

REVIEWED
INTERIM REPORT

FOR THE SIX MONTHS
ENDED 30 JUNE 2017



TABLE OF CONTENTS

1	SALIENT FEATURES
2	FINANCIAL REVIEW
6	INDEPENDENT AUDITOR'S REVIEW REPORT
7	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
8	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
9	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
10	CONSOLIDATED STATEMENT OF CASH FLOWS
11	NOTES TO THE INTERIM FINANCIAL STATEMENTS

Gross written premium growth of 14%

**Conventional insurance
gross written premium
growth 12%**

**Conventional insurance
underwriting margin
4.2%**

**Return on shareholders'
funds 20.4%**

**Normalised capital
coverage ratio 151%**

**Headline earnings per
share decreased by 6%**

**Earnings per share
increased by 8%**

Interim dividend of 336 cents per share, up 8%

FINANCIAL REVIEW

The Santam group reported excellent growth of 14%, but lower underwriting results, for the six-month period to 30 June 2017.

The group has revised the presentation of its insurance results in the following segments:

- Conventional insurance business written on insurance licences controlled by the group;
- Alternative Risk Transfer insurance business written on insurance licences controlled by the group; and
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses (including Saham Finances).

The group's conventional insurance book achieved excellent gross written premium growth of 12% and a net underwriting margin of 4.2% (2016: 6.4%), which was at the bottom end of the group's target range of 4% to 8%. The alternative risk transfer insurance segment grew by 28% following the acquisition of RMB Structured Insurance (rebranded to Santam Structured Insurance) and achieved solid operating results. The SEM general insurance businesses delivered improved operating results.

Investment income, inclusive of fair value movements on financial assets and liabilities, of R918 million was significantly higher than the R555 million reported in the comparative period in 2016. The increase was mainly due to foreign currency gains on the winding up of Santam International, increased interest income following the growth in interest-bearing assets, and the positive fair value adjustments on the listed and unlisted investment portfolios.

The lower underwriting profit compared to 2016 was the key driver of the 6% drop in headline earnings per share. An annualised return on capital of 20.4% was achieved. The normalised economic capital coverage ratio was 151% – close to the mid-point of the target range of 130% to 170%.

CONVENTIONAL INSURANCE

The conventional insurance business reported a net underwriting margin of 4.2% compared to the 6.4% reported in 2016. The current period margin was impacted by significant catastrophe claims, as well as several large commercial fire claims, while excellent gross premium growth of 12% (2016: 6%) was achieved, including a book acquisition, which contributed growth of 1.4%. The focus on international diversification continued to reflect positively on growth with gross written premium from outside of South Africa written on the Santam Ltd licence increasing by 21% to R1 554 million (2016: R1 288 million).

The property class reported growth of 11% on the back of solid growth in the corporate property business in addition to the acquisition of a new block of commercial business. The motor class grew by 12%, which benefitted from 15% growth reported by MiWay (gross written premium of R1 148 million; 2016: R1 003 million), and strong growth in the commercial and personal lines intermediated business.

The liability class reported an increase in gross written premiums of 16% as it was positively impacted by growth in the specialist, commercial and reinsurance businesses. Engineering also reported double-digit growth of 11%, despite continued economic pressure negatively impacting construction projects. Growth in business from outside South Africa contributed to this result.

The accident and health class reported growth of 41%, mainly driven by growth in Santam Re as well as the travel insurance business.

On 6 June 2017, and through to 8 June 2017, a severe storm hit the Western Cape that resulted in extensive property damage in Cape Town and environs, and a devastating fire-storm in the Southern Cape (including large parts of Knysna, Brenton-on-Sea, and parts of Plettenberg Bay) destroyed a large number of properties in its wake. Nearly 10 000 people were evacuated and seven people died. Over 1 000 firefighters eventually brought the fires under control. The total insured damage has been estimated at around R3 billion, with economic losses (taking uninsured property into account) at significantly higher levels.

This was by far the worst catastrophe event in South African insurance history, with Santam client claims totalling around R800 million, of which R72 million related to the Cape Town property damage. The impact on the group's net underwriting results, including reinsurance reinstatement premiums, was R234 million. The net underwriting margin, excluding the impact of this catastrophe event, was 6.4%. It was also the most severe wildfire in South African history since the so-called 'Great Fire of 1869', which, incidentally, burnt a similar region of the Southern Cape. Experts have concluded that the extreme wind, severe drought conditions, coupled with the extremely hot ambient conditions conspired to create this extraordinary event.

It is during such times of extreme loss and hardship that the real value of insurance comes to the fore. Santam's claims team responded almost immediately and set up a temporary fit-for-purpose office in Knysna, which sent out mobile assessment vehicles, and was available on the ground to help clients through the myriad of practical challenges that arise after such a devastating event.

It is Santam's view that it was the same weather system that caused the strong winds and damage in Cape Town that caused the rapid spreading and development of the extreme bush fires along the Knysna coast. The original cause of the fires, which ignited into vast bush fires as the result of the weather system, is still the subject of various investigations. This uncertainty creates complications in agreeing these losses with our reinsurance markets as one event or two events, but it remains Santam's view that these losses are to be treated as one event. Despite our view, given the uncertainty around this event, we have accounted for the losses as two events in these financial results.

In addition to the catastrophe events, the underwriting performance of the commercial and corporate property class came under pressure after an increase in large property claims this year. During tough economic times claims often arise as maintenance and safety standards are compromised, public service delivery falters, and fraud and arson, which are often difficult to prove, increase. While the drivers are not necessarily the same, it is notable that Santam's Property result also suffered when South Africa went through tough economic times from 2008 to 2009. This challenge is receiving strategic focus by expanding capacity in the areas of risk management and surveying, implementing premium rate increases, reducing exposure to certain types of risk, and increasing the level of risk sharing and risk management in collaboration with clients.

The motor class reported strong underwriting performance in both the intermediated and direct distribution channels. MiWay reported excellent results following an improvement in the claims ratio to 55.4% (2016: 63.1%) as it was positively impacted by disciplined underwriting. The business contributed an underwriting profit of R179 million (2016: R72 million).

The engineering class of business achieved good underwriting results with limited claims activity during this period. The liability class was impacted by a number of large claims, but maintained good underwriting results, although these were lower than the excellent results reported in 2016. The crop insurance business achieved excellent results of R131 million (2016: R8 million), due to the low incidence of hail-related and drought claims during this period.

Santam Re delivered satisfactory results on third-party business, despite the impact of the catastrophe events on the South African book of business.

The group entered into a new reinsurance arrangement to provide sideways cover against multiple catastrophe events, which replaced the previous programme. In terms of the new arrangement, effective from May 2017, all catastrophe events that exceed R10 million (previously R50 million) and capped at R100 million are aggregated under this agreement. A deductible aggregate of R300 million (previously R100 million) applies. The total amount that can be claimed is R135 million (previously R100 million). There were no other significant changes to the group's reinsurance programme.

The net acquisition cost ratio of 27.5% decreased from 28.9% in 2016. The management expense ratio decreased from 16% in 2016 to 15.1% in 2017, after being positively impacted by a continued focus on improved efficiencies, timing differences relating to marketing and IT spend as well as lower incentive cost due to the reduced underwriting performance in 2017.

Strategic project costs, included as part of management expenses, amounted to 0.8% of net earned premium (2016: 0.6%). 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 being managed on the new platform. The migration process for commercial business products is underway. Santam will maintain its focus on cost efficiencies to improve the management expense ratio over the medium term.

The net commission ratio was 12.4% (2016: 12.9%), positively impacted by the growth in MiWay, where limited commission expenses are incurred, as well as lower commission ratios on specialist business lines.

The investment return on insurance funds increased to R296 million (2016: R268 million), supported by higher average insurance funds for the period, as well as the good investment performance of the investment portfolios backing the insurance funds.

ALTERNATIVE RISK TRANSFER INSURANCE (ART)

Alternative risk transfer business consists of the risk finance, affinity, underwriting management and structuring businesses of Centriq Insurance and the newly acquired Santam Structured Insurance. During March 2017, the Santam group acquired a shareholding of 100%, with an economic interest of 90%, in RMB Structured Insurance (rebranded as Santam Structured Insurance) for R193 million in cash.

The ART business reported growth of 28% with gross written premium of R1 710 million (2016: R1 334 million). Centriq reported no gross written premium growth due to refunds of risk finance premiums. This was set off by the acquisition of the Santam Structured Insurance book of business. The ART business reported acceptable operating results before tax of R35 million (2016: R41 million).

SANLAM EMERGING MARKETS (SEM) GENERAL INSURANCE BUSINESSES (INCLUDING SAHAM FINANCES HELD THROUGH SAN JV)

The emerging markets general insurance business portfolio includes investments in the Saham Finances Group in Morocco (with subsidiaries in 26 countries in Africa and the Middle East), Pacific & Orient Insurance Co. Bhd. (P&O) in Malaysia, Shriram General Insurance Company Ltd (SGI) in India and a further 13 general insurance businesses throughout Africa, excluding South Africa and Namibia, which are held in conjunction with SEM.

Santam's share of the gross written premium of these businesses increased by 43% to R1 257 million (2016: R880 million) following the inclusion of the Saham Finances results for the full six-month period (2016: four months), the additional investment in SGI during the second half of 2016, and the good growth achieved across the businesses in the portfolio, with the exception of P&O. Saham Finances achieved growth in gross written premium of 8% on a comparative basis.

FINANCIAL REVIEW

Santam's share of the net insurance result of these businesses increased to R101 million compared to R76 million in 2016. The portfolio of businesses achieved a net insurance margin of 11.6% compared to the 12.8% reported in 2016. The performance of Saham Finances and SGI were in line with the business plans; however, P&O continues to experience negative growth in competitive market conditions while maintaining an acceptable underwriting margin.

The Sanlam Group entered into an agreement in June 2017 to dispose of its various interests in the Enterprise Group in Ghana. In terms of the co-investment arrangement with SEM, Santam, which has an economic interest of 14% in Enterprise Insurance Company (EIC), will also dispose of its interest in Enterprise Insurance Company Ltd for R106 million.

Effective 10 May 2017, SEM and Santam, through SAN JV, acquired a further 16.6% interest in Saham Finances via a subscription for new shares for US\$351 million (R4.8 billion). Santam's share of the purchase price, including transaction costs, was US\$11 million (R152 million). Santam's ability to participate in the transaction was limited due to the size of the investment already held by Santam in SAN JV. The investment in SAN JV comprised 20.4% of Santam's shareholder funds at 30 June 2017 (December 2016: 17.5%) making it the largest strategic investment held by Santam. Santam's interest in SAN JV therefore diluted to 15% (previously 25%). The dilution of Santam's interest in SAN JV did not affect any of its existing shareholder rights.

INVESTMENT RESULTS

Listed equities achieved a return of 3.9% for the six months to June 2017, thereby outperforming the SWIX benchmark of 3.3%. The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The interest portfolios comfortably exceeded their STeFI-related benchmarks.

Positive fair value movements (excluding the impact of currency movements) of R104 million (2016: negative movement of R71 million) in Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia contributed to the improved investment performance.

Net earnings from associated companies of R54 million increased from the R45 million reported in 2016. SAN JV (Saham Finances) contributed equity-accounted earnings of R26 million (2016: R29 million).

During June 2017, the company successfully issued additional unsecured subordinated debt to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007, which is callable in September 2017.

PROSPECTS

Trading conditions remain very competitive in a low-growth economic environment. Real annual GDP contracted by 0.7% in the first quarter following a contraction in the economy in the fourth quarter of 2016, which resulted in a technical recession. Inflation (average CPI) of 5.1% was reported at the end of the second quarter. The repo rate was lowered by 25 basis points in July 2017 following the 75 basis points increase in 2016. The decrease in the repo rate will marginally impact interest income for the group.

In April 2017, Standard & Poor's (S&P) decreased Santam's international counterparty credit and insurance financial strength rating from BBB to BBB-, in line with their local currency sovereign rating on South Africa (BBB-, negative). On a national scale basis, Santam's counterparty credit rating remained unchanged at zaAAA following the recalibration of South Africa's National scale ratings by S&P on 3 August 2017.

The group's focus remains on growing profitably in South Africa and to increase its international diversification through the Santam Specialist Business and Santam Re. International diversification is supported by close collaboration with the SEM general insurance businesses, which utilises the extensive emerging markets footprint to source new business opportunities. Santam continues to focus strategically on supporting the development of the SEM general insurance businesses by allocating appropriate technical resources. In South Africa, continued focus is placed on the development of Santam's full multichannel capability.

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. Continued high volatility is expected on interest-bearing instruments. The increased exposure to non-rand-denominated business further increases foreign exchange volatility for the group.

The group economic capital requirement at 30 June 2017, based on the Santam internal model, amounted to R5.9 billion. The normalised economic capital coverage ratio, assuming a sub-debt of R2 billion, was 151%, which was close to the mid-point of the target range of 130% to 170%.

We remain committed to efficient capital management.

EVENTS AFTER THE REPORTING PERIOD

The group entered into a zero-cost collar on 31 July 2017 over R1.2 billion of listed equity investments, and locked in an investment return of 10.5% for the year to date, with further upside participation (excluding dividends) of 2.2%. The structure matures on 21 December 2017.

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

DECLARATION OF ORDINARY DIVIDEND (NUMBER 127)

Notice is hereby given that the board has declared a gross interim dividend of 336 cents per share (2016: 311 cents per share).

Shareholders are advised that the last day to trade "cum dividend" will be Tuesday, 19 September 2017. The shares will trade "ex dividend" from the commencement of business on Wednesday, 20 September 2017. The record date will be Friday, 22 September 2017, and the payment date will be Tuesday, 26 September 2017. Certificated shareholders may not dematerialise or rematerialise their shares between Wednesday, 20 September 2017 and Friday, 22 September 2017, both dates inclusive.

The interim 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 20%, is therefore 336 cents per share. A net interim dividend of 268.80 cents per share will apply to shareholders liable for dividends tax at a rate of 20%, and 336 cents per share for shareholders that qualify for complete exemption therefrom. The issued ordinary share capital as at 30 August 2017 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 period.

PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

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



GG Gelink

Chairman



L Lambrechts

Chief executive officer

30 August 2017

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 2017 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 2017 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

Director: Zuhdi Abrahams

Registered auditor

Cape Town

30 August 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed at 30 June 2017 R million	Reviewed at 30 June 2016 R million	Audited at 31 Dec 2016 R million
ASSETS				
Non-current assets				
Property and equipment		125	96	106
Intangible assets		860	837	885
Deferred income tax		63	124	105
Investment in associates and joint ventures		1 782	1 702	1 536
Financial assets at fair value through income				
Equity securities	6	4 633	2 788	2 581
Debt securities	6	12 796	10 911	10 849
Reinsurance assets	7	279	164	140
Deposit with cell owner		141	231	163
Total non-current assets		20 679	16 853	16 365
Current assets				
Cell owners' and policyholders' interest		8	4	7
Financial assets at fair value through income				
Equity securities	6	106	-	-
Derivatives	6	6	6	1
Short-term money market instruments	6	2 665	1 981	1 361
Reinsurance assets	7	5 678	3 953	4 349
Deposit with cell owner		48	61	56
Deferred acquisition costs		425	410	469
Loans and receivables including insurance receivables	6	3 997	3 322	3 754
Income tax assets		33	17	19
Cash and cash equivalents		4 118	2 241	2 887
Non-current assets held for sale	8	-	125	8
Total current assets		17 084	12 120	12 911
Total assets		37 763	28 973	29 276
EQUITY AND LIABILITIES				
Capital and reserves attributable to the company's equity holders				
Share capital		103	103	103
Treasury shares		(463)	(460)	(472)
Other reserves		(113)	240	(41)
Distributable reserves		7 374	7 958	7 286
		6 901	7 841	6 876
Non-controlling interest		475	461	469
Total equity		7 376	8 302	7 345
Non-current liabilities				
Deferred income tax		229	217	101
Financial liabilities at fair value through income				
Debt securities	6	2 021	2 005	2 005
Derivatives	6	-	1	-
Cell owners' and policyholders' interest		1 206	1 060	1 153
Insurance liabilities	7	1 701	1 423	1 312
Reinsurance liability relating to cell owners		141	231	163
Total non-current liabilities		5 298	4 937	4 734
Current liabilities				
Financial liabilities at fair value through income				
Debt securities	6	1 047	48	48
Investment contracts	6	1 639	84	101
Derivatives	6	-	9	-
Financial liabilities at amortised cost				
Collateral guarantee contracts	6	134	104	123
Cell owners' and policyholders' interest		1 779	-	-
Insurance liabilities	7	15 917	11 577	12 284
Reinsurance liability relating to cell owners		48	61	56
Deferred reinsurance acquisition revenue		214	183	273
Provisions for other liabilities and charges		98	83	71
Trade and other payables including insurance payables	6	4 132	3 407	4 093
Current income tax liabilities		81	178	148
Total current liabilities		25 089	15 734	17 197
Total liabilities		30 387	20 671	21 931
Total shareholders' equity and liabilities		37 763	28 973	29 276

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Reviewed Six months ended 30 June 2017 R million	Reviewed Six months ended 30 June 2016 R million	Change	Audited Year ended 31 Dec 2016 R million
Gross written premium		13 795	12 148	14%	25 909
Less: reinsurance written premium		3 709	2 914		6 137
Net written premium		10 086	9 234	9%	19 772
Less: change in unearned premium					
Gross amount		(257)	(532)		137
Reinsurers' share		(208)	66		(191)
Net insurance premium revenue		10 551	9 700	9%	19 826
Investment income	9	590	441	34%	777
Income from reinsurance contracts ceded		698	629		1 337
Net gains/(losses) on financial assets and liabilities at fair value through income	9	153	101		42
Investment income and fair value losses on financial assets held for sale	9	175	13		13
Other income		64	-		-
Net income		12 231	10 884	12%	21 995
Insurance claims and loss adjustment expenses		10 700	8 488		17 100
Insurance claims and loss adjustment expenses recovered from reinsurers		(3 448)	(2 199)		(4 189)
Net insurance benefits and claims		7 252	6 289	15%	12 911
Expenses for the acquisition of insurance contracts		1 952	1 846		3 716
Expenses for marketing and administration		1 674	1 571		3 247
Expenses for investment-related activities		24	26		70
Amortisation and impairment of intangible assets		37	22		51
Investment return allocated to cell owners and structured insurance products		120	-		-
Total expenses		11 059	9 754	13%	19 995
Results of operating activities		1 172	1 130	4%	2 000
Finance costs		(127)	(77)		(212)
Net income from associates and joint ventures		54	45		67
Profit on sale of associates	11	5	-		-
Gain on dilution of associate	11	18	-		-
Reclassification of foreign currency translation reserve on dilution of associate	11	(90)	-		-
Profit before tax		1 032	1 098	(6%)	1 855
Income tax expense	10	(224)	(336)		(524)
Profit for the period		808	762	6%	1 331
Other comprehensive income, net of tax					
Items that may subsequently be reclassified to income:					
Currency translation differences		(161)	(114)		(197)
Share of associates' currency translation differences		83	(62)		(255)
Hedging reserve movement		5	(134)		(140)
Total comprehensive income for the period		735	452	63%	739
Profit attributable to:					
– equity holders of the company		753	697	8%	1 212
– non-controlling interest		55	65		119
		808	762		1 331
Total comprehensive income attributable to:					
– equity holders of the company		680	387	76%	620
– non-controlling interest		55	65		119
		735	452		739
Earnings attributable to equity shareholders					
Earnings per share (cents)	12				
Basic earnings per share		683	633	8%	1 100
Diluted earnings per share		677	627	8%	1 088
Weighted average number of ordinary shares (millions)		110.26	110.19		110.21
Weighted average number of ordinary shares for diluted earnings per share (millions)		111.28	111.23		111.37

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Total R million	Non- controlling interest R million	Total R million
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million			
Balance as at 1 January 2016	103	(450)	548	7 880	8 081	466	8 547
Profit for the year	-	-	-	1 212	1 212	119	1 331
Other comprehensive income:							
Currency translation differences	-	-	(197)	-	(197)	-	(197)
Share of associates' currency translation differences	-	-	(255)	-	(255)	-	(255)
Hedging reserve movement	-	-	(140)	-	(140)	-	(140)
Total comprehensive income for the year ended 31 December 2016	-	-	(592)	1 212	620	119	739
Issue of treasury shares in terms of share option schemes	-	76	-	(76)	-	-	-
Purchase of treasury shares	-	(98)	-	-	(98)	-	(98)
Transfer to reserves	-	-	3	(3)	-	-	-
Share-based payment costs	-	-	-	79	79	-	79
Dividends paid	-	-	-	(1 806)	(1 806)	(116)	(1 922)
Balance as at 31 December 2016	103	(472)	(41)	7 286	6 876	469	7 345
Profit for the period	-	-	-	753	753	55	808
Other comprehensive income:							
Currency translation differences	-	-	(161)	-	(161)	-	(161)
Share of associates' currency translation differences	-	-	83	-	83	-	83
Hedging reserve movement	-	-	5	-	5	-	5
Total comprehensive income for the period ended 30 June 2017	-	-	(73)	753	680	55	735
Issue of treasury shares in terms of share option schemes	-	74	-	(74)	-	-	-
Purchase of treasury shares	-	(65)	-	-	(65)	-	(65)
Transfer to reserves	-	-	1	(1)	-	-	-
Share-based payment costs	-	-	-	41	41	-	41
Dividends paid	-	-	-	(631)	(631)	(49)	(680)
Balance as at 30 June 2017	103	(463)	(113)	7 374	6 901	475	7 376
Balance as at 1 January 2016	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 associate's 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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed Six months ended 30 June 2017 R million	Reviewed Six months ended 30 June 2016 R million	Audited Year ended 31 Dec 2016 R million
Notes			
Cash flows from operating activities			
Cash generated from operations	1 637	844	2 171
Interest paid	(94)	(50)	(161)
Income tax paid	(210)	(340)	(681)
Net cash from operating activities	1 333	454	1 329
Cash flows from investing activities			
Acquisition of financial assets	(7 774)	(9 505)	(17 594)
Proceeds from sale of financial assets	6 799	8 538	17 764
Settlement of fence	-	-	75
Acquisition of business, net of cash acquired	11 852	-	70
Cash received through sale of subsidiaries	11 -	208	208
Purchases of equipment	(20)	(26)	(60)
Purchases of intangible assets	(12)	(21)	(50)
Proceeds from sale of equipment	1	1	2
Acquisition of associates and joint ventures	11 (152)	(1 467)	(1 467)
Capitalisation of associates	11 (14)	-	(10)
Proceeds from sale of associates	11 23	-	-
Settlement of deferred conditional right relating to non-current assets held for sale	-	-	509
Cash proceeds from unwinding of non-current assets held for sale	8 -	394	-
Net cash used in investing activities	(297)	(1 878)	(553)
Cash flows from financing activities			
Purchase of treasury shares	(65)	(85)	(98)
Proceeds from issue of unsecured subordinated callable notes	1 000	1 000	1 000
Increase in investment contract liabilities	5	7	31
Increase in collateral guarantee contracts	6	-	12
Dividends paid to company's shareholders	(631)	(581)	(1 806)
Dividends paid to non-controlling interest	(49)	(70)	(116)
(Decrease)/increase in cell owners' and policyholders' interest	(38)	120	(114)
Net cash from/(used in) financing activities	228	391	(1 091)
Net increase/(decrease) in cash and cash equivalents	1 264	(1 033)	(315)
Cash and cash equivalents at the beginning of the period	2 887	3 349	3 349
Exchange losses on cash and cash equivalents	(33)	(75)	(147)
Cash and cash equivalents at the end of the period	4 118	2 241	2 887

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 2017:

- Amendment to IAS 7 – Statement of Cash Flows
- Amendment to IAS 12 – Income Taxes

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

Of the standards that are not yet effective, management expects IFRS 9 and IFRS 17 to have an impact on the group. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Based on management's current assessment, the impact is not expected to be material.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. Management is currently busy with a detailed assessment of the impact of this standard.

3. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2016.

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 2016.

There have been no material changes in the risk management policies since 31 December 2016.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5. Segment information

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

The group conducts mainly insurance and investment activities.

Insurance activities:

The group has revised the presentation of its insurance results in the following segments:

- Conventional insurance business written on insurance licences controlled by the group.
- Alternative risk transfer insurance business written on insurance licences controlled by the group.
- Santam's share of the insurance results of the Sanlam Emerging Markets general insurance businesses, including SAN JV (Saham Finances).

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

As noted above, the presentation of insurance activities has been enhanced subsequent to the acquisition of SSI (refer to note 11). The comparative information has been restated to provide the information in the same enhanced format.

Investment activities:

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

Growth is measured for strategic investments based on the gross written premium generated by the underlying businesses. The underwriting and investment return on insurance funds are provided for each of the underlying components included in the insurance segment for consideration by the chief operating decision-maker. With regard to the SEM and SAN JV (Saham Finances) insurance business, this information is considered to be a reallocation of fair value movements recognised on the SEM target shares as well as equity-accounted earnings on the investments in associates and joint ventures. It is also included as reconciling items in order to reconcile to the consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associates 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 and investment performance of the group. Therefore, these costs are disclosed as unallocated activities.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5.1 For the six months ended 30 June 2017

Business activity	Insurance			Total R million
	Conventional R million	Alternative risk R million	Santam's share of SEM R million	
Revenue	12 085	1 710	1 257	15 052
Net earned premium	10 250	301	870	11 421
Net claims incurred	7 003	249	640	7 892
Net commission	1 273	(18)	59	1 314
Management expenses (excluding BEE costs) ²	1 546	76	245	1 867
Underwriting result	428	(6)	(74)	348
Investment return on insurance funds	296	42	175	513
Net insurance result	724	36	101	861
Other income ³	41	22	-	63
Other expenses ³	(42)	(23)	-	(65)
Operating result	723	35	101	859
Reallocation of operating result ¹	-	-	(101)	(101)
Investment income/(losses) net of investment-related fees	-	120	88	208
Investment return allocated to cell owners and structured insurance products	-	(120)	-	(120)
Finance costs	-	-	-	-
Income from associates and joint ventures	-	-	26	26
Gain on dilution of associate	-	-	18	18
Reclassification of foreign currency translation reserve on dilution of associate	-	-	(90)	(90)
Santam BEE costs	-	-	-	-
Amortisation and impairment of intangible assets ²	(18)	-	-	(18)
Income before taxation	705	35	42	782

Business activity (continued)	Investment R million	Total R million	Reconciling and unallocated R million	IFRS Total R million
Revenue	404	15 456	(1 661)	13 795
Net earned premium	-	11 421	(870)	10 551
Net claims incurred	-	7 892	(640)	7 252
Net commission	-	1 314	(59)	1 255
Management expenses (excluding BEE costs) ²	-	1 867	(245)	1 622
Underwriting result	-	348	74	422
Investment return on insurance funds	-	513	(175)	338
Net insurance result	-	861	(101)	760
Other income	-	63	-	63
Other expenses	-	(65)	-	(65)
Operating result	-	859	(101)	758
Reallocation of operating result ¹	-	(101)	101	-
Investment income/(losses) net of investment-related fees	347	555	-	555
Investment return allocated to cell owners and structured insurance products	-	(120)	-	(120)
Finance costs	(127)	(127)	-	(127)
Income from associates and joint ventures	33	59	-	59
Gain on dilution of associate	-	18	-	18
Reclassification of foreign currency translation reserve on dilution of associate	-	(90)	-	(90)
Santam BEE costs	-	-	(3)	(3)
Amortisation and impairment of intangible assets ²	-	(18)	-	(18)
Income before taxation	253	1 035	(3)	1 032

¹ Reconciling items consist of the reallocation of net insurance results relating to the underlying investments SEM and SAN JV (Saham Finances) for management reporting purposes.

² Amortisation of computer software included as part of management expenses.

³ Includes other income and expenses not related to underwriting activities.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5. Segment information (continued)

5.1 For the six months ended 30 June 2017 (continued)

	Gross written premium R million	Underwriting result R million
Insurance activities		
The group's conventional insurance activities are spread over various classes of general insurance.		
Accident and health	232	35
Crop	72	131
Engineering	645	114
Guarantee	77	(3)
Liability	566	93
Miscellaneous	5	2
Motor	5 944	459
Property	4 188	(415)
Transportation	356	12
Total	12 085	428
Comprising:		
Commercial insurance	6 542	247
Personal insurance	5 543	181
Total	12 085	428

	R million
Investment activities	
The group's return on investment-related activities can be analysed as follows:	
Investment income	308
Net gains on financial assets and liabilities at fair value through income	63
Income from associates and joint ventures	33
Investment-related revenue	404
Expenses for investment-related activities	(24)
Finance costs	(127)
Net total investment-related transactions	253

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

Santam's share of SEM

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

	SEM R million	SAN JV (Saham Finances) R million	Total R million
Revenue	672	585	1 257
Net earned premium	434	436	870
Net claims incurred	359	281	640
Net commission	14	45	59
Management expenses (excluding BEE costs)	118	127	245
Underwriting result	(57)	(17)	(74)
Investment return on insurance funds	96	79	175
Net insurance result/operating result	39	62	101
Reallocation of operating result ¹	(39)	(62)	(101)
Investment income net of investment-related fees	88	–	88
Income from associates and joint ventures	–	26	26
Gain on dilution of associate	–	18	18
Reclassification of foreign currency translation reserve on dilution of associate	–	(90)	(90)
Income/(loss) before taxation	88	(46)	42

¹ Reconciling items consist of the reallocation of net insurance results relating to the underlying investments SEM and SAN JV (Saham Finances) for management reporting purposes.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5.2 For the six months ended 30 June 2016 (restated)

Business activity	Insurance			Total R million
	Conventional R million	Alternative risk R million	Santam's share of SEM R million	
Revenue	10 814	1 334	880	13 028
Net earned premium	9 340	360	596	10 296
Net claims incurred	6 032	257	411	6 700
Net commission	1 209	8	57	1 274
Management expenses (excluding BEE costs) ²	1 499	77	159	1 735
Underwriting result	600	18	(31)	587
Investment return on insurance funds	268	23	107	398
Net insurance result	868	41	76	985
Other income ³	41	19	-	60
Other expenses ³	(41)	(19)	-	(60)
Operating result	868	41	76	985
Reallocation of operating result ¹	-	-	(76)	(76)
Investment income/(losses) net of investment-related fees	-	99	(110)	(11)
Investment return allocated to cell owners and structured insurance products	-	(99)	-	(99)
Finance costs	-	-	-	-
Income from associates and joint ventures	-	-	29	29
Santam BEE costs	-	-	-	-
Amortisation and impairment of intangible assets ²	(11)	-	-	(11)
Income before taxation	857	41	(81)	817

Business activity (continued)	Investment	Total	Reconciling and unallocated	Total
	R million	R million	R million	R million
Revenue	390	13 418	(1 270)	12 148
Net earned premium	-	10 296	(596)	9 700
Net claims incurred	-	6 700	(411)	6 289
Net commission	-	1 274	(57)	1 217
Management expenses (excluding BEE costs) ²	-	1 735	(159)	1 576
Underwriting result	-	587	31	618
Investment return on insurance funds	-	398	(107)	291
Net insurance result	-	985	(76)	909
Other income	-	60	-	16
Other expenses	-	(60)	-	(60)
Operating result	-	985	(76)	909
Reallocation of operating result ¹	-	(76)	76	-
Investment income/(losses) net of investment-related fees	348	337	-	337
Investment return allocated to cell owners and structured insurance products	-	(99)	-	(99)
Finance costs	(77)	(77)	-	(77)
Income from associates and joint ventures	16	45	-	45
Santam BEE costs	-	-	(6)	(6)
Amortisation and impairment of intangible assets ²	-	(11)	-	(11)
Income before taxation	287	1 104	(6)	1 098

¹ Reconciling items consist of the reallocation of net insurance results relating to the underlying investments SEM and SAN JV (Saham Finances) for management reporting purposes.

² Amortisation of computer software included as part of management expenses.

³ Includes other income and expenses not related to underwriting activities.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5. Segment information (continued) 5.2 For the six months ended 30 June 2016 (restated) (continued)

	Gross written premium R million	Underwriting result R million
Insurance activities		
The group's conventional insurance activities are spread over various classes of general insurance.		
Accident and health	164	2
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	10 814	600
Comprising:		
Commercial insurance	5 853	344
Personal insurance	4 961	256
Total	10 814	600

	R million
Investment activities	
The group's return on investment-related activities can be analysed as follows:	
Investment income	150
Net gains on financial assets and liabilities at fair value through income	224
Income from associates and joint ventures	16
Investment-related revenue	390
Expenses for investment-related activities	(26)
Finance costs	(77)
Net total investment-related transactions	287

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

Santam's share of SEM

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

	SEM R million	SAN JV (Saham Finances) R million	Total R million
Revenue	489	391	880
Net earned premium	296	300	596
Net claims incurred	212	199	411
Net commission	22	35	57
Management expenses (excluding BEE costs)	83	76	159
Underwriting result	(21)	(10)	(31)
Investment return on insurance funds	42	65	107
Net insurance result/operating results	21	55	76
Reallocation of operating result ¹	(21)	(55)	(76)
Investment loss net of investment-related fees	(110)	–	(110)
Income from associates and joint ventures	–	29	29
(Loss)/income before taxation	(110)	29	(81)

¹ Reconciling items consist of the reallocation of net insurance results relating to the underlying investments SEM and SAN JV (Saham Finances) for management reporting purposes.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5.3 For the year ended 31 December 2016 (restated)

Business activity	Insurance			Total R million
	Conventional R million	Alternative risk R million	Santam's share of SEM R million	
Revenue	23 503	2 406	1 939	27 848
Net earned premium	19 245	581	1 414	21 240
Net claims incurred	12 482	429	982	13 893
Net commission	2 374	5	121	2 500
Management expenses (excluding BEE costs) ²	3 137	131	369	3 637
Underwriting result	1 252	16	(58)	1 210
Investment return on insurance funds	558	61	220	839
Net insurance result	1 810	77	162	2 049
Other income ³	89	38	-	127
Other expenses ³	(89)	(37)	-	(126)
Operating result	1 810	78	162	2 050
Reallocation of net operating result ¹	-	-	(162)	(162)
Investment income/(losses) net of investment-related fees	-	202	(213)	(11)
Investment return allocated to cell owners and structured insurance products	-	(202)	-	(202)
Finance costs	-	-	-	-
Income from associates including profit on sale	-	-	43	43
Santam BEE costs	-	-	-	-
Amortisation and impairment of intangible assets ²	(21)	-	-	(21)
Income before taxation	1 789	78	(170)	1 697

Business activity (continued)	Investment R million	Total R million	Reconciling and unallocated R million	IFRS Total R million
Revenue	449	28 297	(2 388)	25 909
Net earned premium	-	21 240	(1 414)	19 826
Net claims incurred	-	13 893	(982)	12 911
Net commission	-	2 500	(121)	2 379
Management expenses (excluding BEE costs) ²	-	3 637	(369)	3 268
Underwriting result	-	1 210	58	1 268
Investment return on insurance funds	-	839	(220)	619
Net insurance result	-	2 049	(162)	1 887
Other income	-	127	-	127
Other expenses	-	(126)	-	(126)
Operating result	-	2 050	(162)	1 888
Reallocation of operating result ¹	-	(162)	162	-
Investment income/(losses) net of investment-related fees	355	344	-	344
Investment return allocated to cell owners and structured insurance products	-	(202)	-	(202)
Finance costs	(212)	(212)	-	(212)
Income from associates including profit on sale	24	67	-	67
Santam BEE costs	-	-	(9)	(9)
Amortisation and impairment of intangible assets ²	-	(21)	-	(21)
Income before taxation	167	1 864	(9)	1 855

¹ Reconciling items consist of the reallocation of net insurance results relating to the underlying investments SEM and SAN JV (Saham Finances) for management reporting purposes.

² Amortisation of computer software included as part of management expenses. Santam's share of the costs to manage the SEM portfolio of R22 million has been included in management expenses.

³ Includes other income and expenses not related to underwriting activities.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5. Segment information (continued)

5.3 For the year ended 31 December 2016 (restated) (continued)

	Gross written premium R million	Underwriting result R million
Insurance activities		
The group's conventional insurance activities are spread over various classes of general insurance.		
Accident and health	374	49
Crop	984	69
Engineering	1 196	196
Guarantee	86	(31)
Liability	1 202	301
Miscellaneous	9	(3)
Motor	11 004	622
Property	7 972	22
Transportation	676	27
Total	23 503	1 252
Comprising:		
Commercial insurance	13 330	735
Personal insurance	10 173	517
Total	23 503	1 252

	R million
Investment activities	
The group's return on investment-related activities can be analysed as follows:	
Investment income	158
Net gains on financial assets and liabilities at fair value through income	267
Income from associates including profit on sale	24
Investment-related revenue	449
Expenses for investment-related activities	(70)
Finance costs	(212)
Net total investment-related transactions	167

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

Santam's share of SEM

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

	SEM R million	SAN JV (Saham Finances) R million	Total R million
Revenue	962	977	1 939
Net earned premium	665	749	1 414
Net claims incurred	484	498	982
Net commission	32	89	121
Management expenses (excluding BEE costs)	184	185	369
Underwriting result	(35)	(23)	(58)
Investment return on insurance funds	119	101	220
Net insurance result/operating results	84	78	162
Reallocation of operating result ¹	(84)	(78)	(162)
Investment loss net of investment-related fees	(213)	–	(213)
Income from associates including profit on sale	–	43	43
(Loss)/income before taxation	(213)	43	(170)

¹ Reconciling items consist of the reallocation of net insurance results relating to the underlying investments SEM and SAN JV (Saham Finances) for management reporting purposes.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5.4 Geographical analysis (restated)

	Gross written premium		
	30 June 2017 R million	30 June 2016 R million	31 Dec 2016 R million
South Africa	12 241	10 860	23 126
Rest of Africa ¹	1 960	1 619	3 479
Southeast Asia, India, Middle East and China ²	737	524	1 009
Other ³	115	24	234
	15 053	13 027	27 848
Reconciling items ⁴	(1 258)	(879)	(1 939)
Group total	13 795	12 148	25 909

	Non-current assets		
	30 June 2017 R million	30 June 2016 R million	31 Dec 2016 R million
South Africa	1 136	1 071	1 126
Rest of Africa	1 915	1 822	1 670
Southeast Asia, India, Middle East and China	882	684	857
Group total	3 933	3 577	3 653

¹ Includes gross written premium relating to Namibia of R560 million (June 2016: R565 million; Dec 2016: R1 118 million).

² Includes gross written premium relating to China of R48 million (June 2016: R53 million; Dec 2016: R116 million).

³ Includes gross written premium predominantly relating to Europe.

⁴ Reconciling items relate to the underlying investments included in the SEM and SAN JV (Saham Finances) insurance businesses for management reporting purposes.

Reviewed at 30 June 2017 R million	Reviewed at 30 June 2016 R million	Audited at 31 Dec 2016 R million
--	--	--

6. Financial assets and liabilities

The group's financial assets and liabilities are summarised below by measurement category.

Financial assets

Financial assets at fair value through income	20 206	15 686	14 792
Loans and receivables	3 997	3 322	3 754
	24 203	19 008	18 546

Financial liabilities

Financial liabilities at fair value through income	4 707	2 147	2 154
Financial liabilities at amortised cost	134	104	123
Trade and other payables	4 132	3 407	4 093
	8 973	5 658	6 370

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6. Financial assets and liabilities (continued)

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 2016. 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).

All government and corporate bonds were transferred from level 1 to level 2 during the second half of 2016 based on management's assessment of an active market for debt instruments. There were no significant transfers between level 1 and level 2 during the current period.

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 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income	R million	R million	R million	R million
Equity securities				
Quoted				
Listed	2 830	-	-	2 830
Unitised funds	-	632	-	632
Irredeemable preference shares	6	-	-	6
Unquoted	-	-	1 271	1 271
Total equity securities	2 836	632	1 271	4 739
Debt securities				
Quoted				
Government and other bonds	-	3 453	-	3 453
Collateralised securities	-	449	-	449
Unit-linked investments	-	593	-	593
Money market instruments more than one year	-	2 696	-	2 696
Equity-linked notes	-	246	-	246
Unquoted				
Government and other bonds	-	251	-	251
Collateralised securities	-	526	-	526
Money market instruments more than one year	-	4 372	-	4 372
Redeemable preference shares	-	185	25	210
Total debt securities	-	12 771	25	12 796
Derivative instruments				
Exchange traded futures	-	6	-	6
Interest rate swaps ¹	-	-	-	-
Total derivative instruments	-	6	-	6
Short-term money market instruments	-	2 665	-	2 665
Total financial assets at fair value through income	2 836	16 074	1 296	20 206

¹ Carrying value as at 30 June 2017 is less than R1 million.

Financial liabilities at fair value through income

Debt securities	-	3 068	-	3 068
Investment contracts	-	1 639	-	1 639
Total financial liabilities at fair value through income	-	4 707	-	4 707

NOTES TO THE INTERIM FINANCIAL STATEMENTS

30 June 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income	R million	R million	R million	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
Financial liabilities at fair value through income				
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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6. Financial assets and liabilities (continued)

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income	R million	R million	R million	R million
Equity securities				
Quoted				
Listed	1 321	-	-	1 321
Unitised funds	-	77	-	77
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	1 181	1 181
Total equity securities	1 323	77	1 181	2 581
Debt securities				
Quoted				
Government and other bonds	-	2 469	-	2 469
Collateralised securities	-	407	-	407
Unit-linked investments	-	268	-	268
Money market instruments more than one year	-	2 592	-	2 592
Equity-linked notes	-	244	-	244
Unquoted				
Government and other bonds	-	151	-	151
Collateralised securities	-	10	-	10
Money market instruments more than one year	-	4 516	-	4 516
Redeemable preference shares	-	163	29	192
Total debt securities	-	10 820	29	10 849
Derivative instruments				
Exchange traded futures	-	1	-	1
Interest rate swaps ¹	-	-	-	-
Total derivative instruments	-	1	-	1
Short-term money market instruments	-	1 361	-	1 361
Total financial assets at fair value through income	1 323	12 259	1 210	14 792
Financial liabilities at fair value through income				
Debt securities	-	2 053	-	2 053
Investment contracts	-	101	-	101
Total financial liabilities at fair value through income	-	2 154	-	2 154

¹ Carrying value as at 31 December 2016 is less than R1 million.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The following tables present the changes in level 3 instruments:

	Equity securities R million	Debt securities R million	Short-term money market instruments R million	Derivatives R million	Total R million
30 June 2017					
Opening balance	1 181	29	-	-	1 210
Acquisitions	2	-	-	-	2
Acquisition of subsidiary	-	(4)	-	-	(4)
Gains recognised in profit or loss	88	-	-	-	88
Closing balance	1 271	25	-	-	1 296
30 June 2016					
Opening balance	1 019	65	44	(1)	1 127
Acquisitions	48	-	-	-	48
Disposals/settlements	(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
31 December 2016					
Opening balance	1 019	65	44	(1)	1 127
Acquisitions	376	-	-	-	376
Disposals/settlements	(2)	-	-	(75)	(77)
Transfers between asset classes	-	44	(44)	-	-
Transfers to level 1 and/or 2	-	(90)	-	-	(90)
(Losses)/gains recognised in profit or loss	(212)	10	-	76	(126)
Closing balance	1 181	29	-	-	1 210

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam Emerging Markets (Pty) Ltd (SEM). The Sanlam group entered into agreements in June 2017 to dispose of its various interests in the Enterprise Group in Ghana. In terms of the co-investment arrangement with SEM, Santam will share in the proceeds relating to the disposal of Enterprise Insurance Company Ltd. During the second half of 2016, Santam increased its participatory interest in Shriram General Insurance Company Ltd (SGI) by 8% to 15% at a cost of R251 million.

Of the R88 million gain (June 2016: R110 million loss; Dec 2016: R212 million loss) recognised on equity securities, an R87 million gain (June 2016: R110 million loss; Dec 2016: R212 million loss) relates to the SEM target shares, of which R17 million (June 2016: R39 million; Dec 2016: R145 million) relates to foreign exchange losses, and R104 million to an increase (June 2016: R71 million to a decrease; Dec 2016: R67 million to a decrease) in fair value in local currency terms. Key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- A downward adjustment to the value of the P&O business in Malaysia of R14 million due to lower premium growth in competitive market conditions. There is a significant focus on expanding the current P&O product offering, and growth reported on non-motor business lines was positive.
- An increase in the value of Shriram General Insurance Company Ltd of R42 million was mainly attributed to good performance achieved in the Indian insurance market.
- An increase in the value of Enterprise Insurance Company Ltd of R38 million based on the estimated transaction proceeds.

The fair value of the SEM target shares is determined using predominantly 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 R151 million (June 2016: R108 million; Dec 2016: R140 million) or increase by R228 million (June 2016: R159 million; Dec 2016: R213 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R89 million (June 2016: R68 million; Dec 2016: R85 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 R98 million (June 2016: R72 million; Dec 2016: R91 million) or decrease by R98 million (June 2016: R73 million; Dec 2016: R90 million), respectively.

At 30 June 2017, the group had exchange traded futures with an exposure value of R408 million (June 2016: R561 million; Dec 2016: R345 million). The group also had interest rate derivative assets as part of the international bond portfolio with a gross exposure asset and liability at 30 June 2017 of R26 million (June 2016: R29 million; Dec 2016: R27 million) and R26 million (June 2016: R30 million; Dec 2016: R27 million) respectively.

The interest rate derivative liabilities represented the fair value of interest rate swaps effected on a total of R100 million (June 2016: R100 million; Dec 2016: R100 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable notes. The interest rate swaps had 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 matured on 12 June 2017. The gross exposure asset and liability at 30 June 2016 amounted to R6 million (Dec 2016: R3 million) and R7 million (Dec 2016: R3 million) respectively.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

6. Financial assets and liabilities (continued)

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. It is the group's intention to redeem both tranches on 15 September 2017.

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 represents the three-month JIBAR plus 245 basis points, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have an optional redemption date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes an optional redemption date of 12 April 2023 with a final maturity date of 12 April 2028.

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

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

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 matured on 15 December 2016 (resulting in a realised gain of R75 million) and was not renewed. These were economic hedges over R1 billion of the listed equity portfolio.

On 31 July 2017, a zero-cost collar structure on equities to the value of R1.2 billion was entered into based on the SWIX 40, providing full downside protection from the implementation level of 10 972, with upside participation (excluding dividends) of 2.2%. The structure will mature on 21 December 2017.

7. Insurance liabilities and reinsurance assets

Gross insurance liabilities

Long-term insurance contracts

- claims reported and loss adjustment expenses
- claims incurred but not reported

General insurance contracts

- claims reported and loss adjustment expenses
- claims incurred but not reported
- unearned premiums

Total gross insurance liabilities

- Non-current liabilities
- Current liabilities

Recoverable from reinsurers

Long-term insurance contracts

- claims reported and loss adjustment expenses
- claims incurred but not reported

General insurance contracts

- claims reported and loss adjustment expenses
- claims incurred but not reported
- unearned premiums

Total reinsurers' share of insurance liabilities

- Non-current assets
- Current assets

Net insurance liabilities

Long-term insurance contracts

- claims reported and loss adjustment expenses
- claims incurred but not reported

General insurance contracts

- claims reported and loss adjustment expenses
- claims incurred but not reported
- unearned premiums

Total net insurance liabilities

	Reviewed at 30 June 2017 R million	Reviewed at 30 June 2016 R million	Audited at 31 Dec 2016 R million
Gross insurance liabilities			
Long-term insurance contracts			
- claims reported and loss adjustment expenses	39	8	25
- claims incurred but not reported	44	30	42
General insurance contracts			
- claims reported and loss adjustment expenses	9 031	6 972	6 789
- claims incurred but not reported	2 242	1 762	1 873
- unearned premiums	6 262	4 228	4 867
Total gross insurance liabilities	17 618	13 000	13 596
Non-current liabilities	1 701	1 423	1 312
Current liabilities	15 917	11 577	12 284
Recoverable from reinsurers			
Long-term insurance contracts			
- claims reported and loss adjustment expenses	17	4	6
- claims incurred but not reported	12	7	12
General insurance contracts			
- claims reported and loss adjustment expenses	4 304	2 781	2 835
- claims incurred but not reported	467	289	329
- unearned premiums	1 157	1 036	1 307
Total reinsurers' share of insurance liabilities	5 957	4 117	4 489
Non-current assets	279	164	140
Current assets	5 678	3 953	4 349
Net insurance liabilities			
Long-term insurance contracts			
- claims reported and loss adjustment expenses	22	4	19
- claims incurred but not reported	32	23	30
General insurance contracts			
- claims reported and loss adjustment expenses	4 727	4 191	3 954
- claims incurred but not reported	1 775	1 473	1 544
- unearned premiums	5 105	3 192	3 560
Total net insurance liabilities	11 661	8 883	9 107

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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. The deferred conditional rights relating to Beech Hill were substantially realised during the second half of 2016 with the receipt of a distribution of R115 million. The remaining balance of R8 million was realised during the first half of 2017. The winding up of the Santam International group resulted in the release of the foreign currency translation reserve relating to the investment in Santam International of R175 million (refer to note 9).

	Reviewed at 30 June 2017 R million	Reviewed at 30 June 2016 R million	Audited at 31 Dec 2016 R million
Assets that are classified as held for sale			
Financial assets at fair value through income			
Loans and receivables including insurance receivables	–	125	8
	–	125	8
Opening balance	8	541	541
Settlements	(8)	(394)	(509)
Dividend income	–	394	394
Foreign exchange losses	–	(35)	(37)
Net fair value losses	–	(381)	(381)
Closing balance	–	125	8

	Reviewed Six months ended 30 June 2017 R million	Reviewed Six months ended 30 June 2016 R million	Audited Year ended 31 Dec 2016 R million
--	---	---	---

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

Investment income	590	441	777
Dividend income	37	36	64
Interest income	606	451	941
Foreign exchange differences	(53)	(46)	(228)
Net gains on financial assets and liabilities at fair value through income	153	101	42
Net realised gains on financial assets	21	27	284
Net fair value gains/(losses) on financial assets designated as at fair value through income	143	98	(300)
Net realised/fair value gains/(losses) on derivative instruments	5	(5)	75
Net fair value (losses)/gains on short-term money market instruments	(2)	12	14
Net fair value losses on financial liabilities designated as at fair value through income	(14)	(31)	(31)
Net fair value losses on debt securities	(14)	(31)	(31)
Investment income and net losses on financial assets held for sale ¹	175	13	13
Dividend income	–	394	394
Net fair value losses	–	(381)	(381)
Foreign currency translation reserve reclassified to profit and loss	175	–	–
	918	555	832

¹ Foreign exchange differences includes R175 million relating to the release of the foreign currency translation reserve relating to Santam International. Dividend income for the group in prior periods includes a dividend of R394 million resulting from the realisation of the value in the non-current assets held for sale relating to Cardrow. This resulted in the net fair value of the related investment being reduced by R381 million. Please refer to note 8 for more detail.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Reviewed Six months ended 30 June 2017 R million	Reviewed Six months ended 30 June 2016 R million	Audited Year ended 31 Dec 2016 R million
10. Income tax			
Normal taxation			
Current period	118	228	553
Prior period	-	-	(8)
Recovered from cell owners	(41)	(54)	(89)
Foreign taxation – current period	28	33	56
Total income taxation for the period	105	207	512
Deferred taxation			
Current period	121	129	12
Recovered from cell owners	(2)	-	-
Total deferred taxation for the period	119	129	12
Total taxation as per statement of comprehensive income	224	336	524
Reconciliation of taxation rate (%)			
Normal South African taxation rate	28.0	28.0	28.0
Adjusted for:			
Disallowable expenses	0.2	0.6	0.6
Foreign tax differential	0.4	0.5	0.4
Exempt income	(1.3)	(1.5)	(1.4)
Investment results	(1.3)	0.1	(0.5)
Change in CGT (capital gains tax) inclusion rate ¹	-	4.1	2.4
Income from associates and joint ventures	(1.9)	(1.3)	(1.1)
Exempt foreign currency translation	(2.3)	-	-
Previous periods' overprovision	-	-	(0.4)
Other permanent differences	(0.2)	0.1	0.1
Other taxes	0.1	-	0.1
Net (reduction)/increase	(6.3)	2.6	0.2
Effective rate (%)	21.7	30.6	28.2

¹ The increase in the CGT inclusion rate resulted in an increase in the deferred tax provision on fair value movements in prior periods of R45 million.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

11. Corporate transactions

2017

Acquisitions

Santam Structured Insurance (Pty) Ltd

During March 2017, the Santam group acquired a shareholding of 100% in RMB-SI Investments (Pty) Ltd (now Santam Structured Insurance (Pty) Ltd (SSI)) for R193 million in cash. Key SSI management obtained a 10% economic participation interest in SSI at acquisition date for R20 million. The 10% participatory interest is included as a liability under provisions.

	R million
Details of the assets and liabilities acquired (based on provisional purchase price allocation) are as follows:	
Property and equipment	15
Investment in associates and joint ventures	17
Financial assets at fair value through income	4 341
Reinsurance assets	391
Deferred acquisition costs	9
Loans and receivables including insurance receivables	519
Cash and cash equivalents	1 045
Deferred income tax	(86)
Cell owners' interest	(1 849)
Financial liabilities at fair value through income	(1 551)
Insurance liabilities	(2 242)
Deferred reinsurance acquisition revenue	(2)
Provisions for other liabilities and charges	(30)
Trade and other payables including insurance payables	(350)
Current income tax liabilities	(14)
Net asset value acquired	213
Long-term incentive scheme	(20)
Purchase consideration paid	193

SAN JV (RF) (Pty) Ltd

Effective 10 May 2017, SEM and Santam through its investment in SAN JV (RF) (Pty) Ltd (SAN JV), acquired a further 16.6% interest in Saham Finances via a subscription for new shares for US\$351 million (R4.8 billion). Santam's share of the purchase price, including transaction costs, was US\$11 million (R152 million). Santam's interest in SAN JV therefore diluted to 15% (previously 25%). As a result of the dilution, R90 million of the foreign currency translation reserve relating to SAN JV was released to profit or loss. An R18 million gain on dilution was also recognised.

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

During March 2017 and June 2017 a pro rata recapitalisation took place in terms of which Santam injected a further R8.3 million and R5.4 million respectively into the company.

Disposals

Paladin Underwriting Managers (Pty) Ltd

During January 2017, the group sold its 40% shareholding in Paladin Underwriting Managers (Pty) Ltd for R23 million. The net profit realised was R5 million and capital gains tax of R2 million was recognised.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

11. Corporate transactions (continued)

2016

Acquisitions

SAN JV (RF) (Pty) Ltd

The transaction to acquire a 25% shareholding in SAN JV (with SEM acquiring 75%), announced in November 2015, was finalised during the first quarter of 2016. The total cash consideration was US\$400 million. Santam's share of the purchase consideration, amounting to US\$100 million, was funded from internal cash resources. In November 2015, Santam acquired sufficient foreign currency, in addition to existing dollar assets, to cover the purchase consideration before the transaction was concluded. 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 (for the periods ended 31 December 2016 and 30 June 2016) recognised on the designated cash balances since implementation date were not recognised in the statement of comprehensive income, but were accounted for as part of the investment in SAN JV. 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. During November 2016 a pro rata recapitalisation took place in terms of which Santam injected a further R10 million into the company.

Absa Intermediated Commercial Lines business

During November 2016, Santam purchased the Absa Intermediated Commercial Lines business from Absa Insurance Company Ltd for R13 million in cash, including contingent payments estimated at R28 million.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets – key business relationships	59
Cash and cash equivalents	83
Insurance liabilities	(83)
Trade and other payables	(2)
Deferred tax liabilities	(16)
Net asset value acquired	41
Future contingent consideration payable	(28)
Purchase consideration paid	13

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

	Reviewed at 30 June 2017 R million	Reviewed at 30 June 2016 R million	Audited at 31 Dec 2016 R million
Goodwill reconciliation			
Opening balance	595	598	598
Impairment	(1)	(1)	(3)
Closing balance	594	597	595
	Reviewed	Reviewed	Audited
	Six months ended	Six months ended	Year ended
	30 June 2017	30 June 2016	31 Dec 2016
	R million	R million	R million
12. Earnings per share			
Basic earnings per share			
Profit attributable to the company's equity holders (R million)	753	697	1 212
Weighted average number of ordinary shares in issue (million)	110.26	110.19	110.21
Earnings per share (cents)	683	633	1 100
Diluted earnings per share			
Profit attributable to the company's equity holders (R million)	753	697	1 212
Weighted average number of ordinary shares in issue (million)	110.26	110.19	110.21
Adjusted for share options	1.02	1.04	1.16
Weighted average number of ordinary shares for diluted earnings per share (million)	111.28	111.23	111.37
Diluted basic earnings per share (cents)	677	627	1 088
Headline earnings per share			
Profit attributable to the company's equity holders (R million)	753	697	1 212
Adjusted for:			
Impairment of goodwill and other intangible assets	7	1	3
Reclassification of foreign currency translation reserve on dilution of associate	90	-	-
Gain on dilution of associate	(18)	-	-
Profit on sale of associates	(5)	-	-
Tax charge on profit on sale of associates	2	-	-
Capital gains tax overprovision on sale of associates	-	-	(18)
Foreign currency translation reserve reclassified to profit and loss	(175)	-	-
Headline earnings (R million)	654	698	1 197
Weighted average number of ordinary shares in issue (million)	110.26	110.19	110.21
Headline earnings per share (cents)	593	633	1 086
Diluted headline earnings per share			
Headline earnings (R million)	654	698	1 197
Weighted average number of ordinary shares for diluted headline earnings per share (million)	111.28	111.23	111.37
Diluted headline earnings per share (cents)	588	628	1 075
13. Dividend per share			
Dividend per share (cents)	336	311	881
Special dividend per share (cents)	-	800	800
14. Events after the reporting period			

The group entered into a zero-cost collar on 31 July 2017 over R1.2 billion of listed equity investments, and locked in an investment return of 10.5% for the year to date, with further upside participation (excluding dividends) of 2.2%. The structure matures on 21 December 2017.

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.

NON-EXECUTIVE DIRECTORS

B Campbell, BTPKM Gamedze, GG Gelink (chairman),
IM Kirk, MLD Marole, NV Mtetwa, Y Ramiah,
MJ Reyneke, PE Speckmann, HC Werth

EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

M Allie

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
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

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

