Sanlam

Integrated review 2011

Sustainability through Responsibility

Sustainability through responsibility

...to our investors

Refer to page 8 for a review of our key performance indicators

clients and employees

Refer to page 12 for a review of our material sustainability pillars and performance

and the environment.

As a caring and responsible corporate citizen, Sanlam is acutely aware of the impact that climate change and the ongoing water crisis will have on our business, our people and the planet. **Refer to our web-based Sustainability Report (www.sanlam.co.za)**

Our ability to create value for our shareholders and other stakeholders over the short-, medium- and long-term is dependent upon our responsible actions and capacity to adapt to an increasingly challenging business environment.

While our 94-year history and our strong performance during the recent global financial crisis bear testimony to our resilience, we believe that we are likely to face continuing business turbulence given the context of current economic, social and environmental challenges. We recognise that we cannot rely on our past performance alone if we are to achieve our vision of being a leader in wealth creation and protection.

At Sanlam we therefore consider sustainability a strategic business component enabling us to remain responsive to the increasingly interconnected societal challenges and changing expectations of our stakeholders and the environment. With the aim of keeping our stakeholders informed of the key pillars that impact on our ability to create and sustain value, the Sanlam Group has embraced the concept of integrated reporting.

Contents

Context

2 Scope and boundary of this report
3 Sanlam at a glance
4 Group structure
6 Our shareholders
8 Key performance indicators
10 Five-year review
12 Unpacking our material pillars
22 Engaging our stakeholders
24 Economic and financial markets review
26 Message from the Chairman
32 Sanlam Board of directors and committee memberships

Our performance

38 Management review by the Group Chief Executive
56 Group Executive committee
60 Financial review
80 Shareholders' information
137 Stock exchange performance

Navigation and content aids:

Further reading boxes refer the reader to other parts of the report that contains relevant information to the current section.

Insight provides additional information on the topic.

Sustainability indicates that a sustainability topic has been covered in the text.

Scope and boundary of this report

Since our establishment in 1918, Sanlam has been a prominent part of the South African business landscape. We have always held a long-term view of how business adapts to the demands of the environment in which it operates. Today, we see in a dynamic world an evolving set of social, economic, political and environmental imperatives that require our skilful response. For us at Sanlam, sustainable business practice means recognising both our broader responsibilities as an organisation in society, and the new opportunities that arise with this thinking.

That is why we chose *Sustainability through Responsibility* as central theme for our reporting in 2011.

The Sanlam Group has four clusters, which are responsible for the management of its various operations.

These clusters are managed independently and have delegated authority levels and governance principles and standards set by the Sanlam Board and the respective industries in which they operate. The clusters all have their own boards of directors governing the execution of these principles and standards.

The Group believes that it has made significant progress during 2011 in further entrenching the principles of King III in the Group's internal controls, policies and procedures governing corporate conduct as well as with its progressive efforts to implement and improve its reporting on the material aspects of these principles.

Visit www.sanlam.co.za for more information on Sanlam.

Sanlam at a glance

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, stockbroking, employee benefits, risk management and capital market activities.

This is Sanlam

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

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

Our values

Our core values are:

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

Our strategy

By focusing on five pillars for the past number of years, we have achieved market-leading growth and have transformed Sanlam into an efficient and profitable company, with a healthy capital position, that is well placed to withstanding market volatility and sustain its performance over the long term.

The five pillars that make up our strategy are:

1 Optimal capital utilisation	2 Earnings growth	3 Costs and efficiencies	4 Diversification	5 Transformation
We focus on allocating appropriate capital to business operations, while remaining financially conservative, to ensure that all discretionary capital is identified and redistributed into profitable and sustainable growth opportunities.	We aim to grow our earnings through our ability to adapt effectively to the continuing changing business environment and investments in growth markets.	We strive to control costs and maximise efficiencies through effective risk management and governance practices, and by attracting, retaining and developing talent.	We promote strategic diversification and grow our client base by developing new products and services, and by expanding into new markets in South Africa and globally.	We are committed to promoting transformation and diversity both within our operations and more broadly through our contribution to socio-economic development.
Additional information pages 40 and 77	Additional information page 41	Additional information page 42	Additional information page 42	Additional information pages 12 – 21 and 43

Group structure

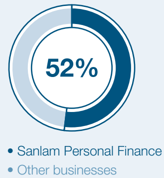
The **Corporate Office** of the Sanlam Group is responsible for centralised functions that include strategic direction, Group financial and risk management, Group marketing and communications, Group human resources and information technology, Group sustainability management, corporate social investment and general Group services.

The Sanlam Group consists of the following four operating clusters:

Cluster	Cluster profile and shareholding structure (100% unless indicated otherwise)
Sanlam Personal Finance The Sanlam Personal Finance (SPF) cluster is responsible for Sanlam's retail business in South Africa. It provides clients across all market segments (entry-level, middle and affluent) with a comprehensive range of appropriate and competitive financial solutions. Designed to facilitate long-term wealth creation, protection and niche financing, these solutions are engineered around client needs.	▪ *Sanlam Sky Solutions* – risk products for the entry-level market ▪ *Sanlam Individual Life and Segment Solutions* – financial services to the middle, professional and small/medium enterprises markets (includes *Multi-Data* electronic money transfer activities) ▪ *Glacier* – financial services for the affluent market
Sanlam Emerging Markets The Sanlam Emerging Markets (SEM) cluster is responsible for Sanlam's financial business services in emerging markets outside South Africa with the aim of ensuring sustainable delivery and growth across the various businesses that make up this cluster.	**Retail and group business (financial solutions to all market segments)** ▪ *Botswana Life*, Botswana – 54% via Botswana Insurance Holdings Limited (BIHL) ▪ *Sanlam Life*, Namibia ▪ *Sanlam Namibia Holdings*, Namibia – 54% ▪ *NICO Life*, Malawi – 49% ▪ *Pan Africa Life*, Kenya – 50% ▪ *African Life*, Tanzania – 64% ▪ *African Life*, Zambia – 70% ▪ *Enterprise Life Assurance*, Ghana – 49% ▪ *Sanlam Life*, Uganda ▪ *FBN Life*, Nigeria – 35% ▪ *Shriram Life*, India – 26%
Sanlam Investments The Sanlam Investments cluster provides individual and institutional clients in South Africa, the UK and elsewhere in Europe, the United States and Australia access to a comprehensive range of specialised investment and risk management expertise through six sub-clusters and their businesses as outlined alongside.	**Asset Management** ▪ *Sanlam Investment Management* – manages institutional portfolios and retail collective investment (unit trust) funds **Wealth Management** ▪ *Sanlam Private Investments* – private client wealth management and stockbroking business ▪ *Calibre Investments* – 40% – Australian investment business ▪ *Merchant Securities Group plc* – 75% – UK stockbroking firm ▪ *Summit Trust* – 65% – international independent trust services group in Switzerland ▪ *Investment Advisory Service and Fiduciary and Tax Services* **Capital Management** – manages portions of Sanlam's third party and policyholders' funds ▪ *Sanlam Capital Markets* ▪ *Sanlam Private Equity* ▪ *Sanlam Structured Solutions – Derivatives* ▪ *Sanlam Properties* **Sanlam Employee Benefits** – provides risk and investment solutions and administration services to institutions and retirement funds ▪ *Sanlam Group Risk* ▪ *Sanlam Structured Solutions*
Santam	Sanlam has an effective 60% interest in Santam, which is the leading short-term insurer in South Africa with a market share of 23%. Santam specialises in short-term insurance products for a diversified market in South Africa and, in collaboration with Sanlam Emerging Markets, elsewhere in Africa and India. These products are offered through broker networks and direct sales channels and include personal, commercial, agricultural and specialised insurance products.

Contribution to net result from financial services

- *Strategic business development* – consists of the following diversified financial services:
  - *Sanlam Trust* – estate and trust services
  - *Sanlam Liquid* – debit card and saving facilities
  - *Sanlam Healthcare Management* – 85% – medical scheme administration services
  - *Sanlam Linked Investments* – linked product provider
  - *Sanlam Personal Loans* – 70% – personal loans joint venture
  - *Reality* – loyalty programme
  - *Anglo African Finance* – 65% – trade and bridging finance.

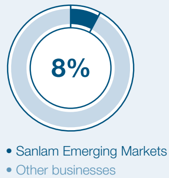


Investment Management

SIM Kenya – 72%
SIM Capital Alliance, Nigeria – 50%
SIM Namibia – 86%
Botswana Insurance Fund Management – 54% via BIHL
SIM Swaziland – 65%

General insurance

- Jointly responsible in partnership with Santam for managing general insurance business through NICO in some of the aforementioned African countries as well as through *Shriram General Insurance* in India



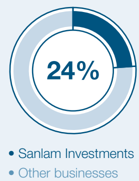
- *Sanlam Umbrella Solutions*
- *Sanlam Retirement Fund Administration;* and
- *Simeka Consultants and Actuaries*.

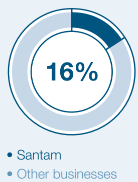
International Investments

- *Sanlam International Investment Partners* – manages established partnerships with specialist investment management firms abroad
- *SIM Global* – manages long-only specialist international funds
- *Sanlam Asset Management Ireland* – Sanlam's international investment management platform in Dublin managing funds domiciled in Ireland
- *Sanlam UK* – wealth management player in retail financial services in the United Kingdom comprising Sanlam Investments and Pensions, Sanlam Distribution, Sanlam Private Wealth and Investment Management (Principal, Border Asset Management and Sanlam Fund Solutions).

Investment Services

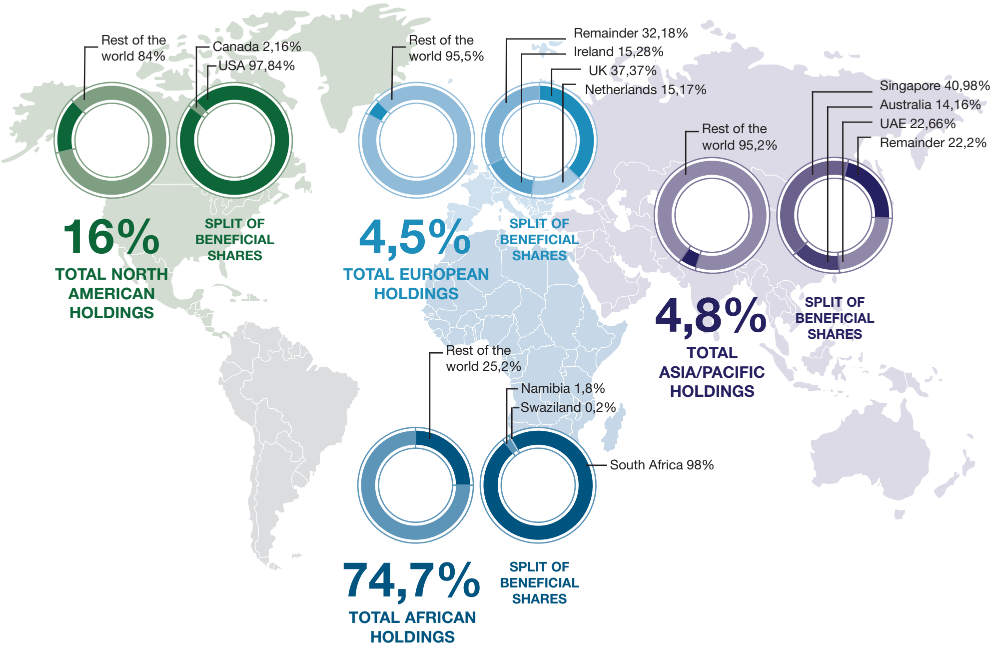
- *Sanlam Multi Manager International* – investment management advisory business
- *Sanlam Collective Investments* – retail, multi-managed, institutional and third-party collective investment (unit trust) funds
- *Blue Ink* – hedge fund manager focusing on both the local and the global investment markets
- *Fin-Q* – provides independent advice to people leaving retirement funds; and
- *Graviton Financial Partners* – a broker network business.





Our shareholders

Geographic split of beneficial shareholders (excluding unknown shareholding)



Geographic split of beneficial shareholders – December 2011

Region	Total shareholding	% of issued capital
South Africa	1 525 162 274	72,63
United States of America and Canada	332 151 230	15,82
United Kingdom	34 910 609	1,66
Rest of Europe	58 500 952	2,79
Rest of the world(1)	130 088 226	6,19
Unknown	19 186 709	0,91
Total	**2 100 000 000**	**100,00**

(1)Represents all shareholdings except those in the above regions

Analysis of shareholders on 31 December 2011

Distribution of shareholding	Total shareholders Number	%	Total shares held Number	%
1 – 1 000	448 786	86,20	169 877 123	8,09
1 001 – 5 000	63 449	12,19	124 539 246	5,93
5 001 – 10 000	5 296	1,02	36 323 044	1,73
10 001 – 50 000	2 292	0,44	41 582 511	1,98
50 001 – 100 000	202	0,04	14 603 885	0,69
100 001 – 1 000 000	428	0,08	145 919 212	6,95
1 000 001 and over	133	0,03	1 567 154 979	74,63
Total	520 586	100,00	2 100 000 000	100,00

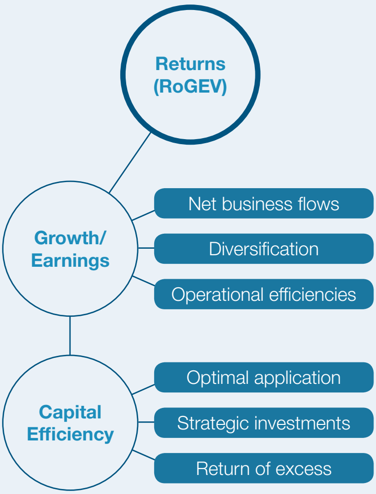
	% shareholding
Public and non-public shareholders	
Public shareholders (498 061)	65,14
Non-public shareholders	
Directors' interest	0,50
Held by subsidiaries	8,20
Employee pension funds	0,08
Sanlam Limited Share Incentive Trust	1,77
Government Employees Pension Fund	13,55
Ubuntu-Botho Investments (Pty) Limited	10,76
Total	100,00

	% shareholding
Shareholder structure	
Institutional and other shareholding	
Offshore	27,37
South Africa	57,28
Individuals	15,35
Total	100,00
Beneficial shareholding of 5% or more:	
– Government Employees Pension Fund (PIC)	13,55
– Ubuntu-Botho Investments (Pty) Limited	10,76

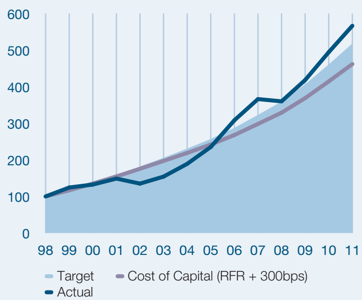
Key performance indicators (KPIs)*

Focus on returns

Maximise shareholder value creation



Out perform cumulative growth target of long-bond rate + 400bps since listing (bps)



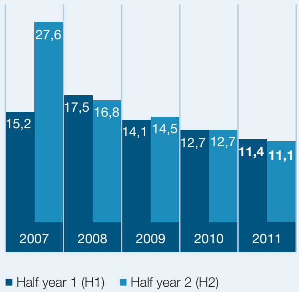
Additional information pages 64.

Focus on quality

Persistency – successful retention of business

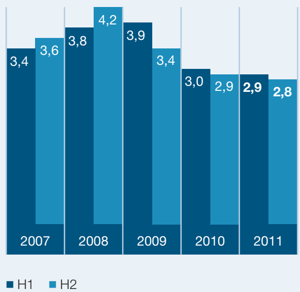
- Persistency in SA entry-level market continues to improve

Number of not taken up (NTUs), lapses and surrenders as % of in-force per half year



- Persistency trend still positive in SA middle income market

Lapses, surrenders and fully paid-ups as % of in-force per half year



Additional information page 68.

Refer to Sanlam's web-based Sustainability Report (www.sanlam.co.za) for Sanlam's sustainability KPIs.

Investment performance

Focus on top half investment performance

- Investment process supporting long-term performance

Percentage of SIM's assets under management (AUM) to exceed benchmark
(R312 billion)

2011/12/31	**94,7%**
2010/12/31	92,7%
2009/12/31	85,0%
2008/12/31	84,9%

Rolling 3 year

2011/12/31	**88,2%**
2010/12/31	79,6%
2009/12/31	80,0%
2008/12/31	84,5%

Rolling 5 year

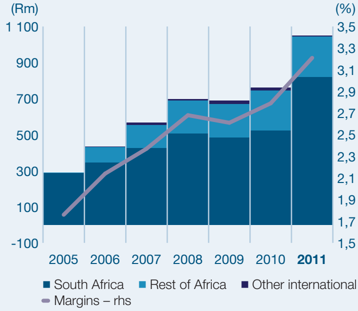
Additional information on page 50.

Growth and diversification

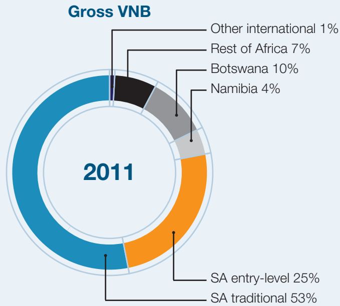
Profitable volume growth

- Gross VNB grew by 38%, reaching R1 billion for the first time

Value of new business (Rm)
vs new business margins (%)



- Increasing contribution from growth markets



Additional information on page 67.

Five-year review

		2011	2010[1]
Group Equity Value			
Group Equity Value	R million	**63 521**	57 361
Group Equity Value	cps	**3 146**	2 818
Return on Group Equity Value (RoGEV) per share	%	**15,7**	18,2
Business volumes			
New business volumes	R million	**115 087**	105 526
Life business		**21 455**	17 099
Investment business		**72 679**	69 181
Short-term insurance		**14 822**	13 667
New business volumes excluding white label		**108 956**	99 947
White label		**6 131**	5 579
Recurring premiums on existing business	R million	**19 354**	17 754
Total inflows	R million	**134 441**	123 280
Net fund flows	R million	**25 480**	22 026
SIM funds under management	R billion	**503**	474
New covered business			
Value of new covered business	R million	**1 051**	762
Present Value of New Business Premiums (PVNBP)	R million	**32 786**	27 334
New covered business margin	%	**3,21**	2,79
Earnings			
Gross result from financial services	R million	**6 007**	5 396
Net result from financial services	R million	**3 760**	3 303
Normalised headline earnings	R million	**5 023**	5 143
Headline earnings	R million	**5 015**	5 122
Net result from financial services	cps	**186,1**	161,5
Normalised headline earnings	cps	**248,7**	251,5
Diluted headline earnings	cps	**250,1**	252,4
Group administration cost ratio	%	**30,1**	29,6
Group operating margin	%	**20,2**	19,8
Other			
Sanlam share price	cps	**2 885**	2 792
Dividend	cps	**130**	115
Sanlam Life Insurance Limited			
Shareholders' fund	R million	**45 172**	40 521
Capital adequacy requirements (CAR)	R million	**7 350**	7 375
CAR covered by prudential capital	times	**3,7**	3,4
Foreign exchange rates	R		
Closing rate			
Euro		**10,48**	8,88
British Pound		**12,55**	10,36
United States Dollar		**8,07**	6,62
Average rate			
Euro		**10,06**	9,68
British Pound		**11,59**	11,29
United States Dollar		**7,22**	7,30

[1]Restated for the restructuring of clusters during 2011. Periods before 2010 have not been restated.

[2]Restated for effect of change in accounting policy of Channel Life.

[3]Restated for the introduction of Sanlam UK in the 2008 financial year.

[4]Excludes dividends paid.

2009[2]	2008	2007[3]	Average annual growth rate %
51 024	45 238	51 293	5
2 473	2 213	2 350	8[4]
16,2	(1,7)	18,8	
102 928	100 136	102 004	3
18 009	18 268	17 408	5
65 835	63 222	64 193	3
12 896	12 165	11 407	7
96 740	93 655	93 008	4
6 188	6 481	8 996	(9)
16 093	15 870	14 906	7
119 021	116 006	116 910	4
15 499	9 122	11 363	
441	409	454	3
689	698	567	17
26 365	26 033	23 886	8
2,61	2,68	2,37	
4 229	4 260	4 539	7
2 705	2 802	3 029	6
4 485	1 966	5 199	(1)
4 429	2 702	4 833	1
131,8	133,8	133,3	9
218,5	93,9	228,7	2
218,4	132,2	220,8	3
27,7	28,4	27,8	
16,9	18,4	20,8	
2 275	1 700	2 275	6[4]
104	98	93	9
37 036	34 419	37 933	4
7 675	8 075	7 525	
3,1	2,7	3,5	
10,56	12,85	9,99	1
11,89	13,33	13,61	(2)
7,36	9,24	6,83	4
11,62	11,98	9,65	1
13,04	15,07	14,10	(5)
8,31	8,13	7,04	1

Unpacking our material pillars

Our material sustainability pillars: reviewing our 2011 performance

This table provides a summary of our 2011 sustainability performance against each of the material pillars included within our Sustainability Management Framework. It also assesses how we did in terms of the commitments we made last year, and identifies our commitments for the years ahead.

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Sustainability governance **Management quality and commitment**	▪ Further develop structures for accountability on sustainability.	▪ Finalised appropriate structures for accountability on sustainability throughout the Group, under the leadership of the Social, Ethics and Sustainability committee, and increased awareness of the strategic nature of sustainability, particularly amongst the executive team.	▪ We will seek to embed sustainability more effectively throughout the Group by improving understanding of the strategic value of sustainability below the executive level, in particular within our product and service portfolio and within our investment decisions.
	▪ Sanlam* to finalise and implement its Sustainability Management Framework (SMF).	▪ Significant improvements achieved in the coordination of sustainability internally through finalisation of our SMF and approval of Group-wide key performance indicators (KPIs) on sustainability. ▪ Agreed to include sustainability-related pillars as a key performance area (KPA) throughout the organisation from January 2012.	▪ We will leverage off the development of our SMF to help us become a recognised leader on sustainable development in this sector within the next three years. ▪ We will drive sustainability in the revised KPAs, and include sustainable development within the internal leadership training programme.
	▪ Aim to increase our forensic capacity, in support of a robust anti-corruption programme for the Group.	▪ Head of Sanlam's Group Compliance and Forensic Services maintained an involvement and contribution to various anti-corruption initiatives. ▪ Sanlam Group Compliance is currently conducting a high-level group-wide assessment of the readiness of the Sanlam businesses for the proposed Protection of Personal Information Bill (POPI). ▪ Sanlam Group Compliance conducted an assessment of the readiness of Sanlam RSA businesses for the implementation of the underlying principles of international anti-money laundering (AML) standards.	▪ A detailed roadmap will be presented to the business for an in-depth impact study to prepare the Group for POPI. ▪ A fraud risk management assessment (FRMA) will be conducted to determine the fraud and corruption risk exposure of the business in Sanlam.

**In the context of these tables on our material pillars, references to Sanlam include the Sanlam Group's South African operations only.*

Sustainability governance *(continued)*

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Management quality and commitment *(continued)*	▪ Sanlam to undertake an ethical risk assessment in 2011 and expand and enhance training on ethical issues.	▪ An independent ethical risk assessment was undertaken by KPMG. ▪ All of our staff underwent ethics training and signed the Group's code of conduct. Each business conducts its own training and awareness, monitored by the Group Social, Ethics and Sustainability committee on a quarterly basis.	▪ Improve the coordination of training at a Group level.
Stakeholder engagement	▪ Aim to develop a formal stakeholder engagement strategy and framework.	▪ A stakeholder mapping exercise has been undertaken and a more structured engagement process is being finalised.	▪ A more structured engagement process with our identified key stakeholders will be concluded.

Responsibility for developing our people

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future

HR management	▪ Revise our HR service approach for office staff, to ensure a more efficient and effective service.	▪ We have developed and implemented a shared service – all transactional service delivery will be streamlined and centralised.
		▪ We have increased levels of awareness and focus around the legislative requirements, from an HR perspective, throughout the organisation; greater integration throughout the organisation, with issues highlighted from Group CEO down.
			▪ Key focus areas for 2012 are:
			  ▪ Talent management, performance management and transformation;
			  ▪ Enhanced and focused leadership development programmes.

	▪ Focus will be directed to the formalisation of record keeping systems to improve BBBEE information consolidation.	▪ Improved collation of HR management information especially head count and skills development.	▪ We will optimise the process of collating group-wide information through the implementation of our Business Intelligence system. We expect improved collation of all HR management information.
Attracting and retaining talent	▪ BBBEE plans: Aim to maintain our newly achieved level 3 status by improving our systems and targets.	▪ We maintained our level 3 status. A contributing factor was the improvement in both our Skills Development and Employment Equity scores.	▪ Revitalise our retention strategies especially for top performing talent and to focus our succession planning.
Skills development and career progression	▪ Finalise development of a Graduate Leadership Programme (GLP).	▪ We have launched the GLP, and additional learnership and management development programmes. Nineteen candidates successfully completed the programme in 2011.	▪ Fifteen high performing, high potential delegates have been identified to complete the GLP in 2012.

Unpacking our material pillars continued

Responsibility for developing our people *(continued)*

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Skills development and career progression *(continued)*		▪ A total of 66 staff members across the Sanlam Group successfully completed the Senior Management Development and Business Management programmes. ▪ A learnership aimed specifically at leaners with disabilities was implemented and completed during 2011 with approximately 70% of the learners being placed permanently in the organisation. ▪ We achieved a marginal improvement in the skills development performance pillar of our BBBEE scorecard, due to the introduction of our disability learnerships.	▪ We intend to double the number of staff members completing management development programmes. ▪ The success of the disability learnership programme has encouraged SPF to commence with 30 Disability Learnerships by May 2012. ▪ Group HR and business clusters are implementing a strategy to meet our target. We expect, once again, to be awarded full points for participating in Registered Learnerships or Category B, C or D training.
Workplace transformation and employee diversity	▪ Seek to improve employment equity at senior levels.	▪ There was a slight increase in the overall unverified BBBEE score at the senior management level. A re-categorisation exercise in one of the businesses resulted in a negative impact on the score associated with black representation at the senior management level.	▪ We will further improve our performance on BEE particularly as regards employment equity.
	▪ The new Employment Equity targets for 2012 will be finalised in the first quarter of 2012.	▪ All businesses set new Employment Equity targets for 2011 and 2012. At the end of 2011 the black/white ratio increased from 59% in 2010 to 61%.	▪ During 2012 an extensive Employment Equity analysis will be conducted and the results of this analysis will be taken into consideration when the next three-year Employment Equity plans are developed.
Employee wellness and Sanlam culture	▪ Group-wide focus on further entrenching the business culture to align this to Sanlam's business strategy.	▪ Preliminary investigations and development towards further entrenching the Sanlam business culture commenced in 2011.	▪ An extension of the project to include all staff members in the assessment of the Sanlam business culture is scheduled for 2012.
	▪ Sanlam plans to obtain accreditation as 'Investors in People' for the Sanlam Investments cluster.	▪ All clusters except Sanlam Investments cluster have undergone the 'Investors in People' accreditation.	▪ SPF will be undergoing a further assessment during 2012, to maintain their current 'Investors in People' accreditation.

Responsible products and services

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Promoting responsible investment	▪ Sanlam Multi Managers International (SMMI) will be launching a new SRI product in 2011.	▪ Signed Code for Responsible Investing in South Africa (CRISA). ▪ Enhanced engagement with investee companies through our proxy voting policy. ▪ Drafted guidelines on incorporating sustainability principles into investment decisions. ▪ The SMMI SRI Balanced Fund was launched in October 2011. ▪ SMMI incorporated CRISA explicitly into our manager research and assessment process.	▪ Seek to increase levels of client interest in driving social and environmental agendas within our investment portfolios. ▪ The SMMI SRI Balanced Fund will continue to be marketed during 2012.
Responsible procurement	▪ Sanlam plans to implement a web-based system that allows suppliers to upload their own BBBEE certificates.	▪ Obtaining an integrated procurement system enabling seamless interaction with suppliers as well as internal stakeholders is paramount. Finding a suitable solution is still in process. ▪ Engaged with our supplier base to obtain all valid certificates manually.	▪ Sign-off of an integrated procurement system and possible implementation of certain modules. ▪ Aligning our processes to engage with our supplier base.
	▪ Sanlam is entrenching environmental selection processes.	▪ Finalised a new procurement policy that includes reference to the requirement for selecting suppliers with a good environmental track record.	▪ We will encourage our supplier network to adopt best environmental practice, and will positively recognise those suppliers that do. ▪ We will review our approach to property acquisition: in addition to the rental component of costs, we will consider resource demands, and potential to minimise these.
	▪ Further research will be done into maximising web-based solutions that will lessen the need for business travel.	▪ Increased the video conferencing facilities in Cape Town and Gauteng. ▪ A positive trend evidenced in the usage of the facilities.	▪ Promote an increase in the use of video conferencing as an alternative to carbon emissions intensive business travel. ▪ Investigate the viability to roll-out video conferencing facilities to other offices.

Unpacking our material pillars continued

Responsible products and services *(continued)*

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Treating our clients fairly	▪ Sanlam will further gear resources to adapt to changes to the Statement of Intent (SOI) and the anticipated Treating Customers Fairly (TCF) regulation.	▪ Until the legislation comes into effect, the focus remains on preparation and raising levels of awareness.	▪ Strive to meet new regulatory requirements. ▪ Sanlam will measure progress on the TCF principles applicable from 2014 onwards. ▪ Each cluster will define an ombudsman most applicable to the business and will measure ombudsman complaints received relative to agreed targets. SIM and SPF will continue reporting on compliance with the Financial Advisory and Intermediary Services (FAIS) Act. SIM will measure client retention rates against targets, providing an indication of client satisfaction, while SPF will measure percentage of lapses and client retention relative to prior years and targets.
	▪ Sanlam aims to grow the Sanlam Professional Market Financial Literacy Campaign by 30% during 2011.	▪ A formal assessment was not conducted to determine the exact growth. We, however, expanded the campaign to 4 000 students from 2 500 in 2010.	▪ We will conduct a formal assessment of the campaign.

Responsibility towards a prosperous society

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Access to financial services	▪ Strive to improve our clients' product access and the financial security benefits they derive from our products.	▪ Successfully expanded our product reach. ▪ Sanlam Sky (now a part of SPF) focuses specifically on improving access to financial services in entry-level markets in SA. ▪ Realised new opportunities to engage in public private partnerships.	▪ We will expand Sanlam's presence into new markets – and develop skills to ensure greater transformation amongst agents and brokers. ▪ We will seek to develop products that meet both the needs of the Group and of the market, particularly the need for savings products in lower income markets.
Corporate social investment	▪ Establish the Sanlam Foundation in 2011.	▪ Launched the Sanlam CSI Foundation in September 2011, to facilitate more focused and coordinated efforts linked to Sanlam's core business, and to achieve more sustainable socio-economic benefits. ▪ Annual CSI spend in 2011 was R34,59 million, representing approximately 0,77% of the Group net profit after tax; this compares favourably with our 2010 spend of R22,06 million (0,47% of the Group net profit after tax).	▪ Ensure continuing alignment of CSI efforts across the business as part of a coordinated strategy.
	▪ Refine our CSI programme in line with Sanlam Foundation Strategy. ▪ Maintain commitment to core sponsorships – notably Takalani Sesame and the Sanlam Cancer Challenge.	▪ Our CSI programme focuses on education, covering four core components: – Skills Development: promoting financial literacy for high school and university students. – Education Development: investing in leadership in maths, science, English and technology (for high schools), as well as in teachers, principals and parents through the Department of Higher Education and Training. – HIV and Aids awareness and education: investing in programmes for high schools. – Environmental awareness: promoting environmental protection programmes.	▪ Seek to build a leadership position in our community investment programmes by addressing stakeholder issues/concerns, and resonate with the nature of the business. ▪ Continued investment in sponsorships is pivotal in growing Sanlam's brand awareness within our target markets in South Africa.

Unpacking our material pillars continued

	OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Responsibility towards a prosperous society *(continued)*	**Social enterprise development**	▪ Focus on supporting the growth and upliftment of black entrepreneurs through our procurement practices, focusing on black female-owned businesses.	▪ Sanlam continues to achieve full points on the enterprise development component of the dti scorecard through our Ubuntu-Botho (UB) transaction. This provides broad-based UB empowerment groupings access to capital, business advice and cross-selling opportunities between shareholding businesses. ▪ Ongoing challenges experienced around ensuring the viability of some BBBEE suppliers.	▪ Sanlam expects to continue to achieve full points on this element through the UB transaction.

Responsibility towards the natural environment

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Environmental management	▪ The Group Environmental Policy will be signed off early in 2011. ▪ Further resources will be allocated to the implementation of the Sanlam Environmental dashboard in 2011.	▪ Group Environmental Policy refined and endorsed by the Sanlam Board of Directors, the Board Social, Ethics and Sustainability committee, Sanlam's Group CEO and his executives. ▪ A process of developing a Group Environmental Sustainability Framework and dashboard is underway, assisted by external consultants, to establish a broader dashboard covering a range of environmental key performance indicators.	▪ Finalising the development of our environmental dashboard.
	▪ New resource reduction targets will be set for Sanlam.	▪ Resource reduction targets have been set for 2011 – 2015, providing clear direction for the Group. New targets, based on the 2010 baseline year, are applicable to all Sanlam business units and were approved by the Board Sustainability sub-committee in March 2011 and adopted in June 2011.	▪ Achieve further improvements in the management of our direct environmental impacts, particularly through improved waste management practices and enhanced energy and water efficiency initiatives.

Unpacking our material pillars continued

Responsibility towards the natural environment *(continued)*

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Environmental management *(continued)*	▪ Strive to position Sanlam as a corporate leader in, and champion of, environmental sustainability.	▪ Focus has been on improving reliability of performance measurement, setting priorities and introducing pilot projects. ▪ More efficient use of energy and water, and reduced waste generation, through behavioural change.	▪ Maintain a focus on communication and engagement with our staff, aimed at encouraging responsible environmental practice.
Climate change and energy	▪ Improving measurement of energy usage and other climate change related performance indicators.	▪ Sanlam's CO_2 emissions for 2011 decreased slightly on last year's performance. ▪ Sanlam was ranked 8th overall on the South African Carbon Disclosure Leadership Index.	▪ Maintain focus on promoting energy efficiency – primarily at our head office, and progressively at our other offices – through energy saving initiatives under the management of our Facilities team. ▪ Prioritise initiatives and start to implement bigger projects.
	▪ Seeking to improve efficiencies and identify opportunities to implement initiatives to reduce environmental impact.	▪ We have set ambitious targets for reducing our greenhouse gas emissions and energy usage informed by a baseline assessment and performance benchmark. ▪ Introducing improved measurement and reporting systems, enabling a more informed, coordinated and strategic approach to identifying and responding to our environmental priorities.	▪ Further improving measurement and reporting systems. ▪ Explore opportunities to develop a portfolio of onsite renewable generation initiatives.
Sustainable water use	▪ No specific commitments made.	▪ We have set ambitious targets for reducing our municipal water demands informed by a baseline assessment and performance benchmark.	▪ Water saving measures will be introduced, and rainwater-harvesting opportunities will be considered.

Responsibility towards the natural environment *(continued)*

OUR MATERIAL SUSTAINABILITY PILLARS	OUR COMMITMENTS of 2010	OUR PERFORMANCE in 2011	OUR COMMITMENTS for the future
Sustainable water use *(continued)*		▪ Renewed our partnership with the World Wide Fund for Nature (WWF) for the Sanlam Living Waters programme. As a key sponsor, Sanlam contributed R3 343 000 in 2011 in support of WWF's Marine and Fresh Water Programme. ▪ Conducted a desktop study to determine current consumption (including a comparison between Sanlam and Santam head office buildings); based on assumptions we have made on how to reduce water consumption based on a variety of technologies that could be implemented.	▪ Sanlam will dedicate resources to assess and identify how it can use its sphere of influence in a systemic way to influence responsible water use and management in South Africa. We also plan to conduct research into water risks that may impact Sanlam businesses.
Materials and waste management	▪ Maintain focus on separating waste and recycling decentrally; encourage increased recycling, double-sided printing and e-statements, as part of our drive to minimise the volume of paper used in client communications.	▪ Sanlam Head Office introduced waste separation at source to increase its average levels of recycling of all waste (including food waste).	▪ We have committed to improve measurement of the proportion of waste reused/recycled and the amount of responsible disposal of technological waste.
		▪ We have set ambitious targets for reducing our total waste and paper usage informed by a baseline assessment and performance benchmark. ▪ Undertook desktop research aimed at better understanding potential opportunities to improve our materials and waste performance.	▪ Investigate additional measures aimed at reducing our waste to landfill by 50%.

Engaging our stakeholders

Recognising the strategic importance of being responsive to our stakeholders, we have developed and are implementing a systematic approach to identifying, prioritising and engaging with our key stakeholders.

As a large diversified company, our engagements with stakeholders have predominantly been very decentralised. A process is currently underway to develop a more coordinated stakeholder management strategy and action plan. We have completed a stakeholder mapping exercise that identifies and prioritises our stakeholders based on an assessment of their dependence on our activities and their ability to influence what we do. For each of these priority stakeholder groupings we have agreed whether the interaction with them should be coordinated at a Group or cluster level, and we have assigned responsibility for managing that relationship to a senior Sanlam executive. Through this process we seek to ensure a systematic Group-wide approach to engaging with our stakeholders and to understand and respond to their respective interests. The outcome of these engagements informs the Group strategy and our internal risk assessment processes.

We have a Group Intelligence division that regularly undertakes surveys to assess the views of our key stakeholders. Through our membership of the Global Reputation Institute we are able to analyse stakeholders' perceptions regarding the nature of

We continuously engage with our stakeholders through a number of initiatives, including:

Shareholder interaction through regular presentations, roadshows, reports on results and news releases

Employee communication through regular newsletters, roadshows and presentations

Consumer education through, for instance, financial literacy programmes

Community outreach through CSI programmes of the Sanlam Foundation and targeted sponsorships

our products and services, and the quality of our internal policies and procedures. These studies are reviewed at the beginning of each year and, together with the Group strategy, inform our planning for the year ahead.

The sustainability management framework that we developed this year includes specific key performance indicators aimed at ensuring that we have coordinated effective engagement and feedback mechanisms. This includes provision for the Group and each cluster to annually review and identify existing and emerging stakeholder issues. The nature and outcomes of these engagements will feed into the annual performance appraisals of those responsible and inform our integrated and sustainability reporting processes.

Economic and financial markets review

Jac Laubscher Group Economist

Judging by the course of South Africa's main economic and financial market indicators during 2011, one could easily be tricked into concluding that it must have been a rather uneventful year. The JSE All Share Index traded within a fairly narrow range between 30 000 and 33 000 points, with the only noteworthy deviation from this trend in August when the index fell to a low of 28 391, only to rebound to within the defined range within weeks. By the end of October it was once again within a whisker of the all-time high of 33 233 reached in May 2008, and it ended the year on 31 986, a mere 0,4% lower than at the start of the year.

The bond market displayed similar behaviour, with the generic 10-year government bond yield fluctuating within a range of 8% to 8,6% most of the time, breaching the range only briefly in March (to the upside) and in August/September (to the downside). Its year-end level of 8,1% essentially represents a return to where it started the year on 8,15%.

The repo rate of the South African Reserve Bank likewise remained unchanged at 5,5% throughout 2011 in spite of the steady increase in inflation from 3,5% at the beginning of the year to breach the 6% upper end of the target range in October. The Bank evidently attached greater importance to the risks to the growth outlook, especially those emanating from Europe.

Having traded sideways during the first half of 2011, the nominal effective exchange rate of the rand suffered a sharp depreciation from August onwards. The rand continues to be subject to fluctuations in global risk appetite rather than economic fundamentals.

Real economic activity weakened sharply from the second quarter with GDP growth contracting from 4,6% in Q1 to 1,3% in Q2 and 1,4% in Q3. The slowdown can be attributed mostly to the manufacturing and mining sectors, which contrasted sharply with the relative buoyancy of the retail, transport and communication, and financial sectors.

By November the year-on-year rate of increase in real retail sales for the previous three months had increased to 7,3%. The latter is evidence of underlying strength in the household sector due to sustained real wage growth, although at a slowing pace, some improvement in employment, in particular in the public sector, and a modest reduction in indebtedness. Households in the middle to lower-middle income groups benefited proportionately more from these trends.

However, this seemingly benign picture hides an enormous amount of gut-wrenching uncertainty regarding the outlook for the global economy, with financial markets repeatedly flipping between risk-on and risk-off mode. The core driver of this lack of confidence has been the sovereign debt crisis in

Europe and the inability of political leaders to get ahead of the markets in dealing with the challenges of both short-term stabilisation and long-term reform.

The difficulties experienced in raising the government debt ceiling in the US and the subsequent depriving of the USA of its AAA credit rating by Standard & Poors contributed further to financial markets losing confidence in policymakers to address the severe challenges facing the global economy. The promise of improved global cooperation in setting policies inherent to the establishment of the G20 has unfortunately also not realised.

The fundamental issue remains the outlook for the global economy. Fears of a double-dip recession in the developed countries returned in August, helped along by the weakening situation in Europe in particular. The inability of macro-economic policy to quickly return the economy to normality after the shock of the global financial crisis has become increasingly clear to see. Not even unconventional monetary policy steps such as quantitative easing have been able to accomplish this. Although the initial policy response most certainly helped prevent the world economy falling into a second Great Depression, the limitations of macro-economic policy in dealing with a balance sheet recession has once again been exposed.

The processes of deleveraging and repricing of risk in the developed countries has a long way to go, rendering monetary policy largely ineffectual in the face of a dearth in credit demand. Fiscal policy is bound to be contractionary for an extended period because of the need to return government debt to sustainable levels. The implication is that structural reform to address constraints on economic growth is the only viable option for many countries; in some cases, e.g. Europe, addressing long overdue distortions. An extended period of low growth in the developed world *a lá* Japan in the nineties remains the most likely scenario.

Although emerging market countries have displayed remarkable resilience in the face of the global crisis, it has also become evident that they have not decoupled completely from the developed world. Their success in growing domestic demand and exploiting intra-group linkages will determine to what extent they will be able in future to differentiate themselves from the developed world.

It is therefore not surprising that South Africa is increasingly developing stronger ties with other emerging economies to diminish its dependence on the developed world. Sanlam's own internationalisation strategy with its focus on Africa and India is of course informed by a similar assessment of opportunities to expand its business.

In summary, economic prospects for the world and South Africa for the coming year are not encouraging. The South African economy seems to be caught in a 2,5% – 3,5% growth trajectory for the foreseeable future. Important issues, globally as well as domestically, remain unresolved and therefore potential sources of instability.

2012 also promises to be an important year for economic policy in South Africa, and the ruling ANC's mid-year policy conference followed by its national congress in December will be closely watched for any signs of a change in direction. At the core of the policy debate is the role the state should be playing in the economy.

Message from the Chairman

If I had to credit only one attribute that contributed materially to the sound performance of the Sanlam Group in recent years, **I would have to go with trust.**

See pages 8 and 12 of this report and our web-based Sustainability Report (www.sanlam.co.za) for more information on our key performance indicators and our material sustainability pillars.

Not so long ago environmental, social and governance (ESG) issues were considered "soft" issues that have the ability to impact on a company's bottom line, but not materially. Historically, therefore, financial reporting did not place much emphasis on sustainability issues. The thinking was that earnings growth really matters, not the levels of ESG responsibility displayed by a company when doing business.

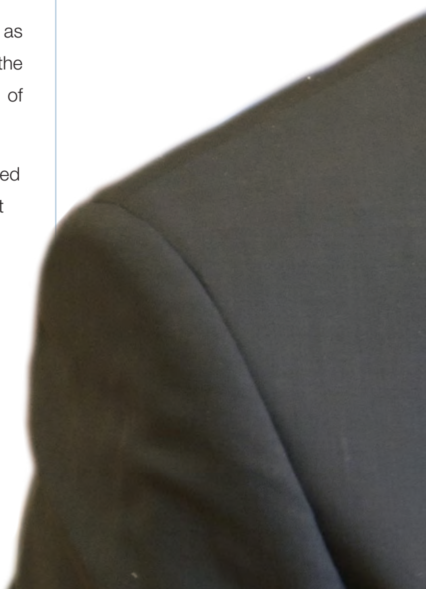
Fortunately this thinking has changed significantly in recent years and ESG issues are now considered as important as a company's set of financial results. Hence the reference to the triple bottom line: profit, people and planet.

South African listed companies are required by the JSE to apply the recommendations of the King Code of Governance on an "apply or explain" basis, including integrated reporting. In fact, South Africa was one of the first countries in the world expecting its listed companies to produce annual integrated reports.

However, the concept of integrated reporting is still so new that there are as yet no universally agreed standards or guidelines. In South Africa the Integrated Reporting Committee (IRC) released the world's first set of integrated reporting guidelines in January 2011.

I am pleased to present you with the Sanlam Group's second integrated report that will be released as at the end of March 2012. An independent assessment of our 2010 Integrated Annual Report confirmed that we are on the right track and proposed enhancements in line with best practice. These have been incorporated in the 2011 Integrated Annual Report.

I hope that the report will meet with your approval and confirms the Sanlam Group's commitment to growing a sustainable business in a responsible manner. The theme for this year's annual report is therefore *Sustainability through Responsibility*.



Desmond Smith
Chairman

“We confirm our commitment to growing a sustainable business in a responsible manner”

Message from the Chairman continued

Delivering results with trust

If I had to credit only one attribute that contributed materially to the sound performance of the Sanlam Group in recent years, I would have to go with trust.

Just as ESG issues were considered "soft" issues until it became evident that these focus areas would play a key role in determining the sustainability of a business, trust is still largely considered a "soft" side of doing business. After all, experiencing trust or distrust is linked to emotions.

Increasingly, however, leadership and management experts agree that high trust levels within a company significantly improve communication, collaboration, innovation and execution of strategy. Therefore, trust can impact on a company's bottom line.

Since joining the Sanlam Board in 2009, I have been impressed by the high level of trust that permeates the entire Sanlam fabric. There is a strong relationship of trust, not just between Board members, but also between the Board and the Sanlam executive management. We enjoy an open and transparent relationship based on mutual respect, which enables an easy flow of communication.

Equally, there exists a strong trust relationship between the Sanlam executive management and the leadership of the various business clusters.

I believe that this relationship of trust, combined with a consistent strategy and stability within the senior executive team has played an important role in the ability of the Sanlam Group to deliver shareholder value.

The five pillar strategy introduced by Johan van Zyl – optimal capital utilisation, earnings growth, costs and efficiencies, diversification and transformation – remains firmly in place and has continuously focused the Group on maintaining operational and capital efficiency, which is key in growing value.

The Sanlam share price ended 2011 at R28,85, representing growth of 393% over the 13-year period since the end of 1998, the year in which Sanlam was listed on the JSE. Including dividends paid, this translates into an average return per annum of 17,1%. In comparison, the SA Life Insurance Index returned an average 9% per annum over the same period.

This means that R100 000 invested in Sanlam shares 13 years ago was worth R776 000 at the end of 2011.

I see the strong performance of the Sanlam share price as a vote of confidence by our shareholders in the Sanlam management as well as an acknowledgement of Sanlam's stable and consistent solid performance.

Key risks and opportunities

Together with the rest of the world, Sanlam was forced to adapt to operating in an environment where strong headwinds are the norm. Our prudent approach has enabled us to do this with relative ease. As a result we managed to again deliver a strong performance in 2011 in very volatile and uncertain conditions.

The bulk of Sanlam's business remains in South Africa and much focus has been placed on extracting value from these operations. However, the South African middle-income and affluent market segments are largely mature and the Group has a significant market share in these segments. Additional growth has therefore been achieved from Sanlam's diversification into the South African entry-level market and other emerging markets by forming strategic partnerships in target regions.

The restructuring of the various Sanlam cluster businesses late in 2010 and in 2011 has also started delivering the desired results. Johan van Zyl expands on this in his management report.

Operationally, therefore, very little keeps me awake at night. I firmly believe that the Sanlam Group remains a sustainable business despite a rapidly changing and challenging environment.

While I am satisfied that Sanlam continues to be a well-run company with all good governance requirements firmly in place, there are, however, a number of external risks facing our business.

Regulatory reform

In my view the main business risk facing Sanlam and the industry in which it operates is the burden that is being placed on the financial services industry by a wave of regulatory reform.

Following the 2008 global financial crisis, politicians started driving international reform initiatives aimed at improving financial regulation in the major areas that contributed to the crisis. Already a well-regulated industry at the time the crisis struck, the South African financial services industry did not suffer a single casualty and consumers were not left in the lurch.

Nevertheless the South African Government has introduced and continues to investigate numerous regulatory interventions in the financial services industry. While we are convinced that this is pursued with the best intentions, we are concerned that the unintended consequences and associated risks will impact negatively on our industry as well as its shareholders and its clients.

In addition to the regulatory changes, South Africa is also driving a number of reform proposals, which are likely to impact on the South African savings and investment industry. These include:

- Social Security Reform, which includes Retirement Fund Reform
- Intermediary Remuneration Review
- National Health Insurance
- Review of basis for taxation of insurance companies.

The savings and investment industry, as represented by the Association for Savings and Investment South Africa (ASISA), is engaging with Government on these issues. Sanlam is playing an important role in this process.

Economic uncertainty

The global economy is in bad shape and although emerging market countries, including South Africa, have displayed remarkable resilience in the face of the global crisis, the contagion effects are unavoidable.

South Africa is therefore increasingly developing stronger ties with other emerging economies to diminish its dependence on the developed world. Aligned with this, Sanlam's internationalisation strategy is focused strongly on Africa and India.

Message from the Chairman continued

Sustainability through responsibility

In 2011 the Sanlam Board expanded the mandate of its Sustainability Board committee to include overall responsibility for the social and ethical aspects of Sanlam's corporate conduct. The committee, which continues to be chaired by non-executive director Valli Moosa, was therefore renamed the Social, Ethics and Sustainability Board committee.

This means that the chief executives of our various business clusters will in future be required to report to this committee not only on aspects of sustainability that are relevant to their businesses, but also on their social and ethical conduct. Sanlam has in place a Code of Ethics with the aim of ensuring that business is at all times conducted in an ethical way.

The Sanlam Board also carries ultimate responsibility for ensuring that clients are treated fairly. We therefore have in place a Policyholders' Interest Board committee, tasked with ensuring that our policyholders are treated fairly across all levels of our business. We are currently working on expanding the mandate of this committee to include Sanlam clients across all product lines, not only policyholders. The aim is to implement the six proposed fairness outcomes of the Financial Services Board's (FSB) Treating Customers Fairly (TCF) project. A current concern is the absence of a shared understanding of what a fair outcome ultimately looks like.

Achieving earnings growth in a responsible and sustainable manner is key to the Sanlam strategy. To ensure that this is driven at the most senior level, the Group Chief Executive's remuneration model was amended in 2011 to ensure even greater alignment with the Group strategy by increasing the linkage of his remuneration to the sustainable management and growth of the business over the long term.

Board review

At the end of the 2011 financial year, the Sanlam Board had 18 members: 12 were independent non-executives (in accordance with King III's "independence" standards), two were non-executives, and four were executive directors. The classification of directors as independent is reviewed annually. The average length of service by the directors was five years and nine months.

In June 2011 we said goodbye to Attie du Plessis and George Rudman. Both retired after serving as directors for 10 years. I would like to thank Attie and George for their loyal service to the Board and to Sanlam.

I would also like to welcome the three independent non-executive directors appointed at the annual general meeting in June 2011. They are Philisiwe Buthelezi, Flip Rademeyer and Chris Swanepoel.

At the end of 2011 our Board comprised three black females, six black males, one white female and eight white males.

In closing

While 2011 brought much uncertainty and new challenges, I believe that it has also paved the way for a productive 2012.

I referred earlier to the importance of trust in an organisation and how a relationship built on trust significantly speeds up the execution of business critical decisions.

Looking across the Sanlam business clusters, I am amazed by how quickly executive decisions turned to business critical actions. The fact that the restructuring process in July last year has already rendered results is proof of how important a strong trust relationship is for a company of Sanlam's size.

I am confident that the changes implemented in 2011 have positioned the Sanlam Group for further growth in 2012, despite the difficult operating environment that awaits us.

There have also been a number of positive industry developments that will impact on us in 2012. The most noteworthy one is probably the finalisation of the Financial Sector Charter (FSC) after eight long years. The gazetting of the revised sector code will make a real difference in the development of black economic empowerment, more than what the dti Codes could have.

I would like to extend a sincere thank you to our shareholders and other stakeholders for their support in 2011. I would also like to express my gratitude to my fellow Board members, as well as Johan van Zyl and his management team for placing their trust in the Sanlam Board and for their open and honest engagements with us.

Desmond Smith
Chairman

Sanlam Board of directors and committee memberships

Sustainability through Responsibility

1. Desmond Smith

13. Patrice Motsepe

6. Valli Moosa 9. Flip Rademeyer

11. Chris Swanepoel 4. Anton Botha

10. Bernard Swanepoel 3. Philisiwe Buthelezi

8. Ian Plenderleith 14. Rejoice Simelane

18. Temba Mvusi 16. Kobus Möller
17. Yvonne Muthein

5. Fran du Plessis 2. Manana Bakane-Tuoane

15. Johan van Zyl

7. Sipho Nkosi 12. Lazarus Zim

Please see CVs overleaf

Sanlam Board of directors and committee memberships continued

Independent non-executive directors

1. Desmond Smith (64) (Chairman)

Director since 2009

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

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

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

2. Manana Bakane-Tuoane (63)

Director since 2004

Qualifications: PhD Economics (University of Saskatchewan, Canada)

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

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

3. Philisiwe Buthelezi (47)

Director since 2011

Qualifications: MBA (Corporate Finance), MSc (Economics)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

Major external positions, directorships or associations: Group Five, The National Empowerment Fund, Industrial Development Corporation (IDC).

4. Anton Botha (58)

Director since 2006

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

Sanlam and Sanlam Life committee membership: Human Resources (Chairman), Non-executive directors.

Sanlam Group directorships: Sanlam Capital Markets, Sanlam Investment Holdings, Genbel Securities.

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

5. Fran du Plessis (57)

Director since 2004

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

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance, Risk and Compliance, Policyholders' Interest (Chairperson), Non-executive directors.

Major external positions, directorships or associations: Naspers, LDP Incorporated, Life Healthcare, Arcelor Mittal.

6. Valli Moosa (54)

Director since 2004

Qualifications: BSc Mathematics and Physics

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability (Chairman), Non-executive directors.

Major external positions, directorships or associations: Lereko Investments, Imperial, Sun International, Real Africa Holdings, Anglo Platinum, Sappi Limited, WWF-SA.

7. Sipho Nkosi (57)

Director since 2006

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

Sanlam and Sanlam Life committee membership: Non-executive directors.

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

8. Ian Plenderleith (68)

Director since 2006

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

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance, Risk and Compliance, Non-executive directors.

Sanlam Group directorships: Sanlam UK.

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

9. Flip Rademeyer (64)

Director since 2011

Qualifications: CA(SA)

Sanlam and Sanlam Life committee membership: Audit, Actuarial and Finance (Chairman), Risk and Compliance, Social, Ethics and Sustainability, Non-executive directors.

Sanlam Group directorships: Sanlam Emerging Markets, Sanlam Customised Insurance, Sanlam Collective Investments, Sanlam Coris Capital Collective Investment Managers, Glacier Management Company.

Major external positions, directorships or associations: Ubuntu-Botho Investments Holdings.

The Sanlam Board members are also the members of the Sanlam Life Insurance Limited Board.

10. Bernard Swanepoel (50)

Director since 2004

Qualifications: BCom (Hons), BSc Mining Engineering

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals, To-the-Point Growth Specialists, Advisory Board Alexander Proudfoot, Village Main Reef, Savannah Mining.

11. Chris Swanepoel (61)

Director since 2011

Qualifications: BSc (Hons), Fellow of the Institute of Actuaries; Fellow of the Actuarial Society of South Africa

Sanlam and Sanlam Life committee membership: Risk and Compliance (Chairman), Audit, Actuarial and Finance, Policyholders' Interest, Non-executive directors.

Sanlam Group directorships: Sanlam Investment Holdings, Sanlam Capital Markets, Sanlam Credit Conduit, Genbel Securities, Sanlam Global Funds plc, Sanlam Universal Fund plc, Sanlam Qualifying Investors Fund plc, Blue Ink Global Medium Hub Fund plc, Blue Ink Global Diversified Fund plc, Blue ink Global Circa Fund plc.

12. Lazarus Zim (51)

Director since 2006

Qualifications: BCom (Hons), MCom

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

Major external positions, directorships or associations: Telkom, Zim Capital, Afripalm Resources and Northam Platinum.

Non-executive directors

13. Patrice Motsepe (50) (Deputy Chairman)

Director since 2004

Qualifications: BA Legal, LLB

Sanlam and Sanlam Life committee membership: Nominations, Human Resources, Non-executive directors.

Major external positions, directorships or associations: African Rainbow Minerals, Harmony, Ubuntu-Botho Investments, Mamelodi Sundowns Football Club, African Fashion International.

14. Rejoice Simelane (59)

Director since 2004

Qualifications: PhD (Econ) (Connecticut, USA), LLB (Unisa)

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability, Non-executive directors.

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

Executive directors

15. Johan van Zyl (55)

Director since 2001

Qualifications: PhD, DSc (Agric)

Group Chief Executive since 2003

Sanlam Group directorships: Sanlam Investment Management (Chairman), Sanlam Netherlands Holding BV, Sanlam UK, Santam, Sanlam Emerging Markets (Chairman).

Major external positions, directorships or associations: University of Pretoria, ASISA (Association of Savings and Investment South Africa) (Chairman), Vumelana Advisory Fund (Chairman).

16. Kobus Möller (52)

Financial Director since 2006

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

Sanlam and Sanlam Life committee membership: Risk and Compliance committee.

Sanlam Group directorships: Sanlam Capital Markets, Sanlam Emerging Markets, Sanlam Investment Holdings, Santam, Sanlam UK, MiWay Group Holdings.

17. Yvonne Muthien (55)

Chief Executive: Group Services

Executive Director since December 2009

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

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability.

Sanlam Group directorships: Santam.

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

18. Temba Mvusi (56)

Chief Executive: Group Market Development

Executive Director since December 2009

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

Sanlam and Sanlam Life committee membership: Social, Ethics and Sustainability.

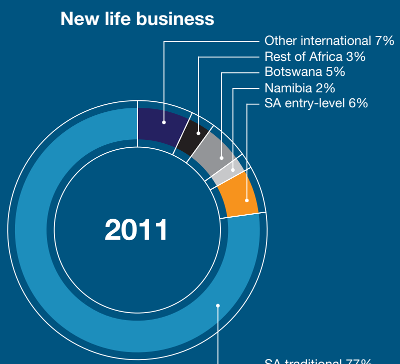
Sanlam Group directorships: Sanlam Investment Management, Sanlam Private Investments, Sanlam Investment Holdings.

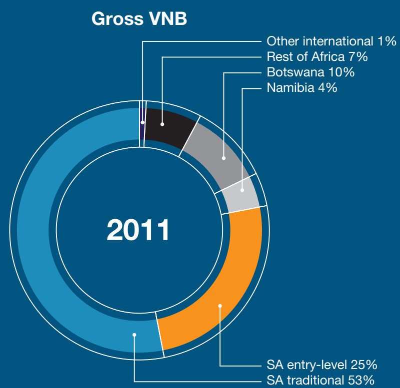
Major external positions, directorships or associations: IEMAS.

Sustainable delivery

Growth and diversification

Increasing contribution from growth markets





Management review by the Group Chief Executive

In 2011 we continued to execute the Group's five-pillar strategy and achieved our overarching objective of keeping the business on a strategically sound footing for the future.

See page 8 and 12 of this report and our web-based Sustainability Report (www.sanlam.co.za) for more information on our key performance indicators and our material sustainability pillars.

The sustainability of the Sanlam Group is determined by its ability to create value for clients and shareholders.

Our clients expect us to provide appropriate products that offer value, while shareholders demand value from their investment in Sanlam. If we do not meet these most basic expectations of our stakeholders, there can be no sustainable growth. And without profitable growth, our business is rendered unsustainable.

The question then is whether we delivered value to our key stakeholders in 2011 in line with their expectations and whether we are geared to continue delivering such value into the future? Most important, however, is whether we achieved this in a responsible manner.

Titled *Sustainability through Responsibility* this, our second Integrated Review, aims to answer these questions by providing a holistic and transparent overview of Sanlam's performance, both from a financial point of view as well as in terms of our consideration of environmental, social and governance (ESG) issues.

The operating environment in 2011

The period under review proved as challenging as we had anticipated in 2010. Described as "gut-wrenching" by our Group Economist, the uncertainty that emanated from the eurozone during 2011 caused tremendous volatility in financial markets around the world.

Net result from financial services per share up

15%

New business volumes increased by 9% to

R115bn

Gross VNB margin of 3,21% compared to 2,79% in 2010

Return on Group Equity Value per share of

15,7%

Dividend per share increased by 13% to 130 cents

Johan van Zyl
Group Chief Executive

“Sustaining a market leading performance”

Management review by the Group Chief Executive continued

While emerging market countries, including South Africa, displayed remarkable resilience in the face of the global crisis, they are not decoupled from the developed world and were not spared from the fall-out of the extreme volatility filtering out of Europe and the US.

Fears of a double-dip recession in developed countries returned in August 2011, fuelled by the chaos in Europe. The US government debt ceiling issue and the loss of its AAA Standard & Poors rating further eroded investor confidence.

The only good news for 2011 was a slight improvement in household income levels in the middle to lower-middle income groups due to sustained real wage growth, a slight improvement in employment and a modest reduction in debt levels.

Performance highlights

The Sanlam Group delivered strong results in 2011 despite this very challenging global operating environment.

We performed well in areas of the business that we could control, resulting in a pleasing growth in operational profits. Since investment markets are, however, largely out of our control, we had to accept fairly flat investment performance in 2011.

We also maintained our focus on the quality of new business in line with our objective to focus on profitable business instead of simply chasing market share.

The following are some of our salient results:

- Net result from financial services per share up 15%
- New business volumes increased by 9% to R115 billion
- Gross VNB margin of 3,21% compared to 2,79% in 2010 (3,05% vs 2,79% excluding STC impact)
- Return on Group Equity Value per share of 15,7%
- Dividend per share increased by 13% to 130 cents.

2011 strategic initiatives

In 2011 we continued to execute the Group's five-pillar strategy and achieved our overarching objective of keeping the business on a strategically sound footing for the future.

The five pillars that continue to make up our strategy are optimal capital utilisation, earnings growth, costs and efficiencies, diversification and transformation. By focusing resolutely on these five pillars, we have achieved market-leading growth and have transformed Sanlam into an efficient and profitable company with a healthy capital position.

Optimal capital utilisation

Key to achieving our objectives is the effective management of the Group's capital resources. The Sanlam Group remained well capitalised with discretionary capital of R3,9 billion as at the end of December 2011.

One of our big focus areas for 2011 has been to pursue profitable growth opportunities with the aim of efficiently utilising discretionary capital.

Of the discretionary capital, some R2 billion has been earmarked for the Shriram Capital investment in India through the Sanlam Emerging Markets (SEM) cluster announced late last year. This investment is in line with our strategy to diversify both geographically and into broader financial services. Our target remains to close this transaction in the second quarter of 2012.

We used some R1,1 billion of discretionary capital for strategic acquisitions. These include the purchase of 3,5 million Santam shares to increase our holding in Santam to an effective 60%, and Sanlam Private Investments' acquisition of leading UK stockbroking firm, Merchant Securities Group plc, and Summit Trust, an international independent trust services group headquartered in Geneva, Switzerland. Our expanded global wealth management proposition will serve the established South African client base and clients in the UK and Australia. SEM provided further capital to a number of its fledgling businesses, expanded into Swaziland in 2011 where we established an asset management business, and started exploring opportunities in Mozambique. The Botswana operations also increased its stake in Letshego, to expand its credit operations.

We also continued the buy-back of Sanlam shares on a selective basis. R979 million was utilised for this purpose.

In 2011, we bolstered our discretionary capital portfolio by some R1 billion through the disposal of non-strategic investments, including the sale of a major part of the Group's holding in the Vukile Property Fund.

Earnings growth

Key to our strategy is to grow earnings in a responsible and sustainable manner. We will therefore not push short-term profits at the expense of long-term earnings growth. To encourage this, Group remuneration structures are aligned to this strategy through some direct link of the vesting of bonuses and long-term incentives to the sustainable management and growth of the business over the long term.

So, how have we done in 2011?

Despite the economic challenges of 2011, the Group achieved a satisfactory 14% growth in net operating profit. Sanlam Personal Finance (SPF) performed exceptionally with excellent earnings growth of 18%, the result of sound contributions from all its South African retail market segments and all its major businesses.

Sanlam Emerging Markets (SEM) and Sanlam Investments recorded 8% and 7% growth respectively, both clusters benefiting from their diversified composition as strong performances from certain individual businesses compensated for relatively weaker performances by other. Businesses in the latter category are essentially either start-ups

Management review by the Group Chief Executive continued

or growth phase entities or businesses more directly and severely impacted by the adverse economic conditions.

Santam again made a material contribution to the Group bottom line as favourable underwriting conditions continued during 2011. Some reduction in margin in the second half of 2011 resulted in only a relatively small increase in Santam's operating profit for the year.

The Sanlam headline earnings were affected by the flat equity market performance in 2011 relative to the buoyant markets in 2010 and ended the year marginally down on that reported for 2010.

Cost and efficiencies

The business restructuring referred to below should ensure improved focus and coordination across businesses, resulting in reduced operating costs and greater efficiencies.

The Sanlam for Sanlam programme, introduced in November 2010, has proven successful in encouraging effective collaboration between clusters with the goal of achieving greater growth and profitability.

Managing an efficient business also requires stringent risk, compliance and corporate governance systems. As a Group we spent around R400 million in 2011 on various initiatives aimed at ensuring that we remain a good corporate citizen, including internal and external audits, reporting of results and Board activities. We have also significantly enhanced our compliance capabilities over the last few years.

Diversification

Our diversification strategy has resulted in a mix of business that has provided us with the resilience required to withstand the extreme global turmoil over the past four years.

We have successfully achieved geographic, product, distribution and market segment diversification in recent years, which has served us well. In 2003, for example, 74% of our net operating profit was derived from our life business. In 2011 life business, while double in size compared to 2003, contributed only 52% of net operating profit. So while our life business is still important to the Sanlam Group, it forms part of a much more balanced portfolio of businesses that is better equipped to withstand harsh conditions.

However, in order to ensure the sustainability of our business well into the future, we need to do more.

Currently our international operations contribute around 14% of operating profit. We are aiming to double this contribution over the next five years as these international markets have been identified as key growth engines for the future.

We have identified significant growth potential in the international markets and more specifically in the developing economies of Africa and certain areas in the East and Pacific Rim. Our restructuring in 2011 will facilitate further diversification in 2012.

We will also be looking at further diversifying our distribution channels by entering into joint ventures with affinity groups such as retailers and unions. Where we already have a presence, further diversification efforts will be focused on branching into different markets. In the UK, for example, we are looking at expanding our current private client offering into the mass affluent market.

Expansion in developed markets will mostly be of an organic nature, with no large capital investments required.

Transformation

Transformation is one of the pillars of our business strategy, because only through focused transformation will we ensure that this business remains viable.

While the internal transformation of Sanlam is a key priority, we are also concerned with the transformation of the savings and investment landscape of South Africa.

South Africa's low savings rate is of concern and we believe we have an important role to play in helping more South Africans achieve financial stability by providing access to appropriate products that offer value. We have therefore done away with products that no longer offer value and are focused on delivering innovative products through unconventional channels into the low-income market.

Other transformation initiatives are detailed in the Sustainability Report published on our website. I would, however, like to highlight the following achievements for 2011:

- At the end of 2011, black shareholding in the Sanlam Group came close to 28% as measured against the Department of Trade and Industry's BEE scorecard. Sanlam has pro-actively been transforming ownership of the Group since 1993.
- Our black:white employee ratio was 61:39 at the end of 2011, compared to 59:41 at the end of 2010. Our target is to increase the current black staff complement to around 62% by the end of 2012. I am confident that we will achieve this target.
- Our Sustainability Management Framework was finalised and implemented and group-wide key performance indicators on sustainability approved.
- We launched the Graduate Leadership Programme as well as a disability learnership.
- The Sanlam Foundation was launched in September 2011 to facilitate more focused and coordinated efforts linked to Sanlam's core business, and to achieve more sustainable socio-economic benefits. Our annual CSI spend in 2011

Management review by the Group Chief Executive continued

was R34,6 million representing 0,77% of Group net profit after tax. In 2010 the CSI spend was R22,1 million (0,47% of Group net profit after tax).

- Sanlam was ranked eighth overall on the South African Carbon Disclosure Leadership Index. We have set ambitious targets for reducing our greenhouse gas emissions and energy usage, informed by a baseline assessment and performance benchmark.
- Sanlam's WWF partnership was effective throughout 2011 and renewed in January 2012 for another three years. The focus of the WWF Sanlam Living Waters programme is on water conservation. As a key sponsor, we contributed more than R3 million in 2011 towards this programme.

Supporting strategy with structure

While our five-pillar strategy remains firmly entrenched we identified a number of structural changes in 2011 that will provide the most effective support over the next five years to our key strategy objectives: sourcing new growth opportunities and maximising the return on investment in the existing businesses.

We started implementing a number of strategic structural changes in July 2011. The new structure reflects the right emphasis on the growth areas of the business.

Emerging markets

The strategic restructuring exercise resulted in the creation of the SEM cluster from the previous Sanlam Developing Markets (SDM) business. SEM assumed responsibility for Sanlam Namibia from SPF, effective from 1 July 2011.

SEM took over management responsibility for the Sanlam Investment Management (SIM) operations in Africa during 2011. SIM Africa is currently represented in Kenya, Nigeria, Namibia, Zambia, Botswana and Swaziland. The cluster also assumed joint responsibility with Santam for managing general insurance businesses in various markets.

The restructuring enables SEM to focus exclusively on pursuing growth opportunities in emerging markets (Rest of Africa, India and South East Asia) across all business lines offered by the Sanlam Group. This allows for a more coordinated approach between the various Group businesses in these territories as well as a more holistic and integrated approach when entering new markets.

Retail market

Sanlam Sky Solutions moved out of SDM and is now SPF's retail offering targeting the entry-level (low income) market in South Africa. The restructuring enables SPF to focus exclusively on the South African retail client market, ensuring better coordination in targeting the full spectrum of this market.

In line with our strategy to provide clients with a superior "Journey For Life" experience, the restructuring creates greater opportunity for a seamless addition of Sanlam solutions to clients' portfolios as their financial needs change.

Sanlam Investments

To bolster the international offering of the Sanlam Investments cluster, Sanlam UK was incorporated into the International Investments sub-cluster.

Human resources

The critical importance of people in the business and the demands of effective transformation across the Group necessitated the creation of a chief executive position in charge of Group Human Resources and we therefore appointed Buyani Zwane as Chief Executive of Group Human Resources. He has been tasked, among others, with creating a strong and transformed leadership core for the Sanlam Group.

Some awards and market recognition in 2011

Sanlam Group

- Best Reporting and Communication in the Life Insurance Sector.

Sanlam Personal Finance

- **SPF Client Contact Centre** received Best Customer Service Centre, Best Business Processing Centre and Top Community Spirit Awards in South Africa.

Sanlam Emerging Markets

- **Pan Africa Life** voted the Best Insurance Company and Life Insurance Company of the Year in Kenya and awarded for Fraud Detection and Prevention Initiatives.

- **Shriram General Insurance** received Excellence in Growth Award for the fastest growing company in the insurance segment in India.

Sanlam Investments

- **Kokkie Kooyman,** fund manager of the **Sanlam Global Financial Fund,** named top global financial fund manager for the second year in a row by UK-based *Investment Week Fund Manager.*

- Raging Bull Award for **SIM Global Best Ideas Feeder Fund.**

- **Sanlam Employee Benefits** received the *Imbasa Yegolide* Award as the Umbrella Fund of the Year, the Financial Intermediaries' Association Award for Employee Benefits Product Supplier of the Year and the Institute of Retirement Funds' Communication Challenge Award.

- Awarded as Commercial and Corporate Insurer of the Year, Insurer of the Year, Top Commercial Short-term Insurance Brand and for Climate Change Leadership. The Association of Chartered Accountants voted Santam's Sustainability Report as the best in the financial sector.

- **MiWay** awarded as Best Company to Work For in its categories and won the Short-term Insurance category in the Ask Africa Orange Index for Service Excellence.

Management review of the Group Chief Executive continued

How our business clusters performed in 2011

The Sanlam Group consists of four operational clusters: Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investments and Santam and I continue with a brief overview of the performances of these clusters in 2011.

Sanlam Personal Finance (SPF)

Despite the economic challenges of 2011, which impacted severely on the South African middle market, I am pleased with SPF's good premium growth across all segments. This can be partly attributed to the launch of two innovative product solutions at the end of 2010 and early in 2011. The Cumulus single premium savings solution was launched in March 2011. The Glacier International offering became available in October 2010 and provides affluent South African clients with innovative ways of investing offshore. Both products have been well accepted by their target markets.

The profitability of new business remained intact, notwithstanding the competitive environment, and we are comfortable with the persistency levels in all market segments. We are particularly pleased with the improvement in persistency levels for the entry-level market.

An 18% increase in SPF's operating profit is a very commendable performance and is the result of strong contributions from all three market segments.

Summarised, the key results for each of the SPF market segments are as follows:

Affluent Market

Sales grew by 5% (13% excluding a once-off book transfer in 2010). The Glacier linked annuity and discretionary solutions, which are impacted less by lower interest rates, have shown good growth. Sales were also boosted by the Glacier offshore solution. Gross operating profit grew by 34%, supported by an increase in assets under management.

Middle Market

Sales were 14% higher than in 2010, with new recurring premiums having grown by 6% and single premiums by 15%. The impact of lower interest rates, which rendered guaranteed plan and conventional annuity product rates unattractive, was negated by increased sales of the new Cumulus solution. Sanlam Personal Loans also grew its loan book as a result of an increased demand for credit and SPF's selected expansion into the mass middle market at the end of 2010. Risk sales, however, were under pressure in 2011 and the business is looking at various ways of improving sales in this area in 2012. Gross operating profit increased by 11%, a particularly pleasing result from this mature market segment.

Entry-level Market

Total sales were 5% lower than in 2010, with new individual recurring premiums 3% higher and a decline in roll-overs of discontinued single premium business contributing 19% lower single premiums in 2011. Group business sales saw an increase of 17%, mainly due to good credit life sales as well as our on-going relationship with affinity groups. While individual life business was lagging in the first half of 2011 when volumes were limited and the sales force reduced to focus on the quality of new business, there was a satisfactory improvement in both volumes and quality of business in the second half as the distribution force was expanded again. The strong growth achieved in this segment over the last few years, positive experience variances and a slowdown in the growth of new business volumes (lower new business strain), contributed to a 92% increase in gross operating profit.

Sustainability through Responsibility at SPF

We believe that by offering financial products that meet the needs of our various target markets we can contribute to reducing the levels of underinsurance and help turn around our country's poor savings rate.

Strong focus is therefore placed on understanding our target markets and designing solutions that will meet their needs in a cost effective manner. The aim is to provide clients with value for money while at the same time ensuring the quality of business sold.

We also recognise the important role played by our distribution channels in helping people save and insuring themselves and their families against the financial risks of death and disability. SPF currently has some 4 500 intermediaries in the field and is in the process of increasing the distribution footprint even further.

Targeting growth markets

SPF has identified the middle market, which consists of 4,5 million people, as a mature market, yet with growth opportunities. This market is diverse in terms of income, needs and the different attitudes and financial behaviours of clients. In order to create value offerings for this market we segmented the market and created a client value proposition for each of the key sub-segments, while maintaining our focus on quality business and profitability margins. This required a number of changes in our business, but these have already started to show results.

Changes to the SPF funeral product, for example, have increased the sales of this product by between 200% and 300% in two of the prioritised segments in the middle market.

The restructuring in the middle of 2011 in which Sanlam Sky Solutions joined SPF, also enables SPF to better target clients with appropriate solutions across the segments as their financial needs change.

Access for all

Currently 95% of the entry-level market sales consist of funeral policies. The challenge for Sanlam is to find a business model that offers value to low-income earners so that this market can be given access to a more diverse range of risk and savings products.

A further challenge is identifying non-traditional distribution channels that will provide easy access to appropriate products, while keeping the cost of distribution and premium collections to a minimum.

The joint venture with the ZCC in the Sanlam Sky Solutions group business areas continues to be very successful. The ZCC collections in August 2011 were the highest ever with over 680 000 collections.

Treating clients fairly

The fair treatment of clients has been a priority for not only SPF but the total Sanlam Group long before the Financial Services Board (FSB) announced the

Management review of the Group Chief Executive continued

Treating Customers Fairly (TCF) initiative. Our own initiatives are overseen at Board level by the Policyholders' Interest committee, which ensures that policyholders are treated fairly across all levels of our business. Our Chairman highlighted in his message that the mandate of this committee was being expanded to include all retail clients, not just policyholders.

Nevertheless, we are supportive of the FSB's TCF initiative and have representation on the task teams set up by the FSB. We will use the regulatory developments emanating from TCF to guide future improvements to our interactions with clients.

We believe that the fair treatment of clients is a journey, and we continuously seek ways of improving our value propositions to clients. As such, we will also use the regulatory developments emanating from TCF to guide future improvements to our interactions with clients.

Employer of choice

SPF can deliver on its undertaking to provide clients with superior products and services only if it employs skilled, competent and motivated people. Together with the rest of the Group, SPF therefore strives to be an employer of choice.

SPF has been an "Investor in People" accredited organisation for six years running. The next assessment will take place in 2012 and I am confident that the cluster will retain this accreditation.

The SPF Internal Training Academy and the disabled learnership programme, introduced in 2010, have proven very successful. In 2011, this cluster spent in excess of R50 million on the training and development of its people.

The transformation of our business remains a priority as this will determine our relevance and sustainability into the future. More than half of the SPF staff complement consists of previously disadvantaged people. Progress is measured on an on-going basis and a component of all staff performance bonuses depends on the business achieving its transformation targets.

See page 68 in the Financial Review for more detail on SPF's performance

and view SPF's presentation at the 2011 Sanlam Investors' Conference on www.sanlam.co.za

Sanlam Emerging Markets (SEM)

SEM is a diversified cluster, with operations presenting the business with very different risks and opportunities. Overall, this diversification delivered sound results in 2011 against difficult operating environments.

The cluster achieved satisfactory new business results, despite a high 2010 base in certain instances and the negative impact of the relatively strong average exchange rate of the rand. The average margin of new life business remained in line with that of 2010. Botswana operations recorded flat new business sales in rand, reflecting the more mature nature of this market as well as the difficult operating environment and increasing competition. In Namibia, new investment business increased by 4% from a high base in 2010 and in a very competitive environment. The rest of our African operations, however, increased new business volumes by a very pleasing 17%.

In India changes in legislation had a material impact on new business volumes. The business adjusted quickly and managed to change the business mix to product lines that will be profitable in the new environment, also resulting in improved operating profit in the current year. The decrease in the present value of new business premiums was also markedly less than experienced by the rest of the industry.

Gross operating profit for the cluster was 12% up on 2010, despite significant upfront losses incurred during 2011 in newly established businesses.

One of Sanlam's big focus areas for 2011 has been to pursue profitable growth opportunities with the aim of efficiently utilising discretionary capital. As mentioned earlier, we reached an agreement, subject to certain conditions, with the Shriram Group in India to increase Sanlam's exposure to the financial services activities of the Shriram Group.

In 2011 SEM established two new partnerships. In Mozambique the cluster started exploring opportunities with a strong local partner in broader financial services as per the new SEM mandate. In Swaziland SEM established an asset management business.

The performances of the following operations stood out in 2011:

- A new management structure was put in place at African Life Zambia in 2010 with very pleasing results. The business proved in 2011 that the significant turnaround in new business volumes and persistency is sustainable.
- In 2010 SEM expanded into Malawi, taking up a 49% stake in NICO Life Malawi. We are pleased with our new partners and the progress made in strengthening this relationship in 2011.
- We likewise value the partnership between SEM and the First Bank of Nigeria, established in 2010.

Sustainability through Responsibility at SEM

Together with the rest of the Sanlam Group, SEM strives for sustainable profit growth. SEM aims to achieve this through strong partnerships with reputable and established operations in Sanlam's target countries. This approach enables SEM to allocate capital resources and expertise to support these partnerships, thereby strengthening their technical base to enable further growth.

Once a partnership has been forged, SEM supports the operation by providing training and skills development, as well as technical and management support. Sanlam prefers to help build self-sustaining companies in each of the countries where we are represented rather than create dependent structures.

The growth of our emerging markets operations helps create additional employment opportunities in those countries. An additional benefit is the on-going development of local skills at all levels.

Sanlam's presence in emerging markets provides consumers in those countries with access to much needed innovative product solutions. Products are developed specifically for each country taking into consideration the unique needs of each target market. This aids wealth creation in some of Africa's more underdeveloped economies.

To ensure that these efforts are well coordinated, the Corporate Services and Stakeholder Management division was created in SEM with effect 1 August 2011. This division has been tasked with initiating and overseeing stakeholder relations and sustainability initiatives.

See page 71 in the Financial Review for more detail on SEM's performance

and view SEM's presentation at the 2011 Sanlam Investors' Conference on www.sanlam.co.za

Management review of the Group Chief Executive continued

Sanlam Investments

The cluster remained steadfast during 2011 in its efforts to construct a broader investment business in line with the strategy adopted at the end of 2010. Focus areas that enjoyed attention throughout the year included the building of a long-term positive investment track record, an increased retail market emphasis, growing and diversifying the cluster, including an increasing international footprint, and cross cluster collaboration.

Overall, the cluster delivered sound results in 2011. Net fund inflows amounted to R11,4 billion with positive Employee Benefits fund flows in particular pleasing. A 7% increase in overall operating profit benefited from strong group life underwriting results.

I would like to highlight some of the performances of the sub-clusters during 2011.

Asset Management

Sanlam Investment Management (SIM) and its investors enjoyed solid relative investment performance over one, three and five years generated by an experienced and highly skilled team of investment professionals.

SIM's retail business achieved record net inflows into the Sanlam range of collective investment schemes. The strong net inflows of funds can be attributed to a combination of factors that worked well in 2011, including our distribution support capability and other support functions, particularly product design and marketing.

Lower institutional net fund flows were experienced due to an industry-wide slowdown in new business being awarded and a few big mandate changes or switches by funds and institutions during the year.

Wealth Management

The Wealth Management sub-cluster established two new business units, the Investment Advisory Service and the Fiduciary and Tax Services, as part of its strategic expansion plan. As mentioned earlier in my review under Optimal capital utilisation, the acquisition of two international firms – Merchant Securities and Summit Trust – was also finalised. Our expanded global wealth management proposition will serve the established South African client base and clients in the UK and Australia.

While market volatility and the significant financial investment into the establishment and purchase of these units placed the profitability of this sub-cluster under pressure in 2011, we are confident this vastly improved wealth management offering will deliver sustainable long-term growth in the future.

Capital Management (SICM)

SICM focused on growing its debt and equity structuring books. The Sanlam Properties business model evolved to that of a property finance business with risks such as development risk being outsourced to other parties while the derivatives Structured Solutions business saw significant growth in their third party funds.

SICM also started transforming existing businesses with the aim of improving margins over the longer term. The two businesses most affected are the Equities Division, which is being transformed into a client focused flow-based business, and Sanlam Private Equity (SPE), which will be transformed into a manager of third party funds.

Sanlam Employee Benefits (SEB)

This sub-cluster delivered good performance in 2011, winning several industry awards and also increasing its profits significantly during the period under review.

The Sanlam Umbrella Fund, identified as one of the top five opportunities across the cluster, experienced exceptional growth in 2011. As a result Sanlam Umbrella Solutions ended the year with R6,6 billion in assets under management.

Sanlam Structured Solutions (SSS), a guaranteed and annuity business, secured a R1,26 billion single premium flow into its annuity product in October. A strong pipeline for the SSS smoothed bonus products remains in place.

Sanlam Group Risk continued to show solid growth in new business and that, coupled with better underwriting conditions than in 2010, resulted in a significant increase in profits for 2011.

The Retirement Fund Administration business is not yet delivering the expected returns and again delivered a loss. While progress has been made in stabilising the business, the turnaround has been slow. This is a focus area as this offering is important for the future.

International Investments

Sanlam International Investment Partners (SIIP) focused on bedding down the operational and strategic plans of the specialist investment management businesses that it invested in during 2011. Product sets have been expanded and capitalised and these businesses are well positioned to attract investors in South Africa and in their local markets.

SIM Global continued to attract South African institutional investors and limited retail investors in SA and Europe. The Sanlam Global Financial Fund kept its performance track record intact in a very difficult environment.

Sanlam Asset Management Ireland, the cluster's Dublin-based UCITS IV compliant investment platform, continued to expand its service offering to the Sanlam Group of companies and also successfully launched new products for third party clients during the period under review.

Previously a standalone business, we grouped Sanlam UK with the rest of our offshore investment businesses in July 2011.

Sanlam UK recorded strong business volume growth in 2011, despite operating in a tough business environment. Ironically the volatile situation in Europe and the legislative and regulatory changes in the UK have created opportunities for the Sanlam UK business. Independent financial advisers (IFAs) are forced to seek the support of stable business partners and Sanlam UK is well positioned to offer the support they need to survive.

Investment Services

One of the main drives for Investment Services in 2011 was to set up Graviton Financial Partners, a broker network business, which offers value adding services to independent financial advisers. This positions the sub-cluster well for the trend in the retail market towards broker consolidation and provides our financial intermediaries with compelling

Management review of the Group Chief Executive continued

value propositions that are in the best interest of their clients.

Sustainability through Responsibility at Sanlam Investments

Mindful that consistent long-term performance is key in ensuring sustainability, we believe that companies that are willing to do business responsibly should be rewarded and given the opportunity to grow.

Sanlam Investments identified such a business in 2009 and supplied the start-up with significant seed capital. This enabled the company, Sustainable Capital, to launch the Africa Sustainability Fund, which aims to provide long-term investors with equity exposure to African companies, excluding South Africa. Sustainable Capital has done us proud by consistently outperforming its benchmark as a direct result of focusing on responsible investing.

Sanlam Investments also supports the Code for Responsible Investing in South Africa (CRISA), launched in July last year. South Africa is only the second country after the UK to formally encourage institutional investors to integrate into their investment decisions sustainability issues such as environmental, social and governance (ESG).

The cluster, through SIM, has for several years been a signatory to the United Nations-backed Principles for Responsible Investing (PRI).

Ultimately people are our competitive edge in the Sanlam Group. For Sanlam Investments to win in its space on a sustainable basis, it is therefore fundamental that it is exceptional at attracting, retaining, developing, deploying and connecting with its people. Programmes to ensure culture and talent development are therefore sponsored and supported at CEO level.

See page 74 in the Financial Review for more detail on Sanlam Investments' performance

and view Sanlam Investments' presentation at the 2011 Sanlam Investors' Conference on www.sanlam.co.za

Santam

While the 2011 operating environment proved as challenging as was anticipated in 2010, the Santam Group achieved excellent underwriting results as well as double digit growth of 12% in gross written premium.

Net underwriting margins exceeded expectations at 7,7% in 2011. However, compared to 2010, investment results were negatively impacted by the low fair value movements on equities and lower interest rates.

Margins in most of the significant business classes were satisfactory with the motor book performing exceptionally well. The absence of large industrial and fire-related claims for the net underwriting account, as well as a low incidence of catastrophe events, furthermore contributed to the good underwriting results. However, underwriting profits of the liability class were on lower levels in 2011 than the exceptional levels achieved in 2010 due to a few large claim estimate increases during the year.

In general, lower average claims cost brought about through efficiency initiatives and the continuous focus on risk management improved the quality and diversity of the risk pool, impacting positively on underwriting margins.

Reduced claims cost and the use of appropriate segmentation models also enabled Santam to minimise across-the-board premium increases and even implement selective premium reductions for commercial and personal motor insurance clients in 2011.

Efficiency initiatives in the commercial and personal lines contact centres increased conversion rates and reduced churn rates.

Santam's acquisition cost ratio on net earned premium of 28,1% was higher than the 27,4% of 2010 due to increased spend on strategic investment initiatives such as MiWay and other transformation and optimisation projects. In the medium- to long-term the aim is to reduce the acquisition cost ratio closer to 26% while continuing to invest in growth for the longer term.

At 31 December 2011 the Group's solvency ratio of 48% was higher than the long-term target range of between 35% and 45%. Santam's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework. Given the strong solvency margin as well as the stabilisation of the investment markets, the Board decided to declare a special dividend of 850 cents per share. This will be the fifth special dividend paid by Santam since 2004 and will bring the total special dividend per share declared over this period to R52.

In 2011 strong focus was placed on bedding down the strategic acquisitions concluded in 2010 and they are starting to bear fruit:

- The acquisition of Emerald Risk Transfer enhanced Santam's specialist underwriting skill in the corporate property environment as demonstrated by the turn-around from a loss-making situation in 2009 to double-digit underwriting margins in 2010 and 2011.
- The acquisition of MiWay Group Holdings contributed significantly to the growth target set for diversifying our distribution channels. MiWay achieved gross written premium growth of 67%. They also clinched two prestigious awards in 2011, namely the Ask Africa Orange Index Service Excellence award for short-term insurer as well as the 2011 Deloitte Best Company to Work For award in the medium company size category.

On 1 March 2011, Santam acquired 55% of the voting equity in Mirabilis Engineering Underwriting Managers by merging its construction and engineering business into Mirabilis. The new merged entity is now the leading engineering specialist underwriter in the South African market.

Santam's brand position of "Insurance, Good and Proper" was launched in 2011, entrenching the concept that Santam's value proposition extends beyond price. Recent market research shows that Santam's intrinsic message resonates successfully with South African consumers. In order to ensure delivery of insurance, good and proper, Santam is driving a culture of performance and excellence within the company.

Sustainability through Responsibility at Santam

As a short-term insurer, Santam ensures its sustainability by managing the risks that it insures. While pragmatic and collaborative systemic risk management in society and the economy helps Santam protect its bottom line, such initiatives can

Management review of the Group Chief Executive continued

also be used to benefit a variety of stakeholders through cooperation.

A good example is Santam's continued collaboration with the WWF South Africa, the Council of Scientific and Industrial Research (CSRI), the University of Cape Town, and the United Nations Environment Programme (UNEP) Finance Initiative on the ground breaking Eden project in the Eden District Municipality of the Southern Cape. This initiative is a research project aimed at understanding how changes in Eden's landscape are affecting current and future risk exposure to wild fire, flood and sea storm, and to understand how best the insurance industry can respond to ensure its own viability, as well as build the resilience of the socio-ecological system as a whole.

UNEP has recognised this project as a local effort aimed at pursuing a holistic and integrated approach to risk management in order to build climate and disaster-resilient communities. The findings of this project enable Santam to complement its risk assessment with proactive risk management aimed at those systemic drivers of risk that are within its potential realm of influence. This ties in strongly with Santam's commitment to do Insurance Good and Proper.

In line with Santam's policy to invest 1% of net earned premium income in strategic projects, the Group ensures that it retains leadership position in South Africa by focusing on profitable growth and diversification opportunities, enhancing competitiveness and operational effectiveness.

See page 76 in the Financial Review for more detail on Santam's performance

and view Santam's presentation at the 2011 Sanlam Investors' Conference on www.sanlam.co.za

Priorities for the Sanlam Group in 2012

South Africa, together with the rest of the world, is facing strong headwinds in 2012. Economic, regulatory and political uncertainties cause instability, which tends to hamper growth. In South Africa we are currently facing all three. It is no surprise then that the South African economy appears to be caught in a 2,5% to 3,5% growth trajectory for the foreseeable future.

Sanlam is well prepared for the headwinds and cross winds that we expect to encounter in 2012. In 2011 we restructured parts of our business to support sustainable growth into the future. In 2012 our focus will be on harvesting benefits from the strategic changes that were implemented.

We have set the following priorities for 2012:

- Grow earnings by attracting new clients in new markets and by cross selling to existing clients.
- Strengthen our distribution channels in South Africa, both for our retail as well as institutional businesses.

- Closing and bedding down of the Shriram transaction.
- Explore further opportunities in Africa as well as in South East Asia.
- Ensure a sustainable business platform that operates in line with the changing regulatory environment.
- Focus on resolving the administration problems experienced by our Employee Benefits business.
- Upgrade the Group's IT capabilities to drive cost efficiencies across all businesses.
- Continue transforming Sanlam as well as the environment in which we operate.

In closing

The strategic restructuring implemented in 2011 created a solid base from which to achieve sustainable growth for the Sanlam Group for the next five to ten years. This base is supported by an internal culture of collaboration, accountability, ownership and trust.

As our Chairman pointed out in his message to shareholders, a company requires a culture of trust in order to successfully execute a strategy. I am in full agreement with him that high trust levels permeate the Sanlam fabric. I also believe that we have earned the trust of our clients and shareholders, enabling us to continue building a sustainable business into the future.

I would like to thank our clients and shareholders for trusting us to deliver the value they expect, each and every Sanlam employee for their diligence and loyalty during this time of volatility and change, my management team for their unwavering support, and the members of the Sanlam Board for their wisdom and vision.

The year ahead will not be an easy one. We are facing many challenges, including global economic uncertainty and a raft of regulatory changes. However, I am confident that our conservative approach and experienced staff will enable us to continue withstanding more turmoil while at the same time enabling us to provide growth and value on a sustainable basis.

Johan van Zyl

Group Chief Executive

Executive committee

Sustainability through Responsibility

1. Johan van Zyl

4. Kobus Möller


2. Ian Kirk


3. Lizé Lambrechts


5. Yvonne Muthien


6. Temba Mvusi


7. Johan van der Merwe


8. Heinie Werth


9. André Zeeman


10. Buyani Zwane

Please see CVs overleaf

Group executive committee continued

1. Johan van Zyl (55)

Appointed: 2001

Qualifications: PhD, DSc (Agric)

Group Chief Executive of Sanlam since March 2003.

Executive director of Sanlam Limited and Sanlam Life.

Non-executive director of Santam, Sanlam Investment Management, Sanlam Netherlands Holding, Sanlam Emerging Markets and Sanlam UK.

Council member of the University of Pretoria, Chairman of ASISA (Association of Savings and Investment South Africa) and Chairman of the Vumelana Advisory Fund.

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

2. Ian Kirk (54)

Appointed: 2006

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

Appointed Chief Executive Officer of Santam in 2007.

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

Director of Santam, Centriq Insurance Holdings, Centriq Insurance, Centriq Life Insurance, SAIA, Infinit Group Risk Solutions, SHA (Stalker Hutchison Admiral), Beaux Lane (SA) Properties, Nova Risk Partners, Emerald Risk Transfer, MiWay Insurance Limited.

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

3. Lizé Lambrechts (48)

Appointed: 2002

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

Appointed Chief Executive of Sanlam Personal Finance in 2002.

Non-executive director of Sanlam Developing Markets, Sanlam Linked Investments, Sanlam Netherlands Holding, Sanlam Investments and Pensions UK Limited, Channel Life and Director of Glacier Financial Holdings and Sanlam UK. Started her career in actuarial training in Sanlam in 1985 and held various senior positions in the Group's retail business.

4. Kobus Möller (52)

Appointed: 2003

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

Appointed Financial Director in 2006.

Executive director of Sanlam Limited and Sanlam Life.

Non-executive director of Santam, Sanlam Capital Markets, Sanlam Emerging Markets, Sanlam UK, MiWay Group Holdings and Sanlam Investment Holdings.

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

5. Yvonne Muthien (55)

Appointed: 2009

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

Appointed Chief Executive: Group Services in December 2009.

Executive director of Sanlam Limited and Sanlam Life.

Non-executive director of Santam, Sanlam Investment Holdings, Chairperson of Sanlam Foundation, Trustee of Sasol Inzalo Foundation and Chairperson of the President's Advisory Council on National Orders.

Former director of Aurecon, Sentech, SABC, Transnet and Mossgas.

Former council member of the University of Stellenbosch.

6. Temba Mvusi (56)

Appointed: 2004

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

Appointed Chief Executive: Group Market Development in August 2005 after serving as Chief Executive: Group Services since January 2004.

Executive director of Sanlam Limited and Sanlam Life.

Non-executive director of Sanlam Private Investments, Sanlam Investment Management, Sanlam Investment Holdings and IEMAS.

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

7. Johan van der Merwe (47)

Appointed: 2002

Qualifications: MCom, MPhil (CANTAB), CA(SA), AMP (Harvard) INSEAD (2011)

Appointed Chief Executive Officer of Sanlam Investment Management in July 2002

Chairman of Sanlam Investment Management, Sanlam UK, Sanlam International Investment Partners, Octane Holdings, Atterbury Investment Holdings, Sanlam Capital Markets, Sanlam Properties, Sanlam Multi Manager International, Sanlam Asset Management (Ireland), Sanlam Private Investments and Sanlam Collective Investments. Director of Atom Funds Management, Eight Investment Partners, FOUR Capital Partners, Sanlam International Investment Partners, SIIP Mauritius, SIM International Investments Partners AUSTRALIA Proprietary Limited.

8. Heinie Werth (48)

Appointed: 2005

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

Appointed Chief Executive Officer of Sanlam Emerging Markets (previously Developing Markets) in December 2005 and before that served as Financial Director of Sanlam Life from April 2002.

Executive director of Sanlam Emerging Markets, non-executive director of Shriram Life Insurance (India), Botswana Insurance Holdings and Sanlam Namibia.

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

9. André Zeeman (51)

Appointed: 2005

Qualifications: BCom, FASSA, EDP (Manchester)

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

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

10. Buyani Zwane (47)

Appointed: 2011

Qualifications: B Soc Science, GDHRM (UCT), MAP (Wits)

Appointed Chief Executive: Group Human Resources in December 2011

Member of Magnificent Mile Trading, Dynamic Leadership Solutions and Isimangaliso Wetland Park boards.

Former Chairman of Franklin Covey SA and Black Management Forum (Mpumalanga), Chief Executive of Breakthrough Development, member of BMF Intellect and BMF (National) boards, various executive positions in oil and energy and gaming industries and financial and public sector organisations.

Financial review

Danie Claassen, Head: Group Tax Services; **Kobus Möller**, Financial Director; **Jeanne Joubert**, Head: Corporate Finance; **André Nortier**, Chief Audit Executive, **Wikus Olivier**, Head: Group Finance.

Sustainable delivery summarises Sanlam's performance in a year characterised by uncertainty and global economic headwinds. As highlighted in the Economic and Market Review of our Group Economist, concerns over sovereign debt in the European Union and economic growth prospects in the major world economies impacted on emerging markets and consequently the Group's operating environment in 2011. This is reflected in the key economic and market indicators. Despite these conditions, we are pleased to report another set of solid results, reaffirming our ability to create shareholder value on a sustainable basis through tough times.

Economic conditions

Despite some improvement in real disposable income in South Africa, consumer debt levels and inflation in the middle-income market remain high and impacted on the level of discretionary expenditure. The level of savings in South Africa remains low with most of the improvement in disposable income being spent on consumer goods. The business climate in the other regions where the Group operates remained similarly strained. Investors remain cautious under these conditions, contributing to a challenging environment for new business sales.

Equity markets

The South African equity market delivered a weak performance during 2011, in particular compared to the strong performance achieved in the 2010 financial year. The FTSE/JSE All Share Index closed 0,4% down on its 31 December 2010 level, compared to a positive return of 16,1% in 2010. The strong equity market performance in the latter half of 2010, however, contributed to a 12% higher average market level during 2011, providing support to fund-based fee income. The Group's overall exposure to international equity markets remains relatively low. The FTSE100 and MSCI World indices delivered negative returns of 6% and 7% respectively in local currency.

Interest rates

Long-term interest rates in general decreased marginally since 31 December 2010 and had no material impact on the valuation of new life business for the year or the in-force life book as at the end of December 2011. The South African All Bond Index provided a return of 9% during 2011, while short-term interest rates remained low; being 110bps (15%) lower on average compared to the 2010 full year. The Group's overall exposures to international bonds remains relatively low. Lower short-term interest rates had a negative impact on interest earned by companies in the Group on working capital as well as the demand for traditional guaranteed and money market solutions offered by the Group.

Foreign currency exchange rates

The rand weakened significantly against the major developed market currencies during 2011 as risk aversion increased among global investors. The rand, however, remained on an average basis strong against the major emerging market currencies to which the Group has exposure, as reflected in the table below (negative variances indicate a strengthening of the rand).

Foreign currency/rand	Europe euro	United Kingdom GBP	USA US$	Botswana BWP	India INR	Rest of Africa (weighted)
31/12/2010	8,88	10,36	6,62	1,05	0,15	
31/12/2011	10,48	12,55	8,07	1,11	0,15	
	18,0%	**21,1%**	**21,9%**	**5,7**	**2,5%**	**14,5%**
Average: 2010	9,68	11,29	7,30	1,10	0,16	
Average: 2011	10,06	11,59	7,22	1,08	0,15	
	3,9%	**2,7%**	**(1,1%)**	**(1,8%)**	**(3,5%)**	**(7,3%)**

Changes in presentation and accounting policies

The Sanlam Group results for the year ended 31 December 2011 are presented based on and in compliance with International Financial Reporting Standards (IFRS). The basis of presentation and accounting policies are consistent with those applied in the 2010 annual report and the 2011 interim report, apart from the following changes, which were also indicated in the 2011 interim results announcement:

- Segmental reporting: To ensure appropriate strategic focus across the Group, the management structure was changed, effective 1 July, as follows:
  - Operations in emerging markets outside of South Africa have been combined into a Sanlam Emerging Markets cluster. This includes operations formerly managed within the Sanlam Personal Finance, Sanlam Developing Markets, Short-term Insurance and Investments clusters.
  - The South African operations of the former Sanlam Developing Markets cluster have been combined with that of Sanlam Personal Finance.
  - Management responsibility for Sanlam UK has been transferred to the Investments cluster.
  - The Group now reports in five segments: Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investments, Santam and Corporate and Other.

  Segmental information for 2010 has been restated accordingly.
- The replacement of STC in South Africa with a withholding tax basis, effective 1 April 2012, required the elimination of STC as a future Sanlam cost in the valuation base. This resulted in an increase in the future profitability of new life insurance business written (VNB) as well as the in-force life insurance book (VIF).

Financial review continued

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 2011

		2011			2010	
R million	Total	Fair value of assets	Value of in-force	Total	Fair value of assets	Value of in-force
Covered business	34 875	14 553	20 322	31 045	14 033	17 012
Sanlam Personal Finance	26 687	8 622	18 065	23 663	8 513	15 150
Sanlam Emerging Markets	2 320	1 012	1 308	1 777	735	1 042
Sanlam Investments	5 868	4 919	949	5 605	4 785	820
Other Group operations	22 012	22 012	—	19 413	19 413	—
Sanlam Personal Finance	2 189	2 189	—	1 949	1 949	—
Sanlam Emerging Markets	1 167	1 167	—	1 000	1 000	—
Sanlam Investments	9 041	9 041	—	8 078	8 078	—
Santam	9 615	9 615	—	8 386	8 386	—
Other capital and net worth adjustments	2 734	2 734	—	2 903	2 903	—
	59 621	39 299	20 322	53 361	36 349	17 012
Discretionary capital	3 900	3 900	—	4 000	4 000	—
Group equity value	63 521	43 199	20 322	57 361	40 349	17 012
Issued shares for value per share (million)	2 018,9			2 035,5		
Group equity value per share (cents)	3 146			2 818		
Share price (cents)	2 885			2 792		
Discount	(8%)			(1%)		

The GEV per share increased by 11,6% from 2 818 cents at 31 December 2010 to 3 146 cents at 31 December 2011, after payment of a 115 cents per share dividend in May 2011. The Sanlam share price traded at an 8% discount to GEV by close of trading on 31 December 2011, with the discount widening since December 2010 in the volatile investment market conditions.

Capital allocated to the life operations increased by some R500 million from 31 December 2010. This increase relates predominantly to the investment return earned on the required capital portfolio with no additional capital allocation required in respect of these operations. Discretionary capital remained broadly on a similar level than 2010, with the share buy-backs and acquisitions during 2011 effectively funded from the investment return earned on the discretionary capital and a realisation of illiquid investments (refer Capital management section below for additional information on corporate activity during 2011).

The Group operations have a significant exposure to investment markets, both in respect of the shareholder capital portfolio that is invested in financial instruments, as well as a significant portion of the fee income base that is linked to the level of assets under management. The lacklustre investment market performance during 2011 had a marked negative impact on the RoGEV for the period. This was, however, offset by growth in the underlying asset bases of most operations through strong net fund inflows. After achieving a RoGEV per share of 18,2% in 2010, the per share return of 15,7% in 2011 is a particularly pleasing performance. This was, however, positively impacted by the reversal of the STC allowance in the value of in-force (VIF) of R1,2 billion (refer above). The adjusted RoGEV per share for 2011, which excludes the STC reversal and assumes long-term investment return assumptions, was 14,6%, well in excess of the return target of 12,4%.

The lower RoGEV on a per share basis is in part the result of the further vesting of the conversion right in respect of 13,3 million ‘A’ Deferred shares in terms of the value add arrangement with our BBBEE partner Ubuntu-Botho. In aggregate, the conversion right in respect of 41,5 million of the issued 56,5 million ‘A’ Deferred shares have vested to date.

Financial review continued

Return on Group equity value for the year ended 31 December 2011

	2011 Earnings R million	2011 Return %	2010 Earnings R million	2010 Return %
Covered business	**6 273**	**20,2**	5 057	17,5
Sanlam Personal Finance	**5 146**	**21,7**	4 108	18,9
Sanlam Emerging Markets	**571**	**32,1**	350	21,6
Sanlam Investments	**556**	**9,9**	599	10,6
Other operations	**2 708**	**13,9**	4 100	24,4
Sanlam Personal Finance	**373**	**19,1**	732	48,4
Sanlam Emerging Markets	**27**	**2,7**	127	15,6
Sanlam Investments	**1 113**	**13,8**	1 193	16,0
Santam	**1 195**	**14,2**	2 048	29,1
Discretionary and other capital	**424**		165	
Portfolio investments and other	**575**		342	
Net corporate expenses	**(124)**		(112)	
Share-based payments transactions	**(4)**		(3)	
Change in net worth adjustments	**(23)**		(62)	
Return on Group equity value	**9 405**	**16,4**	9 322	18,3
Return on Group equity value per share		**15,7**		18,2

Covered business yielded a return of 20,2% compared to 17,5% in 2010. Excluding the reversal of STC, investment variances and economic assumption changes, the adjusted RoGEV of covered business amounted to 16,6%, a solid performance. Strong VNB growth and continued positive operating experience variances supported the results.

The valuations of the other Group operations were in general positively impacted by a higher average level of assets under management, supporting increased future profitability. Santam and the majority of SEM's non-life operations are valued at their listed share prices. The Santam share price outperformed general equity markets in South Africa, which supported the 14,2% return earned on this investment. The SEM operations' relatively low return of 2,7% reflects the weak equity market performance in Botswana.

Earnings

Summarised shareholders' fund income statement for the year ended 31 December 2011

R million	2011	2010	%△
Net result from financial services	**3 760**	3 303	14
Net investment return	**1 571**	2 123	(26)
Net investment income	**792**	851	(7)
Net investment surpluses	**715**	1 131	(37)
Net equity-accounted earnings	**64**	141	(55)
Project expenses	**(25)**	(48)	48
BEE transaction costs	**(7)**	(8)	13
Secondary tax on companies	**(168)**	(135)	(24)
Amortisation of intangible assets	**(108)**	(92)	(17)
Normalised headline earnings	**5 023**	5 143	(2)
Other non-headline earnings and impairments	**151**	401	
Normalised attributable earnings	**5 174**	5 544	(7)

Net result from financial services

The net result from financial services or net operating profit increased by a pleasing 14%, with a strong contribution from Sanlam Personal Finance in particular.

R million	2011	2010	%△
Sanlam Personal Finance	**1 990**	1 680	18
Sanlam Emerging Markets	**309**	286	8
Sanlam Investments	**945**	882	7
Investment Management	**435**	456	(5)
Employee Benefits	**242**	179	35
Capital Management	**210**	201	4
Sanlam UK	**58**	46	26
Santam	**640**	567	13
Corporate and other	**(124)**	(112)	(11)
Net result from financial services	**3 760**	3 303	14

Financial review continued

The performance of the individual clusters is discussed in further detail below.

Normalised headline earnings

Normalised headline earnings of R5 billion are 2% lower than in 2010, largely attributable to the 26% decrease in the net investment return earned on the capital portfolio. As indicated above, the South African equity market delivered a marked weaker performance in 2011 compared to 2010. This was partly offset by the positive impact of the weaker rand (against developed market currencies) on the valuation of the offshore exposure in the capital portfolio. The increase in the STC expense for 2011 is the combined effect of lower STC credits earned during 2011 and a higher dividend paid in respect of the 2010 financial year.

Business volumes

Business flows

The Group achieved growth of 9% in new business volumes, a satisfactory performance in the difficult operating environment of 2011. New life business recorded exceptional growth of 25%, with investment and short-term insurance business increasing by 5% and 8% respectively. The strategic focus on the quality of new business written is reflected in good retention levels and a continuance of strong net fund inflows.

Business volumes for the year ended 31 December 2011

	New business			Net inflows		
R million	**2011**	2010	%△	**2011**	2010	%△
Sanlam Personal Finance	**27 246**	25 422	7	**5 898**	5 660	4
Sanlam Emerging Markets	**10 995**	10 660	3	**2 008**	799	151
Sanlam Investments	**56 062**	50 304	11	**11 444**	10 141	13
Santam	**14 653**	13 561	8	**5 249**	4 868	8
	108 956	99 947	9	**24 599**	21 468	15
White label	**6 131**	5 579	10	**881**	558	58
Total	**115 087**	105 526	9	**25 480**	22 026	16

Value of new covered business

The value of new life business (VNB) written during 2011 increased by 38% on 2010 to reach R1 051 million, breaching the R1 billion mark for the first time. After minorities, VNB increased by 44% to R958 million. The replacement of STC in South Africa with a withholding tax basis, results in an increase in the future profitability of new business written and commensurately VNB. The change in tax basis increased net VNB by R50 million for 2011. Excluding this, net VNB increased by 36% at overall improved margins, testimony to the success of the Group's strategic focus on the quality of new business.

Value of new covered business for the year ended 31 December 2011

	After STC basis change			Before STC basis change		
R million	**2011**	2010	**%△**	**2011**	2010	**%△**
Value of new covered business	**1 051**	762	38	**1 001**	762	31
Sanlam Personal Finance	**705**	510	38	**668**	510	31
Sanlam Emerging Markets	**223**	221	1	**214**	221	(3)
Sanlam Investments	**123**	31	297	**119**	31	284
Net of minorities	**958**	666	44	**908**	666	36
Present value of new business premiums	**32 786**	27 334	20	**32 786**	27 334	20
Sanlam Personal Finance	**23 423**	20 372	15	**23 423**	20 372	15
Sanlam Emerging Markets	**3 642**	3 767	(3)	**3 642**	3 767	(3)
Sanlam Investments	**5 721**	3 195	79	**5 721**	3 195	79
Net of minorities	**31 449**	25 891	21	**31 449**	25 891	21
New covered business margin	**3,21%**	2,79%		**3,05%**	2,79%	
Sanlam Personal Finance	**3,01%**	2,50%		**2,85%**	2,50%	
Sanlam Emerging Markets	**6,12%**	5,87%		**5,88%**	5,87%	
Sanlam Investments	**2,15%**	0,97%		**2,08%**	0,97%	
Net of minorities	**3,05%**	2,57%		**2,89%**	2,57%	

The performance of the individual clusters is discussed in further detail below.

Financial review continued

Cluster performance

Sanlam Personal Finance

Key performance indicators for the year ended 31 December 2011

R million	2011	2010	%△
Group Equity Value			
Group Equity Value	**28 876**	25 612	13
Covered business	**26 687**	23 663	13
Other operations	**2 189**	1 949	12
Return on Group equity value	**21,5%**	20,9%	
Covered business	**21,7%**	18,9%	
Other operations	**19,1%**	48,4%	
Business volumes			
New business volumes	**27 246**	25 422	7
Life business	**15 338**	13 074	17
Entry-level market	**1 323**	1 388	(5)
Recurring premiums	***925***	*897*	*3*
Single premiums	***398***	*491*	*(19)*
Middle-income market	**7 908**	6 928	14
Recurring premiums	***1 177***	*1 150*	*2*
Single premiums	***6 731***	*5 778*	*16*
Affluent market	**6 107**	4 758	28
Investment business	**11 908**	12 348	(4)
Middle-income market	**318**	297	7
Affluent market	**11 590**	12 051	(4)
Net fund flows	**5 898**	5 660	4
Life business	**4 143**	2 424	71
Entry-level market	**1 566**	987	59
Middle-income market	**(1 004)**	(1 042)	4
Affluent market	**3 581**	2 479	44
Investment business	**1 755**	3 236	(46)
Value of new covered business			
Value of new business	**705**	510	38
Entry-level market	**262**	173	51
Middle-income market	**360**	278	29
Affluent market	**83**	59	41
Excluding STC basis change	***668***	*510*	*31*
Present value of new business premiums	**23 423**	20 372	15
Entry-level market	**3 963**	3 675	8%
Middle-income market	**13 358**	11 980	11%
Affluent market	**6 102**	4 717	29%

R million	**2011**	2010	%△
New business margin	**3,01%**	2,50%	
Entry-level market	**6,64%**	4,71%	
Middle-income market	**2,70%**	2,32%	
Affluent market	**1,36%**	1,25%	
Excluding STC basis change	***2,85%***	*2,50%*	
Earnings			
Gross result from financial services	**2 775**	2 353	18
Entry-level market	**296**	154	92
Middle-income market	**2 311**	2 074	11
Affluent market	**168**	125	34
Net result from financial services	**1 990**	1 680	18
Administration cost ratio	**35,4%**	37,1%	
Excluding growth initiatives	***33,7%***	*35,8%*	
Operating margin	**30,9%**	29,7%	

Sanlam Personal Finance (SPF) recorded overall strong results for the 2011 financial year, which is particularly satisfactory given the mature nature of the middle-income market segment in South Africa.

SPF achieved **RoGEV** of 21,5% for 2011, compared to 20,9% for the comparable period in 2010. Both covered and other operations contributed to the performance. The covered business results were supported by the reversal of STC from the VIF, strong growth in the value of new life business and continued positive experience variances. An adjusted RoGEV for SPF, which excludes tax changes, investment variances and economic assumption changes, amounted to 18%. The return on other operations were positively impacted by an increase in the valuation of Glacier and Sanlam Personal Loans, attributable to an increase in the level of assets under management and the size of the loan book respectively. This was partly offset by lower profit estimates for the other non-life operations, particularly Sanlam Healthcare Management where the expense assumption was strengthened.

New business sales increased by 7% on 2010, with single premium business the main contributor to the growth. Excluding a once-off book transfer included in the 2010 results (refer below), new business volumes increased by 12%.

New business volumes in the South African *entry-level market* decreased by 5%. Single premiums continued to decline as roll-overs of the discontinued single premium business in Sanlam Sky reduce over time while the book runs off. This trend was in line with expectations. New recurring premium business were 3% up on 2010, reflecting the impact of the strategic drive to improve new business quality. Growth in the size of the individual life distribution channels as well as new business production were deliberately slowed down while the necessary process changes to achieve the quality improvements were implemented. As a result individual life new recurring

Financial review continued

premium business declined by 2%. This was offset by strong growth in Group business through the bancassurance and affinity channels. Most of the process changes are completed, with the business again focussing on increasing the number of individual life agents and brokers. This was reflected in improved new business sales during the last quarter of 2011. The improvements in new business quality is already evident, supporting an increase in new business margins from 4,71% in 2010 to 6,28% in 2011 (on a comparable basis before removal of STC charge). Net fund inflows of R1,6 billion was 59% up on 2010, to a large extent attributable to improved persistency levels.

The *middle-income market* segment recorded growth of 14% in new life business, with good sales of new single premium savings products launched during the year offsetting lacklustre demand for the traditional guaranteed solutions in the current low interest rate environment. Recurring premium life business in this segment grew by only 2%, in part impacted by a decision not to follow the low premium rates offered by competitors in the underwriting market. The Group's focus remains on quality, rather than market share and unprofitable new business growth. VNB increased by 29% on 2010 (22% before the STC basis change), broadly in line with the growth in new business volumes. VNB margins improved from 2,32% in 2010 to 2,70%, partly due to the removal of the STC charge. Net fund outflows were 4% lower, a satisfactory result given the negative impact of higher maturity benefits paid congruent to the higher average market levels in 2011.

Glacier continued to perform well in the *affluent market* with growth of 28% in life business sales. Demand for Glacier's new international offering and linked annuities remained strong. The prevailing environment benefited the sale of linked annuities as the product provides flexibility to clients and does not lock in the current low interest rates. Investment business sales were, however, 4% lower than in 2010, largely due to a R1 billion once-off book transfer included in the 2010 results. Excluding this transfer, new investment business increased by 6%. The increase in life sales supported a 41% increase in VNB.

Gross **result from financial services** increased by 18%. The entry-level market recorded gross operating earnings of R296 million, 92% up on 2010. This is attributable to growth in the size of the book over the last few years, augmented by good mortality experience in 2011. The results were further enhanced as the level of new business strain remained approximately in line with that of 2010 as a consequence of the slowdown in new business volumes. The middle-income market profit increased by 11%, attributable to higher risk profits from improved claims experience and an increase in administration profit following higher average assets under management, partly offset by lower interest earned on working capital. Sanlam Personal Loans increased its contribution to operating profit by 43% following a 25% increase in the average size of the loan book and improved bad debt experience. Glacier also reported a 34% increase in profit, supported by an increase in fees earned on the overall higher level of assets under management.

Sanlam Emerging Markets

Key performance indicators for the year ended 31 December 2011

R million	2011	2010	%△
Group Equity Value			
Group Equity Value	**3 487**	2 777	26
Covered business	**2 320**	1 777	31
Other operations	**1 167**	1 000	17
Return on Group Equity Value	**21,5%**	19,6%	
Covered business	**32,1%**	21,6%	
Other operations	**2,7%**	15,6%	
Business volumes			
New business volumes	**10 995**	10 660	3
Namibia	**8 425**	8 192	3
Botswana	**1 675**	1 683	—
Rest of Africa	**526**	448	17
India	**369**	337	9
Net fund flows	**2 008**	799	151
Namibia	**1 564**	(1 200)	230
Botswana	**(435)**	1 189	(137)
Rest of Africa	**663**	526	26
India	**216**	284	(24)
Value of new covered business			
Value of new business	**223**	221	1
Namibia	**43**	46	(7)
Botswana	**111**	127	(13)
Rest of Africa	**69**	45	53
India	**—**	3	(100)
Present value of new business premiums	**3 642**	3 766	(3)
Namibia	**739**	859	(14)
Botswana	**1 617**	1 803	(10)
Rest of Africa	**1 045**	787	33
India	**241**	317	(24)
New business margin	**6,12%**	5,87%	
Namibia	**5,82%**	5,36%	
Botswana	**6,86%**	7,04%	
Rest of Africa	**6,60%**	5,72%	
India	**—**	0,95%	
Earnings			
Gross result from financial services	**656**	591	11
Namibia	**204**	206	(1)
Botswana	**416**	415	—
Rest of Africa	**50**	(4)	>100
India	**4**	(17)	>100
Corporate	**(18)**	(9)	(100)
Net result from financial services	**309**	286	8
Administration cost ratio	**36,5%**	30,6%	
Operating margin	**36,7%**	32,7%	

Financial review continued

Sanlam Emerging Markets (SEM) reported overall satisfactory results, despite a difficult operating environment in 2011. The cluster's results were impacted by the following:

- Tough operating conditions with industrial action in Botswana, elections in Uganda, Nigeria and Zambia, acts of violence in Kenya and Nigeria and political uncertainty in Malawi. These conditions impacted on new business production. The Group's strategy in emerging markets of diversification (geographically and product mix) and forming partnerships with strong local players provided a solid platform to manage these risks. The success of the strategy is evident in the satisfactory overall growth achieved despite these challenges.
- A strong average rand exchange rate, which had a R9 million and R17 million negative impact on the reported VNB and result from financial services respectively.
- A high comparative base in Namibia and Botswana. In both these countries the comparative 2010 results include non-recurring items which impacted on the 2011 growth achieved in new business volumes and result from financial services.

SEM's RoGEV for the period was negatively impacted by a low return on its listed non-life operations in Botswana, in line with the general equity market performance. This was however compensated for by a 32,1% return on covered business, supported by strong VNB, to achieve an overall return of 21,5%.

New business volumes increased by 3% on 2010, with strong growth in Rest of Africa and India offset by a lower overall level of growth in the relatively more mature Namibia and Botswana operations.

New business volumes in Namibia were 3% up on 2010. Life business sales decreased by 29% to R346 million from a high base in 2010, which included once-off single premiums. Despite a very competitive environment, collective investment scheme flows increased by 4% to R7,8 billion. Net fund flows, however, improved significantly due to the non-recurrence of a R2 billion net outflow in SIM Namibia during 2010. VNB decreased in line with lower new life business sales.

Botswana recorded flat new business volumes, supported by strong single premium annuity and credit life sales. Recurring premium volumes were, however, 19% down on 2010, with industrial action and increasing competition eroding new business growth. VNB and PVNBP decreased in line with the lower recurring premium sales. Single premiums increased by 2% against a high comparative base in 2010. Net fund flows were affected by a R1,4 billion withdrawal by the Botswana Public Officers Pension Fund.

The Rest of Africa operations recorded new business volumes of R526 million, up 17% on 2010 despite an average 10% stronger rand exchange rate against most countries. Zambia, Tanzania and Malawi are the main contributors to the growth, with Nigeria also recording a satisfactory maiden contribution of R21 million. VNB and VNB margins improved significantly on 2010 in line with the strong new business performance.

Our Indian operation adapted well to the new regulatory environment and achieved new business growth of 9% on 2010, supported by single premium savings, credit life and short-term insurance volumes. The regulatory changes, however, impacted on the cost base and essentially eliminated the VNB in 2011. Changes implemented to the cost base should support future profitability.

SEM achieved a 11% increase in its gross **result from financial services**, despite some R45 million losses incurred by newly established operations. The Namibian operations' contribution decreased by 1% from the high base in 2010, which included annuity mismatch profits that did not repeat in 2011 to the same extent. The Botswana operations' operating earnings were flat on 2010 (up 2% in local currency), with the increased stake in Letshego offsetting the negative impact of a reduced holding in the Zambian investment management business and lower asset management fees earned following the Botswana Public Officers Pension Fund withdrawal. The Rest of Africa results were negatively impacted by start-up losses at new operations and the stronger average rand exchange rate; excluding these the Rest of Africa businesses achieved satisfactory operating earnings of some R100 million in 2011. Start-up losses also contributed to some deterioration in the administration cost ratio of the cluster.

Financial review continued

Sanlam Investments

Key performance indicators for the year ended 31 December 2011

R million	2011	2010	%△
Group Equity Value			
Group Equity Value	**14 909**	13 683	9
Investment Management	**6 864**	6 221	10
Employee Benefits	**5 077**	4 992	2
Capital Management	**851**	931	(9)
Sanlam UK	**2 117**	1 539	38
Return on Group Equity Value	**12,2%**	13,7%	
Investment Management	**10,9%**	17,9%	
Employee Benefits	**6,6%**	12,7%	
Capital Management	**18,7%**	11,1%	
Sanlam UK	**31,9%**	2,7%	
Business volumes			
Net fund flows	**11 444**	10 141	13
Investments	**10 708**	11 654	(8)
South Africa segregated	**24**	2 554	(99)
South Africa collective investments	**6 836**	3 631	88
South Africa private investments	**1 596**	4 570	(65)
Non-South Africa	**2 252**	899	151
Life business	**736**	(1 513)	149
New life business volumes	**3 912**	1 740	125
Recurring premiums	**349**	214	63
Single premiums	**3 563**	1 526	133
Value of new covered business			
Value of new business	**123**	31	297
Excluding STC basis change	***119***	*31*	*284*
Present value of new business premiums	**5 721**	3 195	79
New business margin	**2,15%**	0,97%	
Excluding STC basis change	***2,08%***	*0,97%*	
Earnings			
Gross result from financial services	**1 230**	1 151	7
Investment Management	**584**	605	(3)
Employee Benefits	**330**	248	33
Capital Management	**262**	254	3
Sanlam UK	**54**	44	23
Net result from financial services	**945**	882	7

Sanlam Investments achieved a RoGEV of 12,2% despite the weak investment markets. Strong net fund inflows achieved by the cluster provided some support to assets under management and commensurately the valuation of the investment management operations. The depreciation of the rand against developed market currencies impacted positively on the return of the cluster's offshore operations, in particular Sanlam UK. The strong operating profit performance of the Capital Management operations reflects in the RoGEV achieved for the period. Sanlam Employee Benefits' (SEB) RoGEV continues to be dampened by the relative size of required capital held in respect of its covered business. In addition, SEB acquired the minority interest in its Infinit distribution channel, for which the excess paid over net asset value has been written off in accordance with the embedded value methodology.

The cluster achieved strong net fund flows. Apart from investment management, all operations also reported an increase in operating earnings.

New business volumes for the cluster were up 11% on 2010. South African new investment business grew by 8%, with a continued strong performance of retail collective investment scheme business partly offset by a decline in new segregated and multi-manager mandates. Sanlam UK continued on its growth path with new investment business increasing by 34% (partly assisted by business flows from the newly acquired Border Asset Management operations). SIM Global recorded growth of 59%, offsetting lower new business sales at Sanlam International Investment Partners. Overall international investment business volumes increased by 3% in a very challenging operating environment in the developed markets. New life business volumes increased by 125% on 2010 to R3,9 billion, with both SEB (up 228%) and Sanlam UK (up 43%) contributing to the growth. The SEB performance benefited from a R1,2 billion annuity mandate received in the second half of the year. This large inflow, together with a change in the mix of new risk business to more profitable products, contributed to a more than tripling in VNB and a significant increase in VNB margins. The new life business aided the cluster's overall net fund inflows of R11,4 billion, offset by a weaker performance from investment business.

Gross result from financial services of R1 230 million is 7% up on the prior year with SEB being the main contributor. SEB's earnings benefited from an improvement in claims experience as well as a once-off release of data-related reserves. Sanlam Capital Markets was impacted by a lack of deal flow during 2011 as market volatility drained investor confidence and impacted on the competitiveness of hedging rates. The debt business, however, outperformed on the back of lower credit risk margins. The Private Equity business' results were in turn negatively affected by the non-recurrence of large fees earned in 2010 on the exit of investments. Despite these conditions, Sanlam Capital Management managed to increase its gross operating earnings by 3%, aided by a R45 million once-off profit realised on a property financing transaction. The Investment Management operations reported a 3% decrease in operating earnings, attributable to a R31 million decline in performance fees earned and a R14 million decrease in the investment return earned on seeding capital

Financial review continued

provided to some of the cluster's hedge fund portfolios. SIM Global is the main contributor to the decline in performance fees, with volatility in its earnings expected given the specialised nature of its investment funds. Excluding these items, operating earnings increased by a satisfactory 14%, which is in excess of the growth in average assets under management.

Santam

Key performance indicators for the year ended 31 December 2011

R million	2011	2010	%△
Group Equity Value			
Group Equity Value	**9 615**	8 386	15
Return on Group Equity Value	**14,2%**	29,1%	
Business volumes			
Net earned premiums	**14 653**	13 561	8
Net fund flows	**5 249**	4 868	8
Earnings			
Gross result from financial services	**1 517**	1 464	4
Net result from financial services	**640**	567	13
Ratios			
Claims	**64,2%**	63,9%	
Administration costs	**16,2%**	15,1%	
Combined	**92,3%**	92,2%	
Underwriting	**7,7%**	7,8%	

The favourable underwriting experience of 2010 continued into the 2011 financial year, resulting in a 4% increase in Santam's gross result from financial services (2010 comparative information includes MiWay to be comparable to the 2011 results). The strategic focus on claims management is reflecting in a relatively low claims ratio, with an underwriting margin of 7,7% in 2011, marginally down on the 7,8% average margin achieved in 2010 but down on the 8,6% margin achieved in the second half of 2010 and the 8,5% margin in the first half of 2011. Most risk classes contributed to the results. Gross written premium increased by 12%, but higher reinsurance exposure resulted in net earned premiums increasing by 8%, a satisfactory result in the context of strong competition from the established direct insurers and banks. MiWay continues to successfully build its direct distribution capacity, increasing its gross written premiums by some 70% in 2011.

The RoGEV of the short-term insurance cluster largely reflects the investment return earned on the listed Santam shares, which performed ahead of the weak South African equity market.

Capital management

Optimal capital allocation and management remains a key priority for the Group and any discretionary capital that will not be used for corporate activity within a reasonable timeframe will be returned to shareholders. The Group held discretionary capital of R4 billion at the end of 2010, which reduced to R3,9 billion as at 31 December 2011. The following corporate activity released additional discretionary capital during 2011:

- R168 million was added to the discretionary capital portfolio through the disposal of the Group's interest in Fundamo.
- The Group had direct and indirect exposures to Vukile units, the majority of which were acquired when the Group sold its property asset management business to Vukile. Most of the Vukile units were sold in the latter half of the year, which released R790 million of illiquid assets into discretionary capital.
- In terms of the agreement for the disposal of MiWay to Santam, Santam exercised its option to early settle the deferred consideration component of the transaction. A final amount of R103 million was received from Santam.

Utilisation of discretionary capital comprised the following:

- In terms of the Group's share buy-back programme 36,1 million Sanlam shares were acquired in the market for a total consideration of R979 million.
- The Group increased its effective interest in Santam to 59,9% through the acquisition of 3,5 million Santam shares for a total consideration of R476 million.
- Sanlam Investments augmented its proposition for private clients through the acquisition of three new international businesses: Border Asset Management (a UK private clients asset management business) for R71 million, Merchant Securities (a UK stockbroking business) for R129 million and Summit Trust (a trust and fiduciary business in Switzerland) for R83 million.

Other movements in discretionary capital included:

- Seeding capital of R200 million was provided for new products launched by the asset management operations. These new products require seeding capital while a performance track record is being established.
- Investment return earned on the discretionary capital and other small transactions.

The discretionary capital is substantially earmarked for corporate activity and expansion of the Group's footprint in Africa and India, including the potential R2 billion investment in Shriram Capital announced late in 2011. Further share buy-backs will also be considered in periods of share price weakness.

Sanlam is a participant in the Financial Services Board (FSB)'s implementation of a third country equivalent of the European Solvency II regime in South Africa (called Solvency Assessment and Management (SAM)). The Group's SAM implementation project is progressing according to plan. The FSB conducted its first quantitative impact study in South Africa in the latter half of 2011, in which Sanlam participated. The results of the study confirmed the Group's view that the capital allocated to the life insurance operations is appropriate.

Financial review continued

Solvency

All of the life insurance businesses within the Group were sufficiently capitalised at the end of December 2011. The total admissible regulatory capital (including identified discretionary capital) of Sanlam Life Insurance Limited, the holding company of the Group's major life insurance subsidiaries, of R27,5 billion covered its capital adequacy requirements (CAR) 3,7 times. No policyholder portfolio had a negative bonus stabilisation reserve at the end of December 2011.

Fitch Ratings has affirmed the following ratings of the Group in 2011 and the outlook remained stable:

Sanlam Limited:

- National Long-term: AA- (zaf)

Sanlam Life Insurance Limited:

- National Insurer Financial Strength: AA+ (zaf)
- National Long-term: AA (zaf)
- National Short-term: F1+ (zaf)
- Subordinated debt: A+ (zaf)

Santam Limited:

- National Insurer Financial Strength: AA+ (zaf)
- National Long-term: AA (zaf)
- Subordinated debt: A+ (zaf)

Dividend

The Group only declares an annual dividend due to the costs involved in distributing an interim dividend to our large shareholder base. Sustainable growth in dividend payments is an important consideration for the Board in determining the dividend for the year. The Board uses cash operating earnings as a guideline in setting the level of the dividend, subject to the Group's liquidity and solvency requirements. Any cost relating to a dividend payment is allowed for in setting the dividend for a particular year. The dividend payable in 2012 is still subject to STC and allowance is accordingly made for this cost in setting the dividend. The new dividend withholding tax regime will apply in respect of future dividend declarations. The operational performance of the Group in the 2011 financial year enabled the Board to increase the dividend per share by 13% to 130 cents. This will maintain a cash operating earnings cover of approximately 1,1 times.

Shareholders are advised that the final cash dividend of 130 cents for the year ended 31 December 2011 is payable on Wednesday, 9 May 2012 to ordinary shareholders recorded in the register of Sanlam at the close of business on Thursday, 26 April 2012. The last date to trade to qualify for this dividend will be Thursday, 19 April 2012, and Sanlam shares will trade ex-dividend from Friday, 20 April 2012.

Dividend payment by way of electronic bank transfers will be effected on Wednesday, 9 May 2012. 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 Friday, 20 April 2012 and Thursday, 26 April 2012, both days inclusive.

Forward-looking statements

In this report we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, amongst others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These statements may also relate to our future prospects, developments and business strategies. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made, and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Shareholders' information

for the year ended 31 December 2011

Contents

81 Basis of preparation and presentation

Group equity value

90 Group equity value
91 Change in Group equity value
92 Return on Group equity value
93 Group equity value sensitivity analysis

Shareholders' fund financial statements

94 Shareholders' fund at fair value
96 Shareholders' fund at net asset value
98 Shareholders' fund income statement
100 Notes to the shareholders' fund information

Embedded value of covered business

129 Embedded value of covered business
130 Change in embedded value of covered business
131 Value of new business
133 Notes to the embedded value of covered business

Basis of preparation and presentation – shareholders' information

This section provides additional information in respect of the Group shareholders' fund in a format that corresponds to that used by management in evaluating the performance of the Group.

It includes analyses of the Group shareholders' fund's consolidated financial position and results in a similar format to that used by the Group for internal management purposes. The Group financial statements are prepared in accordance with IFRS and include the consolidated results and financial position of both the shareholder and policyholder activities. These IFRS financial statements also do not distinguish between the shareholders' operational and investment activities, which are separate areas of management focus and an important distinction in evaluating the Sanlam Group's financial performance. Information is presented in this section to provide this additional shareholders' fund information.

The Group also discloses Group Equity Value (GEV) information. The Group's key strategic objective is to maximise returns to shareholders. GEV has been identified by management as the primary measure of value, and return on GEV (RoGEV) is used by the Group as the main performance measure to evaluate the success of its strategies towards sustainable value creation in excess of its cost of capital. GEV more accurately reflects the performance of the Group than results presented under IFRS and provides a more meaningful basis of reporting the underlying value of the Group's operations and the related performance drivers. This basis allows more explicitly for the impact of uncertainty in future investment returns and is consistent with the Group's operational management structure.

Basis of preparation and presentation – shareholders' fund information

The basis of preparation and presentation of the shareholders' information is consistent with that applied in the 2010 financial statements, apart from the following:

- Segmental reporting: To ensure appropriate strategic focus across the Group, the management structure was changed, effective 1 July, as follows:
  - Operations in emerging markets outside of South Africa have been combined into a Sanlam Emerging Markets cluster. This includes operations formerly managed within the Sanlam Personal Finance, Sanlam Developing Markets, Short-term Insurance and Investments clusters.
  - The South African operations of the former Sanlam Developing Markets cluster have been combined with that of Sanlam Personal Finance.
  - Management responsibility for Sanlam UK has been transferred to the Investments cluster.
  - The Group now reports in five segments: Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investments, Santam and Corporate and Other.

Shareholders information for 2010 has been restated accordingly.

- The replacement of STC in South Africa with a withholding tax basis, effective 1 April 2012, required the elimination of STC as a future Sanlam cost in the valuation base. This resulted in an increase in the future profitability of new life insurance business written (VNB) as well as the in-force life insurance book (VIF).

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 96 to 128);
- Shareholders' fund at fair value (refer page 94); and
- GEV and RoGEV information (refer pages 90 to 93).

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.

Basis of preparation and presentation continued

Basis of consolidation

Group companies are consolidated in the analysis of the Sanlam Group shareholders' fund at net asset value. The policyholders' and outside shareholders' interests in these companies are treated as minority shareholders' interest on consolidation.

Consolidation reserve

In terms of IFRS, the policyholders' fund's investments in Sanlam shares and Group subsidiaries are not reflected as equity investments in the Sanlam Group IFRS statement of financial position, but deducted in full from equity on consolidation (in respect of Sanlam shares) or reflected at net asset value (in respect of subsidiaries). The valuation of the related policy liabilities however includes the fair value of these investments, creating an artificial mismatch between policy liabilities and policyholder investments, with a consequential impact on the Group's shareholders' fund and earnings. The consolidation reserve created in the Group financial statements for these mismatches is not recognised in the shareholders' fund at net asset value as the related policyholder investments are recognised as equity instruments at fair value. The fund transfers between the shareholders' and policyholders' fund relating to movements in the consolidation reserve are commensurately also not recognised in the shareholders' fund's normalised earnings. This policy is applied, as these accounting mismatches do not represent economic profits and losses for the shareholders' fund.

Segregated funds

Sanlam also manages and administers assets in terms of third-party mandates, which are for the account of and at the risk of the clients. As these are not the assets of the Sanlam Group, they are not recognised in the Sanlam Group statement of financial position in terms of IFRS and are also excluded from the shareholders' fund at net asset value and fair value. Fund flows relating to segregated funds are however included in the notes to the shareholders' fund information to reflect all fund flows relating to the Group's assets under management.

Equity-accounted earnings

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

- Operating associates and joint ventures include investments in strategic operational businesses, namely Sanlam Personal Loans, Shriram Life Insurance, Shriram General Insurance, Letshego, Nico Holdings 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. Santam Group's equity-accounted investments are the main non-operating associates and joint ventures. The Group's share of earnings from these entities are reflected as equity-accounted earnings.

Normalised earnings per share

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

Fund flows

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

Funds received from clients

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

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

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

New business

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

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

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

Payments to clients

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

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

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

Shareholders' fund at fair value

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

Group Equity Value

GEV is the aggregate of the following components:

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

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

Basis of preparation and presentation continued

current assumptions and estimates, possibly significantly, impacting on the reported GEV. Accordingly, sensitivity analyses are provided for changes from the base estimates and assumptions within the Shareholders' information.

Adjustments to net worth

Present value of corporate expenses

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

Share incentive schemes granted on subsidiaries' own shares

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

Share incentive schemes granted on Sanlam shares

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

Return on Group Equity Value

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

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 2010 financial statements.

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 Emerging Markets, Sanlam UK and Sanlam Employee Benefits.

Covered business excludes the value of investment products provided under a life insurance policy where there is very little or no insurance risk.

Acquisitions, disposals and other movements

The embedded value of covered business results are prepared taking cognisance of changes in the Group's effective shareholding in covered business operations.

Methodology

Embedded value of covered business

The embedded value of covered business is the present value of earnings from covered business attributable to shareholders, excluding any value that may be attributed to future new business. It is calculated on an after-tax basis taking into account current legislation and known future changes.

The embedded value of covered business comprises the following components:

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

Adjusted net worth

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

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

Sanlam applies stochastic modelling techniques on an ongoing basis to assist in determining and confirming the most appropriate capital levels for the covered business. The modelling target is set to maintain supporting capital at such a level that will ensure, within a 95% confidence level, that it will at all times cover the minimum statutory capital adequacy requirement (CAR) at least 1,5 times over the following 10 years. The capital allocated to covered business includes an allowance for capital required in respect of future new business.

The capital allocated to covered business is funded from a balanced investment portfolio, comprising investments in equities, hedged equities, 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.

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.

Basis of preparation and presentation continued

Value of new business

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

In determining the value of new business:

- A policy is only taken into account if at least one premium, that is not subsequently refunded, is recognised in the financial statements;
- Premium increases that have been allowed for in the value of in-force covered business are not counted again as new business at inception;
- Increases in recurring premiums associated with indexation arrangements are not included, but instead allowed for in the value of in-force covered business;
- The expected value of future premium increases resulting from premium indexation on the new recurring premium business written during the financial year under review is included in the value of new business;
- Continuations of individual policies and deferrals of retirement annuity policies after the maturity dates in the contract are treated as new business if they have been included in policy benefit payments at their respective maturity dates;
- For employee benefits, increases in business from new schemes or new benefits on existing schemes are included and new members or salary-related increases under existing schemes are excluded and form part of the in-force value;
- Renewable recurring premiums under Group insurance contracts are treated as in-force business; 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 100, excluding white label new business.

Risk discount rates and allowance for risk

In accordance with the actuarial guidance, the underlying risks within the covered business are allowed for within the embedded value calculations through a combination of the following:

- Explicit allowances within the projected shareholder cash flows;
- The level of required capital and the impact on cost of required capital; and
- The risk discount rates, intended to cover all residual risks not allowed for elsewhere in the valuation.

The risk margins are set using a top-down approach based on Sanlam Limited's weighted average cost of capital (WACC), which is calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The beta provides an assessment of the market's view of the effect of all types of risk on the Group's operations, including operational and other non-economic risk.

To derive the risk discount rate assumptions for covered business, an adjusted WACC is calculated to exclude the non-covered Group operations included in Sanlam Limited's WACC and to allow for future new covered business. The covered business operations of the Group use risk margins of between 2,5% and 7,0% and the local gross risk-free rate at the valuation date.

Minimum investment guarantees to policyholders

An investment guarantee reserve is included in the reserving basis for policy liabilities, which makes explicit allowance for the best estimate cost of all material investment guarantees. This reserve is determined on a market consistent basis in accordance with actuarial guidance from the Actuarial Society (PGN110). No further deduction from the embedded value of covered business is therefore required.

Share incentive schemes

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

Sensitivity analysis

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

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

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

Foreign currencies

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

Assumptions

Best estimate assumptions

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

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

Economic assumptions

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

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

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

Assets backing required capital

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

Demographic assumptions

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

HIV/Aids

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

Basis of preparation and presentation continued

Expense assumptions

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

Project expenses

In determining the value of in-force covered business, the present value of projected expenses for certain planned projects focusing on both administration and existing distribution platforms of the life insurance business is deducted. Although these projects are of a short-term nature, similar projects may be undertaken from time-to-time. No allowance is made for the expected positive impact these projects may have on the future operating experience of the Group.

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

Investment management fees

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

Taxation

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

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

No allowance was made for tax changes announced by the Minister of Finance in his budget speech in February 2012.

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 the following main components:

- **Value of new business**

The value of new business is calculated at point of sale using assumptions applicable at the end of the reporting period.

- **Net earnings from existing covered business**

Expected return on value of covered business

The expected return on value of covered business comprises the expected return on the starting value of in-force covered business and the accumulation of value of new business from point of sale to the valuation date.

Operating experience variances

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

Operating assumption changes

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

- **Expected investment return on adjusted net worth**

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

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

- **Economic assumption changes**

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

- **Investment variances**

Investment variances – value of in-force

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

Investment variances – investment return on adjusted net worth

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

Group equity value

at 31 December 2011

R million	Note	2011 Total	2011 Fair value of assets	2011 Value of in-force	2010 Total	2010 Fair value of assets	2010 Value of in-force
Sanlam Personal Finance		**28 876**	**10 811**	**18 065**	25 612	10 462	15 150
Covered business[1]		**26 687**	**8 622**	**18 065**	23 663	8 513	15 150
Glacier		**1 169**	**1 169**	**—**	965	965	—
Sanlam Personal Loans		**494**	**494**	**—**	365	365	—
Multi-Data		**112**	**112**	**—**	149	149	—
Sanlam Trust		**168**	**168**	**—**	185	185	—
Anglo African Finance		**50**	**50**	**—**	50	50	—
Sanlam Healthcare Management		**196**	**196**	**—**	235	235	—
Sanlam Emerging Markets		**3 487**	**2 179**	**1 308**	2 777	1 735	1 042
Covered business[1]		**2 320**	**1 012**	**1 308**	1 777	735	1 042
Sanlam Namibia Holdings		**119**	**119**	**—**	105	105	—
Shriram General Insurance		**152**	**152**	**—**	143	143	—
BIFM		**294**	**294**	**—**	302	302	—
Sanlam Emerging Markets other operations		**602**	**602**	**—**	450	450	—
Sanlam Investments		**14 909**	**13 960**	**949**	13 683	12 863	820
Covered business[1]		**5 868**	**4 919**	**949**	5 605	4 785	820
Sanlam Investment Management		**7 715**	**7 715**	**—**	7 152	7 152	—
SIM Wholesale		**4 247**	**4 247**	**—**	4 201	4 201	—
International		**2 034**	**2 034**	**—**	1 508	1 508	—
Sanlam Collective Investments		**583**	**583**	**—**	512	512	—
Capital Management		**851**	**851**	**—**	931	931	—
Sanlam Employee Benefits: Infinit		**—**	**—**	**—**	25	25	—
Sanlam UK		**1 326**	**1 326**	**—**	901	901	—
Principal		**473**	**473**	**—**	318	318	—
Punter Southall Group		**307**	**307**	**—**	227	227	—
Nucleus		**229**	**229**	**—**	140	140	—
Preference shares, interest-bearing instruments and other		**317**	**317**	**—**	216	216	—
Santam		**9 615**	**9 615**	**—**	8 386	8 386	—
Group operations		**56 887**	**36 565**	**20 322**	50 458	33 446	17 012
Discretionary capital		**3 900**	**3 900**	**—**	4 000	4 000	—
Balanced portfolio – other		**4 011**	**4 011**	**—**	4 157	4 157	—
Group Equity Value before adjustments to net worth		**64 798**	**44 476**	**20 322**	58 615	41 603	17 012
Net worth adjustments		**(1 277)**	**(1 277)**	**—**	(1 254)	(1 254)	—
Present value of holding company expenses	11	**(1 264)**	**(1 264)**	**—**	(1 232)	(1 232)	—
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares		**(13)**	**(13)**	**—**	(22)	(22)	—
Group Equity Value		**63 521**	**43 199**	**20 322**	57 361	40 349	17 012
Value per share (cents)	10	**3 146**	**2 140**	**1 006**	2 818	1 982	836
Analysis per type of business							
Covered business[1]		**34 875**	**14 553**	**20 322**	31 045	14 033	17 012
Sanlam Personal Finance		**26 687**	**8 622**	**18 065**	23 663	8 513	15 150
Sanlam Emerging Markets		**2 320**	**1 012**	**1 308**	1 777	735	1 042
Sanlam Investments		**5 868**	**4 919**	**949**	5 605	4 785	820
Other Group operations		**22 012**	**22 012**	**—**	19 413	19 413	—
Discretionary and other capital		**6 634**	**6 634**	**—**	6 903	6 903	—
Group Equity Value		**63 521**	**43 199**	**20 322**	57 361	40 349	17 012

[1]Refer to embedded value of covered business on page 129.

Change in Group equity value

for the year ended 31 December 2011

R million	**2011**	2010
Earnings from covered business[1]	**6 273**	5 057
Earnings from other Group operations	**2 708**	4 100
Operations valued based on ratio of price to assets under management	**809**	1 136
Assumption changes	**(113)**	137
Change in assets under management	**231**	622
Earnings for the year and changes in capital requirements	**377**	564
Foreign currency translation differences and other	**314**	(187)
Operations valued based on discounted cash flows	**567**	782
Expected return	**415**	301
Operating experience variances and other	**(19)**	34
Assumption changes	**36**	521
Foreign currency translation differences	**135**	(74)
Operations valued at net asset value – earnings for the year	**183**	56
Listed operations – investment return	**1 149**	2 126
Earnings from discretionary and other capital	**424**	165
Portfolio investments and other	**575**	342
Net corporate expenses	**(124)**	(112)
Share-based payment transactions	**(4)**	(3)
Change in net worth adjustments	**(23)**	(62)
Group Equity Value earnings	**9 405**	9 322
Dividends paid	**(2 279)**	(2 112)
Shares cancelled	**–**	(1 234)
Cost of treasury shares acquired	**(966)**	372
Sanlam share buy back	**(979)**	(887)
Transfer to shares cancelled	**–**	1 234
Share incentive scheme and other	**13**	25
Change in accounting policy	**–**	(11)
Group equity value at beginning of the year	**57 361**	51 024
Group equity value at end of the year	**63 521**	57 361

[1]*Refer to embedded value of covered business on page 129.*

Return on Group equity value

for the year ended 31 December 2011

	2011		2010	
	Earnings R million	**Return %**	Earnings R million	Return %
Sanlam Personal Finance	**5 519**	**21,5**	4 840	20,9
Covered business[1]	**5 146**	**21,7**	4 108	18,9
Other operations	**373**	**19,1**	732	48,4
Sanlam Emerging Markets	**598**	**21,5**	477	19,6
Covered business[1]	**571**	**32,1**	350	21,6
Other operations	**27**	**2,7**	127	15,6
Sanlam Investments	**1 669**	**12,2**	1 792	13,7
Covered business[1]	**556**	**9,9**	599	10,6
Investment Management	**677**	**10,9**	1 013	17,9
Coris Administration and Infinit	**—**	**—**	23	—
Sanlam UK other operations	**262**	**29,1**	48	5,8
Capital Management	**174**	**18,7**	109	11,1
Santam	**1 195**	**14,2**	2 048	29,1
Discretionary and other capital	**424**		165	
Return on Group Equity Value	**9 405**	**16,4**	9 322	18,3
Return on Group Equity Value per share		**15,7**		18,2

[1]*Refer to embedded value of covered business on page 129.*

R million	**2011**	2010
Reconciliation of return on Group Equity Value:		
The return on Group Equity Value reconciles as follows to normalised attributable earnings:		
Normalised attributable earnings per shareholders' fund income statement on page 98	**5 174**	5 544
Net foreign currency translation gains recognised in other comprehensive income	**435**	(408)
Earnings recognised directly in equity		
Share-based payment transactions	**(7)**	21
Net cost of treasury shares delivered	**(246)**	(170)
Share-based payments	**239**	191
Change in ownership of subsidiaries	**(277)**	(2)
Recognised in Statement of Changes in Equity	**(391)**	(2)
Less: Included in earnings from value of in-force	**114**	—
Movement in fair value adjustments – shareholders' funds at fair value	**860**	2 154
Movement in adjustments to net worth	**72**	(17)
Present value of holding company expenses	**(32)**	(67)
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	**9**	5
Change in goodwill and value of business acquired adjustments less value of in-force acquired	**95**	45
Growth from covered business: value of in-force[1]	**3 148**	2 030
Return on Group Equity Value	**9 405**	9 322

[1]*Refer to embedded value of covered business on page 129.*

Group equity value sensitivity analysis

at 31 December 2011

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

- Impact on net result from financial services (profitability): A large portion of the Group's fee income is linked to the level of assets under management. A change in the market value of investments managed by the Group on behalf of policyholders and third parties will commensurately have a direct impact on the Group's net result from financial services. The present value of this impact is reflected in the table below as the change in the value of in-force and the fair value of other operations.
- Impact on capital: The Group's capital base is invested in financial instruments and any change in the valuation of these instruments will have a commensurate impact on the value of the Group's capital. This impact is reflected in the table below as the change in the fair value of the covered business' 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 133.

R million	Base value	Equities and properties -10%	Interest rates -1%	Rand exchange rate depreciation +10%
2011				
Covered business	**34 875**	**33 352**	**35 522**	**35 125**
Adjusted net worth	**14 553**	**13 997**	**14 566**	**14 683**
Value of in-force	**20 322**	**19 355**	**20 956**	**20 442**
Other Group operations	**22 012**	**20 438**	**22 248**	**22 135**
Valued at net asset value	**1 421**	**1 421**	**1 421**	**1 421**
Listed	**10 111**	**9 100**	**10 111**	**10 111**
Other	**10 480**	**9 917**	**10 716**	**10 603**
Group operations	**56 887**	**53 790**	**57 770**	**57 260**
Discretionary and other capital	**7 911**	**7 731**	**7 915**	**7 933**
Group equity value before adjustments to net worth	**64 798**	**61 521**	**65 685**	**65 193**
Net worth adjustments	**(1 277)**	**(1 276)**	**(1 277)**	**(1 277)**
Present value of holding company expenses	**(1 264)**	**(1 264)**	**(1 264)**	**(1 264)**
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	**(13)**	**(12)**	**(13)**	**(13)**
Group Equity Value	**63 521**	**60 245**	**64 408**	**63 916**
2010				
Covered business	31 045	29 804	31 563	31 272
Adjusted net worth	14 033	13 561	14 039	14 160
Value of in-force	17 012	16 243	17 524	17 112
Other Group operations	19 413	18 178	19 782	19 599
Valued at net asset value	1 120	1 120	1 120	1 120
Listed	8 790	7 911	8 790	8 790
Other	9 503	9 147	9 872	9 689
Group operations	50 458	47 982	51 345	50 871
Discretionary and other capital	8 157	7 972	8 169	8 252
Group equity value before adjustments to net worth	58 615	55 954	59 514	59 123
Net worth adjustments	(1 254)	(1 252)	(1 254)	(1 254)
Present value of holding company expenses	(1 232)	(1 232)	(1 232)	(1 232)
Fair value of outstanding equity compensation shares granted by subsidiaries on own shares	(22)	(20)	(22)	(22)
Group Equity Value	57 361	54 702	58 260	57 869

Shareholders' fund at fair value

at 31 December 2011

R million	2011 Fair value	2011 Fair value adjust-ment	2011 Net asset value	2010 Fair value	2010 Fair value adjust-ment	2010 Net asset value
Covered business, discretionary and other capital	**23 828**	**112**	**23 716**	23 623	217	23 406
Property and equipment	**332**	**–**	**332**	222	–	222
Owner-occupied properties	**416**	**–**	**416**	493	–	493
Goodwill(2)	**478**	**–**	**478**	497	–	497
Value of business acquired(2)	**694**	**–**	**694**	716	–	716
Other intangible assets	**29**	**–**	**29**	39	–	39
Deferred acquisition costs	**1 888**	**–**	**1 888**	1 528	–	1 528
Non-current assets held for sale	**512**	**–**	**512**	–	–	–
Investments	**20 422**	**112**	**20 310**	19 992	217	19 775
Equities and similar securities	**8 440**	**112**	**8 328**	7 947	112	7 835
Associated companies	**786**	**–**	**786**	1 168	105	1 063
Joint ventures – Shriram Life Insurance	**267**	**–**	**267**	257	–	257
Public sector stocks and loans	**13**	**–**	**13**	17	–	17
Investment properties	**489**	**–**	**489**	993	–	993
Other interest-bearing and preference share investments	**10 427**	**–**	**10 427**	9 610	–	9 610
Net term finance	**–**	**–**	**–**	–	–	–
Term finance	**(5 108)**	**–**	**(5 108)**	(5 577)	–	(5 577)
Assets held in respect of term finance	**5 108**	**–**	**5 108**	5 577	–	5 577
Net deferred tax	**111**	**–**	**111**	284	–	284
Net working capital	**(137)**	**–**	**(137)**	520	–	520
Minority shareholders' interest	**(917)**	**–**	**(917)**	(668)	–	(668)
Other Group operations	**22 012**	**11 436**	**10 576**	19 413	10 489	8 924
Sanlam Investments	**9 041**	**5 453**	**3 588**	8 078	5 023	3 055
Sanlam Investment Management	**7 715**	**5 257**	**2 458**	7 152	4 974	2 178
SIM Wholesale	**4 247**	**3 465**	**782**	4 201	3 476	725
International	**2 034**	**1 199**	**835**	1 508	977	531
Sanlam Collective Investments	**583**	**494**	**89**	512	438	74
Capital Management	**851**	**99**	**752**	931	83	848
Sanlam Employee Benefits: Infinit	**–**	**–**	**–**	25	15	10
Sanlam UK	**1 326**	**196**	**1 130**	901	34	867
Principal	**473**	**43**	**430**	318	17	301
Punter Southall Group	**307**	**18**	**289**	227	(43)	270
Nucleus	**229**	**146**	**83**	140	68	72
Preference shares, interest-bearing instruments and other	**317**	**(11)**	**328**	216	(8)	224
Sanlam Personal Finance	**2 189**	**1 407**	**782**	1 949	1 275	674
Glacier	**1 169**	**865**	**304**	965	685	280
Sanlam Personal Loans(4)	**494**	**141**	**353**	365	104	261
Multi-Data	**112**	**98**	**14**	149	130	19
Sanlam Trust	**168**	**150**	**18**	185	166	19
Anglo African Finance	**50**	**39**	**11**	50	33	17
Sanlam Healthcare Management	**196**	**114**	**82**	235	157	78

R million	Note	**2011** **Fair value**	**Fair value adjust-ment**	**Net asset value**	2010 Fair value	Fair value adjust-ment	Net asset value
Other Group operations *(continued)*							
Sanlam Emerging Markets		**1 167**	**80**	**1 087**	1 000	270	730
Sanlam Namibia Holdings		**119**	**88**	**31**	105	90	15
Shriram General Insurance		**152**	**—**	**152**	143	—	143
BIFM		**294**	**(35)**	**329**	302	47	255
Sanlam Emerging Markets other operations		**602**	**27**	**575**	450	133	317
Santam		**9 615**	**5 743**	**3 872**	8 386	5 168	3 218
Goodwill held on Group level in respect of the above businesses		**—**	**(1 247)**	**1 247**	—	(1 247)	1 247
Shareholders' fund at fair value		**45 840**	**11 548**	**34 292**	43 036	10 706	32 330
Value per share (cents)	10	**2 271**	**572**	**1 699**	2 114	526	1 588
Reconciliation to Group Equity Value							
Group equity value before adjustments to net worth		**64 798**	**44 476**	**20 322**	58 615	41 603	17 012
Add: Goodwill and value of business acquired replaced by value of in-force		**1 364**	**1 364**	**—**	1 433	1 433	—
Sanlam Investments and Pensions		**356**	**356**	**—**	356	356	—
Sanlam Developing Markets		**780**	**780**	**—**	849	849	—
Shriram Life Insurance[3]		**210**	**210**	**—**	210	210	—
Other		**18**	**18**	**—**	18	18	—
Less: Value of in-force		**(20 322)**	**—**	**(20 322)**	(17 012)	—	(17 012)
Shareholders' fund at fair value		**45 840**	**45 840**	**—**	43 036	43 036	—

[1] *Group businesses listed above are not consolidated, but reflected as investments at fair value.*

[2] *The value of business acquired and goodwill relate mainly to the consolidation of Sanlam Sky Solutions, Channel Life and Sanlam Investments and Pensions and are excluded in the build-up of the Group Equity Value, as the current value of in-force business for these life insurance companies are included in the embedded value of covered business.*

[3] *The carrying value of Shriram Life Insurance includes goodwill of R210 million (2010: R210 million) that is excluded in the build-up of the Group Equity Value, as the current value of in-force business for Shriram Life Insurance is included in the embedded value of covered business.*

[4] *The life insurance component of Sanlam Personal Loans' operations is included in the value of in-force business and therefore excluded from the Sanlam Personal Loans fair value.*

Shareholders' fund at net asset value

at 31 December 2011

		Sanlam Life(1)		Sanlam Emerging Markets(2)		Santam	
R million	Note	**2011**	2010	**2011**	2010	**2011**	2010
Property and equipment		**287**	263	**77**	59	**115**	122
Owner-occupied properties		**456**	523	**—**	—	**2**	2
Goodwill		**287**	275	**68**	85	**991**	963
Other intangible assets		**21**	21	**8**	18	**10**	—
Value of business acquired		**656**	688	**160**	169	**99**	117
Deferred acquisition costs		**2 043**	1 659	**3**	6	**—**	—
Investments		**23 863**	23 584	**3 492**	2 677	**8 059**	7 310
Properties		**370**	1 019	**186**	147	**—**	—
Associated companies	4.1	**—**	—	**1 321**	695	**264**	211
Joint ventures	4.2	**353**	261	**419**	399	**—**	—
Equities and similar securities	4.3	**12 042**	10 563	**402**	520	**3 802**	3 506
Public sector stocks and loans		**349**	600	**225**	141	**775**	927
Debentures, preference shares and other loans		**2 815**	3 584	**93**	161	**1 772**	1 627
Cash, deposits and similar securities		**7 934**	7 557	**846**	614	**1 446**	1 039
Net deferred tax		**116**	265	**(22)**	(33)	**90**	(18)
Deferred tax asset		**271**	442	**1**	2	**207**	251
Deferred tax liability		**(155)**	(177)	**(23)**	(35)	**(117)**	(269)
Net non-current assets held for sale		**512**	—	**—**	—	**—**	—
Net short-term insurance technical provisions		**—**	—	**—**	—	**(6 851)**	(6 385)
Short-term insurance technical assets		**—**	—	**—**	—	**1 831**	1 560
Short-term insurance technical provisions		**—**	—	**—**	—	**(8 682)**	(7 945)
Net working capital assets/(liabilities)		**(1 926)**	(1 341)	**(121)**	142	**5 313**	4 874
Trade and other receivables		**2 858**	2 339	**640**	387	**1 861**	1 773
Cash, deposits and similar securities		**3 240**	3 212	**317**	628	**5 483**	5 231
Trade and other payables		**(6 861)**	(5 489)	**(1 087)**	(834)	**(1 932)**	(1 806)
Provisions		**(281)**	(491)	**—**	—	**(28)**	(36)
Taxation		**(882)**	(912)	**9**	(39)	**(71)**	(288)
Term finance		**(2 779)**	(3 676)	**(15)**	(15)	**(964)**	(925)
Cell owners' interest		**—**	—	**—**	—	**(603)**	(577)
Minority shareholders' interest		**(43)**	(37)	**(1 165)**	(921)	**(2 389)**	(2 265)
Shareholders' fund at net asset value		**23 493**	22 224	**2 485**	2 187	**3 872**	3 218
Analysis of shareholders' fund							
Covered business		**13 291**	13 086	**1 012**	735	**—**	—
Other operations		**782**	684	**1 087**	730	**3 872**	3 218
Discretionary and other capital		**9 420**	8 454	**386**	722	**—**	—
Shareholders' fund at net asset value		**23 493**	22 224	**2 485**	2 187	**3 872**	3 218
Consolidation reserve		**—**	—	**—**	—	**—**	—
Shareholders' fund per Group statement of financial position		**23 493**	22 224	**2 485**	2 187	**3 872**	3 218

(1)Includes the operations of Sanlam Personal Finance and Sanlam Employee Benefits as well as discretionary capital held by Sanlam Life. Equities and similar securities include an investment of R3 490 million (2010: R2 462 million) in Sanlam shares, which is eliminated in the consolidation column.

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

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

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

Sanlam Investment Management		Capital Management		Sanlam UK		Corporate and Other[3]		Consolidation entries[4]		Total	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
27	18	**4**	4	**4**	4	**—**	—	**—**	—	**514**	470
37	37	**—**	—	**—**	—	**—**	—	**(40)**	(30)	**455**	532
209	241	**—**	—	**393**	386	**1 247**	1 247	**—**	—	**3 195**	3 197
8	—	**—**	—	**—**	—	**—**	—	**—**	—	**47**	39
223	33	**—**	—	**473**	314	**—**	—	**—**	(1)	**1 611**	1 320
—	—	**—**	—	**—**	—	**—**	—	**—**	1	**2 046**	1 666
589	498	**173**	461	**794**	671	**4 270**	3 599	**(5 990)**	(4 716)	**35 252**	34 084
—	—	**15**	221	**—**	—	**—**	—	**1**	(122)	**572**	1 265
78	63	**—**	96	**372**	270	**90**	622	**—**	15	**2 125**	1 972
36	47	**5**	4	**—**	—	**—**	—	**—**	—	**813**	711
155	256	**—**	—	**3**	73	**1 636**	1 082	**(4 915)**	(3 522)	**13 125**	12 478
1	5	**—**	—	**—**	—	**—**	—	**—**	1	**1 350**	1 674
318	127	**153**	140	**327**	262	**1 591**	1 639	**(1 075)**	(1 088)	**5 994**	6 452
1	—	**—**	—	**92**	66	**953**	256	**—**	—	**11 272**	9 532
(4)	(12)	**27**	7	**2**	1	**25**	122	**27**	25	**261**	357
20	21	**39**	60	**2**	1	**60**	137	**27**	17	**627**	931
(24)	(33)	**(12)**	(53)	**—**	—	**(35)**	(15)	**—**	8	**(366)**	(574)
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**512**	—
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**(6 851)**	(6 385)
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**1 831**	1 560
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**(8 682)**	(7 945)
856	705	**641**	463	**146**	68	**(2 090)**	(2 121)	**3 805**	3 703	**6 624**	6 493
1 013	957	**18 871**	18 841	**159**	128	**7 874**	8 584	**(11 863)**	(10 998)	**21 413**	22 011
602	518	**4 156**	1 788	**201**	144	**2 144**	1 634	**(1 767)**	(976)	**14 376**	12 179
(725)	(749)	**(22 377)**	(20 162)	**(150)**	(160)	**(12 027)**	(12 277)	**17 435**	15 677	**(27 724)**	(25 800)
—	—	**—**	—	**(58)**	(41)	**(56)**	(49)	**—**	—	**(423)**	(617)
(34)	(21)	**(9)**	(4)	**(6)**	(3)	**(25)**	(13)	**—**	—	**(1 018)**	(1 280)
(65)	(16)	**(93)**	(87)	**(12)**	(8)	**(2 355)**	(2 106)	**559**	575	**(5 724)**	(6 258)
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**(603)**	(577)
(34)	(4)	**—**	—	**(35)**	(1)	**—**	—	**620**	620	**(3 046)**	(2 608)
1 846	1 500	**752**	848	**1 765**	1 435	**1 097**	741	**(1 018)**	177	**34 292**	32 330
—	—	**—**	—	**250**	212	**—**	—	**—**	—	**14 553**	14 033
1 706	1 330	**752**	848	**1 130**	867	**1 247**	1 247	**—**	—	**10 576**	8 924
140	170	**—**	—	**385**	356	**(150)**	(506)	**(1 018)**	177	**9 163**	9 373
1 846	1 500	**752**	848	**1 765**	1 435	**1 097**	741	**(1 018)**	177	**34 292**	32 330
—	—	**—**	—	**—**	—	**—**	—	**(470)**	(552)	**(470)**	(552)
1 846	1 500	**752**	848	**1 765**	1 435	**1 097**	741	**(1 488)**	(375)	**33 822**	31 778

Shareholders' fund income statement

for the year ended 31 December 2011

R million	Note	Sanlam Personal Finance 2011	Sanlam Personal Finance 2010
Financial services income	5	**10 935**	9 758
Sales remuneration		**(1 968)**	(1 824)
Income after sales remuneration		**8 967**	7 934
Underwriting policy benefits		**(3 017)**	(2 640)
Administration costs	6	**(3 175)**	(2 941)
Result from financial services before tax		**2 775**	2 353
Tax on result from financial services		**(772)**	(664)
Result from financial services after tax		**2 003**	1 689
Minority shareholders' interest		**(13)**	(9)
Net result from financial services		**1 990**	1 680
Net investment income		**559**	437
Dividends received — Group companies		**128**	61
Other investment income	7	**552**	483
Tax on investment income		**(121)**	(107)
Minority shareholders' interest		**—**	—
Project expenses		**(1)**	(32)
Amortisation of value of business acquired and other intangibles		**(32)**	(38)
BEE transaction costs		**—**	—
Net equity-accounted headline earnings		**—**	—
Equity-accounted headline earnings		**—**	—
Minority shareholders' interest		**—**	—
Net investment surpluses		**443**	1 085
Investment surpluses — Group companies		**137**	515
Other investment surpluses		**354**	649
Tax on investment surpluses		**(48)**	(79)
Minority shareholders' interest		**—**	—
Secondary tax on companies — after minorities		**(48)**	65
Normalised headline earnings		**2 911**	3 197
Profit/(loss) on disposal of operations		**—**	—
Net profit on disposal of associated companies		**—**	—
Profit on disposal of associated companies		**—**	—
Tax on profit on disposal of associated companies		**—**	—
Impairments		**—**	51
Normalised attributable earnings		**2 911**	3 248
Fund transfers		**—**	—
Attributable earnings per Group statement of comprehensive income		**2 911**	3 248
Ratios			
Admin ratio[1]		**35,4%**	37,1%
Operating margin[2]		**30,9%**	29,7%
Diluted earnings per share	9		
Adjusted weighted average number of shares (million)			
Net result from financial services (cents)		**98,5**	82,1

[1]Administration costs as a percentage of income earned by the shareholders' fund less sales remuneration.

[2]Result from financial services before tax as a percentage of income earned by the shareholders' fund less sales remuneration.

[3]Corporate and Other includes the consolidation entries in respect of the dividends received and the investment surpluses on the Sanlam Limited shares held by Sanlam Life Insurance Limited.

Sanlam Emerging Markets		Sanlam Investments		Santam		Corporate and Other[3]		Total	
2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
2 279	2 401	**5 997**	5 558	**15 041**	14 010	**90**	112	**34 342**	31 839
(491)	(592)	**(102)**	(89)	**(2 003)**	(2 052)	**—**	—	**(4 564)**	(4 557)
1 788	1 809	**5 895**	5 469	**13 038**	11 958	**90**	112	**29 778**	27 282
(479)	(665)	**(1 915)**	(1 818)	**(9 404)**	(8 694)	**—**	—	**(14 815)**	(13 817)
(653)	(553)	**(2 750)**	(2 500)	**(2 117)**	(1 800)	**(261)**	(275)	**(8 956)**	(8 069)
656	591	**1 230**	1 151	**1 517**	1 464	**(171)**	(163)	**6 007**	5 396
(103)	(91)	**(278)**	(269)	**(426)**	(414)	**47**	51	**(1 532)**	(1 387)
553	500	**952**	882	**1 091**	1 050	**(124)**	(112)	**4 475**	4 009
(244)	(214)	**(7)**	—	**(451)**	(483)	**—**	—	**(715)**	(706)
309	286	**945**	882	**640**	567	**(124)**	(112)	**3 760**	3 303
61	47	**163**	198	**39**	73	**(30)**	96	**792**	851
—	—	**—**	—	**—**	—	**(128)**	(61)	**—**	—
82	79	**193**	249	**51**	133	**136**	166	**1 014**	1 110
(10)	(18)	**(30)**	(51)	**18**	(1)	**(38)**	(9)	**(181)**	(186)
(11)	(14)	**—**	—	**(30)**	(59)	**—**	—	**(41)**	(73)
(17)	(14)	**(7)**	—	**—**	—	**—**	(2)	**(25)**	(48)
(12)	(15)	**(40)**	(26)	**(24)**	(13)	**—**	—	**(108)**	(92)
—	—	**—**	—	**(7)**	(8)	**—**	—	**(7)**	(8)
3	16	**(5)**	—	**36**	48	**30**	77	**64**	141
6	32	**(5)**	—	**60**	84	**30**	77	**91**	193
(3)	(16)	**—**	—	**(24)**	(36)	**—**	—	**(27)**	(52)
60	20	**27**	307	**139**	234	**46**	(515)	**715**	1 131
—	—	**—**	—	**—**	—	**(137)**	(515)	**—**	—
81	36	**34**	345	**274**	506	**179**	—	**922**	1 536
21	(10)	**(7)**	(38)	**(42)**	(90)	**4**	—	**(72)**	(217)
(42)	(6)	**—**	—	**(93)**	(182)	**—**	—	**(135)**	(188)
—	(29)	**(5)**	1	**(22)**	(61)	**(93)**	(111)	**(168)**	(135)
404	311	**1 078**	1 362	**801**	840	**(171)**	(567)	**5 023**	5 143
17	(1)	**(3)**	328	**—**	—	**—**	—	**14**	327
—	—	**—**	—	**—**	71	**172**	6	**172**	77
—	—	**—**	—	**—**	71	**209**	6	**209**	77
—	—	**—**	—	**—**	—	**(37)**	—	**(37)**	—
(1)	—	**(34)**	(57)	**—**	3	**—**	—	**(35)**	(3)
420	310	**1 041**	1 633	**801**	914	**1**	(561)	**5 174**	5 544
—	—	**—**	—	**—**	—	**(8)**	(21)	**(8)**	(21)
420	310	**1 041**	1 633	**801**	914	**(7)**	(582)	**5 166**	5 523
36,5%	30,6%	**46,6%**	45,7%	**16,2%**	15,1%			**30,1%**	29,6%
36,7%	32,7%	**20,9%**	21,0%	**11,6%**	12,2%			**20,2%**	19,8%
								2 019,9	2 045,3
15,3	14,0	**46,8**	43,1	**31,7**	27,7	**(6,1)**	(5,5)	**186,1**	161,5

Notes to the shareholders' fund information

for the year ended 31 December 2011

1. Analysis of new business and total funds received

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

	Total		Life Insurance[1]		Other[2]	
R million	**2011**	2010	**2011**	2010	**2011**	2010
Sanlam Personal Finance	**27 246**	25 422	**15 338**	13 074	**11 908**	12 348
Entry level	**1 323**	1 388	**1 323**	1 388	**—**	—
Recurring	**925**	897	**925**	897	**—**	—
Single	**398**	491	**398**	491	**—**	—
Middle-income	**8 226**	7 225	**7 908**	6 928	**318**	297
Recurring	**1 264**	1 194	**1 177**	1 150	**87**	44
Single	**6 962**	6 031	**6 731**	5 778	**231**	253
Affluent	**17 697**	16 809	**6 107**	4 758	**11 590**	12 051
Sanlam Emerging Markets	**10 995**	10 660	**2 205**	2 285	**8 790**	8 375
Namibia	**8 425**	8 192	**346**	486	**8 079**	7 706
Recurring	**108**	110	**108**	110	**—**	—
Single	**8 317**	8 082	**238**	376	**8 079**	7 706
Botswana	**1 675**	1 683	**1 133**	1 172	**542**	511
Recurring	**188**	231	**188**	231	**—**	—
Single	**1 487**	1 452	**945**	941	**542**	511
Rest of Africa	**526**	448	**526**	396	**—**	52
Recurring	**267**	199	**267**	199	**—**	—
Single	**259**	249	**259**	197	**—**	52
India	**369**	337	**200**	231	**169**	106
Recurring	**211**	224	**42**	118	**169**	106
Single	**158**	113	**158**	113	**—**	—
Sanlam Investments	**56 062**	50 304	**3 912**	1 740	**52 150**	48 564
South Africa	**47 804**	42 639	**2 534**	773	**45 270**	41 866
Employee benefits	**2 534**	773	**2 534**	773	**—**	—
Recurring	**325**	199	**325**	199	**—**	—
Single	**2 209**	574	**2 209**	574	**—**	—
Collective investment schemes	**23 325**	16 415	**—**	—	**23 325**	16 415
Private Investments	**7 678**	8 064	**—**	—	**7 678**	8 064
Segregated funds	**14 267**	17 387	**—**	—	**14 267**	17 387
Sanlam Multi-Manager	**4 217**	5 527	**—**	—	**4 217**	5 527
Other	**10 050**	11 860	**—**	—	**10 050**	11 860
Non-South African	**8 258**	7 665	**1 378**	967	**6 880**	6 698
Sanlam UK	**4 186**	3 059	**1 378**	967	**2 808**	2 092
Recurring	**24**	15	**24**	15	**—**	—
Single	**4 162**	3 044	**1 354**	952	**2 808**	2 092
SIM Global	**1 421**	892	**—**	—	**1 421**	892
SIIP	**2 319**	3 667	**—**	—	**2 319**	3 667
Other	**332**	47	**—**	—	**332**	47

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

	Total		Life Insurance[1]		Other[2]	
R million	**2011**	2010	**2011**	2010	**2011**	2010
Santam	**14 653**	13 561	**–**	–	**14 653**	13 561
New business excluding white label	**108 956**	99 947	**21 455**	17 099	**87 501**	82 848
White label	**6 131**	5 579	**–**	–	**6 131**	5 579
Total new business	**115 087**	105 526	**21 455**	17 099	**93 632**	88 427
Recurring premiums on existing funds:						
Sanlam Personal Finance	**12 933**	11 802				
Sanlam Emerging Markets	**1 851**	1 441				
Sanlam Investments	**4 570**	4 511				
Sanlam Employee Benefits	**2 784**	2 568				
Sanlam UK	**378**	407				
Sanlam Investment Management	**1 408**	1 536				
Sanlam Multi-Manager	**941**	874				
Other	**467**	662				
Total funds received	**134 441**	123 280				

[1] *Life Insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.*

[2] *Includes life licence investment and short-term insurance business. 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.*

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

2. Analysis of payments to clients

	Total		Life Insurance[1]		Other[2]	
R million	2011	2010	2011	2010	2011	2010
Sanlam Personal Finance	**34 281**	31 564	**23 965**	22 283	**10 316**	9 281
Entry level	**2 766**	2 592	**2 766**	2 592	**–**	–
Surrenders	**285**	359	**285**	359	**–**	–
Other	**2 481**	2 233	**2 481**	2 233	**–**	–
Middle-income	**18 976**	17 630	**18 673**	17 412	**303**	218
Surrenders	**3 115**	3 234	**3 115**	3 234	**–**	–
Other	**15 861**	14 396	**15 558**	14 178	**303**	218
Affluent	**12 539**	11 342	**2 526**	2 279	**10 013**	9 063
Sanlam Emerging Markets	**10 838**	11 302	**2 250**	1 854	**8 588**	9 448
Namibia	**7 477**	9 919	**894**	880	**6 583**	9 039
Surrenders	**108**	172	**108**	172	**–**	–
Other	**7 369**	9 747	**786**	708	**6 583**	9 039
Botswana	**2 870**	1 103	**999**	768	**1 871**	335
Surrenders	**391**	120	**391**	120	**–**	–
Other	**2 479**	983	**608**	648	**1 871**	335
Rest of Africa	**229**	147	**229**	147	**–**	–
Surrenders	**28**	18	**28**	18	**–**	–
Other	**201**	129	**201**	129	**–**	–
India	**262**	133	**128**	59	**134**	74
Surrenders	**128**	47	**128**	47	**–**	–
Other	**134**	86	**–**	12	**134**	74
Sanlam Investments	**49 188**	44 674	**6 338**	6 228	**42 850**	38 446
South Africa	**43 316**	37 367	**5 094**	4 720	**38 222**	32 647
Sanlam Employee Benefits	**5 094**	4 720	**5 094**	4 720	**–**	–
Terminations	**807**	556	**807**	556	**–**	–
Other	**4 287**	4 164	**4 287**	4 164	**–**	–
Collective investment schemes	**16 489**	12 784	**–**	–	**16 489**	12 784
Private Investments	**6 082**	3 494	**–**	–	**6 082**	3 494
Segregated funds	**15 651**	16 369	**–**	–	**15 651**	16 369
Sanlam Multi-Manager	**5 540**	6 122	**–**	–	**5 540**	6 122
Other	**10 111**	10 247	**–**	–	**10 111**	10 247
Non-South African	**5 872**	7 307	**1 244**	1 508	**4 628**	5 799
Sanlam UK	**2 638**	2 767	**1 244**	1 508	**1 394**	1 259
Surrenders	**2 340**	2 425	**946**	1 166	**1 394**	1 259
Other	**298**	342	**298**	342	**–**	–
SIM Global	**525**	358	**–**	–	**525**	358
SIIP	**1 802**	3 358	**–**	–	**1 802**	3 358
Other	**907**	824	**–**	–	**907**	824

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

	Total		Life Insurance[1]		Other[2]	
R million	**2011**	2010	**2011**	2010	**2011**	2010
Santam	**9 404**	8 693	**—**	—	**9 404**	8 693
Payments to clients excluding white label	**103 711**	96 233	**32 553**	30 365	**71 158**	65 868
White label	**5 250**	5 021	**—**	—	**5 250**	5 021
Total payments to clients	**108 961**	101 254	**32 553**	30 365	**76 408**	70 889

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

	Total		Life Insurance[1]		Other[2]	
R million	**2011**	2010	**2011**	2010	**2011**	2010
Sanlam Personal Finance	**5 898**	5 660	**4 143**	2 424	**1 755**	3 236
Entry level	**1 566**	987	**1 566**	987	**—**	—
Middle-income	**(826)**	(795)	**(1 004)**	(1 042)	**178**	247
Affluent	**5 158**	5 468	**3 581**	2 479	**1 577**	2 989
Sanlam Emerging Markets	**2 008**	799	**1 806**	1 873	**202**	(1 074)
Namibia	**1 564**	(1 200)	**68**	133	**1 496**	(1 333)
Botswana	**(435)**	1 189	**894**	962	**(1 329)**	227
Rest of Africa	**663**	526	**663**	526	**—**	—
India	**216**	284	**181**	252	**35**	32
Sanlam Investments	**11 444**	10 141	**736**	(1 513)	**10 708**	11 654
South Africa	**8 680**	9 376	**224**	(1 379)	**8 456**	10 755
Sanlam Employee Benefits	**224**	(1 379)	**224**	(1 379)	**—**	—
Collective investment schemes	**6 836**	3 631	**—**	—	**6 836**	3 631
Private Investments	**1 596**	4 570	**—**	—	**1 596**	4 570
Segregated funds	**24**	2 554	**—**	—	**24**	2 554
Sanlam Multi-Manager	**(382)**	279	**—**	—	**(382)**	279
Other	**406**	2 275	**—**	—	**406**	2 275
Non-South African	**2 764**	765	**512**	(134)	**2 252**	899
Sanlam UK	**1 926**	699	**512**	(134)	**1 414**	833
SIIP	**517**	309	**—**	—	**517**	309
SIM Global	**896**	534	**—**	—	**896**	534
Other	**(575)**	(777)	**—**	—	**(575)**	(777)
Santam	**5 249**	4 868	**—**	—	**5 249**	4 868
Net inflow excluding white label	**24 599**	21 468	**6 685**	2 784	**17 914**	18 684
White label	**881**	558	**—**	—	**881**	558
Total net inflow	**25 480**	22 026	**6 685**	2 784	**18 795**	19 242

[1] Life Insurance business relates to business written under a life licence that is included in the calculation of embedded value of covered business.

[2] Includes life licence investment and short-term insurance business. 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.

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

	R million	2011	2010
4.	**Investments**		
4.1	**Investment in associated companies**		
	Vukile	**–**	546
	Punter Southall Group	**289**	270
	Letshego	**976**	452
	Other associated companies	**860**	704
	Total investment in associated companies	**2 125**	1 972
4.2	**Investment in joint ventures**		
	Sanlam Personal Loans	**353**	260
	Shriram Life Insurance	**267**	257
	Shriram General Insurance	**152**	143
	Other joint ventures	**41**	51
	Total investment in joint ventures	**813**	711
4.3	**Equities and similar securities**		
	Listed on the JSE – at market value	**9 406**	9 016
	Unlisted equity and derivative investments – at directors' valuation	**733**	1 006
	Offshore equity investments	**2 195**	2 277
	Collective investment schemes	**791**	179
	Total equity investments	**13 125**	12 478
4.4	**Offshore investments**		
	Equities	**2 195**	2 277
	Interest-bearing investments	**1 143**	754
	Investment properties	**186**	145
	Total offshore investments	**3 524**	3 176

4. Investments *(continued)*

4.5 Derivative instruments

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

R million	< 1 year	1—5 years	> 5 years	Total notional amounts	Trading	Asset liability manage-ment	Total fair value of amounts
	Residual term to contractual maturity				Analysed by use		
2011							
Interest rate products over-the-counter							
Swap contracts – bought	**17 993**	**20 646**	**16 541**	**55 180**	**55 055**	**125**	**(2)**
Swap contracts – sold	**(22 343)**	**(17 495)**	**(14 664)**	**(54 502)**	**(54 502)**	**—**	**—**
Total interest rate products	**(4 350)**	**3 151**	**1 877**	**678**	**553**	**125**	**(2)**
Market risk products							
Cliquet structures – sold	**300**	**239**	**—**	**539**	**539**		**—**
Forward purchase of shares							
Local – bought	**190**	**—**	**—**	**190**	**190**	**—**	**—**
Fence structures							
Local – bought	**1 942**	**160**	**—**	**2 102**	**—**	**2 102**	**33**
Local – sold	**(1 191)**	**—**	**—**	**(1 191)**	**559**	**(1 750)**	**—**
Total market risk products	**1 241**	**399**	**—**	**1 640**	**1 288**	**352**	**33**
2010							
Interest rate products over-the-counter							
Swap contracts – bought	25 382	23 850	16 429	65 661	65 430	231	(4)
Swap contracts – sold	(27 583)	(24 957)	(14 830)	(67 370)	(67 570)	200	6
Total interest rate products	(2 201)	(1 107)	1 599	(1 709)	(2 140)	431	2
Market risk products							
Cliquet structures – bought	902	259	—	1 161	1 091	70	(13)
Collar structures – bought	58	190	—	248	—	248	1
Forward purchase of shares							
Local – bought	110	—	—	110	100	10	—
Fence structures							
Local – bought	3 066	499	—	3 565	—	3 565	(170)
Local – sold	(4 644)	(330)	—	(4 974)	(2 899)	(2 075)	(17)
Total market risk products	(508)	618	—	110	(1 708)	1 818	(199)

Register of investments

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

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

	R million	2011	2010
5.	**Financial services income**		
	Equity-accounted earnings included in financial services income:		
	Sanlam Personal Finance	**153**	113
	Sanlam Emerging Markets	**249**	110
	Sanlam Investments	**13**	5
		415	228
6.	**Administration costs**		
	Depreciation included in administration costs:		
	Sanlam Personal Finance	**93**	77
	Sanlam Emerging Markets	**13**	11
	Sanlam Investments	**22**	22
	Santam	**59**	47
		187	157
7.	**Investment income**		
	Equities and similar securities	**318**	329
	Interest-bearing, preference shares and similar securities	**603**	709
	Properties	**93**	72
	Rental income	**122**	91
	Rental related expenses	**(29)**	(19)
	Total investment income	**1 014**	1 110
	Interest expense netted off against investment income	**513**	502

8. Cluster information

8.1 Sanlam Personal Finance

R million	Life operations 2011	Life operations 2010	Non-life operations(1) 2011	Non-life operations(1) 2010	Total 2011	Total 2010
Analysis of attributable earnings						
Gross result from financial services	**2 476**	2 126	**299**	227	**2 775**	2 353
Entry-level market	**296**	154	**—**	—	**296**	154
Middle-income life and investments	**2 038**	1 870	**9**	—	**2 047**	1 870
Administration	**383**	312	**—**	—	**383**	312
Risk underwriting – long-term insurance	**557**	500	**—**	—	**557**	500
Non-participating risk business	**395**	352	**—**	—	**395**	352
Working capital management	**316**	369	**—**	—	**316**	369
Other	**387**	337	**9**	—	**396**	337
Glacier	**79**	49	**89**	76	**168**	125
Sanlam Personal Loans	**63**	53	**147**	94	**210**	147
Other operations	**—**	—	**54**	57	**54**	57
Tax on result from financial services	**(684)**	(582)	**(88)**	(82)	**(772)**	(664)
Minority shareholders' interest	**(1)**	(5)	**(12)**	(4)	**(13)**	(9)
Net result from financial services	**1 791**	1 539	**199**	141	**1 990**	1 680
Net investment return	**441**	743	**561**	779	**1 002**	1 522
Net other earnings	**—**	—	**(81)**	46	**(81)**	46
Normalised attributable earnings	**2 232**	2 282	**679**	966	**2 911**	3 248

Analysis of Group Equity Value (GEV)

R million	GEV at beginning of year	Earnings	Capital investment	Dividend paid	GEV at end of year
2011					
Life Insurance operations	**23 663**	**5 146**	**—**	**(2 122)**	**26 687**
Non-life operations	**1 949**	**373**	**(21)**	**(112)**	**2 189**
Glacier	**965**	**278**	**—**	**(74)**	**1 169**
Sanlam Personal Loans	**365**	**150**	**(21)**	**—**	**494**
Other	**619**	**(55)**	**—**	**(38)**	**526**
Group Equity Value	**25 612**	**5 519**	**(21)**	**(2 234)**	**28 876**
2010					
Life Insurance operations	21 696	4 108	—	(2 141)	23 663
Non-life operations	1 513	732	(146)	(150)	1 949
Glacier	762	348	(65)	(80)	965
Sanlam Personal Loans	133	223	9	—	365
Sanlam Home Loans	120	(5)	(115)	—	—
Other	498	166	25	(70)	619
Group Equity Value	23 209	4 840	(146)	(2 291)	25 612

(1) *Includes discretionary and other capital held in Sanlam Life.*

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

8. Cluster information *(continued)*

8.1 Sanlam Personal Finance *(continued)*

	Life insurance		Investment		Total	
R million	**2011**	2010	**2011**	2010	**2011**	2010
Analysis of business volumes						
Recurring premiums	**2 102**	2 047	**87**	44	**2 189**	2 091
Risk	**1 349**	1 314	**—**	—	**1 349**	1 314
Investment	**267**	250	**58**	38	**325**	288
Retirement annuities	**273**	257	**6**	6	**279**	263
Premium changes	**213**	226	**23**	—	**236**	226
Single premiums	**13 236**	11 027	**11 821**	12 304	**25 057**	23 331
Discretionary savings	**3 882**	2 346	**11 772**	12 243	**15 654**	14 589
Retirement savings	**646**	667	**17**	24	**663**	691
Continuations	**2 046**	1 964	**—**	—	**2 046**	1 964
Contractual life business	**6 443**	5 861	**—**	—	**6 443**	5 861
Other	**219**	189	**32**	37	**251**	226
Total new business	**15 338**	13 074	**11 908**	12 348	**27 246**	25 422
Death and disability benefits	**3 685**	3 335	**—**	—	**3 685**	3 335
Maturity benefits	**11 921**	10 720	**—**	—	**11 921**	10 720
Life and term annuities	**4 627**	4 359	**—**	—	**4 627**	4 359
Surrenders	**3 400**	3 593	**—**	—	**3 400**	3 593
Other	**332**	276	**10 316**	9 281	**10 648**	9 557
Total payments to clients	**23 965**	22 283	**10 316**	9 281	**34 281**	31 564

8. Cluster information *(continued)*

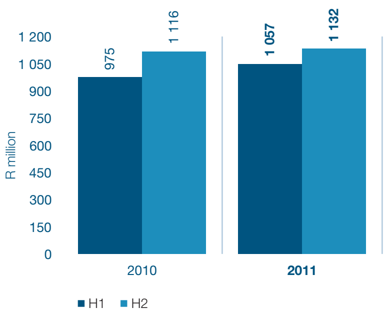
8.1 Sanlam Personal Finance *(continued)*

R million	Balance at beginning of year	Net fund flows[1]	Investment return	Fees and other charges	Balance at end of year
Income base					
2011					
Life insurance operations	**186 300**	**7 147**	**13 566**	**(10 441)**	**196 572**
Other operations – Glacier	**42 860**	**1 577**	**1 494**	**—**	**45 931**
Assets under management	**229 160**	**8 724**	**15 060**	**(10 441)**	**242 503**
2010					
Life insurance operations	168 029	5 129	21 884	(8 742)	186 300
Other operations – Glacier	37 631	2 989	2 240	—	42 860
Assets under management	205 660	8 118	24 124	(8 742)	229 160

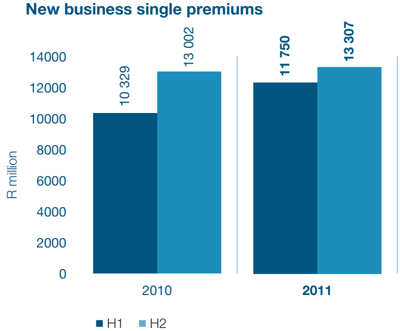
[1]*Includes business flows between Group businesses, which are eliminated in note 3. Note 3 includes risk underwriting benefits paid, which are excluded for assets under management as the risk premiums charged are included in this analysis.*

	2011	2010
Sanlam Personal Loans		
Size of loan book (R million)	**2 316**	1 818
Interest margin	**15,3%**	14,4%
Bad debt ratio	**2,9%**	2,1%
Administration cost as % of net interest	**34,8%**	34,1%

New business recurring premiums



New business single premiums



Notes to the shareholders' fund information continued

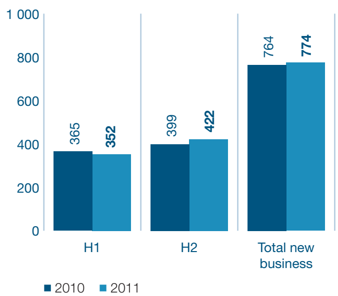
for the year ended 31 December 2011

8. Cluster information *(continued)*

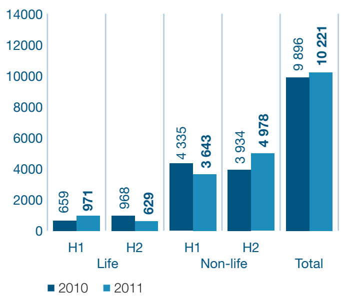
8.2 Sanlam Emerging Markets

R million	2011	2010
Analysis of attributable earnings		
Net result from financial services	**309**	286
Life insurance	**215**	205
Short-term insurance	**7**	4
Investment management	**44**	45
Credit and banking	**40**	32
Other	**3**	—
Net investment return	**121**	67
Net investment income	**61**	47
Net investment surpluses	**60**	20
Net other earnings	**(10)**	(43)
Normalised attributable earnings	**420**	310
Analysis of net result from financial services		
Life insurance operations	**215**	205
Botswana	**109**	127
Namibia	**88**	93
Rest of Africa	**16**	2
India	**2**	(17)
Non-life operations	**94**	81
Namibia	**26**	17
Botswana	**60**	60
Rest of Africa	**6**	—
India	**2**	4
Net result from financial services	**309**	286

New business recurring premiums



New business recurring premiums



8. Cluster information *(continued)*

8.2 Sanlam Emerging Markets *(continued)*

R million	GEV at beginning of year	Earnings	Capital investment	Dividend paid	GEV at end of year
Analysis of Group Equity Value (GEV)					
2011					
Life insurance operations	**1 777**	**571**	**130**	**(158)**	**2 320**
Non-life operations	**1 000**	**27**	**190**	**(50)**	**1 167**
Botswana	**706**	**(24)**	**190**	**(42)**	**830**
Namibia	**105**	**22**	**–**	**(8)**	**119**
Rest of Africa	**46**	**20**	**–**	**–**	**66**
India	**143**	**9**	**–**	**–**	**152**
Group Equity Value	**2 777**	**598**	**320**	**(208)**	**3 487**
2010					
Life insurance operations	1 618	350	6	(197)	1 777
Non-life operations	814	127	69	(10)	1 000
Botswana	560	102	49	(5)	706
Namibia	99	11	–	(5)	105
Rest of Africa	40	6	–	–	46
India	115	8	20	–	143
Group Equity Value	2 432	477	75	(207)	2 777

R million	Life insurance	Other	Total
Analysis of business volumes			
Recurring premiums – 2011	**605**	**169**	**774**
Risk	**350**	**–**	**350**
Investment and Short-term	**234**	**169**	**403**
Annuities	**21**	**–**	**21**
Recurring premiums – 2010	658	106	764
Single premiums – 2011	**1 600**	**8 621**	**10 221**
Risk	**1 185**	**–**	**1 185**
Savings	**309**	**–**	**309**
Continuations	**44**	**–**	**44**
Other	**62**	**8 621**	**8 683**
Single premiums – 2010	1 627	8 269	9 896
Total new business	**2 205**	**8 790**	**10 995**
Recurring premiums on existing business – 2011	**1 851**	**–**	**1 851**
Risk	**926**	**–**	**926**
Investment	**440**	**–**	**440**
Annuities	**485**	**–**	**485**
Total funds received from clients – 2011	**4 056**	**8 790**	**12 846**
Total funds received from clients – 2010	3 726	8 375	12 101
Death and disability benefits	**493**	**–**	**493**
Maturity benefits	**880**	**421**	**1 301**
Life and term annuities	**222**	**–**	**222**
Surrenders	**655**	**–**	**655**
Other	**–**	**8 167**	**8 167**
Total payments to clients – 2011	**2 250**	**8 588**	**10 838**
Total payments to clients – 2010	1 854	9 448	11 302

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

8. Cluster information *(continued)*

8.2 Sanlam Emerging Markets *(continued)*

R million	Balance at beginning of year	Net fund flows[1]	Investment return	Fees and other charges	Balance at end of year
2011					
Income base					
Life insurance operations	**20 567**	**1 839**	**824**	**(1 826)**	**21 404**
Other operations	**12 549**	**(2 942)**	**1 400**	**(42)**	**10 965**
Namibia	**4 746**	**205**	**233**	**(14)**	**5 170**
Botswana	**7 383**	**(2 961)**	**1 167**	**(28)**	**5 561**
Rest of Africa	**420**	**(186)**	**–**	**–**	**234**
Assets under management	**33 116**	**(1 103)**	**2 224**	**(1 868)**	**32 369**

[1] *Includes business flows between Group businesses, which are eliminated in note 3. Note 3 includes risk underwriting benefits paid, which are excluded for assets under management as the risk premiums charged are included in this analysis.*

8. Cluster information *(continued)*

8.3 Sanlam Investments

	Sanlam Investment Management		Sanlam Employee Benefits		Sanlam UK		Total	
R million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Analysis of attributable earnings								
Financial services income	**2 522**	2 287	**2 910**	2 736	**436**	357	**5 868**	5 380
Sales remuneration	**—**	—	**(41)**	(41)	**(61)**	(48)	**(102)**	(89)
Income after sales remuneration	**2 522**	2 287	**2 869**	2 695	**375**	309	**5 766**	5 291
Underwriting policy benefits	**—**	—	**(1 915)**	(1 818)	**—**	—	**(1 915)**	(1 818)
Administration cost	**(1 779)**	(1 563)	**(624)**	(629)	**(321)**	(265)	**(2 724)**	(2 457)
Result from financial services before performance fees	**743**	724	**330**	248	**54**	44	**1 127**	1 016
Net performance fees	**103**	135	**—**	—	**—**	—	**103**	135
Result from financial services	**846**	859	**330**	248	**54**	44	**1 230**	1 151
Tax on result from financial services	**(190)**	(200)	**(88)**	(69)	**—**	—	**(278)**	(269)
Minority shareholders' interest	**(11)**	(2)	**—**	—	**4**	2	**(7)**	—
Net result from financial services	**645**	657	**242**	179	**58**	46	**945**	882
Net investment return	**(13)**	71	**196**	414	**7**	20	**190**	485
Net investment income	**4**	—	**151**	177	**8**	21	**163**	198
Net investment surpluses	**(17)**	71	**45**	237	**(1)**	(1)	**27**	307
Net other earnings	**(54)**	204	**(1)**	(3)	**(39)**	45	**(94)**	266
Normalised attributable earnings	**578**	932	**437**	590	**26**	111	**1 041**	1 633

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

8. Cluster information *(continued)*

8.3 Sanlam Investments *(continued)*

Sanlam Investment Management

	Support Services		Asset Management		Capital Management	
R million	**2011**	2010	**2011**	2010	**2011**	2010
Analysis of attributable earnings						
Financial services income*	**33**	47	**651**	618	**594**	573
Administration cost*	**(90)**	(94)	**(396)**	(354)	**(332)**	(319)
Results from financial services before performance fees	**(57)**	(47)	**255**	264	**262**	254
Net performance fees	**—**	—	**78**	65	**—**	—
Results from financial services	**(57)**	(47)	**333**	329	**262**	254
Tax on result from financial services	**16**	14	**(94)**	(91)	**(52)**	(53)
Minority shareholders' interest	**—**	—	**(6)**	—	**—**	—
Net result from financial services	**(41)**	(33)	**233**	238	**210**	201
Net investment return	**6**	57	**(3)**	5	**3**	—
Net other earnings	**(10)**	4	**(1)**	—	**(8)**	326
Normalised attributable earnings	**(45)**	28	**229**	243	**205**	527

R million	Balance at beginning of year	Net fund flows[(1)]	Investment return net of fees	Balance at the end of year
Income base				
2011				
Asset Management	**300 363**	**5 819**	**5 622**	**311 804**
Capital Management – Private equity	**4 089**	**—**	**(557)**	**3 532**
Wealth Management	**54 992**	**1 596**	**3 840**	**60 428**
Investment Services	**114 195**	**2 458**	**8 156**	**124 809**
International	**41 154**	**3 252**	**4 715**	**49 121**
Inter-cluster consolidation	**(40 693)**	**(2 953)**	**(3 045)**	**(46 691)**
Assets under management	**474 100**	**10 172**	**18 731**	**503 003**

*Excludes performance fees and related costs.

[(1)]Includes business flows between Group businesses, which are eliminated in note 3.

	Wealth Management		Investment Services		International		Intra-cluster eliminations		Sanlam Investment Management	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	284	253	**835**	724	**270**	176	**(145)**	(104)	**2 522**	2 287
	(230)	(188)	**(743)**	(619)	**(133)**	(93)	**145**	104	**(1 779)**	(1 563)
	54	65	**92**	105	**137**	83	**—**	—	**743**	724
	2	3	**11**	7	**12**	60			**103**	135
	56	68	**103**	112	**149**	143	**—**	—	**846**	859
	(14)	(20)	**(29)**	(29)	**(17)**	(21)			**(190)**	(200)
	—	—	**(2)**	(2)	**(3)**	—			**(11)**	(2)
	42	48	**72**	81	**129**	122	**—**	—	**645**	657
	(7)	1	**(3)**	1	**(9)**	7			**(13)**	71
	—	—	**(24)**	(51)	**(11)**	(75)			**(54)**	204
	35	49	**45**	31	**109**	54	**—**	—	**578**	932

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

8. Cluster information *(continued)*

8.3 Sanlam Investments *(continued)*

Sanlam Investment Management *(continued)*

R million	Fixed interest	Equities	Properties	Cash	Offshore	Total
Asset mix of assets under management						
2011						
Asset Management	90 423	121 604	12 472	59 243	28 062	311 804
Capital Management – Private equity	594	2 928	—	10	—	3 532
Wealth Management	—	49 536	—	2 948	7 944	60 428
Investment Services	19 709	57 357	3 685	28 763	15 295	124 809
International	—	—	—	—	49 121	49 121
	110 726	231 425	16 157	90 964	100 422	549 694
Inter-cluster consolidation						(46 691)
Assets under management	110 726	231 425	16 157	90 964	100 422	503 003

	Fee income (bps)	Administration costs (bps)	Margin (bps)
Profitability of assets under management*			
2011			
Asset Management	0,21	0,13	0,08
Capital Management – Private equity	1,55	0,61	0,94
Wealth Management	0,47	0,38	0,09
Investment Services	0,67	0,60	0,07
International	0,55	0,27	0,28

Based on operating profit excluding performance fees and performance fee related administration cost.

8. Cluster information *(continued)*

8.3 Sanlam Investments *(continued)*

Sanlam Employee Benefits

	2011	2010
Analysis of attributable earnings		
Net result from financial services	**242**	179
Risk underwriting	**169**	87
Investment and other	**109**	129
Working capital management	**18**	25
Administration	**(54)**	(62)
Net investment return	**196**	414
Net investment income	**151**	177
Net investment surpluses	**45**	237
Net other earnings	**(1)**	(3)
Normalised attributable earnings	**437**	590
Analysis of new business per product line		
Recurring premiums	**325**	199
Guaranteed	**106**	29
Risk	**219**	170
Single premiums	**2 209**	574
Guaranteed	**799**	383
Annuity	**1 409**	182
Risk	**1**	9

R million	Balance at beginning of year	Net fund flows[1]	Investment return	Fees and other charges	Balance at the end of year
Income base					
Assets under management					
2011	**42 840**	**2 123**	**3 163**	**(2 576)**	**45 550**
2010	41 181	(1 166)	5 531	(2 706)	42 840

[1]*Includes business flows between Group businesses, which are eliminated in note 3. Note 3 includes risk underwriting benefits paid, which are excluded for assets under management as the risk premiums charged are included in this analysis.*

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

8. Cluster information *(continued)*

8.3 Sanlam Investments *(continued)*

Sanlam UK

	Life operations		Non-life operations		Total	
R million	**2011**	2010	**2011**	2010	**2011**	2010
Analysis of attributable earnings						
Financial services income	**204**	172	**232**	185	**436**	357
Sales remuneration	**(34)**	(28)	**(27)**	(20)	**(61)**	(48)
Income after sales remuneration	**170**	144	**205**	165	**375**	309
Administration costs	**(101)**	(103)	**(220)**	(162)	**(321)**	(265)
Result from financial services	**69**	41	**(15)**	3	**54**	44
Tax on result from financial services	**—**	—	**—**	—	**—**	—
Minority shareholders' interest	**—**	—	**4**	2	**4**	2
Net result from financial services	**69**	41	**(11)**	5	**58**	46
Net investment return	**2**	17	**5**	3	**7**	20
Net investment income	**2**	17	**6**	4	**8**	21
Net investment surpluses	**—**	—	**(1)**	(1)	**(1)**	(1)
Net other earnings	**—**	—	**(39)**	45	**(39)**	45
Attributable earnings	**71**	58	**(45)**	53	**26**	111

R million	Balance at beginning of year	Net fund flows[1]	Acquisi-tions	Investment return	Fees and other charges	Foreign currency translation differences	Balance at end of year
Income base							
2011							
Life insurance business	**17 840**	**193**	**—**	**(870)**	**(204)**	**3 543**	**20 502**
Non-life operations: Principal	**12 746**	**1 413**	**3 233**	**(497)**	**(163)**	**3 017**	**19 749**
Assets under management	**30 586**	**1 606**	**3 233**	**(1 367)**	**(367)**	**6 560**	**40 251**
2010							
Life insurance business	18 884	(261)	—	1 928	(172)	(2 539)	17 840
Non-life operations: Principal	11 905	1 341	—	1 146	(116)	(1 530)	12 746
Assets under management	30 789	1 080	—	3 074	(288)	(4 069)	30 586

[1] *Includes business flows between Group businesses, which are eliminated in note 3. Note 3 includes risk underwriting benefits paid, which are excluded for assets under management as the risk premiums charged are included in this analysis.*

8. Cluster information *(continued)*

8.3 Sanlam Investments *(continued)*

Sanlam UK *(continued)*

R million	Fixed interest	Equities	Cash	Total
Asset mix of assets under management – non-life operations				
2011				
Principal	**4 391**	**13 965**	**1 393**	**19 749**
Assets under management and advice	**4 391**	**13 965**	**1 393**	**19 749**

	Fee income (bps)	Admini-stration costs (bps)	Margin (bps)
Profitability			
2011			
Principal	**1,00**	**0,86**	**0,14**

**Based on operating profit excluding performance fees and performance fee related administration cost.*

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

8. Cluster information *(continued)*

8.3 Sanlam Investments *(continued)*

Analysis of Group Equity Value (GEV)

R million	GEV at beginning of year	Earnings	Capital investment	Dividend paid	GEV at end of year
2011					
Sanlam Investment Management	**7 152**	**851**	**317**	**(605)**	**7 715**
Sanlam Employee Benefits	**4 992**	**327**	**114**	**(356)**	**5 077**
Life insurance operations	**4 967**	**327**	**139**	**(356)**	**5 077**
Non-life operations	**25**	**—**	**(25)**	**—**	**—**
Sanlam UK	**1 539**	**491**	**163**	**(76)**	**2 117**
Life insurance operations	**638**	**229**	**—**	**(76)**	**791**
Non-life operations	**901**	**262**	**163**	**—**	**1 326**
Group Equity Value	**13 683**	**1 669**	**594**	**(1 037)**	**14 909**
2010					
Sanlam Investment Management	6 639	1 122	30	(639)	7 152
Sanlam Employee Benefits	4 960	629	2	(599)	4 992
Life insurance operations	4 960	606	—	(599)	4 967
Non-life operations	—	23	2	—	25
Sanlam UK	1 498	41	20	(20)	1 539
Life insurance operations	665	(7)	—	(20)	638
Non-life operations	833	48	20	—	901
Group Equity Value	13 097	1 792	52	(1 258)	13 683

8. Cluster information *(continued)*

8.3 Sanlam Investments *(continued)*

Valuation methodology

The fair value of the unlisted Sanlam Investments businesses has been determined by the application of the following valuation methodologies:

	Fair value	
R million	**2011**	2010
Valuation method		
Ratio of price to assets under management	**6 968**	6 493
Asset Management	**3 360**	3 345
Capital Management	**130**	166
Wealth Management	**604**	581
Investment Services	**1 029**	958
International operations	**1 372**	1 125
Sanlam UK	**473**	318
Discounted cash flows	**853**	608
Sanlam UK	**853**	583
Infinit	**–**	25
Net asset value	**1 220**	977
SIM International	**499**	212
Capital Management	**721**	765
	9 041	8 078

The main assumption applied in the primary valuation for the unlisted businesses below. The sensitivity analysis is based on the following changes in assumptions:

	Change in assumption
	2011
Ratio of price to assets under management (P/AuM)	**0,1**
Risk discount rate (RDR)	**1,0**
Perpetuity growth rate (PGR)	**1,0**

R million	Weighted average assumption	Basic value	Decrease in assumption	Increase in assumption
Ratio of price to assets under management	P/Aum = 1,16% (2010: 1,18%)	6 968	6 386	7 587
Discounted cash flows	RDR = 18,0% (2010: 17,4%)	853	877	830
	PGR = 2,5 – 5% (2010: 2,5 – 10%)	853	842	864

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

8. Cluster information *(continued)*

8.4 Santam

R million	2011	2010
Business volumes		
Net earned premiums	**14 653**	13 561
Net fund flows	**5 249**	4 868
Analysis of earnings		
Gross result from financial services	**1 517**	1 464
Ratios		
Admin cost ratio	**16,2%**	15,1%
Claims ratio	**64,2%**	63,9%
Underwriting margin	**7,7%**	7,8%

9. Normalised diluted earnings per share

Cents	2011	2010
Net result from financial services	**186,1**	161,5
Headline earnings	**248,7**	251,5
Profit attributable to shareholders' fund	**256,2**	271,1

R million	2011	2010
Analysis of normalised earnings (refer shareholders' fund income statement on page 98)		
Net result from financial services	**3 760**	3 303
Headline earnings	**5 023**	5 143
Profit attributable to shareholders' fund	**5 174**	5 544
Reconciliation of normalised headline earnings:		
Headline earnings	**5 015**	5 122
Less: Fund transfers	**8**	21
Normalised headline earnings	**5 023**	5 143

Million	2011	2010
Adjusted number of shares:		
Weighted average number of shares for diluted earnings per share	**2 004,9**	2 029,0
Add: Weighted average Sanlam shares held by policyholders	**15,0**	16,3
Adjusted weighted average number of shares for normalised diluted earnings per share	**2 019,9**	2 045,3

	2011	2010

10. Value per share

Fair value per share is calculated on the Group shareholders' fund at fair value of R45 840 million (2010: R43 036 million), divided by 2 018,9 million (2010: 2 035,5 million) shares.

Net asset value per share is calculated on the Group shareholders' fund at net asset value of R34 292 million (2010: R32 330 million), divided by 2 018,9 million (2010: 2 035,5 million) shares.

Equity value per share is calculated on the Group equity value of R63 521 million (2010: R57 361 million), divided by 2 018,9 million (2010: 2 035,5 million) shares.

	2011	2010
Number of shares for value per share:		
Number of ordinary shares in issue	**2 100,0**	2 100,0
Shares held by subsidiaries in shareholders' fund	**(158,1)**	(125,7)
Outstanding shares and share options in respect of Sanlam Limited long-term incentive schemes	**36,5**	34,9
Number of shares under option that would have been issued at fair value	**(1,0)**	(1,9)
Convertible deferred shares held by Ubuntu-Botho	**41,5**	28,2
Adjusted number of shares for value per share	**2 018,9**	2 035,5

11. Present value of holding company expenses

The present value of holding company expenses has been calculated by applying a multiple of 7,5 (2010: 7,1) to the after tax recurring corporate expenses.

12. Share repurchases

The Sanlam shareholders granted general authorities to the Group at the 2011 and 2010 annual general meetings to repurchase Sanlam shares in the market. The Group acquired 36,1 million shares from 11 March 2011 to 11 November 2011 in terms of the general authorities. The lowest and highest prices paid were R26,57 and R28,61 per share respectively. The total consideration paid of R979 million was funded from existing cash resources. All repurchases were effected through the JSE trading system without any prior understanding or arrangement between the Group and the counter parties. Authority to repurchase 410,8 million shares, or 19,6% of Sanlam's issued share capital at the time, remain outstanding in terms of the general authority granted at the annual general meeting held on 8 June 2011.

The financial effects of the share repurchases during 2011 on the IFRS earnings and net asset value per share are illustrated in the table below. Tangible net asset value excludes goodwill, value of business acquired, other intangible assets and deferred acquisition cost included in the shareholders' fund at net asset value.

Cents	**Before re-purchases**	After re-purchases
Basic earnings per share:		
Profit attributable to shareholders' fund	**264,9**	266,9
Headline earnings	**257,2**	259,1
Diluted earnings per share:		
Profit attributable to shareholders' fund	**255,8**	257,7
Headline earnings	**248,4**	250,1
Value per share:		
Equity value	**3 140**	3 146
Net asset value	**1 718**	1 699
Tangible net asset value	**1 382**	1 357

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

13. Reconciliations

13.1 Reconciliation between Group statement of comprehensive income and shareholders' fund income statement

R million	Total	Shareholder activities	Policyholder activities[1]	IFRS adjustments[2]
	31 December 2011			
Net income	54 278	36 464	17 147	667
Financial services income	36 663	34 342	–	2 321
Reinsurance premiums paid	(3 661)	–	–	(3 661)
Reinsurance commission received	392	–	–	392
Investment income	14 603	1 014	11 504	2 085
Investment surpluses	4 843	1 108	5 643	(1 908)
Finance cost – margin business	(203)	–	–	(203)
Change in fair value of external investors liability	1 641	–	–	1 641
Net insurance and investment contract benefits and claims	(31 437)	(14 815)	(16 646)	24
Long-term insurance contract benefits	(15 322)	(5 411)	(9 447)	(464)
Long-term investment contract benefits	(7 199)	–	(7 199)	–
Short-term insurance claims	(10 766)	(9 404)	–	(1 362)
Reinsurance claims received	1 850	–	–	1 850
Expenses	(14 187)	(13 552)	–	(635)
Sales remuneration	(4 959)	(4 564)	–	(395)
Administration costs	(9 228)	(8 988)	–	(240)
Impairments	(36)	(35)	–	(1)
Amortisation of intangibles	(128)	(108)	–	(20)
Net operating result	8 490	7 954	501	35
Equity-accounted earnings	421	91	–	330
Finance cost – other	(336)	–	–	(336)
Profit before tax	8 575	8 045	501	29
Tax expense	(2 510)	(1 953)	(501)	(56)
Shareholders' fund	(1 903)	(1 953)	–	50
Policyholders' fund	(607)	–	(501)	(106)
Profit for the year	6 065	6 092	–	(27)
Attributable to:				
Shareholders' fund	5 166	5 174	–	(8)
Minority shareholders' interest	899	918	–	(19)
	6 065	6 092	–	(27)

(1) Policyholder activities relate to the inclusion of policyholders' after-tax investment return, and the allocation thereof to policy liabilities, in the Group statement of comprehensive income.

(2) IFRS adjustments relate to amounts that have been set-off in the shareholders' fund income statement that is not permitted in terms of IFRS, and fund transfers relating to investments in treasury shares and subsidiaries held by the policyholders' fund.

31 December 2010			
Total	Share-holder activities	Policy-holder activities[1]	IFRS adjust-ments[2]
67 285	34 889	31 619	777
33 737	31 839	—	1 898
(3 040)	—	—	(3 040)
307	—	—	307
15 344	1 110	11 810	2 424
21 831	1 940	19 809	82
(216)	—	—	(216)
(678)	—	—	(678)
(44 640)	(13 817)	(30 841)	18
(22 928)	(5 123)	(17 397)	(408)
(13 444)	—	(13 444)	—
(9 520)	(8 694)	—	(826)
1 252	—	—	1 252
(13 290)	(12 682)	—	(608)
(4 870)	(4 557)	—	(313)
(8 420)	(8 125)	—	(295)
—	(3)	—	3
(103)	(92)	—	(11)
9 252	8 295	778	179
329	193	—	136
(309)	—	—	(309)
9 272	8 488	778	6
(2 757)	(1 925)	(778)	(54)
(1 911)	(1 925)	—	14
(846)	—	(778)	(68)
6 515	6 563	—	(48)
5 523	5 544	—	(21)
992	1 019	—	(27)
6 515	6 563	—	(48)

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

13. Reconciliations *(continued)*

13.2 Reconciliation between Group statement of financial position and shareholders' fund at net asset value

R million	Total	Shareholder activities	Policyholder activities	Consolidation reserve
	31 December 2011			
Assets				
Property and equipment	514	514	–	–
Owner-occupied properties	586	455	131	–
Goodwill	3 195	3 195	–	–
Other intangible assets	47	47	–	–
Value of business acquired	1 611	1 611	–	–
Deferred acquisition costs	2 427	2 046	381	–
Long-term reinsurance assets	674	–	674	–
Investments	329 150	35 251	294 369	(470)
Properties	15 310	572	14 738	–
Associated companies	2 125	2 125	–	–
Joint ventures	813	813	–	–
Equities and similar securities	165 582	13 125	152 927	(470)
Public sector stocks and loans	58 831	1 350	57 481	–
Debentures, insurance policies, preference shares and other loans	35 002	5 994	29 008	–
Cash, deposits and similar securities	51 487	11 272	40 215	–
Deferred tax	640	627	13	–
Non-current assets held for sale	1 390	512	878	
Short-term insurance technical assets	1 831	1 831	–	–
Working capital assets	40 138	35 789	4 349	–
Trade and other receivables	25 761	21 413	4 348	–
Cash, deposits and similar securities	14 377	14 376	1	–
Total assets	382 203	81 878	300 795	(470)
Equity and liabilities				
Shareholders' fund	33 822	34 292	–	(470)
Minority shareholders' interest	3 046	3 046	–	–
Long-term policy liabilities	282 421	–	282 421	–
Insurance contracts	135 742	–	135 742	–
Investment contracts	146 679	–	146 679	–
Term finance	6 295	5 724	571	–
External investors in consolidated funds	11 592	–	11 592	–
Cell owners' interest	603	603	–	–
Deferred tax	902	366	536	–
Derivative liabilities	212	–	212	
Short-term insurance technical provisions	8 682	8 682	–	–
Working capital liabilities	34 628	29 165	5 463	–
Trade and other payables	32 502	27 724	4 778	–
Provisions	423	423	–	–
Taxation	1 703	1 018	685	–
Total equity and liabilities	382 203	81 878	300 795	(470)

31 December 2010			
Total	Share-holder activities	Policy-holder activities	Consoli-dation reserve
470	470	—	—
653	532	121	—
3 197	3 197	—	—
39	39	—	—
1 320	1 320	—	—
2 270	1 666	604	—
588	—	588	—
310 091	34 084	276 559	(552)
17 362	1 265	16 097	—
2 915	1 972	943	—
711	711	—	—
151 190	12 478	139 264	(552)
57 347	1 674	55 673	—
31 586	6 452	25 134	—
48 980	9 532	39 448	—
932	931	1	—
—	—	—	—
1 560	1 560	—	—
40 071	34 190	5 881	—
27 883	22 011	5 872	—
12 188	12 179	9	—
361 191	77 989	283 754	(552)
31 778	32 330	—	(552)
2 608	2 608	—	—
265 695	—	265 695	—
132 985	—	132 985	—
132 710	—	132 710	—
6 766	6 258	508	—
11 655	—	11 655	—
577	577	—	—
1 178	574	604	—
—	—	—	—
7 945	7 945	—	—
32 989	27 697	5 292	—
30 422	25 800	4 622	—
617	617	—	—
1 950	1 280	670	—
361 191	77 989	283 754	(552)

Notes to the shareholders' fund information continued

for the year ended 31 December 2011

R million	Per share-holders[1] fund income statement on page 98	IFRS adjust-ments (refer note 13.1)	Total
14. Geographical analysis			
Financial services income			
Financial services income is attributed to individual countries, based on where the income was earned.			
2011	**34 342**	**2 321**	**36 663**
South Africa	**31 318**	**2 496**	**33 814**
Rest of Africa	**2 260**	**(175)**	**2 085**
Other international(1)	**764**	**—**	**764**
2010	31 839	1 898	33 737
South Africa	28 275	1 881	30 156
Rest of Africa	2 876	38	2 914
Other international(1)	688	(21)	667

R million	Per analysis of share-holders' fund on page 96	Policy-holders' fund	Total
Non-current assets(2)			
2011	**8 379**	**1 390**	**9 769**
South Africa	**7 251**	**1 274**	**8 525**
Rest of Africa	**142**	**116**	**258**
Other international(1)	**986**	**—**	**986**
2010	7 224	725	7 949
South Africa	6 212	629	6 841
Rest of Africa	145	96	241
Other international(1)	867	—	867

R million	2011	2010
Attributable earnings before impairments (per shareholders' fund income statement on page 98)	**5 201**	5 526
South Africa	**4 530**	4 694
Rest of Africa	**416**	334
Other international(1)	**255**	498

(1)Other international comprises business in the Netherlands, Europe, United Kingdom, Australia and India.

(2)Non-current assets include property and equipment, owner-occupied properties, goodwill, value of business acquired, other intangible assets, deferred acquisition costs and non-current assets held for sale.

Embedded value of covered business

at 31 December 2011

R million	Note	**2011**	2010
Sanlam Personal Finance		**26 687**	23 663
Adjusted net worth		**8 622**	8 513
Net value of in-force covered business		**18 065**	15 150
Value of in-force covered business		**19 813**	16 943
Cost of capital		**(1 721)**	(1 781)
Minority shareholders' interest		**(27)**	(12)
Sanlam Emerging Markets		**2 320**	1 777
Adjusted net worth		**1 012**	735
Net value of in-force covered business		**1 308**	1 042
Value of in-force covered business		**2 181**	1 805
Cost of capital		**(226)**	(181)
Minority shareholders' interest		**(647)**	(582)
Sanlam UK		**791**	638
Adjusted net worth		**250**	212
Net value of in-force covered business		**541**	426
Value of in-force covered business		**575**	455
Cost of capital		**(34)**	(29)
Minority shareholders' interest		**—**	—
Sanlam Employee Benefits		**5 077**	4 967
Adjusted net worth		**4 669**	4 573
Net value of in-force covered business		**408**	394
Value of in-force covered business		**1 319**	1 286
Cost of capital		**(911)**	(892)
Minority shareholders' interest		**—**	—
Embedded value of covered business		**34 875**	31 045
Adjusted net worth[1]		**14 553**	14 033
Net value of in-force covered business	1	**20 322**	17 012
Embedded value of covered business		**34 875**	31 045

[1] *Excludes subordinated debt funding of Sanlam Life.*

Change in embedded value of covered business

for the year ended 31 December 2011

R million	Note	2011 Total	2011 Value of in-force	2011 Cost of capital	2011 Adjusted net worth	2010 Total	2010 Value of in-force	2010 Cost of capital	2010 Adjusted net worth
Embedded value of covered business at the beginning of the year – reported		**31 045**	**19 840**	**(2 828)**	**14 033**	28 988	17 626	(2 885)	14 247
Change in accounting policies	10	**–**	**–**	**–**	**–**	(49)	201	36	(286)
Embedded value of covered business at the beginning of the year – restated		**31 045**	**19 840**	**(2 828)**	**14 033**	28 939	17 827	(2 849)	13 961
Value of new business	2	**958**	**2 313**	**(135)**	**(1 220)**	666	1 873	(93)	(1 114)
Net earnings from existing covered business		**3 125**	**(481)**	**105**	**3 501**	2 639	(200)	62	2 777
Expected return on value of in-force business		**2 404**	**2 269**	**135**	**–**	2 218	2 111	107	–
Expected transfer of profit to adjusted net worth		**–**	**(2 891)**	**–**	**2 891**	–	(2 388)	–	2 388
Operating experience variances	3	**681**	**212**	**(20)**	**489**	468	(10)	(18)	496
Operating assumption changes	4	**40**	**(71)**	**(10)**	**121**	(47)	87	(27)	(107)
Expected investment return on adjusted net worth		**1 062**	**–**	**–**	**1 062**	1 151	–	–	1 151
Embedded value earnings from operations		**5 145**	**1 832**	**(30)**	**3 343**	4 456	1 673	(31)	2 814
Economic assumption changes	5	**132**	**122**	**20**	**(10)**	430	334	99	(3)
Tax changes	6	**1 244**	**1 239**	**2**	**3**	–	2	–	(2)
Investment variances – value of in-force		**(136)**	**(219)**	**31**	**52**	332	127	(55)	260
Investment variances – investment return on adjusted net worth		**(259)**	**–**	**–**	**(259)**	4	–	–	4
Exchange rate movements		**151**	**163**	**(12)**	**–**	(119)	(128)	9	–
Net project expenses	7	**(4)**	**–**	**–**	**(4)**	(46)	–	–	(46)
Embedded value earnings from covered business		**6 273**	**3 137**	**11**	**3 125**	5 057	2 008	22	3 027
Acquired value of in-force		**235**	**142**	**(5)**	**98**	6	5	(1)	2
Transfers from/(to) other Group operations		**34**	**26**	**(1)**	**9**	–	–	–	–
Change in utilisation of capital diversification		**–**	**–**	**–**	**–**	(700)	–	–	(700)
Transfers from covered business		**(2 712)**	**–**	**–**	**(2 712)**	(2 257)	–	–	(2 257)
Embedded value of covered business at the end of the period		**34 875**	**23 145**	**(2 823)**	**14 553**	31 045	19 840	(2 828)	14 033
Analysis of earnings from covered business									
Sanlam Personal Finance		**5 146**	**2 855**	**60**	**2 231**	4 108	1 918	(2)	2 192
Sanlam Emerging Markets		**571**	**265**	**(25)**	**331**	350	129	4	217
Sanlam UK		**229**	**120**	**(5)**	**114**	(7)	(25)	3	15
Sanlam Employee Benefits		**327**	**(103)**	**(19)**	**449**	606	(14)	17	603
Embedded value earnings from covered business		**6 273**	**3 137**	**11**	**3 125**	5 057	2 008	22	3 027

Value of new business

for the year ended 31 December 2011

R million	Note	2011*	2011**	2010
Value of new business (at point of sale):				
Gross value of new business		**1 193**	**1 143**	866
Sanlam Personal Finance		**755**	**718**	556
Sanlam Emerging Markets		**248**	**239**	245
Sanlam UK		**11**	**11**	14
Sanlam Employee Benefits		**179**	**175**	51
Cost of capital		**(142)**	**(142)**	(104)
Sanlam Personal Finance		**(50)**	**(50)**	(46)
Sanlam Emerging Markets		**(25)**	**(25)**	(24)
Sanlam UK		**(3)**	**(3)**	(3)
Sanlam Employee Benefits		**(64)**	**(64)**	(31)
Value of new business		**1 051**	**1 001**	762
Sanlam Personal Finance		**705**	**668**	510
Sanlam Emerging Markets		**223**	**214**	221
Sanlam UK		**8**	**8**	11
Sanlam Employee Benefits		**115**	**111**	20
Value of new business attributable to:				
Shareholders' fund	2	**958**	**908**	666
Sanlam Personal Finance		**701**	**664**	507
Sanlam Emerging Markets		**134**	**125**	128
Sanlam UK		**8**	**8**	11
Sanlam Employee Benefits		**115**	**111**	20
Minority shareholders' interest		**93**	**93**	96
Sanlam Personal Finance		**4**	**4**	3
Sanlam Emerging Markets		**89**	**89**	93
Sanlam UK		**–**	**–**	–
Sanlam Employee Benefits		**–**	**–**	–
Value of new business		**1 051**	**1 001**	762
Geographical analysis:				
South Africa		**820**	**779**	522
Africa		**223**	**214**	224
Other international		**8**	**8**	16
Value of new business		**1 051**	**1 001**	762

*Excluding STC allowance.
**Including STC allowance.

Value of new business continued

for the year ended 31 December 2011

R million	Note	2011*	2011**	2010
Analysis of new business profitability:				
Before minorities:				
Present value of new business premiums		**32 786**	**32 786**	27 334
Sanlam Personal Finance		**23 423**	**23 423**	20 373
Sanlam Emerging Markets		**3 642**	**3 642**	3 766
Sanlam UK		**1 374**	**1 374**	996
Sanlam Employee Benefits		**4 347**	**4 347**	2 199
New business margin		**3,21%**	**3,05%**	2,79%
Sanlam Personal Finance		**3,01%**	**2,85%**	2,50%
Sanlam Emerging Markets		**6,12%**	**5,88%**	5,87%
Sanlam UK		**0,58%**	**0,58%**	1,10%
Sanlam Employee Benefits		**2,65%**	**2,55%**	0,91%
After minorities:				
Present value of new business premiums		**31 449**	**31 449**	25 891
Sanlam Personal Finance		**23 353**	**23 353**	20 287
Sanlam Emerging Markets		**2 375**	**2 375**	2 409
Sanlam UK		**1 374**	**1 374**	996
Sanlam Employee Benefits		**4 347**	**4 347**	2 199
New business margin		**3,05%**	**2,89%**	2,57%
Sanlam Personal Finance		**3,00%**	**2,84%**	2,50%
Sanlam Emerging Markets		**5,64%**	**5,26%**	5,31%
Sanlam UK		**0,58%**	**0,58%**	1,10%
Sanlam Employee Benefits		**2,65%**	**2,55%**	0,91%

*Excluding STC allowance.
**Including STC allowance.

Notes to the embedded value of covered business

for the year ended 31 December 2011

	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 %
1. Value of in-force sensitivity analysis				
2011				
Base value	**23 145**	**(2 823)**	**20 322**	
▪ Risk discount rate increase by 1%	**21 862**	**(3 453)**	**18 409**	**(9)**
▪ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	**23 692**	**(2 736)**	**20 956**	**3**
▪ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	**22 142**	**(2 787)**	**19 355**	**(5)**
▪ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	**23 643**	**(2 701)**	**20 942**	**3**
Expenses and persistency				
▪ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	**23 766**	**(2 822)**	**20 944**	**3**
▪ Discontinuance rates decrease by 10%	**23 751**	**(2 906)**	**20 845**	**3**
Insurance risk				
▪ Mortality and morbidity decrease by 5% for life assurance business	**24 218**	**(2 819)**	**21 399**	**5**
▪ Mortality and morbidity decrease by 5% for annuity business	**22 955**	**(2 822)**	**20 133**	**(1)**
2010				
Base value	19 840	(2 828)	17 012	
▪ Risk discount rate increase by 1%	18 708	(3 445)	15 263	(10)
▪ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	20 246	(2 722)	17 524	3
▪ Equity and property values decrease by 10%, without a corresponding change in dividend and rental yields	19 029	(2 786)	16 243	(5)
▪ Expected return on equity and property investments increase by 1%, without a corresponding change in discount rates	20 258	(2 538)	17 720	4
Expenses and persistency				
▪ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	20 410	(2 815)	17 595	3
▪ Discontinuance rates decrease by 10%	20 327	(2 904)	17 423	2
Insurance risk				
▪ Mortality and morbidity decrease by 5% for life assurance business	20 623	(2 821)	17 802	5
▪ Mortality and morbidity decrease by 5% for annuity business	19 670	(2 823)	16 847	(1)

Notes to the embedded value of covered business continued

for the year ended 31 December 2011

	Gross value of new business R million	Cost of capital R million	Net value of new business R million	Change from base value %
2. Value of new business sensitivity analysis				
Base value	1 093	(135)	958	
▪ Risk discount rate increase by 1%	967	(171)	796	(17)
▪ Investment return and inflation decrease by 1%, coupled with a 1% decrease in risk discount rates, and with bonus rates changing commensurately	1 155	(131)	1 024	7
Expenses and persistency				
▪ Non-commission maintenance expenses (excluding investment expenses) decrease by 10%	1 172	(134)	1 038	8
▪ Acquisition expenses (excluding commission and commission related expenses) decrease by 10%	1 198	(134)	1 064	11
▪ Discontinuance rates decrease by 10%	1 223	(142)	1 081	13
Insurance risk				
▪ Mortality and morbidity decrease by 5% for life assurance business	1 222	(133)	1 089	14
▪ Mortality and morbidity decrease by 5% for annuity business	1 071	(134)	937	(2)

R million	2011	2010
3. Operating experience variances		
Risk experience	**431**	352
Working capital and other	**250**	116
Total operating experience variances	**681**	468
4. Operating assumption changes		
Mortality and morbidity	**13**	(13)
Persistency	**(147)**	(89)
Modelling improvements and other	**174**	55
Total operating assumption changes	**40**	(47)
5. Economic assumption changes		
Investment yields	**130**	448
Long-term asset mix assumptions and other	**2**	(18)
Total economic assumption changes	**132**	430

6. Tax changes

Tax changes are mostly due to the removal of STC in the embedded value calculations. STC will be replaced by a new dividend withholding tax system in South Africa, effective 1 April 2012.

7. Net project expenses

Net project expenses relate to once-off expenditure on the Group's distribution platform that has not been allowed for in the embedded value assumptions.

R million	2011	2010
8. Reconciliation of growth from covered business		
The embedded value earnings from covered business reconciles as follows to the net result from financial services for the year:		
Net result from financial services of covered business[1]	**2 317**	1 975
Sanlam Personal Finance	**1 791**	1 539
Sanlam Emerging Markets	**215**	205
Sanlam Employee Benefits	**242**	196
Sanlam UK	**69**	35
Differences between profits recognised under IFRS and the embedded value methodology	**9**	15
Less: Net project expenses	**(4)**	(46)
Less: STC projected on dividends from covered business profits for the year	**—**	(72)
Investment return on adjusted net worth	**803**	1 155
Embedded value earnings from covered business: value of in-force	**3 148**	2 030
Embedded value earnings from covered business	**6 273**	5 057

[1]*Refer to note 8 of the shareholders' fund information.*

%	2011	2010
9. Economic assumptions		
Gross investment return, risk discount rate and inflation		
Sanlam Life		
Point used on the relevant yield curve	**9 year**	9 year
Fixed-interest securities	**8,2**	8,4
Equities and offshore investments	**11,7**	11,9
Hedged equities	**8,7**	8,9
Property	**9,2**	9,4
Cash	**7,2**	7,4
Return on required capital	**9,1**	9,3
Inflation rate[2]	**5,2**	5,4
Risk discount rate	**10,7**	10,9

[2]*Expense inflation of 7,2% (2010: 7,4%) assumed for retail business administered on old platforms*

SDM Limited		
Point used on the relevant yield curve	**5 year**	5 year
Fixed-interest securities	**7,4**	7,7
Equities and offshore investments	**10,9**	11,2
Hedged equities	**n/a**	n/a
Property	**8,4**	8,7
Cash	**6,4**	6,7
Return on required capital	**8,7**	9,0
Inflation rate	**4,4**	4,7
Risk discount rate	**9,9**	10,2
Sanlam Investments and Pensions[3]		
Point used on the relevant yield curve	**15 year**	15 year
Fixed-interest securities	**2,5**	4,0
Equities and offshore investments	**5,7**	7,2
Hedged equities	**n/a**	n/a
Property	**5,7**	7,2
Cash	**2,5**	4,0
Return on required capital	**2,5**	4,0
Inflation rate	**2,7**	3,5
Risk discount rate	**6,2**	7,7

[3]*Formerly Merchant Investors.*

Notes to the embedded value of covered business continued

for the year ended 31 December 2011

%	**2011**	2010
9. Economic assumptions (continued)		
Botswana Life Insurance		
Fixed-interest securities	**9,5**	9,5
Equities and offshore investments	**13,0**	13,0
Hedged equities	**n/a**	n/a
Property	**10,5**	10,5
Cash	**8,5**	8,5
Return on required capital	**9,6**	9,6
Inflation rate	**6,5**	6,5
Risk discount rate	**13,0**	13,0

Illiquidity premiums

Investment returns on non-participating annuities and guaranteed plans include assumed illiquidity premiums due to matching assets being held to maturity.

Assumed illiquidity premiums generally amount to between 25bps and 50bps (2010: 25bps and 50bps) for non-participating annuities and between 25bps and 110 bps (2010: 25bps and 110bps) for guaranteed plans.

%	**2011**	2010
Asset mix for assets supporting required capital		
Sanlam Life		
Equities	**26**	24
Offshore investments	**10**	10
Hedged equities	**13**	13
Property	**—**	3
Fixed-interest securities	**15**	15
Cash	**36**	35
	100	100
SDM Limited		
Equities	**50**	50
Hedged equities	**—**	—
Property	**—**	—
Fixed-interest securities	**—**	—
Cash	**50**	50
	100	100
Sanlam Investments and Pensions		
Equities	**—**	—
Hedged equities	**—**	
Property	**—**	—
Fixed-interest securities	**—**	—
Cash	**100**	100
	100	100
Botswana Life Insurance		
Equities	**15**	15
Hedged equities	**—**	—
Property	**10**	10
Fixed-interest securities	**25**	25
Cash	**50**	50
	100	100

10. Change in accounting policies

During 2010, Channel Life's accounting policies for insurance contracts have been aligned with the rest of Sanlam Group. In terms of the amended accounting policies, no negative rand reserves are recognised on an individual policy level. Channel Life's capital and economic bases have also been aligned with that of SDM Limited.

Comparative information has not been restated based on the immaterial impact of the changes on the embedded value of covered business, embedded value earnings and value of new business. The full impact is recognised as a change to the opening embedded value of covered business on 1 January 2010.

Stock exchange performance

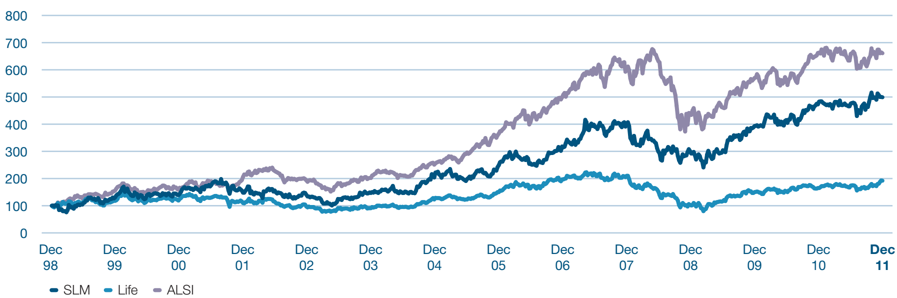
		2011	2010	2009	2008	2007
Number of shares traded	million	**1 082**	1 059	1 259	1 490	1 474
Value of shares traded	R million	**29 578**	25 986	23 714	27 175	32 300
Percentage of issued shares traded	%	**52**	50	58	66	64
Price/earnings ratio	times	**11,6**	11,1	10,4	12,9	10,3
Return on Sanlam share price since listing[2]	%	**17**	17	17	14	19
Market price	cps					
– Year-end closing price		**2 885**	2 792	2 275	1 700	2 275
– Highest closing price		**3 016**	2 829	2 305	2 330	2 412
– Lowest closing price		**2 414**	2 200	1 351	1 390	1 803
Market capitalisation at year-end	R million	**60 585**	58 632	49 140	37 232	52 407

[1]*Sanlam Limited was listed on 30 November 1998.*

[2]*Annualised growth in the Sanlam share price since listing plus dividends paid.*

Sanlam share price relative to FINI (indexed)

Sanlam vs ALSI vs Life Assurance index



Sanlam

www.sanlam.co.za