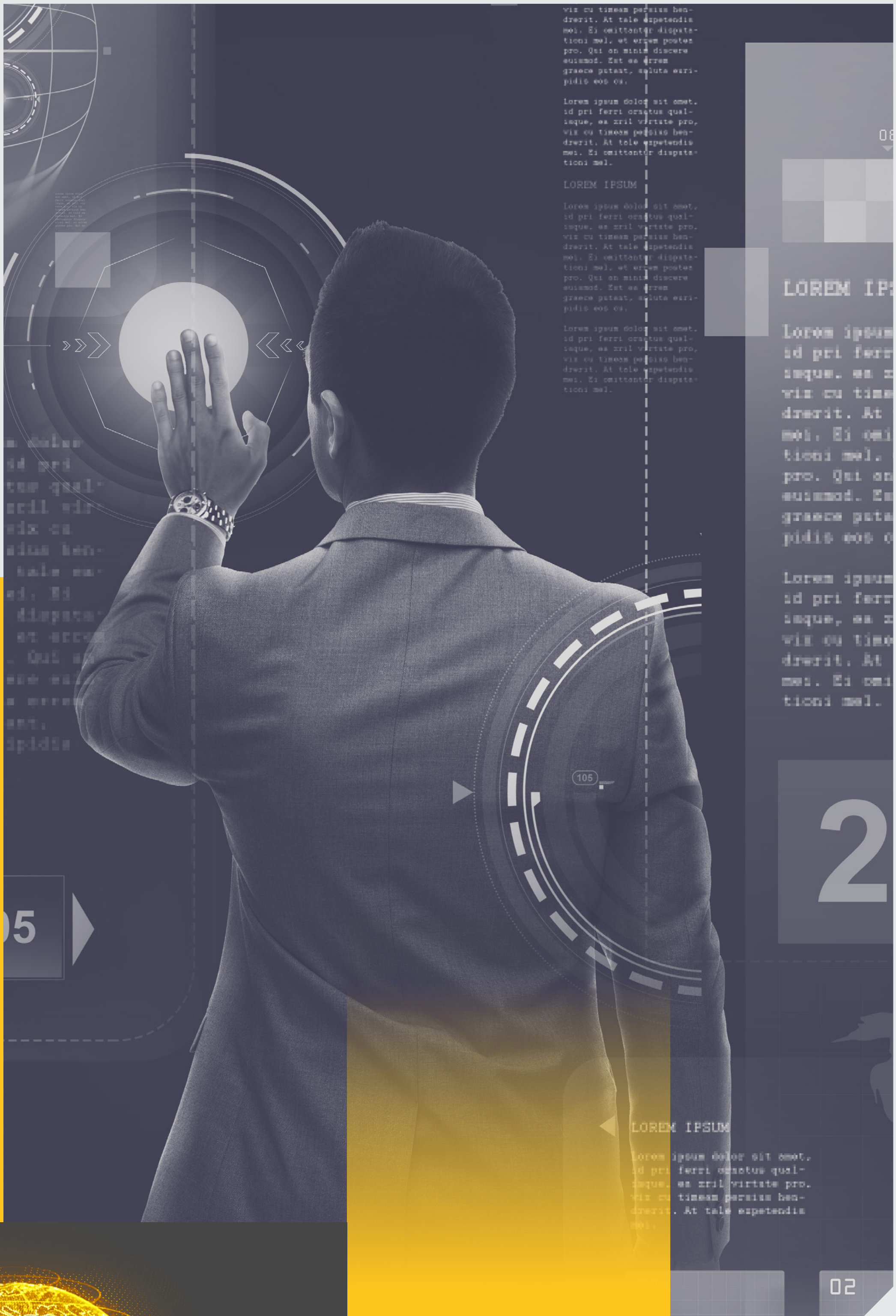

2021

SANTAM LIMITED AND ITS SUBSIDIARIES REVIEWED INTERIM REPORT AND ORDINARY DIVIDEND DECLARATION

FOR THE SIX MONTHS
ENDED 30 JUNE 2021

CONTENTS

SALIENT FEATURES

Group gross written premium growth
10%

Conventional insurance gross written premium growth
5%

Economic capital coverage ratio
160%

Conventional insurance net underwriting margin
6.7%

Return on shareholders' funds
18.1%

Gross claims paid
R10.4 billion

Headline earnings per share increased
30%

Interim dividend of
432
cents per share

Alternative Risk Transfer (ART) operating results of
R140 million
(2020: R54 million)

Earnings per share
863 cents
(2020: 24 cents)

FINANCIAL REVIEW

The Santam group reported solid operating results under difficult economic circumstances dominated by the continued negative impact of COVID-19.

The group's conventional insurance book achieved gross written premium growth of 5% (2% when excluding premium relief support to policyholders in 2020). Net earned premiums increased by 9% following the good growth achieved by Santam Specialist Business during the second half of 2020. A net underwriting margin of 6.7% (30 June 2020: 4.3%) of net earned premiums was reported, above the midpoint of the group's target range of 4% to 8%. The alternative risk transfer (ART) business reported strong operating results of R140 million (30 June 2020: R54 million), positively impacted by excellent growth in income from clients and improved underwriting results. The net insurance result from Santam's share of Sanlam Emerging Markets (SEM) general insurance businesses increased by 23.4% to R211 million (30 June 2020: R171 million).

Net investment income attributable to shareholders, inclusive of the investment return on insurance funds, amounted to R355 million (30 June 2020: R582 million). The lower interest rate environment and the stronger rand exchange rate against most currencies were the key contributors to the weaker investment performance. Foreign currency losses of R121 million were recognised in 2021, compared to foreign currency gains of R647 million for the period ended 30 June 2020. The collar hedge over equities was not rolled over when it expired on 3 August 2021 (refer 'Events after the reporting period' below).

Equity-accounted income from associates and joint ventures amounted to R72 million (30 June 2020: loss of R747 million) following good underwriting and investment results from SAN JV (Saham). The 30 June 2020 equity-accounted losses included Santam's share of an impairment of Saham assets of R690 million recorded by SAN JV, the investment holding company of Saham.

Cash generated from operations decreased to R2 billion (30 June 2020: R3.9 billion), mainly due to higher claims settlement during this period.

Headline earnings increased to 863 cps compared to 663 cps for the period ended 30 June 2020. Improved operating results, partly offset by reduced investment income attributable to shareholders, contributed to the increase.

A return on capital (ROC) of 18.1% was achieved, below the ROC target of 20% for 2021. The ROC was positively impacted by improved earnings; however, the higher capital retained by the group contributed to the lower ROC compared to target. The economic capital coverage ratio (adjusted for the equity hedge that expired on 3 August 2021) at 30 June 2021 was 160% (31 December 2020: 161%) – at the midpoint of the target range of 150% to 170%.

CONVENTIONAL INSURANCE

The conventional insurance business reported a net underwriting margin of 6.7% compared to 4.3% for the period ended 30 June 2020. A benign natural catastrophe claims environment positively impacted the underwriting results in the current period. This was offset to some extent by several large corporate fire claims. No adjustments were made to the contingent business interruption (CBI) claim estimates included in the 31 December 2020 results, other than payments made.

Gross written premium growth

Conventional insurance reported growth of 5% (2% when excluding premium relief support to policyholders in 2020) in the severely constrained economic climate.

The Santam Commercial and Personal intermediated business reported some positive growth (excluding premium relief support to policyholders in 2020) following new business acquisition and improved business retention rates. Various growth initiatives started to show positive results.

The Santam Specialist business experienced overall negative growth, mainly due to significantly lower gross written premiums in the corporate property business, following the decision to no longer underwrite business outside Africa and the delayed renewal of some large policies. In addition, the heavy haulage and travel businesses continued to be negatively impacted by COVID-19. In contrast, the aviation and marine businesses returned to positive growth, while the engineering and liability businesses continued to report satisfactory growth.

MiWay achieved excellent growth of 11% in the current operating environment (8% when excluding premium relief support to policyholders in 2020).

Santam Re achieved strong growth in its third-party business, positively impacted by new business written during the reporting period.

Gross written premiums from outside South Africa written on the Santam Ltd and Santam Namibia Ltd licences grew by 19% to R2 766 million (30 June 2020: R2 324 million). Strong growth was achieved by Santam Re and the Santam Specialist engineering business in Africa, Southeast Asia and India. It was offset to some extent by the corporate property business no longer underwriting business outside of Africa. The specialist Pan-African insurance business with Sanlam Pan-Africa (SPA) contributed gross written premium of more than R70 million (30 June 2020: R100 million), following lower participation by Santam during the January 2021 renewals. Santam remains positive about the growth prospects of the partnership with SPA. Weak economic conditions impacted Santam Namibia's growth.

Gross written premiums in the property class contracted by 4% on the back of competitive pressure in the specialist property business, coupled with a number of delayed renewals. This was partly offset by satisfactory growth in the Santam Personal and Commercial intermediated business and Santam Re.

The motor class reported growth of 9% (5% when excluding premium relief support to policyholders in 2020). The excellent growth achieved by MiWay and Santam Re was offset by more muted growth of the motor business written by the Santam Commercial and Personal business.

The engineering, liability and transportation classes all achieved strong growth, following good growth achieved by the Santam Specialist businesses and Santam Re. Gross written premiums in the accident and health class contracted by 16%, due to the continued impact of COVID-19 travel restrictions on the travel insurance business, in addition to negative growth reported by Santam Re.

FINANCIAL REVIEW

Underwriting result

A more normalised claims environment characterised the current reporting period. The positive impact of limited natural catastrophes on the loss ratio was partly offset by a number of large corporate fire claims and an increase in the motor loss ratio compared to the 2020 hard lockdown period.

Santam's appeal against the Ma-Afrika judgment with respect to the length of the indemnity period of CBI claims was heard by the Supreme Court of Appeal of the Republic of South Africa (SCA) on 27 August 2021 (refer to 'Events after the reporting period' below). Judgment is expected later in 2021.

In determining the appropriate level of provisions at 30 June 2021, Santam has considered the underlying exposures, the court judgments, the pending judgment by the SCA with regards to the length of the indemnity period on specific Hospitality & Leisure (H&L) policies as well as the proportion of CBI claims which will aggregate as a single loss occurrence under Santam's catastrophe reinsurance treaty. Good progress has been made in engaging with the participants on the reinsurance programme. The first reinsurance recovery is expected to be submitted later in September 2021. The ultimate level of gross exposure will be known once policyholders' assessed claims are finalised. Given these uncertainties, no adjustments were made to the net CBI claim estimate of R2 billion as reported at 31 December 2020, other than to reduce it with the actual claim payments up to 30 June 2021 of R288 million.

The motor class achieved satisfactory underwriting performance in the intermediated and direct distribution channels. Following reduced lockdown restrictions in February 2021, claims frequency and severity increased and the motor loss ratio returned to more normalised levels. MiWay reported acceptable underwriting results for the period, with a loss ratio of 58.2% (30 June 2020: 45.9%) and an underwriting profit of R159 million (30 June 2020: R308 million).

The underwriting performance of the property class also normalised after the CBI claims in 2020, although it was negatively impacted by a number of large fire claims during 2021.

The engineering class delivered weaker underwriting results compared to 2020 due to some large individual claims during the period. The liability class continued to recover and delivered excellent underwriting results with limited unexpected developments on claims. The crop insurance class delivered strong underwriting results with few adverse weather events.

A net acquisition cost ratio of 29.9% was reported compared to 30.2% for the period ended 30 June 2020. The net commission ratio increased to 13.4% (30 June 2020: 13.0%) due to lower commissions received on reinsurance business placed as well as the higher commission rates paid by Santam Re.

The management expense ratio reduced to 16.5% (30 June 2020: 17.2%) on the back of continued cost containment efforts and the strong net earned premium growth achieved.

Strategic project costs, included as part of management expenses, amounted to 1.3% (30 June 2020: 0.3%) of net earned premium. These costs relate to the development of a new claims platform, the IFRS 17 accounting standards implementation project, data enhancements and digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 1.5% (30 June 2020: 2.3%) of net earned premium was negatively impacted by the lower interest rate environment, despite the higher level of insurance funds during the period.

ALTERNATIVE RISK TRANSFER (ART) BUSINESS

The ART business reported operating results of R140 million (30 June 2020: R54 million). Income from clients increased by 48% to R224 million (30 June 2020: R151 million), supported by excellent growth in fee income and good investment results. The underwriting results benefited from prior period reserve releases, following more certainty on COVID-19-related claims exposures and recoveries from reinsurers.

SEM GENERAL INSURANCE BUSINESSES INCLUDING SAN JV (SAHAM)

Gross written premium growth

SAN JV (excluding Lebanon) achieved gross written premium growth of 1.3% (approximately 10% in constant currency) due to improved volumes in the motor and health business lines in Morocco, with Continental Re also recording good growth. Solid growth was achieved despite the negative impacts of continued travel restrictions on the assistance business and the cancellation of loss-making schemes in the Côte d'Ivoire health business.

Shriram General Insurance Company Ltd (SGI) in India was impacted by lower sales into the credit businesses' client base and the lack of increases to prescribed premium rates on third-party business, resulting in a decline of 22.6% in gross written premium.

Net insurance result

Santam's share of the general insurance net insurance result from the SEM businesses increased by 23.4%.

SAN JV (excluding Lebanon) recorded a satisfactory 6.0% underwriting margin relative to 6.8% in the prior period. The underlying portfolio performed satisfactorily, with Saham Re recording strong underwriting results and Morocco's underwriting margin remaining at a similar level to the first six months of 2020, despite the stricter restriction of movement in 2020 relative to 2021. Côte d'Ivoire recorded an improved underwriting margin due to a lower loss ratio than in 2020. The valuation of the Lebanon business was written down to zero in June 2020 and no income from Lebanon was included in the 2021 results.

FINANCIAL REVIEW

The net underwriting margin of the Sanlam Pan-Africa general insurance (SPA GI) businesses (including SAN JV) was satisfactory at 5.1% (30 June 2020: 6.1%), albeit at the lower end of the 5% to 9% target range. The portfolio recorded some large claims in May and June 2021 in Côte d'Ivoire, Continental Re and some of the smaller countries.

An investment return on insurance funds of 16.9% of net earned premium was achieved by the San JV portfolio (excluding Lebanon) compared to a negative 3.4% in 2020. Progress was made in transitioning the asset mix mandate for the Moroccan general insurance funds to a higher bond weighting, with lower equity and property exposure. The transition continues to balance market values and economic conditions to achieve optimal outcomes. The revised asset allocation strategy will support an above-hurdle return on capital at a lower level of expected volatility.

SGI's operating results were lower than for the first half of 2020 as courts in India are operating at limited capacity, which impacts the ability to finalise claims. SGI's net insurance result however remained satisfactory at 21.5% (30 June 2020: 33.6%) of net earned premiums.

INVESTMENT RESULTS

Santam's listed equity portfolio achieved a return of 13.4% for the six months ended 30 June 2021, relative to the SWIX benchmark (60% SWIX and 40% capped SWIX) which delivered a return of 12.1%.

On 3 February 2021 the group renewed its collar over listed equities to the value of R1 billion, based on the SWIX 40, to provide continued capital protection, realising a loss of R142 million (R77 million of the loss was recognised for the year ended 31 December 2020). The structure expired on 3 May 2021 and realised a further loss of R31 million. It was rolled over for another three-month period that expired on 3 August 2021. As at 30 June 2021, the structure's valuation amounted to a gain of R19 million.

The Santam group's interest-earning investments are managed in enhanced cash and active income portfolios. The interest portfolios delivered good results and outperformed their STeFI-related benchmarks.

Foreign currency losses of R121 million (30 June 2020: foreign currency gains of R647 million) were recorded. This included foreign currency losses of R66 million on Santam's investments in SEM's general insurance businesses in Africa, India and Southeast Asia (30 June 2020: R225 million foreign currency gains).

Net gains on financial assets and liabilities of R77 million (30 June 2020: net losses of R375 million) include fair value gains on listed equities and local and foreign bonds partly offset by realised losses on derivatives. Negative fair value movements (excluding the impact of currency movements) of R5 million (30 June 2020: R225 million) on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia, had little impact on the current period investment performance.

Net income from associated companies of R72 million (30 June 2020: loss of R747 million) included Saham operating profits of R32 million (30 June 2020: losses of R74 million). The period ended 30 June 2020 included an impairment of intangible assets of R690 million from Saham (held through SAN JV). The carrying value of SAN JV at 30 June 2021 was R1 748 million (31 December 2020: R1 823 million). The strengthening of the rand detracted from the value in 2021 compared to 2020. The other key contributor to income from associated companies was Western National Insurance Ltd.

CORPORATE TRANSACTIONS

During April 2021, Santam increased its stake in Mirabilis Engineering Underwriting Managers by acquiring the remaining 45% shareholding for R176 million, making it a wholly owned subsidiary of Santam.

Santam announced earlier (refer to joint Sanlam and Santam JSE Limited Stock Exchange News Service (SENS) Announcement "Proposed Acquisition" released on 3 May 2021) that SAN JV will increase its direct and indirect stake in SAHAM Assurance Maroc to 84.5% by acquiring 22.8% from a minority shareholder for a total consideration of MAD1 241 million (R1 976 million). The transaction is still subject to regulatory approval in Morocco. Santam holds a 10% interest in SAN JV. SAN JV will obtain debt funding from Sanlam to initially fund the transaction which means that no capital outlay will be required by Santam for as long as the debt funding remains in place.

CAPITAL

On 12 April 2021, the group redeemed the R500 million floating rate subordinated debt which became callable during that month.

Following good progress made with the CBI claims process the capital protection provided by the collar over listed equities was no longer required and the structure was therefore not renewed when it expired on 3 August 2021. The group economic capital requirement at 30 June 2021, based on the internal model and adjusted for the impact of the collar over listed equities, amounted to R7.8 billion (31 December 2020: R7.4 billion). This equates to an economic capital coverage ratio of 160% (31 December 2020: 161%), at the midpoint of the capital target range of 150% to 170%. The economic coverage ratio taking the collar into account was 165% at 30 June 2021. The impact of not renewing the collar reduced the capital coverage ratio by 5%. The economic capital coverage ratio as at 31 December 2020 already included the anticipated redemption of R500 million subordinated debt in April 2021.

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

Santam's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. Several CBI claims scenarios were updated to factor in the claims experience to date and were included in the current review cycle. Santam's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

FINANCIAL REVIEW

PROSPECTS

Trading conditions in South Africa and globally remain very competitive in a constrained economic growth environment. Annual inflation (consumer price index (CPI)) of 4.6% reported on 18 August 2021 remains at historically low levels. The South African rand appreciated by 2.8% against the US dollar since 31 December 2020 and foreign currency fluctuations continue. Following a sharp contraction in 2020 due to COVID-19, the outlook for real gross domestic product (GDP) growth in 2021 was dampened by the third wave of COVID-19 infections and the recent civil unrest in South Africa.

Despite the steady improvements in vaccination rates, it is expected that economic activity will, in the short to medium term, continue to be significantly constrained by weak consumer spending due to the impact of COVID-19, as well as the likelihood of further load shedding by Eskom.

Investment markets are likely to remain uncertain and volatile. The lower interest rate environment will negatively impact investment performance while the non-rand-denominated investments increase foreign currency volatility for the group.

The implementation of our FutureFit strategy is a key focus area for the remainder of the year. The group has made good progress during the reporting period, as was evidenced by the launch of MiWay Blink, a fully digital insurance offering, in March 2021. In addition, new cross-selling initiatives with Sanlam and the development and testing of products for new markets were launched. The work on the Santam Experience initiative has kicked off and Santam is actively engaging with intermediaries and clients to improve our service, to ensure seamless interaction with Santam and to deliver our brand promise, ***Insurance Good and Proper.***

Extending our leadership position in South Africa and building a specialist Pan-African insurance business with SEM remain priorities.

Santam recently adopted the Task Force on Climate-related Financial Disclosures (TCFD) and will apply these in the reporting going forward. The group continues to prioritise and focus on its transformation priorities. Santam maintained a level 1 BBBEE status and will continue to promote transformation to the ultimate benefit of the economy at both a Santam and an industry level.

EVENTS AFTER THE REPORTING PERIOD

The collar structure over equities to the value of R1 billion, entered into by the group on 3 May 2021 to provide capital protection, matured on 3 August 2021. The final realised gain on the contract was R15 million (R19 million unrealised gain was recognised at 30 June 2021). The structure was not renewed.

Santam continues to make good progress in processing business interruption claims. At the end of August 2021 approximately R700 million has been paid to policyholders in addition to the R1 billion paid in interim relief in August 2020, bringing the total CBI payments to date to R1.7 billion.

Santam's appeal against the Ma-Afrika judgment with respect to the length of the indemnity period was heard by the Supreme Court of Appeal of the Republic of South Africa on 27 August 2021. Judgment is expected later in 2021.

Following the civil unrest during the latter part of July 2021 in South Africa, Santam is working actively with SASRIA, the state-owned insurer set up to cover unrest-related claims, to assist SASRIA with settling claims relating to the destruction of property. Santam Re has a small participation percentage on the SASRIA reinsurance programme. It is too early to accurately quantify Santam's net exposure relating to this participation until loss estimates are received; however, based on all treaty limits, it cannot exceed R315 million.

There have been no other material changes in the affairs or financial position of the group since the statement of financial position date.

CHANGE IN DIRECTORS, BOARD COMMITTEES AND COMPANY SECRETARY

The following changes took place on the company's board of directors during the period, due to the directors listed below reaching the specified retirement age, and to add diversity to the board:

B Campbell	– Retired from the board (risk, audit and social, ethics and sustainability committees) on 2 June 2021
M Chauke	– Appointed to the board (risk, audit and social, ethics and sustainability committees) on 3 June 2021
C da Silva	– Appointed to the board (risk and social, ethics and sustainability committees) on 3 June 2021
VP Khanyile	– Retired from the board (human resources and remuneration and nominations committees) on 2 June 2021
D Loxton	– Appointed to the board (risk, audit and investment committees) on 3 June 2021
N Moholi	– Appointed to the board (human resources and remuneration and nominations committees) on 3 June 2021

The board committees are therefore now as follows:

Committee memberships	Risk committee	Audit committee	Human resources and remuneration committee	Nominations committee	Social, ethics and sustainability committee	Investment committee
Non-executive directors						
M Chauke	✓	✓			✓	
C da Silva	✓				✓	
MP Fandeso	✓	✓				
PB Hanratty			✓	✓		
D Loxton	✓	✓				✓
MLD Marole			✓	✓	✓	
N Moholi (chairperson)			✓	✓		
AM Mukhuba	✓					✓
JJ Ngulube					✓	
MJ Reyneke	✓	✓				✓
PE Speckman	✓	✓				
Executive directors						
L Lambrechts (chief executive officer)	✓					✓
HD Nel (chief financial officer)	✓					✓

COMPANY SECRETARY

T Moshakga has taken over from M Allie who resigned, effective 8 June 2021, to pursue another career opportunity.

DECLARATION OF ORDINARY DIVIDEND (NUMBER 133)

Notice is hereby given that the board has declared a gross interim dividend of 432.00 cents per share (2020: no dividend), 345.60 cents net of dividend withholding taxation, where applicable, per ordinary share for the six months ended 30 June 2021 to those members registered on the record date, being Thursday, 23 September 2021. 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:	432.00 cents
Net dividend amount per share:	345.60 cents
Issued shares at 1 September 2021:	115 131 417
Declaration date:	Wednesday, 1 September 2021
Last day to trade cum dividend:	Monday, 20 September 2021
Shares trade ex dividend:	Tuesday, 21 September 2021
Record date:	Thursday, 23 September 2021
Payment date:	Monday, 27 September 2021

Share certificates may not be dematerialised or rematerialised between Tuesday, 21 September 2021, and Thursday, 23 September 2021, 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 Securities 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 the first half of 2021.

PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

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

N Moholi
Chairman

L Lambrechts
Chief executive officer

1 September 2021

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LIMITED

We have reviewed the condensed consolidated interim financial statements of Santam Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2021 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

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

Auditor's Responsibility

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

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Santam Limited for the six months ended 30 June 2021 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Chantel van den Heever
Registered Auditor
Cape Town, South Africa

1 September 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Reviewed at 30 June 2021 R million	Restated[1] Audited at 31 December 2020 R million
ASSETS			
Intangible assets		**935**	968
Property and equipment		**823**	760
Investment in associates and joint ventures		**2 167**	2 205
Strategic investment – unquoted SEM target shares	**7**	**1 468**	1 538
Deferred income tax		**74**	102
Deposit with cell owners		**119**	161
Cell owners' and policyholders' interest		**13**	14
Financial assets at fair value through income	**7**	**30 026**	29 394
Reinsurance assets	**8**	**9 902**	8 946
Deferred acquisition costs		**784**	839
Loans and receivables including insurance receivables	**7**	**6 958**	6 855
Current income tax assets		**30**	15
Cash and cash equivalents		**4 575**	4 383
Total assets		**57 874**	56 180
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		**103**	103
Treasury shares		**(579)**	(527)
Other reserves		**(88)**	19
Distributable reserves		**10 509**	9 761
		9 945	9 356
Non-controlling interest		**689**	736
Total equity		**10 634**	10 092
LIABILITIES			
Deferred income tax		**124**	104
Cell owners' and policyholders' interest		**4 405**	4 238
Reinsurance liability relating to cell owners		**119**	161
Financial liabilities at fair value through income			
Debt securities	**7**	**2 564**	3 089
Investment contracts	**7**	**1 789**	1 838
Derivatives	**7**	**–**	80
Lease liabilities		**864**	782
Financial liabilities at amortised cost			
Repo liability		**839**	867
Collateral guarantee contracts		**153**	128
Insurance liabilities	**8**	**30 591**	28 871
Deferred reinsurance acquisition revenue		**427**	517
Provisions for other liabilities and charges		**189**	153
Trade and other payables including insurance payables	**7**	**4 920**	5 089
Current income tax liabilities		**256**	171
Total liabilities		**47 240**	46 088
Total shareholders' equity and liabilities		**57 874**	56 180

[1] Refer to note 15.2 for the detail regarding the restatement of the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million	Change
Gross written premium		**20 070**	18 258	10%
Less: reinsurance written premium		**7 196**	6 348	
Net written premium		**12 874**	11 910	8%
Less: change in unearned premium				
Gross amount		**188**	653	
Reinsurers' share		**(504)**	(666)	
Net insurance premium revenue		**13 190**	11 923	11%
Interest income on amortised cost instruments	9	**96**	80	
Interest income on fair value through income instruments	9	**630**	804	
Other investment income	9	**18**	672	
Income from reinsurance contracts ceded		**1 017**	1 013	
Net gains/(losses) on financial assets and liabilities at fair value through income	9	**192**	(749)	
Other income		**158**	180	
Net income		**15 301**	13 923	10%
Insurance claims and loss adjustment expenses		**12 115**	11 122	
Insurance claims and loss adjustment expenses recovered from reinsurers		**(3 784)**	(3 328)	
Net insurance benefits and claims		**8 331**	7 794	7%
Expenses for the acquisition of insurance contracts		**2 742**	2 512	
Expenses for marketing and administration		**2 330**	2 229	
Expenses for investment-related activities		**39**	27	
Amortisation of intangible assets		**35**	35	
Investment return allocated to cell owners and structured insurance products		**414**	29	
Total expenses		**13 891**	12 626	10%
Results of operating activities		**1 410**	1 297	9%
Finance costs		**(158)**	(170)	
Net income/(loss) from associates and joint ventures		**72**	(747)	
Impairment of joint venture		**–**	(15)	
Income tax recovered from cell owners and structured insurance products	10	**254**	185	
Profit before tax		**1 578**	550	>100%
Tax expense allocated to shareholders	10	**(322)**	(294)	
Tax expense allocated to cell owners and structured insurance products		**(254)**	(185)	
Total tax expense		**(576)**	(479)	20%
Profit for the period		**1 002**	71	>100%
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income:				
Share of associates' currency translation differences		**(107)**	532	
Total comprehensive income for the period		**895**	603	48%
Profit attributable to:				
– equity holders of the company		**952**	26	>100%
– non-controlling interest		**50**	45	11%
		1 002	71	
Total comprehensive income attributable to:				
– equity holders of the company		**845**	558	51%
– non-controlling interest		**50**	45	11%
		895	603	
Earnings attributable to equity holders				
Earnings per share (cents)	12			
Basic earnings per share		**863**	24	>100%
Diluted earnings per share		**859**	23	>100%

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
Balance as at 1 January 2020	**103**	**(482)**	**(405)**	**10 326**	**9 542**	**521**	**10 063**
Profit for the year (restated[1])	–	–	–	327	**327**	104	**431**
Other comprehensive income:							
Share of associates' currency translation differences (restated[1])	–	–	424	–	**424**	–	**424**
Total comprehensive income for the year ended 31 December 2020 (restated[1])	**–**	**–**	**424**	**327**	**751**	**104**	**855**
Issue of treasury shares in terms of share option schemes	–	110	–	(110)	**–**	–	**–**
Purchase of treasury shares	–	(155)	–	–	**(155)**	–	**(155)**
Share-based payment costs	–	–	–	80	**80**	–	**80**
Share of associates' other movements in retained earnings	–	–	–	(5)	**(5)**	–	**(5)**
Equity interest issued in cell captive	–	–	–	–	**–**	166	**166**
Dividends paid	–	–	–	(793)	**(793)**	(50)	**(843)**
Non-controlling interest acquired	–	–	–	(64)	**(64)**	(5)	**(69)**
Balance as at 31 December 2020 (restated[1])	**103**	**(527)**	**19**	**9 761**	**9 356**	**736**	**10 092**
Profit for the period	–	–	–	952	**952**	50	**1 002**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	(107)	–	**(107)**	–	**(107)**
Total comprehensive income for the period ended 30 June 2021	**–**	**–**	**(107)**	**952**	**845**	**50**	**895**
Issue of treasury shares in terms of share option schemes	–	66	–	(66)	**–**	–	**–**
Purchase of treasury shares	–	(118)	–	–	**(118)**	–	**(118)**
Share-based payment costs	–	–	–	38	**38**	–	**38**
Equity interest issued in cell captive	–	–	–	–	**–**	15	**15**
Dividends paid	–	–	–	–	**–**	(112)	**(112)**
Non-controlling interest acquired	–	–	–	(176)	**(176)**	–	**(176)**
Balance as at 30 June 2021	**103**	**(579)**	**(88)**	**10 509**	**9 945**	**689**	**10 634**
Balance as at 1 January 2020	**103**	**(482)**	**(405)**	**10 326**	**9 542**	**521**	**10 063**
Profit for the period	–	–	–	26	**26**	45	**71**
Other comprehensive income:							
Share of associates' currency translation differences	–	–	532	–	**532**	–	**532**
Total comprehensive income for the period ended 30 June 2020	**–**	**–**	**532**	**26**	**558**	**45**	**603**
Issue of treasury shares in terms of share option schemes	–	79	–	(79)	**–**	–	**–**
Purchase of treasury shares	–	(142)	–	–	**(142)**	–	**(142)**
Share-based payment costs	–	–	–	29	**29**	–	**29**
Share of associates' other movements in reserves	–	–	(11)	–	**(11)**	–	**(11)**
Dividends paid	–	–	–	(793)	**(793)**	(49)	**(842)**
Non-controlling interest acquired	–	–	–	(64)	**(64)**	(5)	**(69)**
Balance as at 30 June 2020	**103**	**(545)**	**116**	**9 445**	**9 119**	**512**	**9 631**

[1] Refer to note 15.2 for the detail regarding the restatement of the condensed consolidated statement of changes in equity.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Reviewed Six months ended 30 June 2021 R million	Restated[1] Reviewed Six months ended 30 June 2020 R million
Cash flows from operating activities			
Cash generated from operations		**1 963**	3 941
Interest paid		**(136)**	(178)
Income tax paid		**(201)**	(194)
Acquisition of financial assets		**(16 355)**	(14 184)
Proceeds from sale of financial assets		**15 958**	12 567
Net cash from operating activities		**1 229**	1 952
Cash flows from investing activities			
Acquisition of financial assets		**(1)**	(30)
Acquisition of subsidiaries, net of cash acquired	11	**–**	(6)
Purchases of equipment		**(4)**	(16)
Purchases of intangible assets		**(3)**	(30)
Proceeds from sale of equipment		**–**	1
Net cash used in investing activities		**(8)**	(81)
Cash flows from financing activities			
Purchase of treasury shares		**(118)**	(142)
Purchase of non-controlling interest in subsidiary	11	**(176)**	(69)
Redemption of unsecured subordinated callable notes		**(500)**	–
Equity interest issued in cell captive		**15**	–
Dividends paid to company's shareholders		**–**	(793)
Dividends paid to non-controlling interest		**(112)**	(49)
Payment of principal element of lease liabilities		**(71)**	(64)
Net cash used in financing activities		**(962)**	(1 117)
Net increase in cash and cash equivalents		**259**	754
Cash and cash equivalents at beginning of period		**4 383**	4 642
Exchange (losses)/gains on cash and cash equivalents		**(67)**	217
Cash and cash equivalents at end of period		**4 575**	5 613

[1] *Refer to note 15.1 for the detail regarding the restatement of the condensed consolidated statement of cash flows.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings and Debt Listings Requirements for summary financial statements, and the requirements of the Companies Act 71 of 2008, as amended, applicable to summary financial statements. The JSE Limited Listings and Debt Listings Requirements require 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*.

The condensed consolidated interim financial statements have been prepared on a going concern basis. In adopting the going concern basis, the board has reviewed the group's ongoing commitments for the next 12 months and beyond. The board's review included the group's strategic plans and updated financial forecasts including capital position, liquidity and credit facilities, and investment portfolio.

In the context of the current challenging environment, a range of downside scenarios have been considered. These included scenarios which reflected:

- COVID-19-related claims;
- ongoing impact of COVID-19, including lower economic activity, suppressed spending, business confidence, market volatility and multiple future waves.

In addition, a stress test exercise has been undertaken to consider the impact on the group's capital position including the following one-off type events: potential changes to the COVID-19-related claims reserves, including adverse outcomes of legal cases relating to business interruption claims, adverse catastrophe experience and severe and sudden financial market movements. An aggregated scenario such as this, and the sequence of events it involves, is considered to be remote and there are mitigating recovery actions that can be taken to restore the capital position to the group's target range.

As a result, the board believes that the group is well placed to meet future capital requirements and liquidity demands. Based on this review, no material uncertainties, that would require disclosure, have been identified in relation to the ability of the group to remain a going concern for at least the next 12 months, from the date of the approval of the condensed consolidated interim financial statements.

2. ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for those referred to below:

Standards effective in 2021

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2021:

- Amendments to IFRS 7 *Financial Instruments: Disclosures*
- Amendments to IFRS 9 *Financial Instruments*
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*
- Amendments to IFRS 4 *Insurance Contracts*
- Amendments to IFRS 16 *Leases – interest rate benchmark (IBOR) reform (Phase 2)*

No material impact on the condensed consolidated interim financial statements, resulting from the adoption of these amendments made to IFRS, was identified.

Standards not yet effective in 2021

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

The IASB issued IFRS 17 *Insurance Contracts* in May 2017 and on 25 June 2020, the IASB issued amendments to the standard. The effective date of IFRS 17, including the amendments, is annual reporting periods beginning on or after 1 January 2023. The standard needs to be applied retrospectively.

In contrast to the requirements of IFRS 4, IFRS 17 provides a comprehensive model (general measurement model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach applicable mainly for short-duration contracts.

2. ACCOUNTING POLICIES (continued)

Standards not yet effective in 2021 (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

The main features of the general model for insurance contracts are that the profitability groups of contracts identified:

- be measured at the present value of future cash flows incorporating an explicit risk adjustment and remeasured every reporting period (the fulfilment cash flows); and
- a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts, is recognised in profit or loss over the service period (coverage period).

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage (fulfilment cash flows related to future service and the contractual service margin) and the liability for incurred claims (fulfilment cash flows related to past service).

Where the requirements are met to measure a group of insurance contracts using the premium allocation approach, the liability for remaining coverage corresponds to premiums received at initial recognition less acquisition costs. However, the general model remains applicable for the measurement of incurred claims.

Based on the group's analysis of insurance policies issued, the group predominantly writes short-term contracts, therefore the premium allocation approach will be applied to the bulk of the insurance book.

Insurance revenue and insurance service expenses are recognised in the statement of comprehensive income based on the concept of services provided during the period. The standard also recognises losses earlier on contracts that are expected to be onerous.

The standard introduces a new, more granular system of reporting for both insurance revenue and insurance contract liabilities and does not only impact accounting and actuarial reporting, but has a pervasive impact across the group's operating model.

The group's audit committee and an IFRS 17 steering committee provide oversight and governance over the project. The steering committee is comprised of senior management from various functions including: finance, risk, information technology, operations and group internal audit.

The transition methodology and financial impact assessment remains a key focus during 2021. It is expected that, due to the short contract boundaries for the majority of the insurance book, a fully retrospective approach will be applied with limited application of the modified retrospective approach for contracts with longer contract boundaries. The remainder of 2021 will continue to focus on delivering a solution to calculate opening balances during the first quarter of 2022.

A combined assurance approach is being followed whereby group internal audit and external audit are incrementally testing the new IFRS 17 landscape. Opportunities for control improvements have already been identified and are being unpacked to ensure timely improvement and delivery.

Once IFRS 17 internal development has been completed, there will be greater clarity on the impact of the standard on the results. The impact of the change on the group's solvency position is expected to be limited.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2020.

In 2021, the COVID-19 global pandemic has continued to have a significant impact on market conditions and the group's business. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis with revisions to estimates being recognised prospectively. Where an estimate has been made in response to COVID-19, additional disclosure has been provided in the relevant note to provide context to the figures presented:

- Valuation of insurance contract liabilities: the assumptions used in the estimation of the eventual outcome of the contingent business interruption (CBI) claims that have occurred and were notified during 2020, that remain unsettled at the end of the reporting period, have been updated based on actual claims development experience. An endorsement was added to all Santam Commercial policies to make it clear that no CBI cover relating to infectious diseases is provided for any new claim events or lockdowns from 1 June 2020 onwards. Refer to note 8 for additional information.
- Measurement and impairment of goodwill and associates: key assumptions applied in the valuation of the recoverable amount have been adjusted, and the estimation of useful economic life has been reviewed, to reflect the potential impact of COVID-19.

4. CONTINGENT BUSINESS INTERRUPTION (CBI) CLAIMS RESERVES

Santam has raised a net technical provision of R2 billion at 31 December 2020 as a best estimate of its net exposure in relation to policies with contagious and infectious disease CBI extensions. The provision raised is in addition to the R1 billion of interim relief payments made in August 2020, which are offset against valid claims arising from the assessment process.

Following the Supreme Court of Appeal (SCA) ruling on Guardrisk's Café Chameleon case and the ruling of the UK Supreme Court in the FCA test case matter, legal certainty has been achieved with regards to policy response. Santam has confirmed that all commercial policy wordings with the relevant CBI extension will respond to the COVID-19 pandemic in general, and the government response to it.

A judgment by the Western Cape High Court in November 2020, with regards to a specific policy (Ma-Afrika) written by Santam's Hospitality and Leisure Division (H&L), ruled that the indemnity period that applies to CBI claims should be based on the standard physical damage business interruption indemnity period and not the indemnity period that applies to business interruption extensions covering contagious and infectious diseases. Santam contested this ruling at the SCA on 27 August 2021. Judgment is expected later in 2021 and will provide legal certainty on this matter. This issue only relates to some H&L clients, making up less than a third of total policies with CBI extensions.

In determining the appropriate level of provisions, Santam has considered the underlying exposures, the court judgments, the pending SCA judgment with regards to the length of the indemnity period on specific H&L policies as well as the proportion of CBI claims which will aggregate as a single loss occurrence under Santam's catastrophe reinsurance treaty.

The potential outcome of the appeal against the Ma-Afrika judgment relating to the indemnity period, as well as actual versus modelled loss experience, may still significantly impact Santam's assessment of the estimated net CBI claims.

5. RISK MANAGEMENT

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

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

The condensed consolidated interim financial statements do not include all risk management information and 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 2020.

There have been no material changes to the risk management policies since 31 December 2020.

The global outbreak of COVID-19 during the first half of 2020 has had a significant impact on market conditions and the insurance industry, and has triggered the need to consider the impact on the principal risks managed by the group. A detailed assessment of the risks faced specifically in relation to COVID-19 has, therefore, been undertaken. This includes risks that the group believes could threaten the group's business model, future performance, solvency or liquidity.

5. RISK MANAGEMENT (continued)

The group has implemented a robust governance framework charged with the definition and ongoing management of the strategies designed to accelerate decision-making and mitigate the increased risk arising as a result of COVID-19 as far as possible. In response to COVID-19, key mitigants and controls have been considered and several key actions have been implemented to mitigate the additional risks that have been identified:

Key risks and exposures	Key mitigants and controls
Reserving risk	
There is a risk that the group's estimate of future claims payments is insufficient. COVID-19 has increased the risk of estimation uncertainty as the impact on future claims patterns such as frequency and severity are just emerging. The ongoing legal action on CBI coverage wording and how the group's reinsurance programmes would react in the event of an adverse outcome further increases the risk of estimation uncertainty.	• Experienced actuaries responsible for estimation of the actuarial valuation of the required reserves based on claims experience, business volume, anticipated change in the claims environment and claims cost. • This has involved extensive discussion and interaction among the underwriting, claims and legal functions to understand the exposure and claims experience to date, and to confirm legal position on cover. • Reserves are reviewed by the chief risk officer (CRO) and considered by the executive risk forum attended by the chief executive officer (CEO), chief financial officer (CFO), CRO and chief underwriting officer, and the board audit and risk committees. • Claims case reserves represent the best estimate of outstanding value and were reviewed by the CRO. • Margins are held to be at least sufficient at the 75th percentile in accordance with group policy for uncertainties.
Underwriting and claims risk	
There is a risk that underwritten business is less profitable than planned due to insufficient pricing and settling of claims reserves.	• Additional monitoring procedures have been implemented to track COVID-19-related claims including frequency and changes in payment patterns. • A continuous process has been initiated by the commercial underwriting function to identify and assess potential COVID-19 underwriting impacts and take necessary actions. • Well-defined risk appetite statements, which are rigorously monitored at quarterly board risk committee meetings, with remediation action taken where deemed necessary. • Extensive control validation and assurance activities are performed over underwriting pricing and claims.
Market, credit and currency risk	
There is a risk to the group's insurance funds arising from movements in macroeconomic variables, including fluctuating bond yields and currency fluctuations. Customers facing financial difficulty may not make premium payments.	• The group's investment strategy to back insurance funds with cash and high-quality money market and other interest-bearing instruments reduces the risk of default and ensures sufficient liquidity. Shareholder funds are invested in high-quality interest-bearing instruments, a listed equity portfolio and diversified strategic equity investments on the African continent, India and Malaysia. The group also entered into a collar to protect the value of the equity portfolio, refer to note 7.3. • The group matches its foreign currency liabilities and capital requirements with appropriate foreign currency assets. The impact of exchange rate movements on the group's performance and capital position is closely monitored. When deemed necessary, the group implements foreign currency hedging structures in order to manage its financial exposure to exchange rate movements. • Increased credit risk monitoring is in place to proactively manage financial risk arising from potential default of policyholders on their premiums.
Operational risk	
This risk relates to customers and/or reputational damage arising from operational failure such as information technology (IT) system failure. The operational environment as a result of government-imposed lockdown measures has increased this risk with new ways of working and servicing the customer.	• Remote working across the group was enabled rapidly in a controlled manner, through distribution of IT equipment and home working control procedures to continue servicing our customers during lockdown. The return to office will be carefully planned to ensure operational impact is minimised and government guidelines are met. • IT services have been maintained across the group with infrastructure continuing to support the remote working environment. • Operational risk and resilience processes and procedures are in place, including incident management. • IT and data risks remain under close monitoring, especially cyber threat.

6. 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), Santam Re and MiWay;
- Alternative risk transfer (ART) insurance business written on the insurance licences of Centriq and Santam Structured Insurance (SSI); and
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including 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 SAN JV (Saham) insurance businesses, 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. Results from these businesses are also included as reconciling items in order to reconcile to the condensed 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, dividends and fair value gains or losses, as well 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 Black Economic Empowerment (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.

6. SEGMENT INFORMATION (continued)

All activities (continued)

Since the group reported its segmental results for the year ended 31 December 2020, the segmental disclosure has been adjusted to condense the additional information for Saham (100%) to focus on the results from Saham's general insurance, in the general insurance format, reconciled to attributable earnings from the Saham group. Management believes that the information relating to Saham's life and other underlying operating segments is no longer of significance, as a result of their limited contribution to profits, to the chief operating decision-maker and management determined that it is no longer useful for the users of the condensed consolidated interim financial statements.

6.1 Segment report

FOR THE SIX MONTHS ENDED 30 JUNE 2021 (REVIEWED)

	Insurance							
Business activity	**Conventional R million**	**Alternative risk transfer R million**	**Santam's share of SAN JV and other SEM businesses R million**	**Total R million**	**Investment R million**	**Total R million**	**Reconciling and unallocated[4] R million**	**IFRS total R million**
Revenue	15 498	4 572	1 563	21 633	315	21 948	(1 878)	20 070
External	15 428	4 572	1 563	21 563	315	21 878	(1 878)	20 000
Intersegment[5]	70	–	–	70	–	70	–	70
Operating result before non-controlling interest and tax[1]	1 050	153	211	1 414	–	1 414	(211)	1 203
Reallocation of operating result	–	–	(211)	(211)	–	(211)	211	–
Investment income net of investment-related fees	–	436	(71)	365	236	601	–	601
Investment return allocated to cell owners and structured insurance products	–	(414)	–	(414)	–	(414)	–	(414)
Finance costs[2]	–	(22)	–	(22)	(106)	(128)	–	(128)
Income from associates and joint ventures	–	–	32	32	40	72	–	72
Santam BEE costs	–	–	–	–	–	–	(1)	(1)
Amortisation and impairment of intangible assets[3]	(9)	–	–	(9)	–	(9)	–	(9)
Income tax recovered from cell owners and structured insurance products	–	254	–	254	–	254	–	254
Profit before tax	1 041	407	(39)	1 409	170	1 579	(1)	1 578

[1] *Includes depreciation of R101 million for Conventional and R8 million for ART.*
[2] *Finance costs relating to lease liabilities have been included in operating results.*
[3] *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R2 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 (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.*
[5] *Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2020 (REVIEWED)

Business activity	Insurance: Conventional R million	Insurance: Alternative risk transfer R million	Insurance: Santam's share of SAN JV and other SEM businesses R million	Insurance: Total R million	Investment R million	Total R million	Reconciling and unallocated[4] R million	IFRS total R million
Revenue	**14 812**	**3 446**	**1 698**	**19 956**	**484**	**20 440**	**(2 182)**	**18 258**
External	14 705	3 446	1 698	**19 849**	484	**20 333**	(2 182)	**18 151**
Intersegment[5]	107	–	–	**107**	–	**107**	–	**107**
Operating result before non-controlling interest and tax[1]	**776**	**54**	**171**	**1 001**	**–**	**1 001**	**(171)**	**830**
Reallocation of operating result	–	–	(171)	**(171)**	–	**(171)**	171	**–**
Investment income net of investment-related fees	–	29	–	**29**	432	**461**	–	**461**
Investment return allocated to cell owners and structured insurance products	–	(29)	–	**(29)**	–	**(29)**	–	**(29)**
Finance costs[2]	–	–	–	**–**	(123)	**(123)**	–	**(123)**
(Loss)/income from associates and joint ventures including impairment	–	–	(787)	**(787)**	25	**(762)**	–	**(762)**
Santam BEE costs	–	–	–	**–**	–	**–**	(1)	**(1)**
Amortisation and impairment of intangible assets[3]	(11)	–	–	**(11)**	–	**(11)**	–	**(11)**
Income tax recovered from cell owners and structured insurance products	–	185	–	**185**	–	**185**	–	**185**
Profit before tax	**765**	**239**	**(787)**	**217**	**334**	**551**	**(1)**	**550**

[1] *Includes depreciation of R105 million for Conventional and R5 million for ART.*

[2] *Finance costs relating to lease liabilities have been included in operating results.*

[3] *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R5 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 (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted), and the reallocation of investment revenue for IFRS purposes.*

[5] *Intersegment revenue includes revenue earned from the Santam's share of SAN JV and other SEM businesses segment.*

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million
Revenue	**15 498**	14 812
Net earned premium	**12 791**	11 761
Net claims incurred	**8 109**	7 699
Net commission	**1 721**	1 529
Management expenses (excluding BEE costs)[1,2]	**2 108**	2 028
Net underwriting result	**853**	505
Investment return on insurance funds	**200**	275
Net insurance result	**1 053**	780
Other income	**110**	69
Other expenses	**(113)**	(73)
Operating result before non-controlling interest and tax	**1 050**	776

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

[2] *Finance costs relating to lease liabilities have been included in operating results.*

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

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

	Reviewed Six months ended 30 June 2021		Reviewed Six months ended 30 June 2020	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	**284**	**48**	337	41
Crop	**93**	**75**	160	5
Engineering	**923**	**91**	791	167
Guarantee	**59**	**25**	37	(21)
Liability	**675**	**83**	614	2
Miscellaneous	**20**	**(4)**	(11)	3
Motor	**7 129**	**620**	6 522	1 050
Property	**5 731**	**(109)**	5 976	(770)
Transportation	**584**	**24**	386	28
Total	**15 498**	**853**	14 812	505
Comprising:				
Commercial insurance	**8 809**	**323**	8 491	(499)
Personal insurance	**6 689**	**530**	6 321	1 004
Total	**15 498**	**853**	14 812	505

ADDITIONAL INFORMATION ON ALTERNATIVE RISK TRANSFER INSURANCE ACTIVITIES

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

	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million
Income from clients	**224**	151
Participation in underwriting results[1]	**58**	24
	282	175
Administration expenses	**(129)**	(121)
Operating result before non-controlling interest and tax	**153**	54
Non-controlling interest	**(13)**	–
Operating result before tax	**140**	54

[1] *This relates to Centriq and SSI's selective participation in underwriting risk across the portfolios of traditional insurance business.*

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAN JV AND OTHER SEM BUSINESSES

	Reviewed Six months ended 30 June 2021			Reviewed Six months ended 30 June 2020		
	SEM R million	Saham R million	Total R million	SEM R million	Saham R million	Total R million
Revenue	**557**	**1 006**	**1 563**	654	1 044	1 698
Operating result before non-controlling interest and tax	**72**	**139**	**211**	141	30	171

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF OTHER SEM BUSINESSES

	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million
Revenue	**557**	654
Net earned premium	**415**	505
Net claims incurred	**327**	295
Net acquisition cost	**116**	176
Net underwriting result	**(28)**	34
Investment return on insurance funds	**100**	106
Other income	**–**	1
Operating result before non-controlling interest and tax	**72**	141

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAN JV BUSINESSES

	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million
General Insurance		
Revenue	**1 006**	1 044
Net earned premium	**608**	652
Net claims incurred	**375**	382
Net acquisition cost	**197**	221
Net underwriting result	**36**	49
Investment return on insurance funds	**103**	(19)
Operating result before non-controlling interest and tax	**139**	30
Life Business: Operating result before non-controlling interest and tax	**12**	5
Consolidation and Other: Operating result before non-controlling interest and tax	**(11)**	(11)
Operating result before non-controlling interest and tax	**140**	24
Income tax expense	**(46)**	(1)
Profit after tax	**94**	23
Non-controlling interest	**(34)**	(4)
Net result from financial services	**60**	19
Net investment return on shareholders' funds	**(9)**	(72)
Net other expenses	**(2)**	(5)
Attributable earnings	**49**	(58)

SANTAM'S SHARE OF SAN JV ATTRIBUTABLE EARNINGS RECONCILIATION TO NET INCOME/(LOSS) FROM ASSOCIATE

	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million
Attributable earnings	**49**	(58)
Amortisation of other intangible assets on a SAN JV level	**(16)**	(20)
Impairment of goodwill on a SAN JV level	**–**	(690)
Other – consolidation adjustments on a SAN JV level	**(1)**	(19)
Net income/(loss) from associate	**32**	(787)

ADDITIONAL INFORMATION ON INVESTMENT ACTIVITIES

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

	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million
Investment income	**187**	849
Net gains/(losses) on financial assets and liabilities at fair value through income	**88**	(390)
Income from associates and joint ventures	**40**	25
Investment-related revenue	**315**	484
Expenses for investment-related activities	**(39)**	(27)
Finance costs	**(106)**	(123)
Net total investment-related transactions	**170**	334

For a detailed analysis of investment activities, refer to notes 7 and 9.

6. SEGMENT INFORMATION (continued)

6.2 Geographical analysis

	Gross written premium		Non-current assets	
	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million	Reviewed at 30 June 2021 R million	Audited at 31 December 2020 R million
South Africa	**17 304**	15 934	**2 172**	2 111
Rest of Africa[1, 2]	**2 257**	2 132	**1 875**	1 934
Southeast Asia, India and Middle East[2]	**1 854**	1 735	**1 346**	1 321
Other	**218**	155	**–**	–
	21 633	19 956	**5 393**	5 366
Reconciling items[2]	**(1 563)**	(1 698)	**–**	–
Group total	**20 070**	18 258	**5 393**	5 366

[1] *Includes gross written premium relating to Santam Namibia Ltd of R476 million (30 June 2020: R474 million).*

[2] *Reconciling items relate to the underlying investments included in the SEM target shares and SAN JV for management reporting purposes (as a result of the investments in SEM being carried at fair value through income, and SAN JV being equity-accounted).*

7. 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.

	Reviewed at 30 June 2021 R million	Audited at 31 December 2020 R million
Financial assets		
Strategic investment – unquoted SEM target shares	**1 468**	1 538
Financial assets at fair value through income	**30 026**	29 394
	31 494	30 932
Expected to be realised after 12 months[1]	**20 601**	21 973
Expected to be realised within 12 months	**10 893**	8 959

[1] *Including unquoted SEM target shares amounting to R1 468 million (31 December 2020: R1 538 million).*

	Reviewed at 30 June 2021 R million	Audited at 31 December 2020 R million
Loans and receivables including insurance receivables	**6 958**	6 855
Receivables arising from insurance and reinsurance contracts	**5 268**	5 392
Loans and receivables excluding insurance receivables	**1 690**	1 463

Loans and receivables including insurance receivables are expected to be realised within 12 months.

	Reviewed at 30 June 2021 R million	Audited at 31 December 2020 R million
Financial liabilities		
Financial liabilities at fair value through income	**4 353**	5 007
	4 353	5 007
Expected to be settled after 12 months	**3 149**	4 123
Expected to be settled within 12 months	**1 204**	884
Trade and other payables including insurance payables	**4 920**	5 089
Payables arising from insurance and reinsurance contracts	**2 842**	2 874
Trade and other payables excluding insurance payables	**2 078**	2 215

Trade and other payables including insurance payables are expected to be settled within 12 months.

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

7.1 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 2020. 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 are determined as follows:
  - Listed equity securities are valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Unlisted equity securities are valued using the discounted cash flow (DCF) or net asset value method based on market input.
  - Interest-bearing investments:
    - Quoted interest-bearing investments 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 interest-bearing investments are valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Structured transactions: valued using DCF, real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Investment funds:
    - Quoted investment funds 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 investment funds 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).

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

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

Reviewed at 30 June 2021	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	2 840	–	–	2 840
Unlisted equities and similar securities	–	–	1 542	1 542
Interest-bearing investments				
Government interest-bearing investments	–	5 186	–	5 186
Corporate interest-bearing investments	–	14 394	60	14 454
Mortgages and loans	–	131	–	131
Structured transactions				
Structured notes	–	239	–	239
Derivative assets	–	–	20	20
Investment funds	–	5 499	–	5 499
Cash, deposits and similar securities	–	1 583	–	1 583
Financial assets at fair value through income	2 840	27 032	1 622	31 494
Debt securities	–	2 564	–	2 564
Investment contracts	–	1 789	–	1 789
Financial liabilities at fair value through income	–	4 353	–	4 353

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

7.1 Financial instruments measured at fair value on a recurring basis (continued)

Audited at 31 December 2020	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	2 577	–	–	**2 577**
Unlisted equities and similar securities	–	5	1 609	**1 614**
Interest-bearing investments				
Government interest-bearing investments	–	4 496	–	**4 496**
Corporate interest-bearing investments	–	14 358	60	**14 418**
Mortgages and loans	–	146	–	**146**
Structured transactions				
Structured notes	–	264	–	**264**
Investment funds	–	5 191	–	**5 191**
Cash, deposits and similar securities	–	2 226	–	**2 226**
Financial assets at fair value through income	**2 577**	**26 686**	**1 669**	**30 932**
Debt securities	–	3 089	–	**3 089**
Investment contracts	–	1 838	–	**1 838**
Derivative liabilities	–	–	80	**80**
Financial liabilities at fair value through income	**–**	**4 927**	**80**	**5 007**

The following table presents the changes in level 3 instruments:

	Equity securities R million	Interest-bearing investments R million	Derivative assets/(liabilities) R million	Total R million
30 June 2021 (reviewed)				
Opening balance	**1 609**	**60**	**(80)**	**1 589**
Acquisitions	**1**	**–**	**–**	**1**
Settlements	**–**	**–**	**173**	**173**
Losses recognised in profit or loss	**(68)**	**–**	**(73)**	**(141)**
Closing balance	**1 542**	**60**	**20**	**1 622**
31 December 2020 (audited)				
Opening balance	1 553	60	–	**1 613**
Acquisitions	30	–	–	**30**
Settlements	–	–	(50)	**(50)**
Gains/(losses) recognised in profit or loss	26	–	(30)	**(4)**
Closing balance	**1 609**	**60**	**(80)**	**1 589**

The unlisted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by SEM.

Of the R68 million loss (31 December 2020: R26 million gain) recognised on equity securities, a R71 million loss (31 December 2020: R34 million gain) relates to the SEM target shares, of which R66 million (31 December 2020: R17 million gain) relates to foreign exchange losses, and R5 million to a decrease (31 December 2020: R17 million increase) 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 decrease in the value of Shriram General Insurance (SGI) of R6 million (excluding the impact of exchange rate movements) is mainly attributable to higher claims ratios experience driven by courts sporadically closing (slower claims settlement in COVID-19 pandemic waves), which was offset by the benefit of earning a higher float margin on delayed payment.
- On 4 June 2021, Santam subscribed for a further target share in NICO Holdings General Insurance (Malawi) at a cost of R1 million. Santam's participation interest did not change. On 30 June 2020, Santam subscribed for a further target share in FBNGI at a cost of R30 million. As a result, Santam's participatory interest in FBNGI increased to 10%.

Fair value (excluding SEM target shares) is determined based on valuation techniques where the input is determined by management, e.g. multiples of net asset value, and is not readily available in the market or where market observable input is significantly adjusted. Valuations are generally based on price/earnings multiples ranging between 0.8 and 8.8. The value of unlisted equity instruments (excluding SEM target shares) is not material.

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

7.1 Financial instruments measured at fair value on a recurring basis (continued)

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 investment relates to the target share which provides a participatory interest in SGI to the value of R1 234 million (31 December 2020: R1 293 million). No other individual target share is material. The fair value of the SGI target share is determined through using a DCF model, and significant assumptions are tested with local management as well as Santam's representative on the SGI board of directors. The 10-year DCF model discounts expected cash flows and a perpetual value (after providing for regulatory capital requirements) at an appropriate risk-adjusted discount rate. The most significant unobservable inputs used in this DCF model are the discount rate of 14.3% (31 December 2020: 14.3%). A rand/Indian rupee exchange rate of 0.193 (31 December 2020: 0.201) was used to translate the DCF valuation result in Indian rupee to rand. An average net insurance margin over a 10-year period of 24.8% (31 December 2020: 23.4%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R231 million (31 December 2020: R234 million) or increase by R381 million (31 December 2020: R398 million), respectively. If the relative foreign exchange rate increases or decreases by 10%, the fair value will increase or decrease by R123 million (31 December 2020: R129 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the fair value will increase or decrease by R102 million (31 December 2020: R109 million). The remaining target shares are mostly impacted by changes in exchange rates.

7.2 Debt securities

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 of R500 million have all been redeemed on the optional redemption date on 12 April 2021, and the fixed rate notes have 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 and 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.

During November 2020, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 198 basis points. The notes have an optional redemption date of 30 November 2025 with a final maturity date of 30 November 2030.

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 JSE and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by JSE and adding accrued interest.

Santam's international credit rating was downgraded by one notch from BB+ to BB in May 2020. The rating was reaffirmed in December 2020. No reviewed credit rating has been issued since. The movement in the fair value of the unsecured subordinated callable notes is considered immaterial and mainly represents the market movement.

7.3 Derivatives

At 30 June 2021, the group had exchange traded futures with an exposure value of R1 245 million (31 December 2020: R1 080 million).

On 6 August 2020, the company entered into a zero cost collar over equities to the value of R1 billion, based on the SWIX 40 to provide capital protection in the current volatile market conditions. The structure offered full downside protection from the implementation level of 10 858, with upside participation (excluding dividends) of 0.275%. The structure was rolled on 3 November 2020, realising a profit of R50 million. The new structure entered into on 3 November 2020 provided full downside protection from the market level at the date of rolling of 10 307 with upside participation (excluding dividends) of 0.85% and expired on 3 February 2021. The final loss on the contract was R142 million (R77 million of the loss was recognised at 31 December 2020).

On 3 February 2021, the company rolled the collar structure. The structure offered almost full downside protection from the implementation level 11 857 and expired on 3 May 2021 and realised a loss of R31 million. On 3 May 2021, the company rolled the collar again until expiry on 3 August 2021, at an implementation level of 12 223. The structure was not renewed on 3 August 2021 and a final gain of R15 million was realised (inclusive of the fair value gain of R19 million at 30 June 2021).

At 30 June 2021, the group also had interest rate swaps as part of the international bond portfolio. The fair value of the swap is disclosed on a net basis in the statement of financial position as well as the statement of comprehensive income due to the contractual right to settle the instrument on a net basis. They are classified as level 3 per the fair value hierarchy. The gross exposure asset and liability amounted to R10 million (31 December 2020: R46 million) and R10 million (31 December 2020: R46 million) respectively.

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Reviewed at 30 June 2021 R million	Audited at 31 December 2020 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**150**	73
– claims incurred but not reported	**64**	48
General insurance contracts		
– claims reported and loss adjustment expenses	**14 203**	12 286
– claims incurred but not reported	**3 522**	4 004
– unearned premiums	**12 652**	12 460
Total gross insurance liabilities	**30 591**	28 871
Expected to be settled after 12 months	**1 971**	1 974
Expected to be settled within 12 months	**28 620**	26 897
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**9**	12
– claims incurred but not reported	**8**	14
General insurance contracts		
– claims reported and loss adjustment expenses	**7 053**	5 663
– claims incurred but not reported	**796**	1 197
– unearned premiums	**2 036**	2 060
Total reinsurers' share of insurance liabilities	**9 902**	8 946
Expected to be realised after 12 months	**294**	381
Expected to be realised within 12 months	**9 608**	8 565
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**141**	61
– claims incurred but not reported	**56**	34
General insurance contracts		
– claims reported and loss adjustment expenses	**7 150**	6 623
– claims incurred but not reported	**2 726**	2 807
– unearned premiums	**10 616**	10 400
Total net insurance liabilities	**20 689**	19 925

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

Insurance liability estimates

COVID-19-RELATED CLAIM ESTIMATES

Estimation methodologies and reserving processes remained consistent for the period ended 30 June 2021 and are discussed in note 3 of the group's annual financial statements for the year ended 31 December 2020. The ultimate costs of claims are always uncertain, increasingly so at present given the impact of the COVID-19 pandemic. Materially different outcomes to those assumed are possible.

Details of the group accounting policies in respect of insurance contract liabilities can be found in note 4 of the group's annual financial statements for the year ended 31 December 2020.

Judgement is applied in the determination of the best estimate of the insurance liability and reinsurance asset associated with the group's exposure to CBI claims. There remains, however, uncertainty regarding the ultimate outcome of these claims (and the related reinsurance recovery). The judgement applied includes:

Insurance liabilities:

- The final judgment by the Supreme Court of Appeal (SCA) on the length of the indemnity period applicable to certain policies written by Santam's Hospitality and Leisure (H&L) division.
- The assumptions used to determine the gross exposure at a policy level (including the determination of lost profits as a result of the business interruption, and any cost savings experienced).

Reinsurance assets:

- The impact of SCA judgment applied in the measurement of the insurance liability above, which impacts the total value of claims potentially ceded to the reinsurer as well as the determination of timing for aggregation purposes.
- The proportion of CBI claims which aggregate as a single loss occurrence under Santam's catastrophe reinsurance treaty.

The group's best estimate of the insurance liability and reinsurance asset at 30 June 2021 is R4.8 billion (31 December 2020: R5.3 billion) and R3.1 billion (31 December 2020: R3.3 billion) respectively. The insurance liability was reduced by the CBI relief payments of R1 billion made in August 2020 as well as provisional and final claim settlements of R288 million since January 2021. The first reinsurance claim recovery will be submitted later in September 2021.

There are a number of interdependent judgements applied in the measurement of the insurance liability and reinsurance asset in relation to this exposure, and therefore when assessing the potential impact on the group, consideration should be applied to the ultimate net impact.

A sensitivity analysis on the net CBI provision of R1.7 billion has been performed by assuming a 10% positive and negative combined impact on the assumptions used to derive the provision. A 10% positive movement in the combined assumptions used would result in a decrease in the net provision of 26%. A 10% negative movement in the assumptions used would result in an increase in the net provision of 25%.

The SCA hearing in relation to the Ma-Afrika indemnity period took place on 27 August 2021 and judgment is expected later in 2021. Management has made good progress in engaging with the participants on the reinsurance programme. The ultimate level of gross exposure will be known once policyholders' assessed claims are finalised.

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

	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million
Investment income	**744**	1 556
Interest income derived from	**726**	884
Financial assets measured at amortised cost	**96**	80
Financial assets mandatorily measured at fair value through income	**630**	804
Other investment income	**18**	672
Dividend income	**88**	162
Foreign exchange differences	**(70)**	510
Net gains/(losses) on financial assets and liabilities at fair value through income	**192**	(749)
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	**310**	(760)
Net realised gains/(losses) on financial assets excluding derivative instruments	**34**	(108)
Net fair value gains/(losses) on financial assets excluding derivative instruments	**342**	(550)
Net realised fair value losses on derivative instruments	**(66)**	(102)
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	**(118)**	11
Net fair value gains/(losses) on debt securities	**18**	(12)
Net realised (losses)/gains on investment contracts	**(136)**	23
	936	807

10. INCOME TAX

	Reviewed Six months ended 30 June 2021 R million	Reviewed Six months ended 30 June 2020 R million
Normal taxation		
Current period	**501**	448
Prior period	**(1)**	7
Other taxes	**3**	1
Foreign taxation – current period	**20**	17
Total income taxation for the period	**523**	473
Deferred taxation		
Current period	**53**	6
Total deferred taxation for the period	**53**	6
Total taxation as per statement of comprehensive income	**576**	479
Income tax recovered from cell owners and structured insurance products	**(254)**	(185)
Total tax expense attributable to shareholders	**322**	294
Profit before taxation per statement of comprehensive income	**1 578**	550
Adjustment for income tax recovered from cell owners and structured insurance products	**(254)**	(185)
Total profit before tax attributable to shareholders	**1 324**	365
Reconciliation of taxation rate (%)		
Normal South African taxation rate	**28.0**	28.0
Adjusted for:		
Disallowable expenses	**0.2**	0.7
Foreign tax differential	**(0.1)**	0.7
Exempt income	**(1.3)**	(11.4)
Investment results	**(0.6)**	1.8
(Income)/loss from associates and joint ventures	**(1.5)**	58.3
Previous period's underprovision	**–**	1.8
Other permanent differences	**(0.8)**	0.3
Other taxes	**0.4**	0.3
Net (reduction)/increase	**(3.7)**	52.5
Effective rate attributable to shareholders (%)	**24.3**	80.5

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. CORPORATE TRANSACTIONS

2021

ACQUISITIONS

Mirabilis Holding Company (Pty) Ltd

During April 2021, the Santam group acquired a shareholding of 100% in Mirabilis Holding Company (Pty) Ltd for R176 million in cash. Mirabilis Holding Company (Pty) Ltd owns a 45% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Mirabilis Engineering Underwriting Managers (Pty) Ltd.

2020

ACQUISITIONS

JaSure Financial Services (Pty) Ltd

On 1 January 2020, the Santam group acquired a shareholding of 51.01% in JaSure Financial Services (Pty) Ltd for R6 million in cash. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	(1)
Trade and other payables	(5)
Net asset value acquired	(6)
Non-controlling interest	3
Goodwill	9
Purchase consideration paid	6

Echelon Underwriting Managers (Pty) Ltd

The Santam group purchased the 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million in cash.

Insure Group Managers Finance (Pty) Ltd

On 1 July 2020, the Santam group acquired a shareholding of 100% in Insure Group Managers Finance (Pty) Ltd for R250,000 in cash.

	R million
Details of the assets and liabilities acquired are as follows:	
Deferred income tax	1
Loans and receivables	42
Cash and cash equivalents	2
Trade and other payables	(45)
Net asset value acquired/Purchase consideration paid	–

12. EARNINGS PER SHARE

	Reviewed Six months ended 30 June 2021	Reviewed Six months ended 30 June 2020
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**952**	26
Weighted average number of ordinary shares in issue (million)	**110.26**	110.29
Earnings per share (cents)	**863**	24
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**952**	26
Weighted average number of ordinary shares in issue (million)	**110.26**	110.29
Adjusted for share options	**0.52**	0.45
Weighted average number of ordinary shares for diluted earnings per share (million)	**110.78**	110.74
Diluted basic earnings per share (cents)	**859**	23
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	**952**	26
Adjusted for:		
Impairment of joint venture	**–**	15
Share of associates' impairment of intangible assets	**–**	726
Tax charge on share of associates' impairment of intangible assets	**–**	(36)
Headline earnings (R million)	**952**	731
Weighted average number of ordinary shares in issue (million)	**110.26**	110.29
Headline earnings per share (cents)	**863**	663
Diluted headline earnings per share		
Headline earnings (R million)	**952**	731
Weighted average number of ordinary shares for diluted headline earnings per share (million)	**110.78**	110.74
Diluted headline earnings per share (cents)	**859**	660

13. DIVIDEND PER SHARE

Dividend per share (cents)	**432**	–

14. IMPAIRMENT TESTS

14.1 Goodwill

In accordance with the group's accounting policy, the group tests annually whether goodwill has suffered any impairment. Given the economic conditions between 31 December 2020 and 30 June 2021, management has reviewed whether there were indicators of impairment on goodwill balances recognised.

Each cash-generating unit (CGU) was critically examined with reference to the following key metrics to determine if any impairment exists:

- Forecasted growth in gross written premium for 2021 taking the impact of COVID-19 into account.
- Forecasted profitability based on net underwriting result and profit after tax, taking the impact of COVID-19 into account.

The result of this assessment was that goodwill relating to the Accident and Health business required a formal impairment test due to its exposure to COVID-19. A total of R76 million in goodwill is recognised on the Accident and Health business, out of a total R685 million goodwill recognised by the group.

When testing for impairment, the recoverable amount of the CGU, based on value in use, was determined using discounted cash flow projections. The input into the fair value measurement is classified as level 3 in terms of the fair value hierarchy. The cash flow projections are based on budgets approved by management. The impairment test is applied using the following internal processes:

- Comparing original budgets to updated forecasts and aligning projected cash flows when deemed necessary.
- Current changes in operations are assessed to determine whether it will have an impact on the valuation.
- The discount rates applied in the cash flow projections are reassessed.

The salient features of the impairment test were as follows:

- A discount rate of 24% was applied, taking into account uncertainty resulting from COVID-19.
- A capital requirement of 25% of net earned premium.
- Forecasted income statements including a reduction in gross written premium and underwriting losses due to COVID-19.
- A terminal growth rate of 5%.

The impairment test indicated that no impairment was deemed necessary.

The nature of goodwill mainly relates to employee skill and industry knowledge.

14. IMPAIRMENT TESTS (continued)

14.2 Associates – SAN JV (100%)

The consolidated carrying value of SAN JV comprise of net asset value (NAV), other intangible assets and goodwill. SAN JV holds 100% of the formerly known Saham Finances Group (Saham). The recoverable amount is based on the value in use. The impairment test compares the value in use with the carrying value. Santam holds 10% of SAN JV, as an investment in associate.

Changes to Saham's NAV impact the carrying value directly. Some valuation impacts will correspond to changes in the NAV. Other valuation impacts, such as assumption changes that affect longer-term cash flows, affect the carrying value through other intangible assets.

Saham's value in use reduced from R20.3 billion at 31 December 2020 to R20.2 billion at 30 June 2021. The carrying value of Saham is R19.4 billion at 30 June 2021 (31 December 2020: R20.1 billion after an impairment of R6.6 billion). The valuation at 30 June 2021 supported the carrying value and did not result in additional impairments for the current reporting period.

The rand strengthened against most currencies in the portfolio, most notably against the Morocco dirham by some 2.65%. In constant currency terms, the valuation increased by 3.1%. Premium growth has recovered broadly in line with the valuation assumptions since 2020. However, the outlook remains uncertain as the timing and severity of new waves of COVID-19 differ across the continent. The underwriting performance has remained within the target range. Equity markets in Morocco and Côte d'Ivoire recovered strongly and supported investment returns on insurance funds.

The valuation of the non-life and life operations in Lebanon are maintained at zero as a meaningful economic recovery is not expected in the foreseeable future.

In many ways, the risks mentioned previously realised as more waves and variants of COVID-19 emerged. The level of uncertainty continues to remain high and the risk discount rates continue to reflect this. On aggregate, the portfolio's risk discount rates increased in line with the US risk-free yield. This rate is used as a starting point in the determination of local country risk adjusted risk-free rates. The outlook on long-term inflation has remained stable, but long-term GDP growth expectations have reduced in various countries.

As reflected in the table below, there were no significant adjustments made to the key assumptions in determining the value in use for cash-generating units (excluding Lebanon).

	General insurance			Life		
	30 June 2021	31 December 2020	30 June 2020	**30 June 2021**	31 December 2020	30 June 2020
Weighted average local discount rate[1]	**11.4%**	11.0%	11.3%	**11.2%**	11.6%	11.6%
Weighted average perpetuity growth rate	**5.4%**	5.7%	5.9%	**5.1%**	4.9%	4.6%
Value of new business (VNB) multiples	**n/a**	n/a	n/a	**10.0 – 16.3**	10.0 – 16.3	10.0 – 16.3
Revenue: compounded annual growth rate (range of values over the 10 years)	**6.1% – 9.0%**	6.3% – 8.9%	5.7% – 11.5%	**n/a**	n/a	n/a
Net insurance result margin[2]	**11.0% – 18.0%**	11.0% – 17.0%	11.0% – 18.0%	**n/a**	n/a	n/a

[1] *It represents the total weighted average risk discount rate (RDR) in local currency terms. The devaluation of the rand is expected to increase this return over time.*
[2] *Expressed as a percentage of net earned premiums.*

For life embedded values, cash flows are projected over the lifetime of the in-force book. Future life new business and non-life cash flows are projected over 10 years. The year 10 cash flow is expected to be at a stable level and sustainable into perpetuity. This is projected into perpetuity and discounted accordingly.

Management has determined the values assigned to each of the key assumptions above as follows:

Assumption	Approach used to determine the values
Discount rates	This is a function of the local risk-free rates (reflecting country risk) plus a specific risk premium per business.
Perpetuity growth rate	This is a function of expected long-term inflation and GDP growth rates of each country.
Revenue annual growth rates	This is a function of expected long-term inflation and GDP growth rates of each country, including industry growth rates and management's expectations for the future.

There has been no material change to the value in use or the related assumptions. The sensitivities provided in the group's annual financial statements for the year ended 31 December 2020 ("2020 annual financial statements") therefore remain applicable. Refer to note 12 of the 2020 annual financial statements for additional information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. CHANGES IN PRESENTATION

15.1 Restatement of the statement of cash flows

In light of the current economic environment and the impact of CBI claims, the group decided to change its presentation policy relating to non-strategic investment portfolios. All cash flows from the acquisition and sale of these investments are now included as part of operating activities, as these portfolios provide liquidity in case of significant claims events. This also aligns to industry practice and the presentation policy of the group's holding company, Sanlam Ltd. Comparative numbers have been restated, as a result of the change in presentation policy, as follows:

	Previously reported 30 June 2020 R million	Restatement 30 June 2020 R million	Restated 30 June 2020 R million
Net cash (used in)/from operating activities			
– Acquisition of financial assets	(13 859)	(325)	(14 184)
– Proceeds from sale of financial assets	12 314	253	12 567
Net cash (used in)/from investing activities			
– Acquisition of financial assets	(355)	325	(30)
– Proceeds from sale of financial assets	253	(253)	–
Net impact	(1 647)	–	(1 647)

15.2 Hyperinflation accounting error in SAN JV's equity-accounted earnings

During the second half of 2020, Lebanon was included in the list of countries considered to be a hyperinflationary economy for accounting purposes. With initial application in 2020, the opening balances of monetary assets and liabilities were restated by applying the consumer price index (CPI) differential between 1 January 2020 and 31 December 2020. The 2020 opening balances of non-monetary assets were restated by applying the CPI differential between the date these items were acquired or incurred and 31 December 2020. The group elected to recognise the impact in the foreign currency translation reserve (FCTR). An impairment loss was recognised in FCTR on initial adoption of IAS 29 when the remeasured amount of the non-monetary items exceeded the estimated recoverable amount on 1 January 2020.
The 2019 comparative amounts in the annual financial statements for the year ended 31 December 2020 ("2020 annual financial statements") were not restated, and the initial impact of negative R123 million attributable to the group was recognised in FCTR in the share of associates' currency translation differences line of the statement of changes in equity (SOCE). It comprised the rebase of the underlying statement of financial position of SAN JV as at 31 December 2019 relating to equity of R1 388 million and the reduction of the indexed non-monetary items to the recoverable negative amount of R2 622 million which included both goodwill as well as other intangible assets.

Given the various complexities involved in consolidating LIA Insurance S.A.L. (LIA) (in Lebanon) in a hyperinflationary environment, including recognising additional expected credit losses in respect of financial assets (in terms of the group's policy), and impairments on other intangible assets and goodwill, the monetary assets on which the opening balance restatement at 1 January 2020 was based, were understated. As a result, the initial application of the IAS 29 opening balance adjustment of negative R123 million reported in the 2020 annual financial statements' SOCE should have been positive R92 million attributable to the shareholders. This resulted in an increase in FCTR of R215 million and a corresponding decrease in profit for the year ended 31 December 2020 from R646 million to R431 million, with a consequential impact on earnings per share and headline earnings per share.

The error had no impact on net asset value or any of the group's other key performance indicators as hyperinflation accounting is regarded as a technical accounting requirement. Please see below impact on the 2020 annual financial statements:

	At 31 December 2020		
Statement of financial position	**Previously reported R million**	**Restatement R million**	**Restated R million**
Capital and reserves attributable to the company's equity holders			
Other reserves	(196)	215	19
Distributable reserves	9 976	(215)	9 761
Net impact	9 780	–	9 780

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. CHANGES IN PRESENTATION (continued)

15.2 Hyperinflation accounting error in SAN JV's equity-accounted earnings (continued)

	For the year ended 31 December 2020		
Statement of comprehensive income	**Previously reported R million**	**Restatement R million**	**Restated R million**
Results of operating activities	**1 945**	**–**	**1 945**
Finance costs	(318)	–	(318)
Net loss from associates and joint ventures	(595)	(215)	(810)
Impairment of associates and joint ventures	(15)	–	(15)
Income tax recovered from cell owners and structured insurance products	429	–	429
Profit before tax	**1 446**	**(215)**	**1 231**
Total tax expense	(800)	–	(800)
Profit for the year	**646**	**(215)**	**431**
Other comprehensive income, net of tax			
Share of associates' currency translation differences	209	215	424
Total comprehensive income for the year	**855**	**–**	**855**
Profit attributable to:			
– equity holders of the company	542	(215)	327
– non-controlling interest	104	–	104
	646	(215)	431

	For the year ended 31 December 2020		
Earnings attributable to equity holders	**Previously reported Cents**	**Restatement Cents**	**Restated Cents**
Basic earnings per share	491	(195)	296
Diluted earnings per share	489	(194)	295
Headline earnings per share	1 100	(195)	905
Diluted headline earnings per share	1 094	(194)	900

	As previously reported			Restatement			Restated		
	Attributable to equity holders of the company			Attributable to equity holders of the company			Attributable to equity holders of the company		
Statement of Changes in Equity GROUP	**Other reserves R million**	**Distributable reserves R million**	**Total R million**	**Other reserves R million**	**Distributable reserves R million**	**Total R million**	**Other reserves R million**	**Distributable reserves R million**	**Total R million**
Profit for the year	–	542	542	–	(215)	(215)	–	327	327
Other comprehensive income									
Share of associates' currency translation differences	209	–	209	215	–	215	424	–	424
Net impact	**209**	**542**	**751**	**215**	**(215)**	**–**	**424**	**327**	**751**

The restatement above has no impact on the comparative statement of comprehensive income (30 June 2020), and no impact on the statement of financial position at 1 January 2020.

The additional information on Santam's share of SAN JV businesses table within the comparative segmental reporting to be included in the 2021 annual financial statements will be restated in order to reflect the above error.

16. RELATED PARTIES

During the first half of 2021, there have been no related party transactions that have materially affected the financial position or the results for the period. There have also been no changes in the nature of the related party transactions as disclosed in note 27 of the group's annual financial statements for the year ended 31 December 2020.

17. EVENTS AFTER THE REPORTING PERIOD

The collar structure over equities to the value of R1 billion, entered into by the company on 3 May 2021 to provide capital protection, matured on 3 August 2021. The final gain on the contract was R15 million (R19 million of the gain was recognised at 30 June 2021). The structure was not renewed.

Santam continues to make good progress in processing business interruption claims. At the end of August 2021 approximately R700 million has been paid to policyholders in addition to the R1 billion paid in interim relief in August 2020, bringing the total CBI payments to date to R1.7 billion.

Santam's appeal against the Ma-Afrika judgment with respect to the length of the indemnity period, was heard by the Supreme Court of Appeal of the Republic of South Africa on 27 August 2021. Judgment is expected later in 2021.

Following the civil unrest during the latter part of July 2021 in South Africa, Santam is working actively with SASRIA, the state-owned insurer set up to cover unrest-related claims, to assist SASRIA with settling claims relating to the destruction of property. Santam Re has a small participation percentage on the SASRIA reinsurance program. It is too early to accurately quantify Santam's net exposure relating to this participation until loss estimates are received; however, based on all treaty limits, it cannot exceed R315 million.

There have been no other material changes in the affairs or financial position of the group since the statement of financial position date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS

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

18.1 Analysis of policyholder/shareholder statement of financial position

	Group Reviewed at 30 June 2021 R million	Shareholder Reviewed at 30 June 2021 R million	Policyholder/ cell owner Reviewed at 30 June 2021 R million
ASSETS			
Intangible assets	935	935	–
Property and equipment	823	823	–
Investment in associates and joint ventures	2 167	2 167	–
Strategic investment – unquoted SEM target shares	1 468	1 468	–
Deferred income tax	74	95	(21)
Deposit with cell owner	119	–	119
Cell owners' and policyholders' interest	13	–	13
Financial assets at fair value through income	30 026	16 730	13 296
Reinsurance assets	9 902	8 625	1 277
Deferred acquisition costs	784	662	122
Loans and receivables including insurance receivables	6 958	3 694	3 264
Current income tax assets	30	30	–
Cash and cash equivalents	4 575	3 428	1 147
Total assets	**57 874**	**38 657**	**19 217**
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(579)	(579)	–
Other reserves	(88)	(88)	–
Distributable reserves	10 509	10 509	–
	9 945	9 945	–
Non-controlling interest	689	495	194
Total equity	**10 634**	**10 440**	**194**
LIABILITIES			
Deferred income tax	124	124	–
Cell owners' and policyholders' interest	4 405	–	4 405
Reinsurance liability relating to cell owners	119	–	119
Financial liabilities at fair value through income			
Debt securities	2 564	2 564	–
Investment contracts	1 789	–	1 789
Lease liabilities	864	864	–
Financial liabilities at amortised cost			
Repo liability	839	–	839
Collateral guarantee contracts	153	–	153
Insurance liabilities	30 591	20 118	10 473
Deferred reinsurance acquisition revenue	427	355	72
Provisions for other liabilities and charges	189	189	–
Trade and other payables including insurance payables	4 920	3 712	1 208
Current income tax liabilities	256	291	(35)
Total liabilities	**47 240**	**28 217**	**19 023**
Total shareholders' equity and liabilities	**57 874**	**38 657**	**19 217**

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

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

	Restated[1]		
	Group Audited at 31 December 2020 R million	Shareholder Audited at 31 December 2020 R million	Policyholder/ cell owner Audited at 31 December 2020 R million
ASSETS			
Intangible assets	968	968	–
Property and equipment	760	760	–
Investment in associates and joint ventures	2 205	2 205	–
Strategic investment – unquoted SEM target shares	1 538	1 538	–
Deferred income tax	102	117	(15)
Deposit with cell owners	161	–	161
Cell owners' and policyholders' interest	14	–	14
Financial assets at fair value through income	29 394	16 431	12 963
Reinsurance assets	8 946	7 988	958
Deferred acquisition costs	839	739	100
Loans and receivables including insurance receivables	6 855	4 312	2 543
Current income tax assets	15	15	–
Cash and cash equivalents	4 383	3 309	1 074
Total assets	56 180	38 382	17 798
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(527)	(527)	–
Other reserves	19	19	–
Distributable reserves	9 761	9 761	–
	9 356	9 356	–
Non-controlling interest	736	570	166
Total equity	10 092	9 926	166
LIABILITIES			
Deferred income tax	104	110	(6)
Cell owners' and policyholders' interest	4 238	–	4 238
Reinsurance liability relating to cell owners	161	–	161
Financial liabilities at fair value through income			
Debt securities	3 089	3 089	–
Investment contracts	1 838	–	1 838
Derivatives	80	80	–
Lease liabilities	782	782	–
Financial liabilities at amortised cost			
Repo liability	867	–	867
Collateral guarantee contracts	128	–	128
Insurance liabilities	28 871	19 584	9 287
Deferred reinsurance acquisition revenue	517	441	76
Provisions for other liabilities and charges	153	153	–
Trade and other payables including insurance payables	5 089	4 012	1 077
Current income tax liabilities	171	205	(34)
Total liabilities	46 088	28 456	17 632
Total shareholders' equity and liabilities	56 180	38 382	17 798

[1] *Refer to note 15.2 for the detail regarding the restatement of the condensed consolidated statement of financial position.*

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

18.2 Analysis of policyholder/shareholder statement of comprehensive income

	Group Reviewed Six months ended 30 June 2021 R million	Shareholder Reviewed Six months ended 30 June 2021 R million	Policyholder/ cell owner Reviewed Six months ended 30 June 2021 R million
Gross written premium	20 070	15 707	4 363
Less: reinsurance written premium	7 196	3 307	3 889
Net written premium	12 874	12 400	474
Less: change in unearned premium			
Gross amount	188	(555)	743
Reinsurers' share	(504)	35	(539)
Net insurance premium revenue	13 190	12 920	270
Interest income on amortised cost instruments	96	96	–
Interest income on fair value through income instruments	630	393	237
Other investment income	18	5	13
Income from reinsurance contracts ceded	1 017	792	225
Net gains on financial assets and liabilities at fair value through income	192	6	186
Other income	158	158	–
Net income	15 301	14 370	931
Insurance claims and loss adjustment expenses	12 115	9 889	2 226
Insurance claims and loss adjustment expenses recovered from reinsurers	(3 784)	(1 763)	(2 021)
Net insurance benefits and claims	8 331	8 126	205
Expenses for the acquisition of insurance contracts	2 742	2 474	268
Expenses for marketing and administration	2 330	2 321	9
Expenses for investment-related activities	39	39	–
Amortisation and impairment of intangible assets	35	35	–
Investment return allocated to cell owners and structured insurance products	414	–	414
Total expenses	13 891	12 995	896
Results of operating activities	1 410	1 375	35
Finance costs	(158)	(136)	(22)
Net income from associates and joint ventures	72	72	–
Income tax recovered from cell owners and structured insurance products	254	–	254
Profit before tax	1 578	1 311	267
Income tax expense	(576)	(322)	(254)
Profit for the period	1 002	989	13
Profit attributable to:			
– equity holders of the company	952	952	–
– non-controlling interest	50	37	13
	1 002	989	13

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

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

	Group Reviewed Six months ended 30 June 2020 R million	Shareholder Reviewed Six months ended 30 June 2020 R million	Policyholder/ cell owner Reviewed Six months ended 30 June 2020 R million
Gross written premium	18 258	14 937	3 321
Less: reinsurance written premium	6 348	3 390	2 958
Net written premium	11 910	11 547	363
Less: change in unearned premium			
Gross amount	653	33	620
Reinsurers' share	(666)	(333)	(333)
Net insurance premium revenue	11 923	11 847	76
Interest income on amortised cost instruments	80	80	–
Interest income on fair value through income instruments	804	474	330
Other investment income	672	573	99
Income from reinsurance contracts ceded	1 013	789	224
Net losses on financial assets and liabilities at fair value through income	(749)	(378)	(371)
Other income	180	180	–
Net income	13 923	13 565	358
Insurance claims and loss adjustment expenses	11 122	10 078	1 044
Insurance claims and loss adjustment expenses recovered from reinsurers	(3 328)	(2 343)	(985)
Net insurance benefits and claims	7 794	7 735	59
Expenses for the acquisition of insurance contracts	2 512	2 310	202
Expenses for marketing and administration	2 229	2 188	41
Expenses for investment-related activities	27	27	–
Amortisation and impairment of intangible assets	35	35	–
Investment return allocated to cell owners and structured insurance products	29	–	29
Total expenses	12 626	12 295	331
Results of operating activities	1 297	1 270	27
Finance costs	(170)	(143)	(27)
Net loss from associates and joint ventures	(747)	(747)	–
Impairment of joint venture	(15)	(15)	–
Income tax recovered from cell owners and structured insurance products	185	–	185
Profit before tax	550	365	185
Income tax expense	(479)	(294)	(185)
Profit for the period	71	71	–
Profit attributable to:			
– equity holders of the company	26	26	–
– non-controlling interest	45	45	–
	71	71	–

ADMINISTRATION

NON-EXECUTIVE DIRECTORS

M Chauke, C Da Silva, MP Fandeso, PB Hanratty,
D Loxton, MLD Marole, M Moholi (chairperson),
AM Mukhuba, JJ Ngulube, MJ Reyneke, PE Speckmann

EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

T Moshakga

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Private Bag X9000, Saxonwold 2132
Tel: 011 370 5000
Fax: 011 688 5216
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
A2X share code: SNT
Debt company code: BISAN

SPONSOR

Equity sponsor: Investec Bank Ltd
Debt sponsor: Rand Merchant Bank
(A division of FirstRand Bank Ltd)

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

INSURANCE
GOOD AND
PROPER

www.santam.co.za