

# INTERIM RESULTS 2009

5 August 2009

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# Agenda

Business Review

Julian Roberts  
Group Chief Executive

Financial Review

Philip Broadley  
Group Finance Director

Summary

Julian Roberts

Q&A

# Business Review

Julian Roberts  
Group Chief Executive



# Group financial headlines

	H1 2009	H1 2008
Adjusted operating profit <sup>1</sup> (IFRS)	£538m	£773m
Adjusted operating EPS (IFRS)	5.4p	7.7p
Adjusted Group MCEV per share	143.8	117.6 <sup>2</sup>
Pro-forma FGD surplus	£1.0bn	£0.7bn <sup>2</sup>
Net client cash flows	£0.2bn	£3.2bn

1 Pre-tax and minorities

2 MCEV per share and FGD comparatives are at 31 December 2008

# Operational headlines

- OMSA: robust sales and operating profit
- Nedbank: lower profit in difficult banking environment
- Nordic: continued strong sales
- UK: increased platform market share
- US Life: profitable in H1
- US Asset Management: positive NCCF

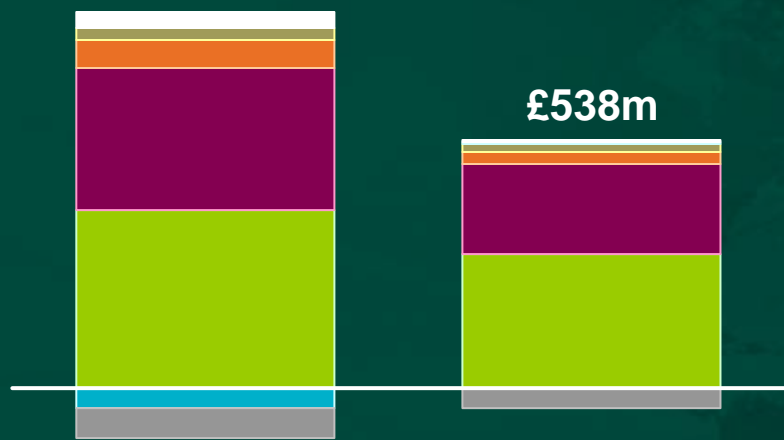
# Financial Review

Philip Broadley  
Group Finance Director

# Operating profit analysis

## IFRS AOP (pre-tax & minorities)

£773m



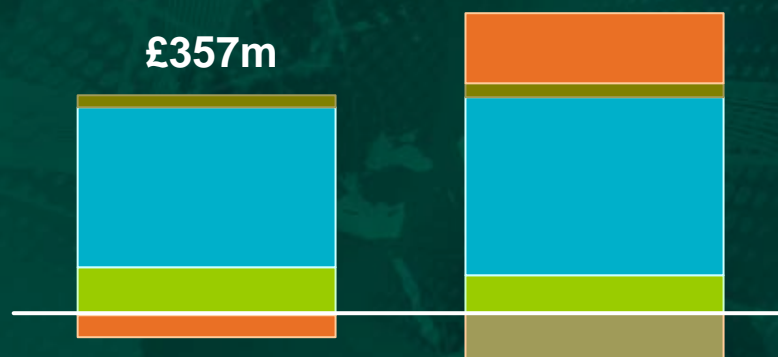
H1 2008

H1 2009



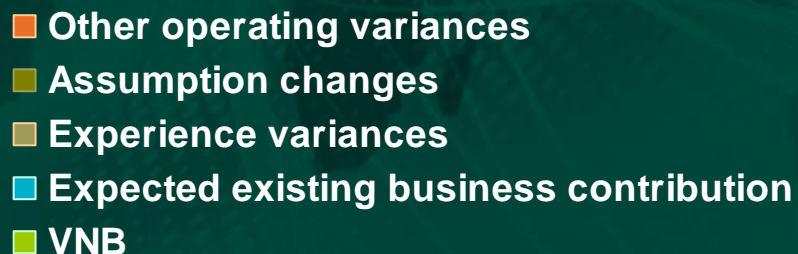
## Operating MCEV earnings (post-tax covered business)

£466m



H1 2008

H1 2009

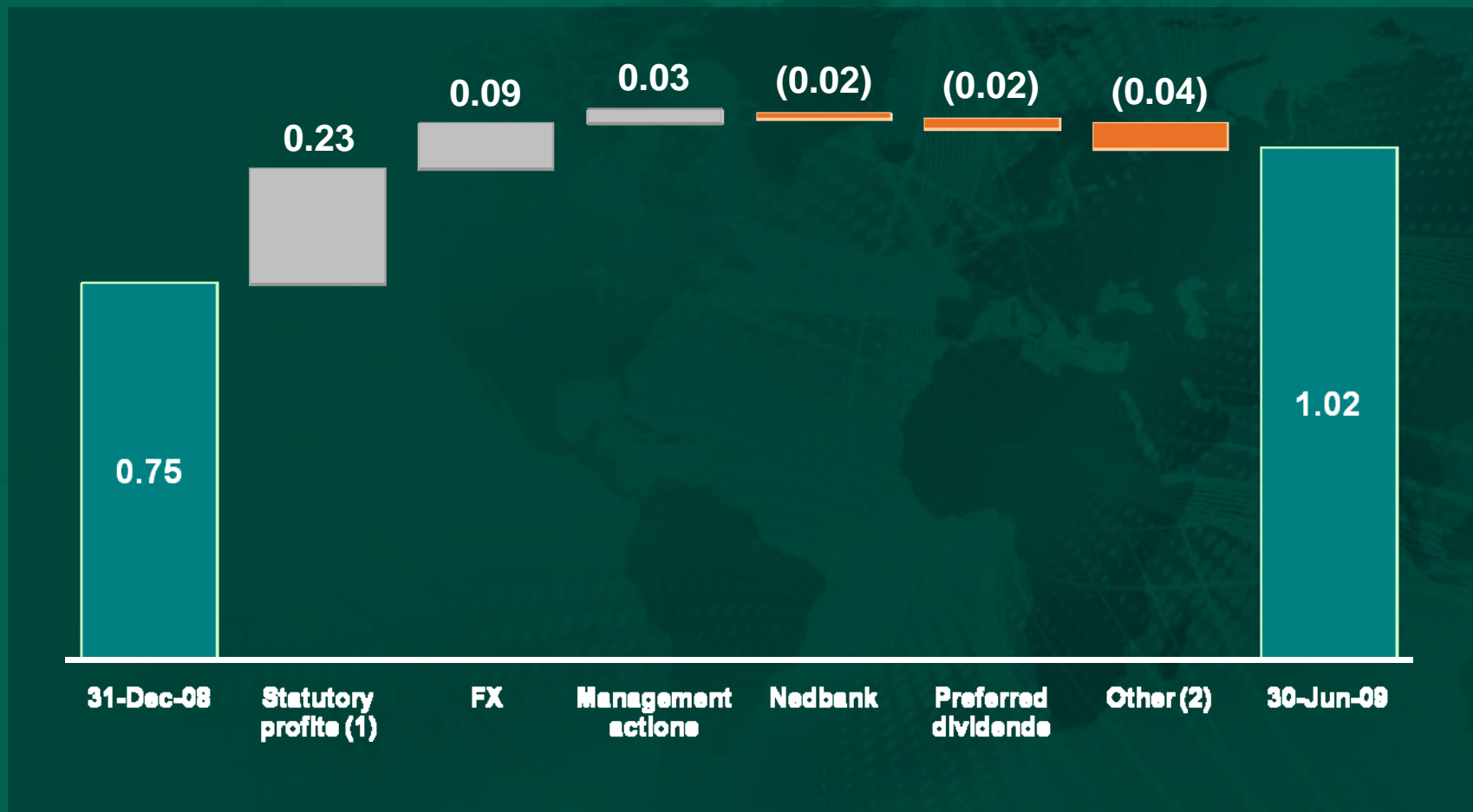




# Cash & capital

- £1.0bn FGD at 30 Jun 09
- Individual businesses remain well capitalised
- Over £800m available cash and facilities
- Gearing remains in line with target range at 23.8%
- Board will consider dividend position at year end

# Movement of regulatory capital surplus (£bn)



- 1 Statutory profits exclude profit/loss on currency hedging positions (included in FX)
- 2 Other movements in statutory valuation adjustments and capital requirements

# Net debt<sup>1</sup>

£m	H1 2009	H1 2008
Opening Net debt	(2,263)	(2,420)
Inflows from businesses	350	597
Outflows to businesses + expenses	(449)	(157)
Debt and equity movements		
Ordinary Dividends paid	-	(227)
Share repurchase	-	(174)
Equity issuance	-	4
Other non-cash movements	(13)	(49)
Closing Net debt	(2,375)	(2,426)
Net decrease / (increase) in debt	(112)	(6)

1 Holding company perspective

# Long-Term Savings: OMSA<sup>1</sup>

£m	H1 2009	H1 2008
Life new business APE	160	163
Life VNB	24	22
IFRS adjusted operating profit	219	227
New business APE margin	15%	14%
PVNB margin	2.0%	1.9%
RoAC (%)	26.2%	28.3%

- Sales particularly strong in Retail Mass
- Persistency worsened but offset by improved morbidity/mortality
- LTIR down by 330 bps reflecting lower actual returns in 2008

<sup>1</sup> Includes Rest of Africa



# Long-Term Savings: Europe<sup>1</sup>

£m	H1 2009	H1 2008
Life new business APE	436	529
Life VNB	39	70
IFRS adjusted operating profit	76	148
New business APE margin	9%	13%
PVNBP margin	1.3%	1.8%
RoE <sup>2</sup>	3.0%	4.6%

- Life sales down but Nordic held up well
- Positive net client cash flows
- Overall profitability down
- Addressing fixed cost base

<sup>1</sup> Includes UK, Nordic, Europe, Latin America and International

<sup>2</sup> Annualised IFR AOP (post tax) divided by average shareholders' equity. Average shareholders' equity includes goodwill, PVIF and other acquired intangibles. Excluding these amounts RoE is 10.0% (H1 2008: 14.9%)

# Long-Term Savings: US Life

£m	H1 2009	H1 2008
Life new business APE	38	63
Life VNB	7	(5)
IFRS adjusted operating profit	29	53
New business APE margin	19%	(8%)
PVNBP margin	2.1%	(0.9%)
RoE	27.4%	7.2%

- Firm management action to rebase the business
- Sales ahead of revised targets but within allocated capital limits
- Conservation programme to reduce surrenders

# US Life: capital and impairment update

- Unrealised losses<sup>1</sup> \$1.6bn
  - (H1 08: \$1.1bn, FY 08: \$2.3bn)
- H1 2009 impairments
  - IFRS charge: \$199m
  - Regulatory impairments: \$163m
- No defaults in H1 2009
- RBC 281% (31 Dec 08: 305%)
  - Commitment to support RBC ratio at around 300%

<sup>1</sup> Includes IAS39 adjustments

# Cash flow in US Life: H1 2009

	Premiums received/Capital Injections	Cash income from portfolio/investment transactions	Surrenders/Claims paid	Admin expenses paid	
Opening cash: \$924m	Net premiums: \$490m (2008: \$1,082m)	Cash: \$3m (2008: \$12m) Bonds/Other: \$506m (2008: \$527m)	Surrenders & lapses paid out: \$823m (2008: \$959m)	Commissions: \$75m (2008: \$198m)	Closing cash: \$1,184m
	Capital injections: \$225m (2008: \$0m)	Maturities/Sales: \$1,270m (2008: \$2,964m)	Claims paid: \$474m (2008: \$487m)	Office costs: \$50m (2008: \$69m)	
		Purchases: \$812m (2008: \$3,249m)			
	Inflows: \$2,494m		Outflows: \$2,234m		



# US Asset Management

£m	H1 2009	H1 2008
Mutual fund sales	442	597
NCCF (bn)	0.4	1.0
Funds under management (bn)	150.2	164.9 <sup>1</sup>
IFRS adjusted operating profit	30	70
Operating margin	15%	26%
RoC	2.1%	8.5%

- Lower management and performance fees
- Expenses cut by 32%
- Improved fee income in H2 if markets maintain current levels

# Nedbank

£m	H1 2009	H1 2008
Net interest income	596	527
Net interest margin	3.44%	3.83%
Non interest revenue	391	328
IFRS adjusted operating profit <sup>1</sup>	211	337
Credit loss ratio	1.57%	0.96%
Cost to income ratio	52.5%	51.5%
RoE	11.1%	18.7%

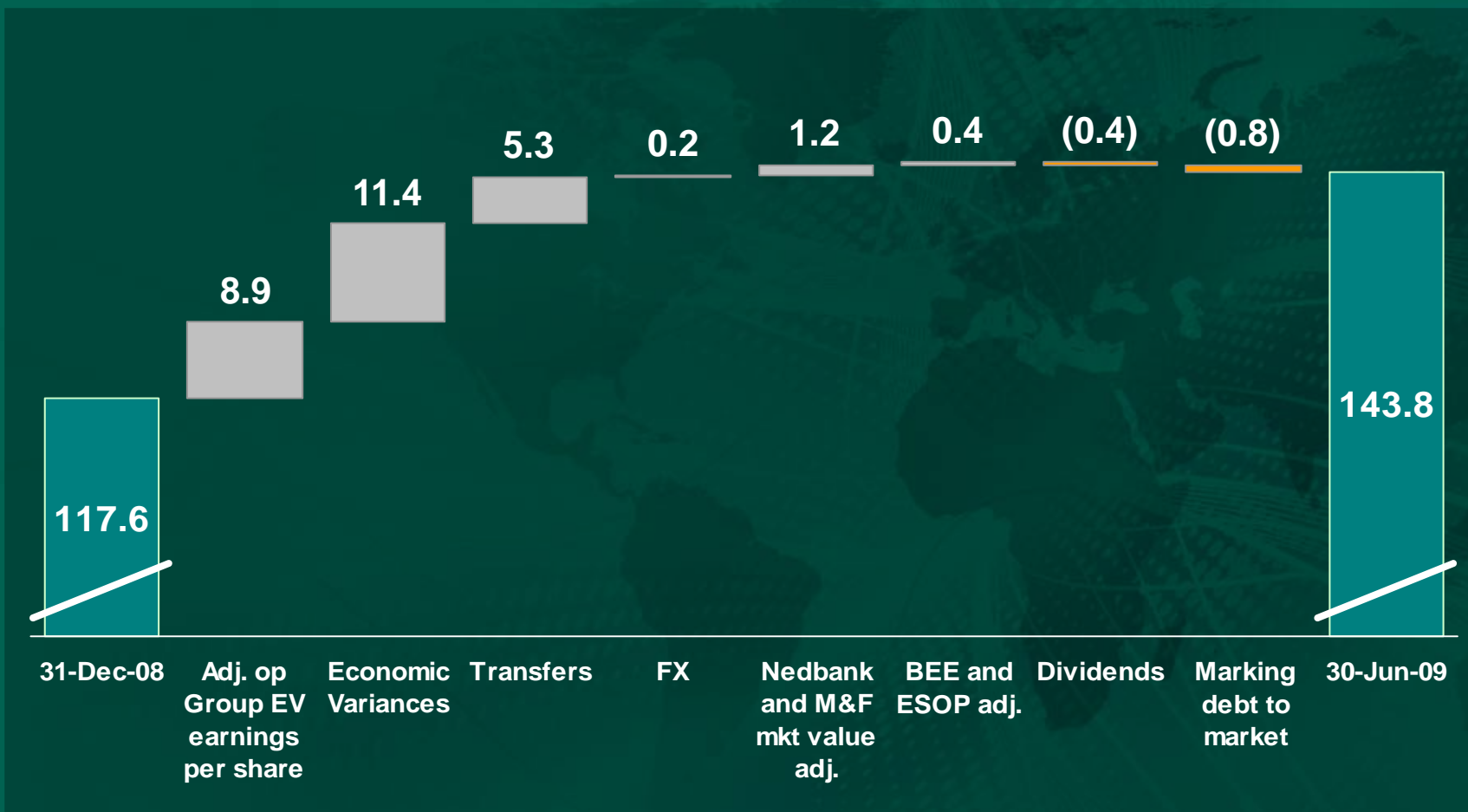
- Strengthened capital position
- Impairments and credit loss ratio worsened, as expected
- Reduced endowment from lower interest rates
- Cautious H2 outlook

<sup>1</sup> H1 2008 included £48m from the sale of visa shares

# Bermuda

- Business now in run-off
- H1 hedge effectiveness 95.5%
- Liabilities fallen due to rise in Asian stock markets
- Small profit in H1

# Adjusted Group MCEV per share





# Summary

Julian Roberts  
Group Chief Executive

# Progress on the strategic priorities

**Conserve capital and liquidity**

**Streamline the portfolio over time**

**Leverage scale in our long term savings businesses**

**Drive value creation in South Africa**

**Improve operational efficiency, risk management & governance**

# Streamline the portfolio over time

- Reducing geographic spread
  - Closed Asia Pacific head office in Hong Kong
  - Withdrawn from AA TEDA acquisition
  - Sold Australian businesses
  - Exited Portugal
  - Withdrawing from Hungary and Czech Republic
- Simplifying product range
  - US Life
  - OMCAP (US Asset Management)

# Leverage scale in our long term savings businesses

- Restructuring around core markets
  - European Retail
  - European Wealth Management
  - Nordic
  - US Life
  - Emerging markets (including OMSA)
- Developing division-wide strategy
- Reviewing cost base
  - Closing ELAM divisional head office



# Drive value creation in South Africa

- Management changes
  - Kuseni Dlamini appointed as CEO of OMSA
  - Nedbank top management team
- Continued collaboration between businesses
- Corporate structure changes
  - Nedlife
  - Fairbairn Private Bank
  - BoE Private Clients
  - Imperial Bank under negotiation

# Improve operational efficiency, risk management & governance

- Operational efficiency
  - Cut 32% out of USAM operating expenses
  - Cut US Life expenses by c.50%
  - Closed Clay Finlay
- Risk management
  - Making good progress on Solvency II
  - Agreed business risk appetite and risk limits
- Governance
  - Strengthening oversight from plc
  - Making changes to subsidiary Boards

# Summary

- Strengthened capital and liquidity
- Transformed US Life and Bermuda
- Simplified the business
- Started to deliver cost savings
- Addressing margins and profitability
- Building a strong foundation

# Q&A



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