

CREATING VALUE IN A DELEVERAGING ENVIRONMENT

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27 MARCH 2012

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An age of “deleverage”

- Most developed economies are at some point in the cycle of “deleverage”...



- ... whilst emerging market economies have lower levels of debt than developed economies

Business imperatives in a deleveraging environment

- Strength and flexibility in the balance sheet
- Understanding of cash
- Efficiency in operations
- Discipline in capital & risk management
- Selectivity in investment

Strength & flexibility in the balance sheet

	2008	2011
Capital Resources	£4.3n	£5.7bn
Capital Requirement	£3.6bn	£3.7bn
Surplus	£0.7bn	£2.0bn
Holding company liquidity	£0.6bn	£1.5bn
Total gearing	26.7%	15.6%
Hard interest cover	0.5x	2.3x

- £1.5bn debt repayment target set March 2010
- £1.1bn (of £2.1bn) proceeds from Nordic disposal to be used to reduce indebtedness: additional £0.2bn debt repayment

	£m	£m
Debt repaid		
Senior - 2010	120	
£300m Tier 2 bond – Jan 2011	300	
€750m Tier 2 bond – Jul 2011, Jan 2012	647	
\$50m Senior – Sep 2011	32	
Other – Feb 2011	9	
Total debt repaid		1,108
Debt raised		
£500m Tier 2 bond – Jun 2011	(500)	
Senior 2010	(10)	
Total debt raised		(510)
Cash (inflow)/outflow from swaps		
£300m & €750m Tier 2 bonds		(5)
Total net debt repaid¹		593

1. To end-January 2012

Understanding of cash

Sources & uses of free surplus (£m)	2011
Generated by operations:	
- Life insurance and savings	627 ¹
- Property and casualty	59
- Banking	309
- Asset management	170
	<hr/>
	1,165
	<hr/>
Invested by operations	(390)
- new business (life)	
Transfers (to)/from required capital	145
Other movements	11
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Core continuing operations	931
Total Group (incl. Bermuda & Nordic)	986

Available shareholder cash (£m)	2011
Opening shareholder cash	438
Cash flows from operations	627
Interest payments	(155)
Group costs ²	(78)
Cash shareholder dividends	(48)
Debt repaid net of debt raised	(339)
FX & other	(4)
	<hr/>
	(624)
Closing shareholder cash	441

1. Includes LTS transfers from VIF of £569m (continuing business) as well as expected existing business contribution of £21m and experience & other operating variances and assumption changes, net £37m

2. Group costs include inter-company interest

Efficiency in operations

Progress towards cost reduction targets

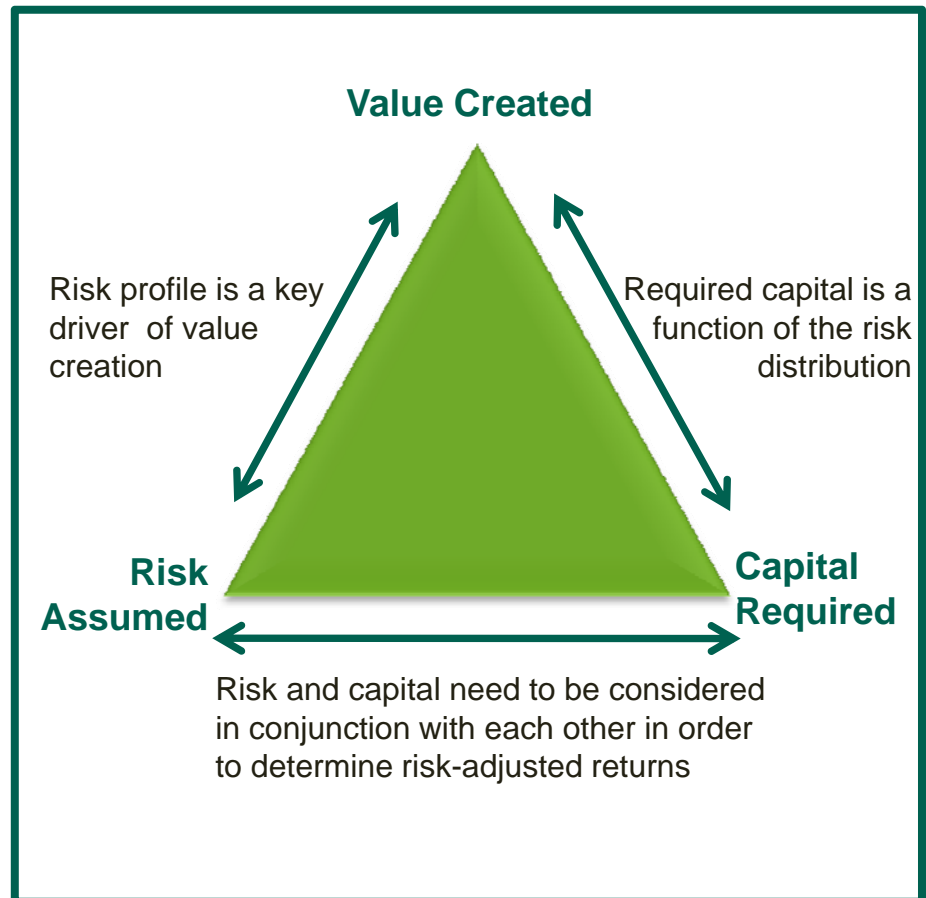
£m	2011 ¹	2012 target
Emerging Markets	4	5
Wealth Management	50	45
Retail Europe	9	15
US Asset Management	15	10
Corporate costs	11	15
Total ex. Nordic	89	90
Nordic	22	10
Total inc. Nordic	111	100

- Sharing skills, knowledge and capabilities across the Group, eg:
 - Established Cape Town branch to support Retail Europe
 - Created single hub in Johannesburg to manage all Emerging Markets
 - Joint launch of iWYZE by OMSA and M&F
 - Launched South African *Greenlight* product in Mexico
 - SA businesses jointly outsourced IT services
- Clear focus on customers:
 - Understand their needs
 - Deliver relevant propositions, appropriate distribution, support, service and returns

1. Cumulative run-rate savings delivered to end of year

Discipline in capital and risk management

- Robust risk management framework with Group oversight
- Agreed business risk appetite & risk limits
- Economic profit measures
- Changed product portfolio
 - Reduced exposure to products outside Group risk appetite
 - Risk-adjusted pricing
 - Shift towards capital-light products
- Ready for Solvency II and SAM

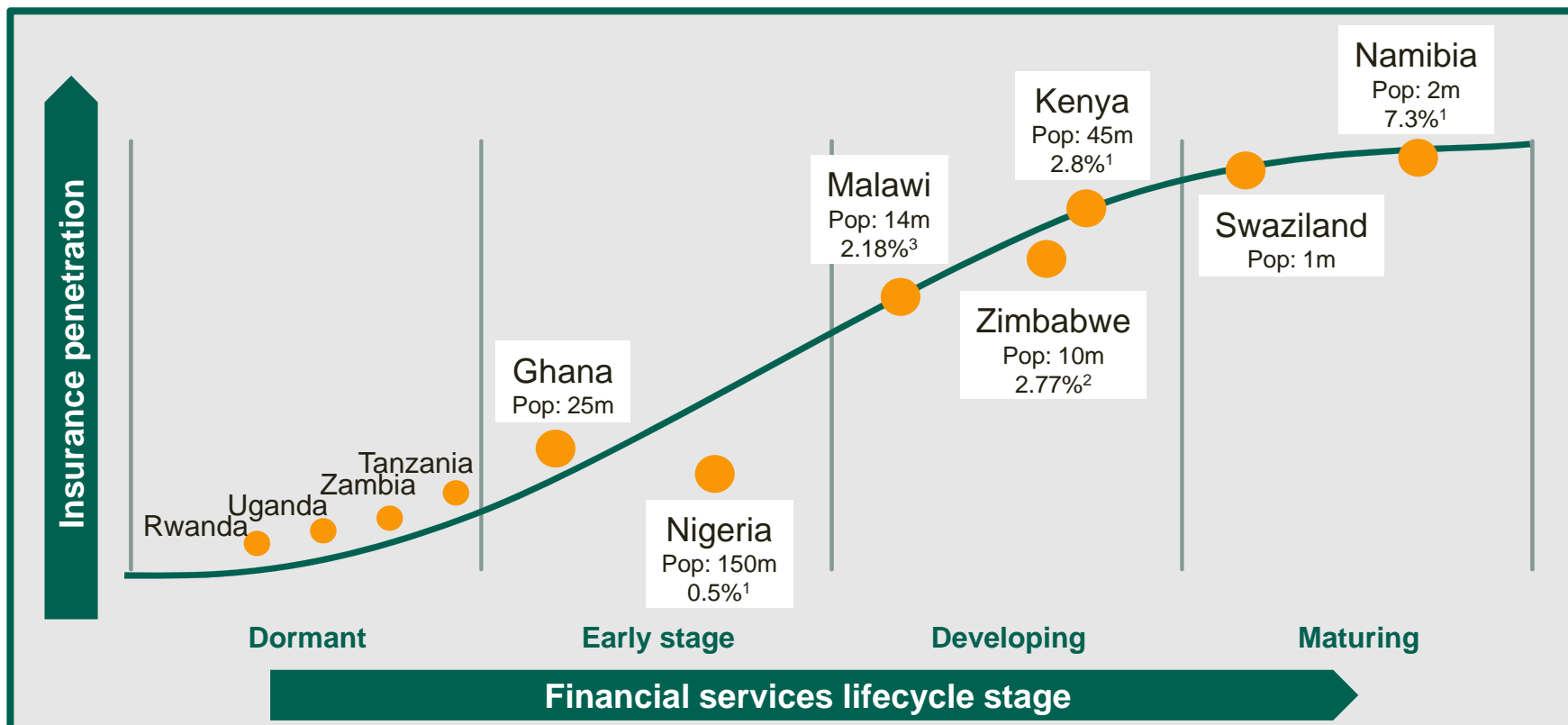


Selectivity in investment

- Remove distraction of sub-scale businesses
- Clear criteria for businesses in the Group
 - Capable of achieving meaningful scale
 - Able to deliver 15% return on equity
 - Add value to another part of the Group
- Identify areas with potential for value creation
 - Expanding our footprint in Africa
 - Growing Wealth Management

Expanding our footprint in Africa

African financial markets are at different stages in the lifecycle









1. Insurance penetration 2010 (Swiss Re Sigma report) – includes Life and Non-Life business
2. Source: AXCO Insurance Market Report, Mar 2011, 2007 data presented
3. Source: AXCO Insurance Market Report, Mar 2011, 2008 data presented

Expanding our footprint in Africa

- Building on 3 strong South African businesses
 - Old Mutual South Africa
 - Nedbank
 - Mutual & Federal

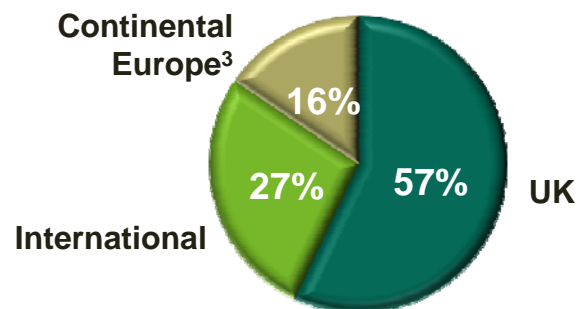
- Two-fold approach to expansion
 - “Business in a box”
 - Strategic alliances

Old Mutual in Africa		
	Namibia Pop: 2m	238,250 customers, 624 employees Mkt position: Life #1, AM #1 Mutual & Federal
	Zimbabwe Pop: 10m	782,150 customers, 987 employees Mkt position: Life #1, AM #1 Mutual & Federal
	Kenya Pop: 45m	27,005 customers, 445 employees Mkt position: Life #8, AM #1
	Swaziland Pop: 1.2m	18,000 customers, 26 employees Mkt position: Life #1 Mutual & Federal
	Malawi Pop: 14m	113,538 customers, 109 employees Mkt position: Life #1, AM #1
	Botswana Pop: 2m	Mkt position: Mutual & Federal #3

Growing Wealth Management

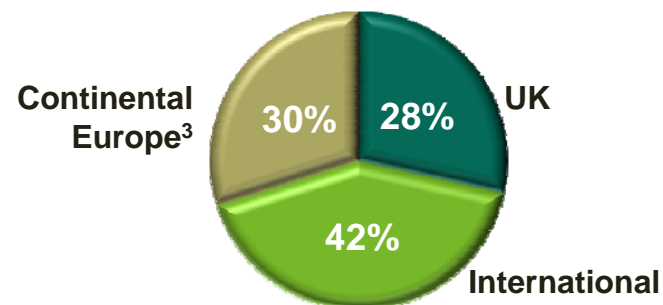
	VNB (£m)		AOP (£m) ^{1,2}	
	2010	2011	2010	2011
UK	10	20	64	71
International	43	49	67	78
Continental Europe ³	20	9	41	42
	73	78	172	191

FuM at 31st Dec 2011: total £58.6bn



- High margin international business
- Platform markets growing in UK and Continental Europe
- Two factors key to growth:
 - Broadening product breadth
 - Increasing operational efficiency

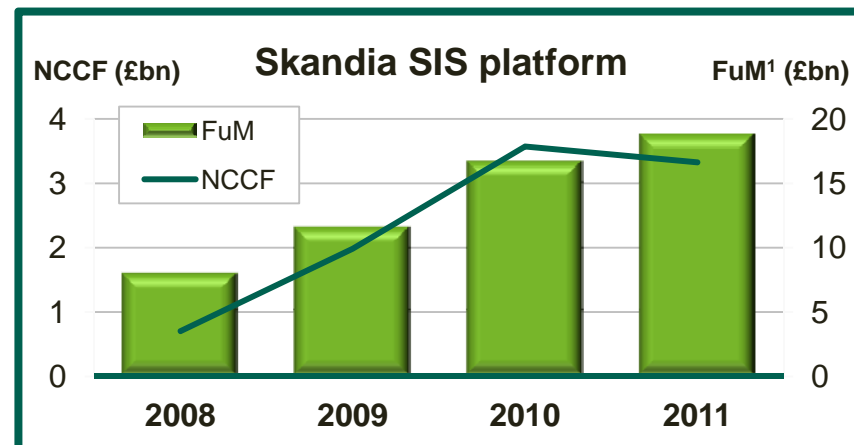
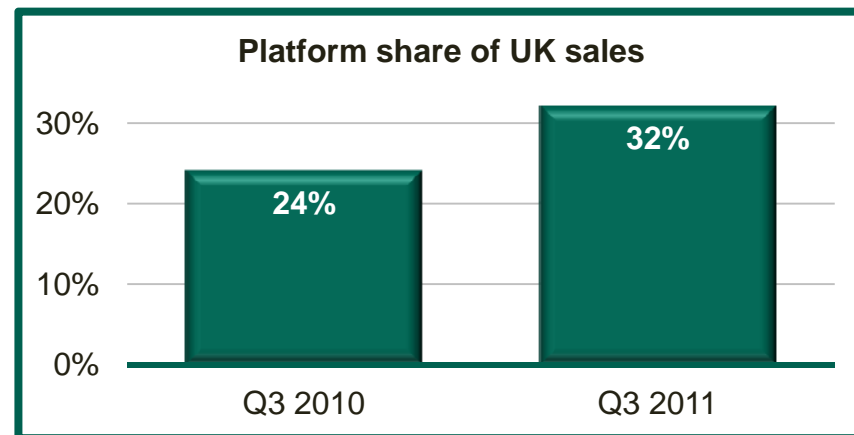
MCEV at 31st Dec 2011: total £2.5bn



1. AOP is pre-tax
2. UK AOP is net of policyholder tax prior year smoothing
3. Continental Europe includes business currently reported as "Retail Europe"

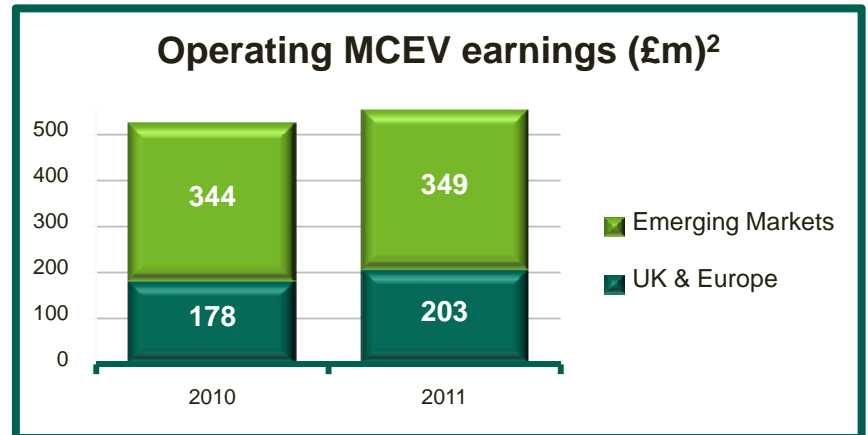
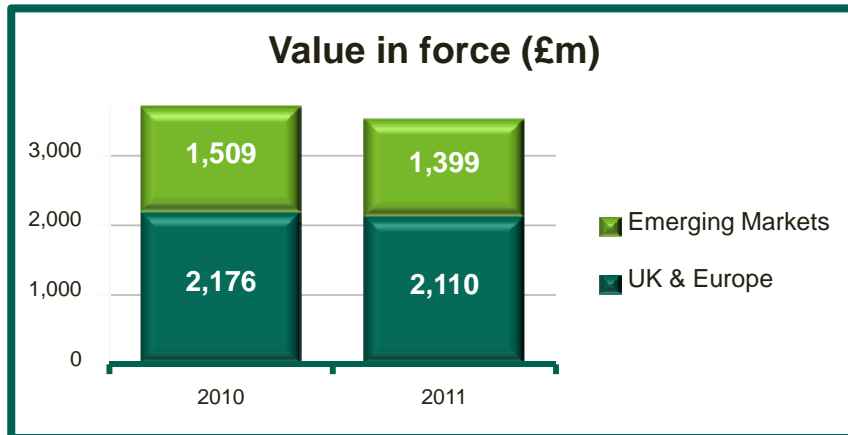
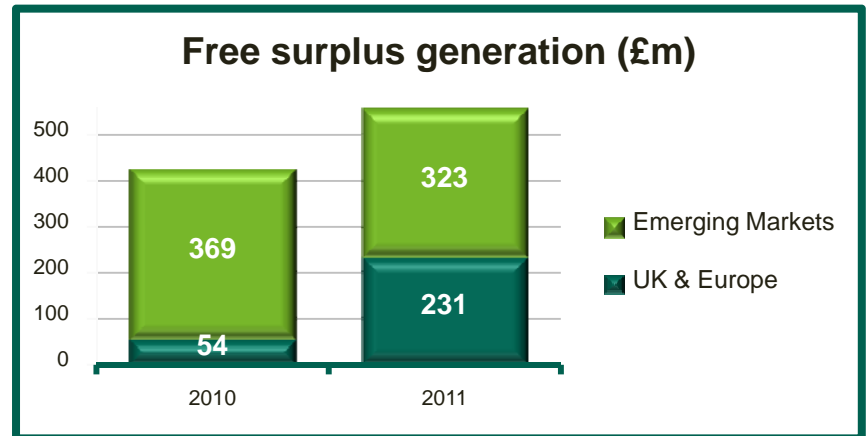
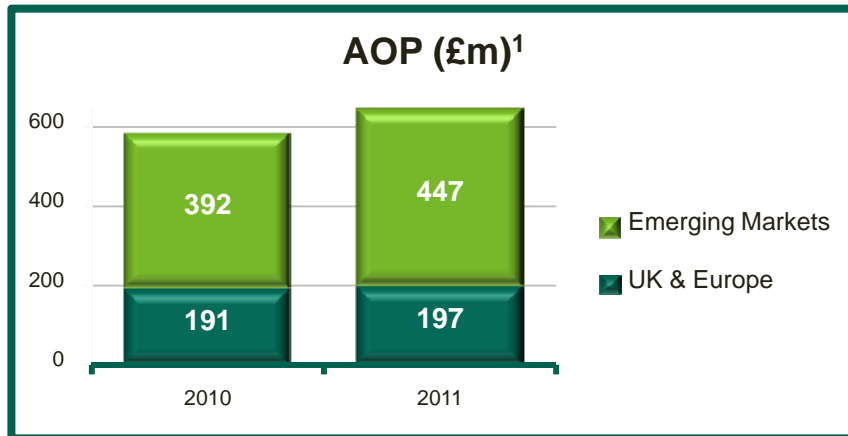
Growing Wealth Management: the strength of our UK platform

- We have the largest retail investment platform in the UK:
 - a leading platform in the largest segment of a growing market
- Underlying shift towards platforms from traditional life & pensions
- UK platform market c. £170bn:
 - has doubled in 3 years
- >90% of IFAs use platforms
- Some sub-scale platforms may not survive RDR



1. FuM is at 31st December

Geographic spread of long-term savings business



Note: "UK & Europe" includes the businesses previously reported as "Wealth Management" and "Retail Europe"

1. IFRS basis, after tax and non-controlling interests
2. Covered business, post-tax

The impact of household and government “deleverage”

NEGATIVE

POSITIVE

Household

Need to repay personal debt leaves little money available for savings & investment

Reduced spending on consumables in favour of “putting money aside for a rainy day”

Property no longer an alternative to a pension

Government

“Austerity measures” cuts in spending increase the need for consumers to save for their retirements

Spending cuts lead to higher unemployment; increases the need for consumers to protect against shock events eg. redundancy



OLD MUTUAL

INSURANCE • INVESTMENT • SAVINGS • BANKING

Summary

- 5 business imperatives for creation of value in an age of corporate “deleverage”
 - Strength & flexibility in the balance sheet
 - Understanding of cash
 - Efficiency in operations
 - Discipline in capital & risk management
 - Selectivity in investment
- Household & government “deleverage” create opportunities for long-term savings, protection & investment
- Old Mutual has good exposure to both developed and emerging markets

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APPENDIX

2011 Financial headlines

- Non-covered sales up 13%¹; Life-sales down 6%¹
- Free surplus generation² £986m (2010: £748m)
- Pre-tax AOP up 14%¹ at £1,515m (2010: £1,371m³)
- Earnings per share 15.7p (2010: 14.3p³)
- Return on equity 14.6% (2010: 14.2%³)
- Adjusted Group MCEV per share² 194.1p (2010: 202.2p)
- Simplified balance sheet and increased financial flexibility
- 5.0 pence per share total ordinary dividend, up 25% (2010: 4.0p)

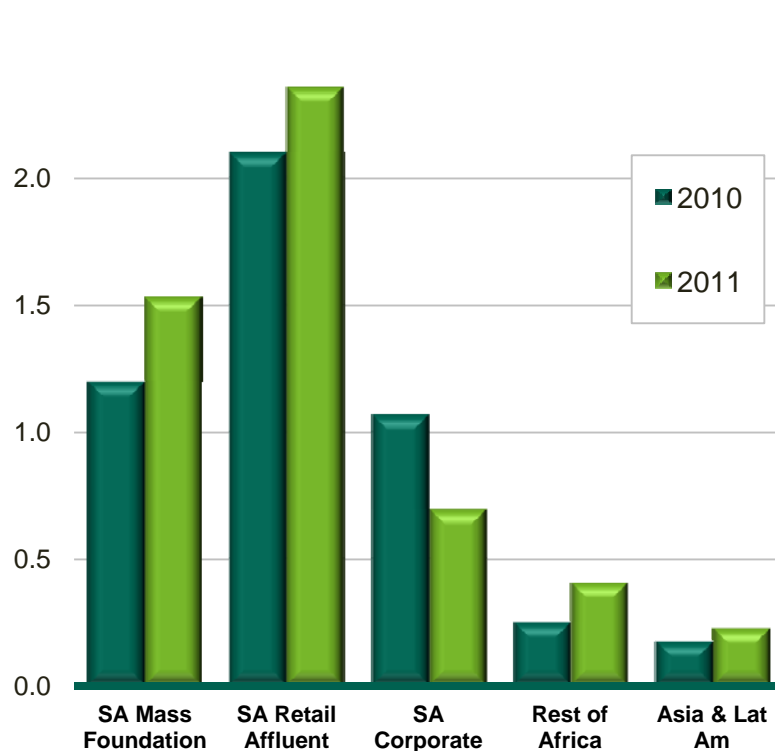
1. Constant currency

2. Full Group: all other figures are core continuing operations only

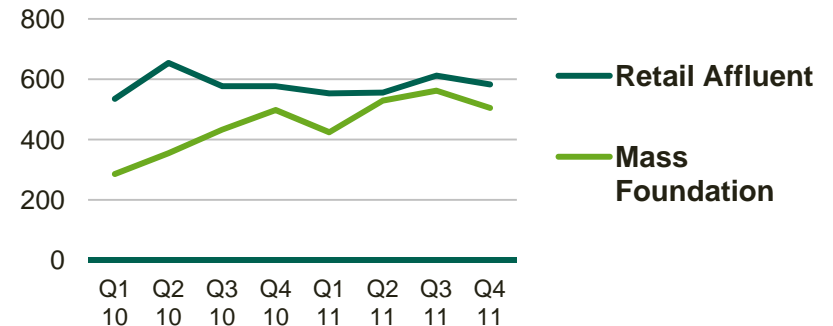
3. Restated to exclude Nordic

Emerging Markets

Emerging Markets Life AOP¹ (Rbn)



South African retail: life APE sales (Rm)



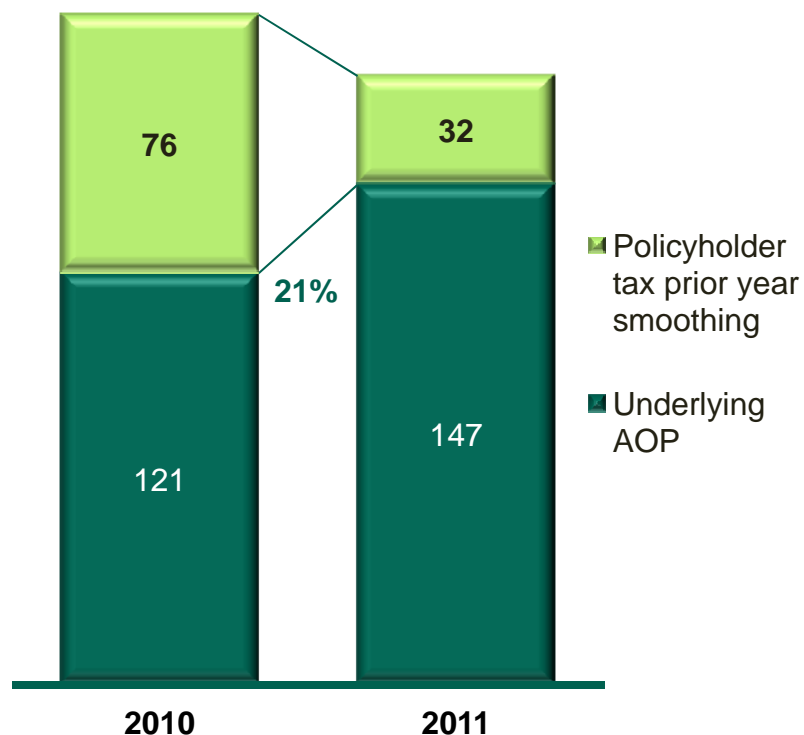
Emerging Markets AOP¹

Rm	2010	2011
Life & Savings	4,779	5,206
LTIR	1,221	1,308
OMIGSA	1,109	950
Expenses & Admin	(1,010)	(823)
Total AOP	6,099	6,641

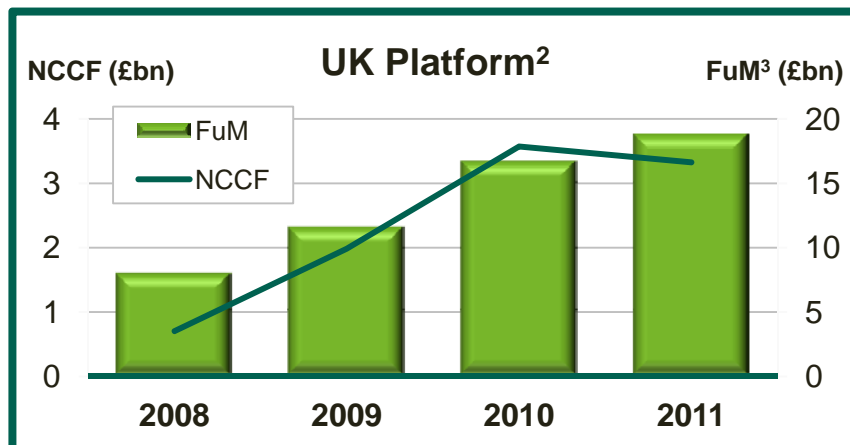
1. Pre-tax, excluding LTIR & central expenses & administration

Wealth Management

Wealth Management AOP¹ (£m)

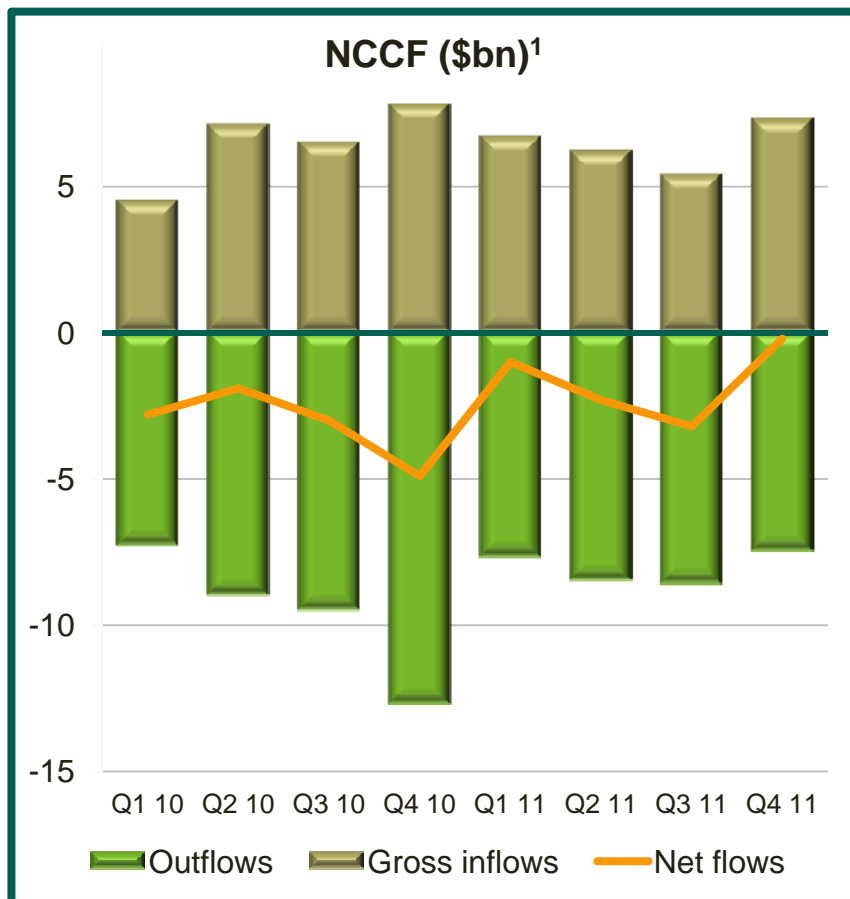


	VNB (£m)		APE margin	
	2010	2011	2010	2011
UK	10	20	3%	6%
International	43	49	19%	23%
Continental Europe	13	1	8%	2%
Total	66	70	9%	11%

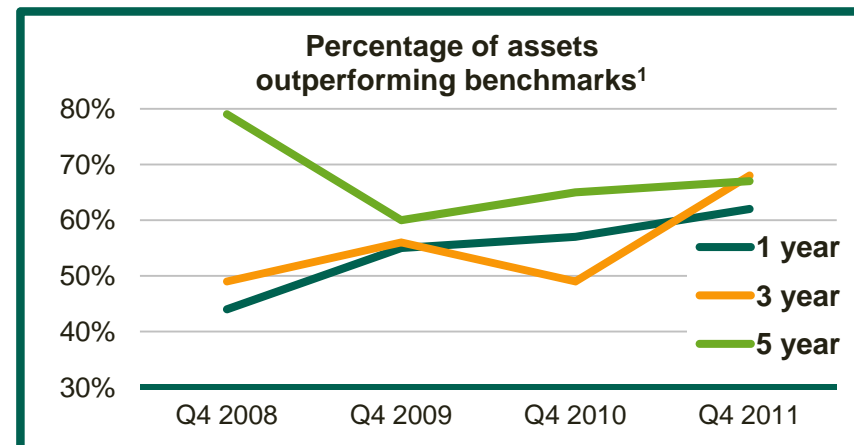


1. Pre-tax
2. SIS platform
3. FuM is at 31 December

US Asset Management



	2010 ¹	2011 ¹
FuM at 31 st Dec	\$207.4bn	\$200.3bn
Adjusted operating profit	\$113m	\$131m²
Operating margin	20%	22%²



1. Continuing business; excludes affiliates disposed of or held for sale
2. Pre-restructuring costs of \$12m

Progress against 2012 ROE and margin targets

	2009	2010	2011	2012 Target
Long-Term Savings ROE ¹				
Emerging Markets ²	23%	25%	24%	20%-25%
Wealth Management	8%	14%	16%	12%-15%
Retail Europe	9%	20%	15%	15%-18%
Total LTS³ ROE	16%	20%	20%	16%-18%
USAM Operating Margin ⁴	18%	17%	19%	25%-30%
Group ^{3,5} ROE	10%	14%	15%	-
<i>Nordic</i>	12%	11%	10%	12%-15%

1. IFRS AOP (post-tax) divided by ave. shareholders equity, exc goodwill, PVIF & other acquired intangibles
2. Within Emerging Markets, OMSA calculated as return on allocated capital, 2009 adjusted for 2010 LTIR rates
3. Excluding Nordic: 2009 and 2010 restated
4. Post-NCI, continuing operations, excluding seed capital gains & restructuring costs: 2010 restated from 18%
5. Calculated as core business post-tax IFRS AOP divided by average ordinary shareholders equity

Platform market growth in Europe

EU distribution channels converge

By Sophia Grene

Trends in European fund platforms show there has been progress towards a single market, according to new research.

"They're starting from very different places, but they're gradually becoming more similar," said Holly Mackay, chief executive of The Platform, which will release a report on the European fund platform market this week.

The report focuses primarily on the five largest markets: the UK, Italy, Germany, France and Spain. At the end of September 2011, those five markets had approximately €587bn in platform assets.

They can be categorised in two ways, but the division lines remain similar

whichever characterisation you use.

Both Germany, which has €107.5bn in platform assets, and the UK have traditionally had retail-style platforms, which served independent financial advisers, while the more institutional markets in Italy, Spain and France have dealt with banks.

The UK's €213.8bn funds market also led the way on offering access to a wide range of funds from a multitude of providers – the open architecture model.

Most of the continental European markets have been slower to move away from the closed system where distributors sell only their own in-house funds.

Recently, however, "in Germany and the UK, IFAs are moving to bigger, con-

European platforms by country

AUA* (as at Sep 2011)

Market	€bn
UK	216.0**
Italy	112.2
Germany	107.5
France	101.8
International	33.5
Spain	23.3
Total	594.2

* Assets under administration

** Assumed an exchange rate of £1=€1.2

Source: The Platform

solidated groups, being less about open architecture and more about guided architecture", said Ms Mackay.

The service IFAs want from platforms is more likely to be a basic set of building blocks to customise themselves instead of

the off-the-shelf products a smaller IFA might have used.

In the meantime, platforms in France, a €101.8bn market, are responding to the growth of the IFA channel, with Axa and Generali supporting IFAs. This trend has yet to take off in Italy, with €112.2bn in assets, or Spain, which is the smallest of the five at €23.3bn.

"The people in the strongest position are the international platforms and the more institutionally oriented platforms," said Ms Mackay.

She predicts that "five years down the track, you won't have all these small domestic platforms" and as a result, access to distribution across Europe would be much easier for large fund managers.

Contacts

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