

# CHIEF FINANCIAL OFFICER'S REPORT

## OVERVIEW

The Santam group reported gross written premium (GWP) growth of 11% (9.5% excluding the impact of the Santam Structured Insurance acquisition in March 2017), and delivered excellent underwriting results under difficult economic circumstances.

The group's conventional insurance book achieved gross written premium growth of 7% and a net underwriting margin of 9.2% (2017: 6.0%), comfortably exceeding the group's target range of 4% to 8%. The Alternative Risk Transfer (ART) insurance segment grew gross written premium by 40% and reported operating results of R96 million (2017: R84 million). The Sanlam Emerging Markets (SEM) general insurance businesses delivered acceptable operating results.

Net investment income attributable to shareholders, inclusive of investment return on insurance funds of R1 105 million

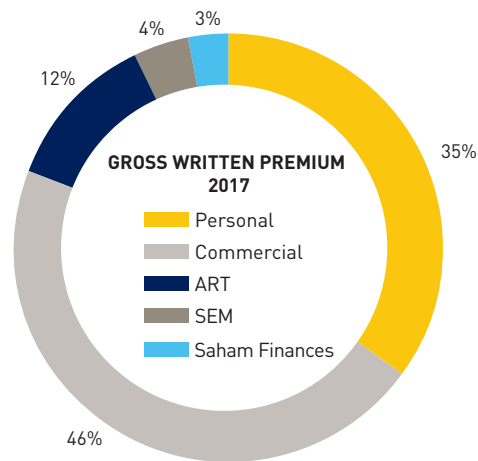
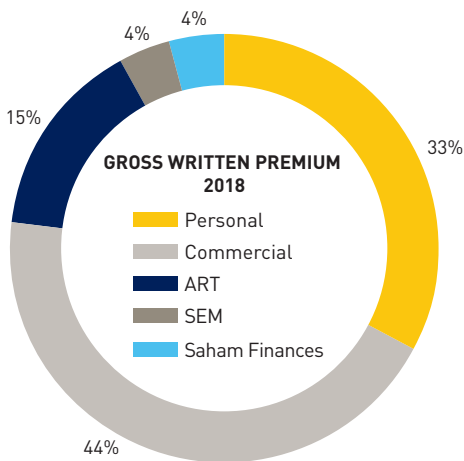
(2017: R1 012 million) was reported. Gains on foreign exchange differences of R376 million (2017: loss of R116 million) was the key contributor to the improved performance. The 2017 investment income included the release of the foreign currency translation reserve of R175 million relating to the unwinding of the Santam International investment.

Cash generated from operations increased to R5.5 billion (2017: R3.3 billion), positively impacted by the improved claims experience.

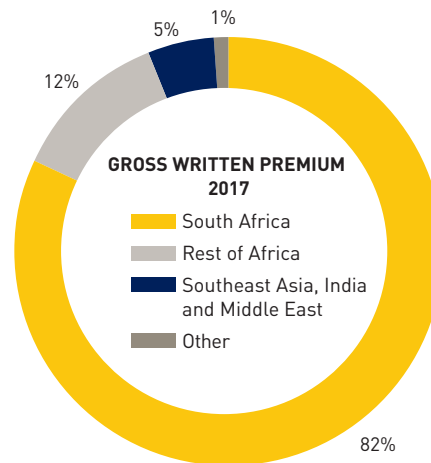
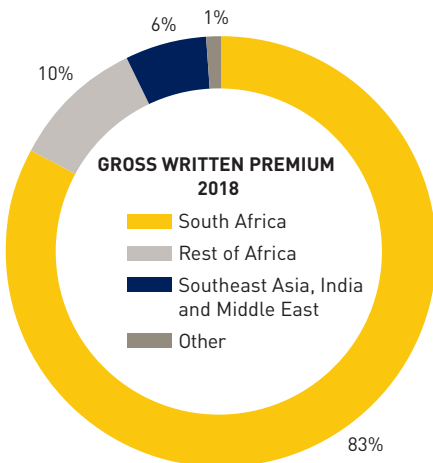
The key drivers of the 47% increase in headline earnings per share from 1 425 cps in 2017 to 2 099 cps in 2018 was the significant improvement in the underwriting and investment results.

A return on capital of 31.8% was achieved. The economic capital coverage ratio was 159% – slightly above the midpoint of the target range of 130% to 170%.

## LINE OF BUSINESS DIVERSIFICATION



## GEOGRAPHIC DIVERSIFICATION



**CONVENTIONAL INSURANCE  
GROSS WRITTEN PREMIUM  
PER INSURANCE CLASS (R MILLION)**



**CONVENTIONAL INSURANCE  
NET UNDERWRITING SURPLUS  
PER INSURANCE CLASS (R MILLION)**

