relative to King III and identified specific actions we need to take to implement its recommendations during 2010.
- During 2008 and 2009, a Sanlam representative worked as part of a global task force to develop reporting guidelines for companies committed to combating corruption.
- Sanlam was listed on the JSE SRI Index for the sixth consecutive year in 2009, and was named as one of the best performers in the low-impact category.

Investing in society and communities

- During 2009, we contributed R2,8 billion (2008: R946 million) to the South African government by way of various state taxes and levies.
- BEE ownership of the company amounted to 23,59% at the end of 2008 as measured against the DTI scorecard, where the target percentage for BEE ownership is 25%. An updated percentage for 2009 can only be provided upon final 2009 verification. We do not, however, expect this percentage to have changed materially.
- We set up a 'BEE Dashboard' as a tracking system to monitor our progress on broad-based transformation issues.
- Over R17 million of our sponsorship budget was spent on initiatives that played a direct role in improving the lives of needy South Africans.
- We spent over R19 million on a range of CSI projects in the areas of education, entrepreneurial and skills development and environmental protection.



Offering employees a compelling value proposition

- During 2009, we paid R4 billion (2008: R3,7 billion) to our employees and directors as salaries and other employee benefits.
- Most of our business units – including Sanlam Group Office, Sanlam Developing Markets, Sanlam Employee Benefits and 16 Sanlam Personal Finance business units – achieved accreditation from the international 'Investors in People' Standard for the period 2009 to 2012.
- Further progress in transforming and diversifying our workplace was reflected in the fact that about 56% (2008: 53%) of our total Group staff were black people and 57% (2008: 56%) of our staff complement were female.
- We spent approximately R73 million (2008: R88 million) on developing our staff through a range of training programmes during 2009, of which R25 million was for training programmes aimed exclusively at black employees.
- Approximately 10% of all Sanlam employees made use of our comprehensive Employee Assistance Programme (EAP) during the year.

Providing financial products responsibly

- We continued to participate in discussions – directly with Government and through other forums – in order to help formulate the principles that will support the proposed National Social Security System (NSSS).
- During the year, we focused specifically on ensuring that all our advisers and brokers were appropriately qualified, and our training focused on making sure that all our advisers were fully and correctly accredited.
- Sanlam Sky made further strides to improve access to our financial products by opening 12 new Customer Service Centres in remote areas, and by adding further service components at seven existing Sanlam Sky branches.
- Sanlam Sky also introduced the Welcome Script as a way to ensure that clients understand our solutions, options and the financial implications.
- Sanlam Reality, our client lifestyle and wellness programme, achieved a membership of about 75 000, and we expect this figure to reach 120 000 by the end of 2010.
- We spent over R5 million on a range of consumer education and financial literacy projects, including the Sanlam Kaya FM Consumer Education programme, our Sunshine Street radio campaign, SASI's Teach Children to Save campaign, the Cobalt Financial Literacy campaign and the University of Fort Hare Financial Literacy project.

Ensuring responsible investment

- Our investment business unit – Sanlam Investment Management – continued to be a signatory to the UN-PRI and took part in the UN-PRI's annual reporting and assessment. We started finding ways to bring socially responsible investment criteria into our mainstream investment thinking.
- Sanlam Investment Management launched two SRI funds for investors, namely the SIM SRI Equity Fund and the SIM Development portfolio, and provided seed capital for the Africa Sustainability Fund.

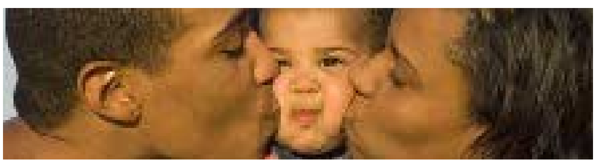
Abridged sustainability management review continued

Choosing business partners responsibly

- During 2009, we spent R2,5 billion (2008: R2,7 billion) with suppliers and business partners in the procurement of goods and services.
- We spent 41,56% of all qualifying expenditure with BEE-accredited suppliers.
- Project Helix – a programme to unlock value through supplier accreditation and purchasing synergies across the Group – was completed in mid-2009, and the resulting Group Sourcing unit was formally launched in August 2009. By year-end this had already realised procurement savings of the order of R26 million and is set to have considerable influence on our spending policies and behaviour from 2010 onwards.

Protecting our biophysical environment

- We continued our mutually beneficial long-term relationship with the World Wide Fund for Nature South Africa (WWF-SA), through which WWF-SA helped us with our environmental target-setting and measurement, and with redrafting our Environmental Policy.
- We established an Environmental committee to direct and guide a more comprehensive approach to environmental sustainability within the Sanlam Group.
- We piloted an electronic 'Environmental Dashboard' to monitor our ongoing progress against carbon footprint targets, and plan to expand this tool in 2010 to incorporate other internal environmental targets.
- For the second consecutive year, during 2009 we again declared our carbon footprint publicly by submitting our 2008 data to the CDP.
- For the third consecutive year, we used an independent consultancy to measure the 2009 carbon footprint of Sanlam's four largest buildings.
- In the lead-up to 2009's important Copenhagen climate change talks, we joined over 800 global businesses in signing the Copenhagen Communiqué, through which global business called for an ambitious, robust, credible and equitable deal.
- We contributed R3 million to WWF-SA's Living Waters Unit, which focuses on projects that help maintain healthy marine and freshwater ecosystems.
- In partnership with WWF-SA, we began formulating our exciting new Blue Space initiative, through which we aim to take a leadership position to raise consciousness about critical environmental issues.
- We hosted the Ecocentric Journey conference for all role-players in the local insurance industry. Organised by our subsidiary Santam, its purpose was to consider climate change risks facing the insurance industry and to initiate dialogue about how the local sector should be responding.


Reporting in accordance with the GRI

The GRI (G3) reporting guidelines informed our sustainability-related reporting for the period 1 January to 31 December 2009. On our website, we have presented our GRI's G3 indicators and are self-declared level-B compliant, based on the information in our full web-based Sustainability Report, together with information in the various supporting documents referred to on that website, the relevant sections of this Annual Report, and other parts of the Sanlam website.

Although we indicated in our 2008 Sustainability Report that we aimed to seek independent third-party assurance over our material issues for the 2009 reporting period, time constraints prevented us from doing so. However, key statistical data, such as that relating to transformation and broad-based black economic empowerment, has been independently assessed and verified.

We will again address the issue of independent third-party assurance over our material sustainability issues for the next reporting period.

For the past two years the business environment has been dominated by the unfolding global financial crisis after 2008 had seen the realisation of the risks that had been lurking in the background, as intimated in our 2007 Annual Report.

In our Review for 2009 we predicted a dualistic outcome for the year – financial conditions would start to recover, with interest rates declining in conjunction with lower inflation and equity prices regaining some of their losses, but real economic conditions would be slow to improve. Financial conditions did in fact show a substantial improvement, but real economic activity performed even worse than we expected. In our view, the full extent of the damage to the real economy and its durability will only become evident during the course of 2010, enabling one to determine the nature and the speed of the recovery.

The uncomfortable truth is that the economic boom of 2004 to 2007 was to a large extent built on debt-financed household consumption expenditure and therefore not sustainable, as illustrated by the fact that the downturn in the South African economy started long before the global financial crisis hit home. This realisation inevitably leads to the question what the future drivers of growth will be.

But let us first look at the forces and events that defined the business environment for financial services in 2009.

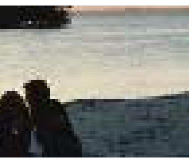
The year started on an uncertain and even fearful note. The success of the extraordinary steps taken by governments and central banks in developed countries to save their banking systems from collapse was still not ensured. The news flow remained dominated by negative surprises. The tentative rebound in global equity markets in December 2008 gave way to a renewed slide that continued into March. Official efforts to stabilise the financial system were stepped up, inter alia through the introduction of quantitative easing policies by central banks.

Financial markets gradually regained confidence, helped along by the increasing realisation that governments had both the resolve and the wherewithal to safeguard the system from collapse. Policy-makers went out of their way to assure markets that the support measures would not be withdrawn before there was indisputable evidence of a sustained recovery in economic conditions. The matter of plausible exit strategies was postponed for the moment and it remains unresolved, especially concerning the repair of public sector balance sheets.

The attention started to shift to the unavoidable regulatory reform of the financial system. Although the need for a globally co-ordinated approach was stated repeatedly, not much has so far come of it.

However, a key factor in causing a sustained turnaround in global risk appetite was the mounting evidence that although emerging market countries had not escaped unscathed from the crisis, they were much better positioned than developed countries in dealing with its fallout because their financial systems were largely insulated from the crisis and therefore did not need bailing out. Early signs of a strong rebound in China were decisive in bringing about this change in sentiment.

By March commodity prices had bottomed, the flow of portfolio investment to emerging markets had resumed, risky assets were once again in



Economic and financial markets review continued

vogue, and equity markets staged a strong recovery. South Africa followed the global trend, with the JSE All Share Index increasing by 50% to year-end after reaching a low in March, although that still left it 17% off its all-time high.

As far as the real economy is concerned, South Africa lagged global developments. Exports declined, although less so than imports, supporting a welcome improvement in the deficit on the current account. The manufacturing and mining sectors were the worst affected. The economy entered its first recession since 1992, and unemployment started rising. Having peaked in 2006, quarter-on-quarter growth in real disposable income of households reversed from a positive rate of 2,4% annualised in the second quarter of 2008 to -6,6% in the second quarter of 2009, forcing households to cut back on spending. This negative trend persisted into the third quarter.

The household debt burden remained at an historic high of approximately 80% of disposable income, offering little leeway. Measured by the most recent statistics, household consumption expenditure in real terms has been declining for 5 consecutive quarters, starting in the third quarter of 2008. Capital spending in the private sector followed the downward spiral in consumption expenditure.

The rising trend in commodity prices (especially gold), the general weakness in the US dollar and the resumption of equity portfolio investment flows resulted in a strong recovery in the exchange rate of the rand, with the nominal effective exchange rate appreciating by 23% from its average value in the first quarter of 2009. Although the strength in the exchange rate exerted additional downward pressure on inflation and assisted the Reserve Bank in continuing to reduce its repo rate for a total of 500 basis points, it also acted as a constraint on the external competitiveness of especially the manufacturing sector, causing a clamour for Government to adopt a policy of actively pursuing a weaker currency.

In addition to the global situation, the South African economy and financial markets had to deal with a change in administration after the general election in April. Whereas business and markets had been confronted with a clear ideological position and a consistent underlying set of policies during the Mbeki era, the Zuma administration has a much more open and pragmatic approach to policy. The unfortunate result is an overcrowded and rumbustious policy arena, which has made it much more difficult to determine the true thrust of government policy. At the heart of the policy debate are the relative roles of the state and the private sector in the economy, which are *inter alia* reflected in the question of who should be the dominant supplier of financial services, e.g. in retirement funding and in health care.

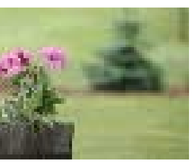
As mentioned above, developments during 2010 will reveal how damaging the financial crisis has actually been to the real economy. South Africa remains vulnerable to global developments, especially with regard to commodity prices and capital flows to emerging markets. Although the economy started to move out of recession in the third quarter of 2009, the recovery is expected to be sluggish. Interest rates will probably remain at



their current level for an extended period, but Government will struggle to keep the deterioration in its finances in check and an increase in the tax burden cannot be ruled out. Employment will lag the economic recovery and although disposable income will benefit from relatively high wage and salary increases, aggregate disposable income will rise only modestly. Households will also be forced to adjust their spending allocations in coming years to accommodate the increased cost of electricity.

It is unlikely that the robust performance in equity markets in 2009 will be repeated in 2010; in fact, the higher valuations to which the market has moved need to be validated by growth in company earnings. Domestic bond yields have increased in response to a sharply higher public sector borrowing requirement, following US bond yields (the global risk free rate) quite closely since the start of the crisis and paying little heed to movements in emerging market risk premiums. This may indicate that the South African bond market is vulnerable to an increase in global bond yields as a result of the quantitative easing policies adopted by many central banks in 2009, which revolves around central bank purchases of government bonds, being brought to an end. An upward shift in global bond yields, should investors start questioning the sustainability of sharply higher government debt levels, can also not be ruled out.

In short, 2010 could turn out to be the opposite of 2009, with the real economy improving, if only slowly, and financial markets being less buoyant. However, the critical question is how to position a financial services business in this environment to ensure future structural growth in business volumes.



Sanlam Personal Finance

R million	2009	%↗
Net operating profit	**1 498**	(4)
New business flows	**30 972**	—
– SA recurring	**1 069**	(8)
– SA single	**20 721**	(4)
– Non-SA	**9 182**	9
PVNB premiums[1]	**16 573**	(5)
VNB[1]	**320**	(17)
Margin[1]	**1,93% vs 2,22%**	
ROGEV	**14,3%**	
Adjusted ROGEV	**12,3%**	

[1] *Life business only.*

Group profile and shareholding structure

South African operations

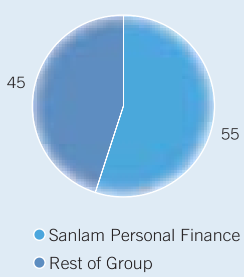
	%	
Middle and self-employed market focus		
Sanlam Individual Life division	100	Life insurance
Sanlam Home Loans	50	Home loan joint venture with Absa
Sanlam Personal Loans	70	Personal Loans Joint Venture
Multi Data	100	Electronic money transfer
Sanlam Trust	100	Estate and trust services
Sanlam Liquid[1]	100	Debit card and savings facility
Anglo African Finance	65	Niche trade and bridging finance
Sanlam Health Management	100	Medical scheme administration 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 middle and self-employed market above.*

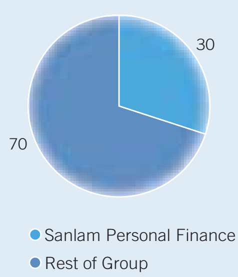
Non-South African operations

	%	
Sanlam Namibia Holdings	54	Financial services in Namibia
Sanlam Life Namibia	100	Closed fund business in Namibia

Contribution to net result from financial services
(%)



Contribution to new business volumes
(%)



Business review
Sanlam Personal Finance continued

Who we are

We provide clients in the middle, affluent, self-employed and professional markets of 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 Sanlam Personal Finance (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 offers the following financial services and advice, either directly or in conjunction with Group companies or other business partners:

South Africa

- Client protection
  - Life and disability insurance, short-term insurance, and medical scheme administration
- Providing for retirement
  - Retirement annuity and preservation fund solutions
- 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 bridging finance

Namibia

- Life (individual and group), linked and unit trust solutions

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.

2009 in perspective

The year under review proved to be as challenging as we had expected it to be. Our business was severely tested, but the outcome was satisfactory. While we saw a decline in the financial performance in some areas of our business, our robust diversification strategy cushioned the impact of the global recession. We are also proud of the retention rate of existing business. Sanlam has one of the best retention rates in the industry. We attribute this largely to our client-centric approach, which places a strong focus on providing clients with appropriate financial advice and high-quality service in the context of their specific financial situations.



So how did we do in 2009? Notwithstanding the tough economic conditions, we maintained our sales at similar levels as in 2008 and we managed to do the same in respect of our value of new business (VNB) levels, based on the same discount rate. Our strong focus on client centricity paid off, and the much-improved retention levels enhanced SPF's net cash flow by 82% compared to 2008. Profits before tax also showed resilience in the tough economic conditions and increased by 3%. Adjusted return on Group Equity Value of 12,3% exceeded our hurdle rate of 11,3%.

It is evident from the South African sales figures that affluent clients were not as severely impacted by the economic environment in 2009 as clients in the middle market. Affluent market sales remained at similar levels as in 2008, but sales in the middle market declined.

Total South Africa sales were 4% lower than in 2008. Single premium sales were down 4% due to the tough environment for consumers, volatile equity markets, and lower interest rates. Recurring premium sales were 8% lower, mainly as a result of a reduction in sales of savings-related solutions due to increased living expenses, lower job security and the new commission dispensation introduced in January 2009. Sales of recurring risk solutions on the other hand, which remain an important requirement for clients and are less impacted by the new commission regulations and market volatility, bucked the trend and showed an increase of 9%. Continued focus on the professional market also boosted sales of risk solutions.

Our Namibian operations were less impacted by the tough economic environment and achieved good growth in 2009 with sales up by 9% on 2008.

Profits before tax, which increased by 3%, were negatively impacted by lower interest-related revenue due to the declining interest rates, increased new business strain arising from prescribed actuarial margins being set up in respect of the higher risk solution sales, and a reduction in new business fees due to the lower sales of savings solutions. These factors were, however, offset by improved risk underwriting profits, cost-saving initiatives where business-as-usual administration costs were contained to a 1% increase over 2008, and market-related profits earned on the non-participating annuity portfolio.

Strategic developments

Plans to grow our Sanlam Health medical administration business gained momentum with the amalgamation of the Telemed medical scheme with BESTmed having been approved late in 2009. The amalgamation has increased Sanlam Health's membership under administration by about 23 000 principal members. We will continue to look at further structural growth opportunities in our markets as well as in the entry-level market in conjunction with Sanlam Developing Markets, but will consider these against the backdrop of possible National Health Insurance plans.

Glacier boosted Sanlam's diversification focus in the affluent market through the acquisition of a controlling interest in the short-term insurance brokerage AIB, as well as an enhanced offshore-linked product offering. Glacier is also setting up a Fiduciary Services distribution and advice support capability with a specific focus on the affluent market in conjunction with Sanlam Trust.

The specific focus placed on the professional market by our Sanlam Cobalt business has paid dividends and we have seen an increase in its

Business review
Sanlam Personal Finance continued

contribution to total monthly risk solution sales from 16% at the beginning of 2009 to 28% at the end of the year. The development of advice tools, like the "1-2-3 of business", and distribution initiatives tailored specifically for the self-employed market are also delivering positive results. Our focus will be on further penetrating the self-employed market and we will use what we have learnt from our professional market success in this regard.

Our middle-market offering has focused on evaluating the attractiveness and competitiveness of the various segments within this market and will develop value propositions to increase penetration in particularly the younger, lower middle and black components of this market. At the same time work has also commenced on a number of growth opportunities aimed at increasing our distribution footprint and improving the support structures for our advice strategy.

Although Sanlam Liquid's performance was below expectation, we remain convinced that it is an exceptional product and will focus on marketing, product innovation and integration with other solutions in the wider Sanlam Group to improve performance.

Sanlam Personal Loans continues to offer one of the most competitive products on the market. We maintained our prudent lending approach in this business, and despite the economic pressure on consumers during 2009, arrears were managed effectively and the business continued to operate profitably. We will continue this prudent approach and plan to expand the same offering to the Sanlam Developing Markets entry-level client base.

Over the past few years we have embarked on an initiative to convert flourishing one-person adviser practices into thriving company-owned professional businesses (named "Blue Star Businesses"), with the aim of improving sales as well as securing continued service to the client when the adviser leaves his or her practice. Early signs indicate that these businesses are delivering on their objectives.

As mentioned last year, we have reviewed our Home Loans business model to focus more on distributing and advising on home solutions, and in October last year we entered into a distribution agreement with the Betterbond Group to provide home solutions to our clients. We are reviewing our strategic options in respect of the Sanlam Home Loans joint venture with ABSA.

Embracing change

Towards the end of the year we reorganised the supporting roles to our adviser force in order to provide them with more specialised support. We believe that this will enable them to provide a more effective service to clients and that this will result in improved sales performance.

During 2009, we developed a strategy to increase the number of supporting brokers and have made several appointments in our Broker Support area to drive this initiative.

The regulations on Commission and Early Termination Values came into effect on 1 January 2009. The impact on total sales has not been material although, as expected, we have seen a change in the mix of business sold away from savings solutions towards risk solutions. Performance-based bridging finance offered to



our advisers has also helped them weather the transitional impact that these regulations have on their cash flow.

We will also keep an eye on developments regarding National Health Insurance and will take these into account when considering growth opportunities in our Sanlam Health business. In addition, we will observe and participate in the process of Government's Social Security and Retirement Reform initiative 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.

Gearing for sustainable growth

The recovery of financial markets and the South African economy is expected to continue during 2010, but at a slow pace. In addition, living expenses are set to increase further this year, keeping the disposable income of our clients in the middle, self-employed and professional markets under pressure.

In 2010 our key focus will therefore be on:

- Achieving reasonable growth of new business sales while maintaining our VNB profitability margins.
- Expanding our distribution footprint.
- Pursuing viable initiatives to grow and diversify our business further.
- Increasing penetration in the self-employed market.
- Maintaining operational efficiencies.
- Achieving our transformation objectives.

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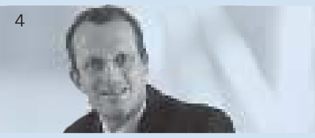

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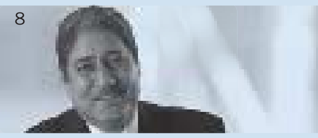

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Our leadership

Executive committee

1. Lizé Lambrechts	Chief Executive
2. Hennie de Villiers	Middle Market
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	

Sanlam Developing Markets

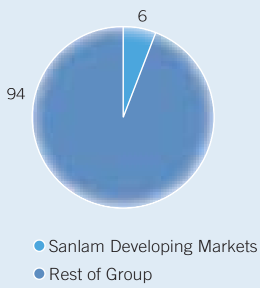
R million	2009	%
Net operating profit	**172**	19
New business flows	**2 702**	4
– SA recurring	**828**	8
– SA single	**535**	(22)
– Non-SA	**1 339**	17
PVNB premiums	**5 711**	7
VNB	**290**	(4)
Margin	**5,08% vs 5,66%**	
ROGEV	**19,2%**	
Adjusted ROGEV	**24,4%**	

Group profile and shareholding structure

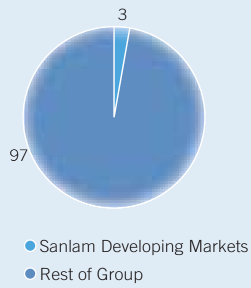
South Africa	Rest of Africa	Other international
Sanlam Sky (100%)	Botswana Life (54%)	Shriram Life India (26%)
Channel Life (99%)	Pan Africa Life Kenya (50%)	
Safrican (85%)	ELAC Ghana (49%)	
	African Life Tanzania (65%)	
	African Life Zambia (70%)	

Alfinanz (100%) – Application Service Provider

Contribution to net result from financial services
(%)



Contribution to new business volumes
(%)



Business review
Sanlam Developing Markets continued

Who we are

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

We focus 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 and affordable financial solutions.

The success of SDM can largely be ascribed to our principle 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.

2009 in perspective

SDM delivered reasonable new business results in 2009 despite the tough economic conditions experienced by most of our target markets. The 2009 present value of new business premiums (PVNBP) and value of new business (VNB) were negatively impacted by a worsening in the economic basis relative to 2008. Recalculated on an equivalent economic basis, the 2009 PVNBP is R5,845 million, 10% up on 2008 and the 2009 VNB is R320 million, 6% up on 2008. The main reason for the reduction in the VNB margin was particularly low VNB from Kenya, Tanzania and Zambia. Operating profit performance was good, with profit net of tax and minorities 19% up on 2008, boosted by the inclusion of non-life profits in Botswana as a result of successful expansion into wider financial services.

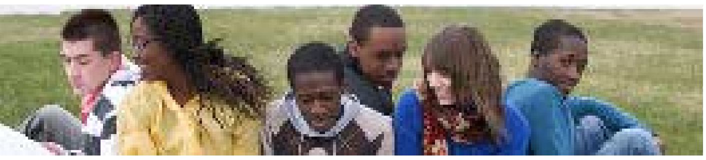
These good results, in difficult economic circumstances, could not have been achieved without the dedication demonstrated by our staff and management teams and we are satisfied that we have the right people in place for future success.

South African operations

In August 2009 we integrated Channel Life and Sanlam Sky Solutions, thereby creating a single South African business known as Sanlam Sky Solutions. This followed our acquisition of PSG's 34,6% stake in Channel Life in February 2009.

Given the prevailing economic environment and the ongoing challenges experienced at Channel Life, consolidating the two businesses into one enabled us to drastically reduce operating costs. The Channel Life offering now forms a part of the Sanlam Sky range of solutions. With the integration process complete we have achieved a sound base from which to grow. Being able to focus on one consolidated business enables us to proceed with a single strategy aimed at achieving continued profitable top-line growth.

Despite the tough economic conditions experienced by South Africa during 2009,



we retained our focus on growing our traditional distribution channels. By the end of 2009, Sanlam Sky Solutions boasted a contingent of more than 2 200 agents, 800 more than at the end of 2008. As a result the number of incepted new business cases generated by the agency channel increased by almost 40% in 2009.

The Sanlam Sky broker business also saw good volume growth in 2009, but this was unfortunately muted to some extent by slow growth at Channel in part due to the disruption caused by the integration and senior management changes.

We have remained focused on achieving quality new business and although we have seen some deterioration in persistency, retention remains a focus area. A strategic decision taken in 2008 to scale back on the broker direct business (the outbound call centre channel) at both Sanlam Sky and Channel to improve the quality of new business and retention levels, also contributed to persistency levels. The volumes lost as a result of this scaling back were replaced by the agency outperformance.

Our partnership with the Zion Christian Church (ZCC) remains strong. During 2009 this initiative rendered a record 570 000 individual monthly premium collections. Three years ago the number of monthly premium collections was averaging around 350 000.

We retain our 85% shareholding in Safrican, with the remaining 15% held by Thebe Investment Corporation. Safrican continues to perform well, producing stable growth in profits and VNB.

Towards the end of last year Sanlam Sky Solutions entered into a joint venture with Santam and the JD Group. This initiative provides access to the extensive JD Group client base and infrastructure. A systematic roll-out is planned to ensure quality growth.

Rest of Africa operations

Our African operations form an integral part of Sanlam's diversification strategy. While the shockwaves generated by the global crisis in world financial markets were certainly felt by the commodity and tourism-driven African economies in which we operate, the levels of intensity varied and our diversification strategy paid off.

We did, however, experience a slower growth rate than anticipated as a result of tough operating conditions in 2009, particularly in Kenya, Tanzania and Zambia. In addition, the strengthening of the rand against some of the African currencies diluted the growth we experienced in these countries – the Ghanaian cedi in particular depreciated significantly, somewhat dampening an excellent performance from that business.

- Botswana

  Botswana Life remained the main contributor to overall VNB and profits in the rest of Africa sector of our business, despite the Botswana economy having experienced a difficult year as world demand for rough diamonds plunged and stockmarket volatility continued. While Botswana overshot our expectations in 2009, we are mindful that this business is prone to lag effects in the Botswana economy.

  We also started executing some of our plans for expansion into wider financial services, specifically loan business in partnership with Letshego Holdings (in which our Botswana business owns a stake) and short-term business

via the acquisition of the provider of a legal insurance product called Legal Guard.

We retain more than 85% of market share in Botswana and will continue to guard this position.

- Kenya

  Following the political turmoil in 2008, Kenya was gripped by one of the worst droughts in living memory in 2009, which propelled the country into a high-inflation environment. As a result, new individual business continued to lag expectations in the first nine months of 2009, with a slight improvement towards the end of the year as a result of our focus on ramping up our distribution capacity.

  Group business delivered a reasonable performance, but credit life sales experienced a slowdown due to reduced lending activity. Again, there was a slight improvement towards the end of the year.

- Tanzania

  Our operation in Tanzania is still largely carried by our bancassurance and group business ventures. Both delivered adequate performances in 2009, but were negatively impacted by economic conditions.

  While new individual business levels remained at low levels, we did see encouraging improvements towards the end of 2009. In the 2008 Annual Report, we said that we would decide on the future of the individual business towards the middle of 2009. We have postponed this decision as a result of the economic crisis and will reassess the individual business this year.

- Zambia

  The sudden drop in global demand for copper in late 2008 impacted heavily on the Zambian economy. The copper price dropped significantly and a number of mines had to close resulting in wide-scale unemployment. As a result the performance of our Zambian operation in 2009 was disappointing although with some improvement towards the end of the year. The outlook for Zambia appears to be more positive going into 2010 and, together with the management of our Zambian operation, we are looking at ways in which to ensure that the business continues to recover.

- Ghana

  Ghana is not dependent on commodity exports and, apart from a significant currency depreciation, was not so severely impacted by the global turmoil. Our individual business in Ghana continued to perform well and we saw a welcome improvement in our group and bancassurance businesses. This business has exceeded our expectations for 2009 and is becoming one of our fast-growing businesses outside South Africa.

India operations

Shriram Life is a joint venture between the Shriram Group and the Sanlam Group. Our stake remained at 26% in 2009, but we will consider increasing the percentage to 49% should the Indian government raise the foreign direct investment cap.

Unfortunately Shriram Life did not meet our expectations for 2009, mainly as a result of the global financial markets crisis, resulting in lower industry sales of unit-linked products.

Nevertheless we saw significant growth in regular premium sales, although offset by a decline in single premiums.

The highlight for the year was the launch of Shriram Life's NEW (North, East & West) Channel. By the end of last year NEW Channel had established 38 new Shriram Life branches in India.

One of the challenges facing us in India is the evolving regulatory environment and the recently introduced caps on charges for savings and investment products, which will put pressure on future profitability levels. We are therefore reviewing our business model to ensure a profitable business into the future.

Gearing for sustainable growth

When it became obvious towards the end of 2008 that the global market turmoil was set to continue into 2009, we decided to put on hold several expansion plans and instead focused on protecting our existing business interests against further shocks.

We are now cautiously optimistic that the worst is over. In 2010 we will therefore continue to focus on:

- Improving and growing our business in and outside South Africa through a strong focus on profitable volume growth, client service and retention and cost management.
- Complementing our businesses with wider financial services offerings.
- Expanding gradually into new developing countries.
- Transforming our business and culture to keep on delivering on these focus areas.

Operation-specific initiatives aimed at supporting these focus areas include:

South Africa

- Bedding down Sanlam Sky Solutions as our combined South African business.
- Expanding our distribution footprint into regions where SDM is not yet well represented like Gauteng, Limpopo, North West province and Mpumalanga.
- Tapping into new markets with the Santam/ JD Group joint venture.
- Focusing on unit cost reduction and further improving the quality of new business.

Rest of Africa

- Expanding into wider financial services in Botswana such as unit trusts, short-term insurance with Legal Guard and personal loans with Letshego Holdings.
- Focusing on expanding our distribution capabilities and growing our businesses in all countries in which we operate.
- Continued focus on bancassurance relationships in Africa.
- Adding new ventures including the establishment of a medical aid business; a new life insurance operation in Uganda; obtaining a life licence in Nigeria; and investigating expansion into other southern African countries.

India

- Adjusting the business model in line with the evolving regulatory environment.
- Expanding the NEW Channel with the aim of increasing distribution footprint outside our traditional areas of strength.

Business review
Sanlam Developing Markets continued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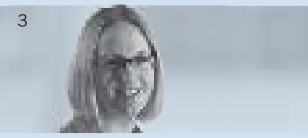
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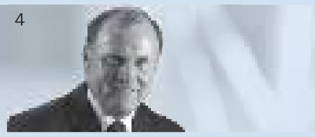
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Our leadership

Executive committee

1. Heinie Werth	Chief Executive
2. Margaret Dawes	Rest of Africa
3. Anne Livingstone	Finance, Actuarial and Risk Management
4. Cornie Foord	Sanlam Sky 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

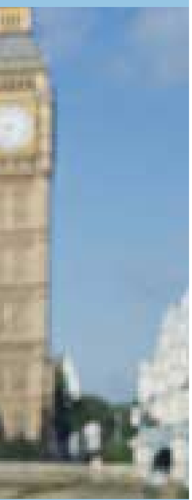
Johan van Zyl	Chairman, Human Resources
Lizé Lambrechts	
Kobus Möller	Audit, Actuarial and Risk
Temba Mvusi	
Flip Rademeyer	Audit, Actuarial and Risk
Chris Swanepoel	Audit, Actuarial and Risk
Tom Wixley	Audit, Actuarial and Risk, Human Resources

Executive directors

Heinie Werth	Chief Executive
Anne Livingstone	Chief Finance and Actuarial Officer (appointed 1 July 2009)
Margaret Dawes	Finance and Rest of Africa (resigned as director 30 June 2009)

Other business heads

8. Nthabiseng Mmatli	Chief Executive Officer: Safrican Insurance Company
9. Regina Sikalesele-Vaka	Chief Executive Officer: Botswana Life Insurance Limited
10. Gary Corbit	Chief Executive Officer: African Life Assurance Company (Zambia) Limited
11. Charles Washoma	Chief Executive Officer: African Life Assurance (Tanzania) Ltd
12. Tom Gitogo	Chief Executive: Pan Africa Life (Kenya)
13. CC Bruce	Executive Director: Enterprise Life Assurance Company (ELAC) Ghana
14. Ramachandra Duruvasan	Managing Director: Shriram Life
15. Akhila Shrinivasan	Managing Director: Shriram Life



Sanlam UK

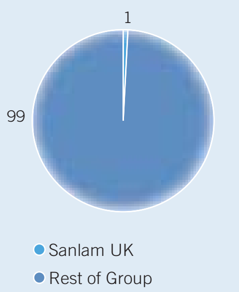
R million	2009	%↗
Net operating profit	**33**	(43)
New business flows	**2 140**	(9)
– Life insurance	**919**	(36)
– Investment	**1 221**	32
PVNB premiums	**951**	(36)
VNB	**14**	
Margin	**1,47% vs 0,07%**	
ROGEV	**(5,8%)**	
Adjusted ROGEV	**(2,4%)**	

Investment Structure

Investment	Shareholding	Description
Merchant Investors Assurance Company	100%	A Bristol-based niche player in the affluent life and specialist pension markets.
Principal Holdings	92%	A leading investment management company specializing in discretionary portfolio management.
Buckles Holdings	64%	The largest independent financial adviser practice based in Wales.
Nucleus Financial Group	41%	A linked investment product platform controlled by independent financial advisers.
Intrinsic Financial Services	28%	A financial intermediary business consisting of financial planning and mortgage advisory divisions.
Punter Southall Group	26%	A UK-based financial services advisory group.

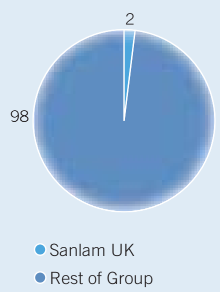
Contribution to net result from financial services

(%)



Contribution to new business volumes

(%)



Business review
Sanlam UK continued

Who we are

Sanlam UK consists of subsidiary companies Merchant Investors (100% owned), Principal (92% owned) and Buckles (64% owned). The portfolio is further complemented by Sanlam's minority holdings in Intrinsic, Nucleus and the Punter Southall Group (PSG). Our growing portfolio of financial services businesses in the UK is active in distribution, product packaging, administration and asset management services.

Sanlam UK's role is to create a framework that will enable each of our businesses to thrive through the establishment of quality intermediary relationships, the linking of business opportunities, sharing of knowledge and experience, and having access to the necessary capital for growth.

2009 in perspective

The UK has experienced its worst recession in 60 years, triggered by the global financial crisis. At the end of 2009, the economy was still in recession and the forecast for 2010 continues to be uncertain, with increasing unemployment, rising tax rates and government debt levels, cuts in public spending, and a slow and muted recovery all being widely expected.

As a result, trading conditions have remained difficult, with heightened investment aversion continuing to prevail and new business being difficult to secure. This has resulted in adviser productivity, initial commissions and premium/fund inflows continuing to fall behind prior year levels.

Performance in the latter half of 2009 was, however, much improved largely as a result of the strong rally in financial markets, the narrowing of credit spreads and increase in business and consumer confidence – resulting in a satisfactory performance for the year from a profit perspective. Persistency rates on our existing business have also remained high, which has been pleasing.

The UK portfolio – subsidiaries

- Merchant Investors is a niche player in the affluent life and specialist pension markets. 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.

  Merchant Investors' surplus for the year was satisfactory, despite continued investment in building its business. New business volumes lagged expectations, but overall net fund flows remained neutral.

- Principal, one of the leading investment management companies in the south of England, specialises in discretionary portfolio management for private individuals, family trusts and smaller corporate clients. Principal proved a resilient business in 2009, despite not being able to deliver an increased level of new business flows on a full-year comparable basis. Profit for the year was in line with expectations, with Principal's revenues rising with the strong recovery in financial markets.

- Buckles is the largest Independent Financial Adviser (IFA) practice in Wales and is ranked in the top 100 in the UK by turnover. Buckles made an operating loss in 2009 as a result of the extremely difficult trading conditions.

The UK portfolio – associated companies

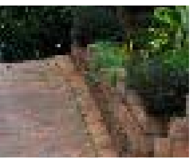
- Nucleus is an Edinburgh-based wrap platform provider, majority-owned by its IFA shareholder firms. It had a very successful year, with its asset base more than doubling in 2009 and finishing the year with just over £1 billion in assets on the platform. Having commenced operations at the beginning of 2007, Nucleus has now gained excellent traction with its 60 supporting IFA firms, and is strategically well positioned for further strong growth and to break even in 2010.
- Intrinsic is a distribution network of financial planning and mortgage advisers. It is currently the fourth largest network in the UK by adviser numbers, and has grown to over 1 600 advisers in only three years. A pure distribution business, Intrinsic proved its resilience in a very trying environment. It remained profitable and self-funding, which was quite an achievement under last year's circumstances.
- PSG is a UK-based financial services advisory group, which operates through a number 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.

  PSG struggled in 2009, with the core actuarial and consulting business having to support the financial advisory, hedge fund and capital markets businesses, in addition to having incurred several significant one-off costs.

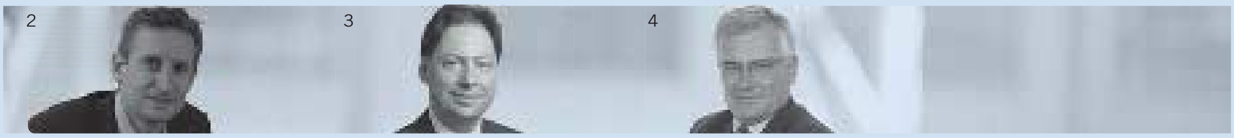
Challenging environment

In addition to facing adverse economic conditions, the UK financial services industry continues to be moulded by numerous social, political, industry and regulatory factors which could fundamentally change the way in which companies do business. These include:

- A general election by May 2010 at the latest, with potentially a change of government.
- Increased regulation and more intrusive supervision by the Financial Services Authority (FSA).
- The implementation of Solvency II by October 2012.
- The implementation of the Retail Distribution Review (RDR) by the end of 2012, which will seek to transform the advice process and prescribe minimum qualification requirements for advisers.
- The introduction of Personal Accounts, which envisages automatic enrolment into a pension scheme in 2010 but with a facility to opt out if individuals wish to do so.
- The continued closure of defined-benefit pension schemes to existing, as well as new, members.



Business review
Sanlam UK continued



Gearing for sustainable growth

With the rapidly changing IFA landscape driven by increased regulatory and economic pressures, IFA business models and sentiment are shifting, leading to consolidation and potentially the exit of participants. This presents Sanlam UK with a number of opportunities through:

- The forging of new business relationships.
- The offering of differentiated intermediary distribution models that can build value in IFA practices.
- The promotion of our RDR-friendly product platforms and wrap solutions.
- Establishing ourselves as a 'trusted adviser' to clients and 'business partner' to IFAs.
- Widening the breadth of our financial solutions sets.

Core to this strategy will be our continued co-ordinated approach to growing our businesses, promoting linkages and driving collaboration. Each business is empowered and makes its own decisions, but within an agreed strategic framework.

Our leadership

Divisional board and committee membership

Non-executive directors

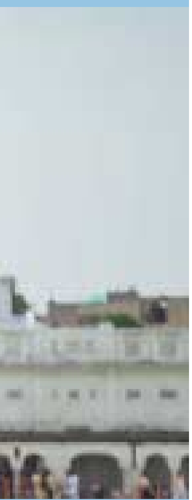
Johan van Zyl	Chairman, Human Resources
Johan van der Merwe	Human Resources, Audit and Risk
Kobus Möller	Audit and Risk
Lizé Lambrechts	Audit and Risk
Angus Samuels	Human Resources
Paul Bradshaw	Audit and Risk

Executive directors

1. Lukas van der Walt	Chief Executive
2. Stuart Geard	Financial Director

Chief executives of controlled entities

1. Lukas van der Walt	Merchant Investors
3. Hugh Titcomb	Principal
4. Nigel Speirs	Buckles



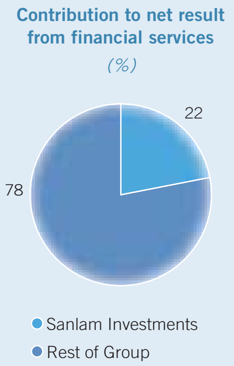
Sanlam Investments

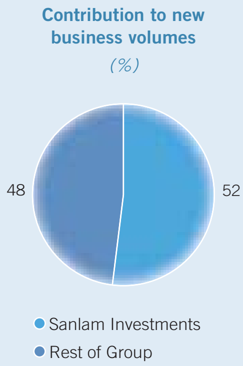
R million	2009	%↗
Net operating profit	593	1
New business flows	53 095	3
– SA	49 287	—
– Non-SA	3 808	74
Net flows	3 947	80
Funds under management (R billion)	441	8
ROGEV	24,7%	
Adjusted ROGEV	23,6%	

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.
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 continued





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.

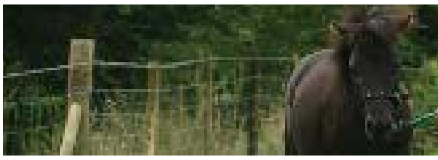
Each business within the Sanlam Investments cluster functions as an entrepreneurial entity with a shared focus on delivering leading performance and exceptional client service. We achieve this by instilling passionate ownership as an intrinsic value among our employees.

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

2009 in perspective

Sanlam Investments successfully navigated what proved to be the toughest year for the investment industry in at least two decades and ended 2009 in a stronger position than the year before. The resilience displayed by our business during this period of significant uncertainty and volatility is a result of devoting almost a decade to building a strong and stable base off which we could continue growing our business notwithstanding the prevailing business climate.

Our strategy of building a diverse range of entrepreneurial investment businesses, each with their own CEO accountable for operational and financial success, enabled us to capitalise on compelling growth opportunities that presented themselves. These included acquiring attractive asset management and financial services businesses, as well as teams with a track record of producing exceptional investment performance. Through these acquisitions we expanded our footprint into India, Asia Pacific, the UK and Europe.



At home, we concentrated on looking after our core business, which meant lifting and broadening our investment performance across our entire offering and keeping a close eye on our cost base.

Within SIM, our single-manager asset management business, we saw the positive impact of appointing a designated chief investment officer (CIO) in 2008. This, and our strategy of consistently implementing our pragmatic value investment philosophy, led to much-improved and, in many instances, top-class performance across most of our investment offerings. As a result, we experienced strong fund flows into the business – a major achievement given uncertain financial market conditions.

On the operational front, we significantly reduced expenses without having to retrench any of our staff. Given the priority we place on people and culture, we are particularly pleased about this. We believe it is the people who work at Sanlam Investments, as well as the culture of passionate ownership, that have made the business such a success, giving us an ongoing competitive advantage. For us, it is therefore an imperative to make long-term investments in our staff so that we consistently develop exceptional, entrepreneurial professionals.

Transformation is a key component of this strategy; a focus that has already delivered results, with two highly effective black CEOs at the helm of our two biggest revenue-generating businesses – SIM and SEB. During 2009, we appointed another two highly talented black CEOs in our Private Equity and Multi-Management businesses. Both of these individuals participated in our various leadership development programmes.

Given the unprecedented nature of the changes in the market environment last year, we also spent time revisiting our business structure and making sure it can easily adapt to changing market conditions, in order to remain relevant and effective in delivering the best results for our clients.

Overall we are confident that we managed to strike the right balance between managing our core business effectively and growing in certain areas, thereby ensuring we are well-positioned to capitalise on future opportunities.

Delivering performance

As an investment business, our main objective is to deliver investment performance, with the resultant flows and revenues representing the fruits of our labour. So it is of particular importance to us that we managed to notch up strong investment performance over three and five years across the majority of our investment offerings.

However, we realise that to expand the business even further, investment performance is a necessary but not sufficient condition for growth. The effective distribution of our products is key. Thus we expanded and improved the distribution and distribution support of our products, a move that paid dividends in 2009.

As a result, fund flows – a key indicator of the confidence that our clients have placed in us – were maintained during 2009. Our net fund flows (excluding white label) were in line with the R3,6 billion in 2008 – a satisfactory outcome in a difficult environment.

Business review
Sanlam Investments continued

Not surprising given the challenging market conditions in 2009, assets under management (AUM) declined in the year – average AUM fell 4,7% compared with 2008.

This resulted in lower profits for 2009 (excluding the release of provisions no longer required), with the cluster reporting gross operating profits of R833 million at year-end.

In anticipation of the decline in AUMs and revenues, the cluster focused strongly on expenditure management and several steps were taken to contain expenses.

SIM

SIM had a highly successful year both in terms of the investment performance delivered and the fund flows attracted during 2009.

Key achievements during the year were:

- The successful integration of SIM CIO Gerhard Cruywagen into the business;
- Satisfactory new business flows;
- Impressive investment performance numbers;
- Reaffirmation of the investment philosophy;
- Stable staff base.

As a result of these successes, SIM's investment philosophy, proposition, quality of people, skill and process were given a huge vote of confidence when the company was awarded several important investment mandates in 2009. Several other pockets of excellence have emerged, specifically in the specialist fixed interest and equity spaces, despite the recent challenging economic climate. Another success story in the business has been the performance of, and flows into, our three single-managed GenX hedge funds. Our multi-asset class funds were markedly better than in 2008 and, more importantly, are on track for much better long-term performance.

Sanlam Investments Fund of Hedge Funds operations

During 2009 it became apparent that despite some doubts about the sustainability of alternative investments, there is still a place for hedge funds in pension funds and private client or individual wealth solutions because of the uncorrelated risk-return characteristics of these funds. We believe that in the long term our clients will enjoy a more cost-effective and improved solution if they can deal with one specialist. Consequently, we consolidated our holdings in our two hedge fund businesses, increasing our stake from 50% to 100% in Octane and 75% in Blue Ink. Ubuntu-Botho Investment Holdings hold the other 25% of Blue Ink.

Sanlam International Investment Partners (SIIP)

SIIP manages Sanlam and external client international assets, primarily through the SAMI (Dublin) platform. These assets total more than US$4,3 billion. SIIP also acquires stakes in carefully selected specialist investment management businesses with competitive international investment management capabilities and sets them up as investment partnerships. In 2009, SIIP bought a stake in FOUR Capital Partners Limited, a London-based specialist European investment management business, and established Eight Investment Partners (8IP), a specialist Asia-Pacific fund manager. Meanwhile, Atom Funds Limited, which SIIP acquired in 2007, has delivered a strong fund performance track record that is expected to lead to good asset flows in 2010.

We also established exciting strategic relationships with two global investment powerhouses, Blackrock and AllianceBernstein, to manage funds in areas where SIIP currently does not intend to form investment partnerships.

SIM Global

After a challenging 2008, SIM Global staged a strong recovery in investment performance. During 2009, the Global Financial Fund regained its status as a top decile fund, with an unrivalled 10-year track record for a locally managed international financial fund. The Best Ideas Fund – now five years old – restored its long-term track record of alpha generation by sticking to the investment philosophy and process that has always set SIM Global apart from its competitors.

Properties

Sanlam Investments and Vukile Property Fund concluded a transaction whereby Vukile acquired the Sanlam Properties asset management business, as well as an option to purchase certain properties from Sanlam Life. This transaction, effective from 4 January 2010, is in line with the Sanlam Group's focus on investing in a combination of fixed and listed property assets. In addition to the property assets, Vukile acquired the IT infrastructure, equipment and employees from Sanlam Properties.

SPI

Sanlam Private Investments (SPI) celebrated its 10th anniversary this year having grown turnover from R1 million in its first year to R230 million in 2009 and assets under management from R134 million to R40 billion.

The SPI investment team has established a good investment performance track record, especially since the introduction of a more formalised investment process three years ago. Their core range of equity and balanced investment portfolios have all outperformed their respective benchmarks over two and three years.

The private client business also expanded both its local and offshore investment offering during 2009 and will continue to take advantage of regulatory changes to satisfy the changing needs and requirements of private investors. Its major focus during 2010, however, will be the development of a wealth management capability in the SA market.

India

The strategic vision for India remains in place, despite the challenges experienced in emerging markets during 2009. During the year, together with our partners SMC, we focused on implementing our joint ventures. Senior resources were deployed to India and substantial effort was put into establishing a common culture in the workplace, developing international best practice processes and procedures and determining detailed strategic goals for the joint venture.

The changing regulatory environment in India and the impact of the financial crisis have undoubtedly made the entry into India more challenging than initially anticipated. Nonetheless, our Board remains committed to our efforts there and is encouraged by the excellent working relationship we have established with our partners.

SRI

Another strategic development during 2009 was to expand our socially responsible investment (SRI) activities. In one initiative, Sanlam Investments provided seed capital to Sustainable Capital, an owner-managed asset manager based in Mauritius, to set up Africa's first sustainable investment fund. The Africa Sustainability Fund will focus on investing in listed companies that derive the majority of their economic benefit, including their revenues, cash flows, net asset value, production volumes and proven reserves, from the African continent excluding SA.

SIM also set up an SRI specialist investment capability and launched two new SRI funds. It also became a signatory to the United Nations Principles of Responsible Investing (PRI). These principles encourage custodians of assets to fully integrate environmental, social and governance (ESG) issues into their investment and ownership decision-making.

Gearing for sustainable growth

In 2010, our main aims will be achieving sustainable growth and serving our clients even better by extracting as much value from the businesses within the cluster as possible. The following strategic objectives remain priorities across the cluster:

- Attaining consistent upper quartile long-term investment performance across all platforms.
- Growing by:
  - Expanding our existing business.
  - Developing new innovative products.
  - Acquiring attractive businesses.
- Extracting operational efficiencies by effectively managing our cost-to-income ratio.
- Leveraging off our existing strengths and abilities.
- Being client-centric in the delivery of our services and products.
- Investing in our people and culture.
- Promoting and sustaining transformation.

Having managed to navigate a difficult 2009 successfully, we are confident that this year we will again excel in our endeavours to remain the long-term investment partner of choice; once again delivering the stellar performance and products that enable our clients to build and maintain their wealth through all economic and financial market cycles.



Sanlam Employee Benefits

R million	**2009**	%↗
Net operating profit	**154**	(16)
New business flows	**1 123**	118
– SA recurring	**284**	59
– SA single	**839**	150
ROGEV	**19,4%**	
Adjusted ROGEV	**15,5%**	

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	62	Retirement fund administration on outsourced basis

Who we are

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

SEB 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 help retirement fund members realise their life-long goal of 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.

2009 in perspective

The year under review was dominated by the global crisis as well as a challenging economic environment in South Africa. This hampered our growth ambitions for 2009, as did the continued migration of members to a new administration platform.

The migration was successfully completed in the third quarter of 2009 and we can now focus on attracting new business.

Sanlam Group Risk

Our Group Risk division continued to deliver excellent growth in 2009, without compromising profitability. We remain focused on improving service delivery and product innovation.

Sanlam Structured Solutions

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

In 2009, Sanlam Structured Solutions was successful in releasing capital of R650 million, bringing us closer to our hurdle rate on capital employed.

The take-up of the Complete Picture Pension product, launched towards the end of 2008, was not robust owing to falling interest rates. However, total sales in the Structured Solutions business picked up significantly later in the year with flows of R700 million in the fourth quarter – our annuity portfolios alone attracted a pleasing R200 million over this period.

Sanlam Umbrella Solutions

Our umbrella fund solution continued to deliver steady growth in 2009, albeit at a slower rate than in 2008.

Even though Sanlam only entered the umbrella fund market in 2007, membership has grown exponentially and we have seen a steady increase in the number of participating employers signing up each month.

This business continues to represent an area of strategic growth for us since we believe that umbrella fund solutions are the future.

Coris Capital

Coris Capital is a specialist retirement fund administrator, of which we own 62%. This business is a vital component in our strategy to grow our umbrella fund solutions.

We reached a huge milestone in the third quarter of last year when we completed the migration of some 500 000 members to the Coris Capital platform. An ambitious project that took 42 months to complete, the new platform will help us achieve greatly improved service levels and more realistic pricing models.

While we had expected the business to start generating profits in 2009, this did not materialise. This year the focus will therefore be on providing customers with excellent service, containing losses and maximising efficiencies.

Gearing for sustainable growth

The four business units that make up SEB are all geared to embrace the growth phase.

Our overarching goal is therefore to grow sustainable market share, which can be supported by consistent first-class service delivery to clients. We will also continue with the transformation of SEB into a business run on innovation to achieve exciting long-term prospects.

The following deliverables are priorities for 2010:

- Sanlam Group Risk
  Continue with the implementation of the new risk administration system.
- Sanlam Structured Solutions
  Achieve efficient capital management.
- Sanlam Umbrella Solutions
  Explore opportunities to grow market share with vigour.
- Coris Capital
  Turn the world-class platform into a world-class service experience for clients.



Sanlam Capital Markets

R million	2009	%↗
Net operating profit	143	
Capital	450	13
ROGEV	31,8%	
Adjusted ROGEV	31,8%	

Who we are

Sanlam Capital Markets (SCM) is a financial engineering business that forms part of the Sanlam Investments cluster. SCM specialises in risk management and structured solutions for its clients through the use of equity and debt instruments and their derivatives. One of the key focus areas of SCM is 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 the funding of various Group companies including SCM.

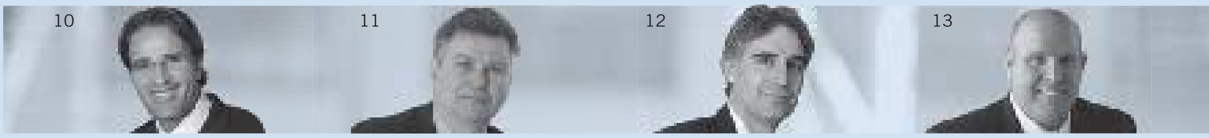
2009 in perspective

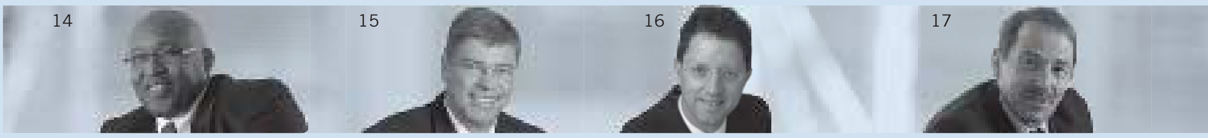
The year under review represented a welcome return to profitability for SCM after the modest loss recorded in 2008. While it remains to be seen whether the rebound in markets after March 2009 will be sustained, the environment proved to be conducive to deal flow in the equity and debt structuring parts of the business. In addition, the equity-related businesses benefited from a recovery in the equity markets. Overall, the Equity and Debt divisions had a very successful year, while the performance in Market Activity was tempered by slow deal flow on the derivative side. As a result, SCM made a profit after tax of R143 million, which is equivalent to a return on equity of 32%.

Gearing for sustainable growth

The focus for 2010 is growth and the further extraction of synergies within the Group. To this end, appropriate structures within the cluster are being established to foster the co-operation required to meet these objectives.

Sanlam Investments continued





Our Leadership

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. Nersan Naidoo*	Sanlam Multi Manager International
6. Tienie van der Mescht*	Sanlam Collective Investments
7. Cora Fernandez*	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. 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

Divisional Boards and Committee Memberships

Sanlam Investment Management

Board of directors and committee memberships

Non-executive directors

Johan van Zyl	Board Chairman, Chairman Human Resources and Nominations
Flip Rademeyer	Human Resources and Nominations, Financial and Risk
Kobus Möller	Financial and Risk
Temba Mvusi	

Independent non-executive directors

Peter Cook	Chairman Financial and Risk Committee
Attie du Plessis	Financial and Risk
David Ladds	Chairman Central Credit, Financial and Risk, Human Resources and Nominations
Anton Botha	Human Resources and Nominations
Chris Swanepoel	Financial and Risk, Central Credit

Executive directors

Johan van der Merwe
Armien Tyer

Sanlam Employee Benefits

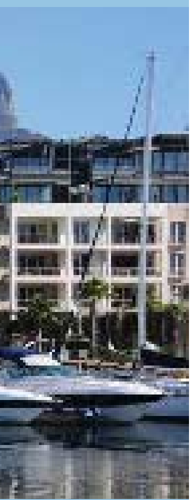
Divisional board and committee memberships

Johan van Zyl	Chairman, Human Resources
Flip Rademeyer	Chairman Financial and Risk, Human Resources
Kobus Möller	Financial and Risk
Johan van der Merwe	
Temba Mvusi	
Nick Christodoulou	Financial and Risk
Chris Swanepoel	Financial and Risk

Sanlam Capital Markets

Divisional board and committee memberships

Johan van der Merwe	Chairman
Flip Rademeyer	Financial
Kobus Möller	Financial
Anton Botha	
Chris Swanepoel	Risk
Peter Cook	Financial, Risk
David Ladds	Financial, Risk
Mark Murning	Chief Executive
Tony Gouveia	Chief Financial Officer



Key results

R million	2009	%↗
Gross written premium*	**15 026**	6
Underwriting results*	**451**	(40)
Investment return on insurance funds*	**420**	(22)
Result from financial services	**871**	(32)

**Continuing operations only.*

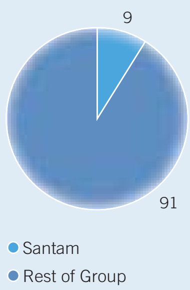
Business profile

Santam underwrites all classes of risk

Insurance classes	% contribution to gross written premium
Motor	41
Property	28
Alternative risk	11
Liability	7
Engineering	4
Transportation	3
Accident and health	3
Crop	3
Miscellaneous	<1
Guarantee	<1

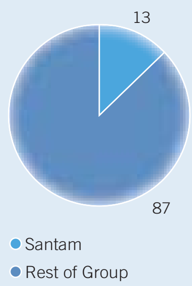
Contribution to net result from financial services

(%)



Contribution to new business volumes

(%)



Business review
Santam continued

Who we are

Santam is the leading short-term insurer in South Africa with a market share exceeding 22% and a client list that includes the majority of the top 100 companies listed on the JSE Limited (JSE). It is a truly diversified short-term insurance company, writing all classes of insurance and with a large geographical footprint in South Africa and Namibia.

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

- Best Personal, Commercial and Corporate Insurer as voted by the Financial Intermediaries' Association (FIA);
- Best Short-term Insurer in the Ask Africa Orange Index, with a second place overall for companies in South Africa;
- Officially the best company to work for in the large company category of the annual Deloitte *Best Company to Work For* survey;
- Best business-to-business short-term insurer as per the *Sunday Times* Top Brand award; and
- The only short-term insurer among the constituents of the JSE's Socially Responsible Investment Index.

Salient features

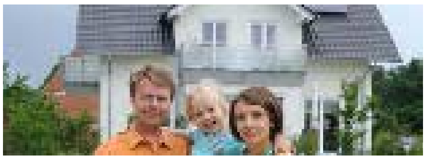
- 55% increase in headline earnings per share
- Solid underwriting performance given challenging market conditions
- Significant improvement in investment returns
- Strong cash flows generated
- Healthy solvency ratio of 44%

Business environment

For more than 90 years, individuals and companies, home-owners, farmers, entrepreneurs, businesses large and small, have trusted Santam to protect them from peril. For nine decades Santam's central organising principle has been to keep the promise implicit in the protective yellow umbrella of its brand.

In the past few years, Santam has done a lot of restructuring of the company to make sure it can live up to this long-standing promise, as the industry and the world change dramatically around it. In 2009, it chose to restate its promise; to redefine its undertaking to bring certainty to its clients as they make their way through today's world.

"*A World of Certainty*" This brave promise was born from exhaustive research, out of listening to thousands of clients, intermediaries and Santam's own people. It was informed by arguably the most extensive analysis ever undertaken in the industry of "who exactly our clients are, their needs and what they want and expect from us". Santam's clients rely on the company to live up to its claims (in every sense of the word) when disaster strikes. And they look to Santam for the best risk-management expertise. What they want, more than anything, is peace of mind. Certainty in what they entrust to Santam.



Because Santam is an intermediated business, reaching and serving the company's clients rests largely in the hands of the company's intermediaries – brokers and other distribution partners. In partnership with its intermediaries, Santam engages proactively with clients, involving them in how they manage their risks. This three-way partnership approach ensures that clients know where they stand, that the cost of cover can be carefully managed and, ultimately, made more affordable to more individuals and more businesses.

Making all of this possible at the client interface are Santam's people. Santam's 2 500 staff make up the most highly trained, most experienced risk management team in the industry. This team offers a wealth of experience, actuarial and business knowledge, underpinned by the most sophisticated operating systems and streamlined back-end processes.

As the leader in the short-term insurance industry, Santam is willing, indeed eager, to partner with policymakers, officials and executives at all levels of Government, civil society, business and within its own sector, to share its knowledge, analysis and insights to create an environment in which risk is more actively understood and properly managed, to the benefit of all.

2009 in perspective

After a challenging first half of 2009, Santam experienced a significantly better second half of the year. This resulted in a pleasing overall performance for 2009 against the backdrop of the difficult economic climate and underwriting conditions.

In line with the industry as a whole, underwriting margins came under considerable pressure, particularly in the first six months. Investment returns improved on firmer equity markets, especially when viewed against the poor performance in 2008. The group delivered significantly improved earnings in 2009, with headline earnings of R1 022 million, up 55% on 2008. This equated to headline earnings per share of 906 cents compared to 586 cents in the preceding year.

Growth of 6% in gross written premiums, 8,5% in the core business activities, was a credible achievement in the economic climate, comparing favourably with the industry growth of 5%. While positive growth was achieved across most classes of business, achieving an appropriate rate for the risk insured remained a challenge.

The improvement in the latter half of the year was mainly due to fewer large industrial accident and fire-related claims in the corporate business unit. The net underwriting result of R451 million for the year was lower than the R748 million in 2008, but significantly up on the R93 million recorded at the half-way mark. The overall net underwriting margin of 3,5% was adversely impacted by negative margins in the property and motor classes. Underwriting performance in the personal and non-specialist commercial business came under pressure from a marked increase in claims frequency and cost. Although margins in the commercial motor class remained satisfactory, the personal lines motor class posted negative results, in particular business sourced through the portfolio management business unit. The company did not escape

the large industrial accident and fire-related claims experienced across the industry, which affected underwriting margins as evidenced by the negative result of the property class. Of the specialist classes, the liability, engineering and crop businesses continued to perform well. The net acquisition cost ratio of 25,9% increased slightly from 25,3% in 2008 mainly due to a higher net commission ratio as a result of reduced reinsurance commission earned.

Investment return on insurance funds of R420 million declined from R540 million in 2008, mainly as a result of lower interest rates and despite higher float balances. The group's operating activities generated healthy cash flows of R1,8 billion during the year, 20% higher than the R1,5 billion in 2008.

The combined effect of insurance activities resulted in a net insurance margin of 6,8% for the year compared to 11% in 2008.

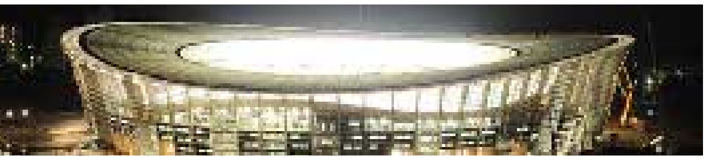
Investment performance improved significantly during the year as equity markets strengthened. This was in contrast to the losses sustained the year before, when investment markets were severely depressed. The company continued to employ its strategy of proactively hedging its equity investments to minimise capital losses in the event of lower market returns. As a result the company hedged R2 billion of its equity exposure in June 2009 through a one-year derivative fence structure. The fence has an attachment point of 4471 (SWIX40 index) with downside protection of 10% from the attachment point as well as upside participation of 20% from the point. At 31 December 2009, the SWIX40 index closed at 5244, 17% above the attachment point. On 31 December 2009, the structure had a negative fair value of R108 million which was accounted for. This will effectively be released to income over the next six months if the structure is maintained to maturity. Despite a reduction in interest rates during the period, interest earnings were higher in comparison to 2008 due to higher levels of interest-bearing instruments.

Net earnings from associated companies of R49 million improved notably compared to the negative returns in 2008. This was due to improved earnings by key associates.

The group solvency ratio was a healthy 44% at 31 December 2009, on par with 2008, and within our long-term target range of between 35% and 45%.

Santam sold its 35% stake in Lion of Africa Insurance Company in December 2009. With this becoming a 100% black-owned business turning in excellent results, its partners and Santam considered it appropriate for Santam to exit at this point. Santam is proud of its partnership with South Africa's first black-owned insurance company that spanned more than 11 years. We wish the company and its management success with their future endeavours.

Further unit allocations in the Emthunzini BEE Staff Trust were made to black staff in terms of Santam's Broad-Based Black Economic Empowerment (BBBEE) scheme.



Expectations and priorities for 2010

Santam expects underwriting margins to remain under pressure, both in commercial and personal lines, due to the softer market. The positive sentiment in South Africa in anticipation of the 2010 FIFA World Cup, as well as signs of a global recovery from one of the worst financial crises since the great depression, should have a positive impact on industry volumes. However, any economic recovery is likely to be gradual. Santam remains concerned about the low levels of disposable income among individuals and earnings pressure on businesses, which will continue to make it difficult to achieve the appropriate rates for risks insured.

Santam's diversified business lines position it well to face these challenges. It will also continue its efforts to optimise profitability across the business with a strong focus on risk management and efficiencies.

The company shares the general consensus that financial markets are overvalued in the short-term, but remains optimistic over the medium to longer term. While volatility in global and local financial markets will impact on its investment performance during 2010, the proactive hedging of its equity exposure will lessen its effect over the short-term. In line with general consensus, the company sees interest rates remaining at current levels for the foreseeable future, limiting major growth in returns on cash-related investments.

The company successfully concluded the acquisition of the entire shareholding of Emerald Risk Transfer (Pty) Limited, effective 1 January 2010. As a specialist corporate property underwriting manager, the business will in future underwrite Santam's corporate property business. The group also concluded a transaction to acquire the minority shareholding in Centriq Insurance, which will in future become a wholly owned subsidiary. The transaction is subject to regulatory approval.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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. Quinten Matthew	Specialist Business
5. Temba Mvusi	Market Development
6. Hendri Nigrini	Risk Services
7. Hennie Nortje	Insurance Services
8. Yegs Ramiah	People and Brands Services
9. Machiel Reyneke	Financial Director

Board members and committee memberships

Desmond Smith	Chairman, Statutory Audit, Human Resources
Themba Gamedze	
Dines Gihwala	Statutory Audit
Jannie le Roux	Human Resources, Sustainability
Namane Magau	Human Resources, Sustainability
Kobus Möller	Risk, Financial Reporting Review
Raisibe Morathi	Investment (Resigned on 3 August 2009)
Yvonne Muthien	Appointed on 25 November 2009
Flip Rademeyer	Risk, Financial Reporting Review, Investment
Jeremy Rowse	Sustainability
George Rudman	Risk, Financial Reporting Review
Johan van Zyl	Human Resources
Peter Vundla	Sustainability

Executive directors

Ian Kirk	Risk, Investment
Machiel Reyneke	Risk, Investment

Overview

Operating environment

The turmoil in the international financial markets had an ongoing impact on the Sanlam business environment in 2009. Prudent policies and practices shielded the Group from major financial losses or write-offs, but could not prevent our 2009 new business volumes and operating results being affected by the challenging economic conditions experienced in all areas in which the Sanlam Group operates.

- Investment markets have a material impact on the Group's reported results. Similar to international trends, the South African equity market experienced huge volatility in 2009. After losing 14% in the first two months of 2009, the JSE All-share Index recovered on the back of increasing local and international demand to record an overall gain of 29% for the year compared to a loss of 26% in 2008. The MSCI world index (measured in rand) gained 4% over the 12 months to the end of 2009 versus a loss of 20% in 2008. This had a positive impact on portfolio returns achieved for the year and in particular also on the investment return on shareholder funds reported in headline earnings. However, the average JSE All-share Index level for the year was still 15% lower than in 2008, which impacted negatively on the Group's asset-based revenue.
- Long-term interest rates increased from the beginning of 2009, which is reflected in the 1% negative All Bond return in 2009, compared to a return of 17% in 2008. The higher interest rates had a negative effect on Group Equity Value (GEV), as well as the value of new life business (covered business), as a result of an increase in the discount rates used to value future covered business revenue streams as well as other unlisted investments. Short-term interest rates decreased in line with the reduction in the South African Reserve Bank's repo rate, which had a negative impact on the interest earned on working capital.
- The rand strengthened against most of the currencies of the other countries in which we operate. This had a negative impact on the translated rand results of these entities. Against the British pound the rand strengthened by 11% from R/£13,33 at the end of December 2008 to R/£11,89 at the end of 2009 and against the Botswana pula from R/P1,26 to R/P1,13.

Key performance indicators

The primary performance target of the Group is to optimise shareholder value through maximising the return on Group Equity Value (ROGEV) per share. This measure of performance is regarded as the most appropriate given the nature of the Group's business and incorporates the result of all the major value drivers in the business.

A target has been set for the ROGEV per share to exceed the Group's cost of capital on a sustainable basis. Cost of capital is set at the government (9-year) bond yield at the start of each financial year plus 3%, with a target to exceed this return by at least 1%. Over a short-term measurement period the actual return achieved can be distorted by volatile market movements. An 'adjusted' annual ROGEV is therefore also calculated that essentially excludes the impact of investment market volatility by assuming that for purposes of the investment return earned on the supporting capital of covered business and the valuation of other Group operations, the investment return assumptions used for embedded value purposes at the beginning of the reporting period were actually achieved in that period. Other significant items not under management's control are also excluded.

Financial review continued

The ROGEV per share of 16,2% achieved in 2009 comfortably exceeded the target of 11,3%, in part owing to the positive impact of the strong equity market. The adjusted ROGEV for 2009 amounted to 13,1%, also well ahead of target.

Other key indicators of the Group's performance for the 2009 financial year are:

- Net result from financial services down 1% on 2008 to 132,2 cents per share;
- Core earnings per share of 179,7 cents per share, 3% below that of 2008;
- New business volumes of R103 billion, a 3% improvement on 2008. Net investment and life business inflows achieved were R9 billion and R3 billion respectively;
- Value of new life business down 1% to R689 million; and
- Dividend per share increased by 6% to 104 cents per share.

In 2009 shareholders received a dividend of 98 cents per share in respect of the 2008 financial year. Coupled with the 34% increase in the Sanlam share price during 2009, this represents a 40% total return to shareholders. This should be seen relative to an average 32% return on the JSE over that period (including dividends). 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 16,5% per annum to shareholders over that period.

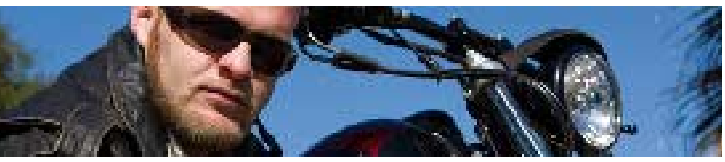
Capital management

The effective management of Sanlam's capital base is an essential component in meeting the Group's strategic objective of maximising shareholder value. This requires a continuous review of the optimal capital levels for existing businesses, including the possible use of alternative sources of funding, a strong bias for capital efficiency in new ventures and products and, when required, the termination of capital inefficient businesses or product lines. The Group has an integrated capital and risk management approach. The amount of capital required by and allocated to the various businesses as well as the expected return hurdles are 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. Excess capital is value dilutive and must in time be returned to shareholders. Some R11 billion has been returned over the past five years through the buying back of Sanlam shares. Discretionary capital amounted to R3,5 billion as at the end of December 2009.

Group Equity Value

Consistent with the diversified nature of the Group operations, the value of the total Group, excluding the value of future new covered business, is referred to as the Group Equity Value (GEV) as opposed to Embedded Value, which is traditionally associated with life insurance businesses only. The return on GEV during any reporting period (ROGEV) in our view provides a more meaningful basis to assess the performance of the Group than the traditional IFRS-based Group earnings. GEV is the aggregate of the following components:



- The embedded value of covered business, being the life insurance businesses of the Group. This comprises the capital supporting these operations and the net value of their in-force books of 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 GEV as at 31 December 2009 amounted to R51 billion, up 13% on the R45,2 billion at the end of 2008. On a per share basis GEV increased by 12% from 2 213 cents to 2 473 cents at 31 December 2009. This increase is after payment of the dividend of 98 cents per share during 2009. The Sanlam share price closed on R22,75 on 31 December 2009, an 8% discount to the GEV on that date.

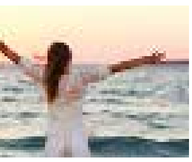
The GEV at 31 December 2009 is analysed in the following table:

Group equity value

R million	2009 Total	2009 Fair value of assets	2009 Value of in-force	2008 Total	2008 Fair value of assets	2008 Value of in-force
Embedded value of covered business	**28 988**	**14 247**	**14 741**	28 591	15 013	13 578
Sanlam Personal Finance	**19 884**	**8 098**	**11 786**	19 574	8 275	11 299
Sanlam Developing Markets	**3 479**	**1 363**	**2 116**	2 796	1 032	1 764
Sanlam UK	**665**	**217**	**448**	680	234	446
Sanlam Employee Benefits	**4 960**	**4 569**	**391**	5 541	5 472	69
Other Group operations	**17 227**	**17 227**	**—**	13 560	13 560	—
Retail cluster	**2 707**	**2 707**	**—**	2 287	2 287	—
Institutional cluster	**7 371**	**7 371**	**—**	6 000	6 000	—
Short-term insurance	**7 149**	**7 149**	**—**	5 273	5 273	—
Capital diversification	**(700)**	**(700)**	**—**	(1 429)	(1 429)	—
Other capital and net worth adjustments	**2 009**	**2 009**	**—**	2 416	2 416	—
	47 524	**32 783**	**14 741**	43 138	29 560	13 578
Discretionary capital	**3 500**	**3 500**	**—**	2 100	2 100	—
Group Equity Value	**51 024**	**36 283**	**14 741**	45 238	31 660	13 578
Issued shares for value per share (million)	**2 063,1**			2 044,2		
GEV per share (cents)	**2 473**			2 213		
Share price (cents)	**2 275**			1 700		
Discount	**(8%)**			(23%)		

Covered business

The embedded value of covered business of R29 billion accounted for 57% of the GEV, compared to 63% at the 2008 year-end. This reduction in relative contribution is mainly due to the more significant impact that the recovery in equity markets had on the valuation of the other Group businesses. The *value of the in-force book* (VIF) increased from R13,6 billion in 2008 to R14,7 billion. This increase is the combined result of profit realised and transferred from VIF for the period, the value of new business added and the net effect on VIF of changes in operational and economic conditions and assumptions (refer to page 211).



Capital held in support of covered business at fair value of R14,2 billion is R766 million lower than the R15 billion required in 2008. The level and nature of the supporting capital allocated to covered business is determined with reference to minimum regulatory requirements as well as economic, risk and growth considerations. A stochastic model is used to determine 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 optimal utilisation of capital receives ongoing management attention with particular focus on the best portfolio asset mix and the capital efficiency of the products being offered. Success in this regard led to a reduction of R1,3 billion in the allocated capital in 2009, of which R900 million resulted from a more conservative asset mix with the remaining capital saving due to a reduction in the exposure to capital-intensive participating annuity business. The success of the Group's capital management is reflected in the fact that, for the first time, the value of VIF is in excess of the required capital of covered business.

All of the life insurance businesses within the Group were sufficiently capitalised at the end of the 2009 financial year. The total admissible regulatory capital (including identified discretionary capital) of Sanlam Life Insurance Limited, the holding company of the Group's major life insurance subsidiaries, of R23 billion covered its capital adequacy requirements (CAR) 3,1 times. No policyholder portfolio had a negative bonus stabilisation reserve at the end of 2009.

Other Group operations

The fair value attributed to other Group operations of R17,2 billion increased by 27% on 2008 and comprised 34% of GEV at 31 December 2009 (30% in 2008). Santam and Sanlam Developing Markets' listed non-life operations are valued at traded market value while management valuations are used for the other unlisted businesses. The latter are based on applicable market-related yields and ratios, applying methodologies and key assumptions that are in all material aspects consistent with those applied in 2008.

- *The Retail cluster* essentially consists of the Sanlam UK non-life operations, Sanlam Personal Finance's wealth management businesses and the non-life operations of Sanlam Developing Markets' Botswana business. The latter was included in other capital in 2008, but has been transferred to other Group operations subsequent to additional investments made during 2009 and Letshego becoming an operational associated company.
- Operations in the *Institutional cluster*, the bulk of which are investment management related, are valued at R7 billion, up 24% on 2008. These businesses are valued based on a percentage of assets under management. The increase is therefore largely attributable to an increase in the level of assets under management following the strong equity market performance towards the end of 2009.
- The *Short-term insurance cluster* comprises the Group's investment in Santam, MiWay and the Indian operation, Shriram General. The latter two start-up operations are still being valued at cost. The value of the Group's investment in Santam increased by 37% to R6,9 billion following a similar increase in its listed share price. Santam remains well capitalised at a solvency level of 44% on 31 December 2009, which is at the higher end of its target range of 35% to 45%.



To the extent that the net asset value of non-life Group operations also qualifies for and is utilised to cover a portion of the covered business's capital requirement, a capital diversification benefit is achieved. At the end of December 2009 this duplicate capital utilisation benefit amounted to R700 million. Other capital of R2 billion includes funds set aside for the Sanlam dividend to be paid in May 2010 in respect of the 2009 financial year and some illiquid non-strategic investments.

Discretionary capital

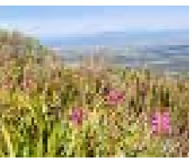
The Group's discretionary capital held in excess of its immediate operational and regulatory requirements is specifically identified and separately managed. The utilisation of this capital is managed through a centralised capital allocation process based on strategic considerations and minimum risk-adjusted return hurdle rates. Discretionary capital amounted to R3,5 billion on 31 December 2009, an increase of R1,4 billion on the R2,1 billion level reported in 2008. Major factors contributing to the change in discretionary capital during the year include:

- Some R1 billion utilised for strategic acquisitions and other corporate activities, including the following:
    - o Sanlam Developing Markets utilised some R350 million to acquire the outstanding minority shareholders' interest in Channel Life, to strengthen the Channel capital base and to make the third performance payment due in respect of Shriram Life Insurance;
    - o MiWay required additional financing of R58 million to fund the start-up costs while a further R17 million was utilised to acquire a proportionate share of the PSG Group's interest in MiWay;
    - o Sanlam UK was capitalised by R61 million, which includes an increase in the Group's interest in Principal from 86% to 92%;
    - o SIM utilised some R380 million, including R164 million to capitalise the Indian wealth management joint ventures with SMC, R175 million to acquire minority interests in Octane and Blue Ink and initial investments by SIIP; and
    - o The equity base supporting the retail credit businesses was strengthened by R196 million.
- A R1,3 billion reduction in the capital allocated to the life businesses; and
- Investment returns for the year.

Discretionary capital
R billion

Group Equity Value	51,0
Strategic investments (not included in Life capital)	(15,7)
Life insurance subsidiaries' embedded value	(29,0)
	6,3
Provision for 2009 dividend	(2,3)
Other	(0,5)
Discretionary capital	**3,5**

Retaining unproductive capital on the Sanlam shareholder's fund balance sheet is value dilutive and the optimal utilisation of discretionary capital is therefore a key Group priority. A number of strategic investment opportunities have been identified and are being pursued on an ongoing basis. The successful conclusion of these will utilise a fair portion of the discretionary capital. A key consideration in these and other possible 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. The opportunity remains to add value through the buy-back of Sanlam shares. Even though no Sanlam shares were bought back in 2009, the Sanlam Board is still of the opinion that share buy-backs are an efficient way of returning capital to shareholders should strategic investment opportunities not materialise.

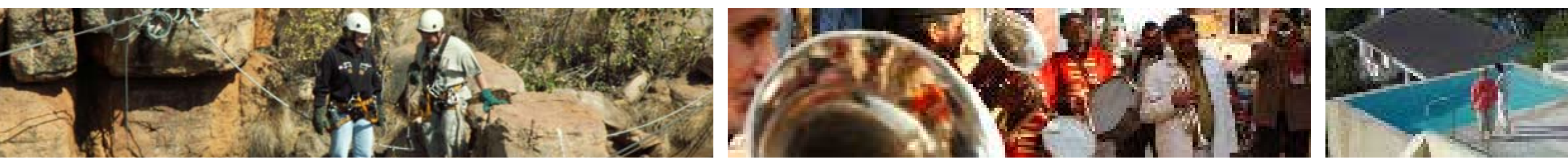


Return on Group Equity Value

As a financial services organisation, the Group has a material exposure to the 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. After the 2008 return (-1,7%) that reflected the depressed financial markets at the time, the Group's performance recovered in 2009 in line with the stronger investment markets. Sanlam achieved a ROGEV per share of 16,2% in 2009, well up on the 11,3% target set for the year.

Return on Group Equity Value
for the year ended 31 December 2009

	2009 Earnings R million	2009 Return %	2008 Earnings R million	2008 Return %
Sanlam Personal Finance	**3 003**	**14,3**	744	3,5
Covered business	**2 815**	**14,4**	453	2,3
Other operations	**188**	**13,2**	291	24,4
Sanlam Developing Markets	**569**	**19,2**	648	29,6
Covered business	**467**	**16,7**	659	30,5
Other operations	**102**	**63,8**	(11)	(39,3)
Sanlam UK	**(89)**	**(5,8)**	(356)	(23,4)
Covered business	**(14)**	**(2,1)**	(36)	(3,9)
Other operations	**(75)**	**(8,9)**	(320)	(53,3)
Institutional cluster	**2 607**	**22,6**	(723)	(5,8)
Covered business	**1 153**	**20,8**	(157)	(3,0)
Sanlam Investments	**1 381**	**24,7**	(547)	(8,2)
Coris Administration	**(70)**	**(129,6)**	16	42,1
Capital markets	**143**	**31,8**	(35)	(8,8)
Short-term insurance	**2 133**	**40,5**	(1 279)	(20,1)
Discretionary and other capital	**(774)**		(440)	
Balance of portfolio	**(334)**		114	
Shares delivered to Sanlam Demutualisation Trust	**—**		(46)	
Intangible assets less value of in-force acquired	**(87)**		(43)	
Treasury shares	**(244)**		(269)	
Change in net worth adjustments	**(109)**		(196)	
Return on Group Equity Value	**7 449**	**16,5**	(1 406)	(2,7)
Return on Group Equity Value per share		**16,2**		(1,7)



Return on covered business

Covered business yielded a return of 16% compared to 3% in 2008. An analysis of this return is set out below.

Return on covered business
for the year ended 31 December 2009

R million	2009	2008
Net value of new business	607	612
Earnings from existing business	2 430	1 885
Expected return on value of in-force	1 714	1 838
Operating experience variances	636	278
Operating assumption changes	80	(231)
Expected investment return on adjusted net worth	1 091	1 180
Embedded value earnings from operations	4 128	3 677
Economic assumption and tax changes	(1 206)	571
Investment variances – value of in-force	1 149	(1 435)
Investment variances – adjusted net worth	515	(1 864)
Project expenses and other	(165)	(30)
Total embedded value earnings	4 421	919
Return on covered business	15,5%	3,2%

The increase in the return during 2009 is the combined effect of the following:

- Net value added by new business written of R607 million (2008: R612 million) and earnings from the existing in-force book of R2,4 billion (2008: R1,9 billion). The increase in the latter was aided by positive experience variances of R636 million, essentially related to positive risk experience (R363 million) and interest earned on net working capital. Operating assumption changes were overall positive, versus net negative adjustments required in 2008. The current year includes some strengthening in the mortality and persistency bases;
- The increase in long-term interest rates and the change in long-term asset mix assumptions resulted in negative changes in the economic assumptions base of R1,2 billion, compared to positive changes of R356 million in 2008;
- The assets held in policyholder portfolios were positively impacted by the improved market conditions, resulting in an increase in expected future fee income, which supports an increase in the value of the book of in-force business of R1,1 billion in 2009 compared to negative variances of R1,4 billion in 2008; and
- Positive investment return on the capital supporting the life operations of R1,6 billion compared to a negative return of R0,7 billion in 2008. The 2009 result comprises an expected investment return of R1,1 billion (2008: R1,2 billion) and positive investment variances of R0,5 billion (2008: negative R1,9 billion). This can mostly be ascribed to the improved investment market performance in 2009.

Financial review continued

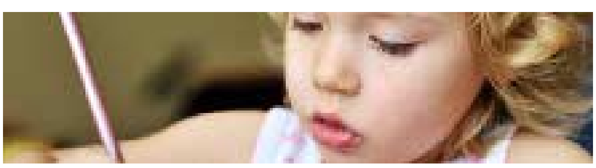
Return on other Group operations

The valuations of the other Group operations were more strongly impacted by the turnaround in market conditions and yielded a positive return of 28% for 2009 compared to a negative return of 12% in 2008. The Group's investment in *Santam* was the largest contributor to this performance. Compared to a negative return of R1,3 billion in 2008 (20% negative return), the investment in Santam yielded a positive return of R2,1 billion (42%) in 2009, a turnaround of R3,4 billion. Operations in the *Institutional cluster* achieved a return of 24%. As mentioned above, this performance is directly linked to the higher overall level of assets under management following the stronger 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, aggravated by the strong rand exchange rate. This is reflected in the 9% negative return reported for the Sanlam UK non-life operations.

Return on discretionary and other capital

The return on discretionary and other capital was impacted by the following:

- A negative change of R109 million in the net worth adjustments. This is largely due to an increase in the allowance for corporate costs as corporate resources are required at a Sanlam Developing Markets level to support this growing cluster;
- A loss of R244 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, which have previously been taken into account in the number of shares for value per share purposes; and
- Negative investment returns of R334 million, of which a large portion is attributable to foreign exchange losses on offshore cash holdings and the notional transfer of investment return on the R1,4 billion capital diversification allocated to covered business at the end of 2008.

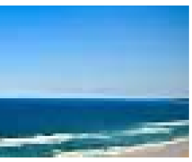




Adjusted return on Group Equity Value

The adjusted ROGEV per share for 2009 amounts to 13,1% (2008: 12,4%).

Adjusted return on Group Equity Value
for the year ended 31 December 2009

	2009 Earnings R million	2009 Return %	2008 Earnings R million	2008 Return %
Sanlam Personal Finance	**2 579**	**12,3**	2 697	12,7
Covered business	**2 391**	**12,2**	2 406	12,0
Other operations	**188**	**13,2**	291	24,4
Sanlam Developing Markets	**722**	**24,4**	561	25,6
Covered business	**705**	**25,2**	572	26,5
Other operations	**17**	**10,6**	(11)	(39,3)
Sanlam UK	**(37)**	**(2,4)**	(52)	(3,4)
Covered business	**93**	**13,7**	141	15,3
Other operations	**(130)**	**(15,3)**	(193)	(32,2)
Institutional cluster	**2 327**	**20,1**	980	7,9
Covered business	**939**	**16,9**	558	10,6
Other operations	**1 388**	**22,8**	422	5,9
Santam	**545**	**10,3**	669	10,5
Discretionary and other capital	**(96)**		549	
Adjusted return on Group Equity Value	**6 040**	**13,4**	5 404	10,5
Adjusted return on Group Equity Value per share		**13,1**		12,4



Business volumes

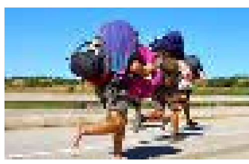
R million	New business flows 2009	New business flows 2008	%△	Net flows 2009	Net flows 2008	%△
By business						
Sanlam Personal Finance	**30 972**	31 070	(0)	**7 048**	3 876	82
Sanlam Developing Markets	**2 702**	2 594	4	**1 229**	1 218	1
Sanlam UK	**2 140**	2 350	(9)	**(199)**	89	(324)
Institutional cluster	**48 030**	45 476	6	**3 301**	1 650	100
Short-term insurance	**12 896**	12 165	6	**3 796**	3 734	2
By licence						
Life insurance	**16 601**	16 627	(0)	**3 057**	576	431
Life licence	**1 408**	1 641	(14)	**(517)**	(833)	(38)
Investments	**65 835**	63 222	4	**8 839**	7 090	25
Short-term insurance	**12 896**	12 165	6	**3 796**	3 734	2
	96 740	93 655	3	**15 175**	10 567	44
White label	**6 188**	6 481	(5)	**324**	(1 445)	
Total	**102 928**	100 136	3	**15 499**	9 122	70

Total new business volumes for 2009 of R103 billion are 3% higher than in 2008. After a relatively flat first-half performance, new business volumes improved by 5% in the second half on those achieved in the comparable period in 2008. Net inflows of R15,5 billion are well up on the R9,1 billion achieved in 2008, which is testimony to the Group's positive fund retention and persistency experience.

By business

- Overall *Sanlam Personal Finance* new business sales remained in line with the 2008 level. The South African middle-income market in particular experienced the full impact of the challenging economic environment. In these conditions Sanlam Personal Finance did well to report much improved net inflows of R7 billion, substantially due to the improved retention of investment business but also a 15% reduction in policy surrenders.
- *Sanlam Developing Markets* achieved a 4% improvement in overall new business flows. This is a commendable performance given the deliberate scaling down in low-yielding single premium and non-profitable recurring premium business in South Africa and lower single premium sales in India.
- The *Sanlam UK* total new business volumes for the year are 9% down at R2,1 billion as its operations continue to be affected by the major slowdown in the UK economy.
- The *Institutional cluster* recorded a 6% improvement in new inflows and substantial (100%) growth in net inflows to R3,3 billion. This reflects a welcome increase in new investment mandates received as well as more than a doubling in new group life business.
- *Santam* recorded a 6% increase in net earned premiums, a strong performance in challenging conditions where consumers and businesses were under pressure. The growth in core business lines was above the industry average, reflecting an increased market share in intermediated business.





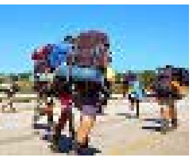
By licence

Life insurance

	New business flows			Net flows		
R million	**2009**	**2008**	**%△**	**2009**	**2008**	**%△**
SA Individual	**12 395**	12 862	(4)	**1 658**	795	109
Recurring premiums	**1 828**	1 837	(0)			
Sanlam Personal Finance	**1 000**	1 072	(7)			
Sanlam Developing Markets	**828**	765	8			
Single premiums	**10 567**	11 025	(4)			
Sanlam Personal Finance	**10 032**	10 341	(3)			
Sanlam Developing Markets	**535**	684	(22)			
SA Group Business	**1 123**	515	118	**(322)**	(1 994)	84
Recurring premiums	**284**	179	59			
Single premiums	**839**	336	150			
Rest of Africa	**2 023**	1 647	23	**1 627**	1 374	18
Sanlam Developing Markets	**1 198**	968	24			
Sanlam Personal Finance Namibia	**825**	679	22			
UK (MI)	**919**	1 426	(36)	**(98)**	182	
India (Shriram Life)	**141**	177	(20)	**192**	219	(12)
	16 601	16 627	(0)	**3 057**	576	431

Total new life insurance business in 2009 equalled that of 2008 with strong growth in SA group business and the rest of Africa being offset by lower UK, India and SA individual business. A major improvement in individual and group life new business in SA towards the end of 2009 contributed to second-half results being up 11% on those of 2008.

- *South African individual life* new business volumes were 4% lower than in 2008. This is the combined effect of unchanged new recurring premium business and a 4% reduction in overall single premium business.
  - Sanlam Developing Markets *recurring premium* sales improved by 8% on 2008, notwithstanding the scaling down of low-margin broker business. In the Sanlam Personal Finance middle-income market, recurring premiums were down 7% as the economic conditions impacted disposable income and the demand for savings and retirement solutions. Recurring risk business is less sensitive to these conditions and increased by 9% on 2008, in part due to the successful targeting of professionals and small business owners.
  - *Single premium life* sales in Glacier's high net worth target market had a slow start to the year but recovered to record a 7% increase on 2008. This was, however, offset by lower demand for savings and guaranteed investment products in the middle market, where disposable income remained under pressure. The low short-term interest rate environment also eroded the attractiveness of guaranteed solutions. Sanlam Developing Markets single premium product sales reflect the continuations of existing policies. No new policies are being sold.



- *Sanlam Employee Benefits* recorded a marked improvement in its new business volumes with total new business sales of R1,1 billion, more than double those of 2008. Recurring risk premiums increased by 59% while single premium sales were 150% up on 2008.
- Businesses in the *rest of Africa* continued to perform well, notwithstanding the extremely tough environment in the resource-based economies. Namibian new business volumes increased by 22% on 2008, in part assisted by one-off single premiums. Annuity and individual life business performed strongly in Botswana, contributing to a 37% increase on 2008. Kenya and Ghana recorded growth in new business volumes of 30% and 23% respectively.
- *Sanlam UK's* new business performance reflects the impact of the recession in the UK, which is aggravated by general investor risk aversion. *Shriram Life's* total new business volumes are 20% lower than in 2008, which is due to a switch from single to recurring premium business. New recurring premiums are 59% up on 2008.

Value of new covered business

	Gross			Net of minorities		
R million	**2009**	**2008**	**%△**	**2009**	**2008**	**%△**
PVNBP	**26 365**	26 033	1	**25 102**	24 459	3
Sanlam Personal Finance	**16 573**	17 371	(5)	**16 269**	17 080	(5)
Sanlam Developing Markets	**5 711**	5 332	7	**4 752**	4 049	17
Sanlam UK	**951**	1 484	(36)	**951**	1 484	(36)
Sanlam Employee Benefits	**3 130**	1 846	70	**3 130**	1 846	70
VNB	**689**	698	(1)	**607**	612	(1)
Sanlam Personal Finance	**320**	386	(17)	**308**	377	(18)
Sanlam Developing Markets	**290**	302	(4)	**220**	225	(2)
Sanlam UK	**14**	1		**14**	1	
Sanlam Employee Benefits	**65**	9	622	**65**	9	622
Margin	**2,61%**	2,68%		**2,42%**	2,50%	
Sanlam Personal Finance	**1,93%**	2,22%		**1,89%**	2,21%	
Sanlam Developing Markets	**5,08%**	5,66%		**4,63%**	5,56%	
Sanlam UK	**1,47%**	0,07%		**1,47%**	0,07%	
Sanlam Employee Benefits	**2,08%**	0,49%		**2,08%**	0,49%	

The total value of new covered business (VNB) for 2009 of R689 million is 1% lower than 2008, with new business margins also marginally lower, primarily owing to the effect of the higher interest rates prevailing at year-end, with a commensurate impact on the risk discount rate (reducing VNB by R71 million), as well as the decrease in Sanlam Personal Finance new business volumes. After minorities, VNB of R607 million is also 1% down on 2008 at an average margin of 2,42%. Excluding the impact of the higher risk discount rate, net VNB of R674 million is 10% up on 2008 at an average margin of 2,62%.

- *Sanlam Personal Finance's* VNB for 2009 of R320 million is 17% lower than in 2008. The performance



against 2008 is the combined effect of the higher interest rates, which reduced the VNB by R61 million, and the lower new business volumes. Cost-saving initiatives as well as the switch to higher margin risk business and *ad hoc* premium increases dampened the impact of the lower volumes. The VNB margin is similarly impacted by the increase in interest rates, with the overall margin reducing from 2,22% in 2008 to 1,93% in 2009. Excluding the impact of the change in economic basis, margins are in line with 2008.

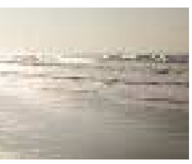
- *Sanlam Developing Markets* recorded VNB of R290 million for 2009, which is 4% down on 2008 at an average margin of 5,08%, down from 5,66% in 2008. On a similar economic basis as 2008, VNB increased by 6% to R320 million at a margin of 5,48%. The performance against 2008 is largely the combined effect of a 13% increase in the Botswana VNB, with the strong new business performance being offset by lower annuity business margins due to the decrease in long-term interest rates, and lower business volumes and bancassurance margins earned in the other Africa operations. Net of minorities, Sanlam Developing Markets' VNB is 2% lower than in 2008.
- *Sanlam Employee Benefits*' VNB increased from R9 million in 2008 to R65 million in 2009. At the same time the average margin achieved of 2,08% is well up on the 0,49% of 2008. This substantial improvement follows the increase in business volumes. R20 million of the 2009 VNB is attributable to a change in economic basis, which also provided some support to the increase in the VNB margins.
- *The Sanlam UK* operations reported an improved VNB contribution of R14 million for 2009 at a margin of 1,47%. This performance is largely attributable to a change in the mix of business to more profitable products.

Investment business

	New business flows			Net flows		
R million	**2009**	**2008**	**%△**	**2009**	**2008**	**%△**
Sanlam Personal Finance	**19 115**	18 978	1	**4 800**	2 706	77
SA operations	**10 758**	11 231	(4)	**2 460**	2 897	(15)
Namibia	**8 357**	7 747	8	**2 340**	(191)	
Sanlam UK	**1 221**	924	32	**(101)**	(93)	(9)
Sanlam Investments	**45 499**	43 320	5	**4 140**	4 477	(8)
Segregated Funds	**11 306**	12 404	(9)	**2 349**	2 491	(6)
Multi-manager	**3 666**	4 040	(9)	**(1 487)**	(3 406)	56
Private Investments	**8 769**	7 094	24	**992**	3 215	(69)
Collective Investments	**18 574**	18 254	2	**4 349**	2 674	63
	42 315	41 792	1	**6 203**	4 974	25
Non-SA operations	**3 184**	1 528	108	**(2 063)**	(497)	(315)
Total (excl white label)	**65 835**	63 222	4	**8 839**	7 090	25

Sanlam Personal Finance's new investment business volumes of R19 billion are 1% up on 2008 as a 4% reduction in South African savings business was countered by an improvement in Namibian new business (substantially money market flows).

Sanlam UK's new investment business reflects the impact of including Principal's volumes for a full year compared to nine months in 2008. On a comparable basis, investment business volumes were also depressed by the UK economic environment.



Financial review continued

Sanlam Investments' new business flows (excluding fund flows from Sanlam Life) increased by 5% to R45 billion and achieved net inflows of R4 billion, a satisfactory performance in the current environment. The *South African* businesses achieved net inflows of R6 billion, substantially due to net flows from third-party wholesale mandates and collective investments. *International* investment business flows more than doubled, but net flows were a negative R2 billion as investor risk aversion continued to impact fund withdrawals.

Short-term insurance business

Short-term insurance premiums, net of reinsurance, increased by 6% to R12,9 billion. This essentially comprises Santam's results as MiWay's business has been fully reinsured with Santam.

Earnings

Summarised shareholders' fund income statement for the year
ended 31 December 2009

R million	2009	2008	%△
Net result from financial services	**2 714**	2 802	(3)
Gross result from financial services	**4 242**	4 260	—
Taxation	**(1 120)**	(966)	(16)
Minority shareholders' interest	**(408)**	(492)	17
Net investment income	**976**	1 068	(9)
Core earnings	**3 690**	3 870	(5)
Project expenses	**(28)**	(56)	50
Equity-accounted earnings	**41**	16	156
Amortisation of value of business acquired	**(84)**	(77)	(9)
BEE transaction costs	**(7)**	(7)	—
Net investment surpluses	**1 032**	(1 699)	161
Secondary tax on companies	**(150)**	(59)	(154)
Discontinued operations	**—**	(22)	100
Normalised headline earnings	**4 494**	1 966	129
Disposal of subsidiaries and associates	**35**	3	
Impairments	**(76)**	(244)	
Other non-headline earnings	**—**	33	
Normalised attributable earnings	**4 453**	1 758	153
Core earnings (cents per share)	**179,7**	184,8	(3)
Normalised headline earnings (cents per share)	**218,9**	93,9	133

Net result from financial services

Net result from financial services or net operating profit of R2 714 million for 2009 is 3% down on the R2 802 million reported in 2008.

	Gross			Net of tax and minorities		
R million	**2009**	**2008**	**%△**	**2009**	**2008**	**%△**
Sanlam Personal Finance	**2 031**	1 975	3	**1 498**	1 555	(4)
Sanlam Developing Markets	**376**	218	72	**172**	144	19
Sanlam UK	**35**	68	(49)	**33**	58	(43)
Institutional cluster	**1 220**	1 022	19	**890**	737	21
Sanlam Investments	**833**	825	1	**593**	589	1
Sanlam Capital Markets	**173**	(61)		**143**	(35)	
Sanlam Employee Benefits	**214**	258	(17)	**154**	183	(16)
Short-term insurance	**746**	1 161	(36)	**242**	439	(45)
Santam	**871**	1 288	(32)	**313**	494	(37)
MiWay	**(125)**	(127)	2	**(71)**	(55)	(29)
Corporate and other	**(166)**	(184)	10	**(121)**	(131)	8
Total	**4 242**	4 260	—	**2 714**	2 802	(3)

Outstanding features of the net result from financial services for the year are the strong recovery in the results of Sanlam Capital Markets after the losses experienced in 2008, an improved performance from Sanlam Developing Markets, the effect of a deteriorating claims experience on the Santam results and the negative impact of the tough economic conditions on the Sanlam UK results in particular.

- *Sanlam Personal Finance* once again produced a solid set of results with a 3% increase in its gross result from financial services for the year in spite of the difficult business environment. Administration profit decreased by 5% largely owing to increased new business strain. This was partly offset by cost-saving initiatives. The increase in administration costs was contained at 4% in spite of inflationary pressures during the period. Risk profits – some 23% of profit – increased by 8% largely owing to improved underwriting experience. Market-related income, which contributes some 66% of Sanlam Personal Finance's profit, grew by only 2%. Lower interest rates caused a reduction in interest earned on working capital. This was aggravated by a lower average balance of the reserve in respect of non-participating business and therefore the consequential lower level of profit released from the reserve in terms of the profit entitlement policy. The net profit contribution from non-life operations amounted to R96 million, 13% up from 2008. An increase in the effective tax rate resulted in a reduction in the net operating result of 4% to R1 498 million.

Financial review continued

- The *Sanlam Developing Markets* operations produced gross operating profit of R376 million, that is 72% up on 2008. Botswana once again made a substantial contribution to the results, in part due to the recovery in the Botswana equity markets as well as positive mortality experience on the annuity book, a reduction in the credit default provisions and a change in the accounting treatment of Letshego, a micro finance business in Botswana. Botswana Life Insurance obtained significant influence over Letshego following an increase in our interest and directorships. Letshego accordingly became an associate of the Group, with our portion of Letshego's profit reported as equity-accounted earnings through operating profit. In the past Letshego was recognised as an investment at fair value. All the other African operations reported lower earnings as most territories experienced the impact of the current economic environment. Also contributing to the lower earnings were lower credit life profits following a general reduction in lending activities of banks and a reduction in margins on credit life business. In South Africa the results of the Sanlam Sky operations improved by some 50% on 2008, attributable to positive expense basis changes resulting from cost control and an increase in the number of in-force policies. The Channel Life contribution materially improved on 2008, although it still reflected a loss for the period, taking into account the cost incurred in respect of the integration of the Sanlam Sky/Channel Life operations. Net of tax and minorities, the Sanlam Developing Markets operating profit is up 19%, with a higher effective tax rate impacting growth on a net basis.
- The *Sanlam UK* results reflect the tough UK operating environment. Net operating profit is down 43% on the comparable period in 2008. A strengthening of the rand/sterling exchange rate aggravated these results. New business volumes remained under pressure although the recovery in the UK investment market towards the end of 2009 contributed to some improvement in the prospects of the businesses earning fund-based fee income.
- *Sanlam Investments'* result from financial services of R833 million (before tax and minorities) is 1% up on the comparable period in 2008 (up 1% to R593 million, after tax and minorities). The positive investment market performance since the end of June 2009 supported fee income, with a marked improvement in net operating profit since the June reporting period. Excluding the impact of a release of over-provisions of some R70 million (after tax), net operating profit decreased by 11%, which is in line with the decline in the average level of assets under management in 2009 compared to 2008. Operating costs were well managed and are 4% lower than 2008, excluding the release of provisions no longer required.
- *Sanlam Capital Markets'* net result from financial services of R143 million is a major improvement on the loss of R35 million reported in 2008. The equities division had a very strong year, driven by equity-backed finance transactions. The debt division also recorded satisfactory results, despite continued pressure from credit valuations.



- *Sanlam Employee Benefits* posted a 16% decline in its net result from financial services on 2008, the result of lower cash interest rates that contributed to a decrease in the interest earned on working capital as well as a disappointing increase in losses associated with the retirement fund administration business. The migration of the funds onto the new administration platform has essentially been completed and management's attention will now shift to process optimisation and an improvement in cost efficiencies.
- *Santam's* net result from financial services for the period is 37% lower than 2008. A deteriorating claims experience in respect of its personal lines motor book and some large fire-related claims in the corporate division in the first half of the year resulted in an increase in the overall claims experience and a 40% decline in the gross underwriting result. Lower cash interest rates also contributed to a decrease in float income earned.
- *MiWay* recorded a R71 million net operating loss for the period. The difficult economic environment in 2009 had a negative impact on their anticipated book build towards break-even. The latter part of the year, however, saw some encouraging improvement in new business volumes while maintaining an acceptable overall loss ratio.
- Corporate administration expenses were well maintained.

Core earnings

Core earnings for the year of R3 690 million are 5% down on 2008, the combined effect of a 3% reduction in the net result from financial services for the year as discussed above and a 9% decline in net investment income over the same period. The net reduction in investment income in 2009 is substantially due to a reduction in short-term interest rates as well as the relatively lower asset base following the utilisation of some of the discretionary capital through the year.

On a per share basis, core earnings decreased by 3%, reflecting the impact of the 2% reduction in the weighted average number of shares in issue owing to the share buy-backs during 2008.

Normalised headline earnings

Normalised headline earnings of R4 494 million are 129% higher than in 2008. A reduction in the weighted average number of shares in issue following the share buy-backs during 2008 resulted in a somewhat higher increase of 133% in normalised headline earnings per share. Normalised headline earnings exclude the IFRS accounting impact of investments in Sanlam shares and Group subsidiaries held by the policyholders' fund. Including the effect of fund transfers recognised in terms of IFRS in respect of these shares, headline earnings per share increased by 66%.

Financial review continued

The increase in normalised headline earnings is in the main attributable to the following:

- A reduction of 5% in core earnings as discussed above.
- A reduction in once-off project expenditure from R56 million in 2008 to R28 million. The 2009 expenditure was incurred by SPF to bridge the cash flow shortfall of certain intermediaries following the change in commission regulations.
- Investment surpluses amounting to R1 billion (after tax and minorities) in 2009, a major turnaround from the negative investment returns of R1,7 billion in the 2008 financial year. This is the result of the substantial improvement in the South African equity markets in particular during the year.
- A major increase in the secondary tax on companies (STC) charge is attributable to a higher Sanlam dividend payment coupled with a reduction in STC credits earned from dividends received in the shareholder portfolio, following a reduction in equity exposure.

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.

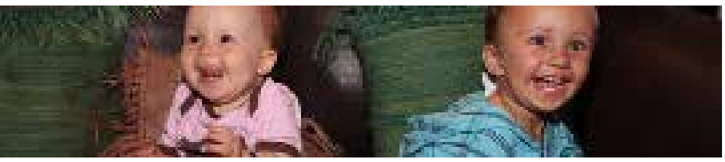
Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the dividend, subject to the Group's liquidity and solvency requirements. The operational performance of the Group in the 2009 financial year enabled the Board to increase the dividend per share by 6% to 104 cents. This will maintain a cash operating earnings cover of approximately 1,1 times.

The last date to trade to qualify for this dividend will be Friday, 16 April 2010. Dividend payment by way of electronic bank transfers will be effected on Wednesday, 5 May 2010. The mailing of cheque payments in respect 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

Owing to the uncertain economic environment, the Group refrained from buying back Sanlam shares in 2009. Since 2005, a total of 705,9 million shares, or 25,5% of Sanlam's issued shares as at 1 January 2005, have been acquired in Sanlam's share buy-back programme for a total consideration of R11,2 billion at an average price of R15,92 per share. Share buy-backs to date have been value enhancing, both from an earnings per share and GEV per share perspective. Capacity to buy back 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.



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 South African-based new business flows in any year. 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 4,6 million deferred shares qualified for conversion at the end of 2009, resulting in an aggregate 23,2 million of the deferred shares entitlement that has vested to date. The entitlement accruing in respect of the 2009 financial year is set out in the following table:

Deferred shares vesting

	Value add (R million)	Shares (million)
2009		**4,59**
VNB	**34,0**	**4,44**
Third-party net investment flows	**(12,3)**	**—**
Collective investments net flows	**1,1**	**0,15**
Previous years		**18,58**
Total number of shares vested		**23,17**

Issued shares

	Shares in issue	GEV per share	Normalised earnings	IFRS earnings
Shares in issue at 31 December 2008	2 190,1	2 190,1	2 190,1	2 190,1
Shares held by subsidiaries	—	(151,8)	(164,2)	(164,2)
Balance at 31 December 2008	—	(197,3)	(197,3)	(197,3)
Share incentive trust and other	—	15,4	8,0	8,0
Shares cancelled	—	30,1	25,1	25,1
Conversion of deferred shares	—	23,2	20,6	20,6
Dilution from share incentive schemes	—	31,7	31,7	31,7
Shares cancelled	(30,1)	(30,1)	(25,1)	(25,1)
Shares held by policyholders	—	—	—	(25,0)
Balance at 31 December 2009	**2 160,0**	**2 063,1**	**2 053,1**	**2 028,1**
Balance at 31 December 2008	**2 190,1**	**2 044,2**	**2 094,0**	**2 043,5**
Reduction	(1,4%)	0,9%	(2,0%)	(0,8%)

Financial review continued

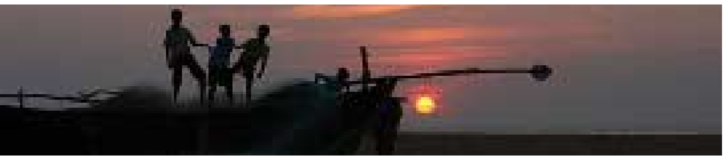
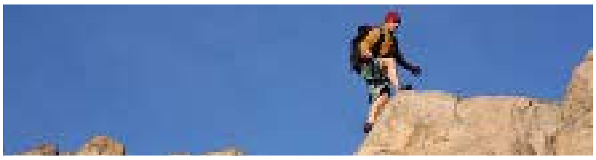
Credit rating and hybrid debt

Sanlam Life Insurance Limited was awarded an AA+ (zaf) financial strength rating and Sanlam Limited an AA- (zaf) long-term debt rating by Fitch Ratings in 2007, which was again confirmed in 2008 and 2009. The positive credit ratings enable the Sanlam operations to attract business from clients who require a formal rating from their counterparty or product provider. It also provides 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 7-year (R1,2 billion) and 10-year (R0,8 billion) maturity periods. 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. In January 2010 Fitch Ratings implemented revised guidelines for valuing hybrid securities, which led to a downgrade of all such instruments. As a consequence, the Sanlam Life subordinated debt issue was downgraded by one notch to A+ (zaf) in line with that of local and international insurers.

Forward-looking statements

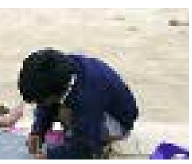
In this report we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, amongst others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These 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 this Annual Report on pages 319 to 321. 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:

Jeanne Joubert	Head: Corporate Finance
Kobus Möller	Financial Director
Danie Claassen	Head: Group Tax Services
David Barnes	Head: Investor Relations
André Nortier	Chief Audit Executive
Wikus Olivier	Head: Group Financial Reporting



Shareholders' information

for the year ended 31 December 2009

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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 266 to 336 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 337.

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 267 to 287, apart from the specific items described under separate headings in this section.

The basis of presentation is also consistent with that applied in the 2008 financial statements.

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 182 to 209);
- Shareholders' fund at fair value (refer page 180); and
- GEV and ROGEV information (refer pages 174 to 179).

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 267 to 287, 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 statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between

Basis of preparation and presentation continued

policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund at net asset value as the related policyholder investments are recognised as equity instruments at fair value. The fund transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised earnings. 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 in terms of third party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are also excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are however included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

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

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Home Loans, Sanlam Personal Loans, Shriram Life Insurance, Shriram General Insurance, Letshego, 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 Santam Group's equity-accounted investments 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 segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. 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 by 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.

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 segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients. 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 by 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. Fair values for listed businesses are determined by using stock exchange prices and for unlisted businesses by using directors' valuations.

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.

Basis of preparation and presentation continued

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.

Share incentive schemes granted on subsidiaries' own shares

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

Share incentive schemes granted on Sanlam shares

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

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. No adjustment is made for the impact of changes in foreign exchange rates on non-South African businesses.

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.

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.

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 other 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.

Listed businesses

For adjusted ROGEV purposes the actual investment return earned on listed businesses is replaced by an assumed return equal to the base return assumptions. Listed businesses are 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 5), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

Basis of preparation and presentation continued

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

The basis of presentation for the embedded value of covered business is consistent with that applied in the 2008 financial statements, apart from additional disclosures to comply with the requirements of PGN107 (version 5) that became effective in the 2009 financial year.

Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements on pages 266 to 336. 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, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

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

Adjusted net worth

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

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

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 capital allocated to covered business includes an allowance for capital required in respect of future new business.

The 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, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio; 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 to the extent available. 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.

Net value of in-force business

The net value of in-force business consists of:

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

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

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

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

Cost of required capital

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

Value of new business

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

In determining the value of new business:

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

Basis of preparation and presentation continued

- Renewable recurring premiums under group insurance contracts are treated as in-force business; and
- Assumptions are consistent with those used for the calculation of the value of in-force covered business at the end of the reporting period.

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 1 on page 188, 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 embedded value of covered business is therefore required.

Share incentive schemes

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

Sensitivity analysis

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

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

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

Foreign currencies

Changes in the embedded value of covered business, as well as the 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.

Economic assumptions

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

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

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

Assets backing required capital

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

Demographic assumptions

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

HIV/Aids

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

Expense assumptions

Future expense assumptions reflect the expected level of expenses required to manage the in-force covered business, including investment in systems required to support that business, and allow for future inflation. The split between acquisition, maintenance and extraordinary project expenses is consistent with the statutory valuation assumptions and based on actual expenses incurred.

Basis of preparation and presentation continued

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.

Special development costs that relate to investments in new distribution platforms are not allowed for in the projections. The actual costs relating to these projects are recognised in the earnings from covered business on an accrual basis.

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.

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.

Sanlam Group
Group Equity Value

at 31 December 2009

R million	Note	2009 Total	2009 Fair value of assets	2009 Value of in-force	2008 Total	2008 Fair value of assets	2008 Value of in-force
Sanlam Personal Finance		**21 496**	**9 710**	**11 786**	20 997	9 698	11 299
Covered business[1]		**19 884**	**8 098**	**11 786**	19 574	8 275	11 299
Glacier		**762**	**762**	**—**	696	696	—
Sanlam Personal Loans		**133**	**133**	**—**	71	71	—
Multi-Data		**166**	**166**	**—**	190	190	—
Sanlam Trust		**160**	**160**	**—**	144	144	—
Sanlam Home Loans		**120**	**120**	**—**	133	133	—
Anglo African Finance		**42**	**42**	**—**	33	33	—
Sanlam Healthcare Management		**130**	**130**	**—**	78	78	—
Sanlam Namibia Holdings		**99**	**99**	**—**	78	78	—
Sanlam Developing Markets		**3 741**	**1 625**	**2 116**	2 813	1 049	1 764
Covered business[1]		**3 479**	**1 363**	**2 116**	2 796	1 032	1 764
Sanlam Developing Markets other operations		**262**	**262**	**—**	17	17	—
Sanlam UK		**1 498**	**1 050**	**448**	1 527	1 081	446
Covered business[1]		**665**	**217**	**448**	680	234	446
Principal		**283**	**283**	**—**	299	299	—
Buckles		**38**	**38**	**—**	69	69	—
Punter Southall Group		**259**	**259**	**—**	219	219	—
Other UK operations		**7**	**7**	**—**	18	18	—
Preference shares, interest-bearing instruments and other		**246**	**246**	**—**	242	242	—
Institutional cluster		**12 331**	**11 940**	**391**	11 541	11 472	69
Covered business[1]		**4 960**	**4 569**	**391**	5 541	5 472	69
Sanlam Investments		**6 778**	**6 778**	**—**	5 581	5 581	—
Coris Administration		**—**	**—**	**—**	54	54	—
Capital Markets		**593**	**593**	**—**	365	365	—
Short-term insurance		**7 149**	**7 149**	**—**	5 273	5 273	—
MiWay		**127**	**127**	**—**	110	110	—
Shriram General Insurance		**115**	**115**	**—**	115	115	—
Santam		**6 907**	**6 907**	**—**	5 048	5 048	—
Group operations		**46 215**	**31 474**	**14 741**	42 151	28 573	13 578
Capital diversification		**(700)**	**(700)**	**—**	(1 429)	(1 429)	—
Discretionary capital		**3 500**	**3 500**	**—**	2 100	2 100	—
Balanced portfolio - other		**3 201**	**3 201**	**—**	3 499	3 499	—
Group Equity Value before adjustments to net worth		**52 216**	**37 475**	**14 741**	46 321	32 743	13 578
Net worth adjustments		**(1 192)**	**(1 192)**	**—**	(1 083)	(1 083)	—
Present value of holding company expenses	18	**(1 165)**	**(1 165)**	**—**	(1 052)	(1 052)	—
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares		**(27)**	**(27)**	**—**	(31)	(31)	—
Group Equity Value		**51 024**	**36 283**	**14 741**	45 238	31 660	13 578
Value per share (cents)	17	**2 473**	**1 759**	**715**	2 213	1 549	664

R million	Note	2009 Total	2009 Fair value of assets	2009 Value of in-force	2008 Total	2008 Fair value of assets	2008 Value of in-force
Analysis per type of business							
Covered business[1]		**28 988**	**14 247**	**14 741**	28 591	15 013	13 578
Sanlam Personal Finance		**19 884**	**8 098**	**11 786**	19 574	8 275	11 299
Sanlam Developing Markets		**3 479**	**1 363**	**2 116**	2 796	1 032	1 764
Sanlam UK		**665**	**217**	**448**	680	234	446
Institutional cluster		**4 960**	**4 569**	**391**	5 541	5 472	69
Other Group operations	16	**17 227**	**17 227**	**—**	13 560	13 560	—
Discretionary and other capital		**4 809**	**4 809**	**—**	3 087	3 087	—
Group Equity Value		**51 024**	**36 283**	**14 741**	45 238	31 660	13 578
Analysis of covered business							
Sanlam Personal Finance		**19 884**	**8 098**	**11 786**	19 574	8 275	11 299
Allocated capital		**19 436**	**7 650**	**11 786**	18 860	7 561	11 299
Utilisation of capital diversification		**448**	**448**	**—**	714	714	—
Sanlam Developing Markets		**3 479**	**1 363**	**2 116**	2 796	1 032	1 764
Allocated capital		**3 479**	**1 363**	**2 116**	2 557	793	1 764
Utilisation of capital diversification		**—**	**—**	**—**	239	239	—
Sanlam UK		**665**	**217**	**448**	680	234	446
Allocated capital		**665**	**217**	**448**	680	234	446
Utilisation of capital diversification		**—**	**—**	**—**	—	—	—
Institutional cluster		**4 960**	**4 569**	**391**	5 541	5 472	69
Allocated capital		**4 708**	**4 317**	**391**	5 065	4 996	69
Utilisation of capital diversification		**252**	**252**	**—**	476	476	—
Covered business		**28 988**	**14 247**	**14 741**	28 591	15 013	13 578
Allocated capital		**28 288**	**13 547**	**14 741**	27 162	13 584	13 578
Utilisation of capital diversification		**700**	**700**	**—**	1 429	1 429	—

[1] *Refer embedded value of covered business on page 210.*

Sanlam Group
Change in Group Equity Value

for the year ended 31 December 2009

R million	2009	2008
Earnings from covered business[1]	**4 421**	919
Earnings from other Group operations	**3 802**	(1 885)
Operations valued based on ratio of price to assets under management	**1 381**	(715)
Assumption changes	**177**	(99)
Change in assets under management	**807**	(1 005)
Earnings for the year and changes in capital requirements	**732**	188
Foreign currency translation differences and other	**(335)**	201
Operations valued based on discounted cash flows	**43**	144
Expected return	**306**	275
Operating experience variances and other	**(32)**	(6)
Assumption changes	**(174)**	(104)
Foreign currency translation differences	**(57)**	(21)
Operations valued at net asset value – earnings for the year	**143**	(35)
Listed operations – investment return	**2 235**	(1 279)
Earnings from discretionary and other capital	**(774)**	(440)
Investment return	**(334)**	68
Intangible assets less value of in force (VIF) acquired	**(87)**	(43)
Treasury shares and other	**(244)**	(269)
Change in adjustments to net worth	**(109)**	(196)
Group Equity Value earnings	**7 449**	(1 406)
Dividends paid	**(1 978)**	(1 968)
Shares cancelled	**(615)**	(2 481)
Cost of treasury shares acquired	**930**	(200)
Sanlam share buy back	**—**	(2 238)
Transfer to shares cancelled	**615**	2 481
Share incentive scheme and other	**315**	(443)
Group Equity Value at beginning of the year	**45 238**	51 293
Group Equity Value at end of the year	**51 024**	45 238

[1] *Refer embedded value of covered business on page 210.*

Sanlam Group
Return on Group Equity Value

for the year ended 31 December 2009

	2009		2008	
	Earnings R million	Return %	Earnings R million	Return %
Sanlam Personal Finance	**3 003**	**14,3**	744	3,5
Covered business[1]	**2 815**	**14,4**	453	2,3
Other operations	**188**	**13,2**	291	24,4
Sanlam Developing Markets	**569**	**19,2**	648	29,6
Covered business[1]	**467**	**16,7**	659	30,5
Other operations	**102**	**63,8**	(11)	(39,3)
Sanlam UK	**(89)**	**(5,8)**	(356)	(23,4)
Covered business[1]	**(14)**	**(2,1)**	(36)	(3,9)
Other operations	**(75)**	**(8,9)**	(320)	(53,3)
Institutional cluster	**2 607**	**22,6**	(723)	(5,8)
Covered business[1]	**1 153**	**20,8**	(157)	(3,0)
Sanlam Investments	**1 381**	**24,7**	(547)	(8,2)
Coris Administration	**(70)**	**(129,6)**	16	42,1
Capital markets	**143**	**31,8**	(35)	(8,8)
Short-term insurance	**2 133**	**40,5**	(1 279)	(20,1)
Discretionary and other capital	**(774)**		(440)	
Balance of portfolio	**(334)**		114	
Shares delivered to Sanlam Demutualisation Trust	**—**		(46)	
Intangible assets less value of in-force acquired	**(87)**		(43)	
Treasury shares	**(244)**		(269)	
Change in net worth adjustments	**(109)**		(196)	
Return on Group Equity Value	**7 449**	**16,5**	(1 406)	(2,7)
Return on Group Equity Value per share		**16,2**		(1,7)

[1] *Refer embedded value of covered business on page 210.*

R million	2009	2008
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 187	**4 453**	1 758
Earnings recognised directly in equity	**120**	115
Dilution from Santam treasury share transactions	**(19)**	(19)
Share-based payments	**139**	134
Net foreign currency translation gains recognised in other comprehensive income	**(309)**	60
Movement in fair value adjustment – shareholders' fund at fair value	**2 442**	(2 724)
Movement in adjustments to net worth	**(139)**	(200)
Present value of holding company expenses	**(113)**	(259)
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	**4**	63
Intangible assets less value of in-force acquired	**(30)**	(4)
Treasury shares and other	**(244)**	(271)
Growth from covered business: value of in-force[1]	**1 126**	(144)
Return on Group Equity Value	**7 449**	(1 406)

[1] *Refer embedded value of covered business on page 210.*

Sanlam Group
Adjusted return on Group Equity Value

for the year ended 31 December 2009

	2009		2008	
	Earnings R million	Return %	Earnings R million	Return %
Sanlam Personal Finance	**2 579**	**12,3**	2 697	12,7
Covered business	**2 391**	**12,2**	2 406	12,0
Other operations	**188**	**13,2**	291	24,4
Sanlam Developing Markets	**722**	**24,4**	561	25,6
Covered business	**705**	**25,2**	572	26,5
Other operations	**17**	**10,6**	(11)	(39,3)
Sanlam UK	**(37)**	**(2,4)**	(52)	(3,4)
Covered business	**93**	**13,7**	141	15,3
Other operations	**(130)**	**(15,3)**	(193)	(32,2)
Institutional cluster	**2 327**	**20,1**	980	7,9
Covered business	**939**	**16,9**	558	10,6
Other operations	**1 388**	**22,8**	422	5,9
Short-term insurance	**545**	**10,3**	669	10,5
Discretionary and other capital	**(96)**		549	
Adjusted return on Group Equity Value	**6 040**	**13,4**	5 404	10,5
Adjusted return on Group Equity Value per share		**13,1**		12,4

Sanlam Group
Group Equity Value sensitivity analysis

at 31 December 2009

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 of 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' adjusted net worth as well as the fair value of discretionary and other capital.

The following scenarios are presented:

- Equity markets 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.

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 213.

2009 *R million*	**Base value**	**Equities and properties -10%**	**Interest rates -1%**	**Rand exchange rate depreciation +10%**
Covered business	**28 988**	**28 279**	**29 531**	**29 082**
Adjusted net worth	**14 247**	**14 247**	**14 247**	**14 247**
Value of in-force	**14 741**	**14 032**	**15 284**	**14 835**
Other group operations	**17 227**	**16 190**	**17 498**	**17 464**
Valued at net asset value	**1 075**	**1 075**	**1 075**	**1 075**
Listed	**7 169**	**6 452**	**7 169**	**7 169**
Other	**8 983**	**8 663**	**9 254**	**9 220**
Group operations	**46 215**	**44 469**	**47 029**	**46 546**
Capital diversification	**(700)**	**(1 274)**	**(693)**	**(537)**
Discretionary and other capital	**6 701**	**6 573**	**6 737**	**6 831**
Group Equity Value before adjustments to net worth	**52 216**	**49 768**	**53 073**	**52 840**
Net worth adjustments	**(1 192)**	**(1 189)**	**(1 192)**	**(1 192)**
Present value of holding company expenses	**(1 165)**	**(1 165)**	**(1 165)**	**(1 165)**
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	**(27)**	**(24)**	**(27)**	**(27)**
Group Equity Value	**51 024**	**48 579**	**51 881**	**51 648**

2008				
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 2009

R million	Note	2009 Fair value	2009 Fair value adjustment	2009 Net asset value	2008 Fair value	2008 Fair value adjustment	2008 Net asset value
Covered business, discretionary and other capital		**21 709**	**119**	**21 590**	20 577	120	20 457
Property and equipment		**194**	**—**	**194**	228	—	228
Owner-occupied properties		**614**	**—**	**614**	613	—	613
Goodwill(2)		**497**	**—**	**497**	473	—	473
Value of business acquired(2)		**753**	**—**	**753**	802	—	802
Other intangible assets		**45**	**—**	**45**	—	—	—
Deferred acquisition costs		**1 390**	**—**	**1 390**	1 260	—	1 260
Investments		**19 262**	**119**	**19 143**	18 247	120	18 127
Equities and similar securities		**7 657**	**112**	**7 545**	9 036	112	8 924
Associated companies		**369**	**7**	**362**	234	8	226
Joint ventures – Shriram Life Insurance		**247**	**—**	**247**	208	—	208
Public sector stocks and loans		**199**	**—**	**199**	1 411	—	1 411
Investment properties		**744**	**—**	**744**	491	—	491
Other interest-bearing and preference share investments		**10 046**	**—**	**10 046**	6 867	—	6 867
Net term finance		**—**	**—**	**—**	—	—	—
Term finance		**(5 397)**	**—**	**(5 397)**	(5 101)	—	(5 101)
Assets held in respect of term finance		**5 397**	**—**	**5 397**	5 101	—	5 101
Net deferred tax		**61**	**—**	**61**	352	—	352
Net working capital		**(344)**	**—**	**(344)**	(451)	—	(451)
Minority shareholders' interest		**(763)**	**—**	**(763)**	(947)	—	(947)
Other Group operations	16	**17 227**	**8 270**	**8 957**	13 560	5 827	7 733
Sanlam Investments		**6 778**	**4 663**	**2 115**	5 581	3 949	1 632
SIM Wholesale		**4 481**	**3 368**	**1 113**	3 903	2 844	1 059
International		**1 909**	**989**	**920**	1 358	854	504
Sanlam Collective Investments		**388**	**306**	**82**	320	251	69
Sanlam Personal Finance		**1 612**	**926**	**686**	1 423	837	586
Glacier		**762**	**442**	**320**	696	387	309
Sanlam Personal Loans(4)		**133**	**—**	**133**	71	27	44
Multi-Data		**166**	**144**	**22**	190	164	26
Sanlam Trust		**160**	**141**	**19**	144	127	17
Sanlam Home Loans		**120**	**—**	**120**	133	—	133
Anglo African Finance		**42**	**24**	**18**	33	19	14
Sanlam Healthcare Management		**130**	**99**	**31**	78	58	20
Sanlam Namibia Holdings		**99**	**76**	**23**	78	55	23
Sanlam UK		**833**	**9**	**824**	847	28	819
Principal		**283**	**—**	**283**	299	2	297
Buckles		**38**	**1**	**37**	69	8	61
Punter Southall Group		**259**	**1**	**258**	219	—	219
Other UK operations		**7**	**7**	**—**	18	18	—
Preference shares, interest-bearing instruments and other		**246**	**—**	**246**	242	—	242
Sanlam Developing Markets other operations		**262**	**87**	**175**	17	13	4
Coris Administration		**—**	**—**	**—**	54	28	26
Sanlam Capital Markets		**593**	**—**	**593**	365	—	365
MiWay		**127**	**106**	**21**	110	58	52
Shriram General Insurance		**115**	**—**	**115**	115	—	115
Santam		**6 907**	**3 726**	**3 181**	5 048	2 161	2 887
Goodwill held on Group level in respect of the above businesses		**—**	**(1 247)**	**1 247**	—	(1 247)	1 247
Shareholders' fund at fair value		**38 936**	**8 389**	**30 547**	34 137	5 947	28 190
Value per share (cents)	17	**1 888**	**407**	**1 481**	1 670	291	1 379

R million	2009 Total	2009 Fair value of assets	2009 Value of in-force	2008 Total	2008 Fair value of assets	2008 Value of in-force
Reconciliation to Group Equity Value						
Group Equity Value before adjustments to net worth	**52 216**	**37 475**	**14 741**	46 321	32 743	13 578
Add: Goodwill and value of business acquired replaced by value of in-force	**1 461**	**1 461**	**—**	1 394	1 394	—
Merchant Investors	**356**	**356**	**—**	356	356	—
Sanlam Sky Solutions	**770**	**770**	**—**	760	760	—
Channel Life	**133**	**133**	**—**	110	110	—
Shriram Life Insurance[3]	**190**	**190**	**—**	151	151	—
Other	**12**	**12**	**—**	17	17	—
Less: Value of in-force	**(14 741)**	**—**	**(14 741)**	(13 578)	—	(13 578)
Shareholders' fund at fair value	**38 936**	**38 936**	**—**	34 137	34 137	—

[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 R190 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 2009

R million	Note	Sanlam Life[1] 2009	Sanlam Life[1] 2008	Sanlam Developing Markets[2] 2009	Sanlam Developing Markets[2] 2008	Sanlam UK 2009	Sanlam UK 2008
Property and equipment		**181**	172	**61**	64	**5**	7
Owner-occupied properties		**460**	460	**63**	62	**—**	—
Goodwill		**143**	143	**108**	93	**391**	379
Other intangible assets		**—**	—	**45**	—	**—**	—
Value of business acquired		**17**	24	**756**	795	**294**	340
Deferred acquisition costs		**1 508**	1 355	**1**	—	**—**	—
Investments	5	**22 372**	23 436	**2 511**	2 914	**714**	538
Properties		**733**	629	**122**	36	**—**	—
Associated companies		**—**	—	**424**	114	**258**	219
Joint ventures		**254**	202	**247**	208	**—**	—
Equities and similar securities		**10 339**	13 488	**237**	939	**2**	26
Public sector stocks and loans		**1 072**	1 748	**121**	171	**—**	—
Debentures, preference shares and other loans		**5 335**	5 240	**538**	110	**236**	184
Cash, deposits and similar securities		**4 639**	2 129	**822**	1 336	**218**	109
Net deferred tax		**(48)**	243	**(5)**	(13)	**1**	1
Deferred tax asset		**70**	258	**30**	50	**1**	1
Deferred tax liability		**(118)**	(15)	**(35)**	(63)	**—**	—
Net short-term insurance technical provisions	6	**—**	—	**—**	—	**—**	—
Short-term insurance technical assets		**—**	—	**—**	—	**—**	—
Short-term insurance technical provisions		**—**	—	**—**	—	**—**	—
Net working capital assets/(liabilities)		**(119)**	1 906	**205**	(167)	**25**	172
Trade and other receivables	7	**3 733**	5 282	**761**	639	**123**	182
Cash, deposits and similar securities		**3 155**	2 808	**572**	270	**135**	245
Trade and other payables	8	**(4 802)**	(4 202)	**(1 038)**	(978)	**(160)**	(165)
Provisions		**(725)**	(914)	**(55)**	(67)	**(63)**	(78)
Taxation		**(1 480)**	(1 068)	**(35)**	(31)	**(10)**	(12)
Term finance		**(4 312)**	(4 702)	**—**	—	**(27)**	(20)
External investors in consolidated funds		**—**	(2 393)	**—**	—	**—**	—
Cell owners' interest		**—**	—	**—**	—	**—**	—
Minority shareholders' interest		**(141)**	(127)	**(654)**	(850)	**(4)**	(8)
Shareholders' fund at net asset value		**20 061**	20 517	**3 091**	2 898	**1 399**	1 409
Analysis of shareholders' fund							
Covered business		**12 667**	13 747	**1 363**	1 032	**217**	234
Other operations		**686**	612	**175**	4	**824**	819
Discretionary and other capital		**6 708**	6 158	**1 553**	1 862	**358**	356
Shareholders' fund at net asset value		**20 061**	20 517	**3 091**	2 898	**1 399**	1 409
Consolidation reserve		**—**	—	**—**	—	**—**	—
Shareholders' fund per Group statement of financial position on page 288		**20 061**	20 517	**3 091**	2 898	**1 399**	1 409

(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 559 million (2008: R2 426 million) in Sanlam shares, which is eliminated in the consolidation column.

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

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

(4) The investment in treasury shares is reversed within the consolidation column. Intercompany balances, other investments and term finance between companies within the Group are also eliminated.

Short-term Insurance		Sanlam Investments		Sanlam Capital Markets		Corporate and Other[3]		Consolidation Entries[4]		Total	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
98	105	**24**	31	**5**	3	**—**	—	**1**	—	**375**	382
1	1	**37**	38	**—**	—	**—**	—	**91**	91	**652**	652
616	596	**305**	174	**—**	—	**1 247**	1 247	**—**	(9)	**2 810**	2 623
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**45**	—
—	10	**150**	143	**—**	—	**—**	—	**(7)**	(3)	**1 210**	1 309
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**1 509**	1 355
7 495	6 894	**1 306**	756	**—**	—	**3 364**	3 085	**(4 575)**	(4 969)	**33 187**	32 654
—	—	**273**	269	**—**	—	**—**	—	**(111)**	(100)	**1 017**	834
192	177	**138**	66	**—**	—	**112**	112	**—**	—	**1 124**	688
115	115	**225**	104	**—**	—	**—**	—	**(1)**	—	**840**	629
2 931	2 801	**208**	98	**—**	—	**1 058**	1 296	**(3 351)**	(3 539)	**11 424**	15 109
741	534	**1**	3	**—**	—	**—**	—	**—**	—	**1 935**	2 456
1 196	1 164	**431**	118	**—**	—	**1 519**	1 181	**(1 112)**	(1 330)	**8 143**	6 667
2 320	2 103	**30**	98	**—**	—	**675**	496	**—**	—	**8 704**	6 271
32	108	**(6)**	(5)	**58**	107	**137**	137	**—**	—	**169**	578
163	120	**29**	19	**66**	110	**156**	154	**—**	—	**515**	712
(131)	(12)	**(35)**	(24)	**(8)**	(3)	**(19)**	(17)	**—**	—	**(346)**	(134)
(6 240)	(5 979)	**—**	—	**—**	—	**—**	—	**—**	—	**(6 240)**	(5 979)
2 064	2 250	**—**	—	**—**	—	**—**	—	**—**	—	**2 064**	2 250
(8 304)	(8 229)	**—**	—	**—**	—	**—**	—	**—**	—	**(8 304)**	(8 229)
4 935	4 763	**694**	898	**1 078**	806	**(1 046)**	(1 511)	**502**	(796)	**6 274**	6 071
2 255	2 764	**1 051**	1 208	**16 514**	20 144	**8 332**	2 487	**(13 197)**	(10 078)	**19 572**	22 628
4 639	3 996	**703**	848	**1 578**	1 847	**1 198**	3	**—**	—	**11 980**	10 017
(1 780)	(1 936)	**(984)**	(1 161)	**(17 014)**	(21 185)	**(10 057)**	(3 625)	**13 699**	9 280	**(22 136)**	(23 972)
(32)	(25)	**(3)**	(1)	**—**	—	**(518)**	(370)	**—**	2	**(1 396)**	(1 453)
(147)	(36)	**(73)**	4	**—**	—	**(1)**	(6)	**—**	—	**(1 746)**	(1 149)
(839)	(972)	**(103)**	(108)	**(548)**	(551)	**(1 093)**	(406)	**649**	756	**(6 273)**	(6 003)
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(2 393)
(535)	(447)	**—**	—	**—**	—	**—**	—	**—**	—	**(535)**	(447)
(2 246)	(2 025)	**(214)**	(224)	**—**	—	**(1)**	(1)	**624**	623	**(2 636)**	(2 612)
3 317	3 054	**2 193**	1 703	**593**	365	**2 608**	2 551	**(2 715)**	(4 307)	**30 547**	28 190
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**14 247**	15 013
3 317	3 054	**2 115**	1 632	**593**	365	**1 247**	1 247	**—**	—	**8 957**	7 733
—	—	**78**	71	**—**	—	**1 361**	1 304	**(2 715)**	(4 307)	**7 343**	5 444
3 317	3 054	**2 193**	1 703	**593**	365	**2 608**	2 551	**(2 715)**	(4 307)	**30 547**	28 190
—	—	**—**	—	**—**	—	**—**	—	**(503)**	(539)	**(503)**	(539)
3 317	3 054	**2 193**	1 703	**593**	365	**2 608**	2 551	**(3 218)**	(4 846)	**30 044**	27 651

Sanlam Group
Shareholders' fund income statement

for the year ended 31 December 2009

R million	Note	Sanlam Personal Finance 2009	Sanlam Personal Finance 2008	Sanlam Developing Markets 2009	Sanlam Developing Markets 2008	Sanlam UK 2009	Sanlam UK 2008
Financial services income	9	**6 846**	6 678	**3 966**	3 115	**367**	399
Sales remuneration		**(1 133)**	(1 105)	**(1 084)**	(927)	**(57)**	(62)
Income after sales remuneration		**5 713**	5 573	**2 882**	2 188	**310**	337
Underwriting policy benefits		**(1 635)**	(1 631)	**(1 522)**	(1 138)	**—**	—
Administration costs	10	**(2 047)**	(1 967)	**(984)**	(832)	**(275)**	(269)
Result from financial services before tax		**2 031**	1 975	**376**	218	**35**	68
Tax on financial services income	11	**(508)**	(400)	**(103)**	(23)	**(6)**	(12)
Result from financial services after tax		**1 523**	1 575	**273**	195	**29**	56
Minority shareholders' interest		**(25)**	(20)	**(101)**	(51)	**4**	2
Net result from financial services	12	**1 498**	1 555	**172**	144	**33**	58
Net investment income		**484**	571	**57**	59	**15**	24
Dividends received – Group companies		**110**	86	**—**	—	**—**	—
Other investment income	13	**483**	600	**107**	118	**16**	26
Tax on investment income	11	**(109)**	(115)	**(27)**	(28)	**(1)**	(2)
Minority shareholders' interest		**—**	—	**(23)**	(31)	**—**	—
Core earnings		**1 982**	2 126	**229**	203	**48**	82
Project expenses		**(27)**	(46)	**(1)**	(7)	**—**	—
Amortisation of value of business acquired		**(7)**	(4)	**(49)**	(49)	**(22)**	(24)
BEE transaction costs		**—**	—	**—**	—	**—**	—
Net equity-accounted headline earnings		**—**	—	**1**	(10)	**—**	—
Equity-accounted headline earnings		**—**	—	**2**	(19)	**—**	—
Minority shareholders' interest		**—**	—	**(1)**	9	**—**	—
Net investment surpluses		**1 157**	(1 940)	**(18)**	(57)	**—**	—
Investment surpluses – Group companies		**551**	(900)	**—**	—	**—**	—
Other investment surpluses		**741**	(1 195)	**(71)**	(125)	**—**	—
Tax on investment surpluses	11	**(135)**	155	**21**	22	**—**	—
Minority shareholders' interest		**—**	—	**32**	46	**—**	—
Secondary tax on companies – after minorities		**(94)**	2	**—**	(26)	**—**	—
Net loss from discontinued operations		**—**	—	**—**	—	**—**	—
Loss from discontinued operations		**—**	—	**—**	—	**—**	—
Minority shareholders' interest		**—**	—	**—**	—	**—**	—
Normalised headline earnings		**3 011**	138	**162**	54	**26**	58
Other equity-accounted earnings		**—**	—	**—**	—	**—**	33
Profit/(loss) on disposal of subsidiaries		**—**	—	**—**	—	**—**	—
Net profit/(loss) on disposal of associated companies		**—**	—	**—**	—	**—**	—
Impairments		**(51)**	(58)	**—**	(1)	**33**	(126)
Normalised attributable earnings	14	**2 960**	80	**162**	53	**59**	(35)
Fund transfers		**—**	—	**—**	—	**—**	—
Attributable earnings per Group statement of comprehensive income		**2 960**	80	**162**	53	**59**	(35)
Ratios							
Admin ratio[1]		**35,8%**	35,3%	**34,1%**	38,0%	**88,7%**	79,8%
Operating margin[2]		**35,6%**	35,4%	**13,0%**	10,0%	**11,3%**	20,2%
Diluted earnings per share	15						
Adjusted weighted average number of shares (million)							
Net result from financial services (cents)		**73,0**	74,3	**8,4**	6,9	**1,6**	2,8
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	
2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
2 190	2 059	**13 345**	12 274	**2 106**	2 259	**409**	107	**29 229**	26 891
(41)	(40)	**(1 915)**	(1 727)	**—**	—	**—**	—	**(4 230)**	(3 861)
2 149	2 019	**11 430**	10 547	**2 106**	2 259	**409**	107	**24 999**	23 030
(1 653)	(1 511)	**(9 100)**	(8 007)	**—**	—	**—**	—	**(13 910)**	(12 287)
(282)	(250)	**(1 584)**	(1 379)	**(1 273)**	(1 434)	**(236)**	(168)	**(6 681)**	(6 299)
214	258	**746**	1 161	**833**	825	**173**	(61)	**4 408**	4 444
(60)	(75)	**(257)**	(345)	**(201)**	(190)	**(30)**	26	**(1 165)**	(1 019)
154	183	**489**	816	**632**	635	**143**	(35)	**3 243**	3 425
—	—	**(247)**	(377)	**(39)**	(46)	**—**	—	**(408)**	(492)
154	183	**242**	439	**593**	589	**143**	(35)	**2 835**	2 933
252	278	**116**	127	**4**	17	**—**	—	**928**	1 076
—	—	**—**	—	**—**	—	**—**	—	**110**	86
325	343	**252**	208	**9**	38	**—**	—	**1 192**	1 333
(73)	(65)	**(17)**	18	**(2)**	(8)	**—**	—	**(229)**	(200)
—	—	**(119)**	(99)	**(3)**	(13)	**—**	—	**(145)**	(143)
406	461	**358**	566	**597**	606	**143**	(35)	**3 763**	4 009
—	—	**—**	(3)	**—**	—	**—**	—	**(28)**	(56)
—	—	**(6)**	—	**—**	—	**—**	—	**(84)**	(77)
—	—	**(7)**	(7)	**—**	—	**—**	—	**(7)**	(7)
—	—	**39**	17	**1**	(10)	**—**	—	**41**	(3)
—	—	**69**	30	**2**	(6)	**—**	—	**73**	5
—	—	**(30)**	(13)	**(1)**	(4)	**—**	—	**(32)**	(8)
408	(546)	**155**	(210)	**32**	(27)	**—**	—	**1 734**	(2 780)
—	—	**—**	—	**—**	—	**—**	—	**551**	(900)
499	(627)	**300**	(686)	**39**	(33)	**—**	—	**1 508**	(2 666)
(91)	81	**(45)**	329	**—**	8	**—**	—	**(250)**	595
—	—	**(100)**	147	**(7)**	(2)	**—**	—	**(75)**	191
—	—	**(23)**	(14)	**—**	—	**—**	—	**(117)**	(38)
—	—	**—**	(22)	**—**	—	**—**	—	**—**	(22)
—	—	**—**	(41)	**—**	—			**—**	(41)
—	—	**—**	19	**—**	—			**—**	19
814	(85)	**516**	327	**630**	569	**143**	(35)	**5 302**	1 026
—	—	**—**	—	**—**	—	**—**	—	**—**	33
—	—	**37**	36	**(2)**	(33)	**—**	—	**35**	3
—	—	**—**	—	**—**	—	**—**	—	**—**	—
(23)	—	**(3)**	(5)	**(11)**	(10)	**—**	—	**(55)**	(200)
791	(85)	**550**	358	**617**	526	**143**	(35)	**5 282**	862
—	—	**—**	—	**—**	—	**—**	—	**—**	—
791	(85)	**550**	358	**617**	526	**143**	(35)	**5 282**	862
13,1%	12,4%	**13,9%**	13,1%	**60,4%**	63,5%	**57,7%**	157,0%	**26,7%**	27,4%
10,0%	12,8%	**6,5%**	11,0%	**39,6%**	36,5%	**42,3%**	(57,0%)	**17,6%**	19,3%
7,5	8,7	**11,8**	21,0	**28,9**	28,1	**7,0**	(1,7)	**138,1**	140,1

Sanlam Group
Shareholders' fund income statement continued

for the year ended 31 December 2009

R million	Note	Subtotal: Operating businesses 2009	2008
Financial services income	9	**29 229**	26 891
Sales remuneration		**(4 230)**	(3 861)
Income after sales remuneration		**24 999**	23 030
Underwriting policy benefits		**(13 910)**	(12 287)
Administration costs	10	**(6 681)**	(6 299)
Result from financial services before tax		**4 408**	4 444
Tax on result from financial services	11	**(1 165)**	(1 019)
Result from financial services after tax		**3 243**	3 425
Minority shareholders' interest		**(408)**	(492)
Net result from financial services	12	**2 835**	2 933
Net investment income		**928**	1 076
Dividends received – Group companies		**110**	86
Other investment income	13	**1 192**	1 333
Tax on investment income	11	**(229)**	(200)
Minority shareholders' interest		**(145)**	(143)
Core earnings		**3 763**	4 009
Project expenses		**(28)**	(56)
Amortisation of value of business acquired		**(84)**	(77)
BEE transaction costs		**(7)**	(7)
Net equity-accounted headline earnings		**41**	(3)
Equity-accounted headline earnings		**73**	5
Minority shareholders' interest		**(32)**	(8)
Net investment surpluses		**1 734**	(2 780)
Investment surpluses – Group companies		**551**	(900)
Other investment surpluses		**1 508**	(2 666)
Tax on investment surpluses	11	**(250)**	595
Minority shareholders' interest		**(75)**	191
Secondary tax on companies – after minorities		**(117)**	(38)
Net loss from discontinued operations		**—**	(22)
Loss from discontinued operations		**—**	(41)
Minority shareholders' interest		**—**	19
Normalised headline earnings		**5 302**	1 026
Other equity-accounted earnings		**—**	33
Profit/(loss) on disposal of subsidiaries		**35**	3
Net profit on disposal of associated companies		**—**	—
Impairments		**(55)**	(200)
Normalised attributable earnings	14	**5 282**	862
Fund transfers		**—**	—
Attributable earnings per Group statement of comprehensive income		**5 282**	862
Ratios			
Admin ratio		**26,7%**	27,4%
Operating margin		**17,6%**	19,3%
Diluted earnings per share	15		
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		**138,1**	140,1
Core earnings (cents)			

Corporate and Other		Consolidation entries		Total	
2009	2008	2009	2008	2009	2008
87	78	—	—	29 316	26 969
—	—	—	—	(4 230)	(3 861)
87	78	—	—	25 086	23 108
—	—	—	—	(13 910)	(12 287)
(253)	(262)	—	—	(6 934)	(6 561)
(166)	(184)	—	—	4 242	4 260
45	53	—	—	(1 120)	(966)
(121)	(131)	—	—	3 122	3 294
—	—	—	—	(408)	(492)
(121)	(131)	—	—	2 714	2 802
158	78	(110)	(86)	976	1 068
—	—	(110)	(86)	—	—
176	99	—	—	1 368	1 432
(18)	(21)	—	—	(247)	(221)
—	—	—	—	(145)	(143)
37	(53)	(110)	(86)	3 690	3 870
—	—	—	—	(28)	(56)
—	—	—	—	(84)	(77)
—	—	—	—	(7)	(7)
—	19	—	—	41	16
—	19	—	—	73	24
—	—	—	—	(32)	(8)
(151)	181	(551)	900	1 032	(1 699)
—	—	(551)	900	—	—
(145)	151	—	—	1 363	(2 515)
(6)	30	—	—	(256)	625
—	—	—	—	(75)	191
(33)	(21)	—	—	(150)	(59)
—	—	—	—	—	(22)
—	—	—	—	—	(41)
—	—	—	—	—	19
(147)	126	(661)	814	4 494	1 966
—	—	—	—	—	33
—	—	—	—	35	3
—	—	—	—	—	—
(21)	(44)	—	—	(76)	(244)
(168)	82	(661)	814	4 453	1 758
—	—	(56)	736	(56)	736
(168)	82	(717)	1 550	4 397	2 494
				27,6%	28,4%
				16,9%	18,4%
				2 053,1	2 094,0
(5,9)	(6,3)	—	—	132,2	133,8
				179,7	184,8

Notes to the shareholders' fund information

for the year ended 31 December 2009

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]		Life Licence[2]		Other[3]	
R million	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Sanlam Personal Finance	**30 972**	31 070	**11 857**	12 092	**—**	—	**19 115**	18 978
South Africa	**21 790**	22 644	**11 032**	11 413	**—**	—	**10 758**	11 231
Recurring	**1 069**	1 165	**1 000**	1 072	**—**	—	**69**	93
Single	**19 206**	19 723	**8 517**	8 585	**—**	—	**10 689**	11 138
Continuations	**1 515**	1 756	**1 515**	1 756	**—**	—	**—**	—
Africa	**9 182**	8 426	**825**	679	**—**	—	**8 357**	7 747
Recurring	**101**	87	**101**	87	**—**	—	**—**	—
Single	**9 081**	8 339	**724**	592	**—**	—	**8 357**	7 747
Sanlam Developing Markets	**2 702**	2 594	**2 702**	2 594	**—**	—	**—**	—
South Africa	**1 363**	1 449	**1 363**	1 449	**—**	—	**—**	—
Recurring	**828**	765	**828**	765	**—**	—	**—**	—
Single	**535**	684	**535**	684	**—**	—	**—**	—
Africa	**1 198**	968	**1 198**	968	**—**	—	**—**	—
Recurring	**391**	338	**391**	338	**—**	—	**—**	—
Single	**807**	630	**807**	630	**—**	—	**—**	—
Other international	**141**	177	**141**	177	**—**	—	**—**	—
Recurring	**108**	68	**108**	68	**—**	—	**—**	—
Single	**33**	109	**33**	109	**—**	—	**—**	—
Sanlam UK	**2 140**	2 350	**919**	1 426	**—**	—	**1 221**	924
Other international	**2 140**	2 350	**919**	1 426	**—**	—	**1 221**	924
Recurring	**11**	20	**11**	20	**—**	—	**—**	—
Single	**2 129**	2 330	**908**	1 406	**—**	—	**1 221**	924
Sanlam Employee Benefits	**1 123**	515	**1 123**	515	**—**	—	**—**	—
South Africa	**1 123**	515	**1 123**	515	**—**	—	**—**	—
Recurring	**284**	179	**284**	179	**—**	—	**—**	—
Single	**839**	336	**839**	336	**—**	—	**—**	—
Sanlam Investments	**46 907**	44 961	**—**	—	**1 408**	1 641	**45 499**	43 320
Employee benefits	**784**	985	**—**	—	**784**	985	**—**	—
Recurring	**56**	—	**—**	—	**56**	—	**—**	—
Single	**728**	985	**—**	—	**728**	985	**—**	—
Collective investment schemes	**18 574**	18 254	**—**	—	**—**	—	**18 574**	18 254
Retail funds	**10 059**	10 780	**—**	—	**—**	—	**10 059**	10 780
Wholesale business	**8 515**	7 474	**—**	—	**—**	—	**8 515**	7 474
Segregated funds	**23 741**	23 538	**—**	—	**—**	—	**23 741**	23 538
Wholesale business	**14 972**	16 444	**—**	—	**—**	—	**14 972**	16 444
Private Investments	**8 769**	7 094	**—**	—	**—**	—	**8 769**	7 094
Non-South African	**3 808**	2 184	**—**	—	**624**	656	**3 184**	1 528

1. Analysis of new business and total funds received *(continued)*

R million	Total 2009	Total 2008	Life Insurance[1] 2009	Life Insurance[1] 2008	Life Licence[2] 2009	Life Licence[2] 2008	Other[3] 2009	Other[3] 2008
Short-term insurance	**12 896**	12 165	**—**	—	**—**	—	**12 896**	12 165
New business excluding white label	**96 740**	93 655	**16 601**	16 627	**1 408**	1 641	**78 731**	75 387
White label	**6 188**	6 481	**—**	—	**—**	—	**6 188**	6 481
Total new business	**102 928**	100 136	**16 601**	16 627	**1 408**	1 641	**84 919**	81 868
Recurring premiums on existing funds:								
Sanlam Personal Finance	**9 764**	9 425						
Sanlam Developing Markets	**2 683**	2 244						
Sanlam UK	**498**	606						
Institutional cluster	**3 627**	3 595						
Sanlam Employee Benefits	**2 594**	1 924						
Sanlam Multi-Manager	**342**	808						
Sanlam Investments	**691**	863						
Total funds received	**119 500**	116 006						

[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] *Fund flows have been re-allocated between Sanlam Investments International and Wholesale business persuant to the restructuring of the Octane group.*

Notes to the shareholders' fund information continued

for the year ended 31 December 2009

R million	2009	2008
1. Analysis of new business and total funds received *(continued)*		
Analysed per market		
Retail		
Life business	**12 395**	12 862
Sanlam Personal Finance	**11 032**	11 413
Sanlam Developing Markets	**1 363**	1 449
Non-life business	**29 586**	29 105
Sanlam Personal Finance	**10 758**	11 231
Sanlam Private Investments	**8 769**	7 094
Sanlam Collective Investments	**10 059**	10 780
South African	**41 981**	41 967
Non-South African	**12 661**	11 921
Sanlam Personal Finance	**9 182**	8 426
Sanlam Developing Markets	**1 339**	1 145
Sanlam UK	**2 140**	2 350
Total retail	**54 642**	53 888
Institutional		
Group Life business	**1 907**	1 500
Sanlam Employee Benefits	**1 123**	515
Investment Management	**784**	985
Non-life business	**23 487**	23 918
Segregated	**11 306**	12 404
Sanlam Multi-Manager	**3 666**	4 040
Sanlam Collective Investments	**8 515**	7 474
South African	**25 394**	25 418
Investment Management Non-South African	**3 808**	2 184
Total institutional	**29 202**	27 602
White label	**6 188**	6 481
Short-term insurance	**12 896**	12 165
Total new business	**102 928**	100 136

2. Analysis of payments to clients

R million	Total 2009	Total 2008	Life Insurance[1] 2009	Life Insurance[1] 2008	Life Licence[2] 2009	Life Licence[2] 2008	Other[3] 2009	Other[3] 2008
Sanlam Personal Finance	**33 688**	36 619	**19 266**	20 319	**—**	—	**14 422**	16 300
South Africa	**26 787**	27 921	**18 382**	19 559	**—**	—	**8 405**	8 362
Surrenders	**3 495**	4 175	**3 495**	4 175	**—**	—	**—**	—
Other	**23 292**	23 746	**14 887**	15 384	**—**	—	**8 405**	8 362
Africa	**6 901**	8 698	**884**	760	**—**	—	**6 017**	7 938
Surrenders	**132**	105	**132**	105	**—**	—	**—**	—
Other	**6 769**	8 593	**752**	655	**—**	—	**6 017**	7 938
Sanlam Developing Markets	**4 156**	3 620	**4 156**	3 620	**—**	—	**—**	—
South Africa	**3 367**	2 945	**3 367**	2 945	**—**	—	**—**	—
Surrenders	**449**	453	**449**	453	**—**	—	**—**	—
Other	**2 918**	2 492	**2 918**	2 492	**—**	—	**—**	—
Africa	**775**	674	**775**	674	**—**	—	**—**	—
Surrenders	**150**	198	**150**	198	**—**	—	**—**	—
Other	**625**	476	**625**	476	**—**	—	**—**	—
Other international	**14**	1	**14**	1	**—**	—	**—**	—
Surrenders	**—**	1	**—**	1	**—**	—	**—**	—
Other	**14**	—	**14**	—	**—**	—	**—**	—
Sanlam UK	**2 837**	2 867	**1 515**	1 850	**—**	—	**1 322**	1 017
Other international	**2 837**	2 867	**1 515**	1 850	**—**	—	**1 322**	1 017
Surrenders	**2 568**	2 466	**1 246**	1 449	**—**	—	**1 322**	1 017
Other benefits	**269**	401	**269**	401	**—**	—	**—**	—
Sanlam Employee Benefits	**4 039**	4 433	**4 039**	4 433	**—**	—	**—**	—
South Africa	**4 039**	4 433	**4 039**	4 433	**—**	—	**—**	—
Terminations	**500**	1 489	**500**	1 489	**—**	—	**—**	—
Other	**3 539**	2 944	**3 539**	2 944	**—**	—	**—**	—

Notes to the shareholders' fund information continued

for the year ended 31 December 2009

2. Analysis of payments to clients *(continued)*

R million	Total 2009	Total 2008	Life Insurance[1] 2009	Life Insurance[1] 2008	Life Licence[2] 2009	Life Licence[2] 2008	Other[3] 2009	Other[3] 2008
Sanlam Investments	**44 317**	42 988	**—**	—	**2 616**	3 337	**41 701**	39 651
Employee benefits	**2 243**	2 590	**—**	—	**2 243**	2 590	**—**	—
Terminations	**1 032**	1 118	**—**	—	**1 032**	1 118	**—**	—
Other	**1 211**	1 472	**—**	—	**1 211**	1 472	**—**	—
Collective investment schemes	**14 225**	15 580	**—**	—	**—**	—	**14 225**	15 580
Retail funds	**7 899**	9 834	**—**	—	**—**	—	**7 899**	9 834
Wholesale business	**6 326**	5 746	**—**	—	**—**	—	**6 326**	5 746
Segregated funds	**22 229**	22 046	**—**	—	**—**	—	**22 229**	22 046
Wholesale business	**14 452**	18 167	**—**	—	**—**	—	**14 452**	18 167
Private Investments	**7 777**	3 879	**—**	—	**—**	—	**7 777**	3 879
Non-South African	**5 620**	2 772	**—**	—	**373**	747	**5 247**	2 025
Short-term insurance	**9 100**	8 431	**—**	—	**—**	—	**9 100**	8 431
Payments to clients excluding white label	**98 137**	98 958	**28 976**	30 222	**2 616**	3 337	**66 545**	65 399
White label	**5 864**	7 926	**—**	—	**—**	—	**5 864**	7 926
Total payments to clients	**104 001**	106 884	**28 976**	30 222	**2 616**	3 337	**72 409**	73 325

[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] *Fund flows have been re-allocated between Sanlam Investments International and Wholesale business persuant to the restructuring of the Octane group.*

3. Analysis of net inflow/(outflow) of funds

R million	Total 2009	Total 2008	Life Insurance[1] 2009	Life Insurance[1] 2008	Life Licence[2] 2009	Life Licence[2] 2008	Other[3] 2009	Other[3] 2008
Sanlam Personal Finance	**7 048**	3 876	**2 248**	1 170	**—**	—	**4 800**	2 706
South Africa	**4 304**	3 691	**1 844**	794	**—**	—	**2 460**	2 897
Africa	**2 744**	185	**404**	376	**—**	—	**2 340**	(191)
Sanlam Developing Markets	**1 229**	1 218	**1 229**	1 218	**—**	—	**—**	—
South Africa	**(186)**	1	**(186)**	1	**—**	—	**—**	—
Africa	**1 223**	998	**1 223**	998	**—**	—	**—**	—
Other international	**192**	219	**192**	219	**—**	—	**—**	—
Sanlam UK	**(199)**	89	**(98)**	182	**—**	—	**(101)**	(93)
Sanlam Employee Benefits	**(322)**	(1 994)	**(322)**	(1 994)	**—**	—	**—**	—
Sanlam Investments	**3 623**	3 644	**—**	—	**(517)**	(833)	**4 140**	4 477
Employee benefits	**(768)**	(742)	**—**	—	**(768)**	(742)	**—**	—
Collective investment schemes	**4 349**	2 674	**—**	—	**—**	—	**4 349**	2 674
Retail funds	**2 160**	946	**—**	—	**—**	—	**2 160**	946
Wholesale business	**2 189**	1 728	**—**	—	**—**	—	**2 189**	1 728
Segregated funds	**1 854**	2 300	**—**	—	**—**	—	**1 854**	2 300
Wholesale business	**862**	(915)	**—**	—	**—**	—	**862**	(915)
Private Investments	**992**	3 215	**—**	—	**—**	—	**992**	3 215
Non-South African	**(1 812)**	(588)	**—**	—	**251**	(91)	**(2 063)**	(497)
Santam	**3 796**	3 734	**—**	—	**—**	—	**3 796**	3 734
Net inflow/(outflow) excluding white label	**15 175**	10 567	**3 057**	576	**(517)**	(833)	**12 635**	10 824
White label	**324**	(1 445)	**—**	—	**—**	—	**324**	(1 445)
Total net inflow/(outflow)	**15 499**	9 122	**3 057**	576	**(517)**	(833)	**12 959**	9 379

[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] Fund flows have been re-allocated between Sanlam Investments International and Wholesale business persuant to the restructuring of the Octane group.

Notes to the shareholders' fund information continued

for the year ended 31 December 2009

R million	2009	2008
3. Analysis of net inflow/(outflow) of funds *(continued)*		
Analysed per market		
Retail		
Life business	**1 658**	795
Sanlam Personal Finance	**1 844**	794
Sanlam Developing Markets	**(186)**	1
Non-life business	**5 612**	7 058
Sanlam Personal Finance	**2 460**	2 897
Sanlam Private Investments	**992**	3 215
Sanlam Collective Investments	**2 160**	946
South African	**7 270**	7 853
Non-South African	**3 960**	1 491
Sanlam Personal Finance	**2 744**	185
Sanlam Developing Markets	**1 415**	1 217
Sanlam UK	**(199)**	89
Total retail	**11 230**	9 344
Institutional		
Group Life business	**(1 090)**	(2 736)
Sanlam Employee Benefits	**(322)**	(1 994)
Investment Management	**(768)**	(742)
Non-life business	**3 051**	813
Segregated	**2 349**	2 491
Sanlam Multi-Manager	**(1 487)**	(3 406)
Sanlam Collective Investments	**2 189**	1 728
South African	**1 961**	(1 923)
Investment Management Non-South African	**(1 812)**	(588)
Total institutional	**149**	(2 511)
White label	**324**	(1 445)
Short-term insurance	**3 796**	3 734
Total net inflow	**15 499**	9 122

R million	2009	2008
4. Assets under management		
Assets under management		
Sanlam Personal Finance		
Assets under management at beginning of the year	**198 526**	203 318
Life insurance	**155 823**	161 706
Other	**42 703**	41 612
Net inflow of funds[1]	**9 180**	5 736
Life insurance	**3 876**	2 783
Other	**5 304**	2 953
Investment return	**19 395**	(4 189)
Life insurance	**16 472**	(2 350)
Other	**2 923**	(1 839)
Fees, risk premiums and other payments to shareholders	**(6 426)**	(6 275)
Life insurance	**(6 395)**	(6 252)
Other	**(31)**	(23)
Other movements	**—**	(64)
Life insurance	**—**	(64)
Other	**—**	—
Assets under management at end of the year	**220 675**	198 526
Life insurance	**169 776**	155 823
Other	**50 899**	42 703
Sanlam Developing Markets		
Assets under management at beginning of the year	**15 816**	16 943
Net inflow of funds[1]	**2 161**	2 309
Investment return	**3 132**	(1 423)
Fees, risk premiums and other payments to shareholders	**(3 992)**	(3 192)
Foreign currency translation differences	**(1 286)**	1 193
Other	**3**	(14)
Assets under management at end of the year	**15 834**	15 816

[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.*

Notes to the shareholders' fund information continued

for the year ended 31 December 2009

R million	2009	2008
4. Assets under management *(continued)*		
Sanlam UK		
Assets under management at beginning of the year	**28 282**	23 737
Life insurance	**18 685**	23 737
Other	**9 597**	—
Net inflow/(outflow) of funds	**1 473**	94
Life insurance	**(503)**	187
Other	**1 976**	(93)
Investment return	**4 846**	(7 238)
Life insurance	**3 274**	(4 934)
Other	**1 572**	(2 304)
Fees, risk premiums and other payments to shareholders	**(462)**	(532)
Life insurance	**(338)**	(421)
Other	**(124)**	(111)
Business combinations	**—**	14 200
Life insurance	**—**	—
Other	**—**	14 200
Foreign currency translation differences	**(3 350)**	(1 979)
Life insurance	**(2 234)**	116
Other	**(1 116)**	(2 095)
Assets under management at end of the year	**30 789**	28 282
Life insurance	**18 884**	18 685
Other	**11 905**	9 597
Sanlam Employee Benefits		
Assets under management at beginning of the year	**38 859**	42 205
Net inflow/(outflow) of funds[1]	**527**	(2 098)
Investment return	**4 198**	799
Fees, risk premiums and other payments to shareholders	**(2 403)**	(2 047)
Assets under management at end of the year	**41 181**	38 859
Sanlam Investments		
Assets under management at beginning of the year	**408 651**	453 962
Wholesale and retail	**393 754**	435 723
White label	**14 897**	18 239
Net inflow/(outflow) of funds[1]	**3 944**	(14 391)
Wholesale and retail	**3 620**	(12 945)
White label	**324**	(1 446)
Investment return	**28 688**	(30 920)
Wholesale and retail	**27 804**	(29 024)
White label	**884**	(1 896)
Assets under management at end of the year	**441 283**	408 651
Wholesale and retail	**425 178**	393 754
White label	**16 105**	14 897

[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.*

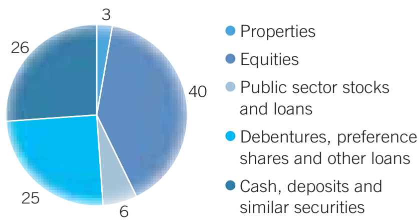
4. Assets under management *(continued)*

	Average assets (R million)	Administration costs (bps)	Margin (bps)
Profitability of assets under management			
31 December 2009			
Sanlam Personal Finance	**202 642**	**101**	**100**
Life insurance	**156 665**	**112**	**121**
Other	**45 977**	**62**	**33**
Sanlam Developing Markets	**16 412**	**600**	**229**
Sanlam UK	**29 687**	**93**	**12**
Life insurance	**18 667**	**64**	**12**
Other	**11 020**	**98**	**15**
Sanlam Employee Benefits	**38 947**	**72**	**55**
Sanlam Investments	**415 670**	**30**	**17**
Wholesale and retail	**400 702**	**27**	**17**
White label	**14 968**	**114**	**9**
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

5. Investments

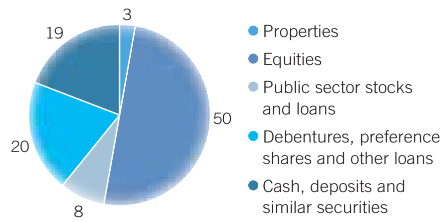
Total shareholders' fund investment mix 2009

(%)



Total shareholders' fund investment mix 2008

(%)



R million	**2009**	**2008**
5.1 Investment in associated companies		
Punter Southall Group	**258**	219
Letshego	**308**	—
Other associated companies	**558**	469
Total investment in associated companies	**1 124**	688

Details of the investments in the material associated companies are reflected in note 7 on page 297 of the Sanlam Group financial statements.

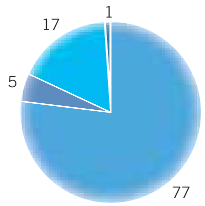
Notes to the shareholders' fund information continued

for the year ended 31 December 2009

R million	2009	2008
5. Investments *(continued)*		
5.2 Investment in joint ventures		
Sanlam Personal Loans	**133**	44
Sanlam Home Loans	**120**	133
Shriram Life Insurance	**247**	208
Shriram General Insurance	**115**	115
Other joint ventures	**225**	129
Total investment in joint ventures	**840**	629
Details of the investments in material joint ventures are reflected in note 7 on pages 298 and 299 of the Sanlam Group financial statements.		
5.3 Equities and similar securities		
Listed on the JSE – at market value	**8 796**	11 380
Unlisted equity and derivative investments – at directors' valuation	**522**	1 253
Offshore equity investments	**1 955**	2 281
Collective investment schemes	**151**	195
Total equity investments	**11 424**	15 109

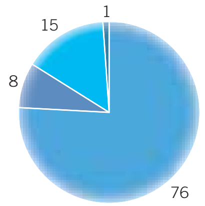
Total shareholders' fund equity mix 2009

(%)



Total shareholders' fund equity mix 2008

(%)



%	2009	2008
Spread of investments in equities listed on the JSE by sector[1]		
Basic industries	**23,6**	19,2
Consumer goods	**8,6**	5,0
Consumer services	**10,3**	9,4
Financials	**20,0**	12,7
General industrials	**10,9**	10,5
Information technology	**—**	0,3
Healthcare	**1,2**	1,1
Telecommunications	**8,9**	8,0
Other	**16,5**	33,8
	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	2009	2008
5.4 Offshore investments		
Equities	**1 955**	2 281
Interest-bearing investments	**455**	1 008
Investment properties	**54**	142
Total offshore investments	**2 464**	3 431

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
2009							
Interest rate products over-the-counter							
Swap contracts – bought	**63 327**	**26 290**	**18 813**	**108 430**	**107 946**	**484**	**(9)**
Swap contracts – sold	**(56 145)**	**(29 322)**	**(16 289)**	**(101 756)**	**(101 956)**	**200**	**(8)**
Total interest rate products	**7 182**	**(3 032)**	**2 524**	**6 674**	**5 990**	**684**	**(17)**
Market risk products							
Cliquet structures – bought	**702**	**253**	**—**	**955**	**955**	**—**	**9**
Collar structures – bought	**495**	**70**	**—**	**565**	**—**	**565**	**(225)**
Collar structures – sold	**500**	**—**	**—**	**500**	**—**	**500**	**116**
Forward purchase of shares							
Local – bought	**70**	**—**	**—**	**70**	**42**	**28**	**1**
Fence structures							
Local – bought	**3 393**	**158**	**—**	**3 551**	**—**	**3 551**	**(186)**
Local – sold	**(3 119)**	**(422)**	**—**	**(3 541)**	**(3 541)**	**—**	**318**
Total market risk products	**2 041**	**59**	**—**	**2 100**	**(2 544)**	**4 644**	**33**
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)

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 continued

for the year ended 31 December 2009

R million	2009	2008
6. Short-term insurance technical assets and provisions		
Details of short-term insurance technical assets and provisions are reflected in note 9 on page 304 of the Sanlam Group financial statements.		
7. Trade and other receivables		
Premiums receivable	**2 731**	2 279
Accrued investment income	**257**	625
Trading account and money market investments	**13 290**	15 862
Amounts due from reinsurers	**591**	815
Accounts receivable	**2 703**	3 047
Total trade and other receivables	**19 572**	22 628
8. Trade and other payables		
Trading account	**13 218**	14 562
Accounts payable	**5 569**	5 376
Policy benefits payable	**2 515**	3 129
Amounts due to reinsurers	**831**	876
Bank overdrafts	**3**	29
Total working capital liabilities	**22 136**	23 972
9. Financial services income		
From external customers	**28 753**	26 571
From internal customers	**563**	398
Financial services income	**29 316**	26 969
Equity-accounted earnings included in financial services income:		
Sanlam Personal Finance	**2**	(46)
Sanlam Developing Markets	**16**	—
Sanlam UK	**7**	24
Sanlam Employee Benefits	**(21)**	(11)
Sanlam Investments	**27**	—
Corporate and other	**—**	1
	31	(32)
10. Administration cost		
Depreciation included in administration costs:		
Sanlam Personal Finance	**79**	82
Sanlam Developing Markets	**24**	28
Sanlam UK	**3**	4
Short-term Insurance	**58**	48
Sanlam Investments	**5**	5
Sanlam Capital Markets	**3**	16
	172	183

R million	2009	2008
11. Taxation		
Result from financial services	**4 242**	4 260
Tax on result from financial services	**(1 120)**	(966)
Investment return	**2 731**	(1 083)
Investment income	**1 368**	1 432
Investment surpluses	**1 363**	(2 515)
Tax on investment return	**(503)**	404
Investment income	**(247)**	(221)
Investment surpluses	**(256)**	625

%	2009	2008
Reconciliation of tax rate on result from financial services		
Effective tax rate	**26,4**	22,7
Standard rate of taxation	**28,0**	28,0
Adjusted for:		
Non-taxable income	**(2,6)**	(2,3)
Disallowable expenses	**0,4**	0,1
Share-based payments	**0,4**	0,3
Prior year adjustments	**(0,2)**	(1,9)
Foreign tax rate differential	**(0,4)**	(1,0)
Other	**0,8**	(0,5)
Effective tax rate on result from financial services	**26,4**	22,7
Reconciliation of tax rate on investment return		
Effective tax rate	**18,4**	37,3
Standard rate of taxation	**28,0**	28,0
Adjusted for:		
Non-taxable income	**(4,1)**	19,9
Disallowable expenses	**0,1**	(0,4)
Foreign tax rate differential	**0,1**	(2,2)
Investment surpluses	**(4,1)**	(8,0)
Other	**(1,6)**	—
Effective tax rate on investment return	**18,4**	37,3

R million	2009	2008
12. Net result from financial services		
Covered business	**1 768**	1 838
Sanlam Personal Finance	**1 402**	1 470
Sanlam Developing Markets	**154**	144
Sanlam UK	**37**	33
Sanlam Employee Benefits	**175**	191
Other Group operations	**1 067**	1 095
Sanlam Personal Finance	**96**	85
Wealth management	**81**	87
Retail credit	**15**	(2)
Sanlam Developing Markets	**18**	—
Sanlam UK	**(4)**	25
Sanlam Employee Benefits	**(21)**	(8)
Short-term Insurance	**242**	439
Sanlam Investments	**593**	589
Sanlam Capital Markets	**143**	(35)
Discretionary and other capital	**(121)**	(131)
Net result from financial services	**2 714**	2 802

Notes to the shareholders' fund information continued

for the year ended 31 December 2009

R million	2009	2008
13. Investment income		
Equities and similar securities	**473**	737
Interest-bearing, preference shares and similar securities	**839**	651
Properties	**56**	44
Rental income	**74**	59
Rental related expenses	**(18)**	(15)
Total investment income	**1 368**	1 432
Interest expense netted off against investment income:		
Sanlam Personal Finance	**467**	483
Short-term Insurance	**114**	152
	581	635
14. Analysis of normalised attributable earnings		
Net result from financial services	**2 714**	2 802
Covered business	**1 768**	1 838
Other Group operations	**1 067**	1 095
Discretionary and other capital	**(121)**	(131)
Net investment income and investment surpluses	**2 008**	(631)
Covered business	**1 606**	(684)
Other Group operations	**388**	(17)
Discretionary and other capital	**14**	70
Other net income	**(269)**	(413)
Covered business	**(226)**	(162)
Other Group operations	**14**	(202)
Discretionary and other capital	**(57)**	(49)
Normalised attributable earnings	**4 453**	1 758
Covered business	**3 148**	992
Other Group operations	**1 469**	876
Discretionary and other capital	**(164)**	(110)
Normalised attributable earnings	**4 453**	1 758

Cents	2009	2008
15. Normalised diluted earnings per share		
Normalised diluted earnings per share:		
Net result from financial services	**132,2**	133,8
Core earnings	**179,7**	184,8
Normalised headline earnings	**218,9**	93,9
Profit attributable to shareholders' fund	**216,9**	84,0

R million	2009	2008
Analysis of normalised earnings (refer shareholders' fund income statement on page 187):		
Net result from financial services	**2 714**	2 802
Core earnings	**3 690**	3 870
Headline earnings	**4 494**	1 966
Profit attributable to shareholders' fund	**4 453**	1 758
Reconciliation of normalised headline earnings:		
Headline earnings per note 28 on page 317	**4 438**	2 702
Less: Fund transfers	**56**	(736)
Normalised headline earnings	**4 494**	1 966

million	2009	2008
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 317)	**2 028,1**	2 043,5
Add: Weighted average Sanlam shares held by policyholders	**25,0**	50,5
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 053,1**	2 094,0

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 and the non-life businesses in Sanlam Developing Markets, which are 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 2009						
Sanlam Investments	**5 581**	**1 381**	**(564)**	**380**	**—**	**6 778**
SIM Wholesale	**3 903**	**883**	**(363)**	**22**	**36**	**4 481**
International	**1 358**	**400**	**(171)**	**358**	**(36)**	**1 909**
Sanlam Collective Investments	**320**	**98**	**(30)**	**—**	**—**	**388**
Sanlam Personal Finance	**1 423**	**188**	**(131)**	**132**	**—**	**1 612**
Wealth management	**1 186**	**262**	**(131)**	**—**	**—**	**1 317**
Retail credit	**237**	**(74)**	**—**	**132**	**—**	**295**
Sanlam UK	**847**	**(75)**	**—**	**61**	**—**	**833**
Sanlam Developing Markets	**17**	**102**	**—**	**160**	**(17)**	**262**
Coris Administration	**54**	**(70)**	**—**	**16**	**—**	**—**
Sanlam Capital Markets	**365**	**143**	**—**	**85**	**—**	**593**
Short-term insurance	**5 273**	**2 133**	**(274)**	**17**	**—**	**7 149**
Total fair value of businesses	**13 560**	**3 802**	**(969)**	**851**	**(17)**	**17 227**
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
Sanlam Developing Markets	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

[1] *Other includes:*
– the transfer of Alfinanz from other Group operations to covered business; and
– the transfer of Blue Ink from Sanlam Investments International to SIM Wholesale.

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 2009	Fair value 2008
Valuation method		
Ratio of price to assets under management	**6 920**	5 958
SIM Wholesale	**4 481**	3 903
SIM International	**1 669**	1 358
Sanlam Collective Investments	**388**	320
Principal	**283**	299
Sanlam Namibia Holdings	**99**	78
Discounted cash flows	**2 063**	1 964
Glacier	**762**	696
Sanlam Personal Loans	**133**	71
Multi-Data	**166**	190
Sanlam Trust	**160**	144
Sanlam Home Loans	**120**	133
Punter Southall Group	**259**	219
Other	**463**	511
Net asset value	**1 075**	590
MiWay	**127**	110
SIM International	**240**	—
Shriram General Insurance	**115**	115
Sanlam Capital Markets	**593**	365
Fair value of unlisted businesses	**10 058**	8 512

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 2009	Change in assumption 2008
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%

R million	Weighted average assumption	Fair value of Sanlam businesses: Base value	Decrease in assumption	Increase in assumption
Ratio of price to assets under management	P/AuM = 1,63% (2008: 1,44%)	6 920	6 377	7 459
Discounted cash flows	RDR = 18,5% (2008: 17,9%)	2 063	2 182	1 962
	PGR = 2,5% – 5% (2008: 2,5% – 5%)	2 063	2 023	2 111

million	2009	2008

17. Value per share

Fair value per share is calculated on the Group shareholders' fund at fair value of R38 936 million (2008: R34 137 million), divided by 2 063,1 million (2008: 2 044,2 million) shares.

Net asset value per share is calculated on the Group shareholders' fund at net asset value of R30 547 million (2008: R28 190 million), divided by 2 063,1 million (2008: 2 044,2 million) shares.

Equity value per share is calculated on the Group Equity Value of R51 024 million (2008: R45 238 million), divided by 2 063,1 million (2008: 2 044,2 million) shares.

million	2009	2008
Number of shares for value per share:		
Number of ordinary shares in issue (refer to note 11 on page 305)	**2 160,0**	2 190,1
Shares held by subsidiaries in shareholders' fund	**(151,8)**	(197,3)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive schemes	**37,1**	45,5
Number of shares under option that would have been issued at fair value	**(5,4)**	(12,7)
Convertible deferred shares held by Ubuntu-Botho	**23,2**	18,6
Adjusted number of shares for value per share	**2 063,1**	2 044,2

18. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 6,7 (2008: 6,7) to the after tax recurring corporate expenses.

19. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2009 and 2008 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire any shares during 2009 in terms of the general authorities.

Notes to the shareholders' fund information continued

for the year ended 31 December 2009

20. Reconciliations

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

	Year ended 31 December 2009				Year ended 31 December 2008			
R million	Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]	Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
Net income	**60 671**	**32 082**	**27 817**	**772**	19 700	25 889	(7 782)	1 593
Financial services income	**30 968**	**29 316**	**—**	**1 652**	28 578	26 969	—	1 609
Reinsurance premiums paid	**(2 848)**	**—**	**—**	**(2 848)**	(2 990)	—	—	(2 990)
Reinsurance commission received	**258**	**—**	**—**	**258**	401	—	—	401
Investment income	**15 997**	**1 368**	**12 777**	**1 852**	17 044	1 432	12 557	3 055
Investment surpluses	**17 380**	**1 398**	**15 040**	**942**	(24 672)	(2 512)	(20 339)	(1 821)
Finance cost – margin business	**(246)**	**—**	**—**	**(246)**	(244)	—	—	(244)
Change in fair value of external investors liability	**(838)**	**—**	**—**	**(838)**	1 583	—	—	1 583
Net insurance and investment contract benefits and claims	**(41 063)**	**(13 910)**	**(27 115)**	**(38)**	(4 352)	(12 287)	7 935	—
Long-term insurance contract benefits	**(17 084)**	**(4 810)**	**(11 352)**	**(922)**	(5 870)	(4 280)	(997)	(593)
Long-term investment contract benefits	**(15 763)**	**—**	**(15 763)**	**—**	8 932	—	8 932	—
Short-term insurance claims	**(9 800)**	**(9 100)**	**—**	**(700)**	(9 189)	(8 007)	—	(1 182)
Reinsurance claims received	**1 584**	**—**	**—**	**1 584**	1 775	—	—	1 775
Expenses	**(11 576)**	**(11 199)**	**—**	**(377)**	(11 134)	(10 485)	—	(649)
Sales remuneration	**(4 438)**	**(4 230)**	**—**	**(208)**	(4 189)	(3 861)	—	(328)
Administration costs	**(7 138)**	**(6 969)**	**—**	**(169)**	(6 945)	(6 624)	—	(321)
Impairments	**(79)**	**(76)**	**—**	**(3)**	(247)	(244)	—	(3)
Amortisation of value of business acquired	**(84)**	**(84)**	**—**	**—**	(77)	(77)	—	—
Net operating result	**7 869**	**6 813**	**702**	**354**	3 890	2 796	153	941
Equity-accounted earnings	**104**	**73**	**—**	**31**	34	57	—	(23)
Finance cost – other	**(363)**	**—**	**—**	**(363)**	(391)	—	—	(391)
Profit before tax	**7 610**	**6 886**	**702**	**22**	3 533	2 853	153	527
Tax expense	**(2 529)**	**(1 773)**	**(702)**	**(54)**	(621)	(621)	(153)	153
Shareholders' fund	**(1 759)**	**(1 773)**	**—**	**14**	(428)	(621)	—	193
Policyholders' fund	**(770)**	**—**	**(702)**	**(68)**	(193)	—	(153)	(40)
Profit from continuing operations	**5 081**	**5 113**	**—**	**(32)**	2 912	2 232	—	680
Discontinued operations	**—**	**—**	**—**	**—**	25	(41)	—	66
Profit for the year	**5 081**	**5 113**	**—**	**(32)**	2 937	2 191	—	746
Attributable to:								
Shareholders' fund	**4 397**	**4 453**	**—**	**(56)**	2 494	1 758	—	736
Minority shareholders' interest	**684**	**660**	**—**	**24**	443	433	—	10
	5 081	**5 113**	**—**	**(32)**	2 937	2 191	—	746

[1] *Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group Statement of comprehensive income.*

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

20. Reconciliations *(continued)*

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

R million	31 December 2009 Total	31 December 2009 Shareholder activities	31 December 2009 Policyholder activities	31 December 2009 Consolidation reserve	31 December 2008 Total	31 December 2008 Shareholder activities	31 December 2008 Policyholder activities	31 December 2008 Consolidation reserve
Assets								
Property and equipment	**375**	**375**	**—**	**—**	382	382	—	—
Owner-occupied properties	**652**	**652**	**—**	**—**	652	652	—	—
Goodwill	**2 810**	**2 810**	**—**	**—**	2 623	2 623	—	—
Other intangible assets	**45**	**45**	**—**	**—**	—	—	—	—
Value of business acquired	**1 210**	**1 210**	**—**	**—**	1 309	1 309	—	—
Deferred acquisition costs	**2 140**	**1 509**	**631**	**—**	1 970	1 355	615	—
Long-term reinsurance assets	**499**	**—**	**499**	**—**	506	—	506	—
Investments	**288 278**	**33 187**	**255 594**	**(503)**	268 530	32 654	236 415	(539)
Properties	**15 757**	**1 017**	**14 740**	**—**	15 981	834	15 147	—
Associated companies	**1 124**	**1 124**	**—**	**—**	688	688	—	—
Joint ventures	**840**	**840**	**—**	**—**	629	629	—	—
Equities and similar securities	**141 570**	**11 424**	**130 649**	**(503)**	120 284	15 109	105 714	(539)
Public sector stocks and loans	**50 803**	**1 935**	**48 868**	**—**	50 531	2 456	48 075	—
Debentures, insurance policies, preference shares and other loans	**34 792**	**8 143**	**26 649**	**—**	35 309	6 667	28 642	—
Cash, deposits and similar securities	**43 392**	**8 704**	**34 688**	**—**	45 108	6 271	38 837	—
Deferred tax	**515**	**515**	**—**	**—**	712	712	—	—
Short-term insurance technical assets	**2 064**	**2 064**	**—**	**—**	2 250	2 250	—	—
Working capital assets	**36 241**	**31 552**	**4 689**	**—**	38 974	32 645	6 329	—
Trade and other receivables	**24 261**	**19 572**	**4 689**	**—**	28 908	22 628	6 280	—
Cash, deposits and similar securities	**11 980**	**11 980**	**—**	**—**	10 066	10 017	49	—
Total assets	**334 829**	**73 919**	**261 413**	**(503)**	317 908	74 582	243 865	(539)

Notes to the shareholders' fund information continued

for the year ended 31 December 2009

20. Reconciliations *(continued)*

20.2 Reconciliation between Group statement of financial position and shareholders' fund at net asset value *(continued)*

R million	31 December 2009 Total	Shareholder activities	Policyholder activities	Consolidation reserve	31 December 2008 Total	Shareholder activities	Policyholder activities	Consolidation reserve
Equity and liabilities								
Shareholders' fund	30 044	30 547	—	(503)	27 651	28 190	—	(539)
Minority shareholders' interest	2 628	2 636	(8)	—	2 596	2 612	(16)	—
Long-term policy liabilities	245 997	—	245 997	—	229 268	—	229 268	—
Insurance contracts	123 774	—	123 774	—	120 879	—	120 879	—
Investment contracts	122 223	—	122 223	—	108 389	—	108 389	—
Term finance	6 916	6 273	643	—	6 763	6 003	760	—
External investors in consolidated funds	10 534	—	10 534	—	9 822	2 393	7 429	—
Cell owners' interest	535	535	—	—	447	447	—	—
Deferred tax	763	346	417	—	440	134	306	—
Short-term insurance technical provisions	8 304	8 304	—	—	8 229	8 229	—	—
Working capital liabilities	29 108	25 278	3 830	—	32 692	26 574	6 118	—
Trade and other payables	25 842	22 136	3 706	—	29 325	23 972	5 353	—
Provisions	1 396	1 396	—	—	1 453	1 453	—	—
Taxation	1 870	1 746	124	—	1 914	1 149	765	—
Total equity and liabilities	334 829	73 919	261 413	(503)	317 908	74 582	243 865	(539)

21. Geographical analysis

R million	Per shareholders' fund income statement on page 187 Internal customers	External customers	IFRS adjustment (refer note 20.1)	Total
Financial services income				
Financial services income is attributed to individual countries, based on where the income was earned.				
2009	**563**	**28 753**	**1 652**	**30 968**
South Africa	**384**	**26 015**	**1 806**	**28 205**
Africa	**—**	**2 286**	**—**	**2 286**
Other international[1]	**179**	**452**	**(154)**	**477**
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

R million	Per analysis of shareholders' fund on page 182	Policyholders' fund	Total
Non-current assets[2]			
2009	**6 601**	**631**	**7 232**
South Africa	**5 628**	**631**	**6 259**
Africa	**81**	**—**	**81**
Other international[1]	**892**	**—**	**892**
2008	6 321	615	6 936
South Africa	5 439	615	6 054
Africa	96	—	96
Other international[1]	786	—	786

R million	2009	2008
Net result from financial services (per shareholders' fund income statement on page 187)	**2 714**	2 802
South Africa	**2 263**	2 390
Africa	**281**	218
Other international[1]	**170**	194

[1] *Other international comprises business in The Netherlands, Europe, United Kingdom, Australia and India.*

[2] *Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangible assets and deferred acquisition costs.*

Sanlam Group
Embedded value of covered business

at 31 December 2009

R million	Note	2009	2008
Sanlam Personal Finance		**19 884**	19 574
Adjusted net worth		**8 098**	8 275
Net value of in-force covered business		**11 786**	11 299
Value of in-force covered business		**13 645**	12 809
Cost of capital		**(1 694)**	(1 378)
Minority shareholders' interest		**(165)**	(132)
Sanlam Developing Markets		**3 479**	2 796
Adjusted net worth		**1 363**	1 032
Net value of in-force covered business		**2 116**	1 764
Value of in-force covered business		**2 786**	2 432
Cost of capital		**(307)**	(284)
Minority shareholders' interest		**(363)**	(384)
Sanlam UK		**665**	680
Adjusted net worth		**217**	234
Net value of in-force covered business		**448**	446
Value of in-force covered business		**480**	481
Cost of capital		**(32)**	(35)
Minority shareholders' interest		**—**	—
Sanlam Employee Benefits		**4 960**	5 541
Adjusted net worth		**4 569**	5 472
Net value of in-force covered business		**391**	69
Value of in-force covered business		**1 300**	824
Cost of capital		**(909)**	(755)
Minority shareholders' interest		**—**	—
Embedded value of covered business		**28 988**	28 591
Adjusted net worth		**14 247**	15 013
Net value of in-force covered business	1	**14 741**	13 578
Embedded value of covered business		**28 988**	28 591

Sanlam Group
Change in embedded value of covered business

for the year ended 31 December 2009

R million	Note	2009 Total	2009 Value of in-force	2009 Cost of capital	2009 Adjusted net worth	2008 Total	2008 Value of in-force	2008 Cost of capital	2008 Adjusted net worth
Embedded value of covered business at the beginning of the year		**28 591**	**15 939**	**(2 361)**	**15 013**	28 432	16 316	(2 594)	14 710
Value of new business		**607**	**1 811**	**(97)**	**(1 107)**	612	1 750	(73)	(1 065)
Net earnings from existing covered business		**2 430**	**(231)**	**146**	**2 515**	1 885	(877)	184	2 578
Expected return on value of in-force business		**1 714**	**1 588**	**126**	**—**	1 838	1 749	89	—
Expected transfer of profit to adjusted net worth		**—**	**(2 064)**	**—**	**2 064**	—	(2 195)	—	2 195
Operating experience variances	3	**636**	**186**	**(4)**	**454**	278	(121)	29	370
Operating assumption changes	4	**80**	**59**	**24**	**(3)**	(231)	(310)	66	13
Expected investment return on adjusted net worth		**1 091**	**—**	**—**	**1 091**	1 180	—	—	1 180
Embedded value earnings from operations		**4 128**	**1 580**	**49**	**2 499**	3 677	873	111	2 693
Economic assumption changes	5	**(1 206)**	**(687)**	**(484)**	**(35)**	356	316	86	(46)
Investment variances – value of in-force		**1 149**	**874**	**(69)**	**344**	(1 435)	(1 781)	12	334
Investment variances – investment return on adjusted net worth		**515**	**—**	**—**	**515**	(1 864)	—	—	(1 864)
Exchange rate movements		**(137)**	**(149)**	**12**	**—**	23	29	(6)	—
Tax changes		**—**	**—**	**—**	**—**	215	186	30	(1)
Net project expenses	6	**(28)**	**—**	**—**	**(28)**	(53)	—	—	(53)
Embedded value earnings from covered business		**4 421**	**1 618**	**(492)**	**3 295**	919	(377)	233	1 063
Acquired value of in-force		**210**	**69**	**(32)**	**173**	—	—	—	—
Transfers from other Group operations		**17**	**—**	**—**	**17**	—	—	—	—
Change in utilisation of capital diversification		**(729)**	**—**	**—**	**(729)**	197	—	—	197
Transfers from covered business		**(3 522)**	**—**	**—**	**(3 522)**	(957)	—	—	(957)
Embedded value of covered business at the end of the year		**28 988**	**17 626**	**(2 885)**	**14 247**	28 591	15 939	(2 361)	15 013
Analysis of earnings from covered business									
Sanlam Personal Finance		**2 815**	**802**	**(315)**	**2 328**	453	(683)	178	958
Sanlam Developing Markets		**467**	**341**	**(26)**	**152**	659	468	(4)	195
Sanlam UK		**(14)**	**(1)**	**3**	**(16)**	(36)	(25)	(3)	(8)
Sanlam Employee Benefits		**1 153**	**476**	**(154)**	**831**	(157)	(137)	62	(82)
Embedded value earnings from covered business		**4 421**	**1 618**	**(492)**	**3 295**	919	(377)	233	1 063

Sanlam Group
Value of new business

for the year ended 31 December 2009

R million	Note	2009	2008
Value of new business (at point of sale):			
Gross value of new business		**797**	787
Sanlam Personal Finance		**354**	419
Sanlam Developing Markets		**335**	343
Sanlam UK		**17**	6
Sanlam Employee Benefits		**91**	19
Cost of capital		**(108)**	(89)
Sanlam Personal Finance		**(34)**	(33)
Sanlam Developing Markets		**(45)**	(41)
Sanlam UK		**(3)**	(5)
Sanlam Employee Benefits		**(26)**	(10)
Value of new business		**689**	698
Sanlam Personal Finance		**320**	386
Sanlam Developing Markets		**290**	302
Sanlam UK		**14**	1
Sanlam Employee Benefits		**65**	9
Value of new business attributable to:			
Shareholders' fund	2	**607**	612
Sanlam Personal Finance		**308**	377
Sanlam Developing Markets		**220**	225
Sanlam UK		**14**	1
Sanlam Employee Benefits		**65**	9
Minority shareholders' interest		**82**	86
Sanlam Personal Finance		**12**	9
Sanlam Developing Markets		**70**	77
Sanlam UK		**—**	—
Sanlam Employee Benefits		**—**	—
Value of new business		**689**	698
Geographical analysis:			
South Africa		**484**	507
Africa		**186**	181
Other international		**19**	10
Value of new business		**689**	698
Analysis of new business profitability:			
Before minorities:			
Present value of new business premiums		**26 365**	26 033
Sanlam Personal Finance		**16 573**	17 371
Sanlam Developing Markets		**5 711**	5 332
Sanlam UK		**951**	1 484
Sanlam Employee Benefits		**3 130**	1 846
New business margin		**2,61%**	2,68%
Sanlam Personal Finance		**1,93%**	2,22%
Sanlam Developing Markets		**5,08%**	5,66%
Sanlam UK		**1,47%**	0,07%
Sanlam Employee Benefits		**2,08%**	0,49%
After minorities:			
Present value of new business premiums		**25 102**	24 459
Sanlam Personal Finance		**16 269**	17 080
Sanlam Developing Markets		**4 752**	4 049
Sanlam UK		**951**	1 484
Sanlam Employee Benefits		**3 130**	1 846
New business margin		**2,42%**	2,50%
Sanlam Personal Finance		**1,89%**	2,21%
Sanlam Developing Markets		**4,63%**	5,56%
Sanlam UK		**1,47%**	0,07%
Sanlam Employee Benefits		**2,08%**	0,49%

Notes to the embedded value of covered business

for the year ended 31 December 2009

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 %
2009				
Base value	**17 626**	**(2 885)**	**14 741**	
Interest rate and assets				
• Risk discount rate increase by 1%	16 639	(3 486)	13 153	(11)
• Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	18 073	(2 789)	15 284	4
• Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	16 897	(2 865)	14 032	(5)
• Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	18 023	(2 631)	15 392	4
Expenses and persistency				
• Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	18 124	(2 873)	15 251	3
• Discontinuance rates decrease by 10%	18 005	(2 967)	15 038	2
Insurance risk				
• Mortality and morbidity decrease by 5% for life assurance business	18 328	(2 878)	15 450	5
• Mortality and morbidity decrease by 5% for annuity business	17 512	(2 882)	14 630	(1)
2008				
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)

Notes to the embedded value of covered business continued

for the year ended 31 December 2009

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	**704**	**(97)**	**607**	
Interest rate and assets				
• Risk discount rate increase by 1%	620	(118)	502	(17)
• Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	750	(99)	651	7
Expenses and persistency				
• Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	773	(97)	676	11
• Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	771	(97)	674	11
• Discontinuance rates decrease by 10%	796	(102)	694	14
Insurance risk				
• Mortality and morbidity decrease by 5% for life assurance business	832	(97)	735	21
• Mortality and morbidity decrease by 5% for annuity business	694	(98)	596	(2)

R million	2009	2008
3. Operating experience variances		
Risk experience	**363**	307
Investment guarantee reserve surplus/(shortfall)	**64**	(117)
Working capital and other	**209**	88
Total operating experience variances	**636**	278
4. Operating assumption changes		
Mortality and morbidity	**(124)**	(196)
Persistency	**(67)**	(31)
Modelling improvements and other	**271**	(4)
Total operating assumption changes	**80**	(231)
5. Economic assumption changes		
Investment yields and risk premiums	**(866)**	363
Long-term asset mix assumptions	**(340)**	(7)
Total economic assumption changes	**(1 206)**	356

6. 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.

R million	2009	2008
7. Reconciliation of growth from covered business		
The embedded value earnings from covered business reconciles 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 202	**1 768**	1 838
Differences between profits recognised under IFRS and the embedded value methodology		
Foreign exchange differences and other	**10**	9
Less: net project expenses	**(28)**	(53)
Less: STC projected on dividends from covered business profits for the year	**(61)**	(47)
Investment return on adjusted net worth	**1 606**	(684)
Embedded value earnings from covered business: value of in-force	**1 126**	(144)
Embedded value earnings from covered business	**4 421**	919

8. Economic assumptions

	Sanlam Life		Merchant Investors		SDM Limited		Botswana Life Insurance	
%	2009	2008	2009	2008	2009	2008	2009	2008
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	**9,4**	7,3	**4,5**	3,7	**8,6**	7,3	**10,0**	10,5
Equities and offshore investments	**12,9**	10,8	**7,7**	7,0	**12,1**	10,8	**13,5**	14,0
Hedged equities	**9,9**	7,8	**7,7**	7,0	**n/a**	n/a	**n/a**	n/a
Property	**10,4**	8,3	**7,7**	7,0	**9,6**	8,3	**11,0**	11,5
Cash	**8,4**	6,3	**4,5**	3,7	**7,6**	6,3	**9,0**	9,5
Return on required capital	**10,3**	8,8	**4,5**	3,7	**9,9**	8,6	**10,1**	10,6
Inflation rate	**6,4**	4,3	**3,8**	2,9	**5,6**	4,3	**7,0**	7,5
Risk discount rate	**11,9**	9,8	**8,2**	7,5	**11,1**	9,8	**13,5**	14,0

	Sanlam Life[(1)]		Merchant Investors		SDM Limited		Botswana Life Insurance	
%	2009	2008	2009	2008	2009	2008	2009	2008
Asset mix for assets supporting required capital								
Equities	**34**	44	**—**	—	**50**	50	**15**	15
Hedged equities	**13**	13	**—**	—	**—**	—	**—**	—
Property	**3**	3	**—**	—	**—**	—	**10**	10
Fixed-interest securities	**15**	25	**—**	—	**—**	—	**25**	25
Cash	**35**	15	**100**	100	**50**	50	**50**	50
	100	100	**100**	100	**100**	100	**100**	100

[(1)] *Excludes subordinated debt liability issued by Sanlam Life, but includes the portfolio of matching assets.*

Capital and risk management report

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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 (GEV), as reported on page 174. 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 GEV.
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. For the other smaller life insurers the Group sets supporting capital levels as a multiple of their respective regulatory capital adequacy requirements.

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 in these operations 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 GEV. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used as input 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's 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 GEV.

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.

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 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 2009, the resilience scenario assumes that:

- Equity values decline by 30,0% (2008: 26,1%*);
- 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%. PGN 104 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.*

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 1,1 times (2008: 1,0 times).

	Sanlam Life		Merchant Investors	
R million	**2009**	**2008**	**2009**	**2008**
Assets				
Fair value of assets	**250 749**	232 466	**20 045**	20 158
Less: Liabilities	**213 713**	198 047	**19 700**	19 759
Actuarial value of policy liabilities	**200 377**	186 234	**18 885**	18 690
Investment contracts	**89 703**	77 815	**15 716**	15 454
Insurance contracts	**110 674**	108 419	**3 169**	3 236
Long-term and current liabilities	**13 336**	11 813	**815**	1 069
Excess of assets over liabilities for financial reporting	**37 036**	34 419	**345**	399
Adjustment for prudential regulatory purposes	**(15 503)**	(15 081)	**(129)**	—
Adjustment for Group undertakings				
Sanlam Investment Management	**(3 796)**	(2 917)	**—**	—
Santam	**(4 188)**	(3 131)	**—**	—
SDM Limited	**(2 534)**	(2 251)	**—**	—
Capital requirements of life insurance subsidiaries, adjusted for minority interests	**(1 889)**	(1 293)	**—**	—
Inadmissible assets	**(210)**	(351)	**(129)**	—
Other	**(2 886)**	(5 138)	**—**	—
Unsecured subordinated bond	**1 965**	2 084	**—**	—
Excess of assets over liabilities for prudential regulatory purposes	**23 498**	21 422	**216**	399
Capital adequacy requirements				
Capital adequacy requirements (CAR) before management actions	**15 200**	14 825	**94**	103
Management actions assumed	**(7 525)**	(6 750)	**—**	—
Reduction in future bonus rates	**(4 165)**	(3 946)	**—**	—
Reduction in non-vested bonuses	**(404)**	—	**—**	—
Capitalisation of portion of expected future profits held as discretionary margins	**(1 037)**	(1 131)	**—**	—
Reduction in grossing up of the assets covering CAR and other	**(1 919)**	(1 673)	**—**	—
CAR after management actions assumed	**7 675**	8 075	**94**	103
Times CAR covered by excess of assets over liabilities for prudential regulatory purposes	**3,1**	2,7	**2,3**	3,9

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
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: A+ (zaf)
Santam Limited	National Insurer Financial Strength: AA+ (zaf)
Subordinated debt issued by Santam Limited	Subordinated debt: 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 2009/2010 and are unchanged from 2008, apart from the subordinated debt issued by Sanlam Life Insurance Limited and Santam Limited. The rating of these instruments were reduced by one notch by Fitch ratings (new ratings are reflected above), in line with its revised methodology and consistent with similar instruments issued by international insurers.

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 40 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.

**During 2009, the Sanlam Life Audit, Actuarial and Risk committee was split, creating a separate Risk and Compliance committee, operating in terms of a new charter.*

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 and plan;
- Sanlam Group Risk Escalation policy;
- Sanlam Group Business Continuity Management policy;
- Definitions of Risk categories standard;
- Risk Appetite guidance note;
- Sanlam Group Risk Appetite Statement;
- Sanlam Risk Management Maturity Model;
- Sanlam Life Risk and Compliance committee charter; 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;
- Representations from Group businesses to the Sanlam and Sanlam Life Audit, Actuarial and Finance committees;
- Sanlam Corporate Credit Risk strategy and policy;
- Sanlam Financial Crime Combating policy;
- Sanlam Human Resources policies;
- Sanlam Group governance structures; and
- Sanlam Life Insurance Audit, Actuarial and Finance committee 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; 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 based on 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 GEV equal to at least 1% above its cost of capital, being equal to the return on 10-year government bonds plus 4%.
- 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 their risks within the Group ERM policy parameters.

Risk Process and Status

The risk assessment 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.

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/or Finance committees.

Independent assurance reviews

During 2009, the Group developed with an external assurance provider, a Risk Management Maturity Model to assess the risk management processes across the Group. Annually, all businesses conduct self-assessments against the Maturity Model. Larger businesses are assessed by an external assurance provider against the Maturity Model at least once every three years. Internal audit conducts assessments on a rolling annual basis and the overall results are presented to the Sanlam Life Risk and Compliance committee.

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 GEV; 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 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 risk: the risk that the value of a financial instrument will fluctuate as a result of changes in equity prices.	
		Interest rate risk: the risk that the value of a financial instrument will fluctuate as a result of changes in interest rates and the risk that a mismatch loss will be incurred in respect of a matched asset/liability position following changes in 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

	Risk category (primary)	Risk type (secondary) and description	Potential significant impact
Financial and business-specific risks *(continued)*	**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.	
		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.	

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 management review.

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 Finance 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 264 and 265 of this Annual Report.

The external auditors provide an independent assessment of certain systems of internal financial control which they may rely on to 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 and that Sanlam will remain a going concern in the foreseeable future. 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 Sanlam Board.

Quarterly reports are submitted by Group Forensic Services to the Sanlam Life Risk and Compliance 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 and Risk committees 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.

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 283 for a description of the different policyholder solutions; as well as to note 15 on page 308, which discloses the monetary value of the Group’s exposure to the various solutions.

	Market risk				Credit risk	Liquidity risk	Insurance risk	
Life insurance businesses exposed to risk via:	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.

✓ Risk applicable to item.

✗ Risk not applicable to item.

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	✓	✓	✓	✗

✓ Risk applicable to item.

✗ Risk not applicable to item.

Linked and market-related business

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 2009, 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;
- 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 portfolio 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 Barclays Capital Global Aggregate Bond Index. This exposure is analysed in the table on page 235:

R million	Euro	United States dollar	British pound	Botswana pula	Other currencies	Total
31 December 2009						
Equities and similar securities	**212**	**1 081**	**221**	**409**	**371**	**2 294**
Public sector stocks and loans	**27**	**22**	**4**	**67**	**48**	**168**
Debentures, insurance policies, preference shares and other loans	**—**	**—**	**—**	**275**	**—**	**275**
Cash, deposits and similar securities	**6**	**436**	**243**	**312**	**17**	**1 014**
Investment properties	**—**	**—**	**—**	**149**	**54**	**203**
Net working capital assets	**6**	**31**	**73**	**271**	**77**	**458**
Total	**251**	**1 570**	**541**	**1 483**	**567**	**4 412**
Exchange rates (rand):						
Closing rate	**10,56**	**7,36**	**11,89**	**1,13**		
Average rate	**11,62**	**8,31**	**13,04**	**1,20**		
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		

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 213 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	✓

✓ *Risk applicable to item.*

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) also performs investment activities in the Group.

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 2009 and 2008 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 2009												
Public sector stocks and loans	**76,9**	**0,3**	**1,8**	**0,4**	**0,3**	**0,1**	**0,3**	**9,4**	**0,1**	**10,4**	**100,0**	**44 763**
Debentures, insurance policies, preference shares and other loans	**8,4**	**8,8**	**29,5**	**10,0**	**7,8**	**4,3**	**3,3**	**7,7**	**1,9**	**18,3**	**100,0**	**26 373**
Cash, deposits and similar securities	**16,0**	**1,8**	**18,5**	**21,4**	**2,5**	**3,3**	**0,5**	**2,1**	**5,4**	**28,5**	**100,0**	**32 012**
Net working capital assets	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**100,0**	**100,0**	**1 144**
Total	**40,0**	**2,9**	**13,9**	**9,3**	**2,9**	**2,1**	**1,1**	**6,6**	**2,2**	**19,0**	**100,0**	**104 292**
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	2 410
Total	40,6	7,6	11,3	5,9	3,4	1,7	1,2	1,6	4,0	22,7	100,0	107 811

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 2009												
Public sector stocks and loans	**41,1**	**—**	**5,6**	**2,2**	**2,7**	**—**	**—**	**3,5**	**1,1**	**43,8**	**100,0**	**1 134**
Debentures, insurance policies, preference shares and other loans	**2,1**	**6,8**	**21,1**	**11,1**	**13,0**	**4,2**	**2,7**	**6,1**	**2,6**	**30,3**	**100,0**	**6 392**
Cash, deposits and similar securities	**28,5**	**2,1**	**16,8**	**19,2**	**2,1**	**3,3**	**1,8**	**4,6**	**6,9**	**14,7**	**100,0**	**5 628**
Net working capital assets	**94,1**	**—**	**2,6**	**0,1**	**—**	**3,9**	**0,2**	**—**	**0,2**	**(1,1)**	**100,0**	**3 315**
Total	**32,3**	**3,4**	**14,9**	**11,1**	**5,9**	**3,5**	**1,7**	**4,2**	**3,5**	**19,5**	**100,0**	**16 469**
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	9,8	6,9	19,4	11,6	5,9	3,7	3,0	—	2,2	37,5	100,0	3 658
Net working capital assets	101,8	0,3	—	—	5,3	—	0,6	—	(2,9)	(5,1)	100,0	2 766
Total	37,6	5,0	14,3	9,1	9,5	2,5	1,5	0,6	2,4	17,5	100,0	13 543

**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.

Maximum exposure to credit risk

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the Statement of financial position, 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

✓ *Risk applicable to item.*
× *Risk not applicable to item.*

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 246.

Years	2009 Assets	2009 Policy liabilities	2008 Assets	2008 Policy liabilities
Sanlam Life	**7,9**	**7,9**	8,6	9,5
Sanlam Developing Markets	**8,4**	**8,0**	5,7	6,7
Weighted average	**7,9**	**7,9**	8,2	9,4

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 2009					
Insurance contracts	**4 260**	**17 091**	**53 593**	**48 830**	**123 774**
Investment contracts	**3 353**	**14 263**	**42 167**	**62 440**	**122 223**
Total policy liabilities	**7 613**	**31 354**	**95 760**	**111 270**	**245 997**
Properties	**6**	**9**	**26**	**13 301**	**13 342**
Equities and similar securities	**187**	**269**	**747**	**127 226**	**128 429**
Public sector stocks and loans	**3 933**	**4 115**	**34 210**	**2 505**	**44 763**
Debentures, insurance policies, preference shares and other loans	**9 567**	**8 825**	**7 108**	**873**	**26 373**
Cash, deposits and similar securities	**24 667**	**4 776**	**1 325**	**1 244**	**32 012**
Deferred acquisition cost	**—**	**—**	**—**	**631**	**631**
Long-term reinsurance assets	**64**	**44**	**387**	**4**	**499**
Net working capital	**1 012**	**—**	**—**	**(1 064)**	**(52)**
Total policyholder assets	**39 436**	**18 038**	**43 803**	**144 720**	**245 997**
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

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 are managed on a corporate level (refer to page 258 for more information).

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	×	×

✓ *Risk applicable to item.*

× *Risk not applicable to item.*

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 Group's operations in the entry-level market segment is not exposed to excessive concentration risk given the nature of business sold in this market, which comprises small value policies to a large number of policyholders. The main concentration risk is assumed by Sanlam Life, which serves the middle-income and high net worth market segments in South Africa and Namibia. The tables below provide an analysis of the 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 for the Group's operations in the middle-income and high net worth markets. In the prior year, the values for the entry-level market segment were included. The 2008 values have been adjusted to only include the middle-income and high net worth markets so as to be comparable to 2009.

Non-participating annuity payable per annum per life insured

R'000	Number of lives 2009	Number of lives 2008	Before reinsurance 2009 %	Before reinsurance 2008 %	After reinsurance 2009 %	After reinsurance 2008 %
0 – 20	**213 491**	214 261	**48**	48	**48**	48
20 – 40	**16 091**	16 103	**18**	19	**18**	19
40 – 60	**4 947**	4 837	**10**	10	**10**	10
60 – 80	**2 181**	2 131	**6**	6	**6**	6
80 – 100	**1 124**	1 066	**4**	4	**4**	4
>100	**1 908**	1 728	**14**	13	**14**	13
	239 742	240 126	**100**	100	**100**	100

Value of benefits insured: non-participating life business

Benefits insured per individual life R'000	Number of lives 2009	Number of lives 2008	Before reinsurance 2009 %	Before reinsurance 2008 %	After reinsurance 2009 %	After reinsurance 2008 %
0 – 500	**1 306 645**	1 435 434	**30**	34	**34**	37
500 – 1 000	**164 216**	159 932	**20**	21	**20**	21
1 000 – 5 000	**122 478**	107 427	**38**	36	**38**	35
5 000 – 8 000	**5 371**	4 219	**6**	5	**5**	4
>8 000	**2 863**	2 059	**6**	4	**3**	3
	1 601 573	1 709 071	**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	2009	2008
South Africa	**208 145**	193 565
Africa	**18 968**	17 013
Other International	**18 884**	18 690
Total policy liabilities	**245 997**	229 268

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 may subsequently be 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 2009 is shown below:

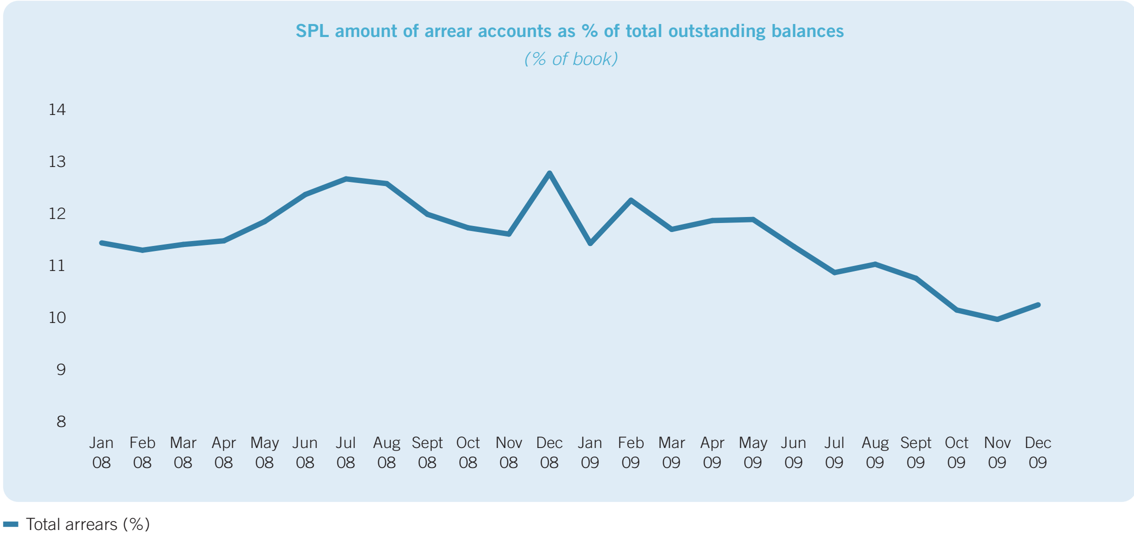
	2009			2008		
R million	Non-securitised loans	Securitisation vehicle	Total	Non-securitised loans	Securitisation vehicle	Total
Sanlam Personal Loans						
Gross balance	1 495	—	1 495	342	1 231	1 573
Provisions	(100)	—	(100)	(45)	(42)	(87)
Net balance	1 395	—	1 395	297	1 189	1 486
Sanlam Home Loans						
Gross balance	800	3 953	4 753	671	3 946	4 617
Provisions	(36)	(22)	(58)	(11)	(14)	(25)
Net balance	764	3 931	4 695	660	3 932	4 592

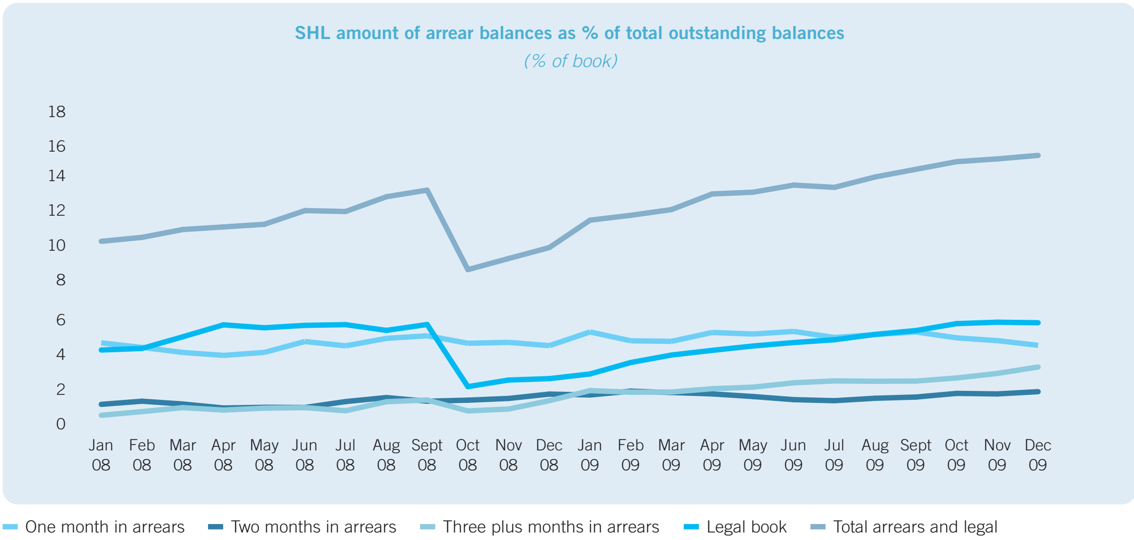
The main risk emanating from the retail credit operations is credit risk. The Group's maximum exposure to credit risk comprises the following:

- As SPL and SHL are joint ventures that have been equity-accounted based on Sanlam's percentage interest in their net asset value, the Group is exposed to credit risk to the value of these investments, which is disclosed in note 7 on pages 298 and 299.
- The Group's life insurance operations have also provided financing to SPL and SHL as indicated above. 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 companies' policy to subject their potential customers to credit verification procedures. In addition, balances of advances are monitored on an ongoing basis. Collections strategies are in place to mitigate credit risk and all accounts in arrear are given due priority.

The tables below show the outstanding balance of arrear accounts as a percentage of the total book.





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 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 and loans extended as part of its debt finance and equity structuring activities. Collateral is placed or received for transactions entered into by SCM, including (but not limited to) securities lending and derivative exposures.

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 relating to SCM's business);
- 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 R0,4 million (2008: R0,1 million).

Incremental change in price:	**Maximum net loss (R million)**	
	31 Dec 2009	**31 Dec 2008**
-5% to 5%	**0,4**	0,1
-10% to 10%	**0,0**	0,0
-15% to 15%	**0,0**	0,0
-50% to 20%	**0,4**	0,1

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 market exposure that was calculated at 31 December for these tests was as follows:

Incremental change in yield:	**Maximum net loss (R million)**	
	31 Dec 2009	**31 Dec 2008**
10% to -10%	**(15)**	(3)
20% to -20%	**(17)**	(7)
50% to -20%	**(17)**	(7)

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.

At the end of the financial year, SCM's maximum unexpected loss (credit risk capital) was R89,3 million (2008: R183 million) based on a 21-day average of the daily economic capital amounts.

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 predefined 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.

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 partially 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 -R37 million (2008: -R71,9 million).

	31 December 2009			31 December 2008		
R million	**Assets**	**Funding**	**Total**	**Assets**	**Funding**	**Total**
Current value	**7 748,0**	**(4 263,0)**	**3 485,0**	11 924,4	(10 546,1)	1 378,3
Stress results 1 (1 notch)	**(71,0)**	**34,0**	**(37,0)**	(152,6)	80,7	(71,9)
Stress results 2 (2 notch)	**(138,0)**	**76,0**	**(62,0)**	(240,9)	130,3	(110,6)
Stress results 3 (3 notch)	**(213,0)**	**115,0**	**(98,0)**	(343,4)	196,6	(146,8)

Maximum exposure to credit risk

SCM's maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, 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 and add-ons to exposures 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 49% (2008: 52%) of total credit risk capital, but only 15% (2008: 28%) of the total exposure. SCM is therefore not exposed to significant concentration risk.

3. Liquidity risk

The maximum available facilities of R7 billion significantly exceed the amount utilised of R5,1 billion (2008: R309 million), indicating widely available unutilised funding sources. 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 R844 million. 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 2009 and 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 an established enterprise risk management framework that is designed to identify, assess, measure and manage exposure to risk. Its primary objective is to protect the Group from events that hinder the sustainable achievement of the Group's 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. Santam is not exposed to commodity price risk.

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.

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.

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 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 2009, Santam had an interest rate swap agreement to partially mitigate the effects of potential adverse interest rate movements on financial assets underlying the unsecured subordinated callable notes.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest-bearing.

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 balances, but evaluates the need for cover on transactions on a case-by-case basis.

The following assets and liabilities denominated in foreign currencies are included in the statement of financial position (including non-current assets classified as held for sale in 2008):

R million	Euro	United States dollar	British pound	Total
31 December 2009				
Equities and similar securities	**—**	**—**	**—**	**—**
Debentures, insurance policies, public sector stocks and other loans	**—**	**—**	**—**	**—**
Cash, deposits and similar securities	**1**	**347**	**77**	**425**
Net other liabilities	**(7)**	**(48)**	**—**	**(55)**
Net working capital	**—**	**66**	**(149)**	**(83)**
Foreign currency exposure	**(6)**	**365**	**(72)**	**287**
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

Capital and risk management report continued

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 the Group is exposed to credit risk are:

- Financial assets and cash 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.

The following table provides information regarding the aggregated credit risk exposure for financial assets with external credit ratings:

R million	Credit rating									Carrying value in statement of financial position
	AAA	**AA+**	**AA**	**AA-**	**A+**	**A**	**A-**	**BBB**	**Not rated**	
31 December 2009										
Debt securities – listed	**933**	**29**	**448**	**359**	**215**	**372**	**—**	**25**	**15**	**2 396**
Debt securities – unlisted	**—**	**—**	**—**	**587**	**78**	**—**	**—**	**—**	**86**	**751**
Receivables due from contract holders/ intermediaries	**12**	**—**	**24**	**—**	**14**	**—**	**—**	**9**	**1 326**	**1 385**
Reinsurance receivables	**7**	**63**	**1**	**28**	**24**	**11**	**33**	**116**	**163**	**446**
Other loans and receivables	**23**	**—**	**17**	**16**	**7**	**5**	**—**	**16**	**347**	**431**
Cash and other short-term interest-bearing instruments	**2 351**	**91**	**1 877**	**1 170**	**306**	**38**	**—**	**14**	**86**	**5 933**
31 December 2008										
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

The carrying amount of assets included in the statement of financial position represents the maximum credit exposure.

Unrated receivables that are due from contract holders and intermediaries emanating from the southern African business amounted to R1,3 billion (2008: R1,3 billion). Santam is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries to the value of R737 million (2008: R669 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 R93 million (2008: R166 million) relate to reinsurance brokers for the Group. The reinsurance receivable balances, disclosed as not-rated on a group level, relate to cell owners (R78 million) and 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, other than reinsurance debtors, 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 reserving.

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	2009	2008	2007	2006	2005	2004	2003
Claims paid and provided %*	**70,6**	68,4	68,2	68,6	65,3	57,0	64,8

**Expressed as a percentage of net earned premiums.*

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	2009	2008	2007	2006	2005	2004 and prior
Actual claims costs:							
– 2009	10 016	**7 702**	1 959	197	92	28	38
– 2008	8 996	—	7 181	1 547	156	47	65
– 2007	7 971	—	—	6 219	1 385	132	235
– 2006	6 988	—	—	—	5 521	1 062	405
– 2005	5 955	—	—	—	—	4 711	1 244
– 2004	4 797	—	—	—	—	—	4 797
– 2003	5 076	—	—	—	—	—	5 076
– 2002	4 832	—	—	—	—	—	4 832
Cumulative payments to date	54 631	**7 702**	9 140	7 963	7 154	5 980	16 692

Payment development

Conventional short-term insurance claims – net

		Claims paid in respect of					
Reporting year *R million*	Total	2009	2008	2007	2006	2005	2004 and prior
Actual claims costs:							
– 2009	8 805	**6 928**	1 651	131	41	19	35
– 2008	7 727	—	6 172	1 381	93	31	50
– 2007	6 672	—	—	5 292	1 197	99	84
– 2006	6 020	—	—	—	4 924	909	187
– 2005	5 185	—	—	—	—	4 223	962
– 2004	4 064	—	—	—	—	—	4 064
– 2003	4 194	—	—	—	—	—	4 194
– 2002	3 754	—	—	—	—	—	3 754
Cumulative payments to date	46 421	**6 928**	7 823	6 804	6 255	5 281	13 330

Reporting development

Short-term insurance claims provision – gross

Reporting year *R million*	Total	2009	2008	2007	2006	2005	2004 and prior
		Financial year during which claim occurred					
Provision raised:							
– 2009	4 288	**2 617**	712	401	281	174	103
– 2008	4 075	—	2 579	630	356	260	250
– 2007	3 774	—	—	2 804	405	202	363
– 2006	3 922	—	—	—	2 929	375	618
– 2005	3 187	—	—	—	—	2 340	847
– 2004	2 436	—	—	—	—	—	2 436
– 2003	2 303	—	—	—	—	—	2 303
– 2002	1 747	—	—	—	—	—	1 747
Cumulative provisions to date	25 732	**2 617**	3 291	3 835	3 971	3 351	8 667

Reporting development

Short-term insurance claims provision – net

Reporting year *R million*	Total	2009	2008	2007	2006	2005	2004 and prior
		Financial year during which claim occurred					
Provision raised:							
– 2009	2 952	**1 861**	435	280	200	103	73
– 2008	2 699	—	1 805	403	195	145	151
– 2007	2 444	—	—	1 807	268	134	235
– 2006	2 484	—	—	—	1 916	214	354
– 2005	1 909	—	—	—	—	1 453	456
– 2004	1 056	—	—	—	—	—	1 056
– 2003	1 104	—	—	—	—	—	1 104
– 2002	768	—	—	—	—	—	768
Cumulative provisions to date	15 416	**1 861**	2 240	2 490	2 579	2 049	4 197

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 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 programme 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 1,6% (2008: 1,8%) 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. R6 billion (2008: 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 2009					
Term finance liabilities	**(1 263)**	**(2 310)**	**—**	**—**	**(3 573)**
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	**(1 211)**	**(2 130)**	**—**	**—**	**(3 341)**
Add: Preference shares issued to subsidiaries and eliminated on consolidation	**(52)**	**(180)**	**—**	**—**	**(232)**
Assets held in respect of term finance	**1 508**	**1 293**	**365**	**407**	**3 573**
Equities and similar securities	**—**	**—**	**—**	**—**	**—**
Public sector stocks and loans	**3**	**5**	**—**	**—**	**8**
Debentures, insurance policies, preference shares and other loans	**951**	**1 062**	**365**	**407**	**2 785**
Cash, deposits and similar securities	**610**	**10**	**—**	**—**	**620**
Working capital assets and liabilities	**(56)**	**216**	**—**	**—**	**160**
Net term finance liquidity position	**245**	**(1 017)**	**365**	**407**	**—**

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	—

The unsecured subordinated bonds issued by Sanlam Life, 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 2009				
Term finance liabilities	**—**	**—**	**(1 894)**	**(1 894)**
Assets held in respect of term finance	**(230)**	**1 126**	**998**	**1 894**
Public sector stocks and loans	**(6)**	**114**	**235**	**343**
Debentures, insurance policies, preference shares and other loans	**39**	**692**	**763**	**1 494**
Cash, deposits and similar securities	**(184)**	**342**	**—**	**158**
Working capital assets and liabilities	**(79)**	**(22)**	**—**	**(101)**
Net term finance liquidity position	**(230)**	**1 126**	**(896)**	**—**
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)	—

2. Sensitivity analysis – market risk

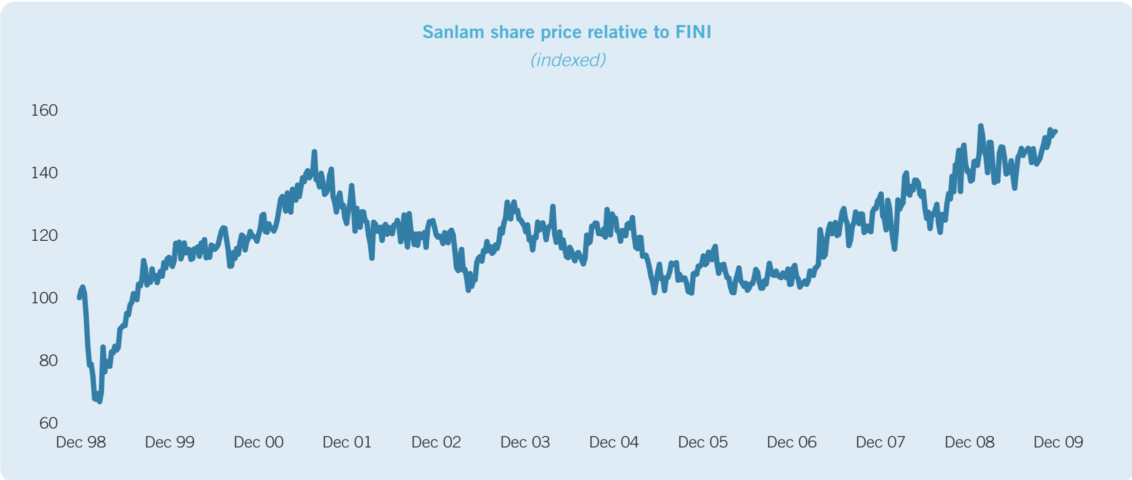
Refer to page 179 for an analysis of the Group's exposure to market risk as measured by GEV.

Stock exchange performance

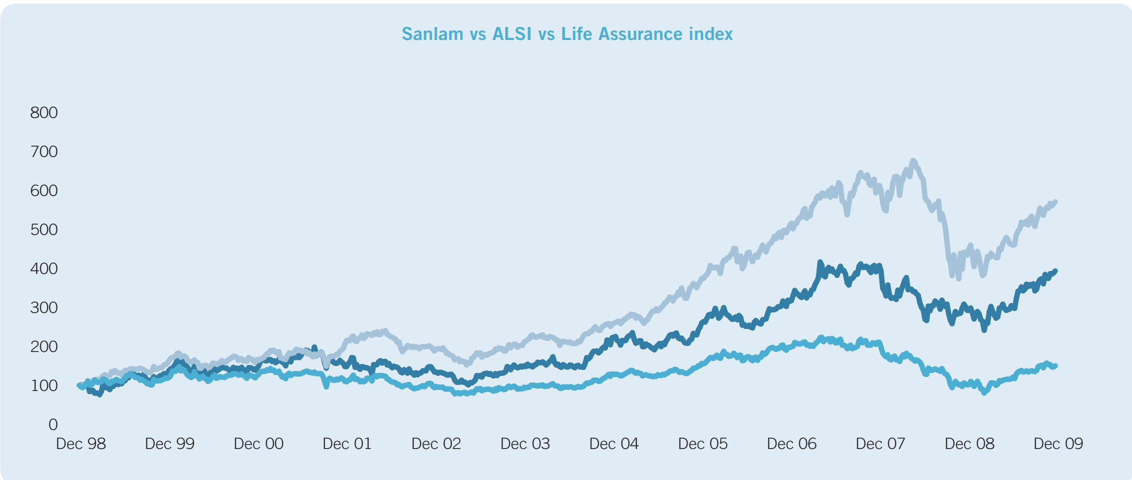
		2009	2008	2007	2006	2005
Number of shares traded	million	**1 259**	1 490	1 474	1 482	2 142
Value of shares traded	R million	**23 174**	27 175	32 300	23 774	26 762
Percentage of issued shares traded	%	**58**	66	64	63	79
Price/earnings ratio	times	**10,4**	12,9	10,3	6,0	6,6
Return on Sanlam share price since listing[2]	%	**17**	14	19	17	16
Market price	cps					
– Year-end closing price		**2 275**	1 700	2 275	1 830	1 519
– Highest closing price		**2 305**	2 330	2 412	1 901	1 540
– Lowest closing price		**1 351**	1 390	1 803	1 300	1 080
Market capitalisation at year-end	R million	**49 140**	37 232	52 407	42 156	36 587

[1] *Sanlam Limited was listed on 30 November 1998.*

[2] *Annualised growth in the Sanlam share price since listing plus dividends paid.*



Sanlam share price relative to FINI (indexed)



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Sanlam 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, Actuarial and Finance committee has satisfied itself that the external auditors were independent of the company during the period under review.

The Audit, Actuarial and Finance 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, Actuarial and Finance 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 266 to 336, including the disclosure in the Capital and Risk Management Report on pages 218 to 258, the shareholder spread on page 344 and the Shareholders' Information on pages 163 to 215 were approved by the board and signed on its behalf by:

Roy Andersen	Johan van Zyl	Kobus Möller
Chairman	*Group Chief Executive*	*Financial Director*

10 March 2010

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 2009, 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

10 March 2010

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 Statement of Financial Position as at 31 December 2009, the Statement of Comprehensive Income, 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 266 to 336 and the shareholder spread on page 344.

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 2009, 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
10 March 2010

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 163 to 215 for the year ended 31 December 2009, which comprises the Report on Group Equity Value, Report on Shareholders' Fund 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 163 to 173. 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 267 to 287.

Directors' responsibility for the Shareholders' Information

The company's directors are responsible for the annual financial statements, as described on page 263, 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.

Auditors' 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 163 to 173.

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 judgment, 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 163 to 173 of the Sanlam Limited Shareholders' Information Report.

Ernst & Young Inc.
Director: MP Rapson
Registered Auditor

Cape Town
10 March 2010

Directors' report

for the year ended 31 December 2009

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 increased from R2 494 million in 2008 to R4 397 million in 2009, mainly due to the recovery in global investment markets during 2009, which resulted in a significant improvement in investment return earned on the Group's capital portfolio. 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 and JSE Listing Requirements, 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 Shareholder's fund income statement on page 184.

Share capital

A total of 30,1 million ordinary shares were cancelled during the year, thereby reducing the issued ordinary share capital of the company to 2 160 million shares. Refer to page 305 for further information.

Dividend

The Board has declared a cash dividend of 104 cents per share (2008: 98 cents), payable on Wednesday, 5 May 2010, to shareholders registered on 23 April 2010. 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 336.

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 affects the financial position of the Sanlam Limited Group at 31 December 2009 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 2009 financial year:

- IAS 1 Revised Presentation of Financial Statements
- IAS 1 Amended Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- IAS 32 Amended Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRS 2 Amended Share-based Payment – Vesting Conditions and Cancellations
- The May 2008 Improvements to IFRS
- Amendments to IFRIC 9 – Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
- Amendment to IFRS 7 Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments
- AC 503: Amendment to AC 503 – Accounting for Black Economic Empowerment (BEE) Transactions

The following presentational changes were introduced upon adoption of the revised IAS 1:

- The Group income statement has been replaced with a Group statement of comprehensive income, presenting all items of recognised income and expense in one statement;
- The Group statement of changes in equity only includes details of transactions with owners – non-owner changes in equity are presented in a single line; and
- The Group balance sheet has been renamed to a Group statement of financial position.

The application of these standards and interpretations did not have a significant impact on the Group's financial position, reported results and cash flows.

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

- IAS 27 Amended Consolidated and Separate Financial Statements (effective 1 July 2009)
- IAS 39 Amended Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)
- IFRS 3 Revised Business Combinations (effective 1 July 2009)
- IFRS 5 Amended Non-current Assets Held for Sale and Discontinued Operations (effective 1 July 2009)
- IFRIC 17 Distribution of Non-cash Assets to Owners (effective 1 July 2009)
- The April 2009 Improvements to IFRS (mostly effective 1 January 2010)
- Amendments to IFRS 2: Group Cash-settled Share-based Payment Transactions (effective 1 January 2010)
- Amendment to IAS 32 – Classification of Rights Issues (effective 1 February 2010)
- IAS 24 revised – Related Party Disclosures (effective 1 January 2011)
- AC 504: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in a South African Pension Fund Environment (effective 1 April 2009)
- IFRS 9 Financial Instruments (effective 1 January 2013)
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement (1 January 2011)

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

Basis of presentation and accounting policies continued

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 337.

The following sections provide additional information in respect of the presentation of selected items in the Group financial statements on pages 288 to 336.

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 statement of financial position and statement of comprehensive income, 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;
- 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 statement of financial position date, the actual outcome may differ from these estimates, possibly significantly. Refer to note 31 for further information on critical estimates and judgements and note 34 for information on contingencies.

Policyholders' and shareholders' activities

The Group financial statements set out on pages 288 to 336 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 163 to 215.

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 283 to 287.

Insurance contracts

The disclosure of claims experience in claims development tables is based on the period when the earliest material claims arose for which there is still uncertainty about the amount and timing of the claims payments.

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 shareholders' fund investment portfolios, which are disclosed as investments in the Group statement of financial position; 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 218 to 258;
- Note 7: Investments;
- Note 15: Long-term policy liabilities;
- Note 16: Term finance; and
- Note 31: Critical accounting estimates and judgements.

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.

The audited segmental information is disclosed in the shareholders' fund information on pages 180 to 209. Refer to the business reviews on pages 98 to 139 for additional information on these business segments and to the Group structure on page 2 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 statement of comprehensive income.

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.

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 statement of comprehensive income. 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. The assets relating to the cell captives are under the control of the insurer and are therefore reflected as part of the financial assets at fair value through income or cash and cash equivalents, depending on the nature of the assets.

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 statement of financial position 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 statement of comprehensive income when incurred. 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 statement of comprehensive income.

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 statement of financial position 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 tested bi-annually for impairment. 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 other comprehensive income 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 statement of comprehensive income.

Goodwill

Goodwill arises on the acquisition of a subsidiary company or the acquisition of a business. It represents the excess of the cost of an acquisition over the Group's share of the fair value of the net identifiable assets of the subsidiary or business at the date of acquisition. Goodwill is not amortised. 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 also arises when an interest in an existing subsidiary is increased. The difference between the cost of the acquisition and the minority interest acquired is accounted for as goodwill. When an interest in an existing subsidiary is decreased without a loss of control, the difference between the proceeds received and the share of the net assets disposed of, including an appropriate portion of the related goodwill, is accounted for as a gain or loss on disposal of subsidiaries.

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 statement of comprehensive income 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.

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. Where impairment events subsequently reverse, impairments are reversed up to a maximum of what the depreciated cost would have been. 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

Acquired intangible assets are recognised at cost on acquisition date. Subsequent to initial recognition, these 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 statement of financial position date and adjusted, as appropriate. Other intangible assets are tested for impairment on a bi-annual basis and written down for impairment where this is considered necessary.

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.

No value is attributed to internally developed brands or similar rights. Costs incurred on these items are charged to the statement of comprehensive income in the period in which they are incurred.

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. DACs are amortised to the statement of comprehensive income over the term of the contracts as the related services are rendered and 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 statement of comprehensive income.

Financial instruments

Financial instruments carried on the statement of financial position 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 counterparties 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income. 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 statement of comprehensive income, 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 statement of comprehensive income as investment surpluses.

Basis of presentation and accounting policies continued

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 are carried at fair value based on valuations by internally employed valuators, 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 values are determined by discounting expected future cash flows at appropriate market interest rates. Valuations are carried out monthly. Changes in the fair value of investment properties are recognised in the statement of comprehensive income as investment surpluses.

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 statement of comprehensive income 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.

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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.

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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income.

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 statement of comprehensive income 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 statement of financial position 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 statement of comprehensive income 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 statement of comprehensive income.

Consolidation reserve

A consolidation reserve is created for differences in the valuation bases of long-term policy liabilities and 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 which are accounted for as noted below for IFRS purposes, while for purposes of valuing the related policy liabilities these same investments are valued at fair value:

- 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 is considered to be revenue for IFRS purposes and 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. 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 statement of financial position.

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 to Financial services income policy note for presentation of gains and losses on capital market investments) and dividend and interest income. These surpluses are recognised in the statement of comprehensive income 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. Cover only commences when premiums are received.

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 statement of comprehensive income 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 to policy statement for DAC asset).

Acquisition cost for short-term insurance business is deferred over the period in which the related premiums are earned.

Sales remuneration recognised in the statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income. 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 statement of comprehensive income 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 statement of financial position 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 statement of comprehensive income 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

Statement of comprehensive income 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 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 statement of comprehensive income.

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 statement of comprehensive income in the year in which they are incurred. A valuation in accordance with IAS 19 Employee Benefits is performed on the statement of financial position 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 statement of comprehensive income 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.

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 statement of comprehensive income 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 statement of comprehensive income. 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 statement of financial position 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 statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

Equity-based staff incentive schemes

The following staff long-term incentive schemes have been implemented in the Group and have unvested conditions at 31 December 2009:

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 vest 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 statement of comprehensive income over the vesting period, based on the expected amount to vest at the pre-determined dates.

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 statement of comprehensive income 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 statement of comprehensive income 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 occurs on pre-determined dates subject to certain performance targets being met.

The fair value of the equity instruments granted on the date of grant is recognised in the statement of comprehensive income on a straight-line basis over the vesting period.

Dividends

Dividends proposed or declared after the statement of financial position date are not recognised at the statement of financial position 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 2009 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 and the changes to determine the prudential regulatory results in terms of the requirements of the Long-term Insurance Act of 1998 as amended (LTIA), are presented at the end of this section.

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 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 2009 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 8 on page 215 for investment return assumptions per asset class.
- Unit expenses are based on the 2009 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 other pandemics 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 do 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.

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.

Basis of presentation and accounting policies continued

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, amongst 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.

Channel Life's Valuation Basis for other non-participating business allows for the creation of negative reserves to the extent that no profit or loss is recognised at inception of the related policy contracts.

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 (42% 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.

Guaranteed 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 Statement of Financial Position

at 31 December 2009

R million	Note	2009	2008
Assets			
Property and equipment	1	**375**	382
Owner-occupied properties	2	**652**	652
Goodwill	3	**2 810**	2 623
Other intangible assets		**45**	—
Value of business acquired	4	**1 210**	1 309
Deferred acquisition costs	5	**2 140**	1 970
Long-term reinsurance assets	6	**499**	506
Investments	7	**288 278**	268 530
Properties	7.1	**15 757**	15 981
Investment properties		**15 043**	15 190
Straight-line rental adjustment		**714**	791
Equity-accounted investments	7.2	**1 964**	1 317
Equities and similar securities	7.3	**141 570**	120 284
Public sector stocks and loans	7.4	**50 803**	50 531
Debentures, insurance policies, preference shares and other loans	7.4	**34 792**	35 309
Cash, deposits and similar securities	7.4	**43 392**	45 108
Deferred tax	8	**515**	712
Short-term insurance technical assets	9	**2 064**	2 250
Working capital assets		**36 241**	38 974
Trade and other receivables	10	**24 261**	28 908
Cash, deposits and similar securities		**11 980**	10 066
Total assets		**334 829**	317 908
Equity and liabilities			
Capital and reserves			
Share capital and premium	11	**23**	23
Treasury shares		**(3 200)**	(4 142)
Other reserves	12	**9 081**	9 312
Retained earnings		**24 140**	22 458
Shareholders' fund		**30 044**	27 651
Minority shareholders' interest	14	**2 628**	2 596
Total equity		**32 672**	30 247
Long-term policy liabilities	15	**245 997**	229 268
Insurance contracts		**123 774**	120 879
Investment contracts		**122 223**	108 389
Term finance	16	**6 916**	6 763
Margin business		**3 341**	2 830
Other interest-bearing liabilities		**3 575**	3 933
External investors in consolidated funds		**10 534**	9 822
Cell owners' interest		**535**	447
Deferred tax	8	**763**	440
Short-term insurance technical provisions	9	**8 304**	8 229
Working capital liabilities		**29 108**	32 692
Trade and other payables	17	**25 842**	29 325
Provisions	18	**1 396**	1 453
Taxation		**1 870**	1 914
Total equity and liabilities		**334 829**	317 908

Sanlam Group Statement of Comprehensive Income

for the year ended 31 December 2009

R million	Note	2009	2008
Net income		**60 671**	19 700
Financial services income	19	**30 968**	28 578
Reinsurance premiums paid	20	**(2 848)**	(2 990)
Reinsurance commission received	21	**258**	401
Investment income	22	**15 997**	17 044
Investment surpluses	22	**17 380**	(24 672)
Finance cost – margin business	26	**(246)**	(244)
Change in fair value of external investors' liability		**(838)**	1 583
Net insurance and investment contract benefits and claims		**(41 063)**	(4 352)
Long-term insurance contract benefits	23	**(17 084)**	(5 870)
Long-term investment contract benefits	23	**(15 763)**	8 932
Short-term insurance claims		**(9 800)**	(9 189)
Reinsurance claims received	21	**1 584**	1 775
Expenses		**(11 576)**	(11 134)
Sales remuneration		**(4 438)**	(4 189)
Administration costs	24	**(7 138)**	(6 945)
Impairments	39	**(79)**	(247)
Amortisation of value of business acquired	4	**(84)**	(77)
Net operating result		**7 869**	3 890
Equity-accounted earnings	25	**104**	34
Finance cost – other	26	**(363)**	(391)
Profit before tax		**7 610**	3 533
Taxation	27	**(2 529)**	(621)
Shareholders' fund		**(1 759)**	(428)
Policyholders' fund		**(770)**	(193)
Profit from continuing operations		**5 081**	2 912
Discontinued operations	38	**—**	25
Profit for the year		**5 081**	2 937
Other comprehensive income			
Movement in foreign currency translation reserve		**(454)**	154
Comprehensive income for the year		**4 627**	3 091
Allocation of comprehensive income:			
Profit for the year		**5 081**	2 937
Shareholders' fund		**4 397**	2 494
Minority shareholders' interest		**684**	443
Comprehensive income for the year		**4 627**	3 091
Shareholders' fund		**4 088**	2 554
Minority shareholders' interest		**539**	537
Earnings attributable to shareholders of the company (cents):			
Profit for the year:			
Basic earnings per share	28	**222,5**	125,0
Diluted earnings per share	28	**216,8**	122,0
Earnings attributable to shareholders of the company from continuing operations (cents):			
Profit for the year:			
Basic earnings per share	28	**222,5**	126,1
Diluted earnings per share	28	**216,8**	123,1

Sanlam Group Statement of Changes in Equity

for the year ended 31 December 2009

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve
Balance at 1 January 2008	24	931	(3 959)	9 654	88
Comprehensive income	—	—	—	—	60
Profit for the year	—	—	—	—	—
Other comprehensive income: movement in foreign currency translation reserve	—	—	—	—	60
Net movement in treasury shares	—	—	(183)	—	—
Net realised investment surpluses 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 to discontinued operations reserve and other	—	—	—	—	40
Shares cancelled	(2)	(930)	—	—	—
Balance at 31 December 2008	22	1	(4 142)	9 663	188
Comprehensive income	—	—	—	—	(309)
Profit for the year	—	—	—	—	—
Other comprehensive income: movement in foreign currency translation reserve	—	—	—	—	(309)
Net movement in treasury shares	—	—	942	—	—
Net realised investment surpluses on treasury shares	—	—	—	—	—
Cost of net treasury shares (acquired)/disposed(2)	—	—	942	—	—
Share-based payments	—	—	—	—	—
Transfer to non-distributable reserve	—	—	—	42	—
Transfer (from)/to consolidation reserve	—	—	—	—	—
Dividends paid(1)	—	—	—	—	—
Acquisitions, disposals and other movements in minority interests	—	—	—	—	—
Shares cancelled	—	—	—	—	—
Balance at 31 December 2009	**22**	**1**	**(3 200)**	**9 705**	**(121)**

(1) *Dividend of 98 cents per share declared during 2009 (2008: 93 cents per share) in respect of the 2008 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
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
—	4 397	4 088	—	4 088	539	4 627
—	4 397	4 397	—	4 397	684	5 081
—	—	(309)	—	(309)	(145)	(454)
—	(274)	668	67	735	(14)	721
—	(274)	(274)	—	(274)	(23)	(297)
—	—	942	67	1 009	9	1 018
—	139	139	—	139	28	167
—	(42)	—	—	—	—	—
—	31	31	(31)	—	—	—
—	(1 954)	(1 954)	—	(1 954)	(419)	(2 373)
—	—	—	—	—	(102)	(102)
—	(615)	(615)	—	(615)	—	(615)
—	**24 140**	**30 547**	**(503)**	**30 044**	**2 628**	**32 672**

Sanlam Group Cash Flow Statement

for the year ended 31 December 2009

R million	Note	2009	2008
Cash flow from operating activities		**3 993**	6 810
Cash utilised in operations	36.1	**(6 275)**	(3 135)
Interest and preference share dividends received		**11 030**	10 511
Interest paid		**(609)**	(635)
Dividends received		**4 201**	4 971
Dividends paid		**(2 295)**	(2 260)
Taxation paid		**(2 059)**	(2 642)
Cash flow from investment activities		**(4 288)**	(404)
Net (acquisition)/disposal of investments		**(3 982)**	416
Acquisition of subsidiaries	36.2	**(354)**	(780)
Disposal of subsidiaries and associated companies	36.3	**48**	(40)
Cash flow from financing activities		**519**	(2 570)
Movement in treasury shares		**106**	(2 512)
Term finance raised		**604**	355
Term finance repaid		**(191)**	(413)
Net increase in cash and cash equivalents		**224**	3 836
Cash, deposits and similar securities at beginning of the year		**55 145**	51 309
Cash, deposits and similar securities at end of the year	36.4	**55 369**	55 145
Cash flows relating to discontinued operations			
Included in the above are the following cash flows from discontinued operations:			
Operating cash flows		**—**	(410)
Investment cash flows		**—**	(401)
Financing cash flows		**—**	(1)
Net increase in cash and cash equivalents		**—**	(812)
Cash, deposits and similar securities at beginning of the year		**—**	812
Cash, deposits and similar securities at end of the year		**—**	—

Notes to the Group Financial Statements

for the year ended 31 December 2009

R million	2009	2008
1. Property and equipment		
Computer equipment	**214**	215
Cost	**785**	674
Accumulated depreciation and impairment	**(571)**	(459)
Furniture, equipment, vehicles and other	**161**	167
Cost	**488**	464
Accumulated depreciation and impairment	**(327)**	(297)
Total property and equipment	**375**	382
Reconciliation of carrying amount		
Balance at beginning of the year	**382**	298
Additions and expenditure capitalised	**178**	276
Disposals	**(9)**	(21)
Acquired through business combinations	**12**	9
Disposal of subsidiaries	**(13)**	(1)
Depreciation	**(172)**	(183)
Foreign currency translation differences	**(3)**	4
Balance at end of the year	**375**	382
2. Owner-occupied properties		
Balance at beginning of the year	**652**	650
Additions and expenditure capitalised	**—**	2
Balance at end of the year	**652**	652

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.

R million	2009	2008
3. Goodwill		
Balance at beginning of the year	**2 623**	2 447
Gross carrying amount	**2 651**	2 475
Accumulated impairment	**(28)**	(28)
Additions during the year	**185**	178
Net consideration paid	**354**	815
Fair value of net assets acquired	**(11)**	(564)
Minority shareholders' interest	**(158)**	(73)
Acquired through business combinations	**4**	—
Foreign currency translation differences	**(2)**	(2)
Balance at end of the year	**2 810**	2 623
Gross carrying amount	**2 838**	2 651
Accumulated impairment	**(28)**	(28)
Allocation of goodwill		
Life insurance	**500**	482
Merchant Investors	**356**	356
Sanlam Developing Markets	**24**	23
Channel Life	**96**	79
Other	**24**	24
Other Sanlam businesses	**2 310**	2 141
Sanlam UK (excluding Merchant Investors)	**35**	23
Sanlam Investment Management	**159**	102
International: Investment Management	**134**	60
Glacier	**91**	91
Sanlam Netherlands Holding	**49**	49
Santam	**601**	596
Other	**43**	22
Goodwill held on Group level	**1 198**	1 198
Balance at end of the year	**2 810**	2 623

The additions to goodwill during 2009 arose primarily from the acquisition of an additional interest in Octane Holdings Limited, and in 2008 from the acquisition of Principal Holdings Limited and the acquisition of an additional interest in Santam.

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 174 for an analysis of Group Equity Value.

R million	2009	2008
4. Value of business acquired		
Balance at beginning of the year	**1 309**	1 000
Additions during the year	**15**	553
Acquired through business combinations	**8**	21
Foreign currency translation differences	**(37)**	(87)
Amortisation	**(84)**	(77)
Impairments	**(1)**	(101)
Balance at end of the year	**1 210**	1 309
Gross carrying amount	**1 570**	1 584
Accumulated amortisation and impairment	**(360)**	(275)
Allocation of value of business acquired		
Principal and Buckles	**294**	340
Sanlam Developing Markets	**818**	860
Other	**98**	109
Balance at end of the year	**1 210**	1 309

The additions to value of business acquired in 2008 relates primarily to the acquisition of Principal Holdings Limited and Buckles Holdings Limited.

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 174 for an analysis of Group Equity Value. Refer to note 39 for impairments of value of business acquired recognised during the year.

R million	2009	2008
5. Deferred acquisition costs		
Balance at beginning of the year	**1 970**	1 693
Credited to statement of comprehensive income	**170**	277
Acquisition costs capitalised	**433**	530
Expensed for the year	**(263)**	(253)
Balance at end of the year	**2 140**	1 970
6. Long-term reinsurance assets		
Balance at beginning of the year	**506**	487
Movement in reinsurers' share of insurance liabilities	**(7)**	19
Balance at end of the year	**499**	506
Maturity analysis of long-term reinsurance assets		
Due within one year	**8**	13
Due within two to five years	**51**	49
Due after more than five years	**440**	444
Total long-term reinsurance assets	**499**	506

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).

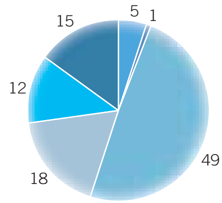
Notes to the Group Financial Statements continued

for the year ended 31 December 2009

7. Investments

Total investment mix 2009

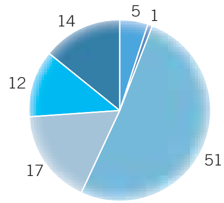
(%)



- 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 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

R million	**2009**	**2008**
7.1 Properties		
Properties comprise:		
Office buildings	**3 814**	3 993
Retail buildings	**4 003**	4 364
Industrial buildings	**568**	634
Undeveloped land	**46**	51
International properties (situated outside South Africa, including listed properties)	**2 134**	2 922
Listed property companies and property collective investment schemes	**4 871**	3 693
Other	**321**	324
Total properties	**15 757**	15 981
Less: Straight-line rental adjustment	**(714)**	(791)
Total investment properties	**15 043**	15 190
Reconciliation of carrying amount of properties		
Fixed properties – balance at beginning of the year	**12 288**	12 111
Additions	**174**	330
Disposals	**(889)**	(636)
Foreign currency translation differences	**(235)**	(8)
Investment surpluses	**(452)**	491
Fixed properties – balance at end of the year	**10 886**	12 288
Listed property companies and property collective investment schemes	**4 871**	3 693
Total properties	**15 757**	15 981
Reconciliation of straight-line rental adjustment		
Straight-line rental adjustment – balance at beginning of the year	**791**	868
Disposals	**(56)**	(14)
Movement for the year included in the statement of comprehensive income	**(21)**	(63)
Straight-line rental adjustment – balance at end of the year	**714**	791
Contractual future minimum lease payments receivable under non-cancellable operating leases:		
Within one year	**1 002**	1 104
Within two to five years	**2 523**	3 145
After more than five years	**1 279**	1 683
Future minimum lease payments	**4 804**	5 932

R million	Note	2009	2008
7. Investments *(continued)*			
7.2 Equity-accounted investments			
Investments in associated companies	7.2.1	**1 124**	688
Punter Southall Group		**258**	219
Letshego		**308**	—
Other associated companies		**558**	469
Investments in joint ventures	7.2.2	**840**	629
Sanlam Personal Loans		**133**	44
Sanlam Home Loans		**120**	133
Shriram Life Insurance		**247**	208
Shriram General Insurance		**115**	115
Other joint ventures		**225**	129
Total equity-accounted investments		**1 964**	1 317

Further details are not provided in respect of other associated companies and joint ventures as the totals comprise amounts that are individually immaterial.

Shriram General Insurance conducts the Group's short-term insurance activities in India. Detail information is not provided as the Group's share of earnings and equity is not material.

7.2.1 Investments in associated companies

Details of material associated companies:

		Punter Southall Group		Letshego	
		2009	2008	2009	2008
Fair value of interest – based on internal valuation and quoted prices	R million	**258**	219	**435**	—
Number of shares held	000's	**8 605**	8 605	**24 833**	—
Interest in issued share capital	%				
Shareholders' fund		**26**	26	**14**	—
Policyholders' fund		**—**	—	**—**	—
Average interest in issued share capital	%				
Shareholders' fund		**26**	26	**14**	—
Policyholders' fund		**—**	—	**—**	—
Share of earnings after tax	R million				
Shareholders' fund		**7**	51	**27**	—
Policyholders' fund		**—**	—	**—**	—
Aggregate post-acquisition reserves attributable to shareholders' fund	R million	**100**	93	**27**	—
Financial information as at 31 December – total:					
Revenue	R million	**1 106**	1 292	**691**	—
Earnings attributable to shareholders	R million	**27**	153	**330**	—
Total assets	R million	**599**	723	**2 024**	—
Total liabilities	R million	**384**	468	**603**	—

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 R27 million (2008: R102 million).

R million	Sanlam Personal Loans[1] 2009	2008
7. Investments *(continued)*		
7.2.2 Investments in joint ventures		
Details of material joint ventures:		
Interest in issued share capital (%)	**70**	70
Carrying value of interest	**133**	44
Fair value of interest	**133**	71
Share of revenue	**262**	242
Share of earnings after tax	**14**	(33)
Share of expenses	**125**	133
Share of assets	**1 045**	1 138
Non-current	**692**	748
Current	**353**	390
Share of liabilities	**992**	1 097
Non-current	**717**	101
Interest bearing	**559**	101
Non-interest bearing	**158**	—
Current	**275**	996
Interest bearing	**261**	962
Non-interest bearing	**14**	34
Aggregate portion of post-acquisition reserves (attributable to shareholders)	**58**	44
Share of cash flows	**(28)**	17
Operating activities	**72**	20
Investment activities	**—**	—
Financing activities	**(100)**	(3)

R million	Shriram Life Insurance[2] 2009	Shriram Life Insurance[2] 2008	Sanlam Home Loans[3] 2009	Sanlam Home Loans[3] 2008
7. Investments *(continued)*				
7.2.2 Investments in joint ventures *(continued)*				
Interest in issued share capital (%)	**26**	26	**50**	50
Carrying value of interest	**247**	208	**120**	133
Fair value of interest	**247**	208	**120**	133
Share of revenue	**(2)**	5	**245**	354
Share of earnings after tax	**(2)**	(1)	**(12)**	—
Share of expenses	**—**	—	**34**	35
Share of assets	**498**	348	**2 522**	2 484
Non-current	**474**	323	**2 367**	2 321
Current	**24**	25	**155**	163
Share of liabilities	**443**	274	**2 538**	2 483
Non-current	**416**	249	**1 146**	1 937
Interest bearing	**416**	248	**970**	1 761
Non-interest bearing	**—**	1	**176**	176
Current	**27**	25	**1 392**	546
Interest bearing	**—**	—	**1 366**	525
Non-interest bearing	**27**	25	**26**	21
Aggregate portion of post-acquisition reserves (attributable to shareholders)	**10**	12	**(23)**	(11)
Contingencies and capital commitments of venturer:				
Directly incurred	**—**	—	**298**	456
Share of cash flows	**(1)**	8	**27**	(113)
Operating activities	**(1)**	8	**(40)**	431
Investment activities	**—**	—	**1**	(31)
Financing activities	**—**	—	**66**	(513)

[1] *Sanlam Personal Loans conducts personal loan business in South Africa. Refer to note 39 for impairment recognised during the year.*
[2] *Shriram Life Insurance conducts the Group's long-term insurance business in India.*
[3] *Sanlam Home Loans conducts the Group's mortgage lending business in South Africa.*

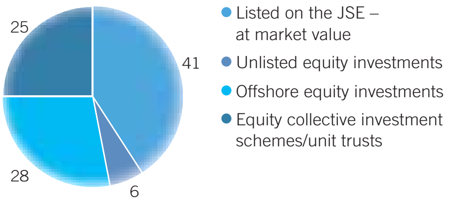
Notes to the Group Financial Statements continued

for the year ended 31 December 2009

R million	2009	2008
7. Investments *(continued)*		
7.3 Equities		
Equities and similar securities comprise:		
Listed on the JSE – at market value	**58 013**	49 672
Unlisted – at directors' valuation	**8 112**	9 350
Offshore equity investments	**39 791**	34 267
Listed	**38 941**	34 063
Unlisted	**850**	204
Equity collective investment schemes	**35 654**	26 995
Units held by the Group as minority unit holder	**26 546**	19 731
Equities held by consolidated schemes	**9 108**	7 264
Total equities and similar securities	**141 570**	120 284
Classification of equities and similar securities		
Designated as at fair value through profit or loss	**141 440**	118 645
Held for trading at fair value	**130**	1 639
Total equities and similar securities	**141 570**	120 284

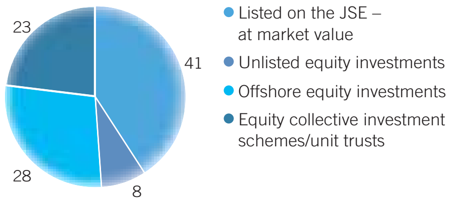
Total equity investments mix 2009

(%)



Total equity investments mix 2008

(%)



	%	%
Spread of equities listed on the JSE by sector[1]		
Basic materials	**23,6**	27,1
Consumer goods	**7,8**	5,7
Consumer services	**11,8**	13,8
Financials	**19,6**	15,9
General industrials	**15,7**	11,1
Information technology	**0,2**	0,6
Healthcare	**1,2**	1,8
Telecommunications	**9,2**	9,7
Other	**10,9**	14,3
	100	100

[1] *Includes the appropriate underlying investments of listed subsidiaries.*

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
7. Investments *(continued)*				
7.4 Total investments other than equities and similar securities, equity-accounted investments and properties				
31 December 2009				
Public sector stocks and loans	**50 803**	**—**	**—**	**50 803**
Debentures, insurance policies, preference shares and other loans	**32 685**	**406**	**1 701**	**34 792**
Cash, deposits and similar securities	**43 301**	**—**	**91**	**43 392**
	126 789	**406**	**1 792**	**128 987**
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

[(1)] *The estimated fair value of investments valued at amortised cost amounts to R1 792 million (2008: R1 839 million).*

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
Maturity analysis					
31 December 2009					
Public sector stocks and loans	**5 090**	**7 153**	**34 931**	**3 629**	**50 803**
Debentures, insurance policies, preference shares and other loans	**12 250**	**12 634**	**8 034**	**1 874**	**34 792**
Cash, deposits and similar securities	**34 587**	**6 176**	**1 675**	**954**	**43 392**
Total investments other than equities and similar securities, equity-accounted investments and properties	**51 927**	**25 963**	**44 640**	**6 457**	**128 987**
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

R million	2009	2008
7. Investments *(continued)*		
7.4 Total investments other than equities and similar securities, equity-accounted investments and properties *(continued)*		
Listed	**72 120**	73 872
Unlisted	**56 867**	57 076
Designated as at fair value through profit or loss	**55 075**	55 237
Loans and receivables at amortised cost	**1 792**	1 839
Total investments other than equities and similar securities, equity-accounted investments and properties	**128 987**	130 948
Unlisted investments (other than equities and similar securities, equity-accounted investments and properties)		
Maximum exposure to credit risk at the reporting date	**56 867**	57 076

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 2009 and 2008 was not material.

7.5 Use of valuation techniques to determine fair value

Refer to note 40 for additional disclosures.

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 2008	473	(40)	2	(1 314)
Temporary differences through the statement of comprehensive income	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	—	—	5
Other temporary differences	(7)	(4)	—	55
Acquisition of subsidiaries	1	—	—	—
Foreign currency translation differences	1	(8)	—	—
Balance at 31 December 2008	602	(89)	110	(351)
Temporary differences through the statement of comprehensive income	(113)	32	(82)	(355)
Accruals and provisions	82	5	—	7
Tax losses and credits	(172)	4	—	—
Net unrealised investment surpluses on shareholders' fund	59	62	(82)	(231)
Net unrealised investment surpluses on policyholders' fund	(1)	—	—	(101)
Secondary tax on companies	(95)	—	—	—
Other temporary differences	14	(39)	—	(30)
Foreign currency translation differences	(2)	—	—	—
Balance at 31 December 2009	**487**	**(57)**	**28**	**(706)**
Analysis of the deferred tax balances				
2009				
Accruals and provisions	**105**	**—**	**—**	**—**
Tax losses and credits	**343**	**—**	**27**	**—**
Net unrealised investment surpluses on shareholders' fund	**24**	**—**	**1**	**(272)**
Net unrealised investment surpluses on policyholders' fund	**—**	**—**	**—**	**(415)**
Other temporary differences	**15**	**(57)**	**—**	**(19)**
Deferred tax balances at 31 December 2009	**487**	**(57)**	**28**	**(706)**
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)

R million	2009	2008
8. Deferred tax *(continued)*		
Total deferred tax asset	515	712
Total deferred tax liability	(763)	(440)
Total net deferred tax	(248)	272

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.

R million	2009	2008
9. Short-term insurance technical provisions		
Short-term insurance technical provisions	8 304	8 229
Outstanding claims	5 421	5 208
Provision for unearned premiums	2 829	2 939
Deferred reinsurance acquisition revenue	54	82
Less: Short-term insurance technical assets	2 064	2 250
Reinsurers' share of technical provisions		
Outstanding claims	1 462	1 547
Unearned premiums	343	432
Deferred acquisition cost	259	271
Net short-term insurance technical provisions	6 240	5 979

Analysis of movement in short-term insurance technical provisions

	2009			2008		
R million	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Outstanding claims						
Balance at beginning of the year	5 208	(1 547)	3 661	4 776	(1 495)	3 281
Cash paid for claims settled in the year	(10 003)	1 213	(8 790)	(8 971)	1 361	(7 610)
Increase in liabilities	10 216	(1 128)	9 088	9 403	(1 413)	7 990
Balance at end of the year	5 421	(1 462)	3 959	5 208	(1 547)	3 661
Unearned premiums						
Balance at beginning of the year	2 939	(432)	2 507	2 844	(529)	2 315
Net increase/(release) in the period	(110)	89	(21)	95	97	192
Balance at end of the year	2 829	(343)	2 486	2 939	(432)	2 507

R million		2009	2008
10. Trade and other receivables			
Premiums receivable		**5 336**	5 215
Accrued investment income		**1 808**	2 317
Trading account		**13 290**	15 862
Amounts due from reinsurers		**591**	817
Accounts receivable		**3 236**	4 697
Total trade and other receivables		**24 261**	28 908
Classification of trade and other receivables:			
Held for trading at fair value		**13 290**	15 862
Loans and receivables at amortised cost		**10 971**	13 046
		24 261	28 908
Trade and other receivables, excluding trading account, are receivable within one year.			
Maturity analysis of trading account			
Due within one year		**4 677**	8 881
Due within two to five years		**6 032**	3 511
Due after five years		**2 581**	3 470
Total trading account		**13 290**	15 862
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
Balance at end of the year	R million	**41,2**	41,7
Issued share capital: ordinary shares			
Total shares in issue at beginning of the year	million	**2 190,1**	2 303,6
Shares cancelled during the year	million	**(30,1)**	(113,5)
Total shares in issue at end of the year	million	**2 160,0**	2 190,1
Shares held by subsidiaries	million	**(171,7)**	(227,5)
Balance at end of the year	million	**1 988,3**	1 962,6
% of ordinary shares held by subsidiaries		**7,9%**	10,4%
Issued share capital: ‘A’ deferred shares			
Total number of ‘A’ deferred shares in issue	million	**56,5**	56,5
Nominal value and share premium			
Ordinary shares		**22,3**	22,6
Nominal value of 1 cent per share	R million	**21,6**	21,9
Share premium	R million	**0,7**	0,7
‘A’ deferred shares	R million	**0,6**	0,6
Total nominal value and share premium	R million	**22,9**	23,2

Notes to the Group Financial Statements continued

for the year ended 31 December 2009

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.

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 30,1 million ordinary shares in 2009 (2008: 113,5 million) as part of the capital management programme. Share capital and reserves were reduced with the consideration paid for the cancelled shares.

	Shares 2009 000's	Options 2009 000's	Average option price 2009 R	Shares 2008 000's	Options 2008 000's	Average option price 2008 R
Executive share incentive scheme						
Total number of shares and share options at beginning of the year	21 106	30 427	7,63	10 298	45 705	7,63
Unrestricted shares and share options at beginning of the year	(120)	(22 532)	7,43	—	(17 866)	7,55
Restricted shares and share options at beginning of the year	20 986	7 895	8,20	10 298	27 839	7,67
New restricted shares granted in terms of restricted share and DSP schemes	11 068	—	—	11 261	—	—
Unconditional options and shares released, available for release, or taken up	(1 301)	(7 708)	8,20	(258)	(18 851)	7,44
Options and shares forfeited	(880)	(187)	7,75	(326)	(1 058)	7,75
Options and shares lapsed	—	—	—	—	(25)	9,23
Options converted to shares	—	—	—	10	(10)	—
Cash dividends received on restricted shares and converted into shares	—	—	—	1	—	—
Restricted shares and share options at end of the year	29 873	—	—	20 986	7 895	8,20
Unrestricted shares and share options at end of the year	960	13 404	7,60	120	22 532	7,43
Total number of shares and share options at end of the year	30 833	13 404	7,60	21 106	30 427	7,63
Shares the subject matter of loans granted[1]	12 757	—	—	13 455	—	—
Total equity participation by employees	43 590	13 404	—	34 561	30 427	—

[1] *Outstanding amount of loans granted in respect of these shares amounts to R239 million (2008: R225 million) for the Group. There were no new loans granted during 2009.*

	2009	2008
11. Share capital and premium *(continued)*		
Total equity participation by employees as a percentage of total issued ordinary shares (%)	**2,6**	3,0
Approved maximum level of equity participation by employees (number of shares)	**160 000**	—

Details regarding the restricted shares and share options outstanding on 31 December 2009 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**
31 December 2010	3 627
31 December 2011	6 793
31 December 2012	9 994
31 December 2013	6 282
31 December 2014	3 177

	2009	2008
Weighted average share price of options exercised during the year	**R18,90**	R20,39

A total of 11,1 million (2008: 11,3 million) restricted shares were granted to staff and executive directors during 2009. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R148 million (2008: R146 million) and is expensed in the statement of comprehensive income 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 service and performance conditions will be met in part.

R million	2009	2008
12. Other reserves		
Non-distributable reserves	**9 705**	9 663
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**9 415**	9 415
Regulatory reserves of the Group's Botswana operations	**290**	248
Foreign currency translation reserve	**(121)**	188
Consolidation reserve	**(503)**	(539)
Policyholder fund investments in consolidated subsidiaries	**(83)**	(71)
Policyholder fund investment in Sanlam Limited shares	**(420)**	(468)
Total reserves other than retained earnings	**9 081**	9 312
13. Contingency reserves		
Contingency reserves in respect of short-term insurance business of R722 million are included in shareholders' reserves (2008: R670 million).		
14. Minority shareholders' interest		
Santam	**1 602**	1 350
Sanlam Developing Markets	**816**	896
Channel Life	**8**	108
Sanlam Namibia Holdings	**141**	127
Octane	**—**	52
Other	**61**	63
Total minority shareholders' interest	**2 628**	2 596

R million	2009 Total	2009 Insurance contracts	2009 Investment contracts	2008 Total	2008 Insurance contracts	2008 Investment contracts
15. Long-term policy liabilities						
15.1 Analysis of movement in policy liabilities						
Income	**62 992**	**26 990**	**36 002**	28 917	16 053	12 864
Premium income (note 15.2)	**35 877**	**15 638**	**20 239**	36 852	15 056	21 796
Investment return after tax (note 23)	**27 115**	**11 352**	**15 763**	(7 935)	997	(8 932)
Outflow	**(42 700)**	**(23 174)**	**(19 526)**	(45 545)	(23 994)	(21 551)
Policy benefits (note 15.3)	**(26 730)**	**(12 375)**	**(14 355)**	(28 437)	(13 436)	(15 001)
Retirement fund terminations	**(2 446)**	**(31)**	**(2 415)**	(5 196)	(12)	(5 184)
Transfer to segregated assets	**(418)**	**(13)**	**(405)**	—	—	—
Fees, risk premiums and other payments to shareholders' fund	**(13 106)**	**(10 755)**	**(2 351)**	(11 912)	(10 546)	(1 366)
Movement in policy loans	**(42)**	**3**	**(45)**	(78)	(14)	(64)
Net movement for the year	**20 250**	**3 819**	**16 431**	(16 706)	(7 955)	(8 751)
Foreign currency translation differences	**(3 521)**	**(924)**	**(2 597)**	1 314	436	878
Balance at beginning of the year	**229 268**	**120 879**	**108 389**	244 660	128 398	116 262
Balance at end of the year	**245 997**	**123 774**	**122 223**	229 268	120 879	108 389

R million	2009	2008
15.2 Analysis of premium income		
Individual business	**26 911**	26 953
Recurring	**13 905**	13 082
Single	**11 387**	11 984
Continuations	**1 619**	1 887
Employee benefits business	**8 966**	9 899
Recurring	**5 196**	5 026
Single	**3 770**	4 873
Total premium income	**35 877**	36 852
15.3 Analysis of long-term policy benefits		
Individual business	**21 531**	22 854
Maturity benefits	**10 963**	11 717
Surrenders	**5 380**	6 526
Life and term annuities	**4 229**	3 713
Death and disability benefits(1)	**667**	870
Cash bonuses(1)	**292**	28
Employee benefits business	**5 199**	5 582
Withdrawal benefits	**2 910**	3 231
Pensions	**1 207**	1 161
Lump-sum retirement benefits	**794**	1 031
Taxation paid on behalf of certain retirement funds	**1**	4
Death and disability benefits(1)	**262**	130
Cash bonuses(1)	**25**	25
White-label business	**—**	1
Total long-term policy benefits	**26 730**	28 437

(1) *Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 23).*

R million	2009	2008
15. Long-term policy liabilities *(continued)*		
15.4 Composition of policy liabilities		
Individual business	**202 697**	188 565
Linked and market-related liabilities	**111 610**	98 791
Stable bonus fund	**36 763**	35 317
Reversionary bonus policies	**10 430**	10 394
Non-participating annuities	**21 575**	22 547
Other non-participating liabilities	**22 319**	21 516
Employee benefits business	**43 300**	40 703
Linked and market-related liabilities	**18 045**	15 344
Stable bonus portfolios	**10 503**	10 192
Participating annuities	**6 551**	7 706
Non-participating annuities	**4 213**	3 695
Other non-participating liabilities	**3 988**	3 766
Total policy liabilities	**245 997**	229 268

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15.5 Maturity analysis of investment policy contracts					
2009					
Linked and market-related	**1 805**	**7 983**	**36 175**	**51 366**	**97 329**
Stable bonus	**3**	**2**	**34**	**10 507**	**10 546**
Non-participating annuities	**60**	**912**	**173**	**—**	**1 145**
Other non-participating liabilities	**1 485**	**5 366**	**5 785**	**567**	**13 203**
Total investment policies	**3 353**	**14 263**	**42 167**	**62 440**	**122 223**
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

Investment policy contracts are classified as at fair value through profit or loss. Refer to note 40 for additional fair value disclosures.

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15.6 Maturity analysis of insurance policy contracts					
2009					
Linked and market-related	**1 448**	**6 664**	**21 047**	**3 167**	**32 326**
Stable bonus	**1 601**	**7 510**	**24 721**	**2 888**	**36 720**
Reversionary bonus policies	**515**	**2 412**	**5 630**	**1 873**	**10 430**
Non-participating annuities	**2**	**37**	**84**	**24 520**	**24 643**
Participating annuities	**—**	**—**	**—**	**6 551**	**6 551**
Other non-participating liabilities	**694**	**468**	**2 111**	**9 831**	**13 104**
Total insurance policies	**4 260**	**17 091**	**53 593**	**48 830**	**123 774**
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

Notes to the Group Financial Statements continued

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R million		Note	2009	2008
15.	**Long-term policy liabilities** *(continued)*			
15.7	**Policy liabilities include the following:**			
	Provision for HIV/Aids and other pandemics		**4 082**	4 371
	Asset mismatch reserve		**2 594**	1 338
16.	**Term finance**			
	Term finance comprises:			
	Interest-bearing liabilities held in respect of margin business	16.1	**3 341**	2 830
	Other interest-bearing liabilities	16.2	**3 575**	3 933
			6 916	6 763
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 6,4% and 12,2% (2008: 6,8% and 12,2%) or linked to prime interest rates. The preference shares have different redemption dates up to 2014.		**3 341**	2 829
	Obligations for promissory notes, zero coupons, interest rate derivatives and fixed-interest derivatives.		**—**	1
			3 341	2 830
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.		**1 114**	1 171
	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.		**780**	840
	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.		**839**	972
	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.		**643**	761
	Obligations towards beneficiaries of companies limited by guarantee – matched by assets held in this regard.		**105**	131
	Finance lease on owner-occupied property, with interest payable at 10,47% and terminating on 1 June 2012.		**25**	32
	Finance lease, with interest payable at various rates and terminating from 2010 to 2012.		**42**	—
	Other		**27**	26
			3 575	3 933

R million	Note	2009	2008
16. Term finance *(continued)*			
16.3 Maturity analysis of term finance			
Due within one year		**1 281**	1 459
Due within two to five years		**1 936**	1 367
Due after more than five years		**3 699**	3 937
Total term finance liabilities		**6 916**	6 763
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	**2 838**	3 114
Valued at stock exchange prices		**2 733**	2 983
Based on internal valuation		**105**	131
Other financial liabilities	16.4.2	**4 078**	3 649
Total term finance liabilities		**6 916**	6 763
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss		**2 838**	3 114
Amount contractually payable at maturity		**3 140**	3 166
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		**4 078**	3 649

Refer to note 40 for additional fair value disclosures.

R million	Note	2009	2008
17. Trade and other payables			
Trading account		**13 218**	14 635
Accounts payable		**7 023**	9 173
Policy benefits payable		**3 709**	3 628
Amounts due to reinsurers		**834**	882
Bank overdrafts		**3**	29
Operating lease creditor		**15**	10
Claims incurred but not reported		**1 040**	968
Total trade and other payables		**25 842**	29 325
Classification of trade and other payables			
Held for trading at fair value		**13 218**	14 635
Other financial liabilities at amortised cost		**12 624**	14 690
Total trade and other payables		**25 842**	29 325

Trade and other payables, excluding trading account, are payable within one year.

R million	Note	2009	2008
Maturity analysis of trading account			
Due within one year		**8 294**	7 552
Due within two to five years		**3 001**	3 974
Due after five years		**1 923**	3 109
Total trading account		**13 218**	14 635

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 2008	580	33	12	348	973
Charged to statement of comprehensive income	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
Charged to statement of comprehensive income	19	—	3	220	242
Additional provisions	69	—	3	220	292
Unused amounts reversed	(50)	—	—	—	(50)
Utilised during the year	(61)	(4)	(2)	(232)	(299)
Balance at 31 December 2009	**953**	**26**	**16**	**401**	**1 396**
Analysis of provisions					
Current	10	3	10	45	68
Non-current	943	23	6	356	1 328
Total provisions at 31 December 2009	**953**	**26**	**16**	**401**	**1 396**

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.

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	2009	2008
19. Financial services income		
Analysis per revenue source		
Long-term insurance	**13 645**	12 151
Short-term insurance	**15 051**	14 054
Other financial services	**2 272**	2 373
Total financial services income	**30 968**	28 578
Analysis per revenue category		
Long-term insurance fee income	**13 645**	12 151
Administration services	**2 271**	2 078
Investment management fees	**664**	681
Risk benefit charges and other fee income	**10 710**	9 392
Short-term insurance premiums	**15 051**	14 054
Premiums receivable	**14 941**	14 148
Change in unearned premium provision	**110**	(94)
Other financial services fees and income	**2 248**	2 322
Trading profit	**23**	58
Foreign exchange gains/(losses)	**1**	(7)
Total financial services income	**30 968**	28 578
20. Reinsurance premiums paid		
Long-term insurance	**639**	626
Short-term insurance	**2 209**	2 364
Premiums payable	**2 103**	2 301
Change in unearned premium provision	**106**	63
Total reinsurance premiums paid	**2 848**	2 990
21. Reinsurance income		
Reinsurance commission received		
Long-term insurance	**50**	61
Short-term insurance	**208**	340
Total reinsurance commission received	**258**	401
Reinsurance claims received		
Long-term insurance	**453**	362
Short-term insurance	**1 131**	1 413
Total reinsurance claims received	**1 584**	1 775

R million	2009	2008
22. Investment return		
Investment income		
Equities and similar securities	4 282	4 962
Interest-bearing, preference shares and similar securities	10 009	10 112
Properties	1 265	1 258
Rental income – excluding contingent rental	1 333	1 359
Contingent rental income	137	100
Rental-related expenses	(205)	(201)
Income from margin business[1]	441	712
Dividend income	—	19
Interest received	441	693
Total investment income	15 997	17 044
Listed investments[2]	9 252	9 588
Unlisted investments[2]	6 745	7 456
Total investment income	15 997	17 044
[1] *Refer to note 26 for finance cost incurred in respect of margin business.*		
[2] *Comparatives have been restated for a reallocation between listed and unlisted instruments.*		
Interest income on financial assets not classified as at fair value through profit or loss	362	685
Investment surpluses		
Financial assets designated as at fair value through profit or loss	18 958	(27 919)
Financial assets classified as held-for-trading	(1 178)	2 812
Investment properties	(473)	428
Profit on disposal of associated companies and subsidiaries	73	7
Total investment surpluses	17 380	(24 672)
Investment return includes:		
Foreign exchange (losses)/gains	(5 007)	7 143
23. Long-term insurance and investment contract benefits		
Insurance contracts		
Underwriting policy benefits	5 732	4 873
After-tax investment return attributable to insurance contract liabilities (note 15)	11 352	997
Total long-term insurance contract benefits	17 084	5 870
Investment contracts		
After-tax investment return attributable to investment contract liabilities (note 15)	15 763	(8 932)
Total long-term investment contract benefits	15 763	(8 932)
Analysis of underwriting policy benefits		
Individual insurance	3 235	2 675
Employee benefits	2 497	2 198
Total underwriting policy benefits	5 732	4 873

R million	2009	2008
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	**9,1**	7,9
Other services (basic remuneration, pensions and bonuses)	**18,3**	20,9
Previous		
Directors' fees	**—**	0,2
Other services (basic remuneration, pensions and bonuses)	**1,5**	—
Total directors' remuneration	**28,9**	29,0
Analysis of directors' remuneration		
Executive directors	**19,8**	20,9
Non-executive directors	**9,1**	8,1
Total directors' remuneration	**28,9**	29,0
Directors' remuneration paid by subsidiaries	**25,3**	26,0
Refer to Corporate Governance Report on page 59 for additional information on directors' remuneration. The above excludes share-based payment expenses which are set out in the remuneration report. Information in respect of gains on share options is set out on page 69 amounting to R29,5 million (2008: R18,7 million).		
Auditors' remuneration		
Audit fees: Statutory audit	**73**	65
Other services provided by subsidiaries' own auditors:	**2**	3
Due diligence services	**2**	1
Other services	**—**	2
Total auditors' remuneration	**75**	68
Depreciation	**172**	183
Operating leases	**371**	338
Properties	**204**	180
Equipment	**152**	143
Other	**15**	15
Consultancy fees	**351**	361
Technical, administrative and secretarial fees	**544**	428
Restructuring costs	**21**	—
Employee benefits	**3 973**	3 624
Salaries and other short-term benefits	**3 361**	3 097
Pension costs – defined-contribution plans	**226**	161
Pension costs – defined-benefit plans	**16**	15
Other post-employment benefits	**8**	11
Share-based payments	**167**	157
Other long-term incentive schemes	**195**	183
Office staff (number of persons)	**9 457**	9 969

R million	2009	2008
25. Equity-accounted earnings		
Punter Southall Group	7	51
Safair Lease Finance	—	19
Sanlam Home Loans	(12)	—
Sanlam Personal Loans	14	(33)
Shriram Life Insurance	(2)	(1)
Letshego	27	—
Other associated companies	70	(2)
Equity-accounted earnings	104	34
26. Finance cost		
Interest paid and term finance cost in respect of interest margin business	246	244
Finance cost – margin business	246	244
Interest-bearing liabilities designated as at fair value through profit or loss	307	343
Interest-bearing liabilities held at amortised cost	56	48
Finance cost – other	363	391
27. Taxation		
Analysis of income tax per category		
Normal income tax	2 011	1 778
RSA – current year	1 628	1 727
RSA – prior year	(5)	(246)
Foreign	133	171
Capital gains tax	187	117
Secondary tax on companies	68	9
Deferred tax	518	(1 157)
Normal tax – current year	(24)	(35)
Normal tax – prior year	8	2
Change in tax rate	—	(34)
Foreign	2	(48)
Capital gains tax	437	(1 041)
Secondary tax on companies	95	(1)
Tax expense	2 529	621
Shareholders' fund	1 759	428
Policyholders' fund	770	193
Tax expense	2 529	621
In addition to income tax, the following indirect taxes and levies were paid, which are included in the appropriate items:		
Included in administration costs	218	232
Included elsewhere in the statement of comprehensive income	82	92
Total indirect taxes and levies	300	324

Indirect taxes and levies include value-added tax and statutory levies payable to the Financial Services Board.

%	2009	2008
27. Taxation *(continued)*		
Standard rate of taxation	**28,0**	28,0
Adjusted for:		
Non-taxable income	**(3,0)**	(8,7)
Disallowable expenses	**0,3**	1,7
Share-based payments	**0,2**	0,4
Investment surpluses	**(1,5)**	2,1
Prior year adjustments	**(0,1)**	(6,9)
Foreign tax rate differential	**(0,2)**	(0,6)
STC	**1,9**	2,0
Fund transfers	**—**	(5,8)
Policyholders	**7,3**	3,9
Other	**0,3**	1,5
Effective tax rate	**33,2**	17,6
Profit before tax from continuing operations	**7 610**	3 533
Profit before tax from discontinued operations	**—**	49
Profit before tax including discontinued operations	**7 610**	3 582
Tax on continuing operations	**2 529**	621
Tax on discontinued operations	**—**	24
Taxation included in the statement of comprehensive income	**2 529**	645

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 and policyholders. Basic earnings per share is calculated by dividing earnings by the adjusted weighted average number of shares in issue.

For diluted earnings per share, the weighted average number of ordinary shares is adjusted for the shares not yet issued under the Sanlam Share Incentive Scheme, 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 202 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	2009	2008
Basic earnings per share:		
Headline earnings	**224,6**	135,4
Profit attributable to shareholders' fund	**222,5**	125,0
Diluted earnings per share:		
Headline earnings	**218,8**	132,2
Profit attributable to shareholders' fund	**216,8**	122,0
Basic earnings per share from continuing operations:		
Profit attributable to shareholders' fund	**222,5**	126,1
Diluted earnings per share from continuing operations:		
Profit attributable to shareholders' fund	**216,8**	123,1

Notes to the Group Financial Statements *continued*

for the year ended 31 December 2009

R million	2009	2008
28. Earnings per share *(continued)*		
Analysis of earnings:		
Profit attributable to shareholders' fund	**4 397**	2 494
Less: Net profit on disposal of subsidiaries	**(25)**	(3)
Profit on disposal of subsidiaries	**(52)**	(47)
Tax on profit on disposal of subsidiaries	**6**	14
Minority shareholders' interest	**21**	30
Less: Net profit on disposal of associated companies	**(10)**	—
Profit on disposal of associated companies	**(21)**	—
Tax on profit on disposal of associated companies	**3**	—
Minority shareholders' interest	**8**	—
Less: Equity-accounted non-headline earnings	**—**	(33)
Plus: Impairments	**76**	244
Impairments	**79**	247
Minority shareholders' interest	**(3)**	(3)
Headline earnings	**4 438**	2 702
Analysis of earnings for continuing operations:		
Profit attributable to shareholders' fund	**4 397**	2 494
Discontinued operations	**—**	22
Loss from discontinued operations	**—**	34
Tax on loss from discontinued operations	**—**	7
Minority shareholders' interest	**—**	(19)
Profit attributable to shareholders' fund from continuing operations	**4 397**	2 516
million		
Number of shares:		
Number of ordinary shares in issue at beginning of the year	**2 190,1**	2 303,6
Less: Weighted number of shares cancelled	**(25,1)**	(64,3)
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	**(189,2)**	(243,5)
Adjusted weighted average number of shares for basic earnings per share	**1 975,8**	1 995,8
Add: Weighted conversion of deferred shares	**20,6**	14,9
Add: Total number of shares and options	**37,1**	45,5
Less: Number of shares (under option) that would have been issued at fair value	**(5,4)**	(12,7)
Adjusted weighted average number of shares for diluted earnings per share	**2 028,1**	2 043,5

29. Dividends

A dividend of 104 cents per share (2008: 98 cents per share) was declared in March 2010 in respect of the 2009 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R2,2 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	2009	2008
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	1 414	1 573
Public sector stocks and loans	480	1 871
Cash, deposits and similar securities	443	—
Working capital assets		
Trading account	10 354	6 886
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	21 450	21 107
Intergroup	7 340	6 651
External clients	14 110	14 456
Collateral of between 100% and 115% of the value of the loaned securities is held at 31 December 2009.		
Fair value of the collateral held that the Group is permitted to sell or repledge in the absence of default	86	376

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 to 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 whilst 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 variances reflected in the embedded value earnings during a period. The experience variances 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 210 for additional information.

31.1 Impairment of goodwill and value of business acquired

The recoverable amount of goodwill and value of business acquired and other intangible assets for impairment testing purposes has been determined based on the embedded value of covered life insurance business 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 215 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 210 and 213 respectively.

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 statement of financial position. The majority of the Group's properties are held by Sanlam Life Insurance Limited Group for which the main valuation assumptions used as at 31 December 2009 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
2009				
Base discount rate	9,2% – 10,5%	1%	352	(332)
Capitalisation rate	9,5% – 12,0%	1%	593	(485)
2008				
Base discount rate	7,2% – 8,5%	1%	393	(369)
Capitalisation rate	9,5% – 12,0%	1%	627	(513)

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 reporting 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 R259 million on 31 December 2009 (2008: R326 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 283 to 287.

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 2009	Sanlam Life 2008	SDM Limited 2009	SDM Limited 2008	Sanlam Life Namibia 2009	Sanlam Life Namibia 2008	Merchant Investors 2009	Merchant Investors 2008
Reversionary bonus business								
Retirement annuity business	**11,2**	9,1	**n/a**	n/a	**11,2**	9,1	**n/a**	n/a
Individual policyholder business	**9,7**	7,9	**8,8**	7,8	**10,7**	8,7	**n/a**	n/a
Individual stable bonus business								
Retirement annuity business	**10,8**	8,7	**10,3**	9,0	**10,8**	8,7	**n/a**	n/a
Individual policyholder business	**9,4**	7,6	**8,8**	7,8	**10,4**	8,4	**n/a**	n/a
Non-taxable business	**10,8**	8,7	**n/a**	n/a	**10,8**	8,7	**n/a**	n/a
Corporate policyholder business	**9,1**	7,3	**n/a**	n/a	**10,4**	8,4	**n/a**	n/a
Individual market-related business								
Retirement annuity business	**11,2**	9,1	**10,3**	9,0	**11,2**	9,1	**4,0**	2,0
Individual policyholder business	**9,7**	7,9	**8,8**	7,8	**10,7**	8,7	**3,0**	2,0
Non-taxable business	**11,2**	9,1	**n/a**	n/a	**11,2**	9,1	**n/a**	n/a
Corporate policyholder business	**9,4**	7,6	**n/a**	n/a	**10,7**	8,7	**n/a**	n/a
Participating annuity business	**9,2**	7,1	**n/a**	n/a	**9,1**	7,0	**n/a**	n/a
Non-participating annuity business*	**8,9**	7,0	**9,4**	8,3	**8,8**	6,8	**5,0**	4,0
Guarantee plans*	**7,5**	8,1	**5,1**	6,0	**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 2009. 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 2009 actual figures and escalated at estimated expense inflation rates per annum.

Refer to note 1 on page 213 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% (2008: 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 255 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, Actuarial and Finance Committee and Board by the Sanlam Non-listed Asset Controlling Body at each reporting period.

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 2009, 96% of employees were covered by defined contribution funds and 4% by defined-benefit funds (2008: 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 R226 million to these funds during 2009 (2008: R161 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 (transferred to new defined-contribution fund).

All funds are closed for new entrants. The Sanlam office personnel fund and Sanlam Developing Markets defined-benefit fund SA are governed by the Pension 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
Principal actuarial assumptions:				
Latest valuation date		31 Dec 2009	31 Dec 2009	1 Mar 2009
Pre-retirement discount rate	% pa	9,4	6,0	9,2
Post-retirement discount rate	% pa	4,4	6,0	4,0
Future salary increases	% pa	7,2	4,0	6,7
Expected return on assets	% pa	9,4	6,0	9,2
Actual experience:				
Actual return on assets	% pa	15,6	9,8	14,7

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	2009	2008	2007	2006	2005
Net liability recognised in balance sheet:					
Present value of fund obligations	**1 436**	1 216	1 261	1 293	1 088
Actuarial value of fund assets	**(1 599)**	(1 380)	(1 511)	(1 447)	(1 251)
Net present value of funded obligations	**(163)**	(164)	(250)	(154)	(163)
Unrecognised actuarial gains	**163**	164	250	154	163
Net liability recognised in balance sheet	**—**	—	—	—	—
Experience adjustments on:					
Fund obligations	**0,4%**	(1,3%)	0,8%	(2,0%)	4,1%
Fund assets	**4,5%**	(8,8%)	1,6%	7,3%	7,6%

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	2009	2008
32. Retirement benefits for employees *(continued)*		
32.2 Defined-benefit funds *(continued)*		
Fund obligations		
Balance at beginning of the year	**1 216**	1 261
Movement for the year:	**220**	(45)
Current service cost	**19**	26
Interest	**98**	102
Actuarial gains and losses	**84**	(56)
Foreign exchange losses	**(37)**	(3)
Release of obligations	**(69)**	(63)
Settlements and disposal of subsidiaries	**(40)**	—
Other	**165**	(51)
Balance at end of the year	**1 436**	1 216
Fund assets		
Balance at beginning of the year	**1 380**	1 511
Movement for the year:	**219**	(131)
Expected return on fund assets	**104**	122
Actuarial gains and losses	**95**	(203)
Foreign exchange losses	**(38)**	(1)
Contributions by employer	**12**	18
Contributions by fund participant	**4**	4
Benefits paid	**(73)**	(71)
Settlements and disposal of subsidiaries	**(36)**	—
Other	**151**	—
Balance at end of the year	**1 599**	1 380

%		
Fund assets comprise:		
Properties	**3**	3
Equities and similar securities	**36**	33
Public sector stocks and loans	**2**	5
Debentures, insurance policies, preference shares and other loans	**40**	41
Cash, deposits and similar securities	**19**	18
	100	100

The above value of fund assets includes an investment of R3 million (2008: R3 million) in Sanlam shares.

R million	2009	2008
Net expense recognised in the statement of comprehensive income (included in administration costs):		
Current service cost	**19**	26
Interest cost	**98**	102
Expected return on fund assets	**(104)**	(122)
Net actuarial (gains)/losses recognised during the year	**(11)**	32
Other	**14**	(23)
Total included in staff costs	**16**	15

The best estimate of the expected contributions payable to the fund in 2010 is R19 million.

R million	2009	2008
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 2009 were as follows:		
Pre-retirement discount rate	**9,4%**	8,1%
Returns for All-bond Index (ALBI)	**(1,0%)**	17,0%
Expected increase in medical aid contributions	**9,4%**	8,1%
Net liability recognised in balance sheet		
Balance at beginning of the year	**30**	33
Movement for the year	**(4)**	(3)
Interest	**2**	3
Actuarial gains and losses	**(2)**	(1)
Benefits paid	**(4)**	(5)
Balance at end of the year	**26**	30

R million	2009	2008	2007	2006	2005
Net liability recognised in balance sheet					
Present value of unfunded obligation	**26**	30	33	37	40
Experience adjustments on:					
Fund obligation	**(10,5%)**	(4,1%)	(8,1%)	(2,5%)	(10,0%)

	% 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	2	3
Total defined-benefit obligation for post-employment medical benefits	27	25

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	2009	2008
34. Commitments and contingencies		
34.1 Operating leases		
Future operating lease commitments:		
Lease rentals due within one year	**280**	258
Lease rentals due within two to five years	**482**	303
Lease rentals due within more than five years	**70**	91
Total operating lease commitments	**832**	652

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. Commitments and contingencies *(continued)*

34.3 Guarantees provided in favour of Sanlam Capital Markets (SCM) and others

Sanlam has also guaranteed obligations that may arise under SCM's (including the Group Treasury function) unlisted commercial paper programme and its BESA-listed structured note programme. The total limit for the unlisted commercial paper programme is R15 billion and for 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 unlisted commercial paper programme and BESA-listed structure note programme is also expressly limited by Sanlam Limited in terms of the Group governance processes of R10 billion and R3 billion respectively. At 31 December 2009 the value of unlisted commercial paper issued by SCM amounted to R5,7 billion (2008: R4,3 billion) and the value of BESA-listed structured notes amounted to R60 million (2008: R817 million). Sanlam has also issued guarantees amounting to R4,5 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.

34.4 Pension and retirement fund fraud investigation

Shareholders are referred to the ongoing publicity given to the investigations by the FSB and the National Prosecuting Authorities into alleged fraud within a number of pension and retirement funds. The events in question took place in the mid- to late 1990s. Sanlam acted as administrator for three of these funds at the time and has been cooperating with the authorities since their investigation started in 2004. Sanlam in 2006 made a payment in good faith to the funds, representing the benefit, plus interest, that Sanlam indirectly received through a company that previously formed part of the Sanlam Group and which was the controlling shareholder of the participating employers of three of the funds. The curator of the funds subsequently issued civil claims against a number of parties, including Sanlam, for the alleged losses suffered by the funds. Sanlam and the curator of the funds are involved in a litigation process in respect of the merits and quantum of his claims. Sanlam was not involved in fraudulent or illegal activities relating to these cases. We are confident that, *inter alia*, through the involvement of the FSB, an amicable resolution will be reached in due course.

34.5 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 Funds 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 or fully disclosed, unless additional disclosures may potentially prejudice the legal arguments of the Group.

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.

The shareholder spread is presented on page 344.

35.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R242 million in 2009 (2008: R176 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. Related parties *(continued)*

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.

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 either JIBAR plus a premium of between 0,32% and 1,75% or the asset swap rate plus a premium of 2,75%, and either have no fixed maturity date, or will mature in tranches up to 31 December 2012 (refer to Capital and Risk Management Report). Apart from these financing loans, an interest-free shareholders' loan of R158 million was granted to Sanlam Personal Loans.

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	**2009**	**2008**
35.6 Key management personnel compensation		
Compensation paid to the Group's key management personnel is as follows:		
Short-term employee benefits	**356**	390
Share-based payments	**53**	64
Termination benefits	**2**	3
Other long-term benefits and incentive schemes	**50**	70
Total key management personnel compensation	**461**	527
36. Notes to the cash flow statement		
36.1 Cash utilised in operations		
Profit before tax per statement of comprehensive income	**7 610**	3 533
Net movement in policy liabilities (note 15.1)	**16 729**	(15 392)
Non-cash flow items	**(16 691)**	25 488
Depreciation	**172**	183
Bad debts written off	**291**	186
Share-based payments	**167**	157
(Loss)/profit on disposal of subsidiaries and associates	**(73)**	32
Fair value adjustments	**(17 307)**	24 640
Impairment of investments and goodwill	**79**	247
Amortisation of value of business acquired	**84**	77
Equity-accounted earnings	**(104)**	(34)
Items disclosed separately	**(14 123)**	(15 151)
Interest and preference share dividends received	**(10 450)**	(10 805)
Interest paid(1)	**609**	635
Dividends received	**(4 282)**	(4 981)
Net purchase of fixed assets	**(169)**	(259)
Net purchase of owner-occupied properties	**—**	(2)
Discontinued operations	**—**	49
Decrease/(increase) in net working capital assets and liabilities	**369**	(1 401)
Cash utilised in operations	**(6 275)**	(3 135)

(1) Other finance cost reclassified.

36.2 Acquisition of subsidiaries		
During the year, various interests in subsidiaries were acquired within the Group. The fair value of assets acquired is as follows:		
Net assets acquired	**173**	637
Minority and other interests acquired during 2009	**173**	—
Net assets acquired in 2008 (refer to note 37.2)	**—**	637
Goodwill	**185**	178
Total purchase consideration	**358**	815
Less: Net asset value contributed	**(1)**	—
Cash, deposits and similar securities acquired	**(3)**	(35)
Cash component of acquisition of subsidiaries	**354**	780

R million	2009	2008

36. Notes to the cash flow statement *(continued)*

36.3 Disposal of subsidiaries and associated companies

Disposal of subsidiaries relates mainly to the disposal of a short-term insurance subsidiary in 2009 and the disposal of a property subsidiary during the 2008 year. The fair value of assets disposed of was as follows:

R million	2009	2008
Property, plant and equipment	13	—
Investments	—	26
Trade and other receivables	10	—
Cash, deposits and similar securities	26	—
Long-term loans	—	(28)
Working capital liabilities	(48)	(6)
Profit/(loss) on disposal of subsidiaries	73	(32)
Total disposal price	74	(40)
Less: Cash, deposits and similar securities disposed of	(26)	—
Cash component of disposal of subsidiaries	48	(40)

36.4 Cash, deposits and similar securities

R million	2009	2008
Working capital: Cash, deposits and similar securities	11 980	10 066
Investment cash	43 392	45 108
Bank overdrafts	(3)	(29)
Total cash, deposits and similar securities	55 369	55 145

37. Business combinations

37.1 Material acquisitions of the Group consolidated in the 2009 financial year

There were no material business combinations during the 2009 financial year.

Other

Other acquisitions relate to the following:

- The acquisition of the remaining interest in Channel Life and Octane;
- Other smaller acquisitions; and
- Increases in the shareholding of other subsidiaries, predominantly Principal and Blue Ink.

The contribution of these acquisitions to profit for 2009 is not material.

37.2 Material acquisitions of the Group consolidated in the 2008 financial year

Material business combinations

The Group acquired an 86% interest in Principal Holdings, a United Kingdom-based independent investment management company specialising in discretionary portfolio management, during 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.

R million	Principal Fair value	Principal Carrying value[(1)]	Other Fair value	Other Carrying value[(1)]
37. Business combinations *(continued)*				
37.2 Material acquisitions of the Group consolidated in the 2008 financial year *(continued)*				
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.*

R million	2009	2008
38. Discontinued operations		
Santam Europe Limited and Westminster Motor Insurance Association Limited operations were disposed of on 15 September 2008 and 22 December 2008 respectively.		
38.1 Analysis of the result of discontinued operations		
Gross written premium	—	250
Net premium	—	26
Net insurance premium revenue	—	447
Net investment and reinsurance income	—	57
Net insurance benefits and claims	—	(425)
Expenses	—	(113)
Loss before tax	—	(34)
Taxation	—	(7)
Loss included in headline earnings from discontinued operations	—	(41)
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 relating to discontinued operations	—	25

R million	2009	2008
38. Discontinued operations *(continued)*		
38.2 Earnings per share		
Basic, from discontinued operations	—	(1,1)
Diluted, from discontinued operations	—	(1,1)
39. Impairments		
Impairment of value of business acquired	**1**	101
Principal	**(7)**	93
Other	**8**	8
Impairment of investments	**18**	77
Punter Southall Group	**(33)**	33
Sanlam Personal Loans	**51**	—
Sanlam Home Loans	—	44
Other	**60**	69
Total impairment of investments, goodwill and value of business acquired for the year	**79**	247

40. Fair value disclosures

Determination of fair value and fair value hierarchy

Below follows required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements. It should be noted that these disclosures only cover instruments measured at fair value.

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

R million	Level 1	Level 2	Level 3	Total
40. Fair value disclosures *(continued)*				
Determination of fair value and fair value hierarchy *(continued)*				
31 December 2009				
Equities and similar securities	128 015	10 645	2 910	141 570
Public sector stocks and loans	47 087	3 716	—	50 803
Listed property companies and property collective investments	4 196	1 060	—	5 256
Debentures, insurance policies, preference shares and other loans	11 212	21 565	314	33 091
Trading account assets	4 012	9 278	—	13 290
Cash deposits and similar securities	16 240	27 061	—	43 301
Total financial assets	210 762	73 325	3 224	287 311
Investment contract liabilities	—	121 994	229	122 223
Term finance	2 838	—	—	2 838
Margin business	2 733	—	—	2 733
Other interest-bearing liabilities	105	—	—	105
Trading account liabilities	3 673	9 545	—	13 218
Total financial liabilities	6 511	131 539	229	138 279

Reconciliation of movements in level 3 financial instruments measured at fair value 31 December 2009

R million	Equities and similar securities	Debentures, insurance policies, preference shares and other loans	Total financial assets
Financial assets			
Balance at 1 January 2009	2 725	272	2 997
Total gains/(loss) in statement of comprehensive income	835	42	877
Disposals	(479)	—	(479)
Foreign exchange movements	(171)	—	(171)
Balance at 31 December 2009	2 910	314	3 224

40. Fair value disclosures *(continued)*

Reconciliation of movements in level 3 financial instruments measured at fair value 31 December 2009 *(continued)*

R million	Investment contract liabilities	Total financial liabilities
Financial liabilities		
Balance at 1 January 2009	531	531
Total gain in statement of comprehensive income	(302)	(302)
Balance at 31 December 2009	**229**	**229**

	2009
Gains and losses (realised and unrealised) included in profit and loss	
Total gains and losses included in profit or loss for the period	1 179
Total gains and losses included in profit or loss for the period for assets held at the end of the reporting period	1 172

Transfers between categories

R million	Equities and similar securities	Total financial assets
Financial assets		
Transfer from level 1 to level 2	109	109

Sensitivity of level 3 financial instruments measured at fair value to changes in key assumptions

R million	Carrying amount	Effect of a 10% increase in value	Effect of a 10% decrease in value	Carrying amount	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2009						
Equities and similar securities	2 591[(1)]	259	(259)	319[(2)]	(9)	9
Debentures, insurance policies, preference shares and other loans	314	—	—	—	(27)	27
Financial assets	2 905	259	(259)	319	(36)	36
Investment contract liabilities	229	23	(23)	—	—	—
Financial liabilities	229	23	(23)	—	—	—

[(1)] *Represents mainly private equity investments valued on earnings multiple, with sensitivities based on the full valuation.*

[(2)] *Represents mainly private equity investments valued on a discounted cash flow basis, with sensitivities based on changes in the discount rate.*

Sanlam Limited Financial Statements
Sanlam Limited Statement of Financial Position

at 31 December 2009

R million	Note	2009	2008
Assets			
Investments in Group companies	2	**14 113**	14 539
Associates		**3**	3
Subsidiaries		**14 110**	14 536
Deferred tax		**5**	—
Working capital assets		**1 534**	2 211
Cash and bank		**46**	1
Loans to Group companies	2	**1 488**	2 210
Total assets		**15 652**	16 750
Equity and liabilities			
Capital and reserves			
Share capital and premium	3	**23**	23
Non-distributable reserve		**9 342**	9 342
Retained earnings		**5 941**	4 689
Total equity		**15 306**	14 054
Working capital liabilities		**346**	2 696
Accounts payable		**335**	225
Loans from Group companies	2	**11**	2 471
Total equity and liabilities		**15 652**	16 750

Sanlam Limited Statement of Comprehensive Income

for the year ended 31 December 2009

R million	Note	2009	2008
Net income		**4 908**	3 398
Dividend income		**4 855**	3 176
Investment surpluses	4	**—**	202
Other income		**53**	20
Expenses			
Administration costs	5	**(4)**	(3)
Net impairment of loans	2	**(628)**	(311)
Net impairment of investments	2	**(426)**	(388)
Profit before tax		**3 850**	2 696
Taxation		**(43)**	(21)
Normal tax		**(10)**	—
STC		**(33)**	(21)
Profit for the year		**3 807**	2 675
Other comprehensive income		**—**	—
Comprehensive income for the year		**3 807**	2 675

Sanlam Limited
Statement of Changes in Equity

for the year ended 31 December 2009

R million	Share capital	Share premium	Non-distributable reserve[1]	Retained earnings	Total equity
Balance at 1 January 2008	**24**	**931**	**9 342**	**5 313**	**15 610**
Profit for the year	—	—	—	2 675	**2 675**
Other comprehensive income	—	—	—	—	**—**
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**
Profit for the year	**—**	**—**	**—**	**3 807**	**3 807**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**—**	**—**	**(2 135)**	**(2 135)**
Shares cancelled	**—**	**—**	**—**	**(420)**	**(420)**
Balance at 31 December 2009	**22**	**1**	**9 342**	**5 941**	**15 306**

[1] *Preacquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998.*

Sanlam Limited Cash Flow Statement

for the year ended 31 December 2009

R million	Note	2009	2008
Cash flow from operating activities		**2 204**	786
Cash utilised in operations	10	**(468)**	(274)
Dividends received		**4 855**	3 176
Dividends paid		**(2 135)**	(2 095)
Taxation paid		**(48)**	(21)
Cash flow from investment activities			
Investment surpluses		**—**	202
Cash flow from financing activities			
Shares cancelled		**(420)**	(2 136)
Net increase/(decrease) in cash and cash equivalents		**1 784**	(1 148)
Cash and cash equivalents at beginning of the year		**(261)**	887
Cash and cash equivalents at end of the year		**1 523**	(261)

Sanlam Limited
Notes to the Financial Statements

for the year ended 31 December 2009

1. Accounting policies

The accounting policies of the Sanlam Group as set out on pages 267 to 287 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	**2009**	2008
2. Group companies		
Investments in Group companies – shares at lower of cost or market value	**14 113**	14 539
Current loans with Group companies	**1 477**	(261)
Loans to Group companies	**1 488**	2 210
Loans from Group companies	**(11)**	(2 471)
Book value of interest in Group companies	**15 590**	14 278
Net impairment of investments in Group companies		
Genbel Securities Limited	**259**	(284)
Sanlam Netherlands Holding BV	**(685)**	(104)
Total net impairment of investments in Group companies	**(426)**	(388)
Fair value of net investment in Group companies		
Investments in subsidiaries	**43 169**	39 024
Investment in associated company	**29**	27
Total fair value of net investment in Group companies	**43 198**	39 051
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 336.		
Loans to Group companies		
Sanlam Spec (Pty) Limited	**1 063**	2 122
Genbel Securities Limited	**110**	78
Sanlam Life Insurance Limited	**315**	—
Other	**—**	10
Loans from Group companies		
Gensec Properties Services Limited	**(11)**	—
Sanlam Life Insurance Limited	**—**	(2 471)
Impairment of loan		
Sanlam Spec (Pty) Limited	**(628)**	(299)
Real Futures (Pty) Limited	**—**	(12)
Total	**(628)**	(311)

3. Share capital and premium

Details of the share capital and premium are reflected in note 11 on page 305 of the Sanlam Group financial statements.

4. Investment surpluses

Investment surpluses relate to the distributions received from the Sanlam Demutualisation Trust in the winding up of the Trust.

R million	2009	2008
5. Administration costs include:		
Directors' remuneration		
Details of the directors' remuneration is reflected in note 24 on page 315 of the Sanlam Group financial statements.		
Auditors' remuneration		
Audit fees: statutory audit	**4**	3
Total auditors' remuneration	**4**	3
6. Dividends		
Details of the dividends declared are disclosed in note 29 on page 318 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 324 of the Sanlam Group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R7 billion (2008: R7 billion).		
9. Related parties		
Details of related parties are reflected in note 35 on page 325 of the Sanlam Group financial statements.		
10. Notes to the cash flow statement		
Cash utilised in operations		
Profit before tax	**3 850**	2 696
Non-cash flow items		
Net impairment of investments in Group companies	**426**	388
Items disclosed separately	**(4 855)**	(3 378)
Dividends received	**(4 855)**	(3 176)
Investment surpluses	**—**	(202)
Increase in net working capital liabilities	**111**	20
Cash utilised in operations	**(468)**	(274)
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 334. 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	**1 488**	2 210
Further details of risk management are disclosed in the Capital and Risk Management Report on page 218.		

Principal subsidiaries

at 31 December 2009

	%	Issued ordinary capital	Fair value of interest in subsidiaries			
			Shares		Loans	
R million	interest	2009	2009	2008	2009	2008
Long-term insurance						
Sanlam Life Insurance Limited	100	5 000	37 036	34 419	315	(2 471)
Investment and capital markets						
Genbel Securities Limited	100	253	1 600	1 341	110	78
Investment management and consulting						
Sanlam Investment Management (Pty) Limited	100	(1)	(1)	(1)	—	—
Sanlam Independent Financial Services (Pty) Limited	100	(2)	—	—	—	—
Sanlam Investment Holdings Limited	100	(2)	726	510	—	—
Sanlam Netherlands Holding BV[3]	100	2 309	2 330	3 015	—	—
Investment companies						
Sanlam Spec (Pty) Limited[4]	100	(2)	—	—	1 063	2 122
Sanlam Investments (Pty) Limited	100	(2)	—	—	—	—
Sanlam Share Incentive Trust	100	(2)	—	—	—	—
Other	100	(2)	—	—	(11)	10
Total			41 692	39 285	1 477	(261)
Aggregate profits from subsidiaries			4 397	3 027		
Aggregate losses from subsidiaries			280	533		

[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:

%	2009	2008
Shareholders' fund		
• Sanlam Life Insurance Limited	56,4	56,56
Policyholders' fund		
• Sanlam Life Insurance Limited	0,19	0,38
Total	56,59	56,94

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;
"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;

Glossary of terms, definitions and major businesses continued

"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 comprise 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 and excludes 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 amounts are only payable at maturity or on earlier death or disability. The present value of such bonuses is less than their face amounts;
"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, 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
ISIN: ZAE000070660

Notice is hereby given of the twelfth annual general meeting ("AGM") of the Members of Sanlam Limited ("the Company"), which will be held on Wednesday, 9 June 2010 at 14:00* in the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville ("the Meeting") to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

Ordinary resolutions

Ordinary Resolution No 1

1. To receive and consider the annual financial statements of the Group and the Company for the year ended 31 December 2009.

Ordinary Resolution No 2

2. To re-appoint Ernst & Young Inc, as nominated by the Company's Audit Committee, as independent auditors of the Company to hold office until the conclusion of the next AGM of the Company. It is to be noted that Mr MP Rapson is the individual and designated auditor who will undertake the Company's audit for the financial year ending 31 December 2010.

Ordinary Resolution No 3

3. To individually re-elect the following retiring directors appointed by the Board in casual vacancies or as additional directors in terms of article 13.2 of the Company's Articles of Association ("the Articles"), all being eligible, and offering themselves for re-election**:

   YG Muthien***
   TI Mvusi***
   DK Smith

   The Board recommends the re-election of these directors.

Ordinary Resolution No 4

4. To individually re-elect the following directors of the Company, who retire by rotation in terms of article 14 of the Articles, all being eligible, and offering themselves for re-election**:

   MM Bakane-Tuoane
   FA du Plessis
   JP Möller***
   PT Motsepe
   RV Simelane

   The Board recommends the re-election of these directors.

Ordinary Resolution No 5

5. To cast an advisory vote on the Company's 2010 Remuneration Policy.****

Ordinary Resolution No 6

6. To note the total amount of directors' remuneration, set out on page 71, non-executive directors and 73, executive directors for the financial year ended 31 December 2009.

Ordinary Resolution No 7

7. To consider and approve a 7% increase in all Board and committee fees including the all-inclusive remuneration package of the Chairman for the period 1 July 2010 up to 30 June 2011. The Audit Committee fees to increase by 14% for the same period.

**The meeting will start promptly at 14:00. Due to the electronic voting system, no late registrations will be allowed.*
***Refer to pages 25 and 27 of the Annual Report for a biography of each director.*
****Has a service contract with the Company.*
*****Refer to pages 54 to 57 of the Annual Report for the Remuneration Policy.*

Special resolution

Special Resolution No 1

8. To consider and, if approved, to pass, the following Special Resolution number 1:

   RESOLVED THAT:

   "In terms of article 37 of the Articles, the Company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act, No. 61 of 1973 ("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 any subsidiary of the Company;

(b) the purchase by and/or transfer to the Company or any subsidiary of the Company of any of its securities purchased pursuant to (a) 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 JSE Limited ("the JSE") Listings Requirements 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 AGM, on condition that it does not extend beyond 15 months from the date of this special resolution;
- 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 repurchases;
- 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 paragraph 11.27 of the JSE 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 No 1 is to grant a general authority to enable the Company, or any subsidiary of the Company, to acquire securities which have been issued by the Company including the transfer of such shares to the Company or any subsidiary of the 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 the Group 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 the AGM of the Company;
- the consolidated assets of the Company and the Group, 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 2009, 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 the AGM of the Company;
- the issued share capital and reserves of the Company and the Group will be adequate for the purposes of the business of the Company and the Group for a period of 12 (twelve) months after the date of the notice of the AGM of the Company; and
- the Company and the Group will have adequate working capital for ordinary business purposes for a period of 12 (twelve) months after the date of this notice.

Disclosures in the Annual Report in terms of paragraph 11.26(b) of the JSE Listings Requirements

The following disclosures are required in terms of paragraph 11.26 (b) of the JSE Listings Requirements, which appear in the Annual Report of which this notice forms part, and is provided for purposes of Special Resolution No 1:

- the Company's directors and management (pages 24 and 26);
- major shareholders (page 344);
- directors' interests in securities (page 74);
- share capital of the Company (page 305); and
- material litigation (page 325).

Directors' responsibility statement

The directors, whose names appear on (pages 24 and 26) of this Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this Special Resolution, and certify that:

- to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading;
- they have made all reasonable enquiries in this regard; and
- the above Special Resolution contains all information required.

Ordinary Resolution No 8

9. To consider and, if approved, to pass, the following Ordinary Resolution number 8:

   RESOLVED THAT:

   "Any director of the Company and, where applicable, the Company Secretary, 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 no later than 14:00 on Monday, 7 June 2010.
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) provide for an electronic voting process, for which purposes electronic handset devices will be used.

By order of the Board

JP Bester

Company Secretary

Bellville
10 March 2010

Analysis of shareholders

on 31 December 2009

Distribution of shareholding	Total shareholders Number	%	Total shares held Number	%
1 – 1 000	469 231	86,17	178 007 242	8,24
1 001 – 5 000	67 032	12,31	131 189 070	6,07
5 001 – 10 000	5 406	0,99	37 007 866	1,71
10 001 – 50 000	2 177	0,41	38 197 487	1,77
50 001 – 100 000	187	0,03	13 337 229	0,62
100 001 – 1 000 000	401	0,07	149 211 730	6,91
1 000 001 and over	130	0,02	1 613 049 376	74,68
Total	**544 564**	**100,00**	**2 160 000 000**	**100,00**

Public and non-public shareholders	% shareholding
Public shareholders (400 962)	73,63
Non-public shareholders	
Directors' interest	0,32
Employee pension funds	0,09
Sanlam Limited Share Incentive Trust	1,82
Public Investment Commissioner (SA)	13,68
Ubuntu-Botho Investments (Pty) Limited	10,46
Total	**100,00**

Shareholder structure	% shareholding
Institutional and other shareholding	
Offshore	23,35
South Africa	60,78
Individuals	15,87
Total	**100,00**

Beneficial shareholding of 5% or more:

– Public Investment Commissioner (SA)	13,68
– Ubuntu-Botho Investments (Pty) Limited	10,46
– Sanlam Life Insurance Limited	5,69

Shareholders’ diary and administration

Shareholders’ diary

Financial year-end	31 December
Annual general meeting	9 June 2010

Reports

• Interim report for 30 June 2010	September 2010
• Announcement of the results for the year ended 31 December 2010	March 2011
• Annual report for the year ended 31 December 2010	April 2011

Dividends

• Dividend for 2009 declared	10 March 2010
• Last date to trade for 2009 dividend	16 April 2010
• Shares will trade ex-dividend from	19 April 2010
• Record date for 2009 dividend	23 April 2010
• Payment of dividend for 2009	5 May 2010
• Declaration of dividend for 2010	March 2011
• Payment of dividend for 2010	May 2011

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 19 April 2010 and 23 April 2010, 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 +27(0)21 947-9111
Fax +27(0)21 947-3670

Postal Address

PO Box 1
Sanlamhof
7532
South Africa

Internet Address

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

70 Marshall Street	PO Box 61051
Johannesburg	Marshalltown
2001	2107
South Africa	South Africa

Telephone +27(0)11 373-0000
Fax +27(0)11 688-5200