



# 2015

REVIEWED INTERIM  
REPORT

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**Gross written premium growth including cell captive insurance 7%**

**Gross written premium growth excluding cell captive insurance 8%**

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**Underwriting margin 8.9%**

**Cash generation significantly improved**

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**Group solvency ratio 43%**

**Return on capital (rolling 12 months) 24.1%**

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**Headline earnings increased by 11%**

**Interim dividend of 288 cents per share, up 10%**

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**Unwinding of the broad-based black economic empowerment scheme created a combined value of R1.1 billion to participants**

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**Share buy-back at R190 per share reduced capital by R801 million**

## FINANCIAL REVIEW

The Santam group achieved strong underwriting results for the six months ended 30 June 2015, with a net underwriting margin of 8.9% (2014: 7.4%). The underwriting performance was influenced by an improved contribution from the Santam Commercial and Personal intermediated business following the positive impact of disciplined underwriting actions and a benign claims environment during the second quarter. Acceptable growth in gross written premium of 8%, excluding the impact of cell captive insurance business, was achieved in the context of the difficult economic environment.

Investment returns were in line with market movements experienced during the first six months of 2015. Headline earnings per share increased by 11%, while a return on capital of 24.1% on a rolling 12-month basis was achieved. The solvency margin of 43% post the share buy-back is at the upper end of the target range of 35% to 45%.

The motor and property classes of business delivered substantially improved underwriting results compared to 2014. The claims environment during the second quarter was relatively benign, but the loss ratio was impacted by the catastrophe hail event in Pietermaritzburg in February 2015 and a number of large property losses in the first quarter of 2015. MiWay, the direct insurance business, achieved a claims ratio of 60.8% and a gross underwriting profit of R76 million (2014: R52 million).

The underwriting profit of the engineering class of business showed a significant increase compared to 2014 following corrective underwriting action and fewer large claims reported. The liability class of business reported lower underwriting results compared to 2014, but still reflected acceptable underwriting margins. Despite severe drought conditions, the crop insurance business achieved solid underwriting results. The underwriting profit of R53 million is, however, significantly lower than the exceptional results of R187 million in the 2014 comparative period, following the favourable weather conditions experienced in 2014.

Santam Re reported improved underwriting profit compared to 2014, mainly due to the cancellation of the non-performing business in the South African portfolio.

Gross written premium growth of 8%, excluding the impact of cell insurance business, was lower than the 10% achieved in the corresponding period in 2014, reflecting the impact of competitive market conditions and the continued focus on underwriting profitability. The property class reported low growth due to market pressures in the specialist corporate property market in particular. The motor class benefited from the 17% growth reported by MiWay (gross written premium of R835 million). The liability class reported growth of 8%, while the engineering and transportation classes reported no growth over this period.

Growth of 10% was achieved in the Alternative Risk class, following good performance by the risk finance and underwriting management businesses and notwithstanding the impact of the cancellation of a book of business in the cell insurance business.

As part of managing its exposure to South Africa's sovereign credit rating Santam entered into a three-year alternative risk transfer (ART) quota share agreement with an international insurer towards the end of 2013, effective 1 January 2014, with an annual reinsurance quota share premium of R1 billion. The agreement includes a facility whereby Santam can use the insurer's AA-rated licence for business, which is dependent on a minimum international scale rating. The agreement also reduces Santam's net catastrophe exposure.

Reinsurance premium as a percentage of gross premium increased from 13.7% in 2014 to 14.9% in 2015, excluding the impact of the ART quota share reinsurance arrangement and cell captive insurance business. The key drivers for the increase in the reinsurance premiums were the favourable reinsurance terms on specialist business lines, increasing the attractiveness of reinsurance, and increased quota share treaties for the crop and Santam Re businesses.

The net acquisition cost ratio of 28.0%, excluding the impact of the reinsurance ART quota share agreement, decreased from 28.4% in 2014. On a similar basis the management expense ratio decreased by 0.3% to 15.2%. Strategic project costs amounted to 0.7% (2014: 1%) of net earned premium but are expected to increase to about 1% of net earned premium at year-end. The majority of the strategic project costs relate to the implementation of a new core underwriting, administration and product management platform for the Santam Commercial and Personal intermediated business. Development costs of R34 million were capitalised during this reporting period, taking the total capitalised amount to date to R171 million. The project is progressing according to plan.

The net commission ratio increased by 0.2% to 12.1%, excluding the impact of the reinsurance ART quota share agreement. A decrease in the commission ratio due to the growth in MiWay, where no commission expenses are incurred, was offset by lower reinsurance commissions earned on specialist business lines, including crop, following relatively worse loss ratios reported than in 2014.

The investment return on insurance funds of R236 million increased from the R222 million earned in 2014, in line with the growth in the business.

The combined effect of insurance activities resulted in a net insurance income of R1 044 million compared to R850 million in 2014.

The performance of the interest-bearing portfolios exceeded the SteFI index, while the listed equities performed in line with the SWIX40 benchmark. The performance of the interest-bearing and equities portfolios continued to exceed the relative benchmarks over the longer term. The investment portfolio performance benefited from realised gains on the sale of listed equity investments following the rebalancing of the investment portfolio to effect a share buy-back in June 2015. In February 2015, a zero cost fence structure was entered into, based on the SWIX40 providing 10% downside protection from the implementation level of 10 443, with a capped return (excluding dividends) of 110.9% and a maturity date of 17 December 2015. An unrealised profit of R9 million was reported on the fence as at end of June 2015. The weakening of the rand during 2015 had a positive impact on the valuation of foreign currency assets of R62 million (2014: R15 million).

The increase in the fair value of Santam's interest in the Sanlam Emerging Markets (SEM) general insurance businesses in Africa, India and Southeast Asia were lower at R13 million (2014: R63 million) following the depreciation of a number of African currencies against the rand and increased claims provisioning required in Pacific & Orient Insurance Company Berhad, the Malaysian general insurance business. Santam invested a further R46 million in participatory investments in SEM general insurance businesses, including a new investment in Kenya. At 30 June 2015, the SEM investments had a fair value of R866 million, which now accounts for 12.8% of the Santam group's shareholder funds.

Net earnings from associated companies increased to R43 million (2014: R17 million) following higher earnings from Credit Guarantee Insurance Corporation of Africa Ltd. A profit of R21 million before tax was realised on the sale of the group's 37.5% investment in Censeo (Pty) Ltd.

Cash generated from operations of R1.2 billion increased from the R0.9 billion reported in the comparative period in 2014, mainly due to the improved underwriting results.

Headline earnings increased by 11% compared to 2014. Total earnings were negatively impacted by an impairment of intangible assets of R36 million relating to the group's administration businesses, Original Co-Sourcing SA (Pty) Ltd (Orico) and Riscor Underwriting Managers (Pty) Ltd, following the reorganisation of the group's administration businesses under Brolink (Pty) Ltd.

In May 2007, Santam concluded a broad-based black economic empowerment (BBBEE) transaction in terms of which Central Plaza Investments 112 (Pty) Ltd (Central Plaza) acquired 10% of Santam's issued ordinary shares in terms of a scheme of arrangement. To facilitate the BBBEE scheme unwind, Santam entered into an agreement with Central Plaza in terms of which Santam repurchased 4 215 000 Santam shares held by Central Plaza at a price of R190 per share for a total consideration of R801 million, effective 30 June 2015.

Following the unwinding of the BBBEE scheme, close to 2 400 Santam and Sanlam black employees will receive Santam shares and cash to the value of R530 million over a seven-year period. The scheme also had a further 68 black business partners, who will receive Santam shares with a three-year trading limitation and cash to the value of R330 million, while the Emthunzini Community Trust will receive Santam shares and cash to the value of R275 million.

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 six months.

### Prospects

Trading conditions in the South African insurance industry remain very competitive in a low-growth economic environment.

The rand weakened significantly against the US dollar since January 2015, which is expected to impact negatively on motor claims costs. Santam continues to focus on the optimisation of the claims and procurement value chains to increase efficiency and counter the impact of the weakening rand.

The group's focus will be to maintain its growth momentum, increasing its international diversification and the development of the SEM general insurance businesses. Santam has intensified its focus on cost-efficiencies to improve the management expense ratio over the medium term. Good progress has been made with the implementation of the new underwriting and administration

## FINANCIAL REVIEW

platform in the Santam Commercial and Personal intermediated business, which will enable improved underwriting capabilities. MiWay will continue focusing on growing its retail client base, its newly launched commercial offering and direct life insurance initiative in conjunction with Sanlam Life. International diversification will remain a focus area for Santam Specialist and Santam Re.

The investment market is likely to remain uncertain.

### Events after the reporting period

Santam and Mutual & Federal Insurance Company Ltd (Mutual & Federal) have reached agreement in terms of which Santam will sell its current 33.6% equity interest in Credit Guarantee Insurance Corporation of Africa Ltd for an amount of circa R600 million to Mutual & Federal. The transaction is still subject to regulatory approval, however the investment was classified as a "non-current asset held for sale" as at 30 June 2015 in terms of IFRS 5.

### Declaration of dividend (Number 123)

Notice is hereby given that the board has declared a gross interim dividend of 288 cents per share (2014: 262 cents per share).

Shareholders are advised that the last day to trade "cum dividend" will be Friday, 11 September 2015. The shares will trade "ex dividend" from the commencement of business on Monday, 14 September 2015. The record date will be Friday, 18 September 2015, and the payment date will be Monday, 21 September 2015. Certificated shareholders may not dematerialise or rematerialise their shares between 14 September 2015 and 18 September 2015, both dates inclusive.

The dividend has been declared from income reserves and will be subject to dividends tax. The amount per share, subject to the withholding of dividends tax at a maximum rate of 15%, is therefore 288 cents per share. A net dividend of 244.8 cents per share will apply to shareholders liable for dividends tax at a rate of 15%, and 288 cents per share for shareholders that qualify for complete exemption therefrom. The issued ordinary share capital as at 26 August 2015 is 115 131 417 shares. The company's income tax reference number is 9475/144/71/4.

In terms of the dividends tax legislation, the dividends tax amount due will be withheld and paid over to the South African Revenue Service (SARS) by a nominee company, stockbroker or Central Security Depository Participant (CSDP) (collectively Regulated Intermediary), on behalf of shareholders. However, all shareholders should declare their status to their Regulated Intermediary, as they may qualify for a reduced dividends tax rate or they may even be exempt from dividends tax.

### Preparation and presentation of the financial statements

The preparation of the independently reviewed financial statements was supervised by the chief financial officer of Santam Ltd, HD Nel CA(SA).



**GG Gelink**  
Chairman



**L Lambrechts**  
Chief Executive Officer

26 August 2015

# INDEPENDENT AUDITOR'S REVIEW REPORT

## TO THE SHAREHOLDERS OF SANTAM LTD

We have reviewed the condensed consolidated interim financial statements of Santam Ltd in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2015 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

### Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Santam Ltd for the six months ended 30 June 2015 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

*PricewaterhouseCoopers Inc.*

### PricewaterhouseCoopers Inc.

Director: Zuhdi Abrahams

Registered Auditor

Cape Town

26 August 2015

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed at 30 June 2015 R million	Reviewed at 30 June 2014 R million	Audited at 31 Dec 2014 R million
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment		114	88	117
Intangible assets		1 061	1 098	1 086
Deferred income tax		146	181	161
Investment in associates		173	327	355
Financial assets at fair value through income				
Equity securities	6	3 375	3 752	3 896
Debt securities	6	8 384	7 538	7 837
Reinsurance assets	7	179	140	144
<b>Total non-current assets</b>		<b>13 432</b>	<b>13 124</b>	<b>13 596</b>
<b>Current assets</b>				
Financial assets at fair value through income				
Derivatives	6	10	–	–
Short-term money market instruments	6	2 118	1 758	1 892
Cell owners' interest		8	16	9
Reinsurance assets	7	3 549	2 372	3 372
Deferred acquisition costs		407	330	447
Loans and receivables including insurance receivables	6	2 720	2 079	2 869
Income tax assets		12	43	10
Cash and cash equivalents		1 882	2 292	2 561
Non-current assets held for sale	8	677	429	428
<b>Total current assets</b>		<b>11 383</b>	<b>9 319</b>	<b>11 588</b>
<b>Total assets</b>		<b>24 815</b>	<b>22 443</b>	<b>25 184</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves attributable to the company's equity holders</b>				
Share capital		103	107	107
Treasury shares		(456)	(499)	(506)
Other reserves		278	239	238
Distributable reserves		6 858	6 722	7 171
		6 783	6 569	7 010
<b>Non-controlling interest</b>		<b>430</b>	<b>411</b>	<b>430</b>
<b>Total equity</b>		<b>7 213</b>	<b>6 980</b>	<b>7 440</b>
<b>Non-current liabilities</b>				
Deferred income tax		304	336	301
Financial liabilities at fair value through income				
Debt securities	6	992	989	999
Investment contracts	6	76	26	105
Cell owners' interest		947	854	924
Insurance liabilities	7	1 543	1 561	1 528
<b>Total non-current liabilities</b>		<b>3 862</b>	<b>3 766</b>	<b>3 857</b>
<b>Current liabilities</b>				
Financial liabilities at fair value through income				
Debt securities	6	24	24	24
Financial liabilities at amortised cost				
Collateral guarantee contracts		99	87	88
Insurance liabilities	7	10 434	8 912	10 514
Deferred reinsurance acquisition revenue		170	132	232
Provisions for other liabilities and charges		89	79	91
Trade and other payables		2 681	2 274	2 717
Current income tax liabilities		243	189	221
<b>Total current liabilities</b>		<b>13 740</b>	<b>11 697</b>	<b>13 887</b>
<b>Total liabilities</b>		<b>17 602</b>	<b>15 463</b>	<b>17 744</b>
<b>Total shareholders' equity and liabilities</b>		<b>24 815</b>	<b>22 443</b>	<b>25 184</b>



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Notes	Reviewed Six months ended 30 June 2015 R million	Reviewed Six months ended 30 June 2014 R million	Change %	Audited Year ended 31 Dec 2014 R million
<b>Gross written premium</b>	11 270	10 525	7%	22 710
Less: Reinsurance premium	2 628	2 465		5 075
<b>Net premium</b>	8 642	8 060	7%	17 635
Less: Change in unearned premium				
Gross amount	(450)	(335)		532
Reinsurers' share	4	(63)		(119)
<b>Net insurance premium revenue</b>	9 088	8 458	7%	17 222
Investment income	502	377	33%	807
Income from reinsurance contracts ceded	591	522		1 119
Net gains on financial assets and liabilities at fair value through income	265	323		286
<b>Net income</b>	10 446	9 680	8%	19 434
Insurance claims and loss adjustment expenses	7 253	6 721		14 315
Insurance claims and loss adjustment expenses recovered from reinsurers	(1 467)	(1 273)		(3 437)
<b>Net insurance benefits and claims</b>	5 786	5 448	6%	10 878
Expenses for the acquisition of insurance contracts	1 562	1 432		2 983
Expenses for marketing and administration	1 577	1 493		3 050
Expenses for asset management services	18	16		31
Amortisation and impairment of intangible assets	67	15		130
<b>Total expenses</b>	9 010	8 404	7%	17 072
<b>Results of operating activities</b>	1 436	1 276	13%	2 362
Finance costs	(47)	(48)		(93)
Net income from associates	43	17		58
Profit on sale of net investment in associated companies	21	–		–
<b>Profit before tax</b>	1 453	1 245	17%	2 327
Income tax expense	(390)	(292)		(660)
<b>Profit for the period</b>	1 063	953	12%	1 667
<b>Other comprehensive income</b>				
Items that may subsequently be reclassified to income:				
Currency translation differences	35	12		8
<b>Total comprehensive income for the period</b>	1 098	965		1 675
<b>Profit attributable to:</b>				
– equity holders of the company	995	911		1 579
– non-controlling interest	68	42		88
	1 063	953		1 667
<b>Total comprehensive income attributable to:</b>				
– equity holders of the company	1 030	923		1 587
– non-controlling interest	68	42		88
	1 098	965		1 675
<b>Earnings attributable to equity shareholders</b>				
<b>Earnings per share (cents)</b>	12			
Basic earnings per share	870	799	9%	1 382
Diluted earnings per share	865	794	9%	1 372
Weighted average number of shares – millions	114.31	114.12		114.26
Weighted average number of ordinary shares for diluted earnings per share – millions	114.96	114.82		115.09

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Total R million	Non- controlling interest R million	Total R million
	Share capital R million	Treasury shares R million	Other reserves R million	Distribu- table reserves R million			
<b>Balance as at 1 January 2014</b>	107	(520)	224	6 321	6 132	400	6 532
Profit for the period	–	–	–	1 579	1 579	88	1 667
Other comprehensive income:							
Currency translation differences	–	–	8	–	8	–	8
<b>Total comprehensive income for the period ended 31 December 2014</b>	–	–	8	1 579	1 587	88	1 675
Sale of treasury shares	–	51	–	(51)	–	–	–
Purchase of treasury shares	–	(37)	–	–	(37)	–	(37)
Transfer to reserves	–	–	6	(6)	–	–	–
Share-based payment costs	–	–	–	123	123	–	123
Dividends paid	–	–	–	(795)	(795)	(58)	(853)
<b>Balance as at 31 December 2014</b>	107	(506)	238	7 171	7 010	430	7 440
Profit for the period	–	–	–	995	995	68	1 063
Other comprehensive income:							
Currency translation differences	–	–	35	–	35	–	35
<b>Total comprehensive income for the period ended 30 June 2015</b>	–	–	35	995	1 030	68	1 098
Sale of treasury shares	–	50	–	(50)	–	–	–
Repurchase of shares	(4)	–	–	(797)	(801)	–	(801)
Transfer to reserves	–	–	5	(5)	–	–	–
Share-based payment costs	–	–	–	94	94	–	94
Dividends paid	–	–	–	(550)	(550)	(68)	(618)
<b>Balance as at 30 June 2015</b>	103	(456)	278	6 858	6 783	430	7 213
<b>Balance as at 1 January 2014</b>	107	(520)	224	6 321	6 132	400	6 532
Profit for the period	–	–	–	911	911	42	953
Other comprehensive income:							
Currency translation differences	–	–	12	–	12	–	12
<b>Total comprehensive income for the period ended 30 June 2014</b>	–	–	12	911	923	42	965
Sale of treasury shares	–	54	–	(54)	–	–	–
Purchase of treasury shares	–	(33)	–	–	(33)	–	(33)
Transfer to reserves	–	–	3	(3)	–	–	–
Share-based payment costs	–	–	–	41	41	–	41
Dividends paid	–	–	–	(494)	(494)	(31)	(525)
<b>Balance as at 30 June 2014</b>	107	(499)	239	6 722	6 569	411	6 980

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Reviewed Six months ended 30 June 2015 R million	Reviewed Six months ended 30 June 2014 R million	Audited Year ended 31 Dec 2014 R million
<b>Cash flows from operating activities</b>				
Cash generated from operations		1 212	930	2 443
Interest paid		(47)	(48)	(93)
Income tax paid		(350)	(101)	(420)
<b>Net cash from operating activities</b>		<b>815</b>	<b>781</b>	<b>1 930</b>
<b>Cash flows from investing activities</b>				
Acquisition of financial assets*		(4 540)	(4 600)	(8 040)
Proceeds from sale of financial assets*		4 532	4 725	7 556
Settlement of fence		–	(297)	(297)
Acquisition of subsidiaries	11	–	–	(28)
Cash acquired through acquisition of subsidiaries	11	–	–	3
Purchases of equipment		(18)	(13)	(69)
Purchases of intangible assets		(39)	(48)	(102)
Proceeds from sale of equipment		1	–	4
Capitalisation of associated companies		(28)	(17)	(16)
Proceeds from sale of associated companies	11	23	–	–
Acquisition of customer lists		(3)	–	–
<b>Net cash from investing activities</b>		<b>(72)</b>	<b>(250)</b>	<b>(989)</b>
<b>Cash flows from financing activities</b>				
Purchase of treasury shares		–	(33)	(37)
Proceeds from shares cancelled		(801)	–	–
Decrease in investment contract liabilities		(29)	(101)	(21)
Increase in collateral guarantee contracts		11	5	6
Dividends paid to company's shareholders		(550)	(494)	(795)
Dividends paid to non-controlling interest		(68)	(31)	(58)
Increase in cell owners' interest		22	40	110
<b>Net cash used in financing activities</b>		<b>(1 415)</b>	<b>(614)</b>	<b>(795)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(672)</b>	<b>(83)</b>	<b>146</b>
Cash and cash equivalents at beginning of period		2 561	2 343	2 343
Exchange gains on cash and cash equivalents		(7)	32	72
<b>Cash and cash equivalents at end of period</b>		<b>1 882</b>	<b>2 292</b>	<b>2 561</b>

\* In line with 31 December 2014, the 30 June 2014 cash flows relating to the acquisition and proceeds from the sale of financial assets have been presented as separate line items.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

### 2. Accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for:

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2015:

- Amendment to IAS 19 – Employee benefits
- Annual Improvements 2010-12 cycle
- Annual Improvements 2011-13 cycle

There was no material impact on the condensed consolidated interim financial statements.

### 3. Estimates

The preparation of condensed consolidated interim 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 expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim 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 annual financial statements for the year ended 31 December 2014.

### 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 condensed consolidated interim 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 2014.

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 5. Segment information

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive Officer, supported by the group executive committee.

The group consists of two core operating segments, i.e. insurance and investment activities.

Insurance activities are all core general insurance and reinsurance underwriting activities directly undertaken by the group and are analysed by insurance class. The performance of insurance activities is based on gross written premium as a measure of growth; with net underwriting result and net insurance result as measures of profitability.

Investment activities are all investment-related activities undertaken by the group, including strategic diversification activities. Investment activities are measured based on net investment income and net income from associated companies.

Given the nature of the operations there is no single external client that provides 10% or more of the group's revenues.

The investment return on insurance funds is calculated based on the day-weighted effective return realised by the group on the assets held to cover the group's net insurance working capital requirements.

Insurance business denominated in foreign currencies is covered by foreign denominated bank accounts and debt securities. Foreign exchange movements on underwriting results are therefore offset against the foreign exchange movements recognised on the bank accounts and debt securities.

The MiWay deferred bonus plan (DBP), relating to the compensation of the 10% share previously held by management in MiWay and the Santam BEE transaction costs are unrelated to the core underwriting or investment performance of the group. Therefore, these costs are disclosed as unallocated activities.

Santam Ltd is domiciled in South Africa. Geographical analysis of the gross written premium and non-current assets and liabilities is based on the countries in which the business is underwritten or managed. Non-current assets comprise goodwill and intangible assets, property and equipment, investments in associates and SEM target shares (included in financial instruments).

#### 5.1 For the six months ended 30 June 2015

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
<b>Revenue</b>	11 270	595	–	11 865
Gross written premium	11 270	–	–	11 270
Net written premium	8 642	–	–	8 642
Net earned premium	9 088	–	–	9 088
Net claims incurred	5 786	–	–	5 786
Net commission	971	–	–	971
Management expenses	1 523	–	–	1 523
<b>Underwriting result</b>	808	–	–	808
Investment return on insurance funds	236	–	–	236
<b>Net insurance result</b>	1 044	–	–	1 044
Investment income net of management fee and finance costs	–	466	–	466
Income from associates net of profit on sale	–	64	–	64
MiWay DBP and Santam BEE costs	–	–	(66)	(66)
Amortisation and impairment of intangible assets	(55)	–	–	(55)
<b>Income before taxation</b>	989	530	(66)	1 453

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 5.1 For the six months ended 30 June 2015 (continued)

#### Insurance activities

The group's insurance activities are spread over various classes of general insurance.

Insurance class	Gross written premium R million	Underwriting result R million
Accident and health	169	22
Alternative risk	1 094	10
Crop	67	53
Engineering	539	123
Guarantee	91	8
Liability	588	85
Miscellaneous	29	6
Motor	5 166	324
Property	3 202	136
Transportation	325	41
<b>Total</b>	<b>11 270</b>	<b>808</b>
<b>Comprising:</b>		
Commercial insurance	5 745	546
Personal insurance	4 431	252
Alternative risk	1 094	10
<b>Total</b>	<b>11 270</b>	<b>808</b>

#### Investment activities

For detailed analysis of investment activities refer to notes 6 and 9.

### 5.2 For the six months ended 30 June 2014

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
<b>Revenue</b>	10 525	495	–	11 020
Gross written premium	10 525	–	–	10 525
Net written premium	8 060	–	–	8 060
Net earned premium	8 459	–	–	8 459
Claims incurred	5 448	–	–	5 448
Net commission	910	–	–	910
Management expenses	1 473	–	–	1 473
<b>Underwriting result</b>	628	–	–	628
Investment return on insurance funds	222	–	–	222
<b>Net insurance result</b>	850	–	–	850
Investment income net of management fee and finance costs	–	413	–	413
Income from associates net of impairment and losses on sale	–	17	–	17
MiWay DBP and Santam BEE costs	–	–	(20)	(20)
Amortisation and impairment of intangible assets	(15)	–	–	(15)
<b>Income before taxation</b>	<b>835</b>	<b>430</b>	<b>(20)</b>	<b>1 245</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 5.2 For the six months ended 30 June 2014 (continued)

#### Insurance activities

The group's insurance activities are spread over various classes of general insurance.

Insurance class	Gross written premium R million	Underwriting result R million
Accident and health	160	(3)
Alternative risk	992	(13)
Crop	70	187
Engineering	538	69
Guarantee	14	2
Liability	544	119
Miscellaneous	26	1
Motor	4 715	199
Property	3 103	36
Transportation	363	31
<b>Total</b>	<b>10 525</b>	<b>628</b>
<b>Comprising:</b>		
Commercial insurance	5 319	582
Personal insurance	4 214	59
Alternative risk	992	(13)
<b>Total</b>	<b>10 525</b>	<b>628</b>

#### Investment activities

For detailed analysis of investment activities refer to notes 6 and 9.

### 5.3 For the year ended 31 December 2014

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
<b>Revenue</b>	22 710	726	–	23 436
Gross written premium	22 710	–	–	22 710
Net written premium	17 635	–	–	17 635
Net earned premium	17 222	–	–	17 222
Net claims incurred	10 878	–	–	10 878
Net commission	1 864	–	–	1 864
Management expenses	2 986	–	–	2 986
<b>Underwriting result</b>	1 494	–	–	1 494
Investment return on insurance funds	425	–	–	425
<b>Net insurance result</b>	1 919	–	–	1 919
Investment income net of management fee and finance costs	–	543	–	543
Income from associates net of impairment and losses on sale	–	58	–	58
MiWay DBP and Santam BEE costs	–	–	(82)	(82)
Amortisation and impairment of intangible assets	(111)	–	–	(111)
<b>Income before taxation</b>	<b>1 808</b>	<b>601</b>	<b>(82)</b>	<b>2 327</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 5.3 For the year ended 31 December 2014 (continued)

#### Insurance activities

The group's insurance activities are spread over various classes of general insurance.

Insurance class	Gross written premium R million	Underwriting result R million
Accident and health	350	49
Alternative risk	1 953	15
Crop	1 044	251
Engineering	1 127	169
Guarantee	22	–
Liability	1 246	220
Miscellaneous	53	5
Motor	9 629	524
Property	6 552	221
Transportation	734	40
<b>Total</b>	<b>22 710</b>	<b>1 494</b>
<b>Comprising:</b>		
Commercial insurance	12 298	1 177
Personal insurance	8 459	302
Alternative risk	1 953	15
<b>Total</b>	<b>22 710</b>	<b>1 494</b>

#### Investment activities

For detailed analysis of investment activities refer to notes 6 and 9.

### 5.4 Geographical analysis

	Gross written premium		
	June 2015 R million	June 2014 R million	Dec 2014 R million
South Africa	10 308	9 892	20 565
Rest of Africa <sup>1 2</sup>	775	488	1 837
Southeast Asia, India, Middle East and China <sup>1 3</sup>	187	145	308
<b>Group total</b>	<b>11 270</b>	<b>10 525</b>	<b>22 710</b>
<b>Non-current assets</b>			
	June 2015 R million	June 2014 R million	Dec 2014 R million
South Africa	1 414	1 399	1 435
Rest of Africa	405	186	331
Southeast Asia, India, Middle East and China	621	564	599
<b>Group total</b>	<b>2 440</b>	<b>2 149</b>	<b>2 365</b>

<sup>1</sup> Includes gross written premium managed by specialist business and Santam Re.

<sup>2</sup> Includes gross written premium relating to Namibia of R512 million (June 2014: R458 million/Dec 2014: R1 055 million).

<sup>3</sup> Includes gross written premium relating to China of R57 million (June 2014: R48 million/Dec 2014: R88 million).



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Reviewed at 30 June 2015 R million	Reviewed at 30 June 2014 R million	Audited at 31 Dec 2014 R million
<b>6. Financial assets and liabilities</b>			
<b>Financial assets</b>			
The group's financial assets are summarised below by measurement category.			
Financial assets at fair value through income	13 887	13 048	13 625
Loans and receivables	2 720	2 079	2 869
<b>Total financial assets</b>	<b>16 607</b>	<b>15 127</b>	<b>16 494</b>

### Financial instruments measured at fair value on a recurring basis

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2014. The different levels have been defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices). Listed bonds that did not trade actively during a financial period are classified as Level 2 Financial instruments. The fair value of the unlisted money market instruments are determined using discounted cash flow models using market observable input.
- **Level 3:** Input for the asset or liability that is not based on observable data (that is, unobservable input)

All derivative instruments are classified as investments held for trading. The rest of the investment portfolio is designated as financial assets at fair value through income based on the principle that the entire portfolio is managed on a fair value basis and reported as such to the investment committee.

### Financial assets at fair value through income

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
<b>30 June 2015</b>				
Equity securities				
Quoted				
Listed	2 444	–	–	2 444
Unitised funds	–	50	–	50
Irredeemable preference shares	1	–	–	1
Unquoted	–	–	880	880
<b>Total equity securities</b>	<b>2 445</b>	<b>50</b>	<b>880</b>	<b>3 375</b>
Debt securities				
Quoted				
Government and other bonds	1 318	946	35	2 299
Collateralised securities	–	166	–	166
Redeemable preference shares	–	257	–	257
Money market instruments > 1 year	–	1 327	–	1 327
Unquoted				
Government and other bonds	–	65	–	65
Money market instruments > 1 year	–	4 191	–	4 191
Redeemable preference shares	–	50	29	79
<b>Total debt securities</b>	<b>1 318</b>	<b>7 002</b>	<b>64</b>	<b>8 384</b>
Derivative instruments				
Interest rate swaps	–	–	1	1
Foreign exchange contracts	–	–	–	–
Fence	–	–	9	9
<b>Total derivative instruments</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>10</b>
<b>Short-term money market instruments</b>	<b>–</b>	<b>2 072</b>	<b>46</b>	<b>2 118</b>
<b>Total financial assets at fair value through income</b>	<b>3 763</b>	<b>9 124</b>	<b>1 000</b>	<b>13 887</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 6. Financial assets and liabilities (continued)

#### Financial liabilities at fair value through income (continued)

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	1 016	–	–	1 016
Investment contracts	–	76	–	76
<b>Total financial liabilities at fair value through income</b>	<b>1 016</b>	<b>76</b>	<b>–</b>	<b>1 092</b>

30 June 2014	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 006	–	–	3 006
Unitised funds	–	98	–	98
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	646	646
<b>Total equity securities</b>	<b>3 008</b>	<b>98</b>	<b>646</b>	<b>3 752</b>
Debt securities				
Quoted				
Government and other bonds	1 495	165	–	1 660
Collateralised securities	–	–	–	–
Redeemable preference shares	–	244	–	244
Money market instruments > 1 year	–	1 521	–	1 521
Unquoted				
Government and other bonds	–	47	–	47
Money market instruments > 1 year	–	3 987	–	3 987
Redeemable preference shares	–	50	29	79
<b>Total debt securities</b>	<b>1 495</b>	<b>6 014</b>	<b>29</b>	<b>7 538</b>
Derivative instruments				
Interest rate swaps	–	–	–	–
Foreign exchange contracts	–	–	–	–
Fence	–	–	–	–
<b>Total derivative instruments</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Short-term money market instruments</b>	<b>–</b>	<b>1 758</b>	<b>–</b>	<b>1 758</b>
<b>Total financial assets at fair value through income</b>	<b>4 503</b>	<b>7 870</b>	<b>675</b>	<b>13 048</b>

#### Financial liabilities at fair value through income

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	1 013	–	–	1 013
Investment contracts	–	26	–	26
<b>Total financial liabilities at fair value through income</b>	<b>1 013</b>	<b>26</b>	<b>–</b>	<b>1 039</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 6. Financial assets and liabilities (continued)

#### Financial assets at fair value through income (continued)

31 December 2014	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	2 999	–	–	2 999
Unitised funds	–	75	–	75
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	820	820
<b>Total equity securities</b>	<b>3 001</b>	<b>75</b>	<b>820</b>	<b>3 896</b>
Debt securities				
Quoted				
Government and other bonds	1 250	492	13	1 755
Collateralised securities	–	152	–	152
Redeemable preference shares	–	250	–	250
Money market instruments > 1 year	–	1 436	15	1 451
Unquoted				
Government and other bonds	–	24	–	24
Money market instruments > 1 year	–	4 127	–	4 127
Redeemable preference shares	–	50	28	78
<b>Total debt securities</b>	<b>1 250</b>	<b>6 531</b>	<b>56</b>	<b>7 837</b>
Derivative instruments				
Interest rate swaps	–	–	–	–
Foreign exchange contracts	–	–	–	–
Fence	–	–	–	–
<b>Total derivative instruments</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Short-term money market instruments</b>	<b>–</b>	<b>1 854</b>	<b>38</b>	<b>1 892</b>
<b>Total financial assets at fair value through income</b>	<b>4 251</b>	<b>8 460</b>	<b>914</b>	<b>13 625</b>

#### Financial liabilities at fair value through income

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	1 023	–	–	1 023
Investment contracts	–	105	–	105
<b>Total financial liabilities at fair value through income</b>	<b>1 023</b>	<b>105</b>	<b>–</b>	<b>1 128</b>

The following table presents the changes in level 3 instruments

30 June 2015	Equity securities unquoted R million	Debt securities unquoted R million	Short-term money market instruments R million	Derivatives R million	Total R million
Opening balance	820	56	38	–	914
Acquisitions	51	35	1	–	87
Disposals/settlements	(5)	(21)	(11)	–	(37)
Gains/(losses) recognised in profit or loss	14	9	3	10	36
Transfer	–	(15)	15	–	–
<b>Closing balance</b>	<b>880</b>	<b>64</b>	<b>46</b>	<b>10</b>	<b>1 000</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 6. Financial assets and liabilities (continued)

	Equity securities unquoted R million	Debt securities unquoted R million	Short-term money market instruments R million	Derivatives R million	Total R million
<b>30 June 2014</b>					
Opening balance	529	23	–	(203)	349
Acquisitions	41	–	–	–	41
Disposals/settlements	–	–	–	297	297
Gains/(losses) recognised in profit or loss	76	6	–	(94)	(12)
Transfer	–	–	–	–	–
Closing balance	<b>646</b>	<b>29</b>	<b>–</b>	<b>–</b>	<b>675</b>
<b>31 December 2014</b>					
Opening balance	529	23	–	(203)	349
Acquisitions	186	–	–	–	186
Disposals/settlements	–	–	–	297	297
Gains/(losses) recognised in profit or loss	105	6	–	(94)	17
Transfer	–	27	38	–	65
Closing balance	<b>820</b>	<b>56</b>	<b>38</b>	<b>–</b>	<b>914</b>

The unquoted equity instruments recognised as level 3 instruments at 30 June 2014, 31 December 2014 and 30 June 2015 consist mainly of the participation instruments issued by Sanlam Emerging Markets (Pty) Ltd (SEM). Holdings in securities and other financial instruments of African Bank Investments Ltd and African Bank Ltd were transferred to level 3 subsequent to these companies being placed into curatorship and the suspension of these securities by the JSE Ltd.

The fair value of the SEM target shares is determined using discounted cash flow models. The most significant assumptions used in these models are the discount rate, exchange rate and net insurance margin profile expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares would decrease by R98 million (Dec 2014: R102 million, June 2014: R104 million) or increase by R149 million (Dec 2014: R156 million, June 2014: R162 million), respectively. If exchange rates increase or decrease by 10%, the cumulative fair values will also increase or decrease by R68 million (Dec 2014: R60 million, June 2014: R56 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the cumulative fair values will increase by R68 million (2014: R73 million, June 2014: R66 million) or decrease by R67 million (Dec 2014: R74 million, June 2014: R66 million), respectively.

The interest rate derivatives represent the fair value of interest rate swaps effected on a total of R100 million (Dec 2014: R106 million, June 2014: R106 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable note. The interest rate swaps have the effect of swapping a variable interest rate for a fixed interest rate on these assets to eliminate interest rate risk on assets supporting the bond liability. The derivatives mature on 30 September 2016 and 12 June 2017.

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 the 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 the statement of comprehensive income.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

During the first half of 2013, Santam entered into three derivative fence structures between 28 March 2013 and 8 May 2013, covering equities to the value of R2 billion. All three tranches had downside protection of 10% with upside participation of 9.7%, 9.6% and 9.5%, respectively. The implementation levels were 7593 (SWIX40 index), 7515 and 7694, respectively. A negative fair value of R204 million was recorded as at 31 December 2013, and a loss of R93 million was incurred during the six months to 30 June 2014. The final tranche expired in May 2014 and the hedge was not renewed.

In February 2015, a zero cost fence structure was entered into based on the SWIX40, providing 10% downside protection from the implementation level of 10 443, with a capped return (excluding dividends) of 110.9% and a maturity date of 17 December 2015.

	Reviewed at 30 June 2015 R million	Reviewed at 30 June 2014 R million	Audited at 31 Dec 2014 R million
<b>7. Insurance liabilities and reinsurance assets</b>			
<b>Gross insurance liabilities</b>			
Long-term insurance contracts			
– claims reported and loss adjustment expenses	13	12	13
– claims incurred but not reported	24	23	25
Short-term insurance contracts			
– claims reported and loss adjustment expenses	6 612	5 613	6 227
– claims incurred but not reported	1 535	1 459	1 515
– unearned premiums	3 793	3 366	4 262
<b>Total gross insurance liabilities</b>	<b>11 977</b>	<b>10 473</b>	<b>12 042</b>
Non-current liabilities	1 543	1 561	1 528
Current liabilities	10 434	8 912	10 514
<b>Recoverable from reinsurers</b>			
Long-term insurance contracts			
– claims reported and loss adjustment expenses	6	5	6
– claims incurred but not reported	5	4	5
Short-term insurance contracts			
– claims reported and loss adjustment expenses	2 502	1 404	2 266
– claims incurred but not reported	243	219	237
– unearned premiums	972	880	1 002
<b>Total reinsurers' share of insurance liabilities</b>	<b>3 728</b>	<b>2 512</b>	<b>3 516</b>
Non-current assets	179	140	144
Current assets	3 549	2 372	3 372
<b>Net insurance liabilities</b>			
Long-term insurance contracts			
– claims reported and loss adjustment expenses	7	7	7
– claims incurred but not reported	19	19	20
Short-term insurance contracts			
– claims reported and loss adjustment expenses	4 110	4 209	3 961
– claims incurred but not reported	1 292	1 240	1 278
– unearned premiums	2 821	2 486	3 260
<b>Total net insurance liabilities</b>	<b>8 249</b>	<b>7 961</b>	<b>8 526</b>
<b>8. Non-current asset held for sale</b>			
	Reviewed at 30 June 2015 R million	Reviewed at 30 June 2014 R million	Audited at 31 Dec 2014 R million
<b>Assets that are classified as held for sale</b>			
Financial assets at fair value through income			
Equity securities	326	309	308
Loans and receivables including insurance receivables	126	120	120
Investment in associates	225	–	–
	<b>677</b>	<b>429</b>	<b>428</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 8. Non-current asset held for sale (continued)

#### Santam International

Santam Ltd initially set up the Santam International group to facilitate the expansion into Europe. Santam International Ltd (Santam International) directly and indirectly held three subsidiaries called Santam UK Ltd, Westminster Motor Insurance Agency Ltd (WMIA) and Santam Europe Ltd (Europe). The holdings in WMIA and Europe were sold in 2008 and Santam International only retained deferred conditional rights relating to the sale contracts. WMIA and Europe were renamed subsequent to the sale to Cardrow Insurance Ltd (Cardrow) and Beech Hill Insurance Ltd (Beech Hill), respectively.

Santam Ltd will realise the deferred conditional rights relating to Cardrow and Beech Hill as and when they become unconditional and therefore these assets have been recognised as held for sale in the group as at 31 December 2013 and 2014. This process is expected to be concluded in 2015.

Once the assets have been realised, management will commence a process to unwind the Santam International group. The investment in Santam International and the loan to Santam International have therefore been classified as current assets on a company level. The completion of the unwinding process is subject to regulatory approval.

Equities that are classified as held for sale are categorised as level 3 instruments in terms of the fair value hierarchy.

The following table presents the changes for the period ended 30 June 2015:

	Reviewed at 30 June 2015 R million	Reviewed at 30 June 2014 R million	Audited at 31 Dec 2014 R million
Opening balance	308	299	299
Foreign exchange rates	18	13	8
(Losses)/gains recognised in profit or loss	–	(3)	1
Closing balance	326	309	308

#### Credit Guarantee Insurance Corporation of Africa Ltd (Credit Guarantee)

Santam Ltd and Mutual & Federal Insurance Company Ltd (Mutual & Federal) have reached agreement in terms of which Santam will sell its current 33.6% equity interest in Credit Guarantee Insurance Corporation of Africa Ltd ("Credit Guarantee") for an amount of circa R600 million to Mutual & Federal. The transaction is still subject to regulatory approval. Santam previously classified its investment in Credit Guarantee as an investment in associates. As a result of the transaction, the investment was reclassified as a "non-current asset held for sale" in terms of IFRS 5.

### 9. Investment income and net gains/(losses) on financial assets and liabilities

	Reviewed at 30 June 2015 R million	Reviewed at 30 June 2014 R million	Audited at 31 Dec 2014 R million
Investment income	502	377	807
Dividend income	74	68	127
Interest income	366	294	609
Foreign exchange differences	62	15	71
Net gains/(losses) on financial assets and liabilities at fair value through income	265	323	286
Net realised gains on financial assets	505	430	481
Net fair value losses on financial assets designated as at fair value through income	(264)	(14)	(79)
Net fair value losses on financial assets held for trading	–	(5)	–
Net fair value losses on financial assets held for sale	–	–	(3)
Net realised/fair value (gains)/losses on derivative instruments	9	(93)	(93)
Net fair value gain/(losses) on short-term money market instruments	8	(4)	(18)
Net fair value gains/(losses) on financial liabilities designated as at fair value through income	7	9	(2)
Net fair value gains/(loss) on debt securities	7	9	(2)
Net fair value losses/(gains) on investment contracts	–	–	–
	767	700	1 093

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Reviewed at 30 June 2015 R million	Reviewed at 30 June 2014 R million	Audited at 31 Dec 2014 R million
<b>10. Income tax</b>			
Normal taxation			
Current year	376	283	684
Prior year	14	2	–
Recovered from cell owners	(39)	(33)	(77)
Foreign taxation – current year	29	15	43
<b>Total income taxation for the period</b>	<b>380</b>	<b>267</b>	<b>650</b>
Deferred taxation			
Current year	22	35	13
Prior year	(12)	(10)	–
Recovered from cell owners	–	–	(3)
<b>Total deferred taxation for the period</b>	<b>10</b>	<b>25</b>	<b>10</b>
<b>Total taxation as per statement of comprehensive income</b>	<b>390</b>	<b>292</b>	<b>660</b>
<b>Reconciliation of taxation rate (%)</b>			
Normal South African taxation rate	28.0	28.0	28.0
Adjusted for:			
Disallowable expenses	1.4	–	1.9
Exempt income	(1.6)	(1.4)	(1.6)
Investment results	(1.4)	(2.6)	(0.6)
Other permanent differences	0.4	(0.5)	0.7
<b>Net (reduction)/increase</b>	<b>(1.2)</b>	<b>(4.5)</b>	<b>0.4</b>
<b>Effective rate (%)</b>	<b>26.8</b>	<b>23.5</b>	<b>28.4</b>

### 11. Business combinations

#### 2015

##### Disposals

##### Censeo (Pty) Ltd

On 31 May 2015, Swanvest 120 (Pty) Ltd (a wholly owned subsidiary of Santam Ltd) sold its 37.5% shareholding in Censeo (Pty) Ltd for R23 million. The net profit realised was R21 million and capital gains tax of R4.2 million was recognised.

#### 2014

##### Additions

##### Brolink (Pty) Ltd and H & L Underwriting Managers (Pty) Ltd

During 2014, Swanvest 120 (Pty) Ltd, a wholly owned subsidiary of Santam Ltd, acquired the remaining 70% of the H & L Underwriting Managers (Pty) Ltd shareholding and 100% of Brolink (Pty) Ltd (Brolink). The purchase price for these transactions amounted to R28 million. The goodwill of R25 million arises from a number of factors such as obtaining economies of scale and unrecognised assets such as the workforce. Key business relationships of R15 million, brandname of R1 million and an additional deferred tax liability of R4 million were also recognised on acquisition.

	31 Dec 2014 R million
<b>Details of the assets and liabilities acquired at fair value are as follows:</b>	
Intangible assets	16
Loans and receivables	8
Cash and cash equivalents	3
Deferred taxation	(4)
Trade and other payables	(10)
<b>Net asset value acquired</b>	<b>13</b>
Goodwill	25
Less: Deferred purchase consideration*	(10)
<b>Purchase consideration paid</b>	<b>28</b>

\* Amount is variable and will be impacted by returns achieved until February 2016 and August 2017.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Reviewed Six months ended 30 June 2015	Reviewed Six months ended 30 June 2014	Audited Year ended 31 Dec 2014
<b>12. Earnings per share</b>			
<b>Basic earnings per share</b>			
Profit attributable to the company's equity holders (R million)	995	911	1 579
Weighted average number of ordinary shares in issue (million)	114.31	114.12	114.26
Earnings per share (cents)	870	799	1 382
<b>Diluted earnings per share</b>			
Profit attributable to the company's equity holders (R million)	995	911	1 579
Weighted average number of ordinary shares in issue (million)	114.31	114.12	114.26
Adjusted for share options	0.65	0.70	0.83
Weighted average number of ordinary shares for diluted earnings per share (million)	114.96	114.82	115.09
Diluted basic earning per share (cents)	865	794	1 372
<b>Headline earnings per share</b>			
Profit attributable to the company's equity holders (R million)	995	911	1 579
Adjusted for:			
Impairment of intangible assets	36	–	72
Profit on sale of investment in associated company	(21)	–	–
Tax charge	4	–	–
Headline earnings (R million)	1 014	911	1 651
Weighted average number of ordinary shares in issue (million)	114.31	114.12	114.26
Headline earnings per share (cents)	887	799	1 445
<b>Diluted headline earnings per share</b>			
Headline earnings (R million)	1 014	911	1 651
Weighted average number of ordinary shares for diluted headline earnings per share (million)	114.96	114.82	115.09
Diluted headline earnings per share (cents)	882	793	1 435
<b>13. Dividends per share</b>			
Dividend per share (cents)	288	262	742

### 14. Share buy-back

In May 2007, Santam concluded a broad-based black economic empowerment (BBBEE) transaction in terms of which Central Plaza Investments 112 (Pty) Ltd (Central Plaza) acquired 10% of Santam's issued ordinary shares in terms of a scheme of arrangement. To facilitate the BBBEE Scheme unwind, Santam entered into an agreement with Central Plaza in terms of which Santam repurchased 4 215 000 Santam shares held by Central Plaza at a price of R190 per share for a total consideration of R801 million, effective 30 June 2015.



**Non-executive directors**

CB Booth, B Campbell, MD Dunn, MP Fandesio, T Fubu,  
BTPKM Gamedze, GG Gelink (Chairman),  
IM Kirk, MLD Marole, JP Möller, MJ Reyneke,  
J van Zyl

**Executive directors**

L Lambrechts (Chief Executive Officer),  
HD Nel (Chief Financial Officer),  
Y Ramiah

**Company secretary**

M Allie

**Transfer secretaries**

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**Registration number** 1918/001680/06

**ISIN** ZAE000093779

**JSE share code:** SNT

**NSX share code:** SNM

**Sponsor**

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