THE STANDARD GENERAL INSURANCE COMPANY LIMITED
(Registration number 1948/029011/06)

REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS
For the six months ended 31 March 2015

These reviewed condensed interim financial statements were prepared under the supervision of R Ngobese CA(SA)

Incorporated in the Republic of South Africa

Registered office:
African Bank building
No. 59, 16th Road
Midrand
Johannesburg
1685

THE STANDARD GENERAL INSURANCE COMPANY LIMITED
(Registration number 1948/029011/06)
REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS
for the six months ended 31 March 2015

CONTENTS **Page**

Business overview

The Standard General Insurance Company Limited (Stangen) is a registered long-term insurance company in terms of the Long-term Insurance Act. Its principal activity is the selling of credit life insurance policies to African Bank Limited's (ABL) clients as part of the ABL loan offering. The credit life policy benefits include death, retrenchment, disability, short time and compulsory unpaid leave cover. Stangen's product offering also includes funeral cover. Following the curatorship of ABL, the company is operating under a product restriction imposed by the Financial Services Board (FSB) which has led to the temporary suspension of the piloting on alternative product strategies.

Sales volumes on credit life have reduced relative to prior periods, due to stricter lending criteria applied by ABL. This has resulted in the shrinking of the credit life portfolio. To date the lapse rates on the in-force book have held up fairly well post the curatorship of ABL.

The company has reviewed its reinsurance arrangement with Relyant Life Assurance Company Limited (RLA), and managed to negotiate a premium refund component with effect from 1 December 2014 for the remainder of the run-off of the Ellerine Furnishers (Proprietary) Limited (Ellerine's) credit life portfolio.

The company is negotiating with RLA to terminate the reinsurance agreement in totality, which would result in a 100% retention of the Ellerine's credit life business. This is expected to have a positive impact on the company's profit if the parties can agree on terms.

Financial performance

The company reported a net profit after tax of R786 million for the six month period ended 31 March 2015 (2014: R813 million). The decrease of R38 million in profit before tax was mainly attributable to a reduction in net premium income of R255 million which was partially offset by a reduction of R188 million in net claims and an increase of R16 million in investment income.

Going concern

Despite the curatorship of ABL, the company is in a sound financial position and is able to meet its foreseeable cash requirements and maintain its solvency as required by the Long-term Insurance Act. The company has adequate resources to continue operating for the foreseeable future and therefore deem it appropriate to adopt the going concern basis in preparing the company's interim financial statements for six month period ended 31 March 2015.

Uncertainty however still remains and the formation of a "Good Bank" from ABL, and the ownership transfer of the company to the new group entity in order to continue acting as credit insurer for Good Bank, are key assumptions in this assessment. The recent publication of the new draft regulations on the review of limitations of fees and interest rates under the National Credit Act, 2005 may also create additional challenges in the formation of the Good Bank, but it is too early to assess the likely response from the industry and possible management actions from credit providers.

Risk management

The company is progressing well in reviewing its approach to risk and capital management. All company risk management policies and governance processes were reviewed in time for the implementation of Board Notice 158 effective 1 April 2015. The company has participated in Quantitative Impact Studies (QIS) under the Solvency Assessment and Management (SAM) regime and have made the required parallel run submissions to the FSB. The company is on track for the 1 January 2016 implementation of SAM and current expectations are that sufficient own funds will be available to meet and exceed the necessary revised statutory capital requirements under SAM. The board therefore does not currently expect the SAM framework to adversely affect its capital adequacy.

Regulatory developments

Regulatory change remains a key challenge for the business. The recent amendments to the National Credit Act were silent on any form of regulatory price limits for credit life business. The company has participated in industry workshops and have made submissions to National Treasury on the Consumer Credit Insurance proposals. Submissions were also made on the impact of the Retail Distribution Review paper of the FSB in as far as it relates to the distribution of credit insurance products in the credit industry. Various options are being considered to adjust the business model in line with expected regulatory changes. Possible management actions are being reviewed and the company is working with ABL to prepare for the impact of possible regulations.

________________ ________________

DB Gibbon M Botha

6 July 2015

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE SHAREHOLDER OF THE STANDARD GENERAL INSURANCE COMPANY LIMITED

Introduction

We have reviewed the condensed interim financial statements The Standard General Insurance Company Limited, set out on pages 6 to 13, which comprise the condensed statement of financial position as at 31 March 2015 and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for six-months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

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

Auditor Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in material respects in accordance with applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements. A review of interim financial statement in accordance with ISRE2410 is a limited assurance engagement. We performed procedures, primarily consisting of making inquiries of management and other within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than and differ in nature form those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements of The Standard General Insurance Company Limited for the six months ended 31 March 2015 are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to the note titled "Going concern" to the reviewed condensed interim financial statements which highlights the company's business model, its reliance on African Bank Limited which was placed in curatorship in August 2014, the risks and uncertainties attached to the restructuring proposal and the impact on the company should the proposal be unsuccessful.

Other Matter

The comparative interim financial information as of 31 March 2014 and for the six-month period then ended is unaudited.

Deloitte & Touche
Registered Auditor

Per: Penny Binnie
Partner
9 July 2015

STANDARD GENERAL INSURANCE COMPANY LIMITED
REVIEWED CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 March 2015

	Reviewed March 2015 Rm	Unaudited March 2014 Rm	Audited September 2014 Rm
ASSETS			
Intangible assets	**1**	1	*1*
Equipment	**-**	1	*1*
Other assets	**279**	227	*424*
Reinsurance assets	**131**	82	*156*
Restricted funds held with ABL	**390**	-	-
Cash and cash equivalents : ABL call deposit	**-**	371	*340*
Cash and cash equivalents	**1 650**	755	*927*
Total assets	**2 451**	1 437	*1 849*
EQUITY AND LIABILITIES			
Share capital	**5**	5	*5*
Share premium	**22**	22	*22*
Retained earnings	**1 363**	604	*607*
Total equity (capital and reserves)	**1 390**	631	*634*
Deferred tax liability	**16**	12	*20*
Taxation	**100**	45	*10*
Policyholders' liabilities under insurance contracts	**843**	582	*1 072*
Incurred and reported (IAR) provision	**32**	64	*26*
Other liabilities	**67**	94	*85*
Accounts payable	**3**	9	*2*
Total liabilities	**1 061**	806	*1 215*
Total equity and liabilities	**2 451**	1 437	*1 849*

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 March 2015

	Reviewed March 2015 Rm	Unaudited March 2014 Rm	12 months Audited September 2014 *Rm*
Insurance premium	**2 064**	2 431	*4 796*
Reinsurance outwards	**(170)**	(282)	*(539)*
Net insurance income	**1 894**	2 149	*4 257*
Investment income and capital appreciation	**54**	38	*71*
Interest and other investment income	**54**	38	*71*
Net income	**1 948**	2 187	*4 328*
Net insurance claims	**(383)**	(571)	*(1 757)*
Gross insurance benefits	**(499)**	(690)	**(2 094)*
Reinsurance recoveries	**116**	119	*337*
Operating and administration expenses	**(474)**	(487)	*(1 013)*
Impairment of financial instruments	**-**	-	*(57)*
Profit before taxation	**1 091**	1 129	*1 501*
Taxation	**(305)**	(316)	*(436)*
Profit for the period	**786**	813	*1 065*
Other comprehensive income	**-**	-	-
Total comprehensive income for the period	**786**	813	*1 065*

*In September 2014, the gross IBNR provision was increased by R522m mainly as a result of adjusting the actuarial assumptions on retrenchment claims to more accurately reflect the actual retrenchment claims experience.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 March 2015

	Ordinary share capital 'A' shares Rm	Share premium Rm	Retained earnings Rm	Total Rm
Balance at 30 September 2013 (Audited)	5	22	792	819
Total comprehensive income for the period	-	-	812	812
Dividends paid	-	-	(1 000)	(1 000)
Balance at 31 March 2014 (Unaudited)	5	22	604	631
Total comprehensive income for the period	-	-	253	253
Dividends paid	-	-	(250)	(250)
Balance at 30 September 2014 (Audited)	5	22	607	634
Total comprehensive income for the period	-	-	786	786
Dividends paid	-	-	(30)	(30)
Balance at 31 March 2015 (Reviewed)	5	22	1 363	1 390

CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 31 March 2015

	Reviewed March 2015 Rm	Unaudited March 2014 Rm	12 months Audited September 2014 *Rm*
Cash flows from operations	**1 022**	1 623	*2 161*
Cash receipts from policyholders and investments	**2 209**	2 743	*4 888*
Cash paid to policyholders, suppliers and employees	**(1 187)**	(1 120)	*(2 727)*
Taxation paid	**(219)**	(272)	*(418)*
Net cash inflow from operating activities	**803**	1 351	*1 743*
Cash flows from investing activities			
Acquisition of intangible assets	**-**	-	*(1)*
Net cash outflow from investing activities	**-**	-	*(1)*
Cash flows from financing activities			
Dividends paid	**(30)**	(1 000)	*(1 250)*
Net cash outflow from financing activities	**(30)**	(1 000)	*(1 250)*
Increase in cash and cash equivalents	**773**	351	*492*
Cash and cash equivalents at the beginning of the period	**1 267**	775	*775*
Reclassification of funds held with ABL	**(390)**	-	*-*
Cash and cash equivalents at the end of the period	**1 650**	1 126	*1 267*

Standard|General

Basis of preparation

This condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board, Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa (Act 71 of 2008).

The company has adopted the following standards during the financial year, which did not have a material impact on the reported results except for additional disclosure:

- Annual improvements project 2010 to 2012 cycles
- Annual improvements project 2011 to 2013 cycles
- IAS 19 – Employee benefits
- IAS 32 – Financial instruments: classification and measurement
- IAS 36 – Impairment of assets
- IAS 39 – Financial instruments: recognition and measurement

Except for the adoption of the above standards; the accounting policies; methods of computation and their application are consistent with those used for the company's 2014 annual financial statements.

GOING CONCERN

Stangen continues to operate as a going concern, accepting new business, paying claims and servicing customers. The delays experienced in the formation of the new "Good Bank" as part of the proposed restructuring of ABL, continues to expose Stangen to group systemic risks. Whilst Stangen has implemented key measures to improve its financial position, namely solvency and liquidity, post the curatorship of ABL, its reliance on ABL as its key distribution channel results in continued business and strategic risks. Stangen is working with the curator to progress on the envisaged restructuring where it could be sold to the new holding company of the Good Bank and, thereby, be able to continue acting as sole credit insurer for the Good Bank. Whilst the recent publication of the new draft regulations on the review of limitations of fees and interest rates under the National Credit Act, 2005 may also create additional challenges in the formation of Good bank, it is too early to assess the likely response from industry and possible management actions from credit providers.

It should further be noted that Stangen is operating under some limitations on product distribution set by the FSB following the curatorship of ABL. Whilst there are no restrictions on the core business of credit life and funeral, a more diversified product strategy is currently restricted pending the outcome of the overall restructuring of the Group.

The interim financial statements of ABL were published on the 26th of June 2015. These financial statements were not prepared on a going concern basis, but on a "break-up" basis on the presumption that the restructuring proposal is implemented and ABL is split into a Good Bank and a Residual Bank. As noted by the Curator of ABL, the risks and uncertainties that exist in terms of the completion of the restructuring proposals have been presented in the ABL 2014 annual financial statements and have not changed materially between the publication of the ABL annual results and ABL 2015 interim financial statements.

GOING CONCERN *(continued)*

Due to the impending restructuring, the Bank as a legal entity is no longer regarded as a going concern. Furthermore, ABL's auditors issued a disclaimer of opinion in terms of which they did not express an opinion on the interim financial statements.

The auditor's disclaimer states that there are multiple uncertainties that may cast significant doubt about the basis of the accounting adopted, and that in the event of the restructuring being unsuccessful, the preparation of the financial statements on the "break up" basis may no longer be appropriate.

The directors have considered the above factors in assessing the ability of Stangen to continue as a going concern. The directors have concluded that, in a worst-case scenario (such as a liquidation scenario for ABL), Stangen will continue to operate as a going concern, paying claims and servicing customers (albeit on a reduced basis). Therefore, despite the curatorship of ABL, the company is in a sound financial position and is able to meet its foreseeable cash requirements and maintain its solvency as required by the Long-term Insurance Act. The company has adequate resources to continue operating for the foreseeable future and therefore deem it appropriate to adopt the going concern basis in preparing the company's interim financial statements for the six month period ended 31 March 2015.

DIVIDENDS

During the interim period, dividends of R30 million (2014: R1 billion) were paid to the shareholder.

CASH AND CASH EQUIVALENTS AND RESTRICTED FUNDS HELD WITH ABL

	Reviewed March 2015 Rm	Unaudited March 2014 Rm	*Audited September 2014 Rm*
Current accounts	**141**	4	1
Call accounts	**-**	371	484
Fixed deposit accounts	**1 509**	751	839
Cash and cash equivalents before impairments	**1 650**	1 126	1 324
Less: impairment on ABL call deposit	**-**	-	(57)
	1 650	1 126	1 267
RESTRICTED FUNDS HELD WITH ABL			
Call deposit	**447**	-	-
Less: impairment on ABL call deposit	**(57)**	-	-
	390	-	-

On 10 August 2014 ABL was placed under curatorship and the company's call deposit account held with ABL at that date was "frozen". The company set aside a provision of 10% on the outstanding balance and interest received thereon in line with an announcement made by the South African Reserve Bank (SARB) regarding the restructuring of ABL, which is expected to result in the transfer of senior debt to the Good Bank at 90% of face value. On 26 September 2014, the curator made a further announcement anticipating that all senior unsecured debt holder capital maturities will be extended by up to 24 additional months.

CASH AND CASH EQUIVALENTS AND RESTRICTED FUNDS HELD WITH ABL *(continued)*

In September 2014 the curator confirmed in writing to the Stangen board that he would release these funds should this be necessary to preserve the viability of the Stangen business and on 23 September 2014 the curator released R180 million of the frozen funds to Stangen. It was probable, based on Stangen's reserves and capital at the time that the board of Stangen could have made further requests to the curator for further release of funds and based on this at 30 September 2014, the board classified these funds as cash and cash equivalents.

During the period to 31 March 2015, the company has traded profitably and reserves have accumulated. At this point the board is of the view that it is now unlikely that further concessions from the curator will be sought. As a consequence, the board no longer deems it appropriate to carry these amounts as cash and cash equivalents and the balance has been reclassified in the condensed statement of financial position and statement of cash flows.

At 31 March 2015, the board considered whether there was any need to further impair these funds by more than the 10% impairment discussed above. The board is of the opinion that, given the progress made by the Curator in the formation of the Good Bank that it is not necessary to further impair the deposit with ABL. This is further supported by the fact that subsequent announcements made by the Curator indicate that the intention to transfer senior unsecured debt to the Good Bank at 90% of the face value remains applicable.

RELATED PARTY BALANCES

The company reviewed its reinsurance arrangement with RLA, and negotiated a premium refund component effective from 1 December 2014 on the Ellerine's credit life portfolio which is in run-off. A premium refund of R15 million was accrued for the four month period, being 1 December 2014 to 31 March 2015.

FAIR VALUE MEASUREMENT

The company measures fair value using the following fair value hierarchy, which reflects the significance of the inputs used in the making of the measurements.

- Level 1 fair value measurements are those derived from the quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and bench-mark interest rates, credit spreads and other pricing techniques used in estimating discount rates.

FAIR VALUE MEASUREMENT *(continued)*

The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The company had no financial assets or financial liabilities that are measured at fair value on a recurring or non-recurring basis as at 31 March 2015 (2014: Rnil).

CONTINGENT LIABILITY

Level life liability

The level life product was sold together with Credit Life from 1997 to 2006 on certain loan products. The level life product provided cover in the event of death equal to the loan value up to a maximum of R10 000 payable to a nominated beneficiary.

The historical level life claim contingent liability of approximately R125 million (2014; R125 million) is unlikely to materialise and no provisions were previously raised for these benefits. Based on the low number (< 0.6%) of claims materialising and also that the last recorded level life claim was in 2009, this contingent liability will no longer be recognised going forward. However, in the unlikely event that a claim is submitted, the policy benefits would be recognised in profit or loss.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Dividends of R150 million
A dividend of R150 million, comprising of R50 million in cash and R100 million in specie of its investment in the ABL deposit, was approved by the Statutory Actuary and the board of directors at a board meeting held on 28 May 2015.

Cancellation of RLA reinsurance
Management is currently in negotiation with RLA to possibly terminate the reinsurance agreement relating to the credit life business previously sold via Ellerines. The cancellation of the reinsurance agreement would likely result in RLA transferring its latent claims obligations to the company with matching asset; offset by the company in turn acquiring the rights to RLA's share of future profits on the run-down of the in-force reinsurance business. The net impact is not expected to materially influence Stangen's solvency or liquidity position.

Voluntary commencement of business rescue proceedings of African Bank Investments Limited (ABIL)
On 5 June 2015, the board of directors of ABIL, the holding company of Stangen, approved a resolution to voluntarily begin business rescue proceedings as contemplated in section 129(1) of the Companies Act, No 71 of 2008. At this stage, it is not envisaged that the day to day business operations, liquidity or solvency of Stangen will be affected by its holding company going into business rescue.

APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the board of directors on 6 July 2015.