



OLD MUTUAL

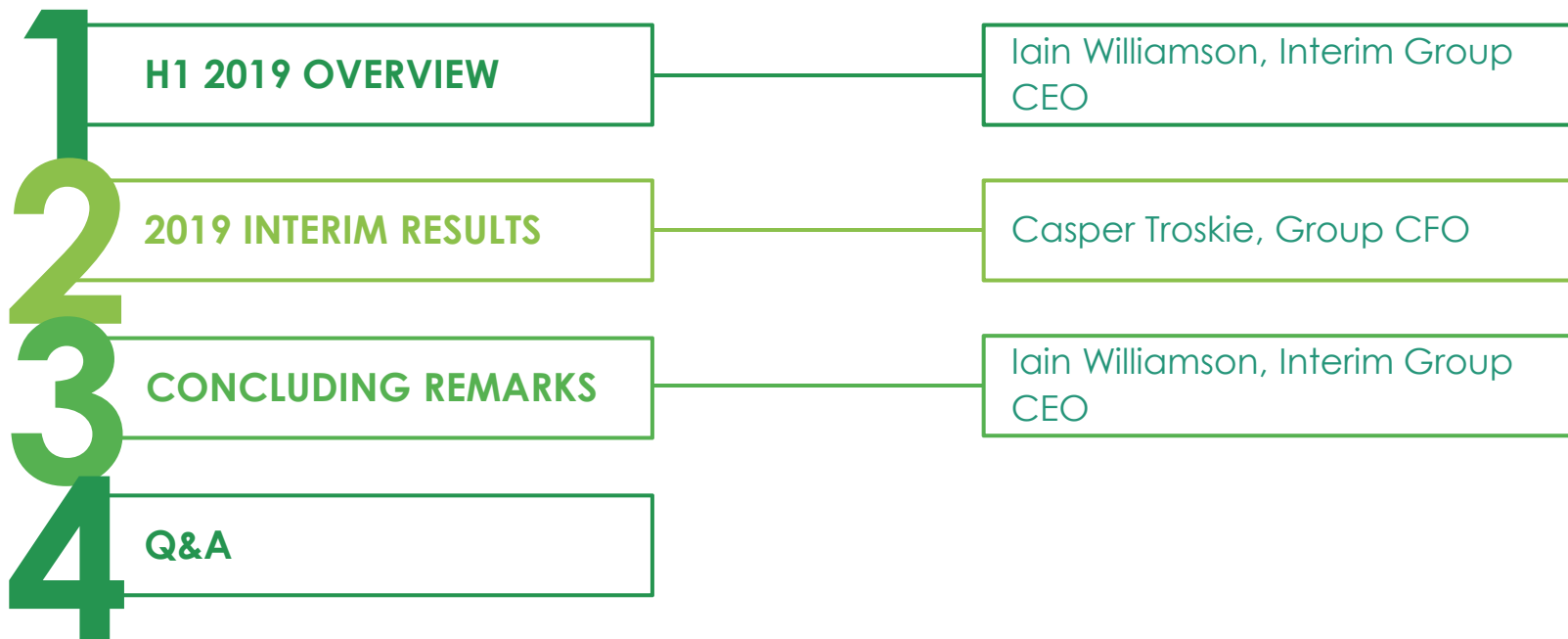
2019 INTERIM RESULTS



DO GREAT THINGS EVERY DAY



AGENDA





H1 2019 OVERVIEW



Strong financial delivery

- **AHE up 10%** from strong investment returns
- **RFO up 2%** from profit growth in PF and RoA
- On track to save **R1 billion**

Operational effectiveness

- **122 Bots** have saved **2.8 million minutes of processing time**
- **Old Mutual Protect** in pilot and being rolled out

Optimisation of balance sheet

- **New debt** of R2 billion at **improved rates**
- **R4.9 billion** of share buybacks in 2019
- Sale of **Latin America** completed

Distributions to shareholders

- Interim dividend of **45 cents** per share

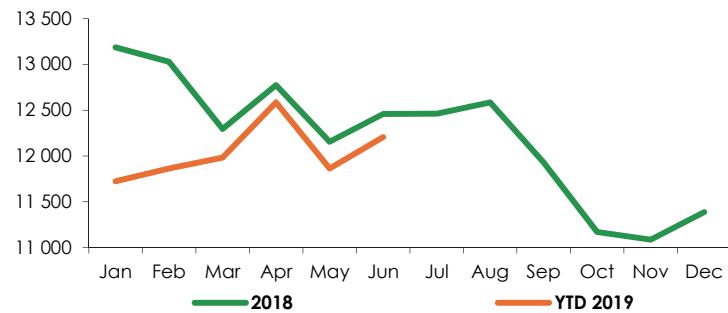
Delivery continues in a **sustainable and responsible** way



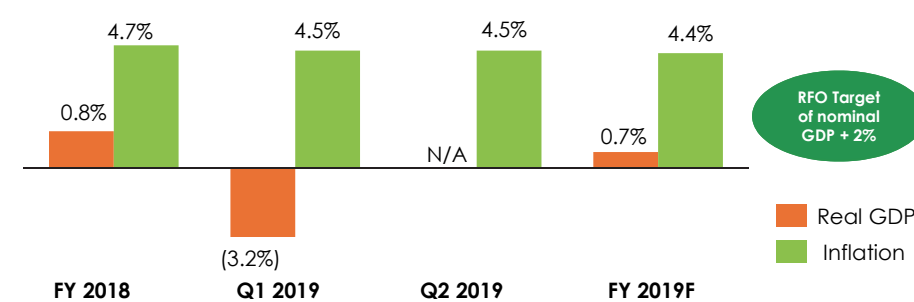
IMPACT OF THE SOUTH AFRICAN MACRO ENVIRONMENT



Equity market levels - SWIX



Real GDP Growth¹ and Inflation²



1. Real GDP growth is seasonally adjusted and calculated on a quarter-on-quarter (QoQ) annualised basis, Q2 2019 data not released yet
2. Inflation is reflected on a quarterly basis

Source: Bloomberg, SARB, IMF

Impact on our business

- Average market levels have not recovered to H1 2018 levels
- Although SA equity markets are up 7% in H1 2019

Impact on our customers

- Low GDP growth adversely impacting job creation
- Pressure on levels of disposable income and reduction in propensity to save

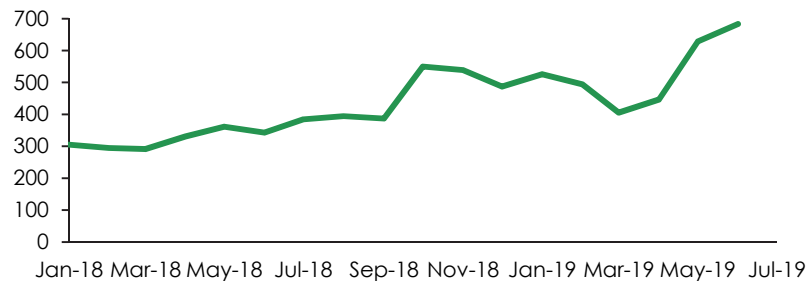


OVERVIEW OF THE REST OF AFRICA MACRO ENVIRONMENT

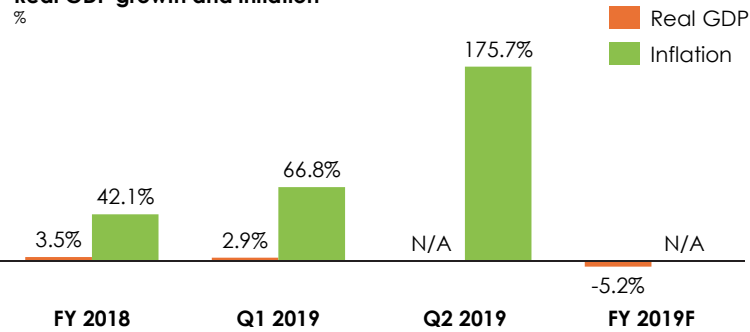


Zimbabwe

Equity market levels¹

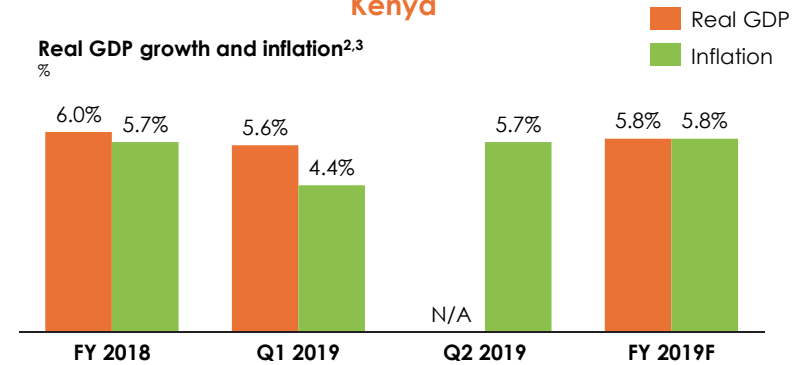


Real GDP growth and inflation^{2,3}



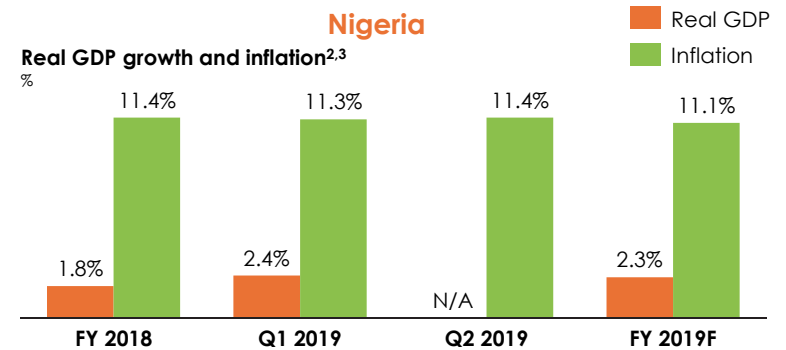
Kenya

Real GDP growth and inflation^{2,3}



Nigeria

Real GDP growth and inflation^{2,3}



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

Source: Bloomberg, IMF, Focus Economics



OUR STRATEGY



ACCELERATE GROWTH

- Meet the **core needs of our customers** every day
- Become a **digital platform business**
- **Service unique needs of customers** through analytics
- Drive a **culture of delivery**
- **Social upliftment** in the communities we operate in



TECHNOLOGY REFRESH



Customer lead

We focus on helping our business deliver a better experience for end customers and intermediaries

- **122 Bots** in place **assisting with process automation** saving **2.8 million minutes** in processing time
- Continued **roll out of digital tools** to enhance customer experience
- **Old Mutual Protect** in pilot and being rolled out in 2019



Simplified estate

We simplify our estate to be nimble, more cost efficient and more flexible in order to meet our current and future business demands

- **5 to 1 Fund Merge** in Old Mutual Unit Trusts to improve operational efficiencies, save costs and provide better options to customers
- Continue to **reduce complexity** through consolidation of our systems and promoting new ways of working



Always on

We focus on delivering an always-on service, based on cost-effective but highly stable infrastructure and service

- Deliberate **focus on reducing our downtime threshold** by **50%** from H1 2018 – consistently **achieved in H1 2019**
- Tools implemented to **detect and pro-actively respond** to potential performance issues



H1 2019 - ROBOTICS HIGHLIGHTS





DEFEND AND GROW SA MARKET SHARE IN MASS MARKET



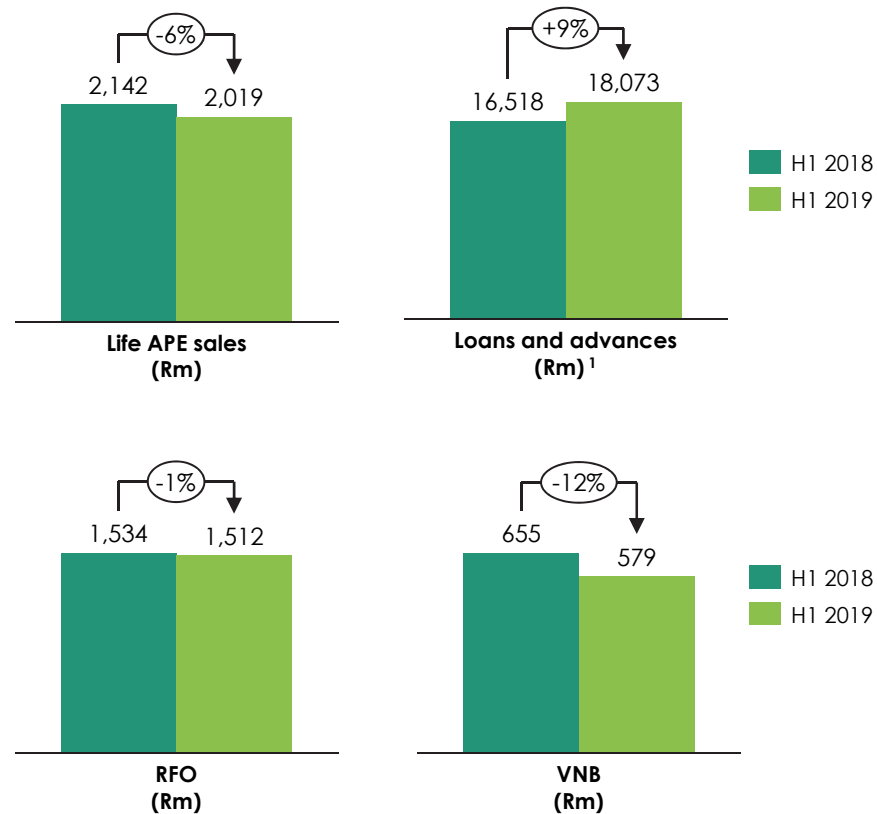
Commendable performance in tough environment

- Life APE sales down due to lower productivity
- NCCF growth driven by savings inflows and growth in life in-force book

Loans and advances up 9% showing good growth with an **expected increase in credit loss ratio from a low base**

Launched **FutureInvest product range** improving customer value proposition

Live interface with home affairs and real time claims validation through use of robotics





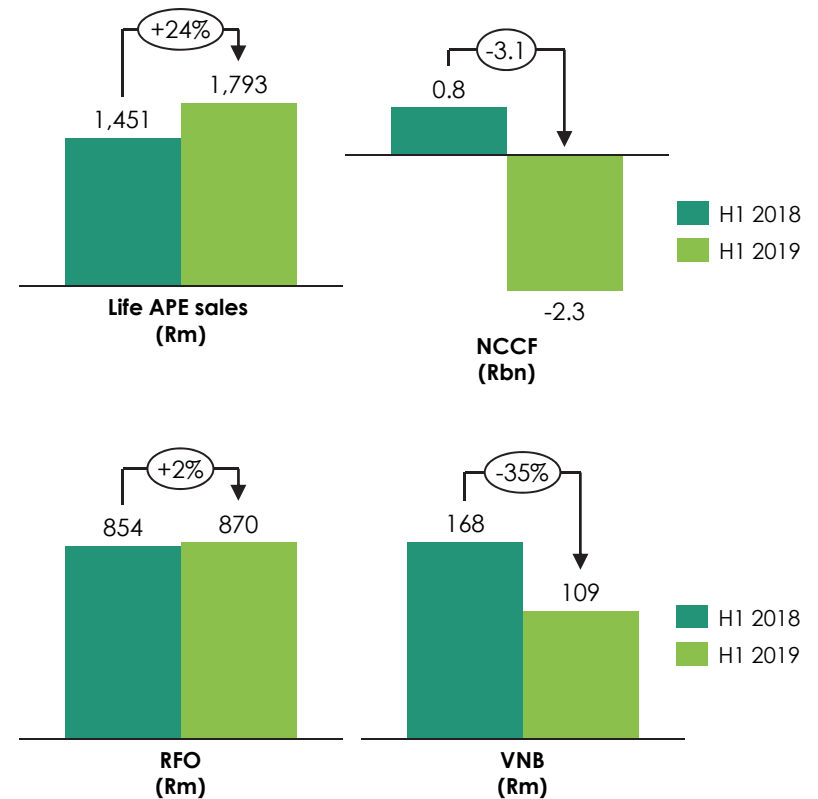
DEFEND AND GROW SA MARKET SHARE IN CORPORATE MARKET



Strong Life APE sales with healthy pipeline of flows

- Life APE sales up 24% with growth in recurring premiums driven by umbrella fund sales
- Single premium flows down 26% led to a decline in NCCF, but we expect future flows from secured umbrella deals subject to section 14 transfer process
- Lower VNB as full margin not yet recognised for umbrella fund deals subject to section 14 transfer process

Continued improvement in underwriting experience in the group life assurance





DEFEND AND GROW IN SA PERSONAL FINANCE MARKET



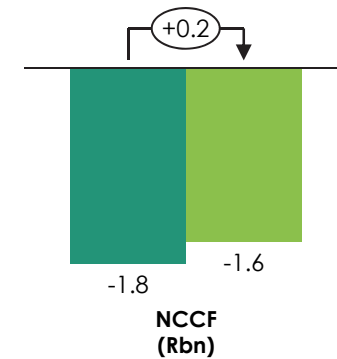
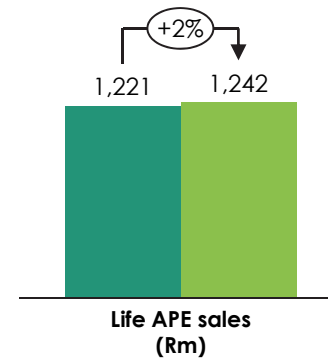
Recovery of profits in a tough environment

- Life APE sales up 2% due to growth in recurring premium risk and savings sales
- Profit improvement largely due to improved **mortality and morbidity experience**

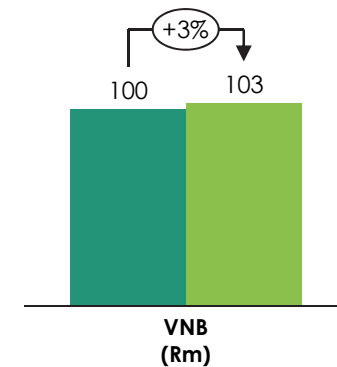
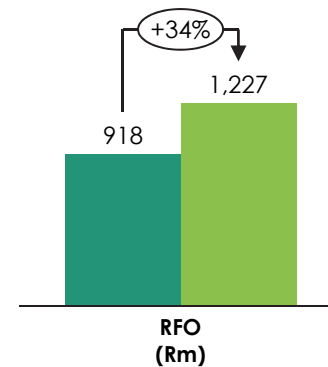
Growth in NCCF due to lower claims and fewer maturities as legacy book runs off

Distribution channels **generated gross flows** of over **R33 billion for the Group**, contributing R17.4 billion to Wealth and Investments and R2.6 billion to Old Mutual Corporate

Advisor application launched in August 2019 to **improve interaction** with advisers and **streamline communication** in a cost efficient manner



■ H1 2018
■ H1 2019



■ H1 2018
■ H1 2019



IMPROVE THE COMPETITIVENESS OF WEALTH AND INVESTMENTS



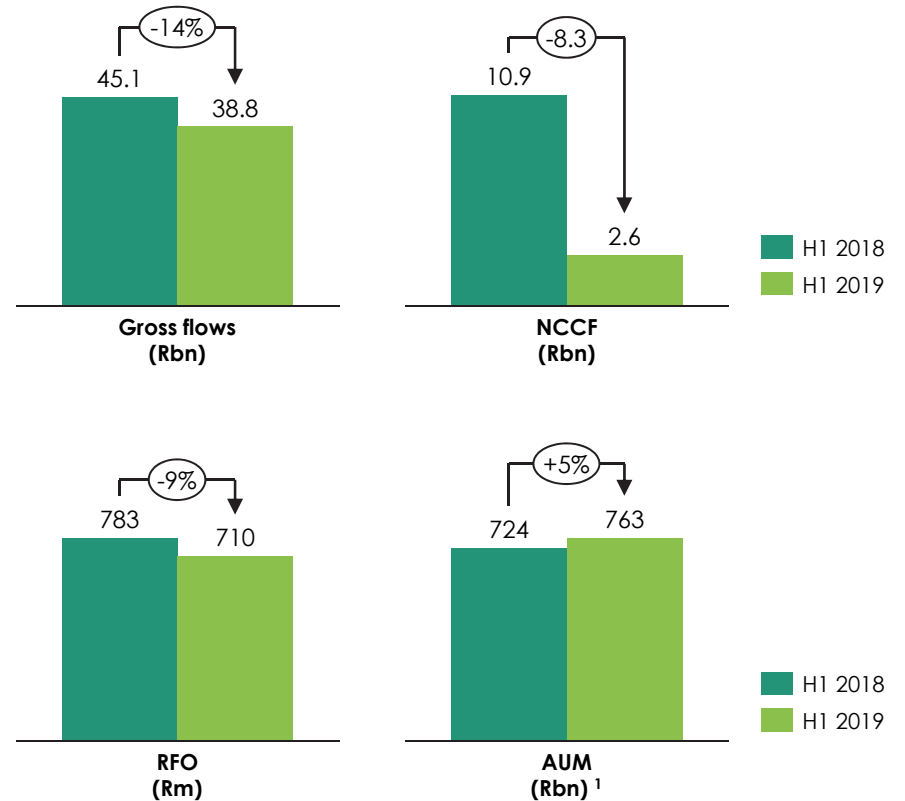
Investor sentiment putting pressure on flows

- Gross flows down 14% due to shift to income type solutions
- Annuity revenue up 2% in line with Average AUM increase of 2%

Restructuring and rationalisation activities in asset management led to **lower profits with benefits expected to emerge in future profits**

R4.2 billion of assets originated by OMSFIN in tough environment

Digital enablement for advisers through a **mobile application**





H1 2019 - INVESTMENT ACTIVITY





CONTINUED TURNAROUND OF OLD MUTUAL INSURE

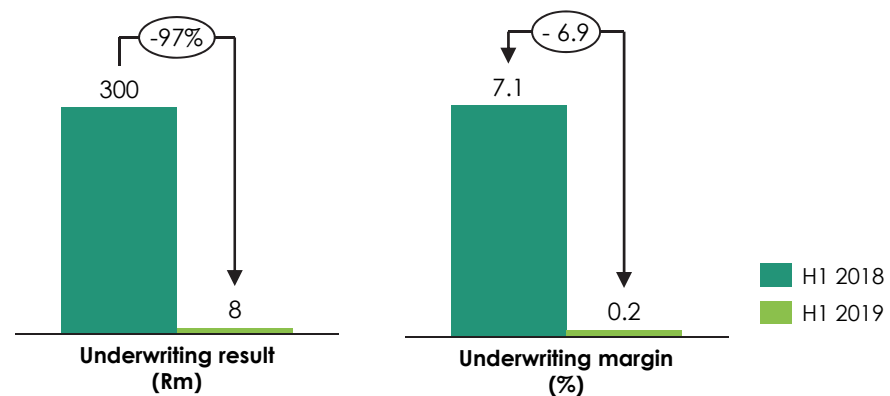
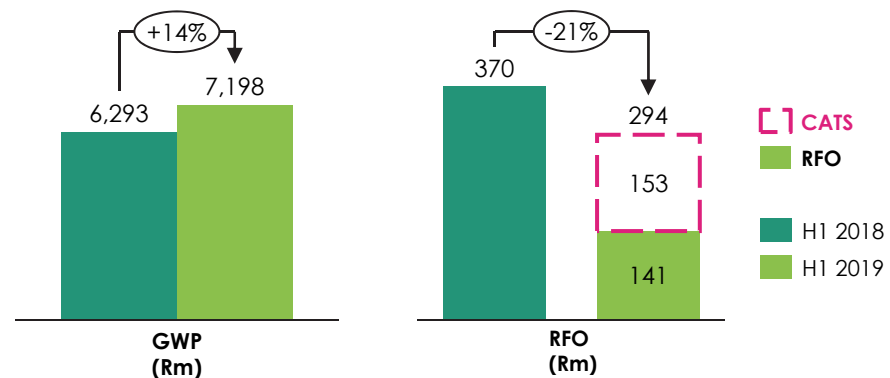


Strong top line growth, catastrophe claims reduced underwriting margin

- GWP growth across all lines of business and growth from strategic partnerships
- Catastrophe losses below the reinsurance threshold compared to benign environment in 2018

Decrease in underwriting result driven by higher claims experience and catastrophe losses

Underwriting margin **below target of 4%-6%** and expected to partially recover in H2 2019





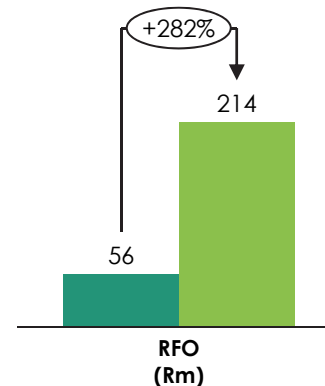
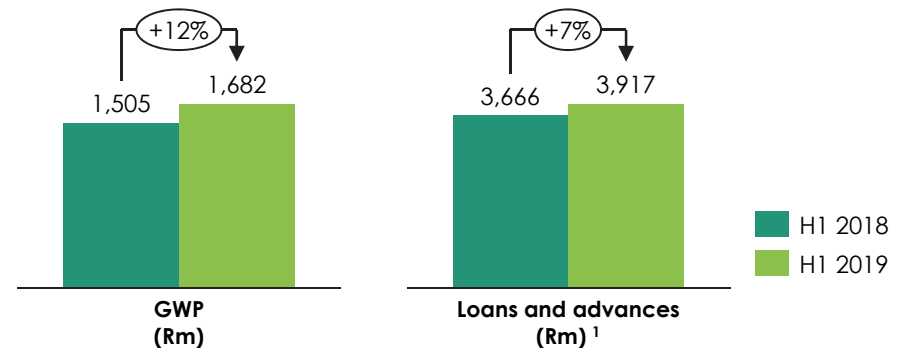
TURNAROUND IN EAST AFRICA AND IMPROVED RETURNS ACROSS ROA



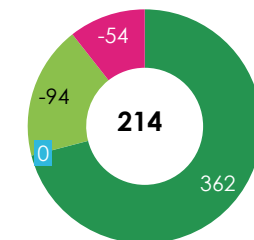
Strong RFO growth across all regions driven by top line growth

- **Southern Africa** – profit growth due to strong unit trust inflows in Asset Management and good performance in the Banking and Lending business
- **East Africa** – strong unit trust inflows and Life APE sales with improved underwriting experience in Property and Casualty
- **West Africa** – improved financial performance but continued focus on operational turnaround through restructuring

Zimbabwe – excluded from Group key metrics for 2018 and 2019 periods and hyperinflation accounting applied under IFRS



RFO by region (Rm)



- Southern Africa - Ex Zim
- West Africa
- East Africa
- Central Expenses

FINANCIAL REVIEW

Casper Troskie





FINANCIAL DELIVERY IN H1 2019



AHE

**R5,211
million**

Up 10 %
reflecting
higher
shareholder
investment
returns in SA

RoNAV

16,4%

Reflecting
higher levels
of
shareholder
cash

Free surplus

**R3,739
million**

Free cash
more than
covering
dividend
payments

Group solvency

166%

Remains well
within target
range

RoEV

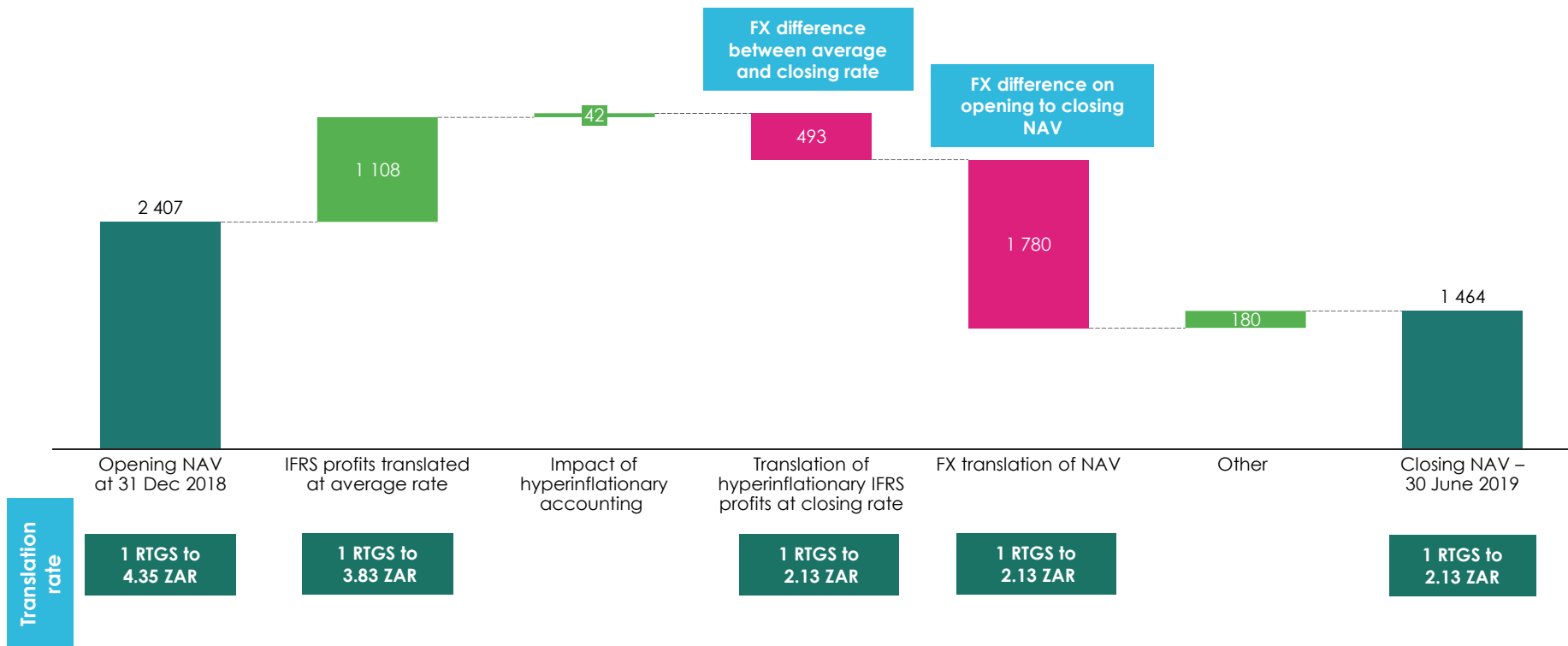
11.7%

Higher
investment
return and
improved
experience
variances

Supporting returns to shareholders



COMPLEXITIES OF ZIMBABWE ACCOUNTING



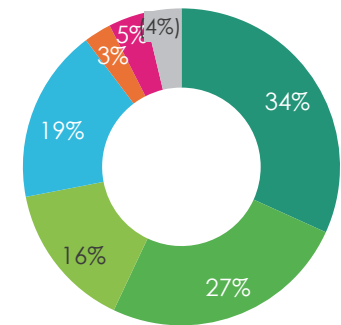


SEGMENT DELIVERY



Rm	H1 2019	H1 2018	% Change
Mass and Foundation Cluster	1,512	1,534	(1%)
Personal Finance	1,227	918	34%
Wealth and Investments	710	783	(9%)
Old Mutual Corporate	870	854	2%
Old Mutual Insure	141	370	(62%)
Rest of Africa	214	56	>100%
Central expenses	(162)	(89)	(82%)
Results from Operations¹	4,512	4,426	2%

Segment contribution to Results from operations



- Mass and Foundation Cluster
- Personal Finance
- Wealth and Investments
- Old Mutual Corporate
- Old Mutual Insure
- Rest of Africa
- Central expenses

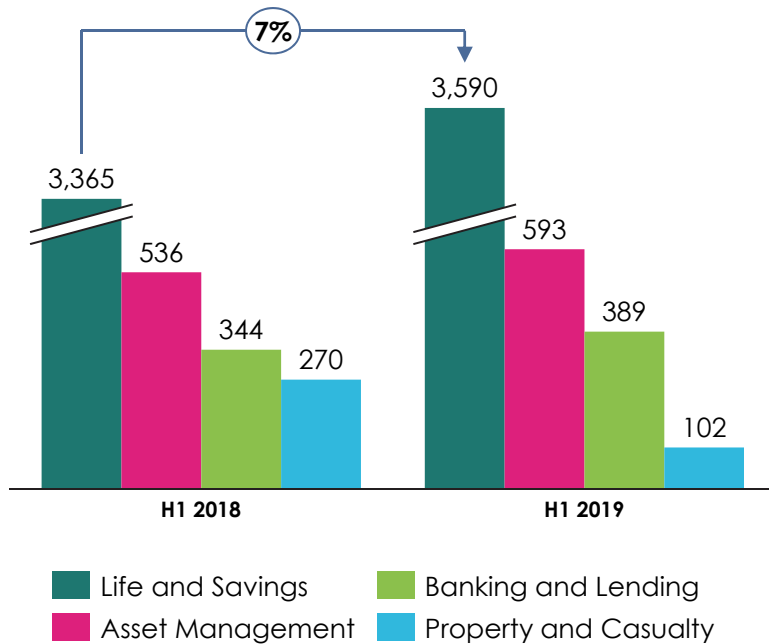
¹ Both periods exclude the operating results of Zimbabwe



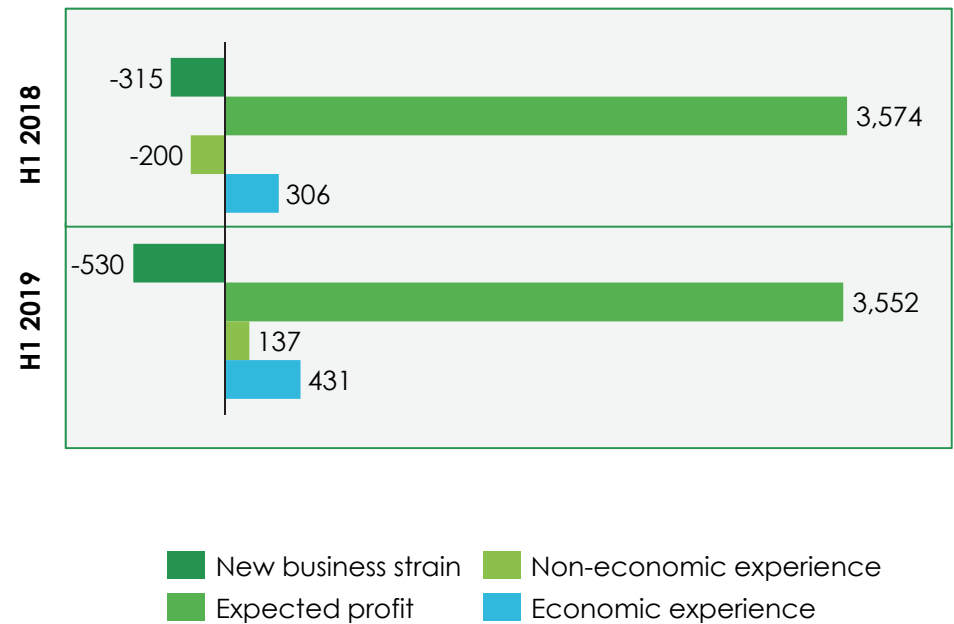
SOURCES OF EARNINGS



RFO by line of business (Rm)



Life and Savings RFO (Rm)





ADJUSTED HEADLINE EARNINGS



Rm	H1 2019	H1 2018	% Change
Operating segments	4,674	4,515	4%
1 Central expenses	(162)	(89)	(82%)
Results from Operations	4,512	4,426	2%
2 Shareholder investment return	1,060	791	34%
3 Finance costs	(309)	(337)	8%
4 Income from associates	1,431	1,379	4%
Adjusted Headline Earnings before tax	6,694	6,259	7%
Shareholder tax	(1,425)	(1,444)	1%
Non-controlling interest	(58)	(65)	11%
Adjusted Headline Earnings	5,211	4,750	10%

1 Central expenses reflect full run rate for incremental listing costs offset by one off income items and lower project expenses

2 Assisted by positive equity returns in South Africa

3 Increase in finance costs offset by fair value gains on interest rate swaps

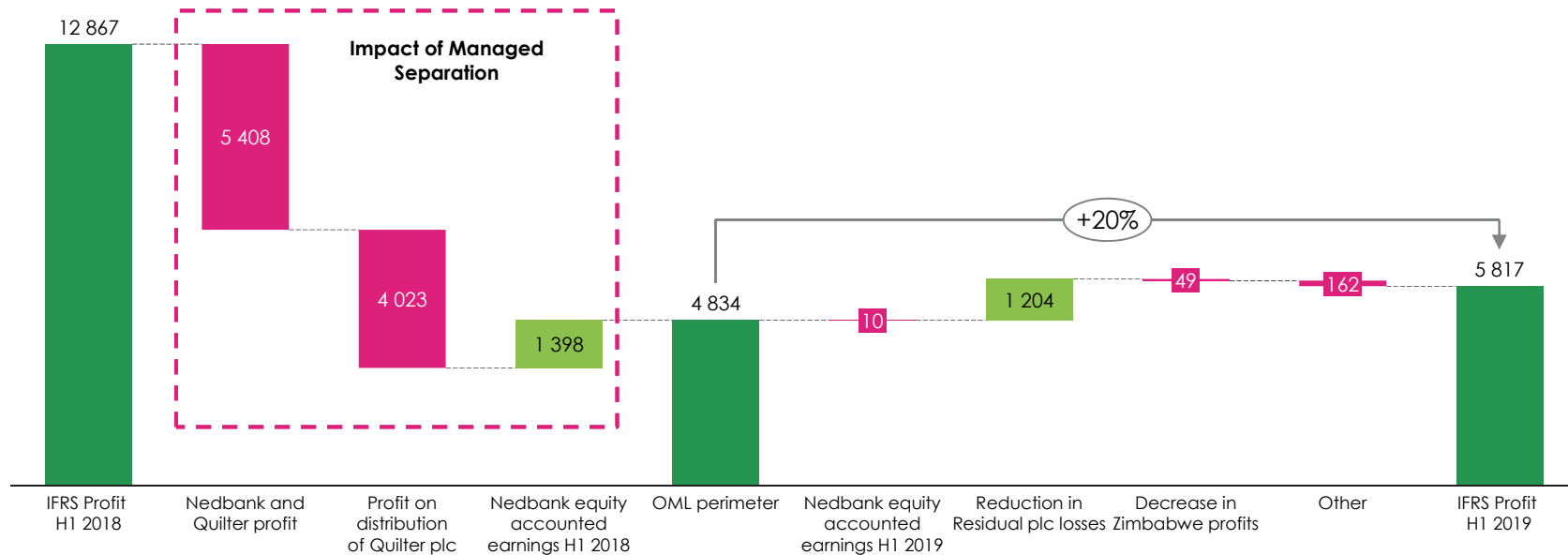
4 Nedbank earnings marginally flat and profits from China in the period



IFRS PROFIT IMPACTED BY MANAGED SEPARATION TRANSACTIONS



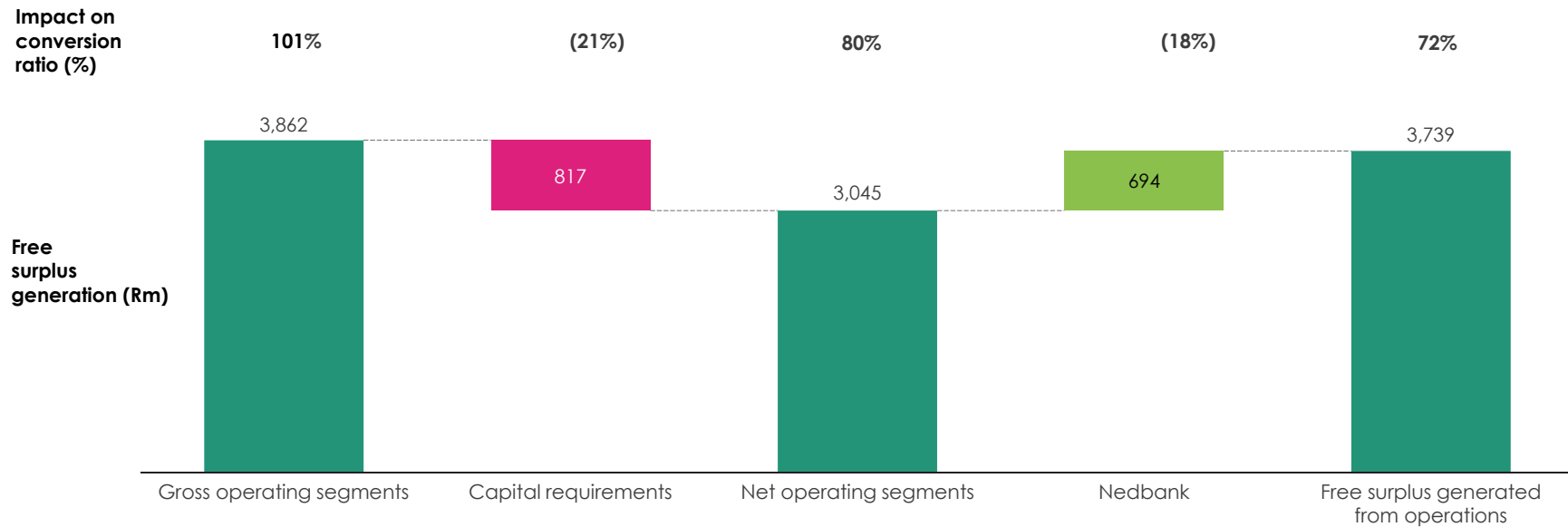
IFRS profit (Rm)



- IFRS profits in H1 2018 include the accounting impacts of transactions executed to complete the Managed Separation.
- It included the consolidated profits in respect of Quilter and Nedbank, classified as profit from discontinued operations, and the profit recognised on distribution of Quilter.
- Residual plc profit due to non repeat of Managed Separation costs and release of a provision for tax risk related to Managed Separation



CASH GENERATION IN H1 2019



- Increase in capital requirements due to the decrease in loss absorbency of deferred tax assets in the Property and Casualty business
- Nedbank cash conversion is in line with their dividend policy and this lower rate reduces free surplus generated



BALANCE SHEET OPTIMISATION



Debt Financing

- OMLACSA successfully issued R2 billion of unsecured subordinated debt on 11 June 2019, guaranteed by OML
- Floating rate of 155 bps above the 3 month JIBAR

Latin America

- Sale completed on 1 April 2019
- Net proceeds was R4.1 billion and accounting profits of R30 million

Share Buybacks

- Completed a R2.5 billion share buyback in H1 2019, representing 2.24% of issued share capital
- New share buyback of up to R2.4 billion approved

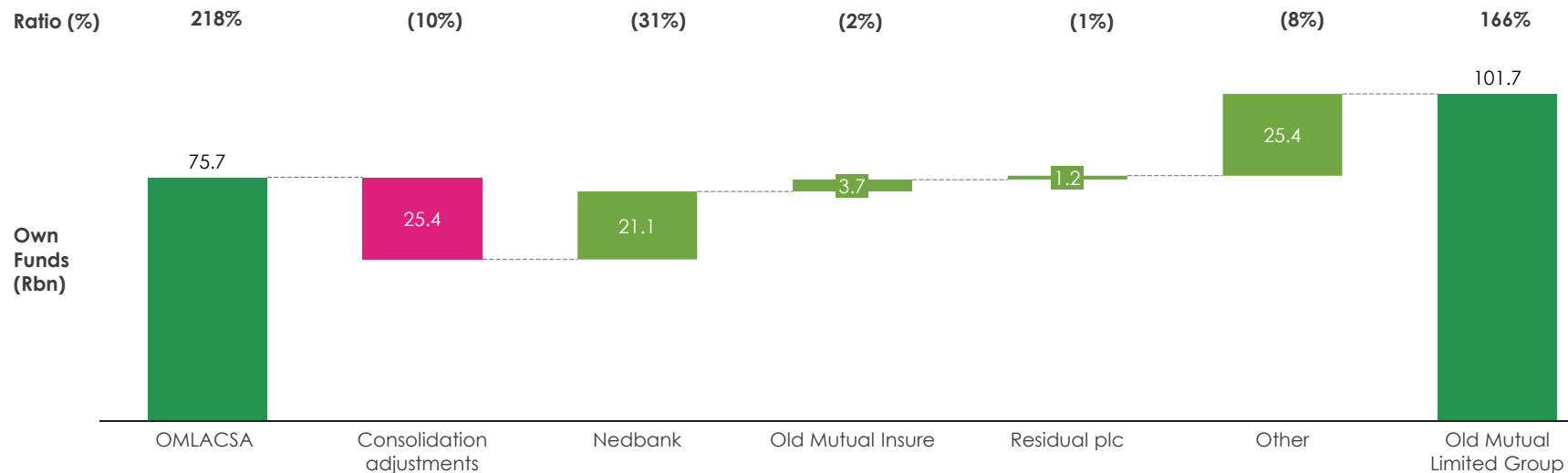
Residual plc

- Dividends of R622 million remitted to OML during 2019

Continued simplification of the balance sheet remains a key focus area



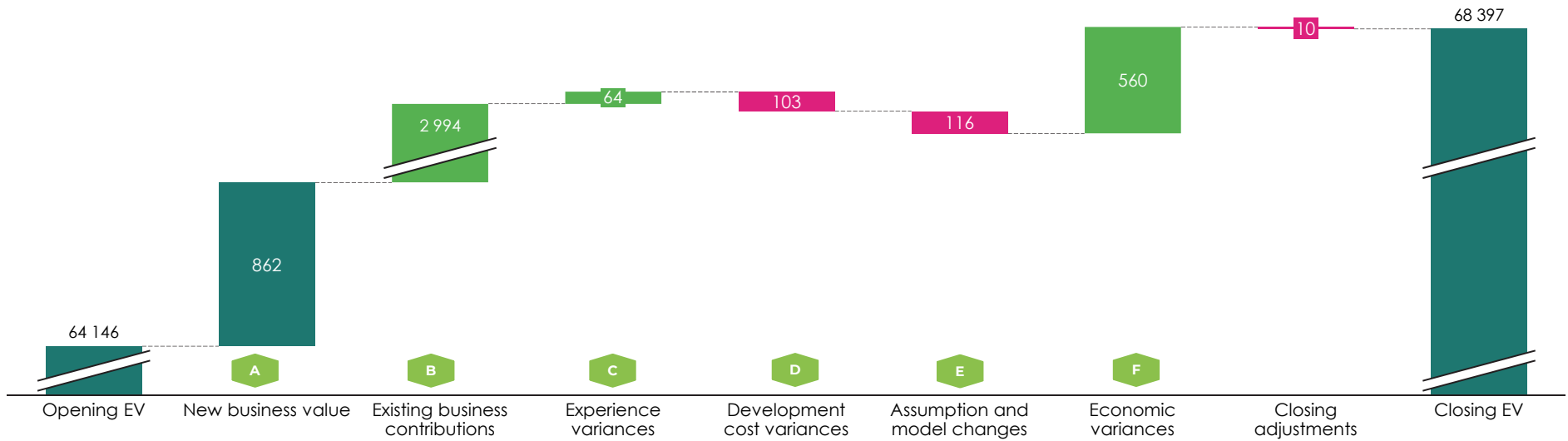
GROUP SOLVENCY POSITION



- Strong capital position where risks are managed, even after declared dividends
- Consolidation adjustments mainly related to removing double count of Nedbank and other subsidiaries
- Inclusion of Nedbank on Basel III basis reduces ratio, inclusion of Nedbank policyholder stake in H1 2019 led to further reduction
- Residual plc diluting Group solvency due to fungibility restrictions
- OM Insure included per the standard formula
- Other includes Rest of Africa, our investment in China and non life entities



ANALYSIS OF EMBEDDED VALUE

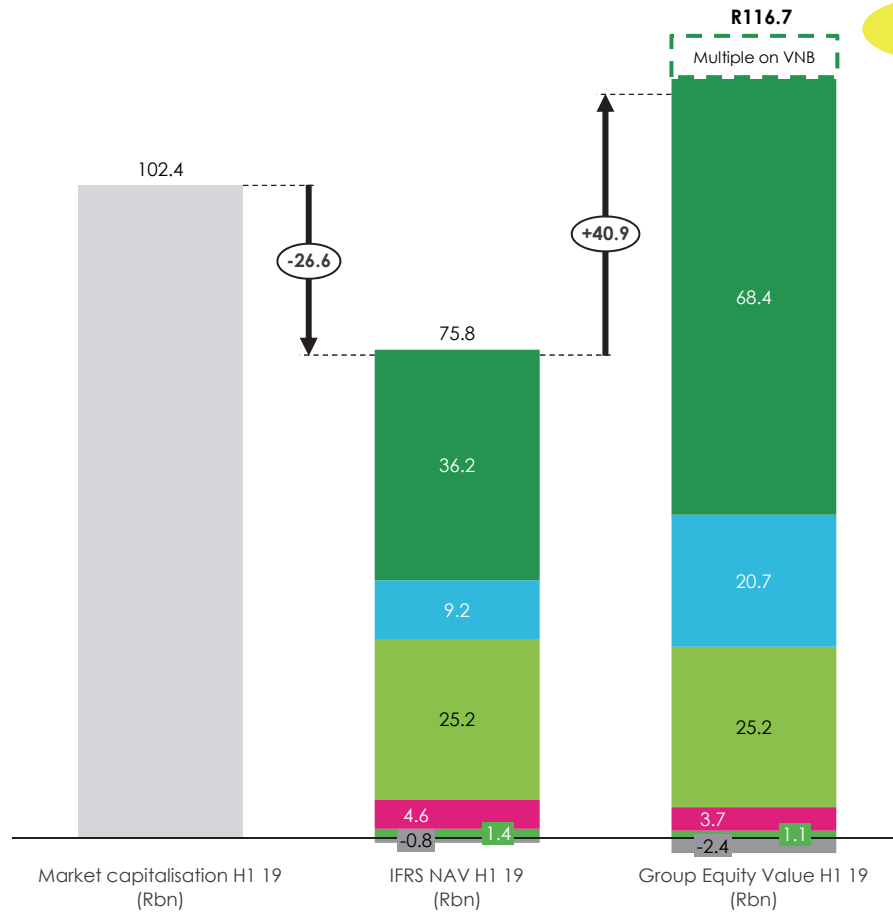


- A** Value of profitable new business written during the period
- B** Positive expected returns from existing business
- C** Favourable experience variances mainly due to lower claims

- D** Negative development cost variances from investment in strategic initiatives
- E** Driven by lagged restructuring costs in relation to Managed Separation
- F** Economic variances due to higher than expected return on policyholder funds



GROUP EQUITY VALUE



R24.16 per share

Category	Valuation technique	AHE (Rm)
Covered business	Embedded value	3,183
Non covered	Fair value	757
Nedbank	Market value	1,388
Residual plc	Economic NAV	n/a
Zimbabwe	Discounted IFRS NAV	n/a
Other	Includes holding companies, central costs and our JV in China	n/a



OUTLOOK ON OUR MEDIUM TERM TARGETS



	KPI	Target	Performance H1 2019	FY 2019 Outlook
RETURNS	RoNAV	Average COE + 4%	16.4%	Challenging
GROWTH	Results from operations	CAGR of Nominal GDP + 2%	Up 2%	Challenging
EFFICIENCY	Cost efficiencies	R1 billion by end 2019 pre-tax run rate cost savings	R750 million in 2018 and an additional R116 million from new initiatives	On track
	Underwriting result	Old Mutual Insure underwriting margin of 4%-6%	0.2%	Improving
CAPITAL	Solvency	OML: 155%-175% OMLACSA: 175% - 210%	OML: 166% OMLACSA: 218%	- Within range - Upper end of range
CASH RETURNS	Dividend cover	Target cover 1.75 to 2.25x for full year Target interim dividend at 40% of AHE	45 cents per share	On track

CONCLUDING REMARKS

Iain Williamson





OUTLOOK FOR H2 2019



Diversified and Resilient

- **Well positioned** to withstand economic headwinds in H2 of 2019
- **RFO target** remains under pressure

Operational effectiveness

- **Old Mutual Protect** delivery
- Continued **improvement of customer experience**

Value creation for shareholders

- Continued focus on **simplification of balance sheet**
- **R4.9 billion** in share buybacks
- **Improved BEE shareholding¹**

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

Q&A





OLD MUTUAL

THANK YOU



DO GREAT THINGS EVERY DAY



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