

Transcription of Long Term Savings Showcase video:

http://www.oldmutual.com/flash/flvPlayer.htm?flvSrc=http://www2.oldmutual.com/webcast/2010-LTS-showcase/Its-summary.flv&autoPlay=false&skin=green_player3.swf

[Video opens with music]

[Narrator]

The Long Term Savings Showcase was held in London in October 2010. There was a series of presentations to analysts by senior managers, and over lunch a business fair where each of the business units set out its stall with many presentations, videos and Q & A sessions. This is a short summary of the event, including extracts from the presentations and interviews recorded on the day. First, CEO Paul Hanratty on the thinking behind the event.

Screen text: PAUL HANRATTY, CEO LONG-TERM SAVINGS

What we have to do is just to give people a little bit better feeling about how these businesses are connected together and what the potential is to realise synergies. Because we've run the businesses previously in a somewhat separate manner, now we are trying to run them in a more integrated way, and we are really at the start of that journey.

So the idea of the fair is really to give the analysts the opportunity, informally, to have a discussion about individual businesses, chat to the local management, and just get a better feel for each of our local operations.

We started at the point of saying: "Where are our strengths?" Now we know that in South Africa we have a very strong franchise, we have a strong market position, and we have a business that generates high ROEs and produces plenty of strong cash flow. But we also know from experience that it is a business that can be leveraged into other high-growth areas, and the one that I'm personally very familiar with is our Indian business, where we started ten years ago to leverage South African skills, and not just senior skills, but skills at all levels of the organisation, particularly in building the distribution force, and we've created a business and an enterprise there which I think is very valuable.

So, we've taken the step of moving all of our Latin American, Asian and African businesses to report in to the South African business so that we are able to leverage off it. And our approach in these countries is to leverage the product knowledge, the people skills, the processes and the distribution knowledge that we have in South Africa. We've got a large professional skill base in South Africa so we have for example more than 250 actuarial staff. We've got wonderful systems and processes with scale which have driven exceptional levels of quality straight through processing and low unit costs. We are very used to developing products for the sophisticated market but also simple products for the middle income market. And we are used to pricing heterogeneous risks, as I believe you will find in very few other markets.

We also run multiple distribution channels, and you will get some insight into that later. So we do have an understanding of what it takes to manage different kinds of distribution.

At the same time, through Skandia, we've got some fantastic market positions in Europe and in the UK in capital life businesses. We think that these businesses have a history of

innovation and that they are very well positioned because of the customer value that they deliver, to exploit opportunities to win market share away from the more traditional, perhaps less customer orientated businesses. So we think that the revenue line of these businesses can grow very quickly because of how they are positioned, and at the same time we see within these businesses opportunities, by adopting a lean approach to how we run them, to flush out costs and drive up operating performance.

Whilst we are focussed on leveraging South Africa into emerging markets and improving the operational performance of our European businesses, there are also direct opportunities for synergies between them. On the capital front I think Andrew Birrell is going to give you some fantastic insight into how our businesses connect at a capital level and why there are synergies and why we believe we are actually very well positioned going forward.

But at the same time there are revenue and cost synergies. The cost synergies lie primarily in the IT area and in the opportunity to outsource some work to South Africa. The revenue opportunities lie primarily in sharing product knowledge and ideas, and you will get some sense of that today, as well as leveraging what we know about building distribution channels.

Screen text: ANDREW BIRRELL, GROUP RISK AND ACTUARIAL DIRECTOR

We set a group risk strategy and that's an explicit strategy that we use to bench mark our business plans and business units against. This is in accordance with the new regulatory standards which require organisations to explicitly adopt their risk frameworks and strategies and then demonstrate that their business plans and activities are conducted in accordance with these. Our risk strategy considers which risks we wish to assume, how we need to consequently deploy capital, and how we will create value by optimising risk return and the capital trade-off. It's not a simple loss minimisation approach. In fact if one adopted that you would probably decide to do nothing at all, sell everything off and just sit in cash.

Screen text: RALPH MUPITA, MD RETAIL AFFLUENT

Although we've not seen growth in our white client base over the last few years, we have a very strong penetration in this market. We estimate our share of wallets in the white market to be somewhere between fifteen and twenty percent and we see appreciable growth prospects, particularly in the wealth management in the white market. We have grown our black client base by over 8% in the last two years but, as you can see, we have a much lower penetration in this market. In the black market we believe that we've got scope to both acquire brand new customers and get a deeper share of wallets by extending our distribution of products to existing customers.

Screen text: MARTEN ANDERSSON, CEO NORDIC

When we look at our database of clients and the relationship that we have it is a unique database in the sense that we are very much geared towards the upper and upper middle class. So we have the wealthier part of the population in our client base. Today we do some 15% of the life premiums in the market and we have only 8% of retail savings assets so we see there is a clear opportunity for us to grow in this space and take a stronger position.

Screen text: DAVID BUENFIL, CEO COLMEX

In Colmex, as Paul mentioned earlier, we have a nice balance between generating cash and also having an excellent potential to grow. So the cash is generated in Columbia which is a much more mature market for many years of being there, and then we are growing a lot faster in Mexico. So the nice thing about working together with Old Mutual and taking the abilities that we had in this market is that we've been able to grow a leading reputation in the market as one of the most innovative product producers for the market and we are really focussing on two sides of the market.

Screen text: JOHANNES IGAWAXAB, MD AFRICAN OPERATIONS

The opportunities for growth in Africa are in the mass market, particularly the unpaid people that want to save. If you look at the penetration rate in Africa it is below 2% while you've got a country like South Africa where it is about 15%. You've got a very strong middle class market that's coming through. The estimate currently is that by 2020 you will have about 128 million Africans with about 5,000 US dollars per annum disposable income.

Screen text: BOB HEAD, WEALTH MANAGEMENT

One of the lovely things about Skandia is that you can actually go out there and talk to customers and actually be proud about the product you are actually offering. It's working well and it is actually taking share. We do recognise that we need to diversify away from what we are actually doing. I think the danger is that if you are just playing the pure platform market you will get commoditised. So we do need to build out what we are actually doing. We do need to build relationships with customers which historically we haven't done. And in fact one of the important things, I think, in the Old Mutual strategy document was it was very much focussed on being passionate about customers and one of the transitions we are having to manage in wealth management is that historically we have focussed on the advisors and going forward in time we need to focus on both the advisors and the customers, which is a good thing to do.

We are focussed on delivering the cost reductions. So we have **flagged** about half the cost reductions that we need to do, around about 23 million in terms of the **run rate** savings. We have clear plans for actually delivering the rest, with the who, whats and whens.

In the product suite we need to move from being a platform to a wealth management business and we are working on what that actually means in practice.

We have proven technology. It is a big selling proposition. It just works. It is available. It's functional and our IFA's like it.

We need to keep focussing on getting better value for money out of expenses. So that is going to be an ongoing activity going forward.

We are optimistic about growth so we think the market will actually grow in time the segments we are actually in and we are taking share.

Screen text: JONAS JONSSON, CEO RETAIL EUROPE

We found out quite early in 2009 that we could use the South African capabilities that we have in Cape Town. This is a journey. It will take some time, but we have favourable reactions from the regulators. We have actually started our service branches within our South African operations. We have started to hire people with language skills in German and Polish down in South Africa. So it's a journey, but we are taking definitely the right steps in that direction.

I think there are so many things changing in the market at the moment, especially in Central Europe, when it comes to transparency, when it comes to solvency too. I think we are quite well positioned as a unit in the company down there and with the backing of an international group with the capabilities that group have in terms of product, administration, I'm extremely positive for the future.

Screen text: STEVEN LEVIN, PRODUCT DIRECTOR LONG-TERM SAVINGS

I think that it is now just appropriate to share some of our successes. It is early days in what we've done, but one example is in December last year we redesigned our Mexican savings product with some of the design expertise we have in our South African business. You will have seen in the first half of this year we have delivered a 40 % increase in sales in Mexico in the first six months.

In China, one of our best product development actuaries from South Africa is on secondment in China, and he has been working with the business in China and has been very instrumental in building some really good products in a short space of time.

On the ALM side we've got very strong ALM and risk management boutiques in South Africa and we've leveraged some of these already and I think there is a lot more we can be doing to leverage those capabilities into some of our businesses in Europe.

And then SIG in particular has been strong at sharing some of our fund and guided architecture capabilities across our platform businesses.

And then we are about to launch a particularly innovative new downside protective fund offering in the UK which we think is going to be a market first.

Screen text: MIKE HARPER, MD CUSTOMER SOLUTIONS

There are four broad themes:

- Growing advisors organically, and there we believe our tied agency forces are critical
- Strengthen efficiencies, there's a big overhead to an inefficient sales force. It is not the productivity, it's the poor quality of the client you acquire and clearly the advice to those customers
- Strengthening bancassurance. Several retail markets in which we operate have dominant large retail banks. They are both an opportunity and a threat.
- Add channels selectively in relevant markets. Hence the retail mass model in Mexico and in China. In Asia it is virtually self-evident we should make the India tied channel much more efficient and in China start a tied agency force. But using that efficient retail mass holistic business model to at least reach the employees of our JB partner. And likewise in Mexico we should further explore the retail mass model as well as expand our tied advisor force and develop the IFA offering.

Paul Hanratty

So in closing, I believe we've got a portfolio of businesses here that delivers high ROE and high growth.

Our focus on the customer is what's helping to grow the top line, and I think that's very important in our industry. There are many of our competitors that I don't believe are going to grow the top line consistently.

We have many synergies that we know we can exploit. And we are only at the beginning of mining out that ore. We have a strong risk, capital management and performance framework that is getting applied within the business.

Finally, we've got very strong local management teams in each of our businesses, in each of our markets, to drive the business forward.

[End of video]