

MANAGING FINANCIAL SERVICES IN A CHANGING WORLD

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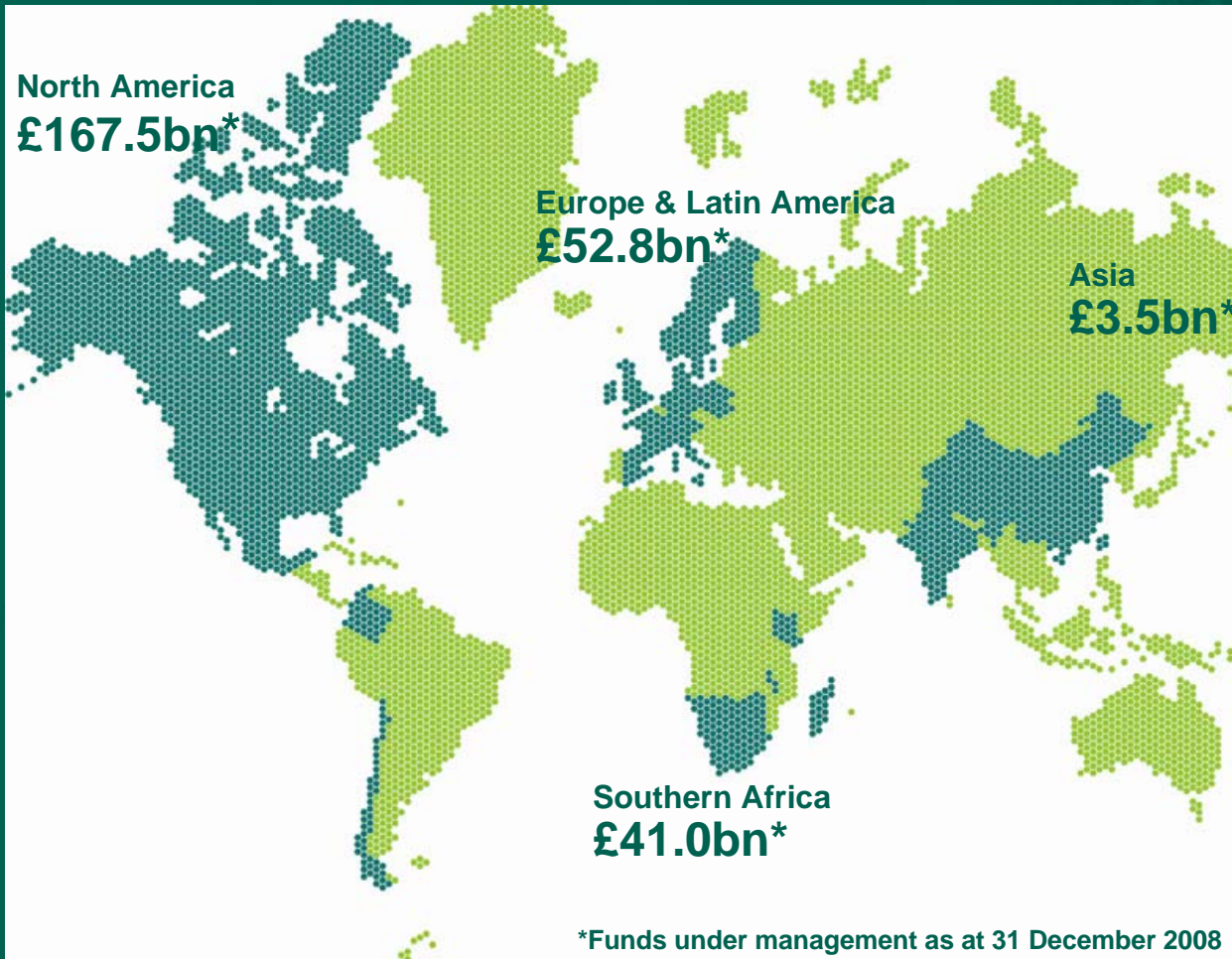
Agenda

- Current conditions
- Implications for the industry of long term dynamics
- Summary

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Old Mutual Group

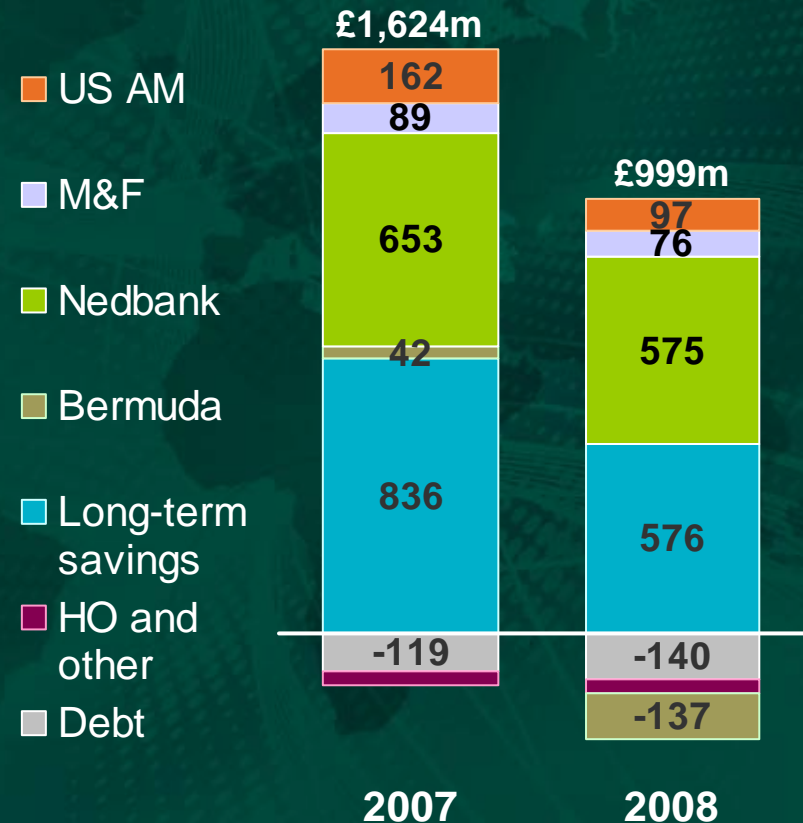


- Long-Term Savings:
 - OMSA
 - US Life
 - Europe (UK, Nordic and ELAM)
 - Asia
- Nedbank
- US Asset Management

Most parts of the Group performed well in 2008

- £1bn total AOP¹
- Solid performance in Europe
- Strong sales and earnings growth in OMSA
- Nedbank performed well in a difficult market
- Resilient NCCF in US Asset Management
- Challenges in US Life

Adjusted operating profit¹ £m



¹ IFRS adjusted operating profit pre-tax and MI

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The savings and protection market is already changing

- Market volatility and dislocation is leading to
 - Capital constraint
 - Scarcer and more expensive new capital
 - Tier 2 capital for insurers trading below par
 - Old Mutual CDS: below 100bps pre-October 2008, above 2,500bps in February 2009, below 1,000bps end-May 2009
 - Product range repricing and revision
 - More explicit pricing for guarantees
 - Rationalised ranges
 - “Technical result” being seen as higher quality earnings stream
 - “Spread” driven products become structurally unprofitable

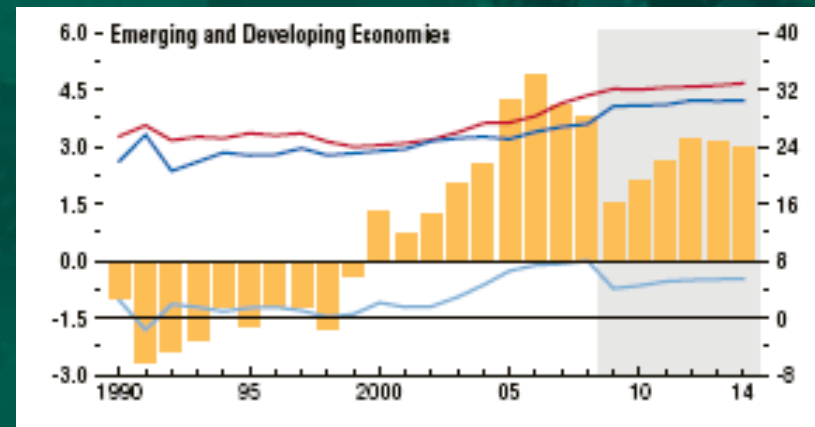
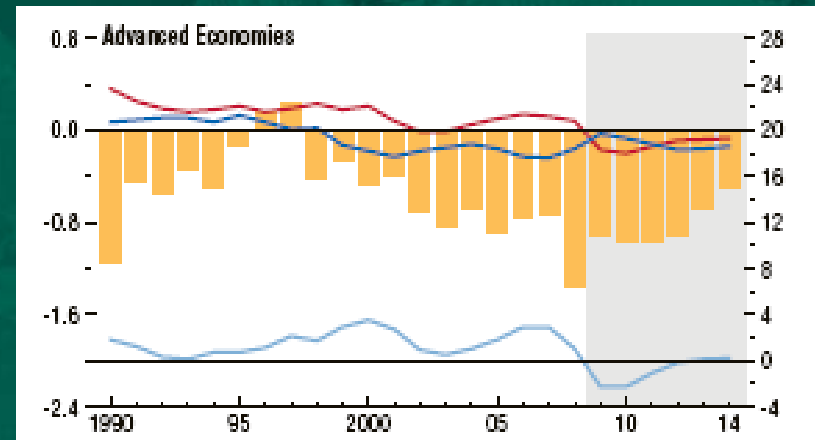
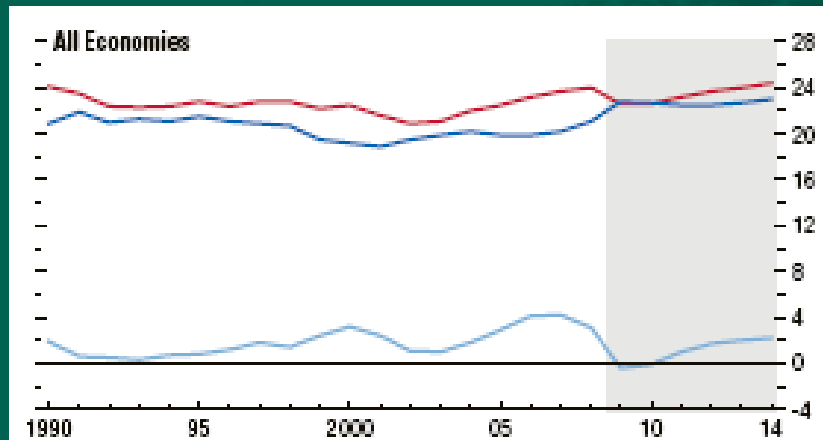
The savings and protection market is already changing (cont'd)

- Enhanced regulatory pressures
 - Regulators and ratings agencies seeing additional capital buffers for capital consumptive models
 - Systemic ratings agency downgrades across the industry
- But high returns can exist at the same time as prudent capital levels
 - Royal Bank of Canada - ROE 18.0% in 2008
 - SA banks - Average ROE 20.6% in 2008

The savings and protection market is already changing (cont'd)

- Consumer recognition of own retirement provision needs
 - Baby boomers unable to rely on property for their core pension assets: US / UK / Spain house price deflation
 - Low interest rates: annuity rates falling to 5% and potentially negative in real terms
 - Structurally weakened state pension paying ability: government debt to GDP rising dramatically
- Positive for long term growth in savings and protection industry

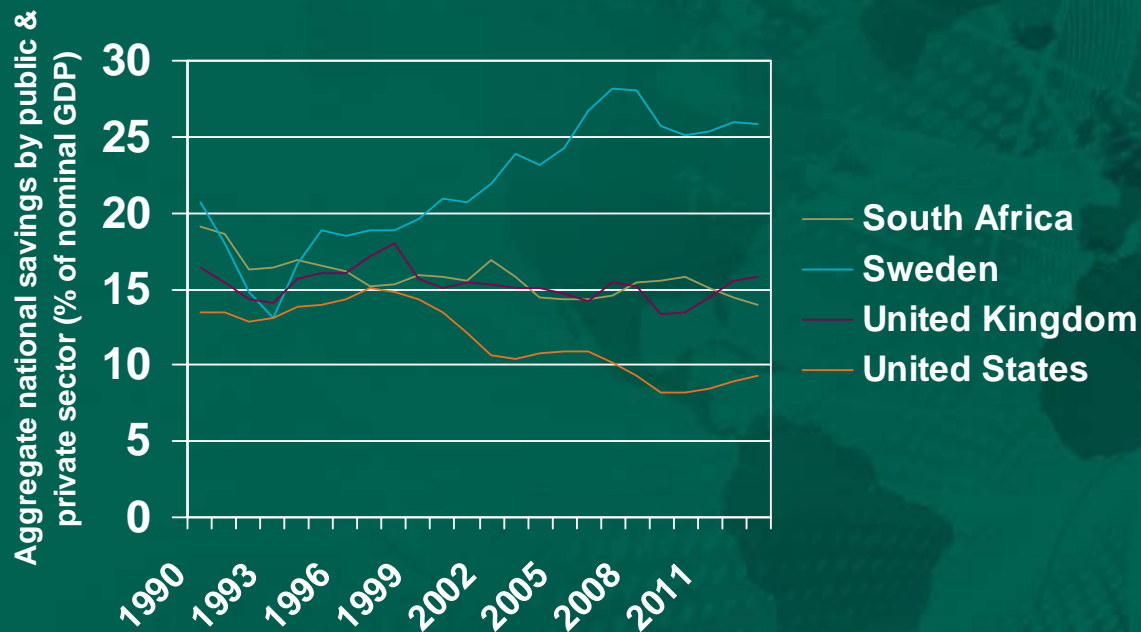
Savings and protection markets will survive



— Private saving — Investment
— Public saving ■ Current account (left scale)

Savings and protection markets will survive (cont'd)

Gross national savings rates



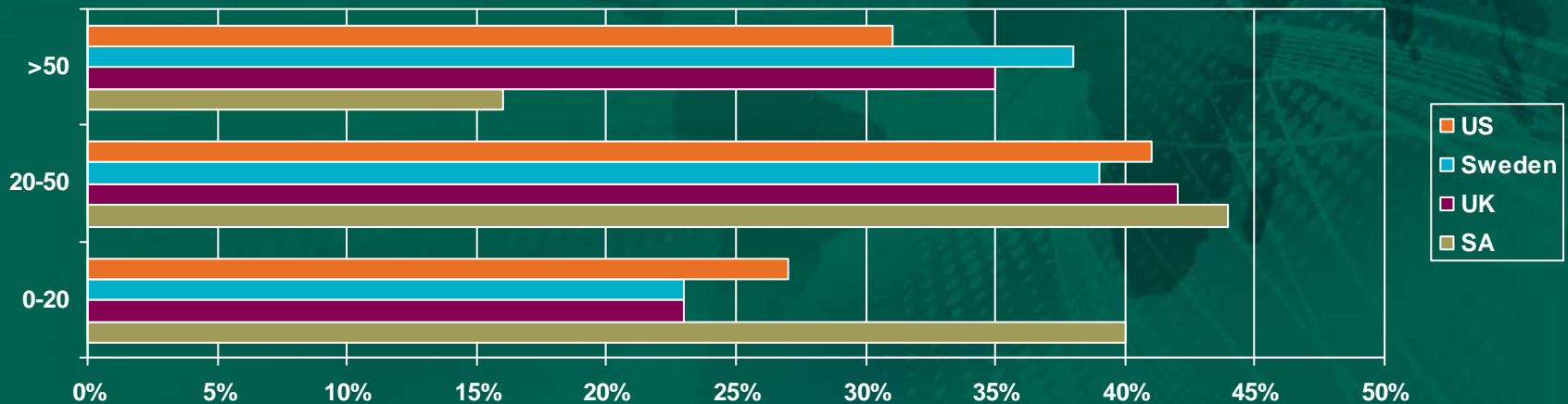
Household savings rates %

	2009e	2006
Sweden	10.3	7.1
UK	2.3	5.0
US	1.2	0.4

Demographics and future growth continue to shift economic power

	US		Sweden		UK		SA	
	2009e	5 year F'cast	2009e	5 year F'cast	2009e	5 year F'cast	2009e	5 year F'cast
% Change in GDP per capita	-4.0	-0.32	-5.8	-0.5	-4.7	-0.8	-2.3	2.5
% Change Real GDP Growth	-3.2	0.6	-5.3	-0.1	-4.0	-0.8	-1.8	2.4

Proportion of population 2009

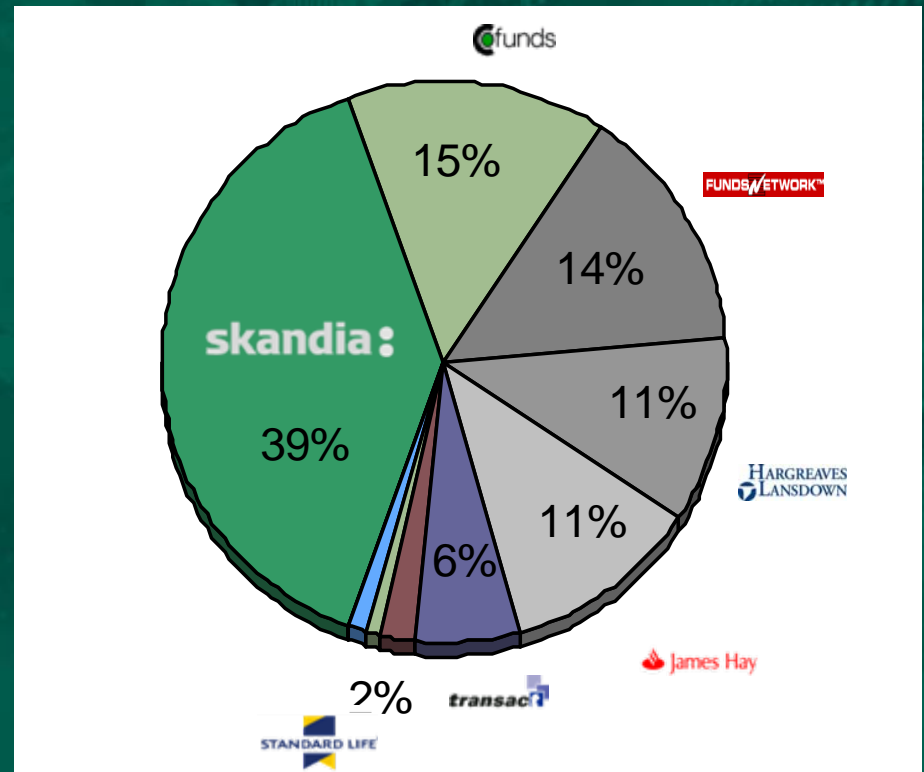
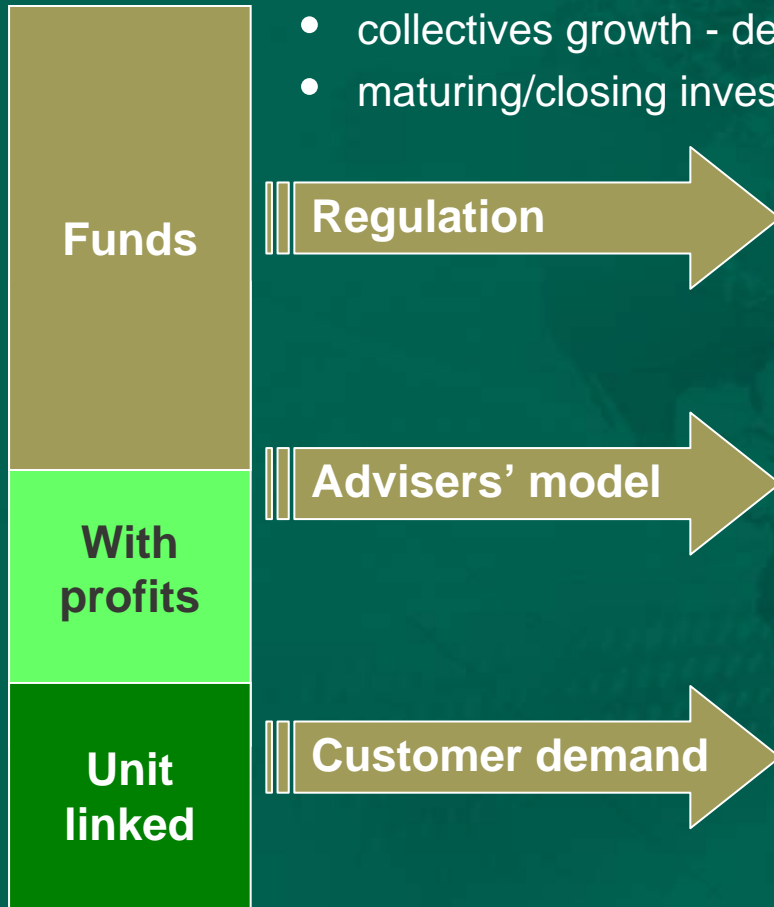


UK: Platforms and size of the opportunity

£2-3 trillion

Platform growth¹ to £300bn within 5 years, from £90bn currently:

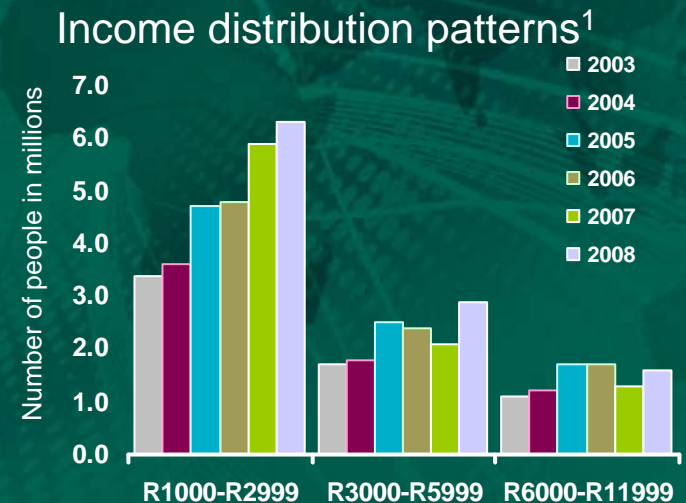
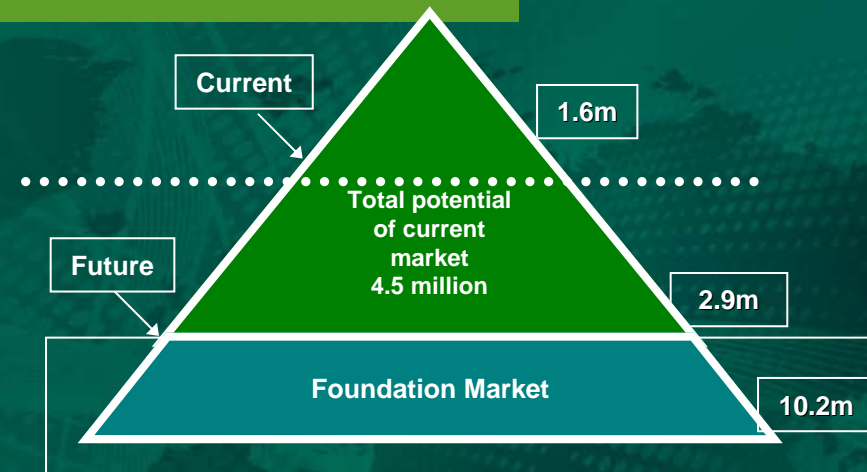
- collectives growth - deliver FUM of ~£150-£170 billion
- maturing/closing investment bonds deliver further FUM of ~£80-£130billion



¹ Source : Navigant - Platforms Lessons learnt & looking forward - Dec 2008
 Source: Navigant Consulting Research – July 2008

SA: Retail Mass Market opportunity

- Current Market
 - Personal income R3,000-R12,000 pm
 - 4.5m income earners with OM 35% share
 - Penetration still low overall, but \pm 60% penetration in Civil Servants Mass Market
 - 22% CAGR in total premium income over past 10 years
- Foundation (future) Market
 - Personal income R1,000-R2,999 pm
 - 10.2m income earners
 - OM has 0.6m clients in the lower income bracket
- Opportunity
 - Sheer size of market
 - Low penetration
 - Steady growth in the number of people moving to higher income bands
- 60% spontaneous brand recognition



Implications for the Financial Services Industry

Fundamental need to change

From

To

Decentralised



Centralised management

Broad portfolio



Streamlined portfolio

Small businesses



Scale businesses

Focus on volume



Focus on value

Strategic implications for financial services survivors

- Focus on markets and product lines you can have demonstrable market leadership
- Fully flex existing product knowledge and operating efficiency across all operating assets
- Charge and ration capital according to measurable return
- Enhance cash generation and take action to drive and maintain net client cash flows

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- Long-term trends are continuing
 - Longevity
 - Emerging market growth
 - Savings rates stable overall
- Short-term impacts are accelerating these trends
 - Capital
 - Regulatory
 - Consumer recognition
- Focus on building future “real” profit potential and not waiting for market recovery

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