

# KBW EUROPEAN FINANCIALS CONFERENCE:

## OLD MUTUAL

15 September 2009

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# Old Mutual Group – a snapshot

- Long-Term Savings
- Nedbank
- US Asset Management
  
- Market cap £4.8bn
- Shareholder base
  - Europe: 41%
  - South Africa: 37%
  - Others: 22%

	H1 2008	H1 2009
MCEV per share	117.6p <sup>1</sup>	143.8p
IFRS AOP eps	7.7p	5.4p
MCEV AOP eps	10.1p	8.9p

<sup>1</sup> MCEV per share as at 31/12/08

# Key features of the LTS business

- PVNBP for H1 2009:



- Despite tough sales conditions, PVNBP margin is steady at 1.5%

# VNB & Margins

	APE Margin (%)	
	H1 2008 <sup>1</sup>	H1 2009
UK	9%	4%
Nordic	17%	15%
ELAM	11%	(6%)
International	17%	17%
OMSA	14%	15%
US Life	(8%)	19%
<b>Total LTS</b>	<b>12%</b>	<b>11%</b>

1 Restated to MCEV basis

# Key features of the LTS business

	Economic and Demographic Implications	OM Strategy for Product Ranges	OML Capital Allocation	RoMCEV H1 2009
SA	<ul style="list-style-type: none"> <li>• Likely recovery in real GDP growth</li> <li>• Growing GDP per Capita</li> <li>• Low public provision of pension</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on emerging middle class and high returns</li> </ul>	Stable	9.8%
Europe - Sweden	<ul style="list-style-type: none"> <li>• Slow recovery in real GDP growth</li> <li>• Ageing population</li> <li>• Stable overall pension provision</li> </ul>	<ul style="list-style-type: none"> <li>• High market shares allows for good returns</li> <li>• Provide both risk and savings products in a strong equity culture</li> </ul>	Stable	3%
Europe - UK	<ul style="list-style-type: none"> <li>• Economic dislocation</li> <li>• Structural indebtedness and worsening pension provisioning</li> </ul>	<ul style="list-style-type: none"> <li>• Capital light, platform and fund design</li> <li>• Provide broad savings products</li> </ul>	Stable	
US	<ul style="list-style-type: none"> <li>• Likely recovery in real GDP growth</li> <li>• Retiring baby boomers</li> <li>• Second baby boom wave emerging</li> <li>• Scale needed for real productivity</li> </ul>	<ul style="list-style-type: none"> <li>• Capital light</li> <li>• Fee based on FUM not spread</li> </ul>	Reduced	34.9%

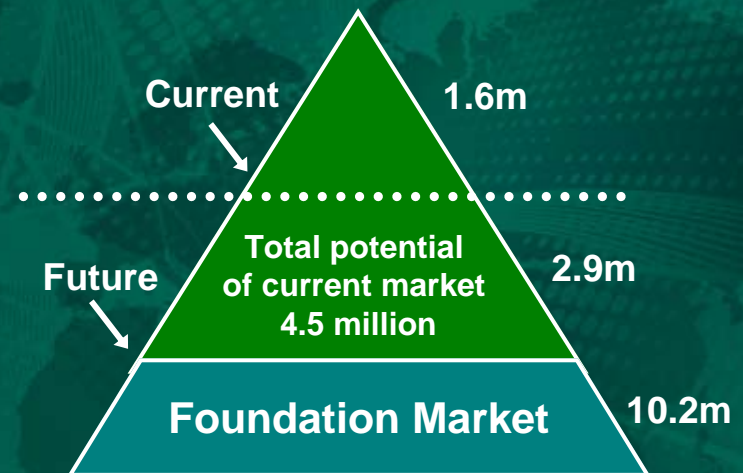
# Long-Term Savings: OMSA

- Largest and most profitable insurer in Africa
- Market with 12.5% of GDP in savings products
- Almost no state retirement provision
- Robust actuarial, regulatory and reporting standards
- Good demographics

£(m)	H1 2008	H1 2009
IFRS AOP (pre-tax)	227	219
MCEV AOP (post-tax)	176	110
PVNBP Margin	1.9%	2.0%
MCEV (covered)	2,168	2,210

# Long-Term Savings: OMSA

- Broad based savings, investment and protection business in South Africa
- High RoE, reasonable growth and good cash flow
- Dominant brand
- Key strength in mass retail growth market





# Long-Term Savings: Europe

- Unit linked and FUM dominated model
- Capital light
- Scale in Sweden
- Largest platform business in UK – no annuity business
- UK and International : Largest source of APE in LTS

£(m)	H1 2008	H1 2009
IFRS AOP (pre-tax)	148	76
MCEV AOP (post-tax)	291	40
PVNBP Margin	1.8%	1.3%
MCEV (covered)	3,270	3,346

PVNBP H1 2009 £(m)



# Long-Term Savings: Europe

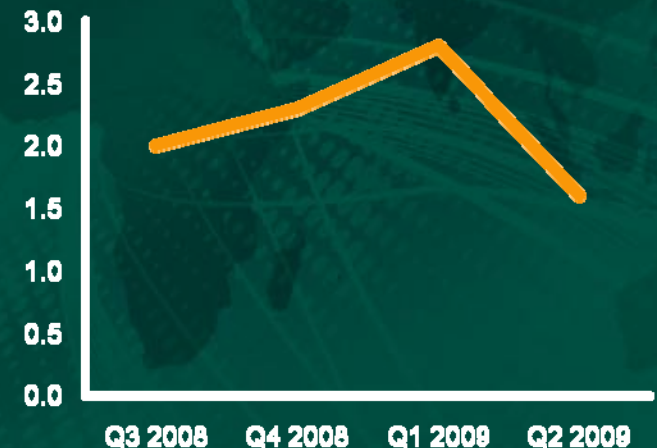
- High correlation to equity market trends
- No with profit legacy business in UK
- Product development and innovation
- Expense reduction and operational leverage plan

# Long-Term Savings: US Life

- Fixed and variable index annuities writer
- \$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

# Rationale for Long-Term Savings

Fix individual operational issues of Skandia

- Fix cost base
- Resolve corporate governance issues

Leverage synergies across Skandia, eg SIG

- Sharing product design
- Customer focus

Spread know-how and obtain operational efficiency across the rest of the group

- Cross LTS information
- Product development

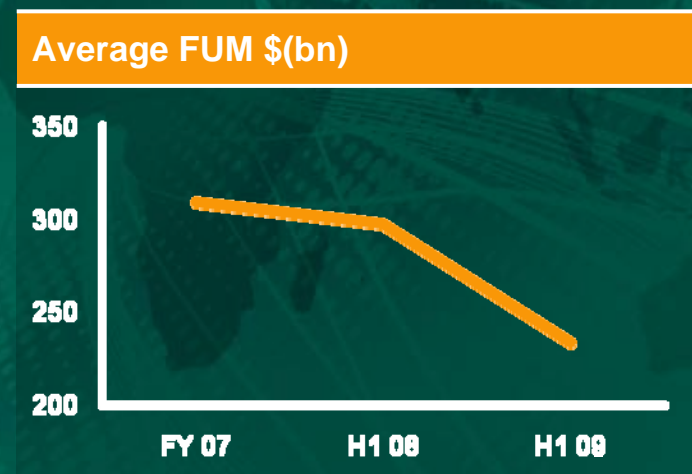
For example:

- SIG link to OMIGSA
- Mass retail – exploring admin in South Africa
- Possibility of South African mass products into Latin America
- IT synergies

# US Asset Management

- Multi asset class manager predominately US
- Earnings highly correlated to AUM
- Industry benchmark margin of 30%
- Cost reduced in H1 by 32%
- Shared platform of services and oversight for small affiliates
- Shared ownership model with fund managers to align interests

\$(m)	H1 2007	H1 2008	H1 2009
IFRS AOP	149	139	46
Operating Margin	28%	26%	15%



# Nedbank

- Net interest margin of 3.44% - attractive relative to the European and US average
- Corporate dominated
- 4th largest bank in SA
- 10% Tier 1 ratio
- Strategy to increase retail and non interest revenue
- Highly respected regulatory regime
  - US style charge off for impairments
  - Pro-cyclical capital charges
- Trading in line, credit impairments anticipated to be over the peak

Profitability ZAR(m)	H1 2008	H1 2009
Net Interest Income	7,960	8,185
Non Interest Revenue	4,954	5,377
Impairments	(1,894)	(3,435)
Cost to Income Ratio	51.5%	52.5%
Credit loss Ratio	0.96%	1.57%
RoE (excl goodwill)	21.3%	12.6%

Capital	H1 2008	H1 2009
Tier 1 Capital Ratio	8.9%	10.0%
Total Capital ratio	12.0%	13.2%

Market Cap: £4.5bn<sup>1</sup>

OM ownership: 53%<sup>2</sup>

<sup>1</sup> As at 10<sup>th</sup> September 2009

<sup>2</sup> For dividend purposes

# Financial profile – H1 2009

	FUM £bn	Asset Basis	
		Per MCEV group	Group ex g/w and at nominal debt and M to M of Subs
LTS	87.9	6,169	6,009
Nedbank	6.8	1,949	1,493
USAM	150.2	1,315	181
Others	2.4	131	52
		9,564	7,735
Net Debt		(1,975)	(2,579)
	247.3	7,589	5,156
Per share (p)		143.8	97.7

**Discount to MCEV<sup>(1)</sup>**  
**35%**

**Discount to adj net assets<sup>(1)</sup>**  
**5%**

<sup>1</sup> Based on share price 93.2p as at 10 September 2009

# Old Mutual investment case

- Strong position in South Africa, offering a wide range of financial services and products
- High RoE and cash generation in South Africa
- Europe and US Asset Management
  - Strong growth correlated to performance of equity markets



# Summary

- Strengthened capital and liquidity
- Tackled issues in US Life and Bermuda
- Simplifying the business via disposals
- Started to deliver cost savings
- Addressing margins and profitability
- Building a strong foundation
- Reorganising LTS around core markets
- Continuing to streamline the portfolio over time