



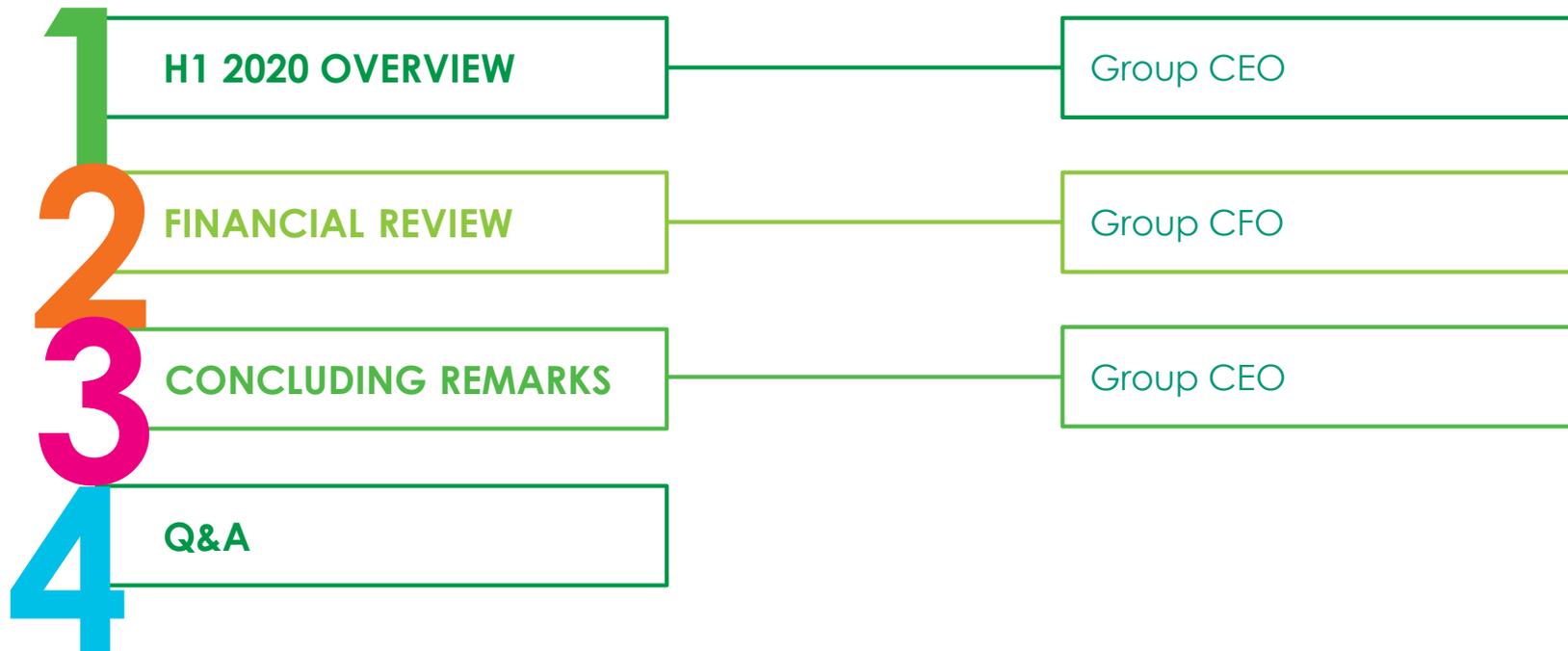
OLDMUTUAL

# 2020 INTERIM RESULTS



175 YEARS OF DOING GREAT THINGS

175  
YEARS





# Long term growth supported by our strategy



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

To be our customers'

# 1st

choice, enabled by the delivery of our 5 strategic pillars

1

Old Mutual **Cares**

2

**Always present first**

3

**Rewarding digital engagement**

4

**Engaged employees**

5

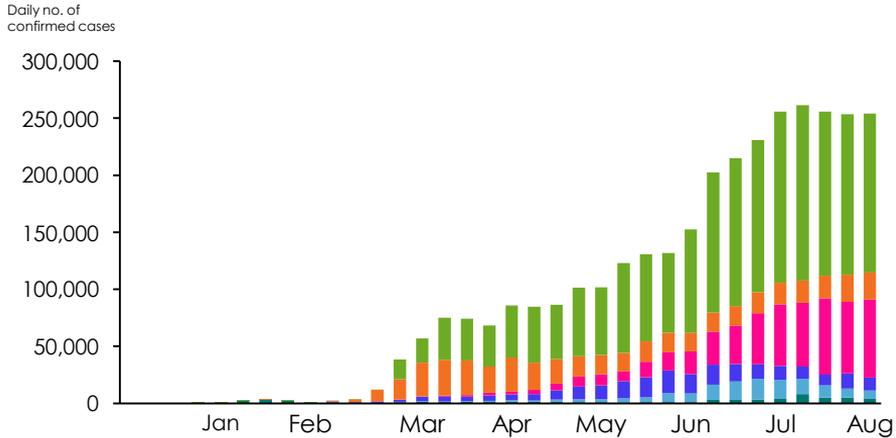
**Solutions that lead**



# Pandemic is a global crisis



## Rapidly escalating global pandemic...



Total no. of confirmed cases	Region	Total no. of confirmed cases
12 423 028	Americas	12 423 028
3 995 425	Europe	3 995 425
3 602 066	South-East Asia	3 602 066
1 827 441	Eastern Mediterranean	1 827 441
1 007 880	Africa	1 007 880
455 138	Western Pacific	455 138

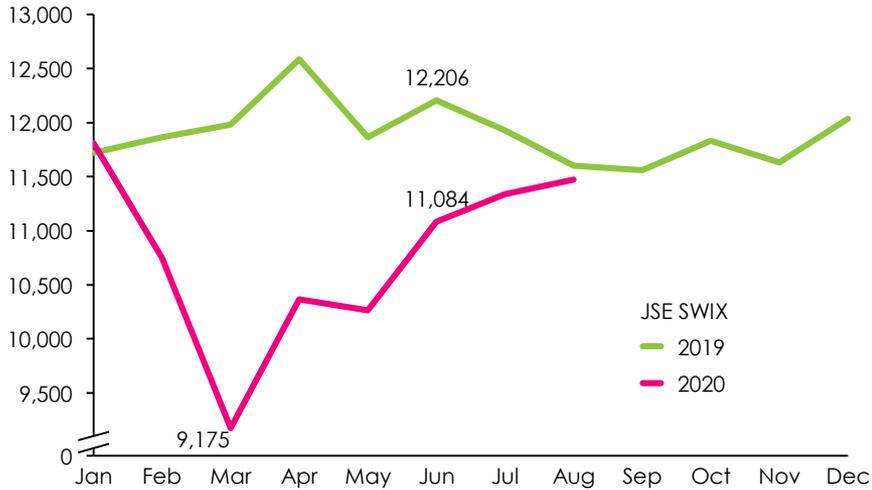
## ...and widespread lockdowns have impacted our business



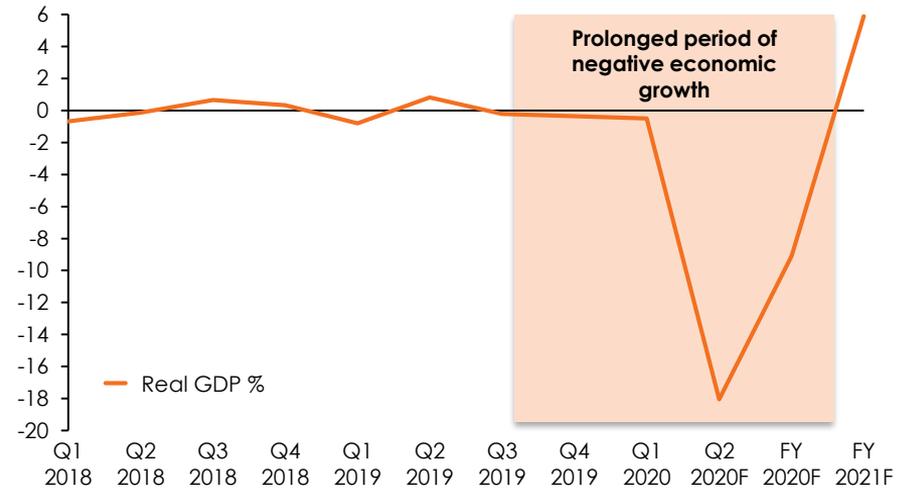
- Nationwide lockdown implemented
- Partial lockdown/ restrictions implemented



## Significant volatility in equity markets in H1 2020



## Recession in South Africa





# Three phase approach to respond to crisis



## Stabilisation

Q2 2020

Focused on six key priorities in initial period of the crisis:

- Health and safety of our **employees**
- Continuity of **service to our customers**
- Ensuring our **solvency** and **liquidity** remained resilient
- Ensuring **operational continuity**
- **Managing costs** tightly
- Active contribution in assisting our **communities**

## Transition

H2 2020

Focus areas as we transition out of the crisis:

- Take actions to part **mitigate impact on earnings in 2020**
- Maintain appropriate **capacity to recover rapidly**

## Reimagine

2021+

Reimagine the future of our business through:

- Identifying **new opportunities**
- Implementing **new ways of working**
- Accelerating **digitalisation**
- Simplification to **enhance efficiency**



# Key achievements in stabilisation phase



Health and safety of our **employees**

**Strict safety protocols**

in place at all physical sites

**Employee wellbeing initiatives**

rolled out across the Group

Continuity of **service to our customers**

**Email, USSD and WhatsApp**

to pay claims and disinvestments

Ensuring our **solvency and liquidity** remained resilient

**182%**

OML Solvency Ratio

**Stabilisation**

Q2 2020

**23,000**

Employees enabled to work from home

**OM Protect**

Rolled out nationally across Mass and Foundation Cluster and Personal Finance

Ensuring **operational continuity**

**R750m**

Cost efficiency target in place

**Managing costs** tightly

**R4bn**

Healthcare worker cover provided

**R67m**

Pledged towards COVID-19 relief efforts

Active contribution in **assisting our communities**

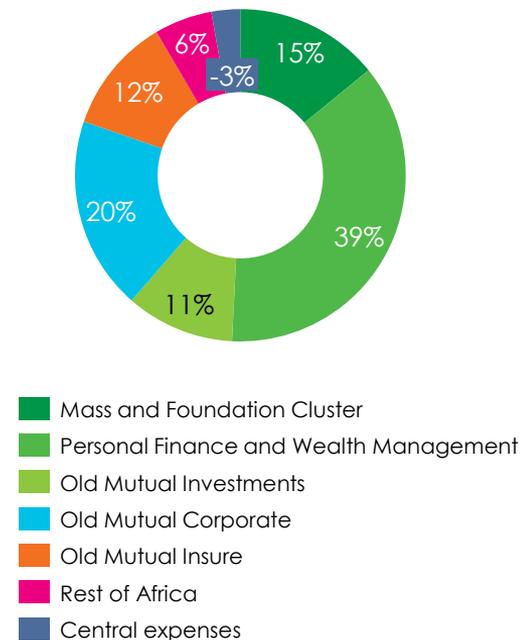


# Normalised RFO robust in difficult environment



Rm	H1 2020	H1 2019	% Change
Mass and Foundation Cluster	650	1,512	(57%)
Personal Finance and Wealth Management	1,718	1,426	20%
Personal Finance	1,409	1,227	15%
Wealth Management	309	199	55%
Old Mutual Investments	489	511	(4%)
Old Mutual Corporate	883	870	1%
Old Mutual Insure	522	141	>100%
Rest of Africa	272	214	27%
Net expenses from central functions	(200)	(162)	(23%)
<b>Normalised Results from Operations</b>	<b>4,334</b>	4,512	(4%)
Separately identifiable COVID-19 items	(2,793)	–	(100%)
<b>Results from Operations</b>	<b>1,541</b>	4,512	(66%)

Segment contribution to Results from Operations before COVID-19 impacts





# FINANCIAL REVIEW

Casper Troskie



## AHE

**R1,704 million**

Operating earnings impacted by COVID-19 reserves, lower shareholder investment returns and decline in Nedbank earnings

## Impact of COVID-19

**R2,793 million**

Reserving for anticipated impacts of COVID-19

## Group Solvency

**182%**

Strong position after significant stress, in excess of target range

## Embedded Value

**R67.8 billion**

Robust after impact of COVID-19 reserves and negative economic variances

## Stress testing

Within target solvency range in various economic alternative scenarios



# Adjusted Headline Earnings



Rm	H1 2020	H1 2019	% Change
Operating segments	4,534	4,674	(3%)
Net expenses from central functions	(200)	(162)	(23%)
<b>Normalised Results from Operations</b>	<b>4,334</b>	4,512	(4%)
Separately identifiable COVID-19 items	(2,793)	–	(100%)
<b>Results from Operations</b>	<b>1,541</b>	4,512	(66%)
1 Shareholder Investment Return	680	1,060	(36%)
2 Finance Costs	(244)	(309)	21%
3 Income from associates	364	1,431	(75%)
<b>Adjusted Headline Earnings before tax and non-controlling interests</b>	<b>2,341</b>	6,694	(65%)
Shareholder tax	(678)	(1,425)	52%
4 Non-controlling interests	41	(58)	>100%
<b>Adjusted Headline Earnings</b>	<b>1,704</b>	5,211	(67%)

- 1 Decrease driven by lower equity market levels in South Africa and fair value losses on unlisted equity portfolios
- 2 Decrease due to lower interest rates and fair value gains on interest rate swaps driven by repo rate drop
- 3 Decrease in Nedbank headline earnings due a significant increase in impairments and a slowdown in customer activity
- 4 Non-controlling interests driven by the losses recorded in Old Mutual Finance



# Separately identifiable COVID-19 items



Rm	Life Reserves 1	Business interruption and rescue 2	Unrealised Mark to Market 3	Forward looking information 4	Incremental net operating expenses 5	Total
Mass and Foundation Cluster	550	-	-	104	66	720
Personal Finance and Wealth Management	510	-	-	-	43	553
Old Mutual Investments	-	-	698	-	1	699
Old Mutual Corporate	228	-	-	-	6	234
Old Mutual Insure	-	464	-	-	15	479
Rest of Africa	51	-	-	21	23	95
Net expenses from central functions	-	-	(2)	-	15	13
<b>Impact to Results from Operations</b>	<b>1,339</b>	<b>464</b>	<b>696</b>	<b>125</b>	<b>169</b>	<b>2,793</b>

- 1 Additional short term provisions raised in anticipation of worsening mortality claims experience and persistency in H2 2020
- 2 Net claims, including an increase in IBNR reserve, paid to customers whose businesses were directly interrupted by COVID-19
- 3 Negative unrealised mark to market losses on unlisted equity and credit portfolios
- 4 Expected credit loss provision for COVID-19 impact due to impact of weaker forward looking economic forecasts
- 5 Incremental net operating expenses include IT and data costs incurred to enable remote working, costs incurred to implement COVID-19 safety measures in our premises, and costs incurred on customer and intermediary support initiatives. Central savings related to reduced travel and lower discretionary spend were also taken into account.



# Other adjusting items



## Impact of restructuring

- Partial release of Old Mutual International data provision following resolution of certain data differences
- Excluded from RFO and AHE, consistent with the treatment of the expense when the provision was raised in 2019

## Residual plc

- Profit of R253 million due to refund of withholding taxes previously paid
- Dividend of £18 million paid to Old Mutual Limited during period

## Impairment of associated undertakings

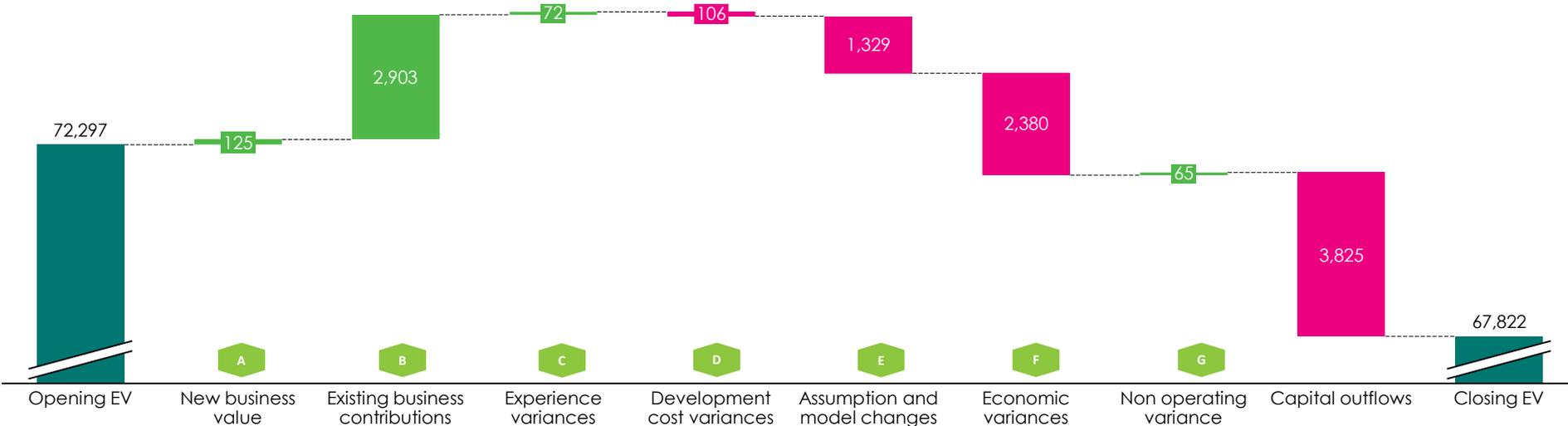
- Nedbank carried at value in use which measures value of future dividend stream
- Impairment of R8.7 billion recognised due to significant decline in Nedbank earnings and reduction in GDP forecasts for South Africa



# Embedded value resilient through crisis



(Rm)



- A** Value of new business written during the period
- B** Expected return on existing business
- C** Positive experience variances, mainly due to favourable mortality experience and expense management

- D** Negative development cost variances reflecting investment in strategic initiatives
- E** Negative assumption and model changes, to provide for expected claims and persistency experience in H2 due to COVID-19
- F** Negative due to lower than expected returns on policyholder funds and shareholder asset portfolio
- G** Positive due to partial release of Old Mutual International provision



# Group Solvency through the crisis



Rm	H1 2020	FY 2019 <sup>1</sup>	% Change
<b>OMLACSA</b>			
Own funds	68 311	79 556	(14%)
Solvency capital requirements	32 794	36 518	(10%)
<b>1</b> Solvency ratio	<b>208%</b>	218%	(1 000 bps)

- 1** Driven by:
- Decrease in the Nedbank share price, reducing the weight of positive contribution of Nedbank to OMLACSA ratio
  - Repayment of OMLACSA subordinated debt offset by lower policyholder participation adjustment

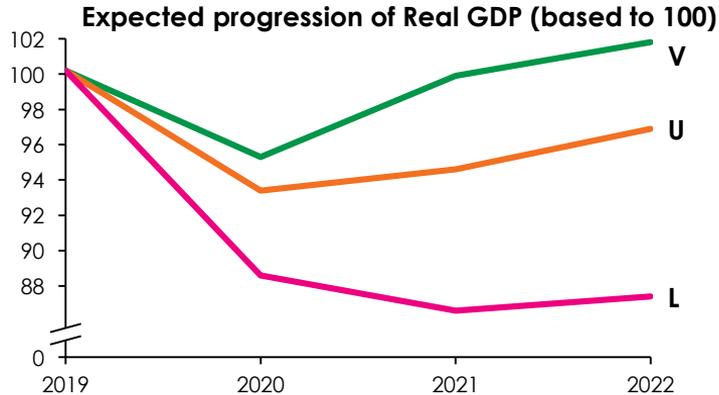
Rm	H1 2020	FY 2019 <sup>2</sup>	% Change
<b>Group</b>			
Eligible own funds	91 724	98 755	(7%)
Solvency capital requirements	50 404	52 194	(3%)
<b>2</b> Solvency ratio	<b>182%</b>	189%	(700 bps)

- 2** Driven by:
- Decrease in OMLACSA solvency ratio
  - Re-presented FY 2019 to be in line with the final group designation, including revised Nedbank treatment

1. Amounts as submitted in the Prudential Authority return  
 2. Re-presented to the solvency position in line with the final Group designation by the Prudential Authority



## Solvency resilient under stress



### Modelled solvency outcome

Scenario	Group solvency ratio
V-shaped	● Middle to upper end of range
U-shaped	● Middle to upper end of range
L-shaped	● Lower end of range

## Management actions implemented during H1 2020

- Immediate expense savings actions in place:
  - Vacancy freeze
  - Salary increases deferred
  - Actions contributed to positive expense variance
- Simplification through legal entity rationalisation, debt programme consolidation and digitalisation of processes
- Further balance sheet optimisation:
  - Iterative risk margin and accounting consolidation applications completed
  - Enhanced liquidity management



# CONCLUDING REMARKS

Iain Williamson



- Improve **adviser productivity to normalised levels** as rapidly as possible
- **Continue to improve customer access** through increasing digitalisation
- Maintain focus on **improving expense efficiency**
- Continued focus on **simplification** initiatives
- **Revised short term targets:**
  - Deliver **pre-tax run rate cost savings of R750m** by the end of 2022.
  - Maintain **Group Solvency ratio within the target range** of 155%-175%
- Further guidance to be communicated in H2 2020



**Q&A**



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