

Old Mutual South Africa

Managing risk

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Mike Harper

Managing Director - Retail
Old Mutual South Africa



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OMSA's Strategic Objectives

- Transform from a traditional life insurer to become the leading provider of investment and savings solutions to each and every South African
- Become a consistently top performing asset manager over time through our range of investment boutiques
- Build a leading investment brand
- Grow the breadth of our financial services offerings to meet our clients' needs
- Grow access to clients
- Expand our African operations to contribute to growth
- Operate at the lowest local and international administration costs in life, unit trust and retirement fund businesses
- Position Old Mutual as the leading South African corporate citizen in financial services

Turbulent times - the big 5 !

- GDP Growth slowdown now more pronounced
- Credit squeeze affecting small business and consumers in middle and high income markets
- Market turmoil affecting most asset classes
- Financial services regulation has increased, and more still to come
- Leadership change in SA government in line with constitution, not impacting policy but affecting short term sentiment

In summary, the environment has greater downside risk

	Cost	Sales	Profit	Cashflow	Risk
Increased inflation	↑	↓	↓	↓	↑
Increasing interest rates	—	↓	↑ ↓	↓	↑
Highly volatile markets	—	↓	↓	↓	↑
Slower economic growth	—	↓	↓	↓	↑
Increasing regulation	↑	—	↓	↓	↑
Retirement Fund Reform	↑	—	—	—	↑
Commission Regulation	↑	↓	↓	↓	↑
Unsettled political environment	—	—	—	—	↑

OMSA Profits driven by : Assets X Margin - Expenses

■ ASSETS

- Boutique quality and diversity
- Product and market segment mix and competitive positioning














■ MARGINS

- Sustainability
- Switch from traditional life to new era investment
- Quality

■ EXPENSES

- LEAN principles
- Growing slower than inflation

Our range of boutiques covers the asset management spectrum

Old Mutual Investment Group			
 OLD MUTUAL Investment Group Alternative Investments	 OLD MUTUAL Investment Group Fixed Income Investments	 OLD MUTUAL Investment Group Select Equity Investments	
 OLD MUTUAL Investment Group Absolute Return Investments	 OLD MUTUAL Investment Group Macro Strategy Investments	 OLD MUTUAL Investment Group Specialised Finance	
 OLD MUTUAL Investment Group Core Equity Investments	 OLD MUTUAL Investment Group Property Investments	 OLD MUTUAL Investment Group Value Equity Investments	
 Futuregrowth Specialist Asset Management	 MARRIOTT THE INCOME SPECIALISTS	 SYMMETRY multi manager	 UMBONO FUND MANAGERS

Offering investment style and product/fund choices that will aid sales and retention

Investing in a turbulent world ▶



OLD MUTUAL
PRIVATE EQUITY
FUND 2
LAUNCHED



TRIANGLE
REAL ESTATE FUND

Galaxy Elite
The new single premium investment solution
from Fairbairn Capital.



Some market segments will come under pressure

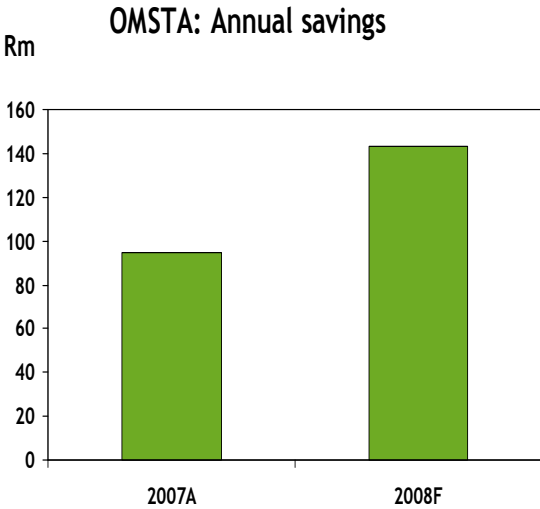
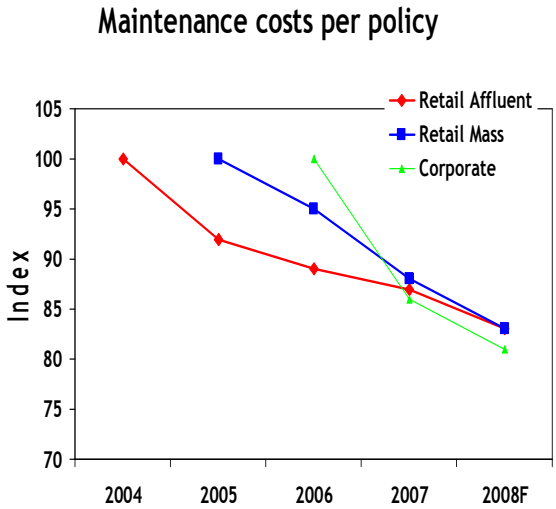
	OMSA Total			2008 H2 and beyond			
	2007 FY	2007 H1	2008 H1				
	Rm	Rm	Rm	<i>Retail Affluent</i>	<i>Retail Mass</i>	<i>Corporate</i>	<i>OMIGSA</i>
Life recurring APE	3 185	1 519	1 566	↓	↑	→	N/a
Life single APE	1 514	629	845	↑	N/a	↑	N/a
Non-life Sales	Good	Good	Marginally lower than 2007 H1	→ Or ↓	N/a	→	

Margins reviewed - will remain tight

- Mortality assumptions were strengthened (annuitants and life assureds)
- Life and disability persistency trends (pricing changes 2007)
- Strengthened guarantee reserves in place (2007/ H1 '08)
- Increased surrenders driven by increased Surrender Values (Comm. Regs)
- S14 transfers raises risk of market churning of in-force retirement annuities
- Strong processes and controls
 - Comprehensive independent actuarial review (2006/08)
 - Sign-off process for new products
 - Economic capital methodology

Expenses driven down - A LEAN approach

- Manufacturing principles, more efficient process drives down costs and increases effectiveness and morale
- Design a better process, get better results with the same people
- Step change then continuous improvement
- Maintenance Cost per policy down in real terms; over R200m in cumulative savings, with improved service scores



Service +35%	↑	Cost -32%	↓
Quality +75%	↑	Morale +60%	↑

Rebased 2005 to 2007 and continuous 2008 measurement

Excluding inflation, 2008 Forecast as at end Q3

OMSA capital remains strong, and defensively invested

- Allocated capital plus excess assets
- Defensive investment strategy
- Reduced equity exposure and increased fixed interest allocation
- Hedging strategy on equities
- Delivered exceptional return on shareholder funds in 1H 2008

Maintaining a high ROC through the shift to less capital-intensive products

<i>Year</i>	<i>Average allocated capital Rbn</i>	<i>Average FUM Rbn</i>	<i>Capital/FUM</i>	<i>ROC</i>
2002	24.1	278.0	9%	22%
2003	21.6	274.8	8%	22%
2004	18.0	305.8	6%	25%
2005	17.9	355.7	5%	27%
2006	18.2	415.3	4%	23%
2007	17.3	468.8	4%	24%

2008 capital is R17,1bn with 3.5% to FUM and 28% ROC at 30 June

Summarising then with Profits = Assets X Margin - Expenses

- Assets driven mainly by markets - expect lower average assets through 2009
- Revenue growth driven substantially off AUM growth
- Margins impacted by mix of business - drive to savings products
- Expenses continue to be managed tightly
- Capital grows more slowly - with less capital intensive products

Looking ahead ...

- Strategy remains intact
- Continued emphasis on financial risk management
- Strong capital position maintained
- OMSA will continue to deliver high ROC
- High quality of earnings
- With room for growth by investing into growth markets

Questions ?