

**Alexander Forbes Group Holdings Limited**

(Incorporated in the Republic of South Africa)

Registration Number: 2006/025226/06

JSE Share Code: AFH and ISIN: ZAE000191516

(Alexander Forbes or the company or the group)



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**TRANSFER OF THE GROUP RISK AND RETAIL LIFE BUSINESSES TO SANLAM LIFE**

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**1. Background and Rationale**

The board of directors of the company is pleased to announce that Alexander Forbes Life Limited (AF Life or the Business) has entered into a binding agreement with Sanlam Life Limited (Sanlam), a subsidiary of Sanlam Limited, for the sale and transfer of the group risk and retail life business operations within AF Life, subject to certain conditions precedent (the Proposed Transaction). AF Life is a wholly owned subsidiary of Alexander Forbes Limited, a 100% held subsidiary of Alexander Forbes.

The Proposed Transaction is in line with the company's strategy and stated intention to dispose of its insurance cluster. The disposal of AF Life concludes the group's exit of its insurance businesses and delivers on the implementation of its advice-led and capital-light strategy.

Dawie de Villiers, Chief Executive Officer of Alexander Forbes, says: 'We are pleased with the Proposed Transaction, in the context of the current operating environment. This disposal is the final step in our move away from providing insurance underwriting and reaffirms Alexander Forbes' strength as a trusted adviser to our clients. The Proposed Transaction not only benefits Alexander Forbes, through the realisation of value for shareholders, but also balances solutions for clients and protects and values the employees of the Business. Sanlam understands the importance of delivering financial well-being and I am confident that the clients and employees moving across in this process are in good hands. We will continue to play a key role to the valued clients of AF Life delivering best advice throughout the transition and into the future.'

**2. Particulars of the Proposed Transaction****2.1 Overview of the business and Proposed Transaction terms**

AF Life is a long-term insurance company that provides group risk and retail life insurance policies with a focus on small to medium clients. The business recorded gross insurance premium income of R1.0 billion for the year ended 31 March 2021 from over 630 institutional clients and approximately 3 700 individual clients. AF Life has entered into a sale and transfer agreement whereby the policies that are current at the effective date of sale will be transferred to Sanlam in accordance with section 50 of the Insurance Act 18 of 2017. The sale and transfer of the AF Life policies will be for a total cash consideration of R100 million, 50% of which will be deferred in two equal payments, 12 and 24 months, from the effective date subject to the achievement of agreed metrics. The implementation of the Proposed Transaction is subject to various conditions precedent and is expected to be concluded immediately after all conditions are satisfied.

## **2.2 Conditions precedent**

In addition to customary conditions precedent for a transaction of this nature, the Proposed Transaction is subject to the following outstanding conditions precedent:

- Approval from the Competition Authorities in terms of the Competition Act 89 of 1998;
- Regulatory approvals in accordance with the Insurance Act 18 of 2017; and
- The conclusion of certain ancillary agreements including binder services, transitional services, and cession of reinsurance agreements.

## **2.3 Net asset value and profits attributable to AFL as at 31 March 2021**

The Business operations were classified as a discontinued operation in the consolidated annual financial statements for the year ended 31 March 2021. The business operations include all policies, policyholder liabilities, related reserve assets and all related business contracts, including reinsurance contracts. The net asset value of the Business operations will be zero on the effective date, with total assets of R908 million and total liabilities of R908 million being reflected as held for sale at 31 March 2021. AF Life will retain all historical assets and liabilities which have arisen prior to the effective date. The profit after taxation for the Business operations for the year ended 31 March 2021 amounted to R1.4 million. This profit includes an additional covid reserve raised in the current financial year, net of reinsurance, of R29 million.

The historical information for the Business was prepared in accordance with International Financial Reporting Standards and the Companies Act 71 of 2008 and has been audited by the group's external auditors.

## **3 Utilisation of proceeds**

In relation to the planned utilisation of the cash proceeds, the proceeds will form part of the surplus capital of the group. In line with our strategy of being capital-light, the board of directors of the company will assess the surplus capital and cash position in relation to the future liquidity and capital requirements of the group, its investments needs, and including any potential merger and acquisition opportunities.

## **4 Categorisation**

The Proposed Transaction is uncategorised in terms of the JSE Listings Requirements and the information contained in this announcement has been voluntarily disclosed by Alexander Forbes.

Carina Wessels  
Executive: Governance, Legal and Compliance

14 June 2021  
Sandton

Sponsor  
RAND MERCHANT BANK (A division of FirstRand Bank Limited)