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## **ANNEXURE I**

### Operational Performance Review

## INSTITUTIONAL CLIENTS | Results Highlights

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### 269 new client wins

**Total active member** records decreased by 6% due to termination of single client (43 516 members) in September 2016

**Umbrella fund membership** grew by 5%

**Participating employers** grew by 4%

**AF Life API** increased by 22% (R246m) and underwriting profits improved by 29%

**Umbrella fund AuM** increased by 10% to R73bn, where AuM market growth was 5.6%

**Client retention** remains high at 98.5%

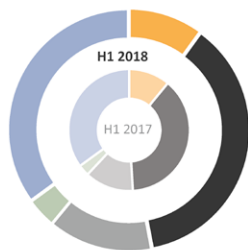
Successful launch of **In-fund Solutions** in the Umbrella Fund, with 44 new clients

## INSTITUTIONAL CLIENTS | Results

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Institutional	Operating income (Rm)			Operating profit (Rm)		
	Sept 2017	%	Sept 2016	Sept 2017	%	Sept 2016
- Consulting	415	2%	405	43	0%	43
- Retirements	128	16%	110	33	22%	27
- Investments	335	2%	328	152	0%	152
- Group Risk	38	31%	29	11	57%	7
Total	916	5%	872	239	4%	229

### Institutional revenue by type



- Consulting and advise fees
- Administration fees
- Commission
- Insurance based
- Asset based revenue

	H1 2018	H1 2017
Consulting and advise fees	11%	12%
Administration fees	32%	32%
Commission	15%	14%
Insurance based	4%	3%
Asset based revenue	38%	39%

## INSTITUTIONAL CLIENTS | AF Investments results highlights

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**Total AuA and AuM**  
Increased **6%** to **R301bn**

**Average AuM & AuA**  
grew **3.5%** year on year  
to **R294bn**

**Gross new business**  
wins of **R6.1bn**  
(R1.3bn ahead of September  
2016 comparative)

### Investment performance

**Performer:** 8.7% vs benchmark **8.3%** (28% of AuA/AuM) (R103 bn)  
**Pure Equity:** 5.9% vs benchmark **4.9%** (6% of AuA/AuM) (R23 bn)  
**Banker:** 8.9% vs benchmark **6.9%** (5% AuA/AuM) (R17 bn)  
**Pure Fixed Interest:** 9.1% vs benchmark 8.2% (1% AuA/AuM) (R5 bn)

**Performer Portfolio** reached  
20 years and R100bn in assets

Launch of **Living\*Investing**  
investment philosophy

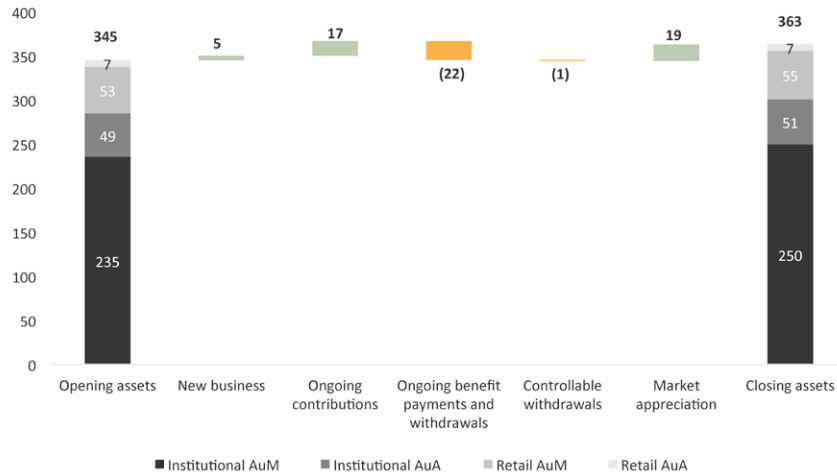
**92%** of **assets**  
performed ahead of  
benchmarks (weighted  
average by assets)

**Global investing review**  
and continued exploring for  
synergies within the Mercer  
partnership

## AF INVESTMENTS | AuA and AuM

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### Institutional and Retail Asset Flows (Rbn)

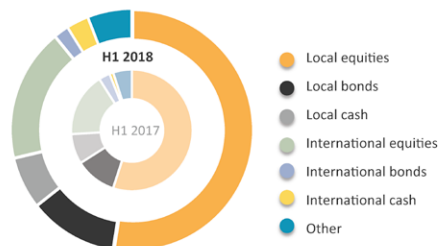


- Good new business inflows of R5 billion across Institutional and Retail clients
- Uncontrollable net cash flows (ongoing contribution less ongoing benefit payments and withdrawals) amount to R4 billion
- Market appreciation of 6.4% with significant volatility

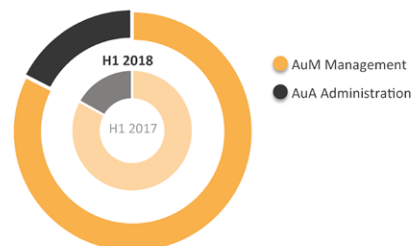
## AF INVESTMENTS | AuA and AuM

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### Asset composition

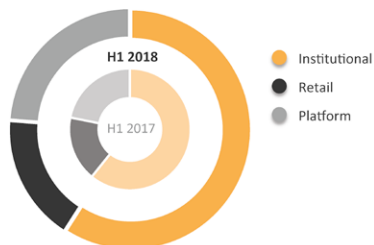


H1 2018	H1 2017
53%	55%
12%	11%
7%	8%
18%	17%
2%	3%
3%	1%
6%	5%



H1 2018	H1 2017
250	231
51	49

### Asset type



H1 2018	H1 2017
214	207
62	59
86	75

## RETAIL CLIENTS | Results highlights

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**Assets under advice** grew  
7% to R67.8bn and

**Average assets under  
administration**  
grew 3% to R60.7bn

**AF Investments retail  
assets under management**  
increased 6% to R55bn

Increase in **assets preserved**  
on exit and retirement to 57%  
and an increase in the  
**capture rate** at 41%

**Short-term insurance GWP**  
grew by 5%  
although the loss ratio  
decreased to 67.3%

**AF Life** retail policyholders  
increased by 57%

**Long-term insurance GWP**  
grew 32%

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

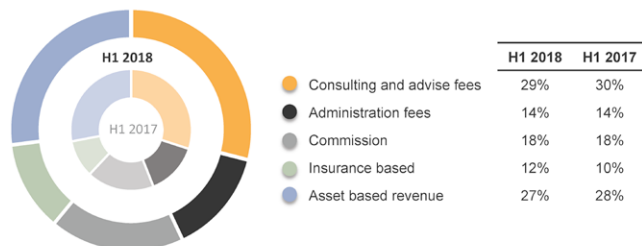
**AF Insurance** rated  
2<sup>nd</sup> best for service  
by the short-term ombudsman

## RETAIL CLIENTS | Results

Retail Clients	Operating income (Rm)			Operating profit (Rm)		
	Sept 2017	%	Sept 2016	Sept 2017	%	Sept 2016
- Wealth and Investments	421	1%	415	171	(3%)	176
- Retail Insurance (short and long term)	269	11%	243	52	16%	45
Total	690	5%	658	223	1%	221

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### Retail revenue by type



## **ANNEXURE II**

Long-term trend analysis – Key Performance Indicators

## LONG TERM TREND ANALYSIS | KPIs – Institutional clients

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	Sept 2014	Sept 2015	Sept 2016	Sept 2017	CAGR
Operating income (Rm)*		841	872	916	5%
<b>Institutional clients</b>					
Number of Umbrella corporate clients	1 096	1 234	1 361	1 417	9%
Umbrella Fund Assets under Management (Rbn)	53.5	58.8	66.7	73.2	11%
Number of standalone retirement funds	327	324	319	382	5%
Standalone retirement funds AuA (Rbn)	274	314	347	354	9%
Number of active member records ('000)	1 006	1 034	993	935	(2%)
Number of healthcare corporate clients	506	530	550	550	3%
Group Risk GWP (Rm)	180	173	202	246	11%

\* 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.  
 Note: Operating income excludes operating income for Administration only. KPIs have not been adjusted to reflect this change.

## LONG TERM TREND ANALYSIS | KPIs - Institutional clients (continued)

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	Sept 2014	Sept 2015	Sept 2016	Sept 2017	CAGR
<b>AF Investments</b>					
Assets under Administration and Management (Rbn)*	247	265	284	301	7%
Blended net margin (bps)	24.5	23.6	21.6	22.7	(3%)
Number of clients	2 123	2 101	2 088	2 062	(1%)
Net client cash flows (Rbn)	2.1	(4.4)	(6.1)	0.2	(54%)

\* Closing AuM has been adjusted for reallocations of product lines between clusters in prior years for comparability

## LONG TERM TREND ANALYSIS | KPIs - Institutional clients (continued)

	Sept 2014	Sept 2015	Sept 2016	Sept 2017	CAGR
<b>Public sector</b>					
Revenue	171	109.9	106	107	(14%)
Public sector tender participation (%)	76%	84%	100%	81%	2%
Public sector new clients	17	20	16	17	-
<b>Business insurance</b>					
Number of policies	1 183	1 601	1 749	1 944	18%
Gross written premium	19	29	44	42	30%
Claims ratio (%)	81%	60%	86%	60%	(10%)
Risk retention (%)	10%	10%	10%	10%	-

## LONG TERM TREND ANALYSIS | KPIs - Retail clients

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	Sept 2014	Sept 2015	Sept 2016	Sept 2017	CAGR
Operating income (Rm)	503	618	658	690	11%
<b>Retail clients</b>					
Number of FPC clients ('000)	42.5	45.5	46.9	49.8	5%
Assets under advice FPC (Rbn)	52.9	57.5	63.5	67.8	9%
Closing Assets under administration AFICA & Seamless (Rbn)*	50.1	54.2	59.0	62.0	7%
GWP long term (Rm)	9.4	10.4	12.7	16.8	21%
<b>AF Investments</b>					
Assets under Management* (Rbn)	37.4	41.3	52.0	55.1	14%

## LONG TERM TREND ANALYSIS | KPIs - Retail clients (continued)

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	Sept 2014	Sept 2015	Sept 2016	Sept 2017	CAGR
<b>AF Insurance</b>					
<b><i>Motor &amp; household</i></b>					
Gross written premium (Rm)	617	676	740	776	3%
Active policies	73 977	80 604	82 933	81 949	3%
Claims ratio (%)	72%	74%	74%	67%	(2%)
Risk retention (%)	25%	25%	25%	25%	0%
<b><i>Accident &amp; health</i></b>					
Gross written premium (Rm)	17	18	17	17	(1%)
Claims ratio (%)	19%	19%	19%	12%	(14%)
Risk retention (%)	100%	100%	100%	100%	0%

## LONG TERM TREND ANALYSIS | KPIs - Emerging markets

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	Operating Income Rm (comparative 30 Sept 2016)	Trading profit*	Headcount	Ownership
Namibia	76 (74)	25	156	75%
Botswana	36 (46)	7	98	67%
Nigeria	1 (2)	(4)	9	100%
Uganda	2 (2)	(2)	12	51%

	Sept 2014	Sept 2015	Sept 2016	Sept 2017	CAGR
Number of members under administration	248 098	251 041	120 871	121 001	(21%)
Number of policies AFI Namibia	10 806	13 849	16 787	17 892	18%
AF Investments Namibia AuM (Rbn)	2.8	3.2	3.6	3.8	11%

\* Before corporate cost allocations

## **ANNEXURE III**

### Financial Performance

## FINANCIAL PERFORMANCE | Explanation of adjustments for normalisation

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The group's normalised results are presented to reflect the basis upon which management manages the group and reflects the economic substance of the group's performance. The adjustments between the IFRS summary consolidated income statement and the normalised results are as follows:

### ***Accounting for property lease***

The accounting treatment for long-term leases, particularly at the Sandton head office, continues to have a small positive impact on the group's growth rate. The impact is isolated and removed from normalised results to afford a better comparison and to reflect the true premises cost over the long-term.

### ***Professional indemnity insurance cell result***

The company has a comprehensive insurance programme of which the first layer is self insured through a cell-captive insurance arrangement. The structure of the cell captive is such that it falls within the requirements of IFRS 10 for controlled entities and is therefore consolidated in our results. The impact of the inclusion of this insurance cell on the group results is separately isolated in non-trading items. The profit or loss of the cell captive is excluded from our normalised results.

### ***Capitalisation of intangible assets and the related amortisation***

Non-trading and capital items include the ongoing accounting amortisation of the intangible assets amounting to R46 million for the period ended 30 September 2017 and R61 million in the previous financial year. The capitalisation of intangible assets and the related amortisation resulted from the required accounting treatment at the time of the private equity acquisition of the group under common control in 2007. As the holding company that was established at the time remains in existence (and is now the listed entity), the amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group.

### ***Accounting for Alexander Forbes shares held in policyholder investment portfolios***

As discussed above this accounting treatment has the effect that fair value movements in respect of linked investment policy assets and liabilities that would normally be offset (and economically should be offset) are not being matched in the income statement. The resultant mismatch between the asset and liability movement, does not reflect the economic substance of the transactions.

### ***Investment income and taxation payable on behalf of policyholders***

The group's tax rate compared to profits before tax appears high as a result of taxation payable on behalf of policyholders being included in this amount (refer to the investment income discussion as well as note 8 of the Results Announcement). The normalised results exclude the policyholder tax expense and the related investment income which directly offset this tax expense.

## INCOME STATEMENT | Items to consider when analysing results

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Rm	Sept 2017	%	Sept 2016
<b>Reported profit from continuing operations</b>	<b>309</b>	<b>0.9%</b>	<b>306</b>
<b>Accounting adjustments</b>			
Professional indemnity insurance cell-captive results	(1)		(6)
Accounting for property lease	10		15
Amortisation of intangible assets arising from business combination	46		61
Tax payable on policyholder investment returns recorded in interest income	(14)		(20)
Reported loss / (profit) arising from accounting for policyholder investments in treasury shares	11		(2)
<b>Resulting tax adjustments</b>			
Policyholder tax treatment	14		20
Tax effect of the above adjustments	(16)		(19)
<b>Normalised profit from continuing operations</b>	<b>359</b>	<b>1.1%</b>	<b>355</b>

## FINANCIAL PERFORMANCE | Comparison of IFRS and normalised income statement

Rm	IFRS Sept 2017	Adj.	Normal Sept 2017
<b>Operating income net of direct expenses</b>	<b>1 799</b>	-	<b>1 799</b>
Operating expenses	(1 344)	10	(1 334)
<b>Operating profit before non-trading and capital items</b>	<b>455</b>	10	<b>465</b>
Non-trading and capital items	(73)	45	(28)
<b>Operating profit</b>	<b>382</b>	55	<b>437</b>
Net investment income	95	(14)	81
Reported profit arising from accounting for policyholder investments as treasury shares	(11)	11	-
Share of profits of associates	2		2
<b>Profit before taxation</b>	<b>468</b>	52	<b>520</b>
Taxation – corporate	(145)	(16)	(161)
<i>Policyholder taxation</i>	(14)	14	-
<b>Profit from continuing operations</b>	<b>309</b>	50	<b>359</b>
Profit from discontinued operations	15	(15)	-
<b>Profit for the period</b>	<b>324</b>	35	<b>359</b>

## FINANCIAL PERFORMANCE | Normalised income statement

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Rm	Normal. Sept 2017	Variance	Normal. Sept 2016
<b>Operating income net of direct expenses</b>	<b>1 799</b>	2.9%	1 748
Operating expenses	(1 334)	2.8%	(1 298)
<b>Operating profit before non-trading and capital items</b>	<b>465</b>	3.3%	450
Non-trading and capital items	(28)		7
<b>Operating profit</b>	<b>437</b>	(4.4%)	457
Net investment income	81		35
Reported (loss)/profit arising from accounting for policyholder investments as treasury shares	-		-
Share of profits of associates	2		3
<b>Profit before taxation</b>	<b>520</b>	5.1%	495
Income tax expense	(161)		(140)
<b>Profit from continuing operations</b>	<b>359</b>	1.0%	355
Profit from discontinued operations	-		110
<b>Attributable profit for the period</b>	<b>359</b>	(22.9%)	465

## FINANCIAL PERFORMANCE | Group segmental performance

Rm	Operating income (Rm)			Operating profit (Rm)		
	Sept 2017	%	Sept 2016	Sept 2017	%	Sept 2016
<b>Institutional clients</b>	<b>916</b>	<b>5%</b>	<b>872</b>	<b>239</b>	<b>4%</b>	<b>229</b>
- Consulting	415	2%	405	43	-	43
- Retirements	128	16%	110	33	22%	27
- Investments	335	2%	328	152	-	152
- Group Risk	38	31%	29	11	57%	7
<b>Retail clients</b>	<b>690</b>	<b>5%</b>	<b>658</b>	<b>223</b>	<b>1%</b>	<b>221</b>
- Wealth and Investments	421	1%	415	171	(3%)	176
- Retail insurance (short and long term)	269	11%	243	52	16%	45
<b>Emerging markets</b>	<b>115</b>	<b>(8%)</b>	<b>125</b>	<b>3</b>	<b>(81%)</b>	<b>16</b>
<b>Administration only</b>	<b>78</b>	<b>(16%)</b>	<b>93</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total group before items below</b>	<b>1 799</b>	<b>3%</b>	<b>1 748</b>	<b>465</b>	<b>1%</b>	<b>466</b>
Accounting for property leases	-		-	(10)	(33%)	(15)
Accounting for share scheme costs	-		-	-	(100%)	(16)
<b>Total group</b>	<b>1 799</b>	<b>3%</b>	<b>1 748</b>	<b>455</b>	<b>5%</b>	<b>435</b>

## FINANCIAL PERFORMANCE | Balance sheet (excluding policyholder and insurance-related balances)

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Rm	Sept 2017	Mar 2017
Assets including developed software	490	365
Intangible assets (largely arising from PE transaction)	3 776	3 817
Financial assets and associates	403	241
Deferred tax	151	148
Trade and other receivables	411	451
Cash and cash equivalents	3 569	4 215
Assets of disposal groups classified as held for sale	70	66
<b>Total Assets</b>	<b>8 870</b>	<b>9 303</b>
Borrowings	(725)	(725)
Long-term liabilities	(859)	(848)
Liabilities of disposal groups classified as held for sale	(501)	(501)
<b>Equity</b>	<b>6 785</b>	<b>7 225</b>
Annualised Return on average Equity (normalised)	10.3%	12.1%
Annualised Return on average Capital Employed (normalised)	14.0%	15.7%
Annualised Normalised Return on Tangible Net Asset Value	23.5%	35.3%
Dividend yield (Sep 2017: 18c interim plus 23c final / 6.75 share price): (Mar 2017: 23c interim plus 17c final dividend / 6.43 share price)	6.1%	6.2%

Detailed adjustments for policyholder and insurance-related balances are reflected in Annexure IV

## FINANCIAL PERFORMANCE | Cash flow

Rm	Sept 2017	Sept 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from normal operations	492	490
Non-trading cash flows	(22)	-
Cash flow from operations per cash flow statement	470	490
Net finance costs (excluding policyholder income)	87	35
Taxation payments (excluding policyholder taxes and discontinued operations)*	(113)	(208)
Dividends paid	(600)	(289)
Cash flows from discontinued operations	(3)	133
Cash flows from operations excluding policyholder cash flows	(159)	161
Movement in insurance and policyholder working capital balances	390	(415)
Taxation payments – policyholder tax*	(14)	(20)
Cash flows from policyholder investment and insurance contracts	167	2 482
<b>Cash flows from operating activities</b>	<b>384</b>	<b>2 208</b>
<b>Cash flows from investing activities</b>	<b>(343)</b>	<b>(1)</b>
<b>Cash flows from financing activities</b>	<b>(209)</b>	<b>(22)</b>
<b>Net cash flows</b>	<b>(168)</b>	<b>2 185</b>

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

## FINANCIAL PERFORMANCE | Regulatory capital

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Rm	SAM Standard Formulae (Sept 2017)			SAM Standard Formulae (Mar 2017)			% Change in Regulatory Surplus
	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	
Group Corporate (incl. revolving credit)	988	201	787	1 531	87	1 444	(45%)
Shared Services	171	77	94	(55)	0	(55)	(271%)
Institutional	1 173	784	389	1 352	750	602	(35%)
Retail	429	216	213	450	187	263	(19%)
Emerging Markets	134	79	55	136	37	99	(44%)
<b>Total Group</b>	<b>2 895</b>	<b>1 357</b>	<b>1 538</b>	<b>3 414</b>	<b>1 061</b>	<b>2 353</b>	<b>(35%)</b>
Declared dividend	(237)		(237)	(604)		(604)	
Total Group (net of dividend)	2 658		1 301	2 810		1 749	

The group remains highly cash generative and as a result the regulatory surplus as at 30 September 2017 provides sufficient headroom for the payment of an interim ordinary dividend of **18 cents per share**.

## **ANNEXURE IV**

### Additional Financial Information

## INCOME STATEMENT | Operating profit

Rm	Sept 2017	%	Sept 2016
Fee and commission income	2 002	0.4%	1 994
Direct expenses attributable to fee and commission income	(533)	0.8%	(529)
Net income from insurance operations	330	16.6%	283
<b>Operating income net of direct expenses</b>	<b>1 799</b>	<b>2.9%</b>	<b>1 748</b>
Operating expenses	(1 344)	2.3%	(1 313)
<b>Profit from continuing operations before non trading and capital items</b>	<b>455</b>	<b>4.6%</b>	<b>435</b>
<i>Trading margin</i>	<b>25.3%</b>	<b>1.6%</b>	<b>24.9%</b>

## INCOME STATEMENT | Operating expenses

Rm	Sept 2017	%	Sept 2016
Employee costs	(804)	-1.2%	(814)
Share scheme costs	-	-100.0%	(16)
Premises (excluding IFRS adj.)	(127)	5.0%	(121)
IT costs	(139)	21.9%	(114)
Professional fees	(74)	37.0%	(54)
Insurance costs	(32)	-8.6%	(35)
Other costs	(168)	5.7%	(159)
<b>Total operating expenses</b>	<b>(1 344)</b>	<b>2.3%</b>	<b>(1 313)</b>

## INCOME STATEMENT | Non-trading and capital items

Rm	Sept 2017	%	Sept 2016
<b>Profit from operations before non-trading items</b>	<b>455</b>	<b>4.6%</b>	<b>435</b>
Professional indemnity insurance cell-captive results	1		6
Amortisation of intangible assets arising from business combination	(46)		(61)
Costs relating to strategic consulting engagement	(22)		-
Other non-trading items	(6)		7
<b>Total non-trading and capital items</b>	<b>(73)</b>	<b>52.1%</b>	<b>(48)</b>
<b>Operating profit</b>	<b>382</b>	<b>(1.3%)</b>	<b>387</b>

## INCOME STATEMENT | Headline earnings

Rm	Sept 2017	%	Sept 2016
<b>Profit for the period</b>	<b>324</b>	<b>(22.1%)</b>	<b>416</b>
Attributable to:			
Non controlling interests	<b>(42)</b>		<b>(67)</b>
<b>Profit for the year attributable to ordinary shareholders</b>	<b>282</b>	<b>(19.2%)</b>	<b>349</b>
Less headline adjusting items:			
Less capital gains included	<b>(5)</b>		<b>(4)</b>
<b>Headline earnings</b>	<b>277</b>	<b>(19.7%)</b>	<b>345</b>

## BALANCE SHEET | Excluding policyholder balances

Rm	Sept 2017 (Actual)	Adj. linked investment policyholders.	Adj. insurance related balances.	Sept 2017 (Corporate)
Assets under management	299 172	(299 172)		
Property, equipment and computer software	490			490
Goodwill & intangible assets	3 776			3 776
Financial assets and associates	537	(134)		403
Deferred tax asset	151			151
Insurance receivables	1 204		(1 204)	-
Trade and other receivables	411			411
Cash & cash equivalents	5 970	(141)	(2 260)	3 569
Assets classified as held for sale	70			70
<b>Total assets</b>	<b>311 781</b>	<b>(299 447)</b>	<b>(3 464)</b>	<b>8 870</b>
Liabilities under management	(299 257)	299 257		-
Borrowings	(725)			(725)
Employee benefits	(166)			(166)
Deferred tax liabilities	(178)	58		(120)
Finance & operating lease liabilities	(264)			(264)
Provisions and deferred income	(310)			(310)
Insurance payables	(3 464)		3 464	-
Trade and other payables	(706)	217		(489)
Liabilities associated with assets held for sale	(12)			(12)
<b>Total liabilities</b>	<b>(305 082)</b>	<b>299 532</b>	<b>3 464</b>	<b>(2 086)</b>
<b>Total equity</b>	<b>6 699</b>	<b>85</b>	<b>-</b>	<b>6 784</b>

## EBITDA

..... 33

Rm	Actual Sept 2017	Normalised Sept 2017	%	Normalised Sept 2016
Profit before tax	468	520	0.5%	495
Add back depreciation and amortisation	107	61		30
Add interest cost of long-term borrowing	30	30		32
<b>EBITDA (incl. interest received on capital)</b>	<b>605</b>	<b>611</b>	<b>9.6%</b>	<b>557</b>

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

## RETURN ON EQUITY

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Rm	12 months to Sept 2017 Normalised	12 months to Sept 2016 Normalised
Average equity (excluding policyholder treasury shares)*	6 766	6 120
Average tangible net asset value (excluding intangible assets and the related deferred tax)	2 980	1 634
<b>Profit for the period from operations</b>	779	977
- Less attributable to non controlling interest	(80)	(142)
<b>Profit from continuing operations attributable to ordinary shareholders</b>	699	835
LTM return on equity	10.3%	13.6%
LTM return on tangible net asset value	23.5%	51.1%

\*The 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



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Certain subsidiaries of the company are  
licensed financial services providers.