2014

PRESENTATION
TO ANALYSTS

Non-executive directors
B Campbell, MD Dunn, MP Fandeso, T Fubu,
BTPKM Gamedze, GG Gelink (Chairman),
IM Kirk, MLD Marole, MJ Reyneke,
JP Möller, J van Zyl

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

Company secretary
M Allie

Transfer secretaries
Computershare Investor Services (Pty) Ltd
70 Marshall Street, Johannesburg 2001
PO Box 61051, Marshalltown 2107
Tel: 011 370 5000
Fax: 011 688 7721
www.computershare.com

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Bellville 7530
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Fax: 021 914 0700
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Registration number 1918/001680/06
ISIN ZAE000093779
JSE share code: SNT
NSX share code: SNM

Sponsor
Investec Bank Ltd

Table of contents

ANALYST PRESENTATION

FINANCIAL RESULTS FOR THE YEAR ENDED 31 December 2014

Presented by Lizé Lambrechts and Hennie Nel
03 March 2015

santam

CONTENT

- Market context
- Financial results
- Capital management
- Group strategy and priorities

MARKET CONTEXT

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MARKET CONTEXT: KEY THEMES

- Profitable growth remains a major challenge in more developed markets
- Emerging markets continue to show positive prospects
- Persistently low level of trust – client centricity is key
- Regulatory advancement is here to stay
- Technological advancement presenting new risks and opportunities

- Subdued outlook for economic growth, coupled with socio-economic challenges
- Intense competition - continued competitive rates, pressure on profitability
- Several fundamental changes in regulations
- Real impact of increasing risks on the ground
- Skills and transformation challenge
- System and process efficiency remains an imperative

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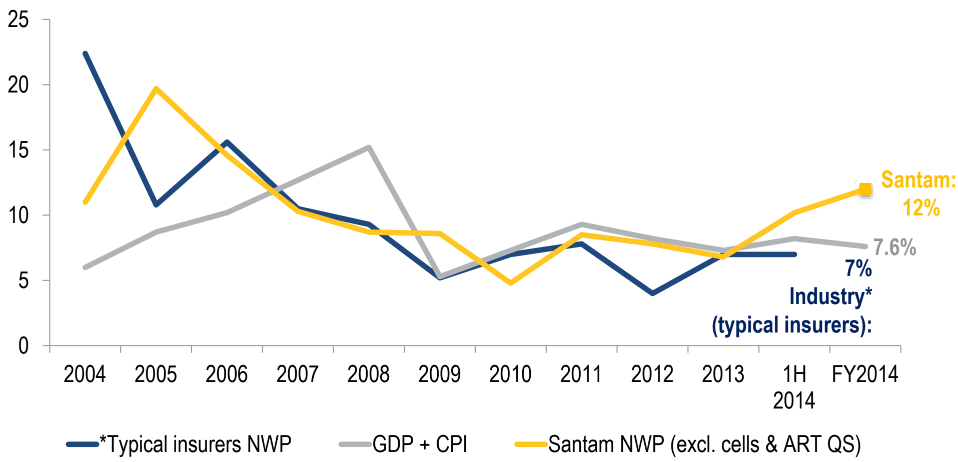
- System and process efficiency remains an imperative

RELATIVE PERFORMANCE

NET WRITTEN PREMIUM GROWTH



**Source: FSB – latest report = 1H 2014*
** Industry figure adjusted to include the ART Quota Share*

SANTAM 2014 – KEY FACTS

- Gross written premium growth:
  - 10% including cell insurance
  - 12% excluding cell insurance
- Underwriting margin of 8.7%
- Headline earnings increased by 40%
- Solvency ratio of 46%
- Return on shareholders funds of 24.7%
- Positive contribution from international strategic diversification
- Dividends of 742 cents per share, up 9.9%

FINANCIAL RESULTS

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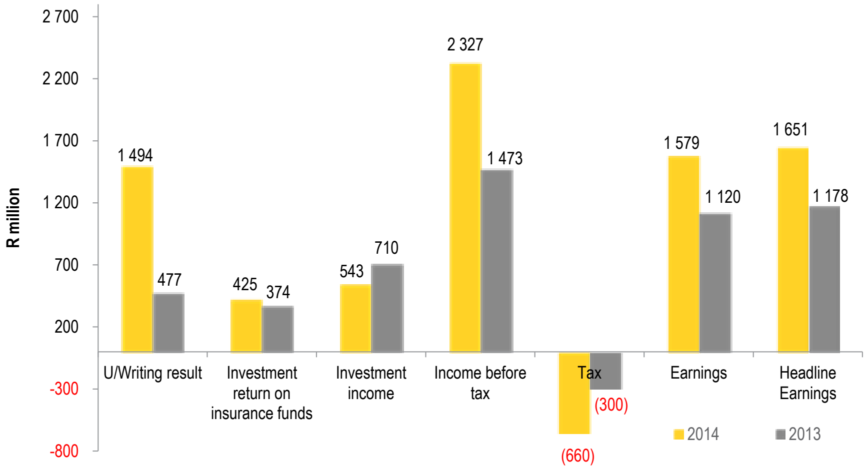
MAIN VARIANCES

2014 vs. 2013



Non-headline impairment: Indwe – R69 million

NET INSURANCE RESULT

	2014 R'm	% of NEP	2013 R'm	% of NEP	2014/ 2013	5Y ave %	10Y ave %
Gross written premium	22 710		20 631		**10%**	9	8
Net earned premium	17 222	**100.0**	16 750	**100.0**	**3%**	100.0	100.0
Claims incurred	10 878	**63.1**	11 607	**69.3**	**(6%)**	65.9	67.1
Acquisition costs	4 850	**28.2**	4 666	**27.9**	**4%**	27.7	26.6
Underwriting surplus	1 494	**8.7**	477	**2.8**	**214%**	6.4	6.3
Investment return on insurance funds	425	**2.5**	374	**2.2**	**14%**	2.6	2.9
Net insurance result	1 919	**11.2**	851	**5.0**	**126%**	9.0	9.2
Combined ratio		**91.3**		**97.2**		93.6	93.7

NORMALISED UNDERWRITING MARGIN

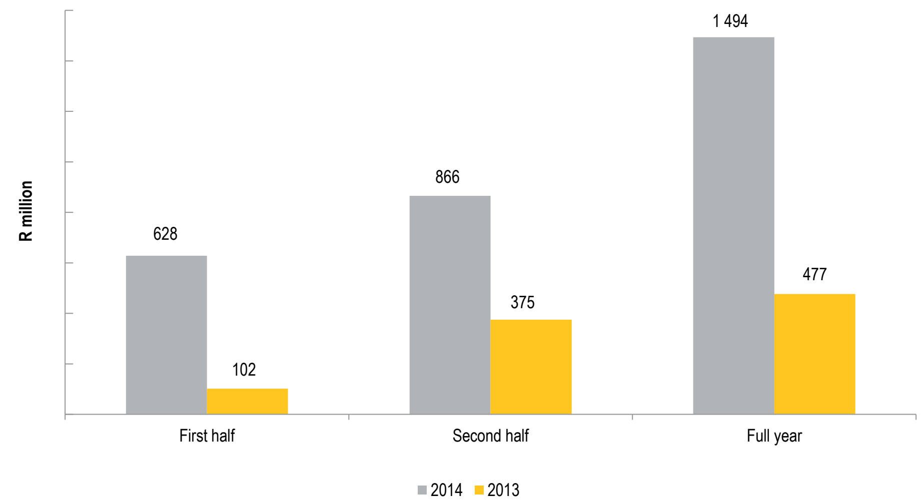
	2014	2013
Underwriting margin achieved	8.7%	2.8%
Impact of ART Quota Share reinsurance arrangement	(0.5%)	N/A
Impact of crop results normalisation	(1.3%)	1.0%
Adjusted margin	6.9%	3.8%

2014 ANALYSIS: FIRST VERSUS SECOND HALF

	FIRST HALF	SECOND HALF	FULL YEAR 2014
Net earned premium	100.0	100.0	100.0
Claims incurred	64.4	61.9	63.1
Acquisition cost	28.2	28.1	28.2
Underwriting margin	7.4	10.0	8.7
Investment return on insurance funds	2.6	2.3	2.5
Net insurance margin	10.1	12.3	11.2
Adjusted underwriting margin normalised for crop underwriting and ART QS	5.1	8.8	6.9

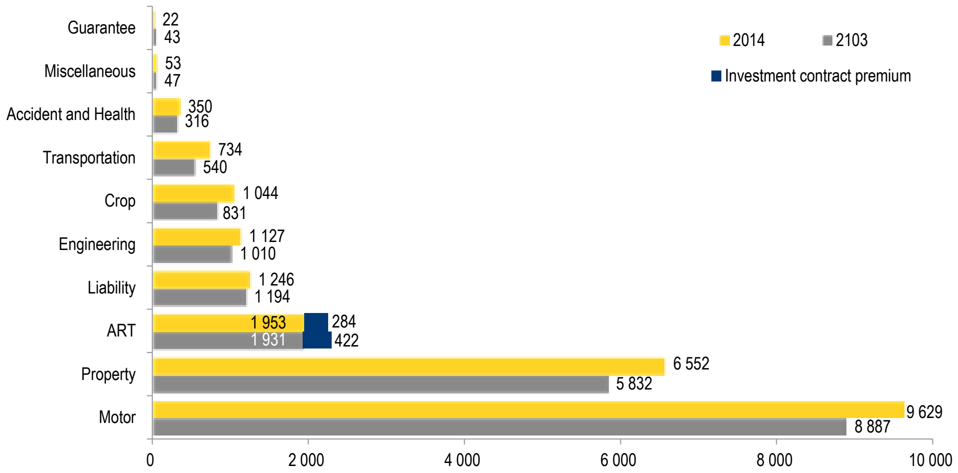
2014 PERFORMANCE: FIRST VERSUS SECOND HALF

NET UNDERWRITING RESULT



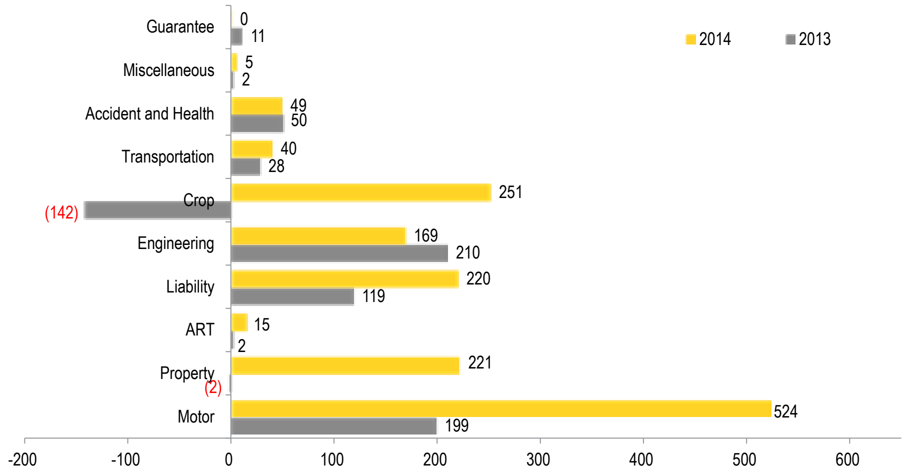
GROSS WRITTEN PREMIUM

PER INSURANCE CLASS (R MILLION)



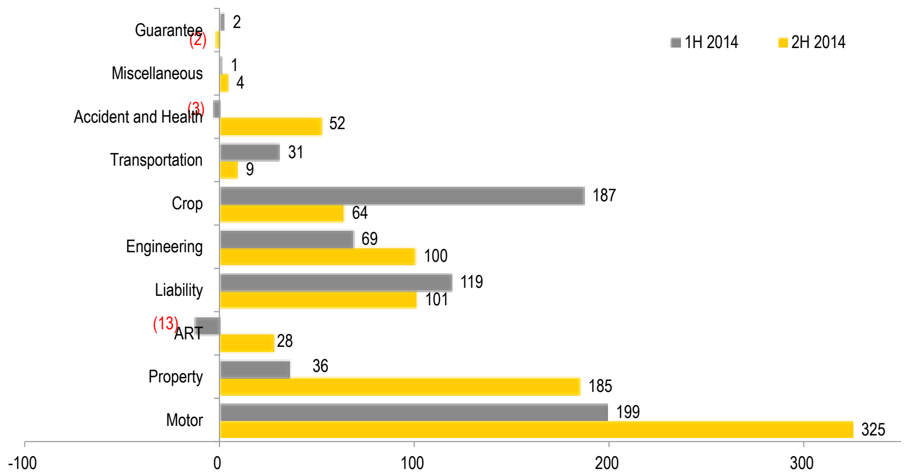
NET UNDERWRITING SURPLUS

PER INSURANCE CLASS (R MILLION)



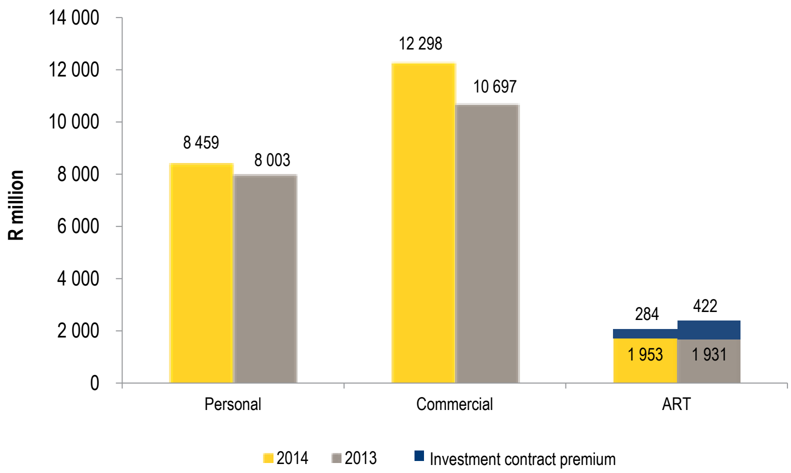
UNDERWRITING SURPLUS: FIRST VERSUS SECOND HALF

PER INSURANCE CLASS (R MILLION)



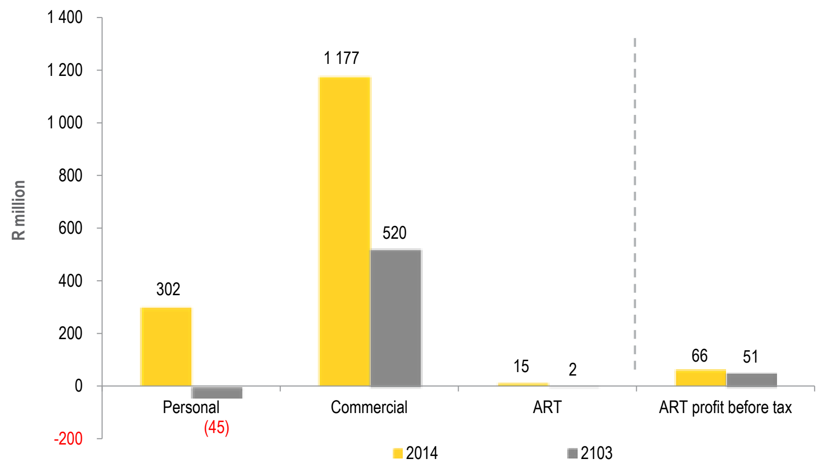
SEGMENTAL ANALYSIS

GROSS WRITTEN PREMIUM — PERSONAL, COMMERCIAL AND ART



SEGMENTAL ANALYSIS

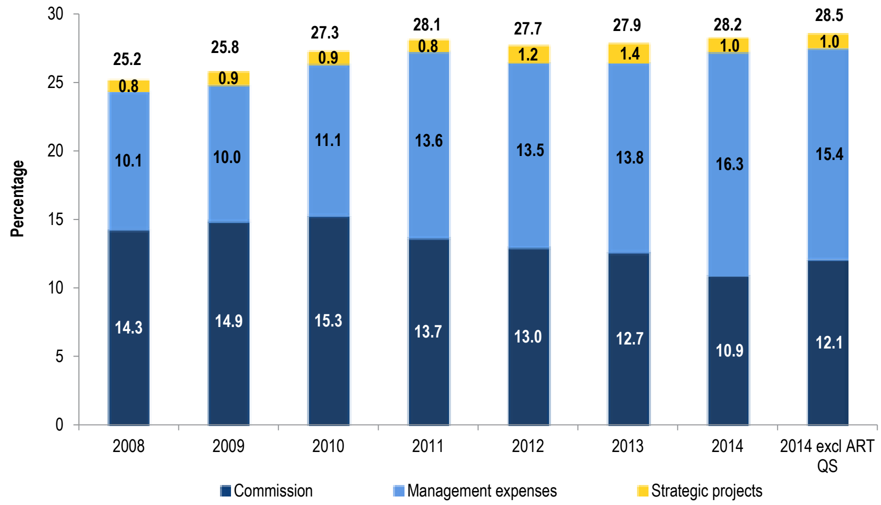
NET UNDERWRITING RESULT — PERSONAL, COMMERCIAL AND ART



Included in the results are strategic project costs of: Personal R69m (2013: R97m) and Commercial R104m (2013: R132m)

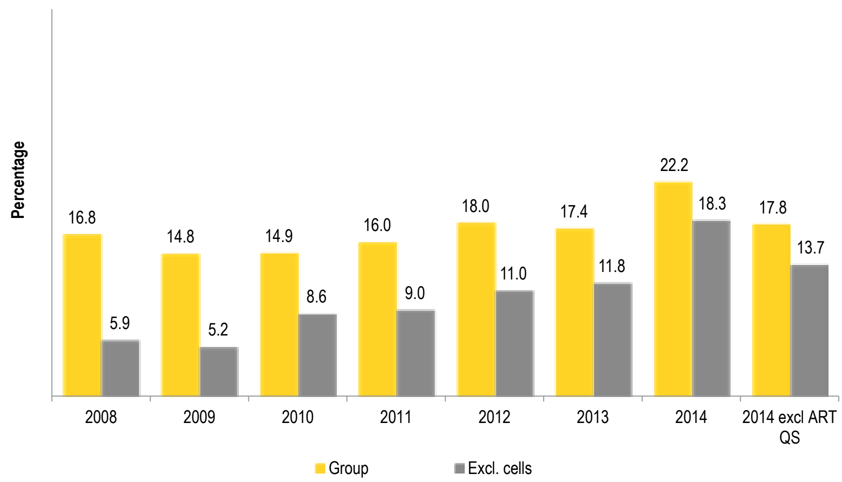
ACQUISITION COST RATIO

AS % OF NET EARNED PREMIUM



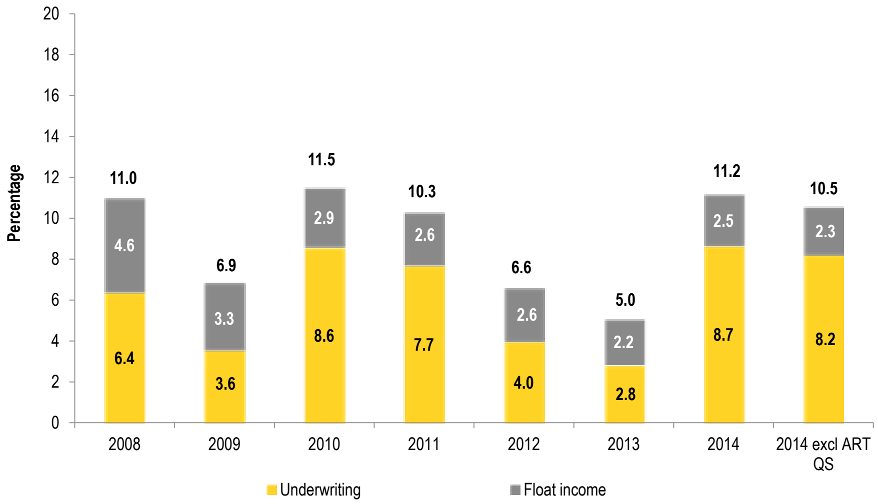
LEVEL OF REINSURANCE EARNED PREMIUM

AS % OF GROSS EARNED PREMIUM

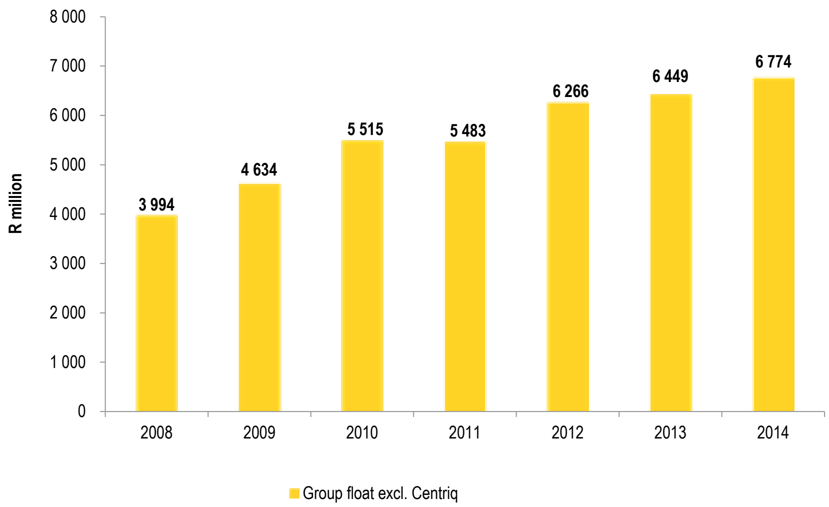


NET INSURANCE RESULT

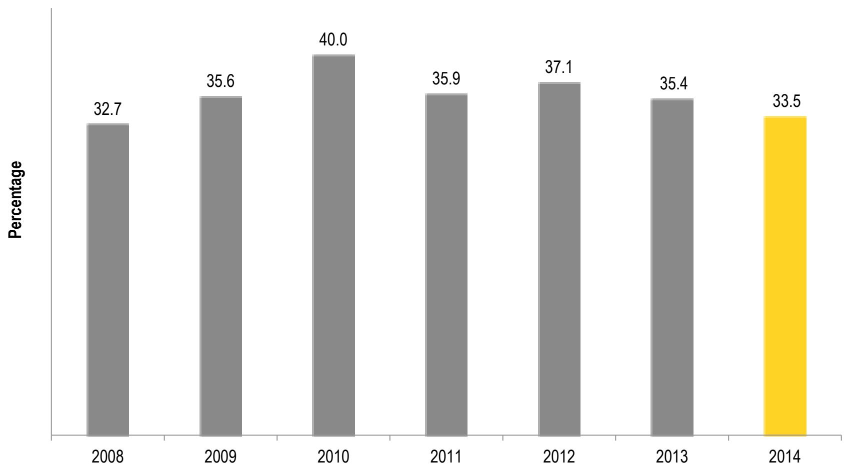
AS % OF NET EARNED PREMIUM



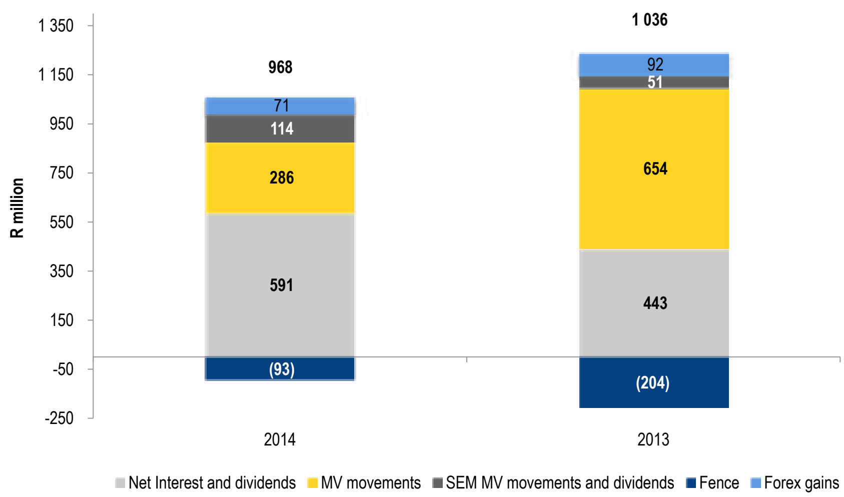
SIZE OF INSURANCE FUNDS



INSURANCE FUNDS AS % OF GROSS EARNED PREMIUM

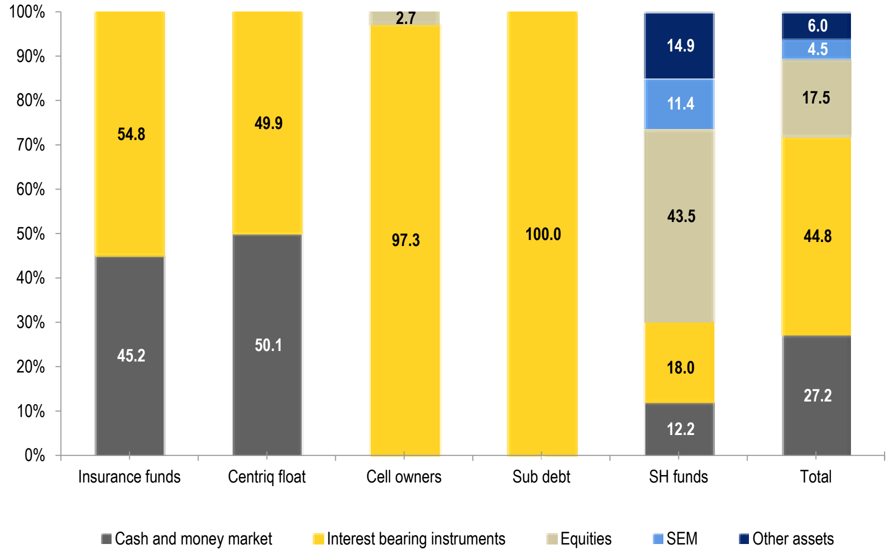


INVESTMENT RETURN



ASSET / LIABILITY MATCHING

GROUP CONSOLIDATED ASSETS AT 31 DECEMBER 2014



ASSET ALLOCATION

GROUP CONSOLIDATED INVESTMENTS AT 31 DECEMBER 2014 (IFRS VIEW)

	SANTAM SA	CENTRIQ	INTERNATIONAL	GROUP TOTAL
Equities – unhedged	22%	1%	-	18%
SEM	6%	-	-	5%
Interest bearing instruments	41%	70%	-	44%
Cash and money market	24%	28%	75%	27%
Other assets	7%	1%	25%	6%
Total	**100%**	**100%**	**100%**	**100%**

NOTE: In February 2015 a zero cost fence structure was entered into over listed equities of R1.3 billion based on the SWIX40 providing 10% downside protection from the implementation level of 10 443, with a capped return (excluding dividends) of 110.9% and maturity date of 17 December 2015.

SEM PARTICIPATION INVESTMENTS*

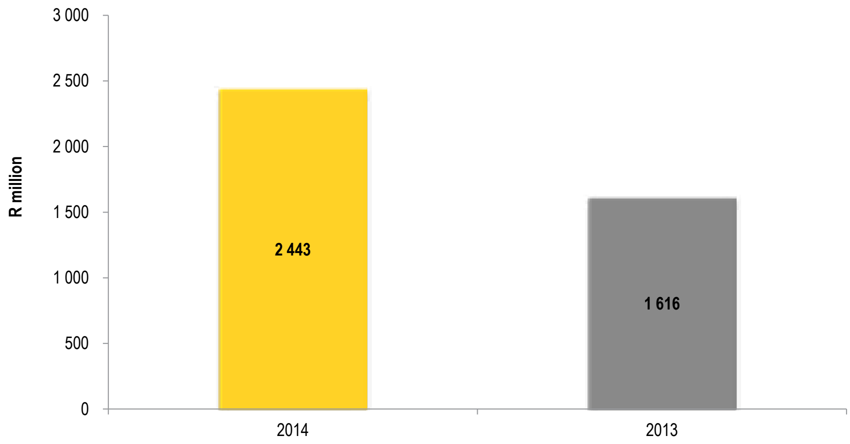
REGION	2013	ADDITIONS	FAIR VALUE MOVEMENTS	2014
	R'm	R'm	R'm	R'm
Africa	21	186	2	209
Southeast Asia	301	-	47	348
India	206	-	44	250
	528	186	93	807

*In partnership with Sanlam Emerging Markets

SEM PARTICIPATION INVESTMENTS

	INCORPORATED IN	SANTAM EFFECTIVE HOLDING 2014 %	SANTAM EFFECTIVE HOLDING 2013 %
Pacific & Orient Insurance Co. Berhad	Malaysia	15.4	15.4
Shriram General Insurance Co. Ltd	India	7.0	7.0
BIHL Insurance Company Ltd	Botswana	20.4	18.6
NICO Holdings general insurance subsidiaries	Malawi, Zambia, Uganda	21.6	8.7
NICO Holdings general insurance subsidiaries	Tanzania	14.4	5.7
Soras Assurance Generales Ltd	Rwanda	22.1	-
Socar SA Burundi	Burundi	7.3	-
Oasis Insurance PLC	Nigeria	8.7	-
Enterprise Insurance Company Ltd	Ghana	14.0	-

CASH GENERATED FROM OPERATIONS



MIWAY

	2014	2013	CHANGE
Gross written premium (R'm)	1 485	1 307	**14%**
Gross underwriting result, net of CAT recoveries (R'm)	159	54	**194%**
Gross claims ratio, net of CAT recoveries	57.4%	62.2%	
Gross acquisition cost ratio	31.7%	33.7%	
New policies added*	115 525	120 522	**(4%)**
Number of clients*	225 388	202 740	**11%**

* Includes value added products

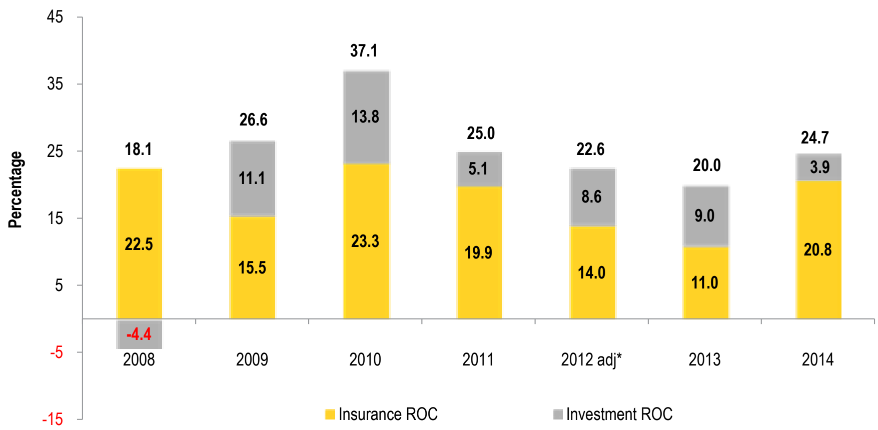
SANTAM RE

- Santam Re is a wholesale reinsurance service provider for Santam/Sanlam group general insurance businesses and independent general insurers in South Africa, Africa, India and Asia including China and South Korea.
- Underwriting results improved following lower retrocession costs and corrective action on the South African portfolio.
- The international business grew to more than R400 million (2013: R225 million).
- The African portfolio, excluding South Africa, broke through the R100 million premium level.
- Tight exposure management is in place across the business.

CAPITAL MANAGEMENT

RETURN ON CAPITAL

NET INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS



*Tax adjusted for STC (R96m) and CGT inclusion rate change (R80m)

SOLVENCY

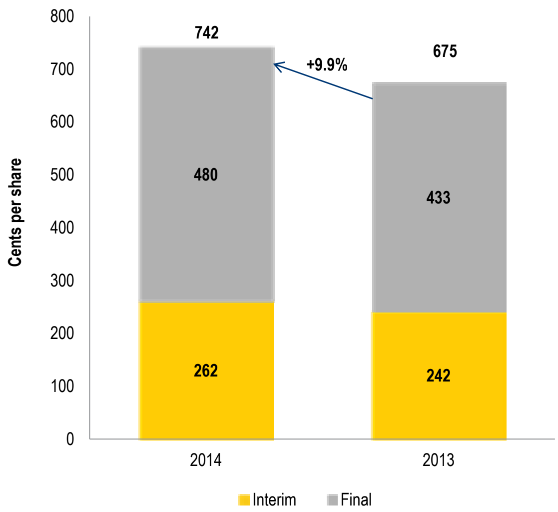
		2014	2013
Net asset value (NAV)	R'm	7 010	6 132
Subordinated debt	R'm	999	997
Regulatory equity*	R'm	8 009	7 129
NAV per share	cps	6 115	5 373
Net written premium	R'm	17 635	16 899
Group solvency	%	46	42

*Includes fair value of subordinated debt

CAPITAL MANAGEMENT

- Capital efficiency remains critical to Santam
- Target solvency range of 35% - 45%: no change (capital coverage ratio 135% -170%)
- Group solvency as at 31 December 2014 of 46% (2013: 42%)
- FSB interim capital requirements December 2014: 28.5%
- Economic capital coverage ratio for the Group at December 2014: 167%
- Capital requirements under SAM (effective 01/01/2016) will be confirmed through the internal model approval process in 2015

DIVIDEND PER SHARE



GROUP STRATEGY AND PRIORITIES

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OUR 3-PILLAR GROUP STRATEGY

INSURANCE GOOD AND PROPER

CLIENT CENTRIC DIVERSIFIED GROWTH

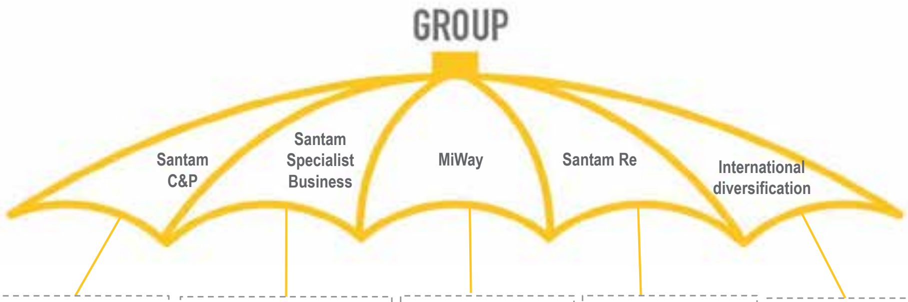
MANAGE THE RISK POOL

DRIVE SYSTEM EFFICIENCY

PEOPLE

CONTINUES TO DELIVER

OUR FOCUS ON GROWTH



• Enhance multi-channel distribution capability • Focus on segments with most potential • Implement strategic projects	• Niche: diversify footprint inside and outside SA – grow African footprint • Provide alternative risk solutions through Centriq • Agri: primary focus on sustainable profitability in SA market	• Organic growth – enhance digital capability • Grow new businesses – Life, Business (SMME)	• Pursue profitable growth with a "follow market acting like a lead" strategy • Build this start-up judiciously for group diversification and long-term value	• Strategic partnership with Sanlam Emerging Markets • Santam Re • Specialist

QUESTIONS

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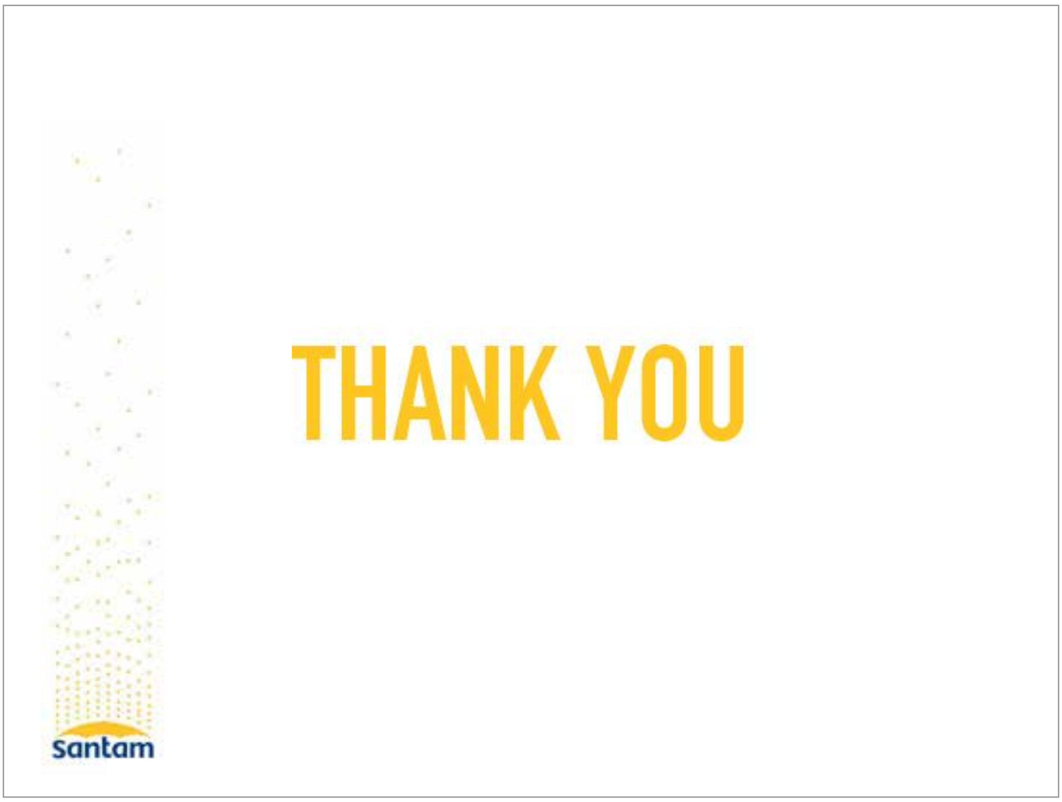
THANK YOU
santam

SANTAM LTD AND
ITS SUBSIDIARIES

AUDITED SUMMARY REPORT

FOR THE YEAR ENDED
31 DECEMBER 2014

Table of contents

Gross written premium growth including cell captive insurance 10%

Gross written premium growth excluding cell captive insurance 12%

Underwriting margin of 8.7%

Cash generation significantly improved

Group solvency ratio of 46%

Return on shareholders funds of 24.7%

Positive contribution from international strategic diversification

Headline earnings increase by 40%

Final dividend of 480 cents per share, up 10.9%

FINANCIAL REVIEW

The Santam group reported strong underwriting results for the 2014 financial year with a net underwriting margin of 8.7% compared to 2.8% in 2013, significantly above the long-term target range of 4% to 6%. The results were positively impacted by improved contributions from all business units including a substantial turnaround in the crop insurance business. In addition, the absence of hail-related catastrophe events during the fourth quarter resulted in a better underwriting performance during the second half of the financial year compared to 2013. Satisfactory gross premium growth of 10% was achieved (12% when excluding the impact of cell insurance business) in competitive market conditions.

The investment portfolio performance was in line with market movements experienced during 2014.

The underwriting results of the motor and property business classes continued to benefit from the impact of corrective actions and segmented premium increases implemented since 2013. The motor and property classes benefited from fewer weather-related catastrophe events with no significant events in the last quarter of 2014. Santam's continued focus on optimising the claims and procurement processes also reduced the effect of the weakening exchange rate on motor claims. Our direct insurer, MiWay, achieved a claims ratio of 57.4% (2013: 62.2%), resulting in an underwriting profit of R159 million (2013: R54 million).

The specialist property business delivered a strong underwriting performance despite a number of large property claims, due to a positive contribution from the reinsurance programme. Following corrective underwriting actions, with a specific focus on previously underperforming portfolios, liability business showed a significant improvement compared to 2013. The engineering class was under some pressure due to competitive forces. The crop insurance business achieved a significant turnaround from a loss-making position of R142 million in 2013 to an underwriting profit of R251 million in 2014. This business benefited from focused underwriting actions and benign weather conditions.

Santam Re achieved good profit growth, following lower retrocession costs and corrective action on the South African portfolio.

On a comparable basis, excluding the impact of volatility in the crop results, the 2014 net underwriting margin would be 6.9% compared to 3.8% in 2013. This improvement in the 'normalised' underwriting margin is mainly attributed to benign weather-related claims experience in 2014 and a significant focus by management on process enhancements and corrective actions to improve the profitability of all the insurance businesses in the group. Net catastrophe claims for 2014 amounted to R187 million compared to R280 million in 2013. The soft reinsurance market also provided opportunities to optimise reinsurance placements in 2014.

The group reported strong gross written premium growth of 12% in the property class. Corrective underwriting actions as well as expansion into foreign territories contributed to growth of this class of business. The motor book grew by more than 8%, positively impacted by an increase in MiWay gross written premiums to R1.5 billion (2013: R1.3 billion).

The specialist insurance classes had mixed fortunes with the liability class showing growth of only 4% following the decision to reduce risk exposure to medical malpractice business. In contrast, the engineering and transportation classes achieved good growth, mainly driven by expansion into foreign territories. The crop insurance business also reported growth of 26% through increased exposure and a change in the crop mix. The growth of cell insurance business in the Alternative Risk class was negatively impacted following the cancellation of a significant book of business.

Following South Africa's credit downgrade by global ratings agency Standard & Poor's (S&P) on 13 June 2014, Santam's long-term counterparty credit and insurer financial strength rating was adjusted from A- to BBB+, maintaining its maximum rating of two notches above the sovereign rating. At the same time, S&P affirmed the 'zaAA+' South Africa national scale rating on Santam, leaving our local policyholders and note holders unaffected. Alternative arrangements to support growth in territories outside of South Africa, in situations where this is dependent on Santam's S&P international scale rating, were put in place towards the end of 2013. In terms of these arrangements Santam has the facility to use an international insurer's AA-rated licence for such business. As part of the arrangement with the international insurer, Santam entered into an alternative risk transfer (ART) quota share agreement effective 1 January 2014, which reduced net earned premiums by R1 billion during this reporting period, reducing growth in net earned premiums to 3%. The agreement will generate dollar-denominated collateral to support Santam's use of the international insurer's AA-rated licence. The agreement also reduces Santam's net catastrophe exposure, resulting in lower catastrophe reinsurance premiums.

The net acquisition cost ratio of 28.2% increased from 27.9% in 2013. On a comparable basis, excluding the impact of the ART reinsurance quota share arrangement, the management expense ratio increased by 1.2%. Variable incentive costs increased compared to 2013 following the significant improvement in underwriting performance and were a contributor to the expense ratio increase. Binder fees payable to intermediaries also increased following changes in regulations in 2013. Strategic project costs amounted to 1% of net earned premium and relate to continued investment in strategic projects to improve our online interaction capability, to centralise our back-office processing and to implement a new core underwriting, administration and product management platform for the Santam Commercial and Personal intermediated business. Development costs of R81 million for the latter project were capitalised in 2014. The project is progressing according to plan.

The net commission ratio reduced by 0.6% on a comparable basis. The decrease was mainly due to the higher reinsurance profit commissions and rebates received on specialist and crop insurance business as well as growth at MiWay, where no commission expenses are incurred.

In managing Santam's risk pool, we aim to retain an optimum amount of risk after reinsurance, taking into account the group's risk appetite and the cost of reinsurance. The level of reinsurance earned premium as a percentage of gross earned premium increased from 11.8% in 2013 to 13.7% in 2014 on a comparable basis, excluding the impact of the ART quota share reinsurance arrangement and cell business. Favourable reinsurance terms on specialist business lines, and increased quota share treaties for the crop and Santam Re businesses, were key drivers for the increase.

The investment return on insurance funds of R425 million increased from the R374 million earned in 2013, supported by a small increase in interest rates as well as a higher average insurance funds balance for the year.

The combined effect of insurance activities resulted in a net insurance income of R1 919 million compared to R851 million in 2013.

The performance of the interest-bearing portfolios exceeded the SteFI index, while the listed equities marginally underperformed against the SWIX40 benchmark in 2014. The performance of the interest-bearing and equities portfolios continue to exceed the relative benchmarks over the longer term. The group's investment performance was negatively impacted by the 2013 hedge over equities, which expired in May 2014 at a loss of R93 million. The weakening of the rand during 2014 had a positive impact on the valuations of our foreign currency assets held by our local operations of R71 million (2013: R91 million).

Positive fair value movements to the value of R93 million in Santam's interest in the Sanlam Emerging Markets (SEM) general insurance businesses in Africa, India and Southeast Asia enhanced the investment performance. During 2014, Santam invested a further R186 million in participatory investments in SEM general insurance businesses, including new investments in Nigeria (8.7% effective interest), Rwanda (22.1% effective interest) and Ghana (14% effective interest). At year-end, the SEM investments had a fair value of R807 million (2013: R528 million), which now accounts for 11.4% of Santam group's shareholder funds.

Net earnings from associated companies of R58 million lagged the R86 million reported in 2013 mainly due to the key contributor, Credit Guarantee Insurance Corporation of Africa Ltd reporting lower earnings compared to 2013.

Cash generated from operations of R2.4 billion increased from the R1.6 billion reported in 2013 mainly due to the improved underwriting results.

Headline earnings increased by 40% compared to 2013. The solvency margin of 45.6% marginally exceeded our long-term target range of 35% to 45%, while the group achieved a return on capital of 24.7% (2013: 20%).

Santam concluded the acquisition of a 100% interest in Brolink (Pty) Ltd (Brolink) in 2014. Following the acquisition, Santam consolidated its administration businesses. Original Co-Sourcing SA (Pty) Ltd (Orico), previously owned by Indwe Broker Holdings Group (Pty) Ltd (Indwe), and the part of the Riscor Underwriting Managers (Pty) Ltd business not operated on Santam's in-house systems were integrated with Brolink effective 1 October 2014.

The earnings were negatively impacted by an impairment of R69 million in the Indwe investment. The impairment was mainly driven by reduced growth projections by Indwe in competitive market conditions and the reduced income for the Indwe group following the disposal of Orico to Brolink.

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

FINANCIAL REVIEW

Prospects

Trading conditions in the South African insurance industry remain very competitive despite some hardening of insurance premium rates in certain segments following the poor underwriting results reported by industry participants in 2012 and 2013. GDP growth expectations of around 2% for 2015 will negatively impact growth prospects. The weak rand exchange rate against other currencies negatively impacts claims cost and will require continued focus by Santam to optimise the claims value chain to increase efficiency.

Santam's focus will be to maintain its growth momentum with underwriting margins within the long-term target range of 4% to 6% in each of its businesses. We will continue focusing on implementing our new underwriting and administrative platform, as well as risk management initiatives to further improve the underwriting margin in the Santam Commercial and Personal intermediated business. MiWay will continue focusing on growing its retail client base, the investment in the new offering for emerging business and the launch of a direct life insurance initiative. International diversification will be a focus area again for 2015 through our SEM collaboration and opportunities that this presents for Santam Specialist and Santam Re.

We will also place continued focus on risk mitigation initiatives at local government level that have the potential to reduce our risk on the ground.

The investment market is likely to remain uncertain.

Events after the reporting period

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

Declaration of dividend (Number 122)

Notice is hereby given that the board has declared a final dividend of 480.00000 cents per share (2013: 433 cents per share). Shareholders are advised that the last day to trade "cum dividend" will be Friday, 20 March 2015. The shares will trade "ex dividend" from the commencement of business on Monday, 23 March 2015. The record date will be Friday, 27 March 2015, and the payment date will be Monday, 30 March 2015. Certificated shareholders may not dematerialise or rematerialise their shares between 23 March 2015 and 27 March 2015, both dates inclusive.

The dividend has been declared from income reserves and will be subject to dividends tax that was introduced with effect from 1 April 2012. There are R1 156 892.42000 secondary tax on companies (STC) credits available for utilisation. Accordingly the STC credit available is 0.96936 cents per share. The amount per share subject to the withholding of dividends tax at a maximum rate of 15% is therefore 479.03064 cents per share. A net dividend of 408.14540 cents per share will apply to shareholders liable for dividends tax at a rate of 15% and 480.00000 cents per share for shareholders that qualify for complete exemption therefrom. The issued ordinary share capital as at 2 March 2015 is 119 346 417 shares. The company's income tax reference number is 9475/144/71/4.

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

Preparation and presentation of the financial statements

The preparation of the audited financial statements was supervised by the chief financial officer of Santam Ltd, HD Nel.

L Lambrechts

GG Gelink
Chairman

L Lambrechts
Chief Executive Officer

2 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANTAM LTD

The summary consolidated financial statements of Santam Ltd, set out on pages 50 to 66, which comprise the summary consolidated statement of financial position as at 31 December 2014, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 2 March 2015. Our auditor's report on the audited consolidated financial statements contained an Other matter paragraph: "Other reports required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Santam Ltd.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Ltd's (JSE) requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other reports required by the Companies Act

The "Other reports required by the Companies Act" paragraph in our audit report dated 2 March 2015 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2014, we have read the directors' report, the report of the audit committee and the secretarial certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Chantel van den Heever
Registered auditor
Cape Town

2 March 2015

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited At 31 Dec 2014 R million	Audited At 31 Dec 2013 R million
ASSETS			
Non-current assets			
Property and equipment		117	95
Intangible assets		1 086	1 072
Deferred income tax		161	188
Investments in associates		355	318
Financial assets – at fair value through income			
Equity securities	7	3 896	4 011
Debt securities	7	7 837	7 306
Derivatives	7	–	1
Reinsurance assets	8	144	117
Current assets			
Cell owners' interest		9	15
Financial assets – at fair value through income			
Short-term money market instruments	7	1 892	1 424
Reinsurance assets	8	3 372	2 227
Deferred acquisition costs		447	369
Loans and receivables including insurance receivables	7	2 869	2 684
Income tax assets		10	31
Cash and cash equivalents		2 561	2 343
Non-current assets held for sale	9	428	415
Total assets		25 184	22 616
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		107	107
Treasury shares		(506)	(520)
Other reserves		238	224
Distributable reserves		7 171	6 321
		7 010	6 132
Non-controlling interest		430	400
Total equity		7 440	6 532
LIABILITIES			
Non-current liabilities			
Deferred income tax		301	315
Financial liabilities – at fair value through income			
Debt securities	7	999	997
Investment contracts	7	105	126
Cell owners' interest		924	814
Insurance liabilities	8	1 528	1 595
Current liabilities			
Financial liabilities – at fair value through income			
Debt securities	7	24	24
Derivatives	7	–	204
Financial liabilities – at amortised cost			
Collateral guarantee contracts		88	82
Insurance liabilities	8	10 514	9 096
Deferred reinsurance acquisition revenue		232	171
Provisions for other liabilities and charges		91	84
Trade and other payables		2 717	2 561
Current income tax liabilities		221	15
Total liabilities		17 744	16 084
Total shareholders' equity and liabilities		25 184	22 616

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited At 31 Dec 2014 R million	Audited At 31 Dec 2013 R million	Change %
Gross written premium		22 710	20 631	10
Less: Reinsurance premium		5 075	3 731	
Net premium		17 635	16 900	4
Less: Change in unearned premium				
Gross amount		532	334	
Reinsurers' share		(119)	(185)	
Net insurance premium revenue		17 222	16 751	3
Investment income	10	807	782	3
Income from reinsurance contracts ceded		1 119	600	
Net gains on financial assets and liabilities at fair value through income	10	286	449	
Net income		19 434	18 582	5
Insurance claims and loss adjustment expenses		14 315	13 807	
Insurance claims and loss adjustment expenses recovered from reinsurers		(3 437)	(2 200)	
Net insurance benefits and claims		10 878	11 607	(6)
Expenses for the acquisition of insurance contracts		2 983	2 721	
Expenses for marketing and administration		3 050	2 562	
Expenses for asset management services rendered		31	29	
Amortisation and impairment of intangible assets		130	114	
Expenses		17 072	17 033	0
Results of operating activities		2 362	1 549	52
Finance costs		(93)	(118)	
Net income from associates		58	86	
Net loss on sale of associate		–	(18)	
Impairment on net investments and loans of associates		–	(26)	
Profit before tax		2 327	1 473	58
Income tax expense	11	(660)	(300)	
Profit for the period		1 667	1 173	42
Other comprehensive income				
Currency translation differences		8	143	
Total comprehensive income for the period		1 675	1 316	
Profit attributable to:				
– equity holders of the company		1 579	1 120	41
– non-controlling interest		88	53	
		1 667	1 173	
Total comprehensive income attributable to:				
– equity holders of the company		1 587	1 263	26
– non-controlling interest		88	53	
		1 675	1 316	
Earnings attributable to equity shareholders				
Earnings per share (cents)	13			
Basic earnings per share		1 382	982	41
Diluted earnings per share		1 372	973	41
Weighted average number of shares – millions		114.26	114.12	
Weighted average number of ordinary shares for diluted earnings per share – millions		115.09	115.12	

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Non-controlling interest	Total
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	R million	R million
Balance as at 1 January 2013	107	(579)	77	5 904	108	5 617
Profit for the period	–	–	–	1 120	53	1 173
Other comprehensive income:						
Currency translation differences	–	–	143	–	–	143
Total comprehensive income for the year ended 31 December 2013	–	–	143	1 120	53	1 316
Issue of target shares	–	–	–	–	277	277
Sale of treasury shares	–	59	–	–	–	59
Loss on sale of treasury shares	–	–	–	(60)	–	(60)
Transfer to reserves	–	–	4	(4)	–	–
Share-based payments	–	–	–	106	–	106
Dividends paid	–	–	–	(745)	(37)	(782)
Acquisition of subsidiary	–	–	–	–	(1)	(1)
Balance as at 31 December 2013	107	(520)	224	6 321	400	6 532
Profit for the period	–	–	–	1 579	88	1 667
Other comprehensive income:						
Currency translation differences	–	–	8	–	–	8
Total comprehensive income for the year ended 31 December 2014	–	–	8	1 579	88	1 675
Sale of treasury shares	–	51	–	(51)	–	–
Purchase of treasury shares	–	(37)	–	–	–	(37)
Transfer to reserves	–	–	6	(6)	–	–
Share-based payments	–	–	–	123	–	123
Dividends paid	–	–	–	(795)	(58)	(853)
Balance as at 31 December 2014	107	(506)	238	7 171	430	7 440

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited At 31 Dec 2014 R million	Audited At 31 Dec 2013 Restated* R million
Cash generated from operations		2 443	1 616
Interest paid		(93)	(118)
Income tax paid		(420)	(221)
Net cash from operating activities		1 930	1 277
Cash flows from investing activities			
Acquisition of financial assets		(8 040)	(7 560)
Proceeds from sale of financial assets		7 556	6 615
Settlement of fence		(297)	–
Acquisition of subsidiaries	12	(28)	(105)
Cash acquired through acquisition of subsidiaries	12	3	15
Purchases of equipment		(69)	(36)
Purchases of intangible assets		(102)	(71)
Proceeds from sale of equipment		4	1
Acquisition of associated companies		–	(88)
Capitalisation of associated companies		(16)	–
Proceeds from sale of associated companies		–	63
Acquisition of book of business		–	(9)
Net cash used in investing activities		(989)	(1 175)
Cash flows from financing activities			
Purchase of treasury shares		(37)	–
Proceeds from issue of target shares		–	277
(Decrease)/increase in investment contract liabilities		(21)	29
Increase in collateral guarantee contracts		6	7
Dividends paid to company's shareholders		(795)	(745)
Dividends paid to non-controlling interest		(58)	(37)
Net increase in cell owners' interest		110	111
Net cash used in financing activities		(795)	(358)
Net increase/(decrease) in cash and cash equivalents		146	(256)
Cash and cash equivalents at beginning of period		2 343	2 471
Exchange gains on cash and cash equivalents		72	128
Cash and cash equivalents at end of period		2 561	2 343

** 2013 comparatives have been restated as described in note 5 – Restatement.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Ltd (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*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

2. Accounting policies

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived 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:

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2014:

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets
- Amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting
- IFRIC 21 Levies
- Annual improvements 2010-12 cycle

There was no material impact on the summary financial statements identified based on management's assessment of these standards.

3. Estimates

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

In preparing this summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2013.

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 summary consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2014.

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

5. Restatement

During the year, the group changed the disclosure of cash flows from investing activities. IAS 7 *Cash flow statements* requires that major classes of receipts and payments should be reported gross in the statement of cash flows. More detailed and relevant information became available during the year, which enabled the group to provide enhanced disclosure of the gross proceeds and sales of financial assets to users of the financial statements.

In accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the change has been made retrospectively and the comparatives restated accordingly.

The table below shows the impact of the change:

Effect on statement of cash flows	Group 2013 R million
Cash utilised in investing activities previously reported	(945)
Cash utilised in investing activities restated	(945)
Acquisition of financial assets	(7 560)
Proceeds from sale of financial assets	6 615
Impact of change	–

The change had no impact on the statement of financial position, statement of comprehensive income, statement of changes in equity and earnings or diluted earnings per share (refer to note 13).

6. Segment information

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

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

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

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

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

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

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

6.1 For the year ended 31 December 2014

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

Insurance activities

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

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

Investment activities

For detailed analysis of investment activities refer to notes 7, 9 and 10.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

6.2 For the year ended 31 December 2013

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
Revenue	20 631	942	–	**21 573**
Gross written premium	20 631	–	–	**20 631**
Net written premium	16 900	–	–	**16 900**
Net earned premium	16 750	–	–	**16 750**
Claims incurred	11 607	–	–	**11 607**
Net commission	2 121	–	–	**2 121**
Management expenses	2 545	–	–	**2 545**
Underwriting result	477	–	–	**477**
Investment return on insurance funds	374	–	–	**374**
Net insurance result	851	–	–	**851**
Investment income net of management fee and finance costs	–	710	–	**710**
Income from associates net of impairment and losses on sale	–	42	–	**42**
MiWay DBP and Santam BEE transaction costs	–	–	(30)	**(30)**
Amortisation of intangible assets	(100)	–	–	**(100)**
Income before taxation	751	752	(30)	**1 473**

Insurance activities

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

	Gross written premium R million	Underwriting result R million
Accident and health	316	50
Alternative risk	1 931	2
Crop	831	(142)
Engineering	1 010	210
Guarantee	43	11
Liability	1 194	119
Miscellaneous	47	2
Motor	8 887	199
Property	5 832	(2)
Transportation	540	28
Total	**20 631**	**477**
Comprising:		
Commercial insurance	10 697	520
Personal insurance	8 003	(45)
Alternative risk	1 931	2
Total	**20 631**	**477**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

6.3 Geographical analysis

	Gross written premium		Non-current assets	
	2014 R million	2013 R million	2014 R million	2013 R million
South Africa[1]	**20 565**	19 585	**1 435**	1 393
Africa[2, 3]	**1 837**	845	**331**	117
Southeast Asia and India[3]	**220**	123	**599**	484
China[3]	**88**	78	**–**	–
Group total	**22 710**	20 631	**2 365**	1 994

[1] Including all 2013 gross written premium managed by specialist business units.
[2] Including gross written premium relating to Santam Namibia of R1 055 million (2013: R812 million).
[3] Including 2014 gross written premium managed by specialist business units.

	At 31 Dec 2014 R million	At 31 Dec 2013 R million
7. Financial assets and liabilities		
The group's financial assets are summarised below by measurement category.		
Financial assets at fair value through income	**13 625**	12 742
Loans and receivables	**2 869**	2 684
Total financial assets	**16 494**	15 426

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

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2013. The different levels have been defined as follows:

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

Holdings in securities and other financial instruments of African Bank Investments Ltd and African Bank Ltd were transferred to level 3 subsequent to these companies being placed into curatorship and the suspension of these securities by the JSE Ltd.

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Financial assets at fair value through income

December 2014	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	2 999	–	–	2 999
Unitised funds	–	75	–	75
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	820	820
Total equity securities	3 001	75	820	3 896
Debt securities				
Quoted				
Government and other bonds	1 250	492	13	1 755
Collateralised securities	–	152	–	152
Redeemable preference shares	–	250	–	250
Money market instruments > 1 year	–	1 436	15	1 451
Unquoted				
Government and other bonds	–	24	–	24
Money market instruments > 1 year	–	4 127	–	4 127
Redeemable preference shares	–	50	28	78
Total debt securities	1 250	6 531	56	7 837
Short-term money market instruments	–	1 854	38	1 892
	4 251	8 460	914	13 625

December 2013	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	3 350	–	–	3 350
Unitised funds	–	130	–	130
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	529	529
Total equity securities	3 352	130	529	4 011
Debt securities				
Quoted				
Government and other bonds	1 607	178	–	1 785
Redeemable preference shares	–	288	–	288
Money market instruments > 1 year	–	1 636	–	1 636
Unquoted				
Government and other bonds	–	54	–	54
Money market instruments > 1 year	–	3 520	–	3 520
Redeemable preference shares	–	–	23	23
Total debt securities	1 607	5 676	23	7 306
Derivatives				
Interest rate swaps	–	–	1	1
Total derivatives	–	–	1	1
Short-term money market instruments	–	1 424	–	1 424
	4 959	7 230	553	12 742

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The unquoted equity instruments recognised as level 3 instruments at 31 December 2014 and 2013 consist mainly of the participation instruments issued by Sanlam Emerging Markets (Pty) Ltd (SEM).

The fair value of the SEM target shares is determined using discounted cash flow models. The most significant assumptions used in these models are the discount rate, exchange rate and net insurance margin profile expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares would decrease by R102 million (2013: R93 million) or increase by R156 million (2013: R147 million), respectively. If exchange rates increase or decrease by 10%, the cumulative fair values will also increase or decrease by R60 million (2013: R50 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 R73 million (2013: R64 million) or decrease by R74 million (2013: R62 million), respectively.

The interest rate derivatives represent the fair value of interest rate swaps effected on a total of R106 million (2013: R108 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable note. The interest rate swaps have the effect of swapping a variable interest rate for a fixed interest rate on these assets to eliminate interest rate risk on assets supporting the bond liability. The derivatives mature on 30 September 2016 and 12 June 2017.

The following table presents the changes in level 3 instruments

December 2014	Equity securities unquoted R million	Debt securities unquoted R million	Short-term Money Market instruments	Derivatives R million	Total R million
Opening balance	529	23	–	(203)	349
Acquisitions	186	–	–	–	186
Settlements	–	–	–	297	297
Transfer from level 1 and/or 2	–	27	38	–	65
Gains/(losses) recognised in profit or loss	105	6	–	(94)	17
Closing balance	820	56	38	–	914

The Investment in Cardrow Insurance Ltd was classified as held for sale during 2013 (refer to note 9). The investment had an opening balance of R299 million with exchange gains of R8 million and fair value losses of R1 million during the year. The closing balance at 31 December 2014 amounted to R308 million.

December 2013	Equity securities unquoted R million	Debt securities unquoted R million	Derivatives R million	Total R million
Opening balance	272	29	6	307
Acquisitions	511	–	–	511
Interest and dividends capitalised	1	–	–	1
Disposals	(39)	–	–	(39)
Classified as held for sale	(299)	–	–	(299)
Exchange rate differences	64	–	–	64
Gains/(losses) recognised in profit or loss	19	(6)	(209)	(196)
Closing balance	529	23	(203)	349

The Investment in Cardrow Insurance Ltd was classified as held for sale during 2013 (refer to note 9). The investment had an opening balance of R233 million with exchange gains of R64 million and fair value gains of R2 million during the year. The closing balance at 31 December 2013 amounted to R299 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Financial liabilities at fair value through income

December 2014	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	1 023	–	–	1 023
Investment contracts	–	105	–	105
	1 023	105	–	1 128
December 2013				
Debt securities	1 021	–	–	1 021
Investment contracts	–	126	–	126
Derivatives – Fence structure	–	–	204	204
	1 021	126	204	1 351

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

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	At 31 Dec 2014 R million	At 31 Dec 2013 R million
8. Insurance liabilities and reinsurance assets		
Gross		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	13	3
– claims incurred but not reported	25	22
General insurance contracts		
– claims reported and loss adjustment expenses	6 227	5 520
– claims incurred but not reported	1 515	1 427
– unearned premiums	4 262	3 719
Total insurance liabilities – gross	12 042	10 691
Non-current liabilities	1 528	1 595
Current liabilities	10 514	9 096
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	6	1
– claims incurred but not reported	5	4
General insurance contracts		
– claims reported and loss adjustment expenses	2 266	1 315
– claims incurred but not reported	237	207
– unearned premiums	1 002	817
Total reinsurers' share of insurance liabilities	3 516	2 344
Non-current assets	144	117
Current assets	3 372	2 227
Net		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	7	2
– claims incurred but not reported	20	18
General insurance contracts		
– claims reported and loss adjustment expenses	3 961	4 205
– claims incurred but not reported	1 278	1 220
– unearned premiums	3 260	2 902
Total insurance liabilities – net	8 526	8 347

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

9. Non-current asset held for sale

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

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

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

	At 31 Dec 2014 R million	At 31 Dec 2013 R million
Assets that are classified as held for sale		
Financial assets – at fair value through income		
Equity securities	308	299
Loans and receivables including insurance receivables	120	116
	428	415

In accordance with IFRS 5, the assets held for sale were recognised at their fair value less costs to sell. This is a non-recurring fair value based on the net asset value of the business and related costs that will be incurred in order to conclude the unwinding process.

	At 31 Dec 2014 R million	At 31 Dec 2013 R million
10. Investment income and net gains/(losses) on financial assets and liabilities at fair value through income		
Investment income	807	782
Dividend income	127	177
Interest income	609	514
Foreign exchange differences	71	91
Net gains on financial assets and liabilities at fair value through income	286	449
Net realised gains on financial assets	481	368
Net fair value (losses)/gains on financial assets at fair value through income	(79)	240
Net fair value (losses)/gains on financial assets classified as held for sale	(3)	13
Net fair value losses on short-term money market instruments	(18)	(3)
Net realised/fair value losses on derivatives	(93)	(209)
Net fair value gains on financial liabilities designated as at fair value through income	(2)	40
Net fair value (losses)/gains on debt securities	(2)	37
Net fair value gains on investment contracts	–	3
	1 093	1 231

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

	Audited At 31 Dec 2014 R million	Audited At 31 Dec 2013 R million
11. Income tax		
South African normal taxation		
Current year	684	259
Charge for the year	684	258
STC	–	1
Prior year	–	(4)
Recovered from cell owners	(77)	(66)
Foreign taxation	43	40
Income taxation for the year	650	229
Deferred taxation	13	74
Current year	13	75
Prior year	–	(1)
Income tax recovered from cell owners	(3)	(3)
Deferred taxation for the year	10	71
Total taxation as per statement of comprehensive income	660	300
Reconciliation of taxation rate (%)		
Normal South African taxation rate	28.0	28.0
Adjust for		
– Exempt income	(1.6)	(3.4)
– Investment results	(0.6)	(2.0)
– Non-resident shareholders' tax	0.1	0.1
– Disallowable expenses	1.9	0.9
– Income from associates	(0.7)	(1.6)
– Prior year (overs)/unders	–	(0.3)
– Other	1.3	(1.3)
Net increase/(reduction)	0.4	(7.6)
Effective rate	28.4	20.4

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

12. Business combinations

2014

Additions

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

On 15 May 2014, Swanvest 120 (Pty) Ltd, a wholly owned subsidiary of Santam Ltd, acquired the remaining 70% of the H & L Underwriting Managers (Pty) Ltd shareholding and on 1 July 2014, Swanvest 120 (Pty) Ltd acquired 100% of Brolink (Pty) Ltd (Brolink). The purchase price for these transactions amounted to R28 million. The goodwill of R25 million arises from a number of factors such as obtaining economies of scale and unrecognised assets such as the workforce. Key business relationships of R15 million, brandname of R1 million and an additional deferred tax liability of R4 million were also recognised on acquisition.

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

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

2013

Additions

Travel Insurance Consultants (Pty) Ltd

Santam Ltd acquired 100% of the shareholding in Travel Insurance Consultants (Pty) Ltd (TIC) with effect from 1 June 2013. TIC is one of the leading travel insurance underwriting managers and have been in operation for over 25 years. The purchase price amounted to R95 million. The goodwill of R76 million arises from a number of factors such as obtaining economies of scale and unrecognised assets such as the workforce. Key business relationships of R16 million and an additional deferred tax liability of R6 million were also recognised on acquisition.

Details of the assets and liabilities acquired at fair value are as follows:

	R million
Intangible assets	22
Loans and receivables (including tax receivables)	1
Cash and cash equivalents	15
Deferred taxation	(7)
Trade and other payables	(12)
Net asset value acquired	19
Goodwill	76
Purchase consideration paid	95

Beyonda Group (Pty) Ltd

Centriq Insurance Holdings Ltd acquired the additional 51% of the shareholding in Beyonda Group (Pty) Ltd for an amount of R8 million with effect 1 March 2013. Intangible assets of R15 million, net assets of R1 million as well as a profit on the sale of the investment in associate previously held of R1 million was recognised. The fair value of the investment in associate previously held was R7 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

		Audited At 31 Dec 2014 R million	Audited At 31 Dec 2013 R million
13.	**Earnings per share**		
	Basic earnings per share		
	Profit attributable to the company's equity holders (R million)	1 579	1 120
	Weighted average number of ordinary shares in issue (million)	114.26	114.12
	Earnings per share (cents)	1 382	982
	Diluted earnings per share		
	Profit attributable to the company's equity holders (R million)	1 579	1 120
	Weighted average number of ordinary shares in issue (million)	114.26	114.12
	Adjusted for share options	0.83	1.00
	Weighted average number of ordinary shares for diluted earnings per share (million)	115.09	115.12
	Diluted basic earnings per share (cents)	1 372	973
	Headline earnings per share		
	Profit attributable to the company's equity holders	1 579	1 120
	Adjust for:		
	Impairment on net investment and loans of associates	–	26
	Impairment of software	72	5
	Net loss on sale of investment in associate	–	18
	Tax charge	–	9
	Headline earnings (R million)	1 651	1 178
	Weighted average number of ordinary shares in issue (million)	114.26	114.12
	Headline earnings per share (cents)	1 446	1 033
	Diluted headline earnings per share		
	Headline earnings (R million)	1 651	1 178
	Weighted average number of ordinary shares for diluted earnings per share (million)	115.09	115.12
	Diluted headline earnings per share (cents)	1 435	1 023
14.	**Dividends per share**		
	Dividend per share (cents)	742	675

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