

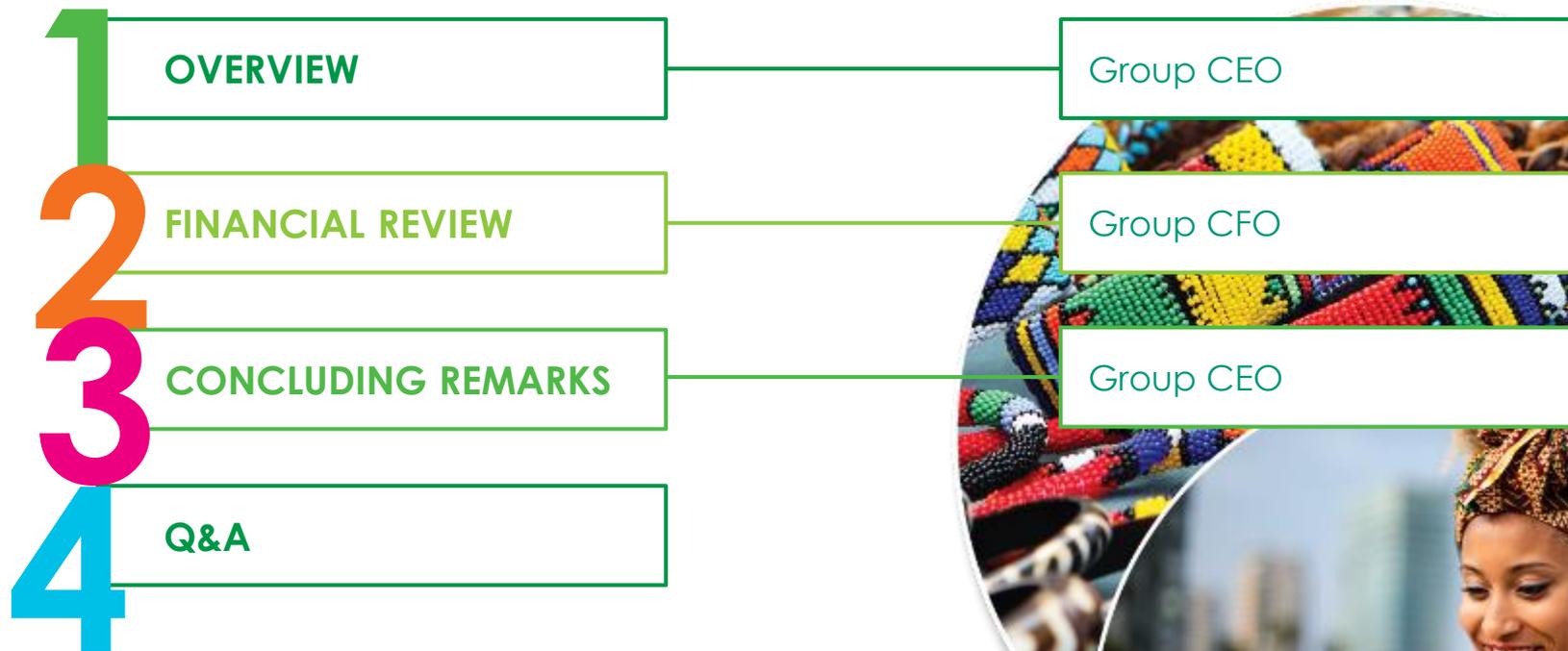


OLDMUTUAL



DO GREAT THINGS EVERY DAY

# 2020 ANNUAL RESULTS





## OVERVIEW

Iain  
Williamson



# 2020 at a glance

## Period of extreme crisis for humanity

- Global crisis that left no human life untouched
- Unprecedented volatility in local and global capital markets
- Lockdowns and travel restrictions impacted economic growth

## A certain friend in uncertain times

- Paid mortality claims of R13 billion during 2020
- Offered premium relief initiatives to customers
- Supported frontline healthcare workers and communities

## Ensured operational continuity

- Continuity of service to customers through expansion of digital channels
- Health and safety of our employees and advisers a top priority
- Provided targeted support to intermediaries

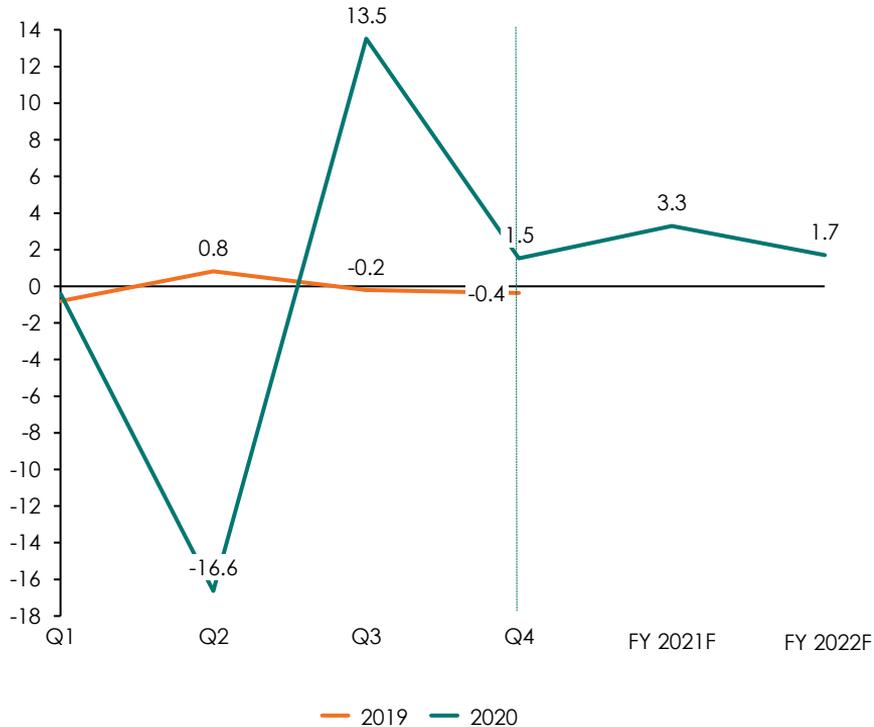
## Demonstrated resilience

- Well capitalised despite some large negative COVID-19 items impacting earnings, cash generation remains solid
- Good recovery in adviser productivity in Q4 and continues into 2021
- Strong balance sheet allowed for final dividend of 35 cents per share

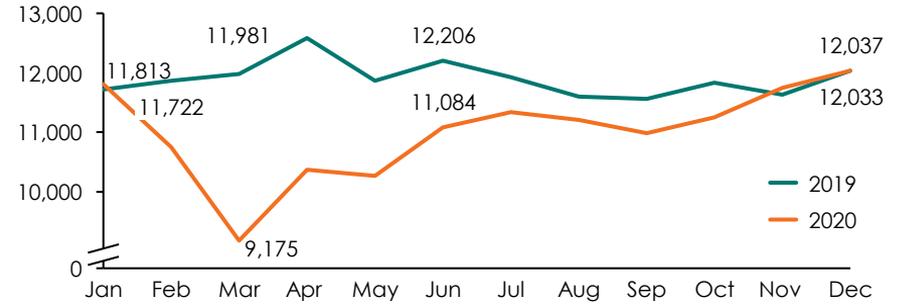


# Macroeconomic environment

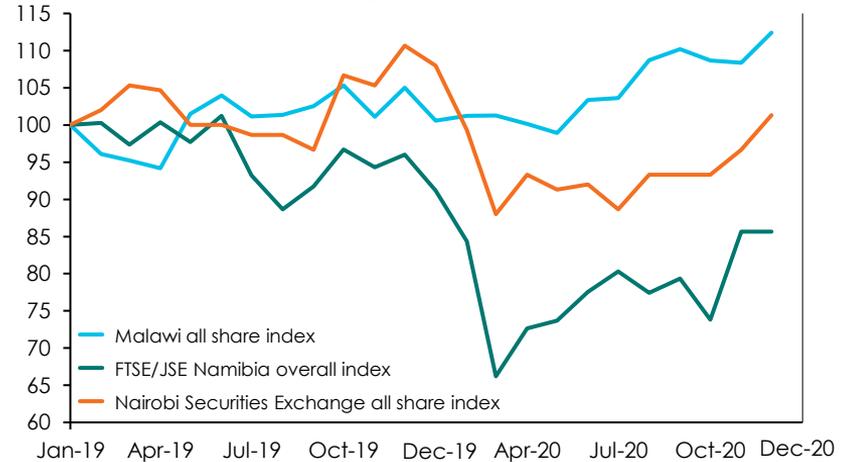
## Subdued GDP growth outlook in South Africa



## South Africa - equity market levels (SWIX)

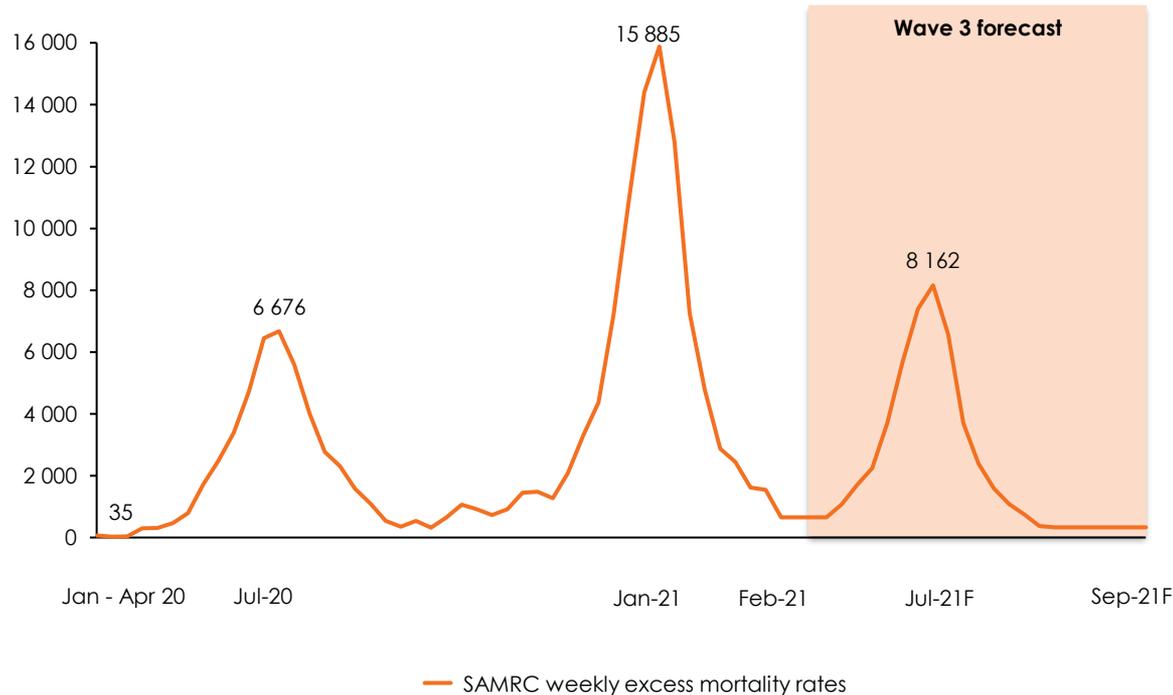


## Other African exchanges





# South African excess mortality rates



- Reserve for wave 3 experience has been assumed to occur at similar level to wave 1
- R1.9 billion of claims experience in January and February 2021
- Remaining reserve of c. R2 billion for further impact beyond February 2021
- Uncertainty around vaccine efficacy, duration of immunity and possibility of further new variants



# Business demonstrated resilience under stress

## Good top line performance

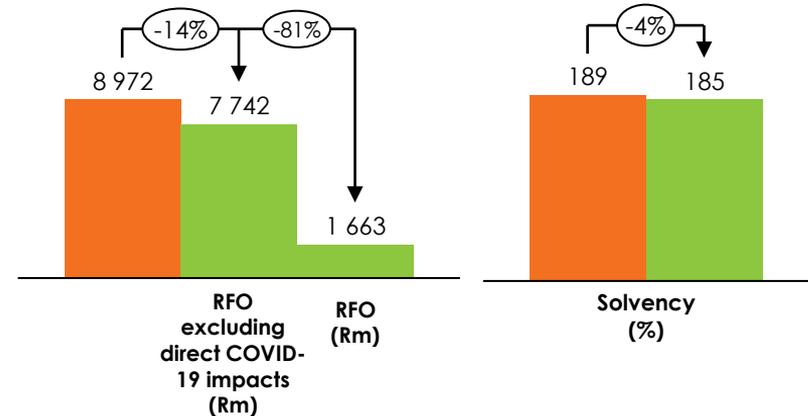
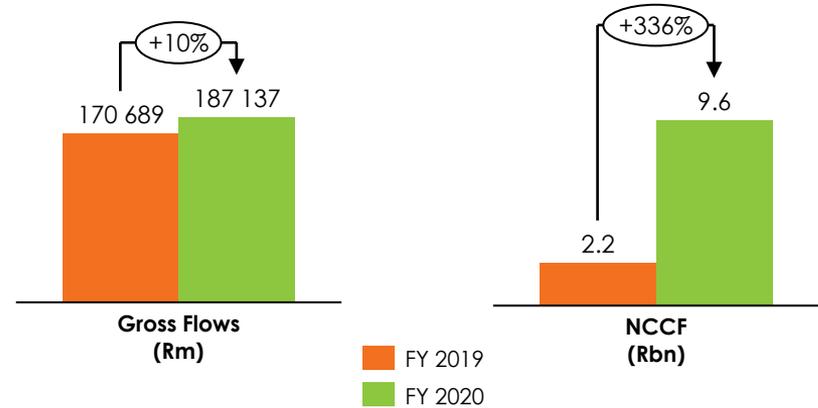
- Strong gross flows drove significant increase in NCCF
- Encouraging recovery in life sales levels in Q4 2020 with trend continuing in Q1 2021

## Strong balance sheet after significant stress events

- Well capitalised and good liquidity levels
- Business continues to generate free surplus

## Earnings negatively impacted by COVID-19 impacts

- Most significant impacts in Life and Property and Casualty businesses
- Emerging expectations of third wave given pace of vaccination roll out, reserving reflects this expectation
- Uncertainty around the speed of economic recovery





# Operational review

## Mass and Foundation Cluster

- Customer base impacted most by COVID-19
- Improving CLR
- Cost optimisation
- Encouraging productivity and sales recovery in Q4

## Old Mutual Investments

- Improved investment performance for listed equities
- High levels of deal flow
- Successful capital raises in Alternatives

## Old Mutual Insure

- Positive top line growth
- Underwriting result and margin impacted by the pandemic
- Offset by outperformance in personal lines

## Personal Finance and Wealth Management

- Strong preference for single premiums
- Savings sales under pressure
- Expenses well managed
- Ended 2020 with good sales momentum

## Old Mutual Corporate

- Ability to generate new business came under pressure
- GLA impacted by higher mortality
- Substantial mortality losses due to wave 2

## Rest of Africa

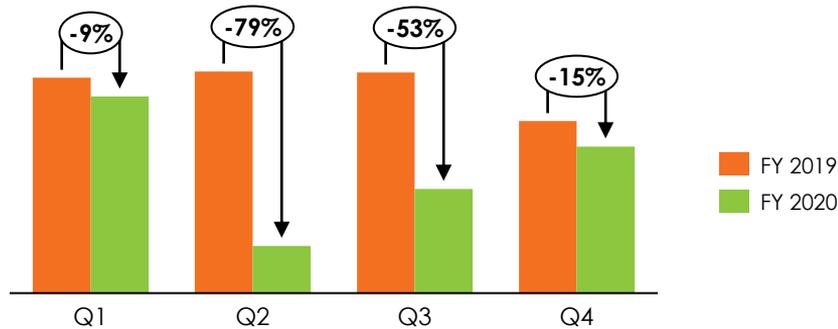
- Good growth in P&C
- Strong Asset Management flows
- Balance sheet substantiation
- EA and WA turnaround underway



# Green shoots evident in our distribution channels

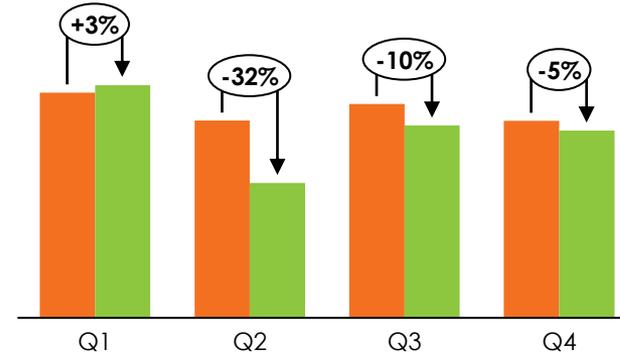
## Mass and Foundation Cluster

Change in average number of issued lives per advisers per week



## Personal Finance and Wealth Management

Change in number of issued sales per adviser per month



- Positive customer response to digital channels introduced during lockdown contributed to improved adviser productivity
- Gradual reopening of worksites and branches supported recovery
- Encouraging recovery in adviser productivity continues in Q1 2021



# Three phased response to the crisis

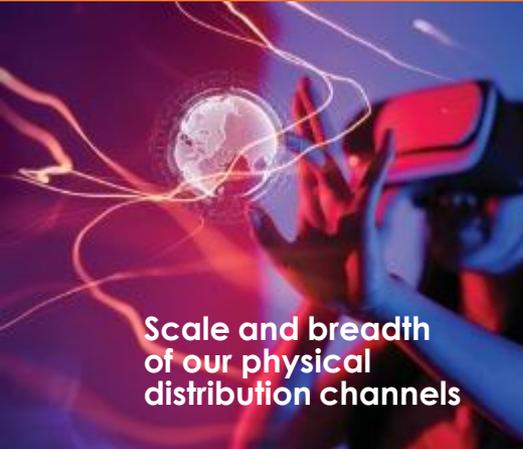


Financial	Operational	Strategic
<ul style="list-style-type: none"><li>• Strong balance sheet through decisive management actions</li><li>• Good progress on capital optimisation</li><li>• Final dividend declaration of 35 cents per share</li></ul>	<ul style="list-style-type: none"><li>• Digital enablement of employee and intermediary journeys</li><li>• Uninterrupted service yielding strong customer satisfaction</li><li>• Health and safety of employees top priority</li></ul>	<ul style="list-style-type: none"><li>• Adopting a truly mutual strategy that puts the customer first</li><li>• Launch of OM Protect in 2020. Adding savings and income proposition in 2021</li><li>• Simplified new funeral products to expand funeral service offering</li></ul>



# Re-envisioning our business

## A SOLID CORE



Scale and breadth of our physical distribution channels

Delivering cost efficiencies



Long-standing brand with a high level of trust



Innovating through digital transformation

## A CHANGING WORLD



Changing customer expectations driven by technology

Disruption is a given



Competition is fiercer

Everything is replicable



Sustainability is a necessity





# A Truly Mutual strategy

## WHY DO WE EXIST?

Our purpose is to champion **mutually positive futures** every day

## WHERE DO WE WANT TO BE?

Our vision is to be our customers' **1st choice** to sustain, grow and protect their prosperity

We will make it evident that **Old Mutual Cares** through solutions and actions that support customers, their families and communities

We will aim to be **Always present first** by ensuring propositions and advice are available to customers when and how they need them, and through our brand that is always top of mind

We will build **Rewarding digital engagement** through considerate and effective use of advice and customer data

Our high performing **Engaged employees** will make meaningful contributions to achieve our purpose, vision and values

We will deliver **Solutions that lead** in service and performance, for insurance, investments and supporting banking needs



DRIVEN BY OUR CORE AND SUPPORTING SOLUTIONS

## WHAT WE WILL ACHIEVE

We believe that our delivery on the CARES pillars will enable us to be our customers' **1st CHOICE** and responsibly build the **MOST VALUABLE BUSINESS** in our industry



# Strategic delivery

## OLD MUTUAL CARES



- **R141 billion** invested in the green economy
- Provide Listed Equity Stewardship services for asset portfolios of over **R300 billion**
- Mortality claims of **R13 billion were fast tracked**, supporting our customers and their families

## ALWAYS PRESENT FIRST



- **5th most valuable brand** in Africa in 2020
- Score **80.3** on the SACSI ranking above industry score of 78.7
- Expansion of our **integrated digital platform** through public websites, mobile applications and WhatsApp and USSD channels in South Africa and our Rest of Africa regions

## REWARDING DIGITAL ENGAGEMENT



- **406,000** active digital customers, representing 50% growth
- **826,000** rewards programme members of which 584,000 are customers
- **1.6 billion** rewards points earned since inception, driving improved customer persistency

## ENGAGED EMPLOYEES



- Reimagining new ways of working through the **Distributed Workforce Pilot**
- Strategic execution despite challenging conditions and improved levels of engagement per culture survey
- Recipient of the **Top Empowered Business of the Year**

## SOLUTIONS THAT LEAD



- **202,000** applications on Old Mutual Protect, our new flexible risk proposition in South Africa and Namibia
- Launch of **artificial intelligence** enabled pricing engine and user based Chatbot in Personal lines of Old Mutual Insure
- Insurance products targeted at women and SME retailers in Malawi
- **Non advice funeral** products rolled out in South Africa and Malawi

The background is a complex, colorful abstract composition. It features various shapes and patterns in shades of red, yellow, blue, green, and black. Some elements resemble stylized leaves, others look like swirling patterns or data points. A thin white circle is overlaid on the left side of the image, framing the text.

**FINANCIAL  
REVIEW**  
Casper  
Troskie



# Financial delivery in 2020

## RFO ex COVID

**R7,742 million**

Commendable performance before the direct impacts of COVID-19

## Impact of COVID-19

**R6,079 million**

Mainly pandemic reserve impact, business interruption claims and negative mark to market losses

## AHE

**R2,484 million**

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

## Group Solvency

**185%**

Strong position after significant stress, in excess of target range

## RoEV

**3%**

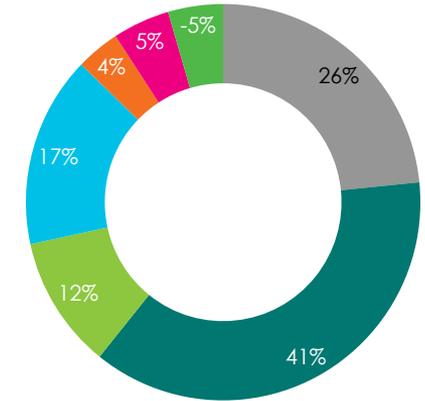
Remains positive despite the decline in value of new business and the increase in our pandemic reserves



# Results from Operations

Rm	FY 2020	FY 2019	% Change
Mass and Foundation Cluster	2,008	3,527	(43%)
Personal Finance and Wealth Management	3,208	2,169	48%
Old Mutual Investments	888	1,008	(12%)
Old Mutual Corporate	1,340	1,816	(26%)
Old Mutual Insure	309	233	33%
Rest of Africa	401	496	(19%)
Net expenses from central functions	(412)	(277)	(49%)
<b>RFO excluding direct COVID-19 impacts</b>	<b>7,742</b>	<b>8,972</b>	<b>(14%)</b>
Separately identifiable direct COVID-19 impacts	(6,079)	–	(100%)
<b>Results from Operations</b>	<b>1,663</b>	<b>8,972</b>	<b>(81%)</b>

Segment contribution to RFO excl. direct COVID-19 impacts



- Mass and Foundation Cluster
- Personal Finance and Wealth Management
- Old Mutual Investments
- Old Mutual Corporate
- Old Mutual Insure
- Rest of Africa
- Net expenses from central functions



# Direct COVID-19 impacts



Net pandemic impact	4,393
Business interruption and rescue reserves	791
Underwriting results - Personal lines	(293)
Unrealised Mark to Market losses	704
Forward looking information	169
Increase in operating expenses	315
<b>Total direct COVID-19 impacts</b>	<b>6,079</b>

Rm	Results from Operations (RFO)	Direct COVID-19 impacts	RFO excluding direct COVID-19 Impacts
Mass and Foundation Cluster	1,265	743	2,008
Personal Finance and Wealth Management	525	2,683	3,208
Old Mutual Investments	180	708	888
Old Mutual Corporate	87	1,253	1,340
Old Mutual Insure	(131)	440	309
Rest of Africa	192	209	401
Net expenses from central functions	(455)	43	(412)
<b>Impact to Results from Operations</b>	<b>1,663</b>	<b>6,079</b>	<b>7,742</b>



# Pandemic reserve impact

## Pandemic impact

<u>Rm</u>	<u>Group</u>
Reserve at 30 June 2020	1,339
H2 experience in excess of H1 reserve	204
<u>Reserve at 31 December 2020</u>	<u>3,962</u>
<b><u>Pandemic impact related to COVID-19</u></b>	<b><u>5,505</u></b>
<b><u>Pandemic reserve at 31 December 2020</u></b>	<b><u>3,962</u></b>

## Pandemic impact, net of releases

<u>Rm</u>	<u>Group</u>
<b><u>Gross pandemic impact in 2020</u></b>	<b><u>5,505</u></b>
<u>Release of discretionary reserves</u>	<u>(1,112)</u>
<b><u>Pandemic impact, net of release</u></b>	<b><u>4,393</u></b>

- H1 reserve not sufficient to cover experience in H2
- Increase of R3,962 million in reserves in December to provide for wave 2 and 3
- Release of discretionary reserves partially mitigated impact
- R1.9 billion of excess claims in January and February 2021
- Remaining reserve of c. R2 billion for impact beyond February 2021



# Adjusted Headline Earnings

Rm	FY 2020	FY 2019	% Change
Operating segments	8,154	9,249	(12%)
Net expenses from central functions	(412)	(277)	(49%)
<b>RFO excluding direct COVID-19 impacts</b>	<b>7,742</b>	8,972	(14%)
Separately identifiable direct COVID-19 items	(6,079)	–	(100%)
<b>Results from Operations</b>	<b>1,663</b>	8,972	(81%)
1 Shareholder Investment Return	1,612	2,102	(23%)
2 Finance Costs	(484)	(737)	34%
3 Income from associates	917	2,528	(64%)
<b>Adjusted Headline Earnings before tax and non-controlling interests</b>	<b>3,708</b>	12,865	(71%)
Shareholder tax	(1,188)	(2,874)	59%
4 Non-controlling interests	(36)	(135)	73%
<b>Adjusted Headline Earnings</b>	<b>2,484</b>	9,856	(75%)

1 Decrease driven by low interest rates, decrease in shareholder asset base and fair value losses on unlisted equity portfolios

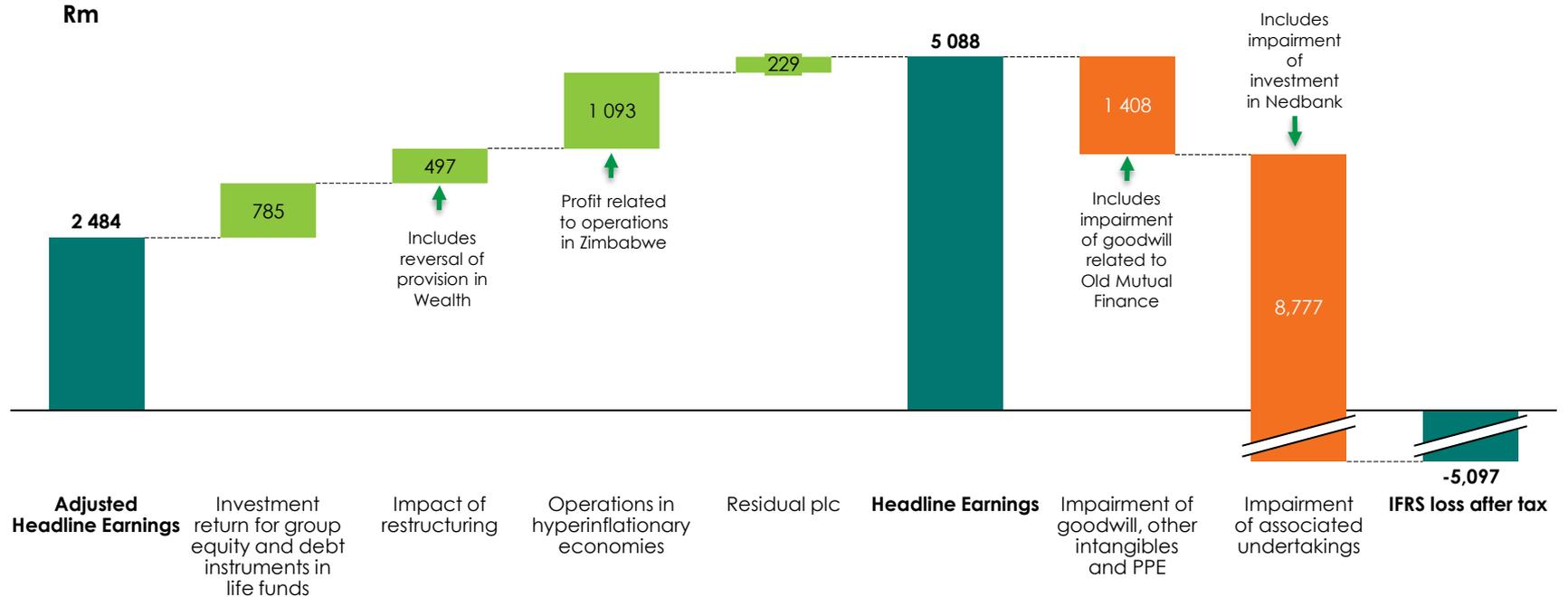
2 Lower average debt levels and fair value gains on interest rate swaps

3 Decrease in Nedbank headline earnings due to significant increase in credit loss provisions and decrease in non-interest revenue

4 Decrease in non-controlling interests largely driven by lower profits in Old Mutual Finance



# AHE to IFRS reconciliation





# CFO focus areas

## Complex Balance sheet judgements

- Appropriateness of pandemic reserve and business interruption reserves
- Nedbank impairment of R8.7 billion in H1, no further impairment

## Market risk

- Implemented Three Manager Model framework
- Actively monitored liquidity risks and the adequacy of our liquidity buffers
- Hedging strategies related to risk products led to one off benefit of R1.8 billion

## Continued to optimise capital

- Transferred 12.4% of Nedbank's issued capital from OMLACSA to OMEM
- Simplification of legal entity structure
- Significant Prudential Authority application approved driving R3.3 billion decrease in capital requirements in OMLACSA
- Continue to engage with PA on accounting consolidation application and streamlining ownership structures to eliminate inefficiencies
- Successful debt raise of R2 billion at favourable rates



# Robust group solvency

Rm	FY 2020	FY 2019 <sup>1</sup>	% Change
<b>OMLACSA</b>			
Own funds	60,659	79,556	(24%)
Solvency capital requirements	29,447	36,518	(19%)
<b>1</b> Solvency ratio	<b>206%</b>	218%	(1 200 bps)

- 1** Decrease driven by:
- Transfer of 12.4% of Nedbank from OMLACSA to OMEM decreased eligible own funds
  - Reduction in the Nedbank share price and increase in quantum of participation adjustment
  - Partially offset by iterative risk margin approach positively impacting eligible own funds

Rm	FY 2020	FY 2019 <sup>2</sup>	% Change
<b>Group</b>			
Eligible own funds	92,078	98,755	(7%)
Solvency capital requirements	49,680	52,194	(5%)
<b>2</b> Solvency ratio	<b>185%</b>	189%	(400 bps)

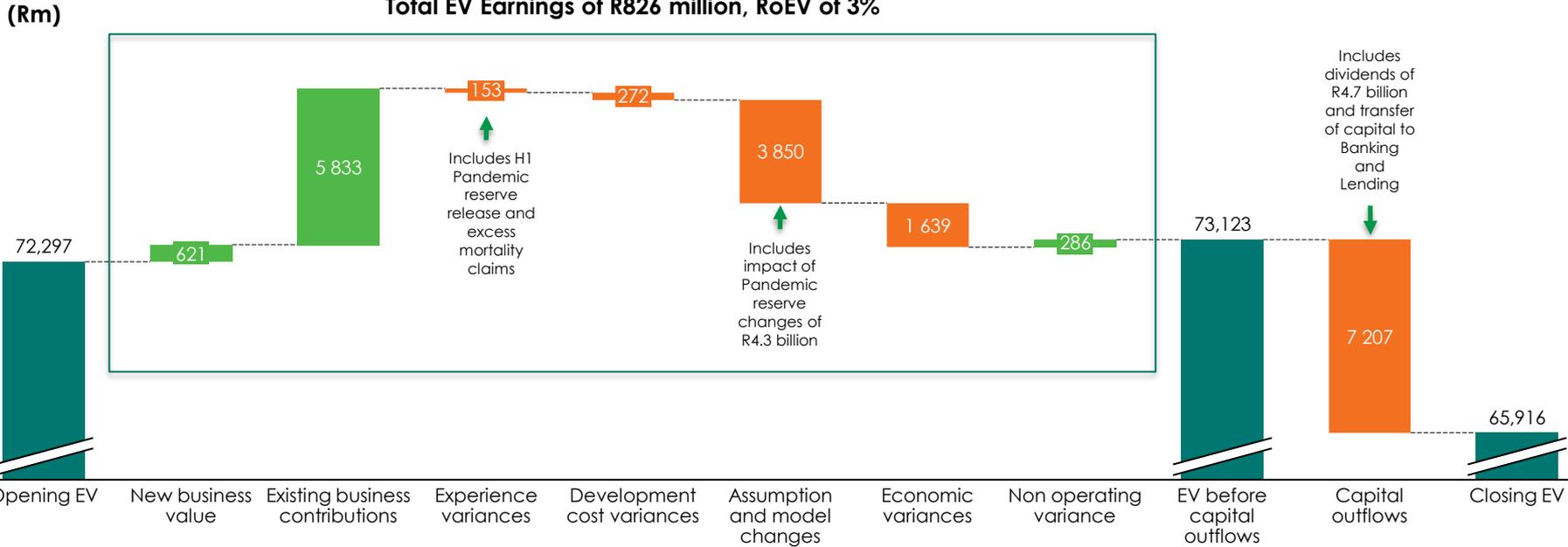
- 2** Decrease driven by:
- Reduction in the value of Nedbank
  - COVID-19 impacts
  - Re-presented FY 2019 to reflect insurance group designation – increase from 161% to 189%

1. Amounts as submitted in the Prudential Authority return

2. Re-presented the solvency position in line with the final Insurance Group designation by the Prudential Authority in 2020.

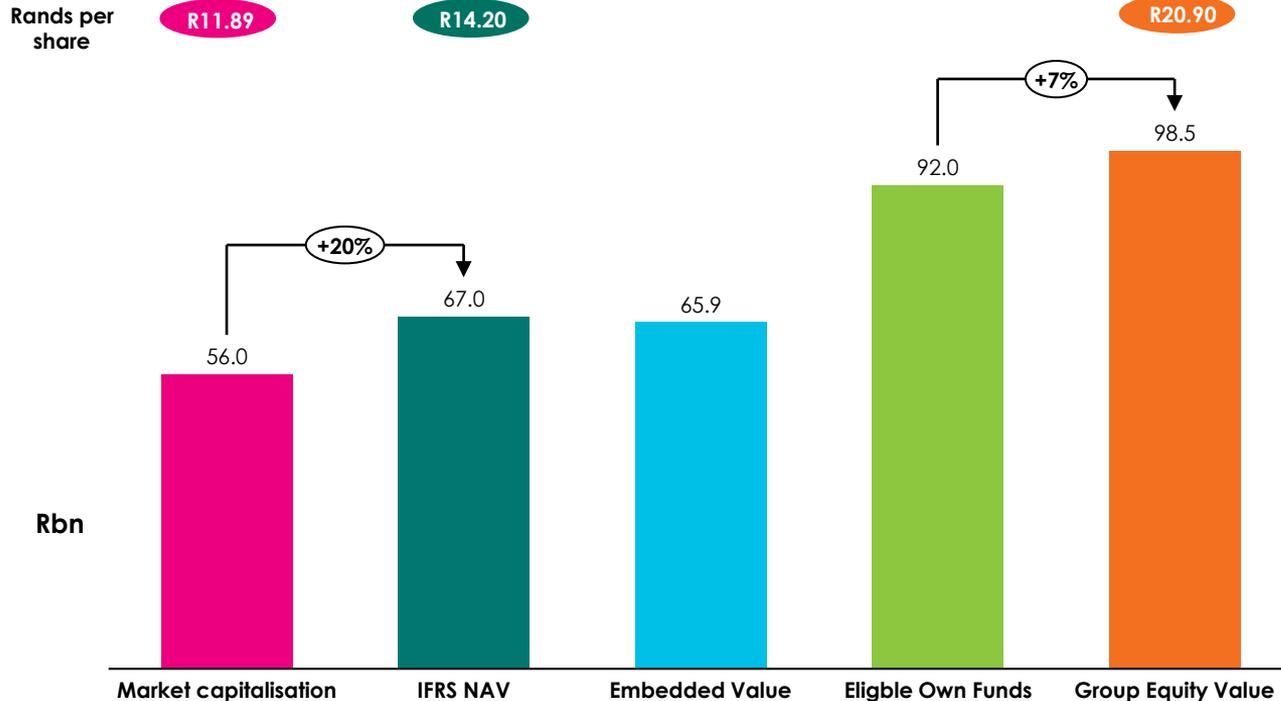


# Embedded value resilient through crisis





# Group Equity Value



- Group Equity Value has reduced from R116.5 billion to R98.5 billion
- Life and savings business included at Embedded Value
- Material non-covered business valued at fair value
- Nedbank included at recoverable value
- Share price currently trading at a discount to all measures of value



**CONCLUDING  
REMARKS**  
Iain  
Williamson



# Outlook for 2021

## Drive recovery of the business

- Drive recovery in productivity levels as rapidly as possible, with pleasing momentum in Q1 2021
- Uncertainties remain but believe we are appropriately reserved for wave 3

## Delivery of revised medium term targets

- Recovery in RFO and RoNAV to 2019 levels by 2023
- Deliver VNB margin of 1.5% to 3% in medium term
- Deliver R750m pre-tax run rate cost savings by end 2022
- Maintain OML solvency within the target range of 155% - 175%
- Restore Old Mutual Insure underwriting margin of 4%-6%
- Economic recovery will support opportunities for acceleration in capital returns

## Execute our strategy

- Disciplined execution will position us to win the market
- Continue to deliver digital initiatives and enhancements at pace
- Acquire new customers by always being present first with solutions that lead



Q&A



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