

2024-09-2646631 Old Mutual Interim Results

Speaker Key:

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LM	Langa Manqele
KL	Kerrin Land
CN	Clarence Nethengwe
ZA	Zulfa Abdurahman
NI	Nico
CH	Charles Nortje
RT	Ranen Thakurdin
WB	Warwick Bam
OP	Operator

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LM Good day, everyone. Thank you for joining us for our Interim Results for the period ended 30 June 2024. I am Langa Manqele, the Head of Investor Relations for the Old Mutual Group. On behalf of our board and executive team, it is my pleasure to welcome you all at this presentation.

To follow our today's presentation, you may access our results using the QR code displayed on the screen. The results are also available on our Investor Relations webpage. This presentation can also be viewed live on Business Day TV, Channel 412. It can also be streamed live via YouTube.

When we get to the Q&A session, I will give you further details on how we will handle that section. Some of you, you will be able to send us the written questions via the webcast. You may also send us your questions live via the conference call. As I've said, the details will be provided further when we get to that part of the presentation.

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Now, turning on to our agenda for the day, we will begin with our Group CEO, Iain Williamson. He will kick us off with a strategic review. He will be shortly followed by Casper Troskie, the Group CFO, who will take us through the financial review. Iain will then come back to conclude with the take-aways. After that, I'll pick up the session from there to facilitate the Q&A. And with that, I would like to hand you over to Iain. Thank you.

IW Thanks, Langa, and a warm welcome to everyone. We appreciate your presence on this call. Today, I'd like to start by highlighting five key messages of our H1

2024 performance. We've sustained our top line growth in revenue. Our profits and margins are resilient. Our cash generation is robust. We've continued to enhance shareholder returns. And we've made significant progress in strategic delivery over the last six months.

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We've delivered strong cash generation, sustained top line growth and enhanced shareholder value. Our Life APE sales have increased by 6% to R6.6 billion for the half, supported by strong growth in risk sales, driven by channel productivity improvements. We've seen higher guaranteed annuity sales and better recurring premium sales. But this momentum was partially offset by lower sales in the Group Risk area.

On the short-term insurance side, gross written premiums increased by a solid 9% to R13.8 billion, underpinned by strong customer acquisition and intermediary productivity in Old Mutual Insure. We've seen better renewals in both our general and health insurance businesses in Kenya and Uganda.

On the asset management side, funds under management have increased by 5% to R1.4 trillion. This was largely due to the improved equity market performance, particularly towards the back end of the half in South Africa. Our profits and margins are resilient, with RFO per share up marginally to 95.5 cents a share. This underscores the resilience and diversification benefits of our business and reflects the positive impact of our ongoing share buyback programme.

At 2.4%, the value of new business margin is within our target range of 2% to 3%, and VNB reduced by 8% to R858 million, largely due to a large deal in Corporate in H1 of 2023. Our VNB growth trend remains strong, with a compound annual growth rate of 10% since H1 of 2022.

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In our property and casualty business, our management actions are beginning to show traction and profitability. Old Mutual Insure recorded an exceptional net underwriting margin of 5.9%, right at the upper end of our target range of 4% to 6% for this business. This profitability has been primarily driven by better pricing and underwriting.

We continue to enhance shareholder returns with adjusted headline earnings per share, which is obviously the key metric for distributable earnings, increasing by 7% to 73.5 cents a share. And this has been supported by a robust 14% increase in shareholder investment returns, driven by that improved performance in the South African equity market.

Our adjusted headline earnings per share is further bolstered by the R1.5 billion share buyback that we executed in 2023, and I'm pleased to announce that the board has declared an interim dividend per share of 34 cents, which is 6% up on that of the prior year.

Our return on net asset value continues to increase and was up by 70 basis points to 12.6%, driven by both earnings growth and capital and balance sheet optimisation. Excluding our investment in new growth initiatives, the return on net asset value increased by 2.1% to 15.5%. This is within our target range of cost of

equity, plus 2% to 4%. And finally, the board has approved a further share buyback of R1 billion in 2024, subject to regulatory approval.

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Returning now to the operating environment, it's pleasing to see the positive investor sentiment in South Africa has reset the base case, following the formation of the Government of National Unity, although key growth drivers still lag. Business and consumer confidence remain low, although there has been a slight improvement. We expect interest rates to start trending down in most of the markets that we operate in, and we've already started to see this in South Africa, with the Reserve Bank having cut rates last week.

Currency depreciation and inflation in some parts of Africa Regions added strong headwinds. But despite this complexity in the operating environment, we remain focused on our strategy, which has remained unchanged. And as a reminder, our strategic framework is our true north, and it's anchored in our victory condition of becoming our customers' first choice to sustain, grow and protect their prosperity.

Our integrated financial services strategy rests on two growth vectors, both growing and protecting our core business and unlocking new growth engines, with the value drivers providing a clear link between our prioritised strategic actions and value creation.

But just to recap on why we are so emphatic about the integrated financial services strategy. Integrated financial services is a philosophy built around the MyOldMutual ecosystem, which is illustrated on the right-hand side of the slide. It's an integrated and data-rich platform where we see OM Bank playing a key role, bringing together both customers and advisors, underpinned by Old Mutual Rewards, to deliver enhanced customer engagement.

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This integrated financial services ecosystem is advice-led, integrated, tech-forward and trusted. And we believe that it will ultimately lead to a lower cost to serve for our customers, to enhanced lifetime client value, and to the ability to leverage the rich data that comes from multiple transactional touchpoints to drive distribution and improve persistency.

We continue to make significant progress through both disciplined execution and considered capital allocation. OM Bank is a critical priority as we consolidate our integrated financial services strategy. And I'm pleased to update you that both the technical and operational progress in building the bank is ahead of schedule.

We've successfully concluded industry testing for an unprecedented four parallel payment streams into the national payment system. And we await the fulfilment of our remaining Section 17 conditions, which are unrelated to the technical build. We anticipate launching the bank in three phases, beginning with a public launch in quarter one of 2025, followed by a campaign to convert our existing Money Account customers, and finally, the commencement of full-scale operations before the end of next year.

We will use quarter four of this year to expand the number of testing participants currently assisting us with testing, to continue to refine systems and capabilities to

ensure a seamless transition to launch. And we will do this in a risk-based fashion, in line with our disciplined execution of our strategy and considered capital allocation. We expect minimal impact to the business case for the bank from the later launch.

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Digital modernisation is integral to our tech-forward integrated financial services strategy. Our journey to retire legacy IT platforms and target efficiencies from this continues. Following the successful migration of our retail risk book, Greenlight, in 2023, we are consolidating our Max savings and income book of business onto the same technology platform.

The build phase of our new savings and income proposition is materially complete, and we anticipate a nationwide rollout in South Africa in 2025. We've also launched our new two-pot front-end claim system, which creates a common digitally-led customer experience, integrated across WhatsApp, web and our app platforms.

The perimeter review that we have been conducting is about optimising our portfolio outside South Africa and sharpening our focus on key growth markets. The key outcome of this exercise has been a strengthened earnings base and capital efficiency. We've exited our life and general insurance business in Nigeria and our general insurance business in Tanzania, allowing us to concentrate on markets where we believe we can deliver strong growth.

We continue to respond responsibly to our operating context through leading in both sustainability and stewardship of client assets. Sustainability is integral to our business and absolutely essential to how we think about our strategy. We believe that our strategic commitment to net-zero carbon emission drives positive environmental and socioeconomic outcomes in our pursuit of shareholder value.

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And both our ratings as well as industry recognition awards reflect this ambition. We've retained our AA ESG rating from MSCI, whilst our Bloomberg ESG score of 6.73 is ahead of 99% of our peer group. And we're proud to have once again retained our BEE Level One rating, which we first achieved in 2019.

From an awards perspective, we recently won awards as the best short-term insurer in Namibia from the Best of Namibia campaign, as well as for the long-term insurer of the year for 2024 from News24 in South Africa. And for the third consecutive year, OMIG has been recognised as the leading sustainable African investment manager by The European Magazine Awards.

So turning now to some very high-level, highlight comments on each of our business clusters. In the Mass and Foundation cluster, our multi-channel strategy continues to bolster market share and sustain margins. We've seen strong Life APE sales growth of 14% in this segment, despite a demanding 2023 base.

Our retail risk sales increased by 27%, underpinning a VNB margin of 8.6%. On the loan book side, an impairment from a single counterparty has pushed our credit loss ratio for the period to 10.4%, whilst excluding that counterparty impairment, the credit loss ratio on the retail book is 8.5%.

In the Personal Finance and Wealth business, we continue to sustain sales growth, with both mix of business and experience variances impacting short-term profitability. APE sales were up 8% on higher demand for both guaranteed annuities and recurring premium business. But due to a shift in business mix, our VNB margin reduced slightly, by 10 basis points, to 70 basis points. Profitability on the in-force book was further impacted by atypical large mortality claims in the first half of 2024.

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From a gross flows perspective, we've seen strong demand across all of our platforms, driving a 16% increase in this metric. And we've also seen an exceptional turnaround in net client cash flow from our wealth business bolstering flows.

In Old Mutual Investments, our assets under management have been resilient, while revenue is lower off a strong base in the prior period. Assets under management grew by 3%, benefiting from that improved equity market performance in South Africa.

Our alternative private market business concluded a further R16 billion in new deal flow for the period, but we have seen annuity revenue impacted by lower average fee-earning assets, and non-annuity revenue fell by 45% due to both exceptional performance fees and investment returns on unlisted assets in the prior year.

In Old Mutual Corporate, we've delivered robust profits across the portfolio and continue to strengthen our value proposition. I mentioned earlier that we had had a large one-off single premium deal in the base of 2023, and this has challenged sales growth in H1 of 2024.

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Our VNB margin declined by 70 basis points due to this non-repeat deal, as well as a less favourable product mix in the segment. We continue to enhance and scale our new value propositions in Corporate and have participated in a rights issue in the Preference Capital group, increasing our equity interest to 38%.

Our retirement fund administration business has been focused on the implementation of two-pot reform in the first half of 2024, and we've used this opportunity to digitally enhance and automate our claims processes to improve member data quality and to drive an extensive communication campaign to empower members, employers, intermediaries and trustees to navigate this significant industry change.

Within Old Mutual Insure, we've seen an exceptional turnaround in underwriting profitability, owing to both better risk selection and disciplined expense management. This is the benefit of management actions taken over a period of time in the prior years, including book remediation and price adjustments taken ahead of the underwriting cycle.

This has resulted in continued growth and benefits of scale from gross written premiums, with GWP up 10%, driven by strong channel productivity, with the net underwriting result increasing by more than 100%. Claims ratios were lower due to better claims experience and the enhanced quality of the risk book. Looking

forward, we continue to invest in climate risk resilience through advanced risk modelling of climate risks, particularly of flood risk.

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Turning to our Africa Regions business, we continue to sustain profit growth, despite a disparate currency impact across the various sub-regions of the continent, with some regions being impacted by currency depreciation against the rand. The naira depreciated by 63% and the Ghanaian cedi by 10%. As a result of this, we are assessing performance in this period in constant currency terms, noting that currency impacts in prior periods have not been material.

Life sales increased by 5% to R830 million due to higher recurring premium sales in both Malawi and Ghana. Our pivot to corporate strategy in the life and savings portfolio continues to deliver good sales growth, particularly in West Africa. But we did see our VNB margin decrease by 10 basis points to 2%, due again to a change in business mix skewed more towards savings products.

On the short-term side, gross written premiums increased by 17% to 3.5 billion, underpinned by improved renewals in East Africa. Our net underwriting margin declined by 2.8% to negative 5.5% due to foreign currency losses in Nigeria.

We've seen improvement in net underwriting margins in Southern and Eastern Africa due to actions taken to improve both claims management and experience-based pricing, and we continue to focus on improving the profitability, strengthening the earnings base and further driving capital efficiencies of the portfolio across the regions. With that, I'll now hand over to Casper to conclude, or to cover more detail in the financial review. Thank you.

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CT Thank you, Iain, and good morning all. As Iain noted, we have remained committed to our strategic objectives and continue investing in the future growth of our business. Delivered a solid performance, with these intentional investments impacting some of our short-term outcomes. We are confident that these investments will benefit us in the medium to long term.

We think about our performance in terms of growth in earnings, capital efficiency and value generation. Our results from operations, or RFO, decreased to 4.2 billion. Excluding new growth investments, RFO increased by 4%. Adjusted headline earnings, or AHE, grew to 3.3 billion, up 12%, excluding new growth investments, with cash generation remaining strong at 123%.

Our return on net asset value, or RoNAV, continued its upward trend to 12.6%. Our RoNAV, excluding new growth investments, improved to 15.5%, now within our target range. An interim dividend of 34 cents per share, up 6%, was declared in line with our dividend policy.

Our VNB margin of 2.4% remains within our target range, with a marginal decrease in the current period. Our contractual service margin, or CSM, grew 1.4% from December 2023, with an annualised return of 14.2% before taking into account the current year release.

Turning to RFO in more detail, in MFC, RFO grew by 30% to 944 million, largely

due to strong life and savings profits, partly offset by increased credit losses from the banking and lending business. Life profits showed a strong improvement compared to the prior period due to higher risk sales volumes and high returns on the CSM.

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The economic recovery reserve shielded elevated persistency losses. Whilst we expect lower inflation and reduced rates to improve disposable income in the coming months, our customers remain under financial pressure, and we continue to closely monitor persistency.

Banking and lending profits declined due to higher credit losses, including a once-off impairment on our secured lending book. RFO for Personal Finance and Wealth Management reduced by 27% to 1.4 billion.

PF RFO was negatively impacted by three factors, significantly lower positive economic variances in the current year, lower morbidity profits following an increase in claims volumes, and we experienced double the number of expected large mortality claims during the half, which we have seen normalise in July and August. We continue to monitor our morbidity and our mortality experience.

In Wealth, higher annuity revenue was supported by higher average asset levels, and non-annuity revenue decreased by 24% due to foreign exchange rate movements on our offshore seed capital investments.

Our RFO in Old Mutual Investments reduced by 15% to 547 million. This was primarily due to the prior year base, including exceptional non-annuity performance fees earned in our alternatives business. Non-annuity revenue is a major differentiator from our peer group. This revenue is more volatile but provides significant economic value through the investment cycle.

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Old Mutual Corporate's RFO increased by 36% to 1.1 billion due to good underwriting experience and growth in the CSM as a result of improved persistency in the prior period. In addition, profits benefited from a once-off provision release and modelling change of approximately 200 million in our risk book.

Old Mutual Insure's RFO more than doubled to 772 million due to the significant growth in the net underwriting results and higher investment returns on insurance funds. This exceptional underwriting result was driven by a turnaround in our retail division following remediation initiatives implemented over the last two years. The underwriting margin of 5.9% is now within the upper range of our target range.

Africa Regions increased by 6% to 509 million. This was driven by continued strong growth in life and savings and asset management, with life and savings growth driven by the ongoing deliberate shift towards more profitable corporate business. This was partially dampened by reduced banking profits due to the challenging macros and reduced property and casualty profits. However, if we exclude the impact of the Nigerian business sold in 2024, we would have seen growth in our property and casualty business profits.

The loss on the net result from group activities, which includes our investment in new growth investments, increased to 989 million. For the last two years, our shareholder operational costs have included future-fit and project expenses relating to our retail platform optimisations, as well as a number of simplification initiatives. For 2023, these investments were weighted towards the end of the year, but we expect the 2024 expense profile to be more evenly spread.

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Adjusted headline earnings grew 3% to 3.3 billion, largely driven by an increase in the shareholder investment return. Adjusted headline earnings per share was up 7%, supported by share buybacks over 2023. The increase in shareholder investment returns was largely due to the higher equity and bond returns in South Africa.

Finance costs increased, driven by higher average levels of debt in OMLACSA during the first half of 2024. The profit from associates represents our investment in China, which improved due to favourable underwriting profits and fair value gains. Shareholder tax increased as a consequence of increased profits, and the effective tax rate remains above the statutory rate, primarily due to the apportionment of the expense deductions for tax.

Turning now to our reconciliation of AHE to IFRS profits, the main movement between adjusted headline earnings to headline earnings is from our operations in Zimbabwe, which remain excluded from AHE due to us not being able to access the majority of our capital.

Zimbabwe profits of 2.5 billion were largely offset by the increase in the balance sheet foreign currency translation reserve, with the net impact of an increase in net asset value of 429 million. We are evaluating the functional currency of the Zimbabwean banking business, called CABS, as we see a shift in the banking environment towards US dollar-denominated loans.

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As we change the functional currency, or if we change the functional currency from the ZiG to US dollars, we do not expect CABS to continue reporting the same level of foreign exchange gains, and we expect reduced transfers to the foreign currency translation reserve in the future. This will substantially reduce IFRS profits and headline earnings but will have a limited impact on net asset value and no impact on adjusted headline earnings.

Accounting mismatches in the prior year included lots of hedging losses that arose from the transition of the hedging programme to IFRS 17. The main component of the current year headline earnings adjustments is the loss on disposal of our Nigeria business, mostly comprised of the recycling of foreign currency translation reserves. Overall, IFRS earnings increased by 20% to 5.2 billion.

Moving to the contractual service margin, or CSM, this represents the store of future life profits. New business written grew the CSM by 5.3% annualised over the first half of 2024. Interest contributed a further 9.7% annualised for the first half, compared to the 9.2% for the full year 2023.

The key item to note is the 3.5 billion that is released into profit at an annualised

allocation rate of 10.7%, which is within the expected range. This resulted in an overall annualised return of 14.2% on the opening CSM balance before allowing for the current year release.

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The overall group VNB margin of 2.4% remains within our medium-term target range of 2% to 3%. This represents an improvement over our December margin of 2.3% but is 20 basis points below the half one 2023 margin of 2.6%, which benefited from a large corporate risk deal, as Iain mentioned. The value of new business of 858 million was lowered by 8%, coming off the high base, delivering a compound annual growth rate of 10% since 2022. Our VNB margin is very sensitive to mix and volume changes within and between segments.

Our value of new business remains strong. This has benefitted from market share growth in Mass and Foundation Cluster, though offset by lower sales volumes in Old Mutual Corporate and a shift towards lower-margin savings products. We will continue to target a VNB range as we prioritise growth in rand-value of new business at profitable margins.

Our total embedded value remained stable at 68 billion, despite the high level of dividend outflows of 3.3 billion from our life and savings businesses, compared to the 2.2 billion for the prior period. The return on embedded value remains healthy at 12.5%, supported by higher expected returns, profitable new business written and positive risk experience variances, partially offset by worse persistency and development expenses.

Our group equity value represents management's view of the market value of the group based on a sum-of-the-parts valuation by line of business. Fair price continues to trade at a significant discount to group equity value. We believe that the steady improvement in our margins and balance sheet returns from the core, as well as the traction on our new growth engines, will close the gap between our market capitalisation and group equity value.

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We remain committed to our capital management framework, consisting of balance sheet strength, considered capital deployments and balance sheet efficiency as a means of enhancing value and returns for shareholders. We have introduced a shareholder solvency ratio, which represents the regulatory solvency ratio, adjusted for material differences in the way the group manages capital.

In arriving at the shareholder solvency ratio, China was adjusted to a local Chinese prudential basis. This is consistent with the basis on which the current OML target range was established and the basis on which we reported our regulatory solvency up until 2023.

Our shareholder solvency ratio of 188% remains strong and within our solvency target range. The decrease in the shareholder solvency ratio from 190% in 2023 is due to the net redemption of subordinated debt of 1 billion and the inclusion of a board-approved share buyback of 1 billion, subject to PA approval. Our regulatory solvency ratio correspondingly reduced from 177% to 175% during the period.

We target cash generation of between 70% and 80% of adjusted headline earnings before capital optimisations. Our subsidiaries generated gross free surplus of 4 billion in the first half, representing 123% of adjusted headline earnings, with 1.7 billion contributing towards discretionary capital.

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Our operating segments continued to generate a high proportion of cash earnings, which were paid to the group as dividends. And we continue with various initiatives to optimise our capital, with a significant optimisation in our holding company structures releasing 1 billion of capital during the period.

This then brings us to our discretionary capital, which increased by the 1.7 billion contribution from free surplus generated. The capital allocation for the year was primarily to fund growth investments, with the largest allocations to the bank build. Further capital allocation included the capitalisation of the Two Mountains Group.

The June discretionary capital balance of 1.4 billion is available for investment or return to shareholders. We still await regulatory approval for the OMLACSA special dividend of 2 billion that has been approved by the board. Should the approval be obtained, this will increase our discretionary capital balance.

Our Group RoNAV continues to trend upwards, now above our cost of equity. This increase was supported by improved adjusted headline earnings and continued capital optimisations. RoNAV, excluding new growth initiatives, increased by 210 basis points to 15.5%, now within our target range of cost of equity plus 2% to 4%.

Improvements to our RoNAV, excluding growth investments, are dependent on three factors, the ongoing optimisation of our balance sheet, the continued market share growth of our retail segments and the impact of external market factors and investment returns.

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While not material to our results, I feel it appropriate to inform you that after an inspection by the Prudential Authority in 2020 into OMLACSA's AML process and controls, OMLACSA has paid a 10 million administrative charge in the current period. We are expecting the Prudential Authority to issue a press release in due course.

Our results in the short term continue to be impacted by our deliberate decisions to invest in our future. We have delivered a solid set of results and, in particular, a very strong turnaround in Old Mutual Insure, due to the implementation of management actions previously communicated. We have met all of our medium-term targets except Group RoNAV, which is not yet within our target range. And as Iain highlighted, we have continued to execute on our strategic targets. And with that, back to you, Iain.

IW

Thank you Casper. I'd like to just highlight a few key take-aways in summarising what we've said today. We continue to demonstrate strong cash remittances from our operating businesses, which has enabled us to support dividend growth as well as the further proposed R1 billion share buyback, subject to regulatory approval.

Over the short term, our RFO and VNB margin have been impacted by both the macroeconomic cycle and experience variances. We've chosen deliberately to invest through the cycle to fund our new growth engines.

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From a shareholder returns perspective, our RoNAV, excluding new growth initiatives, improved by a further 210 basis points to 15.5% and is now within our target range of COE plus 2% to 4%. And from a strategic delivery perspective, our technical and operational build of OM Bank is ahead of schedule, with a soft launch planned for Q1 2025. And we expect a minimal impact to the business case for the bank.

We are encouraged by the green shoots that we've started to see in the macroeconomic environment, particularly in South Africa. With moderating inflation and monetary easing underway, our customers should start feeling some relief from the persistent cost-of-living pressure of the past few years.

In addition, we're seeing a modest recovery in growth momentum in the year term. And in the past, we've seen the insurance sector perform well as these macros turn. Throughout the cycle, we've worked hard to bolster the core of our business and to position ourselves for growth. Our distribution capacity and footprint is primed for recovery, and I'm cautiously optimistic on the outlook and what it holds for our business. And with that, I'll ask Langa to come up and facilitate our Q&A session. Thank you.

LM Thank you very much, Iain and Casper, for unpacking the key insights from our results. We will now shift to the Q&A session. As I said earlier, we will start by taking the questions directly from the call online. So may I please just ask that each speaker limit their questions to two.

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We will start with a set of six questions, so that's three people who will ask. If we may just help each other, we will be able to come back and take further questions. I will later take the questions that have been submitted. And thank you to those who've submitted their questions already. Operator, could you kindly give me the first question on the call?

OP Thank you. First question comes from Warwick Bam of RMB Morgan Stanley. Please go ahead.

WB Good morning, everyone. Thanks for the opportunity to ask questions. Just two, the first one just on the increased number of large death plans in personal finance. This appears to diverge from the experience of your peers. If I recall correctly, you had a similar divergence a few years ago. Can you just talk to the dynamics in this period and what gives you the confidence that it's contained to the first half? And then just elaborate a little bit on your reinsurance structures and why they didn't kick in, in this example.

And then secondly, you talked about changes you're making to the savings products in 2025. How might these changes improve your competitive positioning and your VNB margin? Thanks.

LM Thanks. Please, Kerrin, you may take the question.

KL Thank you, Langa. Thanks. So the large death plans actually involve very small numbers of people. So it is quite volatile. So our normal experience is between 20 and 25 death plans above 10 million per half. So we run at about 11 or 12 a quarter. In H1, we had just over 40. So it's not a large number of extra deaths, but it's quite a big impact on the profitability.

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We do have reinsurance structures in place, but our retention limits are, depending on the age of the policy, between R10 million and R15 million. So that accumulates quite quickly across 20 extra deaths. What does give me confidence is, in Q3 to date, and we're almost at the end of September, we've only had seven. So we're actually running at half the normal rate in Q3. So I can't promise it's limited to H1, short of divine intervention, but we are definitely seeing a better experience in Q3.

In terms of the savings products, it's a modern platform. It is flexible. It's much more similar to our wealth platform, which, we see good support from IFAs in particular, which is where the savings market is really dominated. So hence, I think we will see some good uplift from it.

LM Yes. Thanks, Kerrin, and thanks, Warren, for that question. May I take the next questions, please?

OP At this stage, we have no further questions on the lines.

LM Okay, thank you. I will switch on to the written questions. The question on PF has been also asked by Siphhelele. So Siphhelele, I will skip that. Also, Baron from JP Morgan asked a similar question, so I will skip that. I will just turn over to some questions for Clarence. Clarence, there is a question submitted by Baron. And he would like to know specifically the issue around the single counterparty impairment, and how big was the magnitude on that?

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CN Yes. So the counterparty was Bridge Taxi Finance. If you recall, in 2021, we provided a secure loan through Bridge Taxi Finance of around 500 million. And at the end of 2023, we had an impairment in that. And H1 this year, it was an amount of about 155 million. So if you check page 49 of our pack, we do mention the quantum of 155 million.

LM Thank you there. I will switch over now to Zulfa, still sticking with Baron Nkomo, JP Morgan. He would like to know, what is driving the reduction in the valuation of asset management in your group equity value?

ZA Thank you, Langa. Actually, the question is more for Kerrin, because we've just gone and checked, and it's sitting in our wealth business.

LM Okay, thank you.

KL So that's just a technical change. We actually changed our valuation methodology from a pure multiple to a discounted cash flow. So it's one of those choose-your-model type of things as opposed to any real deterioration.

LM Thank you very much. That's all from Baron. I will now shift back to Sipehelele, and there are questions on capital management, Casper, quite a couple of them. The first one is that the business is very cash-generative. If the OMLACSA special dividend of 2 billion is approved by the regulator, how much will the solvency have been post this dividend? It seems it will still be around 1.9 for OMLACSA.

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IW Yes, you can just... Because we subtract the dividend from...

NI Yes.

IW Own funds. So you can just add it back to... And I don't have my calculator here, but it would have been higher, yes.

LM Yes. Nico, would you like to weigh in, please? I think you would be able to add colour. Would you please get a mic to Nico?

NI Thank you. We provide in the booklet OMLACSA Own Funds and SCR. And they're typically around 60 billion own funds and 30 billion SCR. That 60 billion own funds is already after the special dividend. So you just add it back in and you divide back out, you'll see that picture.

LM Thank you. There is a question from Andrew Vintcent. And he's got a question also around special dividends, so I'll read it out. It says, a quick one for clarity. You have announced another 1 billion buyback, with the OMLACSA special dividend of 2 billion still pending. When would you expect that to flow through to the group? And would it be fair to assume that this 2 billion will also be distributed to shareholders via a further share buyback or special dividends?

IW So just to be 100% clear, when we disclose our discretionary capital balance, it doesn't include the 2 billion from OMLACSA. That's going to add to it. But it also doesn't have the deduction of the 1 billion that we've now announced. So both of those will affect our discretionary capital balance.

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And then any further decisions we'll take, we'll only take once we've assessed the position at year end and we've seen how that balance has moved over the six-month period to 31 December. We normally make these decisions either at the half year or the year end.

LM Thanks, Casper. I will switch back to... I think Nico would be appropriate to help us here, but definitely, Kerrin, you may also weigh in, the retail-facing segments. Michael Christelis from UBS is asking, would you please provide a split of the EV variances from mortality and mobility between segments?

NI Yes, we've shown an overall picture. I suppose the best to give you is the Corporate segment, we know, has had ongoing good mortality. MFC has had decent positive mortality, and we've discussed the PF mortality hit in the period. So that gives a bit of colour on that. I'm not sure about giving numbers here.

On the persistency, I think it's been a tough-ish period across most of the segments, with MFC having had the ERR releasing into their variance, despite that their variance was still negative just because the economic recovery and the

interest rate reductions lagged a bit compared to what had been in the model when that reserve was initially set.

We've also had a worsening in persistency variances across all of the other segments, just about. So persistency had a bit of pressure everywhere. And then expense variances were still positive across most of the segments, albeit slightly smaller positives. So you can add that to what we disclose on the EV variances. Hopefully, that gets you what you're looking for.

00:50:34

LM Yes. Thank you very much, Nico. Charles, you are in the spotlight, so I'll switch back to you. There is a question from James Starke. He would like to know, for OM Insure, what was the nat cat and PYD experience in H1? And is the 5.9% margin sustainable?

CH Yes, thanks for the question. We actually had a slightly worse nat cat experience in 2024, first six months, than we did in 2023. It's just that the business is set up in a better fashion to weather these sorts of weather events, which are displaying increasing frequency and moderate severity, if I call it that.

The 5.9%, as I've just said, the business is set up to deliver at the top end of our underwriting margin range. We are in a risk business, so there are always the imponderables that can happen out there which we don't foresee. Freak losses, for example, freak claims, it's very difficult to plan for those.

But as a result of building up particularly our price adequacy in the Old Mutual Insure segment, we are in a better position, and more resilient and able to absorb some of those shocks. And we have budgeted a portion of... That 5.9% is after allowing for, shall I say, the predictable portion of those particularly climate-related events that's been built into our forecasting. So we have reasonably good confidence we're going to continue to achieve at the top end of our underwriting margin range. Thank you.

00:52:29

LM Thank you very much. There are questions that have come on the bank, but I will take those ones just shortly. Just to wrap up on some of the questions that have come through earlier. Michael Christelis, again, has a question specifically regarding the 2 billion OMLACSA special dividend. The question is, can we assume that the 2 billion special dividend is not needed to fund the bank growth, that is, can it be deployed for growth or returned to shareholders? Casper, I will throw that to you.

IW Yes, I think, Langa, as I said, once that's approved and once we've got approval for the special dividend, hopefully all within the next six months, we'll look at our forward-looking planning, and we'll communicate how we're going to deal with that, probably as part of our year end results next year.

LM Thank you very much, Casper. Now, on the bank, we have a question from Cornette. This is Sanlam Investments. And she is asking, this is on the cash capital spend on the bank, how much has been spent in total so far? That's the first part of the question. What is the envisaged further spend in cash?

How much is coming through as expenses in the income statement versus what is being capitalised? Casper, I will also throw that to you, but I will also ask Ranan just to weigh in specifically around how much is flowing through the P&L and what is being capitalised.

00:54:13

IW Yes, I can start, and then Ranan can add. So because the banking build is a SaaS arrangement, Software-as-a-Service, most of the expenditure goes through the income statement, with a small portion of the actual investments being capitalised. So what I recall is less than 300 million, but we can get the correct number. But the rest of the spend obviously then goes through. So most of it you can see visibly in the income statement, and the actual capital will be a little bit more than the cumulative spend through the income statements.

LM Thanks, Casper. Ranan, if you'll just add some colour there.

RT Yes, Langa, and I think further, yes, Casper is right there. We expense most of the amounts. In terms of spend on the bank to date, one just needs to add the various capital pools that we've disclosed through the various reporting periods. It's circa 2.5 billion that we've spent on the bank to date.

LM Thank you very much. We have a question from Gerard. He would like to know... It's a question that is really about the evolving financial services space. I will throw this one to you, Clarence, and also ask maybe Casper and Iain to also weigh in.

It says, we have, over time, seen the consolidation of the financial services industry, where banks have entered the insurance space and the banking space. Could management shed some light on where they see future growth coming from and how they've set up the group to benefit from this envisaged opportunity? On second thought, I think Iain is best positioned to answer this question.

00:56:16

IW Yes, look, I think the trend that's been highlighted is not a new thing. So let's start there. I think FNB have been moving into this space over time. Capitec have been a fierce competitor for many, many years in this area. I think what sets us apart, essentially, is the diversity of distribution that we have.

So when we talk about that multi-channel distribution strategy in MFC, it's a very deliberate strategy that seeks to preserve the moat of our business from a defensive posture perspective. But I think if you go back all the way to 2008, when we started the Old Mutual Finance business, that was started in response to Capitec, and us envisaging that that would be a competitive threat.

So I think, to some extent, the proof is in the pudding if you look historically at the fact that we still have the number-one market share in that space. We've been able to, admittedly with some cyclical variation, successfully defend our business and preserve its value.

And the thinking behind the launch of the bank and our determination to be even more competitive in that arena is another weapon in our arsenal, essentially, to compete against that threat. So I think we acknowledge the threat. We acknowledge the existence of the competition from the banks. We believe that we

are well set up to both compete and to thrive against that, even in that environment.

LM Thank you very much, Iain. We still have about two minutes, so I have just to check with the operator. Are there any further questions online?

00:58:08

OP Thank you, sir. We have no further questions from the lines. Thank you.

LM Thank you very much. We will wrap up from here. We have covered all the questions. We hope that all of you gained some insight from this. With that, I will just ask that we wrap up. Thank you very much.

00:58:27