2015

PRESENTATION TO ANALYSTS

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

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

Company secretary
M Allie

Transfer secretaries
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

Santam head office and registered address
1 Sportica Crescent, Tyger Valley, Bellville 7530
PO Box 3881, Tyger Valley 7536
Tel: 021 915 7000
Fax: 021 914 0700
www.santam.co.za

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

Sponsor
Investec Bank Ltd

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ANALYST PRESENTATION

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

PRESENTED BY LIZÉ LAMBRECHTS AND HENNIE NEL

CONTENTS

MARKET CONTEXT

OUTSIDE SOUTH AFRICA

MARKET CONTEXT: KEY THEMES IN GENERAL INSURANCE

- 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 in here to stay
- Technological advancement presents new risks and opportunities

INSIDE SOUTH AFRICA

MARKET CONTEXT: KEY THEMES IN GENERAL INSURANCE

- Subdued outlook for economic growth, coupled with socio-economic challenges, sovereign rating 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

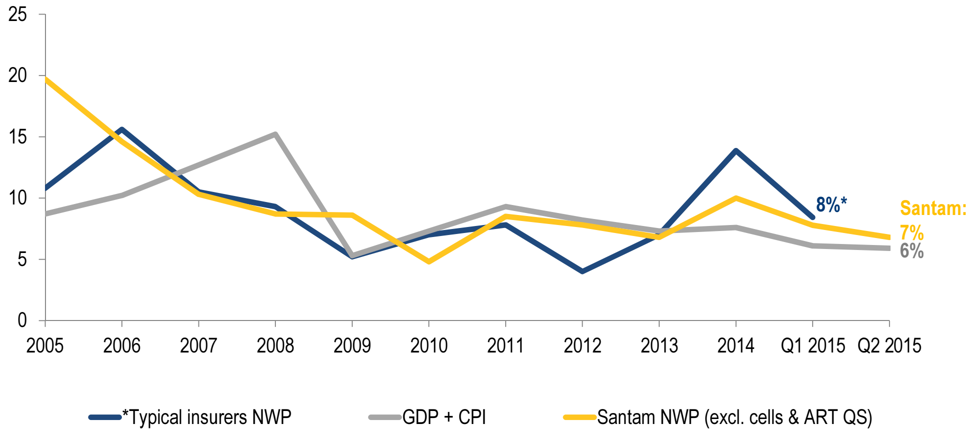
INDUSTRY CHALLENGES WE NEED TO OVERCOME

- Insurance penetration
- Affordability and access
- Level of risk on the ground
- Transformation and skills development

Present an opportunity to grow our business and add value

RELATIVE PERFORMANCE

NET WRITTEN PREMIUM GROWTH



**Source: FSB – latest report = March 2015*
** Industry figure adjusted to include the ART Quota Share*

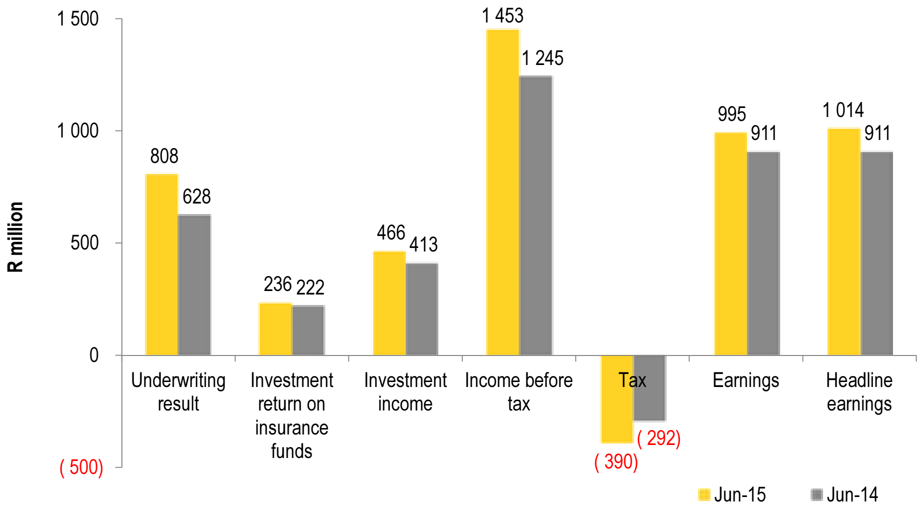
SANTAM H1 2015 – KEY FACTS

- Gross written premium growth:
  - 7% including cell captive insurance
  - 8% excluding cell captive insurance
- Underwriting margin of 8.9%
- Cash generation significantly improved
- Solvency ratio of 43%
- Headline earnings increased by 11%
- Return on capital (rolling 12 months) of 24.1%
- Unwinding of the broad-based black economic empowerment scheme created a combined value of R1.1 billion to participants
- Share buy-back at R190 per share reduced capital by R801 million
- Dividends of 288 cents per share, up 10%

FINANCIAL RESULTS

MAIN VARIANCES

2015 vs. 2014



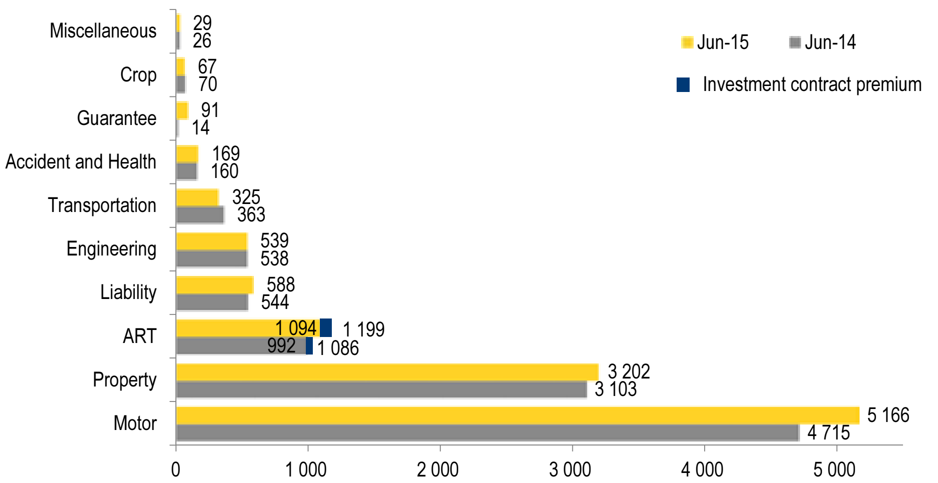
Non-headline: Impairment of intangible assets of R36 million
Profit on sale of investment in associate of R17 million (net of tax)

NET INSURANCE RESULT

	June 2015 R'm	% of NEP	June 2014 R'm	% of NEP	2015/ 2014	5Y ave %	10Y ave %
Gross written premium	11 270		10 525		7%	8	8
Net earned premium	9 088	100.0	8 459	100.0	7%	100.0	100.0
Claims incurred	5 786	63.7	5 448	64.4	6%	65.7	66.8
Acquisition costs	2 494	27.4	2 383	28.2	5%	27.8	26.8
Underwriting surplus	808	8.9	628	7.4	29%	6.5	6.4
Investment return on insurance funds	236	2.6	222	2.6	6%	2.5	2.9
Net insurance result	1 044	11.5	850	10.0	23%	9.0	9.3
Combined ratio		91.1		92.6		93.5	93.6

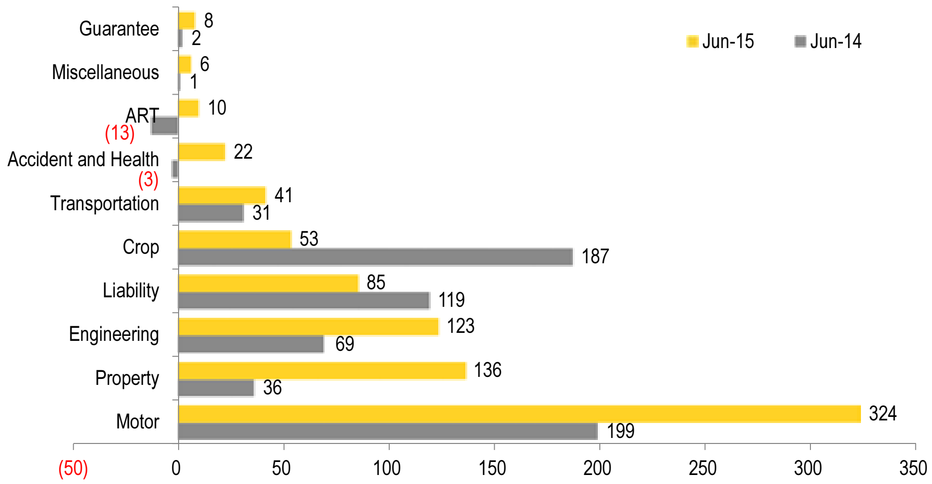
GROSS WRITTEN PREMIUM

PER INSURANCE CLASS (R MILLION)



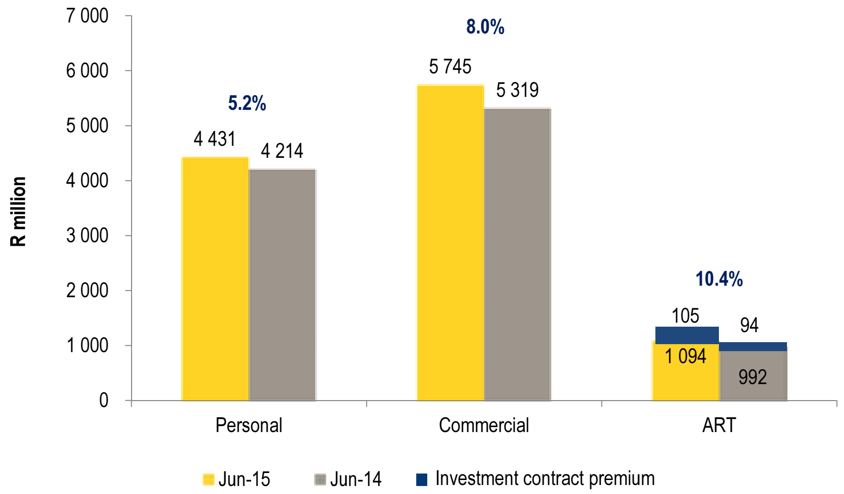
NET UNDERWRITING SURPLUS

PER INSURANCE CLASS (R MILLION)



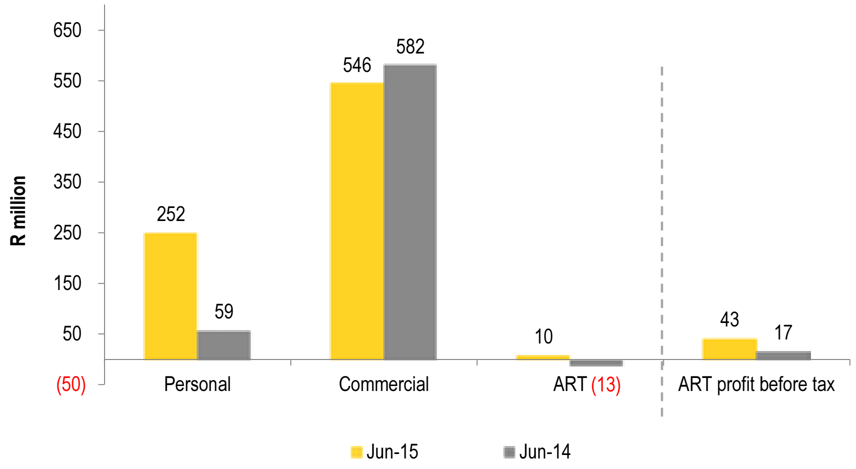
SEGMENTAL ANALYSIS

GROSS WRITTEN PREMIUM — PERSONAL, COMMERCIAL AND ART



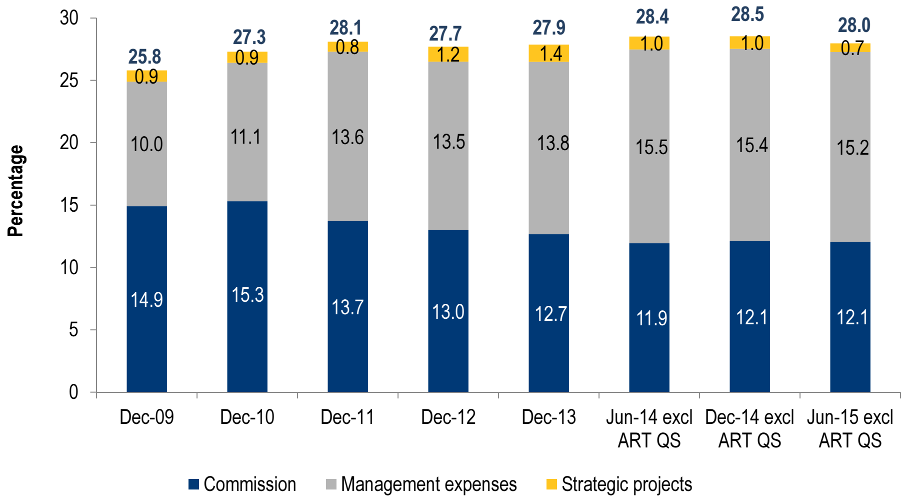
SEGMENTAL ANALYSIS

NET UNDERWRITING RESULT — PERSONAL, COMMERCIAL AND ART



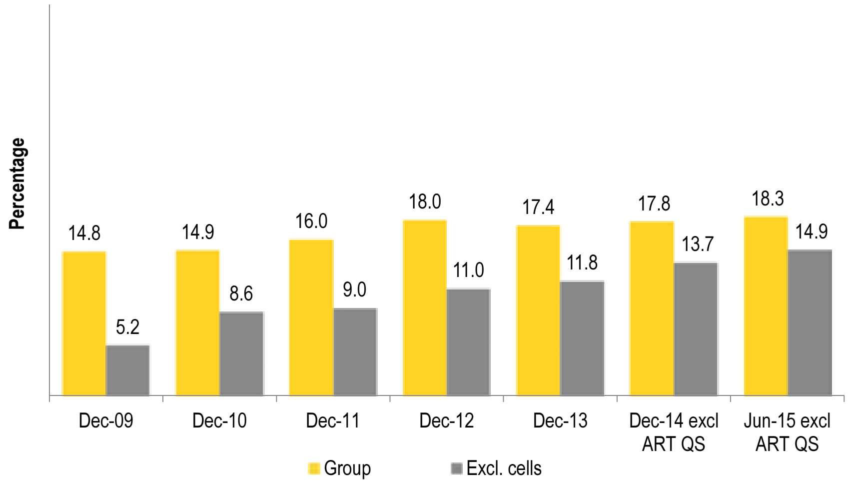
ACQUISITION COST RATIO

AS % OF NET EARNED PREMIUM



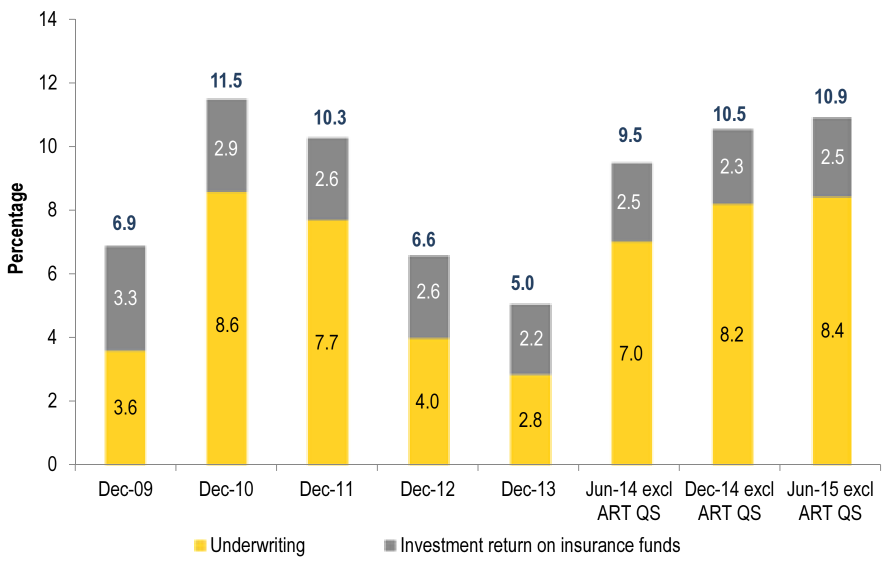
LEVEL OF REINSURANCE EARNED PREMIUM

AS % OF GROSS EARNED PREMIUM

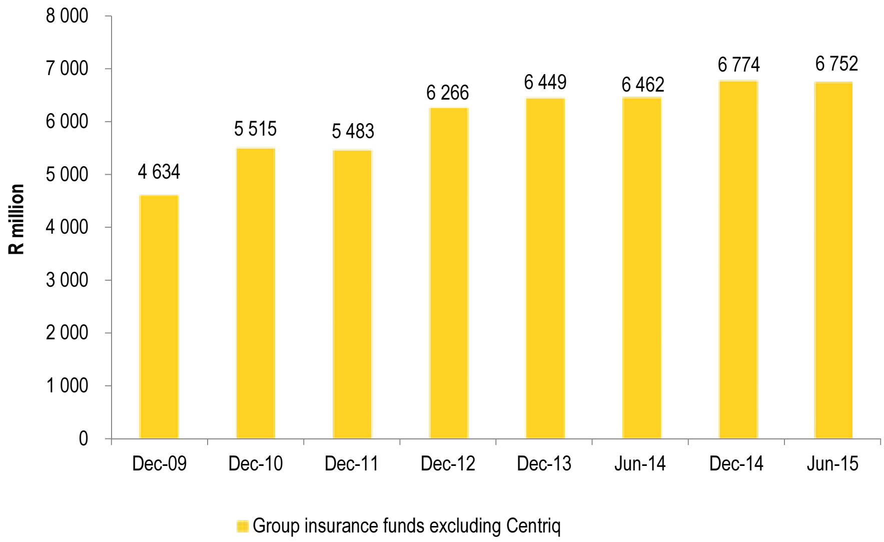


NET INSURANCE RESULT

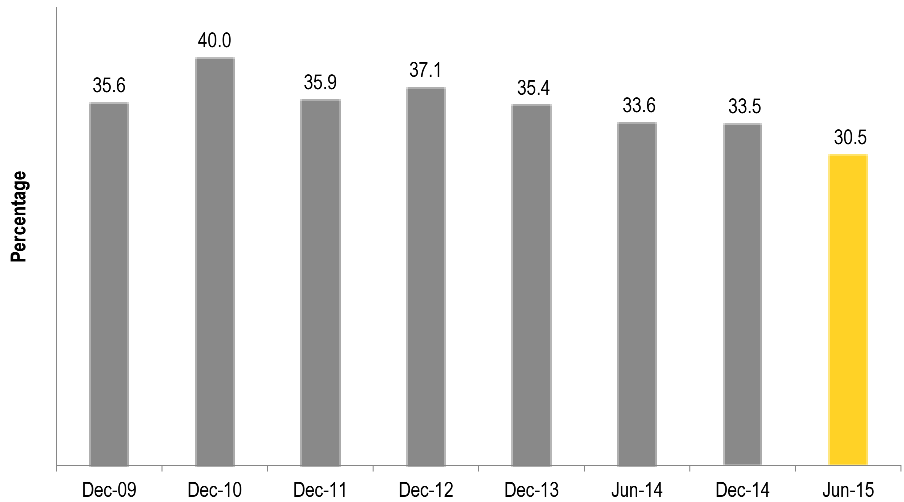
AS % OF NET EARNED PREMIUM



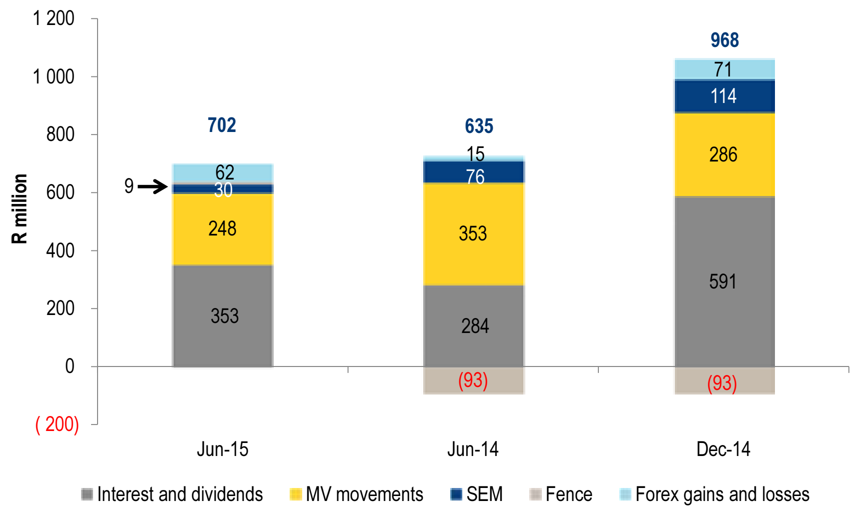
SIZE OF INSURANCE FUNDS



INSURANCE FUNDS AS % OF GROSS EARNED PREMIUM

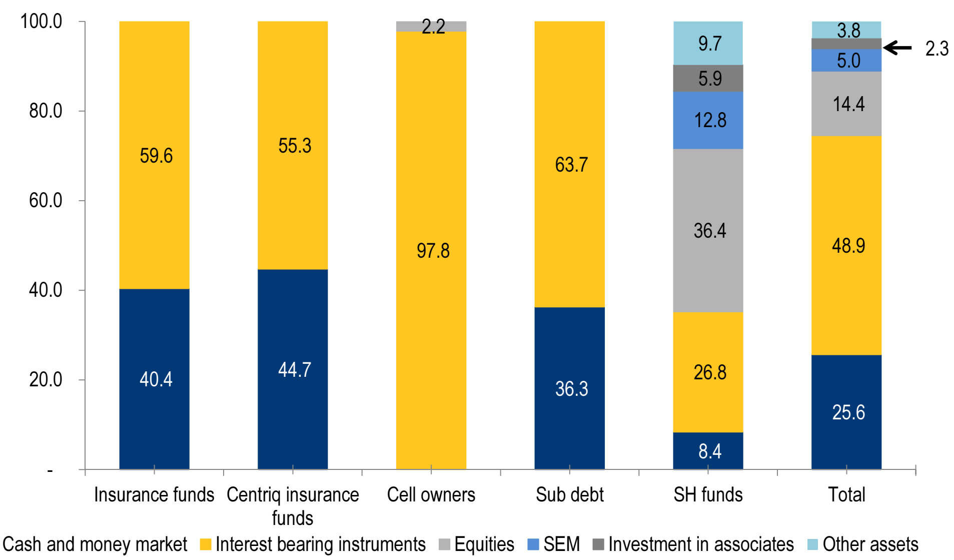


INVESTMENT RETURN



ASSET/LIABILITY MATCHING

GROUP CONSOLIDATED ASSETS AT 30 JUNE 2015



ASSET ALLOCATION

GROUP CONSOLIDATED INVESTMENTS AT 30 JUNE 2015 (IFRS VIEW)

	SANTAM SA	CENTRIQ	INTERNATIONAL	GROUP TOTAL
Equities – hedged	10%	-	-	8%
Equities – unhedged	9%	1%	89%*	9%
Strategic investments	7%	-	-	5%
Investment in associates	3%**	-	-	2%
Interest bearing instruments	47%	73%	-	52%
Cash and money market	24%	26%	11%	24%
Total	**100%**	**100%**	**100%**	**100%**

NOTE: 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. At 30 June 2015 the SWIX40 index closed at 10 612.

* Consists of Santam's share in international run-off (R326 million), 100% underpinned by cash which is classified as held for sale.
** Includes investment in Credit Guarantee Insurance Corporation of Africa Limited (R225m) which is classified as held for sale.

SEM PARTICIPATION INVESTMENTS*

REGION	DEC 2014	ADDITIONS	FAIR VALUE MOVEMENT	JUN 2015
	R'm	R'm	R'm	R'm
Africa	209	46	(9)	246
Southeast Asia	348	-	-	348
India	250	-	22	272
	807	46	13	866

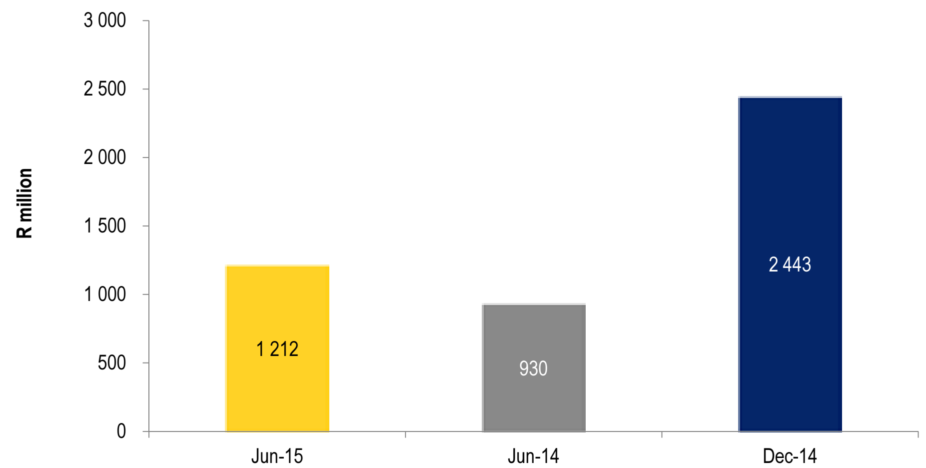
* In partnership with Sanlam Emerging Markets

SEM PARTICIPATION INVESTMENTS

	INCORPORATED IN	SANTAM EFFECTIVE HOLDING JUNE 2015 %	SANTAM EFFECTIVE HOLDING DECEMBER 2014 %
Pacific and Orient Insurance Co. Berhad	Malaysia	15.4	15.4
Shriram General Insurance Co. Ltd	India	7.0	7.0
BIHL Insurance Company Ltd	Botswana	20.5	20.4
NICO Holdings general insurance subsidiaries	Malawi and Zambia	21.6	21.6
NICO Holdings general insurance subsidiaries	Uganda	**29.3**	**21.6**
NICO Holdings general insurance subsidiaries	Tanzania	**18.1**	**14.4**
Soras Assurance Generales Ltd	Rwanda	**22.1**	**22.1**
Socar SA Burundi	Burundi	**7.3**	**7.3**
FBN General Insurance Limited*	Nigeria	**12.1**	**8.7**
Enterprise Insurance Company Ltd	Ghana	**14.0**	**14.0**
Gateway Insurance Company Ltd	Kenya	**10.9**	**-**

* Previously Oasis Insurance Company Ltd

CASH GENERATED FROM OPERATIONS



MIWAY

	June 2015	June 2014	Change
Gross written premium (R'm)	835	714	**17%**
Gross underwriting result, net of CAT recoveries (R'm)	76	52	**46%**
Gross claims ratio, net of CAT recoveries	60.8%	58.3%	
Gross acquisition cost ratio	30.0%	34.4%	
New policies added*	51 812	47 728	**9%**
Number of clients*	223 621	194 729	**15%**

* Excluding value added products

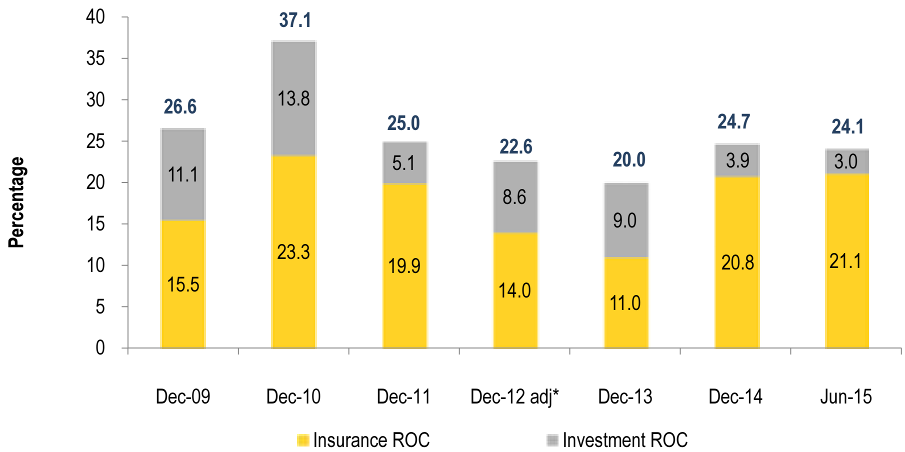
SANTAM RE

- 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 corrective action on the South African portfolio
- The international business grew to more than R268million (2014: R215 million)
- Tight exposure management is in place across the business

CAPITAL MANAGEMENT

RETURN ON CAPITAL

NET INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS (ROLLING 12 MONTHS)



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

SOLVENCY

		June 2015	Dec 2014
Net asset value (NAV)	R'm	6 783	7 010
Subordinated debt	R'm	992	999
Regulatory equity*	R'm	7 775	8 009
NAV per share	cps	6 124	6 115
Net written premium**	R'm	18 217	17 635
Group solvency	%	43	46

* Includes fair value of subordinated debt.
** Rolling 12 months.

CAPITAL MANAGEMENT

- Capital efficiency remains critical to Santam
- Specific share buy-back at 30 June 2015 at R190 per share reduced capital by R801 million
- Target solvency range of 35% - 45%: no change (capital coverage ratio 135% -170%)
- Group solvency as at 30 June 2015 of 43%
- FSB interim capital requirements June 2015: 27.6% of NWP
- Economic capital coverage ratio for the Group at June 2015: 158%
- Capital requirements under SAM will be confirmed through the internal model approval process

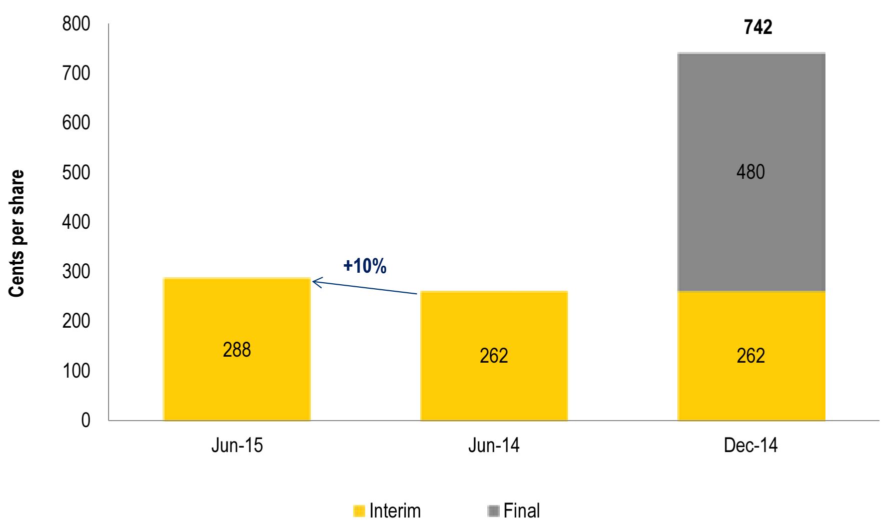
VALUE CREATED BY SANTAM'S BBBEE SCHEME

CENTRAL PLAZA

Total value created for scheme participants: R 1.1bn

- Santam and Sanlam staff **R530m**
- Santam Business Partners **R330m**
- Community Trust **R275m**

DIVIDEND PER SHARE




GROUP STRATEGY AND PRIORITIES


SANTAM GROUP 3 PILLAR
STRATEGY CONTINUES TO DELIVER
INSURANCE GOOD AND PROPER
GROWTH THROUGH DIVERSIFICATION
MANAGE THE RISK POOL
DRIVE CONTINUOUS EFFICIENCY
THE RIGHT PEOPLE

OUTSIDE SOUTH AFRICA

STRATEGIC FOCUS AREAS – 2015 THROUGH THE MEDIUM TERM

Successfully expand to **Asia and the rest of Africa** through:

- Our emerging markets **investments and partnerships** – structure, regional focus and in-country strategies
- Our **specialist business** – target segments that require specialist skills
- Our **reinsurance business** – pursue selective opportunities through cautious underwriting

INSIDE SOUTH AFRICA

STRATEGIC FOCUS AREAS – 2015 THROUGH THE MEDIUM TERM

- Increase focus on **new segments**, leverage **full multi-channel capability**
  - **Sanlam Financial Advisors, Direct, Entry Level Market**
- Ensure **profitable growth** through diligent risk assessment; our focus on proactive risk management will remain
- Selective acquisitions
- Grow **MiWay** according to business plans (Life, Business, Broker Direct)
- Leverage off **scale as a group** – claims, procurement and **cost efficiency** critical
- IMAP approval process and the resulting **capital management actions**
- Continue to retain **key skills**, develop people and **transform**
- Meet the **regulatory challenges**

THE SANTAM GROUP

NOW

The leading general insurance group in South Africa

FUTURE

A leading emerging market general insurance group in Africa and selected Asian markets

QUESTIONS?


THANK YOU

REVIEWED INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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Gross written premium growth including cell captive insurance 7%

Gross written premium growth excluding cell captive insurance 8%

Underwriting margin 8.9%

Cash generation significantly improved

Group solvency ratio 43%

Return on capital (rolling 12 months) 24.1%

Headline earnings increased by 11%

Interim dividend of 288 cents per share, up 10%

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Prospects

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

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

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

FINANCIAL REVIEW

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

The investment market is likely to remain uncertain.

Events after the reporting period

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

Declaration of dividend (Number 123)

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

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

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

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

Preparation and presentation of the financial statements

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

GG Gelink	**L Lambrechts**
Chairman	*Chief Executive Officer*

26 August 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF SANTAM LTD

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

Directors' responsibility for the interim financial statements

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

Auditor's responsibility

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

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

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

Conclusion

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Zuhdi Abrahams
Registered Auditor
Cape Town

26 August 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

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

2. Accounting policies

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

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

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

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

3. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2014.

4. Risk management

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5. Segment information

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

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

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

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

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

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

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

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

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

5.1 For the six months ended 30 June 2015

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

Insurance activities

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

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

Investment activities

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

5.2 For the six months ended 30 June 2014

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

Insurance activities

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

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

Investment activities

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

5.3 For the year ended 31 December 2014

Business activity	Insurance R million	Investment R million	Unallocated R million	Total R million
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**
Net 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 costs	–	–	(82)	**(82)**
Amortisation and impairment of intangible assets	(111)	–	–	**(111)**
Income before taxation	1 808	601	(82)	2 327

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5.3 For the year ended 31 December 2014 (continued)

Insurance activities

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

Insurance class	Gross written premium R million	Underwriting result R million
Accident and health	350	49
Alternative risk	1 953	15
Crop	1 044	251
Engineering	1 127	169
Guarantee	22	–
Liability	1 246	220
Miscellaneous	53	5
Motor	9 629	524
Property	6 552	221
Transportation	734	40
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 6 and 9.

5.4 Geographical analysis

	Gross written premium		
	June 2015 R million	June 2014 R million	Dec 2014 R million
South Africa	10 308	9 892	20 565
Rest of Africa[1 2]	775	488	1 837
Southeast Asia, India, Middle East and China[1 3]	187	145	308
Group total	11 270	10 525	22 710

	Non-current assets		
	June 2015 R million	June 2014 R million	Dec 2014 R million
South Africa	1 414	1 399	1 435
Rest of Africa	405	186	331
Southeast Asia, India, Middle East and China	621	564	599
Group total	2 440	2 149	2 365

[1] *Includes gross written premium managed by specialist business and Santam Re.*
[2] *Includes gross written premium relating to Namibia of R512 million (June 2014: R458 million/Dec 2014: R1 055 million).*
[3] *Includes gross written premium relating to China of R57 million (June 2014: R48 million/Dec 2014: R88 million).*

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

Financial instruments measured at fair value on a recurring basis

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

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

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

Financial assets at fair value through income

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

Financial liabilities at fair value through income (continued)

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

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

Financial liabilities at fair value through income

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

Financial assets at fair value through income (continued)

31 December 2014	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	2 999	–	–	2 999
Unitised funds	–	75	–	75
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	820	820
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
Derivative instruments				
Interest rate swaps	–	–	–	–
Foreign exchange contracts	–	–	–	–
Fence	–	–	–	–
Total derivative instruments	–	–	–	–
Short-term money market instruments	–	1 854	38	1 892
Total financial assets at fair value through income	4 251	8 460	914	13 625

Financial liabilities at fair value through income

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

The following table presents the changes in level 3 instruments

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

30 June 2014	Equity securities unquoted R million	Debt securities unquoted R million	Short-term money market instruments R million	Derivatives R million	Total R million
Opening balance	529	23	–	(203)	**349**
Acquisitions	41	–	–	–	**41**
Disposals/settlements	–	–	–	297	**297**
Gains/(losses) recognised in profit or loss	76	6	–	(94)	**(12)**
Transfer	–	–	–	–	**–**
Closing balance	**646**	**29**	**–**	**–**	**675**

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

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

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

		Reviewed at 30 June 2015 R million	Reviewed at 30 June 2014 R million	Audited at 31 Dec 2014 R million
7.	Insurance liabilities and reinsurance assets			
	Gross insurance liabilities			
	Long-term insurance contracts			
	– claims reported and loss adjustment expenses	13	12	13
	– claims incurred but not reported	24	23	25
	Short-term insurance contracts			
	– claims reported and loss adjustment expenses	6 612	5 613	6 227
	– claims incurred but not reported	1 535	1 459	1 515
	– unearned premiums	3 793	3 366	4 262
	Total gross insurance liabilities	11 977	10 473	12 042
	Non-current liabilities	1 543	1 561	1 528
	Current liabilities	10 434	8 912	10 514
	Recoverable from reinsurers			
	Long-term insurance contracts			
	– claims reported and loss adjustment expenses	6	5	6
	– claims incurred but not reported	5	4	5
	Short-term insurance contracts			
	– claims reported and loss adjustment expenses	2 502	1 404	2 266
	– claims incurred but not reported	243	219	237
	– unearned premiums	972	880	1 002
	Total reinsurers' share of insurance liabilities	3 728	2 512	3 516
	Non-current assets	179	140	144
	Current assets	3 549	2 372	3 372
	Net insurance liabilities			
	Long-term insurance contracts			
	– claims reported and loss adjustment expenses	7	7	7
	– claims incurred but not reported	19	19	20
	Short-term insurance contracts			
	– claims reported and loss adjustment expenses	4 110	4 209	3 961
	– claims incurred but not reported	1 292	1 240	1 278
	– unearned premiums	2 821	2 486	3 260
	Total net insurance liabilities	8 249	7 961	8 526

8. Non-current asset held for sale

	Reviewed at 30 June 2015 R million	Reviewed at 30 June 2014 R million	Audited at 31 Dec 2014 R million
Assets that are classified as held for sale			
Financial assets at fair value through income			
Equity securities	326	309	308
Loans and receivables including insurance receivables	126	120	120
Investment in associates	225	–	–
	677	429	428

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

Santam International

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

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

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

Equities that are classified as held for sale are categorised as level 3 instruments in terms of the fair value hierarchy. The following table presents the changes for the period ended 30 June 2015:

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

Credit Guarantee Insurance Corporation of Africa Ltd (Credit Guarantee)

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

11. Business combinations

2015

Disposals

Censeo (Pty) Ltd

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

2014

Additions

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

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

	31 Dec 2014 R million
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.*

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

14. **Share buy-back**

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

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