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PRESENTATION TO ANALYSTS 2016

Non-executive directors
B Campbell, MP Fandeso, BTPKM Gamedze,
GG Gelink (chairman), IM Kirk, MLD Marole,
JP Möller, T Nyoka, Y Ramiah, MJ Reyneke

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

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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Tyger Valley, Bellville 7530
PO Box 3881, Tyger Valley 7536
Tel: 021 915 7000
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www.santam.co.za

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

Sponsor
Investec Bank Ltd

Santam is an authorised financial services provider (licence number 3416).

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ANALYST PRESENTATION

FINANCIAL RESULTS FOR THE PERIOD ENDED 30 JUNE 2016

PRESENTED BY LIZÉ LAMBRECHTS AND HENNIE NEL

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CONTENTS

- The Santam business portfolio
- Market context
- Financial results
- Capital management
- Group strategy and priorities

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THE SANTAM BUSINESS PORTFOLIO

Santam Commercial and Personal	Santam Specialist	MiWay	Santam Re	Santam's Emerging Markets Investments
Our multi-channel insurance business in South Africa and Namibia	Our specialist insurance business portfolio in Africa, India and SE Asia	Our direct insurance business in South Africa	Our reinsurance business in South Africa and international markets	Investments in emerging markets
• Strategic partnerships • Intermediated • Direct	• Agri • Niche • Centriq	• Personal • Business • Life • Broker-direct	• Group • Non-group	• Africa • India • SE Asia

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MARKET CONTEXT

MARKET CONTEXT

INDUSTRY

- Regulatory reform
- Abundant capital in international markets
- Impact of technology
- Extreme weather events
- Intense competition
- Changing client behaviour and expectations
- Financial inclusion and access

SOUTH AFRICA

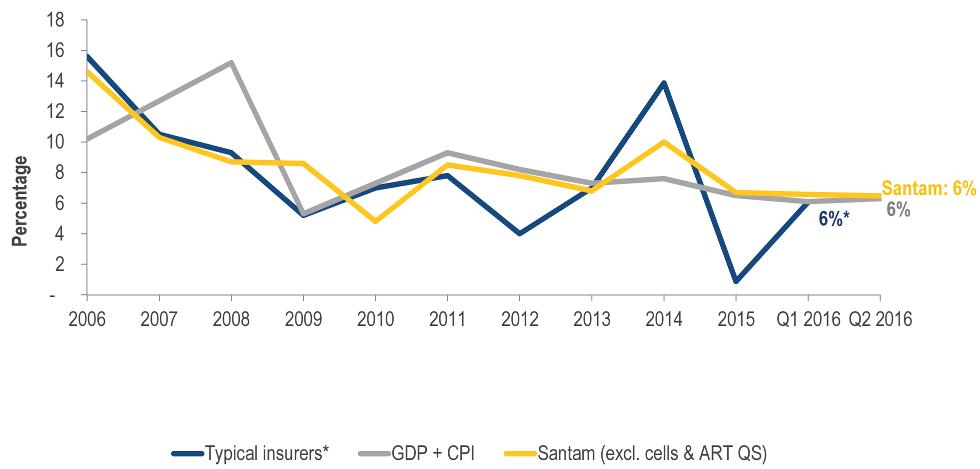
- Economic growth lagging
- Social unrest
- Municipal service delivery
- Ratings outlook
- Exchange rate implications

EMERGING MARKETS

- Emerging markets growth remains positive
- Negative outlook for Sub-Saharan Africa
- Negative impact of commodity prices
- Uncertainty posed by Brexit

RELATIVE PERFORMANCE

NET WRITTEN PREMIUM GROWTH



Source: FSB – March 2016 (Industry figure adjusted to include the ART Quota Share)

SANTAM H1 2016 KEY FACTS

- Gross written premium growth:
  - 8% including cell captive insurance
  - 8% excluding cell captive insurance
- Underwriting margin of 6.4%
- Headline earnings per share decreased by 29%
- Return on capital (annualised) of 17.4%
- Solvency ratio of 51%
- Interim dividend of 311 cents per share, up 8%
- Special dividend of 800 cents per share

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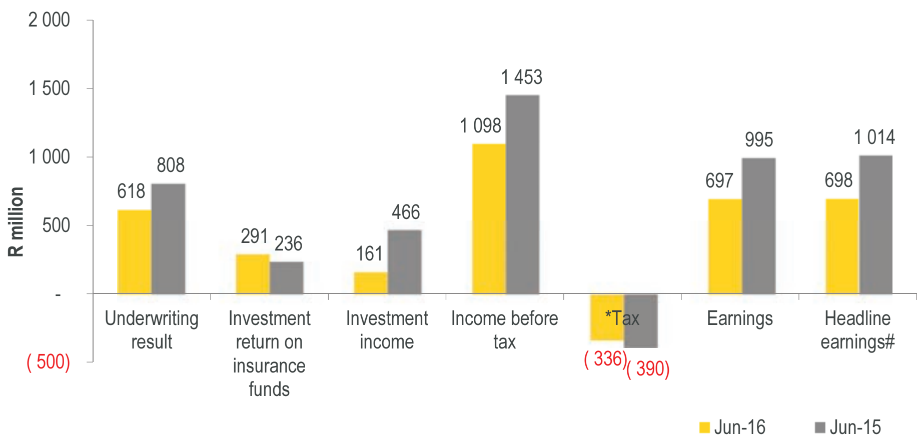
MAIN VARIANCES

2016 VS. 2015



Non-headline: Impairment of goodwill and other intangible assets of R1 million (2015: R36 million)
2015: Profit on sale of investment in associate of R17 million (net of tax)

* Tax adjusted for CGT inclusion rate change of R43 million

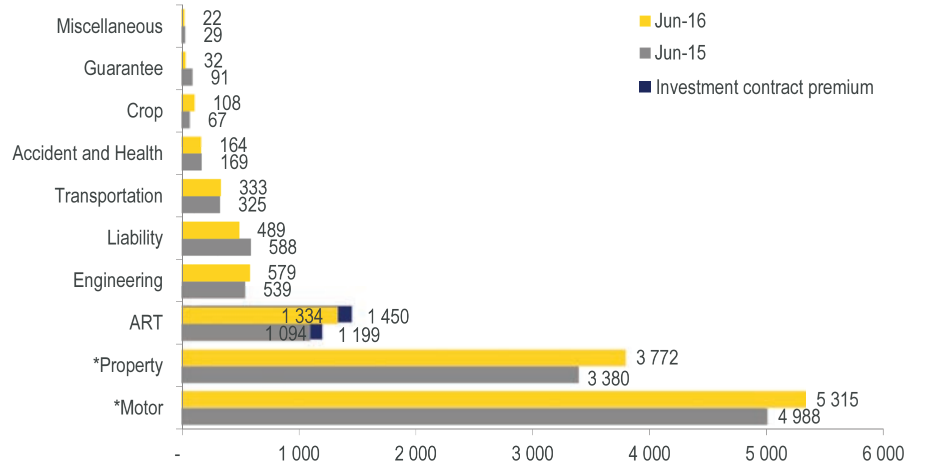
NET INSURANCE RESULT

	June 2016 R'm	% of NEP	June 2015 R'm	% of NEP	2016/ 2015	*5Yr ave %	*10Yr ave %
Gross written premium	12 148		11 270		8%	8	7
Net earned premium	9 700	100.0	9 088	100.0	7%	100.0	100.0
Claims incurred	6 289	64.8	5 786	63.7	9%	65.6	66.3
Acquisition costs	2 793	28.8	2 494	27.4	12%	28.4	27.4
Underwriting result	618	6.4	808	8.9	-24%	6.0	6.3
Investment return on insurance funds	291	3.0	236	2.6	23%	2.6	2.9
Net insurance result	909	9.4	1 044	11.5	-13%	8.6	9.2
Combined ratio		93.6		91.1		94.0	93.7

* 5 and 10 year averages excludes the impact of the ART Quota Share

GROSS WRITTEN PREMIUM

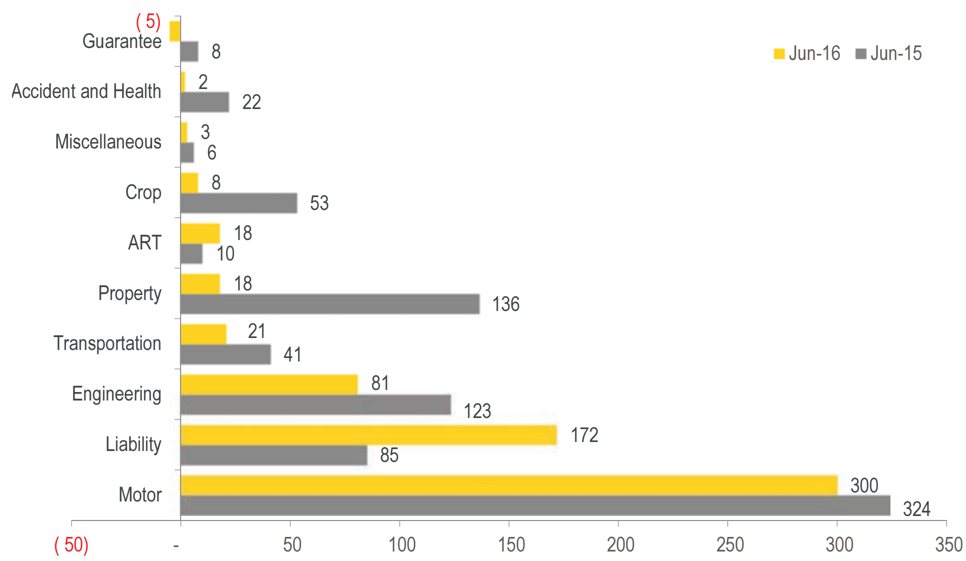
PER INSURANCE CLASS (R MILLION)



* The comparatives were restated. A decrease of R178 million in gross written premium for the motor class and a corresponding increase of R178 million for the property class were recognised.

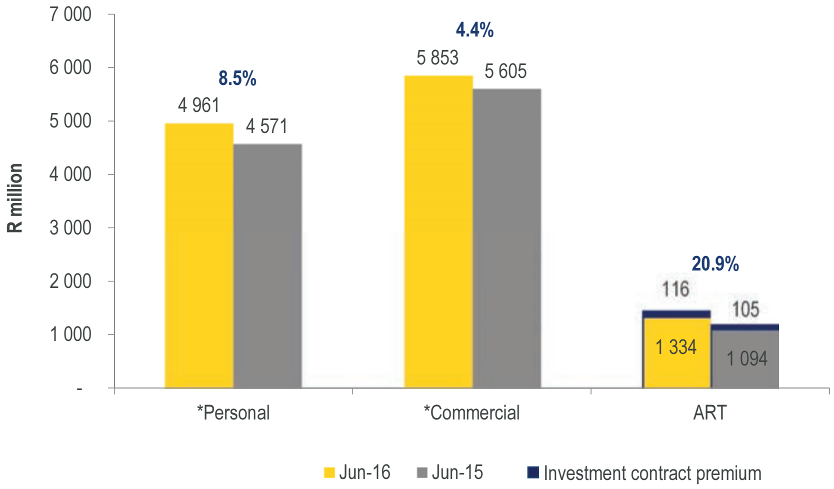
NET UNDERWRITING SURPLUS

PER INSURANCE CLASS (R MILLION)



SEGMENTAL ANALYSIS

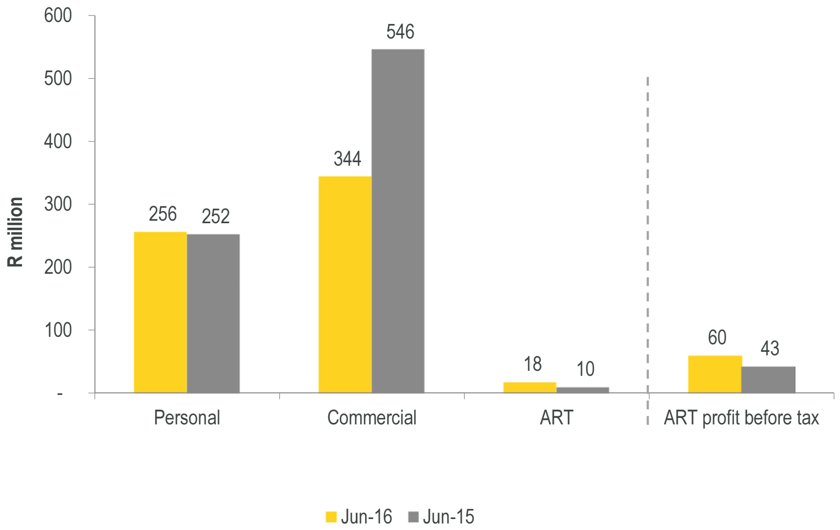
GROSS WRITTEN PREMIUM — PERSONAL, COMMERCIAL AND ART



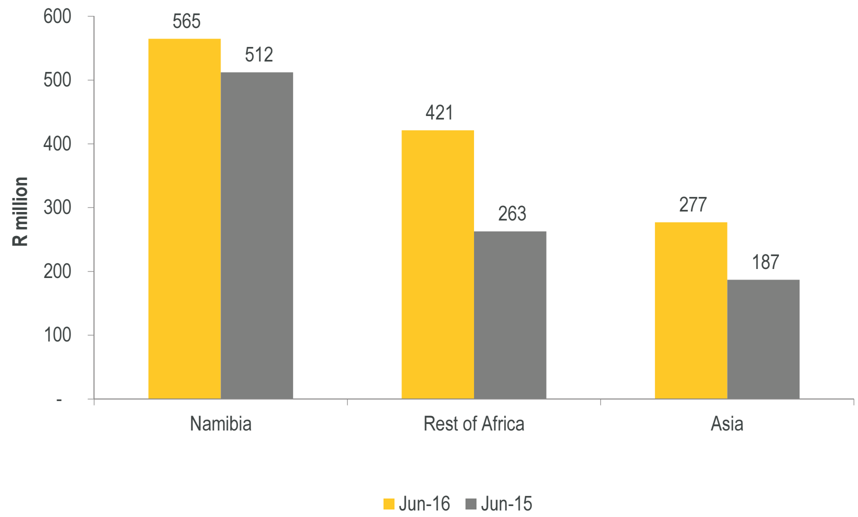
* Comparative restated for a reclassification of R140 million from Commercial lines to Personal lines business.

SEGMENTAL ANALYSIS

NET UNDERWRITING RESULT — PERSONAL, COMMERCIAL AND ART

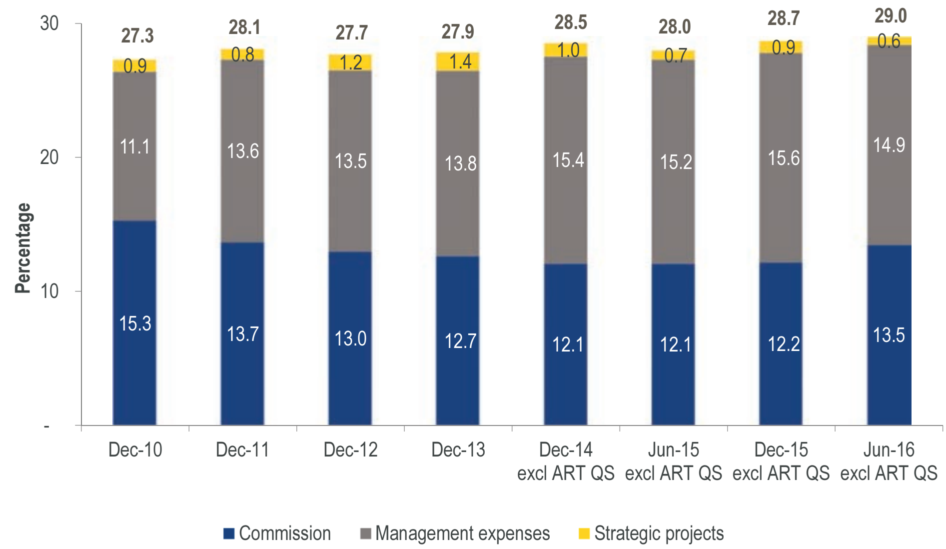


GROSS WRITTEN PREMIUM OUTSIDE SA



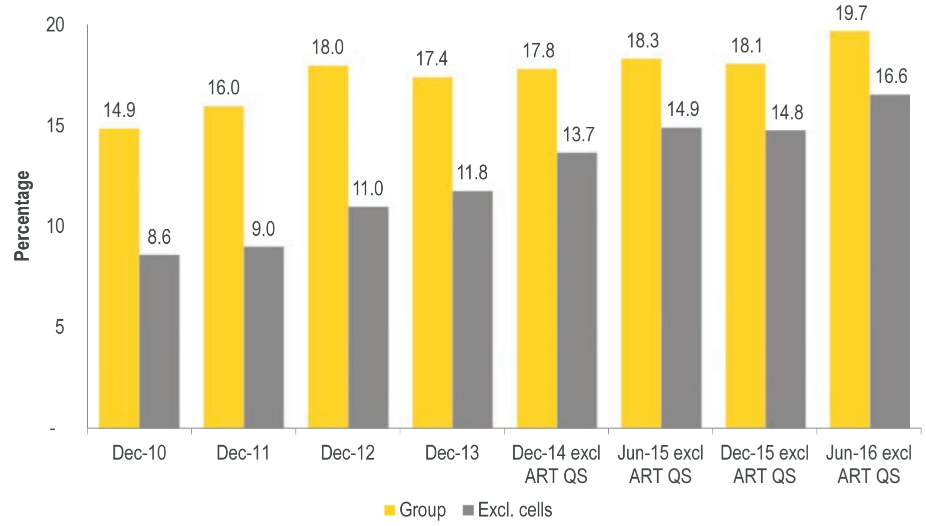
ACQUISITION COST RATIO

AS % OF NET EARNED PREMIUM



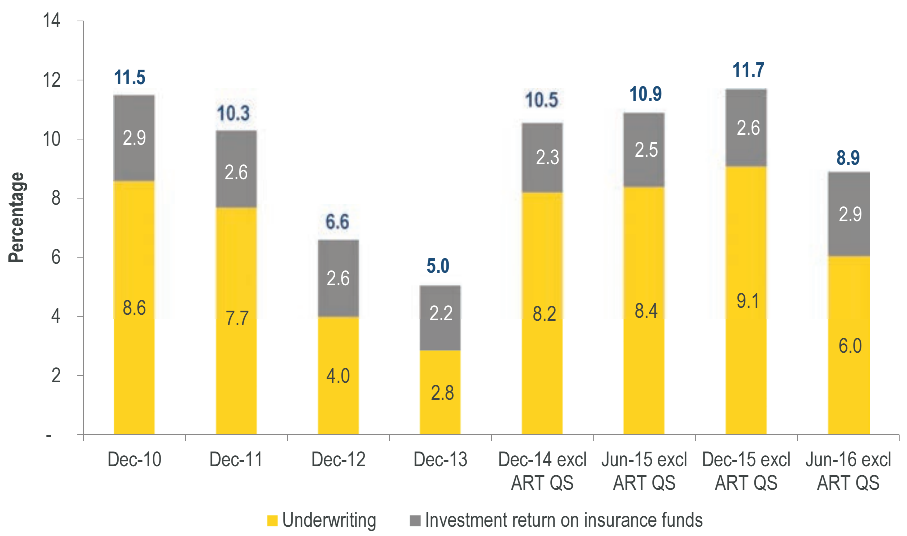
LEVEL OF REINSURANCE EARNED PREMIUM

AS % OF GROSS EARNED PREMIUM

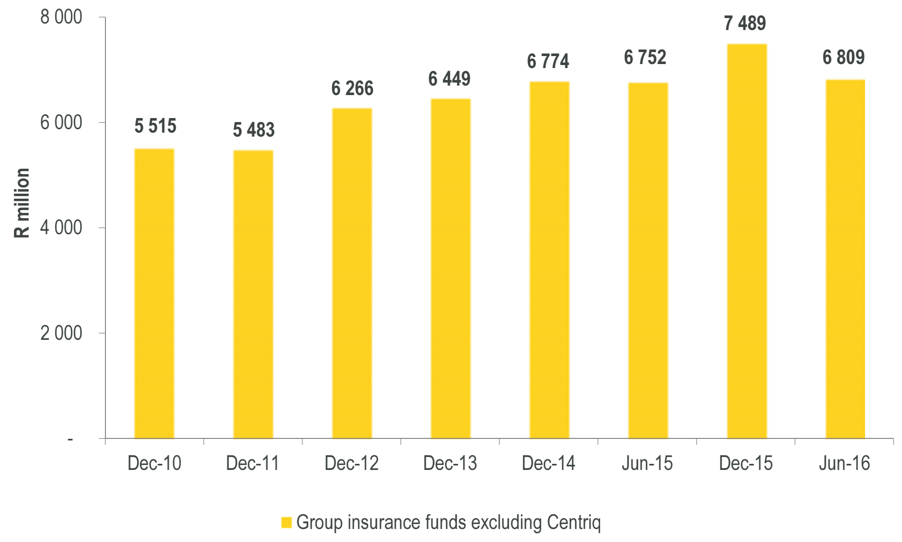


NET INSURANCE RESULT

AS % OF NET EARNED PREMIUM

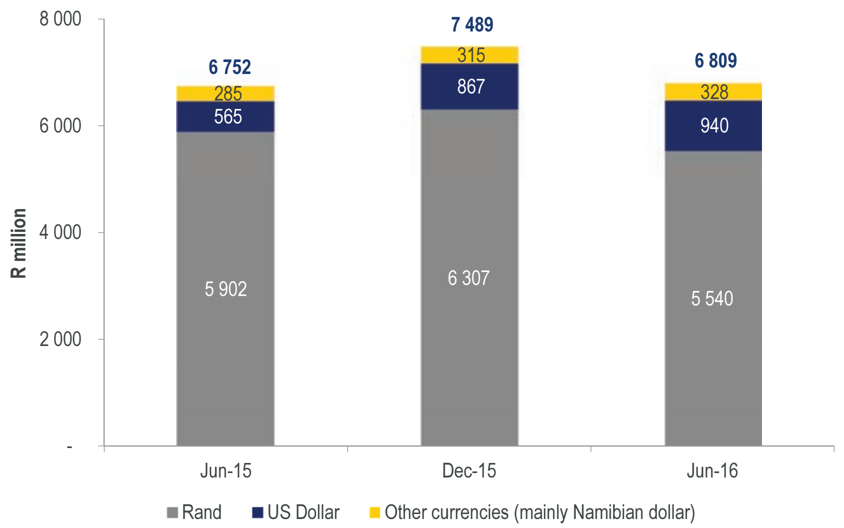


SIZE OF INSURANCE FUNDS

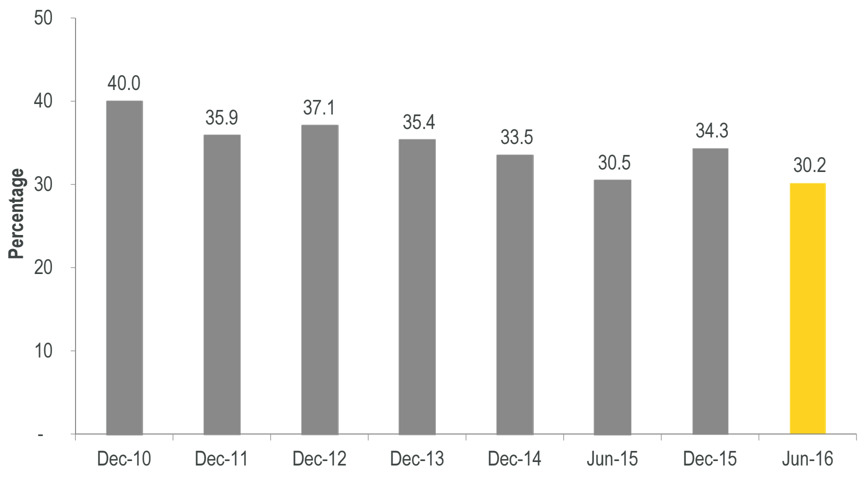


ASSETS BACKING NET INSURANCE FUNDS (EXCL. CENTRIQ)

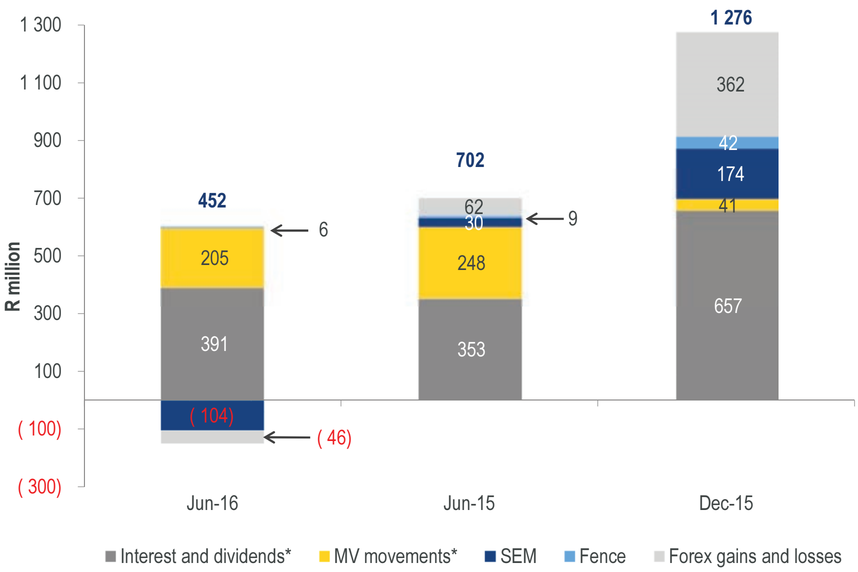
CURRENCY MIX



INSURANCE FUNDS AS % OF GROSS EARNED PREMIUM



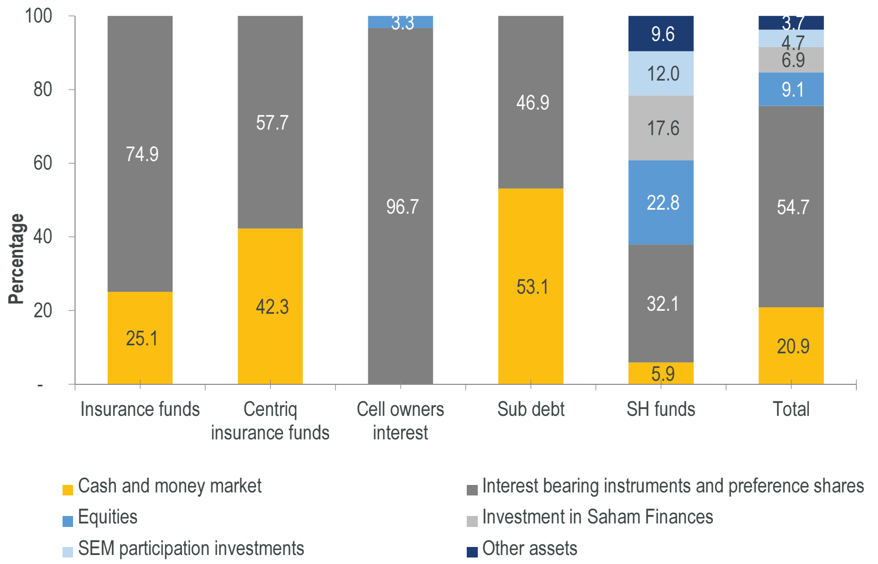
INVESTMENT RETURN



* Includes Cardrow Insurance Limited dividend, net of the fair value movement (R13 million)

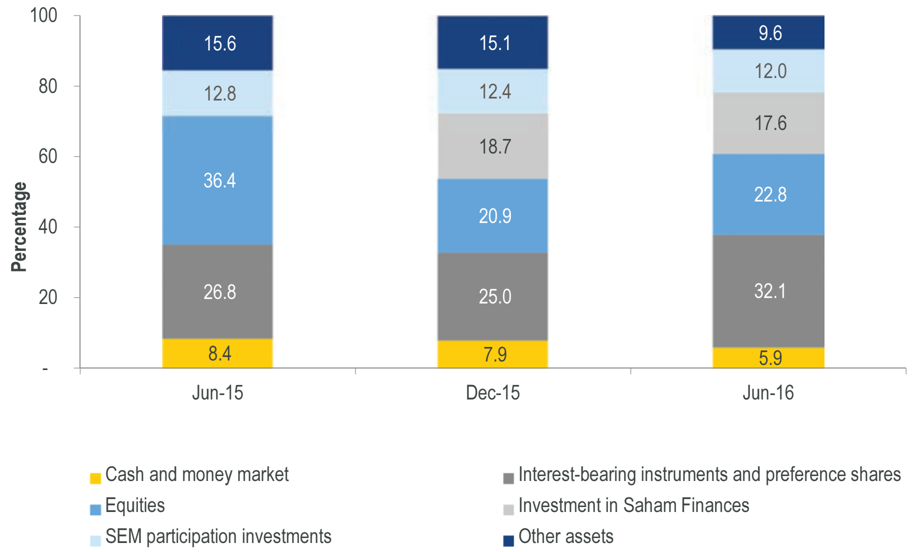
ASSET / LIABILITY MATCHING

GROUP CONSOLIDATED ASSETS AT 30 JUNE 2016



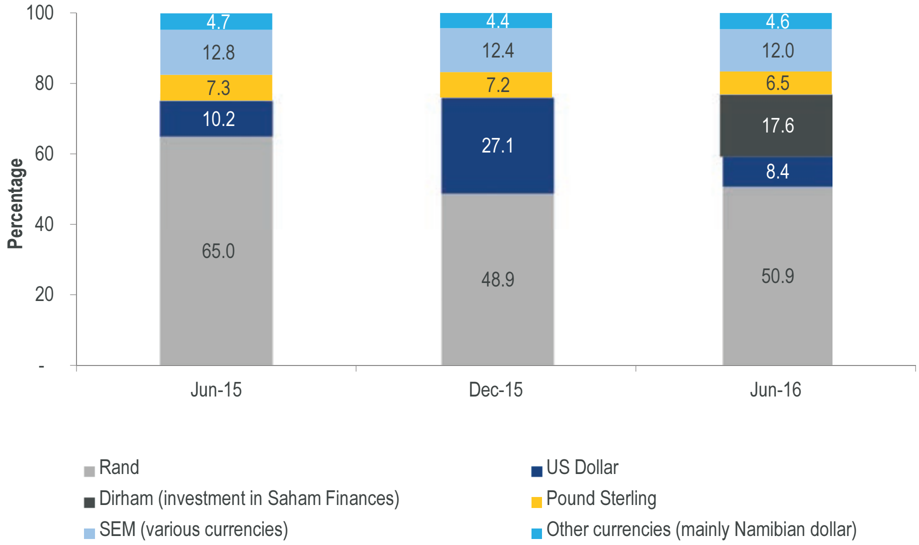
SHAREHOLDER FUNDS

ASSET MIX



SHAREHOLDER FUNDS

CURRENCY MIX



SEM PARTICIPATION INVESTMENTS

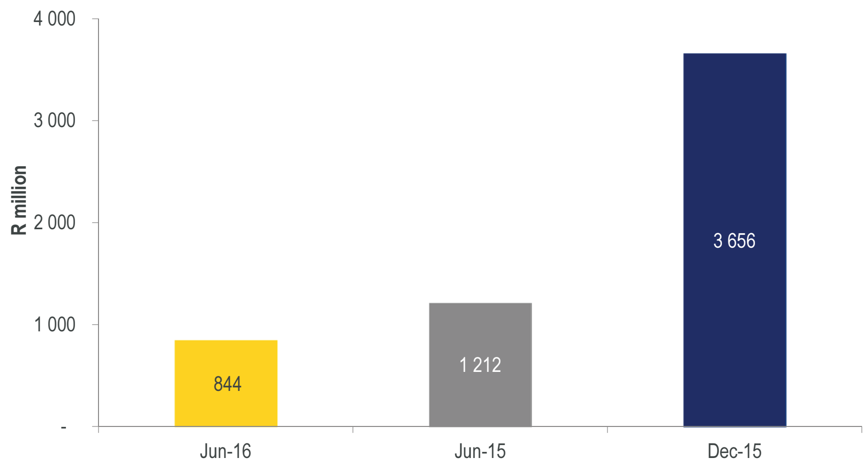
Region	Dec 2015	Additions/ (Capital Distribution)	Fair Value Movements: Change In Exchange Rates	Fair Value Movements: Change In Valuation	Jun 2016
	R'm	R'm	R'm	R'm	R'm
Africa	271	47	(23)	(38)	257
Southeast Asia	382	-	8	(37)	353
India	352	-	(24)	4	332
	1 005	47	(39)	(71)	942

In partnership with Sanlam Emerging Markets

SEM PARTICIPATION INVESTMENTS

	Incorporated in	Santam Effective Holding June 2016 %	Santam Effective Holding December 2015 %
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**	**20.5**
NICO Holdings general insurance subsidiaries	Malawi and Zambia	**19.8**	**21.6**
NICO Holdings general insurance subsidiaries	Uganda	**28.6**	**29.3**
NICO Holdings general insurance subsidiaries	Tanzania	**17.4**	**18.1**
Soras Assurance Generales Ltd	Rwanda	**22.1**	**22.1**
Socar SA Burundi	Burundi	**7.3**	**7.3**
FBN General Insurance Ltd	Nigeria	**12.3**	**12.3**
Enterprise Insurance Company Ltd	Ghana	**14.0**	**14.0**
Gateway Insurance Company Ltd	Kenya	**10.9**	**10.9**
Botswana Insurance Company Ltd	Botswana	**10.3**	**-**
Zimnat Lion Insurance Company Limited	Zimbabwe	**14.0**	**-**
Grand Reinsurance Company (Private) Limited	Zimbabwe	**14.0**	**-**

CASH GENERATED FROM OPERATIONS



MIWAY

	June 2016	June 2015	Change
Gross written premium (R'm)	1 003	835	**+20%**
Gross underwriting result, net of CAT recoveries (R'm)	72	76	**-5%**
Gross claims ratio, net of CAT recoveries	63.1%	60.8%	
Gross acquisition cost ratio	29.6%	30.0%	
Gross underwriting margin	7.3%	9.2%	
Number of clients*	260 000	224 000	**+16%**

* Excluding value added products

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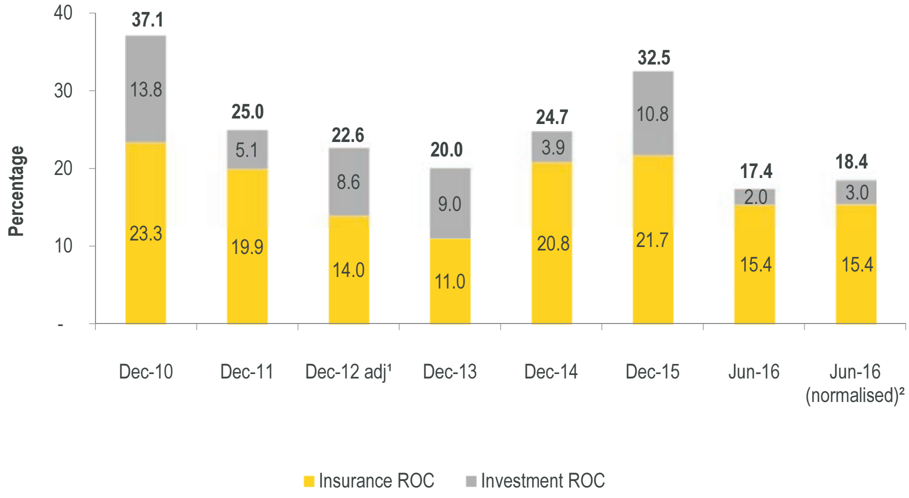
RETURN ON CAPITAL

NET INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS



[1] Tax adjusted for STC (R96m) and CGT inclusion rate change (R80m)
[2] Tax adjusted for CGT inclusion rate change (R43m)

SOLVENCY

		June 2016	December 2015
Net asset value (NAV)	R'm	7 841	8 081
Subordinated debt	R'm	2 053	998
Regulatory equity*	R'm	9 894	9 079
NAV per share	cps	7 114	7 338
Net written premium**	R'm	19 476	18 884
Group solvency	%	50.5	48.1

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

CAPITAL MANAGEMENT

- Target solvency range of 35% - 45% of net written premium (NWP)
- Group solvency as at 30 June 2016 of 50.5%
- FSB interim capital requirements as at 30 June 2016: 27.3% of NWP

CAPITAL MANAGEMENT

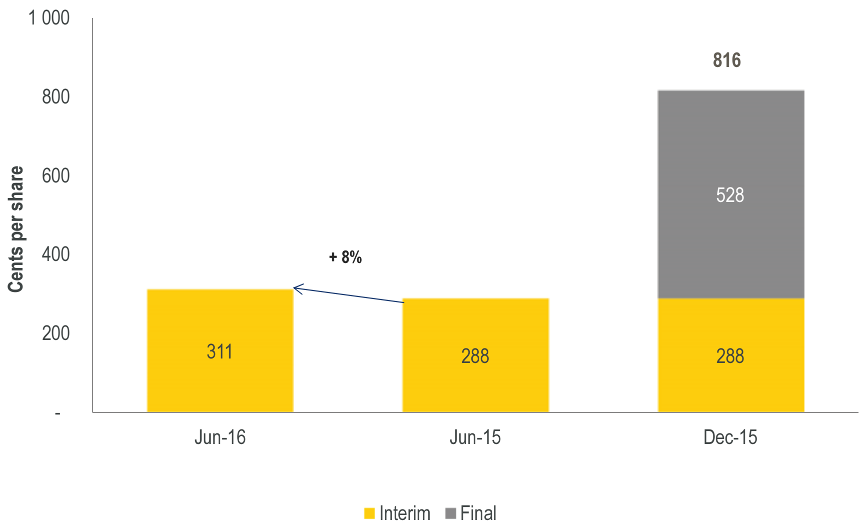
- SAM group economic capital coverage ratio target of 130% - 170%
- Economic capital coverage ratio for the Group as at June 2016: 178%
- Capital requirements under SAM – will be confirmed through the internal model approval process (IMAP)

SPECIAL DIVIDEND

Considerations in assessing **special dividend of 800 cents per share**

- Group solvency and capital coverage ratio at 30 June 2016
- Current and future regulatory solvency requirements
- Impact of further potential acquisition transactions

INTERIM DIVIDEND PER SHARE



GROUP STRATEGY

AND PRIORITIES

2020 VISION
5 FOCUS AREAS FOR VALUE

Our Metrics:

- Net insurance result and return on capital
- International diversification
- Transformation

In Context of:

- The Santam Way
- Stakeholder value
- Long-term sustainability
- Reducing systemic risk and fulfilling our socio-economic responsibility

PRIORITIES FOR H2 2016

- Focus on profitable growth – both in South Africa and emerging markets
- New business diversification in South Africa through Santam Direct, Sanlam Agency model, MiWay Business Insurance and MiWay Broker-direct
- Increase focus on technical support to SEM general insurance partners to unlock value
- Improve operational efficiencies to optimise acquisition cost ratio
- Active capital management taking into account impact of pending SAM implementation and the Internal Model Approval Process (IMAP)
- Work with local municipalities to reduce risk on the ground

QUESTIONS?

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THANK YOU
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REVIEWED INTERIM REPORT

for the six months ended
30 June 2016

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Gross written premium growth both including and excluding cell captive insurance 8%

Underwriting margin 6.4%

Group solvency ratio 51%

Return on shareholders' funds 17.4% (annualised)

Positive growth contribution from international diversification

Acquisition of effective interest in Saham Finances completed

Headline earnings per share decreased by 29%

Interim dividend of 311 cents per share, up 8%

Special dividend of 800 cents per share

FINANCIAL REVIEW

The Santam group reported strong underwriting results and acceptable growth for the six months ended June 2016 in the context of the current low-growth economic environment. The group achieved gross written premium growth of 8% and a net underwriting margin of 6.4% (2015: 8.9%), well within the target range of 4% to 8%.

Investment income, net of fair value movements on financial instruments, of R555 million was significantly lower compared to R767 million in 2015. The South African investment portfolio performed in line with the market. Foreign currency exchange losses had a negative impact on investment returns following the relative strengthening of the rand since December 2015. In addition, the value of the Sanlam Emerging Markets (SEM) general insurance businesses portfolio showed negative unrealised fair value movements following tough trading conditions in certain emerging markets.

The lower underwriting profits compared to the exceptional performance in 2015 and significantly lower investment results reduced headline earnings per share by 29% compared to June 2015. An annualised return on capital of 17.4% was achieved. The solvency margin of 51% was higher than the target range of 35% to 45% of net written premiums.

Gross written premium growth of 8% was in line with the growth achieved in the corresponding period in 2015. This was pleasing in the context of almost no real growth in the economy and inflation of 6%.

The property class achieved strong growth of 12% on the back of increased corporate property business written in the rest of Africa and good growth achieved by the Santam Re property portfolio. The motor class benefitted from 20% growth reported by MiWay, the direct insurance business, (gross written premium of R1 003 million; 2015: R835 million) but was negatively impacted by corrective actions on unprofitable books of business on outsourced platforms.

The liability class experienced significant competitive market pressure and reported a decline in gross written premiums of 17%. The engineering business for large construction contracts was under strain following reduced construction activity in the current economic climate. The transportation class also experienced competitive pressures reducing growth to 2%.

Growth of 22% was achieved in the alternative risk class following good performance by risk finance and new business.

The group's focus on international diversification continued to reflect positive growth results with gross written premium from the rest of Africa (excluding Namibia), India, Southeast Asia and China of R698 million for the period (2015: R450 million). Santam Namibia reported gross written premium of R565 million (2015: R512 million), resulting in total gross written premium from outside South Africa during this six-month period increasing to R1 263 million compared to the R962 million achieved in the comparative period in 2015.

As part of managing its exposure to South Africa's sovereign credit rating, Santam entered into a three-year alternative risk transfer (ART) reinsurance quota share agreement with an international insurer, 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.

The net underwriting margin of 6.4% was lower than the excellent margin of 8.9% achieved in 2015; however, it is on par with the seven-year average of 6.4%.

The motor and property classes of business were positively impacted by continued disciplined underwriting, including a significant improvement in the underwriting results from business on outsourced platforms. The impact of the catastrophe hail events in Gauteng and North West in January 2016 was significantly reduced by recoveries from a sideways reinsurance catastrophe programme. However, a number of large corporate property claims reduced the underwriting results in the property class of business. MiWay achieved a claims ratio of 63.1%, up from 60.8% in 2015, mainly due to the impact of significant new business growth and an increase in motor parts cost following the weakening of the rand in 2015. MiWay contributed an underwriting profit of R72 million (2015: R76 million).

The underwriting profit of the engineering class of business showed a decrease compared to 2015, mainly due to competitive market conditions and the impact of a few large claims reported during the period. The liability class reflected a significant improvement in underwriting results following claims estimate releases and the absence of large claims during the period.

Despite the severe drought conditions, the crop insurance business achieved a net underwriting profit of R8 million (2015: R53 million). This was as a result of disciplined underwriting and fewer hail-related claims during the crop season. Gross crop insurance claims of R469 million were incurred during this six month period of which R231 million related to drought claims.

There were no significant changes to the group's reinsurance programme for 2016 as the soft reinsurance market continued to provide opportunities to optimise reinsurance placements.

The net acquisition cost ratio of 29% (excluding the impact of the ART reinsurance quota share agreement) increased from 28% for the comparative period in 2015.

The management expense ratio (excluding the impact of the ART reinsurance quota share agreement) decreased from 15.9% in 2015 to 15.5% in 2016. The 2015 comparatives included the management expenses of Indwe Broker Holdings Group (Pty) Ltd (Indwe). Following the sale of the controlling stake in Indwe in December 2015, the management expenses of Indwe are no longer consolidated in 2016. The adjusted ratio excluding Indwe for 2015 was 15.3%. Management expenses growth was well contained and the marginal increase in the management expense ratio, excluding the impact of Indwe, was due to new growth initiatives.

Strategic project costs, included as part of management expenses, amounted to 0.6% of net earned premium (2015: 0.7%). These costs mainly relate to the continued development of a new core underwriting, administration and product management platform for the Santam intermediated business. The project is progressing according to plan with the majority of personal lines policies now migrated to the new system. The development phase of the commercial business product was completed in June 2016.

The net commission ratio (excluding the impact of the ART reinsurance quota share agreement) was 13.5% (2015: 12.1%). The comparative ratio in 2015 excluding Indwe was 12.8%. A decrease in the gross commission ratio due to the growth in MiWay, where limited commission expenses are incurred, was offset by lower reinsurance commissions earned on specialist business lines. These included crop and corporate property, following relatively worse loss ratios compared to 2015. Furthermore, gross commission on inwards reinsurance business from Santam Re, as well as business written in Africa, typically carries higher commission rates than South African business.

The investment return on insurance funds of R291 million increased from the R236 million earned in 2015, supported by the increase in the repo rate in January and March 2016 and positive market movements on Santam's active income portfolio.

Investment returns on the South African investment portfolio were significantly lower compared to 2015. For the first half of 2016, listed equities achieved a return of 5.6%, marginally underperforming the SWIX benchmark. However, over the longer term, listed equities performed in line with the benchmark. The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The active income portfolios achieved a return of 5.7% for the six months to 30 June 2016, which is considered acceptable given the fund's low risk positioning. In May 2016, a zero cost fence structure over listed equities to the value of R1 billion was entered into based on the SWIX 40, providing 10% downside protection from the implementation level of 10 621, with upside participation (excluding dividends) of 10.3%. The structure matures on 15 December 2016. The hedge showed an unrealised profit of R6 million at the end of June. Foreign currency losses of R46 million (2015: gains of R62 million) were reported following the 5% strengthening of the rand against the US dollar from December 2015 levels.

Negative fair value movements of R110 million (2015: R13 million positive movement) on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia reduced the investment performance. Key drivers of the negative fair value movements were:

- A downward adjustment to the value of the Pacific & Orient Insurance Co. Berhad (P&O) business in Malaysia of R37 million due to lower premium growth. There is a significant focus on expanding the current product offering.
- A reduction in the value of the investment in Soras Assurance Generales Ltd (Soras) in Rwanda of R46 million following financial irregularities identified during this period relating to prior years. Corrective measures were taken to address these irregularities.
- Foreign exchange losses of R39 million (2015: R34 million) following the relative strengthening of the rand against emerging market currencies compared to December 2015.

Dividend income of R6 million (2015: R22 million) from the SEM portfolio was also recognised. Santam invested a further R49 million in participatory investments in SEM general insurance businesses in Botswana and Zimbabwe. At the end of June 2016, the SEM investments had a fair value of R942 million (December 2015: R1 005 million) which accounted for 12% of the group's shareholder funds.

The transaction to acquire a 30% shareholding in Saham Finances, together with SEM, announced in November 2015, was finalised during the first quarter of 2016. The acquisition was structured through a special purpose vehicle held jointly by SEM (75%) and Santam (25%) for a total cash consideration of US$400 million. Santam's share of the purchase consideration, amounting to US$100 million, was funded from internal cash resources. Santam acquired sufficient foreign currency in addition to existing dollar assets to cover the purchase consideration before the transaction was concluded in November 2015. A cash flow hedge was implemented on 24 November 2015 to cover Santam's foreign currency exposure by designating these US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R140 million recognised on the designated cash balances since implementation date were not recognised in the statement of comprehensive income, but were accounted for as part of the investment in Saham Finances. Therefore, the cost price of the investment, net of the cash flow hedge impact, was R1 412 million. Santam accounts for the investment in Saham Finances as an associate company and equity-accounted earnings of R30 million for the four-month period from 29 February 2016 was included in the results for the period to June 2016.

During February 2016, Santam acquired a 49% stake in PPS Short-term Insurance (PPS STI) for R55 million. PPS STI is an independent short-term insurer focusing on providing short-term insurance solutions exclusively to Graduate Professionals including the PPS Group's client base of more than 200 000 professionals.

The group successfully issued R1 billion of subordinated debt in April 2016 with the purpose of investing the proceeds in an interest-bearing investment portfolio in order to enhance the group's regulatory position and to achieve economic benefits.

Prospects

Trading conditions in the South African insurance industry remain very competitive in a low-growth economic environment. Real GDP growth is expected to be zero for 2016, resulting in almost no growth of insurable assets for the insurance industry. The repo rate increased by 50 basis points in 2015, with a further 75 basis points increase during the first half of 2016 which will continue to put pressure on consumers.

Despite the 5% strengthening of the rand against the US dollar compared to December 2015, the 25% rand depreciation during 2015 is expected to negatively impact claims cost (mainly imported motor parts). 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 remains on profitable growth in South Africa and to increase its international diversification through the Santam Specialist Business and Santam Re. Santam continues to strategically focus on supporting the development of the SEM general insurance businesses in emerging markets by allocating appropriate technical resources. In South Africa, focus areas include developing Santam's full multichannel capability and MiWay's business insurance and broker-direct offerings, as well as the MiWay Life insurance initiative in conjunction with Sanlam Life.

Santam will maintain its focus on cost-efficiencies to improve the management expense ratio over the medium term.

The investment market is likely to remain uncertain. The higher interest rate environment will result in increased interest income for the group but higher volatility is expected on interest-bearing instruments. The increased exposure to non-rand-denominated business further increases foreign exchange volatility.

Solvency and special dividend

The group solvency ratio of 51% at 30 June 2016 exceeded the group's target solvency range of 35% to 45% of net written premiums. With the expected introduction of Solvency Assessment and Management (SAM), the new regulatory framework for insurers in 2017, the group will target an economic capital coverage range of 130% to 170% going forward. The group economic capital coverage ratio was 178% at 30 June 2016. The group is in the process of applying to the Insurance Regulator to use the Santam Regulatory Internal Model to determine its regulatory capital. Taking into account the group solvency ratio at 30 June 2016, the current and future regulatory solvency requirements and further potential acquisitions, the board has declared a special dividend of 800 cents per share.

Effective management of the impact of regulatory developments will remain a key focus area.

Events after the reporting period

Santam and the shareholders of RMB-SI Investments (Pty) Ltd (RMB-SI) have reached an agreement in terms of which Santam will acquire 100% of the issued share capital of RMB-SI. RMB-SI has, over the years, pioneered an innovative specialist insurance structuring business, offering its partners and clients individually designed innovative insurance solutions. RMB-SI's 22.4% interest in Truffle Capital (Pty) Ltd (Truffle) is excluded from the scope of the transaction. The transaction is still subject to regulatory approvals by the Financial Services Board and the competition authorities in South Africa, as well as the relevant regulatory authorities in Mauritius and Ireland.

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

Declaration of ordinary and special dividend (Number 125)

Notice is hereby given that the board has declared a gross interim dividend of 311 cents per share (2015: 288 cents per share) and a special gross dividend of 800 cents per share (2012: 850 cents).

Shareholders are advised that the last day to trade "cum dividend" will be Tuesday, 20 September 2016. The shares will trade "ex dividend" from the commencement of business on Wednesday, 21 September 2016. The record date will be Friday, 23 September 2016, and the payment date will be Monday, 26 September 2016. Certificated shareholders may not dematerialise or rematerialise their shares between Wednesday, 21 September 2016 and Friday, 23 September 2016, both dates inclusive.

The interim and special dividends have been declared from income reserves and will be subject to dividends tax. The amounts per share, subject to the withholding of dividends tax at a maximum rate of 15%, are therefore 311 cents per share for the interim dividend and 800 cents per share for the special dividend. A net interim dividend of 264.35 cents per share and a net special dividend of 680 cents per share will apply to shareholders liable for dividends tax at a rate of 15%, and 311 cents per share for the interim dividend and 800 cents per share for the special dividend for shareholders that qualify for complete exemption therefrom. The issued ordinary share capital as at 31 August 2016 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.

Appreciation

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

Preparation and presentation of the financial statements

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

GG Gelink
Chairman

L Lambrechts
Chief executive officer

31 August 2016

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 2016 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 2016 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

31 August 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed at 30 June 2016 R million	Reviewed at 30 June 2015 R million	Audited at 31 Dec 2015 R million
ASSETS				
Non-current assets				
Property and equipment		96	114	90
Intangible assets		837	1 061	827
Deferred income tax		124	146	140
Investment in associates and joint ventures		1 702	173	252
Financial assets at fair value through income				
Equity securities	6	2 788	3 375	2 730
Debt securities	6	10 911	8 384	9 721
Reinsurance assets	7	164	179	164
Deposit with cell owner		231	–	187
Total non-current assets		16 853	13 432	14 111
Current assets				
Cell owners' interest		4	8	6
Financial assets at fair value through income				
Derivatives	6	6	10	2
Short-term money market instruments	6	1 981	2 118	2 281
Reinsurance assets	7	3 953	3 549	3 514
Deposit with cell owner		61	–	67
Deferred acquisition costs		410	407	525
Loans and receivables including insurance receivables	6	3 322	2 720	3 449
Income tax assets		17	12	13
Cash and cash equivalents		2 241	1 882	3 349
Non-current assets held for sale	8	125	677	541
Total current assets		12 120	11 383	13 747
Total assets		28 973	24 815	27 858
EQUITY AND LIABILITIES				
Capital and reserves attributable to the company's equity holders				
Share capital		103	103	103
Treasury shares		(460)	(456)	(450)
Other reserves		240	278	548
Distributable reserves		7 958	6 858	7 880
		7 841	6 783	8 081
Non-controlling interest		461	430	466
Total equity		8 302	7 213	8 547
Non-current liabilities				
Deferred income tax		217	304	107
Financial liabilities at fair value through income				
Debt securities	6	2 005	992	974
Investment contracts	6	–	76	–
Derivatives	6	1	–	1
Cell owners' interest		1 060	947	980
Insurance liabilities	7	1 423	1 543	1 525
Reinsurance liability relating to cell owners		231	–	187
Total non-current liabilities		4 937	3 862	3 774
Current liabilities				
Financial liabilities at fair value through income				
Debt securities	6	48	24	24
Investment contracts	6	84	–	70
Derivatives	6	9	–	–
Financial liabilities at amortised cost				
Collateral guarantee contracts		104	99	105
Insurance liabilities	7	11 577	10 434	11 139
Reinsurance liability relating to cell owners		61	–	67
Deferred reinsurance acquisition revenue		183	170	280
Provisions for other liabilities and charges		83	89	122
Trade and other payables including insurance payables		3 407	2 681	3 412
Current income tax liabilities		178	243	318
Total current liabilities		15 734	13 740	15 537
Total liabilities		20 671	17 602	19 311
Total shareholders' equity and liabilities		28 973	24 815	27 858

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Reviewed Six months ended 30 June 2016 R million	Reviewed Six months ended 30 June 2015 R million	Change %	Audited Year ended 31 Dec 2015 R million
Gross written premium		12 148	11 270	8%	24 319
Less: reinsurance written premium		2 914	2 628		5 435
Net written premium		9 234	8 642	7%	18 884
Less: change in unearned premium					
Gross amount		(532)	(450)		528
Reinsurers' share		66	4		(167)
Net insurance premium revenue		9 700	9 088	7%	18 523
Investment income	9	441	502	(12%)	1 210
Income from reinsurance contracts ceded		629	591		1 236
Net gains on financial assets and liabilities at fair value through income	9	101	265		235
Investment income and fair value losses on financial assets held for sale	9	13	–		–
Net income		10 884	10 446	4%	21 204
Insurance claims and loss adjustment expenses		8 488	7 253		13 980
Insurance claims and loss adjustment expenses recovered from reinsurers		(2 199)	(1 467)		(2 470)
Net insurance benefits and claims		6 289	5 786	9%	11 510
Expenses for the acquisition of insurance contracts		1 846	1 562		3 240
Expenses for marketing and administration		1 571	1 577		3 277
Expenses for investment-related activities		26	18		53
Amortisation and impairment of intangible assets		22	67		117
Total expenses		9 754	9 010	8%	18 197
Results of operating activities		1 130	1 436	(21%)	3 007
Finance costs		(77)	(47)		(116)
Net income from associates and joint ventures		45	43		53
Profit on sale of associated companies	11	–	21		413
Profit on sale of subsidiary	11	–	–		15
Profit before tax		1 098	1 453	(24%)	3 372
Income tax expense	10	(336)	(390)		(908)
Profit for the period		762	1 063	(28%)	2 464
Other comprehensive income, net of tax					
Items that may subsequently be reclassified to income:					
Currency translation differences		(114)	35		163
Share of associates' currency translation differences		(62)	–		–
Hedging reserve movement		(134)	–		134
Tax on hedging reserve movement		–	–		(37)
Total comprehensive income for the period		452	1 098	(59%)	2 724
Profit attributable to:					
– equity holders of the company		697	995	(30%)	2 348
– non-controlling interest		65	68		116
		762	1 063		2 464
Total comprehensive income attributable to:					
– equity holders of the company		387	1 030	(62%)	2 608
– non-controlling interest		65	68		116
		452	1 098		2 724
Earnings attributable to equity shareholders					
Earnings per share (cents)	12				
Basic earnings per share		633	870	(27%)	2 090
Diluted earnings per share		627	865	(28%)	2 065
Weighted average number of ordinary shares (millions)		110.19	114.31		112.34
Weighted average number of ordinary shares for diluted earnings per share (millions)		111.23	114.96		113.72

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distribu-table reserves R million	Total R million	Non-controlling interest R million	Total R million
Balance as at 1 January 2015	107	(506)	238	7 171	7 010	430	7 440
Profit for the period	–	–	–	2 348	2 348	116	2 464
Other comprehensive income:							
Currency translation differences	–	–	163	–	163	–	163
Hedging reserve movement	–	–	134	(37)	97	–	97
Total comprehensive income for the period ended 31 December 2015	–	–	297	2 311	2 608	116	2 724
Sale of treasury shares	–	56	–	(56)	–	–	–
Repurchase of shares (refer to note 14)	(4)	–	–	(797)	(801)	–	(801)
Transfer to reserves	–	–	4	(4)	–	–	–
Share-based payment costs	–	–	–	124	124	–	124
Increase in capital contribution reserve (refer to note 14)	–	–	9	–	9	–	9
Dividends paid	–	–	–	(869)	(869)	(82)	(951)
Interest sold to non-controlling interest	–	–	–	–	–	2	2
Balance as at 31 December 2015	103	(450)	548	7 880	8 081	466	8 547
Profit for the period	–	–	–	697	697	65	762
Other comprehensive income:							
Currency translation differences	–	–	(114)	–	(114)	–	(114)
Share of associates' currency translation differences	–	–	(62)	–	(62)	–	(62)
Hedging reserve movement	–	–	(134)	–	(134)	–	(134)
Total comprehensive income for the period ended 30 June 2016	–	–	(310)	697	387	65	452
Sale of treasury shares	–	75	–	(75)	–	–	–
Purchase of treasury shares	–	(85)	–	–	(85)	–	(85)
Transfer to reserves	–	–	2	(2)	–	–	–
Share-based payment costs	–	–	–	39	39	–	39
Dividends paid	–	–	–	(581)	(581)	(70)	(651)
Balance as at 30 June 2016	103	(460)	240	7 958	7 841	461	8 302
Balance as at 1 January 2015	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 (refer to note 14)	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Reviewed Six months ended 30 June 2016 R million	Reviewed Six months ended 30 June 2015 R million	Audited Year ended 31 Dec 2015 R million
Cash flows from operating activities				
Cash generated from operations		844	1 212	3 656
Interest paid		(50)	(47)	(110)
Income tax paid		(340)	(350)	(1 002)
Net cash from operating activities		454	815	2 544
Cash flows from investing activities				
Acquisition of financial assets		(9 505)	(4 540)	(14 086)
Proceeds from sale of financial assets		8 538	4 532	13 348
Settlement of fence		–	–	42
Cash received/(disposed of) through sale of subsidiaries	11	208	–	(183)
Staff trust acquired	14	–	–	132
Purchases of equipment		(26)	(18)	(39)
Purchases of intangible assets		(21)	(42)	(85)
Proceeds from sale of equipment		1	1	–
Acquisition of associated companies and joint ventures	11	(1 467)	–	(2)
Capitalisation of associated companies		–	(28)	(28)
Proceeds from sale of associated companies	11	–	23	625
Cash proceeds from unwinding of non-current assets held for sale	8	394	–	–
Net cash used in investing activities		(1 878)	(72)	(276)
Cash flows from financing activities				
Purchase of treasury shares		(85)	–	–
Repurchase of shares		–	(801)	(801)
Proceeds from issue of unsecured subordinated callable notes		1 000	–	–
Increase/(decrease) in investment contract liabilities		7	(29)	(35)
Increase in collateral guarantee contracts		–	11	11
Dividends paid to company's shareholders		(581)	(550)	(869)
Dividends paid to non-controlling interest		(70)	(68)	(82)
Increase in cell owners' interest		120	22	16
Net cash from/(used in) financing activities		391	(1 415)	(1 760)
Net (decrease)/increase in cash and cash equivalents		(1 033)	(672)	508
Cash and cash equivalents at beginning of period		3 349	2 561	2 561
Exchange (losses)/gains on cash and cash equivalents		(75)	(7)	280
Cash and cash equivalents at end of period		2 241	1 882	3 349

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 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 2016:

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities – Applying the consolidation exception
- Amendments to IFRS 11 – Joint arrangements
- IFRS 14 Regulatory deferral accounts
- Amendments to IAS 1 – Disclosure initiative
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation
- Amendment to IAS 16 and IAS 41 – Agriculture: Bearer plants
- Amendment to IAS 27 – Equity method in separate financial statements
- Annual Improvements 2012-14 cycle

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

3. Estimates

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

In preparing this condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2015.

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 2015.

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

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 conducts mainly 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. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with net underwriting result as measure of profitability.

Investment activities are all investment-related activities undertaken by the group, including strategic diversification activities. Due to the nature of the activities conducted, investment activities are considered to be one operating segment. Investment activities are measured based on net investment income and net income from associated companies and joint ventures.

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 investment portfolios. Foreign exchange movements on underwriting activities are therefore offset against the foreign exchange movements recognised on the bank accounts and investment portfolios.

The Santam BEE transaction costs are unrelated to the core underwriting, investment or strategic diversification performance of the group. Therefore, these costs are disclosed as unallocated activities.

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

5.1 For the six months ended 30 June 2016

Business activity	Insurance R million	Investment R million	Unallocated R million	IFRS total R million
Revenue	**12 148**	**305**	**–**	**12 453**
Gross written premium	12 148	–	–	**12 148**
Net written premium	9 234	–	–	**9 234**
Net earned premium	9 700	–	–	**9 700**
Net claims incurred	6 289	–	–	**6 289**
Net commission	1 217	–	–	**1 217**
Management expenses (excluding BEE costs)	1 576	–	–	**1 576**
Underwriting result	**618**	**–**	**–**	**618**
Investment return on insurance funds	291	–	–	**291**
Net insurance result	**909**	**–**	**–**	**909**
Investment income net of management fee and finance costs	–	161	–	**161**
Income from associates and joint ventures	–	45	–	**45**
Santam BEE costs	–	–	(6)	**(6)**
Amortisation and impairment of intangible assets	(11)	–	–	**(11)**
Income before taxation	**898**	**206**	**(6)**	**1 098**

5.1 **For the six months ended 30 June 2016** (continued)

Insurance activities

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

	Gross written premium R million	Underwriting result R million
Accident and health	164	2
Alternative risk	1 334	18
Crop	108	8
Engineering	579	81
Guarantee	32	(5)
Liability	489	172
Miscellaneous	22	3
Motor	5 315	300
Property	3 772	18
Transportation	333	21
Total	**12 148**	**618**
Comprising:		
Commercial insurance	5 853	344
Personal insurance	4 961	256
Alternative risk	1 334	18
Total	**12 148**	**618**

Investment activities

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

5.2 **For the six months ended 30 June 2015**

Business activity	Insurance R million	Investment R million	Unallocated R million	IFRS 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 (excluding BEE costs)	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 including profit on sale	–	64	–	**64**
Santam BEE costs	–	–	(66)	**(66)**
Amortisation and impairment of intangible assets	(55)	–	–	**(55)**
Income before taxation	**989**	**530**	**(66)**	**1 453**

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

Insurance activities

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

	Gross written premium[1] R million	Underwriting result[1] 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	4 988	324
Property	3 380	136
Transportation	325	41
Total	**11 270**	**808**
Comprising:		
Commercial insurance	5 605	546
Personal insurance	4 571	252
Alternative risk	1 094	10
Total	**11 270**	**808**

[1] *The following reclassifications between insurance classes were made as a result of more granular information becoming available: a decrease of R178 million in gross written premium for the motor class and a corresponding increase of R178 million for the property class; a decrease of R140 million in gross written premium for commercial lines and a corresponding increase of R140 million in gross written premium for personal lines.*

Investment activities

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

5.3 For the year ended 31 December 2015

Business activity	Insurance R million	Investment R million	Unallocated R million	IFRS total R million
Revenue	**24 319**	**1 428**	**–**	**25 747**
Gross written premium	24 319	–	–	**24 319**
Net written premium	18 884	–	–	**18 884**
Net earned premium	18 523	–	–	**18 523**
Net claims incurred	11 510	–	–	**11 510**
Net commission	2 004	–	–	**2 004**
Management expenses (excluding BEE costs)	3 230	–	–	**3 230**
Underwriting result	**1 779**	**–**	**–**	**1 779**
Investment return on insurance funds	499	–	–	**499**
Net insurance result	**2 278**	**–**	**–**	**2 278**
Investment income net of management fee and finance costs	–	777	–	**777**
Income from associates including profit on sale	–	466	–	**466**
Profit on sale of subsidiary	–	15	–	**15**
Santam BEE costs	–	–	(71)	**(71)**
Amortisation and impairment of intangible assets	(93)	–	–	**(93)**
Income before taxation	**2 185**	**1 258**	**(71)**	**3 372**

5.3 **For the year ended 31 December 2015** (continued)

Insurance activities

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

	Gross written premium[1] R million	Underwriting result[1] R million
Accident and health	371	60
Alternative risk	2 248	20
Crop	840	131
Engineering	1 176	216
Guarantee	149	13
Liability	1 327	234
Miscellaneous	62	11
Motor	10 247	673
Property	7 213	330
Transportation	686	91
Total	**24 319**	**1 779**
Comprising:		
Commercial insurance	12 860	1 231
Personal insurance	9 211	528
Alternative risk	2 248	20
Total	**24 319**	**1 779**

[1] *The following reclassifications between insurance classes were made as a result of more granular information becoming available: a decrease of R282 million in gross written premium for commercial lines and a corresponding increase of R282 million in gross written premium for personal lines.*

Investment activities

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

5.4 **Geographical analysis**

	Gross written premium		
	30 June 2016 R million	30 June 2015 R million	31 Dec 2015 R million
South Africa[1]	**10 885**	10 308	21 909
Rest of Africa[2]	**986**	775	1 973
Southeast Asia, India, Middle East and China[3]	**277**	187	437
Group total	**12 148**	**11 270**	**24 319**

	Non-current assets		
	30 June 2016 R million	30 June 2015 R million	31 Dec 2015 R million
South Africa	**1 071**	1 414	1 000
Rest of Africa	**1 822**	405	441
Southeast Asia, India, Middle East and China	**684**	621	733
Group total	**3 577**	**2 440**	**2 174**

[1] *Includes gross written premium managed by specialist business and Santam Re.*
[2] *Includes gross written premium relating to Namibia of R565 million (June 2015: R512 million; Dec 2015: R1 056 million).*
[3] *Includes gross written premium relating to China of R53 million (June 2015: R57 million; Dec 2015: R140 million).*

	Reviewed at 30 June 2016 R million	Reviewed at 30 June 2015 R million	Audited at 31 Dec 2015 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	**15 686**	13 887	14 734
Loans and receivables	**3 322**	2 720	3 449
Total financial assets	**19 008**	16 607	18 183

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 2015. 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 level 2 instruments is predominantly determined using discounted cash flow models based on market observable input.
- **Level 3:** Input for the asset or liability that is not based on observable data (that is, unobservable input).

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

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.

30 June 2016

Financial assets at fair value through income	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	1 719	–	–	**1 719**
Unitised funds	–	113	–	**113**
Irredeemable preference shares	1	–	–	**1**
Unquoted	–	–	955	**955**
Total equity securities	**1 720**	**113**	**955**	**2 788**
Debt securities				
Quoted				
Government and other bonds	1 821	1 039	27	**2 887**
Collateralised securities	–	140	–	**140**
Redeemable preference shares	–	220	–	**220**
Money market instruments more than one year	–	2 450	30	**2 480**
Equity-linked notes	–	264	–	**264**
Unquoted				
Government and other bonds	–	135	–	**135**
Collateralised securities	–	10	–	**10**
Money market instruments more than one year	–	4 612	33	**4 645**
Redeemable preference shares	–	101	29	**130**
Total debt securities	**1 821**	**8 971**	**119**	**10 911**
Derivative instruments				
Fence structure	–	–	6	**6**
Total derivative instruments	**–**	**–**	**6**	**6**
Short-term money market instruments	**–**	**1 981**	**–**	**1 981**
Total financial assets at fair value through income	**3 541**	**11 065**	**1 080**	**15 686**

6. Financial assets and liabilities (continued)

Financial liabilities at fair value through income	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	2 053	–	–	2 053
Investment contracts	–	84	–	84
Derivative instruments				
Interest rate swaps	–	–	1	1
Exchange traded futures	–	9	–	9
Total derivative instruments	–	9	1	10
Total financial liabilities at fair value through income	2 053	93	1	2 147

30 June 2015

Financial assets at fair value through income	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 more than one year	–	1 327	–	1 327
Unquoted				
Government and other bonds	–	65	–	65
Money market instruments more than one 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
Fence structure	–	–	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

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

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

31 December 2015

Financial assets at fair value through income	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	1 643	–	–	1 643
Unitised funds	–	66	–	66
Irredeemable preference shares	2	–	–	2
Unquoted	–	–	1 019	1 019
Total equity securities	1 645	66	1 019	2 730
Debt securities				
Quoted				
Government and other bonds	1 378	1 122	36	2 536
Collateralised securities	–	190	–	190
Redeemable preference shares	–	214	–	214
Money market instruments more than one year	–	1 799	–	1 799
Unquoted				
Government and other bonds	–	132	–	132
Money market instruments more than one year	–	4 459	–	4 459
Redeemable preference shares	–	101	29	130
Equity-linked notes	–	261	–	261
Total debt securities	1 378	8 278	65	9 721
Derivative instruments				
Exchange traded futures	–	2	–	2
Total derivative instruments	–	2	–	2
Short-term money market instruments	–	2 237	44	2 281
Total financial assets at fair value through income	3 023	10 583	1 128	14 734

Financial liabilities at fair value through income	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	998	–	–	998
Investment contracts	–	70	–	70
Derivative instruments				
Interest rate swaps	–	–	1	1
Total derivative instruments	–	–	1	1
Total financial liabilities at fair value through income	998	70	1	1 069

The following tables present the changes in level 3 instruments:

30 June 2016	Equity securities R million	Debt securities R million	Short-term money market instruments R million	Derivatives R million	Total R million
Opening balance	1 019	65	44	(1)	1 127
Acquisitions	48	–	–	–	48
Capital distributions	(2)	–	–	–	(2)
Transfers between asset classes	–	44	(44)	–	–
(Losses)/gains recognised in profit or loss	(110)	10	–	6	(94)
Closing balance	955	119	–	5	1 079

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

30 June 2015	Equity securities R million	Debt securities 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)**
Transfers between asset classes	–	(15)	15	–	**–**
Gains recognised in profit or loss	14	9	3	10	**36**
Closing balance	**880**	**64**	**46**	**10**	**1 000**

31 December 2015	Equity securities R million	Debt securities R million	Short–term money market instruments R million	Derivatives R million	Total R million
Opening balance	820	56	38	–	**914**
Acquisitions	51	–	1	–	**52**
Disposals/settlements	(5)	–	(2)	–	**(7)**
Transfers between asset classes	–	(4)	4	–	**–**
Gains/(losses) recognised in profit or loss	153	13	3	(1)	**168**
Closing balance	**1 019**	**65**	**44**	**(1)**	**1 127**

The investments in Cardrow Insurance Ltd (Cardrow) and Beech Hill Insurance Ltd (Beech Hill) are classified as held for sale (refer to note 8). The investment in Cardrow had an opening balance of R390 million (June 2015: R308 million; Dec 2015: R308 million) with exchange losses of R14 million (June 2015: gains of R18 million; Dec 2015: gains of R82 million) and fair value losses of R376 million (June 2015: Rnil; Dec 2015: Rnil) during the period. The closing balance at 30 June 2016 amounted to Rnil (June 2015: R326 million; Dec 2015: R390 million). The investment in Beech Hill had an opening balance of R151 million (June 2015: R120 million; Dec 2015: R120 million) with exchange losses of R21 million (June 2015: gains of R6 million; Dec 2015: gains of R31 million) and fair value losses of R5 million (June 2015: Rnil; Dec 2015: Rnil) during the period. The closing balance at 30 June 2016 amounted to R125 million (June 2015: R126 million; Dec 2015: R151 million).

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam Emerging Markets (Pty) Ltd (SEM). Of the R110 million loss (June 2015: R14 million gain; Dec 2015: R153 million gain) recognised on equity securities, R110 million (June 2015: R13 million; Dec 2015: R152 million) relates to the SEM target shares, of which R39 million (June 2015: R34 million; Dec 2015: R105 million) relates to foreign exchange losses (June 2015: losses; Dec 2015: gains), and R71 million (June 2015: R47 million; Dec 2015: R47 million) to a decrease (June 2015: increase; Dec 2015: increase) in fair value. Key drivers of the decrease in fair value were:

- A downward adjustment to the value of the Pacific & Orient Insurance Co. Berhad (P&O) business in Malaysia of R37 million due to lower premium growth. There is a significant focus on expanding the current product offering.
- A reduction in the value of the investment in Soras Assurance Generales Ltd (Soras) in Rwanda of R46 million following financial irregularities identified during this period relating to prior years. Corrective measures were taken to address these irregularities.

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 expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares would decrease by R108 million (June 2015: R98 million; Dec 2015: R114 million) or increase by R159 million (June 2015: R149 million; Dec 2015: R172 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R68 million (June 2015: R68 million; Dec 2015: R73 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 R72 million (June 2015: R68 million; Dec 2015: R79 million) or decrease by R73 million (June 2015: R67 million; Dec 2015: R78 million), respectively.

The debt securities and short-term money market instruments classified as level 3 predominantly consist of African Bank Investments Ltd and African Bank Ltd instruments. These instruments are valued at the closing market price as listed on the JSE.

The interest rate derivatives represent the fair value of interest rate swaps effected on a total of R100 million (June 2015: R100 million; Dec 2015: R100 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable notes. 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 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.

During April 2016, the company issued additional unsecured subordinated callable notes to the value of R1 billion in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes amounted to 9.69%, representing the 3-month JIBAR plus 245 basis points at the time of the issue, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have a call date of 12 April 2021, and the fixed rate notes a call date of 12 April 2023.

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.

In February 2015, a zero cost fence structure was entered into based on the SWIX 40, providing 10% downside protection from the implementation level of 10 443, with upside participation (excluding dividends) of 10.9%. The structure matured on 17 December 2015 and was not renewed. In May 2016, a zero cost fence structure was entered into based on the SWIX 40, providing 10% downside protection from the implementation level of 10 621, with upside participation (excluding dividends) of 10.3%. The structure will mature on 15 December 2016.

		Reviewed at 30 June 2016 R million	Reviewed at 30 June 2015 R million	Audited at 31 Dec 2015 R million
7.	Insurance liabilities and reinsurance assets			
	Gross insurance liabilities			
	Long-term insurance contracts			
	– claims reported and loss adjustment expenses	8	13	6
	– claims incurred but not reported	30	24	30
	General insurance contracts			
	– claims reported and loss adjustment expenses	6 972	6 612	6 273
	– claims incurred but not reported	1 762	1 535	1 567
	– unearned premiums	4 228	3 793	4 788
	Total gross insurance liabilities	13 000	11 977	12 664
	Non-current liabilities	1 423	1 543	1 525
	Current liabilities	11 577	10 434	11 139

	Reviewed at 30 June 2016 R million	Reviewed at 30 June 2015 R million	Audited at 31 Dec 2015 R million
7. Insurance liabilities and reinsurance assets (continued)			
Recoverable from reinsurers			
Long-term insurance contracts			
– claims reported and loss adjustment expenses	4	6	3
– claims incurred but not reported	7	5	7
General insurance contracts			
– claims reported and loss adjustment expenses	2 781	2 502	2 220
– claims incurred but not reported	289	243	272
– unearned premiums	1 036	972	1 176
Total reinsurers' share of insurance liabilities	4 117	3 728	3 678
Non-current assets	164	179	164
Current assets	3 953	3 549	3 514
Net insurance liabilities			
Long-term insurance contracts			
– claims reported and loss adjustment expenses	4	7	3
– claims incurred but not reported	23	19	23
General insurance contracts			
– claims reported and loss adjustment expenses	4 191	4 110	4 053
– claims incurred but not reported	1 473	1 292	1 295
– unearned premiums	3 192	2 821	3 612
Total net insurance liabilities	8 883	8 249	8 986

8. Non-current assets held for sale

Santam Ltd initially set up the Santam International group in 2002 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.

The deferred conditional rights relating to Cardrow were realised during the first half of 2016 when it paid a dividend of R394 million. Beech Hill was still recognised as held for sale in the group as at 30 June 2016. It is expected that these deferred conditional rights will also be realised before the end of 2016.

Once the assets have been realised in full, management will commence a process to unwind the Santam International group. The completion of the unwinding process is subject to regulatory approval.

	Reviewed at 30 June 2016 R million	Reviewed at 30 June 2015 R million	Audited at 31 Dec 2015 R million
Assets that are classified as held for sale			
Financial assets at fair value through income			
Equity securities	–	326	390
Loans and receivables including insurance receivables	125	126	151
Investment in associates	–	225	–
	125	677	541

	Reviewed Six months ended 30 June 2016 R million	Reviewed Six months ended 30 June 2015 R million	Audited Year ended 31 Dec 2015 R million
9. Investment income and net (losses)/gains on financial assets and liabilities			
Investment income	441	502	1 210
Dividend income	36	74	119
Interest income	451	366	729
Foreign exchange differences	(46)	62	362
Net (losses)/gains on financial assets and liabilities at fair value through income	101	265	235
Net realised gains on financial assets	27	505	1 010
Net fair value gains/(losses) on financial assets designated as at fair value through income	98	(264)	(850)
Net realised/fair value (losses)/gains on derivative instruments	(5)	9	43
Net fair value gains on short-term money market instruments	12	8	7
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	(31)	7	25
Net fair value (losses)/gains on debt securities	(31)	7	25
Investment income and net losses on financial assets held for sale*	13	–	–
Dividend income	394	–	–
Net fair value losses	(381)	–	–
	555	767	1 445

* *Dividend income for the group includes a dividend of R394 million resulting from the realisation of the value in the non-current assets held for sale. This resulted in the net fair value of the related investment being reduced by R381 million.*

	Reviewed Six months ended 30 June 2016 R million	Reviewed Six months ended 30 June 2015 R million	Audited Year ended 31 Dec 2015 R million
10. Income tax			
Normal taxation			
Current period	228	376	1 077
Prior period	–	14	24
Recovered from cell owners	(54)	(39)	(67)
Foreign taxation – current period	33	29	57
Total income taxation for the period	207	380	1 091
Deferred taxation			
Current period	129	22	(170)
Prior period	–	(12)	(13)
Recovered from cell owners	–	–	–
Total deferred taxation for the period	129	10	(183)
Total taxation as per statement of comprehensive income	336	390	908
Reconciliation of taxation rate (%)			
Normal South African taxation rate	28.0	28.0	28.0
Adjusted for:			
Disallowable expenses	0.6	1.4	0.7
Foreign tax differential	0.5	0.4	0.2
Exempt income	(1.5)	(1.6)	(1.2)
Investment results	0.1	(1.4)	(0.9)
Change in CGT inclusion rate*	4.1	–	–
Income from associates	(1.3)	(0.9)	(1.0)
Previous periods' underprovision	–	0.1	0.3
Other permanent differences	0.1	0.8	0.7
Other taxes	–	–	0.1
Net increase/(reduction)	2.6	(1.2)	(1.1)
Effective rate (%)	30.6	26.8	26.9

* *The increase in the CGT inclusion rate resulted in an increase in the deferred tax provision on fair value movements of R45 million.*

11. Corporate transactions

2016

Acquisitions

Saham Finances

The transaction to acquire a 30% shareholding in Saham Finances, together with SEM, announced in November 2015, was finalised during the first quarter of 2016. The acquisition was structured through a special purpose vehicle held jointly by SEM (75%) and Santam (25%) for a total cash consideration of US$400 million. Santam's share of the purchase consideration, amounting to US$100 million, was funded from internal cash resources. Santam acquired sufficient foreign currency in addition to existing dollar assets to cover the purchase consideration before the transaction was concluded in November 2015. A cash flow hedge was implemented on 24 November 2015 to cover Santam's foreign currency exposure by designating these US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R140 million (June 2015: Rnil; Dec 2015: R134 million) recognised on the designated cash balances since implementation date were not recognised in the statement of comprehensive income, but were accounted for as part of the investment in Saham Finances. Therefore, the cost price of the investment, net of the cash flow hedge impact, was R1 412 million.

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

During March 2016, Santam purchased 49% of PST for R55 million in cash.

2015

Disposals

Indwe Broker Holdings Group (Pty) Ltd

On 31 December 2015, Santam Ltd, as well as Swanvest 120 (Pty) Ltd, Main Street 409 (Pty) Ltd and Thebe Risk Services Holdings (Pty) Ltd (all wholly-owned subsidiaries of Santam Ltd) sold 26.34%, 13.82%, 16.8% and 19.04% respectively of their shareholding in Indwe Broker Holdings Group (Pty) Ltd to Sanlam Life Insurance Ltd (25%) and African Rainbow Capital (Pty) Ltd (51%) for R208 million in total. The net profit realised was R15 million and capital gains tax of R5 million was recognised. The remaining 24%, held by Swanvest 120 (Pty) Ltd, was classified as a joint venture and remeasured to fair value, resulting in a gain of R3 million (included in the profit on sale).

	R million
Details of the assets and liabilities disposed of are as follows:	
Property and equipment	23
Intangible assets	223
Deferred taxation	5
Loans and receivables	6
Cash and cash equivalents	183
Provisions for other liabilities and charges	(1)
Trade and other payables	(170)
Current income tax liabilities	(10)
Net asset value disposed of	**259**
Profit on sale	15
Less: Fair value of remaining investment	(66)
Less: Purchase price receivable	(208)
Purchase consideration received	**–**

The purchase consideration was received in 2016.

Credit Guarantee Insurance Corporation of Africa Ltd

On 9 October 2015, Santam Ltd sold its 33.6% shareholding in Credit Guarantee Insurance Corporation of Africa Ltd for R602 million. The net profit realised was R392 million and capital gains tax of R91 million was recognised.

Censeo (Pty) Ltd

On 31 May 2015, Swanvest 120 (Pty) 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 million was recognised.

	Reviewed at 30 June 2016 R million	Reviewed at 30 June 2015 R million	Audited at 31 Dec 2015 R million
Goodwill reconciliation			
Opening balance	598	833	833
Impairment	(1)	(30)	(47)
Disposal of subsidiary	–	–	(188)
Closing balance	597	803	598

		Reviewed Six months ended 30 June 2016	Reviewed Six months ended 30 June 2015	Audited Year ended 31 Dec 2015
12.	**Earnings per share**			
	Basic earnings per share			
	Profit attributable to the company's equity holders (R million)	697	995	2 348
	Weighted average number of ordinary shares in issue (million)	110.19	114.31	112.34
	Earnings per share (cents)	633	870	2 090
	Diluted earnings per share			
	Profit attributable to the company's equity holders (R million)	697	995	2 348
	Weighted average number of ordinary shares in issue (million)	110.19	114.31	112.34
	Adjusted for share options	1.04	0.65	1.38
	Weighted average number of ordinary shares for diluted earnings per share (million)	111.23	114.96	113.72
	Diluted basic earning per share (cents)	627	865	2 065
	Headline earnings per share			
	Profit attributable to the company's equity holders (R million)	697	995	2 348
	Adjusted for:			
	Impairment of goodwill and other intangible assets	1	36	52
	Profit on sale of subsidiary	–	–	(15)
	Tax charge on profit on sale of subsidiary	–	–	5
	Profit on sale of associated companies	–	(21)	(413)
	Tax charge on profit on sale of associated companies	–	4	95
	Headline earnings (R million)	698	1 014	2 072
	Weighted average number of ordinary shares in issue (million)	110.19	114.31	112.34
	Headline earnings per share (cents)	633	887	1 844
	Diluted headline earnings per share			
	Headline earnings (R million)	698	1 014	2 072
	Weighted average number of ordinary shares for diluted headline earnings per share (million)	111.23	114.96	113.72
	Diluted headline earnings per share (cents)	628	882	1 822
13.	**Dividend per share**			
	Dividend per share (cents)	311	288	816
	Special dividend per share (cents)	800	–	–

NOTES TO THE INTERIM FINANCIAL STATEMENTS

14. Broad-based black economic empowerment (BBBEE)

In May 2007, Central Plaza Investments 112 (Pty) Ltd acquired 10% of Santam's shares with the following beneficiaries:

- Emthunzini Black Economic Empowerment Staff Trust
- Emthunzini Black Economic Empowerment Business Partners Trust
- Emthunzini Broad-based Black Economic Empowerment Community Trust

The scheme matured in February 2015. Of the shares held by Central Plaza Investments 112 (Pty) Ltd, Santam repurchased 38% of the shares (4 215 000 shares at a price of R190 per share for a total consideration of R801 million) and 24% were sold in the market through a successful bookbuild during the unwinding process, and the balance distributed to participants.

The consequent distribution of Santam shares and cash valued at R1.1 billion to the beneficiaries started in September 2015 with R530 million allocated to close to 2 400 Santam and Sanlam employees. Santam shares and cash to the value of R330 million were distributed to 68 black business partners, while the Emthunzini Community Trust received Santam shares and cash to the value of R275 million. The unwinding of the scheme had a minimal impact on Santam's black ownership status.

The Emthunzini Black Economic Empowerment Staff Trust is also under the control of Santam Ltd since the unwinding of Central Plaza and is therefore consolidated as at 31 December 2015. The net impact of the inclusion of the staff trust at 31 December 2015 was an increase in cash of R132 million, the recognition of the capital contribution reserve of R9 million and an increase of 684 482 in treasury shares.

15. Events after the reporting period

Santam and the shareholders of RMB-SI Investments Proprietary Limited (RMB-SI) have reached an agreement in terms of which Santam will acquire 100% of the issued share capital of RMB-SI. RMB-SI has over the years pioneered an innovative specialist insurance structuring business, offering its partners and clients individually designed and innovative insurance solutions. RMB-SI's 22.4% interest in Truffle Capital Proprietary Limited (Truffle) is excluded from the scope of the transaction. The transaction is still subject to regulatory approvals by the Financial Services Board and the competition authorities in South Africa, as well as the relevant regulatory authorities in Mauritius and Ireland.

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


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