



2019

PRESENTATION
TO ANALYSTS



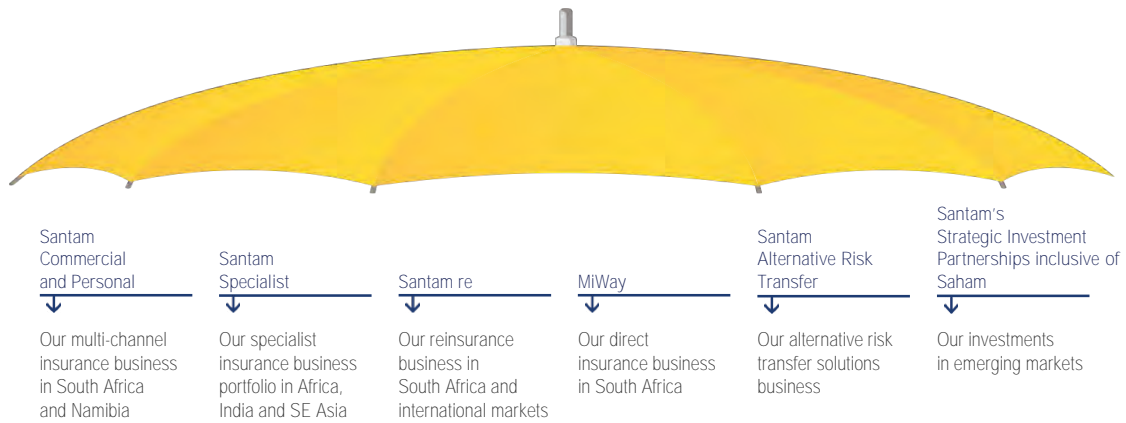


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THE SANTAM BUSINESS PORTFOLIO



SANTAM GROUP INSURANCE ACTIVITIES

Insurance operating segments	What is included?
Conventional insurance	Conventional insurance business written on insurance licences controlled by the group, consisting of: <ul style="list-style-type: none"> • Santam Commercial and Personal • Santam Specialist • Credit insurance written by Santam Structured Insurance (SSI) (in run-off) • Santam re • MiWay
Alternative risk transfer insurance	Alternative risk transfer insurance business written on insurance licences of Centriq and SSI
Sanlam Emerging Markets (SEM) general insurance businesses	Santam's share of the insurance results of the SEM general insurance businesses, including Saham held through SAN JV



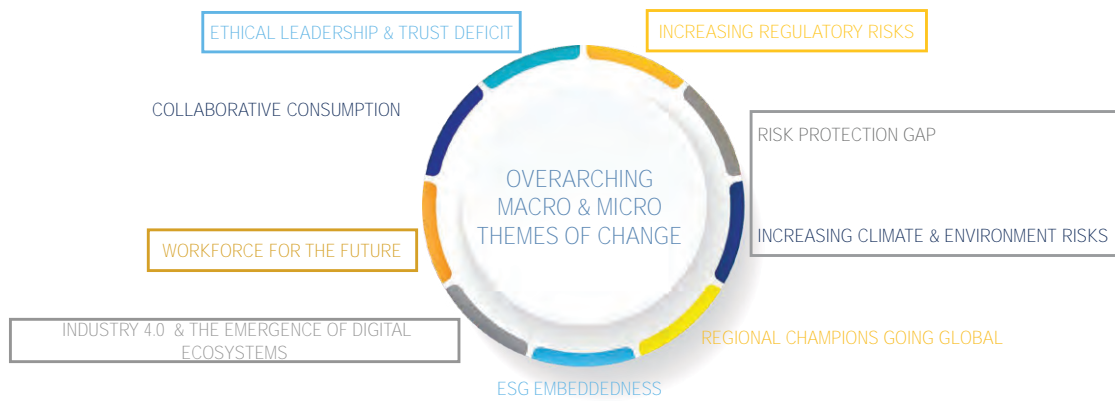
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MARKET CONTEXT



THE DRIVERS OF CHANGE



INSURANCE MARKET OUTLOOK

All markets

- Operating environment seeing elevation of global risks; geo-political tensions, COVID-19 and extreme weather events
- The emerging markets are still the engine of global sector growth, with China leading, however growth expected to slow
- Increasing cost of natural catastrophes, intensifying regulation and more competition from companies offering superior customer experiences
- Increasing pressure for the insurance industry to align its business with international climate action targets
- Low-interest rates continue to put pressure on insurers to focus on cost optimisation measures
- Increased investments in new business models, collaborations with InsurTechs and building of new skills and capabilities



INSURANCE MARKET OUTLOOK

South Africa

- Growth constrained by electricity supply shortage, weak business confidence and lacklustre public investment
- Economic growth revised downward as the country is faced with persistent high unemployment rate
- New micro-insurance regulations and business models (InsurTechs) offer growth opportunities to provide risk solutions to the uninsured and help narrow the risk protection gap
- Pressure for transformation and inclusive policies remain high
- SOE viability, impact of extreme weather events and country's skills deficit remain key areas of concern
- Material risk of sovereign downgrade



SANTAM DECEMBER 2019

KEY FACTS

- Group gross written premium growth of **8%**
- Conventional insurance gross written premium growth of **7%**

- Underwriting margin of **7.7%** (2018: **9.2%**) for conventional insurance business
- Headline earnings per share decreased by **1%**

- Return on capital of **22.2%**
- Economic capital coverage ratio of **160%**
- Final dividend of **718 cents** per share, up **8%**



FINANCIAL RESULTS



REPORTING ENVIRONMENT

Reported results affected by:

Insurance events

- Catastrophe events (Betty's Bay fires, Newcastle hail storm, Kwazulu-Natal flooding)
- Significant Agri hail claims
- Trade credit insurance losses – in run-off since August 2019

Exchange rate volatility

- Weaker average Rand exchange rate for the period had a positive impact on foreign earnings
- Relative Rand strength in Dec 2019 resulted in negligible foreign currency movements in 2019 compared to a R376 million foreign currency gain for Dec 2018.



EXCHANGE RATE VOLATILITY

Currency	CLOSING RATES			AVERAGE RATES		
	2019	2018	% change	2019	2018	% change
United States Dollar	13.98	14.38	(2.8%)	14.43	13.17	9.6%
Pound Sterling	18.52	18.32	1.1%	18.42	17.60	4.6%
Moroccan Dirham	1.47	1.51	(2.6%)	1.52	1.42	7.0%
Malaysian Ringgit	3.44	3.49	(1.3%)	3.49	3.28	6.4%
Indian Rupee	0.20	0.21	(4.9%)	0.21	0.19	6.1%





CONVENTIONAL INSURANCE



CONVENTIONAL INSURANCE NET INSURANCE RESULT

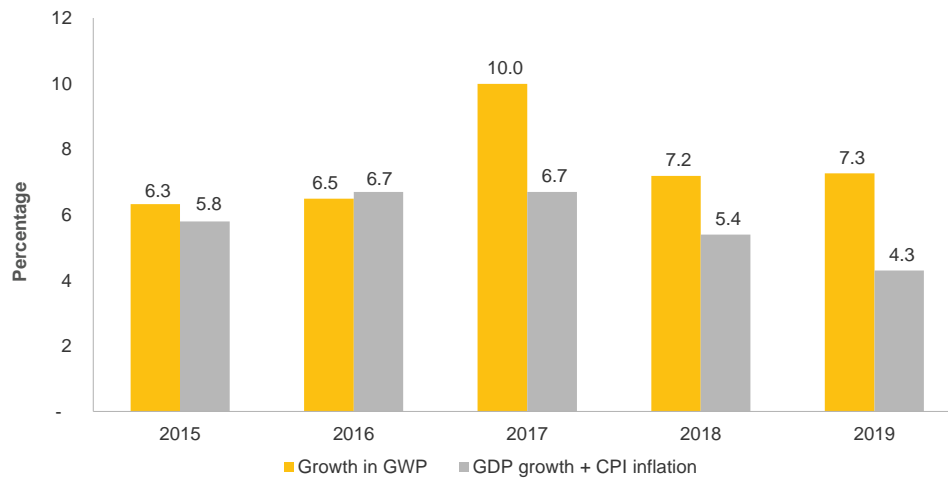
	2019 R'm	% of NEP	2018 R'm	% of NEP	2019/2018	5 Yr ave %	10 Yr ave %
Gross written premium	29 725		27 711		7%	7.5 ¹	8.7 ¹
Net earned premium	23 673	100	22 371	100	6%	100	100
Net claims incurred	14 711	62.1	13 499	60.4	9%	63.0	64.2
Net acquisition cost	7 142	30.2	6 806	30.4	5%	29.1	28.5
Net underwriting result	1 820	7.7	2 066	9.2	(12%)	7.9	7.3
Investment return on insurance funds	579	2.4	532	2.4	9%	2.6	2.6
Net insurance result	2 399	10.1	2 598	11.6	(8%)	10.5	9.9
Combined ratio		92.3		90.8		92.1	92.7

1. Average growth



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM VS CPI + GDP GROWTH



CONVENTIONAL INSURANCE

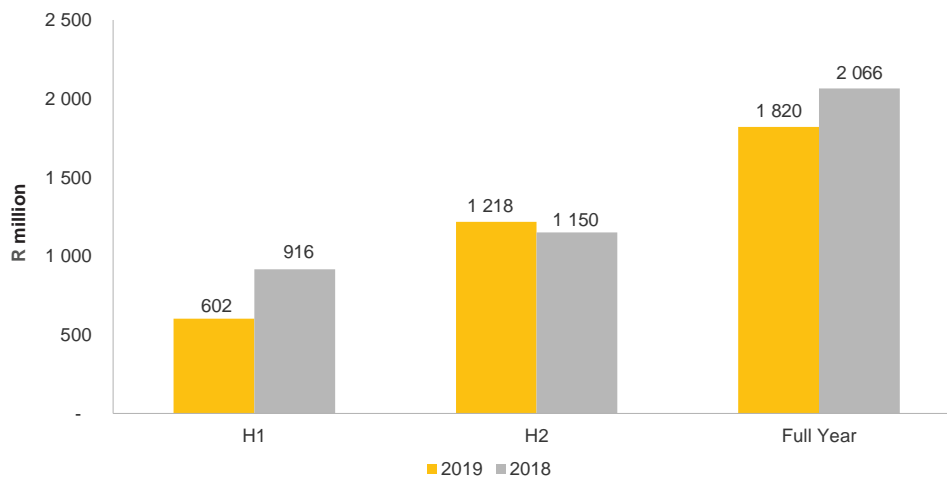
NET INSURANCE RESULT (H1 VS H2)

% of NEP	H1	H2	Full year 2019
Net earned premium	100.0	100.0	100.0
Net claims incurred	64.5	59.9	62.1
Net acquisition cost	30.2	30.1	30.2
Net underwriting margin	5.3	10.0	7.7
Investment return on insurance funds	2.5	2.4	2.4
Net insurance margin	7.8	12.4	10.1
Combined ratio	94.7	90.0	92.3



CONVENTIONAL INSURANCE

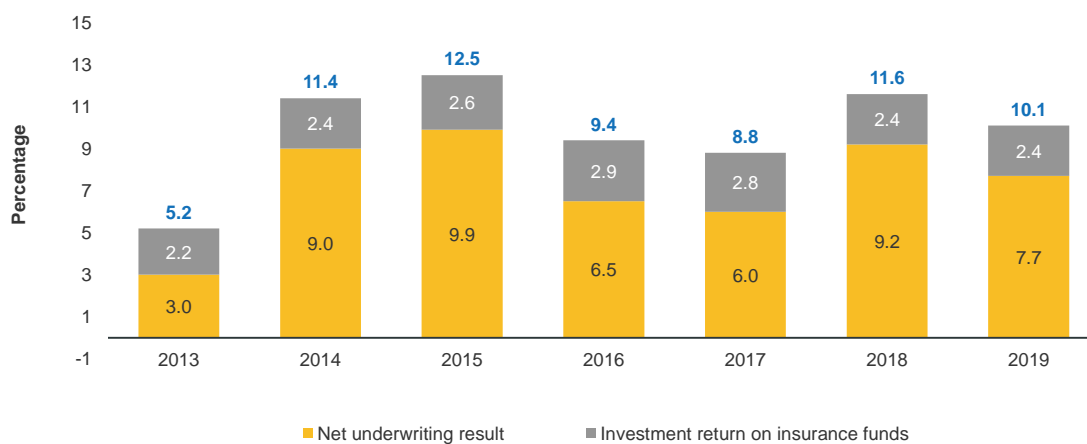
NET UNDERWRITING RESULT (H1 VS H2)



CONVENTIONAL INSURANCE

NET INSURANCE RESULT

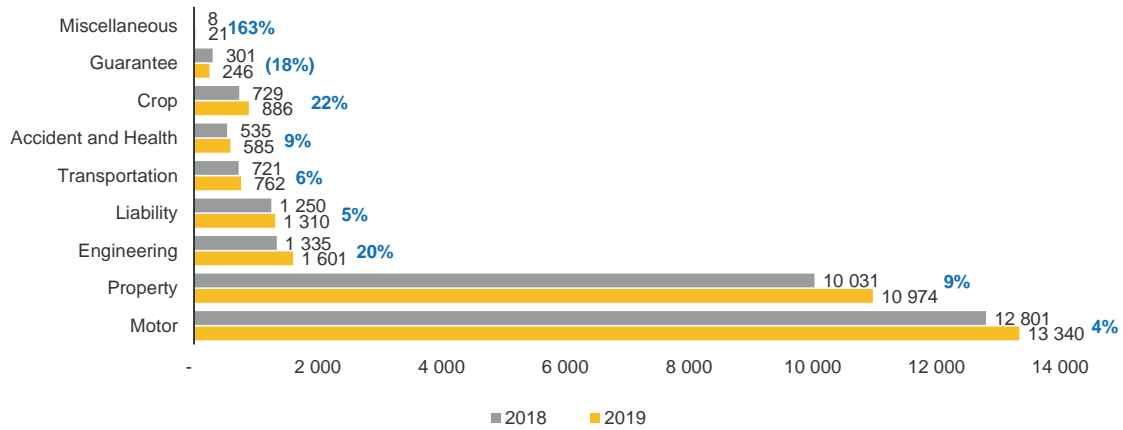
As % of net earned premium



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM

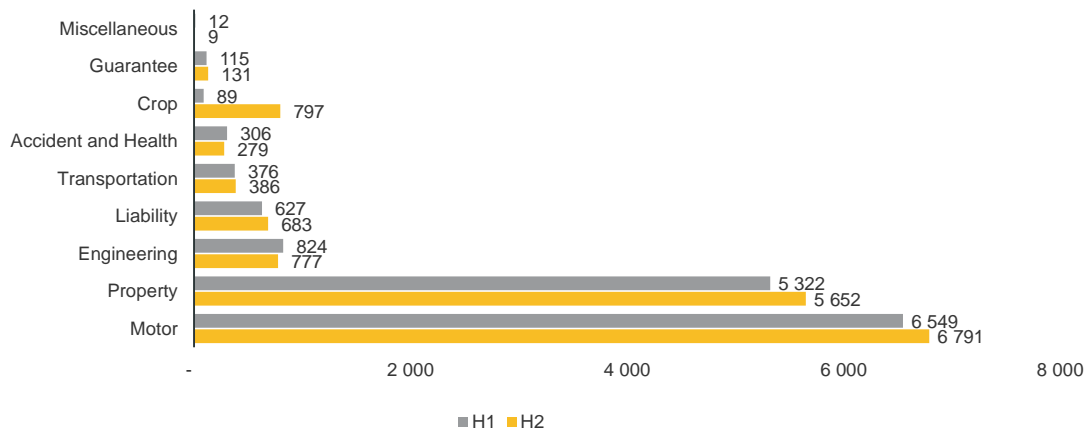
Per insurance class (R million)



CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM (H1 VS H2)

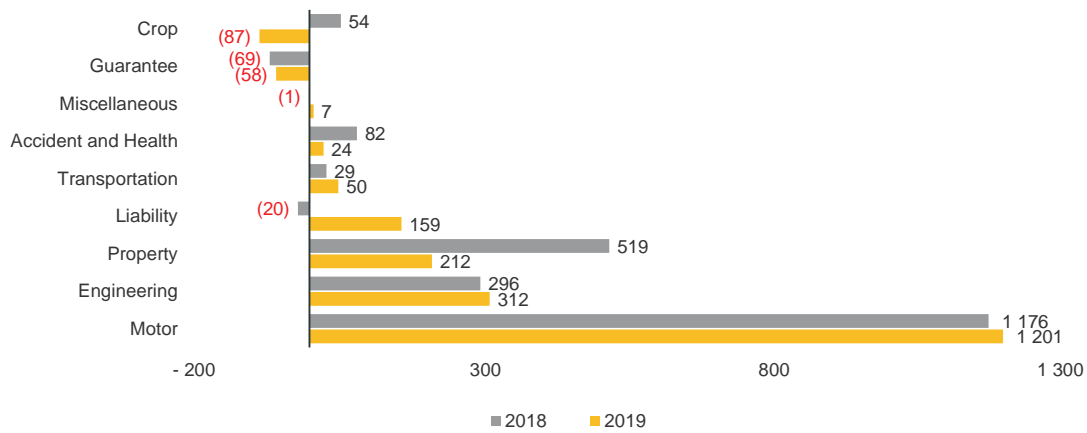
Per insurance class (R million)



CONVENTIONAL INSURANCE

NET UNDERWRITING SURPLUS

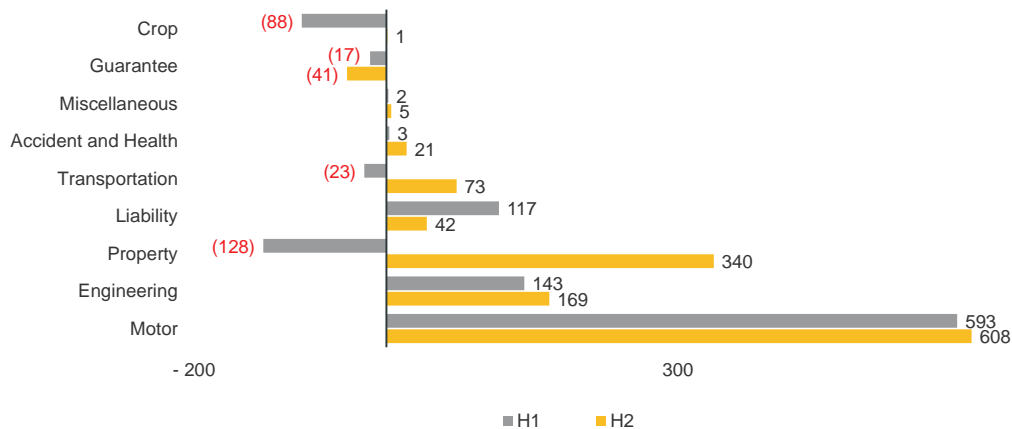
Per insurance class (R million)



CONVENTIONAL INSURANCE

NET UNDERWRITING SURPLUS (H1 VS H2)

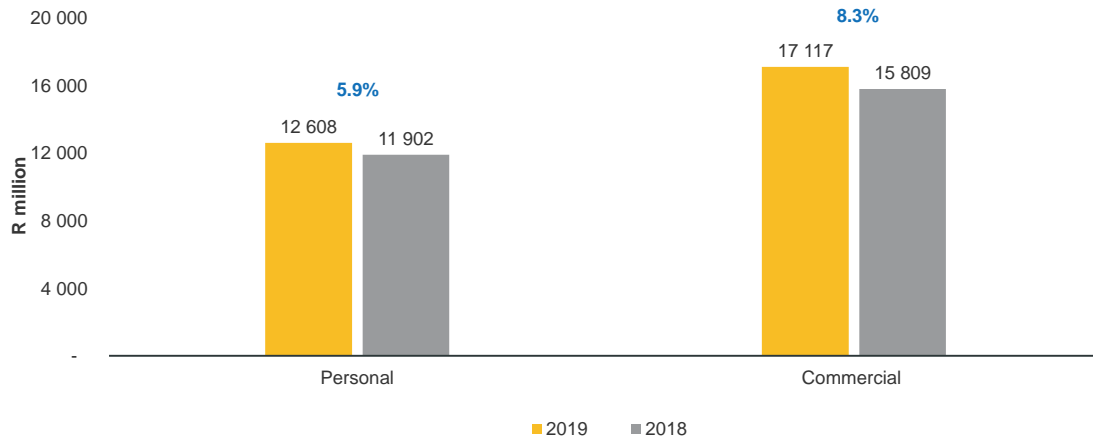
Per insurance class (R million)



CONVENTIONAL INSURANCE

SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

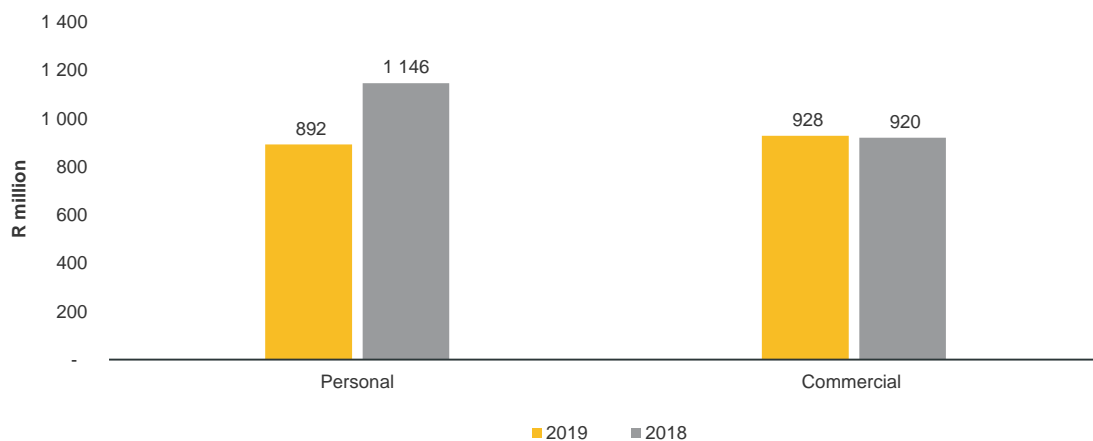
Gross written premium



CONVENTIONAL INSURANCE

SEGMENTAL ANALYSIS – PERSONAL AND COMMERCIAL

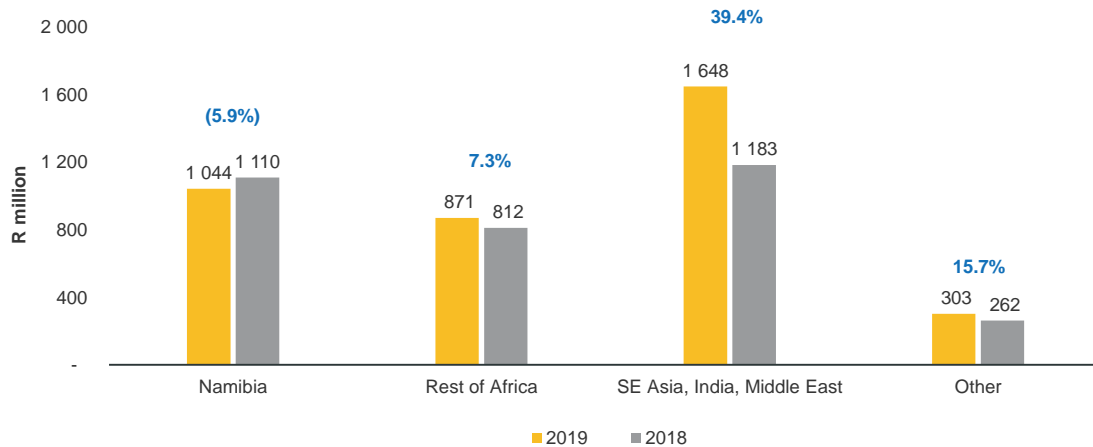
Net underwriting result





CONVENTIONAL INSURANCE

GROSS WRITTEN PREMIUM FROM OUTSIDE SA



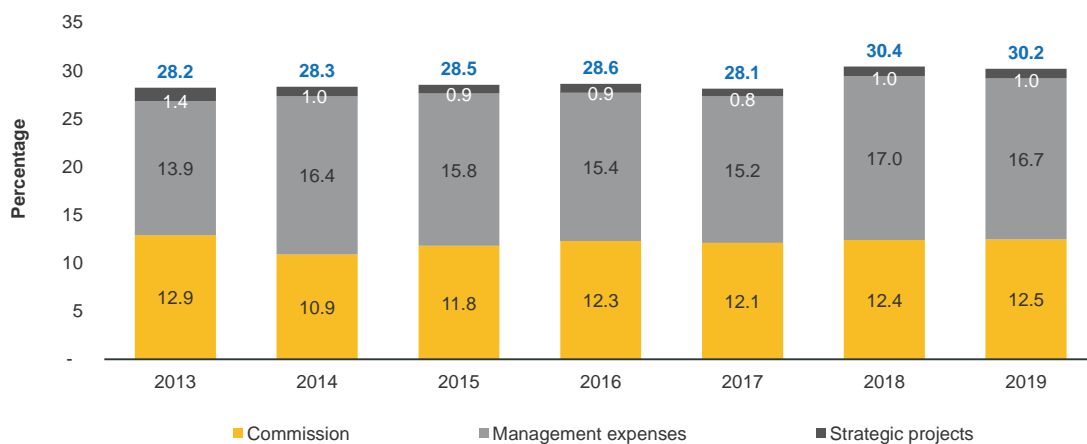
Excludes Santam's share of the gross written premium derived from its SEM investments and Saham
 "Other" includes Santam re participations which are mainly originating from Europe



CONVENTIONAL INSURANCE

NET ACQUISITION COST RATIO

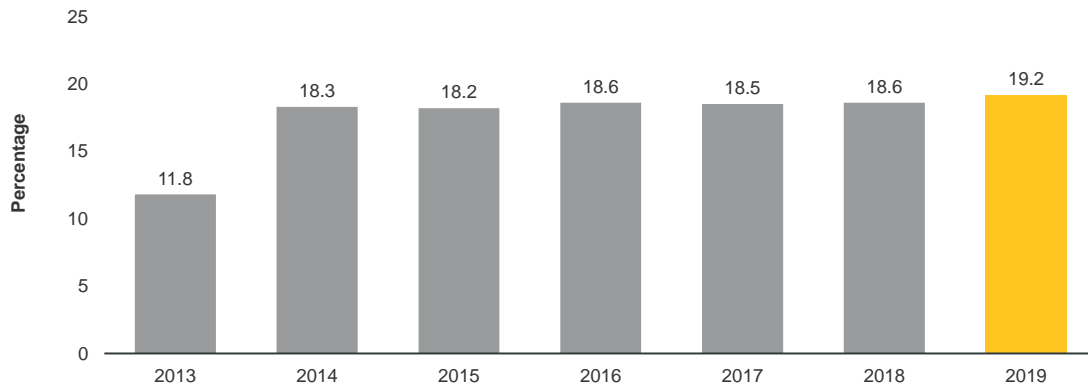
As % of net earned premium



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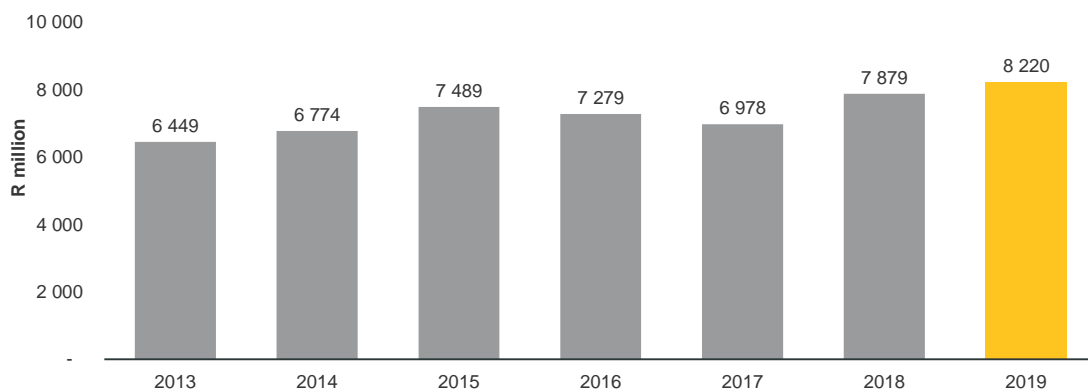
CONVENTIONAL INSURANCE

REINSURANCE AS % OF GROSS EARNED PREMIUM



CONVENTIONAL INSURANCE

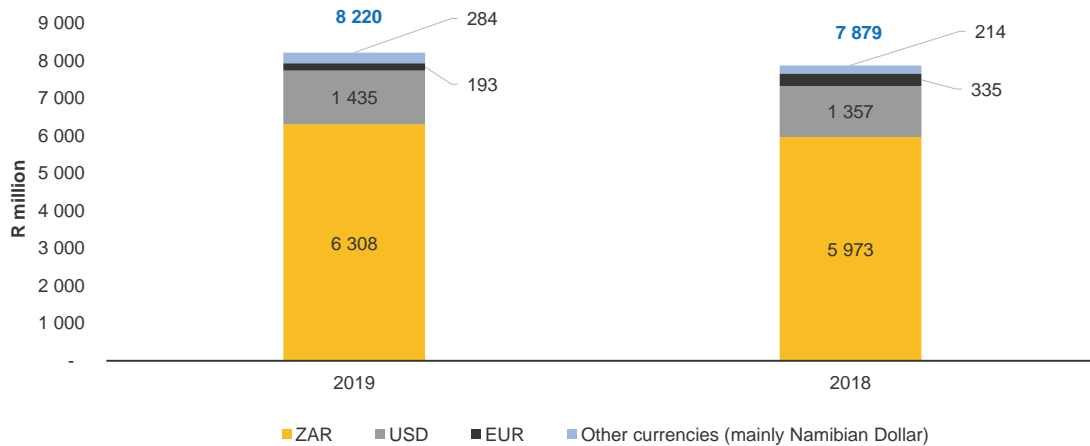
SIZE OF NET INSURANCE FUNDS



CONVENTIONAL INSURANCE

ASSETS BACKING NET INSURANCE FUNDS

Currency mix



CONVENTIONAL INSURANCE

MIWAY

	2019	2018	CHANGE
Gross written premium (R million)	2 751	2 496	10.2%
Gross underwriting result, net of CAT recoveries (R million)	393	334	17.7%
Gross claims ratio, net of CAT recoveries	54.2%	55.2%	
Gross acquisition cost ratio	31.5%	31.3%	
Gross underwriting margin	14.3%	13.5%	
Number of clients	331 000	309 000 ²	7.1%

¹ Excluding value-added products

² 315 461 was disclosed in 2018 as the total number of policies in force. In 2019, the measure was changed to reflect number of policies submitted, which is a better representation of the number of clients. The 2018 number of clients was restated to reflect the number of submitted policies as well.





ALTERNATIVE RISK TRANSFER



ALTERNATIVE RISK TRANSFER INSURANCE (ART)

Includes the results from:

- Centriq Insurance
- Santam Structured Insurance, excluding credit insurance business

Types of business

- Risk finance
- Underwriting managers
- Affinity business
- Structured insurance



ALTERNATIVE RISK TRANSFER INSURANCE

CENTRIO

	2019 R'm	2018 R'm	2019/2018
Gross written premium	4 846	4 099	18%
Income from clients	209	142	47%
Participation in underwriting results	40	33	21%
Administration expenses	(114)	(114)	0%
Operating result	135	61	121%



ALTERNATIVE RISK TRANSFER INSURANCE

SANTAM STRUCTURED INSURANCE

	2019 R'm	2018 R'm	2019/2018
Gross written premium	1 326	1 350	(2%)
Income from clients	122	93	31%
Participation in underwriting results	19	27	(30%)
Administration expenses	(105)	(86)	22%
Operating result	36	34	6%



ALTERNATIVE RISK TRANSFER INSURANCE

COMBINED RESULTS

	2019 R'm	2018 R'm	2019/2018	5 Yr ave %	10 Yr ave %
Gross written premium	6 127	5 398	14%	27.2 ¹	13.3 ¹
Income from clients	331	236	40%		
Participation in underwriting results	59	60	(2%)		
Administration expenses	(219)	(200)	10%		
Operating result	171	96	78%		

1. Average growth



SEM PARTNER BUSINESSES

Saham

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

Main Saham territories:

- Morocco
- Lebanon
- Ivory Coast
- Angola
- Mauritius

SEM participation investments

- SGI (India) – 35% participation
- P&O (Malaysia) – 31.5% participation
- 11 investments in African partner businesses – 10% participation (2018: 35%)



SEM PARTNER BUSINESSES

SANTAM EFFECTIVE HOLDING

	Domicile	Dec 2019	Dec 2018
SAN JV (Saham)	Morocco	10.0	10.0
Pacific and Orient Insurance Company Berhad	Malaysia	15.4	15.4
Shriram General Insurance Company Ltd	India	15.0	15.0
BIHL Insurance Company Ltd	Botswana	-	21.2
NICO Holdings general insurance subsidiaries	Malawi and Zambia	5.6	19.8
Sanlam General Insurance (Uganda) Ltd	Uganda	9.5	28.6
Sanlam General Insurance (Tanzania) Ltd	Tanzania	5.0	17.4
SORAS Assurances Générales Ltd	Rwanda	9.0	26.1
SOCAR s.a. Burundi	Burundi	3.1	8.6
FBN General Insurance Ltd	Nigeria	3.5	12.3
Sanlam General Insurance Ltd	Kenya	3.9	13.7
Botswana Insurance Company Ltd	Botswana	2.9	10.3
Zimnat Lion Insurance Company Ltd	Zimbabwe	4.0	14.0
Grand Reinsurance Company (Private) Ltd	Zimbabwe	4.0	14.0



SEM GENERAL INSURANCE PARTICIPATION INVESTMENTS

ANALYSIS OF SANTAM'S SHARE OF NET INSURANCE RESULT BEFORE TAXATION AND NON-CONTROLLING INTERESTS (EXCLUDING SAHAM)

	2019 R'm	% of NEP	2018 R'm	% of NEP	2019/2018
Gross written premium	1 140		1 265		(10%)
Net earned premium	879	100.0	923	100.0	(5%)
Net claims incurred	510	58.0	679	73.5	(25%)
Net acquisition cost ¹	254	28.9	297	32.2	(14%)
Net underwriting result	115	13.1	(53)	(5.7)	317%
Investment return on insurance funds	204	23.2	183	19.8	11%
Net insurance result	319	36.3	130	14.1	145%

¹ Santam's share of the costs to manage the SEM portfolio of R12 million (2018: R36 million) has been included in net acquisition cost.



SAHAM

ANALYSIS OF SAHAM GENERAL INSURANCE'S NET INSURANCE RESULT BEFORE TAXATION AND NON-CONTROLLING INTERESTS (100% VIEW)

	2019 R'm	% of NEP	2018 R'm	% of NEP	2019/2018
Gross written premium	16 310		14 466		13%
Net earned premium	12 248	100	10 666	100.0	15%
Net claims incurred	7 757	63.3	6 559	61.5	18%
Net acquisition cost	4 251	34.7	3 665	34.4	16%
Net underwriting result¹	240	2.0	442	4.1	(45%)
Investment return on insurance funds	1 454	11.9	860	8.1	69%
Net insurance result	1 694	13.9	1 302	12.2	30%

¹ The 2019 values include the allocation of SEM group costs to the GI portfolio, the 2018 values do not. Excluding the SEM group cost allocation, the 2019 underwriting margin is 2.8% for the Saham group.



SEM PARTNER BUSINESSES

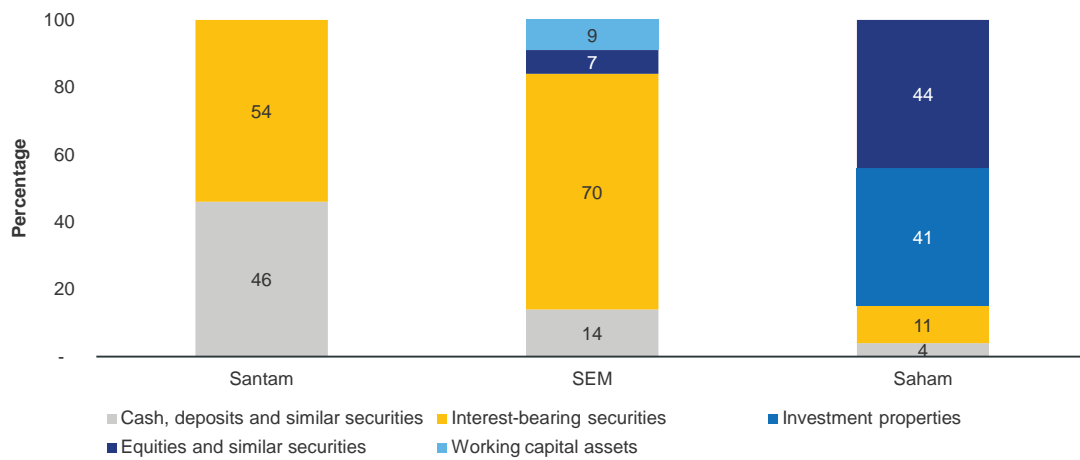
INSURANCE RATIOS 31 DECEMBER 2019

% of NEP	Santam	SEM participations	Saham
Net earned premium	100.0	100.0	100.0
Net claims incurred	62.1	58.0	63.3
Net acquisition cost	30.2	28.9	34.7
Net underwriting margin	7.7	13.1	2.0
Investment return on insurance funds	2.4	23.2	11.9
Net insurance margin	10.1	36.3	13.9
Target return on insurance funds margin	2.5%		7% to 9%



ANALYSIS OF INSURANCE FUNDS

SEM AND SAHAM INSURANCE FUNDS AT 31 DECEMBER 2019



SAHAM

RECONCILIATION OF SAN JV CARRYING AND FAIR VALUE AS AT 31 DECEMBER 2019

	R million
Carrying value at 1 January 2019	2 626
Additions	
CIMA capitalisation	60
Restructure	98
Dividend - restructure	(50)
Equity accounted loss	(89)
After tax Operating profit	33
VOBA amortisation	(42)
Impairment of goodwill	(80)
Statement of changes in Equity	(322)
Foreign currency translation differences	(315)
Other reserve movements	(7)
Carrying value at 31 December 2019	2 323
Cashflow hedge on acquisition	191
Fair value at 31 December 2019	2 514



SANTAM GROUP

NET OPERATING INCOME

R million	2019	2018	2019/2018
Conventional insurance	2 400	2 596	(8%)
Alternative risk transfer insurance	171	96	78%
SEM partner businesses	495	287	72%
Net operating income	3 066	2 979	3%
SEM partner businesses	(495)	(287)	
Net operating income	2 571	2 692	(4%)



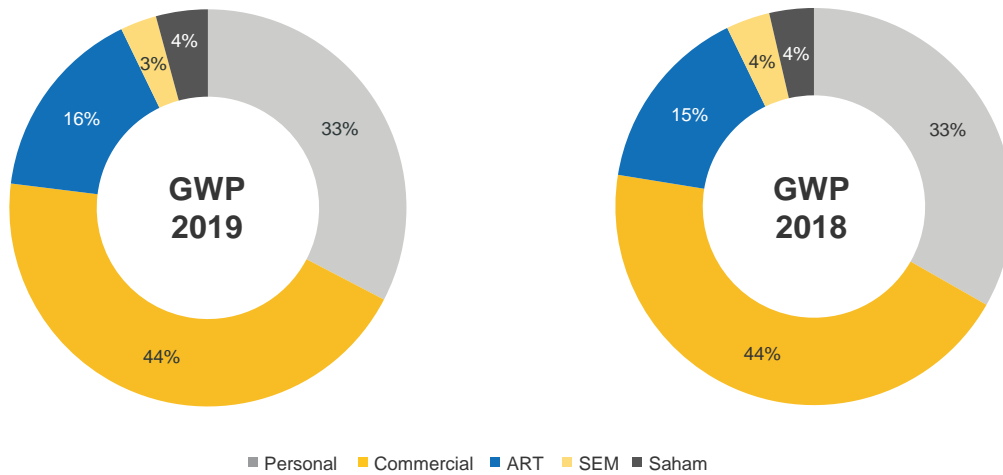
SANTAM GROUP

RECONCILIATION TO HEADLINE EARNINGS

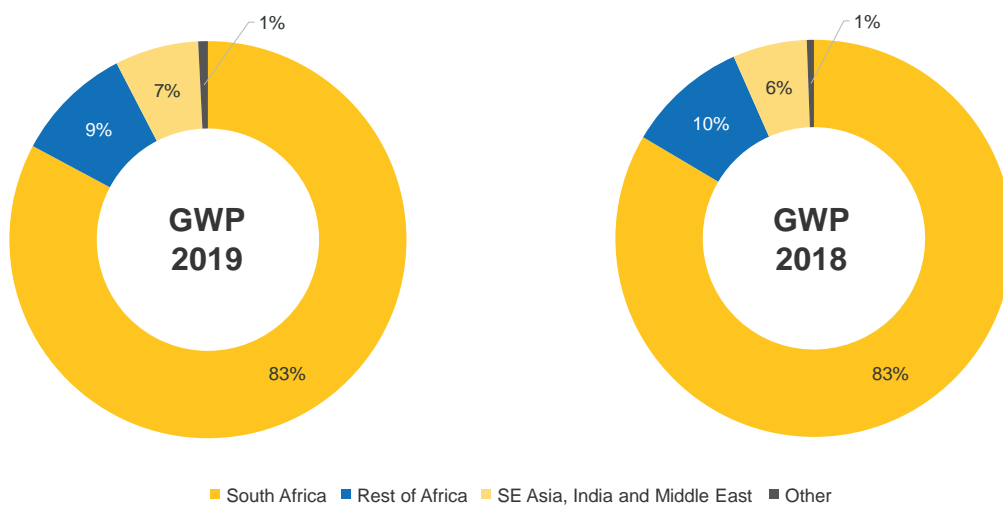
	2019	2018	2019/2018
Net profit attributable to ordinary shareholders (R million)	2 199	2 427	(9.4%)
Per share (cents)	1 990	2 198	
Impairment of goodwill and other intangible assets	3	-	
Impairment of associates and joint ventures	4	12	
Reclassification of foreign currency translation reserve on dilution of associate	-	(19)	
Loss on dilution of associate	-	88	
Profit on sale of associates (net of tax)	-	(27)	
Share of associates' profit on deemed disposal	-	(164)	
Share of associates' impairment of goodwill	80	-	
Headline earnings (R million)	2 286	2 317	(1.3%)
Per share (cents)	2 069	2 099	



GROWTH DIVERSIFICATION INCLUDING SEM PARTNER BUSINESSES

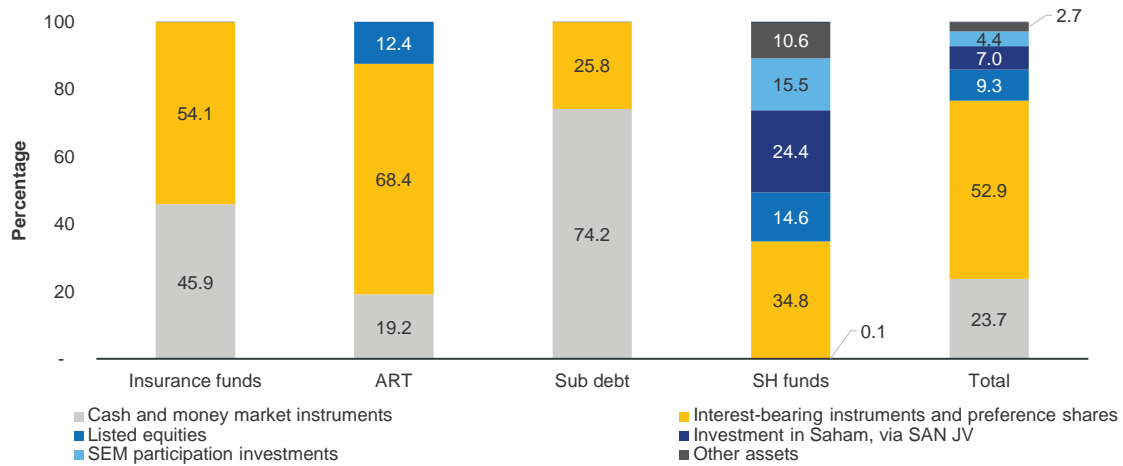


GEOGRAPHIC DIVERSIFICATION INCLUDING SEM PARTNER BUSINESSES



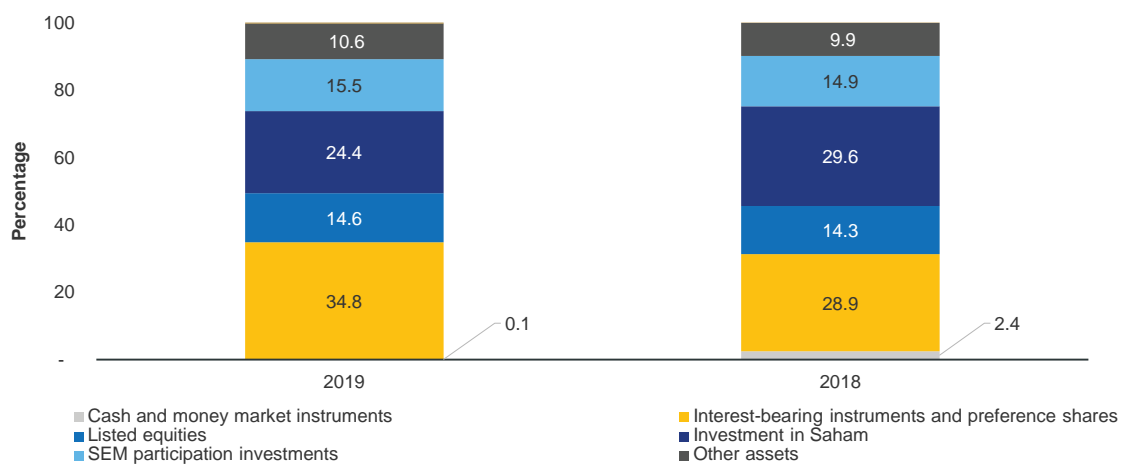
ASSET / LIABILITY MATCHING

GROUP CONSOLIDATED ASSETS AT 31 DECEMBER 2019



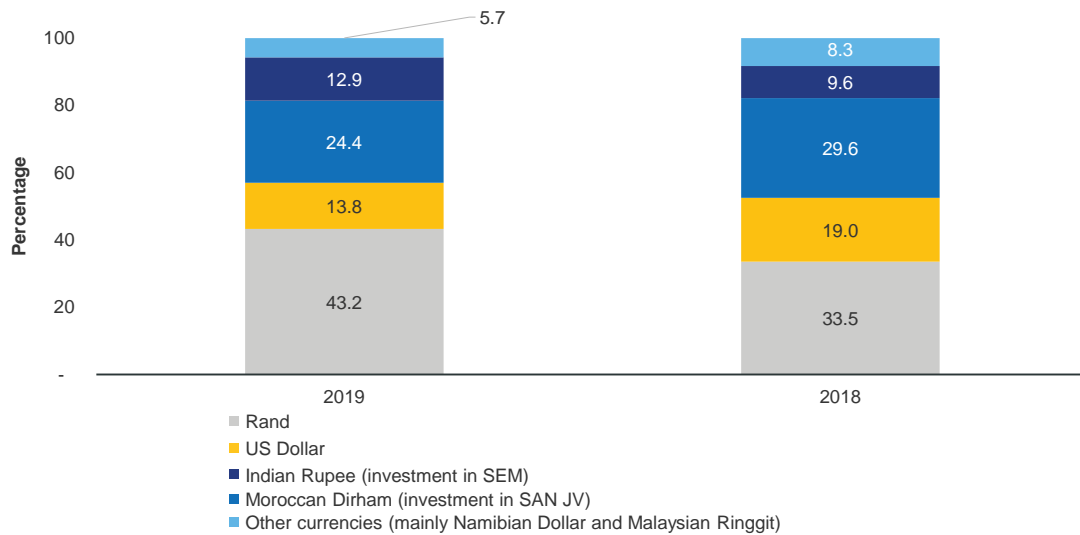
SHAREHOLDER FUNDS

ASSET MIX



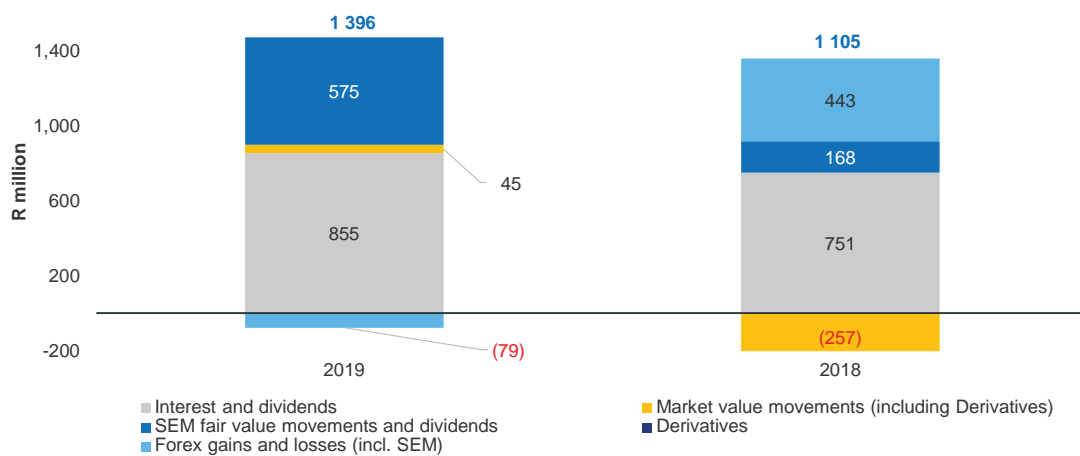
SHAREHOLDER FUNDS

CURRENCY MIX



INVESTMENT RETURN

ON SHAREHOLDERS' FUNDS



INVESTMENT RETURN

ANALYSIS OF SANTAM'S SHARE OF NET INVESTMENT

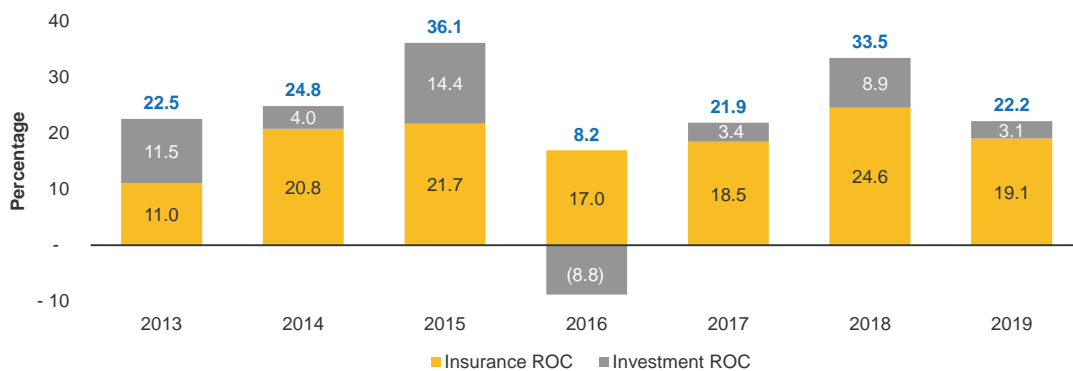
Region	Carrying value 2018 R'm	Participation reduction R'm	Additions/ (disposals) R'm	Change in exchange rates R'm	Change in valuation R'm	Carrying value 2019 R'm
Africa	264	(167)	7	(23)	10	91
Southeast Asia	213	-	-	(3)	(53)	157
India	846	-	-	(56)	436	1 226
Total	1 323	(167)	7	(82)	393	1 474



CAPITAL MANAGEMENT

RETURN ON CAPITAL – RESTATED¹

TOTAL COMPREHENSIVE INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS



1 – Total comprehensive income is used to calculate return on capital, whereas net income was previously used. The change was made to include the effects of foreign currency translation reserve movement in relation to the group's investment in Saham. In addition the investment in Saham is included at fair value for purposes of the ROC calculation to better reflect the economic return on capital to shareholders.

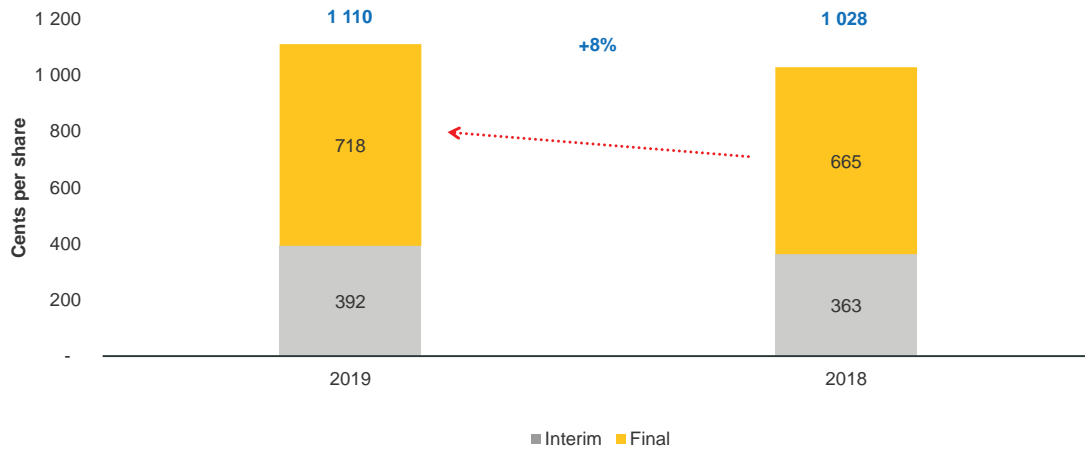


CAPITAL MANAGEMENT

- Group economic capital requirement based on the internal model R7.3 billion (2018:R6.9 billion)
- Current Group economic capital coverage ratio as at 31 December 2019 of **160%**
- Partial internal model approval granted by the Prudential Authority
- Initial capital add-on of 20% of the benefit of model approval which can be reduced over time
- Capital requirement R1.2 billion lower than required under standard formula
- Revised capital band of 150% - 170% for Group economic capital
- Santam will be comfortable to operate at the lower end of the capital band



DIVIDEND PER SHARE



FUTUREFIT SANTAM

OUR BUILDING BLOCKS FOR CREATING STAKEHOLDER VALUE

Key focus areas:

- Narrow the risk protection gap
 - > Extend leadership in South Africa
 - > Continue to build our specialist capability with SEM
 - > Selectively build our international business
 - > Build a value proposition for new markets
- Continue to run an efficient and well organised business
 - > Enabled by technology and innovation
 - > Build and improve human capital
 - > Manage our risk pools
- Further embed Insurance Good and Proper
 - > Help build resilient societies
 - > Continue to run a responsible business



STRATEGIC PRIORITIES 2020

- Bed down and implement Santam Group's FutureFit strategy
- Continue to balance profitable growth with an optimal underwriting margin and cost ratio
- Further deepen our work with industry on wider economic transformation
- Increase the impact of our partnerships to build risk and resilience in Municipalities





MORE THAN JUST SHORT-TERM INSURANCE

Certified **Top Employer** for the fourth consecutive year

Continued with the **Black Broker Development** programme

Creating employment for more than **6 000 people**

Continued as the constituent of the **FTSE 4 Good index series** and **FTSE/JSE Responsible Investment Top 30 index**

We settled **R18.9 bn in claims in 2019.**



Rated by clients

Top business insurer in South Africa: 2019 Sunday Times Top Brands Survey.



Santam has increased its investment to R95 million in the Resilient Investment Fund.

Santam donated **R1.8 million** to the **Agri SA drought relief fund.**



Building Risk and Resilience in Municipalities

46 Municipalities supported through Partnership for Risk and Resilience (P4RR).



Building a Sustainable Insurance Environment

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

We are a **signatory to ClimateWise.**



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

Insurance good and proper **now.**

Insurance good and proper **always.**





2019

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS AND ORDINARY DIVIDEND DECLARATION

FOR THE YEAR ENDED
31 DECEMBER 2019



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SALIENT FEATURES FOR THE YEAR ENDED 31 DECEMBER 2019

Group gross written
premium growth

8%

Conventional
insurance gross written
premium growth

7%

Economic capital
coverage ratio

160%

Conventional insurance
net underwriting margin

7.7%

Return on
shareholders' funds

22.2%

Earnings per share
decreased

-9%

Headline earnings
per share decreased

-1%

Final dividend of 718 cents
per share, up

8%

FINANCIAL REVIEW

The Santam group reported strong operational results for the year under difficult economic circumstances.

The group's conventional insurance book achieved gross written premium growth of 7% and a net underwriting margin of 7.7% (2018: 9.2%) of net earned premiums, at the high-end of the group's target range of 4% to 8%. The Alternative Risk Transfer (ART) business segment reported strong operating results of R171 million (2018: R96 million). The Sanlam Emerging Markets general insurance businesses (SEM) delivered overall acceptable operating results. Shriram General Insurance Company Ltd (SGI) in India achieved excellent net insurance results, which mainly offset continued high general insurance claims experienced in the Saham territories.

Net investment income attributable to shareholders, inclusive of investment return on insurance funds, of R1 396 million (2018: R1 105 million) was reported. Fair value gains on financial assets and increased interest income were key contributors to the improved performance. Negligible gains on foreign exchange differences were recognised in 2019 compared to R376 million reported in 2018. Equity-accounted earnings from associates amounted to a loss of R42 million (2018: gain of R291 million) and was negatively impacted by below par operating results and an impairment of goodwill recorded by SAN JV, the investment holding company of Saham.

Cash generated from operations increased to R5.8 billion (2018: R5.5 billion), due to better investment returns realised.

Headline earnings decreased to 2 069 cps compared to 2 099 cps in 2018. Increased investment income attributable to shareholders was partially offset by the lower underwriting results achieved.

A return on capital (ROC) of 22.2% was achieved, below the ROC threshold of 24%. The lower ROC was negatively impacted by foreign currency translation losses of R315 million, mainly relating to Saham's businesses in Angola and Lebanon. ROC was previously calculated as the profit attributable to equity holders of the company divided by the average equity balance (excluding non-controlling interests). Due to the impact of the foreign currency translation reserve movements relating to SAN JV, it was deemed more appropriate to use total comprehensive income attributable to equity holders of the company instead of only attributable profit. In addition the investment in Saham is included at fair value for purposes of the ROC calculation to better reflect the economic return on capital to shareholders. The seven-year review on page 102 of the integrated report reflects the restated percentages.

The economic capital coverage ratio was 160% – at the midpoint of the target range of 150% to 170%.

CONVENTIONAL INSURANCE

The conventional insurance business reported a net underwriting margin of 7.7% compared to the exceptional 9.2% reported in 2018. The underwriting results in the current period were negatively influenced by increased catastrophe claims compared to 2018, as well as losses incurred in the crop business due to hail and frost damage.

Gross written premium growth

Conventional insurance reported satisfactory growth of 7%. The Santam Commercial and Personal intermediated business achieved growth in line with the nominal gross domestic product growth in a difficult economic climate. The Santam Specialist business experienced continued strong growth in the property, heavy haulage and engineering classes, with acceptable growth in the other specialist classes.

MiWay maintained its growth momentum from the first half of 2019 and reported gross written premium growth of 10%. Santam re achieved excellent growth in its third-party business.

Gross written premiums from outside South Africa written on the Santam Ltd and Santam Namibia Ltd licences amounted to R3 866 million (2018: R3 367 million), equating to 15% growth. Strong growth was achieved by the corporate property and engineering businesses in Africa, as well as in Santam re in Southeast Asia, India and the Middle East. Santam Namibia growth was negatively impacted by weak economic conditions. Continued progress was made in establishing a Pan-African specialist insurance business with Saham, and the benefits from this cooperation should start to realise from 2020 onwards.

The property class reported growth of 9% on the back of strong growth in the specialist property business following lower reinsurance capacity available in the market. Crop insurance gross written premiums grew by 22%, supported by weak competitor capacity, a change in the mix of farming crop types that increased insured values in South Africa, as well as reinsurance partner business.

The motor class grew by 4%, with MiWay reporting 10% growth (gross written premium of R2 751 million; 2018: R2 496 million). The commercial motor intermediated business experienced significant strain on growth due to difficult market conditions as well as loss of business due to underwriting actions.

The engineering class benefited from a number of large construction projects, mainly outside South Africa, and reported excellent growth of 20%.

The liability class continued to experience competitive pressure and focused on improved profitability, resulting in growth of 5% (2018: 2%) during the period.

The accident and health class reported growth of 9%, with pressure experienced in the travel insurance business offset by strong growth reported by Santam re.

Underwriting result

Following a difficult start to 2019, with normalised catastrophe events (impact of R334 million compared to R114 million in 2018) and significant crop insurance losses, the business experienced a subdued claims environment for the remainder of the year, resulting in a strong underwriting performance.

The Santam Commercial and Personal intermediated business reported excellent underwriting results, although lower than its exceptional 2018 results. The business benefited from the new underwriting, administration and product platform as well as disciplined underwriting actions.

The motor class reported strong underwriting performance in the intermediated and direct distribution channels. The MiWay underwriting results were not significantly impacted by the catastrophe events during the period, resulting in an improved loss ratio of 54.2% (2018: 55.2%) and an underwriting profit of R393 million (2018: R334 million).

The property class reported an underwriting result of R212 million, compared to the R519 million reported in 2018, negatively impacted by catastrophe events in South Africa. Santam re also experienced claims from natural disasters in territories outside of South Africa.

The Specialist business benefited from the strong underwriting results achieved by the property and engineering classes of business. The liability results improved significantly from the 2018 position, which was negatively impacted by the product recall claims relating to the listeriosis outbreak.

The Specialist business results were negatively impacted by the continued underwriting losses reported by the Trade Credit Business that is in run-off since August 2019. The crop insurance class was negatively impacted by significant hail and frost-related claims resulting in a net underwriting loss of R87 million (2018: net underwriting profit of R54 million).

Santam re achieved acceptable net underwriting results, despite the impact of international catastrophes.

The net acquisition cost ratio of 30.2% decreased from 30.4% in 2018. The net commission ratio was 12.5% compared to 12.4% in 2018.

The management expense ratio of 17.7% reduced from the 18.1% reported in 2018. The 2019 expenses increased by R46 million following the adoption of the new International Financial Reporting Standard on leases (IFRS 16 *Leases*). The 2018 expense ratio was negatively impacted by a provision raised to account for the liquidity concerns at a third-party premium-collection agency that went into voluntary curatorship.

Strategic project costs, included as part of management expenses, amounted to 1% (2018: 1%) of net earned premium. These costs relate to the final phase of migration to a new core underwriting, administration and product management platform for the Santam intermediated business, the development of a new claims platform, project costs relating to IFRS 17, data enhancements and future digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 2.4% of net earned premium was on par with 2018. More than 20% of the insurance funds are held in foreign currency investments (mainly US dollar denominated) to ensure appropriate asset liability matching. Good progress was made during 2019 to improve the investment returns on the dollar denominated investments.

ALTERNATIVE RISK TRANSFER BUSINESS (ART)

The ART business reported excellent operating results of R171 million (2018: R96 million). Centriq and Santam Structured Insurance benefited from increased fee income and improved investment margins. Strong growth was achieved in the risk finance and alternative distribution businesses.

SEM GENERAL INSURANCE BUSINESS

The emerging markets general insurance business portfolio includes investments in Saham (based in Morocco with subsidiaries in 26 countries in Africa and the Middle East); Pacific & Orient Insurance Co. Berhad (P&O) in Malaysia; SGI in India; and a further 11 general insurance businesses throughout Africa which are held in conjunction with SEM, excluding South Africa and Namibia.

Effective 1 January 2019, Santam's economic participation via the SEM African Target Share portfolio was amended to reduce the participation percentage from 35% to 10%. Santam increased its effective interest in Saham from 6.97% to 10% on 1 October 2018.

Gross written premium growth

The Saham general insurance portfolio achieved overall gross written premium growth on a comparable basis of 13%, broadly in line with the target for the year. SGI experienced strong growth of 18% in gross written premiums, while P&O contributed 7% growth, which was below expectations.

Net insurance result

SAHAM

The Saham portfolio had a difficult year with claims experience remaining elevated across the general insurance portfolio. A net underwriting margin of 2% was achieved, well below the 5% to 9% target range. Good return on insurance funds, in particular in Morocco, supported a net insurance margin of 13.8%, which exceeded the lower end of the net insurance result target range of 12% to 18%.

High motor claims experience persisted in Morocco, in line with industry experience. Repricing and claims management improvement processes implemented during the year will take some time to reflect in the underwriting margin. The return on insurance funds exceeded targets for the year, with the equity and bond portfolios outperforming benchmarks. This contributed to a net insurance margin of 17%, well within the target range, despite a below par underwriting margin of 0.8%. The Moroccan life business performed well in excess of its target for the year, benefiting from good group life mortality profit and positive investment variances.

Operating earnings from Côte d'Ivoire disappointed. A number of mid-size fire claims, elevated medical inflation and a strengthening in reserves impacted on the Côte d'Ivoire general insurance underwriting results. The life insurance business also experienced lower than expected profitability due to negative investment variances, the combination of negative equity market returns and an underperformance against benchmark.

Angola had a weak 2019 with a combined ratio in excess of 100%. The significant devaluation of the Angolan currency resulted in increased cost of imported motor parts and medical inflation, placing significant pressure on claims experience. Repricing and a stabilisation in the currency should improve earnings in 2020.

A deterioration in Saham Re's claims ratio reflected the second order impact of the elevated claims experience in Morocco, Angola and Côte d'Ivoire.

Operating conditions deteriorated significantly in Lebanon towards the end of 2019 in the face of a major slowdown in the economy and widespread social unrest. Positive claims experience enabled the general insurance business, which contributes some 80% of the Lebanese profit, to outperform its target for the year, despite the economic challenges. Given the difficult operating environment, these results are not regarded as sustainable. Attractive interest rates offered by local banks and pressure on disposable income contributed to low new life business volumes and weak persistency. Life insurance profits were commensurately under pressure.

OTHER SEM GENERAL INSURANCE BUSINESSES

SGL delivered exemplary performance with a net insurance result margin of 48% (2018: 24%). This is due to a major improvement in the performance of the third-party motor book. This line of business benefited from lower claims frequency (an improving trend over the last few years) as well as strategic focus on claims management that is yielding results through better fraud detection and faster settlement of claims at a lower ultimate cost per claim. This contributed to a lower reserving basis in 2019.

High claims experience persisted at P&O. Management expenses grew due to increased marketing expenditure and system development costs incurred to support an expansion in the number of agents in pursuit of its motor strategy. This contributed to a decline in net insurance result.

INVESTMENT RESULTS

Santam's listed equity portfolio achieved a return of 10% for the year ended 31 December 2019, relative to the SWIX benchmark (60% SWIX and 40% Capped SWIX) which delivered a return of 8.3%.

The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The interest portfolios delivered good results and exceeded their STeFI-related benchmarks.

An exchange rate loss of R82 million, relating to currency movements on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia was incurred compared to a R104 million gain reported in 2018.

During June 2019 Santam used the opportunity to lock in some of the foreign currency gains on R500 million worth of exposure against the US dollar, which realised a profit of R5 million on 12 December 2019. A further foreign currency collar on R500 million worth of exposure was entered into on 19 August 2019 at a spot rate of 15.25 against the US dollar. As at 31 December 2019, the instrument's valuation amounted to R34 million. The maturity date for the collar is 19 May 2020.

Positive fair value movements (excluding the impact of currency movements) of R393 million (2018: R130 million) in Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia contributed to the improved investment performance. The main driver of the fair value movements was an increase in the value of SGL of R436 million which was mainly attributed to improved loss ratios and a decrease in the corporate tax rate.

Net losses from associated companies of R42 million included operating profit of R33 million, amortisation of value of business acquired (VOBA) of R42 million and an IFRS impairment of goodwill of R80 million from Saham (held through SAN JV). The other key contributor to earnings from associated companies was Western National Insurance Ltd. The 2018 net earnings from associated companies of R291 million included a profit on deemed disposal of associate of R164 million from Saham.

CAPITAL

The group economic capital requirement at 31 December 2019, based on the internal model, amounted to R7.3 billion (2018: R6.9 billion). This equates to an economic capital coverage ratio of 160%.

The Santam Ltd licence received approval from the Prudential Authority on 27 August 2019 to use its partial internal model for determining regulatory capital. A condition attached to the approval is that Santam will, initially, be required to hold a capital add-on equal to 20% of the benefit obtained from using the partial internal model instead of the standard formula. Santam will be able to reduce the capital add-on over time by complying with the requirements of the Prudential Authority.

As at 31 December 2019, the capital requirement under the regulatory internal model, after allowing for the capital add-on, was R1.2 billion lower than required under the standard formula.

Following the partial internal model approval (including the capital add-on), Santam has revised its group economic coverage ratio band to be between 150% and 170%.

The group will be comfortable to operate at the lower end of this range and remains committed to efficient capital management.

PROSPECTS

Trading conditions remain very competitive in a low-growth South African economic environment, where limited growth of insurable assets for the insurance industry is experienced. Inflation (annual CPI) of 4% was reported on 22 January 2020. South Africa's GDP growth rate for 2019 was 0.2%.

It is expected that economic activity will, in the near term, be constrained by weak consumer spending and the impact of load shedding as well as the COVID-19 virus.

Our focus during 2020 will remain on achieving profitable growth and taking appropriate underwriting actions to manage the risk associated with weak economic conditions.

The investment market is likely to remain uncertain. The lower interest rate environment will negatively impact investment performance while the non-rand-denominated investments increase foreign exchange volatility for the group. Santam will continue to assess the risk and implement appropriate responses, guided by our risk appetite.

The Santam board approved the Building a FutureFit Santam strategy with a five-year planning horizon in 2019. The group will prioritise extending Santam's leadership position in South Africa. Breaking into new and underserved markets presents both a challenge and an opportunity. Santam will continue to focus on improving service to clients and intermediaries, and enabling the delivery of the brand promise, **Insurance Good and Proper**.

Internationally, working with Sanlam Pan-Africa general insurance on specialist insurance offerings is a good opportunity. Continued progress is being made to establish a platform for Santam and Saham to become the leading Pan-African specialist insurance provider.

Santam welcomes innovative ideas within the group, and will use technology as an enabler in South Africa and to build a Pan-African specialist insurance business with SEM. Santam will continue with the implementation of digital initiatives for efficiency and growth.

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

EVENTS AFTER THE REPORTING PERIOD

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

DECLARATION OF ORDINARY DIVIDEND (NUMBER 132)

Notice is hereby given that the board has declared a gross final dividend of 718.00 cents per share (2018: 665.00 cents per share), 574.40 cents net of dividend withholding taxation, where applicable, per ordinary share for the year ended 31 December 2019 to those members registered on the record date, being Friday, 27 March 2020.

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

Share code:	SNT
ISIN:	ZAE000093779
Company registration number:	1918/001680/06
Company tax reference number:	9475/144/71/4
Gross cash dividend amount per share:	718.00 cents
Net dividend amount per share:	574.40 cents
Issued shares at 5 March 2020:	115 131 417
Declaration date:	5 March 2020
Last day to trade cum dividend:	Tuesday, 24 March 2020
Shares trade ex dividend:	Wednesday, 25 March 2020
Record date:	Friday, 27 March 2020
Payment date:	Monday, 30 March 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 March and Friday, 27 March 2020, both days inclusive.

In terms of the dividends tax legislation, the dividends tax amount due will be withheld and paid over to the South African Revenue Service (SARS) by a nominee company, stockbroker or Central Security Depository Participant (CSDP) (collectively Regulated Intermediary) on behalf of shareholders. Shareholders should seek their own advice on the tax consequences associated with the dividend and are particularly encouraged to ensure their records are up to date so that the correct withholding tax is applied to their dividend.

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 2019.

PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The preparation of the audited annual financial statements was supervised by the chief financial officer of Santam Ltd, Hennie Nel CA(SA).



VP Khanyile
Chairman

4 March 2020



L Lambrechts
Chief executive officer

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LTD

Opinion

The summary consolidated financial statements of Santam Limited, set out on pages 76 to 101 of the preliminary report titled "Santam 2019 audited summary consolidated financial statements and ordinary dividend declaration for the year ended 31 December 2019", which comprise the summary consolidated statement of financial position as at 31 December 2019, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Limited for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

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

The Audited Consolidated Financial Statements and Our Report Thereon

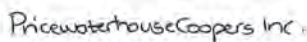
We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 4 March 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.



PricewaterhouseCoopers Inc.

Director: Chantel van den Heever

Registered Auditor

Cape Town

4 March 2020

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited at 31 December 2019 R million	Audited at 31 December 2018 R million
ASSETS			
Intangible assets		948	885
Property and equipment		984	142
Investment in associates and joint ventures		2 661	2 927
Strategic investment – unquoted SEM target shares	5, 6	1 474	1 323
Deferred income tax		107	155
Deposit with cell owners		180	191
Cell owners' and policyholders' interest		26	13
Financial assets at fair value through income	6	24 411	22 454
Reinsurance assets	7	6 821	6 487
Deferred acquisition costs		727	619
Loans and receivables including insurance receivables	6	6 237	6 274
Current income tax assets		16	10
Cash and cash equivalents		4 642	3 618
Total assets		49 234	45 098
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		103	103
Treasury shares		(482)	(467)
Other reserves		(405)	(90)
Distributable reserves		10 326	9 311
		9 542	8 857
Non-controlling interest		521	508
Total equity		10 063	9 365
LIABILITIES			
Deferred income tax		78	81
Cell owners' and policyholders' interest		3 964	3 343
Reinsurance liability relating to cell owners		180	191
Financial liabilities at fair value through income			
Debt securities	6	2 080	2 072
Investment contracts	6	1 618	1 528
Derivatives	6	-	4
Lease liabilities	13	978	-
Financial liabilities at amortised cost			
Repo liability		785	759
Collateral guarantee contracts		120	158
Insurance liabilities	7	23 207	20 662
Deferred reinsurance acquisition revenue		489	487
Provisions for other liabilities and charges		123	162
Trade and other payables including insurance payables	6	5 280	5 922
Current income tax liabilities		269	364
Total liabilities		39 171	35 733
Total shareholders' equity and liabilities		49 234	45 098

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 December 2019 R million	Restated Audited Year ended 31 December 2018 R million	Change
Gross written premium		35 852	33 109	8%
Less: reinsurance written premium		10 720	9 041	
Net written premium		25 132	24 068	4%
Less: change in unearned premium				
Gross amount		1 494	2 019	
Reinsurers' share		(588)	(763)	
Net insurance premium revenue		24 226	22 812	6%
Interest income on amortised cost instruments	8	186	91	
Interest income on fair value through income instruments	8	1 580	1 497	
Other investment income	8	288	523	
Income from reinsurance contracts ceded		1 995	1 889	
Net gains/(losses) on financial assets and liabilities at fair value through income	8	321	(428)	
Other income		271	246	
Net income		28 867	26 630	8%
Insurance claims and loss adjustment expenses		19 894	18 442	
Insurance claims and loss adjustment expenses recovered from reinsurers		(4 813)	(4 615)	
Net insurance benefits and claims		15 081	13 827	9%
Expenses for the acquisition of insurance contracts		4 878	4 524	
Expenses for marketing and administration		4 536	4 465	
Expenses for investment-related activities		70	67	
Amortisation of intangible assets		79	69	
Impairment of loans		-	5	
Investment return allocated to cell owners and structured insurance products		614	179	
Total expenses		25 258	23 136	9%
Results of operating activities		3 609	3 494	3%
Finance costs		(368)	(331)	
Net (loss)/income from associates and joint ventures		(42)	291	
Profit on sale of associates	10	-	40	
Loss on dilution of associate	10	-	(88)	
Reclassification of foreign currency translation reserve on dilution of associate	10	-	19	
Impairment of associates and joint ventures		(4)	(12)	
Income tax recovered from cell owners and structured insurance products	9	280	106	
Profit before tax		3 475	3 519	[1%]
Tax expense allocated to shareholders	9	(874)	(884)	
Tax expense allocated to cell owners and structured insurance products		(280)	(106)	
Total tax expense		(1 154)	(990)	17%
Profit for the year		2 321	2 529	[8%]
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Share of associates' currency translation differences		(315)	143	
Reclassification of foreign currency translation reserve on dilution of associate		-	(19)	
Hedging reserve release	10	-	(46)	
Hedging reserve movement	10	-	46	
Total comprehensive income for the year		2 006	2 653	[24%]
Profit attributable to:				
- equity holders of the company		2 199	2 427	[9%]
- non-controlling interest		122	102	20%
		2 321	2 529	
Total comprehensive income attributable to:				
- equity holders of the company		1 884	2 551	[26%]
- non-controlling interest		122	102	20%
		2 006	2 653	
Earnings attributable to equity shareholders				
Earnings per share (cents)	11			
Basic earnings per share		1 990	2 198	[9%]
Diluted earnings per share		1 978	2 182	[9%]

SUMMARY 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 2018	103	(470)	(214)	7 999	7 418	506	7 924
Profit for the year	-	-	-	2 427	2 427	102	2 529
Other comprehensive income:							
Share of associates' currency translation differences	-	-	143	-	143	-	143
Reclassification of foreign currency translation reserve on dilution of associate	-	-	(19)	-	(19)	-	(19)
Hedging reserve release	-	-	(46)	-	(46)	-	(46)
Hedging reserve movement	-	-	46	-	46	-	46
Total comprehensive income for the year ended 31 December 2018	-	-	124	2 427	2 551	102	2 653
Issue of treasury shares in terms of share option schemes	-	94	-	(94)	-	-	-
Purchase of treasury shares	-	(91)	-	-	(91)	-	(91)
Share-based payment costs	-	-	-	65	65	-	65
Dividends paid	-	-	-	(1 086)	(1 086)	(100)	(1 186)
Balance as at 31 December 2018	103	(467)	(90)	9 311	8 857	508	9 365
Profit for the year	-	-	-	2 199	2 199	122	2 321
Other comprehensive income:							
Share of associates' currency translation differences	-	-	(315)	-	(315)	-	(315)
Total comprehensive income for the year ended 31 December 2019	-	-	(315)	2 199	1 884	122	2 006
Issue of treasury shares in terms of share option schemes	-	91	-	(91)	-	-	-
Purchase of treasury shares	-	(106)	-	-	(106)	-	(106)
Share-based payment costs	-	-	-	85	85	-	85
Share of associates' other movements in retained earnings	-	-	-	(7)	(7)	-	(7)
Dividends paid	-	-	-	(1 171)	(1 171)	(109)	(1 280)
Balance as at 31 December 2019	103	(482)	(405)	10 326	9 542	521	10 063

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 December 2019 R million	Audited Year ended 31 December 2018 R million
Cash flows from operating activities			
Cash generated from operations		5 831	5 461
Interest paid		(339)	(322)
Income tax paid		(955)	(785)
Acquisition of financial assets		(24 169)	(19 025)
Proceeds from sale of financial assets		22 529	15 807
Net cash from operating activities		2 897	1 136
Cash flows from investing activities			
Acquisition of financial assets		(913)	(909)
Proceeds from sale of financial assets		958	1 166
Acquisition of subsidiaries, net of cash acquired	10	(48)	(86)
Purchases of equipment		(53)	(62)
Purchases of intangible assets		(67)	(27)
Proceeds from sale of equipment and intangible assets		-	3
Acquisition of associates and joint ventures	10	-	(923)
Capitalisation of associates	10	(158)	(15)
Proceeds from sale of associates	10	-	168
Net cash used in investing activities		(281)	(685)
Cash flows from financing activities			
Purchase of treasury shares		(106)	(91)
Payment of principal element of lease liabilities		(173)	-
Dividends paid to company's shareholders		(1 171)	(1 086)
Dividends paid to non-controlling interest		(109)	(100)
Net cash used in financing activities		(1 559)	(1 277)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		3 618	4 321
Exchange (losses)/gains on cash and cash equivalents		(33)	123
Cash and cash equivalents at end of year		4 642	3 618

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for those referred to below:

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

- IFRS 16 – *Leases*
- Amendments to IAS 28 – *Investments in Associates and Joint Ventures*
- Annual improvements 2015 – 2017 cycle
- IFRIC 23 – *Uncertainty over Income Tax Treatments*

Standards effective in 2019

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

Standards not yet effective in 2019

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

IFRS 17 INSURANCE CONTRACTS

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

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

The group is currently facilitating the transition to IFRS 17 by preparing accounting policies, actuarial methodologies and disclosure requirements that are in line with the requirements of the standard. These policies, methodologies and disclosures will be consistently applied throughout the group to ensure a seamless transition. The group's assessment of the requirements of the standard against current data, processes and valuation models is largely complete, as well as the overall design of the future actuarial and financial reporting processes and architecture. Customisations to the acquired integrated system of software that will be used to perform IFRS 17 calculations and related build activities as well as the data acquisition process are tracking in line with the group-wide programme plan.

December 2018 restatement

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

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

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

3. ESTIMATES

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

In preparing these summary consolidated 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 2019. There have been no changes since 31 December 2018.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

4. RISK MANAGEMENT

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

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

The summary consolidated financial statements do not include all risk management information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2019.

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

5. SEGMENT INFORMATION

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

The group conducts mainly insurance and investment activities.

INSURANCE ACTIVITIES:

The group presents its insurance results in the following segments:

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

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

Growth is measured for SEM general insurance businesses based on the gross written premium generated by the underlying businesses. With regard to the SEM and Saham 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 summary consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associates for the investment in SAN JV (Saham).

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 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.

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. Revenue is earned from the various investment portfolios managed in the form of interest, dividend and fair value gains or losses, as well as income from associates and joint ventures that are not considered to be strategic investments.

ALL ACTIVITIES:

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

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.

During the current year, the segmental disclosure has been adjusted as follows:

- Detail regarding conventional insurance business has been removed from the main table and is included as a subsection.
- The presentation of ART results has been changed to better reflect the management view of the business, due to the fact that the majority of the shareholder's share of profit relates to income from clients and not underwriting results.
- Further information has been provided in relation to the key income statement line items for SAN JV (Saham) as this better reflects how management reviews the results. Previously, results from reinsurance business for SAN JV (Saham) was disclosed separately, but as it relates only to general insurance business and not life business, it has been included with the general insurance business as these businesses are managed together.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.1 Segment report

FOR THE YEAR ENDED 31 DECEMBER 2019

Business activity	Insurance			
	Conventional R million	Alternative risk transfer R million	Santam's share of SEM and SAN JV R million	Total R million
Revenue	29 725	6 127	2 771	38 623
External	29 487	6 127	2 771	38 385
Intersegment ⁵	238	-	-	238
Operating result before non-controlling interest and tax¹	2 400	171	495	3 066
Reallocation of operating result	-	-	(495)	(495)
Investment income net of investment-related fees	-	614	257	871
Investment return allocated to cell owners and structured insurance products	-	(614)	-	(614)
Finance costs ²	-	-	-	-
Income from associates and joint ventures including impairment	-	-	(89)	(89)
Santam BEE costs	-	-	-	-
Amortisation and impairment of intangible assets ³	(34)	(1)	-	(35)
Income tax recovered from cell owners and structured insurance products	-	280	-	280
Profit before tax	2 366	450	168	2 984

¹ Includes depreciation of R208 million for conventional insurance and R15 million for ART.

² Finance costs relating to lease liabilities have been included in management expenses.

³ Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R12 million has been included in operating result.

⁴ Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes, the reallocation of investment revenue for IFRS purposes as well as the elimination of intersegmental revenue.

⁵ Intersegment revenue includes revenue earned from Santam's share of SEM and SAN JV segment.

FOR THE YEAR ENDED 31 DECEMBER 2018 (RESTATED)

Business activity	Insurance			
	Conventional R million	Alternative risk transfer R million	Santam's share of SEM and SAN JV R million	Total R million
Revenue	27 711	5 398	2 547	35 656
External	27 711	5 398	2 547	35 656
Operating result before non-controlling interest and tax	2 596	96	287	2 979
Reallocation of operating result	-	-	(287)	(287)
Investment income net of investment-related fees	-	179	234	413
Investment return allocated to cell owners and structured insurance products	-	(179)	-	(179)
Finance costs	-	-	-	-
Income from associates and joint ventures including profit on sale and impairment	-	-	266	266
Loss on dilution of associate	-	-	(88)	(88)
Reclassification of foreign currency translation reserve on dilution of associate	-	-	19	19
Santam BEE costs	-	-	-	-
Amortisation and impairment of intangible assets ¹	(23)	(1)	-	(24)
Impairment of loans	(5)	-	-	(5)
Income tax recovered from cell owners and structured insurance products	-	106	-	106
Profit before tax	2 568	201	431	3 200

¹ Amortisation of computer software included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R36 million has been included in operating result.

² Reconciling items consist of the reallocation of net operating results relating to the underlying investments of the SEM target shares and SAN JV for management reporting purposes, the reallocation of investment revenue for IFRS purposes as well as the elimination of intersegmental revenue.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Investment R million	Total R million	Reconciling and unallocated ⁴ R million	IFRS total R million
859	39 482	(3 630)	35 852
859	39 244	(3 630)	35 614
-	238	-	238
-	3 066	(495)	2 571
-	(495)	495	-
745	1 616	-	1 616
-	(614)	-	(614)
(294)	(294)	-	(294)
43	(46)	-	(46)
-	-	(3)	(3)
-	(35)	-	(35)
-	280	-	280
494	3 478	(3)	3 475

Investment R million	Total R million	Reconciling and unallocated ² R million	IFRS total R million
725	36 381	(3 272)	33 109
725	36 381	(3 272)	33 109
-	2 979	(287)	2 692
-	(287)	287	-
605	1 018	-	1 018
-	(179)	-	(179)
(331)	(331)	-	(331)
53	319	-	319
-	(88)	-	(88)
-	19	-	19
-	-	(8)	(8)
-	(24)	-	(24)
-	(5)	-	(5)
-	106	-	106
327	3 527	(8)	3 519

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.1 Segment report (continued)

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

	31 December 2019 R million	31 December 2018 R million
Revenue	29 725	27 711
Net earned premium	23 673	22 371
Net claims incurred	14 711	13 499
Net commission	2 950	2 764
Management expenses (excluding BEE costs) ^{1,2}	4 192	4 042
Net underwriting result	1 820	2 066
Investment return on insurance funds	579	532
Net insurance result	2 399	2 598
Other income	93	187
Other expenses	(92)	(189)
Operating result before non-controlling interest and tax	2 400	2 596

¹ Amortisation of computer software has been included in management expenses.

² Finance costs relating to lease liabilities have been included in management expenses.

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

	31 December 2019		31 December 2018	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	585	24	535	82
Crop	886	(87)	729	54
Engineering	1 601	312	1 335	296
Guarantee	246	(58)	301	(69)
Liability	1 310	159	1 250	(20)
Miscellaneous	21	7	8	(1)
Motor	13 340	1 201	12 801	1 176
Property	10 974	212	10 031	519
Transportation	762	50	721	29
Total	29 725	1 820	27 711	2 066
Comprising:				
Commercial insurance	17 117	928	15 809	920
Personal insurance	12 608	892	11 902	1 146
Total	29 725	1 820	27 711	2 066

ADDITIONAL INFORMATION ON ALTERNATIVE RISK INSURANCE ACTIVITIES

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

	31 December 2019 R million	31 December 2018 R million
Income from clients	331	236
Participation in underwriting results ¹	59	60
	390	296
Administration expenses	(219)	(200)
Operating result before non-controlling interest and tax	171	96

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.1 Segment report (continued)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SEM AND SAHAM

	31 December 2019			31 December 2018		
	SEM R million	Saham R million	Total R million	SEM R million	Saham R million	Total R million
Revenue ¹	1 140	1 631	2 771	1 265	1 282	2 547
Operating result before non-controlling interest and tax	319	176	495	130	157	287

¹ In 2019 Revenue includes Gross written premium for general insurance businesses

ADDITIONAL INFORMATION FOR SANTAM'S SHARE OF SEM

	2019 ¹ R million	2018 R million
Revenue	1 140	1 265
Net earned premiums	879	923
Net claims	510	679
Net commission	36	49
Management expenses (excluding BBE costs)	218	248
Net underwriting results	115	(53)
Investment return on insurance funds	204	183
Operating result before non-controlling interest and tax	319	130

¹ On 1 January 2019 Santam decreased its effective holding in the SEM African target shares to 10%.

ADDITIONAL INFORMATION FOR SAHAM'S GENERAL AND REINSURANCE (100%)

	2019 ¹ R million	2018 R million
Revenue	16 310	14 466
Net earned premiums	12 248	10 666
Net claims	7 757	6 559
Net commission	1 617	1 295
Management expenses (excluding BBE costs)	2 634	2 370
Net underwriting results¹	240	442
Investment return on insurance funds	1 454	860
Operating result before non-controlling interest and tax	1 694	1 302

¹ The 2019 values include the allocation of SEM group costs to the GI portfolio, the 2018 values do not. Excluding the SEM group cost allocation, the 2019 underwriting margin is 2.8% for the Saham group.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

5.1 Segment report (continued)

ADDITIONAL INFORMATION FOR SAHAM

Analysis of Saham (100%)

	Life business		General insurance ¹		Consolidation and other ²		Saham total	
	31 December 2019 R million	31 December 2018 R million	31 December 2019 R million	31 December 2018 R million	31 December 2019 R million	31 December 2018 R million	31 December 2019 R million	31 December 2018 R million
Financial service income	1 229	1 038	14 085	12 121	283	-	15 597	13 159
Long-term insurance contracts	1 139	987	-	-	-	-	1 139	987
General insurance contracts	-	-	12 248	10 666	-	-	12 248	10 666
Investment return on insurance funds	70	14	1 454	860	-	-	1 524	874
Other	20	37	383	595	283	-	686	632
Sales remuneration	(212)	(176)	(1 617)	(1 295)	-	-	(1 829)	(1 471)
Underwriting policy benefits	(376)	(553)	(7 757)	(6 559)	-	-	(8 133)	(7 112)
Administration cost	(468)	(369)	(2 947)	(2 699)	(460)	(153)	(3 875)	(3 221)
Gross results from Financial services	173	(60)	1 764	1 568	(177)	(153)	1 760	1 355
Tax	(61)	6	(504)	(306)	17	15	(548)	(285)
Profit after tax	112	(54)	1 260	1 262	(160)	(138)	1 212	1 070
Non-controlling interest	(38)	24	(354)	(338)	(6)	(10)	(398)	(324)
Net results from financial services	74	(30)	906	924	(166)	(148)	814	746
Net investment return on shareholders' funds	(101)	42	(108)	(4)	(2)	(26)	(211)	12
Amortisation of intangibles	(5)	(7)	(24)	(34)	(10)	(15)	(39)	(56)
Foreign currency translation differences	-	(1)	(76)	(100)	(40)	(23)	(116)	(124)
Attributable earnings³	(32)	4	698	786	(218)	(212)	448	578

¹ General insurance includes the following lines of business: general insurance, health, property, reinsurance and Elite.

² Consolidation and other includes the following: central corporate costs, withholding tax incurred by holdings companies in the structure, Netis Group.

³ This excludes amortisation of R420 million and impairments of R798 million at a consolidated level.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

5.1 Segment report (continued)

ADDITIONAL INFORMATION ON INVESTMENT ACTIVITIES

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

	31 December 2019 R million	31 December 2018 R million
Investment income	724	895
Net gains/(losses) on financial assets and liabilities at fair value through income	91	(223)
Income from associates and joint ventures	43	53
Investment-related revenue	858	725
Expenses for investment-related activities	(70)	(67)
Finance costs	(294)	(331)
Net total investment-related transactions	494	327

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

5.2 Geographical analysis

	Gross written premium		Non-current assets	
	31 December 2019 R million	31 December 2018 R million	31 December 2019 R million	31 December 2018 R million
South Africa	31 986	29 742	2 269	1 109
Rest of Africa ¹	3 701	3 684	2 414	3 109
Southeast Asia, India and Middle East	2 633	1 969	1 384	1 059
Other	303	261	-	-
	38 623	35 656	6 067	5 277
Reconciling items ²	(2 771)	(2 547)	-	-
Group total	35 852	33 109	6 067	5 277

¹ Includes gross written premium relating to Namibia of R1 044 million (Dec 2018: R1 110 million).

² Reconciling items relate to the underlying investments included in the SEM target shares and SAN JV for management reporting purposes.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Audited at 31 December 2019 R million	Audited at 31 December 2018 R million
Financial assets		
Strategic investment – unquoted SEM target shares	1 474	1 323
Financial assets at fair value through income	24 411	22 454
	25 885	23 777
Expected to be realised after 12 months	20 094	17 400
Expected to be realised within 12 months	5 791	6 377
Loans and receivables including insurance receivables		
Receivables arising from insurance and reinsurance contracts	5 118	5 168
Loans and receivables excluding insurance receivables	1 119	1 106
Loans and receivables including insurance receivables are expected to be realised within 12 months.		
Financial liabilities		
Financial liabilities at fair value through income	3 698	3 604
Expected to be settled after 12 months	3 590	3 528
Expected to be settled within 12 months	108	76
Trade and other payables including insurance payables		
Payables arising from insurance and reinsurance contracts	3 044	3 952
Trade and other payables excluding insurance payables	2 236	1 970
Trade and other payables including insurance payables are expected to be settled within 12 months.		

Financial instruments measured at fair value on a recurring basis

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2018. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, by prices) or indirectly (that is, derived from prices). The fair value of level 2 instruments is determined as follows:
 - Quoted equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
 - Unquoted equity securities are valued using the discounted cash flow (DCF) or net asset value method based on market input.
 - Quoted debt securities are valued using yield of benchmark bond, DCF benchmarked against similar instruments with the same issuer, price quotations of JSE interest rate market or issue price of external valuations based on market input.¹
 - Unquoted debt securities are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
 - Quoted unithised investments with underlying equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
 - Quoted unithised investments with underlying debt securities are valued using DCF, external valuations and published price quotations on the JSE equity and interest rate market or external valuations that are based on published market input with the main assumptions being market input, uplifted with inflation.¹
 - Derivatives are valued using the Black-Scholes model, net present value of estimated floating costs less the performance of the underlying index over contract term, DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments) with the main assumptions being market input, credit spreads and contract inputs.
- Level 3: Input for the asset or liability that is not based on observable data (that is, unobservable input).

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

¹ These investments are classified as level 2 as the markets that they trade on are not considered to be active.

² The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

Audited at 31 December 2019	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	2 419	–	–	2 419
Irredeemable preference shares	1	–	–	1
Unquoted	–	4	1 553	1 557
Total equity securities	2 420	4	1 553	3 977
Debt securities				
Quoted				
Government and other bonds	–	4 276	–	4 276
Collateralised securities	–	315	–	315
Money market instruments more than one year	–	3 338	–	3 338
Unquoted				
Government and other bonds	–	922	–	922
Money market instruments more than one year	–	5 517	–	5 517
Redeemable preference shares	–	70	60	130
Total debt securities	–	14 438	60	14 498
Unitised investments				
Quoted				
Underlying equity securities	–	697	–	697
Underlying debt securities	–	3 783	–	3 783
Total unitised investments	–	4 480	–	4 480
Derivatives				
Interest rate swaps ¹	–	–	–	–
Exchange traded futures	–	1	–	1
Foreign currency collar	–	34	–	34
Total derivative instruments	–	35	–	35
Short-term money market instruments	–	2 895	–	2 895
Total financial assets at fair value through income	2 420	21 852	1 613	25 885
¹ Carrying value as at 31 December 2019 is less than R1 million.				
Financial liabilities at fair value through income				
Debt securities				
	–	2 080	–	2 080
Investment contracts				
	–	1 618	–	1 618
Total financial liabilities at fair value through income	–	3 698	–	3 698

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

Audited at 31 December 2018	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Financial assets at fair value through income				
Equity securities				
Quoted				
Listed	2 377	-	-	2 377
Irredeemable preference shares	1	-	-	1
Unquoted	-	28	1 390	1 418
Total equity securities	2 378	28	1 390	3 796
Debt securities				
Quoted				
Government and other bonds	-	4 750	-	4 750
Collateralised securities	-	370	-	370
Money market instruments more than one year	-	3 343	-	3 344
Unquoted				
Government and other bonds	-	292	-	292
Money market instruments more than one year	-	5 026	-	5 025
Redeemable preference shares	-	70	61	131
Total debt securities	-	13 851	61	13 912
Unitised investments				
Quoted				
Underlying equity securities	-	615	-	615
Underlying debt securities	-	2 501	-	2 501
Total unitised investments	-	3 116	-	3 116
Derivatives				
Exchange-traded futures	-	25	-	25
Interest rate swaps ¹	-	-	-	-
Total derivative instruments	-	25	-	25
Short-term money market instruments	-	2 928	-	2 928
Total financial assets at fair value through income	2 378	19 948	1 451	23 777

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

Financial liabilities at fair value through income

Debt securities	-	2 072	-	2 072
Investment contracts	-	1 528	-	1 528
Derivative instruments				
Exchange traded futures	-	4	-	4
Total derivative instruments	-	4	-	4
Total financial liabilities at fair value through income	-	3 604	-	3 604

The following table presents the changes in level 3 instruments:

	Equity securities R million	Debt securities R million	Total R million
31 December 2019 (audited)			
Opening balance	1 390	61	1 451
Acquisitions	18	-	18
Settlements	(114)	-	(114)
Gains/(losses) recognised in profit or loss	259	(1)	258
Closing balance	1 553	60	1 613
31 December 2018 (audited)			
Opening balance	1 143	25	1 168
Acquisitions	12	36	48
Gains recognised in profit or loss	235	-	235
Closing balance	1 390	61	1 451

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

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

Of the R259 million gain (Dec 2018: R235 million gain) recognised on equity securities, a R256 million gain (Dec 2018: R234 million gain) relates to the SEM target shares, of which R82 million (Dec 2018: R104 million) relates to foreign exchange losses (Dec 2018: gains), and R338 million to an increase (Dec 2018: R130 million) in fair value in local currency terms. The key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- The increase in the value of Shriram General Insurance Company Ltd (SGI) of R436 million (excluding the impact of exchange rate movements) was mainly attributable to improved net insurance results and an official reduction in the Indian corporate tax rate. Despite positive momentum at June 2019, Pacific & Orient Insurance Co. Berhad (P&O) experienced growth pressure during the second half of the year which had a negative impact on the valuation of R53 million (excluding foreign exchange movements).

Santam's economic participation via the SEM African target share portfolio was amended to reduce the participation percentage from 35% to 10%. As a result Santam received a cash target share distribution of R167 million from SEM on 28 June 2019, comprising a capital distribution of R112 million and an income distribution of R55 million. The capital distribution was recognised directly in the statement of financial position as a reduction of the target share investment value. The income distribution was recognised in the statement of comprehensive income, where it was countered with a release of the realised fair value adjustment of the same value.

The fair value of the SEM target shares is determined using predominantly DCF models, with the remainder valued at or within close proximity of the latest available net asset value of the underlying company. The most significant assumptions used in these DCF models are the discount rate and net insurance margin expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares valued by way of DCF models would decrease by R259 million (Dec 2018: R146 million) or increase by R453 million (Dec 2018: R229 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R138 million (Dec 2018: R106 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the cumulative fair values will increase by R116 million (Dec 2018: R81 million) or decrease by R116 million (Dec 2018: R82 million), respectively. The remaining target shares are mostly impacted by changes in exchange rates.

At 31 December 2019, the group had exchange-traded futures with an exposure value of R386 million (Dec 2018: R459 million). The group also had interest rate derivative assets as part of the international bond portfolio with a gross exposure asset and liability at 31 December 2019 of R69 million (Dec 2018: R38 million) and R69 million (Dec 2018: R38 million) respectively.

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

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

Per the conditions set by the Prudential Authority, Santam is required to maintain liquid assets equal to the value of the callable notes until maturity. The callable notes are therefore measured at fair value to minimise undue volatility in the statement of comprehensive income. The fair value of the fixed rate notes is calculated using the yield provided by BESA and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by BESA and adding accrued interest.

On 10 September 2018 Santam entered into a foreign currency collar against the US dollar. As at 31 December 2018, the instrument's valuation amounted to R24.8 million. The collar expired in two equal tranches on 4 January 2019 and 7 January 2019 and realised a total profit of R36.5 million. On 12 June 2019 Santam entered into another foreign currency collar against the US dollar. The collar unwound on 27 December 2019 resulting in a profit of R5 million.

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

7. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Audited at 31 December 2019 R million	Audited at 31 December 2018 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	37	32
– claims incurred but not reported	45	41
General insurance contracts		
– claims reported and loss adjustment expenses	9 171	8 465
– claims incurred but not reported	3 064	2 868
– unearned premiums	10 890	9 256
Total gross insurance liabilities	23 207	20 662
Expected to be settled after 12 months	2 353	2 339
Expected to be settled within 12 months	20 854	18 323
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	10	14
– claims incurred but not reported	13	10
General insurance contracts		
– claims reported and loss adjustment expenses	4 297	4 138
– claims incurred but not reported	699	667
– unearned premiums	1 802	1 658
Total reinsurers' share of insurance liabilities	6 821	6 487
Expected to be recovered after 12 months	521	505
Expected to be recovered within 12 months	6 300	5 982
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	27	18
– claims incurred but not reported	32	31
General insurance contracts		
– claims reported and loss adjustment expenses	4 874	4 327
– claims incurred but not reported	2 365	2 201
– unearned premiums	9 088	7 598
Total net insurance liabilities	16 386	14 175

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

	Audited Year ended 31 December 2019 R million	Restated Audited Year ended 31 December 2018 R million
Investment income	2 054	2 111
Interest income derived from	1 766	1 588
Financial assets measured at amortised cost	186	91
Financial assets mandatorily measured at fair value through income	1 580	1 497
Other investment income	288	523
Dividend income	291	147
Foreign exchange differences	(3)	376
Net gains/(losses) on financial assets and liabilities at fair value through income	321	(428)
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	468	(463)
Net realised gains on financial assets excluding derivative instruments	58	377
Net fair value gains/(losses) on financial assets excluding derivative instruments	358	(863)
Net realised/fair value gains on derivative instruments	52	23
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	(147)	35
Net fair value losses on debt securities	(8)	(16)
Net realised (losses)/gains on investment contracts	(139)	51
	2 375	1 683

9. INCOME TAX

Normal taxation

Current year	1 043	980
Prior year	20	(3)
Other taxes	2	12
Foreign taxation – current year	74	71
Total income taxation for the year	1 139	1 060

Deferred taxation

Current year	25	(70)
Prior year	(10)	–
Total deferred taxation for the year	15	(70)

Total taxation as per statement of comprehensive income

	1 154	990
Income tax recovered from cell owners and structured insurance products	(280)	(106)
Total tax expense attributable to shareholders	874	884

Profit before taxation per statement of comprehensive income	3 475	3 519
Adjustment for income tax recovered from cell owners and structured insurance products	(280)	(106)
Total profit before tax attributable to shareholders	3 195	3 413

Reconciliation of taxation rate (%)

Normal South African taxation rate	28.0	28.0
Adjusted for:		
Disallowable expenses	0.4	0.1
Foreign tax differential	0.1	0.8
Exempt income	(2.1)	(0.8)
Investment results	–	0.1
Income from associates and joint ventures	0.4	(1.8)
Previous year's underprovision/(overprovision)	0.4	(0.1)
Other permanent differences	0.2	(0.8)
Other taxes	–	0.4
Net reduction	(0.6)	(2.1)
Effective rate (%)	27.4	25.9

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

10. CORPORATE TRANSACTIONS

For the year ended 31 December 2019

ACQUISITIONS

Vantage Insurance Acceptances (Pty) Ltd

On 1 March 2019, the Santam group acquired a shareholding of 100% in Vantage Insurance Acceptances (Pty) Ltd for R31.3 million, including contingent payments estimated at R6 million. Goodwill raised relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	9
Loans and receivables including insurance receivables	3
Cash and cash equivalents	4
Deferred income tax	(2)
Trade and other payables including insurance payables	(5)
Net asset value acquired	9
Goodwill	22
Future contingent consideration payable	(6)
Purchase consideration paid	25

XS Sure (Pty) Ltd

On 1 March 2019, the Santam group acquired a shareholding of 100% in XS Sure (Pty) Ltd for R36 million, including contingent payments estimated at R6 million.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	18
Financial assets at fair value through income	14
Loans and receivables including insurance receivables	3
Cash and cash equivalents	3
Deferred income tax	(8)
Insurance liabilities	(2)
Trade and other payables including insurance payables	(5)
Current tax liabilities	(1)
Net asset value acquired	22
Goodwill	14
Future contingent consideration payable	(6)
Purchase consideration paid	30

SAN JV (RF) (Pty) Ltd

During May 2019, as well as November 2019, pro rata funding took place in terms of which Santam injected a further total of R158 million into SAN JV (RF) (Pty) Ltd.

For the year ended 31 December 2018

ACQUISITIONS

SAN JV (RF) (Pty) Ltd

Effective 9 October 2018, SEM and Santam, through its investment in SAN JV (RF) (Pty) Ltd (SAN JV), acquired a further 53.3% interest in Saham Finances for USD1 045 million. Santam's share of the purchase price, including transaction costs, was USD64 million (R957 million), before applying hedge accounting. Santam's interest in SAN JV therefore diluted to 10% (previously 15%) due to limited participation in this transaction. As part of this transaction, a cash flow hedge was implemented to cover Santam's foreign currency exposure by designating US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R46 million recognised on the designated cash balances since implementation date were not recognised in the statement of comprehensive income, but were accounted for as part of the investment in SAN JV. As a result of the dilution, R19 million of the foreign currency translation reserve relating to SAN JV was released to profit or loss. A loss on dilution of R88 million was also recognised.

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

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

Ctrl Investment Holdings (Pty) Ltd

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

10. CORPORATE TRANSACTIONS (continued)

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

DISPOSALS

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

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

Western Group Holdings Ltd

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

11. EARNINGS PER SHARE

	Audited Year ended 31 December 2019	Audited Year ended 31 December 2018
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	2 199	2 427
Weighted average number of ordinary shares in issue (million)	110.48	110.41
Earnings per share (cents)	1 990	2 198
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	2 199	2 427
Weighted average number of ordinary shares in issue (million)	110.48	110.41
Adjusted for share options	0.70	0.82
Weighted average number of ordinary shares for diluted earnings per share (million)	111.18	111.23
Diluted basic earnings per share (cents)	1 978	2 182
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	2 199	2 427
Adjusted for:		
Impairment of goodwill and other intangible assets	3	-
Impairment of associates and joint ventures	4	12
Reclassification of foreign currency translation reserve on dilution of associate	-	(19)
Loss on dilution of associate	-	88
Profit on sale of associates	-	(40)
Tax charge on profit on sale of associates	-	13
Share of associates' profit on deemed disposal of associate	-	(164)
Share of associates' impairment of goodwill	80	-
Headline earnings (R million)	2 286	2 317
Weighted average number of ordinary shares in issue (million)	110.48	110.41
Headline earnings per share (cents)	2 069	2 099
Diluted headline earnings per share		
Headline earnings (R million)	2 286	2 317
Weighted average number of ordinary shares for diluted headline earnings per share (million)	111.18	111.23
Diluted headline earnings per share (cents)	2 056	2 084
12. DIVIDEND PER SHARE		
Dividend per share (cents)	1 110	1 028

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

13. CHANGE IN ACCOUNTING POLICY

IFRS 16 Leases

IFRS 16 *Leases* (effective 1 January 2019) addresses the establishment of principles for the recognition, measurement, presentation and disclosure of all lease arrangements within the scope of the standard. Under the new standard, an asset (the right to use the leased item) and the liability to pay rentals, are recognised. (The asset is included in Property and equipment, and the liability to pay rentals is disclosed separately as Lease liabilities.) The only exemption, which the group chose to apply, is low-value leases, being individual leases which are valued at less than R65 000 (relating to office furniture and equipment). There were no material short-term leases. The accounting for lessors did not significantly change. The group, who is only a lessee, applied IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognised as an adjustment in the opening statement of financial position on 1 January 2019, with no restatement of comparative information and no impact on opening retained earnings. As at 31 December 2018, the group had non-cancellable operating lease commitments of R1 331 million (restated – refer below). The majority of these commitments resulted in recognition of an asset and a liability for future payments.

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

	2019 ² R million
Operating lease commitments as at 31 December 2018 as published	1 795
Add: lease contracts related to parking linked to head office building ¹	294
Less: contracts reassessed as service agreements ¹	(758)
Restated operating lease commitments as at 31 December 2018	1 331
Discounted using incremental borrowing rate on 1 January 2019	935
Less: low-value leases recognised on straight-line basis as expense	(7)
Add: adjustments as a result of different treatment of extension and termination options	76
Lease liability as at 1 January 2019	1 004
Expected to be settled after 12 months	978
Expected to be settled within 12 months	26

¹ In prior years, the group incorrectly recognised computer equipment as an operating lease commitment instead of a non-lease commitment (to the value of R758 million). This commitment related to a full complement of IT services that the group has access to. During the current year, the contract was assessed to be a service level agreement as opposed to an operating lease. There is no material impact on the statement of comprehensive income as the difference between the previously recognised straight-line lease expense does not differ materially from the service level agreement expense. The straight-line lease accrual also does not materially differ from the payable that would have been raised in terms of the service level agreement. In addition to this, certain lease contracts related to parking linked to head office buildings to the value of R294 million were omitted from the operating lease commitment note. These restatements have no impact on net income, profit after tax, earnings per share or headline earnings per share. It also has no impact on the statement of financial position, changes in equity or cash flows.

² The group presented the above reconciliation on adoption of IFRS 16 for the first time in the interim report for the period ended 30 June 2019. Revisions have been made to the disclosure made in that report. Lease contracts relating to parking amounting to R294 million is included above, but not at 30 June 2019. The discounted value of operating lease commitments of R935 million is included above, R799 million was disclosed at 30 June 2019. Low-value leases of R7 million is disclosed above, R2 million was disclosed at 30 June 2019. Adjustments as a result of lease extensions and termination options of R76 million is disclosed above, R47 million was disclosed at 30 June 2019. The resulting lease liability at 1 January 2019 of R1 004 million is disclosed above, R844 million was disclosed at 30 June 2019.

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

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

	31 December 2019 R million	1 January 2019 R million
Properties	836	914
Vehicles	24	25
Total	860	939

Practical expedients applied

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

13. CHANGE IN ACCOUNTING POLICY (continued)

Impact on statement of financial position

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

	Before R million	Change R million	After R million
Property and equipment	142	939	1 081
Lease liability	-	(1 004)	(1 004)
Trade and other payables including insurance payables	(5 922)	65	(5 857)
	(5 780)	-	(5 780)

Impact on earnings per share and cash flows

Earnings decreased by R46 million and earnings per share decreased by 42 cents per share for the year ended 31 December 2019 as a result of the adoption of IFRS 16. Regarding the statement of cash flows, where all cash payments of operating leases were previously included in cash generated from operations under cash flows from operating activities, the cash repayment of the principal portion of the lease liabilities will be included in principal element of lease liabilities in cash flows from financing activities and the cash payment of the interest portion will be presented in interest paid under cash flows from operating activities.

Impact on segmental report

Non-current assets increased as a result of the adoption of IFRS 16 as follows as at 31 December 2019:

	R million
South Africa	843
Rest of Africa	17
Southeast Asia, India and Middle East	-
Other	-
	860

Accounting policy for leasing activities

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

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

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

Offices consist mainly of head office buildings and branches. Rental contracts are typically made for fixed periods of three to eight years but may have extension options that exist. Head office buildings are typically leased for longer periods than branches and are the main contributor to the carrying value of the right-of-use asset. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Periods covered by an option to extend the lease are included if the group is reasonably certain to exercise that option taking into account, amongst others, the remaining term of the original lease, refurbishments, changing technology and cost saving initiatives. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Vehicles consist of a fleet of vehicles that the group leases for use by various field agents including assessors. The terms of these leases are typically between three and five years. Lease extensions are not considered in the valuation of these leases as the group does not expect to extend leases on motor vehicles as they are generally replaced with a new lease.

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

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

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

14. EVENTS AFTER THE REPORTING PERIOD

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

15. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS

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

15.1 Analysis of policyholder/shareholder statement of financial position

	Group Audited at 31 December 2019 R million	Shareholder Audited at 31 December 2019 R million	Policyholder/ cellholder Audited at 31 December 2019 R million
ASSETS			
Intangible assets	948	948	–
Property and equipment	984	984	–
Investment in associates and joint ventures	2 661	2 661	–
Strategic investment – unquoted SEM target shares	1 474	1 474	–
Deferred income tax	107	95	12
Deposit with cell owner	180	–	180
Cell owners' and policyholders' interest	26	–	26
Financial assets at fair value through income	24 411	13 116	11 295
Reinsurance assets	6 821	6 125	696
Deferred acquisition costs	727	649	78
Loans and receivables including insurance receivables	6 237	3 970	2 267
Current income tax assets	16	15	1
Cash and cash equivalents	4 642	3 345	1 297
Total assets	49 234	33 382	15 852
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(482)	(482)	–
Other reserves	(405)	(405)	–
Distributable reserves	10 326	10 326	–
	9 542	9 542	–
Non-controlling interest	521	521	–
Total equity	10 063	10 063	–
LIABILITIES			
Deferred income tax	78	80	(2)
Cell owners' and policyholders' interest	3 964	–	3 964
Reinsurance liability relating to cell owners	180	–	180
Financial liabilities at fair value through income			
Debt securities	2 080	2 080	–
Investment contracts	1 618	–	1 618
Financial liabilities at amortised cost			
Repo liability	785	–	785
Collateral guarantee contracts	120	–	120
Lease liability	978	978	–
Insurance liabilities	23 207	15 080	8 127
Deferred reinsurance acquisition revenue	489	419	70
Provisions for other liabilities and charges	123	123	–
Trade and other payables including insurance payables	5 280	4 298	982
Current income tax liabilities	269	261	8
Total liabilities	39 171	23 319	15 852
Total shareholders' equity and liabilities	49 234	33 382	15 852

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

15.1 Analysis of policyholder/shareholder statement of financial position (continued)

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

15.2 Analysis of policyholder/shareholder statement of comprehensive income

	Group Audited Year ended 31 December 2019 R million	Shareholder Audited Year ended 31 December 2019 R million	Policyholder/ cellholder Audited Year ended 31 December 2019 R million
Gross written premium	35 852	30 049	5 803
Less: reinsurance written premium	10 720	5 923	4 797
Net written premium	25 132	24 126	1 006
Less: change in unearned premium			
Gross amount	1 494	411	1 083
Reinsurers' share	(588)	(128)	(460)
Net insurance premium revenue	24 226	23 843	383
Interest income on amortised cost instruments	186	186	–
Interest income on fair value through income instruments	1 580	916	664
Other investment income	288	243	45
Income from reinsurance contracts ceded	1 995	1 554	441
Net gains on financial assets and liabilities at fair value through income	321	356	(35)
Other income	271	271	–
Net income	28 867	27 369	1 498
Insurance claims and loss adjustment expenses	19 894	17 585	2 309
Insurance claims and loss adjustment expenses recovered from reinsurers	(4 813)	(2 833)	(1 980)
Net insurance benefits and claims	15 081	14 752	329
Expenses for the acquisition of insurance contracts	4 878	4 409	469
Expenses for marketing and administration	4 536	4 510	26
Expenses for investment-related activities	70	70	–
Amortisation and impairment of intangible assets	79	79	–
Investment return allocated to cell owners and structured insurance products	614	–	614
Expenses	25 258	23 820	1 438
Results of operating activities	3 609	3 549	60
Finance costs	(368)	(308)	(60)
Net loss from associates and joint ventures	(42)	(42)	–
Impairment of associates and joint ventures	(4)	(4)	–
Income tax recovered from cell owners and structured insurance products	280	–	280
Profit before tax	3 475	3 195	280
Income tax expense	(1 154)	(874)	(280)
Profit for the year	2 321	2 321	–

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

15.2 Analysis of policyholder/shareholder statement of comprehensive income (continued)

	Group Restated Audited Year ended 31 December 2018 R million	Shareholder Restated Audited Year ended 31 December 2018 R million	Policyholder/ cellholder Restated Audited Year ended 31 December 2018 R million
Gross written premium	33 109	28 149	4 960
Less: reinsurance written premium	9 041	5 614	3 427
Net written premium	24 068	22 535	1 533
Less: change in unearned premium			
Gross amount	2 019	208	1 811
Reinsurers' share	(763)	(195)	(568)
Net insurance premium revenue	22 812	22 522	290
Interest income on amortised cost instruments	91	91	-
Interest income on fair value through income instruments	1 497	970	527
Other investment income	523	432	91
Income from reinsurance contracts ceded	1 889	1 493	396
Net losses on financial assets and liabilities at fair value through income	(428)	(30)	(398)
Other income	246	246	-
Net income	26 630	25 724	906
Insurance claims and loss adjustment expenses	18 442	16 883	1 559
Insurance claims and loss adjustment expenses recovered from reinsurers	(4 615)	(3 348)	(1 267)
Net insurance benefits and claims	13 827	13 535	292
Expenses for the acquisition of insurance contracts	4 524	4 155	369
Expenses for marketing and administration	4 465	4 440	25
Expenses for investment-related activities	67	67	-
Amortisation and impairment of intangible assets	69	69	-
Impairment of loans	5	5	-
Investment return allocated to cell owners and structured insurance products	179	-	179
Expenses	23 136	22 271	865
Results of operating activities	3 494	3 453	41
Finance costs	(331)	(290)	(41)
Net income from associates and joint ventures	291	291	-
Profit on sale of associate	40	40	-
Loss on dilution of associate	(88)	(88)	-
Impairment of associate	(12)	(12)	-
Reclassification of foreign currency translation reserve on dilution of associate	19	19	-
Income tax recovered from cell owners and structured insurance products	106	-	106
Profit before tax	3 519	3 413	106
Income tax expense	(990)	(884)	(106)
Profit for the year	2 529	2 529	-

ADMINISTRATION

NON-EXECUTIVE DIRECTORS

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

EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

M Allie

TRANSFER SECRETARIES

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NSX share code: SNM
A2X share code: SNT

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