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Santam Limited and its subsidiaries

Reviewed Interim Report
for the six months ended 30 June 2008

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NON-EXECUTIVE DIRECTORS

BTPKM Gamedze, DCM Gihwala, JG le Roux, NM Magau,
JP Möller, RK Morathi, P de V Rademeyer, J Rowse,
GE Rudman, DK Smith (Chairman), J van Zyl,
BP Vundla

EXECUTIVE DIRECTORS

IM Kirk (Chief Executive Officer),
MJ Reyneke (Chief Financial Officer)

COMPANY SECRETARY

Sana-Ullah Bray

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Registration number 1918/001680/06

ISIN ZAE000093779

JSE share code: SNT

NSX share code: SNM

TRANSFER SECRETARIES

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Tel: 011 370 5000
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SPONSOR

Investec Bank Limited

HIGHLIGHTS

- Core underwriting business performing well
- SA underwriting margin of 5.7%
- Generated R981 million cash from operations
- Solvency ratio of 40%
- Interim dividend maintained at 166 cps

CONSOLIDATED BALANCE SHEETS

	Notes	Reviewed At 30 June 08 R million	Reviewed At 30 June 07 R million	Audited At 31 Dec 07 R million
ASSETS				
Non-current assets				
Property and equipment		54	63	38
Intangible assets		130	147	135
Deferred income tax		44	39	40
Investments in associates		226	240	175
Financial assets – at fair value through income				
Equity securities	3	3 669	5 672	4 454
Debt securities	3	2 464	2 255	2 901
Current assets				
Reinsurance assets		2 572	2 026	2 026
Deferred acquisition costs		209	222	239
Loans and receivables including insurance receivables	3	2 137	1 747	1 947
Income tax assets		11	3	27
Cash and cash equivalents		4 167	5 682	3 445
Non-current assets classified as held for sale	4	2 239	–	2 060
Total assets		17 922	18 096	17 487
EQUITY				
Capital and reserves attributable to the company's equity holders				
Share capital		107	99	105
Treasury shares		(691)	(713)	(726)
Other reserves		1 204	1 186	1 147
Distributable reserves		3 205	6 026	3 448
Amounts recognised directly in equity relating to non-current assets classified as held for sale		145	–	71
		3 970	6 598	4 045
Minority interest		133	127	133
Total equity		4 103	6 725	4 178
LIABILITIES				
Non-current liabilities				
Deferred income tax		3	249	91
Financial liabilities – at fair value through income				
Debt securities	5	788	553	908
Investment contracts		376	289	525
Derivative	3	113	28	47
Financial liabilities – at amortised cost				
Cell-owners' interest		422	383	336
Current liabilities				
Insurance liabilities		8 354	8 194	7 630
Deferred reinsurance acquisition revenue		50	55	99
Provisions for other liabilities and charges		87	152	87
Trade and other payables		1 776	1 350	1 492
Current income tax liabilities		69	118	488
Liabilities directly associated with non-current assets classified as held for sale	4	1 781	–	1 606
Total liabilities		13 819	11 371	13 309
Total shareholders' equity and liabilities		17 922	18 096	17 487

CONSOLIDATED INCOME STATEMENTS

	Notes	Reviewed Six months ended 30 June 2008 R million	Reviewed Six months ended 30 June 2007 R million	Change %	Audited Year ended 31 Dec 2007 R million
CONTINUING OPERATIONS					
Gross written premium		6 801	6 269	8%	13 173
Less: reinsurance premium		1 282	1 138		2 254
Net premium		5 519	5 131	8%	10 919
Less: change in unearned premium					
Gross amount		(229)	56		330
Reinsurers' share		54	(78)		(127)
Net insurance premium revenue		5 694	5 153	11%	10 716
Investment income	6	372	279	33%	666
Income from reinsurance contracts ceded		180	162		306
Net (losses)/gains on financial assets and liabilities at fair value through income		(480)	463	(204%)	454
Net income		5 766	6 057	(5%)	12 142
Insurance claims and loss adjustment expenses		5 096	3 886		8 552
Insurance claims and loss adjustment expenses recovered from reinsurers		(1 160)	(487)		(1 250)
Net insurance benefits and claims		3 936	3 399	16%	7 302
Expenses for the acquisition of insurance contracts		999	873		1 794
Expenses for marketing and administration		613	574		1 262
Expenses for asset management services rendered		12	12		27
Amortisation of intangible assets		6	1		2
Expenses		5 566	4 859	15%	10 387
Results of operating activities		200	1 198	(83%)	1 755
Finance costs		(45)	(9)		(45)
Share of profit of associates		11	50		76
Profit before tax		166	1 239	(87%)	1 786
Tax	7	7	(280)		(542)
Profit for the period from continuing operations		173	959	(82%)	1 244
DISCONTINUED OPERATIONS					
Loss for the period from discontinued operations	4	(63)	(21)		(168)
Profit for the period		110	938	(88%)	1 076
Attributable to:					
– equity holders of the company		100	928	(89%)	1 050
– minority interest		10	10		26
		110	938		1 076
Earnings attributable to equity shareholders					
Earnings per share (cents)	9				
Basic earnings per share		89	804	(89%)	924
Diluted earnings per share		88	793	(89%)	914
Headline earnings per share		89	803	(89%)	906
Diluted headline earnings per share		88	793	(89%)	897
Weighted average number of shares – millions		112.40	115.45		113.67
Weighted average number of ordinary shares for diluted earnings per share – millions		113.01	116.98		114.81
Dividend per share (cents)		166	166	–	410
Special dividend per share (cents)		–	–		2 200

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Minority interest		Total
	Share Capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Amounts recognised directly in equity relating to non-current assets held for sale R million	R million	R million
Balance as at 1 January 2007	71		1 119	5 437		123	6 750
Share issue	34						34
Net purchase of treasury shares		(726)					(726)
Profit for the period				1 050		26	1 076
Transfer to reserves			93	(93)			–
Share-based payments				14			14
Currency translation differences			6				6
Dividends paid				(2 960)		(17)	(2 977)
Interest acquired by minorities						1	1
Amounts recognised directly in equity relating to non-current assets classified as held for sale			(71)		71		–
Balance as at 31 December 2007	105	(726)	1 147	3 448	71	133	4 178
Share issue	2						2
Purchase of treasury shares		(21)					(21)
Sale of treasury shares		56					56
Profit for the period				100		10	110
Transfer to reserves			32	(32)			–
Share-based payments				14			14
Loss on sale of treasury shares				(52)			(52)
Currency translation differences			99				99
Dividends paid				(273)		(10)	(283)
Amounts recognised directly in equity relating to non-current assets classified as held for sale			(74)		74		–
Balance as at 30 June 2008	107	(691)	1 204	3 205	145	133	4 103
Balance as at 1 January 2007	71		1 119	5 437		123	6 750
Share issue	28						28
Net purchase of treasury shares		(713)					(713)
Profit for the period				928		10	938
Transfer to reserves			35	(35)			–
Share-based payments				6			6
Currency translation differences			32				32
Dividends paid				(310)		(10)	(320)
Interest acquired by minorities						4	4
Balance as at 30 June 2007	99	(713)	1 186	6 026	–	127	6 725

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	Reviewed Six months ended 30 June 2008 R million	Reviewed Six months ended 30 June 2007 R million	Audited Year ended 31 Dec 2007 R million
Cash generated from operations		981	956	2 139
Interest paid		(45)	(9)	(45)
Income tax paid		(493)	(214)	(288)
Net cash from operating activities		443	733	1 806
Cash flows from investing activities				
Cash generated/(utilised) in investment activities		791	136	(197)
Acquisition of subsidiary, net of cash acquired	8	(3)	(30)	(61)
Cash acquired through the acquisition of subsidiary		–	41	52
Purchases of equipment		(30)	(12)	(32)
Proceeds from sale of equipment		–	–	3
Acquisition of associated companies		(55)	–	–
Proceeds from sale of associated companies		–	1	21
Acquisition of book of business		–	–	(2)
Proceeds from sale of business operations		57	–	–
Net cash from investing activities		760	136	(216)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		2	28	34
Purchase of treasury shares		(21)	(713)	(726)
Proceeds on sale of treasury shares		3	–	–
Increase in debt securities		–	591	964
(Decrease)/Increase in investment contract liabilities		(177)	–	230
Dividends paid to company's shareholders		(273)	(310)	(2 960)
Dividends paid to minorities		(10)	(10)	(17)
Increase in cell-owners' interest		86	54	8
Net cash used in financing activities		(390)	(360)	(2 467)
Net increase/(decrease) in cash and cash equivalents		813	509	(877)
Cash and cash equivalents at beginning of period		4 257	5 142	5 142
Exchange gains/(losses) on cash and cash equivalents		152	31	(8)
Cash and cash equivalents at end of period		5 222	5 682	4 257
Non-current assets classified as held for sale		(1 055)	(893)	(812)
Cash and cash equivalents at end of period – Continuing operations		4 167	4 789	3 445
Cash flows relating to discontinued operations				
Included in the above are the following cash flows from discontinued operations:				
Operating cash flows		(214)	38	233
Investing cash flows		318	22	(25)
Financing cash flows		–	–	(197)
Net increase in cash and cash equivalents		104	60	11
Cash and cash equivalents at beginning of period		812	808	808
Translation gains/(losses) on cash and cash equivalents		139	25	(7)
Cash and cash equivalents at end of period		1 055	893	812

NOTES TO THE ABRIDGED FINANCIAL REPORT

1. Basis of presentation and accounting policies

The consolidated financial statements for the six months ended 30 June 2008 are prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 – *Interim Financial Reporting* and in compliance with the Listing Requirements of the JSE Limited. The condensed consolidated interim financial statements do not include all of the information required by IFRS for full annual financial statements.

The principal accounting policies used in preparing the reviewed results for the six months ended 30 June 2008 are consistent with those applied in the annual financial statements for the year ended 31 December 2007 and for the results for the six months ended 30 June 2007 in terms of IFRS.

In the 2008 balance sheet and income statement, the European insurance operations are presented in terms of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. The comparatives for June 2007 have been restated on the income statement.

2. Segmental report

To ensure more meaningful disclosure, only the continuing activities are reported on a segmented basis below.

2.1 For the six months ended 30 June 2008

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	6 801	(271)	6 530
Gross written premium	6 801		6 801
Net written premium	5 519		5 519
Net earned premium	5 694		5 694
Claims incurred	3 936		3 936
Net commission	819		819
Management expenses	613		613
Underwriting result	326	–	326
Investment return on insurance funds	129		129
Net insurance result	455	–	455
Investment income net of management fee		(294)	(294)
Income from associates		11	11
Amortisation of intangible assets	(6)	–	(6)
Income before taxation	449	(283)	166
Total assets	9 324	6 359	15 683
Total liabilities	11 113	925	12 038

Insurance class	Gross written premium R million	Under-writing result R million	Total assets R million	Total liabilities R million
Accident and health	184	20	32	134
Alternative risk	968	3	440	1 881
Crop	82	66	6	13
Engineering	244	69	85	266
Guarantee	7	4	21	36
Liability	516	231	849	2 012
Miscellaneous	10	3	6	23
Motor	2 719	185	90	1 235
Property	1 896	(253)	1 173	2 525
Transportation	175	4	79	279
Unallocated	–	(6)	12 902	3 634
TOTAL	6 801	326	15 683	12 038
Comprising:				
Commercial insurance	3 256	246	2 318	6 126
Personal insurance	2 577	83	23	397
Alternative risk	968	3	440	1 881
Unallocated	–	(6)	12 902	3 634
TOTAL	6 801	326	15 683	12 038

2.2 For the six months ended 30 June 2007

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	6 269	639	6 908
Gross written premium	6 269		6 269
Net written premium	5 131		5 131
Net earned premium	5 153		5 153
Claims incurred	3 399		3 399
Net commission	711		711
Management expenses	574		574
Underwriting result	469	–	469
Investment return on insurance funds	144		144
Net insurance result	613	–	613
Investment income net of management fee		577	577
Income from associates		50	50
Amortisation of intangible asset	(1)		(1)
Income before taxation	612	627	1 239
Total assets	8 719	7 326	16 045
Total liabilities	9 492	596	10 088

Insurance class	Gross written premium R million	Under-writing result R million	Total assets R million	Total liabilities R million
Accident and health	160	9	33	129
Alternative risk	942	7	385	1 935
Crop	83	(47)	55	109
Engineering	240	132	163	309
Guarantee	9	19	22	35
Liability	488	176	756	1 676
Miscellaneous	13	(3)	9	25
Motor	2 380	107	85	1 076
Property	1 803	68	482	1 511
Transportation	151	1	74	237
Unallocated	–	–	13 981	3 046
TOTAL	6 269	469	16 045	10 088

Comprising:

Commercial insurance	2 990	417	1 638	4 274
Personal insurance	2 337	45	41	833
Alternative risk	942	7	385	1 935
Unallocated	–	–	13 981	3 046
TOTAL	6 269	469	16 045	10 088

2.3 For the year ended 31 December 2007

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	13 173	832	14 005
Gross written premium	13 173		13 173
Net written premium	10 919		10 919
Net earned premium	10 716		10 716
Claims incurred	7 302		7 302
Net commission	1 488		1 488
Management expenses	1 262		1 262
Underwriting result	664	–	664
Investment return on insurance funds	319		319
Net insurance result	983	–	983
Investment income net of management fee		729	729
Income from associates		76	76
Amortisation of intangible asset	(2)	–	(2)
Income before taxation	981	805	1 786
Total assets	7 897	7 530	15 427
Total liabilities	10 724	979	11 703

Insurance class	Gross written premium R million	Under-writing result R million	Total assets R million	Total liabilities R million
Accident and health	331	12	33	138
Alternative risk	1 780	50	456	1 880
Crop	436	(87)	114	254
Engineering	508	201	64	240
Guarantee	20	30	22	37
Liability	1 068	301	891	1 994
Miscellaneous	27	(1)	9	26
Motor	4 941	164	60	1 135
Property	3 719	(10)	542	1 769
Transportation	343	4	74	258
Unallocated	–	–	13 162	3 972
TOTAL	13 173	664	15 427	11 703
Comprising:				
Commercial insurance	6 600	558	1 798	4 978
Personal insurance	4 793	56	11	873
Alternative risk	1 780	50	456	1 880
Unallocated	–	–	13 162	3 972
TOTAL	13 173	664	15 427	11 703

	Reviewed At 30 June 2008 R million	Reviewed At 30 June 2007 R million	Audited At 31 Dec 2007 R million
3. Financial assets at fair value through income			
The group's financial assets are summarised below by measurement category.			
Fair value through income	6 020	7 899	7 308
Loans and receivables	2 137	1 747	1 947
Total financial assets	8 157	9 646	9 255
Financial assets at fair value through income			
Equity securities:			
– quoted	3 651	5 651	4 434
– unquoted	18	21	20
	3 669	5 672	4 454
Derivatives	(113)	(28)	(47)
Debt securities - fixed interest rate:			
– quoted			
government and other bonds	1 121	1 506	1 322
money market instruments (long-term instruments)	805	–	851
– unquoted			
bonds	–	–	1
redeemable preference shares	538	749	727
	2 464	2 255	2 901
Total financial assets at fair value through income	6 020	7 899	7 308

4. Non-current assets held for sale and discontinued operations

The assets and liabilities relating to Santam Europe and Westminster Motor Insurance Association have been presented as “held for sale” following a decision to dispose of both these operations within the next 6 months. During the first six months of 2008, the group sold the business operations of Westminster Motor Insurance Association effective 1 January 2008. Although new business is still written on the licence of Westminster during the transition period, this is fully reinsured in terms of the sales agreement. Processes are well under way to sell the run-off businesses of the two discontinued entities.

Analysis of the result of discontinued operations

Gross written premium	210	395	932
Net premium	30	382	872
Net insurance premium revenue	392	323	641
Net investment and reinsurance income	12	41	82
Net profit on sale of business operations	17	–	–
Net insurance benefits and claims	381	310	725
Expenses	92	81	188
Loss before tax	(52)	(27)	(190)
Tax	(11)	6	22
Loss for the period from discontinued operations	(63)	(21)	(168)

	Reviewed At 30 June 08 R million	Reviewed At 30 June 07 R million	Audited At 31 Dec 07 R million
5. Debt securities – at fair value through income			
Debentures issued	955	586	955
Fair value adjustment	(167)	(33)	(47)
	788	553	908

During 2007 the company issued unsecured subordinated callable notes to the value of R1 billion in two tranches. The fixed effective rate for the R600 million issue was 8.6% and 9.6% for the second tranche of R400 million, representing the R203 companion bond plus an appropriate credit spread at the time of the issues. The fixed coupon rate, based on the nominal value of the issues, amounts to 8.25% and for both tranches the optional redemption date is 15 September 2017. Between the optional redemption date and the final maturity date of 15 September 2022, a variable interest rate (JIBAR-based) plus additional margin will apply.

Per conditions set by the Regulator, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue income statement volatility.

6. Investment income			
Dividend income	173	106	262
Interest income	182	167	402
Foreign exchange differences	17	6	2
	372	279	666

7. Tax			
South African normal taxation			
Current year	72	314	716
Charge for the year	63	295	464
STC	9	19	252
Prior year	2	23	30
Foreign taxation	9	4	18
Income taxation for the year	83	341	764
Deferred taxation	(90)	(61)	(222)
Current year	(96)	(61)	(206)
STC	6	–	(16)
Total taxation as per the income statement	(7)	280	542

Reconciliation of taxation rate (%)

Normal South African taxation rate	28.0	29.0	29.0
Adjust for			
- Exempt income	(20.6)	(2.8)	(3.6)
- Investment results	(26.4)	(3.2)	(8.5)
- STC	11.8	1.6	13.2
- Other	3.0	(2.0)	0.2
Net reduction	(32.2)	(6.4)	1.3
Effective rate (%)	(4.2)	22.6	30.3

8. Business combinations

On 9 April 2007 the group increased its investment in Admiral Professional Underwriting Agency (Pty) Ltd from 28.9% to 70% and on 8 November 2007 to 100%. During 2008 an additional amount of R3 million was paid as part of the purchase agreement.

Purchase consideration paid	3	30	61
Net asset value acquired	–	9	(16)
Less: Investment in associated share previously acquired	–	(9)	7
Goodwill	3	30	52

	Reviewed At 30 June 08 R million	Reviewed At 30 June 07 R million	Audited At 31 Dec 07 R million
9. Earnings per share			
Basic earnings per share			
Profit attributable to the company's equity holders (R million)	100	928	1 050
Weighted average number of ordinary shares in issue (million)	112.40	115.45	113.67
Earnings per share (cents)	89	804	924
Earnings per share – Continuing operations (cents)	145	823	1 071
Earnings per share – Discontinued operations (cents)	(56)	(19)	(147)
Diluted earnings per share			
Profit attributable to the company's equity holders (R million)	100	928	1 050
Weighted average number of ordinary shares in issue (million)	112.40	115.45	113.67
Adjusted for share-options	0.61	1.53	1.14
Weighted average number of ordinary shares for diluted earnings per share (million)	113.01	116.98	114.81
Diluted basic earnings per share (cents)	88	793	914
Diluted basic earnings per share – Continuing operations (cents)	143	811	1 061
Diluted basic earnings per share – Discontinued operations (cents)	(55)	(18)	(147)
Headline earnings per share			
Profit attributable to the company's equity holders (R million)	100	928	1 050
Adjust for:			
Profit on sale of subsidiaries and associates	–	(1)	(20)
Headline earnings (R million)	100	927	1 030
Weighted average number of ordinary shares in issue (million)	112.40	115.45	113.67
Headline earnings per share (cents)	89	803	906
Headline earnings per share – Continuing operations (cents)	145	821	1 054
Headline earnings per share – Discontinued operations (cents)	(56)	(18)	(148)
Diluted headline earnings per share			
Headline earnings (R million)	100	927	1 030
Weighted average number of ordinary shares for diluted earnings per share (million)	113.01	116.98	114.81
Diluted headline earnings per share (cents)	88	793	897
Diluted headline earnings per share – Continuing operations (cents)	143	811	1 043
Diluted headline earnings per share – Discontinued operations (cents)	(55)	(18)	(146)

COMMENTARY

Santam experienced a challenging first six months of 2008. From an underwriting perspective, growth and underwriting profit in southern Africa were satisfactory. Overall earnings for the group were however well below the 2007 levels, mainly attributable to poor investment results. Headline earnings of R100 million were 89% lower than the same period in 2007, equating to a headline earnings per share of 89 cents compared to 803 cents in 2007.

The group's southern African operations achieved an 8% increase in gross written premiums which was pleasing, given the softer market and the corrective action taken by Santam to procure and retain quality business. Growth was achieved across most classes of business.

As expected, the net underwriting result for the continuing operations declined during the first half of the year to R326 million from R469 million in 2007. The overall net underwriting margin remained healthy at 5.7%. Underwriting performance of the personal and commercial business, as well as the specialist classes, met or exceeded expectations in the first six months, despite several catastrophic flooding events in KwaZulu Natal. However, in line with industry experience, Santam incurred a number of large industrial accident- and fire-related claims during this period which adversely affected the underwriting margin in the corporate business unit, contributing to the negative property class performance. Although this unit recorded a loss for the six months compared to a profit in the corresponding period, the diversification of

Santam across business lines as well as the current reinsurance programme kept the overall underwriting margin healthy. Of the specialist classes, the liability and engineering businesses performed well while the crop business experienced a return to profitability. The net acquisition cost ratio of 25.1% increased slightly from the 24.9% for the same period in 2007 due to expenditure on the strategic projects aimed to reposition the company.

In line with the disclosure in the annual financial results for 2007, the European operations are treated as "Discontinued operations" as defined by IFRS 5 – *Non-current assets Held for Sale and Discontinued Operations*. In total the discontinued operations showed an after tax loss of R63 million for the six months against a loss of R21 million for the equivalent period in 2007. Santam has made good progress in disinvesting from its European insurance operations. The ongoing business operations of Westminster Motor Insurance Association were sold for a profit of R17 million, net of goodwill write-off. In Santam Europe, the run-off business showed an underwriting loss for the period due to higher than expected claim levels as well as the necessity for additional reserving to facilitate the sale of the company. The company has been sold, subject to some suspensive conditions.

As a direct result of the special dividend payment of R2.5 billion at the end of 2007, the deployment of the company's float (funds generated by insurance activities) changed from only being invested in interest bearing instruments to also include an equity

component. The benefit from the higher interest rates and average float levels, were countered by the negative equity returns during the six months. Consequently the investment return on insurance funds of R129 million reduced from R144 million. Action was taken towards the end of the reporting period to eliminate the equity exposure in the float. The group's operating activities generated a healthy R981 million in cash during the first six months of 2008, which was slightly more than the R956 million generated during the same period in 2007.

The combined effect of the insurance activities of the continuing operations resulted in a net insurance margin of 8% for the past six months compared to 11.9% for the comparable period in 2007.

Continuing the trend set in the last quarter of 2007, the performance of the investment portfolio was under pressure during the first six months of 2008. Although the higher interest rates had a positive impact on cash related investments, the equity portfolio performed significantly below the exceptional performance in the first half of 2007, especially due to a severe reduction in the value of financial and industrial stocks. As previously indicated the company's equity portfolio is overweight in the underperforming financial and industrial sectors whilst underweight in resource shares. Cognisance should also be taken of the fact that the investment portfolio reduced substantially due to the buy-back of shares and payment of the special dividend in 2007.

The tax credit of R7 million for the first six months of 2008 was mainly due to the large dividend income as well as differences between accounting and capital gains tax losses on the bond investment portfolio.

Despite the group's lower net earnings, the solvency ratio of 40% was well within the long-term target and slightly lower than the 42% reported at the end of 2007.

No further allocations were made to beneficiaries in terms of Santam's Broad Based Black Economic Empowerment (BBBEE) scheme. The process for allocating units to black business partners progressed well and it is expected that an allocation will be made during the second half of the current year.

The board would like to extend its gratitude to Santam's management, staff, brokers and other business partners for their efforts and contributions during the past six months.

PROSPECTS

Underwriting margins are expected to remain under pressure due to the softer market, both in commercial and personal lines, and could be especially challenging considering the anticipated deterioration in global and domestic economic conditions. Of particular concern is the increased inflationary environment, reduction in disposable income of individuals and deteriorating public infrastructure in some areas. Having the benefit of diversification, Santam is well positioned to face these challenges.

In light of the volatility of global and local financial markets, the capital growth of our investment portfolio during 2008 could be under further pressure. Taking cognisance of our capital levels, we need to maintain appropriate exposure to the various asset classes. In line with general consensus we expect interest rates to remain at current levels for the foreseeable future, which will have a positive impact on our cash-related investment returns.

DECLARATION OF DIVIDEND (NUMBER 109)

Notice is hereby given that the board has declared an interim dividend of 166 cents per share (2007: 166 cents). Shareholders are advised that the last day to trade "cum dividend" will be Friday, 12 September 2008. The shares will trade "ex dividend" from the commencement of business on Monday, 15 September 2008. The record date will be Friday, 19 September 2008, and the payment date will be Monday, 22 September 2008. Shareholders may not dematerialise or rematerialise their shares between Monday, 15 September 2008, and Friday, 19 September 2008, both dates inclusive.

AUDITORS' REPORT

The company's external auditors, Price-waterhouseCoopers Inc, have reviewed the condensed financial report. A copy of their unqualified review opinion is available on request at the company's registered office.

On behalf of the board

DK Smith
Chairman

IM Kirk
Chief Executive Officer

27 August 2008