2019

PRESENTATION TO ANALYSTS

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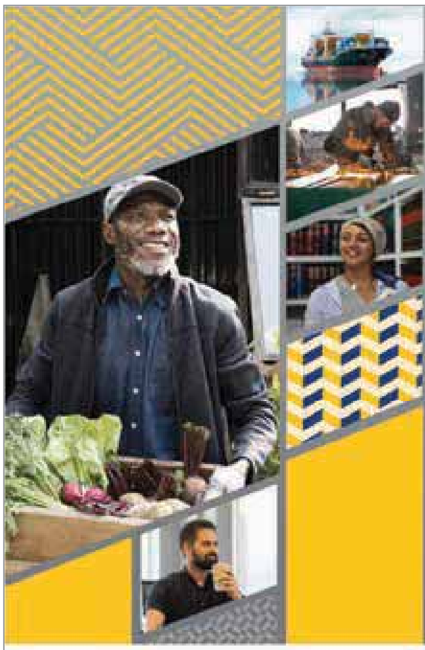

ANALYST PRESENTATION 2019

INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

PRESENTED BY: LIZÉ LAMBRECHTS AND HENNIE NEL

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CONTENTS

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THE SANTAM BUSINESS PORTFOLIO

Santam Commercial and Personal	Santam Specialist	Santam re	MiWay	Santam Alternative Risk Transfer	Santam's Investments & Strategic Partnerships inclusive of Saham Finances
Our multi-channel insurance business in South Africa and Namibia	Our specialist insurance business portfolio in Africa, India and SE Asia	Our reinsurance business in South Africa and international markets	Our direct insurance business in South Africa	Our risk transfer solutions business	Our investments in emerging markets
• Intermediated • Strategic partnerships • Direct	• Agri • Niche • Pan-African partnership with Saham Finances	• Group • Non-group	• Personal • Business • Life	• Centriq • Santam Structured Insurance	• Rest of Africa • India • SE Asia

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SANTAM GROUP

INSURANCE ACTIVITIES

Insurance operating segments	What is included?
Conventional insurance	Conventional insurance business written on insurance licences controlled by the group, consisting of: • Santam Commercial and Personal • Santam Specialist (niche and agriculture business) • Credit insurance written by Santam Structured Insurance (SSI) • Santam re • MiWay
Alternative risk transfer insurance	Alternative risk transfer insurance business written on insurance licences of Centriq and SSI
Sanlam Emerging Markets (SEM) partner businesses	Santam's share of the insurance results of the SEM general insurance businesses, including Saham Finances held through SAN JV

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MARKET CONTEXT

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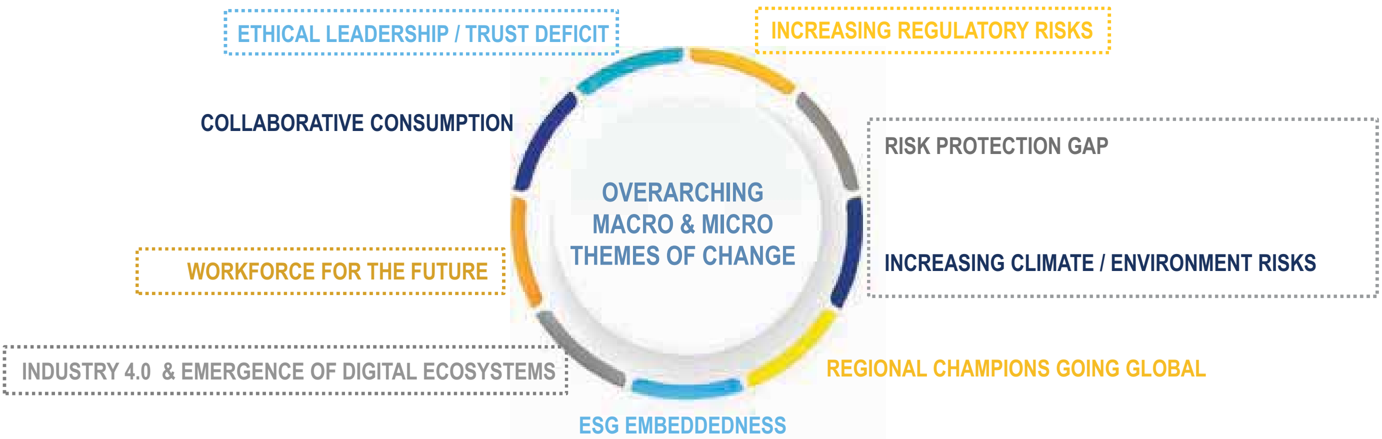
THE DRIVERS OF CHANGE



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INSURANCE MARKET
OUTLOOK

ALL MARKETS

- Intensifying US-China trade war, technology tensions and the prolonged uncertainty on Brexit continue to impact on global growth
- Emerging markets continue to drive global premium growth and are expected to outperform average GDP growth
- Technological innovations to improve industry efficiency
- Climate risk a prominent industry topic with regulators actively engaging players
- Profitability remains under pressure due to a low interest rate environment
- Increased investment in new business models, acquiring new skills and building diversified workforce

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INSURANCE MARKET
OUTLOOK

SOUTH AFRICA

- Lower economic growth forecasts and increased unemployment figures reported
- Exchange rate volatility and weaker average Rand exchange rate
- Increased pressure for business community to contribute through economic inclusion and transformation
- Municipal service delivery remain a significant issue for the country
- Other areas of concern are SOE viability, socio-economic impact of extreme weather events and the country’s skills deficit

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SANTAM JUNE 2019

KEY FACTS

- Group gross written premium growth of **9%**
- Conventional insurance gross written premium growth of **8%**
- Underwriting margin of **5.3%** (2018: **8.4%**) for conventional insurance business
- Headline earnings per share decreased by **3%**
- Return on capital of **25.4%**
- Economic capital coverage ratio of **160%**
- Interim dividend of **392** cents per share, up **8%**

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FINANCIAL RESULTS

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REPORTING ENVIRONMENT

REPORTED RESULTS AFFECTED BY:

Insurance events

- Catastrophe events (Betty's Bay fires, Newcastle hail storm, Kwazulu-Natal flooding)
- Significant Agri hail claims

Exchange rate volatility

- Weaker average Rand exchange rate for the period had a positive impact on foreign earnings
- Significant Rand weakness in June 2018 resulted in foreign currency gains of R230 million compared to relatively small R25 million foreign currency loss for June 2019

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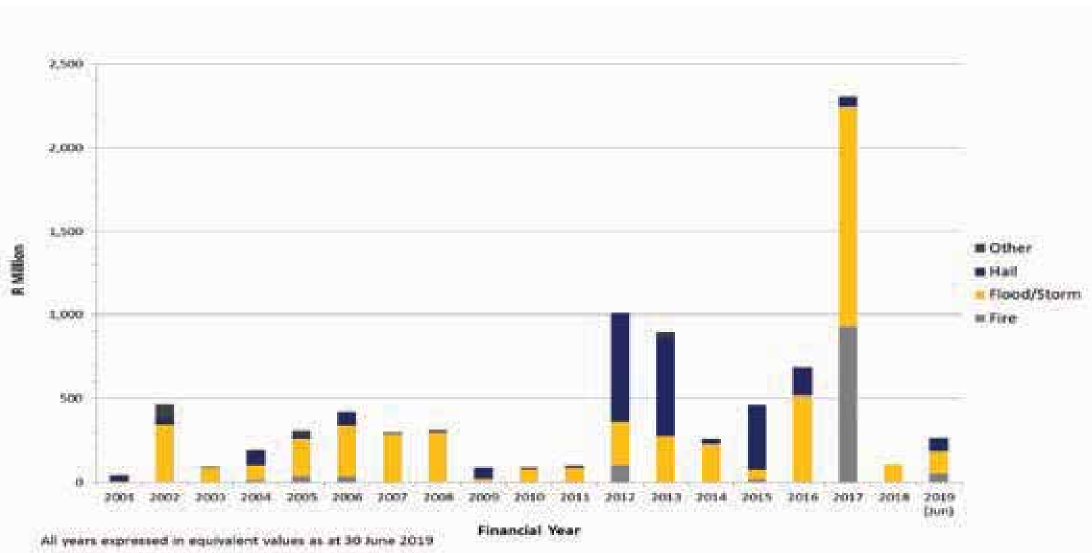
CATASTROPHE CLAIMS

GROSS TOTAL CATASTROPHE CLAIMS: ALL PERILS



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EXCHANGE RATE VOLATILITY

	CLOSING RATES			AVERAGE RATES		
Currency	Jun 2019	Dec 2018	% change	H1 2019	H1 2018	% change
United States Dollar	14.10	14.39	(2.0%)	14.18	12.30	15.3%
Pound Sterling	17.95	18.32	(2.0%)	18.35	16.92	8.4%
Moroccan Dirham	1.49	1.51	(1.8%)	1.49	1.33	11.8%
Malaysian Ringgit	3.42	3.49	(1.9%)	3.45	3.13	10.3%
Indian Rupee	0.21	0.21	(1.1%)	0.20	0.19	8.2%

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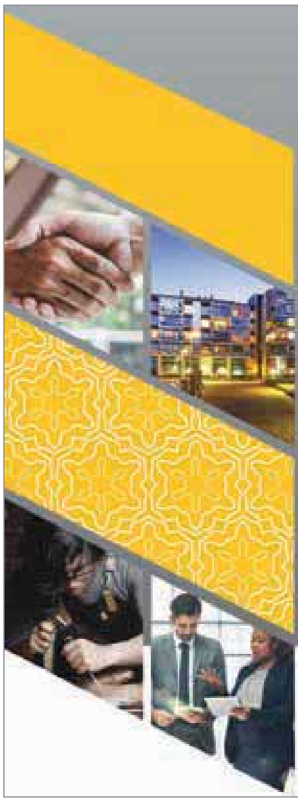

CONVENTIONAL INSURANCE

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CONVENTIONAL INSURANCE

NET INSURANCE RESULT

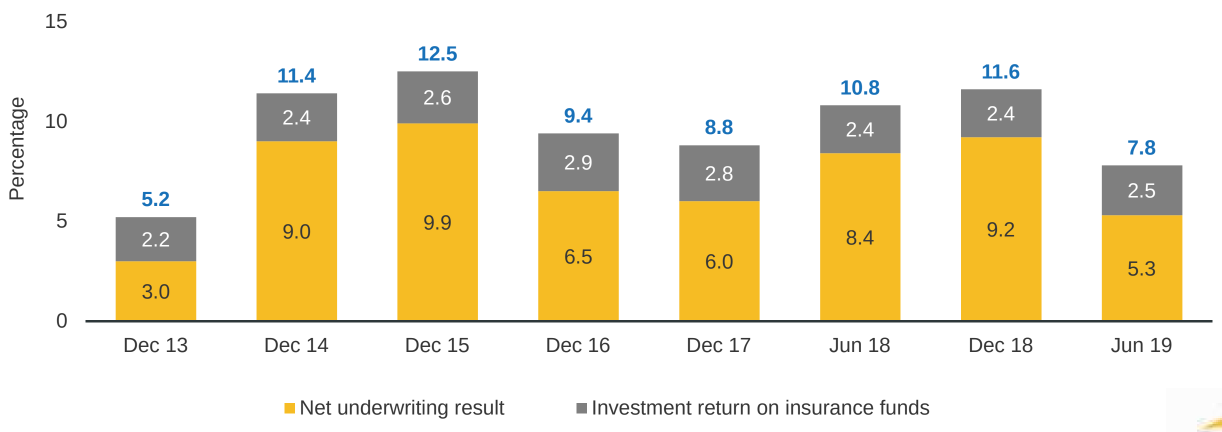
	Jun 2019 R'm	% of NEP	Jun 2018 R'm	% of NEP	2019/ 2018	5 Yr ave %	10 Yr ave %
Gross written premium	14 220		13 122		8%	8.3[1]	8.5[1]
Net earned premium	11 457	100.0	10 947	100.0	5%	100.0	100.0
Net claims incurred	7 388	64.5	6 795	62.0	9%	63.3	65.0
Net acquisition cost	3 467	30.2	3 236	29.6	7%	29.0	28.3
Net underwriting result	602	5.3	916	8.4	(34%)	7.7	6.7
Investment return on insurance funds	285	2.5	263	2.4	8%	2.6	2.6
Net insurance result	887	7.8	1 179	10.8	(25%)	10.3	9.3
Combined ratio		94.7		91.6		92.3	93.3

[1] Average growth

CONVENTIONAL INSURANCE

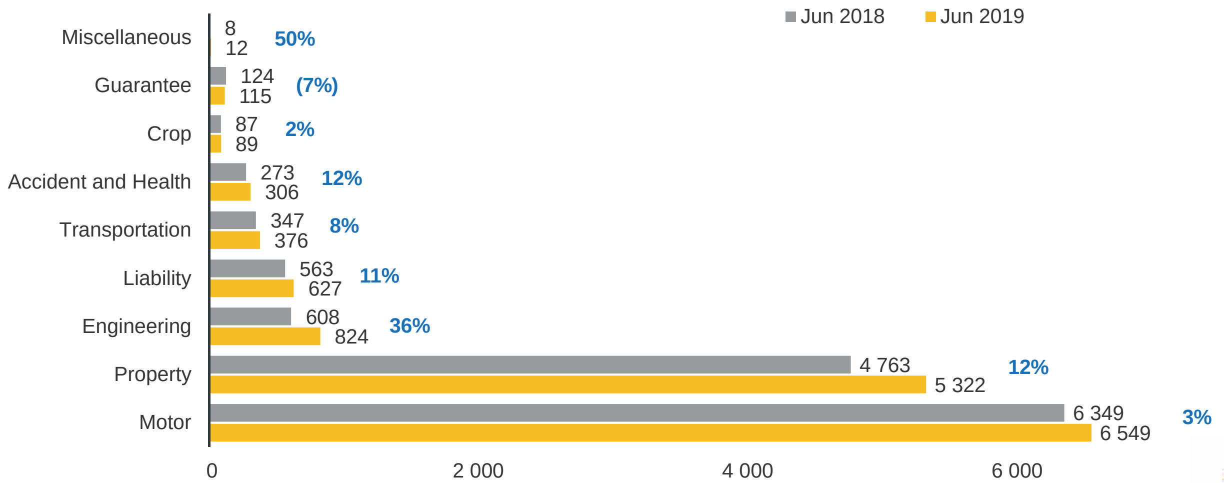
NET INSURANCE RESULT

AS % OF NET EARNED PREMIUM



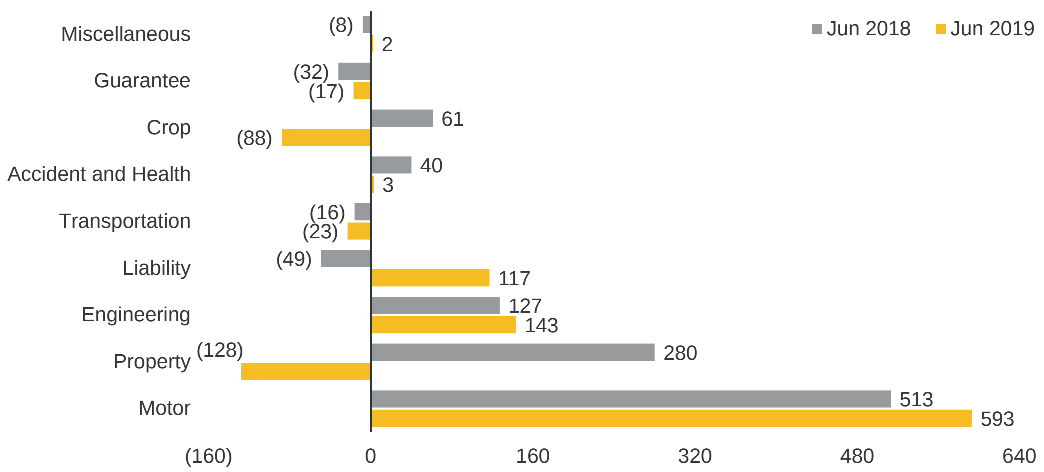
CONVENTIONAL INSURANCE
GROSS WRITTEN PREMIUM

PER INSURANCE CLASS (R MILLION)



CONVENTIONAL INSURANCE
NET UNDERWRITING RESULT

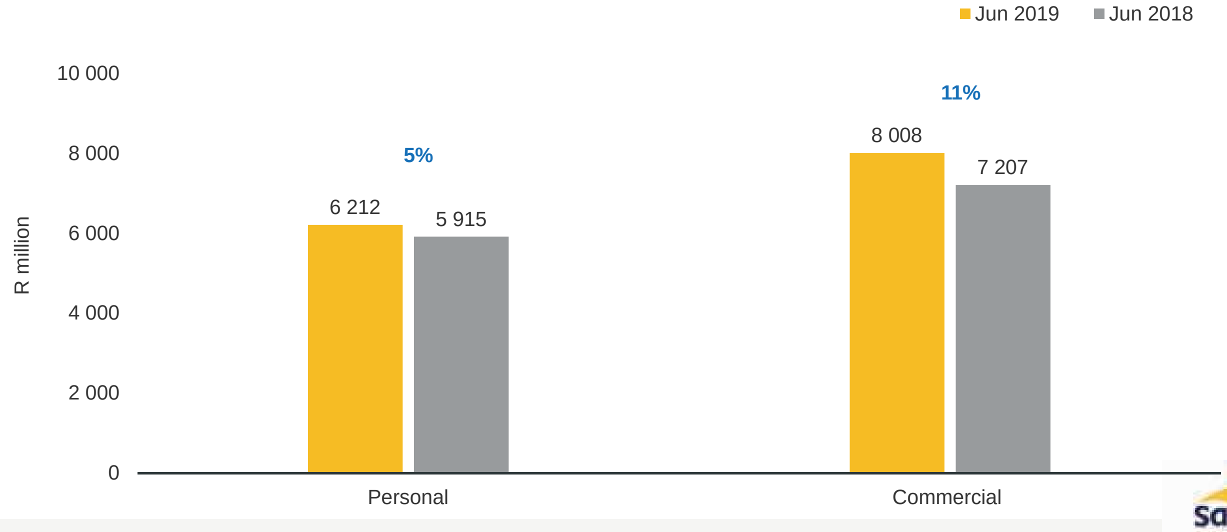
PER INSURANCE CLASS (R MILLION)



CONVENTIONAL INSURANCE

SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

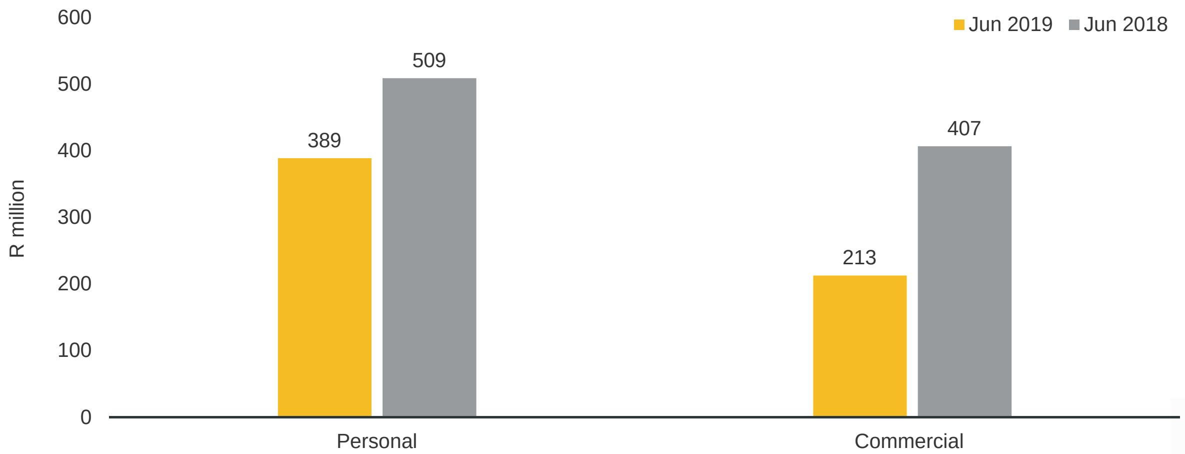
GROSS WRITTEN PREMIUM



CONVENTIONAL INSURANCE

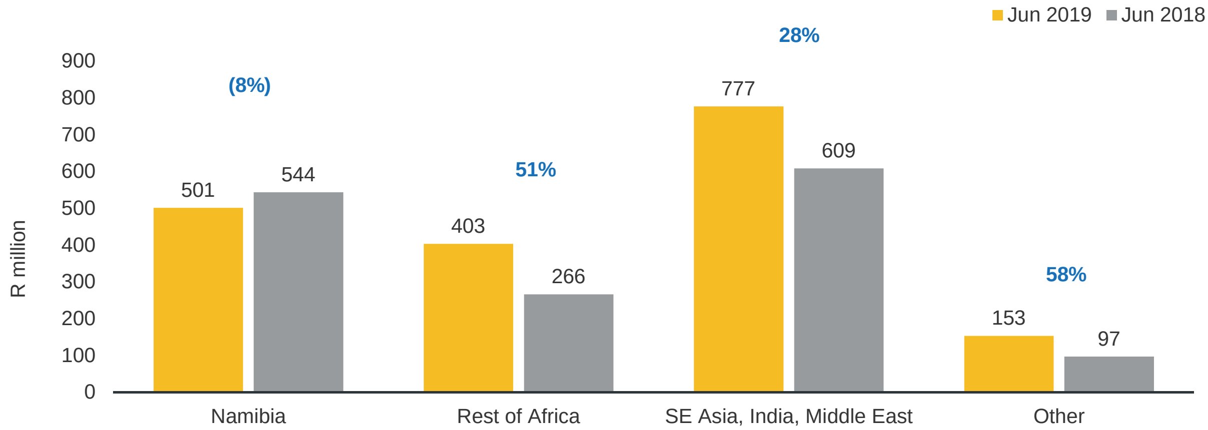
SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

NET UNDERWRITING RESULT



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM FROM OUTSIDE SA

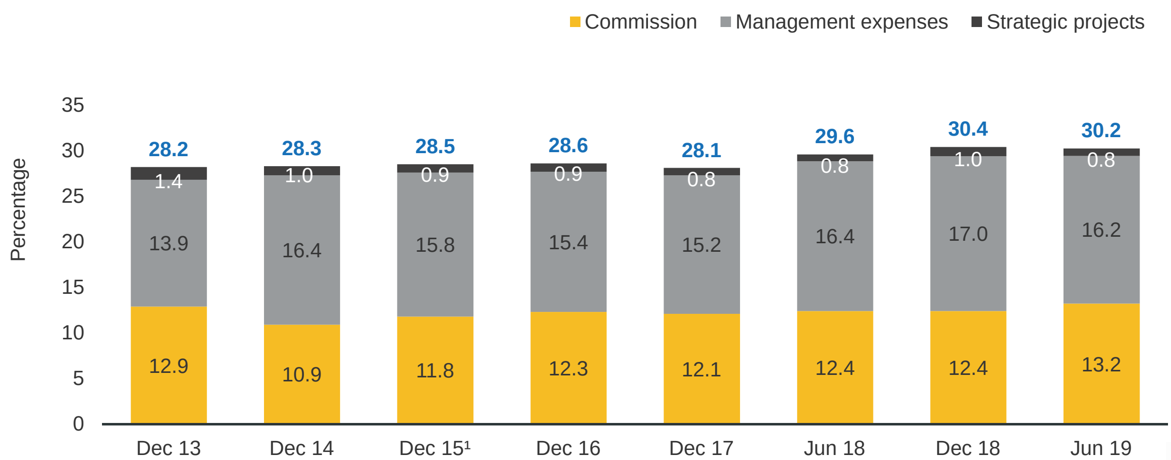


Excludes Santam's share of the gross written premium derived from its SEM investments and Saham Finances
"Other" includes Santam re participations which are mainly originating from Europe

CONVENTIONAL INSURANCE

NET ACQUISITION COST RATIO

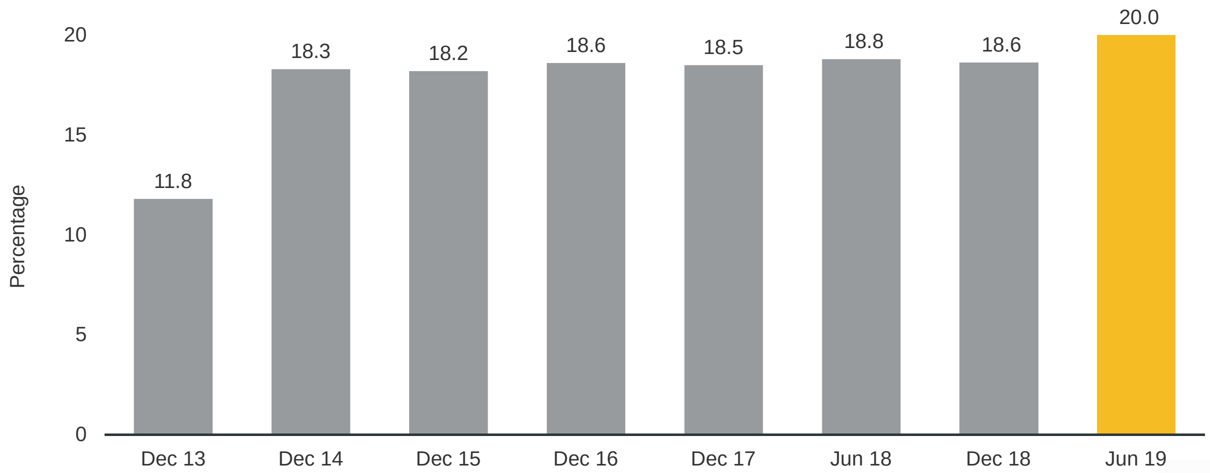
AS % OF NET EARNED PREMIUM



1. 2015 excludes the impact of Indwe

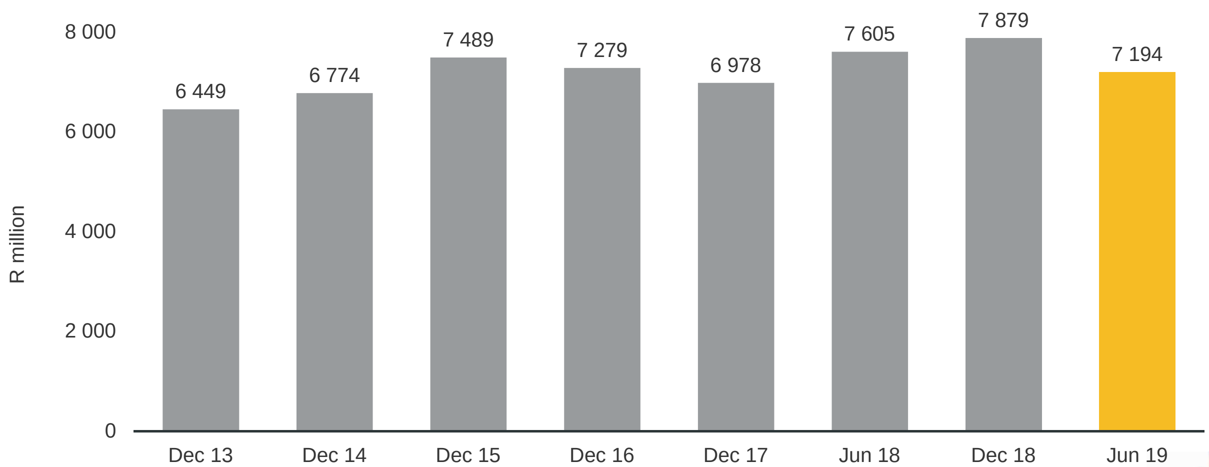
CONVENTIONAL INSURANCE

REINSURANCE AS % OF GROSS EARNED PREMIUM



CONVENTIONAL INSURANCE

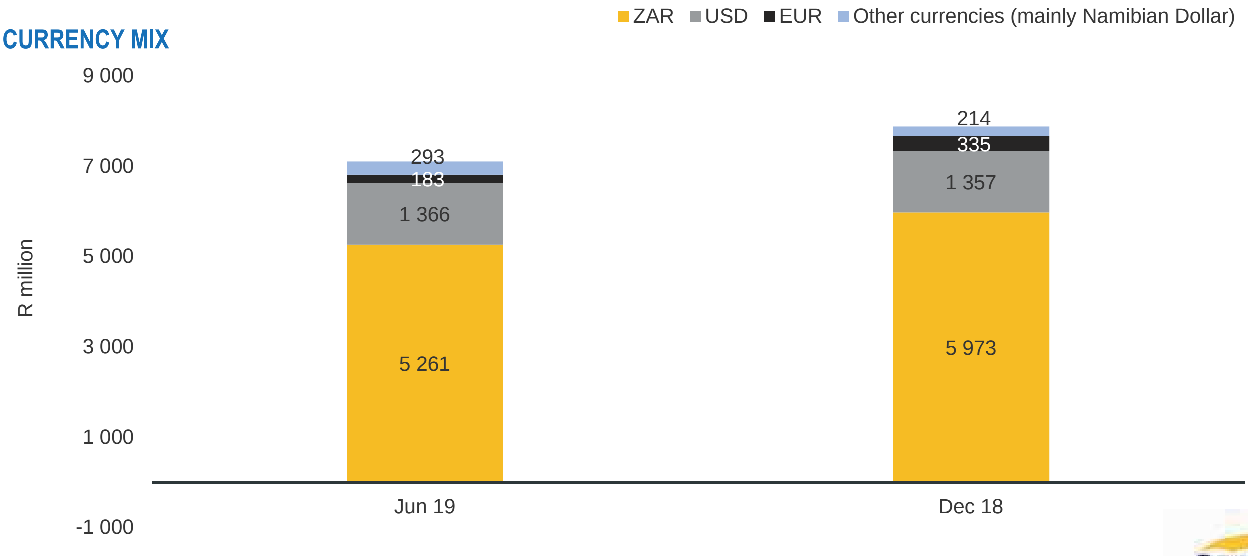
SIZE OF INSURANCE FUNDS



CONVENTIONAL INSURANCE

ASSETS BACKING NET INSURANCE FUNDS

CURRENCY MIX

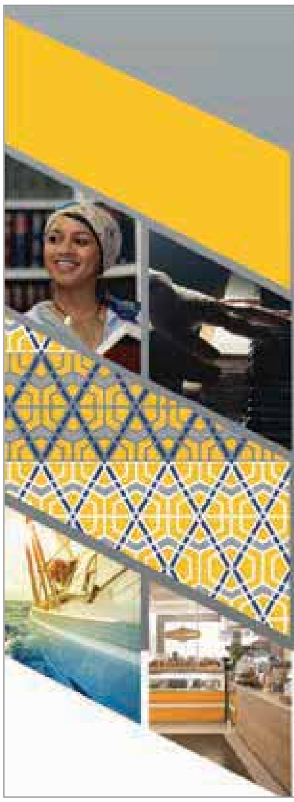


CONVENTIONAL INSURANCE

MIWAY

	Jun 2019	Jun 2018	2019/2018
Gross written premium (R'm)	1 324	1 218	9%
Gross underwriting result, net of CAT recoveries (R'm)	203	159	28%
Gross claims ratio, net of CAT recoveries	54.2%	55.7%	
Gross acquisition cost ratio	30.5%	31.1%	
Gross underwriting margin	15.3%	13.2%	
Number of clients[1]	315 000	299 000	5%

[1] Excluding value added products



ALTERNATIVE RISK TRANSFER

ALTERNATIVE
RISK TRANSFER INSURANCE (ART)

Includes the results from:

Centriq Insurance

Santam Structured Insurance, excluding credit insurance business (acquired March 2017)

Types of business

Risk finance

Underwriting managers

Affinity business

Structured insurance

ALTERNATIVE RISK TRANSFER INSURANCE

CENTRIQ

	Jun 2019 R'm	Jun 2018 R'm	2019/ 2018
Gross written premium	2 087	1 658	26%
Income from clients	102	66	55%
Participation in underwriting results	19	18	6%
Administration expenses	(71)	(52)	37%
Operating result	50	32	56%

ALTERNATIVE RISK TRANSFER INSURANCE

SANTAM STRUCTURED INSURANCE

	Jun 2019 R'm	Jun 2018 R'm	2019/ 2018
Gross written premium	735	811	(9%)
Income from clients	64	56	14%
Participation in underwriting results	11	17	(35%)
Administration expenses	(53)	(42)	26%
Operating result	22	31	(29%)

ALTERNATIVE RISK TRANSFER INSURANCE

COMBINED RESULTS

	Jun 2019 R'm	Jun 2018 R'm	2019/ 2018	5 Yr ave %	10 Yr ave %
Gross written premium	2 799	2 469	13%	21.9[1]	12.8[1]
Income from clients	166	122	3%		
Participation in underwriting results	30	35	(14%)		
Administration expenses	(124)	(94)	32%		
Operating result	72	63	14%		

[1] Average growth

SEM PARTNER BUSINESS

SEM PARTNER BUSINESSES

Saham Finances
- Operates in 26 countries in Africa and the Middle East
- Santam's effective interest of 10% held through SAN JV

Main Saham Finances insurance businesses:
- Morocco
- Lebanon
- Ivory Coast
- Angola
- Mauritius

SEM participation investments
- SGI (India) – 35% participation
- P&O (Malaysia) – 35% participation
- 12 investments in African partner businesses – 10% participation (2018: 35%)

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SEM PARTNER BUSINESSES

		SANTAM EFFECTIVE HOLDING	
	Domicile	**Jun 2019**	**Dec 2018**
SAN JV (Saham Finances)	Morocco	10.0	10.0
Pacific and Orient Insurance Company Berhad	Malaysia	15.4	15.4
Shriram General Insurance Company Ltd	India	15.0	15.0
BIHL Insurance Company Ltd	Botswana	5.8	21.2
NICO Holdings general insurance subsidiaries	Malawi and Zambia	5.6	19.8
Sanlam General Insurance (Uganda) Ltd	Uganda	9.5	28.6
Sanlam General Insurance (Tanzania) Ltd	Tanzania	5.0	17.4
SORAS Assurances Générales Ltd	Rwanda	8.2	26.1
SOCAR s.a. Burundi	Burundi	2.9	8.6
FBN General Insurance Ltd	Nigeria	3.5	12.3
Sanlam General Insurance Ltd	Kenya	3.9	13.7
Botswana Insurance Company Ltd	Botswana	2.9	10.3
Zimnat Lion Insurance Company Ltd	Zimbabwe	4.0	14.0
Grand Reinsurance Company (Private) Ltd	Zimbabwe	4.0	14.0

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SEM GENERAL INSURANCE

ANALYSIS OF SANTAM'S SHARE OF NET INSURANCE RESULT BEFORE TAXATION AND MINORITIES (EXCLUDING SAHAM FINANCES)

	Jun 2019 R'm	% of NEP	Jun 2018 R'm	% of NEP	2019/ 2018
Gross written premium	574		625		(8%)
Net earned premium	429	100.0	430	100.0	(0%)
Net claims incurred	211	49.2	318	74.0	(34%)
Net acquisition cost	120	28.0	135	31.4	(11%)
Net underwriting result	98	22.8	(23)	(5.4)	526%
Investment return on insurance funds	106	24.7	85	19.8	28%
Net insurance result	204	47.5	62	14.4	229%

[1] Investments in African partner businesses – 10% participation (2018: 35%)

SAHAM FINANCES

ANALYSIS OF SAHAM FINANCES GENERAL INSURANCE'S NET INSURANCE RESULT BEFORE TAXATION AND MINORITIES

	Jun 2019 R'm	% of NEP	Jun 2018 R'm	% of NEP	2019/ 2018
Saham Finances General Insurance (100% view)					
Gross written premium	8 292		7 371		12%
Net earned premium	5 923	100.0	5 196	100.0	14%
Net claims incurred	3 724	62.9	2 943	56.6	27%
Net acquisition cost	2 010	33.9	1 803	34.7	11%
Net underwriting result	189	3.2	450	8.7	(58%)
Investment return on insurance funds	715	12.1	448	8.6	60%
Net insurance result	904	15.3	898	17.3	1%

[1] This table includes all general insurance and reinsurance as it relates to the general insurance business.

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SANTAM GROUP

NET OPERATING INCOME

R million	Jun 2019	Jun 2018	2019/2018
Conventional insurance	887	1 179	(25%)
Alternative risk transfer insurance	72	63	14%
SEM partner businesses	298	142	110%
Other net income	4	-	100%
Net operating income	1 261	1 384	(9%)
SEM partner businesses	(298)	(142)	
Net operating income	963	1 242	(22%)

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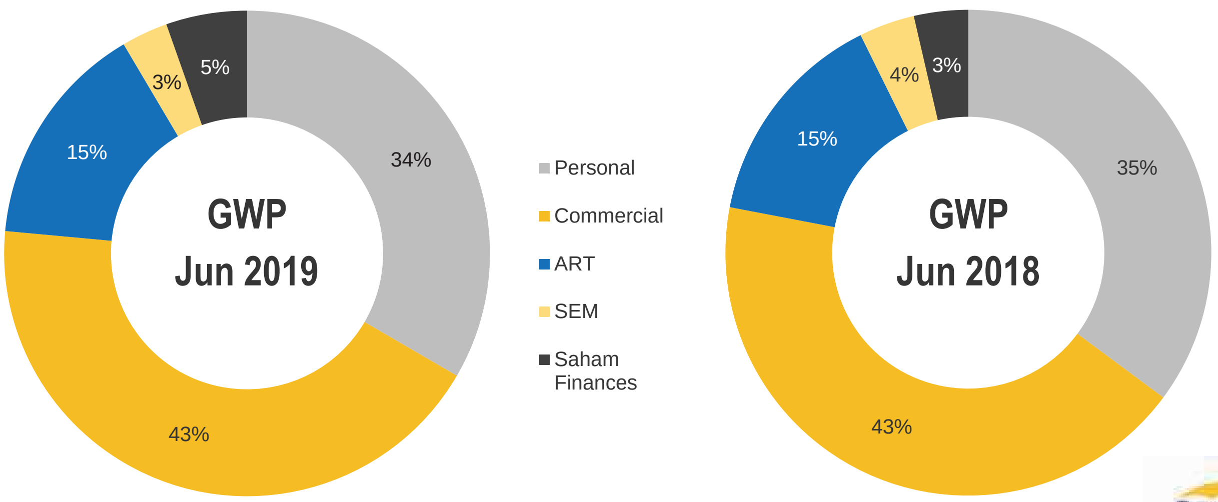
SANTAM GROUP

RECONCILIATION TO HEADLINE EARNINGS

R million	Jun 2019	Jun 2018	2019/2018
Net profit attributable to ordinary shareholders	1 094	1 124	(3%)
Per share (cents)	990	1 018	
Headline earnings	1 094	1 124	(3%)
Per share (cents)	990	1 018	

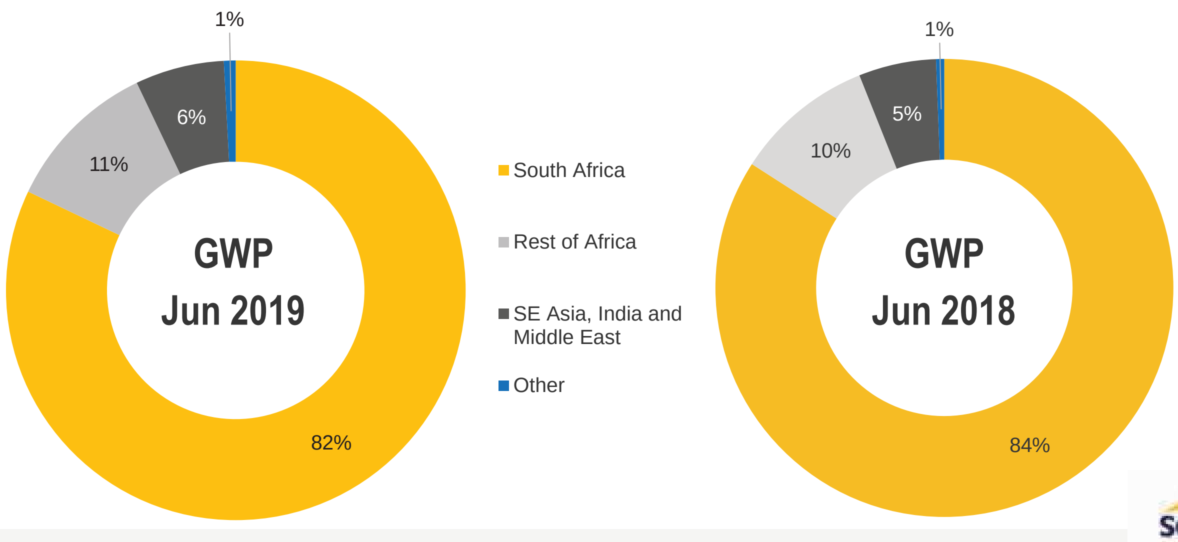
GROWTH DIVERSIFICATION

INCLUDING SEM PARTNER BUSINESSES



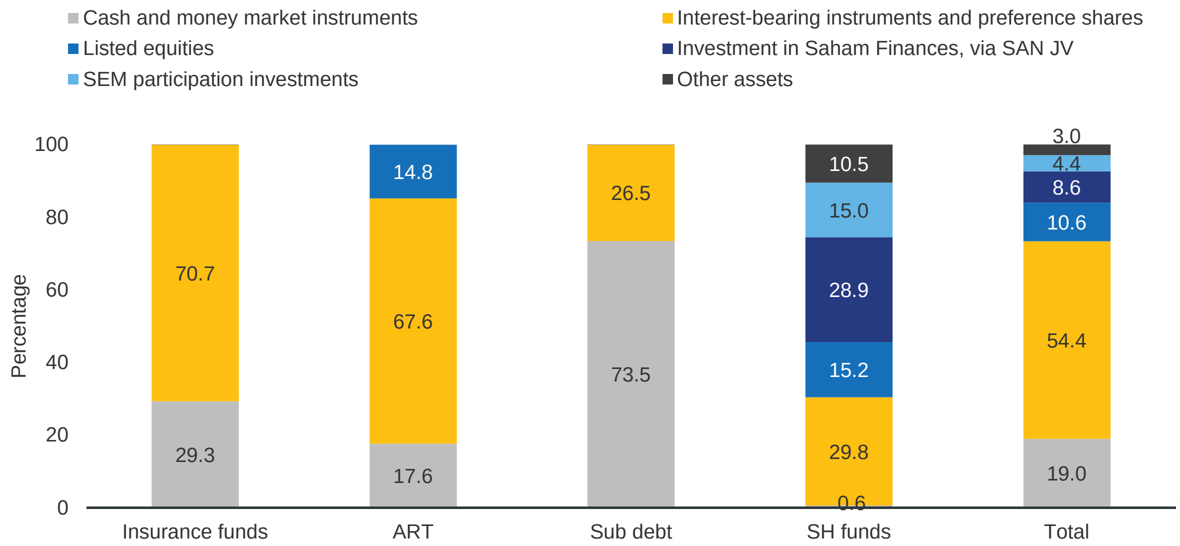
GEOGRAPHIC DIVERSIFICATION

INCLUDING SEM PARTNER BUSINESSES

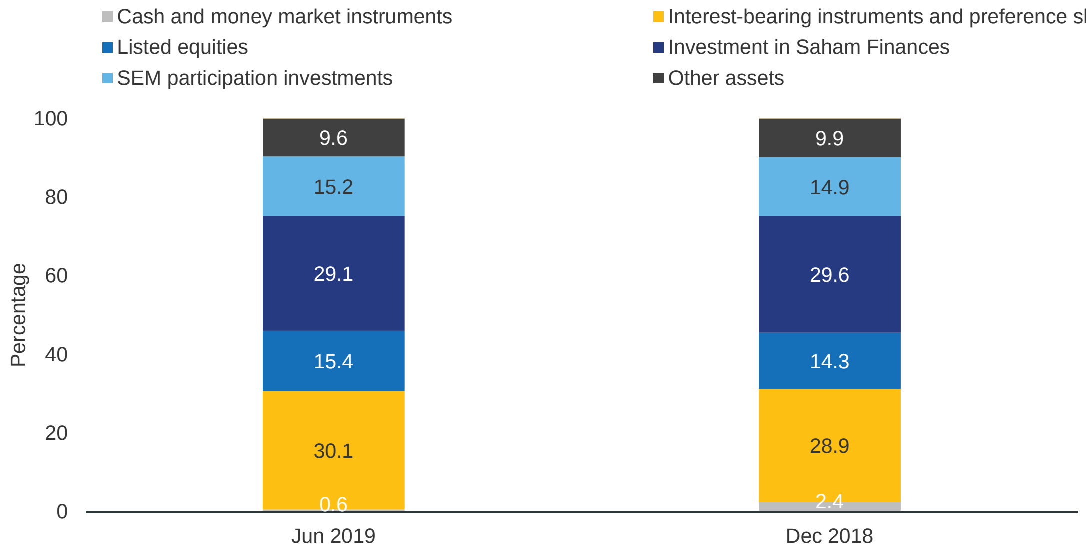


ASSET / LIABILITY MATCHING

GROUP CONSOLIDATED ASSETS AT 30 JUNE 2019



SHAREHOLDER FUNDS
ASSET MIX



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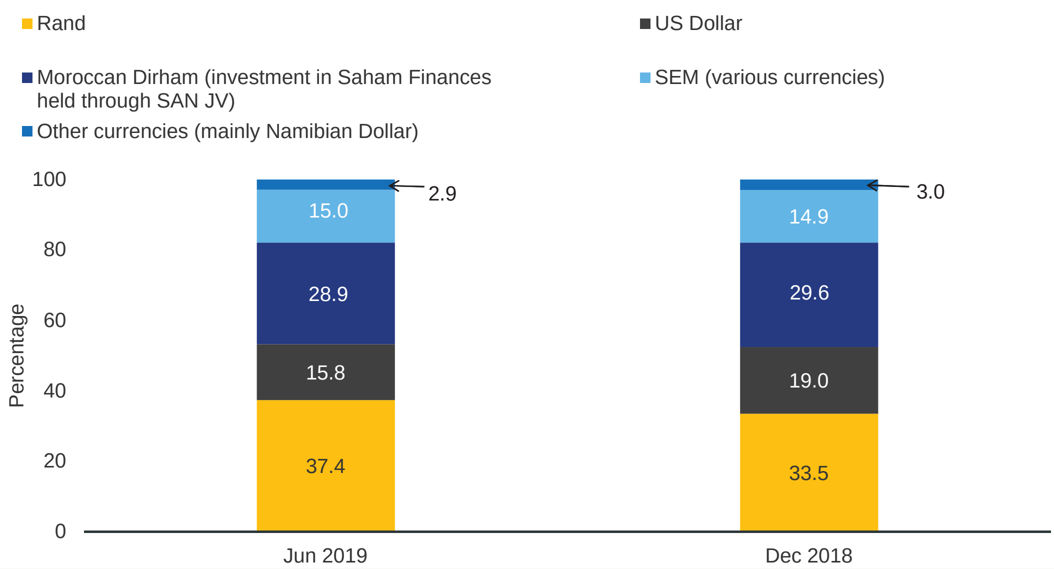
SHAREHOLDER FUNDS
CURRENCY MIX



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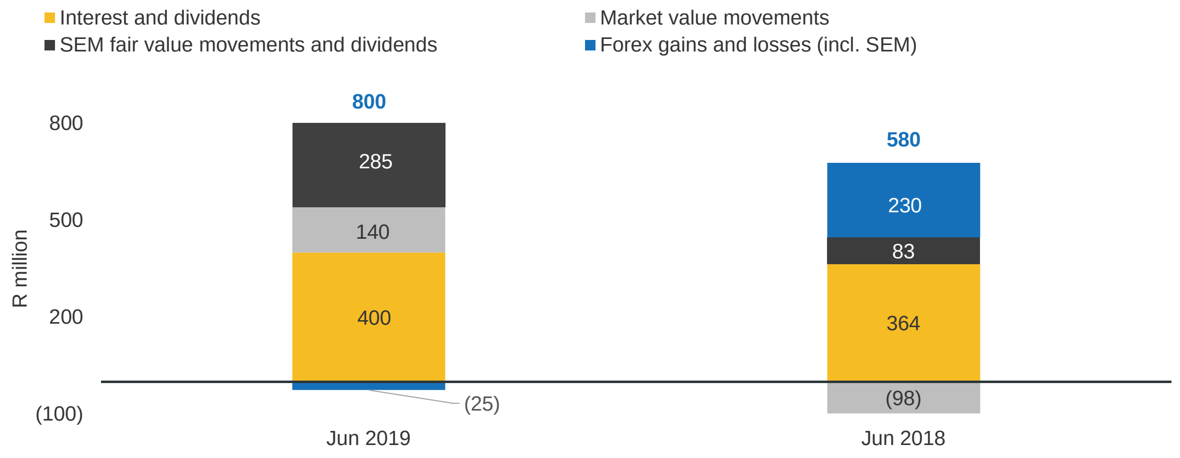
INVESTMENT RETURN

ON SHAREHOLDERS' FUNDS[1]



[1] Net of finance costs and investment management expenses

SEM PARTNER BUSINESSES

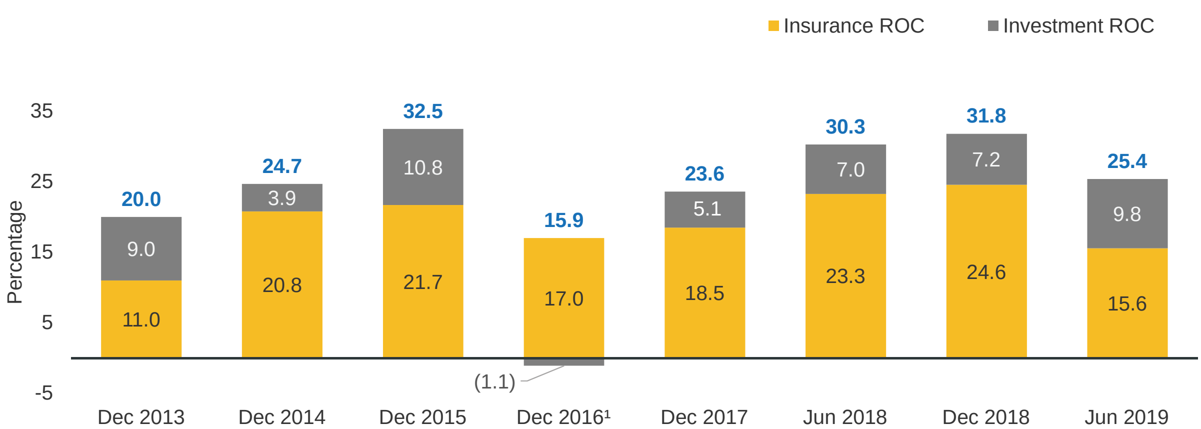
ANALYSIS OF SANTAM'S SHARE OF NET INVESTMENT

Region	Carrying value Dec 2018 R'm	Participation reduction R'm	Additions/ (disposals) R'm	Change in exchange rates R'm	Change in valuation R'm	Carrying value Jun 2019 R'm
Africa	264	(167)	5	(21)	5	86
Southeast Asia	213	-	-	(4)	-	209
India	846	-	-	(10)	255	1 091
Total	1 323	(167)	5	(35)	260	1 386

CAPITAL MANAGEMENT

RETURN ON CAPITAL

NET INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS

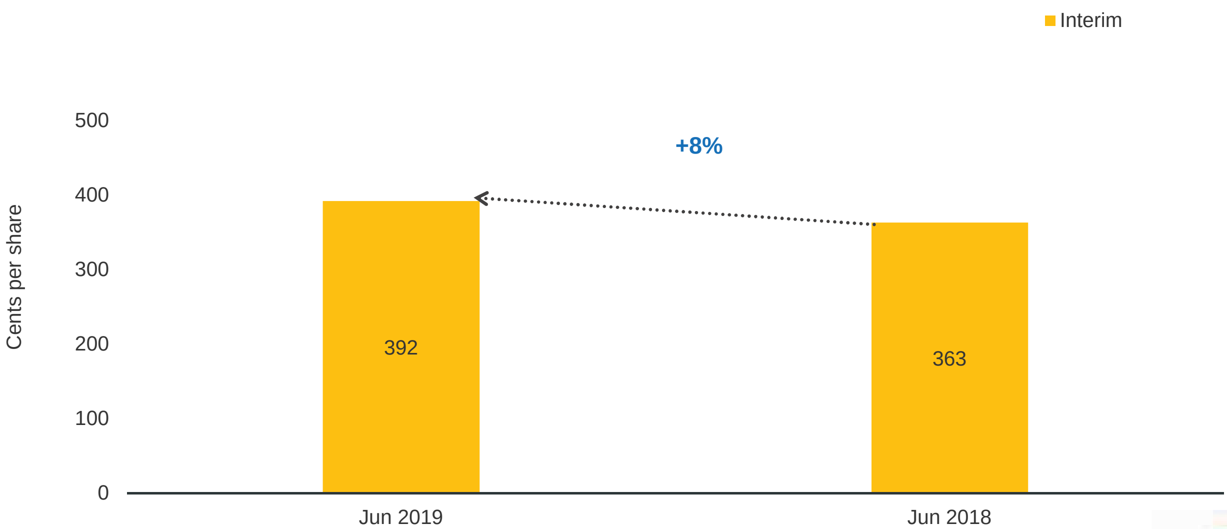


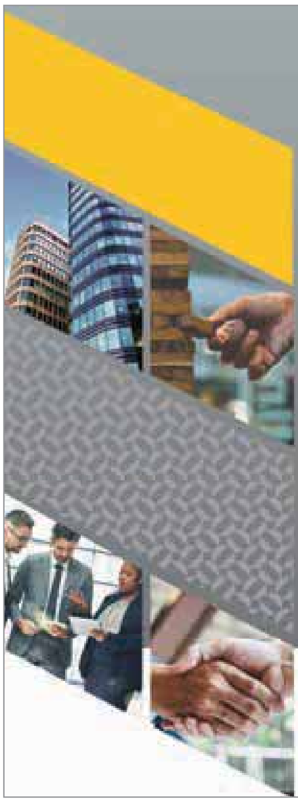
1. Tax adjusted for CGT inclusion rate change (R27m)

CAPITAL MANAGEMENT

- Current Group economic capital coverage ratio as at 30 June 2019 of **160%**
- Partial internal model approval granted by the Prudential Authority
- Initial capital add-on of 20% of the benefit of model approval which can be reduced over time
- Revised capital band of 150% - 170% for Group economic capital
- Without internal model approval the minimum of the band would be 160%
- Santam will be comfortable to operate at the lower end of the capital band

DIVIDEND PER SHARE





GROUP STRATEGY AND PRIORITIES

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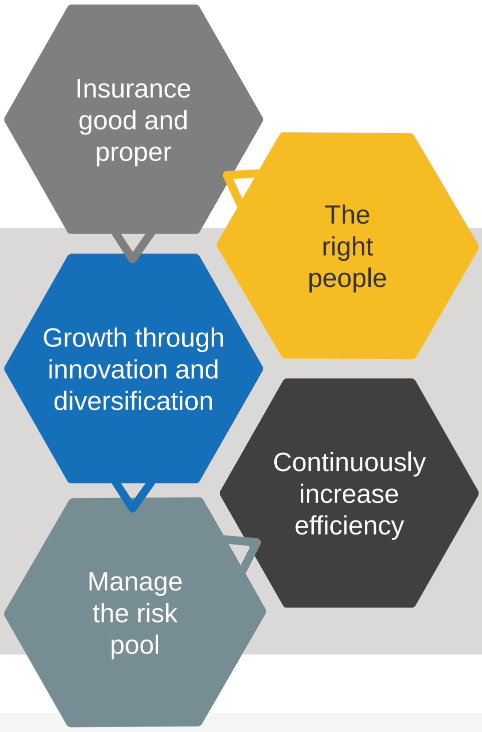
2020 VISION:

5 FOCUS AREAS FOR VALUE



OUR METRICS:

Net insurance result and return on capital
International diversification
Citizenship and transformation

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STRATEGIC PRIORITIES 2019

- Focus on profitable growth
- Work with industry on wider economic transformation
- Pan-African strategy in partnership with Saham Finances and Sanlam
- Further progress our partnerships to reduce risk and improve resilience
- Complete the development of a “future fit” Santam Group strategy

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santam MORE THAN JUST **SHORT-TERM INSURANCE**

Trusted by **86 of the JSE’s top 100 companies**	Implemented first phase of the **Black Broker growth & diversification** strategy	Creating employment for more than **6 000 people**

A constituent of the **FTSE 4 Good index series** and **FTSE/JSE Responsible Investment Top 30 index**	**Achieved Level 1 B-BBEE rating** according to the Financial Sector Charter (FSC)

We settled **R9.7bn in claims in the first half of 2019,** safeguarding our clients’ valuables and staying true to *insurance good and proper*.

Rated by clients

Credited as a leader in short-term insurance in the 2019 South African Customer Satisfaction Index, with a score of 79.2%.

Top business insurer in South Africa: 2018 Sunday Times Top Brands Survey.

Building Risk and Resilience in Municipalities

45 Municipalities supported through Partnership for Risk and Resilience (P4RR) initiatives to better respond to the risk of fires and flood. On track to support 53 municipalities by 2020.

Commissioned an in-depth, independent report on the 2017 Knysna fires, to ensure the minimisation of future mega-fires in South Africa.

Santam has maintained its investment of R80 million in the Resilient Investment Fund, which invests in companies that have a direct impact on Environmental, Social and Governance (ESG) risks.

Building a Sustainable Insurance Environment

We continue to support UN Environment’s Principles for Sustainable Insurance (PSI) with a particular focus on Africa.

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Santam

Santam, Insurance good and proper **then**.
Insurance good and proper **now**.
Insurance good and proper **always**.

WE DO INSURANCE PROPERLY

INSURANCE GOOD AND PROPER

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2019

REVIEWED INTERIM REPORT AND ORDINARY DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019

TABLE OF CONTENTS

SALIENT FEATURES FOR THE SIX MONTHS ENDED 30 JUNE 2019

GROUP GROSS WRITTEN PREMIUM GROWTH 9%	**CONVENTIONAL INSURANCE GROSS WRITTEN PREMIUM GROWTH 8%**
CONVENTIONAL INSURANCE NET UNDERWRITING MARGIN 5.3%	**ECONOMIC CAPITAL COVERAGE RATIO 160%**
RETURN ON SHAREHOLDERS' FUNDS 25.4%	**EARNINGS PER SHARE DECREASED 3%**
HEADLINE EARNINGS PER SHARE DECREASED 3%	**INTERIM DIVIDEND OF 392 CENTS PER SHARE, UP 8%**

FINANCIAL REVIEW

The Santam group reported solid operational results for the six months to June 2019 in a more normalised claims environment compared to the low level of claims incurred in 2018.

The group's conventional insurance book achieved gross written premium growth of 8% and a net underwriting margin of 5.3% (2018: 8.4%), comfortably within the group's target range of 4% to 8%. The Alternative Risk Transfer (ART) business segment reported strong operating results of R72 million (2018: R63 million). The Sanlam Emerging Markets (SEM) general insurance businesses delivered acceptable operating results.

Net investment income attributable to shareholders, inclusive of investment return on insurance funds, of R800 million (2018: R580 million) was reported. Fair value gains on financial assets and increased interest income were key contributors to the improved performance.

Cash generated from operations decreased to R1.6 billion (2018: R2 billion), negatively impacted by the lower underwriting results.

The key drivers of the 3% decrease in headline earnings per share from 1 018 cps in 2018 to 990 cps in 2019 was the lower underwriting result, compared to the exceptional results reported in the comparative period.

A return on capital of 25.4% was achieved. The economic capital coverage ratio was 160%.

CONVENTIONAL INSURANCE

The conventional insurance business reported a net underwriting margin of 5.3% compared to the 8.4% reported in the corresponding period in 2018. The underwriting results in the current period were negatively impacted by multiple catastrophe events which resulted in higher catastrophe claims compared to 2018, as well as losses incurred on the crop business due to hail damage.

Gross written premium growth

Conventional insurance reported an increase in gross written premiums of 8%. The Santam Commercial and Personal intermediated business achieved below consumer price index (CPI) growth as a result of the difficult economic climate. The Santam Specialist business experienced strong growth in the property and engineering classes, with acceptable growth in the other specialist classes. Santam re achieved strong growth in its third-party business.

MiWay maintained its strong growth momentum from the second half of 2018 and reported gross written premium growth of 9%.

Gross written premiums from outside South Africa written on the Santam Ltd and Santam Namibia Ltd licences amounted to R1 834 million (2018: R1 516 million), equating to 21% growth. Growth from outside South Africa benefited from strong growth in the corporate property and engineering businesses in Africa, as well as strong growth in Santam re in Southeast Asia, India and the Middle East. Good progress was made in establishing a Pan-African Specialist Insurance business with Saham Finances, and the benefits from this cooperation should start to realise from 2020 onwards.

The property class reported growth of 12% on the back of strong growth in the corporate property business following lower reinsurance capacity available in the market and strengthening of premium rates.

The motor class grew by 3%, with growth in the commercial segment under strain due to difficult market conditions.

The specialist classes reflected good gross written premium growth, with liability reporting 11% growth, transportation 8%, and accident and health 12%. The engineering class benefited from a number of large construction projects mainly outside South Africa, and reported excellent growth of 36%.

Underwriting result

The first six months of 2019 were characterised by a number of significant catastrophe events, including fires in the Betty's Bay area in January, hail damage in Newcastle in March and the storm and flood damage in KwaZulu-Natal during April, with an overall net impact of R221 million, compared to a R69 million impact from catastrophe events during the first half of 2018. In addition, the crop insurance class was negatively impacted by significant hail-related claims resulting in a net underwriting loss of R88 million (2018: net underwriting profit of R61 million). These events contributed to a lower net underwriting margin of 5.3% for the six-month period compared to the 8.4% reported in 2018.

The Santam Commercial and Personal intermediated business reported solid underwriting results, although lower than its exceptional 2018 results. The motor class reported strong underwriting performance in the intermediated and direct distribution channels. The MiWay underwriting results were not significantly impacted by the catastrophe events during the period, resulting in an improved loss ratio of 54.2% (2018: 55.7%) and an underwriting profit of R203 million (2018: R159 million).

Large claim losses in the corporate property and marine businesses negatively impacted the Santam Specialist business, while the trade credit business incurred higher-than-anticipated loss ratios. The engineering class of business achieved strong underwriting results with limited claims activity during the period. The liability results improved significantly from the 2018 position, which was negatively impacted by the product recall claims relating to the listeriosis outbreak.

Santam re achieved targeted net underwriting results, having experienced some releases in existing claim provisions and comparatively benign international claims experience.

The net acquisition cost ratio of 30.2% increased from 29.6% in 2018, due to increased net commission expenses. The net commission ratio was 13.2% compared to 12.4% in 2018, negatively impacted by lower reinsurance commission earned on the personal lines quota share reinsurance programme as a result of the increased loss ratio on non-motor personal lines business.

The management expense ratio of 17.0% was on par with 17.2% reported in 2018. A decrease in the variable incentive costs compared to 2018 was partly set off by the impact of increased lease costs of R25 million following the adoption of the new International Financial Reporting Standard on leases (IFRS 16 Leases).

Strategic project costs, included as part of management expenses, amounted to 0.8% (2018: 0.8%) of net earned premium. These costs relate to the final phase of migration to a new core underwriting, administration and product management platform for the Santam intermediated business, the development of a new claims platform, project costs relating to IFRS 17 (new accounting standard for Insurance Contracts that will be effective for the 2022 financial year), data enhancements and future digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 2.5% of net earned premium compared favourably to 2.4% reported in 2018.

ALTERNATIVE RISK TRANSFER BUSINESS (ART)

The presentation of the ART business in the segment report was adjusted to better reflect the nature of the income generated. Additional information on income earned from cell owners and policyholders, the participation on underwriting results, as well as the administration expenses incurred were included.

The ART business reported solid operating results of R72 million (2018: R63 million). Centriq and Santam Structured Insurance benefited from increased fee income and improved investment margins.

SANLAM EMERGING MARKETS GENERAL INSURANCE BUSINESS

The emerging markets general insurance business portfolio includes investments in the Saham Finances Group in Morocco (with subsidiaries in 26 countries in Africa and the Middle East); Pacific & Orient Insurance Co. Berhad (P&O) in Malaysia; Shriram General Insurance Company Ltd (SGI) in India; and a further 12 general insurance businesses throughout Africa which are held in conjunction with SEM, excluding South Africa and Namibia.

Santam's share of the gross written premiums of these businesses increased by 28% to R1 577 million (2018: R1 231 million) following the increase of Santam's effective shareholding in Saham Finances from 7% to 10% in October 2018, as well as good growth achieved in India.

As part of Santam's participation in the Saham Finances acquisition in 2018, it was agreed with SEM that Santam will amend its economic participation percentage in the SEM general insurance businesses in Africa (excluding Namibia) from 35% to 10% at the carrying value of these investments at 31 December 2018 to align with the effective 10% interest that Santam has in Saham Finances. This transaction was finalised on 28 June 2019 and, as a result, Santam received a cash distribution of R167 million from SEM. Santam retained its existing participations in SGI and P&O.

Saham Finances

General insurance gross written premiums in 2019 were 12% higher than the prior period and in excess of the 2019 targets despite a slow start to the year for Saham Assistance and Continental Re. Lebanon performed well to achieve growth of 4% despite a weak economy. Angola's contribution declined by 3%, partly due to a weaker currency. Other smaller regions and Continental Re achieved combined growth of 12%.

The general insurance underwriting margin for the six months to June 2019 declined to 3.2% (2018: 8.7%). Claims experience persisted in line with the trends experienced during the second half of 2018. Premium rerating continues together with continued focus on improving the claims management processes. Continental Re incurred significant net losses relating to the Mozambique cyclone and two large claims in oil and gas reducing the overall general insurance net underwriting margin by 1.2%. The cost base remains under pressure in Angola from a weak currency, aggravated by inflation driven high health claims experience. Saham Assistance and Ivory Coast achieved acceptable underwriting performances despite pressure on claims.

Investment return on insurance funds, which comprises the largest share of operating earnings of these relatively longer-tailed businesses, increased by 60%, supported by strong investment performance. Good progress has been made in assessing the strategic asset allocation of the investments backing the insurance fund portfolios to optimise return on capital. The inclusion of equity investments in these portfolios is driven by the limited availability of investable assets in these markets, as well as low returns on interest-bearing investments.

The life insurance businesses' contribution to net results from financial services increased by 46%. It remains a key focus to grow Saham Finances' life business.

The results of other non-insurance businesses declined from a R41 million loss in 2018 to a loss of R151 million in 2019. This is mainly due to the disposal of businesses in 2018, which contributed profit in the comparable period and one-off tax provisions.

Other SEM General Insurance businesses

SGI experienced strong growth of 23% (up 13% in constant currency) in gross written premium. The underwriting margin of the third-party motor liability book improved significantly. This line of business benefited from lower claims frequency (an improving trend over the past few years), as well as strategic focus on claims management that is yielding results through better fraud detection and faster settlement of claims at a lower ultimate cost per claim. This contributed to a lower reserving basis in 2019. The improved underwriting margin combined with growth in gross written premiums resulted in exceptional growth in the net insurance result of some 200% compared to the comparative period in 2018.

P&O gross written premiums increased by 15% (up 4% in constant currency). This is still below expectations. High claims experience and increased management expenses contributed to a lower net insurance result. Increased marketing expenditure and system development costs were incurred to support an expansion in the number of agents to grow the motor book of business.

INVESTMENT RESULTS

Listed equities achieved a return of 9% for the six months ended 30 June 2019, relative to the SWIX benchmark (60% SWIX and 40% capped SWIX), which delivered a return of 8.2%.

Santam's interest income exposure is managed in enhanced cash and active income portfolios. The interest portfolios performed well and exceeded their STeFI-related benchmarks.

An exchange rate loss of R25 million, inclusive of the currency movements on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia, was incurred compared to a R230 million gain reported in 2018.

Santam used the rand weakness experienced during the first half of June 2019 to lock in some of the foreign currency gains on R500 million worth of US dollar exposure. A foreign currency collar was entered into on 12 June 2019 at a spot rate of 14.76 ZAR and cap of 15.62 ZAR against the USD. As at 30 June 2019, the instrument's valuation amounted to R17 million. The maturity date for the collar is 27 December 2019.

Positive fair value movements (excluding the impact of currency movements) of R260 million (2018: R55 million) in Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia contributed to the improved investment performance. The main driver of the fair value movements was an increase in the value of SGI of R255 million, which was mainly attributed to improved loss ratios.

Net earnings from associated companies of R45 million (2018: R81 million) included R22 million from Saham Finances (held through SAN JV). The other key contributor to earnings from associated companies was Western National Insurance Ltd.

CAPITAL

The group's economic capital requirement at 30 June 2019, based on the Santam internal economic model, amounted to R7.1 billion (December 2018: R6.9 billion). This resulted in an economic capital coverage ratio of 160% (31 December 2018: 159%). The Santam Ltd licence received approval from the Prudential Authority on 27 August 2019 to use its partial internal model for determining regulatory capital. A condition attached to the approval is that Santam will, initially, be required to hold a capital add-on equal to 20% of the benefit obtained from using the partial internal model instead of the standard formula. Santam will be able to reduce the capital add-on over time by complying with the requirements of the Prudential Authority. Following the partial internal model approval (including the capital add-on), Santam has revised its group economic coverage ratio band to be between 150% and 170%.
The group will be comfortable to operate at the lower end of this range and remains committed to efficient capital management.

FINANCIAL REVIEW

PROSPECTS

Trading conditions remain very competitive in a low-growth South African economic environment, where limited growth of insurable assets for the insurance industry is experienced. The South African economy shrank by an annualised 3.2% for the quarter ended March 2019. The International Monetary Fund lowered South Africa's projected GDP growth rate for 2019 from 1.4% to 1.2% in April 2019. It is expected that economic activity will, in the near term, be constrained by weak consumer spending. Inflation (annual CPI) of 4.5% was reported on 24 July 2019.

2019 is the final year of our Vision 2020 strategy and we maintain our focus to deliver on the goals we set for the group. During the first half of 2019, we carefully considered the changes required to the strategy to make Santam "future fit" and we will finalise these by November 2019.

Our focus during the second half of 2019 will remain on achieving profitable growth and taking appropriate underwriting actions to manage the risk associated with weak economic conditions. We will continue to focus on improving service to our clients and intermediaries, and enabling the delivery of our brand promise, Insurance Good and Proper. We are making good progress to establish a platform for Santam and Saham Finances to become the leading Pan-African specialist insurance provider, with significant growth potential.

The group continues to prioritise and focus on its transformation priorities. We have made steady progress in diversifying our workforce, intermediary and supplier base; access to insurance products by non-traditional markets; and further impactful investment in communities. Santam achieved a level 1 BBBEE status and we will continue to promote transformation to the benefit of our economy.

The investment market is likely to remain uncertain. The lower interest rate environment will negatively impact investment performance while the non-rand-denominated investments increase foreign exchange volatility for the group.

EVENTS AFTER THE REPORTING PERIOD

On 19 August 2019 we decided to exit the Santam Structured Insurance Limited (SSI) Trade Credit Insurance (TCI) business and place it in run-off. Over the past few years the TCI business has consistently sustained unacceptably high losses due to increased competition and poor economic market conditions. The business has implemented numerous changes to address these ongoing losses. Unfortunately, these changes have not resulted in the desired business improvements. The TCI business contributed gross written premium of R71 million for the six months to June 2019 (2018: R90 million) incurring a net underwriting loss of R26 million (2018: R35 million).

On 19 August 2019 Santam entered into a further foreign currency collar on R500 million of USD exposure at a spot rate of 15.25 ZAR and cap of 16.59 ZAR against the USD. The collar will expire on 19 May 2020.

There have been no other material changes in the affairs or financial position of the company and its subsidiaries since the statement of financial position date.

DECLARATION OF ORDINARY DIVIDEND (NUMBER 131)

Notice is hereby given that the board has declared a gross interim dividend of 392.00 cents per share (2018: 363.00 cents per share), 313.60 cents net of dividend withholding taxation, where applicable, per ordinary share for the six months ended 30 June 2019 to those members registered on the record date, being Friday, 20 September 2019.

The dividend has been declared from income reserves. A dividend withholding taxation of 20% will be applicable to all shareholders who are not exempt.

Share code:	SNT
ISIN:	ZAE000093779
Company registration number:	1918/001680/06
Company tax reference number:	9475/144/71/4
Gross cash dividend amount per share:	392.00 cents
Net dividend amount per share:	313.60 cents
Issued shares at 29 August 2019:	115 131 417
Declaration date:	29 August 2019
Last day to trade cum dividend:	Tuesday, 17 September 2019
Shares trade ex dividend:	Wednesday, 18 September 2019
Record date:	Friday, 20 September 2019
Payment date:	Monday, 23 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2019, and Friday, 20 September 2019, both days inclusive.

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 Securities Depository Participant (CSDP) (collectively Regulated Intermediary) on behalf of shareholders. Shareholders should seek their own advice on the tax consequences associated with the dividend and are particularly encouraged to ensure their records are up to date so that the correct withholding tax is applied to their dividend.

FINANCIAL REVIEW

APPRECIATION

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 six months to 30 June 2019.

PREPARATION AND PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

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

VP Khanyile
Chairman

L Lambrechts
Chief executive officer

28 August 2019

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LIMITED

We have reviewed the condensed consolidated interim financial statements of Santam Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2019 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 Limited for the six months ended 30 June 2019 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

28 August 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed at 30 June 2019 R million	Audited at 31 December 2018 R million
ASSETS			
Intangible assets		**914**	885
Property and equipment		**869**	142
Investment in associates and joint ventures		**2 983**	2 927
Strategic investment – unquoted SEM target shares	6	**1 386**	1 323
Deferred income tax		**96**	155
Deposit with cell owners		**188**	191
Cell owners' and policyholders' interest		**22**	13
Financial assets at fair value through income	6	**22 610**	22 454
Reinsurance assets	7	**6 406**	6 487
Deferred acquisition costs		**613**	619
Loans and receivables including insurance receivables	6	**5 843**	6 274
Current income tax assets		**22**	10
Cash and cash equivalents		**3 688**	3 618
Total assets		**45 640**	45 098
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		**103**	103
Treasury shares		**(447)**	(467)
Other reserves		**(137)**	(90)
Distributable reserves		**9 621**	9 311
		9 140	8 857
Non-controlling interest		**508**	508
Total equity		**9 648**	9 365
LIABILITIES			
Deferred income tax		**142**	81
Cell owners' and policyholders' interest		**3 534**	3 343
Reinsurance liability relating to cell owners		**188**	191
Financial liabilities at fair value through income			
Debt securities	6	**2 088**	2 072
Investment contracts	6	**1 577**	1 528
Derivatives	6	**3**	4
Financial liabilities at amortised cost			
Repo liability		**775**	759
Collateral guarantee contracts		**151**	158
Lease liabilities		**801**	–
Insurance liabilities	7	**21 236**	20 662
Deferred reinsurance acquisition revenue		**376**	487
Provisions for other liabilities and charges		**154**	162
Trade and other payables including insurance payables	6	**4 777**	5 922
Current income tax liabilities		**190**	364
Total liabilities		**35 992**	35 733
Total shareholders' equity and liabilities		**45 640**	45 098

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Reviewed Six months ended 30 June 2019 R million	Reviewed Six months ended 30 June 2018 R million	Change
Gross written premium		**17 018**	15 591	9%
Less: reinsurance written premium		**5 304**	4 571	
Net written premium		**11 714**	11 020	6%
Less: change in unearned premium				
Gross amount		**437**	478	
Reinsurers' share		**(496)**	(579)	
Net insurance premium revenue		**11 773**	11 121	6%
Interest income on amortised cost instruments	8	**87**	103	
Interest income on fair value through income instruments	8	**750**	620	
Other investment income	8	**141**	278	
Income from reinsurance contracts ceded		**915**	899	
Net gains/(losses) on financial assets and liabilities at fair value through income	8	**379**	(140)	
Other income		**112**	88	
Net income		**14 157**	12 969	9%
Insurance claims and loss adjustment expenses		**9 954**	8 906	
Insurance claims and loss adjustment expenses recovered from reinsurers		**(2 336)**	(1 988)	
Net insurance benefits and claims		**7 618**	6 918	10%
Expenses for the acquisition of insurance contracts		**2 390**	2 191	
Expenses for marketing and administration		**2 107**	2 040	
Expenses for investment-related activities		**29**	23	
Amortisation of intangible assets		**35**	33	
Impairment of loans		**–**	5	
Investment return allocated to cell owners and structured insurance products		**321**	156	
Total expenses		**12 500**	11 366	10%
Results of operating activities		**1 657**	1 603	3%
Finance costs		**(207)**	(102)	
Net income from associates and joint ventures		**45**	81	
Income tax recovered from cell owners and structured insurance products	9	**81**	44	
Profit before tax		**1 576**	1 626	(3%)
Tax expense allocated to shareholders	9	**(353)**	(400)	
Tax expense allocated to cell owners and structured insurance products		**(81)**	(44)	
Total tax expense		**(434)**	(444)	(2%)
Profit for the period		**1 142**	1 182	(3%)
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Share of associates' currency translation differences		**(47)**	125	
Total comprehensive income for the period		**1 095**	1 307	(16%)
Profit attributable to:				
– equity holders of the company		**1 094**	1 124	(3%)
– non-controlling interest		**48**	58	(17%)
		1 142	1 182	
Total comprehensive income attributable to:				
– equity holders of the company		**1 047**	1 249	(16%)
– non-controlling interest		**48**	58	(17%)
		1 095	1 307	
Earnings attributable to equity shareholders				
Earnings per share (cents)	11			
Basic earnings per share		**990**	1 018	(3%)
Diluted earnings per share		**986**	1 009	(2%)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
Balance as at 1 January 2018	**103**	**(470)**	**(214)**	**7 999**	**7 418**	**506**	**7 924**
Profit for the year	–	–	–	2 427	**2 427**	102	**2 529**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	143	–	**143**	–	**143**
Reclassification of foreign currency translation reserve on dilution of associate	–	–	(19)	–	**(19)**	–	**(19)**
Hedging reserve release	–	–	(46)	–	**(46)**	–	**(46)**
Hedging reserve movement	–	–	46	–	**46**	–	**46**
Total comprehensive income for the year ended 31 December 2018	**–**	**–**	**124**	**2 427**	**2 551**	**102**	**2 653**
Issue of treasury shares in terms of share option schemes	–	94	–	(94)	**–**	–	**–**
Purchase of treasury shares	–	(91)	–	–	**(91)**	–	**(91)**
Share-based payment costs	–	–	–	65	**65**	–	**65**
Dividends paid	–	–	–	(1 086)	**(1 086)**	(100)	**(1 186)**
Balance as at 31 December 2018	**103**	**(467)**	**(90)**	**9 311**	**8 857**	**508**	**9 365**
Profit for the period	**–**	**–**	**–**	**1 094**	**1 094**	**48**	**1 142**
Other comprehensive income:							
Share of associates' currency translation differences	**–**	**–**	**(47)**	**–**	**(47)**	**–**	**(47)**
Total comprehensive income for the period ended 30 June 2019	**–**	**–**	**(47)**	**1 094**	**1 047**	**48**	**1 095**
Issue of treasury shares in terms of share option schemes	**–**	**92**	**–**	**(92)**	**–**	**–**	**–**
Purchase of treasury shares	**–**	**(72)**	**–**	**–**	**(72)**	**–**	**(72)**
Share-based payment costs	**–**	**–**	**–**	**45**	**45**	**–**	**45**
Dividends paid	**–**	**–**	**–**	**(737)**	**(737)**	**(48)**	**(785)**
Balance as at 30 June 2019	**103**	**(447)**	**(137)**	**9 621**	**9 140**	**508**	**9 648**
Balance as at 1 January 2018	**103**	**(470)**	**(214)**	**7 999**	**7 418**	**506**	**7 924**
Profit for the period	–	–	–	1 124	**1 124**	58	**1 182**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	125	–	**125**	–	**125**
Total comprehensive income for the period ended 30 June 2018	**–**	**–**	**125**	**1 124**	**1 249**	**58**	**1 307**
Issue of treasury shares in terms of share option schemes	–	69	–	(69)	**–**	–	**–**
Purchase of treasury shares	–	(64)	–	–	**(64)**	–	**(64)**
Share-based payment costs	–	–	–	38	**38**	–	**38**
Dividends paid	–	–	–	(682)	**(682)**	(74)	**(756)**
Balance as at 30 June 2018	**103**	**(465)**	**(89)**	**8 410**	**7 959**	**490**	**8 449**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Reviewed Six months ended 30 June 2019 R million	Reviewed Six months ended 30 June 2018 R million
Cash flows from operating activities			
Cash generated from operations		**1 556**	1 968
Interest paid		**(224)**	(172)
Income tax paid		**(505)**	(369)
Acquisition of financial assets		**(12 440)**	(10 804)
Proceeds from sale of financial assets		**12 778**	9 137
Net cash from/(used in) operating activities		**1 165**	(240)
Cash flows from investing activities			
Acquisition of financial assets		**(531)**	(536)
Proceeds from sale of financial assets		**599**	488
Acquisition of subsidiaries, net of cash acquired	**10**	**(21)**	–
Purchases of equipment		**(52)**	(24)
Purchases of intangible assets		**(61)**	(13)
Proceeds from sale of equipment		**–**	1
Capitalisation of/loan to associate	**10**	**(60)**	(11)
Net cash used in investing activities		**(126)**	(95)
Cash flows from financing activities			
Purchase of treasury shares		**(72)**	(64)
Dividends paid to company's shareholders		**(737)**	(682)
Dividends paid to non-controlling interest		**(48)**	(74)
Payment of principal element of lease liabilities		**(97)**	–
Net cash used in financing activities		**(954)**	(820)
Net increase/(decrease) in cash and cash equivalents		**85**	(1 155)
Cash and cash equivalents at beginning of period		**3 618**	4 321
Exchange (losses)/gains on cash and cash equivalents		**(15)**	46
Cash and cash equivalents at end of period		**3 688**	3 212

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for those referred to below:

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2019:

- IFRS 16 – *Leases*
- Amendments to IAS 28 – *Investments in associates and joint ventures*
- Annual improvements 2015–2017 cycle
- IFRIC 23 – *Uncertainty over income tax treatments*

STANDARDS EFFECTIVE IN 2019

Except for IFRS 16, no material impact on the condensed consolidated interim financial statements was identified. Refer to note 13 for detail on adoption of IFRS 16.

STANDARDS NOT YET EFFECTIVE IN 2019

The group did not early adopt any of the IFRS standards. Of the standards that are not yet effective management expects IFRS 17 to have a future impact on the group.

IFRS 17 *INSURANCE CONTRACTS*

IFRS 17 *Insurance Contracts* (effective 1 January 2022 (subject to IASB's due process)) addresses the establishment of principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The implementation of IFRS 17 will have different financial and operational implications for each entity that adopts the standard. It is, however, expected that fundamental changes will be required in the following areas:

- Liability measurement;
- Data requirements;
- Operations and the underlying systems; and
- Management reporting.

The group is currently facilitating the transition to IFRS 17 by preparing accounting policies, actuarial methodologies and disclosure requirements that are in line with the requirements of the standard. These policies, methodologies and disclosures will be consistently applied throughout the group to ensure a seamless transition. During the period, an integrated system of software was acquired that will be used to perform IFRS 17 calculations and deliver information across the group.

DECEMBER 2018 RESTATEMENT

The December 2018 statement of comprehensive income will be restated as a result of an incorrect allocation between interest income and fair value gains/losses on financial assets of R708 million.

	December 2018 Published R million	**Restatement R million**	**December 2018 Restated R million**
Interest income on fair value through income instruments	2 205	(708)	1 497
Net (losses)/gains on financial assets and liabilities at fair value through income	(1 136)	708	(428)

The restatement has no impact on net income, profit after tax, earnings per share or headline earnings per share. It also has no impact on the statements of financial position, changes in equity or cash flows.

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 expenses. 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 are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2018.

There have been no material changes to the risk management policies since 31 December 2018.

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the chief executive officer, supported by the group executive committee.

The group conducts mainly insurance and investment activities.

INSURANCE ACTIVITIES:

The group presents its insurance results in the following segments:

- Conventional insurance business written on insurance licences controlled by the group, consisting of Santam Commercial and Personal, Santam Specialist (niche business and agriculture), credit insurance written by Santam Structured Insurance (SSI), Santam re and MiWay;
- Alternative risk transfer ("ART") insurance business written on the insurance licences of Centriq and SSI; and
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including SAN JV (Saham Finances).

Conventional insurance is further analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with operating result as measure of profitability.

Growth is measured for SEM General Insurance businesses based on the gross written premium generated by the underlying businesses. With regard to the SEM and SAN JV (Saham Finances) insurance business, this information is considered to be a reallocation of fair value movements recognised on the SEM target shares as well as equity-accounted earnings on the investments in associates and joint ventures. It is also included as reconciling items in order to reconcile to the condensed consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associates for the investment in SAN JV.

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

INVESTMENT ACTIVITIES:

Investment activities are all investment-related activities undertaken by the group. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income.

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.

The Santam BEE transaction costs are unrelated to the core underwriting and 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 joint ventures and SEM target shares.

5. SEGMENT INFORMATION (continued)

5.1 FOR THE SIX MONTHS ENDED 30 JUNE 2019 (REVIEWED)

Business activity	Conventional R million	Alternative risk R million	Insurance Santam's share of SEM R million
Revenue[1]	**14 220**	**2 798**	**1 577**
Net earned premium	11 457	–	1 201
Net claims incurred	7 388	–	663
Net commission	1 514	–	117
Management expenses (excluding BEE costs)[2, 5]	1 953	–	386
Net underwriting result	**602**	**–**	**35**
Investment return on insurance funds	285	–	263
Net insurance result	**887**	**–**	**298**
Other income[3]	84	196	–
Other expenses[3]	(80)	(124)	–
Operating result before non-controlling interest and tax	**891**	**72**	**298**
Reallocation of operating result[4]	–	–	(298)
Investment income net of investment-related fees	–	368	169
Investment return allocated to cell owners and structured insurance products	–	(321)	–
Finance costs[5]	–	(47)	–
Income from associates and joint ventures	–	–	22
Santam BEE costs	–	–	–
Amortisation and impairment of intangible assets[2]	(12)	–	–
Income tax recovered from cell owners and structured insurance products	–	81	–
Profit before tax	**879**	**153**	**191**

1 The conventional segment includes R76 million of intersegmental revenue earned from Santam's share of SEM segment.
2 Amortisation of computer software included as part of management expenses. Santam's share of the costs to manage the SEM portfolio of R8 million has been included in management expenses.
3 Includes operating income and expenses relating to ART business and other operating income and expenses not related to underwriting results.
4 Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV (Saham Finances) for management reporting purposes, as well as the reallocation of operating income and expenses relating to ART business for IFRS purposes.
5 Finance costs relating to lease liabilities has been included in management expenses.

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (REVIEWED) (RESTATED)

Business activity	Conventional R million	Alternative risk[5] R million	Insurance Santam's share of SEM R million
Revenue	**13 122**	**2 469**	**1 231**
Net earned premium	10 947	–	877
Net claims incurred	6 795	–	591
Net commission	1 361	–	71
Management expenses (excluding BEE costs)[1]	1 875	–	193
Net underwriting result	**916**	**–**	**22**
Investment return on insurance funds	263	–	120
Net insurance result	**1 179**	**–**	**142**
Other income[2]	41	157	–
Other expenses[2]	(41)	(94)	–
Operating result before non-controlling interest and tax	**1 179**	**63**	**142**
Reallocation of operating result[3]	–	–	(142)
Investment income net of investment-related fees	–	156	121
Investment return allocated to cell owners and structured insurance products	–	(156)	–
Finance costs	–	–	–
Income from associates and joint ventures	–	–	63
Santam BEE costs	–	–	–
Amortisation and impairment of intangible assets[1]	(12)	(1)	–
Impairment of loans	(5)	–	–
Income tax recovered from cell owners and structured insurance products[4]	–	44	–
Profit before tax	**1 162**	**106**	**184**

1 Amortisation of computer software included as part of management expenses. Santam's share of the costs to manage the SEM portfolio of R15.3 million has been included in management expenses.
2 Includes operating income and expenses relating to ART business and other operating income and expenses not related to underwriting results.
3 Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV (Saham Finances) for management reporting purposes, as well as the reallocation of operating income and expenses relating to ART business for IFRS purposes.
4 Restated to include the Income tax recovered from cell owners and structured insurance products for comparative purposes.
5 The presentation of ART results has been changed to better reflect the management view of the business. This has resulted in ART's net earned premium (R174 million), net claims incurred (R123 million), net commission earned (R69 million), management expenses (R95 million), net underwriting result (R25 million), investment return on insurance funds (R38 million) and net insurance result (R63 million) being presented as Rnil, while other income and other expenses increased to R157 million and R94 million respectively.

Total R million	Investment R million	Total R million	Reconciling and unallocated R million	IFRS Total R million
18 595	504	19 099	(2 081)	17 018
12 658	–	12 658	(885)	11 773
8 051	–	8 051	(433)	7 618
1 631	–	1 631	(156)	1 475
2 339	–	2 339	(280)	2 059
637	–	637	(16)	621
548	–	548	(209)	339
1 185	–	1 185	(225)	960
280	–	280	(168)	112
(204)	–	(204)	95	(109)
1 261	–	1 261	(298)	963
(298)	–	(298)	298	–
537	452	989	–	989
(321)	–	(321)	–	(321)
(47)	(121)	(168)	–	(168)
22	23	45	–	45
–	–	–	(1)	(1)
(12)	–	(12)	–	(12)
81	–	81	–	81
1 223	354	1 577	(1)	1 576

Total R million	Investment R million	Total R million	Reconciling and unallocated R million	IFRS Total R million
16 822	301	17 123	(1 532)	15 591
11 824	–	11 824	(703)	11 121
7 386	–	7 386	(468)	6 918
1 432	–	1 432	(140)	1 292
2 068	–	2 068	(98)	1 970
938	–	938	3	941
383	–	383	(82)	301
1 321	–	1 321	(79)	1 242
198	–	198	(137)	61
(135)	–	(135)	74	(61)
1 384	–	1 384	(142)	1 242
(142)	–	(142)	142	–
277	260	537	–	537
(156)	–	(156)	–	(156)
–	(102)	(102)	–	(102)
63	18	81	–	81
–	–	–	(2)	(2)
(13)	–	(13)	–	(13)
(5)	–	(5)	–	(5)
44	–	44	–	44
1 452	176	1 628	(2)	1 626

5. SEGMENT INFORMATION (continued)

5.2 FOR THE SIX MONTHS ENDED 30 JUNE 2019 (REVIEWED)

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

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

	Gross written premium R million	Underwriting result R million
Accident and health	306	3
Crop	89	(88)
Engineering	824	143
Guarantee	115	(17)
Liability	627	117
Miscellaneous	12	2
Motor	6 549	593
Property	5 322	(128)
Transportation	376	(23)
Total	**14 220**	**602**
Comprising:		
Commercial insurance	8 008	213
Personal insurance	6 212	389
Total	**14 220**	**602**

ADDITIONAL INFORMATION ON ALTERNATIVE RISK INSURANCE ACTIVITIES

The group's alternative risk insurance activities can be analysed as follows:

	R million
Income from clients	166
Participation in underwriting results[1]	30
	196
Administration expenses	(124)
	72

[1] This relates to Centriq Insurance and Santam Structured Insurance's selective participation in underwriting risk across the portfolios of traditional insurance business.

ADDITIONAL INFORMATION ON INVESTMENT ACTIVITIES

The group's return on investment-related activities can be analysed as follows:

	R million
Investment income	316
Net gains on financial assets and liabilities at fair value through income	165
Income from associates and joint ventures	23
Investment-related revenue	**504**
Expenses for investment-related activities	(29)
Finance costs	(121)
Net total investment-related transactions	**354**

For a detailed analysis of investment activities, refer to notes 6 and 8.

5. SEGMENT INFORMATION (continued)

5.2 FOR THE SIX MONTHS ENDED 30 JUNE 2018 (REVIEWED) (RESTATED)

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

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

	Gross written premium R million	Underwriting result R million
Accident and health	273	40
Crop	87	61
Engineering	608	127
Guarantee	124	(32)
Liability	563	(49)
Miscellaneous	8	(8)
Motor	6 349	513
Property	4 763	280
Transportation	347	(16)
Total	**13 122**	**916**
Comprising:		
Commercial insurance	7 207	407
Personal insurance	5 915	509
Total	**13 122**	**916**

ADDITIONAL INFORMATION ON ALTERNATIVE RISK INSURANCE ACTIVITIES

The group's alternative risk insurance activities can be analysed as follows:

	R million
Income from clients	122
Participation in underwriting results[1]	35
	157
Administration expenses	(94)
	63

[1] This relates to Centriq Insurance and Santam Structured Insurance's selective participation in underwriting risk across the portfolios of traditional insurance business.

ADDITIONAL INFORMATION ON INVESTMENT ACTIVITIES

The group's return on investment-related activities can be analysed as follows:

	R million
Investment income	359
Net losses on financial assets and liabilities at fair value through income	(76)
Income from associates and joint ventures	18
Investment-related revenue	**301**
Expenses for investment-related activities	(23)
Finance costs	(102)
Net total investment-related transactions	**176**

For a detailed analysis of investment activities, refer to notes 6 and 8.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.2 FOR THE SIX MONTHS ENDED 30 JUNE 2019 (REVIEWED) (continued)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SEM

The group's return on Santam's share of SEM activities can be analysed as follows:

	SEM R million	SAN JV (Saham Finances)[3] R million	Total R million
Revenue	**574**	**1 003**	**1 577**
Net earned premium	429	772	1 201
Net claims incurred	211	452	663
Net commission	23	94	117
Management expenses (excluding BEE costs)	97	289	386
Net underwriting result	**98**	**(63)**	**35**
Investment return on insurance funds	106	157	263
Net insurance result/operating result before non-controlling interest and tax[2]	**204**	**94**	**298**
Reallocation of operating result[1]	(204)	(94)	(298)
Investment income net of investment-related fees	169	–	169
Income from associates and joint ventures	–	22	22
Profit before tax	**169**	**22**	**191**

1 Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV (Saham Finances) for management reporting purposes.
2 Santam's share of SAN JV's non-controlling interest and tax of R47 million resulted in net results of R47 million.
3 Santam held an effective interest of 10%.

FOR THE SIX MONTHS ENDED 30 JUNE 2018 (REVIEWED)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SEM

The group's return on Santam's share of SEM activities can be analysed as follows:

	SEM R million	SAN JV (Saham Finances)[3] R million	Total R million
Revenue	**625**	**606**	**1 231**
Net earned premium	430	447	877
Net claims incurred	318	273	591
Net commission	24	47	71
Management expenses (excluding BEE costs)	111	82	193
Net underwriting result	**(23)**	**45**	**22**
Investment return on insurance funds	85	35	120
Net insurance result/operating result before non-controlling interest and tax[2]	**62**	**80**	**142**
Reallocation of operating result[1]	(62)	(80)	(142)
Investment income net of investment-related fees	121	–	121
Income from associates and joint ventures	–	63	63
Profit before tax	**121**	**63**	**184**

1 Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV (Saham Finances) for management reporting purposes.
2 Santam's share of SAN JV's non-controlling interest and tax of R36 million resulted in net results of R44 million.
3 Santam held an effective interest of 7%.

5.3 GEOGRAPHICAL ANALYSIS

	Gross written premium		Non-current assets	
	Reviewed Six months ended 30 June 2019 R million	Reviewed Six months ended 30 June 2018 R million	Reviewed at 30 June 2019 R million	Audited at 31 December 2018 R million
South Africa	**15 184**	14 075	**1 867**	1 109
Rest of Africa[1]	**2 007**	1 650	**2 986**	3 109
Southeast Asia, India and Middle East	**1 251**	1 000	**1 300**	1 059
Other	**153**	97	**–**	–
	18 595	16 822	**6 153**	5 277
Reconciling items[2]	**(1 577)**	(1 231)	**–**	–
Group total	**17 018**	15 591	**6 153**	5 277

1 Includes gross written premium relating to Namibia of R501 million (Jun 2018: R544 million).
2 Reconciling items relate to the underlying investments included in the SEM target shares and SAN JV (Saham Finances) for management reporting purposes.

5. SEGMENT INFORMATION (continued)

5.4 ANALYSIS OF SAN JV (SAHAM FINANCES)'S RESULTS

In 2018, the Sanlam Group obtained control of the Saham Finances Group, and therefore the Saham Finances Group's information is now available timeously. As the June 2018 amounts were presented based on lag accounting adjusted for significant transactions (in line with the requirements of IAS 28), the June 2018 information has been restated in order to make it comparable to the current period. Additional disclosure relating to SAN JV (Saham Finances)'s general insurance results and SAN JV's statement of financial position, as well as enhanced disclosure relating to Saham Finances' overall results have been included to align with disclosures provided by Sanlam to provide improved disclosure information to the market. The tables included in this note provide an analysis of Saham Finances' earnings on a 100% basis for both periods, which eliminates the distortion caused by changes in shareholding. Santam's share of the net underwriting results for the six months amounted to a R63 million loss (Jun 2018: R45 million profit).

Analysis of SAN JV (Saham Finances) (100%) (reviewed)[1]	Life insurance 30 June 2019 R million	Life insurance 30 June 2018 R million	General insurance 30 June 2019 R million	General insurance 30 June 2018 R million
Financial services income	**654**	529	**5 480**	4 656
Net commission	**118**	89	**585**	479
Net claims incurred	**171**	149	**3 119**	2 593
Management expenses	**217**	181	**1 040**	992
Results from financial services before tax and non-controlling interest	**148**	**110**	**736**	**592**
Taxation	**(34)**	(25)	**(212)**	(207)
Non-controlling interest	**(19)**	(20)	**(151)**	(138)
Net result from financial services	**95**	**65**	**373**	**247**
Net investment return	**(7)**	27	**10**	19
Net finance costs	**(3)**	(20)	**(3)**	(1)
Net operational earnings	**85**	**72**	**380**	**265**
Amortisation of VOBA and other intangible assets	**(4)**	(3)	**(13)**	(12)
Attributable earnings	**81**	**69**	**367**	**253**

[1] This excludes amortisation of intangibles on a consolidated level of R206 million. The June 2018 comparatives have been adjusted to reflect Saham Finances at 100% with no lag accounting.

[2] Consolidation and Other comprise of healthcare administration, property and holding companies.

Reinsurance		Consolidation and other[2]		Total	
30 June 2019 R million	30 June 2018 R million	30 June 2019 R million	30 June 2018 R million	30 June 2019 R million	30 June 2018 R million
1 158	987	**454**	238	**7 746**	6 410
254	223	**(19)**	(24)	**938**	767
605	350	**(6)**	(4)	**3 889**	3 088
131	109	**592**	290	**1 980**	1 572
168	**305**	**(113)**	**(24)**	**939**	**983**
(6)	(31)	**(37)**	(13)	**(289)**	(276)
(9)	(40)	**(1)**	(4)	**(180)**	(202)
153	**234**	**(151)**	**(41)**	**470**	**505**
3	45	**(3)**	(28)	**3**	63
–	–	**(17)**	(40)	**(23)**	(61)
156	**279**	**(171)**	**(109)**	**450**	**507**
–	–	**(4)**	(5)	**(21)**	(20)
156	**279**	**(175)**	**(114)**	**429**	**487**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.4 ANALYSIS OF SAN JV (SAHAM FINANCES)'S RESULTS (continued)

General insurance (reviewed)[1]	Total 30 June 2019 R million	 30 June 2018 R million
Revenue	**8 292**	7 371
Net earned premiums	**5 923**	5 196
Net claims incurred	**3 724**	2 943
Net commission	**839**	702
Management expenses	**1 171**	1 101
Net underwriting result	**189**	450
Investment return on insurance funds	**715**	448
Net insurance result	**904**	**898**
Taxation and non-controlling interest	**(378)**	(416)
Net result from financial services	**526**	**482**

[1] This includes all general insurance and reinsurance as it relates to the general insurance business. This does not include intragroup consolidations.

5.5 STATEMENT OF FINANCIAL POSITION OF SAN JV

	Reviewed at 30 June 2019 R million	Audited at 31 December 2018 R million
Assets		
Equipment	**535**	521
Right-of-use assets	**84**	–
Owner-occupied properties	**1 114**	1 011
Goodwill	**15 838**	16 156
Value of business acquired	**6 535**	7 004
Other intangible assets	**561**	629
Deferred acquisition costs	**305**	130
Investments		
Investment properties	**5 280**	6 251
Equity-accounted investments	**227**	229
Equities and similar securities	**5 179**	2 537
Interest-bearing investments	**2 377**	2 202
Investment funds	**4 653**	7 655
Cash, deposits and similar securities	**246**	736
Deferred tax	**579**	628
General insurance technical assets	**2 603**	2 088
Working capital assets		
Trade and other receivables	**11 939**	9 074
Cash, deposits and similar securities	**5 312**	4 633
Total assets	**63 367**	61 484
Liabilities		
Term finance	**369**	417
Lease liabilities	**84**	–
Deferred tax	**3 562**	3 746
General insurance technical provisions	**17 352**	16 038
Loans payable	**615**	–
Working capital liabilities		
Trade and other receivables	**7 593**	7 056
Provisions	**350**	131
Tax	**880**	1 011
Total liabilities	**30 805**	28 399
Net asset value		
Non-controlling interest	**4 962**	4 924
Shareholders' fund	**27 600**	28 161
Total net asset value	**32 562**	33 085

6. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES)

The group's financial assets and liabilities including insurance receivables and payables are summarised below by measurement category.

	Reviewed at 30 June 2019 R million	Audited at 31 December 2018 R million
Financial assets		
Strategic investment – unquoted SEM target shares	**1 386**	1 323
Financial assets at fair value through income	**22 610**	22 454
	23 996	23 777
Expected to be realised after 12 months	**18 432**	17 400
Expected to be realised within 12 months	**5 564**	6 377
Loans and receivables including insurance receivables		
Receivables arising from insurance and reinsurance contracts	**4 958**	5 168
Loans and receivables excluding insurance receivables	**885**	1 106
	5 843	6 274
Loans and receivables including insurance receivables are expected to be realised within 12 months.		
Financial liabilities		
Financial liabilities at fair value through income	**3 668**	3 604
	3 668	3 604
Expected to be settled after 12 months	**3 577**	3 528
Expected to be settled within 12 months	**91**	76
Trade and other payables including insurance payables		
Payables arising from insurance and reinsurance contracts	**2 948**	3 952
Trade and other payables excluding insurance payables	**1 829**	1 970
	4 777	5 922
Trade and other payables including insurance payables are expected to be settled within 12 months.		

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 2018. 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, by prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments are determined as follows:
  - Quoted equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Unquoted equity securities are valued using the discounted cash flow (DCF) or net asset value method based on market input.
  - Quoted debt securities are valued using yield of benchmark bond, DCF benchmarked against similar instruments with the same issuer, price quotations of JSE interest rate market or issue price of external valuations based on market input.
  - Unquoted debt securities are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Quoted unitised investments with underlying equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Quoted unitised investments with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and interest rate market or external valuations that are based on published market input with the main assumptions being market input, uplifted with inflation.
  - Derivatives are valued using the Black-Scholes model, net present value of estimated floating costs less the performance of the underlying index over contract term, DCF (using fixed contract rates and market related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments) with the main assumptions being market input, credit spreads and contract inputs.
- Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

There were no significant transfers between level 1 and level 2 during the current or prior period.

6. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

Reviewed at 30 June 2019	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	2 557	–	–	**2 557**
Irredeemable preference shares	1	–	–	**1**
Unquoted	–	24	1 452	**1 476**
Total equity securities	**2 558**	**24**	**1 452**	**4 034**
Debt securities				
Quoted				
Government and other bonds	–	4 538	–	**4 538**
Collateralised securities	–	454	–	**454**
Money market instruments more than one year	–	3 583	–	**3 583**
Unquoted				
Government and other bonds	–	452	–	**452**
Money market instruments more than one year	–	5 198	–	**5 198**
Redeemable preference shares	–	66	60	**126**
Total debt securities	**–**	**14 291**	**60**	**14 351**
Unitised investments				
Quoted				
Underlying equity securities	–	685	–	**685**
Underlying debt securities	–	3 115	–	**3 115**
Total unitised investments	**–**	**3 800**	**–**	**3 800**
Derivative instruments				
Interest rate swaps[1]	–	–	–	**–**
Foreign currency collar	–	17	–	**17**
Total derivative instruments	**–**	**17**	**–**	**17**
Short-term money market instruments	**–**	**1 794**	**–**	**1 794**
Total financial assets at fair value through income	**2 558**	**19 926**	**1 512**	**23 996**

[1] Carrying value as at 30 June 2019 is less than R1 million.

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial liabilities at fair value through income				
Debt securities	–	2 088	–	**2 088**
Investment contracts	–	1 577	–	**1 577**
Derivative instruments				
Exchange traded futures	–	3	–	**3**
Total derivative instruments	**–**	**3**	**–**	**3**
Total financial liabilities at fair value through income	**–**	**3 668**	**–**	**3 668**

6. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

Audited at 31 December 2018	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	2 377	–	–	**2 377**
Irredeemable preference shares	1	–	–	**1**
Unquoted	–	28	1 390	**1 418**
Total equity securities	**2 378**	**28**	**1 390**	**3 796**
Debt securities				
Quoted				
Government and other bonds	–	4 750	–	**4 750**
Collateralised securities	–	370	–	**370**
Money market instruments more than one year	–	3 344	–	**3 344**
Unquoted				
Government and other bonds	–	292	–	**292**
Money market instruments more than one year	–	5 025	–	**5 025**
Redeemable preference shares	–	70	61	**131**
Total debt securities	**–**	**13 851**	**61**	**13 912**
Unitised investments				
Quoted				
Underlying equity securities	–	615	–	**615**
Underlying debt securities	–	2 501	–	**2 501**
Total unitised investments	**–**	**3 116**	**–**	**3 116**
Derivative instruments				
Interest rate swaps[1]	–	–	–	**–**
Foreign currency collar	–	25	–	**25**
Total derivative instruments	**–**	**25**	**–**	**25**
Short-term money market instruments	**–**	**2 928**	**–**	**2 928**
Total financial assets at fair value through income	**2 378**	**19 948**	**1 451**	**23 777**

[1] Carrying value as at 31 December 2018 is less than R1 million.

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial liabilities at fair value through income				
Debt securities	–	2 072	–	**2 072**
Investment contracts	–	1 528	–	**1 528**
Derivative instruments				
Exchange traded futures	–	4	–	**4**
Total derivative instruments	**–**	**4**	**–**	**4**
Total financial liabilities at fair value through income	**–**	**3 604**	**–**	**3 604**

The following table presents the changes in level 3 instruments:

	Equity securities R million	Debt securities R million	Total R million
30 June 2019 (reviewed)			
Opening balance	**1 390**	**61**	**1 451**
Acquisitions	**5**	**–**	**5**
Capital distribution	**(112)**	**–**	**(112)**
Settlements	**–**	**(1)**	**(1)**
Gains recognised in profit or loss	**169**	**–**	**169**
Closing balance	**1 452**	**60**	**1 512**
31 December 2018 (audited)			
Opening balance	1 143	25	**1 168**
Acquisitions	12	36	**48**
Gains recognised in profit or loss	235	–	**235**
Closing balance	**1 390**	**61**	**1 451**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. FINANCIAL ASSETS AND LIABILITIES (INCLUDING INSURANCE RECEIVABLES AND PAYABLES) (continued)

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam Emerging Markets (Pty) Ltd (SEM).

Of the R169 million gain (Dec 2018: R235 million gain) recognised on equity securities, a R169 million gain (Dec 2018: R234 million gain) relates to the SEM target shares, of which R35 million (Dec 2018: R104 million) relates to foreign exchange losses (Dec 2018: gains), and R204 million to an increase (Dec 2018: R130 million) in fair value in local currency terms. The key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- An increase in the value of Shriram General Insurance Company Ltd of R245 million, in local currency terms, was mainly attributed to an improved net insurance results.
- Santam's economic participation via the SEM African target share portfolio (excluding Santam Namibia) was amended to reduce the participation percentage from 35% to 10%. As a result Santam received a cash target share distribution of R167 million from SEM on 28 June 2019, comprising a capital distribution of R112 million and an income distribution of R55 million. The capital distribution was recognised directly in the statement of financial position as a reduction of the target share investment value. The income distribution was recognised in the statement of comprehensive income, where it was countered with a release of the realised fair value adjustment of the same value.

The fair value of the SEM target shares is determined using predominantly discounted cash flow (DCF) models, with the remainder valued at or within close proximity of the latest available net asset value of the underlying company. The most significant assumptions used in these DCF models are the discount rate, exchange rate and net insurance margin expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares valued by way of DCF models would decrease by R235 million (Dec 2018: R146 million) or increase by R393 million (Dec 2018: R229 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R130 million (Dec 2018: R106 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 R116 million (Dec 2018: R81 million) or decrease by R118 million (Dec 2018: R82 million), respectively. The remaining target shares are mostly impacted by changes in exchange rates.

At 30 June 2019, the group had exchange traded futures with an exposure value of R456 million (Dec 2018: R459 million). The group also had interest rate derivative assets as part of the international bond portfolio with a gross exposure asset and liability at 30 June 2019 of R69 million (Dec 2018: R38 million) and R69 million (Dec 2018: R38 million) respectively.

During April 2016, the company issued unsecured subordinated callable notes to the value of R1 billion in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes represents the three-month JIBAR plus 245 basis points, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have an optional redemption date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028.

During June 2017, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 210 basis points. The notes have an optional redemption date of 27 June 2022 with a final maturity date of 27 June 2027.

Per the conditions set by the Prudential Authority, 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. The fair value of the fixed rate notes is calculated using the yield provided by BESA and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by BESA and adding accrued interest.

On 10 September 2018 Santam entered into a foreign currency collar against the US Dollar. As at 31 December 2018, the instrument's valuation amounted to R24.8 million. The collar expired in two equal trances on 4 January 2019 and 7 January 2019 and realised a total profit of R36.5 million.

On 12 June 2019 Santam entered into another foreign currency collar against the US Dollar, worth R500 miilion of USD exposure, at a spot rate of 14.76 ZAR and cap of 15.62 ZAR against the USD. As at 30 June 2019, the instrument's valuation amounted to R17 million. The collar will expire on 27 December 2019.

A further foreign currency collar on R500 million worth of USD exposure was entered into on 19 August 2019 at a spot rate of 15.25 ZAR and cap of 16.59 ZAR against the USD. The collar will expire on 19 May 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Reviewed at 30 June 2019 R million	Audited at 31 December 2018 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**35**	32
– claims incurred but not reported	**53**	41
General insurance contracts		
– claims reported and loss adjustment expenses	**8 645**	8 465
– claims incurred but not reported	**2 869**	2 868
– unearned premiums	**9 634**	9 256
Total gross insurance liabilities	**21 236**	20 662
Expected to be settled after 12 months	**2 211**	2 339
Expected to be settled within 12 months	**19 025**	18 323
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**14**	14
– claims incurred but not reported	**19**	10
General insurance contracts		
– claims reported and loss adjustment expenses	**3 946**	4 138
– claims incurred but not reported	**638**	667
– unearned premiums	**1 789**	1 658
Total reinsurers' share of insurance liabilities	**6 406**	6 487
Expected to be realised after 12 months	**598**	505
Expected to be realised within 12 months	**5 808**	5 982
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**21**	18
– claims incurred but not reported	**34**	31
General insurance contracts		
– claims reported and loss adjustment expenses	**4 699**	4 327
– claims incurred but not reported	**2 231**	2 201
– unearned premiums	**7 845**	7 598
Total net insurance liabilities	**14 830**	14 175

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

8. INVESTMENT INCOME AND NET GAINS/(LOSSES) ON FINANCIAL ASSETS AND LIABILITIES

	Reviewed Six months ended 30 June 2019 R million	Reviewed Six months ended 30 June 2018 R million
Investment income	**978**	1 001
Interest income derived from	**837**	723
Financial assets measured at amortised cost	**87**	103
Financial assets mandatorily measured at fair value through income	**750**	620
Other investment income	**141**	278
Dividend income	**135**	85
Foreign exchange differences	**6**	193
Net gains/(losses) on financial assets and liabilities at fair value through income	**379**	(140)
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	**491**	(142)
Net realised (losses)/gains on financial assets excluding derivative instruments	**(87)**	65
Net fair value gains/(losses) on financial assets excluding derivative instruments	**548**	(204)
Net realised/fair value gains/(losses) on derivative instruments	**30**	(3)
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	**(112)**	2
Net fair value (losses)/gains on debt securities	**(17)**	6
Net realised gains on debt securities	**–**	2
Net realised losses on investment contracts	**(95)**	(6)
	1 357	861

9. INCOME TAX

Normal taxation		
Current period	**310**	393
Prior period	**(1)**	–
Other taxes	**–**	1
Foreign taxation – current period	**19**	33
Total income taxation for the period	**328**	427
Deferred taxation		
Current period	**106**	17
Total deferred taxation for the period	**106**	17
Total taxation as per statement of comprehensive income	**434**	444
Income tax recovered from cell owners and structured insurance products	**(81)**	(44)
Total tax expense attributable to shareholders	**353**	400
Profit before taxation per statement of comprehensive income	**1 576**	1 626
Adjustment for income tax recovered from cell owners and structured insurance products	**(81)**	(44)
Total profit before tax attributable to shareholders	**1 495**	1 582
Reconciliation of taxation rate (%)		
Normal South African taxation rate	**28.0**	28.0
Adjusted for:		
Disallowable expenses	**0.2**	0.1
Foreign tax differential	**0.1**	0.2
Exempt income	**(2.1)**	(1.3)
Investment results	**(0.9)**	–
Income from associates and joint ventures	**(0.8)**	(1.4)
Previous period's overprovision	**(0.1)**	–
Other permanent differences	**(0.7)**	(0.3)
Other taxes	**(0.1)**	–
Net reduction	**(4.4)**	(2.7)
Effective rate attributable to shareholders (%)	**23.6**	25.3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. CORPORATE TRANSACTIONS

2019

Acquisitions

Vantage Insurance Acceptances (Pty) Ltd

On 1 March 2019, the Santam group acquired a shareholding of 100% in Vantage Insurance Acceptances (Pty) Ltd for R25.3 million in cash, including contingent payments estimated at R6.3 million. Due to the limited time available to perform a purchase price allocation a provisional allocation to goodwill was recorded based on the IFRS historical cost values. Per IFRS 3 requirements, a detailed valuation and allocation will be performed within 12 months of the purchase.

	R million
Details of the assets and liabilities acquired (based on provisional purchase price allocation) are as follows:	
Loans and receivables including insurance receivables	**3**
Cash and cash equivalents	**4**
Trade and other payables including insurance payables	**(5)**
Net asset value acquired	**2**
Goodwill	**29**
Future contingent consideration payable	**(6)**
Purchase consideration paid	**25**

SAN JV (RF) (Pty) Ltd

During May 2019, a pro rata funding took place in terms of which Santam contributed a further R60 million into SAN JV (RF) (Pty) Ltd.

For the year ended 31 December 2018 (restated)

Acquisitions

SAN JV (RF) (Pty) Ltd

Effective 9 October 2018, SEM and Santam, through its investment in SAN JV (RF) (Pty) Ltd (SAN JV), acquired a further 53.3% interest in Saham Finances for US$1 045 million. Santam's share of the purchase price, including transaction costs, was US$64 million (R957 million), before applying hedge accounting. Santam's interest in SAN JV therefore diluted to 10% (previously 15%) due to limited participation in this transaction. As part of this transaction, a cash flow hedge was implemented to cover Santam's foreign currency exposure by designating US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R46 million recognised on the designated cash balances since implementation date were not recognised in the statement of comprehensive income, but were accounted for as part of the investment in SAN JV. As a result of the dilution, R19 million of the foreign currency translation reserve relating to SAN JV was released to profit or loss. A loss on dilution of R88 million was also recognised.

Professional Provident Society Short-term Insurance Company Ltd (PST)

During March, June and September 2018, pro rata recapitalisations took place in terms of which Santam injected a further total of R15 million into the company.

Ctrl Investment Holdings (Pty) Ltd

On 30 November 2018, Santam subscribed for a 25% equity stake in Ctrl Investment Holdings (Pty) Ltd for an amount of R12.5 million.

Snyman en Van der Vyver Finansiële Dienste (Pty) Ltd Group

During November 2018, the Santam group acquired a shareholding of 100% in Snyman en Van der Vyver Finansiële Dienste (Pty) Ltd for R90 million in cash. Due to the limited time available to perform a purchase price allocation, a provisional allocation to goodwill was recorded based on the IFRS historical cost values. Subsequent to 31 December 2018, the purchase price allocation was completed. The information below has been restated only for purposes of this note disclosure.

	R million
Details of the assets and liabilities acquired are as follows:	
Property and equipment	1
Intangible assets	43
Loans and receivables including insurance receivables	3
Cash and cash equivalents	4
Deferred income tax	(12)
Trade and other payables including insurance payables	(3)
Current income tax liabilities	(3)
Net asset value acquired	**33**
Goodwill	57
Purchase consideration paid	**90**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. CORPORATE TRANSACTIONS (continued)

Disposals

Professional Provident Society Short-term Insurance Company Ltd (PST)

During December 2018, the group sold its 49% shareholding in Professional Provident Society Short-term Insurance Company Ltd for R114 million. The net profit realised was R40 million and capital gains tax of R3 million was recognised.

Western Group Holdings Ltd

On 31 October 2018, Santam restructured its investment in the Western Group. Santam effectively sold its 40% shareholding in Western Group and received a cash component of R54 million as well as 40% shareholding of R215 million in Western RSA. An immaterial profit was recognised on the disposal. Santam Ltd recognised capital gains tax of R10 million.

11. EARNINGS PER SHARE

	Reviewed Six months ended 30 June 2019	Reviewed Six months ended 30 June 2018
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**1 094**	1 124
Weighted average number of ordinary shares in issue (million)	**110.47**	110.38
Earnings per share (cents)	**990**	1 018
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**1 094**	1 124
Weighted average number of ordinary shares in issue (million)	**110.47**	110.38
Adjusted for share options	**0.50**	1.07
Weighted average number of ordinary shares for diluted earnings per share (million)	**110.97**	111.45
Diluted basic earnings per share (cents)	**986**	1 009
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	**1 094**	1 124
Headline earnings (R million)	**1 094**	1 124
Weighted average number of ordinary shares in issue (million)	**110.47**	110.38
Headline earnings per share (cents)	**990**	1 018
Diluted headline earnings per share		
Headline earnings (R million)	**1 094**	1 124
Weighted average number of ordinary shares for diluted headline earnings per share (million)	**110.97**	111.45
Diluted headline earnings per share (cents)	**986**	1 009

12. DIVIDEND PER SHARE

Dividend per share (cents)	**392**	363

13. CHANGE IN ACCOUNTING POLICY

IFRS 16 *Leases*

IFRS 16 *Leases* (effective 1 January 2019) addresses the establishment of principles for the recognition, measurement, presentation and disclosure of all lease arrangements within the scope of the standard. Under the new standard, an asset (the right to use the leased item) and the liability to pay rentals, are recognised. (The asset is included in Property and equipment, and the liability to pay rentals is disclosed separately as Lease liabilities.) The only exceptions, which the group chose to apply, is low-value leases. There were no material short-term leases. The accounting for lessors did not significantly change. The group, who is only a lessee, applied IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment in the opening statement of financial position on 1 January 2019, with no restatement of comparative information and no impact on opening retained earnings. As at 31 December 2018, the group had non-cancellable operating lease commitments of R1 037 million (restated – refer below). The majority of these commitments resulted in recognition of an asset and a liability for future payments.

For leases which had previously been classified as operating leases under IAS 17, the lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 9%.

	2019 R million
Operating lease commitments as at 31 December 2018	1 795
Less: contracts reassessed as service agreements[1]	(758)
Restated operating lease commitments as at 31 December 2018	1 037
Discounted using incremental borrowing rate on 1 January 2019	799
Less: low-value leases recognised on straight-line basis as expense	(2)
Add/less: adjustments as a result of different treatment of extension and termination options	47
Lease liability as at 1 January 2019	844
Expected to be settled after 12 months	720
Expected to be settled within 12 months	124

[1] In the prior periods, the group incorrectly recognised computer equipment as an operating lease commitment instead of a non-lease commitment (to the value of R758 million). This commitment related to a full complement of IT services that the group has access to. During the current period, the contract was assessed to be a service level agreement as opposed to an operating lease. There is no material impact on the statement of comprehensive income as the difference between the previously recognised straight-line lease expense does not differ materially from the service level agreement expense. The straight-line lease accrual also does not materially differ from the payable that would have been raised in terms of the service level agreement.

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 R million	1 January 2019 R million
Properties	691	763
Vehicles	28	24
Office equipment	1	1
Total	720	788

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following permitted practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics (mainly vehicles);
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the date of initial application, the group relied on its assessment made applying IAS 17 and IFRIC 4.

13. CHANGE IN ACCOUNTING POLICY (continued)

Impact on statement of financial position

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019 as follows:

	Before R million	Change R million	After R million
Property and equipment	142	788	930
Lease liabilities	–	(844)	(844)
Trade and other payables including insurance payables	(5 922)	56	(5 866)
	(5 780)	–	(5 780)

Impact on earnings per share and cash flows

Earnings decreased by R18 million and earnings per share decreased by 17 cents per share for the six months ended 30 June 2019 as a result of the adoption of IFRS 16. Regarding the statement of cash flows, where all cash payments of operating leases were previously included in cash generated from operations under cash flows from operating activities, the cash repayment of the principal portion of the lease liabilities will be included in payment of principal element of lease liabilities in cash flows from financing activities and the cash payment of the interest portion will be presented in interest paid under cash flows from operating activities.

	R million
Impact on segmental report	
Non-current assets increased as a result of the adoption of IFRS 16 as follows as at 30 June 2019:	
South Africa	700
Rest of Africa	20
Southeast Asia, India and Middle East	–
Other	–
	720

Accounting policy for leasing activities

Agreements where the counterparty retains control of the underlying asset are classified as leases.

The group leases various offices, motor vehicles and office equipment. Until the 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest, the incremental borrowing rate, on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Rental contracts are typically made for fixed periods of 3 to 8 years but may have extension options that exist. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease is included if the group is reasonably certain to exercise that option taking into account, among others, the remaining term of the original lease, refurbishments, changing technology and cost-saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The incremental borrowing rate for Santam Limited uses the Santam bonds' borrowing rate as starting point, while all subsidiaries use a rate at which borrowings can be obtained by them commercially. The rate is then adjusted based on factors relating to the specific lease and underlying asset, including but not limited to, the term of the borrowing, the property yield (for property) and the ability to provide security for the purchase of the specific asset.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, but excluding payments for service components), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

14. EVENTS AFTER THE REPORTING PERIOD

On 19 August 2019 we decided to exit the Santam Structured Insurance Limited (SSI) Trade Credit Insurance (TCI) business and place it in run-off. Over the past few years the TCI business has consistently sustained unacceptably high losses due to increased competition and poor economic market conditions. The business has implemented numerous changes to address these ongoing losses. Unfortunately, these changes have not resulted in the desired business improvements. The TCI business contributed gross written premium of R71 million for the six months to June 2019 (2018: R90 million) incurring a net underwriting loss of R26 million (2018: R35 million).

On 19 August 2019 Santam entered into a further foreign currency collar on R500 million of USD exposure at a spot rate of 15.25 ZAR and cap of 16.59 ZAR against the USD. The collar will expire on 19 May 2020.

There have been no other material changes in the affairs or financial position of the company and its subsidiaries since the statement of financial position date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS

This note provides information on cellholder/policyholder versus shareholder statement of financial position and statement of comprehensive income. Cellholder/policyholder activities relates mainly to alternative risk transfer insurance business written on the insurance licences of Centriq and SSI.

15.1 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF FINANCIAL POSITION

		Reviewed	
	Group 30 June 2019 R million	Shareholder 30 June 2019 R million	Policyholder/ cellholder 30 June 2019 R million
ASSETS			
Intangible assets	914	914	–
Property and equipment	869	869	–
Investment in associates and joint ventures	2 983	2 983	–
Strategic investment – unquoted SEM target shares	1 386	1 386	–
Deferred income tax	96	96	–
Deposit with cell owner	188	–	188
Cell owners' and policyholders' interest	22	–	22
Financial assets at fair value through income	22 610	12 180	10 430
Reinsurance assets	6 406	5 786	620
Deferred acquisition costs	613	569	44
Loans and receivables including insurance receivables	5 843	3 691	2 152
Current income tax assets	22	22	–
Cash and cash equivalents	3 688	2 610	1 078
Total assets	45 640	31 106	14 534
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(447)	(447)	–
Other reserves	(137)	(137)	–
Distributable reserves	9 621	9 621	–
	9 140	9 140	–
Non-controlling interest	508	508	–
Total equity	9 648	9 648	–
LIABILITIES			
Deferred income tax	142	148	(6)
Cell owners' and policyholders' interest	3 534	–	3 534
Reinsurance liability relating to cell owners	188	–	188
Financial liabilities at fair value through income			
Debt securities	2 088	2 088	–
Investment contracts	1 577	–	1 577
Derivatives	3	3	–
Financial liabilities at amortised cost			
Repo liability	775	–	775
Collateral guarantee contracts	151	–	151
Lease liabilities	801	801	–
Insurance liabilities	21 236	13 833	7 403
Deferred reinsurance acquisition revenue	376	323	53
Provisions for other liabilities and charges	154	154	–
Trade and other payables including insurance payables	4 777	4 008	769
Current income tax liabilities	190	100	90
Total liabilities	35 992	21 458	14 534
Total shareholders' equity and liabilities	45 640	31 106	14 534

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

15.1 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF FINANCIAL POSITION (continued)

	Audited		
	Group 31 December 2018 R million	Shareholder 31 December 2018 R million	Policyholder/ cellholder 31 December 2018 R million
ASSETS			
Intangible assets	885	885	–
Property and equipment	142	142	–
Investment in associates and joint ventures	2 927	2 927	–
Strategic investment – unquoted SEM target shares	1 323	1 323	–
Deferred income tax	155	152	3
Deposit with cell owner	191	–	191
Cell owners' and policyholders' interest	13	–	13
Financial assets at fair value through income	22 454	12 567	9 887
Reinsurance assets	6 487	6 032	455
Deferred acquisition costs	619	580	39
Loans and receivables including insurance receivables	6 274	4 407	1 867
Current income tax assets	10	10	–
Cash and cash equivalents	3 618	2 573	1 045
Total assets	45 098	31 598	13 500
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(467)	(467)	–
Other reserves	(90)	(90)	–
Distributable reserves	9 311	9 311	–
	8 857	8 857	–
Non-controlling interest	508	508	–
Total equity	9 365	9 365	–
LIABILITIES			
Deferred income tax	81	87	(6)
Cell owners' and policyholders' interest	3 343	–	3 343
Reinsurance liability relating to cell owners	191	–	191
Financial liabilities at fair value through income			
Debt securities	2 072	2 072	–
Investment contracts	1 528	–	1 528
Derivatives	4	4	–
Financial liabilities at amortised cost			
Repo liability	759	–	759
Collateral guarantee contracts	158	–	158
Insurance liabilities	20 662	14 041	6 621
Deferred reinsurance acquisition revenue	487	389	98
Provisions for other liabilities and charges	162	162	–
Trade and other payables including insurance payables	5 922	5 155	767
Current income tax liabilities	364	323	41
Total liabilities	35 733	22 233	13 500
Total shareholders' equity and liabilities	45 098	31 598	13 500

15. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

15.2 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF COMPREHENSIVE INCOME

	Reviewed		
	Group 30 June 2019 R million	Shareholder 30 June 2019 R million	Policyholder/ cellholder 30 June 2019 R million
Gross written premium	17 018	14 394	2 624
Less: reinsurance written premium	5 304	3 102	2 202
Net written premium	11 714	11 292	422
Less: change in unearned premium			
Gross amount	437	(106)	543
Reinsurers' share	(496)	(128)	(368)
Net insurance premium revenue	11 773	11 526	247
Interest income on amortised cost instruments	87	87	–
Interest income on fair value through income instruments	750	445	305
Other investment income	141	113	28
Income from reinsurance contracts ceded	915	771	144
Net gains on financial assets and liabilities at fair value through income	379	332	47
Other income	112	112	–
Net income	14 157	13 386	771
Insurance claims and loss adjustment expenses	9 954	8 880	1 074
Insurance claims and loss adjustment expenses recovered from reinsurers	(2 336)	(1 473)	(863)
Net insurance benefits and claims	7 618	7 407	211
Expenses for the acquisition of insurance contracts	2 390	2 222	168
Expenses for marketing and administration	2 107	2 095	12
Expenses for investment-related activities	29	29	–
Amortisation of intangible assets	35	35	–
Investment return allocated to cell owners and structured insurance products	321	–	321
Total expenses	12 500	11 788	712
Results of operating activities	1 657	1 598	59
Finance costs	(207)	(148)	(59)
Net income from associates and joint ventures	45	45	–
Income tax recovered from cell owners and structured insurance products	81	–	81
Profit before tax	1 576	1 495	81
Total tax expense	(434)	(353)	(81)
Profit for the period	1 142	1 142	–

15. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS (continued)

15.2 ANALYSIS OF POLICYHOLDER/SHAREHOLDER STATEMENT OF COMPREHENSIVE INCOME (continued)

	Reviewed		
	Group 30 June 2018 R million	Shareholder 30 June 2018 R million	Policyholder/ cellholder 30 June 2018 R million
Gross written premium	15 591	13 374	2 217
Less: reinsurance written premium	4 571	2 855	1 716
Net written premium	11 020	10 519	501
Less: change in unearned premium			
Gross amount	478	(363)	841
Reinsurers' share	(579)	(134)	(445)
Net insurance premium revenue	11 121	11 016	105
Interest income on amortised cost instruments	103	103	–
Interest income on fair value through income instruments	620	300	320
Other investment income	278	223	55
Income from reinsurance contracts ceded	899	792	107
Net (losses)/gains on financial assets and liabilities at fair value through income	(140)	52	(192)
Other Income	88	88	–
Net income	12 969	12 574	395
Insurance claims and loss adjustment expenses	8 906	8 179	727
Insurance claims and loss adjustment expenses recovered from reinsurers	(1 988)	(1 372)	(616)
Net insurance benefits and claims	6 918	6 807	111
Expenses for the acquisition of insurance contracts	2 191	2 099	92
Expenses for marketing and administration	2 040	2 031	9
Expenses for investment-related activities	23	23	–
Amortisation of intangible assets	33	33	–
Impairment of loans	5	5	–
Investment return allocated to cell owners and structured insurance products	156	–	156
Total expenses	11 366	10 998	368
Results of operating activities	1 603	1 576	27
Finance costs	(102)	(75)	(27)
Net income from associates and joint ventures	81	81	–
Income tax recovered from cell owners and structured insurance products	44	–	44
Profit before tax	1 626	1 582	44
Total tax expense	(444)	(400)	(44)
Profit for the period	1 182	1 182	–

ADMINISTRATION

NON-EXECUTIVE DIRECTORS

B Campbell, VP Khanyile (chairman), IM Kirk, MLD Marole, NV Mtetwa, JJ Ngulube, MJ Reyneke, PE Speckmann

EXECUTIVE DIRECTORS

L Lambrechts (chief executive officer), HD Nel (chief financial officer)

COMPANY SECRETARY

M Allie

TRANSFER SECRETARIES

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NSX share code: SNM
A2X share code: SNT

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