

The South African giant that sold a bank – then spent R3 billion to launch a new one



Old Mutual will soon launch a new bank in South Africa despite having a majority shareholding in one of South Africa's largest banks, Nedbank, a decade ago.

OM Bank, which will not carry the Old Mutual name due to regulatory matters, is expected to see a national rollout in Q4 2025 following several delays.

The bank will operate in the Mass Market cluster, taking on Capitec, African Bank and Tyme Bank. Old Mutual already competes with these players via its micro loan business.

From 2022 to 2024, Old Mutual spent a cumulative R2.8 billion to build the bank and secure a deposit-taking retail banking license. It secured a banking licence in March 2024.

The group said it anticipates an initial loss run rate of R1.1 billion to R1.3 billion, which will reduce as the bank is expected to break even in 2028.

The new bank will be under the leadership of Clarence Nethengwe as CEO. He was previously in charge of the group's Mass and Foundation Cluster.

The bank's board of directors was also recently appointed, with Nomkhita Nqweni acting as the inaugural chairperson.

The group plans to leverage its existing customer base, trusted brand and expansive distribution network to grow the bank.

Its cloud-based service is also set to offer a scalable single-facility account with debit, credit, overdraft, and savings facilities at lower costs.

Mark du Toit from OysterCatcher Investments said there is value to be found in the Old Mutual Group, and that turning OM Bank from a loss-making entity into a profitable one will help the group's growth.

Already owned a bank



Despite now working on creating a new bank, Old Mutual was previously the majority shareholder of Nedbank after acquiring 53% of the group in 1986.

Old Mutual remained the majority shareholder of Nedbank for roughly 30 years, but announced that it would unbundle the big four banks in 2016.

The unbundling of Nedbank was part of a managed separation. In September 2018, the group announced the unbundling of its majority shareholding in Nedbank to its shareholders.

Old Mutual's 52% stake in Nedbank was reduced to a 19.9% minority stake, held by Old Mutual Life Assurance Company South Africa Limited (OMLACSA).

The total distribution to Old Mutual shareholders was roughly R43.2 billion, which was about a third of the group's market cap.

The move was designed so Old Mutual could maintain a strategic, arms-length relationship while simplifying its own operations.

It would also allow investors to participate in the different investment merits of both financial service companies.

In 2021, Old Mutual announced its intention to unbundle another 12.2% stake in Nedbank, marking a total distribution to Old Mutual shareholders worth roughly R10 billion.

This would see Old Mutual's interest in Nedbank drop further to around 7.2%, with the remaining shares again owned by OMLACSA.

This shareholding has since dropped further, with Nedbank's website showing that Old Mutual's shares in the company now only stand at 3.9%.

Nedbank is one of South Africa's largest banks and has a market cap of R115 billion, double that of Old Mutual's R57 billion.

However, both groups remain relatively cheap compared to their peers, with price-to-earnings (P/E) ratios of around 6.

For context, their competitor Capitec has a P/E ratio of 29, given its high growth potential. Stocks with P/E ratios of around 20 or less are generally seen as cheap.