

# INTERIM RESULTS 2013

7 August 2013

INSURANCE | INVESTMENT | SAVINGS | BANKING



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# AGENDA

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**Group Performance**

Julian Roberts, CEO

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**Financial Review**

Philip Broadley, GFD

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**Conclusion & Summary**

Julian Roberts, CEO

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# GOOD FINANCIAL PERFORMANCE

**Earnings per share up 22% in constant currency at 9.3p**

**AOP<sup>1</sup> up 14% in constant currency at £801m**

**Nedbank headline earnings up 13%**

**£9.1bn NCCF<sup>2</sup>**

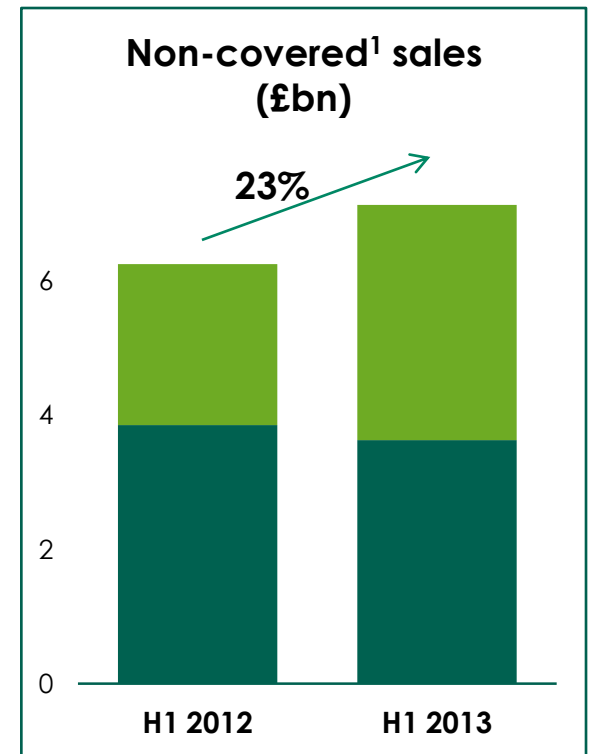
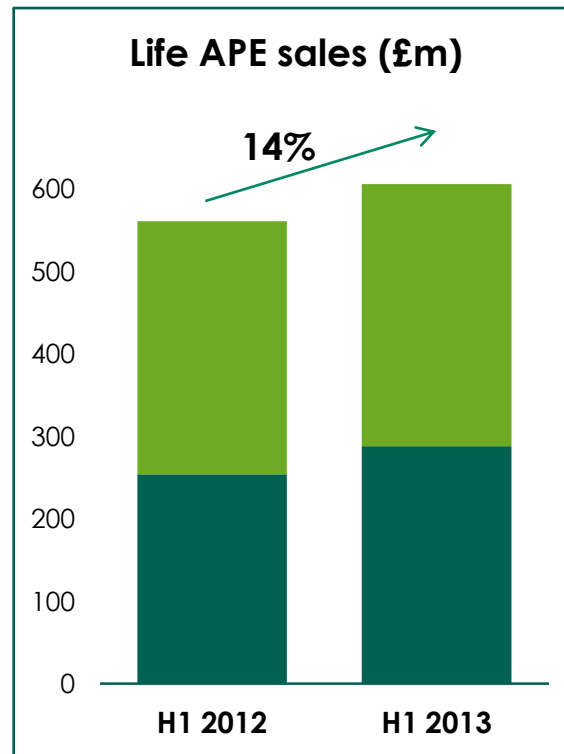
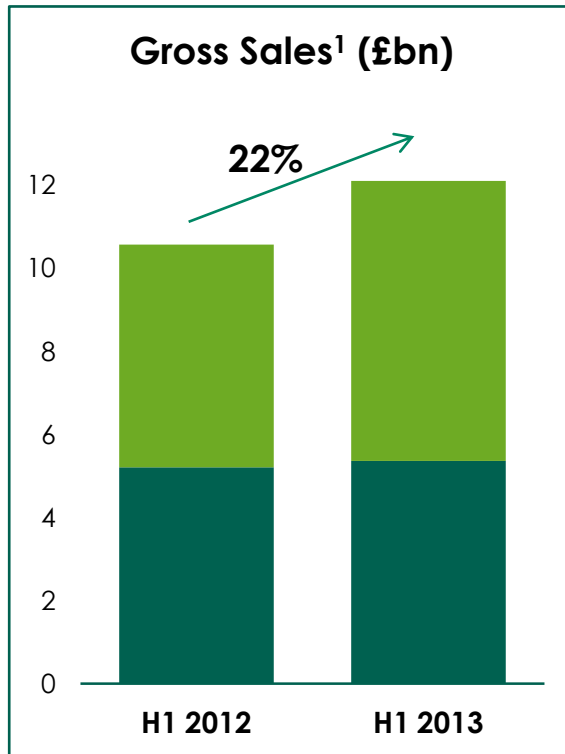
**£460m free surplus generated<sup>2</sup>**

**Group ROE<sup>3</sup> 13.7%**

**20% increase in interim ordinary dividend per share to 2.1p**

1. AOP, pre-tax and NCI, based on core business only
2. Core business only
3. Annualised

# OPERATIONAL HIGHLIGHTS: SALES



■ Old Mutual Wealth  
■ Emerging Markets

Changes shown in constant currency

1. H1 2012 not adjusted for sales by OMAM UK, previously reported in USAM, now in Old Mutual Wealth

# OPERATIONAL HIGHLIGHTS: EMERGING MARKETS SALES

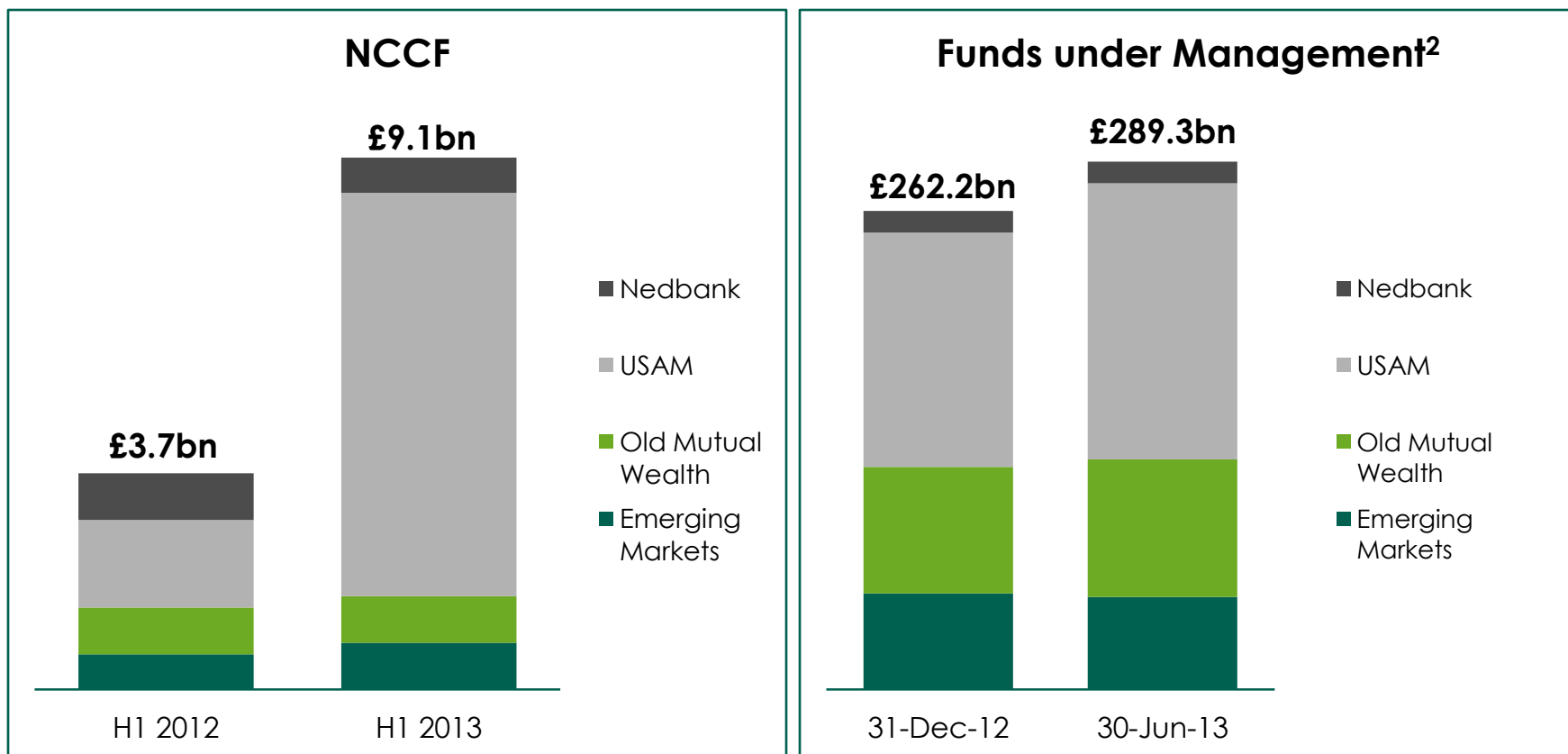
<b>Gross Sales (Rm)</b>	<b>H1 2013</b>	<b>Change</b>
Retail Affluent	<b>26,615</b>	19%
Mass Foundation	<b>3,696</b>	14%
Corporate	<b>9,990</b>	58%
OMIGSA	<b>13,790</b>	(25%)
<b>Total South Africa</b>	<b>54,091</b>	7%
Rest of Africa	<b>5,460</b>	15%
Asia & Latin America	<b>16,635</b>	65%
<b>Total Emerging Markets</b>	<b>76,186</b>	17%

# OPERATIONAL HIGHLIGHTS: OLD MUTUAL WEALTH SALES

<b>Gross Sales (£m)</b>	<b>H1 2013</b>	<b>Change</b>
UK - platform and open book	<b>2,713</b>	3%
International	<b>931</b>	20%
Old Mutual Global Investors <sup>1</sup>	<b>3,510</b>	24% <sup>2,3</sup>
Old Mutual Wealth Europe – open book	<b>805</b>	45%
Heritage business <sup>4</sup>	<b>371</b>	(20%)
Intra-Group flows <sup>1</sup>	<b>(1,589)</b>	78%
<b>Total Old Mutual Wealth<sup>1</sup></b>	<b>6,741</b>	20% <sup>2</sup>

1. Assets & flows managed by OMGI on behalf of other Old Mutual Wealth businesses are included in OMGI sales but not included in Total Old Mutual Wealth sales
2. % change has been adjusted to include H1 2012 sales in OMAM UK (previously reported in USAM)
3. % change has been adjusted to exclude H1 2013 transfers from SLAC to Select (H1 2012: zero)
4. UK Heritage & Old Mutual Wealth Europe closed book (Germany, Austria, Switzerland, Liechtenstein)

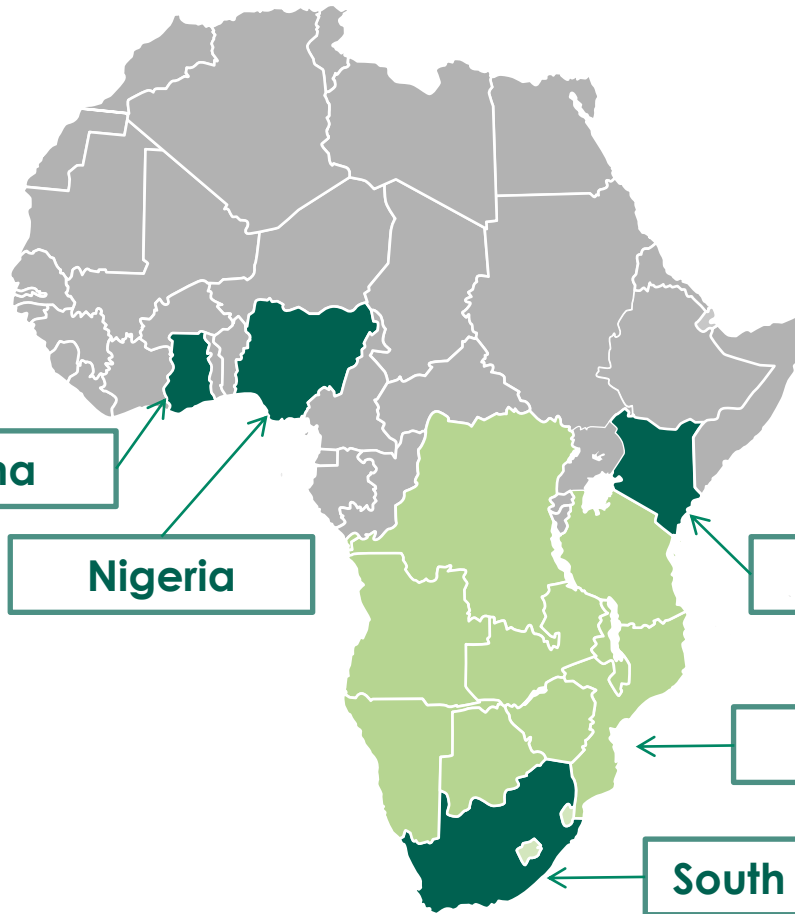
# OPERATIONAL HIGHLIGHTS<sup>1</sup>: NCCF & FUM



1. Core continuing operations only  
 2. Total includes Property & Casualty £0.2bn (31 Dec 2012; £0.2bn)



# EXPANSION IN AFRICA: KEY MARKETS



	Population <sup>1</sup>	Estd. GDP growth 2012-2017 <sup>2</sup>
Nigeria	170m	5.1%
Ghana	26m	4.5%
Kenya	43m	4.0%

1. Source: Population Reference Bureau, 2012 World Population data sheet  
2. Source: Ernst & Young Africa Attractiveness Survey 2013

# EXPANSION IN AFRICA: H1 PROGRESS

## Nigeria

- Completed acquisition of **Oceanic Life**: gaining new customers under Old Mutual brand
- Acquiring<sup>1</sup> a majority stake in Ecobank's property & casualty business

## Ghana

- Acquiring<sup>1</sup> a majority stake in **Provident Life Assurance Company**
- Life & investment products
- Customer base mostly retail mass

## Kenya

- Acquiring<sup>1</sup> a majority stake in **Faulu Kenya**
- Extensive retail distribution network
- Customer base has similar demographic to Mass Foundation market in SA

## Mozambique

- Nedbank acquiring<sup>1</sup> a 36.4% stake in **Banco Unico**
- Innovative banking product, including mobile banking applications

**Total spent<sup>1</sup> R925m; R700m in OMEM**

1. Subject to regulatory approval

# FINANCIAL REVIEW

7 August 2013

INSURANCE | INVESTMENT | SAVINGS | BANKING



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# AGENDA

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**Group profit**

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**Business performance**

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**Cash**

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**Capital & Dividend**

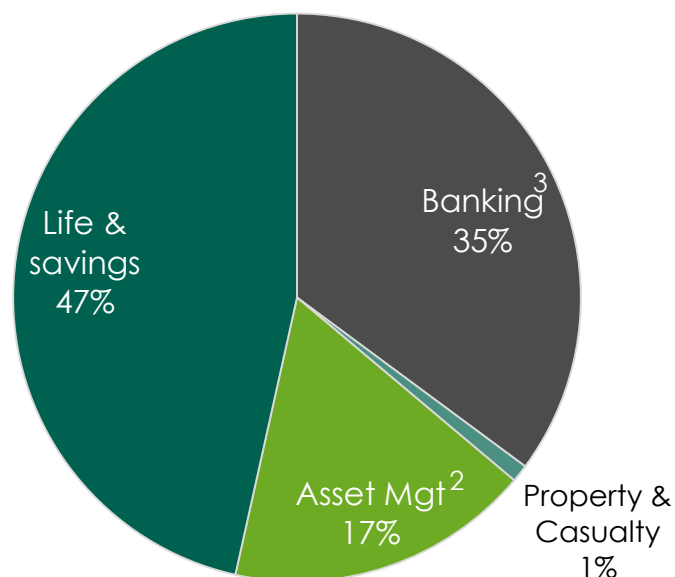
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**Financial summary**

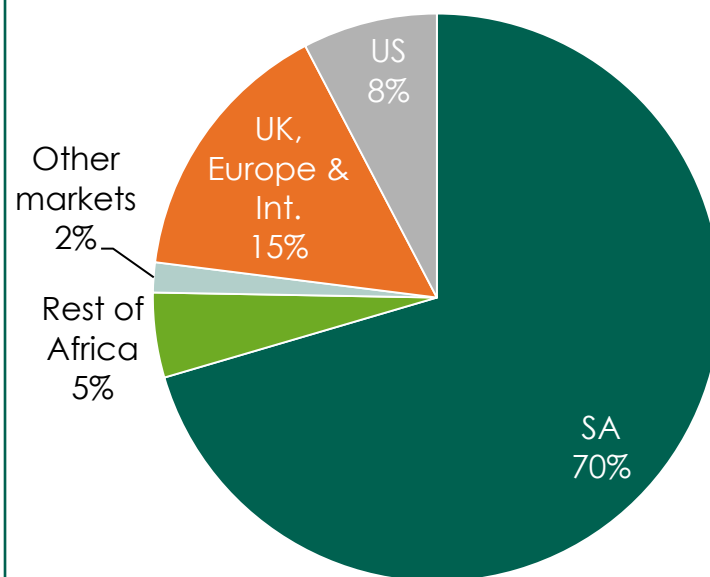
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# EARNINGS BY LINE OF BUSINESS AND GEOGRAPHY<sup>1</sup>

H1 2013 AOP by line of business  
(pre-tax, post NCI)



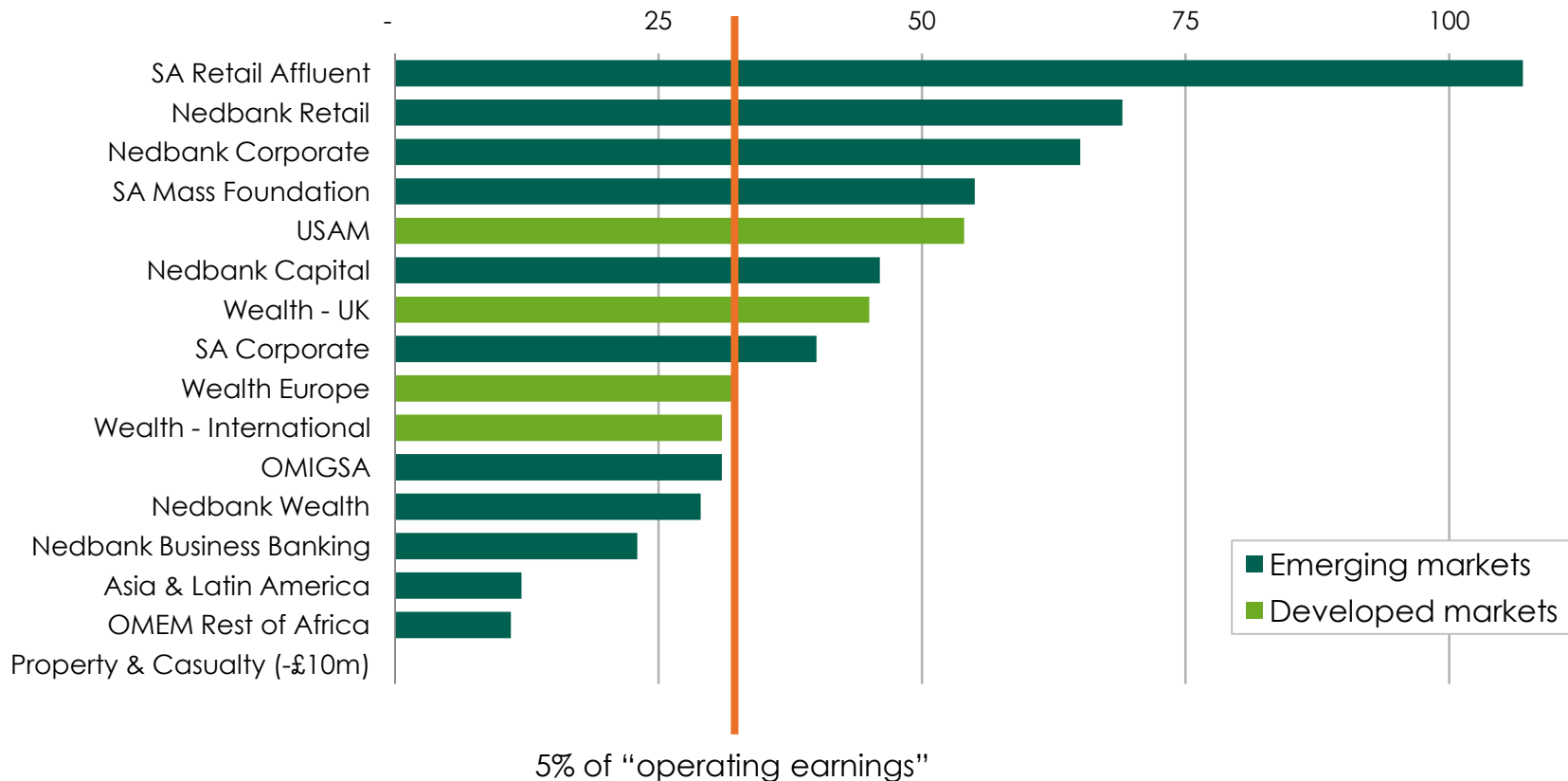
H1 2013 AOP by geography  
(pre-tax, post NCI)



1. Core operations, excluding GHO net central costs
2. Includes USAM, OMGI and OMEM & Nedbank's asset management businesses
3. Includes Nedbank and OMEM's Zimbabwe CABS

# DIVERSITY OF OPERATING EARNINGS

H1 2013 “operating earnings” (£m, pre-tax, post NCI) <sup>1</sup>



1. Excludes LTIR, Group Head Office and OMEM Central Costs and unallocated income in Nedbank

# OPERATING PROFIT ANALYSIS: IFRS AOP

£m	H1 2013	Change in const.curr <sup>1</sup>
Emerging Markets	290	13%
Nedbank	387	8%
Property & Casualty	10	(63%)
Old Mutual Wealth	108	14%
US Asset Management	54	26%
<b>Business unit AOP<sup>2</sup></b>	<b>849</b>	<b>9%</b>
Finance costs	(46)	39%
Other <sup>3</sup>	(2)	33%
<b>AOP pre-tax and NCI</b>	<b>801</b>	<b>14%</b>
Taxation	(207)	(11%)
Non-controlling interests	(146)	1%
<b>IFRS AOP post-tax and NCI</b>	<b>448</b>	<b>22%</b>

1. Comparatives have been restated to reflect accounting policy changes required by IAS 19 and IFRS 10, as well as the allocation of 100% of iWyze to Property & Casualty (previously 50% to OMEM)
2. Business unit AOP is pre-tax and NCI
3. Includes LTIR on excess assets, interest payable to non-core operations, corporate costs & other expenses

# RETURN ON EQUITY & OPERATING MARGIN

	H1 2012	H1 2013
Return on Equity		
Emerging Markets <sup>1,2</sup>	23%	<b>24%</b>
Nedbank (exc. goodwill) – as published	15.8%	<b>16.1%</b>
Property & Casualty <sup>1,3</sup>	12%	<b>4%</b>
Old Mutual Wealth <sup>4</sup>	14%	<b>15%</b>
USAM <sup>3</sup>	12%	<b>15%</b>
Group ROE <sup>5</sup>	13.0%	<b>13.7%</b>
USAM operating margin - continuing operations, post-NCI <sup>6</sup>	29%	<b>29%</b>

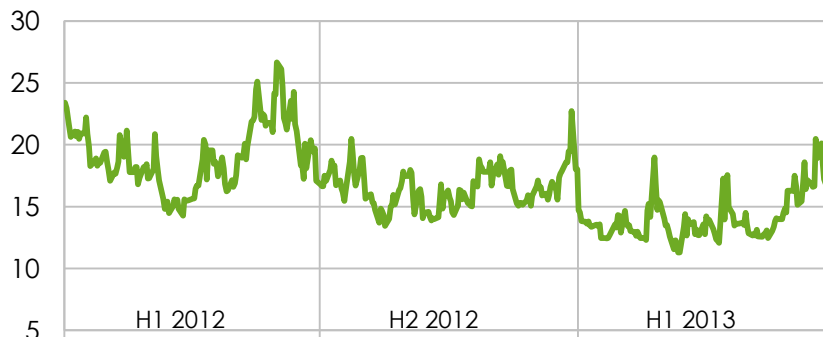
1. Comparatives re-stated to reflect allocation of 100% of iWyzé to Property & Casualty (previously 50% to OMEM)
2. OMSA, ROA and Asia calculated as return on allocated capital; Latin America calculated as return on average equity
3. IFRS AOP (post-tax and NCI) divided by average shareholders' equity
4. IFRS AOP (post-tax) divided by average shareholders' equity, excl. goodwill, PVIF & other acquired intangibles
5. Core business IFRS AOP (post-tax) divided by average ordinary shareholders' equity
6. Comparative restated to reflect the adoption of equity accounting for Heitman, as now required by IFRS 10



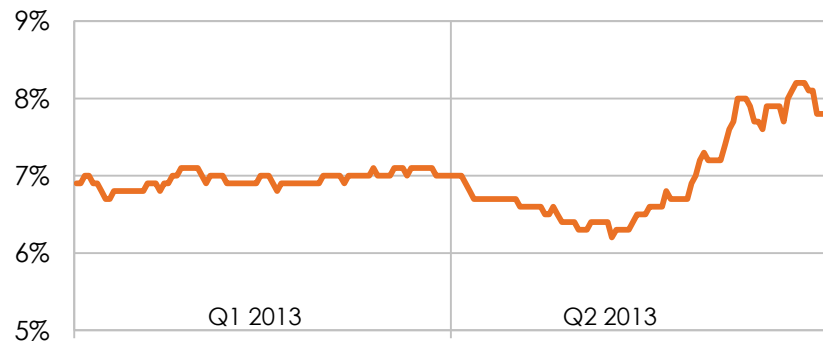


# MACRO ENVIRONMENT

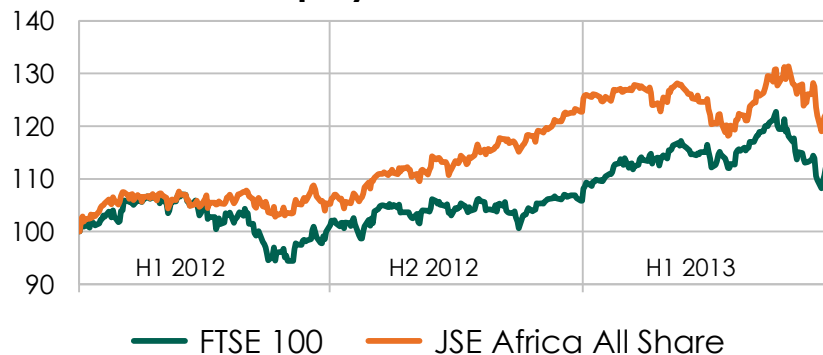
### Volatility Index (VIX)



### FSV 10-year government bond yields



### Equity markets<sup>1</sup>



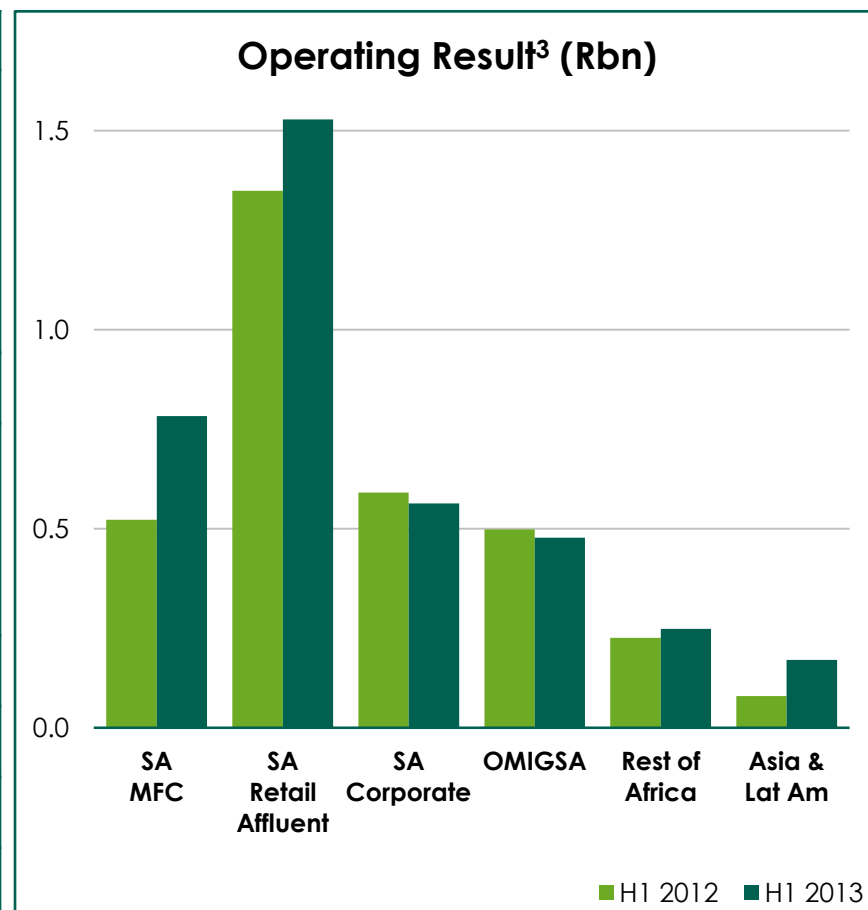
### Currency



1. Rebased to 2 Jan 2012 = 100

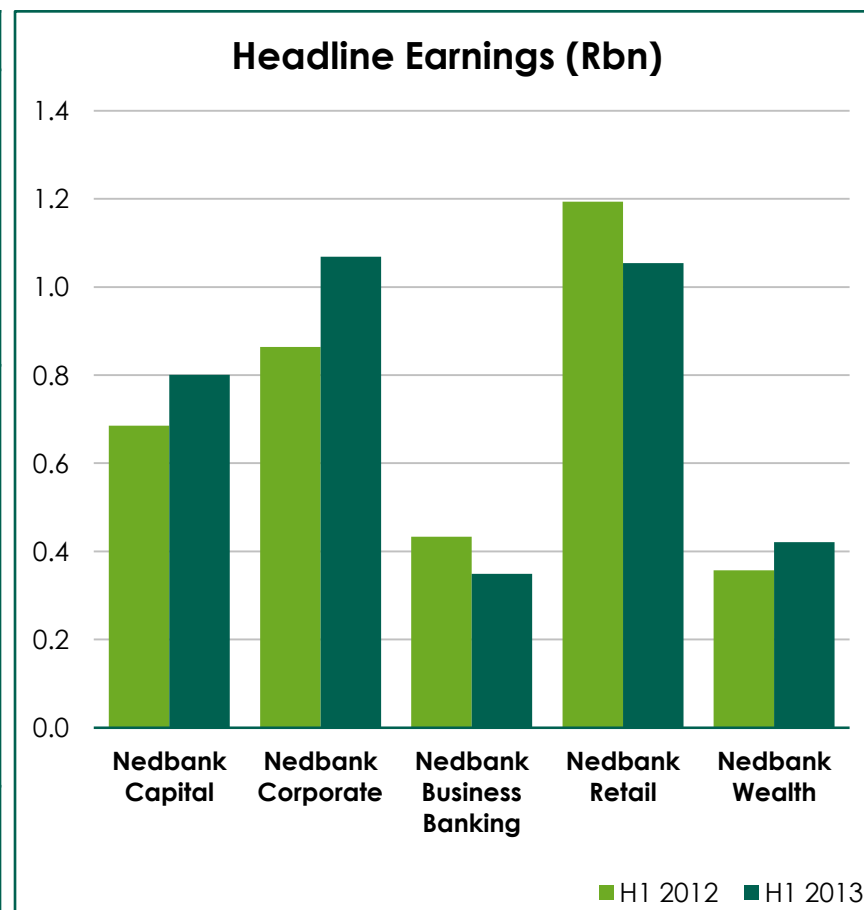
# OLD MUTUAL EMERGING MARKETS

AOP (Rm)	H1 2012 <sup>1</sup>	H1 2013
South Africa		
Life & Savings	2,462	<b>2,874</b>
OMIGSA	498	<b>477</b>
LTIR	643	<b>599</b>
<b>South Africa</b>	<b>3,603</b>	<b>3,950</b>
Rest of Africa		
Operating profit	226	<b>248</b>
LTIR	141	<b>184</b>
<b>Rest of Africa<sup>2</sup></b>	<b>367</b>	<b>432</b>
<b>Asia &amp; Latin America</b>	<b>79</b>	<b>170</b>
Central costs	(388)	<b>(437)</b>
<b>Total AOP (pre-tax)</b>	<b>3,661</b>	<b>4,115</b>



- Comparatives restated to reflect the move of iWyzé to Property & Casualty (previously 50% was reported in OMEM) and the move of SYMMETRY from OMIGSA to Retail Affluent
- Rest of Africa P&C is included in Rest of Africa target (15% by 2015) but is not shown in these figures: H1 2013 is R35m
- Pre-tax, excluding LTIR and central costs

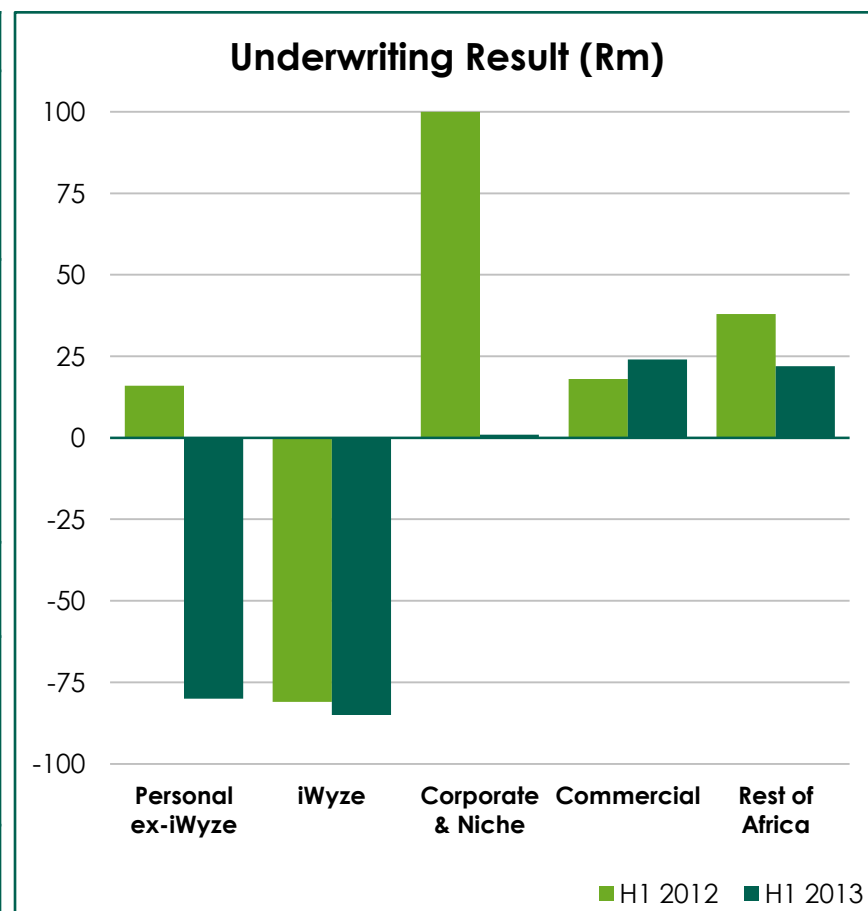
Rm	H1 2012 <sup>1</sup>	H1 2013
Net interest income	9,642	<b>10,309</b>
Non-interest revenue	8,265	<b>9,535</b>
Impairments	(2,702)	<b>(3,325)</b>
Operating income	15,205	<b>16,519</b>
Expenses	(9,957)	<b>(10,750)</b>
Indirect taxation	(242)	<b>(305)</b>
Non-trading & capital items	34	<b>(4)</b>
Profit before direct taxation <sup>2</sup>	5,040	<b>5,460</b>



1. Comparatives restated to reflect requirements of IAS 19  
 2. On a Headline Earnings basis: on an AOP basis profit is R29m higher (H1 2012: R33m higher)

# PROPERTY & CASUALTY

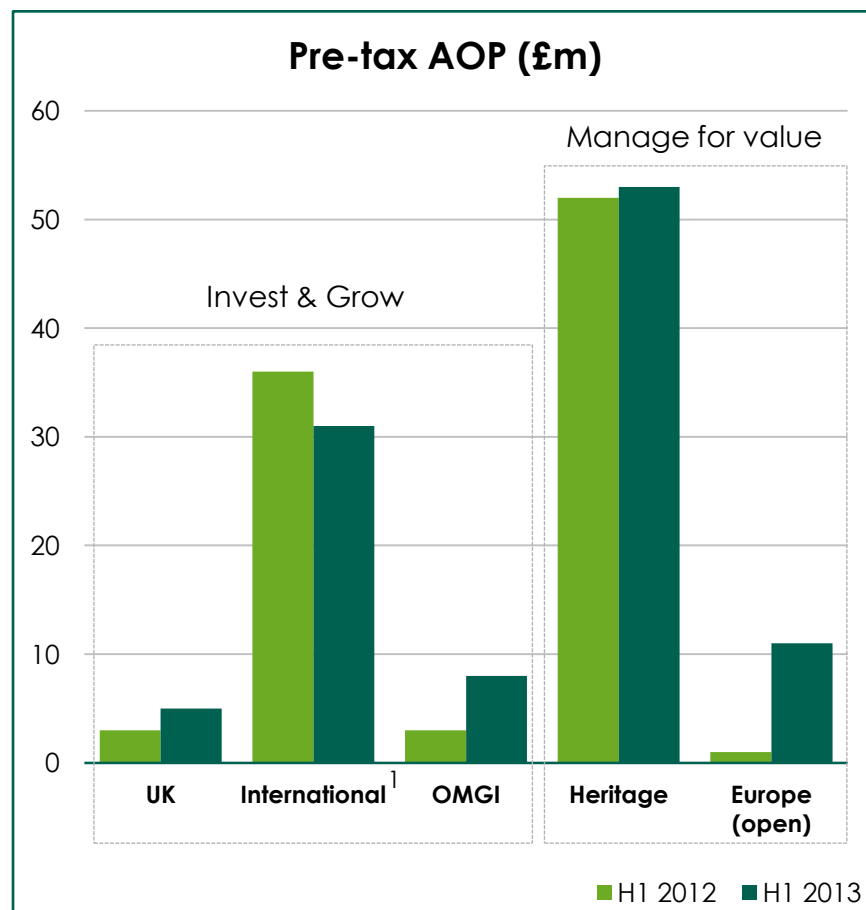
Rm	H1 2012 <sup>1</sup>	H1 2013
Gross written premiums	4,607	<b>5,442</b>
Net earned premiums	3,710	<b>4,359</b>
Claims	2,492	<b>3,222</b>
Acquisition expenses	576	<b>710</b>
Operating expenses	551	<b>545</b>
<b>Underwriting result</b>	91	<b>(118)</b>
LTIR	300	<b>238</b>
Other	(5)	<b>15</b>
<b>AOP pre-tax &amp; NCI</b>	386	<b>135</b>



1. Comparative restated to include 100% of iWyze (previously 50% in P&C, 50% in OMEM)

# OLD MUTUAL WEALTH

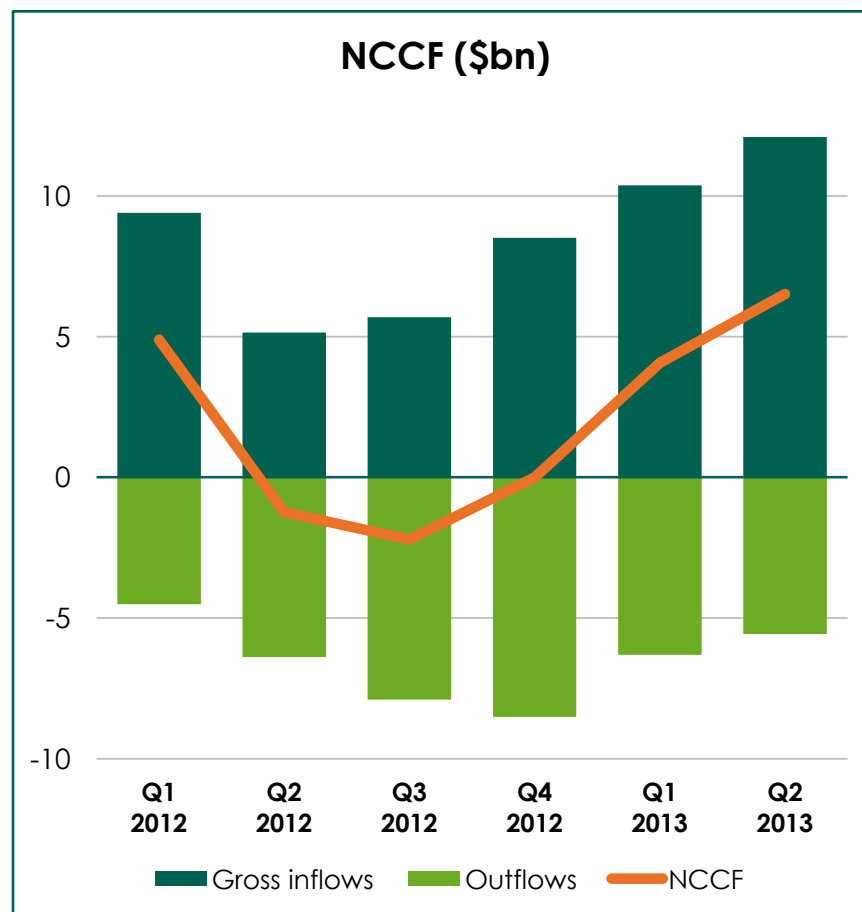
£m	H1 2012 <sup>1</sup>	H1 2013
FuM based revenue	386	<b>438</b>
Commission & acquisition expenses <sup>2</sup>	(159)	<b>(202)</b>
Other fees <sup>3</sup>	50	<b>50</b>
Risk profits	11	<b>10</b>
Investment return	10	<b>8</b>
<b>Total net revenue</b>	<b>298</b>	<b>304</b>
Admin. expenses	(208)	<b>(203)</b>
Policyholder tax contribution	14	<b>16</b>
Adviser fees	(9)	<b>(9)</b>
<b>AOP pre-tax</b>	<b>95</b>	<b>108</b>



1. H1 2012 includes £10m profit from Finland, sold during H2 2012  
 2. Includes DAC net of deferred fee income  
 3. Includes fixed fees, surrender fees and other net income/expenses

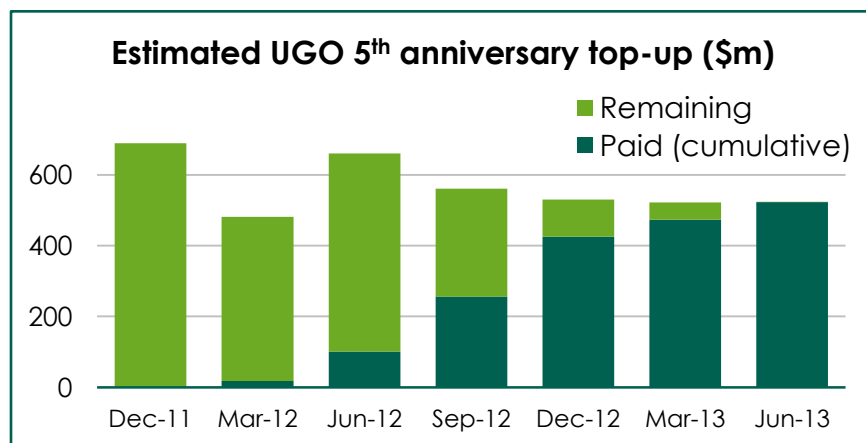
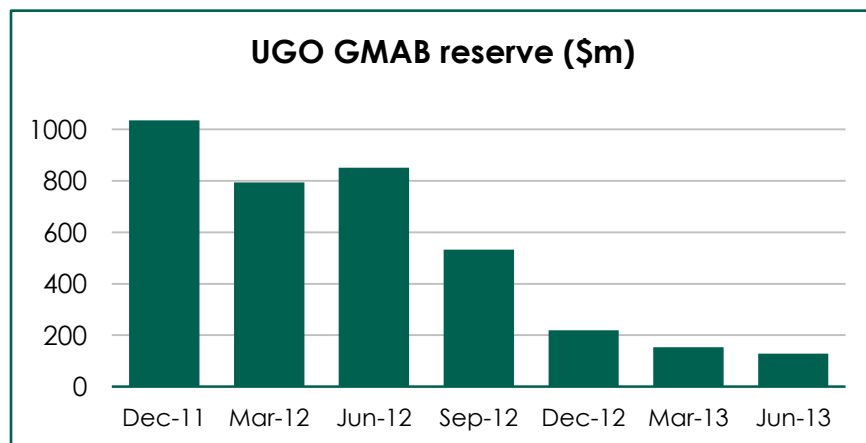
# US ASSET MANAGEMENT<sup>1</sup>

\$m	H1 2012 <sup>2</sup>	H1 2013
Management fees	243	<b>278</b>
Performance & transaction fees	3	<b>8</b>
Other revenue	13	<b>8</b>
Total revenue	259	<b>294</b>
Operating expenses	(111)	<b>(118)</b>
Variable comp.	(64)	<b>(80)</b>
Total expenses	(175)	<b>(198)</b>
AOP pre-minorities	84	<b>96</b>
Minority interests	(8)	<b>(12)</b>
AOP post-minorities	76	<b>84</b>



1. Continuing operations only, excluding disposed/transferred affiliates  
2. H1 2013 reflects equity accounting for Heitman, comparatives have been restated accordingly

# BERMUDA RUN-OFF



- 98% of UGO GMAB contracts (by value) had reached their 5<sup>th</sup> anniversary date by 30<sup>th</sup> June; 70% of those (by value) had been surrendered
- Policyholder liabilities have reduced by two-thirds since 1 Jan 2012
- Regulatory agreement post-30<sup>th</sup> June to reduce inter-company loan notes by \$450m
- HAV features for the Hong Kong book have been hedged

# MCEV

	H1 2012	H1 2013
Adjusted operating Group MCEV earnings per share (pence)		
Covered business	4.7	<b>3.8</b>
Non-covered business	3.3	<b>4.0</b>
Total <sup>1</sup>	8.0	<b>7.8</b>
Covered business (Emerging Markets & Old Mutual Wealth)		
VNB (post-tax) (£m)	£74m	<b>£108m</b>
PVNBP margin (post-tax)	1.8%	<b>2.3%</b>
APE margin (post-tax)	14%	<b>19%</b>
	<b>31 Dec 2012</b>	<b>30 Jun 2013</b>
Adjusted Group MCEV (£bn)	£10.8bn	<b>£10.3bn</b>
Adjusted Group MCEV per share (pence)	220.5p	<b>209.7p</b>

1. H1 2013 is core operations only (H1 2012: 7.1p); H1 2012 also included non-core continuing operations of 0.4p & discontinued operations of 0.5p



# CONVERSION OF BUSINESS UNIT PROFIT TO PLC CASH

H1 2013 (£m)	AOP (post-tax & NCI)	Net free surplus generated	BU remittance <sup>1</sup>	% of AOP converted into BU remittance
Emerging Markets	205	193	40 <sup>2</sup>	<b>20%</b>
Nedbank	153	75 <sup>3</sup>	75	<b>49%</b>
Property & Casualty	5	10	16	<b>320%</b>
Old Mutual Wealth	88	115	1	<b>1%</b>
USAM	41	67	69	<b>168%</b>
<b>H1 2013 before GHO &amp; finance costs</b>	<b>492</b>	<b>460</b>	<b>201</b>	<b>41%</b>
H1 2012 before GHO & finance costs	508	457 <sup>4</sup>	315 <sup>4</sup>	62%

**93% conversion of AOP into free surplus (90% in 2012)**

1. Excludes cash flows from disposals and funding of businesses
2. Required OMEM contribution to Group dividend in excess of amounts received from Nedbank and Property & Casualty
3. Nedbank free surplus represents OM share of Nedbank dividend
4. 2012 restated on a like-for-like basis with 2013, where appropriate



# SOURCES AND USES OF PLC CASH

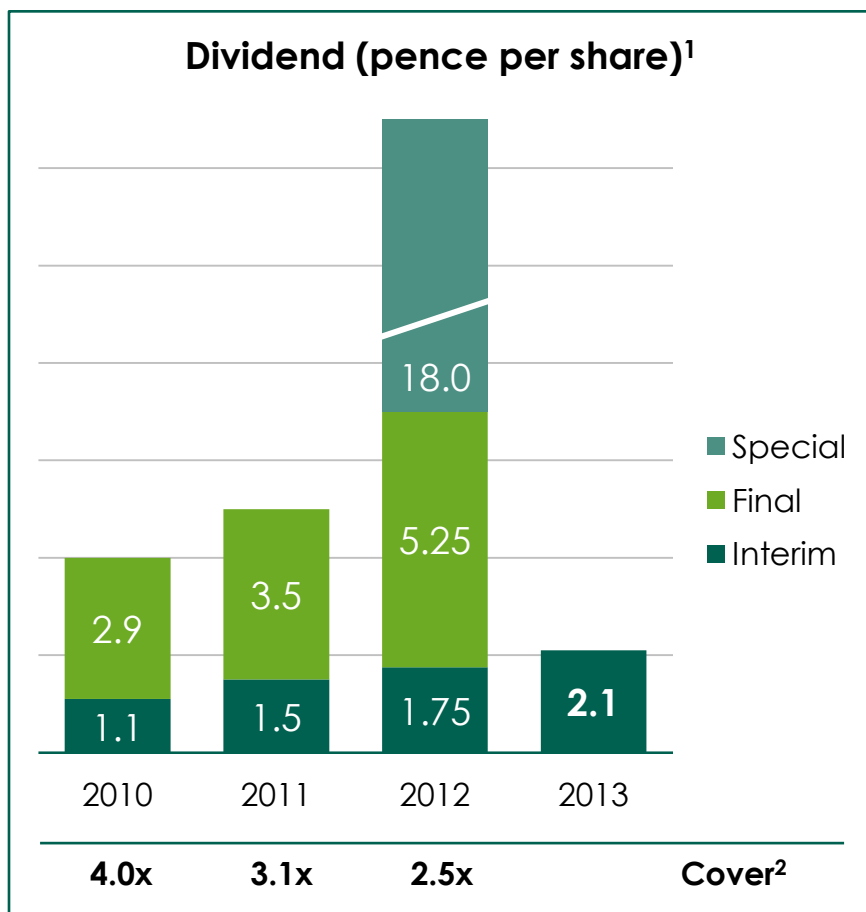
<b>£m</b>	<b>H1 2013</b>	
PLC opening balance	472	
Operational remittances from BUs	201	SA: £131m UK/US/Euro: £70m
Interest paid	(38)	
GHO costs	(21)	
Other operational flows	(2)	
Ordinary cash dividends	(238)	SA: £122m UK: £116m
Central costs and dividend	(299)	
Net capital flows	(18)	Intra-group transfer of China: £44m Funding: (£62m)
<b>PLC closing balance</b>	<b>356</b>	

# FGD

Group FGD (£bn)	31 Dec 2011	30 Jun 2012	31 Dec 2012 <sup>1</sup>	30 Jun 2013	ZAR/GBP @13.0	ZAR/GBP @17.0
Capital resources	5.7	5.7	5.7	<b>5.6</b>	6.2	5.1
Capital requirement	3.7	3.4	3.6	<b>3.5</b>	3.9	3.2
Surplus	2.0	2.3	2.1	<b>2.1</b>	2.3	1.9
<b>Coverage ratio %</b>	154%	168%	159%	<b>160%</b>	158%	161%

1. As submitted to the PRA

# DIVIDEND



- 2.1 p per share interim ordinary dividend declared
- To be paid at end-October
- Progressive dividend policy
  - Targeting 2.25 times cover
  - Interim dividend set routinely at c.30% of prior year total dividend
- Dividend progression is supported by earnings and cash flow

1. Dividend is as paid, unadjusted for the share consolidation in 2012

2. Cover based on AOP EPS as reported at each year end; does not include any retrospective restatements

# FINANCIAL SUMMARY H1 2013

- Profit growth continues: AOP up 14% at £801m<sup>1</sup>
- Cash generation remains strong: £460m free surplus generation
- Balance sheet is sound: FGD coverage ratio 160%
- Dividend progression is supported: interim dividend up 20% at 2.1p

1. AOP pre-tax and NCI, change at constant currency

# CONCLUSION & SUMMARY

7 August 2013

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# STRATEGY FOR GROWTH

<b>Emerging Markets</b>	Expanding in growth markets of <b>South Africa</b>
	Expanding footprint in <b>Africa</b> & selected other emerging markets
<b>Developed Markets</b>	Growing <b>Old Mutual Wealth</b>
	Improving & growing <b>US Asset Management</b>
<b>Group Wide</b>	Unlocking value through efficiency & appropriate simplification

# AFRICA SHOWCASE

**Cape Town, 4-6 December 2013**

**OM Emerging Markets, Nedbank,  
Property & Casualty (incl. M&F)**





# SUMMARY

**Strong first half**

**Good financial performance**

**Continued to build our business in emerging and developed markets**

**Further progress on the strategy**

**Right shape, right markets, right strategy**

**Continued delivery of growth and shareholder value**



# Q&A

7 August 2013

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