Old Mutual Limited (OML) 2022 Interim Results Announcement

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11h00-12h15 CAT

OML	Q&A Participants
Iain Williamson, CEO **Casper Troskie**, CFO **Sizwe Ndlovu**, Head of Investor Relations **Clarence Nethengwe,** MD: Mass and Foundation Cluster **Kerrin Land.** MD: Personal Finance and Wealth Management **Garth Napier**, MD: Old Mutual Insure **Prabashini Moodley**, MD: Old Mutual Corporate **Nico van der Colff,** OML Group Actuary	**Michael Christelis**, UBS **Andrew Sinclair**, Bank of America **Londiwe Buthelezi**, News24 **Francois Du Toit**, Anchor Capital **Peter Hlabisa**, Transnique Africa **Jaco Visser**, Financial Mail

Opening video played

SIZWE: Good morning and welcome to everybody. This is Old Mutual's 2022 interim results. We are live in Johannesburg today, and to everybody joining us via the Webcast, conference call, as well as in this room, what a privilege and pleasure it is to have you join us today. Before we start though, a couple of housekeeping items.

For those in the room just a reminder to keep our phones or mobile devices on silent and to avoid as many distractions as possible. And for those of you joining us on the Webcast please feel free to ask questions at any point during the presentation. If you happen to be on the conference line, you are also welcome to ask questions and instructions will be provided to you after the presentation concludes.

Onto today's agenda. We will kick off today with a *strategic review* by Iain Williamson, our Chief Executive. He will then be followed by Casper Troskie who will then do our *financial review*. Then Iain will return just for a short *looking-ahead* section before we open up the floor for questions and answers. Thank you again. Over to you, Iain.

IAIN: Thank you Sizwe and welcome everybody. It is a pleasure and a privilege to be here presenting really good, solid results. It is particularly pleasing that we have got quite a number of people here in the room, as well as a number [of people] on the Webcast and phones and to not have to talk about COVID-19 for the first time in two and a half years. This is really a pleasure from my point of view.

The 87% increase we have seen in our Result from Operations speaks to the strong recovery and growth we have experienced in our business and our objective today is to give you a really good sense of the results that we have produced as well as the execution of our strategy, speaking to how we are starting to shift gears and accelerate growth in our business.

So, I am going to start with a very brief overview of the financial highlights. Casper will obviously give you a lot more detail on this later. From a top-line perspective, we have had Life APE sales showing strong growth in a tough environment, up 15 %, maintaining our new business margins within our target range of 2% to 3%, finalising that margin at 2.2%.

Our gross written premiums on the short-term side were up 9 % and we have seen our Group solvency ratio increase a further 300 basis points to 187%. So, a very strong balance sheet. We have seen a small decline in funds under management. That is partly driven by market volatility, in particular increase in bond yields and obviously, the value of bonds coming down but also a small negative net client cash flow, which we will talk about in a bit more detail later.

The headline number from the results, Result from Operations up 87% and that is a really excellent outcome driving an increase in our return on net asset value up to 9.6%. The Board has agreed to declare an interim dividend per share of 25 cents. That is flat on the prior interim dividend, despite the fact that we distributed our stake in Nedbank during the second half of last year. Casper will provide further update on these and other Group KPI' s later in the presentation.

By now I think you are all familiar with our strategic framework. We set our victory condition in 2019. It is becoming our customers' first choice to sustain, grow and protect their prosperity. And we execute those series of initiatives in pursuit of that goal and then we prioritise those initiatives utilising a framework of value drivers of revenue growth, expanding operating margins, improving competitive strength, efficient execution and delivery and capital optimisation.

I spoke at our Capital Markets Day last year about an execution framework around rectify, simplify and amplify. I am pleased to say that rectification and simplification are substantially complete and we are shifting our focus very much onto amplifying. We intend to do this by focusing on both growing and protecting our core business and on unlocking new growth engines. We define the core as being those businesses in South Africa and the SADC countries, which are both very large and where we have relatively dominant market shares in those markets. We can think about the growth engines as consisting of our East and West African businesses, our business in China, our investment in our transactional capability and the NEXT176 cluster of businesses, which are focusing on growth in adjacent markets and then through partnerships. We believe if we execute well against all of this we will responsibly build the most valuable business across the sectors that we choose to participate in.

Shared value and sustainable transformation are embedded and integrated into the DNA of Old Mutual and are at the core of how we do business. We recently became the first South African insurer to join the Net-Zero Asset Owners Alliance and our Asset Manager, Old Mutual Investment Group also joined the Net-Zero Asset Managers' Initiative. Our leadership in the investment space of ESG has been confirmed by a multitude of industry awards, including some received during the period under review.

From a transformation perspective, our deals both at Futuregrowth and at the Group level, being the Bula Tsela transaction, are landmark transactions that demonstrate our continued leadership in transforming markets. In its core make-up, the Bula Tsela transaction follows our demutualisation process from more than 20 years ago where we provided millions of Old Mutual shares to all our customers at the time and this is set on the foundation of a fundamental belief that sustainability and inclusive growth are good for our customers and for our business in the long term. On all of our recent results announcements I have given you updates on these seven commitments that we have made to our investors and which underpin the execution of our strategy and I am pleased to say that we continue to see solid delivery across all of these.

In *changing the trajectory of the customer experience,* we have opened three new channels for customers to initiate claims, giving them choice and ease. These are largely digital in nature, including both WhatsApp and USSD channels. We have also built out further our Old Mutual Rewards Programme, which now has one and a half million members and crucially from a financial perspective, the members on our Rewards Program have a higher average needs met per customer and better persistency than our customers who are not members of the Rewards Program. We are on track to meet our commitment to *realise R750 million of cost savings* by the end of this year.

And then the Mass and Foundation Cluster. We continue to *regain our competitive advantage*. We have entered into a partnership with Bridge Taxi Finance in the period under review. This provides us with access to 300 000 commuters daily. We intend to provide free Wi-Fi in the taxis to help us to gain customer insight and to provide a distribution channel for some of our solutions that are suitable for digital distribution. From a Group perspective, it will also provide an incremental R130 million of gross written premiums to Old Mutual Insure and I think this transaction will give you a sense of how we are thinking about partnerships, trying to approach them from an enterprise perspective with multiple business units benefiting from the relationship.

In Personal Finance and Wealth, we continue to grow our Restricted Financial Advisor numbers. They grew strongly in the half under review, with one of our network brands increasing their advisor network by over 30%.

In our Investment Business we see *continued strong momentum in investing performance.* At the end of the half we had 94% of our funds performing above benchmark over a one-year period and 81% over a three-year period. These are the best relative performance figures we have had in our investment business for probably a decade.

Finally, in *embedding digitalisation more firmly in our business*, we have now concluded 95% of the migration of our South African technology estate to the Cloud. At the end of June, that was sitting at 88% and by the end of July at 95%, and we intend to complete this process by the end of this year.

I would like to make a few comments around the operating environment that we faced in the first six months of the year. I do not think it is a surprise to anyone that it was a particularly challenging macro environment. There are a few variables that are particularly critical to our business. The first of these is inflation and particularly consumer price inflation. It has been trending up globally around the world, following the Russia/Ukraine conflict and supply chain disruption around the world.

At the end of June [2022], South African consumer price inflation (CPI) came in at 7.4% and trended further upwards in July to 7.8%. We do, however, expect this number to come down in the next two months as we expect quite substantial reductions in the petrol price over the coming months. Inflation has also been trending upwards across the other markets that we operate in. The unemployment situation in South African also continues to worsen and we have had negative year-on-year income growth. So, collectively this results in consumers that are under a great deal of financial pressure and for our business [this] translates into increased headwinds regarding new business, a need for continued vigilance on premium and loan repayment collections where customers are struggling to meet their obligations.

The final thing I want to talk about in respect of these key variables is the producer price inflation (PPI). This is particularly material for the short-term insurance business. PPI in South Africa has been running at 15% to 20%, so much higher than consumer price inflation and will obviously ensure this impacts on the cost of replacement car parts, the price of used cars and as has resulted in us needing to critically re-evaluate our pricing levels in the short-term insurance business.

Turning now to equity markets or markets in general, which are the other key drivers for our business from a macro perspective. We believe that equity markets are likely to remain volatile for the foreseeable future as global authorities struggle to get inflation under control and the Ukraine/Russia conflict flows out. The market in South Africa was flat by the end of June on prior year, having enjoyed a period of good performance in the period up to June. The markets across the rest of the continent generally trended downwards over the period. As I mentioned earlier, bond values are obviously under pressure given the increased interest rates. This is relevant for us because we earn a significant proportion of our income from asset-based fees.

I am now going to comment briefly on the highlights of each of our business units' performance over the period, starting with the **Mass and Foundation Cluster**. The story in the Mass and Foundation Cluster is a really good one and I think we are on a sustainable recovery trajectory. Momentum has been fantastic with risk sales stronger, improved saving sales and a consistent improvement in productivity across our distribution channels. Life APE sales were up 9% and the net client cash flow up 14%. We have now fully embedded our non-advised funeral product into our Old Mutual Finance branches.

The combination of the better volumes and disciplined expense management has resulted in a further expansion of our VNB margin to 7.7%, solidly within the target range for this business [of 6% to 9%]. On the lending side, we have been deliberately cautious in our approach to loan growth and we have an unchanged loan book period on period. Our credit loss ratio is starting to normalise towards the revised long-term range of 6% to 8% and we have revised this long-term range downwards from the 7% to 9% range communicated previously. We have seen a continued higher rate of collections from the performing book and have maintained good credit quality across the whole book. Finally, we are excited by the enterprise-wide opportunities presented by our new partnership with Bridge Taxi Finance.

Moving on to **Personal Finance and Wealth Management**, these two business clusters delivered R2 billion in net client cash flow in the six months, up 85 % over the prior year. Our Life APE sales are still 13% above the pre-pandemic levels from H1 of 2019. We have delivered further enhancement to our Old Mutual Protect (OMP) product offering based on feedback from intermediaries and advisors. However, we have seen quite a substantial pressure on our new business margins and these were impacted by a tilting in the market out of higher margin guaranteed annuities to living annuities as well as within our risk products from living benefits to more commoditised death benefits.

We are addressing the value of new business (VNB) decline by a number of concrete actions to boost volumes and to move our mix in the right direction and these include:

- A continued drive around weekly advisor activity,
- Finishing off the last of the improvements on our Risk Product proposition, to deliver slick processes in the context of this space,
- Improved and enriched customer data from a variety of sources and integrating our Rewards Program into our product quotes, enabling us to better cross-sell to the existing client base, and
- We have made changes to management incentivisation across our sales channels to drive desired focus areas.

We will continue to further push advisor-acquisition in the experienced advisor space where the customer and network lies in the appropriate upper middle-income sector.

In our **Wealth Management** business, we have seen improved sales through our independent distribution network as well as through our restricted advice channels. Wealth Management have inevitably been somewhat impacted by overall weaker markets. We have seen significantly lower sales on the Old Mutual International side given market volatility, particularly in the US. But this has been more than offset by much increased support on our local platform. We look forward to launching our new Savings and Income proposition and range of solutions in from quarter 4 of this year.

Moving on to the **Investments** business, both annuity and non-annuity revenue were up solidly in the period with management being strong after a buoyant second half of 2021. We have a very healthy secured-yet-to-flow committed pipeline of business and we have seen outstanding investment performance over the period. We continue to build on the product innovation that was commenced last year with the launch of Futuregrowth's High Growth Development Fund, which has a venture capital focus. This comes on the back of launching various new funds last year which all have good long term scale potential.

The ownership deals, [which] we have announced in this space show our commitment to transformation and will provide us with a competitiveness boost as we will be 51% Black-owned in both Futuregrowth as well as in the management of all our listed South African assets.

In **Old Mutual Corporate**, we have seen a resilience from all-round performance in a tough environment, with Life APE sales up and the Group Assurance division being an absolute highlight with pleasing sales, scheme retention and intelligent re-pricing driving up the value of new business by 62%. We have seen increased quote activity in the market and our net client cash flow has been boosted by lower benefit payments and fewer terminations relative to the prior period.

We have successfully launched the second version of our SMEgo platform, following a successful pilot, and we intend to further complement this proposition following the acquisition of a stake in Preference Capital an SME lender. This will further cement this offering. In a tough and fiercely competitive environment which impacted overall margins, Corporate has worked really hard with growing success.

I am going to play you a short video to illustrate how the customers of the SMEgo platform are experiencing the offering.

VIDEO PLAYED: *"Funding facilitated by Old Mutual can help your business grow. Our industry experts look beyond your credit record towards the real potential of your business so you can grow your business through more spaces, through more stores, through more equipment and more markets. Get business funding facilitated by Old Mutual."*

Okay turning now to **Old Mutual Insure**. I think this business unit has experienced possibly the toughest environment of all our businesses in the first half of the year and delivered a very credible outcome. Aside from the macro variables that I have described earlier there was also the KwaZulu Natal (KZN) floods, which I think we know about, which resulted in a net impact on our underwriting result after re-insurance of R135 million. We saw excellent results from CGIC, a recovery in retail and a really solid contribution from the iWYZE business.

Non-commission expenses have continued to be managed downwards in line with our strategy and the business marginally gained a market share with premium growth of 5 %, still up on H1 2019. We expect to see a hardening cycle in re-insurance renewals and our pricing is under review, given the PPI pressures in the supply chain that I described earlier. We have made good progress on the consolidation of our acquisition of ONE Financial Services and we have further boosted our distribution capability through the acquisition of a broker admin services platform. We are also the underwriter in a number of key InsureTech partnerships, including both Pineapple and SwiftVee. I am encouraged by the continued progress that has been made in reducing costs, improving efficiencies and focusing on the quality of the book that we have in this business.

Our **Africa Regions**; We have renamed literally this week internally our Rest of Africa business to Old Mutual Africa Regions, cementing the central importance of this business to the overall Group identity and strategy. We have seen a strong turnaround in this business with great top-line growth. Life APE sales are up 28%. Gross written premiums were up 24% and the non-life business also experienced significantly higher gross flows, supporting by our Asset Management business.

In the life business, the pivot-to-corporate has been really successful and corporate now accounts for more than 50% of our life sales in both East and West Africa. VNB was up substantially on the back of the higher volumes. As in South Africa, we have continued to take a really cautious approach to lending in this business and our loan book was down 10% over the period. I am really pleased with the progress and the hard yards that the team across the portfolio has done in improving the control environment across these businesses. We are now much more comfortable. And as we alluded to in our opening video, we have rebranded both our Kenyan and Rwandan operations from UAP Old Mutual to simply Old Mutual. More of our countries in the East Africa region will follow shortly.

Talking now to the new growth engines that I described earlier, and I am going to talk about this in three pillars:

- Firstly, the portfolio that sits underneath the Next 176 brand. Secondly the businesses in East Africa, West Africa and China and finally in our transactional capability build. We have committed R300 million in capital at this stage to NEXT176. It is not a one-year commitment and to date about R90 million of that has been deployed. You will recall when we announced this that we referred to it as our New Growth and Innovation Office, which I think is a sense of what it is about. We have branded it NEXT176, alluding to the fact that this business was started when Old Mutual was 176 years old and it has deliberately been positioned as a B2B brand and resolving customer problems with partnerships to drive growth. It is intended to supplement the growth of our core business and to be dealt with as a portfolio of opportunities where there will be quite high risk and no doubt some failures but overall, a net contribution to higher growth for the business as a whole.

- In East and West Africa our goal is to be the top three in all the territories that we choose to remain in and if we do not believe that that can be achieved, we will exit that particular territory. Our Chinese business is growing very strongly, with Life APE sales up more than 100% on the prior year, boosted mainly by the performance of the broker channel.

- And finally, we continue to invest in the build-out of our challenger transactional capability to the very exciting growth opportunity for us. Essentially what we have done here is to invest in a combination of software licenses and people, with a team of approximately 190 people working on this as I speak, and the intention is to offer a modern Cloud based payments capability, offering a wide range of channels to assist the customers, supporting a best-in-class data strategy to future-fit our overall business.

I am immensely proud of the degree of strategic progress that has been made in delivering against our objectives in the period under review. I am now going to hand over to Casper to take you through the detail of the financials and I will come back later to talk about the outlook. Casper, over to you.

FINANCIAL REVIEW BY CASPER:

Thanks Iain and good morning all. So much has changed in a year. As you may recall last year during our Capital Markets Day I had to present from home having contracted COVID-19. So, it is really great to be here in person.

Post unbundling of our strategic investment in Nedbank in November 2021, we have seen continued positive momentum in our core earnings, core operations with key metrics relating to earnings and capital improving whilst value metrics were impacted by market volatility and economic pressures. Overall, we were pleased with the recovery and Results from Operations to R4.1 billion and we continued to see reduced impacts from COVID-19, adjusted headline earnings (AHE) grew 19%, excluding the earnings from distributed stake in Nedbank from last year's base, supported by growth of our core business.

Despite weaker market returns, our return on net asset value improved to 9.6%, including the impact of the unbundling of Nedbank which [we] delivered on our promise to simplify the Group's capital structure and provide a substantial return of capital to shareholders. An interim dividend of 25 cents was declared. The dividend is supported by high levels of free surplus generation, as well as a strong balance sheet with the Life company's capital ratio above the upper end of the target range.

Value of the business was down 4% and the value of the business margin reduced to 2.2%, still within our target range of 2% to 3%. While Group equity value (GEV) reduced by 5% we achieved the return on value of 1% over the period, adjustment for dividends paid as well as economic variances. I will unpack the value metrics in more detail a bit later.

We started 2022 with a pandemic provision of R2.9 billion. For the first half of 2022, our mortality experience was significantly more favourable due to the easing of the COVID-19 pandemic. As a result, no additional provisions have been raised. We will evaluate the long-term impacts of COVID-19 and the increased pressure on persistency along with assessing all the remaining COVID-19 provisions at the year end.

The Mass and Foundation Cluster Results from Operations grew 26 %, mainly due to continued higher Life sales and good cost management. The first half profits for Mass and Foundation Cluster include annual premium cover increases which are not expected to recur in the second half of the year. Personal Finance and Wealth Management recovered to R1.3 billion with Personal Finance recording R1 million in Results from Operations, up from a loss last year.

Mortality losses from excess during the first half of the year was significantly lower than 2021 and we were fully covered by the release of provisions. Wealth Management decreased by 5% to R235 million and while the underlying operational performance was better than last year (inaudible) impacted the market value via offshore fleet(?) capital investments.

As Iain mentioned earlier Old Mutual Investments was up 9% largely due to higher annuity and non-annuity revenue. This was mostly offset by higher expenses, with vacancies being filled and investment into revenue growth initiatives and the refreshing of technology.

Old Mutual Corporate's improved substantially by 59% to R727 million in the first half of 2022 benefitting from a strong recovery in underwriting profits from a muted COVID-19 experience and prudent expense management.

Old Mutual Insure declined by 20% to R213 million mainly as a result of an increase in the frequency of general plans, an increase in the average claim size brought on by growing inflation rates as well as claims arising from Kwa Zulu-Natal floods.

We have seen strong top-line growth in Africa Regions which improved the business margin, reflecting the increased quality of the Life book as we continue to pivot to corporate business. The strong sales performance was also supported by improved retention and mortality experience with the end result being satisfactory Results from Operations of R212 million.

Net expenses from Central Functions increased to R463 million as a result of further investments in growth and innovation initiatives, including NEXT176 and our transactional capability as well as an increase in the IFRS 17 project costs. Overall Results from Operations recovered strongly to R4.1 billion on the back of improved core business performance and muted COVID-19- 19 impacts.

Adjusted headline earnings grew 19% excluding the earnings from the distributed stake in Nedbank, a strong growth in Results from Operations exceeding lower investment returns and a higher tax charge. The decrease in investment returns as driven largely by lower equity and bond returns across the Group and despite the volatile and challenging investment environment. The shareholder investment strategy continued to meet the main objective of protecting and preserving shareholder capital.

The increase in finance costs was driven by the increased interest rate environment and by the issuance by OMLACSA of subordinated debt instruments in September 2021 and June 2022. As part of our simplification process, amounts owed by OMLACSA to one of our trusts was written off, resulting in the release of capital to the Group. The write-off itself had no impact on earnings with the exception of the tax paid on the gain, increasing the tax line.

The main movement between adjusted headline earnings to headline earnings is from our operations in Zimbabwe. The results of Zimbabwe remain excluded from adjusted headline earnings due to us not being able to access the majority of our capital and the increase in Zimbabwe' s profits continue to be driven by an increase in investment returns with the Zimbabwe Stock Exchange generating an 83% return in the first six months of the year, against an inflation rate of 119%.

Given the material reduction in the rate of exchange, a large negative adjustment of just under R3 billion is reflected in our foreign currency translation reserve. Overall, IFRS earnings improved 75% to R5.2 billion, with the Nedbank unbundling also impacting the 2021 result.

The OML and OMLACSA solvency coverage ratios have improved over the period, with the balance sheet remaining strong and resilient to market volatility, enabling the Group to continue declaring sizeable dividends. The OML coverage ratio was 180% at the upper end of the target range and the OMLACSA coverage ratio improved materially to 212%, which is above the target range. The main driver for the improvements is the reduction in the prescribed equity stresses that are set by the Regulator. However, given continued elevated macro-economic risk, the Group continues to take a cautious approach to managing capital.

The Group's value of the business margin is slightly lower at 2.2% with a fall in the Personal Finance margin being offset by gains across all other segments. Increased sales volumes and cost management led to a sizeable margin improvement in the Mass and Foundation Cluster relative to last year. In Personal Finance and Wealth Management, product mix and volume has shifted with market conditions and consumer sentiment having a negative impact on the value of new business. Higher margin guaranteed annuity sales are significantly down. In addition, customer favoured cheaper, lower premium funeral expense benefits over underwritten risk. Lastly, the revision of submission costs allocation methodology in late 2021 has reduced he margin by 0.3%. The improved margin in Corporate relative to last year was mainly driven by good cost management and a better mix of business as we wrote more Group Risk sales and more sales of higher margins, Smoothed Bonus products. In Africa Regions, the margin increased to 2.9% driven by the higher Life APE sales.

The return on Group equity value was 1% over the period, driven by a strong operating performance and front-line growth in most segments but pulled back by the impact of economic variables. Lower market returns and higher yields impacted discounted product and asset management fees in the life and asset management businesses. Higher inflation, higher yields and the easing of lockdown restrictions have increased both in number and average size of claims in the Property and Casualty lines of business.

The share price continues to trade at a significant discount to Group equity value as well as our regulatory owned funds. We believe that the combination of the defending and growing of our core and the traction on our new growth engines will ultimately close the gap between our market capitalisation and Group equity value.

In summary, we have seen a strong recovery in Results from Operations and adjusted headline earnings, excluding the distributed stake of Nedbank. An improvement in our return on net asset value to be closer to the cost of equity, despite the lower market levels. Our value of the business margin is within our target range of 2% to 3% and our Group solvency ratio remains strong within the target range of 170% to 200%.

Finally, as Iain mentioned earlier, we are delivering on our promise to meet the R750 million of annual run rate cost reductions by 2022 from a combination of non-commission expenses in our life business and non-commission and claims administration expenses in our Property and Casualty business. This target obviously excludes investments in our growth businesses and with that back to you, Iain.

OUTLOOK AND CONCLUSION BY IAIN

Thank you, Casper. Before I conclude and talk to our prospects, I wish to address the issue regarding the visit to our offices by the Competition Commission in South Africa last week. At this point the Commission is investigating a matter which is an industry-wide issue and we are cooperating with the authorities in the spirit of good corporate governance.

I do want to make it clear that we have zero tolerance for anti-competitive behaviour that would be unfair to customers and for any intentional contravention of legislation. Moving then to our outlook. Casper has already spoken about the H1 outcomes against our medium-term targets. So just to describe them from a more [forward-looking] medium-term perspective, some of these targets will stretch us, but with most we remain well on track. The big influences around our ability to ultimately deliver against these targets will be GDP growth and market levels. We are not revising our targets at this point and remain committed to delivering against them.

I think we have had very strong all-round performance in the first half building on the momentum seen at the beginning of the year. However, we do face an uncertain domestic and global economic outlook clouded by high inflation and rising interest rates. Work on amplifying is ongoing and gathering pace. We are well on track to recover our VNB and our net client cash flow and our result from operations are set to continue recovering into the second half and into 2023.

We are excited by the prospects that are before us as we look ahead. We will grow and protect our core business as we unlock new growth engines at pace. I think I have shown you that we are delivering on the commitments that we have made to our investors. We are highly cash generative. We have a strong balance sheet and excellent prospects for growth across segments and we are focused on driving exciting, new and meaningful revenue streams through partnerships across our portfolio.

We continue to invest, enhancing our customer experience and generation of shared value for all stakeholders and to build towards our ultimate victory condition. We are shifting gears and accelerating growth.

In the final quarter of this year, we intend to host a Capital Markets Day for two reasons: The first will be to discuss the implications of the new accounting standard IFRS 17 on our Group's numbers but the real core content will come through into providing further insight into the new growth engines we are unleashing and the growth prospects that we believe we have in our core business and through partnerships. So, with that it just remains for me to say thank you very much for your time, interest, attention and support. We will now open for Q and A and we will start with the people here in the auditorium and then Sizwe will assist with written questions on the webcast and with any questions on the phone lines.

Thanks very much. In the room?

SIZWE: Okay Iain, it does not look like there are at this point. Maybe we can return there. Will you take that Iain? Great. So, I have a couple of questions on an additional channel that we have launched in Investor relations. It is WhatsApp. So, it is from Michael Christelis. So, Michael asks:

"Did the Board consider either a buyback or special dividend, given your strong capital position and high remaining COVID-19 provisions?"

IAIN: Okay, I will answer that. I can ask Casper to add if he wishes. The Board did not at this stage. It has been an ongoing, as you would expect, an ongoing debate internally but as Casper said we have continued to adopt a cautious approach up to now because of the volatility in the Macro environment. It i s something we will continually evaluate.

Were we to do a capital distribution at this point I think we would look to a share buy- back rather than a special dividend but we have not formally got to a place where we have made a decision with our Board on that point at this stage. Casper do you want to add something?

CASPER: Iain the only thing I would add is that we are running our capital levels slightly higher than we would be comfortable on a sort of *through-the-cycle* basis and that is because of the elevated risk. So that is the only point I would add.

I think maybe the final point to make is while conceding the point that based on the experience we have seen in the six months, our COVID-19 provisions look conservative, we do need to re-evaluate our entire valuation basis. So, at the end of this year there may be some swings and roundabouts in that exercise.

SIZWE: Okay. We will continue with Michael. There is just two more so we might as well just finish and this one is: *"How quickly can personal finance recover margins realistically in the current environment?"*

IAIN: I think Kerrin will take that.

KERRIN: I think there is always in your VNB margin a volume question and a mix question. I think the volume side of the equation is really dependent on the market conditions. It will be tricky to recover. We are obviously fighting for market share in an intensely competitive environment, and we will seek to get our fair share but we are constrained by what is out there. On the mix side, I do believe we can get to some quite rapid turnaround and rapid actions through the actions we have put in place. So, I would expect it to be improved but not back to normal levels in the short term.

SIZWE: Thank you Kerrin. And the last one from Michael Christelis, UBS: *"Can you please give me more colour on the central costs and in particular the transactional capability strategy?"*

IAIN: Casper, can I ask you to take that?

CASPER: Yah. Michael, so as we said there are items in that line. You need to split the NEXT176 cost between the R300 million capital investment against any operational cost. So, what we have is operational costs sitting for NEXT176. We also have the build cost of the teams that are building the transactional capability. So that is, I guess, roughly just below R200 million that is sitting in that line.

We then have some project costs that are coming through that come from IFRS 17, which are elevated this year and there may be still elevated costs next year. And there is a fair value adjustment on our post retirement scheme (small), which is not expected to be recurring, which is also driving that number.

Those are the sort of four impacts in that line. Ranen, anything else?

SIZWE: Iain. If I can continue? I am going to cross now to Chorus Call before I move to the webcast. We do have questions from Londiwe Buthelezi from Fin24. I have noted Londiwe, we will come to you. Is there anybody on the conference call?

OPERATOR: Thank you. For the benefit of the telephone line participants, if you would like to ask a question please press star and then 1. The first question comes from Andrew Sinclair of Bank of America.

ANDY SINCLAIR: *Thank you everyone.*

- *If I may, firstly just on the COVID-19 provisions, I just wonder if you could give us some colour on what you expected to be utilised in H1. We are looking at those provisions at the start of the year. Was it actually released in H1? Just to get a better idea I guess of the additional prudence you know in the offering.*
- *The second question is just on MFC. It is a really impressive figure there (inaudible) for the client base. I just really wondered if you can give us some colour on customer behaviour changes, retention and your expectations there looking forward?*
- *And the third question was on the investments group. Again, really impressive results from operations in H1. I just want dig a little bit into the f lows a bit more if that i s possible. I see you mentioned that 10 money markets f lows through the (inaudible) in H1. Just i f you could tell us what the f low s that have been (inaudible). Who did those margin money market (inaudible)? Were the other products able to achieve net (inaudible)? That is it. Thank you very much.*

IAIN: Okay. So, Casper or Nico regarding COVID-19 please.

NICO: I am happy to send you the exact number. I will have to go and look it up too but it was in excess of a billion rands that we expected to be released compared to the R300 we actually needed on the COVID-19 claims. You will remember that the total provision included a discretionary margin that we were not expecting to release in interims unless experiences were worse than expected but which we will also reassess at year end.

And then the rest of the provision was to cover more claims in 2022 with then reducing claims into future years. That was the end of year position, and it was expected to start dropping off but it dropped off materially quicker than we expected. Having said that, clearly the future is uncertain still.

IAIN: Okay. And then Clarence, could we maybe go to you for MFC?

CLARENCE: Just a few things. So, from a customer behaviour perspective, what we are seeing is customers are starting to buy down and what I mean by buying down is that we have got different types of risk products and we have got low margin products, which basically are cheaper from a premium perspective. So, what we have seen in the first half of the year is that most of the customers are buying this type of products and most of them are non-advice related products.

Secondly, we also see customers on the upper side buying underwritten life. And I think that is related more to COVID-19. So, most people have realised that life is short. Anything can happen and they are starting to buy underwritten life in our space. So currently we are doing about 1 200 of underwritten sales in our space on a weekly basis from a zero base.

From a lending perspective we do see high footfall into the branches but unfortunately, we have tightened our lending criteria. But if you look at sales this year compared to the same time last year or 2020 we have almost doubled up in terms of the advances that we are giving to customers even though we have tried to tighten our lending criteria.

We also see an increase in terms of Group sales and when I talk about Group sales I am talking about burial societies; I am talking about funeral parlours that we underwrite. We have seen an increase, particularly in the first two weeks of July and you will see that comes through when we report our year end results next year.

And from a persistency perspective we have seen that worsening and if you read our section you will see that we have utilised our short term provision in terms of persistency. And we are monitoring that almost on a monthly basis to see how customers are behaving. But with increased interest rates/ inflation I do see that worsening before it gets better.

CASPER: Cool. Then in terms of the flows, on the negative side there are three sources. The first source is consequence of previous success in building the Liability-driven Investments (LDI) capability, which has attracted approximately R20 billion of flows in the last four or five years. As you can imagine an LDI capability does benefit payments back to that function of the (inaudible). So that is about R2.8

billion of benefit payments in this six-month period and driven by the money market withdrawals from liquidity-seeking clients, given the tough environment that we are in.

And then there is one other. We have got a very large US client we provide some index solutions to that did a re-balance of their portfolio and that was about $100 million. That is on the negative. On the positive side in the South African institutional space, we saw quite strong inflows into our local and international ESG propositions.

In the alternative platform you would note we raised just under R3 billion of freshly committed capital into the various funds that we manage there, particularly the first close of our Pan Africa Infrastructure Fund. We did a first close at about $220 million. And then finally, there is a piece of the flows that are not reported. They reported in the Wealth business. So those are the retail flows. So, the Old Mutual Investment Group funds that sit on the unit trust platform that are managed and distributed by the Wealth business - that was about R2 billion.

So, the positive was predominantly a very high margin and the negatives were very low single digit margin type flows.

SIZWE: I really appreciate it. Thanks Iain. We will now just move to the webcast operator. If you can just note the ones on the call. So Londiwe, I am going to ask two other questions. She is from News24 and she says:

“Regarding the Bridge Taxi Finance business, how many taxis will carry this distribution channel? From what is the geographical split and can you give me more colour on how it will work? Will you have Sales Reps at the taxi ranks?”

Then just following up on that, I will just ask it once. “*Which segment [and this is for Corporate] - which SME segment are you going to target through your Preference Capital acquisition and given the competitive development in that space with banks also by SME lenders what makes Old Mutual think it has space to expand into this area?”*

CLARENCE: So let me start with the Bridge Taxi one. We are not going to have Advisors sitting with the taxis roaming around Johannesburg. So, we are starting with about 40 taxis that we are putting free Wi-Fi inside of the taxis.

Our intention is not to disrupt the operation of the taxi operators. We just put free Wi-Fi. When customers come in they can engage with the free Wi-Fi. And we will also market our solutions within that space and customers have got an option also to opt out from receiving any marketing material. They can also buy, ultimately buy online a certain product. They can open a Money Account online over time.

We are starting with 40 because we just want to test the concept in terms of how it works and related stuff. And of course, the Mokoro Group you know, the owners of Bridge Taxi Finance will also be monitoring this thing to see that it does not disrupt their business and their business model. Remember they are not like SA Taxi who basically finance people to just buy the thing. Theirs is a different model. It is a lease model. So, that is the reason why we can partner with them to provide all these things. So, you will not see any agents travelling around selling policies. We are going digital.

IAIN: Prabashini, do you want to pick up the SME question?

PRABASHINI: Thanks. So maybe first on Preference Capital, Preference Capital currently services small and medium-sized businesses with funding of up to R20 million. So, it is a range of funding from tens of thousands of rands up to R20 million. So, it is any business that requires that scale of funding. And then in terms of it being a crowded space, banks have obviously been playing in this space but I think as Old Mutual we have been servicing SMEs for many years. As for Old Mutual Insure which business as many small and medium sized clients, Personal Finance and Wealth Business services many business owners. So, this is adding on and talking to what are some of the earlier needs and more pressing needs of SMEs.

Depending on the source one looks at you know the funding gap is anything between R200- R300 billion or some state you know upwards of R500 billion. So, I think even if a few players get into the market the gap is large enough. We are not aiming to become the number 1 SME lender from a volume of loans perspective but to make a meaningful difference.

We will take a specific approach and we will build very much in collaboration with the customers and ultimately to provide our other financial services solutions. I think that is why we have an opportunity.

SIZWE: Cool. If I can just now go to the conference call operator if there is anybody after Andy?

OPERATOR: Thank you. The next question comes from Warwick Bam of Avior Capital.

WARWICK: Good day everyone. Thanks very much for the opportunity. Just one for Prabashini. Just on Corporate new business APE; if you can just sort of unpack that? If you can add some colour? If you look at it relative to 2019, first half 2019 Life APE fell 42%. I understand Corporate is traditionally Life APE but do you believe the market is smaller post COVID-19 or could it return to historic activity levels?

PRABASHINI: I think 2019 we had a couple of very large flows. I will double-check my notes but I think we had one very large deal that did f low early on in 2019. So single premium f lows we have not seen at the same level as 2019 yet. There are some large potential deals within the market but like you said, it is lumpy and we are awaiting some decisions on some of those. The umbrella market, in particular, has become incredibly competitive, which is great for customers, and I think that has not returned or we have seen quote activity but certainly we are not back to the umbrella sales that we had in 2019 and previously. So, we have still got some work to do there. We did put in a lot of effort on getting the pricing right, the overall methodology and overall strategy around our Group Assurance business and we have seen quite good retention and growth on that side. So, I think activities picked up to pre-2019 levels. We need to up our game a little bit more on the umbrella side to convert as many of those deals as we did previously.

WARRICK: Thanks, Prabashini. Can I ask you, if I can just the first one just regards to the Old Mutual Africa Regions. It is quite a drag on your return on equity and return on embedded value. What time horizon are you using to evaluate the strategic ambitions to be the leader in the market that you are operating in? For you, Iain.

IAIN: As you will expect it is not a one-size-fits-all answer. It is very much a country-by-country situation. There are certain countries which we have earmarked for, effectively, exit in our heads already. We are not communicating what those are. And there are others where we absolutely have an ambition to grow them to the top three kind of positions that I spoke to.

So, we have not thought about it in the way that you are framing the question Warwick. So, it is not as easy to answer it in that way but suffice to say that one of the critical criteria that we take into account is absolutely exactly what you are referring to, which is can we deliver a return in excess of the country-specific cost of equity for that business in a sensible timeframe. It is one of the very critical questions we ask ourselves in evaluating the country-by-country situation.

WARWICK: Thank you Iain. *And then the last one just probably for Nico. You mentioned introducing various optimisation measures to improve a shareholder investment strategy. Can you just give us a sense of how your asset allocation changes might benefit the investment return outcome on the shareholder funds, some of which I know you have already implemented, such as Nedbank but I have seen there are some others? You speak about a tactical asset allocation carve- out.*

IAIN: Yah this is not something new. It is something that has been done over a couple of iterations already. So, the decision was to create a little bit of flexibility inside the shareholder asset portfolio where there is a target longer term strategic asset allocation. And then there is an overlay within that which the Asset Managers can deliberately argue for a different mix in the shorter term within constraints.

So that optimisation I think is not necessarily something that you are going to see a major shift between periods in a single direction. It is much more about hopefully generating a little bit of market intelligence about the strategic allocation at times when one of the asset classes look cheap. I am not sure whether anyone wants to add.

NICO: Just to mention Warwick, there is ongoing work that we need to do. There are pockets of inefficiency in the balance sheet which the team is working on and we will bring those back to the market as and when we have solved those inefficiencies.

WARWICK: Thanks.

IAIN: Are there any other questions before I move back to the webcast?

OPERATOR: We have no further questions on the lines.

SIZWE: Great. So, a couple of questions on the webcast Iain, these are from Francois Du Toit at Anchor Capital and he asks three. The first one is:

"Can you quantify the impact of business interruption provision releases and related re-insurance on Insure profits for the first half of 2022 and can you comment on the level of remaining provisions? Are any further releases likely?" That is the first question. I will move to the second one so we can do them all together.

IAIN: Okay.

CASPER: That is Old Mutual Insure. Let us ask Garth to respond.

GARTH: I think on the first half I think the number is about R40 million that was released from the COVID-19 provisions. Remaining provisions I will have to confirm but I think it is about R226 million remaining.

Again, we do not think we will have to wait and see how we finalise the outstanding claims between now and the end of the year, but we do not foresee releasing any of that just yet until we finalise those claims.

SIZWE: Thanks Garth. I will move to the next question also from Francois and he says:

"As in the past was the value of new business determined using the previous year end discount rate? Can you quantify what VNB would have done had you used the 30 June 2022 contract?"

CASPER: That sounds like a Nico question.

NICO: Yes, we use opening economics when we do VNB and then we do the move to closing curves as part of the closing economic variances. Fortunately, the new business is less sensitive so we do show VNB disclosures to the market quite regularly, just showing what the yield picture looks like. But VNB is a lot less sensitive to movements in the yield curve, as long as those movements are, let us say, typically parallel shifts up or down with the yield curve.

Because on the earlier periods when reserves are negative they get offset on protection business by later periods where they are positive and so it shifts and the curve tends to have two offsetting directional impacts on the VNB. So, it is a lot less sensitive than you might expect. It is not a material number if you did it on closing VNB for us. But yes, I can confirm we still do it on opening as before.

SIZWE: Thanks Nico. I will move to the next question on the webcast from Peter Hlabisa at Transnique Africa. He asks: *"Can you elaborate on your ESG [And I must assume it means strategy but he just said]: Can you elaborate on your ESG and how align it with your margins for the next five years?"*

IAIN: I am not sure I understand the question to be honest. I think essentially our approach to ESG is one guided by embellishing that into the various parts that are relevant in our business. So, from an environmental perspective the most material impact, given the role that we play in the economic ecosystem is through the influence that we have as an asset manager and through the mandates that we give our asset manager as an asset owner. That is the reason for joining the two alliances that I alluded to in the presentation.

We take a view that it is irresponsible to simply disinvest and that we will play more of an active stewardship role in essentially using our power to influence investee companies to do the right thing from an environmental transition perspective. So that is the biggest part of E.

Our operational footprint - we worked on it. We have reduced our operational carbon emissions, water consumption, etc., quite substantially over the last three or four years. But ultimately that is a relatively small item relative to what we are capable of doing through influencing the broader system.

And then from a social and governance perspective I think it mostly talks to how we think about key metrics in the customer space, the employee space and how we think about our governance processes. It is very difficult to answer that question, more specifically in the way that it is framed but I would suggest that if you are really interested in that please do go and have a look at our integrated reports released on 15 April 2022, which really gives very full detail around our approach to this area.

SIZWE: Thanks Iain. The final question is from Jaco Visser from the Financial Mail and he asks: *"Do you have a figure or percentage of how much less guaranteed annuities value you sold in the first half compared to the same period last year?"* Kerrin that is for you.

KERRIN: Yeah, so in our business it was just over 20% less. We obviously do not know the industry numbers to competitors' report but we do think from guidance that competitors have given that it is down across the industry.

SIZWE: Thanks Iain. I am just going to check the operator before I hand back to you if there are any questions on the line before we close.

OPERATOR: No Sir, we do not have any further question on the lines.

IAIN: Anyone else in the room, you are free to ask a question before we close. No. Okay so the n that concludes our… Oh there i s a question. I am sorry, I cannot see over there.

GUEST: *Thank you so much. The question that I am interested to ask is about the Bula Tsela investment. My question is why didn't you include your local branches? Because it is meant for black people. When you go online it is quite a hassle to do some of the things like uploading your documents that I needed, which makes it very difficult for people who would like to invest to do so, which will make them to just stop or give up in trying to invest.*

So, the question is why didn't you put it in the branches where black people are going there and a fuller basis to get help there?

IAIN: There should be people in our branches who are capable of assisting. Maserame, do you know any more? More clarity for that matter?

MASERAME: Yes. And in addition to that we have a Road Show that the team goes with to the different shopping malls and explains the process and helps where they can.

SIZWE: Thanks Iain.

IAIN: Okay if there are no other questions then thanks everyone in the room and on the phones and on the Webcast for your time and attention and we will draw the session to a close. Thanks guys.

*** **END OF PRESENTATION** ***