



# Morgan Stanley European Financials Conference 2010

Managing for value in an  
uncertain economic and  
regulatory environment

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# Agenda

- Introduction to Old Mutual
  - 2009 Results
- Changing our business and the way we operate
- Opportunities in the long-term savings market
- Financial targets
- Summary

# 2009 Financial Results: Highlights

	2009	2008 reported	2008 restated <sup>1</sup>
Adjusted operating profit <sup>2</sup> (IFRS)	<b>£1,170m</b>	£999m	£1,136m
Adjusted operating EPS (IFRS)	<b>12.1p</b>	12.2p	14.9p
Return on equity	<b>9.1%</b>	9.0%	11.3%
Net client cash flows	<b>(£3.1bn)</b>	(£1.2bn)	
Funds under Management	<b>£285.0bn</b>	£264.8bn	
Dividend per share	<b>1.5p</b>	2.45p	

- Strong set of results in 2009
- Improved market conditions in H2 and very strong Q4 sales
- Strengthened capital position and final dividend for 2009
- Driven change & improvement in the business
- Recently announced a new strategy for the Group

NOTES:

1. 2008 AOP, EPS and RoE restated to exclude Bermuda (treated as non-core)

2. Pre-tax and MI

# 2009 Financial Results: IFRS AOP<sup>1</sup>

£m	2009	2008
Long-Term Savings	685	452
Nedbank	470	575
Mutual & Federal	70	76
US Asset Management	83	97
Finance costs	(104)	(140)
Interest payable to non-core operations	(40)	-
Other expenses	(85)	(32)
LTIR on excess assets	91	108
<b>AOP</b>	<b>1,170</b>	<b>1,136</b>

1. AOP is pre-tax and MI and 2008 has been restated to exclude Bermuda (treated as non-core)

# 2009 Financial Results: Balance Sheet

31 Dec 2009	Asset basis £m	
	Adjusted Group MCEV	Ex g/w and at nominal debt and MTM of subs
LTS	6,740	6,574
Nedbank	2,634	1,618
USAM	1,411	269
Others	769	563
	11,554	9,024
Net Debt	(2,526)	(2,828)
<b>Per share (p)</b>	<b>171.0</b>	<b>117.4</b>

IFRS book value  
2009:147p/share  
2008:134p/share

# We are changing our business and the way we operate to address our challenges

<b>Clear strategic imperative</b>	<ul style="list-style-type: none"><li>▪ Deliver a clear business focus</li><li>▪ Leverage skills, strengths &amp; intellectual capital</li><li>▪ Coherent and easily communicated strategy</li></ul>
<b>Complexity</b>	<ul style="list-style-type: none"><li>▪ Streamline &amp; simplify</li><li>▪ Remove the distraction of businesses that do not fit the portfolio</li></ul>
<b>Governance &amp; Control</b>	<ul style="list-style-type: none"><li>▪ Clarify roles &amp; responsibilities; effective Group Operating Model</li><li>▪ Drive accountability for results throughout the business</li><li>▪ Continue to strengthen subsidiary boards</li></ul>
<b>Capital &amp; Risk</b>	<ul style="list-style-type: none"><li>▪ Align capital with risk; capital-light products with lower risk</li><li>▪ Reduce risk exposures which are outside risk appetite</li><li>▪ Operate robust process of capital request &amp; allocation</li></ul>
<b>Shareholder Value</b>	<ul style="list-style-type: none"><li>▪ Detailed analysis of options confirms proposed strategy maximises potential shareholder return</li></ul>

# We have a balanced portfolio and have set clear criteria for our businesses

- Balanced portfolio:
  - Mature businesses with high cash and profit returns
  - Cash generative businesses with high profit growth potential
  - Younger businesses with high growth potential
- We expect each of our businesses to:
  - Operate within our capital and risk requirements
  - Be capable of achieving 15% ROE
  - Add value to another part of the Group
  - Have growth potential in their markets
  - Have a clear plan to deliver profitable, sustainable growth
  - Create shareholder value into the future



# Our vision is about putting the customer first

## ***Vision:***

***“To be our customers’ most trusted partner – passionate about helping them achieve their lifetime financial goals.”***

***Passionate  
about  
customers***

***Exceptional  
at delivery***

***Responsible  
to all  
stakeholders***

# Our strategy is focused on maximising value for shareholders

We will build a long-term savings, protection and investment group by leveraging the strength of our capabilities in South Africa and around the world. We will focus, drive and optimise our businesses to enhance value for shareholders and customers

# We will transform the business to create shareholder value

<b>Focus</b>	<ul style="list-style-type: none"><li>▪ Building long-term savings, protection &amp; investment</li><li>▪ Customer - responsive to their needs; relevant proposition, good distribution, support, service and returns</li></ul>
<b>Rationalisation</b>	<ul style="list-style-type: none"><li>▪ Explore sale of US Life</li><li>▪ Anticipate partial IPO of US Asset Management</li><li>▪ Streamline and simplify the business where appropriate</li></ul>
<b>Business Improvement</b>	<ul style="list-style-type: none"><li>▪ Improve the returns of our businesses by increasing operational efficiency &amp; taking out £100m of costs by 2012</li><li>▪ Manage for value with a ruthless and disciplined approach to risk management, governance and allocation of capital</li></ul>
<b>Pay Down Debt</b>	<ul style="list-style-type: none"><li>▪ Proceeds of rationalisation and non SA retained earnings to be used to pay down debt to improve the quality of our balance sheet</li></ul>

# We are well placed for the opportunities in the long-term savings market

Market Change	Old Mutual's Strength/Opportunity
<b>Old-style to modern retail products</b>	<ul style="list-style-type: none"><li>▪ Leverage leading open-architecture platform technology</li><li>▪ Wide range of old-style and new products</li><li>▪ Transparent capital-light products</li><li>▪ Growing e-enabled solutions in each business</li></ul>
<b>High to lower margin environments</b>	<ul style="list-style-type: none"><li>▪ Using scale to enable improved cost structure</li><li>▪ Ability to share capability across the Group to improve operational efficiency and drive revenue</li><li>▪ Low cost IT and administration in SA</li></ul>
<b>Economic and regulatory uncertainty</b>	<ul style="list-style-type: none"><li>▪ Well positioned in the right markets</li><li>▪ Disciplined approach to managing risk and capital</li><li>▪ Advanced preparation for Solvency II (iCRaFT)</li><li>▪ Cost reduction targets to improve cost base</li></ul>

# We have also set new targets for improved financial performance

Impact by 2012	ROE		Cost reductions	Margin	
	2009 <sup>1</sup>	2012		2009	2012
Emerging Markets	24%	20-25%	£5m		
Nordic	12%	12-15%	£10m		
Retail Europe	9%	15-18%	£15m		
Wealth Management	8%	12-15%	£45m		
<b>Long-Term Savings<sup>2</sup></b>	<b>14.9%</b>	<b>16-18%</b>	<b>£75m</b>		
US Asset Management			£10m	18%	25-30%
Group-wide corporate costs			£15m		
<b>Total</b>			<b>£100m</b>		

NOTES:

1 2009 reported ROE adjusted for 2010 LTIR rates in relation to Emerging Markets

2 Long-Term Savings excluding US Life

# In summary, we have a clear strategy to maximise value for shareholders

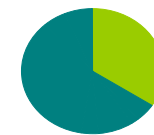
- Building a long term savings, protection and investment group by leveraging the strength of our capabilities in South Africa and around the World
- Optimise our businesses to enhance value for our shareholders and customers
- Pay down debt and improve the quality of our balance sheet
- Generate good profit growth, grow cash returns and long-term build up of value



# Appendix I

## Business Unit Results

# Emerging Markets<sup>1</sup>



Contribution to  
2009 Group AOP

Rm	2009	2008
IFRS adjusted operating profit	<b>5,879</b>	6,351
Life new business APE <sup>2</sup>	<b>5,178</b>	5,105
Life VNB <sup>2</sup>	<b>853</b>	813
New business APE margin	<b>16%</b>	16%
Unit trust/mutual fund sales	<b>36,421</b>	41,418
Net client cash flow (Rbn)	<b>(20.5)</b>	(27.3)
Funds under management (Rbn)	<b>518.4</b>	552.6
Return on allocated capital <sup>3</sup>	<b>26.0%</b>	27.8%

- SA: recurring-premium sales up 8% on 2008; single-premium sales down 6%
- Negative NCCF includes R16.2bn withdrawal by PIC
- Long-term investment return rate reduced from 16.6% to 13.3% in OMSA

1. Emerging Markets business unit includes South Africa, Namibia, India, China, Latin America  
 2. 2008 figures exclude Nedgroup Life sales  
 3. OMSA only





SEKm	2009	2008
IFRS adjusted operating profit	<b>737</b>	1,076
Life new business APE	<b>2,819</b>	2,599
Life VNB	<b>526</b>	397
New business APE margin	<b>19%</b>	15%
Unit trust/mutual fund sales	<b>4,708</b>	3,207
Net client cash flow (SEKbn)	<b>11.6</b>	7.0
Funds under management (SEKbn)	<b>127.2</b>	91.9
Return on equity	<b>11.7%</b>	17.0%

- Strong sales performance for both Life and Mutual Fund sales
- More profitable business mix following management action
- Record high NCCF equivalent to 13% of opening funds under management

# Retail Europe<sup>1</sup>



Contribution to  
2009 Group AOP

€m	2009	2008
IFRS adjusted operating profit	<b>25</b>	36
Life new business APE	<b>75</b>	114
Life VNB	<b>(6)</b>	13
New business APE margin	<b>(8%)</b>	11%
Unit trust/mutual fund sales	<b>27</b>	59
Net client cash flow (€bn)	<b>0.6</b>	0.6
Funds under management (€bn)	<b>4.7</b>	3.7
Return on equity	<b>9.0%</b>	18.6%

- Sales impacted by reduced consumer confidence in unit-linked products
- Funds under management grew: investment performance and positive NCCF
- Foundations laid for improved efficiency and a reduction in the cost base

1. Retail Europe business unit includes Austria, Germany, Poland, Switzerland

# Wealth Management



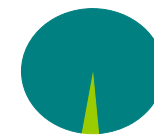
Contribution to  
2009 Group AOP

£m	2009	2008
IFRS adjusted operating profit	<b>106</b>	150
Life new business APE	<b>617</b>	664
Life VNB	<b>49</b>	67
New business APE margin	<b>8%</b>	10%
Unit trust/mutual fund sales	<b>3,210</b>	2,561
Net client cash flow (£bn)	<b>2.5</b>	2.0
Funds under management (£bn)	<b>46.9</b>	38.9
Return on equity	<b>7.9%</b>	9.7%

- Particularly strong Q4 Life sales, up 38% on Q3
- FuM up: positive NCCF, improving persistency and recovering equity markets
- 2009 result includes £13m of restructuring costs

1. Wealth Management business unit includes UK, Italy, France, Skandia International, SIG

# US Life



Contribution to  
2009 Group AOP

\$m	2009	2008
IFRS adjusted operating profit	<b>76</b>	(425)
Life new business APE	<b>107</b>	251
Life VNB	<b>22</b>	(21)
New business APE margin	<b>20%</b>	(8%)
Net client cash flow (\$bn)	<b>(1.5)</b>	(0.4)
Funds under management (\$bn)	<b>16.7</b>	15.2
Return on equity	<b>10.5%</b>	(25.3%)

- Sales lower in line with revised targets and group capital & risk appetite
- Expenses reduced by 33% compared to 2008
- Business risks reduced significantly

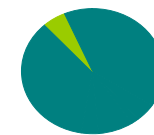


Rm	2009	2008
IFRS adjusted operating profit <sup>1</sup>	<b>6,192</b>	8,800
Net interest income	<b>16,306</b>	16,170
Net interest margin	<b>3.39%</b>	3.66%
Non-interest revenue	<b>11,906</b>	10,729
Credit loss ratio	<b>1.47%</b>	1.17%
Cost to income ratio	<b>53.5%</b>	51.1%
Return on equity	<b>11.5%</b>	17.7%

- Profits reduced in a difficult banking and low interest environment
- Increase in defaulted advances and impairment provisions
- Capital position strengthened further; liquidity remains sound

1. 2008 included R72bn from the sale of visa shares

# Mutual & Federal



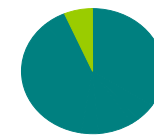
Contribution to  
2009 Group AOP

Rm	2009	2008
Underwriting result <sup>1</sup>	<b>127</b>	244
Long-term investment return	<b>791</b>	925
IFRS adjusted operating profit	<b>918</b>	1,169
Claims ratio	<b>69.4%</b>	67.1%
Combined ratio	<b>98.0%</b>	96.1%
Solvency ratio	<b>55.9%</b>	41.0%
Return on equity	<b>21.2%</b>	29.0%

- Improved underwriting result in H2: (H2: R223m profit, H1: R96m loss)
- Long-term investment return rate reduced from 16.6% to 13.3%
- Solvency strengthened

1. Includes restructuring costs of R13m in 2009 (2008: R55m)

# US Asset Management



Contribution to  
2009 Group AOP

\$m	2009	2008
IFRS adjusted operating profit	<b>130</b>	181
Mutual fund sales	<b>1,839</b>	1,892
Net client cash flows (\$bn)	<b>(7.1)</b>	(5.2)
Funds under management (\$bn)	<b>261</b>	240
Operating margin	<b>18%</b>	20%

- H2 sales up 78% on H1: AOP up 83% on H1
- Revenue down 22% on 2008: lower management & performance fees
- Successful expense management: 22% reduction on 2008



# Appendix II Business Unit Opportunities

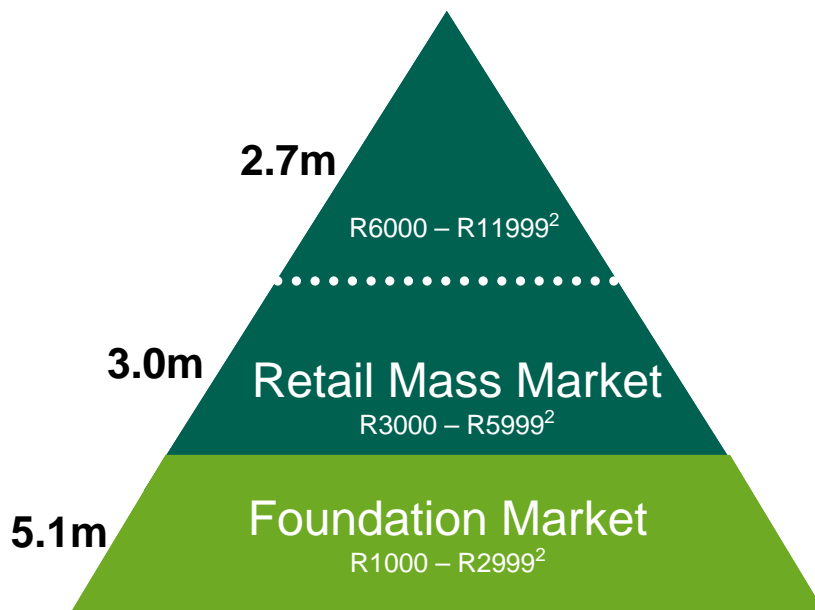


# There is huge potential in emerging markets<sup>1</sup> and we can leverage our SA capabilities

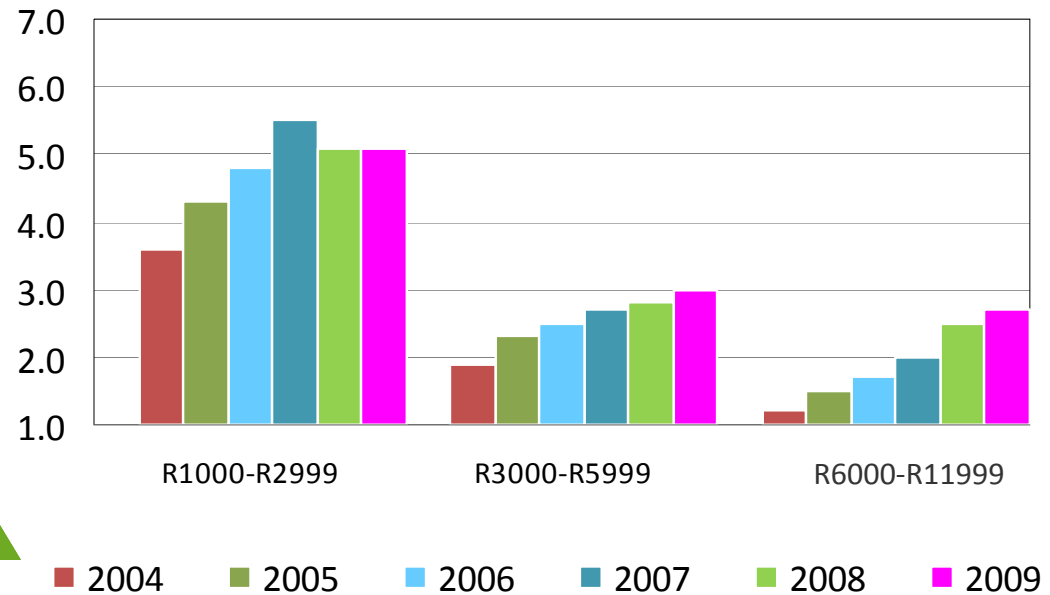
<b>Market</b>	<ul style="list-style-type: none"> <li>• SA: Stable political environment; strong &amp; pragmatic regulation Growing middle income/affluent market: Large potential Retail mass market</li> <li>• Emerging markets - customer growth in large &amp; under-penetrated markets</li> </ul>
<b>Our strengths</b>	<ul style="list-style-type: none"> <li>• SA: Efficient cost base &amp; strong technical skills Strong brand; powerful distribution; excellent advice processes Full product offering through OMSA, OMIGSA, M&amp;F, Nedbank</li> <li>• Emerging markets: JVs in India &amp; China and African expertise</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Use SA expertise to support our other emerging market businesses</li> <li>• Offer SA-designed products across other emerging markets</li> <li>• Share low-cost IT &amp; administration services</li> <li>• Continue shift to capital-light products</li> <li>• Leverage cross-sell and efficiency opportunities with Mutual &amp; Federal</li> </ul>
<b>Impact</b>	<ul style="list-style-type: none"> <li>• 2012 ROE: 20-25%</li> <li>• Cost reductions by 2012: £5m pa.</li> </ul>

<sup>1</sup> Emerging Markets business unit includes South Africa, Africa, India, China, Latin America

# The Retail Mass market in South Africa presents a significant opportunity



Income Distribution Patterns 2004-2009<sup>1</sup>



- Characterised by sheer size of market
- Steady growth largely driven by higher income bands
- Old Mutual has high brand recognition

<sup>1</sup> Age 18-64 only

<sup>2</sup> Refers to Personal Monthly Income

(Note £1 = R12.59 as at 11 September 2009)

# We are well-positioned in Nordic with good potential for profit growth

<b>Market</b>	<ul style="list-style-type: none"><li>• Market emphasis moving from corporate to retail</li><li>• High technology market in Sweden: demand for internet-based services</li><li>• High propensity to save and invest in equities</li><li>• Competitors are mainly local large banks and a few insurers</li></ul>
<b>Our strengths</b>	<ul style="list-style-type: none"><li>• Well-established brand; full range of customer solutions available</li><li>• Distribution through IFAs, own salesforce and through SkandiaBanken</li><li>• Market-leading investment returns via guided open-architecture</li><li>• SkandiaBanken is capturing successfully e-enabled customers</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>• Broaden the product offering; capital-light products</li><li>• Use SkandiaBanken as a distribution channel for broader products &amp; services</li><li>• Offer more modern products to Skandia Liv policyholders</li><li>• Improve underwriting result</li></ul>
<b>Impact</b>	<ul style="list-style-type: none"><li>• 2012 ROE: 12-15%</li><li>• Cost reductions by 2012: £10m pa.</li></ul>

# There are opportunities to improve margins in our European Retail<sup>1</sup> business

<b>Market</b>	<ul style="list-style-type: none"><li>• Large and under-penetrated market</li><li>• Fast growing market; increasing need for private retirement savings</li><li>• Competitors are mainly the big traditional insurers</li></ul>
<b>Our strengths</b>	<ul style="list-style-type: none"><li>• Flexible &amp; innovative unit-linked products;</li><li>• Strong sales-management and service quality; excellent distributor relationships</li><li>• Strong investment expertise</li><li>• Scalable building-blocks for cost-effective operations</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>• Transform 4 country-based businesses into one efficient business</li><li>• Transfer some IT and policy administration to South Africa</li><li>• Expand product range to include protection products</li><li>• Offer products &amp; solutions from elsewhere in the Group</li></ul>
<b>Impact</b>	<ul style="list-style-type: none"><li>• 2012 ROE: 15-18%</li><li>• Cost reductions by 2012: £15m pa.</li></ul>

<sup>1</sup> Retail Europe business unit includes Austria, Germany, Poland, Switzerland

# We are positioning our Wealth Management<sup>1</sup> business to capture the growth in platform

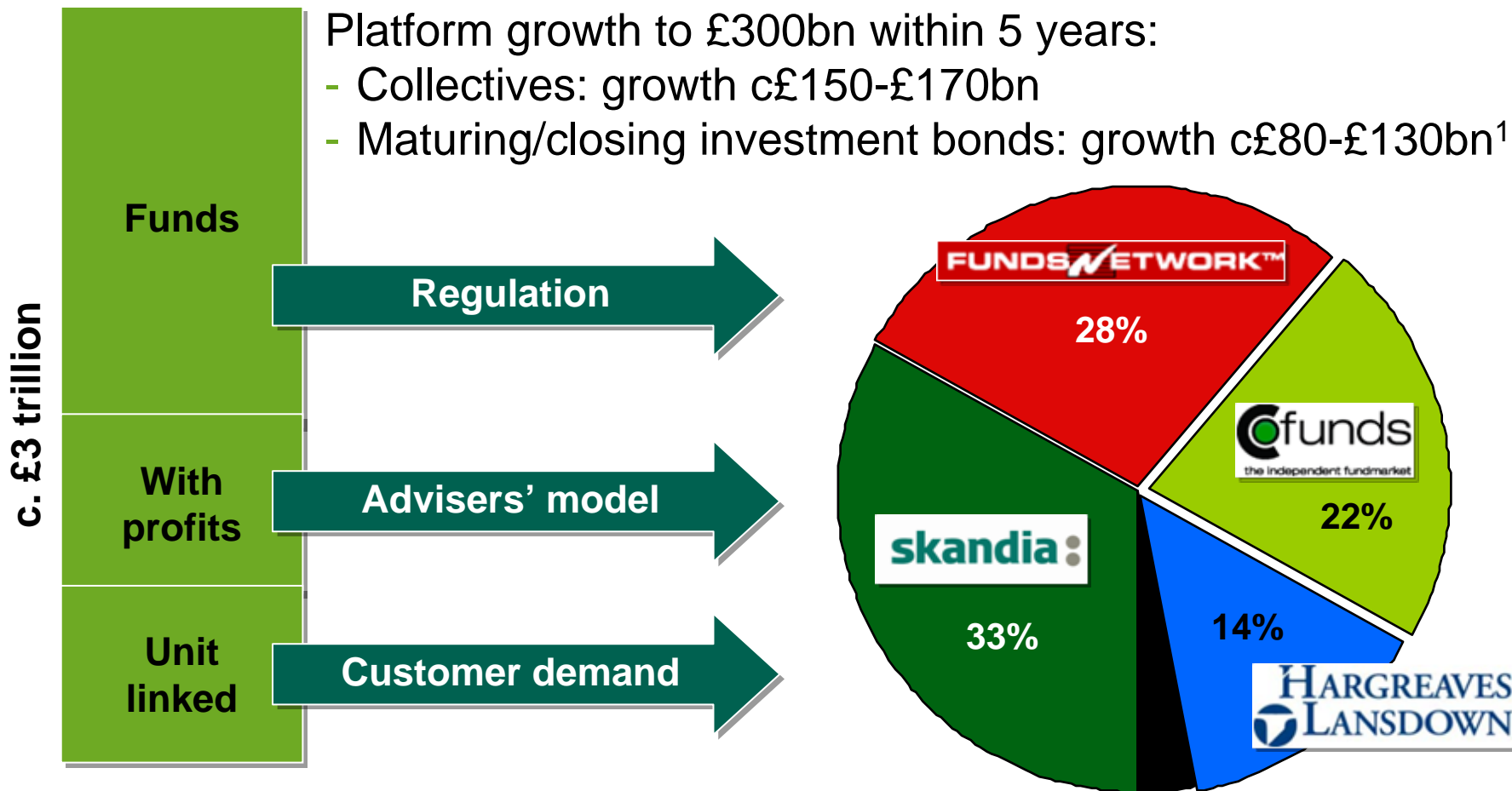
<b>Market</b>	<ul style="list-style-type: none"><li>• High anticipated growth in platform markets; migration from traditional products</li><li>• Growing demand for better support and transparency</li><li>• Cost of technology is a barrier to entry</li><li>• International: few good competitors; distribution relationships key</li></ul>
<b>Our strengths</b>	<ul style="list-style-type: none"><li>• Skandia UK is the leading platform (33% market share at Dec 2009)</li><li>• Well-advanced platform developed within the Old Mutual Group</li><li>• Strong and well-established relationships with IFAs &amp; distributors</li><li>• Asset management and guided architecture capability (SIG)</li><li>• Skandia International has strong distribution relationships</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>• Broaden the product range &amp; widen investment choice</li><li>• Reduce costs; leverage SA processes &amp; technology</li><li>• Utilise platform and SIG capability across Europe</li><li>• Grow Skandia International; enhance proposition &amp; improve distribution</li></ul>
<b>Impact</b>	<ul style="list-style-type: none"><li>• 2012 ROE: 12-15%</li><li>• Cost reductions by 2012: £45m pa.</li></ul>

<sup>1</sup> Wealth Management business unit includes UK, Italy, France, Skandia International, SIG

# We are the market leader in the UK platform space

Platform growth to £300bn within 5 years:

- Collectives: growth c£150-£170bn
- Maturing/closing investment bonds: growth c£80-£130bn<sup>1</sup>



## NOTES

1 Navigant - Platforms Lessons learnt & looking forward - Dec 2008

2 Pie chart shows market share by assets (Lipper Data – Q4 2009)

# Full ownership of M&F enables us to leverage cross-sell & efficiency opportunities

<b>Market</b>	<ul style="list-style-type: none"><li>• Stable political environment</li><li>• SA emerging from recession</li><li>• Low interest rates &amp; declining inflation</li></ul>
<b>Our strengths</b>	<ul style="list-style-type: none"><li>• Strong and established market position and brand</li><li>• Leading position with brokers</li><li>• Restructuring &amp; systems implementation is creating a base for growth</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>• Develop new products</li><li>• Further process enhancements &amp; optimisation</li><li>• Complete the move to state of the art IT platforms</li><li>• Improve underwriting performance</li></ul>
<b>Impact</b>	<ul style="list-style-type: none"><li>• To be agreed following review of the business</li></ul>

# US Asset Management is a successful business with potential for growth

<b>Market</b>	<ul style="list-style-type: none"><li>• Strong recovery in equity &amp; credit markets in 2009</li><li>• US forecast 2010 GDP growth 3%</li></ul>
<b>Our strengths</b>	<ul style="list-style-type: none"><li>• Well-established business; highly successful boutique structure</li><li>• Significantly geared to recovering equity markets</li><li>• Diversified asset/client mix provides resilience</li><li>• Cost base reduced significantly in 2009</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>• Continually improve performance in key asset classes</li><li>• Grow exposure to alternative asset classes and investment styles</li><li>• Enhance retail distribution channels</li><li>• Work with OMIGSA and SIG to share products &amp; distribution</li></ul>
<b>Impact</b>	<ul style="list-style-type: none"><li>• Margin by 2012: 25-30%</li><li>• Cost reductions by 2012: £10m pa.</li></ul>



# Nedbank has created a strong platform for sustainable growth

<b>Market</b>	<ul style="list-style-type: none"><li>• Resilient SA banking system</li><li>• Lower interest rates, declining inflation, improved equity markets, strong rand</li><li>• Consumer indebtedness remains high</li><li>• Growing middle income/affluent market</li></ul>
<b>Our strengths</b>	<ul style="list-style-type: none"><li>• Excellent corporate and investment bank franchise in South Africa</li><li>• Well-capitalised and strong liquidity; robust risk processes</li><li>• Strong management team and orderly succession to new CEO</li></ul>
<b>Opportunities</b>	<ul style="list-style-type: none"><li>• Development of growth strategy by new management team</li><li>• Improve and deepen retail footprint; accelerate growth in wholesale banking</li><li>• Differentiate and leverage distribution channels</li><li>• Consider options for promotion of growth; maximise shareholder value</li></ul>
<b>Impact</b>	<ul style="list-style-type: none"><li>• ROE: 5% above monthly weighted COE</li><li>• Non Interest Revenue &gt; 85% of expenses</li></ul>