

# OLD MUTUAL

## AGM 2013

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**9 May 2013**

Patrick O'Sullivan: Good morning, ladies and gentlemen, and welcome to the 2013 Annual General Meeting of Old Mutual plc. It's 11 o'clock and we're ready to begin. There's a quorum present and I can declare the meeting open. Just in case you don't know me, my name is Patrick O'Sullivan. I'm chairman of your company. I would also like to welcome our shareholders and others who are tuning into this AGM remotely through our webcast of today's proceedings.

So if I may, let me begin by introducing the Directors who are here today. Alongside me on the platform on my right are firstly Julian Roberts, our Group Chief Executive, Philip Broadley, our Group Finance Director, Roger Marshall, Chairman of our Group Audit Committee, and Reuel Khoza, Chairman of our banking subsidiary, Nedbank. On my left is Martin Murray, our Company Secretary. Next to him, Russell Edey, Chairman of the Remuneration Committee, Alan Gillespie, our Senior Independent Director, and Danuta Gray, one of our newest non-executive Directors. In the front row are three of our other non-executive Directors, and I would ask that they stand so that you can see them, Bongani Nqwababa, Lars Otterbeck and Mike Arnold, the Chairman of the Board Risk Committee. Nku Nyembezi-Heita has sent her apologies. She couldn't be with us today.

So let me now turn to some procedural matters relating to this meeting. The notice of the Annual General Meeting was included in a shareholder circular posted to shareholders in early April. The resolutions that make up the principal business of the AGM are set out on pages six to nine of the circular.

Voting on each resolution will be conducted by a poll. All shareholders and proxies here today should have received a yellow poll card on your way in. If you did not receive such a card and are entitled to vote, please ask one of the attendants to let you have a card now. Once the votes are cast and the polls have been counted and verified after today's meeting, we will report the outcome to the London and other stock exchanges on which we are listed. We will also publish details on our website.

You have probably noticed that on your chairs is this morning's press release containing our business update for the first quarter of this year. And I'm happy to tell you, as I was prompted to before I came in, the stock price has reacted accordingly. Julian Roberts, our Chief Executive, will make a brief presentation on this and also provide an update on current events. After that presentation I will move on to the formal part of the meeting. Then we will have the opportunity for you to raise any questions you may have. I propose to take these questions together on all resolutions as a single question and answer session.

So with that, Julian, if I could hand over to you.

Julian Roberts:

Thank you Chairman. Good morning, ladies and gentlemen. This morning I'd like to give a short overview of Old Mutual's performance in 2012 and the performance for the first quarter of 2013. And I will conclude with some comments about our future growth strategy and how we remain focused on creating value for shareholders.

Despite a backdrop of global economic volatility in 2012, it was a very good year for the Old Mutual Group. We made significant progress both financially and strategically. Pre-tax profit was up 18 per cent on a constant currency basis at over £1.6 billion. Earnings per share were 17.5 pence, up nine per cent after the adjustment of the 2011 EPS number to reflect the share consolidation following the special dividend which was paid in June last year. Group net client cash flows were £5 billion positive, with US Asset Management pleasingly delivering positive flows in its continuing businesses, something last achieved in 2007. Funds under management were up by three per cent. With these strong financial results, taking account of our much improved balance sheet position and our future prospects, we are recommending a final dividend of 5.25 pence, giving a total dividend of seven pence per share for the year, which is equivalent to a 23 per cent increase in cash terms.

In 2010 we set out a number of strategic and financial objectives that we said we would meet by the end of 2012. We have delivered substantially on all these objectives. We have sold or closed a number of businesses, including the Nordic operation, which was sold for £2.1 billion. We have implemented strict controls on the allocation of capital. We have strengthened our balance sheet and we have made our customers our absolute focus. We met the financial targets by reducing our debt by £1.5 billion, and by delivering cost savings of £133 million against our target of £90 million. And our life and savings businesses delivered a return on equity of 20 per cent against the range of 16 to 18 per cent that we were targeting.

With that summary of our operational and strategic progress in 2012, I'd like to show you these charts, which we presented for the first time at our preliminary results. They give a useful snapshot of the Group's operations by line of business and geography. In the chart on the left hand side, you can see that, before tax, but after non-controlled interests, just less than half of our earnings came from life and savings, 37 per cent from banking, and 11 per cent from asset management. On a geographical basis, 74 per cent of profits were earned in South Africa, 6 per cent from the rest of Africa and other emerging markets, Europe reduced with the sale of Nordic to 14 per cent, and the US generated 6 per cent.

That's all that I'd like to say on 2012. I'd like now to highlight the first quarter of 2013. As you know, we released our Interim Management Statement this morning. Whilst broader economic conditions remain challenging, I am very pleased with the performance we've shown in the first quarter. Net client cash flow has increased by £200 million to £3.9 billion across the Group, with all core businesses contributing positive flows. This was driven by our US Asset Management business, which has had an encouraging quarter with net inflows of \$4.1 billion following stable investment performance. Funds under management increased by seven per cent to £288 billion due to positive



market movements and strong net client cash flow. Gross sales in our life and savings business increased by 14 per cent to £5.6 billion, with an increase of nine and 19 per cent in Emerging Markets and Old Mutual Wealth respectively. Nedbank grew net interest income and non-interest revenue by seven and eight per cent respectively and remains on track to achieve its earnings growth target in 2013. So overall it is very pleasing for Old Mutual to have such positive performance trends and net inflows into all of our core businesses. We remain confident in the prospects for the Group during the remainder of the year.

So let me now turn and say a few words about our future strategic priorities. The effect of the work that we have done in the last three years is that we're able to move forward from a position of strength. This means that we can take advantage of the structural growth opportunities that exist within our current markets and the ones we've targeted in a disciplined and value-enhancing way. Our future strategy covers four main focus areas. In Emerging Markets, we will build out our business in the growing market of South Africa and expand our footprint in Africa and other selected emerging markets. In developed markets, we will grow Old Mutual Wealth and improve and grow US Asset Management. And everywhere throughout the Group, we will continue to unlock value through cost efficiency and through further simplification where it is appropriate. We've made good progress with our African expansion plans since the start of the year. Our Nigerian life insurance operation is fully operational and we are gathering new customers. We have agreed terms with Ecobank to purchase their Nigerian general insurance business and are now awaiting regulatory approval. Nedbank has entered into an agreement to acquire an initial 36 per cent share for \$24 million in Banco Unico, the sixth largest bank in Mozambique, together with rights to increase the stake to a majority shareholding over time. The transaction is subject to regulatory approvals in both South Africa and Mozambique. If I move further north, in Old Mutual Wealth we continue to strengthen our asset management capability in Old Mutual Global Investors. You may have seen that we've made a number of new appointments, including Richard Buxton and his team from Schroders. Richard is one of the premier UK fund managers and they're joining the Group in June.

Ladies and gentlemen, I believe that Old Mutual is well placed to continue to deliver value for shareholders and customers and I'm very pleased to report that yesterday the share price closed at an all time high of 215.5 pence per share. Even more pleasing, as the chairman has just said, following the announcement of our results, the share price moved up further to over £2.20.

Finally, I think it right in closing to acknowledge the hard work of all of our staff. I believe we also have the strongest depth of management across the Group since I joined, which bodes well for the future.

That concludes my remarks this morning, so let me now hand back to you, Chairman.

Patrick O'Sullivan: Thank you very much, Julian. And now, ladies and gentlemen, for the formal part of the meeting. Before putting the first resolution, may I deal with questions on any of the resolutions as a single question and answer session. If you would be kind enough to raise your shareholder proxy or corporate



representative card and, given that we're web broadcasting, wait for a roving mike before asking a question. So it would also be very helpful if you would give us your name. May I open it to the floor? Yes, there's a lady here.

Louise Rouse: Thank you, Chairman. My name is Louise Rouse and I'm a shareholder. Firstly, thanks for the presentation and all the good news about Old Mutual. I notice, reading the reports, that Old Mutual has made a very strong commitment to responsible investment and to tackling climate change, both in its wealth management business and as an investor. But my question is related to the investments that the company has for its own sake, I think what's outlined on page 174 on the accounts. And I'm just wondering, what steps does the company take in integrating climate change risk analysis into its own asset allocation decisions for the investments that are held for the company's own sake as opposed to those for our clients? Thanks.

Patrick O'Sullivan: Thank you, Louise. Well, as you have seen and have acknowledged, we have a very strong focus on responsible investing and indeed in the whole climate change agenda. And Nedbank is a leader in this space, as we are indeed with Old Mutual in South Africa. But specifically in respect of our investment practices....

Julian Roberts: Chairman, each of our asset managers who run our money, whether it's for our own account or our customers, have endorsed the policy we have for responsible investing and therefore they're signed up to make sure that they adhere to those standards.

Patrick O'Sullivan: Next question, if I may...?

Mr Speyer: This is via proxy for my wife's shareholdings. Since there were no other questions, I'm just wondering. The company, I believe, has a quote also on the Johannesburg Stock Exchange and I've had unpleasant experience with a dual listed company in Impala Platinum, which, without giving notice in due time to British shareholders, removed their quote and the shareholders basically were left out to dry and have considerable expense to dematerialise their shares to be traded on the Johannesburg Stock Exchange. Now I'm mentioning it, I hope this sort of thing will never happen at Old Mutual.

Patrick O'Sullivan: Well, I can assure you that we have no intention of removing our quote on the Johannesburg Stock Exchange. But indeed, you point to a general problem with some other minor exchanges where it is difficult to give adequate notice, etc. But I assure you, we have no plans to do such a thing at Old Mutual.

Julian Roberts: I was going to say, we have no plans, Chairman, to delist anywhere at the moment.

Mr Speyer: Pleased to hear it.



Patrick O'Sullivan: Are there any other questions today? If not, then I will move on to the formal business of the meeting. As I said earlier, we will be conducting the voting by poll. For those of you who are shareholders, please fill in your poll card for each resolution as I refer to it. Corporate representatives should enter a direction on their directions card. Richard Frankcom of Computershare has kindly agreed to act as scrutineer for the polls. Those of you who have already sent in proxy forms and who do not wish to alter your vote need not complete a poll card. In fact, it will make the count of votes simpler if those shareholders who have already sent in proxy forms refrain from voting by card now. Each shareholder should complete one poll card for him or herself. If you've been appointed as a proxy you should complete one poll card for each shareholder for whom you have been appointed. If you have any queries on filling in your card, please raise your hand and a member of Computershare will be happy to help.

On your poll card or cards, please fill in your name and shareholding or, if you are a proxy, the name and holding of the shareholder you are representing. Please clearly mark your votes for, against or vote withheld on each resolution. Please then sign and date your completed poll card. When completed and signed, poll cards should be placed in the purple box outside the meeting when we're finished.

So if I may, I will now move to Resolution 1, to receive and adopt the directors' report and audited financial statements of the Group for the year ended 31<sup>st</sup> December 2012. Please cast your votes on Resolution 1 by filling in your poll card. Appearing on the screen behind me are the votes already submitted.

I now propose Resolution 2, to declare a final dividend of 5.25 pence per ordinary share. Please cast your votes on Resolution 2 by filling in your poll card.

In accordance with a recommendation contained in the UK Corporate Governance Code, the whole board is standing for election or re-election today. I would like to propose Resolution 3.1, to elect Danuta Gray as a Director of the Company. Please cast your votes on Resolution 3.1 by filling in your poll cards.

I now propose Resolution 3.2, to re-elect Mike Arnold as a director of the Company. Please cast your votes on Resolution 3.2 by filling in your poll cards.

I propose Resolution 3.3, to re-elect Philip Broadley as a Director of the Company. Please cast your votes on Resolution 3.3 by filling in your poll cards.

I propose Resolution 3.4, to re-elect Alan Gillespie as a Director of the Company. Please cast your votes on Resolution 3.4 by filling in your poll cards.

I propose Resolution 3.5, to re-elect Reuel Khoza as a Director of the Company. Please cast your votes on Resolution 3.5 by filling in your poll cards.



I propose Resolution 3.6, to re-elect Roger Marshall as a Director of the Company. Please cast your votes on Resolution 3.6 by filling in your poll cards.

I propose Resolution 3.7, to re-elect Bongani Nqwababa as a Director of the Company. Please cast your votes on Resolution 3.7 by filling in your poll cards.

I propose Resolution 3.8, to re-elect Nku Nyembezi-Heita as a Director of the Company. Please cast your votes on Resolution 3.8 by filling in your poll cards.

If I may, I would like to call on Alan Gillespie to propose Resolution 3.9, which is to re-elect me as a Director of the Company.

Alan Gillespie: I have pleasure in proposing Resolution 3.9, to re-elect Patrick O'Sullivan as a director of the company. Please cast your votes on Resolution 3.9 by filling in your poll cards.

Patrick O'Sullivan: Thank you very much, Alan. I now propose Resolution 3.10, to re-elect Julian Roberts as a Director of the Company. Please cast your votes on Resolution 3.10 by filling in your poll cards.

Moving on to Resolution 4, this is to re-appoint KPMG as the auditors of the company. I call on Roger Marshall, as Chairman of our Group Audit Committee, to propose this resolution.

Roger Marshall: I have pleasure in proposing KPMG Group Audit Plc as auditors of the company.

Patrick O'Sullivan: Thank you very much, Roger. I now put Resolution 4 to the meeting. Please cast your votes on Resolution 4 by filling in your poll cards.

I propose Resolution 5, to authorise the Group Audit Committee to settle the remuneration of the auditors. Please cast your votes on Resolution 5 by filling in your poll cards.

Resolution 6 is an ordinary resolution, to approve the remuneration report. I call on Russell Edey, chairman of our Remuneration Committee, to propose this resolution.

Russell Edey: I have pleasure in proposing the approval of the remuneration report.

Patrick O'Sullivan: Thank you very much, Russell. I now put Resolution 6 to the meeting. Please cast your votes on Resolution 6 by filling in your poll cards.



Moving on then to Resolution 7, which grants authority to the Board to allot certain shares of cash. Please cast your votes on Resolution 7 by filling in your poll cards.

Resolutions 8 to 11 are special resolutions which require a 75 per cent majority of votes in favour. I propose Resolution 8 as a special resolution, which grants authority to disapply pre-emption rights in allotting certain equity securities and selling treasury shares. Please cast your votes on Resolution 8 by filling in your poll cards.

I propose Resolution 9 as a special resolution. This one grants the board authority to repurchase shares by market purchases on the London Stock Exchange. Please cast your votes on Resolution 9 by filling in your poll cards.

I propose Resolution 10 as a special resolution, which approves contingent purchase contracts relating to purchases of shares on the African stock exchanges where our shares are listed. Please cast your votes on Resolution 10 by filling in your poll cards.

I propose Resolution 11 as a special resolution, which is to amend the company's Articles of Association to clarify and reduce the period after which documents sent through the post are deemed to have been received. Please cast your votes on Resolution 11 by filling in your poll cards.

Ladies and gentlemen, that brings the formal part of the meeting to a conclusion. And just before we conclude and retire for some coffee and sandwiches next door, I would like to propose a vote of thanks on behalf of our colleagues on the Board and yours to our two retiring directors, Russell Edey, who has chaired the Remuneration Committee for the last two years, and Lars Otterbeck, who has been a very important member of the Group Board in our dealings with Scandinavia and all of the transactions we have been involved in up there. So on your behalf and my colleagues' behalf, we'd like to thank them... [Applause]

Well now, ladies and gentlemen, if you would be kind enough, please, to place your completed poll cards in the purple box outside the meeting room as you leave. Refreshments will be available, as I said. And we will be available to answer any of the questions you may have. Thank you very much for coming. We look forward to seeing you again next year.

[End of Meeting]