



PRESENTATION
TO ANALYSTS
2015

NON-EXECUTIVE DIRECTORS

CB Booth, B Campbell, MD Dunn, MP Fandesio,
BTPKM Gamedze, GG Gelink (chairman),
IM Kirk, MLD Marole, JP Möller,
T Nyoka (née Fubu), MJ Reyneke

EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

M Allie

TRANSFER SECRETARIES

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

SANTAM HEAD OFFICE AND REGISTERED ADDRESS

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

Registration number 1918/001680/06

ISIN ZAE000093779

JSE share code: SNT

NSX share code: SNM

SPONSOR

Investec Bank Ltd

TABLE OF CONTENTS

4	The Santam business portfolio
4	Market context
10	Financial results
34	Capital management
40	Group strategy and priorities
45	Audited Summary Financial Statements for Santam Limited and its subsidiaries for the year ended 31 December 2015



ANALYST PRESENTATION

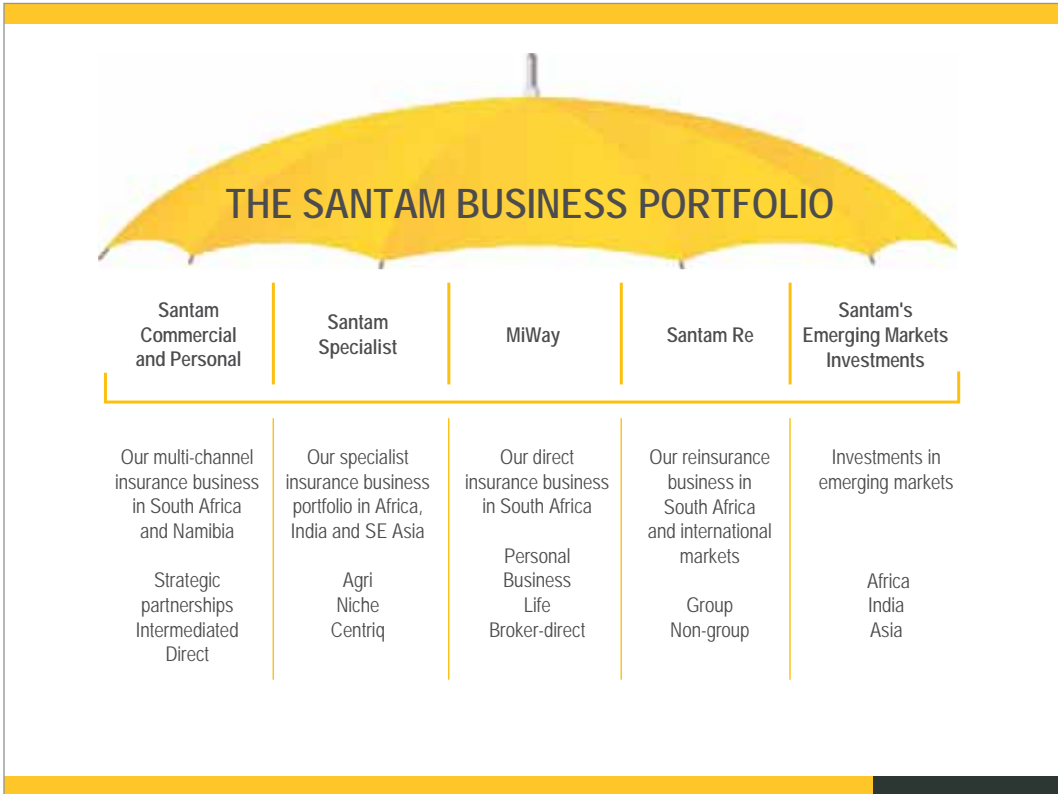
FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015
▶ PRESENTED BY LIZÉ LAMBRECHTS AND HENNIE NEL



CONTENTS

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





MARKET CONTEXT

INDUSTRY

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

SOUTH AFRICA

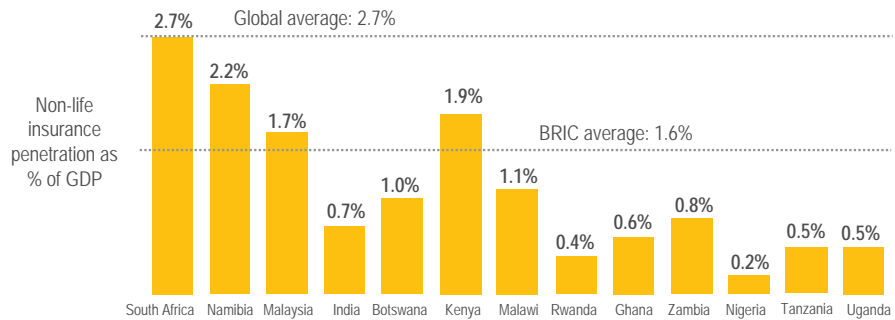
- Economic growth lagging
- Social unrest
- Municipal service delivery
- Ratings outlook
- Exchange rate implications

EMERGING MARKETS

- Emerging markets growth remains positive
- Negative impact of oil price

OUR OPPORTUNITY

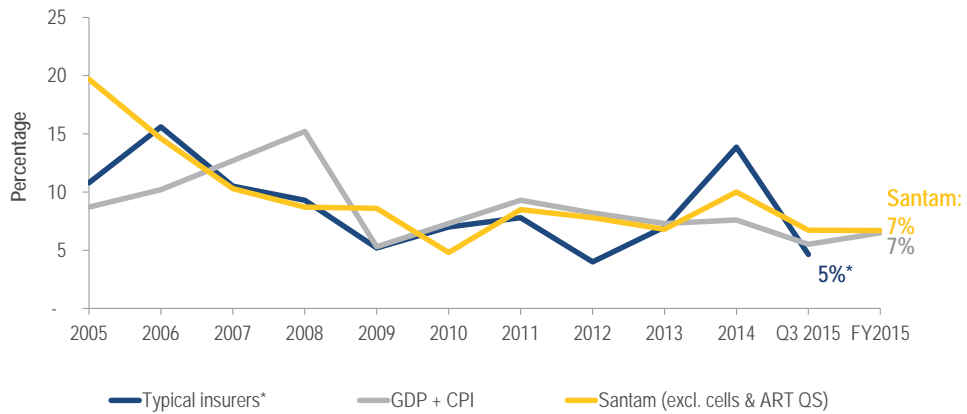
EMERGING MARKETS



Source: Swiss Re and Axco/ insurance penetration

RELATIVE PERFORMANCE

NET WRITTEN PREMIUM GROWTH



*Source: FSB – September 2015 (Industry figure adjusted to include the ART Quota Share)

SANTAM 2015 – KEY FACTS

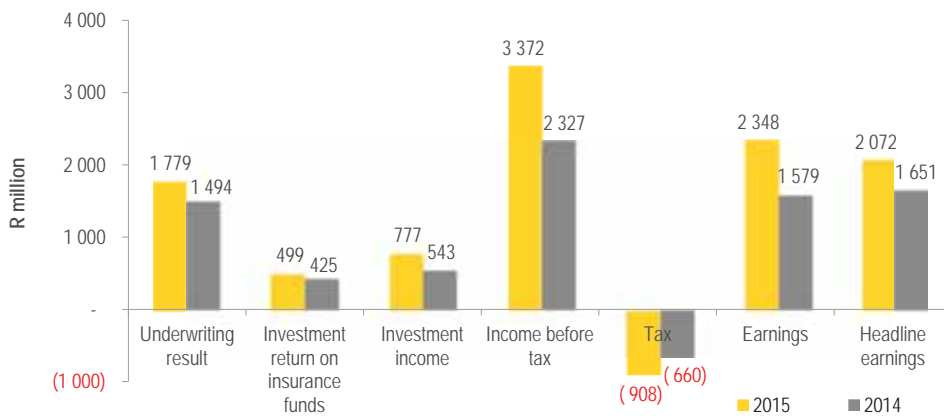
- Gross written premium growth:
 - 7% including cell captive insurance
 - 8% excluding cell captive insurance
- Underwriting margin of 9.6%
- Headline earnings per share increased by 28%
- Return on capital of 32.5%
- Cash generation significantly improved
- Unwinding of the broad-based black economic empowerment scheme created a combined value of R1.1 billion to participants
- Dividends of 528 cents per share, up 10%
- Solvency ratio of 48.1%



FINANCIAL RESULTS

MAIN VARIANCES

2015 VS. 2014



Non-headline: Impairment of goodwill and other intangible assets of R52 million (2014: R72 million)

Profit on sale of subsidiary of R15 million

Tax charge on profit on sale of subsidiary of R5 million

Profit on sale of associated companies of R413 million

Tax charge on profit on sale of associated companies of R95 million

NET INSURANCE RESULT

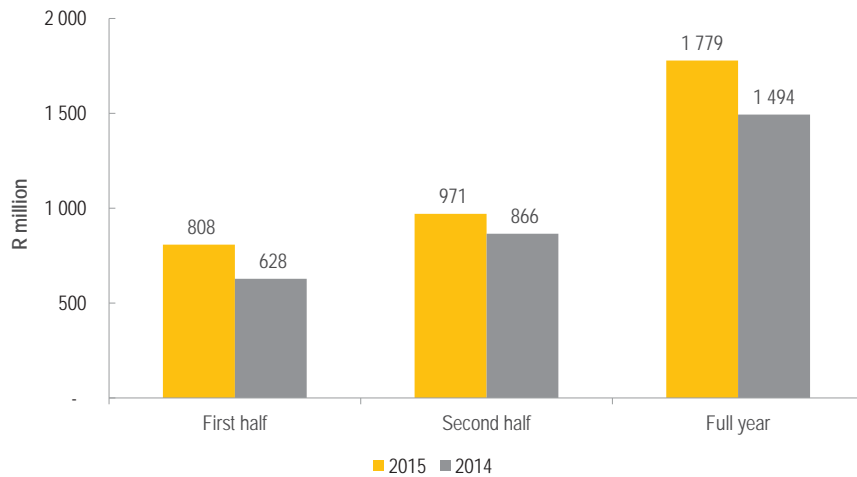
	2015 R'm	% of NEP	2014 R'm	% of NEP	2015/ 2014	5Y ave %	10Y ave %
Gross written premium	24 319		22 710		7%	8	8
Net earned premium	18 523	100.0	17 222	100.0	8%	100.0	100.0
Claims incurred	11 510	62.1	10 878	63.1	6%	65.4	66.7
Acquisition costs	5 234	28.3	4 850	28.2	8%	28.0	26.9
Underwriting result	1 779	9.6	1 494	8.7	19%	6.6	6.4
Investment return on insurance funds	499	2.7	425	2.5	17%	2.5	2.9
Net insurance result	2 278	12.3	1 919	11.2	19%	9.1	9.3
Combined ratio		90.4		91.3		93.4	93.6

2015 ANALYSIS: FIRST VS. SECOND HALF

	FIRST HALF	SECOND HALF	FULL YEAR 2015
Net earned premium	100.0	100.0	100.0
Claims incurred	63.7	60.7	62.1
Acquisition costs	27.4	29.0	28.3
Underwriting margin	8.9	10.3	9.6
Investment return on insurance funds	2.6	2.8	2.7
Net insurance margin	11.5	13.1	12.3
Combined ratio	91.1	89.7	90.4

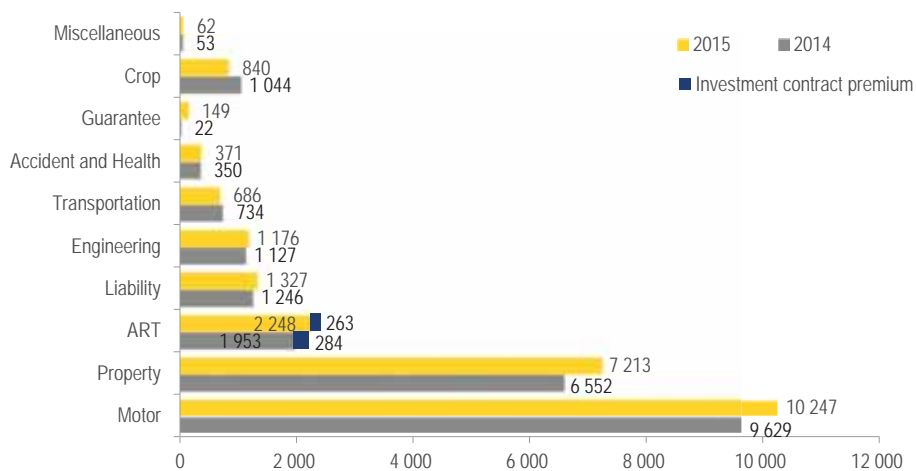
2015 PERFORMANCE: FIRST VS. SECOND HALF

NET UNDERWRITING RESULT



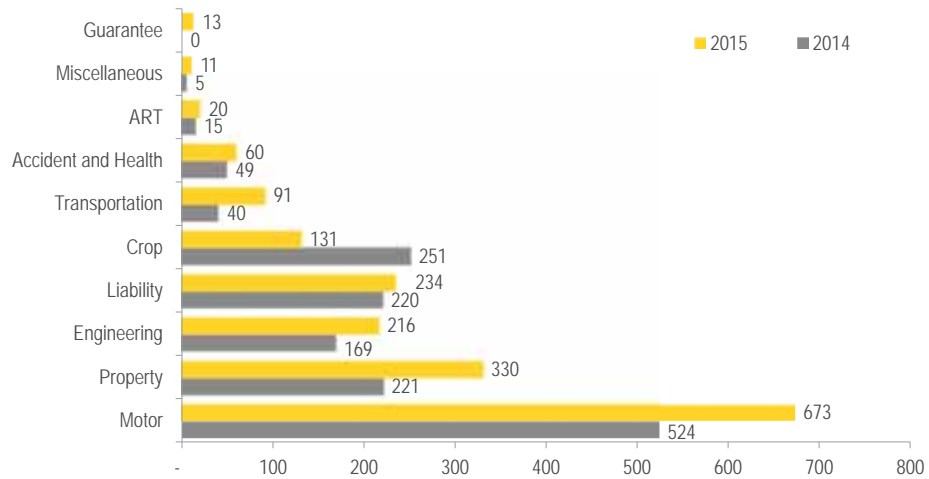
GROSS WRITTEN PREMIUM

PER INSURANCE CLASS (R MILLION)



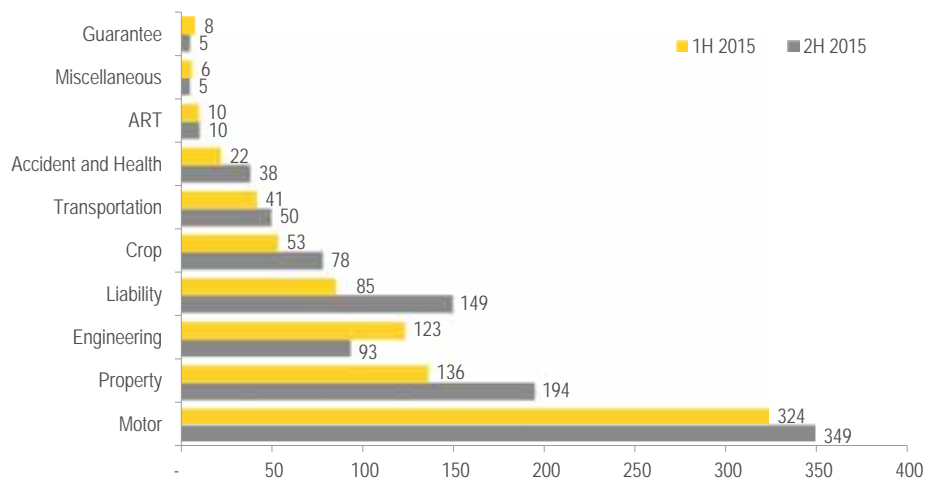
NET UNDERWRITING SURPLUS

PER INSURANCE CLASS (R MILLION)



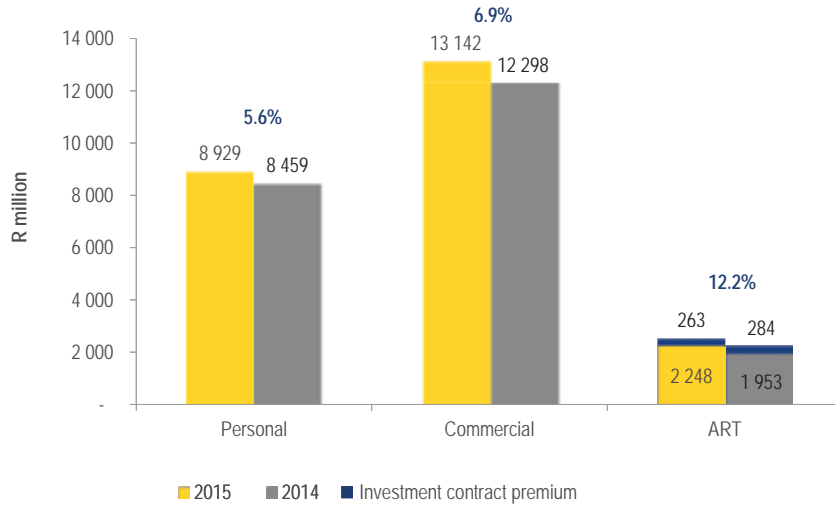
NET UNDERWRITING SURPLUS: FIRST VS. SECOND HALF

PER INSURANCE CLASS (R MILLION)



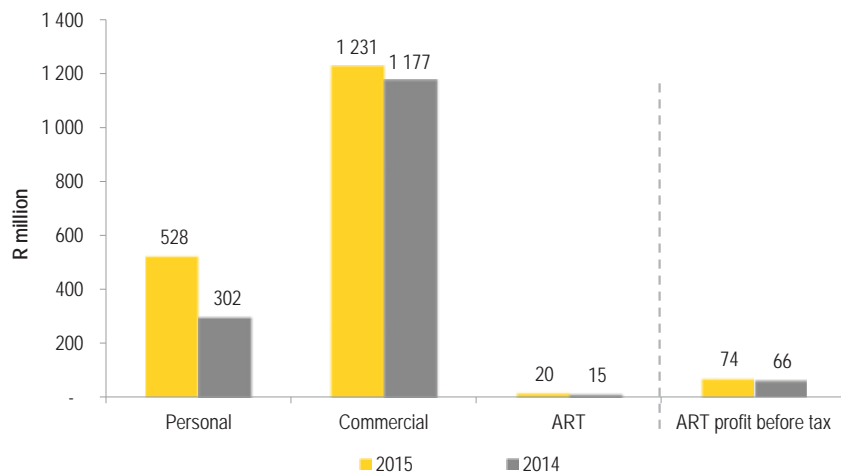
SEGMENTAL ANALYSIS

GROSS WRITTEN PREMIUM – PERSONAL, COMMERCIAL AND ART

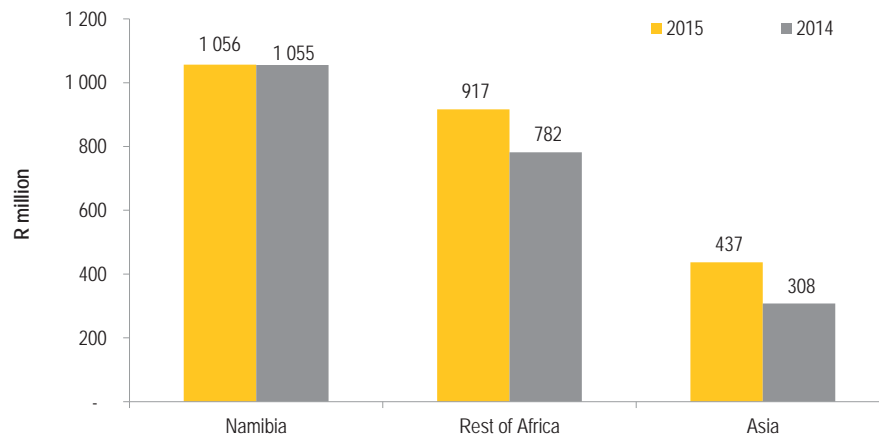


SEGMENTAL ANALYSIS

NET UNDERWRITING RESULT – PERSONAL, COMMERCIAL AND ART

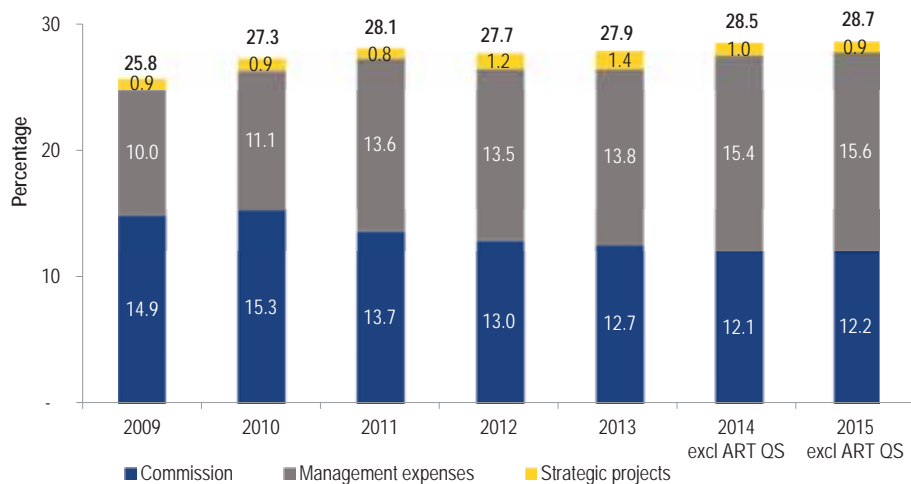


GROSS WRITTEN PREMIUM OUTSIDE SA



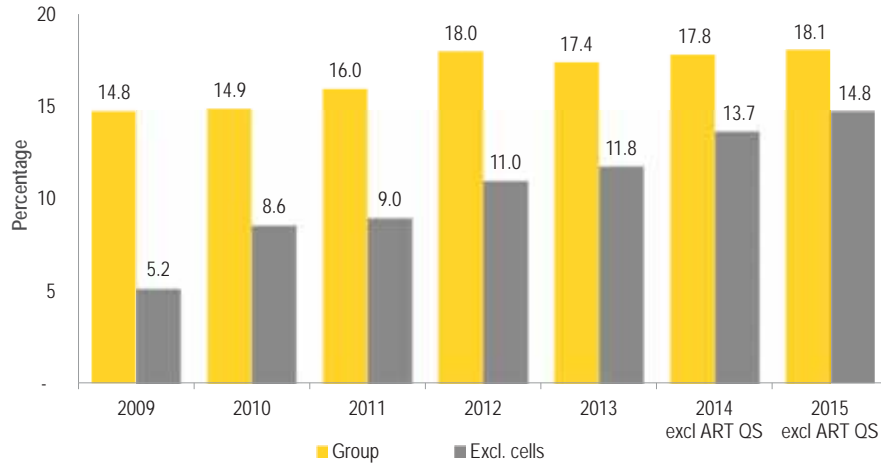
ACQUISITION COST RATIO

AS % OF NET EARNED PREMIUM



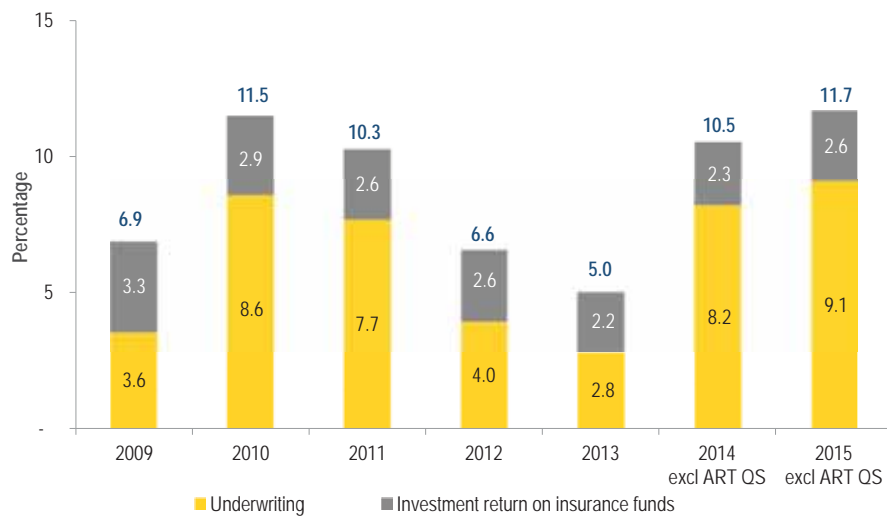
LEVEL OF REINSURANCE EARNED PREMIUM

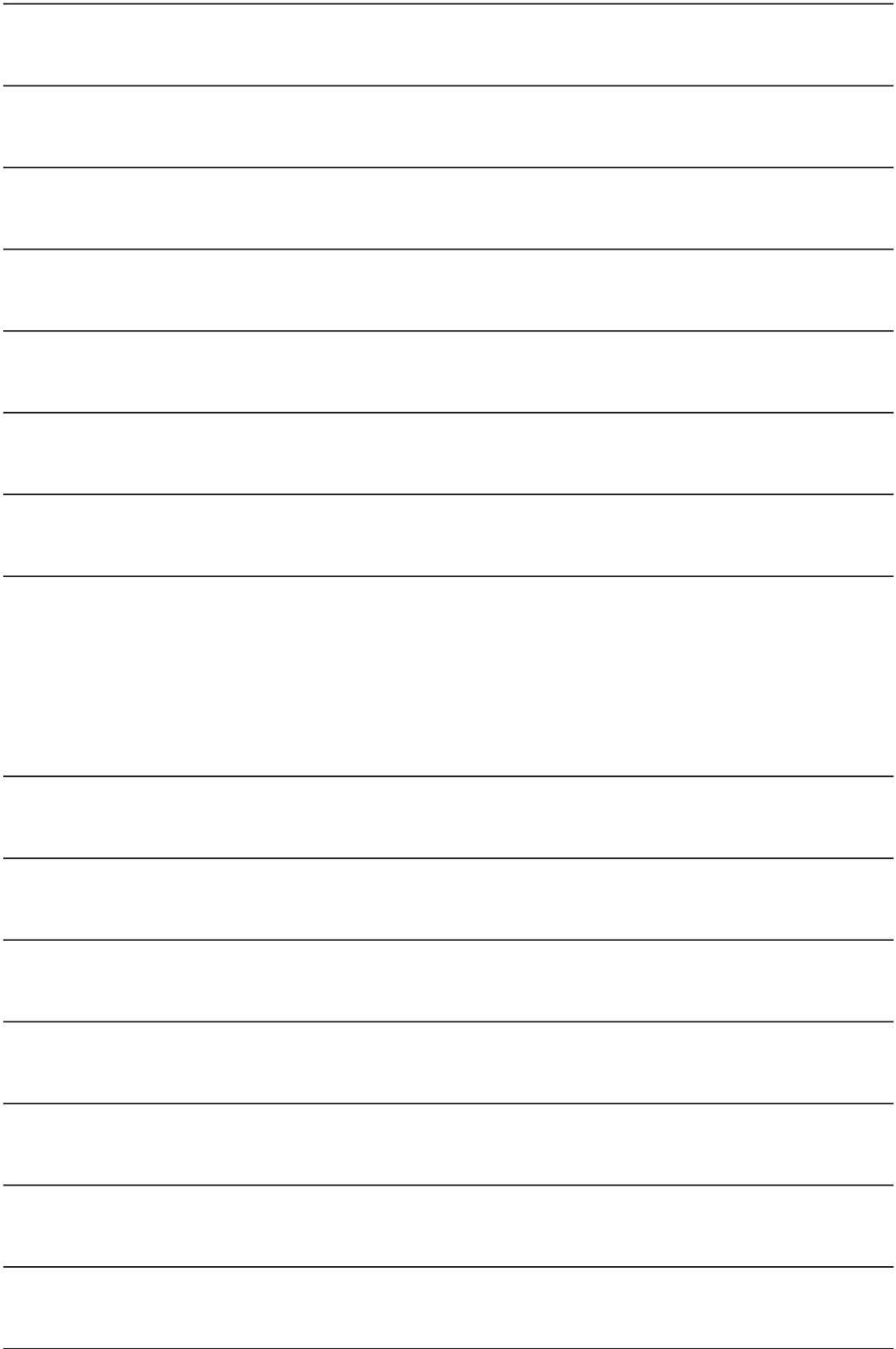
AS % OF GROSS EARNED PREMIUM



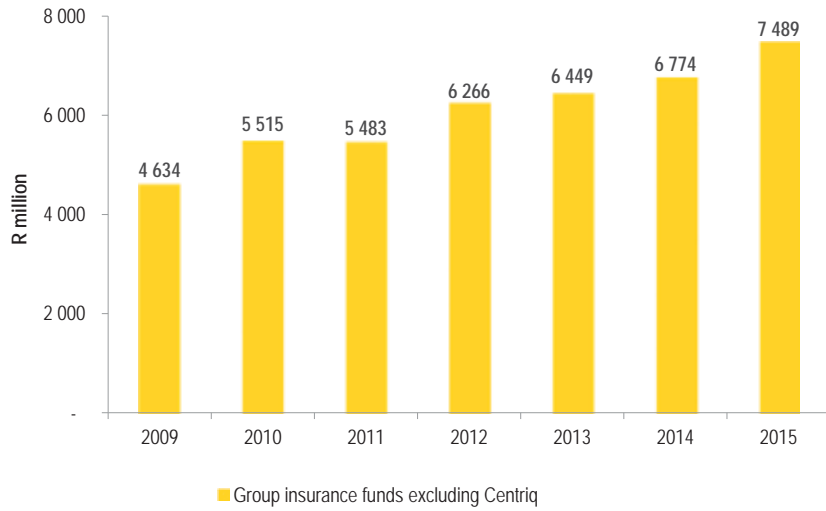
NET INSURANCE RESULT

AS % OF NET EARNED PREMIUM

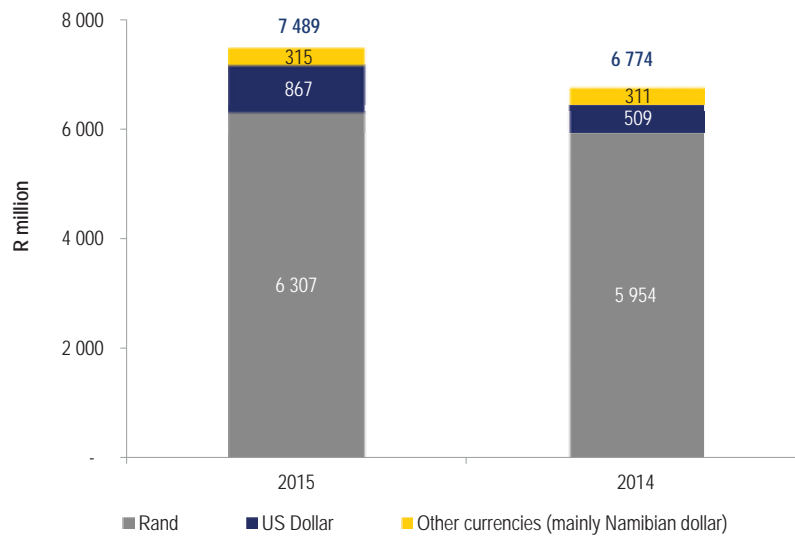




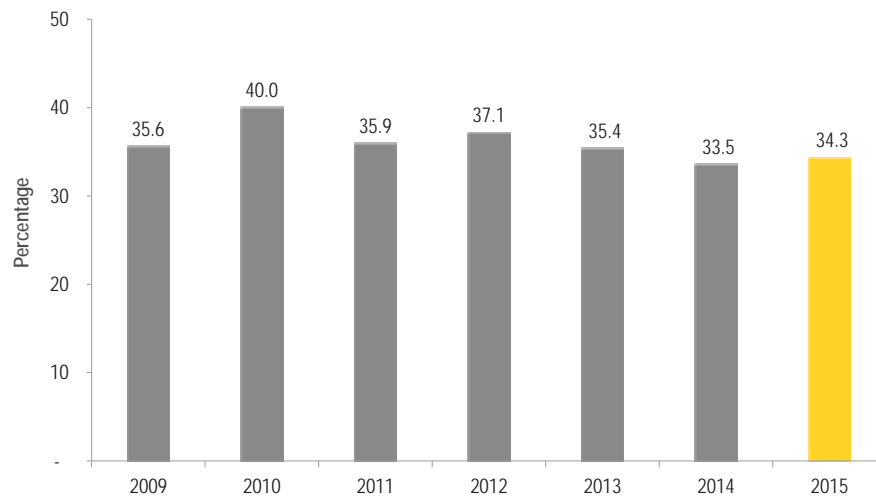
SIZE OF INSURANCE FUNDS



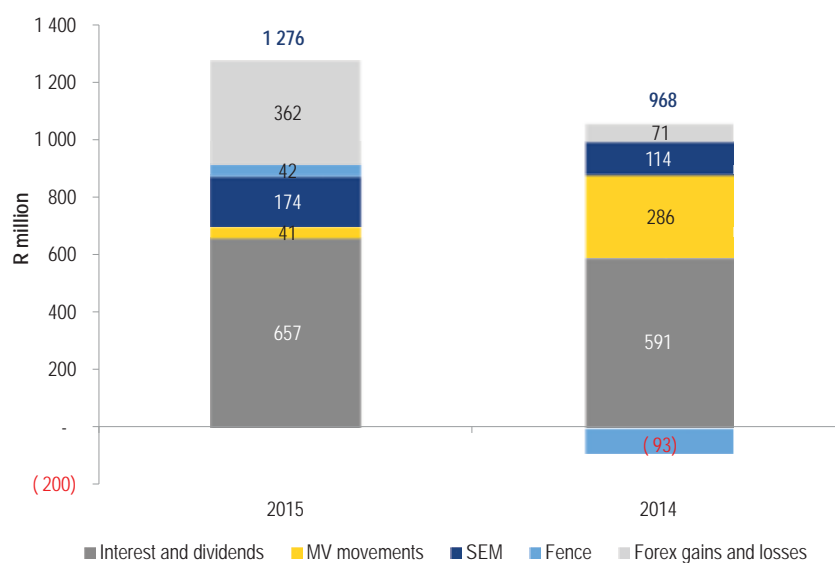
ASSETS BACKING NET INSURANCE FUNDS (EXCL. CENTRIQ GROUP) – CURRENCY MIX



INSURANCE FUNDS AS % OF GROSS EARNED PREMIUM

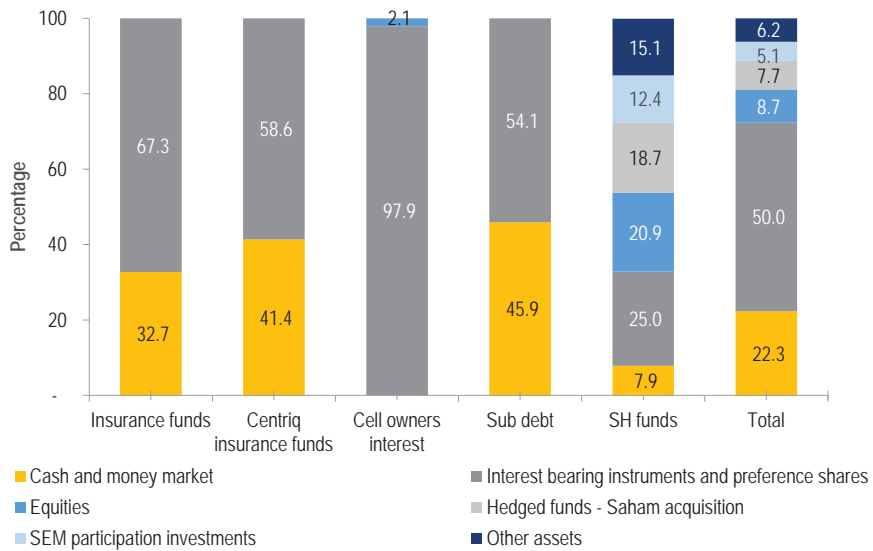


INVESTMENT RETURN

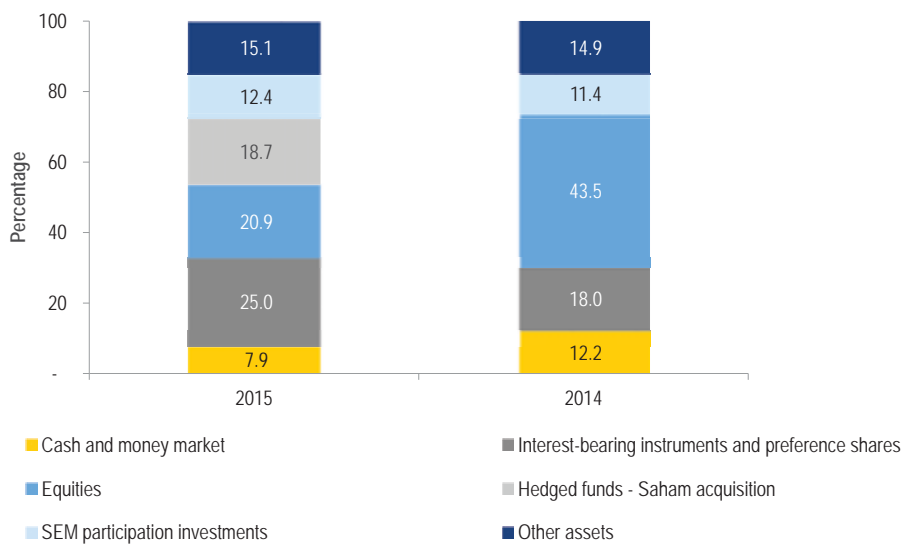


ASSET/LIABILITY MATCHING

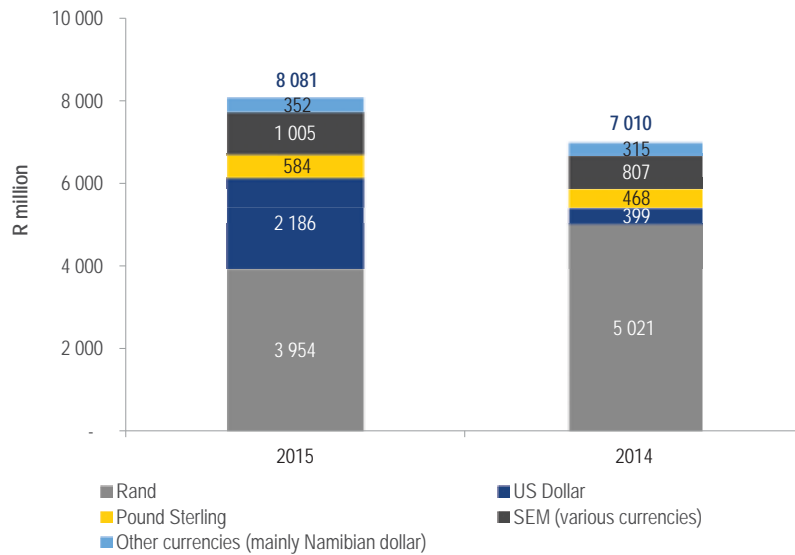
GROUP CONSOLIDATED ASSETS AT 31 DECEMBER 2015



SHAREHOLDER FUNDS – ASSET MIX



SHAREHOLDER FUNDS – CURRENCY MIX



SEM PARTICIPATION INVESTMENTS*

REGION	2014	ADDITIONS/ (DISPOSALS)	FAIR VALUE MOVEMENTS		2015
			CHANGE IN EXCHANGE RATES	CHANGE IN VALUATION	
	R'm	R'm	R'm	R'm	R'm
Africa	209	46	(2)	18	271
Southeast Asia	348	-	31	3	382
India	250	-	76	26	352
	807	46	105	47	1 005

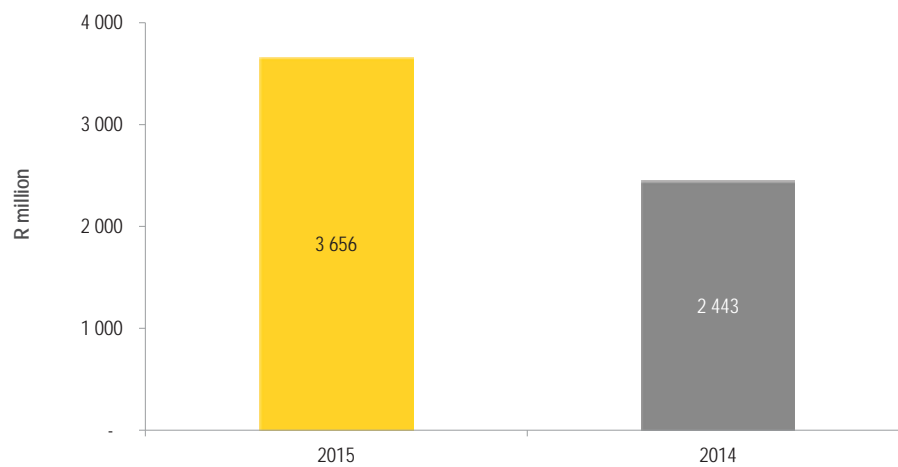
* In partnership with Sanlam Emerging Markets

SEM PARTICIPATION INVESTMENTS

	INCORPORATED IN	SANTAM EFFECTIVE HOLDING 2015 %	SANTAM EFFECTIVE HOLDING 2014 %
Pacific and Orient Insurance Co. Berhad	Malaysia	15.4	15.4
Shriram General Insurance Co. Ltd	India	7.0	7.0
BIHL Insurance Company Ltd	Botswana	20.5	20.4
NICO Holdings general insurance subsidiaries	Malawi and Zambia	21.6	21.6
NICO Holdings general insurance subsidiaries	Uganda	29.3	21.6
NICO Holdings general insurance subsidiaries	Tanzania	18.1	14.4
Soras Assurance Generales Ltd	Rwanda	22.1	22.1
Socar SA Burundi	Burundi	7.3	7.3
FBN General Insurance Ltd*	Nigeria	12.3	8.7
Enterprise Insurance Company Ltd	Ghana	14.0	14.0
Gateway Insurance Company Ltd	Kenya	10.9	-

* Previously Oasis Insurance Plc. Ltd

CASH GENERATED FROM OPERATIONS



MIWAY

	2015	2014	Change
Gross written premium (R'm)	1 771	1 485	19%
Gross underwriting result, net of CAT recoveries (R'm)*	163	159	3%
Gross claims ratio, net of CAT recoveries	60.9%	57.4%	
Gross acquisition cost ratio	29.8%	31.7%	
Gross underwriting margin	9.3%	10.9%	
Number of clients**	242 000	206 000	17%

* MiWay invested R55million in 2015 in the two new initiatives (Business Insurance and Direct-Broker Channel)

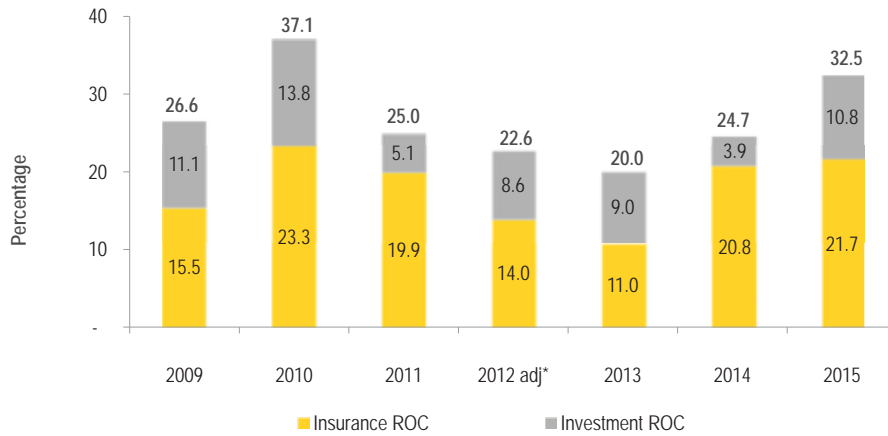
** Excluding value added products

 Santam



RETURN ON CAPITAL

NET INCOME EXPRESSED AS % OF WEIGHTED AVERAGE SHAREHOLDERS' FUNDS



Required ROC increased to 24% (2015: 22.5%) due to increase in risk free rate
 *Tax adjusted for STC (R96m) and CGT inclusion rate change (R80m)

SOLVENCY

		2015	2014
Net asset value (NAV)	R'm	8 081	7 010
Subordinated debt	R'm	998	1 023
Regulatory equity*	R'm	9 079	8 033
NAV per share	cps	7 338	6 115
Net written premium	R'm	18 884	17 635
Group solvency	%	48.1	45.6

* Includes fair value of subordinated debt

CAPITAL MANAGEMENT

- Group solvency as at 31 December 2015 of 48.1%
- FSB interim capital requirements as at 31 December 2015: 27.5% of NWP
- Economic capital coverage ratio for the Group as at December 2015: 177%
- Target solvency range of 35% - 45% (capital coverage ratio 135% - 170%) currently under review



CAPITAL EFFICIENCY REMAINS CRITICAL

CAPITAL REVIEW

- Protect policyholders
- Maximise shareholder returns
- Strategic investments in non-SAM equivalent countries excluded from regulatory capital
- Satisfy new regulatory requirements
- Maintain credit ratings

ACTIONS TO DATE

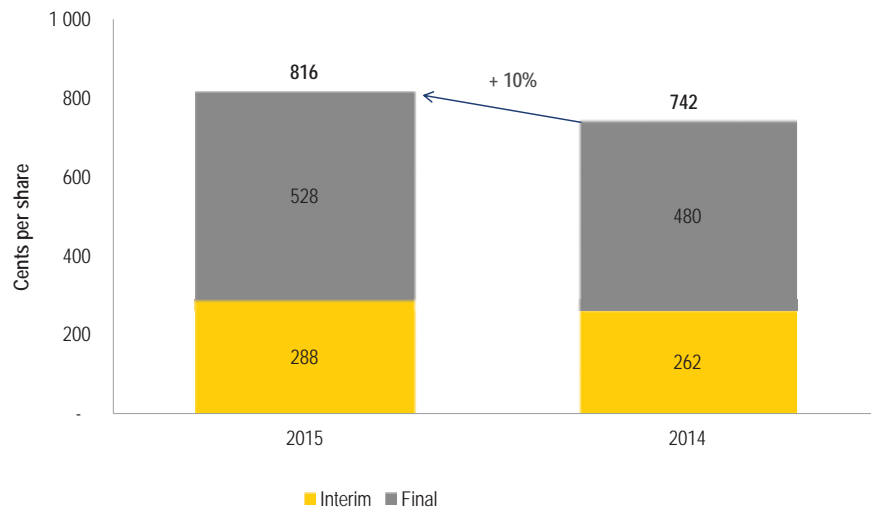
- Specific share buy-back at 30 June 2015 reduced capital by R801 million
- Subordinated debt issue of up to R1 billion planned for April 2016 to strengthen regulatory capital base

UNDER CONSIDERATION

- Capital requirements under SAM – will be confirmed through the internal model approval process
- Optimal asset mix given the acquisition of strategic investments (Saham / SEM)
- Impact of further potential acquisitions
- Capital position is currently under review

A series of 20 horizontal lines spaced evenly down the page, providing a template for writing or drawing.

DIVIDEND PER SHARE



GROUP STRATEGY AND PRIORITIES

2020 VISION

5 FOCUS AREAS FOR VALUE

OUR METRICS:

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

IN CONTEXT OF:

- Creating value for stakeholders
- Long-term sustainability
- Reducing systemic risk and fulfilling our socio-economic responsibility



PRIORITIES FOR 2016

- Focus on profitable growth – both in South Africa and emerging markets
- Capital review to consider future regulatory requirements, pending SAM implementation, asset allocations and potential acquisitions
- Technical support to SEM general insurance partners to unlock value
- Improve operational efficiencies to optimise acquisition cost ratio
- Implementation of new underwriting platform for intermediated business
- Work with local municipalities to reduce risk on the ground

QUESTIONS?



THANK YOU





**SANTAM LTD
AND ITS SUBSIDIARIES
AUDITED SUMMARY
CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2015**

TABLE OF CONTENTS

48	FINANCIAL REVIEW
51	INDEPENDENT AUDITOR'S REPORT
52	SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
53	SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
54	SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
55	SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS
56	NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Gross written premium growth including cell captive insurance 7%

Gross written premium growth excluding cell captive insurance 8%

Underwriting margin of 9.6%

Group solvency ratio of 48.1%

Return on shareholders' funds of 32.5%

Cash generation significantly improved

Positive contribution from international diversification

Headline earnings per share increased by 28%

Final dividend of 528 cents per share, up 10%

FINANCIAL REVIEW

The Santam group reported excellent underwriting results for the 2015 financial year with a net underwriting margin of 9.6% compared to 8.7% in 2014. The results were positively impacted by disciplined underwriting actions and a relatively benign claims environment. Satisfactory gross written premium growth of 7% was achieved (8%, excluding the impact of cell captive insurance business) in the current low-growth economic environment.

Investment income was positively impacted by foreign exchange gains and solid investment performance in volatile markets. Headline earnings per share increased by 28%, while a return on capital of 32.5% on a rolling 12-month basis was achieved. The solvency margin of 48.1% was higher than the target range of 35% to 45%.

Gross written premium growth of 8%, excluding the impact of cell insurance business, was lower than the 12% achieved in the corresponding period in 2014, reflecting the impact of competitive market conditions and the downturn in the economic environment. Growth in the crop insurance business was negatively impacted by the strong El Niño weather system and the consequential drought conditions in South Africa. The drought resulted in significantly less crops being planted, reducing gross written premium for the crop insurance class by 19% compared to 2014.

The property and motor classes achieved solid growth, notwithstanding the cancellation of specific unprofitable books of business on outsourced platforms. The motor class benefitted from the 19% growth reported by MiWay (gross written premium of R1 771 million; 2014: R1 485 million). The engineering and transportation classes were under pressure due to competitive market conditions.

Growth of 15% was achieved in the alternative risk class, following good performance by the risk finance and underwriting management businesses.

The group's focus on international diversification gained momentum with gross written premium from the rest of Africa (excluding Namibia), India, Southeast Asia and China of R1.4 billion (2014: R1.1 billion). Santam Namibia reported gross written premium in excess of R1 billion for the second consecutive year, resulting in total gross written premium outside South Africa increasing to R2.4 billion (2014: R2.1 billion).

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

The net underwriting margin of 9.6% increased from the excellent margin of 8.7% achieved in 2014. It also exceeded the seven-year average of 6.4%. Following the assessment of the five-year strategic plan, the group has revised its average net underwriting margin target range to 4% to 8% (previously 4% to 6%).

The motor and property classes of business delivered substantially improved underwriting results compared to 2014 on the back of lower claims frequencies and sustained corrective underwriting actions. The loss ratio was negatively impacted by the catastrophe hail events mainly in February and November 2015 with gross claims amounting to R290 million (2014 catastrophe event gross claims: R187 million). MiWay, the direct insurance business, achieved a claims ratio of 60.9% (2014: 57.4%) and contributed an underwriting profit of R163 million (2014: R159 million) despite significant investment in the new business insurance and broker-direct business models during 2015 amounting to R55 million.

The underwriting profit of the engineering class of business showed a significant increase compared to 2014, following fewer large claims reported. The contribution from the liability class also improved.

The crop insurance business achieved solid underwriting results despite the severe drought conditions which resulted in gross drought claims of more than R230 million being paid during the period January to June 2015. However, the lack of rainfall also resulted in lower exposure to hail damage. The net underwriting profit of R131 million was significantly lower than the exceptional results of R251 million in the comparative period, following the favourable weather conditions experienced in 2014.

Santam Re successfully retained profitable underwriting business for the group while delivering satisfactory results on third-party business. The soft reinsurance market also provided opportunities to optimise reinsurance placements in 2015.

The net acquisition cost ratio of 28.7% (excluding the impact of the ART reinsurance quota share agreement) increased from 28.5% in 2014.

The management expense ratio (excluding the impact of the ART reinsurance quota share agreement) increased marginally to 15.6% (2014: 15.4%). New growth initiatives, as well as the impact of new business written by Centriq underwriting managers resulting in increased management fees, were the key drivers of the increased cost ratio.

Strategic project costs amounted to 0.9% of net earned premium (2014: 1%). These costs mainly related to the continued development of a new core underwriting, administration and product management platform for the Santam intermediated business. Development costs of R58 million were capitalised in 2015 bringing the total amount capitalised since inception to R195 million. The project is progressing according to plan with more than 138 000 new and existing personal lines policies captured on the new system during 2015.

FINANCIAL REVIEW

The net commission ratio (excluding the impact of the ART reinsurance quota share agreement) was 12.2% (2014: 12.1%). A decrease in the commission ratio due to the growth in MiWay, where limited commission expenses are incurred, was offset by lower reinsurance commissions earned on specialist business lines, including crop, following relatively worse loss ratios on this business compared to 2014.

The investment return on insurance funds of R499 million increased from the R425 million earned in 2014, supported by a 50 basis points increase in interest rates during 2015, higher average insurance funds for the year, as well as the optimisation of the international asset portfolio.

Positive investment returns on the equity portfolio were locked in through the proactive rebalancing of the portfolio in February, May and November 2015. A hedge structure over R1.3 billion of equities entered into for the period February to December 2015 realised a profit of R42 million. Listed equities achieved a return of 4.1%, outperforming the SWIX 40 benchmark of 3.6%. The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The active income portfolios achieved an average return of 6.5% for the year which is considered to be a good outcome for the group in the light of the volatility experienced in the fixed interest market in December 2015. The weakening of the rand during 2015 resulted in significant foreign currency gains of R362 million (2014: R71 million) included in investment income.

Positive fair value movements of R152 million (2014: R93 million) in Santam's interest in Sanlam Emerging Market's (SEM's) general insurance businesses in Africa, India and Southeast Asia enhanced the investment performance. The fair value movement included foreign exchange gains of R105 million (2014: R22 million). Dividend income of R22 million (2014: R21 million) from the SEM portfolio was also recognised. At year-end the SEM investments had a fair value of R1 005 million (2014: R807 million) which accounted for 12.4% of the group's shareholder funds at 31 December 2015.

During November 2015 agreements were concluded whereby SEM and Santam will jointly acquire an effective 30% interest in Saham Finances, the insurance arm of the Saham group. Saham Finances operates in 26 countries across North, West and East Africa, and the Middle East. It is the largest insurer in Africa, excluding South Africa. The acquisition will be structured through a special purpose vehicle held jointly by SEM (75%) and Santam (25%) for a total cash consideration, including transaction costs, of US\$400 million. The transaction is expected to be finalised during the first quarter of 2016.

Santam's share of the purchase consideration, including transaction costs, of US\$100 million will be funded from internal cash resources. Santam acquired sufficient foreign currency in addition to existing dollar assets to cover the purchase consideration before the transaction was concluded. A cash flow hedge was implemented on 24 November 2015 to cover Santam's foreign currency exposure by designating these US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R134 million recognised on the designated cash balances since implementation date were not recognised in the income statement, but were recognised in the statement of changes in equity.

Net earnings from associated companies of R53 million was slightly less than the R58 million reported in 2014, following the sale of the key contributor, Credit Guarantee Insurance Corporation of Africa Ltd, for R602 million in October 2015. A profit of R392 million before tax was realised from this sale. The group also disposed of its 37.5% investment in Censeo (Pty) Ltd in May 2015, realising a profit of R21 million before tax.

On 31 December 2015, Santam sold 76% of its shareholding in Indwe Broker Holdings Group (Pty) Ltd (Indwe) for R208 million to African Rainbow Capital (Pty) Ltd, a wholly-owned subsidiary of Ubuntu-Botho Investments (Pty) Ltd (51%) and Sanlam Ltd (25%), realising a profit of R15 million. Santam retained the remaining 24% interest in Indwe. The transaction will establish Indwe as a leading black-owned insurance brokerage firm in South Africa with direct ties to Santam and Sanlam.

Investment results were negatively impacted by an impairment of intangible assets of R47 million relating to the group's administration businesses, Original Co-Sourcing SA (Pty) Ltd and Riscor Underwriting Managers (Pty) Ltd, following the reorganisation of the group's administration businesses.

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

Prospects

Trading conditions in the South African insurance industry remain very competitive in a difficult economic environment. Real annual GDP slowed to 1.3% for 2015 which equates to low growth of insurable assets for the insurance industry. The repo rate increased by 50 basis points in 2015, with a further 50 basis points increase in January 2016 which will put more pressure on consumers.

The rand depreciated by 25% against the US dollar during 2015, following the 10% depreciation in 2014 which has an ongoing negative impact on the group's insurance results as the weakened rand directly affects the claims cost (mainly imported motor parts). Santam continues to focus on the optimisation of the claims and procurement value chains to increase efficiency and counter the impact of the weakening rand.

The group's focus in 2016 will be to maintain its profitable growth momentum in South Africa and increase its international diversification through the Santam specialist lines and Santam Re. A strategic focus area will be to support the development of the SEM general insurance businesses in emerging markets by allocating appropriate technical resources. In South Africa, focus areas include growing the business in new segments, developing Santam's full multichannel capability and enhancing risk assessment.

FINANCIAL REVIEW

Santam will maintain its focus on cost-efficiencies to improve the management expense ratio over the medium term. MiWay will continue focusing on growing its retail client base, its newly launched business insurance and broker-direct offerings, as well as the MiWay Life insurance initiative in conjunction with Sanlam Life.

The investment market is likely to remain uncertain. The higher interest rate environment will result in increased interest income for the group.

The group solvency ratio of 48.1% at 31 December 2015 exceeded our targeted solvency range of 35% to 45%. A review of optimal capital levels and the targeted solvency range is being performed. This review takes into account the current and future regulatory solvency requirements, the impact of the delayed implementation of SAM scheduled for January 2017, the structural change to the statement of financial position following strategic investments made and further potential acquisitions.

Effective management of the impact of regulatory developments will remain on the agenda in 2016.

Events after the reporting period

Santam Ltd established a new R4 billion unsecured subordinated callable note programme on 29 February 2016 and intends to issue notes under the programme of up to R1 billion in April 2016.

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

Declaration of dividend (Number 124)

Notice is hereby given that the board has declared a gross final dividend of 528 cents per share (2014: 480 cents per share).

Shareholders are advised that the last day to trade "cum dividend" will be Wednesday, 16 March 2016. The shares will trade "ex dividend" from the commencement of business on Thursday, 17 March 2016. The record date will be Thursday, 24 March 2016, and the payment date will be Tuesday, 29 March 2016. Certificated shareholders may not dematerialise or rematerialise their shares between 17 March 2016 and 24 March 2016, both dates inclusive.

The dividend has been declared from income reserves and will be subject to dividends tax. The amount per share, subject to the withholding of dividends tax at a maximum rate of 15%, is therefore 528 cents per share. A net dividend of 448.8 cents per share will apply to shareholders liable for dividends tax at a rate of 15%, and 528 cents per share for shareholders that qualify for complete exemption therefrom. The issued ordinary share capital as at 2 March 2016 is 115 131 417 shares. The company's income tax reference number is 9475/144/71/4.

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

Preparation and presentation of the financial statements

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



GG Gelink
Chairman



L Lambrechts
Chief executive officer

2 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SANTAM LTD

The summary consolidated financial statements of Santam Ltd, set out on pages 52 to 66, which comprise the summary consolidated statement of financial position as at 31 December 2015, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 2 March 2016. Our auditor's report on the audited consolidated financial statements contained an Other matter paragraph: "Other reports required by the Companies Act" (refer below).

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

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

OPINION

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2015 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The "Other reports required by the Companies Act" paragraph in our audit report dated 2 March 2016 states that as part of our audit of the consolidated financial statements for the year ended 31 December 2015, we have read the directors' report, the report of the audit committee and the secretarial certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.



PricewaterhouseCoopers Inc

Director: Zuhdi Abrahams

Registered auditor

Cape Town

2 March 2016

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Audited at 31 December 2015	Audited at 31 December 2014
	Notes	R million	R million
ASSETS			
Non-current assets			
Property and equipment		90	117
Intangible assets		827	1 086
Deferred income tax		140	161
Investment in associates and joint ventures		252	355
Financial assets at fair value through income			
Equity securities	6	2 730	3 896
Debt securities	6	9 721	7 837
Reinsurance assets	7	164	144
Deposit with cell owner		187	–
Total non-current assets		14 111	13 596
Current assets			
Cell owners' interest		6	9
Financial assets at fair value through income			
Derivatives	6	2	–
Short-term money market instruments	6	2 281	1 892
Reinsurance assets	7	3 514	3 372
Deposit with cell owner		67	–
Deferred acquisition costs		525	447
Loans and receivables including insurance receivables	6	3 449	2 869
Income tax assets		13	10
Cash and cash equivalents		3 349	2 561
Non-current assets held for sale	8	541	428
Total current assets		13 747	11 588
Total assets		27 858	25 184
EQUITY AND LIABILITIES			
Capital and reserves attributable to the company's equity holders			
Share capital		103	107
Treasury shares		(450)	(506)
Other reserves		548	238
Distributable reserves		7 880	7 171
		8 081	7 010
Non-controlling interest		466	430
Total equity		8 547	7 440
Non-current liabilities			
Deferred income tax		107	301
Financial liabilities at fair value through income			
Debt securities	6	974	999
Investment contracts	6	–	105
Derivatives	6	1	–
Cell owners' interest		980	924
Insurance liabilities	7	1 525	1 528
Reinsurance liability relating to cell owners		187	–
Total non-current liabilities		3 774	3 857
Current liabilities			
Financial liabilities at fair value through income			
Debt securities	6	24	24
Investment contracts	6	70	–
Financial liabilities at amortised cost			
Collateral guarantee contracts		105	88
Insurance liabilities	7	11 139	10 514
Reinsurance liability relating to cell owners		67	–
Deferred reinsurance acquisition revenue		280	232
Provisions for other liabilities and charges		122	91
Trade and other payables including insurance payables		3 412	2 717
Current income tax liabilities		318	221
Total current liabilities		15 537	13 887
Total liabilities		19 311	17 744
Total shareholders' equity and liabilities		27 858	25 184

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Audited Year ended 31 December 2015 R million	Audited Year ended 31 December 2014 R million	Change %
Gross written premium		24 319	22 710	7%
Less: reinsurance written premium		5 435	5 075	
Net written premium		18 884	17 635	7%
Less: change in unearned premium				
Gross amount		528	532	
Reinsurer's share		(167)	(119)	
Net insurance premium revenue		18 523	17 222	8%
Investment income	9	1 210	807	50%
Income from reinsurance contracts ceded		1 236	1 119	
Net gains on financial assets and liabilities at fair value through income	9	235	286	
Net income		21 204	19 434	9%
Insurance claims and loss adjustment expenses		13 980	14 315	
Insurance claims and loss adjustment expenses recovered from reinsurers		(2 470)	(3 437)	
Net insurance benefits and claims		11 510	10 878	6%
Expenses for the acquisition of insurance contracts		3 240	2 983	
Expenses for marketing and administration		3 277	3 050	
Expenses for investment-related activities		53	31	
Amortisation and impairment of intangible assets		117	130	
Total expenses		18 197	17 072	7%
Results of operating activities		3 007	2 362	27%
Finance costs		(116)	(93)	
Net income from associates and joint ventures		53	58	
Profit on sale of associated companies	11	413	-	
Profit on sale of subsidiary	11	15	-	
Profit before tax		3 372	2 327	45%
Income tax expense	10	(908)	(660)	
Profit for the year		2 464	1 667	48%
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Currency translation differences		163	8	
Hedging reserve movement		134	-	
Tax on hedging reserve movement		(37)	-	
Total comprehensive income for the year		2 724	1 675	63%
Profit attributable to:				
– equity holders of the company		2 348	1 579	49%
– non-controlling interest		116	88	
		2 464	1 667	
Total comprehensive income attributable to:				
– equity holders of the company		2 608	1 587	64%
– non-controlling interest		116	88	
		2 724	1 675	
Earnings attributable to equity shareholders				
Earnings per share (cents)	12			
Basic earnings per share		2 090	1 382	51%
Diluted earnings per share		2 065	1 372	51%
Weighted average number of ordinary shares (millions)		112.34	114.26	
Weighted average number of ordinary shares for diluted earnings per share (millions)		113.72	115.09	

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 2014	107	(520)	224	6 321	6 132	400	6 532
Profit for the year	-	-	-	1 579	1 579	88	1 667
Other comprehensive income:							
Currency translation differences	-	-	8	-	8	-	8
Total comprehensive income for the year ended 31 December 2014	-	-	8	1 579	1 587	88	1 675
Sale of treasury shares	-	51	-	(51)	-	-	-
Purchase of treasury shares	-	(37)	-	-	(37)	-	(37)
Transfer to reserves	-	-	6	(6)	-	-	-
Share-based payment costs	-	-	-	123	123	-	123
Dividends paid	-	-	-	(795)	(795)	(58)	(853)
Balance as at 31 December 2014	107	(506)	238	7 171	7 010	430	7 440
Profit for the year	-	-	-	2 348	2 348	116	2 464
Other comprehensive income:							
Currency translation differences	-	-	163	-	163	-	163
Hedging reserve movement	-	-	134	(37)	97	-	97
Total comprehensive income for the year ended 31 December 2015	-	-	297	2 311	2 608	116	2 724
Sale of treasury shares	-	56	-	(56)	-	-	-
Repurchase of shares (refer to note 14)	(4)	-	-	(797)	(801)	-	(801)
Transfer to reserves	-	-	4	(4)	-	-	-
Share-based payment costs	-	-	-	124	124	-	124
Increase in capital contribution reserve (refer to note 14)	-	-	9	-	9	-	9
Dividends paid	-	-	-	(869)	(869)	(82)	(951)
Interest sold to non-controlling interest	-	-	-	-	-	2	2
Balance as at 31 December 2015	103	(450)	548	7 880	8 081	466	8 547

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 December 2015 R million	Audited Year ended 31 December 2014 R million
Cash flows from operating activities			
Cash generated from operations		3 656	2 443
Interest paid		(110)	(93)
Income tax paid		(1 002)	(420)
Net cash from operating activities		2 544	1 930
Cash flows from investing activities			
Acquisition of financial assets		(14 086)	(8 040)
Proceeds from sale of financial assets		13 348	7 556
Settlement of fence		42	(297)
Acquisition of subsidiaries	11	-	(28)
Cash (disposed of)/received through sale of subsidiaries	11	(183)	3
Staff trust acquired	14	132	-
Purchases of equipment		(39)	(69)
Purchases of intangible assets		(85)	(102)
Proceeds from sale of equipment		-	4
Acquisition of associated companies		(2)	-
Capitalisation of associated companies		(28)	(16)
Proceeds from sale of associated companies	11	625	-
Net cash used in investing activities		(276)	(989)
Cash flows from financing activities			
Purchase of treasury shares		-	(37)
Repurchase of shares		(801)	-
Decrease in investment contract liabilities		(35)	(21)
Increase in collateral guarantee contracts		11	6
Dividends paid to company's shareholders		(869)	(795)
Dividends paid to non-controlling interest		(82)	(58)
Increase in cell owners' interest		16	110
Net cash used in financing activities		(1 760)	(795)
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		2 561	2 343
Exchange gains on cash and cash equivalents		280	72
Cash and cash equivalents at end of year		3 349	2 561

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

2. Accounting policies

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

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

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

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

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

4. Risk management

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

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

The summary consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2015.

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

5. Segment information

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

The group conducts mainly insurance and investment activities.

Insurance activities are all core general insurance and reinsurance underwriting activities directly undertaken by the group and are analysed by insurance class. Operating segments are aggregated based on quantitative and/or qualitative significance. The performance of insurance activities is based on gross written premium as a measure of growth, with net underwriting result as measure of profitability.

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

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

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

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

The MiWay deferred bonus plan (DBP), relating to the compensation of the 10% share previously held by management in MiWay (2014 only) and the Santam BEE transaction costs are unrelated to the core underwriting, investment or strategic diversification performance of the group. Therefore, these costs are disclosed as unallocated activities.

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5.1 For the year ended 31 December 2015

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

Insurance activities

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

	Gross written premium R million	Underwriting result R million
Accident and health	371	60
Alternative risk	2 248	20
Crop	840	131
Engineering	1 176	216
Guarantee	149	13
Liability	1 327	234
Miscellaneous	62	11
Motor	10 247	673
Property	7 213	330
Transportation	686	91
Total	24 319	1 779
Comprising:		
Commercial insurance	13 142	1 231
Personal insurance	8 929	528
Alternative risk	2 248	20
Total	24 319	1 779

Investment activities

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5.2 For the year ended 31 December 2014

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

Insurance activities

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

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

Investment activities

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

5.3 Geographical analysis

	Gross written premium		Non-current assets	
	31 December 2015 R million	31 December 2014 R million	31 December 2015 R million	31 December 2014 R million
South Africa	21 909	20 565	1 000	1 435
Rest of Africa ^{1, 2}	1 973	1 837	441	331
Southeast Asia, India, Middle East and China ^{1, 3}	437	308	733	599
Group total	24 319	22 710	2 174	2 365

¹ Includes gross written premium managed by specialist business and Santam Re.

² Includes gross written premium relating to Namibia of R1 056 million (Dec 2014: R1 055 million).

³ Includes gross written premium relating to China of R140 million (Dec 2014: R88 million).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

Audited at 31 December 2015 R million	Audited at 31 December 2014 R million
--	--

6. Financial assets and liabilities

Financial assets

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

Financial assets at fair value through income

Loans and receivables

Total financial assets

14 734	13 625
3 449	2 869
18 183	16 494

Financial instruments measured at fair value on a recurring basis

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

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

There were no transfers between level 1 and level 2 during the current year. In the prior year, holdings in securities and other financial instruments of African Bank Investments Ltd and African Bank Ltd were transferred to level 3 subsequent to these companies being placed into curatorship and the suspension of these securities by the JSE Ltd.

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

31 December 2015

Financial assets at fair value through income	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equity securities				
Quoted				
Listed	1 643	-	-	1 643
Unitised funds	-	66	-	66
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	1 019	1 019
Total equity securities	1 645	66	1 019	2 730
Debt securities				
Quoted				
Government and other bonds	1 378	1 122	36	2 536
Collateralised securities	-	190	-	190
Redeemable preference shares	-	214	-	214
Money market instruments > 1 year	-	1 799	-	1 799
Unquoted				
Government and other bonds	-	132	-	132
Money market instruments > 1 year	-	4 459	-	4 459
Redeemable preference shares	-	101	29	130
Equity-linked notes	-	261	-	261
Total debt securities	1 378	8 278	65	9 721
Derivative instruments				
Exchange traded futures	-	2	-	2
Total derivative instruments	-	2	-	2
Short-term money market instruments	-	2 237	44	2 281
Total financial assets at fair value through income	3 023	10 583	1 128	14 734
Financial liabilities at fair value through income				
Debt securities	998	-	-	998
Investment contracts	-	70	-	70
Derivative instruments				
Interest rate swaps	-	-	1	1
Total derivative instruments	-	-	1	1
Total financial liabilities at fair value through income	998	70	1	1 069

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

	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	2 999	-	-	2 999
Unitised funds	-	75	-	75
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	820	820
Total equity securities	3 001	75	820	3 896
Debt securities				
Quoted				
Government and other bonds	1 250	492	13	1 755
Collateralised securities	-	152	-	152
Redeemable preference shares	-	250	-	250
Money market instruments > 1 year	-	1 436	15	1 451
Unquoted				
Government and other bonds	-	24	-	24
Money market instruments > 1 year	-	4 127	-	4 127
Redeemable preference shares	-	50	28	78
Total debt securities	1 250	6 531	56	7 837
Short-term money market instruments	-	1 854	38	1 892
Total financial assets at fair value through income	4 251	8 460	914	13 625
Financial liabilities at fair value through income				
Debt securities	1 023	-	-	1 023
Investment contracts	-	105	-	105
Total financial liabilities at fair value through income	1 023	105	-	1 128

The following tables present the changes in level 3 instruments:

	Equity securities R million	Debt securities R million	Short-term money market instruments R million	Derivatives R million	Total R million
31 December 2015					
Opening balance	820	56	38	-	914
Acquisitions	51	-	1	-	52
Disposals/settlements	(5)	-	(2)	-	(7)
Transfers between asset classes	-	(4)	4	-	-
Gains/(losses) recognised in profit or loss	153	13	3	(1)	168
Closing balance	1 019	65	44	(1)	1 127
31 December 2014					
Opening balance	529	23	-	(203)	349
Acquisitions	186	-	-	-	186
Disposals/settlements	-	-	-	297	297
Gains/(losses) recognised in profit or loss	105	6	-	(94)	17
Transfer from level 1 and/or level 2	-	27	38	-	65
Closing balance	820	56	38	-	914

The investments in Cardrow Insurance Ltd (Cardrow) and Beech Hill Insurance Ltd (Beech Hill) are classified as held for sale (refer to note 8). The investment in Cardrow had an opening balance of R308 million (Dec 2014: R299 million) with exchange gains of R82 million (Dec 2014: R8 million) and fair value gains of Rnil (Dec 2014: R1 million) during the year. The closing balance at 31 December 2015 amounted to R390 million (Dec 2014: R308 million). The investment in Beech Hill had an opening balance of R120 million (Dec 2014: R116 million) with exchange gains of R31 million (Dec 2014: R4 million) during the year. The closing balance at 31 December 2015 amounted to R151 million (Dec 2014: R120 million).

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam Emerging Markets (Pty) Ltd (SEM). Of the R153 million (Dec 2014: R105 million) gain recognised on equity securities, R152 million (Dec 2014: R93 million) relates to the SEM target shares, of which R105 million (Dec 2014: R22 million) relates to foreign exchange gains, and R47 million (Dec 2014: R71 million) to an increase in fair value.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The fair value of the SEM target shares is determined using discounted cash flow models. The most significant assumptions used in these models are the discount rate, exchange rate and net insurance margin expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares would decrease by R114 million (Dec 2014: R102 million) or increase by R172 million (Dec 2014: R156 million), respectively. If exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R73 million (Dec 2014: R60 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 R79 million (Dec 2014: R73 million) or decrease by R78 million (Dec 2014: R74 million), respectively. Another assumption applied in the valuation model is that relating to terminal growth. For the purpose of this assumption, market expectations of nominal GDP growth have been utilised.

A 10% decrease or increase in the discount rate applied to the net asset values and/or the valuation multiples of the remaining unquoted equities held by the group would decrease or increase the market value by R6 million (Dec 2014: Rnil). A 10% increase or decrease in foreign exchange rates would increase or decrease the market value of the unquoted equities by R39 million.

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

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

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

During the first half of 2013, Santam entered into three derivative fence structures between 28 March 2013 and 8 May 2013 covering equities to the value of R2 billion. All three tranches had downside protection of 10% with upside participation of 9.7%, 9.6% and 9.5%, respectively. The implementation levels were 7593 (SWIX 40 index), 7515 and 7694, respectively. A negative fair value of R204 million was recorded as at 31 December 2013 and a further loss of R93 million was incurred during the six months to 30 June 2014. The final tranche expired in May 2014 and the hedge was not renewed.

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

On 24 November 2015 Santam and Sanlam jointly announced that they entered into an agreement to acquire 30% of the share capital of Saham Finances. The transaction is expected to be finalised during the first quarter of 2016. Santam's portion of the acquisition price, including transaction costs, is US\$100 million. A cash flow hedge was implemented on 24 November 2015 to cover Santam's foreign currency exposure by designating US dollar-denominated cash balances held to the value of US\$100 million to this transaction. The impact of this was that foreign currency gains recognised on the designated cash balances since the implementation date amounting to R134 million were recognised in other comprehensive income as a hedging reserve.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	Audited at 31 December 2015 R million	Audited at 31 December 2014 R million
7. Insurance liabilities and reinsurance assets		
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	6	13
– claims incurred but not reported	30	25
General insurance contracts		
– claims reported and loss adjustment expenses	6 273	6 227
– claims incurred but not reported	1 567	1 515
– unearned premiums	4 788	4 262
Total gross insurance liabilities	12 664	12 042
Non-current liabilities	1 525	1 528
Current liabilities	11 139	10 514
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	3	6
– claims incurred but not reported	7	5
General insurance contracts		
– claims reported and loss adjustment expenses	2 220	2 266
– claims incurred but not reported	272	237
– unearned premiums	1 176	1 002
Total reinsurers' share of insurance liabilities	3 678	3 516
Non-current assets	164	144
Current assets	3 514	3 372
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	3	7
– claims incurred but not reported	23	20
General insurance contracts		
– claims reported and loss adjustment expenses	4 053	3 961
– claims incurred but not reported	1 295	1 278
– unearned premiums	3 612	3 260
Total net insurance liabilities	8 986	8 526

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

8. Non-current assets held for sale

Santam Ltd initially set up the Santam International group in 2002 to facilitate the expansion into Europe. Santam International Ltd (Santam International) directly and indirectly held three subsidiaries called Santam UK Ltd, Westminster Motor Insurance Agency Ltd (WMIA) and Santam Europe Ltd (Europe). The holdings in WMIA and Europe were sold in 2008 and Santam International only retained deferred conditional rights relating to the sale contracts. WMIA and Europe were renamed subsequent to the sale to Cardrow Insurance Ltd (Cardrow) and Beech Hill Insurance Ltd (Beech Hill), respectively.

Santam Ltd will realise the deferred conditional rights relating to Cardrow and Beech Hill as and when they become unconditional and therefore these assets have been recognised as held for sale in the group as at 31 December 2014 and 2015. During the last quarter of 2015, agreements have been signed to commence the realisation of the deferred conditional rights.

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

	Audited at 31 December 2015 R million	Audited at 31 December 2014 R million
Assets that are classified as held for sale		
Financial assets at fair value through income		
Equity securities	390	308
Loans and receivables including insurance receivables	151	120
	541	428

In accordance with IFRS 5, the assets held for sale were recognised at their fair value less costs to sell. This is a non-recurring fair value based on the net asset value of the business and related costs that will be incurred in order to conclude the unwinding process. It was therefore also recognised within level 3 of the fair value hierarchy (see note 6).

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

	Audited Year ended 31 December 2015 R million	Audited Year ended 31 December 2014 R million
Investment income	1 210	807
Dividend income	119	127
Interest income	729	609
Foreign exchange differences	362	71
Net gains/(losses) on financial assets and liabilities at fair value through income	235	286
Net realised gains on financial assets	1 010	481
Net fair value losses on financial assets designated as at fair value through income	(850)	(79)
Net fair value losses on financial assets held for sale	-	(3)
Net realised/fair value gains/(losses) on derivative instruments	43	(93)
Net fair value gains/(losses) on short-term money market instruments	7	(18)
Net fair value gains/(losses) on financial liabilities designated as at fair value through income	25	(2)
Net fair value gains/(losses) on debt securities	25	(2)
	1 445	1 093

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	Audited Year ended 31 December 2015 R million	Audited Year ended 31 December 2014 R million
10. Income tax		
Normal taxation		
Current year	1 077	684
Prior year	24	-
Recovered from cell owners	(67)	(77)
Foreign taxation – current year	57	43
Total income taxation for the year	1 091	650
Deferred taxation		
Current year	(170)	13
Prior year	(13)	-
Recovered from cell owners	-	(3)
Total deferred taxation for the year	(183)	10
Total taxation as per statement of comprehensive income	908	660
Reconciliation of taxation rate (%)		
Normal South African taxation rate	28.0	28.0
Adjusted for:		
Disallowable expenses	0.7	1.9
Foreign tax differential	0.2	0.3
Exempt income	(1.2)	(1.6)
Investment results	(0.9)	(0.6)
Income from associates	(1.0)	(0.7)
Previous years' underprovision	0.3	-
Other permanent differences	0.7	1.0
Other taxes	0.1	0.1
Net (reduction)/increase	(1.1)	0.4
Effective rate (%)	26.9	28.4

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

11. Corporate transactions

2015

Disposals

Indwe Broker Holdings Group (Pty) Ltd

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

Details of the assets and liabilities disposed of are as follows:

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

Credit Guarantee Insurance Corporation of Africa Ltd

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

Censeo (Pty) Ltd

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

2014

Additions

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

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

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

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

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

	Audited at 31 December 2015 R million	Audited at 31 December 2014 R million
Goodwill reconciliation		
Opening balance	833	871
Acquisitions	-	34
Impairment	(47)	(72)
Disposal of subsidiary	(188)	-
Closing balance	598	833

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

	Audited Year ended 31 December 2015	Audited Year ended 31 December 2014
12. Earnings per share		
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	2 348	1 579
Weighted average number of ordinary shares in issue (million)	112.34	114.26
Earnings per share (cents)	2 090	1 382
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	2 348	1 579
Weighted average number of ordinary shares in issue (million)	112.34	114.26
Adjusted for share options	1.38	0.83
Weighted average number of ordinary shares for diluted earnings per share (million)	113.72	115.09
Diluted basic earnings per share (cents)	2 065	1 372
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	2 348	1 579
Adjusted for:		
Impairment of goodwill and other intangible assets	52	72
Profit on sale of subsidiary	(15)	–
Tax charge on profit on sale of subsidiary	5	–
Profit on sale of associated companies	(413)	–
Tax charge on profit on sale of associated companies	95	–
Headline earnings (R million)	2 072	1 651
Weighted average number of ordinary shares in issue (million)	112.34	114.26
Headline earnings per share (cents)	1 844	1 446
Diluted headline earnings per share		
Headline earnings (R million)	2 072	1 651
Weighted average number of ordinary shares for diluted headline earnings per share (million)	113.72	115.09
Diluted headline earnings per share (cents)	1 822	1 435
13. Dividend per share		
Dividend per share (cents)	816	742
14. Broad-based black economic empowerment (BBBEE)		
In May 2007, Central Plaza Investments 112 (Pty) Ltd acquired 10% of Santam's shares with the following beneficiaries:		
– Emthunzini Black Economic Empowerment Staff Trust		
– Emthunzini Black Economic Empowerment Business Partners Trust		
– Emthunzini Broad-based Black Economic Empowerment Community Trust		
The scheme matured in February 2015. Of the shares held by Central Plaza Investments 112 (Pty) Ltd, Santam repurchased 38% of the shares (4 215 000 shares at a price of R190 per share for a total consideration of R801 million) and 24% were sold in the market through a successful bookbuild during the unwinding process, and the balance distributed to participants.		
The consequent distribution of Santam shares and cash valued at R1.1 billion to the beneficiaries started in September 2015 with R530 million allocated to close to 2 400 Santam and Sanlam employees. Santam shares and cash to the value of R330 million were distributed to 68 black business partners, while the Emthunzini Community Trust received Santam shares and cash to the value of R275 million. The unwinding of the scheme had a minimal impact on Santam's black ownership status.		
The Emthunzini Black Economic Empowerment Staff Trust is also under the control of Santam Ltd since the unwinding of Central Plaza and is therefore consolidated as at 31 December 2015. The net impact of the inclusion of the staff trust is an increase in cash of R132 million, the recognition of the capital contribution reserve of R9 million and an increase of 684 482 in treasury shares.		
15. Events after the reporting period		
Santam Ltd established a new R4 billion unsecured subordinated callable note programme on 29 February 2016 and intends to issue notes under the programme of up to R1 billion in April 2016.		
There have been no other material changes in the affairs or financial position of the company and its subsidiaries since the statement of financial position date.		

INSURANCE GOOD AND PROPER
www.santam.co.za

