

Old Mutual Analysts Model Day

16 May 2001



Outline of Today

- Presentation on changes to the Old Mutual plc business structure
- Objective for Sell Side Analysts
- Financial Modules
 - United Asset Management
 - Insurance Operations Long Term Investment Return
 - Group Debt
 - Fidelity and Guaranty Life (F+G)



United Asset Management (UAM)



UAM Acquisition

- Expand asset management capabilities
- Substantial presence in world's largest marketplace for savings, with substantial growth prospects
- Increase share of international earnings
- 22 Morningstar 4 or 5 star ratings



Acquisition

- UAM acquisition announced in July 2000 and completed in September 2000
- Murray Johnstone sold
- Pilgrim Baxter (PBA) re-equitisation announced November 2000
- OMAM(US) re-equitisation announced December 2000



Post Acquisition Actions

- Rapid restructuring post acquisition
- Re-equitisation of Pilgrim Baxter and 7 OMAM(US) member firms
 - align interests directly with Old Mutual
 - Encourage and reward working together to build profit growth
 - Allow for future incentivisation
- Corporate Governance standards
- Divestment of certain affiliates



Old Mutual Asset Managers (US)

- Acadian Asset Management
 - international equity, quantitative techniques
- Analytic Investors
 - quantitative strategies for tactical asset allocation, equity selection, currency management and options markets
- Barrow, Hanley, Mewhinney & Strauss
 - value orientated, primarily equities
- Clay Finlay
 - global equities, risk controlled growth oriented



Old Mutual Asset Managers (US)

- Dwight Asset Management
 - stable value, and fixed income
- NWQ Investment Management
 - value oriented equity, balanced, and fixed income
- Provident Investment Counsel
 - growth equity



Pilgrim Baxter Associates



The PBHG Funds, Inc.

- Leading mutual funds manager
- Significant retail and institutional distribution franchise
- 6 Morningstar 4/5 star ratings
- Growth and value oriented investment styles
- Specialty products including technology and concentrated investing



Rest of UAM Affiliates

- 31 affiliates at 31 March excluding Pell Rudman
- US and International equity, and fixed income investing
- Real Estate, Timber
- Hedge funds/currency overlay
- Affiliates based in US, Canada, Europe, and Far East
- eSecLending new business development

United Asset Management

- UAM is a significant acquisition for the Group
- Acquisition was complex in nature
- Model and explanations to assist understanding key drivers of profitability

Acquisition summary

	\$m	UAM	PBA	OMAM(US)	Total
Price					
Equity		1,620			1,620
Re-equitisation			827	129	956
Debt		761			761
Costs		36			36
Sub-Total		2,417	827	129	3,373
Tax Benefit					(330)
Total		2,417	827	129	3,043
Funding					
Cash/Debt*		2,417			2,417
Equity			236		236
Deferred			591	129	720
Tax Benefit					(330)
Total					3,043



* including \$500m cash resources from SA Life company

Markets and Assets

	Sept 2000	Dec 2000		March 2001	
NASDAQ	3,673	2,471	-33%	1,840	-26%
S&P 500	1,437	1,320	-8%	1,160	-12%

Assets Under Management \$bn

OMAM(US)	78	75	-4%	73	-3%
PBA	26	17	-34%	12	-30%
Rest of UAM	72	67	-6%	63	-7%
Held for Resale*	26	19		10	
Total	202	178		158	



* Sold \$6bn Oct-Dec 2000; \$8bn Jan-Mar 2001

Assets Under Management

\$bn	31 Dec 2000	Disposed	Cash flows	Market movement	31 Mar 2001
OMAM (US)	74.8	-	0.5	(2.7)	72.6
PBA	17.5	-	(0.2)	(5.2)	12.1
Rest of UAM	66.3	-	(2.1)	(1.2)	63.0
Held For Resale	19.3	(7.9)	(0.4)	(0.6)	10.4
Total UAM	177.9	(7.9)	(2.2)	(9.7)	158.1

Net Client Cashflow

	Pre Acquisition			Post Acquisition	
\$bn	Q1 2000	Q2 2000	Q3 2000	Q4 2000	Q1 2001
Total UAM	(7.0)	(4.3)	(1.0)	(2.7)	(2.2)

Model Overview

- Revenue Drivers
 - Benchmark Exposures
 - Fee Rates
 - Billing Point
- Revenue Sharing with PBA and Rest of UAM
- LTIPS and Phantom Stock



Assets Under Management

	Benchmark	Weighting at 31/3/2001	Beta
OMAM(US)	Russell 1000 Value	50%	1.0
	Russell 1000 Growth	20%	
	MSCI EAFE	10%	
	Ryan 5 year fixed income	20%	
PBA	NASDAQ	80%	1.0
	S&P 500	20%	
Rest of UAM	S&P 500	40%	1.0
	S&P Barra Value	25%	
	MSCI EAFE	10%	
	Ryan 5 year fixed income	25%	

Revenues

	Average fee rate	Billing point
OMAM(US)	20 - 60 bpts	25% in advance 25% average 50% in arrears
PBA	80 - 85 bpts *	100% average
Rest of UAM	30 - 70 bpts	20% in advance 10% average 70% in arrears

*net of third party commission payments



Revenue sharing

- OMAM(US)
 - 100% owned by Old Mutual in 2001
- Rest of UAM
 - Approximate weighted average 40% economic interest owned by Old Mutual
 - Changes as affiliates sold/re-equitised
- PBA
 - transitional arrangement for 2001
 - 100% owned by Old Mutual from 2002 if option exercised in 2001



PBA Revenue Sharing

	Old Revenue Share	2001	2002 Onwards
Total Revenue	100	100	100
PBA Share	65	31	0
OM Share	35	69	100
Total Exp./Bonuses	100	100	100
PBA Share	100	48	0
OM Share	0	52	100
Phantom Stock	-	Dividend	Dividend



PBA Phantom Equity

- Max 17.5%, of which 11% has been allocated to date
- Rest to be allocated from 2002 onwards
- Dividend on allocated equity paid annually at 75% of operating profit
- Put option on capital value from 2004 onwards for up to 7 years. Base value on profit levels set at acquisition and provided for in purchase consideration

OMAM (US) LTIPs

- Bespoke and based on growth in operating profit
- Guaranteed minimum has already been provided for in purchase consideration
- Individual rewards based on individual, member firm and group performance



Taxation

- US effective rate for operating profits and interest charges
 - Federal 35%
 - State 3%
 - Disallowables 3%
 - Overall 41%
- Deferred tax asset unwind

Goodwill

	£m
Fair Value of Net Assets Acquired *	(40)
Assets Held For Resale	244
<hr/>	
Total Tangible Net Assets	204
Strip out debt and tax	63
<hr/>	
Total Operating Assets	267
Consideration (\$3,043m)	2,062
Goodwill	1,795

- » Amortisation charge over 20 years £90m p.a.
- » * Excludes goodwill held in books of UAM

Assets Held For Resale

- Balance sheet value at acquisition £244m
- Not consolidated into Group Operating Profits
- Sale of Pell Rudman largely completes disposal process of those affiliates considered to be held for resale

Currency

- Business and operations are in US \$
- Model is therefore presented in US \$ with average exchange rate calculations into £ Sterling. Note in Old Mutual plc accounts we use a daily average for exchange rate conversion

Long Term Investment Return (LTIR)



Long Term Investment Return

- Purpose is to present an operating result that reflects the underlying performance of the businesses
 - Avoids short term market fluctuations/distortions at the operating profit level
 - Based upon applying a long term rate of investment return to investible assets



LTIR - Old Mutual

- Investible asset base
 - Life assurance
 - General insurance
 - Other Shareholders' funds
- Long term rate of return
 - calculated in Rand (currently 14% based on experience) and translated into £ sterling
 - Purchase of F+G - Use of appropriate separate rate to rate used for South African businesses



Group Debt

Debt (£m)- 31st December 2000

Overdrafts	22
Bank Loans	
Acquisition Finance	229
Revolving Credit	292
Other	38
Other Loans	
UAM	283
Gerrard Loan Note	92
Medium Term Note	268
Total	1,224
US\$	804
£	420



Fidelity and Guaranty Life (F+G)



Fidelity and Guaranty Life

- Expands core asset accumulation business
- Delivers further international earnings
- Balances Old Mutual's US profile
- Strong management team already in place



F+G Life – Acquisition Highlights

- Immediately enhances headline 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
- Increases annualised new business premiums by 30%



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
Value of new business ⁽²⁾	\$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 - Attractive Financial Terms

- New business multiples well below precedent transactions

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
Value of One Year's 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 base capital ratio of 200%

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

F+G Life – Capital Requirements

Capital Required Immediately \$51.0 m

Capital Required For Planned Growth

By end of 2001 \$25.0 m

2002 \$25 m

2003 \$20.0 m

2004 \$(5.0) m



Model Demonstration

