
**PROPOSED ACQUISITION OF SANLAM LIFE'S LARGE STANDALONE RETIREMENT FUND
ADMINISTRATION BUSINESS AND SALE OF THE ALEXANDER FORBES INDIVIDUAL CLIENT
ADMINISTRATION BUSINESS TO SANLAM LIFE**

1. Introduction and rationale

The board of directors of Alexander Forbes (the Board) is pleased to announce that Alexander Forbes Limited (AFL) and Alexander Forbes Financial Services (Proprietary) Limited (AFFS), both wholly owned subsidiaries of the Company, have entered into binding agreements with Sanlam Life Insurance Limited (Sanlam Life), a subsidiary of Sanlam Limited (Sanlam), relating to the following transactions, subject to certain conditions precedent (Proposed Transactions):

- 1.1 The acquisition by AFFS of Sanlam Life's operations in relation to large standalone retirement fund administration (the EB standalone administration business); and
- 1.2. The sale by AFL of its entire equity interest in Alexander Forbes Individual Client Administration Proprietary Limited (AFICA) to Sanlam Life. AFICA and its subsidiaries¹ (the AFICA group) house Alexander Forbes's individual client administration business.

Dawie de Villiers, CEO of Alexander Forbes, says: *'Our Board and executive are excited by the opportunities that will be unlocked through the modernised digital capabilities now available to our financial advisers coupled with our larger retirement fund membership base. The Proposed Transactions accelerate our transformation towards becoming the most impactful provider of financial advice to retirement fund members in South Africa.'*

1.1. Alexander Forbes's acquisition of Sanlam Life's EB standalone administration business

AFFS has entered into a sale and transfer of business agreement with Sanlam Life in terms of which it will be purchasing the EB standalone administration business of Sanlam Life (Proposed Acquisition).

Through the Proposed Acquisition, Alexander Forbes will accelerate growth in a mature industry segment and increase the number of active members administered through the Alexander Forbes retirement fund administration capability by approximately 40%.

Alexander Forbes will be better positioned to manage the increasing costs of regulatory compliance, member engagement and technological innovation competitively, efficiently and sustainably towards unlocking even greater client benefits by following through with the implementation of the Proposed Acquisition. Clients can take full confidence in Alexander Forbes' commitment to and continued investment in its fund administration capabilities to deliver exceptional service and improved value to members.

The increased membership base presents the opportunity for Alexander Forbes to connect with South Africa's largest distinct pool of retirement fund members (outside of the Government Employees Pension Fund) as the business shifts its strategic focus towards engaging with and serving the financial needs of individual clients.

1. *The AFICA group comprises Alexander Forbes Individual Client Administration Proprietary Limited and its two wholly owned subsidiaries, Alexander Forbes Retail Client Administration Proprietary Limited and Alexander Forbes Nominees Proprietary Limited.*

1.2 Alexander Forbes's sale of the AFICA group to Sanlam Life

Alexander Forbes's actual capability to connect with individual members is influenced by the digital experience available to its financial advisers and clients. After a considered review of its own digital capabilities as well as those of alternative providers, AFL will, in a separate transaction sell the AFICA group to Sanlam Life (Proposed Sale). Glacier by Sanlam, a wholly owned subsidiary of Sanlam and leading investment platform in South Africa, will take full responsibility for these operations from effective date.

The Proposed Sale will unlock Alexander Forbes' potential to rapidly transform into a member-oriented financial services provider to serve a broader spectrum of savings needs for individual members of Alexander Forbes' retirement fund clients. The ability to connect at critical points in each individual member's journey to and through retirement represents the single greatest opportunity for Alexander Forbes to make a positive impact on people's lives by delivering insight and financial advice.

The acceleration of the modernisation of the digital experience delivered to Alexander Forbes' financial advisers and clients through improved administration and user functionality will be enabled by the best-in-class technological capability of the Glacier system. Alexander Forbes will therefore be better positioned to compete in the retail segment for compulsory and discretionary savings. The strategic advantage of providing retirement fund administration creates the platform for our financial advisors to connect with potential clients as they accumulate wealth and require financial advice.

2. Particulars of the Proposed Transactions

2.1 Overview of the EB standalone administration business and Proposed Acquisition transaction terms

The EB standalone administration business consists of Sanlam's commercial interests in 44 contracts to provide standalone administration services (including investment portfolio administration and retirement benefits counselling). The Proposed Acquisition entails the transfer of the administration contracts, know-how and the employees relevant to the administration of the retirement funds.

As per Sanlam's latest reviewed interim financial statements for the six-month period ended 30 June 2021, which was prepared in accordance with International Financial Reporting Standards (IFRS), the aggregated net profit after tax for the period was R18.4 million. The net asset value of the EB standalone administration business operations will be zero on the effective date.

The purchase consideration for the Proposed Acquisition amounts to R154 million and the purchase consideration will be settled in cash by AFFS consisting of an upfront amount and the balance to be settled over a period of up to two years from the effective date.

2.2 Overview of the AFICA group and Proposed Sale transaction terms

The AFICA group is a South African administration business that offers retail investors access to a wide variety of retirement and savings solutions.

Alexander Forbes Limited will dispose of 100% of the shares in AFICA, and thereby its two wholly owned subsidiaries, Alexander Forbes Retail Client Administration Proprietary Limited and Alexander Forbes Nominees Proprietary Limited.

The total purchase consideration for the Proposed Sale amounts to R200 million, and will be settled in cash by Sanlam, consisting of an upfront amount of R160 million, payable on the closing date of the transaction and a deferred amount of R40 million. The deferred amount is payable on the second anniversary of the closing date, or on the complete and successful migration of clients and customers to the Glacier investment platform, whichever occurs first.

Alexander Forbes and Glacier will also enter into a relationship agreement (the Relationship Agreement) in terms of which AFL will continue to play an important role in developing solutions that reflect its best advice model.

2.3 Net asset value and profits attributable to the AFICA group as at 31 March 2021

As per the Alexander Forbes audited annual financial statements for the year ended 31 March 2021, the net asset value of the AFICA group operations, excluding the investment in subsidiary (R68 million) amounted to R52 million as at 31 March 2021. The reported profit after taxation for the AFICA group operations for the twelve months ended 31 March 2021 amounted to R27 million.

The historical information for the AFICA group was prepared in accordance with IFRS. The business operations of the AFICA group were classified as a discontinued operation in the group unaudited interim condensed consolidated financial statements for the six months ended 30 September 2021.

2.4 Conditions precedent

The Proposed Transactions are subject to customary terms and conditions for transactions of this nature, as well as certain conditions being fulfilled, which includes, *inter alia*, the following:

- Approval from the Competition Authorities in terms of the Competition Act 89 of 1998;
- Regulatory approvals including the Prudential Authority; and
- The conclusion of certain ancillary agreements, including transitional services agreements, the Relationship Agreement and outsourcing agreements.

2.5 Undertakings and warranties

The definitive transaction agreements to give effect to the Proposed Transactions include contractual undertakings normal for transactions of this nature.

2.6 Effective dates

The effective dates of the Proposal Sale and Proposed Acquisition will be dependent on the fulfilment of all conditions precedent and are expected to occur during the first and second half of 2022 respectively.

3. Utilisation of proceeds from the Proposed Sale

In relation to the planned utilisation of the cash proceeds arising from the Proposed Sale, the cash received will be included in our analysis of available cash and will form part of the surplus capital of the Group. In line with our strategy of being capital-light, the Board will assess the surplus capital and cash position in relation to the Company's future liquidity and capital requirements. Any surplus cash available above these requirements will be distributed to shareholders.

4. Categorisation

Shareholders are referred to the previous announcement released by the Company on the JSE Stock Exchange News Service regarding the disposal of its group risk and retail life business operations to Sanlam (Initial Transaction). The Initial Transaction was below the Category 2 threshold in terms of the JSE Limited Listings Requirements (Listings Requirements).

Further, in terms of the Listings Requirements, the Initial Transaction and the Proposed Transactions together trigger the aggregation rules.

The Proposed Transactions constitute a Category 2 transaction and, accordingly, no shareholder approval is required.

Carina Wessels

Executive: Governance, Legal and Compliance (Company Secretary)

6 December 2021

Sandton

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Legal advisor

Bowmans