



**GOLDMAN SACHS CONFERENCE  
OLD MUTUAL PLC**

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# Agenda

**Introduction to Old Mutual**

**Philip Broadley**

**Africa growth**

**Paul Hanratty**

**UK Platform & Summary**

**Philip Broadley**

# Old Mutual plc

- Founded in 1845
- Listed in London, South Africa, Malawi, Namibia and Zimbabwe
- No. 41 in FTSE 100<sup>1</sup>
- £7bn market capitalisation<sup>1</sup>

1 in 4 South Africans are Old Mutual policyholders<sup>4</sup>

No. 1 insurance company in SA by FUM

No. 1 platform business in UK by market share

£309.3bn FUM<sup>2</sup> (of which £166.6bn from USAM<sup>3</sup>)

1. As at 31 May 2011

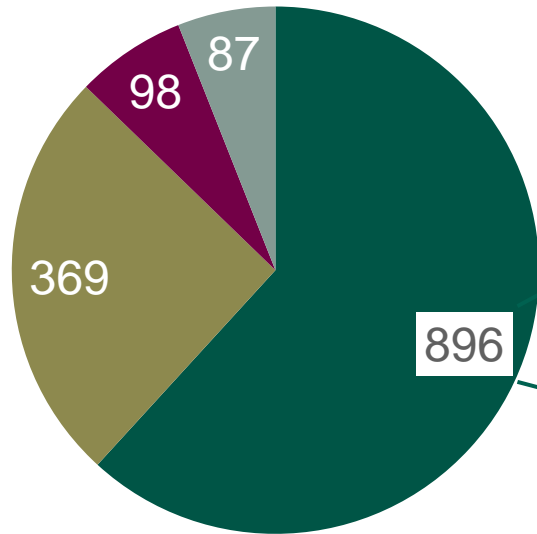
2. FUM – Funds under management. As at 31 December 2010

3. USAM – US Asset Management

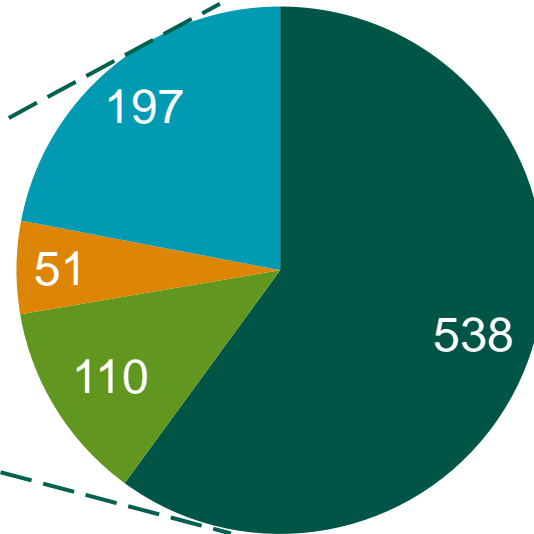
4. Of the economically active population

# Sources of profit: 2010 IFRS AOP (post MI)

Group IFRS AOP £m



LTS IFRS AOP £m



# What we are doing

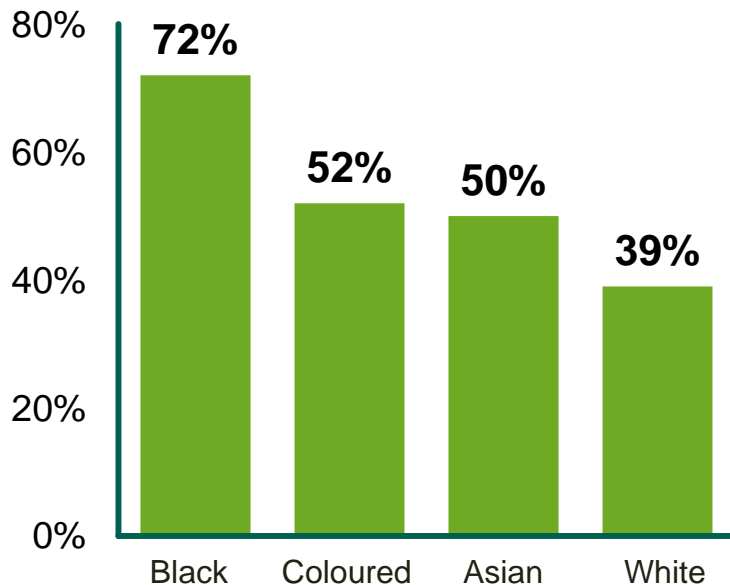
- Reducing complexity
- Targets (2012):
  - ROE
  - Cost savings of £100m
  - Debt reduction of £1.5bn
  - Minimum performance hurdle rates
- Leverage core competencies:
  - Emerging Markets, Platforms and Asset Management
- Better governance

# AFRICA GROWTH

# SA higher income people are now more diverse and wealthier

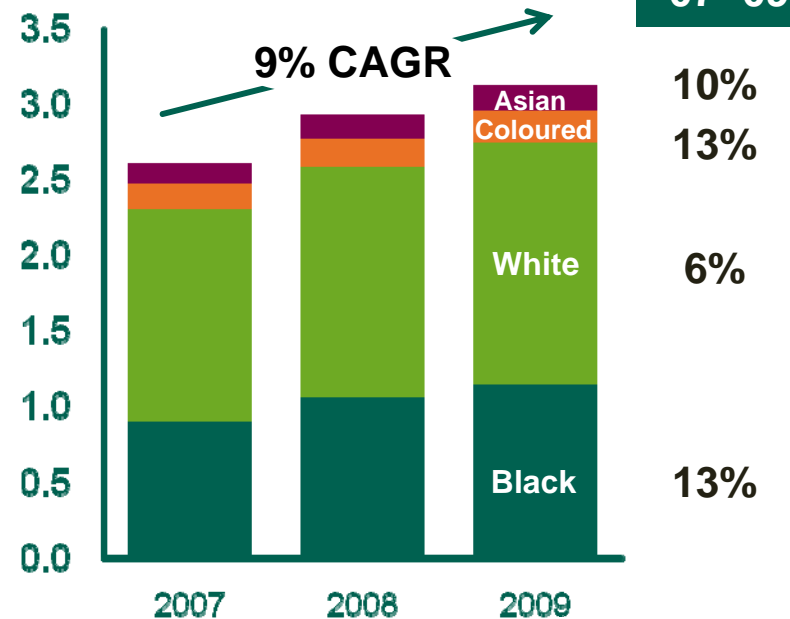
**Black disposable income growth has outpaced other demographic groups over the past 10 years<sup>1</sup>**

**Cumulative real disposable income growth (1999–2008)**



**Total number of middle and high income earners is increasing<sup>2</sup>**

**Number of people earning above R12,000/month (millions)**



1. Source: Information Handling Services (IHS) Global Insight  
 2. Source: Bureau for Market Research (BMR)



# We have the track record: Mass Foundation key measures

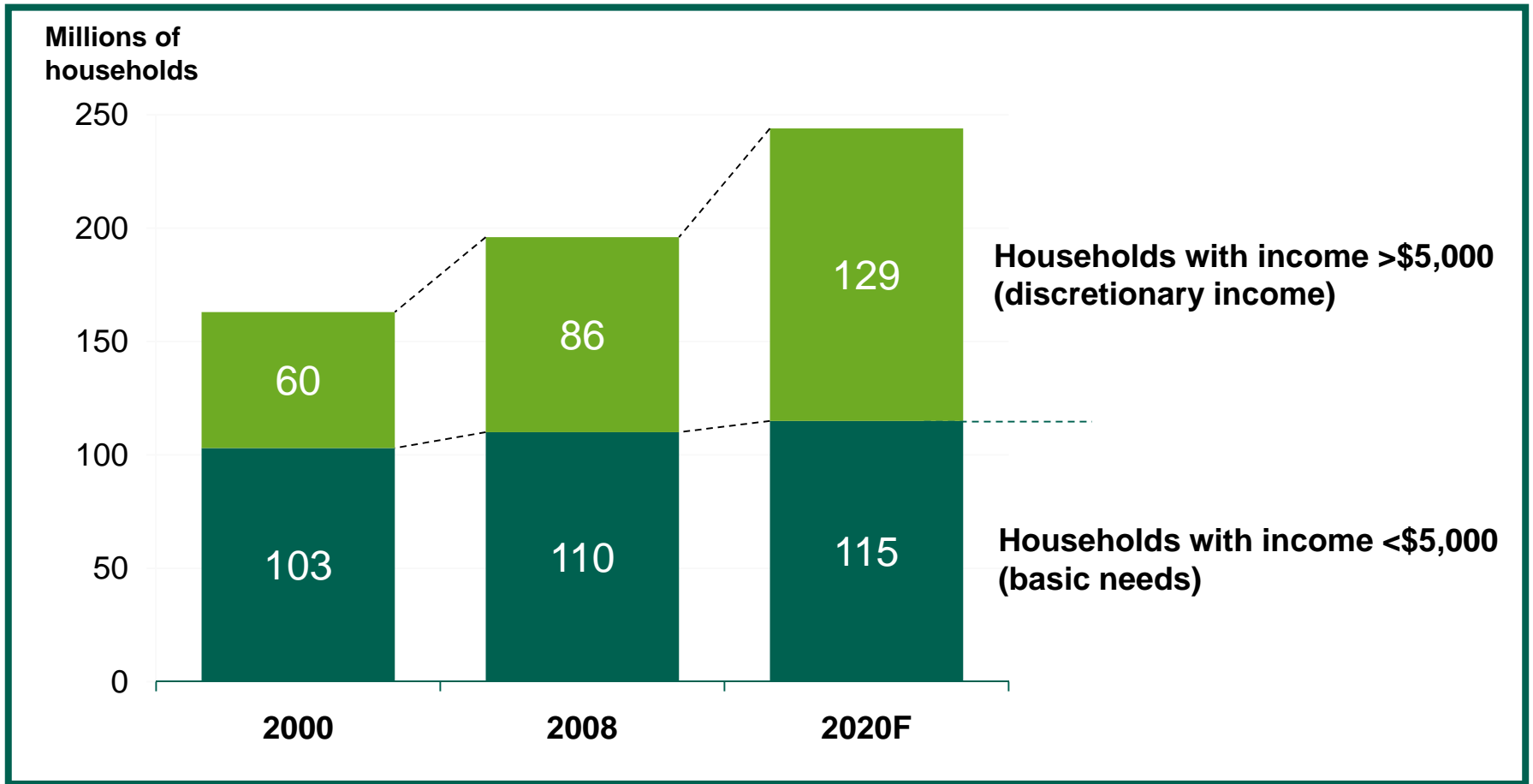
	2006	2007	2008	2009	2010
Customers	1.2m	1.3m	1.4m	1.5m	<b>1.6m</b>
New Life APE (£m)	71	77	86	110	<b>139</b>
APE margin	> 20%	> 20%	>20%	>20%	<b>&gt;20%</b>
NCCF (£m)	Positive	Positive	Positive	180	<b>250</b>
ROC	>30%	>30%	>30%	>30%	<b>&gt;30%</b>

Note: Average exchange rates at 31 Dec 2010: GBP/Rand 11.31, USD/ Rand 7.32

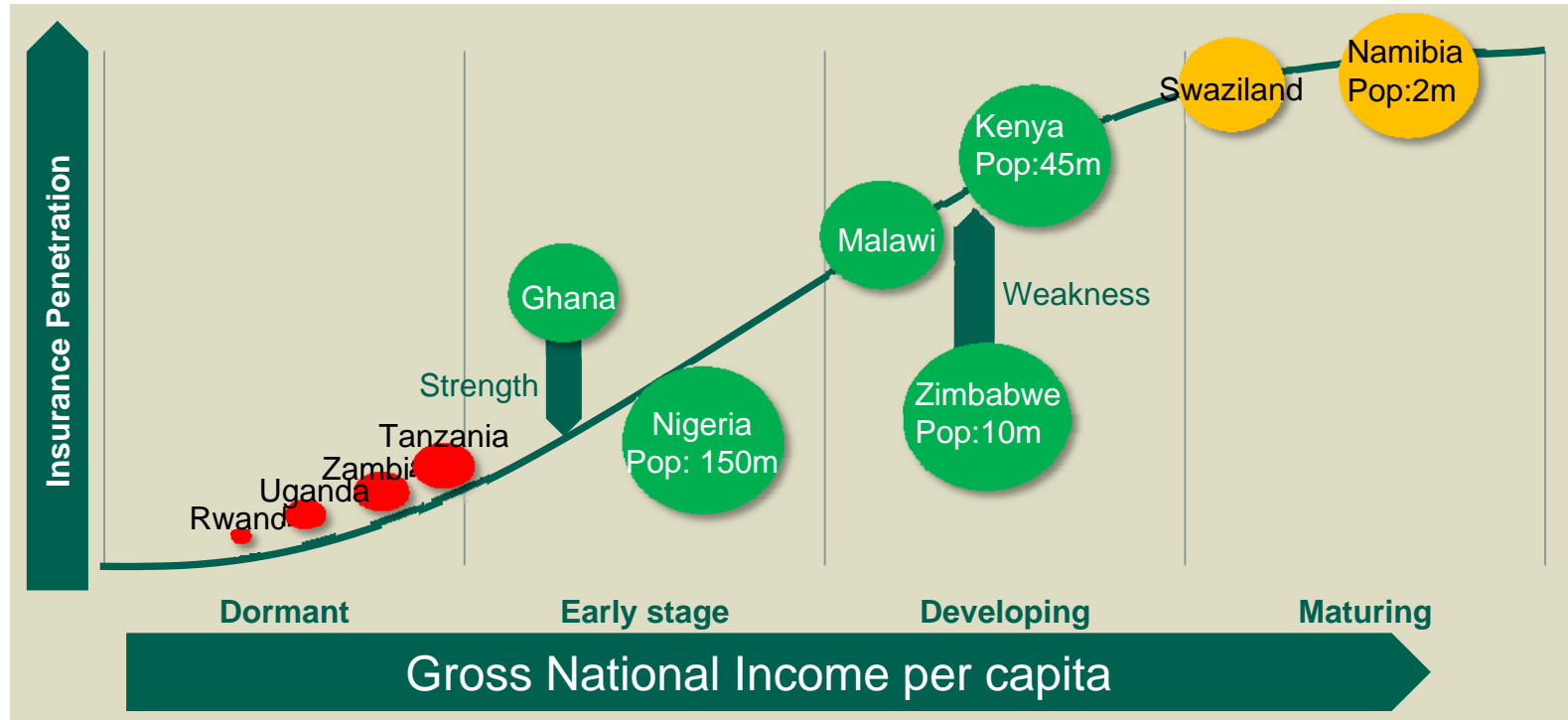
# Emerging Market core competencies

- Distribution skills
  - Building and managing tied agency forces
- Pricing of risk
- Asset management
- Scale
  - Administration leverage

# African households with discretionary spending power



# African financial markets are at different stages in the lifecycle



- GDP/capita (USD):** South Africa: \$10,000, Namibia: \$6,900, Swaziland: \$4,500, Nigeria: \$2,400, Kenya: \$1,600

# Old Mutual Africa in context



**Namibia**  
Pop: 2 million

Market position: Life: #1, AM: #1, 142,000 customers  
Clusters: Retail Mass; Retail Affluent; Corporate; Asset Management, M&F



**Zimbabwe**  
Pop: 10 million

Market position: Life: #1, AM: #1, 114,000 customers  
Clusters: Corporate; Asset Management; Unit trusts; Retail Affluent, M&F



**Kenya**  
Pop: 45 million

Market position: Life: #8, AM: #1, 29,000 customers  
Clusters: Retail Mass; Unit Trusts; Corporate; Asset Management



**Swaziland**  
Pop: 1.2 million

Market position: Life: #1, 11,000 customers  
Clusters: Retail Mass; Corporate



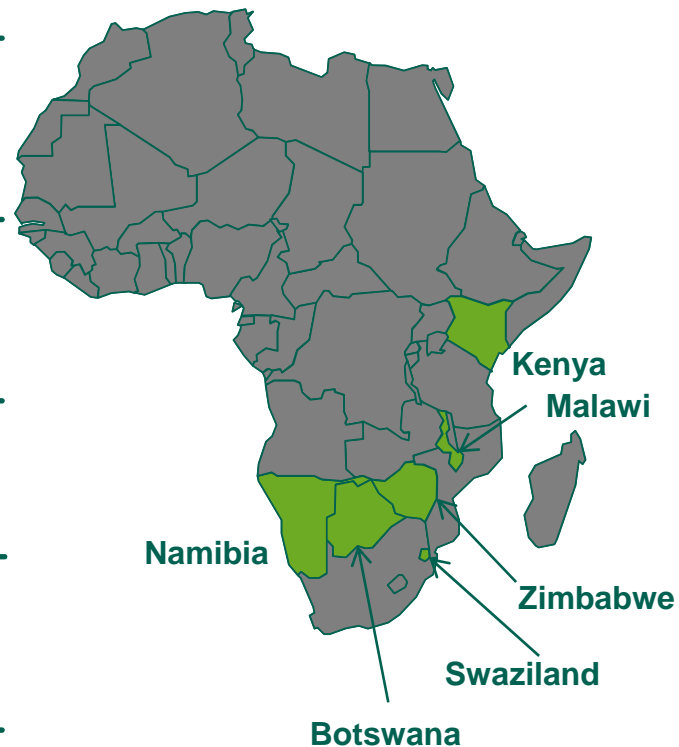
**Malawi**  
Pop: 14 million

Market position: Life: #1, AM: #1, 11,700 customers  
Clusters: Corporate; Unit trusts; Asset Management



**Botswana**  
Pop: 2 million

Cluster: M&F

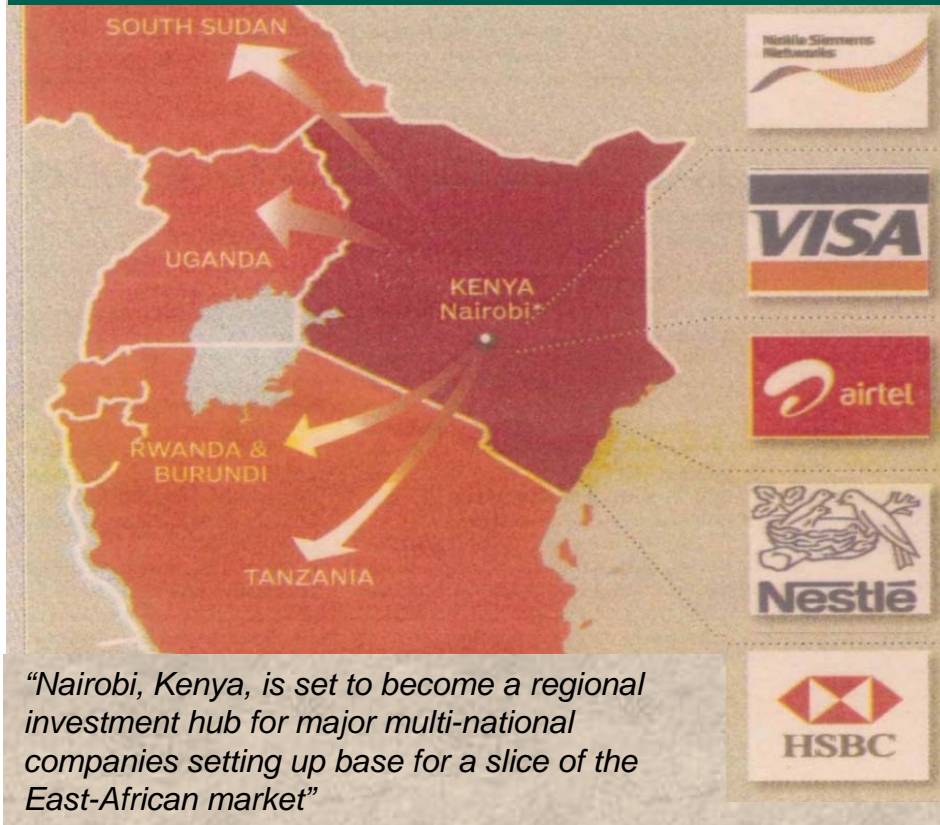


# Africa strategy: “Business in a box”

- Leverage off OMSA expertise, competencies and scale especially Retail
  - Use consistent products, processes and IT platforms
  - Quicker implementation, reduced risk and lower costs
- Become a dominant financial services company in Africa

# “Global firms pitch camp in Nairobi to tap new markets”<sup>1</sup>

## Multinational investors to (EA) Region



## Demographics and macro-economics

- Total regional population c.122m with c.50% < age 18
- Rapid urbanisation
- Historically well educated
- Large informal employment with small formal employment sector
- Large Muslim and Indian community
- Kenya 4th largest economy by GDP in Sub-Saharan Africa
- Kenyan GDP: USD34bn (2010F), USD62bn (2015F)
- CAGR of c.13% (2010-2015)

1. Source: Business Daily 28 April 2011

# 2011 Kenya market overview

- Industry factors:
  - Tied agency dominant retail channel
  - Gross life premiums valued at USD284m, c.8% of Africa market
  - P&C market valued at USD570m, c.6% of Africa market
  - Penetration: c.0.9%(life insurance), c1.7% (non-covered)
- Competitor landscape:
  - Presence by local and international companies: Citi, Standard Chartered, Barclays, Standard Bank, Liberty, MMI, Sanlam
  - New entrants: HSBC, Ecobank, UBA, Gulf Bank



# What we sell in Kenya

## Retail Mass

- Market size: 12.0m people
- Education, Life, Investment products
- Low premiums with payments via stop order or mobile

## Retail Affluent

- Market size: 3.8m people
- Max Education plan, Max Investment, Greenlight, Unit Trusts, Stock broking

## Corporate

- Group Life, Credit Life, Pension funds- Asset Management, Stock broking

## Market share

- Life insurance 3.46% (market position #8)
- Unit trusts 28% (Market position #2)
- Asset management 19% (Market position #1)

# Old Mutual's African "Opportunity"

- Africa will contribute 10% of OMSA profits by 2012 and 15% by 2015
- New market entry strategies already operating: bolt-on acquisitions and new business investment
- Target returns reflect operating environment and comparable to existing emerging market levels: c.25% ROE or 10% above country risk free rate
- Products and country roll out via "Business in a box"

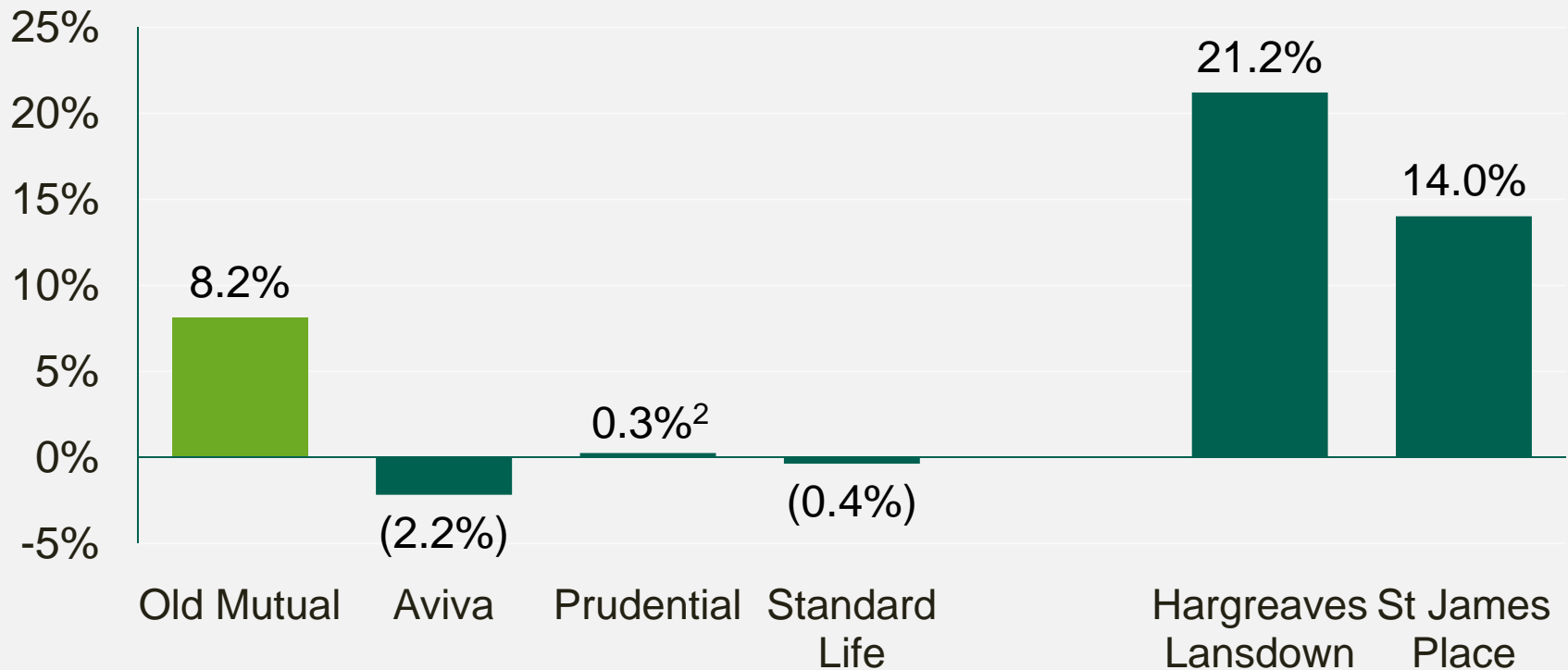
# UK PLATFORM & SUMMARY

# Developed markets

- Consumerism and transparency
- Pricing for risk and capital light savings products
- Moving from “Corporate” to “Personal” and less government provision
- Longevity and decumulation

# UK retail net client cash flows<sup>1</sup> / funds under management

2010 UK NCCF<sup>1</sup> / FUM



1. NCCF as a percentage of opening FUM

2. Prudential UK excluding bulk annuity, based on with-profits policyholder liabilities

Source: Company announcements, Aviva derived from segmental company information

# Progress against 2012 ROE and margin targets

	2009	2010	2012 Target
Long-Term Savings ROE <sup>1</sup>			
Emerging Markets <sup>2</sup>	23%	<b>25%</b>	20%-25%
Nordic	12%	<b>11%</b>	12%-15%
Retail Europe	9%	<b>20%</b>	15%-18%
Wealth Management	8%	<b>14%</b>	12%-15%
<b>Total LTS<sup>3</sup> ROE</b>	14.8%	<b>18.5%</b>	<b>16%-18%</b>
USAM Operating Margin	18%	<b>18%</b>	25%-30%
Group ROE	9.1%	<b>12.2%</b>	-

1. ROE is calculated as IFRS AOP (post tax) divided by average shareholders equity, excluding goodwill, PVIF and other acquired intangibles.

2. Within Emerging Markets, OMSA is calculated as return on allocated capital, and 2009 is adjusted for 2010 LTIR rates

3. Long-Term Savings 2009 restated from 14.9%.

# Summary

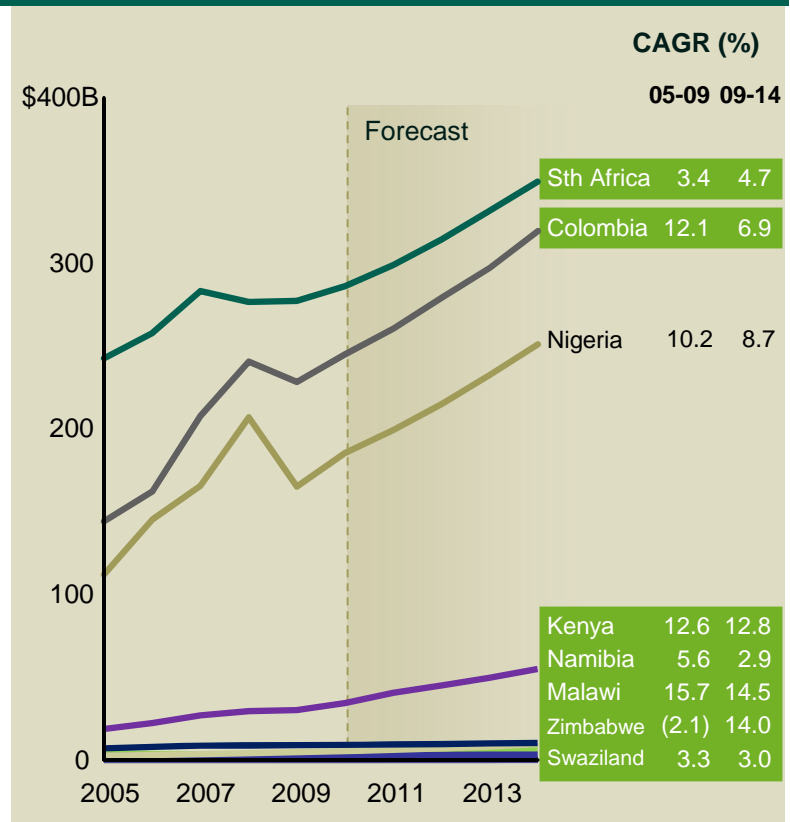
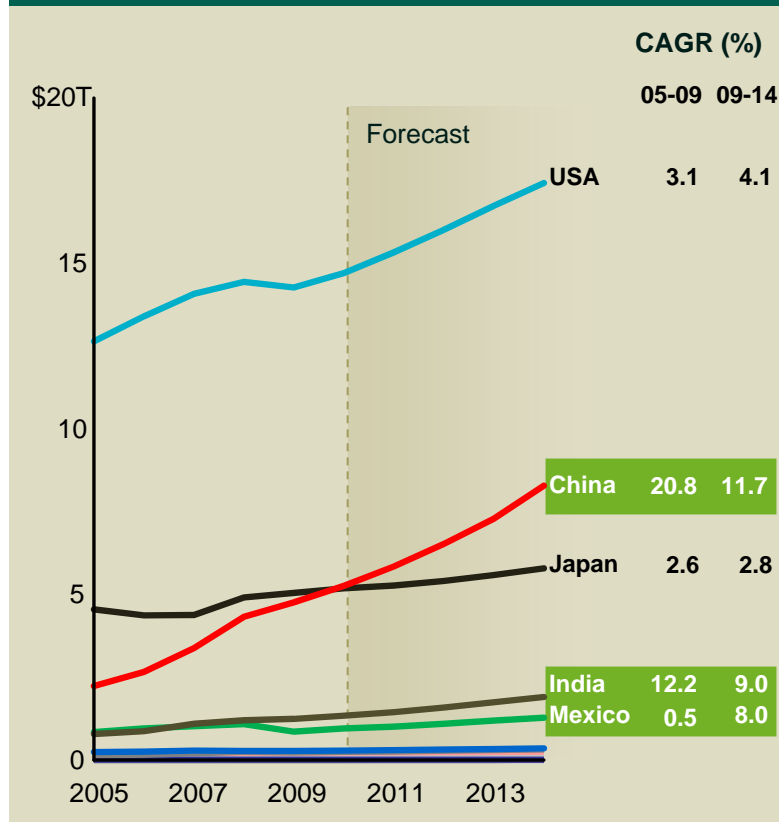
- Long-term savings, investment and protection
- Management highly incentivised on economic profit, TSR and execution of strategy
- Earnings from fee income and underwriting profits
- Well positioned for growth
- Improving risk profile
- Sound capital and liquidity
- Progressive dividend policy: 2.5x cover over time

# Appendix



# Strong prospective GDP growth rates for emerging market businesses

## GDP at current prices across Emerging Markets economies in USD

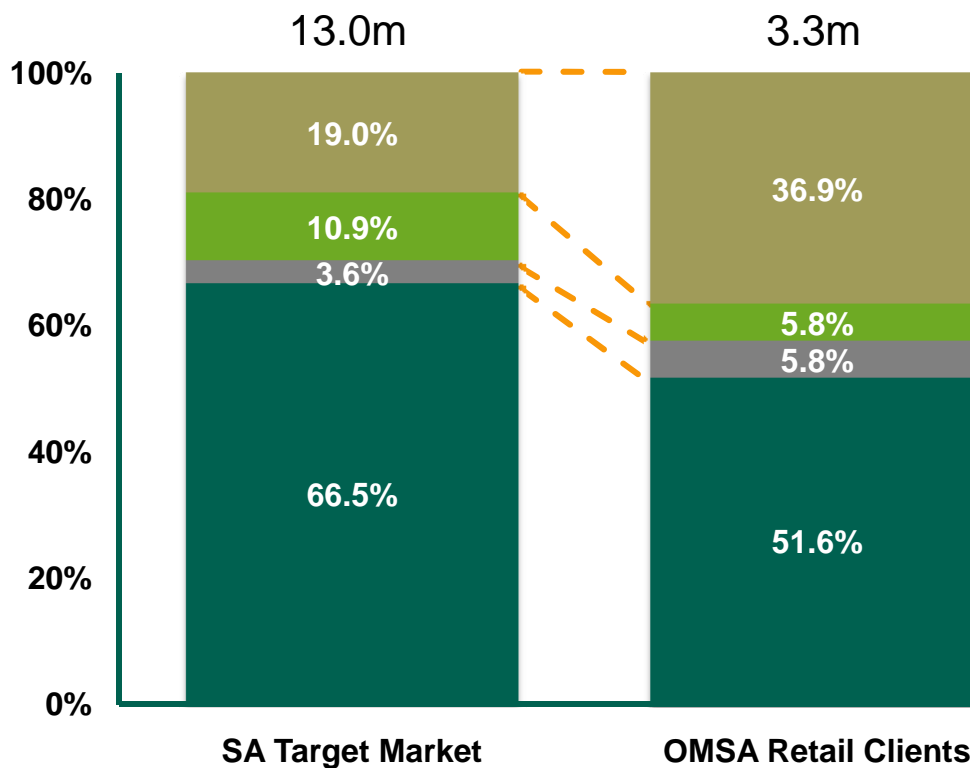


Source: IMF Website; World Bank Website

Note: GDP Forecasts are from 2009 onwards, these forecasts are internal IMF forecasts

# The black customer base is growing fastest and getting richer

## OMSA retail customer base compared to the SA target market (2009)



	OMSA penetration (2009) (%)	OMSA customer growth p.a. (2007-09) (%)
White	49.5	-2.8
Coloured	13.5	5.2
Asian	40.3	1.3
Black	19.7	7.8

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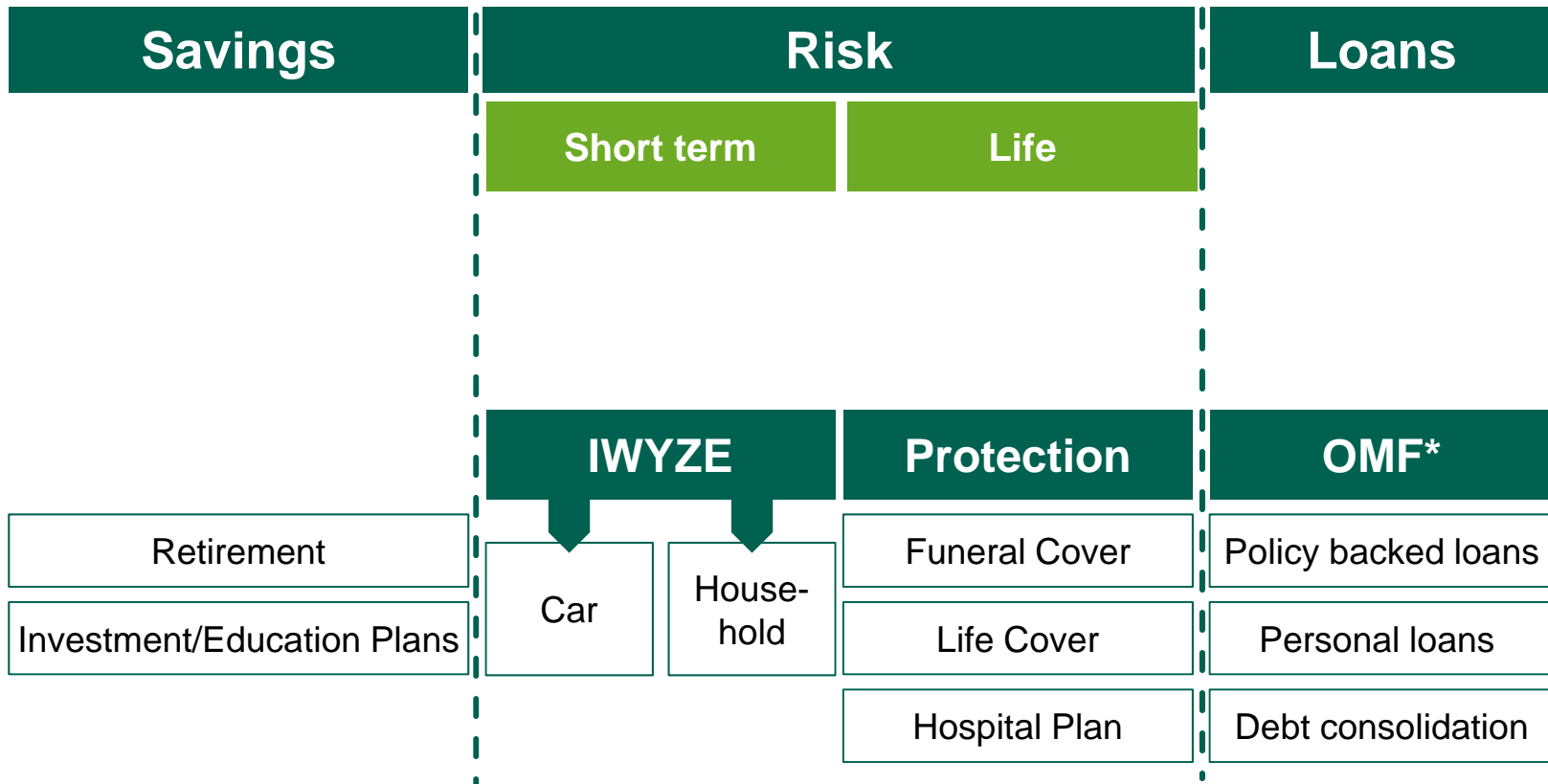
	2007	1995
Black share of the richest 10% of the population <sup>1</sup>	32%	10%
Black share of the richest 20% of the population <sup>1</sup>	42%	25%

Source: Bureau for Market Research (BMR), OMSA CII Unit

Note: It is assumed that customers with unknown race in the OMSA customer base have a similar racial breakdown as those for whom data is available

1. AMPS 1993-2008

# Mass Foundation product range



Products offered to the foundation market include Burial society plans, domestic workers retirement plans and pay-when-you-can

\*OMF: Old Mutual Finance

# What we sell in Kenya - detail

## Retail (Life & Unit Trusts)

## Corporate (OMAM & EB)

	Retail (Life & Unit Trusts)		Corporate (OMAM & EB)	
<b>Market size</b>	Retail Mass: 12m (30% of population)	Retail Affluent: 3.8m (10% of population)	Local and International Corporates Over 100,000 SMEs and savings clubs	
	6.4m bank account holders , >13m mobile phones, 3.4m internet access 45 listed companies			
<b>Target Market</b>	LSM 6-9, both male & female, rural & urban, 25-40yrs	LSM 10-17, both male & female, mostly urban >36yrs	<ul style="list-style-type: none"> <li>• Welfare groups</li> <li>• Saccos-saving clubs</li> <li>• Corporates</li> </ul>	<ul style="list-style-type: none"> <li>• NGOs</li> <li>• SMEs</li> </ul>
<b>Client Needs</b>	<ul style="list-style-type: none"> <li>• Savings/Education</li> <li>• Loans</li> <li>• Property protection</li> <li>• Medical</li> </ul>	<ul style="list-style-type: none"> <li>• Life insurance</li> <li>• Offshore exposure</li> <li>• Trust services</li> </ul>	<ul style="list-style-type: none"> <li>• Pensions funds</li> <li>• Risk protection for employees</li> </ul>	
<b>OMK offering product / solutions</b>	Rafiki Halisi Range (Education, Life, Investment), low premiums with payments via stop order or mobile	<ul style="list-style-type: none"> <li>• Max Education plan, Max Investment, Greenlight</li> <li>• Unit Trusts, Stock broking</li> </ul>	<ul style="list-style-type: none"> <li>• Group Life, Credit Life , Pension funds-Asset Management, Stock broking</li> </ul>	
<b>Market Share</b>	Life Insurance 3.46% Unit Trusts 28% Asset management 19%	<ul style="list-style-type: none"> <li>• Market position 8</li> <li>• Market position 2</li> <li>• Market position 1</li> </ul>		

# 2011 Q1 IMS<sup>1</sup>

- Long-Term Savings net client cash flows £0.9 billion
- 1% increase in funds under management to £303 billion
- Life APE sales down 4% on a strong 2010 Q1
- Unit trust sales up 20%
- Completed sale of US Life
- Little exposure to Euro Peripheral Sovereign debt
- On track towards our 2012 financial targets

1. Percentage movements are on a constant currency basis