OUTPERFORMING IN AN UNCERTAIN ENVIRONMENT

RMB Morgan Stanley

Big Five Investor Conference

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Outperforming in an uncertain environment

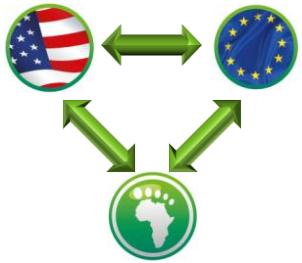
Old Mutual Group: Strategic progress and contribution from Emerging Markets

Why Africa: our heritage and a new frontier of financial services

Growth options and strategy for expansion into Africa

Old Mutual Africa: delivering value in 2015

Old Mutual Group: Strategic progress



Growing Wealth Management

- Advanced preparations for RDR in the UK
- New platform pricing structure announced
- Restructuring to create asset management engine to power Wealth Management

Turning round US Asset Management

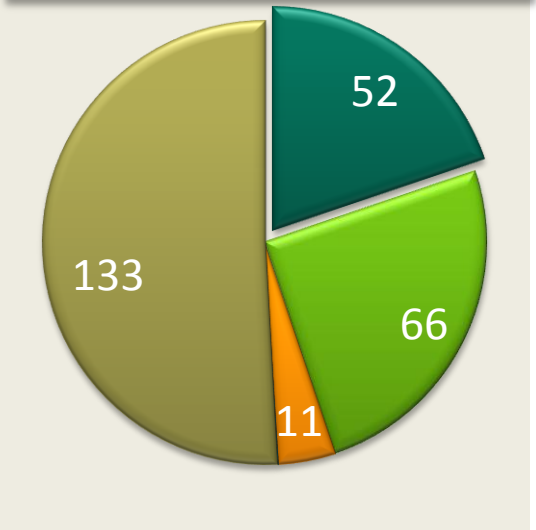
- Positive NCCF delivered
- Investment performance and margins on improving trend
- Rationalisation of affiliates: completed sale of Dwight & OMCap

Expanding our footprint in Africa

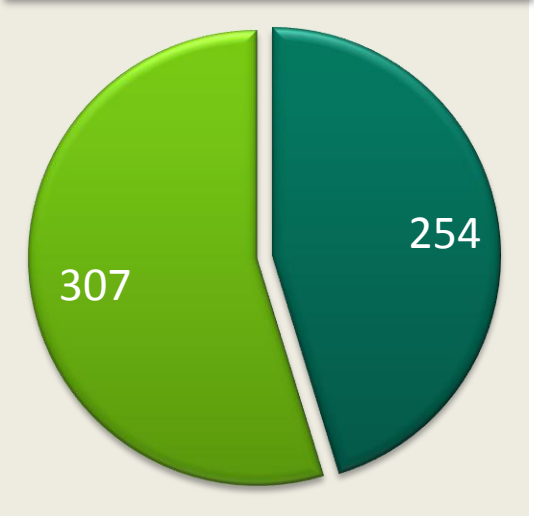
- Acquisition of Oceanic Life in Nigeria expected to complete Q3; integration in progress
- Considering entry into Nigerian non-life market
- Continued strong sales in South African retail markets
- Another excellent six months for Nedbank

Emerging Markets contribution to Group results in June 2012

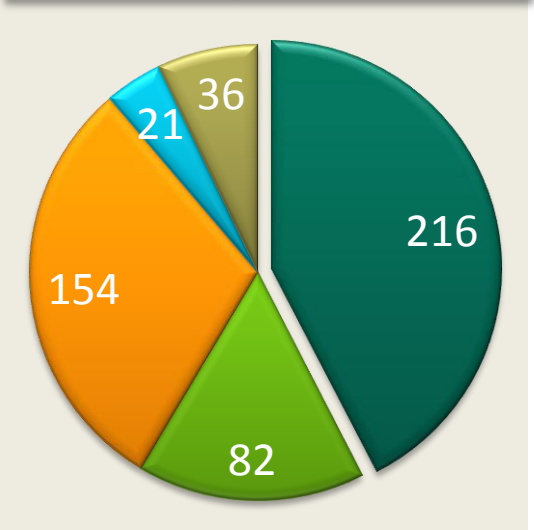
FUM (End manager)
(£'bn)



Covered business APE (£'m)



IFRS AOP[1]
(£'m)



Emerging Markets | Wealth Management | Nedbank | M&F | US Asset Management

1. IFRS AOP is shown after tax and non-controlling interests

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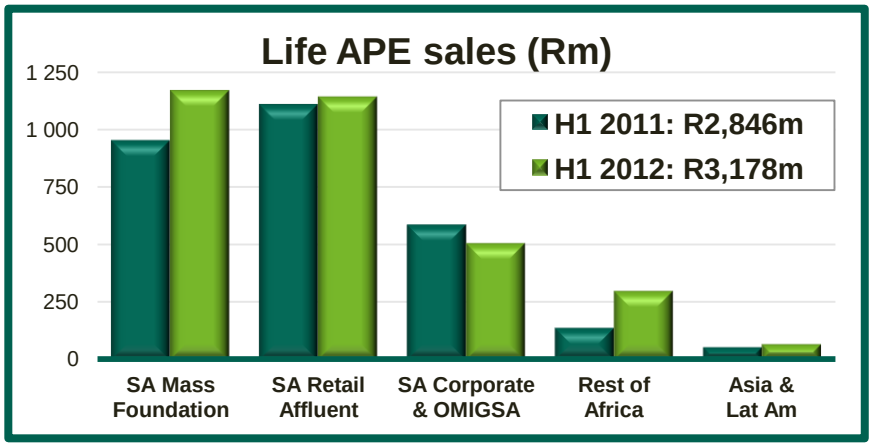
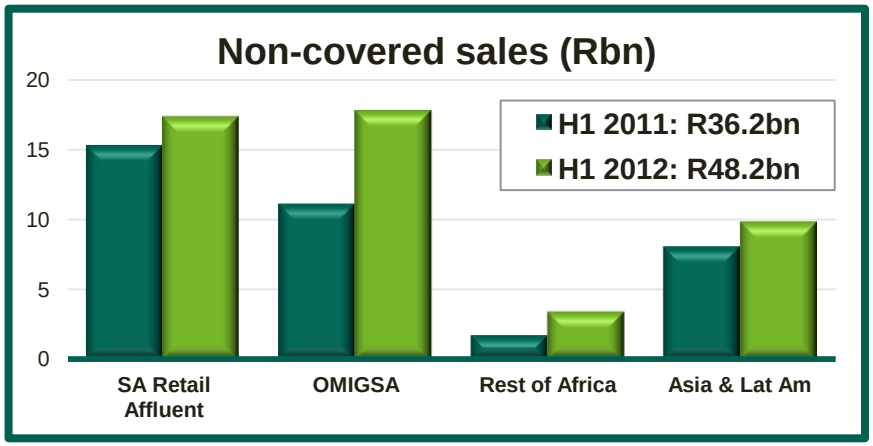
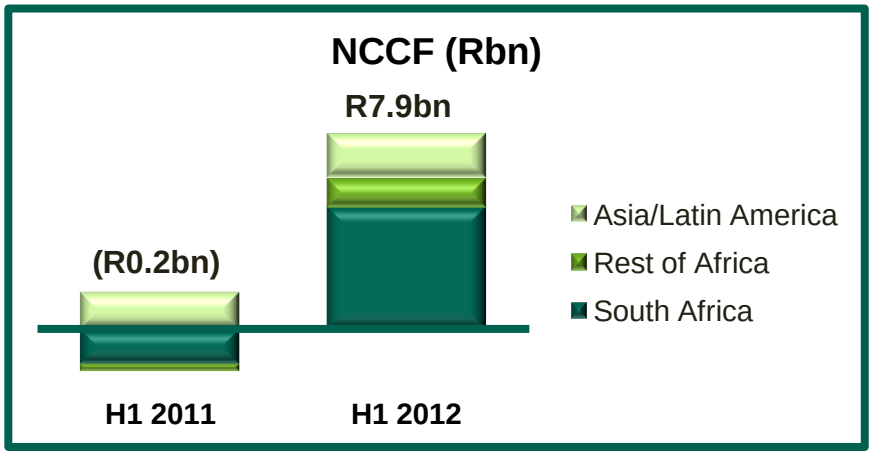
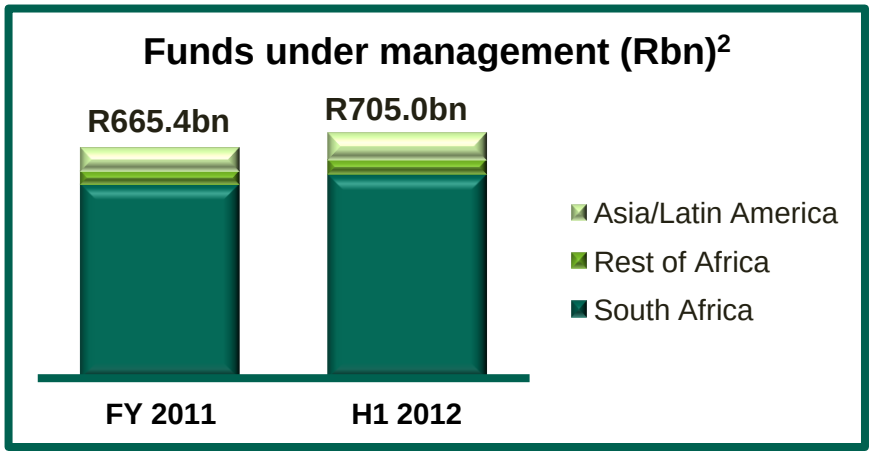
Old Mutual Emerging Markets[1]: Sales and fund flows









1. Rest of Africa: H1 2012 includes Namibia, Zimbabwe, Kenya, Malawi and Swaziland: H1 2011 includes Namibia only.
2. FUM is shown on a start-manager basis

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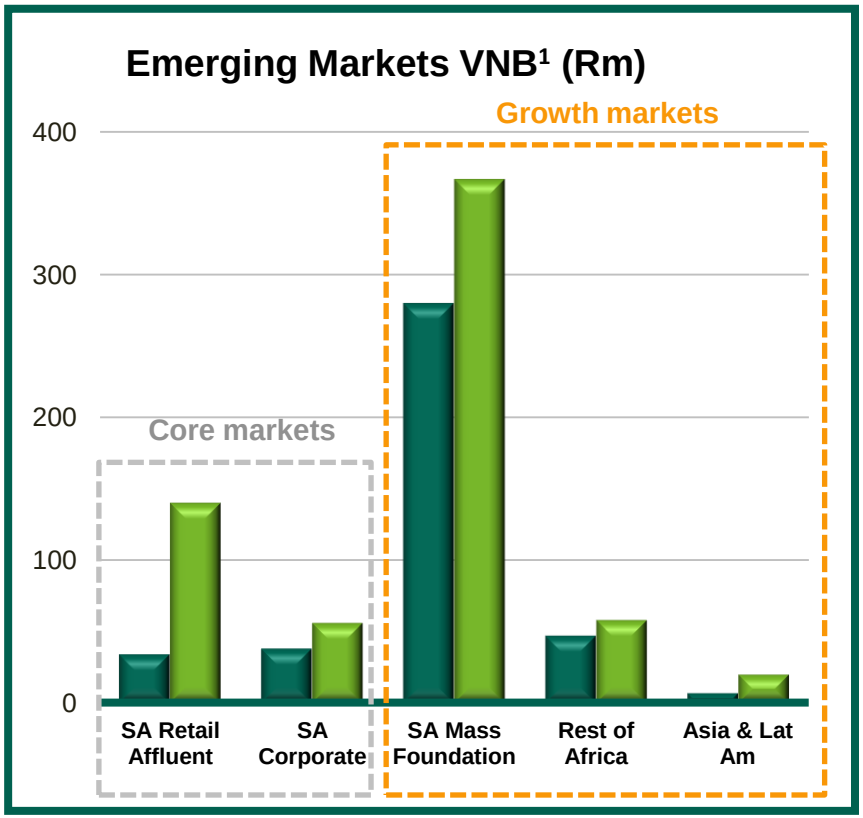
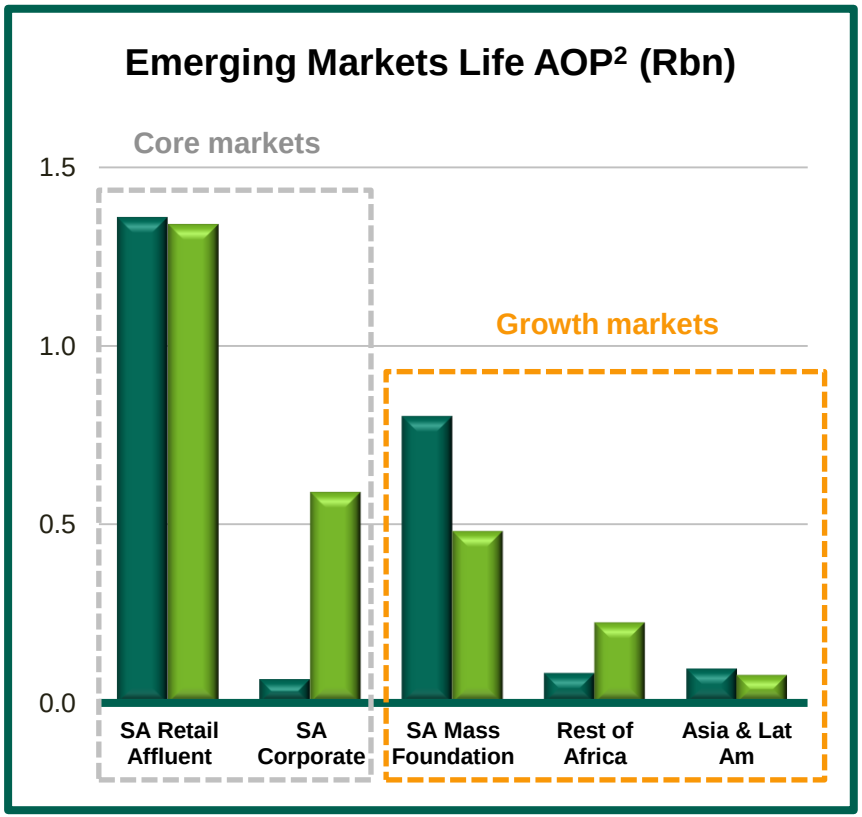
Old Mutual Emerging Markets: Core and growth markets





H1 2011 H1 2012

1. Rest of Africa VNB is Namibia only.
2. AOP is pre-tax, excluding OMIGSA, LTIR & central expenses & administration. Rest of Africa: H1 2012 AOP includes Namibia, Zimbabwe, Kenya, Malawi and Swaziland: H1 2011 includes Namibia only.

Note: RoA is now approximately 10% of OMSA in profit terms, up from 1.5% in 2006

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The case for accelerating growth in Africa

- Number of African households with discretionary spending power[1] is increasing
  - 60m in 2000[2]
  - 86m in 2008[2]
  - 129m in 2020 (forecast)[2]
- Improving regional integration
  - In both East Africa and West Africa
- Low levels of insurance penetration
  - Life insurance penetration in sub-Saharan excl. South Africa is below 0.5% for most countries[3]
  - Life insurance penetration in South Africa is 12.5%[3]
  - Significant non-life businesses
- Higher margins
  - Emerging markets outside South Africa offer superior margins (c2.5x above those in South Africa)[3].
  - This implies that the ratio of profits relative to the levels of premium income is more attractive in those markets.
- Traditional competition limited to our South African peers
- Acceleration balanced with a focus on medium- to long-term value creation
- Old Mutual is well-placed for investors looking for an entry-point into Africa

1. Household with income >USD 5,000 (discretionary income)
2. Source: Mckinsey & Company , Lions on the move: The progress and potential of African economies – June 2010
3. Source: Growth for SA insurers; mushrooms in emerging markets by Deutsche Securities (Pty) Ltd (July 2009)

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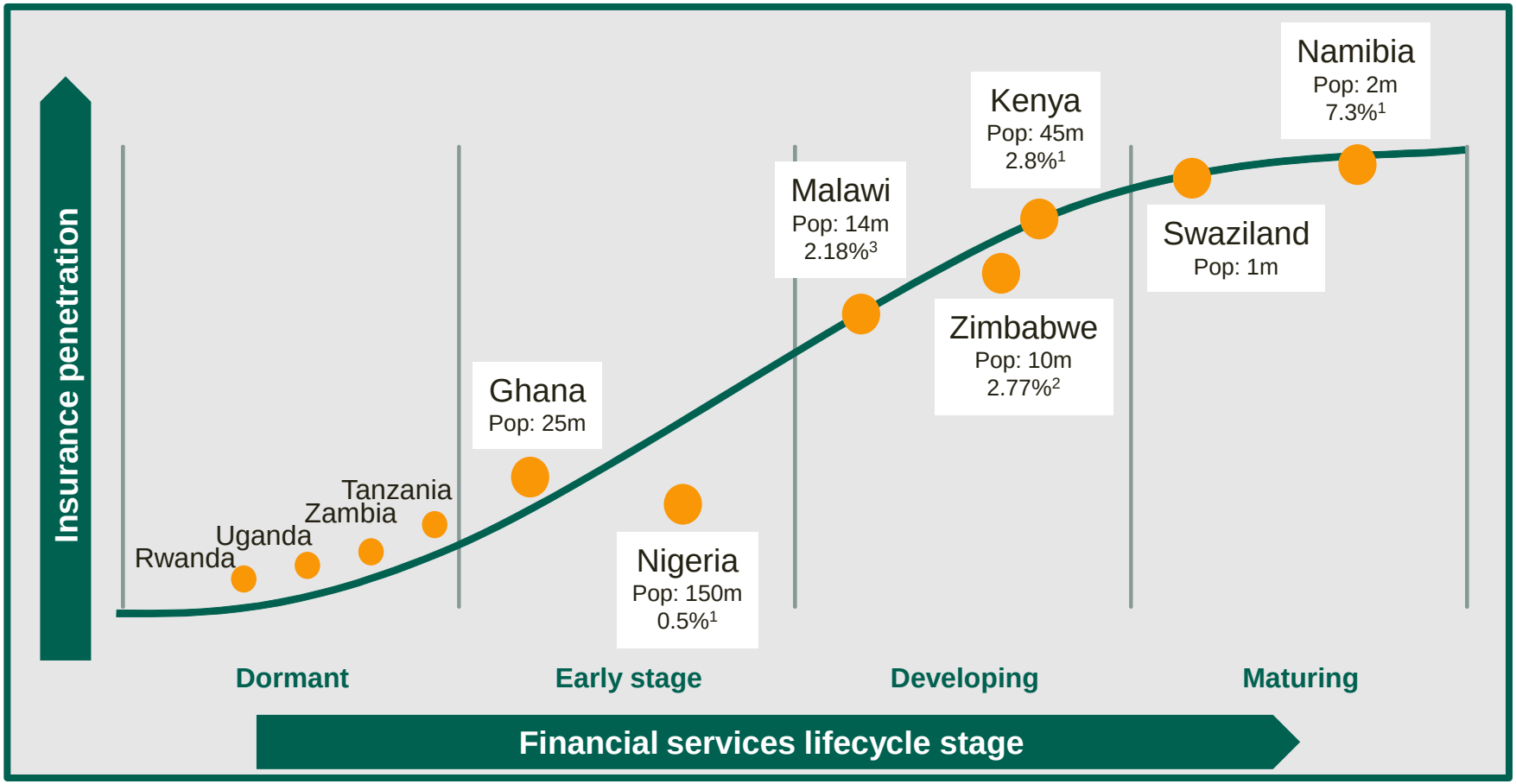
Why Africa: Markets with large populations, growing GDP and low insurance penetration



1. Insurance penetration 2010 (Swiss Re Sigma report) – includes Life and Non-Life business
2. Source: AXCO Insurance Market Report, Mar 2011, 2007 data presented
3. Source: AXCO Insurance Market Report, Mar 2011, 2008 data presented

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Old Mutual Africa
Current operations

Old Mutual in Africa		
	Namibia Pop: 2m	238,250 customers, 624 employees Mkt position: Life #1, AM #1 Mutual & Federal
	Zimbabwe Pop: 10m	782,150 customers, 987 employees Mkt position: Life #1, AM #1 Mutual & Federal
	Kenya Pop: 45m	27,005 customers, 445 employees Mkt position: Life #8, AM #1
	Swaziland Pop: 1.2m	18,000 customers, 26 employees Mkt position: Life #1 Mutual & Federal
	Malawi Pop: 14m	113,538 customers, 109 employees Mkt position: Life #1, AM #1
	Botswana Pop: 2m	Mkt position: Mutual & Federal #3
	Nigeria Pop: 150m	Awaiting regulatory approval

Building on 3 strong South African businesses

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Two-fold approach to expansion

- "Business in a box"
- Strategic alliances

Old Mutual's unique skills & positioning in Africa

Brand strength	• Local heritage • International brand • Trust
Market understanding	• Understand economic, demographic & market trends • Understand circumstances, needs & business models needed to serve mass and middle income customers
Distribution skills	• Skilled at building and managing tied agency forces • Using new world distribution (eg. mobile telephony) to complement conventional models
Cost leverage	• Scale advantage facilitates low unit-cost service • Industrial approach to operational efficiency
Financial position	• Growth can be funded by existing local cash and profit generation

Our growth plans in Africa: Approach

Build our existing businesses and enter new countries where economics and risks make sense through:

- Leverage from existing businesses and capabilities
- Allocate effort based on "size of the prize“
- Transfer technology and know-how
- Use organic and inorganic growth mechanisms
  - M&A, JVs, distribution agreements

Our growth plans in Africa: Building on our strong South African businesses

NEDBANK

Ecobank
The Pan African Bank

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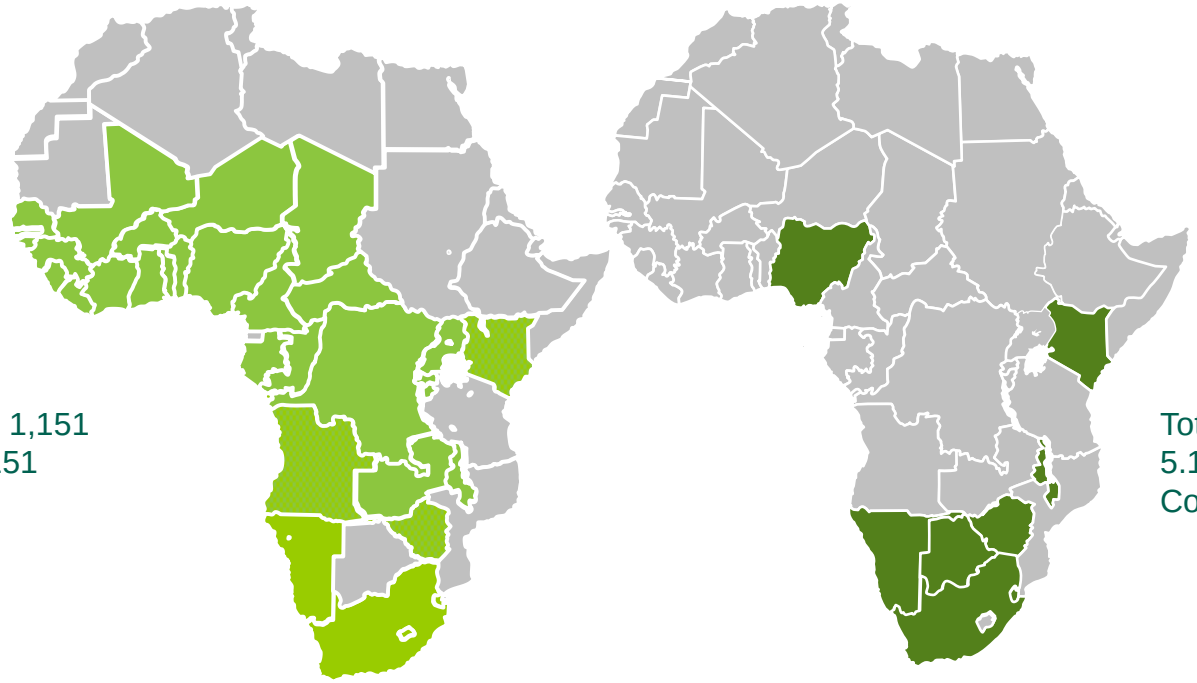


Total branches: 1,151
Total ATMs: 2,151
Countries: 35

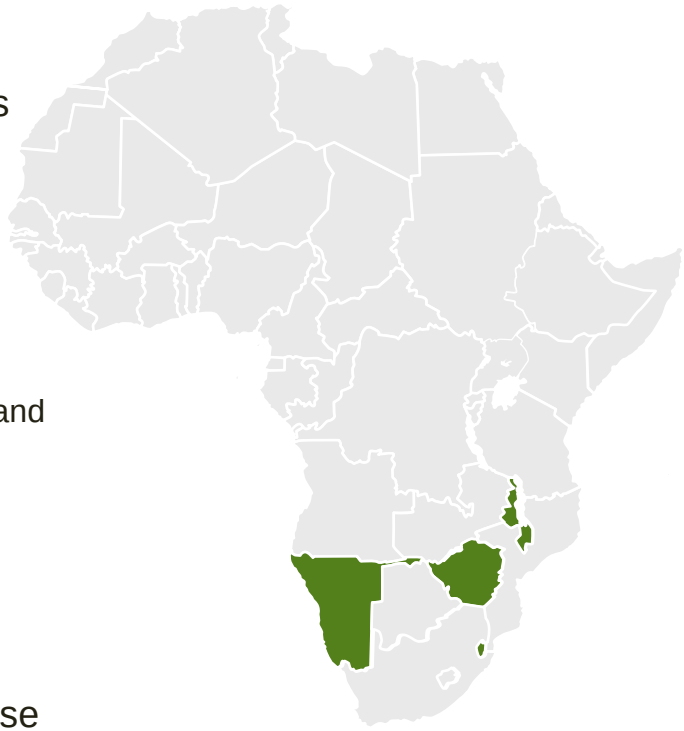
Total customers:
5.1 million
Countries: 8

Our growth plans in Africa: Governance

- Group governance measures applied across all African countries
- African boards composed of skilled and experienced executive and non-executive / independent directors
- Experienced OM staff members appointed to African boards
- Strong local management teams with oversight from Emerging Markets management team

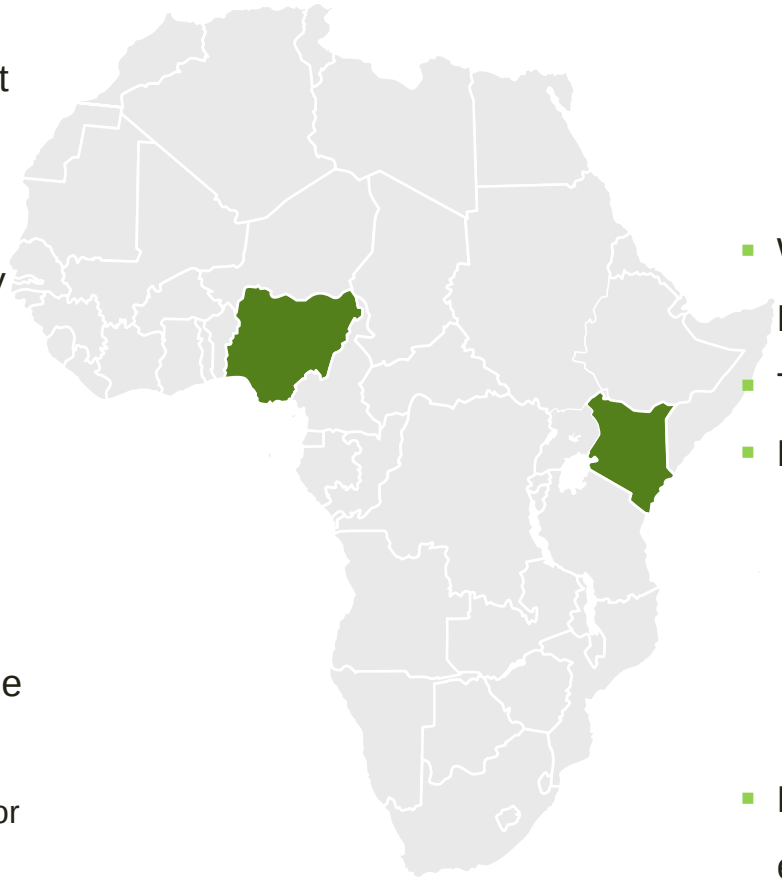
Growth Options: Southern Africa

- We currently have leading positions in Zimbabwe and Namibia.
- These two markets currently drive the bulk of the RoA operations
- Market position
  - Life: #1
  - Asset management: #1
  - Market shares of 65% in Namibia and 70% in Zimbabwe in Life, and 35% and 70% in Asset Management
- Relatively strong cash generators
- Managing these businesses for value
- Hub for potential future expansion into attractive countries in close proximity



Growth Options: East and West Africa

- Nigeria is the 2nd largest economy in SSA - forecast to become the largest by 2025
- Nigerian business is ready to commence with a full staff complement
- Integration with Oceanic Life is on track
- Nigeria is a hub for potential expansion into the rest of West Africa (Nigeria and Ghana together account for over 75% of the GDP of West Africa)



- We currently have a presence in Kenya
- The operation is small in size
- Market position
  - Life: #8
  - Asset management: #1
  - 4% market share in Life and 30% in Asset Management
- Kenya is a hub for potential expansion into the rest of East Africa (Uganda and Tanzania)

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Risks and mitigating actions in African expansion

Inability to gain scale in selected markets	• Willingness to explore organic and inorganic growth opportunities to gain scale • Building local partnerships, and making use of alternative distribution mechanisms
People risks – scarcity of skills	• Training and development of local talent in African countries • Focus on staff mobility across all businesses
Regulatory and Political dynamics	• Strong local management teams engaging in ongoing discussions with key decision-makers within government and regulatory bodies • Diversification across various African territories with a long term view on investments
M&A execution and integration	• Internal and external experts engaged in both execution and integration processes • Reliance on Group governance procedures and operating policies
IT "fit-for-purpose" risks	• Rigour in selecting and implementing technology options and vendor management

Old Mutual Africa: delivering value in 2015

- Increase profit contribution to at least 15% of OMSA
- Grow customer numbers
- Deliver strong positive Net Client Cash Flows
- Contribute to Emerging Market RoE target of 20 – 25%
- A scale business operating in East, West and Southern Africa

THANK YOU

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