



RMI INTERIM RESULTS CALL

16 March 2022

FOCUS • COLLABORATE • GROW



You always get something out.

OUTsurance Group Interim Financial Results

31 December 2021

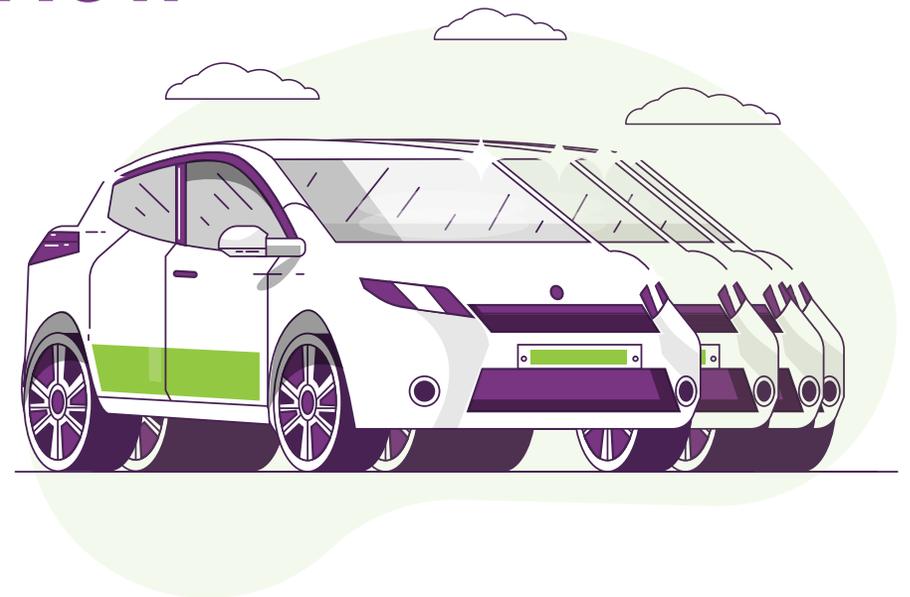
(unaudited)





You always get something out.

Strategic and operational review



Growth strategy update

Personal lines operations

OUTsurance Personal

Youi Personal

Strategy

Profitably expand market share through continuous optimisation in marketing, pricing and operational execution

Delivered in the six months under review

Positive in-force policy count growth delivered with a positive inflationary trend.

Growth metric

Gross written premium up by 5.8%
New business premium written up 7.7%

Gross written premium up by 11.3% (in A\$)
New business premium up by 8.1% (in A\$)

Growth initiatives

OUTsurance Business

Build a profitable OUTsurance Brokers distribution channel with sufficient scale to be a challenger in this market segment.

69% growth in gross written premium in the OUTsurance Brokers (tied agents) channel.
Improved economies of scale.

Gross written premium up by 22.9%
New business premium up by 22.3%

OUTsurance Life & OUTvest

Establish a tied agent and IFA distribution capability for Underwritten Life and OUTvest to widen customer segment reach. Deliver innovative products.
Scale the Funeral product to sustainable profitability.

OUTsurance Financial advisors was launched as a tied-agent capability. Wellness product launched for this channel linked to OUTbonus.
Acceleration in funeral new business flows, particularly the Shoprite channel.

Gross written premium up by 23.7%
New business premium up by 43.4%

Youi CTP

Achieve material market penetration in the New South Wales CTP market.

Increasing cadence of new business and claims experience is in line with expectations. Youi qualified for a licence to extend its CTP offering to South Australia.

1.7% NSW market share at the end of December with increasing run-rate.
Gross written premium up by >100%

Youi BZI

Maximize the partnership opportunity with BZI and achieve profitability in the next 2 years.

BZIs products included on the Steadfast Platform (Australia's larger independent broker platform).
Improving attritional loss ratios.

Gross written premium up by >100%

International expansion

Identify opportunities for long-term growth through geographical diversification.

Opportunity approved and planning commenced.

Overview of key operational themes

OUTsurance

- ▶ Increasing premium inflation environment.
- ▶ Satisfactory new business performance with increasing contribution from OUTsurance Business.
- ▶ Normalising motor claims environment from pandemic lows. Increased claims severity linked to repair cost inflation.
- ▶ Higher natural perils claims related to wetter weather conditions.
- ▶ Increased load-shedding claims.

Youi

- ▶ Strong new business growth enabled by BZI and CTP.
- ▶ Elevated premium inflation in response to natural perils losses.
- ▶ Significant increase in natural perils losses for the period due to higher number of events and increased retention. Natural perils aggregate attachment reached in January 2022.
- ▶ Changed terms of 2022 reinsurance programme resulted in R260 million additional catastrophe retention (or 6% higher claims ratio) compared to 2021 structure.

OUTsurance Life

- ▶ Strong new business growth from Funeral segment.
- ▶ Satisfactory increase in VNB margins and embedded value.
- ▶ Large increase in Covid-19 mortality losses during 3rd wave. More muted 4th wave.
- ▶ Omni-channel distribution enhanced with creation of tied-agency force and IFA partnerships for OUTsurance Life and OUTvest.
- ▶ Innovative Wellness product launched (linked to OUTbonus) to support channel expansion.

Corporate developments

▷ Hastings disposal

- ▶ Sale price representing 37% premium to November 2021 privatisation offer.
- ▶ 38% return on the original investment made in 2017 (18.4% IRR).
- ▶ R2.4 billion profit realised for the OUTsurance Group.
- ▶ Special dividend of 82 cents per share paid in December 2021.

▷ **Additional 5.3% interest in Youi completed in October 2021. Revised interest at 89.8%.** Intention to acquire a further 5.3% minority interest during H1-2023.

▷ **Blue Zebra Insurance – minority interest**

- ▶ Acquisition of a further 30% interest in BZI to be completed in March 2022. Youi's total interest in BZI is 34%.
- ▶ This stake represents a strategic interest in Youi's fastest growing new business channel.

▷ **Disposal of OUTsurance Namibia**

- ▶ FirstRand Namibia to acquire the OUTsurance Group's 49% interest in OUTsurance Namibia.
- ▶ The disposal allows for resource focus on growth initiatives.

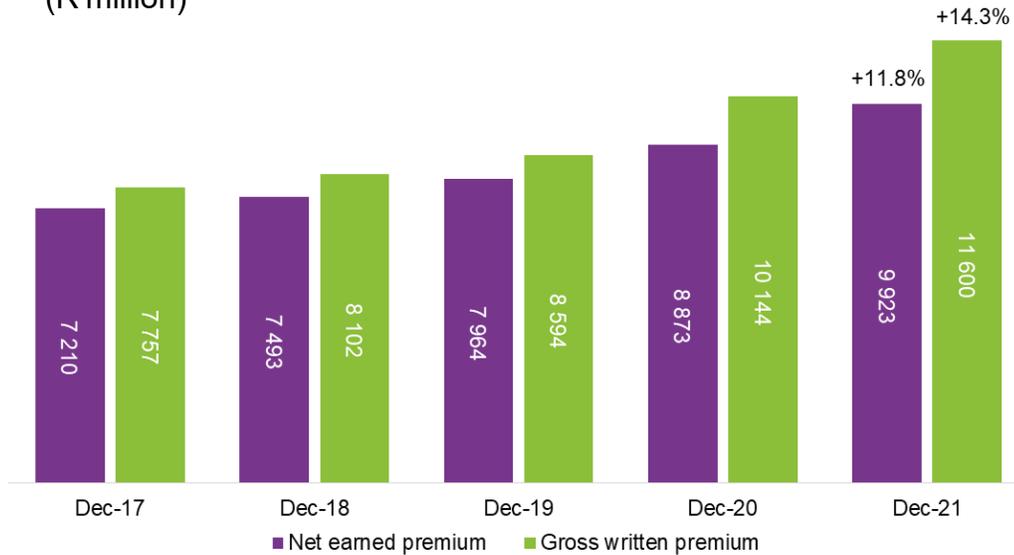


You always get
something out.

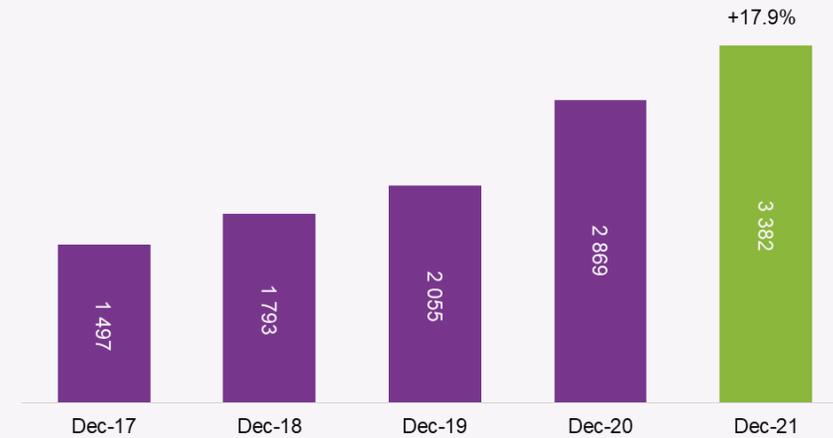
Group consolidated Financial results overview

Group results overview

Gross written and net earned premiums
(R'million)



Annualised new business premium written
(R'million)

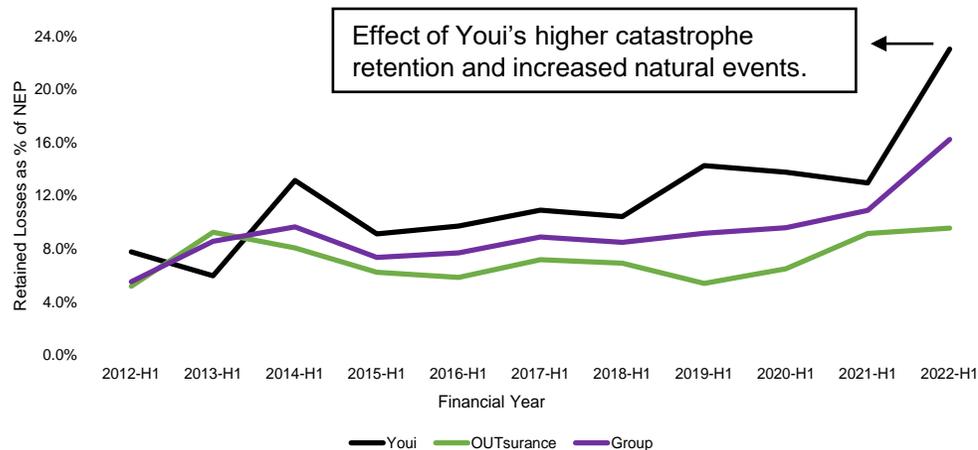


- ▷ Translated premium income and new business premium written was negatively impacted by the 5.9% appreciation in the average AUD/ZAR exchange rate for the six months under review. On a constant currency basis, GWP growth was 15.1%.

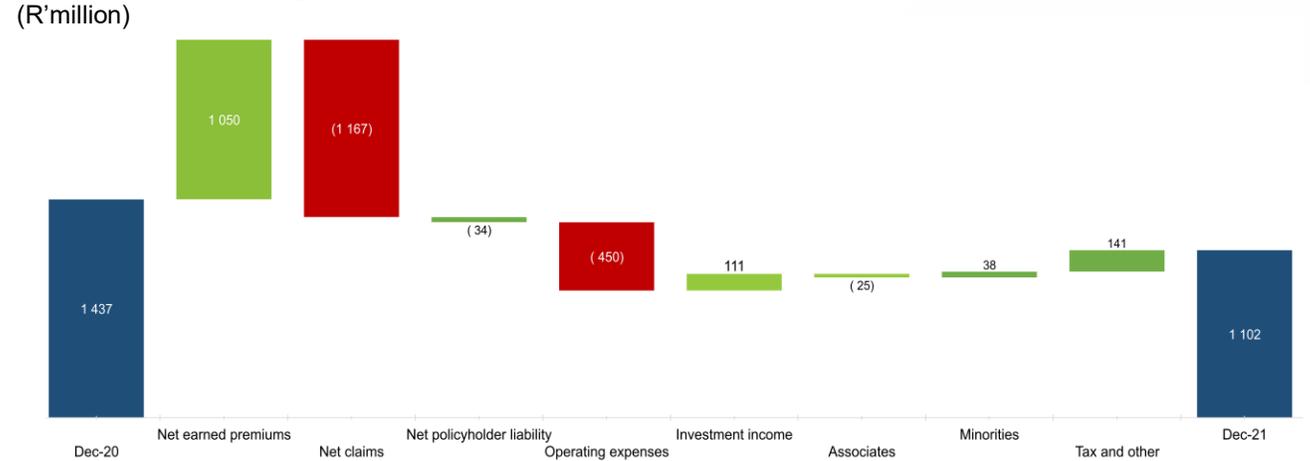
Group results overview *continued*

- ▷ Both OUTsurance and Youi delivered lower earnings outcomes on the back of elevated natural perils claim experience. Youi experienced a higher number of events and retained losses were amplified by the increased event retention applicable to Youi's 2022 reinsurance structure.
- ▷ The increase in operating expenses reflects the investments made in growth initiatives, systems transformation and regulatory reform over the last year.
- ▷ Investment income benefitted from the recovery in equity markets.

Retained natural perils losses in first half of recent financial years



Normalised earnings drivers for H1-2022

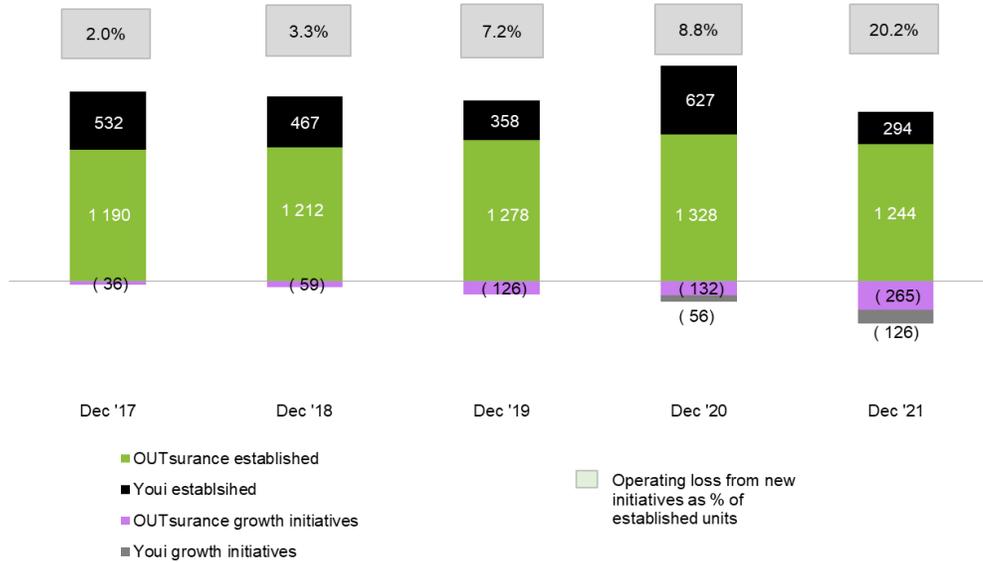


Normalised earnings and operating profit



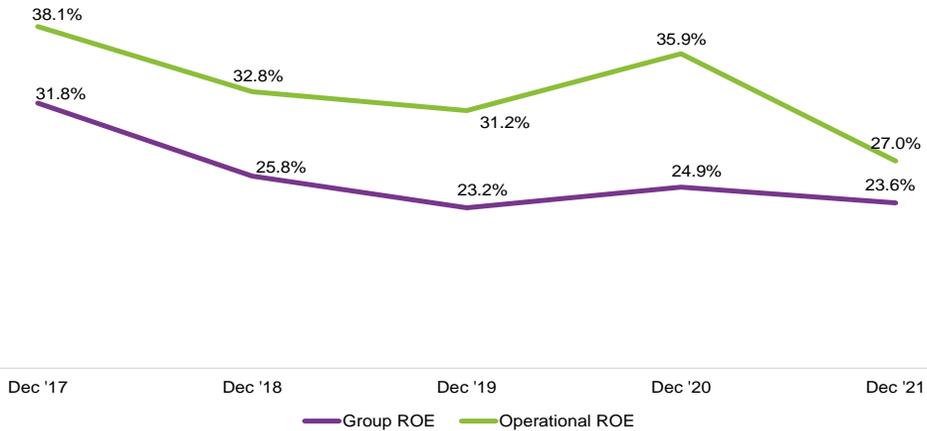
Group results overview *continued*

Impact new initiative investment on operating profit (R'million)



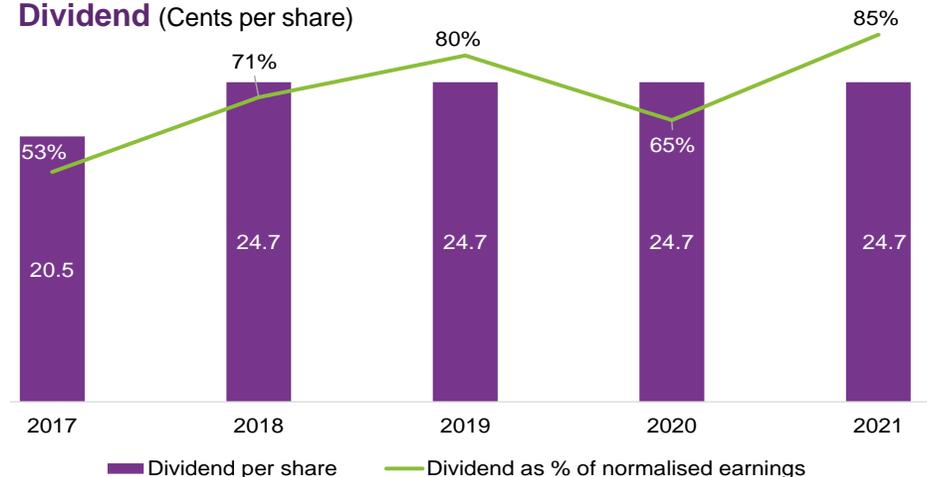
New initiative investment expressed as percentage of established business units increased as a result of the lower profits generated by OUTsurace and Youi in particular considering the higher reinsurance retention effect. Also contributing is the loss position of OUTsurace Life linked to COVID-19 claims. New initiative spend at Youi increased on the back of the faster BZI growth. The Group's appetite for new initiative spend is 10% measured over a full financial year.

ROE (%)



Following the disposal of Hastings the Group ROE will trend towards the Operational ROE.

Dividend (Cents per share)



The Group declared and paid a special dividend of 82cps in December after the disposal of Hastings.

Group results overview *continued*

Sources of normalised earnings

<i>R'million</i>	Six months ended 31		
	December		
	2021	2020	% change
OUTsurance	937	1 018	(8.0%)
Youi Group	123	406	(69.7%)
OUTsurance Life	(21)	18	(>100%)
Earnings from associates	66	91	(27.5%)
Minorities	(25)	(63)	60.3%
Central and new business development	22	(33)	>100%
Normalised Group	1 102	1 437	(23.3%)

Capital position

<i>SCR ratio</i>	Six months ended 31	
	December	
	2021	2020
OUTsurance	1.7	1.8
Youi Group	2.6	3.2
OUTsurance Life	2.6	3.1
Group	2.3	2.3

The Group's SCR ratio is inclusive of R1.7 billion retained from the Hastings disposal. This surplus will be applied to international expansion and the acquisition of a further 5% minority position in Youi.

Group outlook

- ▶ Rising premium inflation as a result of normalisation of accident frequencies, supply driven repair cost inflation, higher natural perils losses and reinsurance premium is expected to be a net positive for the Group over the longer term.
- ▶ The Ukraine conflict introduces macro uncertainty that may extend inflationary pressures. The Group's balance sheet remains conservatively positioned in largely fixed income exposures.
- ▶ Youi is expected to deliver strong second half earnings due to the insulation provided by the natural perils aggregate treaty. This treaty provides \$70 million of cover for aggregated natural events, individually in excess of \$2 million.
- ▶ The Group's various growth initiatives are expected to maintain good momentum into the second half of the financial year.
- ▶ Management focus is on ensuring that premium growth achieved translates into quality earnings and long-term shareholder value creation as new initiatives move through their J-curves over the next three years.
- ▶ OUTsurance Business is expected to improve its monthly loss profile as scale benefits are realised.
- ▶ Systems modernisation and service digitalisation continues as a key strategy to ensure we retain systems agility and data excellence to underpin our leading customer service offering and scientific pricing.



You always get something out.

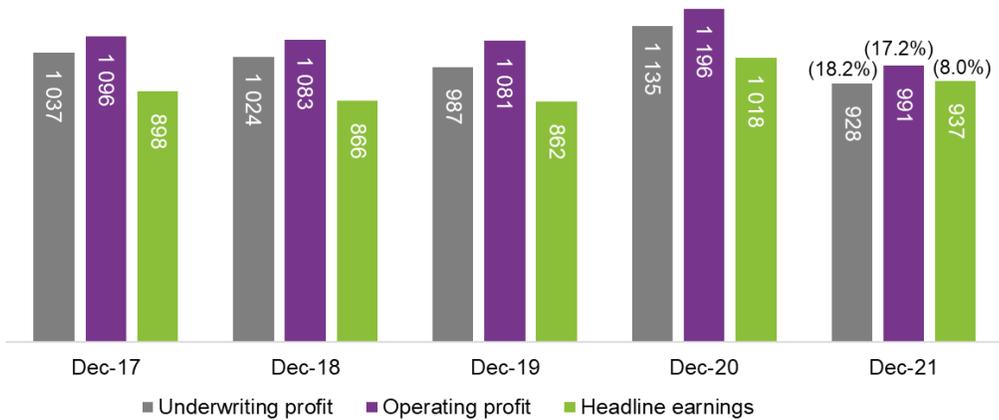
OUTsurance Results overview

(SA short-term insurance)

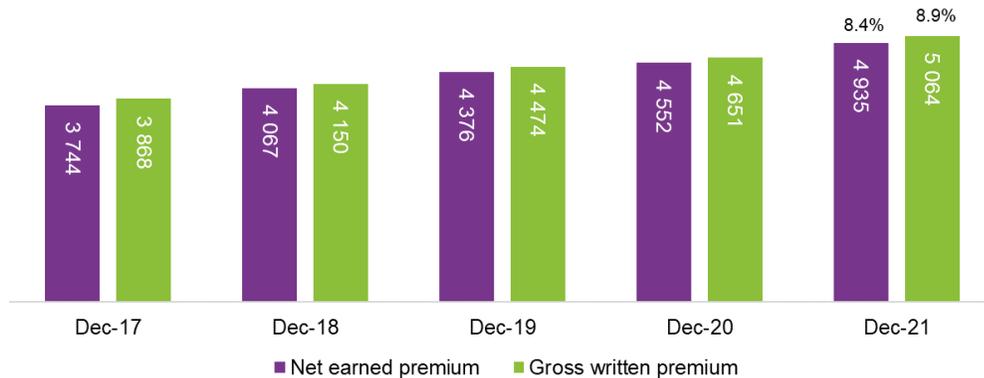


OUTsurance results overview (SA short-term insurance)

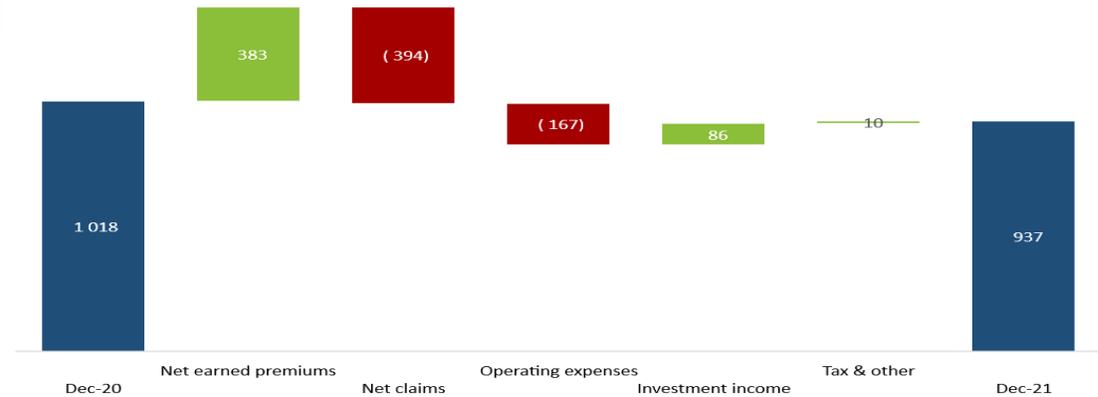
Headline earnings and operating profit (R'million)



Gross written and net earned premiums (R'million)



Normalised earnings drivers for H1-2022 (R'million)



Key ratio analysis



OUTsurance Personal results overview

OUTsurance Personal

R'million	Six months ended 31 December		
	2021	2020	% change
Gross written premium	4 045	3 822	5.8%
Net earned premium	3 957	3 747	5.6%
Underwriting profit	1 040	1 118	(7.0%)
Operating profit	1 069	1 151	(7.1%)
Claims ratio	51.6%	49.7%	
Cost-to-income ratio	20.1%	18.9%	

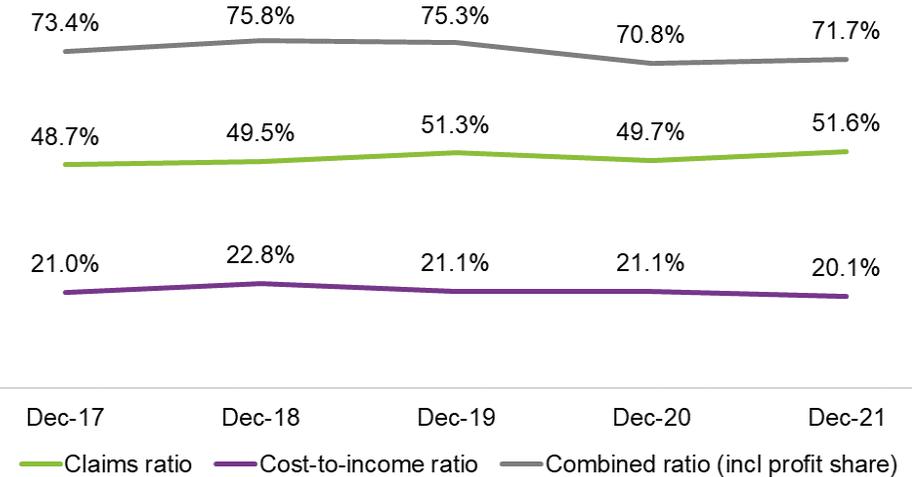
IFRS results (including Homeowners)

- ▶ OUTsurance Personal grew gross premium income by 6.6% (excl FirstRand Homeowners arrangement) which is attributed to strong new business growth over the last year aided by the acceleration of premium inflation. OUTsurance Personal achieved annualised new business premium growth of 7.6% for the six months under review.
- ▶ The claims ratio has increased from 49.7% to 51.6% due to the normalisation of pandemic related motor claims frequencies as well as increased claims frequencies on the property risks due to the wetter weather conditions and load shedding related power surges.
- ▶ The cost-to-income ratio for OUTsurance Personal increased to 20.1% owing to the allocation of Covid-19 related costs to segment level, resumption of salary increases in 2022 and general inflation effects.

Gross written premium (R'million)



Key ratio analysis (R'million)



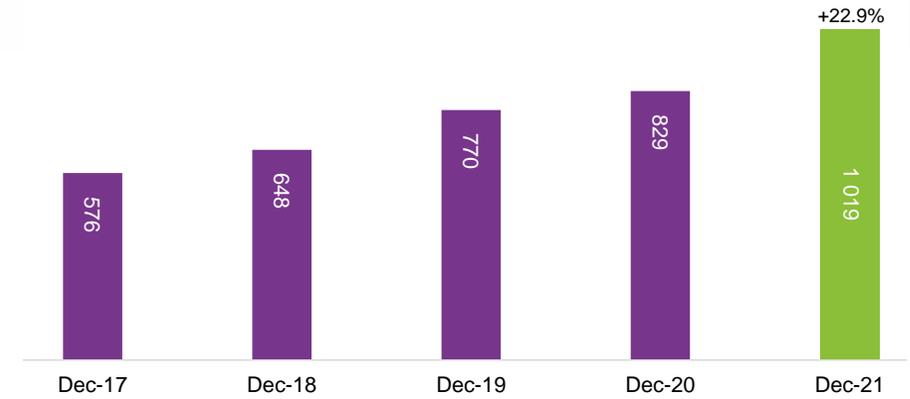
OUTsurance Business results overview

OUTsurance Business

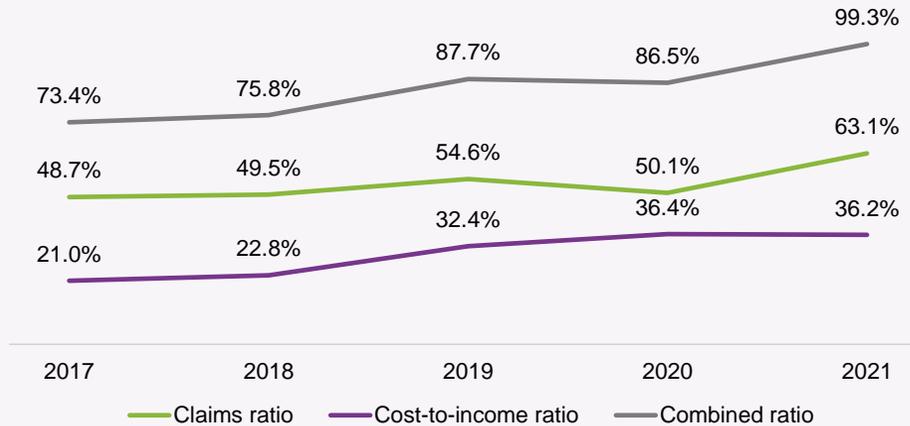
	Six months ended 31 December		
R'million	2021	2020	% change
Gross written premium	1 019	829	22.9%
Net earned premium	978	805	21.5%
Underwriting profit	6	102	(94.1%)
Operating profit	14	110	(87.3%)
Claims ratio	63.1%	50.1%	
Cost-to-income ratio	36.2%	36.4%	

- ▷ OUTsurance Business delivered 22.9% growth in gross written premium for the six months under review. The growth is attributed to the continued expansion in the OUTsurance Broker sales capacity and a recovery in the Direct channel.
- ▷ The OUTsurance Broker channel grew gross written premiums by 68.7% to R434 million. The Business Direct channel experienced improved growth of 2.4%.
- ▷ The claims ratio has increased from 50.1% in 2020 to 63.1% due to increased severity and frequency of non-motor claims and new business strain associated with the higher growth rate. The H1-2021 claims ratio benefitted from BI reserve releases not repeated in H1-2022. The OUTsurance Broker channel claims ratio is higher than target and corrective actions are implemented.
- ▷ The OUTsurance Broker channel incurred a loss of R198 million for the six months under review. This result compares to a R103 million loss in the prior interim period where the loss was positively impacted by the release of BI reserves.

Gross written premium (R'million)



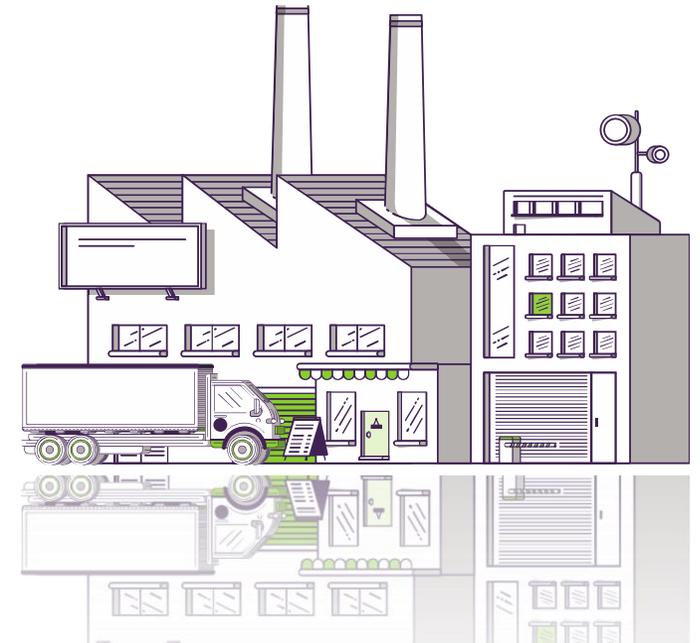
Key ratio analysis (R'million)





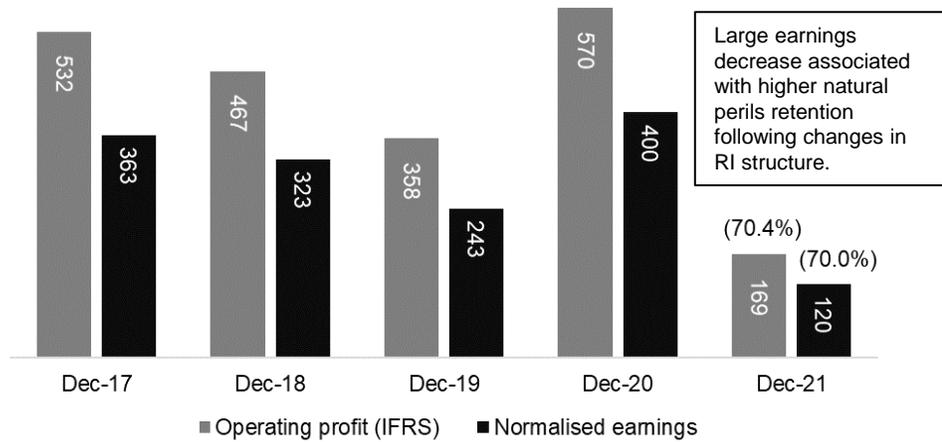
Youi

Results overview

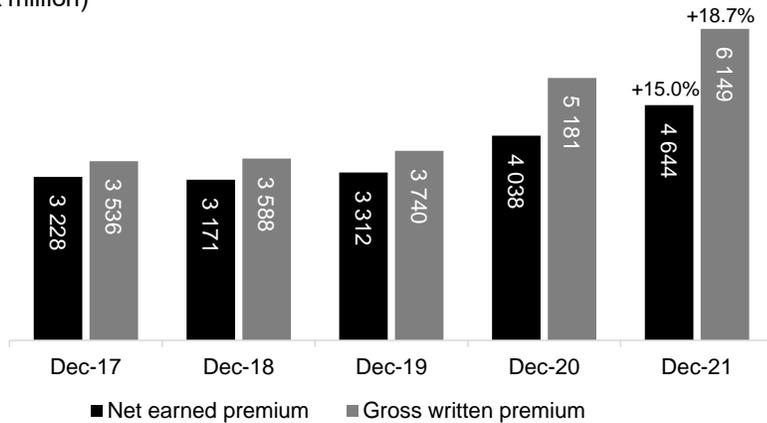


Youi results overview

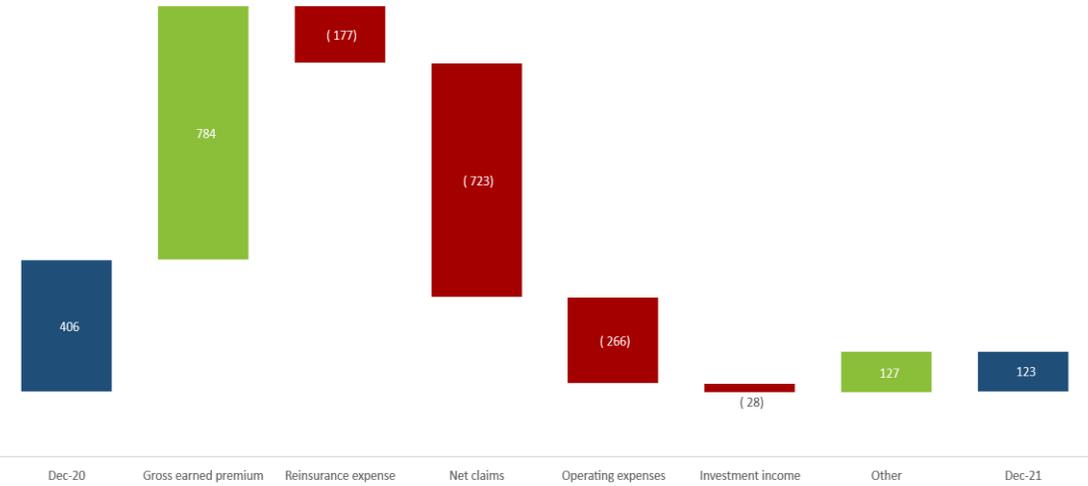
Normalised earnings and operating profit (Youi Australia)
(R'million)



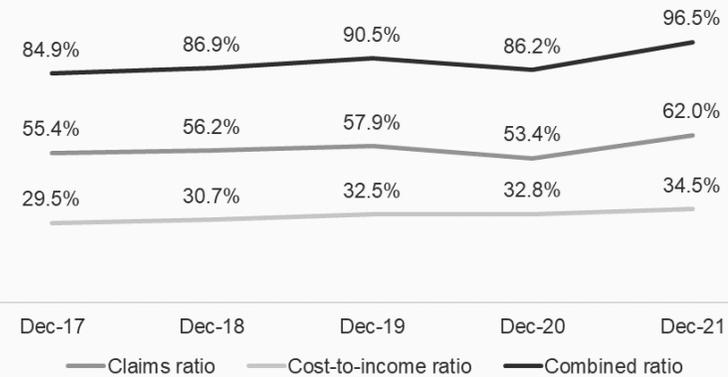
Gross written and net earned premiums (Youi Australia)
(R'million)



Normalised earnings drivers for H1-2022 (Youi Group)
(R'million)



Key ratio analysis (Youi Australia)
(R'million)

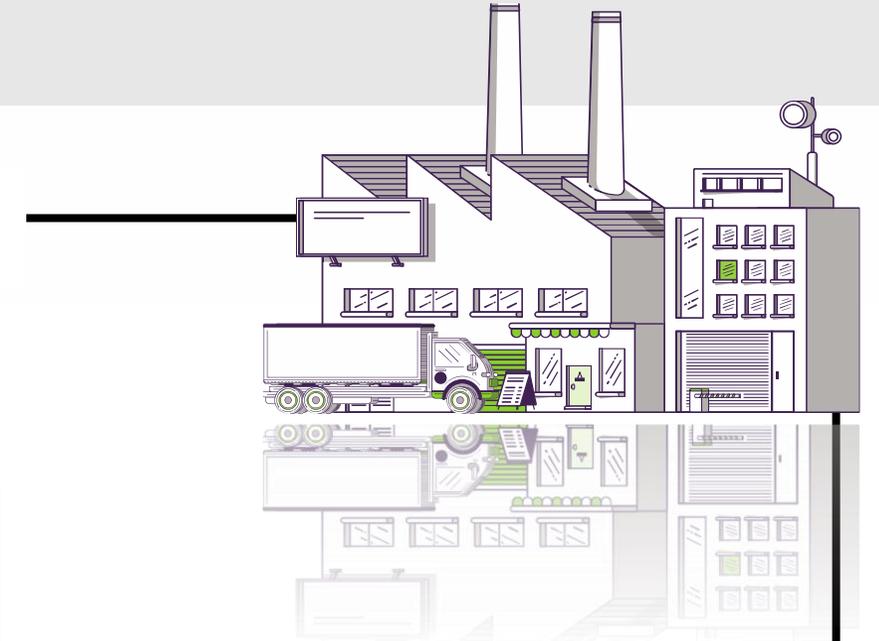


Youi results overview *continued*

Youi Australia

<i>R'million</i>	Six months ended 31 December		
	2021	2020	% change
Gross written premium	6 149	5 181	18.7%
Net earned premium	4 644	4 038	15.0%
Underwriting profit	160	543	(70.5%)
Operating profit	169	570	(70.4%)
Claims ratio (%)	62.0%	53.4%	
Cost-to-income ratio (%)	34.5%	32.8%	
AUD/ZAR exchange rate - average	11.07	11.76	(5.9%)

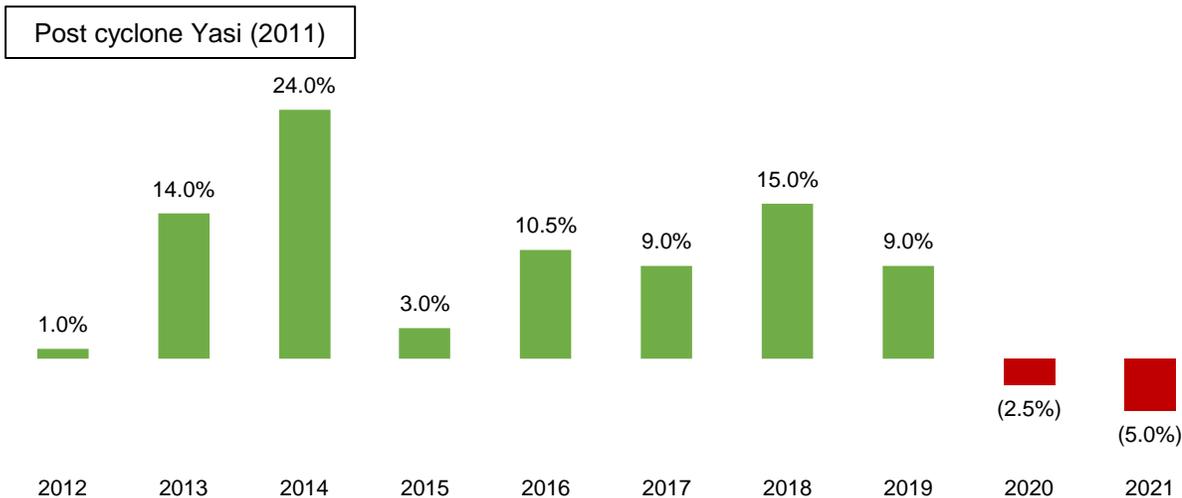
- ▷ Gross written premium grew by 18.7% and 26.1% in Rand and Australian Dollars respectively.
- ▷ The claims ratio of 62% was negatively impacted by the higher retained natural perils losses and lower prior year reserve releases. Had reinsurance retention been the same as FY 2021, the claims ratio would have been 6% lower. The combined effect of the higher retention and increased natural events is a 10% higher claims ratio for the six months.
- ▷ The BZI channel loss ratio is running above target as a result of natural events and the higher growth rate resulting in new business strain. Pricing actions are expected to result in a favourable trend into H2.
- ▷ The higher cost-to-income ratio reflects the investment in growth initiatives and linked distribution cost, regulatory reform and investment in systems transformation. The cost-to-income ratio is forecast to have peaked in H1-2022.



Youi results overview *continued*

- ▷ New south Wales and Queensland flood update – March 2022
 - ▷ Estimated gross exposure of \$80 million
 - ▷ Net retained exposure expected between \$2 million and \$6 million depending on interpretation of number of individual weather events related to the extensive flooding.
 - ▷ The industry exposure to the flood events is expected to eclipse losses from cyclone Yasi in 2011.

Australian home insurance - historic industry trading result.



- ▷ The home insurance industry has endured losses in recent years owing to increasing natural perils losses and higher reinsurance cost.
- ▷ Premium inflation is expected to trend above historic averages in the near term as the industry adjusts to these factors.
- ▷ The Home insurance market has proven to be profitable through the cycle which is supportive of Youi's investment to grow and this risk class.



You always get
something out.

OUTsurance Life

Results overview

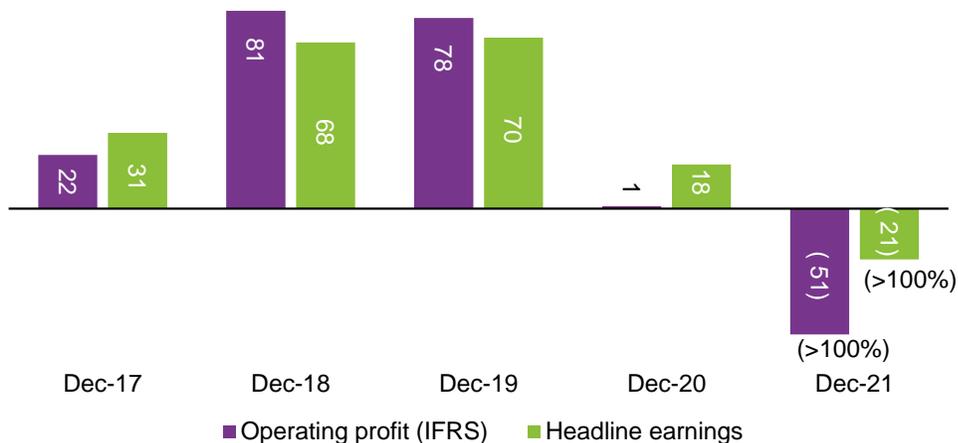
OUTsurance Life results overview

OUTsurance Life

<i>R'million</i>	Six months ended 31 December		
	2021	2020	% change
Gross written premium	386	312	23.7%
Net earned premium	343	283	21.2%
Operating profit / (loss)	(51)	1	(>100%)
Cost-to-income ratio	51.5%	52.9%	
VNB margin	15.0%	3.0%	
Embedded Value	1 389	1 267	9.6%

IFRS results

Headline earnings and operating profit (R'million)



Embedded value (R'million)

<i>R'million</i>	Six months ended 31 December		
	2021	2021	% change
Underwritten Life	1 127	1 089	3.4%
Funeral	209	136	54.1%
Other	53	84	
Total embedded value	1 389	1309	6.1%

- ▷ OUTsurance Life delivered strong top line growth stimulated by the expansion of the direct and Shoprite Funeral channels.
- ▷ The operating loss experience was impacted by increased COVID-19 claims of R90 million for the six months under review in comparison to R36 million in the previous period.
- ▷ Despite contributing to strong premium growth, the initial losses associated with the product and channel expansion are negatively impacting the operating profit in line with expectations.
- ▷ COVID-19 reserving is prudently maintained and reserving levels will be considered at year-end.
- ▷ Embedded value and VNB margin improvements reflect new business growth and higher margin business.



RMI | INVESTMENT
MANAGERS

IDENTIFY. PARTNER. GROW



RMI IMG Portfolio of Affiliates and Partners

 **CORESHARES**

ETHOS

 **Granate**
ASSET MANAGEMENT

NORTHSTAR

 **Perpetua**
INVESTMENT MANAGERS

 **POLARSTAR**

 **SENTIO**


SESFIKILE CAPITAL
Listed Property Investments

Truffle
Asset Management

VISIO

Momentum
Metropolitan

rbh 
royal bafokeng holdings

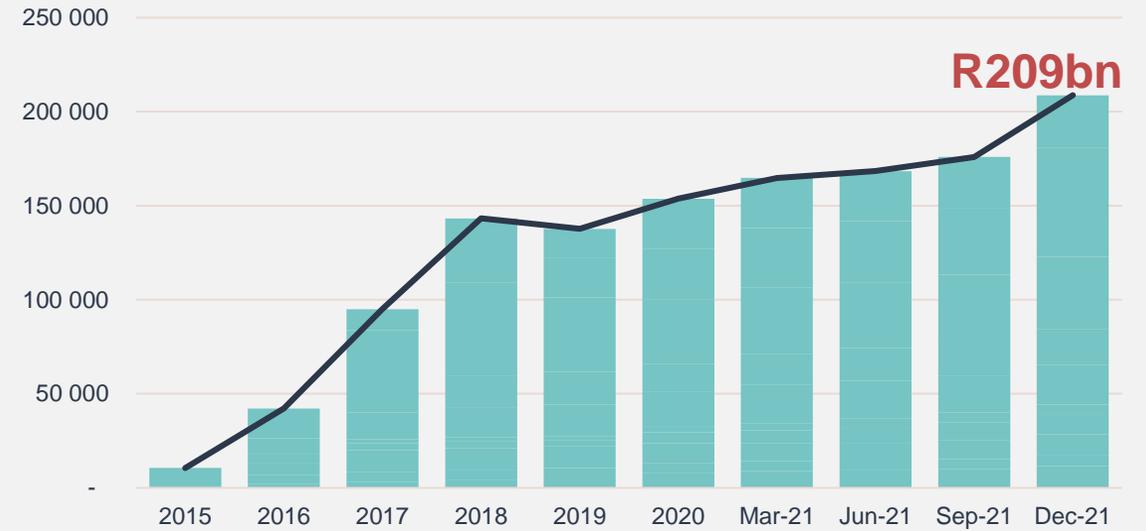
INVESTMENT PERFORMANCE | DEC'21

Proportion of funds in each quartile



COLLECTIVE AUM (R'BN)

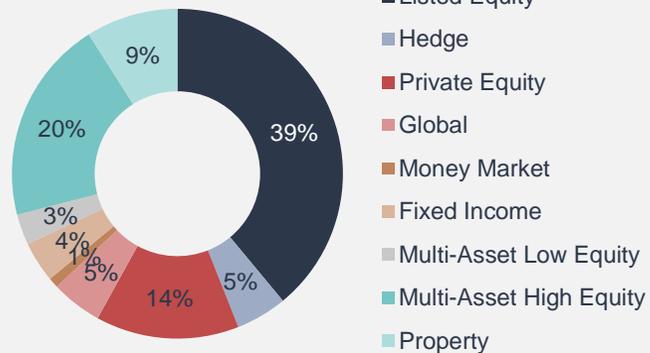
Since Acquisition



AUM DIVERSIFICATION

By Asset Class

R209bn

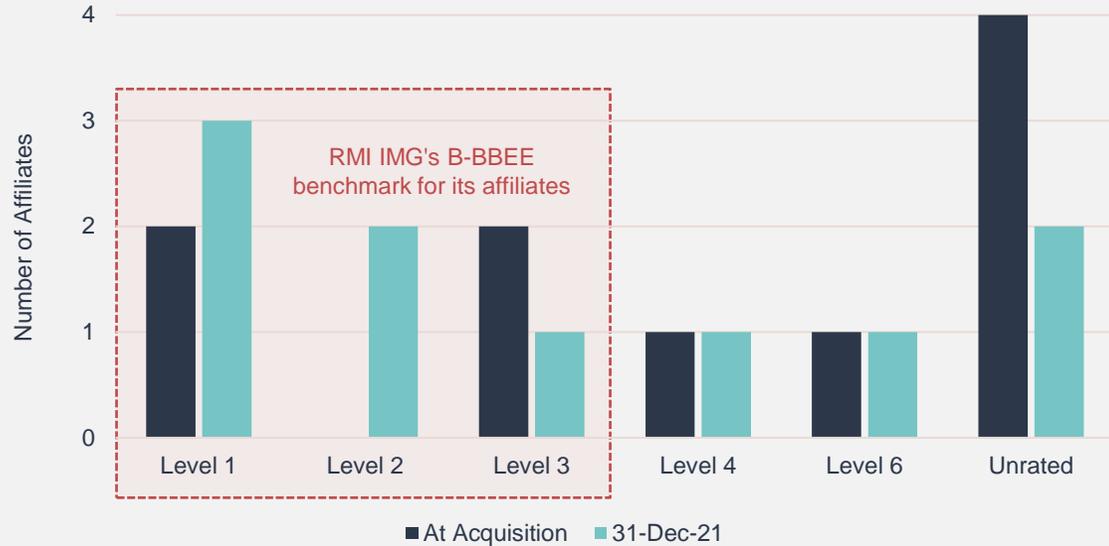


+R55 billion
AUM GROWTH

over the 12m to Dec 2021

65% MARKET
35% NET FLOWS

AFFILIATE B-BBEE CREDENTIALS

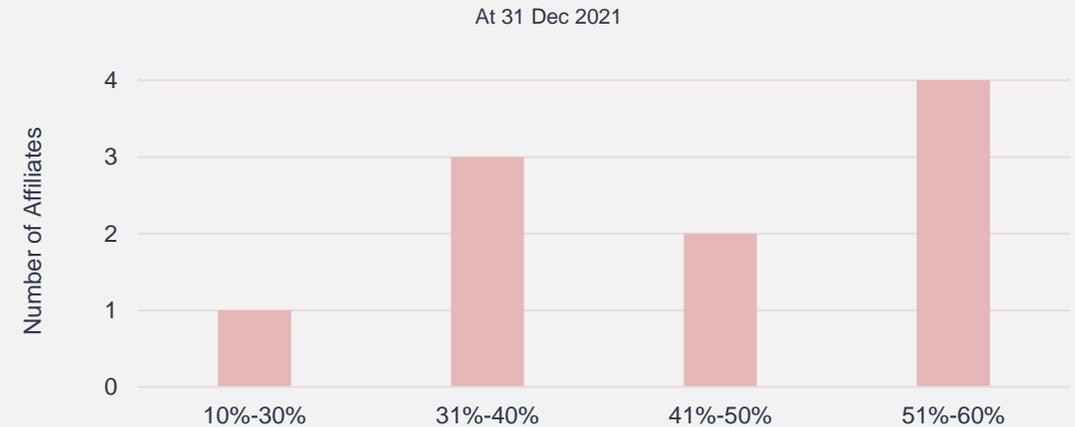


GENDER TRANSFORMATION

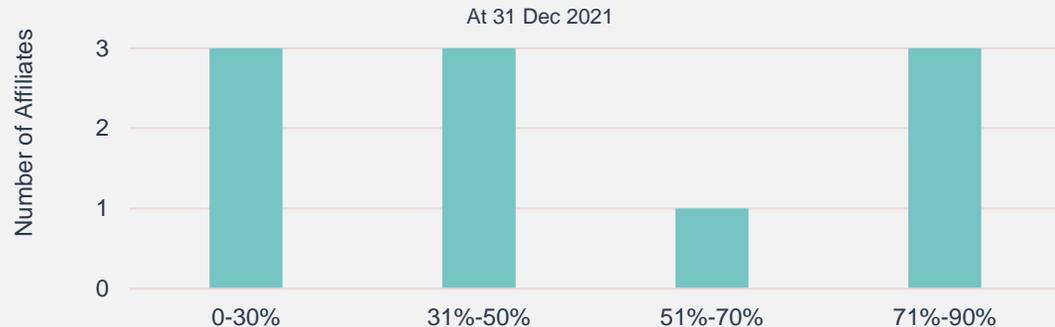
228 Number of collective affiliate employees

- **46%** Female Staff Members
- **21%** Female Portfolio Managers
(Industry average 10.7%*)

PERCENTAGE OF FEMALE EMPLOYEES PER AFFILIATE



PERCENTAGE OF BLACK EMPLOYEES PER AFFILIATE





RMI INTERIM RESULTS AND DIVIDEND

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Normalised earnings for the six months ended 31 December 2021

Rm	Dec 2021	Dec 2020	% change
Continuing operations			
OUTsurance (excluding Hastings)	1 037	1 351	(23)
OUTsurance (including Hastings)	1 102	1 437	(23)
Hastings included in OUTsurance	(65)	(86)	24
RMI Investment Managers and AlphaCode investments	52	62	(16)
Funding and holding company costs	(254)	(269)	6
Discontinued operations			
Discovery	2 876	2 284	26
Hastings	801	652	23
Momentum Metropolitan	1 525	1 012	51
RMI group normalised earnings			
Continuing operations	741	1 015	(27)
OUTsurance (excluding Hastings)	943	1 222	(23)
OUTsurance (including Hastings)	1 001	1 299	(23)
Hastings included in OUTsurance	(58)	(77)	25
RMI Investment Managers and AlphaCode investments	52	62	(16)
Funding and holding company costs	(254)	(269)	6
Discontinued operations	1 181	1 033	14
Discovery (up to 8 December 2021)	620	578	7
Hastings (up to 8 December 2021)	191	183	4
Momentum Metropolitan (up to 8 December 2021)	370	272	36
Group normalised earnings	1 922	2 048	(6)
NEPS	125.5	133.7	(6)

- As a result of the announcement of the unbundling of Discovery and MMH and the sale of Hastings, these investee companies have been treated as discontinued operations in RMI's results.
- Accordingly, investors should place more emphasis on normalised earnings as the appropriate basis to evaluate business performance as it **eliminates accounting anomalies**.

Looking at MMH and Discovery

	<ul style="list-style-type: none">○ Discovery's normalised earnings increased by 26% to R2.9 billion during the six months.○ Normalised earnings were positively impacted by mark-to-market foreign currency gains arising from a weakening of the Rand.
	<ul style="list-style-type: none">○ Momentum Metropolitan's normalised earnings increased by 51% to R1.5 billion, mainly due to a significant increase in investment returns from R122 million to R740 million resulting from the general recovery of investment markets

Interim and special dividend of 165.5 cents per share

- In line with RMI's dividend policy to return excess free cash generated to its shareholders, the board resolved to declare an **interim dividend of 23.5 cents (2020: 22.5 cents) per ordinary share**.
- The interim dividend per ordinary share is covered 5.3 times (2020: 5.9 times) by the normalised earnings of 125.5 cents (2020: 133.7 cents) per share.
- In addition, the board resolved to pay a **special dividend of R2.18 billion (142.0 cents per share)**.

RMI FUTURE STRATEGY

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RMI VALUE UNLOCK

- Through the implementation of the Unbundling, RMI will return value to shareholders of c.R33.4 billion (based on the market capitalisation of Discovery and Momentum Metropolitan or R21.83 per share as at 11 March 2022, being the last practicable date prior to finalisation of this announcement).
- In line with its stated dividend policy to return excess free cash generated to its shareholders (in the absence of suitable investment opportunities), RMI has declared an ordinary and special dividend of R2.54 billion, representing 165.5 cents per share.
- Combined with the unbundling, RMI will be delivering c.R36.0 billion in value to shareholders or R23.48 per share, representing c.50% of RMI's share price as at 11 March 2022.

TRANSITION TO OUTSURANCE

- Following the sale of Hastings and implementation of the unbundling, RMI will almost exclusively reflect the value of OUTsurance Holdings Limited (OUTsurance) alongside RMI's investments in RMI Investment Managers Limited (RMI IMG) and the AlphaCode portfolio of fintech companies.
- Over the last two years, RMI has been evaluating the creation of a portfolio of unlisted, non-competing and collaborative businesses in the short-term insurance industry. RMI conducted a detailed country and company analysis to identify potential target investments. Currently there are no actionable investment opportunities which meet RMI's expectations around asset quality, price and availability.
- The RMI board of directors has concluded that it is in the best interests of shareholders not to continue with the active investment strategy as previously outlined to RMI shareholders, and has therefore decided to embark on an orderly and managed transition to a structure that represents an effective listing of OUTsurance.

- The options available in relation to RMI Investment Managers and the AlphaCode portfolio companies are under review.
- The managed transition is expected to be implemented over the next 6-12 months. Further details, including the implementation structure, will be announced in time.