

Sanlam Limited

(Incorporated in the Republic of South Africa)

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(“Sanlam” or “the Company” and with its subsidiaries “the Group” or “the Sanlam Group”)

POSITIONING THE SOUTH AFRICAN OPERATIONS FOR GROWTH THROUGH ENHANCED ECONOMIC EMPOWERMENT

1. INTRODUCTION

Sanlam is pleased to announce to its shareholders (“**Shareholders**”) that it has reached agreement in respect of a series of agreements, as detailed below, that would significantly strengthen its South African operations and position the Company for future growth through enhancing its economic empowerment credentials.

The Company:

- has entered into an agreement pursuant to which it will, subject to the fulfilment of certain suspensive conditions, issue 111 349 000 new Sanlam ordinary shares (“**Sanlam Shares**”) constituting 5% of the Sanlam ordinary share capital net of Treasury Shares (as defined in paragraph 9 below) (“**Subscription Shares**”) to an entity held by new and existing broad based black economic empowerment (“**B-BBEE**”) shareholders (“**Subscription SPV**”) to substantially broaden the base of Sanlam’s empowerment beneficiaries and has entered into a binding term sheet pursuant to which it will, subject to the fulfilment of certain suspensive conditions, provide financial assistance in connection with the subscription for the Subscription Shares (together the “**B-BBEE Transaction**”); and
- as a separate transaction to the B-BBEE Transaction, has entered into a binding term sheet pursuant to which it will, subject to the fulfilment of certain suspensive conditions, grant a R2 000 000 000 (two billion Rand) facility to Ubuntu-Botho or a wholly owned subsidiary of Ubuntu-Botho (“**Ubuntu-Botho Issuer**”) (“**Ubuntu-Botho Facility**”) enabling Ubuntu-Botho 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 also to invest in financial services businesses that are complementary to Sanlam’s strategy.

Collectively the B-BBEE Transaction and the Ubuntu-Botho Facility are referred to as the “**Proposed Transactions**” and the agreements to give effect to the Proposed Transactions are referred to as the “**Transaction Agreements**”.

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. The Proposed Transactions will support Sanlam to grow and consolidate its position in this important market, whilst also building on the Sanlam philosophy of mutually beneficial partnerships in pursuit of shareholder value creation.

The International Financial Reporting Standards ("**IFRS**") cost relating to the Proposed Transactions as illustrated in the pro-forma IFRS financial effects in paragraph 9 of this announcement represents a cost of 0.9% of the Company's market capitalisation. Based on the Group's assessment of the economic cost of the Proposed Transactions rather than IFRS cost, the Proposed Transactions represent a cost of 0.6% of its market capitalisation. This is considered to be at the lower end of the range of comparable B-BBEE transactions, with most of the comparable transactions focused only on increasing shareholding at a Company level. The Proposed Transactions have a wider reach by also introducing strategic B-BBEE stakes at an operational/business unit level. The Board believes 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 creation for shareholders.

The proceeds from the B-BBEE Transaction will be used to redeem the short-term debt facilities incurred as partial funding to acquire the 53.37% SAHAM Finances shareholding, enabling Sanlam to retain its balance sheet flexibility and strength, in line with its prudent balance sheet management strategy.

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 announcement sets out the rationale and the salient terms of the Proposed Transactions, including the suspensive conditions, effective date, related party considerations, board opinion and recommendations as well as the pro forma financial effects.

2. RATIONALE FOR THE PROPOSED TRANSACTIONS

Re-enforcing Sanlam's South African operations

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 and is 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. 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 Charter ("FSC") 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 based on protecting and enhancing the Group's leadership position in South Africa through *inter alia* a leading empowerment status and appropriate mutually beneficial partnerships and is also focused 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.

The Proposed Transactions are a deliberate strategic move to enhance the Group's empowerment status and strategic partnerships, both at Group level as well as specific operational business unit level, in support of long term value creation for all stakeholders. 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 the identified strategic areas to the benefit of shareholders.

On completion of the B-BBEE Transaction, Sanlam will be a Level 1 Contributor with a black economic ownership level (combined 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.

Enhancing Broad Based participation at a group level

The B-BBEE Transaction will extend 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:

- Professional black women;
- Rural and urban poor black women groups;
- Black youth and black youth groups;
- Black business partners and broad based black groups (including community organisations and black business partners of Sanlam and Ubuntu-Botho); and
- Employees of the Sanlam Group.

The 80% participation in the B-BBEE Transaction will be held via a trust to be created for the ultimate benefit of broad based black economic empowerment participants (the "**Master Trust**"). 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.

Enhancing broad based empowerment on key operating subsidiary level and strengthening and expanding the strategic partnership with Ubuntu-Botho

The strategic partnership between Sanlam and Ubuntu-Botho has been one of the most successful business relationships in South Africa. Since the maturity of the original empowerment transaction between Sanlam and Ubuntu-Botho, Ubuntu-Botho has continued to support Sanlam's strategy in South Africa, extending and expanding the relationship. 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.

As part of Sanlam's South African strategy and to enhance Sanlam's empowerment at an operational (business unit) level, Sanlam is proposing to make available the Ubuntu-Botho Facility subject to the fulfilment of the Suspensive Conditions detailed in Paragraph 5.

The Ubuntu-Botho Facility is intended to be utilised to strengthen Sanlam's competitive position, while also strengthening the strategic, long-standing and mutually beneficial partnership with Ubuntu-Botho.

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

- acquire a direct or indirect interest in certain key operating subsidiaries of the Sanlam Group in areas where Sanlam does not have a leading position, in particular third-party asset management, and the growing entry level market. This will enhance the empowerment status and competitiveness of these subsidiaries; 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 utilised only as and when transactions which meet the aforementioned criteria are available and will be subject to the terms and conditions of the agreement supporting the Ubuntu-Botho Facility (the "**Ubuntu-Botho Facility Agreement**") including approval by the Independent Committee, consisting of all non-executive Directors who are independent of Sanlam and Ubuntu-Botho, to evaluate matters involving the Company and the Ubuntu-Botho Group, (the "**Independent Committee**") and the Board on a case by case basis.

3. SALIENT TERMS OF THE PROPOSED TRANSACTIONS

3.1. The B-BBEE Transaction

The Subscription Shares will be issued to Subscription SPV at the Subscription Price (defined below) which will be determined on the Determination Date. The Determination Date will be a date falling after the fulfilment of all suspensive conditions to the B-BBEE Transaction, and will be agreed by the Independent Committee and the 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.

The 3 day volume weighted average price (“**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 which utilises the 3 day VWAP of a Sanlam Share to determine the starting share cover ratio. The Standard Bank Funding Package is defined below.

In agreeing the Determination Date, the Independent Committee will consider the prevailing market conditions and seek to balance the interest of shareholders and other stakeholders in determining the optimal pricing, funding mix and timing of the B-BBEE Transaction.

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 R 77.40 (after a discount of 10% to a price of R 86.00), 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 R 74.00). The Subscription Date may, subject to the fulfilment of all relevant suspensive conditions, fall on any date on or prior to 30 June 2019.

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 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 parties to the B-BBEE Transaction

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.

B-BBEE SPV

- B-BBEE SPV is a newly established black economic empowerment entity which will hold 100% of the ordinary shares of Subscription SPV. The sole purpose of B-BBEE SPV is to (i) hold the ordinary shares in Subscription SPV, to (ii) raise funding pursuant to the issue of preference shares to The Standard Bank of South Africa Limited (“the **First-Ranking Preference Shares**”) and preference shares to Sanlam or one of its subsidiaries (the “**Sanlam SPV Subscriber**”) (“the **Second-Ranking Preference Shares**”) and to (iii) partially fund Subscription SPV for the purpose of subscribing for the Subscription Shares. B-BBEE SPV is owned as to 80% by the Master Trust and as to 20% by Ubuntu-Botho Subscriber.

Collectively the B-BBEE SPV and Subscription SPV are referred to as the “**B-BBEE SPV Group**”.

The Master Trust and Beneficiary Trusts

- The purpose of the Master Trust and the Beneficiary Trusts will be to create long-term and sustainable empowerment through a broad-based group of black beneficiaries.

Ubuntu-Botho Subscriber

- Ubuntu-Botho Subscriber is held as to 20% by the Sanlam Ubuntu-Botho Community Development Trust and 80% as to Ubuntu-Botho.
- Ubuntu-Botho Subscriber will be entitled to appoint the majority of the directors on the board of B-BBEE SPV and Subscription SPV.

Funding 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 and six hundred Rand). The B-BBEE SPV Group has secured the funding for the aforementioned amount through:

- (i) the Standard Bank Funding Package consisting of first ranking preference shares to be issued by B-BBEE SPV to Standard Bank (“**First Ranking Preference Shares**”) and a loan by Standard Bank or another financial institution to Subscription SPV (“**Equity Secured Funding**”); and
- (ii) the Second Ranking Preference Shares consisting of second ranking preference shares to be issued by B-BBEE SPV to Sanlam SPV Subscriber.

The funding requirement will be split 50/50 between the Second Ranking Preference Shares and the Standard Bank Funding Package. 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	R 74.00	R 86.00
Subscription Price after a 10% discount to 3 day VWAP	R 66.60	R 77.40
First Ranking Preference Shares	R2 451.9	R2 933.3

Equity Secured Funding	R1 256.1	R1 375.9
Total Standard Bank Funding Package	R3 708.0	R4 309.2
Second Ranking Preference Shares	R3 708.0	R4 309.2
Total funding requirement	R7 416.0	R8 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 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, 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).

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.

3.2. The Ubuntu-Botho Facility

Sanlam or a wholly owned subsidiary of Sanlam (“**Sanlam Subscriber**”) will subscribe for the preference shares issued by Ubuntu-Botho Issuer (the “**Ubuntu-Botho Preference Shares**”) in an amount of up to R2 000 000 000 (two billion Rand) in aggregate, 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 dividend in respect of the

Ubuntu-Botho Preference Shares will be calculated at a rate of 85% of the Prime Rate for an initial period of 7 years after the date on which the first tranche is issued and if refinanced for a further period of 3 years (at the sole discretion of Sanlam Subscriber) will be at the prevailing market related rate at refinance date based on the level of security available for the extension period.

The Ubuntu-Botho Preference Shares will be secured by pledge and cession by African Rainbow Capital Financial Services (“**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 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.

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

Utilisation of the Ubuntu-Botho Facility

The details set out below are provided to Shareholders for information purposes only and fall outside of the scope of the Proposed Transactions. They provide an indication of how the Ubuntu-Botho Facility will be utilised by Ubuntu-Botho in the future in support of Sanlam’s strategy for empowerment and transformation.

Sanlam, African Rainbow Capital (“**ARC**”) and ARC FS have reached in-principle agreement, subject to the conclusion of definitive agreements, to enter into the potential transactions described below which will be subject to the JSE listings requirements. A full terms announcement will be made once definitive agreements have been concluded. In addition to these potential transactions, 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.

- **Third Party Asset Management:** In order to enhance the competitiveness of its third-party asset management business Sanlam will engage in a restructuring of its South African businesses and introduce ARC FS as a 25% shareholder in the business (the “**Sanlam Investments Transaction**”). Sanlam and ARC FS may jointly explore opportunities for further transactions with other asset management companies.
- **Life Insurance – entry level market:** 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. Sanlam Life Insurance Limited (“**Sanlam Life**”), ARC FS and a consortium comprising key black management (the “**Management Consortium**”) have incorporated a new black managed financial services

business named African Rainbow Life. African Rainbow Life will have a significant B-BBEE shareholding and will be held as to 51% by Sanlam Life, and 49% by ARC FS and 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.

Should these potential transactions be concluded, Sanlam expects to have broad based black economic ownership (as measured in terms of the FSC) in excess of 51% at operating business unit level in these areas.

4. CROSS SHAREHOLDING TRANSACTION

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 which will inter alia hold the strategic investments acquired via the Ubuntu-Botho Facility as part of the Sanlam and Ubuntu-Botho business partnership. If definitive agreements are concluded, a full terms announcement will be made and the transaction will be subject to the requirements of the JSE Listings Requirements.

5. SUSPENSIVE CONDITIONS

The B-BBEE Transaction is conditional, *inter alia*, on the fulfilment of the following suspensive conditions by no later than 30 June 2019:

- the requisite shareholder approval being obtained from Shareholders at the general meeting of Shareholders to be held on 12 December 2018 (“**the General Meeting**”);
- B-BBEE SPV Group obtaining the requisite funding pursuant to the Standard Bank Funding Package and Second Ranking Preference Shares to enable Subscription SPV to subscribe for the Subscription Shares;
- 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 (based on a 3 day VWAP);
- the Transaction Agreements becoming unconditional; and
- the regulatory approvals in the relevant jurisdictions.

The Ubuntu-Botho Facility will be conditional, *inter alia*, on the fulfilment of 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 requisite shareholder approval being obtained from Shareholders at the General Meeting 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.

6. EFFECTIVE DATE

The Proposed Transactions will become effective subject to the fulfilment of the suspensive conditions which are anticipated to take place by no later than 30 June 2019.

7. RELATED PARTY CONSIDERATIONS

B-BBEE Transaction

As B-BBEE SPV and Subscription SPV will be controlled by Ubuntu-Botho Subscriber, an associate of a material shareholder of Sanlam (as contemplated in the JSE Listings Requirements) and a related person to Dr. Patrice Motsepe, deputy Chair of Sanlam (as contemplated in the Companies Act), the following related party considerations are applicable in respect of the Proposed Transactions:

Issue of the Subscription Shares

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 will be made available in the circular to be posted to Shareholders on or about 12 November 2018 that will provide full details of the Proposed Transactions (the “**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 this special resolution

Provision of funding through subscription for the Second Ranking Preference Share

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 will be made available in the Circular.

Whilst Ubuntu-Botho is not precluded by the Companies Act or the JSE Listings Requirements from voting on such resolution, Ubuntu-Botho has informed the Company that it will not cast any votes on this resolution.

Granting of the Ubuntu-Botho Facility

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 is deemed a small related party transaction in terms of the JSE Listings Requirements and does not require the approval of Shareholders under the JSE Listings Requirements. However, 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 will be made available in the Circular.

Whilst Ubuntu-Botho is not precluded by the Companies Act or the JSE Listings Requirements from voting on such resolution, Ubuntu-Botho has informed the Company that it will not cast any votes on this resolution.

8. BOARD OPINION AND RECOMMENDATIONS

The Board established the Independent Committee, consisting of all non-executive Directors who are independent of Sanlam 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 as Independent Financial Advisor to advise it in connection with the Proposed Transactions.

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, the subscription for the Second Ranking Preference Shares by the Company or any of its wholly-owned subsidiaries and the terms of the Ubuntu-Botho Facility to the related party, Ubuntu-Botho (or its associates). Deloitte & Touche have concluded that the terms of the B-BBEE Transaction and the Ubuntu-Botho Facility are fair to Shareholders. Their opinion will be set out in the Circular.

The Board has considered the terms of the Proposed Transactions, together with the fairness opinion by the Independent Expert and is of the opinion that the terms and conditions thereof are fair to Shareholders and accordingly recommend that Shareholders vote in favour of the required resolutions to implement the Proposed Transactions which will be proposed at the General Meeting.

9. 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 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.

9.1. 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 Shareholder's 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 ⁽³⁾	% change from Before the Proposed Transactions	Pro forma after the Proposed Transactions - Scenario B ⁽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					
	Before the Proposed Transactions	Pro forma after the Proposed Transactions - Scenario A ⁽³⁾	% change from Before the Proposed Transactions	Pro forma after the Proposed Transactions - Scenario B ⁽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

- Notes below are applicable to both the R74-scenario and R86-scenario
- 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.

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.
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.
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 Shareholder’s Information.

The full pro forma financial information will be set out in the Circular, together with a report from Ernst & Young Incorporated, the Company’s independent reporting accountant.

10. SALIENT DATES AND TIMES

The salient dates and times in relation to the Proposed Transactions are set out below:

	2018
Notice record date, being the date on which Sanlam Shareholders must be registered in the Sanlam securities register in order to be entitled to receive the Circular and the Notice of General Meeting	Friday, 2 November
Circular to Shareholders posted on or about	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 Shareholders to be held at 14:00 at the offices of Sanlam at the CR Louw Auditorium, Sanlam Head Office, 2 Strand Road, Bellville, Cape Town	Wednesday, 12 December
Results of General Meeting released on SENS	Wednesday, 12 December
Results of General Meeting released in the press	Thursday, 13 December
Notes:	
<i>All times indicated above are local times in South Africa.</i>	

11. CIRCULAR

The Circular setting out the full details of the Proposed Transactions will be posted to Shareholders, who have indicated preference for receiving notices via post, on 12 November 2018. The Circular will also be made available on the Company's website at www.sanlam.com and Shareholders will be notified via SENS once the circular is available on the website.

12. CONFERENCE CALL

A conference call for analysts, investors and the media will take place at 16h00 (South African time) today. Investors and media who wish to participate in the conference call should register as indicated below.

Audio dial-in facility

A toll-free dial-in facility will be available. Please register at <http://www.diamondpass.net/3668812> for the call. Registered participants will receive their dial-in number upon registration. For assistance, please contact Sanlam Investors Relations at +2721 947 8455.

Recorded playback will be available for three days after the conference call.

Access Numbers for Recorded Playback:

Access code for recorded playback: **18537**

South Africa	010 500 4108
USA and Canada	1 412 317 0088
UK	0 203 608 8021
Australia	073 911 1378
Other Countries	+27 10 500 4108

Cape Town

31 October 2018

Lead Financial Advisor and Transaction Sponsor

The Standard Bank of South Africa Limited

Legal Advisor

Glyn Marais Incorporated

Independent Expert

Deloitte & Touche

Independent Reporting Accountant

Ernst & Young Inc.

Independent Financial Advisor to the Independent Committee Directors of the Board

JP Morgan