

**Sanlam Limited**

(Incorporated in the Republic of South Africa)  
Registration number 1959/001562/06  
JSE share code: SLM  
NSX share code: SLA  
ISIN: ZAE000070660  
("Sanlam")

**Santam Limited**

(Incorporated in the Republic of South Africa)  
Registration number: 1918/001680/06  
JSE share code: SNT  
NSX share code: SNM  
ISIN: ZAE000093779  
("Santam")

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**ACQUISITION OF A FURTHER 16.6% INTEREST IN SAHAM FINANCES S.A. ("SAHAM Finances") VIA A SUBSCRIPTION FOR SHARES**

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**1. INTRODUCTION**

The boards of directors of Sanlam and Santam are pleased to announce the conclusion of agreements, whereby Sanlam Emerging Markets Ireland Limited ("**SEMIL**"), the wholly-owned subsidiary of SAN JV Proprietary Limited ("**SAN JV**"), a special purpose vehicle held jointly by Sanlam Emerging Markets Proprietary Limited ("**SEM**"), Sanlam's wholly-owned subsidiary, and Santam, will increase its effective shareholding in SAHAM Finances by a further 16.6%, via a subscription for new shares in SAHAM Finances (the "**Transaction**"). The total consideration payable in terms of the Transaction is US\$ 329 million plus transaction costs (the "**Consideration**"), which includes Santam's contribution of US\$ 7.35 million plus transaction costs. Sanlam and its short-term insurance subsidiary, Santam, first acquired a 30% stake in SAHAM Finances in February 2016.

**2. OVERVIEW OF SAHAM FINANCES**

SAHAM Finances is an insurance group with operations in 26 countries across North, West and East Africa, and the Middle East. It predominantly writes personal lines general insurance business (exceeding 80% of its portfolio), but is in the process of diversifying this. SAHAM Finances has approximately 61 subsidiaries, a network of 700 branches and a staff complement of more than 3,000 people. SAHAM Finances has a leading market share in many of the markets in which it operates.

**3. RATIONALE FOR THE TRANSACTION**

A number of strategic benefits informed the Sanlam Group's acquisition of a 30% interest in SAHAM Finances in February 2016, which included the following:

- SAHAM Finances enabled the Sanlam Group to expand its footprint into Francophone and Lusophone countries, which provides it with a unique positioning on the African continent.
- It enabled the Sanlam Group to become a truly Pan-African insurance, investment and ancillary services group, able to service multi-national clients and their intermediaries more effectively than any other group operating across the continent.
- With Sanlam's support, significant opportunity exists to expand the life insurance operations of SAHAM Finances, which contribute some 15% to the SAHAM Finances income.
- Potential synergies in general insurance, including optimisation of reinsurance, but also strengthening of the Sanlam Group's product line diversification as SAHAM Finances is a significant player in general insurance.
- SAHAM Finances has a strong health and assistance business with a well-tested model in Africa that can be rolled out further.

The Sanlam Group's relationship with the Saham Group has developed and strengthened over the past year, cementing our belief in the strong strategic rationale for the partnership to become a truly Pan-African financial services group operating across Francophone, Anglophone and Lusophone markets. A number of projects have already been launched to unlock synergies between the two groups, focussing on reinsurance, strategic alliances, bancassurance and capital optimisation. The Transaction provides the Sanlam Group with an opportunity to further align the two groups as strategic business partners and to extract further synergies. In addition, the increased shareholding firmly establishes the Sanlam Group as the only strategic partner in SAHAM Finances – in terms of the revised shareholders' agreement, the Saham Group's interest in SAHAM Finances will not reduce to below the Sanlam Group's stake without Sanlam's prior approval.

#### **4. CONSIDERATION**

The Consideration payable for the further 16.6% stake in SAHAM Finances will be US\$ 329 million plus transaction costs, which includes Santam's contribution of US\$ 7.35 million plus transaction costs. The Consideration is based on a current valuation of the SAHAM Finances operations, taking into account difficult operating environments in some markets as well as the strategic benefits of further aligning the interests of the two groups.

SEM will fund its portion of the Consideration by using at least US\$ 200 million of available discretionary capital, and obtaining third party funding for the remainder. Santam will fund its portion of the Consideration through available foreign cash resources.

Santam's ability to participate in the Transaction is limited due to the size of the investment already held in SAHAM Finances through SAN JV. At 30 June 2016 the investment in SAHAM Finances comprised more than 17% of Santam's shareholder funds, making it the most significant strategic investment held by Santam. Santam's interest in SAN JV will therefore dilute to 15% (previously 25%) and SEM's interest will increase to 85% (previously 75%). The dilution of Santam's interest in SAN JV will however not affect any of its existing shareholder rights.

#### **5. CONDITIONS PRECEDENT TO THE TRANSACTION**

The implementation of the Transaction will remain subject to the fulfilment of a number of conditions precedent including, *inter alia*, the receipt of all necessary regulatory approvals.

#### **6. OTHER KEY TERMS**

In terms of the revised shareholders' agreement, SEMIL will have increased minority protections, as well as additional representation on the board of directors of SAHAM Finances.

#### **7. FINANCIAL EFFECTS OF THE TRANSACTION**

As per the latest audited financial statements for the year ended 31 December 2015, the consolidated net asset value of SAHAM Finances on 31 December 2015 was US\$ 465 million and the earnings for the period were US\$ 49 million.

Post the implementation of the Transaction, SEMIL will participate in 46.6% of the earnings and net asset value of SAHAM Finances.

Each of Sanlam and Santam will account for its respective effective interest in SAHAM Finances in its consolidated financial statements as investments in associated companies.

## 8. EFFECTIVE DATE

The effective date of the Transaction will be dependent on the fulfilment of the conditions precedent and is expected to occur during the second quarter of 2017.

## 9. JSE LIMITED LISTINGS REQUIREMENTS

For purposes of the Listings Requirements of the JSE Limited, the Transaction should be aggregated with the acquisition by SEMIL of its initial effective 30% interest in SAHAM Finances (please refer to the announcement dated 16 March 2016). The aggregated transaction has been categorised as a Category 2 transaction in terms of the Listings Requirements of the JSE Limited for both Sanlam and Santam.

## 10. CONFERENCE CALL

A conference call for analysts, investors and the media will take place at 17h00 (South African time) today. Investors and media who wish to participate in the conference call should dial the relevant number indicated below.

### Audio dial-in facility

A toll free dial-in facility will be available. We kindly advise callers to dial in 5 to 10 minutes before the conference call starts at 17h00.

### Access numbers for participants dialing live from their country:

South Africa	Toll Toll-free	021 819 0900 0800 200 648
USA and Canada	Toll-free	1 855 481 5362
UK	Toll-free	0 808 162 4061
Other Countries	Toll	+27 11 535 3600 +27 10 201 6800

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

### Access Numbers for Recorded Playback:

Access code for recorded playback: 55109#

South Africa	Toll	011 305 2030
USA and Canada	Toll-free	1 855 481 5363
UK	Toll-free	0 808 234 6771
Other Countries	Toll	+27 11 305 2030

Bellville  
14 December 2016

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Deutsche Securities (SA) Proprietary Limited

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Investec Bank Limited