

# UBS investor conference

**JULIAN ROBERTS**

Group Chief Executive

21 May 2014

---

INVESTMENT | SAVINGS | INSURANCE | BANKING



**OLDMUTUAL**

# DISCLAIMER

This presentation may contain certain forward-looking statements with respect to certain of Old Mutual plc's plans and its current goals and expectations relating to its future financial condition, performance and results.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Old Mutual plc's control including amongst other things, international and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Old Mutual plc and its affiliates operate. As a result, Old Mutual plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual plc's forward looking statements.

Old Mutual plc undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements it may make.

Nothing in this presentation shall constitute an offer to sell or the solicitation of an offer to buy securities.

# AGENDA

1. Group strategy and progress

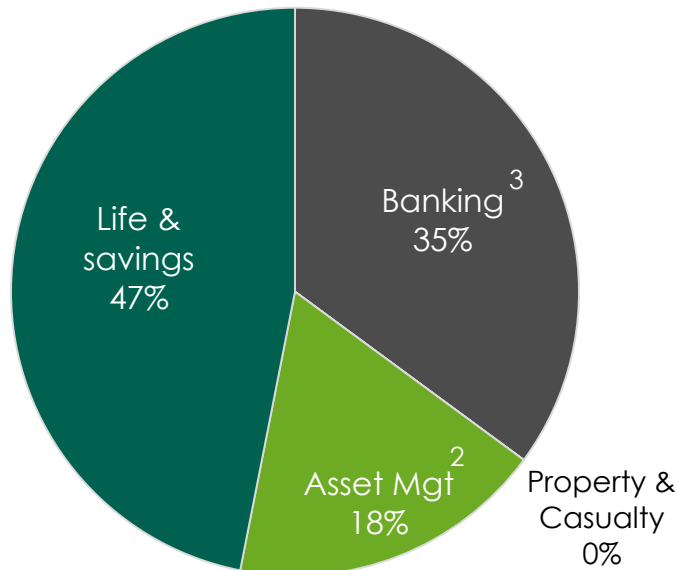
2. Market dynamics in Africa

3. Customer insights

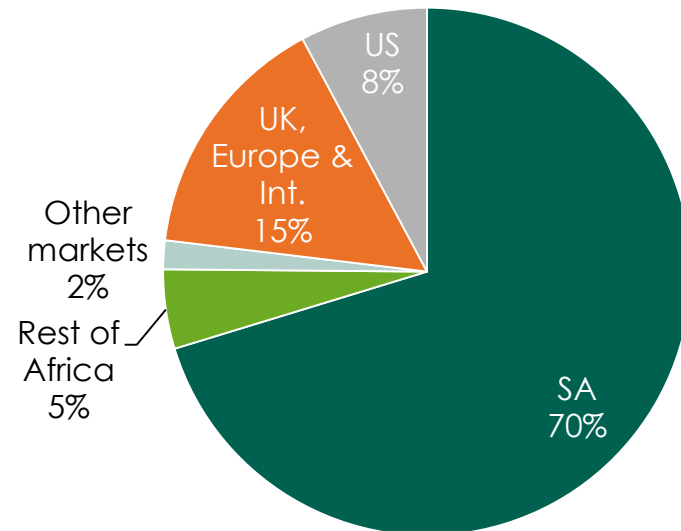
4. Summary

# SNAPSHOT OF OLD MUTUAL<sup>1</sup>

2013 AOP by line of business  
(pre-tax, post NCI)



2013 AOP by geography  
(pre-tax, post NCI)  
Total: £1.4bn



1. Core operations, excluding GHO net central costs.
2. Includes USAM, OMGI, OMEM & Nedbank's asset management businesses.
3. Includes Nedbank and OMEM's Zimbabwe CABS.

# OUR STRATEGY FOR GROWTH

<b>South Africa</b>	Align OMSA, Nedbank and Mutual & Federal to become the leading and most trusted financial services group.
<b>Africa</b>	Build an African financial services champion, while continuing to grow in other emerging markets.
<b>Old Mutual Wealth</b>	Build the best retail investment business in the UK.
<b>US Asset Management</b>	Grow and improve our multi-boutique asset management business.
<b>Group-wide</b>	Become the recognised financial services leader in Responsible Business.

# SOUTH AFRICA & AFRICA: MOMENTUM CONTINUES



- **The case for Africa remains compelling**
- Economic, demographic and consumer trends are positive
- GDP growth continues
  - South Africa 2014 forecast 2.3% (source: IMF)
  - Sub-Saharan Africa 2014 forecast 5.4% (source: IMF)
- African consumer markets remain buoyant despite pressure on household incomes

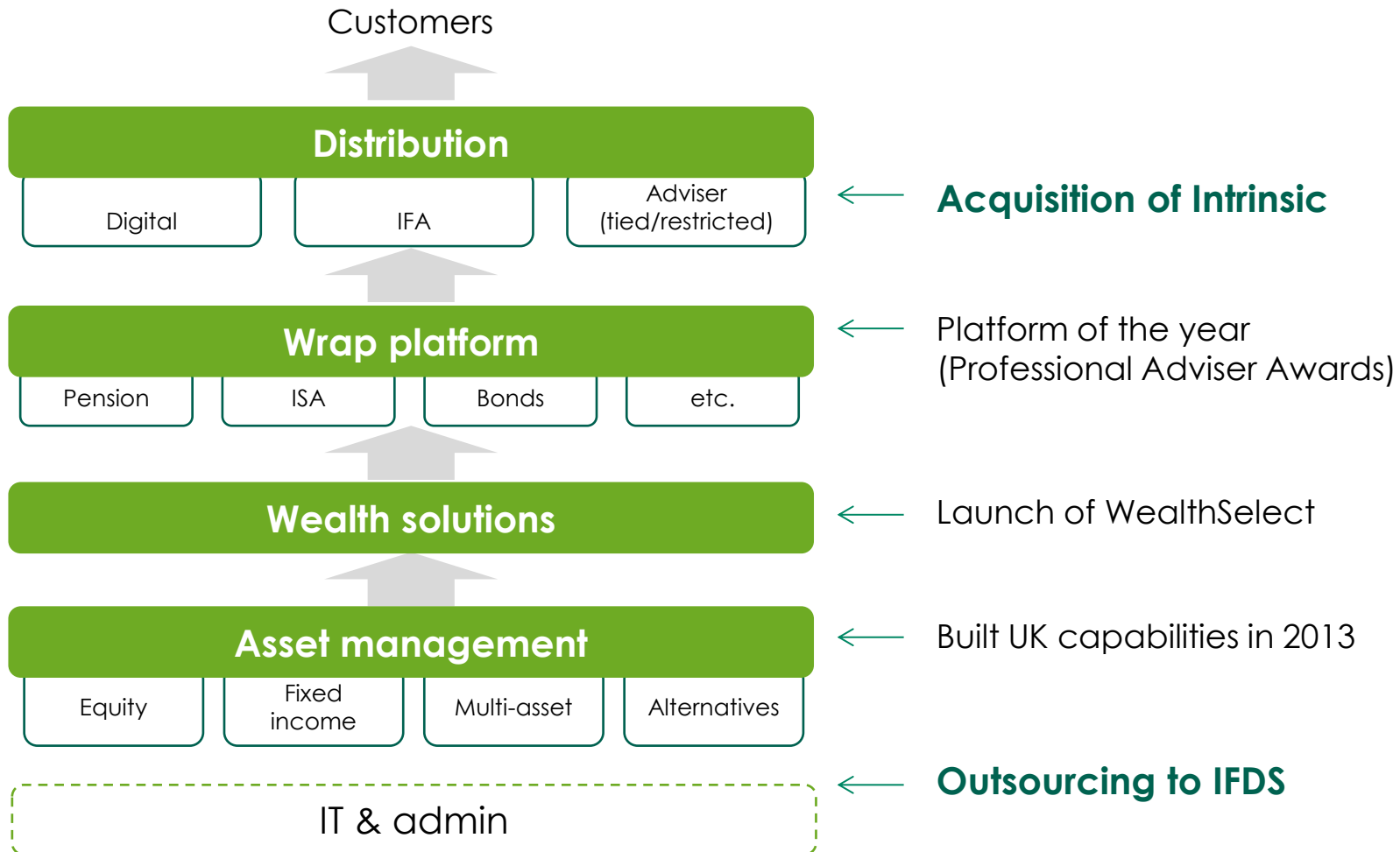
Strategic progress	Business growth in 2013
<p><b>Acquisitions:</b></p> <ul style="list-style-type: none"> <li>• Life and Property &amp; Casualty businesses of Oceanic in Nigeria</li> <li>• Provident Life Assurance Company in Ghana</li> <li>• Majority stake in Faulu Kenya</li> <li>• Nedbank acquiring 36.4% stake in Banco Unico in Mozambique, subject to completion</li> <li>• Nedbank option to acquire 20% of ETI</li> </ul> <p><b>OMEM, Nedbank, Mutual &amp; Federal collaboration:</b></p> <ul style="list-style-type: none"> <li>• Significant level of sales generated in 2013</li> <li>• Proposed LTIP arrangement and synergies target</li> </ul>	<p><b>Expanding in the growth markets of SA:</b></p> <ul style="list-style-type: none"> <li>• 280,000 new Mass Foundation customers</li> <li>• 21% increase in 2013 gross sales in Retail Affluent; Q1 14: 32% growth</li> <li>• &gt;500,000 new retail customers in Nedbank</li> </ul> <p><b>Gaining traction in Africa:</b></p> <ul style="list-style-type: none"> <li>• 1.9 million customers in Africa, outside SA</li> <li>• 2013 Life sales in Africa up by 31% (pre-minorities); Q1 14: up 19%</li> <li>• 2013 NCCF R3.7bn (US\$0.4bn)</li> <li>• FuM R54bn (end manager basis) at 31 Dec 2013 (US\$5.1bn)</li> <li>• Targeting 15% of SA profits by 2015</li> </ul>

# THE UK RETAIL INVESTMENT LANDSCAPE IS CHANGING

- 2013 total stock of assets in the UK retail Investment market was £3.4 trillion
  - Move towards platforms and away from insurance products
- Old Mutual Wealth's target market<sup>1</sup> grew 15% in 2013 to £1.1 trillion
  - Drawdown market of £57bn - expected to grow by £3.5 billion<sup>2</sup> p.a.
- 11% of 2012 stock moved out of endowment and onshore bond market in 2013 – net outflow of c. £30 billion
- 4% of 2012 stock out of DB schemes in 2013 - pensions landscape moving away from DB - net outflow c. £40 billion

1. Target market includes direct funds, stocks & shares ISAs, offshore/onshore bonds, personal pensions and drawdown products.  
2. Based on Old Mutual Wealth estimation.

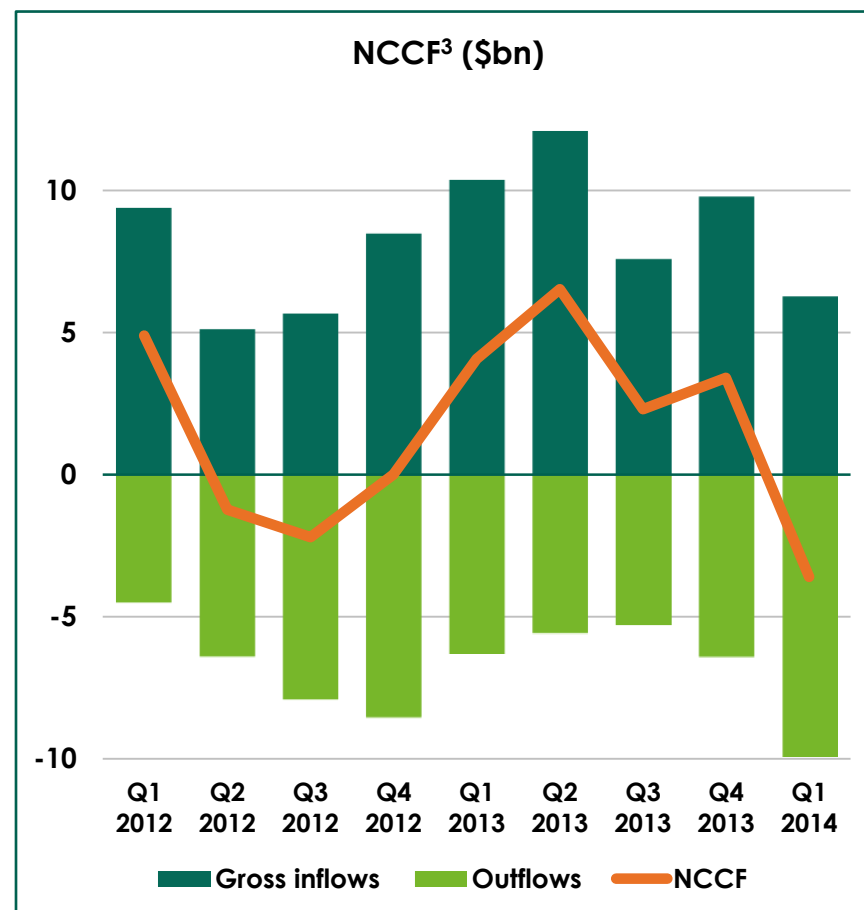
# BECOMING THE BEST RETAIL INVESTMENT BUSINESS IN THE UK





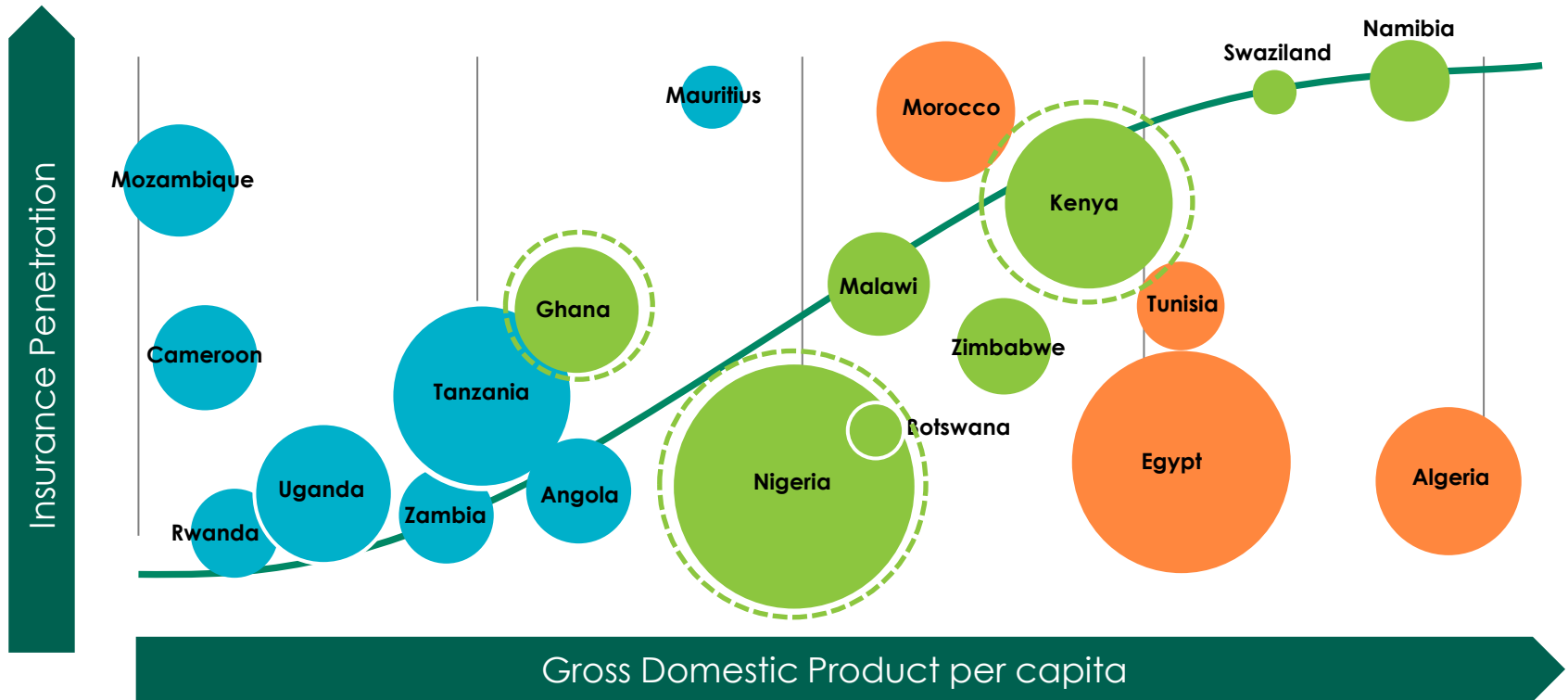
# US ASSET MANAGEMENT

\$bn	2012	2013
AOP (IFRS, pre-tax) (\$m)	144	<b>174</b>
AOP (IFRS, pre-tax) (£m)	91	<b>111</b>
Operating margin <sup>1</sup>	28%	<b>33%</b>
Gross cash inflows	32.1	<b>39.9</b>
NCCF <sup>2</sup>	(0.4)	<b>16.3</b>
FUM	208.6	<b>257.4</b>



1. Operating margin is before non-controlling interests; post-NCI operating margin is 29% (2012: 24%). Comparative margin has been restated following the adoption of IFRS 10 in respect of Heitman.
2. NCCF includes hard asset disposals; client-driven net flows are \$17.3bn (2012: \$1.6bn).
3. Excludes the impact of affiliates divested in 2012, although includes Echo Point which was discontinued in Q4 2013.

# INSURANCE MARKETS IN THE REST OF AFRICA ARE NASCENT AND UNDER-PENETRATED



- Size of bubble represents population size; green = OM current markets, blue = other SSA markets, orange = North Africa
- Key growth markets for Old Mutual

Note: Based on Life and P&C insurance GWP

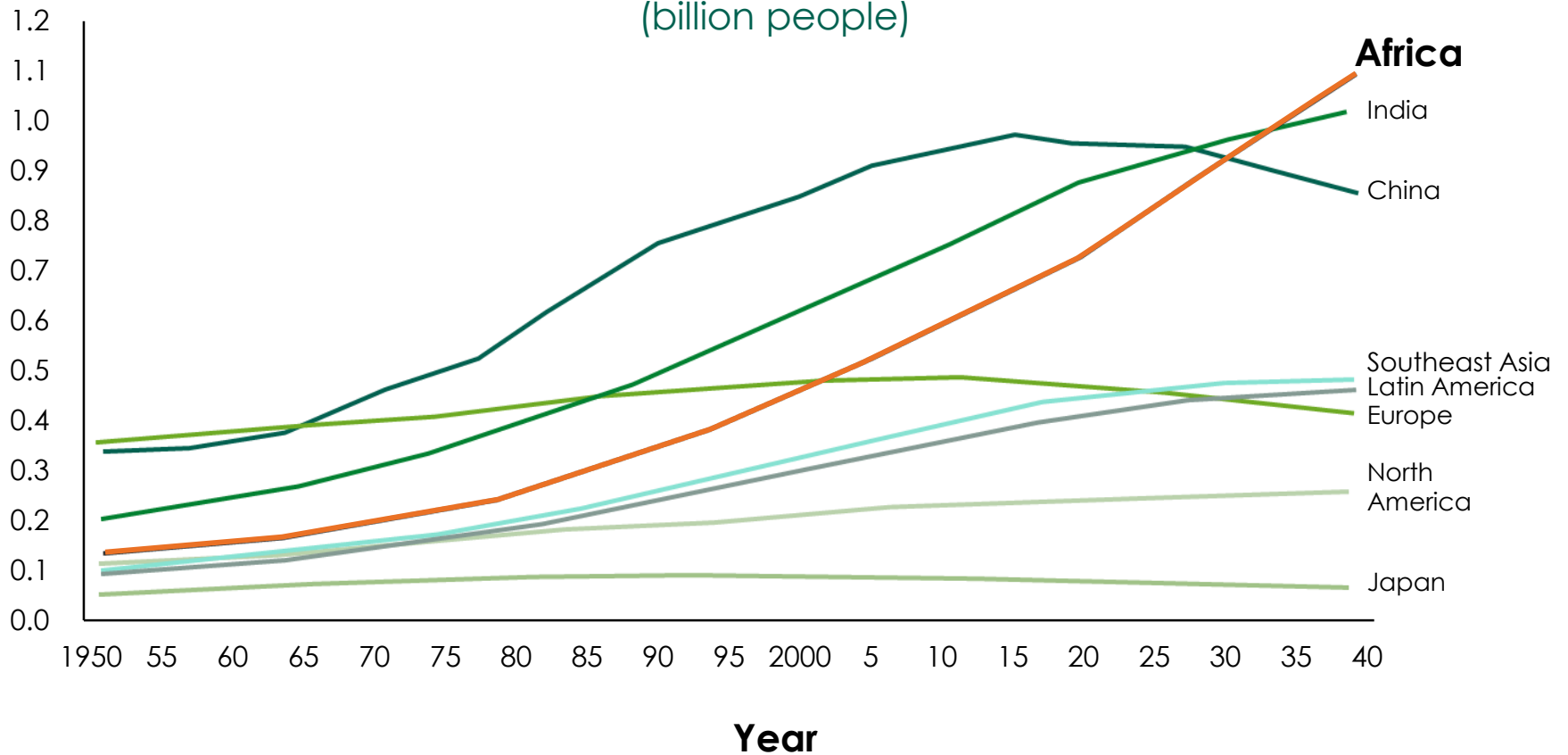
# AFRICAN ECONOMIES ARE SET TO GROW SIGNIFICANTLY

## Current GDP trends (US\$bn)



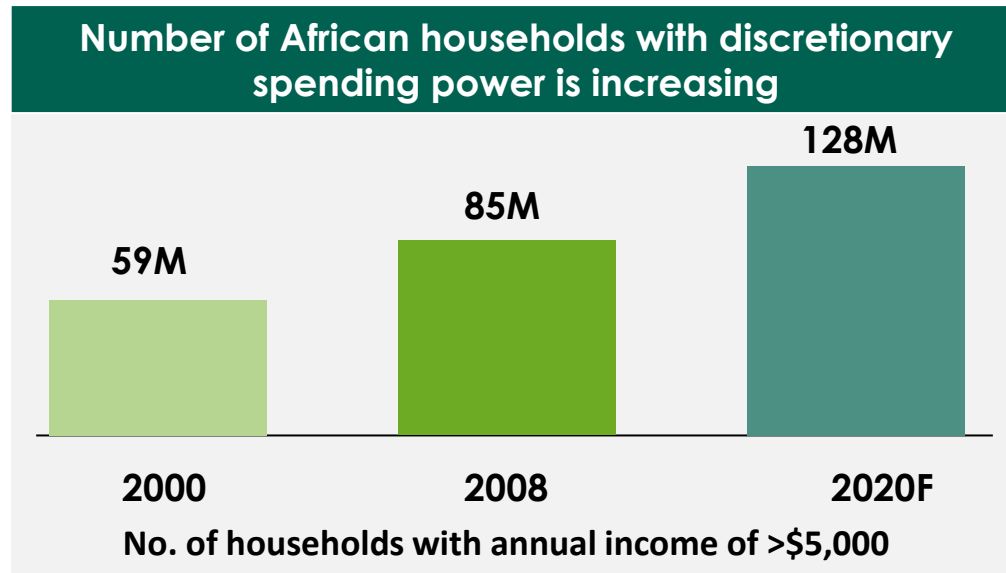
# THERE IS A GROWING DEMOGRAPHIC DIVIDEND IN SUB SAHARAN AFRICA

**Size of the Working-age population<sup>1</sup>**  
(billion people)



1. Population ages 15-64  
Source: United Nations World Population Prospect; McKinsey Global Institute

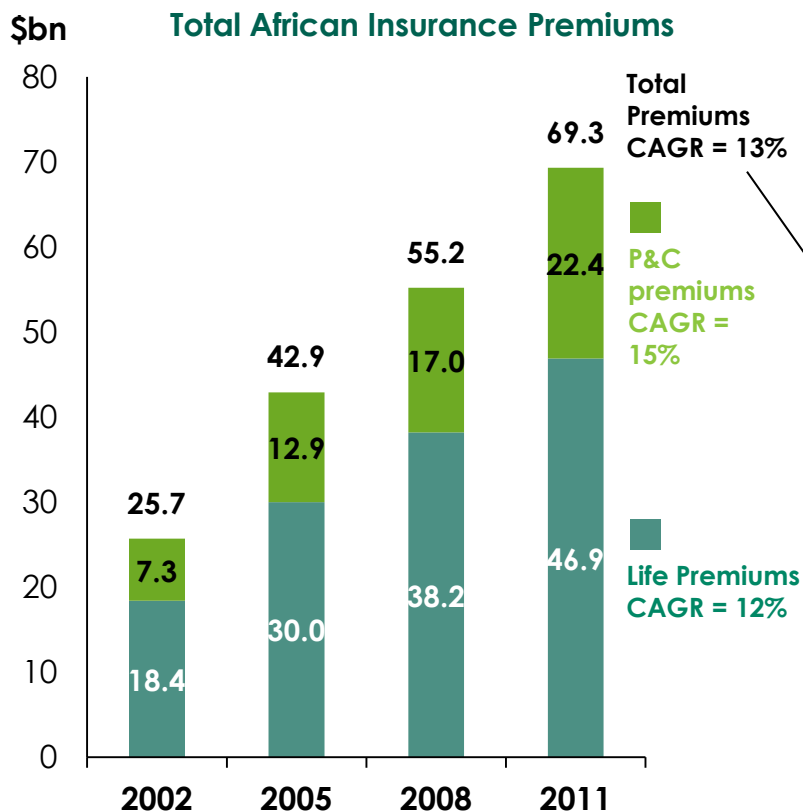
# UNDER-PINNED BY THE RISE OF THE AFRICAN CONSUMER



- Consumer expenditure in SSA expected to reach nearly \$1 trillion by 2020
- Poverty expected to fall to 20% by 2020
- By 2050, c60 % of people in SSA will live in cities, compared with 40 % in 2010. This means 800m more people will live in urban environments
- By the end of 2014, more than 600 million people will own a mobile phone giving Africa one of the world's highest mobile usage rates

# INSURANCE GROWTH WILL FOLLOW...

At current growth rates, African insurance premiums are forecast to grow from \$70bn in 2011 to \$200bn in 2020



**Growth Scenarios: Total African Insurance Premiums (\$bn)**

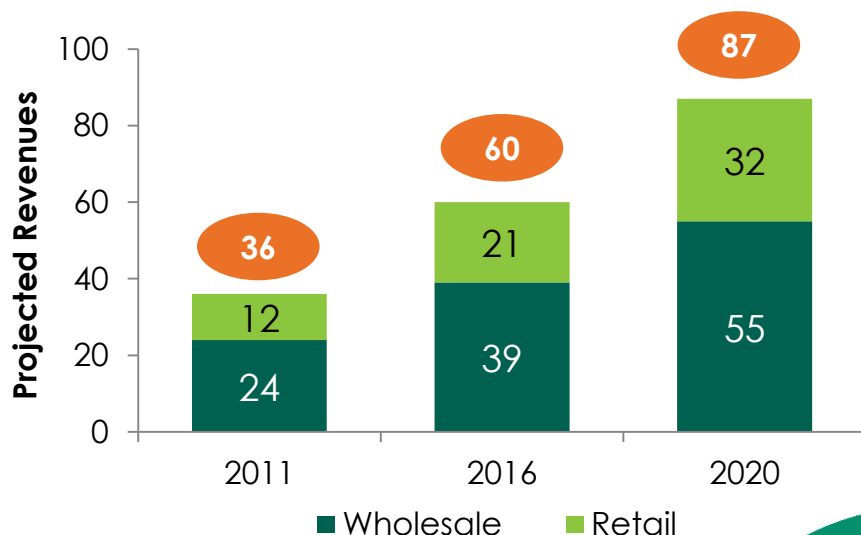
CAGR	2020	2030	2040
8%	133	274	564
10%	163	424	1,099
13%	200	650	2,109
15%	244	986	3,990
18%	296	1,484	7,444

**Total African Insurance Premiums as a % of Total Global Premiums = 1.6%**

# SUB-SAHARAN AFRICA BANKING REVENUE GROWTH

At current growth rates, SSA revenues are forecast to grow from **\$36bn** in 2011 to **\$87bn** in 2020

**Total SSA Banking Revenue Pools (SSA excl. SA) (US\$bn)**

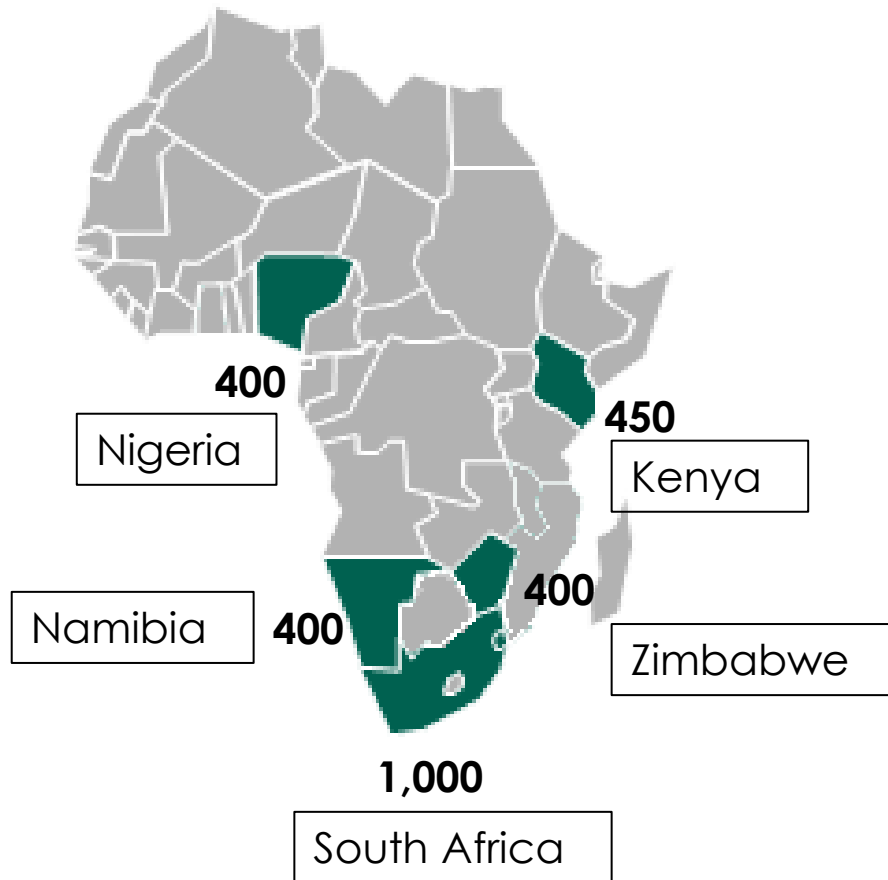


**Growth Scenarios: Total SSA Banking Revenue Pools (US\$bn)**

CAGR	2020	2030
8%	73	158
10%	87	223
15%	128	520

McKinsey Global Banking Pools implied compound annual growth rate

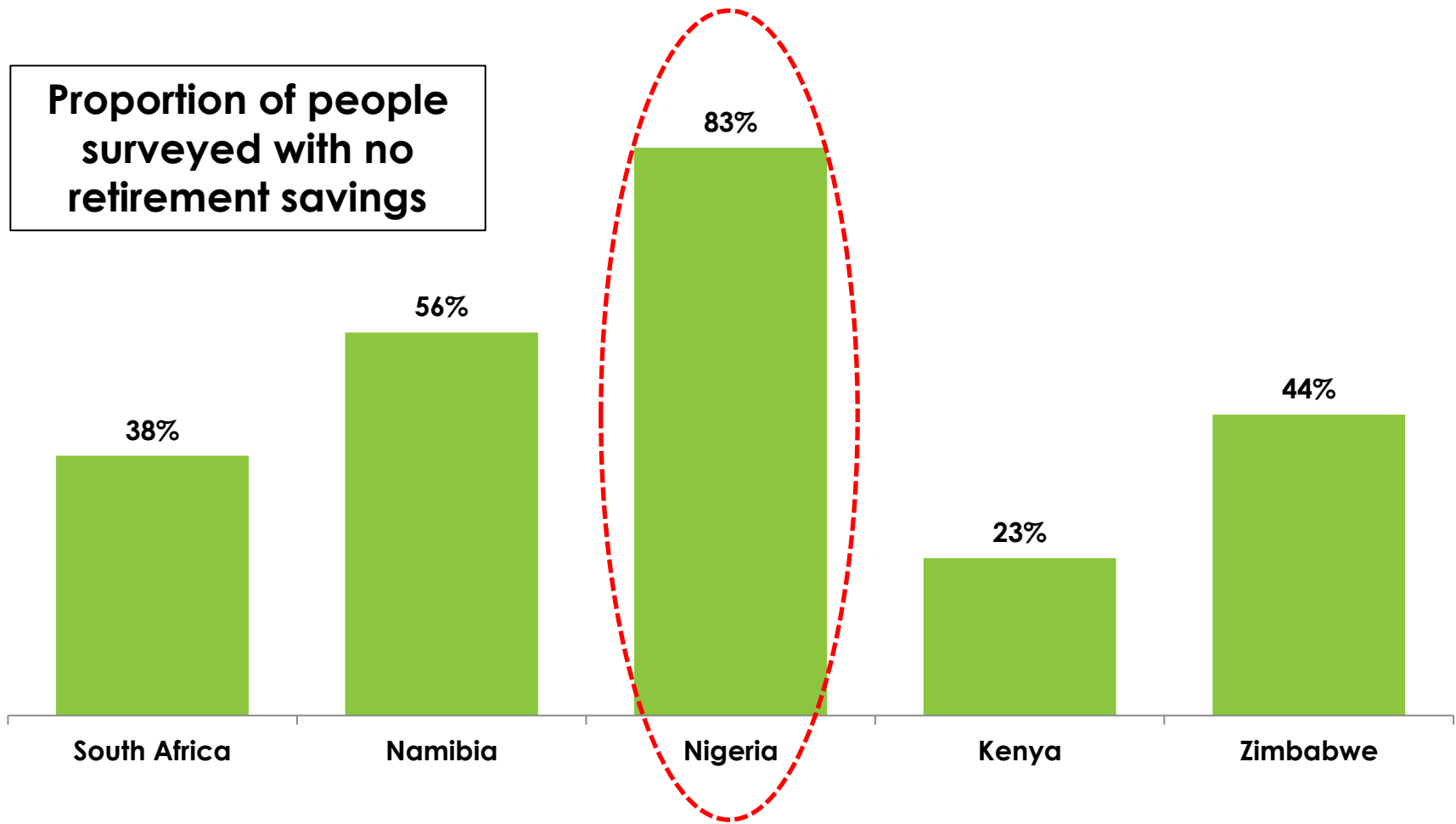
# 2013 SAVINGS & INVESTMENT MONITOR INSIGHTS



- Bi-annual survey in South Africa
- In 2013 extended to include other countries in Africa - **2,650** working metropolitan individuals interviewed
- Provides valuable insights into behaviours and attitudes of consumers
- Field test for new products

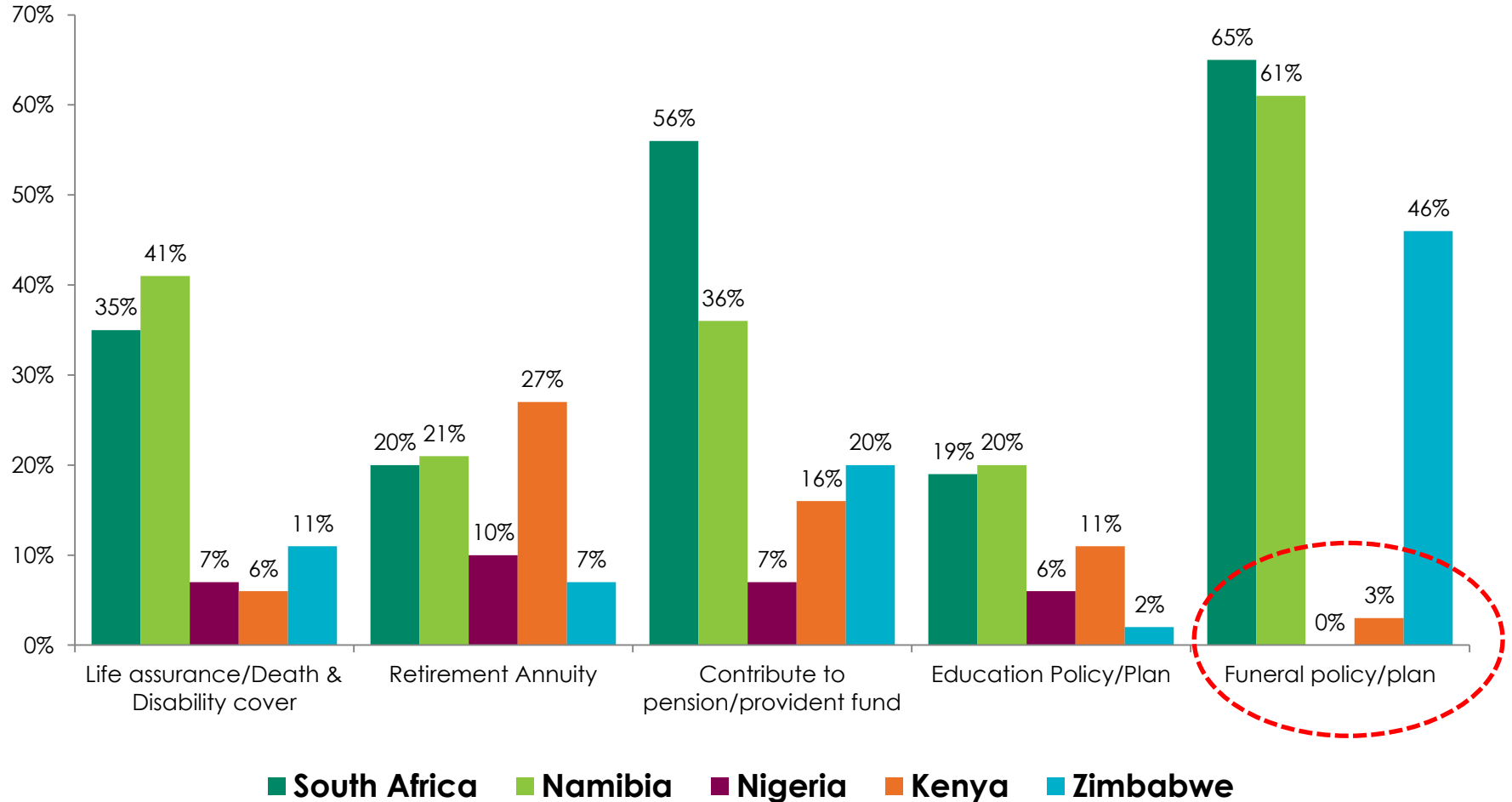


# LOW LEVEL OF RETIREMENT SAVINGS



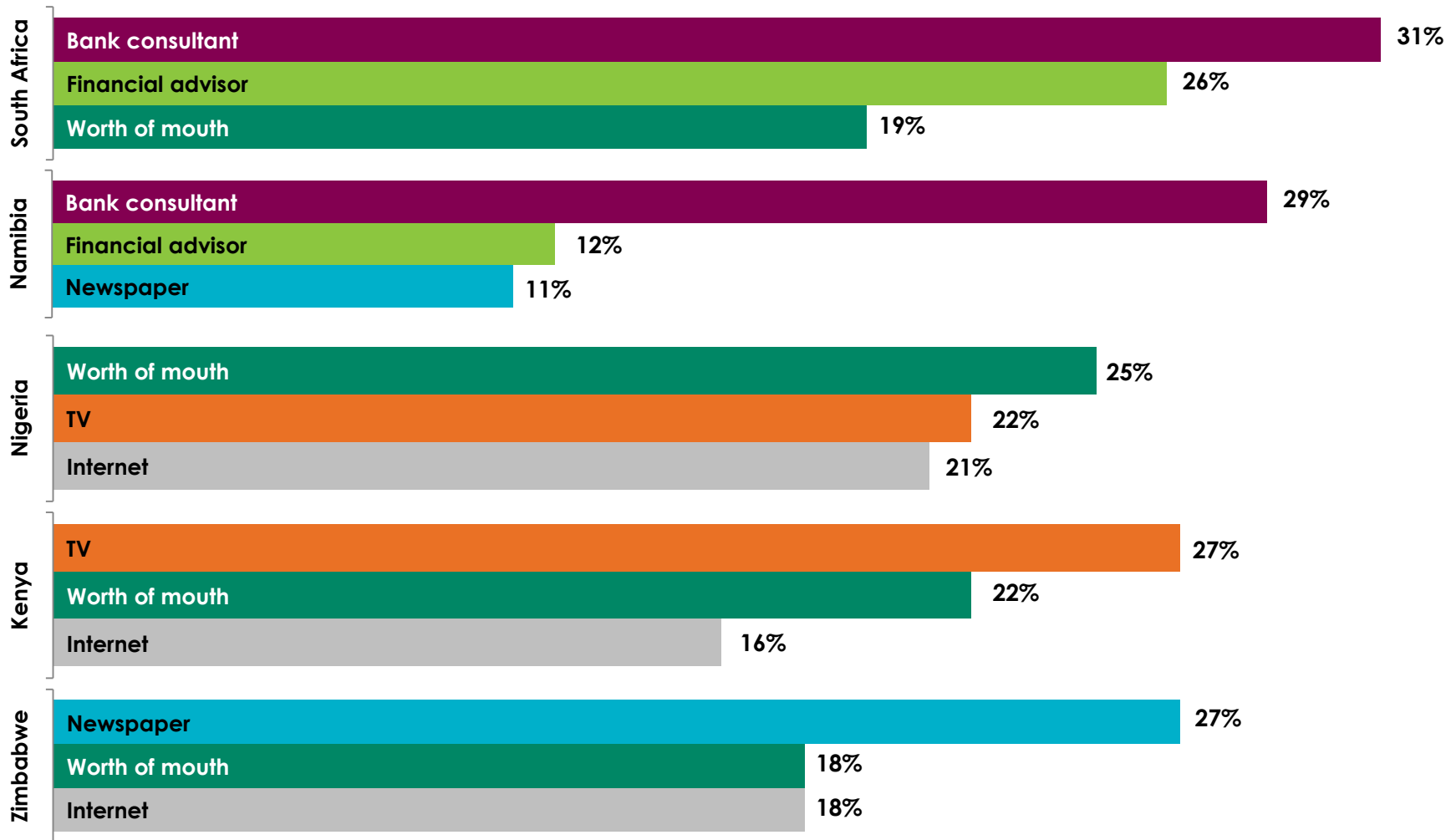
1. Samples in each country consist of working metropolitan individuals
2. Sample sizes – SA 1,000; Namibia 400; Nigeria 400; Kenya 450; Zimbabwe 400

# SIGNIFICANT VARIATION IN PRODUCTS ACROSS COUNTRIES



1. Samples in each country consist of working metropolitan individuals
2. Sample sizes – SA 1,000; Namibia 400; Nigeria 400; Kenya 450; Zimbabwe 400

# TOP 3 SOURCES OF FINANCIAL INFO



1. Samples in each country consist of working metropolitan individuals
2. Sample sizes – SA 1,000; Namibia 400; Nigeria 400; Kenya 450; Zimbabwe 400

# SUMMARY

**Business growing strongly**

**Sound capital base - £10bn market cap**

**Excellent cash generation & progressive dividend policy**

**Clear on strategy, priorities and targets: driving for growth**

**Helping our customers achieve their lifetime financial goals**



# Q&A

---

INVESTMENT | SAVINGS | INSURANCE | BANKING



# APPENDICES

---

INVESTMENT | SAVINGS | INSURANCE | BANKING



# GROUP HIGHLIGHTS 2013

**Gross sales up 17%<sup>1</sup> at £25.4bn**

**£15.5bn NCCF<sup>2</sup>, equivalent to 6% of opening FuM; NCCF positive in all businesses**

**Funds under Management up 19%<sup>1</sup> at £294bn<sup>2</sup>**

**AOP<sup>3</sup> £1.6bn, up 15% in constant currency (reported: flat)**

**EPS 18.4 pence per share, up 21% in constant currency (reported: up 5%)**

**Full year dividend 8.1 pence per share, up 16%**

**Good progress against strategic objectives**

1. Percentages in constant currency.
2. Core business only.
3. AOP, pre-tax and NCI, based on core business only.

# 2014 FIRST QUARTER HIGHLIGHTS

**Gross sales up 24%<sup>1</sup> at £6.2bn** (Q1 2013: £5.0bn<sup>1</sup>)

**NCCF<sup>2</sup> £0.5bn negative** (Q1 2013: £3.9bn positive)

- Excluding USAM, NCCF £1.6bn positive (Q1 2013: £1.3bn positive)

**Funds under Management up 1%<sup>3</sup> at £297.1 bn<sup>2</sup>**

## **Continued progress against strategic objectives**

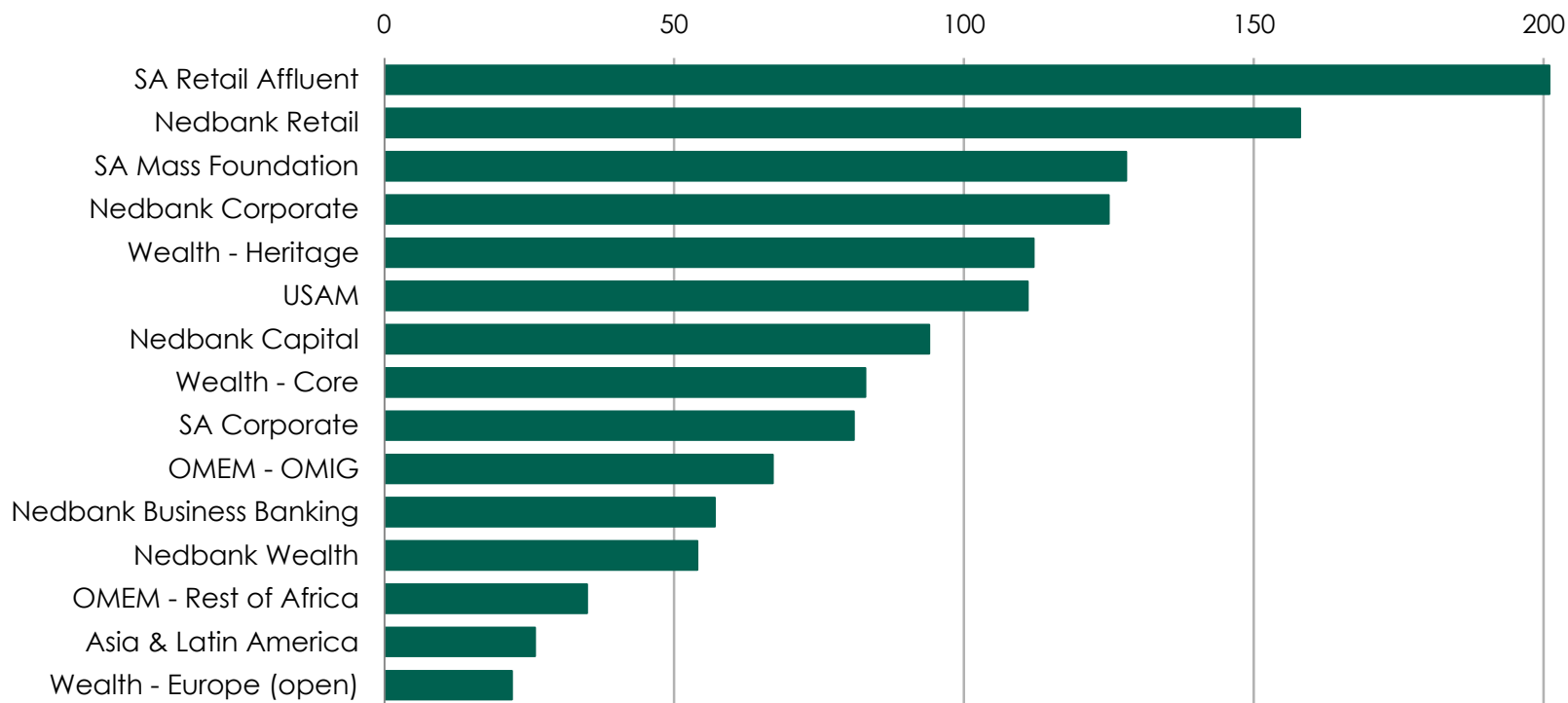
- Completed acquisition of Faulu Microfinance Bank in Kenya
- Agreed sale of Skandia Germany and Skandia Austria
- Regulatory approval received for sale of Skandia Poland
- Announced intention to acquire Intrinsic Financial Services
- Announced intention to IPO minority stake in US Asset Management in 2014

1. Constant currency.  
2. Core business only.  
3. Since 31 December 2013.



# DIVERSITY OF OPERATING EARNINGS

2013 “operating earnings” (£m, pre-tax, post NCI) <sup>1</sup>



1. Excludes LTIR, Group Head Office, OMEM central costs and unallocated income in Nedbank.

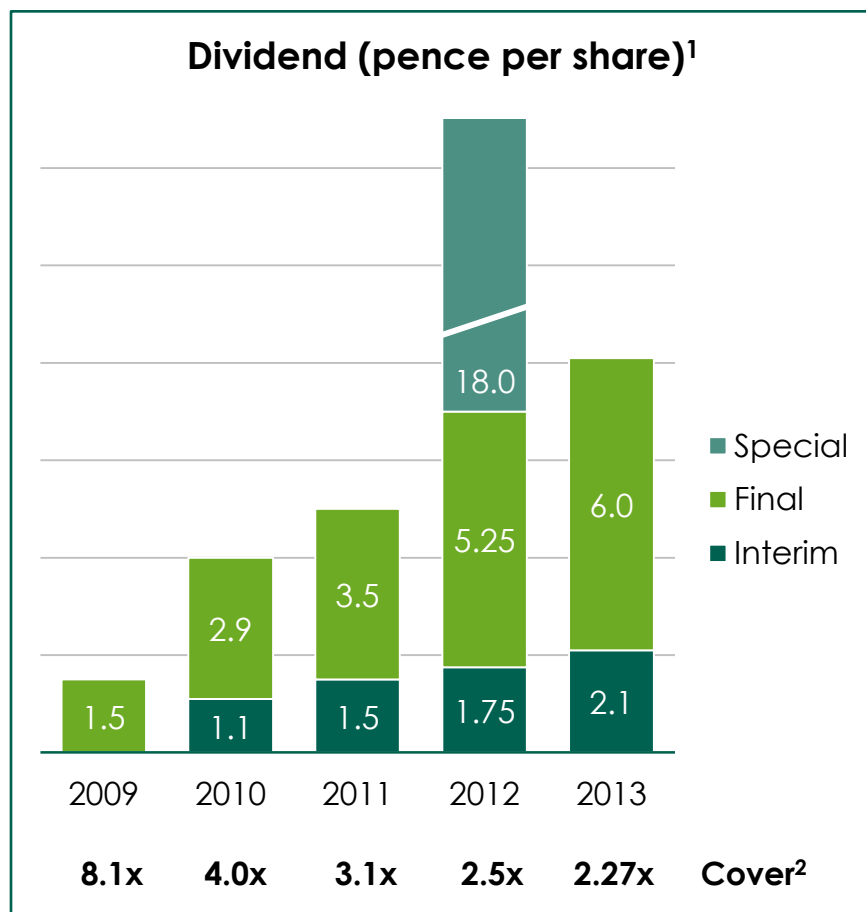
# CONVERSION OF BUSINESS UNIT PROFIT TO PLC CASH

2013 (£m)	AOP (post-tax & NCI)	Net free surplus generated	BU remittance <sup>1</sup>	% of AOP converted into BU remittance
Emerging Markets	424	420	171 <sup>2</sup>	<b>40%</b>
Nedbank	315	139 <sup>3</sup>	139	<b>44%</b>
Property & Casualty	(1)	(32)	24	-
Old Mutual Wealth	177	180	105	<b>59%</b>
USAM	84	104	105	<b>125%</b>
<b>2013 before group &amp; finance costs</b>	<b>999</b>	<b>811</b>	<b>544</b>	<b>54%</b>
2012 <sup>4</sup>	1,003	814 (81%)	470	47%
2011	1,060	803 (76%)	446	42%

81% conversion of AOP into free surplus

1. Excludes cash flows from disposals and funding of businesses.
2. Required OMEM contribution to Group dividend in excess of amounts received from Nedbank and Property & Casualty.
3. Nedbank free surplus represents OM share of Nedbank dividend.
4. AOP has been restated to reflect accounting policy changes required by IAS 19.

# DIVIDEND



- 6.0p per share final ordinary dividend
- Full year sterling dividend 8.1p, up 16%
  - 43% increase in rand dividend
- Progressive dividend policy
  - Targeting 2 to 2.25 times cover
  - Interim dividend set routinely at c.30% of prior year total dividend
- Dividend progression supported by earnings, cash flow and low servicing cost of debt

1. Dividend is as paid, unadjusted for the share consolidation in 2012.  
 2. Cover based on AOP EPS as reported at each year end; does not include any retrospective restatements.

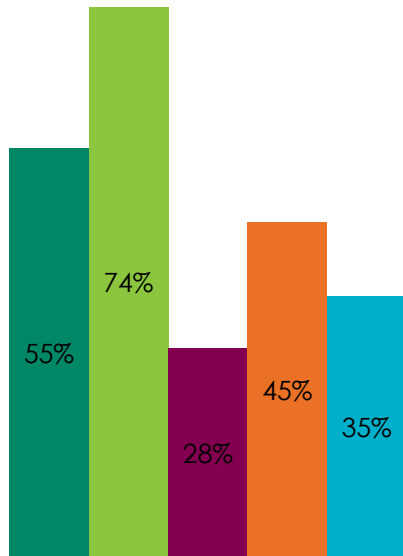
# HEADLINE TARGETS

Emerging Markets (2015)	Old Mutual Wealth (2015)	Nedbank (medium to long-term targets)	Property & Casualty (2016 onwards)	USAM (on-going)
Over 9 million customers	£300m pre tax AOP	Diluted <b>headline earnings per share</b> growth: More than CPI + GDP growth + 5%	Sustainable Top 2 position in the <b>South African market</b>	<b>Net Client Cash Inflow:</b> 3-5% of Opening FuM
<b>RoE:</b> 20-25%	<b>RoE:</b> 12-15%	<b>RoE (excl. goodwill):</b> 5% above cost of ordinary shareholders' equity	<b>RoE:</b> 15-20%	<b>Operating Margin</b> (post MI): 25-30%
<b>African profits</b> (15% <sup>1</sup> of OMSA <sup>2</sup> )	<b>Operating Margin:</b> 40%	<b>NIR : Expenses ratio</b> ➢ 85%  <b>Efficiency Ratio</b> 50% - 53%	<b>Underwriting Margin:</b> 4-6% (combined ratio of 94-96%)	
		<b>Credit loss ratio:</b> Between 0.8% and 1.2% of average banking advances	Significant P&C <b>operations in the RoA</b> in major markets, supporting the Group's African expansion	
		<b>CAR (Basel III basis):</b> • Common Equity Tier 1 (10.5-12.5%) • Tier 1 (11.5-13.0%) • Total (14.0-15.0%)		

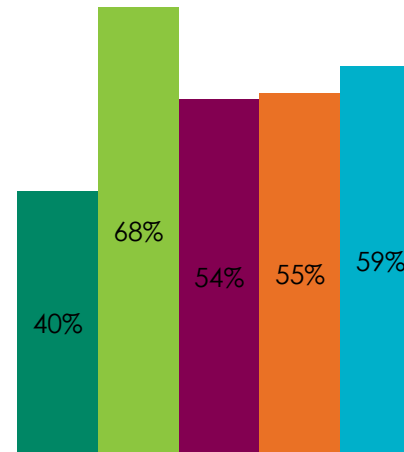
1. Target includes profits from newly acquired entities and P&C earnings in Africa.
2. Calculation is pre-tax and post-minorities and includes LTIR.

# CUSTOMER ATTITUDES AND BEHAVIOUR

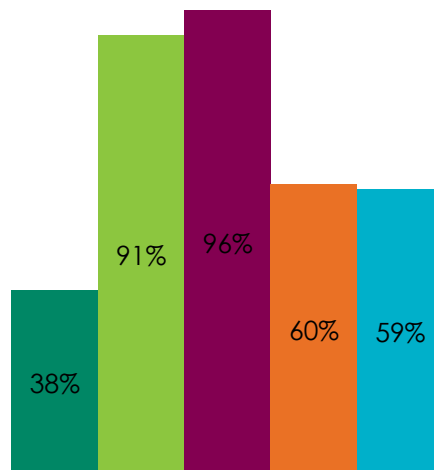
**“I feel confident about the economy of my country”**



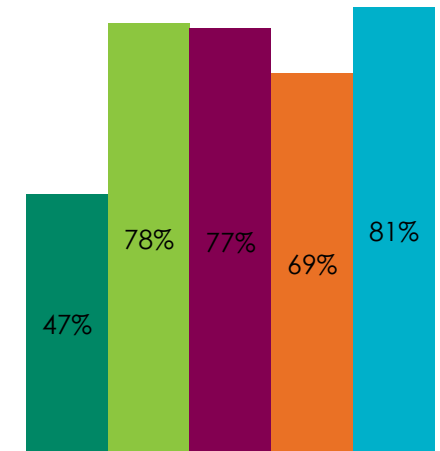
**“I would like financial advice, but it's hard to find somebody you trust to give it to you”**



**“My children should look after me when I am old”**

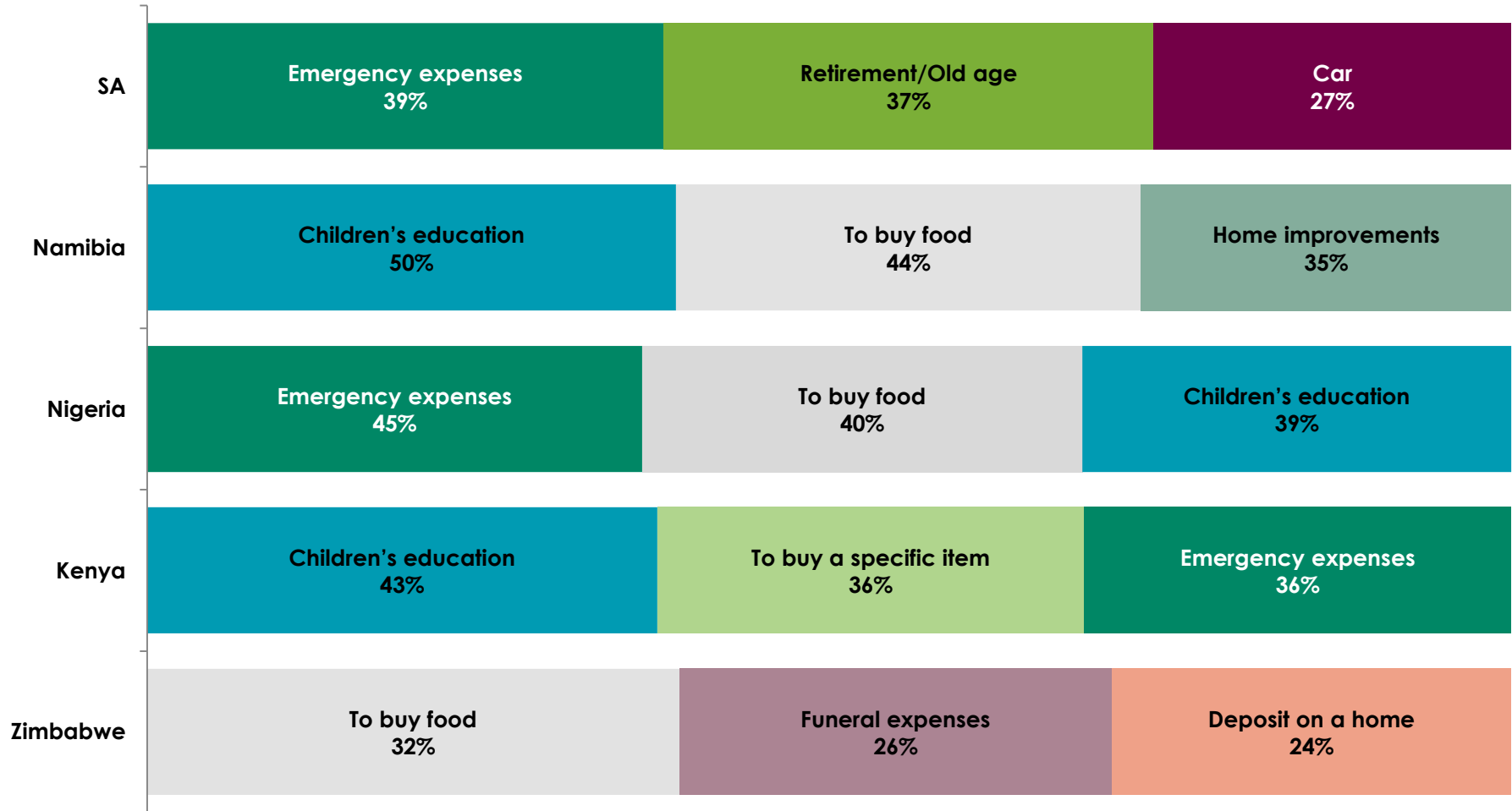


**“Saving for education is more important to me than saving for retirement”**



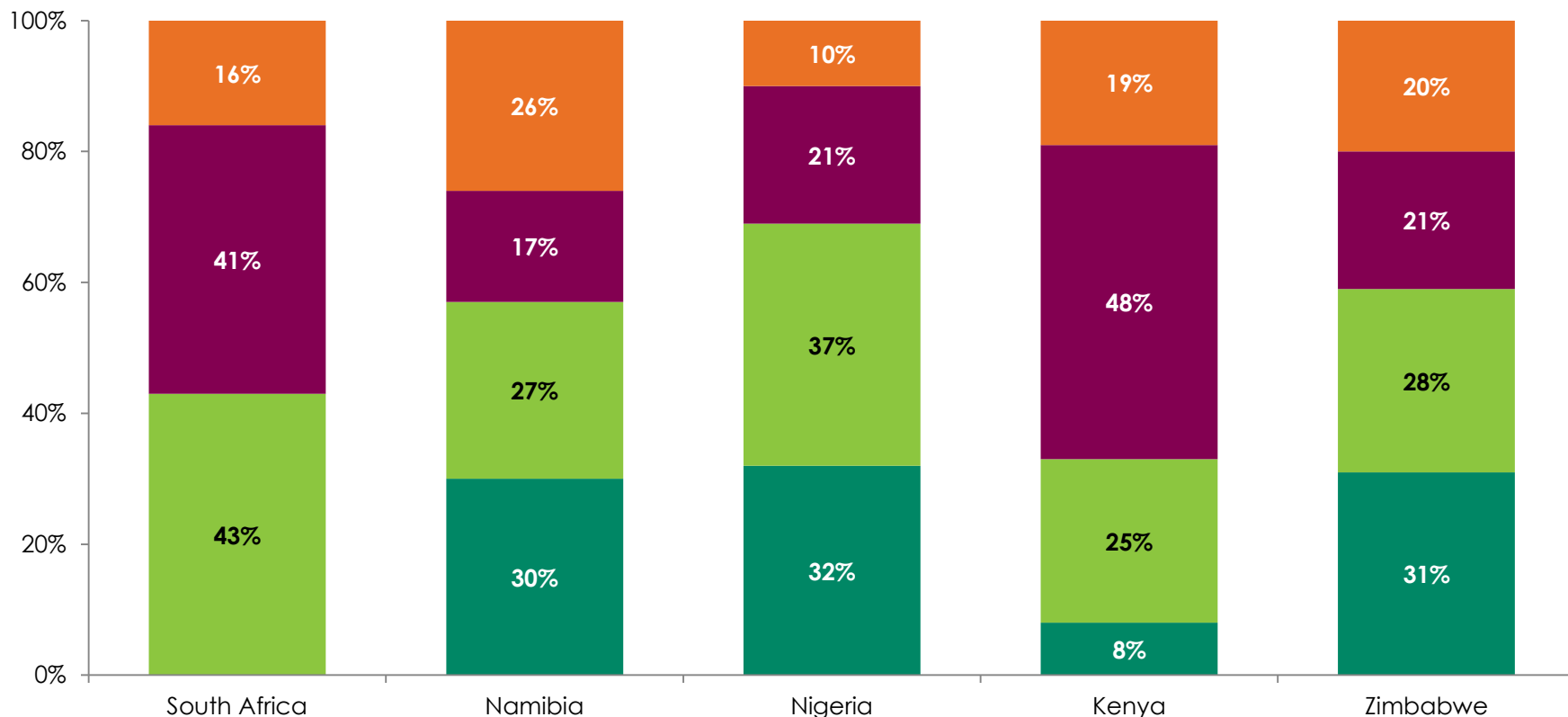
1. Samples in each country consist of working metropolitan individuals
2. Sample sizes – SA 1,000; Namibia 400; Nigeria 400; Kenya 450; Zimbabwe 400

# TOP 3 SAVINGS PRIORITIES



1. Samples in each country consist of working metropolitan individuals
2. Sample sizes – SA 1,000; Namibia 400; Nigeria 400; Kenya 450; Zimbabwe 400

# RISK APPETITE ACROSS AFRICA



■ Zero risk, zero return  
 ■ Minimal risk, low return  
 ■ Moderate risk, moderate return  
 ■ High risk, high return

Classifications based on the following selections:

Zero risk, zero return: I would prefer not to invest my money (Note – this was not given as an option in the SA survey)

Minimal risk, low return: The returns are guaranteed but are very low and may not beat inflation

Moderate risk, moderate return: There is potential for moderate growth and interest, with some risk of losing money

High risk, high return: There is potential for very high growth and interest, but the risk of losing money is higher



**OLDMUTUAL**

# CONTACTS

For further information please visit the Old Mutual website at:

[www.oldmutual.com/ir](http://www.oldmutual.com/ir)

The Investor Relations team can be contacted on:

**+44 (0)20 7002 7367**

Or by email at:

[omg-ir@omg.co.uk](mailto:omg-ir@omg.co.uk)