



SANTAM LTD AND ITS SUBSIDIARIES  
NOTICE AND PROXY OF  
ANNUAL GENERAL MEETING  
AND SUMMARY CONSOLIDATED  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



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**Gross written premium growth including cell captive insurance 7%**

**Gross written premium growth excluding cell captive insurance 6%**

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**Underwriting margin 6.4%**

**Capital coverage ratio 155%**

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**Return on shareholders' funds 15.9%  
(Normalised 18.5%)**

**Earnings per share decreased by 47%**

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**Headline earnings per share decreased by 41%**

**Final dividend of 570 cents per share, up 8%**

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# LETTER TO SHAREHOLDERS

Dear Shareholder

On behalf of the board, I invite you to attend the annual general meeting of Santam Ltd to be held at the Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, Cape Town on Wednesday, 31 May 2017, at 11:00.

I encourage you to attend and vote at the annual general meeting as this is your opportunity to meet and question members of the Santam Ltd board regarding the group's performance for the year ended 31 December 2016.

The detailed notice of the annual general meeting and supporting documentation is attached hereto. The notice is accompanied by explanatory notes setting out the reasons and the effects of all the proposed ordinary and special resolutions in the notice. The full integrated report is available on the company's website at [www.santam.co.za](http://www.santam.co.za).

If you are not able to attend the annual general meeting, you are able to vote by proxy in accordance with the instructions on the annual general meeting notice and form of proxy.

Yours sincerely

**M Allie**

*Company secretary*

14 March 2017

# NOTICE OF ANNUAL GENERAL MEETING

## SANTAM LTD

(Incorporated in the Republic of South Africa)

(Registration number 1918/001680/06)

JSE Code: SNT NSX Code: SNM ISIN: ZAE000093779

("Santam" or "the company")

Notice is hereby given that the annual general meeting of Santam Ltd shareholders will be held on Wednesday, 31 May 2017 at 11:00 at Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, Cape Town to consider and, if approved, pass the following ordinary and special resolutions with or without modification:

### 1. Ordinary resolution number 1

To consider and approve the audited annual financial statements of the company for the year ended 31 December 2016, together with the reports of the directors, auditors and audit committee.

The full audited annual financial results are published on the Santam website ([www.santam.co.za](http://www.santam.co.za)) or can be requested from the company secretary at his contact details set out on the inside back cover.

### 2. Ordinary resolution number 2

To re-appoint PricewaterhouseCoopers Inc (PwC), as nominated by the company's audit committee, as independent external auditors of the company to hold office until the conclusion of the next annual general meeting of the company.

It is to be noted that Mr Z Abrahams is the individual and designated auditor who will undertake the company's audit for the financial year ending 31 December 2017.

### 3. Ordinary resolution number 3

To re-elect Mr B Campbell as a director of the company who will retire by rotation in accordance with clause 25.3 of the company's memorandum of incorporation.

Mr Campbell is eligible and offers himself for re-election. The board recommends his re-election.

### 4. Ordinary resolution number 4

To re-elect Mr BTPKM Gamedze as a director of the company who will retire by rotation in accordance with clause 25.3 of the company's memorandum of incorporation.

Mr Gamedze is eligible and offers himself for re-election. The board recommends his re-election.

### 5. Ordinary resolution number 5

To re-elect Mr GG Gelink as a director of the company who will retire by rotation in accordance with clause 25.3 of the company's memorandum of incorporation.

Mr Gelink is eligible and offers himself for re-election. The board recommends his re-election.

### 6. Ordinary resolution number 6

To re-elect Ms Y Ramiah as a director of the company who will retire by rotation in accordance with clause 25.3 of the company's memorandum of incorporation.

Ms Ramiah is eligible and offers herself for re-election. The board recommends her re-election.

### 7. Ordinary resolution number 7

To elect Ms NV Mtetwa as a director of the company who will retire in terms of clause 25.11 of the company's memorandum of incorporation.

Ms Mtetwa is eligible and offers herself for election. The board recommends her election.

### 8. Ordinary resolution number 8

To elect Mr PE Speckmann as a director of the company who will retire in terms of clause 25.11 of the company's memorandum of incorporation.

Mr Speckmann is eligible and offers himself for election. The board recommends his election.

**9. Ordinary resolution number 9**

To elect Mr HC Werth as a director of the company who will retire in terms of clause 25.11 of the company's memorandum of incorporation.

Mr Werth is eligible and offers himself for election. The board recommends his election.

**10. Ordinary resolution number 10**

To re-elect Mr B Campbell, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends his re-election as a member of the audit committee of the company.

**11. Ordinary resolution number 11**

To re-elect Mr GG Gelink, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends his re-election as a member of the audit committee of the company.

Shareholders are advised that Mr Gelink holds the position of chairman of the Santam board of directors and will therefore have a dual role as chairman of the board and member of the audit committee if re-elected.

**12. Ordinary resolution number 12**

To re-elect Mr MJ Reyneke, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends his re-election as a member of the audit committee of the company.

**13. Ordinary resolution number 13**

To elect Ms NV Mtetwa, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends her election as a member of the audit committee of the company.

**14. Ordinary resolution number 14**

To elect Mr PE Speckmann, an independent non-executive director of the company, as a member of the audit committee of the company until the conclusion of the next annual general meeting of the company.

The board recommends his election as a member of the audit committee of the company.

Refer to Annexures 5 and 6 for the curriculum vitae of each of the directors standing for (re)election as directors and as members of the audit committee of the company. As is evident from the curriculum vitae of the directors standing for (re)election as members of the audit committee of the company, all of them have academic qualifications or experience in one or more of the following areas, namely economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and human resources.

**15. Ordinary resolution number 15**

To cast a non-binding advisory vote on the company's remuneration policy summarised in Annexure 7 of this document.

**16. Special resolution number 1**

Resolved that the following remuneration of directors of the company for their services as directors of the company for the period from 1 July 2017 to 30 June 2018 be and is hereby approved, in terms of the provisions of section 66(9) of the Companies Act, 71 of 2008 (Companies Act):

<b>Non-executive directors' fees</b>	<b>Present R</b>	<b>Proposed R</b>
Chairman of the board (no attendance fees for meetings except for special or ad hoc board or committee meetings and then paid at the rate payable to non-executive directors)	923 400	978 800
Non-executive director annual retainer	236 800	251 000
Non-executive director attendance fee per board meeting	21 200	22 500
Chairpersons of the risk and audit committees per committee meeting chaired	42 400	45 000
Non-executive director members of the risk and audit committees receive the following fee per committee meeting	31 800	33 700
Chairpersons of the human resources and remuneration, investment and social, ethics and sustainability committees receive the following fee per committee meeting chaired	31 800	33 700
Non-executive director members of human resources and remuneration, nominations, investment and social, ethics and sustainability committees receive the following fee per committee meeting	21 200	22 500

- *Executive directors do not receive any directors' fees.*

- *The directors will continue to receive the directors' fees approved at the previous annual general meeting until 30 June 2017.*

### **Reason and effect**

The reason for and effect of special resolution number 1 is to approve the remuneration of the directors of the company for their services as directors for the period from 1 July 2017 to 30 June 2018.

### **17. Special resolution number 2**

Resolved that in terms of the memorandum of incorporation of the company and in accordance with the JSE Listings Requirements, the shareholders hereby authorise the company, by way of a renewable general authority, whether by way of a single transaction or a series of transactions, to purchase any of its shares or procure that any subsidiary of the company purchases its shares (collectively, a "repurchase") upon such terms and conditions and in such amounts as the directors of the company may from time to time decide, but subject to the provisions of the Short-term Insurance Act, 53 of 1998 (Short-term Insurance Act), Companies Act and the JSE Listings Requirements, provided that:

- the authority shall only be valid up to and including the date of the company's next annual general meeting, on condition that it does not extend beyond 15 months from the date of this resolution;
- ordinary shares to be purchased pursuant to such authority may only be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty;
- the general authority to purchase shares in the company pursuant to such authority be limited in any one financial year to a maximum of 5% of the company's issued share capital of that class at the time the authority is granted, provided that the acquisition of the company's shares by a subsidiary of the company shall not be effected to the extent that in aggregate more than 10% of the issued shares of any class of the company's shares at the relevant time are held by or on behalf of the subsidiaries of the company taken together;
- any purchases pursuant to such authority must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date of the repurchase;
- at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf or on behalf of any of its subsidiaries;
- prior to any repurchase, the board of the company has resolved (i) to authorise a purchase of shares in the company, (ii) that the company satisfies the solvency and liquidity test as contemplated in the Companies Act, and (iii) that, since the solvency and liquidity test was applied, no material change has occurred in the financial position of the company and its subsidiaries (the group);
- subject to the exceptions contained in the JSE Listings Requirements, the company or its subsidiaries may not repurchase shares during a prohibited period (as defined in the JSE Listings Requirements) unless a repurchase programme is in place where the dates and quantities of shares to be traded during the relevant period are fixed and where full details of the programme and the mandate have been disclosed, in writing, to the JSE prior to the commencement of the prohibited period;

- an announcement complying with paragraph 11.27 of the JSE Listings Requirements be published by the company (i) when the company and/or its subsidiaries have cumulatively repurchased 3% of the number of the relevant class of shares in issue as at the time the general authority was given and (ii) thereafter, for each 3% in aggregate of the initial number of shares of that class in issue as at the time the general authority was given, acquired by the company and/or its subsidiaries.

#### **Reason and effect**

The reason for and effect of special resolution number 2 is to grant a general authority to enable the company, or any subsidiary of the company, to acquire shares which have been issued by the company including the subsequent purchase and transfer to the company of any shares so acquired by its subsidiaries.

#### **Statement of intent**

The board shall authorise and implement a repurchase of the company's shares only if prevailing circumstances (including the tax dispensation and market conditions) warrant same, and should the board, having considered all reasonably foreseeable financial circumstances of the company at that time, reasonably conclude that the following requirements have been and will be met:

- for a period of 12 months after such repurchase, the consolidated assets of the company and its subsidiaries ("the group"), fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the company and the group annual financial statements for the year ended 31 December 2016, will be in excess of the consolidated liabilities of the company and the group;
- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the repurchase;
- the issued share capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of the repurchase; and
- the company and the group will have adequate working capital for ordinary business purposes for a period of 12 months after the date of the repurchase.

### **18. Special resolution number 3**

Resolved that the company be and is hereby authorised in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 3), to grant financial assistance by way of a loan, guarantee, the provision of security or otherwise to any related or inter-related company ("related" and "inter-related" will herein have the meanings attributed to those terms in section 2 of the Companies Act), and/or any financier of the company or any related or inter-related company, and/or any share incentive trust or entity established for the benefit of employees of the group, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, on the terms and conditions and for the amounts that the board of directors may determine, but subject to the provisions of the Short-term Insurance Act and the Companies Act.

The main purpose for this authority is to grant the board of directors the authority to authorise the company to grant financial assistance to subsidiaries of the company, financiers of the company, and a share incentive trust or entity established for the benefit of employees of the group for the acquisition of shares in the company or related or inter-related companies.

The board undertakes that –

- it will not adopt a resolution to authorise such financial assistance, unless the board is satisfied that –
  - immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

#### **Reason and effect**

The reason for and the effect of special resolution number 3 is to provide a general authority to the company to grant financial assistance to any related person, any financier or any share incentive trust or entity established for the benefit of employees of the group for the purpose of, or in connection with, the acquisition of any securities of the company or a related or inter-related company, on the terms and conditions and for the amounts that the board of directors may determine.

## 19. Special resolution number 4

Resolved that the board of directors be and is hereby authorised in terms of the provisions of section 45(3)(a)(ii) of the Companies Act as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution number 4), to authorise the company to grant any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of directors may deem fit to any related or inter-related company or corporation of the company ("related" and "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act), on the terms and conditions and for amounts that the board of directors may determine.

The main purpose for this authority is to authorise the company to grant intergroup loans, loan funding, guarantees and other financial assistance for purposes of funding the day to day operations and activities of the group. The board undertakes that –

- it will not adopt a resolution to authorise such financial assistance, unless the board is satisfied that –
  - immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
  - the terms under which the financial assistance is proposed to be given are fair and reasonable to the company; and
- written notice of any such resolution by the board shall be given to all shareholders of the company and any trade union representing its employees –
  - within 10 business days after the board adopted the resolution, if the total value of the financial assistance contemplated in that resolution, together with any previous such resolution during the financial year, exceeds 0.1% of the company's net worth at the time of the resolution; or
  - within 30 business days after the end of the financial year, in any other case.

### Reason and effect

The reason for and effect of special resolution number 4 is to grant the directors of the company the general authority to provide direct or indirect financial assistance to any company or corporation forming part of the group, including in the form of loans or the guaranteeing of their debts. This authority will be in place for a period of two years from the date of adoption of this special resolution number 4.

NOTICE TO SHAREHOLDERS OF THE COMPANY IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT OF A RESOLUTION ADOPTED BY THE BOARD OF DIRECTORS AUTHORISING THE COMPANY TO PROVIDE DIRECT OR INDIRECT FINANCIAL ASSISTANCE TO RELATED AND INTER-RELATED COMPANIES AND CORPORATIONS.

- By the time this notice of the annual general meeting is delivered to shareholders, the board will have adopted a resolution (Section 45 Board Resolution) authorising the company to provide, at any time and from time to time during the period commencing on the date on which special resolution number 4 is adopted until the date of the next annual general meeting of the company, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the company. The financial assistance will entail loans, guaranteeing of debt and other financial assistance to subsidiaries of the company (being related or inter-related companies of the company) for purposes of funding the activities of the group.
- The Section 45 Board Resolution will be effective only if and to the extent that special resolution number 4 is adopted by the shareholders and the provision of any such financial assistance by the company, pursuant to such resolution, will always be subject to the board being satisfied that (1) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and that (2) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act.
- Inasmuch as the Section 45 Board Resolution contemplates that such financial assistance will, in the aggregate, exceed 0.1% of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the Section 45 Board Resolution to shareholders.

## **REPORT BY SOCIAL AND ETHICS COMMITTEE**

The company's social and ethics committee report, included in Annexure 11, will serve as the social and ethics committee's report to the company's shareholders on the matters within its mandate at the annual general meeting. Any specific questions to the committee may be sent to the company secretary prior to the annual general meeting.

And to transact any other business that may be transacted at an annual general meeting.

## **APPROVALS REQUIRED FOR RESOLUTIONS**

Ordinary resolution numbers 1 to 15 require the approval by more than 50% of the voting rights exercised on the resolution. Special resolution numbers 1 to 4 require the approval by at least 75% of the voting rights exercised on the resolutions.

Equity securities held by a share trust or scheme will not have their votes taken into account for the purposes of resolutions passed in terms of the JSE Listings Requirements.

Disclosures in terms of paragraph 11.26(b) of the JSE Listings Requirements.

The following disclosures are required in terms of paragraph 11.26(b) of the JSE Listings Requirements, and are provided for purposes of special resolution number 2:

- major shareholders – refer to Annexure 4
- material change – refer to material change statement below
- share capital of the company – refer to Annexure 10
- responsibility statement – refer to the directors' responsibility statement below.

## **Directors' responsibility statement**

The directors, whose names appear in Annexure 2 of this document, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2, and certify that:

- to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading;
- they have made all reasonable enquiries in this regard; and
- the above special resolution number 2 contains all information required.

## **Material changes**

Other than the facts and developments reported on in the integrated report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and approval thereof by the board of directors.

## **RECORD DATES**

The record date in terms of section 59 of the Companies Act for purposes of determining which shareholders are entitled to attend, participate in and vote at the annual general meeting is Friday, 19 May 2017, and the last day to trade in the company's shares in order to be recorded on the securities register of the company in order to be able to attend, participate and vote at the annual general meeting is Friday, 12 May 2017.

## **ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES**

Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the annual general meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the company. Proxy forms must be lodged with the transfer secretaries of the company, Computershare Ltd, PO Box 61051, Marshalltown, 2107, or the registered office of the company, Santam Head Office, 1 Sportica Crescent, Tyger Valley, Bellville, addressed to the group secretary, to be received by them not later than 14:00 on Monday, 29 May 2017, provided that any form of proxy not lodged with the transfer secretaries or at the registered office of the company by this time may be handed to the chairman of the annual general meeting at any time before the appointed proxy exercises any shareholder rights at the annual general meeting.

Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder shall have one vote in respect of each share held by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement –

- to furnish them with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

**PROOF OF IDENTIFICATION REQUIRED**

In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the annual general meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the annual general meeting. A bar-coded identification document or smart card issued by the South African Department of Home Affairs, a valid driver's licence or passport will be accepted at the annual general meeting as sufficient identification.

On behalf of the board

**M Allie**

*Company secretary*

14 March 2016

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# ANNEXURE 1

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## SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

### FINANCIAL REVIEW

The Santam group reported underwriting results for the 2016 financial year well within the target range of 4% to 8% with a net underwriting margin of 6.4% compared to the exceptional 9.6% in 2015.

Acceptable gross written premium growth of 7% was achieved (6% excluding the impact of cell captive insurance business) in the current low-growth economic environment.

Investment income, inclusive of fair value movements on financial assets and liabilities, of R832 million was significantly lower compared to R1 445 million in 2015. The South African investment portfolio performed better than the market. The relative strengthening of the rand during 2016 compared to the very weak position at December 2015 resulted in significant foreign currency losses of R372 million (including the SEM investment portfolio) compared to gains of R467 million in 2015 included in investment income. In addition, the value of the Sanlam Emerging Markets (SEM) general insurance business portfolio showed negative unrealised fair value movements following tough trading conditions in certain emerging markets.

The lower underwriting profits compared to the exceptional performance in 2015 and significantly lower investment results reduced headline earnings per share by 41% compared to December 2015. An annualised return on capital of 15.9% was achieved. Normalising the results for the impact of the foreign currency gains and losses in 2015 and 2016, headline earnings per share would have decreased by 14%, while return on capital would have improved to 18.5%. The economic capital coverage ratio was 155%, close to the midpoint of the target range of 130% to 170%.

The property class achieved strong growth of 11% on the back of increased corporate property business written in the rest of Africa and Asia and good growth achieved by the Santam re property portfolio. The motor class benefitted from the 19% growth reported by MiWay, the direct insurance business (gross written premium of R2 101 million; 2015: R1 771 million), but was negatively impacted by corrective actions on unprofitable books of business on outsourced platforms.

The liability and transport classes experienced significant competitive market pressure and reported a decline in gross written premiums of 9% and 1% respectively. The engineering business for large construction contracts was under strain following reduced construction activity in the current economic climate, reflecting growth of only 2%.

The crop insurance business showed significant growth of 17% following the low premium growth in 2015 due to prevailing drought conditions. Acceptable growth of 7% was achieved in the alternative risk class.

The group's focus on international diversification continued to reflect positive growth results with gross written premium from the rest of Africa, India, Southeast Asia and China written on the Santam Ltd licence of R1 431 million for the period (2015: R1 354 million). Santam Namibia reported gross written premium of R1 118 million (2015: R1 056 million), resulting in total gross written premium from outside South Africa for 2016 increasing to R2 549 million compared to the R2 410 million achieved in 2015. In addition, Santam's portion of the gross written premium from SEM insurance businesses increased to R1 939 million (2015: R675 million).

The net underwriting margin of 6.4% decreased from the exceptional margin of 9.6% achieved in 2015. It is on par with the 10-year average of 6%.

The motor and property classes of business were positively impacted by continued disciplined underwriting, including a significant improvement in the underwriting results from business on outsourced platforms. The impact of the catastrophe hail events during 2016 was significantly reduced by recoveries from the catastrophe and sideways reinsurance programmes, resulting in the net impact of 2016 catastrophe events to be in line with 2015. A number of large corporate property claims reduced the underwriting results in the property class of business. MiWay reported a claims ratio of 63.6%, up from 60.9% in 2015, mainly due to the impact of significant new business growth and an increase in motor parts cost following the weakening of the rand in 2015. MiWay contributed an underwriting profit of R160 million (2015: R163 million). The continued investment in the expansion of Santam Direct, MiWay Business Insurance and MiWay Broker Direct reduced the net underwriting margin in 2016. These new initiatives, however, performed in line with their business plans to generate future profitable growth.

The underwriting profit of the engineering class of business showed a decrease compared to 2015, mainly due to the impact of competitive market conditions. The liability class reflected a significant improvement in underwriting results following claims estimate releases and the absence of large claims during 2016.

Despite the severe drought conditions during the first half of 2016, the crop insurance business achieved a net underwriting profit of R69 million (2015: R131 million). This was as a result of disciplined underwriting and fewer hail-related claims during the crop season. Gross drought claims of R231 million were incurred during 2016. The transportation class was negatively impacted by a number of significant aviation claims. Santam re delivered satisfactory results on third-party business.

There were no significant changes to the group's reinsurance programme for 2016 as the soft reinsurance market continued to provide opportunities to optimise reinsurance placements.

The net acquisition cost ratio of 28.5% increased from 28.3% in 2015.

The management expense ratio decreased from 17.5% in 2015 to 16.5% in 2016. The 2015 comparatives included the management expenses of Indwe Broker Holdings Group (Pty) Ltd (Indwe). Following the sale of the controlling stake in Indwe in December 2015, the management expenses of Indwe are no longer consolidated in 2016. The adjusted ratio, excluding Indwe, for 2015 was 16.9%. Management expenses growth was well contained despite the new growth initiatives.

Strategic project costs, included as part of management expenses, amounted to 0.8% of net earned premium (2015: 0.9%). These costs mainly relate to the continued development of a new core underwriting, administration and product management platform for the Santam intermediated business. The project is progressing according to plan with the majority of personal lines policies now migrated to the new system. The development phase of the commercial business product was completed in June 2016 and the migration processes has commenced. Development costs of R17 million were capitalised in 2016, bringing the total amount capitalised since inception to R212 million. Santam will maintain its focus on cost efficiencies to improve the management expense ratio over the medium term.

The net commission ratio was 12.0% (2015: 10.8%). The comparative ratio in 2015, excluding Indwe, was 11.5%. A decrease in the commission ratio due to the growth in MiWay, where limited commission expenses are incurred, was offset by lower reinsurance commissions earned, mainly on crop and corporate property business, following relatively worse loss ratios compared to 2015. Furthermore, commission on inwards reinsurance business from Santam re, as well as business written in Africa, typically carries higher commission rates than South African business.

The investment return on insurance funds increased to R619 million (2015: R499 million), supported by a 75 basis points increase in interest rates during 2016, higher average insurance funds for the year, as well as the good investment performance of the investment portfolios backing the insurance funds.

The South African investment portfolio achieved good returns in 2016; however, the investment results were negatively impacted by foreign currency losses and the performance of the SEM investments.

Listed equities achieved a return of 3.3%, lagging the SWIX benchmark of 4.1%. A hedge structure over R1 billion of equities entered into for the period May to December 2016 realised a profit of R75 million, increasing the total return of the listed equity portfolio to 8.4%. The Santam group's interest exposure is managed in enhanced cash and active income portfolios. The active income portfolios achieved a strong performance of 10.6% for the year, comfortably exceeding the STeFI-related benchmark.

Negative fair value movements (excluding foreign currency losses) of R67 million (2015: positive movement of R47 million) in Santam's interest in SEM's general insurance businesses in Africa, India and Southeast Asia had a further negative impact on the investment performance.

Key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- A downward adjustment to the value of the Pacific & Orient Insurance Co. Berhad (P&O) business in Malaysia of R88 million due to lower premium growth in competitive market conditions. There is a significant focus on expanding the current P&O product offering, and growth reported on non-motor business lines was positive.
- A reduction in the value of the investment in SORAS Assurance Générales Ltd (SORAS) in Rwanda of R47 million following financial irregularities identified during 2016 relating to prior years. Corrective measures were taken to address these irregularities, and the business was recapitalised during the second half of 2016.
- An increase in the value of Shriram General Insurance Company Ltd (SGI) of R51 million was mainly attributed to good growth achieved in the Indian insurance market.

Santam increased its participatory interest in SGI during the second half of 2016 by 8% to 15% at a cost of R251 million. At 31 December 2016, the SEM investments had a fair value of R1 127 million (2015: R1 005 million), which accounted for 16.4% (2015: 12.4%) of the group's shareholder funds.

The acquisition of a 25% shareholding in SAN JV (RF) (Pty) Ltd (SAN JV), with SEM acquiring 75%, was finalised during the first quarter of 2016. SAN JV subsequently acquired a 30% shareholding in Saham Finances.

In December 2016, SEM and Santam announced a further investment in SAN JV, for the purpose of SAN JV acquiring a further 16.6% interest in Saham Finances via a subscription for new shares for \$325 million, which is still subject to regulatory approval. Santam's share of the purchase price is \$7.35 million plus transaction costs. Santam's ability to participate in the transaction was limited due to the size of the investment already held in SAN JV. The investment in SAN JV comprised more than 17.5% of Santam's shareholder funds at 31 December 2016, making it the most significant strategic investment held by Santam. Santam's interest in SAN JV will therefore dilute to 15% (previously 25%). The dilution of Santam's interest in SAN JV will, however, not affect any of its existing shareholder rights.

Net earnings from associated companies of R67 million increased from the R53 million reported in 2015 following the acquisition of the SAN JV investment, which contributed earnings of R43 million in 2016. No earnings were recognised from Credit Guarantee Insurance Corporation of Africa Ltd following the sale of this investment in 2015.

### **Prospects**

Trading conditions in the South African insurance industry remain very competitive in a low-growth economic environment. Real annual GDP was a low 0.7% for 2016, with inflation (average CPI) of 6.4%, which equates to low growth of insurable assets for the insurance industry. The repo rate increased by a further 75 basis points in 2016, following the 50 basis points increase in 2015, which resulted in more pressure on consumers and increased interest income for the group.

The rand appreciated by 12% against the US dollar since January 2016 following the significant weakening in December 2015, which resulted in significant currency losses on foreign assets in 2016. The rand is, however, still weaker than pre-2014 levels, which continues to have a negative impact on claims cost (mainly imported motor parts). Santam continues to focus on the optimisation of the claims and procurement value chains to increase efficiency and counter the impact of the weakening rand.

South Africa's foreign currency sovereign rating was affirmed at BBB- (negative outlook) in December 2016. S&P, however, lowered its local currency rating on South Africa to BBB from BBB+, reflecting their view of South Africa's weakening debt position and continued low GDP growth. As a result of this downgrade, Santam's international counterparty credit and insurer financial strength rating was also lowered to BBB from BBB+ as it is limited to the level of the S&P local currency sovereign credit rating. The revised rating was a reflection of S&P's view on South Africa and was not driven by any change in the financial performance of Santam.

In order to compete in the international insurance market, an A- or better international credit rating is often required. Santam has therefore entered into an agreement with Munich Reinsurance Company of Africa Ltd (Munich Re of Africa) in October 2016 in terms of which selected Santam business units will be able to use the reinsurer's S&P AA- credit rating to write inwards international reinsurance business on Munich Re of Africa's licence. This will enable Santam to further the group's strategic objective to profitably grow its business flows from territories outside South Africa in situations where an international credit rating of A- or better is required. The agreement between Santam and Munich Re of Africa is effective 1 January 2017.

The agreement with Munich Re of Africa replaces the credit rating agreement Santam had with another international reinsurer, which expired on 31 December 2016, in terms of which Santam could use that insurer's licence for business, which was dependent on a minimum international credit rating.

The group's focus remains on profitable growth in South Africa and to increase its international diversification through the Santam Specialist Business and Santam re. Santam continues to strategically focus on supporting the development of the SEM general insurance businesses in emerging markets by allocating appropriate technical resources. In South Africa, focus areas include developing Santam's full multichannel capability and MiWay's business insurance and broker-direct offerings, as well as the MiWay Life insurance initiative in conjunction with Santam Life.

Santam will maintain its focus on cost efficiencies to improve the management expense ratio over the medium term. The investment market is likely to remain uncertain. The higher interest rate environment will result in increased interest income for the group, but higher volatility is expected on interest-bearing instruments. The increased exposure to non-rand-denominated business further increases foreign exchange volatility.

The group economic capital requirement at 31 December 2016, based on the Santam internal model, amounted to R5.8 billion or an economic capital coverage ratio of 155%, close to the midpoint of the target range of 130% to 170%.

We remain committed to efficient capital management.

#### **Events after the reporting period**

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

#### **Declaration of ordinary dividend (Number 126)**

Notice is hereby given that the board has declared a gross final dividend of 570 cents per share (2015: 528 cents per share).

Shareholders are advised that the last day to trade "cum dividend" will be Monday, 20 March 2017. The shares will trade "ex dividend" from the commencement of business on Wednesday, 22 March 2017. The record date will be Friday, 24 March 2017, and the payment date will be Monday, 27 March 2017. Certificated shareholders may not dematerialise or rematerialise their shares between Wednesday, 22 March 2017 and Friday, 24 March 2017, both dates inclusive.

The dividend has been declared from income reserves and will be subject to dividends tax. The amounts per share, subject to the withholding of dividends tax at a maximum rate of 20%, are therefore 570 cents per share. A net dividend of 456 cents per share will apply to shareholders liable for dividends tax at a rate of 20%, and 570 cents per share for shareholders that qualify for complete exemption therefrom. The issued ordinary share capital as at 1 March 2017 is 115 131 417 shares. The company's income tax reference number is 9475/144/71/4.

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

#### **Appreciation**

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

#### **Preparation and presentation of the financial statements**

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



**GG Gelink**  
*Chairman*

1 March 2017



**L Lambrechts**  
*Chief executive officer*

# INDEPENDENT AUDITOR'S REPORT ON SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

## TO THE SHAREHOLDERS OF SANTAM LTD

### OPINION

The summary consolidated financial statements of Santam Ltd, set out on pages 15 to 37, which comprise the summary consolidated statement of financial position as at 31 December 2016, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Santam Ltd for the year ended 31 December 2016.

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

### SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

### THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 1 March 2017. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

### DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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



**PricewaterhouseCoopers Inc**

Director: Zuhdi Abrahams

*Registered auditor*

Cape Town

1 March 2017

## SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Audited at 31 Dec 2016 R million	Audited at 31 Dec 2015 R million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment		106	90
Intangible assets		885	827
Deferred income tax		105	140
Investment in associates and joint ventures		1 536	252
Financial assets at fair value through income			
Equity securities	6	2 581	2 730
Debt securities	6	10 849	9 721
Reinsurance assets	7	140	164
Deposit with cell owner		163	187
<b>Total non-current assets</b>		<b>16 365</b>	<b>14 111</b>
<b>Current assets</b>			
Cell owners' interest		7	6
Financial assets at fair value through income			
Derivatives	6	1	2
Short-term money market instruments	6	1 361	2 281
Reinsurance assets	7	4 349	3 514
Deposit with cell owner		56	67
Deferred acquisition costs		469	525
Loans and receivables including insurance receivables	6	3 754	3 449
Income tax assets		19	13
Cash and cash equivalents		2 887	3 349
Non-current assets held for sale	8	8	541
<b>Total current assets</b>		<b>12 911</b>	<b>13 747</b>
<b>Total assets</b>		<b>29 276</b>	<b>27 858</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to the company's equity holders</b>			
Share capital		103	103
Treasury shares		(472)	(450)
Other reserves		(41)	548
Distributable reserves		7 286	7 880
		6 876	8 081
<b>Non-controlling interest</b>		<b>469</b>	<b>466</b>
<b>Total equity</b>		<b>7 345</b>	<b>8 547</b>
<b>Non-current liabilities</b>			
Deferred income tax		101	107
Financial liabilities at fair value through income			
Debt securities	6	2 005	974
Derivatives	6	-	1
Cell owners' interest		1 153	980
Insurance liabilities	7	1 312	1 525
Reinsurance liability relating to cell owners		163	187
<b>Total non-current liabilities</b>		<b>4 734</b>	<b>3 774</b>
<b>Current liabilities</b>			
Financial liabilities at fair value through income			
Debt securities	6	48	24
Investment contracts	6	101	70
Financial liabilities at amortised cost			
Collateral guarantee contracts		123	105
Insurance liabilities	7	12 284	11 139
Reinsurance liability relating to cell owners		56	67
Deferred reinsurance acquisition revenue		273	280
Provisions for other liabilities and charges		71	122
Trade and other payables including insurance payables		4 093	3 412
Current income tax liabilities		148	318
<b>Total current liabilities</b>		<b>17 197</b>	<b>15 537</b>
<b>Total liabilities</b>		<b>21 931</b>	<b>19 311</b>
<b>Total shareholders' equity and liabilities</b>		<b>29 276</b>	<b>27 858</b>

## SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Audited Year ended 31 Dec 2016 R million	Audited Year ended 31 Dec 2015 R million	Change
<b>Gross written premium</b>		25 909	24 319	7%
Less: reinsurance written premium		6 137	5 435	
<b>Net written premium</b>		19 772	18 884	5%
Less: change in unearned premium				
Gross amount		137	528	
Reinsurers' share		(191)	(167)	
<b>Net insurance premium revenue</b>		19 826	18 523	7%
Investment income	9	777	1 210	(36%)
Income from reinsurance contracts ceded		1 337	1 236	
Net gains on financial assets and liabilities at fair value through income	9	42	235	
Investment income and fair value losses on financial assets held for sale	9	13	-	
<b>Net income</b>		21 995	21 204	4%
Insurance claims and loss adjustment expenses		17 100	13 980	
Insurance claims and loss adjustment expenses recovered from reinsurers		(4 189)	(2 470)	
<b>Net insurance benefits and claims</b>		12 911	11 510	12%
Expenses for the acquisition of insurance contracts		3 716	3 240	
Expenses for marketing and administration		3 247	3 277	
Expenses for investment-related activities		70	53	
Amortisation and impairment of intangible assets		51	117	
<b>Total expenses</b>		19 995	18 197	10%
<b>Results of operating activities</b>		2 000	3 007	(33%)
Finance costs		(212)	(116)	
Net income from associates and joint ventures		67	53	
Profit on sale of associated companies		-	413	
Profit on sale of subsidiary	11	-	15	
<b>Profit before tax</b>		1 855	3 372	(45%)
Income tax expense	10	(524)	(908)	
<b>Profit for the year</b>		1 331	2 464	(46%)
<b>Other comprehensive income, net of tax</b>				
Items that may subsequently be reclassified to income:				
Currency translation differences		(197)	163	
Share of associates' currency translation differences		(255)	-	
Hedging reserve movement		(140)	134	
Tax on hedging reserve movement		-	(37)	
<b>Total comprehensive income for the year</b>		739	2 724	(73%)
<b>Profit attributable to:</b>				
– equity holders of the company		1 212	2 348	(48%)
– non-controlling interest		119	116	
		1 331	2 464	
<b>Total comprehensive income attributable to:</b>				
– equity holders of the company		620	2 608	(76%)
– non-controlling interest		119	116	
		739	2 724	
<b>Earnings attributable to equity shareholders</b>				
<b>Earnings per share (cents)</b>	12			
Basic earnings per share		1 100	2 090	(47%)
Diluted earnings per share		1 088	2 065	(47%)
Weighted average number of ordinary shares (millions)		110.21	112.34	
Weighted average number of ordinary shares for diluted earnings per share (millions)		111.37	113.72	

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the company				Total R million	Non- controlling interest R million	Total R million
	Share capital R million	Treasury shares R million	Other reserves R million	Distri- butable reserves R million			
<b>Balance as at 1 January 2015</b>	<b>107</b>	<b>(506)</b>	<b>238</b>	<b>7 171</b>	<b>7 010</b>	<b>430</b>	<b>7 440</b>
Profit for the year	-	-	-	2 348	2 348	116	2 464
Other comprehensive income:							
Currency translation differences	-	-	163	-	163	-	163
Hedging reserve movement	-	-	134	(37)	97	-	97
<b>Total comprehensive income for the year ended 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>297</b>	<b>2 311</b>	<b>2 608</b>	<b>116</b>	<b>2 724</b>
Issue of treasury shares in terms of share option schemes	-	56	-	(56)	-	-	-
Repurchase of shares (refer to note 14)	(4)	-	-	(797)	(801)	-	(801)
Transfer to reserves	-	-	4	(4)	-	-	-
Share-based payment costs	-	-	-	124	124	-	124
Increase in capital contribution reserve (refer to note 14)	-	-	9	-	9	-	9
Dividends paid	-	-	-	(869)	(869)	(82)	(951)
Interest sold to non- controlling interest	-	-	-	-	-	2	2
<b>Balance as at 31 December 2015</b>	<b>103</b>	<b>(450)</b>	<b>548</b>	<b>7 880</b>	<b>8 081</b>	<b>466</b>	<b>8 547</b>
Profit for the year	-	-	-	1 212	1 212	119	1 331
Other comprehensive income:							
Currency translation differences	-	-	(197)	-	(197)	-	(197)
Share of associates' currency translation differences	-	-	(255)	-	(255)	-	(255)
Hedging reserve movement	-	-	(140)	-	(140)	-	(140)
<b>Total comprehensive income for the year ended 31 December 2016</b>	<b>-</b>	<b>-</b>	<b>(592)</b>	<b>1 212</b>	<b>620</b>	<b>119</b>	<b>739</b>
Issue of treasury shares in terms of share option schemes	-	76	-	(76)	-	-	-
Purchase of treasury shares	-	(98)	-	-	(98)	-	(98)
Transfer to reserves	-	-	3	(3)	-	-	-
Share-based payment costs	-	-	-	79	79	-	79
Dividends paid	-	-	-	(1 806)	(1 806)	(116)	(1 922)
<b>Balance as at 31 December 2016</b>	<b>103</b>	<b>(472)</b>	<b>(41)</b>	<b>7 286</b>	<b>6 876</b>	<b>469</b>	<b>7 345</b>

## SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Audited Year ended 31 Dec 2016 R million	Audited Year ended 31 Dec 2015 R million
<b>Cash flows from operating activities</b>			
Cash generated from operations		2 171	3 656
Interest paid		(161)	(110)
Income tax paid		(681)	(1 002)
<b>Net cash from operating activities</b>		<b>1 329</b>	<b>2 544</b>
<b>Cash flows from investing activities</b>			
Acquisition of financial assets		(17 594)	(14 086)
Proceeds from sale of financial assets		17 764	13 348
Settlement of fence		75	42
Acquisition of business, net of cash acquired	11	70	-
Cash received/(disposed of) through sale of subsidiaries	11	208	(183)
Staff trust acquired	14	-	132
Purchases of equipment		(60)	(39)
Purchases of intangible assets		(50)	(85)
Proceeds from sale of equipment		2	-
Acquisition of associated companies and joint ventures		(1 467)	(2)
Capitalisation of associated companies		(10)	(28)
Proceeds from sale of associated companies	11	-	625
Settlement of deferred conditional right relating to non-current assets held for sale		509	-
<b>Net cash used in investing activities</b>		<b>(553)</b>	<b>(276)</b>
<b>Cash flows from financing activities</b>			
Purchase of treasury shares		(98)	-
Repurchase of shares		-	(801)
Proceeds from issue of unsecured subordinated callable notes		1 000	-
Increase/(decrease) in investment contract liabilities		31	(35)
Increase in collateral guarantee contracts		12	11
Dividends paid to company's shareholders		(1 806)	(869)
Dividends paid to non-controlling interest		(116)	(82)
(Decrease)/increase in cell owners' interest		(114)	16
<b>Net cash used in financing activities</b>		<b>(1 091)</b>	<b>(1 760)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		3 349	2 561
Exchange (losses)/gains on cash and cash equivalents		(147)	280
<b>Cash and cash equivalents at the end of the year</b>		<b>2 887</b>	<b>3 349</b>

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL INFORMATION

## 1. Basis of preparation

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

## 2. Accounting policies

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

The following new IFRSs and/or IFRICs were effective for the first time from 1 January 2016:

- Amendments to IFRS 10 and IAS 28 – Investment entities: Applying the consolidation exemption
- Amendments to IFRS 11 – Joint arrangements
- IFRS 14 – Regulatory deferral accounts
- Amendments to IAS 1 – Disclosure initiative
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer plants
- Amendment to IAS 27 – Equity method in separate financial statements
- Annual Improvements 2012 –14 cycle

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

## 3. Estimates

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

In preparing this summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated annual financial statements for the year ended 31 December 2016. There have been no changes since 31 December 2015.

## 4. Risk management

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

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

The summary consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 31 December 2016.

There have been no material changes in the risk management policies since 31 December 2015.

## 5. Segment information

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

The group conducts mainly insurance, investment and strategic diversification activities.

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

Investment activities are all investment-related activities undertaken by the group. 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 (excluding net investment income generated by strategic activities).

Strategic diversification activities relate to all strategic investing activities where the purpose of the activities is to obtain certain diversification benefits. The investments in SEM target shares, associates and joint ventures are included in this segment. This segment was included in 2016, subsequent to the acquisition of the shareholding in SAN JV. The segment report was amended to also provide the comparative information relating to SEM. Strategic diversification activities are measured based on net investment income from SEM target share investments and net income from associated companies and joint ventures.

Growth is measured based on the gross written premium generated by the underlying businesses. The underwriting and investment return on insurance funds are provided for each of the underlying components included in the strategic diversification segment for consideration by the chief operating decision-maker. As this information is considered to be a reallocation of fair value movements recognised on the SEM target shares as well as equity-accounted earnings on the investments in associated companies and joint ventures, it is also included as reconciling items in order to reconcile to the consolidated statement of comprehensive income. Overall profitability is measured based on net investment income and fair value movements from SEM target share investments and net income from associated companies and joint ventures.

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

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

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

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

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

5.1 For the year ended 31 December 2016

Business activity	Insurance	Investment	Strategic diversification	Total	Reconciling and unallocated	IFRS total
	R million	R million	R million	R million	R million	R million
<b>Revenue</b>	<b>25 909</b>	<b>418</b>	<b>1 939</b>	<b>28 266</b>	<b>(2 357)</b>	<b>25 909</b>
Gross written premium	25 909	-	1 939	27 848	(1 939)	25 909
Net written premium	19 772	-	1 477	21 249	(1 477)	19 772
Net earned premium	19 826	-	1 414	21 240	(1 414)	19 826
Net claims incurred	12 911	-	982	13 893	(982)	12 911
Net commission	2 379	-	121	2 500	(121)	2 379
Management expenses (excluding BEE costs) <sup>2</sup>	3 268	-	347	3 615	(347)	3 268
<b>Underwriting result</b>	<b>1 268</b>	<b>-</b>	<b>(36)</b>	<b>1 232</b>	<b>36</b>	<b>1 268</b>
Investment return on insurance funds	619	-	180	799	(180)	619
<b>Net insurance result</b>	<b>1 887</b>	<b>-</b>	<b>144</b>	<b>2 031</b>	<b>(144)</b>	<b>1 887</b>
Reallocation of net insurance results <sup>1</sup>	-	-	(144)	(144)	144	-
Investment income/ (losses) net of investment-related fees and finance costs	-	136	(205)	(69)	-	(69)
Income from associates and joint ventures	-	-	67	67	-	67
Santam BEE costs	-	-	-	-	(9)	(9)
Amortisation and impairment of intangible assets <sup>2</sup>	(21)	-	-	(21)	-	(21)
<b>Income before taxation</b>	<b>1 866</b>	<b>136</b>	<b>(138)</b>	<b>1 864</b>	<b>(9)</b>	<b>1 855</b>

<sup>1</sup> Reconciling items consist of the reallocation of net insurance results relating to the underlying investments included in strategic diversification activities for management reporting purposes.

<sup>2</sup> Amortisation of computer software included as part of management expenses.

Gross written premium R million	Under- writing result R million
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5. **Segment information** (continued)

5.1 **For the year ended 31 December 2016** (continued)

**Insurance activities**

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

Accident and health	374	49
Alternative risk	2 406	16
Crop	984	69
Engineering	1 196	196
Guarantee	86	(31)
Liability	1 202	301
Miscellaneous	9	(3)
Motor	11 004	622
Property	7 972	22
Transportation	676	27
<b>Total</b>	<b>25 909</b>	<b>1 268</b>

**Comprising:**

Commercial insurance	13 330	735
Personal insurance	10 173	517
Alternative risk	2 406	16
<b>Total</b>	<b>25 909</b>	<b>1 268</b>

R million

**Additional information**

**Investment activities**

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

Investment income	150
Net gains on financial assets and liabilities at fair value through income	268
<b>Investment-related revenue</b>	<b>418</b>
Expenses for investment-related activities	(70)
Finance costs	(212)
<b>Net total investment-related transactions</b>	<b>136</b>

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

	SEM target shares R million	SAN JV (Saham Finances) R million	Other R million	Total R million
<b>Strategic diversification activities</b>				
The group's return on strategic diversification-related activities can be analysed as follows:				
<b>Revenue</b>	<b>962</b>	<b>977</b>	<b>-</b>	<b>1 939</b>
Gross written premium	962	977	-	1 939
Net written premium	688	789	-	1 477
Net earned premium	665	749	-	1 414
Net claims incurred	484	498	-	982
Net commission	32	89	-	121
Management expenses (excluding BEE costs)	162	185	-	347
<b>Underwriting result</b>	<b>(13)</b>	<b>(23)</b>	<b>-</b>	<b>(36)</b>
Investment return on insurance funds	119	61	-	180
<b>Net insurance result</b>	<b>106</b>	<b>38</b>	<b>-</b>	<b>144</b>
Reallocation of net insurance results <sup>1</sup>	(106)	(38)	-	(144)
Investment losses net of investment-related fees and finance costs	(205)	-	-	(205)
Income from associates and joint ventures	-	43	24	67
<b>(Loss)/income before taxation</b>	<b>(205)</b>	<b>43</b>	<b>24</b>	<b>(138)</b>

	Gross written premium R million	Under- writing result R million
South Africa	-	-
Rest of Africa	1 427	(18)
Southeast Asia, India, Middle East and China	512	(18)
	1 939	(36)
Reallocation of net underwriting results <sup>1</sup>		36
Investment income		8
Net losses on financial assets and liabilities at fair value through income		
- Net fair value losses		(67)
- Net foreign exchange losses		(146)
Net income from associates and joint ventures		67
<b>Strategic diversification-related loss</b>		<b>(138)</b>

<sup>1</sup> Reconciling items consist of the reallocation of net underwriting results relating to the underlying investments included in strategic diversification activities for management reporting purposes.

	Dividend income R million	Net fair value losses R million	Net foreign exchange losses R million	Net income from associates and joint ventures R million	Total R million
<b>5. Segment information</b> (continued)					
<b>5.2 For the year ended</b>					
<b>31 December 2015 (restated)</b>					
SAN JV (Saham Finances)	-	-	-	43	43
SEM target shares	8	(67)	(146)	-	(205)
Other	-	-	-	24	24
<b>Total</b>	<b>8</b>	<b>(67)</b>	<b>(146)</b>	<b>67</b>	<b>(138)</b>

Business activity	Insurance R million	Investment R million	Strategic diversifi- cation R million	Total R million	Recon- ciling and unallo- cated R million	IFRS total R million
<b>Revenue</b>	<b>24 319</b>	<b>772</b>	<b>675</b>	<b>25 766</b>	<b>(1 447)</b>	<b>24 319</b>
Gross written premium	24 319	-	675	24 994	(675)	24 319
Net written premium	18 884	-	494	19 378	(494)	18 884
Net earned premium	18 523	-	499	19 022	(499)	18 523
Net claims incurred	11 510	-	397	11 907	(397)	11 510
Net commission	2 004	-	19	2 023	(19)	2 004
Management expenses (excluding BEE costs) <sup>2</sup>	3 230	-	103	3 333	(103)	3 230
<b>Underwriting result</b>	<b>1 779</b>	<b>-</b>	<b>(20)</b>	<b>1 759</b>	<b>20</b>	<b>1 779</b>
Investment return on insurance funds	499	-	79	578	(79)	499
<b>Net insurance result</b>	<b>2 278</b>	<b>-</b>	<b>59</b>	<b>2 337</b>	<b>(59)</b>	<b>2 278</b>
Reallocation of net insurance results <sup>1</sup>	-	-	(59)	(59)	59	-
Investment income net of investment-related fees and finance costs	-	603	174	777	-	777
Income from associates including profit on sale	-	-	466	466	-	466
Profit on sale of subsidiary	-	-	15	15	-	15
Santam BEE costs	-	-	-	-	(71)	(71)
Amortisation and impairment of intangible assets <sup>2</sup>	(93)	-	-	(93)	-	(93)
<b>Income before taxation</b>	<b>2 185</b>	<b>603</b>	<b>655</b>	<b>3 443</b>	<b>(71)</b>	<b>3 372</b>

<sup>1</sup> Reconciling items consist of the reallocation of net insurance results relating to the underlying investments included in strategic diversification activities for management reporting purposes.

<sup>2</sup> Amortisation of computer software included as part of management expenses.

	Gross written premium <sup>1</sup> R million	Under- writing result <sup>1</sup> R million
<b>Insurance activities</b>		
The group's insurance activities are spread over various classes of general insurance.		
Accident and health	371	60
Alternative risk	2 248	20
Crop	840	131
Engineering	1 176	216
Guarantee	149	13
Liability	1 327	234
Miscellaneous	62	11
Motor	10 247	673
Property	7 213	330
Transportation	686	91
<b>Total</b>	<b>24 319</b>	<b>1 779</b>

**Comprising:**

Commercial insurance	12 665	1 195
Personal insurance	9 406	564
Alternative risk	2 248	20
<b>Total</b>	<b>24 319</b>	<b>1 779</b>

<sup>1</sup> The following reclassifications between insurance classes were made as a result of more granular information becoming available: a decrease of R477 million in gross written premium for commercial lines and a corresponding increase of R477 million in gross written premium for personal lines; a decrease of R36 million in underwriting result for commercial lines and a corresponding increase of R36 million in underwriting result for personal lines.

	R million
<b>Additional information</b>	
<b>Investment activities</b>	
The group's return on investment-related activities can be analysed as follows:	
Investment income	689
Net gains on financial assets and liabilities at fair value through income	83
<b>Investment-related revenue</b>	<b>772</b>
Expenses for investment-related activities	(53)
Finance costs	(116)
<b>Net total investment-related transactions</b>	<b>603</b>

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

	SEM target shares R million	Other R million	Total R million
<b>5. Segment information</b> (continued)			
<b>5.2 For the year ended 31 December 2015 (restated)</b> (continued)			
<b>Strategic diversification activities</b>			
The group's return on strategic diversification-related activities can be analysed as follows:			
<b>Revenue</b>	<b>675</b>	<b>–</b>	<b>675</b>
Gross written premium	675	–	675
Net written premium	494	–	494
Net earned premium	499	–	499
Net claims incurred	397	–	397
Net commission	19	–	19
Management expenses (excluding BEE costs)	103	–	103
<b>Underwriting result</b>	<b>(20)</b>	<b>–</b>	<b>(20)</b>
Investment return on insurance funds	79	–	79
<b>Net insurance result</b>	<b>59</b>	<b>–</b>	<b>59</b>
Reallocation of net insurance results <sup>1</sup>	(59)	–	(59)
Investment income net of investment-related fees and finance costs	174	–	174
Income from associates and joint ventures including profit on sale	–	466	466
Profit on sale of subsidiary	–	15	15
<b>Income before taxation</b>	<b>174</b>	<b>481</b>	<b>655</b>
		<b>Gross written premium R million</b>	<b>Under-writing result R million</b>
South Africa		–	–
Rest of Africa		272	(3)
Southeast Asia, India, Middle East and China		403	(17)
		675	(20)
Reallocation of net underwriting results <sup>1</sup>			20
Investment income			–
			22
Net gains on financial assets and liabilities at fair value through income			
– Net fair value gains			47
– Net foreign exchange gains			105
Net income from associates and joint ventures			53
Profit on sale of associates			413
Profit on sale of subsidiary			15
<b>Strategic diversification-related revenue</b>			<b>655</b>

<sup>1</sup> Reconciling items consist of the reallocation of net underwriting results relating to the underlying investments included in strategic diversification activities for management reporting purposes.

	Dividend income R million	Net fair value gains R million	Net foreign exchange gains R million	Net income from associates and joint ventures R million	Total R million
SEM target shares	22	47	105	-	174
Other <sup>1</sup>	-	-	-	481	481
<b>Total</b>	<b>22</b>	<b>47</b>	<b>105</b>	<b>481</b>	<b>655</b>

<sup>1</sup> Includes profit on sale of associates of R413 million and profit on sale of subsidiary of R15 million.

	Gross written premium		Non-current assets	
	Restated			
	31 Dec 2016 R million	31 Dec 2015 R million	31 Dec 2016 R million	31 Dec 2015 R million
<b>5.3 Geographical analysis</b>				
South Africa	23 360	21 909	1 126	1 000
Rest of Africa <sup>1</sup>	3 479	2 245	1 670	441
Southeast Asia, India, Middle East and China <sup>2</sup>	1 009	840	857	733
	<b>27 848</b>	<b>24 994</b>	<b>3 653</b>	<b>2 174</b>
Reconciling items <sup>3</sup>	(1 939)	(675)	-	-
<b>Group total</b>	<b>25 909</b>	<b>24 319</b>	<b>3 653</b>	<b>2 174</b>

<sup>1</sup> Includes gross written premium relating to Namibia of R1 118 million (Dec. 2015: R1 056 million).

<sup>2</sup> Includes gross written premium relating to China of R116 million (Dec. 2015: R140 million).

<sup>3</sup> Reconciling items relate to the underlying investments included in strategic diversification activities for management reporting purposes.

	Audited at 31 Dec 2016 R million	Audited at 31 Dec 2015 R million
<b>6. Financial assets and liabilities</b>		
The group's financial assets and liabilities are summarised below by measurement category.		
<b>Financial assets</b>		
Financial assets at fair value through income	14 792	14 734
Loans and receivables	3 754	3 449
	<b>18 546</b>	<b>18 183</b>
<b>Financial liabilities</b>		
Financial liabilities at fair value through income	2 154	1 069
Financial liabilities at amortised cost	123	105
Trade and other payables	4 093	3 412
	<b>6 370</b>	<b>4 586</b>

## 6. Financial assets and liabilities (continued)

### Financial instruments measured at fair value on a recurring basis

The table that follows 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 2015. The different levels have been defined as follows:

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

All government and corporate bonds were transferred from level 1 to level 2 based on management's current assessment of an active market for debt instruments. There were no significant transfers between level 1 and level 2 during the prior year.

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

<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through income</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>	<b>R million</b>
Equity securities				
Quoted				
Listed	1 321	-	-	1 321
Unitised funds	-	77	-	77
Irredeemable preference shares	2	-	-	2
Unquoted	-	-	1 181	1 181
<b>Total equity securities</b>	<b>1 323</b>	<b>77</b>	<b>1 181</b>	<b>2 581</b>
Debt securities				
Quoted				
Government and other bonds	-	2 469	-	2 469
Collateralised securities	-	407	-	407
Unit-linked investments	-	268	-	268
Money market instruments more than one year	-	2 592	-	2 592
Equity-linked notes	-	244	-	244
Unquoted				
Government and other bonds	-	151	-	151
Collateralised securities	-	10	-	10
Money market instruments more than one year	-	4 516	-	4 516
Redeemable preference shares	-	163	29	192
<b>Total debt securities</b>	<b>-</b>	<b>10 820</b>	<b>29</b>	<b>10 849</b>
Derivative instruments				
Exchange traded futures	-	1	-	1
Interest rate swaps <sup>1</sup>	-	-	-	-
<b>Total derivative instruments</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Short-term money market instruments</b>	<b>-</b>	<b>1 361</b>	<b>-</b>	<b>1 361</b>
<b>Total financial assets at fair value through income</b>	<b>1 323</b>	<b>12 259</b>	<b>1 210</b>	<b>14 792</b>

<sup>1</sup> Carrying value as at 31 December 2016 is less than R1 million.

**31 December 2016****Financial liabilities at fair value through income**

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
Debt securities	-	2 053	-	2 053
Investment contracts	-	101	-	101
<b>Total financial liabilities at fair value through income</b>	<b>-</b>	<b>2 154</b>	<b>-</b>	<b>2 154</b>

**31 December 2015****Financial assets at fair value through income**

## Equity securities

## Quoted

Listed	1 643	-	-	1 643
Unitised funds	-	66	-	66
Irredeemable preference shares	2	-	-	2

## Unquoted

	-	-	1 019	1 019
<b>Total equity securities</b>	<b>1 645</b>	<b>66</b>	<b>1 019</b>	<b>2 730</b>

## Debt securities

## Quoted

Government and other bonds	1 378	1 122	36	2 536
Collateralised securities	-	190	-	190
Unit-linked investments	-	214	-	214
Money market instruments more than one year	-	1 799	-	1 799

## Unquoted

Government and other bonds	-	132	-	132
Money market instruments more than one year	-	4 459	-	4 459
Redeemable preference shares	-	101	29	130
Equity-linked notes	-	261	-	261
<b>Total debt securities</b>	<b>1 378</b>	<b>8 278</b>	<b>65</b>	<b>9 721</b>

## Derivative instruments

## Exchange traded futures

	-	2	-	2
<b>Total derivative instruments</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>

## Short-term money market instruments

	-	2 237	44	2 281
<b>Total financial assets at fair value through income</b>	<b>3 023</b>	<b>10 583</b>	<b>1 128</b>	<b>14 734</b>

	Level 1 R million	Level 2 R million	Level 3 R million	Total R million
<b>6. Financial assets and liabilities (continued)</b>				
<b>31 December 2015</b>				
<b>Financial liabilities at fair value through income</b>				
<b>Debt securities</b>	998	-	-	998
<b>Investment contracts</b>	-	70	-	70
Derivative instruments				
Interest rate swaps <sup>1</sup>	-	-	1	1
<b>Total derivative instruments</b>	-	-	1	1
<b>Total financial liabilities at fair value through income</b>	<b>998</b>	<b>70</b>	<b>1</b>	<b>1 069</b>

<sup>1</sup> Carrying value as at 31 December 2016 is less than R1 million.

The following tables present the changes in level 3 instruments:

	Equity securities R million	Debt securities R million	Short-term money market		Total R million
			instruments R million	Derivatives R million	
<b>31 December 2016</b>					
Opening balance	1 019	65	44	(1)	1 127
Acquisitions	376	-	-	-	376
Disposals/settlements	(2)	-	-	(75)	(77)
Transfers between asset classes	-	44	(44)	-	-
Transfers to level 1 and/or 2	-	(90)	-	-	(90)
(Losses)/gains recognised in profit or loss	(212)	10	-	76	(126)
<b>Closing balance</b>	<b>1 181</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>1 210</b>
<b>31 December 2015</b>					
Opening balance	820	56	38	-	914
Acquisitions	51	-	1	-	52
Disposals/settlements	(5)	-	(2)	-	(7)
Transfers between asset classes	-	(4)	4	-	-
Gains/(losses) recognised in profit or loss	153	13	3	(1)	168
<b>Closing balance</b>	<b>1 019</b>	<b>65</b>	<b>44</b>	<b>(1)</b>	<b>1 127</b>

The unquoted equity instruments recognised as level 3 instruments consist mainly of the participation target shares issued by Sanlam Emerging Markets (Pty) Ltd (SEM). Santam increased its participatory interest in SGI during the second half of 2016 by 8% to 15% at a cost of R251 million. Of the R212 million loss (Dec 2015: R153 million gain) recognised on equity securities, R212 million (Dec 2015: R152 million) relates to the SEM target shares, of which R145 million (Dec 2015: R105 million) relates to foreign exchange losses (Dec 2015: gains), and R67 million (Dec 2015: R47 million) to a decrease (Dec 2015: increase) in fair value in local currency terms. Key drivers of the fair value movements of Santam's share of the SEM investment portfolio were:

- A downward adjustment to the value of the P&O business in Malaysia of R88 million due to lower premium growth in competitive market conditions. There is a significant focus on expanding the current P&O product offering, and growth reported on non-motor business lines was positive.
- A reduction in the value of the investment in SORAS Assurances Générales Ltd (SORAS) in Rwanda of R47 million following financial irregularities identified during 2016 relating to prior years. Corrective measures were taken to address these irregularities, and the business was recapitalised during the second half of 2016.
- An increase in the value of SGI of R51 million was mainly attributed to good growth achieved in the Indian insurance market.

The fair value of the SEM target shares is determined using predominantly discounted cash flow models. The most significant assumptions used in these models are the discount rate, exchange rate and net insurance margin expectations. Should the discount rates increase or decrease by 10%, the cumulative value of the most significant target shares would decrease by R140 million (Dec. 2015: R114 million) or increase by R213 million (Dec. 2015: R172 million), respectively. If the relative foreign exchange rates increase or decrease by 10%, the cumulative fair values will increase or decrease by R85 million (Dec. 2015: R73 million). Should the net insurance margin profile (projected over a period of 10 years) increase or decrease by 10%, the cumulative fair values will increase by R91 million (Dec. 2015: R79 million) or decrease by R90 million (Dec. 2015: R78 million), respectively.

At 31 December 2016, the group had exchange traded futures with an exposure value of R345 million (Dec. 2015: R585 million). The group also had interest rate derivative assets as part of the international bond portfolio with a gross exposure asset and liability at 31 December 2016 of R27 million (Dec. 2015: R31 million) and R27 million (Dec. 2015: R31 million) respectively.

The interest rate derivative liabilities represent the fair value of interest rate swaps effected on a total of R100 million (Dec. 2015: R100 million) of fixed interest securities held in the investment portfolio underlining the subordinated callable notes. The interest rate swaps have the effect of swapping a variable interest rate for a fixed interest rate on these assets to eliminate interest rate risk on assets supporting the bond liability. The derivatives mature on 12 June 2017. The gross exposure asset and liability at year-end amounted to R3 million (Dec. 2015: R10 million) and R3 million (Dec. 2015: R11 million) respectively.

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

During April 2016, the company issued additional unsecured subordinated callable notes to the value of R1 billion in two equal tranches of fixed and floating rate notes. The effective rate for the floating rate notes amounted to 9.81%, representing the three-month JIBAR (as at 31 December 2016) plus 245 basis points at the time of the issue, while the rate for the fixed rate notes amounted to 11.77%. The floating rate notes have a call date of 12 April 2021 with a final maturity date of 12 April 2026, and the fixed rate notes a call date of 12 April 2023 with a final maturity date of 12 April 2028.

## 6. Financial assets and liabilities (continued)

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

In February 2015, a zero cost fence structure was entered into based on the SWIX 40, providing 10% downside protection from the implementation level of 10 443, with upside participation (excluding dividends) of 10.9%. The structure matured on 17 December 2015 (resulting in a realised gain of R42 million) and was not renewed. In May 2016, a zero cost fence structure was entered into based on the SWIX 40, providing 10% downside protection from the implementation level of 10 621, with upside participation (excluding dividends) of 10.3%. The structure matured on 15 December 2016 (resulting in a realised gain of R75 million) and was not renewed. These were economic hedges over R1 billion of the listed equity portfolio.

## 7. Insurance liabilities and reinsurance assets

### Gross insurance liabilities

Long-term insurance contracts

- claims reported and loss adjustment expenses	25	6
- claims incurred but not reported	42	30

General insurance contracts

- claims reported and loss adjustment expenses	6 789	6 273
- claims incurred but not reported	1 873	1 567
- unearned premiums	4 867	4 788

### Total gross insurance liabilities

	<b>13 596</b>	<b>12 664</b>
Non-current liabilities	1 312	1 525
Current liabilities	12 284	11 139

### Recoverable from reinsurers

Long-term insurance contracts

- claims reported and loss adjustment expenses	6	3
- claims incurred but not reported	12	7

General insurance contracts

- claims reported and loss adjustment expenses	2 835	2 220
- claims incurred but not reported	329	272
- unearned premiums	1 307	1 176

### Total reinsurers' share of insurance liabilities

	<b>4 489</b>	<b>3 678</b>
Non-current assets	140	164
Current assets	4 349	3 514

### Net insurance liabilities

Long-term insurance contracts

- claims reported and loss adjustment expenses	19	3
- claims incurred but not reported	30	23

General insurance contracts

- claims reported and loss adjustment expenses	3 954	4 053
- claims incurred but not reported	1 544	1 295
- unearned premiums	3 560	3 612

### Total net insurance liabilities

	<b>9 107</b>	<b>8 986</b>
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## 8. Non-current assets held for sale

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

The deferred conditional rights relating to Cardrow were realised during the first half of 2016 when it paid a dividend of R394 million. The deferred conditional rights relating to Beech Hill were substantially realised during the second half of 2016 with the receipt of an amount of R115 million. The remaining balance of R8 million is expected to be realised during the first half of 2017.

	Audited at 31 Dec 2016 R million	Audited at 31 Dec 2015 R million
<b>Assets that are classified as held for sale</b>		
Financial assets at fair value through income		
Equity securities	-	390
Loans and receivables including insurance receivables	8	151
	<b>8</b>	<b>541</b>
Opening balance	541	428
Settlements	(509)	-
Dividend income	394	-
Foreign exchange (losses)/gains	(37)	113
Net fair value losses	(381)	-
<b>Closing balance</b>	<b>8</b>	<b>541</b>
	<b>Audited Year ended 31 Dec 2016 R million</b>	<b>Audited Year ended 31 Dec 2015 R million</b>

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

Investment income	777	1 210
Dividend income	64	119
Interest income	941	729
Foreign exchange differences	(228)	362
Net gains on financial assets and liabilities at fair value through income	42	235
Net realised gains on financial assets	284	1 010
Net fair value losses on financial assets designated as at fair value through income	(300)	(850)
Net realised/fair value gains on derivative instruments	75	43
Net fair value gains on short-term money market instruments	14	7
Net fair value (losses)/gains on financial liabilities designated as at fair value through income	(31)	25
Net fair value (losses)/gains on debt securities	(31)	25
Investment income and net losses on financial assets held for sale <sup>1</sup>	13	-
Dividend income	394	-
Net fair value losses	(381)	-
	<b>832</b>	<b>1 445</b>

<sup>1</sup> Dividend income for the group includes a dividend of R394 million resulting from the realisation of the value in the non-current assets held for sale relating to Cardrow. This resulted in the net fair value of the related investment being reduced by R381 million. Refer to note 8 for more detail.

	Audited Year ended 31 Dec 2016 R million	Audited Year ended 31 Dec 2015 R million
<b>10. Income tax</b>		
<b>Normal taxation</b>		
Current year	553	1 077
Prior year	(8)	24
Recovered from cell owners	(89)	(67)
<b>Foreign taxation – current year</b>	<b>56</b>	<b>57</b>
<b>Total income taxation for the year</b>	<b>512</b>	<b>1 091</b>
<b>Deferred taxation</b>		
Current year	12	(170)
Prior year	–	(13)
<b>Total deferred taxation for the year</b>	<b>12</b>	<b>(183)</b>
<b>Total taxation as per statement of comprehensive income</b>	<b>524</b>	<b>908</b>
<b>Reconciliation of taxation rate (%)</b>		
Normal South African taxation rate	28.0	28.0
Adjusted for:		
Disallowable expenses	0.6	0.7
Foreign tax differential	0.4	0.2
Exempt income	(1.4)	(1.2)
Investment results	(0.5)	(0.9)
Change in CGT inclusion rate <sup>1</sup>	2.4	–
Income from associates and joint ventures	(1.1)	(1.0)
Previous years' (over)/underprovision	(0.4)	0.3
Other permanent differences	0.1	0.7
Other taxes	0.1	0.1
Net increase/(reduction)	0.2	(1.1)
<b>Effective rate (%)</b>	<b>28.2</b>	<b>26.9</b>

<sup>1</sup> The increase in the CGT inclusion rate resulted in an increase in the deferred tax provision on fair value movements of R45 million.

## 11. Corporate transactions

### 2016

#### Acquisitions

##### SAN JV (RF) (Pty) Ltd (Saham Finances)

The transaction to acquire a 25% shareholding in SAN JV (with SEM acquiring 75%), announced in November 2015, was finalised during the first quarter of 2016. The total cash consideration was US\$400 million. Santam's share of the purchase consideration, amounting to US\$100 million, was funded from internal cash resources. In November 2015, Santam acquired sufficient foreign currency, in addition to existing dollar assets, to cover the purchase consideration before the transaction was concluded. A cash flow hedge was implemented on 24 November 2015 to cover Santam's foreign currency exposure by designating these US dollar-denominated cash balances to the transaction. The impact of this was that foreign currency gains of R140 million (Dec. 2015: R134 million) recognised on the designated cash balances since implementation date were not recognised in the statement of comprehensive income, but were accounted for as part of the investment in SAN JV. Therefore, the cost price of the investment, net of the cash flow hedge impact, was R1 412 million.

##### Professional Provident Society Short-term Insurance Company Ltd (PST)

During March 2016, Santam purchased 49% of PST for R55 million in cash. During November 2016, a pro rata recapitalisation took place in terms of which Santam injected a further R10 million into the company.

### Absa Intermediated Commercial Lines business

During November 2016, Santam purchased the Absa Intermediated Commercial Lines business from Absa Insurance Company Ltd for R13 million in cash, including contingent payments estimated at R28 million.

	<u>R million</u>
<b>Details of the assets and liabilities acquired are as follows:</b>	
Intangible assets – key business relationships	59
Cash and cash equivalents	83
Insurance liabilities	(83)
Trade and other payables	(2)
Deferred tax liabilities	(16)
<b>Net asset value acquired</b>	<b>41</b>
Future contingent consideration payable	(28)
<b>Purchase consideration paid</b>	<b>13</b>

### 2015

#### Disposals

##### Indwe Broker Holdings Group (Pty) Ltd

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

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

The purchase consideration was received in 2016.

##### Credit Guarantee Insurance Corporation of Africa Ltd

On 9 October 2015, Santam Ltd sold its 33.6% shareholding in Credit Guarantee Insurance Corporation of Africa Ltd for R602 million. Net profit of R392 million and capital gains tax of R73 million (initially recognised as R91 million) was realised.

##### Censeo (Pty) Ltd

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

	Audited at 31 Dec 2016 R million	Audited at 31 Dec 2015 R million
<b>11. Corporate transactions (continued)</b>		
<b>Goodwill reconciliation</b>		
Opening balance	598	833
Impairment	(3)	(47)
Disposal of subsidiary	–	(188)
<b>Closing balance</b>	<b>595</b>	<b>598</b>
	<b>Audited Year ended 31 Dec 2016</b>	<b>Audited Year ended 31 Dec 2015</b>
<b>12. Earnings per share</b>		
<b>Basic earnings per share</b>		
Profit attributable to the company's equity holders (R million)	1 212	2 348
Weighted average number of ordinary shares in issue (million)	110.21	112.34
Earnings per share (cents)	1 100	2 090
<b>Diluted earnings per share</b>		
Profit attributable to the company's equity holders (R million)	1 212	2 348
Weighted average number of ordinary shares in issue (million)	110.21	112.34
Adjusted for share options	1.16	1.38
Weighted average number of ordinary shares for diluted earnings per share (million)	<b>111.37</b>	<b>113.72</b>
Diluted basic earnings per share (cents)	<b>1 088</b>	<b>2 065</b>
<b>Headline earnings per share</b>		
Profit attributable to the company's equity holders (R million)	1 212	2 348
Adjusted for:		
Impairment of goodwill and other intangible assets	3	52
Profit on sale of subsidiary	–	(15)
Tax charge on profit on sale of subsidiary	–	5
Profit on sale of associated companies	–	(413)
Tax charge on profit on sale of associated companies	–	95
Capital gains tax overprovision on sale of associated companies	(18)	–
Headline earnings (R million)	<b>1 197</b>	<b>2 072</b>
Weighted average number of ordinary shares in issue (million)	110.21	112.34
Headline earnings per share (cents)	<b>1 086</b>	<b>1 844</b>
<b>Diluted headline earnings per share</b>		
Headline earnings (R million)	1 197	2 072
Weighted average number of ordinary shares for diluted headline earnings per share (million)	111.37	113.72
Diluted headline earnings per share (cents)	<b>1 075</b>	<b>1 822</b>
<b>13. Dividend per share</b>		
Dividend per share (cents)	881	816
Special dividend per share (cents)	800	–

#### **14. Broad-based black economic empowerment (BBBEE)**

In May 2007, Central Plaza Investments 112 (Pty) Ltd (Central Plaza) acquired 10% of Santam's shares with the following beneficiaries:

- Emthunzini Black Economic Empowerment Staff Trust
- Emthunzini Black Economic Empowerment Business Partners Trust
- Emthunzini Broad-based Black Economic Empowerment Community Trust

The scheme matured in February 2015. Of the shares held by Central Plaza Investments 112 (Pty) Ltd, Santam repurchased 38% of the shares (4 215 000 shares at a price of R190 per share for a total consideration of R801 million) and 24% were sold in the market through a successful bookbuild during the unwinding process, and the balance was distributed to participants.

The consequent distribution of Santam shares and cash valued at R1.1 billion to the beneficiaries started in September 2015 with R530 million allocated to close to 2 400 Santam and Santam employees. Santam shares and cash to the value of R330 million were distributed to 68 black business partners, while the Emthunzini Broad-Based Black Economic Empowerment Community Trust received Santam shares and cash to the value of R275 million. The unwinding of the scheme had a minimal impact on Santam's black ownership status.

The Emthunzini Black Economic Empowerment Staff Trust (staff trust) is also under the control of Santam Ltd since the unwinding of Central Plaza and is therefore consolidated as at 31 December 2015 and 2016. The net impact of the inclusion of the staff trust at 31 December 2015 was an increase in cash of R132 million, the recognition of the capital contribution reserve of R9 million and an increase of 684 482 in treasury shares.

#### **15. Events after the reporting period**

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

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# ANNEXURE 2

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## BOARD OF DIRECTORS

### **GG GELINK (67)**

#### *Independent non-executive chairman*

CA(SA), HED, BAcc (Hons)

*Appointed 1 June 2012*

Director of FirstRand Ltd, Grindrod Ltd, Allied Electronics Corporation Ltd (Altron) and MTN Zakhele. Chief executive officer of Deloitte Southern Africa from 2006 to 2012.

### **B CAMPBELL (66)**

#### *Independent non-executive director*

BA, MBL, ACII & FCII (UK)

*Appointed 4 October 2010*

Previous managing director of Mutual & Federal Insurance Holdings Ltd and previous group chief executive officer of Alexander Forbes.

### **BTPKM GAMEDZE (58)**

#### *Non-executive director*

BA (Hons), MSc, FASSA

*Appointed 16 October 2006*

Director of Sanlam Emerging Markets (Pty) Ltd and Sanlam Investment Management (Pty) Ltd. Immediate past president of the Actuarial Society of South Africa and trustee of the Government Employees Pension Fund.

### **IM KIRK (59)**

#### *Non-executive director*

FCA (Ireland), CA(SA), HDip BDP (Wits)

*Appointed 14 June 2007*

Chief executive officer of Sanlam Ltd and Sanlam Life Insurance Ltd. Previous chief executive officer of Santam Ltd from 2007 to 2014. Director of Channel Life Ltd, Genbel Securities Ltd, Sanlam Capital Markets Ltd, Sanlam Developing Markets Ltd, Sanlam Emerging Markets (Pty) Ltd, Sanlam Investment Holdings Ltd, Sanlam UK Ltd, Shriram Capital, Sanlam Netherlands Holding BV and WWF South Africa. Chairman of Association of Savings and Investment South Africa and Vumelana Advisory Fund NPC.

### **L LAMBRECHTS (53)**

#### *Chief executive officer*

BSc (Hons), FIA (1992), EDP (Manchester)

*Appointed 1 January 2015*

Director of Stalker Hutchison Admiral (Pty) Ltd, Centriq group of companies, MiWay group of companies, Emerald Risk Transfer (Pty) Ltd and chairperson of SAIA. Non-executive director of Saham Finances SA.

### **MLD MAROLE (56)**

#### *Independent non-executive director*

BComm, Dip Tertiary Education, MBA

*Appointed 13 December 2011*

Director of MTN Group Ltd, Mobile Telephone Networks Holdings (Pty) Ltd, MTN International (Pty) Ltd, South African Post Office SOC Ltd, Richards Bay Minerals (Pty) Ltd and Development Bank of Southern Africa.

### **NV MTETWA (37)**

#### *Independent non-executive director*

CA(SA)

*Appointed 8 February 2017*

Previous managing executive of finance at Vodacom South Africa. Served as managing committee member and partner at PricewaterhouseCoopers. Independent non-executive director and audit committee chair of the Development Bank of Southern Africa. Independent non-executive director of Aviation Co-ordination Services (Pty) Ltd.

**HD NEL (48)****Chief financial officer, executive director**

CA(SA)

*Appointed 17 September 2012*

Director of Centriq group of companies, Emerald Risk Transfer (Pty) Ltd, MiWay group of companies, Stalker Hutchison Admiral (Pty) Ltd, Central Plaza Investments 112 (Pty) Ltd, Swanvest 120 (Pty) Ltd, BroLink (Pty) Ltd, Sanlam Emerging Markets (Pty) Ltd, Mirabilis Engineering Underwriting Managers (Pty) Ltd, First Bank Nigeria Insurance Ltd, Guardian National Insurance Company Ltd and Indwe Broker Holdings Ltd.

**Y RAMIAH (49)****Non-executive director**

BA LLB, MBA, AMP (Harvard), HDip Tax (Admitted Attorney)

*Appointed 13 December 2011*

Director of Sanlam Ltd, Sanlam Life Insurance Ltd, Sanlam Investment Management (Pty) Ltd, Sanlam Investment Holdings Ltd and Adopt a School Foundation.

**MJ REYNEKE (59)****Independent non-executive director**

CA(SA)

*Appointed 26 August 2003*

Director of African Rainbow Capital (Pty) Ltd, Indwe Broker Holdings (Pty) Ltd, Central Plaza Investments 112 (Pty) Ltd, Santam International Ltd, Uyanda STI Careers (Pty) Ltd, Indwe Risk Services (Pty) Ltd

**PE SPECKMANN (60)****Independent non-executive director**

CA(SA)

*Appointed 8 February 2017*

Previous Group Financial Director of MMI Holdings group. Former roles include senior finance positions at Old Mutual, Pepkor Group and Seagram SA and audit partner at PricewaterhouseCoopers.

**HC WERTH (53)****Non-executive director**

CA(SA), MBA, EDP (Manchester)

*Appointed 13 September 2016*

Director of Sanlam Ltd and Sanlam Life Insurance Ltd, Sanlam Emerging Markets (Pty) Ltd, Genbel Securities Ltd, Sanlam Capital Markets Ltd and Sanlam Investment Holdings Ltd. Former chief executive officer of Sanlam Emerging Markets (Pty) Ltd from 2005 to 2016.

**M ALLIE (41)****Company secretary**

BA, LLB

*Appointed as company secretary on 1 February 2011*

Admitted attorney with experience in corporate and commercial law, litigation and corporate governance. Former roles include company secretary of Oceana Group Ltd and Group Legal and Regulatory Affairs Manager of Parmalat SA (Pty) Ltd.

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# ANNEXURE 3

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## EXECUTIVE MANAGEMENT

### **LIZÉ LAMBRECHTS (53)**

#### **Chief executive officer**

BSc (Hons), FIA (1992), EDP (Manchester)

*Appointed January 2015*

Responsible for executing strategic plans and policies approved by the board of directors; provides leadership and direction in realising the company's philosophy and achieving its mission, strategy, annual goals and objectives; and ensures the group meets or exceeds its targets, thereby growing profitability and sustainability over the medium to long term.

### **HENNIE NEL (48)**

#### **Chief financial officer**

CA(SA)

*Appointed 2012*

Responsible for financial reporting, corporate finance, investments (including SEM partnership investments), internal audit, enterprise risk management and corporate legal services.

### **EBRAHIM ASMAL (52)**

#### **Claims and group sourcing**

*Appointed 2009 (appointed to executive management in 2012)*

Responsible for the management of the claims value chain, including assessments services and quality assurance. Also responsible for group sourcing and facilities, leveraging the group's procurement spending power to manage efficiency in the supply chain and drive opportunities related to new initiatives.

### **MOKAEDI DILOTSOTLHE (47)**

#### **Brand and marketing**

BComm (Hons), MBA

*Appointed 2016*

Responsible for the management of the Santam Brand, corporate communication, developing and implementing strategic brand initiatives relating to change in distribution channels and ensuring that the Santam brand is well positioned across all of the target market segments.

### **EDWARD GIBBENS (47)**

#### **Santam Commercial and Personal**

AIISA, BComm, MBA, AMP (Insead)

*Appointed 1992 (appointed to executive management in 2005)*

Responsible for growing gross premium income and underwriting profit through the company's commercial and personal lines distribution channels under the Santam brand; manages the efforts of business partners and distribution employees, analyses the competitive environment and develops future strategies to strengthen the company's competitive position.

### **QUINTEN MATTHEW (53)**

#### **Santam Specialist**

FIISA

*Appointed 2003 (appointed to executive management in 2010)*

Responsible for developing and expanding the underwriting manager model, niche segments, affinity markets and specialist insurance (including Centriq); provides strategic input to each business; promotes growth and profit objectives; focuses on growing individual businesses by advancing entrepreneurship and specialist skills through partnerships, building on the synergy and support of Santam; and expands SEM partner business specialist capabilities.

**JOHN MELVILLE (51)****Risk services**

BBusSc (Hons), FIA, FASSA, MCR (IMD)

*Appointed 2010*

Responsible for the underwriting function (including strategy and pricing); product solutions; actuarial services (including rating, capital modelling and solvency management); developing and implementing reinsurance strategy; and developing Santam re into a growth and profit contributor for the group. Oversees the development and maintenance of systems and processes to support the operation of these functions and technical support to SEM partner businesses.

**JEANETT MODISE (53)****People and transformation**

BComm, MDP, MBL, SEP (Harvard), AMP (Insead)

*Appointed 2014 (appointed to executive management in 2015)*

Responsible for human resources and transformation; leads and manages people strategy in line with best practice to enable successful execution of the Santam business objectives through engaged and competent people in an enabling work environment.

**TEMBA MVUSI (61)****Market development – CSI**

BA, ELP (Wharton School of Business), MAP (Wits), PDP (UCT)

*Appointed 2008*

Responsible for strategic stakeholder relations; provides strategic input into developing and growing the company in new markets and explores new intermediary opportunities in unserved markets; drives group-wide transformation to ensure company sustainability, setting targets and ensuring the company meets its BBBEE responsibilities; and corporate social investment.

**RENÉ OTTO (58)****Chief executive officer of MiWay**

BLC LLB, LLM, Admitted Advocate of the Supreme Court

*Appointed 2007 (appointed to executive management in 2012)*

Responsible for executing strategic plans and financial performance of MiWay as founding head and current chief executive officer.

**KEVIN WRIGHT (51)****Operations and IT**

BComm, Fellow of the South African Institute of Chartered Secretaries and Administrators, FCIS

*Appointed 2014*

Responsible for client services, ensuring efficient policy administration, operation of sales and administration contact centres. Also responsible for information technology and business change to bolster the business strategy by leveraging information and technology; overseeing the building of systems capabilities to enhance Santam's agility and operational effectiveness.

# ANNEXURE 4

## ANALYSIS OF SHAREHOLDERS

	Number of shareholders	% of total shareholders	Number of shares	% Interest
Analysis of shareholders				
1 – 100 shares	1 410	21.98%	94 335	0.08%
101 – 1 000 shares	3 170	49.42%	1 296 242	1.13%
1 001 – 50 000 shares	1 722	26.85%	10 448 118	9.07%
50 001 – 100 000 shares	51	0.80%	3 578 620	3.11%
100 001 – 10 000 000 shares	60	0.94%	32 081 445	27.87%
More than 10 000 000 shares	1	0.01%	67 632 657	58.74%
<b>Total</b>	<b>6 414</b>	<b>100.00%</b>	<b>115 131 417</b>	<b>100.00%</b>

### Type of shareholder

Individuals	4 314	67.26%	3 770 119	3.27%
Companies	538	8.39%	85 790 376	74.52%
Growth funds/unit trusts	193	3.01%	12 626 314	10.97%
Nominee companies or trusts	1 215	18.94%	3 388 550	2.94%
Pension and retirement funds	154	2.40%	9 556 058	8.30%
<b>Total</b>	<b>6 414</b>	<b>100.00%</b>	<b>115 131 417</b>	<b>100.00%</b>

	Shareholders in South Africa		Shareholders other than in South Africa		Total shareholders	
	Nominal number	% Interest	Nominal number	% Interest	Nominal number	% Interest
Shareholder spread						
Public shareholders	6 229	26.73%	173	100.00%	6 402	30.85%
Directors	7	0.03%	–	–	7	0.03%
Guardian National Insurance Ltd*	1	4.07%	–	–	1	3.84%
Trustees of employees' share scheme*	2	1.46%	–	–	2	1.37%
Holdings of 5% or more	2	67.71%	–	–	2	63.91%
Sanlam Ltd	1	62.26%	–	–	1	58.77%
Government Employees Pension Fund	1	5.45%	–	–	1	5.14%
<b>Total</b>	<b>6 241</b>	<b>100.00%</b>	<b>173</b>	<b>100.00%</b>	<b>6 414</b>	<b>100.00%</b>

The analysis includes the shares held as treasury shares.

\* Owners of treasury shares.

## ANALYSIS OF DEBT SECURITY HOLDERS

	Number of debt security holders	% of total debt security holders	Number of units	% Interest
Analysis of debt security holders				
1 – 50 000 units	24	11.65%	166 622	0.01%
50 001 – 100 000 units	9	4.37%	841 656	0.04%
100 001 – 1 000 000 units	57	27.67%	30 065 378	1.50%
1 000 001 – 10 000 000 units	78	37.86%	342 149 448	17.11%
More than 10 000 000 units	38	18.45%	1 626 776 896	81.34%
<b>Total</b>	<b>206</b>	<b>100.00%</b>	<b>2 000 000 000</b>	<b>100.00%</b>

Type of debt security holder				
Banks	4	1.94%	74 300 000	3.72%
Brokers	2	0.97%	53 566 656	2.68%
Endowment funds	6	2.91%	14 909 830	0.75%
Insurance companies	15	7.28%	196 318 583	9.82%
Investment companies	6	2.91%	164 873 400	8.24%
Medical aid schemes	9	4.37%	36 684 000	1.83%
Mutual funds	101	49.04%	802 611 038	40.13%
Nominees and trusts	2	0.97%	1 490 000	0.07%
Pension funds	55	26.70%	581 442 493	29.07%
Private companies	4	1.94%	64 442 000	3.22%
Public companies	2	0.97%	9 362 000	0.47%
<b>Total</b>	<b>206</b>	<b>100.00%</b>	<b>2 000 000 000</b>	<b>100.00%</b>

	Nominal number	% Interest
Debt security holder spread		
Government Employees Pension Fund	365 996 877	18.30%
MMI Group Ltd	158 663 400	7.93%
Investec Cautious Managed Fund	107 400 000	5.37%
Other	1 367 939 723	68.40%
<b>Total</b>	<b>2 000 000 000</b>	<b>100.00%</b>

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# ANNEXURE 5

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## CURRICULUM VITAE OF DIRECTORS RECOMMENDED FOR RE-ELECTION

**GG GELINK (67)**

Director of FirstRand Ltd, Grindrod Ltd, Allied Electronics Corporation Ltd (Altron) and MTN Zakhele. Chief executive officer of Deloitte Southern Africa from 2006 to 2012.

**B CAMPBELL (66)**

Previous managing director of Mutual & Federal Insurance Holdings Ltd and previous group chief executive officer of Alexander Forbes.

**BTPKM GAMEDZE (58)**

Director of Sanlam Emerging Markets (Pty) Ltd and Sanlam Investment Management (Pty) Ltd. Immediate past president of the Actuarial Society of South Africa and trustee of the Government Employees Pension Fund.

**NV MTETWA (37)**

Previous managing executive of finance at Vodacom South Africa. Served as managing committee member and partner at PricewaterhouseCoopers. Independent non-executive director and audit committee chair of the Development Bank of Southern Africa. Independent non-executive director of Aviation Co-ordination Services (Pty) Ltd.

**Y RAMIAH (49)**

Director of Sanlam Ltd, Sanlam Life Insurance Ltd, Sanlam Investment Management (Pty) Ltd, Sanlam Investment Holdings Ltd and Adopt a School Foundation.

**PE SPECKMANN (60)**

Previous Group Financial Director of MMI Holdings group. Former roles include senior finance positions at Old Mutual, Pepkor Group and Seagram SA and audit partner at PricewaterhouseCoopers.

**HC WERTH (53)**

Director of Sanlam Ltd and Sanlam Life Insurance Ltd, Sanlam Emerging Markets (Pty) Ltd, Genbel Securities Ltd, Sanlam Capital Markets Ltd and Sanlam Investment Holdings Ltd. Former chief executive officer of Sanlam Emerging Markets (Pty) Ltd from 2005 to 2016.

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# ANNEXURE 6

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## DIRECTORS NOMINATED FOR ELECTION AS MEMBERS OF THE AUDIT COMMITTEE

**GG GELINK (67)**

Director of FirstRand Ltd, Grindrod Ltd, Allied Electronics Corporation Ltd (Altron) and MTN Zakhele. Chief executive officer of Deloitte Southern Africa from 2006 to 2012.

**B CAMPBELL (66)**

Previous managing director of Mutual & Federal Insurance Holdings Ltd and previous group chief executive officer of Alexander Forbes.

**NV MTETWA (37)**

Previous managing executive of finance at Vodacom South Africa. Served as managing committee member and partner at PricewaterhouseCoopers. Independent non-executive director and audit committee chair of the Development Bank of Southern Africa. Independent non-executive director of Aviation Co-ordination Services (Pty) Ltd.

**MJ REYNEKE (59)**

Director of African Rainbow Capital (Pty) Ltd, Indwe Broker Holdings (Pty) Ltd, Central Plaza Investments 112 (Pty) Ltd, Santam International Ltd, Uyanda STI Careers (Pty) Ltd, Indwe Risk Services (Pty) Ltd

**PE SPECKMANN (60)**

Previous Group Financial Director of MMI Holdings group. Former roles include senior finance positions at Old Mutual, Pepkor Group and Seagram SA and audit partner at PricewaterhouseCoopers.

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# ANNEXURE 7

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## SUMMARY OF REMUNERATION POLICY

For the full remuneration report, refer to pages 92 to 97 of the integrated report on the company website ([www.santam.co.za](http://www.santam.co.za)).

The board recognises that appropriate remuneration for executive directors, members of its executive committee and other employees is inextricably linked to the development and retention of top-level talent and intellectual capital within the group. Given the current economic climate, changes in the regulatory requirements and the ongoing skills shortage, it is essential that adequate measures are implemented to attract and retain the required talent.

Santam's reward philosophy and strategy support the business strategy by implementing processes that align agreed strategic objectives with the behaviour required to meet and exceed these objectives. These processes include performance contracting, performance measurement and the linking of rewards to performance. Reward structures are created taking into account prevailing economic conditions, national and international governance principles and the management of risk in the context of both short and long-term incentive awards.

The Santam board recognises certain industry-specific and other relevant differences between group businesses and, where appropriate, allows the business units relative autonomy in positioning themselves to attract, retain and reward their employees appropriately within an overarching framework. In this regard, there are some areas where the dictates of good corporate governance, the protection of shareholder interests and those of the Santam brand or corporate identity require full disclosure, motivation and approval by the HRRC, either at group or business unit level.

The principle of management discretion, with regard to individual employees, is central to the remuneration philosophy on the basis that all rewards are based on merit. However, the overarching principles and design of the remuneration structure are consistent, to support a common philosophy and to ensure good corporate governance, with differentiation where appropriate. In other instances, the Santam remuneration philosophy implies that the businesses are mandated to apply their own discretion, given the role that their own remuneration/human resources committees will play in ensuring good governance.

The group has continued to apply a total reward strategy for its employees. This offering comprises remuneration (which includes cash remuneration, short-term incentives and long-term incentives), benefits (retirement funds, group life, etc.), learning and development, an attractive working environment and a range of lifestyle benefits.

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# ANNEXURE 8

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## MATERIAL CHANGE STATEMENT

The directors report that there have been no material changes in the affairs, financial or trading position of the group since 31 December 2016, other than those disclosed in the integrated report that is available on the Santam website, [www.santam.co.za](http://www.santam.co.za), or can be requested from the company secretary.

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# ANNEXURE 9

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## DIRECTORS' INTEREST IN SHARES

### DIRECTORS' AND PRESCRIBED OFFICERS' INTEREST IN THE SHARES OF THE COMPANY

2016	Direct		Indirect		Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
Executive directors and prescribed officers					
L Lambrechts	-	-	-	-	-
HD Nel	6 370	-	-	-	6 370
Non-executive directors					
B Campbell	8 370	-	-	-	8 370
MP Fandeso	103	-	-	-	103
BTPKM Gamedze	200	-	-	-	200
GG Gelink	-	-	-	-	-
IM Kirk	9 741	-	-	-	9 741
MLD Marole	-	-	-	-	-
T Nyoka (née Fubu)	-	-	-	-	-
Y Ramiah	1 321	-	-	-	1 321
MJ Reyneke	-	-	10 711	-	10 711
HC Werth	-	-	-	-	-
	<b>26 105</b>	<b>-</b>	<b>10 711</b>	<b>-</b>	<b>36 816</b>
2015					
Executive directors and prescribed officers					
L Lambrechts	-	-	-	-	-
HD Nel	3 557	-	-	-	3 557
Y Ramiah	100	-	-	-	100
Non-executive directors					
CB Booth	-	-	-	-	-
B Campbell	8 370	-	-	-	8 370
MD Dunn	100	-	-	-	100
MP Fandeso	103	-	-	-	103
BTPKM Gamedze	200	-	-	-	200
GG Gelink	-	-	-	-	-
IM Kirk	2 265	-	-	-	2 265
MLD Marole	-	-	-	-	-
JP Möller	108	-	-	-	108
T Nyoka (née Fubu)	-	-	-	-	-
MJ Reyneke	-	-	10 711	-	10 711
	<b>14 803</b>	<b>-</b>	<b>10 711</b>	<b>-</b>	<b>25 514</b>

# ANNEXURE 10

## SHARE CAPITAL

	Group and Company Ordinary shares		Group Treasury shares	
	Number of shares (thousands)	Stated capital R million	Number of shares (thousands)	Stated capital R million
SHARE CAPITAL				
At 1 January 2015	119 346	107	4 711	506
Reissue of treasury shares	-	-	(386)	(56)
Specific repurchase and cancellation of shares	(4 215)	(4)	-	-
Staff trust	-	-	684	-
At 31 December 2015	115 131	103	5 009	450
Purchase of treasury shares	-	-	434	98
Reissue of treasury shares	-	-	(565)	(76)
At 31 December 2016	115 131	103	4 878	472

The total authorised number of ordinary shares is 150 million shares of no par value and 12 million non-redeemable, non-participating, non-cumulative no par value preference shares. All issued shares are fully paid. Subject to the restrictions imposed by the Companies Act, the authorised and unissued shares are under the control of the directors until the forthcoming annual general meeting.

In 2007, a subsidiary in the group acquired 6 972 940 Santam shares through a voluntary share buy-back offer on 20 April 2007 at R102 per share. During 2016 the subsidiary acquired an additional 434 000 (2015: nil) shares to utilise as part of the DSP, while 335 371 (2015: 385 987) shares were reissued in terms of the deferred share plan (DSP). The net amount of these transactions has been deducted from shareholders' equity. The shares are held as "Treasury shares".

Effective 30 June 2015, Santam repurchased and cancelled 4 215 000 Santam shares held by the Santam BBBEE scheme at a price of R190 per share for a total consideration of R801 million. Refer to note 18.1 for more detail.

Furthermore, since the unwinding of the Central Plaza structure in 2015, the Emthunzini BBBEE staff trust is under the control of Santam Ltd, resulting in an increase of 684 482 in the treasury shares as at 31 December 2015 (refer to note 18.1 for further detail). During 2016, the staff trust distributed 230 036 shares.

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# ANNEXURE 11

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## SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE REPORT

The group's social, ethics and sustainability committee is chaired by Dawn Marole. The committee is constituted in terms of the Companies Act and has an independent role. The committee assists the board in monitoring the group's activities in terms of legislation, regulation and codes of best practices relating to ethics, empowerment and stakeholder engagement. The committee also assists the board in ensuring that the sustainability strategy and objectives are effectively integrated into the business. The committee, in addition to performing the function for Santam Ltd, accepted the role of the social and ethics committee for all Santam's South African subsidiaries who have the requisite public interest score.

The responsibilities of the committee are as follows:

- Monitoring Santam's activities relating to social and economic development, BBBEE, and employment equity.
- Monitoring good corporate citizenship, including the promotion of equality, corporate social responsibility, ethical behaviour, and managing environmental impact.
- Monitoring changes in empowerment charters and codes.
- Monitoring functions required in terms of the Companies Act and its regulations.
- Actively managing the material matters that affect the sustainability of the company, including:
  - Minimising the risk associated with social, economic and environmental impact, including stakeholder activism and government regulation.
  - Ensuring that the business aligns with legislative requirements, such as King III, the JSE Listings Requirements, BBBEE, and other applicable legislation.
- Adding value by monitoring and guiding management on:
  - Developing and retaining a sustained client base.
  - Developing solutions to accommodate change – inclusive of societal and environmental change.
  - Developing and retaining a sustained supplier base.
  - Having appropriate human capital processes and systems in place.
  - Having a transformed business.
  - Cultivating an ethical culture and combating/curbing economic crime effectively.
  - Applying environmental impact management and practices.
  - Having a sustained intermediary base.
  - Extending influence to the benefit of society.
  - Applying responsible investment practices.
- The mandate of the committee also includes monitoring the impact the conduct of the group has on its customers since the conduct of the organisation has both a direct and an indirect relationship to the group's sustainability. The committee is, therefore, responsible for reviewing and monitoring strategic decisions impacting clients and ensuring that the conduct of the organisation results in fair outcomes to customers.

The committee reviewed the strategy, plans and progress made towards achieving Santam's transformation targets. The committee further reviewed the report compiled by the company's appointed BBBEE verification agency. The committee also monitored Santam's sustainability performance regarding the FTSE/JSE Responsible Investment Index.

The committee comprises four suitably skilled and experienced directors, and is chaired by an independent non-executive director. At 31 December 2016, all members of the committee are non-executive directors. The committee is supported in its tasks by members of the executive committee and senior management. According to its terms of reference, the committee meets formally at least twice per annum, or as required for the effective performance of its duties. The committee met three times during 2016. Details of attendance at meetings are provided on page 82 of the integrated report. The social, ethics and sustainability committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year. In the execution of its duties, the committee reviewed, inter alia, ethics, compliance, stakeholder relations, HR and CSI reports submitted by management. The committee members believe that the group addresses the issues the committee is required to monitor in terms of the Companies Act.

The committee, together with the audit committee, reviewed the sustainability disclosures contained in the integrated report and recommended it for approval to the board.

# ADMINISTRATION

## NON-EXECUTIVE DIRECTORS

B Campbell, BTPKM Gamedze, GG Gelink (chairman), IM Kirk, MLD Marole, NV Mtetwa,  
Y Ramiah, MJ Reyneke, PE Speckmann, HC Werth

## EXECUTIVE DIRECTORS

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

## SPONSOR

Investec Bank Ltd

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd  
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 South Africa  
PO Box 61051, Marshalltown 2107  
Tel: 011 370 5000  
Fax: 011 688 7721  
[www.computershare.com](http://www.computershare.com)

## COMPANY SECRETARY

M Allie  
Tel: 021 915 7860

## SANTAM HEAD OFFICE AND REGISTERED ADDRESS

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Registration number 1918/001680/06

ISIN: ZAE000093779

JSE share code: SNT

NSX share code: SNM

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

