

# OLD MUTUAL WEALTH

## Capital Markets Day

Paul Feeney, CEO & Steve Braudo, COO

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11 October 2016

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# INTRODUCTION

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➤ OMW overview

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➤ Our markets and model

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➤ Positioning the business for growth

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➤ Summary

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# WHAT IS WEALTH MANAGEMENT?



# OLD MUTUAL WEALTH

## OUR VISION

TO BE THE **LEADING WEALTH MANAGER** IN THE UK MARKET

## OUR PURPOSE

TO HELP CREATE **PROSPERITY FOR THE GENERATIONS OF TODAY AND TOMORROW**

## OUR STRATEGY

- WE ARE A **UNIQUE ADVICE, SAVINGS AND WEALTH MANAGER**
- WE BLEND OUR **PEER-LEADING CAPABILITIES TO BUILD SOLUTIONS THAT DELIVER BETTER CUSTOMER OUTCOMES.**

## OUR CORE BELIEFS

WE BELIEVE IN: **BETTER CHOICE; FINANCIAL ADVICE; TALENT-BASED CONVICTION INVESTING; AND MODERN SIMPLE AND TRANSPARENT PRODUCTS THAT ARE EASILY ACCESSIBLE**

# WE HELP CUSTOMERS BUILD WEALTH

OMW supports customers through the creation of wealth by:

Providing financial advice to develop a financial plan



Providing suitable products, wrappers and investment solutions (including cross-border where required)



Managing money in line with customers' risk appetites to deliver desired outcomes



Providing excellent service to customers and regular reviews through their life stages



*Intrinsic*

*Heritage*

*UK & International Platforms*

*OMGI*

*Quilter Cheviot*

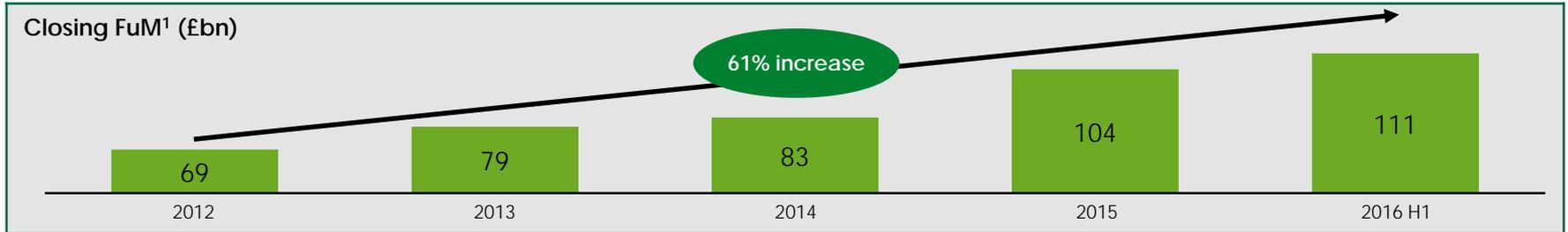
**Wealth Solutions**

**Wealth & Asset Management**

**Integrated, multi-channel model to deliver across all areas of wealth creation**

# OMW HAS SUCCESSFULLY EVOLVED SINCE 2012...

Continuing to drive growth & operational integration



2012: Low profit platform and closed "life" book	2015: UK focused Wealth business	2016+: Drive value of multi-channel model
<ul style="list-style-type: none"><li>• Sub-scale, low profitability platform</li><li>• No owned distribution</li><li>• No discretionary management</li><li>• Sub-scale asset management pre 2012</li><li>• Eight subscale European businesses</li></ul>	<ul style="list-style-type: none"><li>• UK focused multi-channel Wealth business</li><li>• Leading retail asset manager OMGI</li><li>• Leading distribution through Intrinsic</li><li>• Acquired leading DFM Quilter Cheviot (FUM: £17bn)</li><li>• Investing in core Platform technology</li><li>• Sold European operations</li></ul>	<ul style="list-style-type: none"><li>• Integrate business functions</li><li>• Drive efficiency and operational leverage</li><li>• Complete technology transformation</li><li>• Grow multi-channel distribution</li><li>• Deliver good customer outcomes</li><li>• Continue to attract top talent</li></ul>

*We've laid the foundation to target future growth*

<sup>1</sup> Includes all businesses as reported at the time.

# THERE IS GROWING DEMAND FOR MODERN WEALTH MANAGEMENT

UK is the world's 4th largest Wealth market<sup>1</sup>



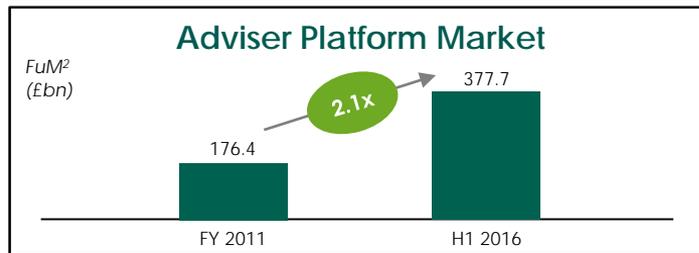
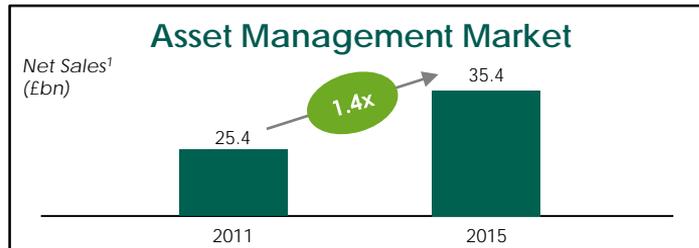
1 The Credit Suisse Global Wealth Report, 2015. UK ranked fourth by total wealth

2 Bain & Company

3 APFA: The Financial Adviser Market in Numbers, March 2016, decrease in number of staff advising, 2009 to 2015

# SIGNIFICANT ASSET GROWTH ACROSS WEALTH MARKETS

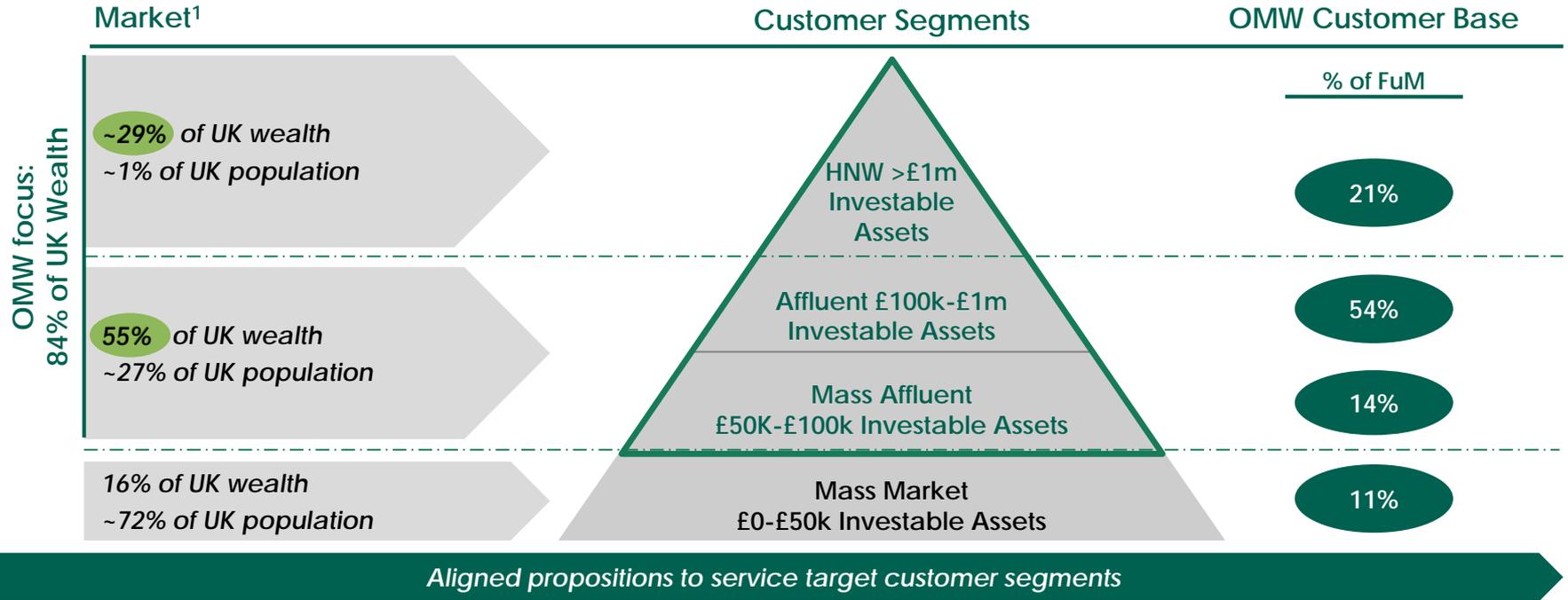
Business		Structural Growth Trends	
Wealth & Asset Management	Asset Management	➤	• Growth in multi-asset
	Wealth Management	➤	• Need for advice and planning – search for true money managers
Wealth Solutions	Platform	➤	• Regulatory changes driving assets onto platforms • Consolidation of client assets
	International	➤	• Globalisation of client base



*Growth in wealth assets against backdrop of shifting demographics, increased complexity and falling number of advisers*

1 Source: Pridham & Pridham Ltd (The Pridham Report, Q4 issue, Feb 2016), Pridham & Pridham Ltd (The Pridham Report, Q4 issue, Feb 2012); total based on calculated sum of top 20 companies (i.e. total not stated by Pridham & Pridham Ltd); includes institutional, retail, on- and offshore  
 2 Source: Platform (UK Adviser Platform Guide, September 2016), Platform (UK Adviser Platform Guide, February 2012)

# WE ARE TARGETING ATTRACTIVE SEGMENTS



<sup>1</sup> Source: Verdict Financials

# WEALTH AND ASSET MANAGEMENT

## Business Overview / Core Capabilities

### Asset Management

£27bn

- Leading, retail focussed asset manager
- Manages funds in major asset classes
- Develops outcome oriented solutions for retail customers (e.g. Cirillum)
- Modern and simple proposition
- Highly experienced management

### Wealth Management

£19bn

- Discretionary wealth management (92% of FuM)
- Long term customer relationships
- Very low attrition
- Multi-channel access to asset flows

- One of the largest, most experienced investment capabilities in the UK
- Strong integration between wealth and asset management and wealth solutions

## Key Metrics<sup>1</sup>

£46bn

Closing FuM (H1 16)

83

No. of OMGI Invest. Professionals (Aug16)

£4.5bn

NCCF (FY15)

161

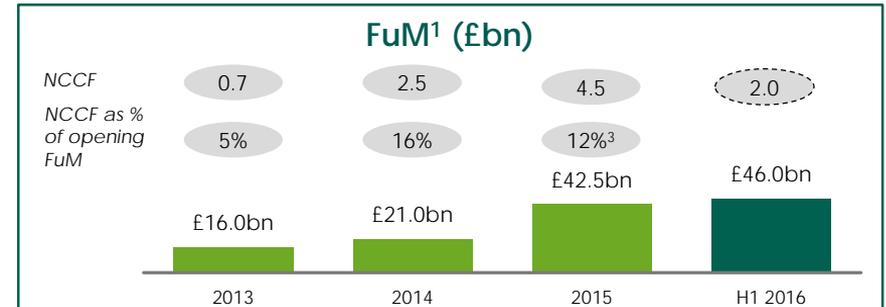
No. of QC IMs (FY15)

74%<sup>2</sup>

OMGI fund outperformance (Aug 16)

10 years

Average QC IM tenure



<sup>1</sup> Includes intragroup FuM / NCCF

<sup>2</sup> Above target over last 3 years as at 31 August 2016

<sup>3</sup> Calculated using NCCF 2015 and opening FuM of segment (pro-forma opening FuM for Quilter Cheviot of £16.7bn)

# WEALTH SOLUTIONS

## Business Overview / Core Capabilities

### Financial Planning and Advice

- Provides financial planning and restricted advice via Intrinsic in the UK
- Growing private client advisory business

### International

- Serves HNW, affluent expatriates and local investors
- Strong regional presence in Asia, Middle East, LatAM, South Africa

### UK Platform

- Leading UK adviser platform
- 25 years of experience
- Enabler to OMW's multi-channel distribution strategy
- 9,000+ active IFA supporters

### Heritage

- Unit-linked book of business, majority of which is closed to new business

- **Strong and diversified distribution capabilities provide multiple access routes to the market**

## Key Metrics<sup>1</sup>

**£69bn**

Closing FuM (H1 16)

**c.750k<sup>2</sup>**

Customers (FY15)

**7%**

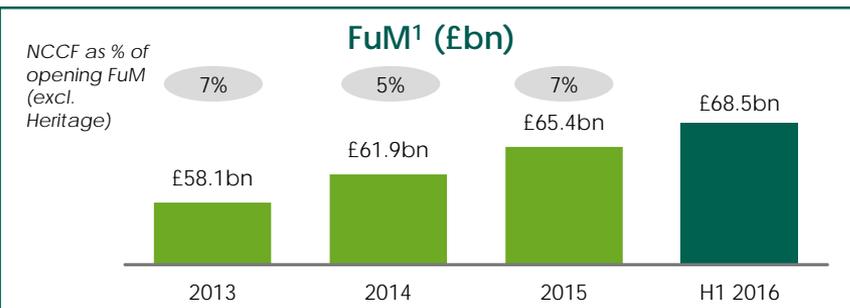
NCCF / FuM (FY15, excl. Heritage)

**1,318**

Restricted advisers (H1 16)

**9,000+**

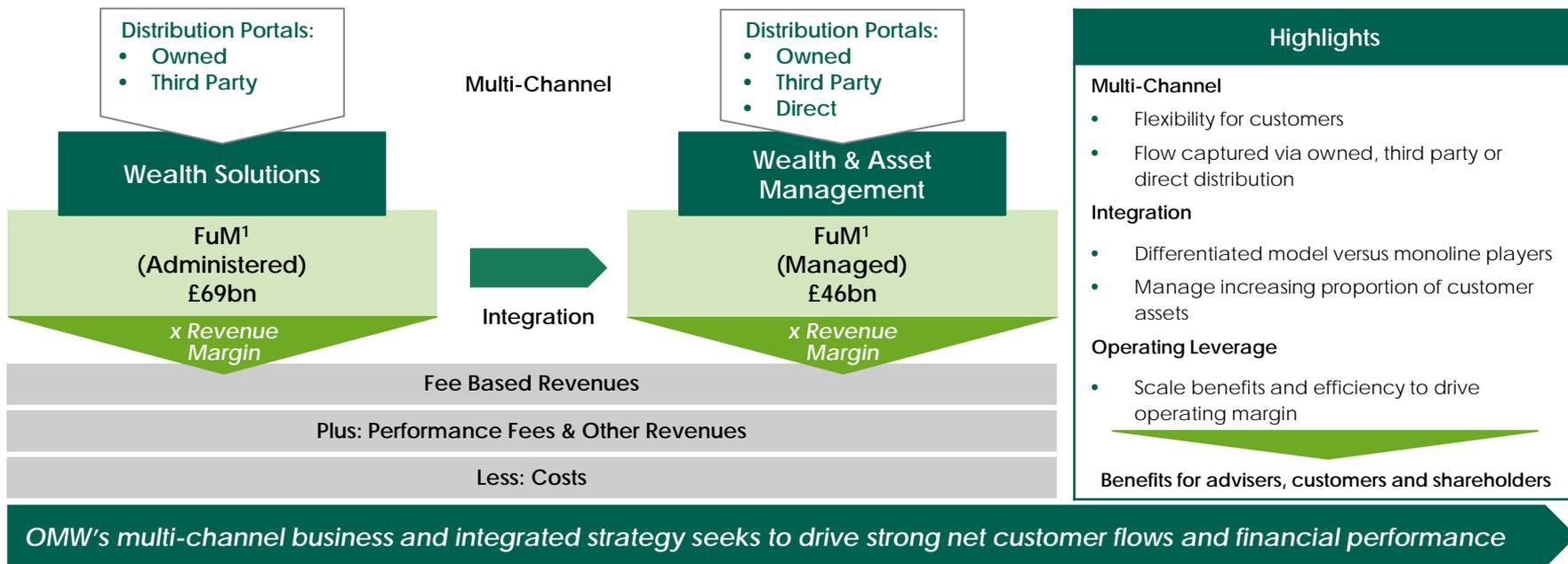
FAs on Platform (FY15)



<sup>1</sup> Includes intragroup FuM / NCCF and excludes divested business and Italy

<sup>2</sup> Excluding Intrinsic

# THESE PARTS COME TOGETHER IN OUR MULTI-CHANNEL, INTEGRATED MODEL



<sup>1</sup> Includes intragroup FuM

# DRIVING VALUE OF MULTI-CHANNEL MODEL

Driving **efficiency and integration** of our multi-channel model through:

- Further **development and integration of our customer and adviser propositions** aligned to our beliefs
- **Simplification of business and operating model** to target strong revenue and sustainable cost-income ratio
- Ensure appropriate **cost base**
- Deliver **technology transformation**
- **Continued driving of growth** and strengthening competitive advantage

**Readiness** for separation and listing:

- Investment in **capabilities**
- Building our **governance structures**
- **Working collaboratively with regulator** in relation to our closed book investigation
- **Sale of Italy**

# OLD MUTUAL WEALTH

## Capital Markets Day

Steve Braudo, COO

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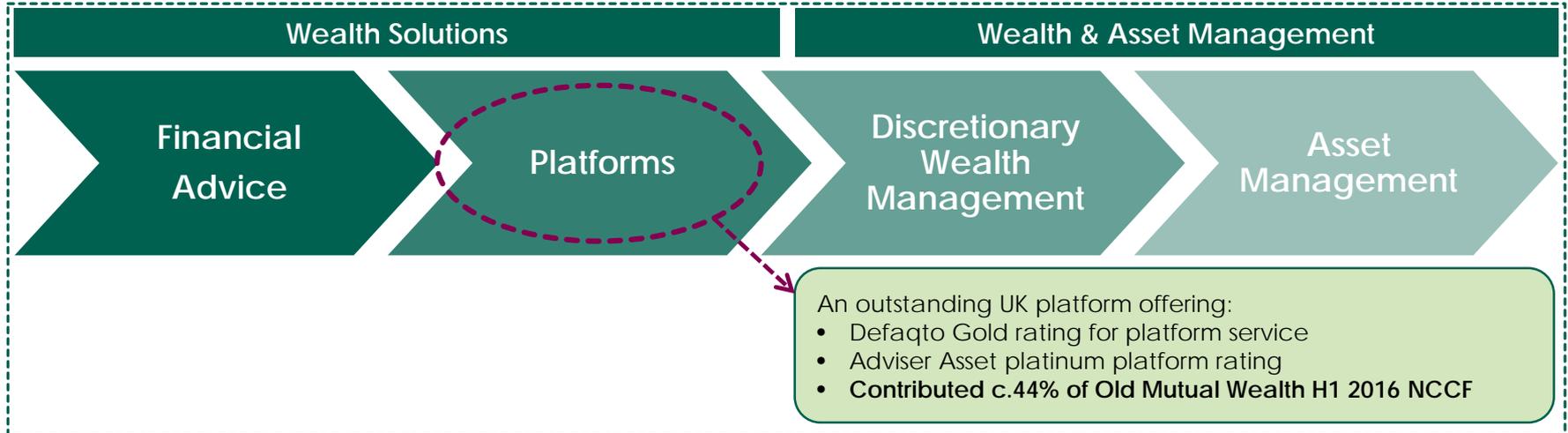
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# THE ROLE OF THE PLATFORM

We have a **unique business model** which offers customers choice across an end-to-end Wealth Management offering



- The UK Platform provides a “gateway” to OMGI’s asset management capability
- Scalability and operating leverage is important for a platform business to succeed

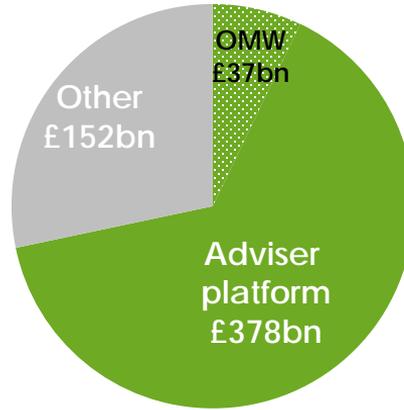
# RATIONALE FOR PLATFORM TRANSFORMATION

## WE EXPECT GROWTH IN THE PLATFORM MARKET

Support for existing software and operating system ends 2020

Increasing ongoing development and maintenance costs

System product capability is limited



Total platform market: £530bn<sup>1</sup>

Expected overall platform market in 10 years:

> £1 trillion

A future-ready digital wealth platform is important to our integrated multi-channel wealth management strategy and delivering future growth

# NEW WEALTH PLATFORM

Partners

IFDS will take on back-office client administration

DST responsible for platform development work

# NEW WEALTH PLATFORM

## Back-end (“Bluedoor”)

- Workflow
- Client administration
- Product rules
- Regulatory requirements
- Verification links (e.g. bank accounts)

## Status

- Majority of coding done
- Components tested
- Links being tested

# NEW WEALTH PLATFORM

## Back-end (“Bluedoor”)

- Workflow
- Client administration
- Product rules
- Regulatory requirements
- Verification links (e.g. bank accounts)

## Front-end (“Opendoor”)

- Client Portal
- Adviser Portal
- Customer contact Centre

## Status

- Majority of coding done
- Components tested
- Links being tested

## Status

- Majority of specifications done
- Coding commenced

# NEW WEALTH PLATFORM

## Back-end ("Bluedoor")

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## Front-end ("Opendoor")

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Integration testing being planned

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## Future Plans:

- Business processes will be outsourced to IFDS
- Coding will be done by DST

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## Front-end ("Opendoor")

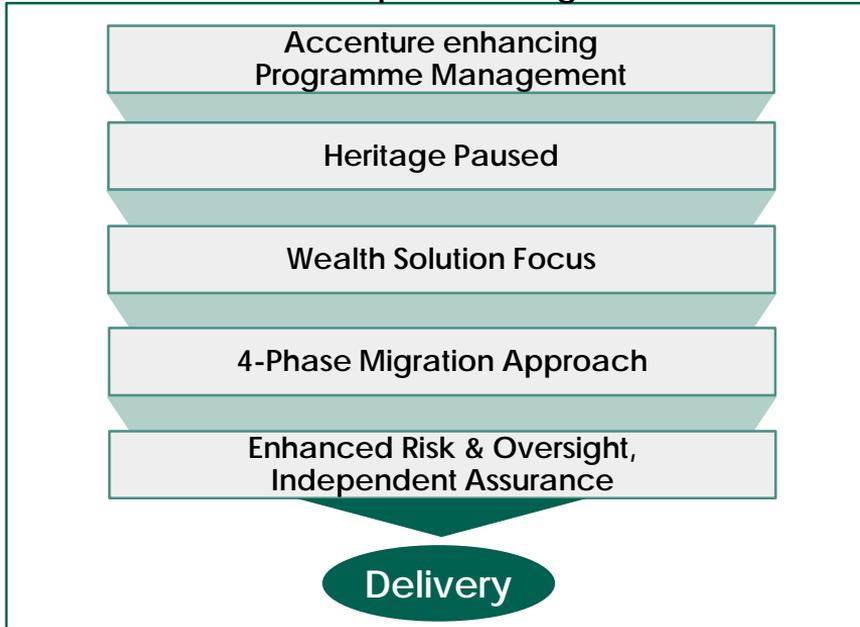
- Client Portal
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## Future Plans:

- Business processes will be retained in-house as these are our differentiator
- Coding will be done by DST

# WHAT HAS CHANGED?

## We've reshaped the Programme



- ✓ Enhances and **strengthens capabilities** of the Programme delivery team
- ✓ Ensures we **focus our resources** on the Wealth build
- ✓ Focused resource on delivering what we have on the Platform today with additional features, while **maintaining high service levels**
- ✓ Expected completion by **end of 2018** for the Platform implementation
- ✓ **Significantly higher confidence** that the Programme is currently running to the new plan

# PLATFORM FINANCIALS

## Financials

- ✓ Spend to end June 2016: £225m, including £110m spent on Heritage
- ✓ Expected future spend: £200m - £225m
- ✓ **Positive net present value** of total investment
- ✓ Current expected **payback period is 8 years** compared to remaining on current systems

## Operational savings and enablement of scalable growth

- ✓ The modern platform is expected to retain advisers, attract additional business and deliver capacity to drive scale
- ✓ Conservative additional new business growth is assumed in our business case
- ✓ Greater operating leverage
- ✓ Cost efficient future development spend

# PLATFORM TRANSFORMATION – SUMMARY

- **Significant progress** is being made
- Increased oversight and independent assurance gives significantly **higher confidence in delivery**
- The UK Platform transformation develops Old Mutual Wealth as an end to end **wealth management business**
- Delivery aimed at improving the client experience, the adviser experience and **generating operating leverage**

*Clients, advisers & the business will benefit from the Platform Transformation – we believe it will solidify our competitive advantage and drive value in the long-run*

# FUTURE PROSPECTS

## Areas of Focus

## Initiatives Underway / Key Priorities

Grow multi-channel distribution



- ✓ Further develop quality of advice and ease of access for customers
- ✓ Continue to grow number and productivity of advisers

Deliver customer outcomes through conviction-based investing and solutions



- ✓ Grow Cirilium and Wealth Select, and other multi-asset solutions for UK and International markets
- ✓ Develop talent-based conviction investing capabilities

Leverage scale benefits and drive efficiencies



- ✓ Demonstrate benefits of modern technology base
- ✓ Manage cost base
- ✓ Optimise synergies across operating model

Drive financial returns

# SUMMARY

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- Leading positions in large and growing markets

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  - Modern proposition delivering on customer needs

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  - Unique and differentiated business model

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  - Highly experienced management team

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  - Differentiated approach to deliver shareholder value
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# Q&A

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