2021

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS AND ORDINARY AND SPECIAL DIVIDEND DECLARATION

for the year ended 31 December 2021

CONTENTS

SALIENT FEATURES

Conventional insurance gross written premium growth
5%

Conventional insurance net underwriting margin
8.0%

Economic capital coverage ratio
169%

Return on shareholders' funds
28.5%

Alternative Risk Transfer (ART) operating results net of non-controlling interest
R276 million
(2020: R165 million)

Group gross claims paid
R24.5 billion

Contingent business interruption (CBI) claims paid of
R3.2 billion

Agri gross claims paid and reserved
>R1.1 billion

Earnings per share
2 491 cents
(2020: 296 cents)

Headline earnings per share
2 495 cents
(2020: 905 cents)

Final dividend of 790 cents per share

Special dividend of 800 cents per share

FINANCIAL REVIEW

The Santam group reported strong operating results, despite the impact of several significant claim events, particularly the adverse weather conditions during the fourth quarter of 2021.

The group's conventional insurance business achieved gross written premium growth of 5%. A net underwriting margin of 8.0% (2020: 2.5%) of net earned premiums was achieved, which is at the top-end of the group's target range of 4% to 8%. The alternative risk transfer (ART) business reported excellent operating results, net of non-controlling interests, of R276 million (2020: R165 million), following strong growth in fee income, positive investment results and improved underwriting results. The net insurance result from Santam's share of Sanlam Emerging Markets (SEM) general insurance businesses decreased marginally to R377 million (2020: R381 million).

Net investment income attributable to shareholders, inclusive of the investment return on insurance funds, amounted to R1 493 million (2020: R1 027 million). Foreign currency gains and fair value gains on listed equities were the key contributors to the stronger investment performance.

Equity-accounted income from associates and joint ventures amounted to R78 million (2020: loss of R810 million). The 31 December 2020 equity-accounted losses included an impairment of SAN JV intangible assets of R656 million.

Cash generated from operations decreased to R3 billion (2020: R5.9 billion), mainly due to higher claim settlements during this period.

Headline earnings increased to 2 495 cps compared to 905 cps for the year ended 31 December 2020. The key drivers were improved operating results, together with increased investment income attributable to shareholders.

A return on capital (ROC) of 28.5% was achieved, well above the 2021 ROC target of 20% and the medium-term target of 24%. The economic capital coverage ratio at 31 December 2021 was 169% (2020: 161%) – at the top end of the target range of 150% to 170%.

CONVENTIONAL INSURANCE

The conventional insurance business demonstrated its resilience in a year characterised by the continued negative impact of COVID-19 on the economy, several large fire claims, the civil unrest in July and excessive rains across large parts of South Africa during the fourth quarter. A net underwriting margin of 8.0% was achieved (2020: 2.5%). The 2020 financial results were negatively impacted by the net contingent business interruption (CBI) claims provisions.

The judgment by the Supreme Court of Appeal on the length of the indemnity period to be applied to the Ma-Afrika Hotels (Pty) Ltd and Stellenbosch Kitchen (Pty) Ltd policies with CBI extensions, provided the legal clarity Santam sought. Santam continues to make steady progress in finalising the open CBI claims. Gross CBI claim payments of R3.2 billion have been made to the end of December 2021, inclusive of the relief payments of R1 billion made in August 2020.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts. Following this review, Santam has reduced its net provision for CBI claims by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. However, there is still uncertainty about the ultimate liability, which will only be eliminated once the process has been finalised. The release of the R450 million net CBI provision contributed approximately 1.7% to the net underwriting margin.

Gross written premium growth

Conventional insurance reported growth of 5% despite the severely constrained economic climate.

The Santam Commercial and Personal intermediated business reported low growth for the year. However, various growth initiatives are showing positive results, which should assist future growth.

The Santam Specialist business achieved improved growth during the second half of the year and gross written premiums in 2021 were in line with the year ended 31 December 2020. Strong growth was achieved in the liability business, while a number of the specialist classes reported improved growth, benefiting from reduced and less stringent lockdown measures. The corporate property business reported much improved gross written premiums for the second half of 2021, despite the decision to cease underwriting business outside of Africa.

MiWay achieved impressive growth of 9% (7% when excluding premium relief support to policyholders in 2020) in the current operating environment.

Santam Re continued to report 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 Limited and Santam Namibia licences grew by 6% to R5 284 million (2020: R4 963 million). Strong growth was achieved by Santam Re in Africa, Southeast Asia and the Middle East. 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 R383 million (2020: R200 million), following solid growth achieved during the second half of 2021. Weak economic conditions resulted in only marginal growth for Santam Namibia.

FINANCIAL REVIEW

CONVENTIONAL INSURANCE (continued)

Gross written premiums in the property class grew by 3% due to strong growth by Santam Re and an improved contribution from the corporate property business in the second half of 2021.

The motor class reported growth of 7%. The strong 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 liability and transportation classes achieved strong growth, supported by both the Santam Specialist businesses and Santam Re. Gross written premiums in the accident and health class contracted by 11%, due to the continued impact of COVID-19 travel restrictions on the travel insurance business. The crop insurance class also reported lower gross written premiums in 2021, mainly due to the timing of premiums being raised for the 2020/2021 crop season.

Underwriting result

Santam experienced a much more normalised claims environment in 2021. Several large fire claims impacted the Santam Specialist business during the first half of 2021. In addition, the crop business experienced significant claims due to hail and excessive rains across wide-spread regions during November and December. The very wet summer season also had a negative impact on the Commercial and Personal business and MiWay's loss ratios. Santam Re's performance was affected by its participation on the SASRIA reinsurance programme, following the civil unrest in July 2021. Santam Re provided for net reinsurance claims of R237 million at 31 December 2021, based on claims notified to date. The maximum net exposure to the SASRIA programme is limited to R315 million.

The motor class achieved satisfactory underwriting performance in the intermediated and direct distribution channels. The motor loss ratio returned to more normalised levels as the claims frequency and severity increased following reduced lockdown restrictions. MiWay's loss ratio was significantly impacted by the adverse weather conditions in the fourth quarter but still reported reasonable underwriting results under these conditions, with a loss ratio of 60.9% (2020: 50.6%) and an underwriting profit of R285 million (2020: R486 million).

The underwriting performance of the property class also normalised after the impact of the CBI claims incurred in 2020, although it was negatively impacted by several large fire claims as well as the SASRIA reinsurance claims during 2021. The release of the CBI claims provision of R450 million contributed to an underwriting profit of R235 million (2020: loss of R2.4 billion) for the property class.

The crop business experienced significant claims due to hail and excessive rains across widespread regions in the summer rainfall areas during November and December. Frost claims in certain regions also contributed to the overall gross claims paid and reserved for the year exceeding R1.1 billion, resulting in a net underwriting loss of R92 million for the crop business in 2021. The crop business is significantly reinsured via a panel of reinsurers who in partnership with Santam, ensure that a sustainable long-term approach is taken to manage the negative impact of high claims incidence years.

The engineering class was impacted by several large claims, resulting in weaker underwriting results compared to 2020. The liability class delivered excellent underwriting results with limited adverse claim developments.

The net acquisition cost ratio increased to 30.0% (2020: 29.3%) mainly due to the net commission ratio increasing to 13.4% (2020: 12.7%). The key drivers of the increased net commission ratio were the lower reinsurance commissions received following the hardening of the reinsurance market in 2021 as well as the higher commission rates paid by Santam Re.

The management expense was 16.6% (2020: 16.6%) on the back of continued cost containment efforts and increased strategic project spend compared to 2020.

Strategic project costs, included as part of management expenses, amounted to 1.6% (2020: 1.4%) of net earned premium. These costs relate mainly to the completion of a new claims platform, the IFRS 17 implementation project, data enhancements and digital solutions.

Investment return on insurance funds

The investment return on insurance funds of 1.5% (2020: 2.1%) of net earned premium was negatively impacted by the lower interest rate environment and a higher US dollar component backing the insurance reserves.

ALTERNATIVE RISK TRANSFER (ART) BUSINESS

The ART business reported operating results, net of non-controlling interests, of R276 million (2020: R165 million). Income from clients increased by 22% to R470 million (2020: R385 million), supported by excellent growth in fee income and positive investment results. The underwriting results benefited from prior period reserve releases, following more certainty on COVID-19-related claims exposures and recoveries from reinsurers.

FINANCIAL REVIEW

SEM GENERAL INSURANCE BUSINESSES INCLUDING SAN JV (SAHAM)

Gross written premium growth

The Sanlam Pan-Africa General Insurance (SPA GI) business (including SAN JV) achieved gross written premium growth of 13% in constant currency terms (5.5% in actual currency). The growth was driven by higher volumes in the motor and health business lines in Morocco and an improved performance from Continental Re. Weaker sales in the assistance business and the cancellation of loss-making health business in Cote d'Ivoire had a negative impact on premium growth. SAN JV (excluding Lebanon) achieved gross written premium growth of 5% (approximately 12% in constant currency terms).

Shriram General Insurance Ltd (SGI) gross written premiums declined due to the lack of premium increases on third party business as regulated by government and lower volumes from the credit businesses during the COVID-19-related lockdown periods.

Net insurance result

Santam's share of the general insurance net insurance result from the SEM businesses of R377 million was marginally lower compared to R381 million in 2020.

SPA GI (including SAN JV) recorded a net underwriting margin of 4.4% (2020: 6.1%), below the 5% to 9% target range. The portfolio recorded adverse claims experience in Cote d'Ivoire, Continental Re and some of the smaller Eastern and Southern regional countries, as well as a weaker performance from the health business. SAN JV recorded a 5.6% net underwriting margin relative to 6.9% (excluding Lebanon) in 2020.

SPA GI achieved an excellent return on insurance funds of 11.9% (as a percentage of net earned premiums), up from 2.9% in 2020. The Moroccan business reported a float margin of 20.9% on the back of strong equity markets. Further progress was achieved in transitioning the float investment portfolio to a lower level of equity and property exposure and increased bond exposure. Good value was realised in reducing the equity weighting although it lowered the exposure to the strong equity market performance over the year. An investment return on insurance funds of 12.8% (2020: 2.8% excluding Lebanon) was achieved by SAN JV.

In India, Shriram General Insurance's (SGI's) earnings were impacted by the lack of regulated premium increases on third-party business for the past two years and limited ability to finalise claims. Courts in India continue to operate at limited capacity, which limited the ability to finalise claims. SGI's net insurance result however remained satisfactory at 25.2% of net earned premiums. Pacific and Orient Insurance in Malaysia recorded higher earnings largely driven by improved growth from direct channels, reserve releases, good float returns, and a lower claims ratio.

INVESTMENT RESULTS

Santam's listed equity portfolio achieved a return of 27.4% for the year ended 31 December 2021, relative to the SWIX benchmark (60% SWIX and 40% capped SWIX) which delivered a return of 23.5%.

On 3 February 2021 the group renewed its derivative collar structure 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, realising a gain of R15 million, bringing the total loss accounted for in the 2021 financial year to R81 million, which reduced the listed equity portfolio's return of 27.4% by 7%.

The Santam group's interest-earning investments are managed in enhanced cash, active income and global fixed income portfolios. The interest-earning portfolios delivered good results and exceeded their benchmarks.

Foreign currency gains of R373 million (2020: R60 million) were recorded. This included unrealised foreign currency gains of R100 million on Santam's investments in SEM's general insurance businesses in Africa, India and Southeast Asia (2020: R17 million).

Net gains on financial assets and liabilities of R171 million (2020: net losses of R113 million) include fair value gains on listed equities and local and foreign bonds partly offset by realised losses on derivatives. Positive fair value movements (excluding the impact of currency movements) of R52 million (2020: R17 million) on Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia, contributed to the investment performance.

Net income from associated companies of R78 million (2020: loss of R810 million) included SAN JV net income of R8 million (2020: income of R32 million). The 2020 loss from associated companies included an impairment of SAN JV intangible assets of R656 million. The carrying value of SAN JV at 31 December 2021 was R1 848 million (2020: R1 823 million).

CORPORATE TRANSACTIONS

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

FINANCIAL REVIEW

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 derivative collar structure 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 31 December 2021, based on the internal model, amounted to R8.3 billion (2020: R7.4 billion) compared to the actual capital of R13.9 billion (2020: R11.9 billion). This equates to an economic capital coverage ratio of 169% (2020: 161%), at the top end of the capital target range of 150% to 170%. The economic capital coverage ratio at 31 December 2020 already included the anticipated redemption of R500 million subordinated debt in April 2021.

Following the reduction in the regulatory capital add-on to the approved regulatory internal model from 20% to 10% by the Prudential Authority in November 2021, the Santam board has reduced the target economic capital coverage ratio band from between 150% and 170% to between 145% and 165% and remains comfortable operating at the lower end of this range. In addition to the economic capital coverage ratio band, the regulatory capital coverage ratio must exceed predefined threshold levels which have remained unchanged. The group remains committed to efficient capital management.

The legal clarity on the CBI indemnity period and progress made to settle the open CBI claims provided more certainty on the group's capital position. Taking this into account and the capital position at 31 December 2021, the board approved an ordinary final dividend of 790 cents per share and a special dividend of 800 cents per share, which will reduce the economic capital coverage ratio to a level that remains well within the revised target band.

Santam's stress and scenario testing framework assesses the impact on the capital position of the group under a range of different possible events. A number of COVID-19 claims scenarios were included in the current review cycle. Santam's economic and regulatory solvency position remains at an acceptable level under all scenarios assessed.

PROSPECTS

Higher expected interest rates and inflationary pressures will decrease disposable income in South Africa. The 2021 economic growth in South Africa is estimated by the South African Reserve Bank (SARB) to be 4.8%, reducing to 1.7% in 2022. Annual inflation (CPI) is forecast to increase to 4.9% in 2022, up from 4.5% in 2021.

It is expected that economic activity will, in the short to medium term, continue to be constrained by weak consumer spending. However, we are cautiously optimistic about South Africa's economic growth prospects.

There was a significant hardening of the international reinsurance market, following significant global catastrophe events in 2021. The increased reinsurance premiums also impacted South African insurers. Santam has a well-structured reinsurance programme and risk retention levels, enabling us to optimise net underwriting results in an environment of increased reinsurance premiums.

Investment markets are likely to remain uncertain and volatile. Santam's investment income will benefit from higher interest rates. The non-rand-denominated investments expose the group to foreign currency volatility. However, it does also provide a hedge against the operational impact of a weakening rand.

The implementation of our FutureFit strategy remains a key focus area. Ecosystems and partnerships with non-traditional players are key to growth and accessing new markets. We continue to partner with Sanlam and other industry innovators to unlock cross-selling opportunities and meet our clients' evolving needs. The growth of cyber insurance and the shift to digital distribution channels are key drivers for insurance growth, with increasing global investment into InsurTech. We will continue to invest in improving our digital end-to-end insurance offering, in terms of internal efficiencies, intermediary enablement and to create excellent, intuitive client experiences.

The migration of applicable business functions onto our digital platform to maintain and improve on our high standards of operational efficiency remains on track. This platform also aids new product innovation. Santam has an expanding portfolio of digital assets and innovation is mainly driven at business unit level. New products and innovations will focus on improved self-service capabilities for clients and intermediaries in Santam Commercial and Personal, digital client portals and cyber security solutions in Santam Specialist, and MiWay Blink, the business's first end-to-end digital offering.

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 publish its first TCFD report this year. The group continues to prioritise and focus on its transformation initiatives. 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.

Given the ongoing focus on improved underwriting results, the board approved the revision of the group's target net underwriting margin range to 5% to 10% going forward.

EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT CHANGES

Tavaziva ("Tava") Madzinga will join Santam as an executive director with effect from 1 April 2022 and will succeed Lizé Lambrechts as the Santam group chief executive with effect from 1 July 2022.

FINANCIAL REVIEW

DECLARATION OF ORDINARY AND SPECIAL DIVIDEND (NUMBER 134)

Notice is hereby given that the board has declared a gross final dividend of 790 cents per share (2020: no dividend) and a special gross dividend of 800 cents per share (2016: 800 cents), 632 cents and 640 cents net of dividend withholding taxation respectively, where applicable, per ordinary share for the year ended 31 December 2021 to those members registered on the record date, being Friday, 25 March 2022. The dividends have 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 ordinary cash dividend amount per share: 790 cents
Net ordinary dividend amount per share: 632 cents
Gross special cash dividend amount per share: 800 cents
Net special dividend amount per share: 640 cents
Issued shares at 3 March 2022: 115 131 417
Declaration date: Thursday, 3 March 2022
Last day to trade cum dividend: Tuesday, 22 March 2022
Shares trade ex dividend: Wednesday, 23 March 2022
Record date: Friday, 25 March 2022
Payment date: Monday, 28 March 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 23 March 2022, and Friday, 25 March 2022, 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 2021. A special word of appreciation to outgoing chief executive officer (CEO) Lizé Lambrechts for her leadership and inspiration. She leaves Santam in a strong position to be able to execute on its strategy.

PREPARATION AND PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS

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

NT Moholi

Chairperson

2 March 2022

L Lambrechts

L Lambrechts

Chief executive officer

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SANTAM LIMITED

Opinion

The summary consolidated financial statements of Santam Limited, contained in the accompanying preliminary report, which comprise the summary consolidated statement of financial position as at 31 December 2021, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Limited for the year ended 31 December 2021.

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

Summary consolidated financial statements

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

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 2 March 2022. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

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

Auditor's responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: C van den Heever

Registered Auditor

Cape Town

2 March 2022

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited as at 31 December 2021 R million	Restated[1] Audited as at 31 December 2020 R million
ASSETS			
Intangible assets		**989**	968
Property and equipment		**702**	760
Investment in associates and joint ventures		**2 284**	2 205
Strategic investment – unquoted SEM target shares	**7**	**1 691**	1 538
Deferred income tax		**78**	102
Deposit with cell owner		**90**	161
Cell owners' and policyholders' interest		**11**	14
Financial assets at fair value through income	**7**	**31 047**	29 394
Reinsurance assets	**8**	**14 892**	8 946
Deferred acquisition costs		**961**	839
Loans and receivables including insurance receivables	**7**	**8 312**	6 855
Current income tax		**5**	15
Cash and cash equivalents		**4 496**	4 383
Total assets		**65 558**	56 180
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital		**103**	103
Treasury shares		**(570)**	(527)
Other reserves		**37**	19
Distributable reserves		**11 862**	9 761
		11 432	9 356
Non-controlling interest		**630**	736
Total equity		**12 062**	10 092
LIABILITIES			
Deferred income tax		**85**	104
Cell owners' and policyholders' interest		**4 908**	4 238
Reinsurance liability relating to cell owner		**90**	161
Financial liabilities at fair value through income			
Debt securities	**7**	**2 552**	3 089
Investment contracts	**7**	**1 970**	1 838
Derivatives	**7**	**1**	80
Lease liabilities		**764**	782
Financial liabilities at amortised cost			
Repo liability		**926**	867
Collateral guarantee contracts		**155**	128
Insurance liabilities	**8**	**36 040**	28 871
Deferred reinsurance acquisition revenue		**561**	517
Provisions for other liabilities and charges		**188**	153
Trade and other payables including insurance payables	**7**	**4 851**	5 089
Current income tax		**405**	171
Total liabilities		**53 496**	46 088
Total shareholders' equity and liabilities		**65 558**	56 180

[1] *Refer to note 18 for the detail regarding the restatement.*

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million	Change
Gross written premium		**42 129**	38 273	10%
Less: reinsurance written premium		**14 766**	12 756	
Net written premium		**27 363**	25 517	7%
Less: change in unearned premium				
Gross amount		**1 573**	1 549	
Reinsurers' share		**(794)**	(693)	
Net insurance premium revenue		**26 584**	24 661	8%
Interest income on amortised cost instruments	9	**206**	185	
Interest income on fair value through income instruments	9	**1 346**	1 435	
Other investment income	9	**552**	398	
Income from reinsurance contracts ceded		**2 067**	2 089	
Net gains/(losses) on financial assets and liabilities at fair value through income	9	**732**	(273)	
Other income		**352**	347	
Net income		**31 839**	28 842	10%
Insurance claims and loss adjustment expenses				
Gross amount		**29 734**	25 205	
Recovered from reinsurers		**(13 329)**	(8 435)	
Net insurance benefits and claims		**16 405**	16 770	(2%)
Expenses for the acquisition of insurance contracts		**5 539**	5 124	
Expenses for marketing and administration		**4 794**	4 449	
Expenses for investment-related activities		**93**	66	
Amortisation and impairment of intangible assets		**68**	70	
Investment return allocated to cell owners and structured insurance products		**982**	418	
Total expenses		**27 881**	26 897	4%
Results of operating activities		**3 958**	1 945	103%
Finance costs		**(313)**	(318)	
Net income/(loss) from associates and joint ventures		**78**	(810)	
Impairment of associates and joint ventures		**–**	(15)	
Income tax recovered from cell owners and structured insurance products	10	**592**	429	
Profit before tax		**4 315**	1 231	251%
Tax expense allocated to shareholders	10	**(879)**	(371)	
Tax expense allocated to cell owners and structured insurance products		**(592)**	(429)	
Total tax expense		**(1 471)**	(800)	84%
Profit for the year		**2 844**	431	560%
Other comprehensive income, net of tax				
Items that may subsequently be reclassified to income				
Share of associates' currency translation differences		**18**	424	
Total comprehensive income for the year		**2 862**	855	235%
Profit attributable to				
– equity holders of the company		**2 745**	327	739%
– non-controlling interest		**99**	104	(5%)
		2 844	431	
Total comprehensive income attributable to				
– equity holders of the company		**2 763**	751	268%
– non-controlling interest		**99**	104	(5%)
		2 862	855	
Earnings attributable to equity holders				
Earnings per share (cents)	12			
Basic earnings per share		**2 491**	296	742%
Diluted earnings per share		**2 478**	295	740%

[1] *Refer to note 18 for the detail regarding the restatement.*

SUMMARY 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	–	–	–	327	327	104	431
Other comprehensive income:							
Share of associates' currency translation differences	–	–	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 year	**–**	**–**	**–**	**2 745**	**2 745**	**99**	**2 844**
Other comprehensive income:							
Share of associates' currency translation differences	**–**	**–**	**18**	**–**	**18**	**–**	**18**
Total comprehensive income for the year ended 31 December 2021	**–**	**–**	**18**	**2 745**	**2 763**	**99**	**2 862**
Issue of treasury shares in terms of share option schemes	**–**	**77**	**–**	**(77)**	**–**	**–**	**–**
Purchase of treasury shares	**–**	**(120)**	**–**	**–**	**(120)**	**–**	**(120)**
Share-based payment costs	**–**	**–**	**–**	**86**	**86**	**–**	**86**
Equity interest issued in cell captive	**–**	**–**	**–**	**–**	**–**	**22**	**22**
Dividends paid	**–**	**–**	**–**	**(477)**	**(477)**	**(227)**	**(704)**
Non-controlling interest acquired	**–**	**–**	**–**	**(176)**	**(176)**	**–**	**(176)**
Balance as at 31 December 2021	**103**	**(570)**	**37**	**11 862**	**11 432**	**630**	**12 062**

[1] *Refer to note 18 for the detail regarding the restatement.*

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million
Cash flows from operating activities			
Cash generated from operations		**3 279**	5 948
Interest paid		**(295)**	(326)
Income tax paid		**(626)**	(437)
Acquisition of financial assets		**(30 712)**	(31 205)
Proceeds from sale of financial assets		**30 238**	26 005
Net cash from/(used in) operating activities		**1 884**	(15)
Cash flows from investing activities			
Acquisition of financial assets		**(1)**	(30)
Acquisition of subsidiaries, net of cash acquired	11	**–**	(4)
Purchases of equipment		**(19)**	(65)
Purchases of intangible assets		**(89)**	(81)
Net cash used in investing activities		**(109)**	(180)
Cash flows from financing activities			
Purchase of treasury shares		**(120)**	(155)
Purchase of non-controlling interest in subsidiary	11	**(176)**	(69)
Proceeds from issue of unsecured subordinated callable notes		**–**	1 000
Redemption of unsecured subordinated callable notes		**(500)**	–
Dividends paid to company's shareholders		**(477)**	(793)
Dividends paid to non-controlling interest		**(227)**	(50)
Equity interest issued to cell captive		**22**	–
Payment of principal element of lease liabilities		**(156)**	(141)
Net cash used in financing activities		**(1 634)**	(208)
Net increase/(decrease) in cash and cash equivalents		**141**	(403)
Cash and cash equivalents at beginning of year		**4 383**	4 642
Exchange (losses)/gains on cash and cash equivalents		**(28)**	144
Cash and cash equivalents at end of year		**4 496**	4 383

[1] *Refer to note 18 for the detail regarding the restatement.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. ACCOUNTING POLICIES

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

Standards effective in 2021

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

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* – interest rate benchmark (IBOR) reform (Phase 2)
- IFRS 16, *Leases* COVID-19-Related Rent Concessions Amendment

No material impact on the summary consolidated 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 is for 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 (PAA) applicable mainly for short-duration contracts.

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 be remeasured every reporting period (the fulfilment cash flows)
- 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 to measure a group of insurance contracts using the premium allocation approach are met, 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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

Standards not yet effective in 2021 (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

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 majority 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. Based on the group's analysis to date, the group does not expect a significant impact on the financial results due to onerous contracts.

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 significant impact across the group's operating model. Due to the fundamental changes required by the standard, and to ensure successful implementation, an IFRS 17 project team was established.

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.

Accounting policy papers, actuarial methodologies and disclosure requirements have been prepared to be implemented throughout the group. There is continuous engagement with the auditors on the policy and methodology papers as they review the group's transition to IFRS 17. Auditing of the principles in these policy papers will continue in 2022. The project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments and, where applicable, will align the policy and methodology papers accordingly. The tax implications regarding the adoption of IFRS 17 are also being considered and representatives from the group actively take part in industry discussions in this regard.

The transition to IFRS 17 and the financial impact assessment will remain a key focus during 2022. It is expected that due to the short contract boundaries for most of the insurance book, a fully retrospective approach will be applied with limited application of the modified retrospective approach and fair value approaches. A roadmap for transition and the dual reporting run has been prepared and has been shared with business stakeholders.

The IFRS 17 project team will focus on the following key areas during 2022:

- Complete the system development and key controls required to implement IFRS 17
- Produce and request business sign-off, as well as external audit sign-off, on transition balances
- Commence with an IFRS 4 and IFRS 17 dual reporting run
- Update the budgeting process to ensure alignment to IFRS 17
- Finalise the layout and disclosure of IFRS 17 compliant annual financial statements
- Finalise the management reporting and key performance measures
- Continue engaging with the executive committee and business through various training initiatives
- Finalise and implement future financial and data governance processes and accountabilities

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 for implementation.

Although the financial impact of IFRS 17 has not yet been fully assessed, given the nature of the Santam book, the expectation is that the vast majority of the book will be measured using the PAA measurement methodology. This implies that the most notable impact on the net asset value of the group will be due to the introduction of discounting on the group's claim provisions.

3. ESTIMATES

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

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2021. There have been no changes since 31 December 2020, except as indicated below.

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 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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

4. CONTINGENT BUSINESS INTERRUPTION (CBI) CLAIMS RESERVES

Santam was party to legal proceedings in 2021. The outcome of the proceedings provided Santam with legal certainty in respect of its liability for Infectious and Contagious Disease cover, as well as the length of the indemnity period that applied to certain policies written by Santam's Hospitality and Leisure division.

Santam accepted the judgment of the courts and commenced paying claims during 2021. These claims payments were in addition to the R1 billion in interim relief paid to policyholders in August 2020.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the clarity provided by the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts.

Following this review, Santam has reduced its net provision for CBI claims by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. There is still, however, uncertainty in relation to the ultimate liability which will only be eliminated once the process has been finalised.

Management has performed an assessment on the other financial statement line items and the impact of COVID-19 is immaterial.

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 summary consolidated financial statements do not include all risk management information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2021.

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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

5. RISK MANAGEMENT (continued)

The group has implemented a robust governance framework in response to the increased risks arising as a result of COVID-19. Monitoring, management and mitigation of these risks is an ongoing process:

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.	• Experienced actuaries responsible for the actuarial valuation of the liabilities have determined the reserves. • Following the submission and payment of a significant portion of CBI claims, the reserving assumptions have been refined and there is more certainty with regards to the ultimate exposure. • Margins are held to be at least sufficient at the 75th percentile in accordance with group policy.
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 exist, 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 widening credit spreads, fluctuating bond yields and currency fluctuations.	• 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.
Operational risk	
This risk relates to customer relationship 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 the group's clients 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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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 SSI
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses, including SAN JV

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 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 summary consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associates for the investment in SAN JV.

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 as income from associates and joint ventures that are not considered to be strategic investments.

All activities

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

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

Santam Ltd is domiciled in South Africa. Geographical analysis of the gross written premium and non-current assets 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.

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 SAN JV (100%) to focus on the results from SAN JV's general insurance, in the general insurance format, reconciled to attributable earnings from the SAN JV group. Management believes that the information relating to SAN JV'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 summary consolidated financial statements.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 Segment report

FOR THE YEAR ENDED 31 DECEMBER 2021

	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	32 745	9 384	2 846	44 975	1 119	46 094	(3 965)	42 129
External	32 296	9 384	2 846	44 526	1 119	45 645	(3 965)	41 680
Intersegment[5]	449	–	–	449	–	449	–	449
Operating result before non-controlling interest and tax[1]	2 465	306	377	3 148	–	3 148	(377)	2 771
Reallocation of operating result	–	–	(377)	(377)	–	(377)	377	–
Investment income net of investment-related fees	–	1 025	152	1 177	956	2 133	–	2 133
Investment return allocated to cell owners and structured insurance products	–	(982)	–	(982)	–	(982)	–	(982)
Finance costs[2]	–	(43)	–	(43)	(210)	(253)	–	(253)
Income from associates and joint ventures	–	–	8	8	70	78	–	78
Santam BEE costs	–	–	–	–	–	–	(2)	(2)
Amortisation and impairment of intangible assets[3]	(21)	(1)	–	(22)	–	(22)	–	(22)
Income tax recovered from cell owners and structured insurance products	–	592	–	592	–	592	–	592
Profit before tax	2 444	897	160	3 501	816	4 317	(2)	4 315

[1] *Includes depreciation of R203 million for Conventional and R12 million for ART.*

[2] *Finance costs relating to lease liabilities has been included in operating result.*

[3] *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R8 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 SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020 RESTATED[6]

	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	31 098	7 175	2 968	41 241	637	41 878	(3 605)	38 273
External	30 821	7 175	2 968	40 964	637	41 601	(3 605)	37 996
Intersegment[5]	277	–	–	277	–	277	–	277
Operating result before non-controlling interest and tax[1]	1 118	165	381	1 664	–	1 664	(381)	1 283
Reallocation of operating result	–	-	(381)	(381)	–	(381)	381	–
Investment income net of investment-related fees	–	462	32	494	523	1 017	–	1 017
Investment return allocated to cell owners and structured insurance products	–	(418)	–	(418)	–	(418)	–	(418)
Finance costs[2]	–	(44)	–	(44)	(190)	(234)	–	(234)
(Loss)/income from associates and joint ventures including impairment[6]	–	–	(873)	(873)	48	(825)	–	(825)
Santam BEE costs	–	–	–	–	–	-	(2)	(2)
Amortisation and impairment of intangible assets[3]	(18)	(1)	–	(19)	–	(19)	–	(19)
Income tax recovered from cell owners and structured insurance products	–	429	–	429	–	429	–	429
Profit before tax	1 100	593	(841)	852	381	1 233	(2)	1 231

[1] *Includes depreciation of R213 million for Conventional and R11 million for ART.*

[2] *Finance costs relating to lease liabilities has been included in operating result.*

[3] *Amortisation of computer software is included as part of operating result. Santam's share of the costs to manage the SEM portfolio of R6 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.*

[6] *(Loss)/Income from associates and joint ventures including impairment disclosed in the Santam's share of SAN JV and other SEM businesses segment was restated by R215 million from R658 million to R873 million. Refer to note 18 for further detail regarding the restatement.*

ADDITIONAL INFORMATION ON CONVENTIONAL INSURANCE ACTIVITIES

	Audited Year ended 2021 R million	**Audited Year ended 2020 R million**
Revenue	**32 745**	31 098
Net earned premium	**25 858**	24 320
Net claims incurred	**16 023**	16 593
Net commission	**3 458**	3 083
Management expenses (excluding BEE costs)[1,2]	**4 313**	4 029
Net underwriting result	**2 064**	615
Investment return on insurance funds	**400**	501
Net insurance result	**2 464**	1 116
Other income	**118**	106
Other expenses	**(117)**	(104)
Operating result before non-controlling interest and tax	**2 465**	1 118

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

[2] *Finance costs relating to lease liabilities has been included in management expenses.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

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

	Audited Year ended 2021		Audited Year ended 2020	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Underwriting result R million
Accident and health	572	60	641	94
Crop	1 130	(92)	1 262	147
Engineering	1 730	313	1 651	433
Guarantee	127	(5)	117	(14)
Liability	1 550	252	1 362	149
Miscellaneous	53	14	38	(10)
Motor	14 412	1 188	13 430	2 100
Property	12 177	236	11 798	(2 410)
Transportation	994	98	799	126
Total	**32 745**	**2 064**	31 098	615
Comprising				
Commercial insurance	19 206	1 126	18 215	(1 176)
Personal insurance	13 539	938	12 883	1 791
Total	**32 745**	**2 064**	31 098	615

ADDITIONAL INFORMATION ON ALTERNATIVE RISK TRANSFER INSURANCE ACTIVITIES

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

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Income from clients	470	385
Participation in underwriting results[1]	101	34
	571	419
Administration expenses	(265)	(254)
Operating result before non-controlling interest and tax	**306**	165

[1] *This relates to Centriq Insurance 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

	Audited Year ended 2021			Audited Year ended 2020		
	SEM R million	SAN JV R million	Total R million	SEM R million	SAN JV R million	Total R million
Revenue	1 026	1 820	2 846	1 183	1 785	2 968
Operating result before non-controlling interest and tax	156	221	377	258	123	381

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF OTHER SEM BUSINESSES

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Revenue	**1 026**	1 183
Net earned premium	822	994
Net claims incurred	593	644
Net acquisition cost	274	301
Net underwriting result	**(45)**	49
Investment return on insurance funds	201	207
Other income	–	2
Operating result before non-controlling interest and tax	**156**	258

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION (continued)

6.1 Segment report (continued)

ADDITIONAL INFORMATION ON SANTAM'S SHARE OF SAN JV'S GENERAL AND REINSURANCE BUSINESS

General insurance	Audited Year ended 2021 R million	Restated[1] Audited Year ended 2020 R million
Revenue	**1 820**	1 785
Net earned premium	**1 221**	1 258
Net claims incurred	**763**	757
Net acquisition cost	**389**	409
Net underwriting result	**69**	92
Investment return on insurance funds	**156**	37
Other expenses	**(4)**	(6)
Operating result before non-controlling interest and tax	**221**	123
Life business: Operating result before non-controlling interest and tax	**18**	–
Consolidation and other adjustments	**(35)**	(5)
Operating result before non-controlling interest and tax	**204**	118
Income tax expense	**(81)**	(28)
Profit after tax	**123**	90
Non-controlling interest	**(57)**	(29)
Net results from financial services	**66**	61
Net investment return on shareholders' funds[2]	**(15)**	(138)
Net other expenses[1]	**(8)**	(88)
Attributable earnings	**43**	(165)

[1] *Other expenses includes the net profit/loss for the following lines of business: health, property and Elite. It includes a restatement of R215 million, refer to note 18 for detail.*

[2] *Investment return on shareholders' funds include impairments and foreign currency translation differences.*

SANTAM'S SHARE OF SAN JV ATTRIBUTABLE EARNINGS RECONCILIATION TO EQUITY ACCOUNTING PROFIT AND LOSS EARNINGS

	Audited Year ended 2021 R million	Restated[1] Audited Year ended 2020 R million
Attributable earnings[1]	**43**	(165)
Amortisation of other intangible assets on a SAN JV level	**(31)**	(28)
Impairment of goodwill on a SAN JV level	**–**	(656)
Other – consolidation adjustments on a SAN JV level	**(4)**	(24)
Net income/(loss) from associate	**8**	(873)

[1] *Attributable earnings was restated by R215 million from an income of R50 million to a loss of R165 million.*

ADDITIONAL INFORMATION ON INVESTMENT ACTIVITIES

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

	Audited Year ended 2021 R million	Audited Year ended 2020 R million
Investment income	**869**	717
Net gains/(losses) on financial assets and liabilities at fair value through income	**180**	(128)
Income from associates and joint ventures	**70**	48
Investment-related revenue	**1 119**	637
Expenses for investment-related activities	**(93)**	(66)
Finance costs	**(210)**	(190)
Net total investment-related transactions	**816**	381

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

6.2 Geographical analysis

	Gross written premium		Non-current assets	
	Audited Year ended 2021 R million	Audited Year ended 2020 R million	Audited as at 2021 R million	Audited as at 2020 R million
South Africa	**36 845**	33 310	**2 117**	2 111
Rest of Africa[1]	**2 599**	4 169	**1 980**	1 934
Southeast Asia, India and Middle East	**5 065**	3 362	**1 346**	1 321
Other	**466**	400	**–**	–
	44 975	41 241	**5 443**	5 366
Reconciling items[2]	**(2 846)**	(2 968)	**–**	–
Group total	**42 129**	38 273	**5 443**	5 366

[1] *Includes gross written premium relating to Santam Namibia Ltd of R982 million (2020: R971 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).*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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.

	Audited as at 31 December 2021 R million	Audited as at 31 December 2020 R million
Financial assets mandatorily measured at fair value through income		
Strategic investment – unquoted SEM target shares	**1 691**	1 538
Financial assets at fair value through income	**31 047**	29 394
	32 738	30 932
Expected to be realised after 12 months[1]	**25 978**	21 973
Expected to be realised within 12 months	**6 760**	8 959
Loans and receivables including insurance receivables	**8 312**	6 855
Receivables arising from insurance and reinsurance contracts	**6 421**	5 392
Loans and receivables excluding insurance receivables	**1 891**	1 463
Loans and receivables including insurance receivables are expected to be realised within 12 months.		
Financial liabilities		
Financial liabilities at fair value through income	**4 523**	5 007
Expected to be settled after 12 months	**3 217**	4 123
Expected to be settled within 12 months	**1 306**	884
Trade and other payables including insurance payables	**4 851**	5 089
Payables arising from insurance and reinsurance contracts	**2 498**	2 874
Trade and other payables excluding insurance payables	**2 353**	2 215

[1] *Including unquoted SEM target shares amounting to R1 691 million (2020: R1 538 million).*

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

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 equities and similar securities: valued using quoted prices with the main assumption that quoted prices might require adjustments due to an inactive market.
  - Unlisted equities and similar securities: 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).

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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 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	3 061	–	–	3 061
Unlisted equities and similar securities	–	–	1 765	1 765
Interest-bearing investments				
Government interest-bearing investments	–	5 666	–	5 666
Corporate interest-bearing investments	–	14 742	60	14 802
Mortgages and loans	–	84	–	84
Structured transactions				
Structured notes	–	216	–	216
Investment funds	–	6 113	–	6 113
Cash, deposits and similar securities	–	1 031	–	1 031
Financial assets at fair value through income	3 061	27 852	1 825	32 738
Debt securities	–	2 552	–	2 552
Investment contracts	–	1 970	–	1 970
Derivative liabilities	–	–	1	1
Financial liabilities at fair value through income	–	4 522	1	4 523

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

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 following table presents the changes in level 3 instruments:

	Equities and similar securities R million	Interest-bearing investments R million	Derivative liabilities R million	Total R million
31 December 2021 (audited)				
Opening balance	**1 609**	**60**	**(80)**	**1 589**
Acquisitions	**1**	**–**	**–**	**1**
Settlements	**–**	**–**	**132**	**132**
Gains/(losses) recognised in profit or loss	**155**	**–**	**(53)**	**102**
Closing balance	**1 765**	**60**	**(1)**	**1 824**
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 unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by SEM.

Of the R155 million gain (2020: R26 million gain) recognised on equity securities, a R152 million gain (2020: R34 million gain) relates to the SEM target shares, of which R100 million (2020: R17 million gain) relates to foreign exchange gains, and R52 million (2020: R17 million increase) to an 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 increase in the value of Shriram General Insurance Company Ltd (SGI) of R38 million (excluding the impact of exchange rate movements) was impacted negatively by lower premium growth in the current financial year due to the continuing impact of the COVID-19 pandemic on sales volumes.

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 2.3 and 8.5. The value of unlisted equity instruments (excluding SEM target shares) is not material.

- The fair value of the SEM target shares is determined using predominantly discounted cash flow (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 419 million (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% (2020: 14.3%). A rand/Indian rupee exchange rate of 0.214 (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 24.0% (2020: 23.4%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R265 million (2020: R234 million) or increase by R436 million (2020: R398 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the fair value will increase or decrease by R142 million (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 R110 million (2020: R109 million). The remaining target shares are mostly impacted by changes in exchange rates.

Refer to note 7.3 for disclosure relating to the derivative liabilities.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

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. 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 in anticipation of the redemption of the R500 million floating rate subordinated debt issued in April 2016 and to increase the debt to equity ratio to within the target range of 25% to 30%. 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 their maturity. The fair value of the fixed rate notes is calculated using the yield provided by BESA and adding accrued interest. The fair value of the floating rate notes is calculated using the price provided by BESA and adding accrued interest. They are all classified as level 2 (2020: level 2) in the fair value hierarchy.

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 31 December 2021, the group had exchange traded futures with an exposure value of R1 223 million (December 2020: R1 080 million). The exchange trades futures relate to interest rate derivates used to manage interest rate risk in Santam's fixed income portfolios.

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 of 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 31 December 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 R11 million (2020: R46 million) and R11 million (2020: R46 million) respectively.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS

	Audited as at 31 December 2021 R million	Audited as at 31 December 2020 R million
Gross insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**163**	73
– claims incurred but not reported	**123**	48
General insurance contracts		
– claims reported and loss adjustment expenses	**17 779**	12 286
– claims incurred but not reported	**3 884**	4 004
– unearned premiums	**14 091**	12 460
Total gross insurance liabilities	**36 040**	28 871
Expected to be settled after 12 months	**2 328**	1 974
Expected to be settled within 12 months	**33 712**	26 897
Recoverable from reinsurers		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**6**	12
– claims incurred but not reported	**11**	14
General insurance contracts		
– claims reported and loss adjustment expenses	**11 926**	5 663
– claims incurred but not reported	**704**	1 197
– unearned premiums	**2 245**	2 060
Total reinsurers' share of insurance liabilities	**14 892**	8 946
Expected to be recovered after 12 months	**489**	381
Expected to be recovered within 12 months	**14 403**	8 565
Net insurance liabilities		
Long-term insurance contracts		
– claims reported and loss adjustment expenses	**157**	61
– claims incurred but not reported	**112**	34
General insurance contracts		
– claims reported and loss adjustment expenses	**5 853**	6 623
– claims incurred but not reported	**3 180**	2 807
– unearned premiums	**11 846**	10 400
Total net insurance liabilities	**21 148**	19 925

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

8. INSURANCE LIABILITIES AND REINSURANCE ASSETS (continued)

Insurance liability estimates

Estimation methodologies and reserving processes remained consistent for the year ended 31 December 2021 and are discussed in note 3 of the group's annual financial statements for the year ended 31 December 2021. 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 2021.

COVID-19-related claims estimates

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 assumptions used to determine the underlying exposure at a policy level
- The impact of the claims payment experience to date

Reinsurance assets:

- The proportion of CBI claims which aggregate as a single loss occurrence under Santam's catastrophe reinsurance treaty
- Expected recoveries from applicable reinsurance contracts

The group's projected ultimate net insurance exposure at 31 December 2020 was R3 billion comprising gross claims payments of R1 billion, a gross liability provision of R5.3 billion for open claims and a reinsurance asset of R3.3 billion.

Following the payment of a significant number of claims and a review of CBI provisions, the group's projected ultimate net insurance exposure at 31 December 2021 was R2.55 billion. This comprised gross claims payments of R3.2 billion, a gross liability provision of R3.2 billion for open claims, a reinsurance recovery net of reinstatement premiums of R0.6 billion and a reinsurance asset of R3.2 billion.

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.

Santam has reviewed its provisions for CBI claims at year-end, considering the underlying exposure following the clarity provided by the court ruling, claims payment experience to date, the level of claims aggregating for reinsurance recovery purposes, as well as expected recoveries from applicable reinsurance contracts.

Following this review, Santam's projected net ultimate exposure for CBI claims has reduced by R450 million. The reduction is mainly due to the actual claims experience to date being lower compared to initial estimates and positive feedback from Santam's reinsurance panel on its catastrophe reinsurance claim. There is still, however, uncertainty in relation to the ultimate exposure which will only be eliminated once the process has been finalised.

A sensitivity analysis on the unsettled claims within the net CBI provision of R2.55 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 6% (2020: 30%). A 10% negative movement in the assumptions used would result in an increase in the net provision of 6% (2020: 31%).

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

	Audited Year ended 31 December 2021 R million	Audited Year ended 31 December 2020 R million
Investment income	**2 104**	2 018
Interest income derived from	**1 552**	1 620
Financial assets measured at amortised cost	**206**	185
Financial assets mandatorily measured at fair value through income	**1 346**	1 435
Other investment income	**552**	398
Dividend income	**250**	316
Foreign exchange differences	**302**	82
Net gains/(losses) on financial assets and liabilities at fair value through income	**732**	(273)
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	**989**	(209)
Net realised gains/(losses) on financial assets excluding derivative instruments	**157**	(66)
Net fair value gains/(losses) on financial assets excluding derivative instruments	**885**	(27)
Net realised/fair value losses on derivative instruments	**(53)**	(116)
Net fair value losses on financial liabilities designated as at fair value through income	**(257)**	(64)
Net fair value gains/(losses) on debt securities	**30**	(8)
Net realised losses on investment contracts	**(287)**	(56)
	2 836	1 745

10. INCOME TAX

	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million
Normal taxation		
Current year	**1 472**	759
Prior year	**(72)**	(8)
Other taxes	**6**	1
Foreign taxation – current year	**60**	17
Total income taxation for the year	**1 466**	769
Deferred taxation		
Current year	**5**	31
Total deferred taxation for the year	**5**	31
Total taxation as per statement of comprehensive income	**1 471**	800
Income tax recovered from cell owners and structured insurance products	**(592)**	(429)
Total tax expense attributable to shareholders	**879**	371
Profit before taxation per statement of comprehensive income	**4 315**	1 231
Adjustment for income tax recovered from cell owners and structured insurance products	**(592)**	(429)
Total profit before tax attributable to shareholders	**3 723**	802

	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million
Reconciliation of taxation rate (%)		
Normal South African taxation rate	**28.0**	28.0
Adjusted for:		
Disallowable expenses	**0.1**	0.8
Foreign tax differential	**0.1**	0.6
Exempt income	**(1.5)**	(10.0)
Investment results	**(0.5)**	(0.9)
(Income)/loss from associates and joint ventures	**(0.6)**	29.0
Previous year's overprovision	**(1.9)**	(0.8)
Other permanent differences	**(0.3)**	(0.5)
Other taxes	**0.2**	0.1
Net (reduction)/increase	**(4.4)**	18.3
Effective rate attributable to shareholders (%)	**23.6**	46.3

[1] *Refer to note 18 for the detail regarding the restatement. The percentage adjustment for Income from associates and joint ventures was restated from 16.9% to 29.0%, and all other percentage adjustments were recalculated using the restated profit before tax.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

11. CORPORATE TRANSACTIONS

For the year ended 31 December 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.

For the year ended 31 December 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 remaining 40% non-controlling interest in three tranches between 6 March 2020 and 8 April 2020 for a total of R69 million.

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	–

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

12. EARNINGS PER SHARE

	Audited Year ended 31 December 2021 R million	Restated[1] Audited Year ended 31 December 2020 R million
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**2 745**	327
Weighted average number of ordinary shares in issue (million)	**110.20**	110.30
Earnings per share (cents)	**2 491**	296
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**2 745**	327
Weighted average number of ordinary shares in issue (million)	**110.20**	110.30
Adjusted for share options	**0.58**	0.61
Weighted average number of ordinary shares for diluted earnings per share (million)	**110.78**	110.91
Diluted basic earnings per share (cents)	**2 478**	295
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	**2 745**	327
Adjusted for:		
Impairment of associates and joint ventures	**–**	15
Loss on sale of associates	**4**	–
Share of associates' impairment of assets	**–**	692
Tax charge on share of associates' impairment of assets	**–**	(36)
Headline earnings (R million)	**2 749**	998
Weighted average number of ordinary shares in issue (million)	**110.20**	110.30
Headline earnings per share (cents)	**2 495**	905
Diluted headline earnings per share		
Headline earnings (R million)	**2 749**	998
Weighted average number of ordinary shares for diluted headline earnings per share (million)	**110.78**	110.91
Diluted headline earnings per share (cents)	**2 481**	900

[1] *Refer to note 18 for the detail regarding the restatement.*

13. DIVIDEND PER SHARE

Dividend per share (cents)	**1 222**	–
Special dividend per share (cents)	**800**	–

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

14. IMPAIRMENT TESTS

Associates – Impairment of goodwill and other assets

The recoverable amount of goodwill and other intangible assets (non-insurance related) for impairment testing purposes has been determined based on the value in use of the businesses. Impairment testing in respect of insurance-related other intangible assets forms part of the liability adequacy test of insurance liabilities. For life businesses this is determined as the embedded value of life insurance businesses plus a value of new life insurance business multiple. For general insurance businesses the value in use was determined on a discounted cash flow valuation basis. These are considered to be the appropriate measure of value in use.

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. 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 SAN JV'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, as well as impairment tests performed as part of the liability adequacy test, affect the carrying value through other intangible assets.

SAN JV's value in use increased from R20.3 billion at 31 December 2020 to R22.6 billion at 31 December 2021. The carrying value of SAN JV is R20.4 billion at 31 December 2021 (2020: R20.1 billion after an impairment of R6.6 billion). The valuation at 31 December 2021 supported the carrying value and did not result in additional impairments for the current reporting period.

The rand weakened against most currencies in the portfolio, most notably against the Morocco dirham by some 4.4%. The recoverable amount increased in Morocco dirham terms by 6.3%.

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

Premium growth has outperformed the valuation assumptions since 2020, but at a lower than expected margin. Although the environment remains uncertain and the emergence of new COVID-19 variants can still impact the recovery significantly, the outlook is more positive than a year ago. Equity markets in Morocco and Côte d'Ivoire recovered strongly and supported investment returns on the investments backing the policyholder liabilities. On aggregate, the general insurance 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. Realisation of the synergies will take longer than originally anticipated due to the slowdown in economic growth across the SAN JV footprint as a result of COVID-19.

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	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
Weighted average local discount rate[1]	**11.4%**	11.0%	**14.2%**	11.6%
Weighted average perpetuity growth rate	**5.4%**	5.7%	**6.1%**	4.9%
VNB multiples	**n/a**	n/a	**10.0% – 16.9%**	10.0 – 16.3
Revenue: compounded annual growth rate (range of values over the 10 years)	**6.6% – 10.9%**	6.3% – 8.9%	**n/a**	n/a
Net insurance result margin[2]	**9.6% – 17.3%**	11.0% – 17.0%	**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 Gross Domestic Product (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.

As reflected per the table below the value in use is higher than the carrying value and as a result no additional impairment is required. Impairment recognised during the prior year amounted to R6 560 million.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

14. IMPAIRMENT TESTS (continued)

	General insurance R million	Life R million	Lebanon R million	Total R million
31 December 2021				
Value in use	19 697	2 955	–	22 652
Carrying value	17 918	2 452	–	20 370
Excess over carrying value	1 779	503	–	2 282
Gross impairment previously recognised	(4 327)	(502)	(1 731)	(6 560)

General insurance businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on 10% shareholding of Santam.

	Value R million	% change
Base value[1]	1 956	
Risk discount rate +1%	1 785	(8.7%)
Risk discount rate -1%	2 212	13.1%
Perpetuity growth rate +1%	2 116	8.2%
Rand exchange rate depreciation +10%	2 152	10.0%

[1] *This value includes notional dividends.*

Life businesses sensitivity analysis (excluding Lebanon, as the base value is zero)

The sensitivities below are based on 10% shareholding. The total value in use of the businesses comprises the embedded value of R170 million and the value of new business of R137 million of which the sensitivities are provided below:

	Embedded value R million	Change R million
1. Embedded value sensitivity analysis		
Base value	170	
Risk discount rate increase by 1%	165	(3.1%)

	Present value of future new business R million	Change R million
2. Value of new business sensitivity analysis		
Base value	137	
Risk discount rate increase by 1%	125	(8.8%)

Refer to note 6.1 for the impact of the 2020 impairment on the segmental report. The impairment was included under the Santam's share of SAN JV and other SEM businesses operating segment.

15. RELATED PARTIES

During 2021, there have been no significant related party transactions that requires disclosure to gain an understanding of the changes in the financial position or results since the last annual 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 2021.

16. SUBSEQUENT EVENTS

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

17. ANALYSIS OF POLICYHOLDER/SHAREHOLDER FINANCIAL POSITION AND RESULTS

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

17.1 Analysis of policyholder/shareholder statement of financial position

	Group Audited as at 31 December 2021 R million	Shareholder Audited as at 31 December 2021 R million	Policyholder/ cellholder Audited as at 31 December 2021 R million
ASSETS			
Intangible assets	989	989	–
Property and equipment	702	702	–
Investment in associates and joint ventures	2 284	2 284	–
Strategic investment – unquoted SEM target shares	1 691	1 691	–
Deferred income tax	78	78	–
Deposit with cell owner	90	–	90
Cell owners' and policyholders' interest	11	–	11
Financial assets at fair value through income	31 047	16 590	14 457
Reinsurance assets	14 892	13 793	1 099
Deferred acquisition costs	961	805	156
Loans and receivables including insurance receivables	8 312	5 117	3 195
Current income tax assets	5	5	–
Cash and cash equivalents	4 496	3 144	1 352
Total assets	65 558	45 198	20 360
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(570)	(570)	–
Other reserves	37	37	–
Distributable reserves	11 862	11 862	–
	11 432	11 432	–
Non-controlling interest	630	447	183
Total equity	12 062	11 879	183
LIABILITIES			
Deferred income tax	85	61	24
Cell owners' and policyholders' interest	4 908	–	4 908
Reinsurance liability relating to cell owners	90	–	90
Financial liabilities at fair value through income			
Debt securities	2 552	2 552	–
Investment contracts	1 970	–	1 970
Derivatives	1	1	–
Lease liabilities	764	764	–
Financial liabilities at amortised cost			
Repo liability	926	–	926
Collateral guarantee contracts	155	–	155
Insurance liabilities	36 040	25 116	10 924
Deferred reinsurance acquisition revenue	561	478	83
Provisions for other liabilities and charges	188	188	–
Trade and other payables including insurance payables	4 851	3 732	1 119
Current income tax liabilities	405	427	(22)
Total liabilities	53 496	33 319	20 177
Total shareholders' equity and liabilities	65 558	45 198	20 360

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Group Restated[1] Audited as at 31 December 2020 R million	Shareholder Restated[1] Audited as at 31 December 2020 R million	Policyholder/ cellholder Audited as 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 owner	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 18 for the detail regarding the restatement.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

17.2 Analysis of policyholder/shareholder statement of comprehensive income

	Group Audited Year ended 31 December 2021 R million	Shareholder Audited Year ended 31 December 2021 R million	Policyholder/ cellholder Audited Year ended 31 December 2021 R million
Gross written premium	42 129	33 163	8 966
Less: reinsurance written premium	14 766	6 959	7 807
Net written premium	27 363	26 204	1 159
Less: change in unearned premium			
Gross amount	1 573	169	1 404
Reinsurers' share	(794)	(128)	(666)
Net insurance premium revenue	26 584	26 163	421
Interest income on amortised cost instruments	206	206	–
Interest income on fair value through income instruments	1 346	818	528
Other investment income	552	448	104
Income from reinsurance contracts ceded	2 067	1 625	442
Net gains on financial assets and liabilities at fair value through income	732	324	408
Other income	352	352	–
Net income	31 839	29 936	1 903
Insurance claims and loss adjustment expenses			
Gross amount	29 734	25 509	4 225
Recovered from reinsurers	(13 329)	(9 407)	(3 922)
Net insurance benefits and claims	16 405	16 102	303
Expenses for the acquisition of insurance contracts	5 539	5 014	525
Expenses for marketing and administration	4 794	4 773	21
Expenses for investment-related activities	93	93	–
Amortisation and impairment of intangible assets	68	68	–
Investment return allocated to cell owners and structured insurance products	982	–	982
Expenses	27 881	26 050	1 831
Results of operating activities	3 958	3 886	72
Finance costs	(313)	(270)	(43)
Net income from associates and joint ventures	78	78	–
Income tax recovered from cell owners and structured insurance products	592	–	592
Profit before tax	4 315	3 694	621
Income tax expense	(1 471)	(875)	(596)
Profit for the year	2 844	2 819	25

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Group Restated[1] Audited Year ended 31 December 2020 R million	Shareholder Restated[1] Audited Year ended 31 December 2020 R million	Policyholder/ cellholder Audited Year ended 31 December 2020 R million
Gross written premium	38 273	31 377	6 896
Less: reinsurance written premium	12 756	6 604	6 152
Net written premium	25 517	24 773	744
Less: change in unearned premium			
Gross amount	1 549	460	1 089
Reinsurers' share	(693)	(208)	(485)
Net insurance premium revenue	24 661	24 521	140
Interest income on amortised cost instruments	185	185	–
Interest income on fair value through income instruments	1 435	845	590
Other investment income	398	330	68
Income from reinsurance contracts ceded	2 089	1 619	470
Net losses on financial assets and liabilities at fair value through income	(273)	(81)	(192)
Other income	347	347	–
Net income	28 842	27 766	1 076
Insurance claims and loss adjustment expenses			
Gross amount	25 205	22 308	2 897
Reinsurers' share	(8 435)	(5 636)	(2 799)
Net insurance benefits and claims	16 770	16 672	98
Expenses for the acquisition of insurance contracts	5 124	4 642	482
Expenses for marketing and administration	4 449	4 415	34
Expenses for investment-related activities	66	66	–
Amortisation and impairment of intangible assets	70	70	–
Investment return allocated to cell owners and structured insurance products	418	–	418
Expenses	26 897	25 865	1 032
Results of operating activities	1 945	1 901	44
Finance costs	(318)	(274)	(44)
Net loss from associates and joint ventures	(810)	(810)	–
Impairment of associates and joint ventures	(15)	(15)	–
Income tax recovered from cell owners and structured insurance products	429	–	429
Profit before tax	1 231	802	429
Income tax expense	(800)	(371)	(429)
Profit for the year	431	431	–

[1] *Refer to note 18 for the detail regarding the restatement.*

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

18. CHANGES IN PRESENTATION

18.1 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:

	Group Audited Year ended		
	Previously reported 31 December 2020 R million	**Restatement 31 December 2020 R million**	**Restated 31 December 2020 R million**
Net cash (used in)/from operating activities			
Acquisition of financial assets	(29 373)	(1 832)	(31 205)
Proceeds from sale of financial assets	25 315	690	26 005
Net cash (used in)/from investing activities			
Acquisition of financial assets	(1 862)	1 832	(30)
Proceeds from sale of financial assets	690	(690)	–
Net impact	(5 230)	–	(5 230)

18.2 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.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

18. CHANGES IN PRESENTATION (continued)

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

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:

	Group		
	Audited Previously reported as at 31 December 2020 R million	Audited Restatement as at 31 December 2020 R million	Restated Audited as at 31 December 2020 R million
Statement of financial position			
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

	Audited Previously reported Year ended 31 December 2020 R million	Audited Restatement Year ended 31 December 2020 R million	Restated Audited Year ended 31 December 2020 R million
Statement of comprehensive income			
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
Earnings attributable to equity holders			
Basic earnings per share (cents)	491	(195)	296
Diluted earnings per share (cents)	489	(194)	295
Headline earnings per share (cents)	1 100	(195)	905
Diluted headline earnings per share (cents)	1 094	(194)	900

	Group Attributable to equity holders of the company								
	Previously reported Year ended 31 December 2020			Restatement Year ended 31 December 2020			Restated Year ended 31 December 2020		
	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
Statement of changes in equity									
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 statement of financial position at 1 January 2020.

ADMINISTRATION

NON-EXECUTIVE DIRECTORS
M Chauke, CD da Silva, MP Fandeso,
PB Hanratty, DEH Loxton, MLD Marole,
NT 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
15 Biermann Avenue, Rosebank 2196
Private Bag x9000, Saxonworld 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

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

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