
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 5 of this Circular apply throughout this Circular, including this front cover.

Action required by Sanlam Shareholders:

Shareholders are referred to page 3 of this Circular, which sets out the action required of them with regard to the Proposed Transactions, full details of which are set out in this Circular. If you are in any doubt as to the action you should take, you should consult your Broker, banker, CSDP, attorney, accountant or other professional advisor immediately.

If you have disposed of your entire shareholding in Sanlam, then this Circular, together with the enclosed Form of Proxy (blue) should be handed to the purchaser of such Shares or to the Broker or agent through whom the disposal was affected.

This document is available in English only and copies may be obtained from the registered office of Sanlam or Standard Bank during normal office hours from the date of issue hereof until the date of the General Meeting. An electronic copy of this Circular will be available on the Company's website, www.sanlam.com, from the date of distribution of the Circular.

Sanlam does not accept responsibility and will not be held liable for any action of or omission by any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Shares to notify such beneficial owner of the details set out in this Circular.



Sanlam Limited

(Incorporated in the Republic of South Africa)

(Registration Number 1959/001562/06)

JSE share code: SLM / A2X share code: SLM / NSX share code: SLA / ISIN: ZAE000070660

("Sanlam" or "the Company")

CIRCULAR TO SHAREHOLDERS

Regarding the:

- proposed subscription for the Subscription Shares by Subscription SPV, a wholly-owned subsidiary of B-BBEE SPV (which is an associate of Ubuntu-Botho, a related party) as part of the B-BBEE Transaction;
- provision of financial assistance to B-BBEE SPV (which is an associate of Ubuntu-Botho, a related party) that will assist Subscription SPV to subscribe for the Subscription Shares as part of the B-BBEE Transaction; and
- provision of financial assistance to Ubuntu-Botho or a wholly-owned subsidiary of Ubuntu-Botho, a related party, by way of the Ubuntu-Botho Facility for the purposes set out in the Circular and deemed a small related party transaction in terms of the JSE Listings Requirements,

incorporating:

- a notice convening a General Meeting of Shareholders; and
 - a Form of Proxy (blue) in respect of the General Meeting (to be completed by Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration only).
-

**Lead Financial Advisor
and Transaction Sponsor**

**Legal
Advisor**

**Independent
Expert**

**Independent
Reporting
Accountant**

**Independent Financial
Advisor to the
Independent Committee
Directors of the Board**



GLYN MARAIS 

Deloitte.



J.P.Morgan

Date of issue: 12 November 2018

FORWARD LOOKING STATEMENTS

In this report we make certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results not yet determinable, relating, amongst others, to new business volumes, investment returns (including exchange rate fluctuations) and actuarial assumptions. These statements may also relate to our future prospects, developments and business strategies. These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. Words such as “believe”, “anticipate”, “intend”, “seek”, “will”, “plan”, “could”, “may”, “endeavour” and “project” and similar expressions are intended to identify such forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements involve inherent risks and uncertainties and, if one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. Forward-looking statements apply only as of the date on which they are made and Sanlam does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Any forward-looking information contained in this announcement has not been reviewed and reported on by Sanlam’s external auditors.

CORPORATE INFORMATION AND ADVISORS

Company Secretary and Registered Office

Sana-Ullah Bray
2 Strand Road
Bellville
Cape Town, 7530
(PO Box 1, Sanlamhof, 7532)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration Number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Lead Financial Advisor and Transaction Sponsor

The Standard Bank of South Africa Limited
(Registration Number 1962/000738/06)
30 Baker Street
Rosebank, 2196
(PO Box 61344, Marshalltown, 2000)

Independent Reporting Accountants and Auditors

Ernst & Young Incorporated
Chartered Accountants
Registered Accountants and Auditors
(Registration Number 2005/002308/21)
No. 3 Dock Road
Waterway House, V & A Waterfront
Cape Town, 8001
(PO Box, 656, Cape Town, 8000)

Legal Advisors

Glyn Marais Incorporated
(Registration Number 1990/000849/21)
2nd Floor, The Place
1 Sandton Drive
Sandton, 2196
(PO Box 652361, Benmore, 2010)

Independent Expert

Deloitte & Touche
(Practice Number 902276)
Deloitte Place, The Woodlands,
20 Woodlands Drive
Woodmead
Sandton, 2193
(Private Bag X6, Gallo Manor, 2052)

Independent Financial Advisor to the Independent Committee Directors of the Board

J.P. Morgan Chase Bank N.A.
(Johannesburg Branch)
(Registration Number 2001/016069/10)
1 Fricker Road
Illovo, 2196
(Private Bag X9936, Sandton, 2146,
South Africa)

NSX Brokers

Simonis Storm Securities
(Registration Number 96/421)
c/o Hugo Hahn and Kock Street,
Number 4
Windhoek
(PO Box 3970, Windhoek, Namibia)

Date of incorporation: 11 May 1959

Place of incorporation: Cape Town, South Africa

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ACTION REQUIRED BY SHAREHOLDERS

Please take note of the following:

If you are in any doubt as to the action you should take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.

This Circular contains information in respect of the B-BBEE Transaction and the Ubuntu-Botho Facility, which Circular you should read carefully and decide on how you wish to vote on the Resolutions to be proposed at the General Meeting.

1. CERTIFICATED SHAREHOLDERS AND DEMATERIALIZED SHAREHOLDERS WITH OWN-NAME REGISTRATION

You may attend the General Meeting in person and speak, vote or abstain from voting thereat. Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the enclosed Form of Proxy, in accordance with the instructions contained therein. Shareholders are requested to lodge their Forms of Proxy with the Transfer Secretaries to be received by them by no later than 14:00 on Tuesday, 11 December 2018 for administrative purposes. They may alternatively be handed to the chairperson of the General Meeting prior to the commencement of the General Meeting on Wednesday, 12 December 2018.

2. DEMATERIALIZED SHAREHOLDERS OTHER THAN THOSE WITH OWN-NAME REGISTRATION

- 2.1 If your CSDP or Broker has not contacted you, it would be advisable for you to contact your CSDP or Broker and furnish them with your voting instructions.
- 2.2 If your CSDP or Broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or Broker.
- 2.3 In accordance with the mandate between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to attend or be represented by proxy at the General Meeting. Your CSDP or Broker will issue the necessary letter of representation for you to do so.
- 2.4 You must not complete the enclosed Form of Proxy.

3. IDENTIFICATION OF MEETING PARTICIPANTS

In terms of Section 63(1) of the Companies Act, before any person may attend or participate in a shareholders' meeting, that person must present reasonable satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy of a shareholder, has been reasonably verified.

IMPORTANT DATES AND TIMES

2018

Announcement setting out full terms of the Proposed Transactions released on SENS (including A2X and the NSX) on	Wednesday, 31 October
Announcement in newspaper publications setting out full terms of the Proposed Transactions published on	Thursday, 1 November
Notice record date, being the date on which Sanlam Shareholders must be registered in the Securities Register in order to be entitled to receive the Circular and the Notice of General Meeting on	Friday, 2 November
Circular to Sanlam Shareholders distributed on	Monday, 12 November
Last day to trade in Sanlam Shares in order to be eligible to attend and vote at the General Meeting	Tuesday, 4 December
Record date to attend and vote at the General Meeting	Friday, 7 December
Forms of Proxy for the General Meeting to be received by 14:00 for administrative purposes on (A Form of Proxy may alternatively be handed to the chairperson of the General Meeting prior to the commencement of the General Meeting on Wednesday, 12 December)	Tuesday, 11 December
General Meeting of Sanlam Shareholders held at 14:00 on	Wednesday, 12 December
Results of General Meeting released on SENS on	Wednesday, 12 December
Results of General Meeting released in the press on	Thursday, 13 December

Notes:

1. All times indicated above are local times in South Africa.
2. All dates and times may be changed by Sanlam. Any change will be published on SENS. If the General Meeting is adjourned or postponed, the Forms of Proxy submitted for the General Meeting will remain valid in respect of any adjournment or postponement thereof.
3. The definitions and interpretations commencing on page 5 of this Circular apply *mutatis mutandis* to this important dates and times section.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated in the second column, an expression which denotes a gender includes the other gender, a natural person includes a juristic person and vice versa, the singular includes the plural and vice versa:

"A2X"	A2X Proprietary Limited (Registration Number 2014/147138/07) a private company duly incorporated in accordance with the company laws of South Africa and a licensed stock exchange authorised to provide a secondary listing venue for companies, regulated by the Financial Sector Conduct Authority (previously the Financial Services Board) in terms of the Financial Markets Act 19 of 2012;
"African Rainbow Life"	African Rainbow Life Limited (Registration Number 2018/329171/06), a public company duly incorporated in accordance with the company laws of South Africa and a subsidiary of Sanlam Life;
"ARC"	African Rainbow Capital Proprietary Limited (Registration Number 2015/000394/07), a private company duly incorporated in accordance with the company laws of South Africa and a wholly-owned subsidiary of Ubuntu-Botho;
"ARC FS"	African Rainbow Capital Financial Services Holdings Proprietary Limited (Registration Number 2017/098058/07), a private company duly incorporated in accordance with the laws of South Africa which is 50.1% owned by ARC and 49.9% owned by the ARC Fund;
"ARC Fund"	an <i>en commandite</i> partnership established in South Africa and governed by its partnership agreement, of which ARC Investments is the limited partner and UBI General Partner Proprietary Limited (a wholly-owned subsidiary of Ubuntu-Botho) is the general partner;
"ARC Investments"	African Rainbow Capital Investments Limited, a company incorporated under the laws of Mauritius with company number C148430 and whose shares are listed on the JSE;
"B-BBEE"	Broad-Based Black Economic Empowerment as contemplated in the B-BBEE Act and the B-BBEE Codes;
"B-BBEE Act"	the Broad-Based Black Economic Empowerment Act, 2003, as amended from time to time;
"B-BBEE Codes"	the Codes of Good Practice on Broad-Based Black Economic Empowerment published under section 9(1) of the B-BBEE Act, as amended or revised;
"B-BBEE SPV"	SU BEE Funding SPV (RF) Proprietary Limited (Registration Number 2018/550917/07), a ring-fenced private company duly incorporated in accordance with the company laws of South Africa;
"B-BBEE SPV Group"	collectively B-BBEE SPV and Subscription SPV;
"B-BBEE SPV MOI"	the memorandum of incorporation of B-BBEE SPV;
"B-BBEE Transaction"	the Specific Issue and the subscription by the Sanlam SPV Subscriber for the Second Ranking Preference Shares pursuant to the Transaction Agreements;
"Beneficiary Trust(s)"	the meaning ascribed to it in paragraph 4.4;
"Board" or "Directors"	collectively, the board of directors of Sanlam;
"Broker"	any person registered as a broking member (equities) in terms of the rules of the JSE made in accordance with the provisions of the FMA;

“business day”	any day other than a Saturday, Sunday or any other day on which the JSE is closed;	“First Ranking Preference Shares”	the preference shares to be issued by B-BBEE SPV (being Class A Preference Shares in its share capital) to Standard Bank as part of the Standard Bank Funding Package, to fund in part Subscription SPV’s subscription for the Subscription Shares. The subscriber for the preference shares will have no recourse to the balance sheet of Sanlam;
“Capitalisation Agreement”	the agreement pursuant to which B-BBEE SPV will subscribe for shares in Subscription SPV, using the proceeds received by it from the issue of the First Ranking Preference Shares and the Second Ranking Preference Shares, to enable Subscription SPV to fund in part its subscription for the Subscription Shares;	“FMA”	the Financial Markets Act, 2004 (Act 36 of 2004), as amended from time to time;
“Certificated Shareholders”	registered holders of Certificated Shares;	“Form of Proxy”	a Form of Proxy to be completed by Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration only in accordance with the instructions contained therein. For administrative purposes, Forms of Proxy must be sent to the Transfer Secretaries to be received by them by no later than 14:00 on Tuesday, 11 December 2018, or they may be handed to the chairman of the meeting at any time prior to the commencement of the General Meeting;
“Certificated Shares”	Sanlam Shares represented by share certificates or other documents of title which have not been surrendered for Dematerialisation in terms of the requirements of Strate;	“General Meeting”	the general meeting of Sanlam Shareholders to be held at 14:00 on Wednesday, 12 December 2018, at the offices of Sanlam at the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville, Cape Town, South Africa to consider and, if deemed fit, pass with or without modification the Resolutions contained in the Notice of General Meeting which is attached to and forms part of this Circular;
“Circular”	this bound document, dated Monday, 12 November 2018, together with the Notice of General Meeting and the Form of Proxy;	“GEV”	Group Equity Value which is an indication of the value of Sanlam’s operations. It includes the embedded value of Sanlam’s in-force book of life insurance business, the value of non-life operations based on longer term assumptions, and the fair value of discretionary and other capital not allocated to Sanlam’s operations. GEV does not allow for future new life insurance business;
“Companies Act”	the Companies Act, No. 71 of 2008, as amended from time to time;	“Headline earnings”	headline earnings measure the Group’s earnings, inclusive of earnings of a capital nature and fund transfers relating to the policyholders’ fund’s investment in Sanlam Shares and subsidiaries of the Group;
“CSDP”	Central Securities Depository Participant as defined in the FMA appointed by an individual shareholder for the purposes of, and in respect of, the Dematerialisation of documents of title for the purposes of incorporation into Strate;	“HEPS”	Headline earnings per Share;
“Deloitte & Touche” or “Independent Expert”	Deloitte & Touche (Practice Number 902276), being an independent professional expert acceptable to the JSE, appointed by Sanlam for purposes of furnishing the fairness opinion attached as Annexure 4 to this Circular in accordance with the JSE Listings Requirements;	“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board;
“Dematerialisation”	the process by which Certificated Shares are converted to an electronic form as Dematerialised Shares and recorded in the sub-register of Shareholders maintained by a CSDP;	“Independent Committee”	a sub-committee of the Board which comprises all of the non-executive Directors who are independent of Sanlam and Ubuntu-Botho comprising Mr. Siphon Nkosi (the lead independent Director), Mr. Anton Botha, Mr. Chris Swanepoel, Mr. Paul Hanratty, Mrs. Karabo Nondumo and Mrs. Mathukana Mokoka;
“Dematerialised Shareholders”	registered holders of Dematerialised Shares;	“Initial Period”	the period commencing on the Subscription Date and terminating on the later of (i) the date on which all the First Ranking Preference Shares and Second Ranking Preference Shares have been redeemed and (ii) the fifth anniversary of the Subscription Date;
“Dematerialised Shares”	Shares which have been incorporated into Strate and which are no longer evidenced by physical documents of title, but the evidence of ownership of which is determined electronically and recorded in the sub-register maintained by a CSDP;	“JSE”	the stock exchange operated by the JSE Limited (Registration Number 2005/022939/06), a public company duly incorporated in accordance with the company laws of South Africa;
“Determination Date”	the date, falling after the fulfilment of all suspensive conditions to the B-BBEE Transaction, including meeting the starting cover ratios under the Standard Bank Funding Package, agreed by the Independent Committee and Ubuntu-Botho Subscriber (having regard to prevailing market conditions) and approved by the Board, as the date with reference to which the Subscription Price will be determined, provided that such date shall enable the subscription for the Subscription Shares by no later than 30 June 2019. More detail in respect of the Determination Date is set out in paragraph 1;	“JSE Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“Equity Secured Funding”	a loan to be advanced by Standard Bank or another financial institution to Subscription SPV as part of the Standard Bank Funding Package to fund in part Subscription SPV’s subscription for the Subscription Shares. The provider of the loan will have no recourse to the balance sheet of Sanlam;	“Last Practicable Date”	Friday, 26 October 2018, being the last practicable date prior to the finalisation of this Circular;
“EY” or “Independent Reporting Accountant”	Ernst & Young Inc. (Registration Number 2005/002308/21), a company duly incorporated in accordance with the company laws of South Africa and the appointed independent reporting accountant in respect of the Proposed Transactions and the auditor of the Company;	“Master”	the Master of the Western Cape Division of the High Court of South Africa;
“Financial Sector Code” or “FSC”	the Amended Financial Sector Code, 2017 issued under section 9(1) of the B-BBEE Act;		

“Master Trust”	a trust to be named the Hlanganani-Kopanang Trust (or such other name as the Master may approve if such name is not approved by the Master) to be registered with the Master;	“Sanlam” or “the Company”	Sanlam Limited (Registration Number 1959/001562/06), a public company duly incorporated in accordance with the company laws of South Africa, the Shares of which are listed on the main board of the JSE, the A2X and the NSX;
“Master Trust Deed”	the trust deed dated on or about 30 October 2018 pursuant to which the Master Trust will be created with such amendments as the Master may require;	“Sanlam Group” or “the Group”	Sanlam and its subsidiaries;
“Net Result from Financial Services”	the operating profit earned by the Sanlam Group after tax and non-controlling interests, as determined in terms of the Basis of Preparation and Presentation of the Shareholders’ Information contained in the 2017 integrated report of Sanlam;	“Sanlam’s IFRS financial information”	net asset value per share, net tangible asset value per share, basic earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share;
“NHEPS”	Normalised headline earnings per Share;	“Sanlam Investments Transaction”	the potential acquisition by ARC FS of an interest in Sanlam’s South African third-party asset management business as outlined in paragraph 6.1;
“Normalised headline earnings”	Headline earnings, excluding fund transfers relating to movements in IFRS mismatches between the valuation of policyholder assets and liabilities and deferred tax on policyholder funds. The mismatches predominantly relate to Sanlam Shares held in policyholder portfolios which are regarded as treasury shares and deducted from equity on consolidation and consequently valued at zero, while the valuation of the related policyholder liability is based on the fair value of the Sanlam Shares. Similarly, deferred tax assets recognised in respect of assessed tax losses in policyholder funds increases the Group’s net assets without a corresponding increase in policy liabilities. These create mismatches with a corresponding impact on the shareholders’ fund;	“Sanlam Life”	Sanlam Life Insurance Limited (Registration Number 1998/021121/06), a public company duly incorporated in accordance with the company laws of South Africa;
“Notice of General Meeting”	the notice of the General Meeting forming part of this Circular;	“Sanlam Ubuntu-Botho Community Development Trust”	the Sanlam Ubuntu-Botho Community Development Trust registered with the Master of the Western Cape Division of the High Court with IT No. 5516/2004;
“NSX”	Namibian Stock Exchange, an exchange licensed in terms of the Namibian Stock Exchanges Control Act, 1 of 1985 (as amended);	“Sanlam SPV Subscriber”	the meaning ascribed to it in paragraph 11.5;
“Own-Name Registration”	Dematerialised Shareholders who have registered Shares in their own name with a CSDP in terms of the FMA;	“Sanlam Subscriber”	the meaning ascribed to it in paragraph 5.2.1;
“Prime Rate”	the prime rate of interest quoted by Standard Bank from time to time, nominal annual compounded monthly;	“Second Ranking Preference Shares”	the preference shares to be issued by B-BBEE SPV (being Class B Preference Shares in its share capital) to the Sanlam SPV Subscriber in an amount not exceeding R4 309 206 300 (four billion three hundred and nine million two hundred and six thousand three hundred Rand) representing 50% of the total funding required by B-BBEE SPV Group to fund Subscription SPV’s subscription for the Subscription Shares, the salient terms of which are set out in paragraph 11.5;
“Preference Share Subscription Agreement”	the subscription agreement entered into, or to be entered into, between Standard Bank, the Company, B-BBEE SPV and Subscription SPV pursuant to which Standard Bank will subscribe for the First Ranking Preference Shares and the Company will subscribe for the Second Ranking Preference Shares, the salient terms of which are set out in paragraph 11.5;	“Second Ranking Preference Share Agreements”	the Preference Share Subscription Agreement (which incorporates the terms of the Second Ranking Preference Shares), the guarantee pursuant to which Subscription SPV will guarantee the obligations of B-BBEE SPV pursuant to the Second Ranking Preference Shares and the security documents pursuant to which Subscription SPV and B-BBEE SPV will provide security for the obligations of B-BBEE SPV pursuant to such guarantee, the salient terms of which are set out in paragraph 11.5;
“Proposed Transactions”	the B-BBEE Transaction and the provision of the Ubuntu-Botho Facility;	“Securities Register”	means the register of Sanlam Shareholders;
“Rand” or “R”	South African Rand, the official currency of South Africa;	“SENS”	the Stock Exchange News Service of the JSE;
“Resolutions”	the special resolutions and ordinary resolution set out in the Notice of General Meeting;	“Shares” or “Sanlam Shares”	ordinary shares with a par value of one cent each in the share capital of Sanlam;
“Restricted Interest”	in respect of Ubuntu-Botho, collectively (i) maintaining beneficial ownership of no less than 113 000 000 (one hundred and thirteen million) Shares (and the voting and economic rights associated therewith) or the equivalent interest in the event that Shares are subdivided or consolidated, (ii) maintaining its 80% beneficial interest in Ubuntu-Botho Subscriber and (iii) Ubuntu-Botho Subscriber maintaining its 20% beneficial interest in Subscription SPV;	“Shareholders’ Agreement”	the subscription and shareholders’ agreement, entered into, or to be entered into, between the Master Trust, Ubuntu-Botho Subscriber and B-BBEE SPV regulating their relationship;
“RoGEV”	Return on GEV and is equal to the change in GEV during a reporting period, after adjustment for dividends paid and changes in issued share capital, as a percentage of GEV at the beginning of such period;	“Shareholders” or “Sanlam Shareholders”	registered holders of Sanlam Shares;
“Saham Finances”	Saham Finances S.A., a joint stock company duly incorporated in accordance with the laws of Morocco, with Registration Number 137199;	“Shareholders’ Information”	GEV per Share, RoGEV per Share, Shareholders’ fund at net asset value per Share, Net Result from Financial Services per Share and Normalised headline earnings per Share as disclosed in the Company’s consolidated financial statements;

“SIH”	Sanlam Investment Holdings Proprietary Limited (Registration Number 1998/022648/07), a private company duly incorporated in accordance with the company laws of South Africa and a wholly-owned subsidiary of Sanlam;	“subsidiary”	the meaning ascribed to it in section 3 of the Companies Act;
“South Africa” or “the Republic”	the Republic of South Africa;	“Transaction Agreements”	collectively, the Subscription Agreement, the Shareholders’ Agreement and the Second Ranking Preference Share Agreements;
“Specific Issue”	the issue of the Subscription Shares to Subscription SPV for cash at the Subscription Price pursuant to, and on the terms set out in, the Subscription Agreement;	“Transfer Secretaries”	Computershare Investor Services Proprietary Limited (Registration Number 2004/003647/07), a private company duly incorporated in accordance with the laws of South Africa;
“Standard Bank” or “SBSA”	The Standard Bank of South Africa Limited (Registration Number 1962/000738/06), a public company duly incorporated in accordance with the company laws of South Africa;	“Treasury Shares”	116 367 325 (one hundred and sixteen million three hundred and sixty-seven thousand three hundred and twenty five) Shares acquired by subsidiaries of Sanlam in terms of previous share buyback programmes and not yet cancelled;
“Standard Bank Funding Package”	the subscription for the First Ranking Preference Shares and the funding advanced as part of the Equity Secured Funding, not exceeding R4 309 206 300 (four billion three hundred and nine million two hundred and six thousand three hundred Rand) representing 50% of the total funding required by B-BBEE SPV Group, in aggregate. The indicative mix of the Standard Bank Funding Package between the Equity Secured Funding and the First Ranking Preference Shares, if the B-BBEE Transaction is implemented at the 3 day VWAP of the Sanlam Shares at R74.00 (seventy four Rand) and R86.00 (eighty six Rand) respectively is set out in paragraph 5.1.4 of this Circular;	“Ubuntu-Botho”	Ubuntu-Botho Investments (Proprietary) Limited (Registration Number 2004/002569/07), a private company duly incorporated in accordance with the company laws of South Africa and whose shareholders are detailed in paragraph 5.1;
“Strate”	Strate Proprietary Limited (Registration Number 1998/022242/07), a private company duly incorporated in accordance with the company laws of South Africa and licensed as a CSD in terms of the FMA;	“Ubuntu-Botho Facility”	the undertaking by Sanlam Subscriber to subscribe for the Ubuntu-Botho Preference Shares for an amount not exceeding in aggregate R2 000 000 000 (two billion Rand) pursuant to the Ubuntu-Botho Facility Agreement, the salient terms of which are set out in paragraph 11.6;
“Subscription Agreement”	the subscription agreement dated 30 October 2018 between the Company and Subscription SPV pursuant to which Subscription SPV will subscribe for the Subscription Shares;	“Ubuntu-Botho Facility Agreement”	the subscription agreement entered into, or to be entered into, between the Company and Ubuntu-Botho Issuer pursuant to which the Sanlam Subscriber will provide the Ubuntu-Botho Facility to Ubuntu-Botho Issuer, the salient terms of which are set out in paragraph 11.6;
“Subscription Date”	the date, falling after the Determination Date and being no later than 30 June 2019, on which Subscription SPV will subscribe for the Subscription Shares, subject to the satisfaction of the relevant suspensive conditions set out in this Circular;	“Ubuntu-Botho Group”	Ubuntu-Botho and its subsidiaries;
“Subscription Price”	the subscription price payable in respect of each Subscription Share, being a price which represents a discount of 10% to the 3 day VWAP of a Sanlam Share on the business day preceding the Determination Date, provided that the 3 day VWAP of a Sanlam Share utilised for purposes of determining the Subscription Price will not exceed R86.00 (eighty six Rand) per Share and will not be lower than R74.00 (seventy four Rand) per Share. The 3 day VWAP of a Sanlam Share is utilised as a reference to determine the Subscription Price in order to align the Subscription Price as far as practically possible with the Standard Bank Funding Package requirement;	“Ubuntu-Botho Issuer”	Ubuntu-Botho or a wholly-owned subsidiary of Ubuntu-Botho which will issue the Ubuntu-Botho Preference Shares;
“Subscription Shares”	111 349 000 (one hundred and eleven million three hundred and forty nine thousand) Sanlam Shares, constituting 4.8% of all Sanlam Shares (including the Treasury Shares) in issue (following the Specific Issue) and 5% of all Sanlam Shares (excluding the Treasury Shares) in issue (following the Specific Issue) to be issued to Subscription SPV pursuant to the Specific Issue in terms of the B-BBEE Transaction;	“Ubuntu-Botho Preference Shares”	preference shares issued by Ubuntu-Botho Issuer to the Sanlam Subscriber pursuant to the Ubuntu-Botho Facility Agreement, the salient terms of which are set out in paragraph 11.6;
“Subscription SPV”	SU BEE Investment SPV (RF) Proprietary Limited (Registration Number 2018/550891/07), a ring fenced private company duly incorporated in accordance with the company laws of South Africa and a wholly-owned subsidiary of B-BBEE SPV;	“Ubuntu-Botho Subscriber”	UBI Subscriber SPV Proprietary Limited (Registration Number 2018/340631/07), private company duly incorporated in accordance with the company laws of South Africa which is owned as to 80% by Ubuntu-Botho and as to 20% by the Sanlam Ubuntu-Botho Community Development Trust;
“Subscription SPV MOI”	the memorandum of incorporation of Subscription SPV;	“VNB”	the discounted value at the point of sale using a risk-adjusted discount rate of the projected stream of after-tax profits for new covered long-term insurance business, net of the cost of capital over the life of this business; and
		“VWAP”	the volume weighted average price of a Sanlam Share, being the total value of the Sanlam Shares traded on the JSE for a specified number of business days divided by the total number of Sanlam Shares traded on the JSE for that period.

Sanlam Limited

(Incorporated in the Republic of South Africa)

(Registration Number 1959/001562/06)

JSE share code: SLM / A2X share code: SLM / NSX share code: SLA / ISIN: ZAE000070660

("Sanlam" or "the Company")

Executive directors

Ian Kirk (Chief Executive Officer)

Heinie Werth (Financial Director)

Temba Mvusi

Non-executive directors

Dr. Johan van Zyl (Chair)

Dr. Patrice Motsepe (Deputy Chair)

Sipho Nkosi (Lead Independent Director)

Dr. Rejoice Simelane

Anton Botha (Independent)

Karabo Nondumo (Independent)

Chris Swanepoel (Independent)

Paul Hanratty (Independent)

Mathukana Mokoka (Independent)

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION

As set out in an announcement released by the Company on SENS on Wednesday, 31 October 2018 and published in the press on Thursday, 01 November 2018, Sanlam has, in the furtherance of its strategy to strengthen its market position in South Africa and consolidate its position as a leading pan-African financial services group -

- (i) entered into the relevant Transaction Agreements in connection with issuing the Subscription Shares to Subscription SPV and providing financial assistance to B-BBEE SPV in connection with the issue of the Subscription Shares (the B-BBEE Transaction); and
- (ii) as a separate transaction to the B-BBEE Transaction, also entered into the Ubuntu-Botho Facility Agreement.

Subject to the requisite approval of the B-BBEE Transaction by Shareholders at the General Meeting and the fulfilment of the suspensive conditions set out in paragraph 11.1 of this Circular by 30 June 2019, the Subscription Shares will be issued to Subscription SPV at the Subscription Price which will be determined on the Determination Date. The 3 day VWAP of a Sanlam Share is utilised as a reference to determine the Subscription Price on the Determination Date in order to align the Subscription Price as far as practically possible with the Standard Bank Funding Package requirement which utilises the 3 day VWAP of a Sanlam Share to determine the starting share cover ratios.

Given the length of the period required to fulfil all suspensive conditions to the B-BBEE Transaction, with an ultimate long-stop date of 30 June 2019, and the possibility of stock market volatility over this period, the use of a price range to determine the Subscription Price allows the Independent Committee to consider relevant share price movements and the optimal funding mix to enable Subscription SPV to subscribe for the Subscription Shares when agreeing the Determination Date.

The Independent Committee will not agree a Determination Date where the 3 day VWAP of a Sanlam Share will be (i) above R86.00, which will cause the Subscription Price to be above R77.40 (after a discount of 10% to a price of R86.00), or (ii) below R74.00 which will cause the Subscription Price to be below R66.60 (after a discount of 10% to a price of R74.00). The Subscription Date may, subject to the fulfilment of all relevant suspensive conditions, fall on any date on or prior to 30 June 2019.

Details of the Shareholder resolutions required for purposes of the B-BBEE Transaction, are set out in paragraph 12 of this Circular.

Subject to the requisite approval of the Ubuntu-Botho Facility by Shareholders at the General Meeting and the fulfilment of the suspensive conditions set out in paragraph 11.6 of this Circular, the Company will make the Ubuntu-Botho Facility available to Ubuntu-Botho Issuer enabling the Ubuntu-Botho Group to invest in certain Sanlam subsidiaries as part of Sanlam's South African strategy to enhance Sanlam's empowerment at an operational business unit level and to invest in financial services businesses that are complementary to Sanlam's strategy.

Details of the Shareholder resolution required for purposes of the Ubuntu-Botho Facility are set out in paragraph 12 of this Circular.

In addition to providing the Ubuntu-Botho Facility, and to further align the strategic interests of Sanlam and Ubuntu-Botho, Sanlam may acquire a 25% stake in ARC FS from ARC. More information on this potential transaction, which falls outside the scope of this Circular and the Proposed Transactions, is provided in paragraph 7 of this Circular.

2. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

- 2.1 provide Sanlam Shareholders with sufficient information (including information around the broader Sanlam strategy and Sanlam's relationship with its strategic empowerment partner, Ubuntu-Botho) to enable them to determine whether to participate in the General Meeting and seek to influence the outcome of the vote on the Resolutions in relation to the:
 - 2.1.1 proposed subscription for the Subscription Shares by Subscription SPV, a wholly-owned subsidiary of B-BBEE SPV (which is an associate of Ubuntu-Botho, a related party) as part of the B-BBEE Transaction;
 - 2.1.2 provision of financial assistance to B-BBEE SPV (which is an associate of Ubuntu-Botho, a related party) that will assist Subscription SPV to subscribe for the Subscription Shares as part of the B-BBEE Transaction;
 - 2.1.3 provision of financial assistance to Ubuntu-Botho or a subsidiary of Ubuntu-Botho, a related party, by way of the Ubuntu-Botho Facility for the purposes set out in the Circular, deemed a small related party transaction in terms of the JSE Listings Requirements; and
- 2.2 give notice of the convening of the General Meeting in order for Sanlam Shareholders to consider, and if deemed fit, pass with or without modification, the Resolutions to be proposed at the General Meeting.

3. NATURE OF BUSINESS AND PROSPECTS

Established as a life insurance company in South Africa, the Sanlam Group has transformed into a diversified pan-African financial services group whose shares are listed on the JSE, A2X and the NSX. This year the Group celebrates its centenary as well as 20 years since demutualisation and listing in South Africa and Namibia. Sanlam's vision is to be the leader in client-centric wealth creation, management and protection in South Africa, to be a leading player in pan-African financial services with a meaningful presence in India and Malaysia and to play a niche role in wealth and investment management in specific developed markets.

Through its five business clusters - Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investments, Santam and Sanlam Corporate - the Group provides comprehensive and tailored financial solutions to individual and institutional clients across all market segments. Sanlam's areas of expertise include insurance (life and general), financial planning, retirement, investments and wealth in both South Africa and selected emerging markets.

In addition to its South African operations, the Group has a direct stake in operations based in Namibia, Botswana, Swaziland, Zimbabwe, Mozambique, Mauritius, Malawi, Zambia, Tanzania, Rwanda, Uganda, Kenya, Nigeria, India, Malaysia and the United Kingdom and has business interests in the USA, Australia, Burundi, Lesotho and the Philippines and through Saham Finances, it has direct exposure to insurance operations in Morocco, Angola, Algeria, Tunisia, Ghana, Niger, Mali, Senegal, Guinea, Burkina Faso, Cote D'Ivoire, Togo, Benin, Cameroon, Gabon, Republic of the Congo, Madagascar, Lebanon and Saudi Arabia.

Sanlam reported satisfactory interim results for the six months ended 30 June 2018 despite challenging conditions in South Africa, Namibia and some smaller markets. The Group's well diversified profile across geographies, market segments and client offerings again provided resilience against these headwinds enabling the Group to deliver an acceptable operational performance for the six months ended 30 June 2018. Headline earnings increased by 12% and annualised adjusted RoGEV per share of 18.2% exceeded the 2018 target of 13%, further strengthening Sanlam's track record of consistent Shareholder value creation. Looking forward, economic growth prospects in our key markets are not expected to improve for the remainder of the year and will continue to impact on Sanlam's ability to accelerate organic growth. There may be some prospect for improvement in the economic outlook in the medium term which comes in the form of President Cyril Ramaphosa's announcement of a stimulus and recovery plan for South Africa on 21 September 2018. The goals of the plan are to ignite economic activity, restore investor confidence, prevent further job losses and create new jobs in the country.

For the short-term however, Sanlam's structural growth and new initiatives should support operational performance in the second half of the year. Particularly pleasing is the conclusion of investment-related mandates of R5 000 000 000 (five billion Rand) by Sanlam Corporate in July 2018 which will make a marked contribution to VNB and new business volumes. On the negative side, Sanlam Investments received notice of an R8 000 000 000 (eight billion Rand) outflow of low margin index tracking funds managed on an outsourced basis. Sanlam Investments continues to attract flows into the Satrix index tracking funds and the impact of the withdrawal on profitability should therefore be minimal. Focus also remains on addressing the few areas within the wider Group that failed to deliver to target in the first six months.

Shareholders need to be aware of the impact that the level of interest rates and financial market returns and volatility have on IFRS earnings, RoGEV and GEV. Relative movements in these elements may have a major impact on the growth in HEPS and NHEPS, VNB, RoGEV and GEV to be reported for the 2018 financial year.

For the benefit of all Shareholders and other stakeholders, Sanlam intends to continue to diligently execute on the strategic priorities identified in the Group's 2017 Integrated Report.

4. SANLAM'S STRATEGY

4.1 The strategic intent

Sanlam, as a successful diversified pan-African financial services player, has a strong track record of value creation for all its Shareholders and other stakeholders. Sanlam's leading pan-African position was strengthened with the recent successful conclusion of the Saham Finances transaction. Notwithstanding, Sanlam still generates some 70% of its Net Result from Financial Services from South Africa and this large South-African contribution is expected to continue for the foreseeable future. Sanlam is also consistently looking for ways to strengthen its market share in South Africa in areas where it is considered underweight relative to its main competitors, including third party asset management, health administration, employee benefits and the growing entry level market.

In South Africa where inclusive economic participation and wealth creation remains a challenge, public interest and commentary on B-BBEE continues to feature strongly with the need to facilitate more citizens access to economic activity and participation in wealth creation, which will be a fundamental factor in driving higher and sustained economic growth. In addition, the South African financial services client base, in particular institutional clients, require participants in the industry to contribute to inclusive wealth creation in a number of ways, including direct B-BBEE ownership. The level of empowerment, both at listed company level as well as the subsidiary with whom they transact, is an important consideration for institutional clients in awarding business mandates. Contributions in excess of the requirements of the Financial Sector Code are becoming increasingly more important. As a result, it is in Sanlam's business and commercial interest to transform in line with the needs and preferences of its current and potential clients, key to this is that it is seen to continue contributing to economic transformation and inclusive wealth creation.

Transformation in South Africa is defined broadly to include, among others, economic transformation, to reduce wealth inequality, transforming our staff to reflect the demographic profile of our client base and societies where we operate, transforming our distribution channels and operations in line with technological and regulatory developments and most importantly, transforming everything we do in line with the changing needs and preferences of our clients.

Sanlam's empowerment strategy is to protect and enhance its leadership position in South Africa through *inter alia* a leading empowerment status and appropriate partnerships. This is a deliberate strategic move to enhance the long-term sustainability of the company, both at Group level as well as specific operational business unit level enabling long term value creation for stakeholders.

The strategy focuses not only on enhancing black economic empowerment, but also on improving black employment equity, building mutually beneficial partnerships with black owned companies and enhancing black management control, access to financial services and black enterprise development. This ensures a holistic approach to transformation in pursuit of sustainable wealth creation, enhanced economic growth, a more supportive South African business environment and positioning Sanlam favourably from a competitive perspective.

To support this, Sanlam plans to undertake a number of transactions that when completed will give it a strategic, industry-leading position in empowerment in South Africa when compared to its main competitors. This will include increasing direct black shareholding at a Sanlam

level, as well as specific transactions at an operational business unit level in the areas identified where market share can be strengthened, and where increased black ownership is an important business and commercial competitive advantage in realising Sanlam's vision to lead in all market segments in South Africa. Achieving a clear leadership position in empowerment by leveraging Sanlam's partnership business model will position the Group well in its efforts to gain profitable market share in these strategic areas to the benefit of Shareholders.

Sanlam is confident that strengthening the Group's empowerment credentials on a Company and subsidiary level will, over time, yield economic benefits that will outweigh the costs of the Proposed Transactions, ensuring sustainable value for Shareholders.

4.2 Ubuntu-Botho, Sanlam's strategic empowerment partner

In the South African context, transformation in the form of B-BBEE has been a critical factor in Sanlam's growth and success for a few decades. Specifically, the partnership between Sanlam and Ubuntu-Botho has been one of the most successful empowerment partnerships in South Africa. It created value of over R14 000 000 000 (fourteen billion Rand) for broad-based black shareholders when the first ten-year transaction matured. This has cemented a successful strategic and mutually beneficial business partnership between Sanlam and Ubuntu-Botho.

From 2004, when the original empowerment transaction was signed, to maturity in 2014 Sanlam's market capitalisation increased from R27 000 000 000 (twenty seven billion Rand) to R118 000 000 000 (one hundred and eighteen billion Rand) partly due to the successful execution of its strategy which embraced transformation in conjunction with Ubuntu-Botho. Sanlam's partnership with Ubuntu-Botho has contributed to Sanlam's growth and success over the years. Ubuntu-Botho has remained supportive and involved with Sanlam's strategy in South Africa and extended and expanded its strategic relationship with Sanlam.

The objective of the Proposed Transactions is twofold:

- (i) to substantially broaden the base of empowerment beneficiaries in areas that will have the most impact; and
- (ii) strengthening and expanding the strategic, mutually beneficial relationship with Ubuntu-Botho, Sanlam's existing strategic empowerment partner.

The Company is pleased to be able to continue its work with Ubuntu-Botho to implement its South African strategy (including the Proposed Transactions described in this Circular).

4.3 Enhancing transformation

The strategy to protect and enhance Sanlam's position in South Africa through *inter alia* a leading empowerment status and appropriate business partnerships is a deliberate strategic move to enhance the long-term sustainability of Sanlam both at a Group level and key operating business unit level to create long term value for stakeholders.

Therefore, subject to Shareholder approval, Sanlam is proposing:

- the Specific Issue which will increase and rebalance direct black economic ownership in Sanlam from the current 14% direct broad-based black ownership (based on issued Shares excluding Treasury Shares before the implementation of the B-BBEE Transaction) to an industry-leading 18% (based on issued Shares excluding Treasury Shares after the implementation of the B-BBEE Transaction). A portion of the funding for the Specific Issue will be provided by the Sanlam Group through its subscription for the Second Ranking Preference Shares (together, the B-BBEE Transaction); and
- the Ubuntu-Botho Facility - a synergistic approach to roll out the Sanlam strategy in South Africa that will facilitate broad-based black ownership at an operational subsidiary level within the Sanlam Group and which will allow Sanlam to improve its competitive position in businesses including third party asset management, employee benefits, health and entry level insurance together with Ubuntu-Botho as its strategic empowerment partner. In addition, key black management will be incentivised to become co-owners in these wealth creation initiatives.

The Proposed Transactions will enhance the Group's black employment equity, partnerships with black owned and black managed companies and access to empowerment related mandates as well as further access to financial products for emerging black consumers in line with the Group's holistic approach to transformation.

4.4 Enhancing broad based participation at a group level

The B-BBEE Transaction extends the benefits of empowerment to include a broad range of participants, with 80% of the beneficiaries of the B-BBEE Transaction being new broad-based black empowerment participants in the following categories, which have been identified by Sanlam and Ubuntu-Botho, and will participate in the B-BBEE Transaction through the Master Trust:

- professional black women;
- rural and urban poor black women's groups;
- black youth and black youth groups;
- black business partners and broad based groups (including community organisations and black business partners of Sanlam and Ubuntu-Botho); and
- employees of the Sanlam Group.

Each category of beneficiary will have its own trust which will be entitled to 20% of the benefits received by the Master Trust, and will be created by the trustees of the Master Trust, on the same terms, *mutatis mutandis*, as the Master Trust Deed, as soon as practically possible after the implementation of the B-BBEE Transaction (the “**Beneficiary Trust(s)**”).

Ubuntu-Botho, as the anchor empowerment shareholder in Sanlam, has a substantial interest in ensuring that the B-BBEE Transaction and its composition, benefit and advance Sanlam's long-term business and commercial interests. Ubuntu-Botho will take the lead and control of the process of selecting the participants and beneficiaries of the Beneficiary Trusts. Sanlam will also propose empowerment participants and beneficiaries for Ubuntu-Botho's consideration.

Ubuntu-Botho Subscriber, a subsidiary of Ubuntu-Botho, will benefit from the remaining 20%, acknowledging Ubuntu-Botho's demonstrated commitment to Sanlam as its single largest shareholder over the last few years. Ubuntu-Botho Subscriber will also be entitled to appoint the majority of the directors on the board of B-BBEE SPV and Subscription SPV.

The B-BBEE Transaction will:

- make a further 5% of the Company's enlarged issued share capital (based on the enlarged total issued Shares excluding Treasury Shares) available for broad based black economic participation of which black women will be the predominant beneficiaries;
- immediately enhance Sanlam's competitive position and should commensurately improve its investment proposition by creating value for all stakeholders over the longer term;
- contribute to Sanlam's transformation strategy, including specifically compliance with the objectives set out in Section 2 of the B-BBEE Act, the B-BBEE Codes and the Financial Sector Code; and
- improve the Group's capital position by reducing short-term interest-bearing debt incurred as partial funding to acquire the remaining 53.37% stake in Saham Finances.

Sanlam seeks to maximize long term broad based black ownership. Upon completion of the B-BBEE Transaction, Sanlam will be a Level 1 Contributor with a black economic ownership level (direct and indirect), as measured in terms of the FSC, in excess of 35% and a direct black economic ownership level, as measured in terms of the FSC, of over 18%. This would place Sanlam in a strong market leading position in terms of empowerment.

4.5 Enhancing broad based empowerment on key operating subsidiary level

As part of Sanlam's South African strategy and to enhance Sanlam's empowerment at an operational business unit level, Sanlam will make the Ubuntu-Botho Facility available to the Ubuntu-Botho Issuer.

Through the Ubuntu-Botho Facility, Sanlam will enable the Ubuntu-Botho Group to:

- acquire a direct or indirect interest in certain key operating subsidiaries of the Sanlam Group which will enhance the empowerment status and competitiveness of these subsidiaries, potentially leading to synergies for the Sanlam Group and also address the strategic areas that the Group has identified as key focus areas for future growth; and
- investing in financial services companies that will be complementary to the broader Sanlam Group's vision and strategy.

The Ubuntu-Botho Facility will be utilised only as and when transactions which meet the aforementioned criteria are available and will be subject to the terms and conditions of the Ubuntu-Botho Facility Agreement, including approval by the Independent Committee and the Board on a case by case basis.

Given the security package and the strategic nature of the planned investments, the Sanlam Board believes that the terms of the Ubuntu-Botho Facility appropriately reflect the balance between financial and strategic benefits to the Sanlam Group.

In addition to providing the Ubuntu-Botho Facility, and to further align the strategic interests of Sanlam and Ubuntu-Botho, Sanlam has reached in-principle agreement with Ubuntu-Botho to acquire a 25% stake in ARC FS from ARC. More information on this potential transaction is provided in paragraph 7 of this Circular.

4.6 Stakeholder considerations

Sanlam's corporate governance approach requires the highest level of controls around transactions with related parties that may expose the Group to conflicts of interest. To ensure the appropriate governance and oversight over transactions involving Ubuntu-Botho, the Board established the Independent Committee which specifically evaluates matters between Sanlam and Ubuntu-Botho that could potentially give rise to conflicts of interest, and following their consideration of these matters, make recommendations to the Board. The chairman of the Independent Committee is Mr. SA Nkosi, the lead independent Director. The Proposed Transactions and other transactions involving Ubuntu-Botho, including the potential investment in ARC FS, have or will be reviewed and approved by the Independent Committee before being submitted to the Board for approval.

From a rating agency point of view, based on Sanlam management's current projections, the Proposed Transactions will not have a negative impact on Sanlam's solvency position or credit rating. The dividend cover ratio will also remain within the policy range of 1.0x - 1.2x, supporting dividend growth in line with the 2% - 4% real growth communicated to the market. This balance sheet strength protects Sanlam's strategic flexibility in the future.

The pro-forma IFRS financial effects shown in paragraph 8 of this Circular represent a cost of 0.9% of the Sanlam market capitalisation (excluding Treasury Shares) based on the illustrated 3 day VWAP prices of R74.00 and R86.00 (see paragraph 8.1 of this Circular), while the economic cost of the Proposed Transactions as described above represents a cost of 0.6% of the Sanlam market capitalisation (excluding Treasury Shares) based on the illustrated prices of R74.00 and R86.00 (see paragraph 8.1 of this Circular), before allowing for future potential benefits to be realised from the enhanced empowerment position. It is estimated that of the total IFRS charges detailed above, 80% is associated with new broad based beneficiaries and 20% is associated with the Ubuntu-Botho Group. This is considered to be at the lower end of the range of comparable B-BBEE transactions, with most of these costs focused only on increasing shareholding at the holding company level. The Proposed Transactions have wider reach by also introducing strategic B-BBEE stakes at an operational business unit level.

The total IFRS cost of Proposed Transactions are within the limit of 1.3% of Sanlam's market capitalisation (calculated on the issued Shares excluding Treasury Shares) on the Determination Date, approved by the Independent Committee and the Board for execution of the Sanlam strategy as set out above.

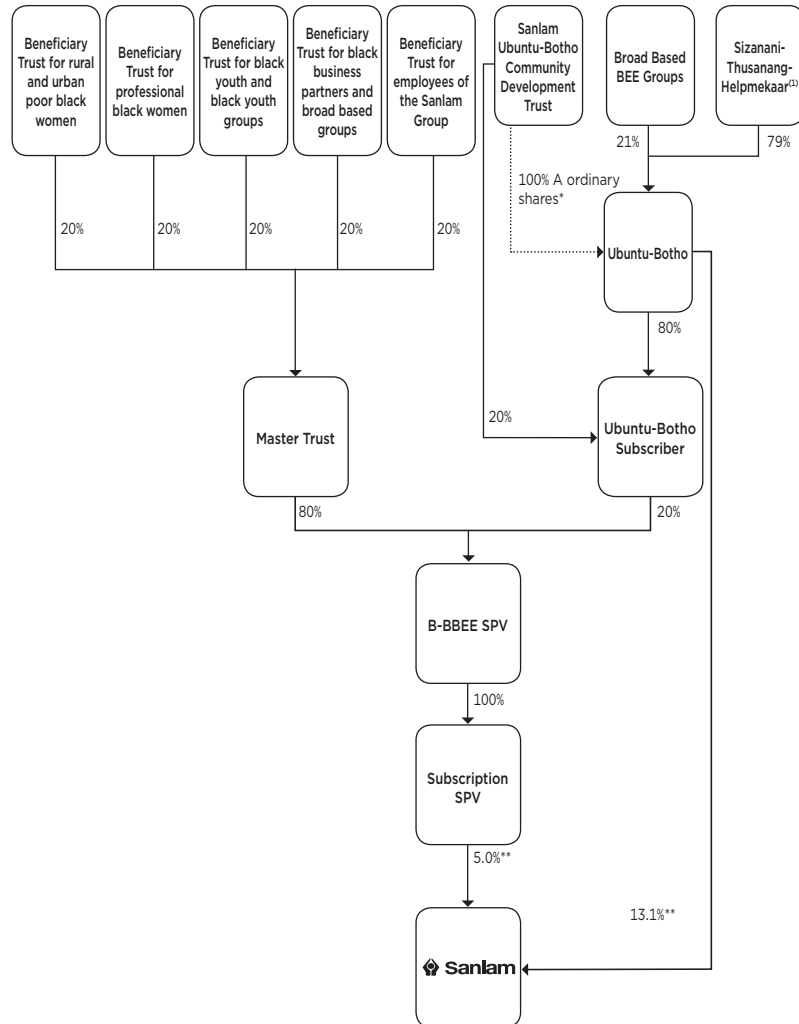
Sanlam appreciates the importance of achieving the appropriate balance between maintaining the economic fundamentals of its investment case and the requirement to have a leading empowerment position. Management estimates currently indicate that the value of enhanced empowerment credentials (including the benefits of the Proposed Transactions) will exceed the related economic cost of the Proposed Transactions and will create value for Shareholders and stakeholders.

5. THE PROPOSED TRANSACTIONS

5.1 The B-BBEE Transaction

5.1.1 Shareholding Structure and Description of the B-BBEE Transaction

The Company's B-BBEE shareholding following the implementation of the B-BBEE Transaction is depicted as follows:



Note 1: Sizanani-Thusanang-Helpmekeer is controlled by Dr. Patrice Motsepe who is also the Deputy Chair of Sanlam

* The Sanlam Ubuntu-Botho Community Development Trust holds A ordinary shares in Ubuntu-Botho. The A ordinary shares entitle the holder to an economic participation in 58 494 361 (fifty eight million four hundred and ninety four thousand three hundred and sixty one) of the Sanlam Shares currently held by Ubuntu-Botho. The Sanlam Ubuntu-Botho Community Trust will not participate in the benefit of the Subscription Shares which Ubuntu-Botho will hold via its 80% interest in Ubuntu-Botho Subscriber.

** percentages based on total ordinary Shares in issue (net of Treasury Shares) post the implementation of the B-BBEE Transaction

The shareholding structure of Ubuntu-Botho results in the following economic participation of each of the Ubuntu-Botho shareholders, in respect of the Sanlam Shares held by Ubuntu-Botho:

- The Sanlam Ubuntu-Botho Community Development Trust: 20%;
- Broad Based BEE Groups: 17%; and
- Sizanani Thusanang Helpmekeer: 63%.

5.1.2 Description of the B-BBEE Transaction

The Company will issue the Subscription Shares to Subscription SPV at the Subscription Price.

Subscription SPV is a wholly-owned subsidiary of B-BBEE SPV which, in turn, will be held:

- as to 80%, by the Master Trust; and
- as to 20%, by the Ubuntu-Botho Subscriber.

The Master Trust and the Ubuntu-Botho Subscriber have entered, or will enter, into the Shareholders' Agreement which will govern the relationship between them and provides, among others, that the Master Trust and Ubuntu-Botho Subscriber will co-operate to further the long-term and sustainable empowerment of the beneficiaries of the Master Trust and enhance the B-BBEE status and recognition level of the Sanlam Group. The Shareholders' Agreement further provides that Ubuntu-Botho Subscriber will appoint the majority of the directors of B-BBEE SPV and Subscription SPV.

The subscription for the Subscription Shares will be funded through a combination of the Standard Bank Funding Package and the Second Ranking Preference Shares. Details of the Second Ranking Preference Shares are set out in paragraph 11.5 of this Circular.

5.1.3 The parties to the B-BBEE Transaction

5.1.3.1 Subscription SPV

The sole purpose of Subscription SPV is to acquire and hold the Subscription Shares and raise funding for the acquisition of the Subscription Shares. Subscription SPV is a recently incorporated company and a wholly-owned subsidiary of B-BBEE SPV.

The Subscription SPV MOI provides that Subscription SPV will not exercise any voting rights associated with the Subscription Shares to approve any resolution in respect of Sanlam unless the board of directors of Subscription SPV has first consulted with a majority of the trustees of the Master Trust.

At the Last Practicable Date, the sole director of Subscription SPV is Ntombenhle Bridget Radebe.

5.1.3.2 B-BBEE SPV

The sole purpose of B-BBEE SPV is to hold the ordinary shares in Subscription SPV, to raise funding pursuant to the issue of the First Ranking Preference Shares and the Second Ranking Preference Shares and to partially fund Subscription SPV for the purpose of subscribing for the Subscription Shares. On the Subscription Date B-BBEE SPV will be owned as to 80% by the Master Trust and as to 20% by Ubuntu-Botho Subscriber. B-BBEE SPV is a recently incorporated company.

At the Last Practicable Date, the sole director of B-BBEE SPV is Ntombenhle Bridget Radebe.

5.1.3.3 The Master Trust and the Beneficiary Trusts

The purpose of the Master Trust and the Beneficiary Trusts will be the long-term and sustainable empowerment of a broad-based group of beneficiaries and the enhancement of the B-BBEE shareholding and recognition level of the Sanlam Group that is in the commercial interest and for the benefit of the broader Sanlam Group. This will be achieved by the Master Trust through the holding of shares in B-BBEE SPV for the economic benefit of the following classes of beneficiaries:

1. professional black women;
2. rural and urban poor black women's groups;
3. black youth and black youth groups who are focused on doing good for their members, with no less than 50% of the allocations/distributions being made to black women;

4. black business partners and broad based groups, consisting of:
 - a. black business partners of Sanlam and Ubuntu-Botho including broad-based community organisations who are focused on doing good for their members, with no less than 50% of the allocations/distributions being made to black women; and
 - b. black owned business partners of Sanlam and Ubuntu-Botho, with no less than 50% of the allocations/distributions being made to black women; and
5. employees of the Sanlam Group. This component will comprise of
 - (i) employees of the Sanlam Group, with participation determined with reference to factors such as retention, financial circumstances and participation in other incentive schemes, and/or
 - (ii) employees of the Sanlam Group who are in need and who may apply for financial assistance which will be considered according to the merits of each application. At least 50% of the allocations/distributions will be made to black women.

Whilst the beneficiary classes have been identified, the individual beneficiaries of each beneficiary class have not yet been identified. As noted in paragraph 4.4, Ubuntu-Botho will take the lead and control of the process of selecting the participants and beneficiaries of the Beneficiary Trusts. Sanlam will also propose empowerment participants and beneficiaries for Ubuntu-Botho's consideration.

5.1.3.4 Ubuntu-Botho and the Ubuntu-Botho Subscriber - Sanlam's Strategic Empowerment Partner

Ubuntu-Botho was created in 2004 with its initial main purpose of building black controlled capital through being Sanlam's broad based strategic empowerment partner. The partnership between Sanlam and Ubuntu-Botho has been one of the most successful empowerment partnerships in South Africa. In addition, the vision of Ubuntu-Botho from the outset was to make a difference in the lives of ordinary South Africans by being the premier black-owned and controlled financial services entity.

The first phase of realising this vision was the investment in Sanlam as part of the initial Ubuntu-Botho transaction with Sanlam in 2004 and maintaining the wealth created when the initial transaction matured in 2014. This resulted in Ubuntu-Botho holding 14% of Sanlam Shares (excluding Treasury Shares).

The shareholding structure of Ubuntu-Botho includes a broad base of stakeholders including church groups, trade unions and women's groups, amongst others. Between 2004 and 2014 this partnership unlocked value of more than R14 000 000 000 (fourteen billion Rand) for broad based black participants in Ubuntu-Botho. In the second phase of this vision, Ubuntu-Botho leveraged a portion of the capital, realised on maturity of the initial transaction, through the establishment of ARC and ARC FS, which aspires to become a leading South African based, black owned and controlled financial services company. ARC is a wholly-owned subsidiary of Ubuntu-Botho.

The broad-based empowerment groups which hold a 17% economic interest (and 21% shareholding) in Ubuntu-Botho are made up of a number of investment entities, including 9 provincial public companies, women's groups and trusts, churches, youth organisations and trade unions. The shareholding in Ubuntu-Botho of each of the entities varies between 1% and 2.5%.

To date, over 1 000 000 (one million) people have benefitted from the disbursement of funds through Ubuntu-Botho and the Sanlam Ubuntu-Botho Community Development Trust. The Sanlam Ubuntu-Botho Community Development Trust participates in 20% of the economic benefits of Sanlam Shares currently held by Ubuntu-Botho. The Sanlam Foundation and the UB Community Development Trust are the beneficiaries of the Sanlam Ubuntu-Botho Community Development Trust.

Beneficiaries of the Sanlam Foundation include 75 schools across South Africa as part of the Sanlam Blue-Ladder Schools project which includes mathematics programmes focused on customised mathematics support, leadership programmes leading to improve school functionality, teaching practice, and learner performance at schools, and nutritional support through Social Enterprise Development at all 75 Blue-Ladder Schools; the Kay Motsepe Schools Cup reaching 4 200 schools in all provinces and in excess of 100 000 learners, the SAICA Thuthuka Bursary Fund; WWF South Africa; ASISA ESD programme and the ASISA Foundation.

Beneficiaries of the UB Community Development Trust includes SAFA, Black Business Council; University scholarships and support programmes, various rural upliftment trusts in the North West, Free State, Eastern Cape, Mpumalanga, Northern Cape, KwaZulu-Natal and Limpopo and various churches.

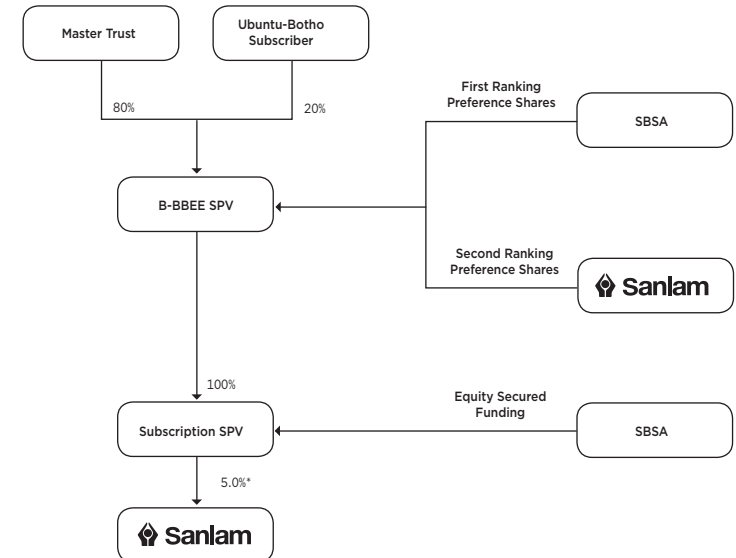
The board of Ubuntu-Botho as at the Last Practicable Date is comprised of the following directors:

1. Thomas Andrew Boardman
2. Wilson Mangisi Gule
3. Tawana Kupe
4. Alexander Komape Maditse
5. Mashilo Isaac Matsetela
6. Rameloane Andrew Matube
7. Patrice Tlhopane Motsepe
8. Mthanjiswa Malusi Mpumlwana
9. Ronald Thandabantu Gabangaye Nhlapo
10. Mimie Priscilla Sesoko
11. Rejoice Vakashile Simelane
12. Max Vuyisile Sisulu
13. Makgane Neal Thobejane
14. Buti Joseph Tlhagale
15. Johan Hendrik Petrus Van Der Merwe
16. Johan Van Zyl
17. Michael Arnold

The board of Ubuntu-Botho Subscriber as at the Last Practicable Date is comprised of one director, Ntombenhle Bridget Radebe.

5.1.4 Funding of the B-BBEE Transaction

The funding of the B-BBEE Transaction is depicted as follows:



* percentage based on total ordinary Shares in issue (net of Treasury Shares) post the implementation of the B-BBEE Transaction.

To enable Subscription SPV to subscribe for the Subscription Shares at the Subscription Price, Subscription SPV will require an amount of between R7 415 843 400 (seven billion four hundred and fifteen million eight hundred and forty three thousand four hundred Rand) and R8 618 412 600 (eight billion six hundred and eighteen million four hundred and twelve thousand six hundred Rand). The B-BBEE SPV Group has secured the funding for the aforementioned amount through the Standard Bank Funding Package and the Second Ranking Preference Shares. The final mix of the funding will be determined by the Subscription Price and is estimated to be as follows:

R million	Funding Requirement Mix	
	Lower end of the range	Upper end of the range
3 day VWAP	R74.00	R86.00
Subscription Price after a 10% discount to the 3 day VWAP	R66.60	R77.40
First Ranking Preference Shares	2 451.9	2 933.3
Equity Secured Funding	1 256.1	1 375.9
Total Standard Bank Funding Package	3 708.0	4 309.2
Second Ranking Preference Shares	3 708.0	4 309.2
Total funding requirement	7 416.0	8 618.4

The Second Ranking Preference Shares are expected to be funded by Sanlam SPV Subscriber from a combination of discretionary capital of between R2 808 000 000 (two billion eight hundred and eight million Rand) and R3 409 200 000 (three billion four hundred and nine million two hundred thousand Rand) made available by Sanlam, and the issuance of preference shares in the market as to R900 000 000 (nine hundred million Rand).

The Standard Bank Funding Package will be advanced to the B-BBEE SPV Group on fulfilment of all relevant suspensive conditions to the B-BBEE Transaction (as set out in paragraphs 11.1 and 11.5 of this Circular) including fulfilment of a starting share cover ratio of around 2.5x for the portion representing the First Ranking Preference Shares and around 1.7x for the portion that represents the Equity Secured Funding.

The final size and split of the Standard Bank Funding Package between the First Ranking Preference Shares and the Equity Secured Funding is a function of the Subscription Price. In agreeing the Determination Date (with reference to which the Subscription Price will be determined), the Independent Committee and the Board will ensure the most optimal funding mix at the lowest cost whilst also satisfying the starting share cover ratios. The Standard Bank Funding Package will not exceed R4 309 206 300 (four billion three hundred and nine million two hundred and six thousand three hundred Rand).

It has been agreed that any excess cash available in B-BBEE SPV, post paying for (i) operating expenses limited to R100 000 (one hundred thousand Rand) per annum in aggregate (with annual adjustments for inflation) and (ii) dividend protection payments under the Equity Secured Funding, will be applied in the following order:

- R9 000 000 (nine million Rand) in respect of once off costs related to the Standard Bank Funding Package and legal expenses related to the transactional documentation for the B-BBEE SPV Group to be paid out of the first dividend received in respect of the Subscription Shares;
- dividends due and payable and redemption amounts (when due and payable) in respect of the First Ranking Preference Shares;
- 10% of remaining cash paid as trickle dividend to the shareholders of B-BBEE SPV;
- dividends due and payable in respect of the Second Ranking Preference Shares;
- at the election of B-BBEE SPV, the voluntary redemption of First Ranking Preference Shares or the deposit of amounts into the dividend redemption reserve account which is ceded by way of security cession in favour of the holders of the First Ranking Preference Shares;
- the voluntary redemption of the Second Ranking Preference Shares.

The holder of the First Ranking Preference Shares and the lender under the Equity Secured Funding will only have recourse to the balance sheets of B-BBEE SPV and Subscription SPV respectively with no recourse to the Sanlam Group balance sheet.

5.1.5 Application of proceeds

Gross proceeds to Sanlam from the issue of the Subscription Shares will be determined by the Subscription Price and will be between R7 415 843 400 (seven billion four hundred and fifteen million, eight hundred and forty three thousand and four hundred Rand) and R8 618 412 600 (eight billion six hundred and eighteen million four hundred and twelve thousand six hundred Rand). Fifty percent of the proceeds will be utilised to fund the Second Ranking Preference Shares. In addition to enhancing Sanlam's empowerment status, the B-BBEE Transaction is expected to improve the Group's capital position, by reducing short-term interest-bearing debt incurred as partial funding to acquire the remaining 53.37% interest in Saham Finances.

5.2 The Ubuntu-Botho Facility

5.2.1 Terms

Sanlam or a wholly-owned subsidiary of Sanlam ("**Sanlam Subscriber**") will subscribe for the Ubuntu-Botho Preference Shares in an aggregate amount of up to R2 000 000 000 (two billion Rand) in multiple tranches until 31 December 2020. The Ubuntu-Botho Preference Shares will either be (i) redeemed on the date following 7 years after the date on which the first tranche is issued ("**Initial Tenor Period**") or (ii) refinanced for a further 3-year period ("**Extended Tenor Period**") at the sole discretion of Sanlam if so requested by the Ubuntu-Botho Issuer. The dividend in respect of the Ubuntu-Botho Preference Shares will be calculated at a rate of 85% of the Prime Rate for the Initial Tenor Period, and (if refinanced) at the prevailing market related rate at the refinancing date based on the level of security available for the Extended Tenor Period.

The Ubuntu-Botho Preference Shares will be secured by pledge and cession by ARC FS of the investments acquired with the proceeds received from the Ubuntu-Botho Facility and a pledge and cession of investments (which will preferably be listed investments), acceptable to Sanlam Subscriber. ARC FS will also provide the Sanlam Subscriber with financial covenants which will be calculated with reference to the directors' valuation of investments held by ARC FS relative to the nominal value of the Ubuntu-Botho Preference Shares not redeemed and any unpaid and accrued dividends thereon. The details of the security are set out more fully in paragraph 11.6 of the Circular.

Given the security package and the strategic nature of the planned investments, the Sanlam Board believes that the terms of the Ubuntu-Botho Facility reflect an appropriate balance between financial and strategic benefits to the Sanlam Group.

5.2.2 Utilisation of the Ubuntu-Botho Facility

The Ubuntu-Botho Facility will be made available to assist with the execution of Sanlam's South African strategy by enhancing its empowerment status at an operational business unit level and strengthen the business relationship between the Company and Ubuntu-Botho. This will be utilised to enable Ubuntu-Botho to:

- acquire, directly or indirectly, an interest in certain operating subsidiaries of the Sanlam Group in areas such as third-party asset management, workplace marketing and distribution, which will enhance the empowerment status and competitiveness of these companies potentially leading to synergies for the Sanlam Group; and
- invest in financial service companies which will be complementary to the Sanlam Group's strategy and enhance the offering of key financial solutions offered by the Sanlam Group.

6. STRATEGIC PROJECTS IDENTIFIED FOR UTILISATION OF THE PROCEEDS FROM THE UBUNTU-BOTHO FACILITY

The details set out in this paragraph 6 are provided to Shareholders for information purposes only and fall outside of the scope of the Proposed Transactions to be voted on by Shareholders as part of this Circular. The information is provided to give Shareholders an indication of how the Ubuntu-Botho Facility will be utilised by Ubuntu-Botho in the future in the furtherance of Sanlam's strategy for empowerment and transformation on an operating business unit level.

The Company, ARC and ARC FS have reached in-principle agreement, subject to the conclusion of definitive agreements, to enter into the transactions described below which will be subject to compliance with the JSE Listings Requirements. A full terms announcement will be made if definitive agreements are concluded. In addition to the potential transactions described in 6.1 and 6.2 of this Circular, Sanlam and Ubuntu-Botho will continue to explore other areas of cooperation which could potentially lead to synergies for the Sanlam Group and that could unlock long term value for Shareholders by enhancing the competitiveness of its business units.

6.1 Acquisition by ARC FS of an interest in Sanlam's South African Third Party Asset Management Business

In order to enhance the competitiveness of its third party asset management business the Sanlam Group will engage in a restructuring of its South African businesses engaged in the asset management of third party funds which will result in all these businesses being held by SIH.

Following the restructuring and assuming that definitive agreements are entered into and become unconditional in accordance with their terms, ARC FS will subscribe for shares in SIH representing 25% of the total issued shares of SIH. The subscription price will be the fair value for a 25% stake in SIH, which will be calculated as the value placed by the Sanlam Group on SIH at the end of the quarter preceding the effective date of the transaction rolled forward, by a factor that is equal to the Ubuntu-Botho Facility funding rate, to the effective date and allowing for a minority discount (within a typical range of 10% - 12%) and a marketability/liquidity discount (within a typical range of 13% - 15%) appropriate for transactions of similar nature. To give shareholders an illustrative indication of the size of the potential transaction, at the 30 June 2018 quarter end the value placed on the 100% holding in the South African third party asset management businesses by Sanlam was R5 700 000 000 (five billion seven hundred million Rand) before allowing for any minority or marketability/liquidity discount.

The Company and ARC FS may jointly explore opportunities for further transactions with other asset management companies. It is further intended for the key management of SIH to participate in SIH either by way of a direct or indirect shareholding.

Should the transaction proceed, SIH will have direct and indirect broad based black economic ownership (as measured in terms of the FSC) in excess of 51%. Sanlam management expects that this transaction could lead to an increase in assets under management and potential synergies for the Sanlam Group.

The Company anticipates giving certain warranties and indemnities to ARC FS in connection with its subscription for shares in SIH. Whilst a definitive subscription agreement is still to be negotiated and concluded, the Company does not anticipate giving warranties or indemnities which would be unusual for a transaction of a similar nature. In addition, the Company anticipates customary limitations on any warranty or indemnity claims which ARC FS may be entitled to bring in the event that any warranty is untrue.

As a significant shareholder in SIH, ARC FS will have the benefit of certain rights and minority protections. In particular:

- ARC FS will be entitled to appoint directors to the board of directors of SIH and each sub-committee of the board of directors of SIH pro-rata to its shareholding in SIH;
- ARC FS will be entitled to receive financial information in relation to SIH on a periodic basis; and
- the undertaking of certain matters by SIH will require the approval of ARC FS. These matters include, without limitation, the appointment and removal of senior key employees, any change to the strategy of SIH and the adoption of, or any material amendment to, the annual budget and business plan of SIH.

ARC FS will undertake not to invest in any material, strategic businesses which compete with SIH after the effective date of the transaction.

The Company and ARC FS will each have a pre-emptive right to acquire the shares of the other if it elects to dispose of its shares in SIH. If ARC FS wishes to dispose of its shares after seven years, the Company will be entitled but not obliged to acquire the shares at the fair value placed by the Sanlam Group on SIH allowing for appropriate discounts.

ARC FS will be deemed to have offered its shares in SIH to the Company, at similar discounts to which ARC FS subscribed for shares in SIH on the fair value placed by the Sanlam Group on SIH, on the occurrence of certain events, which include:

- the black ownership of Ubuntu-Botho, ARC or ARC FS falling below 51% on an unmodified/flow-through basis; and
- Ubuntu-Botho Group ceases to hold the Restricted Interest before 31 December 2024.

In these circumstances, the Company will also be entitled to require Ubuntu-Botho to acquire the Company's shares in ARC FS (in the event that the Company does acquire shares in ARC FS pursuant to the potential cross shareholding transaction set out in paragraph 7).

The transaction will be subject to the fulfilment or waiver of a number of suspensive conditions, in addition to the conclusion of definitive agreements, by no later than 30 June 2019 or such later date that may be agreed by the parties. These suspensive conditions will include:

- the approval by Shareholders of the Ubuntu-Botho Facility;
- the approval of the terms of the transaction by the Independent Committee;
- the approval of the terms of the transaction by the Board;
- completion of a legal and limited tax and financial due diligence investigation of SIH to the satisfaction of ARC FS; and
- all requisite regulatory approvals.

ARC FS will fund the acquisition of shares in SIH partly (as to 20%) by means of its own resources and partly (as to 80%) by means of utilisation of the Ubuntu-Botho Facility.

Once definitive agreements have been concluded, the transaction will be categorised in accordance with the related party provisions of the JSE Listings Requirements.

6.2 African Rainbow Life

In order to expand its client base and increase and diversify its income, Sanlam is supporting the formation of a new black managed insurance company that will focus on the underserved lower to middle income market segment as well as small and medium sized businesses. To this end, Sanlam Life, ARC FS and a consortium comprising key black management (the "Management Consortium") have incorporated a new company named African Rainbow Life. African Rainbow Life will have a significant black shareholding and will be held as to 51% by Sanlam Life, as to 26% by ARC FS and as to 23% by the Management Consortium.

African Rainbow Life will be black managed and will focus on distributing financial services products through work site marketing and by accessing informal groups. The use of the "African Rainbow" brand coupled with the minority interest held by ARC FS is expected to contribute to and be a key factor in opening new and securing existing work sites. African Rainbow Life has applied for its own long-term insurance licence. The initial anticipated capital requirement of the business for the first five years is estimated to be around R400 000 000 (four hundred million Rand). ARC's contribution will be around R120 000 000 (one hundred and twenty million Rand) of which R96 000 000 (ninety six million Rand) will come from utilisation of the Ubuntu-Botho Facility.

A shareholders' agreement regulating the relationship between Sanlam Life, ARC FS and the Management Consortium in respect of African Rainbow Life will be negotiated and concluded in due course.

Should the transaction proceed, African Rainbow Life is likely to have broad based black economic ownership (as measured in terms of the FSC) in excess of 51%. Management expect that this transaction could lead to increased market share in the entry level market and new sources of premium income for the Sanlam Group.

7. STRATEGIC CROSS SHAREHOLDING

The details set out in this paragraph 7 are provided to Shareholders for information purposes only and fall outside of the scope of the Proposed Transactions to be voted on by Shareholders as part of this Circular.

As noted earlier in this Circular, it is envisaged that ARC FS will assist Sanlam in the execution of its South African strategy and therefore, in addition to providing the Ubuntu-Botho Facility and to further align the strategic interests of Sanlam and Ubuntu-Botho, Sanlam and ARC have reached in-principle agreement subject to the conclusion of definitive agreements and such agreements becoming unconditional in accordance with their terms, for Sanlam or a wholly-owned subsidiary of Sanlam to acquire a 25% stake in ARC FS from ARC. ARC FS will *inter alia* hold the strategic investments acquired via the Ubuntu-Botho Facility as part of the Sanlam and Ubuntu-Botho business partnership.

The purchase price will be based on the fair value of ARC FS determined by the board of directors of ARC FS and set out in its audited financial statements at 30 June 2018 of around R2 800 000 000 (two billion eight hundred million Rand) adjusted for acquisitions post 30 June 2018.

The purchase price will allow for a minority discount (within a typical range of 10% – 12%) and a marketability/liquidity discount (within a typical range of 13%-15%) appropriate for transactions of similar nature and will have no negative fair value adjustment or impairment being required in terms of IFRS on initial recognition.

The Company will pay ARC a management fee in consideration for ARC maintaining its black ownership and managing the investment portfolio of ARC FS (the “**Management Fee**”) in line with the fees that ARC Investments currently pays to Ubuntu-Botho. The details of the structure of the management fees is set out in the ARC Investments pre-listing statement. ARC will, to the extent practical and reasonably possible, utilise the Management Fee payable in respect of assets acquired from the Sanlam Group by ARC FS, to appoint senior black executives to solicit new business flows to the Sanlam Group.

The Company anticipates that ARC will give certain warranties and indemnities to the Company in connection with its acquisition of shares in ARC FS. Whilst a definitive acquisition agreement is still to be negotiated and concluded, the Company anticipates receiving warranties and indemnities which are usual for a transaction of a similar nature. In addition, the Company anticipates customary limitations on any warranty or indemnity claims which it may be entitled to bring in the event that any warranty is untrue.

As a significant shareholder in ARC FS, the Company will have the benefit of certain rights and minority protections. In particular:

- it will be entitled to appoint directors to the board of directors of ARC FS and each sub-committee of the board of directors of ARC FS pro-rata to its shareholding in ARC FS;
- it will be entitled to appoint members to the investment committee of ARC FS pro-rata to its shareholding in ARC FS;
- it will be entitled to receive financial information in relation to ARC FS on a periodic basis; and
- the undertaking of certain matters by ARC FS will require the approval of the Company. These matters include, without limitation, the appointment and removal of senior key employees, any change to the strategy of ARC FS, any change to the investment parameters of ARC FS and the adoption of, or any material amendment to, the budget and business plan of ARC FS.

The Company and ARC will each have a pre-emptive right to acquire the shares of the other if it elects to dispose of its shares.

The Company will require ARC to acquire its shares in ARC FS if:

- the black ownership of Ubuntu-Botho, ARC or ARC FS falls below 51% on an unmodified/flow through basis; or
- Ubuntu-Botho Group ceases to hold the Restricted Interest before 31 December 2024.

The price at which ARC will be required to acquire the Company’s shareholding in ARC FS will be determined using a similar valuation methodology and discounts used to determine the purchase price for the Company’s initial acquisition of shares in ARC FS. In this event, ARC will discharge its obligation in part by ensuring the transfer of assets acquired by ARC FS from the Sanlam Group (which will be valued by using the same valuation methodology and discount applied when they were acquired from the Sanlam Group) and in part by paying cash.

This potential strategic cross-shareholding transaction will be subject to the fulfilment or waiver of a number of suspensive conditions, in addition to the conclusion of definitive agreements, by no later than 30 June 2019 or such later date as may be agreed by the parties, including the following:

- the approval of the terms of the transaction by the Independent Committee;
- the approval of the terms of the transaction by the Board;
- completion of a legal and limited tax and financial due diligence investigation of ARC FS to the satisfaction of the Company; and
- requisite regulatory approvals.

Given Sanlam’s multibank relationships, any banking interest held indirectly via ARC FS is seen as incidental to Sanlam and not core to the Sanlam strategy. ARC FS will therefore not exceed shareholding thresholds in respect of any investment in a bank which may trigger regulatory approval requirements for Sanlam as an indirect shareholder. Nothing will be done by ARC FS which may result in Sanlam being seen as the shareholder of reference by any banking authority.

Once definitive agreements have been concluded, the transaction will be categorised in accordance with the related party provisions of the JSE Listings Requirements.

8. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

The table below sets out the *pro forma* financial effects of the Proposed Transactions on:

- Sanlam’s IFRS Financial Information; and
- Sanlam’s Shareholders’ Information;

based on the most recently published reviewed consolidated interim financial results and Shareholders’ Information of the Sanlam Group for the six months ended 30 June 2018, adjusted on a *pro forma* basis for the conclusion of the acquisition of the remaining interest in Saham Finances on 9 October 2018.

The *pro forma* financial information and the *pro forma* Shareholders’ Information have been prepared using IFRS accounting policies and a basis of preparation and presentation of the Shareholders’ Information, respectively, that are consistent with those applied in the published consolidated financial statements and the Shareholders’ Information of Sanlam for the six months ended 30 June 2018, and the consolidated annual financial statements and Shareholders’ Information for the year ended 31 December 2017, but with specific clarification that the treasury share adjustment upon consolidation of the Subscription SPV is recognised in the consolidation reserve which forms part of other reserves in the consolidated Statement of Financial Position.

The *pro forma* financial information and the *pro forma* Shareholders’ Information have been prepared based on the assumptions indicated in Annexure 1A and Annexure 1B respectively. The actual Sanlam share price and other observable market information at implementation date of the Proposed Transactions will affect the actual impact of the Proposed Transactions on the financial information and Shareholders’ Information.

The *pro forma* financial information and the *pro forma* Shareholders’ Information is the responsibility of the directors of Sanlam and was prepared for illustrative purposes only and may not, because of its nature, fairly present Sanlam’s IFRS financial position and results of its operations or Shareholders’ Information after the Proposed Transactions. It does not purport to be indicative of what the financial results would have been had the Proposed Transactions been implemented on a different date.

8.1 The Proposed Transactions

The B-BBEE Transaction will be implemented through a series of inter-related steps resulting in Sanlam issuing the Subscription Shares to Subscription SPV at the Subscription Price. As the Subscription Price will be determined at a 10% discount to a Sanlam share price within a range of R74 (seventy-four Rand) to R86 (eighty-six Rand), two scenarios are presented in respect of the B-BBEE Transaction: a scenario based on the bottom end of the range (“R74-scenario”) as well as a scenario based on the upper end of the range (“R86-scenario”).

The B-BBEE Transaction meets the requirements of an equity-settled IFRS 2: *Share-based Payment* (“IFRS 2”) arrangement and will result in a once-off share-based payment charge. This once-off charge is recognised in the Consolidated Statement of Comprehensive Income for the six months ended 30 June 2018 as administration costs.

The following adjustments are made in determining the economic cost of the Proposed Transactions for purposes of the *pro forma* Shareholders' Information for the six months ended 30 June 2018:

- IFRS 2 requires that the cost of the B-BBEE Transaction be measured taking cognisance of the effective discount of the Subscription Price relative to the prevailing listed price. The B-BBEE Transaction is an alternative to a general market issuance, similar to the share issuance conducted by Sanlam in March 2018. Such a comparable market issuance would have occurred at a discount of around 5%, in the Board's view, in line with the March 2018 transaction. The economic cost of the B-BBEE Transaction is measured for purposes of the *pro forma* Shareholders' Information after taking into account the difference between a market related discount of 5% and the effective discount of 10% implied by the Subscription Price. The economic cost of the B-BBEE Transaction for purposes of the *pro forma* Shareholders' Information is commensurately R412 000 000 (four hundred and twelve million Rand) and R479 000 000 (four hundred and seventy-nine million Rand) lower than the IFRS charge at the R74-scenario and R86-scenario respectively.
- The Second Ranking Preference Shares funding provided by Sanlam in terms of the B-BBEE Transaction will be partially funded through the issuance of preference shares by a subsidiary of Sanlam in the market. Due to Sanlam's strong balance sheet and credit rating, the cost of funding relating to these preference shares is lower than the proportional investment return earned on the Second Ranking Preference Shares. Sanlam will therefore earn a margin on the portion of the Second Ranking Preference Shares funded through the back-to-back preference share issuance, with the capitalised value of this margin of R80 000 000 (eighty million Rand) recognised as part of RoGEV in the Shareholders' Information at initial recognition. Capitalisation of this margin at initial recognition is not permitted in terms of IFRS, with the margin being recognised in the consolidated Statement of Comprehensive Income over time on an accrual basis.
- The Ubuntu-Botho Facility will be funded through the issuance of preference shares (on a back-to-back basis) by a subsidiary of Sanlam at a funding cost lower than the yield on the Ubuntu-Botho Facility. The funding cost is lower due to Sanlam's strong balance sheet and credit rating. The capitalised value of this margin (R73 000 000 (seventy three million Rand) in respect of the portion to be utilised for the Sanlam Investments Transaction) is similarly recognised as part of RoGEV for purposes of the *pro forma* Shareholders' Information. Capitalisation of this margin at initial recognition is not permitted in terms of IFRS, with the margin being recognised in the consolidated Statement of Comprehensive Income over time on an accrual basis.

The IFRS share-based payment charge represents a cost of 0.9% for both the R74-scenario and R86-scenario of the Sanlam market capitalisation (excluding Treasury Shares), while the economic cost of the Proposed Transactions for purposes of the *pro forma* Shareholders' Information as described above, represents a cost of 0.6% for the R74-scenario and R86-scenario of the Sanlam market capitalisation (excluding Treasury Shares). It is estimated that of the IFRS charge, 80% is associated with new broad based beneficiaries and 20% is associated with the Ubuntu-Botho Group.

Shareholders also need to be aware that the once-off IFRS charge is presented in the *pro forma* financial information in relation to the Group's consolidated financial statements and consolidated Shareholders' Information for the six months ended 30 June 2018. The once-off IFRS charge will proportionally have a different impact when viewed against the full year earnings, as opposed to when it is presented against the earnings for the six months.

Based on management's judgement and application of the control principles contained in IFRS 10: *Consolidated Financial Statements* ("IFRS 10"), management concluded that Sanlam will need to consolidate the B-BBEE SPV Group for IFRS purposes for the initial term of the B-BBEE Transaction. As a result, the Subscription Shares held by the Subscription SPV in Sanlam will be treated as treasury shares for IFRS purposes (i.e. it will be excluded from Shares and weighted average number of Shares for accounting purposes). The treasury shares will be included in the consolidation reserve that forms part of the IFRS shareholders' equity in line with the Group's basis of presentation. In respect of the Shareholder's Information, management concluded that consolidation of the B-BBEE SPV Group does not reflect the economic result of the B-BBEE Transaction. The B-BBEE SPV Group is commensurately not consolidated for purposes of the Shareholders' Information.

PRO FORMA FINANCIAL EFFECTS: R74-SCENARIO

	Before the Proposed Transactions	Pro forma after the Proposed Transactions - Scenario A^(8.1.3)	% change from Before the Proposed Transactions	Pro forma after the Proposed Transactions - Scenario B^(8.1.4)	% change from Before the Proposed Transactions
IFRS INFORMATION					
Basic earnings per share ("EPS") (cents)	307.6	229.1	(26)	229.2	(25)
Diluted EPS (cents)	304.7	225.8	(26)	225.9	(26)
Basic headline earnings per share ("HEPS") (cents)	246.5	168.1	(32)	168.2	(32)
Diluted HEPS (cents)	244.2	165.6	(32)	165.7	(32)
Distributable earnings per share (cents)	307.6	229.1	(26)	229.2	(25)
Net asset value per share ("NAVPS") (cents)	3 120.6	3 102.8	(1)	3 142.8	1
Net tangible asset value per share ("NTAVPS") (cents)	1 792.6	1 781.9	(1)	1 821.9	2
Number of ordinary Shares (million)	2 090.0	2 101.1	1	2 101.1	1
Weighted average number of Shares at period end (million)	2 042.5	2 042.5	-	2 042.5	-
Weighted average number of diluted Shares (million)	2 062.3	2 073.4	1	2 073.4	1
SHAREHOLDERS' INFORMATION					
GEV per share ("GEVPS") (cents)	6 022	6 057	1	6 049	-
Annualised RoGEV per share ("RoGEVPS") (percentage)	14.3	15.3	6	15.2	6
Shareholders' fund at net asset value per share (cents)	3 110	3 287	6	3 325	7
Net result from financial services per share ("NRFSPS") (cents)	227.1	215.6	(5)	214.0	(6)
Normalised headline earnings per share ("NHEPS") (cents)	231.8	209.4	(10)	209.5	(10)
Number of Shares for GEVPS and RoGEVPS (million)	2 112.8	2 224.1	5	2 224.1	5
Weighted average number of diluted Shares for NRFSPS and NHEPS	2 081.7	2 193.0	5	2 193.0	5

PRO FORMA FINANCIAL EFFECTS: R86-SCENARIO

	Pro forma after the Proposed Transactions Before the Proposed Transactions	Pro forma after the Proposed Transactions - Scenario A^(8.1.3)	% change from Before the Proposed Transactions	Pro forma after the Proposed Transactions - Scenario B^(8.1.4)	% change from Before the Proposed Transactions
IFRS INFORMATION					
Basic earnings per share ("EPS") (cents)	307.6	218.9	(29)	219.0	(29)
Diluted EPS (cents)	304.7	215.6	(29)	215.7	(29)
Basic headline earnings per share ("HEPS") (cents)	246.5	157.7	(36)	157.8	(36)
Diluted HEPS (cents)	244.2	155.4	(36)	155.5	(36)
Distributable earnings per share (cents)	307.6	218.9	(29)	219.0	(29)
Net asset value per share ("NAVPS") (cents)	3 120.6	3 102.9	(1)	3 142.9	1
Net tangible asset value per share ("NTAVPS") (cents)	1 792.6	1 781.9	(1)	1 821.9	2
Number of ordinary Shares (million)	2 090.0	2 101.1	1	2 101.1	1
Weighted average number of Shares at period end (million)	2 042.5	2 042.5	-	2 042.5	-
Weighted average number of diluted Shares (million)	2 062.3	2 073.4	1	2 073.4	1
SHAREHOLDERS' INFORMATION					
GEV per share ("GEVPS") (cents)	6 022	6 111	1	6 103	1
Annualised RoGEV per share ("RoGEVPS") (percentage)	14.3	16.2	13	16.1	13
Shareholders' fund at net asset value per share (cents)	3 110	3 341	7	3 379	9
Net result from financial services per share ("NRFSPS") (cents)	227.1	215.6	(5)	214.0	(6)
Normalised headline earnings per share ("NHEPS") (cents)	231.8	208.3	(10)	208.4	(10)
Number of Shares for GEVPS and RoGEVPS (million)	2 112.8	2 224.1	5	2 224.1	5
Weighted average number of diluted Shares for NRFSPS and NHEPS	2 081.7	2 193.0	5	2 193.0	5

Notes and assumptions

- 8.1.1 Notes and assumptions below are applicable to both the R74-scenario and R86-scenario
- 8.1.2 The information reflected in the "Before the Proposed Transactions" column has been extracted from the reviewed consolidated interim financial results and Shareholders' Information of Sanlam for the six months ended 30 June 2018 as published on SENS on 6 September 2018, adjusted on a *pro forma* basis for the conclusion of the acquisition of the remaining interest in Saham Finances on 9 October 2018.
- 8.1.3 The Sanlam information reflected in the "*Pro forma* after the Proposed Transactions – Scenario A" column has been calculated on the basis that all of the steps to implement the Proposed Transactions have been completed, but before any drawdowns granted in respect of the Ubuntu-Botho Facility have occurred.
- 8.1.4 The Sanlam information reflected in the "*Pro forma* after the Proposed Transactions – Scenario B" column has been calculated on the basis that all of the steps to implement the Proposed Transactions have been completed, and that a portion of the Ubuntu-Botho Facility has been utilised for the Sanlam Investments Transaction.
- 8.1.5 The effects on basic EPS, diluted EPS, HEPS, diluted HEPS, RoGEVPS, NRFSPS and NHEPS are calculated on the basis that the Proposed Transactions were effective on 1 January 2018, while the effects on NAVPS, NTAVPS, GEVPS and shareholders' fund at net asset value per share are calculated on the basis that the Proposed Transactions were effective on 30 June 2018 for purposes of presenting the *pro forma* financial information and the *pro forma* Shareholders' Information.
- 8.1.6 For detailed disclosure in respect of the *pro forma* adjustments and assumptions, please refer to Annexure 1A for the IFRS information and Annexure 1B for the Shareholders' Information.

9. RELATED PARTY CONSIDERATIONS
9.1 Background and Independent Committee

The Board established the Independent Committee, consisting of all non-executive Directors who are independent of the Company and Ubuntu-Botho, to evaluate matters involving the Company and the Ubuntu-Botho Group which may give rise to conflicts of interest, and following their consideration of these matters, make recommendations to the Board. The chairman of the Independent Committee is Mr. SA Nkosi, the lead independent Director. The Independent Committee has appointed JP Morgan to advise it in connection with the Proposed Transactions. Currently, Ubuntu-Botho legally and beneficially owns 14% of the Shares (excluding Treasury Shares). It is therefore a material shareholder of the Company as contemplated in the JSE Listings Requirements.

Dr. Patrice Motsepe, the deputy Chair of the Company, or persons related to him as contemplated in section 2 of the Companies Act, controls Ubuntu-Botho in the manner contemplated in section 3 of the Companies Act. Ubuntu-Botho is therefore a related person to Dr. Motsepe as contemplated in the Companies Act.

Ubuntu-Botho has the entitlement pursuant to the B-BBEE SPV MOI and the Shareholders' Agreement to appoint the majority of the directors of B-BBEE SPV and Subscription SPV. Ubuntu-Botho therefore, in terms of the Companies' Act, controls B-BBEE SPV and its wholly-owned subsidiary, Subscription SPV, as contemplated in section 2(2)(a)(ii)(bb) of the Companies Act. B-BBEE SPV and Subscription SPV are therefore related persons to Ubuntu-Botho as contemplated in the Companies Act. B-BBEE SPV and Subscription SPV are also associates of Ubuntu-Botho as contemplated in the JSE Listings Requirements.

In addition to their positions on the Board and the board of directors of Sanlam Life and board committees, Dr. Motsepe is a director of Ubuntu-Botho and ARC; Dr. Simelane is a director of Ubuntu-Botho and Dr. van Zyl, Chair of Sanlam, is the chief executive officer of Ubuntu-Botho and co-chief executive officer of ARC.

The following ARC personnel serve on boards, divisional boards and board committees of the following subsidiaries or business divisions of the Sanlam Group:

- Sanlam Emerging Markets Proprietary Limited Audit Committee
 - B Mushonga
- Board of directors of SIH
 - J van der Merwe
- Divisional board of Sanlam Investment Group
 - J van der Merwe
- Divisional board of Sanlam Personal Finance
 - B Mushonga
- Sanlam Personal Finance Rainbow Advisory Committee
 - J van Zyl – invitee
- Santam Limited
 - MJ Reyneke

9.2 Independent Expert Opinion

In terms of the B-BBEE Transaction, the Subscription Shares will be issued to Subscription SPV at the Subscription Price. As Subscription SPV is an associate of Ubuntu-Botho (which is a related party to Sanlam as contemplated in the JSE Listings Requirements) and the Subscription Shares will be issued at a discount as contemplated in the JSE Listings Requirements, a fairness opinion is required in terms of paragraph 5.51 of the JSE Listings Requirements.

As part of the B-BBEE Transaction, Sanlam will provide financial assistance to B-BBEE SPV and Subscription SPV to acquire the Subscription Shares, via the Second Ranking Preference Shares to be issued by B-BBEE SPV. Whilst B-BBEE SPV and Subscription SPV are associates of Ubuntu-Botho (which is a related party to Sanlam as contemplated in the JSE Listings Requirements), the provision of financial assistance does not constitute a related party transaction under the JSE Listings Requirements.

The Board appointed Deloitte & Touche as Independent Expert to provide the fairness opinion in respect of the issue of the Subscription Shares by the Company and the subscription for the Second Ranking Preference Shares by the Company or any of its wholly-owned subsidiaries.

The Board confirms that it is of the opinion that the B-BBEE Transaction is fair insofar as Shareholders are concerned. This decision was reached having had due regard to the fairness opinions issued by Deloitte & Touche as Independent Expert which are set out in a letter addressed to the Board, a copy of which is set out in Annexure 4 to this Circular.

As the Ubuntu-Botho Facility will be provided to Ubuntu-Botho (which is a related party to Sanlam) or its associates, a fairness opinion is required in terms of paragraph 10.4 of the JSE Listings Requirements.

The Board appointed Deloitte & Touche as Independent Expert to provide the fairness opinion. Deloitte & Touche has issued the fairness opinion.

The Board confirms that it is of the opinion that the terms of the Ubuntu-Botho Facility are fair insofar as Shareholders are concerned. This decision was reached having had due regard to the fairness opinion issued by Deloitte & Touche as Independent Expert which is set out in a letter addressed to the Board, a copy of which is set out in Annexure 4 to this Circular.

In addition to the requisite approval of Shareholders under the Companies Act, the Listings Requirements require the Shareholders to approve the issue of the Subscription Shares and prescribes that Ubuntu-Botho and its associates be excluded from voting on Special Resolution No. 1. Their Shares will, however, be taken into account in determining whether a quorum is present at the General Meeting for purposes of these Resolutions.

Whilst Ubuntu-Botho is not precluded by the Companies Act or the Listings Requirements from voting on Special Resolution No. 2, Special Resolution No. 3 or Ordinary Resolution No. 1, Ubuntu-Botho has informed the Company that it will not cast any votes on these Resolutions.

10. LISTING ON THE JSE

Application will be made to the JSE for the approval of the listing of the Subscription Shares, following Shareholders approving the issue thereof, and the fulfilment of the suspensive conditions set out in paragraph 11.1.

11. MATERIAL AGREEMENTS

The material agreements to give effect to the Proposed Transactions are detailed in this section. No other material contracts in respect of the Proposed Transactions (being restrictive funding arrangements and/ or contracts) have been entered into, other than in the ordinary course of business, either verbally or in writing within the two years prior to the date of this Circular or entered into at any time and containing an obligation or settlement that is material to the Company or its subsidiaries at the date of this Circular.

A copy of each of the Transaction Agreements, the Ubuntu-Botho Facility Agreements and each of the other material agreements and documents set out below has been made available to Shareholders for inspection at the Company's registered office at 2 Strand Road Bellville, 7530 and at Standard Bank's offices at 30 Baker Street, Rosebank, Johannesburg.

A. In respect of the B-BBEE Transaction

The material agreements for purposes of the B-BBEE Transaction are the Subscription Agreement, the Shareholders' Agreement and the Second Ranking Preference Share Agreements. In addition, the Master Trust Deed, B-BBEE SPV MOI and Subscription SPV MOI are material documents in relation to the B-BBEE Transaction. The salient terms of these agreements and documents are set out below in brief.

11.1 Subscription Agreement

The parties to the Subscription Agreement are the Company and Subscription SPV.

Salient Terms

Subscription SPV will subscribe for the Subscription Shares at the Subscription Price and on the terms set out in the Subscription Agreement. The Company does not provide any warranties or indemnities to Subscription SPV other than customary warranties as to the capacity and authority of the Company and the validity of the Subscription Shares.

Suspensive Conditions

The Subscription Agreement is subject to the fulfilment of, among others, the following suspensive conditions by no later than 30 June 2019:

- the adoption by Shareholders of Special Resolution No. 1 and Special Resolution No. 2 set out in the Notice of General Meeting;
- B-BBEE SPV obtaining the requisite funding pursuant to the First Ranking Preference Shares, and Second Ranking Preference Shares to enable it to capitalise Subscription SPV pursuant to the Capitalisation Agreement;
- Subscription SPV obtaining the Equity Secured Funding and the capitalisation by B-BBEE SPV pursuant to the Capitalisation Agreement;
- fulfilment of a starting share cover ratio of around 2.5x under the First Ranking Preference Shares and around 1.7x under the Equity Secured Funding; and
- all regulatory approvals required by law in jurisdictions where the Sanlam Group operates.

11.2 The Master Trust Deed

The parties to the Master Trust Deed are the Company (as founder) and the initial trustees of the Master Trust.

Salient Terms

The Company will donate an amount of R80 (eighty Rand) to the Master Trust to enable it to subscribe for shares constituting 80% of all the ordinary shares in B-BBEE SPV. The Master Trust will be created by way of the Master Trust Deed which will govern its operation and provides, amongst others, that:

- there shall at all times be at least three trustees and no more than six trustees. At least 50% of the trustees shall be black women;
- the Company will appoint one initial trustee and Ubuntu-Botho will appoint two initial trustees;

- the initial trustee appointed by the Company may appoint a further trustee on the basis that the initial trustees shall use his/her reasonable endeavours to identify and nominate a person as additional trustees who is independent of the Company as founder and Ubuntu-Botho;
- the initial trustees appointed by Ubuntu-Botho may appoint a further two trustees on the basis that the initial trustees shall use their reasonable endeavours to identify and nominate persons as additional trustees who are independent of the Company as founder and Ubuntu-Botho;
- a replacement trustee will be appointed by the Company as founder of the Master Trust or Ubuntu-Botho or the initial trustees in accordance with the Master Trust Deed;
- the powers of the trustees as set out in the Master Trust Deed are limited to powers which relate to the administration of the assets of the Master Trust on behalf and for the benefit of the beneficiaries of the Master Trust. The extent of the powers vested in the trustees must be interpreted subject to the intents, objects and purposes of the Master Trust;
- the trustees of the Master Trust shall enter into the Shareholders' Agreement;
- the beneficiaries of the Master Trust will be five separate beneficiary trusts (each a **"Beneficiary Trust"**) created in accordance with the Master Trust Deed for the benefit of each of the following categories of beneficiaries (the **"Beneficiaries"**):
 - professional black women (as to 20% of the assets of the Master Trust);
 - rural and urban poor black women's groups (as to 20% of the assets of the Master Trust);
 - black youth and black youth groups who are focused on doing good for their members, with no less than 50% of the allocations/distributions to be made to black women (as to 20% of the assets of the Master Trust);
 - black business partners and broad based groups (as to 20% of the assets of the Master Trust), consisting of:
 - o black business partners of Sanlam and Ubuntu-Botho including broad-based community organisations who are focused on doing good for their members, with no less than 50% of the allocations/distributions to be made black women; and
 - o black owned business partners of Sanlam and Ubuntu-Botho, with no less than 50% of the allocations/distributions to be made to black women; and
 - employees of the Sanlam Group (as to 20% of the assets of the Master Trust). This component will comprise of (i) employees of the Sanlam Group, with participation determined with reference to factors such as retention, financial circumstances and participation in other incentive schemes, and/or (ii) employees of the Sanlam Group who are in need may apply for financial assistance which will be considered according to the merits of each application. At least 50% of the allocations/distributions will be made to black women;
- the trustees of the Master Trust will create the Beneficiary Trusts as soon as practically possible after implementation of the B-BBEE Transaction. The trust deed of each Beneficiary Trust will be approved by the Company as founder of the Master Trust and Ubuntu-Botho;
- the Beneficiaries of each Beneficiary Trust will be determined by the trustees of the relevant Beneficiary Trust in accordance with its trust deed and with the prior written approval of Ubuntu-Botho (acting in good faith and in the commercial interest and benefit of the broader Sanlam Group) and after consultation with Sanlam as founder of the Master Trust;
- the trustees of the Master Trust will retain ownership of the assets of the Trust until they resolve to distribute the assets of the Master Trust to the Beneficiary Trusts in accordance with the provisions of the Master Trust Deed but will distribute all income received in connection with the assets of the Master Trust (after defraying all relevant costs) to the Beneficiary Trusts;
- the trustees of the Beneficiary Trusts will have the power to vest a benefit in the Beneficiaries subject to the prior written approval of Ubuntu-Botho and after consultation with the Company as founder of the Master Trust;
- the trustees of the Master Trust shall exercise the voting rights capable of being exercised in B-BBEE SPV in accordance with the objects of the Master Trust and in the best interests of the Beneficiaries;

- in determining whether to permit the B-BBEE Group to dispose of the Subscription Shares, the trustees of the Master Trust shall take into account the value creation of B-BBEE SPV to the Beneficiaries;
- the benefit capable of being vested in the Beneficiary Trust (by the Master Trust) and the Beneficiaries (by the Beneficiary Trusts) comprises any income or capital received from the Master Trust's shareholding in B-BBEE SPV and any financial instrument in which the assets of the Master Trust are invested;
- the trustees of the Beneficiary Trusts may invest any net income not distributed to the Beneficiaries with a recognised financial institution;
- the trustees of the Master Trust will not have the power to encumber or dispose of its shareholding in B-BBEE SPV during the Initial Period without the prior written approval of the Company as founder of the Master Trust;
- the trustees of the Master Trust will not permit a disposal of the Subscription Shares by Subscription SPV during the Initial Period;
- the trustees of the Master Trust will not encumber any of the Master Trust's assets or dispose of any of the Master Trust's assets during the Initial Period without the prior written consent of the Company as founder of the Master Trust; and
- the Master Trust does not have a fixed term but shall be terminated by the trustees after the final vesting of benefits by the Master Trust with the prior written approval of Ubuntu-Botho (acting in good faith and in the commercial interest and benefit of the broader Sanlam Group) and after consultation with Sanlam as founder of the Master Trust.

The Master Trust Deed will be amended to the extent required by the Master to permit its registration.

The relevant provisions of the Master Trust Deed will be incorporated into the trust deed of each Beneficiary Trust. The trustees of each Beneficiary Trust will be appointed in the same manner as the trustees of the Master Trust.

11.3 B-BBEE SPV MOI and Subscription SPV MOI

Neither the B-BBEE SPV MOI nor the Subscription SPV MOI contain any unusual provisions other than those required to give effect to the provisions of the Shareholders' Agreement.

The Subscription SPV MOI provides that Subscription SPV will consult with the trustees of the Master Trust in respect of every Sanlam resolution in respect of which Subscription SPV will be entitled to vote.

11.4 Shareholders Agreement

The parties to the Shareholders' Agreement will be the Master Trust, Ubuntu-Botho Subscriber and B-BBEE SPV.

Salient Terms

Prior to the Subscription Date, the Master Trust will hold 80% of all the ordinary shares in B-BBEE SPV And Ubuntu-Botho Subscriber will hold 20% of all the ordinary shares in B-BBEE SPV. The Shareholders' Agreement will regulate the relationship between the Master Trust and Ubuntu-Botho Subscriber as shareholders of B-BBEE SPV. The Shareholders' Agreement provides, amongst others, that:

- the Master Trust will be entitled to appoint one director to the board of directors of each of B-BBEE SPV and Subscription SPV;
- Ubuntu-Botho Subscriber will be entitled to appoint two directors to the board of directors of each of B-BBEE SPV and Subscription SPV for as long as the Ubuntu-Botho Group holds at least the Restricted Interest;
- the Master Trust and Ubuntu-Botho Subscriber will co-operate to further the long-term and sustainable empowerment of the beneficiaries of the Master Trust and enhance the B-BBEE status and recognition level of the Sanlam Group;
- subject to the provisions of the Transaction Documents, for the duration of the Initial Period, neither the Master Trust nor the Ubuntu-Botho Subscriber shall be entitled to sell, offer to sell or encumber in any manner whatsoever its shares in B-BBEE SPV without the prior written consent of the other;

- the Master Trust or Ubuntu-Botho Subscriber may only dispose of all, and not only a portion of, its shares in B-BBEE SPV. Each of the Master Trust and the Ubuntu-Botho Subscriber will have a pre-emptive right on the shares held by the other in B-BBEE SPV;
- subject to the provisions of the Transaction Agreements and the Standard Bank Funding Package, for the duration of the Initial Period, a trickle dividend shall be payable by B-BBEE SPV to the shareholders of the B-BBEE SPV equal to an amount not exceeding 10% of the cash remaining in B-BBEE SPV following the payment of:
 - the initial transactional cost;
 - audit fees and other statutory fees; and
 - any and all amounts due to Standard Bank pursuant to the First Ranking Preference Shares;
- 100% of the dividends received by B-BBEE SPV from Subscription SPV as a result of the Subscription Shares held by Subscription SPV, net of any payments pursuant to the agreements in respect of the First Ranking Preference Shares, and the Second Ranking Preference Share Agreements and administrative costs, shall be distributed;
- the adoption of any special resolution by B-BBEE SPV requires the approval of shareholders holding in aggregate no less than 81% of all voting rights in B-BBEE SPV;
- B-BBEE SPV will not pursue any business other than that of holding shares in Subscription SPV, obtaining and providing funding as part of the B-BBEE Transaction and matters ancillary thereto;
- Subscription SPV will not pursue any business other than that of holding shares in the Company, obtaining funding as part of the B-BBEE Transaction and matters ancillary thereto;
- any decision by B-BBEE SPV to dispose of all its shares in Subscription SPV (other than pursuant to an enforcement of security) and any decision by Subscription SPV to dispose of the Subscription Shares (other than pursuant to an enforcement of security), will require the approval of the Master Trust and Ubuntu-Botho Subscriber as shareholders and if such disposal occurs within the Initial Period, the approval of the Company will also be required.
- If requested to do so by Ubuntu-Botho Subscriber or the Master Trust, the board of B-BBEE SPV shall (and shall procure that the board of directors of Subscription SPV shall) consult with the Ubuntu-Botho Subscriber and the Master Trust in respect of the refinancing of any debt; and
- B-BBEE SPV shall consult with the trustees of the Master Trust in respect of any decision to redeem the First Ranking Preference Shares or the Second Ranking Preference Shares.

The Shareholders' Agreement will be subject to the suspensive condition that the Subscription Agreement becomes unconditional in accordance with its terms.

11.5 Second Ranking Preference Shares

The Parties

The Company or a wholly-owned subsidiary of the Company ("**Sanlam SPV Subscriber**"), B-BBEE SPV and Subscription SPV will enter into the Second Ranking Preference Share Agreements setting out the terms of the Second Ranking Preference Shares and the terms and conditions on which the Sanlam SPV Subscriber will subscribe for the Second Ranking Preference Shares.

Salient Terms

The Second Ranking Preference Shares will be variable rate redeemable cumulative Second Ranking Preference Shares to be issued to Sanlam SPV Subscriber in an aggregate subscription amount of up to R4 309 206 300 (four billion three hundred and nine million two hundred and six thousand three hundred Rand).

Sanlam SPV Subscriber will be entitled to request redemption of the Second Ranking Preference Shares at any time after the redemption in full of the First Ranking Preference Shares, provided that such request may not be made prior to the expiry of the third anniversary of the date of issue of the Second Ranking Preference Shares. The First Ranking Preference Shares are redeemable on the fifth anniversary of the date of issue of the First Ranking Preference Shares. Dividends on the Second Ranking Preference Shares are calculated at a rate equal to 85% of the Prime Rate.

In relation to each dividend period, a scheduled dividend will accrue on a daily basis ("**Daily Amount**") in respect of each Second Ranking Preference Share in accordance with the following formula:

- $a = (b \times c) \div 365$;
- Where: a is the Daily Amount to be calculated;
- b is the aggregate of the subscription price of each Second Ranking Preference Share plus any accumulated dividends on the first day of the applicable dividend period; and
- c is the dividend rate expressed as a "nominal annual compounding annually" rate.

On each dividend payment date, B-BBEE SPV will have an obligation to pay the lesser of:

- the cash available in accordance with the order of payments set out in paragraph 5.1.4 of this Circular; and
- the aggregate of the scheduled dividends for the applicable dividend period and all accumulated dividends.

B-BBEE SPV's obligations under the Second Ranking Preference Shares will be guaranteed by Subscription SPV and be secured by way of cession in security and pledge of Subscription SPV's reversionary interest in so much of the Subscription Shares acquired by Subscription SPV from the proceeds under the Capitalisation Agreement following discharge in full of the First Ranking Preference Shares (and the release of all security in respect of the First Ranking Preference Shares) and a reversionary cession in security of the bank accounts of B-BBEE SPV and Subscription SPV.

Suspensive Conditions

The issue of the Second Ranking Preference Shares will be subject to the fulfilment of, among others, the following suspensive conditions by no later than 30 June 2019:

- the adoption by the Shareholders of Special Resolution No. 1 and Special Resolution No. 2 set out in the Notice of General Meeting; and
- the agreements in respect of the First Ranking Preference Shares and the Equity Secured Funding becoming unconditional save for any requirement requiring the Second Ranking Preference Share Agreements becoming unconditional.

B. In respect of the Ubuntu-Botho Facility:

11.6 The Ubuntu-Botho Facility Agreement

Salient Terms

Through the Ubuntu-Botho Facility, Sanlam will enable the Ubuntu-Botho Group to:

- acquire a direct or indirect interest in certain key operating subsidiaries of the Sanlam Group, which will enhance the empowerment status and competitiveness of these subsidiaries, potentially leading to synergies for the Sanlam Group and also address the strategic areas that the Group has identified as key focus areas for future growth; and
- invest in financial services companies that will be complementary to the broader Sanlam Group's vision and strategy.

The Ubuntu-Botho Facility will be available to Ubuntu-Botho Issuer as and when transactions which meet the aforementioned criteria become available.

Sanlam Subscriber will subscribe for Ubuntu-Botho Preference Shares in an amount of up to R2 000 000 000 (two billion Rand) in multiple tranches until 31 December 2020. There is no set schedule for subscribing for Ubuntu-Botho Preference Shares. The subscription by Sanlam Subscriber for each tranche of Ubuntu-Botho Preference Shares will be subject to the terms and conditions of the Ubuntu-Botho Facility Agreement and approval of the Independent Committee and the Board on a case by case basis.

The Ubuntu-Botho Preference Shares will be redeemable cumulative non-participating preference shares to be issued by the Ubuntu-Botho Issuer.

The Ubuntu-Botho Preference Shares will either be (i) redeemed on the date following 7 years after the date on which the first tranche is issued (“**Initial Tenor Period**”) or (ii) refinanced for a further 3-year period (“**Extended Tenor Period**”) at the sole discretion of Sanlam if so requested by the Ubuntu-Botho Issuer. The dividend in respect of the Ubuntu-Botho Preference Shares will be calculated at a rate of 85% of the Prime Rate for the Initial Tenor Period, and (if refinanced) at the prevailing market related rate at refinance date based on the level of security available for the Extended Tenor Period.

The Ubuntu-Botho Preference Shares will be secured by a pledge and cession by ARC FS of the investments acquired with the proceeds received from the Ubuntu-Botho Facility (“**Facility Investments**”) and a pledge and cession of investments (which will preferably be listed), acceptable to the Sanlam Subscriber, that will ensure that the security cover ratio (being, at any given time, the ratio of the value of Pledged Investments to all amounts outstanding under the Ubuntu-Botho Preference Shares) will be equal to or exceed the ratio of the purchase price of the Facility Investments to the amount utilised under the Ubuntu-Botho Facility at the time of the subscription for as long as the Ubuntu-Botho Preference Shares are not redeemed (collectively the “**Pledged Investments**”).

ARC FS will also provide the Sanlam Subscriber with financial covenants which will be calculated with reference to the directors’ valuation of investments held by ARC FS relative to the nominal value of the Ubuntu-Botho Preference Shares not redeemed and any unpaid and accrued dividends thereon tested quarterly, and which must result in the following benchmark share cover ratios being achieved:

- Starting cover – 3.00 times
- Discussion level – 2.50 times
- Top-up level – 2.25 times
- Default level – 2.00 times

If the top up level of 2.25 times is breached, in order to restore the starting cover level, ARC FS will attempt to procure that it is capitalised by its shareholders at that time to restore the starting cover level, failing which it will be a breach event.

Suspensive Conditions

The issue of the Ubuntu-Botho Preference Shares will be subject to the fulfilment of, among others, the following suspensive conditions by no later than 30 June 2019 or such later date as may be agreed between Sanlam Subscriber and Ubuntu-Botho:

- the adoption by the Shareholders of Special Resolution No. 3 set out in this Circular; and
- other customary conditions including without limitation, ARC FS shareholder approval, and relevant amendments as may be required to the Memorandum of Incorporation of ARC FS.

12. INFORMATION IN RESPECT OF THE RESOLUTIONS

12.1 Special Resolution No. 1

As Subscription SPV is a related person to Dr. Motsepe as contemplated in the Companies Act, the issue of the Subscription Shares to Subscription SPV requires approval by Shareholders by way of special resolution in terms of section 41 of the Companies Act.

In addition, as:

- Subscription SPV is an associate of Ubuntu-Botho; and
- the Subscription Shares will be issued at a discount to the 30 day VWAP of the Sanlam Shares to the date on which the Subscription Price is agreed between the Company and B-BBEE SPV,

the issue of the Subscription Shares requires the approval by Shareholders as a specific issue for cash under the JSE Listings Requirements which further require the Board to obtain a fairness opinion. The Board has obtained a fairness opinion from Deloitte & Touche which is incorporated in this Circular.

As a related party whose associates are participating in the specific issue for cash (as contemplated in the JSE Listings Requirements), Ubuntu-Botho is not entitled to cast any votes in respect of Special Resolution No. 1.

12.2 Special Resolution No. 2

Funding obtained through the Standard Bank Funding Package and the Second Ranking Preference Shares to the Company or a subsidiary of the Company will be used to fund Subscription SPV’s subscription of the Subscription Shares. The subscription for the Second Ranking Preference Shares by the Company or a subsidiary of the Company therefore constitutes financial assistance for the purpose of, or in connection with, the issue of the Subscription Shares which requires the approval of Shareholders by way of special resolution in terms of section 44 of the Companies Act.

As B-BBEE SPV is a related person to Dr. Motsepe as contemplated in the Companies Act, the provision of financial assistance to B-BBEE SPV pursuant to the Second Ranking Preference Shares requires the approval of Shareholders by way of special resolution in terms of section 45 of the Companies Act.

In addition to the approval of Shareholders, the Company is required to obtain a fairness opinion in terms of the JSE Listings Requirements. The Board has obtained a fairness opinion from Deloitte & Touche which is incorporated in this Circular.

Whilst Ubuntu-Botho is not precluded by the Companies Act or the Listings Requirements from voting on Special Resolution No. 2, Ubuntu-Botho has informed the Company that it will not cast any votes on this Resolution.

12.3 Special Resolution No. 3

As Ubuntu-Botho is a related person to Dr. Motsepe as contemplated in the Companies Act, the provision of financial assistance to Ubuntu-Botho pursuant to the Ubuntu-Botho Facility Agreements requires the approval of Shareholders by way of special resolution in terms of section 45 of the Companies Act.

Ubuntu-Botho may utilise some of the proceeds from the issue of the Ubuntu-Botho Preference Shares to subscribe (directly or indirectly) for shares in certain subsidiaries of the Company. To the extent that funding is utilised for such purpose, it requires the approval of Shareholders by way of special resolution in terms of section 44 of the Companies Act.

The Ubuntu-Botho Facility Agreement is deemed to be an agreement with a related party in terms of the JSE Listings Requirements and accordingly, subject to compliance with the related party transaction provisions of the JSE Listings Requirements. By virtue of its size it does not require the approval of Shareholders under the JSE Listings Requirements.

In addition to the approval of Shareholders, the Company is required to obtain a fairness opinion in terms of the JSE Listings Requirements. The Board has obtained a fairness opinion from Deloitte & Touche which is incorporated in this Circular.

Whilst Ubuntu-Botho is not precluded by the Companies Act or the Listings Requirements from voting on Special Resolution No. 3, Ubuntu-Botho has informed the Company that it will not cast any votes on this Resolution.

12.4 Ordinary Resolution No. 1

Ordinary Resolution No. 1 authorises any Director and, where applicable, the secretary of the Company, to do all such things, sign all such documentation and take all such actions as may be necessary to implement Special Resolution No. 1, Special Resolution No. 2 and Special Resolution No. 3 to the extent that they are duly passed.

Whilst Ubuntu-Botho is not precluded by the Companies Act or the Listings Requirements from voting on Ordinary Resolution No. 1, Ubuntu-Botho has informed the Company that it will not cast any votes on this Resolution.

13. FURTHER INFORMATION REGARDING SANLAM

13.1 Share price history

The share price history of Sanlam is set out in **Annexure 3**.

13.2 Authorised and issued Share Capital

The table below reflects the authorised and issued Share Capital of Sanlam as at the Last Practicable Date:

	Share Capital	Share Premium
Authorised		
4 000 000 000 Shares with a par value of R0.01 each	R40 000 000	
Issued		
2 231 989 047 Shares with a par value of R0.01 each	R22 319 890	R5 634 830 917

The table below reflects the authorised and issued Share Capital of Sanlam after the Specific Issue at the Subscription Price:

	Share Capital	Share Premium at Subscription Price of 3 day VWAP of R74 less 10% discount	Share Premium at Subscription Price of 3 day VWAP of R86 less 10% discount
Authorised			
4 000 000 000 Shares with a par value of R0.01 each	R40 000 000		
Issued			
2 343 338 047 Shares with a par value of R0.01 each	R23 433 380	R12 976 515 883	R14 167 059 391

Sanlam holds 116 367 325 (one hundred and sixteen million three hundred and sixty seven thousand three hundred and twenty five) Shares in treasury. The issued Shares in the tables above include the Treasury Shares (i.e. before being deducted from equity as required by IFRS).

13.3 Directors' and management

The names, qualifications, ages, functions, business addresses of the Directors and management of Sanlam are set out below:

Name, age and qualification	Business address	Function
Directors of Sanlam		
Dr. Johan van Zyl , 62, PhD (Economics) (Vista), DSc (Agriculture) (Pretoria)	1st Floor 43 Plein Street Stellenbosch, Cape Town	Chair
Dr. Patrice Motsepe , 56, BA (Law) (University of Swaziland); LLB (Wits); Doctorate of Commerce (Honorius Causa) (Wits); Doctor of Management and Commerce (Honorius Causa) (Fort Hare); Doctorate of Commerce (Honorius Causa) (Stellenbosch); Doctor of Laws (Honorius Causa) (University of Eswatini, formerly University of Swaziland)	ARM House 29 Impala Road Chislehurst Sandton, Johannesburg	Deputy Chair
Ian Kirk , 60, FCA (Ireland), CA(SA), HDip BDP	Sanlam Head Office 2 Strand Road, Bellville, Cape Town	Group Chief Executive Officer
Heinie Werth , 54, Hons B Accountancy, CA(SA), MBA, EDP (Manchester)	Sanlam Head Office 2 Strand Road, Bellville, Cape Town	Financial Director
Temba Mvusi , 63, Diploma in International Relations (University of New Delhi); BA; ELP (Wharton School of Business); MAP; PDP	Sanlam Head Office 2 Strand Road, Bellville, Cape Town	Executive Director
Sipho Nkosi , 64, B.Com (Hons) Economics, MBA, Diploma in Marketing Management, AMP (Oxford)	Maxwell Office Park Building 1, Magwa Crescent West, Cnr Allandale Road and Maxwell Drive, Waterfall City, Midrand, Johannesburg	Lead Independent Director
Dr. Rejoice Simelane , 66, PhD (Economics) (Connecticut, USA), LLB	1st Floor, Marsh Building 1, Cnr Fredman Drive & 5th Street, Sandton, Johannesburg	Non-Executive Director
Anton Botha , 65, B.Proc (UNISA); B.Com (Marketing) (UP); B.Com (Hons) (Investment Management) (UJ); Executive Development Programme (Stanford University - USA)	Ground Floor, Time Square Building, 09 Elektron Street, Techno Park Stellenbosch, Cape Town	Independent Non- Executive Director
Karabo Nondumo , 40, CA(SA)	130 4th Street, Parkmore, Sandton, Johannesburg	Independent Non- Executive Director
Chris Swanepoel , 67, BSc (Hons) (UNISA), Fellow of the Actuarial Society of South Africa (FASSA)	32 Van der Merwe Crescent Welgemoed Bellville, Cape Town	Independent Non- Executive Director
Paul Hanratty , 57, B.Bus.Sc (Hons), F.I.A.	3 Woodsway Oxshott Leatherhead KT22 0ND, United Kingdom	Independent Non- Executive Director
Mathukana Mokoka , 44 CA(SA)	3 Perth Avenue, Bryanston, Johannesburg	Independent Non- Executive Director

13.4 Directors' interests in securities: Ordinary Shares

The table below reflects the direct and indirect beneficial interests of Directors' and their associates in the issued Share capital of Sanlam as at 30 June 2018, including details of any Directors who have resigned during the past 18 months ended 30 June 2018:

Director	Direct		Indirect		% held Pre-Transaction*	% held Post-Transaction**	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial			
Executive Directors							
Ian Kirk and associates (Chief Executive Officer)	155 535	-	-	-	155 535	0.01%	0.01%
Heinie Werth and associates (Financial Director)	299 409	-	557 859	-	857 268	0.04%	0.04%
Temba Mvusi and associates (Executive Director)	176 001	-	-	-	176 001	0.01%	0.01%
Total executive directors	630 945	-	557 859	-	1 188 804	0.05%	0.05%
Non-Executive Directors							
Johan van Zyl and associates (Chairman)	1 914 530	-	2 894 288	-	4 808 818	0.22%	0.21%
Patrice Motsepe and associates (Deputy Chairman)	-	-	-	-	Refer note ***	-	-
Rejoice Simelane and associates (Non-Executive Director)	-	-	-	-	-	-	-
Anton Botha and associates (Non-Executive Director)	-	-	-	-	-	-	-
Sipho Nkosi and associates (Lead Independent Director)	-	-	-	-	-	-	-
Karabo Nondumo and associates (Independent Non-Executive Director)	-	-	-	-	-	-	-
Chris Swanepoel and associates (Independent Non-Executive Director)	10 000	-	-	-	10 000	0.00%	0.00%
Paul Hanratty and associates (Non-Executive Director)	-	-	-	-	-	-	-
Mathukana Mokoka and associates (Independent Non-Executive Director)	-	-	-	-	-	-	-
Total non-executive directors	1 924 530	-	2 894 288	-	4 818 818	0.22%	0.21%
Total	2 555 475	-	3 452 147	-	6 007 622	0.27%	0.26%

Directors interest - Directors who have retired from the board in the 18 months to 30 June 2018:

Director	Direct		Indirect		Total	% held Pre-Transaction*	% held Post-Transaction**
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial			
Executive Directors							
Yegs Ramiah (resigned 5 January 2018)	85 394	-	-	-	85 394	0.00%	0.00%
Total executive directors	85 394	-	-	-	85 394	0.00%	0.00%
Non-Executive Directors							
Desmond Smith (retired 7 June 2017)	-	-	35 000	-	35 000	0.00%	0.00%
Philip de V Rademeyer (retired 6 September 2017)	181 335	-	495 698	-	677 033	0.03%	0.03%
Manana Bakane - Tuoane (retired 7 March 2018)	-	-	-	-	-	-	-
Valli Moosa (Independent) (retired 6 June 2018)	-	-	-	-	-	-	-
Lazarus Zim (retired 5 January 2018)	444	-	-	-	444	0.00%	0.00%
Total non-executive directors	181 779	-	530 698	-	712 477	0.03%	0.03%
Total retired Directors	267 173	-	530 698	-	797 871	0.04%	0.03%

* Based on 2 231 989 047 Shares as at the Last Practicable Date.

** Reflects the Directors interest in Sanlam shares Based on 2 343 338 047 Shares post the implementation of the B-BBEE Transaction.

*** Ubuntu-Botho Investments (Proprietary) Ltd (Ubuntu-Botho) is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekaar Investments (Proprietary) Limited (Sizanani), beneficially holds 79% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts which, with the exception of the Motsepe Foundation, hold those shares for the benefit of Dr Patrice Motsepe and his family. This results in Dr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to 63% of Ubuntu-Botho's shareholding in Sanlam. Dr Motsepe also has an indirect non-beneficial interest in another 20% of UBI's shareholding in Sanlam which he holds as a trustee of the Sanlam Ubuntu-Botho Community Development Trust.

Immediately, following the implementation of the B-BBEE Transaction, Ubuntu-Botho, through its 80% shareholding in Ubuntu-Botho Subscriber and through its ability to appoint the majority of the board of B-BBEE SPV and Subscription SPV will have an indirect non-beneficial interest in all of the Shares held by the Subscription SPV. In addition Ubuntu-Botho may participate in 16% of the economic value of the B-BBEE SPV Group.

There have been no changes to the Directors' interests in Sanlam Shares between 30 June 2018 and the Last Practicable Date.

13.5 Directors interest in Ubuntu-Botho, ARC Investments and ARC FS

The table below reflects the direct and indirect beneficial interests of Sanlam Directors' and their associates in the issued Share capital of Ubuntu-Botho as at 30 June 2018:

Director	Direct		Indirect		Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
Executive Directors					
Ian Kirk and associates (Chief Executive Officer)	-	-	-	-	-
Heinie Werth and associates (Financial Director)	-	-	-	-	-
Temba Mvusi and associates (Executive Director)	4 000	-	-	-	4 000
Total executive directors	4 000	-	-	-	4 000
Non-Executive Directors					
Johan van Zyl and associates (Chairman)	-	-	-	-	-
Patrice Motsepe and associates (Deputy Chairman)	-	-	-	-	-
Rejoice Simelane and associates (Non-Executive Director)	10 092	-	-	-	10 092
Anton Botha and associates (Non-Executive Director)	-	-	-	-	-
Sipho Nkosi and associates (Lead Independent Non-Executive Director)	7 142	-	-	-	7 142
Karabo Nondumo and associates (Independent Non-Executive Director)	1 000	-	-	-	1 000
Chris Swanepoel and associates (Independent Non-Executive Director)	-	-	-	-	-
Paul Hanratty and associates (Non-Executive Director)	-	-	-	-	-
Mathukana Mokoka and associates (Independent Non-Executive Director)	-	-	-	-	-
Total non-executive directors	18 234	-	-	-	18 234
Total	22 234	-	-	-	22 234

Directors interest in Ubuntu-Botho shares – Directors who have retired from the Sanlam Board in the 18 months to 30 June 2018 (based on information as at 31 December 2017):

Director	Direct		Indirect		Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
Executive Directors					
Yegs Ramiah (resigned 5 January 2018)	-	-	-	-	-
Total executive directors	-	-	-	-	-
Non-Executive Directors					
Desmond Smith (retired 7 June 2017)	-	-	-	-	-
Philip de V Rademeyer (retired 6 September 2017)	-	-	-	-	-
Manana Bakane – Tuoane (retired 7 March 2018)	7 142	-	-	-	7 142
Valli Moosa (Independent) (retired 6 June 2018)	-	-	7 142	-	7 142
Lazarus Zim (retired 5 January 2018)	7 142	-	-	-	7 142
Total non-executive directors	14 284	-	7 142	-	21 426
Total	14 284	-	7 142	-	21 426

The table below reflects the direct and indirect beneficial interests of Sanlam Directors and their associates in the issued Share capital of ARC Investments¹ as at 30 June 2018:

Director	Direct		Indirect		Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
Executive Directors					
Ian Kirk and associates (Chief Executive Officer)	-	-	-	-	-
Heinie Werth and associates (Financial Director)	-	-	-	-	-
Temba Mvusi and associates (Executive Director)	200 000	-	-	-	200 000
Total executive directors	200 000	-	-	-	200 000

Director	Direct		Indirect		Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
Non-Executive Directors					
Johan van Zyl and associates (Chairman)	769 000	170 730	2 215 801	-	3 155 531
Patrice Motsepe and associates (Deputy Chairman)			Refer to note 4		
Rejoice Simelane and associates (Non-Executive Director)	-	-	-	-	-
Anton Botha and associates (Non-Executive Director) - refer to note 2	-	-	470 588	-	470 588
Sipho Nkosi and associates (Lead Independent Non-Executive Director)	-	-	-	-	-
Karabo Nondumo and associates (Independent Non-Executive Director)	-	-	-	-	-
Chris Swanepoel and associates (Independent Non-Executive Director)	-	-	-	-	-
Paul Hanratty and associates (Non-Executive Director)	-	-	-	-	-
Mathukana Mokoka and associates (Independent Non-Executive Director)	-	-	-	-	-
Total non-executive directors	769 000	170 730	2 686 389	-	3 626 119
Total	969 000	170 730	2 686 389	-	3 826 119

Directors Interest in ARC Investments - directors who have retired from the Sanlam Board in the 18 months to 30 June 2018

Director	Direct		Indirect		Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
Executive Directors					
Yegs Ramiah (resigned 5 January 2018)	-	-	-	-	-
Total executive directors	-	-	-	-	-
Non-Executive Directors					
Desmond Smith (retired 7 June 2017)	-	-	58 000	-	58 000
Philip de V Rademeyer (retired 6 September 2017)	-	-	-	-	-
Manana Bakane - Tuoane (retired 7 March 2018)	-	-	-	-	-
Valli Moosa (Independent) (retired 6 June 2018)	-	-	-	-	-
Lazarus Zim (retired 5 January 2018)	-	-	-	-	-
Total non-executive directors	-	-	58 000	-	58 000
Total	-	-	58 000	-	58 000

Notes

- ARC Investments which is listed on the JSE has a 49.9% interest in ARC FS.
- Shares are held in the name of the Imalivest SCI Balanced Fund - Mr. Anton Botha is 1 of 8 Portfolio Managers of the Fund. Mr Botha and his family own approximately 55% of the units of the fund.
- Ubuntu-Botho is the direct beneficial holder of 292 471 806 Sanlam ordinary shares. Sizanani-Thusanang-Helpmekeer Investments (Proprietary) Limited (Sizanani), beneficially holds 79% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts which, with the exception of the Motsepe Foundation, hold those shares for the benefit of Dr Patrice Motsepe and his family. This results in Dr Patrice Motsepe having an indirect interest in the securities of Sanlam amounting to 63% of Ubuntu-Botho's shareholding in Sanlam. Dr Motsepe also has an indirect non-beneficial interest in another 20% of UBI's shareholding in Sanlam which he holds as a trustee of the Sanlam Ubuntu-Botho Community Development Trust.
- Ubuntu-Botho is the direct beneficial holder of 100% of the shares in ARC. ARC is the direct beneficial holder of 51% of the ordinary shares in ARC Investments. ARC Investments holds 49.9% of ARC FS via the ARC Fund, while ARC holds the remaining 50.1%.
Sizanani-Thusanang-Helpmekeer Investments (Proprietary) Limited (Sizanani), beneficially holds 79% of the ordinary share capital in Ubuntu-Botho. The entire share capital of Sizanani is held by a company, the entire issued share capital of which is in turn held by trusts which, with the exception of the Motsepe Foundation, hold those shares for the benefit of Dr Patrice Motsepe and his family. This results in Dr Patrice Motsepe having an indirect beneficial and non-beneficial interest amounting to 60% in ARC FS.
UBI General Partner (100% subsidiary of Ubuntu-Botho) as the General Partner to the ARC Fund is entitled to a fund management fee based on the invested net asset value of the fund. Ubuntu-Botho is entitled to a performance participation based on the growth in the net asset value of the ARC Fund, subject to certain conditions. This fund management fee and performance participation applies to the investment held in ARC FS. Through Sizanani, Dr. Patrice Motsepe has an indirect beneficial and non-beneficial interest of 79% in Ubuntu-Botho.
- ARC FS represents a small part of Dr. Johan van Zyl's overall role as ARC CEO, and any incentive earned based on the performance of ARC FS is only considered indirectly as part of the overall performance of UB, ARC and ARC Investments.
- Other than as set out in this Circular, no Director on the Board receives any form of incentivisation based on the performance of ARC FS.
- There are 10 000 000 Ubuntu-Botho ordinary shares in issue.
- There are 1 032 470 588 ARC Investments ordinary shares in issue.

13.6 Directors interest in transactions

Other than in respect of the Proposed Transactions, of which full details are set out in this Circular, no Directors (including Directors who resigned during the last 18 months) have any beneficial interests, whether direct or indirect, in transactions that were effected by Sanlam during the current or immediately preceding financial year or during an earlier financial year, and which, in any respect, remain outstanding or unperformed.

13.7 Directors' service contracts

At present, all executive Directors of Sanlam have employment contracts with Sanlam, the terms of which are detailed in the Sanlam remuneration report.

13.8 Major shareholders of Sanlam

As at the Last Practicable Date, the following Sanlam Shareholders beneficially held in excess of 5% of the issued Sanlam Shares:

Shareholder	Number of Shares	% shareholding on total Shares in issue*	% shareholding excluding Treasury Shares
Ubuntu-Botho Investments (Pty) Limited	292 471 806	13%	14%
Public Investment Corporation SOC Limited	277 183 395	12%	13%
Total	569 655 201	25%	27%

* Based on 2 231 989 047 total Shares including Treasury Shares as at the Last Practicable Date.

14. LITIGATION STATEMENT

There are no other legal or arbitration proceedings, including any proceedings that are pending or threatened, of which Sanlam is aware, that may have or have had, in the recent past, being the previous 12 months, a material effect on Sanlam and its subsidiaries' financial position.

15. MATERIAL CHANGES

There have been no material changes in the financial or trading position of Sanlam and its subsidiaries that has occurred following the interim results of Sanlam for the six months ended 30 June 2018.

16. EXPENSES

The costs and expenses of the Proposed Transactions payable by Sanlam, estimated at R25 000 000 (twenty five million Rand) (excluding VAT), are set out below:

	R'000
Lead Financial Advisor & Transaction Sponsor – The Standard Bank of South Africa Limited	10 000
Legal Advisor – Glyn Marais	2 750
Independent Expert – Deloitte & Touche	2 500
Independent Financial Advisor to the Independent Committee – JP Morgan	870
Independent Reporting Accountant – EY	1 500
Documentation Fees – JSE Limited	30
Listing Fee – JSE Limited	400
Printing, Distribution and Publishing Costs – Greymatter & Finch	3 950
Communications – Brunswick	2 000
Computershare Investor Services Proprietary Limited and associates	1 000
TOTAL	25 000

17. CONSENTS

The Lead Financial Advisor and Transaction Sponsor, Independent Expert, Legal Advisor, Independent Reporting Accountant, Independent Financial Advisor to the Independent Committee, Directors of the Board and Transfer Secretaries have consented in writing to act in the capacity stated, and have not, prior to the Last Practicable Date, withdrawn their written consents for inclusion of their names in this Circular.

18. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names appear in paragraph 13.3 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular 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, and that they have made all reasonable enquiries in this regard to ascertain such facts and certify that, to the best of their knowledge and belief, the Circular contains all information required by the JSE Listings Requirements and by law.

19. DIRECTORS' OPINION AND RECOMMENDATIONS

19.1 The Board

The Board has considered the terms of the B-BBEE Transaction with associates of a related party, B-BBEE SPV and Subscription SPV, and the terms of the Specific Issue to an associate of a related party, Subscription SPV, and the issue of the Second Ranking Preference Shares by B-BBEE SPV to Sanlam SPV Subscriber, together with the fairness opinion by the Independent Expert, and is of the opinion that the terms and conditions thereof are fair to Shareholders, (other than B-BBEE SPV, Subscription SPV and their associates).

The Board has furthermore considered the terms of the Ubuntu-Botho Facility to the related party, Ubuntu-Botho (or its associates), together with the fairness opinion by the Independent Expert, and is of the opinion that the terms and conditions thereof are fair to Shareholders, excluding the Ubuntu-Botho Group and its associates.

The Board accordingly recommends that Shareholders vote in favour of the Resolutions set out in the Notice of General Meeting, which forms part of this Circular and advises that, in respect of their own shareholdings in Sanlam, they intend to vote in favour of the Resolutions contained in such notice.

19.2 The Independent Committee

The Independent Committee has considered the terms of the B-BBEE Transaction (including the terms of the Specific Issue and the Second Ranking Preference Shares), the Ubuntu-Botho Facility, the fairness opinion by the Independent Expert, together with the advice received from JP Morgan, who acted as independent financial advisors to the Independent Committee with regards to the B-BBEE Transaction and the Ubuntu-Botho Facility. The Independent Committee has recommended to the Board that the terms and conditions of the B-BBEE Transaction and Ubuntu-Botho Facility are fair to Shareholders (other than Ubuntu-Botho, B-BBEE SPV, Subscription SPV and their associates).

20. DISCLOSURE OF CONFLICT

Shareholders are advised that Standard Bank acts as Lead Financial Advisor and Transaction Sponsor to the Company in relation to the Proposed Transactions. Standard Bank is furthermore also a funder in relation to the B-BBEE Transaction.

In its capacity as Sponsor, Standard Bank operates as a separate and distinct team. Standard Bank does not believe that there is any matter that would impact on its ability to exercise reasonable care and judgement to achieve and maintain independence and objectivity in professional dealings in relation to the Company and that would impact on its ability to act within the Code of Conduct as set out in the JSE Listings Requirements.

It has various internal procedures in place to ensure that its ability to act independently as Sponsor is not compromised.

Pursuant to these internal procedures, Standard Bank has a Compliance Control Room that identifies and manages conflicts risks and ensures that strict "Chinese walls" are maintained to ensure that as Transaction Sponsor, it is able to act independently from other divisions within the bank.

Standard Bank also enforces and implements physical and logical access restrictions to information, which is limited to deal teams for whom the information is relevant, for the purpose of fulfilling the client mandate.

21. GENERAL MEETING

A General Meeting of Shareholders will be held on Wednesday, 12 December 2018 at 14:00, to consider, and, if deemed fit, pass, with or without modification, the Resolutions contained in the Notice of General Meeting.

A notice convening the General Meeting is attached to and a Form of Proxy, for use by Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration, is enclosed and forms part of this Circular. Duly completed Forms of Proxy must be received by the Transfer Secretaries by no later than 14:00 on Tuesday, 11 December 2018 for administrative purposes. They may alternatively be handed to the chairperson of the General Meeting prior to the commencement of the General Meeting on Wednesday, 12 December 2018.

Shareholders are referred to the "Action required by Shareholders" section of this Circular, which contains information as to the action they need to take in regard to the General Meeting.

22. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents, all in their executed form, will be available for inspection during normal business hours at the Company's offices and Standard Bank's offices at 30 Baker Street, Rosebank, Johannesburg from the date of distribution of this Circular until the date of the General Meeting:

- the Memorandum of Incorporation of Sanlam and its major subsidiaries;
- the Master Trust Deed;
- the B-BBEE SPV MOI;
- the Subscription SPV MOI;
- the Subscription Agreement;
- the Shareholders Agreement;
- the Second Ranking Preference Share Agreements;
- the Ubuntu-Botho Facility Agreement;
- a signed copy of this Circular;
- the Independent Reporting Accountant's Assurance Report on the *Pro Forma* Financial Information of Sanlam after the Proposed Transactions, included in this Circular as Annexure 2A;
- the Independent Reporting Accountant's Assurance Report on the *Pro Forma* Shareholders' Information of Sanlam after the Proposed Transactions, included in this Circular as Annexure 2B;
- the audited annual financial information of Sanlam for the three years ended 31 December 2017, 31 December 2016, 31 December 2015 and the reviewed 30 June 2018 interim results;
- the fairness opinion included in this Circular as Annexure 4; and
- written consents from each of the experts referred to in paragraph 17.

Signed in Cape Town, by Ian Kirk on behalf of all of the Directors on 1 November 2018 in terms of powers of attorney granted by them.



Mr Ian Kirk
Group Chief Executive Officer

PRO FORMA FINANCIAL INFORMATION OF SANLAM AFTER THE PROPOSED TRANSACTIONS

The tables below set out the *pro forma* financial information of the B-BBEE Transaction and the Ubuntu-Botho Facility ("Proposed Transactions") based on the consolidated interim financial results of Sanlam for the six months ended 30 June 2018, adjusted on a *pro forma* basis for the conclusion of the acquisition of the remaining interest in Saham Finances on 9 October 2018 and announced on 11 October 2018. The *pro forma* financial information has been prepared for illustrative purposes only and because of its *pro forma* nature, it may not fairly present Sanlam's IFRS financial position, changes in equity and results of operations after the Proposed Transactions.

The purpose of the *pro forma* financial information is to illustrate the impact of the Proposed Transactions, had they been effective 30 June 2018 for purposes of the *pro forma* consolidated Statement of Financial Position and 1 January 2018 for purposes of the *pro forma* consolidated Statement of Comprehensive Income. The *pro forma* financial information presented below does not purport to be indicative of the financial results and effects of the Proposed Transactions if they had been implemented on a different date.

The *pro forma* financial information has been prepared using IFRS accounting policies that are consistent with those applied in the consolidated interim financial statements of Sanlam for the six months ended 30 June 2018 and the consolidated annual financial statements for the year ended 31 December 2017, but with specific clarification that the treasury share adjustment upon consolidation of the Subscription SPV is recognised in the consolidation reserve which forms part of other reserves in the consolidated Statement of Financial Position.

The *pro forma* financial information has been prepared based on the assumptions indicated in this Annexure. The actual Sanlam share price and other observable market information at implementation date of the Proposed Transactions will affect the actual impact of the Proposed Transactions on the financial information.

The *pro forma* financial information is presented in accordance with the JSE Listings Requirements and the Guide on *Pro forma* Financial Information issued by the South African Institute of Chartered Accountants.

The directors of Sanlam are responsible for the compilation, contents and preparation of the *pro forma* financial information included in this Circular.

The *pro forma* financial information should be read in conjunction with the independent reporting accountant's assurance report thereon contained in Annexure 2A to this Circular.

The following scenarios are presented:

- In respect of the B-BBEE Transaction: As the Subscription Price will be determined at a 10% discount to a Sanlam share price within the pre-determined range of R74 (seventy-four Rand) to R86 (eighty-six Rand), two scenarios are presented in respect of the B-BBEE Transaction – a scenario based on the bottom end of the range ("R74-scenario") as well as a scenario based on the upper end of the range ("R86-scenario"). Separate tables are presented based on these scenarios.
- In respect of the Ubuntu-Botho Facility: As described in this Circular, the Ubuntu-Botho Facility will be utilised for specified investments subject to approval by the Independent Committee. The Sanlam Investments Transaction is the only transaction that has progressed sufficiently to conclude that it is likely to occur. Two scenarios are commensurately presented for the Ubuntu-Botho Facility – a scenario representing the position after shareholder approval with no portion of the Ubuntu-Botho Facility having been utilised ("scenario A") and a scenario where a portion of the Ubuntu-Botho Facility has been utilised for the Sanlam Investments Transaction ("scenario B"). These scenarios are presented separately in the tables for the R74-scenario and R86-scenario in respect of the B-BBEE Transaction.

Separate Shareholders' Information are presented in Annexure 1B, in accordance with the basis of preparation and presentation as included in Sanlam's results announcements.

**PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018: R74-SCENARIO**

R million	Pro forma effects of the B-BBEE Transaction – R74 scenario ⁴										
	Published at 30 June 2018 ¹	Saham Finances acquisition ²	Before the Proposed Transactions ³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consolidation Step 3	Pro forma effects of the Ubuntu-Botho Facility ⁵	Pro forma effects of transaction costs ⁶	Pro forma after the Proposed Transactions – scenario A ⁷	Pro forma effects of the Sanlam Investments Transaction ⁸	Pro forma after the Sanlam Investments Transaction – scenario B ⁹
Net income	44 033	9 220	53 253	217	16	(158)	-	-	53 328	50	53 378
Financial services income	33 629	8 083	41 712	-	-	-	-	-	41 712	-	41 712
Reinsurance premiums paid	(5 204)	(1 418)	(6 622)	-	-	-	-	-	(6 622)	-	(6 622)
Reinsurance commission received	948	281	1 229	-	-	-	-	-	1 229	-	1 229
Investment income	15 553	49	15 602	217	45	(158)	-	-	15 706	78	15 784
Investment surpluses	(513)	2 225	1 712	-	-	-	-	-	1 712	-	1 712
Finance cost – margin business	(70)	-	(70)	-	(29)	-	-	-	(99)	(28)	(127)
Change in fair value of external investors' liability	(310)	-	(310)	-	-	-	-	-	(310)	-	(310)
Net insurance and investment contract benefits and claims	(22 924)	(3 901)	(26 825)	-	-	-	-	-	(26 825)	-	(26 825)
Long-term insurance and investment contract benefits	(16 626)	-	(16 626)	-	-	-	-	-	(16 626)	-	(16 626)
General insurance claims	(9 177)	(4 045)	(13 222)	-	-	-	-	-	(13 222)	-	(13 222)
Reinsurance claims received	2 879	144	3 023	-	-	-	-	-	3 023	-	3 023
Expenses	(14 103)	(2 355)	(16 458)	-	(1 483)	-	-	(25)	(17 966)	-	(17 966)
Sales remuneration	(4 801)	(952)	(5 753)	-	-	-	-	-	(5 753)	-	(5 753)
Administration costs	(9 302)	(1 403)	(10 705)	-	(1 483)	-	-	(25)	(12 213)	-	(12 213)
Impairments	(108)	-	(108)	-	-	-	-	-	(108)	-	(108)
Amortisation of intangibles	(172)	(343)	(515)	-	-	-	-	-	(515)	-	(515)
Net operating result	6 726	2 621	9 347	217	(1 467)	(158)	-	(25)	7 914	50	7 964
Equity-accounted earnings	1 364	(432)	932	-	-	-	-	-	932	-	932
Finance cost – other	(386)	(57)	(443)	-	-	(139)	-	-	(582)	-	(582)
Profit before tax	7 704	2 132	9 836	217	(1 467)	(297)	-	(25)	8 264	50	8 314
Taxation	(2 158)	(449)	(2 607)	(61)	30	-	-	-	(2 638)	(12)	(2 650)
Shareholders' fund	(1 777)	(449)	(2 226)	(61)	30	-	-	-	(2 257)	(12)	(2 269)
Policyholders' fund	(381)	-	(381)	-	-	-	-	-	(381)	-	(381)
Profit for the period	5 546	1 683	7 229	156	(1 437)	(297)	-	(25)	5 626	38	5 664
Other comprehensive income: to be recycled through profit or loss in subsequent periods											
Movement in foreign currency translation reserve	1 952	(237)	1 715	-	-	-	-	-	1 715	-	1 715
Other comprehensive income of equity accounted investments	(94)	236	142	-	-	-	-	-	142	-	142
Movement in cash flow hedge	965	(353)	612	-	-	-	-	-	612	-	612
Comprehensive income for the period	8 369	1 329	9 698	156	(1 437)	(297)	-	(25)	8 095	38	8 133
Allocation of comprehensive income:											
Profit for the period	5 546	1 683	7 229	156	(1 437)	(297)	-	(25)	5 626	38	5 664
Shareholders' fund	5 050	1 233	6 283	156	(1 437)	(297)	-	(25)	4 680	3	4 683
Non-controlling interests	496	450	946	-	-	-	-	-	946	35	981
Comprehensive income for the period	8 369	1 329	9 698	156	(1 437)	(297)	-	(25)	8 095	38	8 133
Shareholders' fund	7 624	885	8 509	156	(1 437)	(297)	-	(25)	6 906	3	6 909
Non-controlling interests	745	444	1 189	-	-	-	-	-	1 189	35	1 224

		<i>Pro forma effects of the B-BBEE Transaction – R74 scenario⁴</i>										
R million		Published at 30 June 2018¹	Saham Finances acquisition²	Before the Proposed Transactions³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consolidation Step 3	Pro forma effects of the Ubuntu-Botho Facility⁵	Pro forma effects of transaction costs⁶	Pro forma after the Proposed Transactions – scenario A⁷	Pro forma effects of the Sanlam Investments Transaction⁸	Pro forma after the Sanlam Investments Transaction – scenario B⁹
Headline earnings reconciliation												
Profit attributable to shareholders' fund		5 050	1 233	6 283	156	(1 437)	(297)	-	(25)	4 680	3	4 683
Less: Net profit on disposal of operations		(3)	(1 324)	(1 327)	-	-	-	-	-	(1 327)	-	(1 327)
Profit on disposal of subsidiaries and associated companies		-	(1 516)	(1 516)	-	-	-	-	-	(1 516)	-	(1 516)
Tax on profit on disposal of subsidiaries and associated companies		(5)	136	131	-	-	-	-	-	131	-	131
Non-controlling interests		2	56	58	-	-	-	-	-	58	-	58
Less: Equity-accounted non-headline earnings		5	-	5	-	-	-	-	-	5	-	5
Plus: Impairments		74	-	74	-	-	-	-	-	74	-	74
Gross impairments		108	-	108	-	-	-	-	-	108	-	108
Tax on impairments		(1)	-	(1)	-	-	-	-	-	(1)	-	(1)
Non-controlling interests		(33)	-	(33)	-	-	-	-	-	(33)	-	(33)
Headline earnings		5 126	(91)	5 035	156	(1 437)	(297)	-	(25)	3 432	3	3 435
Earnings attributable to shareholders' of the company per share												
Basic earnings per share	cents	247.2	60.4	307.6	(8.7)	(66.7)	(1.9)	-	(1.2)	229.1	0.1	229.2
Diluted earnings per share	cents	244.9	59.8	304.7	(8.4)	(66.1)	(3.2)	-	(1.2)	225.8	0.1	225.9
Headline earnings per share												
Basic earnings per share	cents	251.0	(4.5)	246.5	(5.5)	(66.7)	(5.0)	-	(1.2)	168.1	0.1	168.2
Diluted earnings per share	cents	248.6	(4.4)	244.2	(5.3)	(66.1)	(6.0)	-	(1.2)	165.6	0.1	165.7
Number of shares												
Number of shares for basic earnings per share	million	2 042.5	-	2 042.5	111.3	-	(111.3)	-	-	2 042.5	-	2 042.5
Number of share for diluted earnings per share	million	2 062.3	-	2 062.3	111.3	-	(100.2)	-	-	2 073.4	-	2 073.4

**PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018: R86-SCENARIO**

R million	Pro forma effects of the B-BBEE Transaction – R86 scenario ⁴											
	Published at 30 June 2018 ¹	Saham Finances acquisition ²	Before the Proposed Transactions ³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consoli- dation Step 3	Pro forma effects of the Ubuntu- Botho Facility ⁵	Pro forma effects of transaction costs ⁶	Pro forma after the Proposed Trans- actions – scenario A ⁷	Pro forma effects of the Sanlam Investments Transaction ⁸	Pro forma after the Sanlam Investments Trans- action – scenario B ⁹	
Net income	44 033	9 220	53 253	265	18	(183)	-	-	53 353	50	53 403	
Financial services income	33 629	8 083	41 712	-	-	-	-	-	41 712	-	41 712	
Reinsurance premiums paid	(5 204)	(1 418)	(6 622)	-	-	-	-	-	(6 622)	-	(6 622)	
Reinsurance commission received	948	281	1 229	-	-	-	-	-	1 229	-	1 229	
Investment income	15 553	49	15 602	265	47	(183)	-	-	15 731	78	15 809	
Investment surpluses	(513)	2 225	1 712	-	-	-	-	-	1 712	-	1 712	
Finance cost – margin business	(70)	-	(70)	-	(29)	-	-	-	(99)	(28)	(127)	
Change in fair value of external investors' liability	(310)	-	(310)	-	-	-	-	-	(310)	-	(310)	
Net insurance and investment contract benefits and claims	(22 924)	(3 901)	(26 825)	-	-	-	-	-	(26 825)	-	(26 825)	
Long-term insurance and investment contract benefits	(16 626)	-	(16 626)	-	-	-	-	-	(16 626)	-	(16 626)	
General insurance claims	(9 177)	(4 045)	(13 222)	-	-	-	-	-	(13 222)	-	(13 222)	
Reinsurance claims received	2 879	144	3 023	-	-	-	-	-	3 023	-	3 023	
Expenses	(14 103)	(2 355)	(16 458)	-	(1 690)	-	-	(25)	(18 173)	-	(18 173)	
Sales remuneration	(4 801)	(952)	(5 753)	-	-	-	-	-	(5 753)	-	(5 753)	
Administration costs	(9 302)	(1 403)	(10 705)	-	(1 690)	-	-	(25)	(12 420)	-	(12 420)	
Impairments	(108)	-	(108)	-	-	-	-	-	(108)	-	(108)	
Amortisation of intangibles	(172)	(343)	(515)	-	-	-	-	-	(515)	-	(515)	
Net operating result	6 726	2 621	9 347	265	(1 672)	(183)	-	(25)	7 732	50	7 782	
Equity-accounted earnings	1 364	(432)	932	-	-	-	-	-	932	-	932	
Finance cost – other	(386)	(57)	(443)	-	-	(162)	-	-	(605)	-	(605)	
Profit before tax	7 704	2 132	9 836	265	(1 672)	(345)	-	(25)	8 059	50	8 109	
Taxation	(2 158)	(449)	(2 607)	(74)	37	-	-	-	(2 644)	(12)	(2 656)	
Shareholders' fund	(1 777)	(449)	(2 226)	(74)	37	-	-	-	(2 263)	(12)	(2 275)	
Policyholders' fund	(381)	-	(381)	-	-	-	-	-	(381)	-	(381)	
Profit for the period	5 546	1 683	7 229	191	(1 635)	(345)	-	(25)	5 415	38	5 453	
Other comprehensive income: to be recycled through profit or loss in subsequent periods												
Movement in foreign currency translation reserve	1 952	(237)	1 715	-	-	-	-	-	1 715	-	1 715	
Other comprehensive income of equity accounted investments	(94)	236	142	-	-	-	-	-	142	-	142	
Movement in cash flow hedge	965	(353)	612	-	-	-	-	-	612	-	612	
Comprehensive income for the period	8 369	1 329	9 698	191	(1 635)	(345)	-	(25)	7 884	38	7 922	
Allocation of comprehensive income:												
Profit for the period	5 546	1 683	7 229	191	(1 635)	(345)	-	(25)	5 415	38	5 453	
Shareholders' fund	5 050	1 233	6 283	191	(1 635)	(345)	-	(25)	4 469	3	4 472	
Non-controlling interests	496	450	946	-	-	-	-	-	946	35	981	
Comprehensive income for the period	8 369	1 329	9 698	191	(1 635)	(345)	-	(25)	7 884	38	7 922	
Shareholders' fund	7 624	885	8 509	191	(1 635)	(345)	-	(25)	6 695	3	6 698	
Non-controlling interests	745	444	1 189	-	-	-	-	-	1 189	35	1 224	

R million	Pro forma effects of the B-BBEE Transaction – R86 scenario ⁴											
	Published at 30 June 2018 ¹	Saham Finances acquisition ²	Before the Proposed Transactions ³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consolidation Step 3	Pro forma effects of the Ubuntu-Botho Facility ⁵	Pro forma effects of transaction costs ⁶	Pro forma after the Proposed Transactions – scenario A ⁷	Pro forma effects of the Sanlam Investments Transaction ⁸	Pro forma after the Sanlam Investments Transaction – scenario B ⁹	
Headline earnings reconciliation												
Profit attributable to shareholders' fund	5 050	1 233	6 283	191	(1 635)	(345)	-	(25)	4 469	3	4 472	
Less: Net profit on disposal of operations	(3)	(1 324)	(1 327)	-	-	-	-	-	(1 327)	-	(1 327)	
Profit on disposal of subsidiaries and associated companies	-	(1 516)	(1 516)	-	-	-	-	-	(1 516)	-	(1 516)	
Tax on profit on disposal of subsidiaries and associated companies	(5)	136	131	-	-	-	-	-	131	-	131	
Non-controlling interests	2	56	58	-	-	-	-	-	58	-	58	
Less: Equity-accounted non-headline earnings	5	-	5	-	-	-	-	-	5	-	5	
Plus: Impairments	74	-	74	-	-	-	-	-	74	-	74	
Gross impairments	108	-	108	-	-	-	-	-	108	-	108	
Tax on impairments	(1)	-	(1)	-	-	-	-	-	(1)	-	(1)	
Non-controlling interests	(33)	-	(33)	-	-	-	-	-	(33)	-	(33)	
Headline earnings	5 126	(91)	5 035	191	(1 635)	(345)	-	(25)	3 221	3	3 224	
Earnings attributable to shareholders' of the company per share												
Basic earnings per share	cents	247.2	60.4	307.6	(7.0)	(75.9)	(4.6)	-	(1.2)	218.9	0.1	219.0
Diluted earnings per share	cents	244.9	59.8	304.7	(6.8)	(75.2)	(5.9)	-	(1.2)	215.6	0.1	215.7
Headline earnings per share												
Basic earnings per share	cents	251.0	(4.5)	246.5	(3.9)	(75.9)	(7.8)	-	(1.2)	157.7	0.1	157.8
Diluted earnings per share	cents	248.6	(4.4)	244.2	(3.7)	(75.2)	(8.7)	-	(1.2)	155.4	0.1	155.5
Number of shares												
Number of shares for basic earnings per share	million	2 042.5	-	2 042.5	111.3	-	(111.3)	-	-	2 042.5	-	2 042.5
Number of share for diluted earnings per share	million	2 062.3	-	2 062.3	111.3	-	(100.2)	-	-	2 073.4	-	2 073.4

Notes and assumptions

- The information reflected in the "Published at 30 June 2018" column has been extracted from the reviewed consolidated interim financial results of Sanlam for the six months ended 30 June 2018 released on SENS on 6 September 2018.
- The Saham Finances acquisition column adjusts for the *pro forma* impact of the acquisition of the remaining interest in Saham Finances that became effective 9 October 2018. The detailed adjustments are reflected in the table below:

R million	Saham Finances consolidated Statement of Comprehensive Income for the period ended 30 June 2018		
	Column A	Pro forma acquisition adjustments Column B	Saham Finances acquisition Column C
Net income	8 183	1 037	9 220
Financial services income	8 083		8 083
Reinsurance premiums paid	(1 418)		(1 418)
Reinsurance commission received	281		281
Investment income	528	(479)	49
Investment surpluses	709	1 516	2 225
Finance cost - margin business	-		-
Change in fair value of external investors' liability	-		-
Net insurance and investment contract benefits and claims	(3 901)	-	(3 901)
Long-term insurance and investment contract benefits	-		-
General insurance claims	(4 045)		(4 045)
Reinsurance claims received	144		144
Expenses	(2 355)	-	(2 355)
Sales remuneration	(952)		(952)
Administration costs	(1 403)		(1 403)
Impairments	-		-
Amortisation of intangibles	-	(343)	(343)
Net operating result	1 927	694	2 621
Equity-accounted earnings	-	(432)	(432)
Finance cost - other	(57)	-	(57)
Profit before tax	1 870	262	2 132
Taxation	(537)	88	(449)
Shareholders' fund	(537)	88	(449)
Policyholders' fund	-		-
Profit for the period	1 333	350	1 683
Other comprehensive income: to be recycled through profit or loss in subsequent periods			
Movement in foreign currency translation reserve	(506)	269	(237)
Other comprehensive income of equity accounted investments	-	236	236
Movement in cash flow hedge	-	(353)	(353)
Comprehensive income for the period	827	502	1 329
Allocation of comprehensive income:			
Profit for the period	1 333	350	1 683
Shareholders' fund	927	306	1 233
Non-controlling interests	406	44	450
Comprehensive income for the period	827	502	1 329
Shareholders' fund	421	464	885
Non-controlling interests	406	38	444

a. The historical financial information in column A in the table above has been extracted from the management accounts of Saham Finances for the six months ended 30 June 2018. Shareholders are informed that these have been prepared for management information purposes only and the information has not been subject to an audit or review by Sanlam's external auditors or Independent Reporting Accountants. Management is satisfied with the quality of those management accounts.

The following adjustments are reflected in column B:

- b. It is assumed that the equity-accounted investment in Saham Finances as at 30 June 2018 of R10 762 000 000 (ten billion seven hundred and sixty-two million Rand) is deemed to be disposed of at a fair value of R12 547 000 000 (twelve billion five hundred and forty-seven million Rand), based on the purchase consideration for the acquisition of the remaining 53.37% interest, as required by IFRS. A profit of R1 516 000 000 (one billion five hundred and sixteen million Rand) after the recycling of R269 000 000 (two hundred and sixty nine million Rand) of cumulative foreign currency translation differences relating to the equity accounted investment from the Foreign Currency Translation Reserve (R1 323 000 000 (one billion three hundred and twenty-three million Rand) after tax and non-controlling interest) is realised on the deemed disposal and has been accounted for in investment surpluses. Deferred tax of R136 000 000 (one hundred and thirty-six million Rand) is realised, being the deferred tax recognised as part of the hedge accounting for the equity accounted investment. These adjustments will not have a continuing effect on the consolidated Statement of Comprehensive Income.
- c. Equity accounted earnings of R432 000 000 (four hundred and thirty-two million Rand) recognised in profit for the period, other comprehensive income of equity accounted investments of negative R236 000 000 (two hundred and thirty-six million Rand) and movements in the cash flow hedge of R353 000 000 (three hundred and fifty-three million Rand) relating to the Saham Finances acquisition included in the consolidated interim financial results for the six months ended 30 June 2018 are reversed. These adjustments, apart from the cash flow hedge, will have a continuing effect on the consolidated Statement of Comprehensive Income.
- d. It is assumed that the excess of the fair value of the consideration paid plus the fair value of the previously held equity accounted investment over the net asset value at 30 June 2018 is allocated equally to goodwill and value of business acquired intangible assets, before allowing for the impact of hedge accounting and deferred tax on value of business acquired at an assumed rate of 28%. Value of business acquired is amortised to the Statement of Comprehensive Income over an assumed period of 20 years. This additional amortisation for the six months ended 30 June 2018 amounted to R343 000 000 (three hundred and forty-three million Rand) before deferred tax relief of R96 000 000 (ninety-six million Rand) and has been accounted for in amortisation of intangibles. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
- e. The purchase consideration of R13 838 000 000 (thirteen billion eight hundred and thirty-eight million Rand) for the remaining 53.37% interest at the hedged rate of \$/R13.24 is assumed to be funded from the following sources:
- R858 000 000 (eight hundred and fifty-eight million Rand) by Santam to increase its effective interest in Saham Finances from 7% to 10%. Discretionary capital, assumed to earn investment return of 5.76% after tax (8% before tax) per annum, is utilised to fund Santam's contribution. Investment income has been adjusted to reflect the interest of R35 000 000 (thirty-five million Rand) before tax that would not have been earned as a result of the utilisation of the discretionary capital. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
 - R2 025 000 000 (two billion and twenty-five million Rand) through internal debt. Cash, deposits and similar securities, assumed to earn investment return of 5.76% after tax (8% before tax) per annum, is utilised to fund the internal debt. Investment income has been adjusted to reflect the interest of R81 000 000 (eighty-one million Rand) before tax that would not have been earned as a result of the utilisation of the Cash, deposits and similar securities. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.

- iii. R2 000 000 000 (two billion Rand) through external debt funding. For *pro forma* purposes, this debt is assumed to be issued and settled on 1 January 2018 using proceeds from the B-BBEE Transaction noted in step 1(b) in note 4 below, with no overall *pro forma* interest charges reflected for *pro forma* purposes.
 - iv. R8 955 000 000 (eight billion, nine hundred and fifty-five million Rand) from Cash, deposits and similar securities held in the shareholders' capital. Cash, deposits and similar securities is assumed to earn investment return of 5.76% after tax (8% before tax) per annum. Investment income has been adjusted to reflect the interest of R363 000 000 (three hundred and sixty-three million Rand) before tax that would not have been earned as a result of the utilisation of the discretionary and solvency capital. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
 - v. The cumulative adjustment against taxation in respect of the adjustments in note 2(e)(i) to 2(e)(iv) above amounts to a reduction in taxation of R128 000 000 (one hundred and twenty-eight million Rand).
 - f. The allocation of items in the Statement of Comprehensive Income between general insurance contracts and long-term insurance contracts are based on available management information at 30 June 2018. These allocations may change in finalising the purchase price allocation for purposes of Sanlam's results for the year ended 31 December 2018.
 - g. The acquisition accounting is performed at an assumed exchange rate of \$/R13.71 (thirteen Rand and seventy-one cents) on effective date.
 - h. The information reflected in column C is the financial information subsequent to the financial information of Saham Finances for the six months ended 30 June 2018 and the *pro forma* acquisition adjustments.
3. The information reflected in the "Before the Proposed Transactions" column has been extracted from the reviewed consolidated interim financial results of Sanlam for the six months ended 30 June 2018 released on SENS on 6 September 2018, adjusted on a *pro forma* basis for the conclusion of the acquisition of the remaining interest in Saham Finances on 9 October 2018.
4. The *pro forma* adjustments in respect of the B-BBEE Transaction are based on the following Steps and principal assumptions:
- Step 1: The Subscription Shares are issued to the Subscription SPV at the Subscription Price per share (refer assumptions table below). The Subscription SPV is not consolidated for purposes of step 1 (consolidation of the B-BBEE SPV Group is included in Step 3 below).
- a. The issuance of the Subscription Shares results in:
 - An increase in shareholders' equity in the Consolidated Statement of Financial Position at 30 June 2018 (refer assumptions table below).
 - A 111 349 000 (one hundred and eleven million three hundred and forty-nine thousand) increase in the number of Shares in issue for purposes of EPS and HEPS.
 - This adjustment will have a continuing effect on the per share information.
 - b. The capital raised is assumed to be utilised by the Company as follows:
 - R2 025 000 000 (two billion and twenty-five million Rand) to repay internal debt funding raised for partial payment of the acquisition of the remaining 53.37% stake in Saham Finances. Cash, deposits and similar securities is assumed to earn investment return of 5.76% after tax (8% before tax) per annum. This *pro forma* adjustment has been made to reflect the settlement of the internal debt on 1 January 2018, which has the effect of restoring the Cash, deposits and similar securities balance to the pre Saham Finances acquisition balance and hence interest income of R81 000 000 (eighty-one million Rand) before tax is recognised as an increase in investment income for purposes of the consolidated Statement of Comprehensive Income. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
 - R2 000 000 000 (two billion Rand) to repay external debt funding raised for partial payment of the acquisition of the remaining 53.37% stake in Saham Finances. For *pro forma* purposes, this debt is assumed to be issued and settled on 1 January 2018 using proceeds from the B-BBEE Transaction, therefore no *pro forma* interest savings are reflected for *pro forma* purposes.

- The remainder (refer assumptions table below) is utilised by Sanlam to restore required capital used for payment of the Saham Finances acquisition (refer note 2(e)(iv)). This capital is assumed to earn recurring after-tax investment return of 5.76% (8% before tax) per annum. This *pro forma* adjustment has been made to reflect the replenishment of required capital on 1 January 2018, which has the effect of restoring the required capital balance to the pre Saham acquisition balance and hence interest income (refer assumptions table below) is recognised as an increase in investment income for purposes of the consolidated Statement of Comprehensive Income. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
- c. A recurring tax expense (refer assumptions table below) is assumed to be incurred at the corporate tax rate of 28% in respect of the saving on internal funding cost and the investment return earned on the required capital portfolio.

Step 2: The B-BBEE SPV Group raises funding through the Standard Bank Funding Package and the Second Ranking Preference Shares to subscribe for the Subscription Shares.

It is assumed that investment return of 85% of the Prime Rate is earned on the Second Ranking Preference Shares funding per annum. The investment return is assumed to be dividend income and commensurately not subject to tax. Second Ranking Preference Shares (refer assumptions table below) have been issued to B-BBEE SPV and have been funded as follows:

- R900 000 000 (nine hundred million Rand) of the Second Ranking Preference Shares is assumed to be funded through the issuance of preference shares by Sanlam at a dividend rate of 65.5% of the Prime Rate, which is assumed to be non-tax deductible.
- The remainder (refer assumptions table below) of the Second Ranking Preference Shares is funded from Cash, deposits and similar securities held in the capital portfolio, on which after-tax investment return of 5.76% (8% before tax) per annum is lost.

As the B-BBEE SPV Group is not consolidated in this step, only the Second Ranking Preference Shares have an impact on the *pro forma* financial information.

- a. For purposes of the Consolidated Statement of Comprehensive Income for the six months ended 30 June 2018, investment income is assumed to increase (refer assumptions table below), comprising of a decline in investment income earned on the capital portfolio and an increase in investment income earned on the Second Ranking Preference Shares. Term finance cost - margin business increases by R29 000 000 (twenty-nine million Rand) on a recurring basis for both the R74-scenario and the R86-scenario, being the dividends paid in respect of the R900 000 000 (nine hundred million Rand) preference shares issued as partial funding for the Second Ranking Preference Shares. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
- b. Tax is assumed to reduce at the corporate tax rate of 28% on a recurring basis (refer assumptions table below) in respect of the decline in investment income earned on the capital portfolio. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.

The B-BBEE Transaction gives rise to a non-recurring share-based payment charge of R1 483 000 000 (one billion four hundred and eighty-three million Rand) and R1 690 000 000 (one billion six hundred and ninety million Rand) respectively for the R74-scenario and the R86-scenario. The full amount is recognised in the consolidated Statement of Comprehensive Income for the six months ended 30 June 2018 as administration costs. This adjustment will not have a continuing effect on the consolidated Statement of Comprehensive Income.

Although Sanlam employees will participate in the B-BBEE Transaction as beneficiaries, the full IFRS 2 charge is recognised upfront in line with the mechanism that all qualifying employees will participate on a continuous basis with effectively no fixed performance criteria.

Shareholders should note the once-off nature of the IFRS 2 charge, which has a proportionally different impact on the earnings and earnings per share metrics for the six months to 30 June 2018 compared to the impact based on full-year results.

The abovementioned share-based payment charge has been calculated using a Black Scholes based option pricing model.

The assumptions used in the model to determine the IFRS 2 charge for purposes of the *pro forma* financial information for the B-BBEE SPV Group include:

- 111 349 000 (one hundred and eleven million three hundred and forty-nine thousand) new Sanlam Shares allowed for as appropriate in the option pricing model;
- A Sanlam share price of R74 (seventy-four Rand) and R86 (eighty-six Rand) respectively for the R74-scenario and the R86-scenario;
- Volatility of 31% in the Sanlam Share price, based on market-observable pricing;
- Expected dividend growth of 8%; and
- The risk-free rate of 8.01%, based on a swap curve constructed from market-observable information.

These assumptions will be updated when the final IFRS 2 charge is determined upon approval and implementation of the B-BBEE Transaction.

The IFRS 2 charge is most sensitive to changes in the listed price of the Sanlam Share. The table below illustrates what the IFRS 2 charge would be based on various Sanlam Share prices, with all other assumptions remaining static. The table below is provided for illustrative purposes only.

Scenario	Sanlam Share price (Rand)	Assumed IFRS 2 charge illustrated for the six months ended 30 June 2018 (Rm)
R74-scenario	74.00	1 483
	69.91	1 315
	83.25	2 080
R86-scenario	86.00	1 690
	81.24	1 549
	96.75	2 377

The IFRS 2 charge is also sensitive to the dividend growth assumed in the Black Scholes valuation model. This will also change based on the actual growth in the Sanlam dividend. For the purpose of performing the valuation, a dividend growth rate of 8% was assumed. The IFRS 2 charge that would result using 1% higher and lower dividend growth rates would have been as follows:

Scenario	Sanlam dividend growth rate	Assumed IFRS 2 charge illustrated for the six months ended 30 June 2018 (Rm)
R74-scenario	8%	1 483
	7%	1 495
	9%	1 470
R86-scenario	8%	1 690
	7%	1 728
	9%	1 702

In addition, the IFRS 2 charge is sensitive to the volatility assumed in the Black Scholes valuation model. This will also change based on market-observable volatility.

For the purpose of performing the valuation, a volatility of 31% was assumed. The IFRS 2 charge that would result using 3% higher and lower volatility would have been as follows:

Scenario	Sanlam volatility	Assumed IFRS 2 charge illustrated for the six months ended 30 June 2018 (Rm)
R74-scenario	31%	1 483
	28%	1 382
	34%	1 578
R86-scenario	31%	1 690
	28%	1 589
	34%	1 833

Step 3: The B-BBEE SPV Group is consolidated for IFRS purposes.

- Second Ranking Preference Shares funding and net investment return earned on the Second Ranking Preference Shares (refer assumptions table below) are eliminated on consolidation for IFRS purposes. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
- The Standard Bank Funding Package and dividends and interest paid on the Standard Bank Funding Package (refer assumptions table below) are recognised on consolidation. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
- The Subscription Shares issued to the Subscription SPV are treated as treasury shares for IFRS purposes and eliminated against Other reserves included in shareholders' equity. In terms of Sanlam's basis of presentation, the treasury share elimination will be considered a non-economic impact and recognised against the consolidation reserve, which forms part of Other reserves. In addition, this step results in a net decrease in the total number of Sanlam Shares in issue used for calculating EPS. This adjustment will have a continuing effect on the per share information.

The following table summarises the key assumptions for the R74-scenario and R86-scenario as referenced in the notes above:

Assumption	Note reference		R74-scenario	R86-scenario
Subscription Price	Step 1	Rand	66.60	77.40
Increase in shareholders' equity	Step 1(a)	Rand million	7 416	8 618
Restoration of required capital	Step 1(b)	Rand million	3 390	4 592
Increase in investment income on required capital	Step 1(b)	Rand million	136	184
Tax expense	Step 1(c)	Rand million	61	74
Second Ranking Preference Shares	Step 2/ Step 3(a)	Rand million	3 708	4 309
Second Ranking Preference Shares funded from Cash, deposits and similar securities	Step 2	Rand million	2 808	3 409
Increase in investment income	Step 2(a)	Rand million	45	47
Decrease in investment income earned on capital portfolios	Step 2(a)		(112)	(136)
Increase in investment income earned on Second Ranking Preference Shares	Step 2(a)/ Step 3(a)		157	183
Decrease in tax expense	Step 2(b)	Rand million	30	37
Standard Bank Funding Package	Step 3(b)	Rand million	3 708	4 309
Dividends and interest paid on Standard Bank Funding Package	Step 3(b)	Rand million	139	162

- The *pro forma* adjustments in respect of Scenario A of the Ubuntu-Botho Facility are based on the following principal assumptions:
The Ubuntu-Botho Facility will be drawn down over time for approved transactions. Until such time as drawdowns take place, there will be no impact on the consolidated Statement of Comprehensive Income.
- Once-off transaction costs of R25 000 000 (twenty-five million Rand) are incurred and paid from Working capital assets: Cash, deposits and similar securities. The transaction costs are assumed to be non-tax deductible. The majority of the transaction costs are assumed to relate to the structuring and funding of the B-BBEE SPV Group and the Ubuntu-Botho Facility, with only an immaterial amount directly related to the issuance of the Subscription Shares. All transaction costs are accordingly expensed as administration costs and project expenses respectively for purposes of the consolidated Statement of Comprehensive Income and Shareholders' fund income statement for the six months ended 30 June 2018. This adjustment will not have a continuing effect on the consolidated Statement of Comprehensive Income.
- The Sanlam information reflected in the "*Pro forma* after the Proposed Transactions – Scenario A" column has been calculated on the basis that all of the steps to implement the Proposed Transactions have been completed, but before any drawdowns granted in respect of the Ubuntu-Botho Facility have occurred.
- In Scenario B, *pro forma* adjustments are included to illustrate the financial effect of utilising R849 000 000 (eight hundred and forty-nine million Rand) of the R2 000 000 000 (two billion Rand) Ubuntu-Botho Facility for the Sanlam Investments Transaction.

The utilisation of the Ubuntu-Botho Facility is based on the following principal assumptions:

- Investment return of 85% of the Prime Rate per annum is assumed to be earned on a recurring basis on the Ubuntu-Botho Facility and recognised as investment income amounting to R36 000 000 (thirty-six million Rand) in the consolidated Statement of Comprehensive Income for the six months ended 30 June 2018. The investment return is assumed to be dividend income and not subject to tax. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
- The Ubuntu-Botho Facility is assumed to be financed by Sanlam through the issuance of preference shares at an assumed recurring non-tax-deductible dividend rate of 65.5% of the Prime Rate per annum. The dividends paid amounting to R28 000 000 (twenty-eight million Rand) are recognised as Term finance cost – margin business for purposes of the consolidated Statement of Comprehensive Income. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.

The Sanlam Investments Transaction is based on the following principal assumptions:

- ARC FS subscribes for shares in SIH representing 25% of the total issued shares of the Sanlam Investments third party asset management business at fair value of R1 061 000 000 (one billion and sixty-one million Rand). 20% of the transaction price is paid in cash, with the remainder funded through utilisation of the Ubuntu-Botho Facility. Cash realised from this transaction is allocated to the required capital portfolio. Interest is assumed to be earned on this capital on a recurring basis at an after-tax investment return of 5.76% (8% before tax) per annum. A R42 000 000 (forty-two million Rand) *pro forma* interest adjustment is shown as an increase in investment income. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
 - The difference between the transaction price and 25% of the net asset value of the Sanlam Investments third party asset management business (now reflected as non-controlling interest) of R841 000 000 (eight hundred and forty-one million Rand), is recognised directly in equity in terms of IFRS, as it is regarded as a transaction between equity owners. No tax is assumed in respect of the transaction. This adjustment will not have a continuing effect on the consolidated Statement of Comprehensive Income.
 - 25% of the after-tax earnings of the Sanlam Investments third party asset management business for the six months to 30 June 2018 (R34 000 000 (thirty-four million Rand)) is recognised as non-controlling interests for purposes of the consolidated Statement of Comprehensive Income. Tax of R13 000 000 (thirteen million Rand) is included in the after-tax earnings. This adjustment will have a continuing effect on the consolidated Statement of Comprehensive Income.
- The Sanlam information reflected in the "*Pro forma* after the Proposed Transactions – Scenario B" column has been calculated on the basis that all of the steps to implement the Proposed Transactions have been completed, and that a portion of the Ubuntu-Botho Facility has been utilised for the Sanlam Investments Transaction.

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018: R74-SCENARIO**

R million	Pro forma effects of the B-BBEE Transaction - R74 scenario ⁴										
	Published at 30 June 2018 ¹	Saham Finances acquisition ²	Before the Proposed Transactions ³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consoli- dation Step 3	Pro forma effects of the Ubuntu- Botho Facility ⁵	Pro forma effects of transaction costs ⁶	Pro forma after the Proposed Trans- actions - scenario A ⁷	Pro forma effects of the Sanlam Investments Transaction ⁸	Pro forma after the Sanlam Investments Trans- action - scenario B ⁹
ASSETS											
Equipment	939	-	939	-	-	-	-	-	939	-	939
Owner-occupied properties	984	1 868	2 852	-	-	-	-	-	2 852	-	2 852
Goodwill	4 384	9 384	13 768	-	-	-	-	-	13 768	-	13 768
Value of business acquired	2 033	13 715	15 748	-	-	-	-	-	15 748	-	15 748
Other intangible assets	485	-	485	-	-	-	-	-	485	-	485
Deferred acquisition costs	3 650	41	3 691	-	-	-	-	-	3 691	-	3 691
Long-term reinsurance assets	1 093	-	1 093	-	-	-	-	-	1 093	-	1 093
Investments	689 677	6 060	695 737	5 416	900	(3 708)	-	-	698 345	1 910	700 255
Properties	11 936	3 211	15 147	-	-	-	-	-	15 147	-	15 147
Investment in associates and joint ventures	28 388	(10 761)	17 627	-	-	-	-	-	17 627	-	17 627
Equities and similar securities	195 431	-	195 431	-	-	-	-	-	195 431	-	195 431
Interest-bearing investments	193 768	25 448	219 216	-	3 708	(3 708)	-	-	219 216	849	220 065
Structured transactions	18 598	-	18 598	-	-	-	-	-	18 598	-	18 598
Investment funds	188 679	-	188 679	-	-	-	-	-	188 679	-	188 679
Cash, deposits and similar securities	52 877	(11 838)	41 039	5 416	(2 808)	-	-	-	43 647	1 061	44 708
Deferred tax asset	1 931	717	2 648	-	-	-	-	-	2 648	-	2 648
Assets of disposal groups classified as held for sale	608	-	608	-	-	-	-	-	608	-	608
General insurance technical assets	6 868	3 576	10 444	-	-	-	-	-	10 444	-	10 444
Working capital assets	56 530	17 640	74 170	-	-	-	-	(25)	74 145	-	74 145
Trade and other receivables	39 479	13 954	53 433	-	-	-	-	-	53 433	-	53 433
Cash, deposits and similar securities	17 051	3 686	20 737	-	-	-	-	(25)	20 712	-	20 712
Total assets	769 182	53 001	822 183	5 416	900	(3 708)	-	(25)	824 766	1 910	826 676

<i>Pro forma effects of the B-BBEE Transaction – R74 scenario⁴</i>												
R million	Published at 30 June 2018¹	Saham Finances acquisition²	Before the Proposed Transactions³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consolidation Step 3	Pro forma effects of the Ubuntu-Botho Facility⁵	Pro forma effects of transaction costs⁶	Pro forma after the Proposed Transactions – scenario A⁷	Pro forma effects of the Sanlam Investments Transaction⁸	Pro forma after the Sanlam Investments Transaction – scenario B⁹	
EQUITY AND LIABILITIES												
Capital and reserves												
Share capital and premium	5 657	-	5 657	7 416	-	-	-	-	13 073	-	13 073	
Treasury shares	(3 997)	-	(3 997)	-	-	-	-	-	(3 997)	-	(3 997)	
Other reserves	10 417	269	10 686	-	-	(7 416)	-	-	3 270	-	3 270	
Retained earnings	51 420	1 454	52 874	-	-	-	-	(25)	52 849	841	53 690	
Shareholders' fund	63 497	1 723	65 220	7 416	-	(7 416)	-	(25)	65 195	841	66 036	
Non-controlling interests	6 183	4 158	10 341	-	-	-	-	-	10 341	220	10 561	
Total equity	69 680	5 881	75 561	7 416	-	(7 416)	-	(25)	75 536	1 061	76 597	
Long-term policy liabilities												
Insurance contracts	178 447	30 660	209 107	-	-	-	-	-	209 107	-	209 107	
Investment contracts	359 193	51	359 244	-	-	-	-	-	359 244	-	359 244	
Term finance	6 527	3 758	10 285	(2 000)	900	3 708	-	-	12 893	849	13 742	
Margin business	2 051	2 000	4 051	(2 000)	900	-	-	-	2 951	849	3 800	
Other interest-bearing liabilities	4 476	1 758	6 234	-	-	3 708	-	-	9 942	-	9 942	
Structured transaction liabilities	11 427	-	11 427	-	-	-	-	-	11 427	-	11 427	
External investors in consolidated funds	67 313	-	67 313	-	-	-	-	-	67 313	-	67 313	
Cell owners' interest	3 220	-	3 220	-	-	-	-	-	3 220	-	3 220	
Deferred tax liability	2 273	4 006	6 279	-	-	-	-	-	6 279	-	6 279	
General insurance technical provisions	19 671	-	19 671	-	-	-	-	-	19 671	-	19 671	
Working capital liabilities	51 431	8 645	60 076	-	-	-	-	-	60 076	-	60 076	
Trade and other payables	48 815	7 475	56 290	-	-	-	-	-	56 290	-	56 290	
Provisions	273	-	273	-	-	-	-	-	273	-	273	
Taxation	2 343	1 170	3 513	-	-	-	-	-	3 513	-	3 513	
Total equity and liabilities	769 182	53 001	822 183	5 416	900	(3 708)	-	(25)	824 766	1 910	826 676	
Net asset value per share	cents	3 038.1	82.5	3 120.6	179.0	-	(195.6)	-	(1.2)	3 102.8	40.0	3 142.8
Tangible net asset value per share	cents	2 595.7	(803.1)	1 792.6	246.2	-	(255.7)	-	(1.2)	1 781.9	40.0	1 821.9
Number of shares												
Number of shares for net asset value per share	million	2 090.0	-	2 090.0	111.3	-	(100.2)	-	-	2 101.1	-	2 101.1

**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018: R86-SCENARIO**

R million	Pro forma effects of the B-BBEE Transaction - R86 scenario ⁴										
	Published at 30 June 2018 ¹	Saham Finances acquisition ²	Before the Proposed Transactions ³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consoli- dation Step 3	Pro forma effects of the Ubuntu- Botho Facility ⁵	Pro forma effects of transaction costs ⁶	Pro forma after the Proposed Trans- actions - scenario A ⁷	Pro forma effects of the Sanlam Investments Transaction ⁸	Pro forma after the Sanlam Investments Trans- action - scenario B ⁹
ASSETS											
Equipment	939	-	939	-	-	-	-	-	939	-	939
Owner-occupied properties	984	1 868	2 852	-	-	-	-	-	2 852	-	2 852
Goodwill	4 384	9 384	13 768	-	-	-	-	-	13 768	-	13 768
Value of business acquired	2 033	13 715	15 748	-	-	-	-	-	15 748	-	15 748
Other intangible assets	485	-	485	-	-	-	-	-	485	-	485
Deferred acquisition costs	3 650	41	3 691	-	-	-	-	-	3 691	-	3 691
Long-term reinsurance assets	1 093	-	1 093	-	-	-	-	-	1 093	-	1 093
Investments	689 677	6 060	695 737	6 618	900	(4 309)	-	-	698 946	1 910	700 856
Properties	11 936	3 211	15 147	-	-	-	-	-	15 147	-	15 147
Investment in associates and joint ventures	28 388	(10 761)	17 627	-	-	-	-	-	17 627	-	17 627
Equities and similar securities	195 431	-	195 431	-	-	-	-	-	195 431	-	195 431
Interest-bearing investments	193 768	25 448	219 216	-	4 309	(4 309)	-	-	219 216	849	220 065
Structured transactions	18 598	-	18 598	-	-	-	-	-	18 598	-	18 598
Investment funds	188 679	-	188 679	-	-	-	-	-	188 679	-	188 679
Cash, deposits and similar securities	52 877	(11 838)	41 039	6 618	(3 409)	-	-	-	44 248	1 061	45 309
Deferred tax asset	1 931	717	2 648	-	-	-	-	-	2 648	-	2 648
Assets of disposal groups classified as held for sale	608	-	608	-	-	-	-	-	608	-	608
General insurance technical assets	6 868	3 576	10 444	-	-	-	-	-	10 444	-	10 444
Working capital assets	56 530	17 640	74 170	-	-	-	-	(25)	74 145	-	74 145
Trade and other receivables	39 479	13 954	53 433	-	-	-	-	-	53 433	-	53 433
Cash, deposits and similar securities	17 051	3 686	20 737	-	-	-	-	(25)	20 712	-	20 712
Total assets	769 182	53 001	822 183	6 618	900	(4 309)	-	(25)	825 367	1 910	827 277

<i>Pro forma effects of the B-BBEE Transaction – R86 scenario⁴</i>												
R million	Published at 30 June 2018¹	Saham Finances acquisition²	Before the Proposed Transactions³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consolidation Step 3	Pro forma effects of the Ubuntu-Botho Facility⁵	Pro forma effects of transaction costs⁶	Pro forma after the Proposed Transactions – scenario A⁷	Pro forma effects of the Sanlam Investments Transaction⁸	Pro forma after the Sanlam Investments Transaction – scenario B⁹	
EQUITY AND LIABILITIES												
Capital and reserves												
Share capital and premium	5 657	-	5 657	8 618	-	-	-	-	14 275	-	14 275	
Treasury shares	(3 997)	-	(3 997)	-	-	-	-	-	(3 997)	-	(3 997)	
Other reserves	10 417	269	10 686	-	-	(8 618)	-	-	2 068	-	2 068	
Retained earnings	51 420	1 454	52 874	-	-	-	-	(25)	52 849	841	53 690	
Shareholders' fund	63 497	1 723	65 220	8 618	-	(8 618)	-	(25)	65 195	841	66 036	
Non-controlling interests	6 183	4 158	10 341	-	-	-	-	-	10 341	220	10 561	
Total equity	69 680	5 881	75 561	8 618	-	(8 618)	-	(25)	75 536	1 061	76 597	
Long-term policy liabilities												
Insurance contracts	178 447	30 660	209 107	-	-	-	-	-	209 107	-	209 107	
Investment contracts	359 193	51	359 244	-	-	-	-	-	359 244	-	359 244	
Term finance	6 527	3 758	10 285	(2 000)	900	4 309	-	-	13 494	849	14 343	
Margin business	2 051	2 000	4 051	(2 000)	900	-	-	-	2 951	849	3 800	
Other interest-bearing liabilities	4 476	1 758	6 234	-	-	4 309	-	-	10 543	-	10 543	
Structured transaction liabilities	11 427	-	11 427	-	-	-	-	-	11 427	-	11 427	
External investors in consolidated funds	67 313	-	67 313	-	-	-	-	-	67 313	-	67 313	
Cell owners' interest	3 220	-	3 220	-	-	-	-	-	3 220	-	3 220	
Deferred tax liability	2 273	4 006	6 279	-	-	-	-	-	6 279	-	6 279	
General insurance technical provisions	19 671	-	19 671	-	-	-	-	-	19 671	-	19 671	
Working capital liabilities	51 431	8 645	60 076	-	-	-	-	-	60 076	-	60 076	
Trade and other payables	48 815	7 475	56 290	-	-	-	-	-	56 290	-	56 290	
Provisions	273	-	273	-	-	-	-	-	273	-	273	
Taxation	2 343	1 170	3 513	-	-	-	-	-	3 513	-	3 513	
Total equity and liabilities	769 182	53 001	822 183	6 618	900	(4 309)	-	(25)	825 367	1 910	827 277	
Net asset value per share												
Net asset value per share	cents	3 038.1	82.5	3 120.6	233.7	-	(250.2)	-	(1.2)	3 102.9	40.0	3 142.9
Tangible net asset value per share	cents	2 595.7	(803.1)	1 792.6	300.8	-	(310.3)	-	(1.2)	1 781.9	40.0	1 821.9
Number of shares												
Number of shares for net asset value per share	million	2 090.0	-	2 090.0	111.3	-	(100.2)	-	-	2 101.1	-	2 101.1

Notes and assumptions

- The information reflected in the "Published at 30 June 2018" column has been extracted from the reviewed consolidated interim financial results of Sanlam for the six months ended 30 June 2018 released on SENS on 6 September 2018.

The Saham Finances acquisition column adjusts for the *pro forma* impact of the acquisition of the remaining interest in Saham Finances that became effective 9 October 2018. The detailed adjustments are reflected in the table below:

R million	Saham Finances consolidated Statement of Financial Position at 30 June 2018		
	Column A	Pro forma acquisition adjustments	Column B
	Column A	Column B	Column C
ASSETS			
Equipment	-	-	-
Owner-occupied properties	1 868		1 868
Goodwill	5 026	4 358	9 384
Value of business acquired		13 715	13 715
Other intangible assets	-		-
Deferred acquisition costs	41		41
Long-term reinsurance assets	-		-
Investments	28 660	(22 600)	6 060
Properties	3 211		3 211
Investment in associates and joint ventures	1	(10 762)	(10 761)
Equities and similar securities	-		-
Interest-bearing investments	25 448		25 448
Structured transactions	-		-
Investment funds	-		-
Cash, deposits and similar securities	-	(11 838)	(11 838)
Deferred tax asset	715	2	717
Assets of disposal groups classified as held for sale	-		-
General insurance technical assets	3 576		3 576
Working capital assets	17 640	-	17 640
Trade and other receivables	13 954		13 954
Cash, deposits and similar securities	3 686		3 686
Total assets	57 526	(4 525)	53 001
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	-		-
Treasury shares	-		-
Other reserves	-	269	269
Retained earnings	12 160	(10 706)	1 454
Shareholders' fund	12 160	(10 437)	1 723
Non-controlling interests	4 086	72	4 158
Total equity	16 246	(10 365)	5 881
Long-term policy liabilities	30 711	-	30 711
Insurance contracts	30 660		30 660
Investment contracts	51		51
Term finance	1 758	2 000	3 758
Margin business	-	2 000	2 000
Other interest-bearing liabilities	1 758		1 758
Structured transaction liabilities	-		-
External investors in consolidated funds	-		-
Cell owners' interest	-		-
Deferred tax liability	166	3 840	4 006
General insurance technical provisions	-		-
Working capital liabilities	8 645	-	8 645
Trade and other payables	7 475		7 475
Provisions	-		-
Taxation	1 170		1 170
Total equity and liabilities	57 526	(4 525)	53 001

The historical financial information in column A in the table above has been extracted from the management accounts of Saham Finances for the six months ended 30 June 2018. Shareholders are informed that these have been prepared for management information purposes only and the information has not been subject to an audit or review by Sanlam's external auditors or Independent Reporting Accountants. Management is satisfied with the quality of those management accounts.

The following adjustments are reflected in column B:

- a. It is assumed that the equity-accounted investment in Saham Finances as at 30 June 2018 of R10 762 000 000 (ten billion seven hundred and sixty-two million Rand) is deemed to be disposed of at a fair value of R12 547 000 000 (twelve billion five hundred and forty-seven million Rand), based on the purchase consideration for the acquisition of the remaining 53.37% interest, as required by IFRS. A profit of R1 516 000 000 (one billion five hundred and sixteen million Rand) after the recycling of R269 000 000 (two hundred and sixty nine million Rand) of cumulative foreign currency translation differences relating to the equity accounted investment from the Foreign Currency Translation Reserve (R1 323 000 000 (one billion three hundred and twenty-three million Rand) after tax and non-controlling interest) is realised on the deemed disposal and has been accounted for in investment surpluses. Deferred tax of R136 000 000 (one hundred and thirty-six million Rand) is realised, being the deferred tax recognised as part of the hedge accounting for the equity accounted investment.
- b. The purchase consideration of R13 838 000 000 (thirteen billion eight hundred and thirty-eight million Rand) for the remaining 53.37% interest at the hedged rate of $\$/R13.24$ is assumed to be funded from the following sources:
 - i. Cash, deposits and similar securities has decreased by R858 000 000 (eight hundred and fifty-eight million Rand) due to Santam increasing its effective interest in Saham Finances from 7% to 10%.
 - ii. Cash, deposits and similar securities has decreased by R2 025 000 000 (two billion and twenty-five million Rand) through internal debt that was incurred to fund the Saham Finances acquisition.
 - iii. Term finance - margin business has increased by R2 000 000 000 (two billion Rand) through external debt funding that was incurred to fund the Saham Finances acquisition.
 - iv. Cash, deposits and similar securities has decreased by R8 955 000 000 (eight billion nine hundred and fifty-five million Rand) utilised to fund the Saham Finances acquisition.
- c. It is assumed that the excess of the consideration paid plus the fair value of the previously held equity accounted investment over the net asset value at 30 June 2018 is allocated equally to goodwill amounting to R9 875 000 000 (nine billion eight hundred and seventy-five million Rand) and value of business acquired intangible assets (net of related deferred tax at a rate of 28%) amounting to R9 875 000 000 (nine billion eight hundred and seventy-five million Rand). The positive cash flow hedge adjustment of R491 000 000 (four hundred and ninety-one million Rand) recognised in the published consolidated Statement of Changes in Equity at 30 June 2018 is allocated to goodwill, resulting in net goodwill of R9 384 000 000 (nine billion three hundred and eighty-four million Rand) after the adjustments. Replacement of the goodwill currently held on the Saham Finances consolidated Statement of Financial Position with the newly recognised transaction goodwill, results in a net R4 358 000 000 (four billion three hundred and fifty-eight million Rand) *pro forma* change in goodwill. (It should be noted that when the actual purchase price allocation accounting is done in terms IFRS 3 for the 31 December 2018 financial statements, the assumed values used here will change.)

- d. The allocation of items in the Statement of Financial Position between general insurance contracts and long-term insurance contracts are based on available management information at 30 June 2018. These allocations may change in finalising the purchase price allocation for purposes of Sanlam's results for the year ended 31 December 2018.
- e. The acquisition accounting is performed at an assumed exchange rate of \$/R13.71 (thirteen Rand and seventy-one cents) on effective date.
- f. The information reflected in column C is the financial information subsequent to the financial information of Saham Finances for the six months ended 30 June 2018 and the *pro forma* acquisition adjustments.
2. The information reflected in the "Before the Proposed Transactions" column has been extracted from the reviewed consolidated interim financial results of Sanlam for the six months ended 30 June 2018 released on SENS on 6 September 2018, adjusted on a *pro forma* basis for the conclusion of the acquisition of the remaining interest in Saham Finances on 9 October 2018.
3. The *pro forma* adjustments in respect of the B-BBEE Transaction are based on the following Steps and principal assumptions:
- Step 1: The Subscription Shares are issued to the Subscription SPV at the Subscription Price (refer assumptions table below). The Subscription SPV is not consolidated for purposes of step 1 (consolidation of the B-BBEE SPV Group is included in Step 3 below).
- a. The issuance of the Subscription Shares results in:
- An increase in shareholders' equity (refer assumptions table below) in the consolidated Statement of Financial Position at 30 June 2018.
 - A 111 349 000 (one hundred and eleven million, three hundred and forty-nine thousand) increase in the number of Shares in issue for purposes of NAVPS and TNAVPS.
- b. The capital raised is assumed to be utilised by the Company as follows:
- R2 025 000 000 (two billion and twenty-five million Rand) to repay internal debt funding raised for partial payment of the acquisition of the remaining 53.37% stake in Saham Finances. This adjustment is reflected as an increase in Cash, deposits and similar securities.
 - Term finance – margin business has been adjusted by R2 000 000 000 (two billion Rand) to repay external debt funding raised for partial payment of the acquisition of the remaining 53.37% stake in Saham Finances.
 - Cash, deposits and similar securities has been adjusted (refer assumptions table below) for the remainder to replace required capital temporarily used for payment of the Saham Finances acquisition.
- Step 2: The B-BBEE SPV Group raises funding through the Standard Bank Funding Package and the Second Ranking Preference Shares to subscribe for the Subscription Shares.
- Second Ranking Preference Shares (refer assumptions table below) have been issued by B-BBEE SPV to Sanlam and have been funded as follows:
- R900 000 000 (nine hundred million Rand) of the Second Ranking Preference Shares is assumed to be funded through the issuance of back-to-back preference shares by Sanlam.
 - The remainder (refer assumptions table below) of the Second Ranking Preference Shares is funded from cash, deposits and similar securities held in the capital portfolio.
- Step 3: The B-BBEE SPV Group is consolidated for IFRS purposes.
- a. Second Ranking Preference Shares funding (refer assumptions table below) is eliminated on consolidation for IFRS purposes.
- b. The Standard Bank Funding Package (refer assumptions table below) is recognised on consolidation.

- c. The Subscription Shares issued to the Subscription SPV are treated as treasury shares for IFRS purposes and eliminated against Other reserves included in shareholders' equity. In terms of Sanlam's basis of presentation, the treasury share elimination will be considered a non-economic impact and recognised against the consolidation reserve, which forms part of Other reserves. In addition, this step results in a net decrease in the total number of Sanlam Shares in issue used for calculating NAVPS and TNAVPS. This adjustment will have a continuing effect on the per share information.

The following table summarises the key assumptions for the R74-scenario and R86-scenario as referenced in the notes above:

Assumption	Note reference		R74-scenario	R86-scenario
Subscription Price	Step 1	Rand	66.60	77.40
Increase in shareholders' equity	Step 1(a)	Rand million	7 416	8 618
Restoration of required capital	Step 1(b)	Rand million	3 390	4 592
Second Ranking Preference Shares	Step 2/ Step 3(a)	Rand million	3 708	4 309
Second Ranking Preference Shares funded from Cash, deposits and similar securities	Step 2	Rand million	2 808	3 409
Standard Bank Funding Package	Step 3(b)	Rand million	3 708	4 309

4. The *pro forma* adjustments in respect of Scenario A of the Ubuntu-Botho Facility are based on the following principal assumptions:
- The Ubuntu-Botho Facility will be drawn down over time for approved transactions. Until such time as drawdowns take place, there will be no impact on the consolidated Statement of Financial Position.
5. Once-off transaction costs of R25 000 000 (twenty-five million Rand) are incurred and paid from working capital assets: Cash, deposits and similar securities. The transaction costs are assumed to be non-tax deductible. The majority of the transaction costs are assumed to relate to the structuring and funding of the B-BBEE SPV Group and the Ubuntu-Botho Facility, with only an immaterial amount directly related to the issuance of the Subscription Shares. All transaction costs are accordingly expensed as administration costs for purposes of the consolidated Statement of Comprehensive Income for the six months ended 30 June 2018.
6. The Sanlam information reflected in the "*Pro forma* after the Proposed Transactions – Scenario A" column has been calculated on the basis that all of the steps to implement the Proposed Transactions have been completed, but before any drawdowns granted in respect of the Ubuntu-Botho Facility.
7. In Scenario B, *Pro forma* adjustments are included to illustrate the financial effect of utilising R849 000 000 (eight hundred and forty-nine million Rand) of the R2 000 000 000 (two billion Rand) Ubuntu-Botho Facility for the Sanlam Investments Transaction.
- The utilisation of the Ubuntu-Botho Facility is based on the following principal assumptions:
- a. The Ubuntu-Botho Facility is assumed to be financed by Sanlam through the issuance of preference shares amounting to R849 000 000 (eight hundred and forty-nine million Rand).

The Sanlam Investments Transaction is based on the following principal assumptions:

- a. ARC FS subscribes for shares in SIH representing 25% of the total issued shares of the Sanlam Investments third party asset management business at fair value of R1 061 000 000 (one billion and sixty-one million Rand). 20% of the transaction price is paid in cash, with the remainder funded through utilisation of the Ubuntu-Botho Facility, which also results in an increase in cash.
 - b. The difference between the transaction price and 25% of the net asset value of the Sanlam Investments third party asset management business (now reflected as non-controlling interest) of R841 000 000 (eight hundred and forty-one million Rand), is recognised directly in equity in terms of IFRS on the transaction, as it is regarded as a transaction between equity owners. No tax is assumed in respect of the transaction. Retained earnings increase by R841 000 000 (eight hundred and forty-one million Rand) as a result (being the excess of the purchase consideration by the minority holders over the net asset value).
 - c. Non-controlling interests increase by R220 000 000, (two hundred and twenty million Rand) equal to 25% of the net asset value of the Sanlam Investments third party asset management business.
8. The Sanlam information reflected in the “*Pro forma* after the Proposed Transactions – Scenario B” column has been calculated on the basis that all of the steps to implement the Proposed Transactions have been completed, and that a portion of the Ubuntu-Botho Facility has been utilised for the Sanlam Investments Transaction.

PRO FORMA SHAREHOLDERS’ INFORMATION OF SANLAM AFTER THE PROPOSED TRANSACTIONS

The tables below set out the *pro forma* Shareholders’ Information of the B-BBEE Transaction and the Ubuntu-Botho Facility (“Proposed Transactions”) based on the consolidated Shareholders’ Information of Sanlam for the six months ended 30 June 2018, adjusted on a *pro forma* basis for the conclusion of the acquisition of the remaining interest in Saham Finances on 9 October 2018 and announced on 11 October 2018. The *pro forma* Shareholders’ Information has been prepared for illustrative purposes only and because of its *pro forma* nature, it may not fairly present Sanlam’s Shareholders’ Information after the Proposed Transactions. The Shareholders’ Information has been presented in addition to the IFRS-information included in Annexure 1A, as Shareholder’s Information is disclosed on a regular basis as part of the Group’s results announcements and it is important for Shareholders to consider the *pro forma* impact of the Proposed Transaction on the key management information.

The purpose of the *pro forma* Shareholders’ Information is to illustrate the impact of the Proposed Transactions, had they been effective 30 June 2018 for purposes of the *pro forma* consolidated GEV and shareholders’ fund at net asset value, and 1 January 2018 for purposes of the *pro forma* consolidated RoGEV and Shareholders’ fund Income Statement. The *pro forma* Shareholders’ Information presented below does not purport to be indicative of the financial results and effects of the Proposed Transactions if they had been implemented on a different date.

The *pro forma* Shareholders’ Information has been prepared using a basis of preparation and presentation of the Shareholders’ Information that is consistent with those applied in the consolidated Shareholders’ Information of Sanlam for the six months ended 30 June 2018 and the consolidated Shareholders’ Information for the year ended 31 December 2017.

The *pro forma* Shareholders’ Information has been prepared based on the assumptions indicated in this Annexure. The actual Sanlam share price and other observable market information at implementation date of the Proposed Transactions will affect the actual impact of the Proposed Transactions on the Shareholders’ Information.

The *pro forma* Shareholders’ Information is presented in accordance with the JSE Listings Requirements and the Guide on *Pro forma* Financial Information issued by the South African Institute of Chartered Accountants.

The directors of Sanlam are responsible for the compilation, contents and preparation of the *pro forma* Shareholders’ Information included in this Circular.

The *pro forma* Shareholders’ Information should be read in conjunction with the independent reporting accountant’s assurance report thereon contained in Annexure 2B to this circular.

The following scenarios are presented:

- In respect of the B-BBEE Transaction: As the Subscription Price will be determined at a 10% discount to a Sanlam share price within the pre-determined range of R74 (seventy-four Rand) to R86 (eighty-six Rand), two scenarios are presented in respect of the B-BBEE Transaction – a scenario based on the bottom end of the range (“R74-scenario”) as well as a scenario based on the upper end of the range (“R86-scenario”). Separate tables are presented based on these scenarios.

In respect of the Ubuntu-Botho Facility: As described in this circular, the Ubuntu-Botho Facility will be utilised for specified investments subject to approval by the Independent Committee. The Sanlam Investments Transaction is the only transaction that has progressed sufficiently to conclude that it is likely to occur. Two scenarios are commensurately presented for the Ubuntu-Botho Facility – a scenario representing the position after shareholder approval with no portion of the Ubuntu-Botho Facility having been utilised (“scenario A”) and a scenario where a portion of the Ubuntu-Botho Facility has been utilised for the Sanlam Investments Transaction (“scenario B”). These scenarios are presented separately in the tables for the R74-scenario and R86-scenario in respect of the B-BBEE Transaction.

**PRO FORMA SHAREHOLDERS' INFORMATION
AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2018: R74-SCENARIO**

R million	Pro forma effects of the B-BBEE Transaction – R74 scenario ⁴										
	Published at 30 June 2018 ¹	Saham Finances acquisition ²	Before the Proposed Transactions ³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consolidation Step 3	Pro forma effects of the Ubuntu- Botho Facility ⁵	Pro forma effects of transaction costs ⁶	Pro forma after the Proposed Trans- actions – scenario A ⁷	Pro forma effects of the Sanlam Investments Transaction ⁸	Pro forma after the Sanlam Investments Trans- action – scenario B ⁹
Group Equity Value											
Group Equity Value – 30/6/2018	128 668	(1 443)	127 225	7 416	80	-	-	(25)	134 696	(189)	134 507
Group Equity Value per share – 30/6/2018	6 090	(68)	6 022	32	4	-	-	(1)	6 057	(8)	6 049
Group Equity Value per share – 31/12/2017	5 940	-	5 940	-	-	-	-	-	5 940	-	5 940
Return on Group Equity Value	7 539	(365)	7 174	221	118	-	-	(25)	7 488	(158)	7 330
Earnings for six months	7 539	(365)	7 174	221	47	-	-	(25)	7 417	(223)	7 194
Capitalisation of future earnings	-	-	-	-	71	-	-	-	71	65	136
Return on Group Equity Value per share	440	(17)	423	42	4	-	-	(1)	468	(7)	461
Annualised Return on Group Equity Value per share	13.7%	0.6%	14.3%	0.9%	0.1%	0.0%	0.0%	0.0%	15.3%	-0.1%	15.2%
Shareholders' fund at net asset value											
Shareholders' fund at net asset value	64 124	1 585	65 709	7 416	-	-	-	(25)	73 100	841	73 941
Shareholders' fund at net asset value per share	3 035	75	3 110	178	-	-	-	(1)	3 287	38	3 325
Shareholders' fund income statement											
Financial services income	30 594	6 361	36 955	-	-	-	-	-	36 955	-	36 955
Sales remuneration	(3 858)	(671)	(4 529)	-	-	-	-	-	(4 529)	-	(4 529)
Income after sales remuneration	26 736	5 690	32 426	-	-	-	-	-	32 426	-	32 426
Underwriting policy benefits	(11 345)	(3 901)	(15 246)	-	-	-	-	-	(15 246)	-	(15 246)
Administration costs	(8 341)	(1 174)	(9 515)	-	-	-	-	-	(9 515)	-	(9 515)
Result from financial services before tax	7 050	615	7 665	-	-	-	-	-	7 665	-	7 665
Tax on result from financial services	(2 031)	(159)	(2 190)	-	-	-	-	-	(2 190)	-	(2 190)
Result from financial services after tax	5 019	456	5 475	-	-	-	-	-	5 475	-	5 475
Non-controlling interest	(626)	(121)	(747)	-	-	-	-	-	(747)	(34)	(781)
Net result from financial services	4 393	335	4 728	-	-	-	-	-	4 728	(34)	4 694
Net investment income	371	(341)	30	156	47	-	-	-	233	37	270
Investment income	566	(474)	92	217	16	-	-	-	325	50	375
Tax on investment income	(129)	126	(3)	(61)	31	-	-	-	(33)	(12)	(45)
Non-controlling interest	(66)	7	(59)	-	-	-	-	-	(59)	(1)	(60)
Project expenses	(47)	-	(47)	-	-	-	-	(25)	(72)	-	(72)
Net amortisation of value of business acquired and other intangibles	(119)	(234)	(353)	-	-	-	-	-	(353)	-	(353)
Equity participation costs	(1)	-	(1)	-	(412)	-	-	-	(413)	-	(413)
Net equity-accounted headline earnings	13	-	13	-	-	-	-	-	13	-	13
Equity-accounted headline earnings	20	-	20	-	-	-	-	-	20	-	20
Tax on equity-accounted headline earnings	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	(7)	-	(7)	-	-	-	-	-	(7)	-	(7)
Net investment surpluses	307	150	457	-	-	-	-	-	457	-	457
Investment surpluses	588	377	965	-	-	-	-	-	965	-	965
Tax on investment surpluses	(165)	(124)	(289)	-	-	-	-	-	(289)	-	(289)
Non-controlling interest	(116)	(103)	(219)	-	-	-	-	-	(219)	-	(219)

		<i>Pro forma effects of the B-BBEE Transaction – R74 scenario⁴</i>										
		Published at 30 June 2018¹	Saham Finances acquisition²	Before the Proposed Transactions³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consolidation Step 3	Pro forma effects of the Ubuntu-Botho Facility⁵	Pro forma effects of transaction costs⁶	Pro forma after the Proposed Transactions – scenario A⁷	Pro forma effects of the Sanlam Investments Transaction⁸	Pro forma after the Sanlam Investments Transaction – scenario B⁹
R million												
	Normalised headline earnings	4 917	(90)	4 827	156	(365)	-	-	(25)	4 593	3	4 596
	Fund transfers	209	-	209	-	(1 071)	(297)	-	-	(1 159)	-	(1 159)
	Other	209	-	209	-	-	-	-	-	209	-	209
	IFRS 2 cost in excess of market related discount	-	-	-	-	(1 071)	-	-	-	(1 071)	-	(1 071)
	Consolidation of B-BBEE SPV	-	-	-	-	-	(297)	-	-	(297)	-	(297)
	Headline earnings	5 126	(90)	5 036	156	(1 436)	(297)	-	(25)	3 434	3	3 437
	Net result from financial services per share	cents 211.0	16.1	227.1	(11.5)	-	-	-	-	215.6	(1.6)	214.0
	Normalised headline earnings per share	cents 236.2	(4.4)	231.8	(4.7)	(16.6)	-	-	(1.1)	209.4	0.1	209.5
	Number of shares											
	Number of shares for GEV and RoGEV per share	million 2 112.8	-	2 112.8	111.3	-	-	-	-	2 224.1	-	2 224.1
	Number of shares for Net result from financial services and Normalised headline earnings per share	million 2 081.7	-	2 081.7	111.3	-	-	-	-	2 193.0	-	2 193.0

**PRO FORMA SHAREHOLDERS' INFORMATION
AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2018: R86-SCENARIO**

R million	Pro forma effects of the B-BBEE Transaction - R86 scenario ⁴											
	Published at 30 June 2018 ¹	Saham Finances acquisition ²	Before the Proposed Transactions ³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consolidation Step 3	Pro forma effects of the Ubuntu-Botho Facility ⁵	Pro forma effects of transaction costs ⁶	Pro forma after the Proposed Transactions - scenario A ⁷	Pro forma effects of the Sanlam Investments Transaction ⁸	Pro forma after the Sanlam Investments Transaction - scenario B ⁹	
Group Equity Value												
Group Equity Value - 30/6/2018	128 668	(1 443)	127 225	8 618	80	-	-	(25)	135 898	(189)	135 709	
Group Equity Value per share - 30/6/2018	cents 6 090	(68)	6 022	86	4	-	-	(1)	6 111	(8)	6 103	
Group Equity Value per share - 31/12/2017	cents 5 940	-	5 940	-	-	-	-	-	5 940	-	5 940	
Return on Group Equity Value	7 539	(365)	7 174	256	126	-	-	(25)	7 531	(158)	7 373	
Earnings for six months	7 539	(365)	7 174	256	55	-	-	(25)	7 460	(223)	7 237	
Capitalisation of future earnings	-	-	-	-	71	-	-	-	71	65	136	
Return on Group Equity Value per share	cents 440	(17)	423	98	4	-	-	(1)	524	(7)	517	
Annualised Return on Group Equity Value per share	% 13.7%	0.6%	14.3%	1.8%	0.1%	0.0%	0.0%	0.0%	16.2%	(0.1%)	16.1%	
Shareholders' fund at net asset value												
Shareholders' fund at net asset value	64 124	1 585	65 709	8 618	-	-	-	(25)	74 302	841	75 143	
Shareholders' fund at net asset value per share	cents 3 035	75	3 110	232	-	-	-	(1)	3 341	38	3 379	
Shareholders' fund income statement												
Financial services income	30 594	6 361	36 955	-	-	-	-	-	36 955	-	36 955	
Sales remuneration	(3 858)	(671)	(4 529)	-	-	-	-	-	(4 529)	-	(4 529)	
Income after sales remuneration	26 736	5 690	32 426	-	-	-	-	-	32 426	-	32 426	
Underwriting policy benefits	(11 345)	(3 901)	(15 246)	-	-	-	-	-	(15 246)	-	(15 246)	
Administration costs	(8 341)	(1 174)	(9 515)	-	-	-	-	-	(9 515)	-	(9 515)	
Result from financial services before tax	7 050	615	7 665	-	-	-	-	-	7 665	-	7 665	
Tax on result from financial services	(2 031)	(159)	(2 190)	-	-	-	-	-	(2 190)	-	(2 190)	
Result from financial services after tax	5 019	456	5 475	-	-	-	-	-	5 475	-	5 475	
Non-controlling interest	(626)	(121)	(747)	-	-	-	-	-	(747)	(34)	(781)	
Net result from financial services	4 393	335	4 728	-	-	-	-	-	4 728	(34)	4 694	
Net investment income	371	(341)	30	191	55	-	-	-	276	37	313	
Investment income	566	(474)	92	265	18	-	-	-	375	50	425	
Tax on investment income	(129)	126	(3)	(74)	37	-	-	-	(40)	(12)	(52)	
Non-controlling interest	(66)	7	(59)	-	-	-	-	-	(59)	(1)	(60)	
Project expenses	(47)	-	(47)	-	-	-	-	(25)	(72)	-	(72)	
Net amortisation of value of business acquired and other intangibles	(119)	(234)	(353)	-	-	-	-	-	(353)	-	(353)	
Equity participation costs	(1)	-	(1)	-	(479)	-	-	-	(480)	-	(480)	
Net equity-accounted headline earnings	13	-	13	-	-	-	-	-	13	-	13	
Equity-accounted headline earnings	20	-	20	-	-	-	-	-	20	-	20	
Tax on equity-accounted headline earnings	-	-	-	-	-	-	-	-	-	-	-	
Non-controlling interest	(7)	-	(7)	-	-	-	-	-	(7)	-	(7)	
Net investment surpluses	307	150	457	-	-	-	-	-	457	-	457	
Investment surpluses	588	377	965	-	-	-	-	-	965	-	965	
Tax on investment surpluses	(165)	(124)	(289)	-	-	-	-	-	(289)	-	(289)	
Non-controlling interest	(116)	(103)	(219)	-	-	-	-	-	(219)	-	(219)	

		Pro forma effects of the B-BBEE Transaction – R86 scenario⁴										
R million		Published at 30 June 2018¹	Saham Finances acquisition²	Before the Proposed Transactions³	Issue new Sanlam shares Step 1	B-BBEE SPV funding Step 2	B-BBEE SPV consolidation Step 3	Pro forma effects of the Ubuntu-Botho Facility⁵	Pro forma effects of transaction costs⁶	Pro forma after the Proposed Transactions – scenario A⁷	Pro forma effects of the Sanlam Investments Transaction⁸	Pro forma after the Sanlam Investments Transaction – scenario B⁹
Normalised headline earnings		4 917	(90)	4 827	191	(424)	-	-	(25)	4 569	3	4 572
Fund transfers		209	-	209	-	(1 211)	(345)	-	-	(1 347)	-	(1 347)
Other		209	-	209	-	-	-	-	-	209	-	209
IFRS 2 cost in excess of market related discount		-	-	-	-	(1 211)	-	-	-	(1 211)	-	(1 211)
Consolidation of B-BBEE SPV		-	-	-	-	-	(345)	-	-	(345)	-	(345)
Headline earnings		5 126	(90)	5 036	191	(1 635)	(345)	-	(25)	3 222	3	3 225
Net result from financial services per share	cents	211.0	16.1	227.1	(11.5)	-	-	-	-	215.6	(1.6)	214.0
Normalised headline earnings per share	cents	236.2	(4.4)	231.8	(3.1)	(19.3)	-	-	(1.1)	208.3	0.1	208.4
Number of shares												
Number of shares for GEV and RoGEV per share	million	2 112.8	-	2 112.8	111.3	-	-	-	-	2 224.1	-	2 224.1
Number of shares for Net result from financial services and Normalised headline earnings per share	million	2 081.7	-	2 081.7	111.3	-	-	-	-	2 193.0	-	2 193.0

Notes and assumptions

- The information reflected in the “Published at 30 June 2018” column has been extracted from the reviewed Shareholders’ Information of Sanlam for the six months ended 30 June 2018 released on SENS on 6 September 2018.
- The Saham Finances acquisition column adjusts for the *pro forma* impact of the acquisition of the remaining interest in Saham Finances that became effective 9 October 2018. The detailed adjustments are reflected in the table below:

R million	Saham Finances Shareholders' Information for the period ended		
	30 June 2018	Pro forma acquisition adjustments	Saham Finances acquisition
	Column A	Column B	Column C
Group Equity Value			
Group Equity Value – 30/6/2018	-	(1 443)	(1 443)
Group Equity Value per share – 30/6/2018	-	(68)	(68)
Group Equity Value per share – 31/12/2017	-	-	-
Return on Group Equity Value	-	(365)	(365)
Earnings for six months	-	(365)	(365)
Capitalisation of future earnings	-	-	-
Return on Group Equity Value per share	-	(17)	(17)
Annualised Return on Group Equity Value per share	-	-	-
Shareholders' fund at net asset value			
Shareholders' fund at net asset value	-	1 585	1 585
Shareholders' fund at net asset value per share	-	75	75
Shareholders' fund income statement			
Financial services income	6 899	(538)	6 361
Sales remuneration	(671)	-	(671)
Income after sales remuneration	6 228	(538)	5 690
Underwriting policy benefits	(3 901)	-	(3 901)
Administration costs	(1 174)	-	(1 174)
Result from financial services before tax	1 153	(538)	615
Tax on result from financial services	(298)	139	(159)
Result from financial services after tax	855	(399)	456
Non-controlling interest	(240)	119	(121)
Net result from financial services	615	(280)	335
Net investment income	-	(341)	(341)
Investment income	8	(482)	(474)
Tax on investment income	(5)	131	126
Non-controlling interest	(3)	10	7
Project expenses	-	-	-
Net amortisation of value of business acquired and other intangibles	-	(234)	(234)
Equity participation costs	-	-	-
Net equity-accounted headline earnings	-	-	-
Equity-accounted headline earnings	-	-	-
Tax on equity-accounted headline earnings	-	-	-
Non-controlling interest	-	-	-
Net investment surpluses	276	(126)	150
Investment surpluses	707	(330)	377
Tax on investment surpluses	(233)	109	(124)
Non-controlling interest	(198)	95	(103)
Normalised headline earnings	891	(981)	(90)
Fund transfers	-	-	-
Other	-	-	-
IFRS 2 cost in excess of market related discount	-	-	-
Consolidation of B-BBEE SPV	-	-	-
Headline earnings	891	(981)	(90)

a. The historical financial information in column A in the table above has been extracted from the management accounts of Saham Finances for the six months ended 30 June 2018. Shareholders are informed that these have been prepared for management information purposes only and the information has not been subject to an audit or review by Sanlam's external auditors or Independent Reporting Accountants. Management is satisfied with the quality of those management accounts.

The following adjustments are reflected in column B:

- b. The difference between goodwill and value of business acquired relating to covered business and the value of in-force business acquired is written off for GEV purposes, amounting to R1 443 000 000 (one billion four hundred and forty-three million Rand). This adjustment will not have a continuing effect on the consolidated Shareholders' Information. It is assumed that 15% of the increase in goodwill and value of business acquired (after non-controlling interests) relate to life insurance operations.
- c. Equity accounted earnings included in the consolidated Shareholders' Information for the six months ended 30 June 2018 are reversed. This adjustment will have a continuing effect on the consolidated Shareholders' Information.
- d. It is assumed that the excess of the fair value of the consideration paid plus the fair value of the previously held equity accounted investment over the net asset value at 30 June 2018, before allowing for the impact of hedge accounting, is allocated equally to goodwill and value of business acquired intangible assets, before allowing for deferred tax on value of business acquired at an assumed rate of 28%. Value of business acquired is amortised to the Shareholders' fund Income Statement over an assumed period of 20 years. This additional amortisation for the six months ended 30 June 2018 amounted to R234 000 000 (two hundred and thirty-four million Rand) after tax and non-controlling interests and has been accounted for in net amortisation of value of business acquired and other intangibles. This adjustment will have a continuing effect on the consolidated Shareholders' Information.
- e. The purchase consideration of R13 838 000 000 (thirteen billion eight hundred and thirty-eight million Rand) for the remaining 53.37% interest at the hedged rate of \$/R13.24 is assumed to be funded from the following sources:
- R858 000 000 (eight hundred and fifty-eight million Rand) by Santam to increase its effective interest in Saham Finances from 7% to 10%. Discretionary capital, assumed to earn investment return of 5.76% after tax (8% before tax) per annum, is utilised to fund Santam's contribution. Investment income has been adjusted to reflect the interest of R35 000 000 (thirty-five million Rand) before tax that would not have been earned as a result of the utilisation of the discretionary capital. This adjustment will have a continuing effect on the consolidated Shareholders' Information.
 - R2 025 000 000 (two billion and twenty-five million Rand) through internal debt. Cash, deposits and similar securities, assumed to earn investment return of 5.76% after tax (8% before tax) per annum, is utilised to fund the internal debt. Investment income has been adjusted to reflect the interest of R81 000 000 (eighty-one million Rand) before tax that would not have been earned as a result of the utilisation of the cash, deposits and similar securities. This adjustment will have a continuing effect on the consolidated Shareholders' Information.
 - R2 000 000 000 (two billion Rand) through external debt funding. For *pro forma* purposes, this debt is assumed to be issued and settled on 1 January 2018 using proceeds from the B-BBEE Transaction noted in step 1(b) in note 4 above, with no overall *pro forma* interest charges reflected for *pro forma* purposes.
 - R8 955 000 000 (eight billion nine hundred fifty-five million Rand) from cash, deposits and similar securities held in required capital. Cash, deposits and similar securities is assumed to earn investment return of 5.76% after tax (8% before tax) per annum. Investment income has been adjusted to reflect the interest of R363 000 000 (three hundred and sixty-three million Rand) before tax that would not have been earned as a result of the utilisation of the required capital. This adjustment will have a continuing effect on the consolidated Shareholders' Information.
- f. The information reflected in column C is the financial information subsequent to the financial information of Saham Finances for the six months ended 30 June 2018 and the *pro forma* acquisition adjustments.

3. The information reflected in the “Before the Proposed Transactions” column has been extracted from the reviewed consolidated Shareholders’ Information of Sanlam for the six months ended 30 June 2018 released on SENS on 6 September 2018, adjusted on a *pro forma* basis for the conclusion of the acquisition of the remaining interest in Saham Finances on 9 October 2018.

4. The *pro forma* adjustments in respect of the B-BBEE Transaction are based on the following Steps and principal assumptions:

Step 1: The Subscription Shares are issued to the Subscription SPV at the Subscription Price (refer assumptions table below) per share. The Subscription SPV is not consolidated for purposes of the Shareholders’ Information.

a. The issuance of the Subscription Shares results in:

- An increase in GEV and the shareholders’ fund at net asset value at 30 June 2018 (refer assumptions table below).
- A 111 349 000 (one hundred and eleven million three hundred and forty-nine thousand) increase in the number of Shares in issue for purposes of GEVPS, shareholders’ fund at net asset value per share, NRFSPS and NHEPS.
- This adjustment will have a continuing effect on the per share information.

b. The capital raised is assumed to be utilised by the Company as follows:

- R2 025 000 000 (two billion and twenty-five million Rand) to repay internal debt funding raised for partial payment of the acquisition of the remaining 53.37% stake in Saham Finances. Cash, deposits and similar securities is assumed to earn investment return of 5.76% after tax (8% before tax) per annum. This *pro forma* adjustment has been made to reflect the settlement of the internal debt on 1 January 2018, which has the effect of restoring the cash, deposits and similar securities balance to the pre Saham acquisition balance and hence interest income of R81 000 000 (eighty-one million Rand) before tax is recognised as an increase in investment income for purposes of the consolidated Shareholders’ Information. This adjustment will have a continuing effect on the consolidated Shareholders’ Information.
- R2 000 000 000 (two billion Rand) to repay external debt funding raised for partial payment of the acquisition of the remaining 53.37% stake in Saham Finances. For *pro forma* purposes, this debt is assumed to be issued and settled on 1 January 2018 using proceeds from the B-BBEE Transaction, as detailed in step 1(b) in note 4 above, therefore no *pro forma* interest savings are reflected for *pro forma* purposes.
- The remainder (refer assumptions table below) is utilised by Sanlam to restore required capital used for payment of the Saham Finances acquisition (refer note 2(e)(iv)). This capital is assumed to earn recurring after-tax investment return of 5.76% (8% before tax) per annum. This *pro forma* adjustment has been made to reflect the replenishment of required capital on 1 January 2018, which has the effect of restoring the required capital balance to the pre Saham acquisition balance and hence interest income (refer assumptions table below) is recognised as an increase in investment income for purposes of the consolidated Shareholders’ fund Income Statement. This adjustment will have a continuing effect on the consolidated Shareholders’ Information.

c. A recurring tax expense (refer assumptions table below) is assumed to be incurred at the corporate tax rate of 28% in respect of the saving on internal funding cost and the investment return earned on the solvency capital portfolio.

Step 2: The B-BBEE SPV Group raises funding through the Standard Bank Funding Package and the Second Ranking Preference Shares to subscribe for the Subscription Shares.

It is assumed that investment return of 85% of the Prime Rate is earned on the Second Ranking Preference Shares funding per annum. The investment return is assumed to be dividend income and commensurately not subject to tax. Second Ranking Preference Shares (refer assumptions table below) have been issued by B-BBEE SPV to Sanlam and have been funded as follows:

- R900 000 000 (nine hundred million Rand) of the Second Ranking Preference Shares is assumed to be funded through the issuance of preference shares by Sanlam at a dividend rate of 65.5% of the Prime Rate, which is assumed to be non-tax deductible.
- The remainder (refer assumptions table below) of the Second Ranking Preference Shares is funded from cash, deposits and similar securities held in the capital portfolio, on which after-tax investment return of 5.76% (8% before tax) per annum is lost.

a. For purposes of the consolidated Shareholders’ Information for the six months ended 30 June 2018, investment income is assumed to increase (refer assumptions table below) on a recurring basis, comprising of a decline in investment income earned on the capital portfolio, an increase in investment income earned on the Second Ranking Preference Shares and an increase in dividends payable on the R900 000 000 (nine hundred million Rand) preference shares issued as partial funding for the Second Ranking Preference Shares. This adjustment will have a continuing effect on the consolidated Shareholders’ Information.

b. Tax is assumed to reduce (refer assumptions table below) at the corporate tax rate of 28% on a recurring basis in respect of the decline in investment income earned on the capital portfolio. This adjustment will have a continuing effect on the consolidated Shareholders’ Information.

c. The net margin earned on the portion of the Second Ranking Preference Shares funded through the issuance of back-to-back preference shares is capitalised for GEV purposes at the Group’s hurdle rate of risk free (9%) plus 4%, amounting to R80 000 000 (eighty million Rand). This assumes a similar credit rating to Sanlam.

The B-BBEE Transaction gives rise to a non-recurring share-based payment charge of R1 483 000 000 (one billion four hundred and eighty-three million Rand) and R1 690 000 000 (one billion six hundred and ninety million Rand) respectively for the R74-scenario and the R86-scenario. The market-related discount of R412 000 000 (four hundred and twelve million Rand) and R479 000 000 (four hundred and seventy-nine million Rand) respectively for the R74-scenario and the R86-scenario is recognised as equity participation cost in the Shareholders’ fund Income Statement, with the remainder recognised in fund transfers. This adjustment will not have a continuing effect on the Shareholders’ fund Income Statement.

Although Sanlam employees will participate in the B-BBEE Transaction as beneficiaries, the full IFRS 2 charge is recognised upfront in line with the mechanism that all qualifying employees will participate on a continuous basis with effectively no fixed performance criteria.

Shareholders should note the once-off nature of the IFRS 2 charge, which has a proportionally different impact on the earnings and earnings per share metrics for the six months to 30 June 2018 compared to the impact based on full-year results.

The abovementioned share-based payment charge has been calculated using a Black Scholes based option pricing model.

The assumptions used in the model to determine the IFRS 2 charge for purposes of the *pro forma* financial information for the B-BBEE SPV Group include:

- 111 349 000 (one hundred and eleven million three hundred and forty-nine thousand) new Sanlam Shares allowed for as appropriate in the option pricing model;
- A Sanlam share price of R74 (seventy-four Rand) and R86 (eighty-six Rand) respectively for the R74-scenario and the R86-scenario;
- Volatility of 31% in the Sanlam share price, based on market-observable pricing;
- Expected dividend growth of 8%; and
- The risk-free rate of 8.01%, based on a swap curve constructed from market-observable information.

These assumptions will be updated when the final IFRS 2 charge is determined upon approval and implementation of the B-BBEE Transaction.

The IFRS 2 charge is most sensitive to changes in the listed price of the Sanlam Share. The table below illustrates what the IFRS 2 charge would be based on various Sanlam share prices, with all other assumptions remaining static. The table below is provided for illustrative purposes only.

Scenario	Sanlam Share price (Rand)	Assumed IFRS 2 charge illustrated for the six months ended 30 June 2018 (Rm)
R74-scenario	74.00	1 483
	69.91	1 315
	83.25	2 080
R86-scenario	86.00	1 690
	81.24	1 549
	96.75	2 377

The IFRS 2 charge is also sensitive to the dividend growth assumed in the Black Scholes valuation model. This will also change based on the actual growth in the Sanlam dividend. For the purpose of performing the valuation, a dividend growth rate of 8% was assumed. The IFRS 2 charge that would result using 1% higher and lower dividend growth rates would have been as follows:

Scenario	Sanlam dividend growth rate	Assumed IFRS 2 charge illustrated for the six months ended 30 June 2018 (Rm)
R74-scenario	8%	1 483
	7%	1 495
	9%	1 470
R86-scenario	8%	1 690
	7%	1 728
	9%	1 702

In addition, the IFRS 2 charge is sensitive to the volatility assumed in the Black Scholes valuation model. This will also change based on market-observable volatility.

For the purpose of performing the valuation, a volatility of 31% was assumed. The IFRS 2 charge that would result using 3% higher and lower volatility would have been as follows:

Scenario	Sanlam volatility	Assumed IFRS 2 charge illustrated for the six months ended 30 June 2018 (Rm)
R74-scenario	31%	1 483
	28%	1 382
	34%	1 578
R86-scenario	31%	1 690
	28%	1 589
	34%	1 833

Step 3: The B-BBEE SPV Group is consolidated for IFRS purposes, with no impact on the Shareholders' Information.

The following table summarises the key assumptions for the R74-scenario and R86-scenario as referenced in the notes above:

Assumption	Note reference		R74-scenario	R86-scenario
Subscription Price	Step 1	Rand	66.60	77.40
Increase in GEV and shareholders' fund at net asset value	Step 1(a)	Rand million	7 416	8 618
Restoration of required capital	Step 1(b)	Rand million	3 390	4 592
Increase in investment income on required capital	Step 1(b)	Rand million	136	184
Tax expense	Step 1(c)	Rand million	61	74
Second Ranking Preference Shares	Step 2/ Step 3(a)	Rand million	3 708	4 309
Second Ranking Preference Shares funded from Cash, deposits and similar securities	Step 2	Rand million	2 808	3 409
Increase in investment income	Step 2(a)	Rand million	16	18
Decrease in investment income earned on capital portfolios	Step 2(a)		(112)	(136)
Increase in investment income earned on Second Ranking Preference Shares	Step 2(a)		157	183
Increase in term finance costs	Step 2(a)		(29)	(29)
Decrease in tax expense	Step 2(b)	Rand million	30	37

5. The *pro forma* adjustments in respect of Scenario A of the Ubuntu-Botho Facility are based on the following principal assumptions:

The Ubuntu-Botho Facility will be drawn down over time for approved transactions. Until such time as drawdowns take place, there will be no impact on the consolidated Shareholders' Information.

6. Once-off transaction costs of R25 000 000 (twenty-five million Rand) are incurred and paid from working capital assets: cash, deposits and similar securities. The transaction costs are assumed to be non-tax deductible. The majority of the transaction costs are assumed to relate to the structuring and funding of the B-BBEE SPV Group and the Ubuntu-Botho Facility, with only an immaterial amount directly related to the issuance of the Subscription Shares. All transaction costs are accordingly expensed as administration and project expenses for purposes of the consolidated Shareholders' fund income statement for the six months ended 30 June 2018. This adjustment will not have a continuing effect on the consolidated Shareholders' Information.
7. The Sanlam information reflected in the "*Pro forma* after the Proposed Transactions - Scenario A" column has been calculated on the basis that all of the steps to implement the Proposed Transactions have been completed, but before any drawdowns granted in respect of the Ubuntu-Botho Facility have occurred.
8. In Scenario B, *pro forma* adjustments are included to illustrate the financial effect of utilising R849 000 000 (eight hundred and forty-nine million Rand) of the R2 000 000 000 (two billion Rand) Ubuntu-Botho Facility for the Sanlam Investments Transaction.

The utilisation of the Ubuntu-Botho Facility is based on the following principal assumptions:

- a. Investment return of 85% of the Prime Rate per annum is assumed to be earned on a recurring basis on the Ubuntu-Botho Facility and recognised as investment income amounting to R36 000 000 (thirty-six million Rand) in the consolidated Shareholders' fund Income Statement for the six months ended 30 June 2018. The investment return is assumed to be dividend income and not subject to tax. This adjustment will have a continuing effect on the consolidated Shareholders' fund Income Statement.

- b. The Ubuntu-Botho Facility is assumed to be financed by Sanlam through the issuance of preference shares at an assumed recurring non-tax-deductible dividend rate of 65.5% of the Prime Rate per annum. The dividends paid amounting to R28 000 000 (twenty-eight million Rand) are recognised as a deduction from investment income for purposes of the consolidated Shareholders' fund Income Statement. This adjustment will have a continuing effect on the consolidated Shareholders' fund Income Statement.
- c. The net margin earned on the Ubuntu-Botho Facility is capitalised for GEV and RoGEV purposes at the Group's hurdle rate of risk free (9%) plus 4%, amounting to R73 000 000 (seventy-three million Rand).

The Sanlam Investments Transaction is based on the following principal assumptions:

- d. ARC FS subscribes for shares in SIH representing 25% of the total issued shares of the Sanlam Investments third party asset management business at fair value of R1 061 000 000 (one billion and sixty-one million Rand). 20% of the transaction price is paid in cash, with the remainder funded through utilisation of the Ubuntu-Botho Facility. Cash realised from this transaction is allocated to the required capital portfolio. Interest is assumed to be earned on this capital on a recurring basis at an after-tax investment return of 5.76% (8% before tax) per annum. A R42 000 000 (forty-two million Rand) *pro forma* interest adjustment is shown as an increase in investment income. This adjustment will have a continuing effect on the consolidated Shareholders' Information
- e. A negative adjustment of R262 000 000 (two hundred and sixty-two million Rand) is made for GEV and RoGEV purposes, being equal to the difference between the disposal value and carrying value for GEV purposes at 30 June 2018. This adjustment will not have a continuing effect on the consolidated Shareholders' Information.
9. The Sanlam information reflected in the "*Pro forma* after the Proposed Transactions - Scenario B" column has been calculated on the basis that all of the steps to implement the Proposed Transactions have been completed, and that a portion of the Ubuntu-Botho Facility has been utilised for the Sanlam Investments Transaction.
10. TNAV is calculated based on shareholders' equity excluding goodwill, value of business acquired, other intangible assets and deferred acquisition cost on long term insurance business.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF SANLAM AFTER THE PROPOSED TRANSACTIONS

The Directors
Sanlam Limited
Sanlam Head Office
2 Strand Road
Bellville
South Africa
7530

Independent Reporting Accountant's Assurance Report on the compilation of the *Pro forma* Financial Information

The definitions and interpretations commencing on page 5 of the Circular to which this letter is attached apply *mutatis mutandis* to this report.

Introduction

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Sanlam Limited ("**Sanlam or the Company**") by the directors of Sanlam ("**Directors**"). The *pro forma* financial information, as set out in Annexure 1A (pages 51 to 80) of the Circular relating to the B-BBEE Transaction and the Ubuntu-Botho Facility (collectively the "**Proposed Transactions**"), consists of the consolidated Statement of Financial Position and consolidated Statement of Comprehensive Income (collectively the "***Pro forma* Financial Information**") and related notes. The *Pro forma* Financial Information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("**JSE**") Listings Requirements.

The *Pro forma* Financial Information has been compiled by the Directors to illustrate the impact of the corporate actions or events, described in the first paragraph of Annexure 1A (page 51) of the Circular, on the Company's financial position as at 30 June 2018, and the Company's financial performance for the period then ended, as if the corporate action or event had taken place at 30 June 2018 for the *pro forma* consolidated Statement of Financial Position and 1 January 2018 for the *pro forma* consolidated Statement of Comprehensive Income. As part of this process, information about the Company's financial position and financial performance has been extracted by the Directors from the Company's reviewed consolidated interim financial statements of Sanlam for the six months ended 30 June 2018, on which a review report has been published (together the "**Reviewed Financial Information**").

Directors' Responsibility for the *Pro forma* Financial Information

The Directors are responsible for compiling the *Pro forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements, described in Annexure 1A (pages 51 to 80) of the Circular and the SAICA Guide on *Pro forma* Financial Information, revised and issued in September 2014 ("**Applicable Criteria**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("**IRBA Code**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

EY applies the International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *Pro forma* Financial Information has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus* which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Reviewed Financial Information used in compiling the *Pro forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro forma* Financial Information.

As the purpose of *Pro forma* Financial Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used in the compilation of the *Pro forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to the Applicable Criteria; and
- The *Pro forma* Financial Information reflects the proper application of those adjustments to the unadjusted Reviewed Financial Information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the corporate actions or events in respect of which the *Pro forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *Pro forma* Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria.

Ernst & Young Inc.

Director: Christo du Toit
Registered Auditor
Chartered Accountant (SA)
3rd floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town
8000
31 October 2018

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE *PRO FORMA* SHAREHOLDERS' INFORMATION OF SANLAM AFTER THE PROPOSED TRANSACTIONS

The Directors
Sanlam Limited
Sanlam Head Office
2 Strand Road
Bellville
South Africa
7530

Independent Reporting Accountant's Assurance Report on the compilation of the *Pro forma* Shareholders' Information

The definitions and interpretations commencing on page 5 of the Circular to which this letter is attached apply *mutatis mutandis* to this report.

Introduction

We have completed our assurance engagement to report on the compilation of *pro forma* Shareholders' Information of Sanlam Limited ("**Sanlam or the Company**") by the directors of Sanlam ("**Directors**"). The *pro forma* Shareholders' Information, as set out in Annexure 1B (pages 81 to 96) of the Circular relating to the B-BBEE Transaction and the Ubuntu-Botho Facility (collectively the "**Proposed Transactions**"), consists of the Group Equity Value, Shareholders' Fund at net asset value, Shareholders Fund Income Statement (collectively the "**Pro forma Shareholders' Information**") and related notes. The *Pro forma* Shareholders' Information has been compiled on the basis of the applicable criteria specified in the JSE Limited ("**JSE**") Listings Requirements.

The *Pro forma* Shareholders' Information has been compiled by the Directors to illustrate the impact of the corporate actions or events, described in the first paragraph of Annexure 1B (page 81) of the Circular, on the Company's Group Equity Value and Shareholders' Fund at net asset value as at 30 June 2018, and the Company's Shareholders Fund Income Statement and Return on Group Equity Value for the period then ended, as if the corporate action or event had taken place at 30 June 2018 for the *pro forma* Group Equity Value and Shareholders' Fund at net asset value, and 1 January 2018 for the *pro forma* Shareholders Fund Income Statement and Return on Group Equity Value. As part of this process, information about the Company's Shareholders' Information has been extracted by the Directors from the Company's reviewed Shareholders' Information of Sanlam for the six months ended 30 June 2018, on which a review report has been published (together the "**Reviewed Shareholder Information**").

Directors' Responsibility for the *Pro forma* Shareholders' Information

The Directors are responsible for compiling the *Pro forma* Shareholders' Information on the basis of the applicable criteria specified in the JSE Listings Requirements, described in Annexure 1B (pages 81 to 96) of the Circular and the SAICA Guide on *Pro forma* Financial Information, revised and issued in September 2014 ("**Applicable Criteria**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("**IRBA Code**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

EY applies the International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *Pro forma* Shareholders' Information has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus* which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *Pro forma* Shareholders' Information has been compiled, in all material respects, on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Reviewed Shareholders' Information used in compiling the *Pro forma* Shareholders' Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro forma* Shareholders' Information.

As the purpose of *Pro forma* Shareholders' Information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted Shareholders' information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the *Pro forma* Shareholders' Information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used in the compilation of the *Pro forma* Shareholders' Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to the Applicable Criteria; and
- The *Pro forma* Shareholders' Information reflects the proper application of those adjustments to the unadjusted Reviewed Shareholders' Information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the corporate actions or events in respect of which the *Pro forma* Shareholders' Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro forma* Shareholders' Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *Pro forma* Shareholders' Information has been compiled, in all material respects, on the basis of the Applicable Criteria.

Ernst & Young Inc.

Director: Christo du Toit
Registered Auditor
Chartered Accountant (SA)
3rd floor, Waterway House
3 Dock Road
V&A Waterfront
Cape Town
8000
31 October 2018

PRICE HISTORY OF SANLAM SHARES ON THE JSE

	High (cps)	Low (cps)	Volume (shares)	Value (R)
Monthly				
Oct-17	73.08	66.83	110 669 258	7 751 204 000
Nov-17	80.10	70.25	95 289 221	7 114 277 000
Dec-17	94.74	75.66	138 183 893	11 408 880 000
Jan-18	93.38	80.06	110 772 421	9 601 847 000
Feb-18	97.66	84.00	124 646 197	11 331 980 000
Mar-18	98.49	83.57	134 973 363	12 280 150 000
Apr-18	85.36	75.89	129 501 970	10 389 180 000
May-18	81.80	73.44	169 252 897	13 090 240 000
Jun-18	81.78	65.40	157 406 986	11 535 770 000
Jul-18	77.05	67.29	105 645 197	7 519 941 000
Aug-18	82.31	71.66	102 921 016	7 858 345 000
Sep-18	81.66	73.70	110 555 459	8 635 789 000
Daily				
18-Sep	76.89	75.13	4 545 635	346 721 300
19-Sep	79.05	76.17	6 028 516	469 394 800
20-Sep	80.43	79.09	14 874 127	1 184 159 000
21-Sep	81.66	79.18	8 569 588	688 953 000
25-Sep	80.74	78.27	3 640 279	289 787 700
26-Sep	80.50	79.59	4 769 248	381 670 200
27-Sep	81.21	78.72	5 939 596	478 825 200
28-Sep	81.20	77.66	5 959 106	471 276 600
01-Oct	81.08	79.30	3 566 765	286 174 200
02-Oct	78.69	75.71	4 805 612	372 675 200
03-Oct	78.69	76.46	4 961 248	383 826 100
04-Oct	75.65	73.10	7 162 120	533 213 000
05-Oct	74.97	73.69	3 790 340	281 367 100
08-Oct	75.25	73.00	4 915 261	364 347 800
09-Oct	74.69	71.84	4 144 516	303 702 600
10-Oct	75.49	72.38	4 544 939	334 875 200
11-Oct	72.94	70.11	5 869 097	417 315 100
12-Oct	73.81	71.06	4 583 948	334 252 900
15-Oct	73.22	70.15	5 628 414	398 973 400
16-Oct	72.30	69.64	5 443 405	387 628 000
17-Oct	74.20	71.51	8 246 785	598 790 200
18-Oct	72.44	70.47	3 762 213	268 302 400
19-Oct	72.10	70.37	4 624 476	330 524 400
22-Oct	74.18	71.83	2 896 451	210 832 300
23-Oct	71.73	70.00	4 014 668	283 345 500
24-Oct	71.98	70.05	4 882 482	346 282 400
25-Oct	71.73	68.29	5 458 899	385 631 700
26-Oct	71.45	68.91	4 447 123	310 469 600
29-Oct	71.86	69.50	3 227 027	228 950 100
30-Oct	72.80	70.53	5 479 520	393 050 700

INDEPENDENT EXPERT REPORT ON FAIRNESS OPINION RELATED TO THE:

- **SPECIFIC ISSUE AT A DISCOUNT**
- **RELATED PARTY FINANCING FOR ACQUISITION OF SHARES**
- **RELATED PARTY FINANCING FOR THE UBUNTU-BOTHO FACILITY**

31 October 2018
The Directors
Sanlam Limited
2 Strand Road
Bellville
Western Cape
7530

Dear Directors

Fairness opinion on the proposed specific issue by Sanlam Limited (“Sanlam”) of the Subscription Shares to Subscription SPV, a wholly-owned subsidiary of B-BBEE SPV (which is an associate of Ubuntu-Botho Investments Proprietary Limited (“Ubuntu Botho”), a related party) and the provision of financial assistance to B-BBEE SPV, both being in terms of the proposed B-BBEE Transaction, as well as the provision of financial assistance to Ubuntu-Botho or a subsidiary of Ubuntu-Botho, by way of the Ubuntu-Botho Facility

Introduction

As set out in an announcement released by the Company on SENS on Wednesday, 31 October 2018 and published in the press on Thursday, 01 November 2018, Sanlam Limited (“Sanlam” or the “Company”) has, in furtherance of its strategy to strengthen its market position in South Africa and consolidate its position as a leading Pan African financial services group -

- entered into the relevant Transaction Agreements in connection with issuing the Subscription Shares to Subscription SPV and providing financial assistance to B-BBEE SPV in connection with the issue of the Subscription Shares (the “B-BBEE Transaction”); and
- as a separate transaction to the B-BBEE Transaction, also entered into the Ubuntu-Botho Facility Agreement.

The strategy to protect and enhance Sanlam’s position in South Africa through inter alia a leading empowerment status and appropriate business partnerships is a deliberate strategic move to enhance the long-term sustainability of Sanlam both at a Group level and key operating business unit level to create long term value for stakeholders.

Therefore, subject to Shareholder approval, Sanlam is proposing:

- the Specific Issue which will increase and rebalance direct black economic ownership in Sanlam from the current 14% direct broad-based black ownership (based on issued Shares excluding Treasury Shares before the implementation of the B-BBEE Transaction) to an industry-leading 18%. A portion of the funding for the Specific Issue will be provided by the Sanlam Group through its subscription for the Second Ranking Preference Shares (together, the B-BBEE Transaction); and
- the Ubuntu-Botho Facility - A synergistic approach to roll out the Sanlam strategy in South Africa that will facilitate broad-based black ownership at an operational subsidiary level within the Sanlam Group and which will allow Sanlam to improve its competitive position in businesses including third party asset management, employee benefits, health administration and entry level insurance together with Ubuntu-Botho as their strategic empowerment partner. In addition, key black management will be incentivised to become co-owners in these wealth creation initiatives.

The objective of the B-BBEE Transaction and the provision of the Ubuntu-Botho Facility (together the “Proposed Transactions”) is twofold:

- (i) to substantially broaden the base of empowerment beneficiaries in areas that will have the most impact, and
- (ii) strengthening and expanding the strategic, mutually beneficial relationship with Ubuntu Botho, Sanlam’s existing strategic empowerment partner.

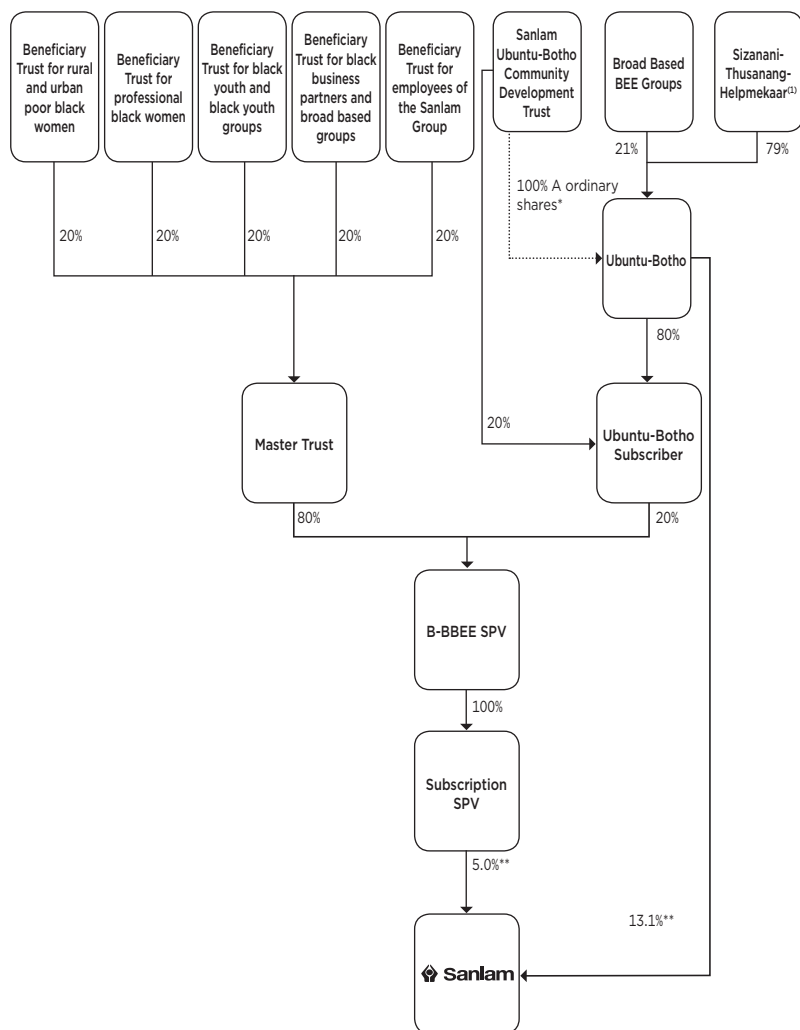
The B-BBEE Transaction extends the benefits of empowerment to include a broad range of participants, with 80% of the beneficiaries of the B-BBEE Transaction being new broad-based black empowerment participants in the following categories which have been identified by Sanlam and Ubuntu-Botho and will participate in the B-BBEE Transaction through the Master Trust:

- professional black women,
- rural and urban poor black women’s groups,
- black youth and black youth groups,
- black business partners and broad based groups (including community organisations and black business partners of Sanlam and Ubuntu-Botho); and
- employees of the Sanlam Group.

Each category of beneficiary will have its own trust which will be entitled to 20% of the benefits of the Master Trust, and will be created by the trustees of the Master Trust, on the same terms, *mutatis mutandis*, as the Master Trust Deed, as soon as practically possible after the implementation of the B-BBEE Transaction (the “**Beneficiary Trust(s)**”).

Ubuntu-Botho Subscriber, a subsidiary of Ubuntu-Botho, will benefit from the remaining 20%, acknowledging Ubuntu-Botho’s demonstrated commitment to Sanlam as its single largest shareholder over the last few years. Ubuntu-Botho Subscriber will also be entitled to appoint the majority of the directors on the board of B-BBEE SPV and Subscription SPV.

The Company's B-BBEE shareholding following the implementation of the B-BBEE Transaction is depicted below:



Note 1: Sizanani-Thusanang-Helpmekeer is controlled by Dr. Patrice Motsepe who is also the deputy Chair of Sanlam

** percentages based on total ordinary Shares in issue (net of Treasury Shares) post the implementation of the B-BBEE Transaction

The definitions outlined in the Definitions and Interpretations section of the Circular to which this opinion is attached have been used throughout this opinion, unless otherwise indicated.

Terms of the proposed B-BBEE Transaction

In terms of the Specific Issue, Sanlam shall issue the Subscription Shares, being 111 349 000 (one hundred and eleven million, three hundred and forty nine thousand) Sanlam Shares, constituting 4.8% (four point eight percent) of all Sanlam Shares (including Treasury Shares) in issue (following the Specific Issue), to Subscription SPV at the Subscription Price, being a price payable in respect of each Subscription Share, being a price which represents a discount of 10% to the 3 day VWAP of a Sanlam Share on the day preceding the Determination Date, provided that the 3 day VWAP of a Sanlam Share utilised for purposes of determining the Subscription Price will not exceed R86.00 (eighty six Rand) per Share and will not be lower than R74.00 (seventy four Rand) per Share. The 3 day VWAP of a Sanlam Share is utilised as a reference to determine the Subscription Price in order to align the Subscription Price as far as practically possible with the Standard Bank Funding Package requirement.

The Independent Committee will not agree a Determination Date where the 3 day VWAP of a Sanlam Share will be (i) above R86.00, which will cause the Subscription Price to be above R77.40 (after a discount of 10% to a price of R86.00), or (ii) below R74.00 which will cause the Subscription Price to be below R66.60 (after a discount of 10% to a price of R74.00). The Subscription Date may, subject to the fulfilment of all relevant suspensive conditions, fall on any date on or prior to 30 June 2019.

Subscription SPV is a wholly-owned subsidiary of B-BBEE SPV which, in turn, will be held:

- as to 80%, by the Master Trust; and
- as to 20%, by the Ubuntu-Botho Subscriber.

The Master Trust and the Ubuntu-Botho Subscriber have entered, or will enter, into the Shareholders' Agreement which will govern the relationship between them and provides, among others, that the Master Trust and Ubuntu-Botho Subscriber will co-operate to further the long-term and sustainable empowerment of the beneficiaries of the Master Trust and enhance the B-BBEE status and recognition level of the Sanlam Group. The Shareholders' Agreement further provides that Ubuntu-Botho Subscriber will appoint the majority of the directors of B-BBEE SPV and Subscription SPV.

To enable Subscription SPV to subscribe for the Subscription Shares at the Subscription Price, Subscription SPV will require an amount of between R7 415 843 400 (seven billion four hundred and fifteen million eight hundred and forty three thousand four hundred Rand) and R8 618 412 600 (eight billion six hundred and eighteen million four hundred and twelve thousand six hundred Rand). The B-BBEE SPV Group has secured the funding for the aforementioned amount through the Standard Bank Funding Package and the Second Ranking Preference Shares. The final mix of the funding will be determined by the Subscription Price and is estimated to be as follows:

R million	Funding Requirement Mix	
	Lower end of the range	Upper end of the range
3 day VWAP	R74.00	R86.00
Subscription Price after a 10% discount to the 3 day VWAP	R66.60	R77.40
First Ranking Preference Shares	2 451.9	2 933.3
Equity Secured Funding	1 256.1	1 375.9
Total Standard Bank Funding Package	3 708.0	4 309.2
Second Ranking Preference Shares	3 708.0	4 309.2
Total funding requirement	7 416.0	8 618.4

The Second Ranking Preference Shares are expected to be funded by Sanlam SPV Subscriber from a combination of discretionary capital of between R2 808 000 000 (two billion eight hundred and eight million Rand) and R3 409 200 000 (three billion four hundred and nine million two hundred thousand Rand) made available by Sanlam, and the issuance of preference shares in the market as to R900 000 000 (nine hundred million Rand).

The Standard Bank Funding Package will be advanced to the B-BBEE SPV Group, on fulfilment of all relevant suspensive conditions to the B-BBEE Transaction (as set out in paragraphs 11.1 and 11.5 of this Circular) including fulfilment of a starting share cover ratio of around 2.5x for the portion representing the First Ranking Preference Shares and around 1.7x for the portion that represents the Equity Secured Funding.

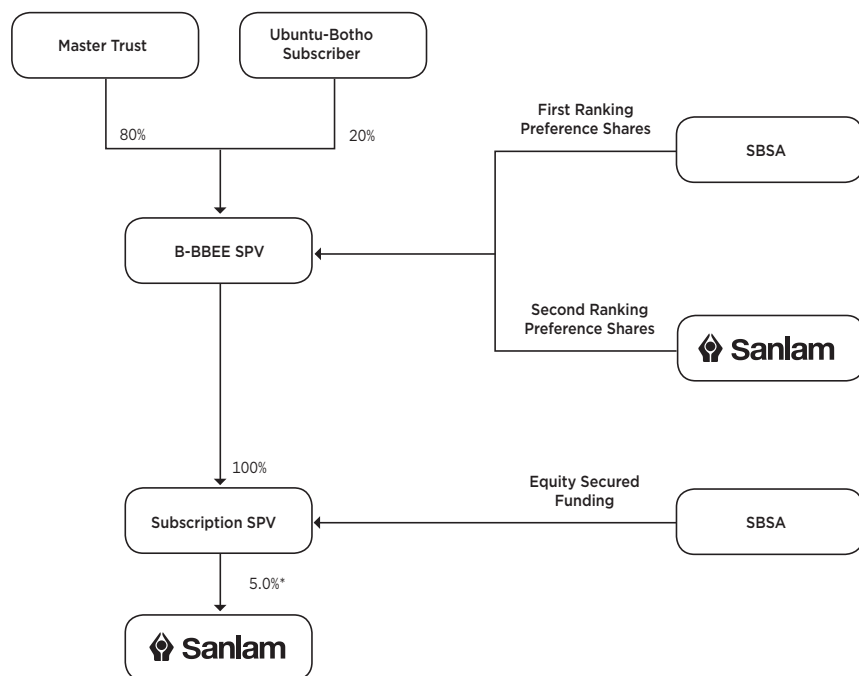
The final size and split of the Standard Bank Funding Package between the First Ranking Preference Shares and the Equity Secured Funding is a function of the Subscription Price. In agreeing the Determination Date (with reference to which the Subscription Price will be determined), the Independent Committee and the Board will ensure the most optimal funding mix at the lowest cost whilst also satisfying the starting share cover ratios. The Standard Bank Funding Package will not exceed R4 309 206 300 (four billion three hundred and nine million two hundred and six thousand three hundred Rand).

It has been agreed that any excess cash available in B-BBEE SPV, post paying for (i) operating expenses limited to R100 000 (one hundred thousand Rand) per annum in aggregate (with annual adjustments for inflation) and (ii) dividend protection payments under the Equity Secured Funding, will be applied in the following order:

- R9 000 000 (nine million Rand) in respect of once-off costs related to the Standard Bank Funding Package and legal expenses related to the transactional documentation for the B-BBEE SPV Group to be paid out of the first dividend received in respect of the Subscription Shares;
- dividends due and payable and redemption amounts (when due and payable) in respect of the First Ranking Preference Shares;
- 10% of remaining cash paid as trickle dividend to the shareholders of B-BBEE SPV;
- dividends due and payable in respect of the Second Ranking Preference Shares;
- at the election of B-BBEE SPV, the voluntary redemption of First Ranking Preference Shares or the deposit of amounts into the dividend redemption reserve account which is ceded by way of security cession in favour of the holders of the First Ranking Preference Shares;
- the voluntary redemption of the Second Ranking Preference Shares.

The holder of the First Ranking Preference Shares and the lender under the Equity Secured Funding will only have recourse to the balance sheets of B-BBEE SPV and Subscription SPV respectively with no recourse to the Sanlam Group balance sheet.

The funding of the B-BBEE Transaction is depicted below:



* percentage based on total ordinary Shares in issue (net of Treasury Shares) post the implementation of the B-BBEE Transaction.

Gross cash proceeds to Sanlam from the issue of the Subscription Shares will be determined by the Subscription Price and will be between R7 415 843 400 (seven billion four hundred and fifteen million, eight hundred and forty three thousand four hundred Rand) and R8 618 412 600 (eight billion six hundred and eighteen million four hundred and twelve thousand six hundred Rand). Fifty percent of the proceeds will be utilised to fund the Second Ranking Preference Shares. In addition to enhancing Sanlam's empowerment status, the B-BBEE Transaction is expected to improve the Group's capital position, by reducing short-term interest-bearing debt incurred as partial funding to acquire the remaining 53.37% interest in Saham Finances.

Terms of the proposed Ubuntu-Botho Facility

Through the Ubuntu-Botho Facility, Sanlam will enable Ubuntu-Botho to:

- acquire a direct or indirect interest in certain key operating subsidiaries of the Sanlam Group, which will enhance the empowerment status and competitiveness of these subsidiaries, potentially leading to synergies for the Sanlam Group and also address the strategic areas that the Group has identified as key focus areas for future growth; and
- investing in financial services companies that will be complementary to the broader Sanlam Group's vision and strategy.

The Ubuntu-Botho Facility will be utilised only as and when transactions which meet the aforementioned criteria are available and will be subject to the terms and conditions of the Ubuntu-Botho Facility Agreement including approval by the Independent Committee and the Board on a case by case basis.

Given the security package and the strategic nature of the planned investments, the Sanlam Board believes that the terms of the Ubuntu-Botho Facility appropriately reflect the balance between financial and strategic benefits to the Sanlam Group.

In addition to providing the Ubuntu-Botho Facility, and to further align the strategic interests of Sanlam and Ubuntu-Botho, Sanlam has reached in-principle agreement with Ubuntu-Botho to acquire a 25% stake in ARC FS from ARC.

Sanlam or a wholly-owned subsidiary of Sanlam ("**Sanlam Subscriber**") will subscribe for the Ubuntu-Botho Preference Shares in an amount of up to R 2 000 000 000 in multiple tranches until 31 December 2020. There is no set schedule for subscribing for Ubuntu-Botho Preference Shares. The subscription by Sanlam Subscriber for each tranche of Ubuntu-Botho Preference Shares will be subject to the terms and conditions of the Ubuntu-Botho Facility agreement and approval of the Independent Committee and the Board on a case by case basis.

The Ubuntu-Botho Preference Shares are redeemable cumulative non-participating preference shares to be issued by the Ubuntu-Botho Issuer.

The Ubuntu-Botho Preference Shares will either be (i) redeemed on the date following 7 years after the date on which the first tranche is issued ("**Initial Tenor Period**") or (ii) refinanced for a further 3-year period ("**Extended Tenor Period**") at the sole discretion of Sanlam if so requested by the Ubuntu-Botho issuer. The dividend in respect of the Ubuntu-Botho Preference Shares will be calculated at a rate of 85% of the Prime Rate for the Initial Tenor Period, and (if refinanced) at prevailing market related rate at refinancing date based on the level of security available for the Extended Tenor Period.

The Ubuntu-Botho Preference Shares will be secured by pledge and cession by ARC FS of the investments acquired with the proceeds received from the Ubuntu-Botho Facility ("**Facility Investments**") and a pledge and cession of investments (which will preferably be listed investments), acceptable to the Sanlam Subscriber, that will ensure that the security cover ratio (being, at any given time, the ratio of the value of Pledged Investments to all amounts outstanding under the Ubuntu-Botho Preference Shares) will be equal to or exceed the ratio of the Facility Investments to the amount utilised under the Ubuntu-Botho Facility at the time of the subscription for as long as the Ubuntu-Botho Preference Shares are not redeemed (collectively the "**Pledged Investments**").

ARC FS will also provide the Company with financial covenants which will be calculated with reference to the directors' valuation of investments held by ARC FS relative to the nominal value of the Ubuntu-Botho Preference Shares not redeemed and any unpaid and accrued dividends thereon tested quarterly, and which must result in the following benchmark share cover ratios being achieved:

- Starting cover - 3.00 times
- Discussion level - 2.50 times
- Top-up level - 2.25 times if this level is breached, in order to restore the starting cover level, ARC FS will attempt to procure that it is capitalised by its shareholders at that time to restore the starting cover level, failing which it will be a breach event)
- Default level - 2.00 times

Scope

In terms of the B-BBEE Transaction, the Subscription Shares will be issued to Subscription SPV at the Subscription Price which constitutes a discount of 10% to the 3 day VWAP of a Sanlam Share on the day preceding the determination by the Independent Committee and approval by the Board. As Ubuntu-Botho (which is a related party to Sanlam as contemplated in the JSE Listings Requirements) controls Subscription SPV, a fairness opinion is required in terms of paragraph 5.51 of the JSE Listings Requirements.

As part of the B-BBEE Transaction, Sanlam will provide financial assistance to B-BBEE SPV and Subscription SPV to acquire the Subscription Shares, via the Second Ranking Preference Shares to be issued by B-BBEE SPV. As B-BBEE SPV and Subscription SPV are associates of Ubuntu-Botho (which is a related party to Sanlam), a fairness opinion is required in terms of paragraph 10.4 of the JSE Listings Requirements.

As the Ubuntu-Botho Facility will be granted to Ubuntu-Botho (which is a related party to Sanlam) or its associates, a fairness opinion is required in terms of paragraph 10.4 of the JSE Listings Requirements.

Accordingly, Sanlam has appointed the Corporate Finance division of Deloitte & Touche to act as the independent professional expert to provide the opinions, indicating whether the terms of the proposed B-BBEE Transaction and Ubuntu-Botho Facility are fair to the shareholders of Sanlam.

Definition of fairness

A transaction will generally be considered fair to a company's shareholders if the benefits to be received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders.

For purposes of our opinion, our assessment of fairness is primarily based on quantitative issues.

B-BBEE Transaction

The terms of the B-BBEE Transaction would be considered fair to shareholders of Sanlam if the financial benefit derived from the B-BBEE Transaction is greater than or equal to the cost to Sanlam Shareholders. The financial benefit associated with the B-BBEE Transaction is the expected increase in Sanlam's equity value arising from the funding structure and B-BBEE synergies. The cost of the B-BBEE Transaction is the value dilution to Sanlam Shareholders from the Specific Issue and subscription for the Second Ranking Preference Shares.

Ubuntu-Botho Facility

The terms of the Ubuntu-Botho Facility would be considered fair to shareholders of Sanlam if the financial benefit derived from the Ubuntu-Botho Facility is greater than or equal to the cost to Sanlam Shareholders. The financial benefit associated with the Ubuntu-Botho Facility is the expected increase in Sanlam's equity value arising from the margin to be earned on the preference share facility when compared to the costs of funding the facility, and synergies. The cost of the Ubuntu-Botho Facility is the discount between the fair value of the preference shares investment and the face value thereof.

Fairness opinions do not purport to cater for individual shareholders but rather the general body of shareholders. Also, an individual shareholder's decision may be influenced by such shareholder's particular circumstances and, accordingly, a shareholder should consult an independent advisor if in any doubt as to the merits or otherwise of the B-BBEE Transaction and Ubuntu-Botho Facility.

Information considered

In arriving at our opinion, we have considered the following information which has been provided by our data providers (Mergermarket, Capital IQ, Economist Intelligence Unit, Business Monitor International and Thomson Reuters), management of Sanlam, or obtained from publicly available sources:

In terms of the B-BBEE Transaction:

- information on Sanlam including the history, nature of business, products, key customers and competitor activity;
- audited financial information for Sanlam for the years ended 31 December 2015 to 2017;
- financial information for Sanlam for the six months ended 30 June 2018 which was reviewed by Sanlam's auditors, Ernst & Young ("EY");

- operating results for Sanlam for the nine months ended 30 September 2018;
- the Group Equity Value ("GEV") disclosures in Sanlam's interim financial report for the six months ended 30 June 2018;
- audited financial information for Santam for the years ended 31 December 2015 to 2017;
- financial information for Santam for the six months ended 30 June 2018 which was reviewed by Santam's auditors;
- the Sanlam Group ORSA Report dated 31 March 2018;
- projected financial information for Sanlam for the financial years ending 31 December 2018 to 2022, which represent the forecasts for the Company before the B-BBEE Transaction and Ubuntu-Botho Facility;
- the term sheets for the Equity Secured Funding, First Ranking Preference Shares and Second Ranking Preference Shares;
- the trust deed in respect of the Master Trust,
- the subscription agreement between Sanlam and SU BEE Investment (RF) Proprietary Limited;
- the subscription and shareholders agreement between the trustees of Master Trust, UBI Subscriber SPV (RF) Proprietary Limited and SU BEE Funding SPV (RF) Proprietary Limited;
- The memorandum of incorporation of SU BEE Funding SPV (RF) Proprietary Limited;
- The memorandum of incorporation of SU BEE Investment SPV (RF) Proprietary Limited;
- the presentations prepared by Sanlam management for the Sanlam Independent Board Committee Meetings on 2 October 2018 and 23 October 2018;
- an estimation by Sanlam management of the business and associated cash flow synergies and benefits of the B-BBEE Transaction;
- a document provided by Sanlam management setting out the strategic rationale for working with Ubuntu-Botho to enhance Sanlam's empowerment strategy;
- Sanlam's financial model calculating the International Financial Reporting Standards ("IFRS") cost of the B-BBEE Transaction;
- documentation provided by Sanlam management explaining its interpretation of IFRS 2 and the methodology applied in determining the cost of the B-BBEE Transaction;
- an indicative valuation of Sanlam ordinary shares, which we have prepared;
- publicly available information regarding the pricing of recent transactions in significant equity interests in companies with operations similar to those of Sanlam;
- other publicly available information relevant to the industry in which Sanlam operates;
- share price history of Sanlam ordinary shares;
- effective discounts, represented by IFRS 2 charges, at which other large South African groups have concluded B-BBEE transactions in recent years;
- analysts' coverage of Sanlam;
- the Circular, of which this letter forms part;
- explanations obtained in discussions with EY; and
- other information and explanations obtained in discussions with management of Sanlam.

In terms of the Ubuntu-Botho Facility:

- the relationship agreement between Sanlam and Ubuntu-Botho, signed in December 2014;
- a document provided by Sanlam management setting out the salient features of the Ubuntu-Botho Facility;
- term sheets in connection with the strategic projects identified for utilisation of the Ubuntu-Botho facility, being those relating to SIH and African Rainbow Life;
- the term sheet setting out the key terms under which Sanlam is expected to acquire a 25% shareholding in African Rainbow Capital Financial Services Holdings Proprietary Limited ("ARC FS") from Ubuntu-Botho;
- a financial model prepared by management of Sanlam setting out the anticipated cash flow profile associated with SIH;
- an estimation by Sanlam management of the increase in Sanlam's equity value from the Ubuntu-Botho Facility having considered the issuance of preference shares (on a back-to-back basis) by a subsidiary of Sanlam at a funding cost lower than the yield on the Ubuntu-Botho Facility;
- an estimation by Sanlam management of the business and associated cash flow synergies and benefits of the Ubuntu-Botho Facility;
- the draft financial information of ARC FS for the year ended 30 June 2018;
- publicly available information on the terms on which B-BBEE-related preference shares have been issued in South Africa;
- discussions with Standard Bank and JP Morgan;
- the Circular, of which this letter forms part; and
- other information and explanations obtained in discussions with management of Sanlam.

Where practical, we have corroborated the reasonability of the information provided to us for the purpose of our opinion, including publicly available information, whether in writing or obtained in discussion with management of Sanlam.

Our approach to considering the terms of the B-BBEE Transaction and procedures performed

In considering the terms of the B-BBEE Transaction, we have performed the following procedures:

- considered the rationale thereof;
- considered the background information on Sanlam;
- reviewed the historical and forecast financial information available for Sanlam;
- considered information made available by management of Sanlam;
- prepared an indicative valuation of the ordinary shares of Sanlam;
- conducted appropriate sensitivity analyses on the valuation outcomes based on a reasonable range of key assumptions;
- considered the calculations of the IFRS 2 charges and performed our own procedures in estimating the cost of the B-BBEE Transaction to Sanlam shareholders. We performed our own calculation of the cost by using a recognised option pricing model, the Monte Carlo simulation;
- compared the economic cost of the B-BBEE Transaction, as a percentage of Sanlam's market capitalisation, with other large South African groups which have concluded B-BBEE transactions in recent years;
- reviewed management's estimates of the business and associated cash flow synergies and benefits of the B-BBEE Transaction and the expected impact of these synergies on the equity value of Sanlam. We also recalculated the impact of the synergies from the B-BBEE Transaction on the equity value of Sanlam; and
- obtained an understanding of the expected increase in Sanlam's equity value as a result of the funding structure of the B-BBEE Transaction and performed our own recalculations of the expected increase in Sanlam's equity value.

Our approach to considering the terms of the Ubuntu-Botho Facility and procedures performed

In considering the terms of the Ubuntu-Botho Facility, we have performed the following procedures:

- considered the rationale thereof;
- considered the background information on Sanlam, Ubuntu-Botho and ARC FS;
- considered information made available by management of Sanlam and ARC FS;
- considered the salient features and terms of the Ubuntu-Botho Facility;
- considered and recalculated the expected increase in Sanlam's equity value from the Ubuntu-Botho Facility having considered the issuance of preference shares (on a back-to-back basis) by a subsidiary of Sanlam at a funding cost lower than the yield on the Ubuntu-Botho Facility;
- reviewed management's estimates of the business and associated cash flow synergies and benefits of the Ubuntu-Botho Facility and the expected impact of these synergies on the equity value of Sanlam;
- considered the financial position of ARC FS and its ability to conform to the Ubuntu-Botho Facility term sheet, based on the draft balance sheet as at 30 June 2018 and related notes to the financial statements;
- compared the terms of the Ubuntu-Botho Facility to the terms of B-BBEE-related preference shares issued to publicly listed companies in South Africa; and
- discussed the terms of the Ubuntu-Botho Facility with Standard Bank and JP Morgan and deliberated around the terms at which ARC FS would raise debt funding commercially.

Valuation

Pre-Proposed Transactions valuation

As mentioned above, in considering the terms of the B-BBEE Transaction, we performed an indicative valuation of Sanlam at the most recent practical date, being 30 June 2018. We considered significant events which occurred in Sanlam and its subsidiaries subsequent to 30 June 2018 as discussed with management of Sanlam and we have considered market and economic conditions up to the date of issue of this report.

In this letter we have referred to the following terms:

- **Embedded value:** The embedded value of the covered (long-term) business is the net asset value, plus the value of in-force business, less the cost of required capital supporting Sanlam's operations; and
- **In-force business:** The life insurer's existing portfolio of business.

The market approach was our primary valuation approach and was based on publicly available financial data for comparable publicly traded companies. We corroborated our valuation findings using the income approach (discounted cash flow methodology).

For the purposes of our primary valuation approach we used the sum-of-the-parts ("SoTP") methodology, which entailed valuing Sanlam's five business clusters (namely: Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investment Group, Santam and Sanlam Corporate) as a portfolio.

For each of Sanlam's five business clusters, we first applied a price to covered embedded value ("P/CEmV") multiple to the covered embedded value as per the interim financial results for the period ended 30 June 2018 to arrive at a value for the covered business in the cluster. Second, we applied a price to earnings multiple to the last twelve months' non-covered net profit to arrive at a value for the non-covered business in the cluster. We added the two results to arrive at a fair value for the cluster.

The above approach takes into account the relationship between embedded value and fair value for businesses in the life insurance industry.

We reviewed Sanlam's embedded value reporting in its financial information for the period ended 30 June 2018. We have considered Sanlam's embedded value calculation methodology, the conclusions reached, the assurance provided by EY, Sanlam's auditors, and events subsequent to the valuation date of 30 June 2018 which may impact the embedded value.

We applied the market approach as the primary valuation approach having considered the following factors:

- Our market approach valuation takes account of Sanlam's embedded value, which represents a detailed valuation of the in-force business based on future cash flows; and
- The market approach outlined above is commonly applied in the industry.

In performing our market approach valuation, we considered internal and external value drivers. As disclosed and demonstrated in Sanlam's integrated report for the year ended 31 December 2017, the embedded value is sensitive to the following key internal value drivers:

- investment return, an increase in which would increase embedded value;
- equity and property values, an increase in which would increase embedded value, assuming no corresponding change in dividend and rental yields;
- mortality and morbidity rates, an increase in which would decrease embedded value in the life assurance business and increase value in the annuity business by a lesser extent;
- discontinuance rates, an increase in which would decrease embedded value; and
- covered business non-commission maintenance expenses, an increase in which would decrease the embedded value.

The key external value drivers of the embedded value relate to the level of:

- interest rates, an increase in which would increase the embedded value due to improved returns on investments;
- financial market returns, an increase in which would increase the embedded value; and
- volatility, an increase in which is likely to decrease embedded value, considering the impact on required capital levels.

The market approach valuation is also sensitive to the P/CEmV and price to earnings multiples observed from companies in the same or similar industries to Sanlam. We therefore conducted appropriate sensitivity analyses on the valuation outcomes from the market approach based on a reasonable range of multiples from our analysis. We note that varying the earnings multiples up and down by 0.1x resulted in a value range between 5.3% lower than the base case result and 5.3% higher than the case base result.

In concluding on our market approach valuation we also performed the following analyses:

- We applied a price-to-book ratio, based on comparable peer companies to the net asset value of Sanlam; and
- We analysed the historical ratio of the market capitalisation of Sanlam relative to its reported group equity value, i.e. Sanlam Management's own valuation of the Sanlam group, over the last five years and considered the resulting long term premium of the market capitalisation to group equity value.

To corroborate our market approach we performed a discounted cash flow analysis as a secondary valuation methodology using Sanlam's five-year forecasted earnings and five-year forecasted solvency capital requirement to arrive at a free cash flow to equity holders, which we discounted with our estimate of Sanlam's cost of equity.

In performing our secondary discounted cash flow valuation methodology we considered the key value drivers. We found that the key internal value drivers over and above those previously mentioned as pertaining to the embedded value are:

- the estimates of new underwritten business, as new underwritten business has a negative cash flow impact in the near term due to upfront costs and an increased investment in capital requirements but a positive value impact in the long term;
- non-covered revenue growth, an increase in which would have a positive value impact; and
- solvency capital requirements, an increase in which would have a negative value impact as a lower proportion of net profit would be available as a cash flow to equity holders.

The key external value drivers are:

- inflation and GDP growth rate per annum, as an increase in either of these would increase revenue growth and have a positive value impact; and
- investment returns on various asset classes, whereby greater expected returns have a positive value impact, particularly on the asset management business.

Our discounted cash flow valuation results are sensitive to the cost of equity and the terminal growth rate applied in our discounted cash flow valuation analysis and we performed sensitivity analysis based on a reasonable range for these assumptions. Varying the cost of equity upwards and the terminal growth rate downwards by 0.5% each, and the cost of equity downwards and the terminal growth rate upwards by 0.5% each, resulted in a value range between 9.6% lower and 12.8% higher than the base case result.

Post-B-BBEE Transaction valuation

We determined the value of Sanlam post-B-BBEE Transaction by adjusting the Sanlam pre-Proposed Transactions value with the expected costs and quantifiable benefits.

To calculate the impact of the synergies from the B-BBEE Transaction on the equity value of Sanlam, we considered the incremental net profit improvement projected by Sanlam management as a result of the B-BBEE Transaction. Management identified business lines within the Group which they expect to benefit from synergies as a result of the proposed B-BBEE Transaction. These synergies are expected to be an increased market share in strategic business lines from the enhanced competitiveness of the business units as a result of the Specific Issue, leading to higher volumes of business and additional net profit. Management considered market and industry insights in projecting the volume effects from synergies and applied pricing and margin assumptions to arrive at the projected net profit after tax increase. We compared the projections to historical earnings and pre-transaction financial forecasts and discussed the basis for the projections with management. We recalculated the increase in equity value using a market multiple approach whereby we capitalised the incremental net profit at an appropriate price-to-earnings ratio for the business, having considered the business lines identified by management, and made an adjustment for the expected timing of the net profit improvement using discounted cash flow techniques. We performed sensitivity analysis by considering a reasonable range of price-to-earnings multiples from our research.

The Second Ranking Preference Shares funding provided by Sanlam in terms of the B-BBEE Transaction will be funded from a combination of discretionary capital and the issuance of preference shares by a subsidiary of Sanlam in the market. The cost of funding from these sources is lower than the investment return earned on the Second Ranking Preference Shares. Management calculated the anticipated funding benefits flowing from the funding structure as well as the opportunity cost associated with subscribing to the Second Ranking Preference Shares. We recalculated this funding benefit by discounting the resultant margin by Sanlam's cost of equity, which we have independently calculated, and performed sensitivity analysis around the timing of the associated cash flows.

In determining the cost of the B-BBEE Transaction we performed a Monte Carlo simulation to cater for the path-dependency inherent in the option payoff. The path-dependency of the option results from the relationship between the Sanlam value per share and the strike price of the option.

The cost of the B-BBEE Transaction was measured taking cognisance of the effective discount of the Subscription Price relative to the execution price range of R74 to R86. The B-BBEE Transaction is an alternative to a general market issuance, similar to the share issuance conducted by Sanlam in March 2018. Such a comparable market issuance would have occurred at a discount of approximately 5%, in management's view, in line with the March 2018 transaction. Management measured the economic cost of the B-BBEE transaction after taking into account the difference between a market related discount of 5% and the effective discount of 10% implied by the Subscription Price. For purposes of our analysis the economic cost of the B-BBEE Transaction was similarly adjusted by the difference between a

market related discount of 5% and the effective discount of 10% implied by the Subscription Price, having considered the terms of the share issuance conducted by Sanlam in March 2018.

In forming our opinion we have compared the post-B-BBEE Transaction equity value of Sanlam to the pre-Proposed Transactions equity value of Sanlam.

Post-Ubuntu-Botho Facility valuation

We determined the value of Sanlam post-Ubuntu-Botho Facility by adjusting the Sanlam pre-Proposed Transactions value with the expected costs and quantifiable benefits.

To calculate the impact of the synergies from the Ubuntu-Botho Facility on the equity value of Sanlam, we considered the incremental net profit projected by Sanlam management as a result of the proposed Ubuntu-Botho Facility transaction. This increase in net profit is expected to result from increased market share for the third party asset management business resulting in increased assets under management. Management based this projection on the proposed SIH transaction whereby ARC FS will subscribe for shares in SIH representing 25% of the total issued shares of SIH, as described in this Circular. Management considered market and industry insights in projecting the volume effects on its third party asset management business from synergies with ARC FS. Management applied pricing and margin assumptions to arrive at the projected net profit after tax increase. We discussed the basis for the projections with management and recalculated the increase in equity value using a market multiple approach whereby we capitalised the incremental net profit at an appropriate price-to-earnings ratio for the third party asset management business. We performed sensitivity analysis by considering a reasonable range of price-to-earnings multiples from our research.

The key internal value drivers of the estimated increase in equity value are the estimated increase in assets under management, the expected fees as a result of the volume increase and the projected net profit margin.

Management calculated the anticipated funding benefits flowing from the margin earned on the UB Facility when compared to the cost of funding from Sanlam's own preference share book. The net positive cash flows from the UB Facility preference share dividends, after the cost of Sanlam's own preference share debt, were discounted at a Sanlam hurdle rate to arrive at a positive net present value. We recalculated this funding benefit by discounting the resultant margin by Sanlam's cost of equity, which we have independently calculated, and performed sensitivity analysis around the timing of the associated cash flows.

In determining the cost of the Ubuntu-Botho Facility we considered the following factors at arriving at an estimation of a market-related return for the facility:

- The terms of the facility including the cover ratios and asset pledges as described in the Circular;
- management's understanding of the current pipeline of investments for the facility;
- the risk profile of the portion of the facility that is expected to be utilised for investments in Sanlam subsidiaries and, separately, the risk profile of the remaining portion of the facility based on the pipeline of investments;
- the criteria and approval processes around the UB Facility and drawdowns on the facility as envisaged in the term sheet, the Circular and discussions with Sanlam management. Specifically, we considered that the facility will only be used to acquire a direct or indirect interest in certain key operating subsidiaries of the Sanlam Group and to pursue Sanlam's financial services expansion strategy by investing in financial services companies that will be complementary to the broader Sanlam Group's vision and strategy. We note that given Sanlam's multibank relationships, any banking interest held indirectly via ARC FS is seen as incidental to Sanlam and not core to the Sanlam strategy. We understand that the Independent Committee will consider the business case of each proposed draw down. Furthermore, we understand that any investment by ARC FS in a Sanlam subsidiary will require a fairness opinion to be obtained by the board of Sanlam;
- the draft ARC FS balance sheet at 30 June 2018, the nature of the investments and the balance sheet's ability to conform to the UB Facility term sheet; and
- the yields on preference shares listed on the JSE and terms of preference shares issued as part of B-BBEE transactions by large listed corporates in South Africa.

We applied our estimation of a market-related return for the facility to estimate a fair value of the preference share facility for the purposes of our analysis. The discount between the fair value and the face value of the facility represents the estimated cost of the facility. We performed sensitivity analysis using a range of reasonable market-related returns.

Our estimation of the cost of the Ubuntu-Botho Facility assumes that the risk profile of the investments to be made by ARC FS using draw downs from the facility will not be significantly different from the pipeline of which Sanlam management is currently aware. We have also assumed that the acquisition by ARC FS of an interest in Sanlam's South African Third Party Asset Management Business, as described in the circular, will be concluded.

In forming our opinion we have compared the post-Ubuntu-Botho Facility equity value of Sanlam to the pre-Proposed Transactions equity value of Sanlam.

We have considered and relied upon the assumption that there will be no material changes to South African financial services and insurance legislation and regulations affecting Sanlam's business in the foreseeable future.

Opinion

B-BBEE Transaction

Based upon and subject to the foregoing, we are of the opinion that the proposed B-BBEE Transaction is fair to the shareholders of Sanlam.

Ubuntu-Botho Facility

Based upon and subject to the foregoing, we are of the opinion that the proposed Ubuntu-Botho Facility is fair to the shareholders of Sanlam.

Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

Each Sanlam shareholder's decision may be influenced by their particular circumstances.

We suggest that a shareholder should consult an independent advisor if they are in any doubt as to the merits of the B-BBEE Transaction considering their personal circumstances. Similarly, we suggest that a shareholder should consult an independent advisor if they are in any doubt as to the merits of the Ubuntu-Botho Facility considering their personal circumstances.

Limiting conditions

Forecasts relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to the financial projections provided to us.

Our procedures and inquiries did not constitute an audit in terms of International Standards on Auditing. Accordingly, we cannot express an audit opinion on the financial data or other information used in arriving at our opinion.

Independence

We confirm that we have no financial interest in Sanlam and in the outcome of the B-BBEE Transaction and Ubuntu-Botho Facility. Furthermore, we confirm that our professional fees are not contingent upon the successful conclusion of the B-BBEE Transaction or Ubuntu-Botho Facility.

Consent

We hereby consent to this letter being included in the circular to Sanlam shareholders to be issued on or about 12 November 2018.

Yours faithfully

Sean McPhee
Partner
Deloitte & Touche
Corporate Finance
Registered Auditors
Woodlands Drive
Woodmead
Sandton
2196



Sanlam Limited

(Incorporated in the Republic of South Africa)

(Registration Number 1959/001562/06)

JSE share code: SLM / A2X share code: SLM / NSX share code: SLA / ISIN: ZAE000070660
(the "Company" or "Sanlam")

NOTICE OF GENERAL MEETING

Notice is hereby given by means of this notice attached to a Circular dated Monday, 12 November 2018 and distributed to shareholders on Monday, 12 November 2018 to shareholders recorded in the Company's securities register on Friday, 2 November 2018 that a meeting of the shareholders of Sanlam (the "**Meeting**") will be held on Wednesday, 12 December 2018 at 14:00 in the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville, Cape Town to (i) deal with such business as may lawfully be dealt with at the Meeting; and (ii) consider and, if deemed fit, pass, with or without modification, the special and ordinary resolutions set out hereunder in the manner required by the Companies Act, as read with the JSE Listings Requirements and other stock exchanges on which the Company's ordinary shares are listed, which Meeting is to be participated in and voted at by shareholders recorded in the Company's securities register as at the voting record date of Friday, 7 December 2018. Terms defined in the Circular to which this notice is attached bear a corresponding meaning in this notice.

Kindly note that, in accordance with section 63(1) of the Companies Act, Meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to attend or participate in the Meeting.

Voters are allowed access to the venue to vote by no later than 14:00 on Wednesday, 12 December 2018. Forms of identification include valid identity documents, drivers' licences and passports.

A shareholder entitled to vote at the Meeting is entitled to appoint a proxy or proxies to attend, participate in and vote at the Meeting in the place of the shareholder. A proxy need not also be a shareholder.

SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following three Special Resolutions:

Percentage support required for Special Resolution No. 1:

In order for this Special Resolution to be adopted, the support of at least 75% (seventy-five per cent) of the total number of votes, which the shareholders present or represented by proxy at this Meeting are entitled to cast, is required. As a related party whose associates are participating in the specific issue for cash (as contemplated in the JSE Listings Requirements), Ubuntu-Botho and its associates are not entitled to cast any votes in respect of Special Resolution No. 1.

1. Special Resolution No. 1

Resolved that:

The issue of 111 349 000 (one hundred and eleven million three hundred and forty nine thousand) shares with a par value of one cent each in the share capital of the Company to SU BEE Investment SPV (RF) Proprietary Limited at a price no less than R66.60 (sixty-six Rand and sixty cents) per share (representing a discount of 10% to a 3 day VWAP of R74 (seventy-four Rand) per share on the business day preceding the Determination Date) and not exceeding R77.40 (seventy-seven Rand and forty cents) per share (representing a discount of 10% to a 3 day VWAP of R86 (eighty-six Rand) per share on the business day preceding the Determination Date) be and is hereby approved in accordance with section 41 of the Companies Act and the JSE Listings Requirements.

Percentage support required for Special Resolution No. 2 and Special Resolution No. 3:

In order for these Special Resolutions to be adopted, the support per Special Resolution of at least 75% (seventy-five per cent) of the total number of votes, which the shareholders present or represented by proxy at this Meeting are entitled to cast, is required. Ubuntu-Botho has informed the Company that it will not cast any votes in respect of Special Resolution No. 2 and Special Resolution No. 3.

2. Special Resolution No. 2

Resolved that:

Subject to the approval of Special Resolution No. 1, the provision of financial assistance by the Company or any subsidiary of the Company to SU BEE Funding SPV (RF) Proprietary Limited in an amount not exceeding R4 309 206 300 (four billion three hundred and nine million two hundred and six thousand three hundred Rand) for the purposes of, or in connection with, the subscription for ordinary shares in the share capital of the Company as contemplated in Special Resolution No. 1 be and is hereby approved in accordance with sections 44 and 45 of the Companies Act.

3. Special Resolution No. 3

Resolved that:

The provision of financial assistance by the Company to Ubuntu-Botho Investments Proprietary Limited (or any of its wholly-owned subsidiaries nominated by it and approved by the board of directors of the Company) in an amount not exceeding R2 000 000 000 (two billion Rand), in aggregate, pursuant to the Ubuntu-Botho Facility, be and is hereby approved in accordance with section 45 and, to the extent necessary, section 44 of the Companies Act.

ORDINARY RESOLUTION

To consider and, if deemed fit, to pass, with or without modification, the following Ordinary Resolution:

Percentage support required for Ordinary Resolution No. 1:

In order for the Ordinary Resolution to be adopted, the support of more than 50% (fifty per cent) of the total number of votes, which the shareholders present or represented by proxy at this Meeting are entitled to cast, is required. Ubuntu-Botho has informed the Company that it will not cast any votes in respect of Ordinary Resolution No. 1.

1. Ordinary Resolution No. 1

To authorise any director of the Company and, where applicable, the secretary of the Company, to do all such things, sign all such documentation and take all such actions as may be necessary to implement the aforesaid Special Resolutions to the extent that they have been duly passed.

General notes

1. The record date for the distribution of the notice of the Meeting was set as at the close of business on Friday, 2 November 2018.
2. The record date to participate in, attend and vote at the Meeting was set as at the close of business on Friday, 7 December 2018. Therefore, the last day to trade in the Shares on the JSE in order to be recorded in the share register on the record date is Tuesday, 4 December 2018.
3. A Shareholder entitled to participate in, attend, speak and vote at the Meeting may appoint a proxy to participate in, attend, speak and vote in his or her stead.
4. The votes of Shares held by the Sanlam Share Incentive Trust and subsidiaries of the Company will not be taken into account at the Meeting for approval of any resolution proposed in terms of the JSE Listings Requirements.
5. Shareholders who hold share certificates for their Sanlam Shares or have dematerialised their Sanlam Shares and have them registered in their own name (which includes Sanlam Shares held through the arrangement with Sanlam Share Account Nominee (Pty) Limited or Sanlam Fundshares Nominee (Pty) Limited), but who are unable to attend the Meeting and wish to be represented thereat, should complete and return the enclosed form of proxy, in accordance with the instructions contained therein, to the transfer secretaries, Computershare Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107). For administrative purposes, the form of proxy is requested to be received by no later than 14:00 on Tuesday, 11 December 2018. It may alternatively be handed to the chairperson of the Meeting prior to the commencement of the Meeting on Wednesday, 12 December 2018.
6. Shareholders who hold their dematerialised Sanlam Shares through a CSDP, bank or broker nominee (Sanlam Dematerialised Shareholders) must provide their CSDP, bank or broker nominee with their voting instructions, in accordance with the agreement between them and their CSDP, bank or broker nominee. Should Sanlam Dematerialised Shareholders wish to cast their votes at the Meeting in person, they must contact their CSDP, bank or broker nominee to issue them with the appropriate letter of representation. Sanlam does not accept the responsibility for any failure on the part of the CSDP, bank or broker nominee with regard hereto.
7. A person representing a corporation/company is not deemed to be a proxy as such corporation/ company can only attend the Meeting through a person, duly authorised by way of a resolution to act as representative. A notarially certified copy of such power of attorney or other documentary evidence establishing the authority of the person signing the proxy in a representative capacity must be attached to the form of proxy. Such person enjoys the same rights at the Meeting as the shareholding corporation/company.
8. A Shareholder whose Shares are held through the arrangement with Sanlam Share Account Nominee (Pty) Limited or Sanlam Fundshares Nominee (Pty) Limited is entitled to act and vote at the Meeting.
9. On a show of hands, every Shareholder present in person or every proxy or duly authorised representative representing Shareholders shall have only one vote, irrespective of the number of Shareholders or Shares he/she represents or holds.
10. On a poll, every Shareholder present in person or represented by proxy or duly authorised representative shall have one vote for every Sanlam Share held by such Shareholder.
11. A resolution put to the vote shall be decided on a show of hands unless, before or on the declaration of the results of the show of hands, a poll shall be demanded by any person entitled to vote at the Meeting. If a poll is so demanded, the resolution put to the vote shall be decided on a poll.
12. The Company's Memorandum of Incorporation provides for an electronic voting process, for which purposes electronic handset devices will be used.
13. Electronic participation - Shareholders are advised that they, or their proxies, will be able to participate in the Meeting by way of electronic communication but will not be able to vote during the Meeting. Such Shareholders, should they wish to have their votes counted at the Meeting, must act in accordance with the general instructions contained within this Notice of Meeting. Telephone lines will be made available for this purpose. Shareholders who wish to participate by way of electronic communication must register such request in writing with the Company Secretary (sana-ullah.bray@sanlam.co.za) by no later than 12:00 on Friday, 7 December 2018. The cost of the Shareholder's phone call will be for his/her own expense. The Shareholder acknowledges that the telecommunication lines are provided by a third party and indemnifies the Company against any claim arising in any way from the use or possession of the telecommunication lines. We kindly request Shareholders to dial in from 13:50 on the day of the Meeting. All Shareholders who would like to call into the Meeting should dial +27 21 916 3770 PIN:5500 #

By order of the Board



Sana-Ullah Bray
Group Company Secretary
Bellville
November 2018

