Sanlam has one of the best retention rates in the industry. We attribute this largely to our client-centric approach, which places a strong focus on providing clients with appropriate financial advice and high-quality service in the context of their specific financial situations.
Sanlam Personal Finance

<table>
<thead>
<tr>
<th>R million</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating profit</td>
<td>1 498</td>
<td>(4)</td>
</tr>
<tr>
<td>New business flows</td>
<td>30 972</td>
<td>—</td>
</tr>
<tr>
<td>- SA recurring</td>
<td>1 069</td>
<td>(8)</td>
</tr>
<tr>
<td>- SA single</td>
<td>20 721</td>
<td>(4)</td>
</tr>
<tr>
<td>- Non-SA</td>
<td>9 182</td>
<td>9</td>
</tr>
<tr>
<td>PVNB premiums(1)</td>
<td>16 573</td>
<td>(5)</td>
</tr>
<tr>
<td>VNB(1)</td>
<td>320</td>
<td>(17)</td>
</tr>
<tr>
<td>Margin(1)</td>
<td>1.93% vs 2.22%</td>
<td></td>
</tr>
<tr>
<td>ROGEV</td>
<td>14.3%</td>
<td></td>
</tr>
<tr>
<td>Adjusted ROGEV</td>
<td>12.3%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Life business only.

Group profile and shareholding structure

### South African operations

<table>
<thead>
<tr>
<th>%</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle and self-employed market focus</td>
<td></td>
</tr>
<tr>
<td>Sanlam Individual Life division</td>
<td>100</td>
</tr>
<tr>
<td>Sanlam Home Loans</td>
<td>50</td>
</tr>
<tr>
<td>Sanlam Personal Loans</td>
<td>70</td>
</tr>
<tr>
<td>Multi Data</td>
<td>100</td>
</tr>
<tr>
<td>Sanlam Trust</td>
<td>100</td>
</tr>
<tr>
<td>Sanlam Liquid(2)</td>
<td>100</td>
</tr>
<tr>
<td>Anglo African Finance</td>
<td>65</td>
</tr>
<tr>
<td>Sanlam Health Management</td>
<td>100</td>
</tr>
<tr>
<td>Sanlam Linked Investments</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>%</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Affluent market focus</td>
<td></td>
</tr>
<tr>
<td>Glacier(2)</td>
<td>100</td>
</tr>
</tbody>
</table>

(1) Previously a joint venture with Sanlam Collective Investments. From 2009 it is wholly owned.
(2) Glacier will also source solutions from the middle and self-employed market above.

### Non-South African operations

<table>
<thead>
<tr>
<th>%</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanlam Namibia Holdings</td>
<td>54</td>
</tr>
<tr>
<td>Sanlam Life Namibia</td>
<td>100</td>
</tr>
</tbody>
</table>
Business review
Sanlam Personal Finance continued

Who we are

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

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

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

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

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

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

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

2009 in perspective

The year under review proved to be as challenging as we had expected it to be. Our business was severely tested, but the outcome was satisfactory. While we saw a decline in the financial performance in some areas of our business, our robust diversification strategy cushioned the impact of the global recession. We are also proud of the retention rate of existing business. Sanlam has one of the best retention rates in the industry. We attribute this largely to our client-centric approach, which places a strong focus on providing clients with appropriate financial advice and high-quality service in the context of their specific financial situations.
So how did we do in 2009? Notwithstanding the tough economic conditions, we maintained our sales at similar levels as in 2008 and we managed to do the same in respect of our value of new business (VNB) levels, based on the same discount rate. Our strong focus on client centricity paid off, and the much-improved retention levels enhanced SPF’s net cash flow by 82% compared to 2008. Profits before tax also showed resilience in the tough economic conditions and increased by 3%. Adjusted return on Group Equity Value of 12,3% exceeded our hurdle rate of 11,3%.

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

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

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

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

Strategic developments

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

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

The specific focus placed on the professional market by our Sanlam Cobalt business has paid dividends and we have seen an increase in its
Over the past few years we have embarked on an initiative to convert flourishing one-person adviser practices into thriving company-owned professional businesses (named “Blue Star Businesses”), with the aim of improving sales as well as securing continued service to the client when the adviser leaves his or her practice. Early signs indicate that these businesses are delivering on their objectives.

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

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

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

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

Performance-based bridging finance offered to

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

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

Transformation

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

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

Gearing for sustainable growth

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

In 2010 our key focus will therefore be on:

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

Executive committee

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

Divisional board and committee membership

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