PRESENTATION TO ANALYSTS

SANTAM LIMITED
AND ITS SUBSIDIARIES
AUDITED ABRIDGED REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

NON-EXECUTIVE DIRECTORS
B Campbell, MD Dunn, MP Fandeso,
BTPKM Gamedze, VP Khanyile (Chairman),
MLD Marole, JP Möller, YG Muthien,
J van Zyl, BP Vundla (resigned effective 17 January 2012)

EXECUTIVE DIRECTORS
IM Kirk (Chief Executive Officer), Y Ramiah,
MJ Reyneke (Chief Financial Officer)

COMPANY SECRETARY
Masood Allie

SANTAM HEAD OFFICE AND REGISTERED ADDRESS
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Fax: 021 914 0700
www.santam.co.za

Registration number 1918/001680/06

ISIN ZAE000093779

JSE share code: SNT

NSX share code: SNM

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Tel: 011 370 5000
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SPONSOR
Investec Bank Limited

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Presentation to Analysts

Santam Limited and its subsidiaries

Audited Abridged Report
for the year ended 31 December 2011

PRESENTED BY:
IAN KIRK & MACHIEL REYNEKE
29 February and 1 March 2012

santam

CONTENT

- Industry conditions
- Financial results
- Dividends
- Santam results contextualised
- Strategy and focus

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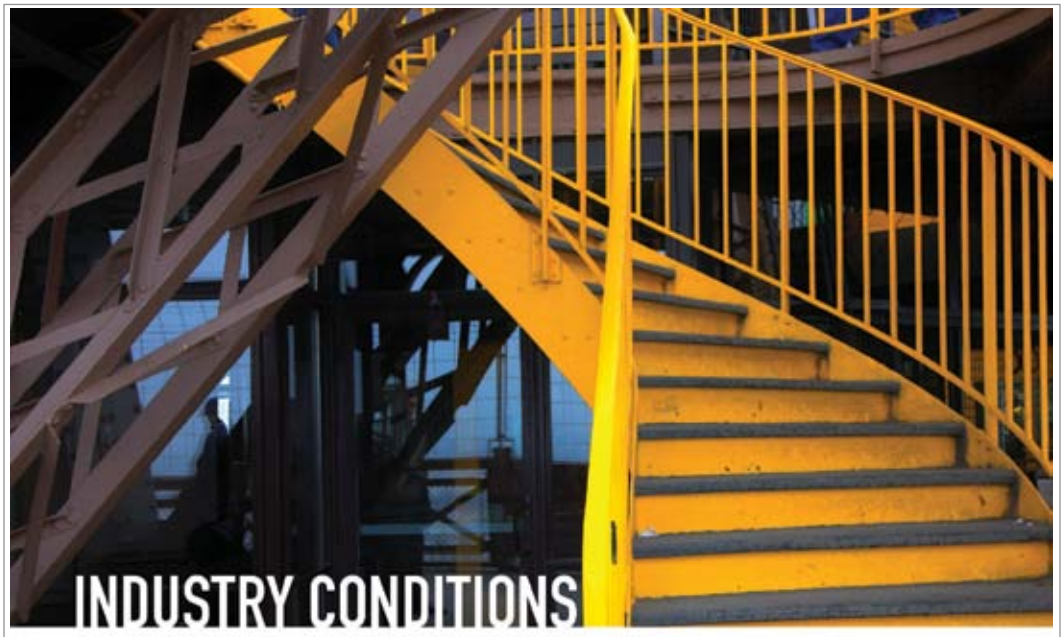
2012/02/28



OUR INDUSTRY CONTINUES TO FACE CHALLENGES FROM ALL ANGLES

INCREASING LEVEL OF SYSTEMIC RISK

2012/02/28

INDUSTRY OUTLOOK

- Underwriting margins remain solid but affected by:
  - More industry premium in direct model / affinity / bank channels
  - The continuation of improved motor account conditions experienced from 2010 into 2011
  - Flooding in the early part of 2011, again in 2012
  - Inflationary pressures on management expenses
- Increasing competition, including new entrants, continues to put pressure on rates
- The absence of major catastrophic events in South Africa puts downward pressure on rates
- The industry continues to face systemic risk from municipal service delivery and other environmental risks such as the impact of climate change
- Lower interest rate impacts on investment and float returns
- 2011 saw significant volatility in investment markets, impacting negatively on investment income
- Increased focus from the Regulator on insurers and intermediaries will continue to have a significant impact on the industry over the next few years

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SANTAM – 2011 HIGHLIGHTS

- Excellent underwriting margin, 7.7%
- Very satisfactory growth in GWP, 12%
- Investment returns under pressure
- Solvency margin of 48%, above the 35% - 45% target range
- R2.5bn in cash generated by operations
- Weighted return on shareholders' funds of 25%, almost entirely from insurance activities
- Annual dividend up by 8.8%
- Special dividend of R8.50 per share – Special dividends from 2004 to date R52 per share

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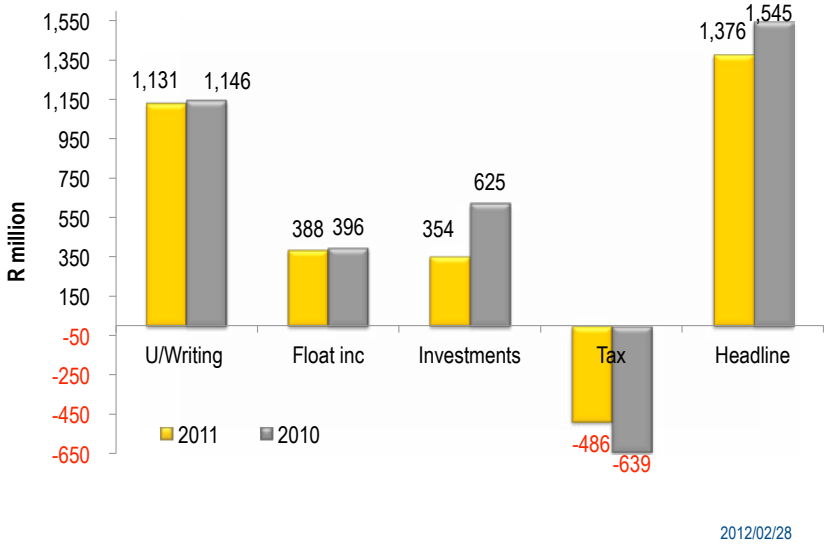
MAIN VARIANCES

2011 vs. 2010



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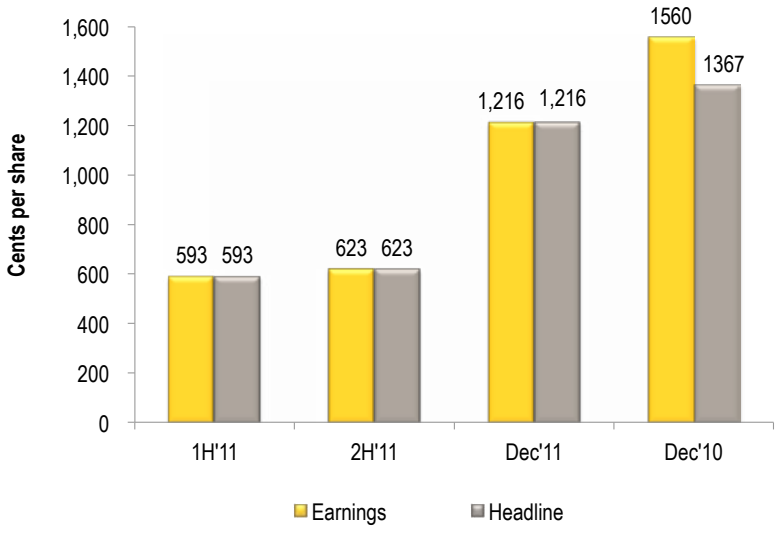
EARNINGS PER SHARE



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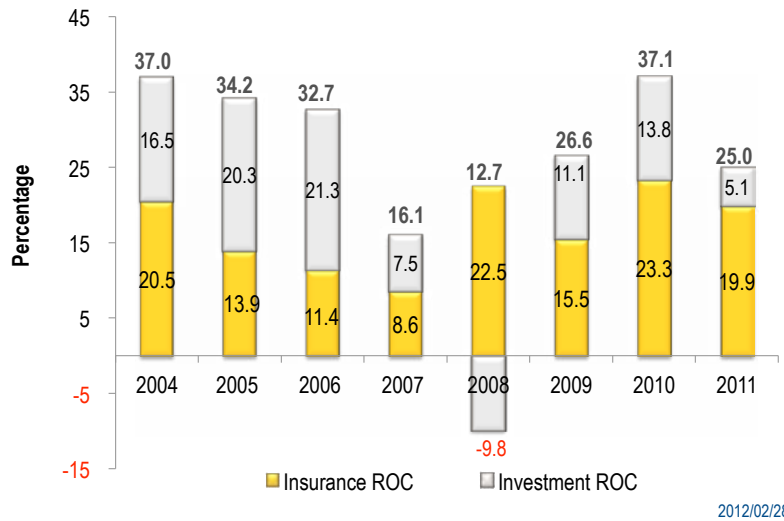
RETURN ON CAPITAL

NET INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS



2012/02/28

SOLVENCY

		Dec 2011	Dec 2010
Net asset value (NAV)	R'm	6,036	5,128
Subordinated debt	R'm	964	925
Regulatory equity*	R'm	7,000	6,053
NAV per share	cps	5,330	4,538
Net written premium**	R'm	14,674	13,519
Group solvency	%	48	45

*Includes fair value of subordinated debt

2012/02/28

NET INSURANCE RESULT

	Dec 2011	%	Dec 2010	%
Net earned premium	14,653	100.0	13,550	100.0
Claims incurred	9,404	64.2	8,683	64.1
Acquisition costs	4,117	28.1	3,721	27.4
Underwriting surplus	1,131	7.7	1,146	8.5
Interest on insurance funds	388	2.6	396	2.9
Net insurance result	1,519	10.4	1,542	11.4
Combined ratio		92.3		91.5

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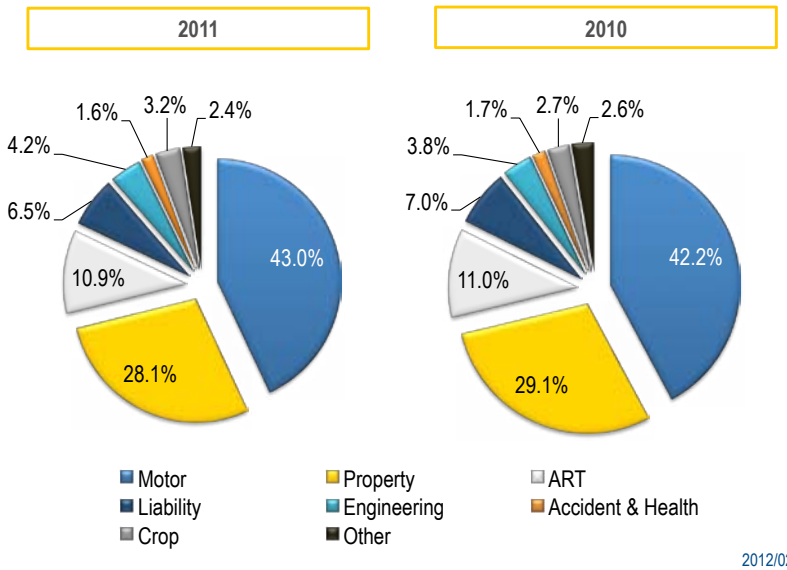
GROSS PREMIUM COMPOSITION



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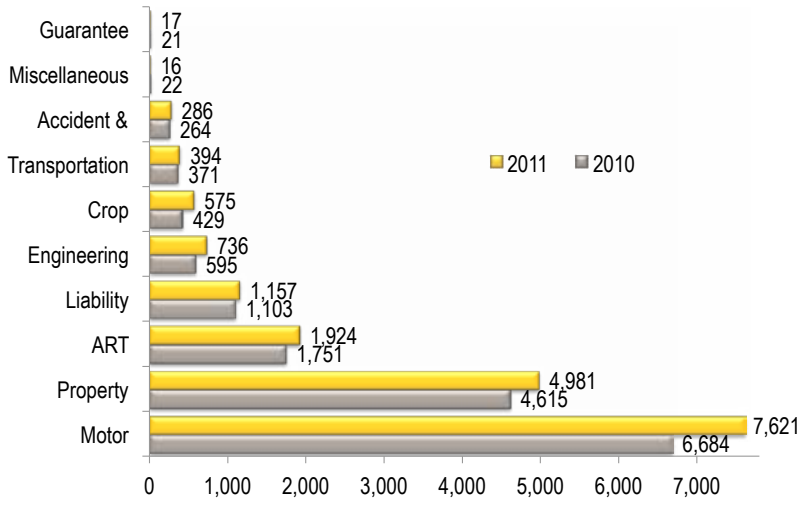
GROSS WRITTEN PREMIUM

PER INSURANCE CLASS (R MILLION)



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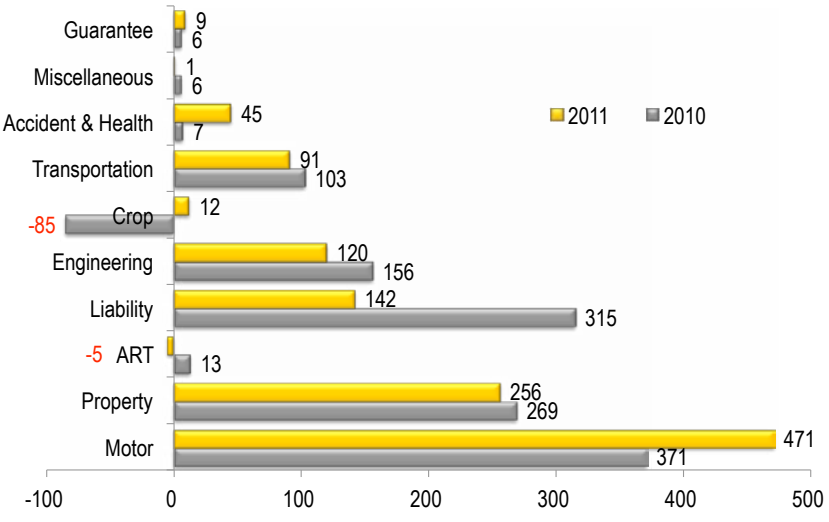
UNDERWRITING SURPLUS

PER INSURANCE CLASS (R MILLION)



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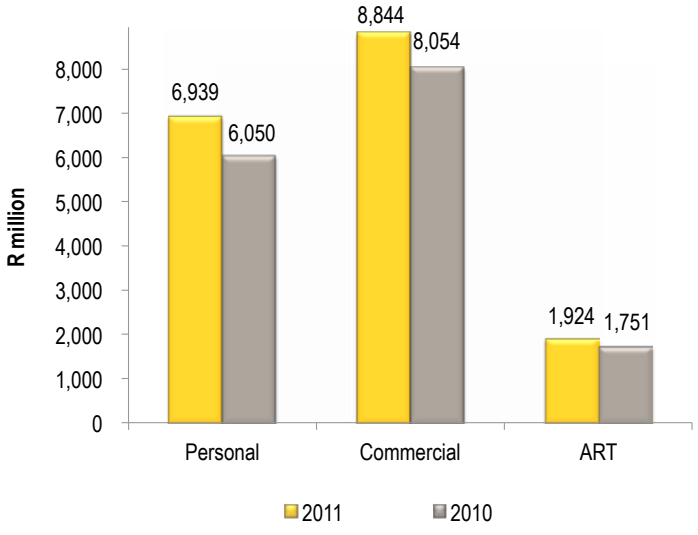
SEGMENTAL ANALYSIS

GROSS WRITTEN PREMIUM - PERSONAL, COMMERCIAL & ART



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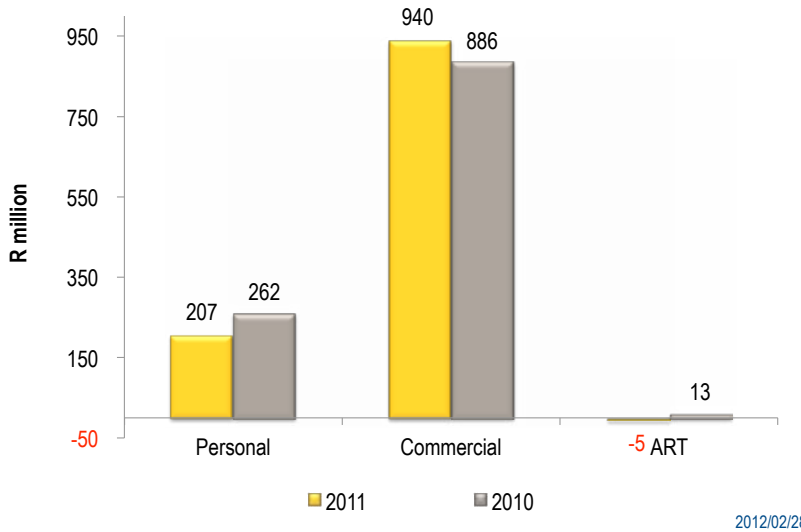
SEGMENTAL ANALYSIS

NET UNDERWRITING RESULT - PERSONAL, COMMERCIAL & ART



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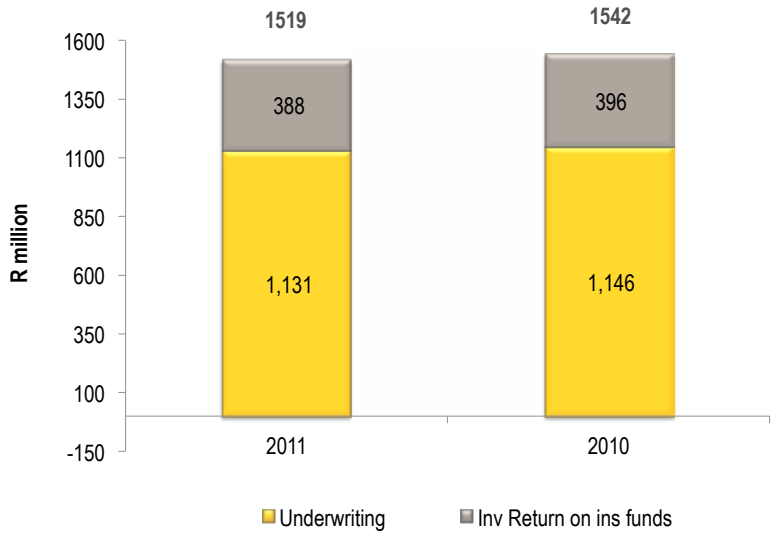
NET INSURANCE RESULT



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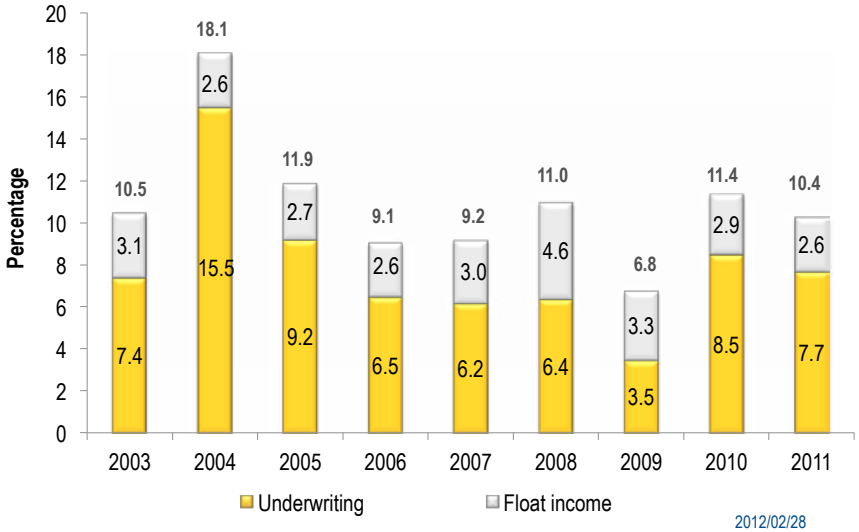
NET INSURANCE RESULT

AS % OF NET EARNED PREMIUM



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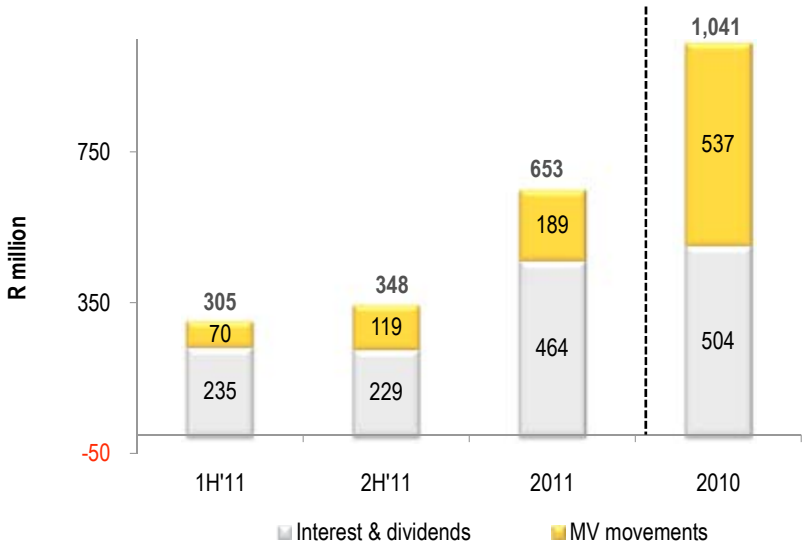
INVESTMENT RETURN



- Interest & dividends are net of asset management fees and finance costs
- Foreign exchange differences are excluded

2/28/2012

ASSET ALLOCATION

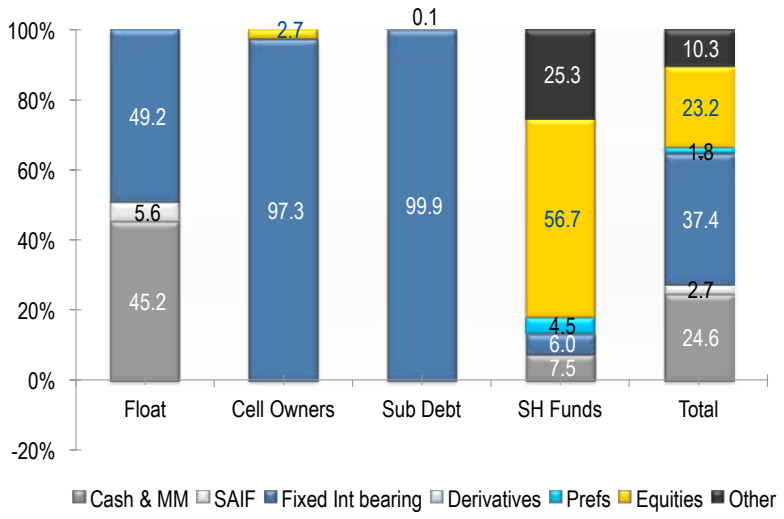
GROUP CONSOLIDATED INVESTMENTS 31 December 2011

	Santam SA	Centriq	Internat	Group Total
Equities	32%	1%	98%*	28%
Preference shares	2%	-	-	2%
Fixed interest-bearing	35%	71%	-	40%
Unitised funds	4%	3%	-	3%
Cash and money market	25%	24%	2%	25%
Derivatives	-	-	-	0%
Associated companies	2%	1%	-	2%
Total	100%	100%	100%	100%

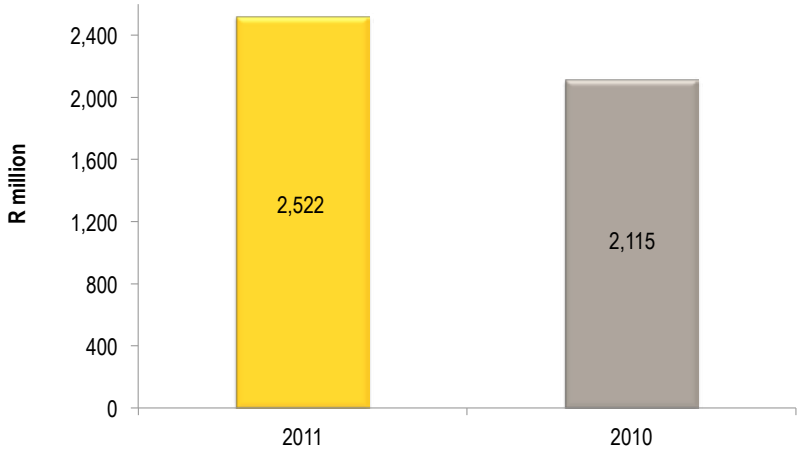
* Consist of 1 "A" type share in WMIA, and is 100% underpinned by cash

ASSET/LIABILITY MATCHING

GROUP CONSOLIDATED INVESTMENTS 31 December 2011



CASH GENERATED BY OPERATIONS



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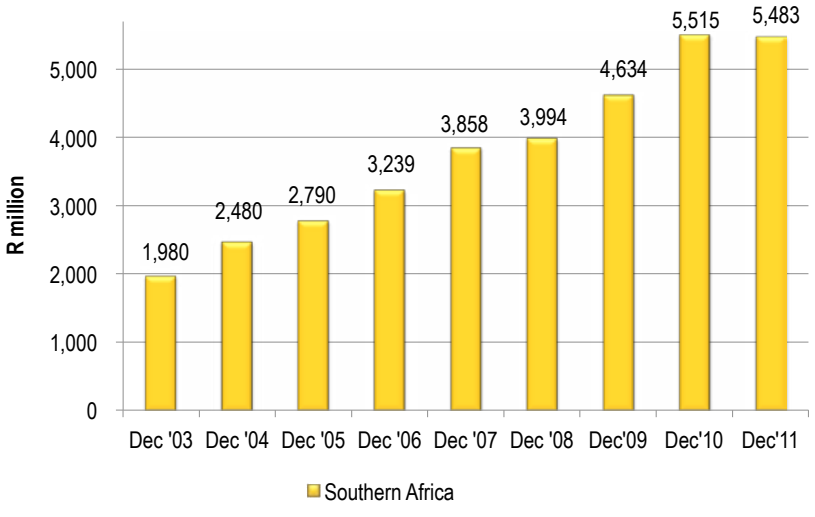
SIZE OF FLOAT



Float balances exclude international operations sold 2008

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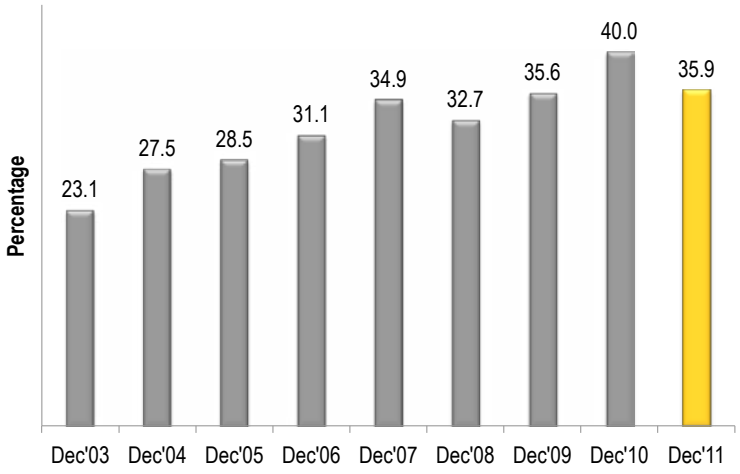
FLOAT AS % OF GEP



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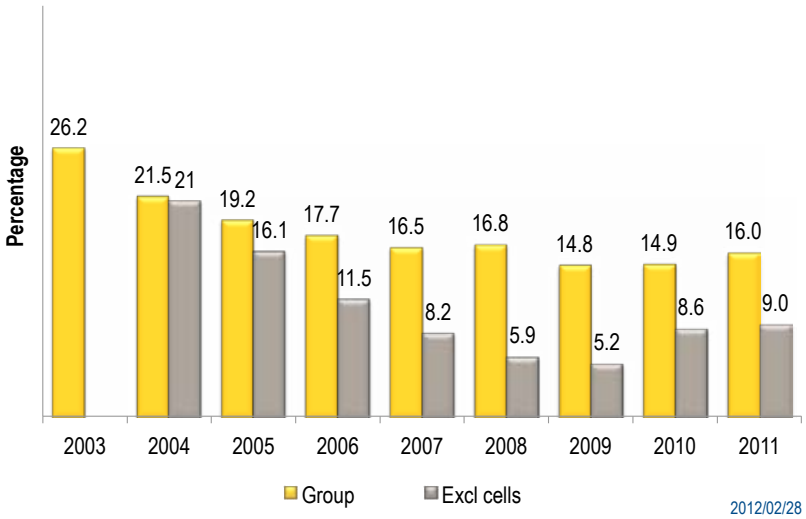
LEVEL OF REINSURANCE EARNED PREMIUM

AS % OF GROSS EARNED PREMIUM



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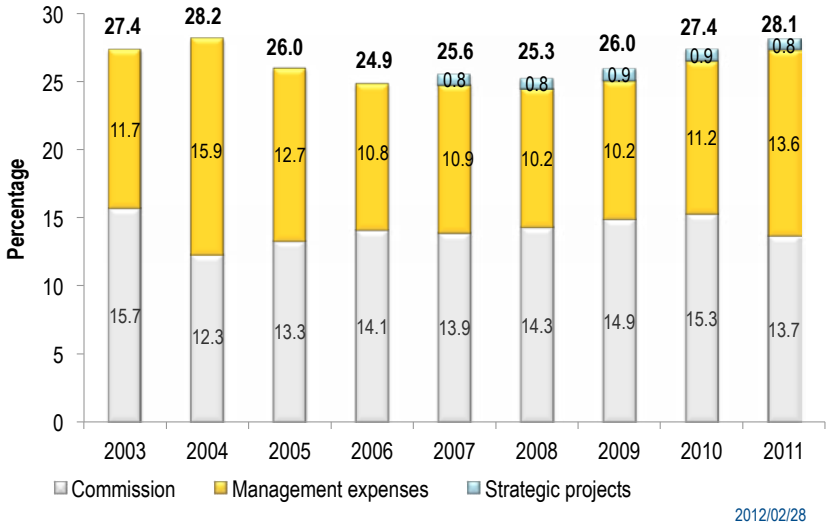
ACQUISITION COSTS RATIO

AS % OF NET EARNED PREMIUM



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MIWAY

- Launched in February 2008; initially only short-term insurance offering
- Gross written premium of R708 million achieved for 2011 vs. R423 million in 2010; policy units >120,000 (2010: 83,000)
- Net loss ratio stabilised below 70%
- NIR of (R67 million); significantly impacted by provision for phantom share scheme cost
- Contact centre capacity expanded in 2011; staff of approximately 980
- Investment of over R500m; substantial economic value created to date

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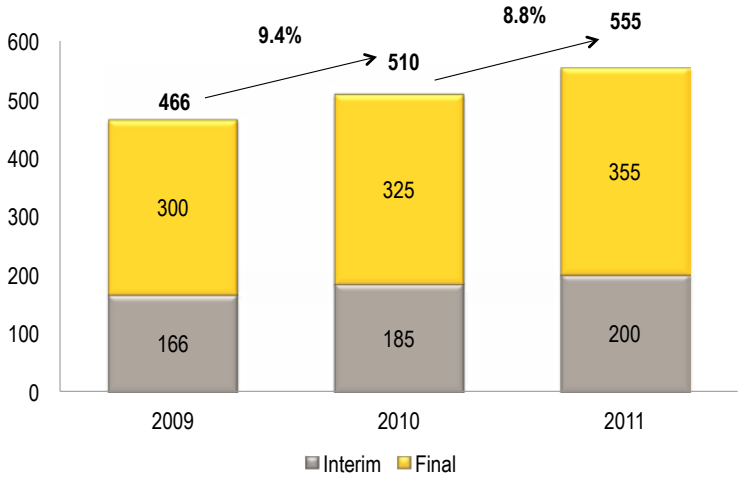
DIVIDEND PER SHARE



CAPITAL MANAGEMENT

- Capital efficiency remains critical component of Santam's DNA
- Target solvency range of 35% - 45% introduced in 2007 – no change
- Statutory solvency could increase to approximately 35% depending on SAM outcomes
- Santam's economic capital below 25%
- Solvency margin of 48% at December 2011 exceeded targeted band of 35% to 45%
- Stabilisation of equity markets in beginning of 2012
- Special dividend of R8.50 per share declared on 28 February
- Total special dividend since 2004 = R52 per share

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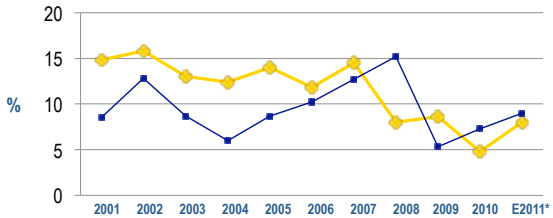
INDUSTRY GROWTH CORRELATION WITH THE ECONOMY

SA STI market growth in GWP vs. GDP + CPI



2011 Global non-life insurance growth (Swiss Re estimates)

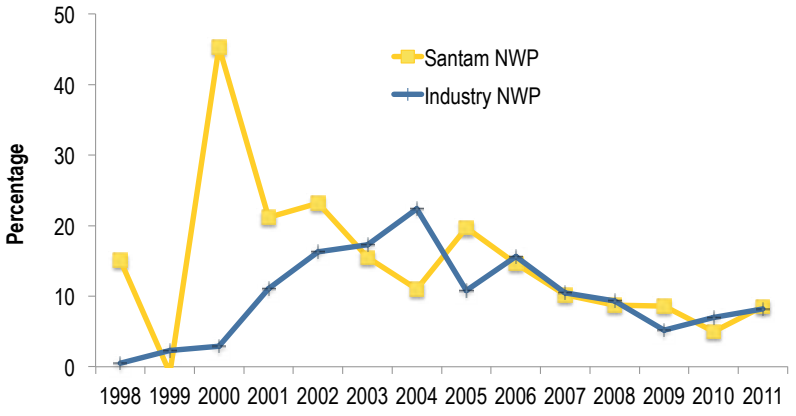
World	2.7%
Developed economies	1.7%
Emerging markets	8.2%

Source: FSB; SWISS RE SIGMA REPORT

* For comparison purposes, estimates were used for 2011 GWP market growth %

SANTAM VS. INDUSTRY

NET WRITTEN PREMIUM GROWTH %



Santam Southern Africa excluding cells

Industry (Typical insurers)

Source: Santam and FSB

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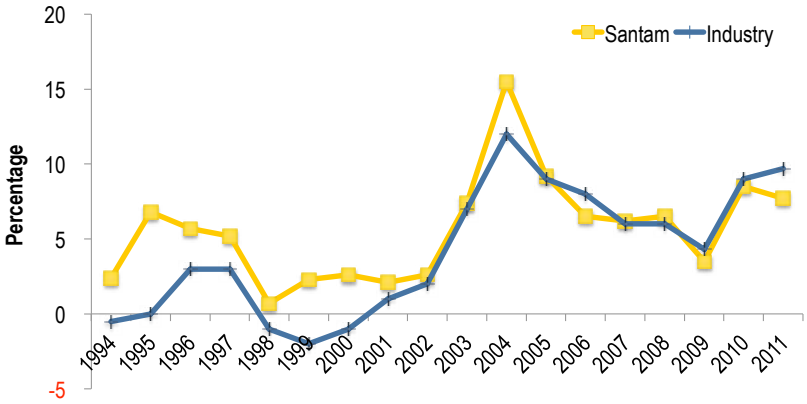
SANTAM VS. SA ST INSURANCE CYCLE

NET UNDERWRITING MARGIN %



Santam Southern Africa excluding cells
Industry (Typical insurers)

Source: Santam and FSB

2012/02/28

OUR STRATEGIC INTENT

DRIVING UP THE SIZE, QUALITY AND DIVERSITY OF THE RISK POOL

INSURANCE GOOD AND PROPER

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GROWTH THROUGH DIVERSIFICATION

WE SEE OUR GROWTH COMING FROM:

- Traditional intermediated business – Retaining our leadership position
- Specialist business – Extending the current footprint
- Affinity - Creating access to markets we currently do not have
- International - In association with Sanlam (Africa, India & SE Asia)
- Santam RE - Pursuing external opportunities in South Africa and emerging markets
- Direct - MiWay in a strategic growth phase

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MANAGE THE RISK POOL

WE WILL CONTINUE TO DRIVE THE GROWTH, DIVERSITY AND QUALITY OF THE RISK POOL:

RISK MANAGEMENT

- Enhancing our core risk management capability
- Segmenting of risks to ensure procurement and retention of quality business
- Addressing the systemic risk factors at a Santam and industry level
- Building on our data and intellectual capital

CONTINUE TO DIVERSIFY OUR RISK POOL

- Developing new product lines and distribution channels
- Expanding to new geographies – Africa, India and South East Asia
- Managing concentration of exposure

DRIVE SYSTEM EFFICIENCY

WE SEE OUR EFFICIENCY COMING FROM:

- Realisation of further sourcing and supply-chain benefits
- Further optimisation of claims processes
- Technology renewal in the product management and policy administration environment
- E-Biz
- Contact centre optimisation
- Investigate further opportunities for collaboration across the Santam and Sanlam group

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THANK YOU

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AUDITED ABRIDGED REPORT

SANTAM LIMITED
AND ITS SUBSIDIARIES

AUDITED ABRIDGED REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

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48-49 Financial review

50-63 Audited Abridged Report for Santam Limited and its subsidiaries for the year ended 31 December 2011

PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The preparation of the audited financial statements was supervised by the financial director of Santam Ltd, MJ Reyneke.

NON-EXECUTIVE DIRECTORS

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EXECUTIVE DIRECTORS

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

SPONSOR

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TRANSFER SECRETARIES

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COMPANY SECRETARY

Masood Allie

SANTAM HEAD OFFICE AND REGISTERED ADDRESS

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Tel: 021 915 7000
Fax: 021 914 0700
www.santam.co.za

Registration number 1918/001680/06
ISIN ZAE000093779
JSE share code: SNT
NSX share code: SNM

- Weighted average return on shareholders' funds of 25%
- Net underwriting margin of 7.7% and net insurance margin of 10.4%
- Growth of 12% in gross written premiums
- Group solvency ratio at 48%
- Headline earnings per share of 1 216 cents compared to 1 367 cents in the prior year
- Dividend growth of 8.8% and special dividend of 850 cents per share declared

FINANCIAL REVIEW

The Santam group achieved excellent underwriting results in 2011, while also achieving double-digit growth in gross written premiums of 12%. Underwriting results were almost on par with the outstanding results achieved in 2010. However, compared to 2010, investment results were negatively impacted by the low fair value movements on listed equities. This resulted in headline earnings decreasing by 11%. The solvency margin increased to 48% (2010: 45%). A solid 25% return on average shareholders' funds was achieved.

The 2011 net underwriting result of R1 131 million was 1% less than the excellent result achieved in 2010, with an overall net underwriting margin of 7.7% compared to 8.5% in 2010. Margins in most of the significant business classes were satisfactory, with the motor book performing exceptionally well. The underwriting profit realised by the crop business was favourable compared to the loss-making position of 2010. The property book performed well due to a limited impact from large industrial and fire-related claims on our net underwriting account. Improved management practices in the portfolio administration business continued delivering good underwriting results.

Underwriting profits of the liability class was on lower levels in 2011 than the exceptional levels achieved in 2010 due to a few large claim estimate increases during the year. The alternative risk transfer class suffered a loss due to a large single loss on medical cover business that was subsequently cancelled. In general, lower average claims cost and our continuous focus on risk management improved the quality and diversity of the risk pool, impacting underwriting margins positively.

The fundamentals of the insurance industry saw some improvement in 2011. This, together with a concerted effort to drive profitable growth and the successful implementation of strategic growth initiatives such as the diversification of distribution channels and continued improvements to support existing channels, resulted in the achievement of excellent growth of 12% in gross written premium, 10% excluding cell business. Positive growth was achieved across all significant insurance classes.

The net acquisition cost ratio of 28.1% increased from 27.4% in 2010. The increase can be ascribed to the increase in spend on strategic initiatives, including the ongoing investment in MiWay and re-engineering activities. The aim is to manage the acquisition cost ratio down to 26% in the medium to long term but taking cognisance of our business composition and structural changes in the industry.

Investment returns on insurance funds of R388 million decreased from the R395 million earned in 2010, mainly due to lower interest rates.

The combined effect of insurance activities resulted in a net insurance income of R1 519 million or a 10.4% margin, compared to R1 542 million and a margin of 11.4% in 2010.

Performance of the investment portfolio was under pressure due to the volatility of the equity markets resulting in significantly lower income from fair value movements in 2011 compared to 2010. Dividend income was 27% higher than for 2010, while interest income was negatively affected by reduced interest rates. Reported investment results benefited from the fence structures which generated a credit of R80 million for the year. These structures were unwound during July and August at no cost to the company. Santam's investment portfolio performance compared favourably to the benchmarks set in the investment mandates.

The weakening of the rand during 2011 had a positive impact of R90 million on the valuations of the foreign currency assets held by our local operations. Net earnings from associated companies of R85 million increased from R69 million in 2010. This was as a direct result of improved earnings of key associates Credit Guarantee Insurance Corporation of Africa Ltd and NICO Holdings Ltd in Malawi.

At 31 December 2011, the group's international solvency ratio of 48% was higher than the long-term target range of between 35% and 45%. Santam's capital management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework. Given our strong solvency margin and the stabilisation of the investment markets, the board decided to declare a special dividend of 850 cents per share. This will be the fifth special dividend paid by Santam since 2004 and will bring the total special dividend per share declared over this period to R52.00.

On 1 March 2011, Santam acquired 55% of the voting equity in Mirabilis Engineering Underwriting Managers (Pty) Ltd (Mirabilis) by merging its construction and engineering business into Mirabilis. The new merged entity is the leading engineering underwriting manager in the South African market. Following the increase in shareholding in MiWay Group Holdings (Pty) Ltd from 31.25% to 100% in 2010, the deferred purchase consideration on this transaction was settled in cash during 2011.

The board would like to extend its gratitude to Santam's management, employees, intermediaries and other business partners for their efforts and contributions during the past year.

Prospects

It is expected that the South African economy will grow by somewhat less than the forecasted 3% worldwide growth in gross domestic product in 2012. Headline inflation is expected to average around 6% for 2012 which could lead to improved average premium levels. However, competition in the market will continue putting pressure on premium rates and prevent across-the-board premium increases. Santam is positioned to manage increases selectively through our market and risk segmentation approach.

The weakening of the rand during the course of 2011 is expected to put some upward pressure on claims cost, most notably on the cost of motor vehicle repairs due to the increased cost of imported vehicle parts. However, we are optimistic that our continued efforts to reduce claims cost would offset some of the impact of the upwards cost pressure. It is expected though that the underwriting margin in 2012 may be lower than the levels achieved in 2011.

Nominal interest rates are expected to remain on current levels during 2012 if the rand remains around its current level. Therefore, interest received is not expected to be higher in 2012 implying a flat return on insurance funds for 2012 compared to 2011. Uncertainty remains in the investment markets due to the impact of the instability in Europe. On the back of the assumption that the European economy will not deteriorate significantly but rather faces a very slow, long-term recovery, it is expected that investment markets should be more stable in 2012 compared to 2011.

Events after the reporting period

The Minister of Finance in his budget speech of 22 February 2012 announced that the Capital Gains Tax (CGT) inclusion rate for companies will be increased with effect from 1 March 2012 from 50% to 66.6% (effective CGT rate from 14% to 18.6%). The increase will have an impact on the taxation of Santam's gains and losses on financial assets, effectively increasing the tax rate from 1 March 2012.

Declaration of dividend (Number 116)

Notice is hereby given that the board has declared a final dividend of 355 cents per share (2010: 325 cents) and a special dividend of 850 cents per share (2010: 500 cents). Shareholders are advised that the last day to trade "cum dividend" will be Thursday, 15 March 2012. The shares will trade "ex dividend" from the commencement of business on Friday, 16 March 2012. The record date will be Friday, 23 March 2012, and the payment date will be Monday, 26 March 2012. Certificated shareholders may not dematerialise or rematerialise their shares between 16 March 2012 and 23 March 2012, both dates inclusive.

Preparation and presentation of the financial statements

The preparation of the audited financial statements was supervised by the financial director of Santam Ltd, MJ Reyneke.

Auditors' report

The company's external auditors, PricewaterhouseCoopers Inc, have audited the abridged financial report. A copy of their unqualified review opinion is available on request at the company's registered office.

On behalf of the board

VP Khanyile
Chairman

IM Kirk
Chief Executive Officer

28 February 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Audited At 31 Dec 2011 R million**	Audited At 31 Dec 2010 R million
ASSETS			
Non-current assets			
Property and equipment		**80**	88
Intangible assets		**994**	988
Deferred income tax		**207**	251
Investments in associates		**274**	211
Financial assets – at fair value through income			
Equity securities	6	**3 856**	3 832
Debt securities	6	**6 160**	4 246
Derivatives	6	**1**	–
Financial assets – at amortised cost			
Cell owners' interest		**40**	12
Reinsurance assets	7	**244**	315
Current assets			
Financial assets – at fair value through income			
Short-term money market instruments	6	**1 775**	3 685
Reinsurance assets	7	**1 256**	952
Deferred acquisition costs		**332**	251
Loans and receivables including insurance receivables	6	**1 836**	1 735
Income tax assets		**36**	26
Cash and cash equivalents		**1 598**	1 143
Total assets		**18 689**	17 735
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		**107**	107
Treasury shares		**(635)**	(651)
Other reserves		**1 492**	1 265
Distributable reserves		**5 072**	4 405
		6 036	5 126
Non-controlling interest		**105**	93
Total equity		**6 141**	5 219
LIABILITIES			
Non-current liabilities			
Deferred income tax		**115**	269
Financial liabilities – at fair value through income			
Debt securities	6	**964**	925
Derivatives	6	**–**	1
Financial liabilities – at amortised cost			
Cell owners' interest		**643**	589
Insurance liabilities	7	**1 404**	1 323
Provisions for other liabilities and charges		**1**	3
Current liabilities			
Financial liabilities – at fair value through income			
Debt securities	6	**24**	24
Investment contracts	6	**104**	495
Derivatives	6	**–**	74
Financial liabilities – at amortised cost			
Collateral guarantee contracts		**114**	108
Insurance liabilities	7	**7 071**	6 440
Deferred reinsurance acquisition revenue		**102**	40
Provisions for other liabilities and charges		**105**	33
Trade and other payables		**1 828**	1 890
Current income tax liabilities		**73**	302
Total liabilities		**12 548**	12 516
Total shareholders' equity and liabilities		**18 689**	17 735

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Audited Year ended 31 Dec 2011 R million**	Audited Year ended 31 Dec 2010 R million	Change %
Gross written premium		**17 707**	15 855	12%
Less: Reinsurance premium		**3 033**	2 336	
Net premium		**14 674**	13 519	9%
Change in unearned premium				
Gross amount		**241**	(65)	
Reinsurers' share		**(219)**	34	
Net insurance premium revenue		**14 652**	13 550	8%
Investment income	8	**676**	633	7%
Income from reinsurance contracts ceded		**321**	236	
Net gains on financial assets and liabilities at fair value through income	8	**189**	537	
Gain on remeasuring existing interest in associates on acquisition		**–**	215	
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		**–**	6	
Net income		**15 838**	15 177	4%
Insurance claims and loss adjustment expenses		**10 788**	9 531	
Insurance claims and loss adjustment expenses recovered from reinsurers		**(1 384)**	(848)	
Net insurance benefits and claims		**9 404**	8 683	8%
Expenses for the acquisition of insurance contracts		**2 324**	2 311	
Expenses for marketing and administration		**2 114**	1 648	
Expenses for asset management services rendered		**28**	29	
Amortisation of intangible assets		**68**	27	
Impairment of investment in subsidiaries		**–**	–	
Expenses		**13 938**	12 698	10%
Results of operating activities		**1 900**	2 479	(23%)
Finance costs		**(94)**	(120)	
Share of profit of associates		**85**	63	
Impairment charge on net investment in associate		**–**	6	
Profit before tax		**1 891**	2 428	(22%)
Income tax expense	9	**(486)**	(639)	
Profit for the year		**1 405**	1 789	(21%)
Other comprehensive income				
Currency translation differences		**108**	(72)	
Total comprehensive income for the year		**1 513**	1 717	
Profit attributable to:				
– equity holders of the company		**1 376**	1 762	
– non-controlling interest		**29**	27	
		1 405	1 789	
Total comprehensive income attributable to:				
– equity holders of the company		**1 484**	1 690	
– non-controlling interest		**29**	27	
		1 513	1 717	
Earnings attributable to equity shareholders				
Earnings per share (cents)	12			
Basic earnings per share		**1 216**	1 560	(22%)
Diluted earnings per share		**1 202**	1 532	(22%)
Weighted average number of shares – millions		**113.15**	112.96	
Weighted average number of ordinary shares for diluted earnings per share – millions		**114.47**	114.99	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Non-controlling interest	Total
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	R million	**R million**
Balance as at 1 January 2010	107	(660)	1 268	3 813	144	**4 672**
Profit for the year	–	–	–	1 762	27	**1 789**
Other comprehensive income:						
Currency translation differences	–	–	(72)	–	–	**(72)**
Total comprehensive income for the year ended 31 December 2010	–	–	(72)	1 762	27	**1 717**
Purchase of treasury shares	–	(34)	–	–	–	**(34)**
Sale of treasury shares	–	43	–	–	–	**43**
Loss on sale of treasury shares	–	–	–	(34)	–	**(34)**
Transfer to reserves	–	–	69	(69)	–	**–**
Share-based payments	–	–	–	58	–	**58**
Dividends paid	–	–	–	(1 113)	–	**(1 113)**
Excess paid on acquisition of non-controlling interest	–	–	–	(12)	–	**(12)**
Interest acquired from non-controlling interest	–	–	–	–	(78)	**(78)**
Balance as at 31 December 2010	**107**	**(651)**	**1 265**	**4 405**	**93**	**5 219**
Profit for the year	–	–	–	1 376	29	**1 405**
Other comprehensive income:						
Currency translation differences	–	–	108	–	–	**108**
Total comprehensive income for the year ended 31 December 2011	–	–	108	1 376	29	**1 513**
Purchase of treasury shares	–	(37)	–	–	–	**(37)**
Sale of treasury shares	–	53	–	–	–	**53**
Loss on sale of treasury shares	–	–	–	(68)	–	**(68)**
Transfer to reserves	–	–	119	(119)	–	**–**
Share-based payments	–	–	–	63	–	**63**
Transfer to share-based payment liability	–	–	–	(30)	–	**(30)**
Dividends paid	–	–	–	(593)	(25)	**(618)**
Net excess received on acquisition of non-controlling interest	–	–	–	38	–	**38**
Interest acquired from non-controlling interest	–	–	–	–	8	**8**
Balance as at 31 December 2011	**107**	**(635)**	**1 492**	**5 072**	**105**	**6 141**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Audited Year ended 31 Dec 2011 R million**	Audited Year ended 31 Dec 2010 R million
Cash generated from operations		**2 522**	2 115
Interest paid		**(119)**	(95)
Income tax paid		**(813)**	(755)
Net cash from operating activities		**1 590**	1 265
Cash flows from investing activities			
Cash generated/(utilised) in investment activities		**201**	(270)
Acquisition of subsidiary	10	**(343)**	(357)
Cash acquired through purchase of subsidiary	10	**3**	262
Purchases of equipment		**(39)**	(26)
Purchases of software		**(28)**	(1)
Proceeds from sale of equipment		**1**	–
Acquisition of associated companies		**–**	(17)
Net cash from investing activities		**(205)**	(409)
Cash flows from financing activities			
Purchase of treasury shares		**(37)**	(34)
Proceeds on sale of treasury shares		**4**	11
(Decrease)/increase in investment contract liabilities		**(413)**	129
Dividends paid to company's shareholders		**(593)**	(1 113)
Dividends paid to minorities		**(25)**	–
Increase in cell owners' interest		**26**	42
Purchase of subsidiary from non-controlling interest	11	**–**	(90)
Net cash used in financing activities		**(1 038)**	(1 055)
Net increase/(decrease) in cash and cash equivalents		**347**	(199)
Cash and cash equivalents at beginning of period		**1 143**	1 379
Exchange gains/(losses) on cash and cash equivalents		**108**	(37)
Cash and cash equivalents at end of year		**1 598**	1 143

NOTES TO THE FINANCIAL INFORMATION

1. Basis of presentation

This abridged consolidated financial information for the year ended 31 December 2011 has been prepared in accordance with IAS 34 – *Interim Financial Reporting* and in compliance with the Listings Requirements of the JSE Limited. The abridged consolidated financial information does not include all of the information required by IFRS for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs.

2. Accounting policies

The accounting policies applied are consistent with those of the previous financial year.

3. Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these abridged consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

4. Risk management

The group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk, foreign currency risk and derivatives risk), credit risk and liquidity risk. Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, accumulation risk and reinsurance risk). The group is also exposed to operational risk and legal risk.

The capital risk management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework.

The abridged consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2011.

There have been no changes in the risk management policies since the previous year-end.

During 2011 there were no significant changes in the business circumstances that affect the fair value of the group's financial assets and liabilities. There were no reclassifications of financial assets and liabilities in 2011.

5. Segment information

The group's internal reporting is reviewed in order to assess performance and allocate resources. The operating segments identified are representative of the internal structure of the group.

Two core activities of the group, i.e. insurance activities and investment activities, are reviewed on a monthly basis. Insurance activities are all insurance underwriting activities undertaken by the group and comprise commercial insurance, personal insurance and alternative risks. Insurance activities are also further analysed by insurance class. Investment activities are all investment-related activities undertaken by the group.

The performance of insurance activities is considered based on gross written premium as a measure of growth as well as underwriting result and net insurance result as a measure of profitability.

Investment activities are measured based on net investment income and income from associated companies.

5.1 For the year ended 31 December 2011

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	17 707	468	**18 175**
Gross written premium	17 707		**17 707**
Net written premium	14 674		**14 674**
Net earned premium	14 652		**14 652**
Claims incurred	9 404		**9 404**
Net commission	2 003		**2 003**
Management expenses	2 103	11	**2 114**
Underwriting result	1 142	(11)	**1 131**
Investment return on insurance funds	388		**388**
Net insurance result	1 530	(11)	**1 519**
Investment income net of management fee and finance costs		355	**355**
Income from associates net of impairment		85	**85**
Amortisation of intangible assets	(68)	–	**(68)**
Income before taxation	1 462	429	**1 891**
Total assets	8 398	10 291	**18 689**
Total liabilities	11 560	988	**12 548**

Insurance class	Gross written premium R million	Underwriting result R million	Total assets R million	Total liabilities R million
Accident and health	286	45	31	137
Alternative risk	1 924	(5)	354	1 941
Crop	575	12	234	386
Engineering	736	120	167	382
Guarantee	17	9	6	20
Liability	1 157	142	341	1 950
Miscellaneous	16	1	1	13
Motor	7 621	471	48	1 608
Property	4 981	256	612	1 930
Transportation	394	91	39	212
Unallocated	–	(11)	16 855	3 969
Total	**17 707**	**1 131**	**18 689**	**12 548**
Comprising:				
Commercial insurance	8 844	940	1 425	5 403
Personal insurance	6 939	207	55	1 236
Alternative risk	1 924	(5)	354	1 941
Unallocated	–	(11)	16 855	3 969
Total	**17 707**	**1 131**	**18 689**	**12 548**

5.2 For the year ended 31 December 2010

Business activity	Insurance activities R million	Investment activities R million	Total R million
Revenue	15 855	937	**16 792**
Gross written premium	15 855		**15 855**
Net written premium	13 519		**13 519**
Net earned premium	13 550		**13 550**
Claims incurred	8 683		**8 683**
Net commission	2 075		**2 075**
Management expenses	1 631	15	**1 646**
Underwriting result	1 161	(15)	**1 146**
Investment return on insurance funds	396		**396**
Net insurance result	1 557	(15)	**1 542**
Investment income net of management fee and finance costs		840	**840**
Income from associates net of impairment		69	**69**
Amortisation of intangible assets	(23)	–	**(23)**
Income before taxation	1 534	894	**2 428**
Total assets	9 446	8 289	**17 735**
Total liabilities	11 492	1 024	**12 516**

Insurance class	Gross written premium R million	Underwriting result R million	Total assets R million	Total liabilities R million
Accident and health	264	7	14	131
Alternative risk	1 751	13	266	1 769
Crop	429	(85)	204	379
Engineering	595	156	95	256
Guarantee	21	6	6	29
Liability	1 103	315	422	1 900
Miscellaneous	22	6	1	12
Motor	6 684	371	2	1 538
Property	4 615	269	498	1 608
Transportation	371	103	53	225
Unallocated	–	(15)	16 174	4 669
Total	**15 855**	**1 146**	**17 735**	**12 516**
Comprising:				
Commercial insurance	8 054	886	1 158	4 817
Personal insurance	6 050	262	137	1 261
Alternative risk	1 751	13	266	1 769
Unallocated	–	(15)	16 174	4 669
Total	**15 855**	**1 146**	**17 735**	**12 516**

		Audited At 31 Dec 2011 R million	Audited At 31 Dec 2010 R million
6.	**Financial assets and liabilities at fair value through income**		
	The group's financial assets are summarised below by measurement category.		
	Financial assets at fair value through income	**11 792**	11 688
	Loans and receivables	**1 836**	1 735
	Total financial assets	**13 628**	13 423

Financial assets and liabilities at fair value through income – Fair value estimation

The table below analyses financial instruments, carried at fair value through income, by valuation method. The different levels have been defined as follows:

– **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
– **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
– **Level 3:** Inputs for the asset or liability that are not based on observable data (that is, unobservable inputs)

Financial assets at fair value through income

2011	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 360	–	–	**3 360**
Unitised funds	–	80	–	**80**
Irredeemable preference shares	2	–	–	**2**
Unquoted	–	–	414	**414**
Total equity securities	**3 362**	**80**	**414**	**3 856**
Debt securities				
Quoted				
Government and public bonds	1 575	182	–	**1 757**
Unitised funds	–	392	–	**392**
Money market instruments > 1 year	–	1 371	–	**1 371**
Unquoted				
Government and public bonds	–	167	–	**167**
Money market instruments > 1 year	–	2 197	–	**2 197**
Redeemable preference shares	–	–	276	**276**
Total debt securities	**1 575**	**4 309**	**276**	**6 160**
Derivatives				
Interest rate swaps	–	–	1	**1**
Total derivatives	**–**	**–**	**1**	**1**
Short-term money market instruments	**–**	**1 775**	**–**	**1 775**
	4 937	**6 164**	**691**	**11 792**

2010	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 460	–	–	3 460
Unitised funds	–	36	–	36
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	334	334
Total equity securities	**3 462**	**36**	**334**	**3 832**
Debt securities				
Quoted				
Government and public bonds	1 816	–	–	1 816
Unitised funds	–	398	–	398
Money market instruments > 1 year	–	1 174	–	1 174
Unquoted				
Government and public bonds	–	195	–	195
Money market instruments > 1 year	–	354	–	354
Redeemable preference shares	–	–	309	309
Total debt securities	**1 816**	**2 122**	**309**	**4 246**
Short-term money market instruments	**–**	**3 685**	**–**	**3 685**
	5 278	**5 843**	**643**	**11 764**

Financial liabilities at fair value through income

2011	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	**988**	**–**	**–**	**988**
Investment contracts	**–**	**104**	**–**	**104**
	988	**104**	**–**	**1 092**

2010	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	**949**	**–**	**–**	**949**
Investment contracts	**–**	**495**	**–**	**495**
Derivatives				
Interest rate swaps	–	–	1	**1**
Fence	–	–	74	**74**
Total derivatives	**–**	**–**	**75**	**75**
	949	**495**	**75**	**1 519**

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 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 volatility in net profit.

		Audited At 31 Dec 2011 R million	Audited At 31 Dec 2010 R million
7.	**Insurance liabilities and reinsurance assets**		
	Gross		
	Long-term insurance contracts		
	– claims incurred but not reported	**9**	9
	Short-term insurance contracts		
	– claims reported and loss adjustment expenses	**4 191**	3 777
	– claims incurred but not reported	**1 246**	1 189
	– unearned premiums	**3 029**	2 788
	Total insurance liabilities – gross	**8 475**	7 763
	Recoverable from reinsurers		
	Long-term insurance contracts		
	– claims incurred but not reported	**1**	1
	Short-term insurance contracts		
	– claims reported and loss adjustment expenses	**920**	880
	– claims incurred but not reported	**150**	146
	– unearned premiums	**429**	240
	Total reinsurers' share of insurance liabilities	**1 500**	1 267
	Net		
	Long-term insurance contracts		
	– claims incurred but not reported	**8**	8
	Short-term insurance contracts		
	– claims reported and loss adjustment expenses	**3 271**	2 897
	– claims incurred but not reported	**1 096**	1 043
	– unearned premiums	**2 600**	2 548
	Total insurance liabilities – net	**6 975**	6 496
8.	**Investment income and net gains/(losses) on financial assets and liabilities at fair value through income**		
	Dividend income	**150**	118
	Interest income	**436**	535
	Foreign exchange differences	**90**	(20)
	Net realised gains on financial assets	**140**	49
	Net fair value gains on financial assets designated as at fair value through income	**21**	517
	Net fair value gains on financial assets held for trading	**9**	47
	Net fair value gains on derivatives	**80**	42
	Net fair value gains on financial liabilities designated as at fair value through income	**(61)**	(118)
	Net fair value losses on debt securities	**(39)**	(85)
	Net fair value losses on investment contracts	**(22)**	(33)
		865	1 170

		Audited At 31 Dec 2011 R million	Audited At 31 Dec 2010 R million
9.	**Tax**		
	South African normal taxation		
	Current year	**567**	580
	Charge for the year	**531**	472
	STC	**36**	108
	Prior year	**(4)**	(11)
	Foreign taxation	**34**	32
	Income taxation for the year	**597**	601
	Deferred taxation	**(111)**	38
	Current year	**(111)**	39
	STC	**–**	(1)
		486	639
	Reconciliation of taxation rate (%)		
	Normal South African taxation rate	**28.0**	28.0
	Adjust for		
	– Exempt income	**(2.2)**	(1.4)
	– Investment results	**(1.9)**	(4.9)
	– STC	**1.9**	4.4
	– Other	**(0.1)**	0.2
	Net reduction	**(2.3)**	(1.7)
	Effective rate (%)	**25.7**	26.3

10. Business combinations

2011

Acquisition/Increase in shareholding

a) MiWay Group Holdings (Pty) Ltd

During the year the deferred purchase consideration for MiWay Group Holdings (Pty) Ltd was settled in cash. A profit of R4 million was recognised in the statement of comprehensive income.

b) Mirabilis Engineering Underwriting Managers (Pty) Ltd

On 1 March 2011, the Santam Group acquired 55% of the voting equity interest in Mirabilis Engineering Underwriting Managers (Pty) Ltd by merging its construction and engineering business into Mirabilis. The new merged entity will be the leading engineering underwriting manager in the South African market.

	a) MiWay Group Holdings Ltd	b) Mirabilis Engineering Underwriting Managers (Pty) Ltd	Total
Details of the assets and liabilities acquired at fair value are as follows:			
Deferred taxation	–	(5)	**(5)**
Intangible assets	–	18	**18**
Investments	–	5	**5**
Loans and receivables	–	1	**1**
Cash and cash equivalents	–	3	**3**
Trade and other payables	–	(4)	**(4)**
Net asset value acquired	**–**	**18**	**18**
Goodwill	–	28	**28**
Excess of acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost	–	(38)	**(38)**
Less: Investment in associated share previously acquired	–	(8)	**(8)**
Deferred purchase consideration paid	343	–	**343**
Purchase consideration paid	**343**	**–**	**343**

2010	Net asset value acquired	Goodwill	Purchase consideration paid
a) Emerald Risk Transfer (Pty) Ltd			
On 1 January 2010, Swanvest 120 (Pty) Ltd acquired 100% of the voting equity interest in Emerald Risk Transfer (Pty) Ltd to obtain specialist underwriting skills in the corporate property environment.	100	–	94
b) Indwe Broker Holdings (Pty) Ltd			
Effective 1 September 2010, the Santam Group increased its shareholding in Indwe Broker Holdings (Pty) Ltd from 37.8% to 100% by exercising its right to purchase shares on offer from other shareholders. The company is being independently managed as an intermediary.	97	356	263
c) MiWay Group Holdings Ltd			
On 31 December 2010, Swanvest 120 (Pty) Ltd increased its shareholding in MiWay Group Holdings Ltd from 31.25% to 100%. It is strategically important that Santam makes proper inroads into the emerging short-term insurance market to retain its leadership position in the industry. MiWay will continue to be managed independently, servicing the direct segment of the market.	119	319	–
	316	**675**	**357**

	Audited At 31 Dec 2011 R million	Audited At 31 Dec 2010 R million
11. Transactions with non-controlling parties		
a) Mirabilis Engineering Underwriting Managers (Pty) Ltd		
On 1 March 2011, Santam Ltd sold the non-controlling interest of 45% in its construction and engineering business by merging it into Mirabilis Engineering Underwriting Managers (Pty) Ltd.		
Non-controlling interest acquired	**–**	78
Net excess (received)/paid on sale/acquisition of non-controlling interest	**(38)**	12
Settled through acquisition of Mirabilis Engineering Underwriting Managers (Pty) Ltd	**38**	–
Purchase consideration paid	**–**	90

Comparative information relates to the acquisition of the non-controlling interest in Centriq Holdings (Pty) Ltd on 1 January 2010.

	Audited Year ended 31 Dec 2011	Audited Year ended 31 Dec 2010
12. Earnings per share		
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**1 376**	1 762
Weighted average number of ordinary shares in issue (million)	**113.15**	112.96
Earnings per share (cents)	**1 216**	1 560
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**1 376**	1 762
Weighted average number of ordinary shares in issue (million)	**113.15**	112.96
Adjusted for share options	**1.32**	2.03
Weighted average number of ordinary shares for diluted earnings per share (million)	**114.47**	114.99
Diluted basic earnings per share (cents)	**1 202**	1 532
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	**1 376**	1 762
Adjusted for:		
Impairment of goodwill	**–**	10
Reversal of impairment charge on net investment in associates	**–**	(6)
Profit on sale of subsidiaries and associates	**–**	(215)
Excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost	**–**	(6)
Tax charge	**–**	–
Headline earnings (R million)	**1 376**	1 545
Weighted average number of ordinary shares in issue (million)	**113.15**	112.96
Headline earnings per share (cents)	**1 216**	1 367
Diluted headline earnings per share		
Headline earnings (R million)	**1 376**	1 545
Weighted average number of ordinary shares for diluted earnings per share (million)	**114.47**	114.99
Diluted headline earnings per share (cents)	**1 202**	1 343
13. Dividends per share		
Ordinary dividend per share (cents)	**555**	510
Special dividend per share (cents)	**850**	500