INTERIM RESULTS
H1 2018 FINANCIAL PERFORMANCE AND STRATEGY UPDATE

Six months to 30 September 2017

RETIREMENTS | WEALTH | INVESTMENTS | INSURANCE

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H1 2018 Performance and Strategy Update

Andrew A. Darfoor, Group Chief Executive

OUR STRATEGY | Becoming a globally distinctive pan-African financial services leader

- Strong businesses with leading market positions – clear focus on unlocking "Power of One"
- Sustained high cash generation and dividend payout
- Positioned for longer term sustainable growth in South Africa and select Emerging Markets
- Focused on unlocking substantial business improvement and cost efficiency opportunities

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H1 2018 | Delivering positive operating leverage and higher profits

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Cash flow

- Business continues to deliver high level of cash conversion – supporting dividends and reinvestment
- Sustained cash flow generation translating to increase in interim dividend of 6% (17 to 18cps)

Profit

- 5% growth in IFRS profit from operations[1] to R455m
- Improvement in trading margin to 25.3% (up 40bps)
- Delivery of positive operating leverage of 0.6% (up 50bps)

Expenses

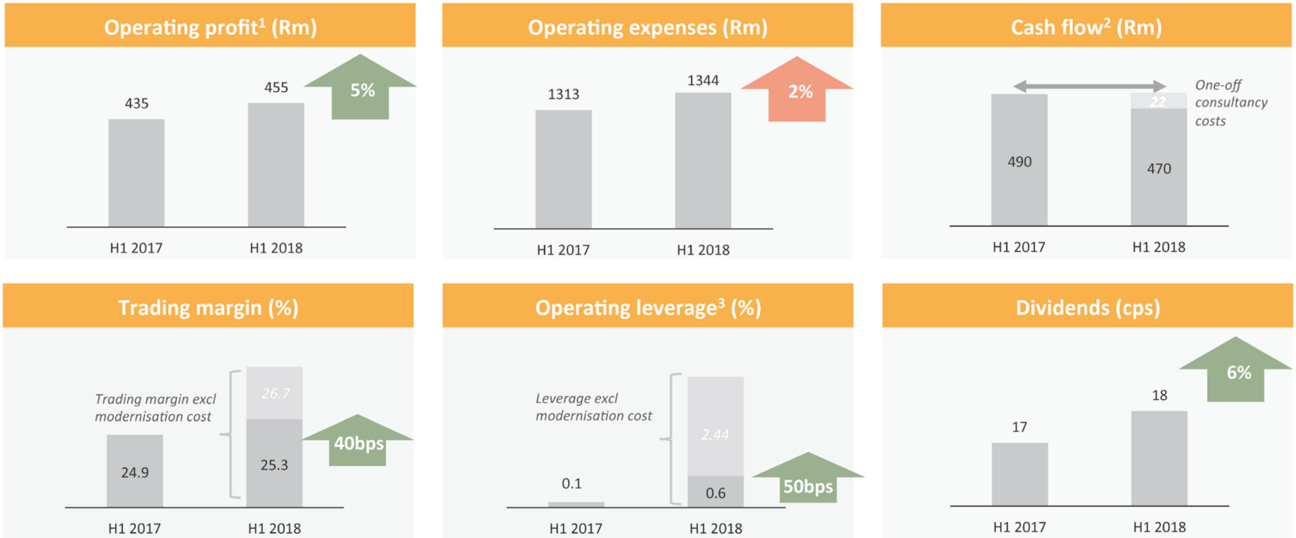
- On track to exceed FY2018 target cost savings – delivery of R184m cumulative savings and operational efficiencies
- Overall cost base growth contained to 2% growth, despite R24m investment in modernisation

Strategy Update

- Ongoing roll-out of financial well-being and outcome based solutions – completed 215 wellness days during H1
- Advancing intermediary distribution strategy with the launch of IFA strategy
- "Retailisation" trending in the right direction with 4.1% penetration in our target market
- Continue to refresh the technology offering and deliver modernisation initiatives
- Strong Institutional asset inflows of R6.1bn in AF Investments alongside launch of alternatives and broadened proposition
- Retirements, group risk, health and short term insurance driving improved performance

1. Operating profit before non-trading and capital items

H1 2018 | Key group financial metrics



1. Operating profit before non-trading and capital items
2. Cash generated from operations
3. Operating leverage calculated as the difference between growth in operating income (net of direct expenses) and growth in operating expenses

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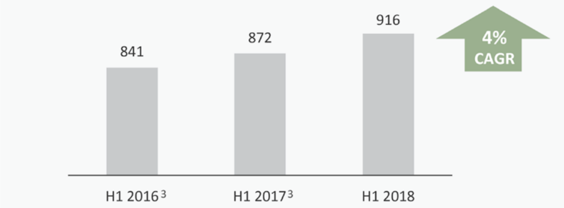
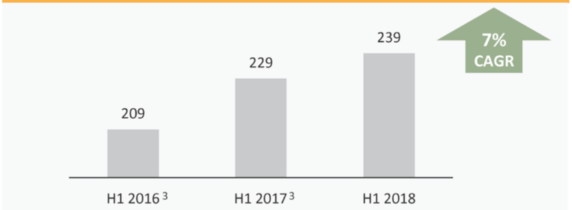
H1 2018 | Institutional strategy is working with improved revenue, profits and margins

Operating income[1] (Rm)



Operating profit[2] (Rm)



Key Highlights

- Generating strong profitable growth through the cycle
- Focused on growing Retirements, Group Risk while strengthening other business lines
- Achieved 14 stand-alone to Umbrella conversions
- Developing new advisory solutions for clients
- Financial well-being proposition rolled out to offer a more integrated approach to client servicing
- 6% increase in AuM and AuA to R301bn at AF Investments

1. Operating income net of direct expenses
2. Operating profit before non-trading and capital items
3. Restated for new segmental

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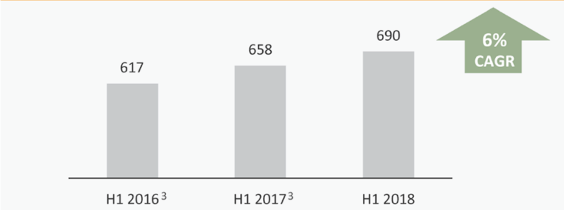
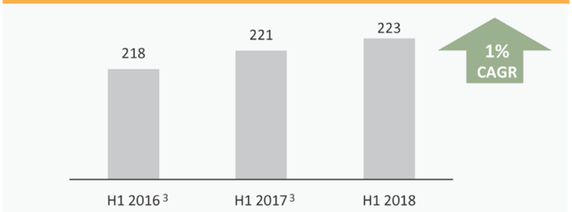
H1 2018 | Continuing to build momentum across the Retail franchise

Operating income[1] (Rm)



Operating profit[2] (Rm)



Key Highlights

- Continued strong momentum in retail short-term insurance business
- Improvement in asset preservation rate to 57% (up 24%) and capture rate to 41% (up 28%)
- Ongoing momentum in retailisation strategy with 14% improvement in penetration rate to 4.1% in our target market (>R500kpa)
- 7% growth in average assets under advice to R68bn
- Advancing on intermediary distribution with the launch of our IFA strategy

1. Operating income net of direct expenses
2. Operating profit before non-trading and capital items
3. Restated for new segmental

AMBITION 2022 | Progress being made to unlock value

VALUE PROPOSITION

Securing our clients' lifetime of **financial well-being** by providing **peace of mind**

STRATEGIC PILLARS

- Grow institutional & asset management capability
- Grow retail capability, including offshore
- Expand across select sub-Saharan African & emerging markets
- Strive for excellence, across service, operational & technology enablement
- Innovate and create internal capacity to disrupt ourselves through innovation

OUR PRIORITIES

1. Getting "**back in the boardroom**" and improve cross-sell to end consumers
2. **Umbrella** at the institutional core to drive revenue and access to assets and consumers
3. Drive **SME** penetration
4. **Financial well-being** to target the end consumer, leveraging data analytics and portfolio pricing
5. Drive **asset accumulation** strategy across the group

AMBITION 2022 | Progress Report

	Focus area	H1 2018 Progress report
1	**Back in the boardroom**	Continue to make progress with new client wins Improvement in cross-sell levels
2	**Asset accumulation**	5% growth in AuM and AuA to R363bn (Institutional and Retail assets) Launched Living*Investing Investment philosophy Strong Institutional inflows of R6.1bn alongside launch of alternatives and broadened proposition
3	**Grow Umbrella**	Satisfactory progress on conversion of 14 clients from standalone to umbrella 10% increase in Umbrella funds AuM to R73bn year on year Continue to drive in-fund solutions - Successful launch of In-fund Solutions, improved capture rates
4	**Retailisation**	Steady progress being made – improved penetration rate of member base up 14% to 4.1% Ongoing roll-out of financial well-being and outcome based solutions with 215 wellness days in H1 2018 Advancing with intermediary distribution
5	**Modernisation**	Programme has commenced to enable digital platform and single view of client

INVESTMENT THESIS | "Cash flow plus growth"

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Cash flow
Remittances from business less central and debt financing costs

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Growth
1. Institutional
2. Retail
3. Emerging markets

Our strategic anchor

Lifetime of financial well-being	Digital first	Not everywhere
Serving **all** customer needs across accumulation, health, protection and retirements	Customer experience driven by digital	Only in markets where we can win sustainably

Sustainable and progressive cash flow plus growth approach

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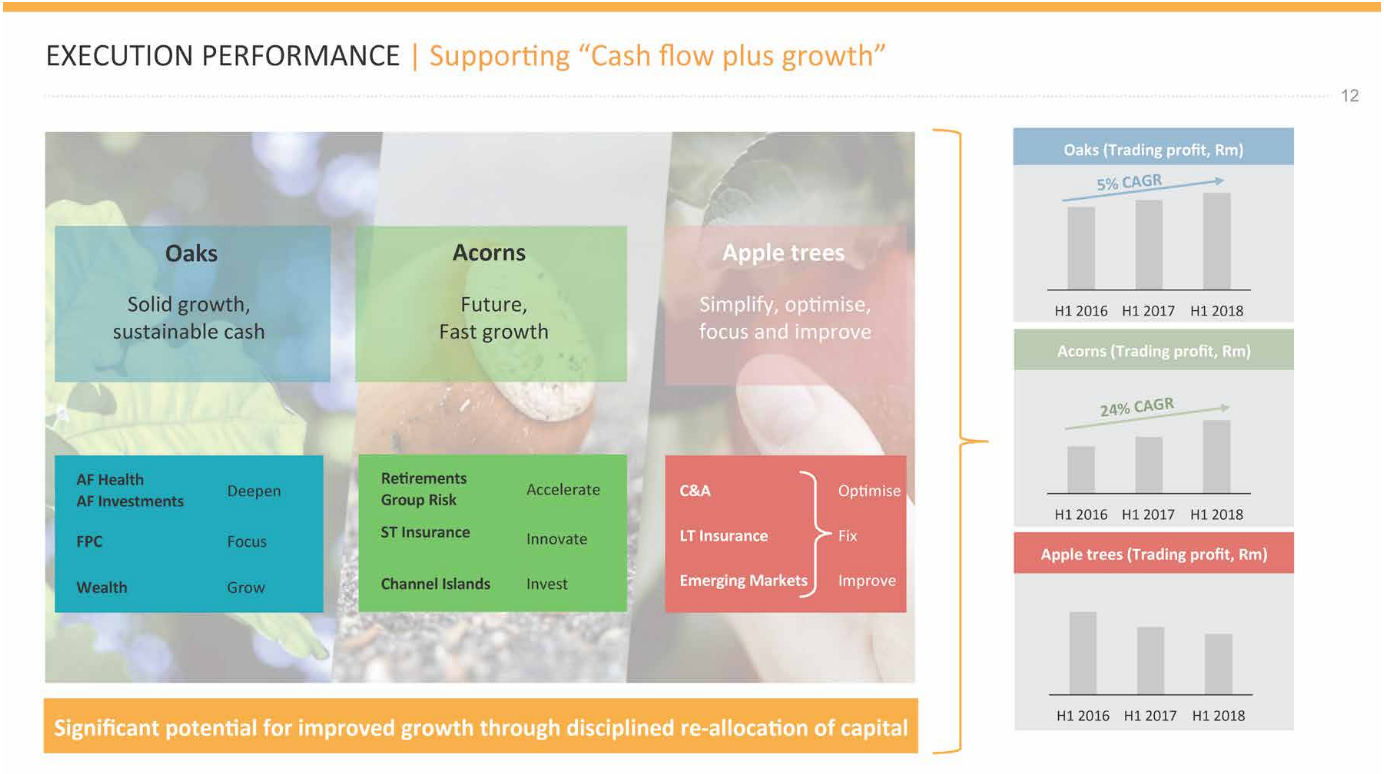
EXECUTION PERFORMANCE | Supporting "Cash flow plus growth"
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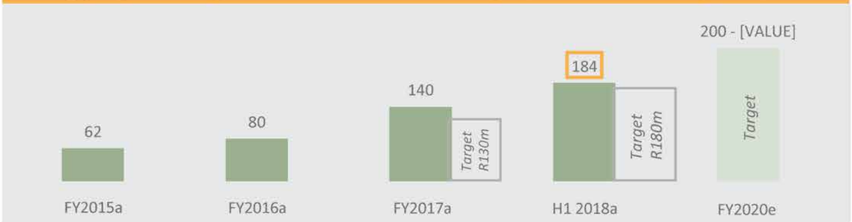
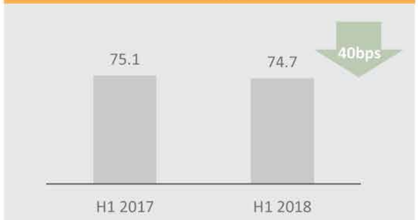
Oaks
Solid growth, sustainable cash
Acorns
Future, Fast growth
Apple trees
Simplify, optimise, focus and improve
AF Health
AF Investments
Deepen
FPC
Focus
Wealth
Grow
Retirements
Group Risk
Accelerate
ST Insurance
Innovate
Channel Islands
Invest
C&A
Optimise
LT Insurance
Fix
Emerging Markets
Improve
Significant potential for improved growth through disciplined re-allocation of capital
Oaks (Trading profit, Rm)
5% CAGR
H1 2016
H1 2017
H1 2018
Acorns (Trading profit, Rm)
24% CAGR
H1 2016
H1 2017
H1 2018
Apple trees (Trading profit, Rm)
H1 2016
H1 2017
H1 2018

DISCIPLINED EXPENSE MANAGEMENT | Cost reduction targets on track

Steady progress being made towards the 2020 Target (Cumulative savings, Rm)



Cost-to-Income Ratio (%)



Actions taken in 2017

- De-layering and efficiency savings
- Reducing consultancy and contractor spend
- Targeting property expense savings
- Focus on automation - addressing the nature of fixed operating cost base
- Creation of Operational Efficiency function to drive sustainable cost efficiencies

Modernisation cost (expensed, Rm)

	HY17	HY18
Modernisation	-	24
Cost-to-Income *(excl modernisation)*	75.1%	*73.3%*

Additional savings allocated to focus areas of digital and automation

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H1 2018 | Summary

	Focus areas
Cash flow	▪ Continue to improve cash remittances / cash conversion ▪ Improve expense and operational efficiency to drive cost-to-income ratio lower ▪ Maintain progressive dividend policy ▪ Continue to improve our turnaround businesses (apple trees)
Growth	▪ Retirements and employee benefits solutions as anchor for growth ▪ Asset accumulation growth across institutional and retail ▪ Improve efficiency and invest in modernisation programme ▪ Launch of IFA strategy – advancing intermediary distribution targeted for April 2018 launch ▪ Continue to drive growth in Umbrella and SME ▪ Selective approach to M&A to enhance strategic growth ambitions
Financial strength	▪ Improve balance sheet and capital efficiency ▪ Continue to prepare for Solvency II/SAM

H1 2018 Financial Performance

Naidene Ford-Hoon, Group Chief Financial Officer

H1 2018 | Financial results overview

- 5% growth in IFRS profit from operations[1] to R455m
- Realised R184m of cost savings and operational efficiencies (slightly ahead of R180m full year target)
- Delivery of positive operating leverage[2] of 0.6% (up 50bps)
- Improvement in trading margin to 25.3% (up 40bps)
- HEPS dropped to 21.7cps in H1 2018 from 27.0cps in H1 2017 largely due to LCP sale and increase in minorities
- Business remains highly cash generative with cash generated from operations (R470m) at 103% of operating profit
- Interim dividend increased to 18cps from 17cps (up 6%)
- Dividend yield remains attractive at 6.1%[3]

1. Profit from operations before non-trading and capital items
2. Operating leverage calculated as the difference between growth in operating income (net of direct expenses) and growth in operating expenses
3. Based on final dividend of 23cps, an interim dividend of 18cps with Sep '17 share price of 675cps

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H1 2018 | Continue to deliver positive operating leverage

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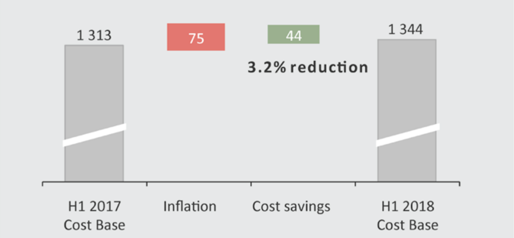
Through disciplined execution and expense management we have continued to deliver positive operating leverage

Rm	Sept 2017	Variance	Sept 2016
Operating income net of direct expenses	**1 799**	2.9%	1 748
Operating expenses	**1 344**	2.3%	1 313
Operating profit before non-trading and capital items	**455**	4.6%	435

0.6% operating leverage

Controllable cost base walk H1 2017 – H1 2018 (Rm)



Controllable Reductions
- Controllable cost reductions of 3.2% H1 2018 vs H1 2017

Expense efficiency
- Total cumulative cost efficiency reductions of R184m at H1 2018

Outlook
- Steady progress being made towards R200-R250m expense and efficiency targets set for FY2020

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H1 2018 | IFRS Income statement

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Rm	**IFRS Sept 2017**	**Variance**	IFRS Sept 2016
Operating profit before non-trading and capital items	**455**	4.6%	435
Non-trading and capital items	**(73)**	52.1%	(48)
Operating profit	**382**	(1.3%)	387
Investment income	**143**	53.8%	93
Finance Costs	**(48)**	26.3%	(38)
Reported (loss)/profit arising from accounting for policyholder investments as treasury shares	**(11)**		2
Share of profits of associates	**2**		3
Profit before taxation	**468**	4.7%	447

- Non-trading and capital items include the following
  - One-off consulting fees; and
  - Amortisation of private equity intangible assets (H1 2018: R46m and H1 2017: R61m) and the results of the E&O cell captive (H1 2018: R1m and H1 2017: R6m) which are excluded from normalised as per prior period reporting
- Investment income of R143m, up 54%, resulting from the significant increase in cash post the LCP sale and ARC transactions
  - Included in the investment income is the investment income recognised on behalf of policyholders which is offset by the policyholder tax of R14m
- Increase in finance costs relates to the accounting for the currency hedge linked to the US dollar contract for the modernisation programme
- Reported loss on policyholder investment in treasury shares of R11m is linked to the increase in the AF share price and should be adjusted for, in the normalised earnings

H1 2018 | IFRS Income statement (continued)

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Rm	IFRS Sept 2017	Variance	IFRS Sept 2016
Profit before taxation	**468**	4.7%	447
Taxation – corporate	**(145)**	19.8%	(121)
Policyholder taxation	**(14)**		(20)
Profit from continuing operations	**309**	1%	306
Profit on discontinued operations	**15**		110
Profit for the period	**324**	(22.1%)	416
Attributable to:			
Owners of the company	**282**	(19.2%)	349
Non-controlling interest holders	**42**	(37.3%)	67

- Normalised effective income tax rate is 31% impacted by unrecognised tax losses, non-deductible expenses and withholding tax
- Significant decrease in the discontinued operation relates to the LCP earnings
- Non controlling interests affected by
  - the exclusion of LCP earnings; and
  - the increase of the ARC minority

H1 2018 | HEPS dropped to 21.7 cps from 27.0 cps due to LCP sale and the introduction of ARC

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Rm	**Sept 2017**	**Variance**	Sept 2016
Weighted average number of shares in issue (m)	**1 279**	-	1 279
Headline earnings per share (cents)	**21.7**	(19.7%)	27.0
Basic earnings per share (cents)	**22.0**	(19.2%)	27.3

Rm	**Sept 2017**
Shares in issue and weighted average shares (m)	**1 341**
Weighted average treasury shares held based on share buy-back	**(4)**
Weighted average treasury shares held for staff schemes	**(42)**
Weighted average policyholder treasury shares	**(16)**
Weighted average number of shares in issue (net of treasury shares) (m)	**1 279**

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H1 2018 | An efficient "capital lite" corporate balance sheet

97% of our assets are policyholder assets linked to policyholder liabilities

Rm		**Sept 2017**	Mar 2017
Policyholder assets (including insurance receivables and policyholder financial assets)	97%	**302 782**	284 912
Intangible assets (largely arising from PE transaction)	>1%	**3 776**	3 817
Corporate assets (excluding cash and cash equivalents)	<1%	**1 524**	1 491
Cash and cash equivalents	>1%	**3 699**	4 215
Total assets		**311 781**	294 435

Tangible NAV impacted by special distribution to shareholders and share buy-back

Rm	**Sept 2017**	Mar 2017
Equity	**6 699**	7 119
Intangible assets	**(3 776)**	(3 817)
Tangible net asset value	**2 923**	3 302
Annualised Return on average Equity (normalised) (LTM)	***10.3***	*12.1*
Annualised Normalised Return on Tangible Net Asset Value (LTM)	***23.5***	*35.3*
Dividend yield	***6.1%***[1]	*6.2%*[2]

1. *Sep 2017: 18cps interim dividend plus 23cps final dividend / 6.75 share price*
2. *Mar 2017: 23cps final dividend plus 17cps interim dividend / 6.43 share price*

H1 2018 | Disaggregated cash balance

Rm	**Sept 2017**	Mar 2017
Cash and cash equivalents – per IFRS balance sheet	**5 970**	6 263
Cash held on behalf of policyholders	**(2 271)**	(2 048)
Cash and cash equivalents - per summarised balance sheet excluding policyholders	**3 699**	4 215
Cash held for regulatory capital, liquidity and solvency requirements	**(1 396)**	(1 109)
Cash held in cell captive insurance facilities	**(433)**	(408)
Cash held in restricted entities	**(225)**	(183)
Available cash	**1 645**	2 515
Net current liabilities	**(246)**	(251)
Available cash resources	**1 399**	2 264

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H1 2018 | Strong regulatory surplus; capital allocation targeted at enhancing value

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	SAM Standard Formula (Sept 17)			SAM Standard Formula (Mar 17)			
Rm	Own Funds	Solvency Capital Requirement (SCR)	**Regulatory Surplus**	Own Funds	Solvency Capital Requirement (SCR)	**Regulatory Surplus**	**% Change in Regulatory Surplus**
Total Group	**2 895**	**1 357**	**1 538**	**3 414**	**1 061**	**2 353**	**(35%)**
Declared dividend	(237)		**(237)**	(604)		**(604)**	
Total Group (net of dividend)	2 658		**1 301**	2 810		**1 749**	

Surplus capital will be allocated to enhance shareholder value and to fuel future growth

Dividends
- Maintain progressive dividend policy
- 1.5 times cover at minimum

M&A
- Disciplined approach to bolt-on acquisitions
  - 17% minimum hurdle rate

Share buy-back
- Shareholders approved general buy-back up to 5% in March 2017

Investment
- Modernisation programme

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Concluding Remarks and Questions

Andrew A. Darfoor, Group Chief Executive

OUR STRATEGY | ***Satisfactory*** progress being made… however much more work needed

- Strong client franchise with significant upside from working more closely across divisions… early signs of success with significant client and product solution launches delivered
- Margin improvements across Group with delivery of cost savings in excess of our target has resulted in improved trading profit
- Selective approach to M&A being pursued
- Continued focus on delivering positive operating leverage while addressing "Orchard" cell turn-around

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