

Old Mutual

Acquisition of Fidelity and Guaranty Life
Launch of Americom

26 April 2001



Speakers

London

Mike Levett

Old Mutual - Chairman and Chief Executive

Jim Sutcliffe

Old Mutual – Chief Executive, Life

Johannesburg

Julian Roberts

Old Mutual – Group Finance Director

Baltimore (by telephone)

Guy Barker

Old Mutual – Chief Executive, US Life

Harry Stout

Fidelity and Guaranty Life – President



Announcements

- Acquisition of F&G Life
- Launch of Americom
- Launch of Old Mutual convertible bond for US\$425 – 500 million



Building value by...

- Being dominant in South African financial services
- Building international asset accumulation and asset management businesses



Further steps towards targets

- F&G Life / Americom
 - Expands core asset accumulation business
 - Delivers further international earnings
 - Balances Old Mutual's US profile
 - Strong management team already in place
- Convertible bond
 - Partially replaces short term UAM financing
 - Strengthens long term financial position
 - Taps into broader pool of capital



Attractiveness of the US market

- World's largest life insurance and retirement services market
- More than US\$50 billion in 2000 premium income for fixed annuities only ⁽¹⁾
- Favourable demographic characteristics ⁽²⁾
 - 61 million Americans in 45-64 age bracket, projected to increase to 80 million by 2010
- Favourable timing due to current volatility of equity markets



1 – Source: LIMRA International

2 – Source: US Census Bureau

Entry into US Life market

- Old Mutual to acquire 100% of F&G Life's equity plus US\$50m surplus notes (subordinated debt) for US\$635m
 - US\$335m in cash
 - US\$300m in shares
 - Completion subject to regulatory clearance; transaction expected to close around July
- Launch of complementary Americom business
 - Will start selling on May 1 using powerful distribution model
 - Builds from acquisition of Unified Life platform
- Old Mutual to provide an additional US\$85m to reinforce capital strength of both companies



F&G Life – acquisition highlights

- Immediately enhances operating EPS
- Beats stated hurdle rate of 12%
- Attractive financial terms:
 - 1.0x US GAAP book value
 - 10.5x after-tax operating earnings
 - 1.1x embedded value ⁽¹⁾
- Group earnings move from 22% to 27% ex-Africa ⁽²⁾
- Increases annualised new business premiums by 30%



1 - Discount rate 10%. Cost of capital assumes risk based capital ratio of 200%
2 - Pre tax operating profits before interest



F&G Life – key facts

Key Financials - 2000

Assets under management	\$5.0 bn
Sales	\$1,123 m
Operating profit	\$58.7 m
US GAAP book value	\$571 m ⁽¹⁾
Embedded value ⁽²⁾	\$552.6 m
Estimated value of new business ⁽²⁾⁽³⁾	\$24.7 m



1 - Excludes \$50m of surplus notes

2 - Discount rate 10%. Cost of capital assumes risk base capital ratio of 200%

3 - Illustrative value based on actual 2000 premiums and management estimate of current margins

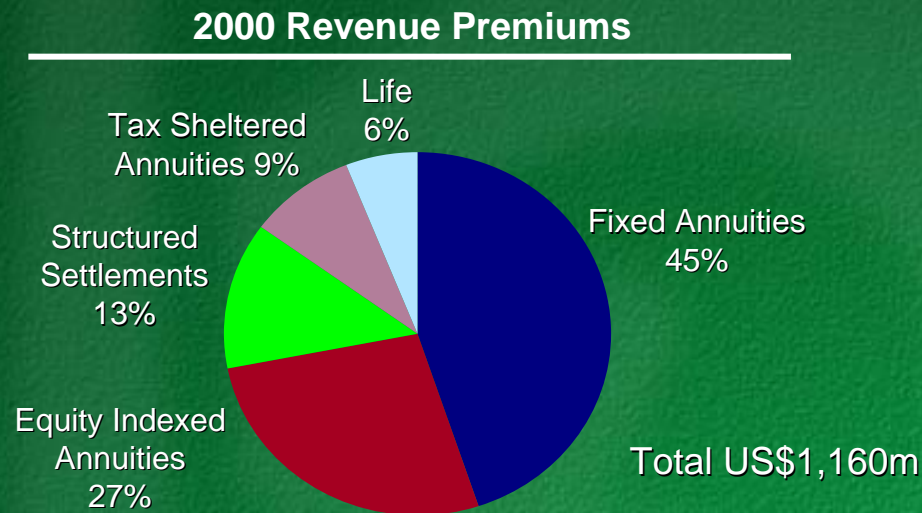


F&G Life – market position

- F&G Life is a well-positioned and rapidly growing US life insurer
- It is focused on attractive specialist segments of the US savings and retirement marketplace
- Its distribution platform represents an excellent opportunity to expand into the US market and complements Americom



F&G Life – segmental revenues

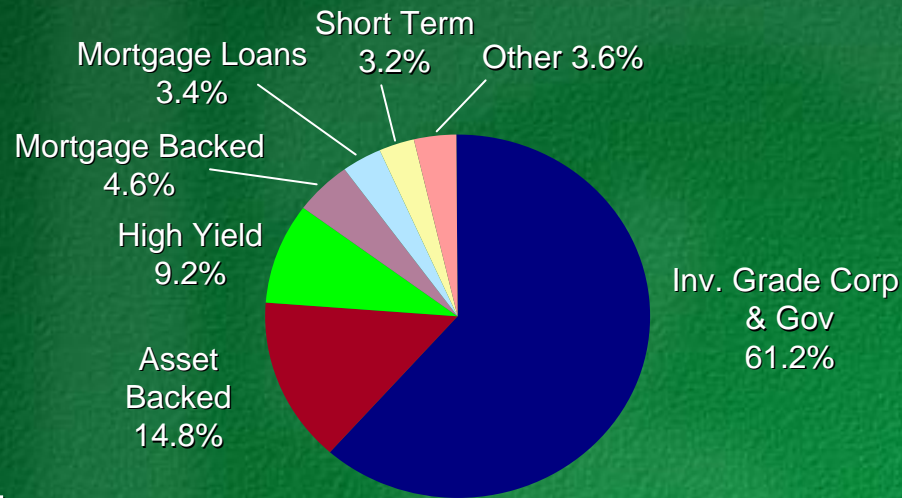


- Fixed Annuities (retirement savings) – Substantial position as a specialist provider
- Equity Indexed Annuities (retirement savings) - Top 5 ranked in the market
- Tax Sheltered Annuities (403(b) market) - Position in a niche market for public sector employees
- Structured Settlements (reinvestment of personal injury payouts)
 - Relationship with St Paul will continue to provide business
- Life – Term growing rapidly since inception
- “A” financial strength rating from A.M. Best



F&G Life – segmental assets

31/12/2000 Asset Portfolio (1)



- AUM: US\$5.0bn
- Average credit rating - A2
- Asset and liability durations matched



1 - Pro forma after repayment of \$40m surplus notes in March 2001



F&G Life – distribution

	F&G Life				
Products	Annuity & Life Retail	Annuity & Life Institutional	Structured Settlements	Tax Sheltered Annuities	Totals
Description	Target agents selling to individuals	Target mid-sized regional banks	Target insurers and lotteries	Target agents selling to primary school teachers in public & private schools	
Master General Agents (or Networks) ⁽¹⁾	110	30	5	19	164
Writing Agents ⁽¹⁾	35,550	900	150	2,100	38,700
% of 2000 Sales	73%	6%	17%	4%	100%



1 – Figures as at 31 March 2001



F&G Life - growth record

- F&G Life has shown good historical growth and has successfully exploited product development opportunities

Premium income by product

US\$ m

CAGR: 28%



Americom

- Powerful distribution strategy based on direct marketing to individual agents
- Launch on 1 May 2001
- Licences acquired in 44 states through purchase of Unified Life
- Focus primarily on fixed and equity indexed annuities
- Low cost through back office outsourcing



F&G Life + Americom

- Complementary distribution systems
 - F&G Life through intermediaries (MGAs or Master General Agents)
 - Americom direct to independent agents
- Common investment approach and similar product ranges
- Back offices outsourced offering future expense saving opportunities



Strong management

- Strength in depth
- Guy Barker
 - Chief Executive of Old Mutual US Life Operations. Most recently Managing Director of NatWest Life and previously Chief Actuary at Jackson National. 28 years' experience in life industry in US, UK and SA
- Harry Stout
 - President of F&G Life since 1994. 21 years' experience in US life industry
- Joe Sulzinger
 - President of Americom. Has 10 years' experience of US direct distribution
- Tony Wilkey
 - EVP and Chief Marketing Officer of F&G Life
- Jim Morrison
 - Chief Marketing Officer of Americom



F&G Life - attractive financial terms

As at 31 December 2000 ⁽¹⁾

(US\$m)

	Discount rate	
	8.5%	10%
Net Asset Value	227.9	227.9
Value of in Force	366.5	324.7
Embedded Value	594.4	552.6
Estimated Value of New Business (2000) ⁽²⁾	32.9	24.7
Price / Embedded Value	1.07x	1.15x
Multiple of New Business Value ⁽²⁾	1.2x	3.3x



1 - Cost of capital assumes risk-based capital ratio of 200%

2 - Illustrative value based on actual 2000 premiums and management estimate of current margins



F&G Life - transaction multiples

Transaction multiples



F&G Life – profitability statistics

Key Financials - 2000

Return on Equity	10.4%
Return on Assets ⁽¹⁾	1.2%
Estimated New Business Margin ⁽²⁾	16%
After-tax Operating Income ⁽³⁾	\$58.7m



- 1 - Assets exclude deferred policy acquisition costs and reinsurance receivables
- 2- Illustrative figure based on actual 2000 premiums and management estimates of current margins. Discount rate 10%. Cost of capital assumes risk based capital ratio of 200%
- 3 - Includes after-tax interest charge on surplus notes of \$1.7m



F&G Life - future value opportunities

- Opportunities to improve returns
 - Application of UAM investment capabilities
 - Efficiencies from combining back office outsourcing relationship
- Projected savings of US\$5-10 million per annum achieved by 2002



F&G Life - financing

- US\$300m equals approximately 134 million shares ⁽¹⁾
 - Price to be struck at average over 10 business days prior to closing
- Lock-up period
 - Restriction on share sales for one year after closing
- Collar arrangement for Old Mutual shares
 - Expires after one year
Old Mutual will retain upside beyond US\$330m and provide downside protection up to US\$40m



1 – Assumes share price of 155p and US\$/£ exchange rate of 1.44



Conclusion

- Twin strategic thrust into US market further diversifies Old Mutual's earnings
- F&G Life is well priced with a good growth record
- Americom adds new distribution channel
- Strong management already in place to execute strategy
- Restructuring of debt to provide greater financial flexibility

