

Sanlam Group Results Presentation

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Agenda |

- Highlights
- Issues addressed and delivered
- Economic Review
- Financial & Actuarial Review
- Strategic Focus

Notes |

Highlights |

- Operating profit before tax ↑ 46%
 - ◆ Strong growth by all operations
- Headline earnings cents per share ↑ 31%
- Net funds inflow of R16.6bn ↑ R11.6bn
 - ◆ New third party investment mandates of R8.7bn
 - ◆ Total new investment inflows ↑ 86%
- Life business inflows ↑ 12%
 - ◆ Positive individual life net inflows
 - ◆ New business embedded value R324m ↑ 40%
 - ◆ NUB EV margins up to 16,5%
- Return on embedded value ↑ to 27,7%

Notes |

Issues Addressed & Delivered |

Notes |

Issues addressed & delivered | *Sanlam Group*

- Recovery phase completed
 - ◆ Businesses stabilised
 - ◆ Focus on "Back to Basics"
- Delivery by businesses on track
- Strategic focus, making progress on:
 - ◆ Distribution Initiatives
 - ◆ Capital Management
- Transformation
 - ◆ Making steady progress across the board, including Ubuntu-Botho
- Absa co-operation progressing on a wide front

Notes |

Issues addressed & delivered | *Individual Life*

- Cost-saving target exceeded – achieved R270 million
- Improved new business volumes
 - ◆ 23% increase in total new business
 - ◆ Non-life SA new volumes ↑ 17%
 - ◆ SA life single premiums ↑ 11%
 - ◆ Twofold increase in non-SA new business
- Significant improvement in net funds flow of R2 432 million
- Improvement in NUBEV margin from 12,4% to 18,3%

Notes |

Issues addressed & delivered | *Individual Life*

(.../continued)

- Absa broker sales increased significantly
 - ◆ 37% growth in life sales & 36% in non-life
 - ◆ Absa market share increased
- Build our Gauteng presence
 - ◆ Wealth channel being set up; 60 advisors appointed
 - ◆ Strengthening existing Sanlam Financial Advisors
 - ◆ Increasing Broker support
- Recently announced Cambium JV strengthens offering in the affluent market
- Empowerment transaction in Namibia

Notes |

Issues addressed & delivered | *Individual Life*

(.../continued)

- **Growth in entry level market**
 - ◆ Group Solutions channel contributed 4% of new recurring business
 - ◆ Doubled capacity of Group Solutions to 220 advisors
 - ◆ Safrican / Thebe transaction implemented
 - ◆ Leverage from BEE transaction with Ubuntu-Botho

- **Alternative revenue sources increasing**
 - ◆ Personal loan business profits grew significantly
 - ◆ MIA profits exceeded expectations
 - ◆ Sanlam Home Loans JV with Absa launched in May 2004 – R750 million loans granted in 2004

Notes |

Issues addressed & delivered |

Individual Life : Product Innovation

- Increased flexibility to clients
 - ◆ New Stratus RA : as-and-when commission
 - ◆ Conversion facility for existing clients
- Improved value for money
 - ◆ Significantly enhanced early termination values
 - ◆ Improved rates for Matrix risk cover
- Investment choice
 - ◆ Investment advice tool : sim.sense
 - ◆ Customisation : Stratus Premier
- New Products
 - ◆ EduFocus
 - ◆ Matrix : Income protection

Notes |

Issues addressed & delivered | *Individual Life*

- Client service levels rated excellent
- Focus on staff – Project @ Hand
- FAIS compliant

Notes |

Issues addressed & delivered | *Employee Benefits*

- Established Sanlam Employee Benefits as independent business
 - ◆ Building of capacity underway
- Transformation
 - ◆ New key appointments made in distribution
 - ◆ Learnerships initiated in EB Administration
- Distribution
 - ◆ Stronger relationships in Platinum region bearing fruit
- Channel conflict
 - ◆ Sanlam Consulting Actuaries repositioned in Sanlam IFS for greater independence
 - ◆ Key accounts rightsized management/boosted technical strength

Notes |

Issues addressed & delivered | *Employee Benefits*

(.../continued)

- **Mega fund market**
 - ◆ **New capabilities introduced**
 - ◆ **Critical mass will be reached by mid 2005**
- **JV established with Break-thru Financial Services**
- **Agreements with Independent Financial Services' participants**
 - ◆ **Simeka**
 - ◆ **SA Quantum**

Notes |

Issues addressed & delivered | *Sanlam Investment Management*

- Investment performance continues to improve
- Strong growth in fund inflows – gross as well as net
- Launched investment marketing ability – sim.sense
- Sale of TASC completed
- Empowerment transaction in Namibia
- MIA funds transferred into global multi-manager
- Progress in creating one global multi-manager platform
- Establishing Octane as preferred International Fund of Hedge Funds provider

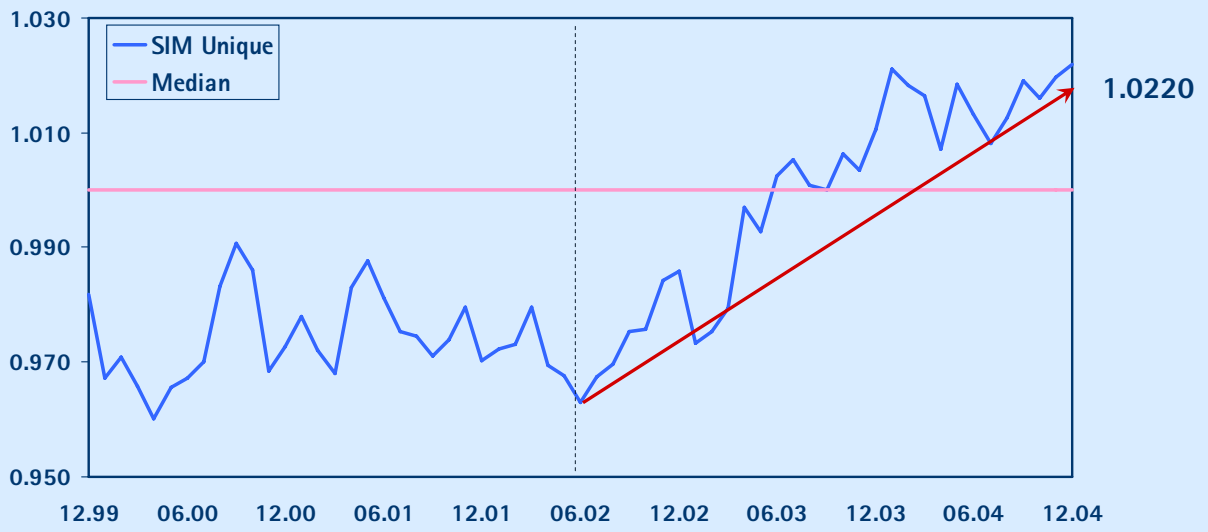
Notes |

Domestic AF BIV 12 month rolling rankings |



Notes |

12m rolling SIM Domestic vs AF Domestic BIV |



Notes |

Sanlam Collective Investments |

Selective Performance highlights : 31/12/2004

- **Value Fund**
 - ◆ 1-yr return of 65,81% 1st position OVERALL
- **Industrial Fund**
 - ◆ 1-yr return of 53,61% 2nd in category
- **Balanced Fund**
 - ◆ 1-yr return of 35,46% 4th out of 25 funds
 - ◆ 2-yr return of 29,25% 2nd out of 24 funds
- **Small Cap Fund** *(Best performing fund overall end 2003)*
 - ◆ 1-yr return of 59,44% 6th position OVERALL
- **Inflation Linked Fund**
 - ◆ 1-yr return of 19,26% 4th in category

(category not ranked officially)

Notes |

Issues addressed & delivered | *Santam*

- Focus on:
 - ◆ Underwriting and re-insurance
 - ◆ Operational efficiency
 - ◆ Cash and working capital management

- Delivered:
 - ◆ Return on capital of 37%
 - ◆ Net written premium increased by 12%
 - ◆ Net insurance result of R1.4 billion
 - ◆ 107% increase in headline earnings per share
 - ◆ R2.1 billion in cash generated by operating activities
 - ◆ Capital reduction of R10/share

Notes |

Issues addressed & delivered | *Sanlam Capital Markets*

- Restructuring of Gensec Bank completed
 - ◆ Banking license returned
- Progress made in establishing Sanlam Capital Markets
 - ◆ Staff compliment stabilized
 - ◆ Establishing identity of Sanlam Capital Markets
- Funding of business secured via
 - ◆ Group lines
 - ◆ Successful commercial paper program
- Performance targets exceeded – ROE of 21%

Notes |

Issues addressed & delivered | *Sanlam Capital Markets*

(.../continued)

- Full implementation and integration of SCM's world class IT systems
- Great strides made in extracting synergies within the Sanlam Group
 - ◆ Risk management solutions for Group companies
 - ◆ Leveraging off the Sanlam brand in securing third party business
- Significant mandates secured from pension fund and corporate clients
- Growing quality debt book

Notes |

Issues addressed & delivered | *Sanlam Independent Financial Services*

- The primary focus of contributing to business flows to the Sanlam Group starting to materialise
- Contribution to profit before tax of R50m
- Sanlam Financial Services restructured
 - ◆ Operating profit of £4m
 - ◆ Significant contribution of new AUM of R6bn
- Control of Gensec Property Services sold to BEE group, management and other strategic partners

Notes |

Economic Review |

Notes |

Business Environment |

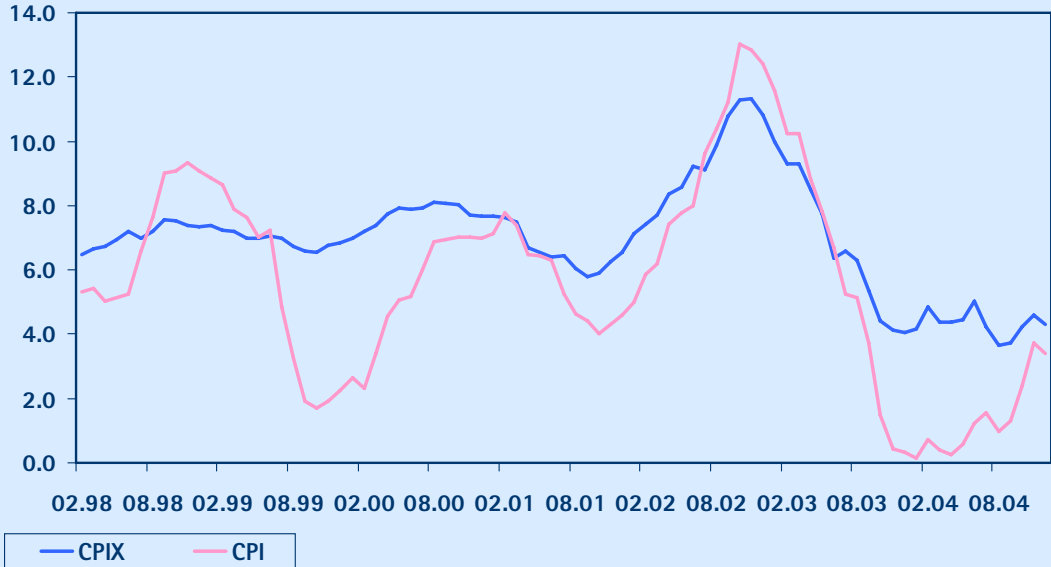
Second half of 2004 much better than first half

- Inflation stabilising at a lower level
 - ◆ Managing costs is a core challenge
- Growth increased
- Bond yields fell sharply in Q4
- Healthy increase in real disposable income of households
 - ◆ Debt rising steadily because of low interest rates
 - ◆ Savings holding steady
 - ◆ Tentative signs of employment growth

Notes |

Consumer inflation |

CPIX vs CPI



Notes |

Yield on 10-year government bond |



Notes |

Economic Forecast |

**Economic conditions remain strong,
but momentum to level off**

- Short-term interest rates to maintain current levels
- Bond yields fully priced
- Equity prices to rise in line with earnings
- Rand to depreciate moderately
- Household disposable income to expand less rapidly

Notes |

Financial and Actuarial Review |

Notes |

Salient Features I

Rand Million		2004	2003	%△
New funds received		59 852	38 786	54
Net inflow of funds		16 591	4 956	235
Operating Profit before tax		3 520	2 405	46
Core Earnings		3 340	2 641	26
Headline Earnings	AFS	3 185	2 351	35
	LTRR	4 141	3 291	26
Operating profit margin	%	23,3	17,5	

Notes |

Salient Features |

Rand Million		2004	2003	%△
Life new business APE		1 958	1 832	7
New business EV		324	232	40
New business EV Margin	%	16,5	12,7	
● Individual life		18,3	12,4	
● Employee benefits		11,5	13,4	
● International		9,7	15,8	
Embedded Value	cps	1 346	1 131	19
Growth from Life business	%	26,9	24,7	
ROEV (EV in cps)	%	22,5	14,2	
Share price discount to EV	%	3,4	22,2	

Notes |

	2004 Rand Million	2003 Rand Million
Life new business APE	1 958	1 832
• Individual Life	1 489	1 470
• Employee Benefits	356	343
• International	113	19
New business embedded value	324	232
• Individual Life	272	183
• Employee Benefits	41	46
• International	11	3

New Funds Received |

Rand Million	2004	2003	%△
Life business			
● Individual Life	8 723	7 572	15
● Employee Benefits	2 477	2 440	2
Investment	40 933	22 019	86
Short term	7 719	6 755	14
TOTAL	59 852	38 786	54

Notes |

Net Funds Flow |

Rand Million	2004	2003	%△
Life business			
● Individual Life	173	(2 162)	108
● Employee Benefits	(3 611)	(2 865)	(26)
Investment	16 707	7 603	120
Short term	3 322	2 380	40
TOTAL	16 591	4 956	235
Total Inflows	70 731	48 883	45
Total Outflows	(54 140)	(43 927)	(23)

Notes |

Operating Profit |

Rand Million	2004	2003	%Δ
Individual Life	1 580	1 285	23
Employee Benefits	188	182	3
Investment Management	431	270	60
Independent Financial Services	50	(1)	
Sanlam Capital Markets	90	55	64
Santam	1 369	735	86
Corporate & other	(188)	(121)	(55)
	3 520	2 405	46

Notes |

	2004 Rand Million	2003 Rand Million	%Δ
Corporate & Other	(188)	(121)	(55)
• Corporate income	75	73	3
• Corporate expenses	(186)	(120)	(55)
• Discontinued Operations	(77)	(74)	(4)

Income Statement |

Rand Million	2004	2003	%Δ
Net operating profit	1 968	1 402	40
Equity-accounted earnings	969	781	24
Investment income	403	458	(12)
CORE EARNINGS	3 340	2 641	26
Net loss on derivatives	(155)	-	
Financial assistance to p/holders	-	(290)	
HEADLINE EARNINGS	3 185	2 351	35
Net operating profit	1 968	1 402	40
LTRR Investment return	2 173	1 889	15
LTRR HEADLINE EARNINGS	4 141	3 291	26

Notes |

Ubuntu-Botho Participation |

Rand Million		2004
Participation in:		
● New business Embedded Value		21,0
● Segregated Funds		12,7
● Collective Investments		10,6
		<u>44,3</u>
Ordinary share equivalent	million	5,8

Notes |

Investment Profile |

Rand Million	2004	%
Strategic Investments:	7 785	26
● Santam	4 028	13
● Investment Management	2 384	8
● Sanlam Capital Markets	483	2
● Independent Financial Services	394	1
● Life Cluster businesses	496	2
Absa	9 429	31
Balanced Portfolio & Net Corporate Assets	12 768	43
	<u>29 982</u>	

Notes |

Embedded Value |

Rand Million	2004	2003	
Shareholders' funds at fair value	29 982	22 819	
Adjustment to fair value	(1 965)	(1 381)	
Shareholders' adjusted assets	28 017	21 438	
Net Value of in-force business	8 665	7 793	
Sanlam Group EV	36 682	29 231	
Embedded Value	cps	1 346	1 131

Notes |

Please refer to page 64 for the complete Embedded Value report

Embedded Value Earnings |

Rand Million	2004	2003
Embedded value from new life insurance business	324	218
Earnings from existing life insurance business	1 358	1 404
● Expected return	1 145	1 153
● Operating experience variances	142	241
● Operating assumption changes	71	10
Embedded value earnings from life operations	<u>1 682</u>	<u>1 622</u>

Notes |

Embedded Value Earnings |

Rand Million	2004	2003
EV earnings from life operations	1 682	1 622
Economic assumption & tax changes	197	93
Investment variances	216	(50)
Growth from life business	2 095	1 665
Investment return on shareholders' adjusted net assets	6 389	2 226
Change in minority interest in VIF	(32)	—
Change in share incentive scheme	(368)	(150)
Total EV earnings	8 084	3 741
Growth from life business	%	26,9
ROEV (EV in cps)	%	22,5
		24,7
		14,2

Notes |

Analysis of Return on Embedded Value |

NAV (76%) R6 021m 28,1%	Strategic	R2 435m
	Other	R3 586m
VIF (24%) R2 063m 26,5%	NUB EV	R324m
	Expected Profit	R1 145m
	Operating Experience Var.	R142m
	Other	R255m
	Economic Assumptions	R197m
EV R8 084m 27,7%		

Notes |

Strategic Focus |

Individual Businesses

Notes |

Strategic Focus | *Individual Life*

- Grow new business and new business embedded value
 - ◆ Absa co-operation
 - ◆ Group schemes
 - ◆ Gauteng Wealth channel
 - ◆ Ubuntu-Botho structure
 - ◆ Alliances/JV
- Product competitiveness
- Extend our processes and agility
- Service

Notes |

Strategic Focus | *Employee Benefits*

- Increase single premiums substantially
 - ◆ Expected mainly from Ubuntu-Botho & IFS partnerships
- Stem the net outflows
 - ◆ Aiming at breakeven net cashflow for 2005
- Save R20m in costs
 - ◆ Invest part of this in a new institutional sales channel
- NUB EV margin
 - ◆ Maintain discipline despite aggressive sales targets

Notes |

Strategic Focus | *Employee Benefits*

(.../continued)

- **Administration**
 - ◆ **Build stand-alone sustainability**
 - ◆ **Increased contribution in 2005**

- **Realise potential value from JVs**
 - ◆ **Benefits anticipated in H1 2005**

Notes |

Strategic Focus | *Sanlam Investment Management*

- Continue to improve long-term investment performance track record
- Aggressively grow third party AUM
- Grow the investment cluster businesses
- Implement new retail distribution model
- Increase brand awareness
- Enhance people development and learning culture
- Increase international footprint

Notes |

Strategic Focus | *Santam*

- **Enhance Capital management and investment philosophy**
 - ◆ **Return excess capital of R1.15 billion to shareholders**
 - ◆ **Revised dividend policy to support efficient capital management**
 - ◆ **Optimise investment return at acceptable risk levels**

- **Growth of existing business**
 - ◆ **Challenging environment: balance growth and profitability**
 - ◆ **Settle down and grow Santam's international business interests**
 - ◆ **Further optimise the reinsurance program**

Notes |

Strategic Focus | *Sanlam Capital Markets*

Continued focus on:

- Extract synergies from within the Sanlam Group
- Building the identity of Sanlam Capital Markets
- Extend reach to corporates and institutions off Sanlam base

Notes |

Strategic Focus | *Sanlam Independent Financial Services*

Grow and extract synergies from new acquisitions:

- Investments in the Employee Benefits market
 - ◆ Break-thru Financial Services, an Employee Benefits broker in the labour market
 - ◆ Simeka : Employee Benefits and healthcare consultant
 - ◆ SA Quantum : Actuarial and consulting business
- Investments in Individual market gaining momentum
 - ◆ Bull & Bear showing success as a pilot for broker conglomeration
 - ◆ Green Capital making progress in the agricultural market

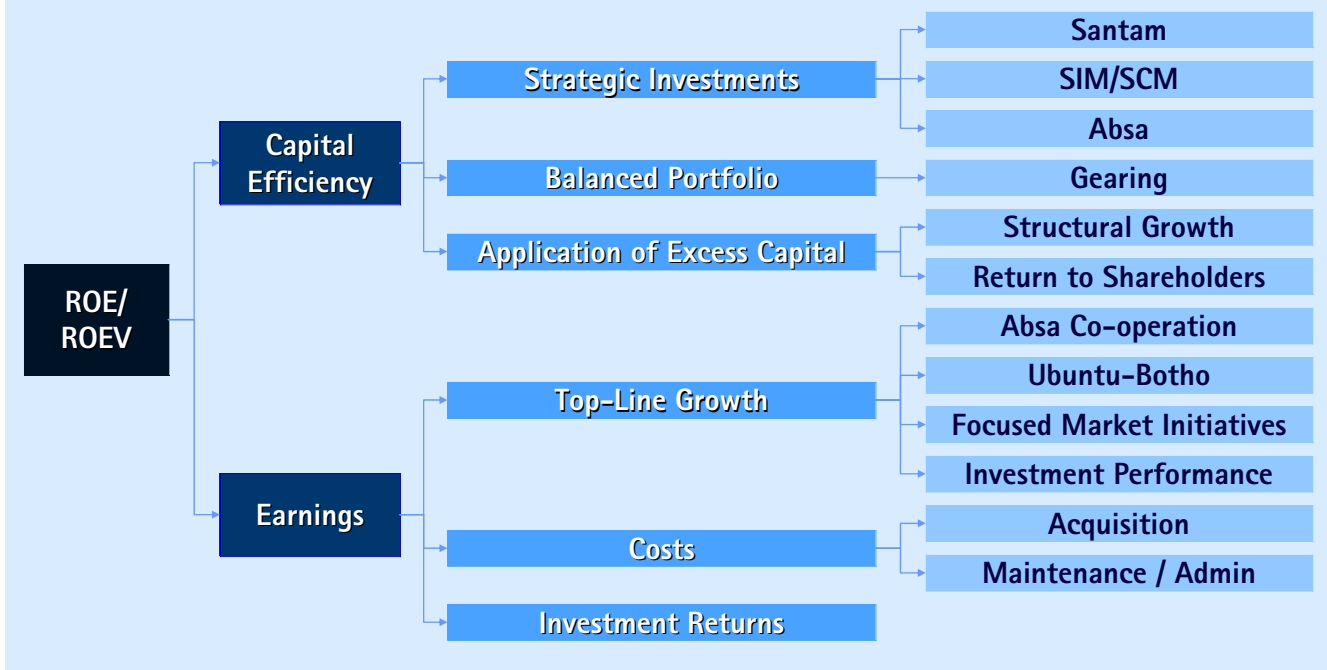
Notes |

Strategic Focus |

Sanlam Group

Notes |

Focus remains | *Driving increased ROEV*



Notes |

Capital Analysis |

	Rand Billion
Sanlam Life required capital	16,3
Other strategic holdings	7,0
	<hr/>
	23,3
Other (before 2004 dividend)	6,7
	<hr/>
Total capital	<u>30,0</u>

Notes |

Conclusion | *Overall focus for 2005*

- Capital
 - ◆ Complete the potential disposal of Absa shares (or portion) to Barclays
 - ◆ Progress on introduction of gearing & secure approvals
 - ◆ Pursue structural growth opportunities
 - ◆ Pursue capital reduction
- Distribution focus on
 - ◆ Entry Level market
 - ◆ Gauteng
 - ◆ Absa
 - ◆ Employee Benefits
 - ◆ Ubuntu-Botho full roll-out
- Relaunch of Brand

Notes |

Prospects 2005

Notes |

SANLAM GROUP
APPENDICES

CHANGES IN REPORTING STRUCTURES AND ACCOUNTING POLICIES

The results of Innofin have been transferred from the Investment cluster to the Life Insurance cluster. Results from operations of prior periods have been restated accordingly and for December 2003, R22 million of profit is transferred from the Investment cluster to the Life Insurance cluster. The embedded value calculation now also includes the value of in-force life insurance business written by Innofin on Sanlam Life's license. The non-insurance business is still valued on a fair value approach.

As the regulatory requirements for Sanlam's acquisition of Merchant Investors Assurance (MIA) were only satisfied late in December 2003 the results of the company were not consolidated into the Sanlam group at the 2003 year-end. The full investment was included at the cost of R383 million in equity investments. MIA is consolidated from 2004 and its net asset value as at acquisition date is included in the consolidated 2004 results with an accompanying adjustment to goodwill. In the embedded value calculation the goodwill is reversed and replaced by the value of MIA's in-force business.

Following the restructuring of the Group's international advisory and asset management businesses, Sanlam has, with effect from 1 July 2003, reduced its holding to 60% in the advisory and related businesses of Sanlam Financial Services UK. Sanlam's Investment cluster regained a 100% holding in the asset and multi-manager components. The results of the investment manager are included with the Investment cluster for the 2004 year. For 2003 the results are included in the Independent Financial Services cluster for the first six months and in the Investment cluster for the second half of the year.

The presentation of deferred tax in respect of the policyholder funds has been amended to comply with a directive issued by the Financial Services Board. In terms of the directive deferred tax assets and liabilities should be recognised and separately disclosed for all temporary differences of the policyholder funds. This deferred tax was previously included in and disclosed as part of long-term policy liabilities. Comparative figures have been restated to transfer the applicable deferred tax balances from long-term policy liabilities to a deferred tax liability.

The accounting policy for goodwill has been amended as required by IFRS 3 (AC140). Goodwill in respect of business combinations with an agreement date on or after 31 March 2004 are not amortised, but reflected at original cost less provisions for impairment. In terms of the transitional provisions of IFRS 3 (AC140), the accounting policy for business combinations with an agreement date before 31 March 2004 remains unchanged for the 2004 financial year.

The migration to new International Financial Reporting Standards (IFRS) for insurers will, in its full extent, last a number of years. IFRS 4, the standard for the first phase of IFRS on insurance contracts, was only recently issued with an effective date of 1 January 2005. Future results may be impacted, as the development of guidance for the long-term insurance industry, both from an accounting and actuarial perspective, is an ongoing process.

As was the case in the 2003 results, the Gensec results from operations are split between continuing (Sanlam Capital Markets) and discontinuing operations. The results of all the operations are included in headline earnings and only the expenses directly attributable to termination of operations are excluded from headline earnings.

In the 2003 year-end results the Group introduced the concept of core earnings. Core earnings comprise the Group's results from operations, equity-accounted income and investment income, and as such it represents the headline earnings previously published for June 2003. To maintain comparability we will continue to report core earnings in 2004. Due to the distorted result achieved by including the value adjustment of derivatives in headline earnings, whilst the value adjustment of the underlying hedged portfolio of shares is taken directly to equity, this amount has also been excluded from core earnings.

ACCOUNTING POLICIES

The Sanlam Limited group financial statements are prepared applying principal accounting policies, which are in accordance with and comply with South African Statements of Generally Accepted Accounting Practice, and some of which apply specifically to the life insurance industry. Apart from the change in the accounting policy relating to deferred tax referred to above, the accounting policies applied in preparing the financial statements are consistent with those of the previous year.



Group

Income Statement |

	2004 Rand Million	2003 Rand Million
FUNDS RECEIVED FROM CLIENTS	70 731	48 883
Financial services income	17 079	15 970
Sales remuneration	(1 961)	(1 892)
Income after sales remuneration	15 118	14 078
Underwriting policy benefits	(6 965)	(6 877)
Administration costs	(4 633)	(4 796)
Result from operations before tax	3 520	2 405
Tax on result from operations	(1 032)	(724)
Result from operations after tax	2 488	1 681
Minority shareholders' interest	(520)	(279)
NET RESULT FROM OPERATIONS	1 968	1 402
Net investment income	403	458
Investment income	648	699
Tax on investment income	(102)	(131)
Minority shareholders' interest	(143)	(110)
Net equity-accounted earnings	969	781
Equity-accounted earnings	1 298	1 025
Tax on equity-accounted earnings	(329)	(244)
CORE EARNINGS	3 340	2 641
Financial assistance provided to policyholders' funds	–	(290)
Net investment surpluses on derivative instruments	(155)	–
Investment surpluses on derivative instruments	(218)	–
Tax on investment surpluses on derivative instruments	48	–
Minority shareholders' interest	15	–
HEADLINE EARNINGS	3 185	2 351
Net realised investment surpluses	700	134
Investment surpluses	779	215
Tax on investment surpluses	1	(56)
Minority shareholders' interest	(80)	(25)
Net discontinuance costs	(18)	(77)
Discontinuance costs	(20)	(108)
Tax on discontinuance costs	2	31
Impairment of investments and goodwill	(256)	(248)
Amortisation of goodwill	(328)	(277)
ATTRIBUTABLE EARNINGS	3 283	1 883
Diluted earnings per share:	Cents	Cents
• Net result from operations	72,1	53,2
• Core earnings	122,3	100,2
• Headline earnings	116,6	89,2
• Attributable earnings	120,2	71,5
Basic attributable earnings per share	121,7	72,1
Adjusted weighted average number of shares for diluted earnings per share (m)	2 731,3	2 634,5
Adjusted headline earnings based on the long-term rate of return (LTRR) (R million)	4 141	3 291
Adjusted diluted headline earnings based on the LTRR (cents per share)	151,6	124,9

	Sanlam Life		Santam		Sanlam Investments	
Rand Million	2004	2003	2004	2003	2004	2003
Financial services income	7 317	7 119	7 922	6 960	992	752
Sales remuneration	(1 019)	(1 103)	(942)	(789)	–	–
Income after sales remuneration	6 298	6 016	6 980	6 171	992	752
Underwriting policy benefits	(2 568)	(2 502)	(4 397)	(4 375)	–	–
Administration costs	(1 962)	(1 986)	(1 214)	(1 061)	(561)	(482)
Restructuring expenses	–	(61)	–	–	–	–
Operating profit before tax	1 768	1 467	1 369	735	431	270
Tax on operating profit	(473)	(399)	(445)	(231)	(117)	(81)
Operating profit after tax	1 295	1 068	924	504	314	189
Minority shareholders' interest	(3)	(6)	(501)	(282)	(1)	–
NET OPERATING PROFIT	1 292	1 062	423	222	313	189
Net investment income	768	769	63	96	1	4
• Investment income	835	843	225	229	1	5
• Tax on investment income	(67)	(74)	(19)	(23)	–	(1)
• Minority shareholders' interest	–	–	(143)	(110)	–	–
Net equity-accounted earnings	–	–	56	(12)	–	–
• Equity-accounted earnings	–	–	56	(12)	–	–
• Tax on equity-accounted earnings	–	–	–	–	–	–
CORE EARNINGS	2 060	1 831	542	306	314	193
Financial assistance to policyholders' funds	–	(290)	–	–	–	–
Net loss on derivatives	(140)	–	(15)	–	–	–
HEADLINE EARNINGS	1 920	1 541	527	306	314	193
Net realised investment surpluses	221	150	74	24	46	3
• Realised investment surpluses	169	184	201	71	46	3
• Tax on investment surpluses	52	(34)	(47)	(22)	–	–
• Minority shareholders' interest	–	–	(80)	(25)	–	–
Net discontinuance costs	–	–	–	–	–	–
Impairment of investments and goodwill	–	–	(9)	–	(1)	(12)
Amortisation of goodwill	(45)	–	(14)	(17)	(15)	(15)
ATTRIBUTABLE EARNINGS	2 096	1 691	578	313	344	169
Ratios						
Admin ratio ⁽¹⁾	31,2%	33,0%	17,4%	17,2%	56,6%	64,1%
Net operating profit margin ⁽²⁾	28,1%	25,4%	19,6%	11,9%	43,4%	35,9%
Net operating profit eps						
Adjusted weighted average number of shares (million)						
Net operating profit	47,3	40,3	15,5	8,4	11,5	7,2

(1) Administration costs (excluding Sanlam Life restructuring cost) as a percentage of income earned by the shareholders' funds less sales remuneration.

(2) Operating profit (excluding Sanlam Life restructuring cost) as a percentage of income earned by the shareholders' funds less sales remuneration.

Sanlam Group Shareholders' Funds |

Segmental Income Statement for the year ended 31 December 2004

Sanlam Capital Markets		Discontinuing Operations		Independent Financial Services		Corporate & other		TOTAL	
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
225	234	(42)	197	585	635	80	73	17 079	15 970
—	—	—	—	—	—	—	—	(1 961)	(1 892)
225	234	(42)	197	585	635	80	73	15 118	14 078
—	—	—	—	—	—	—	—	(6 965)	(6 877)
(135)	(179)	(35)	(271)	(535)	(636)	(191)	(120)	(4 633)	(4 735)
—	—	—	—	—	—	—	—	—	(61)
90	55	(77)	(74)	50	(1)	(111)	(47)	3 520	2 405
(7)	13	(10)	(10)	(10)	(11)	30	(5)	(1 032)	(724)
83	68	(87)	(84)	40	(12)	(81)	(52)	2 488	1 681
—	—	—	—	(15)	9	—	—	(520)	(279)
83	68	(87)	(84)	25	(3)	(81)	(52)	1 968	1 402
—	—	(32)	—	1	—	(398)	(411)	403	458
—	—	(33)	—	1	—	(381)	(378)	648	699
—	—	1	—	—	—	(17)	(33)	(102)	(131)
—	—	—	—	—	—	—	—	(143)	(110)
—	—	4	—	—	—	909	793	969	781
—	—	6	—	—	—	1 236	1 037	1 298	1 025
—	—	(2)	—	—	—	(327)	(244)	(329)	(244)
83	68	(115)	(84)	26	(3)	430	330	3 340	2 641
—	—	—	—	—	—	—	—	—	(290)
—	—	—	—	—	—	—	—	(155)	—
83	68	(115)	(84)	26	(3)	430	330	3 185	2 351
—	—	—	—	8	—	351	(43)	700	134
—	—	—	—	8	—	355	(43)	779	215
—	—	—	—	—	—	(4)	—	1	(56)
—	—	—	—	—	—	—	—	(80)	(25)
—	—	(5)	(77)	—	—	(13)	—	(18)	(77)
—	—	(221)	(229)	(25)	(7)	—	—	(256)	(248)
—	—	—	—	(73)	(74)	(181)	(171)	(328)	(277)
83	68	(341)	(390)	(64)	(84)	587	116	3 283	1 883
60,0%	76,5%	-83,3%	137,6%	91,5%	100,2%	238,8%	164,4%	30,6%	33,6%
40,0%	23,5%	183,3%	-37,6%	8,5%	-0,2%	-138,8%	-64,4%	23,3%	17,5%
3,0	2,6	(3,2)	(3,2)	0,9	(0,1)	(3,0)	(2,0)	2 731,3	2 634,5
								72,1	53,2

Analysis of Gross Funds Received from Clients |

Rand Million	Total		Life Insurance*		Life Licence*		Other	
	2004	2003	2004	2003	2004	2003	2004	2003
Sanlam Life	18 463	15 361	11 117	9 698	—	165	7 346	5 498
Individual Life	6 432	6 297	6 432	6 297	—	—	—	—
Recurring	1 407	1 478	1 407	1 478	—	—	—	—
Single	3 466	3 263	3 466	3 263	—	—	—	—
Continuations	1 559	1 556	1 559	1 556	—	—	—	—
Employee Benefits	2 394	2 291	2 394	2 291	—	—	—	—
Recurring	129	127	129	127	—	—	—	—
Single	2 265	2 164	2 265	2 164	—	—	—	—
Sanlam Namibia	1 463	475	185	80	—	—	1 278	395
Life	185	80	185	80	—	—	—	—
Unit Trust	1 278	395	—	—	—	—	1 278	395
Merchant Investors Assurance	606	—	606	—	—	—	—	—
Innofin	7 568	6 298	1 500	1 030	—	165	6 068	5 103
Sanlam Investment Management	27 720	15 170	—	—	83	149	27 637	15 021
Life	83	149	—	—	83	149	—	—
Recurring	—	—	—	—	—	—	—	—
Single	159	214	—	—	159	214	—	—
Less: Inter group switches	(76)	(65)	—	—	(76)	(65)	—	—
Unit Trust	10 977	7 848	—	—	—	—	10 977	7 848
Cash funds	4 305	3 092	—	—	—	—	4 305	3 092
Equity funds	1 196	883	—	—	—	—	1 196	883
Wholesale business	2 145	1 363	—	—	—	—	2 145	1 363
White label	3 331	2 510	—	—	—	—	3 331	2 510
Segregated funds	15 041	7 046	—	—	—	—	15 041	7 046
Total inflow	15 338	8 796	—	—	—	—	15 338	8 796
Less: Inter group switches	(297)	(1 750)	—	—	—	—	(297)	(1 750)
International	1 619	127	—	—	—	—	1 619	127
Sanlam Financial Services UK	5 950	1 500	—	—	—	—	5 950	1 500
Santam	7 719	6 755	—	—	—	—	7 719	6 755
Total new business	59 852	38 786	11 117	9 698	83	314	48 652	28 774
RECURRING PREMIUMS ON EXISTING FUNDS:								
Sanlam Life	10 677	9 885	10 677	9 885	—	—	—	—
Individual	7 290	7 065	7 290	7 065	—	—	—	—
Employee Benefits	—	2 555	2 493	2 555	2 493	—	—	—
Namibia	326	327	326	327	—	—	—	—
Individual	214	203	214	203	—	—	—	—
Employee Benefits	112	124	112	124	—	—	—	—
MIA	506	—	506	—	—	—	—	—
Sanlam Investment Management	202	212	—	—	202	212	—	—
Life : Group	303	212	—	—	303	212	—	—
Less: Inter group switches	(101)	—	—	—	(101)	—	—	—
Total Funds Received	70 731	48 883	21 794	19 583	285	526	48 652	28 774

* Life licence business relates to investment products provided by Sanlam Investment Management and Innofin by means of a life insurance policy where there is very little or no insurance risk.

Analysed per type of business or license

Rand Million	2004	2003
Life insurance	11 200	10 012
Investments	40 933	22 019
Short-term insurance	7 719	6 755
Total new business	59 852	38 786
Premiums on existing business	10 879	10 097
Total funds received	70 731	48 883

The new business premiums used in the calculation of Annual Premium Equivalent (APE) is detailed below

Recurring premiums	1 005	1 026
Individual Life	1 407	1 478
Less: index growth	(619)	(643)
Add: optional reductions	36	38
Employee Benefits	129	127
Merchant Investors Assurance	6	—
Sanlam Namibia	46	26
Single premiums	9 529	8 067
Individual Life	5 025	4 819
Employee Benefits	2 265	2 164
Merchant Investors Assurance	600	—
Sanlam Namibia	139	54
Innofin (Illa's)	1 500	1 030
Total premiums used to calculate APE	10 534	9 093
APE	1 958	1 832

Analysis of Gross Funds Paid to Clients |

Rand Million	Total		Life Insurance ⁽¹⁾		Life Licence ⁽¹⁾		Other	
	2004	2003	2004	2003	2004	2003	2004	2003
Sanlam Life	27 954	25 322	23 423	22 581	–	–	4 531	2 741
Individual Life	14 424	15 773	14 424	15 773	–	–	–	–
Surrenders	3 190	3 081	3 190	3 081	–	–	–	–
Other	11 234	12 692	11 234	12 692	–	–	–	–
Employee Benefits	6 722	5 387	6 722	5 387	–	–	–	–
Terminations ⁽²⁾	1 736	1 256	1 736	1 256	–	–	–	–
Other benefits	5 004	4 131	5 004	4 131	–	–	–	–
Less: Inter group switches ⁽³⁾	(18)	–	(18)	–	–	–	–	–
Sanlam Namibia	1 343	984	560	677	–	–	783	307
Life	560	677	560	677	–	–	–	–
Unit Trust	783	307	–	–	–	–	783	307
Merchant Investors Assurance	938	–	938	–	–	–	–	–
Innofin	4 527	3 178	779	744	–	–	3 748	2 434
Sanlam Investment Management	21 560	14 160	–	–	2 123	2 623	19 437	11 537
Life	2 123	2 623	–	–	2 123	2 623	–	–
Terminations ⁽²⁾	1 819	3 909	–	–	1 819	3 909	–	–
Other benefits	583	529	–	–	583	529	–	–
Less: Inter group switches ⁽³⁾	(279)	(1 815)	–	–	(279)	(1 815)	–	–
Unit Trust	9 571	6 634	–	–	–	–	9 571	6 634
Cash funds	3 808	2 235	–	–	–	–	3 808	2 235
Equity funds	1 582	1 228	–	–	–	–	1 582	1 228
Wholesale business	1 859	1 563	–	–	–	–	1 859	1 563
White label	2 322	1 608	–	–	–	–	2 322	1 608
Segregated funds	9 069	4 721	–	–	–	–	9 069	4 721
Total outflow	9 246	4 721	–	–	–	–	9 246	4 721
Less: Inter group switches	(177)	–	–	–	–	–	(177)	–
International	797	182	–	–	–	–	797	182
Sanlam Financial Services UK	267	138	–	–	–	–	267	138
Santam	4 397	4 375	–	–	–	–	4 397	4 375
Consolidation	(38)	(68)	(38)	–	9	(68)	(9)	–
Total payments to clients	54 140	43 927	23 385	22 581	2 132	2 555	28 623	18 791

(1) Life licence business relates to investment products provided by Sanlam Investment Management by means of a life insurance policy where there is very little or no insurance risk.

(2) Includes taxation paid on behalf of certain retirement funds.

(3) Included in terminations.

Analysed per type of business or license

Rand Million	2004	2003
Life insurance	25 517	25 136
Investments	24 226	14 416
Short-term insurance	4 397	4 375
Total payments to clients	54 140	43 927

Analysis of Net Inflow of Funds |

Rand Million	Total		Life Insurance*		Life Licence*		Other	
	2004	2003	2004	2003	2004	2003	2004	2003
Sanlam Life	1 186	(76)	(1 629)	(2 998)	—	165	2 815	2 757
Individual Life	(702)	(2 411)	(702)	(2 411)	—	—	—	—
Employee Benefits	(1 773)	(603)	(1 773)	(603)	—	—	—	—
Namibia	446	(182)	(49)	(270)	—	—	495	88
Merchant Investors Assurance	174	—	174	—	—	—	—	—
Innofin	3 041	3 120	721	286	—	165	2 320	2 669
Sanlam Investment Management	6 362	1 222	—	—	(1 838)	(2 262)	8 200	3 484
Life	(1 838)	(2 262)	—	—	(1 838)	(2 262)	—	—
Total	(1 940)	(4 012)	—	—	(1 940)	(4 012)	—	—
Less: Inter group switches	102	1 750	—	—	102	1 750	—	—
Unit Trust	1 406	1 214	—	—	—	—	1 406	1 214
Cash funds	497	857	—	—	—	—	497	857
Equity funds	(386)	(345)	—	—	—	—	(386)	(345)
Wholesale business	286	(200)	—	—	—	—	286	(200)
White label	1 009	902	—	—	—	—	1 009	902
Segregated funds	5 972	2 325	—	—	—	—	5 972	2 325
Total	6 092	4 075	—	—	—	—	6 092	4 075
Less: Inter group switches	(120)	(1 750)	—	—	—	—	(120)	(1 750)
International	822	(55)	—	—	—	—	822	(55)
Sanlam Financial Servies UK	5 683	1 362	—	—	—	—	5 683	1 362
Santam	3 322	2 380	—	—	—	—	3 322	2 380
Consolidation	38	68	38	—	(9)	68	9	—
Total net inflow/(outflow)	16 591	4 956	(1 591)	(2 998)	(1 847)	(2 029)	20 029	9 983

* Life licence business relates to investment products provided by Sanlam Investment Management and Innofin by means of a life insurance policy where there is very little or no insurance risk.

Analysed per type of business or license

Rand Million	2004	2003
Life insurance	(3 438)	(5 027)
Investments	16 707	7 603
Short-term insurance	3 322	2 380
Total net inflow/(outflow)	16 591	4 956

Shareholders' Funds Balance Sheet at Net Asset Value at 31 December 2004 |

All businesses consolidated at Net Asset Value

	2004 Rand Million	2003 Rand Million
ASSETS		
Property and equipment	184	220
Owner-occupied properties	380	390
Goodwill	1 865	1 855
Investments	32 565	26 010
Investment properties	682	662
Investment in associated companies	9 763	5 391
Investment in joint ventures	165	309
Equities	10 633	9 026
Public sector stocks and loans	3 182	2 874
Debentures, insurance policies and other loans	4 375	4 644
Cash, deposits and similar securities	3 765	3 104
Deferred tax	342	256
Short-term insurance technical assets	1 980	2 302
Working capital assets	27 205	30 081
Trade and other receivables	16 056	18 273
Cash, deposits and similar securities	11 149	11 808
Total assets	64 521	61 114
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital and premium	4 360	3 514
Treasury stock	(486)	(403)
Non-distributable reserves	9 415	9 415
Revaluation reserve	2 843	—
Retained earnings	11 510	9 161
Shareholders' funds	27 642	21 687
Minority shareholders' interest	2 971	2 217
Outside shareholders	2 796	1 931
Sanlam policyholders	175	286
Term finance	4 791	4 200
Deferred tax	1 007	289
Short-term insurance technical provisions	5 198	5 156
Working capital liabilities	22 912	27 565
Total equity and liabilities	64 521	61 114
GROUP STATEMENT OF CHANGES IN EQUITY		
Shareholders' Funds at beginning of the period	21 687	20 651
Attributable earnings	3 283	1 883
Dividends paid	(1 082)	(972)
Net unrealised investment surpluses ⁽¹⁾	3 588	693
Movement in foreign currency translation reserve	(157)	(211)
Movement in cost of treasury shares held ⁽²⁾	(83)	(344)
Net realised investment surplus on treasury shares	(440)	—
New shares issued ⁽³⁾	865	—
Cost relating to share issuance	(19)	—
Adoption of AC133	—	(13)
Shareholders' Funds at end of the period	27 642	21 687

(1) Upon the introduction of AC133, investments were classified as available-for-sale and Sanlam elected to take unrealised investment surpluses directly to equity.

(2) Comprises movement in cost of shares held by subsidiaries and the share incentive trust.

(3) Comprises 113 million new ordinary shares at R7,65 per share, 56,5 million "A" deferred shares at R0,01 per share and 52 million "A" preference shares at R0,01 per share.

Shareholders' Funds Balance Sheet at Fair Value at 31 December 2004 |

Group businesses listed below not consolidated, but reflected as investments at fair value

	Sanlam Limited		Sanlam Life Insurance Limited	
	2004 Rand Million	2003 Rand Million	2004 Rand Million	2003 Rand Million
ASSETS				
Property and equipment	106	113	105	113
Owner-occupied properties	370	370	329	327
Goodwill	351	—	31	—
Investments				
Sanlam businesses	7 785	6 237	5 229	3 606
Investment Management businesses	2 384	1 904	1 616	1 218
SIM Wholesale	1 616	1 218	1 616	1 218
International (SMMI & Octane)	398	325	—	—
Sanlam Collective Investments	370	300	—	—
Tasc	—	61	—	—
Life Cluster businesses	496	214	—	—
Innofin	187	214	—	—
Other ⁽¹⁾	309	—	—	—
Independent Financial Services Cluster businesses	394	430	—	—
Sanlam Financial Services UK	349	378	—	—
Gensec Properties	12	52	—	—
Other ⁽²⁾	33	—	—	—
Sanlam Capital Markets	483	1 001	—	—
Santam	4 028	2 688	3 613	2 388
Associated company - Absa	9 429	5 181	9 429	5 181
Investment in joint venture	140	—	—	—
Other investments				
Other equities	7 441	6 670	7 356	6 172
Shares in holding company	—	—	110	482
Public sector stocks and loans	1 550	1 916	1 245	1 702
Investment properties	619	607	619	607
Other interest-bearing investments	7 809	6 033	5 763	5 092
Deferred tax	233	3	100	—
Working capital assets	6 932	5 296	6 608	6 115
Total assets	42 765	32 426	36 924	29 397
EQUITY AND LIABILITIES				
Shareholders' funds	29 982	22 819	25 983	19 736
Minority shareholders' interest	63	—	62	—
Term finance	5 064	4 501	4 661	4 861
Deferred tax	1 143	298	1 083	269
Working capital liabilities	6 513	4 808	5 135	4 531
Total equity and liabilities	42 765	32 426	36 924	29 397

(1) Other Life Cluster businesses are consolidated within the Sanlam Life Insurance Ltd Group and therefore not disclosed separately as investment assets within the Sanlam Life Insurance column. Other Sanlam Life businesses comprise Direct Axis, Sanlam Home Loans, Multi-Data and Sanlam Trust. These businesses were consolidated in the 2003 figures.

(2) Other Independent Financial Services businesses comprise Break-Thru Financial Services, Bull and Bear Financial Services, Simeka Employee Benefits, Green Capital and Octogen.

Embedded Value |

	2004 Rand Million	2003 Rand Million
1. EMBEDDED VALUE		
Sanlam group shareholders' funds at fair value	29 982	22 819
Adjustment for discounting capital gains tax ⁽¹⁾	138	91
Adjustment to include business under value of in-force ⁽²⁾	(321)	(449)
Present value of strategic corporate expenses ⁽³⁾	(883)	(592)
Fair value of share incentive scheme ⁽⁴⁾	(799)	(431)
STC asset written down	(100)	–
Sanlam group shareholders' adjusted net assets	28 017	21 438
Net value of life insurance business in force	8 697	7 793
Value of life insurance business in force	10 097	9 143
• Individual business	8 959	7 884
• Employee benefits	1 138	1 259
Cost of capital at risk	(1 400)	(1 350)
• Individual business	(1 128)	(936)
• Employee benefits	(272)	(414)
Minorities interest in value of in-force	(32)	–
Sanlam group embedded value	36 682	29 231
• Embedded value per share (cents) ⁽⁵⁾	1 346	1 131
• Number of shares (million) ⁽⁵⁾	2 726	2 585
2. EMBEDDED VALUE EARNINGS		
Embedded value from new life insurance business ^{(6) (7)}	324	218
Earnings from existing life insurance business	1 358	1 404
• Expected return	1 145	1 153
• Operating experience variations ⁽⁷⁾	142	241
• Operating assumption changes ⁽⁷⁾	71	10
Embedded value earnings from life operations	1 682	1 622
Economic assumption changes	197	99
Tax changes	–	(6)
Investment variances ⁽⁸⁾	253	(50)
Exchange rate movements	(37)	–
Growth from life insurance business	2 095	1 665
Investment return on shareholders' adjusted net assets	6 389	2 226
Change in minority interest in value of in-force	(32)	–
Increase in fair value of share incentive scheme ⁽⁴⁾	(368)	(150)
Total embedded value earnings before dividends are paid, capital raised and cost of treasury shares acquired	8 084	3 741
Dividends paid	(1 082)	(972)
Capital raised	846	–
Cost of treasury shares acquired	(397)	(344)
Change in Sanlam group embedded value	7 451	2 425
Growth from life insurance business as a % of beginning value of in-force	26,9%	24,7%
Return on embedded value ⁽⁵⁾	27,7%	14,0%
Return on embedded value per share ⁽⁵⁾	22,5%	14,2%

EMBEDDED VALUE (continued)

	2004 Rand Million	2003 Rand Million
3. NEW BUSINESS EMBEDDED VALUE		
Value of new business	342	260
• Individual business – RSA	282	200
• Employee Benefits – RSA	46	57
• International ⁽⁹⁾	14	3
Cost of Capital at risk	(18)	(28)
• Individual business – RSA	(10)	(17)
• Employee Benefits – RSA	(5)	(11)
• International ⁽⁹⁾	(3)	–
Net value of new business ^{(6) (7)}	324	232
Net value of new business as a percentage of the annual premium equivalent		
Annual Premium Equivalent (APE) ⁽¹⁰⁾	1 958	1 832
• Individual business – RSA	1 489	1 470
• Employee Benefits – RSA	356	343
• International ⁽⁹⁾	113	19
Net value of new business	324	232
• Individual business – RSA	272	183
• Employee Benefits – RSA	41	46
• International ⁽⁹⁾	11	3
APE margin ⁽⁷⁾	%	16,5
• Individual business – RSA	%	18,3
• Employee Benefits – RSA	%	11,5
• International ⁽⁹⁾	%	9,7

4. SENSITIVITY

	Gross value of in-force business Rand Million	Cost of capital at risk Rand Million	Net value of in-force business Rand Million	Change from base %
Value of in-force business				
Base value	10 097	(1 400)	8 697	
• Increase risk discount rate by 1,0% to 11,8%	9 481	(1 724)	7 757	(11)
• Decrease risk discount rate by 1,0% to 9,8%	10 773	(1 040)	9 733	12
• Investment return (and inflation) decreased by 1,0%, coupled with a 1,0% decrease in risk discount rate to 9,8%, and with bonus rates changing commensurately	10 119	(1 341)	8 778	1
• Investment return (and inflation) decreased by 1,0% and with bonus rates changing commensurately	9 284	(1 665)	7 619	(12)
• Non-commission maintenance expenses (excluding investment expenses) increase by 10%	9 798	(1 396)	8 402	(3)
• Discontinuance rates increase by 10%	9 890	(1 347)	8 543	(2)
• Mortality and morbidity increased by 10% for assurances, coupled with a 10% decrease in mortality for annuities	9 547	(1 384)	8 163	(6)
• Assets fall by 10%	9 259	(1 377)	7 882	(9)

EMBEDDED VALUE (continued)

	Gross value of new business Rand Million	Cost of capital at risk Rand Million	Net value of new business Rand Million	Change from base %
Value of new business				
Base value	342	(18)	324	
• Increase risk discount rate by 1,0% to 11,8%	305	(21)	284	(12)
• Decrease risk discount rate by 1,0% to 9,8%	383	(14)	369	14
• Investment return (and inflation) decreased by 1,0%, coupled with a 1,0% decrease in risk discount rate to 9,8%, and with bonus rates changing commensurately	359	(18)	341	5
• Investment return (and inflation) decreased by 1,0% and with bonus rates changing commensurately	322	(20)	302	(7)
• Non-commission maintenance expenses (excluding investment expenses) increase by 10%	319	(18)	301	(7)
• Non-commission acquisition expenses increase by 10%	296	(17)	279	(14)
• Discontinuance rates increase by 10%	321	(17)	304	(6)
• Mortality and morbidity increased by 10% for assurances, coupled with a 10% decrease in mortality for annuities	292	(18)	274	(15)
• New business volumes decrease by 10%	271	(16)	255	(21)

5. METHODOLOGY

The embedded value methodology applied is consistent with the methodology used in the 31 December 2003 Embedded Value report. There are no material changes in the methodology used, except for the deduction of the fair value of the employee share incentive scheme.

6. PRINCIPAL ASSUMPTIONS

Gross investment return and inflation ⁽¹¹⁾

	2004 % p.a.	2003 % p.a.
Fixed-interest securities	8,3	9,4
Equities and offshore investments	10,3	11,4
Hedged equities ⁽¹²⁾	8,3	8,4
Property	9,3	10,4
Cash	6,3	7,4
Risk discount rate	10,8	11,9
Return on capital at risk ⁽¹³⁾	9,1	10,0
Unit cost and salary inflation	4,3	5,4
Consumer price index inflation	3,3	3,9

Decrements, expenses and bonuses

Future mortality, morbidity and discontinuance rates and future expense levels have been based on recent experience where appropriate.

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

Sanlam Life's current surrender and paid-up bases have been assumed to be maintained in the future.

EMBEDDED VALUE (continued)

HIV/Aids

Allowance has been made, where appropriate, for the impact of expected HIV/Aids-related claims, consistent with the recommendations of the Actuarial Society of South Africa as set out in its proposed Professional Guidance Note 105.

Premiums in respect of individual business have been 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.

Taxation

Projected corporate tax has been allowed for at a rate of 30%. Allowance has been made for capital gains tax. The assumed rollover period for realisation of investments is five years for property and equity assets supporting policy reserves. For property and equity assets supporting capital at risk the assumed rollover period is also five years, except for Santam (ten years) and Absa (not discounted).

Allowance for secondary tax on companies have been made by placing a present value on the tax liability generated by the net cash dividends paid that are attributable to the life company. It has been assumed that over the long-term the proportion of cash dividends paid would fall to a level of 50% from the current 100% level.

Long-term asset mix for assets supporting the capital at risk

	2004 %	2003 %
Equities	42	42
Hedged equities	26	26
Property	8	8
Fixed-interest securities	20	20
Cash	4	4
	100	100

7. NEW BUSINESS PREMIUMS

	2004 Rand Million	2003 Rand Million
Financial statements		
New business premiums	11 200	10 012
Less: Premium increases (index growth)	(619)	(643)
Plus: Optional reduction in premiums	36	38
Less: Other life business ⁽¹⁴⁾	(83)	(314)
Premiums used in the calculation of annual premium equivalent	10 534	9 093
New business embedded value premiums		
Recurring premiums	1 005	1 026
Single premiums	9 529	8 067
Premiums used in the calculation of annual premium equivalent	10 534	9 093

- (1) Adjustment to allow for the delay before incurring the capital gains tax liability included in the fair value.
- (2) Reverse goodwill relating to Merchant Investors Assurance (MIA), as its value of in-force business is included in the total value of life insurance business in force. (The December 2003 adjustment also includes the transfer of Innofin's life insurance business from net assets to value of in-force.)
- (3) The December 2004 value is calculated by multiplying the 2004 recurring corporate expenses not related to life business (after tax) of R103 million by the share price of 1300 cents and dividing by the headline earnings per share based on the long-term rate of return of 151,6 cents.
- (4) The fair value of the Sanlam employee share incentive scheme has been determined using a statistical model. Actual options outstanding have been valued based on the actual share price and dividend yield at the valuation date.
- (5) Total embedded value earnings before dividends paid, capital raised and cost of treasury shares acquired, as a percentage of embedded value at the beginning of the period. Per share values are net of the dilution resulting from the Ubuntu-Botho transaction and deferred shares earned for the period.
- (6) The net value of new business for 2004 includes R2 million of minority shareholders' interest. The 2003 net value of new business has been restated to include Innofin to enhance comparability. However, the embedded value earnings for 2003 has not been restated.
- (7) The main contributor to the operating experience variation is positive risk experience of R168 million. Expense savings contributed R37 million to the operating experience variation, R99 million to the operating assumption changes and also gave rise to an improved new business embedded value.
- (8) Investment variances include the effect of changes in CAR management actions and the long-term asset mix.
- (9) International includes Sanlam Namibia and MIA.
- (10) APE (annual premium equivalent) is equivalent to new recurring premiums plus 10% of single premiums.
- (11) The economic assumptions used for all life business except MIA.
- (12) The assumed future return for these assets is lower than that of equities, which are not hedged, reflecting the cost of derivative instruments.
- (13) The investment return on assets supporting the capital at risk is based on the long-term asset mix for these funds.
- (14) The majority of profits in respect of these premiums accrue to Sanlam Investment Management.

Statement of Actuarial Values of Assets & Liabilities of Sanlam Life Insurance Limited Group at 31 December 2004 |

	Notes	2004 Rand Million	2003 Rand Million
ASSETS			
Fair value of assets	1	186 375	164 625
LESS : LIABILITIES			
Actuarial value of policy liabilities		147 995	134 079
• Investment contracts		43 213	39 523
• Insurance contracts		104 782	94 556
Long-term and current liabilities		12 335	10 810
Minority shareholders' interest		(62)	–
Excess of assets over liabilities for financial reporting	2	25 983	19 736
Adjustment for prudential regulatory purposes	3	(2 039)	(1 146)
Excess of assets over liabilities for prudential regulatory purposes		23 944	18 590
ANALYSIS OF MOVEMENT IN EXCESS OF ASSETS OVER LIABILITIES (AFTER MINORITIES)			
Operating profit	4	1 636	1 448
Investment return on excess of assets over liabilities		7 317	3 427
Investment income		829	843
Capital appreciation		6 488	2 584
Financial assistance provided to policyholders' funds	5	–	(290)
Donation of Sanlam Limited shares to Sanlam Ubuntu-Botho Community Development Trust		(432)	–
Minority shareholders' interest		(3)	–
Taxation		(1 200)	(800)
Income tax		(537)	(500)
Capital gains tax		(763)	(300)
Deferred Secondary Tax on Companies		100	–
Dividends paid		(1 071)	(1 050)
Movement in excess of assets over liabilities for financial reporting	6	6 247	2 735
CAPITAL ADEQUACY FOR SANLAM LIFE INSURANCE LIMITED			
Capital adequacy requirements (CAR) before management actions	7	11 150	16 150
Management actions assumed	8	(4 600)	(8 975)
CAR after management actions assumed		6 550	7 175
Times CAR covered by excess of assets over liabilities		3,7	2,6

NOTES TO THE STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES OF SANLAM LIFE INSURANCE LIMITED GROUP AT 31 DECEMBER 2004

1. SANLAM LIFE INSURANCE LIMITED GROUP

Information presented is in respect of the Sanlam Life Insurance Limited group, unless noted otherwise, and include the actuarial values of assets and liabilities relating to its long-term insurance subsidiaries. Merchant Investors Assurance Company Limited (MIA) has been excluded as it is a subsidiary of Sanlam Limited and is registered in the United Kingdom. Salient figures for MIA are provided in note 13.

2. EXCESS OF ASSETS OVER LIABILITIES

Refer to page 63 for an analysis of the Sanlam Life Insurance Limited group shareholders' fund at fair value, with Sanlam Investment Management (Pty) Limited not consolidated, but reflected at fair value.

3. ADJUSTMENT FOR PRUDENTIAL REGULATORY PURPOSES

	2004 Rand Million	2003 Rand Million
Total adjustment	(2 039)	(1 146)
Adjustment for group undertakings		
• Sanlam Investment Management	(1 299)	(1 016)
• Santam	(502)	–
Capital requirements of life insurance subsidiaries, adjusted for minority interests	(138)	(130)
Inadmissible asset	(100)	–

The adjustment for listed group undertakings is being phased-in in accordance with the Long-term Insurance Act. A proportion of the interest in a listed group undertaking is taken into account at fair value and the balance at net asset value less the capital requirement, where applicable, for the group undertaking. The proportion at fair value varies as follows, subject to a maximum of the interest in the group undertaking:

Until 31 December 2003:	60%
From 1 January 2004 to 31 December 2004:	40%
From 1 January 2005:	20%

The inadmissible asset consists of a deferred tax asset in respect of unused Secondary Tax on Companies credits.

4. OPERATING PROFIT

A number of changes were made in 2004 to the valuation methodology and assumptions, inter alia with regard to:

- Strengthening the valuation basis for non-participating annuities by increasing the allowance for credit risk;
- For funeral type business the liability per policy was made subject to a minimum of nil; and
- Expense, risk and decrement assumptions were aligned with the latest experience.

The changes in the valuation methodology and assumptions resulted in a reduction of R103 million in the operating profit for 2004.

The operating profit reconciles as follows with the Sanlam Life segmental operating profit:

Sanlam Life Insurance Limited group statutory operating profit	1 636	1 448
Sanlam Life segmental operating profit (<i>page 58</i>)	1 768	1 467
Included in operating profit of other business clusters	(47)	3
Operating profit of other Group subsidiaries included in Sanlam Life segmental operating profit	(85)	(22)

*Notes of the Statement of Actuarial Values & Liabilities of Sanlam Life Insurance Limited group at 31 December 2004 (.../conitued)***5. FINANCIAL ASSISTANCE PROVIDED TO POLICYHOLDERS**

During the course of 2003 a prudent valuation of the financial position of the Participating Annuity Portfolio in terms of prevailing actuarial guidelines, indicated the need to bolster the funding level of the portfolio by an additional R190 million. In addition, it was decided during 2003 to support the Monthly Bonus Fund with R100 million in view of this portfolio's relatively low funding level at the time. Full provision was made for this assistance against the investment return of the shareholders' fund. During 2004 the position of the Monthly Bonus Fund improved to such an extent that support was no longer required and it was decided to utilise the R100 million to increase the support for the Participating Annuity Portfolio. The possible repayment of the support will be determined by the future performance of the underlying assets. It will be reviewed on a regular basis, but at present any repayment does not seem likely.

6. MOVEMENT IN EXCESS ASSETS

The change in the excess assets for the Sanlam Life Insurance Limited group can be reconciled to the attributable earnings per the segmental income statement on page 58, as follows:

	2004 Rand Million	2003 Rand Million
Movement in excess assets for the Sanlam Life Insurance Limited group	6 247	2 735
Attributable earnings of Sanlam Life cluster	2 096	1 691
Included in attributable earnings of other business clusters	46	(18)
Attributable earnings of other group subsidiaries included in Sanlam Life segmental attributable earnings	(36)	(22)
Net unrealised investment surpluses taken directly to equity	5 212	2 134
Dividends paid	(1 071)	(1 050)

7. CAPITAL ADEQUACY

Figures are based on the excess of assets over liabilities for prudential regulatory purposes and the capital adequacy requirements for Sanlam Life Insurance Limited. All the life insurance subsidiaries of Sanlam Life Insurance Limited were in a sound financial position with their excess assets exceeding their capital adequacy requirements.

8. MANAGEMENT ACTIONS

The following management actions were assumed in the calculation of the capital adequacy requirements.

Reduction in non-vested bonuses; on average 3,0% of non-vested bonuses (2003: 4,4%)	346	594
Reduction in future bonus rates; on average 2,0% per annum below expected long-term rates, for three years (2003: 2,9%)	2 644	3 873
Capitalisation of proportion of expected future profits held as second-tier margins	321	2 040
Reduction in grossing up of the assets covering CAR	1 374	2 693
Independence credits	(85)	(225)
Total management actions	4 600	8 975

Notes of the Statement of Actuarial Values & Liabilities of Sanlam Life Insurance Limited group at 31 December 2004 (.../conitued)

9. ASSET COMPOSITION

The assets backing the capital adequacy requirements after management actions, used for the purpose of grossing up the intermediate ordinary capital adequacy requirements (as defined in PGN 104) to determine the ordinary capital adequacy requirements, were invested as follows:

	2004	2003
	%	%
Cash	15	9
Fixed-interest securities	20	15
Hedged equities	40	35
Properties	8	9
Equities	17	32
	100	100

10. INVESTMENT RETURN AND INFLATION ASSUMPTIONS

Pre-tax investment returns by major asset category and inflation assumptions were as follows:

Fixed-interest securities	8,3	9,4
Equities and offshore investments	10,3	11,4
Hedged equities	8,3	8,4
Properties	9,3	10,4
Cash	6,3	7,4
Future expense inflation (excluding margin)	4,3	5,4
Consumer Price Index inflation for premium indexation	3,3	3,9

11. DISCOUNT RATES USED IN CALCULATING PROSPECTIVE POLICY LIABILITIES

Reversionary bonus business		
Retirement annuity business	8,5	9,4
Individual policyholder business	7,8	8,7
Individual stable bonus business		
Retirement annuity business	8,4	9,3
Individual policyholder business	7,7	8,5
Non-taxable business	9,0	9,9
Corporate policyholder business	7,4	8,2
Individual market-related business		
Retirement annuity business	8,5	9,4
Individual policyholder business	7,8	8,6
Non-taxable business	9,1	10,0
Corporate policyholder business	7,5	8,3
Participating annuity business	7,4	8,4
Non-participating annuity business*	7,6	8,6
Guarantee plans *	7,4	8,7

*The calculation of policy liabilities is based on discount rates derived from the zero-coupon yield curve. This is the average rate that produces the same result.

12. BONUS STABILISATION RESERVES

No portfolio had a negative bonus stabilisation reserve which exceeded 7,5% of the relevant investment accounts at 31 December 2004.

Notes of the Statement of Actuarial Values & Liabilities of Sanlam Life Insurance Limited group at 31 December 2004 (.../conitued)

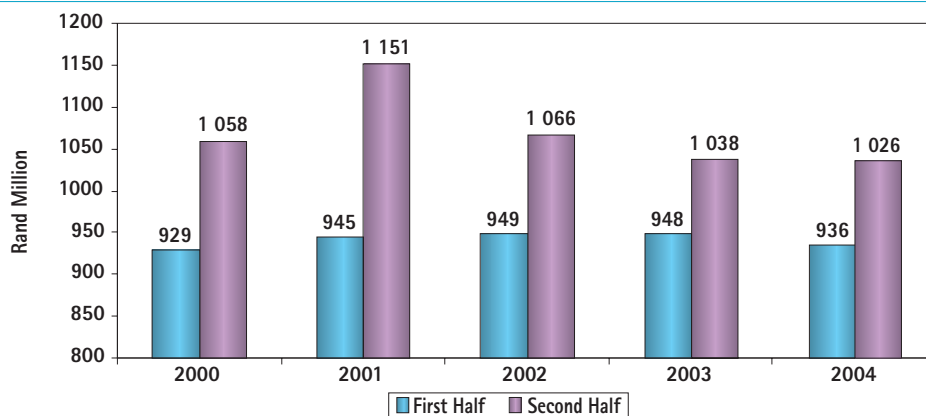
13. MERCHANT INVESTORS ASSURANCE COMPANY LIMITED (MIA)

	2004 Rand Million	2003 Rand Million
ASSETS		
Fair value of assets	14 409	14 362
LESS LIABILITIES		
Actuarial value of policy liabilities	14 230	14 209
Long-term and current liabilities	79	68
Excess of assets over liabilities	100	85
CAPITAL ADEQUACY		
Capital requirement	70	67
Times capital required covered by excess of asset over liabilities	1,4	1,3

SANLAM GROUP
BUSINESSES

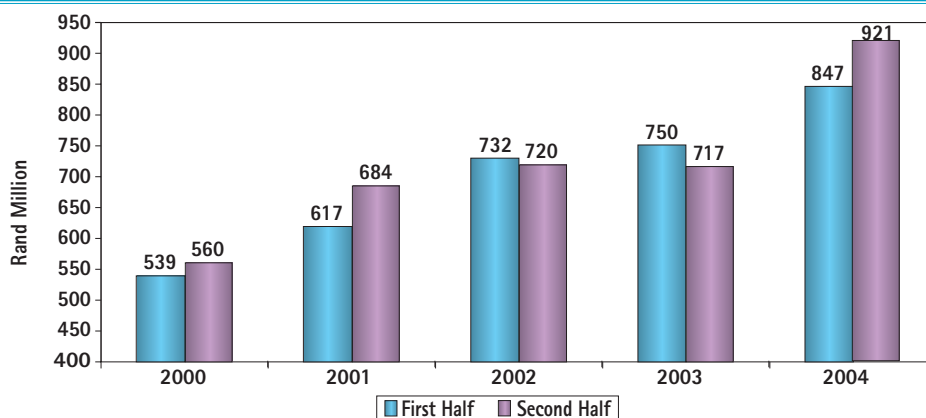
Life Cluster |

Admin Costs excluding restructuring



Life Cluster |

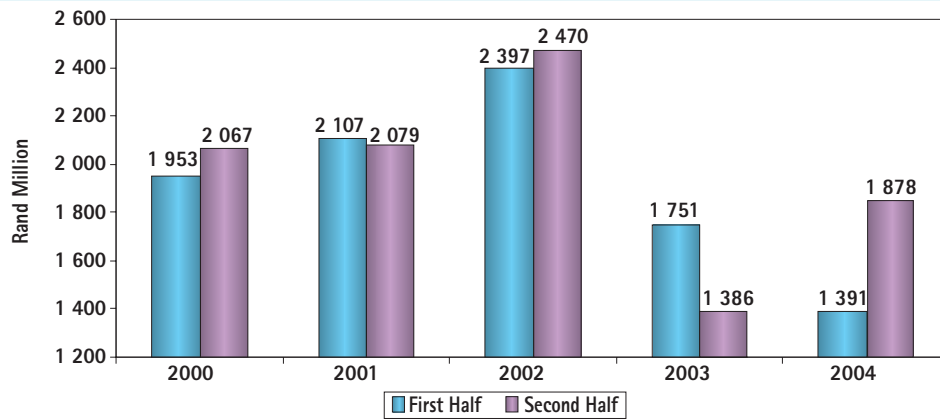
Operating profit excluding restructuring



Life Cluster : Individual Life |

Profitability : Analysis per category

	2004 Rand Million	2003 Rand Million
Admin income	288	21
Risk income	435	421
Market related income	857	904
Operating profit before tax & restructuring	1 580	1 346
Restructuring	—	(61)
Operating profit before tax	1 580	1 285
Admin Ratio (excluding restructuring)	36,9%	39,6%

Life Cluster : Individual Life |*Surrenders including Namibia***Life Cluster : Employee Benefits |***Profitability : Analysis per product*

	2004 Rand Million	2003 Rand Million
Administration	(4)	(16)
Underwriting	111	84
Investment	160	176
Contribution	267	244
Overhead expenses	(52)	(50)
Project expenses	(27)	(12)
Operating profit before tax	188	182

Investment Cluster |

Income per division

Rand Million	Total (Investment Cluster)		Total (SA operation)		Total (International operation)	
	2004	2003	2004	2003	2004	2003
Income	992	752	840	697	152	55
Administration costs	(561)	(482)	(486)	(448)	(75)	(34)
Profit before tax	431	270	354	249	77	21
Tax and minorities	(118)	(81)	(112)	(79)	(6)	(2)
Operating profit after tax	313	189	242	170	71	19

Rand Million	Total (SA operation)		Asset Management *		Sanlam Collective Investments		Sanlam Properties	
	2004	2003	2004	2003	2004	2003	2004	2003
Income	840	697	502	413	212	209	126	75
Administration costs	(486)	(448)	(301)	(282)	(154)	(140)	(31)	(26)
Profit before tax & currency movements	354	249	201	131	58	69	95	49
Tax and minorities	(112)	(79)	(63)	(38)	(18)	(22)	(31)	(19)
Operating profit after tax	242	170	138	93	40	47	64	30

* Consist of SIM Wholesale, Sanlam Private Investments, Sanlam Private Equity, SIM Namibia, TASC and Sanlam Multi-Manager.

Split in Assets under Management |

	2004 Rand Billion	2003 Rand Billion
Wholesale	243,0	195,0
• Sanlam	138,2	125,1
• Segregated	59,7	41,9
• International	32,6	17,8
• Sanlam Collective Investments	11,4	9,7
• Sanlam Multi Manager	1,1	0,5
Retail	42,9	32,3
• Sanlam Private Investments	19,1	13,2
• Sanlam Collective Investments	19,5	16,2
• Sanalm Multi Manager (SP ²)	4,3	2,9
Total Assets under Management	285,9	227,3



Santam |
Income Statement

	2004 Rand Million	2003 Rand Million
Gross written premium	9 735	9 513
Net written premium	7 843	7 022
Net earned premium	7 719	6 755
Claims incurred	(4 397)	(4 375)
Net commission	(942)	(789)
Management expenses	(1 214)	(1 061)
Underwriting result	1 166	530
Investment return on insurance funds	203	205
Net insurance result	1 369	735
Investment income	1 022	498
Income from associates	56	(12)
Goodwill	(49)	(37)
Income before taxation	2 398	1 184
Taxation	(615)	(356)
Income after taxation	1 783	828
Minority shareholders' interest	(24)	(22)
Income attributable to cell owners	(25)	-
NET INCOME	1 734	806
Earnings per share	Cents	Cents
Earnings per share	1 513	718
Headline earnings per share	1 556	751
Diluted earnings per share	1 492	708
Diluted headline earnings per share	1 534	741
Dividends per share	290	220
Ratios	%	%
Net claims ratio	56,9	64,8
Net acquisition cost ratio	28,0	27,4
Net underwriting margin	15,1	7,8
Net insurance result margin on net earned premiums	17,7	10,9

Independent Financial Services Cluster

Net Operating Profit |

	2004 Rand Million	2003 Rand Million
Sanlam Financial Services	47	(10)
Gensec Property Services	10	19
Sanlam Consultants and Actuaries	6	(4)
Other	(1)	–
Cluster overheads	(6)	(10)
Operating profit before tax	56	(5)
Included in Sanlam Employee Benefits	(6)	4
Operating profit as per income statement	50	(1)
Tax	(10)	(11)
Operating profit after tax	40	(12)
Minority shareholders interest	(15)	9
Net operating profit	25	(3)



The business environment during 2004 |

Looking back on 2004 one can conclude that it has been the best year for the South African economy and financial markets since 2001. Apparently, the negative consequences of the rand currency crisis of December 2001, the terrorist attacks of 9/11 and the ensuing second Gulf War have finally been put to rest. One should, however note that the financial markets, were rescued from mediocre performance only in the fourth quarter.

An investment in the JSE's All Share Index had rendered a cumulative return of only 0.9% for the 7 months to the end of July 2004. The unexpected reduction in the repurchase rate by the South African Reserve Bank in August 2004, however, stimulated the equity market, and the upward revision to the Gross Domestic Product (GDP) statistics in November provided a further boost. These events caused the market to reassess its perception of the growth potential of the economy and therefore company profits and associated valuations.

Apart from the factors mentioned above, the reassessment of emerging markets by international investors also played a role. This reassessment was reflected in a consistently downward trend in risk premiums. Investor enthusiasm for emerging markets reached South African shores in force in the fourth quarter of 2004, when net foreign purchases of domestic securities reached an all-time high.

The result was that equities managed to achieve a return of 25,4% for the full calendar year.

The bond market showed a similar trend. By the end of July, the cumulative return on an investment in the All Bond Index for the calendar year stood at 2,1%, but by the end of the year, it had improved to 15,2%. Returns on cash however continued to decline in the wake of lower interest rates.

The positive foreign sentiment towards South Africa was reinforced by the interest expressed by Barclays PLC in acquiring a controlling interest in Absa, and the expectation of an upgrade to South Africa's international credit rating that was subsequently confirmed in January 2005 when Moody's Investor Services made an announcement to this effect.

The appreciation in the value of the rand contributed significantly to domestic assets outperforming foreign assets, and investors showed little interest in utilising the strength of the rand to increase off shore exposure. Rand volatility remained at its elevated level.

The euphoria in financial markets was underpinned by a solid performance of the real economy, with quarter-on-quarter GDP growth accelerating from 1,8% per annum in Q2 2003 to 5,6% per annum in Q3 2004. The improvement in economic growth was largely the result of growth in final consumption of households increasing from 3,5% per annum in Q2 2003 to 6,7% per annum in Q3 2004.

The real disposable income of households increased at an annualised rate of 6% in the first nine months of 2004, and the conservative level of household debt relative to disposable income enabled households to expand their spending further in a low interest rate environment. It is also encouraging that households allocated a small part of their increased disposable income to raise their saving rate.

While one should acknowledge that the economic and financial market environment has indeed improved, and that risk taking is becoming fashionable again, one should take a prudent view on this trend. It is also appropriate to recognise that the recent past has been a period of exceptional liquidity, with interest rates being at their lowest level in many years – first internationally and subsequently in South Africa. How things evolve once conditions return to normal is uncertain.

The robustness of the structural improvement in the South African economy, as reflected in the improved international financial position of the country and low inflation and interest rates, still needs to be tested. For life insurers, creating a value proposition that is acceptable to the public in such an environment remains a daunting task.

Of particular importance is whether signs of a turnaround in the ability of the economy to create jobs can be confirmed. Once this happens, a higher growth trajectory will become self-sustainable.

The financial system is an integral part of the institutional framework of the economy, and in this regard, the financial services industry will continue to face the challenge of contributing to South Africa's development. The life insurance industry needs to find a solution to the problem of access to its services for the lower income groups, in particular those people who find themselves in the largely informal "second economy". At the same time, it is faced with the challenge of demonstrating its commitment to contribute to growth and employment through its asset management practices.

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Executive Directors

J (Johan) van Zyl (*Group Chief Executive*) and PdeVR (Flip) Rademeyer (*Financial Director*)