



RMB Morgan Stanley Conference – September 2017

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Group Chief Executive



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## Our Strategy

- Be a premier provider of financial well-being to our customers throughout their life journey across South Africa and selected Emerging Markets
- Generate industry-leading cash flow and growth through the cycle
- Investment thesis of “cash flow plus growth”

## Key Management Actions

- Disciplined capital allocation and improving business profitability
- Reducing our fixed costs
- Improving our operating leverage
- Leveraging our market-leading institutional business to drive retail and emerging market growth
- Putting in place a highly experienced and driven management team to lead this journey, combined with effective strategic partnerships with Mercer and African Rainbow Capital

## Outcome

- As the strategy is executed, we intend to maintain a diversified and profitable business serving end customers through institutional relationships and directly



**Continued growth in operating income and profit** – strong retail growth in FY17 with commitment to continue to grow at or above market across all business lines



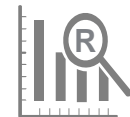
**Predictable and recurring revenue stream** – >85% of income from recurring business across a diversified portfolio



**Trusted brand** – market leader in institutional and winner of the Africa Best Employer Award, BHF Titanium Award for Healthcare consulting services








**Strong strategic partners** – Mercer and ARC will help accelerate growth



**Cash generative with high dividend yield** – proven track record of cash generation which will maintain dividend cover at 1.5x



**Capital “lite” balance sheet** – group solvency capital requirement of just over R1bn and strong normalised return on average capital employed of 15.7%

|                              |   |                |                  |                |
|------------------------------|---|----------------|------------------|----------------|
| Value Proposition            | Securing our clients' lifetime of <b>financial well-being</b> by providing <b>peace of mind</b>   |                |                  |                |
| Strategic Pillars            |  Grow institutional & asset management capability<br> Grow retail capability, including offshore<br> Expand across select sub-Saharan African & emerging markets<br> Strive for excellence, across service, operational & technology enablement<br> Innovate and create internal capacity to disrupt ourselves through innovation |                |                  |                |
| Ambition 2022 Growth Targets | Revenue   | Cost growth    | Operating profit | ROE            |
|                              | <b>8% - 10%</b>   | <b>7% - 9%</b> | <b>10% - 12%</b> | <b>&gt;14%</b> |

## OUR PRIORITIES

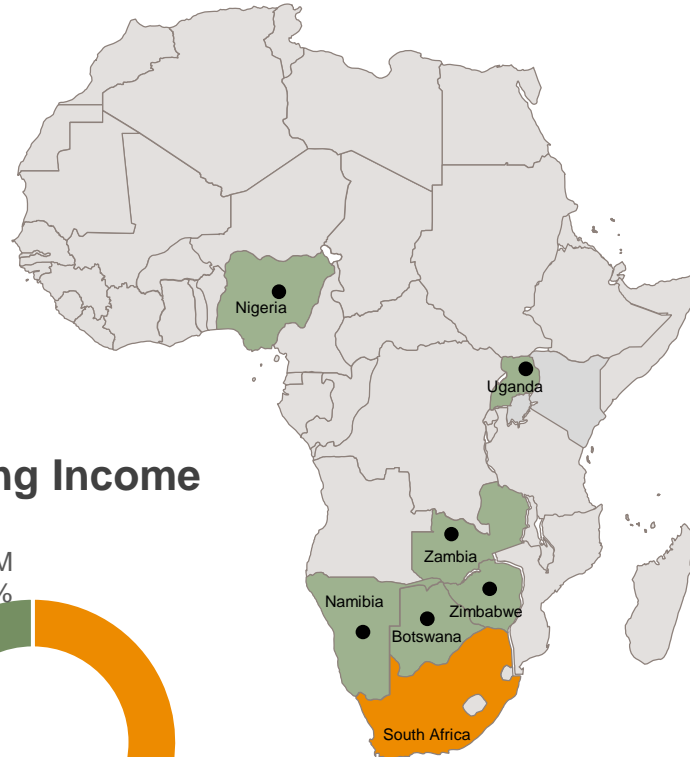
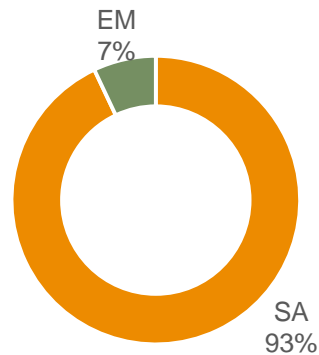
- 01 Getting **“back in the boardroom”** and improve cross sell to end consumers
- 02 **Umbrella** at the institutional core to drive revenue and access to assets and consumers
- 03 Drive **SME** penetration
- 04 **Financial well-being** to target the end consumer, leveraging data analytics and portfolio pricing
- 05 Drive **asset accumulation** strategy across the group

CASH FLOW... PLUS GROWTH

## South Africa

- Operating since 1935
- Primary market contributing majority of the Group's operating income (93%) and operating profit (97%)
- Market leader in institutional employee benefits and multi-manager investments
- Maintain market leading position and deliver growth across both Institutional and Retail

Operating Income  
FY2017



## Emerging Markets

- Presence in 6 countries – Botswana, Namibia, Zimbabwe, Zambia, Uganda and Nigeria
- Largest pension provider in Africa
- Leverage our strong South African financial services platform

Drive top line growth



Improve operating leverage and efficiency



Engaged and empowered colleagues



Optimise portfolio





|                   | INSTITUTIONAL CLIENTS   | RETAIL  | EMERGING MARKETS   |
|-------------------|---|---|--|
| WHAT WE WILL DO   | <ol style="list-style-type: none"> <li><b>1 Umbrella:</b> grow umbrella funds as anchor for growth</li> <li><b>2 Stand-alone:</b> improve operational efficiency through implementation of consistent pricing</li> <li><b>3 Ancillary areas:</b> grow investment advisory &amp; health brokerage; reprice group life to drive cross-sell; maintain health actuarial &amp; HMS</li> <li><b>4 Retail support:</b> facilitate the provision of employee benefits to end consumers across the institutional base</li> <li><b>5 New segments:</b> expand SME and public sector penetration</li> <li><b>6 Asset accumulation focus:</b> defined asset accumulation plans across institutional and retail</li> </ol> | <p>Strategy premised on financial well-being as a differentiator, being deployed through the Member Access Strategy</p> <ol style="list-style-type: none"> <li><b>1 &gt;R500k Member Base:</b> Increase penetration through advice-led, tailored solutions, competitive pricing through the lens of a single view of customer and improved distribution channels</li> <li><b>2 &lt;R500k Member Base:</b> Increase penetration by introducing direct channel and lower cost product offering</li> <li><b>3 &gt;R500k Open Market:</b> Selectively target open market by building affiliate intermediary network and expanding proposition to serve</li> </ol> | <ol style="list-style-type: none"> <li><b>1 Umbrella fund anchor:</b> umbrella funds to serve as simple unifying product on which to anchor proposition</li> <li><b>2 Reinforce market positions:</b> reinforce positions in Namibia and Botswana through organic growth</li> <li><b>3 Accelerate growth:</b> accelerate growth in Nigeria, Ghana, Mauritius &amp; Morocco, aligned to regional hub model</li> </ol> |
| STRATEGIC ACTIONS | <ol style="list-style-type: none"> <li><b>7 Cross-sell:</b> increase cross-sell with single view of the customer</li> <li><b>8 External distribution:</b> improve external intermediary distribution through affiliate networks and transparent and tailored pricing</li> <li><b>9 Technology:</b> operational efficiency through modernisation initiative</li> <li><b>10 Partnership:</b> leverage strategic partnership with Mercer and ARC</li> </ol>  | <ol style="list-style-type: none"> <li><b>4 Distribution Channel:</b> Expand the tied agency, digitisation, introduce direct offering and build intermediated distribution to complement our internal sales force</li> <li><b>5 Brand:</b> Increase marketing to build brand awareness with end consumer</li> <li><b>6 Technology:</b> Investment in core platforms and digital interfaces enable single view of customer which supports data driven cross sell and bundling</li> </ol>   | <ol style="list-style-type: none"> <li><b>4 Market entry approach:</b> management control is key priority even without majority stake</li> <li><b>5 Strong local leadership:</b> we will drive localisation through strong local leadership teams</li> <li><b>6 Leverage SA capabilities:</b> leverage scale, technology and industry knowledge from established SA business</li> </ol>                              |

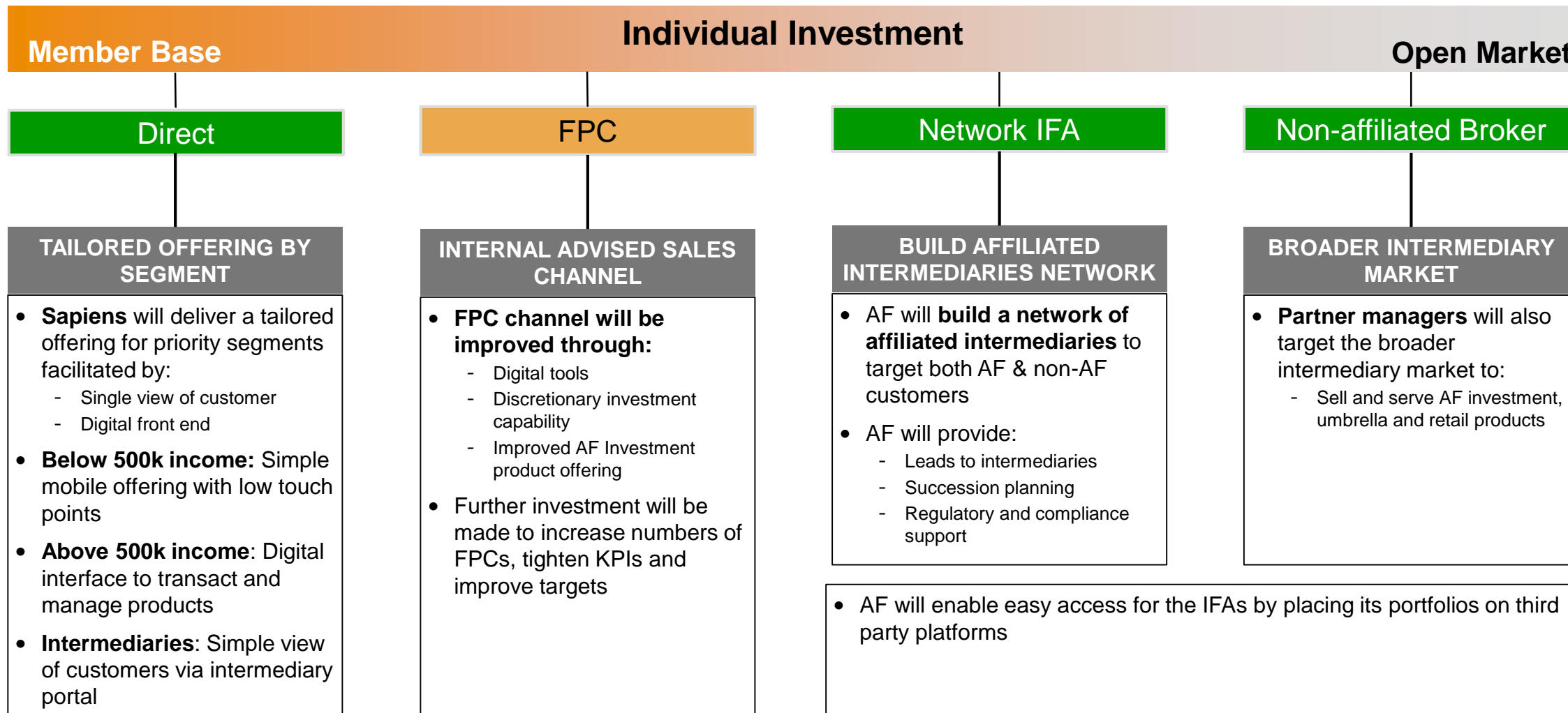


# RETAIL CLIENTS | Improving retail penetration

**Institutional end employees:** Broaden proposition to cater for differing customer needs

|                         | >R500K MEMBER BASE   |                        | <R500K MEMBER BASE   |                        |
|-------------------------|--|------------------------|--|------------------------|
|                         | FINANCIAL WELL-BEING FOR A LIFETIME  | HOW WE WILL OFFER      | FINANCIAL WELL-BEING FOR A LIFETIME  | HOW WE WILL OFFER      |
| ADVICE                  | <ul style="list-style-type: none"> <li>Holistic Financial Planning – Accumulation, Protection and Preservation of your Assets</li> </ul>   | In-house               | <ul style="list-style-type: none"> <li>Focused Financial Planning - primarily on money mindsets &amp; budgeting</li> </ul>   | In-house               |
| RETIREMENT PRESERVATION | <ul style="list-style-type: none"> <li>In-fund preservation options</li> <li>Traditional retirement preservation options (e.g. living annuities)</li> </ul>  | In-house + partnership | <ul style="list-style-type: none"> <li>In-fund preservation options</li> <li>Traditional retirement preservation options (e.g. living annuities)</li> </ul>  | In-house + partnership |
| DEBT SOLUTIONS          |  |                        | <ul style="list-style-type: none"> <li>Debt management and consolidation product</li> </ul>  | Partnership            |
| RISK                    | <ul style="list-style-type: none"> <li>Long term insurance (e.g. Life cover)</li> </ul>  | In-house               | <ul style="list-style-type: none"> <li>Long term insurance (e.g. Funeral cover)</li> </ul>   | In-house               |
|                         | <ul style="list-style-type: none"> <li>Short term insurance (e.g. Motor, accident and household)</li> </ul>  | In-house               | <ul style="list-style-type: none"> <li>Short term insurance (e.g. Motor, accident and household)</li> </ul>  | In-house               |
| INVESTMENTS             | <ul style="list-style-type: none"> <li>Discretionary investment options:                             <ul style="list-style-type: none"> <li>Best Ideas portfolios</li> <li>Discretionary Investment solutions</li> <li>Offshore solutions</li> <li>Living*Investing</li> </ul> </li> </ul> | In-house               | <ul style="list-style-type: none"> <li>Lower income investment options                             <ul style="list-style-type: none"> <li>Passive investment options</li> <li>TFSA (Tax Free Saving Accounts)</li> </ul> </li> </ul> | In-house               |

**Distribution channel:** New intermediated channel to expand into IFAs and direct offering tailored to customer segment











## Client Benefits



## AF Benefits

|                 | Digital Capabilities<br>(Web, mobile, USSD)  | Insurance and pensions<br>policy admin platforms   | Business Intelligence,<br>Analytics, tools   |
|-----------------|--|--|--|
| Client Benefits | <ul style="list-style-type: none"> <li>✓ Single, Omni channel portal</li> <li>✓ Online user experience</li> <li>✓ Access to information</li> <li>✓ Instant fulfilment</li> </ul>                         | <ul style="list-style-type: none"> <li>✓ Cradle to grave integration</li> <li>✓ Single view of client</li> <li>✓ Single quoting tool and digital onboarding</li> <li>✓ Bundled products and services</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Financial well-being tools</li> <li>✓ Composite statements and reporting</li> </ul>   |
| AF Benefits     | <ul style="list-style-type: none"> <li>✓ Single digital gateway</li> <li>✓ Digital marketing &amp; product offerings</li> <li>✓ Direct to Consumer capability</li> <li>✓ Social media profile</li> </ul> | <ul style="list-style-type: none"> <li>✓ Single platform to support</li> <li>✓ Integrated regulatory compliance</li> <li>✓ Training and support efficiencies</li> <li>✓ Process and operational efficiencies</li> <li>✓ Speed to market for new products and services</li> </ul> | <ul style="list-style-type: none"> <li>✓ Master data management</li> <li>✓ Consolidated financial reporting</li> <li>✓ Big data toolkits</li> <li>✓ Enterprise reporting capability</li> </ul> |

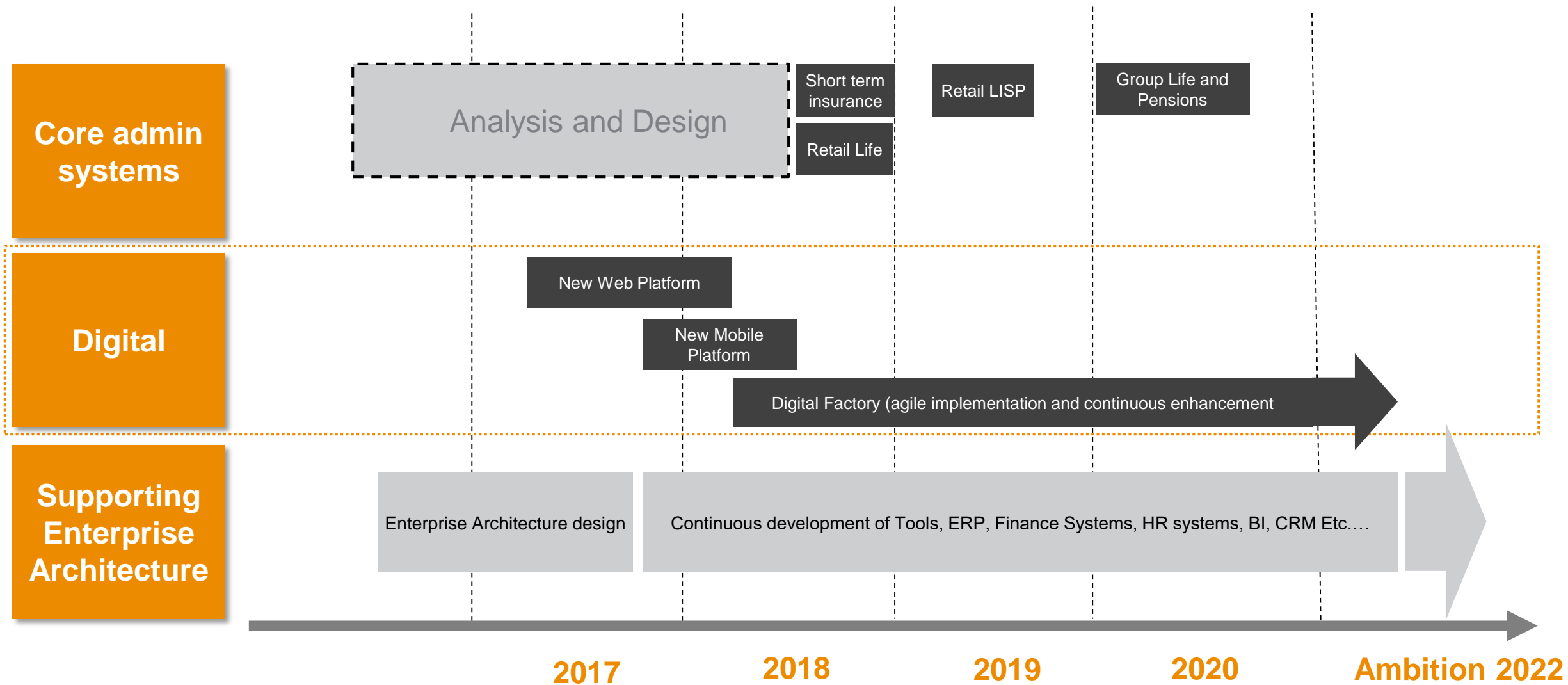
Delivering benefits across multiple categories

|                             | Digital Capabilities<br>(Web, mobile, USSD)                                       | Insurance and pensions<br>policy admin platforms                                    | Business Intelligence,<br>Analytics, tools  |
|-----------------------------|---|---|---|
| Implementation Partner      |  |  |  |
| Primary Technology Platform |  |  |  |

**Benefits realised across 3 Streams**  
**Lower IT operating costs**  
**Improved operating model within business**  
**Enhanced revenue opportunity off new capabilities**

# MODERNISATION | Roadmap to support Ambition 2022

Roadmap has been set in collaboration with partners to ensure successful project delivery



- Good momentum evidenced in delivering “**getting back into the boardroom strategy**” with a significant number of new client wins and improvement in cross-sell levels to existing clients
- Repositioning of Investment Solutions business into AF Investments with a new *Living\*Investing* investment philosophy and brand strategy of “*In pursuit of certainty*”
- Signed agreements with Sapiens and Adobe as part of modernisation initiative
- Acquisition of AAC in Zimbabwe, integration underway
- Continue to strengthen leadership team with key roles filled Group wide

## Oaks

Solid growth,  
Sustainable cash

**AF Health  
Investments**

Deepen

**FPC**

Focus

**Wealth &  
Investments**

Grow

## Acorns

Future,  
Fast growth

**Retirements  
Group Risk**

Accelerate

**ST Insurance**

Innovate

**Channel Islands**

Invest

## Apple trees

Simplify, optimise,  
focus, improve

**C&A**

Optimise

**LT Insurance**

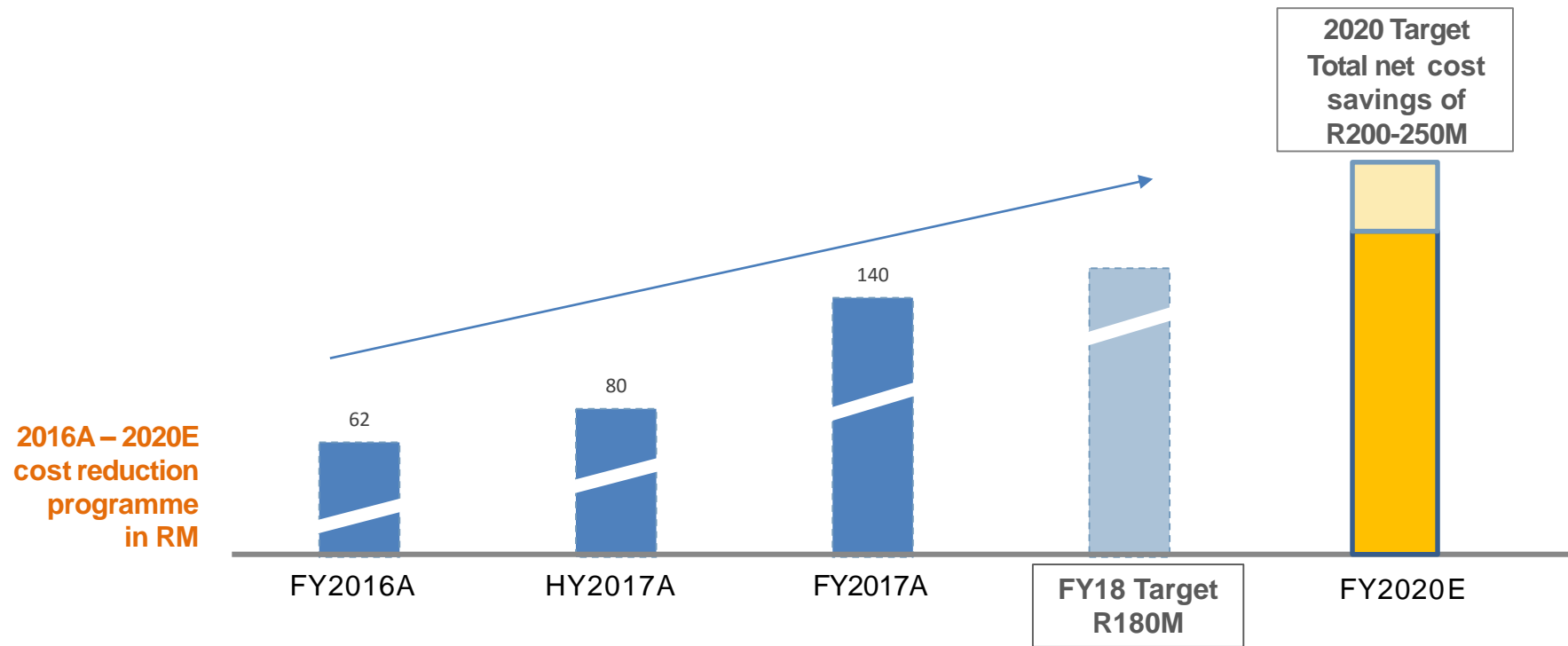
Fix

**Emerging  
Markets**

Improve



# EXECUTION PROGRESS | Progress toward achieving operational efficiency targets



The capital allocation strategy incorporates the cash generation of the group over the next 5 years in conjunction with the requirement to fund the following four areas over this time period

## Dividend

An ordinary dividend of 23 cents (R302M) and special dividend of 23 cents (R302M) paid in July.

## Share Buyback

In progress

## Investment

Software development payments being made in line with contractual commitments

## M & A

Continue to evaluate opportunities



Strong client franchise with significant upside from working more closely across divisions... early signs of success



Margin materially improved across Group



Delivery of cost savings in excess of our target has resulted in improved trading profit



Continued focus needed to deliver positive operating leverage targets



Selective approach to M&A being pursued



Integrated value proposition to protect franchise during present market conditions will provide significant upside when conditions improve



CLOSING REMARKS AND Q&A

