

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", "group")

Sanlam Life Insurance Limited
(Incorporated in the Republic of South Africa)
(Registration No. 1998/021121/06)
Bond Issuer Code: SMT1
("Sanlam Life")

SANLAM ANNOUNCES TRANSACTION WITH CAPITAL LEGACY SOLUTIONS PROPRIETARY LIMITED AND SEPARATE PURCHASE OF REMAINING SHARES IN BRIGHTROCK HOLDINGS PROPRIETARY LIMITED

The board of directors of Sanlam is pleased to announce the conclusion of two separate agreements in transactions that will significantly strengthen its retail life insurance operation in South Africa.

These transactions represent a significant deployment of discretionary capital of some R1,1 billion. The group is confident that the returns on these investments will exceed target return hurdles and that each transaction will generate appreciable synergies. The group's discretionary capital position will remain strong post these transactions and further guidance on capital allocation and deployment will be provided with the annual results on 9 March 2023.

In the first transaction, Sanlam has agreed to combine the fiduciary operations of Sanlam Trust Proprietary Limited (Sanlam Trust) with those of Capital Legacy Solutions Proprietary Limited (Capital Legacy) to create a formidable fiduciary business with a unique life insurance offering, the Legacy Protection Plan (Capital Legacy Transaction).

In the second transaction, Sanlam has agreed to acquire the remaining shares in BrightRock Holdings Proprietary Limited (BrightRock) from its minorities and to bring it fully into the Sanlam stable to extract further synergies and enhance long-term growth (BrightRock Transaction).

Capital Legacy and BrightRock products and services add to our excellent client offering and support our purpose of empowering generations to be financially confident, secure and prosperous, while contributing to our strategy of building a fortress position in South Africa.

OVERVIEW OF TRANSACTIONS

1 The Capital Legacy Transaction

- Sanlam Life will dispose of Sanlam Trust to Capital Legacy at a price of R390 million in exchange for shares in Capital Legacy. At the same time, Sanlam Life will subscribe for further shares in Capital Legacy for a cash amount of R720 million, resulting in Sanlam owning a 26% interest in the enlarged Capital Legacy Group that will include Sanlam Trust. The amounts are as at 31 March 2022 and will be rolled forward to the effective date.
- In addition to the shareholding acquired, Sanlam and Capital Legacy will conclude commercial arrangements through which Sanlam will earn additional profits in respect of all Sanlam clients serviced by Capital Legacy.
- Sanlam will also have the first right to provide financial and other reinsurance to Capital Legacy on all new business, which becomes an additional source of profit for Sanlam.

It should be noted that Sanlam Private Wealth Fiduciary Services and Sanlam Corporate's Legacy Beneficiary Fund are not part of the Capital Legacy Transaction and will remain with Sanlam.

- 2 In terms of the BrightRock Transaction, Sanlam has agreed to bring BrightRock under full control, increasing its shareholding from 62% to 100% for an initial payment of R399 million on effective date, reflecting current embedded value in the business. Further payments of between R95 million

and R437 million will be paid over the next three years, subject to the negotiated value of new business targets being met.

FINANCIAL IMPACTS ON SANLAM

The Capital Legacy Transaction and BrightRock Transaction are expected to be accretive to Sanlam's return on group equity value (RoGEV):

Capital Legacy Transaction

- The market position and proposition offered by Capital Legacy means that this business has been growing well and writes profitable life insurance business with a strong value of new business (VNB) result. Capital Legacy wrote new business with a VNB of approximately R300 million for the year ending March 2022.
- Sanlam's distribution and client base offer considerable opportunity for Capital Legacy to now access and grow even stronger. Sanlam will capture an extra profit share of 25% on business written for its own clients and through Sanlam and Sanlam-affiliated distribution channels.
- The Capital Legacy business relies on financial reinsurance to fund new business. Sanlam will provide this reinsurance in future. The margin on this will add to the return on investment for Sanlam.
- Fiduciary planning often highlights additional financial needs for clients, which will be catered for by Sanlam's wide range of solutions.
- By combining Capital Legacy's innovative offering with Sanlam Trust's mature estate, trust and beneficiary fund administration competencies and leveraging Sanlam's distribution capabilities, we believe substantial value will be unlocked for all stakeholders.

BrightRock Transaction

Post the acquisition of the remaining 38% of the shares in BrightRock, Sanlam intends to transfer BrightRock's business to the Sanlam Life licence in future. BrightRock will remain as a separate operating division of Sanlam Life, with its own brand, distribution and product focus. The transfer of the BrightRock business to the Sanlam Life licence will lead to:

- Capital synergies and
- Expense efficiencies.

Since acquiring a shareholding in BrightRock in 2017, this business has grown significantly and created strong shareholder value. From 2017 to 2019, BrightRock delivered an average operational RoGEV of 21.5%, significantly ahead of the Sanlam hurdle rate.

The capital synergies and expense efficiencies will enhance the return on the BrightRock asset, and we expect the business to maintain its strong market position. The management members of BrightRock are incentivised to deliver future value through the transaction structure, which defers a portion of the payment and links the price to achieving agreed VNB targets.

The release of capital once BrightRock is transferred onto the Sanlam Life licence, and expense synergies arising from elimination of the licence, are expected to generate a significant uplift to earnings and dividends, but this process will take several years to achieve.

OVERVIEW AND OPERATIONAL IMPACTS OF THE CAPITAL LEGACY TRANSACTION

Sanlam, through its 25% shareholding in African Rainbow Capital Financial Services Investments (**ARC FSI**), already has an indirect holding in Capital Legacy. ARC FSI currently holds 29% of Capital Legacy (which will reduce to 25% post this transaction as existing shareholders dilute because of the Capital Legacy Transaction).

Although African Rainbow Capital (ARC) and ARC FSI are not direct parties to the Capital Legacy Transaction, the transaction has been considered by the independent committee of the Sanlam board to ensure the terms are favourable to Sanlam. The terms of the Capital Legacy Transaction from a Sanlam perspective have been assessed by an independent expert advisor who has determined that the terms are fair to Sanlam shareholders.

The Capital Legacy Transaction will have minimal operational impacts on Sanlam. The Sanlam Trust business and staff will be transferred to Capital Legacy, which will independently continue to manage the operations of the enlarged business. The opening of the Sanlam distribution channels and client base to Capital Legacy, as well as processes for feeding leads back into Sanlam channels, is not expected to create any operational complexity for Sanlam and Capital Legacy.

OVERVIEW AND OPERATIONAL IMPACTS OF THE BRIGHTROCK TRANSACTION

Although BrightRock will continue to operate under its own brand with a distinct offering to the market, with its own management team, there will be some operational impacts once the business is transferred to the Sanlam Life licence. BrightRock will continue to have its own operations, but some functions will be performed by Sanlam Life, post transfer of the business to the Sanlam Life licence, to realise synergies. We do not anticipate that these operational demands will be significant for Sanlam, which already manages a wide product set.

REGULATORY APPROVALS AND EFFECTIVE DATE

The transactions are subject to various suspensive conditions, including regulatory approvals.

The Capital Legacy Transaction is subject to approval from the competition authorities, the Prudential Authority and the Financial Sector Conduct Authority (FSCA). It is expected to complete in the third quarter of 2023.

The BrightRock Transaction is subject to approval from the Prudential Authority and the FSCA. It is expected to complete in the second quarter of 2023.

CONCLUSION

The two transactions will have marginal positive impacts on earnings and dividends in the initial years, with growing contributions as synergies are realised. The transactions are expected to deliver an internal rate of return on capital deployed well in excess of Sanlam's hurdle rate. The operational impacts of the two transactions are not significant. The group's discretionary capital position will remain strong post these transactions.

Neither the Capital Legacy Transaction nor the BrightRock Transaction are categorised transactions in terms of the JSE Limited's Listings Requirements for Sanlam. Accordingly, the information set out in this announcement has been released on a voluntary basis.

The financial information set out in this announcement has not been reviewed or reported on by Sanlam's external auditors.

INVESTOR AND ANALYST TELECONFERENCE

A teleconference for analysts and investors will take place at 15h30 (South African time) today, 3 February 2023. Investors and analysts who wish to participate in the conference call should follow the Zoom link as indicated below.

<https://sanlam.zoom.us/j/95236366935>

Meeting ID: 952 3636 6935

Passcode: 625371

For further details on how to participate, please visit www.sanlam.com.

Bellville
3 February 2023

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Equity sponsor to Sanlam
The Standard Bank of South Africa Limited

Debt sponsor to Sanlam Life Insurance Limited

Absa Bank Limited, acting through its Corporate and Investment Banking division

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