

20 February 2012

The Chief Executive
Nairobi Stock Exchange Limited
1st Floor
Nation Centre
Kimathi Street
NAIROBI



Dear Sir

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

In accordance with the respective Statutory Requirements; we write to advise you as follows:

a) Approval of Financial Results for the Year ended 31 December 2011

The Board of Directors of Pan Africa Insurance Holdings Limited has approved the audited financial results for the year ended 31 December 2011. In accordance with obligation B.29 of the fifth schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002, we enclose, for your information, an advance copy of the press announcement which will be published in two local dailies tomorrow.

b) 2012 Annual General Meeting

In accordance with obligation B.05 of the fifth schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002, I write to inform you that the Board of Directors of have resolved to hold the Annual General Meeting of the Company on Wednesday, 16 May 2012.

c) Dividend

Subject to the approval of the Shareholders at the Annual General Meeting, the Directors recommend the payment of a first and final dividend of KShs 2.00 (2011: KShs 3.00) per share. Further, upon approval, the Register of Members will be closed from 17 May 2012 to 1 June 2012 (both days inclusive) for the purpose of preparing the dividend cheques which will be distributed on 30 June 2012 to shareholders registered in the Register of Members at close of trading on Tuesday, 16 May 2012.

A press announcement on the above matters will be which will be published in the Daily Nation and the Standard, tomorrow, Tuesday, 21 February 2012.

Kindly acknowledge receipt on the duplicate of this letter.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Emma Wachira'.

Emma Wachira
Company Secretary
Encls

Pan Africa Insurance Holdings Limited

Pan Africa Life House, Kenyatta Avenue • P.O. Box 10493 Nairobi 00100, Kenya
Tel: +254 (020) 2247600/ 2225050/ 2781000 • Fax: +254 (020) 2217675 • www.pan-africa.com

1 | Page

Pan Africa Insurance Holdings Limited

Audited Group Financial Results for the year ended 31 December 2011



Head Office: Pan Africa Life House, Kenyatta Avenue | P.O. Box 10493 Nairobi 00100 Kenya
 Tel: 2247600, 2781000, 2225050 | SMS helpline: 0720 632000 Fax: 2217675
 Email: customerservice@pan-africa.com | Website: www.pan-africa.com
 SMS hotline: 8182

Introduction

The Board of Directors of Pan Africa Insurance Holdings Limited (PAIHL) is pleased to announce the Group's audited results for the year ended 31 December 2011.

Key Features

- Profit before tax at Kshs 552m is down by 17% (2010: Kshs 665m)
- Total assets up by 7% to Kshs. 11.4b
- Pan Africa Life Embedded Value (EV) increased by 7% to Kshs.1.8b while Group EV increased by 11% to Kshs 4.2b
- Group Capital Adequacy Requirement (Solvency) covered 5.04 times up from 4.72 times
- Over six hundred thousand lives now covered by Pan Africa Life
- Value of New Business up by 6% to Kshs 166m.

Accounting policies

The Group's accounting policies comply with International Financial Reporting Standards (IFRS) as well as the Kenya Companies Act. These policies are consistent with those applied in prior years.

The Economic Environment

Global
 IMF September 2011 Global Economic Outlook showed a slowing global economic activity as a result of crisis hit Europe, the consequence of the Japanese earthquake, the unrest in the Middle East and North Africa (MENA) region and the related surge in oil prices. The financial volatility in the world arena was projected to lower global growth from 4% in 2010 to 3.6% in 2011.

Local
 The annual average Inflation rate increased from 3.96% in 2010 to 14.02% in 2011. Financial market conditions worsened with the NSE share index declining by 28% to 3205. Interest rates continued to increase with the 91 days Treasury Bill climbing to 20% in December 2011. The Kenya Shilling weakened by 5% against the US Dollar to close at Kshs. 85.06 in December 2011. Against this bleak background, it is not surprising that most investment instruments registered significant losses.

Financial Overview

The PAIHL Group achieved profit before tax of Kshs 552m compared to Kshs 665m achieved in 2010. The reduced profitability is attributable to significant unrealised losses from our marked to market bonds and equities portfolios. The results of our Life business are disappointing and reflect the reduced purchasing power of our individual and corporate clients. The sale of Runda houses is now complete and this together with other property transactions, has helped cushion the losses from the NSE.

The Group results are analysed as follows:

	Year to 31 Dec 11	Year to 31 Dec 10
	Kshs'M	Kshs'M
Operating surplus	490	270
Investment income on shareholders' assets	30	21
Investment surplus on shareholders' assets	30	69
Share of associate	2	305
Profit before tax	552	665
Tax	(109)	(76)
Net surplus for the period	443	589

The 2011 operating surplus is mainly attributable to the sale of houses and land in Runda. While we managed to achieve many of the key parameters that we had set for ourselves in the life business, the unrealised losses from our investment in bonds and stocks quoted on the NSE resulted in a profit after tax of only Kshs. 23m, the balance being attributable to the property sales. As we reported in our June 2011 results, we disposed of our stake in APA in the early part of the year, and thus the decline in equity accounted income in 2011.

Despite the worsening economic environment, we managed to increase our Group embedded value from Kshs 3.7b in 2010 to Kshs 4.2b.

Life Business

Our corporate business performed well while the individual life was disappointing due to the reasons noted above.

Despite the volatile economic conditions, individual Life premiums, at Kshs. 2b, grew by 19.5%. During the year, we introduced two products: FlexiLife - an endorsement cover that provides two benefit payments, and a Funeral product to cater for funeral expenses and related benefits.

We have declared a 2.5% (2010: 5%) bonus for 'With Profit' policyholders and 2% (2010: 12.5%) interest declaration on Deposit Administration schemes.

Dividends

The Directors will be recommending a first and final dividend of Kshs 2.00 per share (2010: Kshs 3.00 per share before the 1:1 bonus shares issue) to be approved at the AGM on 16 May 2012.

Looking ahead

Our focus for 2012 will be threefold: Firstly, for the Life business, our aim will be to increase the sales of our risk products namely funeral product, group credit and FlexiAnnuity pension plan. This will be done through targeted marketing. Secondly, we are progressing with a new software system for our Life Business. The new system will bring in increased efficiency that will add value to our customers and accommodate our growth plans. We are targeting this implementation to go live in the 3rd Quarter of 2012. Thirdly, we have already started to work on the infrastructure of our Runda Phase 2 development as we pursue our strategic intent to diversify our investment income.

For and on behalf of the Board

JPN Simba (Chairman)
 TM Gitogo (Chief Executive)

Directors

JPN Simba, MM Dawes*, TM Gitogo, JN Gitoho, BC Patel, RJ Ward*, S Mudhune, TA Wixley*, JP Wrench**
 *South African

Pan Africa Insurance Holdings Limited

Group Audited Financial Results for the year ended 31 December 2011

Group Statement of Comprehensive Income

	31 Dec 2011	31 Dec 2010
	Kshs'000	Kshs'000
Gross written premium	3,648,492	3,830,693
Outward reinsurance premium	(348,437)	(287,744)
Net written premium	3,300,055	3,542,949
Investment income	697,015	420,398
Fair value (losses)/gains	(895,668)	689,884
Fee and commissions earned	84,589	69,639
Other operating income (including property)	664,793	128,684
Other revenue	550,729	1,308,605
Total income	3,850,784	4,851,554
Gross benefits and claims paid	(1,408,415)	(1,067,855)
Reinsurers' share of claims	154,142	110,874
Net change in contract liabilities	(622,202)	(2,041,918)
Net claims and policyholders benefits	(1,876,475)	(2,998,899)
Commission payable	(690,346)	(890,043)
Operating and other expenses	(733,046)	(603,311)
Total benefits, claims and other expenses	(3,299,867)	(4,492,253)
Profit before share of profit of associate	550,917	359,301
Share of profit of associate	1,518	305,899
Profit before tax	552,435	665,200
Income tax expense	(109,030)	(75,942)
Profit for the year after tax	443,405	589,258
Other comprehensive income		
Fair value gain on property and equipment, net of tax	-	-
Other comprehensive income net of tax	-	-
Other comprehensive income for the period	-	-
Total profit and other comprehensive income	443,405	589,258
Profit attributable to:		
Equity holders	443,405	589,258
Earnings per share:		
Basic	4.62	12.28
Basic - restated	-	6.14
Diluted	4.62	12.28
Diluted - restated	-	6.14
Shares used for calculating earnings per share	96,000,000	48,000,000
Shares used for calculating restated earnings per share	-	96,000,000

Group Statement of Financial Position

	31 Dec 2011	31 Dec 2010
CAPITAL AND RESERVES		
Share capital	480,000	240,000
Share premium	124,431	364,431
Statutory reserve	525,387	494,837
Revaluation reserves	-	7,507
Retained earnings	992,822	725,746
Total capital and reserves	2,122,640	1,832,521
ASSETS		
Intangible assets	43,950	23,195
Property and equipment	80,156	65,401
Investment properties	766,618	435,600
Land and development (inventory)	91,584	465,341
Investments in associates	12,161	864,831
Financial instruments:		
Loans	793,082	613,443
Held to maturity financial assets	2,453,528	2,056,052
Available for sale financial assets	3,827	3,827
Fair value through profit or loss financial assets	3,449,297	3,900,292
Reinsurance assets	176,052	139,410
Insurance receivables	151,630	181,027
Receivable and other financial assets	436,346	274,483
Deposits in financial institutions	2,807,818	1,255,979
Cash and bank balances	233,180	392,740
Total assets	11,499,229	10,671,621
LIABILITIES		
Insurance contract liabilities	3,469,504	3,178,811
Investment contract liabilities	4,390,298	4,022,147
Payable under deposit administration contracts	681,547	706,181
Provisions	56,813	85,924
Current tax liabilities	73,332	36,280
Insurance payables	270,341	255,813
Payables and other charges	434,754	553,944
Total liabilities	9,376,589	8,839,100

Group Statement of Changes in Equity

	2011	2010
Share capital and share premium	604,431	604,431
Opening reserves	1,228,090	720,432
Income attributable to shareholders	443,405	589,258
Transfer to deposit administration	(9,286)	-
Dividends paid	(144,000)	(81,600)
Balance at end of the year	2,122,640	1,832,521

Abridged Cash Flow Statement

	2011	2010
Cash flow from operating activities	1,009,130	1,349,972
Cash generated/(utilised) in investing activities	660,061	(514,174)
Cash flows utilised in financing activities	(276,912)	(73,206)
Net increase in cash resources	1,392,279	762,592
Cash resources at the beginning of the year	1,648,719	886,127
Cash resources at the end of the year	3,040,998	1,648,719

Pan Africa Life Assurance Limited

Audited Financial Results for the year ended 31 December 2011

Statement of Comprehensive Income

	31 Dec 2011	31 Dec 2010
	Kshs'000	Kshs'000
INCOME		
Gross written premium	3,648,492	3,830,693
Outward reinsurance premium	(348,437)	(287,744)
Net written premium	3,300,055	3,542,949
Investment income	675,786	464,432
Fair value (losses)/gains	(893,834)	675,872
Fee and commissions earned	84,589	69,639
Other operating income	36,091	1,937
Total income	3,202,687	4,754,829
OUTGO		
Gross benefits and claims paid	(1,408,415)	(1,067,855)
Reinsurers' share of claims	154,142	110,874
Gross change in contract liabilities	(658,844)	(2,064,625)
Change in contract liabilities ceded to reinsurers	36,642	22,707
Net claims and policyholders benefits	(1,876,475)	(2,998,899)
Commission payable	(690,346)	(890,043)
Operating and other expenses	(605,316)	(537,409)
Total outgo	(3,172,137)	(4,426,351)
Profit before tax	30,550	328,478
Income tax expense	(7,390)	(75,942)
Profit for the year after tax	23,160	252,536
Other comprehensive income		
Total other comprehensive income for the period	-	-
Total Profit and other comprehensive income	23,160	252,536

Statement of Financial Position

	31 Dec 2011	31 Dec 2010
CAPITAL AND RESERVES		
Share capital	200,000	200,000
Share premium	30,260	30,260
Statutory reserve	525,387	494,836
Accumulated (loss)/profit	(16,568)	74,327
Total capital and reserves	739,079	799,423
ASSETS		
Intangible assets	43,950	23,195
Property and equipment	70,065	54,452
Investment property	481,000	435,600
Investments in equity	1,547,183	1,607,417
Government securities	4,347,976	4,338,530
Tax recoverable	5,015	-
Loans	775,865	595,617
Receivables arising out of reinsurance arrangements	176,052	139,410
Receivables arising out of direct insurance arrangements	151,630	181,027
Other receivables	148,005	415,978
Deposits in financial institutions	1,902,652	1,247,414
Cash and bank balances	228,753	362,609
Total assets	9,878,146	9,401,249
LIABILITIES		
Insurance contract liabilities	3,469,504	3,178,811
Investment contract liabilities	4,390,298	4,022,147
Payable under deposit administration contracts	681,546	706,181
Payables arising out of reinsurance arrangements	33,535	62,537
Claims reported and claims handling expenses	202,654	193,276
Tax payable	-	59,573
Other payables	361,530	379,301
Total liabilities	9,139,067	8,601,826

Amounts Payable under Deposit Administration Contracts

	At 01 January	31 Dec 2011	31 Dec 2010
Pension fund deposits received	706,181	469,204	199,694
Surrenders and annuities paid	(115,721)	(48,936)	(48,936)
Interest payable to policyholders	(118,443)	91,843	91,843
Management charges	(9,178)	(5,624)	(5,624)
Transfer from shareholders	9,286	-	-
At 31 December	681,546	706,181	

Key Ratios

	2011	2010
1. Capital adequacy ratio (capital available/required minimum capital)	133%	133%
2. Claims ratio (claims incurred/net written premium)	38%	27%
3. Expense ratio (total management expenses/gross written premium)	17%	14%
4. Retention ratio (net written premium/gross written premium)	90%	92%
5. Commission ratio (gross commission/gross written premium)	19%	23%
6. Solvency ratio (actual solvency/required solvency)	122%	162%

Awards and Recognition

- Life Insurer of the year for the second year running
- Market leader in Life Insurance business for 4 years running
- Best Insurance Company in ICT and fraud detection and prevention initiative
- Rated AA- by the Global Credit Rating Company
- Certified ISO 9001:2008 in 2011