

SANTAM LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1918/001680/06)
JSE share code: SNT NSX share code: SNM
ISIN: ZAE000006854
("Santam")

SANLAM LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1959/001562/06)
JSE share code: SLM NSX share code: SLA
ISIN: ZAE000070660
("Sanlam")

A PRO RATA VOLUNTARY OFFER TO REPURCHASE UP TO 10% OF SANTAM'S ISSUED ORDINARY SHARES FROM SANTAM SHAREHOLDERS, AN OFFER BY SANLAM TO PURCHASE SANTAM SHARES TENDERED IN EXCESS OF 10% OF SANTAM'S ISSUED ORDINARY SHARES ("THE OFFERS") AND A BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BEE") TRANSACTION

1. INTRODUCTION

Santam and Sanlam shareholders are hereby advised that –

- Santam intends to make a *pro rata* voluntary offer to repurchase up to 10% of its issued ordinary shares from all Santam ordinary shareholders for a cash consideration of R102.00 per share (the "**voluntary repurchase offer**");
- to the extent that Santam shareholders' acceptances of the voluntary repurchase offer exceed 10% of the issued ordinary shares of Santam, Sanlam intends to make an offer to acquire the excess shares tendered at the same offer price (subject to Sanlam's shareholder funds not holding more than 80% of Santam's issued ordinary shares thereafter) (the "**Sanlam offer**"); and
- a scheme of arrangement in terms of section 311 of the Companies Act, No. 61 of 1973, as amended, (the "**Companies Act**"), will be proposed, which, on becoming effective, will result in Santam shareholders (following implementation of the offers) becoming obliged to sell 10% of their ordinary shares in Santam for a cash consideration of R82.00 per share to facilitate a BEE transaction.

2. THE VOLUNTARY REPURCHASE OFFER

2.1 Rationale

The Santam board, having taken cognisance of the optimal solvency levels and future capital requirements of Santam, is of the opinion that Santam's current capital level is surplus to its requirements and therefore deem it appropriate to lower capital levels of Santam's South African operations ("**Santam RSA**") to approximately a 40% solvency margin (shareholders' funds expressed as a percentage of net written premiums). Santam RSA's required solvency margin in terms of the proposed Financial Condition Reporting will be at a level below the existing regulatory requirement of 25% and significantly lower than Santam RSA's calculated solvency margin as at 31 December 2006 of 58%.

Santam has embarked on a capital reorganisation programme involving *inter alia* a capital reduction by way of the voluntary repurchase offer, and capital restructuring.

The Santam board is considering creating subordinated debt, non-redeemable preference shares and other secondary capital instruments. To this end, capacity will be created for the future issuance of non-redeemable preference shares at the general meeting referred to in paragraph 6. The extent to which the Santam board issues the non-redeemable preference shares in due course will depend *inter alia* on amendments to tax legislation and prevailing market conditions. The secondary capital instruments will be structured in such a way that they will qualify as capital for regulatory solvency purposes, and will not adversely affect Santam's current Insurer Financial Strength rating. Further details hereof will be issued in due course.

The voluntary repurchase offer will be effected through a wholly-owned subsidiary of Santam, Guardian National Insurance Company Limited (the "**Santam subsidiary**"). As the offer is voluntary, Santam shareholders will be entitled to decide whether or not to accept the voluntary repurchase offer.

2.2 Terms of the voluntary repurchase offer

Subject to the fulfillment or waiver (if possible) of the voluntary repurchase offer suspensive conditions referred to in paragraph 2.6 below, the Santam subsidiary will purchase from Santam shareholders all Santam shares tendered in terms of the voluntary repurchase offer up to a maximum of 10% of Santam's issued ordinary shares.

In the event that Santam shares are tendered to the Santam subsidiary in excess of 10% of a Santam shareholder's shareholding in Santam, the Santam subsidiary will acquire from such shareholder such number of further Santam shares, *pro rata* to the excess Santam shares tendered to the Santam subsidiary, if the Santam board in its discretion so resolves, subject to a maximum of 10% of the issued ordinary shares of Santam. All Santam shares tendered and not acquired by the Santam subsidiary shall be subject to the Santam offer referred to in paragraph 3 below.

2.3 The voluntary repurchase offer consideration

The voluntary repurchase offer consideration comprises a cash consideration of R102.00 per Santam ordinary share. The Santam board has declared a final dividend of R2.62 per Santam ordinary share. Santam ordinary shares will trade ex dividend from Friday, 16 March 2007 (the "**ex dividend date**") and will trade ex the right to participate in the offers on or about Monday, 16 April 2007. Santam shareholders who hold Santam ordinary shares on the ex dividend date and dispose of Santam ordinary shares pursuant to the voluntary repurchase offer, will receive both a dividend of R2.62 per Santam share and the voluntary repurchase offer consideration of R102.00 per Santam share.

The voluntary repurchase offer consideration represents a premium of 8.5% to the volume weighted average price of R93.98 per Santam share over the 5 trading days ending on Friday, 23 February 2007, being the last practicable date prior to the finalisation of this announcement (the "**last practicable date**"), and a premium of 11.6% to the volume weighted average price of R93.98 per Santam share over the 5 trading days ending on the last practicable date less a dividend of R2.62 per Santam share.

2.4 Funding of the voluntary repurchase offer

The voluntary repurchase offer consideration will be funded out of cash and liquid assets of the Santam Group.

2.5 The voluntary repurchase offer period

The voluntary repurchase offer will open for acceptances from 9:00 on Monday, 26 March 2007 and is expected to close at 12:00 on Friday, 20 April 2007. Any amendments to the opening and closing dates or times of the voluntary repurchase offer will be released on SENS and published in the South African and Namibian press.

2.6 Suspensive conditions of the voluntary repurchase offer

The voluntary repurchase offer is subject to the fulfillment or waiver (if possible) of the following suspensive conditions by no later than Thursday, 31 May 2007, or such later date as Santam may determine:

- a special resolution authorising the purchase by the Santam subsidiary of Santam shares in terms of the voluntary repurchase offer, being duly passed and subsequently registered by the Registrar of Companies; and
- the Registrar of Short-term Insurance providing its required approval for the voluntary repurchase offer and the implementation thereof in terms of the provisions of section 23 of the Short-term Insurance Act, 1998 (Act 53 of 1998) (the "**Short-term Insurance Act**").

2.7 Financial effects of the voluntary repurchase offer

The table below sets out the unaudited *pro forma* financial effects of the voluntary repurchase offer on basic earnings per share ("EPS"), headline EPS, net asset value ("NAV") per share and

net tangible asset value ("NTAV") per share, based on the audited results of Santam for the financial year ended 31 December 2006. The unaudited *pro forma* financial effects are the responsibility of the directors of Santam and have been prepared for illustrative purposes only to provide information about how the voluntary repurchase offer may have affected the financial position of Santam shareholders on the relevant reporting date. Due to their nature, the unaudited *pro forma* financial effects may not be a fair reflection of Santam's financial position after implementation of the voluntary repurchase offer or of Santam's future earnings:

	Before the voluntary repurchase offer ⁽¹⁾ (cents)	Unaudited <i>pro forma</i> adjustments (cents)	After the voluntary repurchase offer ^(2,3,4,5) (cents)	Change (%)
Basic EPS	1 574	119	1 693	8%
Diluted basic EPS	1 553	115	1 668	7%
Headline EPS	1 555	117	1 672	8%
Diluted headline EPS	1 535	113	1 648	7%
NAV per share	5 633	(508)	5 125	(9%)
NTAV per share	5 519	(520)	4 999	(9%)
Number of shares in issue (millions)	117.6	(11.8)	105.9	(10%)
Weighted average number of shares in issue (millions)	117.1	(11.8)	105.4	(10%)

Notes:

- (1) Extracted and/or compiled from the audited results of Santam for the financial year ended 31 December 2006.
- (2) For the purpose of calculating *pro forma* basic EPS and headline EPS, it has been assumed that the voluntary repurchase offer was effected on 1 January 2006.
- (3) For the purpose of calculating *pro forma* NAV per share and NTAV per share, it has been assumed that the voluntary repurchase offer was effected on 31 December 2006.
- (4) The following assumptions were applied with regard to the voluntary repurchase offer:
 - 11 768 606 ordinary shares were repurchased pursuant to the voluntary repurchase offer, being 10% of Santam's issued ordinary shares as at the last practicable date;
 - the total repurchase offer consideration was R1.2 billion for all shares repurchased by the Santam subsidiary pursuant to the voluntary repurchase offer;
 - dividends of R117 million would have been paid to the Santam subsidiary during the year on the repurchased shares;
 - Secondary Tax on Companies ("**STC**") at a rate of 12.5% would have been paid by Santam on these dividends;
 - investment income at an average interest rate of 7.5% per annum (before tax) was foregone or earned, as the case may be, on the cash flows in respect of the payment of the total repurchase offer consideration, the dividends received by the Santam subsidiary on the repurchased shares and STC paid by Santam thereon; and
 - a corporate tax rate of 29% has been applied.
- (5) No transaction costs have been taken into account in the calculation of the unaudited *pro forma* financial effects as they will not have a material impact.

3. THE SANLAM OFFER

3.1 Rationale

The Sanlam offer affords Santam shareholders the opportunity to dispose of more shares than the Santam subsidiary would, in terms of the limit imposed under the voluntary repurchase offer, be capable of accepting. It further provides Santam shareholders with the opportunity to realise

value for their Santam shares, should they wish to exit, at a premium to the current market price and with additional liquidity.

Sanlam's maximum holding of 80% (when aggregated with Santam shares already held by Sanlam in its shareholders' funds) of the issued ordinary shares of Santam pursuant to the Sanlam offer will allow Santam to meet the minimum spread requirements of the JSE Limited's Listings Requirements following the Sanlam offer.

Increasing Sanlam's stake in Santam through the Sanlam offer is in line with Sanlam's strategy of enhancing diversification and growing Sanlam's business into a balanced financial services group.

3.2 Terms of the Sanlam offer

Subject to the fulfilment or waiver (if possible) of the Sanlam offer suspensive conditions referred to in paragraph 3.6 below, Sanlam will, through its wholly-owned subsidiary Sanlam Life Insurance Limited, acquire from Santam shareholders all Santam shares tendered by Santam shareholders in excess of the Santam subsidiary's maximum acceptance of 10% of the issued ordinary shares of Santam in terms of the voluntary repurchase offer, subject to a maximum of such number of Santam shares, which when aggregated with Santam shares already held by Sanlam in its shareholders' funds, represents 80% of Santam's issued ordinary shares.

In the event that Santam shares are tendered to Sanlam in excess of the maximum number of Santam shares to be acquired by Sanlam in terms of the Sanlam offer, Sanlam will acquire from each Santam shareholder, such number of Santam shares, *pro rata* to the number of Santam shares tendered in terms of the Sanlam offer, subject to the acquisition by Sanlam of the maximum number of Santam shares referred to above.

3.3 The Sanlam offer consideration

The Sanlam offer consideration comprises a cash consideration of R102.00 per Santam ordinary share, equal to the voluntary repurchase offer consideration. Santam shareholders who hold Santam ordinary shares on the ex dividend date and dispose of Santam ordinary shares pursuant to the Sanlam offer, will receive both a dividend of R2.62 per Santam share and the Sanlam offer consideration of R102.00 per Santam share.

The Sanlam offer consideration represents a premium of 8.5% to the volume weighted average price of R93.98 per Santam share over the 5 trading days ending on the last practicable date, and a premium of 11.6% to the volume weighted average price of R93.98 per Santam share over the 5 trading days ending on the last practicable date less a dividend of R2.62 per Santam share.

3.4 Funding of the Sanlam offer

The Sanlam offer consideration will be funded out of cash and liquid assets of the Sanlam Group.

3.5 The Sanlam offer period

The Sanlam offer will open for acceptances from 9:00 on Monday, 26 March 2007 and is expected to close at 12:00 on Friday, 20 April 2007. Any amendments to the opening and closing dates or times of the Sanlam offer will be released on SENS and published in the South African and Namibian press.

3.6 Suspensive conditions of the Sanlam offer

The Sanlam offer is subject to the fulfilment or waiver (if possible) of the following suspensive conditions by no later than Thursday, 31 May 2007, or such later date as may be agreed between Sanlam and Santam:

- the voluntary repurchase offer becoming unconditional; and

- the Registrar of Short-term Insurance providing its required approval for the Sanlam offer and the implementation thereof in terms of the provisions of section 25 of the Short-term Insurance Act.

3.7 Financial effects of the Sanlam offer

The table below sets out the unaudited *pro forma* financial effects of the Sanlam offer on core EPS, headline EPS, NAV per share, NTAV per share and embedded value ("EV") per share, based on the reviewed results of Sanlam for the six months ended 30 June 2006. The unaudited *pro forma* financial effects are the responsibility of the directors of Sanlam and have been prepared for illustrative purposes only to provide information about how the Sanlam offer may have affected the financial position of Sanlam shareholders on the relevant reporting date. Due to their nature, the unaudited *pro forma* financial effects may not be a fair reflection of Sanlam's financial position after implementation of the Sanlam offer or of Sanlam's future earnings:

	Before the Sanlam offer ⁽¹⁾ (cents)	Unaudited <i>pro forma</i> adjustments (cents)	After the Sanlam offer ^(2,3,4) (cents)	Change (%)
Basic core EPS	71.3	1.6	72.9	2%
Diluted core EPS	69.9	1.6	71.5	2%
Basic headline EPS	141.1	1.4	142.5	0%
Diluted headline EPS	138.4	1.3	139.7	1%
NAV per share	1 115	-	1 115	0%
NTAV per share	934	(4)	930	0%
EV per share	1 750	-	1 750	0%

Notes:

- (1) Extracted from the reviewed interim results of Sanlam for the six months ended 30 June 2006.
- (2) For the purpose of calculating *pro forma* core EPS and headline EPS, it has been assumed that the Sanlam offer was effected on 1 January 2006.
- (3) For the purpose of calculating *pro forma* NAV, NTAV and EV per ordinary Sanlam share, it has been assumed that the Sanlam offer was effected on 30 June 2006.
- (4) The following assumptions were applied with regard to the Sanlam offer:
 - 50% of the number of Santam ordinary shares that Sanlam could have acquired to reach its maximum holding after the Sanlam offer, were acquired by Sanlam at the Sanlam offer consideration of R102.00 per share;
 - the total Sanlam offer consideration of R1.05 billion for all shares acquired by Sanlam pursuant to the Sanlam offer was withdrawn from a balanced portfolio;
 - the excess of the total Sanlam offer consideration paid over the net asset value of the minority interest acquired is regarded as goodwill, which is not amortised, but tested for impairment on a regular basis; and
 - EPS increased due to the reversal of the proportionate minority shareholders' interest in Santam's EPS and reduced due to the investment income of 1.8% after tax and investment surpluses of 5.3% after tax (based on actual earned during the six months ended 30 June 2006 on the balanced portfolio from which the total Sanlam offer consideration was withdrawn).

3.8 Information on Santam

Santam provides short-term insurance products and services using its broker network as the primary distribution channel. Santam operates in the personal lines and commercial markets

and for 2006 its business comprised approximately 35% personal lines and 65% commercial business.

Santam's underwrites all classes of short-term insurance, with motor and property business making up approximately two-thirds of the total, in line with the current composition of the South African short-term insurance industry. Santam has assets totaling more than R16 billion.

4. BEE TRANSACTION

The Santam board has resolved to enter into a BEE transaction that will involve the sale of 10% of Santam's issued ordinary shares after the offers have been effected, to the following categories of BEE partners:

- Santam staff;
- broad-based community trusts; and
- strategic business partners.

In order to effect the proposed BEE transaction, a scheme of arrangement will be proposed between Santam and its shareholders in terms of section 311 of the Companies Act, in terms of which a vehicle housing the BEE partners' interest will acquire 10% of each Santam shareholder's Santam ordinary shares at a cash consideration of R82.00 per Santam share, being a discount of 12.7% to the volume weighted average price of R93.98 per Santam share over the 5 trading days ending on the last practicable date, and a discount of 10.2% to the volume weighted average price of R93.98 per Santam share over the 5 trading days ending on the last practicable date less a dividend of R2.62 per Santam share. Further details of the proposed BEE transaction will be outlined in a scheme document to be posted to Santam shareholders on or about Friday, 23 March 2007.

5. OPINIONS AND RECOMMENDATIONS

5.1 Opinion of Rand Merchant Bank

FirstRand Bank Limited acting through Rand Merchant Bank Corporate Finance ("RMB") has been appointed by the directors of Santam to provide them with an opinion as to whether the consideration to be received by Santam shareholders in terms of the offers is fair and reasonable. The fair and reasonable opinion of RMB will be included in the circular referred to in paragraph 9 below to be posted to Santam shareholders. RMB has provided a favourable preliminary opinion, which preliminary opinion may be subject to change and is subject to the same limitations and conditions as its final opinion.

5.2 Opinion of the Santam board

The Santam board appointed an independent sub-committee to consider the terms and conditions of the offers and to make recommendations to the Santam board in this regard. After considering the opinion of RMB referred to in paragraph 5.1 and the advice of the independent sub-committee, the Santam board will, in the circular referred to in paragraph 9 below, provide an opinion to the Santam shareholders on the terms and conditions of the offers. Based on the preliminary opinion of RMB, the Santam board considers the terms of the offers to be fair and reasonable. Subject to the final fair and reasonable opinion of RMB, the Santam board recommends that Santam shareholders vote in favour of the resolution required to give effect to the voluntary repurchase offer. Those Santam directors who hold Santam ordinary shares intend voting in favour of the required resolution in respect of their Santam ordinary shares.

6. GENERAL MEETING

A general meeting of Santam shareholders will take place at the registered office of Santam, 1 Sportica Crescent, Tyger Valley, Bellville on Thursday, 29 March 2007 at 10:00, in order to consider and, if deemed fit, pass, with or without modification, the resolutions required to implement the voluntary repurchase offer as set out in the notice of general meeting attached to and forming part of the circular to be posted to shareholders on or about Wednesday, 7 March 2007.

7. SETTLEMENT PROCESS

Santam, in respect of the repurchase offer, and acting as agent for Sanlam in respect of the Sanlam offer, will, through its transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, administer and effect settlement of the offer consideration to Santam shareholders whose shares are acquired in terms of the offers.

8. SAILIENT DATES AND TIMES

2007

Circular posted to Santam shareholders, on	Wednesday, 7 March
Santam shares trade ex dividend from 9:00, on	Friday, 16 March 2007
Scheme circular posted to Santam shareholders (in respect of the proposed BEE transaction)	Friday, 23 March*
The offers open at 9:00, on	Monday, 26 March
Last day to lodge forms of proxy for the general meeting by 10:00, on	Tuesday, 27 March
General meeting to be held at 10:00, on	Thursday, 29 March
Results of the general meeting released on SENS, on	Thursday, 29 March
Results of the general meeting published in the South African and Namibian press, on	Friday, 30 March
Registration of special resolutions passed at the general meeting by the Registrar of Companies, on	Friday, 30 March *
Last day to trade in order to participate in the offers, on	Friday, 13 April *
Santam ordinary shares trade ex the right to participate in the offers, on	Monday, 16 April *
Record date on which Santam shareholders must be recorded in the register in order to participate in the offers, on	Friday, 20 April *
Last day to lodge forms of acceptance and surrender to accept the offers at 12:00, on	Friday, 20 April *
The offers close at 12:00, on	Friday, 20 April *
Results of the offers released on SENS, on	Monday, 23 April *
Results of the offers published in the South African and Namibian press, on	Monday, 23 April *
Voluntary repurchase offer consideration and Sanlam offer consideration posted or cash electronically transferred to certificated shareholders, from	Monday, 23 April *
Safe custody account held with CSDP/broker credited and updated in respect of the voluntary repurchase offer consideration and the Sanlam offer consideration to dematerialised shareholders, on	Monday, 23 April*
Scheme meeting (in respect of the proposed BEE transaction) to be held at 10:00, on	Thursday, 26 April*
Operative date of the scheme of arrangement (in respect of the BEE transaction), on	Monday, 30 April*

* Estimated dates

Notes:

1. All times shown in this announcement are South African local times.
2. The above dates and time are subject to change. Any material change will be published in the South African and Namibian press and released on SENS.
3. In the event that the suspensive conditions of the offers have not been fulfilled or waived (if possible) by the time the offers close, the timetable will need to be extended accordingly.
4. Santam shares may not be dematerialised or rematerialised between 13 April 2007 and 20 April 2007, both days inclusive.

9. CIRCULAR

A circular setting out the full details of the offers and including a notice of general meeting, form of proxy and forms of acceptance and surrender will be posted to Santam shareholders on or about Wednesday, 7 March 2007.

Bellville
27 February 2007

Merchant bank and transaction sponsor to
Santam
RAND MERCHANT BANK
(A division of FirstRand Bank Limited)

Financial adviser and transaction sponsor to
Sanlam
DEUTSCHE SECURITIES

Sponsor to Santam
INVESTEC BANK LIMITED

Legal advisers to Sanlam
JOWELL GLYN & MARAIS