

# INVESTOR PRESENTATION

September 2009

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# Agenda

- Business and Financial Overview
- Strategic Priorities
- Liquidity and Capital
- Secondary Markets
- Summary and Q&A

# Business and Financial Overview

Philip Broadley  
Group Finance Director

# Old Mutual Group – a snapshot

Who we are:

- An international long-term savings group
- Based in London
- A market cap of £5.2bn (at 18 September 2009)
- The 3<sup>rd</sup> largest insurance stock in the FTSE 100
- Shareholder base:
  - Europe: 41%
  - South Africa: 37%
  - Others: 22%
- Employing 57,000 people
- Regulated by the UK Financial Services Authority
- With FUM of £247.3bn (at 30 June 2009)

# What we do

## LONG-TERM SAVINGS

We provide innovative life assurance product solutions, addressing both protection and retirement savings needs.

## ASSET MANAGEMENT

We aim to grow our customers' savings and wealth, whether through active and direct asset management or the selection of funds and managers for customers to invest in.

## BANKING

We have a majority shareholding in Nedbank, as well as banking interests in Sweden and Norway through Skandiabanken.

## SHORT-TERM INSURANCE

We have a majority shareholding in Mutual & Federal which provides general insurance services in Southern Africa.

# Where we do it

Snapshot	Revenue <sup>1</sup> to 30/06/09 (£m)	%	AOP <sup>2</sup> to 30/06/09 (£m)	%	FUM at 30/06/09 (£bn)	%	Adj MCEV at 30/06/09 (£m)	%
OMSA (incl. Rest of Africa)	897	13%	219	41%	34.2	14%	2,409	32%
Europe	1,971	29%	76	14%	53.1	21%	3,805	50%
US Life	674	10%	29	5%	0.3	0%	(296)	(4%)
Asia Pacific	4	0%	(7)	(1%)	0.3	0%	(23)	0%
<b>Total Long Term Savings</b>	<b>3,546</b>	<b>51%</b>	<b>317</b>	<b>59%</b>	<b>87.9</b>	<b>36%</b>	<b>5,895</b>	<b>78%</b>
Nedbank	2,420	35%	211	39%	6.8	3%	1,949	26%
M&F	296	4%	20	4%	0.1	0%	272	4%
USAM	213	3%	30	6%	150.2	61%	1,315	17%
Bermuda	142	2%	4	1%	2.3	1%	96	1%
Other	269	4%	(44)	(9%)	-	0%	(1,938)	(26%)
<b>Total</b>	<b>6,886</b>	<b>100%</b>	<b>538</b>	<b>100%</b>	<b>247.3</b>	<b>100%</b>	<b>7,589</b>	<b>100%</b>

<sup>1</sup> Total revenue per the Income Statement

<sup>2</sup> Adjusted Operating Profit Before Tax and MI

# Group financial headlines

	H1 2008	H1 2009
Adjusted operating profit <sup>1</sup> (IFRS)	£773m	£538m
Adjusted operating EPS (IFRS)	7.7p	5.4p
Adjusted Group MCEV per share	117.6 <sup>2</sup>	143.8
Pro-forma FGD surplus	£0.7bn <sup>2</sup>	£1.0bn
Net client cash flows	£3.2bn	£0.2bn
Gearing ratio	26.7%	23.8%
Interest cover	2.8 times	1.6 times

<sup>1</sup> Pre-tax and minorities

<sup>2</sup> MCEV per share and FGD comparatives are at 31 December 2008



# Strategic Priorities

Philip Broadley  
Group Finance Director

# Progress on the strategic priorities

## THE BIG 5

- 1 Conserve capital and liquidity
- 2 Streamline portfolio over time
- 3 Leverage scale in our Long Terms Savings businesses
- 4 Drive value creation in Africa
- 5 Improve operational efficiency, risk management and governance

# Streamline the portfolio over time

- Reducing geographic spread
  - Closed Asia Pacific head office in Hong Kong
  - Withdrawn from AA TEDA acquisition
  - Sold Australian businesses
  - Exited Portugal
  - Withdrawing from Hungary and Czech Republic
- Simplifying product range
  - US Life
  - OMCAP (US Asset Management)

# Leverage scale in our long term savings businesses

- Restructuring around core markets
  - European Retail
  - European Wealth Management
  - Nordic
  - US Life
  - Emerging markets (including OMSA)
- Developing division-wide strategy
- Reviewing cost base
  - Closing ELAM divisional head office

# Drive value creation in South Africa

- Management changes
  - Kuseni Dlamini appointed as CEO of OMSA
  - Nedbank top management team
- Continued collaboration between businesses
- Corporate structure changes
  - Nedlife
  - Fairbairn Private Bank
  - BoE Private Clients
  - Imperial Bank under negotiation

# Improve operational efficiency, risk management & governance

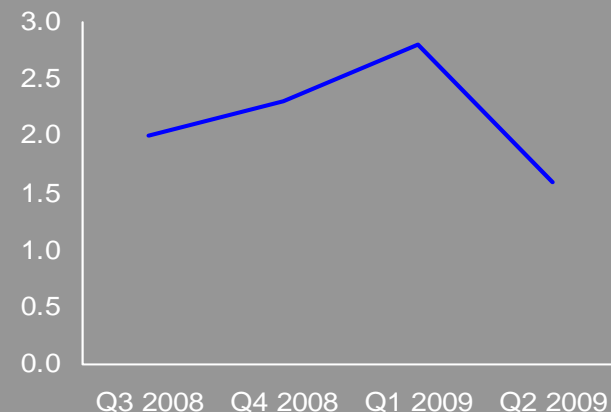
- Operational efficiency
  - Cut 32% out of USAM operating expenses
  - Cut US Life expenses by c.50%
  - Closed Clay Finlay
- Risk management
  - Making good progress on Solvency II
  - Agreed business risk appetite and risk limits
- Governance
  - Strengthening oversight from plc
  - Making changes to subsidiary Boards

# US Life – focus on de-risking

- Oversight and governance strengthened considerably
- New management team in place with stronger oversight from head office
- Established a clear risk appetite and managing the business accordingly
- \$15bn portfolio, unrealised loss down to \$1.6bn<sup>1</sup> as at 30.06.09
- Capital based sales model expected to deliver \$700-800m in 2009 results (\$2.0bn last year)
- High yield on credit portfolio boosting MCEV earnings
- Dramatic cost reduction achieved – 50%
- IRR on new business c.12%

£(m)	H1 2008	H1 2009
IFRS AOP (pre-tax)	53	29
MCEV AOP (post-tax)	(6)	259
PVNB Margin	(0.9)%	2.1%

## Unrealised losses \$(bn)<sup>1</sup>



<sup>1</sup> Unrealised losses are net of IAS 39 reclassification

# US Life - composition of the portfolio<sup>1</sup>

\$m	31 Dec 08	30 Jun 09
Treasury / Agency	351	630
CMBS / RMBS / ABS	3,739	3,117
Corporate bonds	9,682	10,212
Cash / Short Term	1,218	1,468
<b>Total Investments &amp; Securities</b>	<b>14,990</b>	<b>15,427</b>

<sup>1</sup> IFRS basis



# Bermuda

- Business now in run-off
  - Closed to new business from 18 March 09
  - Soft-close implemented from 30 April 09
- Hedge effectiveness remains high

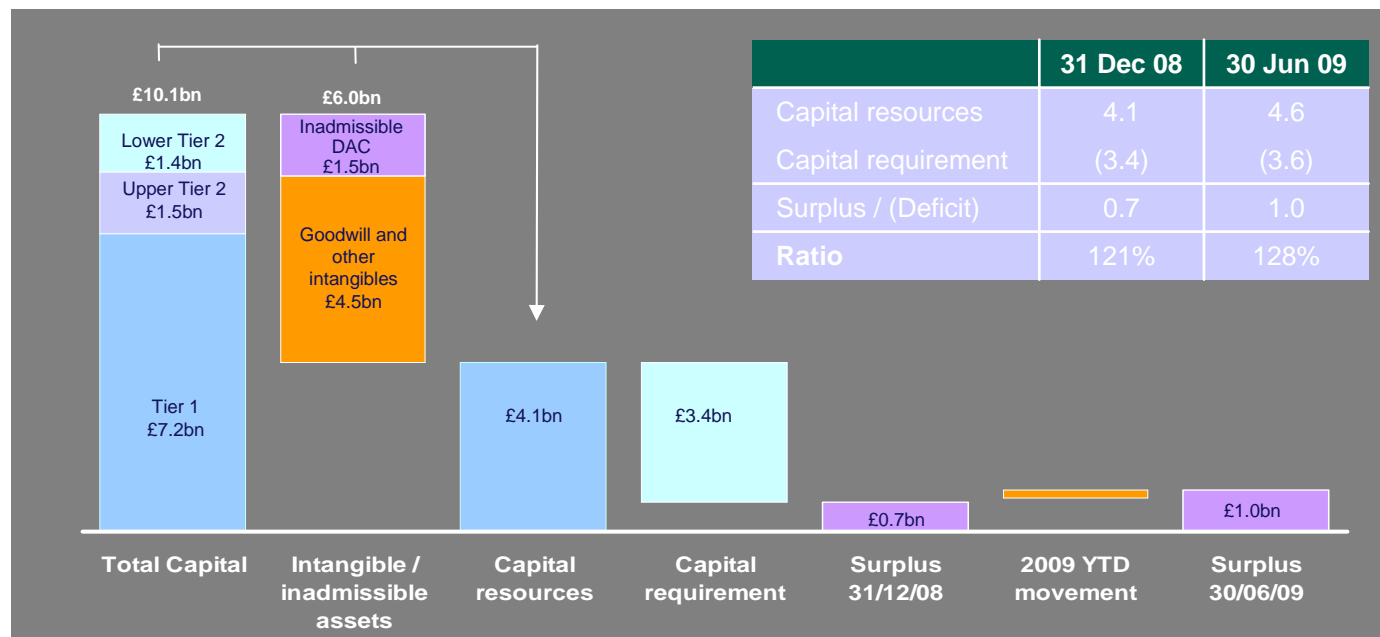
	FY 2008	Q4 2008	Q1 2009	H1 2009
Adjusted R <sup>2</sup>	78%	92%	95%	96%

- Cost of hedge now smoothed over life of protection
  - currently c.\$2.5m per month
- Remaining unhedged position relates to volatility & gamma
  - \$96m of volatility gains made in H1 2009

# Liquidity and Capital

Rashmin Shah  
Group Treasurer

# Analysis of regulatory capital surplus



Sensitivities <sup>1</sup>	Movement	Impact
rand / sterling exchange rate	1% decrease	(£13m)
Swedish kroner / sterling exchange rate	1% decrease	(£4m)
dollar / sterling exchange rate	1% increase	-
movement in the JSE	1% decrease	(£2m)

<sup>1</sup> Sensitivities not linear; the above numbers are based on 30 June market prices as a starting point and reflect hedging activities

# Capital positions create a firm foundation

- Group FGD surplus of £1.0bn at 30 June 2009 (£0.7bn at 31 December 2008)
- Capital-light business mix
- Individual businesses well capitalised
- No 2008 final dividend in order to conserve cash and capital

Business Unit Ratios	31/12/08	30/06/09
OMLAC(SA)	3.8x	3.9x
M&F	130%	141%
US Life onshore	305%	281%
Nordic	9.9x	10.8x
UK	2.6x	3.0x
Nedbank <sup>1</sup>		
Core Tier 1	8.2%	8.6%
Tier 1	9.6%	10.0%
Total	12.4%	13.2%

<sup>1</sup> This includes unappropriated profits

# Holding company cash flow

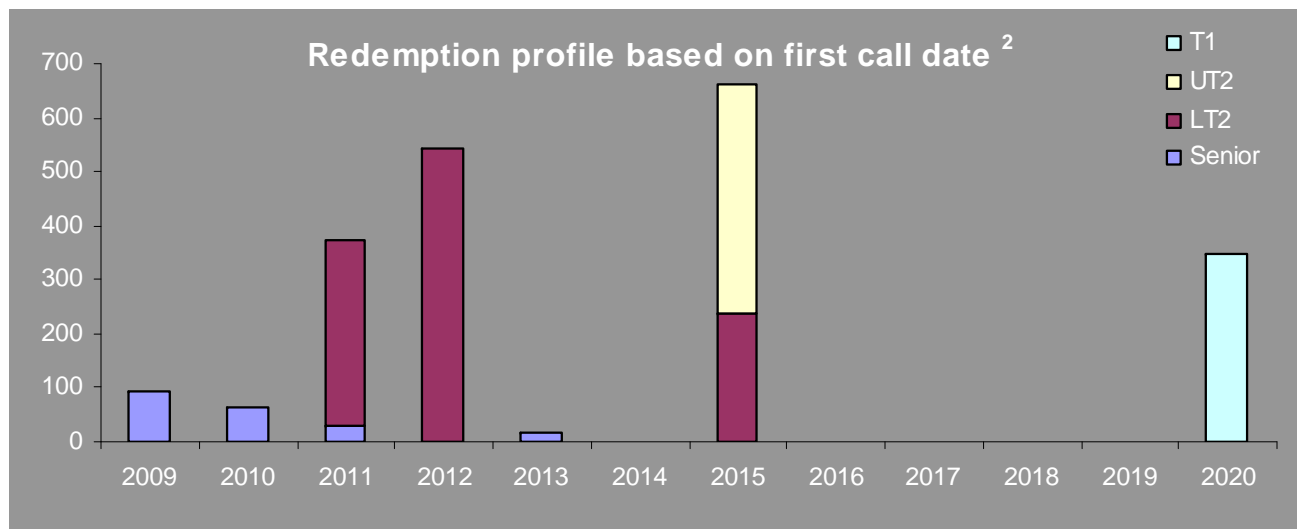
Holding company cash flow (£m)	2007	2008
Operational receipts	868	822
Operational and other expenses	(223)	(191)
<b>Net operational flows</b>	<b>645</b>	<b>631</b>
Net capital investments	(217)	(249)
Dividends paid	(333)	(353)
Share repurchases	(177)	(175)
Equity issuance	12	5
<b>Capital flows</b>	<b>(715)</b>	<b>(772)</b>
<b>Total cash (outflow) / inflow for the year</b>	<b>(70)</b>	<b>(141)</b>

<sup>1</sup> at 30 June 2009

<sup>2</sup> This excludes the Revolving Credit Facility and the \$750m UT2 Asian Bond

# Gearing & liquidity

- Gearing 23.8%<sup>1</sup>: within target range
- Liquidity: available headroom on current facilities
  - Main bank facilities in place until September 2012
  - No first call date on step up hybrid capital until early 2011
  - Available facility headroom of £800m at 30 June 2009
- No cash outflow from equity dividends will take place in 2009



<sup>1</sup> at 30 June 2009

<sup>2</sup> This excludes the Revolving Credit Facility and the \$750m UT2 Asian Bond

# Old Mutual plc credit ratings

Rating Agency	Senior Rating	Outlook
Moody's	Baa1	Negative
Fitch	BBB	Negative
AM Best	bbb+	Stable

## Current status:

- Significantly improved governance and performance in US Life and Bermuda
- South African businesses and cashflows remain strong
- Good international diversification
- Low business risk model in Europe

## Moody's Commentary – March 2009

- “The Negative outlook on all of the Group's long-term ratings is driven by the potential for further meaningful losses to emanate from the Group's US operations.”

## Fitch Commentary – March 2009

- “The Negative Outlook reflects that while Fitch currently views Old Mutual's capital and liquidity position as sound, the potential need to provide further support to the US Life operations would likely place the group's financial position under further stress.”

## AM Best Commentary – March 2009

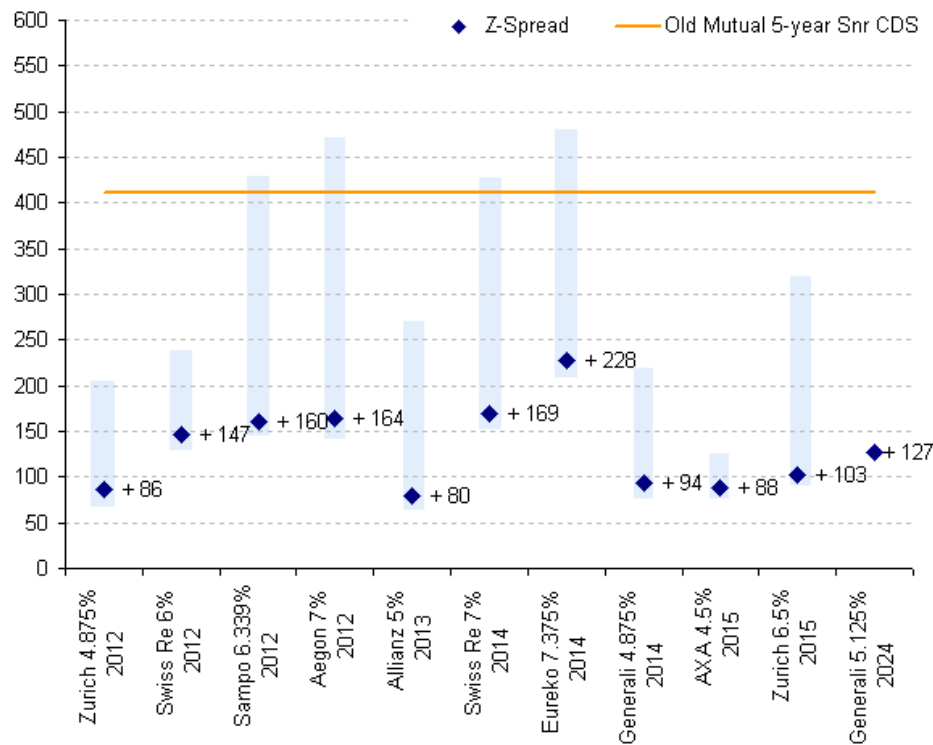
- “In A.M. Best's opinion, Old Mutual's liquidity remains robust, and the group's existing credit lines are sufficient to meet its cash-flow needs in the short to medium term.”

# Secondary Markets



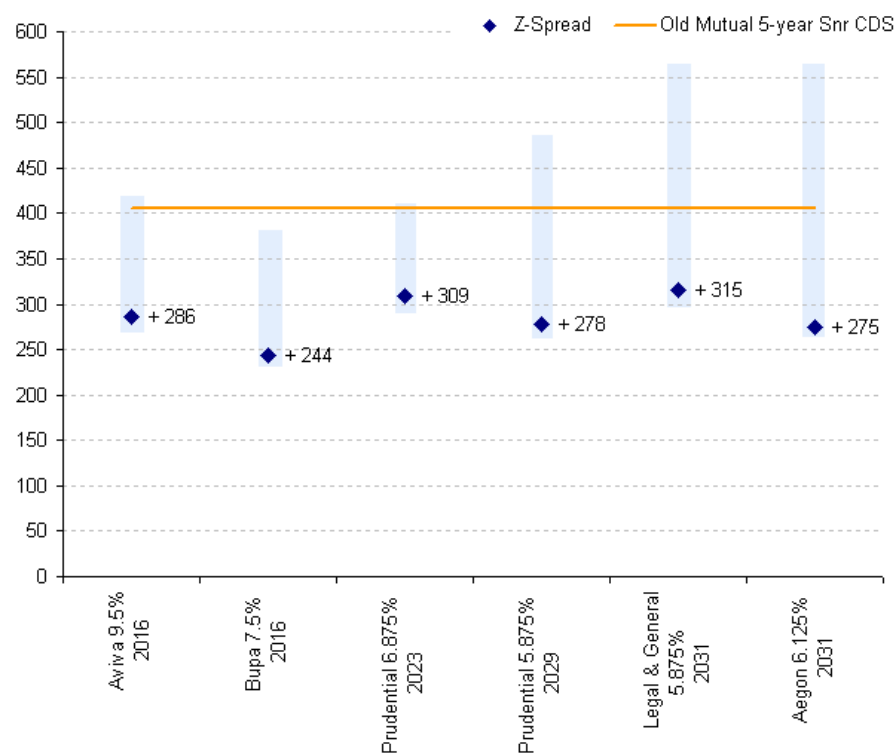
# Relative value in insurance senior securities

## Insurance EUR Senior Benchmarks



**iBoxx 6 month trading range (Z-Spread)**  
*for recent issues, the longest available trading history*

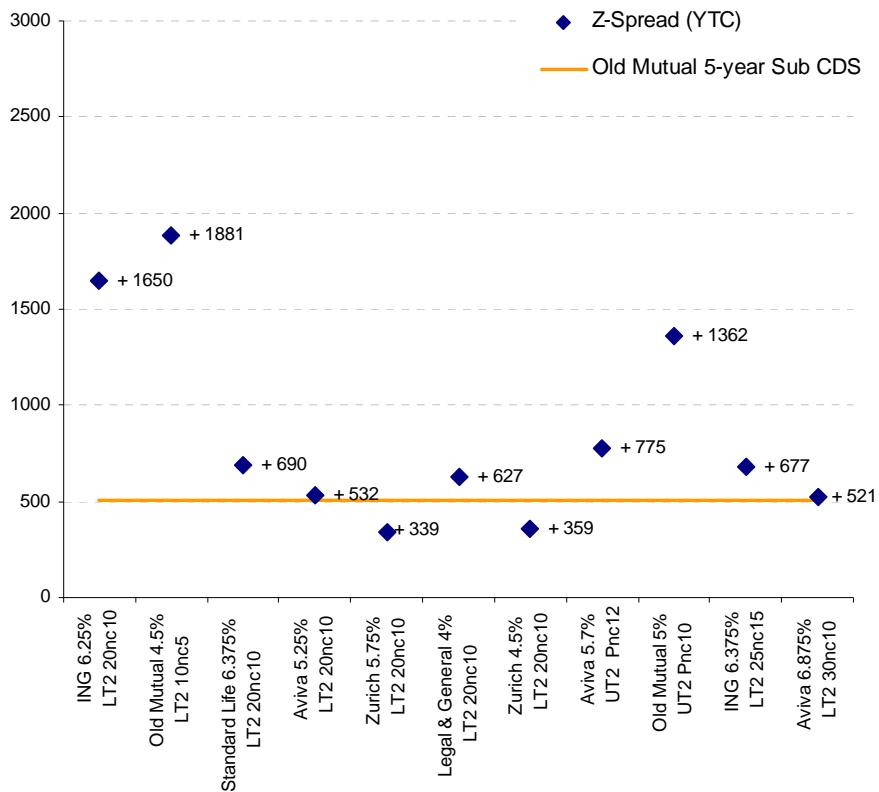
## Insurance GBP Senior Benchmarks



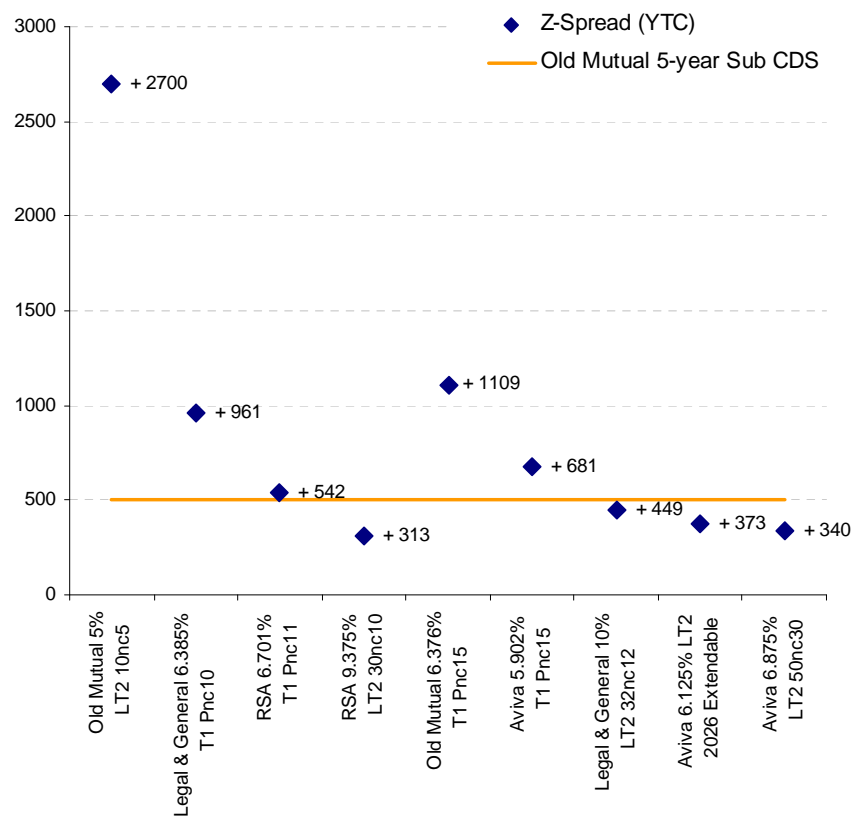
Source: iBoxx indices; where iBoxx data is unavailable, Bloomberg generic data, as of Sep 18, 2009.  
 Note: EURGBP basis is applied to Old Mutual's 5-year Snr & Sub EUR CDS.

# Relative value in insurance subordinated securities

## Insurance EUR Subordinated Benchmarks



## Insurance GBP Subordinated Benchmarks



Source: iBoxx indices; where iBoxx data is unavailable, Bloomberg generic data, as of Sep 18, 2009.

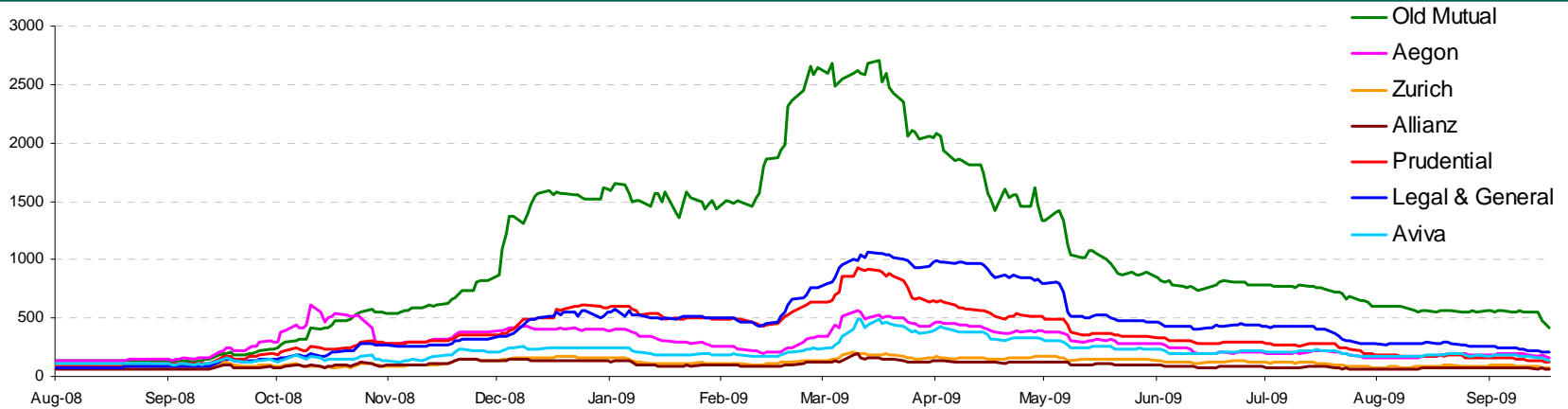
Note: EURGBP basis is applied to Old Mutual's 5-year Snr & Sub EUR CDS.

Note: Please see summary terms of securities on [page 28](#).

# CDS

	5-year Snr			5-year Sub			iTraxx Index
	B	A	Liquid Reference Bond	B	A	Liquid Reference Bond	
Old Mutual	395 / 440		N	485 / 533		N	N
Aegon	157 / 167		Y	181 / 190		Y	Y
Aviva	135 / 145		N	202 / 215		Y	Y
Prudential	112 / 127		Y	140 / 160		Y	N
Zurich	69 / 74		Y	92 / 102		Y	Y
Axa	61 / 66		Y	86 / 96		Y	Y
Allianz	60 / 65		Y	80 / 90		Y	Y
Generali	54 / 59		Y	80 / 90		Y	Y
RSA	28 / 34		N	53 / 63		Y	N
Standard Life	N/A		N	150 / 170		N	N

## CDS - Historic Performance



# Summary terms of subordinated securities

## Euro:

Issuer	Rating	Amount (EUR mm)	Coupon	Structure	First Call Date	Maturity Date	Included In the iBoxx Index	Deferrable	Ranking
ING	Ba1/B/B+	1250	6.250%	LT2	21-Jun-11	21-Jun-21	N	Y	Subordinated
Old Mutual	nr/Baa3/BBB-	750	4.500%	LT2	18-Jan-12	18-Jan-17	Y	N	Deeply Subordinated
Standard Life	A3/A-/BBB+	750	6.375%	LT2	12-Jul-12	12-Jul-22	Y	Y	Subordinated
Aviva	A3/BBB+/BBB+	650	5.250%	LT2	02-Oct-13	02-Oct-23	Y	Y	Subordinated
Zurich	A3/A/A-	500	5.750%	LT2	02-Oct-13	02-Oct-23	y	Y	Subordinated
Legal & General	A3/A-/BBB+	600	4.000%	LT2	08-Jun-15	08-Jun-25	Y	Y	Subordinated
Zurich	A3/A/A-	500	4.500%	LT2	15-Jun-15	15-Jun-25	Y	Y	Subordinated
Aviva	A3/BBB+/BBB+	500	5.700%	UT2	29-Sep-15	Perp	Y	Y	Junior Subordinated
Old Mutual	nr/Baa3/BBB-	500	5.000%	UT2	04-Nov-15	Perp	Y	Y	Deeply Subordinated
ING	Ba1/B/B+	1000	6.375%	LT2	07-May-17	07-May-27	N	Y	Subordinated
Aviva	A3/BBB+/BBB+	500	6.875%	LT2	22-May-18	22-May-38	Y	Y	Subordinated

## Sterling:

Issuer	Rating	Amount (GBP mm)	Coupon	Structure	First Call Date	Maturity Date	Included in the iBoxx Index	Deferrable	Ranking
Old Mutual	nr/Baa3/BBB-	300	5.000%	LT2	21-Jan-11	21-Jan-16	Y	N	Subordinated
Legal & General	Baa1/A-/BBB+	600	6.385%	T1	02-May-17	Perp	Y	Y	Deeply Subordinated
RSA	Baa2/BBB+/BBB	375	6.701%	T1	12-Jul-17	Perp	Y	Y	Deeply Subordinated
RSA	Baa1/BBB+/BBB	500	9.375%	LT2	20-May-19	20-May-39	Y	Y	Subordinated
Old Mutual	nr/Baa3/BBB-	350	6.376%	T1	24-Mar-20	Perp	Y	Y	Deeply Subordinated
Aviva	Baa1/BBB+/BBB+	500	5.902%	T1	27-Jul-20	Perp	Y	Y	Deeply Subordinated
Legal & General	A3/A-/BBB+	300	10.000%	LT2	23-Jul-21	23-Jul-41	Y	Y	Subordinated
Aviva	A3/BBB+/BBB+	700	6.125%	LT2	16-Nov-26	16-Nov-36	Y	Y	Subordinated
Aviva	A3/BBB+/BBB+	600	6.875%	LT2	20-May-38	20-May-58	Y	Y	Subordinated

Source: Bloomberg, iBoxx as of September 18, 2009

# Summary

Philip Broadley  
Group Finance Director

# Summary

- Strengthened capital and liquidity
- Transformed US Life and Bermuda
- Simplified the business
- Started to deliver cost savings
- Addressing margins and profitability
- Building a strong foundation