

An aerial, high-angle photograph of a large crowd of runners participating in a marathon. The runners are densely packed and moving in the same direction, creating a sense of motion and scale. The image is in black and white, with a green gradient overlay on the left side.

# INTERIM RESULTS 2010

6 August 2010

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# Introduction

- Simplifying the Group to unlock value
  - US Life sale announced
- 2012 cost reduction and ROE targets
  - On track
- Business performance
  - Strong first half of 2010

# Overview of H1

- Strong sales performance
  - Substantial inflows to the UK platform
  - Strong retail sales in South Africa
- Operating result up 43% on H1 2009
  - More profitable product mix
  - Tight focus on cost management
  - Underlying profit improvement in all businesses
- Improvement in ROE



# Business & Financial Review

# Agenda

- Financial overview
- Group profit
- MCEV
- Capital & liquidity
- Business unit results
- Targets update
- Summary

# Financial overview

	H1 2010	H1 2009 <sup>1</sup>	Change
Adjusted operating profit <sup>2</sup> (IFRS)	<b>£735m</b>	£513m	43%
Adjusted operating EPS (IFRS)	<b>8.3p</b>	4.9p	69%
Return on equity <sup>3</sup>	<b>11.6%</b>	7.6%	400bps
Net client cash flows	<b>(£1.6bn)</b>	£0.2bn	(>100%)
Funds under Management	<b>£292.3bn</b>	£285.0bn <sup>4</sup>	3%
Dividend per share	<b>1.1p</b>	-	-

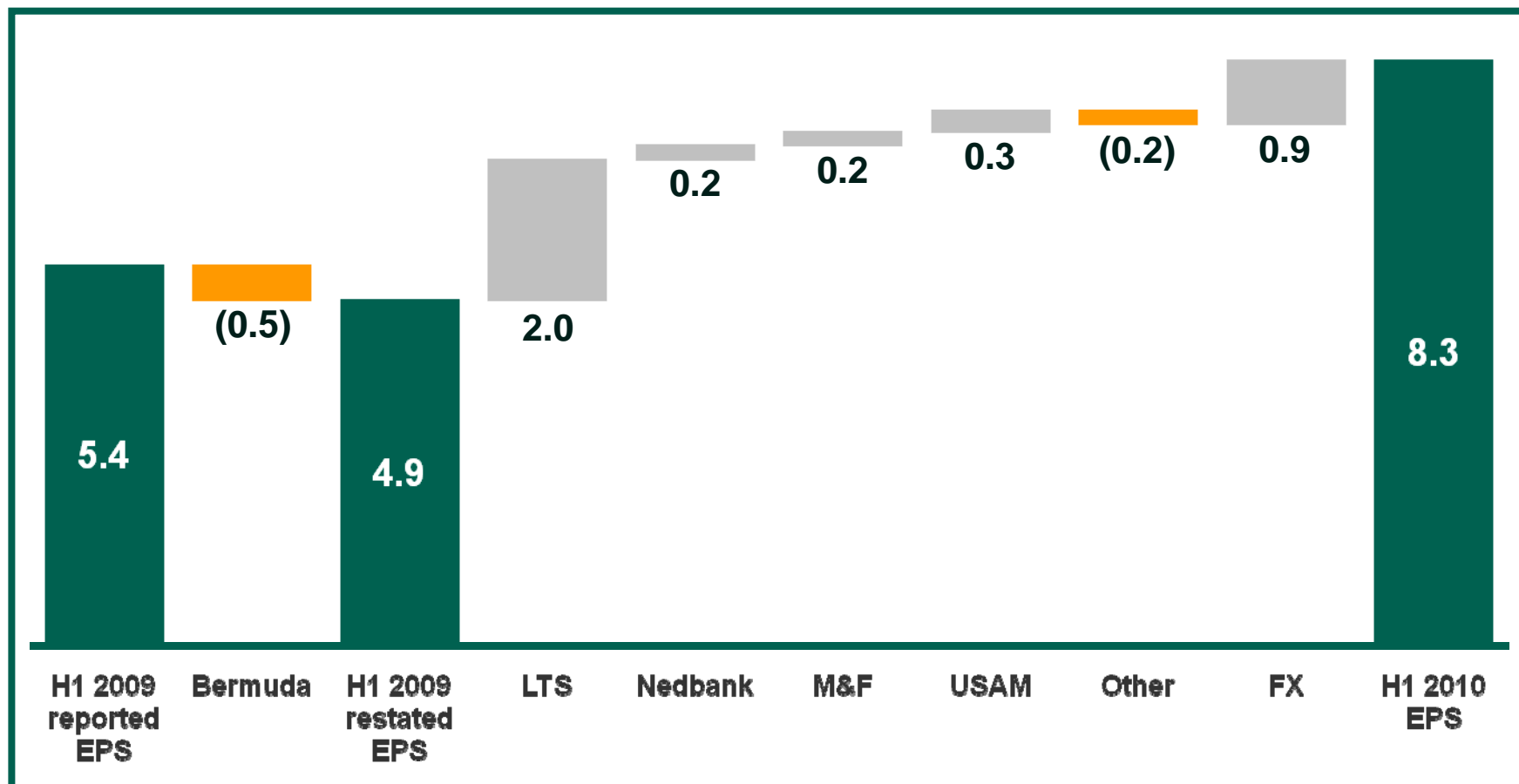
1. H1 2009 AOP, EPS and RoE restated to exclude Bermuda (treated as non-core)

2. Pre-tax and MI

3. Annualised

4. As at 31 December 2009

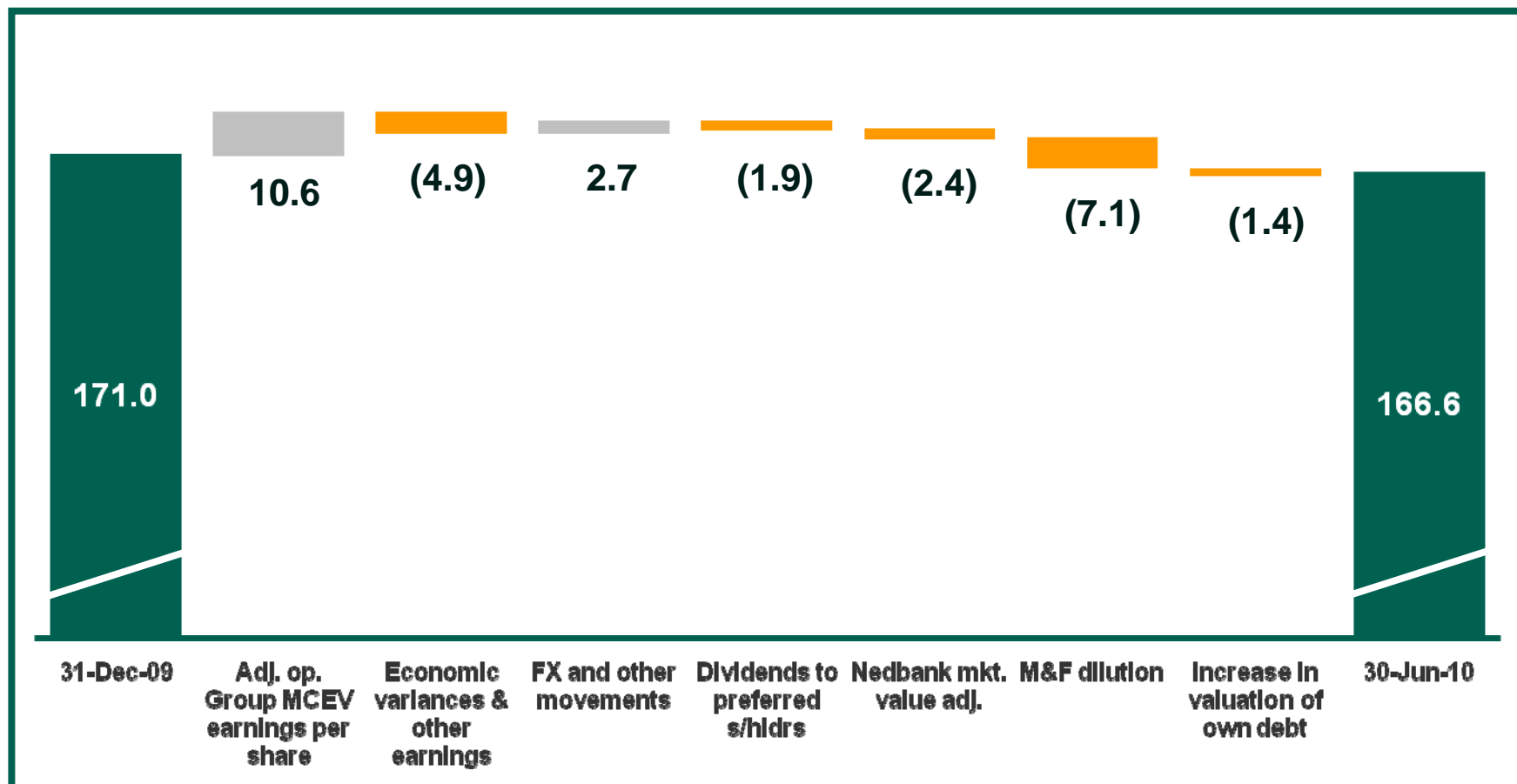
# AOP earnings per share<sup>1</sup>



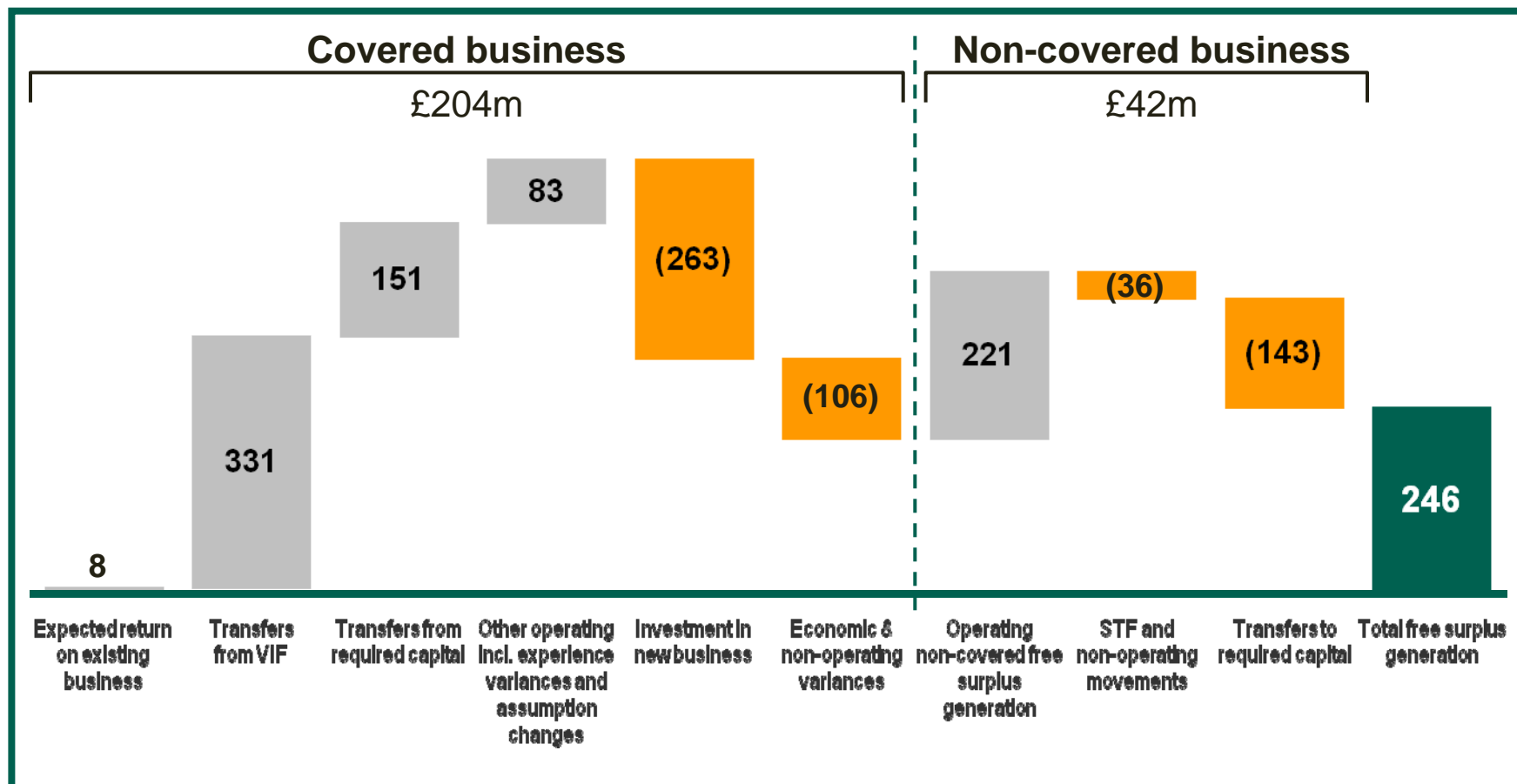
1. H1 2009 restated to exclude Bermuda (treated as non-core)



# Adjusted Group MCEV per share



# Free surplus generation H1 2010<sup>1</sup> (£m)

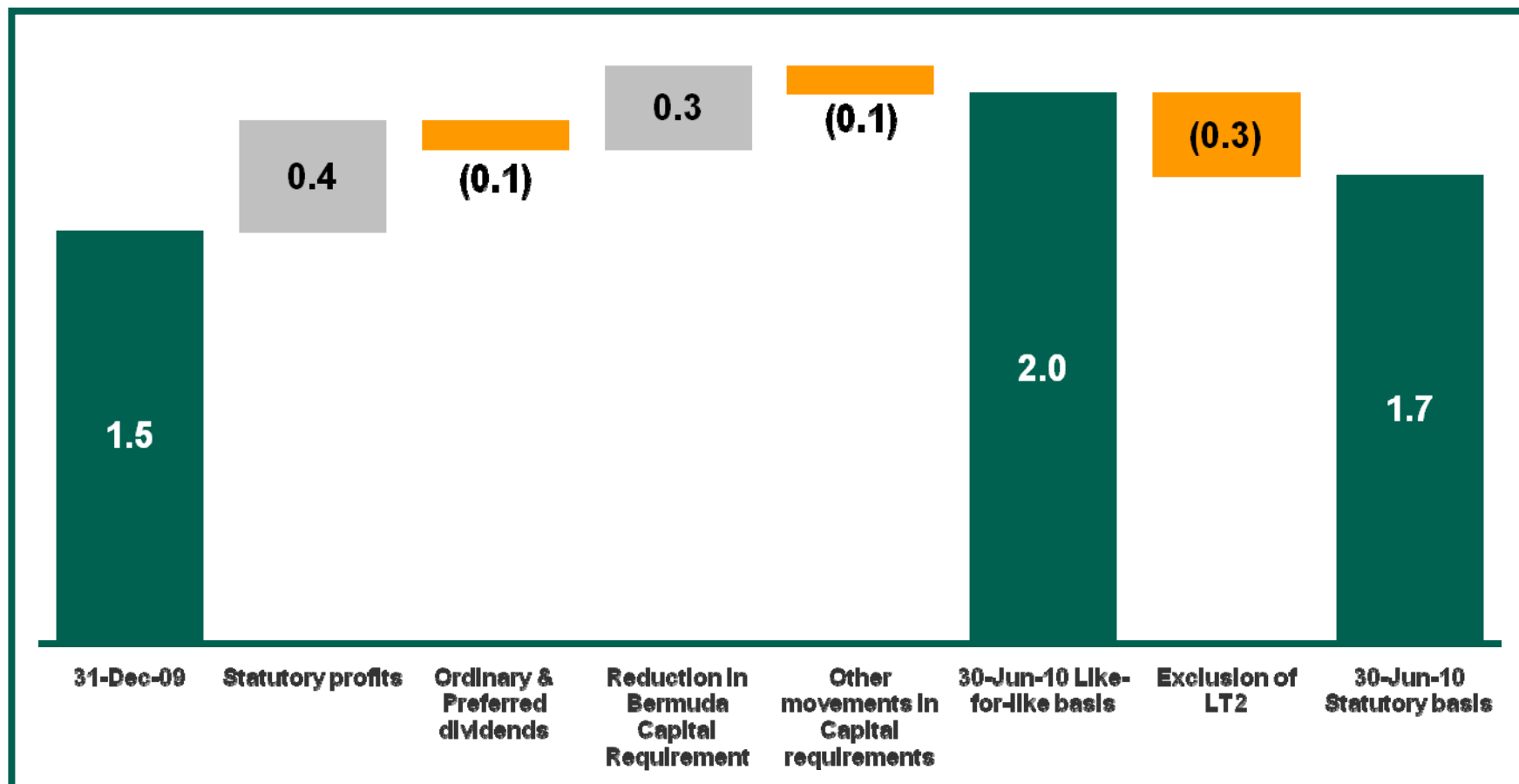


1. H1 2009 free surplus generation was £(158)million

# Holding company cash

- Total holding company cash & facility headroom £1.0bn at 30 Jun 2010
- Operational liquidity maintained within individual businesses
- Net debt up from 31 Dec 2009 to £2.5bn (IFRS)
  - (Gross debt £3.1bn nominal, £2.8bn IFRS)

# Movement of FGD regulatory capital surplus (£bn)



# Capital

FGD Sensitivities <sup>1</sup>	Movement	Impact 2010	Impact 2009
rand / sterling exchange rate	1% decrease	(£14m)	(£11m)
US dollar / sterling exchange rate	1% decrease	(£2m)	-
Swedish kronor / sterling rate	1% decrease	(£6m)	(£6m)
Movement in the JSE	1% decrease	(£3m)	(£4m)

Business unit ratios	30 Jun 2010	31 Dec 2009	30 Jun 2009
OMLAC(SA)	3.9x	4.1x	3.9x
M&F	183%	172%	141%
US Life	347%	312%	281%
Nordic	11.0x	10.8x	10.8x
UK	3.6x	2.9x	3.0x
Nedbank (Total capital ratio)	14.8%	14.9%	13.2%

1. Sensitivities not linear

# Dividend

- 2010 interim dividend: 1.1p per ordinary share
- Scrip dividend alternative offered again
- Dividend policy: targeted cover at least 2.5x IFRS AOP earnings over time

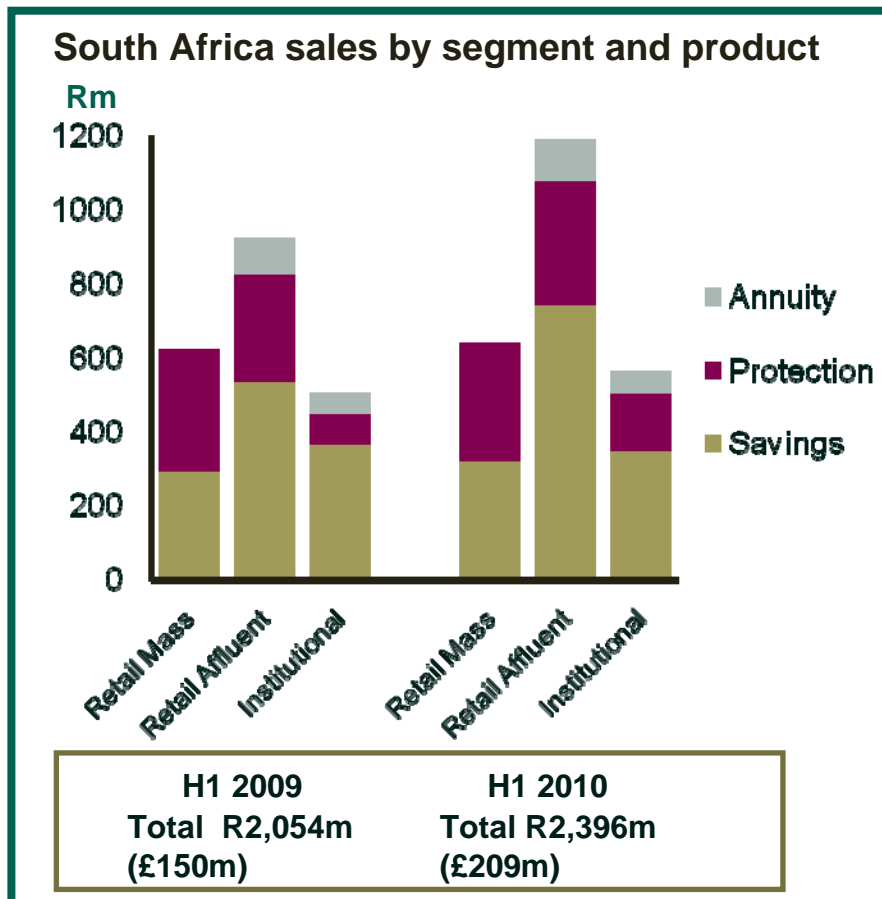
# Long-Term Savings<sup>1</sup>

£m	H1 2010	H1 2009
Life new business APE	<b>814</b>	634
Life VNB	<b>92</b>	70
New business APE margin	<b>11%</b>	11%
Unit trust/mutual fund sales	<b>3,960</b>	2,750
Net client cash flow (£bn)	<b>2.8</b>	0.0
IFRS adjusted operating profit	<b>477</b>	317
ROE (%)	<b>16.6%</b>	14.2%

- Sales momentum continued through Q1'10 and Q2'10
- Excellent NCCF, particularly in Retail businesses
- Improvements in persistency
- ROE performance strong driven mainly by FUM
- LTS AOP up 50%, improvement in all Business Units

1. LTS includes Emerging Markets, Nordic, Retail Europe, Wealth Management and US Life

# Emerging Markets



- South Africa sales
  - Innovative single premium product
  - Retail Mass market opportunity
- New Markets sales
  - Good performance in Colombia, Mexico, India and China
- NCCF
  - Positive in Retail
  - Improved trends in Corporate and OMIGSA
- Strong APE margin performance



# Emerging Markets AOP

Rm	H1 2010	H1 2009
<b>OMSA<sup>1</sup></b>		
Long-term business AOP	<b>1,725</b>	1,822
Asset management AOP	<b>686</b>	347
LTIR <sup>2</sup>	<b>602</b>	833
OMSA AOP (IFRS basis)(pre-tax)	<b>3,013</b>	3,002
<b>New markets</b>		
Long-term business AOP	<b>(17)</b>	(22)
Asset management AOP	<b>103</b>	(28)
New Markets AOP (IFRS basis)(pre-tax)	<b>86</b>	(50)
<i>Total EM IFRS adjusted operating profit £m</i>	<b>269</b>	215

1. OMSA including Namibia

2. Excludes LTIR on excess assets of R182m (H1 2010) and R630m (H1 2009)

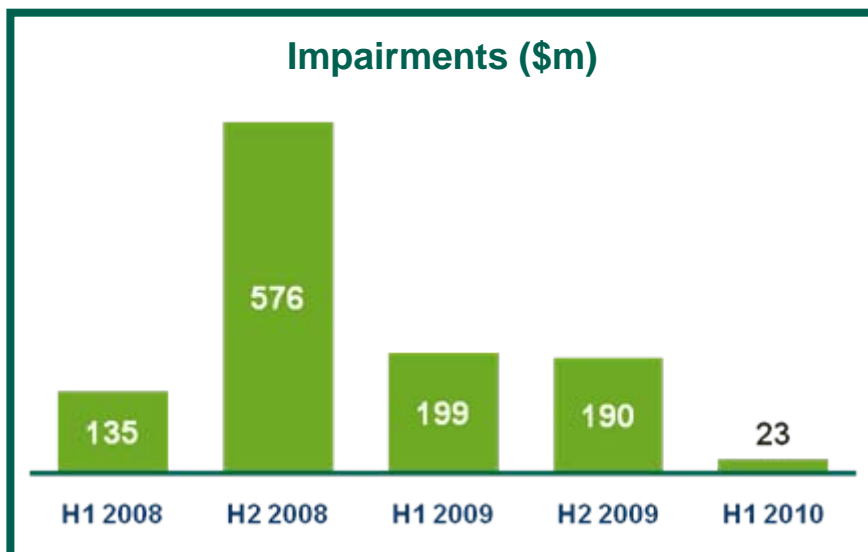
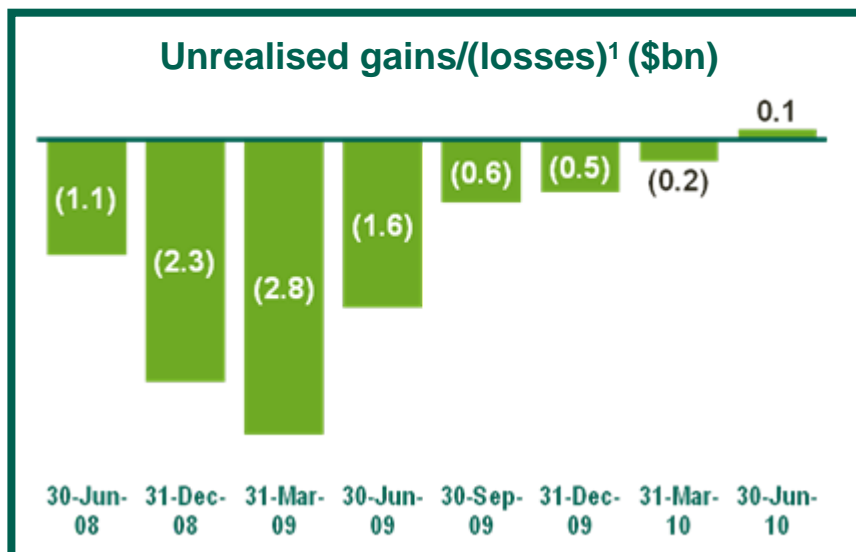
# UK product sales and H1 performance

UK product sales £m	H1 2010	H1 2009	%
<b>Life APE</b>			
Pensions	153	92	66%
Bonds	30	19	58%
Protection	5	4	25%
Savings	5	2	150%
<b>Total</b>	<b>193</b>	<b>117</b>	<b>65%</b>
<b>Unit trusts</b>			
Institutional	145	100	45%
Mutual funds	816	404	102%
ISAs	705	326	116%
<b>Total</b>	<b>1,666</b>	<b>830</b>	<b>101%</b>

- UK NCCF £1.3bn
- UK FUM up 4% from 31 Dec 2009 despite 9% drop in FTSE 100
- IFRS AOP up 60% to £75m in H1'10
- c. £1bn inflows onto platform per quarter in H1'10
- Driving for NCCF and ROE, not market share

# US Life: performing in line with plans and stable portfolio

- APE sales up 19% in line with revised plans, capital and risk appetite
- Stable operating profit of \$45m in H1 2010
- Active de-risking of the portfolio, now trading at book gain of \$138m
- No corporate bond defaults in H1 2010
- RBC 347% (31 Dec 09: 312%)



1. Includes IAS39 adjustments

# Mutual & Federal

Rm	H1 2010	H1 2009
Underwriting result	<b>88</b>	(96)
LTIR	<b>310</b>	388
Change programme review expense	<b>(14)</b>	-
IFRS adjusted operating profit	<b>384</b>	292
<i>IFRS adjusted operating profit £m</i>	<b>33</b>	20
Claims ratio	<b>68.5%</b>	73.1%
Combined ratio	<b>97.4%</b>	102.7%
Solvency ratio	<b>62.0%</b>	46.0%
ROE (1 year average) <sup>1</sup>	<b>14.5%</b>	15.5%

- Improved underwriting result
- Better claims experience in Q2
- Solvency strengthened
- Change programme initiated

1. The ROE is now shown over a 1 year average equity base (previously 3 years average) to achieve consistency with the rest of the Group

# Nedbank

Rm	H1 2010	H1 2009
Net interest income	<b>8,082</b>	8,185
Net interest margin	<b>3.34%</b>	3.44%
Non-interest revenue	<b>6,158</b>	5,377
IFRS adjusted operating profit	<b>3,052</b>	2,890
<i>IFRS AOP £m</i>	<b>266</b>	211
Credit loss ratio <sup>1</sup>	<b>1.46%</b>	1.60%
Cost to income ratio	<b>55.3%</b>	52.5%
RoE <sup>1</sup>	<b>10.7%</b>	11.6%

- Good growth in non-interest revenue
- Profits steady in low interest and low asset growth environment
- Improvement in credit loss ratio but impairment provisions remain high
- Good capital ratios; liquidity remains sound

1. Credit loss ratio and return on equity ratios have been restated following a change in the basis of calculation to a daily average of equity and assets

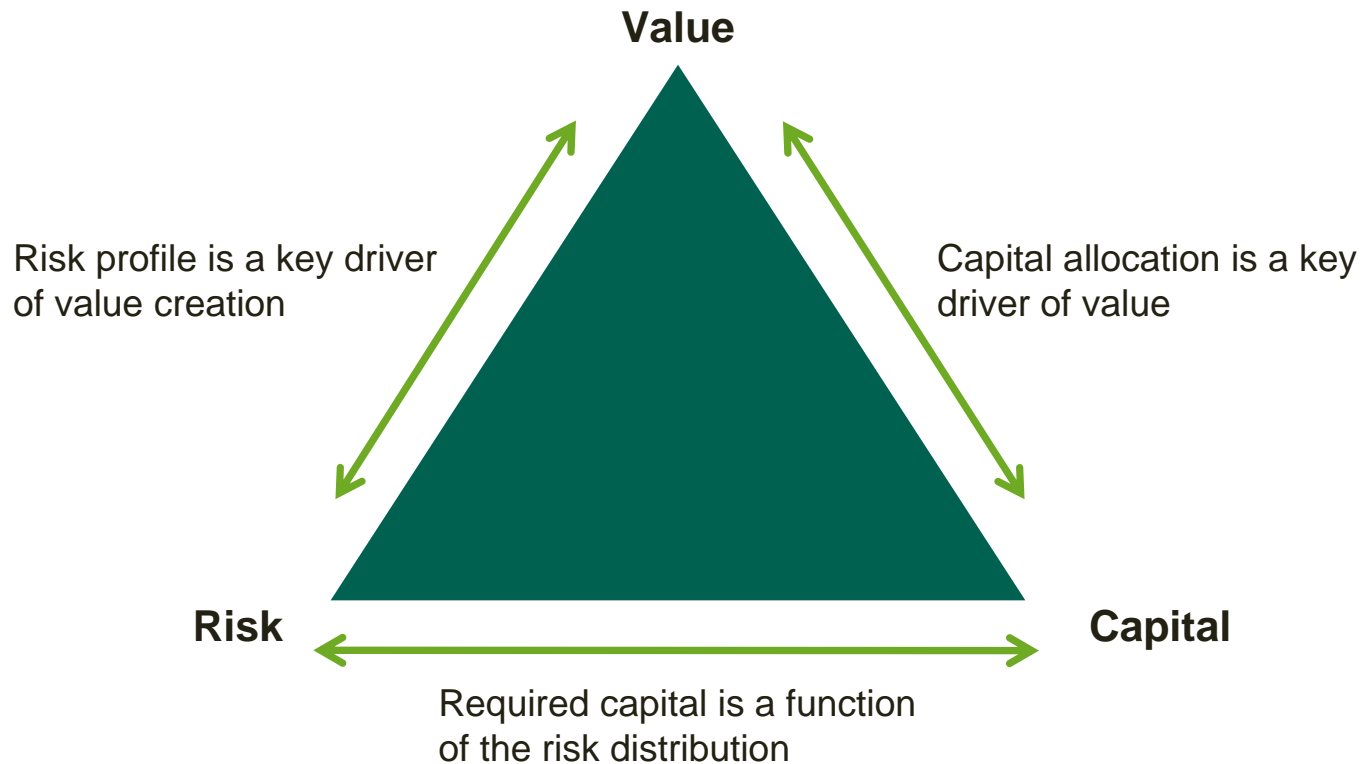
# US Asset Management

\$m	H1 2010	H1 2009
Net client cash flows (\$bn)	<b>(8.0)</b>	0.6
Funds under management (\$bn)	<b>243.2</b>	247.1
IFRS adjusted operating profit	<b>61</b>	46
<i>IFRS adjusted operating profit £m</i>	<b>40</b>	30
Operating margin	<b>17%</b>	15%

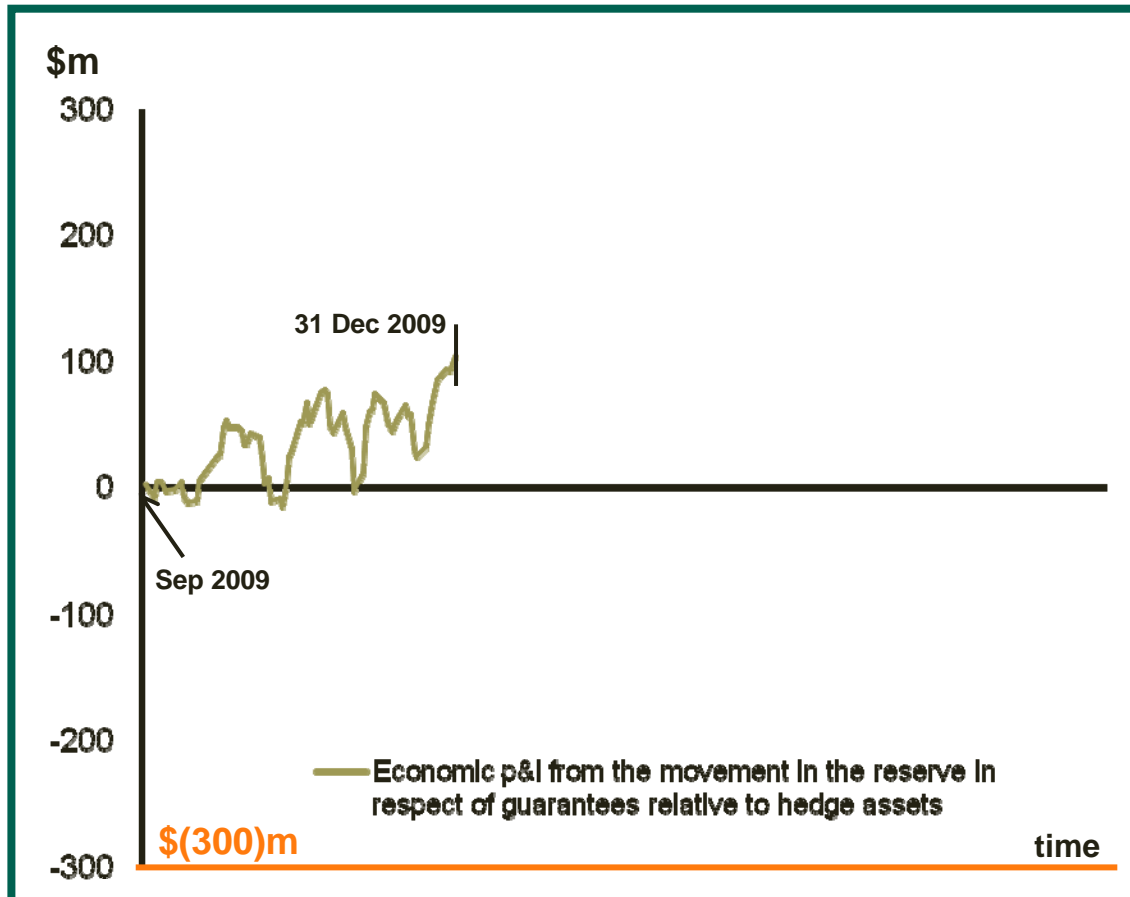
- 16% increase in management fees: average funds higher than comparative period
- Operating performance improved: AOP up 33% on H1'09
- Preparing for partial IPO

# Bermuda hedging: balancing trade-offs

## RISK AND CAPITAL DRIVE VALUE



# Bermuda hedging to 31 Dec 2009

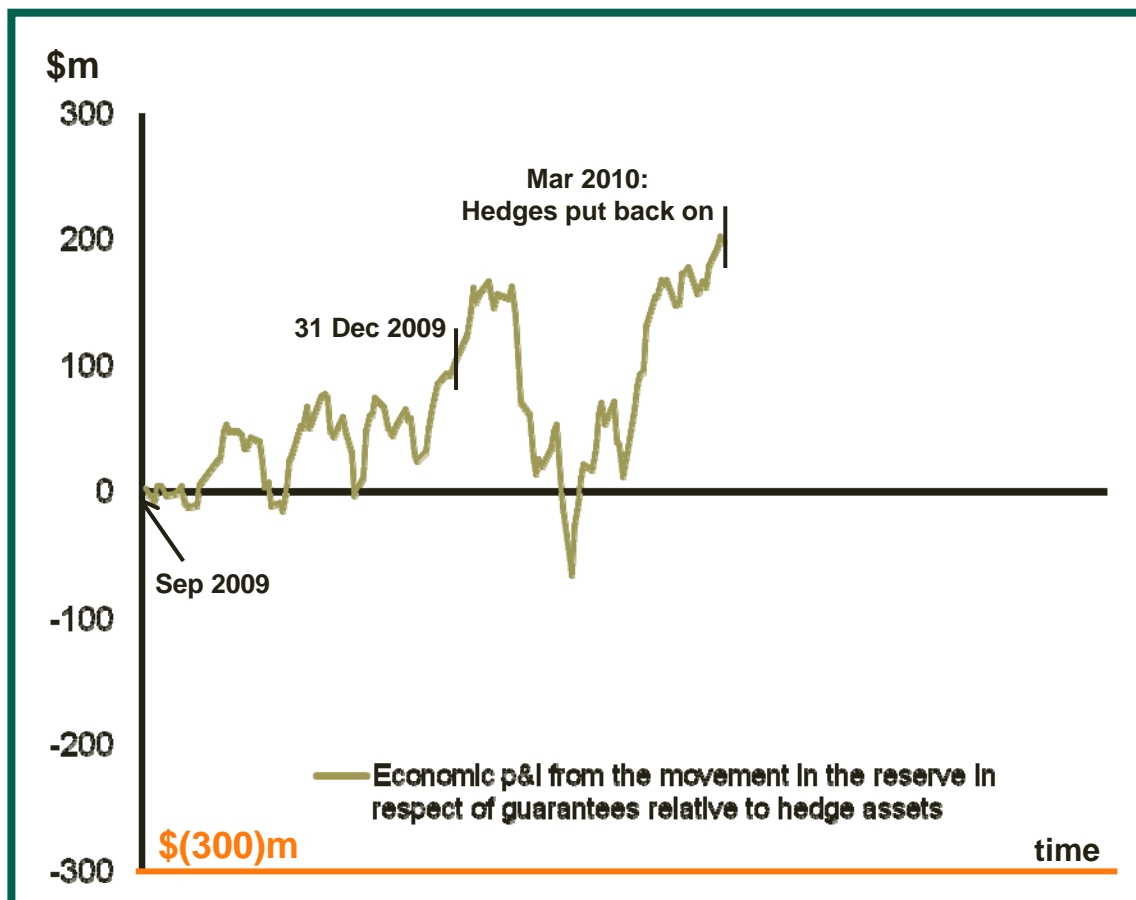


\$m	Guarantee reserve	Economic Result <sup>1</sup>
17 Sep 09 to 30 Sep 09	894.7	4.1
31 Dec 09	763.0	104.3

1. Economic P&L from the point of releasing the hedges and implementing the stop-loss protocol



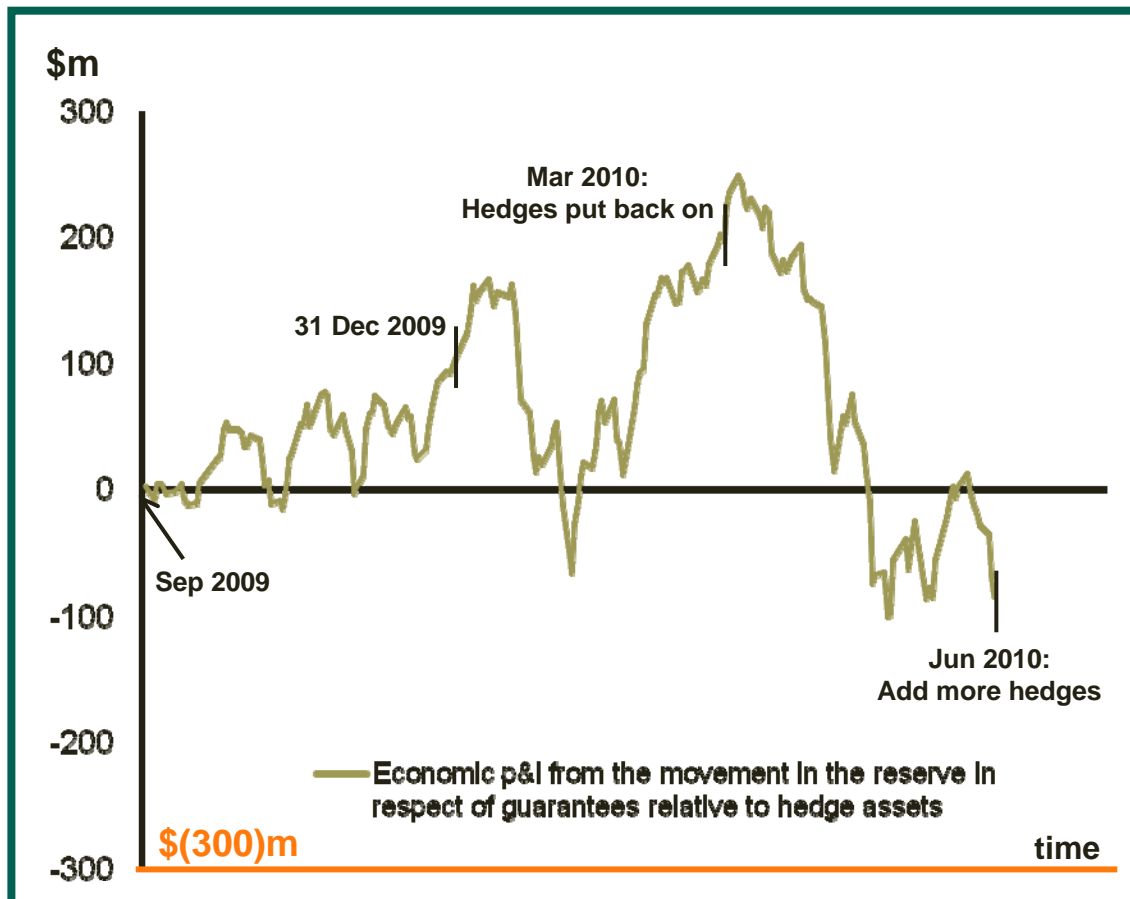
# Bermuda hedging to 31 Mar 2010



\$m	Guarantee reserve	Economic Result <sup>1</sup>
17 Sep 09 to 30 Sep 09	894.7	4.1
31 Dec 09	763.0	104.3
31 Mar 10	720.7	198.7

1. Economic P&L from the point of releasing the hedges and implementing the stop-loss protocol

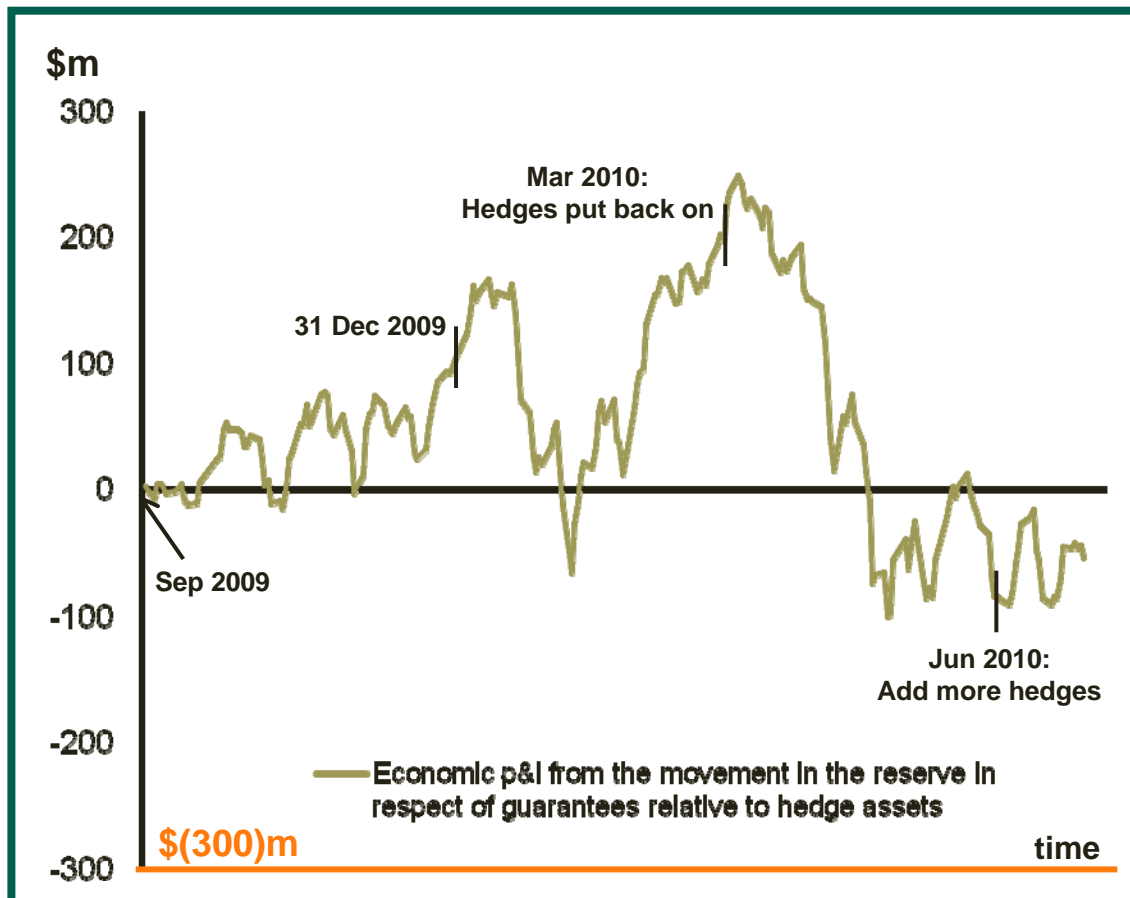
# Bermuda hedging to 30 Jun 2010



\$m	Guarantee reserve	Economic Result <sup>1</sup>
17 Sep 09 to 30 Sep 09	894.7	4.1
31 Dec 09	763.0	104.3
31 Mar 10	720.7	198.7
30 Jun 10	1,029.0	(83.0)

1. Economic P&L from the point of releasing the hedges and implementing the stop-loss protocol

# Bermuda hedging to 31 Jul 2010



\$m	Guarantee reserve	Economic Result <sup>1</sup>
17 Sep 09 to 30 Sep 09	894.7	4.1
31 Dec 09	763.0	104.3
31 Mar 10	720.7	198.7
30 Jun 10	1,029.0	(83.0)
31 Jul 10	934.3	(53.9)

1. Economic P&L from the point of releasing the hedges and implementing the stop-loss protocol

# 2012 Targets

# Progress against 2012 cost reduction targets

	H1 2010 <sup>1</sup>	2012 Target
Long-Term Savings <sup>2</sup>		
- Emerging Markets	-	£5m
- Nordic	-	£10m
- Retail Europe	£6m	£15m
- Wealth Management	£17m	£45m
<b>LTS Total</b>	<b>£23m</b>	<b>£75m</b>
USAM	£19m	£10m
Group-wide corporate costs	-	£15m
<b>Total</b>	<b>£42m</b>	<b>£100m</b>

1. Run-rate savings delivered to date
2. Long-Term Savings excluding US Life

# Progress against 2012 ROE and margin targets

	<i>FY 2009</i>	<b>H1 2010</b>	<b>2012 Target</b>
Long-Term Savings ROE <sup>1</sup>			
- Emerging Markets	24% <sup>2</sup>	<b>27%<sup>2</sup></b>	20%-25%
- Nordic	12%	<b>12%</b>	12%-15%
- Retail Europe	9%	<b>20%</b>	15%-18%
- Wealth Management	8%	<b>15%</b>	12%-15%
<b>Total LTS<sup>3</sup> ROE</b>	14.9%	<b>19.3%</b>	<b>16%-18%</b>
USAM Operating Margin	18%	<b>17%</b>	25%-30%

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

2. OMSA only, calculated as return on allocated capital where full year 2009 has been adjusted to the 2010 LTIR rate

3. Long-Term Savings excluding US Life.

# Financial summary

- Pre-tax AOP up 43% on H1 2009
  - (H1 2010 £735m: H1 2009 £513m)
- Adjusted MCEV per share down slightly
  - (H1 2010 166.6p: FY 2009 171.0p)
- Solvency II well underway; in FSA IMAP<sup>1</sup>
- Strong capital position (FGD £1.7bn excluding LT2)
- Good holding company liquidity (£1.0bn)
- 1.1p interim dividend for 2010



# US Life Transaction



# Transaction rationale

- Achieve further Group simplification
- Risk exposures outside the Group's risk appetite
- Unlikely to meet Group targeted returns
- Little overlap with rest of LTS division
- More likely to fulfil potential under different ownership

# Principal terms

- Sale to Harbinger Capital Partners
- Consideration of \$350m<sup>1</sup> (£220m)
  - Up to \$125m of the consideration held in escrow for 6 months
  - Balance paid in cash on completion

1. Subject to adjustment for statutory capital at transaction close, finalisation of terms of associated reinsurance deal and work-out programme

# Financial effects: Group impact<sup>1</sup>

30 Jun 2010	
MCEV uplift	£718m
MCEV per share	13.2p
IFRS net asset write off	(£689m)
IFRS net asset write off per share	(12.7p)

- Approx. £100m reduction in FGD surplus
  - Offset by reduced capital requirement
  - Reduction in future volatility of FGD capital at risk
- Release of \$115m capital held in OM Re

1. Exact amounts will vary depending on date of completion; the gain or loss on sale will be after recycling of accumulated available for sale investments and foreign exchange movements

# Transaction summary

- Use of net proceeds to repay Group debt
- Completion expected on or after 31 Dec 2010
  - Subject to regulatory approvals & completion mechanics
- Transaction is positive for shareholders:
  - Release of cash to repay debt now
  - Reduces credit risk in the future
  - Substantially reduces economic capital at risk
- Significant step forward in the Group strategy



# Summary

# Summary

- Strong set of results
- Driving change through the Group
- Simplifying structure: sale of US Life
- On track towards 2012 cost reduction & ROE targets



# Q&A

An aerial, high-angle photograph of a large crowd of runners participating in a marathon. The runners are densely packed and moving in the same direction, creating a sense of motion and scale. The image is in black and white, with long shadows cast by the runners, suggesting a bright, sunny day. The runners are wearing various athletic gear, including tank tops, shorts, and running shoes. The overall composition is dynamic and emphasizes the collective effort of the participants.

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