



PRE CLOSE PRESENTATION

SEPTEMBER 2016

Agenda

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1. Introduction of the new Group CE
2. Strategic update
3. Economic environment
4. Key headwinds
5. General
6. Closing comments

- Andrew has over 20 years' experience in the financial services sector gained in countries such as Bermuda, Canada, Switzerland, the United States and the United Kingdom. Previously, he was Chief Executive Officer at Sun Life Financial International, a division of Sun Life Assurance Company of Canada, leading a division providing life insurance, protection, savings and wealth management solutions across 50 countries in Asia, Middle East/Africa, Europe and the Americas managing circa \$15 billion in assets.
- Prior to this, Andrew held a number of senior leadership roles at Old Mutual Plc, where he was President and Chief Executive Officer of Old Mutual (Bermuda) Ltd., and oversaw all aspects of the business, including sales, marketing, investments, HR, finance, actuarial and operations. Andrew joined Old Mutual Plc as Regional Financial Controller for the North American businesses in October 2007 and was appointed Chief Operating Officer for the Bermuda business in March 2009 before assuming the CEO position in March 2010. He also previously held international management positions focused on strategy and business development at Credit Suisse AG, UBS AG and Ernst & Young LLP.
- Andrew received a B.Sc. in Economics from Queens Mary College, University of London and an MBA from Cranfield School of Management, UK. He has also completed executive management programmes at Harvard (US) and Insead (France) Business Schools. Andrew is an Associate of the Institute of Chartered Management Accountants, holding the ACMA and CGMA designations and is a member of the Securities and Investment Institute (UK). Andrew is a citizen of the United Kingdom and has received his 90 day work permit and his long term work visa is expected to be issued during this period.

ALEXANDER FORBES STRATEGIC INTENT 2016–2020



INSTITUTIONAL FINANCIAL SERVICES | Strategic update

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Priority	Update on activities aligned to stated intent	
1	Increased revenue focus through innovation and retention	Launched innovative new products and services: <ul style="list-style-type: none"> • In-fund solution Q2 FY17 • End-to-end pricing strategies Q1 FY17 • Continued strengthening commercial focus within the businesses
2	External distribution channels and new markets	<ul style="list-style-type: none"> • Increased membership and clients in AF Access from external IFAs • New product launched to SME: Group RA's in Q1 FY17 • Launch of beneficiary fund administration services Q1 FY17 (size of opportunity cR40m annualized revenue)
3	Delivering operational efficiency	<ul style="list-style-type: none"> • Projects to enhance operational efficiency in operations and administration area (contribution updates and claim payments)

INVESTMENT SOLUTIONS | Strategic update

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Priority	Update on activities aligned to stated intent	
1	Consolidation of investment activities and extend Mercer partnership	<ul style="list-style-type: none"> • Implemented global research cooperation agreement with Mercer • Exploring opportunities on global passive solutions • Extensive review of global range (local and offshore) • Coordinating efforts with Mercer on global investing
2	Appropriate investment outcome for clients	<ul style="list-style-type: none"> • Fixed the flagship equity fund with satellite strategies • Reviewed the ranges in line with product development guidelines
3	Build in-group and external distribution arrangements	<ul style="list-style-type: none"> • Focused and coordinated the Umbrella Fund strategy with Institutional Financial Services • Progressed collaborations with various 3rd parties like ABSA etc.
4	Expand alternatives capability	<ul style="list-style-type: none"> • Consolidated hedge fund capability into the investment team • Added research capability across private equity and infrastructure

RETAIL FINANCIAL SERVICES | Strategic update

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Priority	Update on activities aligned to stated intent	
1	Focusing on the financial well-being of our existing institutional member base	<ul style="list-style-type: none"> • Re-designed financial wellbeing solution and associated infrastructure to be more scalable • Roll-Out of “financial wellbeing days” across key clients
2	Enhancing customer value proposition and product development	<ul style="list-style-type: none"> • Strengthened value proposition with launch of new products across AF Life, Wealth & Investments • Investment in digital to improve customer experience
3	Open market acquisition	<ul style="list-style-type: none"> • Launch of marketing campaigns to build Retail Financial Services brand recognition
4	Business model and integrated channel architecture	<ul style="list-style-type: none"> • Investment in social media footprint, PR and media presence to drive web engagement • Alignment of customer communications under single banner

AFRINET (EMERGING MARKETS) | Strategic update

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Priority	Update on activities aligned to stated intent	
1	Delivering operational leverage	<ul style="list-style-type: none"> • Execution of efficiency and right sizing program to optimize cost base • Re-alignment of country offices
2	Growing Institutional Financial Services	<ul style="list-style-type: none"> • Continuing with the Switching Strategy • Leveraging global Mercer relationships to deliver and win new client opportunities • Accelerating stand alone to umbrella conversion across the platform
3	Growing Retail Financial Services	<ul style="list-style-type: none"> • Piloting new savings solutions across Botswana, Namibia and Kenya • Pursuing an open market strategy to acquire clients more aggressively with focused marketing efforts

Economic environment | Key statistics

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The group is highly dependent on the macro economic drivers

MEASURE		STATISTIC	
SA Inflation	CPI % change y/y	+ 5.9%	August 2016
SA Economic expansion	GDP % change q/q	+ 0.8%	2016 Q2 (StatsSA)
SA Gross earnings	Gross earnings	- 4.0%	(545 027 million Dec '15 , 523 074 million Mar '16)
SA Labour market	Formal private sector employment	- 0.2%	(9.288 million Dec '15, 9.273 million Mar '16)
SA Equity Markets	JSE All Share Index (total return incl. dividends)	- 1.63%	3 months to August 2016
	JSE Shareholder Weighted Index (SWIX) (total return incl. dividends)	- 0.08%	3 months to August 2016
SA Bonds	BESA All Bond Index (ALBI)	+ 4.48%	3 months to August 2016
SA Cash	Short Term Fixed Interest Composite Index (STeFI)	+ 1.84%	3 months to August 2016
Global Equity	MSCI AC World (ZAR)	- 2.59%	3 months to August 2016
Exchange rate	GBP / ZAR	+ 4.9%	20.16 Aug '16 from 19.23 Aug '15 (internal weighted average)
UK Inflation	CPI % change y/y	+ 0.6%	August 2016
UK Economic expansion	GDP % change y/y	+ 2.2%	July 2016

Key headwinds

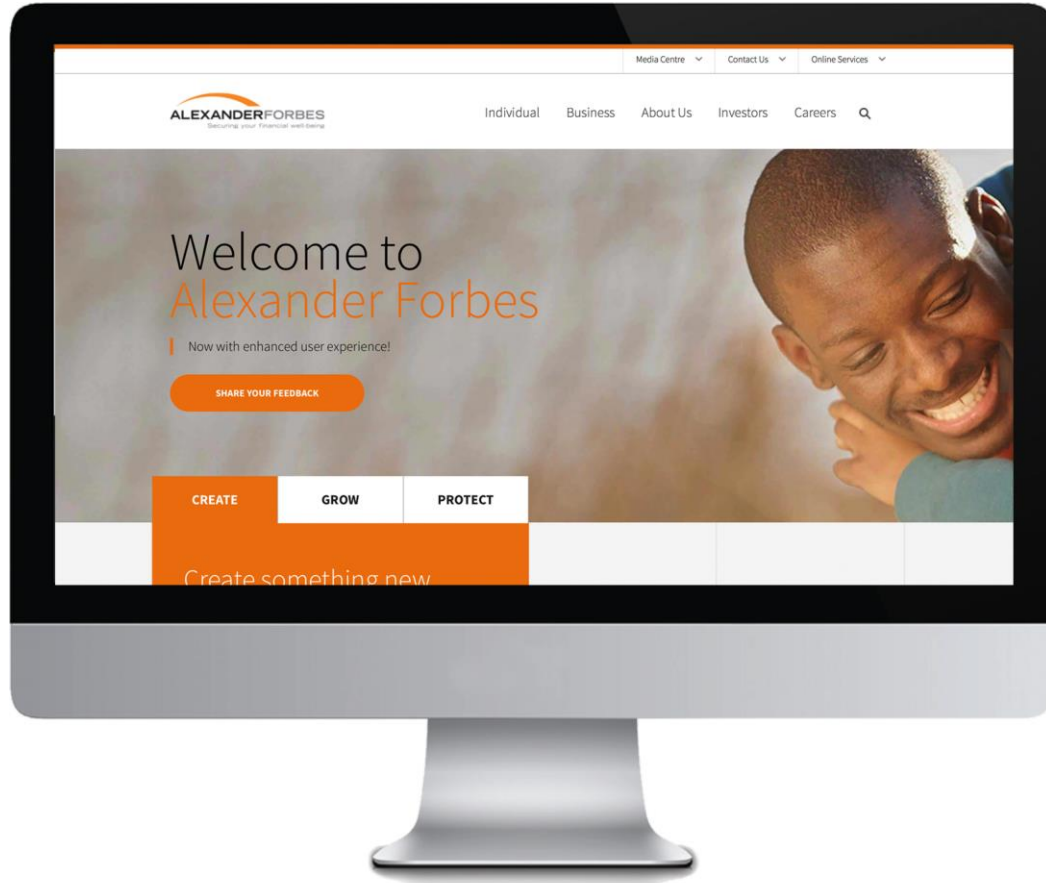
1. Economic environment
2. Continued market volatility
3. Weakening exchange rates
4. Increased competition from new entrants
5. Shift towards lower cost investment options
6. Margin pressure
7. Unusual weather conditions

The impact of the above has been mitigated through rigorous cost control during the first six months of the year.

- Long Term Incentive Plan
 - Introduces volatility in the HEPS
- BEE transaction
 - Recent SENS announcement provided some additional information
 - Africa excluding International Business (will require some group restructure)
 - Deal size of 10%
 - Not funded by Alexander Forbes
 - Terms and conditions still in the process of being negotiated

- Clear, unchanged strategy with focus on driving operating efficiencies and capturing growth opportunities
- Leading franchises across Investment Solutions and Institutional Financial Services
- Building retail financial services platform
- Strongly capitalized with cash generative businesses
- Well positioned to deliver long-term profitable growth, notwithstanding challenging local SA economic backdrop

THANK YOU



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ANNEXURE I

Key factors that impact performance

INSTITUTIONAL FINANCIAL SERVICES | Key factors that impact performance

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FACTORS IMPACTING ON PERFORMANCE

1. Increased **competition from new entrants**
2. Continued **market volatility**

IMPACT

- A large stand-alone retirement fund client has taken administration services in-house by purchasing a small competitor business (loss of circa 42 000 members under administration as from September, annualised revenue impact of R13m)
- Increased client engagements
- Expansion of AF value add to clients (investment in value proposition)
- Muted impact on earnings as only 5% of total revenue for AFFS Institutional is based on AuM
- Muted market growth forecast for FY 17

INVESTMENT SOLUTIONS | Key factors that impact performance

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FACTORS IMPACTING ON PERFORMANCE

1. Shift towards **lower cost investment options**
2. Continued **market volatility**

IMPACT

1. Increased interest in lower cost investment options results in lower margins but a better after-fees returns.
2. Muted market growth forecast for FY17

RETAIL FINANCIAL SERVICES | Key factors that impact performance

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FACTORS IMPACTING ON PERFORMANCE

1. Launch of Institutional **in fund solutions**
2. **Margin pressure**
3. Unusual **weather** conditions
4. Weakening **exchange rates**
5. **Investment** in key strategic areas
6. Implementation of **reorganisation**

IMPACT

1. The introduction of in fund products in the market have also impacted on FPC new business flows
2. Continued margin pressure in the wealth and investment area due to portfolio mix and clients choices
3. Unusual weather conditions with winter storms have affected the loss ratio in AFI
4. Exchange rates impacted claims costs in the AFI business causing a further increase in loss ratios
5. Investment in key strategic areas to drive growth in new business and reduce churn as well as improve the client digital experience
6. Successful implementation of the retail reorganisation on 1 April 2016 which sets up the business for growth and expansion
 - AF Life internal call centre successfully established with higher than expected sales

EMERGING MARKETS | Key factors that impact performance

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FACTORS IMPACTING ON PERFORMANCE

1. Increased **competition from new entrants**
2. Continued **market volatility**
3. **Margin pressure**

IMPACT

1. Financial strain is driving consolidation especially amongst local players with most Competitors pricing to cover operating costs
2. 15% of EM revenue is impacted by markets (asset based pricing)
3. BPOPF insourcing has impacted the Botswana operating margin. Pula 25m annualised revenue impact, cost mitigation underway. (A first phase restructuring has been completed with a reduction of 8% (staff)).

ECONOMIC ENVIRONMENT | Impact on performance

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BUSINESS AREA

IMPACT

1. AFF Institutional

- Delay in decision making at clients (Impact - retarding new business appointments)
- Clients cost conscience (Impact - reduced fee billing opportunities)
- Soft insurance market continues in group life (Impact – net premium income in AF Life Group Risk and lower insured commission)

2. Investment Solutions

- Lower than usual growth in AuM. Weak economic environment resulting in more focus on efficiency and reduction in head counts which further results in outflows. Client sensitivity to fees is heightened. Both Bond market and Equity markets impacted.
- Uncertainty over the rating agencies' decision on South Africa's rating has negatively impacted major asset class returns with sharp spikes (up and down) but overall almost flat returns

3. Retail

- Impact on new business flows with a reduction in preserved assets and an increase in unplanned withdrawals.
- Risk products seen as a luxury purchase, impacting on new business and an increase in churn in the AFI and AF Life businesses.

4. Emerging Markets

- Credit outlook of Namibia, Kenya, Nigeria and Zambia downgraded,
- Botswana and South Africa on ratings watch
- Services sector consequently impacted as Local/National government are generally the largest procurer in most instances