

175  
YEARS

OLD MUTUAL

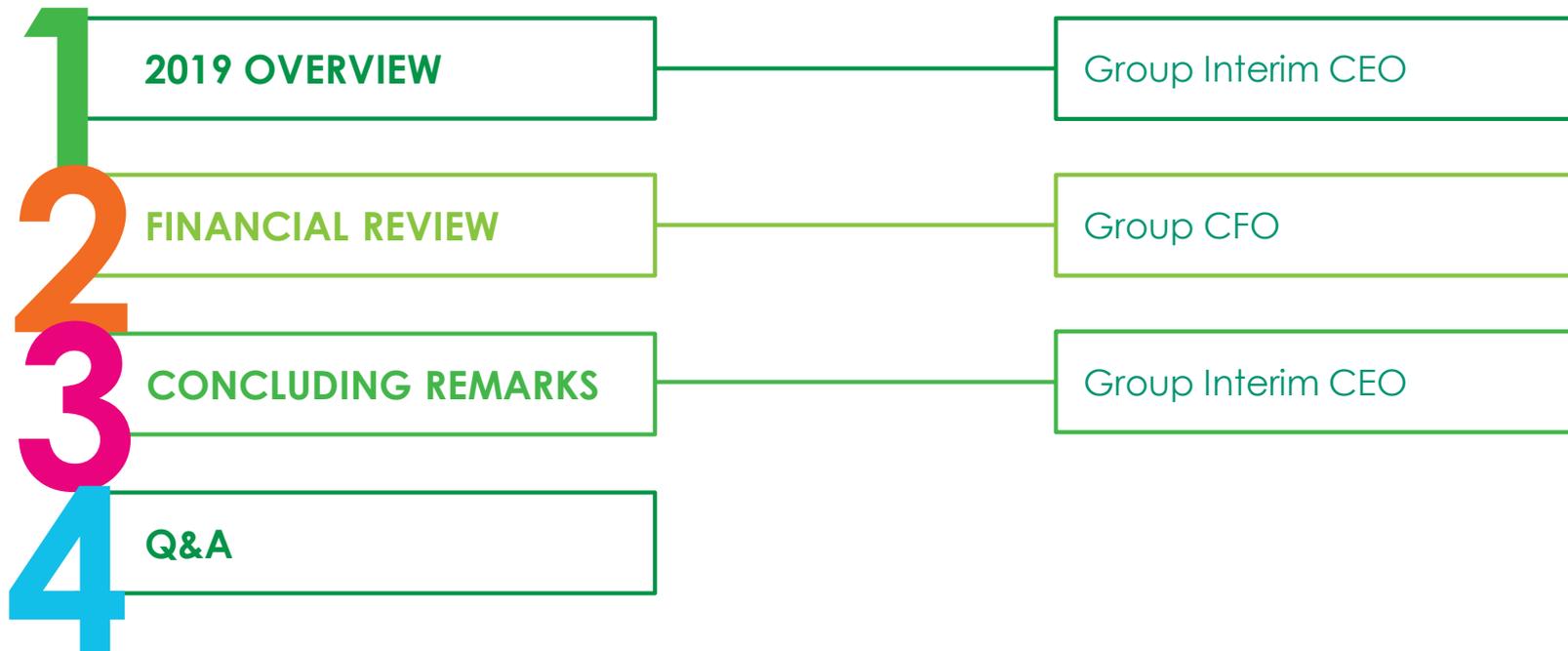
# 2019 RESULTS



175 YEARS OF DOING GREAT THINGS



# AGENDA





# 2019 OVERVIEW

## Resilient financial delivery

- **AHE up 5%** - strong investment returns in SA, up 7% on a per share basis
- **RFO down 2%** reflecting positive assumption changes offset by decrease in OM Insure underwriting

## Operational efficiency

- Achieved **R1.2 billion** cost savings, **exceeding target** of R1 billion
- To date deployed **151 Bots** which saved **5.2 million minutes of processing time**

## Optimisation of balance sheet

- **New debt** of R2 billion **at improved rates**, **R1 billion debt repaid** in 2019
- Sale of **Latin America** completed

## Distributions to shareholders

- Final dividend of **75 cents** per share
- Total of **220 cents<sup>1</sup> per share capital returned in 2019**, including share buybacks

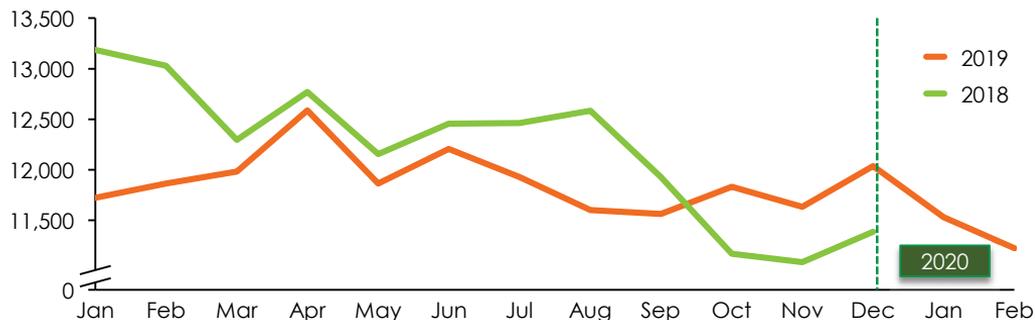
Delivery continues in a **sustainable and responsible** way

1. Calculated as the per share equivalent of share buybacks and interim ordinary dividend of 45 cents per share and final ordinary dividend of 75 cents per share



# IMPACT OF THE SOUTH AFRICAN MACRO ENVIRONMENT

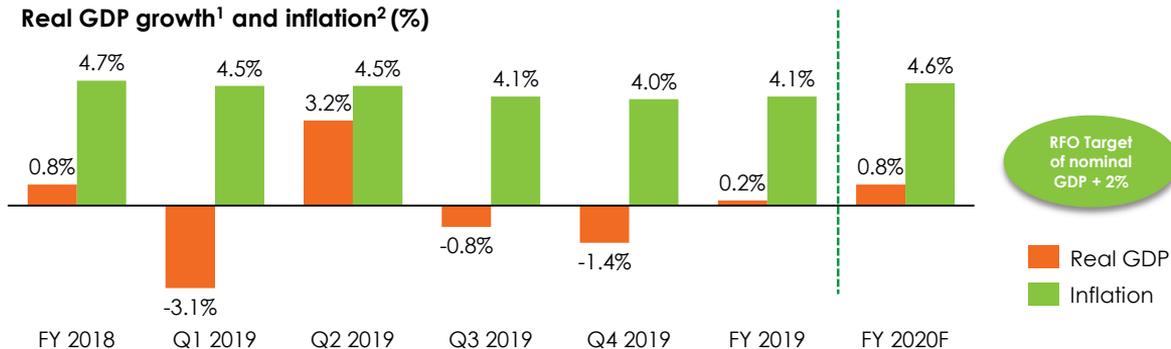
## Equity market levels - SWIX



## Impact on our business

- SA equity up 5.7% in 2019
- Average market levels below 2018 for most of 2019

## Real GDP growth<sup>1</sup> and inflation<sup>2</sup> (%)



## Impact on our customers

- Low GDP growth and high unemployment levels
- Continued pressure on disposable income

1. Real GDP growth is seasonally adjusted and calculated on a quarter-on-quarter annualised basis

2. Inflation is reflected on a quarterly basis

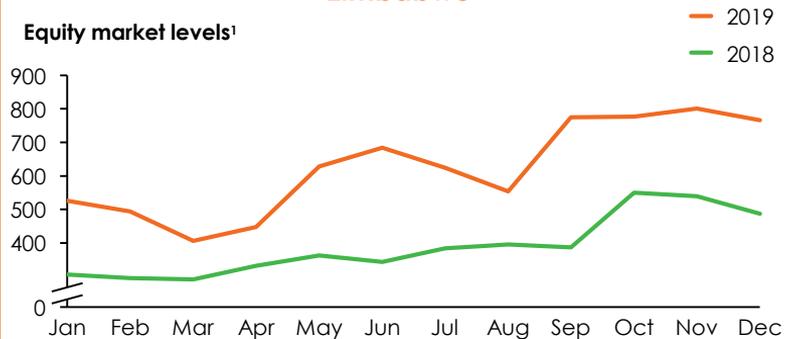
Source: Bloomberg, Stats SA, IMF



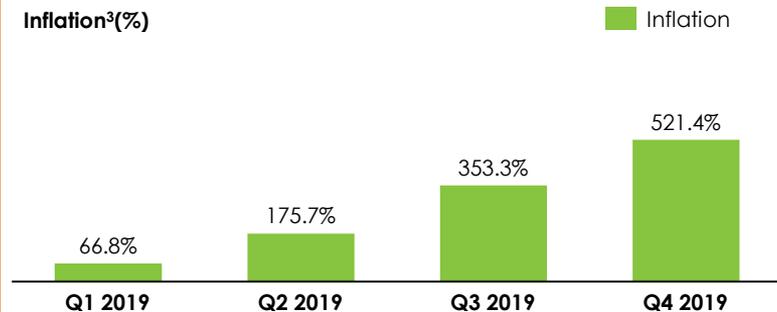
# OVERVIEW OF THE REST OF AFRICA MACRO ENVIRONMENT

## Zimbabwe

Equity market levels<sup>1</sup>

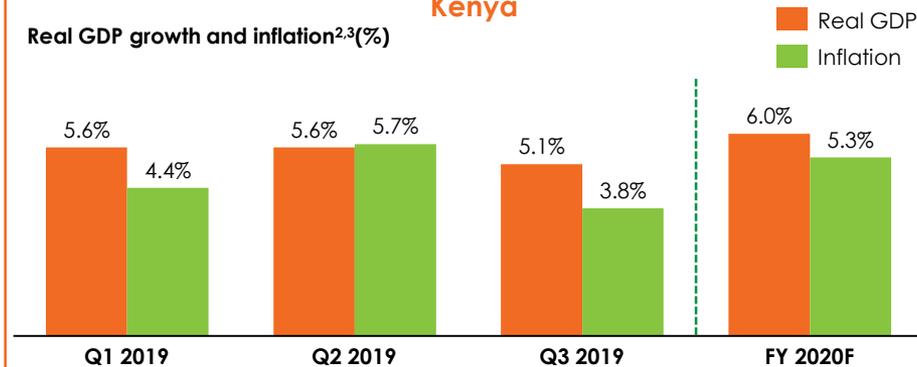


Inflation<sup>3</sup>(%)



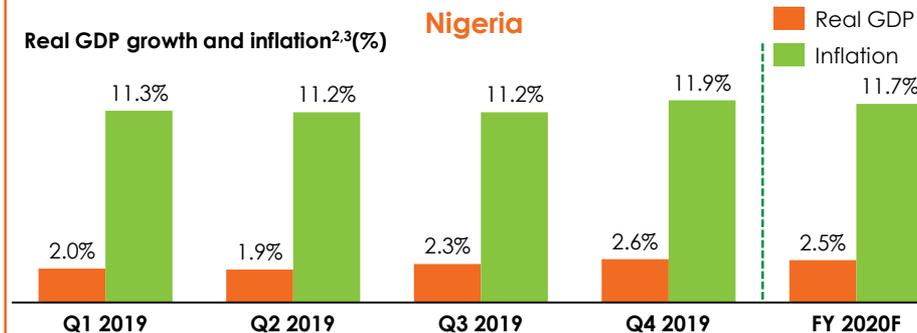
## Kenya

Real GDP growth and inflation<sup>2,3</sup>(%)



## Nigeria

Real GDP growth and inflation<sup>2,3</sup>(%)



1. Equity market level represents the Zimbabwe Industrial Index
2. Real GDP growth is not seasonally adjusted and is calculated on a year-on-year basis
3. Inflation is reflected on a year-on-year basis

Source: Bloomberg, IMF



# DELIVERY AGAINST OUR 5 STRATEGIC PILLARS

Our role is to sustain and grow the prosperity of the customers, families and communities we serve

**1 Always present first**

- Enhanced our **MyOMInsure** platform
- Launched the new **MyOldMutual website**

**2 Rewarding digital engagement**

- Partnered with **Amazon Web Services** to modernise technology
- More than **500 000 Old Mutual Rewards members** with more than **500 million points earned**

**3 Engaged employees**

- Advanced **Pulse Culture intervention** with our employees
- **Launched Workday** in certain countries across Rest of Africa, to **empower and digitally enable** our employees for growth

**4 Solutions that lead**

- National roll out of **Old Mutual Protect**
- Enhanced our **Wealth Proposition**

**5 Old Mutual cares**

- **R80 million disbursed** from the **R500 million Enterprise Development Fund**
- **17% of AUM** invested in **green economy**

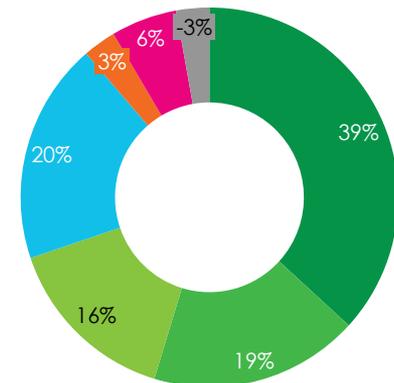


# SEGMENT DELIVERY

<u>Rm</u>	<u>FY 2019</u>	<u>FY 2018</u>	<u>% change</u>
Mass and Foundation Cluster	<b>3,527</b>	3,129	13%
Personal Finance	<b>1,730</b>	2,021	(14%)
Wealth and Investments	<b>1,447</b>	1,611	(10%)
Old Mutual Corporate	<b>1,816</b>	1,703	7%
Old Mutual Insure	<b>233</b>	670	(65%)
Rest of Africa <sup>1</sup>	<b>496</b>	430	15%
Net expenses from central functions	<b>(277)</b>	(425)	35%
<b>Results from Operations</b>	<b>8,972</b>	9,139	(2%)

1. Both periods exclude the operating results of Zimbabwe

Segment contribution to Results from Operations





# BASIS CHANGES IN 2019

Rm	Group	FY 2019				FY 2018
		Mass and Foundation Cluster	Personal Finance	Old Mutual Corporate	Rest of Africa	Group
1 Non-economic basis changes	(81)	1,330	(1,447)	74	(38)	43
2 Economic basis changes	1,013	-	772	217	24	(1)
<b>Total basis changes</b>	<b>932</b>	1,330	(675)	291	(14)	42

- 1 ▪ Net non-economic basis change not materially different to 2018 at a Group level
  - Mainly mortality and persistency basis changes, partially offset by future expected premium increases
- 2 ▪ Release of investment guarantee reserve due to improved and recalibrated economic scenario generator which is aligned to our hedging methodology



# DEFEND AND GROW SA MARKET SHARE IN MASS MARKET

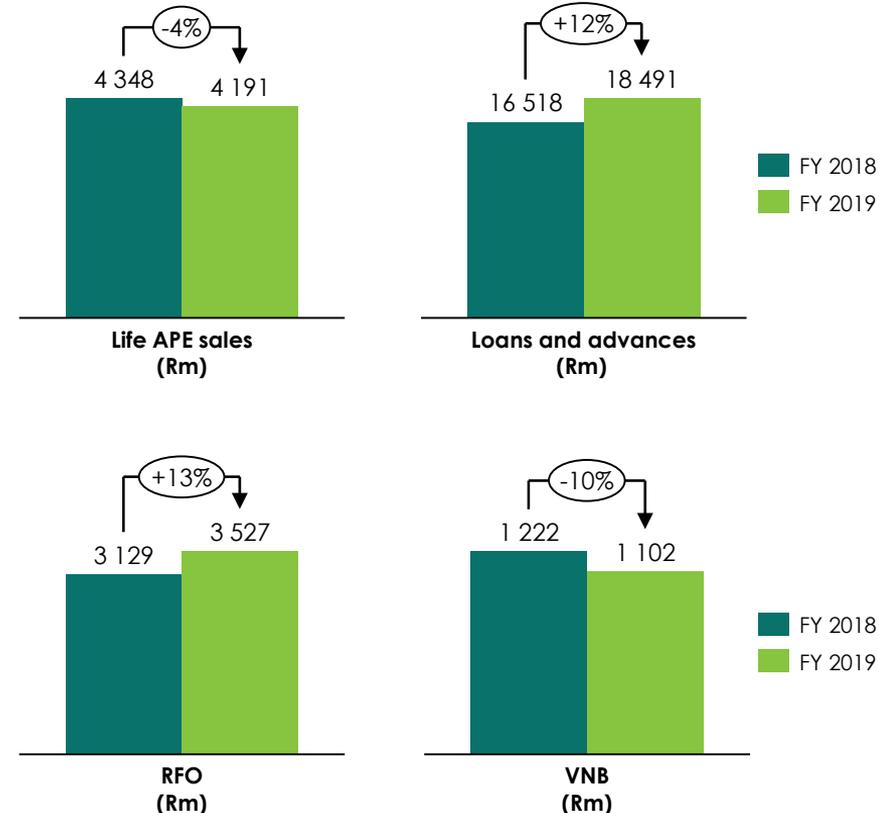
## Sales growth impacted by tough macro environment

- Life APE sales **down 4% due to lower productivity** and deliberate actions to improve quality of group funeral business and lower credit life sales
- VNB decline due to lower volumes and value proposition enhancements to savings product

**Higher credit losses** due to faster than anticipated deterioration in credit quality, **deliberate slowdown of growth in loans** in Q4 2019

RFO boosted by **positive impact of mortality basis change**, partially offset by negative impact of **poor persistency**

Serviced **more than 3.2 million customers** across 368 branches in South Africa





# DEFEND AND GROW SA MARKET SHARE IN CORPORATE MARKET

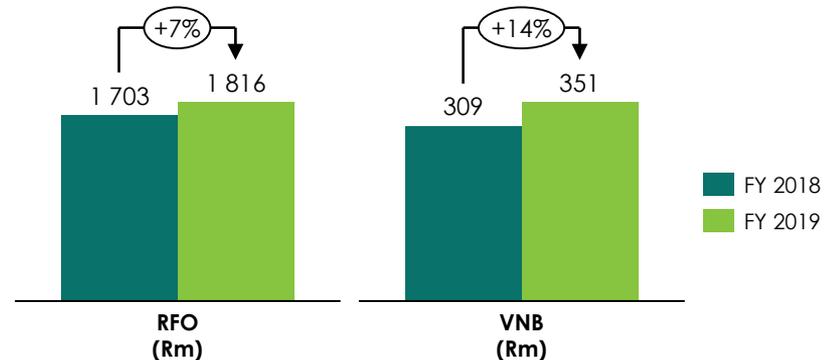
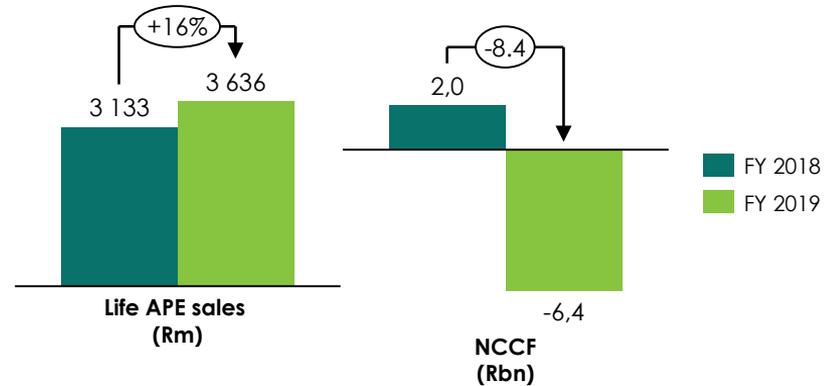
## Robust performance of umbrella offering drives growth

- Life APE sales up 16% with strong **growth in recurring premiums driven by umbrella fund sales**. VNB increase of 14% driven by positive basis changes and higher sales volumes
- Decline in NCCF due to higher benefit payments and lower single premium inflows

RFO up 7% due to **positive basis changes** and improved underwriting experience in Group Income Protection

Continued to **expand our customer base and attract** new recurring premiums through Superfund

**Good pipeline of deals** however weak economic outlook could negatively impact employee benefits industry





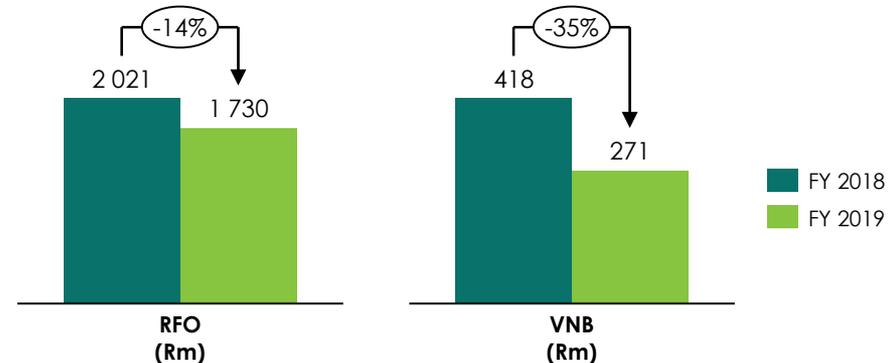
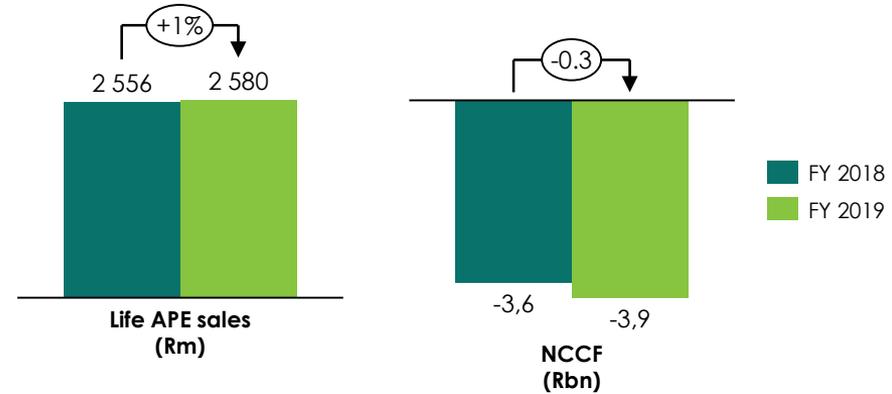
# DEFEND AND GROW IN SA PERSONAL FINANCE MARKET

## Flat sales and negative basis changes impact RFO

- Customer acquisition contracts in a difficult economic environment
- RFO decrease due to negative basis changes as mortality experience remained weak in 2019

Believe actuarial basis **appropriately adjusted** but **continue to monitor experience closely**

Management actions **focused on improving adviser productivity** through strategic placing of advisers and improved tools and processes to create efficiencies



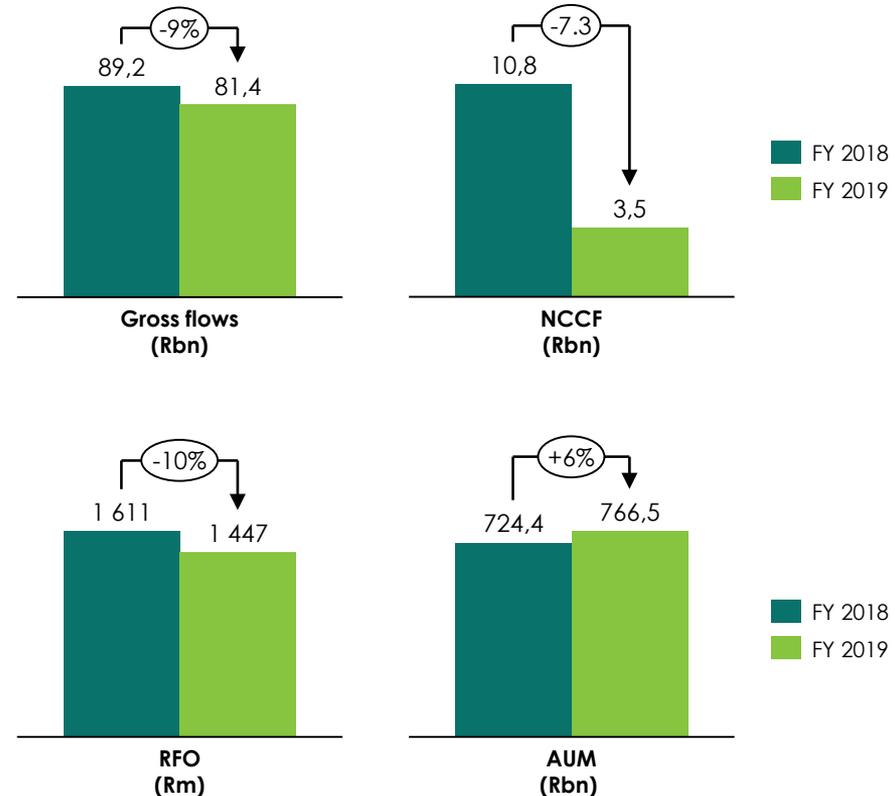


# IMPROVE THE COMPETITIVENESS OF WEALTH AND INVESTMENTS

## Pressure on flows in tough macro environment and investors remain cautious

- Gross flows down 9% due to lower inflows following a decline in short term investment performance
- Lower levels of non-annuity revenue in Alternatives, however originated R8.6 billion of assets in a tough environment
- RFO down 10% due to flat revenue levels and one off costs to exit sub scale boutiques

**51% of retail customer inflows were through advice tools** in 2019. Enhancements to Wealth Integrator tool improve customer and intermediary experience

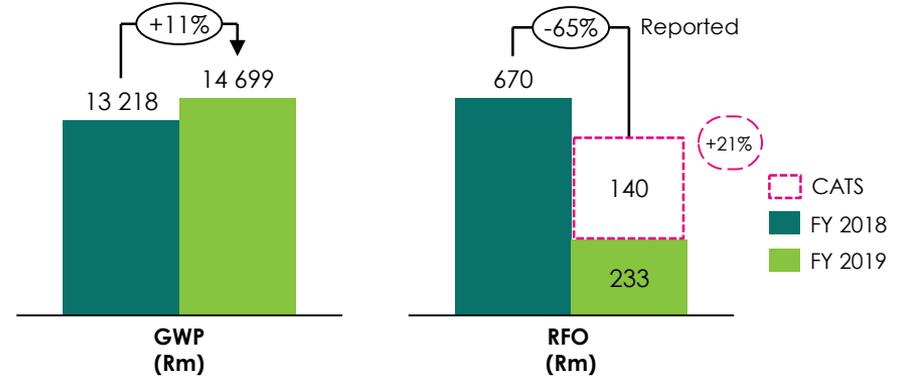




# CONTINUED TURNAROUND OF OLD MUTUAL INSURE

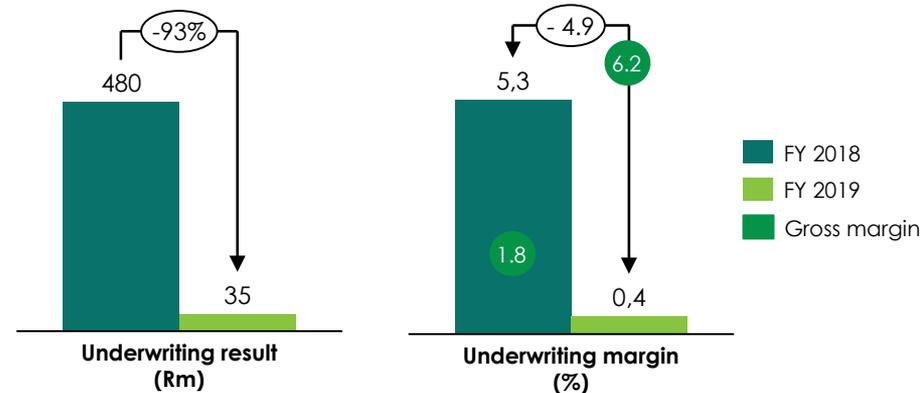
## Good GWP growth, high claims and cost of reinsurance adversely impact RFO

- Strategic partnerships continue to contribute to GWP growth
- Gross loss ratio continues to improve due to lower large losses despite high catastrophe losses



**Gross underwriting margin of 6.2%** compared to 1.8% in prior year evidence of ongoing remediation of the book

**Disappointing net underwriting results** due to high volume catastrophe claims below reinsurance threshold, increased attritional claims in CGIC, poor agri-crop performance and higher net reinsurance cost



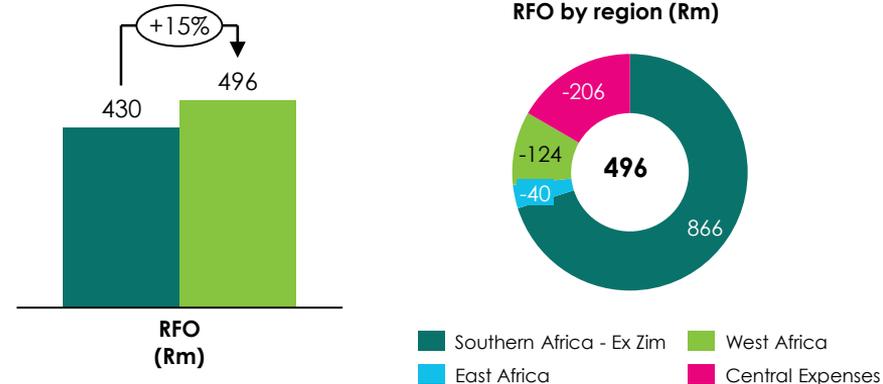
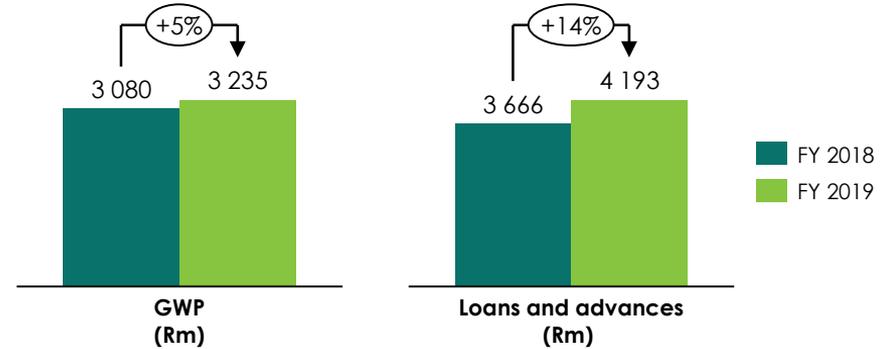
Underwriting margin **below target of 4%-6%**, improvement expected



# TURNAROUND IN EAST AFRICA AND IMPROVE RETURNS ACROSS ROA

## Solid performance, continued focus to drive value

- Southern Africa (Ex Zim)** – solid profit growth in Banking and Lending business with higher net lending margin driven by lower credit losses. Good growth in asset based fees in our Asset Management business
- East Africa** – reported loss of R40 million due to poor claims experience and lower new business volumes
- West Africa** – significantly lower loss as a result of the ongoing cost rationalisation project and suspension of underwriting of oil and gas business



# FINANCIAL REVIEW

Casper Troskie





# FINANCIAL DELIVERY IN 2019

## AHE

**R9,856  
million**

**Up 5%** due to higher shareholder investment returns in SA, **up 7% on per share basis**

## RoNAV

**15.2%**

Above COE of 13.4%

## Free surplus

**R6,794  
million**

Strong levels of cash generated

## Group solvency

**161%**

Remains well within target range

## RoEV

**12.7%**

Improved following positive basis changes

**Supporting returns to shareholders**



# ADJUSTED HEADLINE EARNINGS

Rm	FY 2019	FY 2018	% change
Operating segments	9,249	9,564	(3%)
<b>1</b> Net expenses from central functions	<b>(277)</b>	(425)	35%
<b>Results from Operations</b>	<b>8,972</b>	9,139	(2%)
<b>2</b> Shareholder investment return	<b>2,102</b>	1,188	77%
<b>3</b> Finance costs	<b>(737)</b>	(601)	(23%)
<b>4</b> Income from associates	<b>2,528</b>	2,593	(3%)
<b>Adjusted Headline Earnings before tax and NCI</b>	<b>12,865</b>	12,319	4%
Shareholder tax	<b>(2,874)</b>	(2,686)	(7%)
Non-controlling interests	<b>(135)</b>	(237)	43%
<b>Adjusted Headline Earnings</b>	<b>9,856</b>	9,396	5%

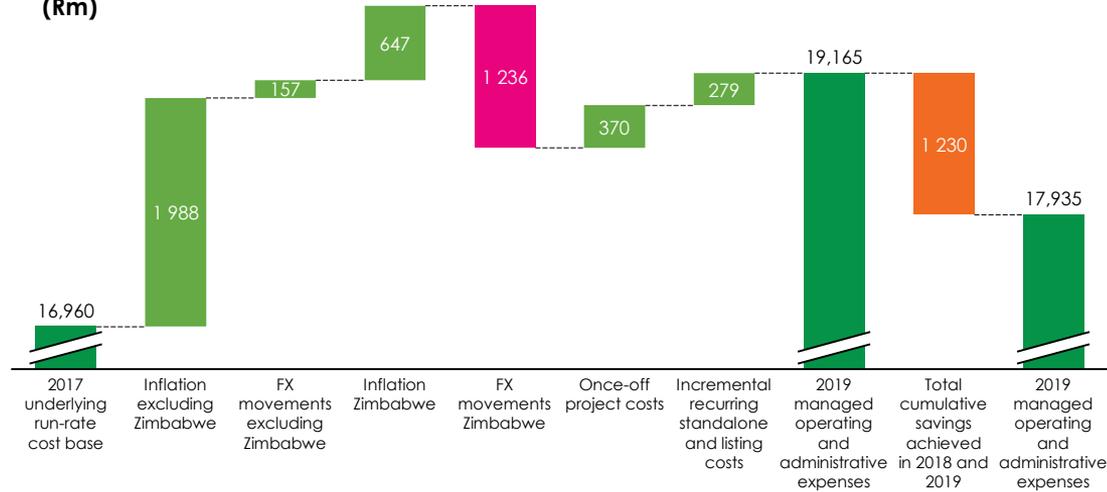
- 1** Full run rate of standalone cost base, offset by interest income on net cash held during the year
- 2** Driven by strong Q4 market performance in South Africa, partially offset by reduction in fair value of property assets in East Africa
- 3** Inclusion of finance costs in East Africa
- 4** Decrease in Nedbank headline earnings partially offset by profits from China



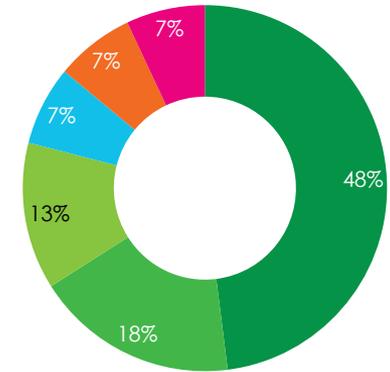
# R1 BILLION COST SAVINGS TARGET EXCEEDED

## Cost Efficiency Leadership

(Rm)



## Cost savings by type

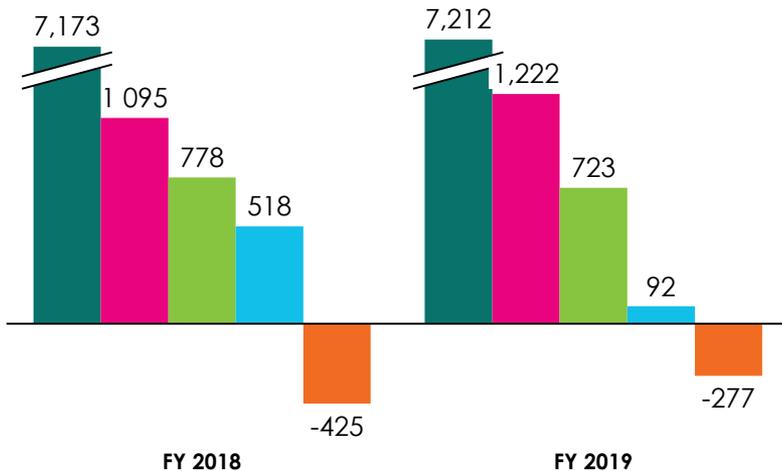


- People and operating model
- IT and IT processes
- Other
- Consultants and procurement
- Marketing and distribution
- Property and facilities



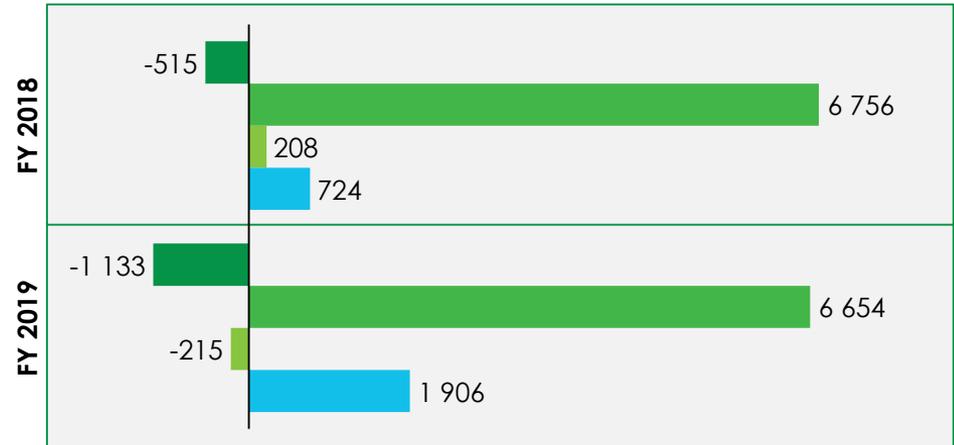
# SOURCES OF EARNINGS

### RFO by line of business (Rm)



- Life and Savings
- Property and Casualty
- Asset Management
- Central expenses
- Banking and Lending

### Life and Savings RFO (Rm)

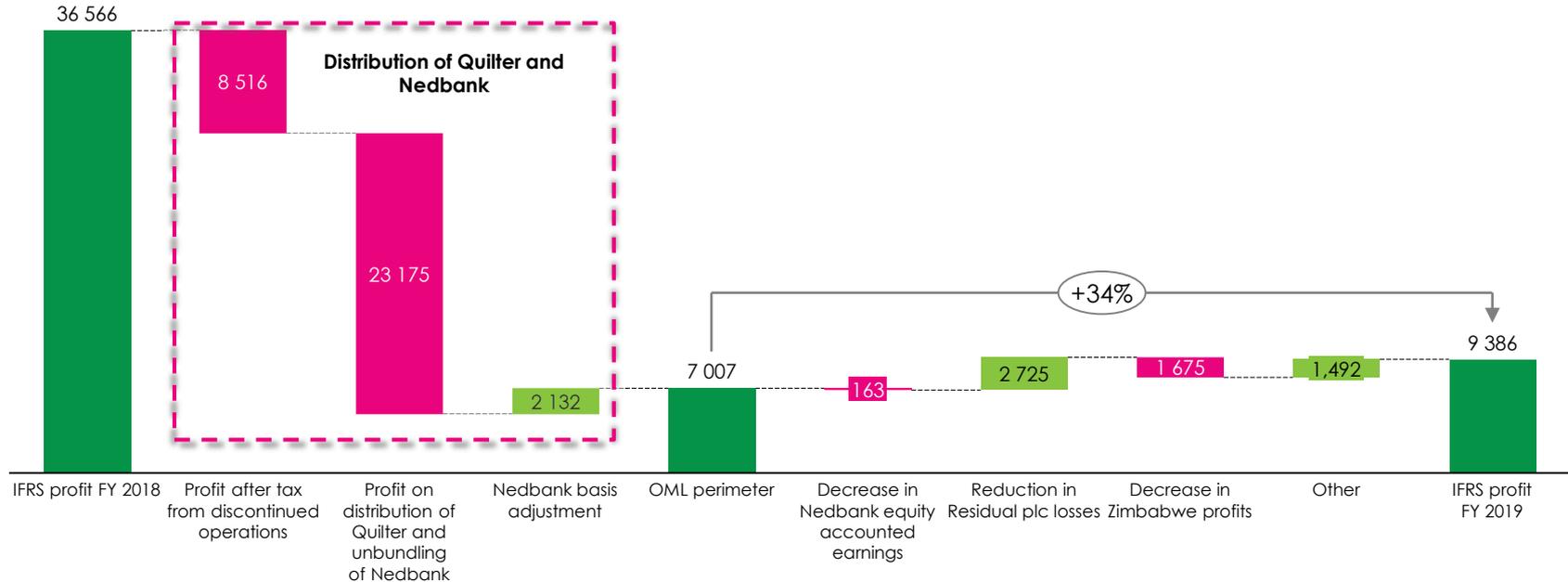


- New business strain
- Expected profit
- Non-economic/operating experience
- Economic experience



# IFRS PROFIT IMPACTED BY DISTRIBUTION OF QUILTER AND NEDBANK

(Rm)



- Consolidated profits in respect of Quilter and Nedbank, classified as profit from discontinued operations, and the profit recognised on distribution of Quilter and Nedbank included in 2018 IFRS profits
- Residual plc profit due to non recurring head office costs and release of a provision for tax risk related to Managed Separation



# GROUP SOLVENCY POSITION

Rm	FY 2019	FY 2018 <sup>1</sup>	% change
<b>OMLACSA</b>			
Eligible own funds	79,168	76,080	4%
Solvency capital requirement	36,685	33,362	10%
1 Solvency ratio	216%	228%	(1 200 bps)

- 1 Driven by:
- Inclusion of policyholder participations at tangible net asset value
  - Higher prescribed equity shocks combined with basis changes
  - Partially offset by net increase in subordinated debt

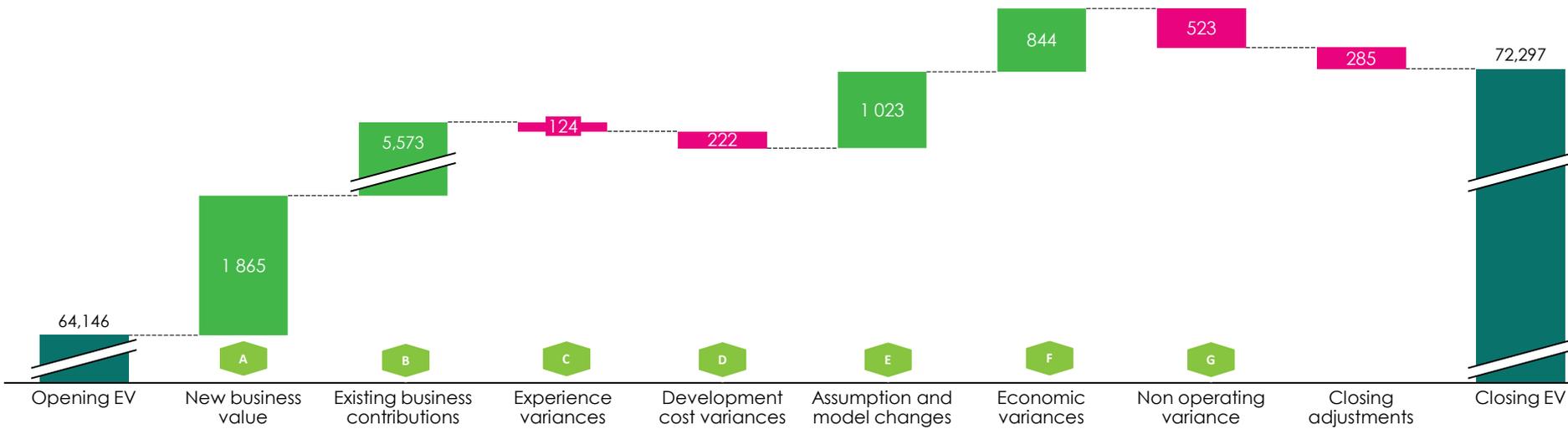
Rm	FY 2019	FY 2018 <sup>1</sup>	% change
<b>Group</b>			
Eligible own funds	98,877	100,959	(2%)
Solvency capital requirement	61,298	60,039	2%
2 Solvency ratio	161%	168%	(700 bps)

- 2 Driven by:
- Decrease in OMLACSA
  - An increase in the effective Nedbank holding
  - A higher prescribed equity shock applied to unregulated entities

1. Amounts differ from reported numbers to align to the final submission to the Prudential Authority



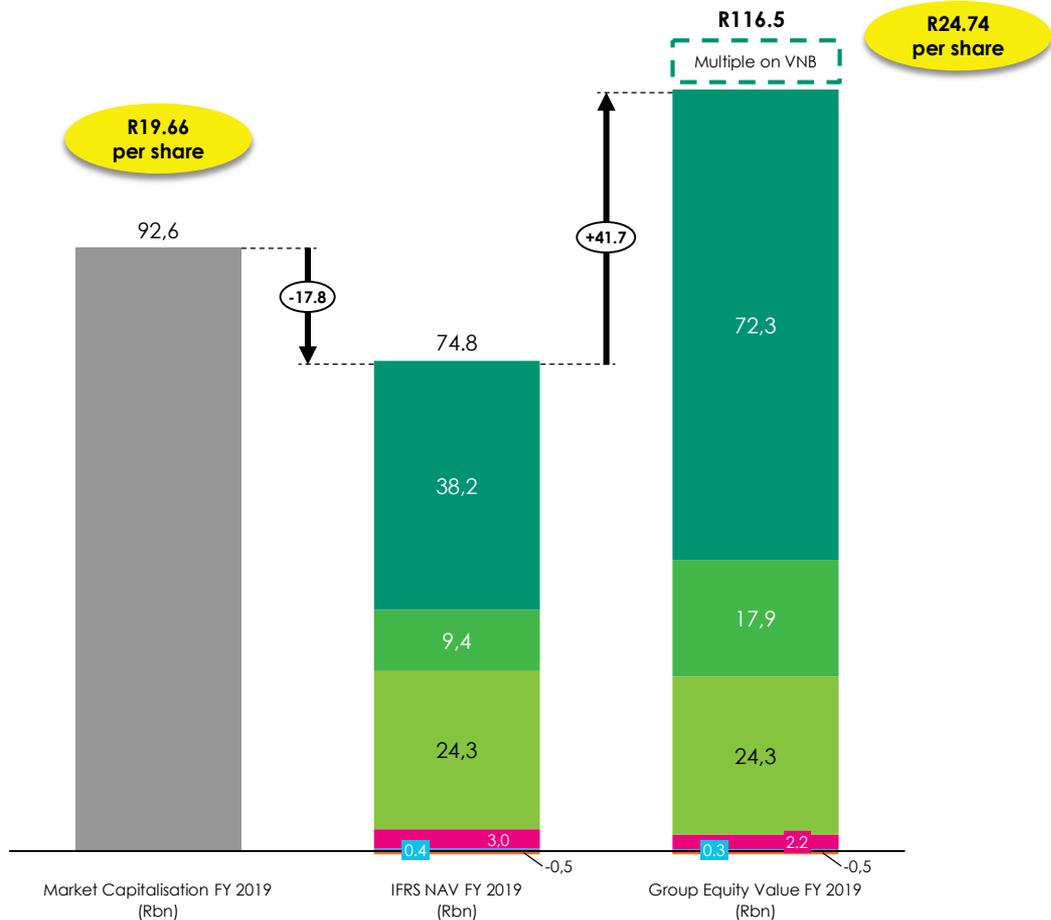
# ANALYSIS OF EMBEDDED VALUE



- A** Value of new business written during the period
- B** Expected return on existing business
- C** Negative experience variances, particularly on persistency
- D** Negative development cost variances reflecting investment in strategic initiatives
- E** Significant positive non-economic assumption changes, particularly mortality
- F** Economic variances due to favorable bond curve tilt and investment guarantee reserve reduction post model recalibration
- G** Largely restructuring costs relating to Old Mutual International



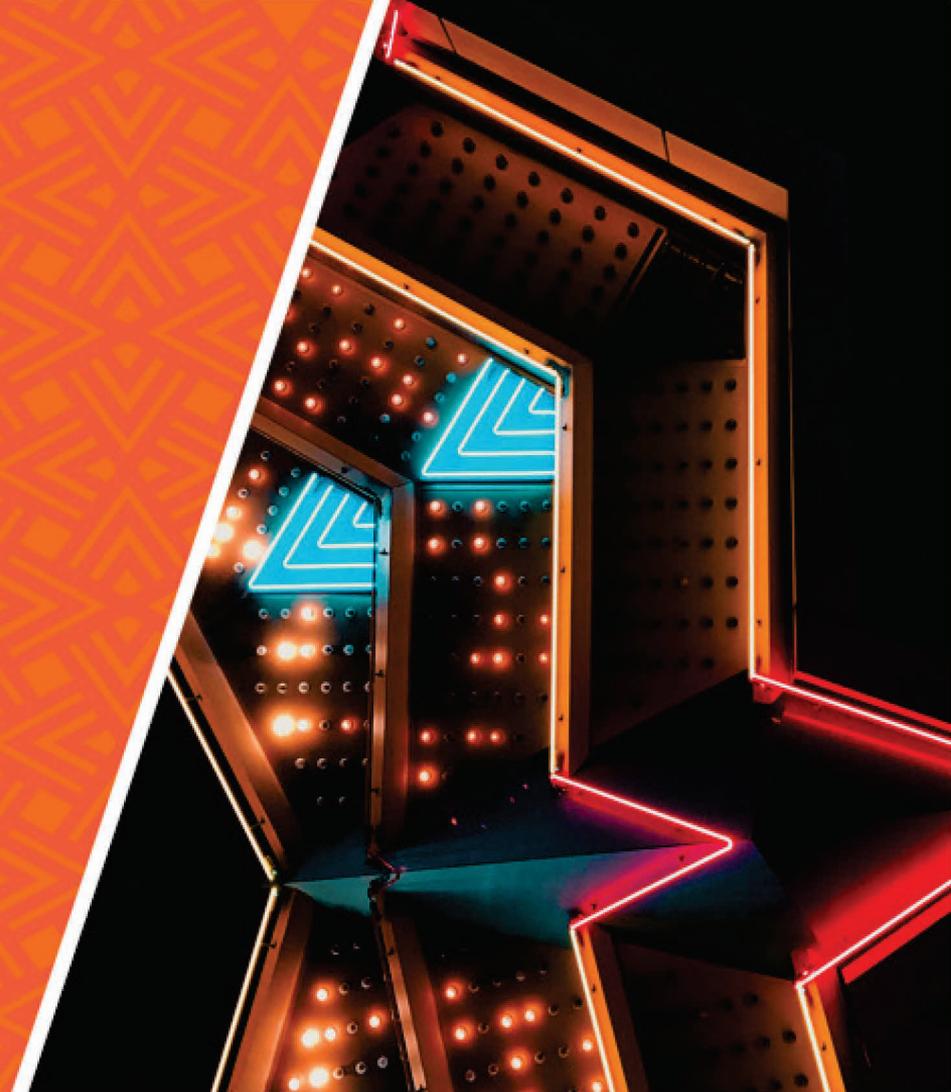
# GROUP EQUITY VALUE



Category	Valuation technique	AHE (Rm)
Covered business	Embedded value	6,285
Non covered	Fair value	1,253
Nedbank	Higher of carrying value and market value	2,518
Residual plc	Economic NAV	n/a
Zimbabwe	Discounted IFRS NAV	n/a
Other	Includes holding companies, central costs and our JV in China	n/a

# CONCLUDING REMARKS

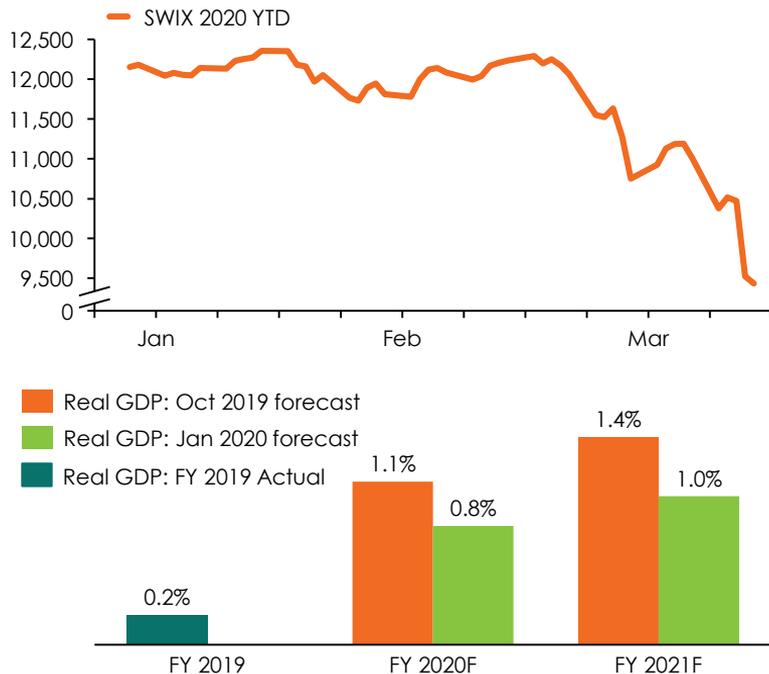
Iain Williamson





# OUTLOOK FOR 2020

## Significant market volatility and subdued growth outlook for South Africa



Source: Bloomberg, Stats SA, IMF

## Diversified business model and stable balance sheet in times of crisis

- **Resilient solvency capital and liquidity levels** in modelled 'perfect storm' stress scenarios
- Manage **expense growth within inflation**
- Continue to **focus on operational delivery** such as rolling out OM Protect and improving our technology offering.
- **Continue to monitor and assess** the impact of the emerging COVID-19 crisis



# OUTLOOK ON OUR MEDIUM TERM TARGETS

	KPI	Target	Performance 2019	2020 Outlook
RETURNS	RoNAV	Average COE + 4%	15.2%	Challenging
GROWTH	Results from operations	CAGR of Nominal GDP + 2%	Down 2%	Challenging
EFFICIENCY	Cost efficiencies	R1 billion by end 2019 pre-tax run rate cost savings	R1.2 billion of cost savings, exceeding our target	Expense growth in line with inflation
	Underwriting result	Old Mutual Insure underwriting margin of 4%-6%	0.4%	Improving
CAPITAL	Solvency	OML: 155%-175%	OML: 161%	Within range
		OMLACSA: 175% - 210%	OMLACSA: 216%	Within range
CASH RETURNS	Dividend cover	Target cover 1.5 to 2.0x for full year Target interim dividend at 40% of AHE	75 cents per share	Within range

Q&A



175  
YEARS

OLDMUTUAL

THANK YOU



175 YEARS OF DOING GREAT THINGS



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