

# OLD MUTUAL EMERGING MARKETS

Deutsche Bank Access Conference

---

Peter Moyo, Chief Executive Officer & Iain Williamson, Chief Financial Officer

21 June 2017

**INVESTMENT | SAVINGS | INSURANCE | BANKING**



# 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

---

AT A GLANCE

---

OUR STRATEGY

---

PREPARING OMEM FOR A STAND-ALONE AND LISTED FUTURE

---

SUMMARY AND CONCLUSION

---

Q&A

---

APPENDIX

---

# AT A GLANCE

INVESTMENT | SAVINGS | INSURANCE | BANKING

# OMEM AT A GLANCE

FY2016

## South Africa

### Offerings

Life and Savings  
Property & Casualty  
Investment  
Banking



Customer # 5.9m<sup>1</sup>  
Tied distribution force 8,640  
IFAs c. 11,000  
Branches 292  
FUM R800.4bn  
AOP R10.6bn  
Share of profits 82%

## Rest of Africa

Customer # 4.31m  
FUM R71.4bn  
AOP R1.7bn  
Share of profits 13%



Offerings  
Life and Savings  
Investment  
Banking

## Latam and Asia

Customer # 14.8m<sup>3</sup>  
FUM R136.9bn  
AOP R0.6bn  
Share of profits 5%



Offerings  
Life and Savings  
Investment

FUM

R1009bn

NCCF

R17bn

IFRS AOP<sup>2</sup>

R12.3bn

Adjusted NAV

R75.9bn

Employees

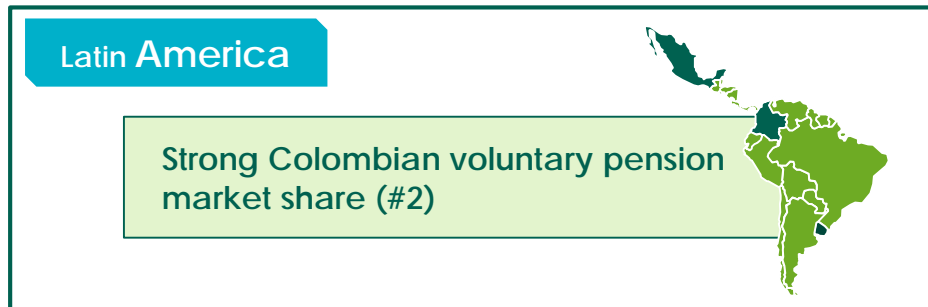
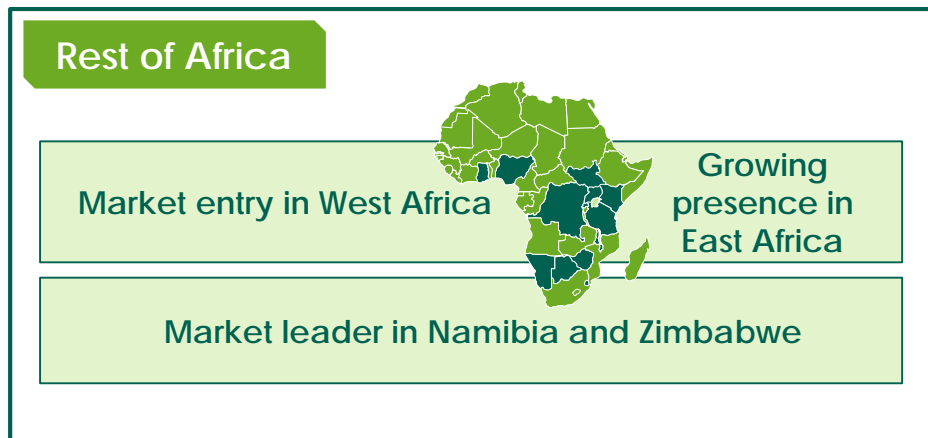
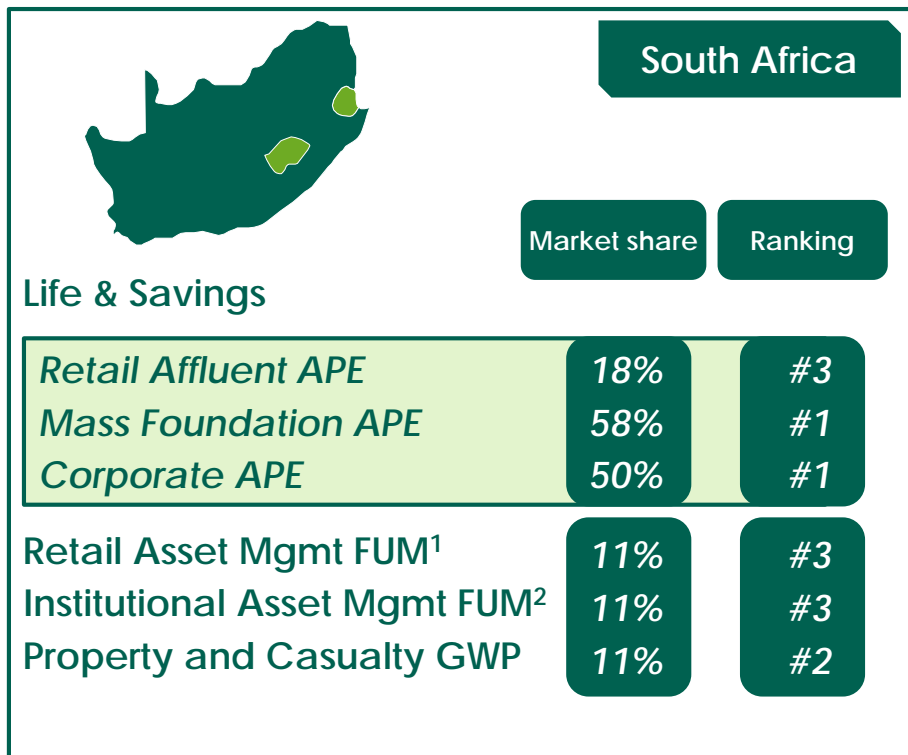
c. 29k

<sup>1</sup>Includes retail and corporate customers.

<sup>2</sup>AOP is reported pre-tax and minorities. AOP by region excludes debt costs of R529m.

<sup>3</sup>Includes 14.2 of customers in Indian business sold post year end 2016

# STRONG POSITIONS ACROSS SOUTHERN AFRICA



Notes: Market share position as at December 2016.  
Market share % of premiums (or AUM) as at December 2016

①Asset Management market share of AUM, includes OMUT, Symmetry, Marriott and ACSIS.  
②Asset Management market share of AUM, as at December 2016. Includes life assets.

# WELL POSITIONED OPERATIONS IN GROWING AFRICAN ECONOMIES<sup>1</sup>

MACRO-ECONOMIC  
GROWTH POTENTIAL

MARKET POTENTIAL

URBANISATION

DEMOGRAPHICS

REGULATION

## GDP growth forecasts in Africa (2020)



Source: International Monetary Fund World Economic Outlook – June 2017

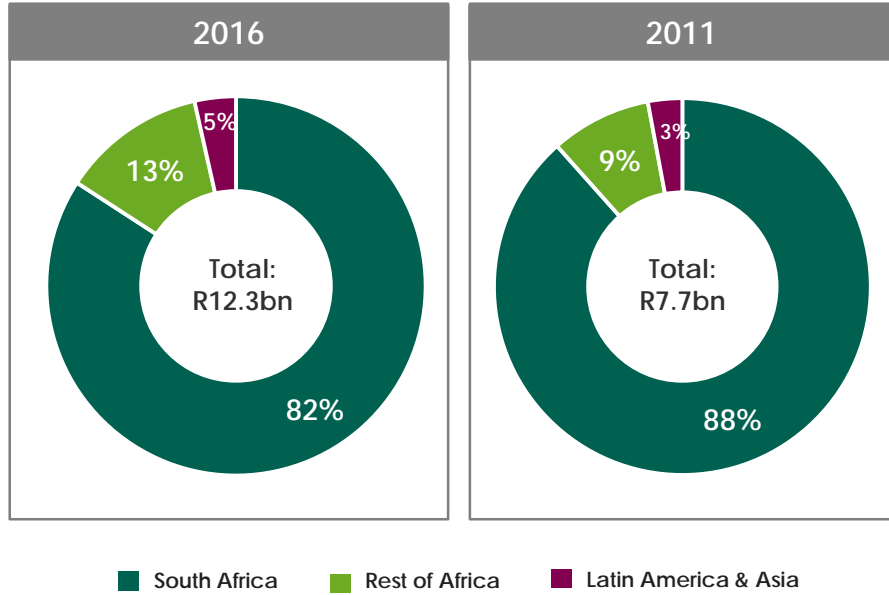
<sup>1</sup>See Appendix 3 for Africa statistics

 Old Mutual operations

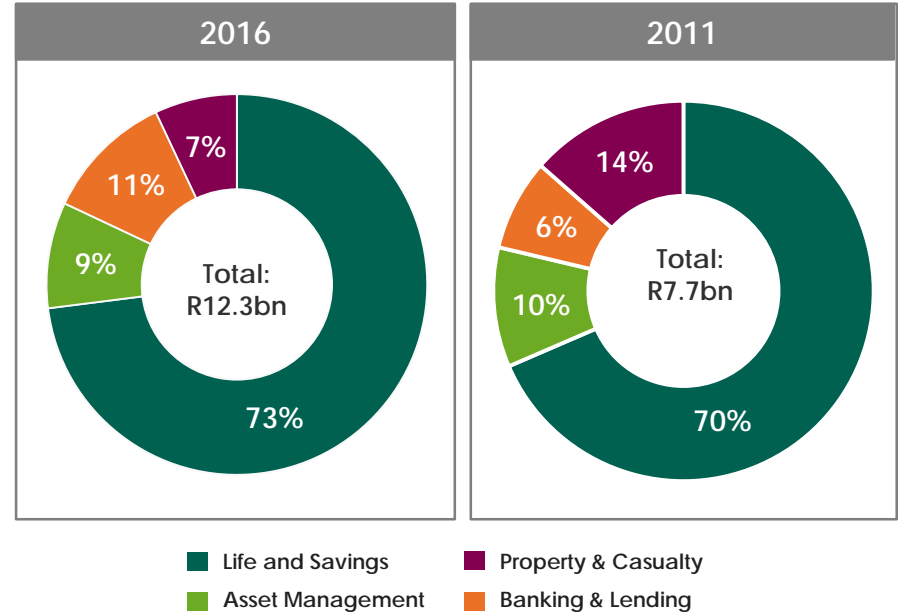
 UAP operations (Old Mutual partner)

# A GROWING & DIVERSIFIED FINANCIAL SERVICES BUSINESS

## PROFIT BY REGION



## PROFIT BY LINE OF BUSINESS

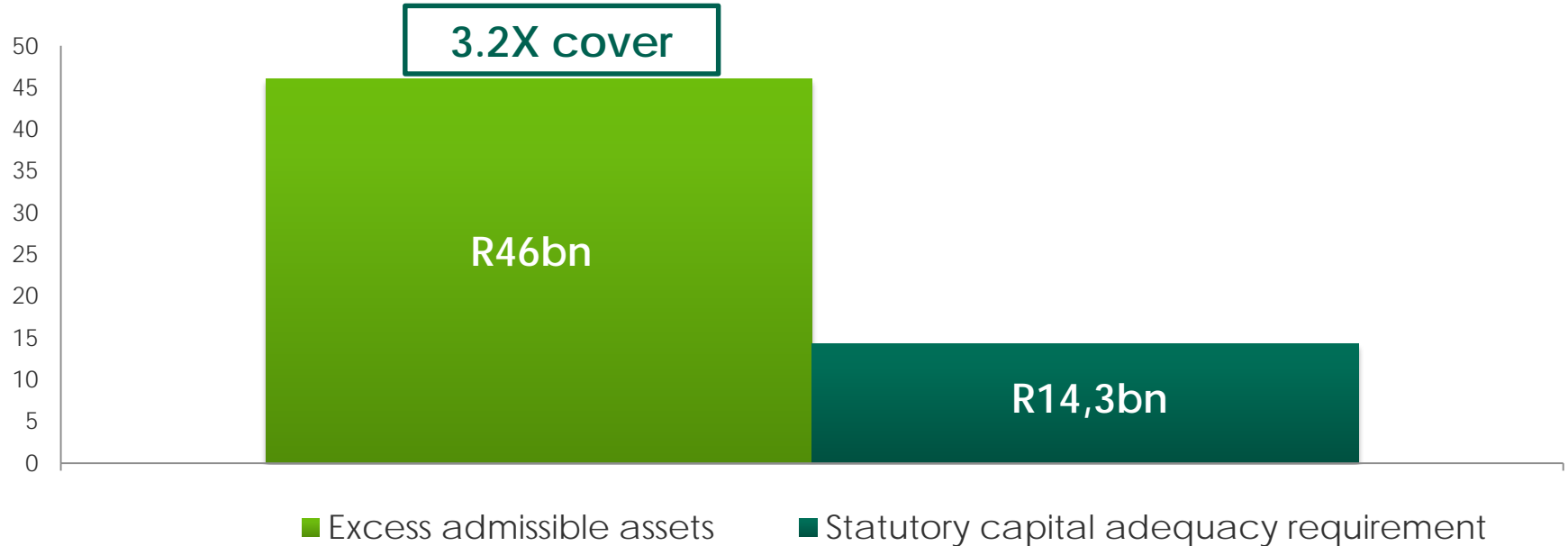


Notes: AOP is reported pre-tax and minorities  
Average 2016 ZAR:US\$ - R14.70



# WITH WELL CAPITALISED AND RESILIENT BALANCE SHEET WHICH SUPPORTS GROWTH

## Solvency position as at 31 December 2016



# OUR STRATEGY

INVESTMENT | SAVINGS | INSURANCE | BANKING

# OUR STRATEGY AT A GLANCE

## STRAGIC PILLARS



1. Build leading value propositions for retail and institutional customers, offering **life, asset management, P&C and banking** solutions



2. Leverage **distribution, product, IT and process capabilities** in South Africa to other markets to **capture growth** segments efficiently while **de-risking operations**



3. Build **strategic alliances and partnerships** to complement our capabilities and drive value creation across Africa



4. Drive **value creation** through focus on **operational efficiencies, investment performance** and creating **future fit P&C operations**

## UNDERPINNED BY



Robust **governance, risk management** and **disciplined capital allocation**

Our customer-centric culture and belief that we play an essential role in making society better in our market, are key underpins to how we execute on our strategy and win.

# COMPETITIVE ADVANTAGES DRIVE STRONG TOP LINE AND VALUE GROWTH IN SOUTH AFRICA



High cash returns and strong capital generation  
Maximising ROE / ROEV

# LEVERAGE OUR COMPETITIVE ADVANTAGES IN SOUTH AFRICA

No1 Brand in SA

**Sunday Times**  
**TOP BRANDS**  
2016

No 1 reputation in SA  
financial services

**Icricri**  
Top Companies  
Reputation Index

1

## Further growth in **Mass Foundation** Segment

- Integrated Financial Services strategy
- Largest tied-agency force

2

## Opportunity in the **Black Middle Income** Segment

- Leverage strength in Mass and cost effective multi-channel distribution
- Deliver solutions to both sides of the customer's balance sheet

3

## Capitalise on scale in **Corporate** Segment

- Bulk pensions
- Umbrella
- Retailisation

4

## Leverage **Alternative Asset** Capability in **OMIG**

- Structural growth opportunities in SA, East and West Africa
- Infrastructure development, renewable energy and agriculture

5

## Increasing Customer Reach with **Product Innovation**

- Continued product innovation
- IT investment supports speed to market & customer experience

# FOCUSING ON KEY AREAS TO DELIVER ENHANCED VALUE

**1**

**OLD MUTUAL INSURE**  
Deliver underwriting result within 4-6% range  
Improve ROE to 15% - 20% range

**Fix**

- Commercial remediation
- Manage claims and costs

**Build**

- Direct
- Corporate and specialist
- Re-insurance

**2**

**INVESTMENT CLUSTER**  
Improve investment performance & grow flows

- Improve multi-asset class investment performance
- Strengthen wealth offering and distribution to drive flows
- Product expansion

**3**

**REST OF AFRICA**  
Build out our East and West Africa franchises  
Lift RoEs to above 20%

**East Africa**

- Complete mergers delivering operational efficiencies
- Optimize property portfolio
- Drive integrated financial services strategy

**West Africa**

- Capital-light growth
- Leverage ETI footprint

**4**

**COST EFFICIENCIES**

- Leverage scale advantage to deliver cost efficiencies
- IT investment to support future-fit cost base
- Target operating model
- Digital



# PREPARING OMEM FOR A STAND-ALONE LISTING

INVESTMENT | SAVINGS | INSURANCE | BANKING

# UPDATE ON BUSINESS READINESS FOR STAND-ALONE LISTING

<b>BUSINESS UNIT PERFORMANCE</b>	<ul style="list-style-type: none"><li>• Deliver on target RoE in East Africa</li><li>• Old Mutual Insure turnaround and underwriting margin of 4% - 6%</li></ul>
<b>STRATEGIC REVIEW OF PORTFOLIO</b>	<ul style="list-style-type: none"><li>• Focus on Sub-Saharan Africa</li><li>• Optimisation opportunity of c.R3.4 billion in NAV</li></ul>
<b>CAPITAL</b>	<ul style="list-style-type: none"><li>• Appropriately capitalised</li><li>• Resilient to stress scenarios</li></ul>
<b>ENTERPRISE RISK MANAGEMENT</b>	<ul style="list-style-type: none"><li>• Bolstering 2<sup>nd</sup> and 3<sup>rd</sup> line defence</li><li>• Focus on credit risk management</li></ul>
<b>TARGET OPERATING MODEL</b>	<ul style="list-style-type: none"><li>• Managed separation one-off costs, recurring costs</li><li>• Lower cost to income ratio, sub-inflation cost growth</li></ul>
<b>BOARD AND EXECUTIVE MANAGEMENT</b>	<ul style="list-style-type: none"><li>• Strong and highly experienced leadership team</li><li>• Progress on Chief Executive Officer succession</li></ul>
<b>Consistent focus on capital allocation and value creation</b>	



# CONCLUSION & SUMMARY

INVESTMENT | SAVINGS | INSURANCE | BANKING

# SUMMARY AND CONCLUSION

1 Well capitalised with strong financial record

2 SA is the core, market leading franchise

3 Positioned to be an African financial services champion in the medium term

4 Business readiness for stand-alone, listed future

5 Scope for operational improvements

6 Driving enhanced returns and value creation

**UNIQUELY POSITIONED FOR GROWTH AND CASH GENERATION**

# Q&A

INVESTMENT | SAVINGS | INSURANCE | BANKING

# APPENDIX

INVESTMENT | SAVINGS | INSURANCE | BANKING



# APPENDIX 1

# FY2016 PERFORMANCE

INVESTMENT | SAVINGS | INSURANCE | BANKING



## FY2016 SUMMARY

Strong life results across our markets, underwriting profit under pressure

South Africa business continues to deliver superior results, consumer remains constrained

Delivering M&F turnaround, improved Old Mutual Investment Group performance & East Africa execution

Focus on cost efficiency, simplifying governance structure

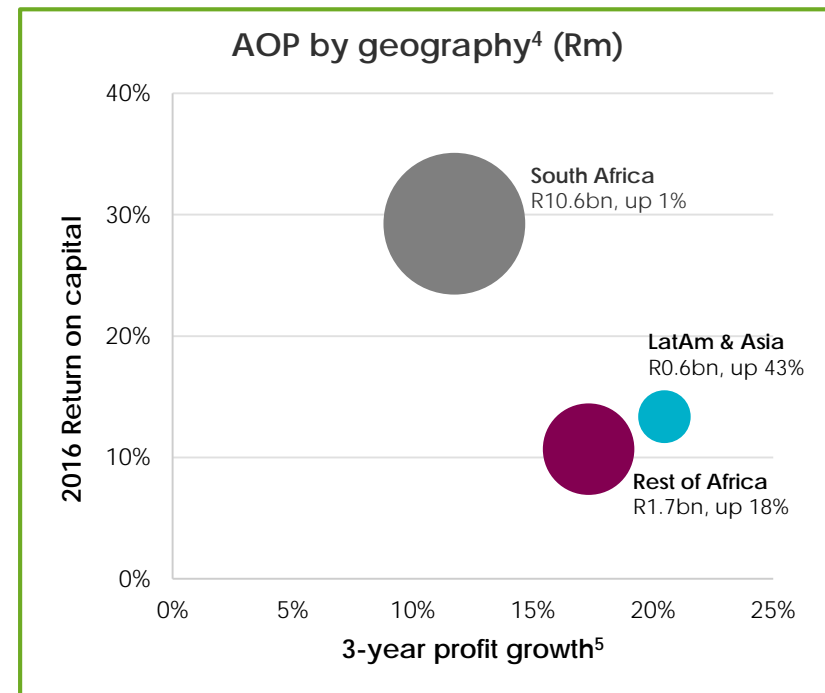
Clear strategy direction and commitment to Sub-Saharan Africa

Continue building capabilities and business readiness for separation

# OPERATIONAL PERFORMANCE FY2016

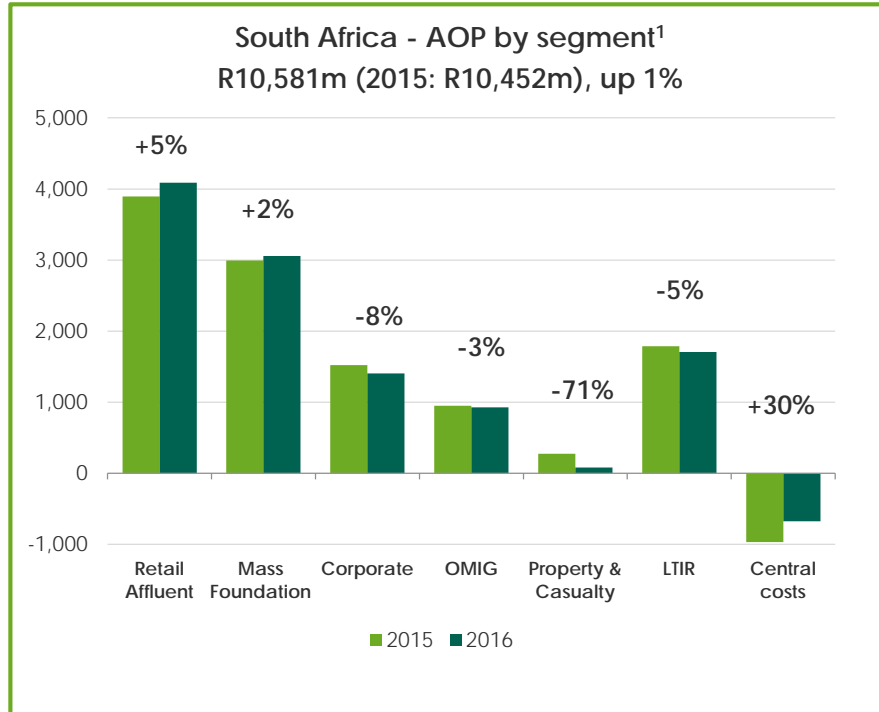
Rm	2015	2016	Δ
AOP (pre-tax)	12,001	<b>12,333</b>	3%
IFRS Return on Equity	17.3%	<b>16.6%</b>	(70 bps)
Gross sales (Rbn)	215.5	<b>213.0</b>	(1%)
NCCF (Rbn)	34.3	<b>17.0</b>	(50%)
FuM <sup>1</sup> (Rbn)	990	<b>1,009</b>	2%
AOP conversion to free surplus <sup>2</sup>	69%	<b>73%</b>	n/a
Cash remitted to the plc (Rbn) <sup>3</sup>	3.7	<b>4.7</b>	27%

**Diversified financial services provider, offering life insurance, property & casualty, asset management, and banking & lending solutions, predominantly in sub-Saharan Africa.**



- ① FuM is on an end-manager basis
- ② Free surplus as percentage of AOP post-tax and NCI
- ③ Excludes dividends of R3.0bn (2015: R2.9bn) remitted to plc in respect of the Nedbank shareholding
- ④ AOP by geography excludes debt costs of R529m (2015: R296m)
- ⑤ Pre-tax AOP, 2013-2016

# SOUTH AFRICA - REVIEW



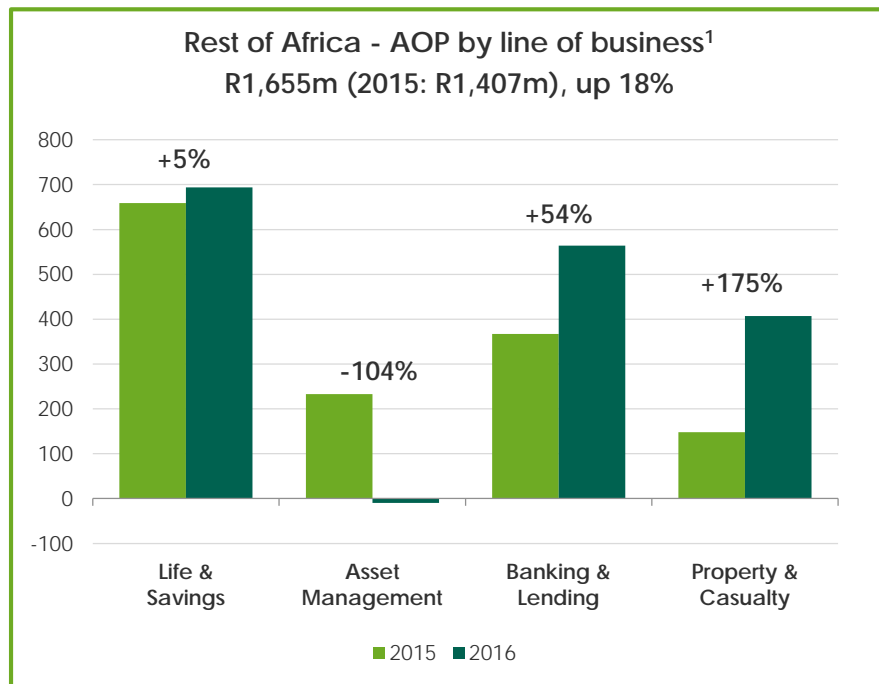
## Highlights

- Good momentum across all segments in H2
- Solid financial delivery by Retail businesses
- Corporate underwriting result under pressure
- Improved flows into Old Mutual Investment Group
- Strong Listed Asset Management profits
- P&C turnaround a key focus
- Lower cost to income ratio
- Investment in IT to future-fit the business

<sup>1</sup> AOP pre-tax and NCI by line of business excludes debt costs of R529m (2015: R296m).



## REST OF AFRICA – REVIEW



### East Africa Update

- Restructure of combined UAP-Old Mutual
- On track to reach 20% RoE within 5 years
- Improved underwriting results
- “Fix, build, grow” strategy progressing
- Increased tenancy and occupation on property portfolio

### Old Mutual Southern and East Africa

- Goodwill write-down of R1.3bn

<sup>1</sup> AOP pre-tax and NCI by line of business excludes debt costs of R529m (2015: R296m).

## EMERGING MARKETS MCEV RESULTS

Rm	2015	2016	Δ
RoEV	13.5%	<b>14.9%</b>	140 bps
MCEV Operating Earnings <sup>1</sup>	7,529	<b>8,377</b>	11%
VNB	2,394	<b>2,173</b>	(9%) →
PVNBP Margin	3.3%	<b>3.2%</b>	(10 bps)
PVNBP Sales	71 938	<b>68 848</b>	(4%) →
MCEV <sup>2,3</sup>	56 311	<b>59 145</b>	5%

- Lower VNB due to yield curve movement, assumption and methodology changes
- Margin relatively stable

**APE Sales up 6% from 2015**

### Contribution to RoEV (% opening EV)

Expected return	8.0%	<b>9.9%</b>	190 bps
New business	4.3%	<b>3.9%</b>	(40 bps)
Experience variances <sup>3</sup>	(0.1%)	<b>0.3%</b>	40 bps
Assumption changes <sup>4</sup>	1.3%	<b>0.8%</b>	(50 bps)

- Higher expected returns due to increased risk-free rate
- Negative persistency and expense assumption changes
- Assumption changes include transfer of some protection business to the new tax fund

<sup>1</sup> Post-tax.

<sup>2</sup> Includes South Africa, Namibia, Zimbabwe, Colombia, Mexico and AIVA at MCEV; Rest of Africa at IFRS NAV and excludes India & China.

<sup>3</sup> Includes "development cost variances" from MCEV statement, excluding investment variances.

<sup>4</sup> Includes "methodology changes and management actions" from MCEV statement, excluding economic variances.

# OUR ROLE IN SOCIETY

## RESPONSIBLE INVESTMENT

- **R21bn** invested in affordable housing
- **R59bn** invested in other infrastructure
- **R20bn** invested in renewable energy
- **R942m** spent on sustainable agriculture
- Old Mutual Responsible Investment Equity Index Fund launched
- **R2bn** in Small, Medium and Micro-sized Enterprises financing
- Futuregrowth named Imbasa Yegolide Bond Manager of the Year

## CUSTOMERS

- Enabling positive futures for **10.9m** customers
- **R10.0bn** risk and protection claims paid in OMEM
- **R7.2bn** P&C claims paid across OMEM
- **R13.6bn** pensions paid across OMEM
- **R1 trillion** total funds under management
- **44 472** Tax Free Savings Plans opened to date
- **215 000** My Money Accounts opened to date
- **No.1** brand in the Long-Term Insurance category of the Sunday Times Top Brand Awards for the 12th year in a row



## EMPLOYEES

- **28 565** employees across 19 emerging markets
- **95.29** BBBEE score (level 2 status)
- 2016 Most Empowered Employment Equity Company
- **No. 1** Top Employer in Financial Services and Insurance for the sixth year in a row
- Certified **Top Employer** across Africa in **13** countries (up from 8 countries last year)

## SOCIO-ECONOMIC DEVELOPMENT

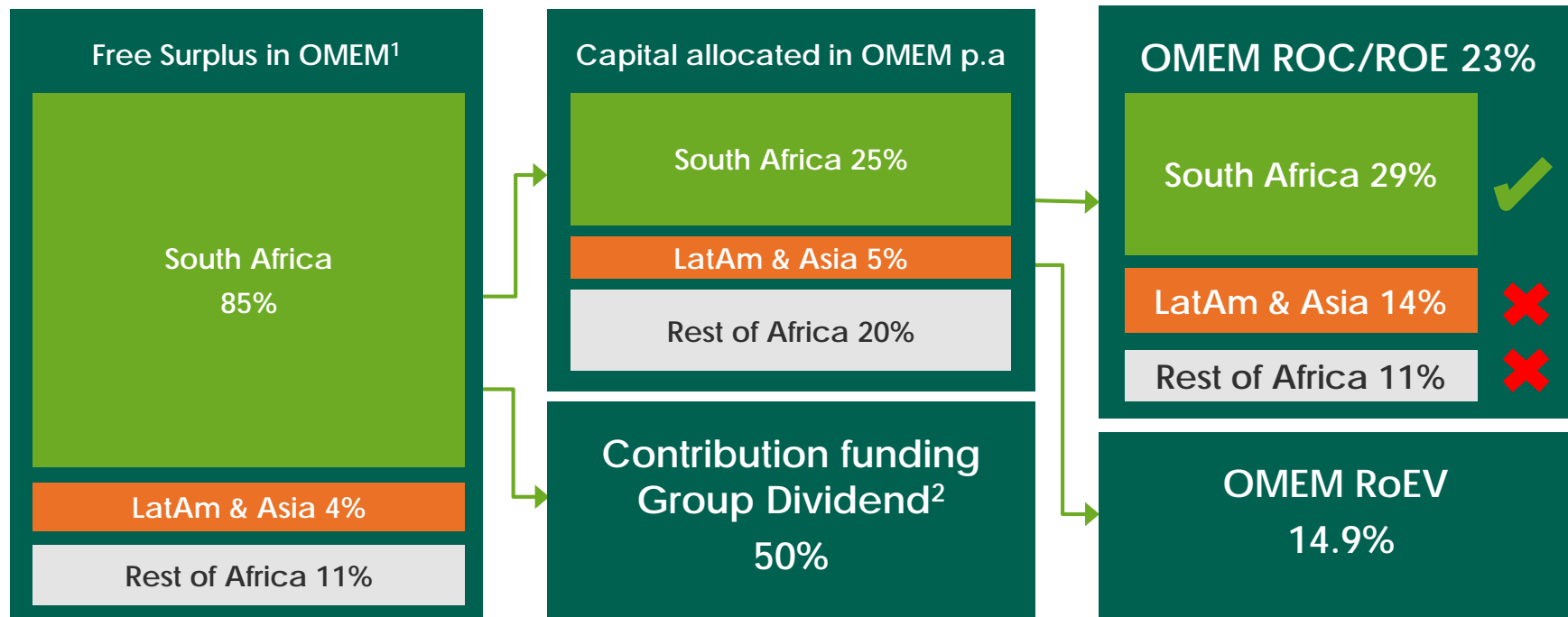
- **155 000** attendees of financial education workshops
- **R40m** committed to the Small, Medium and Micro-sized Enterprises Fund as founded by the CEO Initiative
- **R142m** invested in community programmes:
  - **R27m** in financial education
  - **R76m** in education
  - **R39m** in skills and community development

# APPENDIX 2

# CAPITAL ALLOCATION

INVESTMENT | SAVINGS | INSURANCE | BANKING

# GROWTH IN FREE SURPLUS, RETURNS AND DIVIDENDS UNDERPINNED BY DISCIPLINED CAPITAL ALLOCATION



Note: Figures provided 3 year average (2014 – 2016)

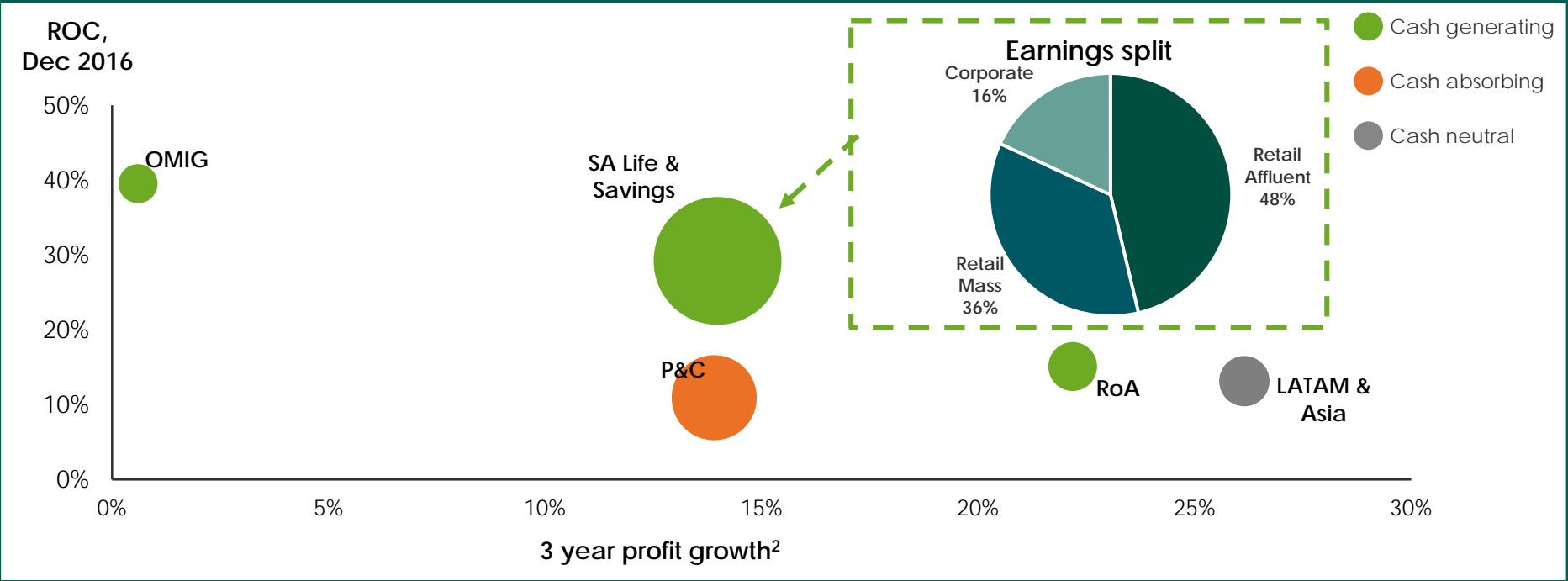
<sup>1</sup>Free surplus includes covered & non-covered profits (including Old Mutual Insure)

<sup>2</sup>Contribution to group dividend excludes Nedbank dividend received

<sup>3</sup>RoEV for Latin America and Asia excludes India

# OPPORTUNITY FOR FURTHER VALUE CREATION BY IMPROVING PERFORMANCE OF SELECT BUSINESSES AND ENHANCING ROE

Capital allocated to BU's, against ROC and profit growth



① Bubbles indicate relative sizes of capital allocated per business  
 ② Pre-tax AOP, 2012-2015

# APPENDIX 3

# AFRICA STATISTICS

INVESTMENT | SAVINGS | INSURANCE | BANKING

# AFRICAN CONTEXT

MACRO-ECONOMIC  
GROWTH POTENTIAL

## WORLD BANK STATISTICS

MARKET POTENTIAL

DEMOGRAPHICS

OMEM IN AFRICA	GDP/Capita (US\$)	Population (m)
Botswana	6,360	2,3
DRC	456	77,3
Ghana	1,369	27,4
Kenya	1,376	46
Namibia	4,673	2,5
Nigeria	2,671	182,2
South Africa	5,718	55
Tanzania	879	53,5
Uganda	705	39
Zimbabwe	924	15,6