

# DELIVERING SHAREHOLDER RETURNS

---

**Julian Roberts, Group Chief Executive**

2 October 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.

OM Asset Management Limited (OMAM), a newly formed holding company for the Group's US-based institutional asset management business, has filed an S-1 registration statement with the US Securities and Exchange Commission (SEC) in preparation for the proposed Initial Public Offering of a minority of the ordinary shares of OMAM beneficially owned by the Group. A registration statement relating to these securities has been filed with the SEC but has not yet become effective. The securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. Nothing in this presentation shall constitute an offer to sell or the solicitation of an offer to buy securities, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that state or jurisdiction.

# AGENDA

1. Old Mutual growth strategy

2. Building an African financial services champion

3. Progress in Old Mutual Wealth

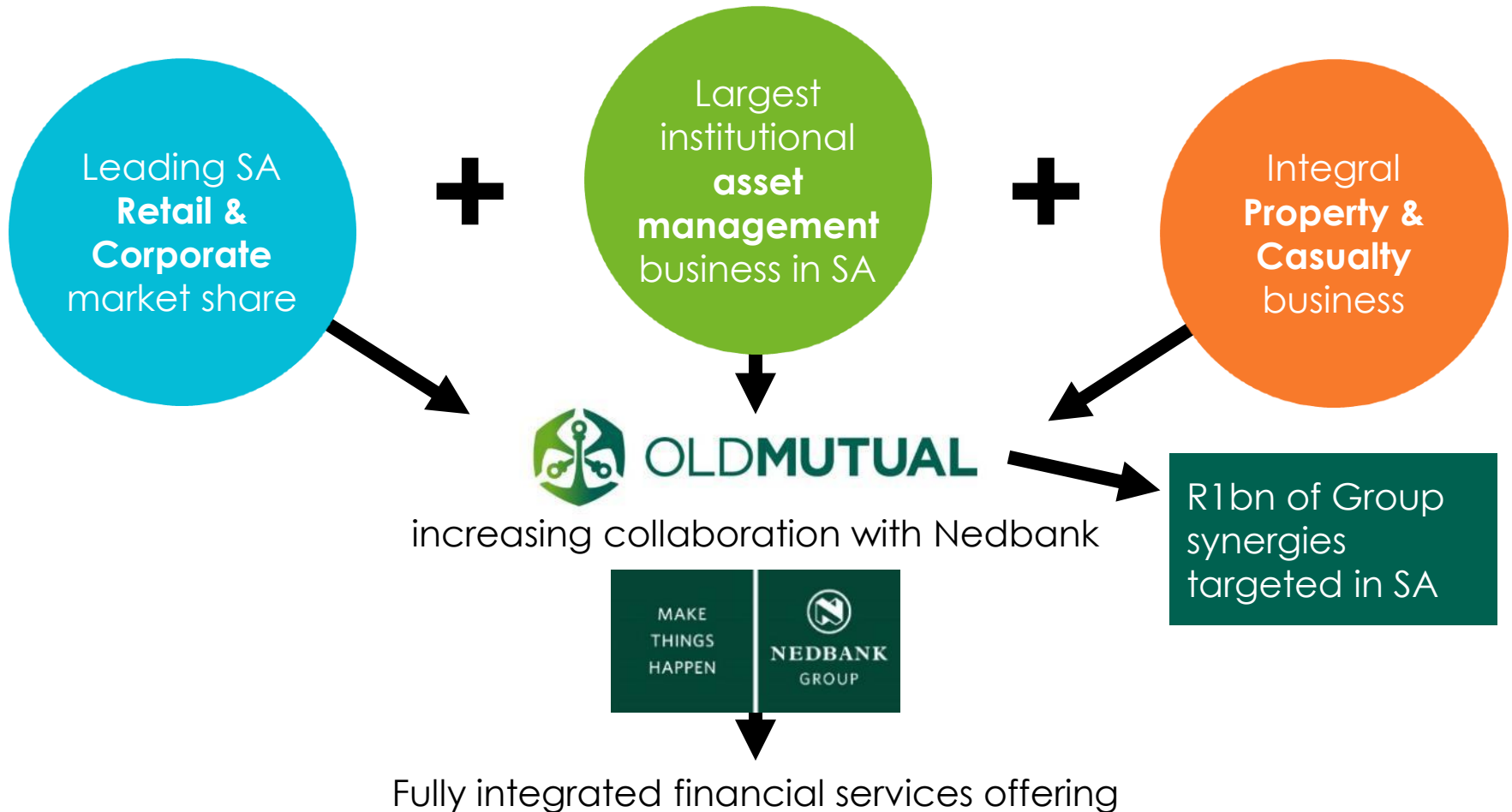
4. Update on USAM IPO

5. Summary

# OUR STRATEGY FOR GROWTH

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

# OUR GROWTH IN AFRICA WILL BE DRIVEN BY A STRONG BASE IN SOUTH AFRICA



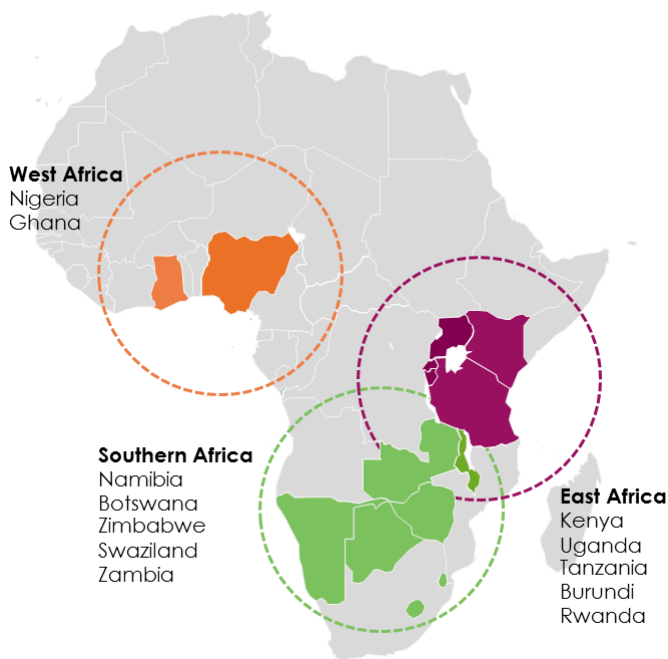
# OUR VISION IS TO BECOME THE AFRICAN FINANCIAL SERVICES CHAMPION BY 2020



## Our vision for Africa to 2020

- To be the **#1 or #2** business in established and core growth markets, with strong franchises in other West Africa, East Africa and SADC countries
- To achieve a ROE of between 20% and 25%

# INSURANCE STRATEGY FOR AFRICA



## Focus Countries

### West Africa

Successfully establish our new businesses in **Nigeria** and in **Ghana**

### East Africa

Investigate opportunities to enter the region through our base in **Kenya**. Grow our new Faulu business.

### Southern Africa

Explore opportunities in countries such as **Zambia** and consider entry into **Mozambique** and **Angola**

## Sectors and Segments

Export technical expertise and specialised industry knowledge, and couple with local needs

Product roll-out to retail mass and middle income markets

Make capital-light entries via Corporate and Commercial for P&C

Leverage our corporate relationships to follow our South African clients as they expand into the continent

Capitalise on the demand for Agri insurance; investigate new sectors such as oil & gas

## Distribution Channels

Leverage the Old Mutual brand, and key broker and corporate relationships for P&C

Use of tied agency force and worksite model, using SA expertise, for retail protection and savings products as well as credit life

Actively pursue and capture Bancassurance opportunities as a Group (signed agreements with Ecobank in Ghana and Nigeria)

Establish collaborative partnerships within the Group

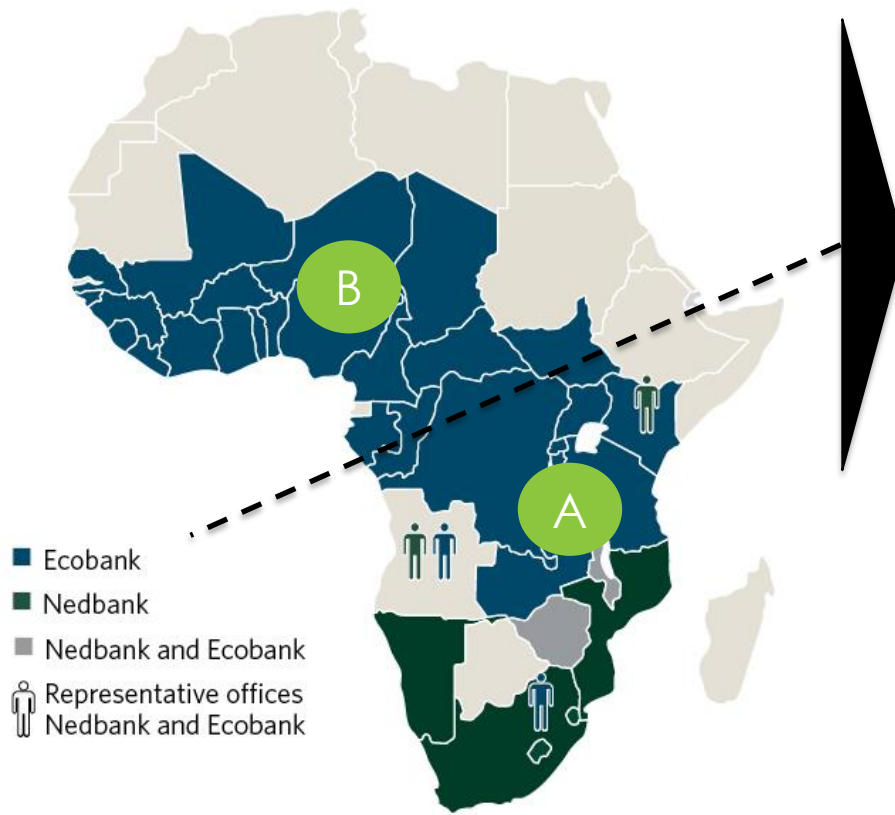
New world channels such as mobile telephony



**OLDMUTUAL**

# BANKING STRATEGY FOR AFRICA

A client-centred, capital efficient and risk mitigated longer-term approach



B

**Alliance approach**

(principally West & Central Africa)

A

**Nedbank  
Universal  
Banks**

(selected SADC  
& East African  
markets)



**OLDMUTUAL**



# EXPANSION IN AFRICA: PROGRESS TO DATE

## Nigeria

Acquired a majority stake in **Oceanic Life**: gaining new customers under Old Mutual brand

Acquired a majority stake in Ecobank's property & casualty business

## Kenya

Acquired a majority stake in **Faulu**

Extensive retail distribution network

Customer base has similar demographic to Mass Foundation market in SA

## Ghana

Acquired a majority stake in **Provident Life Assurance Company**

Life & investment products

Customer base mostly retail mass

## Mozambique

Nedbank acquired an initial 36.4% stake in **Banco Unico**, with pathway to control

Innovative banking products, including mobile banking applications

**c. R952m (incl Nedbank) total spent; c. R700m of OMEM's R5bn allocation**

- **South Africa:** Agreed terms to acquire a further 25% of OM Finance for R1.1bn

# OUR COMPETITIVE ADVANTAGES IN AFRICA

## Brand strength

- Strong African heritage
- International brand
- Highly trusted

## Market understanding

- Understand economic, demographic & market trends
- Understand circumstances, needs & business models needed to serve mass and middle income customers
- Understand, anticipate and help to shape regulatory developments

## Distribution skills

- Skilled at building and managing tied agency forces
- Build bancassurance relationships
- Use new generation distribution methods – mobile and digital

## Cost leverage

- Scale advantage facilitates low unit-cost service
- Low admin cost per policy

## Financial strength

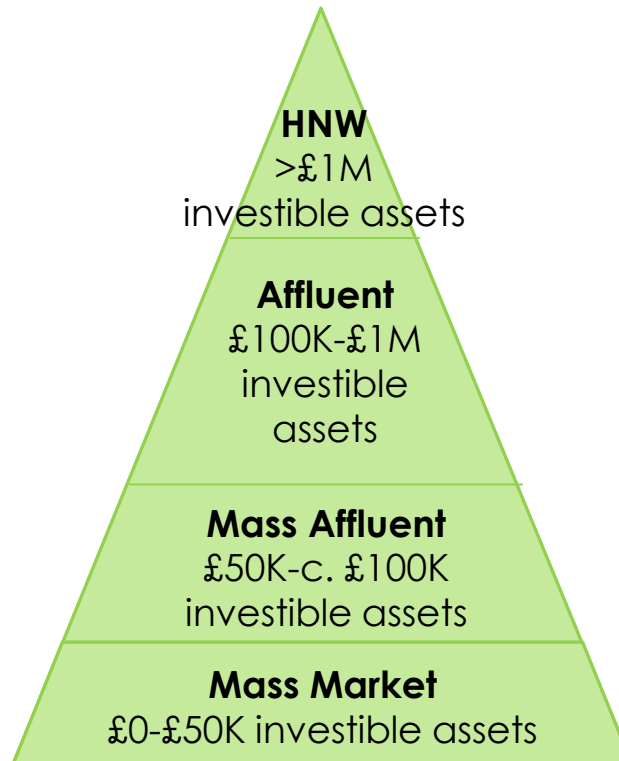
- Strong balance sheet
- Growth can be funded by existing local cash and profit generation

# LARGE OPPORTUNITY IN THE UK RETAIL MARKET

## Wealth breakdown



## Customer segments



## Customer Solutions

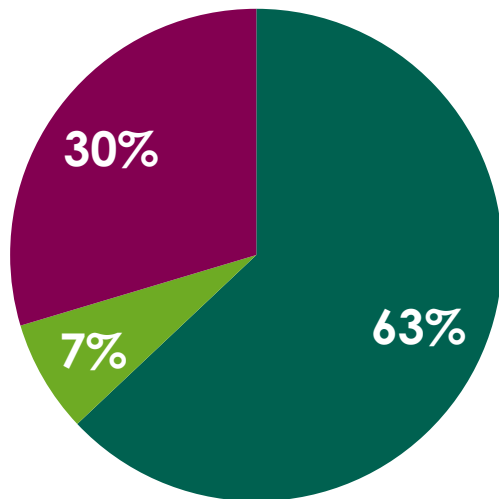
- Discretionary fund management
- Estate Planning and IHT
- Protection Solutions
- Cross Border Investments
- Open Architecture
- Managed portfolio service
- Multi-Manager

Note: Figures represent estimated 2017 numbers.

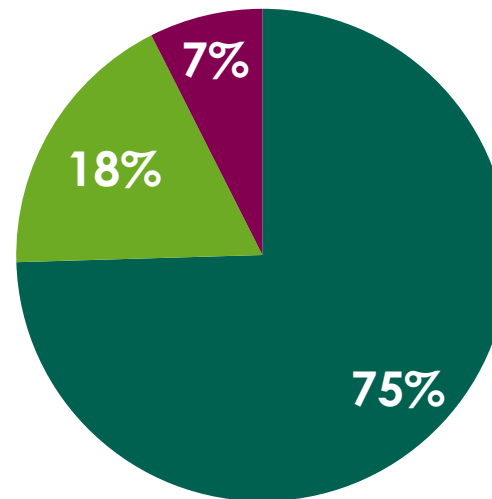
# ADVISER-LED SOLUTIONS CONTINUE TO ATTRACT THE MAJORITY OF FLOWS

With future strong opportunities from recent proposed budgetary changes

**2013 Stock**

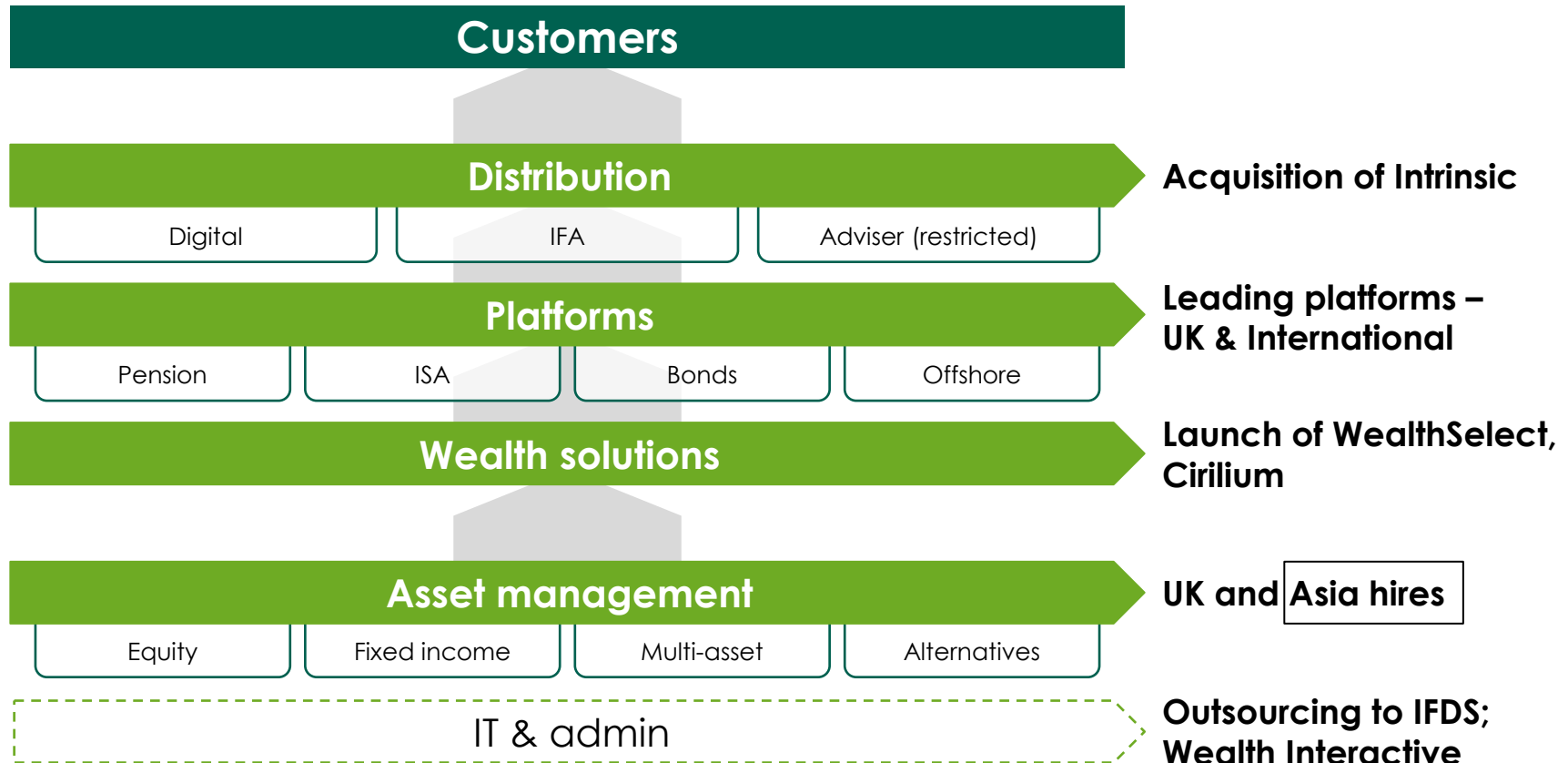


**2013 Flow**

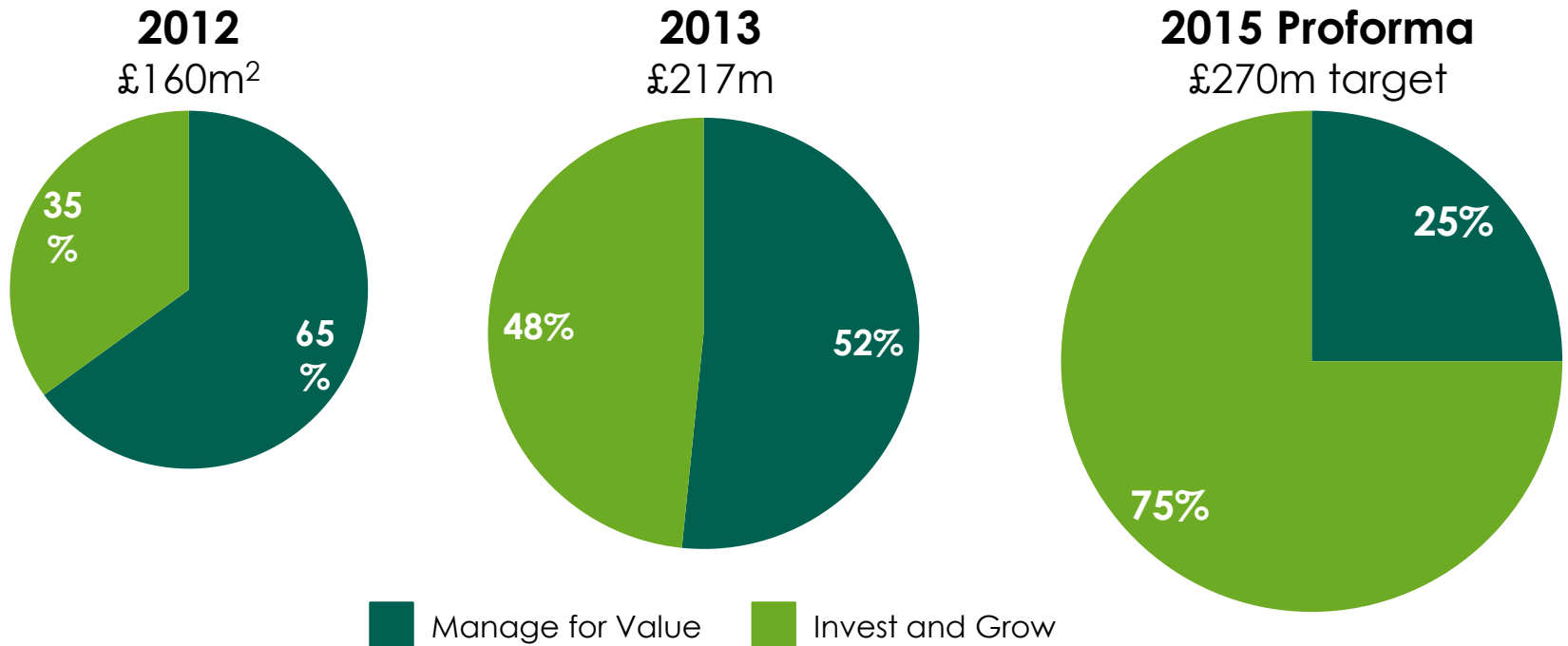


Traditionally the market has been employer led but is now moving to retail. We are playing in the channels where the wealth is.

# WE ARE BUILDING A VERTICALLY INTEGRATED MODEL



# TRANSFORMING OUR EARNINGS PROFILE<sup>1</sup>



## Transformation a result of:

- Profitable platforms
- Growing OMGI
- Divestments in Europe

1. Adjusted operating profit pre-tax  
2. Excludes £13m profit from Finland (sold August 2012) and £22m of benefits related to exceptional policyholder tax

# USAM IPO UPDATE

- Final S1 document filed with SEC on 23 September
- Price range of \$15 to \$17 per share with implied valuation range of \$1.8bn to \$2.04bn (\$1.92bn at midpoint)
- Offering size of 22m shares, equating to 18.3% sell down (proceeds of c.\$350m at midpoint)
- Underwriters have a 30-day over-allotment option of 15% (3.3m shares)
- OMAM management team currently marketing in Europe, London and US

# SUMMARY

---

**Well positioned for growth in Africa**

---

**Clear vision and strategy for Africa with a depth of experience**

---

**Well positioned in UK retail market following regulatory changes**

---

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

---



# Q&A

---

INVESTMENT | SAVINGS | INSURANCE | BANKING



# APPENDIX

---

INVESTMENT | SAVINGS | INSURANCE | BANKING



# OLD MUTUAL GROUP HIGHLIGHTS: H1 2014

**AOP<sup>1</sup> £761m, up 17% in constant currency (reported: down 5%)**

**Adjusted EPS 8.8 pence, up 16% in constant currency (reported: down 5%)**

**£391m free surplus generated**

**Gross sales up 14% in constant currency at £12.5 bn (reported: up 4%)**

**£1.6 bn NCCF<sup>2</sup>; improved flows in Q2**

**Funds under Management<sup>2</sup> up 5% in constant currency at £301 bn (reported: up 2%)**

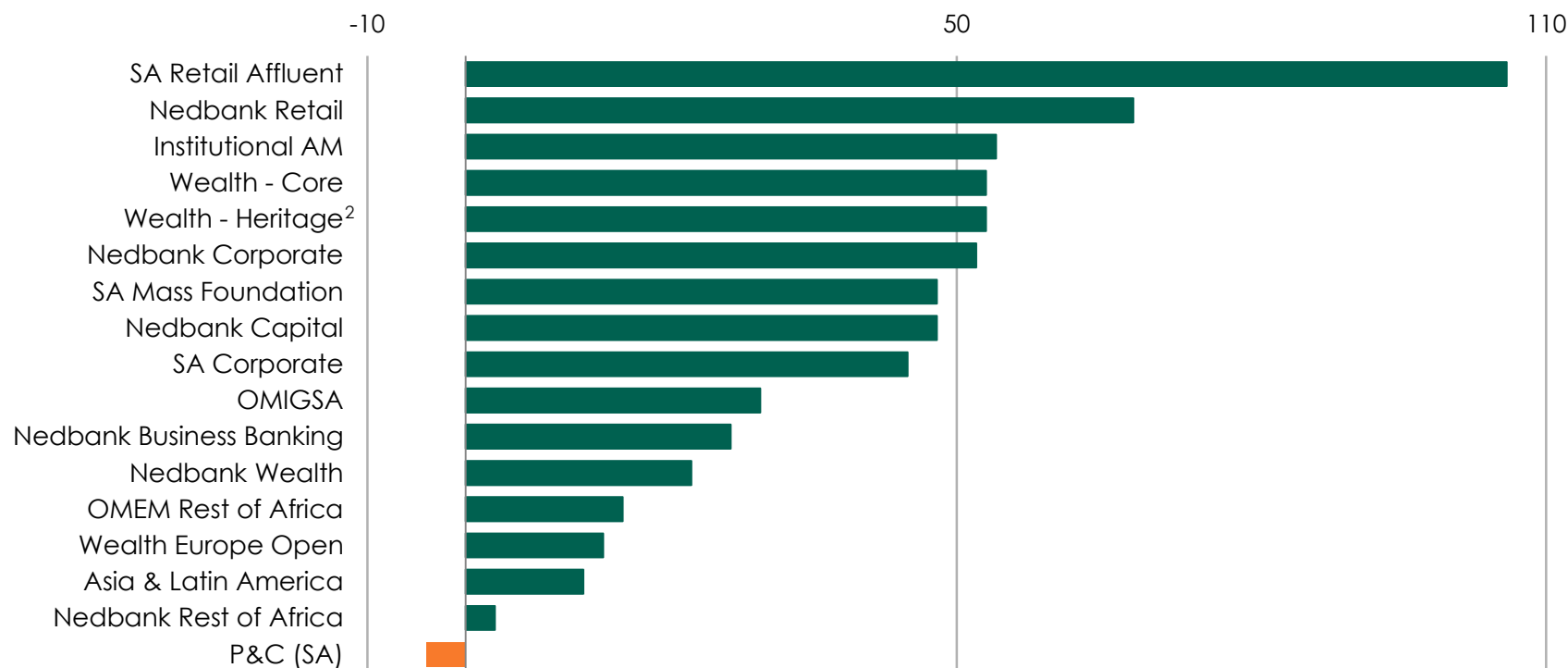
**Group ROE<sup>3</sup> 13.2%: within target range**

**Interim dividend 2.45 pence per share (c. 30% of 2013 full year dividend), up 17%**

1. AOP, pre-tax and NCI, based on core business only.
2. Core business. FUM comparator is 31 December 2013.
3. Core business IFRS AOP (post tax and NCI) divided by average ordinary shareholders' equity (ie. excluding the perpetual preferred callable securities), annualised.

# DIVERSITY OF OPERATING EARNINGS

H1 2014 “operating earnings” (£m, pre-tax, post NCI)<sup>1</sup>



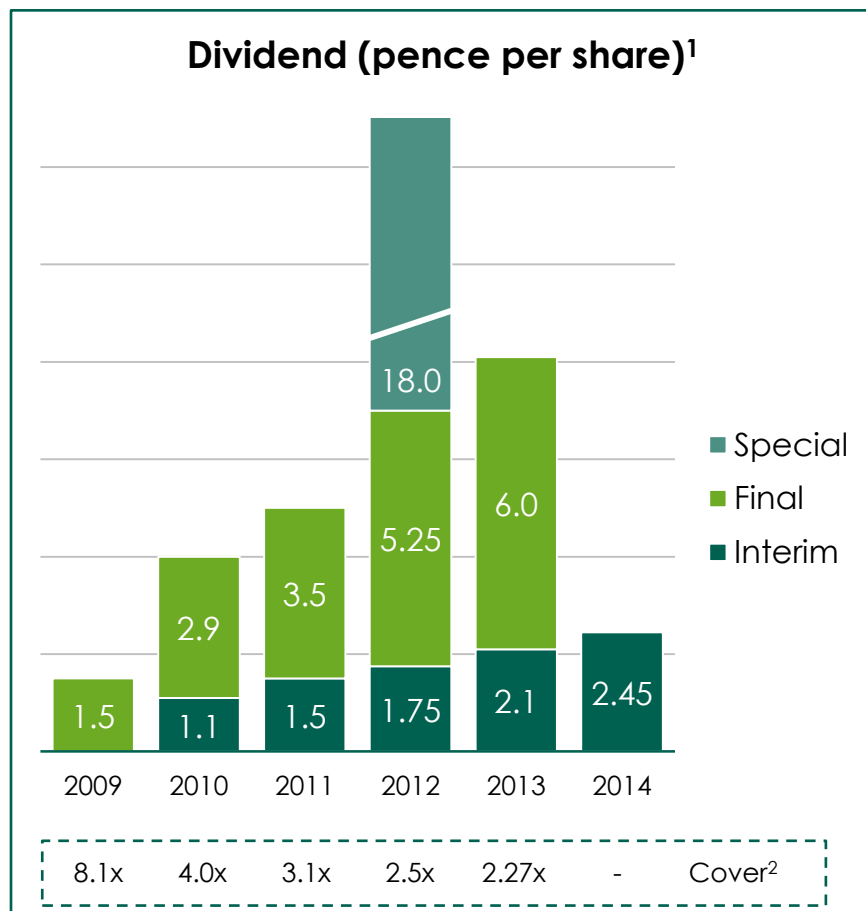
1. Excludes LTIR, Group Head Office, OMEM central costs and Nedbank centre (excl. RoA).  
 2. Includes UK Heritage and Europe Heritage (Germany, Austria, Switzerland and Liechtenstein).

# CONVERSION OF BUSINESS UNIT AOP TO PLC CASH

H1 2014 (£m)	AOP (post-tax & NCI)	Net free surplus generated	Discretionary BU remittance <sup>2</sup>	% of AOP converted into BU remittance
Emerging Markets <sup>1</sup>	202	199	106	<b>52%</b>
Nedbank	140	74 <sup>3</sup>	74	<b>53%</b>
Old Mutual Wealth	101	67	1	<b>1%</b>
Institutional AM	42	51	60	<b>143%</b>
<b>H1 2014 before GHO &amp; finance costs</b>	<b>485</b>	<b>391</b>	<b>241</b>	<b>50%</b>
<b>81% conversion of AOP into free surplus</b>				
FY 2013	999	811 (81%)	544	54%
H1 2013	492	460 (93%)	201	41%

1. From 1 January 2014, all Property & Casualty business is reported as part of Emerging Markets.
2. Excludes cash flows from disposals and funding of businesses.
3. Nedbank free surplus represents Group share of Nedbank dividend.

# DIVIDEND HISTORY



- Interim ordinary dividend 2.45p per share
  - in line with dividend policy
  - up 17% on 2013 interim dividend
  - 35% increase in rand dividend<sup>3</sup>
- 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

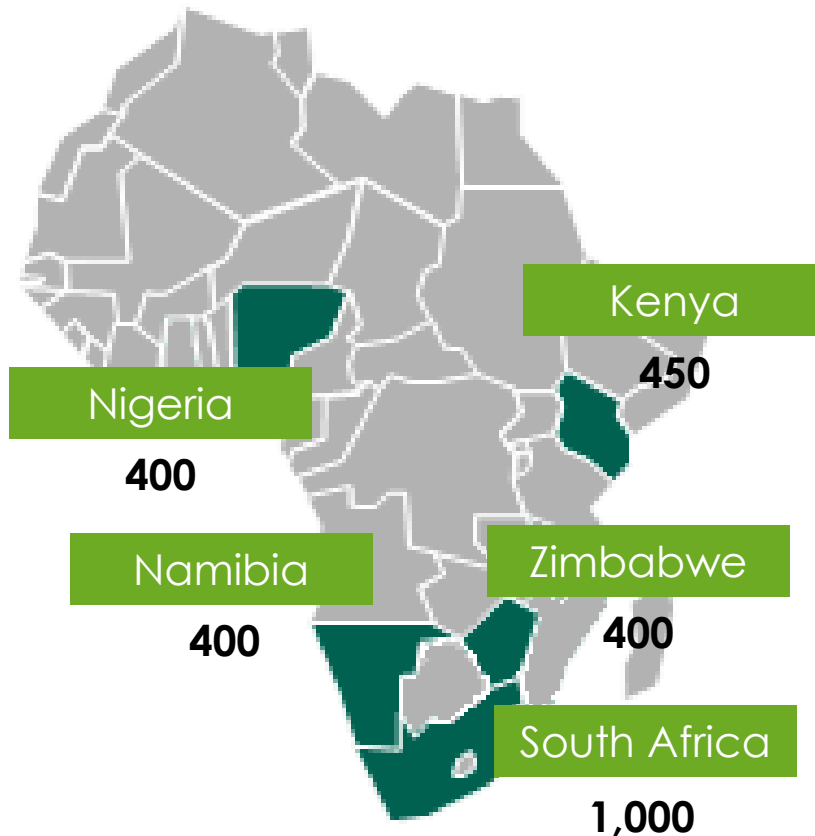
1. Dividend is as paid, unadjusted for the share consolidation in 2012.  
 2. Cover based on AOP EPS as reported at each year end; does not include any retrospective restatements.  
 3. Using exchange rate at 30 June (18.18); exact rate will be determined on 11 September 2014.

# HEADLINE TARGETS

Emerging Markets (2015)	Old Mutual Wealth (2015)	Nedbank (medium to long-term targets) <sup>4</sup>	Property & Casualty (medium term targets)	Institutional AM US Based Affiliates (on-going)
Over 9 million customers	£270m <sup>3</sup> pre tax AOP	Diluted headline earnings per share growth: $\geq$ CPI + GDP growth + 5%	Sustainable Top 2 position in the South African market	Net Client Cash Inflow: 3-5% of Opening FuM
RoE: 20-25%	RoE: 12-15%	RoE (excl. goodwill): 5% above cost of ordinary shareholders' equity	RoE: 15-20%	Operating Margin (post MI): 25-30%
African profits (15% <sup>1</sup> of OMSA <sup>2</sup> )	Operating Margin: 40%	NIR : Expenses ratio $>$ 85% Efficiency Ratio 50% - 53%	Underwriting Margin: 4-6% (combined ratio of 94-96%)	
		Credit loss ratio: Between 0.8% and 1.2% of average banking advances	Significant P&C operations in the RoA in major markets, supporting the Group's African expansion	
		Common-equity tier 1 capital adequacy ratio (Basel III) 10.5% - 12.5%		

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.
3. Adjusted to reflect the sale/expected sale of Old Mutual Wealth's businesses in Austria and Germany (announced 27 March 2014) and Poland (completed 30 May 2014).
4. Unchanged from targets as presented at full year 2013.

# 2013 SAVINGS & INVESTMENT MONITOR INSIGHTS

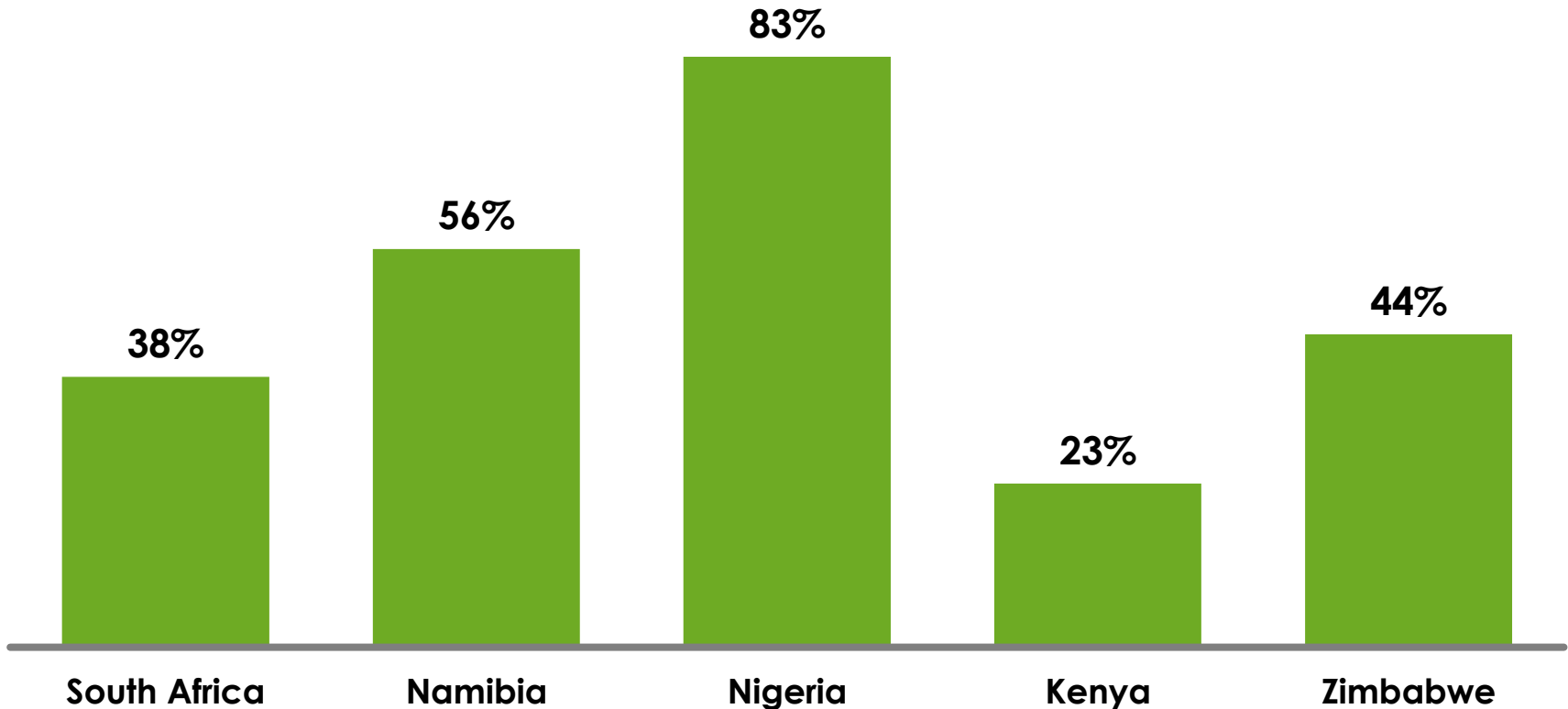


- Bi-annual survey in South Africa
- In 2013 extended to include other countries in Africa - **2,650** working metropolitan individuals interviewed
- Provides valuable insights into behaviours and attitudes of consumers
- Field test for new products



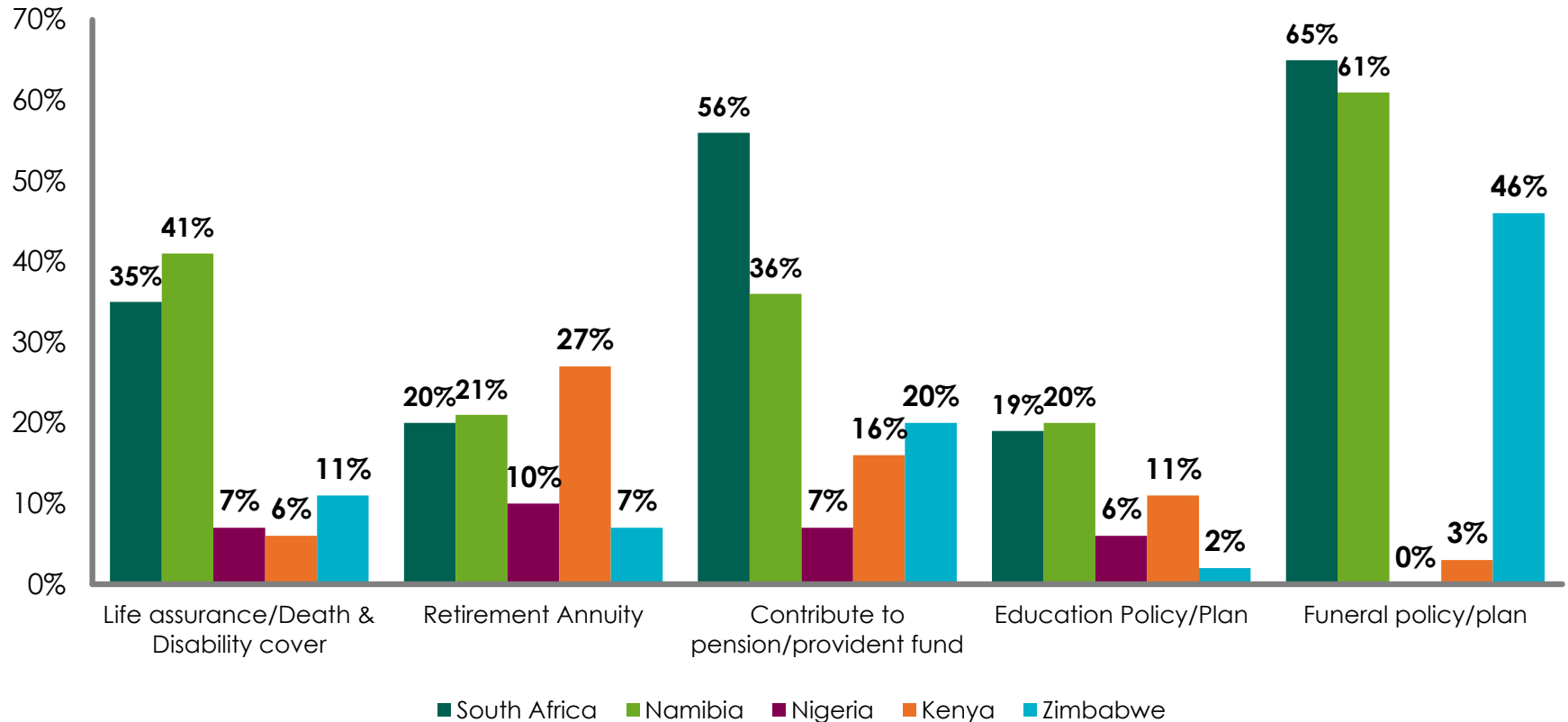
# LOW LEVEL OF RETIREMENT SAVINGS

Proportion of people surveyed with no retirement savings



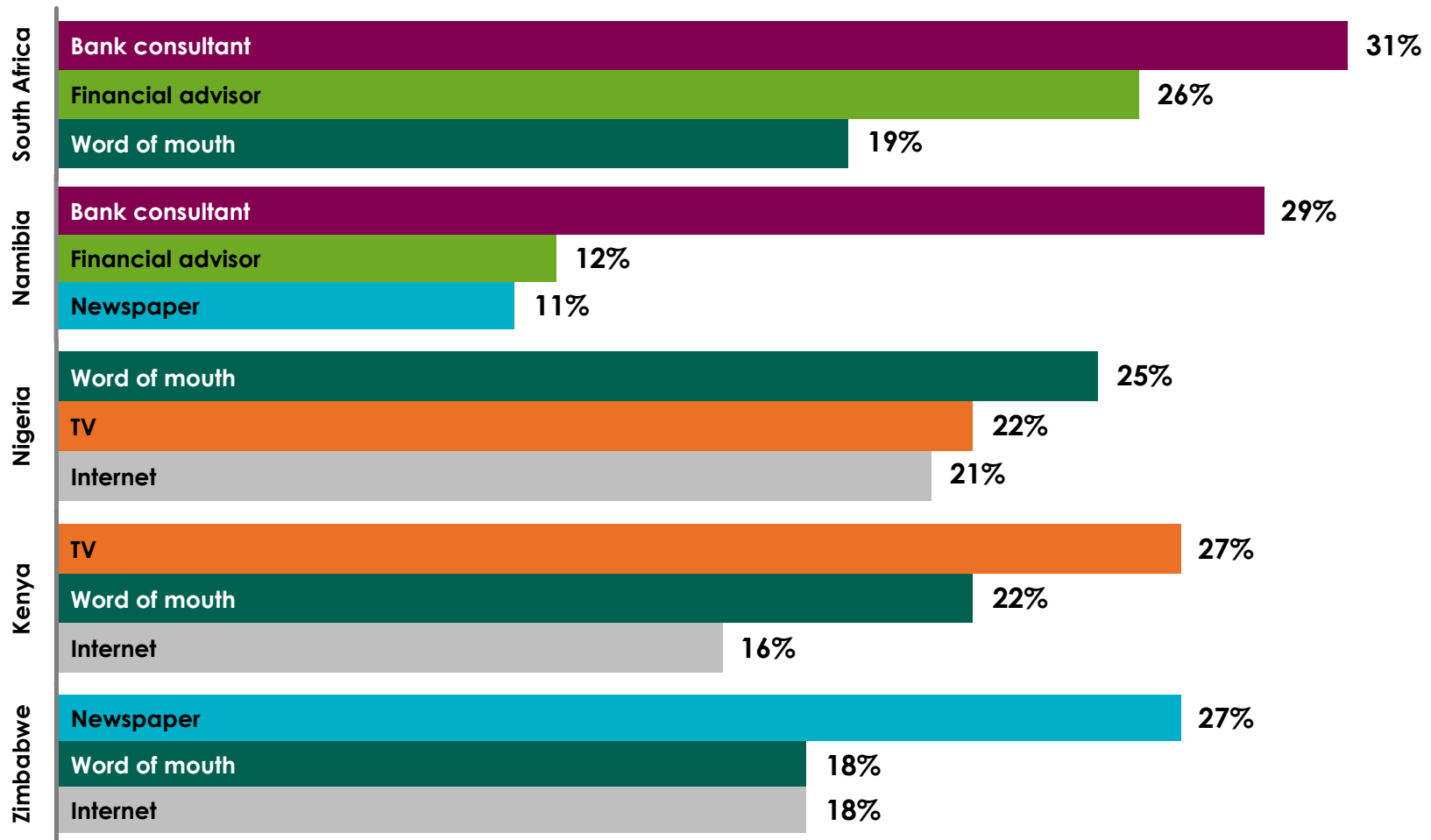
1. Samples in each country consist of working metropolitan individuals
2. Sample sizes – SA 1,000; Namibia 400; Nigeria 400; Kenya 450; Zimbabwe 400

# 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

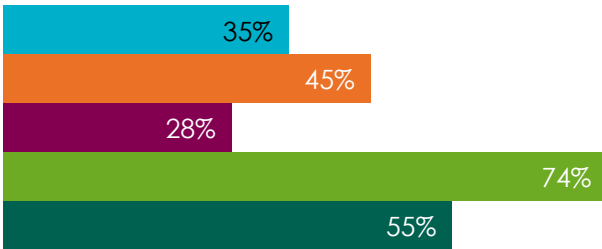
# TOP 3 SOURCES OF FINANCIAL INFO



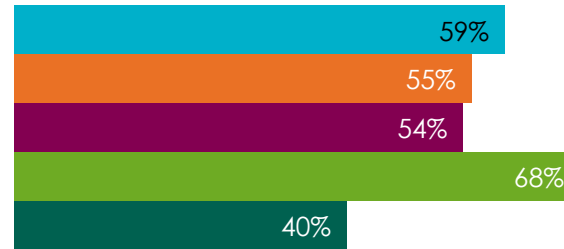
1. Samples in each country consist of working metropolitan individuals
2. Sample sizes – SA 1,000; Namibia 400; Nigeria 400; Kenya 450; Zimbabwe 400

# CUSTOMER ATTITUDES AND BEHAVIOUR

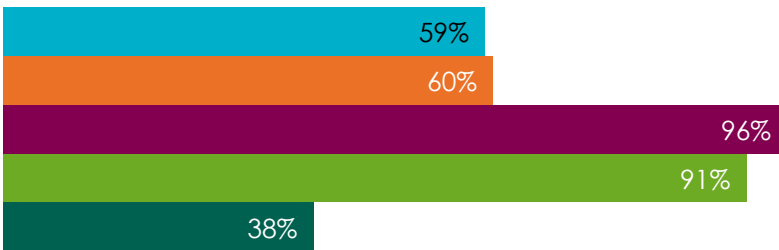
**“I feel confident about the economy of my country”**



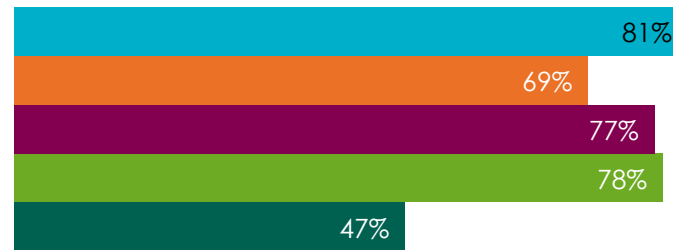
**“I would like financial advice, but it’s hard to find somebody you trust to give it to you”**



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



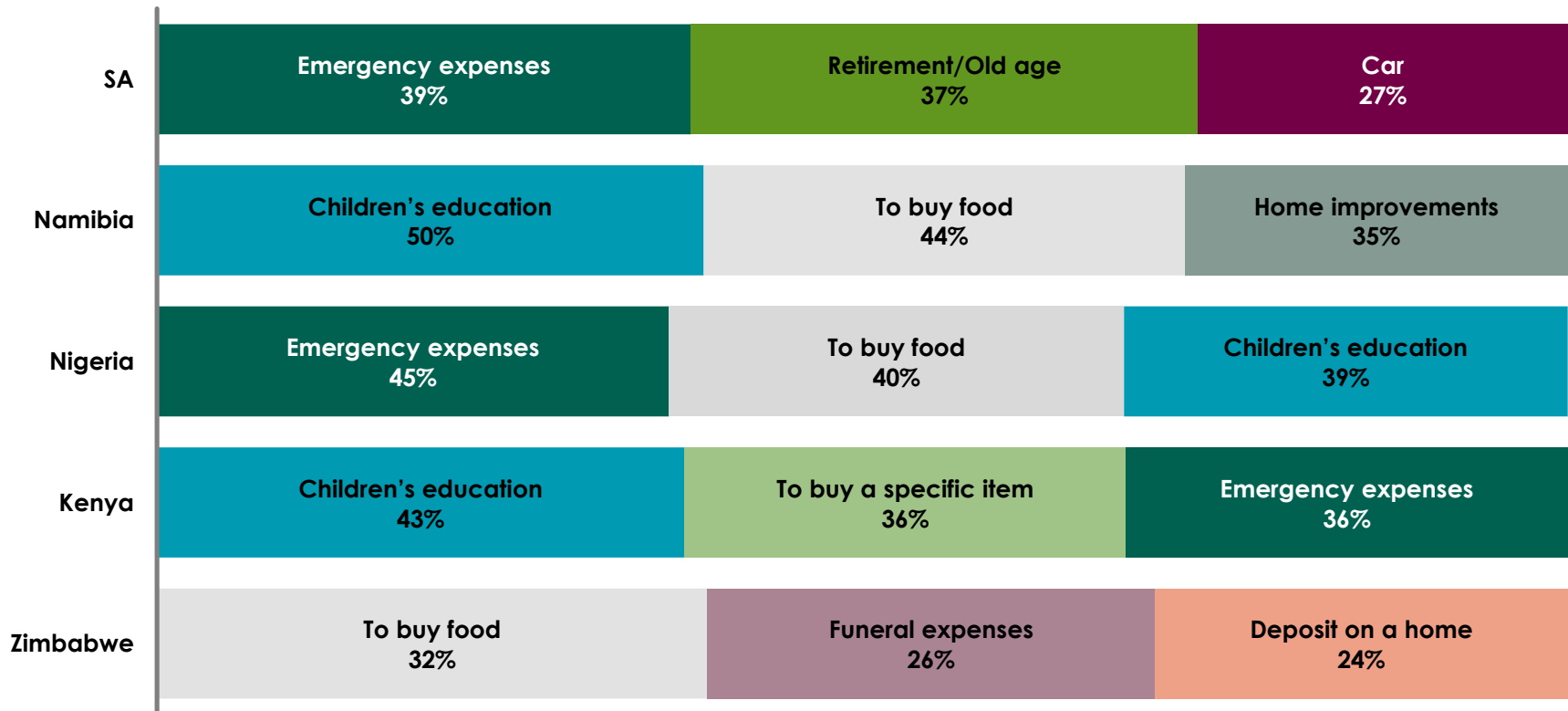
**“Saving for education is more important to me than saving for retirement”**



South Africa
  Namibia
  Nigeria
  Kenya
  Zimbabwe

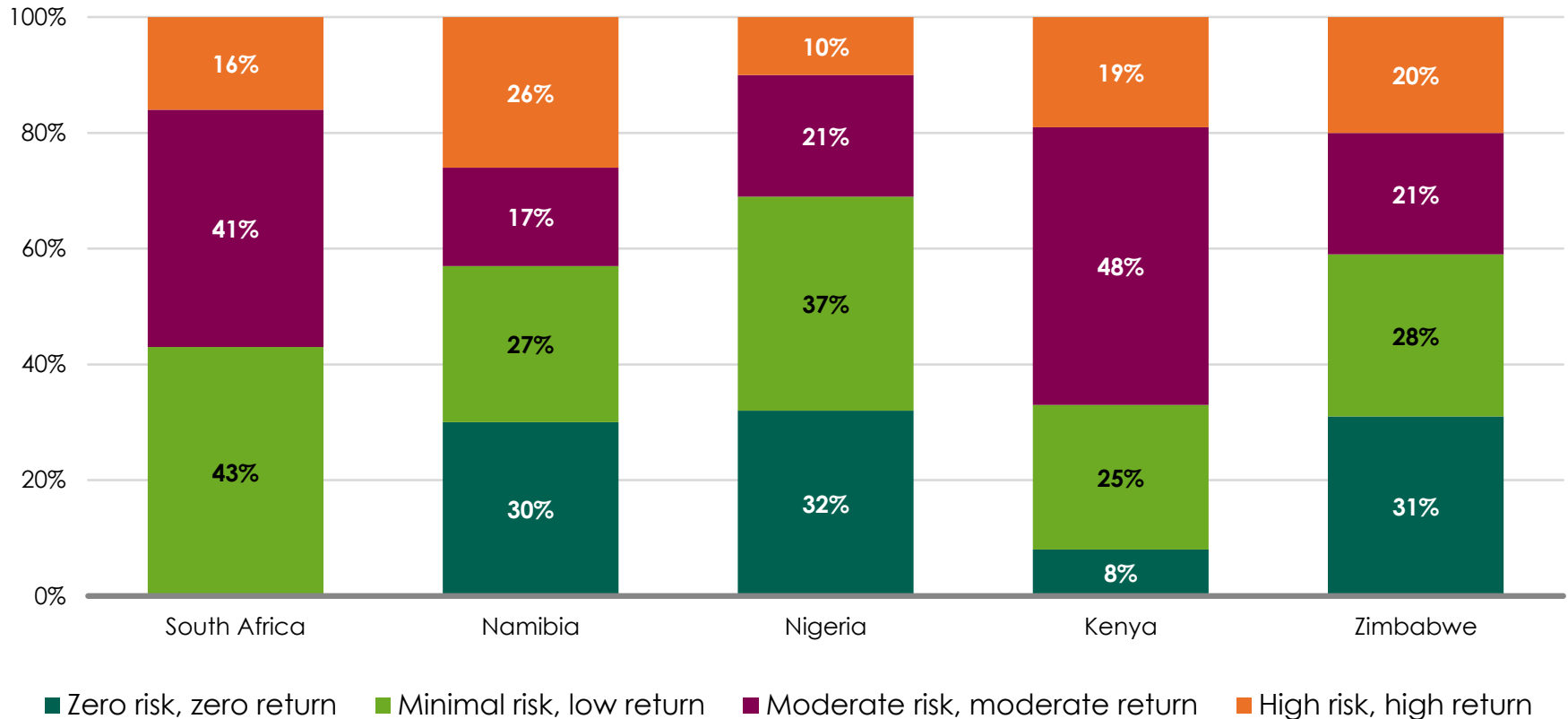
1. Samples in each country consist of working metropolitan individuals
2. Sample sizes – SA 1,000; Namibia 400; Nigeria 400; Kenya 450; Zimbabwe 400

# 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



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

# 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)