2023

Santam Limited and its subsidiaries reviewed interim report and ordinary dividend declaration

for the six months ended 30 June 2023

santam

Contents

2023

Salient features

Conventional insurance gross written premium growth

7%

(June 2022: 7%)

Conventional insurance net underwriting margin

3.8%

(June 2022: 3.0%)

Group gross claims paid

R14.6 billion

(June 2022: R14.2 billion)

Alternative Risk Transfer (ART) operating results

R174 million

(June 2022: R108 million)

Economic capital coverage ratio

159%

(December 2022: 156%)

Annualised return on shareholders' funds

24.0%

(June 2022: 11.9%)

Headline earnings (cents per share)

1 170 cents

(June 2022: 475 cents)

Earnings (cents per share)

1 170 cents

(June 2022: 490 cents)

Interim dividend (cents per share)

495 cents

(June 2022: 462 cents)

Financial and operational review

EXECUTIVE SUMMARY

The group's diversification across market segments, insurance classes and geographical reach stood us well in the six months to 30 June 2023. Our industry-leading human capital base and the strength of our balance sheet provided a solid platform to achieve an overall satisfactory financial performance for the period, despite a challenging operating environment.

We described 2022 as 'a perfect storm' when we announced our results for the 2022 financial year. We faced several challenges last year: low economic growth and high unemployment in South Africa, persistent rainfall, severe flooding in the KwaZulu-Natal (KZN) province of South Africa, elevated claims inflation, increased instances of power surges, fire and crime-related claims, some significant losses from certain inward reinsurance contracts in Israel and investment market volatility. We recognise that some of these conditions will not dissipate soon, with the first half of 2023 also presenting us with several challenges:

- Insurance growth prospects were dampened by persistent weak economic growth and pressure on personal disposable income in South Africa from high consumer inflation levels and rising interest rates. South Africa also remains a highly competitive insurance market.
- Adverse weather conditions drove high claims frequency in the first quarter of 2023, followed by widespread catastrophe flooding in the Western Cape province in June.
- Türkiye experienced property losses estimated at US$5.5 billion from earthquakes. We had limited exposure to this market through our Santam Re business unit.
- Electricity supply disruptions through load shedding outpaced past experiences significantly, increasing the potential impact of power surge claims if not appropriately managed.
- Claims inflation also remained elevated, exacerbated by a weakening exchange rate.
- The cost of reinsurance increased substantially following the significant losses experienced globally and in the South African market since 2020.

We responded at both a strategic and operational level:

- We launched our refreshed FutureFit strategy at the end of 2022, going live with a new multi-channel operating model on 1 January 2023. The Commercial & Personal multi-channel business was restructured into three business units to focus on the distribution channels where we interact directly with clients (Client Solutions), through brokers (Broker Solutions) and partnerships (Partnership Solutions). The other client-facing businesses - MiWay, Specialist Solutions and Santam Re continue to provide growth and diversification benefits. All of these business units remain part of conventional insurance for segmental reporting purposes. Although at an early stage of implementation, the new operating model provided immediate focus that enabled us to weather the challenges and improve on our performance for the comparable period in 2022.
- Being a data-driven organisation is a key strategic enabler of the refreshed FutureFit strategy. We made good progress in driving value through better use of data, with several data-based use cases in the implementation phase. Among these is an expansion of our geo-coding initiative, which creates a comprehensive risk-based view of property locations in South Africa. Despite the programme being in the implementation phase with approximately 50% of properties covered to date, we have seen the benefits with estimated losses of approximately R55 million prevented during the recent Western Cape flooding through risk-mitigating actions we took in response to the geo-coding initiative.
- We continue to drive diversified growth. The benefits are again evident in the current period, with a substantial profit contribution from the Specialist Solutions business providing welcome relief to the adverse claims experience in the Broker Solutions, Client Solutions and Santam Re businesses.
- We implemented several underwriting actions in response to the 2022 claims experience, including enhanced risk assessments in underwriting, segmented premium increases, changes to excess amounts and enhanced security requirements for high-risk vehicles. These actions are yielding positive results, with a marked turnaround in the profitability of the motor book and a decline in power surge losses. We believe that power surge cover is an insurable peril and an important value proposition for our clients.
- We increased property rates as part of the management actions to date. Recent weather and fire-related claims experience, however, indicate that clients' premiums and risk mitigation are not yet sustainable.

These measures supported our financial performance in the first half of 2023. The group's conventional insurance business achieved gross written premium (GWP) growth of 7% (June 2022: 7%). A net underwriting margin of 3.8% was reported, below the group's target range of 5% to 10%, but improved from 3.0% in the comparable period in 2022 (restated for adopting IFRS 17 – refer below). Excluding large one-off items, an underwriting margin of 7.5% was achieved, well up on the comparable 5.6% in 2022. Investment market conditions were more favourable than the first half of 2022, which together with an outperformance of benchmarks, contributed to a return on insurance funds of 2.2% of net earned premiums compared to 0.2% in 2022.

The alternative risk transfer (ART) businesses reported another set of excellent operating results, supported by solid growth in fee income and positive investment and underwriting results.

An annualised return on capital (ROC) of 24.0% (June 2022: 11.9%) was achieved, in line with the hurdle rate.

Financial and operational review

ADOPTION OF IFRS 17

The group retrospectively applied the IFRS 17 *Insurance contracts* standard from 1 January 2023 and restated comparatives for the 2022 financial period. The key impacts on the group's results are as follows:

Conventional business

- The underwriting result for conventional business under IFRS 17 is R67 million higher than IFRS 4 for the six months to June 2023 (June 2022: R106 million). This primarily relates to the treatment of risk-attaching reinsurance contracts - under IFRS 17, the reinsurance cost is spread over the coverage period of the underlying risk compared to IFRS 4, where the reinsurance cost was spread over the reinsurance contract period.
- The claims incurred liability benefits from the impact of discounting under IFRS 17, especially regarding the longer-tailed business (e.g. liability), compared to IFRS 4, where the claims reserves were not discounted. However, this is largely offset by the accretion of interest, which represents the unwinding of discounting recognised in prior periods.
- Reinstatement premiums are recognised as a claims expense under IFRS 17 compared to a reduction in net earned premium under IFRS 4. This results in an increase in net earned premium for segmental reporting purposes, with a corresponding increase in net claims incurred. This impact is particularly pronounced for the 2022 comparative period when the group incurred reinstatement premiums of R431 million (following the KZN flood losses) compared to R69 million in the first six months of 2023.
- Binder fees were recognised in administration costs under IFRS 4, whereas the component relating to sales activity is recognised in commission expenses under IFRS 17. This results in an increase in the commission ratio, with a corresponding decline in the management expense ratio for segmental reporting purposes.

A comparison of the key management performance ratios for conventional business is as follows:

	Six months ended June 2023				Six months ended June 2022			
R million	**IFRS 17**	**%**	**IFRS 4**	**%**	**IFRS 17**	**%**	**IFRS 4**	**%**
Net earned premiums	**14 377**	**100.0**	**14 306**	**100.0**	13 496	100.0	13 018	100.0
Net claims incurred	**9 491**	**66.0**	**9 484**	**66.3**	9 196	68.1	8 817	67.7
Net acquisition cost	**4 341**	**30.2**	**4 344**	**30.4**	3 896	28.9	3 903	30.0
Net commission	**2 070**	**14.4**	**1 939**	**13.6**	2 032	15.1	1 920	14.8
Expenses	**2 271**	**15.8**	**2 405**	**16.8**	1 864	13.8	1 983	15.2
Underwriting result	**545**	**3.8**	**478**	**3.3**	404	3.0	298	2.3
Investment return on insurance funds	**319**	**2.2**	**319**	**2.2**	30	0.2	30	0.2
Net insurance result	**864**	**6.0**	**797**	**5.5**	434	3.2	328	2.5

We continue to disclose GWP as additional information to reflect the total volume of business written in a particular period. It should be noted that GWP is not a metric reported under IFRS 17, but a management performance metric, which is reconciled to IFRS 17 insurance revenue in the segmental information.

Alternative Risk Transfer (ART) business

The earnings for ART business before tax and non-controlling interests decreased by R5 million to R200 million under IFRS 17 compared to IFRS 4 for the six months to June 2023 (June 2022: decrease of R3 million to R117 million). Upfront fees and acquisition costs relating to certain longer-duration contracts are recognised over the coverage period of the contracts under IFRS 17 as opposed to upfront recognition under IFRS 4.

Net profit attributable to equity holders of the company

Net profit attributable to equity holders is R36 million higher under IFRS 17 than IFRS 4 for the six months to June 2023 (June 2022: R72 million).

Net profit attributable to equity holders under IFRS 17 compares as follows to those prepared under IFRS 4:

	Six months ended June 2023		Six months ended June 2022	
R million	**IFRS 17**	**IFRS 4**	**IFRS 17**	**IFRS 4**
Net insurance result	**864**	**797**	434	328
Alternative risk transfer	**200**	**205**	117	120
Income from associated companies	**45**	**45**	27	27
Investment income	**723**	**723**	129	129
Amortisation of intangible assets	**(13)**	**(13)**	(10)	(10)
Other income and expenses	**(21)**	**(21)**	(2)	(2)
Income before tax	**1 798**	**1 736**	695	592
Taxation	**(452)**	**(430)**	(127)	(100)
Income after tax	**1 346**	**1 306**	568	492
Non-controlling interests	**(65)**	**(61)**	(31)	(27)
Net profit attributable to equity holders	**1 281**	**1 245**	537	465

Financial and operational review

BUSINESS VOLUMES

The conventional insurance business achieved strong growth in GWP of 7% (June 2022: 7%). Risk management actions, including the pruning of underperforming business at Santam Re and Broker Solutions, and limiting concentration risk in selected portfolios, reduced GWP by R800 million. Excluding the impact of these actions, GWP grew by 12%. These actions align with our strategy of focusing on profitable growth, in which we are prepared to lose premium volumes if we believe that the business is unlikely to meet our return hurdles.

By business unit

The Specialist Solutions business achieved strong growth, with the engineering, marine and corporate property insurance businesses as the main contributors.

The Broker Solutions business achieved good overall growth, with the premium increases implemented in response to high claims inflation and frequency being realised at the policy renewal stage. Double-digit growth was achieved in Broker Services, with churn remaining within acceptable levels. Hospitality and Leisure, as well as Santam Real Estate, experienced a decline in GWP following the deliberate pruning of loss-making business. Outsourced business recorded GWP in line with 2022, reflecting pressure on quote volumes.

Client Solutions recorded acceptable growth, albeit lower than expectations. The focus in the first half of the year was on managing the quality of business written.

MiWay achieved subdued growth of 4%, with some improvement since the first quarter of 2023. Pressure on disposable income was evident in an increase in rejected debit orders, lower sales volumes and conversions as well as a decline in average premiums in personal lines business. MiWay has been managing these trends actively, with all metrics improving in June. Commercial lines and value-added services achieved strong growth. MiWay also launched new strategic initiatives (refer to the Prospects section on page 08), which are expected to be catalysts for accelerated growth in the second half of the year.

Santam Re's trimming of non-profitable business resulted in a decline in its GWP contribution.

By insurance class

The motor class reported growth of 2%, with double-digit growth from Broker Services partly offset by the muted growth in MiWay personal lines and outsourced business, as well as the cancellation of non-profitable business at Santam Re. Excluding the latter, the motor class grew by 8%.

GWP in the property class grew by 7%, attributable to strong growth at Specialist Solutions and solid contributions from MiWay and Broker Solutions.

The engineering class achieved excellent growth of 20%, recovering well from 2022 due to solid growth at Santam Re and new business at Mirabilis from outside South Africa.

The transportation class reported strong growth, with Santam Re and the Specialist Solutions heavy haulage business being the main contributors.

The liability and accident and health classes also performed well, supported by the Specialist Solutions businesses and Santam Re.

Geographical analysis

South Africa remains the most significant contributor to GWP at 83% (June 2022: 82%), with GWP from this market increasing by 8% to R14.6 billion (June 2022: R13.6 billion). GWP from outside South Africa, written on the Santam Ltd and Santam Namibia Ltd licences, made up 17% (June 2022: 18%) of total GWP and grew by 2% to R3 034 million (June 2022: R2 976 million). Growth in the proportion of business written outside of South Africa was hampered by the cancelled business in Israel.

Our collaboration with Sanlam Pan-Africa (SPA) across the African continent in specialist business continues to yield positive results, with excellent GWP growth of 48% to R286 million (June 2022: R193 million), following solid growth achieved during the first half of 2023 in the engineering and marine businesses.

Financial and operational review

EARNINGS (BASED ON IFRS 17)

	Six months ended June 2023 R million	Six months ended June 2022 R million	Variance %
Conventional	**1 587**	563	182
Net insurance result	**864**	434	99
Investment return on capital	**723**	129	460
Net income ART	**200**	117	71
Net operating result	**174**	108	61
Investment return on capital	**26**	9	189
Associates	**45**	27	67
Amortisation and other	**(34)**	(12)	(183)
Income before tax and non-controlling interests	**1 798**	695	159
Tax and non-controlling interests	**(517)**	(158)	(227)
Net income	**1 281**	537	139

Conventional insurance

	Six months ended June 2023 R million	% of NEP	Six months ended June 2022 R million	% of NEP
Gross written premium	**17 657**		16 543	
Net earned premium	**14 377**	**100**	13 496	100
Claims incurred	**9 491**	**66.0**	9 196	68.1
Acquisition cost	**4 341**	**30.2**	3 896	28.9
Commission	**2 070**	**14.4**	2 032	15.1
Management expenses	**2 271**	**15.8**	1 864	13.8
Underwriting result	**545**	**3.8**	404	3.0
Investment return on insurance funds	**319**	**2.2**	30	0.2
Net insurance result	**864**	**6.0**	434	3.2
Combined ratio		**96.2**		97.0

Underwriting result

Underwriting profit increased by 35% at a margin of 3.8% for the first half of 2023 compared to 3.0% in 2022.

Several large items impacted the comparability of the results:

- The Western Cape floods resulted in negative claims experience of R150 million, with Santam Re's exposure to the Türkiye earthquakes adding further losses of R150 million. Santam Re's reinsurance programme limited its losses to the retention amount of R150 million.
- Run-off losses in excess of R100 million were experienced in respect of the cancelled non-profitable Israeli motor business at Santam Re.
- Both reporting periods include significant losses (mostly fire) in excess of R300 million.
- The comparative period of 2022 included net losses from the KZN flooding of R566 million (including reinstatement premiums related thereto).
- Reinstatement premiums of R69 million were incurred in the first six months of 2023 in respect of large claims compared to R50 million in the comparative 2022 period (excluding the KZN flooding).
- COVID-19 related CBI reserves of R155 million were released in the first half of 2023, compared to R397 million in the comparable period. Excellent progress was made in finalising the remaining CBI claims and associated reinsurance recoveries relating to the COVID-19 lockdown. The release of reserves is mainly attributable to the actual claims to date being lower than initial estimates. The current estimate of Santam's gross liability for open CBI claims at 30 June 2023 is R535 million (December 2022: R1 billion), with a corresponding reinsurance asset of R519 million (December 2022: R0.9 billion). We anticipate that most of the remaining claims will be settled by the end of 2023.

Excluding these, an underwriting margin of 7.5% was achieved compared to 5.6% in 2022. This improvement reflects the positive impact of the underwriting actions taken since the second half of 2022, as highlighted above. Power surge claims have become immaterial in recent months, while the motor book experienced a significant turnaround in profitability excluding the run-off losses at Santam Re. Claims inflation in the motor book has been successfully addressed through premium increases, while additional security measures applied to high-risk vehicles are proving successful in reducing the number of high-value thefts as well as increasing the recovery rate of stolen vehicles.

Financial and operational review

By business unit

Broker Solutions and Client Solutions were most significantly impacted by the weather-related attrition losses in the first quarter of 2023, the Western Cape flooding, as well as an increase in the frequency and severity of fire claims. This was offset by a strong underwriting result from Specialist Solutions, which more than doubled its underwriting margin despite a high comparative base in Agri, SHA and Mirabilis from a benign claims environment (Agri) and positive claims development at SHA and Mirabilis in 2022.

MiWay recorded a loss ratio of 58.8% (June 2022: 61.3%) and an underwriting profit of R123 million (June 2022: R122 million). Underwriting actions, which included claim efficiencies, segmented premium increases and adjusted risk covers, are showing positive results. The initial investment in ramping up the new strategic initiatives (refer to Prospects section below) impacted the first-half results.

Santam Re reported an underwriting loss in its third-party business, negatively impacted by the losses in Türkiye and run-off losses from the cancelled business.

By insurance class

The motor book showed a strong recovery, with profit from this line of business increasing by 27%, excluding reserve strengthening at Santam Re.

The weather and fire-related claims negatively impacted the underwriting performance of the property class, which was offset to some extent by the release of the CBI claims provision of R155 million. Despite the CBI reserve release, the property class remained unprofitable due to poor claims experience.

The engineering class delivered strong underwriting results, albeit lower than the comparative period in 2022, which benefited from positive claim estimate adjustments.

The liability class continued to deliver favourable underwriting results with limited adverse claims developments and a lower frequency of large claims.

The transportation class recovered well compared to 2022, which was negatively impacted by underwriting losses in the marine business.

The crop and travel insurance businesses reported good results.

Expense management

The net acquisition cost ratio increased compared to the prior period at 30.2% (June 2022: 28.9%), with the net commission ratio at 14.4% compared to 15.1% in June 2022.

The management expense ratio remained acceptable at 15.8% (June 2022: 13.8%) on the back of continued focused cost containment efforts. The management expense ratio is in line with 2022, excluding the impact on the 2023 ratio from new strategic initiatives and the positive impact of 1.4% in the comparable period from lower variable incentive costs.

Investment return on insurance funds

The investment return on insurance funds of 2.2% (June 2022: 0.2%) of net earned premium improved significantly, benefiting from strong returns on local fixed-income investments compared to lacklustre returns in the comparable period. The investment return on foreign insurance funds also improved, as volatility in global bond markets subsided somewhat compared to the same period in 2022.

Investment return on capital

Investment return on capital increased from R129 million in the first half of 2022 to R723 million in 2023. This is mainly attributable to foreign exchange gains of R300 million following a weaker rand and a positive revaluation of the group's interest in Shriram General Insurance (SGI) in India by R296 million. The revaluation of SGI is primarily the result of foreign exchange gains and a lower risk discount rate applied in the valuation model in line with a decrease in the Indian reference risk-free rate.

Alternative Risk Transfer (ART) business

The ART business reported excellent earnings of R200 million (June 2022: R117 million). Good growth was experienced across all main income lines (fee income, investment margin and underwriting margin), reflecting increased business under administration and improved investment return earned on assets under management.

Financial and operational review

SEM general insurance businesses

Santam's share of the insurance revenue of SGI in India and Pacific & Orient Insurance Co. Berhad (P&O) in Malaysia increased by a healthy 27%. SGI's net earned premium increased by 16%, benefiting from a recovery in the Shriram distribution channels and strong direct channel performance. P&O continued to face significant competitive pricing in the market, depressing its contribution.

Net insurance result increased by 23%, benefiting from an improvement in the return earned on insurance funds.

CORPORATE TRANSACTIONS

We received Competition Tribunal approval during the period to acquire the MTN device insurance book in South Africa. The transaction is part of the broader strategic alliance between Sanlam and MTN through aYo Holdings Ltd, the MTN Group's InsurTech platform. This enabled us to commence writing new device insurance business through this arrangement during April 2023. Initial sales volumes are very promising.

The transfer of the in-force book of business, which will add some 400 000 policies to the Santam license and annual GWP of nearly R400 million, remains subject to regulatory approval, which is expected during the third quarter of 2023. Santam's net capital outlay for the acquisition will amount to approximately R60 million. The profit share arrangement allows for good margin retention to ensure we will meet our return on capital hurdle rate for this business.

On 4 May 2022, we announced that we have entered into an agreement with Allianz, in which Santam will dispose of its 10% interest in SAN JV to Allianz. The regulatory approvals for the proposed disposal are progressing according to plan, and the transaction is expected to close during the second half of 2023.

On 4 May 2022, we entered into a 12-month zero-cost collar of EUR125 million to protect the SAN JV sale proceeds from the rand strengthening against the euro. The structure provided full downside protection below a EUR/ZAR exchange rate of R16.66 and entitled us to share in rand weakness against the euro up to a cap of R19.16. On 31 December 2022 the fair value of the structure amounted to a R35 million liability.

At expiry on 4 May 2023, we replaced the collar structure with a forward exchange contract (FEC) on a notional amount of EUR125 million with cover up to 2 October 2023. The contract rate at expiry on 2 October 2023 is R20.58. The replacement of the collar structure required settlement of the R123 million negative fair value of this structure on 4 May 2023 to the counterparty (accounted for in the cash flow hedging reserve). On 30 June 2023, the total value of the FEC amounted to a negative R37 million, with the movement also accounted for in the cash flow hedging reserve.

CAPITAL AND SUBORDINATED DEBT

On 6 April 2023, Santam issued additional five-year unsecured subordinated callable floating rate notes of R1 billion. The effective interest rate for the floating rate notes is equivalent to the three-month JIBAR plus a spread of 150 basis points. The notes have a maturity date of 6 April 2028. Santam also redeemed subordinated fixed rate notes issued in April 2016 of R500 million (with an effective interest rate of 11.77%), which became callable on 12 April 2023. The issued subordinated notes commensurately increased to R3.0 billion.

The group and all of its principal subsidiaries remain well-capitalised. Based on the internal model, the group economic capital requirement at 30 June 2023 amounted to R8.7 billion (December 2022: R8.6 billion) compared to the actual capital of R13.9 billion (December 2022: R13.5 billion). This equates to an economic capital coverage ratio of 159% (December 2022: 156%), above the midpoint of the capital target range of 145% to 165%. Santam Ltd, the main operating entity, had an economic capital coverage ratio of 158% at 30 June 2023 and a regulatory capital coverage ratio of 178%, well in excess of the risk appetite levels.

The SAN JV disposal, once concluded, will increase the group's capital coverage ratio. The board intends to declare a special dividend following the receipt of the proceeds, with the amount to be determined based on the group's solvency position at the time of declaration.

Financial and operational review

PROSPECTS

Operating conditions are not expected to improve in the second half of the year. Economic growth and employment levels are expected to remain suppressed in South Africa, our main market, given structural limitations, in particular electricity supply and transport constraints that place severe pressure on economic activity and investor confidence. The recently announced joint effort between Government and the private sector to resolve these impediments, with some steady progress being made, provides some positive sentiment.

High interest rates and inflationary pressures will also continue to impact on disposable income and claims inflation in South Africa. Under these conditions competitive pressures will remain at elevated levels.

We, however, remain confident in the group's prospects and the potential to deliver enhanced growth and profitability through several strategic initiatives:

- The new client-facing operating model is in place. Focus is shifting to driving enhanced product innovation, client experience and efficiencies, which will position us well to gain market share. This will include investment in improving our digital end-to-end insurance offering, intermediary enablement and creating excellent, intuitive client experiences. As part of the new operating model, we also established a shared and enabling services function at a group level to drive enhanced efficiencies. The future target operating model for this function is being refined, in conjunction with identifying opportunities to extract efficiencies through improved collaboration within the Santam group and the wider Sanlam Group. As part of this process, we will set stretched targets for efficiency improvements over the medium term.
- MiWay recently launched new strategic growth vectors, including an inbound model and a commercial advisory model. These initiatives bode well for accelerated growth in new business but will require additional investment in marketing and administration costs in the short term.
- The acquisition of the MTN device book will be a key driver to gain market share in previously untapped market segments. It also provides a platform to expand the product range beyond device insurance.
- Extracting value through closer collaboration with the Sanlam Group is a key focus area, in particular, cross-selling into the much larger Sanlam client base.
- We are rolling out several data use cases through the newly established, dedicated data strategy team. These data use cases are aimed at extracting value from all key drivers, including top-line growth, underwriting, pricing, claims risk management and efficiencies.
- Underwriting actions implemented over the past year are having the desired effect. The property class, however, continues to receive particular attention. Our underwriting, risk management and pricing practices will continue to evolve as the market changes and new risks emerge, such as those related to alternative energy installations.
- Diversification has been a key success factor for the group over many years. We will continue to grow our international strategy off the back of our tested competencies in specialist and reinsurance businesses. The Sanlam Allianz JV, once concluded, is expected to open up further growth opportunities on the African continent.

Investment markets are likely to remain volatile. However, Santam's investment income is expected to benefit further during the remainder of the year from the higher interest rate environment. The non-rand-denominated investments expose the group to foreign currency volatility. However, it also provides a hedge against a weakening rand's operational impact.

Climate change poses a key risk to the group, potentially threatening the insurability of various risks where losses become increasingly prevalent. In this regard, we continue to address the climate-related risks and the implications for the business in line with the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations. We continuously seek ways to actively manage climate-related risks and contribute towards the low carbon economy, which will also impact our underwriting strategy. The Santam board recently approved our coal statement, which is available on our website.

CHANGE IN DIRECTORS AND BOARD COMMITTEES

The following changes took place in the company's board of directors during the period:

Ms CD da Silva	– An existing independent, non-executive director on the board, appointed as a member of the human resources and remuneration committee with effect from 1 June 2023, to enhance the skill set of the committee.
Ms L Swartz	– Appointed as an independent, non-executive director to the board (and as a member of the human resources and remuneration committee) with effect from 1 June 2023, to enhance the overall skill set of the board.
Mr HD Nel	– Resigned as finance director, group CFO and executive director from the board (and as a member of the risk and investment committees) with effect from 30 June 2023, to take up the role of Executive Head: Corporate Finance at the Sanlam Group. In addition also resigned as Santam's debt officer with effect from 30 June 2023.
Mr ML Olivier	– Appointed as finance director, group CFO and executive director to the board (and as a member of the risk and investment committees) with effect from 1 July 2023, to succeed HD Nel. In addition, also appointed as Santam's debt officer with effect from 1 July 2023.

Financial and operational review

The composition of the board committees is now as follows:

Committee memberships	Risk committee	Audit committee	Human resources and remuneration committee	Nominations committee	Social, ethics and sustainability committee	Investment committee
Independent non-executive directors						
M Chauke	✓	✓			✓	
CD da Silva	✓		✓		✓	
MP Fandeso	✓	✓				✓
DEH Loxton	✓	✓				✓
MLD Marole			✓	✓	✓	
NT Moholi (chair)			✓	✓		
PE Speckmann	✓	✓				
L Swartz			✓			
Non-executive directors						
PB Hanratty			✓	✓		
MM Mahlangeni	✓					
AM Mukhuba	✓					✓
JJ Ngulube					✓	
Executive directors						
TC Madzinga (group chief executive officer)	✓				✓	✓
ML Olivier (group chief financial officer)	✓					✓

COMPANY SECRETARY

R Eksteen served as the group company secretary during the reporting period.

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.

DECLARATION OF ORDINARY DIVIDEND (NUMBER 137)

Notice is hereby given that the board has declared a gross interim dividend of 495.00 cents (June 2022: 462.00 cents) per ordinary share for the six months ended 30 June 2023 to those members registered on the record date, being Friday, 22 September 2023. The dividend has been declared from income reserves. A dividend withholding taxation of 20% will be applicable to all shareholders who are not exempt, with a net dividend of 396.00 cents per ordinary share payable to such shareholders.

Share code:	SNT
ISIN:	ZAE000093779
NSX share code:	SNM
A2X share code:	SNT
Bond company code:	BISAN
Company registration number:	1918/001680/06
Company tax reference number:	9475/144/71/4
LEI:	37890092DC55C7D94B35
Gross cash dividend amount per share:	495.00 cents
Net cash dividend amount per share:	396.00 cents
Issued shares at 31 August 2023:	115 131 417
Declaration date:	Thursday, 31 August 2023
Last day to trade cum dividend:	Tuesday, 19 September 2023
Shares trade ex-dividend:	Wednesday, 20 September 2023
Record date:	Friday, 22 September 2023
Payment date:	Tuesday, 26 September 2023

Financial and operational review

To allow for the dividend calculation, Santam's share register will be closed for all transfers, off-market transactions and dematerialisations or rematerialisations between Wednesday, 20 September 2023, and Friday, 22 September 2023, 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 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 clients, intermediaries, management, employees and other business partners for their efforts and contributions during the six months to June 2023. A special word of appreciation to Hennie Nel for his valuable contribution to the board and leadership during his ten-year tenure. The board wishes him all the best in his new role within the Sanlam Group.

PREPARATION AND PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

The preparation of the reviewed interim financial statements was supervised by the group chief financial officer of Santam Ltd, ML (Wikus) Olivier CA(SA).

NT Moholi
Chair

TC Madzinga
Group chief executive officer

30 August 2023

Independent auditor's review report on interim financial statements

TO THE SHAREHOLDERS OF SANTAM LIMITED

We have reviewed the condensed consolidated interim financial statements of Santam Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2023 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

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

Auditor's Responsibility

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

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Santam Limited for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

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

30 August 2023

The examination of controls over the maintenance and integrity of the group's website is beyond the scope of the review of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Condensed consolidated statement of financial position

	Notes	Reviewed as at 30 June 2023 R million	Restated[1] Audited as at 31 December 2022 R million	Restated[1] Audited as at 1 January 2022 R million
Assets				
Intangible assets		**1 063**	1 073	989
Property and equipment		**623**	640	702
Investment in associates and joint ventures	9.1	**508**	467	2 284
Strategic investment - unquoted SEM target shares	7	**1 890**	1 596	1 691
Deferred income tax		**186**	139	130
Financial assets at fair value through income	7	**38 942**	35 850	31 047
Insurance contract assets	8	**333**	797	190
Reinsurance contract assets	8	**12 211**	14 005	13 980
Non-current assets held for sale	9.1	**1 768**	1 768	-
Loans and receivables	7	**4 243**	3 690	2 548
Current income tax		**70**	96	5
Cash and cash equivalents		**4 648**	5 387	4 496
Total assets		**66 485**	65 508	58 062
Equity				
Capital and reserves attributable to the company's equity holders				
Share capital		**103**	103	103
Treasury shares		**(849)**	(713)	(570)
Other reserves		**(188)**	(63)	37
Distributable reserves		**11 862**	11 537	11 807
		10 928	10 864	11 377
Non-controlling interest		**697**	670	634
Total equity		**11 625**	11 534	12 011
Liabilities				
Deferred income tax		**193**	100	70
Financial liabilities at fair value through income				
Debt securities	7	**3 026**	2 539	2 552
Investment contracts	7	**5 319**	5 214	3 798
Derivatives	7	**37**	35	1
Lease liabilities		**654**	669	764
Financial liabilities at amortised cost				
Repo liability		**732**	739	926
Collateral guarantee contracts		**120**	129	155
Insurance contract liabilities	8	**36 387**	37 077	31 511
Reinsurance contract liabilities	8	**4 765**	4 144	3 438
Provisions for other liabilities and charges		**172**	139	188
Trade and other payables	7	**3 249**	2 855	2 243
Current income tax		**206**	334	405
Total liabilities		**54 860**	53 974	46 051
Total shareholders' equity and liabilities		**66 485**	65 508	58 062

[1] *Comparative information was restated for the initial application of IFRS 17, refer to note 2 for additional information.*

Condensed consolidated statement of comprehensive income

	Notes	Reviewed Six months ended 30 June 2023 R million	Restated[1] Reviewed Six months ended 30 June 2022 R million
Insurance revenue		**22 492**	20 416
Insurance service expense		**(17 777)**	(21 708)
Net (expense)/income from reinsurance contracts held		**(3 443)**	2 257
Insurance service result	8	**1 272**	965
Finance expenses from insurance contracts issued		**(1 372)**	(192)
Finance income from reinsurance contracts held		**308**	231
Net insurance service result		**208**	1 004
Interest income on amortised cost instruments	10	**274**	110
Interest income on fair value through income instruments	10	**1 272**	674
Other investment income	10	**737**	232
Net fair value gains/(losses) on financial assets and liabilities at fair value through income	10	**11**	(760)
Other income		**276**	189
Net investment and other income		**2 570**	445
Other expenses		**356**	243
Expenses for investment-related activities		**56**	59
Amortisation and impairment of intangible assets		**37**	32
Other operating expenses		**449**	334
Results of operating activities		**2 329**	1 115
Other finance costs		**(198)**	(163)
Net income from associates and joint ventures		**45**	41
Profit before tax		**2 176**	993
Total tax expense		**(830)**	(411)
Tax expense allocated to shareholders	11	**(452)**	(136)
Tax expense allocated to cell owners and structured insurance products	11	**(378)**	(275)
Profit from continuing operations		**1 346**	582
Loss from discontinued operations	9.2	**–**	(14)
Profit for the period		**1 346**	568
Other comprehensive income, net of tax			
Items that may subsequently be reclassified to income			
Exchange differences on translation of discontinued operations	9.2	**–**	(57)
Hedging reserve movement		**(125)**	–
Total comprehensive income for the period		**1 221**	511
Profit attributable to:			
– equity holders of the company		**1 281**	537
– non-controlling interests		**65**	31
		1 346	568
Total comprehensive income attributable to:			
– equity holders of the company		**1 156**	480
– non-controlling interests		**65**	31
		1 221	511
Total comprehensive income for the period arises from:			
Continuing operations		**1 221**	582
Discontinued operations		**–**	(71)
		1 221	511
Earnings attributable to equity shareholders			
Earnings per share (cents)	13		
Basic earnings per share		**1 170**	490
Diluted earnings per share		**1 158**	486

[1] *Comparative information was restated for the initial application of IFRS 17, refer to note 2 for additional information.*

Condensed consolidated statement of changes in equity

	Attributable to equity holders of the company						
	Share capital R million	Treasury shares R million	Other reserves R million	Distributable reserves R million	Total R million	Non-controlling interest R million	Total R million
Balance as at 1 January 2022	103	(570)	37	11 862	11 432	630	12 062
IFRS 17 transitional adjustment	–	–	–	(55)	(55)	4	(51)
Balance as at 1 January 2022 (restated)	103	(570)	37	11 807	11 377	634	12 011
Profit for the year[1]	–	–	–	1 980	1 980	96	2 076
Other comprehensive income:							
Exchange differences on translation of discontinued operations	–	–	(57)	–	(57)	–	(57)
Total comprehensive income for the year ended 31 December 2022[1]	–	–	(57)	1 980	1 923	96	2 019
Issue of treasury shares in terms of share option schemes	–	94	–	(94)	–	–	–
Purchase of treasury shares	–	(237)	–	–	(237)	–	(237)
Share-based payment costs	–	–	–	112	112	–	112
Hedging reserve movement	–	–	(35)	–	(35)	–	(35)
Share of associates' movements in other reserves	–	–	(8)	–	(8)	–	(8)
Issue of equity interest in cell captive	–	–	–	–	–	46	46
Repayment of equity interest in cell captive	–	–	–	–	–	(6)	(6)
Dividends paid	–	–	–	(2 264)	(2 264)	(98)	(2 362)
Non-controlling interest acquired	–	–	–	(4)	(4)	(2)	(6)
Balance as at 31 December 2022[1]	**103**	**(713)**	**(63)**	**11 537**	**10 864**	**670**	**11 534**
Profit for the period	**–**	**–**	**–**	**1 281**	**1 281**	**65**	**1 346**
Other comprehensive income:							
Hedging reserve movement	**–**	**–**	**(125)**	**–**	**(125)**	**–**	**(125)**
Total comprehensive income for the period ended 30 June 2023	**–**	**–**	**(125)**	**1 281**	**1 156**	**65**	**1 221**
Issue of treasury shares in terms of share option schemes	**–**	**84**	**–**	**(84)**	**–**	**–**	**–**
Purchase of treasury shares	**–**	**(220)**	**–**	**–**	**(220)**	**–**	**(220)**
Share-based payment costs	**–**	**–**	**–**	**57**	**57**	**–**	**57**
Dividends paid	**–**	**–**	**–**	**(929)**	**(929)**	**(40)**	**(969)**
Issue of equity interest in cell captive	**–**	**–**	**–**	**–**	**–**	**2**	**2**
Balance as at 30 June 2023	**103**	**(849)**	**(188)**	**11 862**	**10 928**	**697**	**11 625**
Balance as at 1 January 2022	103	(570)	37	11 862	11 432	630	12 062
IFRS 17 transitional adjustment	–	–	–	(55)	(55)	4	(51)
Balance as at 1 January 2022 (restated)	103	(570)	37	11 807	11 377	634	12 011
Profit for the period[1]	–	–	–	537	537	31	568
Other comprehensive income:							
Exchange differences on translation of discontinued operations	–	–	(57)	–	(57)	–	(57)
Total comprehensive income for the period ended 30 June 2022[1]	–	–	(57)	537	480	31	511
Issue of treasury shares in terms of share option schemes	–	89	–	(89)	–	–	–
Purchase of treasury shares	–	(162)	–	–	(162)	–	(162)
Share-based payment costs	–	–	–	42	42	–	42
Hedging reserve movement	–	–	(32)	–	(32)	–	(32)
Share of associates' movements in other reserves	–	–	(8)	–	(8)	–	(8)
Issue of equity interest in cell captive	–	–	–	–	–	25	25
Dividends paid	–	–	–	(1 759)	(1 759)	(34)	(1 793)
Non-controlling interest acquired	–	–	–	(4)	(4)	(2)	(6)
Balance as at 30 June 2022[1]	103	(643)	(60)	10 534	9 934	654	10 588

[1] *Comparative information was restated for the initial application of IFRS 17, refer to note 2 for additional information.*

Condensed consolidated statement of cash flows

	Notes	Reviewed Six months ended 30 June 2023 R million	Restated[2] Reviewed Six months ended 30 June 2022 R million
Cash flows from operating activities			
Cash generated from operations[1]		**3 672**	4 558
Interest paid		**(201)**	(121)
Income tax paid		**(570)**	(350)
Net movement from acquisition and sale of financial assets[2]		**(2 761)**	(2 110)
Net cash from operating activities		**140**	1 977
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	12	**–**	31
Settlement of zero cost collar		**(123)**	–
Purchases of equipment		**(26)**	(28)
Purchases of intangible assets		**(7)**	(12)
Proceeds from sale of intangible assets		**–**	11
Acquisition of associates and joint ventures	12	**–**	(2)
Net cash used in investing activities		**(156)**	–
Cash flows from financing activities			
Purchase of treasury shares		**(220)**	(162)
Purchase of non-controlling interest in subsidiaries	12	**–**	(6)
Proceeds from issue of unsecured subordinated callable notes		**1 000**	1 000
Redemption of unsecured subordinated callable notes		**(500)**	(1 000)
Dividends paid to company's shareholders		**(929)**	(1 759)
Dividends paid to non-controlling interest		**(40)**	(34)
Equity interest issued to cell captive		**2**	25
Payment of principal element of lease liabilities		**(82)**	(74)
Net cash used in financing activities		**(769)**	(2 010)
Net decrease in cash and cash equivalents		**(785)**	(33)
Cash and cash equivalents at the beginning of the period		**5 387**	4 496
Exchange gains on cash and cash equivalents		**46**	6
Cash and cash equivalents at the end of the period		**4 648**	4 469

1 *Refer to note 10 for disclosure of interest and dividends received in cash.*

2 *Acquisition of financial assets and proceeds from sale of financial assets restated to be disclosed on a net basis instead of gross. Refer to note 18 for detail of restatement.*

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed consolidated interim financial statements are prepared in accordance with the requirements of the JSE Ltd Listings and Debt Listings Requirements for summary financial statements, and the requirements of the Companies Act 71 of 2008, as amended, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

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

In the context of the current challenging environment, a range of downside scenarios have been considered. These include scenarios which reflect subdued economic activity, market volatility and increased climate-related claim events.

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

2. Accounting policies

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

Application of IFRS 17

Refer to section on IFRS 17 *Insurance contracts* below.

Restatement of statement of cash flows

Cash flows relating to the investment portfolios within operating activities have been restated and disclosed on a net basis instead of gross. Refer to note 18 for detail of restatement.

Standards effective in 2023

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2023:
- IFRS 17 *Insurance contracts*
- Amendments to IFRS 17 *Insurance contracts*
- Amendments to IAS 1 *Presentation of financial statements (changes in accounting estimates and errors)*
- Amendments to IAS 12 *Income taxes (deferred tax related to assets and liabilities arising from a single transaction)*
- Narrow scope amendments to IAS 1 *Presentation of financial statements*, Practice statement 2 and IAS 8 *Accounting policies (changes in accounting estimates and errors)*.

The adoption of these amendments to IFRS did not have a material impact, apart from the first-time application of IFRS 17 *Insurance contracts* and the amendments.

Standards not yet effective in 2023

- Amendment to IAS 1 *Presentation of financial statements (classification of liabilities as current or non-current)*
- Amendment to IFRS 16 *Leases (on sale and leaseback)*
- Amendment to IAS 1 *Presentation of financial statements (non-current liabilities with covenants)*
- Amendments to IAS 7 *Statement of cash flows and IFRS 7 Financial instruments: Disclosures (on supplier finance arrangements)*

The group did not early adopt any of the IFRS standards that are not yet effective. The group does not anticipate that the adoption of the new standards will have a material impact.

IFRS 17 INSURANCE CONTRACTS

Introduction

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 group adopted the standard on 1 January 2023 and restated comparative information.

Project governance

The group's audit committee and an IFRS 17 steering committee provided oversight and governance of the implementation of the new standard. The steering committee comprised senior management from various functions including finance, risk, information technology, operations, and group internal audit.

Notes to the condensed consolidated interim financial statements

2. Accounting policies (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

Transition approach

The group adopted IFRS 17 as of 1 January 2023 on a fully retrospective basis for all its portfolios except for certain life contracts. For the life portfolios where the fully retrospective method was deemed impractical, the fair value approach was applied. Comparative information has been restated as required by the transitional provisions of IFRS 17. The change in carrying amounts of insurance and reinsurance assets and liabilities at the date of transition, has been recognised in retained earnings at 1 January 2022 (the comparative period).

Impact on opening reserves on transition to IFRS 17

	Impact on reserves at the beginning of 2022			Impact on reserves at the end of 2022		
	Audited as at 31 December 2021 R million	IFRS 17 restatement R million	Restated[1] Audited as at 1 January 2022 R million	Audited as at 31 December 2022 R million	IFRS 17 restatement R million	Restated[1] Audited as at 31 December 2022 R million
Distributable reserves	11 862	(55)	11 807	11 602	(65)	11 537
Non-controlling interest	630	4	634	669	1	670

[1] *Restated as a result of adoption of IFRS 17.*

Impact of changes in tax legislation

National Treasury promulgated the 2022 Taxation Laws Amendment Act in January 2023, which contained the changes to section 28 of the Income Tax Act ("the Act") to cater for the implementation of IFRS 17. The main objective of these changes was to ensure that section 28 is aligned to the terminology and principles of IFRS 17, as well as to mitigate unintended tax implications as a result of the transition from IFRS 4 to IFRS 17. A phase-in period of three years applies to non-life insurers.

The insurance sector engaged with National Treasury in this regard to effect changes to the Act. The Draft 2023 Taxation Laws Amendment Bill ("the Amendment Bill") was published for public comment on 31 July 2023, which contains proposals to further refine section 28 of the Act. The Amendment Bill, however, did not address all of the matters raised as the interpretation of the IFRS 17 disclosure requirements continued to evolve.

Further corrections to the legislation are therefore required as the wording in the Act gives rise to uncertainty in interpretation and unintended phase-in amounts due to the disclosure and reclassification of certain items in terms of IFRS 17. The phase-in approach is only expected to have an impact on the timing of the tax from a cash flow perspective.

The group, together with the rest of the industry, will therefore make further submissions to clarify and refine the wording of section 28 so that it does not have unintended tax consequences due to the disclosure of certain items in terms of IFRS 17. Significant uncertainty therefore exists in respect of the final legislation to be published, which may impact the allocation of the group's tax position between current income tax and deferred tax in the statement of financial position.

Accounting policies relating to insurance and reinsurance liabilities and assets

This section includes the key accounting policies applied to contracts within the scope of IFRS 17.

Classification

The group applies IFRS 17 to insurance contracts issued and reinsurance contracts held.

Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during the coverage period, unless the terms of the contract are modified.

A contract is classified as an insurance contract where the group provides insurance coverage by accepting significant insurance risk when agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary.

Recognition

Groups of insurance contracts issued are initially recognised from the earliest of either the beginning of the coverage period, or the date when the first payment from the policyholder is due or actually received, if there is no due date.

The group recognises a group of reinsurance contracts held at the beginning of the coverage period, except where:

- the group of reinsurance contracts relate to onerous group(s) of underlying insurance contracts, the recognition date is when the group recognises the onerous group(s) of underlying insurance contracts; or
- the group of reinsurance contracts held provides proportionate coverage, the recognition date is not earlier than the date that any underlying insurance contract is initially recognised.

Notes to the condensed consolidated interim financial statements

2. Accounting policies (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

Contract boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the group can compel the policyholder to pay premiums; or the group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a. the group has the practical ability to reprice the risks of the policyholder or change the level of benefits so that the price fully reflects those risks; or
b. both of the following criteria are satisfied:
   i. the group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
   ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the group, such as insurance risk and financial risk, are considered. Other risks, such as lapse, surrender and expense risk, are not included.

The group considers the legal rights and the commercial substance of the contracts in this assessment.

Cash flows outside the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

For most insurance contracts issued, the group has the practical ability to reassess the risks of a policyholder and set an appropriate premium to reflect those risks on short notice. Consequently, for most insurance contracts the contract boundary will be shorter than a year. The practical ability to reprice is not removed when management makes a commercial decision to price, or not price, at a certain level.

Most facultative reinsurance contract boundaries will align with the contract boundary of the underlying direct insurance contracts. Certain risk-attaching treaty reinsurance contracts, however, cover underlying direct business that begins during a one-year coverage period of the reinsurance contract (risk-attaching reinsurance contracts). Because of this feature, the contract boundary of these reinsurance contracts can be more than one year. Such contracts will be subjected to the premium allocation approach (PAA) eligibility test, described below.

The contract boundary of loss occurring treaty reinsurance contracts, is equal to the coverage period of the reinsurance contract. That is, losses must occur within the treaty's cover period.

The group offers insurance contracts that provide both insurance cover and the payment of a specified amount (performance bonus or premium refund paid at agreed upon intervals, after deducting related expenses). These specified amounts meet the definition of an investment component as they will be paid to policyholders in all circumstances, regardless of whether an insured event occurs. The criteria encompass risk management strategies, risk performance conditions or policy claim experience.

These contracts are deemed to be insurance contracts under IFRS 17 as the group has concluded that there is a transfer of significant risk.

The obligation to pay the specified amount back to the policyholder meets the definition of an investment component, as it is an amount which the group is required to pay to the policyholder even if an insured event does not occur. The investment component has been assessed and the group has determined that the investment component does not meet the criteria to be considered a separate or standalone component, as it is highly interrelated to the insurance contract. Consequently, the non-distinct investment component is measured as part of the insurance liability.

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation at which to apply the standard. The standard requires that when insurance contracts are valued, they are grouped together with other contracts that are managed together and that have similar risk profiles. Each business within the group manages insurance contracts issued within product lines, therefore the IFRS17 portfolios are allocated at a business unit, class of insurance level.

Portfolios are further divided into groups of insurance contracts, based on whether:

- contracts are onerous at initial recognition;
- contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- groups of remaining contracts.

If there are facts and circumstances that indicate that a group of contracts is onerous, a loss will be recognised in profit or loss equal for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. The loss recognised for an onerous group of contracts will be rebalanced at each reporting date, with any change in the loss component recognised as an increase or reversal of losses in profit or loss. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

2. Accounting policies (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

Measurement

IFRS 17 introduces three new measurement models:
- Premium allocation approach (PAA): simplification available to contracts which are of short duration or where certain eligibility criteria are met.
- General measurement model (GMM): applicable to all insurance contracts issued and reinsurance contracts held.
- Variable fee approach (VFA): applicable to insurance contracts with a discretionary participation feature.

Insurance and reinsurance contracts

Insurance liabilities and assets are measured using the PAA, which is the simplified measurement model applicable to contracts with a coverage period of 12 months or less, or where the measurement of the insurance liability is not significantly different between PAA or GMM.

The group applies the PAA to all its portfolios, except for certain life portfolios which are measured at GMM.

The group does not have contracts which meet the definition of insurance or investment contracts with discretionary participation features. The VFA measurement model is therefore not applied to insurance contracts in the group.

Where the requirements are met to measure a group of insurance contracts using the PAA, the liability for remaining coverage (LRC) at initial recognition corresponds to premiums received less acquisition costs. The premiums received exclude value added tax and any other foreign indirect taxes. Cash flows relating to such transaction-based taxes are recognised as loans and receivables. Premiums received from intermediaries are recognised as part of the LRC. The GMM remains applicable for the measurement of liability for incurred claims.

At subsequent reporting periods, the carrying amount of the LRC is adjusted for premiums received and insurance revenue (for services provided during the period). The liability for incurred claims (LIC) includes the fulfilment cash flows for incurred claims and other related expenses.

Under GMM, the LRC of insurance contracts is measured as: fulfilment cash flows, that is, the present value of future cash flows within the contract boundary necessary to fulfil insurance obligations under the contract; plus a risk adjustment for non-financial risk and the contractual service margin (CSM) (representing unearned profit). An amount of the CSM at the end of the period is recognised in insurance revenue based on the insurance contract services provided under the group of contracts in the current period and what is expected to be provided in the future.

For reinsurance contracts, the group applies the same measurement principles that are applied to insurance contracts. The carrying amount of a group of reinsurance contracts consists of the asset for remaining coverage (ARC) and asset for incurred claims (AIC). Under PAA, the group measures the ARC as reinsurance premiums paid less commissions received. The fulfilment cash flows of the AIC, comprises a best estimate of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer, together with a risk adjustment for non-financial risk.

Where GMM is applied to reinsurance contracts, the ARC is calculated as the best estimate of future cash flows, plus a risk adjustment for non-financial risk and in place of a CSM, a net cost or net gain on purchasing reinsurance.

Insurance acquisition costs

Insurance acquisition costs are defined as those costs related to the selling, underwriting and starting a group of insurance contracts. The group's policy is to defer acquisition costs. Acquisition costs are amortised on a straight-line basis over the coverage period of the group of contracts.

Notes to the condensed consolidated interim financial statements

2. Accounting policies (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

Amounts recognised in the statement of comprehensive income

Insurance revenue, insurance service expenses and net income and expenses on reinsurance contracts are recognised in the statement of comprehensive income based on the concept of services provided during the period.

The group recognises insurance revenue based on expected premium receipts.

Critical accounting estimates and judgements

The group's accounting policies in terms of IFRS 17 are summarised below, including estimates and judgements. For critical estimates and judgements, refer to note 3.

Premium allocation approach eligibility

The group will apply the PAA to measure a group of insurance contracts issued or reinsurance held if, at inception of the group: the coverage period of each contract in the group of insurance contracts is one year or less; or the group reasonably expects that the PAA would produce a measurement of the liability or asset for remaining coverage for a group of insurance contracts that would not differ materially from the measurement that would be achieved by applying the requirements of the GMM.

Where the cover period is greater than one year, the group will assess the appropriateness of the PAA measurement model as follows:

- Project the fulfilment cash flows of the group of contracts and take into account the time value of money where the time between providing each part of the services and the related premium is more than a year.
- Calculate the projected LRC under the PAA and under the GMM (including the CSM) at each projected time period (initial recognition and subsequent measurement at the external reporting frequency, i.e. half-yearly or annually).
- At each point in time (in the projection) calculate the difference between the LRC under the PAA and GMM ("the difference").
- Compare the difference to the pre-determined materiality threshold (relative measure) at each point in time.
- Where the difference does not exceed the determined threshold (at any time) then the group passes the PAA eligibility test (for the base case).
- Perform scenario testing using the above process to ensure differences remain immaterial.

Scenario testing will be performed, at least annually, by updating the projected fulfilment cash flows (best estimates and corresponding risk adjustments) under reasonably expected scenarios, which would affect cash flow variability.

Relative materiality thresholds will be defined for each portfolio based on ensuring that the combined absolute impacts of all IFRS 17 groups with coverage periods longer than a year applying the PAA falls within an absolute measure of materiality for the entity for each future year.

Unit of account

The lowest unit of account explicitly mentioned in IFRS 17 is the contract, and there is a presumption that an insurance arrangement with the legal form of a single contract would generally be considered a single unit of account.

There might be certain cases where the legal form of a contract does not reflect the substance, and thus where separation is required for accounting purposes. In such instances, the group writes multiple risks into a single contract and has concluded that each risk within the policy document is the unit of account for IFRS 17 based on the following reasons:

- Each risk in the policy is a separate transaction and therefore a separate contract concluded with the policyholder due to the risk being acquired independently by the policyholder, independently underwritten and priced and monitored and reported on separately by management.
- Depending on when the risks were acquired and added to a policy document, the risks would expire at different times. Practically, however, when the earliest of the contracts renew in a policy, all risks in the policy are renewed to ease the administrative burden for the policyholder. This is also permissible as in the commercial and personal lines contracts the group is allowed to give 30-days' written notice of the changes that will be made to the policy.
- The different risks covered in a policy do not have similar characteristics and commercial risks and have no bearing to each other in consideration of future fulfilment net cash flows.
- Fulfilment cash flows for each risk is considered independently of other risks covered in a policy.

Notes to the condensed consolidated interim financial statements

2. Accounting policies (continued)

IFRS 17 INSURANCE CONTRACTS (continued)

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free curve, plus an illiquidity premium where applicable. For the general business, the group will apply the ten-year government bond risk-free curve as at reporting date for the LIC.

The risk-free rates are deemed appropriate given that:

- the risk-free rate adequately reflects the characteristics of the insurance contracts as the risk-free rate generally increases for longer durations. Further, any differences in characteristics between the risk-free rates and the insurance contracts should not be material given the short-term nature of the liabilities; and
- the risk-free rates are consistent with current market prices as they reflect the rates provided in the market and will be the latest available rates.

Given the nature of the liabilities, no liquidity adjustment will be made to the risk-free rate. The discount curve used for cash flows will be based on the most current rates reflecting that variability.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would require to remove the uncertainty that future cash flows will exceed the expected value amount.

The first step in the process is to calculate a best estimate reserve, where there is an equal chance that the actual amount needed to pay future claims will be higher or lower than the calculated best estimate. The group will aim to use a confidence level approach (Value at Risk) under IFRS 17. The group's calibrated risk adjustment (using value at risk) is such that the technical reserves held are between the 75th and 85th percentile of the net ultimate loss distribution.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the group to the reinsurer.

The risk adjustment percentile will be defined at the Santam group level and implemented consistently across the group. All licensed entities accepting insurance risk within the group are required to target the confidence interval as defined at the group level.

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that the group expects to recognise as it provides insurance contract services. If a group of insurance contracts is not onerous at initial recognition, the CSM is measured as the equal and opposite amount of the net inflow resulting from the total of the fulfilment cash flows, any derecognised assets or liabilities for insurance acquisition or other cash flows paid before the recognition date. This results in no income or expenses arising on initial recognition. If a group of insurance contracts is onerous at initial recognition, the group immediately recognises this net outflow in profit or loss.

For groups of insurance contracts measured under the GMM, the CSM at the start of the period is explicitly accreted with interest based on the discount rates applied to the fulfilment cash flows at initial recognition.

The impact of changes in estimates of the fulfilment cash flows on the measurement of the CSM depends on whether the changes are related to current (or past) or future service:

- changes that relate to current or past service are recognised in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM within the liability for remaining coverage, including changes in the risk adjustment for non-financial risk that relate to future service. This excludes any changes which give rise to a loss on a group of insurance contracts, as well as any changes which adjust the loss recovery component on a group of reinsurance contracts.

Foreign currency translation

The measurement of a group of insurance contracts (including the contractual service margin) with cash flows in more than one currency, will be denominated in a single currency based on the dominant currency in which expected cash flows are generated.

Notes to the condensed consolidated interim financial statements

3. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2022. Refer below for detail on the liability for incurred claims applying IFRS 17 terminology. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis with revisions to estimates being recognised prospectively.

Liability for incurred claims

The best estimate provision for LIC relates to claim events that have occurred before or at the reporting date; whether the claims arising from these events have been reported (outstanding claims reserve – OCR) or not (incurred but not reported – IBNR). The cash flow projections comprise all future claim payments, receivables from salvage as well as the claims administration expenses arising from these events. The reinsurance cash flow projections will make allowance for the best estimate credit risk arising from the potential default of reinsurance counterparties. Historic claims triangulations that cross-tabulate claims incurred by their date of loss and date of payment are used to determine the expected cost of future claims. A payment pattern based on the historic claims paid triangulation is used to determine the rate at which the claims provision runs off into the future. These future claims payments are then discounted back to the reporting date using a term-dependent discount rate. The best-estimate liability is equal to the sum of the discounted claims and expense provisions.

4. Significant events in 2023

Climate-related claim events

Refer to the financial review for the impact of weather and earthquake related claims in the first half of 2023.

5. Risk management

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

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

The condensed consolidated interim financial statements do not include all risk management information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2022.

There have been no material changes to the risk management policies since 31 December 2022.

Notes to the condensed consolidated interim 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 Broker Solutions, Santam Client Solutions, Santam Partner Solutions, Santam Specialist Solutions, MiWay and Santam Re;
- Alternative Risk Transfer (ART) insurance business written on the insurance licences of the Centriq Insurance group (Centriq) and the Santam Structured Insurance group (SSI); and
- Santam's share of the insurance results of the Sanlam Emerging Markets (SEM) general insurance businesses.

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 insurance revenue generated by the underlying businesses. With regard to the SEM insurance business, this information is considered to be a reallocation of fair value movements recognised on the SEM target shares. It is also included as reconciling items in order to reconcile to the condensed consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments.

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 (June 2022: R2.6 billion (10.5%) was received from a single client and is included in the ART operating segment).

Santam Ltd is domiciled in South Africa. Geographical analysis of the insurance revenue 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, SEM target shares and non-current assets held for sale.

Notes to the condensed consolidated interim financial statements

6. Segment information (continued)

6.1 Segment report

For the period ended 30 June 2023 (reviewed)

Business activity	Insurance: Conventional R million	Insurance: Alternative risk transfer R million	Insurance: Santam's share of SEM businesses R million	Insurance: Total R million	Investment R million	Total R million	Reconciling and unallocated[4] R million	IFRS total R million
Revenue	17 566	4 926	461	**22 953**	682	**23 635**	(1 143)	**22 492**
External	17 248	4 926	461	**22 635**	682	**23 317**	(1 143)	**22 174**
Intersegment[5]	318	–	–	**318**	–	**318**	–	**318**
Operating result before non-controlling interest and tax[1]	843	174	106	**1 123**	–	**1 123**	(106)	**1 017**
Reallocation of operating result	–	–	(106)	**(106)**	–	**(106)**	106	**–**
Investment income net of investment-related fees	–	599	320	**919**	581	**1 500**	–	**1 500**
Investment return allocated to cell owners and structured insurance products	–	(596)	–	**(596)**	–	**(596)**	–	**(596)**
Finance costs[2]	–	(3)	–	**(3)**	(152)	**(155)**	–	**(155)**
Income from associates and joint ventures	–	–	–	**–**	45	**45**	–	**45**
Amortisation and impairment of intangible assets[3]	(13)	–	–	**(13)**	–	**(13)**	–	**(13)**
Income tax recovered from cell owners and structured insurance products	–	378	–	**378**	–	**378**	–	**378**
Profit before tax from continuing operations and discontinued operations	830	552	320	**1 702**	474	**2 176**	–	**2 176**

1 *Includes depreciation of R105 million for conventional and R4 million for ART.*
2 *Finance costs relating to lease liabilities is 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 R1 million is 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 for management reporting purposes (as a result of the investments in SEM being carried at fair value through income), and the reallocation of investment revenue for IFRS purposes.*
5 *Intersegment revenue includes revenue earned from Santam's share of the SEM businesses segment.*

Notes to the condensed consolidated interim financial statements

6. Segment information (continued)

6.1 Segment report (continued)

For the period ended 30 June 2022 (restated[6] and reviewed)

Business activity	Insurance: Conventional R million	Insurance: Alternative risk transfer R million	Insurance: Santam's share of SEM businesses[6] R million	Insurance: Total R million	Investment R million	Total R million	Reconciling and unallocated[4] R million	IFRS total R million
Revenue	16 220	4 196	364	**20 780**	192	**20 972**	(556)	**20 416**
External	15 978	4 196	364	**20 538**	192	**20 730**	(556)	**20 174**
Intersegment[5]	242	–	–	**242**	–	**242**	–	**242**
Operating result before non-controlling interest and tax[1]	432	108	86	**626**	–	**626**	(86)	**540**
Reallocation of operating result	–	–	(86)	**(86)**	–	**(86)**	86	**–**
Investment income net of investment-related fees	–	127	157	**284**	106	**390**	–	**390**
Investment return allocated to cell owners and structured insurance products	–	(109)	–	**(109)**	–	**(109)**	–	**(109)**
Finance costs[2]	–	(18)	–	**(18)**	(116)	**(134)**	–	**(134)**
Income from associates and joint ventures	–	–	–	**–**	41	**41**	–	**41**
Loss from discontinued operations (equity-accounted loss from SAN JV)	–	–	–	**–**	(14)	**(14)**	–	**(14)**
Amortisation and impairment of intangible assets[3]	(10)	–	–	**(10)**	–	**(10)**	–	**(10)**
Income tax recovered from cell owners and structured insurance products	–	275	–	**275**	–	**275**	–	**275**
Profit before tax from continuing operations and discontinued operations	422	383	157	**962**	17	**979**	–	**979**

[1] *Includes depreciation of R104 million for conventional and R6 million for ART.*
[2] *Finance costs relating to lease liabilities is 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 R3 million is 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 for management reporting purposes (as a result of the investments in SEM being carried at fair value through income), and the reallocation of investment revenue for IFRS purposes.*
[5] *Intersegment revenue includes revenue earned from Santam's share of the SEM businesses segment.*
[6] *Restated as a result of the adoption of IFRS 17.*

Notes to the condensed consolidated interim financial statements

6. Segment information (continued)

6.1 Segment report (continued)

Additional information on conventional insurance activities

	Reviewed Six months ended 30 June 2023 R million	Restated[3] Reviewed Six months ended 30 June 2022 R million
Gross insurance revenue	**17 566**	16 220
Gross written premium	**17 657**	16 543
Unearned premium, experience adjustments and inward reinsurance commission netted off against insurance revenue	**(91)**	(323)
Net earned premium	**14 377**	13 496
Gross insurance revenue	**17 566**	16 220
Inward reinsurance commission netted off against insurance revenue	**477**	473
Reinsurance cost	**(3 666)**	(3 197)
Net claims incurred	**9 491**	9 196
Gross claims cost	**9 912**	14 500
Gross claims incurred	**9 367**	14 209
Unwinding of discount rate	**545**	291
Reinsurance claims	**(421)**	(5 304)
Reinsurance claims recovered	**(133)**	(5 128)
Unwinding of discount rate	**(288)**	(176)
Net commission	**2 070**	2 032
Gross commissions incurred	**2 386**	2 231
Inward reinsurance commission netted off against insurance revenue	**477**	473
Reinsurance commission received	**(793)**	(672)
Management expenses[1,2]	**2 271**	1 864
Net underwriting result	**545**	404
Investment return on insurance funds	**319**	30
Net insurance result	**864**	434
Other income	**70**	63
Other expenses	**(91)**	(65)
Operating result before non-controlling interest and tax	**843**	432

[1] *Amortisation of computer software is included in management expenses.*
[2] *Finance costs relating to lease liabilities is included in management expenses.*
[3] *Restated as a result of the adoption of IFRS 17.*

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

	Reviewed Six months ended 30 June 2023		Reviewed Six months ended 30 June 2022	
	Gross written premium R million	Underwriting result R million	Gross written premium R million	Restated[1] Underwriting result R million
Accident and health	**397**	**94**	349	65
Crop	**77**	**52**	81	59
Engineering	**1 030**	**138**	857	243
Guarantee	**23**	**3**	42	10
Liability	**911**	**373**	785	252
Miscellaneous	**53**	**12**	30	(23)
Motor	**7 787**	**130**	7 633	244
Property	**6 622**	**(317)**	6 206	(371)
Transportation	**757**	**60**	560	(75)
Total	**17 657**	**545**	16 543	404
Comprising				
Commercial insurance	**10 309**	**516**	9 421	376
Personal insurance	**7 348**	**29**	7 122	28
Total	**17 657**	**545**	16 543	404

[1] *Restated as a result of the adoption of IFRS 17.*

Notes to the condensed consolidated interim financial statements

6. Segment information (continued)

6.1 Segment report (continued)

Additional information on alternative risk transfer insurance activities

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

	Reviewed Six months ended 30 June 2023 R million	Restated[2] Reviewed Six months ended 30 June 2022 R million
Income from clients	282	204
Participation in underwriting results[1]	47	34
	329	238
Administration expenses	(155)	(130)
Operating result before non-controlling interest and tax	174	108
Non-controlling interest	(18)	(8)
Operating results before tax	156	100

[1] *This relates to Centriq and SSI's selective participation in underwriting risk across the portfolios of traditional insurance business.*
[2] *Restated as a result of the adoption of IFRS 17.*

Additional information on Santam's share of SEM businesses

	Reviewed Six months ended 30 June 2023 R million	Restated[1] Reviewed Six months ended 30 June 2022 R million
Revenue	461	364
Net earned premium	338	303
Net claims incurred	(199)	(192)
Net acquisition cost	(149)	(124)
Net underwriting result	(10)	(13)
Investment return on insurance funds	116	99
Operating result before non-controlling interest and tax	106	86

[1] *Restated as a result of the adoption of IFRS 17.*

Additional information on investment activities

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

	Reviewed Six months ended 30 June 2023 R million	Restated[1] Reviewed Six months ended 30 June 2022 R million
Investment income	406	677
Net gains/(losses) on financial assets and liabilities at fair value through income	231	(512)
Income from associates and joint ventures	45	41
Loss from discontinued operations	–	(14)
Investment-related revenue	682	192
Expenses for investment-related activities	(56)	(59)
Finance costs	(152)	(116)
Net total investment-related transactions	474	17

[1] *Restated as a result of the adoption of IFRS 17.*

For a detailed analysis of investment activities, refer to notes 7 and 10.

Notes to the condensed consolidated interim financial statements

6. Segment information (continued)

6.2 Geographical analysis

	Insurance revenue		Non-current assets	
	Reviewed Six months ended 30 June 2023 R million	Restated[3] Reviewed Six months ended 30 June 2022 R million	Reviewed as at 30 June 2023 R million	Audited as at 31 December 2022 R million
South Africa	**19 565**	17 477	**2 183**	2 168
Rest of Africa[1]	**1 288**	1 298	**1 780**	1 781
Southeast Asia, India and Middle East	**2 015**	1 976	**1 890**	1 596
Other	**85**	186	**–**	–
	22 953	20 937	**5 853**	5 545
Reconciling items[2]	**(461)**	(521)	**–**	–
Group total	**22 492**	20 416	**5 853**	5 545

[1] *Includes insurance revenue relating to Santam Namibia Ltd of R526 million (June 2022: R497 million).*
[2] *Reconciling items relate to the underlying investments included in the SEM target shares for management reporting purposes (as a result of the investments in SEM being carried at fair value through income).*
[3] *Restated as a result of the adoption of IFRS 17.*

7. Financial assets and liabilities

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

	Reviewed as at 30 June 2023 R million	Restated[2] Audited as at 31 December 2022 R million
Financial assets mandatory measured at fair value through income		
Strategic investment - unquoted SEM target shares	**1 890**	1 596
Financial assets at fair value through income	**38 942**	35 850
	40 832	37 446
Expected to be realised after 12 months[1]	**29 346**	26 267
Expected to be realised within 12 months	**11 486**	11 179
Loans and receivables	**4 243**	3 690
Loans and receivables are expected to be realised within 12 months.		
Financial liabilities		
Financial liabilities at fair value through income	**8 382**	7 788
Expected to be settled after 12 months	**7 557**	6 763
Expected to be settled within 12 months	**825**	1 025
Trade and other payables	**3 249**	2 855

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

[1] *Including unquoted SEM target shares amounting to R1 890 million (December 2022: R1 596 million).*
[2] *Restated as a result of the adoption of IFRS 17.*

Notes to the condensed consolidated interim financial statements

7. Financial assets and liabilities (continued)

7.1 Financial instruments measured at fair value on a recurring basis

The table below analyses financial instruments, carried at fair value through income, by valuation method. There were no significant changes in the valuation methods applied since 31 December 2022. 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 (NAV) 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 the Johannesburg Stock Exchange (JSE) interest rate market or issue price of external valuations based on market input.[1]
    - Unquoted interest-bearing investments are valued using the DCF method, with main inputs being real interest rates, benchmark yield plus fixed spread or deposit rates based on market input.
  - Structured transactions: valued using the DCF method, with main inputs being 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 the DCF method, 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: 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 period. The group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

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

Reviewed as at 30 June 2023	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	2 771	–	–	2 771
Unlisted equities and similar securities	–	–	2 030	2 030
Interest-bearing investments				
Government interest-bearing investments	–	4 312	–	4 312
Corporate interest-bearing investments	–	16 423	49	16 472
Mortgages and loans	–	77	–	77
Structured transactions				
Structured notes	–	290	–	290
Derivative assets	–	–	11	11
Investment funds	–	9 625	–	9 625
Cash, deposits and similar securities	–	5 244	–	5 244
Financial assets at fair value through income	2 771	35 971	2 090	40 832
Debt securities	–	3 026	–	3 026
Investment contracts	–	5 319	–	5 319
Derivative liabilities	–	–	37	37
Financial liabilities at fair value through income	–	8 345	37	8 382

Notes to the condensed consolidated interim financial statements

7. Financial assets and liabilities (continued)

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

Audited as at 31 December 2022 (restated[1])	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Equities and similar securities				
Listed equities and similar securities	2 861	–	–	2 861
Unlisted equities and similar securities	–	–	1 738	1 738
Interest-bearing investments				
Government interest-bearing investments	–	4 640	–	4 640
Corporate interest-bearing investments	–	15 280	60	15 340
Mortgages and loans	–	87	–	87
Structured transactions				
Structured notes	–	238	–	238
Investment funds	–	9 065	–	9 065
Cash, deposits and similar securities	–	3 477	–	3 477
Financial assets at fair value through income	2 861	32 787	1 798	37 446
Debt securities	–	2 539	–	2 539
Investment contracts	–	5 214	–	5 214
Derivative liabilities	–	–	35	35
Financial liabilities at fair value through income	–	7 753	35	7 788

[1] *Restated for the adoption of IFRS 17.*

The following table presents the changes in level 3 instruments:

	Equity securities R million	Interest-bearing investments R million	Derivative assets/ (liabilities) R million	Total R million
30 June 2023 (reviewed)				
Opening balance	**1 738**	**60**	**(35)**	**1 763**
Redemptions/settlements	**–**	**–**	**123**	**123**
Gains/(losses) recognised in profit or loss	**292**	**(11)**	**11**	**292**
Losses recognised directly in equity	**–**	**–**	**(125)**	**(125)**
Closing balance	**2 030**	**49**	**(26)**	**2 053**
31 December 2022 (audited)				
Opening balance	1 765	60	(1)	1 824
Acquisitions	62	–	–	62
Redemptions/settlements	(92)	–	(23)	(115)
Gains recognised in profit or loss	3	–	24	27
Losses recognised directly in equity	–	–	(35)	(35)
Closing balance	1 738	60	(35)	1 763

Notes to the condensed consolidated interim financial statements

7. Financial assets and liabilities (continued)

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

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

Of the R292 million gain (December 2022: R3 million) recognised on equity securities, the full amount (December 2022: a R3 million loss) relates to the SEM target shares, of which R184 million (December 2022: R58 million loss) relates to foreign exchange movement, and R108 million (December 2022: R55 million gain) 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:

- In 2023, the increase in the value of SGI of R180 million (December 2022: R187 million)(excluding the impact of exchange rate movements) was positively impacted by strong growth in the direct channel coupled with expected recovery of the credit extension business where car financing extended is coupled with insurance policies. SGI also reported a better claims experience than prior years and expects the claims ratio to gradually improve over the short term.
- In April 2022, KKR, a leading global investment fund, acquired a 9.99% stake in SGI from the Shriram group. Before the transaction, Santam held a 15% economic participatory interest in SGI by way of a target share issued by SEM, which target share references SEM's effective shareholding in SGI. The transaction diluted SEM's effective shareholding in SGI, resulting in a commensurate dilution of Santam's economic interest in SGI from 15% to 14.1%. The enterprise value attributed to SGI for the transaction was around R38 billion (Rs 18 000 crore) and exceeded Santam's internal valuation of SGI at 31 December 2022 of R10 billion (Rs 5 046 crore) for the 100% stake. Pursuant to the transaction, Santam received a distribution in respect of the SGI target share at the end of May 2022, amounting to R217 million.
- On 14 December 2022, SEM redeemed the target shares through which the Santam group held economic participation rights in the general insurance businesses of SEM in Africa (the African target shares). The African target shares were redeemed following the cash payment by SEM of aggregate redemption distributions to the amount of R126 million to Santam, comprising a capital distribution of R92 million and an income distribution of R34 million. The capital distribution was recognised directly in the statement of financial position as a reduction of the African target share investment value. The income distribution was recognised in the statement of comprehensive income, where it was countered with a release of the realised fair value adjustment of the same value. The Santam group retained its economic participation rights in the general insurance investments of SEM in India and Malaysia.

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 multiples of net asset value ranging between 0.6 and 1.1 (December 2022: 0.6 and 1.0). 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 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 in India to the value of R1 755 million (December 2022: R1 459 million).

The fair value of the SGI target share is determined using a DCF model, and significant assumptions are tested with local management as well as Santam's representative on the SGI board of directors. Given the short volatility of earnings patterns, the group uses a ten year discounting period, rather than a five year one, in order to provide a more robust valuation of the SGI business. The ten 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 input used in this DCF model is the discount rate of 14.9% (December 2022: 15.1%). A rand/Indian rupee exchange rate of 0.23 (December 2022: 0.205) was used to translate the DCF valuation result in Indian rupee to rand. An average net insurance margin over a ten year period of 20.2% (December 2022: 21.4%) was incorporated. Should the discount rate increase or decrease by 10%, the investment would decrease by R369 million (December 2022: R277 million) or increase by R593 million (December 2022: R438 million), respectively. If the relative foreign exchange rate increases or decreases by 10%, the fair value will increase or decrease by R176 million (December 2022: R146 million). Should the net insurance margin profile (projected over a period of ten years) increase or decrease by 10%, the fair value will increase or decrease by R145 million (December 2022: R117 million). The remaining SEM target share is valued with reference to the net asset value of the underlying company and was mostly impacted by changes in the exchange rate.

Notes to the condensed consolidated interim financial statements

7. Financial assets and liabilities (continued)

7.2 Debt securities

During April 2016, the company issued unsecured subordinated callable fixed rate notes to the value of R500 million. The effective rate for the fixed rate notes amounted to 11.77%. The fixed rate notes of R500 million were redeemed on the optional redemption date of 12 April 2023.

During June 2017, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion in anticipation of the redemption of the R1 billion subordinated debt issued in 2007 and redeemed in September 2017. The effective interest rate for the floating rate notes represented the three-month JIBAR plus 210 basis points. The notes have all been redeemed on the optional redemption date of 27 June 2022.

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

During May 2022, the company issued additional unsecured subordinated callable floating rate notes to the value of R1 billion. The effective interest rate for the floating rate notes represents the three-month JIBAR plus 159 basis points. The notes have an optional redemption date of 16 May 2027 with a final maturity date of 16 May 2032.

During April 2023, Santam issued additional five year unsecured subordinated callable floating rate notes to the value of R1 billion. The effective interest rate for the floating rate notes is equivalent to the three-month JIBAR plus a spread of 150 basis points. The notes have a final maturity date of 6 April 2028.

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

Santam's international credit rating was reaffirmed as BB in March 2023. No reviewed credit rating has been issued since. The movement in the fair value of the unsecured subordinated callable notes is considered immaterial and mainly represents the market movement.

7.3 Derivatives

At 30 June 2023, the group had exchange traded futures with an exposure value of R728 million (December 2022: R968 million). The exchange traded futures relate to interest rate derivatives used to manage interest rate risk in Santam's fixed income portfolios.

On 4 May 2022, Santam announced that it entered into an agreement with Allianz, in terms of which Santam will dispose of its 10% interest in SAN JV to Allianz. On the same day Santam entered into a 12-month zero-cost collar to the amount of EUR125 million to protect the sale proceeds from the rand strengthening against the euro. The structure provided full downside protection below a EUR/ZAR exchange rate of R16.66 and entitled Santam to share in rand weakness against the euro up to a cap of R19.16. On 31 December 2022, the fair value of the structure amounted to a R35 million liability. The collar was designated as a cash flow hedge instrument on 4 May 2022. The impact of this was that foreign currency losses of R35 million recognised on the collar since implementation date were not recognised in the statement of comprehensive income, but were accounted for as a hedging reserve. On expiry, the group decided not to renew the collar structure and paid a final settlement of R123 million to the counterparty. The group has retained the cash flow hedge reserve and will recycle this to profit or loss on disposal of SAN JV.

On 4 May 2023, upon expiration of the above mentioned zero-cost collar, the transaction with Allianz had not been finalised. The group decided to continue hedging the transaction by entering into a forward exchange contract (FEC) on a notional amount of EUR125 million with cover up to 2 October 2023. The contract rate at expiry on 2 October 2023 is R20.58. On 30 June 2023 the total value of the FEC amounted to R37 million with the movement accounted for in the cash flow hedge reserve.

On 30 June 2022, the group entered into a zero-cost collar over listed equities to the value of R1.4 billion, based on the SWIX 40, to provide capital protection under continued volatile market conditions. The structure offered full downside protection from the implementation level of 11 789, with upside participation (excluding dividends) of 0.78% and expired on 15 December 2022. The final loss on the contract was R90 million.

Notes to the condensed consolidated interim financial statements

7. Financial assets and liabilities (continued)

7.3 Derivatives (continued)

The movement in the hedging instrument and hedged item during the period was as follows:

	Reviewed as at 30 June 2023		Audited as at 31 December 2022	
	Hedging instrument R million	Hedged item R million	Hedging instrument R million	Hedged item R million
Carrying/fair value at the beginning of the period	(35)	2 264	–	–
New hedge item	–	–	–	2 039
Movement in carrying/fair value	(125)	379	(35)	225
Settlements	123	–	–	–
Carrying/fair value at the end of the period	(37)	2 643	(35)	2 264

The hedging instrument was the foreign exchange collar which expired and was settled in full. The hedge was replaced with an FEC contract. The hedged item is the forecast transaction for the disposal of the group's interest in SAN JV. The hedge remains fully effective, and no hedge ineffectiveness was accounted for in profit or loss during the period.

8. Insurance and reinsurance contracts

8.1 Insurance and reinsurance contracts by line of business

		Reviewed as at 30 June 2023			Restated[1] Audited as at 31 December 2022		
	Notes	Assets R million	Liabilities R million	Net (assets)/ liabilities R million	Assets R million	Liabilities R million	Net (assets)/ liabilities R million
Insurance contracts issued							
General insurance							
Premium allocation approach	8.2.1	(243)	33 562	33 319	(696)	34 995	34 299
General measurement model	8.2.2, 8.3	–	678	678	–	702	702
		(243)	34 240	33 997	(696)	35 697	35 001
Life insurance							
Premium allocation approach	8.2.1	(88)	167	79	(86)	153	67
General measurement model	8.2.2, 8.3	(2)	1 980	1 978	(15)	1 227	1 212
		(90)	2 147	2 057	(101)	1 380	1 279
Insurance contract (assets)/liabilities		(333)	36 387	36 054	(797)	37 077	36 280
Reinsurance contracts held							
General insurance							
Premium allocation approach	8.4.1	(11 482)	140	(11 342)	(13 472)	68	(13 404)
		(11 482)	140	(11 342)	(13 472)	68	(13 404)
Life insurance							
Premium allocation approach	8.4.1	(3)	11	8	(57)	71	14
General measurement model	8.4.2, 8.5	(726)	2	(724)	(476)	4	(472)
		(729)	13	(716)	(533)	75	(458)
Third party cell insurance contracts	8.6	–	4 612	4 612	–	4 001	4 001
Reinsurance contract (assets)/liabilities		(12 211)	4 765	(7 446)	(14 005)	4 144	(9 861)

[1] *Restated as a result of the adoption of IFRS 17. IFRS 17 also requires new disclosures provided in notes 8.2 to 8.6.*

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.2 Movements in carrying amounts of insurance liabilities and assets

8.2.1 Insurance contracts – premium allocation approach	Reviewed as at 30 June 2023 Liability for remaining coverage Present value of expected future cash flows R million	Liability for incurred claims Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance				
Net insurance contract liabilities opening balance	12 710	19 385	2 204	34 299
Opening insurance contract assets	(894)	187	11	(696)
Opening insurance contract liabilities	13 604	19 198	2 193	34 995
Insurance revenue	(19 644)	–	–	(19 644)
Insurance service expenses	2 818	13 474	(458)	15 834
Incurred claims and other insurance services expenses	–	11 976	1 118	13 094
Amortisation of insurance acquisition costs	2 818	–	–	2 818
Changes to liabilities for incurred claims that relate to past service	–	1 498	(1 576)	(78)
Insurance service result	(16 826)	13 474	(458)	(3 810)
Insurance finance expenses	428	856	47	1 331
Total movements recognised in the statement of comprehensive income	(16 398)	14 330	(411)	(2 479)
Investment component	(293)	293	–	–
Premiums received	20 423	–	–	20 423
Claims and other insurance service expenses paid	–	(16 005)	–	(16 005)
Insurance acquisition costs paid	(2 919)	–	–	(2 919)
Total insurance contract cash flows	17 504	(16 005)	–	1 499
Net insurance contract liabilities closing balance	13 523	18 003	1 793	33 319
Closing insurance contract assets	(310)	59	8	(243)
Closing insurance contract liabilities	13 833	17 944	1 785	33 562

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.2 Movements in carrying amounts of insurance liabilities and assets (continued)

8.2.1 Insurance contracts – premium allocation approach

	Audited as at 31 December 2022			
	Liability for remaining coverage	Liability for incurred claims		
Insurance contracts – premium allocation approach	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance				
Net insurance contract liabilities opening balance	8 193	20 144	1 684	30 021
Opening insurance contract assets	(145)	48	18	(79)
Opening insurance contract liabilities	8 338	20 096	1 666	30 100
Insurance revenue	(38 675)	–	–	(38 675)
Insurance service expenses	6 346	29 511	424	36 281
Incurred claims and other insurance services expenses	–	28 813	1 346	30 159
Amortisation of insurance acquisition costs	6 346	–	–	6 346
Changes to liabilities for incurred claims that relate to past service	–	698	(922)	(224)
Insurance service result	(32 329)	29 511	424	2 394
Insurance finance expenses	422	907	96	1 425
Total movements recognised in the statement of comprehensive income	(31 907)	30 418	520	(969)
Investment component	(786)	786	–	–
Premiums received	43 407	–	–	43 407
Claims and other insurance service expenses paid	–	(31 963)	–	(31 963)
Insurance acquisition costs paid	(6 197)	–	–	(6 197)
Total insurance contract cash flows	37 210	(31 963)	–	5 247
Net insurance contract liabilities closing balance	12 710	19 385	2 204	34 299
Closing insurance contract assets	(894)	187	11	(696)
Closing insurance contract liabilities	13 604	19 198	2 193	34 995

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.2 Movements in carrying amounts of insurance liabilities and assets (continued)

8.2.1 Insurance contracts – premium allocation approach	Reviewed as at 30 June 2023 Liability for remaining coverage Present value of expected future cash flows R million	Liability for incurred claims Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance				
Net insurance contract liabilities opening balance	(65)	126	6	67
Opening insurance contract assets	(86)	–	–	(86)
Opening insurance contract liabilities	21	126	6	153
Insurance revenue	(356)	–	–	(356)
Insurance service expenses	63	73	–	136
Incurred claims and other insurance services expenses	–	73	–	73
Amortisation of insurance acquisition costs	63	–	–	63
Total movements recognised in the statement of comprehensive income	(293)	73	–	(220)
Premiums received	360	–	–	360
Claims and other insurance service expenses paid	–	(64)	–	(64)
Insurance acquisition costs paid	(64)	–	–	(64)
Total insurance contract cash flows	296	(64)	–	232
Net insurance contract liabilities closing balance	(62)	135	6	79
Closing insurance contract assets	(88)	–	–	(88)
Closing insurance contract liabilities	26	135	6	167

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.2 Movements in carrying amounts of insurance liabilities and assets (continued)

8.2.1 Insurance contracts – premium allocation approach

	Audited as at 31 December 2022			
	Liability for remaining coverage	Liability for incurred claims		
	Present value of expected future cash flows R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance				
Net insurance contract liabilities opening balance	(42)	105	6	69
Opening insurance contract assets	(67)	–	–	(67)
Opening insurance contract liabilities	25	105	6	136
Insurance revenue	(704)	–	–	(704)
Insurance service expenses	119	207	–	326
Incurred claims and other insurance services expenses	–	207	–	207
Amortisation of insurance acquisition costs	119	–	–	119
Total movements recognised in the statement of comprehensive income	(585)	207	–	(378)
Premiums received	673	–	–	673
Claims and other insurance service expenses paid	–	(186)	–	(186)
Insurance acquisition costs paid	(111)	–	–	(111)
Total insurance contract cash flows	562	(186)	–	376
Net insurance contract liabilities closing balance	(65)	126	6	67
Closing insurance contract assets	(86)	–	–	(86)
Closing insurance contract liabilities	21	126	6	153

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.2 Movements in carrying amounts of insurance liabilities and assets (continued)

8.2.2 Insurance contracts – general measurement model	Reviewed as at 30 June 2023					
	Liability for remaining coverage			Liability for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance						
Net insurance contract liabilities opening balance	679	1	22	–	–	702
Opening insurance contract liabilities	679	1	22	–	–	702
Insurance revenue	(50)	–	(1)	–	–	(51)
Contracts under the fully retrospective transition approach	(50)	–	(1)	–	–	(51)
Insurance service result	(50)	–	(1)	–	–	(51)
Insurance finance expenses	27	–	1	–	–	28
Total movements recognised in the statement of comprehensive income	(23)	–	–	–	–	(23)
Insurance acquisition costs paid	(1)	–	–	–	–	(1)
Total insurance contract cash flows	(1)	–	–	–	–	(1)
Net insurance contract liabilities closing balance	655	1	22	–	–	678
Closing insurance contract liabilities	655	1	22	–	–	678
Life insurance						
Net insurance contract liabilities opening balance	(3 976)	672	4 224	281	11	1 212
Opening insurance contract assets	(194)	22	157	–	–	(15)
Opening insurance contract liabilities	(3 782)	650	4 067	281	11	1 227
Insurance revenue	(2 087)	(105)	(249)	–	–	(2 441)
Contracts under the fully retrospective transition approach	(1 369)	(44)	(131)	–	–	(1 544)
Contract recognised since transition	(707)	(60)	(116)	–	–	(883)
Contracts under the fair value transition approach	(11)	(1)	(2)	–	–	(14)
Insurance service expenses	67	–	–	1 740	–	1 807
Incurred claims and other insurance services expenses	–	–	–	1 946	–	1 946
Amortisation of insurance acquisition costs	67	–	–	–	–	67
Changes to liabilities for incurred claims that relate to past service	–	–	–	(206)	–	(206)
Insurance service result	(2 020)	(105)	(249)	1 740	–	(634)
Insurance finance (income)/expenses	(188)	29	162	10	–	13
Changes that relate to future services	(2 283)	213	2 070	–	–	–
Total movements recognised in the statement of comprehensive income	(4 491)	137	1 983	1 750	–	(621)
Premiums received	3 185	–	–	–	–	3 185
Claims and other insurance service expenses paid	–	–	–	(1 731)	–	(1 731)
Insurance acquisition costs paid	(67)	–	–	–	–	(67)
Total insurance contract cash flows	3 118	–	–	(1 731)	–	1 387
Net insurance contract liabilities closing balance	(5 349)	809	6 207	300	11	1 978
Closing insurance contract assets	(19)	3	14	–	–	(2)
Closing insurance contract liabilities	(5 330)	806	6 193	300	11	1 980

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.2 Movements in carrying amounts of insurance liabilities and assets (continued)

8.2.2 Insurance contracts – general measurement model	Liability for remaining coverage: Present value of expected future cash flows R million	Liability for remaining coverage: Risk adjustment for non-financial risk R million	Liability for remaining coverage: Contractual service margin R million	Liability for incurred claims: Present value of expected future cash flows R million	Liability for incurred claims: Risk adjustment for non-financial risk R million	Total R million
	Audited as at 31 December 2022					
General insurance						
Net insurance contract liabilities opening balance	781	1	7	–	–	789
Opening insurance contract liabilities	781	1	7	–	–	789
Insurance revenue	(72)	–	15	–	–	(57)
Contracts under the fully retrospective transition approach	(72)	–	15	–	–	(57)
Total movements recognised in the statement of comprehensive income	(72)	–	15	–	–	(57)
Insurance acquisition costs paid	(30)	–	–	–	–	(30)
Total insurance contract cash flows	(30)	–	–	–	–	(30)
Net insurance contract liabilities closing balance	679	1	22	–	–	702
Closing insurance contract liabilities	679	1	22	–	–	702
Life insurance						
Net insurance contract liabilities opening balance	(2 751)	395	2 614	181	3	442
Opening insurance contract assets	(139)	15	80	–	–	(44)
Opening insurance contract liabilities	(2 612)	380	2 534	181	3	486
Insurance revenue	(4 276)	(147)	(395)	–	–	(4 818)
Contracts under the fully retrospective transition approach	(3 359)	(79)	(271)	–	–	(3 709)
Contract recognised since transition	(864)	(65)	(117)	–	–	(1 046)
Contracts under the fair value transition approach	(53)	(3)	(7)	–	–	(63)
Insurance service expenses	112	–	–	2 896	8	3 016
Incurred claims and other insurance services expenses	–	–	–	3 026	8	3 034
Amortisation of insurance acquisition costs	112	–	–	–	–	112
Changes to liabilities for incurred claims that relate to past service	–	–	–	(130)	–	(130)
Insurance service result	(4 164)	(147)	(395)	2 896	8	(1 802)
Insurance finance (income)/expenses	(61)	6	220	12	–	177
Changes that relate to future services	(2 203)	418	1 785	–	–	–
Total movements recognised in the statement of comprehensive income	(6 428)	277	1 610	2 908	8	(1 625)
Premiums received	5 315	–	–	–	–	5 315
Claims and other insurance service expenses paid	–	–	–	(2 808)	–	(2 808)
Insurance acquisition costs paid	(112)	–	–	–	–	(112)
Total insurance contract cash flows	5 203	–	–	(2 808)	–	2 395
Net insurance contract liabilities closing balance	(3 976)	672	4 224	281	11	1 212
Closing insurance contract assets	(194)	22	157	–	–	(15)
Closing insurance contract liabilities	(3 782)	650	4 067	281	11	1 227

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.3 Analysis of movements in carrying amounts of insurance liabilities and assets

Insurance contracts - general measurement model	Reviewed as at 30 June 2023			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
General and life insurance[1]				
Net insurance contract liabilities opening balance	(3 016)	684	4 246	1 914
Opening insurance contract assets	(194)	22	157	(15)
Opening insurance contract liabilities	(2 822)	662	4 089	1 929
Changes that relate to current services	(124)	(105)	(250)	(479)
Contractual service margin recognised for services provided	–	–	(250)	(250)
Change in risk adjustment for expired risk	–	(105)	–	(105)
Experience adjustments	(124)	–	–	(124)
Changes that relate to future services	(2 283)	213	2 070	–
Contracts recognised since transition	(1 259)	203	1 056	–
Changes in estimates that adjust the contractual service margin	(1 024)	10	1 014	–
Changes that relate to past services				
Changes to liabilities for incurred claims	(206)	–	–	(206)
Insurance service result	(2 613)	108	1 820	(685)
Insurance finance (income)/expenses	(151)	29	163	41
Total movements recognised in the statement of comprehensive income	(2 764)	137	1 983	(644)
Premiums received	3 185	–	–	3 185
Claims and other insurance service expenses paid	(1 732)	–	–	(1 732)
Insurance acquisition costs paid	(67)	–	–	(67)
Total insurance contract cash flows	1 386	–	–	1 386
Net insurance contract liabilities closing balance	(4 394)	821	6 229	2 656
Closing insurance contract assets	(19)	3	14	(2)
Closing insurance contract liabilities	(4 375)	818	6 215	2 658

[1] *General and life insurance balances included in this note are as per the detail in note 8.2.2 Insurance contracts – general measurement model.*

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.3 Analysis of movements in carrying amounts of insurance liabilities and assets (continued)

Insurance contracts - general measurement model	Audited as at 31 December 2022 Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
General and life insurance[1]				
Net insurance contract liabilities opening balance	(1 789)	399	2 621	1 231
Opening insurance contract assets	(139)	15	80	(44)
Opening insurance contract liabilities	(1 650)	384	2 541	1 275
Changes that relate to current services	(1 210)	(139)	(380)	(1 729)
Contractual service margin recognised for services provided	–	–	(380)	(380)
Change in risk adjustment for expired risk	–	(139)	–	(139)
Experience adjustments	(1 210)	–	–	(1 210)
Changes that relate to future services	(2 203)	418	1 785	–
Contracts recognised since transition	(1 210)	223	987	–
Changes in estimates that adjust the contractual service margin	(993)	195	798	–
Changes that relate to past services				
Changes to liabilities for incurred claims	(130)	–	–	(130)
Insurance service result	(3 543)	279	1 405	(1 859)
Insurance finance (income)/expenses	(49)	6	220	177
Total movements recognised in the statement of comprehensive income	(3 592)	285	1 625	(1 682)
Premiums received	5 315	–	–	5 315
Claims and other insurance service expenses paid	(2 838)	–	–	(2 838)
Insurance acquisition costs paid	(112)	–	–	(112)
Total insurance contract cash flows	2 365	–	–	2 365
Net insurance contract liabilities closing balance	(3 016)	684	4 246	1 914
Closing insurance contract assets	(194)	22	157	(15)
Closing insurance contract liabilities	(2 822)	662	4 089	1 929

[1] *General and life insurance balances included in this note are as per the detail in note 8.2.2 Insurance contracts – general measurement model.*

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.4 Movements in carrying amounts of reinsurance assets and liabilities

8.4.1 Reinsurance contracts - premium allocation approach	Reviewed as at 30 June 2023 Asset for remaining coverage Present value of expected future cash flows R million	Asset for incurred claims Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance				
Net reinsurance contract assets opening balance	1 563	(13 901)	(1 066)	(13 404)
Opening reinsurance contract assets	1 517	(13 923)	(1 066)	(13 472)
Opening reinsurance contract liabilities	46	22	–	68
Reinsurance expenses	3 167	–	–	3 167
Reinsurance income	–	(1 065)	565	(500)
Claims recovered and other reinsurance service income received	–	138	(293)	(155)
Adjustments to incurred claims that relate to past service	–	(1 203)	858	(345)
Net expenses/(income) from reinsurance contracts held	3 167	(1 065)	565	2 667
Reinsurance finance expenses/(income)	11	(414)	(2)	(405)
Total movements recognised in the statement of comprehensive income	3 178	(1 479)	563	2 262
Premiums paid (net of ceding commissions)	(5 368)	–	–	(5 368)
Claims recovered and other reinsurance service income received	–	5 170	–	5 170
Total reinsurance contract cash flows	(5 368)	5 170	–	(198)
Net reinsurance contract assets closing balance	(627)	(10 210)	(503)	(11 340)
Closing reinsurance contract assets	(736)	(10 240)	(504)	(11 480)
Closing reinsurance contract liabilities	109	30	1	140
Life insurance				
Net reinsurance contract liabilities opening balance	14	–	–	14
Opening reinsurance contract assets	(57)	–	–	(57)
Opening reinsurance contract liabilities	71	–	–	71
Reinsurance expenses	25	–	–	25
Reinsurance income	–	(2)	–	(2)
Claims recovered and other reinsurance service income received	–	(2)	–	(2)
Total movements recognised in the statement of comprehensive income	25	(2)	–	23
Premiums paid (net of ceding commissions)	(30)	–	–	(30)
Claims recovered and other reinsurance service income received	–	1	–	1
Total reinsurance contract cash flows	(30)	1	–	(29)
Net reinsurance contract liabilities closing balance	9	(1)	–	8
Closing reinsurance contract assets	(2)	(1)	–	(3)
Closing reinsurance contract liabilities	11	–	–	11

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.4 Movements in carrying amounts of reinsurance assets and liabilities (continued)

8.4.1 Reinsurance contracts - premium allocation approach	Reviewed as at 31 December 2022 Asset for remaining coverage Present value of expected future cash flows R million	Asset for incurred claims Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
General insurance				
Net reinsurance contract assets opening balance	(753)	(12 361)	(644)	(13 758)
Opening reinsurance contract assets	(838)	(12 361)	(634)	(13 833)
Opening reinsurance contract liabilities	85	–	(10)	75
Reinsurance expenses	6 912	–	–	6 912
Reinsurance income	–	(6 796)	(367)	(7 163)
Claims recovered and other reinsurance service income received	–	(6 059)	(686)	(6 745)
Adjustments to incurred claims that relate to past service	–	(737)	319	(418)
Net expenses/(income) from reinsurance contracts held	6 912	(6 796)	(367)	(251)
Reinsurance finance income	(5)	(484)	(55)	(544)
Total movements recognised in the statement of comprehensive income	6 907	(7 280)	(422)	(795)
Premiums paid (net of ceding commissions)	(4 591)	–	–	(4 591)
Claims recovered and other reinsurance service income received	–	5 740	–	5 740
Total reinsurance contract cash flows	(4 591)	5 740	–	1 149
Net reinsurance contract assets closing balance	1 563	(13 901)	(1 066)	(13 404)
Closing reinsurance contract assets	1 517	(13 923)	(1 066)	(13 472)
Closing reinsurance contract liabilities	46	22	–	68
Life insurance				
Net reinsurance contract liabilities opening balance	12	–	–	12
Opening reinsurance contract assets	(93)	–	–	(93)
Opening reinsurance contract liabilities	105	–	–	105
Reinsurance income	56	–	–	56
Claims recovered and other reinsurance service income received	56	–	–	56
Total movements recognised in the statement of comprehensive income	56	–	–	56
Premiums paid (net of ceding commissions)	(54)	–	–	(54)
Total reinsurance contract cash flows	(54)	–	–	(54)
Net reinsurance contract liabilities closing balance	14	–	–	14
Closing reinsurance contract assets	(57)	–	–	(57)
Closing reinsurance contract liabilities	71	–	–	71

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.4 Movements in carrying amounts of reinsurance assets and liabilities (continued)

8.4.2 Reinsurance contracts – general measurement model	Reviewed as at 30 June 2023					
	Asset for remaining coverage			Asset for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance						
Net reinsurance contract assets opening balance	1 097	(199)	(1 243)	(121)	(6)	(472)
Opening reinsurance contract assets	1 076	(197)	(1 227)	(122)	(6)	(476)
Opening reinsurance contract liabilities	21	(2)	(16)	1	–	4
Reinsurance expenses	1 641	29	69	–	–	1 739
Reinsurance income	–	–	–	(1 544)	–	(1 544)
Claims recovered and other reinsurance service income received	–	–	–	(1 544)	–	(1 544)
Net expenses/(income) from reinsurance contracts held	1 641	29	69	(1 544)	–	195
Reinsurance finance expenses/(income)	53	(8)	(48)	(2)	–	(5)
Changes that relate to future services	666	(57)	(609)	–	–	–
Total movements recognised in the statement of comprehensive income	2 360	(36)	(588)	(1 546)	–	190
Premiums paid (net of ceding commissions)	(1 980)	–	–	–	–	(1 980)
Claims recovered and other reinsurance service income received	–	–	–	1 538	–	1 538
Total reinsurance contract cash flows	(1 980)	–	–	1 538	–	(442)
Net reinsurance contract assets closing balance	1 477	(235)	(1 831)	(129)	(6)	(724)
Closing reinsurance contract assets	1 451	(232)	(1 809)	(130)	(6)	(726)
Closing reinsurance contract liabilities	26	(3)	(22)	1	–	2

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.4 Movements in carrying amounts of reinsurance assets and liabilities (continued)

8.4.2 Reinsurance contracts – general measurement model	Audited as at 31 December 2022					
	Asset for remaining coverage			Asset for incurred claims		
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Total R million
Life insurance						
Net reinsurance contract liabilities opening balance	1 042	(115)	(775)	(51)	(2)	99
Opening reinsurance contract assets	–	–	–	(52)	(2)	(54)
Opening reinsurance contract liabilities	1 042	(115)	(775)	1	–	153
Reinsurance expenses	2 685	45	103	–	–	2 833
Reinsurance income	–	–	–	(2 536)	(4)	(2 540)
Claims recovered and other reinsurance service income received	–	–	–	(2 536)	(4)	(2 540)
Net expenses/(income) from reinsurance contracts held	2 685	45	103	(2 536)	(4)	293
Reinsurance finance expenses/(income)	16	(2)	(65)	(4)	–	(55)
Changes that relate to future services	633	(127)	(506)	–	–	–
Total movements recognised in the statement of comprehensive income	3 334	(84)	(468)	(2 540)	(4)	238
Premiums paid (net of ceding commissions)	(3 279)	–	–	–	–	(3 279)
Claims recovered and other reinsurance service income received	–	–	–	2 470	–	2 470
Total reinsurance contract cash flows	(3 279)	–	–	2 470	–	(809)
Net reinsurance contract assets closing balance	1 097	(199)	(1 243)	(121)	(6)	(472)
Closing reinsurance contract assets	1 076	(197)	(1 227)	(122)	(6)	(476)
Closing reinsurance contract liabilities	21	(2)	(16)	1	–	4

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.5 Analysis of movements in carrying amounts of reinsurance assets and liabilities

Reinsurance contracts - general measurement model	Reviewed as at 30 June 2023 Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
Life insurance				
Net reinsurance contract assets opening balance	976	(205)	(1 243)	(472)
Opening reinsurance contract assets	954	(203)	(1 227)	(476)
Opening reinsurance contract liabilities	22	(2)	(16)	4
Changes that relate to current services	97	29	69	195
Contractual service margin recognised in profit or loss for the services received	–	–	69	69
Change in risk adjustment for expired risk	–	29	–	29
Experience adjustments	97	–	–	97
Changes that relate to future services	666	(57)	(609)	–
Contracts initially recognised in the period	358	(55)	(303)	–
Changes in estimates	308	(2)	(306)	–
Net expenses/(income) from reinsurance contracts held	763	(28)	(540)	195
Reinsurance finance expenses/(income)	51	(8)	(48)	(5)
Total movements recognised in the statement of comprehensive income	814	(36)	(588)	190
Premiums paid (net of ceding commissions)	(1 980)	–	–	(1 980)
Claims recovered and other reinsurance service income received	1 538	–	–	1 538
Total reinsurance contract cash flows	(442)	–	–	(442)
Net reinsurance contract assets closing balance	1 348	(241)	(1 831)	(724)
Closing reinsurance contract assets	1 321	(238)	(1 809)	(726)
Closing reinsurance contract liabilities	27	(3)	(22)	2

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.5 Analysis of movements in carrying amounts of reinsurance assets and liabilities (continued)

Reinsurance contracts - general measurement model	Audited as at 31 December 2022			
	Present value of expected future cash flows R million	Risk adjustment for non-financial risk R million	Contractual service margin R million	Total R million
Life insurance				
Net reinsurance contract liabilities opening balance	991	(117)	(775)	99
Opening reinsurance contract assets	(52)	(2)	–	(54)
Opening reinsurance contract liabilities	1 043	(115)	(775)	153
Changes that relate to current services	149	41	103	293
Contractual service margin recognised in profit or loss for the services received	–	–	103	103
Change in risk adjustment for expired risk	–	41	–	41
Experience adjustments	149	–	–	149
Changes that relate to future services	633	(127)	(506)	–
Contracts initially recognised in the period	336	(65)	(271)	–
Changes in estimates	297	(62)	(235)	–
Net expenses/(income) from reinsurance contracts held	782	(86)	(403)	293
Reinsurance finance expenses/(income)	12	(2)	(65)	(55)
Total movements recognised in the statement of comprehensive income	794	(88)	(468)	238
Premiums paid (net of ceding commissions)	(3 279)	–	–	(3 279)
Claims recovered and other reinsurance service income received	2 470	–	–	2 470
Total reinsurance contract cash flows	(809)	–	–	(809)
Net reinsurance contract assets closing balance	976	(205)	(1 243)	(472)
Closing reinsurance contract assets	954	(203)	(1 227)	(476)
Closing reinsurance contract liabilities	22	(2)	(16)	4

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.6 Movements in carrying amounts of third party cell insurance contracts

	Reviewed as at 30 June 2023				
	Premium allocation approach		General measurement model		
	Liability for remaining coverage	Liability for incurred claims	Liability for remaining coverage	Liability for incurred claims	
	Present value of expected future cash flows				Total
Third party cell insurance contracts	R million	R million	R million	R million	R million
General insurance					
Net third party cell insurance contracts opening balance	1 006	–	1 651	–	2 657
Third party cell insurance contracts liabilities opening balance	1 006	–	1 651	–	2 657
Reinsurance expenses	596	–	53	–	649
Net transfer from in-substance reinsurance contracts					
Contracts under the fully retrospective transition approach	596	–	–	–	596
Contracts under fair value approach	–	–	53	–	53
Reinsurance income	–	(451)	–	(50)	(501)
Other directly attributable expenses recovered	–	(78)	–	1	(77)
Claims recovered – current service	–	(373)	–	(51)	(424)
Net expenses/(income) from reinsurance contracts held	596	(451)	53	(50)	148
Reinsurance finance expenses – recovered	73	–	(12)	–	61
Reinsurance finance income	–	(9)	–	(29)	(38)
Total movements recognised in the statement of comprehensive income	669	(460)	41	(79)	171
Investment component	(460)	460	(79)	79	–
Capital contribution	13	–	–	–	13
Redemption of capital contribution	–	–	–	–	–
Dividends paid	(33)	–	(4)	–	(37)
Total third party cell insurance contracts cash flows	(20)	–	(4)	–	(24)
Net third party cell insurance contracts closing balance	1 195	–	1 609	–	2 804
Third party cell insurance contracts liabilities closing balance	1 195	–	1 609	–	2 804

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.6 Movements in carrying amounts of third party cell insurance contracts (continued)

Third party cell insurance contracts	Audited as at 31 December 2022 Premium allocation approach Liability for remaining coverage Present value of expected future cash flows R million	Premium allocation approach Liability for incurred claims R million	General measurement model Liability for remaining coverage R million	General measurement model Liability for incurred claims R million	Total R million
General insurance					
Net third party cell insurance contracts opening balance	786	–	1 780	–	2 566
Third party cell insurance contracts liabilities opening balance	786	–	1 780	–	2 566
Reinsurance expenses	962	–	129	–	1 091
Net transfer from in-substance reinsurance contracts					
Contracts under the fully retrospective transition approach	962	–	–	–	962
Contracts under fair value approach	–	–	129	–	129
Reinsurance income	–	(683)	–	(73)	(756)
Other directly attributable expenses recovered	–	(131)	–	18	(113)
Claims recovered – current service	–	(552)	–	(91)	(643)
Net expenses/(income) from reinsurance contracts held	962	(683)	129	(73)	335
Reinsurance finance expenses – recovered	82	–	(60)	–	22
Reinsurance finance income	–	(18)	–	(47)	(65)
Total movements recognised in the statement of comprehensive income	1 044	(701)	69	(120)	292
Investment component	(701)	701	(120)	120	–
Capital contribution	17	–	–	–	17
Redemption of capital contribution	(11)	–	(70)	–	(81)
Dividends paid	(137)	–	–	–	(137)
Total third party cell insurance contracts cash flows	(131)	–	(70)	–	(201)
Net third party cell insurance contracts closing balance	998	–	1 659	–	2 657
Third party cell insurance contracts liabilities closing balance	998	–	1 659	–	2 657

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.6 Movements in carrying amounts of third party cell insurance contracts (continued)

	Reviewed as at 30 June 2023				
	Premium allocation approach		General measurement model		
	Liability for remaining coverage	Liability for incurred claims	Liability for remaining coverage	Liability for incurred claims	
	Present value of expected future cash flows				Total
Third party cell insurance contracts	R million	R million	R million	R million	R million
Life insurance					
Net third party cell insurance contracts opening balance	372	–	971	–	1 343
Third party cell insurance contracts liabilities opening balance	372	–	971	–	1 343
Reinsurance expenses	110	–	537	–	647
Net transfer from in-substance reinsurance contracts					
Contracts under the fully retrospective transition approach	110	–	537	–	647
Reinsurance income	–	(51)	–	(184)	(235)
Other directly attributable expenses recovered	–	(23)	–	(157)	(180)
Claims recovered – current service	–	(28)	–	(27)	(55)
Net expenses/(income) from reinsurance contracts held	110	(51)	537	(184)	412
Reinsurance finance expenses – recovered	16	–	71	–	87
Reinsurance finance income	–	(8)	–	–	(8)
Total movements recognised in the statement of comprehensive income	126	(59)	608	(184)	491
Investment component	(59)	59	(184)	184	–
Capital contribution	1	–	–	–	1
Redemption of capital contribution	–	–	–	–	–
Dividends paid	(5)	–	(22)	–	(27)
Total third party cell insurance contracts cash flows	(4)	–	(22)	–	(26)
Net third party cell insurance contracts closing balance	435	–	1 373	–	1 808
Third party cell insurance contracts liabilities closing balance	435	–	1 373	–	1 808

Notes to the condensed consolidated interim financial statements

8. Insurance and reinsurance contracts (continued)

8.6 Movements in carrying amounts of third party cell insurance contracts (continued)

	Audited as at 31 December 2022				
	Premium allocation approach		General measurement model		
	Liability for remaining coverage	Liability for incurred claims	Liability for remaining coverage	Liability for incurred claims	
		Present value of expected future cash flows			Total
Third party cell insurance contracts	R million	R million	R million	R million	R million
Life insurance					
Net third party cell insurance contracts opening balance	323	–	216	–	539
Third party cell insurance contracts liabilities opening balance	323	–	216	–	539
Reinsurance expenses	205	–	1 712	–	1 917
Net transfer from in-substance reinsurance contracts					
Contracts under the fully retrospective transition approach	205	–	1 712	–	1 917
Reinsurance income	–	(133)	–	(485)	(618)
Other directly attributable expenses recovered	–	(32)	–	(454)	(486)
Claims recovered – current service	–	(101)	–	(31)	(132)
Net expenses/(income) from reinsurance contracts held	205	(133)	1 712	(485)	1 299
Reinsurance finance expenses – recovered	18	–	48	–	66
Reinsurance finance income	–	(6)	–	(116)	(122)
Total movements recognised in the statement of comprehensive income	223	(139)	1 760	(601)	1 243
Investment component	(139)	139	(601)	601	–
Capital contribution	11	–	–	–	11
Redemption of capital contribution	(1)	–	–	–	(1)
Dividends paid	(44)	–	(404)	–	(448)
Total third party cell insurance contracts cash flows	(34)	–	(404)	–	(438)
Net third party cell insurance contracts closing balance	373	–	971	–	1 344
Third party cell insurance contracts liabilities closing balance	373	–	971	–	1 344

Notes to the condensed consolidated interim financial statements

9. Non-current assets held for sale and discontinued operations

9.1 Non-current assets held for sale

On 4 May 2022, Santam announced that it entered into an agreement with Allianz, in terms of which Santam will dispose of its 10% interest in SAN JV to Allianz. The completion of the sale is subject to various regulatory approvals that are expected to be obtained before the end of 2023. The investment in SAN JV of R1.768 billion (previously included in "Investment in associates and joint ventures") has therefore been reclassified as "non-current assets held for sale" from 30 June 2022.

In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the assets held for sale were recognised at their carrying value as at 30 June 2022, being lower than the fair value less costs to sell. This is a non-recurring fair value based on the net asset value of the business. It is therefore also recognised within level 3 of the fair value hierarchy. Reserves relating to non-current assets held for sale as at 30 June 2023 amounts to R37 million (December 2022: R37 million).

Refer to note 7.3 for information in respect of the hedging of the transaction against foreign currency risk.

9.2 Discontinued operations

Financial information relating to the discontinued operations for the period is set out below.

	Reviewed Six months ended 30 June 2023 R million	Reviewed Six months ended 30 June 2022 R million
Loss from associate	–	(24)
Tax credit on loss from associate	–	10
Loss from discontinued operations	–	(14)
Exchange differences on translation of discontinued operations	–	(57)
Other comprehensive loss from discontinued operations	–	(57)

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

	Reviewed Six months ended 30 June 2023 R million	Restated[3] Reviewed Six months ended 30 June 2022 R million
Investment income	**2 283**	1 016
Interest income derived from[1]	**1 546**	784
Financial assets measured at amortised cost	**274**	110
Financial assets mandatorily measured at fair value through income	**1 272**	674
Other investment income	**737**	232
Dividend income[2]	**102**	351
Foreign exchange differences	**635**	(119)
Net gains/(losses) on financial assets and liabilities at fair value through income	**11**	(760)
Net fair value gains/(losses) on financial assets mandatorily at fair value through income	**103**	(853)
Net realised (losses)/gains on financial assets excluding derivative instruments	**(46)**	19
Net unrealised fair value gains/(losses) on financial assets excluding derivative instruments	**138**	(944)
Net realised and unrealised fair value gains on derivative instruments	**11**	72
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	**(92)**	93
Net fair value gains on debt securities	**2**	19
Net realised (losses)/gains on investment contracts	**(94)**	74
	2 294	256

1 *Includes interest income of R1 264 million (June 2022: R682 million) received in cash.*
2 *Includes dividend income of R84 million (June 2022: R335 million) received in cash.*
3 *Restated as result of adoption of IFRS 17. Foreign exchange differences relating to insurance contracts are disclosed as part of finance expenses/income from insurance and reinsurance contracts.*

Notes to the condensed consolidated interim financial statements

11. Income tax

	Reviewed Six months ended 30 June 2023 R million	Restated[2] Reviewed Six months ended 30 June 2022 R million
Normal taxation		
Current period	**772**	366
Prior period	**1**	1
Other taxes	**2**	1
Foreign taxation – current period	**2**	11
Total income taxation for the period	**777**	379
Deferred taxation		
Current period	**53**	32
Total deferred taxation for the period	**53**	32
Total taxation as per statement of comprehensive income	**830**	411
Income tax recovered from cell owners and structured insurance products	**(378)**	(275)
Total tax expense attributable to shareholders	**452**	136
Profit before taxation per statement of comprehensive income from continuing and discontinued operations	**2 176**	979
Adjustment for income tax recovered from cell owners and structured insurance products	**(378)**	(275)
Total profit before tax attributable to shareholders from continuing and discontinued operations	**1 798**	704

	Reviewed Six months ended 30 June 2023 R million	Restated[2] Reviewed Six months ended 30 June 2022 R million
Reconciliation of taxation rate (%)		
Normal South African taxation rate	**27.0**	28.0
Adjusted for:		
Disallowable expenses	**0.3**	0.6
Foreign tax differential	**0.1**	0.3
Exempt income[1]	**(1.4)**	(12.0)
Investment results	**(0.7)**	3.9
Income from associates, joint ventures and discontinued operations	**(0.7)**	(1.1)
Previous year's (overprovision)/underprovision	**(0.1)**	0.1
Other permanent differences	**0.6**	(0.5)
Net reduction	**(1.9)**	(8.7)
Effective rate attributable to shareholders (%)	**25.1**	19.3

[1] *Exempt income consists mainly of dividends received.*
[2] *Restated as a result of the adoption of IFRS 17.*

Notes to the condensed consolidated interim financial statements

12. Material corporate transactions

For the period ended 30 June 2023

There were no material corporate transactions.

For the year ended 31 December 2022

Acquisitions

Indwe Broker Holdings Group (Pty) Ltd

In May 2022, the group acquired the remaining 76% shareholding in Indwe Broker Holdings Group (Pty) Ltd for R125 million in cash. As a result of this transaction, the Santam group now effectively owns 100% shareholding in Indwe Broker Holdings Group (Pty) Ltd, and it is classified as a subsidiary from May 2022. Goodwill relates to synergies expected to be received.

	R million
Details of the assets and liabilities acquired are as follows:	
Intangible assets	66
Property and equipment	30
Deferred income tax assets	8
Loans and receivables including insurance receivables	36
Current income tax	9
Cash and cash equivalents	156
Deferred income tax liabilities	(17)
Lease liabilities	(30)
Trade and other payables including insurance payables	(159)
Net asset value acquired	99
Goodwill	66
Investment in joint venture	(34)
Gain on remeasurement to subsidiary	(6)
Purchase consideration paid	125

Disposals

SAN JV (RF) (Pty) Ltd

Refer to note 9.1 for information in respect of the group's disposal of its 10% interest in SAN JV (RF) (Pty) Ltd (SAN JV) to Allianz.

Notes to the condensed consolidated interim financial statements

13. Earnings per share

	Reviewed Six months ended 30 June 2023	Restated[1] Reviewed Six months ended 30 June 2022
Basic earnings per share		
Profit attributable to the company's equity holders (R million)	**1 281**	537
Weighted average number of ordinary shares in issue (million)	**109.53**	109.52
Earnings per share (cents)	**1 170**	490
Continuing operations	**1 170**	502
Discontinued operations	**–**	(12)
Diluted earnings per share		
Profit attributable to the company's equity holders (R million)	**1 281**	537
Weighted average number of ordinary shares in issue (million)	**109.53**	109.52
Adjusted for share incentive schemes	**1.09**	0.92
Weighted average number of ordinary shares for diluted earnings per share (million)	**110.62**	110.44
Diluted basic earnings per share (cents)	**1 158**	486
Continuing operations	**1 158**	498
Discontinued operations	**–**	(12)
Headline earnings per share		
Profit attributable to the company's equity holders (R million)	**1 281**	537
Adjusted for:		
Profit on disposal of intangible assets	**–**	(15)
Tax on profit on disposal of intangible assets	**–**	4
Gain on remeasurement to subsidiary	**–**	(6)
Headline earnings (R million)	**1 281**	520
Weighted average number of ordinary shares in issue (million)	**109.53**	109.52
Headline earnings per share (cents)	**1 170**	475
Continuing operations	**1 170**	487
Discontinued operations	**–**	(12)
Diluted headline earnings per share		
Headline earnings (R million)	**1 281**	520
Weighted average number of ordinary shares for diluted headline earnings per share (million)	**110.62**	110.44
Diluted headline earnings per share (cents)	**1 158**	471
Continuing operations	**1 158**	483
Discontinued operations	**–**	(12)

[1] *Restated as a result of the adoption of IFRS 17.*

14. Dividend per share

Interim dividend per share (cents)[1]	**495**	462

[1] *2023: Proposed (June 2022: Paid).*

15. Related parties

During the first half of 2023, there have been no related party transactions that have materially affected the financial position or the results for the period. There have also been no changes in the nature of the related party transactions as disclosed in note 27 of the group's annual financial statements for the year ended 31 December 2022.

16. Subsequent events

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

Notes to the condensed consolidated interim financial statements

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 relates 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 Reviewed as at 30 June 2023 R million	Shareholder Reviewed as at 30 June 2023 R million	Policyholder/ cellholder Reviewed as at 30 June 2023 R million
ASSETS			
Intangible assets	1 063	1 063	–
Property and equipment	623	623	–
Investment in associates and joint ventures	508	508	–
Strategic investment – unquoted SEM target shares	1 890	1 890	–
Deferred income tax	186	113	73
Financial assets at fair value through income	38 942	15 014	23 928
Insurance contract assets	333	236	97
Reinsurance contract assets	12 211	10 387	1 824
Non-current assets held for sale	1 768	1 768	–
Loans and receivables	4 243	2 191	2 052
Current income tax	70	52	18
Cash and cash equivalents	4 648	2 886	1 762
Total assets	66 485	36 731	29 754
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(849)	(849)	–
Other reserves	(188)	(188)	–
Distributable reserves	11 862	11 862	–
	10 928	10 928	–
Non-controlling interest	697	511	186
Total equity	11 625	11 439	186
LIABILITIES			
Deferred income tax	193	180	13
Financial liabilities at fair value through income			
Debt securities	3 026	3 026	–
Investment contracts	5 319	–	5 319
Derivatives	37	37	–
Lease liabilities	654	654	–
Financial liabilities at amortised cost			
Repo liability	732	–	732
Collateral guarantee contracts	120	–	120
Insurance contract liabilities	36 387	18 305	18 082
Reinsurance contract liabilities	4 765	47	4 718
Provisions for other liabilities and charges	172	172	–
Trade and other payables	3 249	2 736	513
Current income tax	206	135	71
Total liabilities	54 860	25 292	29 568
Total shareholders' equity and liabilities	66 485	36 731	29 754

Notes to the condensed consolidated interim financial statements

17. Analysis of policyholder/shareholder financial position and results (continued)

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

	Restated[1] Group Audited as at 31 December 2022 R million	Restated[1] Shareholder Audited as at 31 December 2022 R million	Restated[1] Policyholder/ cellholder Audited as at 31 December 2022 R million
ASSETS			
Intangible assets	1 073	1 073	–
Property and equipment	640	640	–
Investment in associates and joint ventures	467	467	–
Strategic investment – unquoted SEM target shares	1 596	1 596	–
Deferred income tax	139	76	63
Financial assets at fair value through income	35 850	13 333	22 517
Insurance contract assets	797	705	92
Reinsurance contract assets	14 005	12 331	1 674
Non-current assets held for sale	1 768	1 768	–
Loans and receivables	3 690	2 195	1 495
Current income tax	96	40	56
Cash and cash equivalents	5 387	4 090	1 297
Total assets	65 508	38 314	27 194
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	103	103	–
Treasury shares	(713)	(713)	–
Other reserves	(63)	(63)	–
Distributable reserves	11 537	11 537	–
	10 864	10 864	–
Non-controlling interest	670	496	174
Total equity	11 534	11 360	174
LIABILITIES			
Deferred income tax	100	62	38
Financial liabilities at fair value through income			
Debt securities	2 539	2 539	–
Investment contracts	5 214	–	5 214
Derivatives	35	35	–
Lease liabilities	669	669	–
Financial liabilities at amortised cost			
Repo liability	739	–	739
Collateral guarantee contracts	129	–	129
Insurance contract liabilities	37 077	20 715	16 362
Reinsurance contract liabilities	4 144	21	4 123
Provisions for other liabilities and charges	139	139	–
Trade and other payables	2 855	2 503	352
Current income tax	334	271	63
Total liabilities	53 974	26 954	27 020
Total shareholders' equity and liabilities	65 508	38 314	27 194

[1] *Restated as a result of the adoption of IFRS 17.*

Notes to the condensed consolidated interim financial statements

17. Analysis of policyholder/shareholder financial position and results (continued)

17.2 Analysis of policyholder/shareholder statement of comprehensive income

	Group Reviewed Six months ended 30 June 2023 R million	Shareholder Reviewed Six months ended 30 June 2023 R million	Policyholder/ cellholder Reviewed Six months ended 30 June 2023 R million
Insurance revenue	22 492	17 908	4 584
Insurance service expense	(17 777)	(14 498)	(3 279)
Net expenses from reinsurance contracts held	(3 443)	(2 517)	(926)
Insurance service result	1 272	893	379
Finance expenses from insurance contracts issued	(1 372)	(906)	(466)
Finance income/(expense) from reinsurance contracts held	308	438	(130)
Net insurance service result	208	425	(217)
Interest income on amortised cost instruments	274	137	137
Interest income on fair value through income instruments	1 272	752	520
Other investment income	737	666	71
Net gains/(losses) on financial assets and liabilities at fair value through income	11	118	(107)
Other income	276	253	23
Net investment and other income	2 570	1 926	644
Other expenses	356	325	31
Expenses for investment-related activities	56	50	6
Amortisation and impairment of intangible assets	37	37	–
Other operating expenses	449	412	37
Results of operating activities	2 329	1 939	390
Other finance costs	(198)	(197)	(1)
Net income from associates and joint ventures	45	45	–
Profit before tax	2 176	1 787	389
Total tax expense	(830)	(452)	(378)
Tax expense allocated to shareholders	(452)	(452)	–
Tax expense allocated to cell owners and structured insurance products	(378)	–	(378)
Profit for the period	1 346	1 335	11
Profit attributable to:			
– equity holders of the company	1 281	1 281	–
– non-controlling interest	65	54	11
	1 346	1 335	11

Notes to the condensed consolidated interim financial statements

17. Analysis of policyholder/shareholder financial position and results (continued)

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

	Restated[1] Group Reviewed Six months ended 30 June 2022 R million	Restated[1] Shareholder Reviewed Six months ended 30 June 2022 R million	Restated[1] Policyholder/ cellholder Reviewed Six months ended 30 June 2022 R million
Insurance revenue	20 416	16 527	3 889
Insurance service expense	(21 708)	(18 659)	(3 049)
Net income/(expenses) from reinsurance contracts held	2 257	2 780	(523)
Insurance service result	965	648	317
Finance expenses from insurance contracts issued	(192)	(15)	(177)
Finance income from reinsurance contracts held	231	163	68
Net insurance service result	1 004	796	208
Interest income on amortised cost instruments	110	110	–
Interest income on fair value through income instruments	674	467	207
Other investment income	232	167	65
Net losses on financial assets and liabilities at fair value through income	(760)	(611)	(149)
Other income	189	189	–
Net investment and other income	445	322	123
Other expenses	243	204	39
Expenses for investment-related activities	59	59	–
Amortisation and impairment of intangible assets	32	32	–
Other operating expenses	334	295	39
Results of operating activities	1 115	823	292
Other finance costs	(163)	(145)	(18)
Net income from associates and joint ventures	41	41	–
Profit before tax	993	719	274
Total tax expense	(411)	(136)	(275)
Tax expense allocated to shareholders	(136)	(136)	–
Tax expense allocated to cell owners and structured insurance products	(275)	–	(275)
Profit from continuing operations	582	583	(1)
Loss from discontinued operations	(14)	(14)	–
Profit for the period	568	569	(1)
Profit attributable to:			
– equity holders of the company	537	537	–
– non-controlling interest	31	32	(1)
	568	569	(1)

[1] *Restated as a result of the adoption of IFRS 17.*

Notes to the condensed consolidated interim financial statements

18. Restatement of the statement of cash flows

In December 2022, the group changed its presentation accounting policy for sales and acquisitions of financial assets presented under operating activities from gross disclosure to net disclosure. This is more relevant as the investment portfolios are managed within board-approved mandates and thus the turnaround for these financial assets are quick, the amounts large and the maturities short. Furthermore, the growth in ART business has led to an increase in the cash flows related to the acquisition and sale of financial assets held for cellholder and policyholder activities. These activities are managed on a net basis, with Santam shareholders not entitled to benefit from any gross cash flows.

It is therefore more appropriate to disclose the net acquisition or disposal of financial assets as cash flows. This is aligned with the industry (currently the majority of insurers disclose sales and acquisitions of financial assets on a net basis) and the group's parent company, Sanlam Ltd.

The comparative information for June 2022 has been restated accordingly.

The table below shows the impact of the change:

	Previously reported Reviewed Six months ended 30 June 2022 R million	Restatement Reviewed Six months ended 30 June 2022 R million	Restated Reviewed Six months ended 30 June 2022 R million
Net cash from operating activities			
Acquisition of financial assets	(16 474)	16 474	–
Proceeds from sale of financial assets	14 364	(14 364)	–
Net movement from the acquisition and sale of financial assets	–	(2 110)	(2 110)
Net impact	(2 110)	–	(2 110)

Administration

NON-EXECUTIVE DIRECTORS

M Chauke, CD da Silva, MP Fandeso, PB Hanratty, DEH Loxton, MM Mahlangeni, MLD Marole, NT Moholi (chair), AM Mukhuba, JJ Ngulube, PE Speckmann, L Swartz

EXECUTIVE DIRECTORS

TC Madzinga (group chief executive officer)
ML Olivier (group chief financial officer)

GROUP COMPANY SECRETARY

R Eksteen

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Registration number: 1918/001680/06
ISIN: ZAE000093779
JSE share code: SNT
NSX share code: SNM
A2X share code: SNT
Debt company code: BISAN
LEI: 37890092DC55C7D94B35

SPONSORS

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

A copy of the set of condensed consolidated interim financial statements with the signatures of the directors is available at the company's registered office.

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