ANALYST PRESENTATION

31 March 2016

ALEXANDERFORBES
Securing your financial well-being

ALEXANDER FORBES STRATEGIC INTENT 2016–2020

OUR HIGHER PURPOSE

Why we exist

Our higher purpose
Helping people attain peace of mind through securing their financial well-being, now and in the future

CREATE | GROW | PROTECT

OUR AMBITION 2016-2020

Build a great company

Clients
- to SERVE with positive impact and secure their financial wellbeing

Employees
- to create an engaging environment where everyone finds personal and professional fulfilment

Society
- to have a positive and lasting impact

Investors
- to continually review how we grow our business to create sustainable value

OUR STRATEGIC INTENT

1 **Grow our core with fanatical discipline**
Employee benefits | Investment

2 **Leverage the core to grow**
Retail | Public Sector | Africa beyond SA

3 **Develop our complementary business**
Motor & Household Insurance | Life

4 **Strive for excellence**
Service & operational excellence and technology enablement

5 **Innovate**
Create internal capacity to disrupt ourselves through innovation

OUR APPROACH

- Retain and build on what we have
- Be more ambitious
- Work differently
- Continue to attract GREAT people
- Be distinctive among our peers
- Be responsive to the needs and aspirations of our clients

OVERVIEW | Operating environment

The group is highly dependent on the macro economic drivers, particularly in the institutional core of the group

MEASURE		STATISTIC	
SA Inflation	CPI % change y/y	+ 6.3%	March 2016
SA Economic expansion	GDP % change q/q	- 1.2%	2016 Q1 (StatsSA)
SA Wage inflation	Gross earnings	+ 5.9%	(497 280 million Dec ‘14 , 526 726 million Dec ‘15)
SA Labour market	Formal private sector employment	- 0.2%	(12.009 million Mar ‘15, 11.988 million Mar ‘16)
SA Equity Markets	JSE All Share Index (total return incl. dividends)	+ 3.2%	12 months to March 2016
	JSE Shareholder Weighted Index (SWIX) (total return incl. dividends)	+ 2.7%	12 months to March 2016
SA Bonds	BESA All Bond Index (ALBI)	- 0.6%	12 months to March 2016
SA Cash	Short Term Fixed Interest Composite Index (STeFI)	+ 6.6%	12 months to March 2016
Global Equity	MSCI AC World (ZAR)	+ 16.1%	12 months to March 2016
Exchange rate	GBP / ZAR	- 17.2%	17.8 Apr ‘16 to 21.7 Mar ’16 (internal weighted average)
UK Inflation	CPI % change y/y	+ 0.5%	March 2016
UK Economic expansion	GDP % change y/y	+ 2.1%	March 2016

OVERVIEW | Results highlights

Operating income

from continuing operations was

R 5 376 million

This is an 11% growth
when compared to the previous year.

Profit from operations

before non-trading items

R 1 210 million

This is a 6% growth
when compared to the previous year.

Profit after tax

was

R 874 million

This is a 143% growth
when compared to the previous year

Headline earnings per share

was

58.1 cents per share

This is a 82% growth
when compared to the previous year

Normalised profit after tax

was **R950 million**

This is a 12% growth when compared to normalised profit after tax for the previous year

Normalised HEPS

was **62.2 cents** per share

This is a 5% growth when compared to normalised profit after tax for the previous year

Dividend declared

of **22 cents** per share

This is a 47% growth
when compared to the six months dividend for 31 September 2015

AUA and AUM

of investment solutions increased to

R339bn

This is a 5% growth on the previous financial year

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OVERVIEW | Investment highlights

1

Continued growth in operating income and profit

Operating income from continued operations – 5 year CAGR of
12% to March 2016

Operating profit before non-trading and capital items – 5 year CAGR of
9%

Last 12 months trading
11% growth in operating income

2

Predictable and highly recurring operating income

Excellent client retention – in the high 90's

Institutional

- **62%** Fee and commission income from consulting and administration
- **34%** from investment activities
- **4%** only from insurance activities

Retail

- **47%** Fee and commission income from consulting and administration
- **43%** from investment activities
- **10%** only from insurance activities

3

Market leader in core business

#1 employee benefits consultant and retirement fund administrator in sub-Saharan Africa

PMR.africa Diamond Award for Top Retirement Fund Administrator for the 9th consecutive year

PMR.africa Diamond Award for Top Retirement Fund Consultant for the 9th consecutive year

Leading healthcare specialist consultant in South Africa - BHF Titanium Award for Best Healthcare Advisory Service

#1 Umbrella Fund and standalone provider measured by assets

#1 Multimanager in sub-Saharan Africa

OVERVIEW | Investment highlights

4

Highly cash generative

High cash conversion ratio

Collection of cash largely under our control – minimal working capital strain

Investment in retail and other growth strategies mainly through the income statement:

- Front end capacity (people) and
- IT systems (amortised over relatively short period)

5

Capital "lite"

Group Solvency Capital Requirement of just over **R1bn**

Normalised return on TNAV: **57.9%**

Normalised return on capital: **18.2%**

Operating income from Insurance activities

- Retail **10%**
- Institutional **4%**

Low insurance risk retention – AF Insurance Motor & Household

75% reinsured, Group Life in excess of **80%** reinsured

6

Dividend

Due to capital lite and highly cash generative nature of the business a dividend policy of 1.5x to 2x cover

Balancing transition to new SAM regulatory capital framework with balance sheet efficiency though dividend policy

Declared an interim dividend of **R 201m** (**15c** per share)

Declared a final dividend of **R 295m** – (**22c** per share)

1.5x cover ratio on attributable PAT

OVERVIEW | IFRS income statement

Rm	IFRS Mar-16	Variance	IFRS Mar-15
Operating income net of direct expenses	**5 376**	**11%**	4 851
Operating expenses	**(4 166)**	**12%**	(3 714)
Operating profit before non-trading and capital items	**1 210**	**6%**	1 137
Non-trading and capital items	**(137)**	**(61%)**	(355)
Operating profit	**1 073**	**37%**	782
Net investment income	**26**		4
Policyholder investment income	**197**		103
Reported profit arising from accounting for policyholder investments as treasury shares	**59**		(26)
Share of profits of associates	**4**		3
Profit before taxation	**1 359**	**57%**	866
Taxation – corporate	**(271)**	**5%**	(258)
Policyholder taxation	**(197)**		(103)
Profit from continuing operations	**891**	**76%**	505
Loss on discontinued operations	**(17)**		(145)
Profit for the period	**874**	**143%**	360

OVERVIEW | Normalised income statement

Rm	Normal. Mar-16	Variance	Normal. Mar-15
Operating income net of direct expenses	**5 376**	**11%**	4 851
Operating expenses	**(4 136)**	**12%**	3 674
Operating profit before non-trading and capital items	**1 240**	**5%**	1 177
Non-trading and capital items	**(4)**		6
Operating profit	**1 236**	**4%**	1 183
Net investment income	**26**		4
Policyholder investment income	**-**		-
Reported profit arising from accounting for policyholder investments as treasury shares	**-**		-
Share of profits of associates	**4**		3
Profit before taxation	**1 266**	**6%**	1 190
Taxation – corporate	**(316)**		(340)
Policyholder taxation	**-**		-
Profit from continuing operations	**950**	**12%**	850

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OVERVIEW | Earnings per share (cents)

Rm	31 Mar 2016	Variance	31 Mar 2015
Weighted average number of shares in issue (m)	**1 282**	**4%**	1 237
Headline earnings per share (cents)	**58.1**	**82%**	31.9
Basic earnings per share (cents)	**56.9**	**178%**	20.5
Normalised headline earnings per share (cents) from continued operations *	**62.2**	**5%**	59.4

** Calculated on normalised number of shares of 1 299 for the current year and 1 252 million shares for the prior year (which adjusts for shares held by policyholders which are treated as treasury shares and in the prior year adjusts for treasury shares held prior to the listing).*

The diluted earnings per share is not materially different from the earnings per share.

OVERVIEW | Segmental performance

Rm	Operating income (Rm) Mar 2016	%	Mar 2015	Operating profit (Rm) Mar 2016	%	Mar 2015
Institutional cluster	**1 948**	**(1%)**	**1 962**	**467**	**(9%)**	**516**
- Financial services	1 287	3%	1 254	183	(2%)	186
- Investment solutions	641	(8%)	696	279	(15%)	328
- AF insurance	20	67%	12	5	150%	2
Retail cluster	**1 196**	**8%**	**1 103**	**383**	**12%**	**342**
- Financial services	615	8%	569	207	12%	185
- Investment solutions	150	7%	140	68	10%	62
- AF insurance	431	9%	394	108	14%	95
Afrinet	**346**	**18%**	**291**	**74**	**23%**	**60**
Total Africa	**3 490**	**4%**	**3 356**	**924**	**1%**	**918**
International	**1 886**	**26%**	**1 495**	**286**	**31%**	**219**
Total Group	**5 376**	**11%**	**4 851**	**1 210**	**6%**	**1 137**

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OVERVIEW | Key factors affecting our results

FACTORS POSITIVELY AFFECTING RESULTS

1. Good performance from retail businesses, particularly wealth management and short-term insurance
2. Strong trading performance in core financial services businesses off the back of expense savings and operational efficiencies
3. Growth in Africa (outside of South Africa)
4. Good operational performance by LCP, further enhanced by the exchange rate effect

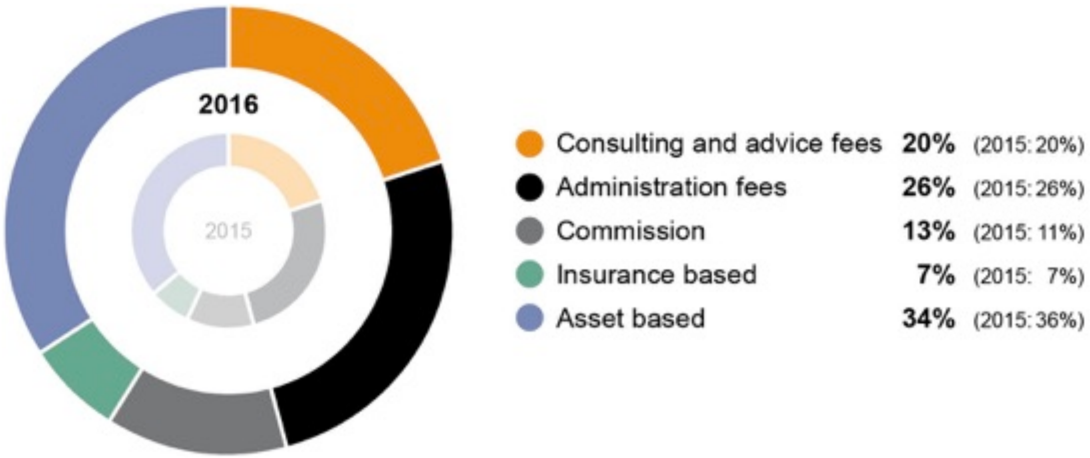
FACTORS NEGATIVELY AFFECTING RESULTS

1. Weak economic and business environment in SA
2. Margin pressure in asset management and administration fees due to external factors
3. Higher than expected net outflows driven by increasing unemployment
4. The trend of reducing margin in the investments and savings value chain due to client behaviour

OVERVIEW | Income analysis in Africa

- A large proportion of group revenue is either directly asset-based or referenced to assets under management or administration and in these areas subdued equity markets and bond markets have a significant impact on apparent margin.
- Operating income by type as at 31 March 2016 (Retail and Institutional, Africa only):

Operating income by type (Africa only)



34% of our revenue is asset based and exposed to market dynamics.

This component of revenue fluctuates not only with markets but trends related to asset classes, product mix shifts and default choices.

OVERVIEW | Africa expense analysis

Rm	Operating expenses (Rm) Mar 2016	%	Mar 2015	Operating margin (%) Mar 2016	%	Mar 2015
Institutional cluster	**1 481**	**3%**	**1 445**	**24.0%**	**(2.4%)**	**26.3%**
- Financial services	1 104	4%	1 067	14.2%	(0.6%)	14.9%
- Investment solutions	362	(2%)	368	43.5%	(3.6%)	47.1%
- AF insurance	15	50%	10	25.0%	8.3%	16.7%
Retail cluster	**813**	**7%**	**761**	**32.0%**	**1.0%**	**31.0%**
- Financial services	408	5%	387	33.7%	1.7%	32.0%
- Investment solutions	82	5%	78	45.3%	1.0%	44.3%
- AF insurance	323	8%	299	25.1%	0.9%	24.1%
AfriNet	**272**	**17%**	**231**	**21.4%**	**0.8%**	**20.5%**
Total Africa	**2 566**	**5%**	**2 437**	**26.5%**	**(0.9%)**	**27.4%**

The following items constitute 87% of operating expenses for Africa:

- Personnel (65%)
- IT (9%)
- Premises (10%)
- Insurance (3%)

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OVERVIEW | Long term incentive plan

- The staff share scheme costs consist of 3 components: the conditional share plan (for management), the forfeitable share plan (for general staff) and the remaining amortisation of a historical private equity incentive scheme. The annual costs are calculated according to IFRS 2, however, the actual cost to the business is dependent on performance and can be volatile.

Rm	**Mar 16**	**Variance**	Mar 15
LTIP operating expenses			
- Conditional share plan (management)	**14**	8%	13
- Forfeitable share plan (general staff)	**6**	100%	3
- Remaining amortization of historical private equity incentive	**21**	31%	16
Total LTIP expense	**41**	**25%**	32

OVERVIEW | Balance sheet (excl. policyholder and insurance-related balances)

Rm	Mar 2016	Mar 2015
Assets including developed software	**494**	415
Intangible assets (largely arising from PE transaction)	**4 676**	4 663
Financial assets and associates	**285**	239
Deferred tax	**157**	149
Current assets and assets held for sale	**1 063**	960
Cash and cash equivalents	**2 669**	2 496
Total Assets	**9 345**	8 922
Borrowings	**(705)**	(1 000)
Long term liabilities	**(1 087)**	(1 031)
Current liabilities and liabilities held for sale	**(1 273)**	(1 183)
Equity	**6 280**	5 708
Annualised Return on average Equity (normalised)	**13.6%**	13.8%
Annualised Return on average Capital Employed (normalised)	**18.2%**	17.9%
Annualised Normalised Return on Tangible Net Asset Value	**57.9%**	92.1%
Share Appreciation from IPO to 31 March	**-10.7%**	37.3%
Dividend yield (2016: 15c interim plus 22c final / 6.70 share price)/(2015: 12c dividend / 10.30 share price)	**6.1%**	1.2%

Detailed adjustments for policyholder and insurance-related balances are reflected in annexure III

OVERVIEW | Regulatory capital

Rm	SAM Standard Formulae (Mar-16)			SAM Standard Formulae (Mar-15)			
	Own Funds	Solvency Capital Requirement (SCR)	**Regulatory Surplus**	Own Funds	Solvency Capital Requirement (SCR)	**Regulatory Surplus**	**% Change in Regulatory Surplus**
Group Corporate (revolving credit)	(492)	17	**(510)**	(661)	14	**(675)**	**(24%)**
SA Financial Services	812	445	**368**	656	420	**237**	**55%**
Investment Solutions	477	357	**119**	516	343	**173**	**(31%)**
AF Insurance	214	118	**97**	178	116	**62**	**56%**
AfriNet	178	62	**116**	128	39	**89**	**30%**
International (Rm)	257	30	**227**	186	24	**162**	**40%**
Total Group	1 445	1 029	**416**	1 003	957	**47**	**> 100%**
Declared dividend	(295)		**(295)**				
Total Group (net of dividend)*	1 150	1 029	**121**				

* Difference due to rounding

- The group remains highly cash generative and as a result the regulatory surplus as at 31 March 2016 provides sufficient headroom for the payment of a dividend of **22cps**.

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OPERATIONAL PERFORMANCE REVIEW

Institutional

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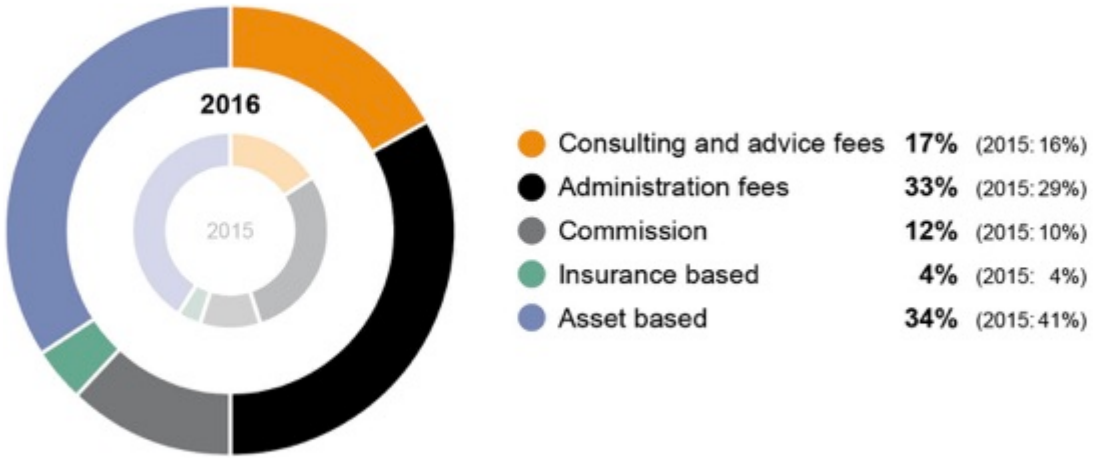
INSTITUTIONAL | Results

Institutional	Operating income (Rm) Mar 2016	%	Mar 2015	Operating profit (Rm) Mar 2016	%	Mar 2015
Financial Services	**1 287**	3%	1 254	**183**	(2%)	186
Investment Solutions	**641**	(8%)	696	**279**	(15%)	328
AF Insurance	**20**	67%	12	**5**	150%	2
Total	**1 948**	(1%)	1 962	**467**	(9%)	516

Institutional revenue by type



INSTITUTIONAL | Financial services results highlights

231 new client wins
Revenue growth muted by HMS and AF Life group risk

Core retirement fund
businesses grew revenue **5%** and operating profit **12%**

Active member
records increased by **1%** in a negative employment growth environment

AF Life GWP
increased by **24%** (R397m) although underwriting profits decreased by **24%**

Umbrella fund membership
grew by **9%** (304 211)

Participating employers
grew by **16%** (1 320)

Umbrella fund AUM
increased by **9%** to R65bn, continued investment to maintain market leadership

Client retention
remains high at **98.5%** and client satisfaction remains high at **96%** (up from 82%)

INSTITUTIONAL | Financial services – Strategy and outlook

- Challenging economic climate to continue for the next 2 years, impacting on employment levels, wage increases and markets and competitor activity

Priority	Activities aligned to stated intent	
1	Increased revenue focus through innovation and retention	Enhancing client value with umbrella in-fund solutions, improved cluster focused end-to-end pricing strategies and strengthening commercial focus within the businesses
2	External distribution channels and new markets	Growing IFA support for AF Access & AF Life, introducing products for SMEs (umbrella and Group RA's) and successful launch of beneficiary fund administration services
3	Operational efficiency	Continued focus on achieving operational efficiency gains in the core operations and administration area – contribution updates and claim payments
4	Employees	Relentless drive to attract & retain talented employees and to enhance employee engagement

INSTITUTIONAL | Results

Institutional	Operating income (Rm) Mar 2016	%	Mar 2015	Operating profit (Rm) Mar 2016	%	Mar 2015
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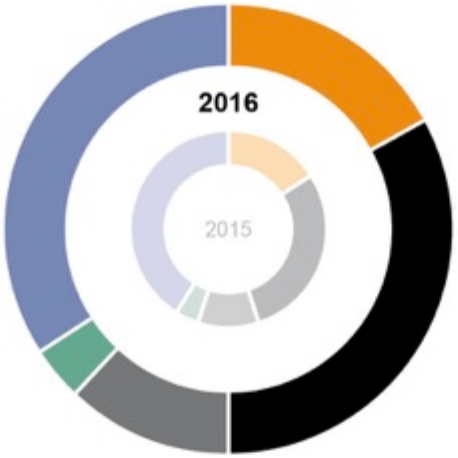
Institutional revenue by type



- Consulting and advice fees **17%** (2015: 16%)
- Administration fees **33%** (2015: 29%)
- Commission **12%** (2015: 10%)
- Insurance based **4%** (2015: 4%)
- Asset based **34%** (2015: 41%)

INSTITUTIONAL | Investment solutions results highlights

Total AUA and AUM
grew **3%** to R282bn (institutional)

Average AUM grew **2%** year-on-year to R269bn (institutional)

Gross new business
wins of R13bn
(R3bn ahead of March 2015)

Blended net margin
deteriorated to 23bps
(2015: 27bps)

Cost contained very well:
decreased by 2%

Volatile equity markets
over the period had a **R23m** impact on earnings

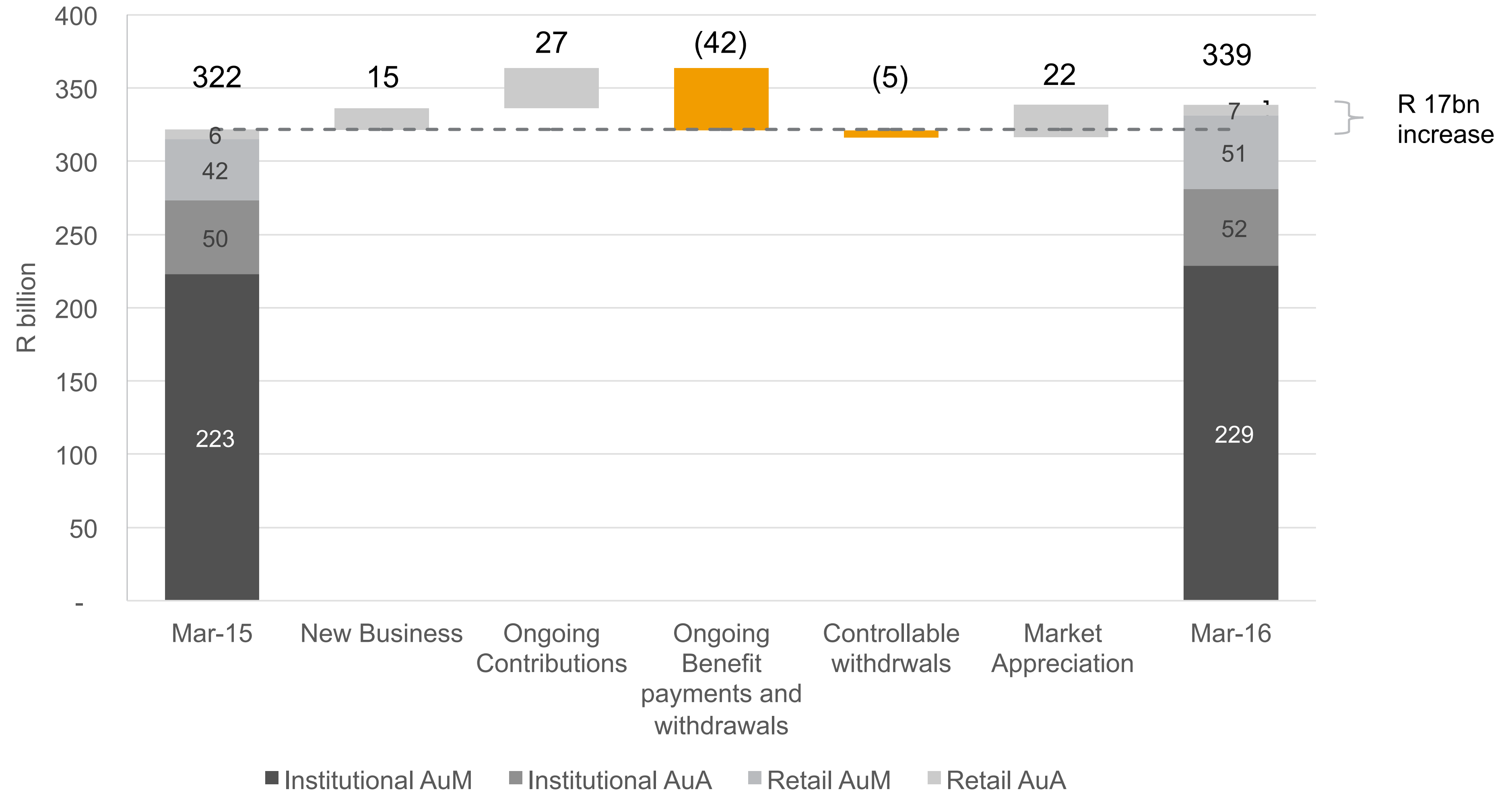
Extensive and competitively priced range of
passive products
launched to cater to changing client needs

68% of **assets**
performed ahead of benchmarks
(weighted average by assets)

Investment performance

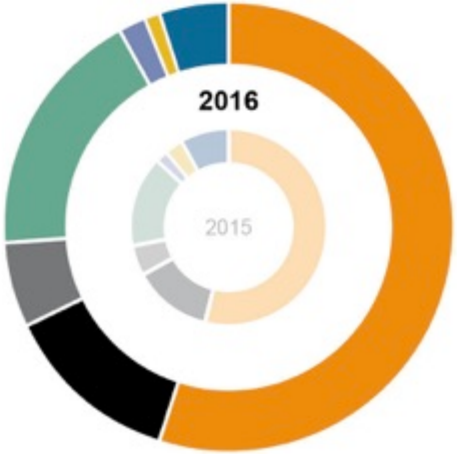
Performer: 8.75% vs. benchmark 5.49% (43% of AUA/AUM)
Pure Equity: 0.79% vs. benchmark 2.65% (16% of AUA/AUM)
Banker: 7.59% vs. benchmark 5.85% (9% AUA/AUM)
Pure Fixed Interest: 0.75% vs. benchmark -0.61% (2.5% AUA/AUM)

INSTITUTIONAL and RETAIL | Investment solutions AUA and AUM

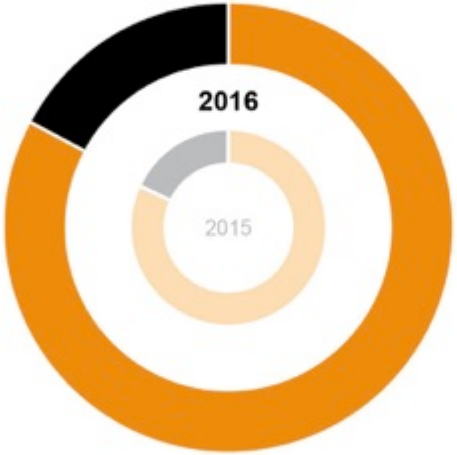


INSTITUTIONAL | Investment solutions AUA and AUM

Asset composition

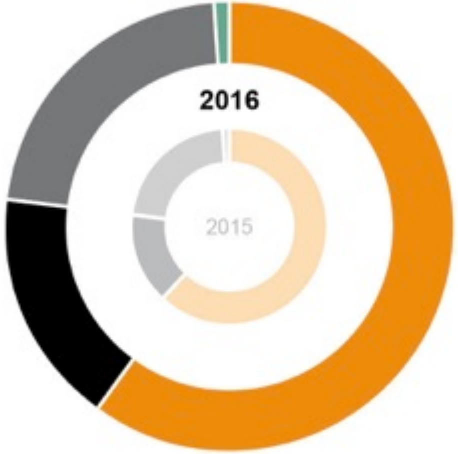


Local equities	55%	(2015: 54%)
Local bonds	13%	(2015: 13%)
Local cash	6%	(2015: 5%)
International equities	18%	(2015: 15%)
International bonds	2%	(2015: 2%)
International cash	1%	(2015: 3%)
Other	5%	(2015: 8%)



AuM Management	83%	(2015: 82%)
AuA Administration	17%	(2015: 18%)

Asset type



Institutional	60%	(2015: 62%)
Retail	17%	(2015: 15%)
Platform	22%	(2015: 22%)
Hedge funds	1%	(2015: 1%)

INSTITUTIONAL | Investment solutions – Strategy and outlook

- Lower return and volatile investment environment where traditional investment strategies are likely to remain under pressure but a great environment for manager and stock selection

Priority	Activities aligned to stated intent	
1	Consolidation of investment activities and extend Mercer partnership	Drive knowledge sharing, scale, thought leadership, and investment management solutions under a single management – bed down the integration of the investment cluster
2	Appropriate investment outcome for clients	Deliver the most appropriate investment outcomes based on client goals with competitive fees
3	Lower cost investment options	Provide a comprehensive and competitively priced suite of lower cost investment options
4	Build in-group and external distribution arrangements	Contribution to AF Group Umbrella Fund initiatives and provide solutions to other business partners

OPERATIONAL PERFORMANCE REVIEW

Retail

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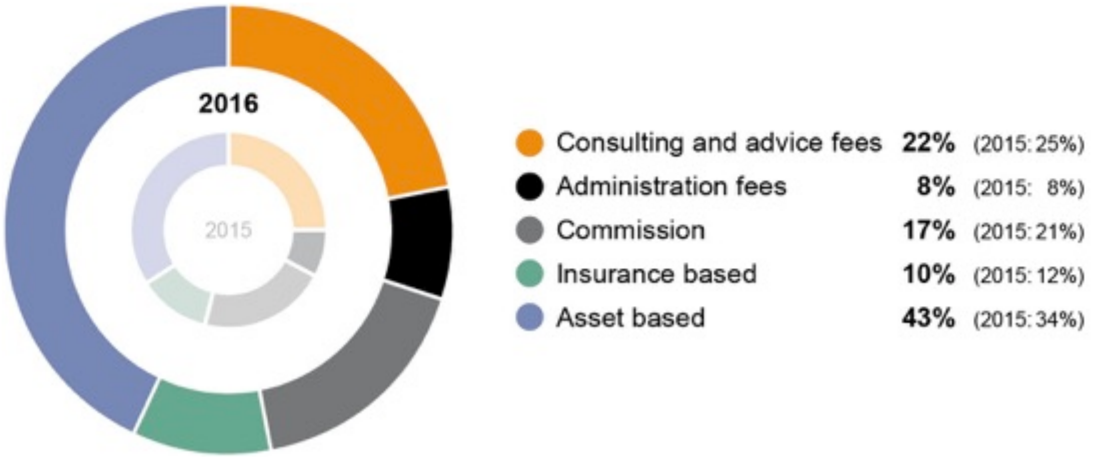
RETAIL | Results

Retail	Operating income (Rm) Mar 2016	%	Mar 2015	Operating profit (Rm) Mar 2016	%	Mar 2015
Financial Services	**615**	8%	569	**207**	12%	185
Investment Solutions	**150**	7%	140	**68**	10%	62
AF Insurance	**431**	9%	394	**108**	14%	95
Total	**1 196**	8%	1 103	**383**	12%	342

Revenue by type



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RETAIL | Result highlights

Assets under advice grew **9%** to R62bn and **assets under administration** grew **8%** to R52bn

New clients in FPC of **2 163** (**5%** growth) with **9%** revenue growth

Investment Solutions retail assets under management increased **7%** to R49bn

Flows from **FPC to AFICA** increased to **89%** (2015: 85%) and **R300m** in new platform assets

AF Life retail policyholders Increased by **11%**

Long-term insurance GWP grew **16%** although profit was muted due to continued investment

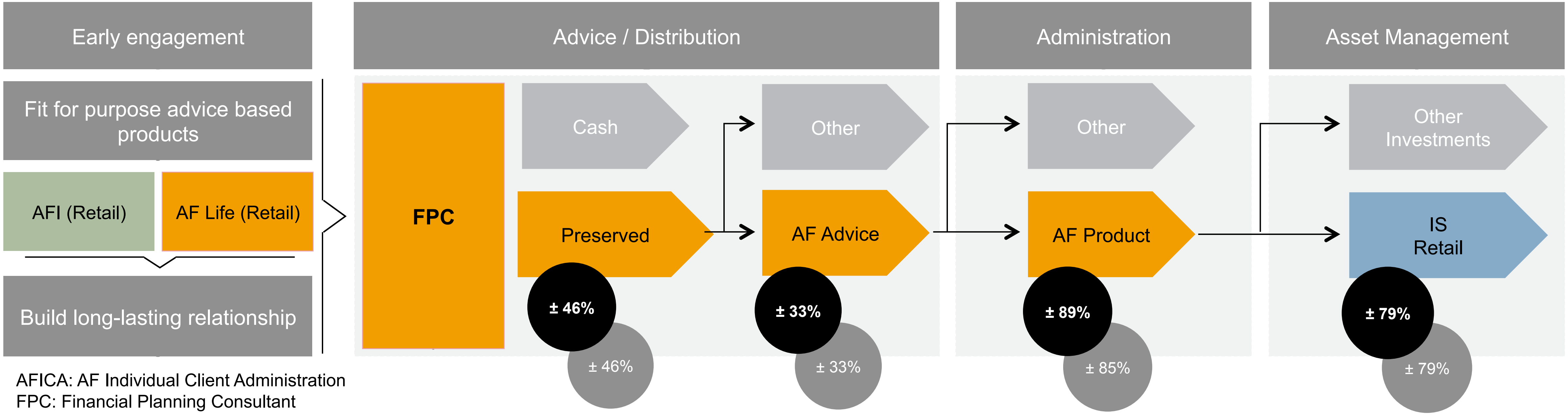
Short-term insurance GWP grew **11%** (industry growth: 7%) although the loss ratio increased to 76%

Best broker in SA by the super rich (New World Wealth).

AF Insurance rated **2nd best for service** by the short-term ombudsman

RETAIL | Wealth and Investment

• Trusted advisor status with employers – work site education
• Focused on early engagement • Product hooks driving preservation and improved capture rates



AFICA: AF Individual Client Administration
FPC: Financial Planning Consultant

● Current (March 2016)

● Comparative (March 2015)

Focus on **flow-through to asset management** has continued to enhance revenue from **assets under advice**

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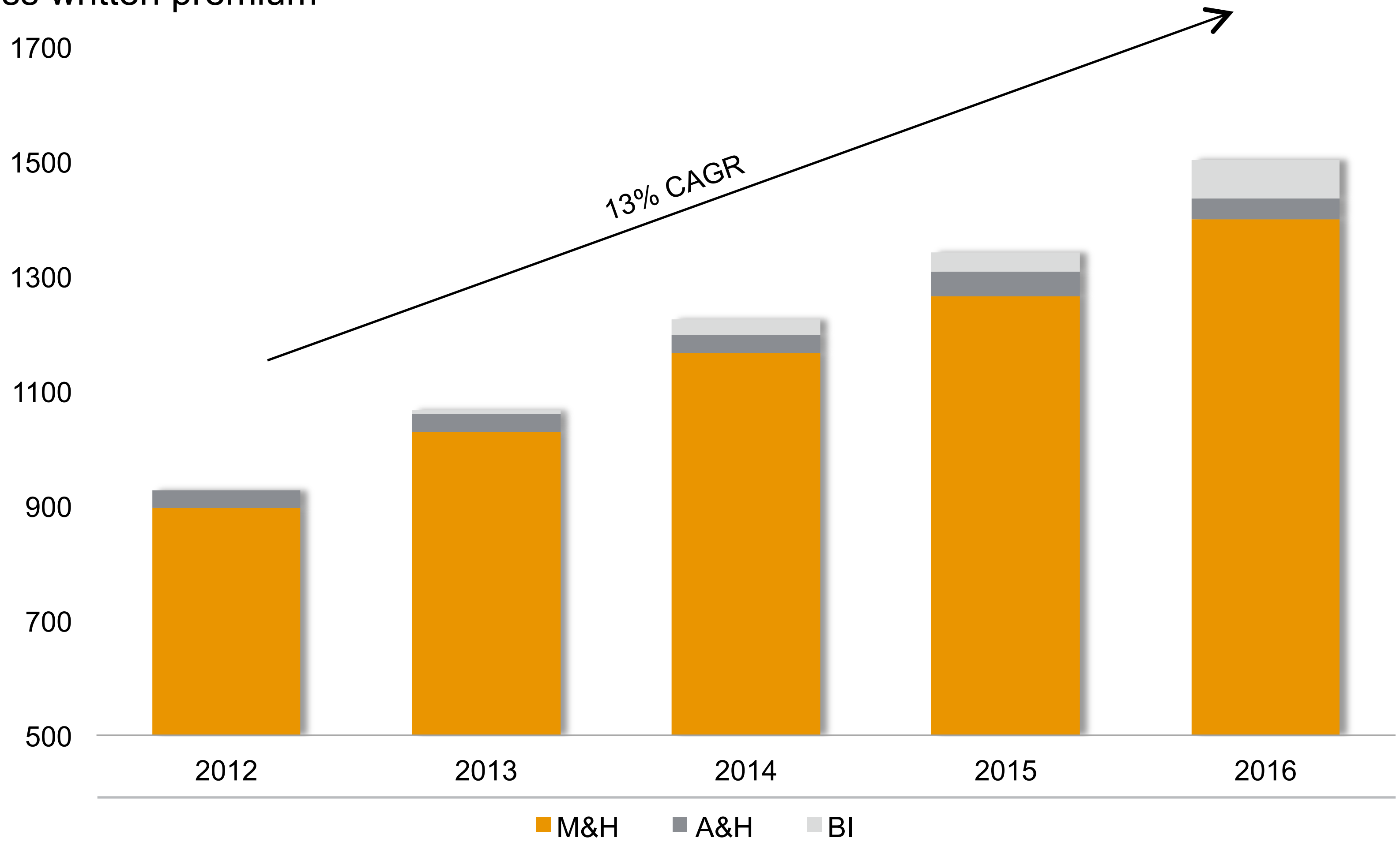
RETAIL | Short-term insurance

Gross written premium



RETAIL | Strategy and outlook

- Despite a challenging environment, we expect our business results to start to benefit from dedicated focused initiatives as the new organisation structure matures.

Priority	Activities aligned to stated intent	
1	Focussing on the financial well-being of our existing institutional member base	Focus on strategies that will generate business results, leading with an investment strategy to acquire new clients
2	CVP and product development Digital-centred client experiences	Define and develop longer-term solutions to attract a new generation of customer
3	Open market acquisition	Implement an integrated marketing approach in the affluent segment while continuing business-as-usual activities to acquire customers in the open market
4	Business model and integrated channel architecture	Investigate and analyse the economics of alternative business models and define the target state. Manage cost growth in the interim

OPERATIONAL PERFORMANCE REVIEW

AfriNet

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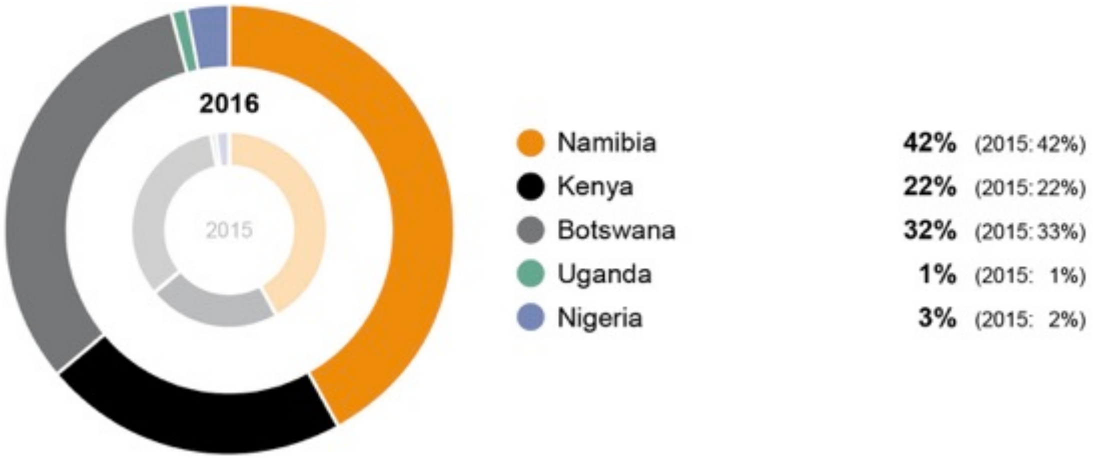
AFRINET | (Africa excl. South Africa)

Operating income (Rm)			Operating profit (Rm)		
Mar 2016	%	Mar 2015	Mar 2016	%	Mar 2015
346	18%	291	**74**	23%	60

- Positive operational leverage achieved through disciplined management in a rather difficult economic environment.
- Margin improvement to **21.4%** (2015: 20.6%) through leveraging technology and expanding into higher margin retail business lines
- Retail contribution to operating income increased from to **19%** (2015: 13%) for the current year.
- Geographic diversification progressing with East Africa now contributing **23%** of operating income
- March 2016 year-on-year growth is:
  - **6%** increase in AuM to **R3.5bn** in a tough environment
  - **5%** growth in members under administration
  - **35%** growth in AFI policies in Namibia

Operating income



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OPERATIONAL PERFORMANCE REVIEW

International

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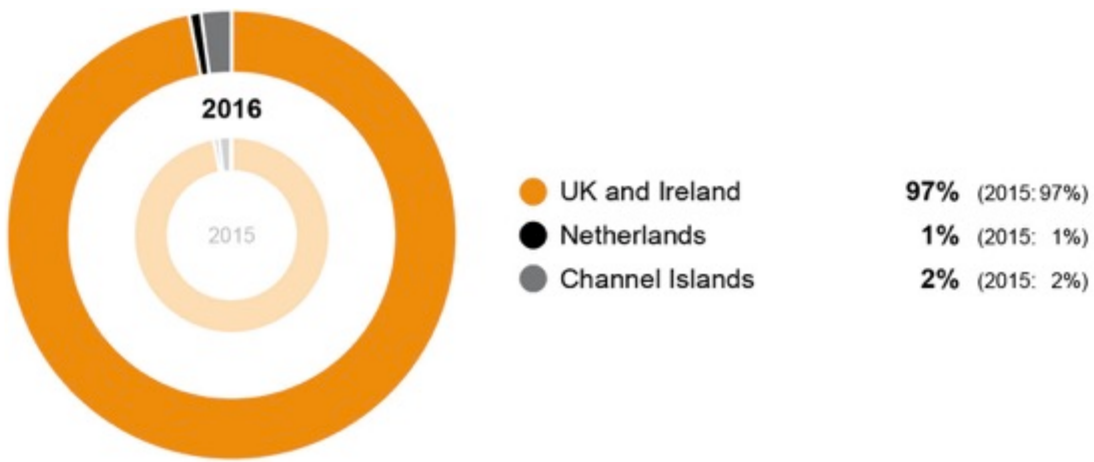
INTERNATIONAL

Operating Income (m)			Operating profit (m)		
Mar 2016	%	Mar 2015	**Mar 2016**	%	Mar 2015
£90.6	8%	£84.2	**£13.7**	11%	£12.3
R1 886	26%	R1 495	**R286**	31%	R219

- Continuing new business success and financial discipline resulting in good growth in operating income in GBP
- Comprises mainly LCP consulting and actuarial business (60% partnership stake). Based mainly in London, with smaller businesses in Ireland, Netherlands and Channel Islands
- Weakening rand results in **31%** growth in Rand terms (profit **R286m**)

Operating income



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Closing comments

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CLOSING COMMENTS

- Appointment of a new CEO
  - The Board has made very good progress and has short-listed potential candidates
- BEE transaction
  - Ongoing and the cautionary has been renewed
- Strategy to remain unchanged and bias shifts to execution and continuous refinement of tactical plan.

ALEXANDER FORBES STRATEGIC INTENT 2016–2020

OUR HIGHER PURPOSE

Why we exist

Our higher purpose
Helping people attain peace of mind through securing their financial well-being, now and in the future

CREATE | GROW | PROTECT

OUR AMBITION 2016-2020

Build a great company

Clients
- to SERVE with positive impact and secure their financial wellbeing

Employees
- to create an engaging environment where everyone finds personal and professional fulfilment

Society
- to have a positive and lasting impact

Investors
- to continually review how we grow our business to create sustainable value

OUR STRATEGIC INTENT

1 **Grow our core with fanatical discipline**
Employee benefits | Investment

2 **Leverage the core to grow**
Retail | Public Sector | Africa beyond SA

3 **Develop our complementary business**
Motor & Household Insurance | Life

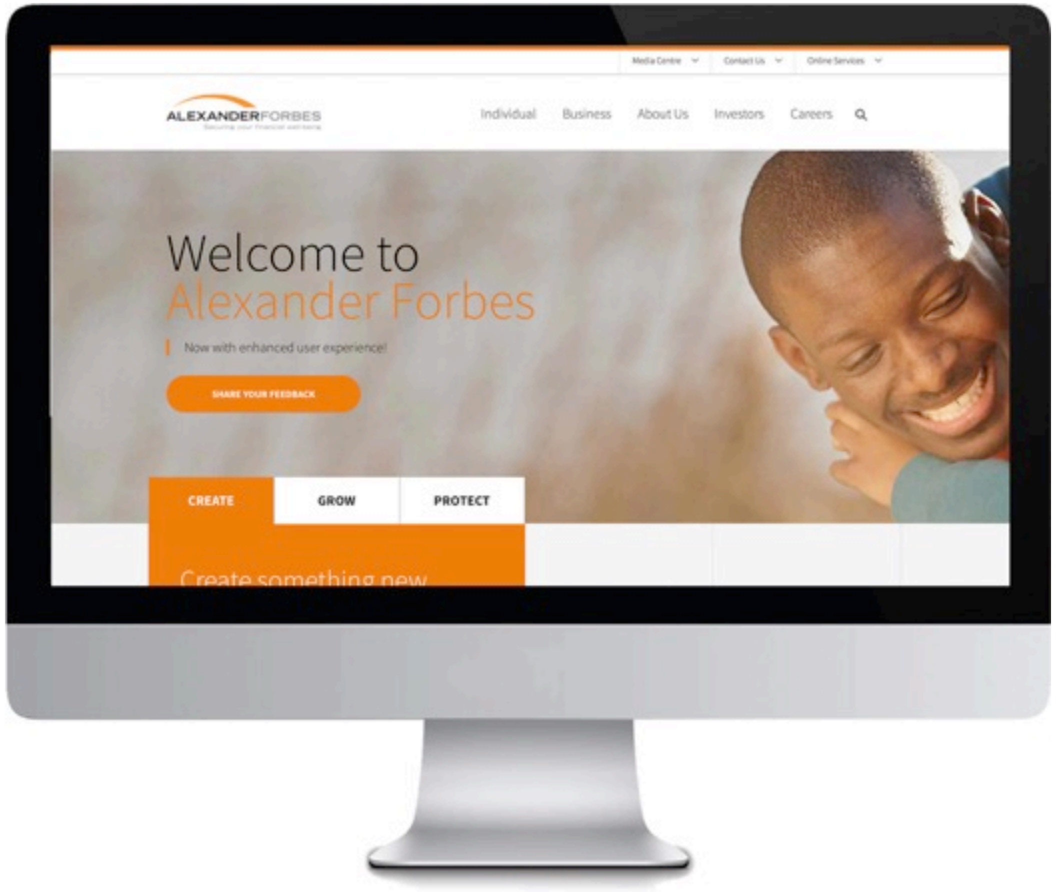
4 **Strive for excellence**
Service & operational excellence and technology enablement

5 **Innovate**
Create internal capacity to disrupt ourselves through innovation

OUR APPROACH

- Retain and build on what we have
- Be more ambitious
- Work differently
- Continue to attract GREAT people
- Be distinctive among our peers
- Be responsive to the needs and aspirations of our clients

THANK YOU



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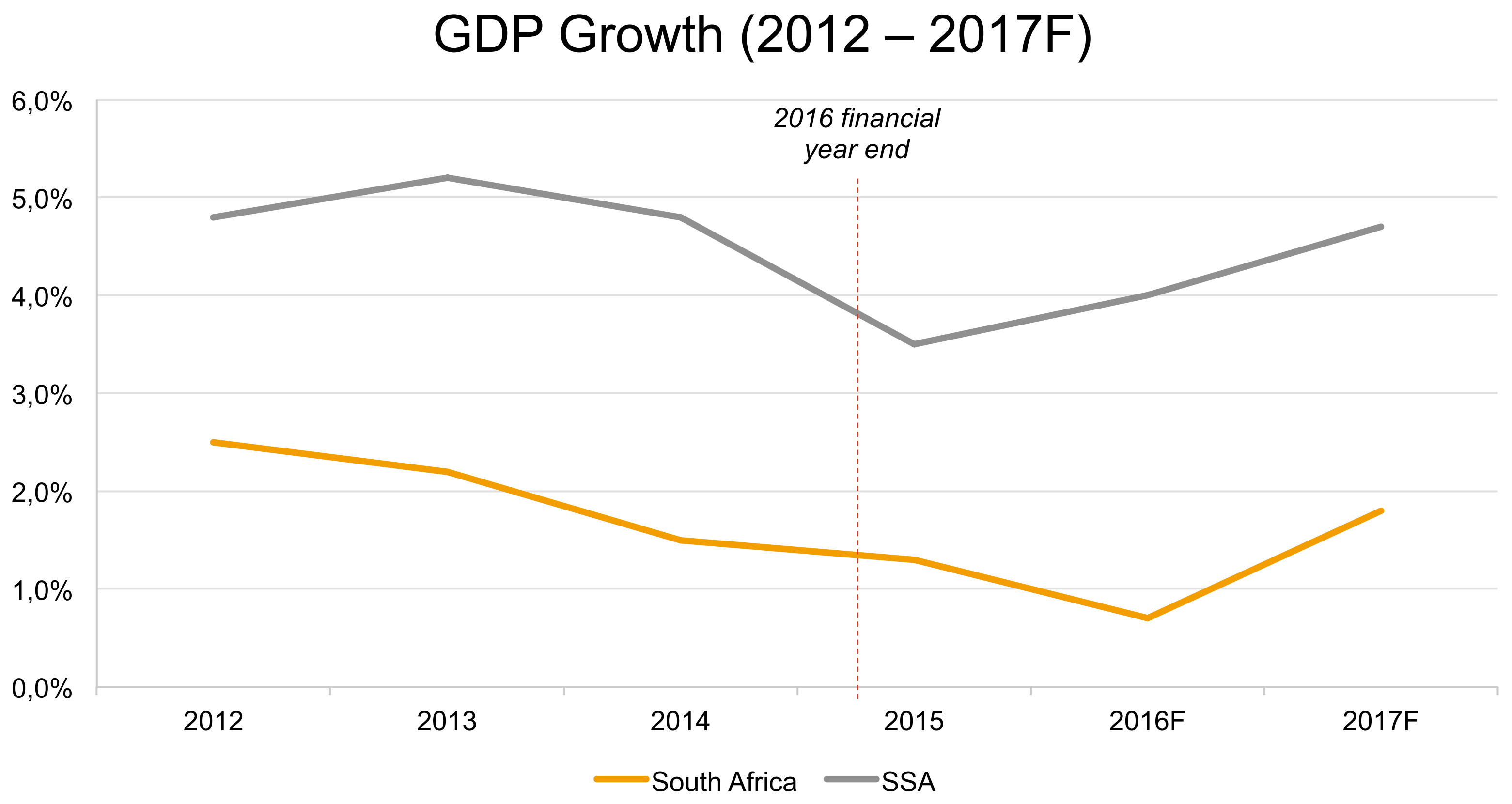
ANNEXURE I

Operating environment - detail

OPERATING ENVIRONMENT | GDP growth

- South African GDP growth is muted and is expected to remain this way for at least the next year, following which there may be a recovery…



The recessionary conditions have an impact on formal employment growth (or shrinkage) as well as market volatility.

This has direct business impacts on **asset values**, **asset flows** and **underwriting results**.

Source: IMF World Economic Outlook Update (January 2014 – January 2016)

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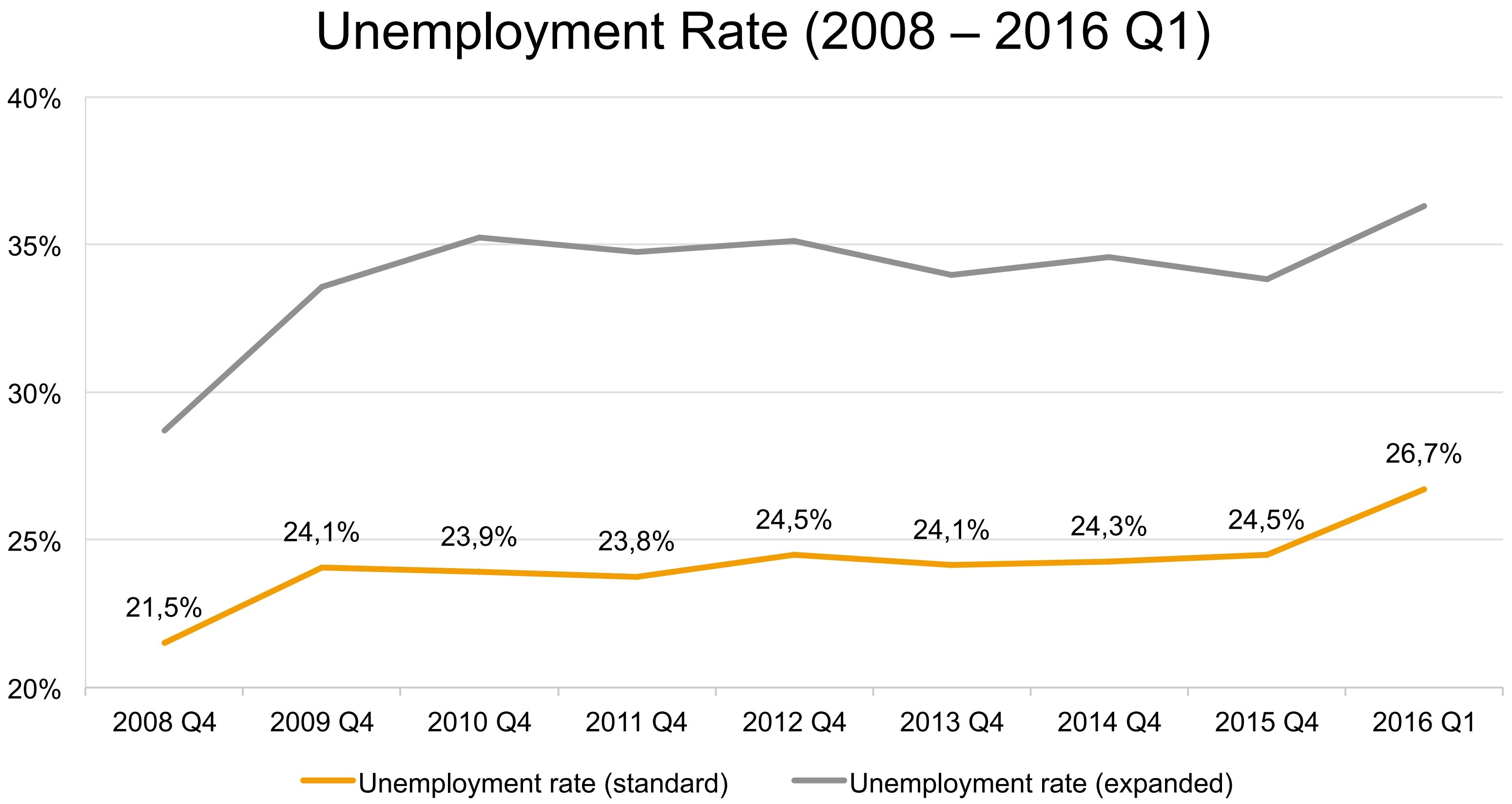
OPERATING ENVIRONMENT | Unemployment

- A key indicator for our success – the unemployment rate – has been worsening since 2008. Recessionary economic conditions suggest that this will continue to deteriorate…

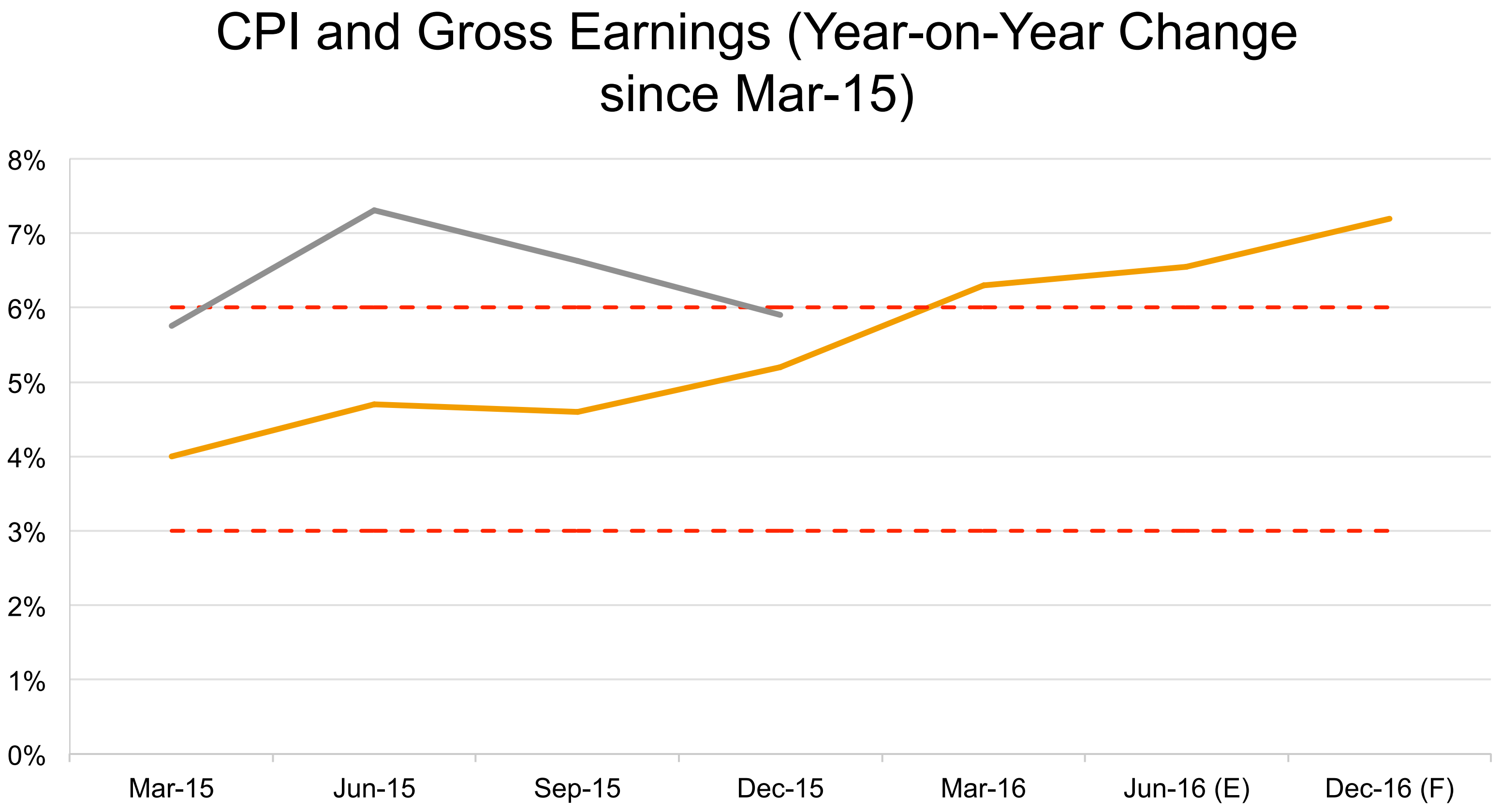


The decline in the number of formally employed people is felt in the low growth in **members under administration** as well as **consistent net outflows** from retirement funds.

Source: StatsSA P0211 – Quarterly Labour Force Survey (Q4 2008 – Q1 2016)

OPERATING ENVIRONMENT | CPI and gross earnings

- The inflation rate has been rising since the beginning of the year, triggering multiple interest rate hikes (with an expectation of more to come). Our customers are under pressure, which is likely to continue for the foreseeable future…



Increasing inflation rates and decreasing gross earnings, coupled with the low growth economic environment, results in **tough trading conditions for compulsory and discretionary savings products**.

Source: StatsSA P0141 – Consumer Price Index (CPI) (March 2015 to January 2016), StatsSA P0277 – QES (September 2015)

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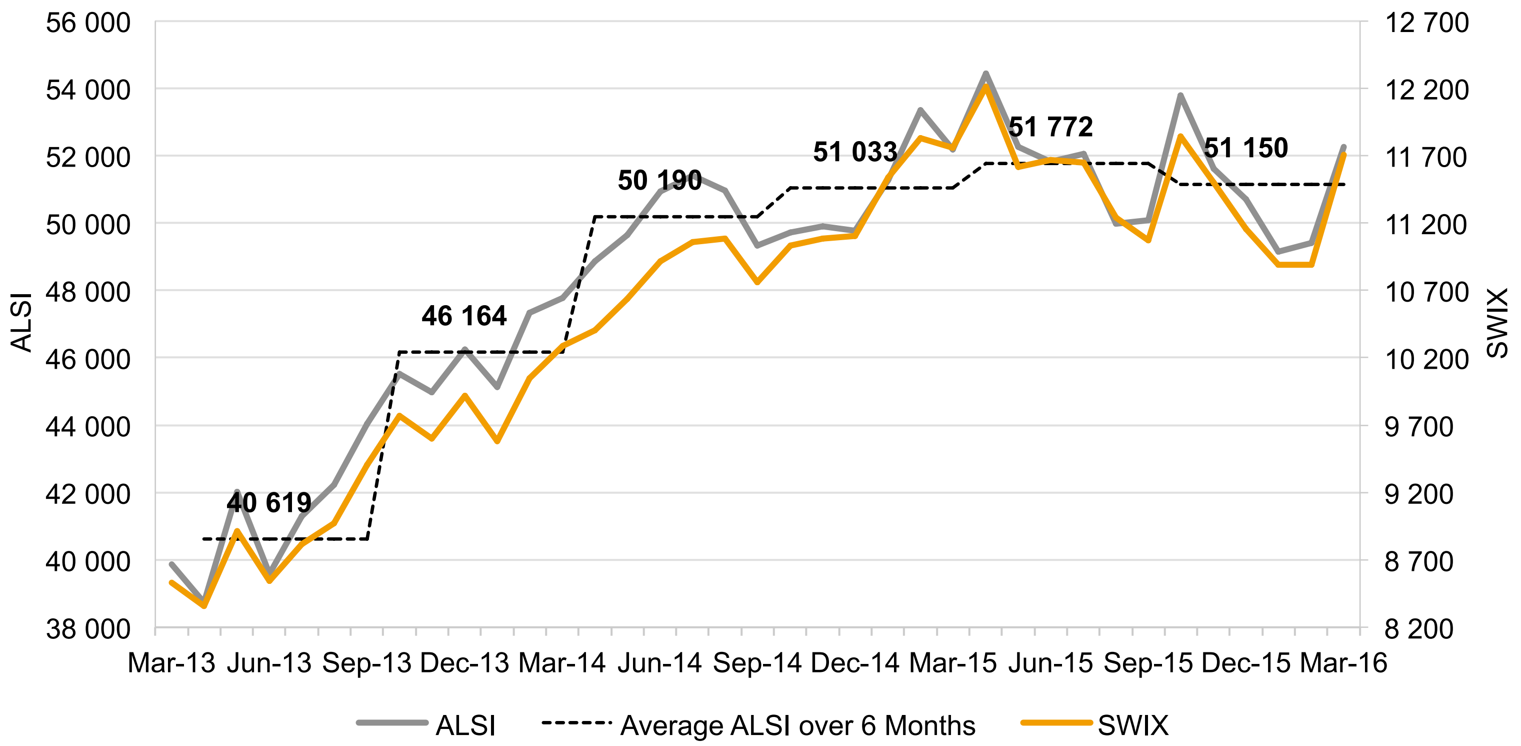
OPERATING ENVIRONMENT | Equity markets

- The equity markets have been extremely volatile over the year and the return on the JSE All Share Index (total return incl. dividends) has been **3.2%** (12 months to March 2016).

Market Return (April 2013 – March 2016)



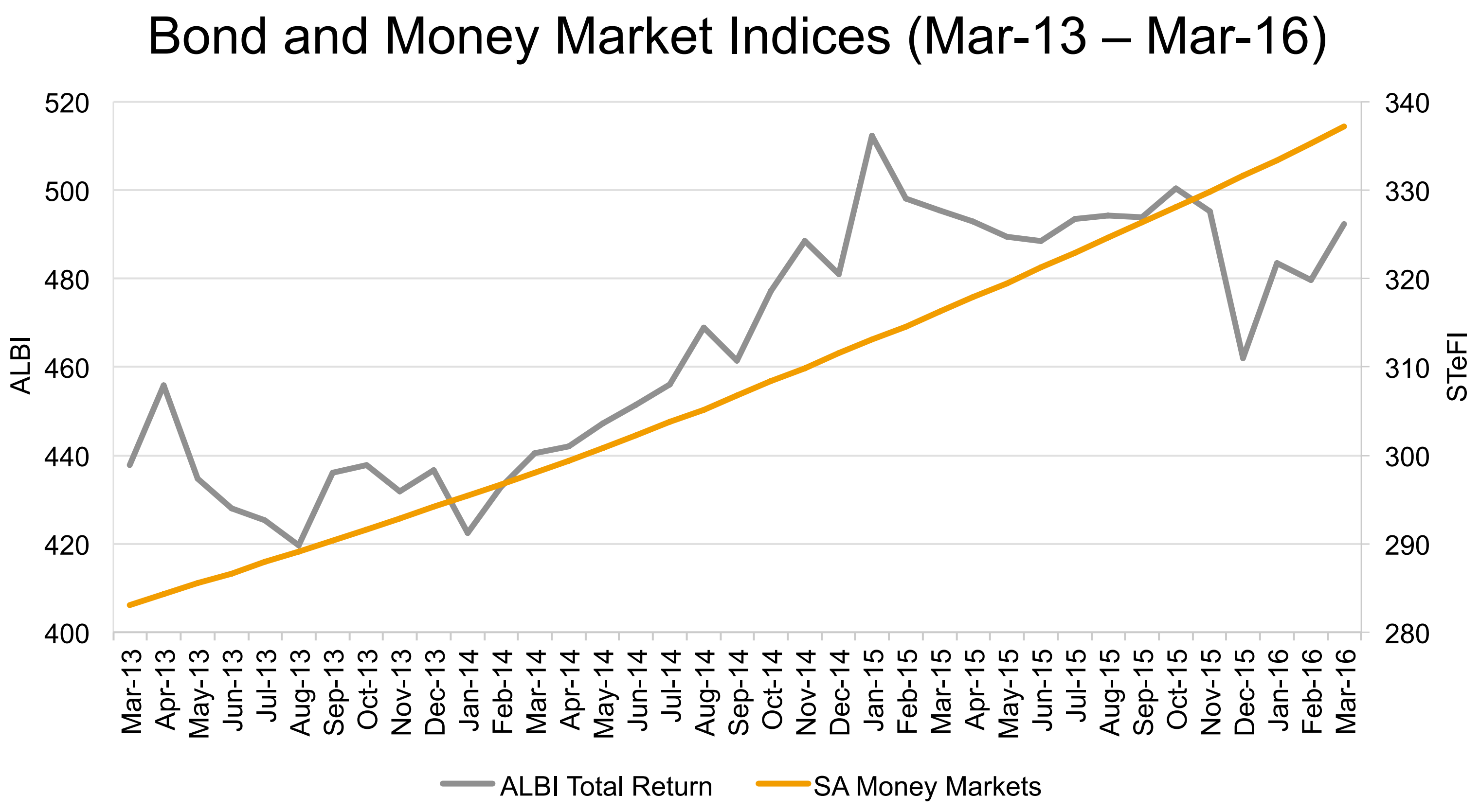
The volatility in the equity market has **fuelled the switch to lower margin products**.

We offer a full suite of investment products and are therefore well placed when the cycle flips.

Source: JSE historic index values

OPERATING ENVIRONMENT | Bonds and cash

- Bond returns (as measured by the ALBI total return incl. dividends) have fallen sharply over the past 6 months. Cash returns appear to be increasing consistently.



Bond returns have fallen sharply on the fears of a rating downgrade for SA Inc.

Money market returns for March 2016 are **6.51% y.o.y which exceeds inflation.**

Source: Investment Solutions

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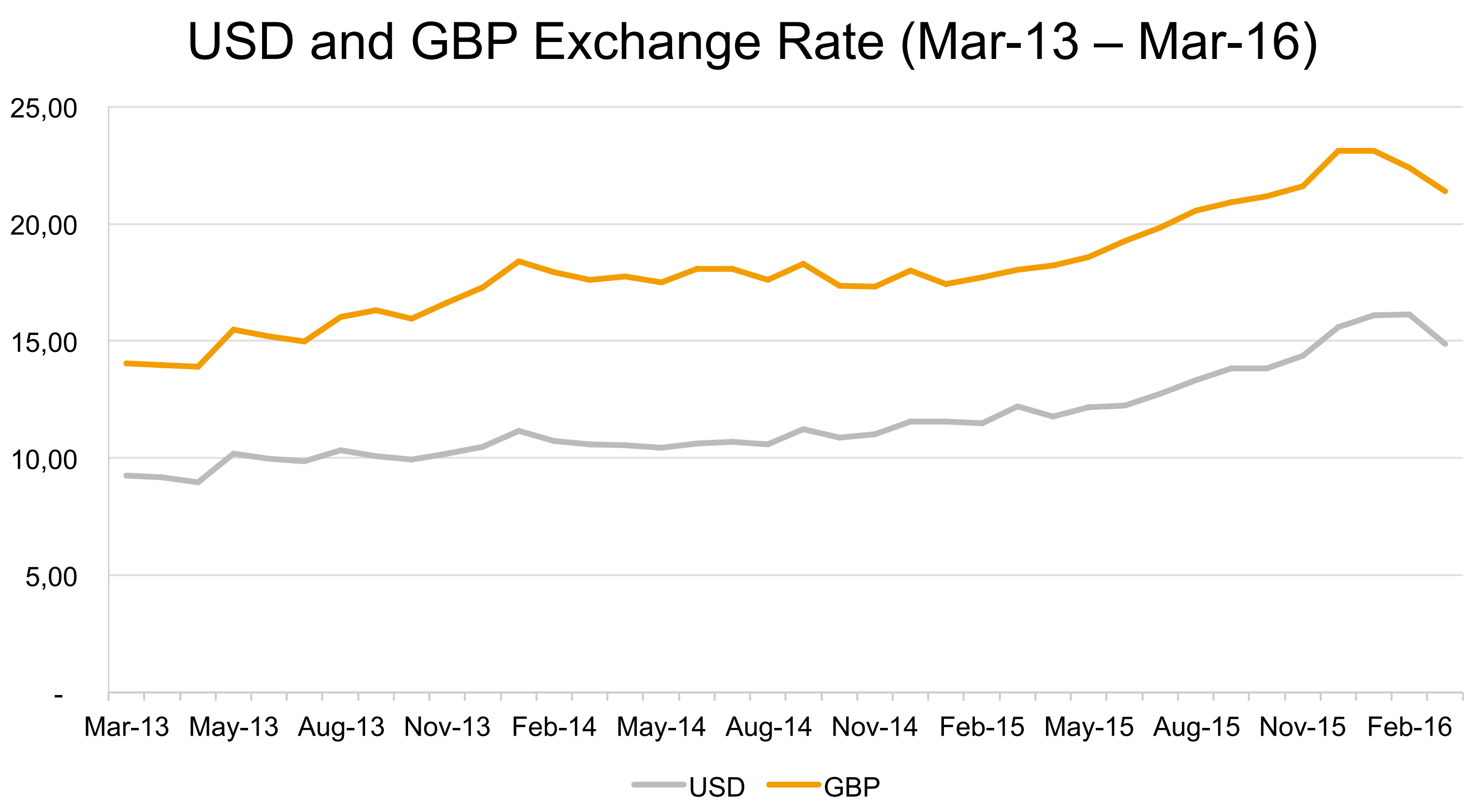
OPERATING ENVIRONMENT | Exchange rates

- The Rand has depreciated significantly against the USD and GBP, with the majority of this depreciation occurring following the Minister of Finance appointment in December 2015.



Source: South African Reserve Bank

The depreciation of the Rand against the GBP provides **a beneficial translation gain** on the International division financial results (LCP).

But **increases the cost base of the African entities** particularly for the IT costs of licensing fees and vehicle repair costs for AF Insurance.

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ANNEXURE II

Long term trend analysis – Key Performance Indicators

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LONG TERM TREND ANALYSIS | KPIs

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	CAGR
Institutional						
Operating income Rm *	1 485	1 623	1 804	1 961	**1 948**	**7%**
AF Financial services						
Number of Umbrella Corporate clients	792	848	1 031	1 144	**1 320**	**14%**
Umbrella Fund Assets Under Management Rbn	34.7	45.6	57.2	60.1	**65.3**	**17%**
Number of standalone retirement funds	338	343	331	328	**316**	**(2%)**
Standalone retirement funds AUA Rbn	219	230	275	315	**347**	**12%**
Number of active member records '000	855	902	997	1 018	**1 029**	**5%**
Number of healthcare corporate clients	482	484	513	523	**541**	**3%**
Life Insurance GWP Rm	407	394	417	320	**397**	**(1%)**

* Numbers presented for prior year reporting years have been restated for discontinued operations and reallocations of product lines made between clusters in the current year to ensure comparability

LONG TERM TREND ANALYSIS | KPIs

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	CAGR
Institutional						
Public sector						
Revenue	136	151	184	207	**217**	**12%**
Public Sector tender participation	<20%	53%	74%	90%	**92%**	**N/A**
Public Sector New Clients	-	15	42	38	**31**	**27%**
Investment solutions						
Investment Solutions Assets Under Administration and Management Rbn *	161	200	240	273	**282**	**15%**
Blended Net Margin (bps)	30.3	29.2	27.5	26.5	**23.2**	**N/A**
Number of clients	2 078	2 014	2 108	2 147	**2 168**	**1%**
Net Client Cash Flows	0.3	10.9	11.9	5.7	**(3.6)**	**N/A**

* AUM has been adjusted for reallocations of product lines between clusters in prior years for comparability

LONG TERM TREND ANALYSIS | KPIs

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	CAGR
Institutional						
Business insurance						
Number of policies	-	540	1 072	1 322	**1 664**	**46%**
Gross Written Premium	-	7	26	43	**67**	**112%**
Claims Ratio	-	92%	75%	68%	**62%**	**N/A**
Risk Retention	-	10%	10%	10%	**10%**	**N/A**

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LONG TERM TREND ANALYSIS | KPIs

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	CAGR
Retail						
Operating income Rm *	764	856	963	1 103	**1 196**	**12%**
AF Financial services						
Number of FPC clients ‘000	36.0	38.4	41.0	42.8	**46.3**	**6%**
Assets under advice Rbn FPC	32.7	40.3	48.5	56.9	**62.2**	**17%**
Assets under administration Rbn AFICA *	26.6	32.5	37.9	48.5	**52.2**	**18%**
GWP Long Term Rm	13.6	15.2	16.8	18.8	**21.8**	**13%**
Investment solutions						
Assets Under Management*	32	38	45	47	**49**	**11%**

* Numbers presented for prior year reporting years have been restated for reallocations of product lines between clusters made in the current year to ensure comparability

LONG TERM TREND ANALYSIS | KPI's

	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	CAGR
Retail						
AF insurance						
Motor & household						
Gross Written Premium (Rm)	896	1 028	1 165	1 264	**1 399**	**12%**
Active Policies	69 000	73 074	75 197	76 812	**79 395**	**4%**
Claims Ratio	73%	78%	81%	71%	**76%**	**N/A**
Risk Retention	12.5%	15%	25%	25%	**25%**	**N/A**
Accident & health						
Gross Written Premium (Rm)	31	31	33	33	**36**	**4%**
Claims Ratio	29%	33%	30%	19%	**16%**	**N/A**
Risk Retention	100%	100%	100%	100%	**100%**	**N/A**

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LONG TERM TREND ANALYSIS | KPIs

	Revenue Rm (comparative 31 March 2015)	Trading profit *	Headcount	Ownership
Afrinet				
Namibia	**144** (126)	**46** (38)	**140** (145)	**70%**
Botswana	**111** (95)	**46** (39)	**114** (120)	**67%**
Kenya	**76** (59)	**18** (15)	**89** (83)	**40%** (60%)
Nigeria	**10** (7)	**0** (0)	**12** (14)	**100%** (60%)
Uganda	**4** (3)	**(3)** (-1)	**11** (11)	**51%**

	Mar-12	Mar-13	Mar-14	Mar-15	**Mar-16**	**CAGR**
Number of members under Administration	257 253	322 128	351 796	381 592	**385 679**	**11%**
Number of policies AFI Namibia	5 886	7 474	9 149	11 594	**15 602**	**28%**
IS Namibia AUM R bn	1.8	2.3	2.6	3.3	**3.5**	**18%**

* Before corporate cost allocations

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LONG TERM TREND ANALYSIS | KPIs

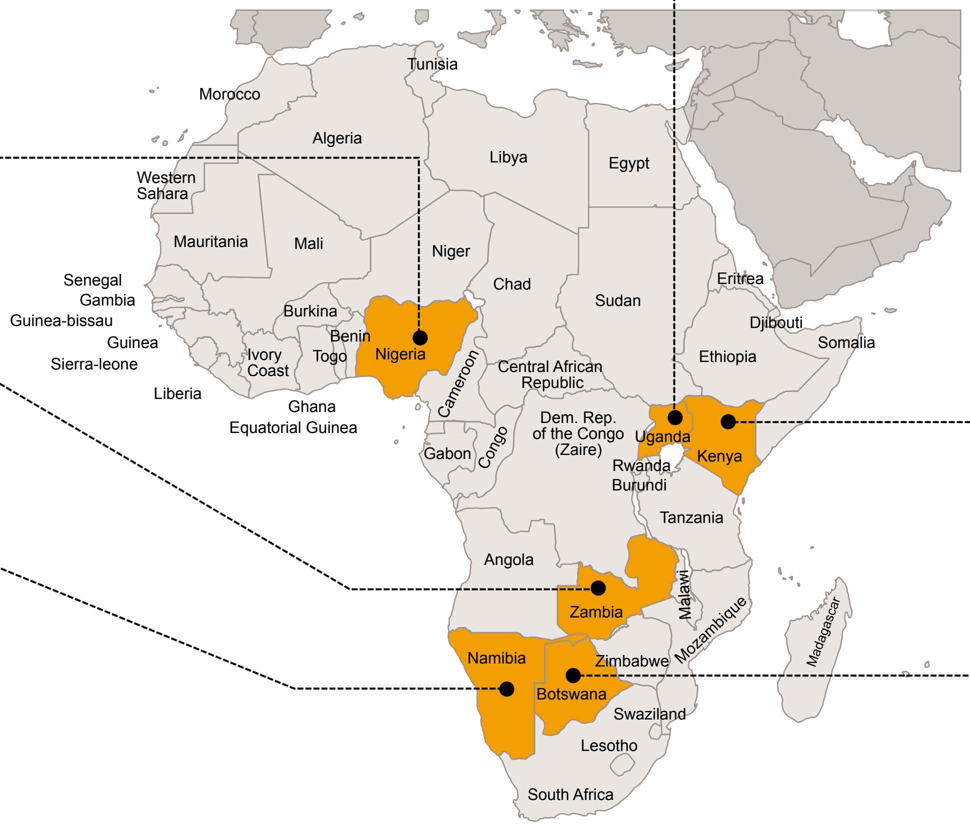
AfriNet Head Office	
Trading Loss	(R12m)

Uganda	
Trading Loss	(R3m)
Revenue % (yoy)	33%
TP % (yoy)	-%

Nigeria	
Trading Loss	(R0.1m)
Revenue % (yoy)	43%
TP % (yoy)	-%

Zambia	
Trading Loss	(R0.1m)
Revenue % (yoy)	19%
TP % (yoy)	200%

Namibia	
Trading Result	R46m
Revenue % (yoy)	14%
TP % (yoy)	24%



Kenya (FS)	
Trading Result	R18m
Revenue % (yoy)	29%
TP % (yoy)	20%

Kenya (AFRIB)	
Trading Result	R14m
Revenue % (yoy)	35%
TP % (yoy)	27%

Botswana	
Trading Result	R46m
Revenue % (yoy)	17%
TP % (yoy)	18%

ANNEXURE III

Additional Financial Information

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INCOME STATEMENT | Operating profit

Rm	31 March 2016	%	31 March 2015
Fee and commission income	**5 839**	11%	5 268
Net income from insurance operations	**540**		498
Direct expenses attributable to fee and commission income	**(1 003)**		(915)
Operating income net of direct expenses	**5 376**	11%	4 851
Operating expenses	**(4 166)**	12%	(3 714)
Profit from continuing operations before non trading and capital items	**1 210**	6%	1 137
Trading margin	**22.5%**		23.4%

INCOME STATEMENT | Profit from operations

Rm	31 Mar 2016	Variance	31 Mar 2015
Operating income net of direct expenses	**5 376**	**11%**	4 851
Operating expenses	**(4 166)**	**12%**	(3 714)
Operating profit before non-trading and capital items	**1 210**	**6%**	1 137
Non-trading and capital items	**(137)**	**(61%)**	(355)
Operating profit	**1 073**	**37%**	782
Net investment income	**26**		4
Policyholder investment income	**197**		103
Reported profit arising from accounting for policyholder investments as treasury shares	**59**		(26)
Share of profits of associates	**4**		3
Profit before taxation	**1 359**	**57%**	866
Taxation – corporate	**(271)**	**5%**	(258)
Policyholder taxation	**(197)**		(103)
Profit from continuing operations	**891**	**76%**	505
Discontinued operations	**(17)**		(145)
Profit for the year	**874**	**143%**	360

INCOME STATEMENT | Items to consider when analysing results

Rm	31 Mar 2016	Variance	31 Mar 2015
Reported profit from continuing operations	**891**	**76%**	505
ONCE OFF ITEMS AND ITEMS DISTORTING COMPARABILITY			
Listing transaction costs / capital restructure costs as disclosed in PLS	-		207
Results of cell captive insurance entity	9		23
ACCOUNTING ADJUSTMENTS			
Accounting for long term lease contracts – under IFRS	30		40
Amortisation of intangible assets arising from business combination in terms of IFRS	124		131
Tax payable on policyholder investment returns recorded in interest income under IFRS	(197)		(103)
Reported loss arising from accounting for policyholder investments as treasury shares under IFRS	(59)		26
RESULTING TAX ADJUSTMENTS			
Policyholder tax treatment	197		103
Tax effect of the above adjustments	(45)		(82)
Normalised profit from continuing operations	**950**	**12%**	850

INCOME STATEMENT | Normalised (showing adjustments)

Rm	IFRS Mar-16	Adj.	Normal. Mar-16
Operating income net of direct expenses	5 376	-	**5 376**
Operating expenses	(4 166)	30	**(4 136)**
Operating profit before non-trading and capital items	1 210	30	**1 240**
Non-trading and capital items	(137)	133	**(4)**
Operating profit	1 073	163	**1 236**
Net investment income / (finance costs)	26	-	**26**
Policyholder investment income	197	(197)	**-**
Reported profit arising from accounting for policyholder investments as treasury shares	59	(59)	**-**
Share of profits of associates	4	-	**4**
Profit before taxation	1 359	(93)	**1 266**
Taxation – corporate	(271)	(45)	**(316)**
Policyholder taxation	(197)	197	**-**
Profit from continuing operations	891	59	**950**
Discontinued operations	(17)	17	**-**
Profit for the period	874	76	**950**

INCOME STATEMENT | Operating expenses

Rm	**31 March 2016**	%	31 March 2015
Employee costs	**2 946**	13%	2 597
New LTIP cost	**41**	36%	30
Premises (excl. IFRS adj.)	**222**	18%	188
IT Costs	**251**	7%	235
Professional fees	**116**	22%	95
Insurance costs	**96**	1%	95
Sub total	**3 672**	13%	3 240
% of total costs	**88%**		87%
Other costs	**494**	4%	474
Total operating expenses	**4 166**	12%	3 714

INCOME STATEMENT | Non-trading terms

Rm	31 March 2016	%	31 March 2015
Profit from operations before non-trading items	**1 210**	6%	1 137
Professional indemnity insurance cell captive results	**(9)**		(23)
Amortisation of intangible assets arising from business combination	**(124)**		(131)
Historic transaction and listing costs	**-**		(207)
Other non-trading items	**(4)**		6
Total non-trading and capital items	**(137)**		(355)
Operating profit	**1 073**	37%	782

HEADLINE EARNINGS

Rm	31 March 2016	%	31 March 2015
Profit for the year	**874**	143%	360
Attributable to:			
Non controlling interests	**(145)**		(107)
Profit for the year attributable to ordinary shareholders	**729**	188%	253
Less headline adjusting items:			
Add back capital gains/ (losses) included *	**15**		141
Headline earnings	**744**	89%	394

** The capital losses include goodwill written off for disposed subsidiaries, losses on disposal / discontinuance of subsidiaries*

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EARNINGS PER SHARE (cents)

	31 March 2016	%	31 March 2015
Weighted average number of shares in issue (m)	**1 282**	4%	1 237
Headline earnings per share (cents)	**58.1**	82%	31.9
Basic earnings per share (cents)	**56.9**	178%	20.5
Normalised earnings pre share (cents)	**62.2**	5%	59.4
Actual shares in issue (not weighted average)	**1 341 426 953**		
Policyholder shares in IS treated as treasury shares	**(18 472 951)**		
Treasury shares due to consolidation of staff scheme	**(42 423 433)**		
Shares in terms of IFRS	**1 280 530 569**		

CASH FLOW

Rm	31 March 2016	%	31 March 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from normal operations	**1 317**	11%	1 187
Non-trading cash flows	**(4)**		(144)
Cash flow from operations per cash flow statement	**1 313**	26%	1 043
Net finance costs (excl. policyholder income)	**22**		(15)
Taxation payments (excl. policyholder taxes and discontinued operations)*	**(303)**		(361)
Tax settlement	**-**		(60)
Dividends paid	**(352)**		-
Cash flows from discontinued operations	**(9)**		3
Cash flows from core operations	**671**	10%	610
Movement in insurance and policyholder - working capital balances	**568**		274
Taxation payments – policyholder tax*	**(197)**		(103)
Cash flows from policyholder investment and insurance contracts	**5 561**		(2 901)
Cash flows from operating activities	**6 603**	>100%	(2 120)
Cash flows from investing activities	**(233)**		(82)
Cash flows from financing activities	**(400)**		(266)
Net cash flows	**5 970**	>100%	(2 468)

* Taxation payments are combined on the group statement of cash flows

CASH POSITION

Rm	31 March 2016	31 March 2015
Cash and cash equivalents	**4 877**	4 350
Cash held on behalf of policyholders	**(2 214)**	(1 855)
Cash held for regulatory capital, liquidity and solvency requirements by regulated entities	**(809)**	(696)
Cash held in cell captive insurance facilities	**(405)**	(364)
Cash held in restricted entities	**(409)**	(271)
Available cash	**1 040**	1 164
Net current liabilities	**(487)**	(457)
Available cash resources	**553**	707

The available cash resources should be seen in the context of the proposed new regulatory capital requirements which becomes effective 1 January 2017, the group is required to report on the consolidated position based on current capital requirements which reflects a theoretical surplus of R416 million (after taking into account the R553 million) at 31 March 2016.

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BALANCE SHEET | Excluding policyholder balances

Rm	Mar-16 (Actual)	Adj. Linked Investment Pol.	Adj. Insurance Related Bal.	Mar-16 (Corporate)
Assets under management	**276 510**	(276 510)		**-**
Property, equipment and computer software	**494**			**494**
Goodwill & intangible assets	**4 676**			**4 676**
Financial assets and associates	**497**	(212)		**285**
Deferred tax asset	**157**			**157**
Insurance receivables	**981**		(981)	**-**
Trade and other receivables	**933**			**933**
Cash & cash equivalents	**4 877**	(311)	(1 897)	**2 669**
Assets classified as held for sale	**131**			**131**
Total assets	**289 256**	**(277 033)**	**(2 878)**	**9 345**
Liabilities under management	**(276 634)**	276 634		**-**
Borrowings	**(705)**			**(705)**
Employee benefits	**(166)**			**(166)**
Deferred tax liabilities	**(322)**	133		**(189)**
Finance & operating lease liabilities	**(346)**			**(346)**
Provisions and deferred income	**(386)**			**(386)**
Insurance payables	**(2 878)**		2 878	**-**
Trade and other payables	**(1 620)**	390		**(1 230)**
Liabilities associated with assets held for sale	**(43)**			**(43)**
Total liabilities	**(283 099)**	**277 157**	**2 878**	**(3 065)**
Total equity	**6 156**	**124**	**-**	**6 280**

RETURN ON EQUITY

Rm	12 months March 16 Normalised	12 months March 15 Normalised
Weighted average equity	**5 904**	5 386
Profit for the period from continuing operations	**950**	850
- Less attributable to non controlling interest	**(145)**	(107)
Profit from continuing operations attributable to ordinary shareholders	**805**	743
Annualised return on equity	**13.6%**	13.8%

- The weighted average equity is before deduction of treasury shares as these are held for the benefit of policyholders and other third parties who will benefit from the returns
- The weighted average equity above includes intangible assets of R4.9 billion which largely arose on the 2007 acquisition by the private equity consortium. Return on tangible equity is provided on slide 38.

EBITDA

Rm	Actual 31 March 2016	Normalised 31 March 2016	%	Normalised 31 March 2015
Profit before tax	**1 359**	**1 266**	7%	1 190
Add back depreciation and amortisation	**233 ***	**109**		86
Add interest cost of long term borrowing	**57**	**57**		102
EBITDA (incl. interest received on capital)	**1 649**	**1 432**	4%	**1 378**

* Actual depreciation & amortisation includes the amortisation of intangible assets arising from business combinations

SEGMENTAL | Previous segmental view

Rm	Operating income (Rm) Mar 2016	%	Mar 2015	Operating profit (Rm) Mar 2016	%	Mar 2015
- Financial Services	1 934	4%	1 852	399	(3%)	386
- Investment Solutions	759	(6%)	806	358	(12%)	407
- AF Insurance	451	11%	407	123	17%	105
- AFRINET	346	19%	291	74	23%	60
- IFRS Lease adjustment	-	-	-	(30)	(25%)	(40)
Total Africa	**3 490**	**4%**	**3 356**	**924**	**1%**	**918**
International – GBPm	90.6	8%	84.2	13.7	11%	12.3
International – ZARm	1 886	26%	1 495	286	31%	219
Total Group	**5 376**	**11%**	**4 851**	**1 210**	**6%**	**1 137**

Changes between segmental views include:

- Product lines moved between institutional and retail clusters (i.e. Seamless preservation product)
- Asset consulting department previously included in AFFS has been combined with the IS investment team
- Corporate costs have been realigned with services provided
- IFRS lease charge has been allocated to the clusters

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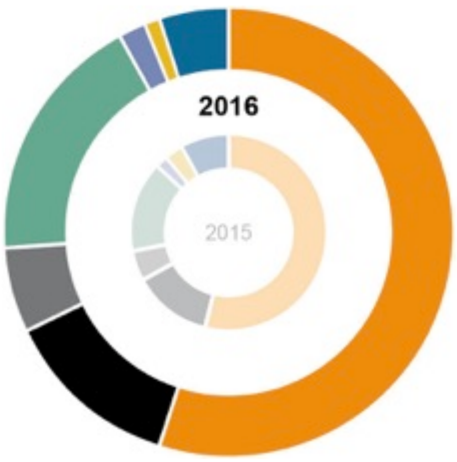
AFFS | Divisional revenue analysis

Rm	Mar-16	%	Mar-15
Stand-alone retirement fund consulting and administration	**596**	4%	572
Umbrella fund consulting and administration	**350**	7%	328
Health consulting	**170**	6%	161
AF Life – group risk	**73**	(12%)	83
Other	**98**	(10%)	110
Institutional	**1 287**	**3%**	**1 254**
Wealth and investments	**608**	9%	560
Long-term insurance	**7**	(2%)	9
Retail	**615**	**8%**	**569**
AF FINANCIAL SERVICES (new segmental)	**1 902**	**4%**	**1 823**
Asset consulting (now moved to Investment solutions)	**32**		**29**
AF FINANCIAL SERVICES (old segmental)	**1 934**	**4%**	**1 852**

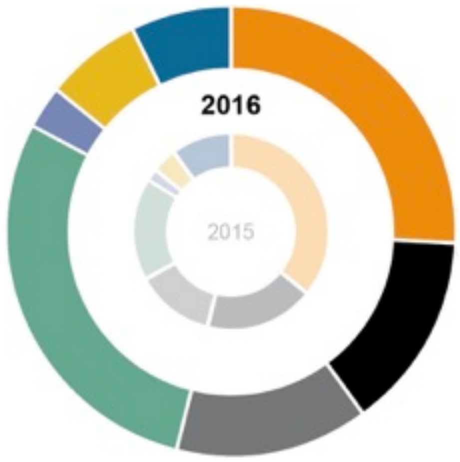
MARKET SENSITIVITY | Composition of assets

Investment Solutions composition of assets



Local equities	55%	(2015: 54%)
Local bonds	13%	(2015: 13%)
Local cash	6%	(2015: 5%)
International equities	18%	(2015: 15%)
International bonds	2%	(2015: 2%)
International cash	1%	(2015: 3%)
Other	5%	(2015: 8%)

SA Financial Services composition of assets



Local equities	26%	(2015: 36%)
Local bonds	14%	(2015: 18%)
Local cash	14%	(2015: 13%)
International equities	29%	(2015: 17%)
International bonds	3%	(2015: 2%)
International cash	7%	(2015: 4%)
Other	7%	(2015: 10%)

- The composition of assets is driven by client choice
- Equity market movements may result in correlated movements in other asset classes

- **R62.2 billion assets under advisement**
  of which
- **R55.4 billion is under administration**
  of which
- **R43.7 (79%) is invested through Investment Solutions**

ANNEXURE IV

Cash, capital and dividend

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REGULATORY CAPITAL | Theoretical position based on current discussion documents

Rm	SAM Standard Formulae (Mar-16) Own Funds	SAM Standard Formulae (Mar-16) Solvency Capital Requirement (SCR)	SAM Standard Formulae (Mar-16) **Regulatory Surplus**	SAM Standard Formulae (Mar-15) Own Funds	SAM Standard Formulae (Mar-15) Solvency Capital Requirement (SCR)	SAM Standard Formulae (Mar-15) **Regulatory Surplus**	**% Change in Regulatory Surplus**
Group Corporate (revolving credit)	(492)	17	**(510)**	(661)	14	**(675)**	**(24%)**
SA Financial Services	812	445	**368**	656	420	**237**	**55%**
Investment Solutions	477	357	**119**	516	343	**173**	**(31%)**
AF Insurance	214	118	**97**	178	116	**62**	**56%**
AfriNet	178	62	**116**	128	39	**89**	**30%**
International (Rm)	257	30	**227**	186	24	**162**	**40%**
Total Group	1 445	1 029	**416**	1 003	957	**47**	**> 100%**
Declared dividend	(295)		**(295)**				
Total Group (net of dividend)*	1 150	1 029	**121**				

* Difference due to rounding

- The group remains highly cash generative and as a result the regulatory surplus as at 31 March 2016 provides sufficient headroom for the payment of a dividend of **22cps**.

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CASH, CAPITAL AND DIVIDEND

- The group remains highly cash generative
- Cash generated largely available for dividend but subject to:
  - Capex – system maintenance and modernisation
  - Consider acquisitions in rest of Africa outside South Africa (we will follow reform)
  - Consider acquisitions in South Africa in line with our strategy to further strengthen the core and leverage the core (retail)
- Regulatory capital
  - Largely through the transition to SAM
  - Uncertainty remains with regards to margin above the Solvency Capital Requirement at a Group level but seems to be less than originally expected.
  - The FSB continues to release updates to the technical specifications which are included as they become effective.
  - Investment solutions' representation on the FSB's Linked Working Group allows them to provide input into the process of formalising the calculations for linked insurance companies as well as ensuring that changes to technical specifications are assessed as soon as they are discussed.
  - We are comfortable that, even though the regulations continue to change, we can manage these changes over the current calendar year.
  - We are still continuing with the development of an internal model and the embedding of this internal model in the business although this decision is continuously refreshed as new regulations or revisions to the technical specifications are released.
  - The improvement in Own Funds largely relates to attributable earnings net of dividends paid.
- Dividend policy of 1.5x to 2x cover on normalised earnings remains

ANNEXURE V

Long Term Incentive Plan

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LONG TERM INCENTIVE PLAN | Background

- Scheme background
  - Conditional Share Plan – a promise of shares in three years time subject to meeting certain performance criteria.
  - Scheme was approved by shareholders, including constructive inputs received from shareholders and independent external advice obtained by the Remuneration Committee to evolve towards best practice.
  - Imperative for the retention of key staff (not only performance incentive) – all our competitors in the industry offer share participation to key staff and have well established share schemes for retention.
  - Performance measures currently still compound HEPS growth only; will be diversified once clarity is obtained with regards to regulatory capital.
  - The rules of the LTIP allow for settlement through the issue of new shares, the use of treasury shares or the purchase of shares on the open market. The maximum number of shares permitted to be issued under the plan is 64 million shares, which equates to 4.78% of the issued share capital.
  - Performance targets: 3 year compound HEPS growth of GDP + CPI for 30% of the allocation and HEPS growth of GDP + CPI +10% for 100% for the first allocation and GDP + CPI + 8% for 100% of the second allocation measured over the performance period of three years (interpolation between these points).
  - 15.5 million shares were allocated in the first round (July 2014) and 16.9 million shares were allocated in the second round (July 2015) which represents approximately 2.41% of the issued share capital.

- Impact on value of Alexander Forbes
  - The scheme is capped at an allocation of 64m shares. The maximum dilution it can therefore have on the share price over its entire life is 64m/ 1,341m = 4.78% over the allocation period (which could be 5 - 7 years). Each tranche has a vesting period of 3 years from allocation.

LONG TERM INCENTIVE PLAN | Accounting IFRS 2

- IFRS 2 charge
  - The accounting monthly expense is calculated based on the following:
    - Historic achievement of HEPS growth target from allocation to a reporting period – NOT forward looking
    - Expected staff churn
    - Share price at allocation date (at fair value excluding dividend flows) – NOT adjusted for any movement in subsequent periods
    - Over the vesting term of employment (usually 3 years)
  - Each year that an allocation is made the charge will step up, until the end of the 4th year when 3 allocations have been made and the total IFRS 2 expense is in the income statement for a full year.
  - The maximum expected normalised annual charge assuming no churn, 100% achievement of performance targets and at an issue price of R7.50 (1st tranche - this will clearly vary) over a three year retention period will be (64m shares * R6.70 (fair value excl. dividends) / 3 = R150m. If the minimum performance measure for a specific tranche is not met, all previously accounted expenses will reverse as the allocation will be zero as all allocated shares are forfeited.
  - In the first few years, the net charge to the income statement will be volatile.

LONG TERM INCENTIVE PLAN | Accounting IFRS 2

- Calculation of IFRS 2 charge for the full year
  - Allocation 1
    - Initial shares allocated: 15.5 million, current balance post forfeited shares is 13.5 million
    - GDP + CPI at 6.47% (average for the period - but likely to be higher hurdle)
    - Share price at issue date was R6.70 (adjusted FV based on listing price of R7.50 to exclude dividends)
    - Expected churn: 5%

Actual	1
Normalised y/y growth to 31.3.16	5.0%
CAGR 24 months	10.1%
Allocation %	55%
Total charge	R47.1m
Charge to 31.3.2016 (20 mths)	R26.2m
Expensed to 31.3.2015	R13.2m
2016 charge	R13.0m

LONG TERM INCENTIVE PLAN | Accounting IFRS 2

- Calculation of IFRS 2 charge for the full year
  - Allocation 2
    - Initial shares allocated: 16.9 million, current balance post forfeited shares is 16.0 million
    - GDP + CPI at 6.3% (average for the period - but likely to be higher hurdle)
    - Share price at issue date was R8.12 (adjusted FV price of R8.89 to exclude dividends)
    - Expected churn: 5%

Actual	2
Normalised y/y growth to 31.3.16	5%
CAGR 12 months	5%
Allocation %	0%
Total charge	R0m
2016 charge (7 mths)	R0m

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ANNEXURE VI

Non-financial highlights

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NON-FINANCIAL HIGHLIGHTS

ALEXANDER FORBES WEBSITE AND MOBILE APP

- During the financial year the new look Alexander Forbes website was launched as well as a mobile app for both Apple and Android devices that allows fund members to check their balances on their mobile devices.
- The launch of the mobile app represents the first phase in a multi-phase project aimed at improving the client experience and educating clients on their financial well-being.

COMPLIANCE

- During the period under review, significant progress has been made under the various pillars of SAM, it is anticipated that by the 1st of January 2017, when the framework becomes effective, the group will be fully compliant.
- TCF has been fully embedded in the group, the POPI project is ahead of schedule. The CRM, centralised client complaints and compliments register is being rolled out.

INNOVATION

- During the financial year there were over 300 ideas submitted to the innovation hub, following which 9 ideas were selected to be presented at the annual “innovation den”, from which 7 ideas will be investigated further for consideration for implementation.

PEOPLE

- Stable Group and divisional leadership teams
- 98% of employees have performance contracts and have concluded reviews
- We have enhanced our employee value proposition and extended it to all geographies in which we operate
- Our attrition and absenteeism ratios are at acceptable levels relative to the industry

NON-FINANCIAL HIGHLIGHTS

AWARDS

- PMR.africa Diamond Award Best Consulting and Actuarial Award – 9 years in a row
- PMR.africa Diamond Award Pension fund administrator – 9 years in a row
- AF Insurance was listed in the top 4 insurers for claim and complaint overturns by the Ombudsman for Short-Term Insurance
- Investment Analysts Society Award for excellence in communication and financial reporting
- Alexander Forbes Health – BHF Titanium Industry Award for excellence in healthcare advisory services
- LifeGauge – finalist at the SA Innovation Awards
- Top 3 Investment and Insurance company in the 2015 Top Companies Reputation Index
- Alexander Forbes East Africa – Think Business Pension Administrator of the Year
- Alexander Forbes East Africa – Think Business Best Occupational Fund (AFRF)
- Alexander Forbes East Africa – Think Business Best Individual Pension Plan (Vuna)
- The CEO of Alexander Forbes East Africa won the Think Business award for Outstanding Pension Industry Contribution
- Chief Financial Officer of the year, Deon Viljoen – 2015 CFO of the Year Award

ANNEXURE VII

Regulatory environment

REGULATORY CHANGES | High level summary

EXPECTED CHANGE	UPDATE
Retirement reform – tax changes	• A higher proportion of compulsory saving in respect of provident funds upon retirement could lead to an increase in flows to AF • AF has been actively communicating impending changes to manage member expectations – AF has not experienced mass withdrawals as reported in press • Discretionary retail opportunity where high earning individuals do cap contributions, although we expect most will contribute to funds
Retirement reform – pre retirement • Default investment strategies • Default preservation strategies (promote preservation and portability when members change jobs)	• Planned launch of revamped default ranges in 2016, with further evolution • May see increased AUM and/or longer membership periods in institutional area, pressure for retail preservation vehicles • AF focus on financial capability and well-being of members targeted at keeping members invested.
Retirement reform – post retirement • Default annuity strategy	• Expect some in-fund solutions to create volume through retention; retail arrangements to innovate to remain relevant • Retirement benefits counsellor services
• Retail Distribution Review	• It is aligned to our Retail strategy where we are focusing on growing the number of retail clients by providing appropriate solutions

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RETIREMENT REFORM | Tax changes

EXPECTED CHANGE	IMPACT ON AF
Tax changes results in a consolidation of products by: Alignment of tax incentives: Pension, Provident and RA's are the current retirement saving products in the market. This will change to a "retirement fund". All member contributions will be tax deductible at 27.5% of higher of <u>remuneration or taxable salary</u> (capped at R350 000 p.a.). This means better tax deductibility (with the exception of high income earners) and the consumer can save more for retirement. This change went live 1 March 2016. Harmonised annuitisation regime: It was signed into law that on retirement 1/3 cash and 2/3 must go towards an annuity product. This was due in March 2015, and then postponed to March 2016. In February 2016 National Treasury backtracked under pressure from labour and have postponed the annuitisation requirement for provident fund members to 1 March 2018, subject to consultations being finalised by 1 August 2017. The outcome may be that pension and provident funds share an annuitisation regime, or that the design changes for provident funds. This will unfold in the consultation process,.	• AF actively and directly involved in discussions with National Treasury and represented by industry body in NEDLAC • Consolidation of clients (within multicarrier clients and move from standalone to umbrella funds) may be slower than expected as pension to provident fund transfers are still taxable, at least until 2018 • Could lead to an overall increase in assets under advice, administration and management to AF: - Pension fund was capped at effective 27.5% of pensionable - Provident fund previously capped at 20% of pensionable and - RA's previously capped at 15% of non-pensionable earnings • A higher proportion of compulsory saving in respect of provident funds upon retirement could lead to an increase in flows to AF • AF has been actively communicating impending changes to manage member expectations – AF has not experienced mass withdrawals as reported in press. • Discretionary retail opportunity where high earning individuals do cap contributions, although we expect most will contribute to funds

RETIREMENT REFORM | Defaults pre-retirement

EXPECTED CHANGE	IMPACT ON AF (AF RESPONDED IN DETAIL TO NATIONAL TREASURY ("NT")
Default investment strategies for DC benefits Funds providing defined contribution (DC) benefits will be required to provide in their Rules for a default investment portfolio in which members' DC accumulated retirement savings must be invested, unless the member instructs the Fund to invest his or her fund in a different portfolio. Passive (index-tracking) or enhanced passive strategies must be considered for listed investments.	• AF pioneered customised DC defaults (LifeStage) many years ago • Planned launch of revamped default ranges in 2016, with further evolution • AF launched passive LifeStage ranges as we expect to see a sharper focus on overall costs • Removed many performance fees • Communication requirements more onerous in line with TCF
Default strategy to promote "preservation and portability" when members change jobs The regulation aims to encourage preservation in that the rules of all retirement funds must now include a provision allowing for deferred or so-called "paid-up" members. Paid-up members are those who have left employment and ceased to contribute to the Fund, but who choose to leave their benefits preserved in the Fund, or who do so by default.	• AF provides thought leadership and stats on preservation in order to boost preservation • Provided employers/funds with tools to show impact • Implemented "seamless" preservation strategies • May see increased AUM and/or longer membership periods in institutional area, pressure for retail preservation vehicles • AF focus on financial capability and well-being of members targeted at keeping members invested.

RETIREMENT REFORM | Defaults post-retirement

EXPECTED CHANGE	IMPACT ON AF (AF RESPONDED IN DETAIL TO NT)
Default annuity <u>strategy</u> Regulation 39 requires that all funds must have a Rule providing for a default pension at retirement. This regulation is most relevant to DC Funds as in the case of a defined benefit fund the form of the default pension would be defined in the Fund rules.	• AF advocated for strategy, not single annuity (Research paper) • AF developed a post-retirement framework for DC funds in 2014 in preparation for default annuities • Product team working to fully populate the framework with appropriate solutions based on regulations (living annuity and life) • Expect some in-fund solutions to create volume; retail arrangements to innovate to remain relevant • Retirement benefits counsellor services

RETAIL DISTRIBUTION REVIEW ("RDR")

EXPECTED CHANGE	IMPACT ON AF
Retail Distribution Review is designed to remove product bias and provide transparency to the consumer on exactly what products they are buying, relationships between parties involved and the cost involved today and into the future. It is designed to educate the consumer on financial products, services and fees in order to eliminate bad practices, increase healthy competition and increase transparency. It is also aimed at widening access of financial advice to consumers in a cost effective manner.	• AF contributes to the discussion and has representation on various industry forums and we have formally responded to the RDR proposals by the FSB • AF was one of the first financial services companies to have a fee for advice model as opposed to operating purely on commission • AF has the Higher Purpose and SERVE embedded in its DNA, so embracing RDR is a natural fit • It is also aligned to our Retail strategy where we are focusing on growing the number of retail clients by providing appropriate solutions
The FSB has published it's intended course of action for implementation of Phase 1, which will be slightly slower than first expected.	• Focussed team considering impact of amended proposals
Performance fees: National Treasury has specifically highlighted performance fees as an area for attention in its retirement reform papers	• Investment Solutions was one of the first local unit trust management companies to remove all performance fees from its unit trust funds