Contents

The Sanlam Group

This is Sanlam

We are a leading financial services group, originally established as a life insurance company in 1918. We demutualised and listed on the JSE Limited (primary listing) and Namibian Stock Exchange (secondary listing) in 1998.

Our head office is in Bellville near Cape Town in South Africa and we have offices throughout South Africa and business interests elsewhere in Africa, Europe, India, the USA 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.

Our values

The Sanlam core values are:

- Acting with integrity;
- Growing shareholders' value through innovation and superior performance;
- Leading with courage;
- Serving with pride; and
- Caring because there is respect for one another.

Group overview

Group review

Business reviews

Business reviews

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Annual financial statements

Strategy and performance

Sanlam has five steadfast strategic focus areas:

Each of these focus areas are ultimately governed at Board level and each is dealt with by the Group Chief Executive in the opening sections of this Report. Specific material issues that have been of particular relevance over the reporting period are also highlighted in this Integrated Annual Report.

1 Optimise capital

2 Earnings growth

3 Cost and efficiencies

4 Diversification

5 Transformation

Earnings

- Net result from financial services per share increased by 23%
- Normalised headline earnings per share up 15%

Business volumes

- New business volumes up 3% to R106 billion
- Net value of new covered business up 10% to R666 million
- Net new covered business margin of 2,57%, up from 2,42%
- Net fund inflows of R22 billion up 42%

Group equity value

- Group equity value per share of R28,18
- Return on group equity value per share of 18,2%

Capital management

- Discretionary capital of R4,0 billion at 31 December 2010
- Sanlam Life CAR cover of 3,4 times

Dividends of 115 cents per share up 11%

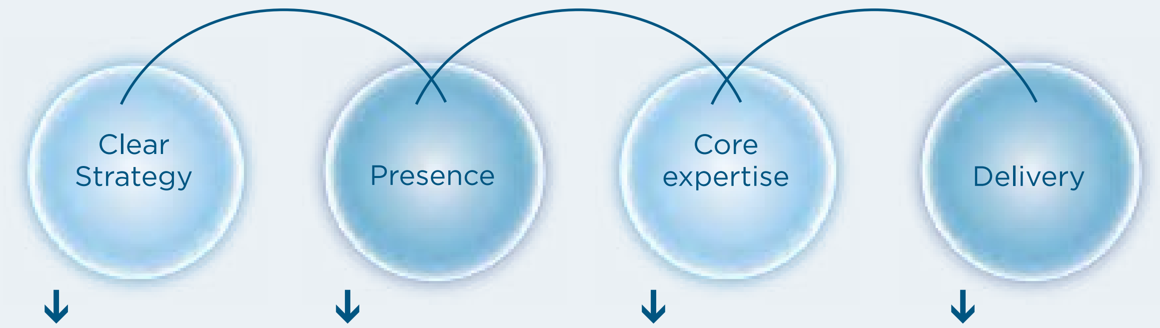
How we performed

Some corporate performances and recognition in 2010

- For the seventh year in a row, Sanlam qualified for inclusion on the JSE's Socially Responsible Investment (SRI) Index and was listed as one of the best performers for the year.
- The Investment Analysts Society of Southern Africa (IAS) named Sanlam as the company with the best financial reporting and communications in the insurance sector to the investment community in 2010. This is the 10th award from IAS since our listing on the JSE 12 years ago.
- The Ombudsman for Long-term Insurance rewarded Sanlam Life for consistent service to their office over the past 10 years. This is the first time that the Ombudsman has publicly acknowledged an insurer for service.
- Sanlam's vision is to be the leader in wealth creation and protection. Our leading position amongst our peers in this regard was confirmed by the December 2010 results of the *Company Confidence Predictor (Campbell Belman)* which also indicated our continuing improved confidence ratings in the markets.
- We earned top position in a number of categories of the Financial Intermediaries Association (FIA) Industry Recognition Awards. These awards pay tribute to those insurance product providers who receive favourable ratings in the FIA's annual intermediary satisfaction benchmark survey, conducted with almost 3 000 independent brokers.
- The *Business Times* Top-100 Companies survey, which rates companies in terms of the most wealth created for shareholders over specific periods, rated Sanlam at the top of the financial services industry in the Top-40 Index and 10th overall.
- The UK's Investment Week 2010 Fund Manager of the Year Awards named Sanlam Investments Global Fund manager, Kokkie Kooyman, the winner in the Financial Specialist category.
- Sanlam has been actively transforming ownership of the Group since 1993. At the end of 2010, black shareholding in the Sanlam Group stood at close to 20% as measured according to the formulas prescribed by the dti's BEE Scorecard.
- Our revised Group Policy on Employment Equity was approved early in 2010. In summary, we aim to increase the current total black staff complement from the baseline in 2009 of 54,08% to 62,72% by 2012. At the end of 2010, our black:white employee ratio was 60:40.

Sanlam investment case

Sanlam – provides a strong case for investors



Clear Strategy

> Driving increased returns

> Growing profitability through *(product and geographic)* diversification

Presence

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

> Leading in emerging markets

> Niche presence in developed markets, servicing existing clients

Core expertise

> Solid risk management

> Innovation resulting in market-leading solutions

> HR talent providing stability and proven track record

Delivery

> Successfully implementing the growth strategy

> Good operational performance over the long term

> Creating shareholder value – outperforming competitors

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, approximately R22,5 billion of existing capital (close to 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 2 131 tied financial advisers in South Africa servicing the middle- and upper-income markets, and 2 034 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 tied financial agents in the emerging markets with 2 356 in the rest of Africa and close to 16 000 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.

Institutional

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

Sanlam *Investments* is predominantly entrenched in South Africa, and has a presence in the US, Europe, Australia, rest of Africa and India. This presence includes traditional asset management, alternative investment solutions, 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 Investments: Capital Management,* provides risk management, debt and equity financing, structured product solutions, product development 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

Sanlam investment case continued

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 *Glacier International* and the *Sanlam Empowerment Fund,* as well as to increase the breadth of solution and distribution offering through the solutions of *Sanlam Liquid Splash Account, ICover* and *MiWay.*

Sanlam has the human resources talent to boast a stable, proven track record, having operated for 93 years in life insurance. In addition, a relatively stable executive management team has some 170 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

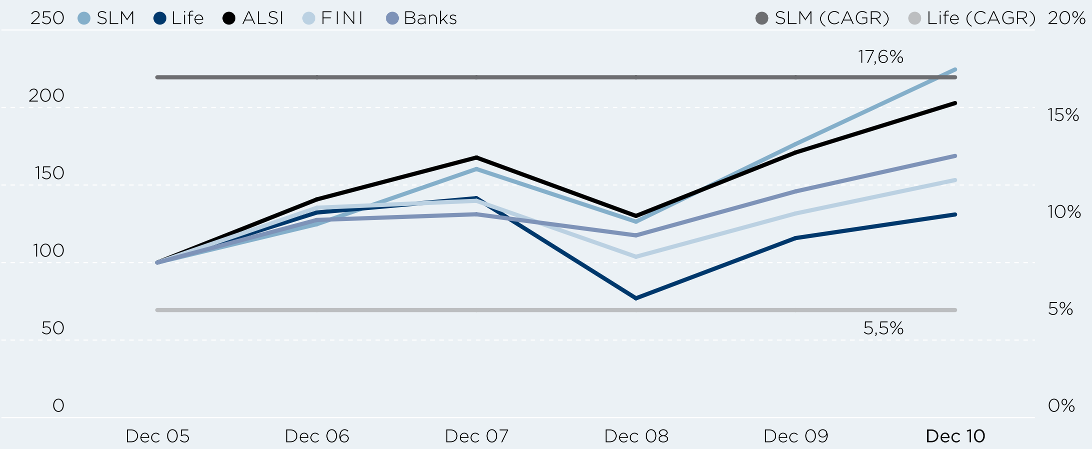
Our vision is to be the leader in wealth creation and protection. Our leading position amongst our peers in this regard was confirmed by the December 2010 results of the Company Confidence Predictor (Campbell Belman) which also indicated our continuing improved confidence ratings in the markets. We were particularly pleased that, in addition to our overall improvement in the Ethics category, Sanlam's standing in the sub-category for "living up to its promises" improved from 4th to 1st position in our financial services peer-group in December. We believe this is a commendable achievement, in which investors are clearly acknowledging 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 close to 12% higher share price returns per annum over the past five years.

Creating shareholder value



Our material issues and highlights

Material issues	2010 performance	Plans and targets
Sustainability governance and leadership		
> *Our sustainability governance structures* > *Links to corporate governance and strategy* > *Corporate code of Ethical Conduct* > *Corporate compliance* > *Commitment to King III* > *Unlawful conduct, corruption and money laundering* > *Anti-corruption and our participation in the United Nations Global Compact (UNGC) Working Group* > *Policy Analysis and engagement/ co-operation with government*	> Sanlam helped develop a set of corruption reporting guidelines, published in June 2010, as part of the UNGC working group on combating corruption. > To better apply King III recommendations, some realignments and material changes were made at the Sanlam Ltd level. > Two anti-corruption workshops were held with Sanlam RSA* employees, in partnership with Business Unity South Africa (BUSA). > The Group Ethics committee reviewed the Code of Ethical Conduct to ensure relevance to the structure of the Group and the regulatory landscape in the jurisdictions in which Sanlam operates. > The Group Policy unit published a compendium of work entitled 'Five Years of Objective Retirement Advice for South Africa 2005 – 2010, written for the benefit of South Africa's government, labour unions, NGOs, universities, corporates and the public.	> Sanlam plans to increase its forensic capacity, in support of a robust anti-corruption programme for the Group in 2011. > A further R1,5 million will be invested in a database tool being developed to screen clients against sanctions and terrorist lists. > Sanlam RSA will perform an ethical risk assessment in 2011.
How we manage sustainability		
> *Sustainability management structures, strategy and approach* > *Sustainability achievements during the year* > *Our commitment to codes and standards* > *JSE SRI Index*	> Sanlam RSA initiated a process of developing a Sustainability Management Framework including a robust set of key performance indicators. > Our first Communication on Progress (COP) report was submitted to the UNGC. > Sanlam Achieved Best Performer Level for climate change on the JSE SRI Index for 2010. > Sanlam met 100% requirement for core governance and social indicators for the JSE SRI Index.	> Sanlam RSA plans to finalise and implement its Sustainability Management Framework in 2011. > Further resources will be allocated to the implementation of the Sanlam RSA Environmental dashboard in 2011.
Engaging our stakeholders		
> *Our key stakeholder groups* > *How we interact with our stakeholders*	> Sanlam Group undertook strategic engagement with a range of stakeholders at different levels within the organisation, e.g. from Board and policy level to business-unit level, on an *ad hoc* basis.	> In 2011, we intend to develop a formal stakeholder engagement strategy and framework.

Note

The material issues were identified through an internal engagement process with management. As no stakeholder engagement specific to broader aspects of Sanlam's sustainability has yet been undertaken, these material issues have not been directly informed by stakeholder concerns. However, the various business units engage frequently with their stakeholders and these engagements inform many of the decisions made and actions taken within the business.

**Sanlam RSA refers to the Sanlam Group's businesses in South Africa. Some areas, however, relate to the entire Group and are identified as 'Sanlam', 'the Group' or 'the Sanlam Group'.*

Material issues	*2010 performance*	*Plans and targets*
Sustainable business		

> *A diverse, sustainable business*
> *Sustainable financial and operational capacity*
> *Broad-based economic contribution*
> *A transforming organisation*
> *Diversifying ownership, management and control*
	> For the period December 2005 to December 2010, the Sanlam Group outperformed all other relevant indices (Life, ALSI, Fini, Banks) by a compound average growth rate of 17,6% per annum over the five-year period.
	> Sanlam Personal Finance (SPF) reduced its policy lapses, surrenders and paid-ups from 7,2% in December 2009 to 5,9% for the same period in 2010.
	> Sanlam generated R4,3 billion for shareholders and retained R2,1 billion for future growth.
	> dti Scorecard
	  > Equity ownership score is 18,20 (2009: 18,20).
	  > Management control score is 8,16 (2009: 7,54).
		> Sanlam RSA is gearing resources to adapt to changes that the Statement of Intent (SOI), the anticipated Treating Customers Fairly legislation and the new National Health Insurance system will bring.
		> Sanlam will be examining overlaps and synergies between businesses to ensure efficiencies are maximised.
		> Focus will be directed to the formalisation of record-keeping systems to improve BBBEE information consolidation.
		> BBBEE plans:
		  > We aim to maintain our newly achieved level 3 status by improving our systems and targets.

Motivated employees		

> *Employee performance*
> *Workplace transformation and diversity*
> *Skills development and career progression*
> *Conducive working environment*
> *Employee health and safety*
	> Sanlam RSA's black employee complement has now reached 60% of total staff in line with our targets, and 86% of the new appointments made during 2010 were black.
	> Sanlam RSA invested R58 476 431 in employee training and skills development (1,77% of the leviable amount, down from 1,9% in 2009).
	> Sanlam RSA invested R1 271 834 in formal coaching initiatives (94 employees), and R4 970 241 in management development initiatives (913 employees).
	> SPF initiated a disability learnership with 18 participants.
	> The number of new recruits with a degree or three-year diploma has increased by over 84% since 2009.
	> Senior managers and staff members identified as "future leaders" completed a survey on the business culture to identify well-performing areas and areas needing attention.
	> dti Scorecard
	  > Employment equity score is 6,74 (2009: 4,04).
	  > Skills development score is 9,55 (2009: 9,46).
		> Sanlam RSA plans to obtain accreditation as 'Investors in People' for the Investment cluster.
		> The new Employment Equity targets for 2012 will be finalised in the first quarter of 2011.
		> Development is underway for a Graduate Leadership Programme (GLP) for 2011.
		> There will be a Group-wide focus on further entrenching the business culture to align this to Sanlam's business strategy.

Our material issues and highlights continued

Material issues	*2010 performance*	*Plans and targets*
Dependable products and services		
> *A diverse, sustainable product portfolio* > *Broadening access to financial services* > *Appropriateness and competence of sales advisers* > *Client education and literacy* > *Client service levels* > *Dealing with client complaints*	> Sanlam Developing Markets (SDM) sold just over 760 000 individual life policies in South Africa and internationally. > SDM activated 104 new retail stores in partnership with the JD Group. > SPF increased the total complement of advisers by 12%. > SPF runs an Internal Training Academy that cost R29,2 million in 2010, as well as providing free broker training and examinations, which cost R352 000. > Sanlam won a number of client service awards from Business Processing Enabling South Africa (BPESA). > SPF's Client Relations unit was commended by the Ombudsman for Long-term Insurance for being the organisation that best supported the Ombudsman over the last 10 years.	> Sanlam aims to grow the Sanlam Cobalt Financial Literacy Campaign by 30% during 2011.
Responsible investment		
> *ESG-based investment decision-making and progress against the UN-PRI* > *Socially Responsible Investment funds* > *Financing empowerment and investing in infrastructure* > *Responsible property management*	> Sanlam voluntarily completed the United Nations Principles for Responsible Investment (UN-PRI) survey in May 2010. > Sanlam Investment Management (SIM) was rated fourth out of the nine measured equity funds and second out of the five measured bond funds according to an Alexander Forbes investment performance survey for the year ending December 2010. > SIM was proud to host the Information Management Network's (IMN) Inaugural African Cup of Investment Management conference. > Sanlam Personal Finance launched the Empowerment Fund. > Sanlam Private Investments launched the Shariah fund.	> Sanlam Multi Managers will be launching a new SRI product in 2011.
Responsible procurement		

> *Our procurement policy*
> *BBBEE procurement*
> *Enterprise development*
	> Strategic sourcing has brought about considerable efficiencies in terms of cost, bringing over R180 million in benefits to the Group during 2010.
	> Total unweighted procurement spend for 2010 was R9,3 billion.
	> 80,46% of Sanlam RSA's procurement on a weighted basis came from BBBEE-certified suppliers.
	> Our supplier selection process now includes a screening tool, currently being aligned with policy requirements.
	> dti Scorecard
	    > Preferential procurement score is 17,29 (2009: 15,46).
	    > Enterprise development score is 15,00 (2009: 15,00).
		> Sanlam RSA plans to implement a web-based system that allows suppliers to upload their own BBBEE certificates.
		> Sanlam RSA is entrenching environmental selection processes.
		> Further research will be done into maximising web-based solutions that will lessen the need for business travel.
		> There will be a particular focus on supporting the growth and upliftment of black entrepreneurs through our procurement practices, focusing on black female-owned businesses.

Material issues	*2010 performance*	*Plans and targets*
Prosperous society and community		
> *CSI and SED* > *Sponsorships that focus on society and communities*	> CSI spend was R19,3 million, which represented 0,52% of Group net profit after tax. This excludes Santam's CSI spend. > The CSI unit reviewed and adjusted the CSI strategy, narrowing investments from 23 projects in 2010 to 13 projects going forward. The 2011 – 2015 CSI strategy was finalised. > Takalani Sesame reached 25 million children, and Sanlam spent over R9,5 million on this initiative in 2010. > dti Scorecard > Socio-economic development score is 2,81 (2009: 2.84).	> We aim to establish the Sanlam Foundation in 2011.
Healthy bio-physical environment		
> *Report of the Group Environment committee* > *Our Carbon Footprint* > *Resource consumption and efficiency* > *Environmental targets*	> The Group Environmental Policy was refined through a consultative process. > Sanlam RSA used an independent consultancy to measure the 2010 carbon footprint of its six largest buildings, covering 68% of total Sanlam RSA full-time equivalent employees. > Sanlam RSA's CO_2 emission for 2010 calculates to 11,77 metric tonnes per full-time equivalent employee. > For the third consecutive year, we declared our carbon footprint publicly by submitting our 2009 data to the CDP. > Sanlam head office recycled about 61% of all waste. > Sanlam invested R3,1 million in the World Wide Fund for Nature (WWF) partnership. > Sanlam spent over R3,2 million on various resource efficiency initiatives at the head office.	> The Group Environmental Policy will be signed off early in 2011. > New resource reduction targets will be set for Sanlam RSA. > A core focus will be the positioning of Sanlam RSA as a corporate leader in, and champion of, environmental sustainability.

Sanlam Group at a glance

	Scope of business
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, health management, personal loans, linked products, money transfer, debit card, savings facilities and financial services in South Africa and Namibia. > ***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 *(seven other African countries as well as India)*. > ***Sanlam UK*** provides life, specialist pension, investment management and financial advice services in the United Kingdom market.
Institutional cluster	**The Institutional cluster includes the sub-clusters of Asset Management, Wealth Management, Sanlam Investments Capital Management, Employee Benefits, International Investments and Investment Services.** > The cluster provides individual and institutional clients access to a comprehensive range of specialised investment and risk management expertise. Areas of expertise include local and international asset management, private equity, hedge funds, financial engineering, employee benefits and property investments. > Apart from in South Africa, the cluster offers these solutions and services in the Rest of Africa, India, Australia, Europe and the USA.
Short-term Insurance cluster	**The Short-term Insurance cluster is comprised of a 57% shareholding in Santam (which acquired MiWay from Sanlam in 2010) and a 26% stake in Shriram General Insurance in India.** > The cluster focuses on the corporate, commercial and personal markets through broker networks and, through MiWay, on short-term insurance through a direct sales channel. Santam has related business interests elsewhere in Africa.
Corporate	**The corporate head office is responsible for the Group's centralised functions, which include strategic direction, financial and risk management, group marketing and group communications, group human resources and information technology, group sustainability management, corporate social investment and general group services.**

Contribution to net Group operating results	Contribution to Group new business volumes	
R1 979 million	**R38 288 million**	
R861 million	**R53 571 million**	
R575 million	**R13 667 million**	
(R112) million		

Sanlam Group five-year review

		2010	2009[1]
Group Equity Value			
Group Equity Value	R million	57 361	51 024
Group Equity Value	cps	2 818	2 473
Return on Group Equity Value per share	%	18,2	16,2
Business volumes			
New business volumes	R million	105 526	102 928
Life business		18 379	18 009
Investment business		67 901	65 835
Short-term insurance		13 667	12 896
New business volumes excluding white label		99 947	96 740
White label		5 579	6 188
Recurring premiums on existing business	R million	17 754	16 093
Total inflows	R million	123 280	119 021
Net fund flows	R million	22 026	15 499
SIM funds under management	R billion	491	441
New covered business			
Value of new covered business	R million	762	689
Covered business PVNBP	R million	27 334	26 365
New covered business margin	%	2,79	2,61
Earnings			
Gross result from financial services	R million	5 396	4 229
Net result from financial services	R million	3 303	2 705
Retail cluster		1 979	1 694
Sanlam Personal Finance		1 715	1 498
Sanlam Developing Markets		218	163
Sanlam UK		46	33
Institutional cluster		861	890
Sanlam Investments		489	516
Sanlam Employee Benefits		171	154
Capital Management		201	220
Short-term insurance		575	242
Corporate and other		(112)	(121)
Core earnings	R million	4 154	3 681
Normalised headline earnings	R million	5 143	4 485
Headline earnings	R million	5 122	4 429
Net result from financial services	cps	161,5	131,8
Core earnings	cps	203,1	179,3
Normalised headline earnings	cps	251,5	218,5
Diluted headline earnings	cps	252,4	218,4
Group administration cost ratio	%	29,60	27,70
Group operating margin	%	19,80	16,90
Other			
Dividend	cps	115	104
Sanlam Life Insurance Limited			
Shareholders' fund	R million	40 521	37 036
Capital adequacy requirements (CAR)	R million	7 375	7 675
CAR covered by prudential capital	times	3,4	3,1
Office staff (excluding marketing staff)	No of persons	11 438	9 457
Foreign exchange rates	R		
Closing rate			
Euro		8,88	10,56
British pound		10,36	11,89
United States dollar		6,62	7,36
Average rate			
Euro		9,68	11,62
British pound		11,29	13,04
United States dollar		7,30	8,31

(1) *Restated for effect of change in accounting policy of Channel Life.*

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

2008	2007(2)	2006	Average annual growth rate %
45 238	51 293	46 811	5
2 213	2 350	2 047	8
(1,7)	18,8	31,0	
100 136	102 004	80 648	7
18 268	17 408	13 933	7
63 222	64 193	48 574	9
12 165	11 407	10 203	8
93 655	93 008	72 710	8
6 481	8 996	7 938	(8)
15 870	14 906	13 761	7
116 006	116 910	94 409	7
9 122	11 363	(7 451)	
409	454	406	5
698	567	434	15
26 033	23 886	20 308	8
2,68	2,37	2,14	
4 260	4 539	4 098	7
2 802	3 029	2 605	6
1 757	1 690	1 497	7
1 555	1 418	1 290	7
144	227	207	1
58	45	—	—
737	1 086	921	(2)
589	869	730	(10)
183	123	50	36
(35)	94	141	9
439	372	331	15
(131)	(119)	(144)	(6)
3 870	4 146	3 365	5
1 966	5 199	6 633	(9)
2 702	4 833	6 838	(7)
133,8	133,3	110,8	10
184,8	182,4	143,1	9
93,9	228,7	282,0	(6)
132,2	220,8	304,9	(5)
28,40	27,8	27,1	
18,40	20,8	21,1	
98	93	77	11
34 419	37 933	34 197	4
8 075	7 525	5 800	
2,7	3,5	4,4	
9 969	9 393	9 037	6
12,85	9,99	9,30	(1)
13,33	13,61	13,81	(7)
9,24	6,83	7,05	(2)
11,98	9,65	8,43	4
15,07	14,10	12,35	(2)
8,13	7,04	6,73	2

Chairman's report

Desmond Smith
Chairman

"Since listing in 1998, Sanlam has returned phenomenal value to shareholders. The share price reached an all-time high closing price of R28,29 in February 2011, a long way from its listing 12 years ago at R6."

In 1997 when I left Sanlam after 30 years of service, the Group had just started shifting direction towards a new path of major change – embarking on a significant journey to become a world-class financial services group. At the time Sanlam was considering demutualisation and a stock exchange listing, together with a radical repositioning of its financial services offering.

Much has been achieved over the past 12 years to fulfil this ambition. Clearly evident in the Group's results is the big focus on diversification across different markets, countries and offerings. I therefore feel honoured to have been elected to the position of Chairman of this world-class operation.

The five-pillar strategy introduced by Johan van Zyl in 2003 – optimal capital utilisation, earnings growth, costs and efficiencies, diversification and transformation – has propelled the Sanlam Group towards achieving its goal of becoming a trusted world-class financial services group. The same strategy also produced a business model that provided the Group with the resilience to weather the global financial crisis when it struck in 2008. Therefore, despite the difficult conditions that marked the past three years, the Sanlam Group remains an organisation underpinned by an exceptionally strong operational core.

Since joining the Sanlam Board in 2009, I have been particularly impressed by the calibre of people managing the company. Sanlam boasts incredible depth of management, and not just at executive level. The competence, skill, integrity and loyalty displayed by our staff on all levels are a source of comfort and optimism.

I am also very pleased with the level of transformation that has taken place at Sanlam in a relatively short period of time. While more must be done, I am encouraged by Sanlam's true commitment to transforming the company. In 1992, the first English-speaking Managing Director was appointed. Today, 60% of Sanlam's staff members are black and in 2010, 86% of new people appointed were black.

In 2010 our Board comprised three black females, five black males, one white female and eight white males.

Delivering shareholder value

Since listing in 1998, Sanlam has returned phenomenal value to shareholders. The share price reached an all-time high closing price of R28,29 in February 2011, a long way from its listing 12 years ago at R6. The share price ended 2010 at R27,92. This represents growth of 365% over this 12-year period (excluding the additional return of annual dividends) compared with the SA Life Assurance Index which grew by 49% over the same period. This translates into an average return per annum of 13,6% for Sanlam, significantly outperforming our peer group which generated an average annual return of 3,3%.

Despite a difficult operating environment, Sanlam delivered a pleasing operating performance in 2010 and continued traction in respect of growth, efficiencies and capital management.

Our growth over the past two years has not been spectacular, but despite world events and the impact on the markets in which we are represented we nevertheless delivered a sound performance. While it was prudent for Sanlam to shift focus from strong growth to consolidation over the past two years, the time is now right for us to renew our ambitions and invest some of the Group's discretionary capital more aggressively in growth opportunities.

Board review

The assessment of the effectiveness of the Sanlam Board, its committees and its chairman was conducted by Deloitte in the latter half of 2010. Feedback provided indicates that our Board is conducting its business very effectively.

I would like to commend my fellow Board members and the executive management team of Sanlam for maintaining a very open, honest and transparent relationship. This approach has played a fundamental role in ensuring a shared understanding of the issues facing the Sanlam Group and what we are trying to achieve.

I am also particularly appreciative of the diversity of thinking displayed by my fellow Board members and

Chairman's report continued

the executive management team. At the helm of Sanlam is a group of people with very differing views who are not afraid to speak their minds. This leads to constructive debate around issues that affect the future of the company and the role it plays in the wider context of the country's economy and society in general. In this same group there is, however, also a congruency of strategy and values, which is critical.

Doing business in an ethical way is one of the values to which we stringently adhere. For this reason Sanlam has in place a Code of Ethics, which requires the submission of a full report to the Board every year. Ensuring that our clients are treated fairly is equally important to the Sanlam Board. We are proud to have in place a Board Policyholders' Interest committee, tasked with ensuring that our policyholders are treated fairly across all levels of our business.

As at the end of the 2010 financial year, the Sanlam Board had 17 members: 11 were independent non-executives (in accordance with King III's 'independence' standards), two were non-executives, and four were executive directors. The classification of directors as independent is reviewed annually. The average length of service by the directors was five years and eight months. In June 2010 we said goodbye to Roy Andersen, who had held the reins for six years. I would like to express my gratitude to Roy for his contribution to the Sanlam Group during his term of office.

I would also like to thank JP Bester, former Company Secretary for Sanlam Limited and Magda Lombard, former Company Secretary for Sanlam Life, for their service to our Boards and committees over many years. At the same time, I would like to welcome Sana-Ullah Bray who has joined us from 1 January 2011 in both these positions.

Good governance and disclosure

In the aftermath of the global financial and economic crisis, experts around the globe agreed that in combination a number of regulatory failures allowed the crisis to proliferate and spread the way it did.

In response, the leaders of the Group of Twenty (G20) started driving international reform initiatives aimed at improving financial regulation in the major areas that had contributed to the crisis. As a member of the G20, South Africa holds a seat on the G20's Financial Stability Board – the international advisory body on regulation and financial stability. As a contributing policymaker, South Africa is therefore in a position to influence the international reform debate. Conversely, South Africa also has a responsibility to implement policy in line with the Financial Stability Board's recommendations.

Therefore, even though the South African financial services industry displayed incredible robustness throughout the global meltdown, not suffering a single casualty, we will not escape the torrent of new regulations descending upon all players in the financial services industry.

Global thought leaders agree that in this regard four key developments will shape the next decade:

> Convergence of actuarial standards

The International Actuarial Association (IAA), of which South Africa is a member, has appointed a task force to develop a strategy in this regard.

However, Solvency II is to an extent already driving actuarial convergence in the insurance space. The Financial Services Board (FSB) established the Solvency Assessment and Management (SAM) Project towards the end of 2009 with the aim of developing a South African equivalent solvency regime based on Solvency II. A 2014 implementation date is expected.

> Increasing government intervention and assertiveness through regulatory reform

In South Africa a host of regulatory reforms are already in the pipeline, including the Solvency Assessment and Management (SAM) Project, the regulation of credit rating agencies, the amendment of asset spread regulations of retirement funds and the Treating Customers Fairly programme.

> Convergence of accounting and reporting standards

It is generally accepted that internationally, accounting and reporting practices fall short of meeting the information needs of stakeholders. However, in South Africa the King Code of Governance (King III) has addressed many of these shortcomings through its integrated reporting requirements, which aim to provide stakeholders with an integrated and comprehensive view of the company by including social, environmental and economic performance along with the company's financial performance. South Africa is among the first countries in the world to require integrated reporting of listed companies. The Sanlam Board supports King III and the Group therefore commenced implementing the King III recommendations throughout the business during 2010. This, our first Integrated Annual Report, for example, already strives to comply with the King III reporting requirements. We are also supportive of the Integrated Reporting Committee (IRC) formed in 2010, which aims to set standards on integrated reporting in South Africa.

With more than 98% of our current water availability already allocated for use, South Africa's water balance is precariously poised.

> Competitive realignment of companies post the global financial meltdown

Companies across all sectors revisited their strategies and reprioritised following the global crisis. Many returned to their core business and started selling off assets that posed a risk and did not fit the new company profile. As you know the Sanlam Group responded by taking the foot off the growth accelerator and retaining discretionary capital to buffer its operations during the crisis, but at no point was there a change to the Sanlam strategy. Our five-pillar strategy remains firmly in place and continues to enjoy the support of the Sanlam Board.

Geared for a sustainable future

As mentioned earlier, this Integrated Annual Report, together with the 2010 Sustainability Report, is our first

Chairman's report continued

effort towards integrated reporting in line with King III recommendations and the Discussion Paper on Integrated Reporting released by the Integrated Reporting Committee.

Our aim is to continually improve our reporting efforts with the aim of demonstrating effectively the Sanlam Group's long-term viability across financial, economic, environmental and social dimensions. We will therefore adapt and refine our reporting processes in the 2011 reporting cycle. To help with this process, we are currently developing a Sustainability Management Framework that will start to improve our information and data co-ordination and collection across the Group.

Sustainability has many facets, and not all of them are always obvious. To me, good governance and unwavering ethics are the fundamental cornerstones of a sustainable business.

Since joining the Sanlam Board some 18 months ago, I have encountered governance structures that are comprehensive and a leadership with high moral values and integrity. With such strong principles underpinning the operation, Sanlam is, in my opinion, superbly placed to address the challenges facing the business, the industry and society in the long run.

We have the structures in place to ensure that the Group responds appropriately to growing stakeholder demands for broad-based corporate accountability on environmental, social and governance (ESG) issues. Sanlam's approach regarding many of these issues is already well entrenched in the way it does business, and the Board Sustainability committee provides robust oversight and direction regarding the ESG and transformation implications for the business.

The Group also has a dedicated Sustainability department to monitor trends and ensure that Sanlam moves progressively towards a more integrated approach to managing and reporting on the spectrum of so-called sustainability indicators.

I would like to single out three of these indicators:

> Our people

Sanlam's people are its backbone and the Group pays great attention to attracting, developing and retaining the many skills it requires to remain a leading financial services organisation. Sanlam places enormous emphasis on the quality of its people, not only in terms of their expertise but also their values, ethics and approach. Sanlam encourages a performance driven environment with strong focus on getting things done. To this end, people are given the accountability and responsibility, underpinned by a clear ethical framework and solid support structures.

> Transformation

Sanlam is making very pleasing progress in terms of its broad-based transformation, as reflected by the BEE Scorecard in this Integrated Annual Report. Given the diverse skills required by the Sanlam business, challenges remain, particularly in terms of recruitment at the senior and middle management levels.

> Social responsibility

I am resolute in my belief that anyone in a privileged position – whether individual or corporate – has a moral obligation to plough back into society. Sanlam leads by example in this regard. The Group's annual reporting highlights

some of the contributions it makes at corporate level to a range of social, developmental and environmental initiatives through CSI and sponsorship projects. But I am even more encouraged by the contributions that so many members of our staff make to their communities – whether financial or by way of personal commitment, sacrifice and community service. When corporate, employee and community interests and actions intersect, that is the mark of a truly sustainable society.

In closing

In the 1960s, at the start of my career, I was introduced to the following quote by philosopher and author Francis Bacon: "I hold every man a debtor to his profession." Since then I have lived my life believing in giving back to the profession, the institution and the industry that have shaped my professional life and provided me with the vast opportunities that I have enjoyed.

As chairman of Sanlam I have been given the opportunity of working with an organisation that has achieved trusted world-class status in 12 short years to make a difference in a country that is currently grappling with achieving sustainable growth for the benefit of its people.

We have in place the ingredients for sustainable growth within our own organisation and I believe we can assist the country in achieving the same. We are, after all, engaged in a symbiotic relationship where one depends on the other. Sanlam is an important stakeholder in an industry that is the custodian of more than R3 trillion of the country's savings and requires a growing economy and stable political environment to achieve its strategic objectives. Equally, the country depends on companies like Sanlam to safeguard existing savings and help expand the savings pool to achieve economic growth.

South Africa is ranked 30th from the bottom of all nations in terms of water availability per capita.

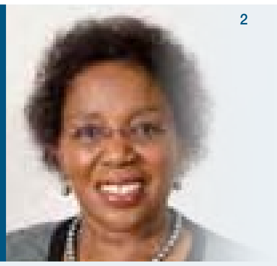
In 2010, South Africa surprised even its most fervent critics by staging one of the most successful Soccer World Cup tournaments ever hosted. With this we have proved that we can make the seemingly impossible possible when focusing on the task at hand. But, while last year it was about delivering a world-class soccer tournament, the future is all about making South Africa sustainable and viable for generations to come. I believe that together we can achieve this.

A sincere thank-you goes to our shareholders and other stakeholders for their support and for believing in the resilience of the Sanlam Group. I would also like to express my gratitude to my fellow Board members, as well as Johan van Zyl and his management team for leading this organisation with vision, courage and integrity.

Desmond Smith

Chairman

Sanlam board of directors and committee memberships



1 Desmond Smith
2 Manana Bakane-Tuoane

3 Anton Botha
4 Attie du Plessis
5 Fran du Plessis

Independent non-executive directors

Desmond Smith (63) (Chairman)

Director since 2009

Qualifications: *BSc, Fellow of Actuarial Society of SA, ISMP (Harvard)*

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

Major external positions, directorships or associations: Reinsurance Group of America (SA), Medi-Clinic Corporation, InnovUS Tegnologie Oordrag, Stellenbosch Institute for Advanced Studies, Road Accident Fund, International Actuarial Association (President-Elect).

Manana Bakane-Tuoane (62)

Director since 2004

Qualifications: *PhD Economics (University of Saskatchewan, Canada)*

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

Major external positions, directorships or associations: African Rainbow Minerals.

Anton Botha (57)

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.

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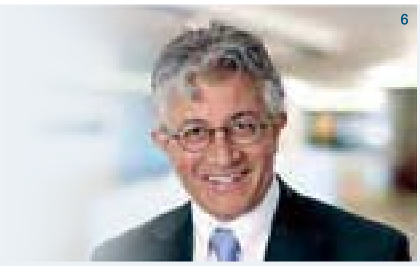

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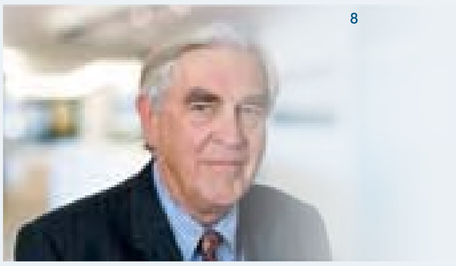

6 Valli Moosa
7 Sipho Nkosi
8 Ian Plenderleith
9 George Rudman

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Attie du Plessis (66)

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.

Major external positions, directorships or associations: Punter Southall.

Fran du Plessis (56)

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 (54)

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, Sappi Ltd.

Sipho Nkosi (56)

Director since 2006

Qualifications*: BCom (Hons) Economics, MBA, Diploma in Marketing, AMP (Oxford)*

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 (67)

Director since 2006

Qualifications: *MA (Oxon), MBA (Columbia), FCT, FCSI, CBE*

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

Sanlam Group directorships: Sanlam UK.

Major external positions, directorships or associations: Past Deputy Governor of the SA Reserve Bank, Past Executive Director of the Bank of England, BH Macro, BMCE Bank International, Europe Arab Bank, Invoice Clearing Bureau South Africa, Wits Business School Advisory Board, British Museum Friends.

George Rudman (67)

Director since 2001

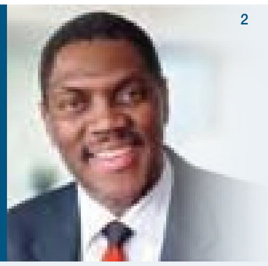
Qualifications*: BSc, FFA, FASSA, ISMP (Harvard)*

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

Sanlam Group directorships: Santam.

Sanlam board of directors and committee memberships continued

1 Bernard Swanepoel
2 Lazarus Zim



3 Patrice Motsepe
4 Rejoice Simelane

Bernard Swanepoel (49)

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 (50)

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 Iron Ore, Afripalm Resources, Northam Platinum, Mvelaphanda Resources, Sahara Computers.

Non-executive directors

Patrice Motsepe (49) (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 (58)

Director since 2004

Qualifications: *BA (Econ and Accounting); (UBLS), LLB (Unisa), PhD (Econ; Connecticut, USA)*

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

Major external positions, directorships or associations: African Rainbow Minerals, Ubuntu-Botho Investments, Mamelodi Sundowns Football Club, Council for Medical Schemes.

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5 Johan van Zyl
6 Kobus Möller
7 Yvonne Muthien
8 Temba Mvusi

Executive directors

Johan van Zyl (54)

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, Sanlam UK, 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 (51)

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, Risk and Compliance.

Sanlam Group directorships: Sanlam Capital Markets, Sanlam Developing Markets, Sanlam Investment Management, Channel Life, Santam, Sanlam UK, MiWay Group Holdings.

Yvonne Muthien (54)

Chief Executive: Group Services

Qualifications: *BA (Hons) (UWC), MA (Northwestern), DPhil (Oxford)*

Executive Director since December 2009

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

Sanlam Group directorships: Santam.

Major external positions, directorships or associations: Trustee and Director of Sasol Inzalo Foundation, Chairperson of the President's Advisory Council on National Orders.

Temba Mvusi (55)

Chief Executive: Group Market Development

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

Executive Director since December 2009

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, Walter Sisulu University, Bishops Cape Town.

Report by the group chief executive

Is the Sanlam business sustainable? If yes, is it contributing in a meaningful way to the sustainability of those who support it and keep it relevant?

The word sustainability is derived from the Latin *sustinere*, which means to hold up. In the English language there are several definitions for sustainability, depending on your dictionary. There is, however, one that struck a chord with me: "Sustainability is the capacity to endure."

To rephrase the opening question, is Sanlam capable of enduring? And is Sanlam assisting its clients, its distribution channels, its employees, its investors, and the country to endure?

Our results certainly show that we have endured, not only in 2010, but also in 2008 and 2009. The Sanlam Group has displayed consistent resilience, powered by a robust strategy, in the three most trying years since I took over as Chief Executive of the Sanlam Group eight years ago. In 2008 the world's financial systems came severely unglued. In 2009 the world remained in crisis and South Africa was not spared. In 2010 some cautious optimism surfaced, but the operating environment remained extremely tough.

Our final results for 2010 confirm that Sanlam is a sustainable business that has achieved growth even under the most challenging conditions. The year under review was marked by the impact of lower short-term interest rates, a stronger rand, and a tougher claims environment. Despite this the Group's gross value of new business (VNB), a key indication of profitable new business growth in our life insurance business, grew by 11% to R762 million. New business flows were up by 3% on 2009, and net operating profit increased by 22% to R3,3 billion.

Our strategy, which has proved resilient and sustainable, was fundamental in helping us to once again deliver a solid set of results. The five pillars that continue to make up our strategy are: optimal capital utilisation, earnings growth, costs and efficiencies, diversification and transformation. By focusing resolutely on these five pillars, we have achieved market-leading growth over the past seven years and have transformed Sanlam into an efficient and profitable company with a healthy capital position.

Performance highlights

The Group showed strong resilience in an ongoing adverse business environment to achieve satisfactory operating results for 2010. The diversified nature of our operations contributed to strong operational performances from our retail life businesses and our short-term insurance operation Santam. This largely offset some deterioration in the operating results of the investment, employee benefits and capital market operations. Despite the pressure on earnings in 2010, the core operations of all the major Group businesses remain sound.

The following are some of the salient results:

- Net result from financial services per share up 23%
- New business volumes increased by 3% to R106 billion
- Gross VNB margin of 2,79% compared to 2,61% in 2009
- Return on Group Equity Value per share of 18,2%
- Dividend per share increased by 11% to 115 cents

2010 – How did we do?

The year under review was a roller-coaster ride, but this did not come as a surprise. Most of Sanlam's major focus regions struggled with GDP growth, with the exception of India. Africa and the UK proved particularly sluggish.

Johan van Zyl
Group Chief Executive

“Sustainability is the capacity to endure.”

In 2010 South Africa was trying to recover from its first recession in 17 years, which struck in 2009, and which left our country reeling from more than one million job losses. Despite having experienced a buoyant first quarter, economic growth in South Africa slowed markedly in the second and third quarters, with the 2010 FIFA World Cup providing only a brief spurt in spending.

Globally, the defining event of 2010 was the developing sovereign debt crisis in Europe, bringing with it the possibility of a second leg to the global banking crisis emanating from European banks’ exposure to credit-impaired sovereign bonds. Unresolved imbalances in the global economy caused further tension, resulting in currency war accusations flying between the US and China. The inability of the G20 to resolve the issue of global imbalances raised fears of the adoption of protectionist measures that would set back global growth prospects.

Emerging markets suddenly looked attractive, being able to provide better economic fundamentals than many of the developed countries. Increased capital flows to emerging markets, including South Africa, caused currencies to appreciate sharply in response. The rand was no exception.

The financial markets had a major impact on our reported results in 2010:

Report by the group chief executive continued

> The rand maintained its strength for most of 2010 and appreciated against the currencies of most of our foreign businesses. This impacted negatively on the financial results of our businesses in the UK, India and the rest of Africa.

> Despite the strong rebound in equities from September 2010, the equity market underperformed on a relative basis in 2010 compared to the strong performance in 2009, impacting negatively on headline earnings. Lower volatility also limited profitability in our capital management operations. However, average equity market levels were substantially higher in 2010 than in 2009, resulting in higher asset-based fee income.

> The average short-term interest rate in 2010 was 2% lower than in 2009. This had a significant impact on the Group's interest earnings from working capital, resulting in substantially lower contributions to operating results and the net result from financial services. Net investment returns on cash in the capital portfolio were also lower. Money-market funds were less attractive and this decreased fund flows to our investment and savings businesses. Sales of guaranteed products in the single premium space were considerably lower as a direct result of the lower interest rate environment.

> While lower interest rates brought some relief for debt-ridden consumers, the high cost of living combined with high levels of unemployment resulted in a subdued demand for retail financial products, mainly in the middle, self-employed and professional markets. Affluent market sales, however, showed good growth.

We are exceptionally proud of the fact that Glacier by Sanlam, our affluent market offering, became the platform provider of choice in 2010, especially for brokers. Since 2006 it has grown from the third biggest platform to the biggest by the end of September 2010. Glacier reached gross sales of R15,8 billion for 2010.

Similarly, Sanlam Private Investments (SPI), our investment house that manages assets for affluent private individuals and other entities, managed to attract a net inflow of R5 billion for 2010, despite the downturn in the markets. This business has proved that it is capable of performing well on a sustainable basis.

Despite the economic challenges for consumers, we managed to maintain one of the best retention rates in the industry. Overall persistency and retention levels continued to improve, with 2010 levels the highest ever. We attribute this largely to our client-centric approach, which includes providing clients with appropriate financial advice.

2010 – Key achievements

> Sanlam International Investment Partners (SIIP) manages Sanlam and external client international assets of more than US$4,5 billion. SIIP continued its strategy of acquiring stakes in carefully selected, specialist investment management businesses during 2010, buying a stake in Centre Asset Management, a New York-based equity manager, as well as in Exclusive Holdings, a European property manager.

> Glacier International, the international division of Glacier by Sanlam, was launched at the beginning of 2010 in partnership with US-based Milliman, one of the top risk management companies in the world. This new offering was set up to provide affluent South African clients with innovative ways of investing offshore. The new offering became available in October 2010 and we are confident that this offering will rapidly gain traction.

> Key to the sustainability and ongoing growth of Sanlam UK is the success of the new Sanlam UK

Distribution Services division. This division was set up early in 2010 to assist its underlying businesses in achieving greater new business volumes by providing intermediary agencies with expert support in the fields of tax, risk management and business consultancy. Sanlam UK will also be leveraging off the strength of the Sanlam brand, which has become well recognised and respected in the UK, by rebranding and repositioning its subsidiaries in the first half of 2011.

> Sanlam Personal Finance (SPF) launched the pilot version of our new Sanlam Empowerment Funds in October 2010. These funds offer black clients access to empowerment funding asset classes and direct investment into BEE deals. Initial feedback from the market has been positive.

> Sanlam Personal Loans (SPL) expanded its client database to offer loans to selected Sanlam clients in the lower middle market from November 2010. SPL also started a pilot project offering loans to selected Sanlam clients in the entry-level market as well as the segment of the middle market with a poorer credit history.

> As part of our strategy to tap into new markets, SDM made good progress with a number of new initiatives in 2010. These include launching a new life company in Uganda, acquiring a stake in NICO Life in Malawi and finalising a partnership with First Bank in Nigeria. In addition, Safrican performed very well. The group risk business and agency force in Sanlam Sky Solutions performed above expectation. SDM also managed to establish a medical business, Sanlam Health International in 2010 which is operational in a number of African countries. In South Africa, SDM also launched *icover* which provides affordable and easily accessible funeral cover to low income earners.

The intensity of flood and drought events is predicted to increase. These events will have direct economic impacts through flood damage and water shortages during drought periods.

> SDM's joint venture with the JD Group became operational during 2010.

> The sale of MiWay, the new direct short-term insurance venture, to Santam was finalised in 2010. Santam will reimburse Sanlam's investment of R240 million into MiWay, while Sanlam will also share in any increase in the valuation of MiWay up to December 2013. Sanlam also retains access to the MiWay structures to enable it to distribute other financial services products.

> Following the merger of Telemed with Bestmed in 2010, Sanlam Healthcare Management acquired Eternity Health Administrators to become the fourth largest medical administrator in South Africa.

Strategic relevance

Overall, our focused strategy continued to serve the Group well in 2010. Below follows a brief overview of how the five pillars of our strategy proved relevant under the economic and market conditions that prevailed.

Optimal capital utilisation

The Group remains well capitalised with identified discretionary capital of R4 billion as at the end of December 2010. Disciplined use of discretionary capital remains a key commitment of the Group. While it was prudent to use the discretionary capital available to us as a buffer in 2009, it had been our intention to efficiently redistribute some of this capital into profitable growth opportunities in 2010.

Report by the group chief executive continued

Unfortunately, however, very few sizeable opportunities presented themselves that would have yielded the required returns as a result of the prevailing difficult economic circumstances. While we certainly made the effort, we were unable to find a suitable target acquisition of the scale required to meet the desired hurdle return.

We therefore used R887 million of the R3,5 billion in discretionary capital available at the beginning of 2010 to buy back 37 million Sanlam shares. A further R62 million was used to acquire 610 000 Santam shares, increasing the effective Sanlam holding to 57%. A further R320 million was used to fund a number of smaller new business ventures. With the addition of fund returns and the identification of additional surplus capital we ended 2010 with discretionary capital of R4 billion.

We are mindful of the fact that the high levels of discretionary capital contribute to lower overall Return on Group Equity Value (RoGEV) as the capital is mainly invested in cash, which is yielding a return substantially below the required hurdle rate. Therefore, unless we can find ways of applying the discretionary capital productively, we will have to return it to shareholders through share buy-backs or special dividends.

However, our clear preference is to use this capital for appropriate growth opportunities. We are currently pursuing a larger number of smaller deals that are greenfields in nature in order to meet the required hurdle. Needless to say, strict governance is being applied to this process.

Earnings growth

Ongoing challenges in the business environment put a damper on our earnings for 2010. Nevertheless we still managed to increase net result from financial services per share for 2010 by 23% compared to 2009. Normalised headline earnings per share were up by 15% on 2009, with flat relative investment market returns in 2010 offsetting the growth in operating earnings.

Sanlam Developing Markets (SDM) certainly contributed towards our earnings growth for 2010. Overall, SDM experienced an 18% growth in new business volumes for 2010, with all geographical regions having contributed despite the strengthening of the rand. SDM also achieved solid earnings growth of 34% due to a successful diversification strategy.

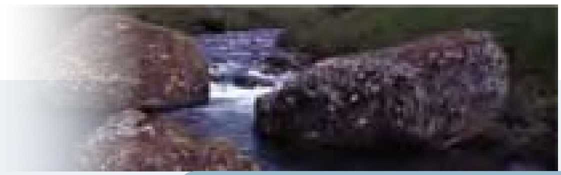
Sanlam UK produced much improved results for 2010. This is reflective largely of the stabilisation and recovery of financial markets over much of the period, a more positive contribution from all businesses and the absence of several material one-off costs in the cluster.

Despite ongoing strain on discretionary retail savings, Sanlam Personal Finance recorded a 7% increase in new investment business in South Africa. This was, however, offset by lower unit trust sales in Namibia against a high base in 2009.

Gross investment flows in Sanlam Investments were up by 1%. Sanlam Investments' assets under management amounted to R491 billion on 31 December 2010, up from R441 billion at the end of December 2009.

Sanlam Investment Management (SIM) experienced healthy net client cash flows. This resulted in good profitability relative to 2009 profits. The majority of SIM's funds under management outperformed their benchmarks on a one-year rolling basis to end of December 2010 and on a rolling three-year basis.

Sanlam Multi Manager and the international businesses achieved strong new business volumes, offset by lower money-market collective investment and private investment inflows.



Net investment inflows of some R15 billion (excluding white label) for the twelve months, versus R8,8 billion in 2009, are particularly satisfactory in the current business climate.

Sanlam Employee Benefits (SEB) had a disappointing 2010, with new flows down by 70%. Specific focus will be given to growing sustainable market share, supported by consistent first-class service delivery to clients. Net result from financial services, however, increased by 11% to R171 million.

Cost and efficiencies

Over the past two years our businesses were forced to shift their focus from growth to coping with the very difficult economic conditions. Capital preservation was the highest priority, together with initiatives aimed at lowering risks and costs in most businesses.

In addition, a number of significant regulatory changes have been introduced in recent years and more are on the horizon for South Africa as detailed by our Chairman in his report. In addition regulators in the UK and India are also introducing changes that impact on the way we do business in these areas. Implementation of these changes is placing strain on our resources.

We are already placing strong focus on preparing and gearing up for the new Solvency II environment. The Financial Services Board (FSB) published the Solvency Assessment and Management (SAM) Roadmap early in November 2010, stipulating an aggressive implementation timeline. As expected it follows the Solvency II regulations in Europe quite closely. The good news is that initial actuarial assessments show that Sanlam's capital position is healthy.

In 2010 we reviewed our structures to align them even closer to our strategy. The key is on improved focus and co-ordination across businesses in order to deliver on promises. Our goal is to raise additional

In terms of the supply of water we will need to embrace the fundamental concept that water does not come from a tap, nor even a dam. Water is provided to us by healthy and functioning ecosystems.

profit of R300 million over the next two years, simply by becoming more efficient. To realise this goal we launched the *Sanlam for Sanlam* programme in November 2010.

The *Sanlam for Sanlam* programme encourages effective collaboration between clusters with the goal of achieving greater growth and profitability. One of Sanlam's great strengths lies in the fact that it can compete as a group. By collaborating more we can create further value for the Sanlam Group as a whole.

The programme also aims to reduce costs. Cost-cutting initiatives on the cards for 2011 include moving Johannesburg-based groups currently spread across several buildings under one roof. A decision has also been taken to move Sanlam and Santam onto one IT platform. A substantial amount of money is being invested in systems renewal and IT upgrades.

In addition, *Sanlam for Sanlam* aims to make it easier for clients to interact with the company. Sanlam Developing Markets and Sanlam Personal Finance have therefore integrated their service offices.

Diversification

Strategic diversification, combined with prudent practices, provided the Sanlam Group with the resilience needed to endure the severe economic downturn over the past three years.

Since 2003 we have successfully diversified our mix of business as well as our geographic exposure to different markets.

Report by the group chief executive continued

In South Africa for instance, following the merger of Telemed with Bestmed in 2010, Sanlam Health Management (SHM) acquired Eternity Health Administrators to become the fourth largest medical aid administrator in South Africa.

Our African operations, managed through SDM, form an integral part of Sanlam's diversification strategy. Africa offers strong economic growth and good margins, and for now, competition from other industry players remains low. Our operation in Ghana, for example, is the fastest growing business in our portfolio outside of South Africa.

We expanded into Uganda in the second quarter of 2010 and believe this market offers excellent growth potential. Sanlam Life Uganda is a new long-term insurance company 100% owned by Sanlam.

In 2011 we aim to further diversify our financial services offering by venturing into the medical insurance business with some of our African operations, starting with Tanzania and Zambia. We will also be expanding into more developing countries and have identified opportunities in other countries including Swaziland, Zimbabwe and Angola.

Sanlam International Investment Partners (SIIP) has made good progress in delivering on its objective of establishing a competitive global asset management competence for the Sanlam Group. SIIP has a strategic objective to expand the Group's asset management footprint through direct investment in carefully selected specialist investment management businesses in specific regions. Boasting nine key partnerships at the end of December 2010, SIIP grew international non-Sanlam originated assets by R5,8 billion in 2010. SIIP manages most of the Sanlam Group's international assets, worth R31 billion across various international funds.

Transformation

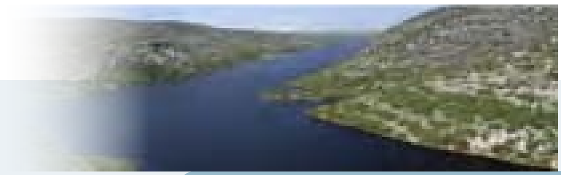
The financial services sector, in which Sanlam is a key stakeholder, is the country's biggest business sector, representing 25% of the country's GDP. Therefore, it is vital for the country that our industry remains profitable. In order to maintain a healthy bottom-line we need to ensure our sustainability and relevance by transforming in a meaningful way. Only through focused transformation will we ensure that this business remains viable for generations to come. For this reason transformation is one of the pillars of our business strategy.

In the opening line of this Report, I posed the question whether Sanlam is contributing in a meaningful way to the sustainability of those who support it and keep it relevant, namely our clients, our distribution channels, our employees, our investors, and the country as a whole. In other words, are we giving as much attention to our triple bottom-line as we are focused on our bottom-line? The triple bottom-line measures a company's economic, social and environmental impact.

Our achievements in this regard are detailed in the Group Sustainability Report, in this Integrated Annual Report as well as the full Sustainability Report published online. I would, however, like to report on some of our key achievements for 2010.

> Sanlam has been actively transforming ownership of the Group since 1993. At the end of 2010, black shareholding in the Sanlam Group stood at close to 20% as measured according to the formulas prescribed by the dti's BEE Scorecard.

> I am exceptionally proud of the role our industry played through the Association for Savings and Investment South Africa (ASISA) in helping to resurrect the Financial Sector Charter. I am pleased that the first phase was gazetted before the end of 2010 and look



forward to seeing the finalisation of the second phase early in 2011.

> Transformation in terms of staff composition and the development of an equitable workplace remains a business imperative. Our revised Group Policy on Employment Equity was approved early in 2010. In summary, we aim to increase the current total black staff complement from the baseline in 2009 of 54,08% to 62,72% by 2012. The biggest increase should occur within the middle management level. At the end of 2010, our black:white employee ratio was 60:40.

> The financial services industry continues to experience a shortage of skilled black staff and a high turnover of staff therefore continues to be of concern. To counter this over the long term, focused development of internal staff members is encouraged with the aim of growing Sanlam's own supply of talent. During 2010, Sanlam spent approximately R59 million on training and development.

> For the seventh year in a row, Sanlam qualified for inclusion on the JSE's Socially Responsible Investment (SRI) Index and was listed as one of the best performers for the year.

> We submitted our first Progress Report to the United Nations Global Compact (UNGC) in 2010. The UNGC is a policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. We became a member of the UNGC in 2008.

> As a signatory to the United Nations Principles for Responsible Investment (UN-PRI), we continue to search for ways to address those principles incrementally. We voluntarily completed the UN-PRI Annual Report for the first time in 2010.

Water scarcity should be at the heart of economic development planning, which means putting extra effort into increasing water efficiency and securing our water supplies.

> Sanlam staff took transformation to a new level in 2010 with the *Lighter Side of Life* challenge. I am proud of our people who participated in this voluntary weight-loss programme, which focused on healthy weight loss through sustainable changes in lifestyle. Cumulatively the 25 participants lost 461.5 kg. According to the Medical Nutritional Institute these results are well above average. Since the wellbeing of our staff is critical, this programme will be repeated in 2011.

Other progress

> Legal cases

We finalised three prominent longstanding legal cases involving Sanlam in 2010 (one dating back to the 1970s). They were the claims against Sanlam for Topmed and Selfmed reserves and pension fund surpluses of the Datakor and Picbel Pension Funds.

In the interests of ensuring the sustainability of our business and minimising the financial impact of these legal cases, sufficient reserves to cover the full awards had been set aside when these claims were first instituted.

In an industry like ours, which is driven by people and contracts, mistakes are unfortunately unavoidable. Also, expectations, conditions, regulations and technology often change over the terms of such contracts, sometimes resulting in protracted court cases and settlement agreements.

Report by the group chief executive continued

What is important, however, is that we make good in a fair manner where we have made mistakes. We have been accused of taking too long to resolve the issues in the three cases concerned. However, what is often not appreciated is that fair settlements are usually only reached through protracted processes, often involving legal procedures and the involvement of independent outside experts. I believe that it is Sanlam's moral duty to ensure that our staff, clients, shareholders and other stakeholders are treated fairly. This is what we have consistently done, even if it has taken time to resolve.

It is also important to note that in most cases, the details of the settlements we arrive at are confidential and that it is therefore often difficult to publicly comment on these cases.

> Accolades

At Sanlam, we always strive to be the best at what we do, and 2010 was no different. In this regard, the Group achieved numerous accolades in various spheres of the business, some of which were:

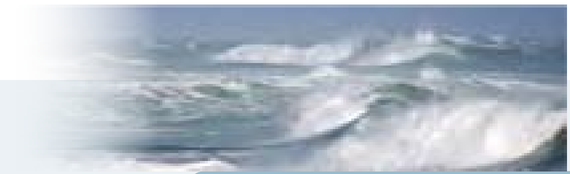
- In 2010, the Ombudsman for Long-term Insurance rewarded Sanlam Life for consistent service to their office over the past ten years. This is the first time that the Ombudsman has publicly acknowledged an insurer for service.
- Our vision is to be the leader in wealth creation and protection. Our leading position amongst our peers in this regard was confirmed by the December 2010 results of the *Company Confidence Predictor (Campbell Belman)* which also indicated our continuing improved confidence ratings in the markets.
- We also earned top position in a number of categories of the Financial Intermediaries Association (FIA) Industry Recognition Awards. These awards pay tribute to those insurance product providers who receive favourable ratings in the FIA's annual intermediary satisfaction benchmark survey, conducted with almost 3 000 independent brokers.
- The *Business Times* Top-100 Companies survey, which rates companies in terms of the most wealth created for shareholders over specific periods, rated Sanlam at the top of the financial services industry in the Top-40 Index and 10th overall.
- The Investment Analysts Society of Southern Africa (IAS) named Sanlam as the company with the best financial reporting and communications in the insurance sector to the investment community in 2010. This is the 10th award from IAS since our listing on the JSE 12 years ago.
- The UK's Investment Week 2010 Fund Manager of the Year Awards named Sanlam Investment Management's Global Fund manager, Kokkie Kooyman, the winner in the Financial Specialist category.

2011 – Gearing for sustainable growth

The South African economy is not going to stage a large-scale recovery in 2011. Instead we expect slow, yet steady progress, led by household consumption and followed by a turnaround in capital spending by the business sector. This is likely to lead to a current account deficit, which could curb the rising trend in the exchange rate.

Risks facing us over the shorter term are volatile markets and a continued weakness in the economies of developed markets. Of concern is that the economies of most African countries tend to lag the developed world. Therefore, while slow recovery is starting to set in elsewhere, countries like Botswana are still feeling the recessionary pressures.

The outlook for the financial services business environment is not buoyant, but we expect to see modest growth in 2011. Cautious optimism is therefore in order for 2011.



We have identified the following priorities for 2011:

- Pursue profitable growth opportunities with the aim of efficiently redistributing some of our discretionary capital.
- Expand our customer base in South Africa through innovation in product design and distribution mechanisms.
- Diversify into African countries that present growth opportunities and expand our offering across our African operations. Our African health management business is ready for roll-out in selected markets.
- Significantly expand our adviser and broker footprint across all our retail businesses in South Africa, Africa, the UK and India.
- Grow our medical business aggressively.
- Focus on exploiting synergies across our business through the *Sanlam for Sanlam* programme.
- Apply creative thinking to attract and retain previously disadvantaged people at middle and senior management.

In closing

We have worked hard to get fighting fit and all the key elements are in place for the Sanlam Group to continue on its growth path. We are operating off a solid base in South Africa and we are well positioned in markets that continue to present huge growth opportunities, namely Africa, India and the UK. I am proud of the business that we have collectively built and I am confident that our model is sustainable.

Yes, the past three years have proved challenging, but adversity also has the tendency to highlight weaknesses as well as opportunities that are not always obvious. I am confident that we have significantly strengthened vulnerable areas of our business and that we have identified further growth opportunities that we may have missed in the past. The diligence and enthusiasm with which the Sanlam team has tackled the work at hand has been extremely gratifying and I would like to thank each and every Sanlam employee, our intermediaries and my management team for their support during 2010. I would also like to thank the members of the Sanlam Board for their guidance, vision and support.

> Big business has a vital role to play in ensuring economic growth, but it must also play a stronger role in helping sustain our growth, and helping to protect the functioning of aquatic ecosystems.

In June 2010 we said goodbye to Roy Andersen after six years as chairman of the Sanlam Group. I would like to express my appreciation to Roy for the valued role he played during this time. Desmond Smith is certainly no stranger to the Sanlam Group and he stepped into the role of new chairman with both sleeves rolled up. I look forward to working with Desmond as we step it up along our growth path.

There will be new obstacles as we navigate the ever changing business and regulatory environment, but change is good. Change is what keeps me ticking and enthusiastic about the plans I have for Sanlam. Supported by a stable management team with vast experience, surplus capital waiting to be deployed, and a proven strategy in place, the Sanlam Group remains well positioned to continue to embrace sustainable growth.

Johan van Zyl

Group Chief Executive

Executive committee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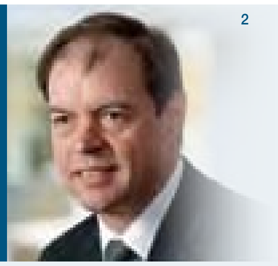
1 Johan van Zyl
2 Kobus Möller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3 Ian Kirk
4 Lizé Lambrechts
5 Yvonne Muthien


4


5

Johan van Zyl (54)

Appointed: 2001

Qualifications: *PhD, DSc (Agric)*

Group Chief Executive of Sanlam since March 2003.

Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Santam, Sanlam Investment Management, Sanlam Netherlands Holding, Sanlam Developing Markets, Sanlam UK and MiWay Group Holdings. Council member of the University of Pretoria,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 (51)

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, Sanlam Investment Management and Channel Life.

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

Ian Kirk (53)

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, Centriq Insurance Company, Centriq Life Insurance Company, SAIA, The Standard General Insurance Company, Infinit Group Risk Solutions, SHA (Stalker Hutchison Admiral), Beaux Lane (SA) Properties, Nova Risk Partners, Relyant Insurance Company, Relyant Life Assurance Company, Customer Protection Insurance Company and Emerald Risk Transfer.

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

Lizé Lambrechts (47)

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 Linked Investments, 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 (54)

Appointed: 2009

Qualifications: *BA Hons (UWC), M.A.(Northwestern), DPhil (Oxford)*

Appointed Chief Executive: Group Services in December 2009.

Executive director of Sanlam Limited and Sanlam Life. Non-executive director of Santam, trustee and director 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.

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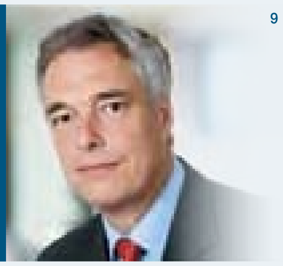
6 Temba Mvusi
7 Johan van der Merwe
8 Heinie Werth
9 André Zeeman

9


Temba Mvusi (55)

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, Channel Life, Sanlam Investment Management, Sanlam Employee Benefits and The National Business Initiative. Council member of the Walter Sisulu University and Bishops Cape Town.

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

Johan van der Merwe (46)

Appointed: 2002

***Qualifications**: MCom, MPhil (Cantab), 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, Atterbury Investment Holdings.

Chairman of Sanlam Capital Markets, Sanlam Properties, Sanlam Multi Manager International, Sanlam Asset Management (Ireland), Sanlam Private Investments and Sanlam Collective Investments. Director of Atom Funds Management Pty Ltd, Eight Investment Partners Pty Limited, FOUR Capital Partners Limited, Sanlam International Investment Partners Limited, SIIP Mauritius, SIM International Investments Partners Australia Proprietary Limited. CEO of the Sanlam Institutional Cluster.

Heinie Werth (47)

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 CEO 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 (50)

Appointed: 2005

***Qualifications:** BCom, FASSA, CFP, EDP (Manchester)*

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

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

Corporate governance report

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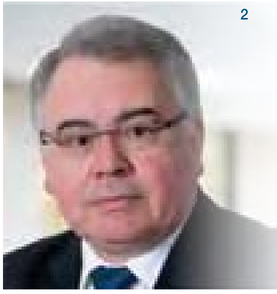

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1 Sana-Ullah Bray
Company Secretary:
Sanlam Limited and Sanlam Life Insurance Limited (from 2011)

2 Johan Bester
Company Secretary:
Sanlam Limited (until 2010)

3 Magda Lombard
Company Secretary:
Sanlam Life Insurance Limited (until 2010)

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The Board is committed to the highest standards of business integrity, ethical values and governance; it recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all its stakeholders.

Statement of commitment

The Sanlam Board of directors promotes and supports high standards of corporate governance and in so doing endorses the principles of the third report on Corporate Governance in South Africa (King III), which came into effect on 1 March 2010. Sanlam complies with the additional requirements for good corporate governance stipulated in the JSE SRI Index. 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 a large number of King III principles are already entrenched in the Group's internal controls, policies and procedures governing corporate conduct and that Sanlam complies with the main principles of King II in all significant respects. The Board of Sanlam is satisfied that all reasonable efforts were made during the 2010 financial year to start implementing the material aspects of the King III principles and will progressively do so in the future.

The Board is committed to the highest standards of business integrity, ethical values and governance; it recognises the responsibility of Sanlam to conduct its affairs with prudence, transparency, accountability, fairness and social responsibility, thereby ensuring its sustainability and safeguarding the interests of all its stakeholders. The Board also acknowledges the relationship between good 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 III

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. The company assessed its compliance level in respect of King III and is identifying areas that require improvement. To ensure that Sanlam's governance framework will be of a superior standard and aligned with governance best practice developments, a King III task team has been established and will give continuous guidance on King III principles and practices. Sanlam uses these governance trends and developments as an opportunity to review its governance framework and structures throughout the Group. To this end, provisions impacting operations have been and are being identified, assessed and addressed; gaps, if any, are addressed through action plans and regular monitoring and reporting to the appropriate governance structures. Ongoing progress reports in this regard are presented to the Sanlam Board as well as its Risk and Compliance committee. A number of policies and procedures have already been addressed within the main operating companies in the Sanlam Group. These include the following:

- The Sanlam Group Corporate Governance Policy Framework (first approved in 2007) has been updated and aligned with the King III recommendations. It now includes the Group Business Philosophy and Code of Ethical Conduct.
- The annual evaluation of the independent status of Sanlam's directors is being conducted in accordance with the King III standards and criteria.
- Sanlam prepared a first Integrated Annual Report for 2010 (including a Group Sustainability Review) in which it strives to comply with the new reporting requirements.
- Sanlam also prepared a comprehensive Sustainability Report for 2010.
- Sanlam's risk appetite statement has been approved by the Sanlam Board and will be reviewed annually.
- A Combined Assurance Model for Sanlam Life has been developed and is being implemented. The model will also be rolled out to the rest of the Group.
- The Group IT Governance Framework and Charter as well as the IT Policy Framework have been developed.
- A Group Compliance Office was established in 2009.
- A draft Sustainability Development Framework has been developed and will be finalised during 2011.
- The development of a comprehensive stakeholder engagement policy has been initiated.
- With effect from the 2010 AGM, Sanlam has been disclosing its Remuneration Report to its shareholders, enabling them to cast a non-binding advisory vote.

Corporate governance report continued

> The members of the Sanlam Audit, Actuarial and Finance committee will be elected by the shareholders at the next AGM.

The Board is still in the process of embedding the principles and recommendations of King III across the Group and will be in a position to report more fully on the level of application in its Integrated Annual Report for 2011.

According to Sanlam's decentralised business approach, each of its business clusters operates in concert with its underlying business units. However, all entities within the Group are required to subscribe to the spirit and principles of King III. 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 this Integrated Annual Report. The full Sustainability Report will be available on Sanlam's website.

Governance entrenched

Sanlam has once again qualified for the (2010) JSE's Socially Responsible Investment (SRI) Index. The overall quality of Sanlam's corporate governance practices has been evaluated and the result of the rating, on a scale of 1 to 10, was 7, which is considered above average.

Board structures

All the non-executive directors of Sanlam Limited (Sanlam) also serve on the Board of Sanlam Life Insurance Limited (Sanlam Life), a wholly owned subsidiary of Sanlam Limited. 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, Actuarial 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 compliance with long-term Insurance Act 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 were (until 31 December 2010) also the following high-level supporting committees:

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

These cluster committees consisted of non-executive directors, key cluster executives and external specialists and were high-level supporting committees, appropriately authorised to advise on and monitor all strategic and operational aspects of a particular business cluster.

Following an external review of the Board structures and effectiveness, the Sanlam Board decided to abolish the three cluster committees, with effect from 31 December 2010. The cluster committees will be replaced by a system of increased independent and non-executive director representation on the various divisional business Boards and committees in the Sanlam Group.

Business divisions and divisional Boards

Business divisions are the Institutional divisions (which includes Sanlam Investments, Sanlam Investments: Capital Management and Sanlam Employee Benefits) as well as Sanlam Developing Markets, Sanlam UK, Sanlam Personal Finance and Santam.

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 Sanlam Board 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 (not all statutory) Boards has committees (or forums) with specific responsibilities for the operation of that particular business division. Each of the divisional Boards has its own Financial and Risk as well as Human Resources (HR) forum/committee.

The divisional Boards consist of non-executive directors and executives. Non-executive directors include members of the Sanlam Life Board and, where appropriate, external appointments. Board committees are, where appropriate, strengthened through the appointment of independent experts.

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.

Corporate governance report continued

Business units and business Boards

Individual business units have their own Boards and executive committees that structure their 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 Officer 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; assurance provision and the allocation of capital. A number of support functions are provided by the Group Office, grouped together under Group Services, headed by an executive director, Yvonne Muthien.

The Sanlam Board and Board committees (as at 31 December 2010)

Board charter

In accordance with the principles of sound corporate governance, the current 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 Board charter (and the committee charters) are being reviewed with the aim of becoming aligned with the KIng III principles and the recommendations, where possible.

An annual evaluation process to review the effectiveness of the Board, its committees and individual directors has been entrenched.

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 2010 financial year-end the Sanlam Board comprised 17 members, 13 being non-executive, 11 of whom were independent non-executives (in accordance with King III's standards of independence) and four executive directors. After completing two terms of three years as chairman, Roy Andersen stepped down as Chairman and director on 9 June 2010 and was succeeded as Chairman by Desmond Smith, an independent non-executive director, with effect from the same date.

The roles of Chairman and Group Chief Executive remain separated, with Desmond Smith and Johan van Zyl 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). Retiring directors are eligible for reappointment. None of the non-executive directors has a director's service contract. Executive directors are full-time employees and as such are subject to Sanlam's conditions of service.

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 2010
RC Andersen (Chairman up to 9 June 2010)	I	Retired 9 June 2010
MMM Bakane-Tuoane	I	–
AD Botha	I	–
AS du Plessis	I	–
FA du Plessis	I	–
MV Moosa	I	–
JP Möller	E	–
PT Motsepe	N	–
YG Muthien	E	–
TI Mvusi	E	–
SA Nkosi	I	–
I Plenderleith*	I	–
GE Rudman	I	–
RV Simelane	N	–
DK Smith (Chairman from 9 June 2010)	I	Appointed Chairman 9 June 2010
ZB Swanepoel	I	–
J van Zyl	E	–
PL Zim	I	–

Composition of the Board as at 31 December 2010: Three black females, five black males, one white female, eight white males.

**UK Citizen.*

Corporate governance report continued

Independence of Board members

Through its Nominations committee the Board annually considers and reconfirms the classification of directors as being independent. The guidelines of King III were used for the 2010 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.

The Nominations committee is of the view that all the Sanlam directors meet the criteria set for independence except for PT Motsepe and RV Simelane owing to their involvement in Ubuntu-Botho, Sanlam's anchor empowerment partner, as well as J van Zyl, JP Möller, YG Muthien and TI 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. The Nominations committee reviews the composition of the Board on a continuous basis to ensure the appropriate level of skills and experience in key areas such as strategy, industry knowledge, finance, human resources, corporate governance, risk management and sustainability. Gender and racial diversity, as well as diversity in business, geographical and academic backgrounds, are also taken into account, in accordance with Sanlam's commitment to transformation.

Sanlam's Articles of Association 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 Integrated Annual Report. All directors are consequently appointed at an AGM by a shareholders' resolution.

New Board member orientation and Board training are conducted in accordance with an induction programme, designed to meet the individual needs and circumstances of each new director, and approved by the Board. The office of the Company Secretary manages the induction programme. Ongoing 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. 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 2011 AGM are contained in the explanatory notes to the resolutions for the AGM (refer to page 338). It should be noted that Messrs AS du Plessis and GE Rudman have (after more than nine years' service as Sanlam directors) decided, although eligible, not to make themselves available for re-election.

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 annual Board effectiveness review was conducted by Deloitte towards the end of 2010. It was reported that the Sanlam Board and committees were functioning very well. The only significant recommendations (which were both accepted by the Board) were:

> the simplification of the Sanlam Board structures by the abolition of the supportive cluster committees; and

> the appointment of separate (independent) chairmen for the Audit, Actuarial and Finance as well as the Risk and Compliance committees due to the increased statutory-related workloads of these two committees.

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 had been decided to, with effect from 2009, 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), GE Rudman, FA du Plessis, JP Möller (from 8 December 2010), I Plenderleith and DK Smith (until 9 June 2010).

Attendees:

Group Chairman, Group Chief Executive, Group Financial Director, Group Risk Officer, Group Compliance Officer, Chief Audit Executive, the heads of business divisions as well as expert invitees, D Ladds, P de V Rademeyer, CG Swanepoel and PJ Cook.

Corporate governance report continued

This committee is chaired by an independent non-executive director and further comprises three other independent non-executive directors as well as the Group Financial Director (from 8 December 2010). In view of this committee's Group-wide relevance, the external audit partners as well as other assurance providers also attend the 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. The committee annually reviews the performance of Sanlam's Chief Risk Officer and confirms positive performance of Sanlam's Chief Risk Officer during the year.

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), GE Rudman, FA du Plessis, I Plenderleith and DK Smith (until 9 June 2010).

Attendees:

Group Chairman, Group Chief Executive, Group Financial Director, Chief Actuary, Chief Audit Executive, the heads of business divisions as well as expert invitees, D Ladds, P de V Radermeyer, CG Swanepoel and PJ Cook.

This committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Corporate Laws Amendment Act, No 24 of 2006, members of the committee are appointed annually by the Board for the ensuing financial year. Based on the requirements of the new Companies Act, No 71 of 2008, the Board has decided (although it is not yet a formal requirement) to have the individual members of the Audit committee elected by shareholders at the next AGM. This committee also discharges all the (statutory) Audit committee responsibilities in terms of the said Act on behalf of almost all the subsidiary companies within the Group.

The committee consists of four members with financial and/or 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. It also reviews the Internal Audit Charter on an annual basis.

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 function in Sanlam. The committee executed this responsibility at its meeting in December 2010 and also 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. The committee also reviewed and confirmed positive performance of the Sanlam Group Audit Executive during the year.

This committee's charter is also reviewed annually by the Board.

As part of Sanlam's corporate governance practices, the interim financial results are reviewed by the external auditor. Based on representations received and after considering compliance with non-audit services policy of the Sanlam Group and any other business relationships with the external auditors, the committee is satisfied that Sanlam's external auditor is independent of the company and has nominated the reappointment of Ernst & Young Inc. for the 2011 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., being the audit firm, as well as Mr MP Rapson, being Sanlam's individual auditor for 2010, has been accredited on the JSE Limited (JSE) List of Auditors in terms of the criteria in the JSE Listings Requirements.

The committee meets four times a year.

Human Resources committee

Members:

AD Botha (Chairman), RC Andersen (until 9 June 2010), DK Smith (since 9 March 2010), PT Motsepe and MMM Bakane-Tuoane.

Attendees:

Group Chief Executive and Group HR Executive.

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, a company's remuneration policy is to be tabled to the shareholders for a non-binding advisory vote at its AGM. This vote enables the shareholders to express their views on the remuneration policies adopted and their implementations. Sanlam was one of the few companies that, in support of good governance, voluntarily adopted the recommendation as early as 2010. Sanlam supports the benefit of an advisory vote, which is to promote constructive dialogue between a company and its shareholders, and it would help to ensure that directors pay adequate attention to the elements of compensation that mattered most to investors, such as linking performance and business strategy. At the 2010 AGM, it was cast as a non-binding vote, aimed at shareholders endorsing or not endorsing the company's executive compensation programme and policies. The remuneration policy was approved by the shareholders but the consultative process nonetheless resulted in some changes being made to the policy for 2011.

Corporate governance report continued

The results of the advisory vote on Sanlam's 2011 Remuneration Philosophy and Strategy will again be taken into account when considering and establishing future executive remuneration arrangements.

Nominations committee

Members:

RC Andersen (Chairman until 9 June 2010), DK Smith (Chairman since 9 June 2010), MMM Bakane-Tuoane and PT Motsepe.

Attendees:

Group Chief Executive.

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 until 9 June 2010), DK Smith (Chairman since 9 June 2010), MMM Bakane-Tuoane, AD Botha, AS du Plessis, FA du Plessis, MV Moosa, PT Motsepe, SA Nkosi, I Plenderleith, GE Rudman, RV Simelane, ZB Swanepoel and PL Zim.

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), RV Simelane, ZB Swanepoel and PL Zim.

Attendees:

Group Chief Executive, Chief Executive: Group Services, Chief Executive: Market Development, Group HR Executive and all the business heads (once a year).

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.

The committee annually reviews Sanlam's sustainability strategy and structures. It also monitors performance against specific preset sustainability targets and objectives. The committee considers Sanlam's Sustainability Report (including the report from the independent assurance provider) and recommends the approval thereof to the Sanlam Board.

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), MM Bakane-Tuoane (since 5 March 2010), R Simelane (until 5 March 2010), CG Swanepoel (independent expert) and DK Smith.

Attendees:

Chief Actuary and selected members of senior management.

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 the annual bonus declarations by Sanlam Personal Finance and Sanlam Employee Benefits.

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, YG Muthien, TI Mvusi, JHP van der Merwe, AP Zeeman and HC Werth.

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 and the Chief Actuary. The committee meets every fortnight.

Corporate governance report continued

Attendance of meetings

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

Attendance: Board and committee meetings: 2010

Directors	Board meetings	Audit and Risk committees		HR committee	Nominations committee	Sustain-ability committee	Policy-holders' Interest committee	*Ad hoc* sub-committees
	Scheduled/ Held 5/5	Scheduled/ Held 4/4	Special 1 Held on 11/2	Scheduled/ Held 4/4	Scheduled/ Held 4/4	Scheduled/ Held 4/4	Scheduled/ Held 4/4	Held on 14/1 and 26/11
RC Andersen[a]	2/2			2/2	2/2			
M Bakane-Tuoane	5/5			4/4	4/4		3/3[b]	
AD Botha	5/5			4/4				0/1
AS du Plessis	5/5	4/4	1/1					1/1
FA du Plessis	5/5	4/4	1/1				4/4	2/2
MV Moosa	5/5					4/4		
JP Möller	5/5							2/2
PT Motsepe	5/5			4/4	4/4			
Y Muthien	5/5							
TI Mvusi	5/5							
SA Nkosi	4/5							
I Plenderleith[f]	4/5	3/4	0/1					
GE Rudman	5/5	4/4	1/1					2/2
RV Simelane	5/5					4/4	1/1[c]	
DK Smith	5/5	2/2[d]	1/1	4/4	4/4		3/4	2/2
J van Zyl	5/5							2/2
ZB Swanepoel	5/5					3/4		
PL Zim	2/5					2/4		
CG Swanepoel[e]							4/4	

[a]*Resigned from Board and committees on 9 June 2010.*
[b]*Became member of committee on 5 March 2010.*
[c]*Stepped down from committee on 5 March 2010.*
[d]*Stepped down from committee on 9 June 2010.*
[e]*Only a member of Policyholders' Interest committee – not a member of the Board for the year.*
[f]*UK Citizen. Absent due to the serving of official duties outside South Africa.*

Company secretary and professional advice

In 2010 the Board-appointed Company Secretary for Sanlam Limited was JP Bester and for Sanlam Life Magda Lombard. With effect from 1 January 2011 Sana-Ullah Bray has been appointed to both these positions. He 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, which 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.

The Company Secretary attends all Board and committee meetings.

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) (Pty) 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 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.

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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 across party lines, 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 2010, the Committee reviewed the Code of Ethical Conduct, a process which occurs every second year, to ensure relevance to the structure of the Group and the regulatory landscape in the jurisdictions in which we operate.

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. The assessment will be repeated during 2011.

Any transgressions of Sanlam's code of ethical conduct during 2010 were dealt with appropriately in terms of the code.

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 executives 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. Material deviations (if any) are reported to the Sanlam Risk and Compliance committee.

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 allocations. During 2010, 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.

The Human Resources committee and its role

The 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 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 has the prerogative to make all remuneration decisions it deems appropriate within an 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.

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- Sets appropriate performance drivers for both short- 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, retirement benefits, short-term incentives, long-term incentives and conditions of employment.
- 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 2010, 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:
  > the interests of the shareholders;
  > the performance of the company as a whole;
  > the performance of any region, business unit or support function; and
  > the employee's own contribution.

> 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 were implemented during 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 is

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subsequently found to have been significantly misstated). 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 a maximum of 250% 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/hurdles

**Total Guaranteed Package (TGP).*

The above arrangements are reviewed on an ongoing basis to allow for significant changes in operating conditions or governance frameworks.

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 III 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.

Total Guaranteed Package (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 normally 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

> Travelling allowance / Motor-car scheme

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 and approved by the GHRC. The GHRC also reviews and approves the adjustments to basic salary of each of the executive directors and members of the Executive committee.

Levels

TGP levels are mostly 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.

Corporate governance report continued

Payments

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

Individual	TGP as at 1 January 2010	TGP as at 1 January 2011	Increases as % of TGP
Johan van Zyl*	4 975 300	5 300 000	6,5
Kobus Möller*	3 313 700	3 399 538	2,6
Yvonne Muthien*	2 200 000	2 354 000	7,0
Temba Mvusi*, **	2 158 920	2 288 455	6,2
Lizé Lambrechts	3 102 000	3 205 937	3,4
Johan van der Merwe	3 890 100	4 045 918	4,0
Heinie Werth	2 651 400	2 907 689	9,7
André Zeeman	2 343 840	2 570 642	9,7

**Executive director.*

***Receives an additional amount equal to 10% of TGP from Santam for services rendered.*

****Ian Kirk is also a member of the Sanlam Executive Committee. Details of his remuneration can be found in the 2010 Santam Annual Report.*

The average salary increase paid to executive directors for 2010 was 5,6% and that of members of the Executive committee for 2010 was 6,6% compared with an average salary increase paid to all employees of 7%.

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 2010 annual bonus, the split between business, group and personal performance criteria for executive directors and members of the Executive committee was as follows:

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

The Group performance measures which will be applied in 2011 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 2011, 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.

Corporate governance report continued

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.

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 Group and/or business performance 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	200
Kobus Möller	56	112
Yvonne Muthien	56	112
Temba Mvusi	56	112
Lizé Lambrechts	56	112
Johan van der Merwe	100	250
Heinie Werth	56	112
André Zeeman	56	112

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

Ad hoc performance bonus rewards

Where it is determined by the Group CEO that an individual has exhibited exceptional performance within his or her area of expertise and a bonus payment should be awarded which justifies an amount in excess of the performance cash bonus, the Human Resources committee may award restricted shares under the Sanlam Restricted Share Plan to acknowledge such out-performance.

The rationale of this mechanism is to encourage retention of high-performing individuals and to ensure the sustainability of performance-driven behaviour. To the extent that performance is not sustained, the performance condition attached to the restricted awards will not be satisfied and the award will not vest.

Payments

The table below shows the performance cash bonus payments made to each of the executive directors and members of the Executive committee in respect of the performance achieved in 2010. These bonuses will be paid in 2011:

Individual	% of TGP achieved 2009	Payment 2010 R'm	% of TGP achieved 2010	Payment 2011 R'm
Johan van Zyl	111	5,5	142	7,5
Kobus Möller	67	2,2	88	3,0
Yvonne Muthien	n/a	n/a	72	1,7
Temba Mvusi	69	1,5	74	1,7
Lizé Lambrechts	64	2,0	81	2,6
Johan van der Merwe	141	5,5	161	6,5
Heinie Werth	76	2,0	72	2,1
André Zeeman	77	1,8	109	2,8

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).

> 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).

> The Sanlam Share Option Scheme (SOS).

The LTIP is a cash-based plan.

Corporate governance report continued

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 of TGP 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. Up to 2010, 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). All awards made from 2011 onwards under the DSP and RSP will include individual performance conditions, in addition to the retention condition. 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 for no consideration subject to a vesting condition being satisfied. The vesting condition is that the individual remains employed by the Group throughout the vesting period and maintains agreed individual performance hurdles. The vesting period is 5 years and staggered vesting occurs in years 3 to 5 as follows:

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

The award granted under the DSP is not subject to the satisfaction of company performance conditions but does require meeting individually contracted performance hurdles. Typically, the 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 may be 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 31-12-09	Awarded in 2010	Shares vested	Balance 31–12-10	2011	2012	2013	2014	2015
Johan van Zyl	354 621	1 313	—	355 934	66 874	125 130	106 911	56 625	394
Kobus Moller	138 628	35 940	—	174 568	23 054	49 688	55 964	35 080	10 782
Temba Mvusi	90 858	29 224	—	120 082	7 958	34 354	38 947	30 056	8 767
Yvonne Muthien*	—	118 429	—	118 429	—	—	47 372	35 529	35 528
Lizé Lambrechts	112 651	35 924	—	148 575	22 068	39 544	48 165	28 021	10 777
Johan vd Merwe	194 976	32 274	—	227 250	48 361	65 900	71 403	31 904	9 682
Heinie Werth	116 560	56 207	—	172 767	21 902	41 149	57 451	35 403	16 862
André Zeeman	97 623	42 196	—	139 819	14 981	35 304	46 165	30 710	12 659

**Appointed on 2 December 2009.*

It is anticipated that awards will be granted in 2011 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 individual's specified multiple of TGP to be granted as long-term incentive awards, the individual will be granted an award under the PDSP. Awards granted under the PDSP are conditional rights to acquire shares for no consideration subject to a performance vesting condition being satisfied.

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 (Group performance hurdle). 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. For awards in excess of 175% of TGP the performance indicator also includes a business specific hurdle in addition to the Group performance hurdle.

The exact performance conditions are set by the GHRC at the relevant date of grant.

The use of performance in relation to RoGEV is considered 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.

Corporate governance report continued

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. To the extent that the performance condition is met, a proportion of the performance award can vest at this time on the following basis:

> 3 years – 40%

> 4 years – 30%

> 5 years – 30%

To the extent that the value of performance awards falls below the specified multiple of the executive's TGP (whether through vesting or due to a promotion or salary increase), an additional award may be 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 2010:

Individual	Balance 31-12-09	Awarded in 2010	Shares vested	Balance 31-12-10	2011	2012	2013	2014	2015
Johan van Zyl	310 911	347 390	104 680	553 621	82 732	97 139	153 719	115 814	104 217
Kobus Moller	169 605	93 041	45 294	217 352	40 178	54 967	54 128	40 167	27 912
Temba Mvusi	45 503	44 266	4 026	85 743	12 408	14 847	28 338	16 870	13 280
Yvonne Muthien*	—	78 950	—	78 950	—	—	31 580	23 685	23 685
Lizé Lambrechts	114 975	36 853	35 028	116 800	33 202	35 500	22 963	14 079	11 056
Johan vd Merwe	165 788	141 618	—	307 406	55 631	52 408	106 383	50 498	42 486
Heinie Werth	47 810	70 212	19 124	98 898	14 343	14 343	28 085	21 064	21 063
André Zeeman	54 604	55 027	21 842	87 789	16 381	16 381	22 011	16 508	16 508

**Appointed on 2 December 2009.*

It is anticipated that awards will be granted in 2011 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 short-term bonus scheme. Where an individual's performance justifies a bonus payment which will be in excess of the cash amount, that excess amount will be 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 vesting conditions and may be forfeited if these conditions are not met during the vesting period.

A portion of the restricted shares awarded requires the executive to remain employed within the Group until the vesting date and maintain the agreed individual performance hurdles. 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 business performance condition. The business performance condition for awards granted to date is that the Group's adjusted RoGEV per share exceeds the Group's Cost of Capital.

The measurement period is six years but vesting occurs on a staggered basis on the third, fourth and fifth anniversary of the date of grant on the following basis, provided that all vesting conditions are met on such dates:

> 3 years – 40%

> 4 years – 30%

> 5 years – 30%

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 2010:

Individual	Balance 31-12-09	Awarded in 2010	Shares vested	Balance 31-12-10	2011	2012	2013	2014	2015
Johan van Zyl	2 328 827	239 330	527 637	2 040 520	676 682	699 008	439 152	153 879	71 799
Kobus Moller	733 524	59 832	122 538	670 818	208 055	233 737	152 086	58 990	17 950
Temba Mvusi	148 830	59 832	—	208 662	32 172	51 489	68 581	38 470	17 950
Yvonne Muthien*	—	39 888	—	39 888	—	—	15 956	11 966	11 966
Lizé Lambrechts	589 233	79 777	101 094	567 916	183 060	183 610	132 860	44 453	23 933
Johan vd Merwe	1 181 200	79 777	218 818	1 042 159	335 696	374 880	222 157	85 493	23 933
Heinie Werth	229 257	79 777	—	309 034	64 343	75 617	100 688	44 453	23 933
André Zeeman	229 257	79 777	—	309 034	64 343	75 617	100 688	44 453	23 933

**Appointed on 2 December 2009.*

It is anticipated that awards granted in 2011 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.

Corporate governance report continued

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

Individual	Measurement period	Achievement	Reward
Lizé Lambrechts	1 January 2007 – 31 December 2009	28,7%	Payment in cash of R5 353 603 in respect of the three years on 1 April 2010
	1 January 2010 – 31 December 2012	33,3%	Final measurement and payment on 1 April 2013
Johan 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)
	1 January 2009 – 31 December 2013	n/a	Final measurement and payment after 1 April 2014
Heinie 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	50%	Payment in cash of R5 815 378 in respect of the two years is due on 1 April 2011

To the extent that any awards are granted under the OPP in 2011, this will occur on a basis consistent with that described above.

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 31-12-09 Rand	Interest charged Rand	Repayments 2010 Rand	Loan balance 31-12-10 Rand
Johan van Zyl	1 021 325	10 953 697	359 624	11 313 321	—
Kobus Möller	188 388	2 739 378	91 568	2 830 946	—
Temba Mvusi	140 148	2 038 210	68 131	2 106 341	—
Johan vd Merwe	732 706	12 537 614	608 254	8 528 437	4 617 431
Heinie Werth	351 865	5 115 513	170 992	5 286 505	—
André Zeeman	180 507	2 624 828	87 739	2 712 567	—

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

Individual	Unamortised bonus 31-12-09 Rand	Amortised 2010 Rand	Unamortised bonus 31-12-10 Rand	Amortised 2011 Rand
Kobus Möller	660 000	660 000	—	—
Temba Mvusi	390 000	390 000	—	—
Lizé Lambrechts	855 960	532 980	322 980	322 980
Johan vd Merwe	510 000	510 000	—	—
Heinie Werth	300 000	300 000	—	—
André Zeeman	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 31-12-09	Strike price	Exercised 2010	Balance 31-12-10
Lizé Lambrechts	1 May 2004	163 714	R9,80	—	163 714
Lizé Lambrechts	1 June 2004	226 106	R8,40	226 106	—
Johan vd Merwe	1 June 2004	83 932	R8,40	—	83 932
André Zeeman	1 May 2004	165 498	R8,40	165 498	—
André Zeeman	1 June 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:

	2010	2009
Gains on options exercised (R'000)	–	29 523
Weighted average strike price	n/a	R7,49
Weighted average market price	n/a	R18,21

Corporate governance report continued

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 2010:

Scheme allocation originally approved		160 000 000
Allocation under the DSP and PDSP in 2009	9 722 641	
Allocation under the RSP in 2009	1 197 000	
Total allocation in 2009	10 919 641	(10 919 641)
Shares forfeited in 2009		218 486
Balance of scheme allocation carried forward at 31 December 2009		149 298 845
Allocation under the DSP and PDSP in 2010	8 413 881	
Allocation under the RSP in 2010	937 375	
Total allocation in 2010	9 351 256	(9 351 256)
Shares forfeited in 2010		698 538
Balance of scheme allocation carried forward at 31 December 2010		140 646 127

Executive contracts

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 Listing Requirements, is detailed below.

Payments made in 2010

Non-executive directors

Directors' emoluments for the year ended 31 December 2010 (R'000)

	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
RC Andersen (ex-Chairman)*	512	—	220	—	732
MMM Bakane-Tuoane	152	251	65	—	468
AD Botha	152	226	65	474	917
AS du Plessis	152	371	65	245	833
FA du Plessis	152	328	65	—	545
MV Moosa	152	226	65	—	443
PT Motsepe	228	177	97	—	502
SA Nkosi	152	108	65	—	325
I Plenderleith**	152	226	65	83	526
GE Rudman	152	262	65	363	842
RV Simelane	152	188	65	—	405
DK Smith (Chairman)***	745	183	320	290	1 538
ZB Swanepoel	152	177	65	—	394
PL Zim	152	86	65	—	303
Total non-executive directors	**3 157**	**2 809**	**1 352**	**1 455**	**8 773**

Travel and subsistence paid in respect of attendance of Board and committee meetings amounted to R281 000.

**Chairman until 9 June 2010.*
***UK Citizen.*
****New chairman from 9 June 2010.*

Corporate governance report continued

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

Name	Directors' fees	Attendance and committees	Allowance	Fees from Group	Total
RC Andersen	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*	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***	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.

**Resigned 26 January 2009.*

***UK Citizen.*

****Appointed 8 June 2009.*

Fees from Group companies for the year ended 31 December 2010 (R'000)

Name	Directors' fees	Attendance fees	Committee fees	Total
AD Botha	244	200	30	474
AS du Plessis	88	126	31	245
I Plenderleith	83	—	—	83
GE Rudman	168	75	120	363
DK Smith	290	—	—	290
Total fees from Group companies	**873**	**401**	**181**	**1 455**

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

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

Executive directors

Remuneration

Details of the remuneration paid to executive directors during 2010 are set out in the table below:

Emoluments for the year ended 31 December 2010 (R'000)

Name	Months in service	Salary/Fees	Bonus	Company contributions	Total
Johan van Zyl	12	4 519	7 500	1 013	13 032
Kobus Möller	12	2 835	3 000	742	6 577
Yvonne Muthien	12	1 945	1 650	509	4 104
Temba Mvusi	12	1 724	1 650	452	3 826
Short term		11 023	13 800	2 716	27 539
Long-term incentive plans (page 69)					—
Total executive directors					**27 539**

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

Name	Months in service	Salary/Fees	Bonus	Company contributions	Total
Johan van Zyl	12	4 577	5 500	697	10 774
Kobus Möller	12	2 733	2 200	716	5 649
Rashibe Morathi (resigned 03/08/2009)	7	1 382	—	147	1 529
Yvonne Muthien (appointed as executive 02/12/2009)	1	183	—	—	183
Temba 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**

Corporate governance report continued

Interests in share capital

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

Directors	Beneficial	Non-beneficial	UB shares
Executive directors			
J van Zyl	2 478 157	2 106 877	—
JP Möller	1 260 577	—	—
Y Muthien	39 888	—	—
TI Mvusi	269 250	—	4 000
Total executive directors	**4 047 872**	**2 106 877**	**4 000**
Non-executive directors			
DK Smith (Chairman)	35 000	—	—
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
ZB Swanepoel	—	—	7 142
PL Zim	444	—	7 142
Total non-executive directors	**129 701**	**353 089**	**42 852**
Total directors	**4 177 573**	**2 459 966**	**46 852**

**UK citizen.*

***Ubuntu-Botho Investments (Proprietary) Limited (Ubuntu-Botho) is the direct beneficial holder of 226 000 000 Sanlam ordinary shares and 56 500 000 Sanlam 'A' deferred shares.*

Sizanani-Thusanang-Helpmekaar Investments (Proprietary) Limited (Sizanani), beneficially holds 55% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by Ubuntu-Botho Commercial Enterprises (Proprietary) Limited, the entire issued share capital of which is in turn held by trusts whose beneficiaries are Mr Patrice Motsepe and his immediate family.

A number of other directors also have a beneficial interest in the share capital of Ubuntu-Botho through its shareholding structure. Their effective beneficial holdings in the 10 000 000 Ubuntu-Botho shares in issue are: MMM Bakane-Tuoane, MV Moosa, SA Nkosi, R Simelane, ZB Swanepoel and PL Zim – 7 142 shares each. Mr Temba Mvusi holds 4 000 Ubuntu-Botho shares after he sold 10 000 shares in November 2010.

As a result Mr Motsepe and the above directors are the indirect beneficial holders of the 226 000 000 Sanlam ordinary shares and 56 500 000 Sanlam 'A' deferred shares.

****There are no material differences between the shareholdings disclosed above and those at 31 December 2010.*

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

Directors	Beneficial	Non-beneficial	UB shares
Executive directors			
J van Zyl	2 238 827	2 547 364	—
JP Möller	1 284 136	—	—
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**

***UK Citizen.*

Sustainability review (Group-wide issues)

In this section, we provide a brief overview of our progress on sustainability in 2010. Some aspects of the on-line *2010 Sustainability Report* were subject to external assurance by Ernst & Young Inc. These included elements of five specified key performance indicators and whether this review has been prepared in accordance with the Global Reporting Initiative (GRI) G3 principles and to a B+ application level. Further details on our sustainability performance and the external assurance report by Ernst & Young Inc. can be found in the comprehensive *2010 Sustainability Report* on *www.sanlam.co.za*.

Sustainability management

Management structures, approach and links to core strategy

The Sanlam Group places considerable importance on sustainability as demonstrated by our sustainability management strategy and structure. The Sanlam Board has overall responsibility for sustainability and delegates this responsibility to the Sustainability Board committee and all other Board committees dealing with sustainability matters within the business.

The Sustainability Management unit provides strategic direction, co-ordination and monitoring of environmental, social and governance matters within the Group, while business units are responsible for ensuring sustainable investments and financial solutions.

In reporting on our sustainability activities, the complete on-line Sustainability Report details activities of the operations of Sanlam's South African businesses (referred to as 'Sanlam RSA'). Some areas of the report, however, relate to the entire Group and are clearly identified as 'Sanlam', 'the Group', or the 'Sanlam Group'. References in this Review match those distinctions.

Stakeholder engagement

As part of Sanlam's commitment to being a responsible corporate citizen, we aim to ensure accountability, transparency and engagement with our stakeholders.

Our key stakeholder groups are:

> Authorisers: The Board, shareholders, industry regulators and government bodies.

> Influencers: Civil society groups such as Industry associations, NGOs, public benefit organisations (PBOs) and communities.

> Business partners: Employees and suppliers.

> Clients: Policyholders and investment clients.

Different levels of the Sanlam Group engage with different stakeholder groups to improve our positive impact on society as well as provide opportunities for business and market development.

Compliance with appropriate codes, standards and JSE SRI

As our implementation of sustainability has evolved, so too has the diversity of voluntary codes and standards to which we subscribe. We have committed our support to several leading initiatives, including our continued participation in the JSE Socially Responsible Investment Index, our application of the King III Code of Corporate Governance and the Global Reporting Initiative's G3 reporting guidelines, our participation in the Carbon Disclosure Project and the Energy Efficiency Accord, and becoming a signatory to both the United Nations Global Compact and the UN Principles of Responsible Investment and Cancun declaration.

Temba Mvusi
Chief Executive:
Market Development

Yvonne Muthien
Chief Executive:
Group Services

Transformation overview

In South Africa, redressing racial and economic inequalities is both an ethical and a business imperative. In addition to addressing past inequalities, diversity within Sanlam and in our business partnerships enhances our ability to provide our multicultural society with relevant products and services.

During 2010, we focused on increasing our Broad-based Black Economic Empowerment (BBBEE) scores for skills development, especially by increasing the accuracy of our measurements. We are accelerating our recruitment and retention of employee equity senior managers. Our total unverified BBBEE score increased to 77,74 in 2010, compared to our 72,54 verified score in 2009 and our Employment Equity (EE) score to 6,74 against the 4,04 of 2009.

We also focused on improving our preferential procurement scores, which decreased in 2009 (largely due to poor measurement of our smaller subsidiaries). Accordingly, we have been streamlining systems for capturing our suppliers' BBBEE credentials, which will in turn allow for more informed choices when selecting suppliers.

"For us, sustainability is not something we are 'adding on' to our business: it is becoming an integral part of who we are."

Sustainability review (Group-wide issues) continued

Employees

Our successful business relies on an engaged, motivated and capable workforce. We strive for a working environment that is conducive to attracting diverse and skilled people and encouraging them to reach their potential. We provide a compelling employee value proposition guided by our Human Capital Transformation Strategy and EE plans, through which we:

> recognise employees as our most important asset;

> focus on transforming our workplace and promoting equity and diversity;

> offer skills training and ensure a sustainable 'talent pipeline' through career progression, leadership development and succession planning;

> foster a cordial and conducive working environment; and

> take care of employees' wellness and promote a healthy work-life balance.

Workplace transformation

Sanlam RSA's black employee complement has now reached 60% of total staff (increasing from 56% in 2009, 53% in 2008 and 46% in 2007), showing significant progress in meeting our targets. Sanlam RSA's employment rate was 19,5% higher than in 2009 (3 008 new employees). Of new appointments made during 2010, 86% were black.

Race and gender are not Sanlam RSA's only diversification measures; we help disabled people to advance their careers within the business. During 2010 our largest business, Sanlam Personal Finance (SPF), initiated 18 disability learnerships in a bid to increase our disabled staff complement. Detailed statistics can be found in our on-line Sustainability Report.

Skills development

We invest in developing the skills of our employees to retain our staff's interest and loyalty. Staff retention is monitored on a regular basis by the Group Human Resources unit in order to improve our working environment and company culture.

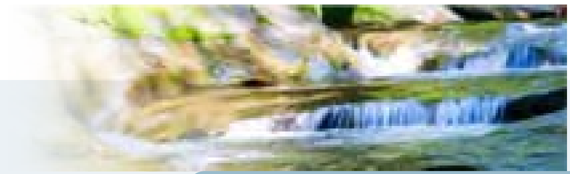
During the period under review we spent R58,5 million on training and skills development in Sanlam RSA with 53% of this spent on black employees. This includes a combination of development programmes, and technical and desktop training. Details of our various initiatives in the Group can be found in our on-line Sustainability Report.

Conducive working environment

Sanlam creates a pleasant working environment to attract and retain excellent employees, an environment that embraces diversity and equity. Our efforts include orientation programmes for new employees, surveys of staff wellness and satisfaction, simplified grievance procedures, organised internal communications such as magazines, and a variety of other day-to-day benefits including an Employee Assistance Programme (EAP) for staff and their families, as well as convenience shops at our head office, access to loyalty programme discounts, and focused wellness interventions.

Employee health

Throughout 2010 Sanlam RSA held training sessions to improve our employees' understanding of the range of medical benefits we offer, addressing common misperceptions. Our Wellness Strategy forms an



important component of the Sanlam Employment Value Proposition and aims to help employees achieve a healthy work-life balance.

The EAP forms part of our Wellness Strategy, offering employees and their families a variety of services. Approximately 8,1% of employees made use of these services in 2010. These services include a variety of health tests, wellness presentations and our medical aid benefit.

During 2010 the wellness programme focused on stress management through the Revived and Resilient programme, which offered a series of talks and a self-help e-learning programme.

Sanlam RSA's *Lighter Side of Life* challenge was completed in March 2010. This voluntary programme focused on healthy weight loss through sustainable changes in lifestyle.

During the wellness campaign 742 staff members were tested for HIV, of whom seven tested positive (1%). Although we held no specific HIV awareness events, there is a very informative 90-minute session on the subject in the Group Orientation programme, which 928 Sanlam RSA staff members attended during 2010.

Dependable products and services

Broadening access to financial services

Providing excellent, dependable products and services, Sanlam forges its own business sustainability by cementing a strong reputation and attracting and retaining clients. Our product range also supports social development by concentrating on previously underprivileged markets and offering financial education to empower people with the knowledge to manage their finances effectively.

> More than one billion people in the world today do not have access to safe drinking water.

By extending our financial services to include disadvantaged, lower-income groups, Sanlam RSA will not only contribute to South Africa's economic upliftment but will also create important new market opportunities and effectively position ourselves for further growth. In our Sustainability Report, we detail our approaches to this sector, which include developing various products tailored to the needs of the disadvantaged, and, in particular, funeral cover policies.

One of our businesses, Sanlam Developing Markets (SDM), specifically focuses on improving access to financial services in entry-level markets, both in South Africa and a number of other developing countries. Over the past few years we have increased our rural presence in areas where lack of infrastructure has traditionally prevented access to services, particularly among the elderly. We have found that the lower end of the South African entry-level market is best approached through our Group Benefits model, which utilises various affinity groups such as the Zionist Christian Church and funeral parlours to reach potential clients. We discuss other models in more detail in the Sustainability Report.

Appropriateness and competence of sales advisers

Our SPF, SDM and Sanlam UK businesses rely on intermediaries (advisers and brokers) to distribute products and services. The skill and integrity of these

Sustainability review (Group-wide issues) continued

intermediaries is essential for the reputation of our brands and for our long-term sustainability. We have therefore invested significantly in the training and accreditation of our intermediaries in our different businesses. In 2010 we invested over R29 million in training SPF advisers, and R1,3 million on SDM brokers and advisers. Sanlam UK also set up Sanlam Distribution Services in 2010 to ensure responsible and effective intermediary behaviour (see our on-line Sustainability Report for more detail).

Financial education and literacy

Our on-line Sustainability Report details the projects on educating existing and potential clients on finance, financial management and financial services. These initiatives are aimed at creating markets for Sanlam products in different segments and also improving financial literacy in general. Our projects have mostly targeted underprivileged groups and have included radio programmes, articles, newsletters, a financial literacy DVD, free business assessments and reports for small enterprises, presentations for students and educational roadshows in rural areas.

Client service levels

We strive to improve our clients' access to products so they can better manage their own financial security. This involves simplifying and clarifying the way we present our services, making it easier for clients to manage their policies. Such interventions go a long way towards client retention.

Our excellent service includes sound financial advice and efficient after-sales assistance, in order to retain their custom. Sanlam RSA's success with client service is evident in our client persistence figures, which are among the highest in the industry. In addition, the business has won numerous awards this year, and our 'Voice of the Customer' (VoC) score results show annual improvement.

Dealing with client complaints

Our complaints-handling process is critical in forging lasting relationships with our clients. During 2010 we upgraded this process to make our complaints procedures more visible to clients, an exercise that included an update of our website and complaints brochure.

SPF's Client Relations unit was commended by the Ombudsman for Long-term Insurance at their 25th birthday function for the best organisational responsiveness over the past 10 years. For further details, please see the on-line Sustainability Report.

Responsible investment

Internationally, large institutions are increasingly expected to put pressure on companies to incorporate environmental, social and corporate governance (ESG) considerations into operating practices. As one of the largest institutional investors in South Africa, we recognise that we have a duty to focus on socially responsible investment.

In 2007 Sanlam Investment Management (SIM) signed up to the UN Principles for Responsible Investment (UN-PRI). As a signatory, SIM adopted the six principles (outlined in the Sustainability Report). Overall, we are pleased with our progress towards implementing the UN-PRI, and we completed the UN-PRI survey in May 2010 ahead of the required date.

Only 1% of water found on earth is easily accessible for human use.

Socially Responsible Investment funds

Sanlam RSA is committed to developing a range of actively managed funds that bring about social and economic change. In recent years, we have noticed a growing interest in Socially Responsible Investment (SRI) funds, with some consultants now proactively seeking these for their clients. There is now a variety of SRI-type funds in a number of our businesses, including the SIM SRI Equity Fund, the SIM SRI Bond Fund, the Africa Sustainability Fund, the Sanlam Multi Managers SRI Fund, Sanlam Private Investments' Shariah Fund, and SPF's Empowerment Fund. These are explained in more detail in our on-line Sustainability Report. SIM's SRI funds are performing exceptionally well. Although the other SRI funds are too new to report on, according to an Alexander Forbes investment performance survey for the year ending December 2010, SIM was rated fourth out of the nine measured equity funds and second out of the five measured bond funds.

Financing empowerment and investing in infrastructure

According to the Financial Services Charter (FSC), 'empowerment financing' includes the provision of finance for, or investment in, the following: transformational infrastructure in underdeveloped areas, agricultural development for emerging black farmers, low-income housing and black SMEs, and BBBEE financing. The Agri-Vie Fund raised USD$109 million for investment in agri-businesses across sub-Saharan Africa. The principal investment thesis of this fund is food security, and the fund targets investments in small and medium enterprises within the food and agriculture sector. Sanlam RSA and the Kellogg Foundation are the anchor investors of the fund. The Agri-Vie Fund made two new investments during 2010, bringing the total so far to four. Sanlam Private Equity (SPE) made three further investments in black-empowered companies in 2010 to strengthen and stabilise the balance sheets of these empowerment companies and to facilitate further growth.

Owing to the low returns on infrastructure investments and their long-term nature, SPE did not identify any appropriate opportunities for such investments during 2010.

Responsible property management

Sanlam RSA has appointed specialist consultants to look at ways of managing our property portfolios based on 'greener' principles. Although the green building concept encompasses more than just energy management, our initial focus on energy consumption constitutes one of the largest considerations.

In 2008 we appointed the PEC Group to assess our property portfolio's energy efficiency and to consider potential savings. Over the past two years, the PEC Group has focused mainly on council electricity bills and recoveries from tenants. In addition, they have tested energy-saving lighting, remote-controlled air-conditioning systems and roof and pipe insulation.

Responsible procurement

As a large organisation, Sanlam is committed to reducing environmental and social impacts.

Sustainability review (Group-wide issues) continued

Procurement offers us the opportunity to improve our direct and indirect impacts on natural resources and communities, through consciously selecting supplies and suppliers that minimise adverse environmental and social effects. In the South African context, this includes a focus on BBBEE suppliers.

Since the Sanlam Group's Sourcing unit became fully functional in 2009, procurement has become considerably more proactive and strategic, aiming to reduce costs to our business, the environment and communities. Strategic sourcing means that we look critically at purchasing needs and formulate smarter ways of sourcing, including a greater focus on BBBEE suppliers.

Our procurement policy

An effective procurement policy can bring about behaviour change that has a positive impact on the environment and society while also achieving savings. We have aligned our policy with current best practice in terms of transparency of business dealings and effective governance processes, among other criteria. The policy aims to aid transformation by developing black entrepreneurs and by enhancing the long-term economic sustainability of all stakeholders.

Sanlam RSA's procurement approach is one of proactive cost reduction through the strategic management of all operations. In 2009 a range of policies were introduced with the commissioning of the Group Sourcing unit. During 2010 we focused on entrenching and fine-tuning processes and practices. For example, by raising awareness about business travel issues, we have influenced travel choices. Video-conferencing reduces the need for travel. While Sanlam RSA's procurement policy includes environmental criteria, these have proved challenging and are yet to be fully implemented, providing a goal for the future.

Strategic sourcing has brought about considerable efficiency improvements, bringing over R180 million in benefits to the Group during 2010. Total procurement expenditure for 2010 was R9 billion.

BBBEE procurement

Stimulation of economic activity among the previously disadvantaged sector is critical for Sanlam RSA's growth and South Africa's advancement. Management of diversity in the supply chain will benefit sustainable procurement in the long term. Our aim is to increase the complement of black-owned small businesses in our supplier group, with specific focus on black female-owned companies.

During 2010, 80,46% of Sanlam RSA's procurement on a weighted basis came from BBBEE-certified suppliers, giving us a score of 17,29 on the dti Scorecard. In the travel category, for example, about 97% of suppliers are currently BBBEE-verified. During 2010 we focused on ensuring that suppliers submitted verified certificates and we therefore anticipate a significant improvement in our 2010 BBBEE procurement score. Our progress against our procurement objectives has been very satisfactory, and we aim to improve on this even further.

Enterprise development

Enterprise development is closely aligned with preferential and BBBEE procurement, since Sanlam RSA is best able to develop small black-owned enterprises in South Africa through our purchasing power.

It is estimated that every person needs between 20 to 50 litres of water free from harmful contaminants each and every day.

Sanlam RSA assesses its entire supply chain in order to identify transformational challenges and to determine the viability of enterprise development initiatives as a solution. Whenever development of a new business area commences, our strategy includes facilitating the entry of black business into that area. This includes investing in small black businesses by assisting their cash flow through soft loans and early payment terms. To promote enterprise development more broadly, Sanlam RSA runs entrepreneurial competitions and a business-oriented educational television programme for entrepreneurs.

Sanlam RSA's largest contribution to enterprise development occurs through our Ubuntu-Botho (UB) transaction, since we financed the deal through preferential loans. Shareholders in the broad-based UB empowerment groupings have access to capital, opportunities and business advice. This deal yielded us full points on the enterprise development component of the dti Scorecard.

Society and community

Corporate social investment and socio-economic development

For an economy to be sustainable, its people must be healthy, educated and skilled. Society must also secure a supply of natural resources for the future to support businesses and to maintain social stability. Sanlam RSA's corporate social investment (CSI) and socio-economic development (SED) initiatives focus on education, environmental management, health and skills development. By investing in these areas, Sanlam RSA not only encourages future client loyalty and support, but we make a meaningful contribution to the society we serve.

During 2010 we reviewed our CSI programmes to focus on fewer, more strategic projects in order to be more effective, sustainable and impactful. After a process of stakeholder consultation and project selection, we finalised our 2011 to 2015 CSI strategy, which aims to ensure a sustainable future business by supporting the development of a better society. In 2010 our CSI spending exceeded R19 million, which represented 0,52% of Group net profit after tax.

Our CSI strategy is to ensure that our investments lead to the creation of wealth for the poor communities in which we operate. To enhance the management of our CSI programme, we will establish the Sanlam Foundation in 2011. For more information on our programme and projects funded in 2010, see the on-line Sustainability Report.

Sponsorships that focus on society and communities

Sanlam views our community sponsorships as a win-win, adding real business value while also supporting socially significant causes. For Sanlam RSA, sponsorships present opportunities to engage with various target markets and stakeholders.

During 2010 we introduced a new sponsorship initiative, the Sanlam Kay Motsepe Schools Cup. This tournament is a national annual soccer tournament that aims to revive the culture of school football, involving over 4 000 high schools from all provinces in South Africa. Our other

Sustainability review (Group-wide issues) continued

sponsorships include the Takalani Sesame radio and television educational programme, the Sanlam Cancer Challenge golf tournament, and a suite of cultural sponsorships through which we aim to reposition and transform the Sanlam brand in our traditional and non-traditional target markets. In 2010 we contributed R4,8 million to a variety of projects including music and writing initiatives and the Food Wine Design Fair.

Biophysical environment

All of us depend on a healthy biophysical environment and functioning ecosytems. As a responsible corporate citizen, contributing positively to ecological health needs to be part of our triple bottom-line.

This commitment to responsible environmental citizenship informs Sanlam RSA's journey to integrating environmental principles into our business approach. It is also this commitment that drives our long-standing partnership with the WWF and its Living Waters unit, and that will again inform the new partnership agreement that we will sign with the WWF in 2011.

We believe that the issue of water is not based on conjecture or varying opinion, but on fact, as our country faces significant economic and development challenges that will require significant water resources to be made available for industry and jobs, food production and improved social standards.

Our investment in WWF is therefore not only based on sound environmental imperatives, but also makes financial, social and economic sense. Our decision to build 'water' as a theme into the design of this Integrated Annual Report, graphically illustrates our commitment in this area.

Our dedication to responsible environmental practices is also evident in Sanlam RSA's participation in the Carbon Disclosure Project; assessing and reporting on our carbon footprint; measuring our consumption of energy, water and materials and working towards reducing our footprint.

Our commitment and work in this area is guided by our Group Environment committee which oversees the management of environmental impact, bringing us into alignment with environmental best practice.

Our carbon footprint

The Ernst & Young 2009 Business Risk Report rated climate change as the fourth highest business risk. South African businesses therefore have both a social responsibility and a business imperative to measure and reduce carbon emissions. This year Sanlam RSA again participated in the Carbon Disclosure Project (CDP), increasing the scope of our measurements.

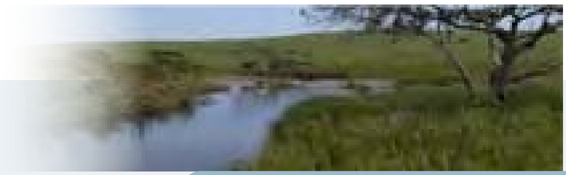
Sanlam RSA's Carbon Footprint Report will be published separately on our website and more information is available in the 2010 Sustainability Report.

Our highest carbon emissions come from electricity consumption (Scope 2 emissions). There are currently a number of energy-saving initiatives led by the Facilities team, detailed in the Sustainability Report's section on 'Resource consumption and efficiency'.

In 2010 Sanlam RSA was ranked 5th overall on the CDP Leadership Index and featured in the top quartile of the carbon performance index.

Resource consumption and targets

As a signatory to the Energy Efficiency Accord, we are committed to reducing our fossil fuel energy consumption. At our head office in 2010, we improved



measurement of our energy use by installing a real-time energy management system in which meters measure our energy consumption. Through such monitoring, we can concentrate on areas yielding the largest energy savings. The heating and AC system is our biggest consumer of electricity. We have therefore installed an alarm system to sound at a certain level of energy use so that chillers can be turned off where not needed. We are also replacing a variety of old equipment, including an elevator upgrade project, to reduce energy consumption – and we are currently investigating other efficiency measures including movement sensors for light fittings, and sun-shield glazing for windows. As a Group we are also encouraging energy-efficient housekeeping at all our offices.

We are monitoring our water consumption and taking a variety of measures to reduce this, including the installation of manual flush systems on all toilets. The head office recycles about 61% of all waste (including food waste), or 10 to 15 tonnes per month. We intend to achieve a waste recycling rate of 75% and are investigating ways of improving this.

Performance

During 2010 we spent the following amounts on various resource efficiency initiatives:

> Lift project: R2 935 825 (completed)

> Energy metering project: R41 040 (in progress)

> HVAC speed drive project: R317 099 (in progress)

Agriculture claims 70% of all the fresh water used by humans. It takes 3 000 to 5 000 litres of water to grow just one kilo of rice.

While we have made progress towards our 2010 environmental targets, we have not met them all. The Group Environment committee is evaluating the 2010 environmental targets in order to determine a sound method for setting new targets. The committee will finalise and introduce these during the first half of 2011. This process highlights the challenges we face in determining realistic targets in terms of scope, scale, measurement methods and tracking.

Conclusion

Integrated sustainability forms the very foundation of the Group's business culture. If Sanlam is to be truly sustainable, our business model must be holistic, resting on a balanced triple bottom-line. In order to play a beneficial role in society, we must not only be financially profitable, but also contribute positively to social and environmental well-being. In the past, these three areas of impact, economic, social and environmental, have often been seen as separate. At Sanlam we are learning to integrate all of them into our business strategy. For us, sustainability is not something we are 'adding on' to our business: it is becoming an integral part of who we are.

Economic and financial markets review

Jac Laubscher
Group Economist

"Economic activity in South Africa mainly followed global developments. After a surprisingly buoyant first quarter, emulating the sharp recovery in the global manufacturing sector, economic growth slowed markedly in the second and third quarters with the Soccer World Cup providing only a brief spurt in spending."

Review

The past year was somewhat of a roller-coaster ride, with assessments of the outlook for the global and domestic economies being repeatedly revised. Sentiment fluctuated between optimism and pessimism, depending on whether the news flow at the time was positive or negative. Unfortunately the future remains as unpredictable as it was 12 months ago, *inter alia* because so much depends on decisions to be taken by politicians and policymakers, which are difficult to predict.

One should nevertheless not overlook the progress that has been made in coming to grips with the international financial crisis, although its consequences will remain with us for many years to come. Perhaps, more importantly, the financial markets have been on a steep learning curve in analysing and interpreting the crisis, and they have now reached a point of greater balance and calm in assessing risk. Although this does not make the issues at stake less serious, markets now have better insight into the willingness and ability of political and policy institutions to deal with them, even if in an imperfect way.

The difference in the response of financial markets to the Greek sovereign debt crisis in May and the recent Irish crisis, in spite of much more serious contagion possibilities in the case of the latter, is striking. While markets reacted sharply negatively in May, with world equity prices declining by approximately 16% from peak to trough in the second quarter and the VIX volatility index shooting up from 15 to 45 index points, the increased risk appetite that has become evident since mid-year has hardly been dented. On the face of it, markets appear to have become more confident regarding the outlook for economic growth, with US equity prices returning to their pre-crisis level in November.

The core event of 2010 was the developing sovereign debt crisis in the Euro zone periphery, bringing with it the possibility of a second leg to the global banking crisis emanating from European banks' exposure to credit-impaired sovereign bonds. Policy steps by European governments and the ECB initially allayed the fears regarding a possible Greek debt default, and the results of stress tests conducted on European banks helped to confirm confidence in the European banking system. However, the subsequent problems in Irish banks that had previously passed the stress tests have confirmed the initial scepticism regarding the stringency of the tests. The European policy response has unfortunately been characterised by doing too little too late.

The high probability of sovereign debt restructuring in some of the peripheral countries in the near future, resulting in substantial losses for the holders of the affected government bonds, implies that it is too soon to become complacent. However, if the bonds in question have been marked-to-market by their holders, the recent sharp increase in their yields should mean that a large part of the losses will already have been priced in.

The latter half of 2010 also witnessed increased international tension around the problem of unresolved imbalances in the global economy, with some countries being accused of being involved in so-called "currency wars". The tit-for-tat between the US and China as to who is manipulating its currency remains unresolved, with the US objecting to China's policy of aggressive foreign reserve accumulation and China in turn expressing its dissatisfaction with the US's announcement on further quantitative easing. Other emerging market currencies, including the rand, appreciated sharply in response to increased capital flows to emerging markets. The inability of the G20 to resolve the issue of global imbalances has resulted in increasing risk of the adoption of protectionist measures that would set back global growth prospects.

The sharp fall in global economic activity after the breaking of the financial crisis has been followed by an equally sharp rebound, although not back to previous levels. A protracted period of "muddling through" probably still lies ahead in the

Economic and financial markets review continued

developed world while the extensive set of legacy issues from the financial crisis is being dealt with. Although the possibility of a so-called "double dip", i.e. a second recession following close on the heels of the first one, gained some support after the initial recovery in economic activity started losing momentum, it remains unlikely.

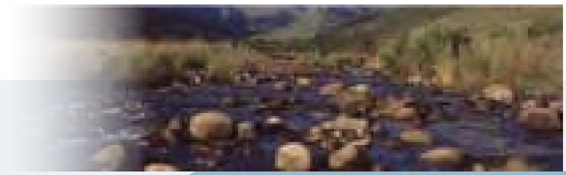
Emerging-market countries have continued to perform strongly and in some cases had to start tightening policy to counter inflationary pressures. They stand to outperform developed countries for a prolonged period, and risk perceptions have been turned on their head by their obviously better economic fundamentals.

Economic activity in South Africa mainly followed global developments. After a surprisingly buoyant first quarter, emulating the sharp recovery in the global manufacturing sector, economic growth slowed markedly in the second and third quarters with the Soccer World Cup providing only a brief spurt in spending. Industrial action played an important role in cutting back growth in the secondary and tertiary sectors in the third quarter. However, it will not prevent the economy from recording 2,8% growth for the calendar year due to a low base in 2009, with real final consumption expenditure by households making the biggest contribution.

In spite of heavy job losses due to the economic downturn, the trend in real disposable income has turned positive, with relatively high wage and salary settlements supporting a year-on-year increase of approximately 4,5%. Other supporting factors for household finances have been the recovery in net wealth, the decline in debt service costs in the wake of further reductions in the Reserve Bank's repo rate, and declining inflation that slowed the erosion of real purchasing power. However, household debt levels remained elevated, unlike during previous downturns when households sharply reduced debt.

The exchange rate of the rand received a boost from increased capital flows to emerging markets. Unlike on previous occasions, there are indications that these flows are of a sustainable nature rather than being pure "hot money" flows. The support the exchange rate has received from strong commodity prices, and therefore improving terms of trade, should also not be underestimated.

The persistent strength in the exchange rate of the rand (the nominal effective exchange rate appreciated by 12% during 2010) has played an important role in lowering inflation from 6,3% at the start of the year to a low of 3,2% in September, measured by the consumer price index, in spite of rising unit labour costs. This has enabled the Reserve Bank to take greater cognisance of the sluggishness of the economic recovery, reducing its repo rate by a further 1,5 percentage points during the course of the year to its lowest level in 30 years in response to repeated positive surprises on inflation. However, inflation is likely to have bottomed for now. Apart from the effect of rand strength fading, food



inflation poses the risk of accelerating in 2011 from a low base. It is likewise likely that the repo rate has reached its lowest turning point, in addition to fiscal policy becoming less expansionary.

Long-term bond yields followed inflation and the repo rate downwards, with the 10-year generic government bond yield declining by approximately 1 percentage point to 8,25%, in line with global trends. The JSE All Share Index was by and large range-bound up to August, fluctuating between 26 000 and 29 000 index points. However, it subsequently caught on to the improvement in global risk appetite, displaying an 18% jump in line with the increase in the global emerging market index. At current levels it is deemed to be fully valued.

By the year 2025, 48 countries will be affected by water stress or scarcity – affecting around 35% of the projected global population in that year.

The year 2011 should see a further improvement in growth to 3,5% with household consumption leading the ongoing recovery, followed by a turnaround in capital spending by the business sector. A gradual worsening in the current account deficit is therefore to be expected, which could help to bring the rising trend in the exchange rate to an end.

Although not buoyant, business conditions for financial services promise to be underpinned by a steadily improving economic and financial background in 2011.

Business review – Sanlam personal finance

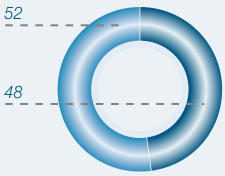
Sanlam Personal Finance

R million	2010	%↗
Net operating profit	1 715	14
New business flows	32 042	3
— SA recurring	1 194	12
— SA single	21 797	5
— Non-SA	9 051	(1)
PVNB premiums[(1)]	17 555	6
VNB[(1)]	386	21
Margin[(1)]	2,20% vs 1,93%	
RoGEV	21,1%	
Adjusted RoGEV	17,8%	

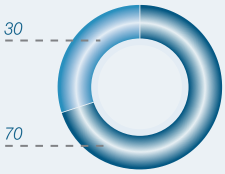
[(1)]*Life business only.*

Share offering

Contribution to net result from financial services (%)



Contribution to new business volumes (%)



Group profile and shareholding structure

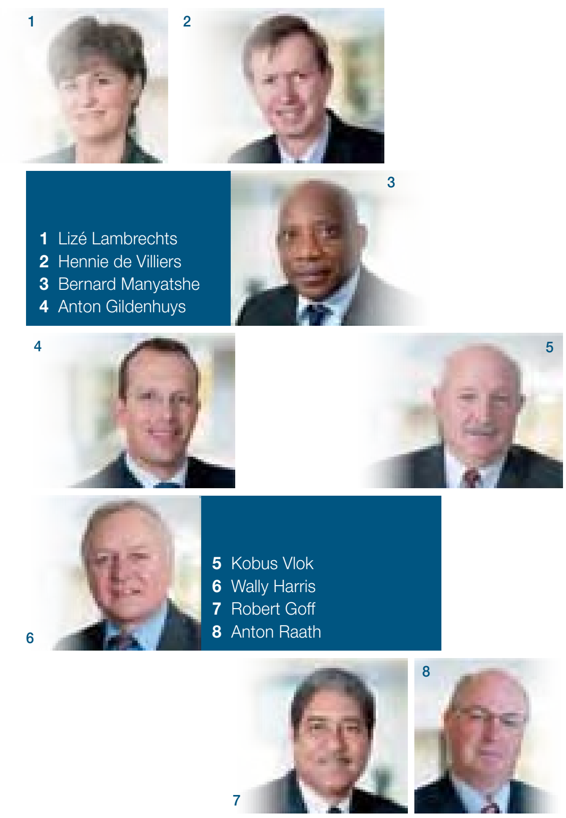
South African operations	%	
Middle and self-employed market focus		
Sanlam Individual Life division	100	*Life insurance*
Sanlam Personal Loans	70	*Personal Loans Joint Venture*
Multi Data	100	*Electronic money transfer*
Sanlam Trust	100	*Estate and trust services*
Sanlam Liquid	100	*Debit card and savings facility*
Anglo African Finance	65	*Niche trade and bridging finance*
Sanlam Health Management	80	*Medical scheme administration services*
Sanlam Linked Investments	100	*Linked product provider*
Reality	100	*Loyalty programme*
Affluent market focus		
Glacier[(1)]	100	*Financial services for affluent market*

[(1)]*Glacier also sources solutions from the middle and self-employed markets above.*

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

Business review – Sanlam personal finance continued

Persistency and retention levels continued to improve in 2010. 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.



1 Lizé Lambrechts
2 Hennie de Villiers
3 Bernard Manyatshe
4 Anton Gildenhuys
5 Kobus Vlok
6 Wally Harris
7 Robert Goff
8 Anton Raath

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 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.

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.

At SPF we foster a culture of passion for our clients, placing great emphasis on diversity and innovation. We strive to be an employer of choice for people who share these values.

SPF offers the following financial services and advice, either directly or in conjunction with Group companies or other business partners:

South Africa

- Client and business protection
  - Life and disability insurance, dread disease, permanent incapacity and sickness 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 and guaranteed annuities
> Ensuring transfer of wealth between generations
  > Estate and trust services
> Transactional requirements
  > Debit card
> Financing and credit needs
  > Personal loans
  > Niche trade and bridging finance

Namibia

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

2010 in perspective

Economic conditions remained tough in 2010 and consumers continued to struggle as a result of job losses and the rising cost of living. The drop in interest rates brought some relief to heavily indebted consumers but impacted negatively on sales of products which are linked to interest rates such as guaranteed plans, annuities and money-market investments.

The strengthening of the rand and the increase in the offshore allowance for individuals presented new opportunities and saw the launch of our Glacier International offering towards the end of 2010.

The dialogue around the management of coastal resources has changed significantly in recent years. Increasingly, biodiversity is acknowledged as something which can benefit positive socio-economic change as opposed to being in opposition with it.

Our diversification strategy helped us to cushion the impact of some of the challenges such as lower interest rates and a lack of consumer confidence.

Persistency and retention levels continued to improve in 2010. 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.

Looking at the numbers, how did we do in 2010?

Total sales grew by 3% with new recurring premiums having increased by 11% and single premiums by 3%. Total South Africa sales grew by 6% and Namibia sales decreased by 1%, while total life sales grew by 3% and non-life sales by 4%.

We are particularly pleased with the 11% growth in new recurring premiums, given the negative impact of the continued tough economic environment on the disposable income of our clients. It was also encouraging to see clients move back into recurring premium savings products such as retirement annuities and endowments, which increased by 12%. Sales of risk products grew by 9%.

Single premiums were impacted by the lower interest rate environment, which resulted in a slowdown of flows into money-market products compared to 2009.

Business review – Sanlam personal finance continued

Lower interest rates also reduced sales of products that tie clients into lower interest rates for longer periods, such as guaranteed plans and annuities. Flows into products linked to the improving equity markets and a one-off inflow of R1,1 billion onto the Glacier linked product platform offset some of the negative impact of lower interest rates.

The value of new covered business (VNB) (calculated on similar Gilt yield of 9,4% for both 2009 and 2010) grew by 8% and VNB margins were maintained despite a very competitive environment.

The total net cash inflow of R5,6 billion is 20% lower than in 2009 largely because of the shift from money-market funds, particularly the Glacier and Namibia funds, to equity-related funds as interest rates declined and stock markets improved. The Namibia flows were also impacted by changes in the tax base of interest-bearing unit trusts, which impacted negatively on Namibian money-market funds.

Profits before tax increased by 19% largely due to improved risk- and market-related profits in the life business, as well as higher profits earned by Sanlam Personal Loans due to lower bad debts and increased personal loan advances.

The adjusted return on Group Equity Value of 17,8% exceeded our hurdle rate of 13,4%.

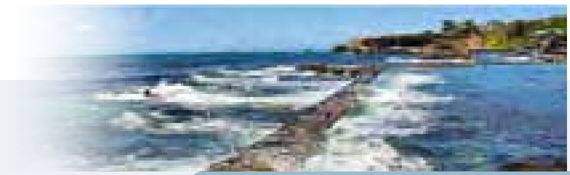
We are proud of the awards SPF received from the Financial Intermediaries Association for our investment products, both in the recurring and single premium categories. We were also a finalist in the risk product category. In addition, Glacier has grown from the third largest Linked Investment platform provider in 2006 to the largest in 2010.

Strategic developments

Increasing our distribution footprint is one of our key strategic objectives. We are therefore planning on increasing our number of advisers by an additional 400 and supporting brokers by 250 over the next three years. During 2010 we increased our adviser numbers by approximately 250 and invested in several initiatives to increase our broker support. In this regard we have increased our number of broker consultants by 15. We have also set up Echelon Distribution Services, which will provide priority services to selected brokers. In addition, we invested in SFP Advisory Services, a brokerage that services a large client data base.

Over the past number of years the current business model has become less relevant in the lower middle market for a number of reasons such as changing commission models, increased cost of legislation, and intermediaries' preference for more affluent market segments. This has resulted in financial services providers focusing more on markets which can afford these services. We believe that the lower middle market segment has significant potential if it can be reached in a cost-effective manner. We are therefore piloting various initiatives to provide appropriate products in a cost-effective way to this market. A large number of the additional 250 advisers appointed in 2010 will specifically focus on this market.

The Glacier International offering was launched to provide affluent South African clients with innovative ways of investing offshore. The new offering became available in October 2010 and initial new business flows have been encouraging.



The Sanlam Empowerment Fund was also launched in October 2010 and offers black clients access to empowerment funding asset classes and direct investment into BEE deals. Initial feedback from the market has been positive.

Following the merger of Telemed with Bestmed on 1 January 2010, Sanlam Health Management (SHM) acquired Eternity Health Administrators with effect from 1 July 2010, thereby increasing the number of principal medical aid members managed by them to nearly 100 000. SHM is now the fourth largest medical aid administrator in South Africa.

Sanlam Personal Loans (SPL) continued its prudent lending approach and expanded this model to selected Sanlam clients in the lower middle market from November 2010. SPL also started a pilot project to test the viability of offering loans to selected Sanlam clients in the entry-level market.

The Sanlam Liquid Splash account, a competitively priced debit order savings account, was launched towards the end of 2010 and is aimed at younger clients.

Embracing change

The South African regulatory environment continues to change frequently.

A discussion paper on Treating Customers Fairly (TCF) was released in June last year which proposes that TCF should apply for the full product life cycle starting with the design, promotion, advice, pre and post sale, and ending at the claim stage. SPF is well positioned for these proposals as our client-centric strategy already embraces many of them.

> Businesses are still grappling with their water issues and . . . they do not necessarily understand how to effectively get involved in water management.

Conflict of Interest regulations came into effect in 2010, setting out rules and principles that require financial services providers to avoid any conflict of interest between the provider and client. Mere disclosure is no longer adequate. This may result in an increased number of brokers exiting the industry.

The full impact of the new commission regulations will come into effect in 2011. We do not expect this to have a major impact on our sales activities as the phase-in period (2009 and 2010) as well as the bridging finance we provided to advisers have facilitated a smooth transition to the full new commission basis.

The Medical Aid industry will continue to be impacted by the regulatory and political environment, although the latest NHI proposals seem to allow for greater private participation in an NHI environment.

We have started assessing and planning for the implementation of the requirements of the Solvency Assessment and Management (SAM) programme and phase two of the International Financial Reporting Standards for Insurance activities which are expected to be implemented in the next three years.

Employer of choice

We understand the key role people play in delivering on our business strategy and strive to attract, develop and retain highly skilled and competent people.

Business review – Sanlam personal finance continued

Achieving our transformation targets remains an important priority. We recognise the importance of matching the demographic composition of our employees, not only with the composition of our current clients, but also our future clients. We aim to achieve this through developing and growing our own staff and appointing appropriately skilled people from the outside.

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. The SPF Internal Training Academy is just one example of several initiatives to develop our staff on an ongoing basis. In April 2010 we also introduced the disabled learnership programme, in which 18 external learners participated.

Transforming our business is critical and determines our relevance and sustainability into the future. Progress is therefore measured on an ongoing basis and a component of all staff performance bonuses is linked to achieving our objectives in this regard.

Outlook for 2011

While financial markets and the South African economy are expected to continue their steady recovery in 2011, continued high increases in the cost of living will result in the disposable income of consumers in the middle market remaining under pressure. This will prove challenging for the segments of our business that service predominantly this market.

Strategic objectives

We will continue with our established client-centric strategy which has proved successful over the past number of years and which is driven by focused market segmentation, diversified financial solutions and extensive distribution footprint. Our key strategic objectives are:

> Targeting reasonable growth of new business sales while maintaining VNB profitability margins.

> Expanding our extensive distribution footprint while also looking for alternative engagement models.

> Increasing our penetration in the high potential lower middle market in a cost effective manner.

> Growing our medical business.

> Pursuing viable initiatives to grow and diversify our business further.

> Applying our experience in the professional market to more successfully penetrate the self-employed market.

> Maintaining operational efficiencies with a focus on client experience.

> Focusing on transformation and remaining an employer of choice.

> Improving collaboration within the various SPF businesses as well as the wider Sanlam Group.

> Continuing to renew our technology requirements.

Our leadership

Executive committee

Lizé Lambrechts	Chief Executive
Hennie de Villiers	Middle Market
Bernard Manyatshe	Information Technology
Anton Gildenhuys	Actuarial
Kobus Vlok	Distribution
Wally Harris	Finance
Robert Goff	Human Resources
Anton Raath	Glacier

Divisional board and forum membership

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

Business review – Sanlam developing markets

Sanlam Developing Markets

R million	2010	% ↗
Net operating profit	**218**	34
New business flows	**3 187**	18
— SA recurring	**897**	8
— SA single	**491**	(8)
— Non-SA	**1 799**	34
PVNB premiums	**6 584**	15
VNB	**345**	19
Margin	**5,24% vs 5,08%**	
RoGEV	**21,0%**	
Adjusted RoGEV	**20,9%**	

Share offering

Contribution to net result from financial services (%)

Contribution to new business volumes (%)

Group profile and shareholding structure

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

Business review – Sanlam developing markets continued

"As part of the Group's strategy to tap into new markets, SDM made progress with a number of initiatives in 2010. These include launching a new life company in Uganda, acquiring a stake in NICO Life in Malawi and finalising a partnership with First Bank in Nigeria."

1 Heinie Werth
2 Anne Livingstone
3 Margaret Dawes
4 Cornie Foord
5 Steven Mostert
6 Robert Dommisse

7 Nthabiseng Mmatli
8 Regina Sikalesele-Vaka
9 Gary Corbit
10 Charles Washoma
11 Tom Gitogo

12 CC Bruce
13 Marguerite de Waal
14 Ramachandra Duruvasan
15 Akhila Shrinivasan
16 Osman Karim

Who we are

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

We focus on managing 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. This is in line with the Sanlam Group objective of becoming the leading financial services player in developing markets.

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 is largely due to our principle of partnering with reputable and established operations in developing markets where potential for growth has been identified. Our preferred operating model is one of partnerships, allowing us to allocate our capital resources and expertise to support these partnerships, thereby strengthening their technical base to enable further growth.

The SDM strategy includes improving and growing our existing businesses, complementing our current offering with wider financial services, and expanding gradually into new developing countries. This strategy is underpinned by a strong focus on execution and delivery.

We made good progress in entering new countries this year, with a deal concluded to buy a 49% stake in NICO Life Malawi during the latter part of the year. We also got regulatory approval to become a 35% shareholder in FBN Life Assurance, with our partner in Nigeria, First Bank of Nigeria owning the remaining 65% shareholding.

When the future of the most precious resource of all, water, is under threat . . . the time for talk is over.

2010 in perspective

The year under review delivered a mixed bag of challenges and opportunities. On the one hand, the economic downturn resulted in further heavy job losses. On the other, interest rates in South Africa fell to levels last seen more than 30 years ago. Those in formal employment enjoyed relatively high wage and salary increases against a declining inflation rate. Unfortunately, household debt levels remained high, limiting any real improvement in discretionary spend. In the rest of Africa, commodity-driven African economies started to show signs of recovery.

Overall, SDM delivered satisfactory new business growth in 2010, notwithstanding the tough economic conditions experienced in most of the markets where we have operations. We achieved an 18% growth in new business volumes for 2010. Most of the businesses outside South Africa contributed to this growth, despite the continuing strength of the rand.

SDM also achieved solid earnings growth of 25% (result from financial services before tax).

We made good progress with a number of new initiatives that will drive future growth. These include launching a new life company in Uganda, acquiring a 49% stake in NICO Life Malawi and finalising our partnership with First Bank in Nigeria. In South Africa we launched a new initiative, *icover*.

While our diversification strategy certainly played an important role in helping us achieve satisfactory results, we acknowledge that this would not have been possible without the incredible dedication of our staff and management teams who mainly operate in regions and countries far from the Sanlam head office.

We highlight our progress with diversification and geographical expansion in this Review and we remain positive to continue to make the most of future growth potential.

South African operations

Sanlam Sky Solutions and Channel Life were integrated into a single South African business in the latter half of 2009. During 2010, the primary focus was therefore on bedding down this new integrated business and to proceed with a single strategy aimed at achieving sustainable profitable top-line growth. While we achieved a reduction in operating costs as a result of the integration, we also used the opportunity to cut out sources of new business which were of poor quality, resulting in lower new business growth relative to previous years. Safrican has performed extremely well, delivering profit growth of 126% in 2010. We attribute this to an intensified focus on profitable top-line growth. The group risk area and agency force in Sanlam Sky Solutions also performed above expectations.

While achieving quality new business was a priority, consumers in our target market remained under severe financial pressure. As a result, we experienced a deterioration in premium collection and claims on the in-force book, placing pressure on profit margins.

The need for funeral cover in the low income market presents a substantial growth opportunity, provided the cost of distribution and premium collection can

Business review – Sanlam developing markets continued

be kept to a minimum. Key initiatives in this area include the launch of *icover*, joint ventures with the JD Group and the ZCC, and both the Sanlam Sky and Safrican group benefits areas.

As part of our strategy to tap into new markets, we launched *icover from Sanlam* in November 2010. *icover* provides affordable and easily accessible funeral cover to South Africa's low income earners who are unable to buy traditional funeral cover because they do not have a bank account or a regular income. The *icover* funeral cover options are bought off the shelf on a cash basis from a number of participating retail stores.

Towards the end of 2009 Sanlam Sky Solutions entered into a joint venture with Santam and the JD Group, which provides access to the extensive JD Group client base and infrastructure. Initially, sales were only via call centre, but in October 2010 we rolled out in-store policy sales on a pilot basis and are pleased with the take-up thus far.

The Sanlam Sky Group Benefits division was also very successful in 2010 through partnerships with affinity groups such as funeral parlours and church groups, and by employing innovative mobile technology which enabled the company to collect premiums and pay claims in remote areas of South Africa. Our ZCC partnership in particular remains strong.

Rest of Africa operations

Our African operations form an integral part of Sanlam's diversification strategy. Despite the fact that several of the African countries where we have a presence were hard hit by global economic woes, with the strength of the rand further diluting the growth experienced, we have seen a solid overall performance from our African operations in 2010 and we remain very positive about the prospects for further growth. We have started diversifying into wider financial services and continue to leverage off our bancassurance partnerships across the continent. At the same time, we have expanded into Uganda and Malawi, while the Nigerian operation is already operational. Our medical business, Sanlam Health International, is now up and running and is expected to write its first premiums in early 2011.

> Botswana

Botswana Life, in which we have a 54% shareholding, delivered moderate growth due to the rand strength having diluted some of the growth and a lag in recovery from a very difficult 2009, in which Botswana was affected by a plunging world demand for rough diamonds and severe stock market volatility.

Botswana Life managed to retain a life insurance market share in excess of 80%. During 2010 the focus was on bedding down new ventures initiated in 2009 in order to diversify our revenue streams. 2010 was the first full year that our 14% stake in Letshego Holdings (a personal loans provider) was equity accounted due to our significant influence on the Letshego board. This business is generating strong earnings as well as providing Botswana Life with good credit life volumes and other cross-selling opportunities. We have also expanded into the short-term insurance market through our acquisition of Legal Guard.

> The WWF Sanlam Living Waters partnership helps to address the underlying socio-economic reasons for environmental degradation – in other words, Sanlam is investing in a cause, not just a symptom.

> Ghana

Our operation in Ghana, through a 49% shareholding in Enterprise Life Assurance Company (ELAC), is the fastest growing business in our portfolio outside of South Africa and now has over 190 000 in-force policies. In 2010 our focus was on expanding our distribution capability. ELAC is currently the second largest life company in Ghana with the state-owned insurer being the biggest. Our ambition is to grow ELAC into the first position.

> Kenya

Economic conditions in Kenya remained difficult during 2010 and the market remains highly fragmented with some 24 life insurers in operation. Despite this, Pan Africa Life, in which we have a 50% shareholding, achieved good growth in both new business volumes and operating profit in 2010 (albeit off a low base) and remains one of two top players in the local industry.

> Other African operations

- The Zambian economy recovered well in 2010 and the new leadership of African Life Zambia has been delivering pleasing results. We have seen a significant turnaround in new business volumes and persistency. In 2011 the focus will be on ensuring the sustainability of this turnaround.
- Tanzania did not perform to our expectations in 2010 and we intend to review our business model and positioning in 2011.
- We expanded into Uganda in the second quarter of 2010. Sanlam Life Insurance Uganda is a greenfields operation wholly owned by Sanlam. Our focus has been on creating distribution channels and identifying opportunities. We believe Uganda offers excellent growth potential.

India

Shriram Life is a joint venture between the Shriram Group and the Sanlam Group. Our shareholding in Shriram Life remains at 26%. The Indian Government placed on hold a proposal to raise the foreign direct investment limit to 49%, which would have allowed us to increase our holding in Shriram Life.

Following a disappointing performance in 2009, mainly as a result of the global financial markets crisis, Shriram Life experienced strong growth and new business volumes in 2010. However, during 2010, the Indian regulator amended regulations to further reduce charges on products and regulate distribution. Although the impact on Shriram's 2010 results is limited, we expect a negative impact on both volumes and profitability going forward.

The NEW (North, East & West) Channel, which was launched in June 2009 with the aim of increasing Shriram Life's footprint across India, has been repositioned to focus more on efficiency and achieving sustainable growth given the changed regulatory environment in which it has to operate. As a result, the business has been restructured extensively and the leadership has undergone several changes.

Business review – Sanlam developing markets continued

The challenge of an ever evolving regulatory environment in India remains, and will continue to put pressure on future profitability levels. We will therefore have to keep reviewing our product range and distribution models to ensure future profitable business. We remain confident in the Group's growth potential in India, and expanding and participating in other financial services with the Shriram Group remains an option.

Gearing for sustainable growth

In order to achieve sustainable growth, we need an ongoing focus on the efficiencies of our operations, including persistency, new business quality, widening our client base, and expanding distribution capabilities through bancassurance agreements and relationships. In addition, we need to identify and seize new opportunities for growth as they present themselves in other developing markets, mainly in Africa and India.

Operation-specific initiatives include:

South Africa

> Bedding down our new initiatives including the JD Group strategic alliance and *icover*, and leveraging off key relationships with the ZCC and selected banks.

> Tight cost control and stabilising systems and processes.

> Focusing on new business quality and client retention.

> Diversifying sources of new business, geographically and by using alternative distribution approaches.

Rest of Africa

> Consolidating our existing life business in Botswana with a strong focus on retention while bedding down the new short-term business.

> Aggressive volume growth in Ghana via bancassurance, brokers and group business.

> Profitable new business growth in the smaller African businesses with a continued focus on new business quality.

> Rolling out new systems in most of our other African operations.

> An overall and continuous focus on cost efficiencies.

> Successful roll-out of new initiatives including Sanlam Health International and Uganda.

> Focused delivery and implementation in conjunction with our new partners in Nigeria and Malawi.

> Selective expansion into new countries.

India

> Adapting to the new regulatory environment in India by changing the product mix and distribution strategy.

> Continuing the roll-out of the NEW Channel following its restructuring.

> Exploring participation in other financial services in India.

New markets

> Explore longer term possibilities in Indonesia and other selected South East Asian markets.

Our leadership

Executive committee

Heinie Werth	Chief Executive
Anne Livingstone	South Africa
Margaret Dawes	Rest of Africa
Cornie Foord	Operations and IT
Steven Mostert	India and Special Projects
Robert Dommisse	Chief Financial Officer

Divisional board and committee memberships

Non-executive directors

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

Executive directors

Heinie Werth	Chief Executive
Anne Livingstone	

Other business heads

Nthabiseng Mmatli	Chief Executive Officer: Safrican Insurance Company
Regina Sikalesele-Vaka	Group Chief Executive Officer: Botswana Insurance Holdings Limited
Gary Corbit	Chief Executive Officer: African Life Assurance Company (Zambia) Limited
Charles Washoma	Chief Executive Officer: African Life Assurance (Tanzania) Limited
Tom Gitogo	Chief Executive Officer: Pan Africa Life (Kenya)
CC Bruce	Executive Director: Enterprise Life Assurance Company Limited (Ghana)
Marguerite de Waal	Chief Executive Officer: Sanlam Uganda
Ramachandra Duruvasan	Managing Director: Shriram Life
Akhila Shrinivasan	Managing Director: Shriram Life
Osman Karim	Chief Executive Officer: NICO Life Insurance (Malawi)

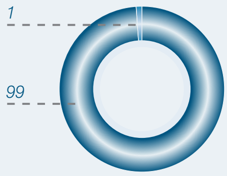
Business review – Sanlam UK

Sanlam UK

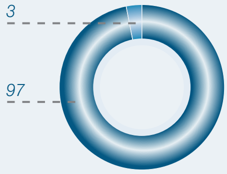
R million	2010	%↗
Net operating profit	**46**	39
New business flows	**3 059**	43
— Life insurance	**967**	5
— Investment	**2 092**	71
PVNB premiums	**996**	5
VNB	**11**	(21)
Margin	**1,10 vs 1,47%**	
RoGEV	**2,7%**	
Adjusted RoGEV	**7,1%**	

Share offering

Contribution to net result from financial services (%)



Contribution to new business volumes (%)



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	96%	*A private client and retail investment management company specialising in discretionary portfolio management.*
Buckles Holdings	72%	*The largest independent financial adviser practice based in Wales.*
Nucleus Financial Group	43%	*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	23%	*A UK-based financial services advisory group.*

Business review – Sanlam UK continued

"Sanlam UK produced much improved results for 2010. This is reflective largely of the stabilisation and recovery of financial markets, a more positive contribution from all businesses and the absence of several material one-off costs."

Who we are

Sanlam UK aims to build a sustainable, profitable and customer-focused niche retail financial services business that is predominantly UK-focused.

The Sanlam UK cluster consists of subsidiary companies, Merchant Investors, Principal and Buckles. The portfolio is further complemented by Sanlam's minority holdings in Intrinsic Financial Services, Nucleus Financial Group and the Punter Southall Group. Our growing portfolio of financial services businesses in the UK is active in distribution, product packaging, administration, and asset management services.

In addition, Sanlam UK also houses a newly created division – Sanlam Distribution UK. This division was set up during 2010 to assist two of our regulated businesses, Principal and Merchant Investors, achieve greater new business volumes by providing intermediaries with expert support in the fields of business consultancy, technical support, taxation and risk management.

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.

2010 in perspective

After the UK had experienced its worst recession in 60 years during 2009, it came as no surprise that conditions in the country continued to prove difficult, especially during the first half of 2010. As anticipated, trading conditions remained tough, with consumers reluctant to invest and new business difficult to secure.

However, financial markets bounced back strongly in the latter half of 2010 on the back of improved global economic data and expectations of further rounds of quantitative easing and low interest rates for longer periods of time. Yet, while fears of a 'double dip' recession, a Eurozone crisis and further banking sector weakness receded somewhat, consumer confidence remained

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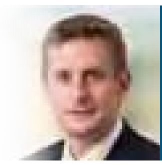


1 Lukas van der Walt
2 Stuart Geard
3 Hugh Titcomb
4 Nigel Speirs

3


4


weak as a result of conflicting and confusing messages regarding the shape of the economic recovery, the tackling of the fiscal deficit, and the future direction of sterling, taxes, interest rates and inflation.

Against this backdrop, Sanlam UK produced much improved results for 2010. This is reflective largely of the stabilisation and recovery of financial markets, a more positive contribution from all businesses and the absence of several material one-off costs in the cluster (as was the case in 2009).

The UK portfolio – subsidiaries

Merchant Investors is a niche player in the affluent life and specialist pension markets with assets under management in excess of £1,7 billion. 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.

During 2010, Merchant Investors launched Accel, an innovative offering that combines asset allocation with fund selection to create a range of model portfolios based on different attitudes to risk. Accel is expected to appeal to a large number of independent financial adviser (IFA) firms since its innovative legal structure effectively converts client funds “under influence” to funds “under management”.

Merchant Investors achieved a surplus in 2010 that was well ahead of the previous year’s surplus.

Principal, a private client and retail investment management company with assets under management of £1,2 billion, specialises in discretionary portfolio management for private individuals, family trusts and corporate/institutional clients.

Principal performed well over 2010 with strong new business flows and improved profitability. Its performance is significantly correlated to that of equity markets and the business benefited from the strong equity market recovery in the latter half of 2010.

The issue of water is not based on conjecture or varying opinion. It is based on fact – and the most crucial fact is that the demand for fresh water will exceed supply by 2025 – placing severe pressure on our already strained freshwater ecosystems.

Buckles is the largest IFA practice in Wales and ranks among the top 100 in the UK by turnover. Buckles managed to stabilise its operating performance for most of 2010, fluctuating around break-even at a core business level, following the substantial losses in 2009 as a direct result of the global financial crisis. It also continues to invest in growing its business and delivering group linkages.

The UK portfolio – associated companies

Nucleus is an Edinburgh-based wrap platform provider, majority-owned by its IFA shareholder firms. It had another very successful year with its asset base once again doubling, resulting in it ending the year with £2,1 billion in assets. Nucleus has gained excellent traction since it commenced operations in 2007, with around 75 supporting IFA firms and a business model that is likely to result in it remaining strategically well positioned for further strong growth.

Intrinsic is a multi-tied distribution network of financial planning and mortgage advisers. It is currently the fourth largest network in the UK by adviser numbers. A pure distribution business, Intrinsic continued to prove its resilience in what continues to be a very challenging environment. While the business remained profitable and self-funding, Intrinsic is heavily influenced by consumer sentiment and requires a much improved environment before it can reach full potential.

Business review – Sanlam UK continued

The Punter Southall Group (PSG) is a UK-based financial services advisory group, operating 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 produced satisfactory results with good performance from the actuarial consulting and investment management businesses.

Challenges and changes

The aftershocks of the 2008 global financial crisis continue to be felt across the UK financial services industry. In addition, difficult economic conditions are made more challenging by political and regulatory factors, which continue to cause the industry to evolve. Moreover, regaining the trust of the consumer is one of the biggest challenges our industry continues to grapple with. We acknowledge, however, that challenges and change create opportunities, and Sanlam UK is well positioned to take advantage of opportunities as they present themselves. Some of the key challenges and changes that are likely to impact on our business include:

> Significant public sector spending cuts by the UK's coalition government are fuelling fears of a 'double-dip' recession. At the same time, however, consumers are realising that they can no longer rely on the State for their financial well-being, which means they are likely to turn increasingly to suitable private sector savings and investment products.

> Increases in inflation and tax rates place an even greater burden on a struggling consumer base.

> A tough economic environment continues to demand cost cutting and restructuring in the financial services industry.

> The Financial Services Authority is to be abolished in 2012 and replaced by a new prudential regulator that will operate as a subsidiary of the Bank of England, which will be given significant regulatory powers. The new Consumer Protection and Markets Authority will regulate every UK firm providing financial services to consumers. We anticipate tougher regulation and more intrusive supervision.

> The intended creation of three new pan-EU supervisors for securities, insurers and banks, along with a European Systemic Risk Board in January 2011 will result in the power to overrule national agencies such as the FSA.

> The implementation of the Retail Distribution Review (RDR) by the end of 2012, will transform the advice process and set prescribed minimum qualification requirements for advisers. The impact on distribution is not completely clear, but we expect large insurers to set up their own sales forces and a material exit by independent financial advisers.

> The possible introduction of Personal Accounts in 2012, which requires employers to automatically enroll jobholders into a pension scheme.

> The implementation of Solvency II by January 2013.

> The continued closure of defined benefit pension schemes.

Gearing for sustainable growth

The constituent business units within the Sanlam UK cluster all offer significant growth potential. We will focus on tapping into opportunities created by some of the regulatory, economic and social changes mentioned in the previous section. Our focus areas for 2011 include:

> The new Sanlam Distribution UK division

This division was established with the aim of developing and implementing a consistent strategy for the distribution of our products and services. The Distribution services division will enable us to keep pace with the rapidly changing IFA landscape in the UK.

> Leveraging off the Sanlam brand

We are in a good position now to leverage off the strength of the Sanlam brand, which is recognised and respected in the UK. We will therefore rebrand and reposition certain of our businesses in the first half of 2011.

> Forging deeper relationships

The pressures placed on traditional adviser business models by regulatory changes create opportunities for us to forge deeper relationships with IFAs by promoting RDR-friendly products, platforms and wrap solutions, and advising on best practice.

> Building trust

We will continue our focus on establishing our business as a trusted adviser to clients and a trusted business partner to IFAs.

> Enhancing our retail solutions

Widening the breadth of our financial solutions sets remains an ongoing focus area. With the new skills set within Sanlam Distribution UK, we will intensify the development of retail investment propositions. The Accel risk profiling tool and a model portfolio wrap platform will form an integral part of the retail offering.

> Establishing a wealth management offering

In 2011, we will pilot a wealth management offering under the Sanlam Wealth Management umbrella, focusing on both existing and prospective direct clients.

Core to this strategy will be our continued coordinated approach to growing our businesses, promoting linkages and driving collaboration, but with each business being empowered to make its own decisions within an agreed strategic framework.

Our leadership

Divisional board and committee membership

Non-executive directors

Lizé Lambrechts	Chairperson of Divisional Board, Audit and Risk and Human Resources
Johan van Zyl	Human Resources
Johan van der Merwe	Human Resources, Audit and Risk
Ian Plenderleith	Audit and Risk
Angus Samuels	Human Resources
Paul Bradshaw	Audit and Risk

Executive directors

Lukas van der Walt	Chief Executive
Stuart Geard	Financial Director

Chief executives of controlled entities

Lukas van der Walt	Merchant Investors
Hugh Titcomb	Principal
Nigel Speirs	Buckles

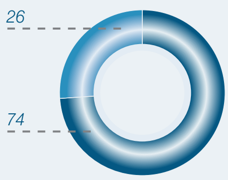
Business review – Institutional cluster

Sanlam Institutional cluster

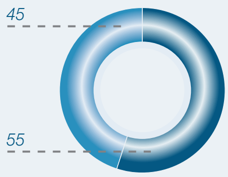
R million	2010	% ↗
Net operating profit	**861**	(3)
New business flows	**47 992**	0
— SA	**42 639**	(4)
— Non-SA	**5 353**	41
Net flows	**7 514**	128
Funds under management (R billion)	**491**	11
RoGEV	**14,8%**	
Adjusted RoGEV	**14,7%**	

Share offering

Contribution to net result from financial services (%)



Contribution to new business volumes (%)

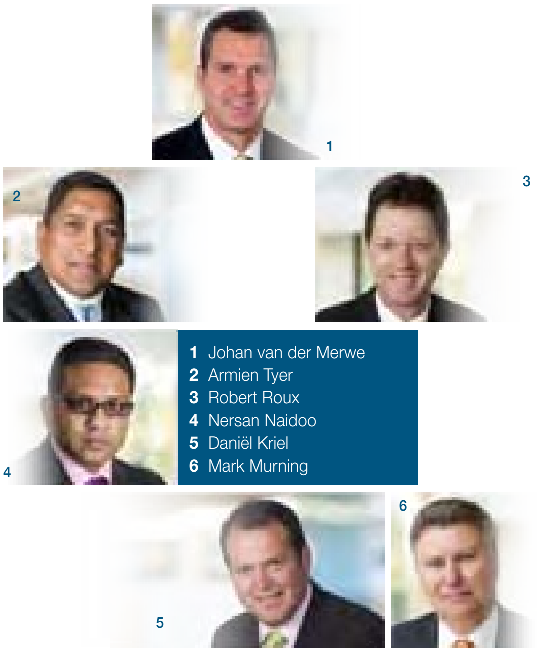


Profile of Institutional cluster

Asset Management sub-cluster	
Sanlam Investment Management (SIM)	*SIM is a multi-specialist investment management business, with small, autonomous teams responsible for the active management of institutional portfolios and retail unit trust funds. It also offers other investment capabilities, such as hedge funds, which are managed by SIM's hedge fund business, GenX, and quantitative investing.*
SIM Africa	*SIM Africa contains the Group's African investment operations, with businesses in Kenya, Nigeria, Namibia, Zambia and Botswana.*
Wealth Management sub-cluster	
Sanlam Private Investments (SPI)	*The second largest wealth management business in South Africa, SPI is a private client portfolio management and stockbroking business, serving high net worth individuals, charitable trusts and smaller institutions.*
Calibre Investments	*Calibre Investments is an Australian investment management business, operating in partnership with SPI through offices in Sydney and Melbourne to service the needs of both private investors and corporate clients.*

Business review – Institutional cluster continued

"By the end of the year, the business had delivered better than expected results and effectively put in place a solid base off which it should be able to achieve compound growth over the next few years."



1 Johan van der Merwe
2 Armien Tyer
3 Robert Roux
4 Nersan Naidoo
5 Daniël Kriel
6 Mark Murning

Profile of Institutional cluster *(continued)*

Sanlam Investments Capital Management sub-cluster	
Sanlam Capital Markets (SCM)	*SCM is a niche capital markets operation with limited capital, concentrating on synergies with other businesses in the Sanlam Group and giving the Sanlam Group a substantial financial engineering capability.*
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.*
Sanlam Properties	*Sanlam Properties invests in property development and/or improvement opportunities that meet its investments criteria and seeks to partner with other property investors and/or developers. Sanlam Properties will also provide certain property advisory services to other entities within the Sanlam Group.*
Sanlam Structured Solutions (Derivatives)	*Sanlam Structured Solutions (SSS) develops and provides structured investment and retirement solutions for the institutional and retirement fund industry, as well as high net worth individuals.*
Employee Benefits sub-cluster	
Sanlam Group Risk (SGR)	*SGR provides corporate life, disability and credit risk benefits, thereby enabling employers to offer competitive risk cover to their employees.*
Sanlam Umbrella Solutions	*The Sanlam Umbrella Fund is a multi-employer pension savings vehicle that offers employers an alternative to the administrative and governance burden of stand-alone funds.*
Sanlam Retirement Fund Administration	*Sanlam Retirement Fund Administration is a benefit administration, pensioner payroll and disability management business.*
Sanlam Structured Solutions (SSS)	*SSS develops and provides structured investment and retirement solutions, annuity and guaranteed products for the institutional and retirement fund industry.*
Simeka	*Simeka Consultants & Actuaries offers a comprehensive range of consulting and advisory services, directed at employers, retirement fund trustees and their members.*

Profile of Institutional cluster *(continued)*

International Investments sub-cluster	
Sanlam International Investment Partners (SIIP)	*SIIP manages the established partnerships with specialist investment management firms in the US, Europe and Australasia with the objective to enhance the asset management proposition for South Africa and international clients.*
SIM Global	*SIM Global actively manages long-only international funds from South Africa for local and international clients.*
Sanlam Asset Management Ireland (SAMI)	*SAMI is our international investment management platform based in Dublin, managing funds domiciled in Ireland for the Sanlam Group.*
SMC Wealth Management (India)	*SMC wealth management is a joint venture between India's SMC Group, one of India's leading investment solutions companies, and the Sanlam Group.*
Investment Services sub-cluster	
Sanlam Multi Manager International (SMMI)	*SMMI is an investment management advisory business dedicated to active multi-management.*
Sanlam Collective Investments	*One of the largest managers of collective investment portfolios in South Africa, SCI offers a wide range of retail, multi-managed, institutional and third-party collective investment funds.*
Blue Ink	*Blue Ink Investments is a leading hedge fund manager providing products focused on both the local South African market and the global investment markets. Blue Ink has offices in Cape Town and London and provides investment services for retail, private and institutional clients.*
Fin-Q Financial Services	*Fin-Q Financial Services is an authorised financial services provider focusing on providing independent advice to people leaving retirement funds.*

There is simply not enough water to go around in many catchments, leaving little for basic human needs, and often nothing for ecological needs.

Who we are

The Institutional cluster is one of the core clusters within the Sanlam Group and consists of six sub-clusters incorporating a number of businesses operating in collaboration to give individual and institutional clients access to a comprehensive range of specialised investment and risk management expertise. Our areas of expertise include local and international asset management, private equity, hedge funds, financial engineering, employee benefits and property investments.

Each business within the Sanlam Institutional cluster functions as a separate, entrepreneurial entity, with a shared focus on delivering leading performance and exceptional client service. We achieve this by encouraging passionate ownership and a culture of excellence among our employees.

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

2010 in perspective

While risk abated somewhat during 2010 and consumers were given some respite, the global and local economies were still fairly fragile and by the

Business review – Institutional cluster continued

end of the year many of the same concerns that were taxing investors and businesses at the end of 2009 remained in place.

Within this context, the Institutional cluster held a steady course with our highly regarded investment and management teams delivering benchmark-beating investment performance. We increased our market share in key segments of the financial services industry on the back of our improved distribution support teams.

By the end of the year, the business had delivered better than expected results and effectively put in place a solid base off which it should be able to achieve compound growth over the next few years.

To achieve our growth objectives, the cluster has pinpointed three priority areas of excellence, namely investment performance, our people and talent and distribution.

The Institutional cluster subscribes to the belief that "what got us here, won't necessarily get us to where we want to be", with the expectation that we will only achieve our goals by continuously improving our businesses and their ability to deliver exceptional performance and service to our clients. It is with this in mind that we streamlined our wide range of businesses in the Institutional cluster into the six sub-clusters. A key objective is to extract as much value and as many synergies as possible across the businesses in order to:

- Provide clearer and easier access to clients;
- Create opportunities for unlocking more value by optimising revenue and costs and thus increasing profits;
- Enhance cross-selling and collaboration; and
- Significantly improve decision making and execution as a result of:
  - Greater focus; and
  - Creating an environment that encourages stronger competitiveness.

It is our belief that talented people have a far more meaningful and positive impact on the business when they are operating within the right structures and we are confident that our new operational structure will enable our staff – and thus the business – to thrive. The new structure also widens the scope of opportunity for our existing leadership team.

On the operational front a key objective is to remain appropriately resourced to compete in the investment industry, while keeping a tight rein on costs. Over the past two years, the normal operating expenses of the underlying businesses have increased in line with inflation, with the exception of the businesses in which we increased distribution and marketing resources to capitalise on opportunities in the market. Our central distribution capability was further bolstered during 2010 by the inclusion of specialists in the multi manager, offshore and hedge fund businesses. We also built a much more visible above the line presence for our Asset and Wealth management businesses.

Overall margins remain under pressure in the investment industry given ongoing competition. The cluster's strategy has been to offer a full range of investment products and services to clients and in so doing we give our investors comprehensive choice, while also protecting our margins.

We expect margins to remain under pressure as competition intensifies in the industry and regulations call for even more stringent disclosure requirements. However, we are confident that with our broad base of capabilities and resources, together with our renewed efforts to enhance collaboration across our businesses, we will be able to compete effectively across the value chain and, in so doing, protect the overall margin of the business.

Asset management sub-cluster

The asset management sub-cluster consists of Sanlam Investment Management (SIM) and SIM Africa. SIM is a multi-specialist investment manager with small, autonomous teams responsible for actively managing institutional and retail assets invested in equities, fixed income, cash and multi-asset class products. SIM Africa contains the Group's African investment operations, with businesses in Kenya, Nigeria, Namibia, Zambia and Botswana.

During 2010, SIM operated within a surprisingly strong financial market environment. While risk aversion did abate and company earnings were better than expected, investors still ended the year as uncertain as the year before given mixed macroeconomic evidence.

Operational overview

Notwithstanding a volatile external environment, SIM maintained our philosophically grounded and process-driven investment approach, investing where assets offered the most long-term value. At an operational level, the business continued to

> What we learn about water and how we manage its scarcity will set the tone for how we deal with the other limits to our current business models.

successfully leverage off the balance sheet and distribution capabilities of the broader Sanlam Group.

Performance reflected the benefits of our investment approach. More than 97,5% of SIM's funds under management outperformed their benchmarks on a one-year rolling basis to end December 2010 and 93% on a rolling three-year basis. Our equity performance was strong and SIM's fixed-interest portfolios delivered significant excess performance compared with their benchmarks. Performance in our hedge fund unit was also impressive, while many of our key offerings in the retail sector have very competitive three-year track records. Our General Equity, Value and Active Income funds delivered solid returns, while our General Equity, Value and Balanced funds did well over five years.

As a result of this positive performance and confidence in our ability to deliver on many fronts, SIM experienced healthy net client cash flows. Thus profitability was good relative to stringent budgets and 2009 profits.

With financial markets having performed better than expected on average, our investment book has grown to higher levels than expected. But, given that many asset classes are at best fairly priced, and largely expensive by historical standards, we are cautious about investment markets in 2011.

Business review – Institutional cluster continued

Achieving sustainable growth

In pursuing sustainable growth, we will further strengthen our franchise across all market segments, protect our talent pool, leverage the skills and capabilities we have put in place over the past five years, and exploit any investment opportunities that may arise. In Africa, we will deepen our presence and expand our Pan African fund management capability.

Investment Services sub-cluster

Globally we have observed the increased use of investment concepts traditionally used by investment banks in the asset management arena, for instance, the use of derivatives in portfolio management. This trend is supported by a global convergence of the long-only and hedge fund segments of the asset management industry. In forming the Investment Services sub-cluster, we integrated our many open architecture products, which include long-only and hedge funds managed by external providers and sold on our investment platforms, thereby placing us in a better position to offer our clients a holistic range of investment solutions.

The sub-cluster consists of four entrepreneurial businesses: Sanlam Multi Manager International (SMMI), Sanlam Collective Investments (SCI), Blue Ink and Fin-Q. The target markets for these businesses include retail and institutional intermediaries, as well as end clients.

Sanlam Multi Manager International (SMMI)

For SMMI, 2010 marked a year of consolidation and refinement, during which aspects of the multi-manager business model were reviewed and enhanced. Pleasingly, long-term investment performance remained solid, with short-term performance lagging in some instances.

Sanlam Collective Investments (SCI)

Our unit trust business had an exciting year, with sizeable fund flows into SIM's core range of funds, as well as the Sanlam Alternative Income Fund (SAIF). This fund is the only credit-rated dividend fund in the industry, which reached R7 billion in assets under management since our launch in 2007.

Blue Ink

We believe investors will make increasing use of alternative investments and hedge funds. With a view to taking advantage of this trend and given the skills and market focus overlap of the Blue Ink and the Multi Manager teams, it made good business sense to incorporate the Blue Ink business into the Investment Services sub-cluster.

Fin-Q

Fin-Q is an advisory business that was set up to leverage off Sanlam's significant client base. With permission from the retirement funds, Fin-Q advisers are able to contact individuals who may be leaving the retirement fund and offer independent financial advice. As part of the sub-cluster, Fin-Q is more easily able to leverage off available manager research, as well as the Group's multi-manager investment management and administrative platforms.

Achieving sustainable growth

It is worth noting that the process of including all these businesses in the sub-cluster was ongoing

> Just like the transition to a low carbon economy is imperative, so will be the transition to a low water economy, and we have a narrowing window of opportunity to make this happen in a manner we can predict and manage.

during 2010, with some businesses only coming on board towards the end of the year.

However, we are confident that we are now in a better position than before to capitalise on the trends we are observing globally and, more importantly, that our new structure will enable us to offer our clients an exciting range of solutions.

Sanlam International Investments sub-cluster

The International Investments sub-cluster is a truly entrepreneurial and globally competitive business. In addition to grouping our offshore business together, the sub-cluster creates an international link for our local businesses and a local link for the international businesses. The sub-cluster consists of four pioneering businesses: Sanlam International Investment Partners (SIIP), Sanlam Asset Management Ireland (SAMI), SIM Global and SMC Wealth Management, our business in India.

Sanlam International Investment Partners (SIIP)

SIIP manages Sanlam and external client international assets of more than US$4,5 billion. The international fund range delivered satisfactory performance and the fund offering was enhanced by the addition of a number of new funds.

SIIP continued our strategy of acquiring stakes in carefully selected, specialist investment management businesses; Centre Asset Management, a New York-based equity manager, was added as well as Exclusive Holdings, a European property manager.

FOUR Capital Partners Ltd, the London-based European investment management business, continued to deliver strong investment results and, as a result, investor interest increased. Atom Funds Management managed to secure a A$50 million investment mandate from a reputable Australian asset consultant. Eight Investment Partners, our newly established Asia-Pacific manager, already manages assets in excess of US$150 million and will continue to expand its operations and strategies.

The strategic relationships established with Blackrock and AllianceBernstein continued to give clients access to two global investment powerhouses, both with impressive performance track records.

SIM Global

SIM Global continued building on 2009's strong performance. During 2010, the Global Financial Fund retained its status as a top decile fund, with an unrivalled 11-year track record for an international financial fund. Kokkie Kooyman was named the top Global Financial Fund Manager by *Investment Week* in London. The Global Best Ideas Fund – now six years old – built on its long-term track record of alpha generation by sticking to the investment philosophy and process that has always set SIM Global apart from our competitors.

Intensified business development and marketing efforts both in SA and the UK started paying off. Two significant wins for the year included gaining a client from the largest global financial fund in

Business review – Institutional cluster continued

London, as well as being awarded an institutional mandate in SA for Global Best Ideas. The fund breached the $700 million assets under management as a result of both fund inflows and strong performance during the year.

Sanlam Asset Management Ireland (SAMI)

During 2010 our international businesses were able to leverage far more effectively off SAMI, our Dublin-based UCITS III-compliant investment platform.

We foresee further opportunities in this area based upon the ongoing interest we are receiving from third parties looking to host their funds on our platform and the new clients we have taken on board expanding their product offering.

India

We remain committed to our investment in India. However, owing to legislation changes, regulation, competition and the impact of the financial crisis, a decision was taken early in 2010 to defer our development of the Asset Management Company (AMC) and instead focus our efforts on the Wealth Management Company (WMC), which operates in a more stable environment. To facilitate the establishment of the WMC, and to further cement our excellent working relationship with our partners there, a senior executive was seconded to India for an initial three-year period.

Achieving sustainable growth

During 2010, we were able to further develop the implementation of our international strategy and as such are increasingly well represented within key areas of the globe where we see strong potential and opportunity. Pleasingly we have also made steady progress in attracting third-party funds into our offshore investment businesses. We are excited by how well our efforts to globalise our investment offerings complement the Sanlam Group's overall international strategy.

Wealth Management sub-cluster (SPI)

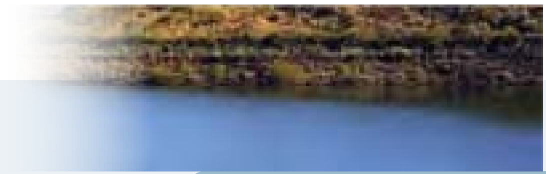
Having successfully completed the first phase of its journey by transforming from a stockbroker to a private client wealth manager, SPI shifted its focus to establishing the business as a fully-fledged wealth manager.

We expanded our products and services to existing clients in a number of innovative initiatives, the two most notable of which were the launch of a Shariah-compliant private client equity and portfolio management service and an Art Advisory service, which provides independent expert advice to clients considering art as an investment.

In early 2010, SPI acquired a stake in Calibre Investments in Australia, which bolstered the business's offshore wealth offering.

Achieving sustainable growth

Despite the downturn in the markets, the business was able to invest for the future and was rewarded by clients with a net inflow of R2,5 billion. We believe that the investments made to date, as well as the top quality investment professionals it has been able to attract and retain, will enable the business to perform well on a sustainable basis going forward.



Water is perhaps the most limited finite resource on this planet. All life, societies and economies are fundamentally dependent on clean water, but we only have a limited amount available.

Sanlam Investments Capital Management (SICM) sub-cluster

The SICM sub-cluster is responsible for managing and leveraging Sanlam's capital, third-party and policyholder funds. The sub-cluster consists of five separate businesses: Sanlam Capital Markets, Sanlam Structured Solutions (Derivatives), Sanlam Private Equity, Sanlam Properties and Sanlam Group Treasury.

Sanlam Capital Markets (SCM)

SCM is a financial engineering business that specialises in risk management and developing structured solutions for our clients using equity, debt instruments and their derivatives. SCM has three divisions: Equities, Debt and Market Activity, the latter of which applies a quantitative and structured approach to the management of risk and harnessing the "alpha" return in transactions.

During 2010, deal flow and risk appetite remained muted in the aftermath of the global credit crisis. While the Market Activity business in SCM was most affected, the Equities and Debt businesses both delivered very good results.

Sanlam Structured Solutions Derivatives (SSS)

SSS develops and provides structured investment and retirement solutions for the institutional and retirement fund industry. During 2010, this business was adversely affected by the lower than expected deal flow and revenue is likely to remain depressed as long as prevailing market conditions continue.

Sanlam Private Equity (SPE)

SPE manages the Sanlam capital as well as policyholder funds that have been invested in private equity. SPE experienced a period of consolidation in 2010, with much effort going into a review of the portfolio and the disposal of mature investments. This occurred alongside the identification of new investment opportunities.

The disposal of assets had a significant positive effect on the business's results in 2010. However, the reduction in asset base is likely to have a negative effect on revenue going forward. SPE also closed its Cape Town offices at the end of 2010 and relocated staff to Johannesburg to strengthen and consolidate our deal origination efforts.

Sanlam Properties (SP)

The asset management portion of SP was sold to Vukile during the course of 2010, leaving behind the property development elements of the business. As expected, the uncertain state of the economy depressed the residential property market, which in turn adversely affected SP, particularly given a write-down required in one of our developments.

Achieving sustainable growth

All in all we are pleased with the performance of this sub-cluster during 2010, with the positive results in

Business review – Institutional cluster continued

SPE and SCM's debt and equity businesses offsetting the difficulties faced by SCM's Market Activity division and the SSS and SP businesses. Difficult economic conditions are expected to continue for the foreseeable future. Despite this, quality transactions do present themselves during times like these and, with due consideration to prudent governance, SICM continues to position itself to take advantage of opportunities as they arise.

Sanlam Employee Benefits sub-cluster

This sub-cluster houses Sanlam Employee Benefits (SEB), which offers 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 sub-cluster consists of five divisions: Sanlam Group Risk, Sanlam Structured Solutions, Sanlam Umbrella Solutions, Simeka Consultants and Actuaries and Sanlam Retirement Fund Administration.

Sanlam Group Risk

As a result of our steady growth leading up to and including 2010, our Group Risk business has become the leader in its industry, with a significant 24% market share in SA. The claims experience during 2010 continued to be volatile, negatively influencing the profitability of the business. This is likely to continue for the foreseeable future. The management team remains focused on improving service delivery and product innovation.

Sanlam Structured Solutions (SSS)

This business unit is responsible for our annuity business and smoothed bonus portfolios. SSS experienced strong inflows into their smoothed bonus products during 2010, largely as a result of a positive change in market perception given our excellent performance and comfortable funding position.

Sanlam Umbrella Solutions

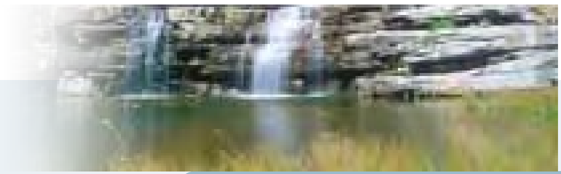
Our umbrella fund solution experienced satisfactory growth, continuing to steadily increase the number of participating employers during 2010. Increasing the market share of the umbrella fund is a strategic priority across the Institutional cluster and plans are in place to further expand this base in the future. The fund was awarded "Umbrella Fund of the Year 2010" – a reflection of the effort that has gone into ensuring that it is a competitive and compelling solution. Service delivery has also continued to improve and will remain a focus going forward.

Simeka Consultants and Actuaries

This business provides independent employee benefit and actuarial consulting services to both institutional and retail clients. In late 2010, a decision was taken to move this business into the EB sub-cluster where we believe it will benefit from coordination and cooperation that occurs within the sub-cluster.

Sanlam Retirement Fund Administration

During 2010, the specialist administrator Coris Capital became a wholly owned subsidiary of Sanlam when we acquired the remaining 38%



of the business and as a result we formed Sanlam Retirement Fund Administration. The move enables us to further enhance our client-centric delivery off this administration platform. During the year, we continued our efforts to stabilise the administration platform after the migration of a number of clients. Our focus during the year ahead is to improve service delivery significantly while also improving the profitability of business.

Achieving sustainable growth

The performance and perceptions of the EB sub-cluster were boosted by these exciting initiatives. In stabilising and consolidating the businesses within the cluster over the past few years we are now able to shift our focus to growing the businesses and further enhancing the client offering and their experience of our businesses.

Investing responsibly and sustainably

In the context of the environment in which we are operating, sustainability becomes all important. For our Asset Management business this comes down to having a robust investment philosophy and process. As an agent of shareholders, SIM actively engages with company boards to ensure capital is allocated effectively, sustainably and in line with corporate governance best practice. SIM is also a UN-PRI signatory and thus wholly committed to the principles of responsible investing.

We remain excited about the Africa Sustainability Fund as an investment opportunity for our clients. We are confident that the Mauritian-based fund manager, Sustainable Capital will be able to take advantage of opportunities in countries and companies that are likely to deliver attractive long-term investment returns but are still inefficiently priced by African financial markets.

> Globally, more than 2 billion people live in water stressed catchments. By the 2020s this is expected to increase to about 4 billion people, or some 60% of the world population due to climate, socio-economic and demographic changes.

Our Wealth Management art advisory service and establishment of a Shariah-compliant private client equity and portfolio management service are both exciting and innovative initiatives and will ensure we remain ahead of the game in a highly competitive industry.

Our multi manager, SMMI, launched a long-only asset manager incubator that will give small black-owned asset management business access to the resources of the Sanlam Group so that we contribute to the growth of this segment of the market.

During 2010, SEB's highly rated BENCHMARK Symposium added members and pensioners to their research base, enabling them to provide visibility and insight into the key issues and challenges faced by these stakeholders. We look forward to extracting even more from the research results in the future.

SEB also introduced an exciting innovation to the business that was targeted at young adults. The "Save Your Future" Facebook campaign seeks to give young adults a reality check and motivate them into making the best possible financial decisions to create long-term wealth.

Business review – Institutional cluster continued

Finally, as a South African corporate citizen, the Institutional cluster as a whole does what it can to build capacity and promote transformation.

Strategic objectives for 2011

Our primary goal has long been to develop the business capability so that our success is sustained over many years no matter what the external environment. This includes continuously enhancing our overall effectiveness in meeting our clients' needs and extracting better value across the range of businesses in the Institutional cluster.

We believe that the changes to our structure in 2010 will serve us well in this respect, enabling us to focus on the available opportunities across our businesses and thereby ensuring the consistency of our growth and performance. Going forward much attention will be placed on maximising collaboration across the Institutional cluster and other businesses within the Sanlam Group and during 2011 we will introduce programmes designed to further instill this spirit of shared purpose into our culture.

The following strategic objectives remain priorities across the cluster:

> Achieving consistent upper quartile, long-term investment performance across all businesses;

> Leveraging off our strengths and abilities;

> Growing our business through organic and/or acquisitive growth;

> Enhancing operational efficiencies;

> Ensuring client-centric delivery;

> Maintaining an empowering environment for our staff;

> Transforming. Efforts to achieve our transformation objectives received renewed focus during 2010 and will be driven by the Cluster Exco into the sub-cluster businesses by the Institutional cluster CEO during the year ahead.

Overall we believe that the changes introduced during 2010, coupled with the stellar investment performance and the enviable skills of our investment and management teams, will enable the Institutional cluster to pursue and seize exciting opportunities across the investment industry in the future.

Our leadership

Institutional cluster

Heads of businesses

Johan van der Merwe	Chief Executive Officer: Institutional cluster
Robert Roux	Chief Operating Officer: Institutional Cluster; International Investments; Employee Benefits (acting)
Armien Tyer	Asset Management
Nersan Naidoo	Investment Services
Daniël Kriel	Wealth Management
Mark Murning	Sanlam Investments Capital Management

Divisional boards and committee memberships

Sanlam Investment Management

Non-executive directors

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

Independent non-executive directors

Peter Cook	Chairman Financial and Risk, Central Credit
Flip Rademeyer	Human Resources and Nominations, Financial and Risk
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 of Divisional Board, 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 of Divisional Board
Flip Rademeyer	Financial
Kobus Möller	Financial
Anton Botha	
Chris Swanepoel	Risk
Peter Cook	Chairman Financial, Risk
David Ladds	Chairman Risk, Financial
Mark Murning	Chief Executive
Tony Gouveia	Chief Financial Officer

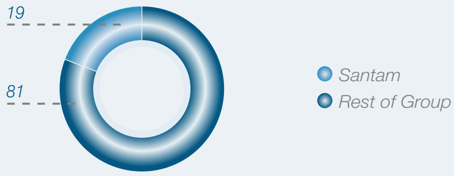
Business review – Santam

Santam

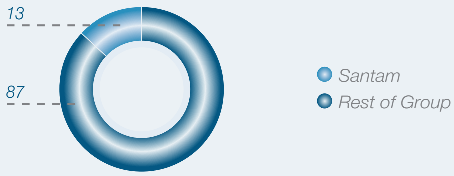
R million	2010	%↗
Net operating profit	623	99
New business flows	13 550	5
RoGEV	**22,8%**	
Adjusted RoGEV	**22,6%**	

Share offering

Contribution to net result from financial services (%)



Contribution to new business volumes (%)



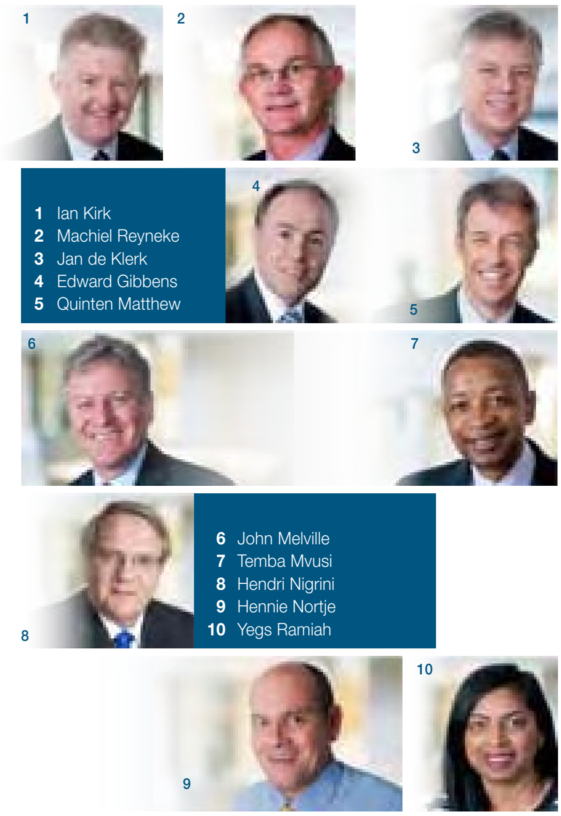
Business profile

Santam underwrites all classes of risk

Insurance classes	*% contribution to gross written premium*
Motor	42
Property	29
Alternative risk	11
Liability	7
Engineering	4
Transportation	2
Accident and health	2
Crop	3
Miscellaneous	<1
Guarantee	<1

Business review – Santam continued

"Santam's 93-year history is eloquent testimony to the company's ability to adapt to social, environmental and economic shifts over the long term."



1 Ian Kirk
2 Machiel Reyneke
3 Jan de Klerk
4 Edward Gibbens
5 Quinten Matthew

6 John Melville
7 Temba Mvusi
8 Hendri Nigrini
9 Hennie Nortje
10 Yegs Ramiah

Salient features

> 51% increase in headline earnings per share.

> Significant improvement in underwriting margin from 3,5% to 8,5%.

> Return on weighted average shareholders' funds of 37%.

> Strong cash flows generated.

> Healthy solvency ratio of 45%.

> Total dividend of 510 cents per share.

Who we are and our business environment

Santam is a proudly South African company specialising in short-term insurance products for a diversified market. This includes personal, commercial, agricultural and specialised insurance products.

Santam is primarily an intermediated business. The company reaches most of its clients through its trusted broker network and through other distribution partners. Santam is the leading short-term insurer in South Africa with a market share of over 22% and a book which includes many of the top companies listed on the JSE Limited.

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) for the second year in a row;

> Ranked the company in the industry with the most technically competent staff by a wide margin, as voted by senior executives of South African insurance companies in PWC's 2010 peer review ranking survey.

The environment in which Santam operates is ever changing and unpredictable, and risk is often a moving target. Despite this, Santam has evolved, staying abreast of client needs and offering its clients certainty and peace of mind. Santam has moved with the times, by being focused and listening to its clients. In meeting their needs with integrity and excellence, Santam has earned their trust over and over.

Following the Sanlam Group's decision to better co-ordinate its efforts across consumer market segments and to consolidate its short-term business interest into a single cluster, Santam acquired 100% interest in MiWay Group Holdings (Pty) Limited.

MiWay is a direct insurer, underwriting predominantly personal lines short-term insurance business. It launched in 2008 and has reached critical mass in a remarkably short time given the subdued environment following the global financial crisis. The company leverages off state-of-the-art call centre and information technology. Current services include short-term insurance, motor warranty and credit life. Its intention is to expand its product offering in the longer term to become a diversified direct financial services provider.

Sustainability at Santam

Santam's 93-year history is eloquent testimony to the company's ability to adapt to social, environmental and economic shifts over the long term. Today's reality is that South Africa is undergoing a significant transformation, both socially and economically, with clients more informed and empowered, and environmental resources becoming increasingly constrained. By taking the broader context of its operations into its core business through its sustainability strategy, Santam will continue its tradition of responsiveness and resilience in the future.

> To live in harmony with nature requires that economic, social and ecological considerations be viewed in tandem. This is not necessarily very easy to achieve.

Key to Santam's understanding of risk is the concept of systemic risk: this is a systems methodology approach to viewing our world and addressing how that world impacts what the company does and how it does it. The initiatives and policies that fall under the banner of sustainability feed into the company's management of systemic risk, strengthening Santam's overall approach to risk management.

Santam uses sustainability as a lens across all parts of the business. The company believes that its resilience through a tough economic climate can be attributed to its robust and mature systems and processes. Sustainability has become entrenched in Santam because of internal reporting mechanisms which feed into each other and ultimately into strategy design.

Sustainability works at Santam because structurally sustainability is guided by clear policies and strategies at the board level, guiding

Business review – Santam continued

the rest of the corporation. The impact is enhanced by the close collaboration across key divisions and the corporate office. The risk management, the sustainability and strategy units work as a team to ensure that Santam has a coherent strategy that runs through every business entity in the organisation.

Financial review 2010

The Santam Group achieved excellent underwriting and investment results in 2010. Overall earnings showed a significant improvement with headline earnings of R1 545 million, 51% higher than 2009. This equates to headline earnings per share of 1 367 cents compared to 906 cents in 2009. The 37% annualised weighted return on shareholders' funds is particularly pleasing.

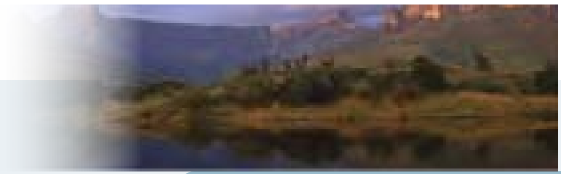
The overall net underwriting margin increased substantially from 3,5% in 2009 to 8,5% in 2010. This culminated in a net underwriting result of R1 146 million, 153% higher than the R453 million in the comparative period. Investment income delivered similar results to those of 2009.

Market conditions in the short-term insurance industry remained tight in 2010 with estimated gross written premium growth in line with CPI and little real growth. Against this backdrop, Santam's gross written premium growth of 6% represents a solid performance.

Underwriting performance of the crop business came under pressure due to weather-related claims. Margins in all other classes were satisfactory with excellent turnaround in the personal lines motor and property from the negative returns in 2009. Ongoing management intervention paid off for business sourced through the portfolio management business unit. Results from this area showed a significant turnaround from a loss-making position in 2009 to an acceptable profit margin.

The turnaround in the property portfolio was mainly due to the lower level of large industrial accident and fire-related claims. Of the specialist classes, the liability, engineering and transportation businesses performed particularly well. In general, lower average claim costs and our continuous focus on risk management to improve the quality and diversity of the risk pool impacted underwriting margins positively. The net acquisition cost ratio of 27,4% increased from 26% in 2009 mainly as a result of an increase in the net commission costs and performance bonuses. Santam also increased its spend on strategic re-engineering initiatives by 19% from 2009.

Investment returns on insurance funds of R396 million declined from R420 million earned in 2009. These lower returns resulted from lower interest rates despite substantially increased float balances. The Group's operating activities generated healthy cash flows of R2,1 billion during the year – 17% higher than the R1,8 billion in 2009.



Freshwater ecosystems are declining at an alarming rate. Altogether 84% of South Africa's freshwater systems are threatened and of this more than 40% are in a critical condition.

The reduction in interest rates adversely affected the yield on cash and money-market instruments, but assisted bond returns. Dividend income was still somewhat suppressed. However, equity markets had a strong run towards the end of the year. This followed on a lacklustre performance during the first half of the year and impacted the investment results positively. We continued to employ our strategy of proactively and tactically hedging equity investments.

The Group solvency ratio of 45% at 31 December 2010 was at the higher end of the long-term target range of 35% to 45%, and higher than the 42% reported at the end of 2009. Santam's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework. Special dividends are considered taking account of capital levels as informed by the solvency margin targets of 35% to 45% and investment opportunities. At this point in time it is not considered appropriate to declare a special dividend but it will remain under constant consideration.

The Group concluded the acquisition of the remaining 33,33% holding in Centriq Insurance Company Limited on 1 January 2010 following Kagiso Risk Solution's decision to disinvest from the specialist insurer. On 1 January 2010, 100% of the voting equity interest in Emerald Risk Transfer (Pty) Limited was acquired to obtain specialist underwriting skills in the corporate property environment. On 1 September 2010, the Group increased its effective shareholding in Indwe Broker Holdings (Pty) Limited from 37,8% to 100%. The company is being independently managed as an intermediary. On 31 December 2010, the Group increased its shareholding in MiWay Group Holdings (Pty) Limited from 31,3% to 100% when Sanlam Limited opted to restructure its shareholdings in the general insurance cluster in South Africa. MiWay will continue to be managed independently, servicing the direct segment of the market.

Further unit allocations were made to black staff in terms of Santam's broad-based black economic empowerment (BBBEE) scheme.

Expectations and priorities for 2011

Santam expects the economic recovery to continue during 2011 – albeit at a slow pace with a low interest and inflation environment during the first half of the year. The company expects to see an increase in interest rates and inflation in the latter half of the year. Average GDP for 2011 is expected to be somewhat higher than for 2010. However, the company expects premium increases in 2011 to remain subdued and growth to be a challenge – especially during the first half of the year. Upward pressure on premiums can

Business review – Santam continued

be expected should underwriting margins normalise towards lower levels during the course of 2011. Santam is positioned to manage increases selectively through its market and risk segmentation approach.

Claim costs are expected to come under pressure from the flooding throughout the country early in 2011, but Santam's diversity of risk and reinsurance protection will ensure that losses are contained. The expected weakening of the rand from current high levels in excess of its purchase price parity is likely to increase the cost of claims. This is particularly the case with motor claims where the import cost of parts is impacted by the strength of the currency. Therefore underwriting margins are expected to decrease in 2011, reverting back to the normalised range of 4% to 6%.

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

Interest rates are expected to remain at current levels during the first half of 2011, but could increase during the latter half of the year. The net effect is likely to be a lower return on insurance funds than in 2010. The fundamentals of the market are in place for another year of investment performance. However, it is unlikely that the company will experience a repeat of the stellar returns seen in the latter half of the 2010 financial year in the bond and equity markets. Investment performance is expected to show returns in the mid-teens.

Santam's leadership

Executive committee

Ian Kirk	Chief Executive
Machiel Reyneke	Chief Financial Officer
Jan de Klerk	Information Management
Edward Gibbens	Broker Distribution
Quinten Matthew	Specialist Business
John Melville	Risk Services
Temba Mvusi	Market Development
Hendri Nigrini	Specialist Projects
Hennie Nortje	Insurance Services
Yegs Ramiah	People and Brand Services

Board members and committee membership

Vusi Khanyile	Chairman, Human Resources
Bruce Campbell	Risk, Financial Reporting Review
Malcolm Dunn	Risk, Financial Reporting Review, Statutory Audit
Themba Gamedze	
Dines Gihwala	Risk, Financial Reporting Review, Statutory Audit
Jannie le Roux	Human Resources, Sustainability
Namane Magau	Human Resources, Sustainability
Kobus Möller	Risk, Financial Reporting Review, Investment
Yvonne Muthien	Sustainability
Flip Rademeyer	Risk, Financial Reporting Review, Investment, Statutory Audit
George Rudman	Risk, Financial Reporting Review
Johan van Zyl	Human Resources
Peter Vundla	Sustainability

Executive directors

Ian Kirk	Risk, Investment
Machiel Reyneke	Risk, Investment

Financial review

Sustained shareholder value creation – Sanlam's 2010 results in a nut-shell.

We are pleased to report on another solid performance in the 2010 financial year. An unwavering execution of the Group strategy and appropriate financial discipline in a challenging business environment contributed to a sustained delivery on the Group's commitment to optimise shareholder value.

Business environment

The Report of the Group Chief Executive provides information on the business environment in 2010. By their nature the Group's operations are exposed to the volatility of financial markets and economic conditions in general. This was again illustrated in the 2010 financial results. The main features to take cognisance of in evaluating the Group's results are highlighted below.

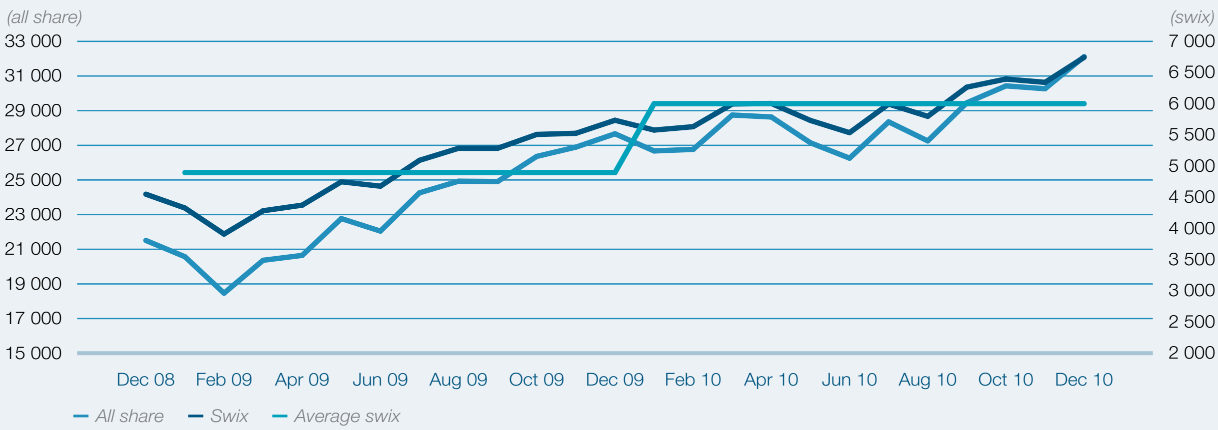
Economic conditions

Economic growth in the main geographical regions in Africa and the United Kingdom (UK) where the Group operates remained weak. Administrative inflation continued to put pressure on disposable income in the South African target market areas.

Equity markets

The South African equity market followed international trends with a strong performance in the latter half of 2010. The FTSE/JSE All Share and Swix indices closed the year 16% and 18% up respectively on their 31 December 2009 levels. This compares to the respective increases of 29% and 26% in 2009. The strong equity market performance since the latter half of 2009 contributed to a 22% higher average market level during 2010 as compared to 2009.

JSE indices

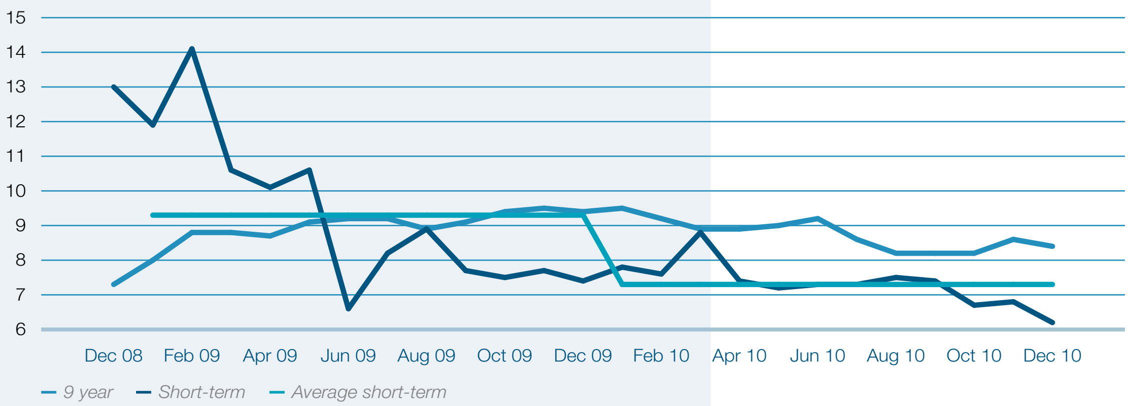


Kobus Möller
Financial Director

Interest rates

Long-term interest rates decreased by 1% since 31 December 2009 while short-term interest rates declined further in 2010 from the exceptionally high levels in early 2009. The result was a 2% fall in the average return earned on the Group's cash portfolio in 2010.

Interest rates *(%)*



Financial review continued

Foreign currency exchange rates

The rand continued its strong performance against all the major currencies to which the Group has exposure, as reflected in the table below (negative variances indicate a strengthening of the rand).

Foreign currency/Rand	**Europe Euro**	**United Kingdom GBP**	**USA US$**	**Botswana BWP**	**India INR**	**Kenya KES**
31/12/2008	12,85	13,33	9,24	1,26	0,19	0,13
31/12/2009	10,56	11,89	7,36	1,13	0,16	0,10
	(17,8%)	**(10,8%)**	**(20,3%)**	**(10,3%)**	**(15,8%)**	**(23,1%)**
31/12/2009	10,56	11,89	7,36	1,13	0,16	0,10
31/12/2010	8,88	10,36	6,62	1,05	0,15	0,09
	(15,9%)	**(12,9%)**	**(10,1%)**	**(7,1%)**	**(6,3%)**	**(10,0%)**
Average: 2009	11,62	13,04	8,31	1,20	0,17	0,11
Average: 2010	9,68	11,29	7,30	1,10	0,16	0,10
	(16,7%)	**(13,4%)**	**(12,2%)**	**(8,3%)**	**(5,9%)**	**(9,1%)**

Changes in presentation and accounting policy

The following changes were made to the Group's accounting policies and basis of presentation, as previously reported in the interim results:

> Segmental reporting: The Investment Management and Capital Markets segments were restructured. Sanlam Private Equity, Sanlam Properties and Sanlam Structured Solutions were reallocated from Sanlam Investments and combined with Sanlam Capital Markets to form the new Capital Management segment. The impact on the individual clusters' results was immaterial.

> Accounting policies: Sanlam Sky Solutions and Channel Life were integrated into a single business unit after the acquisition of the minority shareholder interest in Channel Life in 2009. As part of the integration, Channel Life's accounting policies for insurance contracts have been aligned with those of the Sanlam Group by eliminating negative rand reserves held as part of its insurance contract policy liabilities. The change in accounting policy resulted in a R248 million decrease in the Group shareholders' fund on 31 December 2009 and an R11 million reduction in the published Group Equity Value on this date. Further details are provided in the notes to the financial statements.

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 300 basis points, with a target to exceed this return by at least 100 basis points. Over a short-term measurement period the actual return achieved can be distorted by volatile market movements. An 'adjusted' RoGEV is therefore also reported that aims to exclude the impact of investment market volatility. This is calculated 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 at the beginning of the reporting period were actually achieved in that period. Other significant items not under management's control are also excluded.

The target RoGEV per share for 2010 based on the above metrics was 13,4%. The actual 2010 RoGEV per share achieved of 18,2% is well in excess of this target, supported by the favourable equity market performance and a decrease in long-term interest rates during the year. The adjusted RoGEV for 2010 amounted to 16%, which is also in excess of the targeted return. A key measure of performance is also its sustainability. On a cumulative basis the Group has outperformed the RoGEV performance target since being demutualised in 1998.

Other key indicators used by the Group to evaluate its operational performance are as follows for the 2010 reporting period:

> Net result from financial services increased by 23% on 2009 to 161,5 cents per share.

> New business volumes of R106 billion, up 3% on 2009.

> Value of new life business up 11% to R762 million.

> Net fund inflows of R22 billion in 2010 compared to R15 billion in 2009.

> Dividend per share increased by 11% to 115 cents per share.

Sanlam shareholders earned a return of 27% on their shareholding in 2010, the combination of a 23% increase in the Sanlam share price and a dividend of 104 cents per share paid in 2010. This is well in excess of the general market return and reflects the continued market confidence in the sustainability of the Group's strategic direction. Measured over a longer term the Sanlam share price continues to outperform the Life and Financial indices since Sanlam's listing in 1998.

Group Equity Value

Group Equity Value (GEV) is a measure of the value of the Group's operations, excluding any value attached to future new business written by the covered business (life insurance) operations of the Group. 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 listed market prices or market-related longer-term assumptions, which includes the investment management, capital markets, credit, short-term insurance and the non-covered wealth management operations of the Group.

> The fair value of discretionary and other capital.

The shareholder value created by the Group in 2010 is reflected in the 18,2% RoGEV per share achieved for the financial year. This is the combined effect of a 14% increase in the GEV per share to R28,18 and the 104 cents per share dividend paid during the year.

Financial review continued

The GEV at 31 December 2010 is analysed in the following table:

Group equity value

R million	2010 Total	2010 Fair value of assets	2010 Value of in-force	2009 Total	2009 Fair value of assets	2009 Value of in-force
Embedded value of covered business	**31 045**	**14 033**	**17 012**	28 988	14 247	14 741
Sanlam Personal Finance	**21 488**	**8 144**	**13 344**	19 884	8 098	11 786
Sanlam Developing Markets	**3 952**	**1 104**	**2 848**	3 479	1 363	2 116
Sanlam UK	**638**	**212**	**426**	665	217	448
Sanlam Employee Benefits	**4 967**	**4 573**	**394**	4 960	4 569	391
Other Group operations	**19 413**	**19 413**	**–**	16 833	16 833	–
Retail cluster	**3 359**	**3 359**	**–**	2 707	2 707	–
Institutional cluster	**7 525**	**7 525**	**–**	6 977	6 977	–
Short-term insurance	**8 529**	**8 529**	**–**	7 149	7 149	–
Other capital	**2 903**	**2 903**	**–**	1 703	1 703	–
	53 361	**36 349**	**17 012**	47 524	32 783	14 741
Discretionary capital	**4 000**	**4 000**	**–**	3 500	3 500	–
Group Equity Value	**57 361**	**40 349**	**17 012**	51 024	36 283	14 741
Issued shares for value per share	**2 035,5**			2 063,1		
GEV per share	**2 818**			2 473		
Share price	**2 792**			2 275		
Discount	**(1%)**			(8%)		

Covered business

The Group's covered business operations increased from R29 billion at the end of 2009 to R31 billion at 31 December 2010. The *value of the in-force book* (VIF) increased from R14,7 billion in 2009 to R17,0 billion, with the increase supported by strong growth in the value of new covered business as well as the positive impact of the decline in long-term interest rates on the value of the in-force book.

Capital held in support of covered business at its fair value of R14 billion is in line with 2009. 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, are targeted to 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 both in-force business and new products being offered.

All of the life insurance businesses within the Group were sufficiently capitalised at the end of the 2010 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 R25,3 billion covered its capital adequacy requirements (CAR)

3,4 times. No policyholder portfolio had a negative bonus stabilisation reserve at the end of 2010.

Other Group operations

The fair value of other Group operations increased by 15% on 2009 to reach R19,4 billion. 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 2009. The increase in other Group operations is attributable to the following:

> A significant increase in the valuation of Sanlam Personal Finance's non-life operations. Most of the businesses recorded strong operational results in 2010, recovering from the recessionary conditions of the past two years, with improved future profit prospects on the back of an economic recovery in South Africa. This provided support to the valuations together with the positive impact of lower long-term interest rates on the discounted cash flow valuation basis.

> An outperformance of the Santam share price relative to the general market.

> Net third-party fund inflows into the institutional asset management operations, combined with positive investment market returns, contributing to an increase in these businesses' assets under management, with a commensurate increase in valuations.

The muted increase in the rand value reflected for the Sanlam UK operations should be seen in the context of a 13% appreciation in the rand/sterling exchange rate in 2010.

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. Given the strong capital position of the Group at the end of the 2010 financial year and in anticipation of the Financial Services Board's introduction of new solvency requirements (Solvency Assessment and Management) over the next number of years, the diversified utilisation of capital that is allowed in terms of the current regime was eliminated. Other capital of R2,9 billion includes funds set aside for the Sanlam dividend to be paid in May 2011 in respect of the 2010 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 R4 billion on 31 December 2010, an increase of R0,5 billion on the R3,5 billion level reported in 2009. Factors contributing to the change in discretionary capital during the year include:

> Sanlam share buy-backs of R887 million, which were limited due to the relatively high share price. A total of 37,2 million shares were acquired at an average price of R23,86 per share.

> A number of smaller but strategically important transactions that utilised some R385 million of discretionary capital. These include:

Financial review continued

  - > The acquisition of 609 476 Santam shares (0,5%) in the market for R62 million, largely necessary to ensure that Sanlam's interest in Santam will not be diluted as a result of the periodic requirement to issue or reissue shares for share incentive scheme purposes.
  - > Sanlam Developing Markets utilising some R60 million to strengthen the Channel capital base; R65 million to acquire a 49% interest in the life insurance business of Nico Malawi; while BIHL acquired interests in Legal Guard, Funeral Services Group and Letshego for R49 million (Group's share).
  - > MiWay required additional financing of R28 million to fund start-up costs.
  - > The Institutional cluster utilised some R30 million to further its International Investment Partner strategy, essentially to fund the acquisition of Four Capital Partners in the UK, and some R35 million to provide funding for Sanlam Properties' property development projects.
  - > Sanlam Healthcare Management acquired the Eternity health administration business for some R25 million.
  - > R30 million was used to strengthen the capital base of Fundamo in support of its growth strategy.
- > R267 million was released through the sale of our investments in MiWay (to Santam) and JHI Properties. The special Santam dividend paid in the latter half of 2010 contributed a further R300 million.
- > R1,0 billion of investment returns earned on the capital allocated to the life insurance businesses that were not required to support these operations at the end of 2010.

Discretionary capital

R billion

Group Equity Value	57,4
Strategic investments (not included in Life capital)	(19,4)
Life insurance subsidiaries' embedded value	(31,0)
	7,0
Provision for 2010 dividend (not included in valuation of strategic investments)	(1,5)
Other	(1,5)
Discretionary capital	**4,0**

Capital efficiency is a major strategic focus of the Group. Unproductive capital is value dilutive and the optimal utilisation of capital is therefore a key Group priority. Some level of prudence is however required in dealing with what is earmarked as surplus to the Group's requirements until we have a better understanding of the full impact of the new Solvency Assessment and Management (SAM) regime. Our view is that it is too early in the development and roll-out of the SAM rules and requirements for any speculation on the potential for surplus capital in addition to what is currently being earmarked as discretionary.

A number of strategic investment opportunities have been identified and are being pursued on an ongoing basis. Negotiations in respect of some of these ventures are at different stages of completion. It is expected that should this and a number of other opportunities under consideration be successful, a major portion of the identified discretionary capital will be utilised.

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. The Sanlam Board is of the opinion that share buy-backs are still an efficient way of returning capital to shareholders should the strategic investment opportunities not materialise.

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 negative GEV return in 2008 (-1,7%) that reflected the depressed financial markets at the time, the Group's performance recovered in 2009 and 2010 in line with the stronger investment markets. Sanlam achieved a RoGEV per share of 18,2% in 2010 relative to the 16,2% achieved in 2009 and well up on the 13,4% target set for the year.

Return on Group Equity Value
for the year ended 31 December 2010

	2010		2009	
	Earnings R million	Return %	Earnings R million	Return %
Sanlam Personal Finance	**4 525**	**21,1**	3 003	14,3
Covered business	**3 782**	**19,0**	2 815	14,4
Other operations	**743**	**46,1**	188	13,2
Sanlam Developing Markets	**774**	**21,0**	569	19,2
Covered business	**676**	**19,7**	467	16,7
Other operations	**98**	**37,4**	102	63,8
Sanlam UK	**41**	**2,7**	(89)	(5,8)
Covered business	**(7)**	**(1,1)**	(14)	(2,1)
Other operations	**48**	**5,8**	(75)	(8,9)
Institutional cluster	**1 761**	**14,8**	2 607	23,6
Covered business	**606**	**12,2**	1 153	20,8
Other operations	**1 155**	**16,6**	1 454	26,4
Short-term insurance	**2 056**	**28,8**	2 133	40,5
Discretionary and other capital	**165**		(774)	
Balance of portfolio	**400**		(334)	
Intangible assets less value of in-force acquired	**(20)**		(87)	
Treasury shares	**(153)**		(244)	
Change in net worth adjustments	**(62)**		(109)	
Return on Group Equity Value	**9 322**	**18,3**	7 449	16,5
Return on Group Equity Value per share		**18,2**		16,2

Financial review continued

Return on covered business

Covered business yielded a return of 17,5% compared to 15,5% in 2009. An analysis of this return is set out below.

Return on covered business
for the year ended 31 December 2010

R million	2010	2009
Net value of new business	666	607
Earnings from existing business	2 639	2 430
Expected return on value of in-force	2 218	1 714
Operating experience variances	468	636
Operating assumption changes	(47)	80
Expected investment return on adjusted net worth	1 151	1 091
Embedded value earnings from operations	**4 456**	4 128
Economic assumption and tax changes	430	(1 206)
Investment variances – value of in-force	332	1 149
Investment variances – adjusted net worth	4	515
Project expenses and other	(165)	(165)
Total embedded value earnings	**5 057**	4 421
Return on covered business	17,5%	15,5%

The favourable return during 2010 is the combined effect of the following:

> Net value added by new business written of R666 million (2009: R607 million) and earnings from the existing in-force book of R2,6 billion (2009: R2,4 billion). The increase in the latter was aided by positive experience variances of R468 million, essentially related to positive risk experience and interest earned on net working capital. Net operating assumption changes were negative R47 million, adversely impacted by a strengthening in long duration persistency assumptions in Sanlam Personal Finance;

> The decrease in long-term interest rates and simultaneous change in long-term return assumptions resulted in a positive change in the economic assumptions base of R430 million, compared to a negative change of R1,2 billion in 2009;

> The assets held in policyholder portfolios were positively impacted by the improved market conditions, resulting in an increase in expected future fee income. This, combined with assets increasing in some portfolios in excess of the related liabilities, contributed to investment variances of R332 million in 2010 after a similar increase of R1,1 billion in 2009; and

- Sustained positive investment returns on the capital supporting the life operations of R1,2 billion compared to a return of R1,6 billion in 2009. The 2010 result comprises an expected investment return of R1,1 billion (2009: R1,1 billion) and positive investment variances of R4 million (2009: R0,5 billion). The lower positive variance in 2010 can be ascribed to the lower level of interest earned on the cash exposure in the portfolios as well as lower offshore returns.

Return on other Group operations

The valuations of the other Group operations were positively impacted by the continued improvement in market conditions and yielded a positive return of 24% for 2010 (28% in 2009). The Group's investment in *Santam* was again the largest contributor to this performance. Following a return of 42% in 2009, the investment in Santam yielded a return of R2 billion (30%) in 2010. Sterling operational performance from the non-life businesses in *SPF* and *SDM* is reflected in a respective 46% and 37% return on those businesses in 2010. Operations in the *Institutional cluster* achieved a return of 17%. As mentioned above, the Institutional cluster's performance is directly linked to the higher overall level of assets under management following the strong investment market performance during the year. The Group's businesses in the UK are still experiencing the aftermath of the financial market crisis but yielded a satisfactory return of 6% for the year, given the strong rand exchange rate.

Return on discretionary and other capital

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

- A positive investment return of R400 million. The relatively low return of 6% can be attributed to the level of local and offshore cash holdings in the portfolio;
- A negative change of R62 million in the net worth adjustments. This primarily relates to a small increase in the capitalised allowance for corporate costs that are not reflected in the valuation of the other Group businesses; and
- A loss of R153 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.

Financial review continued

Adjusted return on Group Equity Value

By excluding the impact of investment market volatility from RoGEV, the adjusted RoGEV per share is determined and for 2010 amounts to 16,0% (2009: 13,1%).

Adjusted return on Group Equity Value
for the year ended 31 December 2010

	2010		2009	
	Earnings R million	Return %	Earnings R million	Return %
Sanlam Personal Finance	**3 826**	**17,8**	2 579	12,3
Covered business	**3 083**	**15,5**	2 391	12,2
Other operations	**743**	**46,1**	188	13,2
Sanlam Developing Markets	**770**	**20,9**	722	24,4
Covered business	**730**	**21,3**	705	25,2
Other operations	**40**	**15,3**	17	10,6
Sanlam UK	**107**	**7,1**	(37)	(2,4)
Covered business	**65**	**9,8**	93	13,7
Other operations	**42**	**5,0**	(130)	(15,3)
Institutional cluster	**1 753**	**14,7**	2 327	20,1
Covered business	**578**	**11,7**	939	16,9
Other operations	**1 175**	**16,8**	1 388	22,8
Short-term insurance	**1 614**	**22,6**	545	10,3
Discretionary and other capital	**182**		(96)	
Adjusted Return on Group Equity Value	**8 252**	**16,2**	6 040	13,4
Adjusted Return on Group Equity Value per share		**16,0**		13,1

Business volumes

R million	New business flows 2010	New business flows 2009	New business flows %△	Net flows 2010	Net flows 2009	Net flows %△
by business						
Sanlam Personal Finance	**32 042**	30 972	3	**5 629**	7 048	(20)
Sanlam Developing Markets	**3 187**	2 702	18	**2 726**	1 229	122
Sanlam UK	**3 059**	2 140	43	**699**	(199)	
Institutional cluster	**47 992**	48 030	0	**7 514**	3 301	128
Short-term insurance	**13 667**	12 896	6	**4 900**	3 796	29
by licence						
Life insurance	**17 098**	16 601	3	**2 784**	3 057	(9)
Life licence	**1 281**	1 408	(9)	**(1 173)**	(517)	127
Investments	**67 901**	65 835	3	**14 957**	8 839	69
Short-term insurance	**13 667**	12 896	6	**4 900**	3 796	29
Total excluding white label	**99 947**	96 740	3	**21 468**	15 175	41
White label	**5 579**	6 188	(10)	**558**	324	72
Total	**105 526**	102 928	3	**22 026**	15 499	42

New business volumes for the Group increased by 3% to R106 billion (up 3% to R100 billion excluding white label business). The growth is supported by a 6% increase in short-term insurance business, with new life and investment business sales increasing by 3%. Net fund inflows reflect a very pleasing 42% growth.

> Growth in *Sanlam Personal Finance's* new business volumes was dampened by low demand for single premium savings solutions in South Africa as well as slightly lower new business sales in Namibia. The low interest rate environment in South Africa eroded the attractiveness of guaranteed plan and single premium annuity products in particular. Recurring premium risk business remained attractive and increased by 9%. A welcome development is higher demand for recurring premium savings products, particularly retirement annuities that increased by 12%. Unit trust sales in Namibia performed well to be broadly in line with the high base of 2009. In the context of the challenging environment, Sanlam Personal Finance's overall 3% growth in new business volumes represent a satisfactory performance. Net fund flows remained strong, despite the lack of growth in single premiums, aided by improved persistency levels.

> *Sanlam Developing Markets* recorded a strong 18% growth in new business volumes. Excluding roll-overs of discontinued South African single premium business, new business sales increased by an exemplary 24%. South African recurring premium new business sales increased by 8%. Growth in South Africa was deliberately slowed down as part of a renewed focus on writing high-quality business. All of the other African operations recorded growth in excess of 20%, with strong bancassurance, group life and credit life volumes contributing to an overall 31% growth in Rest of Africa new business, after allowing for the negative impact of the stronger rand exchange rate. Despite a challenging regulatory environment in India, Shriram Life Insurance continued its growth trend. Net fund flows benefited from the strong new business volumes and more than doubled on 2009.

Financial review continued

> Although the UK economic conditions improved somewhat during 2010, trading conditions remained challenging with retail investors remaining cautious. Much improved investment market performance, however, provided some support. Despite these trading conditions, *Sanlam UK* recorded 43% growth in new business sales, with the largest contribution from Principal. In sterling terms, new business sales increased by a particularly satisfactory 65%.

> The *Institutional cluster* recorded flat new inflows but a more than doubling in net fund inflows. The group life market proved particularly challenging for Sanlam Employee Benefits, especially after a very strong second half performance in 2009, and it reported a 31% decrease in new business. Both single and recurring premium business lagged 2009. New investment mandates increased by 1%. Sanlam Multi Manager and the international businesses recorded growth in excess of 50%. This was, however, offset by a decline at Sanlam Private Investments from the high base in 2009, continued low demand for money-market business at Sanlam Collective Investments and lower new RSA segregated flows.

> The Group's *Short-term operations* (including Santam, MiWay and Shriram General Insurance) recorded a 6% increase in net earned premiums. Growth conditions remained tough in 2010, with the competitive environment depressing premium rates.

Value of new covered business (after economic assumption changes)

	Gross			Net of minorities		
R million	**2010**	**2009**	**%△**	**2010**	**2009**	**%△**
PVNBP	**27 334**	26 365	4	**25 891**	25 102	3
Sanlam Personal Finance	**17 555**	16 573	6	**17 293**	16 269	6
Sanlam Developing Markets	**6 584**	5 711	15	**5 403**	4 752	14
Sanlam UK	**996**	951	5	**996**	951	5
Sanlam Employee Benefits	**2 199**	3 130	(30)	**2 199**	3 130	(30)
VNB	**762**	689	11	**666**	607	10
Sanlam Personal Finance	**386**	320	21	**367**	308	19
Sanlam Developing Markets	**345**	290	19	**268**	220	22
Sanlam UK	**11**	14	(21)	**11**	14	(21)
Sanlam Employee Benefits	**20**	65	(69)	**20**	65	(69)
Margin	**2,79%**	2,61%		**2,57%**	2,42%	
Sanlam Personal Finance	**2,20%**	1,93%		**2,12%**	1,89%	
Sanlam Developing Markets	**5,24%**	5,08%		**4,96%**	4,63%	
Sanlam UK	**1,10%**	1,47%		**1,10%**	1,47%	
Sanlam Employee Benefits	**0,91%**	2,08%		**0,91%**	2,08%	

The Group's strategic focus on profitable earnings growth is evident in our ability to retain new business margins, despite pressure on new life business volumes particularly in the middle income market in South Africa. The value of new life business (VNB) written during 2010 increased by 11% on 2009 to reach R762 million. After minorities, VNB increased by 10% to R666 million. Both Sanlam Personal Finance and Sanlam Developing Markets reported strong growth of some 20%, with expanding new business margins. Sanlam Personal Finance's improved margins are largely attributable to the change in economic basis, with margins being maintained on a similar economic basis, despite the competitive environment. Sanlam Developing Markets strengthened its South African persistency and premium-related actuarial bases, which reduced new business profitability somewhat, but this was more than offset by the change in economic basis. Sanlam UK's decline on 2009 is largely attributable to the stronger rand exchange rate. Sanlam Employee Benefits' weak new business volumes are also reflected in disappointing VNB and new business margins.

The reduction in long-term interest rates during 2010 supported the growth in VNB and PVNBP. On a similar economic basis to 2009, VNB is in line with 2009, with margins declining slightly from 2,42% to 2,37% on a net basis. The growth per business on this basis is largely in line with the growth in new life business volumes. Sanlam Developing Markets' lower VNB margins are attributable to the strengthening in actuarial bases referred to above.

Value of new covered business (before economic assumption changes)

	Gross			Net of minorities		
R million	**2010**	**2009**	**%△**	**2010**	**2009**	**%△**
PVNBP	**26 911**	26 365	2	**25 489**	25 102	2
Sanlam Personal Finance	**17 274**	16 573	4	**17 013**	16 269	5
Sanlam Developing Markets	**6 428**	5 711	13	**5 267**	4 752	11
Sanlam UK	**996**	951	5	**996**	951	5
Sanlam Employee Benefits	**2 213**	3 130	(29)	**2 213**	3 130	(29)
VNB	**699**	689	1	**605**	607	0
Sanlam Personal Finance	**345**	320	8	**326**	308	6
Sanlam Developing Markets	**316**	290	9	**241**	220	10
Sanlam UK	**11**	14	(21)	**11**	14	(21)
Sanlam Employee Benefits	**27**	65	(58)	**27**	65	(58)
Margin	**2,60%**	2,61%		**2,37%**	2,42%	
Sanlam Personal Finance	**2,00%**	1,93%		**1,92%**	1,89%	
Sanlam Developing Markets	**4,92%**	5,08%		**4,58%**	4,63%	
Sanlam UK	**1,10%**	1,47%		**1,10%**	1,47%	
Sanlam Employee Benefits	**1,22%**	2,08%		**1,22%**	2,08%	

Financial review continued

Earnings

Summarised shareholders' fund income statement
for the year ended 31 December 2010

R million	2010	2009	%△
Net result from financial services	**3 303**	2 705	22
Gross result from financial services	**5 396**	4 229	28
Taxation	**(1 387)**	(1 116)	(24)
Minority shareholders' interest	**(706)**	(408)	(73)
Net investment return	**2 123**	2 049	4
Net investment income	**851**	976	(13)
Net investment surpluses	**1 131**	1 032	10
Equity-accounted earnings	**141**	41	244
Project expenses	**(48)**	(28)	(71)
Amortisation of intangible assets	**(92)**	(84)	(10)
BEE transaction costs	**(8)**	(7)	(14)
Secondary tax on companies	**(135)**	(150)	10
Normalised headline earnings	**5 143**	4 485	15
Disposal of subsidiaries and associates	**404**	35	
Impairments	**(3)**	(76)	
Normalised attributable earnings	**5 544**	4 444	25
Net result from financial services (cents per share)	**161,5**	131,8	23
Normalised headline earnings (cents per share)	**251,5**	218,5	15

Net result from financial services

The net result from financial services or net operating profit improved across the Group since the end of June 2010 to record 22% growth on the 2009 financial year.

	Gross			Net of tax and minorities		
R million	2010	2009	%△	2010	2009	%△
Sanlam Personal Finance	**2 409**	2 031	19	**1 715**	1 498	14
Sanlam Developing Markets	**453**	363	25	**218**	163	34
Sanlam UK	**44**	35	26	**46**	33	39
Institutional cluster	**1 181**	1 220	(3)	**861**	890	(3)
Sanlam Investments	**689**	736	(6)	**489**	516	(5)
Capital Management	**254**	270	(6)	**201**	220	(9)
Sanlam Employee Benefits	**238**	214	11	**171**	154	11
Short-term insurance	**1 472**	746	97	**575**	242	138
Santam	**1 557**	871	79	**623**	313	99
MiWay and Shriram General	**(85)**	(125)	32	**(48)**	(71)	32
Corporate and other	**(163)**	(166)	2	**(112)**	(121)	7
Total	**5 396**	4 229	28	**3 303**	2 705	22

Sanlam Personal Finance's net operating profit is 14% up on 2009. Profit from the life operations benefited from improved risk underwriting profits attributable to lower claims, increased releases from the asset mismatch reserve (based on the higher level of this reserve during 2010) and an increase in profits earned from the non-participating annuity book. The non-life operations more than doubled their profit contribution, with Sanlam Personal Loans being the largest contributor. Sanlam Personal Loans was affected by higher doubtful debt provisions in 2009 in light of the recessionary conditions, which did not recur in 2010. An increase in the size of its loan book also contributed to increased profitability.

The Sanlam Developing Markets net operating profit of R218 million is 34% up on 2009. The South African and Botswana operations remain the largest contributors, with both regions contributing to the growth. In South Africa earnings were negatively impacted by weaker premium collection and claims experience, but this was offset by a strong performance from the group risk and Safrican businesses. Botswana recorded positive experience variances in most areas, with its results also supported by strong earnings growth from personal loans business, through its equity-accounted investment in Letshego.

Sanlam UK's net operating profit is 39% higher than 2009, with both Merchant Investors and Principal recording improved performances. Merchant Investors had positive experience in respect of most of its key actuarial assumptions. Principal's profit base is directly linked to the level of assets under management, which was supported by both strong net fund flows and the recovery in UK investment markets.

The Institutional cluster operations recorded a net operating profit of R861 million, which is 3% down on 2009.

> Sanlam Investments' net operating profit of R489 million is 5% down on 2009. Excluding the release of expense over provisions in 2009, comparable net operating profit increased by 10%. Fee income increased in line with higher assets under management, supported by the higher average level of investment markets. Net performance fees also increased compared to 2009, a particularly satisfactory result that reflects an outperformance of benchmarks across a wide section of the business. The majority of businesses contributed to performance fee income, but with a particularly strong contribution from Sanlam Investment Management and SIM Global.

> Sanlam Employee Benefits' net operating profit increased by 11% from R154 million in 2009 to R171 million for the 2010 financial year. High claims experience negatively impacted risk underwriting profits. This was, however, more than offset by higher annuity mismatch profits and higher investment fees at Sanlam Structured Solutions. The Retirement Fund administration business is still in a loss-making position. Progress is, however, being made to improve the profitability of this business.

> The Capital Management business grouping reported a 9% decrease in its net operating profit, which reflects an improvement since the end of June 2010. Sanlam Capital Markets remains the main contributor to the cluster. Within Sanlam Capital Markets, the Debt and Equities divisions reported strong results, which were partly offset by the continued impact of a lack of deal flow in the Market Activity division. Carried interest earned by Sanlam Private Equity on the exit of investments

Financial review continued

also provided support to the cluster's results. This was, however, offset by property development losses at Sanlam Properties, where the tough economic conditions continue to severely impact the residential property market and required a provision against the realisable value of its property developments.

Santam's excellent underwriting margins continued in the latter half of the year. Underwriting profit increased by 157% following the improved claims experience. Interest earned on working capital is 6% lower than the comparable period in 2009, the combined result of higher float balances, offset by lower short-term interest rates.

Normalised headline earnings

Normalised headline earnings of R5,1 billion are 15% higher than in 2009. 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 16%.

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

> The 22% increase in net result from financial services.

> A threefold increase in net equity-accounted headline earnings. This is largely attributable to equity-accounted earnings recognised in respect of the Vukile units acquired in exchange for the disposal of the Group's property asset management operations to Vukile at the beginning of the year.

> A 1% decline in other net investment returns. Investment income decreased by 13%, largely attributable to lower short-term interest rates and the utilisation of cash for corporate activities. Investment surpluses are 10% higher than in 2009. Equities recorded lower growth in line with the weaker relative investment performance of South African equity markets. This was, however, offset by valuation gains on bond exposures due to the decline in long-term interest rates, lower foreign exchange losses and the impact of hedges in the Santam capital portfolio.

Legal claims

In 2010 we reached closure on some prominent and long-outstanding legal cases, details of which are provided in the Chief Executive's report. As a matter of course it is the Group's policy to carry provisions to cover its estimated exposure in respect of legal or other claims. The level of and changes to these provisions are disclosed annually in the Group financial statements.

The settlement amounts in respect of the Datakor and Sanlam Health cases amounted to R175 million and R588 million respectively. Payment in respect of these claims was made from existing provisions and did not impact the reported 2010 financial results.

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 2010 financial year enabled the Board to increase the dividend per share by 11% to 115 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 Tuesday, 19 April 2011. Dividend payment by way of electronic bank transfers will be effected on Tuesday, 10 May 2011. 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

Share buy-backs form part of the Group's approach to utilise discretionary capital that is in excess of immediate requirements. Share buy-backs will, however, only be effected on a basis of being value enhancing to shareholders as measured by the impact on GEV per share. Given the strong performance of the Sanlam share price in the latter half of the year, no significant buy-backs were done during this period. A total number of 37,2 million shares were acquired during 2010 for a total consideration of R887,1 million.

Issued shares

Million	**Shares in issue**	**GEV per share**	**Normalised earnings**	**IFRS earnings**
Shares in issue at 31 December 2009	2 160,0	2 160,0	2 160,0	2 160,0
Shares held by subsidiaries	—	(125,7)	(123,7)	(123,7)
Balance at 31 December 2009		(151,8)	(151,8)	(151,8)
Share incentive trust and other		(33,9)	(21,9)	(21,9)
Shares cancelled		60,0	50,0	50,0
Conversion of deferred shares		28,2	26,0	26,0
Dilution from share incentive schemes		33,0	33,0	33,0
Shares cancelled	(60,0)	(60,0)	(50,0)	(50,0)
Shares held by policyholders				(16,3)
Balance at 31 December 2010	**2 100,0**	**2 035,5**	**2 045,3**	**2 029,0**
Balance at 31 December 2009	**2 160,0**	**2 063,1**	**2 053,1**	**2 028,1**
Reduction	(2,8%)	(1,3%)	(0,4%)	0,0%

Financial review continued

Credit rating and hybrid debt

Fitch Ratings confirmed its AA+ (zaf) financial strength rating of Sanlam Life Insurance Limited and its AA- (zaf) long-term debt rating of Sanlam Limited during 2010. The positive credit ratings enable the Sanlam operations to attract business from clients who require a formal rating from its 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. Fitch Ratings also confirmed its A+ (zaf) rating of this debt in 2010.

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 Integrated Annual Report. Forward-looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Financial team

Left to right: David Barnes, Head: Investor Relations; André Nortier, Chief Audit Executive; Jeanne Joubert, Head: Corporate Finance; Wikus Olivier, Head: Group Finance; Kobus Möller, Financial Director and Danie Claasen, Head: Group Tax Services.

Shareholders' information

for the year ended 31 December 2010

Contents

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 264 to 334 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 335.

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 265 to 285, apart from the specific items described under separate headings in this section.

The basis of preparation and presentation of the shareholders' information is also consistent with that applied in the 2009 financial statements, apart from the following:

> Segmental reporting: The Investment Management and Capital Markets segments were restructured. Sanlam Private Equity, Sanlam Properties (excluding the property management operations that were reallocated to the corporate segment) and Sanlam Structured Solutions were reallocated from Sanlam Investments and combined with Sanlam Capital Markets to form the new Capital Management segment. Comparative information has been restated accordingly. The impact on the applicable segments' results was immaterial.

> Adjusted RoGEV: The calculation of the adjustment relating to listed businesses was amended during 2010 as part of the continuous refinement of the methodology used. The adjusted RoGEV for listed businesses was previously assumed to be equal to the base return assumption for equities. With effect from the 2010 financial year, the out or under performance of the business' share price relative to the general market is added to the base return assumption for equities. Comparative information has not been restated.

> The change in Channel Life's accounting policies (refer to page 267). The shareholders' fund income statement and shareholders' fund at net asset value were restated. Group Equity Value and the Embedded Value of covered business were not restated due to the immaterial impact of the change in accounting policies on these performance measures.

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 178 to 205);

Basis of preparation and presentation continued

- Shareholders' fund at fair value (refer page 176); and
- GEV and RoGEV information (refer pages 170 to 175).

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 265 to 285, 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 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 Personal Loans, Shriram Life Insurance, Shriram General Insurance, Letshego 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. Vukile and 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 is 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 excludes 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. Dividends received on equity investments that are in essence a proportionate return of the capital investment, are not treated as investment income, but offset against the related negative investment surpluses on the particular investment.

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

Basis of preparation and presentation continued

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.

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

> Adjustments to net worth; and

> Goodwill and the Value of Business Acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

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

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

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.

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.

Basis of preparation and presentation continued

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 assumption for equities together with the under or out performance of the business' share price relative to the general market.

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.

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 2009 financial statements.

Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements on pages 264 to 334. 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.

> 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 as deemed appropriate. 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

Basis of preparation and presentation continued

new business is also reduced by the cost of required capital for new covered business.

In determining the value of new business:

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

Profitability of new covered business is measured by the ratio of the net value of new business to the present value of new business premiums (PVNBP). The PVNBP is defined as new single premiums plus the discounted value, using a risk-adjusted discount rate, of expected future premiums on new recurring premium business. The premiums used for the calculation of PVNBP are based on the life insurance new business premiums disclosed in note 1 on page 184, 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.

Basis of preparation and presentation continued

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.

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.

No allowance was made for tax changes announced by the Minister of Finance in his budget speech in February 2011.

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.

Group equity value

at 31 December 2010

R million	Note	2010 Total	2010 Fair value of assets	2010 Value of in-force	Restated 2009 Total	Restated 2009 Fair value of assets	Restated 2009 Value of in-force
Sanlam Personal Finance		**23 542**	**10 198**	**13 344**	21 496	9 710	11 786
Covered business[(1)]		**21 488**	**8 144**	**13 344**	19 884	8 098	11 786
Glacier		**965**	**965**	**–**	762	762	–
Sanlam Personal Loans		**365**	**365**	**–**	133	133	–
Multi-Data		**149**	**149**	**–**	166	166	–
Sanlam Trust		**185**	**185**	**–**	160	160	–
Sanlam Home Loans		**–**	**–**	**–**	120	120	–
Anglo African Finance		**50**	**50**	**–**	42	42	–
Sanlam Healthcare Management		**235**	**235**	**–**	130	130	–
Sanlam Namibia Holdings		**105**	**105**	**–**	99	99	–
Sanlam Developing Markets		**4 356**	**1 508**	**2 848**	3 741	1 625	2 116
Covered business[(1)]		**3 952**	**1 104**	**2 848**	3 479	1 363	2 116
Sanlam Developing Markets: other operations		**404**	**404**	**–**	262	262	–
Sanlam UK		**1 539**	**1 113**	**426**	1 498	1 050	448
Covered business[(1)]		**638**	**212**	**426**	665	217	448
Principal		**318**	**318**	**–**	283	283	–
Buckles		**42**	**42**	**–**	38	38	–
Punter Southall Group		**227**	**227**	**–**	259	259	–
Other UK operations		**140**	**140**	**–**	7	7	–
Preference shares, interest-bearing instruments and other		**174**	**174**	**–**	246	246	–
Institutional cluster		**12 492**	**12 098**	**394**	11 937	11 546	391
Covered business[(1)]		**4 967**	**4 573**	**394**	4 960	4 569	391
Sanlam Investments		**6 569**	**6 569**	**–**	5 993	5 993	–
Coris Administration and Infinit		**25**	**25**	**–**	–	–	–
Capital Management		**931**	**931**	**–**	984	984	–
Short-term insurance		**8 529**	**8 529**	**–**	7 149	7 149	–
MiWay		**–**	**–**	**–**	127	127	–
Shriram General Insurance		**143**	**143**	**–**	115	115	–
Santam		**8 386**	**8 386**	**–**	6 907	6 907	–
Group operations		**50 458**	**33 446**	**17 012**	45 821	31 080	14 741
Capital diversification		**–**	**–**	**–**	(700)	(700)	–
Discretionary capital		**4 000**	**4 000**	**–**	3 500	3 500	–
Balanced portfolio – other		**4 157**	**4 157**	**–**	3 595	3 595	–
Group Equity Value before adjustments to net worth		**58 615**	**41 603**	**17 012**	52 216	37 475	14 741
Net worth adjustments		**(1 254)**	**(1 254)**	**–**	(1 192)	(1 192)	–
Present value of holding company expenses	18	**(1 232)**	**(1 232)**	**–**	(1 165)	(1 165)	–
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares		**(22)**	**(22)**	**–**	(27)	(27)	–
Group Equity Value		**57 361**	**40 349**	**17 012**	51 024	36 283	14 741
Value per share (cents)	17	**2 818**	**1 982**	**836**	2 473	1 759	715

R million	Note	2010 Total	2010 Fair value of assets	2010 Value of in-force	Restated 2009 Total	Restated 2009 Fair value of assets	Restated 2009 Value of in-force
Analysis per type of business							
Covered business[1]		**31 045**	**14 033**	**17 012**	28 988	14 247	14 741
Sanlam Personal Finance		**21 488**	**8 144**	**13 344**	19 884	8 098	11 786
Sanlam Developing Markets		**3 952**	**1 104**	**2 848**	3 479	1 363	2 116
Sanlam UK		**638**	**212**	**426**	665	217	448
Institutional cluster		**4 967**	**4 573**	**394**	4 960	4 569	391
Other Group operations	16	**19 413**	**19 413**	**—**	16 833	16 833	—
Discretionary and other capital		**6 903**	**6 903**	**—**	5 203	5 203	—
Group Equity Value		**57 361**	**40 349**	**17 012**	51 024	36 283	14 741
Analysis of covered business							
Sanlam Personal Finance		**21 488**	**8 144**	**13 344**	19 884	8 098	11 786
Allocated capital		**21 488**	**8 144**	**13 344**	19 436	7 650	11 786
Utilisation of capital diversification		**—**	**—**	**—**	448	448	—
Sanlam Developing Markets		**3 952**	**1 104**	**2 848**	3 479	1 363	2 116
Allocated capital		**3 952**	**1 104**	**2 848**	3 479	1 363	2 116
Utilisation of capital diversification		**—**	**—**	**—**	—	—	—
Sanlam UK		**638**	**212**	**426**	665	217	448
Allocated capital		**638**	**212**	**426**	665	217	448
Utilisation of capital diversification		**—**	**—**	**—**	—	—	—
Institutional cluster		**4 967**	**4 573**	**394**	4 960	4 569	391
Allocated capital		**4 967**	**4 573**	**394**	4 708	4 317	391
Utilisation of capital diversification		**—**	**—**	**—**	252	252	—
Covered business		**31 045**	**14 033**	**17 012**	28 988	14 247	14 741
Allocated capital		**31 045**	**14 033**	**17 012**	28 288	13 547	14 741
Utilisation of capital diversification		**—**	**—**	**—**	700	700	—

[1] *Refer to embedded value of covered business on page 206.*

Change in Group equity value

for the year ended 31 December 2010

R million	2010	2009
Earnings from covered business [1]	**5 057**	4 421
Earnings from other Group operations	**4 100**	3 802
Operations valued based on ratio of price to assets under management	**1 136**	1 381
Assumption changes	**137**	177
Change in assets under management	**622**	807
Earnings for the year and changes in capital requirements	**564**	732
Foreign currency translation differences and other	**(187)**	(335)
Operations valued based on discounted cash flows	**782**	43
Expected return	**301**	306
Operating experience variances and other	**34**	(32)
Assumption changes	**521**	(174)
Foreign currency translation differences	**(74)**	(57)
Operations valued at net asset value – earnings for the year	**56**	143
Listed operations – investment return	**2 126**	2 235
Earnings from discretionary and other capital	**165**	(774)
Investment return	**400**	(334)
Intangible assets less value of in-force (VIF) acquired	**(20)**	(87)
Treasury shares and other	**(153)**	(244)
Change in adjustments to net worth	**(62)**	(109)
Group Equity Value earnings	**9 322**	7 449
Dividends paid	**(2 112)**	(1 978)
Shares cancelled	**(1 234)**	(615)
Cost of treasury shares acquired	**372**	930
Sanlam share buy back	**(887)**	—
Transfer to shares cancelled	**1 234**	615
Share incentive scheme and other	**25**	315
Change in accounting policy	**(11)**	—
Group Equity Value at beginning of the year	**51 024**	45 238
Group Equity Value at end of the year	**57 361**	51 024

[1] *Refer to embedded value of covered business on page 206.*

Return on Group equity value

for the year ended 31 December 2010

	2010 Earnings R million	2010 Return %	Restated 2009 Earnings R million	Restated 2009 Return %
Sanlam Personal Finance	**4 525**	**21,1**	3 003	14,3
Covered business [(1)]	**3 782**	**19,0**	2 815	14,4
Other operations	**743**	**46,1**	188	13,2
Sanlam Developing Markets	**774**	**21,0**	569	19,2
Covered business [(1)]	**676**	**19,7**	467	16,7
Other operations	**98**	**37,4**	102	63,8
Sanlam UK	**41**	**2,7**	(89)	(5,8)
Covered business [(1)]	**(7)**	**(1,1)**	(14)	(2,1)
Other operations	**48**	**5,8**	(75)	(8,9)
Institutional cluster	**1 761**	**14,8**	2 607	22,6
Covered business [(1)]	**606**	**12,2**	1 153	20,8
Sanlam Investments	**1 023**	**17,1**	1 165	23,2
Coris Administration and Infinit	**23**	**—**	(70)	(129,6)
Capital Management	**109**	**11,1**	359	38,4
Short-term insurance	**2 056**	**28,8**	2 133	40,5
Discretionary and other capital	**165**		(774)	
Balance of portfolio	**400**		(334)	
Intangible assets less value of in-force acquired	**(20)**		(87)	
Treasury shares	**(153)**		(244)	
Change in net worth adjustments	**(62)**		(109)	
Return on Group Equity Value	**9 322**	**18,3**	7 449	16,5
Return on Group Equity Value per share		**18,2**		16,2

(1)*Refer to embedded value of covered business on page 206.*

R million	2010	2009
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 180	**5 544**	4 444
Earnings recognised directly in equity	**160**	120
Dilution from Santam treasury share transactions	**(31)**	(19)
Share-based payments	**191**	139
Net foreign currency translation gains recognised in other comprehensive income	**(408)**	(309)
Movement in fair value adjustment – shareholders' fund at fair value	**2 165**	2 442
Movement in adjustments to net worth	**(17)**	(139)
Present value of holding company expenses	**(67)**	(113)
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	**5**	4
Change in goodwill and value of business acquired adjustments less value of in-force acquired	**45**	(30)
Treasury shares and other	**(152)**	(244)
Change in accounting policies recognised on 1 January 2010 for GEV purposes	**—**	9
Growth from covered business: value of in-force [(1)]	**2 030**	1 126
Return on Group Equity Value	**9 322**	7 449

(1)*Refer to embedded value of covered business on page 206.*

Adjusted Return on Group equity value

for the year ended 31 December 2010

	2010 Earnings R million	2010 Return %	Restated 2009 Earnings R million	Restated 2009 Return %
Sanlam Personal Finance	**3 826**	**17,8**	2 579	12,3
Covered business	**3 083**	**15,5**	2 391	12,2
Other operations	**743**	**46,1**	188	13,2
Sanlam Developing Markets	**770**	**20,9**	722	24,4
Covered business	**730**	**21,3**	705	25,2
Other operations	**40**	**15,3**	17	10,6
Sanlam UK	**107**	**7,1**	(37)	(2,4)
Covered business	**65**	**9,8**	93	13,7
Other operations	**42**	**5,0**	(130)	(15,3)
Institutional cluster	**1 753**	**14,7**	2 327	20,1
Covered business	**578**	**11,7**	939	16,9
Other operations	**1 175**	**16,8**	1 388	22,8
Short-term insurance	**1 614**	**22,6**	545	10,3
Discretionary and other capital	**182**		(96)	
Adjusted Return on Group Equity Value	**8 252**	**16,2**	6 040	13,4
Adjusted Return on Group Equity Value per share		**16,0**		13,1

Group equity value sensitivity analysis

at 31 December 2010

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's 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 209.

2010 *R million*	**Base value**	**Equities and properties -10%**	**Interest rates -1%**	**Rand exchange rate depreciation +10%**
Covered business	**31 045**	**29 804**	**31 563**	**31 272**
Adjusted net worth	**14 033**	**13 561**	**14 039**	**14 160**
Value of in-force	**17 012**	**16 243**	**17 524**	**17 112**
Other Group operations	**19 413**	**18 178**	**19 782**	**19 599**
Valued at net asset value	**1 120**	**1 120**	**1 120**	**1 120**
Listed	**8 790**	**7 911**	**8 790**	**8 790**
Other	**9 503**	**9 147**	**9 872**	**9 689**
Group operations	**50 458**	**47 982**	**51 345**	**50 871**
Discretionary and other capital	**8 157**	**7 972**	**8 169**	**8 252**
Group Equity Value before adjustments to net worth	**58 615**	**55 954**	**59 514**	**59 123**
Net worth adjustments	**(1 254)**	**(1 252)**	**(1 254)**	**(1 254)**
Present value of holding company expenses	**(1 232)**	**(1 232)**	**(1 232)**	**(1 232)**
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	**(22)**	**(20)**	**(22)**	**(22)**
Group Equity Value	**57 361**	**54 702**	**58 260**	**57 869**
2009 Restated				
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	16 833	15 835	17 104	17 070
Valued at net asset value	1 322	1 322	1 322	1 322
Listed	7 169	6 452	7 169	7 169
Other	8 342	8 061	8 613	8 579
Group operations	45 821	44 114	46 635	46 152
Capital diversification	(700)	(1 274)	(693)	(537)
Discretionary and other capital	7 095	6 928	7 131	7 225
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

Shareholders' fund at fair value

at 31 December 2010

R million	Note	2010 Fair value	2010 Fair value adjust-ment	2010 Net asset value	Restated 2009 Fair value	Restated 2009 Fair value adjust-ment	Restated 2009 Net asset value
Covered business, discretionary and other capital		**23 623**	**217**	**23 406**	22 103	119	21 984
Property and equipment		**222**	**–**	**222**	194	–	194
Owner-occupied properties		**493**	**–**	**493**	614	–	614
Goodwill [(2)]		**497**	**–**	**497**	497	–	497
Value of business acquired [(2)]		**716**	**–**	**716**	753	–	753
Other intangible assets		**39**	**–**	**39**	45	–	45
Deferred acquisition costs		**1 528**	**–**	**1 528**	1 390	–	1 390
Investments		**19 992**	**217**	**19 775**	19 656	119	19 537
Equities and similar securities		**7 947**	**112**	**7 835**	8 051	112	7 939
Associated companies		**1 168**	**105**	**1 063**	369	7	362
Joint ventures – Shriram Life Insurance		**257**	**–**	**257**	247	–	247
Public sector stocks and loans		**17**	**–**	**17**	199	–	199
Investment properties		**993**	**–**	**993**	744	–	744
Other interest-bearing and preference share investments		**9 610**	**–**	**9 610**	10 046	–	10 046
Net term finance		**–**	**–**	**–**	–	–	–
Term finance		**(5 577)**	**–**	**(5 577)**	(5 397)	–	(5 397)
Assets held in respect of term finance		**5 577**	**–**	**5 577**	5 397	–	5 397
Net deferred tax		**284**	**–**	**284**	61	–	61
Net working capital		**520**	**–**	**520**	(344)	–	(344)
Minority shareholders' interest		**(668)**	**–**	**(668)**	(763)	–	(763)
Other Group operations	16	**19 413**	**10 489**	**8 924**	16 833	8 422	8 411
Sanlam Investments		**6 569**	**4 977**	**1 592**	5 993	4 510	1 483
SIM Wholesale		**4 247**	**3 515**	**732**	3 696	3 215	481
International		**1 810**	**1 024**	**786**	1 909	989	920
Sanlam Collective Investments		**512**	**438**	**74**	388	306	82
Sanlam Personal Finance		**2 054**	**1 365**	**689**	1 612	926	686
Glacier		**965**	**685**	**280**	762	442	320
Sanlam Personal Loans [(3)]		**365**	**104**	**261**	133	–	133
Multi-Data		**149**	**130**	**19**	166	144	22
Sanlam Trust		**185**	**166**	**19**	160	141	19
Sanlam Home Loans		**–**	**–**	**–**	120	–	120
Anglo African Finance		**50**	**33**	**17**	42	24	18
Sanlam Healthcare Management		**235**	**157**	**78**	130	99	31
Sanlam Namibia Holdings		**105**	**90**	**15**	99	76	23
Sanlam UK		**901**	**34**	**867**	833	9	824
Principal		**318**	**17**	**301**	283	–	283
Buckles		**42**	**(8)**	**50**	38	1	37
Punter Southall Group		**227**	**(43)**	**270**	259	1	258
Other UK operations		**140**	**68**	**72**	7	7	–
Preference shares, interest-bearing instruments and other		**174**	**–**	**174**	246	–	246
Sanlam Developing Markets: other operations		**404**	**94**	**310**	262	87	175
Coris Administration and Infinit		**25**	**15**	**10**	–	–	–
Capital Management		**931**	**83**	**848**	984	153	831
MiWay		**–**	**–**	**–**	127	106	21
Shriram General Insurance		**143**	**–**	**143**	115	–	115
Santam		**8 386**	**5 168**	**3 218**	6 907	3 878	3 029
Goodwill held on Group level in respect of the above businesses		**–**	**(1 247)**	**1 247**	–	(1 247)	1 247
Shareholders' fund at fair value		**43 036**	**10 706**	**32 330**	38 936	8 541	30 395
Value per share (cents)	17	**2 114**	**526**	**1 588**	1 888	414	1 474

R million	2010 Total	2010 Fair value of assets	2010 Value of in-force	Restated 2009 Total	Restated 2009 Fair value of assets	Restated 2009 Value of in-force
Reconciliation to Group Equity Value						
Group Equity Value before adjustments to net worth	**58 615**	**41 603**	**17 012**	52 216	37 475	14 741
Add: Goodwill and value of business acquired replaced by value of in-force	**1 433**	**1 433**	**—**	1 461	1 461	—
Merchant Investors	**356**	**356**	**—**	356	356	—
Sanlam Developing Markets	**849**	**849**	**—**	903	903	—
Shriram Life Insurance [4]	**210**	**210**	**—**	190	190	—
Other	**18**	**18**	**—**	12	12	—
Less: Value of in-force	**(17 012)**	**—**	**(17 012)**	(14 741)	—	(14 741)
Shareholders' fund at fair value	**43 036**	**43 036**	**—**	38 936	38 936	—

[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 life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.*

[4] *The carrying value of Shriram Life Insurance includes goodwill of R210 million (2009: 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.*

Shareholders' fund at net asset value

at 31 December 2010

		Sanlam Life [1]		Sanlam Developing Markets [2]		Sanlam UK	
R million	Note	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Property and equipment		**235**	181	**83**	61	**4**	5
Owner-occupied properties		**460**	460	**63**	63	**—**	—
Goodwill		**195**	143	**154**	108	**386**	391
Other intangible assets		**—**	—	**39**	45	**—**	—
Value of business acquired		**41**	17	**715**	756	**314**	294
Deferred acquisition costs		**1 665**	1 508	**—**	1	**—**	—
Investments	5	**23 367**	22 372	**2 474**	2 511	**671**	714
Properties		**1 012**	733	**103**	122	**—**	—
Associated companies		**—**	—	**682**	424	**270**	258
Joint ventures		**261**	254	**257**	247	**—**	—
Equities and similar securities		**10 611**	10 339	**298**	237	**73**	2
Public sector stocks and loans		**634**	1 072	**112**	121	**—**	—
Debentures, preference shares and other loans		**3 526**	4 235	**219**	538	**262**	236
Cash, deposits and similar securities		**7 323**	5 739	**803**	822	**66**	218
Net deferred tax		**134**	(48)	**97**	(5)	**1**	1
Deferred tax asset		**317**	70	**125**	30	**1**	1
Deferred tax liability		**(183)**	(118)	**(28)**	(35)	**—**	—
Net short-term insurance technical provisions	6	**—**	—	**—**	—	**—**	—
Short-term insurance technical assets		**—**	—	**—**	—	**—**	—
Short-term insurance technical provisions		**—**	—	**—**	—	**—**	—
Net working capital (liabilities)/assets		**(1 058)**	(119)	**(207)**	205	**68**	25
Trade and other receivables	7	**2 220**	3 733	**389**	761	**128**	123
Cash, deposits and similar securities		**3 149**	3 155	**640**	572	**144**	135
Trade and other payables	8	**(5 042)**	(4 802)	**(1 187)**	(1 038)	**(160)**	(160)
Provisions		**(476)**	(725)	**(15)**	(55)	**(41)**	(63)
Taxation		**(909)**	(1 480)	**(34)**	(35)	**(3)**	(10)
Term finance		**(3 676)**	(4 312)	**—**	—	**(8)**	(27)
Cell owners' interest		**—**	—	**—**	—	**—**	—
Minority shareholders' interest		**(181)**	(141)	**(565)**	(654)	**(1)**	(4)
Shareholders' fund at net asset value		**21 182**	20 061	**2 853**	3 091	**1 435**	1 399
Analysis of shareholders' fund							
Covered business		**12 717**	12 667	**1 104**	1 363	**212**	217
Other operations		**699**	686	**310**	175	**867**	824
Discretionary and other capital		**7 766**	6 708	**1 439**	1 553	**356**	358
Shareholders' fund at net asset value		**21 182**	20 061	**2 853**	3 091	**1 435**	1 399
Change in accounting policies recognised on 1 January 2010 for GEV purposes		**—**	—	**—**	(248)	**—**	—
Consolidation reserve		**—**	—	**—**	—	**—**	—
Shareholders' fund per Group statement of financial position on page 286		**21 182**	20 061	**2 853**	2 843	**1 435**	1 399

[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 462 million (2009: R2 559 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.

[5] Comparative information for Sanlam Developing Markets, Short-term Insurance, Sanlam Investments and Capital Management was restated. Refer to page 326.

Short-term Insurance		Sanlam Investments		Capital Management		Corporate and Other (3)		Consolidation Entries (4)		Total	
2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	Restated 2009
122	98	**22**	22	**4**	7	**—**	—	**—**	1	**470**	375
2	1	**37**	36	**—**	1	**—**	—	**(30)**	91	**532**	652
963	616	**252**	304	**—**	1	**1 247**	1 247	**—**	—	**3 197**	2 810
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**39**	45
117	—	**134**	150	**—**	—	**—**	—	**(1)**	(7)	**1 320**	1 210
—	—	**—**	—	**—**	—	**—**	—	**1**	—	**1 666**	1 509
7 453	7 495	**775**	891	**461**	415	**3 599**	3 364	**(4 716)**	(4 575)	**34 084**	33 187
—	—	**51**	87	**221**	186	**—**	—	**(122)**	(111)	**1 265**	1 017
211	192	**76**	86	**96**	52	**622**	112	**15**	—	**1 972**	1 124
143	115	**46**	167	**4**	58	**—**	—	**—**	(1)	**711**	840
3 506	2 931	**430**	208	**—**	—	**1 082**	1 058	**(3 522)**	(3 351)	**12 478**	11 424
927	741	**—**	1	**—**	—	**—**	—	**1**	—	**1 674**	1 935
1 627	1 196	**127**	312	**140**	119	**1 639**	1 519	**(1 088)**	(1 112)	**6 452**	7 043
1 039	2 320	**45**	30	**—**	—	**256**	675	**—**	—	**9 532**	9 804
(18)	32	**(11)**	15	**7**	37	**122**	137	**25**	—	**357**	169
251	163	**23**	28	**60**	67	**137**	156	**17**	—	**931**	515
(269)	(131)	**(34)**	(13)	**(53)**	(30)	**(15)**	(19)	**8**	—	**(574)**	(346)
(6 385)	(6 240)	**—**	—	**—**	—	**—**	—	**—**	—	**(6 385)**	(6 240)
1 560	2 064	**—**	—	**—**	—	**—**	—	**—**	—	**1 560**	2 064
(7 945)	(8 304)	**—**	—	**—**	—	**—**	—	**—**	—	**(7 945)**	(8 304)
4 874	4 668	**771**	762	**463**	1 010	**(2 121)**	(1 046)	**3 703**	502	**6 493**	6 007
1 773	2 255	**1 074**	1 040	**18 841**	16 525	**8 584**	8 332	**(10 998)**	(13 197)	**22 011**	19 572
5 231	4 639	**569**	690	**1 788**	1 591	**1 634**	1 198	**(976)**	—	**12 179**	11 980
(1 806)	(1 780)	**(843)**	(898)	**(20 162)**	(17 100)	**(12 277)**	(10 057)	**15 677**	13 699	**(25 800)**	(22 136)
(36)	(32)	**—**	(3)	**—**	—	**(49)**	(518)	**—**	—	**(617)**	(1 396)
(288)	(414)	**(29)**	(67)	**(4)**	(6)	**(13)**	(1)	**—**	—	**(1 280)**	(2 013)
(925)	(839)	**(31)**	(25)	**(87)**	(626)	**(2 106)**	(1 093)	**575**	649	**(6 258)**	(6 273)
(577)	(535)	**—**	—	**—**	—	**—**	—	**—**	—	**(577)**	(535)
(2 265)	(2 131)	**(216)**	(214)	**—**	—	**—**	(1)	**620**	624	**(2 608)**	(2 521)
3 361	3 165	**1 733**	1 941	**848**	845	**741**	2 608	**177**	(2 715)	**32 330**	30 395
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**14 033**	14 247
3 361	3 165	**1 592**	1 863	**848**	845	**1 247**	1 247	**—**	—	**8 924**	8 805
—	—	**141**	78	**—**	—	**(506)**	1 361	**177**	(2 715)	**9 373**	7 343
3 361	3 165	**1 733**	1 941	**848**	845	**741**	2 608	**177**	(2 715)	**32 330**	30 395
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	(248)
—	—	**—**	—	**—**	—	**—**	—	**(552)**	(503)	**(552)**	(503)
3 361	3 165	**1 733**	1 941	**848**	845	**741**	2 608	**(375)**	(3 218)	**31 778**	29 644

Shareholders' fund income statement

for the year ended 31 December 2010

		Sanlam Personal Finance		Sanlam Developing Markets		Sanlam UK	
R million	Note	2010	2009	2010	2009	2010	2009
Financial services income	9	**7 578**	6 846	**4 411**	3 929	**357**	367
Sales remuneration		**(1 309)**	(1 133)	**(1 107)**	(1 060)	**(48)**	(57)
Income after sales remuneration		**6 269**	5 713	**3 304**	2 869	**309**	310
Underwriting policy benefits		**(1 525)**	(1 635)	**(1 780)**	(1 522)	**–**	–
Administration costs	10	**(2 335)**	(2 047)	**(1 071)**	(984)	**(265)**	(275)
Result from financial services before tax		**2 409**	2 031	**453**	363	**44**	35
Tax on financial services income	11	**(645)**	(508)	**(94)**	(99)	**–**	(6)
Result from financial services after tax		**1 764**	1 523	**359**	264	**44**	29
Minority shareholders' interest		**(49)**	(25)	**(141)**	(101)	**2**	4
Net result from financial services	12	**1 715**	1 498	**218**	163	**46**	33
Net investment income		**442**	484	**33**	57	**21**	15
Dividends received – Group companies		**61**	110	**–**	–	**–**	–
Other investment income	13	**476**	483	**59**	107	**26**	16
Tax on investment income	11	**(95)**	(109)	**(22)**	(27)	**(5)**	(1)
Minority shareholders' interest		**–**	–	**(4)**	(23)	**–**	–
Core earnings		**2 157**	1 982	**251**	220	**67**	48
Project expenses		**(24)**	(27)	**(22)**	(1)	**–**	–
Amortisation of value of business acquired and other intangibles		**(7)**	(7)	**(41)**	(46)	**(24)**	(22)
BEE transaction costs		**–**	–	**–**	–	**–**	–
Net equity-accounted headline earnings		**–**	–	**15**	1	**–**	–
Equity-accounted headline earnings		**–**	–	**30**	2	**–**	–
Minority shareholders' interest		**–**	–	**(15)**	(1)	**–**	–
Net investment surpluses		**1 093**	1 157	**5**	(18)	**(1)**	–
Investment surpluses – Group companies		**515**	551	**–**	–	**–**	–
Other investment surpluses		**656**	741	**14**	(71)	**(1)**	–
Tax on investment surpluses	11	**(78)**	(135)	**(9)**	21	**–**	–
Minority shareholders' interest		**–**	–	**–**	32	**–**	–
Secondary tax on companies – after minorities		**65**	(94)	**(29)**	–	**–**	–
Normalised headline earnings		**3 284**	3 011	**179**	156	**42**	26
Profit/(loss) on disposal of operations		**–**	–	**–**	–	**–**	–
Net profit on disposal of associated companies		**–**	–	**–**	–	**–**	–
Profit on disposal of associated companies		**–**	–	**–**	–	**–**	–
Tax on profit on disposal of associated companies		**–**	–	**–**	–	**–**	–
Impairments		**51**	(51)	**–**	–	**69**	33
Normalised attributable earnings	14	**3 335**	2 960	**179**	156	**111**	59
Fund transfers		**–**	–	**–**	–	**–**	–
Attributable earnings per Group statement of comprehensive income		**3 335**	2 960	**179**	156	**111**	59
Ratios							
Admin ratio (1)		**37,2%**	35,8%	**32,4%**	34,3%	**85,8%**	88,7%
Operating margin (2)		**38,4%**	35,6%	**13,7%**	12,7%	**14,2%**	11,3%
Diluted earnings per share	15						
Adjusted weighted average number of shares (million)							
Net result from financial services (cents)		**83,9**	73,0	**10,7**	7,9	**2,2**	1,6
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.*

(3) *Comparative information for Sanlam Developing Markets, Sanlam Investments and Capital Management were restated. Refer page 326.*

Sanlam Employee Benefits		Short-term Insurance		Sanlam Investments		Capital Management		Subtotal: Operating businesses	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
2 676	2 190	14 018	13 345	2 114	1 940	573	575	31 727	29 192
(41)	(41)	(2 052)	(1 915)	—	—	—	—	(4 557)	(4 206)
2 635	2 149	11 966	11 430	2 114	1 940	573	575	27 170	24 986
(1 818)	(1 653)	(8 694)	(9 100)	—	—	—	—	(13 817)	(13 910)
(579)	(282)	(1 800)	(1 584)	(1 425)	(1 204)	(319)	(305)	(7 794)	(6 681)
238	214	1 472	746	689	736	254	270	5 559	4 395
(67)	(60)	(414)	(257)	(165)	(181)	(53)	(50)	(1 438)	(1 161)
171	154	1 058	489	524	555	201	220	4 121	3 234
—	—	(483)	(247)	(35)	(39)	—	—	(706)	(408)
171	154	575	242	489	516	201	220	3 415	2 826
177	252	73	116	9	4	—	—	755	928
—	—	—	—	—	—	—	—	61	110
222	325	133	252	28	9	—	—	944	1 192
(45)	(73)	(1)	(17)	(9)	(2)	—	—	(177)	(229)
—	—	(59)	(119)	(10)	(3)	—	—	(73)	(145)
348	406	648	358	498	520	201	220	4 170	3 754
—	—	—	—	—	—	—	—	(46)	(28)
—	—	(13)	(6)	(7)	—	—	—	(92)	(81)
—	—	(8)	(7)	—	—	—	—	(8)	(7)
—	—	48	39	1	1	—	—	64	41
—	—	84	69	2	2	—	—	116	73
—	—	(36)	(30)	(1)	(1)	—	—	(52)	(32)
239	408	234	155	76	32	—	—	1 646	1 734
—	—	—	—	—	—	—	—	515	551
272	499	506	300	89	39	—	—	1 536	1 508
(33)	(91)	(90)	(45)	(7)	—	—	—	(217)	(250)
—	—	(182)	(100)	(6)	(7)	—	—	(188)	(75)
—	—	(61)	(23)	—	—	1	—	(24)	(117)
587	814	848	516	568	553	202	220	5 710	5 296
—	—	—	37	2	(2)	325	—	327	35
—	—	71	—	—	—	—	—	71	—
—	—	71	—	—	—	—	—	71	—
—	—	—	—	—	—	—	—	—	—
(2)	(23)	3	(3)	(124)	(11)	—	—	(3)	(55)
585	791	922	550	446	540	527	220	6 105	5 276
—	—	—	—	—	—	—	—	—	—
585	791	922	550	446	540	527	220	6 105	5 276
22,0%	13,1%	15,0%	13,9%	67,4%	62,1%	55,7%	53,0%	28,7%	26,7%
9,0%	10,0%	12,3%	6,5%	32,6%	37,9%	44,3%	47,0%	20,5%	17,6%
8,4	7,5	28,1	11,8	23,9	25,1	9,8	10,7	167,0	137,6

Shareholders' fund income statement continued

for the year ended 31 December 2010

R million	Note	Subtotal: Operating businesses 2010	2009
Financial services income	9	**31 727**	29 192
Sales remuneration		**(4 557)**	(4 206)
Income after sales remuneration		**27 170**	24 986
Underwriting policy benefits		**(13 817)**	(13 910)
Administration costs	10	**(7 794)**	(6 681)
Result from financial services before tax		**5 559**	4 395
Tax on result from financial services	11	**(1 438)**	(1 161)
Result from financial services after tax		**4 121**	3 234
Minority shareholders' interest		**(706)**	(408)
Net result from financial services	12	**3 415**	2 826
Net investment income		**755**	928
Dividends received – Group companies		**61**	110
Other investment income	13	**944**	1 192
Tax on investment income	11	**(177)**	(229)
Minority shareholders' interest		**(73)**	(145)
Core earnings		**4 170**	3 754
Project expenses		**(46)**	(28)
Amortisation of value of business acquired and other intangibles		**(92)**	(81)
BEE transaction costs		**(8)**	(7)
Net equity-accounted headline earnings		**64**	41
Equity-accounted headline earnings		**116**	73
Minority shareholders' interest		**(52)**	(32)
Net investment surpluses		**1 646**	1 734
Investment surpluses – Group companies		**515**	551
Other investment surpluses		**1 536**	1 508
Tax on investment surpluses	11	**(217)**	(250)
Minority shareholders' interest		**(188)**	(75)
Secondary tax on companies – after minorities		**(24)**	(117)
Normalised headline earnings		**5 710**	5 296
Profit on disposal of operations		**327**	35
Net profit on disposal of associated companies		**71**	—
Profit on disposal of associated companies		**71**	—
Tax on profit on disposal of associated companies		**—**	—
Impairments		**(3)**	(55)
Normalised attributable earnings	14	**6 105**	5 276
Fund transfers		**—**	—
Attributable earnings per Group statement of comprehensive income		**6 105**	5 276
Ratios			
Admin ratio		**28,7%**	26,7%
Operating margin		**20,5%**	17,6%
Diluted earnings per share	15		
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		**167,0**	137,6
Core earnings (cents)			

Corporate and Other 2010	Corporate and Other 2009	Consolidation entries 2010	Consolidation entries 2009	Total 2010	Total 2009
112	87	—	—	31 839	29 279
—	—	—	—	(4 557)	(4 206)
112	87	—	—	27 282	25 073
—	—	—	—	(13 817)	(13 910)
(275)	(253)	—	—	(8 069)	(6 934)
(163)	(166)	—	—	5 396	4 229
51	45	—	—	(1 387)	(1 116)
(112)	(121)	—	—	4 009	3 113
—	—	—	—	(706)	(408)
(112)	(121)	—	—	3 303	2 705
157	158	(61)	(110)	851	976
—	—	(61)	(110)	—	—
166	176	—	—	1 110	1 368
(9)	(18)	—	—	(186)	(247)
—	—	—	—	(73)	(145)
45	37	(61)	(110)	4 154	3 681
(2)	—	—	—	(48)	(28)
—	(3)	—	—	(92)	(84)
—	—	—	—	(8)	(7)
77	—	—	—	141	41
77	—	—	—	193	73
—	—	—	—	(52)	(32)
—	(151)	(515)	(551)	1 131	1 032
—	—	(515)	(551)	—	—
—	(145)	—	—	1 536	1 363
—	(6)	—	—	(217)	(256)
—	—	—	—	(188)	(75)
(111)	(33)	—	—	(135)	(150)
9	(150)	(576)	(661)	5 143	4 485
—	—	—	—	327	35
6	—	—	—	77	—
6	—	—	—	77	—
—	—	—	—	—	—
—	(21)	—	—	(3)	(76)
15	(171)	(576)	(661)	5 544	4 444
—	—	(21)	(56)	(21)	(56)
15	(171)	(597)	(717)	5 523	4 388
				29,6%	27,7%
				19,8%	16,9%
				2 045,3	2 053,1
(5,5)	(5,9)	—	—	161,5	131,8
				203,1	179,3

Notes to the shareholders' fund information

for the year ended 31 December 2010

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	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Sanlam Personal Finance	**32 042**	30 972	**12 172**	11 857	**–**	–	**19 870**	19 115
South Africa	**22 991**	21 790	**11 454**	11 032	**–**	–	**11 537**	10 758
Recurring	**1 194**	1 069	**1 150**	1 000	**–**	–	**44**	69
Single	**20 172**	19 206	**8 679**	8 517	**–**	–	**11 493**	10 689
Continuations	**1 625**	1 515	**1 625**	1 515	**–**	–	**–**	–
Africa	**9 051**	9 182	**718**	825	**–**	–	**8 333**	8 357
Recurring	**110**	101	**110**	101	**–**	–	**–**	–
Single	**8 941**	9 081	**608**	724	**–**	–	**8 333**	8 357
Sanlam Developing Markets	**3 187**	2 702	**3 187**	2 702	**–**	–	**–**	–
South Africa	**1 388**	1 363	**1 388**	1 363	**–**	–	**–**	–
Recurring	**897**	828	**897**	828	**–**	–	**–**	–
Single	**491**	535	**491**	535	**–**	–	**–**	–
Africa	**1 568**	1 198	**1 568**	1 198	**–**	–	**–**	–
Recurring	**430**	391	**430**	391	**–**	–	**–**	–
Single	**1 138**	807	**1 138**	807	**–**	–	**–**	–
Other international	**231**	141	**231**	141	**–**	–	**–**	–
Recurring	**118**	108	**118**	108	**–**	–	**–**	–
Single	**113**	33	**113**	33	**–**	–	**–**	–
Sanlam UK	**3 059**	2 140	**967**	919	**–**	–	**2 092**	1 221
Other international	**3 059**	2 140	**967**	919	**–**	–	**2 092**	1 221
Recurring	**15**	11	**15**	11	**–**	–	**–**	–
Single	**3 044**	2 129	**952**	908	**–**	–	**2 092**	1 221
Sanlam Employee Benefits	**773**	1 123	**773**	1 123	**–**	–	**–**	–
South Africa	**773**	1 123	**773**	1 123	**–**	–	**–**	–
Recurring	**199**	284	**199**	284	**–**	–	**–**	–
Single	**574**	839	**574**	839	**–**	–	**–**	–
Sanlam Investments	**47 219**	46 907	**–**	–	**1 281**	1 408	**45 938**	45 499
Employee benefits	**1 040**	784	**–**	–	**1 040**	784	**–**	–
Recurring	**–**	56	**–**	–	**–**	56	**–**	–
Single	**1 040**	728	**–**	–	**1 040**	728	**–**	–
Collective investment schemes	**16 415**	18 574	**–**	–	**–**	–	**16 415**	18 574
Retail funds	**10 422**	10 059	**–**	–	**–**	–	**10 422**	10 059
Wholesale business	**5 993**	8 515	**–**	–	**–**	–	**5 993**	8 515
Segregated funds	**24 411**	23 741	**–**	–	**–**	–	**24 411**	23 741
Wholesale business	**16 347**	14 972	**–**	–	**–**	–	**16 347**	14 972
Private Investments	**8 064**	8 769	**–**	–	**–**	–	**8 064**	8 769
Non-South African	**5 353**	3 808	**–**	–	**241**	624	**5 112**	3 184

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

	Total		Life Insurance [1]		Life Licence [2]		Other [3]	
R million	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Short-term insurance	**13 667**	12 896	**–**	–	**–**	–	**13 667**	12 896
New business excluding white label	**99 947**	96 740	**17 099**	16 601	**1 281**	1 408	**81 567**	78 731
White label	**5 579**	6 188	**–**	–	**–**	–	**5 579**	6 188
Total new business	**105 526**	102 928	**17 099**	16 601	**1 281**	1 408	**87 146**	84 919
Recurring premiums on existing funds:								
Sanlam Personal Finance	**10 138**	9 764						
Sanlam Developing Markets	**3 105**	2 683						
Sanlam UK	**407**	498						
Institutional cluster	**4 104**	3 148						
Sanlam Employee Benefits	**2 568**	2 115						
Sanlam Multi-Manager	**874**	342						
Sanlam Investments	**662**	691						
Total funds received	**123 280**	119 021						

[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 pursuant to the restructuring of the Octane group.

Notes to the shareholders' fund information continued

for the year ended 31 December 2010

R million	2010	2009
1. Analysis of new business and total funds received *(continued)*		
Analysed per market		
Retail		
Life business	12 842	12 395
Sanlam Personal Finance	11 454	11 032
Sanlam Developing Markets	1 388	1 363
Non-life business	30 023	29 586
Sanlam Personal Finance	11 537	10 758
Sanlam Private Investments	8 064	8 769
Sanlam Collective Investments	10 422	10 059
South African	42 865	41 981
Non-South African	13 909	12 661
Sanlam Personal Finance	9 051	9 182
Sanlam Developing Markets	1 799	1 339
Sanlam UK	3 059	2 140
Total retail	56 774	54 642
Institutional		
Group Life business	1 813	1 907
Sanlam Employee Benefits	773	1 123
Investment Management	1 040	784
Non-life business	22 340	23 487
Segregated	10 820	11 306
Sanlam Multi-Manager	5 527	3 666
Sanlam Collective Investments	5 993	8 515
South African	24 153	25 394
Investment Management Non-South African	5 353	3 808
Total institutional	29 506	29 202
White label	5 579	6 188
Short-term insurance	13 667	12 896
Total new business	105 526	102 928

2. Analysis of payments to clients

	Total		Life Insurance (1)		Life Licence (2)		Other (3)	
R million	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Sanlam Personal Finance	**36 551**	33 688	**20 571**	19 266	**—**	—	**15 980**	14 422
South Africa	**28 145**	26 787	**19 553**	18 382	**—**	—	**8 592**	8 405
Surrenders	**3 234**	3 495	**3 234**	3 495	**—**	—	**—**	—
Other	**24 911**	23 292	**16 319**	14 887	**—**	—	**8 592**	8 405
Africa	**8 406**	6 901	**1 018**	884	**—**	—	**7 388**	6 017
Surrenders	**172**	132	**172**	132	**—**	—	**—**	—
Other	**8 234**	6 769	**846**	752	**—**	—	**7 388**	6 017
Sanlam Developing Markets	**3 566**	4 156	**3 566**	4 156	**—**	—	**—**	—
South Africa	**2 592**	3 367	**2 592**	3 367	**—**	—	**—**	—
Surrenders	**359**	449	**359**	449	**—**	—	**—**	—
Other	**2 233**	2 918	**2 233**	2 918	**—**	—	**—**	—
Africa	**915**	775	**915**	775	**—**	—	**—**	—
Surrenders	**138**	150	**138**	150	**—**	—	**—**	—
Other	**777**	625	**777**	625	**—**	—	**—**	—
Other international	**59**	14	**59**	14	**—**	—	**—**	—
Surrenders	**47**	—	**47**	—	**—**	—	**—**	—
Other	**12**	14	**12**	14	**—**	—	**—**	—
Sanlam UK	**2 767**	2 837	**1 508**	1 515	**—**	—	**1 259**	1 322
Other international	**2 767**	2 837	**1 508**	1 515	**—**	—	**1 259**	1 322
Surrenders	**2 425**	2 568	**1 166**	1 246	**—**	—	**1 259**	1 322
Other	**342**	269	**342**	269	**—**	—	**—**	—
Sanlam Employee Benefits	**4 720**	3 560	**4 720**	3 560	**—**	—	**—**	—
South Africa	**4 720**	3 560	**4 720**	3 560	**—**	—	**—**	—
Terminations	**556**	21	**556**	21	**—**	—	**—**	—
Other	**4 164**	3 539	**4 164**	3 539	**—**	—	**—**	—

(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 pursuant to the restructuring of the Octane group.

Notes to the shareholders' fund information continued

for the year ended 31 December 2010

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

	Total		Life Insurance [1]		Life Licence [2]		Other [3]	
R million	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Sanlam Investments	**39 862**	44 317	**–**	–	**3 116**	2 616	**36 746**	41 701
Employee benefits	**2 950**	2 243	**–**	–	**2 950**	2 243	**–**	–
Terminations	**1 895**	1 032	**–**	–	**1 895**	1 032	**–**	–
Other	**1 055**	1 211	**–**	–	**1 055**	1 211	**–**	–
Collective investment schemes	**12 784**	14 225	**–**	–	**–**	–	**12 784**	14 225
Retail funds	**7 375**	7 899	**–**	–	**–**	–	**7 375**	7 899
Wholesale business	**5 409**	6 326	**–**	–	**–**	–	**5 409**	6 326
Segregated funds	**16 913**	22 229	**–**	–	**–**	–	**16 913**	22 229
Wholesale business	**13 419**	14 452	**–**	–	**–**	–	**13 419**	14 452
Private Investments	**3 494**	7 777	**–**	–	**–**	–	**3 494**	7 777
Non-South African	**7 215**	5 620	**–**	–	**166**	373	**7 049**	5 247
Short-term insurance	**8 767**	9 100	**–**	–	**–**	–	**8 767**	9 100
Payments to clients excluding white label	**96 233**	97 658	**30 365**	28 497	**3 116**	2 616	**62 752**	66 545
White label	**5 021**	5 864	**–**	–	**–**	–	**5 021**	5 864
Total payments to clients	**101 254**	103 522	**30 365**	28 497	**3 116**	2 616	**67 773**	72 409

[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 pursuant to the restructuring of the Octane group.*

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

	Total		Life Insurance [1]		Life Licence [2]		Other [3]	
R million	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Sanlam Personal Finance	**5 629**	7 048	**1 571**	2 248	**–**	–	**4 058**	4 800
South Africa	**4 457**	4 304	**1 344**	1 844	**–**	–	**3 113**	2 460
Africa	**1 172**	2 744	**227**	404	**–**	–	**945**	2 340
Sanlam Developing Markets	**2 726**	1 229	**2 726**	1 229	**–**	–	**–**	–
South Africa	**987**	(186)	**987**	(186)	**–**	–	**–**	–
Africa	**1 487**	1 223	**1 487**	1 223	**–**	–	**–**	–
Other international	**252**	192	**252**	192	**–**	–	**–**	–
Sanlam UK	**699**	(199)	**(134)**	(98)	**–**	–	**833**	(101)
Sanlam Employee Benefits	**(1 379)**	(322)	**(1 379)**	(322)	**–**	–	**–**	–
Sanlam Investments	**8 893**	3 623	**–**	–	**(1 173)**	(517)	**10 066**	4 140
Employee benefits	**(1 248)**	(768)	**–**	–	**(1 248)**	(768)	**–**	–
Collective investment schemes	**3 631**	4 349	**–**	–	**–**	–	**3 631**	4 349
Retail funds	**3 047**	2 160	**–**	–	**–**	–	**3 047**	2 160
Wholesale business	**584**	2 189	**–**	–	**–**	–	**584**	2 189
Segregated funds	**8 372**	1 854	**–**	–	**–**	–	**8 372**	1 854
Wholesale business	**3 802**	862	**–**	–	**–**	–	**3 802**	862
Private Investments	**4 570**	992	**–**	–	**–**	–	**4 570**	992
Non-South African	**(1 862)**	(1 812)	**–**	–	**75**	251	**(1 937)**	(2 063)
Short-term insurance	**4 900**	3 796	**–**	–	**–**	–	**4 900**	3 796
Net inflow/(outflow) excluding white label	**21 468**	15 175	**2 784**	3 057	**(1 173)**	(517)	**19 857**	12 635
White label	**558**	324	**–**	–	**–**	–	**558**	324
Total net inflow/(outflow)	**22 026**	15 499	**2 784**	3 057	**(1 173)**	(517)	**20 415**	12 959

[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 pursuant to the restructuring of the Octane group.*

Notes to the shareholders' fund information continued

for the year ended 31 December 2010

R million	2010	2009
3. Analysis of net inflow/(outflow) of funds *(continued)*		
Analysed per market		
Retail		
Life business	2 331	1 658
Sanlam Personal Finance	1 344	1 844
Sanlam Developing Markets	987	(186)
Non-life business	10 730	5 612
Sanlam Personal Finance	3 113	2 460
Sanlam Private Investments	4 570	992
Sanlam Collective Investments	3 047	2 160
South African	13 061	7 270
Non-South African	3 610	3 960
Sanlam Personal Finance	1 172	2 744
Sanlam Developing Markets	1 739	1 415
Sanlam UK	699	(199)
Total retail	16 671	11 230
Institutional		
Group Life business	(2 627)	(1 090)
Sanlam Employee Benefits	(1 379)	(322)
Investment Management	(1 248)	(768)
Non-life business	4 386	3 051
Segregated	4 397	2 349
Sanlam Multi-Manager	(595)	(1 487)
Sanlam Collective Investments	584	2 189
South African	1 759	1 961
Investment Management Non-South African	(1 862)	(1 812)
Total institutional	(103)	149
White label	558	324
Short-term insurance	4 900	3 796
Total net inflow	22 026	15 499

R million	2010	2009
4. Assets under management		
Assets under management		
Sanlam Personal Finance		
Assets under management at beginning of the year	**220 675**	198 526
Life insurance	**169 776**	155 823
Other	**50 899**	42 703
Net inflow of funds (1)	**7 080**	9 180
Life insurance	**2 953**	3 876
Other	**4 127**	5 304
Investment return	**24 692**	19 395
Life insurance	**22 332**	16 472
Other	**2 360**	2 923
Fees, risk premiums and other payments to shareholders	**(6 698)**	(6 426)
Life insurance	**(6 654)**	(6 395)
Other	**(44)**	(31)
Assets under management at end of the year	**245 749**	220 675
Life insurance	**188 407**	169 776
Other	**57 342**	50 899
Sanlam Developing Markets		
Assets under management at beginning of the year	**15 834**	15 816
Net inflow of funds(1)	**4 485**	2 161
Investment return	**879**	3 132
Fees, risk premiums and other payments to shareholders	**(4 561)**	(3 992)
Foreign currency translation differences	**(922)**	(1 286)
Change in accounting policies and other	**414**	3
Assets under management at end of the year	**16 129**	15 834

(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 2010

R million	2010	2009
4. Assets under management *(continued)*		
Sanlam UK		
Assets under management at beginning of the year	**30 789**	28 282
Life insurance	**18 884**	18 685
Other	**11 905**	9 597
Net inflow of funds	**1 080**	1 473
Life insurance	**(261)**	(503)
Other	**1 341**	1 976
Investment return	**3 074**	4 846
Life insurance	**1 928**	3 274
Other	**1 146**	1 572
Fees, risk premiums and other payments to shareholders	**(401)**	(462)
Life insurance	**(285)**	(338)
Other	**(116)**	(124)
Foreign currency translation differences	**(3 956)**	(3 350)
Life insurance	**(2 426)**	(2 234)
Other	**(1 530)**	(1 116)
Assets under management at end of the year	**30 586**	30 789
Life insurance	**17 840**	18 884
Other	**12 746**	11 905
Sanlam Employee Benefits		
Assets under management at beginning of the year	**41 181**	38 859
Net (outflow)/inflow of funds [(1)]	**(1 166)**	527
Investment return	**5 531**	4 198
Fees, risk premiums and other payments to shareholders	**(2 706)**	(2 403)
Assets under management at end of the year	**42 840**	41 181
Sanlam Investments		
Assets under management at beginning of the year	**441 283**	408 651
Wholesale and retail	**425 178**	393 754
White label	**16 105**	14 897
Net inflow of funds [(1)]	**9 354**	3 944
Wholesale and retail	**8 796**	3 620
White label	**558**	324
Investment return	**40 709**	28 688
Wholesale and retail	**39 456**	27 804
White label	**1 253**	884
Assets under management at end of the year	**491 346**	441 283
Wholesale and retail	**473 430**	425 178
White label	**17 916**	16 105

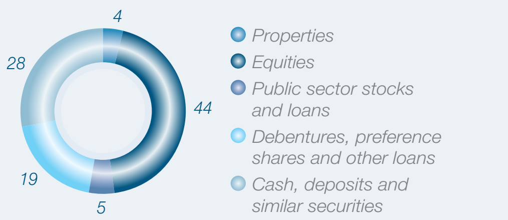
[(1)]Includes business flows between Group businesses, which are eliminated in note 3. Note 3 includes risk underwriting benefits recognised in the income statement, which are excluded for assets under management fund flows, as the premiums charged for risk underwriting are included in this analysis.

4. Assets under management *(continued)*

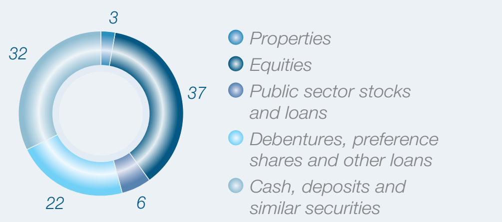
	Average assets (R million)	Administration costs (bps)	Margin (bps)
Profitability of assets under management			
31 December 2010			
Sanlam Personal Finance	**227 162**	**103**	**106**
Life insurance	**173 940**	**107**	**124**
Other	**53 222**	**88**	**48**
Sanlam Developing Markets	**15 943**	**672**	**284**
Sanlam UK	**27 754**	**76**	**21**
Life insurance	**16 355**	**58**	**24**
Other	**11 399**	**87**	**15**
Sanlam Employee Benefits	**41 536**	**140**	**57**
Sanlam Investments	**462 085**	**31**	**15**
Wholesale and retail	**445 299**	**27**	**15**
White label	**16 786**	**114**	**8**
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

5. Investments

Total shareholders' fund investment mix 2010 (%)



Total shareholders' fund investment mix 2009 (%)



R million	2010	2009
5.1 Investment in associated companies		
Vukile	**546**	—
Punter Southall Group	**270**	258
Letshego	**452**	308
Other associated companies	**704**	558
Total investment in associated companies	**1 972**	1 124

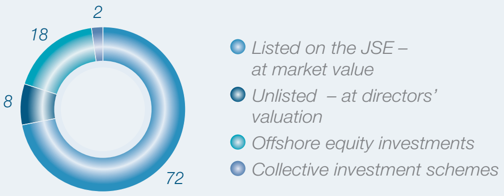
Details of the investments in the material associated companies are reflected in note 7 on page 295 of the Sanlam Group financial statements.

Notes to the shareholders' fund information continued

for the year ended 31 December 2010

R million	2010	2009
5. Investments *(continued)*		
5.2 Investment in joint ventures		
Sanlam Personal Loans	**260**	133
Sanlam Home Loans	**–**	120
Shriram Life Insurance	**257**	247
Shriram General Insurance	**143**	115
Other joint ventures	**51**	225
Total investment in joint ventures	**711**	840
Details of the investments in material joint ventures are reflected in note 7 on pages 296 and 297 of the Sanlam Group financial statements.		
5.3 Equities and similar securities		
Listed on the JSE – at market value	**9 016**	8 796
Unlisted equity and derivative investments – at directors' valuation	**1 006**	522
Offshore equity investments	**2 277**	1 955
Collective investment schemes	**179**	151
Total equity investments	**12 478**	11 424

Total shareholders' fund equity mix 2010 (%)



Total shareholders' fund equity mix 2009 (%)

%	2010	2009
Spread of investments in equities listed on the JSE by sector[(1)]		
Basic industries	**24,3**	23,6
Consumer goods	**10,8**	8,6
Consumer services	**9,5**	10,3
Financials	**14,4**	20,0
General industrials	**7,6**	10,9
Healthcare	**0,9**	1,2
Telecommunications	**9,9**	8,9
Other	**22,6**	16,5
	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	2010	2009
5.4 Offshore investments		
Equities	**2 277**	1 955
Interest-bearing investments	**754**	455
Investment properties	**145**	54
Total offshore investments	**3 176**	2 464

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				Analysed by use		
	< 1 year	1 – 5 years	> 5 years	Total notional amounts	Trading	Asset liability management	Total fair value of amounts
2010							
Interest rate products over-the-counter							
Swap contracts – bought	**25 382**	**23 850**	**16 429**	**65 661**	**65 430**	**231**	**(4)**
Swap contracts – sold	**(27 583)**	**(24 957)**	**(14 830)**	**(67 370)**	**(67 570)**	**200**	**6**
Total interest rate products	**(2 201)**	**(1 107)**	**1 599**	**(1 709)**	**(2 140)**	**431**	**2**
Market risk products							
Cliquet structures – bought	**902**	**259**	**—**	**1 161**	**1 091**	**70**	**(13)**
Collar structures – bought	**58**	**190**	**—**	**248**	**—**	**248**	**1**
Forward purchase of shares							
Local – bought	**110**	**—**	**—**	**110**	**100**	**10**	**—**
Fence structures							
Local – bought	**3 066**	**499**	**—**	**3 565**	**—**	**3 565**	**(170)**
Local – sold	**(4 644)**	**(330)**	**—**	**(4 974)**	**(2 899)**	**(2 075)**	**(17)**
Total market risk products	**(508)**	**618**	**—**	**110**	**(1 708)**	**1 818**	**(199)**
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

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 2010

R million	2010	2009
6. Short-term insurance technical assets and provisions		
Details of short-term insurance technical assets and provisions are reflected in note 9 on page 302 of the Sanlam Group financial statements.		
7. Trade and other receivables		
Premiums receivable	**1 686**	2 731
Accrued investment income	**314**	257
Trading account and money market investments	**16 726**	13 290
Amounts due from reinsurers	**440**	591
Accounts receivable	**2 845**	2 703
Total trade and other receivables	**22 011**	19 572
8. Trade and other payables		
Trading account	**16 705**	13 218
Accounts payable	**6 786**	5 569
Policy benefits payable	**1 839**	2 515
Amounts due to reinsurers	**466**	831
Bank overdrafts	**4**	3
Total working capital liabilities	**25 800**	22 136
9. Financial services income		
From external customers	**31 171**	28 716
From internal customers	**668**	563
Financial services income	**31 839**	29 279
Equity-accounted earnings included in financial services income:		
Sanlam Personal Finance	**113**	2
Sanlam Developing Markets	**102**	16
Sanlam UK	**14**	7
Sanlam Employee Benefits	**—**	(21)
Sanlam Investments	**—**	27
Capital Management	**(9)**	—
Shriram General Insurance	**8**	—
	228	31
10. Administration costs		
Depreciation included in administration costs:		
Sanlam Personal Finance	**72**	79
Sanlam Developing Markets	**23**	24
Sanlam UK	**2**	3
Short-term Insurance	**47**	58
Sanlam Investments	**10**	5
Capital Management	**3**	3
	157	172

R million	2010	2009
11. Taxation		
Result from financial services	5 396	4 229
Tax on result from financial services	(1 387)	(1 116)
Investment return	2 646	2 731
Investment income	1 110	1 368
Investment surpluses	1 536	1 363
Tax on investment return	(403)	(503)
Investment income	(186)	(247)
Investment surpluses	(217)	(256)

%	2010	2009
Reconciliation of tax rate on result from financial services		
Effective tax rate	25,7	26,4
Standard rate of taxation	28,0	28,0
Adjusted for:		
Non-taxable income	(1,9)	(2,6)
Disallowable expenses	0,8	0,4
Share-based payments	0,2	0,4
Prior year adjustments	(0,4)	(0,2)
Foreign tax rate differential	(1,6)	(0,4)
Other	0,6	0,8
Effective tax rate on result from financial services	25,7	26,4
Reconciliation of tax rate on investment return		
Effective tax rate	15,2	18,4
Standard rate of taxation	28,0	28,0
Adjusted for:		
Non-taxable income	(5,7)	(4,1)
Disallowable expenses	0,5	0,1
Foreign tax rate differential	0,2	0,1
Investment surpluses	(8,1)	(4,1)
Other	0,3	(1,6)
Effective tax rate on investment return	15,2	18,4

R million	2010	2009
12. Net result from financial services		
Covered business	1 975	1 759
Sanlam Personal Finance	1 562	1 402
Sanlam Developing Markets	182	145
Sanlam UK	35	37
Sanlam Employee Benefits	196	175
Other Group operations	1 440	1 067
Sanlam Personal Finance	153	96
Wealth management	86	81
Retail credit	67	15
Sanlam Developing Markets	36	18
Sanlam UK	11	(4)
Sanlam Employee Benefits	(25)	(21)
Short-term Insurance	575	242
Sanlam Investments	489	516
Capital Management	201	220
Discretionary and other capital	(112)	(121)
Net result from financial services	3 303	2 705

Notes to the shareholders' fund information continued

for the year ended 31 December 2010

R million	2010	2009
13. Investment income		
Equities and similar securities	**329**	473
Interest-bearing, preference shares and similar securities	**709**	839
Properties	**72**	56
Rental income	**91**	74
Rental related expenses	**(19)**	(18)
Total investment income	**1 110**	1 368
Interest expense netted off against investment income:		
Sanlam Personal Finance	**407**	467
Short-term Insurance	**95**	114
	502	581
14. Analysis of normalised attributable earnings		
Net result from financial services	**3 303**	2 705
Covered business	**1 975**	1 759
Other Group operations	**1 440**	1 067
Discretionary and other capital	**(112)**	(121)
Net investment income and investment surpluses	**1 982**	2 008
Covered business	**1 155**	1 606
Other Group operations	**444**	388
Discretionary and other capital	**383**	14
Other net income	**259**	(269)
Covered business	**(116)**	(226)
Other Group operations	**340**	14
Discretionary and other capital	**35**	(57)
Normalised attributable earnings	**5 544**	4 444
Covered business	**3 014**	3 139
Other Group operations	**2 224**	1 469
Discretionary and other capital	**306**	(164)
Normalised attributable earnings	**5 544**	4 444

Cents	2010	2009
15. Normalised diluted earnings per share		
Net result from financial services	**161,5**	131,8
Core earnings	**203,1**	179,3
Normalised headline earnings	**251,5**	218,5
Profit attributable to shareholders' fund	**271,1**	216,9

R million	2010	2009
Analysis of normalised earnings (refer shareholders' fund income statement on page 180):		
Net result from financial services	**3 303**	2 705
Core earnings	**4 154**	3 681
Headline earnings	**5 143**	4 485
Profit attributable to shareholders' fund	**5 544**	4 444
Reconciliation of normalised headline earnings:		
Headline earnings per note 28 on page 315	**5 122**	4 429
Less: Fund transfers	**21**	56
Normalised headline earnings	**5 143**	4 485

million	2010	2009
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 316)	**2 029,0**	2 028,1
Add: Weighted average Sanlam shares held by policyholders	**16,3**	25,0
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 045,3**	2 053,1

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	Distribu-tions	Change in holding	Other[(1)]	End of year
Movement in fair value of businesses						
31 December 2010						
Sanlam Investments	**5 993**	**1 023**	**(477)**	**30**	**—**	**6 569**
SIM Wholesale	**3 696**	**787**	**(236)**	**—**	**—**	**4 247**
SIM International	**1 909**	**70**	**(199)**	**30**	**—**	**1 810**
Sanlam Collective Investments	**388**	**166**	**(42)**	**—**	**—**	**512**
Sanlam Personal Finance	**1 612**	**743**	**(155)**	**(146)**	**—**	**2 054**
Wealth management	**1 317**	**517**	**(155)**	**(40)**	**—**	**1 639**
Retail credit	**295**	**226**	**—**	**(106)**	**—**	**415**
Sanlam UK	**833**	**48**	**—**	**20**	**—**	**901**
Sanlam Developing Markets	**262**	**98**	**(5)**	**49**	**—**	**404**
Coris Administration and Infinit	**—**	**23**	**—**	**2**	**—**	**25**
Capital Management	**984**	**109**	**(162)**	**—**	**—**	**931**
Short-term insurance	**7 149**	**2 056**	**(631)**	**(45)**	**—**	**8 529**
Total fair value of businesses	**16 833**	**4 100**	**(1 430)**	**(90)**	**—**	**19 413**
31 December 2009						
Sanlam Investments	5 012	1 165	(564)	380	—	5 993
SIM Wholesale	3 334	667	(363)	22	36	3 696
SIM 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	—	—
Capital Management	934	359	—	(309)	—	984
Short-term insurance	5 273	2 133	(274)	17	—	7 149
Total fair value of businesses	13 560	3 802	(969)	457	(17)	16 833

[(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.

Notes to the shareholders' fund information continued

for the year ended 31 December 2010

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 2010	2009
Valuation method		
Ratio of price to assets under management	**6 946**	6 279
SIM Wholesale	**4 247**	3 696
SIM International	**1 598**	1 669
Sanlam Collective Investments	**512**	388
Capital Management	**166**	144
Principal	**318**	283
Sanlam Namibia Holdings	**105**	99
Discounted cash flows	**2 557**	2 063
Glacier	**965**	762
Sanlam Personal Loans	**365**	133
Multi-Data	**149**	166
Sanlam Trust	**185**	160
Sanlam Home Loans	**—**	120
Punter Southall Group	**227**	259
Other	**666**	463
Net asset value	**1 120**	1 322
MiWay	**—**	127
SIM International	**212**	240
Shriram General Insurance	**143**	115
Capital Management	**765**	840
Fair value of unlisted businesses	**10 623**	9 664

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 2010	2009
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 = 1,08% (2009: 1,08%)	6 946	6 372	7 528
Discounted cash flows	RDR = 18,0% (2009: 18,5%)	2 557	2 802	2 443
	PGR = 2,5% – 5% (2009: 2,5% – 5%)	2 557	2 539	2 686

R million	**2010**	**2009**
17. Value per share		
Fair value per share is calculated on the Group shareholders' fund at fair value of R43 036 million (2009: R38 936 million), divided by 2 035,5 million (2009: 2 063,1 million) shares.		
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R32 330 million (2009: R30 395 million), divided by 2 035,5 million (2009: 2 063,1 million) shares.		
Equity value per share is calculated on the Group Equity Value of R57 361 million (2009: R51 024 million), divided by 2 035,5 million (2009: 2 063,1 million) shares.		
Number of shares for value per share:		
Number of ordinary shares in issue (refer to note 11 on page 303)	**2 100,0**	2 160,0
Shares held by subsidiaries in shareholders' fund	**(125,7)**	(151,8)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive schemes	**34,9**	37,1
Number of shares under option that would have been issued at fair value	**(1,9)**	(5,4)
Convertible deferred shares held by Ubuntu-Botho	**28,2**	23,2
Adjusted number of shares for value per share	**2 035,5**	2 063,1

18. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 7,1 (2009: 6,7) to the after tax recurring corporate expenses.

19. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2010 and 2009 annual general meetings to repurchase Sanlam shares in the market. The Group acquired 37,2 million shares from 17 March 2010 to 31 December 2010 in terms of the general authorities. The lowest and highest prices paid were R22,35 and R27,01 per share respectively. The total consideration paid of R887 million was funded from existing cash resources. All repurchases were effected through the JSE trading system without any prior understanding or arrangement between the Group and the counter parties. Authority to repurchase 402,3 million shares, or 19,2% of Sanlam's issued share capital at the time, remain outstanding in terms of the general authority granted at the annual general meeting held on 9 June 2010.

The financial effects of the share repurchases during 2010 on the IFRS earnings and net asset value per share are illustrated in the table below. Tangible net asset value excludes goodwill, value of business acquired, other intangible assets and deferred acquisition cost included in the shareholders' fund at net asset value.

Cents	**Before repurchases**	**After repurchases**
Basic earnings per share:		
Profit attributable to shareholders' fund	278,3	280,4
Headline earnings	258,2	260,0
Diluted earnings per share:		
Profit attributable to shareholders' fund	270,4	272,2
Headline earnings	250,8	252,4
Value per share:		
Equity value	2 812	2 818
Net asset value	1 578	1 562
Tangible net asset value	1 277	1 256

Notes to the shareholders' fund information continued

for the year ended 31 December 2010

20. Reconciliations

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

R million	Year ended 31 December 2010 Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]	Year ended 31 December 2009 Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
Net income	**67 285**	**34 889**	**31 619**	**777**	60 634	32 045	27 817	772
Financial services income	**33 737**	**31 839**	**–**	**1 898**	30 931	29 279	–	1 652
Reinsurance premiums paid	**(3 040)**	**–**	**–**	**(3 040)**	(2 848)	–	–	(2 848)
Reinsurance commission received	**307**	**–**	**–**	**307**	258	–	–	258
Investment income	**15 344**	**1 110**	**11 810**	**2 424**	15 997	1 368	12 777	1 852
Investment surpluses	**21 831**	**1 940**	**19 809**	**82**	17 380	1 398	15 040	942
Finance cost – margin business	**(216)**	**–**	**–**	**(216)**	(246)	–	–	(246)
Change in fair value of external investors liability	**(678)**	**–**	**–**	**(678)**	(838)	–	–	(838)
Net insurance and investment contract benefits and claims	**(44 640)**	**(13 817)**	**(30 841)**	**18**	(41 063)	(13 910)	(27 115)	(38)
Long-term insurance contract benefits	**(22 928)**	**(5 123)**	**(17 397)**	**(408)**	(17 084)	(4 810)	(11 352)	(922)
Long-term investment contract benefits	**(13 444)**	**–**	**(13 444)**	**–**	(15 763)	–	(15 763)	–
Short-term insurance claims	**(9 520)**	**(8 694)**	**–**	**(826)**	(9 800)	(9 100)	–	(700)
Reinsurance claims received	**1 252**	**–**	**–**	**1 252**	1 584	–	–	1 584
Expenses	**(13 290)**	**(12 682)**	**–**	**(608)**	(11 552)	(11 175)	–	(377)
Sales remuneration	**(4 870)**	**(4 557)**	**–**	**(313)**	(4 414)	(4 206)	–	(208)
Administration costs	**(8 420)**	**(8 125)**	**–**	**(295)**	(7 138)	(6 969)	–	(169)
Impairments	**–**	**(3)**	**–**	**3**	(79)	(76)	–	(3)
Amortisation of intangibles	**(103)**	**(92)**	**–**	**(11)**	(84)	(84)	–	–
Net operating result	**9 252**	**8 295**	**778**	**179**	7 856	6 800	702	354
Equity-accounted earnings	**329**	**193**	**–**	**136**	104	73	–	31
Finance cost – other	**(309)**	**–**	**–**	**(309)**	(363)	–	–	(363)
Profit before tax	**9 272**	**8 488**	**778**	**6**	7 597	6 873	702	22
Tax expense	**(2 757)**	**(1 925)**	**(778)**	**(54)**	(2 525)	(1 769)	(702)	(54)
Shareholders' fund	**(1 911)**	**(1 925)**	**–**	**14**	(1 755)	(1 769)	–	14
Policyholders' fund	**(846)**	**–**	**(778)**	**(68)**	(770)	–	(702)	(68)
Profit for the year	**6 515**	**6 563**	**–**	**(48)**	5 072	5 104	–	(32)
Attributable to:								
Shareholders' fund	**5 523**	**5 544**	**–**	**(21)**	4 388	4 444	–	(56)
Minority shareholders' interest	**992**	**1 019**	**–**	**(27)**	684	660	–	24
	6 515	**6 563**	**–**	**(48)**	5 072	5 104	–	(32)

[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 2010 Total	Shareholder activities	Policyholder activities	Consolidation reserve	31 December 2009 Total	Shareholder activities	Policyholder activities	Change in accounting policies[1]	Consolidation reserve
Assets									
Property and equipment	**470**	**470**	**–**	**–**	375	375	–	–	–
Owner-occupied properties	**653**	**532**	**121**	**–**	652	652	–	–	–
Goodwill	**3 197**	**3 197**	**–**	**–**	2 810	2 810	–	–	–
Other intangible assets	**39**	**39**	**–**	**–**	45	45	–	–	–
Value of business acquired	**1 320**	**1 320**	**–**	**–**	1 210	1 210	–	–	–
Deferred acquisition costs	**2 270**	**1 666**	**604**	**–**	2 140	1 509	631	–	–
Long-term reinsurance assets	**588**	**–**	**588**	**–**	499	–	499	–	–
Investments	**310 091**	**34 084**	**276 559**	**(552)**	288 278	33 187	255 594	–	(503)
Properties	**17 362**	**1 265**	**16 097**	**–**	15 757	1 017	14 740	–	–
Associated companies	**2 915**	**1 972**	**943**	**–**	1 124	1 124	–	–	–
Joint ventures	**711**	**711**	**–**	**–**	840	840	–	–	–
Equities and similar securities	**151 190**	**12 478**	**139 264**	**(552)**	141 570	11 424	130 649	–	(503)
Public sector stocks and loans	**57 347**	**1 674**	**55 673**	**–**	49 905	1 935	47 970	–	–
Debentures, insurance policies, preference shares and other loans	**31 586**	**6 452**	**25 134**	**–**	30 075	7 043	23 032	–	–
Cash, deposits and similar securities	**48 980**	**9 532**	**39 448**	**–**	49 007	9 804	39 203	–	–
Deferred tax	**932**	**931**	**1**	**–**	626	515	–	111	–
Short-term insurance technical assets	**1 560**	**1 560**	**–**	**–**	2 064	2 064	–	–	–
Working capital assets	**40 071**	**34 190**	**5 881**	**–**	36 230	31 552	4 689	(11)	–
Trade and other receivables	**27 883**	**22 011**	**5 872**	**–**	24 250	19 572	4 689	(11)	–
Cash, deposits and similar securities	**12 188**	**12 179**	**9**	**–**	11 980	11 980	–	–	–
Total assets	**361 191**	**77 989**	**283 754**	**(552)**	334 929	73 919	261 413	100	(503)

Notes to the shareholders' fund information continued

for the year ended 31 December 2010

20. Reconciliations *(continued)*

20.2 Reconciliation between Group statement of financial position and shareholders' fund at net asset value *(continued)*

R million	31 December 2010 Total	Share-holder activities	Policy-holder activities	Consoli-dation reserve	31 December 2009 Total	Share-holder activities	Policy-holder activities	Change in acc-ounting policies[1]	Consoli-dation reserve
Equity and liabilities									
Shareholders' fund	31 778	32 330	–	(552)	29 644	30 395	–	(248)	(503)
Minority shareholders' interest	2 608	2 608	–	–	2 513	2 521	(8)	–	–
Long-term policy liabilities	265 695	–	265 695	–	246 330	–	245 997	333	–
Insurance contracts	132 985	–	132 985	–	124 107	–	123 774	333	–
Investment contracts	132 710	–	132 710	–	122 223	–	122 223	–	–
Term finance	6 766	6 258	508	–	6 916	6 273	643	–	–
External investors in consolidated funds	11 655	–	11 655	–	10 534	–	10 534	–	–
Cell owners' interest	577	577	–	–	535	535	–	–	–
Deferred tax	1 178	574	604	–	763	346	417	–	–
Short-term insurance technical provisions	7 945	7 945	–	–	8 304	8 304	–	–	–
Working capital liabilities	32 989	27 697	5 292	–	29 390	25 545	3 830	15	–
Trade and other payables	30 422	25 800	4 622	–	25 842	22 136	3 706	–	–
Provisions	617	617	–	–	1 396	1 396	–	–	–
Taxation	1 950	1 280	670	–	2 152	2 013	124	15	–
Total equity and liabilities	361 191	77 989	283 754	(552)	334 929	73 919	261 413	100	(503)

[1]Change in Sanlam Developing Markets' accounting policies recognised on 1 January 2010 for GEV purposes.

21. Geographical analysis

R million	Per shareholders' fund income statement on page 180 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.				
2010	**668**	**31 171**	**1 898**	**33 737**
South Africa	**293**	**27 982**	**1 881**	**30 156**
Africa	**20**	**2 856**	**38**	**2 914**
Other international[1]	**355**	**333**	**(21)**	**667**
2009	563	28 716	1 652	30 931
South Africa	384	25 978	1 806	28 168
Africa	—	2 286	—	2 286
Other international[1]	179	452	(154)	477

R million	Per analysis of shareholders' fund on page 178	Policyholders' fund	Total
Non-current assets[2]			
2010	**7 224**	**725**	**7 949**
South Africa	**6 212**	**629**	**6 841**
Africa	**145**	**96**	**241**
Other international[1]	**867**	**—**	**867**
2009	6 601	631	7 232
South Africa	5 628	631	6 259
Africa	81	—	81
Other international[1]	892	—	892

R million	2010	2009
Attributable earnings before impairments (per shareholders' fund income statement on page 180)	**5 526**	4 464
South Africa	**4 694**	4 058
Africa	**334**	243
Other international[1]	**498**	163

[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.

Embedded value of covered business

at 31 December 2010

R million	Note	2010	2009
Sanlam Personal Finance		**21 488**	19 884
Adjusted net worth		**8 144**	8 098
Net value of in-force covered business		**13 344**	11 786
Value of in-force covered business		**15 273**	13 645
Cost of capital		**(1 695)**	(1 694)
Minority shareholders' interest		**(234)**	(165)
Sanlam Developing Markets		**3 952**	3 479
Adjusted net worth		**1 104**	1 363
Net value of in-force covered business		**2 848**	2 116
Value of in-force covered business		**3 475**	2 786
Cost of capital		**(267)**	(307)
Minority shareholders' interest		**(360)**	(363)
Sanlam UK		**638**	665
Adjusted net worth		**212**	217
Net value of in-force covered business		**426**	448
Value of in-force covered business		**455**	480
Cost of capital		**(29)**	(32)
Minority shareholders' interest		**—**	—
Sanlam Employee Benefits		**4 967**	4 960
Adjusted net worth		**4 573**	4 569
Net value of in-force covered business		**394**	391
Value of in-force covered business		**1 286**	1 300
Cost of capital		**(892)**	(909)
Minority shareholders' interest		**—**	—
Embedded value of covered business		**31 045**	28 988
Adjusted net worth [(1)]		**14 033**	14 247
Net value of in-force covered business	1	**17 012**	14 741
Embedded value of covered business		**31 045**	28 988

[(1)] *Excludes subordinated debt funding of Sanlam Life.*

Change in embedded value of covered business

for the year ended 31 December 2010

R million	Note	2010 Total	2010 Value of in-force	2010 Cost of capital	2010 Adjusted net worth	2009 Total	2009 Value of in-force	2009 Cost of capital	2009 Adjusted net worth
Embedded value of covered business at the beginning of the year – reported		**28 988**	**17 626**	**(2 885)**	**14 247**	28 591	15 939	(2 361)	15 013
Change in accounting policies	9	**(49)**	**201**	**36**	**(286)**	—	—	—	—
Embedded value of covered business at the beginning of the year – restated		**28 939**	**17 827**	**(2 849)**	**13 961**	28 591	15 939	(2 361)	15 013
Value of new business	2	**666**	**1 873**	**(93)**	**(1 114)**	607	1 811	(97)	(1 107)
Net earnings from existing covered business		**2 639**	**(200)**	**62**	**2 777**	2 430	(231)	146	2 515
Expected return on value of in-force business		**2 218**	**2 111**	**107**	**—**	1 714	1 588	126	—
Expected transfer of profit to adjusted net worth		**—**	**(2 388)**	**—**	**2 388**	—	(2 064)	—	2 064
Operating experience variances	3	**468**	**(10)**	**(18)**	**496**	636	186	(4)	454
Operating assumption changes	4	**(47)**	**87**	**(27)**	**(107)**	80	59	24	(3)
Expected investment return on adjusted net worth		**1 151**	**—**	**—**	**1 151**	1 091	—	—	1 091
Embedded value earnings from operations		**4 456**	**1 673**	**(31)**	**2 814**	4 128	1 580	49	2 499
Economic assumption changes	5	**430**	**334**	**99**	**(3)**	(1 206)	(687)	(484)	(35)
Tax changes – change in corporate tax rates		**—**	**2**	**—**	**(2)**	—	—	—	—
Investment variances – value of in-force		**332**	**127**	**(55)**	**260**	1 149	874	(69)	344
Investment variances – investment return on adjusted net worth		**4**	**—**	**—**	**4**	515	—	—	515
Exchange rate movements		**(119)**	**(128)**	**9**	**—**	(137)	(149)	12	—
Net project expenses	6	**(46)**	**—**	**—**	**(46)**	(28)	—	—	(28)
Embedded value earnings from covered business		**5 057**	**2 008**	**22**	**3 027**	4 421	1 618	(492)	3 295
Acquired value of in-force		**6**	**5**	**(1)**	**2**	210	69	(32)	173
Transfers from other Group operations		**—**	**—**	**—**	**—**	17	—	—	17
Change in utilisation of capital diversification		**(700)**	**—**	**—**	**(700)**	(729)	—	—	(729)
Transfers from covered business		**(2 257)**	**—**	**—**	**(2 257)**	(3 522)	—	—	(3 522)
Embedded value of covered business at the end of the year		**31 045**	**19 840**	**(2 828)**	**14 033**	28 988	17 626	(2 885)	14 247
Analysis of earnings from covered business									
Sanlam Personal Finance		**3 782**	**1 556**	**2**	**2 224**	2 815	802	(315)	2 328
Sanlam Developing Markets		**676**	**491**	**—**	**185**	467	341	(26)	152
Sanlam UK		**(7)**	**(25)**	**3**	**15**	(14)	(1)	3	(16)
Sanlam Employee Benefits		**606**	**(14)**	**17**	**603**	1 153	476	(154)	831
Embedded value earnings from covered business		**5 057**	**2 008**	**22**	**3 027**	4 421	1 618	(492)	3 295

Value of new business

for the year ended 31 December 2010

R million	Note	2010	2009
Value of new business (at point of sale):			
Gross value of new business		**866**	797
Sanlam Personal Finance		**428**	354
Sanlam Developing Markets		**373**	335
Sanlam UK		**14**	17
Sanlam Employee Benefits		**51**	91
Cost of capital		**(104)**	(108)
Sanlam Personal Finance		**(42)**	(34)
Sanlam Developing Markets		**(28)**	(45)
Sanlam UK		**(3)**	(3)
Sanlam Employee Benefits		**(31)**	(26)
Value of new business		**762**	689
Sanlam Personal Finance		**386**	320
Sanlam Developing Markets		**345**	290
Sanlam UK		**11**	14
Sanlam Employee Benefits		**20**	65
Value of new business attributable to:			
Shareholders' fund	2	**666**	607
Sanlam Personal Finance		**367**	308
Sanlam Developing Markets		**268**	220
Sanlam UK		**11**	14
Sanlam Employee Benefits		**20**	65
Minority shareholders' interest		**96**	82
Sanlam Personal Finance		**19**	12
Sanlam Developing Markets		**77**	70
Sanlam UK		**—**	—
Sanlam Employee Benefits		**—**	—
Value of new business		**762**	689
Geographical analysis:			
South Africa		**522**	484
Africa		**224**	186
Other international		**16**	19
Value of new business		**762**	689
Analysis of new business profitability:			
Before minorities:			
Present value of new business premiums		**27 334**	26 365
Sanlam Personal Finance		**17 555**	16 573
Sanlam Developing Markets		**6 584**	5 711
Sanlam UK		**996**	951
Sanlam Employee Benefits		**2 199**	3 130
New business margin		**2,79%**	2,61%
Sanlam Personal Finance		**2,20%**	1,93%
Sanlam Developing Markets		**5,24%**	5,08%
Sanlam UK		**1,10%**	1,47%
Sanlam Employee Benefits		**0,91%**	2,08%
After minorities:			
Present value of new business premiums		**25 891**	25 102
Sanlam Personal Finance		**17 293**	16 269
Sanlam Developing Markets		**5 403**	4 752
Sanlam UK		**996**	951
Sanlam Employee Benefits		**2 199**	3 130
New business margin		**2,57%**	2,42%
Sanlam Personal Finance		**2,12%**	1,89%
Sanlam Developing Markets		**4,96%**	4,63%
Sanlam UK		**1,10%**	1,47%
Sanlam Employee Benefits		**0,91%**	2,08%

Notes to the embedded value of covered business

for the year ended 31 December 2010

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 %
2010				
Base value	**19 840**	**(2 828)**	**17 012**	
Interest rate and assets				
> Risk discount rate increase by 1%	18 708	(3 445)	15 263	(10)
> Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	20 246	(2 722)	17 524	3
> Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	19 029	(2 786)	16 243	(5)
> Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	20 258	(2 538)	17 720	4
Expenses and persistency				
> Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	20 410	(2 815)	17 595	3
> Discontinuance rates decrease by 10%	20 327	(2 904)	17 423	2
Insurance risk				
> Mortality and morbidity decrease by 5% for life assurance business	20 623	(2 821)	17 802	5
> Mortality and morbidity decrease by 5% for annuity business	19 670	(2 823)	16 847	(1)
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)

Notes to the embedded value of covered business continued

for the year ended 31 December 2010

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	759	(93)	666	
Interest rate and assets				
> Risk discount rate increase by 1%	649	(111)	538	(19)
> Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	817	(92)	725	9
Expenses and persistency				
> Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	834	(92)	742	11
> Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	847	(92)	755	13
> Discontinuance rates decrease by 10%	873	(97)	776	17
Insurance risk				
> Mortality and morbidity decrease by 5% for life assurance business	882	(91)	791	19
> Mortality and morbidity decrease by 5% for annuity business	750	(92)	658	(1)

R million	2010	2009
3. Operating experience variances		
Risk experience	**352**	363
Investment guarantee reserve	**—**	64
Working capital and other	**116**	209
Total operating experience variances	**468**	636
4. Operating assumption changes		
Mortality and morbidity	**(13)**	(124)
Persistency	**(89)**	(67)
Modelling improvements and other	**55**	271
Total operating assumption changes	**(47)**	80
5. Economic assumption changes		
Investment yields	**448**	(866)
Long-term asset mix assumptions and other	**(18)**	(340)
Total economic assumption changes	**430**	(1 206)
6. Net project expenses		
Net project expenses relate to once-off expenditure on the Group's distribution platform that has not been allowed for in the embedded value assumptions.		
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 198	**1 975**	1 759
Differences between profits recognised under IFRS and the embedded value methodology	**15**	19
Change in accounting policies recognised on 1 January 2010 for embedded value purposes	**—**	9
Foreign exchange differences and other	**15**	10
Less: net project expenses	**(46)**	(28)
Less: STC projected on dividends from covered business profits for the year	**(72)**	(61)
Investment return on adjusted net worth	**1 155**	1 606
Embedded value earnings from covered business: value of in-force	**2 030**	1 126
Embedded value earnings from covered business	**5 057**	4 421

8. Economic assumptions

%	2010	2009
Gross investment return, risk discount rate and inflation		
Sanlam Life		
Point used on the relevant yield curve	**9 year**	9 year
Fixed-interest securities	**8,4**	9,4
Equities and offshore investments	**11,9**	12,9
Hedged equities	**8,9**	9,9
Property	**9,4**	10,4
Cash	**7,4**	8,4
Return on required capital	**9,3**	10,3
Inflation rate[1]	**5,4**	6,4
Risk discount rate	**10,9**	11,9

[1] *Expense inflation of 7,4% (2009: 8,4%) assumed for Retail business administered on old platforms.*

%	2010	2009
SDM Limited		
Point used on the relevant yield curve	**5 year**	6 year
Fixed-interest securities	**7,7**	8,6
Equities and offshore investments	**11,2**	12,1
Hedged equities	**n/a**	n/a
Property	**8,7**	9,6
Cash	**6,7**	7,6
Return on required capital	**9,0**	9,9
Inflation rate	**4,7**	5,6
Risk discount rate	**10,2**	11,1
Merchant Investors		
Point used on the relevant yield curve	**15 year**	15 year
Fixed-interest securities	**4,0**	4,5
Equities and offshore investments	**7,2**	7,7
Hedged equities	**n/a**	n/a
Property	**7,2**	7,7
Cash	**4,0**	4,5
Return on required capital	**4,0**	4,5
Inflation rate	**3,5**	3,8
Risk discount rate	**7,7**	8,2
Botswana Life Insurance		
Fixed-interest securities	**9,5**	10,0
Equities and offshore investments	**13,0**	13,5
Hedged equities	**n/a**	n/a
Property	**10,5**	11,0
Cash	**8,5**	9,0
Return on required capital	**9,6**	10,1
Inflation rate	**6,5**	7,0
Risk discount rate	**13,0**	13,5

Notes to the embedded value of covered business continued

for the year ended 31 December 2010

8. Economic assumptions *(continued)*

%	2010	2009
Asset mix for assets supporting required capital		
Sanlam Life		
Equities	**34**	34
Hedged equities	**13**	13
Property	**3**	3
Fixed-interest securities	**15**	15
Cash	**35**	35
	100	100
SDM Limited		
Equities	**50**	50
Hedged equities	**—**	—
Property	**—**	—
Fixed-interest securities	**—**	—
Cash	**50**	50
	100	100
Merchant Investors		
Equities	**—**	—
Hedged equities	**—**	—
Property	**—**	—
Fixed-interest securities	**—**	—
Cash	**100**	100
	100	100
Botswana Life Insurance		
Equities	**15**	15
Hedged equities	**—**	—
Property	**10**	10
Fixed-interest securities	**25**	25
Cash	**50**	50
	100	100

9. Change in accounting policies

Channel Life's accounting policies for insurance contracts have been aligned with the rest of Sanlam Group. In terms of the amended accounting policies, no negative rand reserves are recognised on an individual policy level. Channel Life's capital and economic bases have also been aligned with that of SDM Limited. The impact of the aforementioned amendments was to reduce the embedded value by R49 million at 1 January 2010 as follows:

> A R286 million reduction in required capital with a commensurate R36 million decrease in the cost of capital.

> The gross value of in-force business increased by R201 million commensurate with an increase in future taxable income following the elimination of the negative rand reserves.

Comparative information has not been restated based on the immaterial impact of the changes on the embedded value of covered business, embedded value earnings and value of new business. The full impact is recognised as a change to the opening embedded value of covered business on 1 January 2010.

Capital and risk management report

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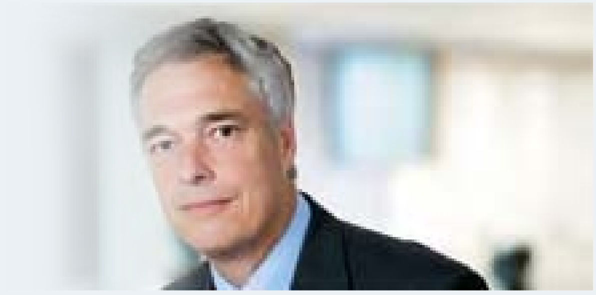


André Zeeman
Chief Actuary

Gert van den Berg
Head: Group Actuarial and Risk

Capital management

Objective

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 170. 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

Capital and risk management report continued

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.

> 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 and South African developments surrounding solvency and capital requirements.

Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk-adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on 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 and risk management report continued

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.

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 2010, the resilience scenario assumes that:

- Equity values decline by 30%;
- Property values decline by 15%;
- Fixed interest yields and inflation-linked real yields increase or decrease by 25% of the nominal or real yields (whichever gives the highest total capital adequacy requirements); and
- Assets denominated in foreign currencies decline by at least 20% on the valuation date and do not subsequently recover within the short term.

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.

R million	Sanlam Life 2010	Sanlam Life 2009	Merchant Investors 2010	Merchant Investors 2009
Assets				
Fair value of assets	**272 584**	250 749	**18 931**	20 045
Less: Liabilities	**232 063**	213 713	**18 574**	19 700
Actuarial value of policy liabilities	**218 133**	200 377	**17 841**	18 885
Investment contracts	**99 066**	89 703	**14 934**	15 716
Insurance contracts	**119 067**	110 674	**2 907**	3 169
Long-term and current liabilities	**13 930**	13 336	**733**	815
Excess of assets over liabilities for financial reporting	**40 521**	37 036	**357**	345
Adjustment for prudential regulatory purposes	**(17 344)**	(15 503)	**(167)**	(129)
Adjustment for Group undertakings				
Sanlam Investment Management	**(3 673)**	(3 796)	**–**	–
Santam	**(5 391)**	(4 188)	**–**	–
SDM Limited	**(3 129)**	(2 534)	**–**	–
Capital requirements of life insurance subsidiaries, adjusted for minority interests	**(1 755)**	(1 889)	**–**	–
Inadmissible assets	**(399)**	(210)	**(167)**	(129)
Other	**(2 997)**	(2 886)	**–**	–
Unsecured subordinated bond	**2 128**	1 965	**–**	–
Excess of assets over liabilities for prudential regulatory purposes	**25 305**	23 498	**190**	216
Capital adequacy requirements				
Capital adequacy requirements (CAR) before management actions	**12 800**	15 200	**83**	94
Management actions assumed	**(5 425)**	(7 525)	**–**	–
Reduction in future bonus rates	**(3 176)**	(4 165)	**–**	–
Reduction in non-vested bonuses	**(308)**	(404)	**–**	–
Capitalisation of portion of expected future profits held as discretionary margins	**(596)**	(1 037)	**–**	–
Reduction in grossing up of the assets covering CAR and other	**(1 345)**	(1 919)	**–**	–
CAR after management actions assumed	**7 375**	7 675	**83**	94
Times CAR covered by excess of assets over liabilities for prudential regulatory purposes	**3,4**	3,1	**2,3**	2,3

Capital and risk management report continued

Credit rating

Fitch Ratings, an international ratings agency, issues independent ratings of the following Sanlam Group entities and instruments:

	Most recent ratings issued during 2010
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 2010 and are unchanged from 2009.

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 42 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.

Sanlam Life Board

Responsible for the Group's risk management framework and policies, as well as monitoring the effectiveness and disclosure thereof, in accordance with best practice

Sanlam Life Risk and Compliance committee

Assists the Sanlam Life Board in fulfilling its responsibilities

Sanlam Group Executive committee

Responsible as the Sanlam Board's executive overseer to ensure that the businesses achieve optimal risk-adjusted returns

Group Risk Management

Develops Group risk management framework, policies and guidelines for approval by the Sanlam Life Board, co-ordinates reporting responsibilities and improves risk management across the Group

Business (and sub-business) level risk management

Identifies and manages risks faced by the business

Business level management committees

Additional committees that may be established by a business to assist their Executive committees in certain areas of risk management

Business level Audit and Risk committees/forums

Assists the business level Board in fulfilling its responsibilities to the Sanlam Life Board

Role of Group Risk Management

The role of Group Risk Management is one of setting Group standards and guidelines, co-ordinating and monitoring risk management practices and ultimately reporting to the Sanlam and Sanlam Life Boards.

Group Risk Management plays an active role with regard to risk management in the Sanlam Group. The involvement includes the following:

> Permanent invitees of business units' Risk and Audit committees;

> Member of the Central Credit committee (see description below);

> Transactional approval incorporated in approval frameworks of business units where appropriate;

> Involvement and approval of corporate activity transactions;

> Chairs the Capital, Asset and Liability and Non-listed Asset committees at Group level and the Group Risk Forum (see descriptions below);

> Guidance on risk-related matters at a business level; and

> Involvement with specialist risk management issues at business level.

Capital and risk management report continued

A number of other risk monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table:

Other risk monitoring mechanisms

Capital committee
Reviews and oversees the management of the Group's capital base

Asset and Liability committee
Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided

Central Credit committee
Identifies, measures and controls credit risk exposure

Group Compliance Office
Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof

Group Risk forum
Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Board

Non-listed Asset committee
Reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Limited and Sanlam Life Boards

Financial Director
Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised

Actuarial
Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques

Group Governance/ secretariat and public officers
Reviews and reports on corporate governance practices and structures. Reports on applicable legal and compliance matters

Forensics
Investigates and reports on fraud and illegal behaviour in businesses

Investment committees
Determines and monitors appropriate investment strategies for policyholder solutions

Group IT Risk Management
Manages and reports Group-wide IT risks

Risk Officer (per business)
Assists business management in their implementation of the Group risk management process, and to monitor the business's entire risk profile

Internal Audit
Assists the Sanlam Life Board and management by monitoring the adequacy and effectiveness of risk management in businesses

Group risk policies, standards and guidelines

The main policies, standards and guidelines are:

> The Sanlam Group Enterprise Risk Management (ERM) policy 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 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;

> 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.

Capital and risk management report continued

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 management process in the individual businesses comprises three distinct phases:

- Detailed identification of risk factors.
- Performance measurement by means of Key Risk Indicators and Key Performance Indicators. These can be measured in terms of financial and non-financial indicators.
- Stress testing and scenario analysis as a forward-looking methodology.

The appropriate Boards or committees thereof have approved all the policies at Group and individual business level.

Furthermore, the individual businesses have fully adopted and implemented the ERM policy, the Group Risk Escalation policy and Business Continuity Management policy as part of the individual governance structures.

The other policies are adopted by businesses where appropriate, although in the vast majority of cases this implies full adoption (as determined by business size/Group governance principles and the tight/loose principles).

Risk management has formally been incorporated into the charters of the various Risk 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 were assessed by an external assurance provider against the Maturity Model. Internal audit conducts assessments on a rolling annual basis and the overall results are presented to the Sanlam Life Risk and Compliance committee.

Restatement of comparatives

Comparative information for 2009 was restated for all items affected by the restatements identified on page 326.

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

Capital and risk management report continued

	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.	

	Risk category (primary)	Risk type (secondary) and description	Potential significant impact
Financial and business-specific risks *(continued)*	**Liquidity**	Liquidity risk is the risk relating to the difficulty/inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	Life insurance Retail credit Capital markets Short-term insurance Corporate
	Insurance risk (life business)	Insurance risk (life business): risk arising from the underwriting of life insurance contracts, in relation to the perils covered and the processes used in the conduct of business. It includes:	Life insurance
		Underwriting risk: the risk that the actual experience relating to mortality, disability and medical risks will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities.	
		Persistency risk: the risk of financial loss owing to negative lapse, surrender and paid-up experience.	
		Expense risk: the risk of loss owing to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities.	
		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 reports.

Capital and risk management report continued

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 262 and 263 of this Integrated 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.

Capital and risk management report continued

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 and Board 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 281 for a description of the different policyholder solutions; as well as to note 15 on page 306, 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.

Capital and risk management report continued

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

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 2010, 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.

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 and risk management report continued

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 below:

R million	Euro	United States dollar	British pound	Botswana pula	Other currencies	Total
31 December 2010						
Equities and similar securities	**181**	**906**	**103**	**298**	**406**	**1 894**
Interest-bearing instruments	**23**	**22**	**193**	**235**	**46**	**519**
Cash, deposits and similar securities	**7**	**453**	**67**	**364**	**75**	**966**
Investment properties	**—**	**—**	**—**	**101**	**44**	**145**
Net working capital	**13**	**147**	**276**	**(48)**	**18**	**406**
Total	**224**	**1 528**	**639**	**950**	**589**	**3,930**
Exchange rates (rand):						
Closing rate	**8,88**	**6,62**	**10,36**	**1,05**		
Average rate	**9,68**	**7,30**	**11,29**	**1,10**		
31 December 2009						
Equities and similar securities	212	1 081	221	409	371	2 294
Interest-bearing instruments	27	22	4	342	48	443
Cash, deposits and similar securities	6	436	243	312	17	1 014
Investment properties	—	—	—	149	54	203
Net working capital	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		

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 209 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 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.

Capital and risk management report continued

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 2010 and 2009 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 2010												
Public sector stocks and loans	**76,7**	**0,1**	**7,8**	**0,9**	**0,7**	**0,2**	**0,6**	**1,8**	**0,3**	**10,9**	**100,0**	**51 790**
Debentures, insurance policies, preference shares and other loans	**3,5**	**8,0**	**21,0**	**22,6**	**8,7**	**3,2**	**0,3**	**3,5**	**1,8**	**27,4**	**100,0**	**23 131**
Cash, deposits and similar securities	**6,1**	**9,3**	**23,6**	**18,4**	**5,4**	**4,7**	**0,9**	**0,4**	**4,7**	**26,5**	**100,0**	**36 940**
Net working capital	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0,1**	**99,9**	**100,0**	**1 155**
Total	**37,9**	**4,7**	**15,6**	**11,1**	**3,8**	**2,3**	**0,6**	**1,7**	**2,1**	**20,2**	**100,0**	**113 016**
31 December 2009												
Public sector stocks and loans	76,4	0,3	1,8	0,4	0,3	0,1	0,4	9,6	0,1	10,6	100,0	43 865
Debentures, insurance policies, preference shares and other loans	10,2	8,5	25,0	8,7	9,0	3,2	3,8	8,3	2,2	21,1	100,0	22 756
Cash, deposits and similar securities	16,2	2,6	22,0	20,6	2,2	4,0	0,5	2,2	4,8	24,9	100,0	36 527
Net working capital	—	—	—	—	—	—	—	—	(0,1)	100,1	100,0	1 477
Total	39,9	2,9	13,9	9,2	2,9	2,1	1,1	6,6	2,2	19,2	100,0	104 625

**Rated externally or by using internationally recognised credit rating techniques.*

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 2010												
Public sector stocks and loans	**71,0**	**—**	**16,2**	**—**	**6,1**	**0,1**	**2,7**	**2,2**	**—**	**1,7**	**100,0**	**742**
Debentures, insurance policies, preference shares and other loans	**1,2**	**1,8**	**14,3**	**20,3**	**20,5**	**5,6**	**—**	**3,3**	**2,6**	**30,4**	**100,0**	**4 277**
Cash, deposits and similar securities	**6,3**	**19,8**	**29,9**	**16,9**	**7,2**	**4,5**	**0,5**	**2,1**	**5,7**	**7,1**	**100,0**	**8 192**
Net working capital	**—**	**151,6**	**—**	**26,8**	**0,1**	**—**	**—**	**—**	**(0,4)**	**(78,1)**	**100,0**	**2 051**
Total	**7,2**	**31,5**	**20,8**	**18,4**	**9,9**	**4,0**	**0,4**	**2,1**	**3,7**	**2,0**	**100,0**	**15 262**
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	0,5	6,3	15,5	10,2	15,5	3,2	3,2	6,6	3,1	35,9	100,0	5 378
Cash, deposits and similar securities	25,8	3,2	22,0	18,7	1,8	4,2	1,6	4,4	5,8	12,5	100,0	6 642
Net working capital	104,6	—	2,9	0,1	—	4,4	0,3	—	0,2	(12,5)	100,0	2 982
Total	33,0	3,4	15,2	11,3	6,1	3,6	1,8	4,3	3,6	17,7	100,0	16 136

**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.

Capital and risk management report continued

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 245.

	2010		**2009**	
Years	**Assets**	**Policy liabilities**	**Assets**	**Policy liabilities**
Sanlam Life	**8,2**	**8,4**	7,9	7,9
Sanlam Developing Markets	**9,0**	**9,4**	8,4	8,0
Weighted average	**8,2**	**8,5**	7,9	7,9

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 2010					
Insurance contracts	**4 665**	**18 357**	**56 293**	**53 670**	**132 985**
Investment contracts	**3 891**	**15 753**	**45 469**	**67 597**	**132 710**
Total policy liabilities	**8 556**	**34 110**	**101 762**	**121 267**	**265 695**
Properties	**10**	**11**	**31**	**16 083**	**16 135**
Equities and similar securities	**123**	**149**	**355**	**135 948**	**136 575**
Public sector stocks and loans	**4 349**	**5 987**	**39 833**	**1 621**	**51 790**
Debentures, insurance policies, preference shares and other loans	**7 003**	**9 510**	**5 373**	**1 245**	**23 131**
Cash, deposits and similar securities	**27 299**	**7 856**	**1 342**	**443**	**36 940**
Deferred acquisition cost	**—**	**—**	**—**	**604**	**604**
Long-term reinsurance assets	**19**	**52**	**517**	**—**	**588**
Net working capital	**483**	**—**	**—**	**(551)**	**(68)**
Total policyholder assets	**39 286**	**23 565**	**47 451**	**155 393**	**265 695**
31 December 2009					
Insurance contracts	4 299	17 092	53 886	48 830	124 107
Investment contracts	3 353	14 263	42 167	62 440	122 223
Total policy liabilities	7 652	31 355	96 053	111 270	246 330
Properties	6	9	26	13 301	13 342
Equities and similar securities	187	269	747	127 226	128 429
Public sector stocks and loans	3 035	4 115	34 210	2 505	43 865
Debentures, insurance policies, preference shares and other loans	7 002	7 918	6 963	873	22 756
Cash, deposits and similar securities	28 130	5 683	1 470	1 244	36 527
Deferred acquisition cost	—	—	—	631	631
Long-term reinsurance assets	64	44	387	4	499
Net working capital	1 012	333	—	(1 064)	281
Total policyholder assets	39 436	18 371	43 803	144 720	246 330

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 257 for more information).

Capital and risk management report continued

4. Insurance risk

Life insurance businesses exposed to risk via:	Insurance risk	
	Persistency	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.

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.

Capital and risk management report continued

Non-participating annuity payable per annum per life insured

	Number of lives		Before reinsurance		After reinsurance	
	2010 R'000	2009 R'000	2010 %	2009 %	2010 %	2009 %
0 – 20	**216 107**	213 491	**50**	48	**50**	48
20 – 40	**17 046**	16 091	**17**	18	**17**	18
40 – 60	**5 218**	4 947	**9**	10	**9**	10
60 – 80	**2 428**	2 181	**6**	6	**6**	6
80 – 100	**1 212**	1 124	**4**	4	**4**	4
>100	**2 067**	1 908	**14**	14	**14**	14
	244 078	239 742	**100**	100	**100**	100

Value of benefits insured: non-participating life business

Benefits insured per individual life	Number of lives		Before reinsurance		After reinsurance	
	2010 R'000	2009 R'000	2010 %	2009 %	2010 %	2009 %
0 – 500	**1 035 183**	1 306 645	**24**	30	**27**	34
500 – 1 000	**161 912**	164 216	**19**	20	**20**	20
1 000 – 5 000	**133 884**	122 478	**42**	38	**42**	38
5 000 – 8 000	**6 330**	5 371	**7**	6	**6**	5
>8 000	**3 636**	2 863	**8**	6	**5**	3
	1 340 945	1 601 573	**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	2010	2009
South Africa	**228 034**	208 478
Africa	**19 823**	18 968
Other International	**17 838**	18 884
Total policy liabilities	**265 695**	246 330

Retail credit

Retail credit business relates mainly to loan business provided by Sanlam Personal Loans (SPL) and up to July 2010 also Sanlam Home Loans (SHL). Sanlam disposed of its interest in SHL with an effective date of 1 August 2010. The Group is exposed to financial risk through the following:

> SPL is a joint-venture investment 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.

The balance of loans advanced at 31 December 2010 is shown below:

R million	2010 Non-securitised loans	2010 Securitisation vehicle	2010 Total	2009 Non-securitised loans	2009 Securitisation vehicle	2009 Total
Sanlam Personal Loans						
Gross balance	**1 818**	**–**	**1 818**	1 495	–	1 495
Provisions	**(71)**	**–**	**(71)**	(100)	–	(100)
Net balance	**1 747**	**–**	**1 747**	1 395	–	1 395
Sanlam Home Loans						
Gross balance	**–**	**–**	**–**	800	3 953	4 753
Provisions	**–**	**–**	**–**	(36)	(22)	(58)
Net balance	**–**	**–**	**–**	764	3 931	4 695

The main risk emanating from the retail credit operations is credit risk. The Group's maximum exposure to credit risk comprises the following:

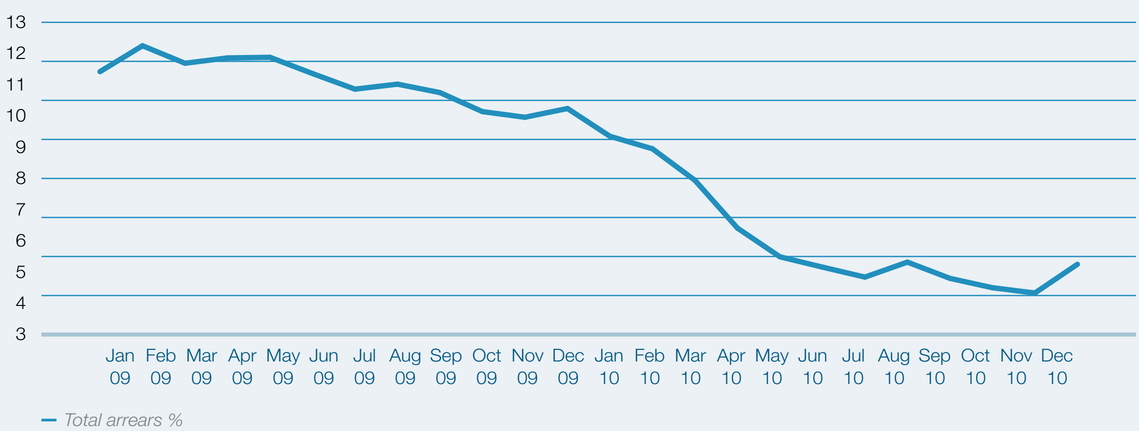
> As SPL is a joint venture that has been equity-accounted based on Sanlam's percentage interest in its net asset value, the Group is exposed to credit risk to the value of the investment, which is disclosed in note 7 on page 296.

> The Group Treasury function has also provided financing to SPL as indicated above. This exposure is managed by the Capital Management operations.

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 table below shows the outstanding balance of arrear accounts of SPL as a percentage of the total book.

SPL amount of arrear accounts as % of total outstanding balances (%)



Capital and risk management report continued

Capital markets

SCM is the largest division in the Capital Management cluster. 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 three (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 (including equity instruments and derivatives) 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 R2,9 million (2009: R0,4 million).

Change in price:	**Maximum net loss (R million)**	
	31 Dec 2010	**31 Dec 2009**
-5% to 5%	**1,5**	0,4
-10% to 10%	**2,9**	0,0
-15% to 15%	**2,0**	0,0
-50% to 20%	**2,9**	0,4

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:

Change in yield:	**Maximum net loss (R million)**	
	31 Dec 2010	**31 Dec 2009**
10% to -10%	**–**	(15)
20% to -20%	**(1)**	(17)
50% to -20%	**(2)**	(17)

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 level 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 R80,5 million (2009: R89,3 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 pre-defined credit spread matrix used in the marked-to-market of both credit assets and funding;

> The changed credit spreads are used to revalue credit assets and funding; and

Capital and risk management report continued

> 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 slightly offset by the impact on the valuation of the funding that is used to acquire the positions in the market. The total effect of a 1 notch deterioration is therefore -R46 million (2009: -R37 million).

	31 December 2010			31 December 2009		
R million	Assets	Funding	Total	Assets	Funding	Total
Current Value	**5 533**	**(1 502)**	**4 031**	7 748	(4 263)	3 485
Stress Results 1 (1 Notch)	**(51)**	**5**	**(46)**	(71)	34	(37)
Stress Results 2 (2 Notch)	**(82)**	**10**	**(72)**	(138)	76	(62)
Stress Results 3 (3 Notch)	**(114)**	**14**	**(100)**	(213)	115	(98)

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 60% (2009: 49%) of total credit risk capital, but only 18% (2009: 15%) of the total exposure. SCM is therefore not exposed to significant concentration risk.

3. Liquidity risk

The maximum available facilities of R8,5 billion significantly exceed the amount utilised of R5,8 billion (2009: R5,1 billion), 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 R519 million (2009: 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.

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 Santam 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.

Capital and risk management report continued

Interest rate risk

Interest rate risk arises primarily from investments in long-term debt and fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include scenario testing and stress testing using measures such as duration.

Interest rate risk is also managed using 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 2010, 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 2009):

R million	Euro	United States dollar	British pound	Total
31 December 2010				
Equities and similar securities	**—**	**—**	**—**	**—**
Debentures, insurance policies, public sector stocks and other loans	**—**	**—**	**—**	**—**
Cash, deposits and similar securities	**3**	**377**	**54**	**434**
Net other liabilities	**—**	**(25)**	**—**	**(25)**
Net working capital	**—**	**2**	**(133)**	**(131)**
Foreign currency exposure	**3**	**354**	**(79)**	**278**
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

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:

	Credit rating									Carrying value in Statement of financial position
R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	
31 December 2010										
Debt securities – quoted	1 372	106	463	942	246	193	—	62	4	3 388
Debt securities – unquoted	70	—	313	288	145	—	30	—	12	858
Receivables due from contract holders/ intermediaries	21	—	18	—	16	—	—	—	970	1 025
Reinsurance receivables	11	70	1	26	22	14	23	79	54	300
Other loans and receivables	23	1	14	17	29	4	—	1	321	410
Cash and other short-term interest-bearing instruments	1 682	153	1 263	625	829	44	34	99	99	4 828

Capital and risk management report continued

R million	AAA	AA+	AA	AA-	A+	A	A-	BBB	Not rated	Carrying value in Statement of financial position
					Credit rating					
31 December 2009										
Debt securities – quoted	933	29	448	359	215	372	—	25	15	2 396
Debt securities – unquoted	—	—	—	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

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 R970 million (2009: 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 R571 million (2009: R737 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 Lloyds. 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 R97 million (2009: R93 million) relate to reinsurance brokers for the Group. The reinsurance receivable balances, disclosed as not-rated on a Group level, relate to cell owners 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.

Capital and risk management report continued

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	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Claims paid and provided %*	**64,1**	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**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004 and prior**
Actual claims costs:								
– 2010	9 999	**7 144**	2 236	411	116	41	23	28
– 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	64 630	**7 144**	9 938	9 551	8 079	7 195	6 003	16 720

Conventional short-term insurance claims – net

		Claims paid in respect of						
Reporting year *R million*	**Total**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004 and prior**
Actual claims costs:								
– 2010	8 710	**6 401**	1 816	323	103	35	17	15
– 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	55 131	**6 401**	8 744	8 146	6 907	6 290	5 298	13 345

Capital and risk management report continued

Reporting development

Short-term insurance claims provision – gross

			Financial year during which claim occurred					
Reporting year *R million*	**Total**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004 and prior**
Provision raised:								
– 2010	3 809	**2 357**	556	312	171	146	137	130
– 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	29 541	**2 357**	3 173	3 603	4 006	4 117	3 488	8 797

Short-term insurance claims provision – net

			Financial year during which claim occurred					
Reporting year *R million*	**Total**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004 and prior**
Provision raised:								
– 2010	2 896	**1 814**	402	228	132	117	105	98
– 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	18 312	**1 814**	2 263	2 468	2 622	2 696	2 154	4 295

The above tables exclude IBNR.

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 is 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.

Capital and risk management report continued

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% (2009: 1,6%) of the total exposure of the significant geographical areas, amounting to protection of up to R6,5 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. Altogether R6,4 billion (2009: R6,5 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.

Refer to page 175 for an analysis of exposure to market risk as measured by GEV.

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 2010					
Term finance liabilities	**(1 675)**	**(1 651)**	**(46)**	**—**	**(3 372)**
Interest-bearing liabilities held in respect of margin business (refer to note 16.1 in annual financial statements)	**(1 652)**	**(1 417)**	**(46)**	**—**	**(3 115)**
Add: Preference shares issued to subsidiaries and eliminated on consolidation	**(23)**	**(234)**	**—**	**—**	**(257)**
Assets held in respect of term finance	**1 098**	**1 737**	**46**	**491**	**3 372**
Equities and similar securities	**—**	**—**	**—**	**—**	**—**
Public sector stocks and loans	**4**	**4**	**—**	**—**	**8**
Debentures, insurance policies, preference shares and other loans	**377**	**1 668**	**—**	**491**	**2 536**
Cash, deposits and similar securities	**590**	**65**	**—**	**—**	**655**
Working capital assets and liabilities	**127**	**—**	**46**	**—**	**173**
Net term finance liquidity position	**(577)**	**86**	**—**	**491**	**—**
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	—

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.

Capital and risk management report continued

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	Open ended	Total
31 December 2010					
Term finance liabilities	**—**	**—**	**(2 056)**	**—**	**(2 056)**
Interest-bearing liabilities	**—**	**—**	**(2 031)**	**—**	**(2 031)**
Add: Unsecured bonds issued to subsidiaries and eliminated on consolidation	**—**	**—**	**(25)**	**—**	**(25)**
Assets held in respect of term finance	**(265)**	**1 717**	**487**	**117**	**2 056**
Public sector stocks and loans	**(4)**	**296**	**126**	**—**	**418**
Debentures, insurance policies, preference shares and other loans	**89**	**1 251**	**196**	**117**	**1 653**
Cash, deposits and similar securities	**(288)**	**170**	**165**	**—**	**47**
Working capital assets and liabilities	**(62)**	**—**	**—**	**—**	**(62)**
Net term finance liquidity position	**(265)**	**1 717**	**(1 569)**	**117**	**—**
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)	—	—

2. Sensitivity analysis – market risk

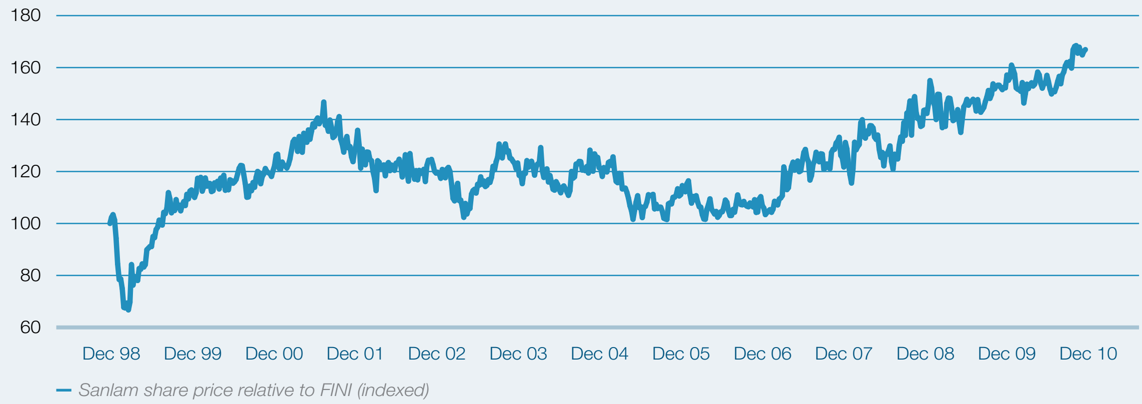
Refer to page 175 for an analysis of the Group's exposure to market risk as measured by GEV.

Stock exchange performance

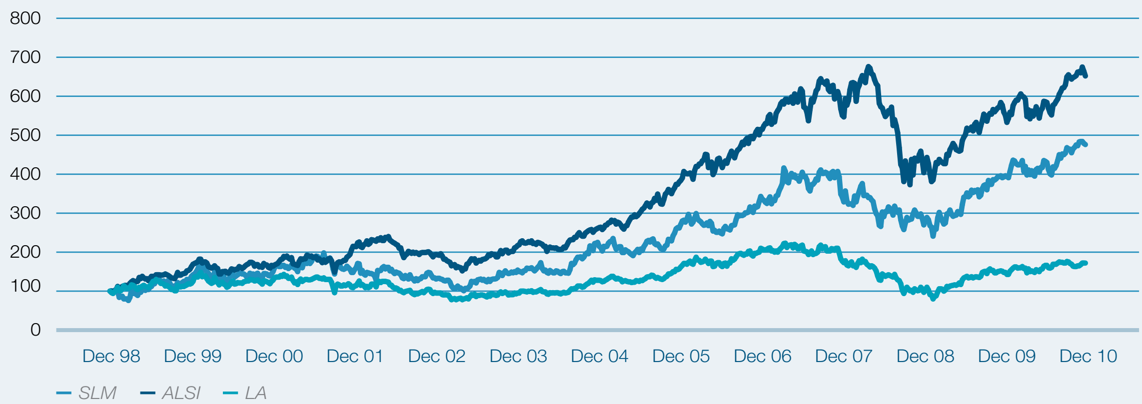
		2010	2009	2008	2007	2006
Number of shares traded	million	**1 059**	1 259	1 490	1 474	1 482
Value of shares traded	R million	**25 986**	23 174	27 175	32 300	23 774
Percentage of issued shares traded	%	**50**	58	66	64	63
Price/earnings ratio	times	**11,1**	10,4	12,9	10,3	6,0
Return on Sanlam share price since listing[2]	%	**17**	17	14	19	17
Market price	cps					
– Year-end closing price		**2 792**	2 275	1 700	2 275	1 830
– Highest closing price		**2 829**	2 305	2 330	2 412	1 901
– Lowest closing price		**2 200**	1 351	1 390	1 803	1 300
Market capitalisation at year-end	R million	**58 632**	49 140	37 232	52 407	42 156

[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)*



Sanlam vs ALSI vs Life Assurance index



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 Integrated 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 269 to 334, including the disclosure in the Capital and Risk Management Report on pages 214 to 258, the shareholder spread on page 342 and the Shareholders' Information on pages 158 to 213 were approved by the board and signed on its behalf by:

Desmond Smith
Chairman

Johan van Zyl
Group Chief Executive

9 March 2011

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 2010, 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.

Sana-Ullah Bray
Company Secretary

9 March 2011

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 2010, 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 264 to 334.

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 2010, 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: Malcolm Peter Rapson
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street

Cape Town
9 March 2011

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 158 to 213 for the year ended 31 December 2010, 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 159 to 169. 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 265 to 285.

Directors' responsibility for the Shareholders' Information

The company's directors are responsible for the annual financial statements, as described on page 261, as well as for the preparation and presentation of the Shareholders' Information in terms of the basis of preparation and presentation, and for such internal control as the directors determine is necessary to enable the preparation of the Shareholders' Information that are free from material misstatement, whether due to fraud or error. This responsibility includes selecting and applying appropriate preparation principles and making valuation estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the Shareholders' Information. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Shareholders' Information has been prepared, in all material respects, in accordance with the basis of preparation and presentation set out on pages 159 to 169.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Shareholders' Information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Shareholders' Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Shareholders' Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the basis of preparation and presentation used and the reasonableness of valuation estimates made by the directors, as well as evaluating the overall presentation of the Shareholders' Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Sanlam Limited Shareholders' Information has been prepared, in all material respects, in accordance with the basis of preparation and presentation set out on pages 159 to 169 of the Sanlam Limited Shareholders' Information Report.

Ernst + Young Inc

Ernst & Young Inc.
Director: Malcolm Peter Rapson
Registered Auditor
Chartered Accountant (SA)

Ernst & Young House
35 Lower Long Street

Cape Town
9 March 2011

Directors' report

for the year ended 31 December 2010

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 integrated 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 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 R4 388 million in 2009 to R5 523 million in 2010, mainly due to the recovery in the operating environment during 2010, which resulted in a significant improvement in the Group's net result from financial services. 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 180.

Share capital

A total of 60 million ordinary shares were cancelled during the year, thereby reducing the issued ordinary share capital of the company to 2 100 million shares. Refer to page 303 for further information.

Dividend

The Board has declared a cash dividend of 115 cents per share (2009: 104 cents), payable on Tuesday, 10 May 2011, to shareholders registered on 29 April 2011. 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 334.

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 integrated 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 integrated 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 2010 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), the Companies Act, No. 61 of 1973, as amended, in South Africa, and the AC 500 Standards as issued by the Accounting Practices Board and its successor. 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 2010 financial year:

- IAS 27 Amended Consolidated and Separate Financial Statements
- IAS 39 Amended Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRS 3 Revised Business Combinations
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- April 2009 Improvements to IFRS
- Amendments to IFRS 2: Group Cash-settled Share-based Payment Transactions
- AC 504: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in a South African Pension Fund Environment

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:

- Amendment to IAS 32 – Classification of Rights Issues (effective 1 February 2010)
- IAS 24 revised – Related Party Disclosures (effective 1 January 2011)
- 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 (effective 1 January 2011)
- May 2010 Improvements to IFRS (mostly effective 1 January 2011)
- Amendments to IAS 12 – Deferred tax: Recovery of underlying assets (effective 1 January 2012)
- Amendments to IFRS 1 – Severe hyperinflation and removal of fixed dates for first-time adopters (effective 1 July 2011)
- Amendment to IFRS 7 – Disclosures – Transfers of Financial Assets (effective date 1 July 2011)
- Amendment to AC 504 – The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment (effective 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.

A glossary containing explanations of technical terms used in these financial statements is presented on page 335.

The following sections provide additional information in respect of the presentation of selected items in the Group financial statements on pages 286 to 334.

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

Basis of presentation and accounting policies continued

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 286 to 334 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 158 to 213.

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 281 to 285.

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 214 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 management; 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 176 to 205. Refer to the business reviews on pages 94 to 137 for additional information on these business segments and to the Group structure on page 12 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 unless otherwise noted.

Change in accounting policies

Sanlam Sky Solutions and Channel Life were integrated into a single business unit after the acquisition of the minority shareholder interest in Channel Life during 2009. As part of the integration, Channel Life's accounting policies for insurance contracts have been aligned with that of the Sanlam Group by eliminating negative rand reserves held as part of its insurance contract policy liabilities. The alignment of the accounting policies results in a more consistent presentation of the Sanlam Group results.

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 expensed in the Statement of Comprehensive Income with effect from the 2010 financial year. These costs were capitalised against the investment acquired in financial years up to the end of 2009. 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

Basis of presentation and accounting policies continued

values of the subsidiaries' assets and liabilities. Net losses attributable to minority shareholders in excess of the minority interest are recognised as negative reserves against minority shareholders' interest as of 2010.

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 two 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 is not recognised 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 directly in equity. These differences were recognised as goodwill for business combinations occurring before 1 January 2010. 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 directly in equity. These profits and losses were recognised in the statement of comprehensive income before 1 January 2010.

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

Basis of presentation and accounting policies continued

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. DAC 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 counter-parties as part of the Group's capital market activities are not derecognised. No transfer of ownership takes place in respect of collateral other than cash and any such collateral accepted by counter-parties may not be used for any purpose other than being held as security for the trades to which such security relates. In respect of cash security, ownership transfers in law. However, the counter-party has an obligation to refund the same amount of cash, together with interest, if no default has occurred in respect of the trades to which such cash security relates. Cash collateral is accordingly also not derecognised.

Classification

Financial instruments are classified into the following categories:

- Financial assets: At fair value through profit or loss
Loans and receivables
- Financial liabilities: At fair value through profit or loss
Other financial liabilities

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed. Financial instruments classified as at fair value through profit or loss comprise held-for-trading assets and liabilities as well as financial instruments designated as at fair value through profit or loss. All non-trading financial instruments are designated as at fair value through profit or loss apart from:

> Working capital receivables that are classified as loans and receivables based on their short-term nature;
> Financial assets acquired as part of interest margin business to match specific financial liabilities, which are classified as loans and receivables;
> Term finance liabilities incurred as part of interest margin business and matched by specific financial assets, which are classified as other financial liabilities; and
> Working capital payables that are classified as other financial liabilities based on their short-term nature.

The Group designates financial instruments as at fair value through profit or loss in line with its risk management policies and procedures that are based on the management of the Group's capital and activities on a fair value basis, apart from the exceptions outlined above. The Group's internal management reporting basis is consistent with the classification of its financial instruments.

Initial measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value. Costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised in the 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.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position

Basis of presentation and accounting policies continued

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 investments, or portions thereof, 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 comprehensive income profit or loss is recognised in the Group statement of comprehensive income as equity-accounted earnings, and the Group's share of associates' other post-acquisition movement in equity 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, or portions thereof, 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

Basis of presentation and accounting policies continued

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 ecovered 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

Basis of presentation and accounting policies continued

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;

> The shareholders portion of 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 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.

Basis of presentation and accounting policies continued

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 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

Basis of preparation and accounting policies continued

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.

Staff incentive schemes

The following staff long-term incentive schemes have been implemented in the Group and have unvested conditions at 31 December 2010:

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 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 requires minimum liabilities to be held based on a prospective calculation of policy liabilities, serves as a liability adequacy test. No adjustment is required to the value of the liabilities at 31 December 2010 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,

Basis of presentation and accounting policies continued

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 of 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 2010 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 211 for investment return assumptions per asset class.

> Unit expenses are based on the 2010 actual expenses and escalated at estimated expense inflation rates per annum. The allocation of initial and renewal expenses is based on functional cost analyses.

> Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business.

> Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a higher liability.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Unrecouped expenses

The timing of fees recovered from some individual life policies 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.

Basis of presentation and accounting policies continued

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.

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

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 less than 1% 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.

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 (39% 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 2010

R million	Note	2010	Restated 2009	Restated 2008
Assets				
Property and equipment	1	**470**	375	382
Owner-occupied properties	2	**653**	652	652
Goodwill	3	**3 197**	2 810	2 623
Other intangible assets		**39**	45	—
Value of business acquired	4	**1 320**	1 210	1 309
Deferred acquisition costs	5	**2 270**	2 140	1 970
Long-term reinsurance assets	6	**588**	499	506
Investments	7	**310 091**	288 278	268 530
Properties	7.1	**17 362**	15 757	15 981
Investment properties		**16 744**	15 043	15 190
Straight-line rental adjustment		**618**	714	791
Equity-accounted investments	7.2	**3 626**	1 964	1 317
Equities and similar securities	7.3	**151 190**	141 570	120 284
Public sector stocks and loans	7.4	**57 347**	49 905	50 531
Debentures, insurance policies, preference shares and other loans	7.4	**31 586**	30 075	33 133
Cash, deposits and similar securities	7.4	**48 980**	49 007	47 284
Deferred tax	8	**932**	626	815
Short-term insurance technical assets	9	**1 560**	2 064	2 250
Working capital assets		**40 071**	36 230	38 938
Trade and other receivables	10	**27 883**	24 250	28 872
Cash, deposits and similar securities		**12 188**	11 980	10 066
Total assets		**361 191**	334 929	317 975
Equity and liabilities				
Capital and reserves				
Share capital and premium	11	**22**	23	23
Treasury shares		**(2 824)**	(3 200)	(4 142)
Other reserves	12	**8 622**	9 081	9 312
Retained earnings		**25 958**	23 740	22 067
Shareholders' fund		**31 778**	29 644	27 260
Minority shareholders' interest	14	**2 608**	2 513	2 481
Total equity		**34 386**	32 157	29 741
Long-term policy liabilities	15	**265 695**	246 330	229 564
Insurance contracts		**132 985**	124 107	121 175
Investment contracts		**132 710**	122 223	108 389
Term finance	16	**6 766**	6 916	6 763
Margin business		**3 115**	3 341	2 830
Other interest-bearing liabilities		**3 651**	3 575	3 933
External investors in consolidated funds		**11 655**	10 534	9 822
Cell owners' interest		**577**	535	447
Deferred tax	8	**1 178**	763	440
Short-term insurance technical provisions	9	**7 945**	8 304	8 229
Working capital liabilities		**32 989**	29 390	32 969
Trade and other payables	17	**30 422**	25 842	29 325
Provisions	18	**617**	1 396	1 453
Taxation		**1 950**	2 152	2 191
Total equity and liabilities		**361 191**	334 929	317 975

Sanlam Group statement of comprehensive income

for the year ended 31 December 2010

R million	Note	2010	Restated 2009
Net income		**67 285**	60 634
Financial services income	19	**33 737**	30 931
Reinsurance premiums paid	20	**(3 040)**	(2 848)
Reinsurance commission received	21	**307**	258
Investment income	22	**15 344**	15 997
Investment surpluses	22	**21 831**	17 380
Finance cost – margin business	26	**(216)**	(246)
Change in fair value of external investors' liability		**(678)**	(838)
Net insurance and investment contract benefits and claims		**(44 640)**	(41 063)
Long-term insurance contract benefits	23	**(22 928)**	(17 084)
Long-term investment contract benefits	23	**(13 444)**	(15 763)
Short-term insurance claims		**(9 520)**	(9 800)
Reinsurance claims received	21	**1 252**	1 584
Expenses		**(13 290)**	(11 552)
Sales remuneration		**(4 870)**	(4 414)
Administration costs	24	**(8 420)**	(7 138)
Impairments	39	**–**	(79)
Amortisation of intangibles		**(103)**	(84)
Net operating result		**9 252**	7 856
Equity-accounted earnings	25	**329**	104
Finance cost – other	26	**(309)**	(363)
Profit before tax		**9 272**	7 597
Taxation	27	**(2 757)**	(2 525)
Shareholders' fund		**(1 911)**	(1 755)
Policyholders' fund		**(846)**	(770)
Profit for the year		**6 515**	5 072
Other comprehensive income			
Movement in foreign currency translation reserve		**(517)**	(454)
Comprehensive income for the year		**5 998**	4 618
Allocation of comprehensive income:			
Profit for the year		**6 515**	5 072
Shareholders' fund		**5 523**	4 388
Minority shareholders' interest		**992**	684
Comprehensive income for the year		**5 998**	4 618
Shareholders' fund		**5 115**	4 079
Minority shareholders' interest		**883**	539
Earnings attributable to shareholders of the company (cents):			
Profit for the year:			
Basic earnings per share	28	**280,4**	222,1
Diluted earnings per share	28	**272,2**	216,4

Sanlam Group statement of change in equity

for the year ended 31 December 2010

R million	Share capital	Share premium	Treasury shares	Non-distributable reserve	Foreign currency translation reserve
Balance at 1 January 2009 – restated	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 (acquisition)/disposal of treasury shares[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 interests	—	—	—	—	—
Balance at 31 December 2009 – restated	22	1	(3 200)	9 705	(121)
Comprehensive income	—	—	—	—	(408)
Profit for the year	—	—	—	—	—
Other comprehensive income: movement in foreign currency translation reserve	—	—	—	—	(408)
Net (acquisition)/disposal of treasury shares[2]	(1)	—	376	—	—
Share-based payments	—	—	—	—	—
Transfer from non-distributable reserve	—	—	—	(2)	—
Transfer (from)/to consolidation reserve	—	—	—	—	—
Dividends paid[1]	—	—	—	—	—
Acquisitions, disposals and other movements in interests	—	—	—	—	—
Balance at 31 December 2010	**21**	**1**	**(2 824)**	**9 703**	**(529)**

[1] *Dividend of 104 cents per share declared during 2010 (2009: 98 cents per share) in respect of the 2009 financial year.*
[2] *Includes 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
	—	22 067	27 799	(539)	27 260	2 481	29 741
	—	4 388	4 079	—	4 079	539	4 618
	—	4 388	4 388	—	4 388	684	5 072
	—	—	(309)	—	(309)	(145)	(454)
	—	(889)	53	67	120	(14)	106
	—	139	139	—	139	28	167
	—	(42)	—	—	—	—	—
	—	31	31	(31)	—	—	—
	—	(1 954)	(1 954)	—	(1 954)	(419)	(2 373)
	—	—	—	—	—	(102)	(102)
	—	23 740	30 147	(503)	29 644	2 513	32 157
	—	5 523	5 115	—	5 115	883	5 998
	—	5 523	5 523	—	5 523	992	6 515
	—	—	(408)	—	(408)	(109)	(517)
	—	(1 404)	(1 029)	(45)	(1 074)	(98)	(1 172)
	—	191	191	—	191	32	223
	—	2	—	—	—	—	—
	—	4	4	(4)	—	—	—
	—	(2 096)	(2 096)	—	(2 096)	(629)	(2 725)
	—	(2)	(2)	—	(2)	(93)	(95)
	—	**25 958**	**32 330**	**(552)**	**31 778**	**2 608**	**34 386**

Sanlam Group cash flow statement

for the year ended 31 December 2010

R million	Note	2010	Restated 2009
Cash flow from operating activities		**904**	3 980
Cash utilised in operations	36.1	**(7 158)**	(6 288)
Interest and preference share dividends received		**9 786**	11 030
Interest paid		**(525)**	(609)
Dividends received		**4 284**	4 201
Dividends paid		**(2 612)**	(2 295)
Taxation paid		**(2 871)**	(2 059)
Cash flow from investment activities		**313**	(865)
Net disposal/(acquisition) of investments		**586**	(559)
Acquisition of subsidiaries	36.2	**(273)**	(354)
Disposal of subsidiaries and associated companies	36.3	**—**	48
Cash flow from financing activities		**(1 037)**	519
Movement in treasury shares		**(1 172)**	106
Term finance raised		**1 044**	604
Term finance repaid		**(909)**	(191)
Net increase in cash and cash equivalents		**180**	3 634
Cash, deposits and similar securities at beginning of the year		**60 984**	57 350
Cash, deposits and similar securities at end of the year	36.4	**61 164**	60 984

Notes to the Group financial statements

for the year ended 31 December 2010

	R million	2010	2009
1.	**Property and equipment**		
	Computer equipment	**266**	214
	Cost	**794**	785
	Accumulated depreciation and impairment	**(528)**	(571)
	Furniture, equipment, vehicles and other	**204**	161
	Cost	**575**	488
	Accumulated depreciation and impairment	**(371)**	(327)
	Total property and equipment	**470**	375
	Reconciliation of carrying amount		
	Balance at beginning of the year	**375**	382
	Additions and expenditure capitalised	**213**	178
	Disposals	**(23)**	(9)
	Acquired through business combinations	**68**	12
	Disposal of subsidiaries	**—**	(13)
	Depreciation	**(157)**	(172)
	Foreign currency translation differences	**(6)**	(3)
	Balance at end of the year	**470**	375
2.	**Owner-occupied properties**		
	Balance at beginning of the year	**652**	652
	Additions and expenditure capitalised	**1**	—
	Balance at end of the year	**653**	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.

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million	2010	2009
3. Goodwill		
Balance at beginning of the year	2 810	2 623
Gross carrying amount	2 838	2 651
Accumulated impairment	(28)	(28)
Additions during the year	412	185
Net consideration paid	319	354
Fair value of net assets acquired	93	(11)
Minority shareholders' interest	—	(158)
Acquired through business combinations	51	4
Disposals	(13)	—
Impairments	(59)	—
Foreign currency translation differences	(4)	(2)
Balance at end of the year	3 197	2 810
Gross carrying amount	3 284	2 838
Accumulated impairment	(87)	(28)
Allocation of goodwill		
Life insurance	508	500
Merchant Investors	356	356
Sanlam Developing Markets	32	24
Channel Life	96	96
Other	24	24
Other Sanlam businesses	2 689	2 310
Sanlam UK (excluding Merchant Investors)	30	35
Sanlam Investment Management	170	159
International: Investment Management	83	134
Glacier	91	91
Sanlam Netherlands Holding	49	49
Santam	962	601
Other	106	43
Goodwill held on Group level	1 198	1 198
Balance at end of the year	3 197	2 810

The additions to goodwill during 2010 arose primarily from the acquisition of Eternity by Sanlam Healthcare Management and Indwe Broker Holdings (Pty) Limited, and in 2009 from the acquisition of an additional interest in Octane Holdings Limited.

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 170 for an analysis of Group Equity Value.

R million	2010	2009
4. Value of business acquired		
Balance at beginning of the year	1 210	1 309
Additions during the year	182	23
Foreign currency translation differences	(38)	(37)
Amortisation	(103)	(84)
Impairments	69	(1)
Balance at end of the year	1 320	1 210
Gross carrying amount	1 714	1 570
Accumulated amortisation and impairment	(394)	(360)
Allocation of value of business acquired		
Principal and Buckles	314	294
Sanlam Developing Markets	779	818
Other	227	98
Balance at end of the year	1 320	1 210

The additions to value of business acquired in 2010 relates primarily to the acquisition of Eternity by Sanlam Healthcare Management and an additional interest acquired in Buckles. Indwe Broker Holdings (Pty) Limited was acquired through a business combination.

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 170 for an analysis of Group Equity Value. Refer to note 39 for impairments of value of business acquired recognised during the year.

R million	2010	2009
5. Deferred acquisition costs		
Balance at beginning of the year	2 140	1 970
Credited to statement of comprehensive income	130	170
Acquisition costs capitalised	361	433
Expensed for the year	(231)	(263)
Balance at end of the year	2 270	2 140
6. Long-term reinsurance assets		
Balance at beginning of the year	499	506
Movement in reinsurers' share of insurance liabilities	89	(7)
Balance at end of the year	588	499
Maturity analysis of long-term reinsurance assets		
Due within one year	19	8
Due within two to five years	52	51
Due after more than five years	517	440
Total long-term reinsurance assets	588	499

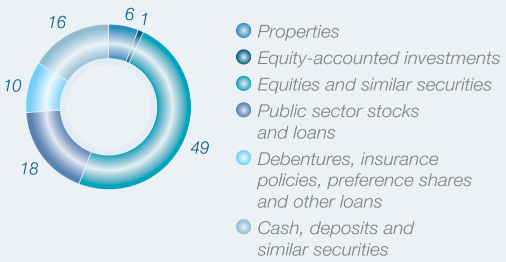
Amounts due from reinsurers in respect of claims incurred by the Group that are reinsured, are included in trade and other receivables (refer to note 10).

Notes to the Group financial statements continued

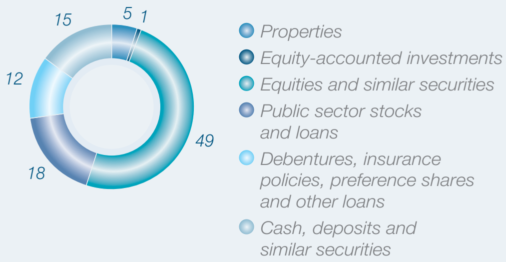
for the year ended 31 December 2010

7. Investments

Total investment mix 2010 (%)



Total investment mix 2009 (%)



	R million	2010	2009
7.1	**Properties**		
	Properties comprise:		
	Office buildings	**3 708**	3 814
	Retail buildings	**4 081**	4 003
	Industrial buildings	**519**	568
	Undeveloped land	**40**	46
	International properties (situated outside South Africa, including listed properties)	**2 010**	2 134
	JSE listed property companies and property collective investment schemes	**6 623**	4 871
	Other	**381**	321
	Total properties	**17 362**	15 757
	Less: Straight-line rental adjustment	**(618)**	(714)
	Total investment properties	**16 744**	15 043
	Reconciliation of carrying amount of properties		
	Fixed properties – balance at beginning of the year	**10 886**	12 288
	Additions	**220**	174
	Disposals	**(905)**	(889)
	Foreign currency translation differences	**(238)**	(235)
	Investment surpluses	**776**	(452)
	Fixed properties – balance at end of the year	**10 739**	10 886
	JSE listed property companies and property collective investment schemes	**6 623**	4 871
	Total properties	**17 362**	15 757
	Reconciliation of straight-line rental adjustment		
	Straight-line rental adjustment – balance at beginning of the year	**714**	791
	Disposals	**(16)**	(56)
	Movement for the year included in the statement of comprehensive income	**(80)**	(21)
	Straight-line rental adjustment – balance at end of the year	**618**	714
	Contractual future minimum lease payments receivable under non-cancellable operating leases:		
	Within one year	**1 010**	1 002
	Within two to five years	**2 085**	2 523
	After more than five years	**1 019**	1 279
	Future minimum lease payments	**4 114**	4 804

R million	Note	2010	2009
7. Investments *(continued)*			
7.2 Equity-accounted investments			
Investments in associated companies	7.2.1	**2 915**	1 124
Punter Southall Group		**270**	258
Letshego		**452**	308
Vukile		**1 489**	—
Other associated companies		**704**	558
Investments in joint ventures	7.2.2	**711**	840
Sanlam Personal Loans		**260**	133
Sanlam Home Loans		**—**	120
Shriram Life Insurance		**257**	247
Shriram General Insurance		**143**	115
Other joint ventures		**51**	225
Total equity-accounted investments		**3 626**	1 964

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. Detailed 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	
		2010	2009	2010	2009
Fair value of interest – based on internal valuation and quoted prices	R million	**227**	258	**589**	435
Number of shares held	000's	**7 744**	8 605	**303 333**	24 833
Interest in issued share capital	%				
Shareholders' fund		**23**	26	**17**	14
Policyholders' fund		**—**	—	**—**	—
Average interest in issued share capital	%				
Shareholders' fund		**25**	26	**16**	14
Policyholders' fund		**—**	—	**—**	—
Share of earnings after tax	R million				
Shareholders' fund		**14**	7	**67**	27
Policyholders' fund		**—**	—	**—**	—
Aggregate post-acquisition reserves attributable to shareholders' fund	R million	**114**	100	**94**	27
Financial information as at 31 December – total:					
Revenue	R million	**958**	1 106	**724**	691
Earnings attributable to shareholders	R million	**54**	27	**410**	330
Total assets	R million	**558**	599	**2 363**	2 024
Total liabilities	R million	**352**	384	**596**	603

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million		Vukile[(1)] 2010
7. Investments *(continued)*		
7.2.1 Investments in associated companies *(continued)*		
Fair value of interest – based on quoted prices	R million	**1 597**
Number of units held	000's	**109 407**
Interest in issued share capital	%	**31,2**
Shareholders' fund		**12,8**
Policyholders' fund		**18,4**
Average interest in issued share capital	%	**31,2**
Shareholders' fund		**12,8**
Policyholders' fund		**18,4**
Share of earnings after tax	R million	
Shareholders' fund		**77**
Policyholders' fund		**n/a**
Aggregate post-acquisition reserves attributable to shareholders' fund	R million	**77**
Financial information as at 30 September 2010 – total:		
Revenue	R million	**800**
Earnings attributable to shareholders	R million	**374**
Total assets	R million	**6 458**
Total liabilities	R million	**4 805**

[(1)]The investment in Vukile held by the shareholders' fund is carried at the equity accounted value. The policyholders' fund investment is carried at fair value.

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 R7 million (2009: R27 million).

R million	Sanlam Personal Loans[(1)] 2010	2009
7.2.2 Investments in joint ventures		
Details of material joint ventures:		
Interest in issued share capital (%)	**70**	70
Carrying value of interest	**260**	133
Fair value of interest	**365**	133
Share of revenue	**284**	262
Share of earnings after tax	**67**	14
Share of expenses	**94**	125
Share of assets	**1 256**	1 045
Non-current	**916**	692
Current	**340**	353
Share of liabilities	**1 125**	992
Non-current	**667**	717
Interest bearing	**525**	559
Non-interest bearing	**142**	158
Current	**458**	275
Interest bearing	**433**	261
Non-interest bearing	**25**	14
Aggregate portion of post-acquisition reserves (attributable to shareholders)	**125**	58
Share of cash flows	**(30)**	(28)
Operating activities	**(162)**	72
Investment activities	**—**	—
Financing activities	**132**	(100)

7. Investments *(continued)*

7.2.2 Investments in joint ventures *(continued)*

R million	Shriram Life Insurance[2] 2010	Shriram Life Insurance[2] 2009	Sanlam Home Loans[3] 2010	Sanlam Home Loans[3] 2009
Interest in issued share capital (%)	**26**	26	**–**	50
Carrying value of interest	**257**	247	**–**	120
Fair value of interest	**257**	247	**–**	120
Share of revenue	**(11)**	(2)	**116**	245
Share of earnings after tax	**(11)**	(2)	**3**	(12)
Share of expenses	**–**	–	**8**	34
Share of assets	**700**	498	**–**	2 522
Non-current	**670**	474	**–**	2 367
Current	**30**	24	**–**	155
Share of liabilities	**651**	443	**–**	2 538
Non-current	**618**	416	**–**	1 146
Interest bearing	**618**	416	**–**	970
Non-interest bearing	**–**	–	**–**	176
Current	**33**	27	**–**	1 392
Interest bearing	**–**	–	**–**	1 366
Non-interest bearing	**33**	27	**–**	26
Aggregate portion of post-acquisition reserves (attributable to shareholders)	**(1)**	10	**–**	(23)
Contingencies and capital commitments of venturer:				
Directly incurred	**–**	–	**–**	298
Share of cash flows	**(6)**	(1)	**116**	27
Operating activities	**(6)**	(1)	**98**	(40)
Investment activities	**–**	–	**–**	1
Financing activities	**–**	–	**18**	66

[1] *Sanlam Personal Loans conducts personal loan business in South Africa. Refer to note 39 for reversal of impairment recognised during the year.*

[2] *Shriram Life Insurance conducts the Group's long-term insurance business in India.*

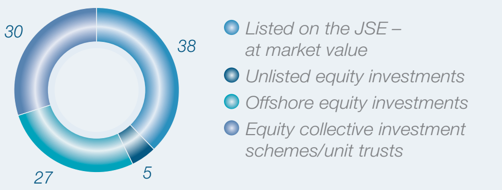
[3] *Sanlam Home Loans was sold during 2010.*

Notes to the Group financial statements continued

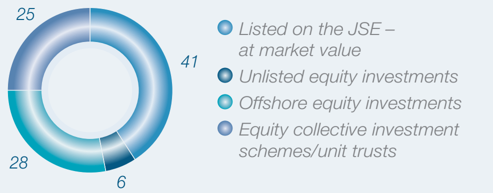
for the year ended 31 December 2010

R million	2010	2009
7. Investments *(continued)*		
7.3 Equities		
Equities and similar securities comprise:		
Listed on the JSE – at market value	**57 134**	56 657
Unlisted – at directors' valuation	**6 991**	8 112
Offshore equity investments	**41 691**	41 147
Listed	**40 445**	40 297
Unlisted	**1 246**	850
Equity collective investment schemes	**45 374**	35 654
Units held by the Group as minority unit holder	**33 285**	26 546
Equities held by consolidated schemes	**12 089**	9 108
Total equities and similar securities	**151 190**	141 570
Classification of equities and similar securities		
Designated as at fair value through profit or loss	**151 190**	141 440
Held for trading at fair value	**—**	130
Total equities and similar securities	**151 190**	141 570

Total equity investments mix 2010 (%)



Total equity investments mix 2009 (%)



%	2010 %	2009 %
Spread of equities listed on the JSE by sector[(1)]		
Basic materials	**24,4**	24,0
Consumer goods	**9,4**	7,9
Consumer services	**9,2**	12,0
Financials	**18,2**	18,3
General industrials	**12,1**	15,9
Information technology	**0,1**	0,2
Healthcare	**0,9**	1,2
Telecommunications	**10,2**	9,3
Other	**15,5**	11,2
	100	100

[(1)] *Includes the appropriate underlying investments of listed subsidiaries.*

Comparative information has been corrected by a decrease in JSE listed investments and an increase in offshore listed investments of R1 355 million.

7. Investments *(continued)*

7.4 Total investments other than equities and similar securities, equity-accounted investments and properties

R million	Designated as at fair value through profit or loss	Held for trading at fair value	Loans and receivables at amortised cost[(1)]	Total
31 December 2010				
Public sector stocks and loans	**57 347**	**—**	**—**	**57 347**
Debentures, insurance policies, preference shares and other loans	**29 309**	**104**	**2 173**	**31 586**
Cash, deposits and similar securities	**48 890**	**—**	**90**	**48 980**
	135 546	**104**	**2 263**	**137 913**
31 December 2009				
Public sector stocks and loans	49 905	—	—	49 905
Debentures, insurance policies, preference shares and other loans	27 968	406	1 701	30 075
Cash, deposits and similar securities	48 916	—	91	49 007
	126 789	406	1 792	128 987

[(1)] *The estimated fair value of investments valued at amortised cost amounts to R2 263 million (2009: R1 792 million).*

The 2008 comparatives (all unlisted instruments within the designated as at fair value through profit and loss category) have been reclassified due to reassessment of investments classifications as follows (refer to note 38 for more information):

	R million
Decrease in debentures, insurance policies, preference shares and other loans	(2 176)
Increase in cash, deposits and similar securities	2 176

R million	<1 year	1 – 5 years	>5 years	Open ended	Total
Maturity analysis					
31 December 2010					
Public sector stocks and loans	**4 165**	**8 517**	**40 302**	**4 363**	**57 347**
Debentures, insurance policies, preference shares and other loans	**10 139**	**13 799**	**5 827**	**1 821**	**31 586**
Cash, deposits and similar securities	**35 760**	**10 151**	**1 836**	**1 233**	**48 980**
Total investments other than equities and similar securities, equity-accounted investments and properties	**50 064**	**32 467**	**47 965**	**7 417**	**137 913**
31 December 2009					
Public sector stocks and loans	5 090	7 153	34 033	3 629	49 905
Debentures, insurance policies, preference shares and other loans	7 946	11 503	8 752	1 874	30 075
Cash, deposits and similar securities	38 891	7 307	1 855	954	49 007
Total investments other than equities and similar securities, equity-accounted investments and properties	51 927	25 963	44 640	6 457	128 987
The impact of the reassessment of investments classification on the 2008 maturity analysis is as follows:					
31 December 2008					
Debentures, insurance policies, preference shares and other loans	9 883	13 207	8 741	1 302	33 133
Cash, deposits and similar securities	39 832	5 224	1 044	1 184	47 284

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million	2010	2009
7. Investments *(continued)*		
7.4 Total investments other than equities and similar securities, equity-accounted investments and properties *(continued)*		
Listed	**76 264**	72 120
Unlisted	**61 649**	56 867
Designated as at fair value through profit or loss	**59 386**	55 075
Loans and receivables at amortised cost	**2 263**	1 792
Total investments other than equities and similar securities, equity-accounted investments and properties	**137 913**	128 987
Unlisted investments (other than equities and similar securities, equity-accounted investments and properties)		
Maximum exposure to credit risk at the reporting date	**61 649**	56 867

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 2010 and 2009 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 2009	705	(89)	110	(351)
Temporary differences (charged)/credited to the statement of comprehensive income	(105)	32	(82)	(355)
Accruals and provisions	82	5	—	7
Tax losses and credits	(164)	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	598	(57)	28	(706)
Temporary differences credited/(charged) to the statement of comprehensive income	264	(124)	(1)	(248)
Accruals and provisions	214	—	—	—
Tax losses and credits	(46)	—	—	—
Net unrealised investment surpluses on shareholders' fund	(2)	(30)	(1)	(128)
Net unrealised investment surpluses on policyholders' fund	—	—	—	(134)
Secondary tax on companies	89	—	—	—
Other temporary differences	9	(94)	—	14
Acquisition of subsidiaries	43	(50)	—	—
Foreign currency translation differences	—	7	—	—
Balance at 31 December 2010	**905**	**(224)**	**27**	**(954)**
Analysis of the deferred tax balances				
2010				
Accruals and provisions	**333**	**—**	**—**	**—**
Tax losses and credits	**522**	**—**	**27**	**—**
Net unrealised investment surpluses on shareholders' fund	**22**	**(70)**	**—**	**(400)**
Net unrealised investment surpluses on policyholders' fund	**—**	**—**	**—**	**(549)**
Other temporary differences	**28**	**(154)**	**—**	**(5)**
Deferred tax balances at 31 December 2010	**905**	**(224)**	**27**	**(954)**
2009				
Accruals and provisions	105	—	—	—
Tax losses and credits	454	—	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	598	(57)	28	(706)

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million	2010	2009
8. Deferred tax *(continued)*		
Total deferred tax asset	**932**	626
Total deferred tax liability	**(1 178)**	(763)
Total net deferred tax	**(246)**	(137)

The deferred tax asset relating to tax losses and credits for 2008 has been affected by the change in accounting policy. Refer to note 38 for additional information.

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	2010	2009
9. Short-term insurance technical provisions		
Short-term insurance technical provisions	**7 945**	8 304
Outstanding claims	**5 117**	5 421
Provision for unearned premiums	**2 788**	2 829
Deferred reinsurance acquisition revenue	**40**	54
Less: Short-term insurance technical assets	**1 560**	2 064
Reinsurers' share of technical provisions		
Outstanding claims	**1 069**	1 462
Unearned premiums	**240**	343
Deferred acquisition cost	**251**	259
Net short-term insurance technical provisions	**6 385**	6 240

Analysis of movement in short-term insurance technical provisions

R million	2010 Gross	2010 Reinsurance	2010 Net	2009 Gross	2009 Reinsurance	2009 Net
Outstanding claims						
Balance at beginning of the year	**5 421**	**(1 462)**	**3 959**	5 208	(1 547)	3 661
Cash paid for claims settled in the year	**(9 985)**	**1 278**	**(8 707)**	(10 003)	1 213	(8 790)
Increase in liabilities	**9 630**	**(841)**	**8 789**	10 216	(1 128)	9 088
Additions	**51**	**(44)**	**7**	—	—	—
Balance at end of the year	**5 117**	**(1 069)**	**4 048**	5 421	(1 462)	3 959
Unearned premiums						
Balance at beginning of the year	**2 829**	**(343)**	**2 486**	2 939	(432)	2 507
Net (release)/increase in the period	**(64)**	**37**	**(27)**	(110)	89	(21)
Additions	**23**	**66**	**89**	—	—	—
Balance at end of the year	**2 788**	**(240)**	**2 548**	2 829	(343)	2 486

R million		2010	2009
10. Trade and other receivables			
Premiums receivable		**4 503**	5 336
Accrued investment income		**1 792**	1 808
Trading account		**16 726**	13 290
Amounts due from reinsurers		**440**	591
Accounts receivable		**4 422**	3 225
Total trade and other receivables		**27 883**	24 250
Classification of trade and other receivables:			
Held for trading at fair value		**16 726**	13 290
Loans and receivables at amortised cost		**11 157**	10 960
		27 883	24 250
Trade and other receivables, excluding trading account, are receivable within one year.			
Maturity analysis of trading account – fair value			
Due within one year		**4 704**	4 677
Due within two to five years		**8 914**	6 032
Due after five years		**3 108**	2 581
Total trading account		**16 726**	13 290
Maturity analysis of trading account – undiscounted			
Due within one year		**9 493**	7 085
Due within two to five years		**7 921**	3 767
Due after five years		**3 163**	3 348
		20 577	14 200
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
Balance at end of the year	R million	**41,2**	41,2
Issued share capital: ordinary shares			
Total shares in issue at beginning of the year	million	**2 160,0**	2 190,1
Shares cancelled during the year	million	**(60,0)**	(30,1)
Total shares in issue at end of the year	million	**2 100,0**	2 160,0
Shares held by subsidiaries	million	**(144,9)**	(171,7)
Balance at end of the year	million	**1 955,1**	1 988,3
% of ordinary shares held by subsidiaries		**6,9%**	7,9%
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		**21,7**	22,3
Nominal value of 1 cent per share	R million	**21,0**	21,6
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	**22,3**	22,9

Notes to the Group financial statements continued

for the year ended 31 December 2010

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 60 million ordinary shares in 2010 (2009: 30,1 million) as part of the capital management programme. Share capital and reserves were reduced with the consideration paid for the cancelled shares.

	Shares 2010 000's	Options 2010 000's	Average option price 2010 R	Shares 2009 000's	Options 2009 000's	Average option price 2009 R
Executive share incentive scheme						
Total number of shares and share options at beginning of the year	30 833	13 404	7,60	21 106	30 427	7,63
Unrestricted shares and share options at beginning of the year	(960)	(13 404)	7,60	(120)	(22 532)	7,43
Restricted shares and share options at beginning of the year	29 873	–	–	20 986	7 895	8,20
New restricted shares granted in terms of restricted share and DSP schemes	9 387	–	–	11 068	–	–
Unconditional options and shares released, available for release, or taken up	(3 961)	–	–	(1 301)	(7 708)	8,20
Options and share forfeited	(746)	–	–	(880)	(187)	7,75
Restricted shares and share options at end of the year	34 553	–	–	29 873	–	–
Unrestricted shares and share options at end of the year	1 005	6 372	7,48	960	13 404	7,60
Total number of shares and share options at end of the year	35 558	6 372	7,48	30 833	13 404	7,60
Shares the subject matter of loans granted[1]	5 758	–	–	12 757	–	–
Total equity participation by employees	41 316	6 372	–	43 590	13 404	–

[1] *Outstanding amount of loans granted in respect of these shares amounts to R124 million (2009: R239 million) for the Group. There were no new loans granted during 2010.*

	2010	2009
11. Share capital and premium *(continued)*		
Total equity participation by employees as a percentage of total issued ordinary shares (%)	**2,3**	2,6
Approved maximum level of equity participation by employees (number of shares)	**160 000**	160 000

Details regarding the restricted shares outstanding on 31 December 2010 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 2011	6 516
31 December 2012	9 598
31 December 2013	9 777
31 December 2014	5 860
31 December 2015	2 802

	2010	2009
Weighted average share price of options exercised during the year	**R25,01**	R18,90

A total of 9,4 million (2009: 11,1 million) restricted shares were granted to staff and executive directors during 2010. The fair value of the grants on grant date, calculated in terms of IFRS 2, amounted to R194 million (2009: R148 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	2010	2009
12. Other reserves		
Non-distributable reserves	**9 703**	9 705
Pre-acquisition reserves upon demutualisation of Sanlam Life Insurance Limited	**9 415**	9 415
Regulatory reserves of the Group's Botswana operations	**288**	290
Foreign currency translation reserve	**(529)**	(121)
Consolidation reserve	**(552)**	(503)
Policyholder fund investments in consolidated subsidiaries	**(92)**	(83)
Policyholder fund investment in Sanlam Limited shares	**(460)**	(420)
Total reserves other than retained earnings	**8 622**	9 081
13. Contingency reserves		
Contingency reserves in respect of short-term insurance business of R756 million are included in shareholders' reserves (2009: R722 million).		
14. Minority shareholders' interest		
Santam	**1 642**	1 487
Sanlam Developing Markets	**750**	816
Channel Life	**11**	8
Sanlam Namibia Holdings	**181**	141
Other	**24**	61
Total minority shareholders' interest	**2 608**	2 513

The minority shareholders' interest for 2008 has been affected by the additional tax provision raised in respect of Santam. Refer to note 38 for additional information.

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million	2010 Total	2010 Insurance contracts	2010 Investment contracts	2009 Total	2009 Insurance contracts	2009 Investment contracts
15. Long-term policy liabilities						
15.1 Analysis of movement in policy liabilities						
Income	**68 732**	**34 287**	**34 445**	62 992	26 990	36 002
Premium income (note 15.2)	**37 891**	**16 890**	**21 001**	35 877	15 638	20 239
Investment return after tax (note 23)	**30 841**	**17 397**	**13 444**	27 115	11 352	15 763
Outflow	**(45 977)**	**(24 659)**	**(21 318)**	(42 663)	(23 137)	(19 526)
Policy benefits (note 15.3)	**(27 441)**	**(12 825)**	**(14 616)**	(26 730)	(12 375)	(14 355)
Retirement fund terminations	**(4 111)**	**(41)**	**(4 070)**	(2 446)	(31)	(2 415)
Transfer to segregated assets	**—**	**—**	**—**	(418)	(13)	(405)
Fees, risk premiums and other payments to shareholders' fund	**(14 425)**	**(11 793)**	**(2 632)**	(13 069)	(10 718)	(2 351)
Movement in policy loans	**81**	**81**	**—**	(42)	3	(45)
Net movement for the year	**22 836**	**9 709**	**13 127**	20 287	3 856	16 431
Foreign currency translation differences	**(3 471)**	**(831)**	**(2 640)**	(3 521)	(924)	(2 597)
Balance at beginning of the year	**246 330**	**124 107**	**122 223**	229 564	121 175	108 389
Balance at end of the year	**265 695**	**132 985**	**132 710**	246 330	124 107	122 223

R million	2010	2009
15.2 Analysis of premium income		
Individual business	**27 951**	26 911
Recurring	**15 274**	13 905
Single	**10 931**	11 387
Continuations	**1 746**	1 619
Employee benefits business	**9 940**	8 966
Recurring	**7 291**	5 196
Single	**2 649**	3 770
Total premium income	**37 891**	35 877
15.3 Analysis of long-term policy benefits		
Individual business	**22 055**	21 531
Maturity benefits	**11 272**	10 963
Surrenders	**5 119**	5 380
Life and term annuities	**4 739**	4 229
Death and disability benefits[1]	**815**	667
Cash bonuses[1]	**110**	292
Employee benefits business	**5 386**	5 199
Withdrawal benefits	**2 547**	2 910
Pensions	**1 270**	1 207
Lump-sum retirement benefits	**961**	794
Taxation paid on behalf of certain retirement funds	**—**	1
Death and disability benefits[1]	**258**	262
Cash bonuses[1]	**350**	25
Total long-term policy benefits	**27 441**	26 730

[1] *Excludes death and disability benefits and cash bonuses underwritten by the shareholders (refer to note 23).*

R million	2010	2009
15. Long-term policy liabilities *(continued)*		
15.4 Composition of policy liabilities		
Individual business	**220 493**	203 030
Linked and market-related liabilities	**122 803**	111 611
Stable bonus fund	**38 481**	36 769
Reversionary bonus policies	**10 509**	10 430
Non-participating annuities	**23 484**	21 575
Participating annuities	**50**	—
Other non-participating liabilities	**25 166**	22 645
Employee benefits business	**45 202**	43 300
Linked and market-related liabilities	**18 508**	18 045
Stable bonus portfolios	**10 777**	10 503
Participating annuities	**6 839**	6 551
Non-participating annuities	**4 663**	4 213
Other non-participating liabilities	**4 415**	3 988
Total policy liabilities	**265 695**	246 330

The individual business insurance policy contracts balance for 2008 (largely other non-participating liabilities) has been affected by the change in accounting policy. Refer to note 38 for additional information.

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15.5 Maturity analysis of investment policy contracts					
2010					
Linked and market-related	**1 999**	**9 120**	**39 268**	**56 347**	**106 734**
Stable bonus	**1**	**1**	**33**	**10 781**	**10 816**
Non-participating annuities	**71**	**911**	**167**	**—**	**1 149**
Other non-participating liabilities	**1 820**	**5 721**	**6 001**	**469**	**14 011**
Total investment policies	**3 891**	**15 753**	**45 469**	**67 597**	**132 710**
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

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					
2010					
Linked and market-related	**1 598**	**7 222**	**22 569**	**3 188**	**34 577**
Stable bonus	**1 717**	**8 234**	**25 530**	**2 961**	**38 442**
Reversionary bonus policies	**521**	**2 369**	**5 633**	**1 986**	**10 509**
Non-participating annuities	**2**	**37**	**89**	**26 870**	**26 998**
Participating annuities	**—**	**1**	**2**	**6 886**	**6 889**
Other non-participating liabilities	**827**	**494**	**2 470**	**11 779**	**15 570**
Total insurance policies	**4 665**	**18 357**	**56 293**	**53 670**	**132 985**

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million	< 1 year	1 – 5 years	> 5 years	Open ended	Total
15. Long-term policy liabilities *(continued)*					
15.6 Maturity analysis of insurance policy contracts *(continued)*					
2009					
Linked and market-related	1 448	6 665	21 047	3 167	32 327
Stable bonus	1 601	7 510	24 727	2 888	36 726
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	733	468	2 398	9 831	13 430
Total insurance policies	4 299	17 092	53 886	48 830	124 107

The insurance policy contracts balance for 2008 (mostly in the greater than 5-year maturity bucket) has been affected by the change in accounting policy. Refer to note 38 for additional information.

R million	Note	2010	2009
15.7 Policy liabilities include the following:			
Provision for HIV/Aids and other pandemics		**4 045**	4 082
Asset mismatch reserve		**2 472**	2 594
16. Term finance			
Term finance comprises:			
Interest-bearing liabilities held in respect of margin business	16.1	**3 115**	3 341
Other interest-bearing liabilities	16.2	**3 651**	3 575
		6 766	6 916
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 6,9% and 8,3% (2009: 6,4% and 12,2%) or linked to prime interest rates. The preference shares have different redemption dates up to 2015.		**3 115**	3 341
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.		**1 179**	1 114
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.		**852**	780
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.		**925**	839
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 between 2,5% and 4,5% to the Bank of England base rate.		**508**	643
Obligations towards beneficiaries of companies limited by guarantee – matched by assets held in this regard.		**109**	105
Finance lease on owner-occupied property, with interest payable at 10,44% and terminating on 1 June 2012.		**16**	25
Finance lease, with interest payable at various rates and terminating from 2010 to 2012.		**42**	42
Other		**20**	27
		3 651	3 575

R million	Note	2010	2009
16. Term finance *(continued)*			
16.3 Maturity analysis of term finance			
Due within one year		**1 670**	1 281
Due within two to five years		**1 460**	1 936
Due after more than five years		**3 636**	3 699
Total term finance liabilities		**6 766**	6 916
16.4 Classification of term finance			
At fair value through profit or loss	16.4.1	**3 065**	2 838
Valued at stock exchange prices		**2 956**	2 733
Based on internal valuation		**109**	105
Other financial liabilities	16.4.2	**3 701**	4 078
Total term finance liabilities		**6 766**	6 916
16.4.1 Term finance classified as at fair value through profit or loss			
Total designated as at fair value through profit or loss		**3 065**	2 838
Amount contractually payable at maturity		**3 164**	3 140
16.4.2 Term finance classified as other financial liabilities			
Estimated fair value of term finance liabilities measured at amortised cost		**3 701**	4 078
Refer to note 40 for additional fair value disclosures.			
17. Trade and other payables			
Trading account		**16 705**	13 218
Accounts payable		**9 180**	7 023
Policy benefits payable		**2 859**	3 709
Amounts due to reinsurers		**470**	834
Bank overdrafts		**4**	3
Operating lease creditor		**24**	15
Claims incurred but not reported		**1 180**	1 040
Total trade and other payables		**30 422**	25 842
Classification of trade and other payables			
Held for trading at fair value		**16 705**	13 218
Other financial liabilities at amortised cost		**13 717**	12 624
Total trade and other payables		**30 422**	25 842
Trade and other payables, excluding trading account, are payable within one year.			
Maturity analysis of trading account – fair value			
Due within one year		**13 676**	8 294
Due within two to five years		**1 512**	3 001
Due after five years		**1 517**	1 923
Total trading account		**16 705**	13 218
Maturity analysis of trading account – undiscounted			
Due within one year		**14 978**	11 090
Due within two to five years		**2 111**	3 067
Due after five years		**1 292**	1 755
		18 381	15 912

Notes to the Group financial statements continued

for the year ended 31 December 2010

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 2009	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
Charged to statement of comprehensive income	81	—	1	(35)	47
Additional provisions	81	—	1	68	150
Unused amounts reversed	—	—	—	(103)	(103)
Utilised during the year	(784)	(3)	(2)	(37)	(826)
Balance at 31 December 2010	**250**	**23**	**15**	**329**	**617**
Analysis of provisions					
Current	11	2	—	40	53
Non-current	239	21	15	289	564
Total provisions at 31 December 2010	**250**	**23**	**15**	**329**	**617**

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	2010	2009
19. Financial services income		
Analysis per revenue source		
Long-term insurance	**14 895**	13 608
Short-term insurance	**15 965**	15 051
Other financial services	**2 877**	2 272
Total financial services income	**33 737**	30 931
Analysis per revenue category		
Long-term insurance fee income	**14 895**	13 608
Administration services	**2 524**	2 271
Investment management fees	**616**	664
Risk benefit charges and other fee income	**11 755**	10 673
Short-term insurance premiums	**15 965**	15 051
Premiums receivable	**15 916**	14 941
Change in unearned premium provision	**49**	110
Other financial services fees and income	**2 897**	2 248
Trading profit	**(17)**	23
Foreign exchange (losses)/gains	**(3)**	1
Total financial services income	**33 737**	30 931
20. Reinsurance premiums paid		
Long-term insurance	**646**	639
Short-term insurance	**2 394**	2 209
Premiums payable	**2 360**	2 103
Change in unearned premium provision	**34**	106
Total reinsurance premiums paid	**3 040**	2 848
21. Reinsurance income		
Reinsurance commission received		
Long-term insurance	**55**	50
Short-term insurance	**252**	208
Total reinsurance commission received	**307**	258
Reinsurance claims received		
Long-term insurance	**415**	453
Short-term insurance	**837**	1 131
Total reinsurance claims received	**1 252**	1 584

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million	2010	2009
22. Investment return		
Investment income		
Equities and similar securities	**4 088**	4 282
Interest-bearing, preference shares and similar securities	**9 626**	10 009
Properties	**1 263**	1 265
Rental income – excluding contingent rental	**1 317**	1 333
Contingent rental income	**144**	137
Rental-related expenses	**(198)**	(205)
Income from margin business[(1)]	**367**	441
Total investment income	**15 344**	15 997
Listed investments	**9 503**	9 252
Unlisted investments	**5 841**	6 745
Total investment income	**15 344**	15 997
Interest income on financial assets not classified as at fair value through profit or loss	**123**	362
Investment surpluses		
Financial assets designated as at fair value through profit or loss	**20 651**	18 958
Financial assets classified as held-for-trading	**(10)**	(1 178)
Investment properties	**696**	(473)
Profit on disposal of associated companies, subsidiaries and operations	**494**	73
Total investment surpluses	**21 831**	17 380
Investment return includes:		
Foreign exchange losses	**(2 136)**	(5 007)

[(1)]*Refer to note 26 for finance cost incurred in respect of margin business.*

R million	2010	2009
23. Long-term insurance and investment contract benefits		
Insurance contracts		
Underwriting policy benefits	**5 531**	5 732
After-tax investment return attributable to insurance contract liabilities (note 15)	**17 397**	11 352
Total long-term insurance contract benefits	**22 928**	17 084
Investment contracts		
After-tax investment return attributable to investment contract liabilities (note 15)	**13 444**	15 763
Total long-term investment contract benefits	**13 444**	15 763
Analysis of underwriting policy benefits		
Individual insurance	**2 760**	3 235
Employee benefits	**2 771**	2 497
Total underwriting policy benefits	**5 531**	5 732

R million	2010	2009
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	**8,9**	9,1
Other services (basic remuneration, pensions and bonuses)	**26,7**	18,3
Previous		
Directors' fees	**0,7**	—
Other services (basic remuneration, pensions and bonuses)	**—**	1,5
Total directors' remuneration	**36,3**	28,9
Analysis of directors' remuneration		
Executive directors	**27,5**	19,8
Non-executive directors	**8,8**	9,1
Total directors' remuneration	**36,3**	28,9
Directors' remuneration paid by subsidiaries	**34,1**	25,3
Refer to Corporate Governance Report on page 60 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 Rnil million (2009: R29,5 million).		
Auditors' remuneration		
Audit fees: Statutory audit	**74**	73
Other services provided by:		
Subsidiaries' own auditors	**6**	2
Due diligence services	**2**	2
Other services	**4**	—
Other Group auditors	**—**	—
Total auditors' remuneration	**80**	75
Depreciation	**157**	172
Operating leases	**418**	371
Properties	**235**	204
Equipment	**169**	152
Other	**14**	15
Consultancy fees	**366**	351
Technical, administrative and secretarial fees	**543**	544
Restructuring costs	**—**	21
Employee benefits	**4 814**	3 973
Salaries and other short-term benefits	**4 096**	3 361
Pension costs – defined-contribution plans	**232**	226
Pension costs – defined-benefit plans	**9**	16
Other post-employment benefits	**—**	8
Share-based payments	**223**	167
Other long-term incentive schemes	**254**	195
Office staff (number of persons)	**11 438**	9 457

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million	2010	2009
25. Equity-accounted earnings		
Punter Southall Group	14	7
Sanlam Home Loans	3	(12)
Sanlam Personal Loans	67	14
Vukile	77	—
Shriram Life Insurance	(11)	(2)
Letshego	67	27
Other associated companies	112	70
Equity-accounted earnings	329	104
26. Finance cost		
Interest paid and term finance cost in respect of interest margin business	216	246
Finance cost – margin business	216	246
Interest-bearing liabilities designated as at fair value through profit or loss	286	307
Interest-bearing liabilities held at amortised cost	23	56
Finance cost – other	309	363
27. Taxation		
Analysis of income tax per category		
Normal income tax	2 648	2 015
RSA – current year	1 878	1 636
RSA – prior year	(16)	(9)
Foreign	285	133
Capital gains tax	224	187
Secondary tax on companies	277	68
Deferred tax	109	510
Normal tax – current year	(115)	(32)
Normal tax – prior year	2	8
Foreign	62	2
Capital gains tax	249	437
Secondary tax on companies	(89)	95
Tax expense	2 757	2 525
Shareholders' fund	1 911	1 755
Policyholders' fund	846	770
Tax expense	2 757	2 525
In addition to income tax, the following indirect taxes and levies were paid, which are included in the appropriate items:		
Included in administration costs	236	218
Included elsewhere in the statement of comprehensive income	90	82
Total indirect taxes and levies	326	300

Indirect taxes and levies include value-added tax and statutory levies payable to the Financial Services Board.

%	2010	2009
27. Taxation *(continued)*		
Standard rate of taxation	**28,0**	28,0
Adjusted for:		
Non-taxable income	**(2,7)**	(3,0)
Disallowable expenses	**0,6**	0,3
Share-based payments	**0,1**	0,2
Investment surpluses	**(3,4)**	(1,5)
Prior year adjustments	**(0,2)**	(0,1)
Foreign tax rate differential	**(0,8)**	(0,2)
STC	**2,1**	1,9
Policyholders	**6,6**	7,3
Other	**(0,6)**	0,3
Effective tax rate	**29,7**	33,2

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 198 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	2010	Restated 2009
Basic earnings per share:		
Headline earnings	**260,0**	224,2
Profit attributable to shareholders' fund	**280,4**	222,1
Diluted earnings per share:		
Headline earnings	**252,4**	218,4
Profit attributable to shareholders' fund	**272,2**	216,4

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million	2010	2009
28. Earnings per share *(continued)*		
Analysis of earnings:		
Profit attributable to shareholders' fund	**5 523**	4 388
Less: Net profit on disposal of subsidiaries	**(327)**	(25)
Profit on disposal of subsidiaries	**(364)**	(52)
Tax on profit on disposal of subsidiaries and businesses	**37**	6
Minority shareholders' interest	**—**	21
Less: Net profit on disposal of associated companies	**(77)**	(10)
Profit on disposal of associated companies	**(130)**	(21)
Tax on profit on disposal of associated companies	**—**	3
Minority shareholders' interest	**53**	8
Plus: Impairments	**3**	76
Impairments	**—**	79
Minority shareholders' interest	**3**	(3)
Headline earnings	**5 122**	4 429
million		
Number of shares:		
Number of ordinary shares in issue at beginning of the year	**2 160,0**	2 190,1
Less: Weighted number of shares cancelled	**(50,0)**	(25,1)
Less: Weighted Sanlam shares held by subsidiaries (including policyholders)	**(140,0)**	(189,2)
Adjusted weighted average number of shares for basic earnings per share	**1 970,0**	1 975,8
Add: Weighted conversion of deferred shares	**26,0**	20,6
Add: Total number of shares and options	**34,9**	37,1
Less: Number of shares (under option) that would have been issued at fair value	**(1,9)**	(5,4)
Adjusted weighted average number of shares for diluted earnings per share	**2 029,0**	2 028,1

29. Dividends

A dividend of 115 cents per share (2009: 104 cents per share) was declared in 2011 in respect of the 2010 earnings. Based on the number of shares in issue on declaration date, the total dividend is expected to amount to R2,4 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	2010	2009
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	**1 038**	1 414
Public sector stocks and loans	**587**	480
Working capital assets		
Trading account	**3 641**	10 354
Cash, deposits and similar securities	**355**	443
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	**16 054**	14 110
Collateral of between 100% and 120% of the value of the loaned securities is held at 31 December 2010.		
Fair value of the collateral held that the Group is permitted to sell or repledge the collateral in the absence of default	**160**	86

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 206 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 pages 211 and 212 respectively 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 206 and 209 respectively.

Notes to the Group financial statements continued

for the year ended 31 December 2010

31. Critical accounting estimates and judgements *(continued)*

31.2 Properties

The valuation of properties is based on estimates and assumptions that have a direct impact on the fair value of properties included in the Sanlam Group balance sheet. The majority of the Group's properties are held by Sanlam Life Insurance Limited Group for which the main valuation assumptions used as at 31 December 2010 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**
2010				
Base discount rate	8,4% – 9,7%	1%	368	(346)
Capitalisation rate	9,5% –12,0%	1%	612	(500)
2009				
Base discount rate	9,2% – 10,5%	1%	352	(332)
Capitalisation rate	9,5% – 12,0%	1%	593	(485)

31.3 Deferred tax on investment properties

In terms of the Group's accounting policies, deferred tax is recognised in respect of temporary differences between the carrying value and tax base of properties. IAS 12 *Income Taxes* requires that deferred tax be measured to reflect the tax consequences that would follow from the manner in which the entity expects, at the balance sheet date, to recover the carrying value of its assets.

Based on historic experience, the Group's investment strategy and the expected future growth in the fair value of properties, it is expected that mainly capital gains tax will be payable on the realisation of the carrying value of the properties. Deferred tax has accordingly been provided for at capital gains tax rates. Should income tax rates be applied, the deferred tax liability would have increased by R248 million on 31 December 2010 (2009: R259 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 281 to 285.

The following process is followed to determine the valuation assumptions:

> Determine the best estimate for a particular assumption.
> Prescribed margins are then applied as required by the Long-term Insurance Act in South Africa and Board Notice 72 issued in terms of the Act.
> Discretionary margins may be applied as required by the valuation methodology or if the statutory actuary considers such margins necessary to cover the risks inherent in the contracts.

The best estimate of future experience is determined as follows:

Investment return

Future investment return assumptions are derived from market-related interest rates on fixed-interest securities with adjustments for the other asset classes. The appropriate asset composition of the various asset portfolios, investment management expenses, taxation at current tax rates and charges for investment guarantees are taken into account. Investment return information for the most important solutions are as follows:

31. Critical accounting estimates and judgements *(continued)*

31.4 Policy liabilities in respect of long-term insurance contracts and investment contracts other than those with investment management services *(continued)*

	Sanlam Life		SDM Limited		Sanlam Life Namibia		Merchant Investors	
%	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Reversionary bonus business								
Retirement annuity business	**10,0**	11,2	**n/a**	n/a	**10,1**	11,2	**n/a**	n/a
Individual policyholder business	**8,7**	9,7	**7,3**	8,8	**9,7**	10,7	**n/a**	n/a
Individual stable bonus business								
Retirement annuity business	**9,8**	10,8	**8,9**	10,3	**9,8**	10,8	**n/a**	n/a
Individual policyholder business	**8,3**	9,4	**7,3**	8,8	**9,3**	10,4	**n/a**	n/a
Non-taxable business	**9,8**	10,8	**n/a**	n/a	**9,8**	10,8	**n/a**	n/a
Corporate policyholder business	**8,3**	9,1	**n/a**	n/a	**9,3**	10,4	**n/a**	n/a
Individual market-related business								
Retirement annuity business	**10,1**	11,2	**8,9**	10,3	**10,1**	11,2	**3,7**	4,0
Individual policyholder business	**8,7**	9,7	**7,3**	8,8	**9,7**	10,7	**2,9**	3,0
Non-taxable business	**10,1**	11,2	**n/a**	n/a	**10,1**	11,2	**n/a**	n/a
Corporate policyholder business	**8,4**	9,4	**n/a**	n/a	**9,7**	10,7	**n/a**	n/a
Participating annuity business	**8,1**	9,2	**n/a**	n/a	**8,2**	9,1	**n/a**	n/a
Non-participating annuity business*	**8,2**	8,9	**8,9**	9,4	**8,3**	8,8	**4,3**	5,0
Guarantee plans*	**6,4**	7,5	**7,5**	5,1	**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 2010. 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 2010 actual figures and escalated at estimated expense inflation rates per annum.

Refer to note 1 on page 209 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% (2009: 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.

Notes to the Group financial statements continued

for the year ended 31 December 2010

31. Critical accounting estimates and judgements *(continued)*

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 2010, 97% of employees were covered by defined contribution funds and 3% by defined-benefit funds (2009: 96% and 4% 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 R232 million to these funds during 2010 (2009: R226 million).

32.2 Defined-benefit funds

The Sanlam Group has three 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; and
> Sanlam Developing Markets defined-benefit fund SA.

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 2010	31 Dec 2010	31 Dec 2010
Pre-retirement discount rate	% pa	8,8	5,6	8,5
Post-retirement discount rate	% pa	3,9	5,6	4,0
Future salary increases	% pa	6,9	3,7	6,7
Expected return on assets	% pa	8,8	5,9	9,2
Actual experience:				
Actual return on assets	% pa	12,0	9,7	14,9

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	2010	2009	2008	2007	2006
Net liability recognised in balance sheet:					
Present value of fund obligations	**1 508**	1 436	1 216	1 261	1 293
Actuarial value of fund assets	**(1 678)**	(1 599)	(1 380)	(1 511)	(1 447)
Net present value of funded obligations	**(170)**	(163)	(164)	(250)	(154)
Unrecognised actuarial gains	**170**	163	164	250	154
Net liability recognised in balance sheet	**—**	—	—	—	—
Experience adjustments on:					
Fund obligations	**(0,8%)**	0,4%	(1,3%)	0,8%	(2,0%)
Fund assets	**1,8%**	4,5%	(8,8%)	1,6%	7,3%

The actuarial surplus is currently not recognised as an asset by the Group, as the extent of the surplus available to the company cannot be determined with certainty.

R million	2010	2009
32. Retirement benefits for employees *(continued)*		
32.2 Defined-benefit funds *(continued)*		
Fund obligations		
Balance at beginning of the year	**1 436**	1 216
Movement for the year:	**72**	220
Current service cost	**19**	19
Interest	**126**	98
Actuarial gains and losses	**52**	84
Foreign exchange losses	**(38)**	(37)
Benefits paid	**(85)**	(69)
Settlements and disposal of subsidiaries	**—**	(40)
Other	**(2)**	165
Balance at end of the year	**1 508**	1 436
Fund assets		
Balance at beginning of the year	**1 599**	1 380
Movement for the year:	**79**	219
Expected return on fund assets	**136**	104
Actuarial gains and losses	**49**	95
Foreign exchange losses	**(36)**	(38)
Contributions by employer	**15**	12
Contributions by fund participant	**3**	4
Release of obligations	**(86)**	(73)
Settlements and disposal of subsidiaries	**—**	(36)
Other	**(2)**	151
Balance at end of the year	**1 678**	1 599

%	2010	2009
Fund assets comprise:		
Properties	**4**	3
Equities and similar securities	**37**	36
Public sector stocks and loans	**1**	2
Debentures, insurance policies, preference shares and other loans	**42**	40
Cash, deposits and similar securities	**16**	19
	100	100

The above value of fund assets includes an investment of R3,5 million (2009: R3 million) in Sanlam shares.

R million	2010	2009
Net expense recognised in the statement of comprehensive income (included in administration costs):		
Current service cost	**19**	19
Interest cost	**126**	98
Expected return on fund assets	**(136)**	(104)
Net actuarial (gains)/losses recognised during the year	**10**	(11)
Other	**(10)**	14
Total included in staff costs	**9**	16

The best estimate of the expected contributions payable to the fund in 2011 is R19 million.

Notes to the Group financial statements continued

for the year ended 31 December 2010

R million	2010	2009
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 2010 were as follows:		
Pre-retirement discount rate	**8,8%**	9,4%
Returns for All-bond Index (ALBI)	**8,2%**	(1,0%)
Expected increase in medical aid contributions	**8,8%**	9,4%
Net liability recognised in balance sheet		
Balance at beginning of the year	**26**	30
Movement for the year	**(3)**	(4)
Interest	**4**	2
Actuarial gains and losses	**2**	(2)
Benefits paid	**(9)**	(4)
Balance at end of the year	**23**	26

R million	2010	2009	2008	2007	2006
Net liability recognised in balance sheet					
Present value of unfunded obligation	**23**	26	30	33	37
Experience adjustments on:					
Fund obligation	**3,3%**	(10,5%)	(4,1%)	(8,1%)	(2,5%)

	% 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	2
Total defined-benefit obligation for post-employment medical benefits	33	21

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	2010	2009
34. Commitments and contingencies		
34.1 Operating leases		
Future operating lease commitments:		
Lease rentals due within one year	**329**	280
Lease rentals due within two to five years	**513**	482
Lease rentals due within more than five years	**97**	70
Total operating lease commitments	**939**	832

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 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 R8,5 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 2010 the value of unlisted commercial paper issued by SCM amounted to R7,2 billion (2009: R6,9 billion) and the value of BESA-listed structured notes amounted to R50 million (2009: R60 million). Sanlam has also issued guarantees amounting to R4,2 billion in favour of subsidiaries in respect of SCM's intergroup obligations.

Notwithstanding the amounts contemplated in any of the guarantees individually, in terms of the Group governance processes, the total utilisation by SCM of all of the above guarantees is limited to a maximum of R8,5 billion at any one time.

34.4 Pension and retirement fund and Sanlam Health legal cases

In 2010 we reached closure on long outstanding legal cases, details of which are provided in the Chief Executive's report. As a matter of course it is the Group's policy to carry provisions to cover its estimated exposure in respect of legal or other claims.

The settlement amounts in respect of the pension and retirement fund and Sanlam Health cases amounted to R175 million and R588 million respectively. Payment in respect of these claims was made from existing provisions and did not impact on the reported 2010 financial results.

34.5 Other

Financial claims are lodged against the Group from time to time. Provisions also include allowance for the potential amount payable in terms of the Pension Funds Surplus Apportionment legislation. Provisions are recognised for 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 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 342.

35.2 Transactions with post-employment benefit plans

Contributions to the post-employment benefit plans were R241 million in 2010 (2009: R242 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. Any such contracts are concluded at arms length. 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 Integrated Annual Report.

Notes to the Group financial statements continued

for the year ended 31 December 2010

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 the loans granted to Sanlam Personal Loans. Most of these loans earn interest of the asset swap rate plus a premium of between 2,36% and 2,75%, and will mature in tranches up to 31 December 2013 (refer Capital and Risk Management Report). Apart from these financing loans, an interest free shareholders loan of R143 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	2010	2009
35.6	**Key management personnel compensation**		
	Compensation paid to the Group's key management personnel is as follows:		
	Short-term employee benefits	**403**	356
	Share-based payments	**49**	53
	Termination benefits	**1**	2
	Other long-term benefits and incentive schemes	**47**	50
	Total key management personnel compensation	**500**	461
36.	**Notes to the cash flow statement**		
36.1	**Cash utilised in operations**		
	Profit before tax per income statement	**9 272**	7 597
	Net movement in policy liabilities (note 15.1)	**19 365**	16 729
	Non-cash flow items	**(21 496)**	(16 691)
	Depreciation	**157**	172
	Bad debts written off	**180**	291
	Share-based payments	**223**	167
	Profit/(loss) on disposal of subsidiaries and associates	**(494)**	(73)
	Fair value adjustments	**(21 337)**	(17 307)
	Impairment of investments and goodwill	**1**	79
	Amortisation of value of business acquired	**103**	84
	Equity-accounted earnings	**(329)**	(104)
	Items excluded from cash utilised in operations	**(13 556)**	(14 123)
	Interest and preference share dividends received	**(9 993)**	(10 450)
	Interest paid[1]	**525**	609
	Dividends received	**(4 088)**	(4 282)
	Net purchase of fixed assets	**(190)**	(169)
	Net purchase of owner-occupied properties	**(1)**	—
	(Increase)/decrease in net working capital assets and liabilities	**(552)**	369
	Cash utilised in operations	**(7 158)**	(6 288)
	[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	**103**	173
	Minority and other interests acquired during 2010	**103**	173
	Net assets acquired in 2009 (refer to note 37.2)	**—**	—
	Goodwill	**412**	185
	Total purchase consideration	**515**	358
	Less: Net asset value contributed	**(6)**	(1)
	Cash, deposits and similar securities acquired	**(236)**	(3)
	Cash component of acquisition of subsidiaries	**273**	354

R million	2010	2009
36. Notes to the cash flow statement *(continued)*		
36.3 Disposal of subsidiaries and associated companies		
Disposal of subsidiaries and associated companies relates mainly to the disposal of a short-term insurance subsidiary in the 2009 year. The fair value of assets disposed of was as follows:		
Property, plant and equipment	–	13
Investments	–	—
Trade and other receivables	–	10
Cash, deposits and similar securities	–	26
Long-term loans	–	—
Working capital liabilities	–	(48)
Profit on disposal of subsidiaries	–	73
Total disposal price	–	74
Less: Cash, deposits and similar securities disposed of	–	(26)
Cash component of disposal of subsidiaries	–	48
36.4 Cash, deposits and similar securities		
Working capital: Cash, deposits and similar securities	**12 188**	11 980
Investment cash	**48 980**	49 007
Bank overdrafts	**(4)**	(3)
Total cash, deposits and similar securities	**61 164**	60 984

37. Business combinations

37.1 Material acquisitions of the Group consolidated in the 2010 financial year

There were no material business combinations during the 2010 financial year.

Other acquisitions relate to the following:
- The acquisition of the Indwe Broker Holdings (Pty) Limited and Emerald Risk Transfer (Pty) Limited by Santam;
- Other smaller acquisitions.

The contribution of these acquisitions to profit for 2010 is not material.

37.2 Material acquisitions of the Group consolidated in the 2009 financial year

There were no material business combinations during the 2009 financial year.

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.

Notes to the Group financial statements continued

for the year ended 31 December 2010

38. Restatements

Channel Life's accounting policies for insurance contracts have been aligned with that of the Sanlam Group by eliminating negative rand reserves held as part of its insurance contract policy liabilities.

Following recent queries from SARS and pursuant to the complete restructuring of Santam's investment portfolio in 2007 and 2008, an additional provision has been raised for income tax relating to the potential under provisioning for taxation on the net realised gains on traded investments during the said period.

Comparative information has been restated for the change in accounting policies, under provision of taxation and reclassification due to reassessment of investments classifications, as follows:

	2009		2008	
	Restated	**Reported**	**Restated**	**Reported**
Shareholders' fund at beginning of the period	27 260	27 651		
Shareholders' fund at end of the year	29 644	30 044	27 260	27 651
Retained earnings at beginning of the period	22 067	22 458		
Retained earnings at end of the year	23 740	24 140	22 067	22 458
Minority shareholders' interest at beginning of the period	2 481	2 596		
Minority shareholders' interest at end of the year	2 513	2 628	2 481	2 596
Public sector stocks and loans	49 905	50 803	50 531	50 531
Debentures, insurance policies, preference shares and other loans	30 075	34 792	33 133	35 309
Cash, deposits and similar securities	49 007	43 392	47 284	45 108
Deferred tax asset	626	515	815	712
Trade and other receivables	24 250	24 261	28 872	28 908
Insurance contract policy liabilities	124 107	123 774	121 175	120 879
Taxation payable	2 152	1 870	2 191	1 914

Comprehensive income for the period

The impact on individual line items in the statement of comprehensive income, basic earnings per share and diluted earnings per share, is immaterial to disclose here separately.

R million	**2010**	**2009**
39. Impairments		
Impairment of goodwill	**59**	—
Octane	**49**	—
Other	**10**	—
Impairment/(reversal of impairment) of value of business acquired	**(69)**	1
Principal	**(64)**	(7)
Other	**(5)**	8
Impairment/(reversal of impairment) investments	**24**	18
Punter Southall Group	**—**	(33)
Sanlam Personal Loans	**(51)**	—
SMC India	**75**	51
Other	**(14)**	60
Total impairment of investments, goodwill and value of business acquired for the year	**—**	79

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
31 December 2010				
Equities and similar securities	**136 773**	**11 262**	**3 155**	**151 190**
Public sector stocks and loans	**53 330**	**4 017**	**—**	**57 347**
Listed property companies and property collective investments	**6 475**	**695**	**—**	**7 170**
Debentures, insurance policies, preference shares and other loans	**14 167**	**15 103**	**143**	**29 413**
Trading account assets	**(386)**	**17 113**	**—**	**16 727**
Cash deposits and similar securities	**14 608**	**34 282**	**—**	**48 890**
Total financial assets	**224 967**	**82 472**	**3 298**	**310 737**
Investment contract liabilities	**2 255**	**130 396**	**59**	**132 710**
Term finance	**3 065**	**—**	**—**	**3 065**
Margin business	**1 648**	**—**	**—**	**1 648**
Other interest-bearing liabilities	**1 417**	**—**	**—**	**1 417**
Trading account liabilities	**436**	**16 269**	**—**	**16 705**
Total financial liabilities	**5 756**	**146 665**	**59**	**152 480**
31 December 2009				
Equities and similar securities	128 015	10 645	2 910	141 570
Public sector stocks and loans	47 087	2 818	—	49 905
Listed property companies and property collective investments	4 196	1 060	—	5 256
Debentures, insurance policies, preference shares and other loans	11 212	16 848	314	28 374
Trading account assets	4 012	9 278	—	13 290
Cash deposits and similar securities	16 240	32 676	—	48 916
Total financial assets	210 762	73 325	3 224	287 311

Public sector stocks and loans and cash deposits and similar securities balances for 2008 (all within the 'Level 2' classification) have been restated for the effect of the change in accounting policy. Refer to note 38 for additional information.

	Level 1	Level 2	Level 3	Total
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

Notes to the Group financial statements continued

for the year ended 31 December 2010

40. Fair value disclosures *(continued)*

Reconciliation of movements in level 3 financial instruments measured at fair value
31 December 2010

R million	Equities and similar securities	Debentures, insurance policies, preference shares and other loans	Total financial assets
Financial assets			
Balance at 1 January 2010	**2 910**	**314**	**3 224**
Total gain/(loss) in statement of comprehensive income	**44**	**(171)**	**(127)**
Acquisitions	**41**	**—**	**41**
Issues	**631**	**—**	**631**
Disposals	**(427)**	**—**	**(427)**
Foreign exchange movements	**(70)**	**—**	**(70)**
Transfers from level 1 and level 2	**26**	**—**	**26**
Not significant (net in/out)	**26**	**—**	**26**
Significant – transfer in	**—**	**—**	**—**
Significant – transfer out	**—**	**—**	**—**
Balance at 31 December 2010	**3 155**	**143**	**3 298**
31 December 2009			
Financial assets			
Balance at 1 January 2009	2 725	272	2 997
Total gain/(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

R million	Investment contract liabilities	External investors in consolidated funds	Total financial liabilities
31 December 2010			
Financial liabilities			
Balance at 1 January 2010	**229**	**—**	**229**
Disposals	**(154)**	**—**	**(154)**
Foreign exchange movements	**(16)**	**—**	**(16)**
Balance at 31 December 2010	**59**	**—**	**59**
31 December 2009			
Financial liabilities			
Balance at 1 January 2009	531	—	531
Total (gain)/loss in statement of comprehensive income	(302)	—	(302)
Balance at 31 December 2009	229	—	229

40. Fair value disclosures *(continued)*

	2010	2009
Gains and losses (realised and unrealised) included in profit and loss		
Total gains and losses included in profit or loss for the period	**(127)**	1 179
Total gains and losses included in profit or loss for the period for assets held at the end of the reporting period	**50**	1 172

Transfers between categories

R million	Equities and similar securities	Cash, deposits and similar securities	Total financial assets
2010			
Financial assets			
Transfer from level 2 to level 1	**2**	**399**	**401**
2009			
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[1]	Effect of a 10% increase in value	Effect of a 10% decrease in value	Carrying amount[2]	Effect of a 1% increase in discount rate	Effect of a 1% decrease in discount rate
2010						
Equities and similar securities	**3 046**	**305**	**(305)**	**109**	**(9)**	**9**
Debentures, insurance policies, preference shares and other loans	**—**	**—**	**—**	**143**	**(14)**	**14**
Financial assets	**3 046**	**305**	**(305)**	**252**	**(23)**	**23**
Investment contract liabilities	**59**	**6**	**(6)**	**—**	**—**	**—**
Financial liabilities	**59**	**6**	**(6)**	**—**	**—**	**—**
2009						
Equities and similar securities	2 591	259	(259)	319	(9)	9
Debentures, insurance policies, preference shares and other loans	—	—	—	314	(27)	27
Financial assets	2 591	259	(259)	633	(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 – Statement of financial position

at 31 December 2010

R million	Note	2010	2009
Assets			
Investments in Group companies	2	**14 308**	14 113
Associates		**—**	3
Subsidiaries		**14 308**	14 110
Deferred tax		**5**	5
Working capital assets		**1 567**	1 534
Cash and bank		**37**	46
Loans to Group companies	2	**1 530**	1 488
Total assets		**15 880**	15 652
Equity and liabilities			
Capital and reserves			
Share capital and premium	3	**22**	23
Non-distributable reserve		**9 342**	9 342
Retained earnings		**6 136**	5 941
Total equity		**15 500**	15 306
Working capital liabilities		**380**	346
Accounts payable		**357**	323
Taxation payable		**12**	12
Other payables		**11**	—
Loans from Group companies	2	**—**	11
Total equity and liabilities		**15 880**	15 652

Sanlam Limited – Statement of comprehensive income

for the year ended 31 December 2010

R million	Note	2010	2009
Net income		**3 888**	4 908
Dividend income		**3 843**	4 855
Investment surpluses	4	**24**	—
Other income		**21**	53
Expenses			
Administration costs	5	**(7)**	(4)
Net impairment of loans	2	**(69)**	(628)
Net reversal of impairment/(impairment) of investments	2	**198**	(426)
Profit before tax		**4 010**	3 850
Taxation		**(138)**	(43)
Normal tax		**(1)**	(10)
STC		**(137)**	(33)
Profit for the year		**3 872**	3 807
Other comprehensive income		**—**	—
Comprehensive income for the year		**3 872**	3 807

Sanlam Limited – Statement of changes in equity

for the year ended 31 December 2010

R million	Share capital	Share premium	Non-distri-butable reserve[1]	Retained earnings	Total equity
Balance at 1 January 2009	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
Profit for the year	**—**	**—**	**—**	**3 872**	**3 872**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**
Dividends paid	**—**	**—**	**—**	**(2 208)**	**(2 208)**
Shares cancelled	**(1)**	**—**	**—**	**(1 469)**	**(1 470)**
Balance at 31 December 2010	**21**	**1**	**9 342**	**6 136**	**15 500**

[1] *Pre-acquisition reserve arising from the demutualisation of Sanlam Life Insurance Limited in 1998.*

Sanlam Limited – Cash flow statement

for the year ended 31 December 2010

R million	Note	**2010**	**2009**
Cash flow from operating activities		**1 487**	2 204
Cash utilised in operations	10	**(10)**	(468)
Dividends received		**3 843**	4 855
Dividends paid		**(2 208)**	(2 135)
Taxation paid		**(138)**	(48)
Cash flow from investment activities			
Proceeds from Sale of Associate		**27**	—
Cash flow from financing activities			
Shares cancelled		**(1 470)**	(420)
Net increase in cash and cash equivalents		**44**	1 784
Cash and cash equivalents at beginning of the year		**1 523**	(261)
Cash and cash equivalents at end of the year		**1 567**	1 523

Sanlam Limited – Notes to the financial statements

for the year ended 31 December 2010

1. Accounting policies

The accounting policies of the Sanlam Group as set out on pages 265 to 285 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*.

Dividends

Dividends are shown as income. There is no allocation of pre-acquisition reserves to cost. We consider impairment when the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared and the carrying amount of the investment exceeds the carrying amount of the investee's net assets, including associated goodwill.

R million	**2010**	**2009**
2. Group companies		
Investments in Group companies – shares at lower of cost or market value	**14 308**	14 113
Current loans with Group companies	**1 530**	1 477
Loans to Group companies	**1 530**	1 488
Loans from Group companies	**–**	(11)
Book value of interest in Group companies	**15 838**	15 590
Net reversal of impairment of investments in Group companies		
Genbel Securities Limited	**78**	259
Sanlam Netherlands Holding BV	**120**	(685)
Total net impairment of investments in Group companies	**198**	(426)
Fair value of net investment in Group companies		
Investments in subsidiaries	**47 266**	43 169
Investment in associated company	**–**	29
Total fair value of net investment in Group companies	**47 266**	43 198
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 334.		
Loans to Group companies		
Sanlam Spec (Pty) Limited	**509**	1 063
Genbel Securities Limited	**110**	110
Sanlam Life Insurance Limited	**911**	315
Loans from Group companies		
Gensec Properties Services Limited	**–**	(11)
Impairment of loans		
Sanlam Spec (Pty) Limited	**(88)**	(628)
Real Futures (Pty) Limited	**19**	–
Total	**(69)**	(628)

3. Share capital and premium

Details of the share capital and premium are reflected in note 11 on page 303 of the Sanlam Group financial statements.

4. Investment surpluses

Investment surpluses relate to the profit on the sale of investment in associate during the 2010 financial year.

	R million	2010	2009
5.	**Administration costs include:**		
	Directors' remuneration		
	Details of the directors' remuneration is reflected in note 24 on page 313 of the Sanlam Group financial statements.		
	Auditors' remuneration		
	Audit fees: statutory audit	**4**	4
	Total auditors' remuneration	**4**	4
6.	**Dividends**		
	Details of the dividends declared are disclosed in note 29 on page 316 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 322 of the Sanlam Group financial statements. The maximum utilisation under all of the guarantees granted in favour of Sanlam Capital Markets is R8,5 billion (2009: R7 billion).		
9.	**Related parties**		
	Details of related parties are reflected in note 35 on page 323 of the Sanlam Group financial statements.		
10.	**Notes to the cash flow statement**		
	Cash utilised in operations		
	Profit before tax	**4 010**	3 850
	Non-cash flow items		
	Net impairment of investments in Group companies	**(198)**	426
	Items disclosed separately		
	Dividends received	**(3 843)**	(4 855)
	Investment surpluses	**(24)**	—
	Increase in net working capital liabilities	**45**	111
	Cash utilised in operations	**(10)**	(468)
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 332. 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	**1 530**	1 488
	Further details of risk management are disclosed in the Capital and Risk Management Report on page 214.		

Principal subsidiaries

at 31 December 2010

R million	% interest	Issued ordinary capital 2010	Fair value of interest in subsidiaries: Shares 2010	Shares 2009	Loans 2010	Loans 2009
Long-term insurance						
Sanlam Life Insurance Limited	100	**5 000**	**40 521**	37 036	**911**	315
Investment and capital markets						
Genbel Securities Limited	100	**253**	**1 678**	1 600	**110**	110
Investment management and consulting						
Sanlam Investment Management (Pty) Limited	100	(1)	(1)	(1)	**—**	—
Sanlam Independent Financial Services (Pty) Limited	100	(2)	(2)	(2)	**—**	—
Sanlam Investment Holdings Limited	100	(2)	**1 087**	726	**—**	—
Sanlam Netherlands Holding BV[3]	100	**2 309**	**2 450**	2 330	**—**	—
Investment companies						
Sanlam Spec (Pty) Limited[4]	100	(2)	**—**	—	**509**	1 063
Sanlam Investments (Pty) Limited	100	(2)	**—**	—	**—**	—
Sanlam Share Incentive Trust	100	(2)	**—**	(2)	**—**	—
Other	100	(2)	**—**	(2)	**—**	(11)
Total			**45 736**	**41 692**	**1 530**	**1 477**
Aggregate profits from subsidiaries			**5 734**	4 397		
Aggregate losses from subsidiaries			**212**	280		

(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:

%	2010	2009
Shareholders' fund		
> Sanlam Life Insurance Limited	**56,86**	56,40
Policyholders' fund		
> Sanlam Life Insurance Limited	**0,19**	0,19
Total	**57,05**	56,59

Glossary of terms, definitions and major businesses

Technical terms and definitions

"Africa"	– the rest of Africa, excluding South Africa;
"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;
"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. Dividends received on equity investments that are in essence a proportionate return of the capital investment, are not treated as investment income, but offset against the related negative investment surpluses on the particular investment;
"cost of capital"	– cost of capital is calculated as the required capital at the valuation date less the discounted value, using a risk-adjusted discount rate, of the expected annual release of the capital over the life of the in-force business, allowing for the after-tax investment return on the expected level of capital held in each year;
"covered business"	– long-term insurance business written by Sanlam Personal Finance, Sanlam Developing Markets, Sanlam UK and Sanlam Employee Benefits;
"embedded value of covered business " or "EV"	– embedded value of covered business is an actuarially determined estimate of the value of covered business, excluding any value attributable to future new business. Embedded value of covered business consists of the required capital supporting the covered business, or adjusted net worth, plus the value of the in-force covered business less the cost of capital;
"FSB"	– the Financial Services Board, the regulator of insurance companies in South Africa;
"life business"	– the aggregate of life insurance business and life licence business;
"life insurance business"	– products provided by the Group's long-term insurance businesses in terms of insurance and investment contracts included in the Group financial statements, but excluding life licence business;
"life licence business"	– investment products provided by Sanlam Investments, Sanlam Employee Benefits and Glacier by means of a life insurance policy where there is very little or no insurance risk;

Glossary of terms, definitions and major businesses continued

"linked policy"	– a non-participating policy which is allotted units in an investment portfolio. The value of the policy at any stage is equal to the number of units multiplied by the unit price at that stage less the value of unrecouped expenses;
"market-related policy" or "contract with discretionary participating feature"	– a participating policy which participates in non-vesting investment growth. This growth reflects the volatility of the market value of the underlying assets of the policy;
"new business margin"	– VNB as a percentage of PVNBP;
"non-life business"	– financial services and products provided by the Group, excluding life insurance business;
"non-life linked business"	– non-life linked business comprises investment products provided by Sanlam Personal Finance's Glacier business, which is 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 thirteenth annual general meeting ("AGM") of the Members of Sanlam Limited ("the Company"), which will be held on Wednesday, 8 June 2011 at 14:00* in the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville, 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 2010.

Ordinary Resolution No 2

2. To reappoint 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 2011.

Ordinary Resolution No 3

3. To individually re-elect the following retiring directors appointed by the Board on 25 March 2011 in casual vacancies or as additional directors in terms of article 13.2 of the Company's Articles of Association, all being eligible, and offering themselves for re-election**:

   P Buthelezi

   P de V Rademeyer

   CG Swanepoel

   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 Company's Articles of Association, all being eligible, and offering themselves for re-election***:

   MV Moosa

   I Plenderleith

   The Board recommends the re-election of these directors.

   Please note that AS du Plessis and GE Rudman also retire by rotation but have decided not to offer themselves for re-election. The Board has decided to close these two vacant Board positions.

Ordinary Resolution No 5

5. To individually elect the following independent directors of the Company as the members of the Sanlam Audit, Actuarial and Finance Committee until the conclusion of the next AGM of the Company***:

   FA du Plessis

   I Plenderleith

   P de V Rademeyer

   CG Swanepoel

   The Board recommends the election of these directors.

Ordinary Resolution No 6

6. To cast an advisory vote on the Company's 2011 Remuneration Policy****.

Ordinary Resolution No 7

7. To note the total amount of directors' remuneration, set out in the Integrated Annual Report on pages 71, non-executive directors and 73, executive directors for the financial year ended 31 December 2010.

Ordinary Resolution No 8

8. 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 2011 up to 30 June 2012.

**The meeting will start promptly at 14:00. Due to the electronic voting system, no late registrations will be allowed.*

***Refer to page 342 for short CV's of recent Board appointments.*

****Refer to pages 24 to 27 of the Integrated Annual Report for a biography of each director.*

*****Refer to pages 55 to 58 of the Integrated Annual Report for the Remuneration Policy.*

Special resolution

Special Resolution No 1

9. To consider and, if approved, to pass, the following Special Resolution number 1:

   Resolved that :

   "In terms of article 37 of the Articles of Association of the Company ("Articles") (or Memorandum of Incorporation of the Company ("MOI")), the Company hereby approves, in accordance with sections 85 and 89 of the Companies Act, No 61 of 1973 ("the Companies Act") or, if the Companies Act, No 71 of 2008 ("the New Companies Act") has come into effect prior to the date of the annual general meeting ("AGM") at which this resolution is proposed, section 48 of the New 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; and

   (b) the purchase by and/or transfer to the Company of any of its securities purchased by any of its subsidiaries 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 or the New Companies Act, the 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:

> 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 resolution;

> ordinary shares to be purchased pursuant to (a) above may only 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 securities in the Company pursuant to (a) above be limited in any one financial year to a maximum of 20% of the Company's issued share capital of that class at the time the authority is granted;

> purchases pursuant to (a) above 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;

> in respect of any purchase following the coming into effect of the New Companies Act, the Board of the Company has resolved (i) to authorise a purchase of securities in the Company, (ii) that the Company has passed the solvency and liquidity test as contemplated in the New Companies Act, and (iii) that, since the solvency and liquidity test was applied, no material change has occurred in the financial position of the Company and its subsidiaries ("the Group");

> 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;

> 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 number of ordinary shares in issue as at the time the general authority was given and (ii) thereafter, for each 3% in aggregate of the initial number of ordinary shares in issue as at the time the general authority was given, acquired by the Company and/or its subsidiaries; and

Notice of annual general meeting continued

- in the event that the New Companies Act has come into effect prior to the date of the general meeting at which this resolution is proposed and the Articles (or MOI) does not require this resolution to be proposed and adopted as a special resolution, it be adopted as an ordinary resolution, provided that it is supported by at least 75% of the voting rights exercised on the resolution."

Reason and effect

The reason for and effect of this Special Resolution or Ordinary Resolution, as the case may be, 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 subsequent purchase and transfer to the Company of any securities so acquired by its subsidiaries.

Statement of intent

The Board shall authorise and implement a purchase of the Company's securities only if prevailing circumstances (including the tax dispensation and market conditions) warrant same, and should the Board, having considered all reasonably foreseeable financial circumstances of the Company at that time, reasonably conclude that the following requirements have been and will be met:

- immediately following such purchase, 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 2010, will be in excess of the consolidated liabilities of the Company and the Group;
- the Company and the Group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date on which the Board considers that the purchase will satisfy the immediately preceding requirement and this requirement;
- 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 Integrated 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 Integrated Annual Report of which this notice forms part, and are provided for purposes of the Special Resolution or Ordinary Resolution, as the case may be:

- the Company's directors and management (pages 24 to 27);
- major shareholders (page 342);
- directors' interests in securities (page 74);
- share capital of the Company (page 303); and
- material litigation (page 35).

Directors' responsibility statement

The directors, whose names appear on pages 24 to 27 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the above Special Resolution or Ordinary Resolution, as the case may be, 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 or Ordinary Resolution, as the case may be, contains all information required.

Ordinary Resolution No 9

10. To consider and, if approved, to pass the following Ordinary Resolution No 9:

    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 there at, 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, 6 June 2011.
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, on or before 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) provides for an electronic voting process, for which purposes electronic handset devices will be used.

By order of the Board

Sana-Ullah Bray

Company Secretary

Bellville

9 March 2011

Short CV's of recent Board appointments

1. Philisiwe Buthelezi (47)

- Independent non-executive director since 25 March 2011
- Qualifications: BA, MSc (Economics: Sorbonne), MBA (Sheffield)
- Major external positions: CEO of the National Empowerment Fund

2. Flip Rademeyer (63)

- Independent non-executive director since 25 March 2011
- Retired as Sanlam financial director on 31 October 2006
- Qualifications: CA(SA), SEP (Stanford)
- Major external positions: Director of Santam and UB Investment Holdings

3. Chris Swanepoel (60)

- Independent non-executive director since 25 March 2011
- Retired as Sanlam Chief Actuary on 31 August 2005
- Qualifications: BSc (Hons), FIA, FASSA
- Major external positions: none

Analysis of shareholders

on 31 December 2010

	Total shareholders		Total shares held	
Distribution of shareholding	**Number**	**%**	**Number**	**%**
1 – 1 000	458 237	86,34	173 525 885	8,26
1 001 – 5 000	64 489	12,15	126 043 890	6,00
5 001 – 10 000	5 183	0,98	35 442 398	1,69
10 001 – 50 000	2 113	0,40	37 462 478	1,78
50 001 – 100 000	167	0,03	12 150 535	0,59
100 001 – 1 000 000	400	0,08	143 444 166	6,83
1 000 001 and over	130	0,02	1 571 930 648	74,85
Total	**530 719**	**100,00**	**2 100 000 000**	**100,00**

Public and non-public shareholders	% shareholding
Public shareholders (530 701)	71,47
Non-public shareholders	
Directors' interest	0,32
Employee pension funds	0,09
Sanlam Limited Share Incentive Trust	1,78
Government Employees Pension Fund (PIC)	15,58
Ubuntu-Botho Investments (Pty) Limited	10,76
Total	**100,00**

Shareholder structure	% shareholding
Institutional and other shareholding	
Offshore	26,61
South Africa	57,55
Individuals	15,84
Total	**100,00**

Beneficial shareholding of 5% or more:

– Government Employees Pension Fund (PIC)	15,58
– Ubuntu-Botho Investments (Pty) Limited	10,76

Shareholders' diary and administration

Shareholders' diary

Financial year-end 31 December

Annual general meeting	8 June 2011

Reports

> Interim report for 30 June 2011	September 2011
> Announcement of the results for the year ended 31 December 2011	March 2012
> Integrated annual report for the year ended 31 December 2011	April 2012

Dividends

> Dividend for 2010 declared	9 March 2011
> Last date to trade for 2010 dividend	19 April 2011
> Shares will trade ex-dividend from	20 April 2011
> Record date for 2010 dividend	29 April 2011
> Payment of dividend for 2010	10 May 2011
> Declaration of dividend for 2011	March 2012
> Payment of dividend for 2011	May 2012

To allow for the dividend calculation, Sanlam's share register (including Sanlam's two nominee companies, namely Sanlam Share Account (Pty) Ltd and Sanlam Fundshares Nominee (Pty) Ltd), will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between 20 April 2011 and 29 April 2011, 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

Sana-Ullah Bray

Registered Office

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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
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Apart from some public statements from Sanlam, visuals and other accompanying statements on water conservation in this Integrated Annual Report are used with acknowledgement and appreciation to the WWF.

BASTION GRAPHICS