



# The Sanlam Group

## This is Sanlam

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

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

### Our vision

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

### What we do

We provide financial solutions to individual and institutional clients.

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

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

### Our values

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



Group structure

Sanlam Limited	1 Retail cluster	2 Institutional cluster
	<p>The Retail cluster includes Sanlam Personal Finance, Sanlam Developing Markets and Sanlam UK.</p> <ul style="list-style-type: none"><li>• <b>Sanlam Personal Finance</b> is a major provider of a wide range of individual life insurance and personal financial services and solutions, including estate planning and trusts, home loans, personal loans, linked products, money transfer and financial services in South Africa, Namibia and the UK.</li><li>• <b>Sanlam Developing Markets</b> provides affordable financial services solutions primarily to the entry-level market in South Africa and to the wider financial services segments in other developing markets in which Sanlam operates (five other African countries as well as India).</li><li>• <b>Sanlam UK</b> provides life, specialist pension, investment management and financial advice services in the United Kingdom market.</li></ul>	<p>The Institutional cluster includes Sanlam Investments, Sanlam Employee Benefits and Sanlam Capital Markets.</p> <ul style="list-style-type: none"><li>• <b>Sanlam Investments</b> incorporates Sanlam’s investment-related businesses in South Africa, Europe, Rest of Africa, India and Australia. Sanlam Investments’ areas of service and solutions include traditional asset management, alternative investment solutions, property asset management, collective investments (unit trusts), private client investment management and stockbroking, multi-manager management and investment administration.</li><li>• <b>Sanlam Employee Benefits</b> provides life insurance, investment and annuity solutions for group schemes and retirement funds and fund administration for retirement and umbrella funds.</li><li>• <b>Sanlam Capital Markets</b> provides risk management, structured product solutions and associated capital market activities.</li></ul>
	Contribution to net Group operating result	
	R1 703 million	R890 million
Contribution to Group new business volumes		
	R35 814 million	R54 218 million

3 Short-term Insurance cluster	4 Corporate
<p>The Short-term Insurance cluster is comprised of a 57% shareholding in Santam, the leading short-term insurer in South Africa, and a direct 69% interest in MiWay, the Group's direct financial services business.</p> <ul style="list-style-type: none"><li>• <b>Santam</b> focuses on the corporate, commercial and personal markets. It has a market share in excess of 20% and a countrywide infrastructure and broker network. Santam has related business interests in Africa.</li><li>• <b>MiWay</b> focuses on short-term insurance through a direct sales channel, with the intention of adding other financial services over time.</li></ul>	<p>The corporate head office is responsible for the Group's centralised functions, which include strategic direction, financial and risk management, group marketing and communications, group human resources and information technology, group sustainability management, corporate social investment and general group services.</p>
R242 million	(R121) million
R12 896 million	

## Start with what you hope for . . .



### “Start with what you hope for”

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

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

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

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

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

# The Sanlam Group

## Our strategy

Our steadfast strategy has five pillars:

- To apply our resources to optimise our capital structure;
- To implement growth opportunities through acquisitions and collaboration;
- To maintain our tight grip on costs;
- To persist with our transformation initiatives to build a world-class financial services group; and
- To explore opportunities for diversification through a wider range of financial solutions and geographic expansion.

## Our performance in 2009

- “The Group delivered a solid and stable performance in 2009 – our persistence has been commended by both shareholders as well as analysts.” Roy Andersen, Chairman
- “The successful implementation of our strategy has transformed Sanlam into an efficient and profitable company with a healthy capital position. Dedicated focus on all five pillars of our strategy helped us to achieve sustainable higher returns for the Group.” Johan van Zyl, Group Chief Executive
- “Notwithstanding the tough economic conditions, we maintained our sales at similar levels as in 2008. Our strong focus on client centricity paid off, and the much-improved retention levels enhanced SPF’s net cash flow by 82% compared to 2008.” Lizé Lambrechts, Chief Executive: Sanlam Personal Finance
- “Performance in the latter half of 2009 was much improved largely as a result of the strong rally in financial markets, the narrowing of credit spreads and increase in business and consumer confidence.” Lukas van der Walt, Chief Executive: Sanlam UK
- “Our preference for partnerships rather than outright acquisitions has enabled us to allocate our capital resources and expertise to support these partnerships by strengthening their operational base and distribution channels to enable further growth.” Heinie Werth, Chief Executive: Sanlam Developing Markets
- “Sanlam Investments successfully navigated what proved to be the toughest year for the investment industry in at least two decades and ended 2009 in a stronger position than the year before.” Johan van der Merwe, Chief Executive: Sanlam Investments
- “The Group delivered significant improved earnings in 2009, with headline earnings of R1 022 million, up 55% on 2008.” Ian Kirk, Chief Executive: Santam

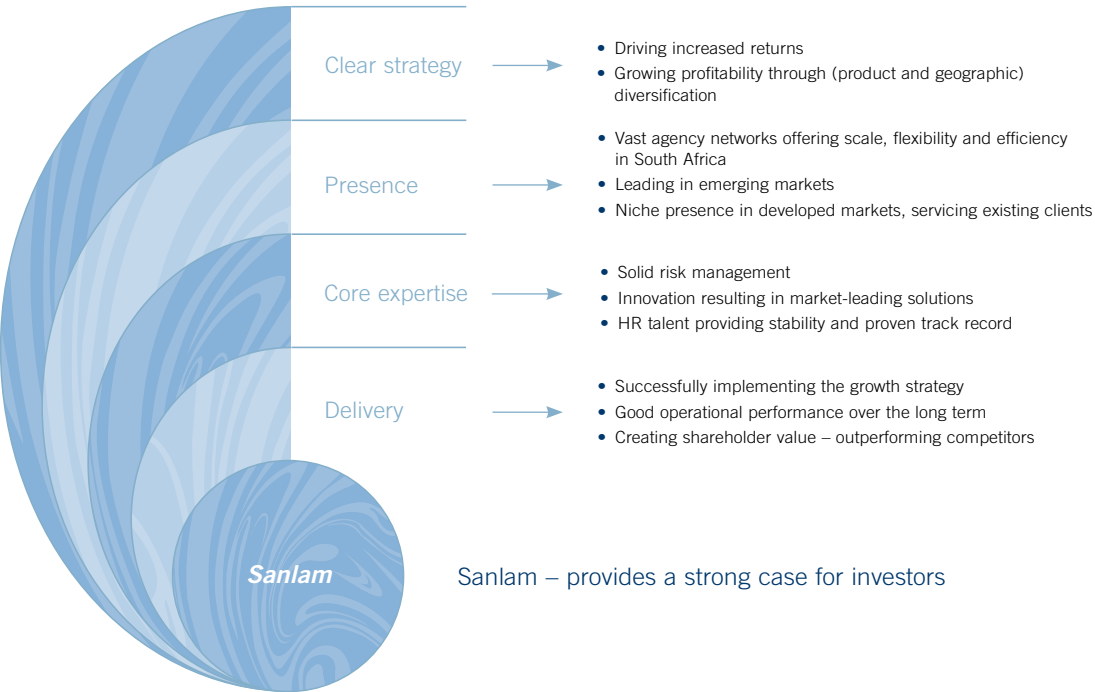
## Sanlam Personal Finance continued

### Some of our corporate achievements in 2009

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



# Investment case



## 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, over R20 billion of existing capital (over 40% of the current Group Equity Value) has been redeployed.

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

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

## Presence

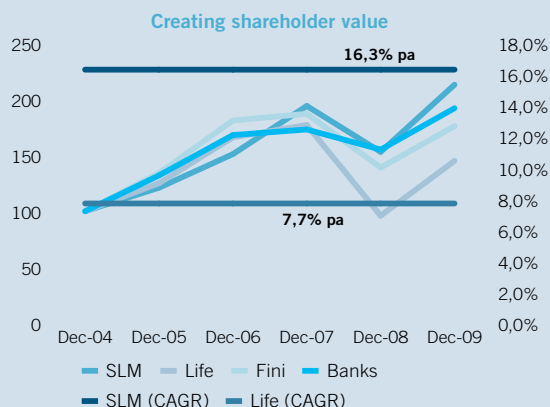
### Retail

An internal distribution network of 1 898 tied financial advisers in **South Africa** servicing the middle- and upper-income markets, and 2 296 agents deployed for the lower-income market in SA, provides scale, flexibility and efficiency in servicing our broad range of clients. In addition, there are more than 10 000 independent financial advisers (IFAs) who support our various businesses. Sanlam is also expanding its breadth of distribution, by moving into the direct market, thereby entrenching the Group’s leadership position in the future.

There are approximately 3 million policyholders in Sanlam’s SA core life businesses, *Sanlam Personal Finance* and *Sanlam Sky Solutions*, which equals about a quarter of the economically active population in the country.

Sanlam also has a strong corps of financial advisers and agents in the **emerging markets** with 2 658 in the rest of Africa and more than 20 500 in India. It has a niche presence in **developed markets**, following its SA clients’ money abroad, with *Merchant Investors* and *Principal* providing life, fund management and private client solutions in the UK.

## Investment case continued



### Institutional

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

*Sanlam Investments* is predominantly entrenched in South Africa, and has a presence in Europe, Australia, rest of Africa and India. This presence includes traditional asset management, alternative investment solutions, property asset management, collective investments (unit trusts), private client investment management and stockbroking, multi-manager management and investment administration.

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

### Core expertise

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

**Innovation** has allowed the Group to pre-empt changes in an uncertain regulatory environment through market-leading

solutions such as the *SanlamConnect* and *Sanlam Life Power* ranges, as well as to increase the breadth of solution and distribution offering through the solutions of *Sanlam Liquid* and *MiWay*.

Sanlam has the **human resources talent** to boast a stable, proven track record, having operated for 92 years in life insurance. In addition, a relatively stable executive management team has some 160 years of combined experience in life insurance and investments.

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

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

### Delivery

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

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

Good and improving **operational performance** over the long term is evident in new business flows, net life cash flows, change in the mix of offerings, strong growth in value of new business and new business margins.

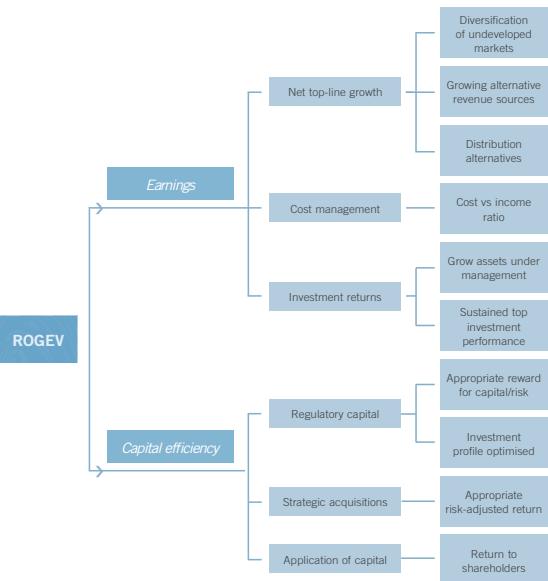
In creating shareholder value, Sanlam has outperformed its competitors since listing and, on average, has generated more than 8% higher share price returns per annum over the past five years.

# How we measure ourselves

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

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

*The interaction of these strategies can be illustrated as follows:*



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

- **Shareholder value** (all strategic focus areas)
- **Business volumes** (future earnings growth)
- **Earnings** (earnings growth and costs and efficiencies)
- **Diversification**
- **Transformation**
- **Capital efficiency**

## Shareholder value

### Group Equity Value

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

- The embedded value of the Group's life insurance operations (referred to as covered business), which comprises the capital supporting these operations and the net present value of the shareholder profits to be earned from these operations' book of in-force business;
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

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

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

## How we measure ourselves continued

### Business volumes

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

#### *New business volumes*

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

#### *Net fund flows*

Net fund flows are the aggregate of the following:

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

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

#### *Value of new business and new business margin*

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

### Earnings

Sanlam uses four key indicators to assess earnings performance and operational efficiencies. These indicators

are also presented on a per share basis (as applicable), to reflect the earnings attributable to shareholders.

#### *Net result from financial services*

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

#### *Core earnings*

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

#### *Normalised headline earnings*

Headline earnings is a JSE disclosure requirement, equating to profit for the year excluding certain specified identifiable re-measurements. Headline earnings is therefore equal to core earnings plus net investment surpluses (which are volatile in nature), equity-accounted earnings and other appropriate costs/amortisations.

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

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

#### *Administration cost ratio*

The administration cost ratio measures the administration costs incurred by the Group as a percentage of financial services income after sales

remuneration. This ratio is an indicator of the cost and operational efficiency of the Group.

### Diversification

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

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

### Transformation

Transformation is inextricably linked to the long-term sustainability of the Group. The Annual Report includes an

abridged Sustainability and Management Review which measures the Group's performance on the triple bottom-line basis (economic, social and environmental performance) as well as against the targets of the Financial Sector Charter in South Africa. The full version of the Sustainability Management Review is published on the Sanlam website ([www.sanlam.co.za](http://www.sanlam.co.za)).

### Capital efficiency

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

## Sanlam Group five-year review

		2009	2008
<b>Group Equity Value</b>			
Group Equity Value	R million	51 024	45 238
Group Equity Value	cps	2 473	2 213
Return on Group Equity Value per share	%	16,2	(1,7)
<b>Business volumes</b>			
New business volumes	R million	102 928	100 136
Life business		18 009	18 268
Investment business		65 835	63 222
Short-term insurance		12 896	12 165
New business volumes excluding white label		96 740	93 655
White label		6 188	6 481
Recurring premiums on existing business	R million	16 572	15 870
Total inflows	R million	119 500	116 006
Net fund flows	R million	15 499	9 122
SIM funds under management	R billion	441	409
New covered business			
Value of new covered business	R million	689	698
Covered business PVNBP	R million	26 365	26 033
New covered business margin	%	2,61	2,68
<b>Earnings</b>			
Gross result from financial services	R million	4 242	4 260
Net result from financial services	R million	2 714	2 802
Retail cluster		1 703	1 757
Sanlam Personal Finance		1 498	1 555
Sanlam Developing Markets		172	144
Sanlam UK		33	58
Institutional cluster		890	737
Sanlam Investments		593	589
Sanlam Employee Benefits		154	183
Sanlam Capital Markets		143	(35)
Short-term insurance		242	439
Corporate and other		(121)	(131)
Core earnings	R million	3 690	3 870
Normalised headline earnings	R million	4 494	1 966
Headline earnings	R million	4 438	2 702
Net result from financial services	cps	132,2	133,8
Core earnings	cps	179,7	184,8
Normalised headline earnings	cps	218,9	93,9
Diluted headline earnings	cps	218,8	132,2
Group administration cost ratio	%	27,60	28,40
Group operating margin	%	16,90	18,40
<b>Other</b>			
Dividend	cps	104	98
Sanlam Life Insurance Limited			
Shareholders' fund	R million	37 036	34 419
Capital adequacy requirements (CAR)	R million	7 675	8 075
CAR covered by prudential capital	times	3,1	2,7
Office staff (excluding marketing staff)	No of persons	9 457	9 969
Foreign exchange rates	R		
Closing rate			
Euro		10,56	12,85
British pound		11,89	13,33
United States dollar		7,36	9,24
Average rate			
Euro		11,62	11,98
British pound		13,04	15,07
United States dollar		8,31	8,13

<sup>(1)</sup> Restated for the introduction of Sanlam UK in the 2008 financial year. Periods before 2007 have not been restated.

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

# Analysis of Return

## Analysis of Return on Group Equity Value: FY2009

Component of Group Equity Value ( <i>weighting</i> )		Actual Return	Weighted ROGEV
SANLAM PERSONAL FINANCE	42.1% (R21.5bn) Dec 2009: 46.4%	14.3%	6.7% (14.3% x 0.464*)
SANLAM DEVELOPING MARKETS	7.3% (R3.7bn) Dec 2009: 6.2%	19.2%	1.2% (19.2% x 0.062*)
SANLAM UK	3.0% (R1.5bn) Dec 2009: 3.4%	(5.8%)	(0.2%) (-5.8% x 0.034*)
INSTITUTIONAL CLUSTER	24.2% (R12.3bn) Dec 2009: 25.5%	22.6%	5.8% (22.6% x 0.255*)
SHORT-TERM INSURANCE	14.0% (R7.2bn) Dec 2009: 11.7%	40.5%	4.7% (40.5% x 0.117*)
OTHER	9.4% (R4.8bn) Dec 2009: 6.8%	(25.1%)	(1.7%) (-25.1% x 0.068*)

\*Weighting of GEV at beginning of year

**2009 ACTUAL ROGEV:** 6.7% + 1.2% - 0.2% + 5.8% + 4.7% - 1.7% = **16.5%****2009 ROGEV PER SHARE: = 16.2%**

## Analysis of Adjusted Return on Group Equity Value: FY2009

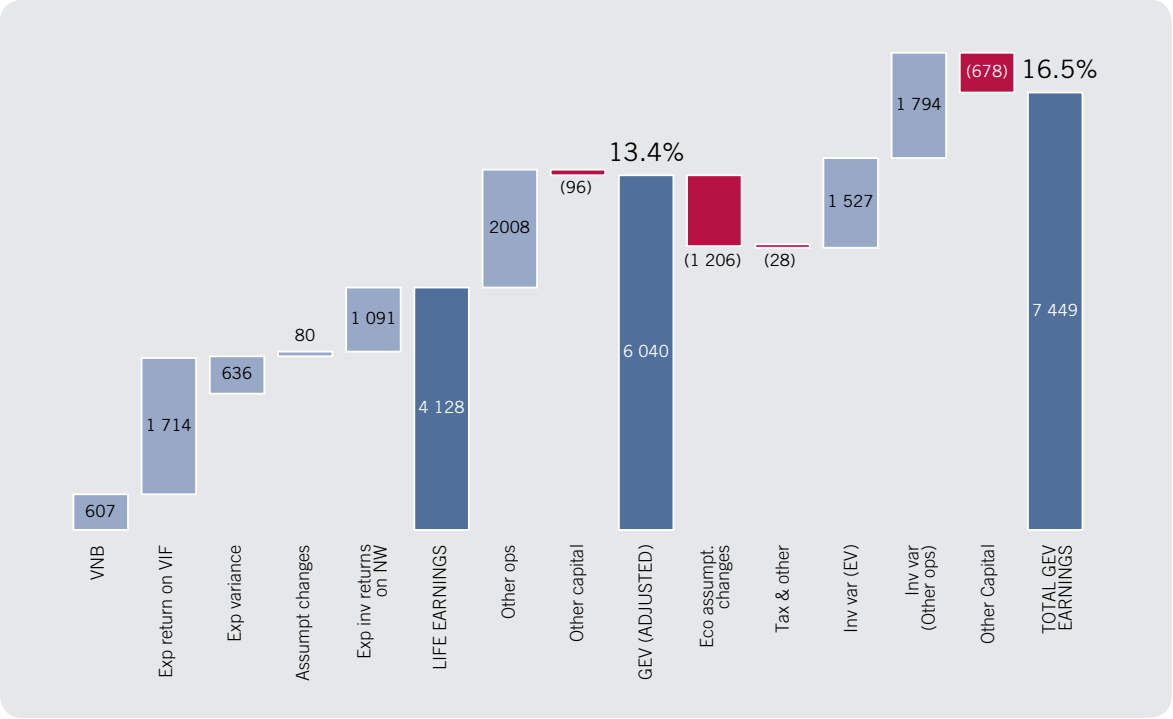
Component of Group Equity Value ( <i>weighting</i> )		Adjusted Return	Weighted ROGEV
SANLAM PERSONAL FINANCE	42.1% (R21.5bn) Dec 2009: 46.4%	12.3%	5.8% (12.3% x 0.464*)
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SANLAM UK	3.0% (R1.5bn) Dec 2009: 3.4%	(2.4%)	(0.1%) (-2.4% x 0.034*)
INSTITUTIONAL CLUSTER	24.2% (R12.3bn) Dec 2009: 25.5%	20.1%	5.2% (20.1% x 0.255*)
SHORT-TERM INSURANCE	14.0% (R7.2bn) Dec 2009: 11.7%	10.3%	1.2% (10.3% x 0.117*)
OTHER	9.4% (R4.8bn) Dec 2009: 6.8%	(3.1%)	(0.2%) (-3.1% x 0.068*)

\*Weighting of GEV at beginning of year

**2009 ADJUSTED ROGEV:** 5.8% + 1.5% - 0.1% + 5.2% + 1.2% - 0.2% = **13.4%****2009 ADJUSTED ROGEV PER SHARE: = 13.1%**

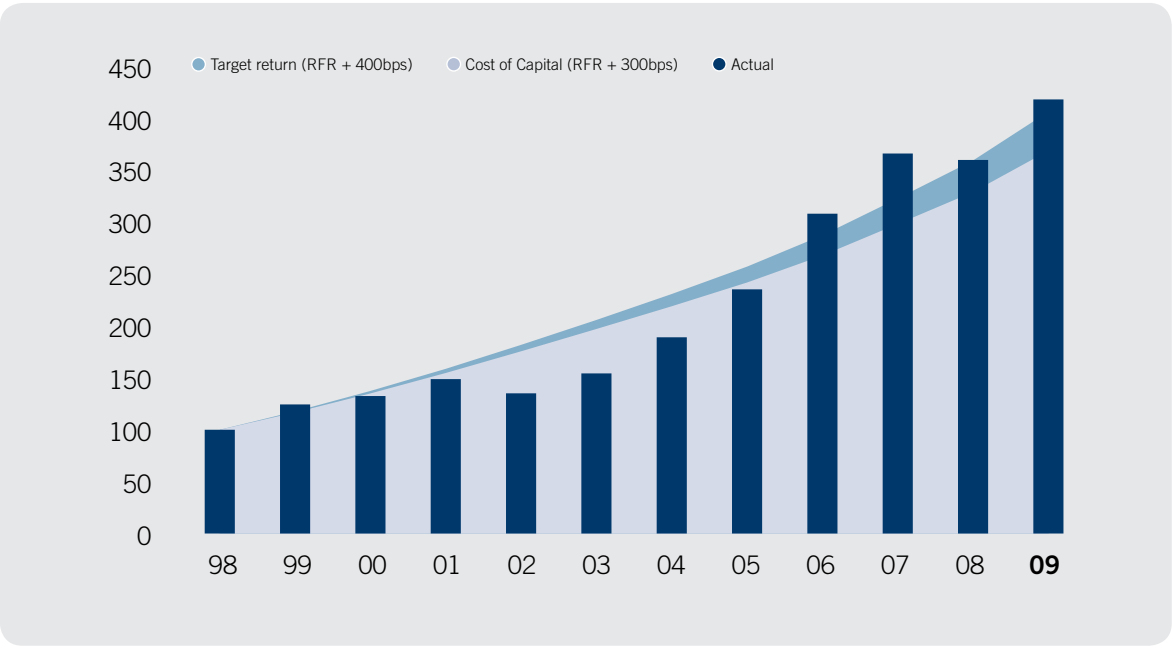
# Analysis of Return continued

GEV Earnings (Rm)



## ROEGEV vs Target

Cumulative ROEGEV exceed cost of capital and target rate since listing.



\*Annualised

## Analysis of Return continued

### Calculation of Annual Return on Equity (ROE)

	2005	2006	2007	2008	2009
IFRS NAV (Opening balance)	19 685	25 020	29 121	29 334	27 651
Add: Consolidation reserve	2 820	1 931	1 859	1 843	539
<b>Equity base</b>	<b>22 505</b>	<b>26 951</b>	<b>30 980</b>	<b>31 177</b>	<b>28 190</b>
IFRS profit for the year attributable to shareholders	10 927	6 945	5 494	2 494	4 397
Less: Fund transfers	(730)	(205)	366	(736)	56
Add: Items recognised directly in equity:					
Share based payments	64	74	74	134	139
Foreign currency translation differences	81	318	(99)	60	(309)
Net realised investment surpluses on treasury shares	25	(188)	(288)	(307)	(274)
<b>Equity earnings</b>	<b>10 367</b>	<b>6 944</b>	<b>5 547</b>	<b>1 645</b>	<b>4 009</b>
<b>ROE (annualised)</b>	<b>46,1%</b>	<b>25,8%</b>	<b>17,9%</b>	<b>5,3%</b>	<b>14,2%</b>

### Calculation of Cumulative Internal Rate of Return (IRR)

	2005	2006	2007	2008	2009
<b>Movement in shareholders' fund</b>					
Opening balance	22 505	26 951	30 980	31 177	28 190
Equity earnings	10 367	6 944	5 547	1 645	4 009
Dividends paid	(1 363)	(1 533)	(1 768)	(1 968)	(1 978)
Net shares bought back	(4 558)	(1 382)	(3 582)	(2 664)	327
<b>Closing balance</b>	<b>26 951</b>	<b>30 980</b>	<b>31 177</b>	<b>28 190</b>	<b>30 548</b>
	(22 505)				
	5 921	(26 951)			
	2 915	2 915	(30 980)		
	5 350	5 350	5 350	(31 177)	
	4 632	4 632	4 632	4 632	(28 190)
	32 199	32 199	32 199	32 199	32 199
<b>IRR up to December 2009</b>	<b>23,9%</b>	<b>16,4%</b>	<b>12,6%</b>	<b>9,3%</b>	<b>14,2%</b>

## Geographic split of shareholders

### Geographic split of investment managers & company related holdings – December 2009

Region	Total shareholding	% of issued capital
South Africa	1 654 878 167	76.61
United States of America & Canada	386 450 513	17.89
United Kingdom	38 625 861	1.79
Rest of Europ	38 189 005	1.77
Rest of the World <sup>1</sup>	41 856 454	1.94
<b>Total</b>	<b>2 160 000 000</b>	<b>100.00</b>

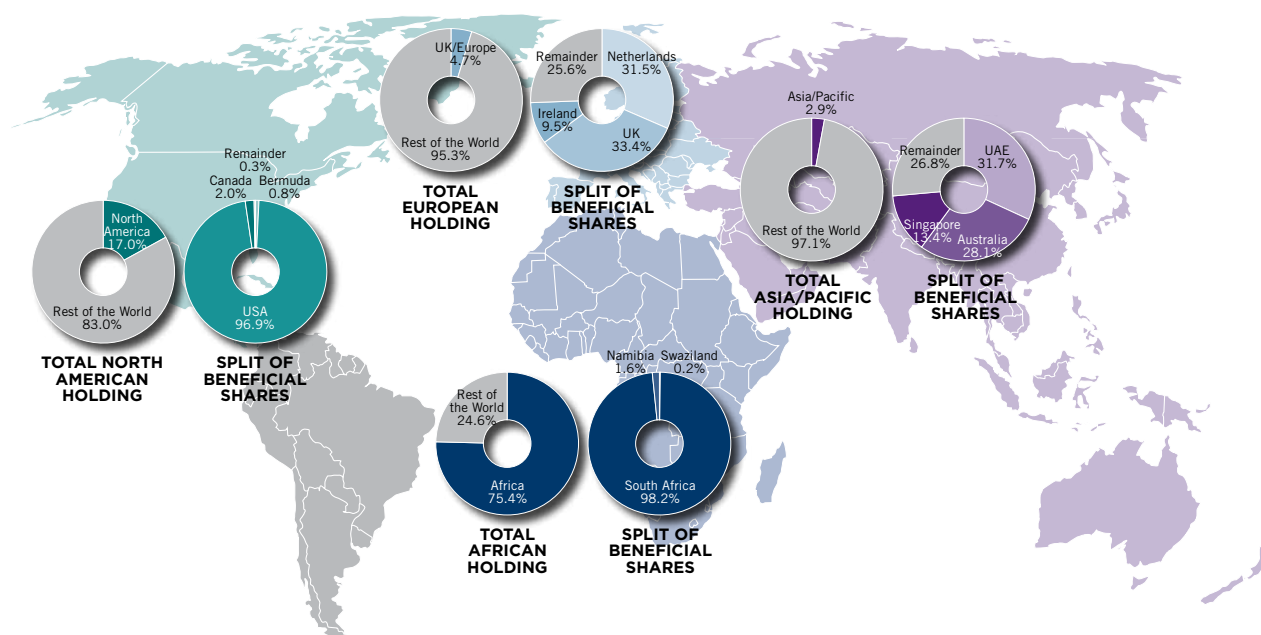
<sup>1</sup> Represents all shareholdings except those in the above regions

### Geographic split of beneficial shareholders – December 2009

Region	Total shareholding	% of issued capital
South Africa	1 598 839 330	74.02
United States of America & Canada	362 773 738	16.80
United Kingdom	33 766 274	1.56
Rest of Europe	67 278 357	3.11
Rest of the World <sup>1</sup>	97 342 301	4.51
<b>Total</b>	<b>2 160 000 000</b>	<b>100.00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions

### Geographic split of beneficial shareholders – December 2009



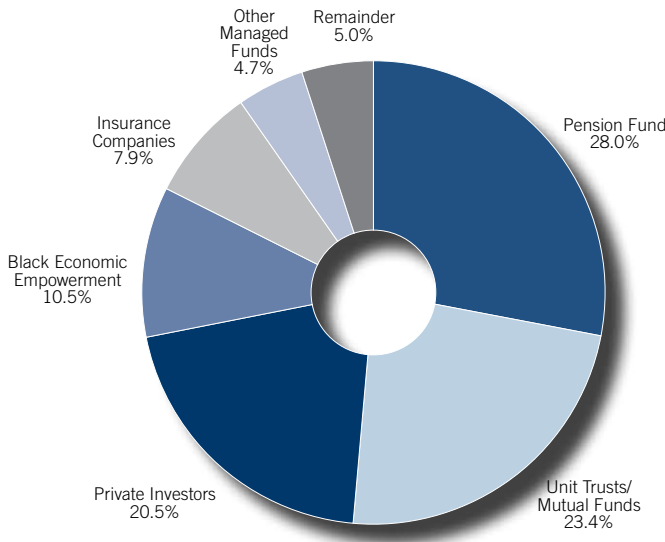
# Shareholder categories

An analysis of beneficial shareholdings supported by the Section 140a enquiry process confirmed the following beneficial shareholder types:

## Beneficial shareholder categories – December 2009

Category	Total shareholding	% of issued capital
Pension Fund	605 643 789	28.04
Unit Trusts/Mutual Funds	506 005 062	23.43
Private Investors	443 715 998	20.54
Black Economic Empowerment	226 000 000	10.46
Insurance Companies	169 704 220	7.86
Other Managed Funds	101 752 933	4.71
Foreign Government	31 830 948	1.47
Custodians	20 291 306	0.94
Trading Position	7 158 380	0.33
Investment Trust	6 375 497	0.30
University	3 150 611	0.15
Charity	2 025 631	0.09
Delivery by Value (Collateral)	1 461 996	0.07
Local Authority	694 907	0.03
Remainder	34 188 722	1.58
<b>Total</b>	<b>2 160 000 000</b>	<b>100.00</b>

## Beneficial shareholders split by category<sup>1</sup> – December 2009

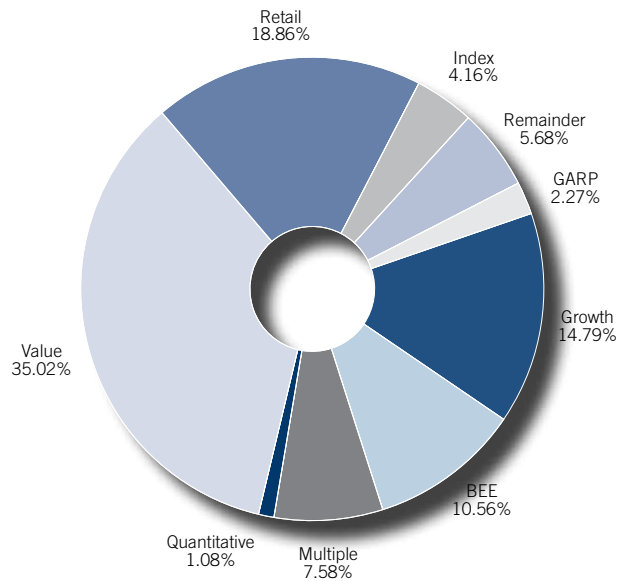


<sup>1</sup> Includes categories above 1% only

# Analysis of investment styles

Analysis into institutional attributes broadly indicates the following split of investment approach within the shareholder base:

Analysis of investment styles<sup>1</sup> – December 2009



<sup>1</sup> Includes categories above 1% only

## Economic and Financial Markets Review



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

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

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

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

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

stepped up, inter alia through the introduction of quantitative easing policies by central banks.

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

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

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

By March commodity prices had bottomed, the flow of portfolio investment to emerging markets had resumed, risky assets were once again in vogue, and equity markets staged a strong recovery. South Africa followed the global trend, with the JSE All Share Index increasing by 50% to year-end after reaching a low in March, although that still left it 17% off its all time high.

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

## Economic and Financial Markets Review continued

trend persisted into the third quarter.

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

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

In addition to the global situation, the South African economy and financial markets had to deal with a change in administration after the general election in April. Whereas business and markets had been confronted with a clear ideological position and a consistent underlying set of policies during the Mbeki era, the Zuma administration has a much more open and pragmatic approach to policy. The unfortunate result is an overcrowded and rumbustious policy arena, which has made it much more difficult to determine the true thrust of government policy. At the heart of the policy debate is the relative roles of the state and the private sector in the economy, which is inter alia reflected in the question of who should be the dominant supplier of financial services, e.g. in retirement funding and in health care. However, the 2010 National Budget sent out a strong message of policy continuity, focusing on finding a new growth path.

As mentioned above, developments during 2010 will reveal how damaging the financial crisis has actually been to the real economy. South Africa remains vulnerable to global developments, especially with regard to commodity prices and capital flows to emerging markets. Although the economy started to move out of recession in the third quarter of 2009, the recovery is expected to be sluggish. Interest rates will probably remain at their current level for an extended period, and Government has signalled that it is in no hurry to unwind the expansionary stance of fiscal policy. Employment will lag the economic recovery and although disposable income will benefit from relatively high wage and salary increases, aggregate disposable income will rise only modestly. Households will also be forced to adjust their spending allocations in coming years to accommodate the increased cost of electricity.

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

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



## INVESTOR PRESENTATION

2009 Annual Results

### Agenda

- Key Observations in 2009
- Financial Review
- Review of Clusters
- Strategic Focus
- Outlook



Start with what  
you hope for

# KEY OBSERVATIONS IN 2009

Headlines for 2009 - Road Map

Highlights	Stable Core Earnings	Strong Net Cash Inflows	Stable VNB & Margins	ROGEV
Macro Themes	Lagging Economic Recovery	Lower Average Equity Levels	Bond Yields & Interest Rates	Stronger Rand
Business Specific	Improvement in 2H09 Performance	Recovery in Retail Market	Persistency	Cost Containment

## Headlines for 2009 – Highlights

### Highlights

Our businesses were severely tested, but performed well, notwithstanding the challenging conditions

## What Sanlam Delivered in 2009

### Earnings per share :

- Core earnings per share broadly stable (-3%)
- Normalised headline earnings per share +133%

### Business Volumes :

- New business volumes +3%
- New covered business stable; VNB -1%; margin of 2,42%
- Investment flows +4%
- Total net inflows of R15bn, including net life inflows of R3bn

### Group Equity Value of 2 473cps :

- Actual ROGEV per share of 16,2% (vs target of 11,3%)
- Adjusted ROGEV per share of 13,1%

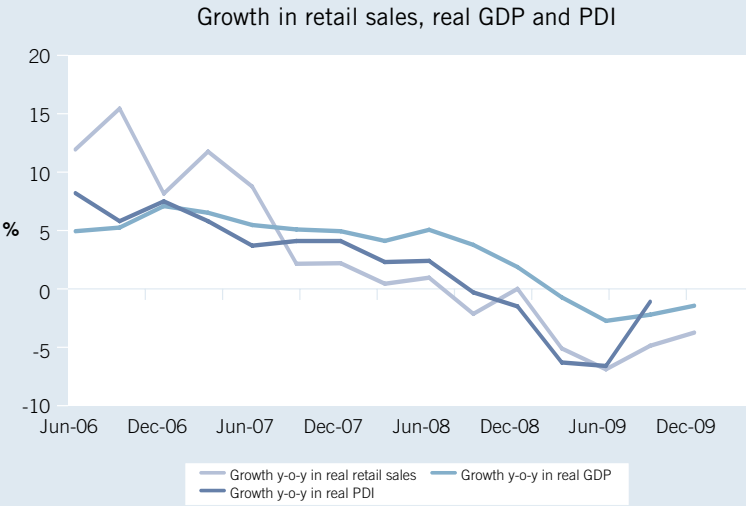
Headlines for 2009 – Macro Themes

Macro Themes

Real economic conditions slow to improve, but financial conditions starting to recover

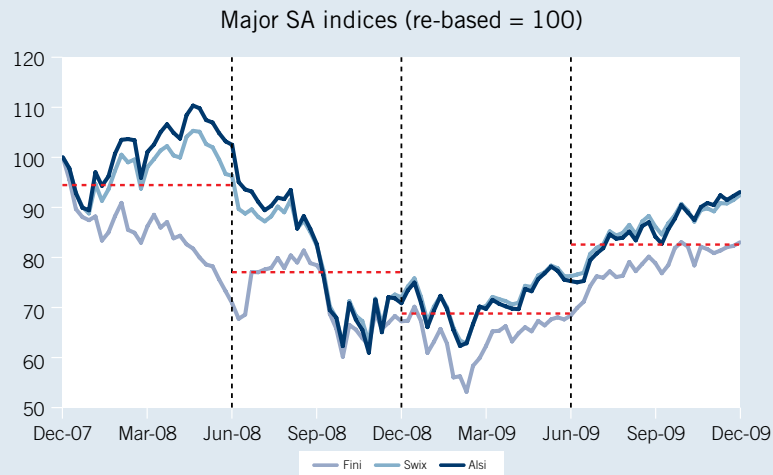
Lagging Economic Recovery

- Developed markets showing signs of an economic recovery, but South Africa still lagging



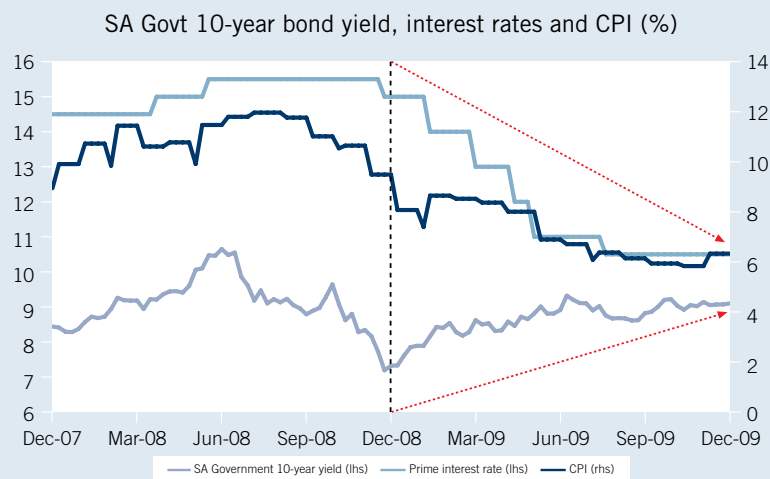
## Lower Relative Equity Levels

- Impact on investment values, but a gradual recovery from Mar-09
- Pressure on asset-based earnings (avg market levels -15% yoy)



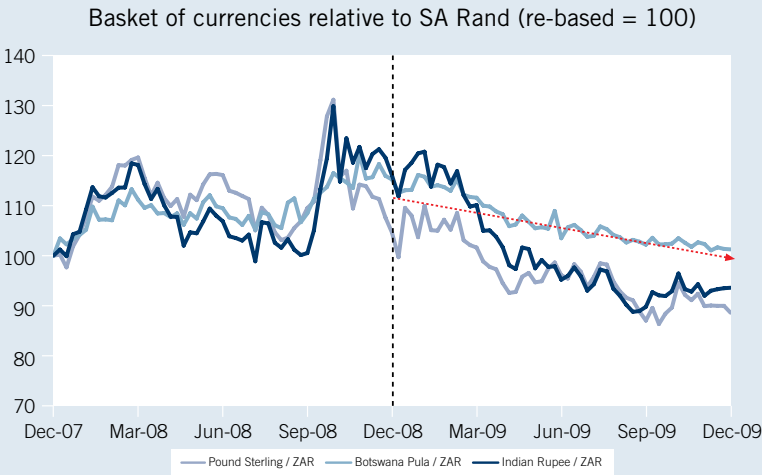
## Bond Yields & Interest Rates

- LT rates up 210bps : Negative impact on GEV, VNB and margins
- Prime rate down 450bps : Negative impact on interest earned, relief still to manifest in higher PDI



### Stronger Rand

- Negative impact on the translated Rand results of the Group’s foreign entities (GEV and operating results)



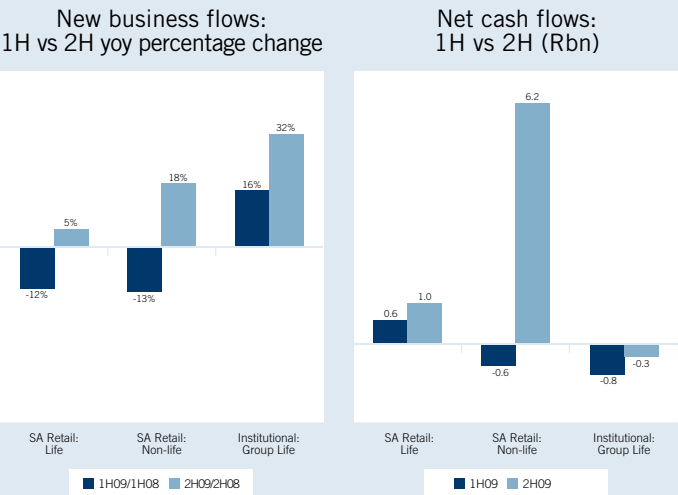
### Headlines for 2009 – Business Specific

Business Specific

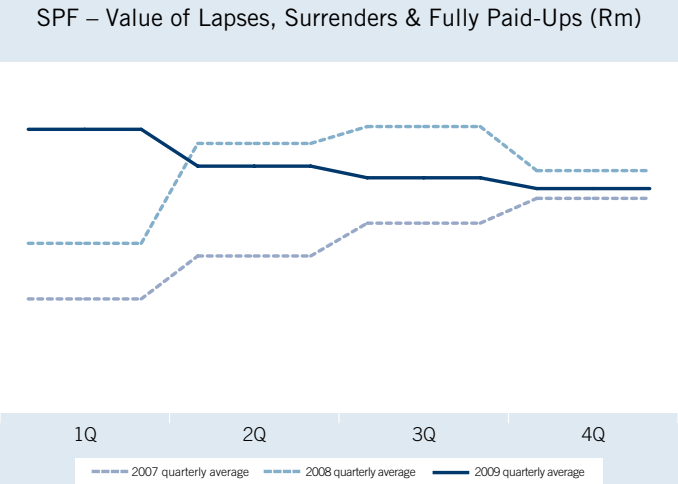
Retail customer still under pressure, but early signs of a recovery in 2H09

A Tale of Two Halves  
Recovery in 2H09

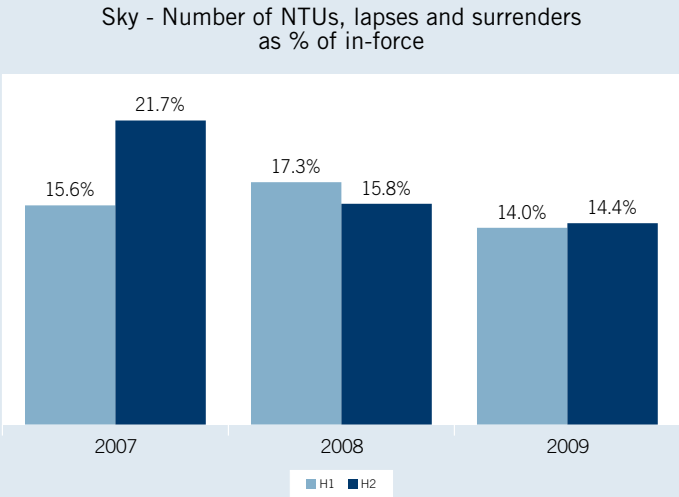
- General recovery in SA Retail and Group Life new business volumes and net cash flows in 2H09



Persistency – Middle Income Market (SA)  
Improvement over 2009 at SPF

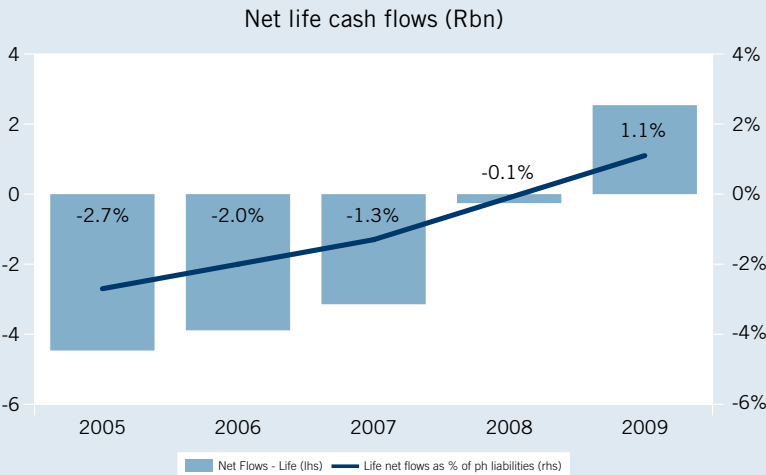


Persistency - Lower Income Market (SA)  
*Lower by historical levels, but marginal deterioration in 2H09*



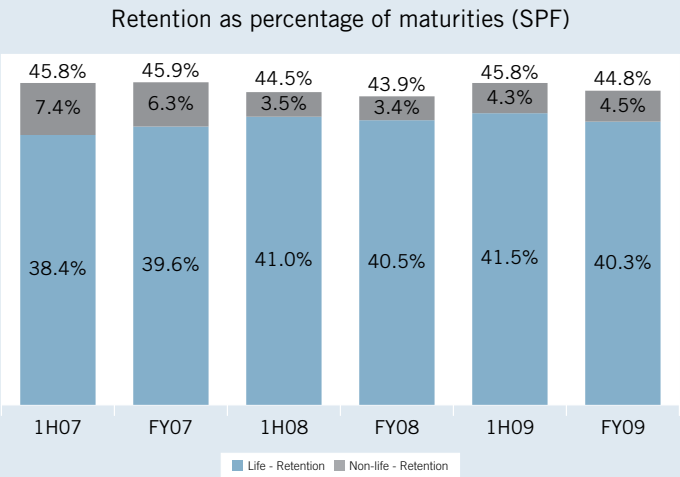
Persistency  
*Positive net life flows*

- Ongoing improvement in net life cash flows : Positive retail net life cash flows & lower institutional net outflows



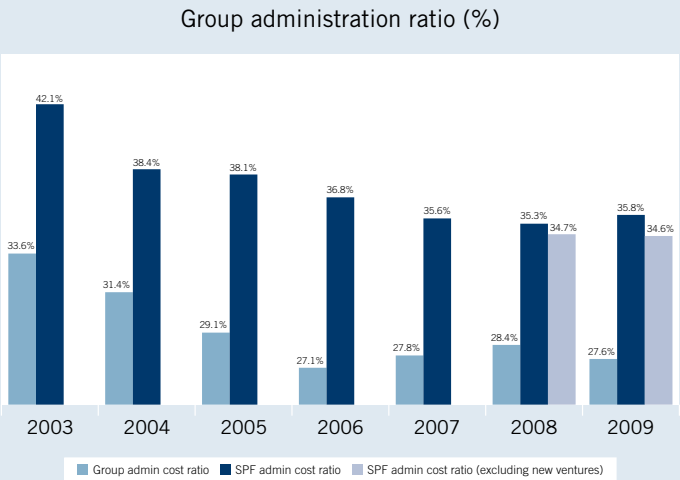
Persistency  
Successful retention of business

- Level of retention of maturing policies broadly maintained



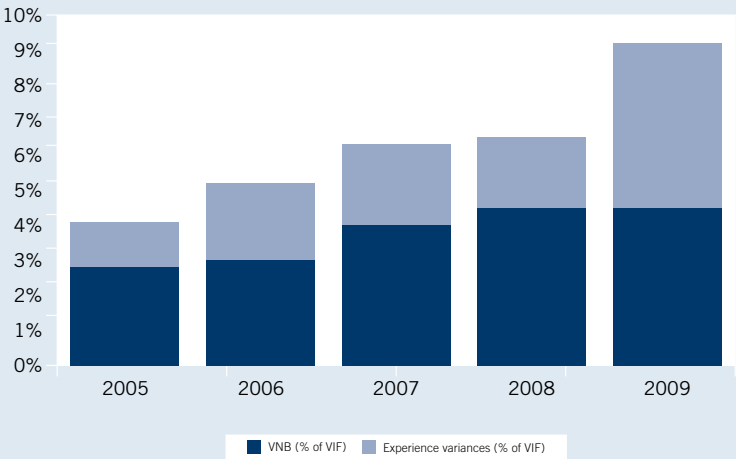
Focus on Cost Efficiencies

- Intensified focus on costs in light of financial market crises and recessionary environment



‘Real’ Underlying Value Generated by New Business  
VNB – return on value of in-force

- VNB, positive experience variances and assumption changes has generated R4,3bn of value (29% of VIF) over the past 5 years



SANLAM GROUP  
Financial Review

## Changes in Key Assumptions

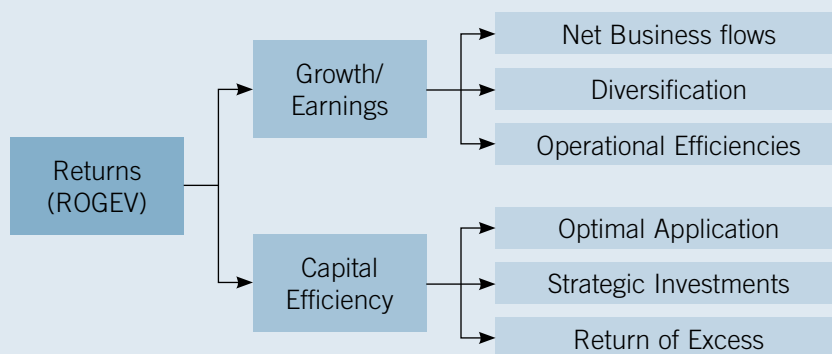
- Change in asset and business mix
  - Released R1,3bn in excess capital
  - Increase CoC, R340m reduction in VIF
- RDR up from Dec 08 (impact on relative ROGEV, VNB & margins)
  - 210 bps (SPF)
  - 130 bps (Sky)

## Salient features

		FY09	FY08	Δ
Group Equity Value	cps	2 473	2 213	12%
ROGEV per share	%	16,2	(1,7)	
Adjusted ROGEV per share	%	13,1	12,4	
Net operating profit	R mil	2 714	2 802	(3%)
Core earnings	R mil	3 690	3 870	(5%)
	cps	179,7	184,8	(3%)
Normalised headline earnings	R mil	4 494	1 966	129%
	cps	218,9	93,9	133%
Headline earnings	R mil	4 438	2 702	64%
	cps	218,8	132,2	66%
New business volumes	R mil	102 928	100 136	3%
Net fund flows	R mil	15 499	9 122	70%
SIM AUM	R bn	441	409	8%
Value of new covered business (net)	R mil	607	612	(1%)
New covered business margin	%	2,42	2,50	

## Management Focus on ROGEV

- Maximise profitable growth
- Maximise capital efficiencies



## Key Financial Driver

*Growth in value per share*

Long term target :

- Cumulative Return on Group Equity Value to exceed cost of capital (RF + 300bp) by >100bp

Annual target :

- Adjusted Return on Group Equity Value to exceed cost of capital (RF + 300bp) by >100bp
- Adjusted for the effect of market volatility

## Business Flows

Rand Million	FY09	FY08	Δ	Net Flows FY09
<b>by business</b>				
◦ Personal Finance	30 972	31 070	(0%)	7 048
◦ Developing Markets	2 702	2 594	4%	1 229
◦ Sanlam UK	2 140	2 350	(9%)	(199)
◦ Institutional	48 030	45 476	6%	3 301
◦ Santam	12 896	12 165	6%	3 796
<b>by license</b>				
◦ Life insurance	16 601	16 627	(0%)	3 057
◦ Life license	1 408	1 641	(14%)	(517)
◦ Investments	65 835	63 222	4%	8 839
◦ Short-term insurance	12 896	12 165	6%	3 796
	<b>96 740</b>	<b>93 655</b>	<b>3%</b>	<b>15 175</b>
White label	<b>6 188</b>	<b>6 481</b>	<b>(5%)</b>	<b>324</b>
<b>Total</b>	<b>102 928</b>	<b>100 136</b>	<b>3%</b>	<b>15 499</b>

## Business Flows

*Covered business*

Rand Million	FY09	FY08	Δ	Net Flows FY09
<b>Personal Finance</b>	<b>11 857</b>	<b>12 092</b>	<b>(2%)</b>	<b>2 248</b>
◦ SA recurring premiums	1 000	1 072	(7%)	
◦ SA single premiums	10 032	10 341	(3%)	
◦ Non-SA operations	825	679	22%	
<b>Developing Markets</b>	<b>2 702</b>	<b>2 594</b>	<b>4%</b>	<b>1 229</b>
◦ SA recurring premiums	828	765	8%	
◦ Non-SA operations	1 339	1 145	17%	
	2 167	1 910	13%	
◦ SA single premiums	535	684	(22%)	
<b>Sanlam UK</b>	<b>919</b>	<b>1 426</b>	<b>(36%)</b>	<b>(98)</b>
<b>Employee Benefits</b>	<b>1 123</b>	<b>515</b>	<b>118%</b>	<b>(322)</b>
<b>Total (ex-White label)</b>	<b>16 601</b>	<b>16 627</b>	<b>(0%)</b>	<b>3 057</b>

## Value of New Covered Business

Rand Million	FY09	FY08	Δ
<b>Value of New Business</b>	<b>689</b>	<b>698</b>	<b>(1%)</b>
◦ Personal Finance	320	386	(17%)
◦ Developing Markets	290	302	(4%)
◦ Sanlam UK	14	1	
◦ Employee Benefits	65	9	
<b>Net of minorities</b>	<b>607</b>	<b>612</b>	<b>(1%)</b>
<b>New Business Margin</b>	<b>2,61%</b>	<b>2,68%</b>	
◦ Personal Finance	1,93%	2,22%	
◦ Developing Markets	5,08%	5,66%	
◦ Sanlam UK	1,47%	0,07%	
◦ Employee Benefits	2,08%	0,49%	
<b>Net of minorities</b>	<b>2,42%</b>	<b>2,50%</b>	

## Business Flows

### Investments

Rand Million	FY09	FY08	Δ	Net Flows FY09
<b>Retail Cluster</b>	<b>20 336</b>	<b>19 902</b>	<b>2%</b>	<b>4 699</b>
◦ SA Operations	10 758	11 231	(4%)	
◦ Non-SA Operations	9 578	8 671	10%	
<b>Investments</b>	<b>45 499</b>	<b>43 320</b>	<b>5%</b>	<b>4 140</b>
◦ Segregated funds	11 306	12 404	(9%)	
◦ Multi-Manager	3 666	4 040	(9%)	
◦ Private Investments	8 769	7 094	24%	
◦ Collective Investment	18 574	18 254	2%	
◦ SA Operations	42 315	41 792	1%	
◦ Non-SA Operations	3 184	1 528	108%	
<b>Total (ex-White label)</b>	<b>65 835</b>	<b>63 222</b>	<b>4%</b>	<b>8 839</b>

## Net Operating Profit

Rand Million	FY09	FY08	Δ
<b>Retail cluster</b>	<b>1 703</b>	<b>1 757</b>	<b>(3%)</b>
◦ Personal Finance	1 498	1 555	(4%)
◦ Developing Markets	172	144	19%
◦ Sanlam UK	33	58	(43%)
<b>Institutional cluster</b>	<b>890</b>	<b>737</b>	<b>21%</b>
◦ Investments	593	589	1%
◦ Employee Benefits	154	183	(16%)
◦ Capital Markets	143	(35)	
Santam	<b>313</b>	<b>494</b>	<b>(37%)</b>
MiWay	<b>(71)</b>	<b>(55)</b>	<b>(29%)</b>
Corporate and other	<b>(121)</b>	<b>(131)</b>	<b>8%</b>
<b>Total</b>	<b>2 714</b>	<b>2 802</b>	<b>(3%)</b>

## Net Operating Profit *continued*

Rand Million	FY09	FY08	Δ
Net result from financial services	2 714	2 802	(3%)
Add back : New business strain	1 107	1 065	4%
Add back : Start-up costs (MiWay)	71	55	29%
<b>Net profit on comparable basis</b>	<b>3 892</b>	<b>3 922</b>	<b>(1%)</b>
Cents per share	189,6	187,3	1%
◦ Retail Cluster	2 756	2 785	(1%)
◦ Institutional Cluster	944	774	22%
◦ Santam	313	494	(37%)
◦ Corporate and other	(121)	(131)	8%

## Income Statement

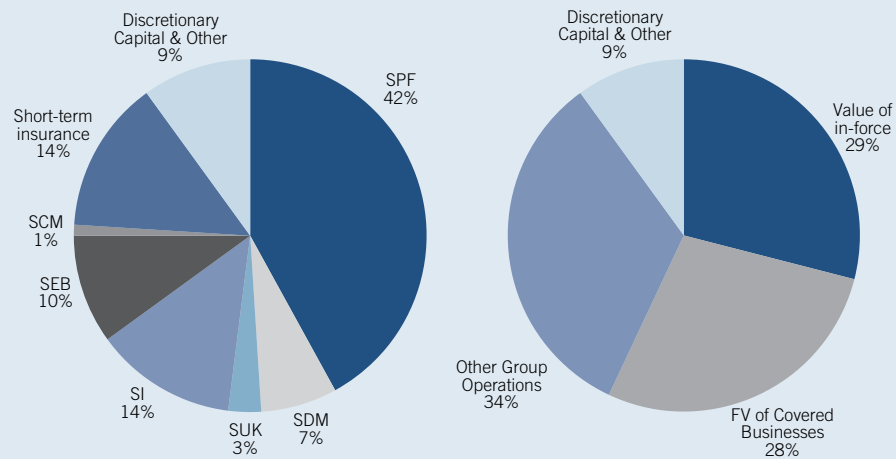
Rand Million	FY09	FY08	Δ
Net operating profit	2 714	2 802	(3%)
Investment income	976	1 068	(9%)
<b>Core earnings</b>	<b>3 690</b>	<b>3 870</b>	<b>(5%)</b>
Cents per share	179,7	184,8	(3%)
Net investment surpluses	1 032	(1 699)	
Net equity-accounted headline earnings	41	16	
Project expenses	(28)	(56)	
Discontinued operations	-	(22)	
STC, amortisation & BEE costs	(241)	(143)	
<b>Normalised headline earnings</b>	<b>4 494</b>	<b>1 966</b>	<b>129%</b>
Cents per share	218,9	93,9	133%

## Group Equity Value

Rand Million	Dec 2009		Dec 2008	
<b>Covered business</b>	<b>28 988</b>	<b>57%</b>	<b>28 591</b>	<b>63%</b>
◦ Personal Finance	19 884		19 574	
◦ Developing Markets	3 479		2 796	
◦ Sanlam UK	665		680	
◦ Employee Benefits	4 960		5 541	
<b>Other operations</b>	<b>17 227</b>	<b>34%</b>	<b>13 560</b>	<b>30%</b>
◦ Retail Cluster	2 707		2 287	
◦ Institutional Cluster	7 371		6 000	
◦ Short-term insurance	7 149		5 273	
<b>Discretionary capital</b>	<b>3 500</b>	<b>7%</b>	<b>2 100</b>	<b>5%</b>
<b>Other</b>	<b>1 309</b>	<b>2%</b>	<b>987</b>	<b>2%</b>
<b>Total</b>	<b>51 024</b>	<b>100%</b>	<b>45 238</b>	<b>100%</b>
GEV (cps)	2 473		2 213	

Composition of Group Equity Value

R51 billion or R24,73 per share



Discretionary Capital

Analysis of change

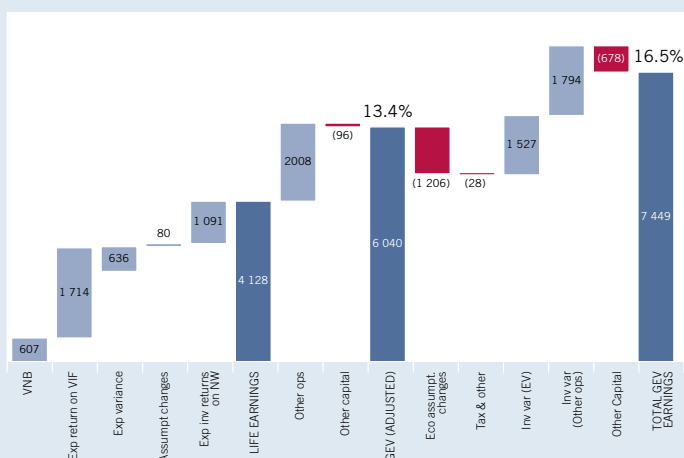
Rand Billion

Balance – Dec 2008	2,1
◦ Change in Required Capital	1,3
◦ Corporate activity	(1,2)
- Channel minorities + Shriram	(0,4)
- SIM	(0,5)
- Other	(0,3)
◦ Investment return & other adjustments	1,3
Balance – Dec 2009	3,5

## Return on Group Equity Value

Rand Million	Dec 2009		Dec 2008	
<b>Covered business</b>	<b>4 421</b>	<b>15,5%</b>	<b>919</b>	<b>3,2%</b>
◦ Personal Finance	2 815	14,4%	453	2,3%
◦ Developing Markets	467	16,7%	659	30,5%
◦ Sanlam UK	(14)	(2,1%)	(36)	(3,9%)
◦ Employee Benefits	1 153	20,8%	(157)	(3,0%)
<b>Other operations</b>	<b>3 802</b>	<b>28,0%</b>	<b>(1 885)</b>	<b>(12,2%)</b>
◦ Retail Cluster	215	8,2%	(40)	(2,2%)
◦ Institutional Cluster	1 454	23,9%	(566)	(8,0%)
◦ Short-term insurance	2 133	40,5%	(1 279)	(20,1%)
<b>Discretionary &amp; other capital</b>	<b>(774)</b>		<b>(440)</b>	
<b>Total</b>	<b>7 449</b>	<b>16,5%</b>	<b>(1 406)</b>	<b>(2,7%)</b>
<b>cps</b>		<b>16,2%</b>		<b>(1,7%)</b>
<b>cps (adjusted basis)</b>		<b>13,1%</b>		<b>12,4%</b>

## GEV Earnings



## Group Solvency

	Dec 2009	Dec 2008
<b>Sanlam Life</b>		
◦ Life CAR (Rm)	7 675	8 075
◦ Statutory capital (Rm)	23 498	21 422
CAR cover (x)	3,1	2,7
◦ Required capital (Rm)	14 165	15 434
- Capital	12 200	13 350
- Debt	1 965	2 084
CAR cover (x)	1,8	1,9
<b>Santam</b>		
◦ Solvency level (% of premiums)	44%	44%
<b>Sanlam Capital Markets</b>		
◦ Capital (Rm)	450	400
Capital at risk (% utilised)	66%	77%

## Summary

Strategic objectives are being achieved:

- Business volumes:
  - Satisfactory business flows
  - Excluding impact of higher RDR, net VNB up 10% and margins of 2,62%
- Profitability: Commendable operating profit result
- Operational efficiencies: Improved Group admin ratio
- Capital management: Value adding initiatives
  - De-risking balance sheet unlocked further R1,3bn
  - Utilised R1,2bn on ventures to further grow & diversify Group

Focus areas:

- Capital efficiency & optimal application of discretionary capital
- Bedding down new ventures

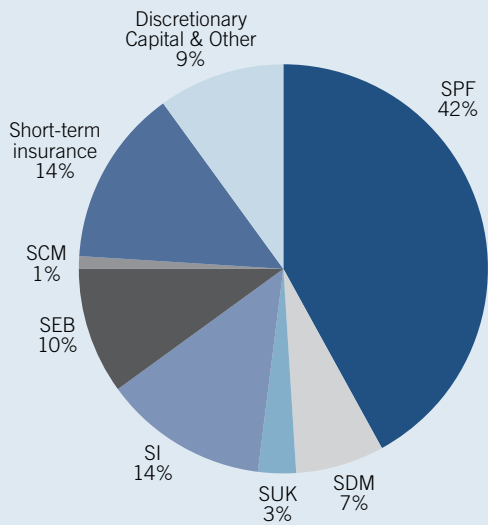


Start with what  
you hope for

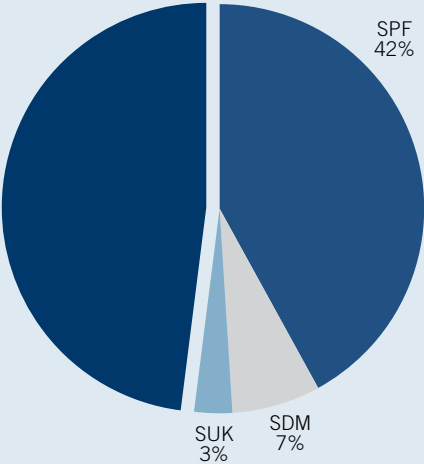
# BUSINESS CLUSTERS

Operational Review

A Portfolio of Diversified Assets  
*Group Equity Value of R51 billion or R24,73 per share*



1. Retail Cluster (SPF, SDM & SUK)



Stability & Growth  
(Optimise Capital)

Sanlam Personal Finance (SPF)

*“Resilient performance in difficult business conditions”*

Overall

- Profit before tax up 3%
- Life VNB and margins at same levels as 2008 (on equivalent discount rate)
- Sales increase by 7% (2H yoy)
- Net cash inflow up by 82% to R7bn
- BAU admin costs increase contained to 1%
- Reduce exposure in retail credit & built medical admin activities
- Excellent persistency and retention levels (improvement in 2H09)

Key Challenges

- Business environment (especially for middle market)
- Margin pressure
- Changing regulatory environment

Snapshot

	FY09	%Δ
Net Operating Profit	▼ R1 498m	-4%
New business flows	▼ R30 972m	0%
- SA Recurring	▼ R1 069m	-8%
- SA Single	▼ R20 721m	-4%
- Non SA	▲ R9 182m	+9%
PVNB Premiums*	▼ R16 573m	-5%
VNB*	▼ R320m	-17%
Margin*	▼ 1,93% vs 2,22%	
<b>ROGEV</b>	<b>14,3%</b>	
<b>Adjusted ROGEV</b>	<b>12,3%</b>	

\* Covered business only

## Sanlam Developing Markets (SDM)

*"Businesses tested, but still growing"*

### Overall

- Strong growth in profit
- Reasonable growth in volumes, despite scaling back on non-profitable businesses
- Africa continues to perform
- New bancassurance and wider financial services initiatives in Africa

### Key Challenges

- Delayed impact of economic conditions in Africa
- Bedding down integration of Channel and Sky businesses
- Potential negative impact of regulatory changes

### Snapshot

	FY09	%Δ
Net Operating Profit	▲ R172m	+19%
New business flows	▲ R2 702m	+4%
- SA Recurring	▲ R828m	+8%
- SA Single	▼ R535m	-22%
- Non-SA	▲ R1 339m	+17%
PVNB Premiums	▲ R5 711m	+7%
VNB	▼ R290m	-4%
Margin	▼ 5,08% vs 5,66%	
<b>ROGEV</b>	<b>19,2%</b>	
<b>Adjusted ROGEV</b>	<b>24,4%</b>	

## Sanlam UK

*"Performance impacted by tough conditions"*

### Overall

- Economic uncertainty and volatile financial markets impact performance
- Results impacted by appreciation of Rand
- MI managed to perform well
- Continued execution of growth plans and business linkages
- Cluster AUM +26% reflects linkages and ongoing build process

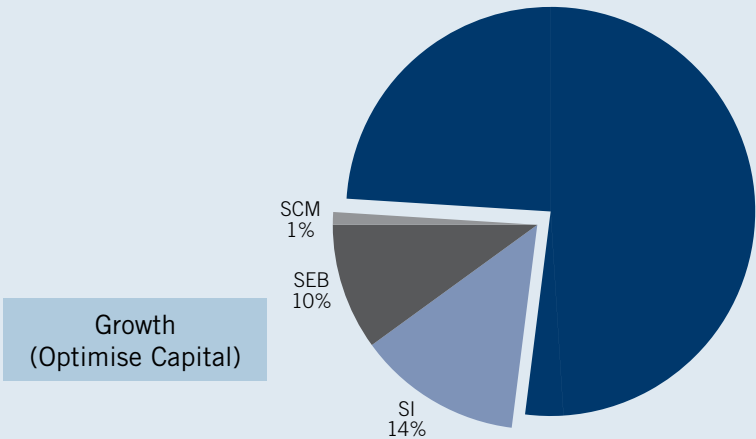
### Key Challenges

- Execution risk of 'growth phase' businesses in face of economic and regulatory pressures
- Achieving sufficient scale

### Snapshot

	FY09	%Δ
Net Operating Profit	▼ R33m	-43%
New business flows	▼ R2 140m	-9%
- Life: Mainly SP	▼ R919m	-36%
- Non-Life	▲ R1 221m	+32%
PVNB Premiums	▼ R951m	-36%
VNB	▲ R14m	
Margin	▲ 1,47% vs 0,07%	
<b>ROGEV</b>	<b>-5,8%</b>	
<b>Adjusted ROGEV</b>	<b>-2,4%</b>	

2. Institutional Cluster (SI, SEB and SCM)



Sanlam Investments (SI)

“Credible performance reflecting lower asset levels”

Overall

- Concerted effort to maintain focus
  - Investment performance
  - Fund Flows (equity & retail)
  - Cost awareness
- Emphasis on governance

Key Challenges

- Investment climate and operating environment
- Sustained investment performance to remain a preferred investment proposition
- Implementation of international investment offering

Snapshot

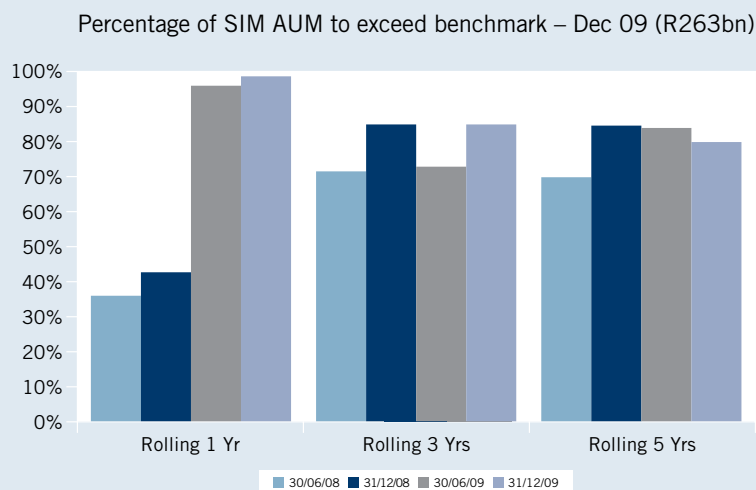
	FY09	%Δ
Net Operating Profit	▲ R593m	+1%
Gross business flows*	▲ R46 907m	+4%
- SA: Segregated	▼ R11 306m	-9%
- SA: Other	▲ R31 793m	+5%
- Non-SA	▲ R3 808m	+74%
Net flows	▲ R3 947m	
- Institutional & retail	▼ R3 623m	
- White label	▲ R324m	
FUM	▲ R441bn	+8%
Profit Margin**	17bps	
ROGEV	24,7%	
Adjusted ROGEV	23,6%	

\* Excludes White label

\*\* Profit margin on a 12 months rolling basis

## Investment Performance

*Focus on top half investment performance*



## Sanlam Employee Benefits (SEB)

*"A key role player in the retirement fund industry"*

### Overall

- Restructuring starting to pay dividends
- Improved VNB and new business levels in 2H
- Record Group risk premiums
- Healthy funding levels
- R1,3bn of capital released in 2009
- RFA loss worse than expected

### Key Challenges

- "Bottoming out" of claims experience
- Realisation of efficiencies in admin
- Umbrella and Admin new business

### Snapshot

	FY09	%Δ
Net Operating Profit	▼ R154m	-16%
New business flows	▲ R1 123m	+118%
- Recurring	▲ R284m	+59%
- Single	▲ R839m	+150%
PVNB Premiums	▲ R3 130m	+75%
VNB	▲ R65m	+622%
Margin	▲ 2,08% vs 0,49%	
<b>ROGEV</b>	<b>19,4%</b>	
<b>Adjusted ROGEV</b>	<b>15,5%</b>	

Sanlam Capital Markets (SCM)  
“Welcome return to profitability”

Overall

- Excellent result in trying conditions
- Result achieved despite:
  - Pressure on credit valuations
  - Slowdown of deal flow
- Business model resilient

Key Challenges

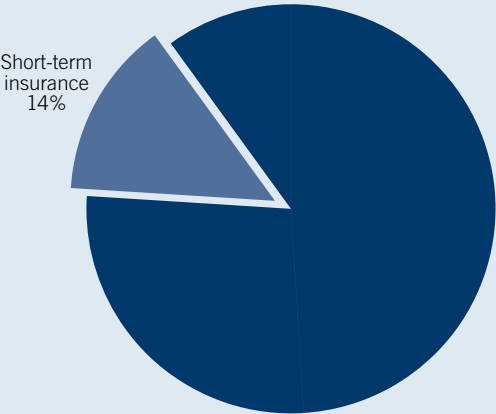
- Economic environment poses risks within the credit market
- Volatile markets affects clients’ inclination to hedge and trade

Snapshot

	FY09	%Δ
Net Operating Profit	▲ R143m	509%
Total Revenue	▲ R409m	282%
Cost to income ratio	▼ 58% vs 157%	
Capital	R450m	
<b>ROGEV</b>	<b>31,8%</b>	
<b>Adjusted ROGEV</b>	<b>31,8%</b>	

3. Short-term Insurance (Santam)

Growth  
(Optimise Capital)



Santam  
"Improved performance in 2H09"

Overall

- Growth in line with industry
- Underwriting margins reasonable despite increased claims
- Improved 2H09 (less corporate property claims)
- Improvement in investment returns
- Solvency at upper end of 35%-45% target range

Key Challenges

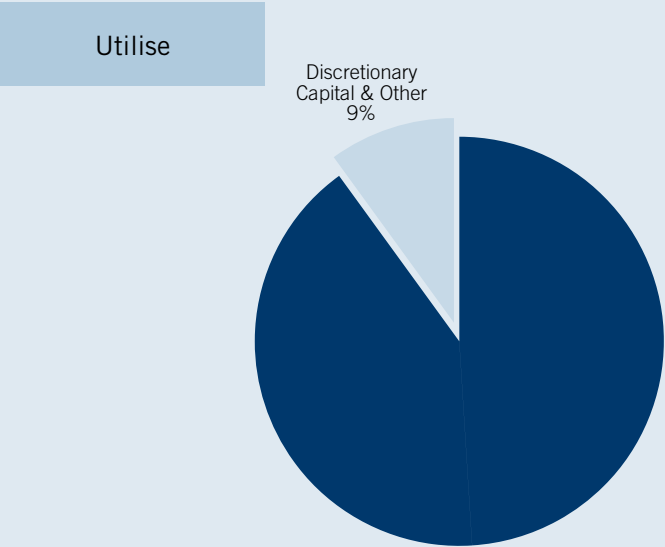
- Improve risk management on corporate property business
- Improve profitability of motor book and portfolio management
- Client retention

Snapshot

	FY09	%Δ
Net Operating Profit*	▼ R313m	-37%
Gross written premium	▲ R15 026m	+6%
Net earned premiums	▲ R12 896m	+10%
- Net claims ratio	▲ 70.6%	
- Net acquisition ratio	▲ 25.9%	
- Underwriting ratio	▼ 3.5%	
Solvency	44%	
<b>ROGEV</b>	<b>42,3%</b>	
<b>Adjusted ROGEV</b>	<b>10,8%</b>	

\* Contribution to Sanlam's Net Operating Profit

4. Capital Optimisation



## Discretionary Capital

*Ongoing focus on efficient utilisation of capital in 2010 ...*

- Improve capital efficiency / optimisation :
  - Capital allocated to business units in a manner which will achieve optimal ROGEV targets
- Application of current discretionary capital of R3,5bn:
  - Value-adding strategic initiatives (maximise return on GEV)
  - Consider capital redistribution options
- Time frame:
  - Strategic projects assessed on an ongoing basis
- Optimisation of capital remains a priority

## Summary of 2009 performance

- Strategic diversification and the effect of prudent practices created resilience in the severe economic downturn:
  - Stronger performance in 2H09
  - Excluding impact of higher RDR, net VNB +10% and margins of 2,62%
  - Net life flows improve significantly
  - Slight deterioration in persistency (mainly in lower-income segments), but still broadly in line with assumptions
- Lower market levels impacted fee generation potential
- Confirmation of capital management approach – remains on track
- A sound platform and strategic base



## STRATEGIC FOCUS FOR 2010 AND BEYOND

### Goal

*Delivering sustainable growth*

#### South Africa:

Fully optimise and expand our diversified financial services presence:

- Improve operational efficiency and performance
- Optimise the capital structure
- Pursue selective add-on or diversification opportunities
- Transformation

#### International:

- Africa / India : Position ourselves to have a scale position in the financial sector in these markets over time
- UK : A differentiated strategy / niche approach, aimed at providing specialist financial services

## Specific Focus Areas – 1

### Operational efficiencies:

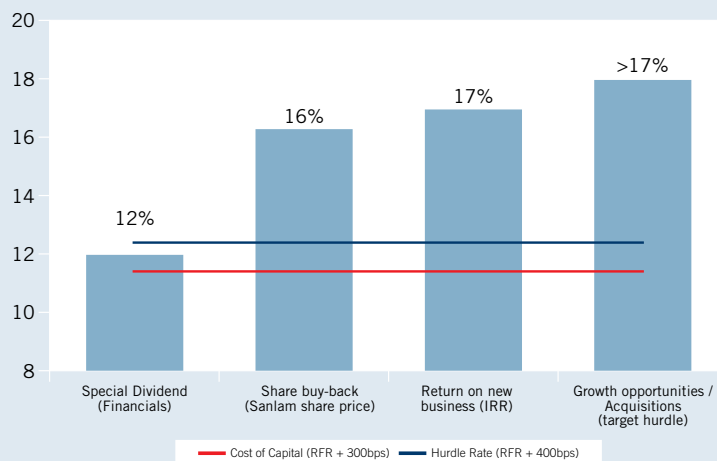
- Maintain and improve overall operational efficiencies
- Cost control and quality (new business and retention)
- Harness further synergies between the Group's existing businesses
- Bedding down Sky / Channel integration
- Scale in non-SA operations

## Specific Focus Areas – 2

### Capital efficiencies and application:

- Optimise the role of Sanlam Group Treasury (SCM)
- Review of capital levels for existing businesses
- Optimal asset allocation
- Strong bias for capital efficiency in new ventures and products
- Termination of capital inefficient businesses or product lines
- Stringent evaluation of capital investment opportunities – retain prudence

## Decision Framework for Application of Discretionary Capital



*Note : Returns based on 5-year averages - Special dividends (All-in returns for the SA Financial Index), Share buy-back (Sanlam's all-in returns), Return on new business (5 yr average IRR of new business strain)*

## Specific Focus Areas – 3

### Distribution initiatives:

- SA:
  - Ensure Sanlam receives its fair share of investments (retail and wholesale)
  - Target 5% pa growth in SPF agency channel
  - Strengthen relationships and positioning in Gauteng IFA market
  - Diversify distribution channels
- Non-SA:
  - Build distribution capacity across the Sanlam UK cluster
  - Cautious roll out of 'NEW' channel in India
  - Increasing footprint in Africa

## Specific Focus Areas – 4

Growth initiatives:

- Achieve growth (within required capital return hurdles)
- SA :
  - Continued diversification of product set, client base and markets, while maintaining VNB and margins
  - Increase penetration in self employed market
- Africa :
  - New countries in Africa (e.g. Uganda, Nigeria)
  - Wider financial services (e.g. medical in Africa, short-term insurance in Botswana)



## OUTLOOK

## Outlook for 2010

### Business Environment:

- Uncertainty and volatility in global financial markets likely to continue, and delayed impact in Africa
- Retail customer remains under pressure
- Regulatory change

### Challenges:

- Persistency in lower income market in SA and Africa
- Cost control
- Profitable growth opportunities

But 2H09 results show we are on track

Group's portfolio is adequately diversified to spread the risks  
& creates a sound platform from which to operate

## Notes

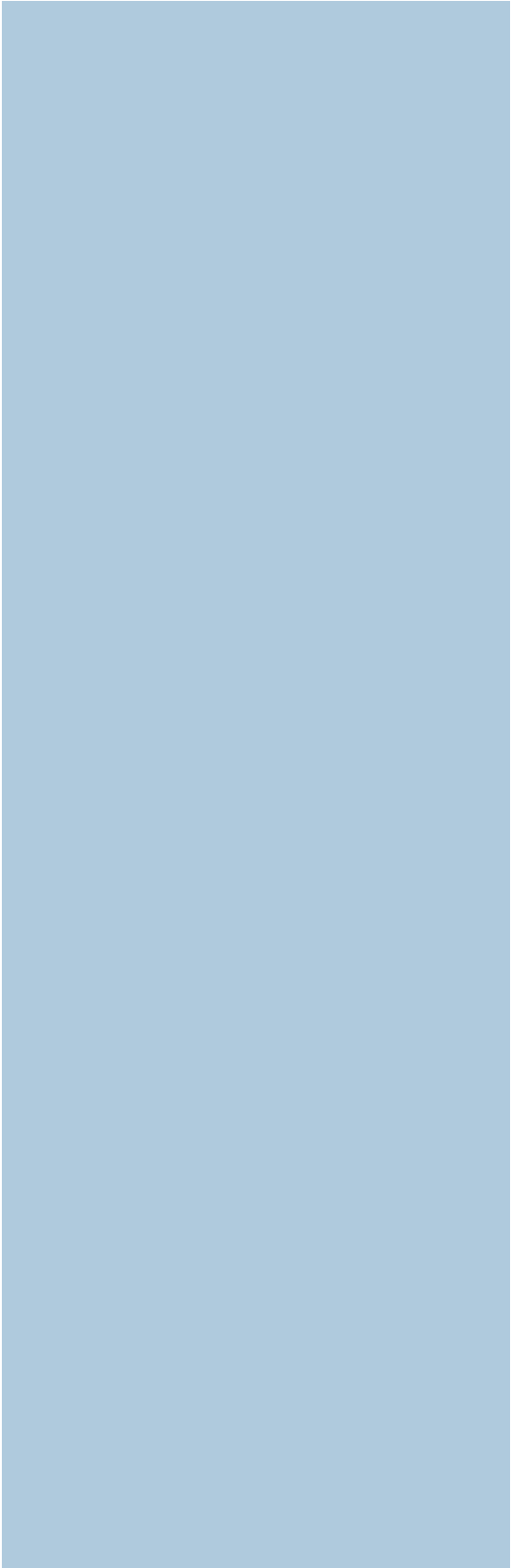
# Contents

## Overview

- Key features	2
- Salient results	3
- Executive review	4
- Comments on the results	7

## Annual financial statements

- Basis of preparation and presentation	19
- Shareholders' information	29
- Group Equity Value	30
- Shareholders' fund at fair value	36
- Shareholders' fund income statement	40
- Notes to the shareholders' fund information	44
- Embedded value of covered business	66
- Group financial statements	73
- Group statement of financial position	74
- Group statement of comprehensive income	75
- Group statement of changes in equity	76
- Group cash flow statement	77
- Notes to the financial statements	78
- Administration	80





# Salient Results

for the year ended 31 December 2009

		2009	2008	Δ
<b>SANLAM GROUP</b>				
<b>Earnings</b>				
Net result from financial services per share	cents	<b>132,2</b>	133,8	-1%
Core earnings per share <sup>(1)</sup>	cents	<b>179,7</b>	184,8	-3%
Normalised headline earnings per share <sup>(2)</sup>	cents	<b>218,9</b>	93,9	133%
Diluted headline earnings per share	cents	<b>218,8</b>	132,2	66%
Net result from financial services	R million	<b>2 714</b>	2 802	-3%
Core earnings <sup>(1)</sup>	R million	<b>3 690</b>	3 870	-5%
Normalised headline earnings <sup>(2)</sup>	R million	<b>4 494</b>	1 966	129%
Headline earnings	R million	<b>4 438</b>	2 702	64%
Group administration cost ratio <sup>(3)</sup>	%	<b>27,6</b>	28,4	
Group operating margin <sup>(4)</sup>	%	<b>16,9</b>	18,4	
<b>Business volumes</b>				
New business volumes	R million	<b>102 928</b>	100 136	3%
Net fund flows	R million	<b>15 499</b>	9 122	70%
New covered business				
Value of new covered business	R million	<b>689</b>	698	-1%
Covered business PVNBP <sup>(5)</sup>	R million	<b>26 365</b>	26 033	1%
New covered business margin <sup>(6)</sup>	%	<b>2,61</b>	2,68	
<b>Group Equity Value</b>				
Group Equity Value	R million	<b>51 024</b>	45 238	13%
Group Equity Value per share	cents	<b>2 473</b>	2 213	12%
Return on Group Equity Value per share <sup>(7)</sup>	%	<b>16,2</b>	(1,7)	
Adjusted return on Group Equity Value per share	%	<b>13,1</b>	12,4	
<b>SANLAM LIFE INSURANCE LIMITED</b>				
Shareholders' fund	R million	<b>37 036</b>	34 419	
Capital Adequacy Requirements (CAR)	R million	<b>7 675</b>	8 075	
CAR covered by prudential capital	times	<b>3,1</b>	2,7	

<sup>(1)</sup> Core earnings = net result from financial services and net investment income (including dividends received from non-operating associates).

<sup>(2)</sup> Normalised headline earnings = core earnings, net investment surpluses, secondary tax on companies and equity-accounted headline earnings less dividends received from non-operating associates, but excluding fund transfers. Headline earnings include fund transfers.

<sup>(3)</sup> Administration costs as a percentage of income after sales remuneration.

<sup>(4)</sup> Result from financial services as a percentage of income after sales remuneration.

<sup>(5)</sup> PVNBP = present value of new business premiums and is equal to the present value of new recurring premiums plus single premiums.

<sup>(6)</sup> New covered business margin = value of new covered business as a percentage of PVNBP.

<sup>(7)</sup> Growth in Group Equity Value per share (with dividends paid, capital movements and cost of treasury shares acquired/reversed) as a percentage of Group Equity Value per share at the beginning of the period.

# Executive Review

The Sanlam Group delivered a solid and stable performance in 2009 - a year heavily scarred by turmoil in world financial markets, the magnitude of which claimed unprecedented victims late in 2008. The resilience of Sanlam's business model stood out clearly with our persistence commended by both shareholders and analysts.

## Business environment

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

Investment markets have a material impact on the Group's reported results. Similar to international trends, the South African equity market experienced huge volatility in 2009. After losing 14% in the first two months of 2009, the JSE All Share index recovered on the back of increasing local and international demand to record an overall gain of 29% for the year compared to a loss of 26% in 2008. This had a positive impact on portfolio returns achieved for the year and in particular also on the investment return on shareholder funds reported in headline earnings. However, the average JSE All Share Index level for the year was still 15% lower than in 2008, which impacted negatively on the Group's asset-based revenue.

Long-term interest rates increased from the beginning of 2009, which is reflected in the 1% negative All Bond return in 2009, compared to a return of 17% in 2008. Short-term interest rates decreased in line with the reduction in the South African Reserve Bank's repo rate, which had a negative impact on the interest earned on working capital.

The rand strengthened against most of the currencies of the other countries in which we operate. This had a negative impact on the translated rand results of these entities. Against the British pound the rand strengthened by 11% from R/£ 13,33 at the end of December 2008 to R/£11,89 at the end of 2009 and against the Botswana pula from R/P1,26 to R/P1,13.

## Performance review

In the context of the challenging environment, the Group achieved a pleasing operational performance for the 2009 financial year.

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. The ROGEV per share of 16,2% achieved in 2009 comfortably exceeded the target of 11,3%, in part owing to the positive impact of the strong equity market. The adjusted ROGEV, i.e. assuming a normalised investment market performance and excluding any once-off items, for 2009 amounted to 13,1%, also well ahead of target.

Total new business volumes for 2009 of R103 billion are 3% higher than in 2008. After a relatively flat first half performance, new business volumes improved by 5% in the second half on those achieved in the comparable period in 2008. Net inflows of R15,5 billion are well up on the R9,1 billion achieved in 2008, which is testimony to the Group's positive fund retention and persistency experience. Value of new covered business of R689 million is down 1% at a marginally lower average margin of 2,61%.

Core earnings of R3 690 million are 5% lower than in 2008, the combined effect of a 3% decrease in the net result from financial services and a 9% decline in net investment income earned on the capital portfolio. The relatively lower base of assets under management impacted on the growth in fee income and the profitability of especially the investment management businesses. This was further aggravated by deterioration in the claims experience at Santam. Core earnings per share decreased by a lower 3%, attributable to a 2% reduction in the weighted average number of shares in issue.

The investment return earned on the Group's capital portfolio improved significantly compared to the negative performance in 2008, supported by the strong investment market gains in particularly the second half of the 2009 financial year. Normalised headline earnings per share

benefited from the turnaround in investment returns and increased by 133% on 2008.

### Delivering on strategy

Our strategy, which has proved to be resilient and sustainable, was fundamental in distinguishing our performance from that of many of our peers in 2009. Our strategy will therefore continue to centre around five pillars: optimal capital utilisation, earnings growth, costs and efficiencies, diversification and transformation.

We maintained our prudent approach to the application of discretionary capital and focused on further optimising the capital base of the Group. Limited investments were made in existing operations and future growth markets during the period under review. As a result Sanlam now has discretionary capital of R3,5 billion. While it was prudent to use this capital as a buffer during 2009, we will be looking for profitable growth opportunities and other ways of efficiently redistributing some of this capital in 2010.

Ongoing focus on reducing costs, while at the same time upping efficiencies, significantly buffered our operations when the economy and financial markets were placed under intense pressure by global events. Given the increased strain on capital in 2009, we intensified our efforts. Sanlam Investments and Sanlam Personal Finance, which have been impacted most by lower assets under management and new business volumes, made a concerted effort to reduce costs even further. Containment of costs in all other business units was also a priority, although not to the detriment of future growth opportunities.

Diversification is key to ensuring sustainable future growth. The successful diversification of our business since 2003 has helped us achieve a significant rebalancing of our mix of new business, with an increasing contribution (83%) channelled via our non-life operations. Our geographic diversification through Sanlam Developing Markets once again paid off. The majority of operations within this

business cluster delivered reasonable new business results in 2009 despite the tough economic conditions experienced by most of the markets in which these businesses operate. In 2009 Sanlam Investments bedded down its joint venture with SMC, India's fourth largest securities broking house. Sanlam International Investment Partners also formed an investment partnership with UK-based investment manager, FOUR Capital Partners. In terms of the partnership, Sanlam acquired an initial equity interest of 29,9% in the firm. The transaction is in line with our strategy of acquiring stakes in specialist asset managers in selected global markets.

Transformation remains one of the key pillars of Sanlam's business strategy, because only true qualitative change across all spheres of our business will facilitate sustainable growth into the future.

### Looking ahead

Dedicated focus on all five pillars of our strategy helped us to achieve sustainable higher returns for the Group. But the biggest mistake we could make now would be to rest on our laurels. We have proved to our shareholders, clients and other stakeholders that we are a world-class operation. We are now in a good position to accelerate our journey of transformation.

We would like to share the view of the optimists in their outlook for 2010, but remain concerned that the worst is not necessarily behind us and that the South African economy may still see further job losses this year. Inflation is likely to stay under pressure largely as a result of Eskom's tariff hikes, the oil price and wage demands. In our view the true bottom may well still be ahead of us, with a delayed recovery towards the end of this year.

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

## Executive Review

### continued

#### 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. 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.

# Comments on the Results

## Introduction

The Sanlam Group results for the year ended 31 December 2009 are presented below.

## Group Equity Value (GEV)

GEV is the aggregate of the following components:

- The embedded value of covered business, being the life insurance businesses of the Group, which comprises the required capital supporting these operations and the net present value of their in-force books of business (VIF);
- The fair value of other Group operations based on longer term assumptions, which includes the investment management, capital markets, credit, short-term insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

GEV provides an indication of the value of the Group's operations, but without placing any value on future new covered business to be written by the Group's life insurance businesses. Sustainable return on GEV is the primary performance benchmark used by the Group in evaluating the success of its strategy to maximise shareholder value.

## Group Equity Value at 31 December 2009

R million	December 2009			December 2008		
	Total	Fair value of assets	Value of in force	Total	Fair value of assets	Value of in force
Embedded value of covered business	28 988	14 247	14 741	28 591	15 013	13 578
Sanlam Personal Finance	19 884	8 098	11 786	19 574	8 275	11 299
Sanlam Developing Markets	3 479	1 363	2 116	2 796	1 032	1 764
Sanlam UK	665	217	448	680	234	446
Sanlam Employee Benefits	4 960	4 569	391	5 541	5 472	69
Other group operations	17 227	17 227	-	13 560	13 560	-
Retail cluster	2 707	2 707	-	2 287	2 287	-
Institutional cluster	7 371	7 371	-	6 000	6 000	-
Short-term insurance	7 149	7 149	-	5 273	5 273	-
Capital diversification	(700)	(700)	-	(1 429)	(1 429)	-
Other capital and net worth adjustments	2 009	2 009	-	2 416	2 416	-
	47 254	32 783	14 741	43 138	29 560	13 578
Discretionary capital	3 500	3 500	-	2 100	2 100	-
Group Equity Value	51 024	36 283	14 741	45 238	31 660	13 578

Issued shares for value per share (million)	2 063,1	2 044,2
Group Equity Value per share (cents)	2 473	2 213
Share price (cents)	2 275	1 700
Discount	-8%	-23%

## Comments on the Results

### continued

The GEV as at 31 December 2009 amounted to R51 billion, up 13% on the R45,2 billion at the end of 2008. On a per share basis GEV increased by 12% from 2 213 cents to 2 473 cents at 31 December 2009. This increase is after payment of the dividend of 98 cents per share during 2009. The Sanlam share price closed on R22,75 on 31 December 2008, an 8% discount to the GEV on that date.

As a financial services organisation, the Group has a material exposure to the investment markets, both in

respect of the shareholder capital portfolio that is invested in financial instruments, as well as a significant portion of the fee income base that is linked to the level of assets under management. After the 2008 return (-1,7%) that reflected the depressed financial markets at the time, the Group's performance recovered in 2009 in line with the stronger investment markets. Sanlam achieved a ROGEV per share of 16,2% in 2009, well up on the 11,3% target set for the year.

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

	2009		2008	
	Earnings R million	Return %	Earnings R million	Return %
<b>Sanlam Personal Finance</b>	<b>3 003</b>	<b>14,3</b>	744	3,5
Covered business	2 815	14,4	453	2,3
Other operations	188	13,2	291	24,4
<b>Sanlam Developing Markets</b>	<b>569</b>	<b>19,2</b>	648	29,6
Covered business	467	16,7	659	30,5
Other operations	102	63,8	(11)	-39,3
<b>Sanlam UK</b>	<b>(89)</b>	<b>-5,8</b>	(356)	-23,4
Covered business	(14)	-2,1	(36)	-3,9
Other operations	(75)	-8,9	(320)	-53,3
<b>Institutional cluster</b>	<b>2 607</b>	<b>22,6</b>	(723)	-5,8
Covered business	1 153	20,8	(157)	-3,0
Sanlam Investments	1 381	24,7	(547)	-8,2
Coris Administration	(70)	-129,6	16	42,1
Capital markets	143	31,8	(35)	-8,8
<b>Short-term insurance</b>	<b>2133</b>	<b>40,5</b>	(1 279)	-20,1
<b>Discretionary and other capital</b>	<b>(774)</b>		(440)	
Balance of portfolio	(334)		114	
Shares delivered to Sanlam Demutualisation Trust	-		(46)	
Intangible assets less value of in-force acquired	(87)		(43)	
Treasury shares and other	(244)		(269)	
Change in net worth adjustments	(109)		(196)	
<b>Return on Group Equity Value</b>	<b>7 449</b>	<b>16,5</b>	(1 406)	-2,7
<b>Return on Group Equity Value per share</b>		<b>16,2</b>		-1,7

Covered business yielded a return of 15,5% compared to 3,2% in 2008. An analysis of this return is set out below:

### Return on covered business for the year ended 31 December 2009

R million	2009	2008
Net value of new business	607	612
Earnings from existing business	2 430	1 885
Expected return on value of in-force	1 714	1 838
Operating experience variances	636	278
Operating assumption changes	80	(231)
Expected investment return on adjusted net worth	1 091	1 180
<b>Embedded value earnings from operations</b>	<b>4 128</b>	<b>3 677</b>
Economic assumption and tax changes	(1 206)	571
Investment variances – value of in-force	1 149	(1 435)
Investment variances – adjusted net worth	515	(1864)
Project expenses and other	(165)	(30)
<b>Total embedded value earnings</b>	<b>4 421</b>	<b>919</b>
<b>Return on covered business</b>	<b>15,5%</b>	<b>3,2%</b>

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

- Net value added by new business written of R607 million (2008: R612 million) and earnings from the existing in-force book of R2,4 billion (R1,9 billion). The increase in the latter was aided by positive experience variances of R636 million, essentially related to positive risk experience (R 363 million) and interest earned on net working capital. Operating assumption changes were overall positive, versus net negative adjustments required in 2008. The current year includes some strengthening in the mortality and persistency bases;
- The increase in long-term interest rates and the change in long-term asset mix assumptions resulted in negative changes in the economic assumptions base of R1,2 billion, compared to positive changes of R356 million in 2008;
- The assets held in policyholder portfolios were positively impacted by the improved market conditions, resulting in an increase in expected future fee income, which supports an increase in the value of the book of in-force business of R1,1 billion in 2009 compared to negative variances of R1,4 billion in 2008; and
- Positive investment return on the capital supporting the life operations of R1,6 billion compared to a negative

return of R0,7 billion in 2008. The 2009 result comprises an expected investment return of R1,1 billion (2008: R1,2 billion) and positive investment variances of R0,5 billion (2008: negative R1,9 billion). This can mostly be ascribed to the improved investment market performance in 2009.

The valuations of the **other Group operations** were strongly impacted by the turnaround in market conditions and yielded a positive return of 28% for 2009 compared to a negative return of 12% in 2008. The Group's investment in Santam was the largest contributor to this performance, following a 37% increase in the Santam share price during 2009. Compared to negative return of R1,3 billion in 2008 (20% negative return), the investment in Santam yielded a positive return of R2,1 billion (42%) in 2009, a turnaround of R3,4 billion. Non-life operations in the Institutional cluster achieved a return of 24%. This performance is directly linked to the higher overall level of assets under management following the stronger investment market performance during the year. The Group's businesses in the UK are experiencing the aftermath of the financial market crisis more severely than the South African based operations, aggravated by the strong rand exchange rate. This is reflected in the 9% negative return reported for the Sanlam UK non-life operations.

## Comments on the Results

### continued

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

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

### Earnings

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

R million	2009	2008	Δ
Net result from financial services	2 714	2 802	-3%
Net investment income	976	1 068	-9%
<b>CORE EARNINGS</b>	<b>3 690</b>	3 870	-5%
Project expenses	(28)	(56)	50%
Net equity-accounted headline earnings	41	16	156%
BEE transaction costs	(7)	(7)	-
Net investment surpluses	1 032	(1 699)	161%
Secondary Tax on Companies (STC)	(150)	(59)	-154%
Discontinued operations	-	(22)	
Amortisation of value of business acquired	(84)	(77)	-9%
<b>NORMALISED HEADLINE EARNINGS</b>	<b>4 494</b>	1 966	129%
Other non-headline earnings and impairments	(41)	(208)	80%
<b>Normalised attributable earnings</b>	<b>4 453</b>	1 758	153%

### Core earnings

Core earnings for the year of R3 690 million are 5% down on 2008, the combined effect of a lower net result from financial services for the period and a 9% decline in net investment income. On a per share basis, core earnings decreased by 3%.

The net result from financial services of R2 714 million for the 2009 financial year is 3% lower than in 2008.

### Net result from financial services for the year ended 31 December 2009

R million	2009	2008	Δ
Retail cluster	1 703	1 757	-3%
Sanlam Personal Finance	1 498	1 555	-4%
Sanlam Developing Markets	172	144	19%
Sanlam UK	33	58	-43%
Institutional cluster	890	737	21%
Sanlam Investments	593	589	1%
Sanlam Employee Benefits	154	183	-16%
Sanlam Capital Markets	143	(35)	
Short-term insurance cluster	242	439	-45%
Santam	313	494	-37%
Miway	(71)	(55)	-29%
Corporate and other	(121)	(131)	8%
<b>Net result from financial services</b>	<b>2 714</b>	<b>2 802</b>	<b>-3%</b>

- **Sanlam Personal Finance** once again produced a solid set of results with a 3% increase in its gross result from financial services for the year in spite of the difficult business environment. Administration profit decreased by 5% largely owing to increased new business strain. This was partly offset by cost-saving initiatives. Risk profits increased by 8% largely owing to improved underwriting experience. Market-related income, which contributes some 66% of Sanlam Personal Finance's profit, grew by only 2%. Lower interest rates caused a reduction in interest earned on working capital. An increase in the effective tax rate resulted in a reduction in the net operating result of 4% to R1 498 million.
- The **Sanlam Developing Markets** operations produced gross operating profit of R376 million, that is 72% up on 2008. Botswana once again made a substantial contribution to the results, in part due to the recovery in the Botswana equity markets as well as positive mortality experience on the annuity book, a reduction in the credit default provisions and a change in the accounting treatment of Letshego, a micro finance business in Botswana. Botswana Life Insurance obtained significant influence over Letshego following an increase in our shareholding and directorships. Letshego accordingly became an associate of the Group, with our portion of Letshego's profit reported as equity-accounted earnings through operating profit. All the other African operations reported lower earnings as most territories experienced the impact of the current economic environment. Also contributing to the lower earnings were lower credit life profits following a general reduction in lending activities of banks and a reduction in margins on credit life business. In South Africa the results of the Sanlam Sky operations improved by some 50% on 2008, attributable to positive expense basis changes resulting from cost control and an increase in the number of in-force policies. Net of tax and minorities the Sanlam Developing Markets operating profit is up 19%, with a higher effective tax rate impacting growth on a net basis.
- The **Sanlam UK** results reflect the tough UK operating environment. Net operating profit is down 43% on the comparable period in 2008. A strengthening of the rand / sterling exchange rate aggravated these results.

## Comments on the Results

### continued

- **Sanlam Investments'** net result from financial services of R593 million is 1% up on the comparable period in 2008. The positive investment market performance in the second half of the year supported fee income, with a marked improvement in net operating profit since the June reporting period. Excluding the impact of a release of over-provisions of some R70 million (after tax), net operating profit decreased by 11%, which is in line with the decline in the average level of assets under management in 2009 compared to 2008. Operating costs were well managed and are 4% lower than 2008, excluding the release of over-provisions.
- **Sanlam Employee Benefits** posted a 16% decline in its net result from financial services on 2008, the result of lower cash interest rates that contributed to a decrease in the interest earned on working capital as well as a disappointing increase in losses associated with the retirement fund administration business. The migration of the funds onto the new administration platform has essentially been completed and management attention will now shift to process optimisation and an improvement in cost efficiencies.
- **Sanlam Capital Markets'** net result from financial services of R143 million is a major improvement on the loss of R35 million reported in 2008. The equities division had a very strong year, driven by equity-backed finance transactions. The debt division also recorded

satisfactory results, despite continued pressure from credit valuations.

- **Santam's** net result from financial services for the period is 37% lower than 2008. A deteriorating claims experience in respect of its personal lines motor book and some large fire-related claims in the corporate division in the first half of the year resulted in an increase in the overall claims experience and a 40% decline in the gross underwriting result. Lower cash interest rates also contributed to a decrease in float income earned.
- **MiWay** recorded a R71 million net operating loss for the period. The difficult economic environment in 2009 had a negative impact on their anticipated book build towards break even. The latter part of the year, however, saw some encouraging improvement in new business volumes while maintaining an acceptable overall loss ratio.

**Net investment income** declined by 9%. This is mainly attributable to a reduction in short-term interest rates as well as the relatively lower asset base following the utilisation of some of the discretionary capital through the year.

#### *Normalised headline earnings*

Normalised headline earnings are 129% higher than the comparable period in 2008, which is in the main attributable to improved investment returns.

## Business volumes

### New business flows

New business volumes, excluding white label, increased by 3% on 2008.

#### New business volumes for the year ended 31 December 2009

R million	2009	2008	Δ
Sanlam Personal Finance	30 972	31 070	0%
South Africa	21 790	22 644	-4%
Africa	9 182	8 426	9%
Sanlam Developing Markets	2 702	2 594	4%
South Africa	1 363	1 449	-6%
Africa	1 198	968	24%
Other international	141	177	-20%
Sanlam UK	2 140	2 350	-9%
Institutional cluster	48 030	45 476	6%
Sanlam Investments	46 907	44 961	4%
Sanlam Employee Benefits	1 123	515	118%
Santam	12 896	12 165	6%
<b>New business excluding white label</b>	<b>96 740</b>	<b>93 655</b>	<b>3%</b>
White label	6 188	6 481	-5%
<b>Total new business</b>	<b>102 928</b>	<b>100 136</b>	<b>3%</b>

Overall **Sanlam Personal Finance** new business sales remained in line with the 2008 level. The South African middle-income market in particular experienced the full impact of the challenging economic environment. In these conditions Sanlam Personal Finance did well to report much improved net inflows of R7 billion, substantially due to the improved retention of investment business but also a 15% reduction in policy surrenders.

**Sanlam Developing Markets** achieved a 4% improvement in overall new business flows. This is a commendable performance given the deliberate scaling down in low-yielding single premium and non-profitable recurring premium business in South Africa and lower single premium sales in India. Businesses in the Rest of Africa continued to perform well, notwithstanding the extremely tough environment in the resource-based economies. Annuity and individual life business performed strongly in Botswana, contributing to a 37% increase on 2008. Kenya

and Ghana recorded growth in new business volumes of 30% and 23% respectively.

The **Sanlam UK** total new business volumes for the year is 9% down at R2,1 billion as its operations continue to be affected by the major slowdown in the UK economy.

The **Institutional cluster** recorded an 6% improvement in new inflows and substantial (100%) growth in net inflows to R3,3 billion. This reflects a welcome increase in new investment mandates received as well as more than a doubling in new group life business.

**Santam** recorded a 6% increase in net earned premiums, a strong performance in challenging conditions where consumers and businesses were under pressure. The growth in core business lines was above the industry average, reflecting an increased market share in intermediated business.

## Comments on the Results

### continued

#### Net fund flows

As also referred to above, the Group has been very successful in retaining funds under management and achieved net inflows for the year of R15,5 billion, 70% up on the R9,1 billion in the corresponding period in 2008.

#### Net fund flows for the year ended 31 December 2009

R million	2009	2008
Sanlam Personal Finance	7 048	3 876
Life business	2 248	1 170
Investment business	4 800	2 706
Sanlam Developing Markets	1 229	1 218
Sanlam UK	(199)	89
Institutional cluster	3 301	1 650
Sanlam Employee Benefits	(322)	(1 994)
Sanlam Investments	3 623	3 644
Santam	3 796	3 734
Net fund flows excluding white label	15 175	10 567
White label	324	(1 445)
<b>Total net fund flows</b>	<b>15 499</b>	<b>9 122</b>

#### Value of new covered business

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

**Value of new covered business for the year ended 31 December 2009**

R million	2009	2008	Δ
Value of new covered business	<b>689</b>	698	-1%
Sanlam Personal Finance	<b>320</b>	386	-17%
Sanlam Developing Markets	<b>290</b>	302	-4%
Sanlam UK	<b>14</b>	1	
Sanlam Employee Benefits	<b>65</b>	9	622%
Net of minorities	<b>607</b>	612	-1%
Present value of new business premiums	<b>26 365</b>	26 033	1%
Sanlam Personal Finance	<b>16 573</b>	17 371	-5%
Sanlam Developing Markets	<b>5 711</b>	5 332	7%
Sanlam UK	<b>951</b>	1 484	-36%
Sanlam Employee Benefits	<b>3 130</b>	1 846	70%
Net of minorities	<b>25 102</b>	24 459	3%
New covered business margin	<b>2,61%</b>	2,68%	
Sanlam Personal Finance	<b>1,93%</b>	2,22%	
Sanlam Developing Markets	<b>5,08%</b>	5,66%	
Sanlam UK	<b>1,47%</b>	0,07%	
Sanlam Employee Benefits	<b>2,08%</b>	0,49%	
Net of minorities	<b>2,42%</b>	2,50%	

**Sanlam Personal Finance's** VNB for 2009 of R320 million is 17% lower than in 2008. The performance against 2008 is the combined effect of the higher interest rates, which reduced the VNB by R61 million, and the lower new business volumes. Cost-saving initiatives as well as the switch to higher margin risk business and ad hoc premium increases dampened the impact of the lower volumes. The VNB margin is similarly impacted by the increase in interest rates, with the overall margin reducing from 2,22% in 2008 to 1,93% in 2009. Excluding the impact of the change in economic basis, margins are in line with 2008.

**Sanlam Developing Markets** recorded VNB of R290 million for 2009, which is 4% down on 2008 at an average margin of 5,08%, down from 5,66% in 2008. On a similar economic basis as 2008, VNB increased by 6% to R320 million at a margin of 5,48%. The performance against 2008 is largely the combined effect of a 13% increase in the Botswana VNB with the strong new business

performance being offset by lower annuity business margins due to the decrease in long-term interest rates, and lower business volumes and bancassurance margins earned in the other Africa operations. Net of minorities, Sanlam Developing Markets' VNB is 2% lower than in 2008.

**Sanlam Employee Benefits'** VNB increased from R9 million in 2008 to R65 million in 2009. At the same time the average margin achieved of 2,08% is well up on the 0,49% of 2008. This substantial improvement follows the increase in business volumes. R20 million of the 2009 VNB is attributable to a change in economic basis, which also provided some support to the increase in the VNB margins.

The **Sanlam UK** operations reported an improved VNB contribution of R14 million for 2009 at a margin of 1,47%. This performance is largely attributable to a change in the mix of business to more profitable products.

# Comments on the Results

## continued

### Solvency

All of the life insurance businesses within the Group were sufficiently capitalised at the end of December 2009. Sanlam Life Insurance Limited's admissible regulatory capital at the end of December 2009 covered its regulatory Capital Adequacy Requirements (CAR) 3,1 times, compared to 2,7 times on 31 December 2008. No policyholder portfolio held a negative bonus stabilisation reserve at the end of December 2009.

Santam's capital (shareholders' funds plus subordinated debt) constituted 44% of net earned premiums on 31 December 2009, which is at the higher end of the target range of 35% to 45% set by Santam.

### Dividend

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

Shareholders are advised that the cash dividend of 104 cents for the year ended 31 December 2009 is payable on

Wednesday, 5 May 2010 to ordinary shareholders recorded in the register of Sanlam at the close of business on Friday, 23 April 2010. The last date to trade to qualify for this dividend will be Friday, 16 April 2010, and Sanlam shares will trade ex-dividend from Monday, 19 April 2010.

Dividend payment by way of electronic bank transfers will be effected on Wednesday, 5 May 2010. The mailing of cheque payments in respect of dividends due to those shareholders who have not elected to receive electronic dividend payments will commence on or as soon as practically possible after this date. Share certificates may not be dematerialised or rematerialised between Monday, 19 April 2010 and Friday, 23 April 2010.

### Annual general meeting

These financial results will be tabled at the annual general meeting. Shareholders are invited to attend this meeting, to be held on Wednesday, 9 June 2010 at 14:00 at the Sanlam head office in Bellville.

Roy Andersen	Johan van Zyl
Chairman	Group Chief Executive
Sanlam Limited	
Cape Town	
10 March 2010	

# 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 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.

## Basis of preparation and presentation – shareholders' fund information

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

The shareholders' fund information includes the following:

- Consolidated shareholders' fund at net asset value, together with a consolidated shareholders' fund income statement and related notes (refer pages 38 to 65);
- Shareholders' fund at fair value (refer page 36); and
- GEV and ROGEV information (refer pages 30 to 35).

### *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, and are based on the following accounting policies:

### **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

## Basis of preparation and presentation continued

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

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Home Loans, Sanlam Personal Loans, Shriram Life Insurance, Shriram General Insurance, Letshego Coris Administration and the Group's life insurance associates in Africa. The equity-accounted earnings from operating associates and joint ventures are included in the net result from financial services.
- Non-operating associates and joint ventures include investments held as part of the Group's balanced investment portfolio. The Sanlam Group's equity-accounted investments are the main non-operating associates and joint ventures. Dividends received from non-operating associates and joint ventures are included in core earnings. The remainder of equity-accounted retained earnings are reflected as equity-accounted earnings.

### Core earnings

A Sanlam core earnings figure is presented as an earnings measure that excludes items of a volatile or once-off nature. Core earnings comprise the net result from financial services and net investment income earned on the shareholders' fund, but exclude abnormal and non-recurring items as well as investment surpluses. Net investment income includes dividends received from non-operating associated companies and joint ventures but excludes the remaining equity-accounted retained earnings.

### Normalised earnings per share

As discussed under the policy note for 'Consolidation reserve' above, the IFRS prescribed accounting treatment of the policyholders' fund's investments in Sanlam shares and Group subsidiaries creates artificial accounting mismatches with a consequential impact on the Group's IFRS earnings. In addition, the number of shares in issue used for the calculation of IFRS basic and diluted earnings per share must also be reduced with the treasury shares held by the policyholders' fund. This is in the Group's opinion not a true representation of the earnings attributable to the Group's shareholders, specifically in instances where the share prices and/or the number of

shares held by the policyholders' fund change significantly during the reporting period. The Group therefore calculates normalised diluted earnings per share to eliminate fund transfers relating to the investments in Sanlam shares and Group subsidiaries held by the policyholders' fund.

### Fund flows

The notes to the shareholders' fund information also provide information in respect of fund flows relating to the Group's assets under management. These fund flows have been prepared in terms of the following bases:

#### *Funds received from clients*

Funds received from clients include single and recurring long- and short-term insurance premium income from insurance and investment policy contracts, which are recognised in the financial statements. It also includes contributions to collective investment schemes and non-life insurance linked-products as well as inflows of segregated funds, which are not otherwise recognised in the financial statements as they are funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

White label fund flows relate to business where the Group is principally providing administrative or life licence services to third party institutions. White label business is by nature low margin business and subject to volatile cash flows.

Funds received from clients include the Group's effective share of funds received from clients by strategic operational associates and joint ventures.

#### *New business*

In the case of long-term insurance business the annualised value of all new policies (insurance and investment contracts) that have been issued during the financial year and have not subsequently been refunded, is regarded as new business.

All segregated fund inflows, inflows to collective investment schemes and short-term insurance premiums are regarded as new business.

New business includes the Group's share of new business written by strategic operational associates and joint ventures.

## Basis of preparation and presentation continued

### *Payments to clients*

Payments to clients include policy benefits paid in respect of long- and short-term insurance and investment policy contracts, which are recognised in the financial statements. It also includes withdrawals from collective investment schemes and non-life insurance linked-products as well as outflows of segregated funds, which are not otherwise recognised in the financial statements as they relate to funds held on behalf of and at the risk of clients. Transfers between the various types of business, other than those resulting from a specific client instruction, are eliminated.

White label fund flows relate to business where the Group is principally providing administrative or life licence services to third party institutions. White label business is by nature low margin business and subject to volatile cash flows.

Payments to clients include the Group's effective share of payments to clients by strategic operational associates and joint ventures.

### *Shareholders' fund at fair value*

The shareholders' fund at fair value is prepared from the consolidated shareholders' fund by replacing the net asset value of the Group operations that are not part of covered business, with the fair value of these businesses. Fair values for listed businesses are determined by using stock exchange prices and for unlisted businesses by using directors' valuations.

### *Group Equity Value*

GEV is the aggregate of the following components:

- The embedded value of covered business, which comprises the required capital supporting these operations (also referred to as adjusted net worth) and their net value of in-force business;
- The fair value of other Group operations based on longer-term assumptions, which includes the investment management, capital markets, short-term insurance and the non-covered wealth management operations of the Group; and
- The fair value of discretionary and other capital.

GEV is calculated by adjusting the shareholders' fund at fair value with the following:

- Adjustments to net worth; and
- Goodwill and the value of business acquired intangible assets relating to covered business are replaced by the value of the in-force book of covered business.

Although being a measure of value, GEV is not equivalent to the economic value of the Group as the embedded value of covered business does not allow for the value of future new business. An economic value may be derived by adding to the GEV an estimate of the value of the future sales of new covered business, often calculated as a multiple of the value of new covered business written during the past year.

The GEV is inherently based on estimates and assumptions, as set out in this basis of preparation and as also disclosed under critical accounting estimates and judgements in the annual financial statements. It is reasonably possible that outcomes in future financial years will be different to the current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analyses are provided to changes from the base estimates and assumptions within the Shareholders' information.

### *Adjustments to net worth*

#### *Present value of corporate expenses*

GEV is determined by deducting the present value of corporate expenses, by applying a multiple to the after tax corporate expenses. This adjustment is made as the embedded value of covered business and the fair value of other Group operations do not allow for an allocation of corporate expenses.

#### *Share incentive schemes granted on subsidiaries' own shares*

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

#### *Share incentive schemes granted on Sanlam shares*

Long-term incentives granted by the Group on Sanlam

## Basis of preparation and presentation continued

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

### *Return on Group Equity Value*

The ROGEV is equal to the change in GEV during the reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of the period.

### *Adjusted return on Group Equity Value*

As stated above, optimising shareholder value through maximising ROGEV is the Sanlam Group's key strategic objective. Given the nature of the Group's operations and the level of required capital, the return on investment markets has a significant impact on the ROGEV reported for a specific period. The Group's success in achieving its return target is accordingly measured on a cumulative basis since demutualisation in 1998 to eliminate the distortion caused by market highs and lows. In evaluating the Group's results for a specific reporting period it is important to exclude the impact of investment market volatility in that period. Adjusted ROGEV is presented on this basis to provide an indication of the Group's underlying, longer-term performance.

The actual ROGEV for a reporting period is adjusted as follows to determine the equivalent adjusted ROGEV:

### **Key assumptions**

Where applicable, the economic assumptions used for the embedded value of covered business at the end of the previous financial year (base economic assumptions or base return assumptions) remain constant for the reporting period and are assumed to have materialised. Deviations in adjusted ROGEV are therefore only affected by the result of operational performance. No adjustment is made for the impact of changes in foreign exchange rates on non-South African businesses.

### **Investment return**

The investment return earned on shareholder assets is adjusted by replacing the actual return with an assumed return based on the base return assumptions. Both the actual and assumed returns are adjusted for taxation as appropriate.

### **Assets under management**

Where assets under management (AUM) forms the base for the valuation of a business at fair value, it is assumed that the applicable AUM increased over the reporting period by:

- The actual net flows recorded for the period; and
- An adjusted investment return on the respective portfolios. The actual return earned on the portfolios is replaced by an assumed return based on the base return assumptions, adjusted for any actual over- or underperformance compared to benchmarks. The adjusted AUM is therefore not impacted by market movement variances compared to the base return assumptions, but any over- or underperformance against the benchmark will impact the level of AUM.

The price to AUM ratio is kept constant unless changes in the underlying performance, business model or risk profile of the business justify a change.

### **Risk premiums**

The risk premium applied to determine the risk discount rate for valuation purposes is adjusted if justified by changes in the underlying operational performance, business model or risk profile of the business.

### **Return on value of in-force**

Items relating to economic assumptions, investment market returns and ad hoc adjustments are excluded from adjusted ROGEV on the basis that they are not under management's control. These will include economic assumption changes, investment variances, tax changes and other similar changes.

### **Project expenses**

Project expenses are excluded from adjusted ROGEV given that the potential benefits from the projects will only be

## Basis of preparation and presentation continued

realised over the longer term and are therefore not reflected in shorter measurement periods.

### Listed businesses

For adjusted ROGEV purposes the actual investment return earned on listed businesses is replaced by an assumed return equal to the base return assumptions. Listed businesses are accordingly treated similar to other equity portfolio investments.

### Basis of preparation and presentation – embedded value of covered business

The Group's embedded value of covered business information is prepared in accordance with PGN107 (version 5), the guidance note on embedded value financial disclosures of South African long-term insurers issued by the Actuarial Society of South Africa (Actuarial Society). Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders.

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

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

### Covered business

Covered business includes all material long-term insurance business that is recognised in the Sanlam Group financial statements. 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.

## Basis of preparation and presentation continued

The capital allocated to covered business is funded from two main sources:

- A balanced investment portfolio, comprising investments in equities, hedged equities, property, fixed interest securities, cash and subordinated debt funding. The subordinated debt funding liability is matched by ring-fenced bonds and other liquid assets held as part of the balanced investment portfolio; and
- Capital diversification, where the net asset value of other Group operations are used to cover a portion of the required capital.

Given the asset mix of the balanced investment portfolio, the fair value of this portfolio will fluctuate commensurately with changes in investment market returns. The difference between the fair value of the balanced investment portfolio and the required capital is funded from capital diversification to the extent available. The utilisation of capital diversification will accordingly change commensurately with changes in the fair value of the balanced investment portfolio. Changes in the utilisation of capital diversification are presented separately in the analysis of change in embedded value of covered business.

Transfers are made to or from adjusted net worth on an annual basis for the following:

- Transfers of net operating profit. These transfers relate to dividends paid from covered business in terms of the Group's internal dividend policy to fund the dividend payable to Sanlam Limited shareholders; and
- Transfers to or from the balanced investment portfolio. Any capital in the portfolio that is in excess of the requirements of the covered business is transferred to discretionary capital in terms of the Group's capital management framework.

### Net value of in-force business

The net value of in-force business consists of:

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

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

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

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

### *Cost of required capital*

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

### *Value of new business*

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

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases

## Basis of preparation and presentation continued

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 44, 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

## Basis of preparation and presentation continued

indication of the impact of changes in the applied risk discount rate.

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

### *Foreign currencies*

Changes in the embedded value of covered business, as well as the present value of new business premiums, of foreign operations are converted to South African rand at the weighted average exchange rates for the financial year, except where the average exchange rate is not representative of the timing of specific changes in the embedded value of covered business, in which instances the exchange rate on transaction date is used. The closing rate is used for the conversion of the embedded value of covered business at the end of the financial year.

### *Assumptions*

#### *Best estimate assumptions*

The embedded value calculation is based on best estimate assumptions. The assumptions are reviewed actively and changed when evidence exists that material changes in the expected future experience are reasonably certain. The best estimate assumptions are also used as basis for the statutory valuation method, to which compulsory and discretionary margins are added for the determination of policy liabilities in the financial statements.

It is reasonably possible that outcomes in future financial years will be different to these current best estimate assumptions, possibly significantly, impacting on the reported embedded value of covered business. Accordingly, sensitivity analyses are provided for the value of in-force and value of new business.

#### *Economic assumptions*

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

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

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

### *Assets backing required capital*

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

### *Demographic assumptions*

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

### *HIV/Aids*

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

### *Expense assumptions*

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

### *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.

## Basis of preparation and presentation continued

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

### *Investment management fees*

Future investment expenses are based on the current scale of fees payable by the Group's life insurance businesses to the relevant asset managers. To the extent that this scale of fees includes profit margins for Sanlam Investment Management, these margins are not included in the value of in-force covered business and value of new business, as they are incorporated in the valuation of the Sanlam Investments businesses at fair value.

### *Taxation*

Projected taxation is based on the current tax basis that applies in each country.

Allowance has been made for the impact of capital gains tax on investments in South Africa, assuming a five year roll-over period.

Allowance is made for secondary tax on companies (STC) in the value of in-force covered business and the value of new business at a rate of 10% by placing a present value on the tax liability generated by the net cash dividends paid that are attributable to covered business. It is assumed that all future dividends will be paid in cash.

### *Earnings from covered business*

The embedded value earnings from covered business for the period are equal to the change in embedded value, after adjustment for any transfers to or from discretionary capital, and are analysed into three main components:

- *Value of new business*  
The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.
- *Net earnings from existing covered business*  
*Expected return on value of covered business*  
The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

### *Operating experience variances*

The calculation of embedded values is based on assumptions regarding future experiences including discontinuance rates (how long policies will stay in force), risk (mortality and morbidity) and future expenses. Actual experience may differ from these assumptions. The impact of the difference between actual and assumed experience for the period is reported as operating experience variances.

### *Operating assumption changes*

Operating assumption changes consist of the impact of changes in assumptions at the end of the reporting period (compared to those used at the end of the previous reporting period) for operating experience, excluding economic or taxation assumptions. It also includes certain model refinements.

### ○ *Expected investment return on adjusted net worth*

The expected investment return on adjusted net worth attributable to shareholders is calculated using the future investment return assumed at the start of the reporting period.

The total embedded value earnings from covered business include two further main items:

### ○ *Economic assumption changes*

The impact of changes in external economic conditions, including the effect that changes in interest rates have on risk discount rates and future investment return assumptions, on the embedded value of covered business.

### ○ *Investment variances*

#### *Investment variances – value of in-force*

The impact on the value of in-force business caused by differences between the actual investment return earned on policyholder fund assets during the reporting period and the expected return based on the economic assumptions used at the start of the reporting period.

#### *Investment variances – investment return on adjusted net worth*

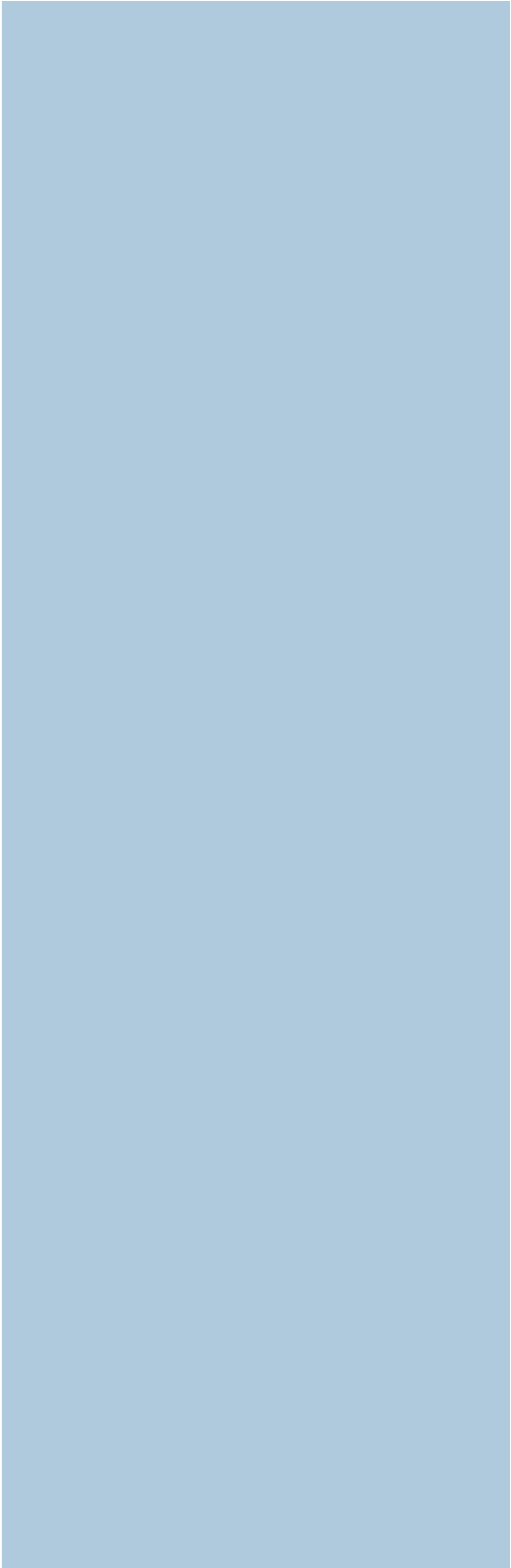
Investment return variances caused by differences between the actual investment return earned on shareholders' fund assets during the reporting period and the expected return based on economic assumptions used at the start of the reporting period.

# Shareholders' Information

for the year ended 31 December 2009

## Contents

Group Equity Value	30
Change in Group Equity Value	32
Return on Group Equity Value	33
Adjusted return on Group Equity Value	34
Shareholders' fund at fair value	36
Shareholders' fund income statement	40
Notes to the shareholders' fund information	44
Embedded value of covered business	66



# Sanlam Group Group Equity Value

at 31 December 2009

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

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

<sup>(1)</sup> Refer embedded value of covered business on page 66.

# Sanlam Group

## Change in Group Equity Value

for the year ended 31 December 2009

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

<sup>(1)</sup> Refer embedded value of covered business on page 66.

# Sanlam Group Return on Group Equity Value

for the year ended 31 December 2009

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

<sup>(1)</sup>Refer embedded value of covered business on page 66.

R million	2009	2008
<b>Reconciliation of return on Group Equity Value:</b>		
The return on Group Equity Value reconciles as follows to normalised attributable earnings:		
Normalised attributable earnings per shareholders' fund income statement on page 40	<b>4 453</b>	1 758
Earnings recognised directly in equity	<b>120</b>	115
Dilution from Santam treasury share transactions	<b>(19)</b>	(19)
Share-based payments	<b>139</b>	134
Net foreign currency translation gains recognised in other comprehensive income	<b>(309)</b>	60
Movement in fair value adjustment – shareholders' fund at fair value	<b>2 442</b>	(2 724)
Movement in adjustments to net worth	<b>(139)</b>	(200)
Present value of holding company expenses	<b>(113)</b>	(259)
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	<b>4</b>	63
Intangible assets less value of in-force acquired	<b>(30)</b>	(4)
Treasury shares and other	<b>(244)</b>	(271)
Growth from covered business: value of in-force <sup>(1)</sup>	<b>1 126</b>	(144)
<b>Return on Group Equity Value</b>	<b>7 449</b>	(1 406)

<sup>(1)</sup>Refer embedded value of covered business on page 66.

# Sanlam Group

## Adjusted return on Group Equity Value

for the year ended 31 December 2009

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

# Sanlam Group

## Group Equity Value sensitivity analysis

at 31 December 2009

Given the Group's exposure to financial instruments, market risk has a significant impact on the value of the Group's operations as measured by Group Equity Value. The sensitivity of Group Equity Value to market risk is presented in the table below and comprises of the following two main components:

- Impact on net result from financial services (profitability): A large portion of the Group's fee income is linked to the level of assets under management. A change in the market value of investments managed by the Group on behalf of policyholders and third parties will commensurately have a direct impact on the Group's net result from financial services. The present value of this impact is reflected in the table below as the change in the value of in-force and the fair value of other operations.
- Impact on capital: The Group's capital base is invested in financial instruments and any change in the valuation of these instruments will have a commensurate impact on the value of the Group's capital. This impact is reflected in the table below as the change in the fair value of the covered business' adjusted net worth as well as the fair value of discretionary and other capital.

The following scenarios are presented:

- Equity markets and property values decrease by 10%, without a corresponding change in dividend and rental yields.
- Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately.
- The rand depreciates by 10% against all currencies, apart from the Namibian dollar.

The Group's covered business is also exposed to non-market risks, which includes expense, persistency, mortality and morbidity risk. The sensitivity of the value of in-force business, and commensurately Group Equity Value, to these risks is presented in note 1 on page 69.

		Equities and properties	Interest rates	Rand exchange rate depreciation
	Base value	-10%	-1%	+10%
<b>2009</b>				
<i>R million</i>				
Covered business	28 988	28 279	29 531	29 082
Adjusted net worth	14 247	14 247	14 247	14 247
Value of in-force	14 741	14 032	15 284	14 835
Other group operations	17 227	16 190	17 498	17 464
Valued at net asset value	1 075	1 075	1 075	1 075
Listed	7 169	6 452	7 169	7 169
Other	8 983	8 663	9 254	9 220
Group operations	46 215	44 469	47 029	46 546
Capital diversification	(700)	(1 274)	(693)	(537)
Discretionary and other capital	6 701	6 573	6 737	6 831
Group Equity Value before adjustments to net worth	52 216	49 768	53 073	52 840
Net worth adjustments	(1 192)	(1 189)	(1 192)	(1 192)
Present value of holding company expenses	(1 165)	(1 165)	(1 165)	(1 165)
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	(27)	(24)	(27)	(27)
<b>Group Equity Value</b>	<b>51 024</b>	<b>48 579</b>	<b>51 881</b>	<b>51 648</b>
<b>2008</b>				
Covered business	28 591	27 774	29 055	28 723
Adjusted net worth	15 013	15 013	15 013	15 013
Value of in-force	13 578	12 761	14 042	13 710
Other group operations	13 560	12 775	13 800	13 720
Valued at net asset value	590	590	590	590
Listed	5 048	4 543	5 048	5 048
Other	7 922	7 642	8 162	8 082
Group operations	42 151	40 549	42 855	42 443
Capital diversification	(1 429)	(2 419)	(1 439)	(1 233)
Discretionary and other capital	5 599	5 515	5 701	5 678
Group Equity Value before adjustments to net worth	46 321	43 645	47 117	46 888
Net worth adjustments	(1 083)	(1 080)	(1 083)	(1 083)
Present value of holding company expenses	(1 052)	(1 052)	(1 052)	(1 052)
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	(31)	(28)	(31)	(31)
<b>Group Equity Value</b>	<b>45 238</b>	<b>42 565</b>	<b>46 034</b>	<b>45 805</b>

# Sanlam Group Shareholders' fund at fair value

at 31 December 2009

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

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

<sup>(1)</sup> Group businesses listed above are not consolidated, but reflected as investments at fair value.

<sup>(2)</sup> 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.

<sup>(3)</sup> The carrying value of Shriram Life Insurance includes goodwill of R190 million that is excluded in the build-up of the Group Equity Value, as the current value of in-force business for Shriram Life Insurance is included in the embedded value of covered business.

<sup>(4)</sup> The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.

# Sanlam Group Shareholders' fund at net asset value

at 31 December 2009

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

<sup>(1)</sup>Includes the operations of Sanlam Personal Finance and Sanlam Employee Benefits as well as discretionary capital held by Sanlam Life. Equities and similar securities include an investment of R2 559 million (2008: R2 426 million) in Sanlam shares, which is eliminated in the consolidation column.

<sup>(2)</sup>Includes discretionary capital held by Sanlam Developing Markets.

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

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

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

# Sanlam Group

## Shareholders' fund income statement

for the year ended 31 December 2009

<i>R million</i>	Note	Sanlam Personal Finance		Sanlam Developing Markets		Sanlam UK	
		2009	2008	2009	2008	2009	2008
Financial services income	9	6 846	6 678	3 966	3 115	367	399
Sales remuneration		(1 133)	(1 105)	(1 084)	(927)	(57)	(62)
Income after sales remuneration		5 713	5 573	2 882	2 188	310	337
Underwriting policy benefits		(1 635)	(1 631)	(1 522)	(1 138)	—	—
Administration costs	10	(2 047)	(1 967)	(984)	(832)	(275)	(269)
<b>Result from financial services before tax</b>		<b>2 031</b>	<b>1 975</b>	<b>376</b>	<b>218</b>	<b>35</b>	<b>68</b>
Tax on financial services income	11	(508)	(400)	(103)	(23)	(6)	(12)
<b>Result from financial services after tax</b>		<b>1 523</b>	<b>1 575</b>	<b>273</b>	<b>195</b>	<b>29</b>	<b>56</b>
Minority shareholders' interest		(25)	(20)	(101)	(51)	4	2
<b>Net result from financial services</b>	12	<b>1 498</b>	<b>1 555</b>	<b>172</b>	<b>144</b>	<b>33</b>	<b>58</b>
Net investment income		484	571	57	59	15	24
Dividends received – Group companies		110	86	—	—	—	—
Other investment income	13	483	600	107	118	16	26
Tax on investment income	11	(109)	(115)	(27)	(28)	(1)	(2)
Minority shareholders' interest		—	—	(23)	(31)	—	—
<b>Core earnings</b>		<b>1 982</b>	<b>2 126</b>	<b>229</b>	<b>203</b>	<b>48</b>	<b>82</b>
Project expenses		(27)	(46)	(1)	(7)	—	—
Amortisation of value of business acquired		(7)	(4)	(49)	(49)	(22)	(24)
BEE transaction costs		—	—	—	—	—	—
Net equity-accounted headline earnings		—	—	1	(10)	—	—
Equity-accounted headline earnings		—	—	2	(19)	—	—
Minority shareholders' interest		—	—	(1)	9	—	—
Net investment surpluses		1 157	(1 940)	(18)	(57)	—	—
Investment surpluses – Group companies		551	(900)	—	—	—	—
Other investment surpluses		741	(1 195)	(71)	(125)	—	—
Tax on investment surpluses	11	(135)	155	21	22	—	—
Minority shareholders' interest		—	—	32	46	—	—
Secondary tax on companies – after minorities		(94)	2	—	(26)	—	—
Net loss from discontinued operations		—	—	—	—	—	—
Loss from discontinued operations		—	—	—	—	—	—
Minority shareholders' interest		—	—	—	—	—	—
<b>Normalised headline earnings</b>		<b>3 011</b>	<b>138</b>	<b>162</b>	<b>54</b>	<b>26</b>	<b>58</b>
Other equity-accounted earnings		—	—	—	—	—	33
Profit/(loss) on disposal of subsidiaries		—	—	—	—	—	—
Net profit/(loss) on disposal of associated companies		—	—	—	—	—	—
Impairments		(51)	(58)	—	(1)	33	(126)
<b>Normalised attributable earnings</b>	14	<b>2 960</b>	<b>80</b>	<b>162</b>	<b>53</b>	<b>59</b>	<b>(35)</b>
Fund transfers		—	—	—	—	—	—
<b>Attributable earnings per Group statement of comprehensive income</b>		<b>2 960</b>	<b>80</b>	<b>162</b>	<b>53</b>	<b>59</b>	<b>(35)</b>
<b>Ratios</b>							
Admin ratio <sup>(1)</sup>		35,8%	35,3%	34,1%	38,0%	88,7%	79,8%
Operating margin <sup>(2)</sup>		35,6%	35,4%	13,0%	10,0%	11,3%	20,2%
<b>Diluted earnings per share</b>	15						
Adjusted weighted average number of shares (million)		73,0	74,3	8,4	6,9	1,6	2,8
Net result from financial services (cents)		73,0	74,3	8,4	6,9	1,6	2,8
Core earnings (cents)		73,0	74,3	8,4	6,9	1,6	2,8

<sup>(1)</sup>Administration costs as a percentage of income earned by the shareholders' fund less sales remuneration.

<sup>(2)</sup>Result from financial services before tax as a percentage of income earned by the shareholders' fund less sales remuneration.

	Sanlam Employee Benefits		Short-term Insurance		Sanlam Investments		Sanlam Capital Markets		Subtotal: Operating businesses	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	2 190 (41)	2 059 (40)	13 345 (1 915)	12 274 (1 727)	2 106 —	2 259 —	409 —	107 —	29 229 (4 230)	26 891 (3 861)
	2 149 (1 653) (282)	2 019 (1 511) (250)	11 430 (9 100) (1 584)	10 547 (8 007) (1 379)	2 106 — (1 273)	2 259 — (1 434)	409 — (236)	107 — (168)	24 999 (13 910) (6 681)	23 030 (12 287) (6 299)
	214 (60)	258 (75)	746 (257)	1 161 (345)	833 (201)	825 (190)	173 (30)	(61) 26	4 408 (1 165)	4 444 (1 019)
	154 —	183 —	489 (247)	816 (377)	632 (39)	635 (46)	143 —	(35) —	3 243 (408)	3 425 (492)
	154 252	183 278	242 116	439 127	593 4	589 17	143 —	(35) —	2 835 928	2 933 1 076
	— 325 (73) —	— 343 (65) —	— 252 (17) (119)	— 208 18 (99)	— 9 (2) (3)	— 38 (8) (13)	— — — —	— — — —	110 1 192 (229) (145)	86 1 333 (200) (143)
	406 — — — —	461 — — — —	358 — (6) (7) 39	566 (3) — (7) 17	597 — — — 1	606 — — — (10)	143 — — — —	(35) — — — —	3 763 (28) (84) (7) 41	4 009 (56) (77) (7) (3)
	— —	— —	69 (30)	30 (13)	2 (1)	(6) (4)	— —	— —	73 (32)	5 (8)
	408	(546)	155	(210)	32	(27)	—	—	1 734	(2 780)
	— 499 (91) —	— (627) 81 —	— 300 (45) (100)	— (686) 329 147	— 39 — (7)	— (33) 8 (2)	— — — —	— — — —	551 1 508 (250) (75)	(900) (2 666) 595 191
	— —	— —	(23) —	(14) (22)	— —	— —	— —	— —	(117) —	(38) (22)
	— —	— —	— —	(41) 19	— —	— —	— —	— —	— —	(41) 19
	814 — — (23)	(85) — — —	516 — 37 (3)	327 — 36 (5)	630 — (2) (11)	569 — (33) (10)	143 — — —	(35) — — —	5 302 — 35 (55)	1 026 33 3 (200)
	791 —	(85) —	550 —	358 —	617 —	526 —	143 —	(35) —	5 282 —	862 —
	791	(85)	550	358	617	526	143	(35)	5 282	862
	13,1% 10,0%	12,4% 12,8%	13,9% 6,5%	13,1% 11,0%	60,4% 39,6%	63,5% 36,5%	57,7% 42,3%	157,0% (57,0%)	26,7% 17,6%	27,4% 19,3%
	7,5	8,7	11,8	21,0	28,9	28,1	7,0	(1,7)	138,1	140,1

# Sanlam Group

## Shareholders' fund income statement continued

for the year ended 31 December 2009

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

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

# Notes to the shareholders' fund information

for the year ended 31 December 2009

## 1. Analysis of new business and total funds received

Analysed per business, reflecting the split between life and non-life business

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

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

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

<sup>(1)</sup> Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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

for the year ended 31 December 2009

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

## 2. Analysis of payments to clients

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

# Notes to the shareholders' fund information

for the year ended 31 December 2009

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

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

<sup>(1)</sup> Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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

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

<sup>(1)</sup> Life insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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

for the year ended 31 December 2009

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

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

# Notes to the shareholders' fund information

for the year ended 31 December 2009

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

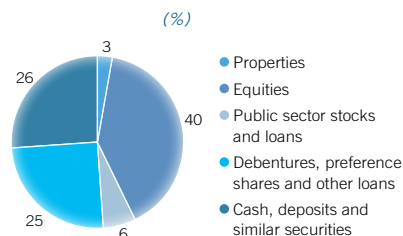
<sup>(1)</sup>Includes business flows between Group businesses, which are eliminated in note 3. Note 3 includes risk underwriting benefits recognised in the income statement, which are excluded for assets under management fund flows, as the premiums charged for risk underwriting are included in this analysis.

#### 4. Assets under management (continued)

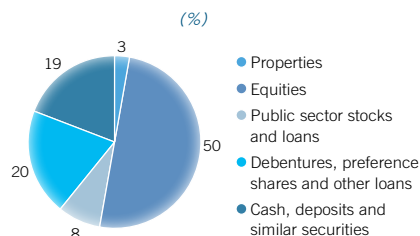
	Average assets (R million)	Administration costs (bps)	Margin (bps)
<b>Profitability of assets under management</b>			
<b>31 December 2009</b>			
Sanlam Personal Finance	202 642	101	100
Life insurance	156 665	112	121
Other	45 977	62	33
Sanlam Developing Markets	16 412	600	229
Sanlam UK	29 687	93	12
Life 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
<b>31 December 2008</b>			
Sanlam Personal Finance	200 303	98	99
Life insurance	156 709	115	115
Other	43 594	49	27
Sanlam Developing Markets	17 105	486	127
Sanlam UK	34 365	78	20
Life insurance	22 466	80	20
Other	11 899	75	18
Sanlam Employee Benefits	39 634	63	65
Sanlam Investments	436 163	33	19
Wholesale and retail	420 017	29	19
White label	16 146	131	11

#### 5. Investments

Total shareholders' fund investment mix 2009



Total shareholders' fund investment mix 2008



Rmillion	2009	2008
<b>5.1 Investment in associated companies</b>		
Punter Southall Group	258	219
Letshego	308	—
Other associated companies	558	469
<b>Total investment in associated companies</b>	<b>1 124</b>	<b>688</b>

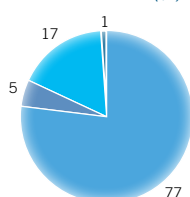
Details of the investments in the material associated companies are reflected in note 7 of the Sanlam Group financial statements.

# Notes to the shareholders' fund information

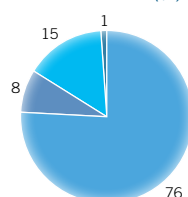
for the year ended 31 December 2009

<i>R million</i>	2009	2008
<b>5. Investments (continued)</b>		
<b>5.2 Investment in joint ventures</b>		
Sanlam Personal Loans	133	44
Sanlam Home Loans	120	133
Shriram Life Insurance	247	208
Shriram General Insurance	115	115
Other joint ventures	225	129
<b>Total investment in joint ventures</b>	<b>840</b>	<b>629</b>
Details of the investments in material joint ventures are reflected in note 7 of the Sanlam Group financial statements.		
<b>5.3 Equities and similar securities</b>		
Listed on the JSE – at market value	8 796	11 380
Unlisted equity and derivative investments – at directors' valuation	522	1 253
Offshore equity investments	1 955	2 281
Collective investment schemes	151	195
<b>Total equity investments</b>	<b>11 424</b>	<b>15 109</b>

**Total shareholders' fund equity mix 2009**  
(%)



**Total shareholders' fund equity mix 2008**  
(%)



<i>%</i>	2009	2008
<b>Spread of investments in equities listed on the JSE by sector<sup>(1)</sup></b>		
Basic industries	23,6	19,2
Consumer goods	8,6	5,0
Consumer services	10,3	9,4
Financials	20,0	12,7
General industrials	10,9	10,5
Information technology	—	0,3
Healthcare	1,2	1,1
Telecommunications	8,9	8,0
Other	16,5	33,8
	<b>100,0</b>	<b>100,0</b>

<sup>(1)</sup>Excludes offshore equities, derivatives, collective investment schemes and unlisted investments and includes the appropriate underlying investments of Santam.

<i>R million</i>	2009	2008
<b>5.4 Offshore investments</b>		
Equities	1 955	2 281
Interest-bearing investments	455	1 008
Investment properties	54	142
<b>Total offshore investments</b>	<b>2 464</b>	<b>3 431</b>

## 5. Investments (continued)

### 5.5 Derivative instruments

Details of the derivative instruments held by the shareholders' fund are as follows:

<i>R million</i>	Residual term to contractual maturity			Total notional amounts	Analysed by use		Total fair value of amounts
	< 1 year	1 – 5 years	> 5 years		Trading	Asset liability manage- ment	
<b>2009</b>							
<b>Interest rate products over-the-counter</b>							
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)
<b>Total interest rate products</b>	<b>7 182</b>	<b>(3 032)</b>	<b>2 524</b>	<b>6 674</b>	<b>5 990</b>	<b>684</b>	<b>(17)</b>
<b>Market risk products</b>							
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
<b>Total market risk products</b>	<b>2 041</b>	<b>59</b>	<b>—</b>	<b>2 100</b>	<b>(2 544)</b>	<b>4 644</b>	<b>33</b>
<b>2008</b>							
<b>Interest rate products over-the-counter</b>							
Swap contracts – bought	67 625	20 450	35 885	123 960	122 939	1 021	(6)
Swap contracts – sold	(56 836)	(16 116)	(36 533)	(109 485)	(109 485)	—	—
<b>Total interest rate products</b>	<b>10 789</b>	<b>4 334</b>	<b>(648)</b>	<b>14 475</b>	<b>13 454</b>	<b>1 021</b>	<b>(6)</b>
<b>Market risk products</b>							
Cliquet structures – bought	1 590	412	—	2 002	1 702	300	(28)
Collar structures – bought	786	565	—	1 351	—	1 351	(104)
Forward purchase of shares							
Local – bought	824	—	—	824	824	—	—
Fence structures							
Local – bought	327	301	—	628	—	628	7
Local – sold	(1 039)	(1 045)	—	(2 084)	(2 069)	(15)	—
<b>Total market risk products</b>	<b>2 488</b>	<b>233</b>	<b>—</b>	<b>2 721</b>	<b>457</b>	<b>2 264</b>	<b>(125)</b>

#### Register of investments

A register containing details of all investments, including fixed property investments, is available for inspection at the registered office of Sanlam Limited.

# Notes to the shareholders' fund information

for the year ended 31 December 2009

<i>R million</i>	2009	2008
<b>6. Short-term insurance technical assets and provisions</b>		
Details of short-term insurance technical assets and provisions are reflected in note 9 of the Sanlam Group financial statements.		
<b>7. Trade and other receivables</b>		
Premiums receivable	2 731	2 279
Accrued investment income	257	625
Trading account and money market investments	13 290	15 862
Amounts due from reinsurers	591	815
Accounts receivable	2 703	3 047
<b>Total trade and other receivables</b>	<b>19 572</b>	<b>22 628</b>
<b>8. Trade and other payables</b>		
Trading account	13 218	14 562
Accounts payable	5 569	5 376
Policy benefits payable	2 515	3 129
Amounts due to reinsurers	831	876
Bank overdrafts	3	29
<b>Total working capital liabilities</b>	<b>22 136</b>	<b>23 972</b>
<b>9. Financial services income</b>		
From external customers	28 753	26 571
From internal customers	563	398
<b>Financial services income</b>	<b>29 316</b>	<b>26 969</b>
<b>Equity-accounted earnings included in financial services income:</b>		
Sanlam Personal Finance	2	(46)
Sanlam Developing Markets	16	—
Sanlam UK	7	24
Sanlam Employee Benefits	(21)	(11)
Sanlam Investments	27	—
Corporate and other	—	1
	<b>31</b>	<b>(32)</b>
<b>10. Administration cost</b>		
<b>Depreciation included in administration costs:</b>		
Sanlam Personal Finance	79	82
Sanlam Developing Markets	24	28
Sanlam UK	3	4
Short-term Insurance	58	48
Sanlam Investments	5	5
Sanlam Capital Markets	3	16
	<b>172</b>	<b>183</b>

<i>R million</i>	2009	2008
<b>11. Taxation</b>		
Result from financial services	4 242	4 260
Tax on result from financial services	(1 120)	(966)
Investment return	2 731	(1 083)
Investment income	1 368	1 432
Investment surpluses	1 363	(2 515)
Tax on investment return	(503)	404
Investment income	(247)	(221)
Investment surpluses	(256)	625
<b>%</b>	<b>2009</b>	<b>2008</b>
<b>Reconciliation of tax rate on result from financial services</b>		
Effective tax rate	26,4	22,7
Standard rate of taxation	28,0	28,0
Adjusted for:		
Non-taxable income	(2,6)	(2,3)
Disallowable expenses	0,4	0,1
Share-based payments	0,4	0,3
Prior year adjustments	(0,2)	(1,9)
Foreign tax rate differential	(0,4)	(1,0)
Other	0,8	(0,5)
<b>Effective tax rate on result from financial services</b>	<b>26,4</b>	<b>22,7</b>
<b>Reconciliation of tax rate on investment return</b>		
Effective tax rate	18,4	37,3
Standard rate of taxation	28,0	28,0
Adjusted for:		
Non-taxable income	(4,1)	19,9
Disallowable expenses	0,1	(0,4)
Foreign tax rate differential	0,1	(2,2)
Investment surpluses	(4,1)	(8,0)
Other	(1,6)	—
<b>Effective tax rate on investment return</b>	<b>18,4</b>	<b>37,3</b>
<i>R million</i>	2009	2008
<b>12. Net result from financial services</b>		
Covered business	1 768	1 838
Sanlam Personal Finance	1 402	1 470
Sanlam Developing Markets	154	144
Sanlam UK	37	33
Sanlam Employee Benefits	175	191
Other Group operations	1 067	1 095
Sanlam Personal Finance	96	85
Wealth management	81	87
Retail credit	15	(2)
Sanlam Developing Markets	18	—
Sanlam UK	(4)	25
Sanlam Employee Benefits	(21)	(8)
Short-term Insurance	242	439
Sanlam Investments	593	589
Sanlam Capital Markets	143	(35)
Discretionary and other capital	(121)	(131)
<b>Net result from financial services</b>	<b>2 714</b>	<b>2 802</b>

# Notes to the shareholders' fund information

for the year ended 31 December 2009

<i>R million</i>	2009	2008
<b>13. Investment income</b>		
Equities and similar securities	473	737
Interest-bearing, preference shares and similar securities	839	651
Properties	56	44
Rental income	74	59
Rental related expenses	(18)	(15)
<b>Total investment income</b>	<b>1 368</b>	<b>1 432</b>
<b>Interest expense netted off against investment income:</b>		
Sanlam Personal Finance	467	483
Short-term Insurance	114	152
	<b>581</b>	<b>635</b>
<b>14. Analysis of normalised attributable earnings</b>		
Net result from financial services	2 714	2 802
Covered business	1 768	1 838
Other Group operations	1 067	1 095
Discretionary and other capital	(121)	(131)
Net investment income and investment surpluses	2 008	(631)
Covered business	1 606	(684)
Other Group operations	388	(17)
Discretionary and other capital	14	70
Other net income	(269)	(413)
Covered business	(226)	(162)
Other Group operations	14	(202)
Discretionary and other capital	(57)	(49)
<b>Normalised attributable earnings</b>	<b>4 453</b>	<b>1 758</b>
Covered business	3 148	992
Other Group operations	1 469	876
Discretionary and other capital	(164)	(110)
<b>Normalised attributable earnings</b>	<b>4 453</b>	<b>1 758</b>
<i>Cents</i>	2009	2008
<b>15. Normalised diluted earnings per share</b>		
Normalised diluted earnings per share:		
Net result from financial services	132,2	133,8
Core earnings	179,7	184,8
Normalised headline earnings	218,9	93,9
Profit attributable to shareholders' fund	216,9	84,0
<i>R million</i>	2009	2008
<b>Analysis of normalised earnings (refer shareholders' fund income statement on page 43):</b>		
Net result from financial services	2 714	2 802
Core earnings	3 690	3 870
Headline earnings	4 494	1 966
Profit attributable to shareholders' fund	4 453	1 758
<b>Reconciliation of normalised headline earnings:</b>		
Headline earnings	4 438	2 702
Less: Fund transfers	56	(736)
<b>Normalised headline earnings</b>	<b>4 494</b>	<b>1 966</b>

<i>million</i>	2009	2008
<b>15. Normalised diluted earnings per share</b> (continued)		
<b>Adjusted number of shares:</b>		
Weighted average number of shares for diluted earnings per share	<b>2 028,1</b>	2 043,5
Add: Weighted average Sanlam shares held by policyholders	<b>25,0</b>	50,5
<b>Adjusted weighted average number of shares for normalised diluted earnings per share</b>	<b>2 053,1</b>	2 094,0

## 16. Fair value of other Group operations

The shareholders' fund at fair value includes the value of the Sanlam businesses based on directors' valuation, apart from Santam and the non-life businesses in Sanlam Developing Markets, which are valued according to ruling share prices.

<i>R million</i>	Fair value of businesses					End of year
	Beginning of year	Earnings	Distributions	Change in holding	Other <sup>(1)</sup>	
<b>Movement in fair value of businesses 31 December 2009</b>						
Sanlam Investments	5 581	1 381	(564)	380	—	6 778
SIM Wholesale	3 903	883	(363)	22	36	4 481
International	1 358	400	(171)	358	(36)	1 909
Sanlam Collective Investments	320	98	(30)	—	—	388
Sanlam Personal Finance	1 423	188	(131)	132	—	1 612
Wealth management	1 186	262	(131)	—	—	1 317
Retail credit	237	(74)	—	132	—	295
Sanlam UK	847	(75)	—	61	—	833
Sanlam Developing Markets	17	102	—	160	(17)	262
Coris Administration	54	(70)	—	16	—	—
Sanlam Capital Markets	365	143	—	85	—	593
Short-term insurance	5 273	2 133	(274)	17	—	7 149
<b>Total fair value of businesses</b>	<b>13 560</b>	<b>3 802</b>	<b>(969)</b>	<b>851</b>	<b>(17)</b>	<b>17 227</b>
<b>31 December 2008</b>						
Sanlam Investments	6 677	(547)	(549)	—	—	5 581
SIM Wholesale	4 443	(355)	(185)	—	—	3 903
International	1 857	(170)	(329)	—	—	1 358
Sanlam Collective Investments	377	(22)	(35)	—	—	320
Sanlam Personal Finance	1 192	291	(93)	33	—	1 423
Wealth management	911	348	(93)	20	—	1 186
Retail credit	281	(57)	—	13	—	237
Sanlam UK	600	(320)	—	567	—	847
Sanlam Developing Markets	28	(11)	—	—	—	17
Coris Administration	38	16	—	—	—	54
Sanlam Capital Markets	541	(35)	(141)	—	—	365
Short-term insurance	6 375	(1 279)	(255)	432	—	5 273
<b>Total fair value of businesses</b>	<b>15 451</b>	<b>(1 885)</b>	<b>(1 038)</b>	<b>1 032</b>	<b>—</b>	<b>13 560</b>

<sup>(1)</sup> 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

for the year ended 31 December 2009

## 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:

<i>R million</i>	Fair value	
	2009	2008
<b>Valuation method</b>		
Ratio of price to assets under management	6 920	5 958
SIM Wholesale	4 481	3 903
SIM International	1 669	1 358
Sanlam Collective Investments	388	320
Principal	283	299
Sanlam Namibia Holdings	99	78
Discounted cash flows	2 063	1 964
Glacier	762	696
Sanlam Personal Loans	133	71
Multi-Data	166	190
Sanlam Trust	160	144
Sanlam Home Loans	120	133
Punter Southall Group	259	219
Other	463	511
Net asset value	1 075	590
MiWay	127	110
SIM International	240	—
Shriram General Insurance	115	115
Sanlam Capital Markets	593	365
<b>Fair value of unlisted businesses</b>	<b>10 058</b>	<b>8 512</b>

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:

<i>%</i>	Change in assumption	
	2009	2008
<b>Assumption</b>		
Ratio of price to assets under management (P/AuM)	0,1%	0,1%
Risk discount rate (RDR)	1,0%	1,0%
Perpetuity growth rate (PGR)	1,0%	1,0%

Fair value of Sanlam businesses				
<i>R million</i>	Weighted average assumption	Base value	Decrease in assumption	Increase in assumption
Ratio of price to assets under management	P/AuM = 1,63% (2008: 1,44%)	6 920	6 377	7 459
Discounted cash flows	RDR = 18,5% (2008: 17,9%)	2 063	2 182	1 962
	PGR = 2,5% – 5% (2008: 2,5% – 5%)	2 063	2 023	2 111

<i>million</i>	2009	2008
<b>17. Value per share</b>		
Fair value per share is calculated on the Group shareholders' fund at fair value of R38 936 million (2008: R34 137 million), divided by 2 063,1 million (2008: 2 044,2 million) shares.		
Net asset value per share is calculated on the Group shareholders' fund at net asset value of R30 547 million (2008: R28 190 million), divided by 2 063,1 million (2008: 2 044,2 million) shares.		
Equity value per share is calculated on the Group Equity Value of R51 024 million (2008: R45 238 million), divided by 2 063,1 million (2008: 2 044,2 million) shares.		
<b>Number of shares for value per share:</b>		
Number of ordinary shares in issue	<b>2 160,0</b>	2 190,1
Shares held by subsidiaries in shareholders' fund	<b>(151,8)</b>	(197,3)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive schemes	<b>37,1</b>	45,5
Number of shares under option that would have been issued at fair value	<b>(5,4)</b>	(12,7)
Convertible deferred shares held by Ubuntu-Botho	<b>23,2</b>	18,6
<b>Adjusted number of shares for value per share</b>	<b>2 063,1</b>	2 044,2

#### 18. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 6,7 (2008: 6,7) to the after tax recurring corporate expenses.

#### 19. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2009 and 2008 annual general meetings to repurchase Sanlam shares in the market. The Group did not acquire any shares during 2009 in terms of the general authorities.

# Notes to the shareholders' fund information

for the year ended 31 December 2009

## 20. Reconciliations

### 20.1 Reconciliation between Group statement of comprehensive income and shareholders' fund income statement

<i>R million</i>	Year ended 31 December 2009				Year ended 31 December 2008			
	Total	Shareholder activities	Policyholder activities <sup>(1)</sup>	IFRS adjustments <sup>(2)</sup>	Total	Shareholder activities	Policyholder activities <sup>(1)</sup>	IFRS adjustments <sup>(2)</sup>
<b>Net income</b>	<b>60 671</b>	<b>32 082</b>	<b>27 817</b>	<b>772</b>	19 700	25 889	(7 782)	1 593
Financial services income	30 968	29 316	—	1 652	28 578	26 969	—	1 609
Reinsurance premiums paid	(2 848)	—	—	(2 848)	(2 990)	—	—	(2 990)
Reinsurance commission received	258	—	—	258	401	—	—	401
Investment income	15 997	1 368	12 777	1 852	17 044	1 432	12 557	3 055
Investment surpluses	17 380	1 398	15 040	942	(24 672)	(2 512)	(20 339)	(1 821)
Finance cost – margin business	(246)	—	—	(246)	(244)	—	—	(244)
Change in fair value of external investors liability	(838)	—	—	(838)	1 583	—	—	1 583
<b>Net insurance and investment contract benefits and claims</b>	<b>(41 063)</b>	<b>(13 910)</b>	<b>(27 115)</b>	<b>(38)</b>	(4 352)	(12 287)	7 935	—
Long-term insurance contract benefits	(17 084)	(4 810)	(11 352)	(922)	(5 870)	(4 280)	(997)	(593)
Long-term investment contract benefits	(15 763)	—	(15 763)	—	8 932	—	8 932	—
Short-term insurance claims	(9 800)	(9 100)	—	(700)	(9 189)	(8 007)	—	(1 182)
Reinsurance claims received	1 584	—	—	1 584	1 775	—	—	1 775
<b>Expenses</b>	<b>(11 576)</b>	<b>(11 199)</b>	<b>—</b>	<b>(377)</b>	(11 134)	(10 485)	—	(649)
Sales remuneration	(4 438)	(4 230)	—	(208)	(4 189)	(3 861)	—	(328)
Administration costs	(7 138)	(6 969)	—	(169)	(6 945)	(6 624)	—	(321)
<b>Impairments</b>	<b>(79)</b>	<b>(76)</b>	<b>—</b>	<b>(3)</b>	(247)	(244)	—	(3)
<b>Amortisation of value of business acquired</b>	<b>(84)</b>	<b>(84)</b>	<b>—</b>	<b>—</b>	(77)	(77)	—	—
<b>Net operating result</b>	<b>7 869</b>	<b>6 813</b>	<b>702</b>	<b>354</b>	3 890	2 796	153	941
Equity-accounted earnings	104	73	—	31	34	57	—	(23)
Finance cost – other	(363)	—	—	(363)	(391)	—	—	(391)
<b>Profit before tax</b>	<b>7 610</b>	<b>6 886</b>	<b>702</b>	<b>22</b>	3 533	2 853	153	527
Tax expense	(2 529)	(1 773)	(702)	(54)	(621)	(621)	(153)	153
Shareholders' fund	(1 759)	(1 773)	—	14	(428)	(621)	—	193
Policyholders' fund	(770)	—	(702)	(68)	(193)	—	(153)	(40)
<b>Profit from continuing operations</b>	<b>5 081</b>	<b>5 113</b>	<b>—</b>	<b>(32)</b>	2 912	2 232	—	680
<b>Discontinued operations</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	25	(41)	—	66
<b>Profit for the year</b>	<b>5 081</b>	<b>5 113</b>	<b>—</b>	<b>(32)</b>	2 937	2 191	—	746
<b>Attributable to:</b>								
Shareholders' fund	4 397	4 453	—	(56)	2 494	1 758	—	736
Minority shareholders' interest	684	660	—	24	443	433	—	10
	<b>5 081</b>	<b>5 113</b>	<b>—</b>	<b>(32)</b>	2 937	2 191	—	746

<sup>(1)</sup> 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.

<sup>(2)</sup> 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**

<i>R million</i>	31 December 2009				31 December 2008			
	Total	Shareholder activities	Policyholder activities	Consolidation reserve	Total	Shareholder activities	Policyholder activities	Consolidation reserve
<b>Assets</b>								
Property and equipment	375	375	—	—	382	382	—	—
Owner-occupied properties	652	652	—	—	652	652	—	—
Goodwill	2 810	2 810	—	—	2 623	2 623	—	—
Other intangible assets	45	45	—	—	—	—	—	—
Value of business acquired	1 210	1 210	—	—	1 309	1 309	—	—
Deferred acquisition costs	2 140	1 509	631	—	1 970	1 355	615	—
Long-term reinsurance assets	499	—	499	—	506	—	506	—
Investments	288 278	33 187	255 594	(503)	268 530	32 654	236 415	(539)
Properties	15 757	1 017	14 740	—	15 981	834	15 147	—
Associated companies	1 124	1 124	—	—	688	688	—	—
Joint ventures	840	840	—	—	629	629	—	—
Equities and similar securities	141 570	11 424	130 649	(503)	120 284	15 109	105 714	(539)
Public sector stocks and loans	50 803	1 935	48 868	—	50 531	2 456	48 075	—
Debentures, insurance policies, preference shares and other loans	34 792	8 143	26 649	—	35 309	6 667	28 642	—
Cash, deposits and similar securities	43 392	8 704	34 688	—	45 108	6 271	38 837	—
Deferred tax	515	515	—	—	712	712	—	—
Short-term insurance technical assets	2 064	2 064	—	—	2 250	2 250	—	—
Working capital assets	36 241	31 552	4 689	—	38 974	32 645	6 329	—
Trade and other receivables	24 261	19 572	4 689	—	28 908	22 628	6 280	—
Cash, deposits and similar securities	11 980	11 980	—	—	10 066	10 017	49	—
<b>Total assets</b>	<b>334 829</b>	<b>73 919</b>	<b>261 413</b>	<b>(503)</b>	<b>317 908</b>	<b>74 582</b>	<b>243 865</b>	<b>(539)</b>

# Notes to the shareholders' fund information

for the year ended 31 December 2009

## 20. Reconciliations (continued)

### 20.2 Reconciliation between Group statement of financial position and shareholders' fund at net asset value (continued)

<i>R million</i>	31 December 2009				31 December 2008			
	Total	Shareholder activities	Policyholder activities	Consolidation reserve	Total	Shareholder activities	Policyholder activities	Consolidation reserve
<b>Equity and liabilities</b>								
<b>Shareholders' fund</b>	<b>30 044</b>	<b>30 547</b>	<b>—</b>	<b>(503)</b>	27 651	28 190	—	(539)
Minority shareholders' interest	2 628	2 636	(8)	—	2 596	2 612	(16)	—
Long-term policy liabilities	245 997	—	245 997	—	229 268	—	229 268	—
Insurance contracts	123 774	—	123 774	—	120 879	—	120 879	—
Investment contracts	122 223	—	122 223	—	108 389	—	108 389	—
Term finance	6 916	6 273	643	—	6 763	6 003	760	—
External investors in consolidated funds	10 534	—	10 534	—	9 822	2 393	7 429	—
Cell owners' interest	535	535	—	—	447	447	—	—
Deferred tax	763	346	417	—	440	134	306	—
Short-term insurance technical provisions	8 304	8 304	—	—	8 229	8 229	—	—
Working capital liabilities	29 108	25 278	3 830	—	32 692	26 574	6 118	—
Trade and other payables	25 842	22 136	3 706	—	29 325	23 972	5 353	—
Provisions	1 396	1 396	—	—	1 453	1 453	—	—
Taxation	1 870	1 746	124	—	1 914	1 149	765	—
<b>Total equity and liabilities</b>	<b>334 829</b>	<b>73 919</b>	<b>261 413</b>	<b>(503)</b>	317 908	74 582	243 865	(539)

## 21. Geographical analysis

<i>R million</i>	Per shareholders fund' income statement on page 40		IFRS adjustment (refer note 20.1)	Total
	Internal customers	External customers		
<b>Financial services income</b>				
Financial services income is attributed to individual countries, based on where the income was earned.				
<b>2009</b>	<b>563</b>	<b>28 753</b>	<b>1 652</b>	<b>30 968</b>
South Africa	384	26 015	1 806	28 205
Africa	—	2 286	—	2 286
Other international <sup>(1)</sup>	179	452	(154)	477
<b>2008</b>	398	26 571	1 609	28 578
South Africa	186	24 140	1 819	26 144
Africa	4	1 914	—	1 918
Other international <sup>(1)</sup>	208	517	(210)	515

<i>R million</i>	Per analysis of shareholders' fund on page 38	Policy-holders' fund	Total
<b>Non-current assets<sup>(2)</sup></b>			
<b>2009</b>	<b>6 601</b>	<b>631</b>	<b>7 232</b>
South Africa	5 628	631	6 259
Africa	81	—	81
Other international <sup>(1)</sup>	892	—	892
<b>2008</b>	6 321	615	6 936
South Africa	5 439	615	6 054
Africa	96	—	96
Other international <sup>(1)</sup>	786	—	786

<i>R million</i>	2009	2008
<b>Net result from financial services (per shareholders' fund income statement on page 40)</b>	<b>2 714</b>	<b>2 802</b>
South Africa	2 263	2 390
Africa	281	218
Other international <sup>(1)</sup>	170	194

<sup>(1)</sup> Other international comprises business in The Netherlands, Europe, United Kingdom, Australia and India.

<sup>(2)</sup> Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangible assets and deferred acquisition costs.

# Sanlam Group

## Embedded value of covered business

at 31 December 2009

<i>R million</i>	Note	2009	2008
<b>Sanlam Personal Finance</b>		<b>19 884</b>	19 574
Adjusted net worth		8 098	8 275
Net value of in-force covered business		11 786	11 299
Value of in-force covered business		13 645	12 809
Cost of capital		(1 694)	(1 378)
Minority shareholders' interest		(165)	(132)
<b>Sanlam Developing Markets</b>		<b>3 479</b>	2 796
Adjusted net worth		1 363	1 032
Net value of in-force covered business		2 116	1 764
Value of in-force covered business		2 786	2 432
Cost of capital		(307)	(284)
Minority shareholders' interest		(363)	(384)
<b>Sanlam UK</b>		<b>665</b>	680
Adjusted net worth		217	234
Net value of in-force covered business		448	446
Value of in-force covered business		480	481
Cost of capital		(32)	(35)
Minority shareholders' interest		—	—
<b>Sanlam Employee Benefits</b>		<b>4 960</b>	5 541
Adjusted net worth		4 569	5 472
Net value of in-force covered business		391	69
Value of in-force covered business		1 300	824
Cost of capital		(909)	(755)
Minority shareholders' interest		—	—
<b>Embedded value of covered business</b>		<b>28 988</b>	28 591
Adjusted net worth		14 247	15 013
Net value of in-force covered business	1	14 741	13 578
<b>Embedded value of covered business</b>		<b>28 988</b>	28 591

# Sanlam Group

## Change in embedded value of covered business

at 31 December 2009

<i>R million</i>	Note	2009				2008			
		Total	Value of in-force	Cost of capital	Adjusted net worth	Total	Value of in-force	Cost of capital	Adjusted net worth
<b>Embedded value of covered business at the beginning of the year</b>		<b>28 591</b>	<b>15 939</b>	<b>(2 361)</b>	<b>15 013</b>	28 432	16 316	(2 594)	14 710
Value of new business		607	1 811	(97)	(1 107)	612	1 750	(73)	(1 065)
Net earnings from existing covered business		2 430	(231)	146	2 515	1 885	(877)	184	2 578
Expected return on value of in-force business		1 714	1 588	126	—	1 838	1 749	89	—
Expected transfer of profit to adjusted net worth		—	(2 064)	—	2 064	—	(2 195)	—	2 195
Operating experience variances	3	636	186	(4)	454	278	(121)	29	370
Operating assumption changes	4	80	59	24	(3)	(231)	(310)	66	13
Expected investment return on adjusted net worth		1 091	—	—	1 091	1 180	—	—	1 180
<b>Embedded value earnings from operations</b>		<b>4 128</b>	<b>1 580</b>	<b>49</b>	<b>2 499</b>	3 677	873	111	2 693
Economic assumption changes	5	(1 206)	(687)	(484)	(35)	356	316	86	(46)
Investment variances – value of in-force		1 149	874	(69)	344	(1 435)	(1 781)	12	334
Investment variances – investment return on adjusted net worth		515	—	—	515	(1 864)	—	—	(1 864)
Exchange rate movements		(137)	(149)	12	—	23	29	(6)	—
Tax changes		—	—	—	—	215	186	30	(1)
Net project expenses	6	(28)	—	—	(28)	(53)	—	—	(53)
<b>Embedded value earnings from covered business</b>		<b>4 421</b>	<b>1 618</b>	<b>(492)</b>	<b>3 295</b>	919	(377)	233	1 063
Acquired value of in-force		210	69	(32)	173	—	—	—	—
Transfers from other Group operations		17	—	—	17	—	—	—	—
Change in utilisation of capital diversification		(729)	—	—	(729)	197	—	—	197
Transfers from covered business		(3 522)	—	—	(3 522)	(957)	—	—	(957)
<b>Embedded value of covered business at the end of the year</b>		<b>28 988</b>	<b>17 626</b>	<b>(2 885)</b>	<b>14 247</b>	28 591	15 939	(2 361)	15 013
<b>Analysis of earnings from covered business</b>									
Sanlam Personal Finance		2 815	802	(315)	2 328	453	(683)	178	958
Sanlam Developing Markets		467	341	(26)	152	659	468	(4)	195
Sanlam UK		(14)	(1)	3	(16)	(36)	(25)	(3)	(8)
Sanlam Employee Benefits		1 153	476	(154)	831	(157)	(137)	62	(82)
<b>Embedded value earnings from covered business</b>		<b>4 421</b>	<b>1 618</b>	<b>(492)</b>	<b>3 295</b>	919	(377)	233	1 063

# Sanlam Group

## Value of new business

for the year ended 31 December 2009

<i>R million</i>	Note	2009	2008
<b>Value of new business (at point of sale):</b>			
<b>Gross value of new business</b>		<b>797</b>	787
Sanlam Personal Finance		354	419
Sanlam Developing Markets		335	343
Sanlam UK		17	6
Sanlam Employee Benefits		91	19
<b>Cost of capital</b>		<b>(108)</b>	(89)
Sanlam Personal Finance		(34)	(33)
Sanlam Developing Markets		(45)	(41)
Sanlam UK		(3)	(5)
Sanlam Employee Benefits		(26)	(10)
<b>Value of new business</b>		<b>689</b>	698
Sanlam Personal Finance		320	386
Sanlam Developing Markets		290	302
Sanlam UK		14	1
Sanlam Employee Benefits		65	9
<i>Value of new business attributable to:</i>			
<b>Shareholders' fund</b>	2	<b>607</b>	612
Sanlam Personal Finance		308	377
Sanlam Developing Markets		220	225
Sanlam UK		14	1
Sanlam Employee Benefits		65	9
<b>Minority shareholders' interest</b>		<b>82</b>	86
Sanlam Personal Finance		12	9
Sanlam Developing Markets		70	77
Sanlam UK		—	—
Sanlam Employee Benefits		—	—
<b>Value of new business</b>		<b>689</b>	698
<b>Geographical analysis:</b>			
South Africa		484	507
Africa		186	181
Other international		19	10
<b>Value of new business</b>		<b>689</b>	698
<b>Analysis of new business profitability:</b>			
<i>Before minorities:</i>			
<b>Present value of new business premiums</b>		<b>26 365</b>	26 033
Sanlam Personal Finance		16 573	17 371
Sanlam Developing Markets		5 711	5 332
Sanlam UK		951	1 484
Sanlam Employee Benefits		3 130	1 846
<b>New business margin</b>		<b>2,61%</b>	2,68%
Sanlam Personal Finance		1,93%	2,22%
Sanlam Developing Markets		5,08%	5,66%
Sanlam UK		1,47%	0,07%
Sanlam Employee Benefits		2,08%	0,49%
<i>After minorities:</i>			
<b>Present value of new business premiums</b>		<b>25 102</b>	24 459
Sanlam Personal Finance		16 269	17 080
Sanlam Developing Markets		4 752	4 049
Sanlam UK		951	1 484
Sanlam Employee Benefits		3 130	1 846
<b>New business margin</b>		<b>2,42%</b>	2,50%
Sanlam Personal Finance		1,89%	2,21%
Sanlam Developing Markets		4,63%	5,56%
Sanlam UK		1,47%	0,07%
Sanlam Employee Benefits		2,08%	0,49%

# Notes to the embedded value of covered business

for the year ended 31 December 2009

## 1. Value of in-force sensitivity analysis

	Gross value of in-force business R million	Cost of capital R million	Net value of in-force business R million	Change from base value %
<b>2009</b>				
<b>Base value</b>	<b>17 626</b>	<b>(2 885)</b>	<b>14 741</b>	
<i>Interest rate and assets</i>				
• 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
<i>Expenses and persistency</i>				
• 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
<i>Insurance risk</i>				
• 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)
<b>2008</b>				
<b>Base value</b>	<b>15 939</b>	<b>(2 361)</b>	<b>13 578</b>	
<i>Interest rate and assets</i>				
› Risk discount rate increase by 1%	14 907	(3 067)	11 840	(13)
› Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	16 338	(2 296)	14 042	3
› Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	15 079	(2 318)	12 761	(6)
› Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	16 488	(1 895)	14 593	7
<i>Expenses and persistency</i>				
› Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	16 424	(2 359)	14 065	4
› Discontinuance rates decrease by 10%	16 251	(2 427)	13 824	2
<i>Insurance risk</i>				
› Mortality and morbidity decrease by 5% for life assurance business	16 543	(2 358)	14 185	4
› Mortality and morbidity decrease by 5% for annuity business	15 817	(2 353)	13 464	(1)

# Notes to the embedded value of covered business

for the year ended 31 December 2009

## 2. Value of new business sensitivity analysis

	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
<b>Base value</b>	<b>704</b>	<b>(97)</b>	<b>607</b>	
<i>Interest rate and assets</i>				
• Risk discount rate increase by 1%	620	(118)	502	(17)
• Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	750	(99)	651	7
<i>Expenses and persistency</i>				
• Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	773	(97)	676	11
• Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	771	(97)	674	11
• Discontinuance rates decrease by 10%	796	(102)	694	14
<i>Insurance risk</i>				
• Mortality and morbidity decrease by 5% for life assurance business	832	(97)	735	21
• Mortality and morbidity decrease by 5% for annuity business	694	(98)	596	(2)

<i>R million</i>	2009	2008
<b>3. Operating experience variances</b>		
Risk experience	363	307
Investment guarantee reserve surplus/(shortfall)	64	(117)
Working capital and other	209	88
<b>Total operating experience variances</b>	<b>636</b>	278
<b>4. Operating assumption changes</b>		
Mortality and morbidity	(124)	(196)
Persistency	(67)	(31)
Modelling improvements and other	271	(4)
<b>Total operating assumption changes</b>	<b>80</b>	(231)
<b>5. Economic assumption changes</b>		
Investment yields and risk premiums	(866)	363
Long-term asset mix assumptions	(340)	(7)
<b>Total economic assumption changes</b>	<b>(1 206)</b>	356
<b>6. Net project expenses</b>		
Net project expenses relate to one-off expenditure on the Group's distribution platform that has not been allowed for in the embedded value assumptions.		
<b>7. Reconciliation of growth from covered business</b>		
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 58	1 768	1 838
Differences between profits recognised under IFRS and the embedded value methodology		
Foreign exchange differences and other	10	9
Less: net project expenses	(28)	(53)
Less: STC projected on dividends from covered business profits for the year	(61)	(47)
Investment return on adjusted net worth	1 606	(684)
Embedded value earnings from covered business: value of in-force	1 126	(144)
<b>Embedded value earnings from covered business</b>	<b>4 421</b>	919

# Notes to the embedded value of covered business

for the year ended 31 December 2009

## 8. Economic assumptions

%	Sanlam Life		Merchant Investors		SDM Limited		Botswana Life Insurance	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Gross investment return, risk discount rate and inflation</b>								
Point used on the relevant yield curve	<b>9 year</b>	9 year	<b>15 year</b>	15 year	<b>6 year</b>	6 year	<b>n/a</b>	n/a
Fixed-interest securities	<b>9,4</b>	7,3	<b>4,5</b>	3,7	<b>8,6</b>	7,3	<b>10,0</b>	10,5
Equities and offshore investments	<b>12,9</b>	10,8	<b>7,7</b>	7,0	<b>12,1</b>	10,8	<b>13,5</b>	14,0
Hedged equities	<b>9,9</b>	7,8	<b>7,7</b>	7,0	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Property	<b>10,4</b>	8,3	<b>7,7</b>	7,0	<b>9,6</b>	8,3	<b>11,0</b>	11,5
Cash	<b>8,4</b>	6,3	<b>4,5</b>	3,7	<b>7,6</b>	6,3	<b>9,0</b>	9,5
Return on required capital	<b>10,3</b>	8,8	<b>4,5</b>	3,7	<b>9,9</b>	8,6	<b>10,1</b>	10,6
Inflation rate	<b>6,4</b>	4,3	<b>3,8</b>	2,9	<b>5,6</b>	4,3	<b>7,0</b>	7,5
Risk discount rate	<b>11,9</b>	9,8	<b>8,2</b>	7,5	<b>11,1</b>	9,8	<b>13,5</b>	14,0

%	Sanlam Life <sup>(1)</sup>		Merchant Investors		SDM Limited		Botswana Life Insurance	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Asset mix for assets supporting required capital</b>								
Equities	<b>34</b>	44	—	—	<b>50</b>	50	<b>15</b>	15
Hedged equities	<b>13</b>	13	—	—	—	—	—	—
Property	<b>3</b>	3	—	—	—	—	<b>10</b>	10
Fixed-interest securities	<b>15</b>	25	—	—	—	—	<b>25</b>	25
Cash	<b>35</b>	15	<b>100</b>	100	<b>50</b>	50	<b>50</b>	50
	<b>100</b>	100	<b>100</b>	100	<b>100</b>	100	<b>100</b>	100

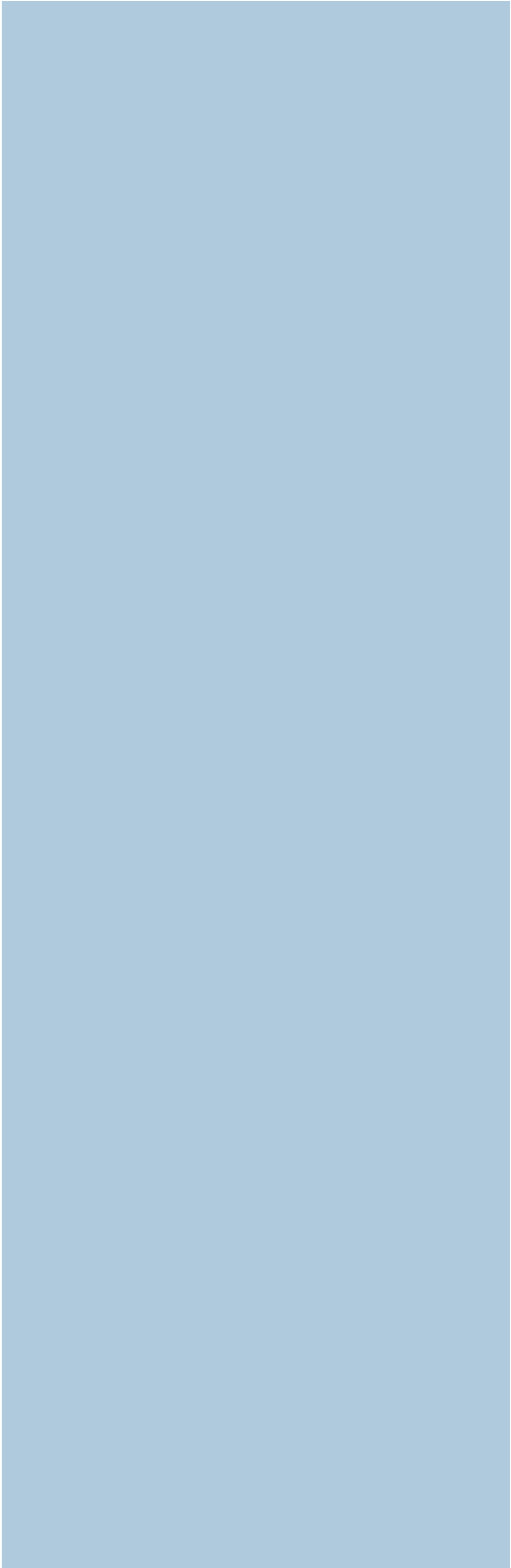
<sup>(1)</sup>Excludes subordinated debt liability issued by Sanlam Life, but includes the portfolio of matching assets.

# Group Financial Statements

for the year ended 31 December 2009

## Contents

Group statement of financial position	74
Group statement of comprehensive income	75
Group statement of changes in equity	76
Group cash flow statement	77
Notes to the financial statements	78



# Group Statement of Financial Position

at 31 December 2009

	2009 R million	2008 R million
<b>ASSETS</b>		
Property and equipment	375	382
Owner-occupied properties	652	652
Goodwill	2 810	2 623
Other intangible assets	45	-
Value of business acquired	1 210	1 309
Deferred acquisition costs	2 140	1 970
Long-term reinsurance assets	499	506
Investments	288 278	268 530
Properties	15 757	15 981
Equity-accounted investments	1 964	1 317
Equities and similar securities	141 570	120 284
Public sector stocks and loans	50 803	50 531
Debentures, insurance policies, preference shares and other loans	34 792	35 309
Cash, deposits and similar securities	43 392	45 108
Deferred tax	515	712
Short-term insurance technical assets	2 064	2 250
Working capital assets	36 241	38 974
Trade and other receivables	24 261	28 908
Cash, deposits and similar securities	11 980	10 066
<b>Total assets</b>	<b>334 829</b>	<b>317 908</b>
<b>EQUITY AND LIABILITIES</b>		
Shareholders' fund	30 044	27 651
Minority shareholders' interest	2 628	2 596
<b>Total equity</b>	<b>32 672</b>	<b>30 247</b>
Long-term policy liabilities	245 997	229 268
Insurance contracts	123 774	120 879
Investment contracts	122 223	108 389
Term finance	6 916	6 763
Margin business	3 341	2 830
Other interest-bearing liabilities	3 575	3 933
External investors in consolidated funds	10 534	9 822
Cell owners' interest	535	447
Deferred tax	763	440
Short-term insurance technical provisions	8 304	8 229
Working capital liabilities	29 108	32 692
Trade and other payables	25 842	29 325
Provisions	1 396	1 453
Taxation	1 870	1 914
<b>Total equity and liabilities</b>	<b>334 829</b>	<b>317 908</b>

# Group Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 R million	2008 R million
<b>Net income</b>	<b>60 671</b>	19 700
Financial services income	30 968	28 578
Reinsurance premiums paid	(2 848)	(2 990)
Reinsurance commission received	258	401
Investment income	15 997	17 044
Investment surpluses	17 380	(24 672)
Finance cost – margin business	(246)	(244)
Change in fair value of external investors liability	(838)	1 583
<b>Net insurance and investment contract benefits and claims</b>	<b>(41 063)</b>	(4 352)
Long-term insurance and investment contract benefits	(32 847)	3 062
Short-term insurance claims	(9 800)	(9 189)
Reinsurance claims received	1 584	1 775
<b>Expenses</b>	<b>(11 576)</b>	(11 134)
Sales remuneration	(4 438)	(4 189)
Administration costs	(7 138)	(6 945)
<b>Impairment of investments and goodwill</b>	<b>(79)</b>	(247)
<b>Amortisation of value of business acquired</b>	<b>(84)</b>	(77)
<b>Net operating result</b>	<b>7 869</b>	3 890
Equity-accounted earnings	104	34
Finance cost – other	(363)	(391)
<b>Profit before tax</b>	<b>7 610</b>	3 533
Taxation	(2 529)	(621)
Shareholders' fund	(1 759)	(428)
Policyholders' fund	(770)	(193)
<b>Profit from continuing operations</b>	<b>5 081</b>	2 912
Discontinued operations	-	25
<b>Profit for the period</b>	<b>5 081</b>	2 937
Other comprehensive income		
Movement in foreign currency translation reserve	(454)	154
<b>Comprehensive income for the period</b>	<b>4 627</b>	3 091
<b>Allocation of comprehensive income:</b>		
Profit for the period	5 081	2 937
Shareholders' fund	4 397	2 494
Minority shareholders' interest	684	443
Comprehensive income for the period	4 627	3 091
Shareholders' fund	4 088	2 554
Minority shareholders' interest	539	537
<b>Earnings attributable to shareholders of the company (cents):</b>		
Basic earnings per share	222,5	125,0
Diluted earnings per share	216,8	122,0
<b>Earnings attributable to shareholders of the company from continuing operations (cents):</b>		
Basic earnings per share	222,5	126,1
Diluted earnings per share	216,8	123,1

# Group Statement of Changes in Equity

for the year ended 31 December 2009

	2009 R million	2008 R million
<b>Shareholders' fund:</b>		
Balance at beginning of the period	27 651	29 334
Comprehensive income	4 088	2 554
Profit for the period	4 397	2 494
Other comprehensive income: movement in foreign currency translation reserve	(309)	60
Net movement in treasury shares	735	17
Net realised investment surpluses on treasury shares	(274)	(307)
Cost of net treasury shares disposed <sup>(1)</sup>	1 009	324
Share-based payments	139	134
Dividends paid <sup>(2)</sup>	(1 954)	(1 907)
Shares cancelled	(615)	(2 481)
<b>Balance at end of the period</b>	<b>30 044</b>	<b>27 651</b>
<b>Minority shareholders' interest:</b>		
Balance at beginning of the period	2 596	2 220
Comprehensive income	539	537
Profit for the period	684	443
Other comprehensive income: movement in foreign currency translation reserve	(145)	94
Net movement in treasury shares	(14)	(48)
Net realised investment surpluses on treasury shares	(23)	(28)
Cost of net treasury shares disposed/(acquired) <sup>(1)</sup>	9	(20)
Share-based payments	28	23
Dividends paid	(419)	(366)
Acquisitions, disposals and other movements in minority interests	(102)	230
<b>Balance at end of the period</b>	<b>2 628</b>	<b>2 596</b>
Shareholders' fund	27 651	29 334
Minority shareholders' interest	2 596	2 220
<b>Total equity at beginning of the period</b>	<b>30 247</b>	<b>31 554</b>
Shareholders' fund	30 044	27 651
Minority shareholders' interest	2 628	2 596
<b>Total equity at end of the period</b>	<b>32 672</b>	<b>30 247</b>

<sup>(1)</sup> Comprises movement in cost of shares held by subsidiaries and the share incentive trust.

<sup>(2)</sup> Dividend of 98 cents per share paid during 2009 (2008: 93 cents per share) in respect of the 2008 financial year.

# Group Cash Flow Statement

For the year ended 31 December 2009

	2009 R million	2008 R million
Net cash inflow from operating activities	3 993	6 810
Net cash outflow from investment activities	(4 288)	(404)
Net cash inflow/(outflow) from financing activities	519	(2 570)
<b>Net increase in cash and cash equivalents</b>	<b>224</b>	<b>3 836</b>
Cash, deposits and similar securities at beginning of the year	55 145	51 309
<b>Cash, deposits and similar securities at end of the year – continuing operations</b>	<b>55 369</b>	<b>55 145</b>
Cash outflow from discontinued operations	-	(812)
Cash, deposits and similar securities at beginning of the year - discontinued operations	-	812
<b>Cash, deposits and similar securities at end of the year – discontinued operations</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements

for the year ended 31 December 2009

## 1. EARNINGS PER SHARE

	2009 cents	2008 cents
<b>Basic earnings per share:</b>		
Headline earnings	224,6	135,4
Profit attributable to shareholders' fund	222,5	125,0
<b>Diluted earnings per share:</b>		
Headline earnings	218,8	132,2
Profit attributable to shareholders' fund	216,8	122,0

	R million	R million
<b>Analysis of earnings:</b>		
Profit attributable to shareholders	4 397	2 494
Less: Net profit on disposal of subsidiaries	(25)	(3)
Less: Net profit on disposal of associated companies	(10)	-
Less: Equity-accounted non-headline earnings	-	(33)
Plus: Impairment of investments and goodwill	76	244
<b>Headline earnings</b>	<b>4 438</b>	<b>2 702</b>

Headline earnings include re-measurements of investment properties, which are largely attributable to policyholder funds.

	million	million
<b>Number of shares:</b>		
Number of ordinary shares in issue at beginning of period	2 190,1	2 303,6
Less: Weighted average number of shares cancelled	(25,1)	(64,3)
Less: Weighted average Sanlam shares held by subsidiaries (including policyholders)	(189,2)	(243,5)
<b>Adjusted weighted average number of shares for basic earnings per share</b>	<b>1 975,8</b>	<b>1 995,8</b>
Add: Weighted conversion of deferred shares	20,6	14,9
Add: Total number of shares and options	37,1	45,5
Less: Number of shares (under option) that would have been issued at fair value	(5,4)	(12,7)
<b>Adjusted weighted average number of shares for diluted earnings per share</b>	<b>2 028,1</b>	<b>2 043,5</b>

## 2. SEGMENTAL INFORMATION

	2009 R million	2008 R million
Segment financial services income (per shareholders' fund information)	29 316	26 969
Sanlam Personal Finance	6 846	6 678
Sanlam Developing Markets	3 996	3 115
Sanlam UK	367	399
Sanlam Employee Benefits	2 190	2 059
Short-term Insurance	13 345	12 274
Sanlam Investments	2 106	2 259
Sanlam Capital Markets	409	107
Corporate, consolidation and other	87	78
IFRS adjustments	1 652	1 609
<b>Total financial services income</b>	<b>30 968</b>	<b>28 578</b>
Segment result (per shareholders' fund information after tax and minorities)	4 453	1 758
Sanlam Personal Finance	2 960	80
Sanlam Developing Markets	162	53
Sanlam UK	59	(35)
Sanlam Employee Benefits	791	(85)
Short-term Insurance	550	358
Sanlam Investments	617	526
Sanlam Capital Markets	143	(35)
Corporate, consolidation and other	(829)	896
Reverse minority shareholders' interest included in segment result	684	443
Fund transfers	(56)	736
<b>Total profit for the year</b>	<b>5 081</b>	<b>2 937</b>

## 3. CONTINGENT LIABILITIES

Shareholders are referred to the contingent liabilities disclosed in the 2009 interim and 2008 annual reports. The circumstances surrounding these contingent liabilities remained materially unchanged.

## 4. SUBSEQUENT EVENTS

No material facts or circumstances have arisen between the dates of the balance sheet and this report that affect the financial position of the Sanlam Group at 31 December 2009 as reflected in these financial statements.

**Group secretary**

Johan Bester

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**Registered name: Sanlam Limited**

(Registration number 1959/001562/06)

JSE share code (primary listing): SLM

NSX share code: SLA

ISIN number: ZAE000070660

Incorporated in South Africa

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(Registration number 2004/003647/07)

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<sup>(1)</sup> Executive

<sup>(2)</sup> British

**Sponsor**

Deutsche Securities (SA) (Proprietary) Limited

# Sanlam Personal Finance

## Who we are

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

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

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

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

## South Africa

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

## Namibia

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

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

## Sanlam Personal Finance continued

### Sanlam Personal Finance

<i>R million</i>	<b>FY2009</b>	<b>%Δ</b>
Net Operating Profit	<b>1 498</b>	(4%)
New business flows	<b>30 972</b>	0%
– SA Recurring	<b>1 069</b>	(8%)
– SA Single	<b>20 721</b>	(4%)
– Namibia	<b>9 182</b>	9%
PVNB Premiums *	<b>16 573</b>	(5%)
VNB *	<b>320</b>	(17%)
Margin *	<b>1,93% vs 2,22%</b>	
<b>ROGEV</b>	<b>14,3%</b>	
<b>Adjusted ROGEV</b>	<b>12,3%</b>	

\* Excludes non-life business

### Group Profile and Shareholding Structure

#### South African operations

%

##### Middle market and self-employed focus

Sanlam Individual Life division	100	Life insurance
Sanlam Home Loans	50	Home loan joint venture with Absa
Multi Data	100	Electronic money transfer
Sanlam Trust	100	Estate and trust services
Sanlam Liquid <sup>(1)</sup>	100	Debit card and savings facility
Anglo African Finance	65	Niche trade and bridge finance
Sanlam Health Management	100	Medical scheme services
Sanlam Linked Investments	100	Linked product provider

##### Affluent market focus

Glacier <sup>(2)</sup>	100	Financial services for affluent market
------------------------	-----	--

<sup>(1)</sup> Previously a joint venture with Sanlam Collective Investments. From 2009 it is wholly-owned.

<sup>(2)</sup> Glacier will also source solutions from the middle market and self-employed operations above.

#### Non-South African operations

%

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

## Sanlam Personal Finance continued

### Analysis of Operating Profit (per Profit Source)

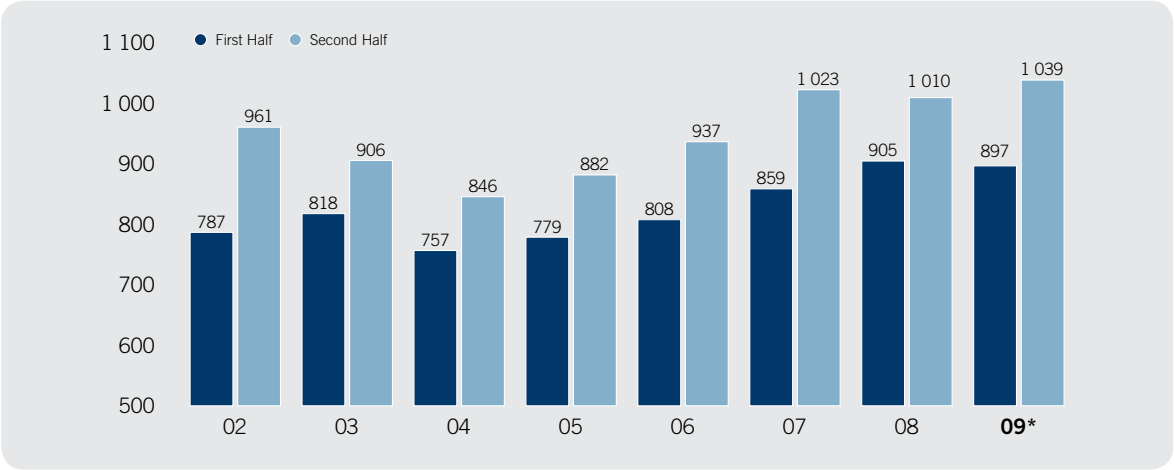
	Dec 2009 <i>R million</i>	Dec 2008 <i>R million</i>
Admin income	208	218
Risk income	476	442
Market Related income	1 347	1 315
Net interest income (working capital & loan business)	404	478
Other	943	837
Operating profit before tax & minorities	2 031	1 975
Minorities	(30)	(24)
Operating profit after minorities, before tax	2 001	1 951
Admin Ratio	35,8%	35,3%

### Analysis of Operating Profit (per Business Unit)

	Dec 2009 <i>R million</i>	Dec 2008 <i>R million</i>
Middle Market	1 697	1 688
Strategic Business Development	102	63
Sanlam Personal Loans	82	34
Other	20	29
Glacier	121	121
Namibia	111	103
Operating profit before tax & minorities	2 031	1 975

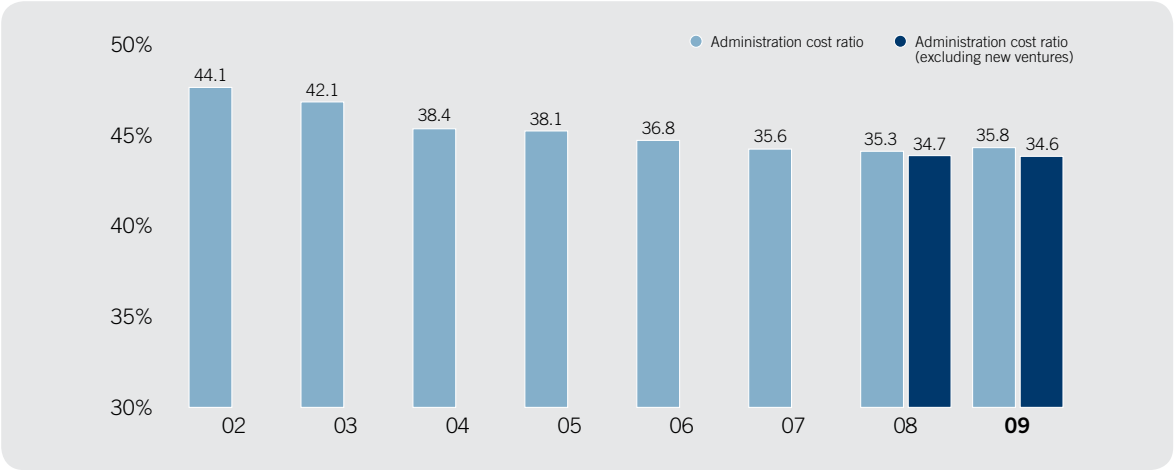
# Sanlam Personal Finance continued

Administration Costs (Rm)



\* Excludes the costs associated with new ventures of R111m in 2009 and R52m in 2008 (Sanlam Healthcare Management and Sanlam Home Solutions)

Administration Cost Ratio (%)



## Sanlam Personal Finance continued

### Analysis of New Business (per Product Line)

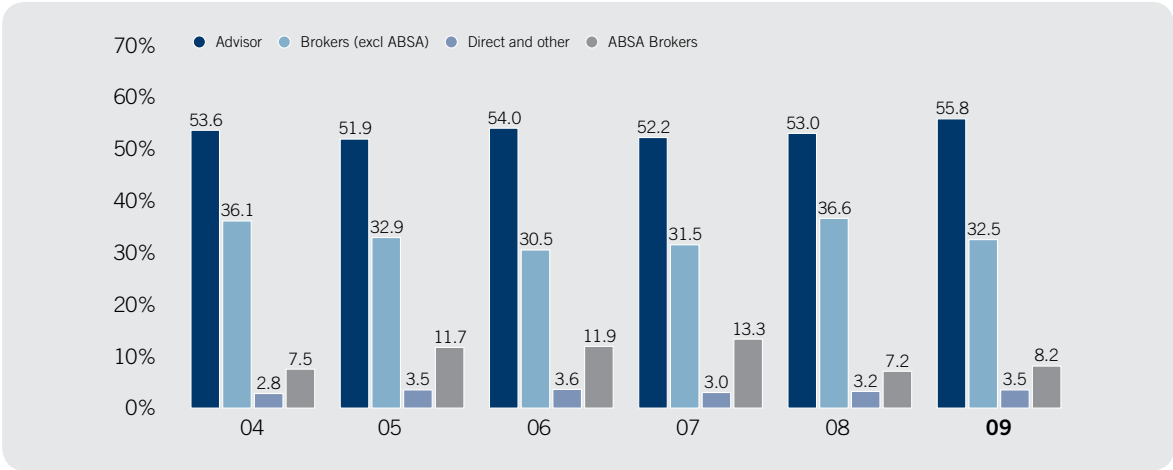
<i>R million</i>	<b>Dec 2009</b> <i>Total</i>	<b>Dec 2009</b> <i>Life</i>	<b>Dec 2009</b> <i>Non-Life</i>	<b>Dec 2008</b> <i>Total</i>	<b>Dec 2008</b> <i>Life</i>	<b>Dec 2008</b> <i>Non-Life</i>
<b>SA Recurring</b>	1 069	1 000	69	1 165	1 072	93
Risk	436	436	0	399	399	0
Investment	236	182	54	358	268	90
RA's	228	213	15	309	307	2
Premium changes	169	169	0	99	98	1
<b>SA Single</b>	20 721	10 032	10 689	21 479	10 341	11 138
Discretionary savings*	12 542	1 883	10 659	12 934	1 812	11 122
Retirement Savings	617	609	8	1 075	1 069	6
Continuations	1 515	1 515	0	1 756	1 756	0
Contractual Life business**	5 882	5 882	0	5 575	5 575	0
Other	165	143	22	139	129	10
<b>Namibia</b>	9 182	825	8 357	8 426	679	7 747
Life (Retail & Institutional)	825	825	0	679	679	0
Non-Life	8 357	0	8 357	7 747	0	7 747
Unit trust	7 591	0	7 591	7 108	0	7 108
Linked discretionary	766	0	766	639	0	639

\* Discretionary – includes endowments, term annuities, guaranteed plans and Glacier (money market, wrap, hedge and non-life linked).

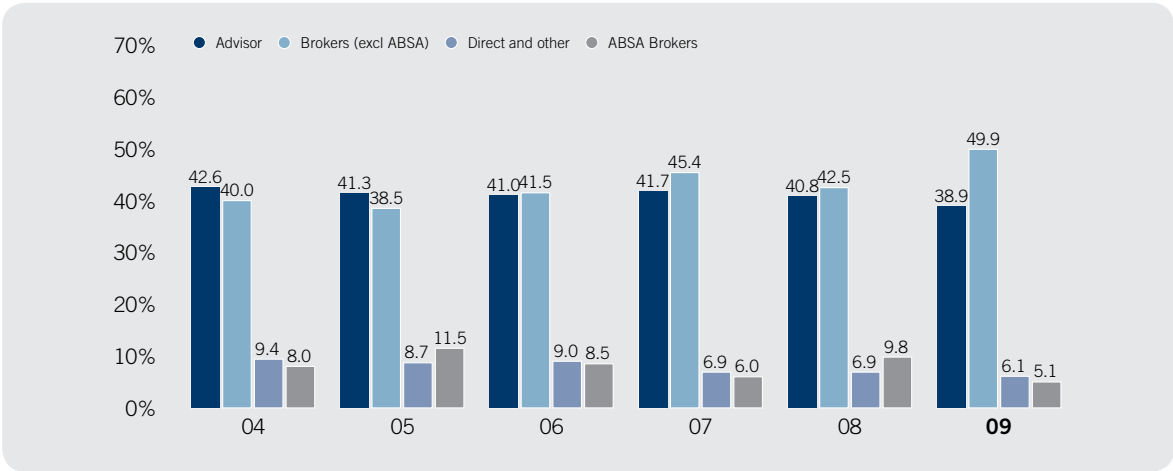
\*\* Contractual – life annuities and ILA's

# Sanlam Personal Finance continued

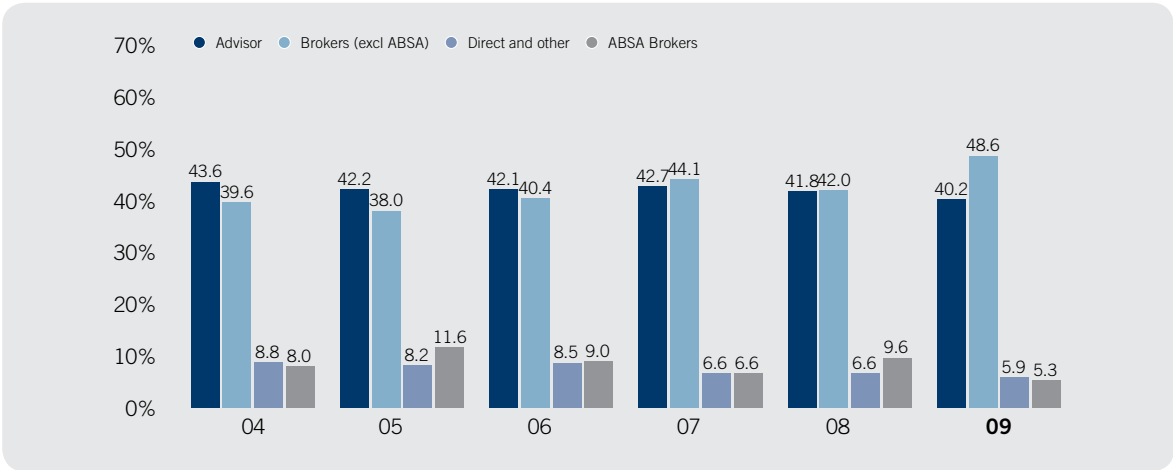
SA New Recurring Premiums (%)



SA Single Premiums (life & non-life) (%)

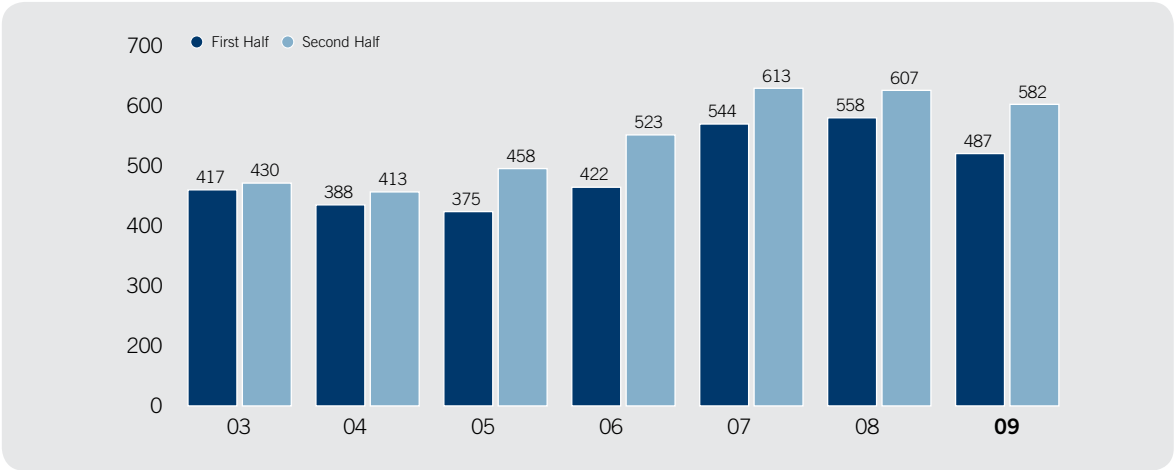


SA Total Premiums (life & non-life) (%)

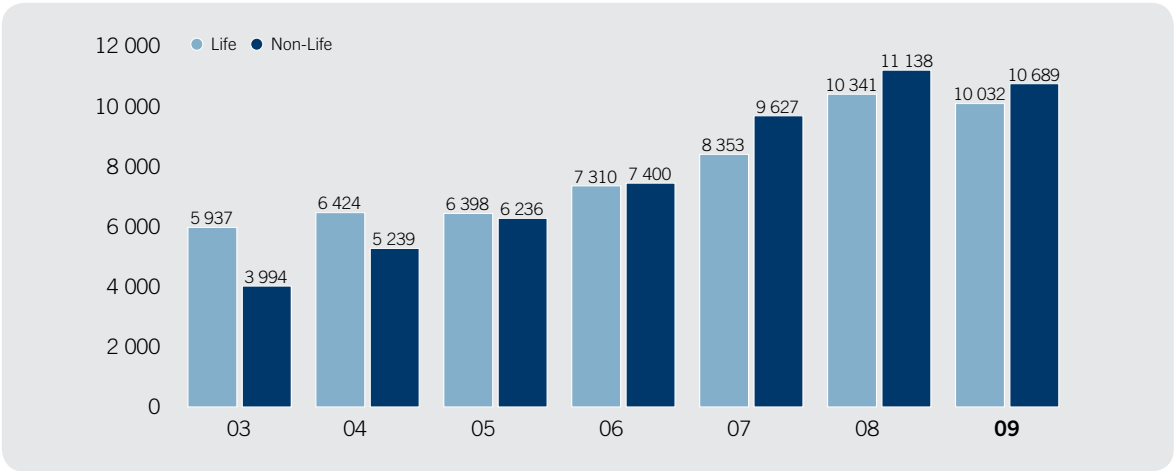


# Sanlam Personal Finance continued

SA New Business Recurring Premiums (Rm)

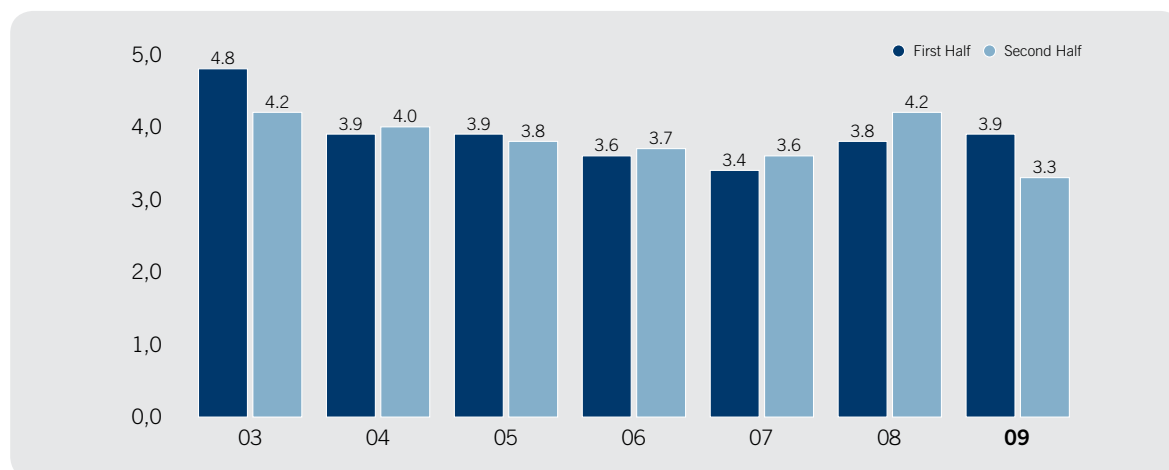


SA Single Premiums (life vs non-life) (Rm)

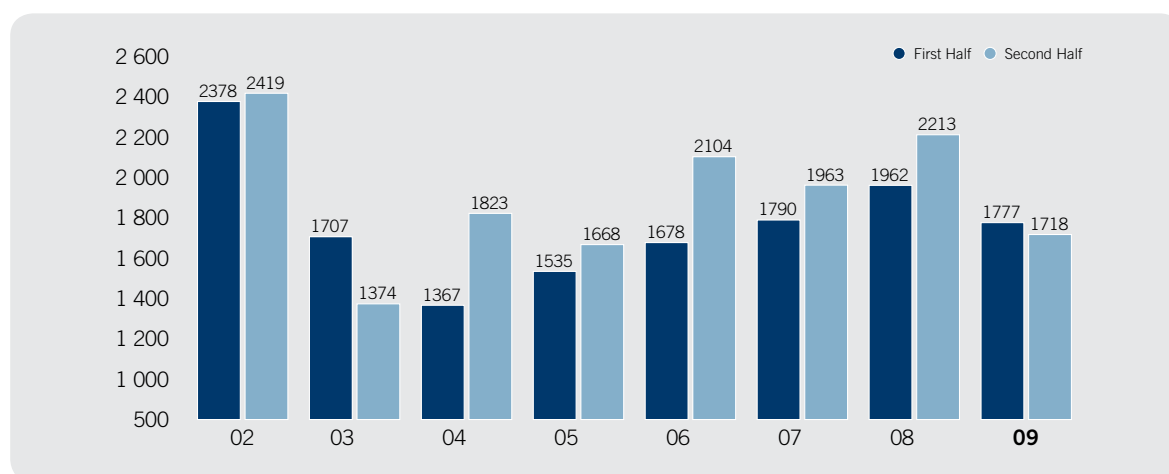


## Sanlam Personal Finance continued

Persistency: Number of Lapses, Surrenders & Fully Paid-Up Policies as % of In Force



SA Surrender Benefits Paid (Rm)



Total Benefits Paid (SA)

	Dec 2009 R million	Dec 2008 R million
Total life benefits	18 382	19 559
Death & disability benefits	2 155	2 102
Maturity benefits	8 996	9 805
Life & term annuities	3 645	3 356
Surrenders	3 495	4 175
Other	91	121
Non-life benefits (linked)	8 405	8 362
Total benefits paid	26 787	27 921

## Sanlam Developing Markets

### Who we are

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

We focus on establishing a diverse mix of operations across the African continent and in India with the aim of ensuring sustainable delivery and growth across the various businesses that make up SDM.

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

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

# Sanlam Developing Markets continued

## Sanlam Developing Markets

<i>R million</i>	<b>FY2009</b>	<b>%Δ</b>
Net operating profit	<b>172</b>	19
New business flows	<b>2 702</b>	4
– SA Recurring	<b>828</b>	8
– SA Single	<b>535</b>	(22)
– Non-SA	<b>1 339</b>	17
PVNB premiums	<b>5 711</b>	7
VNB	<b>290</b>	(4)
Margin	<b>5,08% vs 5,66%</b>	
<b>ROGEV</b>	<b>19,2%</b>	
<b>Adjusted ROGEV</b>	<b>24,4%</b>	

## Group Profile and Shareholding Structure

<b>South Africa</b>	<b>Rest of Africa</b>	<b>Other international</b>
Sanlam Sky (100%)	Botswana Life (54%)	Shriram Life India (26%)
Channel Life (100%) <sup>(i)</sup>	Pan Africa Life Kenya (50%)	
Safrican (85%)	ELAC Ghana (49%)	
	African Life Tanzania (65%)	
	African Life Zambia (70%)	
Alfinanz (100%) – Application Service Provider		

<sup>(i)</sup> Actual holding of 99.98% (still a small component of minority interests)

## Sanlam Developing Markets continued

Operating profit for the year ended 31 December 2009

	Operating profit before tax <i>R million</i>	Tax <i>R million</i>	Operating profit after tax <i>R million</i>	Minorities <i>R million</i>	Operating profit after tax & minorities 2009 <i>R million</i>	Operating profit after tax & minorities 2008 <i>R million</i>
RSA	89	(21)	68	(2)	<b>66</b>	56
Africa	300	(82)	218	(99)	<b>119</b>	93
Other International *	(13)	-	(13)	-	<b>(13)</b>	(5)
Total	376	(103)	273	(101)	<b>172</b>	144

\* Sanlam's share only

New Business Premiums for the year ended 31 December 2009  
(by Product Type)

	RSA <i>R million</i>	Africa <i>R million</i>	* Other International <i>R million</i>	Total 2009 <i>R million</i>	Total 2008 <i>R million</i>
Risk	779	578	-	<b>1 357</b>	1 321
Savings	49	197	141	<b>387</b>	231
Investment Continuations	535	-	-	<b>535</b>	684
Immediate Annuities	-	423	-	<b>423</b>	358
Total New business	1 363	1 198	141	<b>2 702</b>	2 594

\* Sanlam's share only

New Business recurring premiums for the year ended 31 December 2009  
(by Distribution Channel)

	RSA <i>R million</i>	Africa <i>R million</i>	* Other International <i>R million</i>	Total 2009 <i>R million</i>	Total 2008 <i>R million</i>
Brokers	396	97	-	<b>493</b>	401
Agents	347	254	108	<b>709</b>	526
Bancassurance	-	27	-	<b>27</b>	10
Direct	9	13	-	<b>22</b>	87
Other	76	-	-	<b>76</b>	147
Total New business	828	391	108	<b>1 327</b>	1 171

\* Sanlam's share only

## Sanlam Developing Markets continued

New Business single premiums for the year ended 31 December 2009  
(by Distribution Channel)

	<b>RSA</b> <i>R million</i>	<b>Africa</b> <i>R million</i>	<b>* Other International</b> <i>R million</i>	<b>Total 2009</b> <i>R million</i>	<b>Total 2008</b> <i>R million</i>
Brokers	535	53	-	<b>588</b>	699
Agents	-	12	33	<b>45</b>	117
Bancassurance	-	368	-	<b>368</b>	255
Direct	-	-	-	<b>-</b>	-
Other	-	374	-	<b>374</b>	352
Total New business	535	807	33	<b>1 375</b>	1 423

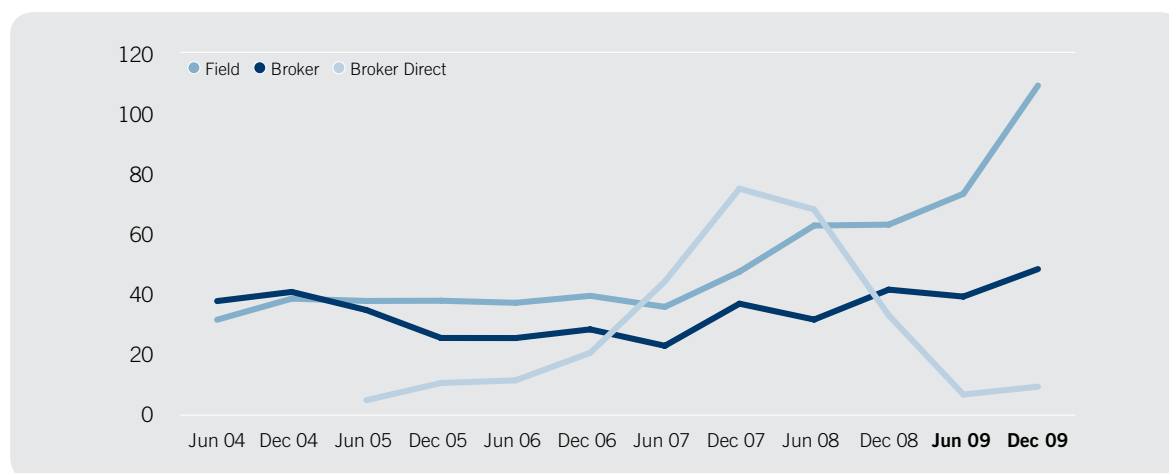
\* Sanlam's share only

Present Value of New Business Premiums for the year ended 31 December 2009  
(by Distribution Channel)

	<b>RSA</b> <i>R million</i>	<b>Africa</b> <i>R million</i>	<b>* Other International</b> <i>R million</i>	<b>Total 2009</b> <i>R million</i>	<b>Total 2008</b> <i>R million</i>
Brokers	1 833	393	-	<b>2 226</b>	2 210
Agents	1 017	857	316	<b>2 190</b>	1 908
Bancassurance	-	448	-	<b>448</b>	268
Direct	9	56	-	<b>65</b>	121
Other	408	374	-	<b>782</b>	825
Total New business	3 267	2 128	316	<b>5 711</b>	5 332

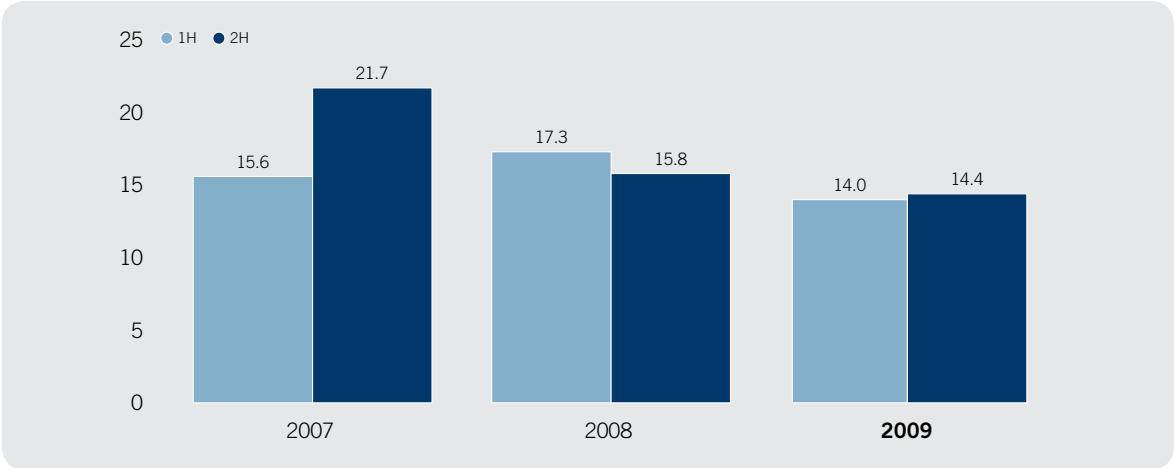
\* Sanlam's share only

Sanlam Sky - Number of Sales Cases ('000)



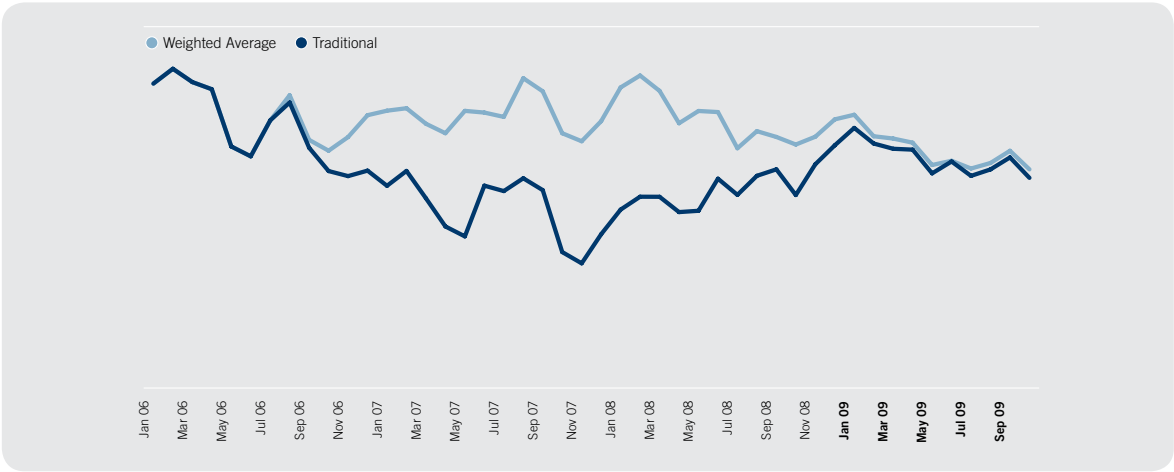
# Sanlam Developing Markets continued

Sanlam Sky - Number of Not-Taken-Ups (NTU's), lapses and surrenders as percentage of in-force



Sanlam Sky - Not-Taken-Ups (NTU's) as a percentage of new business Annual Premium Equivalent (monthly rate)

Weighted Average (including Broker direct) vs Traditional Channels only



## Sanlam UK

### Who we are

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

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

# Sanlam UK continued

## Sanlam UK

<i>R million</i>	<b>FY2009</b>	<b>%Δ</b>
Net operating profit	<b>33</b>	(43)
New business flows	<b>2 140</b>	(9)
– Life insurance	<b>919</b>	(36)
– Investment	<b>1 221</b>	32
PVNB premiums	<b>951</b>	(36)
VNB	<b>14</b>	–
Margin	<b>1,47 % vs 0,07%</b>	
<b>ROGEV</b>	<b>(5,8%)</b>	
<b>Adjusted ROGEV</b>	<b>(2,4%)</b>	

## Group profile and shareholding structure

<b>Investment</b>	<b>Shareholding</b>	<b>Description</b>
Merchant Investors	100%	Bristol-based niche player in the affluent life and specialist pension markets
Principal	92%	Leading independent investment management company specialising in discretionary portfolio management
Buckles	64%	Largest independent financial adviser practice based in Wales
Nucleus	41%	Linked investment product platform controlled by independent financial advisers
Intrinsic	28%	Multi-tied financial intermediary business consisting of financial planning and mortgage advisory divisions
Punter Southall Group	26%	UK-based financial services advisory group

## Sanlam UK continued

### Key performance measurements – 31 December 2009

		Total controlled entities <sup>1</sup>	Total - associates <sup>2</sup>	Sanlam UK	Total
Funds under Management (£bn)	<b>2009</b>	<b>2,6</b>	<b>1,9</b>		<b>4,5</b>
	2008	2,1	1,5		3,6
Funds under Administration (£bn)	<b>2009</b>	<b>0,0</b>	<b>0,4</b>		<b>0,4</b>
	2008	0,0	0,2		0,2
Number of Advisers	<b>2009</b>	<b>41</b>	<b>1 603</b>		<b>1 644</b>
	2008	39	1 585		1 624
Flows					
- New business (£m)	<b>2009</b>	<b>164</b>	<b>864</b>		<b>1 028</b>
	2008	153	748		901
- Total (£m)	<b>2009</b>	<b>202</b>	<b>864</b>		<b>1 066</b>
	2008	193	748		941
- Net flows (£m)	<b>2009</b>	<b>(15)</b>	<b>509</b>		<b>494</b>
	2008	6	393		399
- VNB (Life Insurance) (£m)	<b>2009</b>	<b>1,1</b>	<b>0</b>		<b>1,1</b>
	2008	0,1	0		0,1
Operating Profit (£m)	<b>2009</b>	<b>2,8</b>	<b>0,5</b>	<b>(0,8)</b>	<b>2,5</b>
	2008	2,7	1,2	(0,1)	3,8

(1) Total controlled entities comprise of Merchant Investors (100%), Principal (92%) and Buckles (64%)

(2) Total associates comprise of Punter Southall Group (26%), Intrinsic (28%) and Nucleus (41%)

## Sanlam Investments

### Who we are

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

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

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

## Sanlam Investments continued

### Sanlam Investments

<i>R million</i>	2009	%Δ
Net operating profit	593	1
New business flows*	46 907	4
– SA: Segregated	11 306	(9)
– SA: Other	31 793	5
– Non-SA	3 808	74
Net flows	3 947	–
FUM (R billion)	441	8
<b>ROGEV</b>	<b>24,7%</b>	
<b>Annualised ROGEV</b>	<b>23,6%</b>	

\* Excludes White Label

### Profile of Sanlam Investments

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

# Sanlam Investments continued

## Income Statement per Division

<i>R million</i>	Total Investment Cluster		Total South African operation		Total Rest of Africa operation*		Total International operation	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008	Dec 2009	Dec 2008	Dec 2009	Dec 2008
Income	1 968	2 155	1 562	1 616	153	168	253	371
Operating expenses	(977)	(1 132)	(735)	(828)	(108)	(98)	(134)	(206)
Asset Management and distribution fees paid	(296)	(305)	(287)	(292)	-	-	(9)	(13)
Profit before tax & performance fees	695	718	540	496	45	70	110	152
Net performance fees	138	107	92	101	1	1	45	5
Profit before tax	833	825	632	597	46	71	155	157
Tax and minorities	(240)	(236)	(175)	(160)	(46)	(48)	(19)	(28)
Operating profit after tax	593	589	457	437	-	23	136	129
Assets under management (R' billion)	441	409	374	341	28	25	39	43

\* Includes equity-accounted income of Indian Joint Ventures

## Split in Assets Under Management (Rbn)

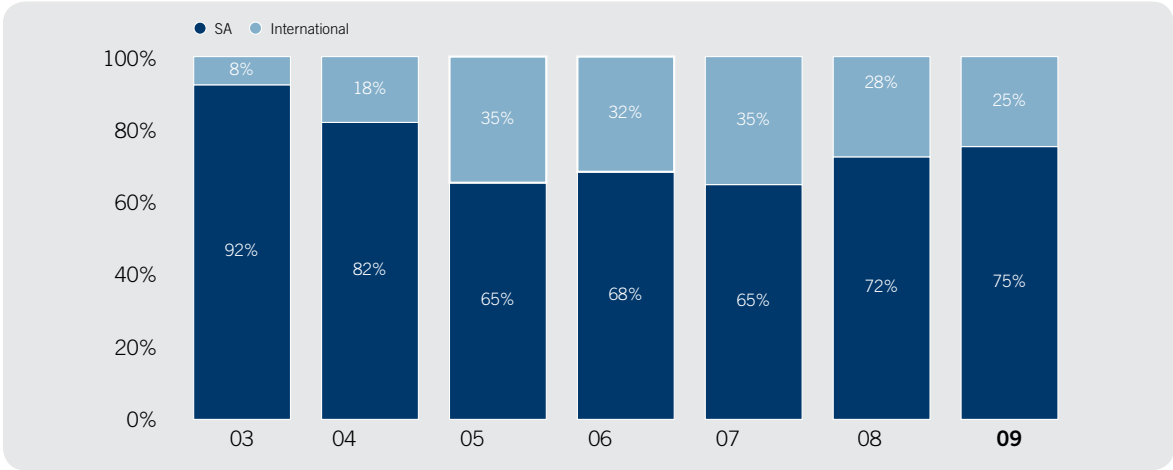
	Dec 2009	Dec 2008
Wholesale	344,9	324,7
- Sanlam (SA assets)	181,9	161,1
- Sanlam (International assets)	35,3	37,3
- Segregated *	115,3	111,4
- Sanlam Properties	-	4,0
- Sanlam Collective Investments	12,4	10,9
Retail	96,4	84,0
- Sanlam Private Investments	43,3	37,6
- Sanlam Collective Investments	45,3	38,5
- Sanlam Multi Manager (Glacier) **	7,8	7,9
Total AUM (Consolidated)	441,3	408,7

\* The assets of SIM Emerging Markets are included in this number.

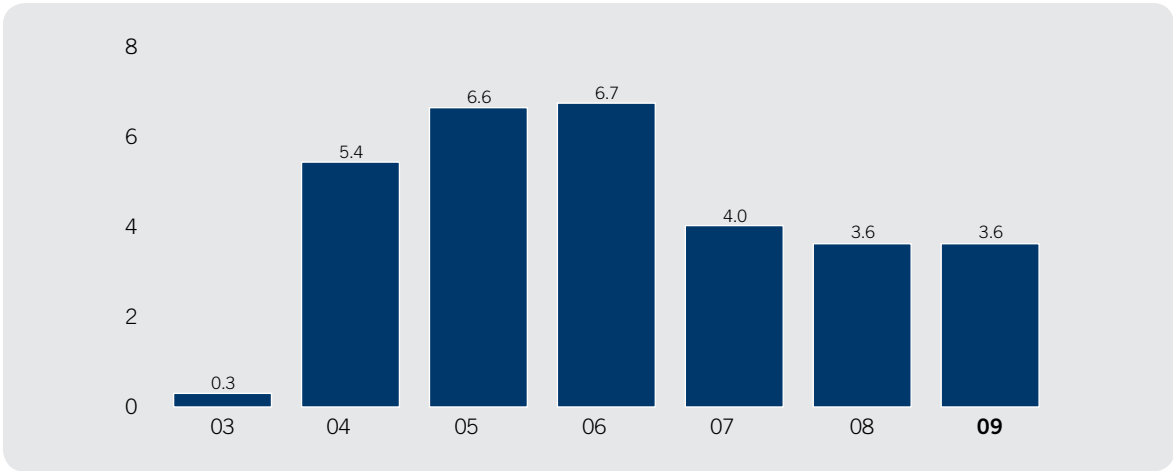
\*\* The rest of Sanlam Multi Manager assets are included in Sanlam and Segregated assets.

# Sanlam Investments continued

Split of Operating Profit before Tax (South Africa and International) – 12 month periods ending 31 December



Net Fund Flows (Rbn) – excluding White Labels



Note: 2005 excludes PIC outflows of R6.0bn  
2006 excludes PIC outflows of R21.6bn

## Sanlam Employee Benefits

### Who we are

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

SEB consists of four entrepreneurial divisions: Sanlam Group Risk, Sanlam Structured Solutions, Sanlam Umbrella Solutions and Coris Capital, our retirement fund administration platform.

Our underlying philosophy is to be driven by the needs of our clients. We therefore dedicate our time and resources to creating employee benefit solutions that help retirement fund members realise their life-long goal of having sufficient resources enabling them to enjoy their retirement.

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

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

## Sanlam Employee Benefits continued

### Sanlam Employee Benefits

<i>R million</i>	<b>FY2009</b>	<b>%Δ</b>
Net operating profit	<b>154</b>	(16)
New business flows	<b>1 123</b>	118
Recurring	<b>284</b>	59
Single	<b>839</b>	150
PVNB premiums	<b>3 130</b>	75
VNB	<b>65</b>	622
Margin	<b>2,08% vs 0,49%</b>	
<b>ROGEV</b>	<b>19,4%</b>	
<b>Adjusted ROGEV</b>	<b>15,5%</b>	

### Group profile and shareholding structure

<b>Investment</b>	<b>Shareholding</b>	<b>Description</b>
Sanlam Employee Benefits (SEB)	100	Retirement fund business
Sanlam Umbrella Fund Administrators (SUFA)	100	Umbrella fund administration (SME focus)
Sanlam Customised Insurance Limited (SCIL)	100	Cell captive insurer
Infinet Group Solutions	50,1	Distribution of diversified Group risk products
Coris Capital	62	Retirement fund administration on outsourced basis

### Analysis of Operating Profit

	<b>Dec 2009</b> <i>R million</i>	<b>Dec 2008</b> <i>R million</i>
Underwriting risk	<b>153</b>	154
Investment & other	<b>131</b>	151
Administration	<b>(70)</b>	(47)
Operating profit	<b>214</b>	258

Analysis of New Business (per Product Line)

	Dec 2009 <i>R million</i>	Dec 2008 <i>R million</i>
<b>Recurring</b>	<b>284</b>	179
Guaranteed	<b>11</b>	2
Annuity	<b>0</b>	0
Risk	<b>273</b>	177
<b>Single</b>	<b>839</b>	336
Guaranteed	<b>557</b>	182
Annuity	<b>280</b>	149
Risk	<b>2</b>	5

## Sanlam Capital Markets

### Who we are

Sanlam Capital Markets (SCM) is a financial engineering business that forms part of the Sanlam Investments cluster.

SCM specialises in risk management and structured solutions for its clients through the use of equity and debt instruments and their derivatives. One of the key focus areas of SCM is the exploitation of specific synergies within other businesses in the Sanlam Group.

Sanlam Capital Markets consists of the following business units:

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

## Sanlam Capital Markets continued

### Sanlam Capital Markets

<i>R million</i>	<b>FY2009</b>	<b>%Δ</b>
Net operating profit	<b>143</b>	509
Total revenue	<b>409</b>	282
Cost to income ratio	<b>58% vs 157%</b>	
Capital	<b>450</b>	13
<b>ROGEV</b>	<b>31,8%</b>	
<b>Adjusted ROGEV</b>	<b>31,8%</b>	

### Analysis of Operating Profit

	<b>Dec 2009</b> <i>R million</i>	<b>Dec 2008</b> <i>R million</i>
Total revenue	<b>409</b>	107
Capital	<b>28</b>	43
Equities	<b>163</b>	(24)
Debt	<b>156</b>	(36)
Market Activity	<b>62</b>	124
Total expenses	<b>(236)</b>	(168)
Income before taxation	<b>173</b>	(61)
Taxation	<b>(30)</b>	26
Attributable income	<b>143</b>	(35)
Capital	<b>450</b>	400
Return on Equity	<b>31,8%</b>	(8,8%)

## Santam Limited

### Who we are and what we do

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

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

Accolades included:

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

# Santam Limited continued

## Santam

<i>R million</i>	<b>FY2009</b>	<b>%Δ</b>
Net operating profit*	<b>313</b>	(37)
Gross written premium	<b>15 026</b>	6
New earned premiums	<b>12 896</b>	10
– Net claims ratio	<b>70,6%</b>	
– Net acquisition ratio	<b>25,9%</b>	
– Underwriting ratio	<b>3,5%</b>	
International solvency	<b>44%</b>	
<b>ROGEV</b>	<b>42,3%</b>	
<b>Adjusted ROGEV</b>	<b>10,8%</b>	

\* Contribution to Sanlam's net operating profit

## Business Profile

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

## Key Results

<i>R million</i>	<b>Dec 2009</b>	<b>Dec 2008</b>	<b>%Δ</b>
Gross written premium*	<b>15 026</b>	14 179	6%
Underwriting result*	<b>451</b>	748	(40%)
Investment return on insurance funds*	<b>420</b>	540	(22%)
Net insurance result*	<b>871</b>	1 288	(32%)
Net profit before tax*	<b>1 518</b>	774	96%
Discontinued operations	<b>-</b>	25	
Profit for the year*	<b>1 116</b>	720	55%

\*Continuing operations only

# Santam Limited continued

## Net operating profit for the year ended 31 December 2009

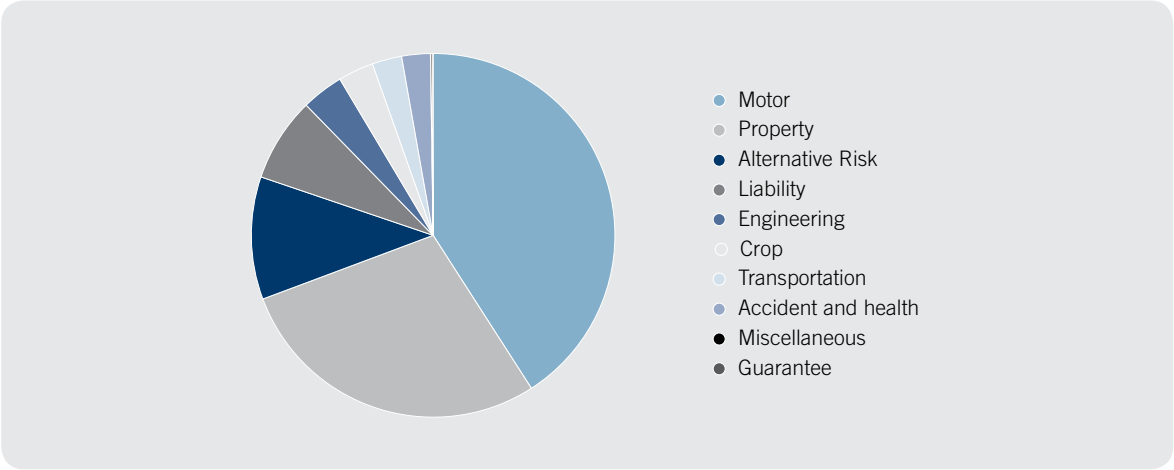
	Dec 2009	Dec 2008	%Δ
Net earned premiums	12 896	11 716	10
Interest on working capital	420	540	(22)
Financial services income	13 316	12 256	9
Sales remuneration	(1 918)	(1 674)	(15)
Income after sales remuneration	11 398	10 582	8
Underwriting policy benefits	(9 100)	(8 007)	(14)
Administration costs	(1 427)	(1 287)	(11)
Result from financial services before tax	871	1 288	(32)
Tax on result from financial services	(290)	(379)	23
Result from financial services after tax	581	909	(36)
Minority shareholders' interest	(268)	(415)	35
Net result from financial services (Sanlam's share)	313	494	(37)

## Key Ratios

		December 2009	December 2008
<b>Ratios</b>		%	%
Net claims ratio		70,6	68,4
Net acquisition cost ratio		25,9	25,5
Net underwriting ratio		3,5	6,4
Net insurance result (margin on net earned premium)		6,8	10,9
<b>Solvency</b>			
Net asset value (NAV)	Rm	4 795	4 264
NAV per share	cps	4 249	3 610
International Solvency	%	44	44

# Santam Limited continued

GWP per Insurance Class (%) – Continuing activities only



Underwriting Surplus per Insurance Class (Rm) – Continuing activities only

