BUSINESS MODELS FOR A BRAVE NEW WORLD

UBS Financial Services Conference

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Imperatives for success in a brave new world

Successful companies…

Are **well run**

Understand the importance of **people**

Put the **customer** first

Excel at execution

Innovate

Focus on profitable **growth**

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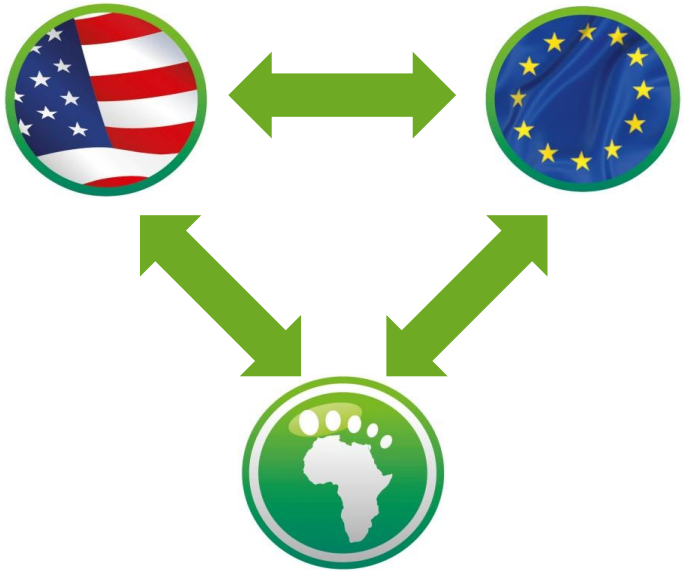
Committed to creating shareholder value

Turning round
US Asset Management

14 affiliate firms
>$200bn AuM
$107bn AOP (2011)



Growing
Wealth Management

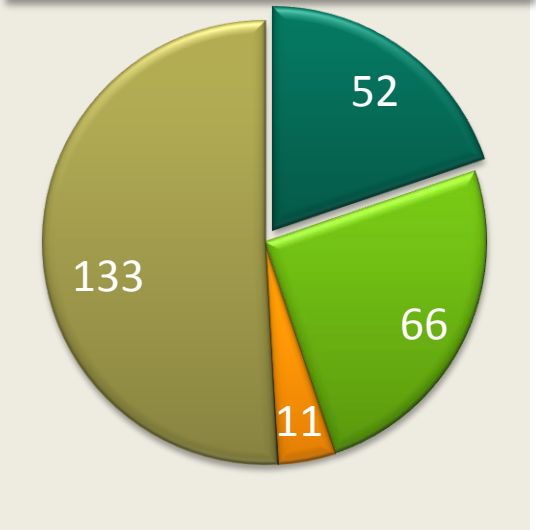
UK Platform market
c. £190bn (Q2 2012)
Potential market size
>£300bn (2016)

Expanding our
footprint in **Africa**

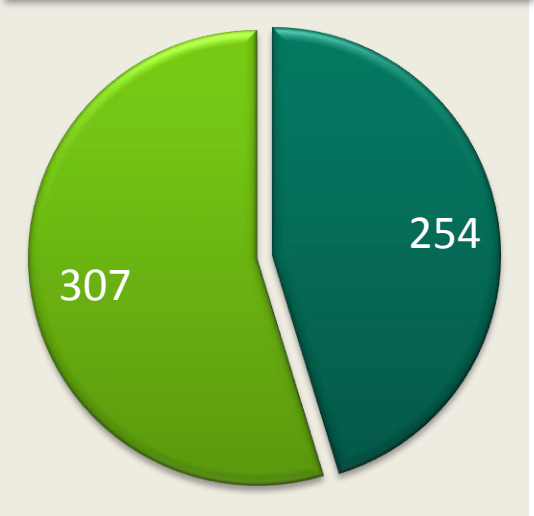
Building off a strong South African business
with R586bn AuM and 24% RoE (H1 2012)

Emerging Markets contribution to Group results in June 2012

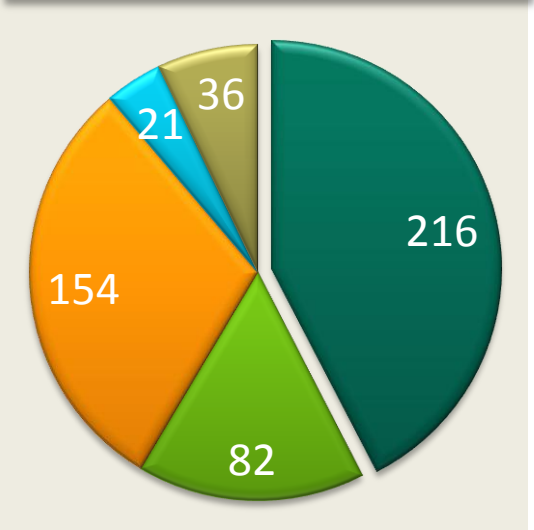
FUM (End manager) (£'bn)



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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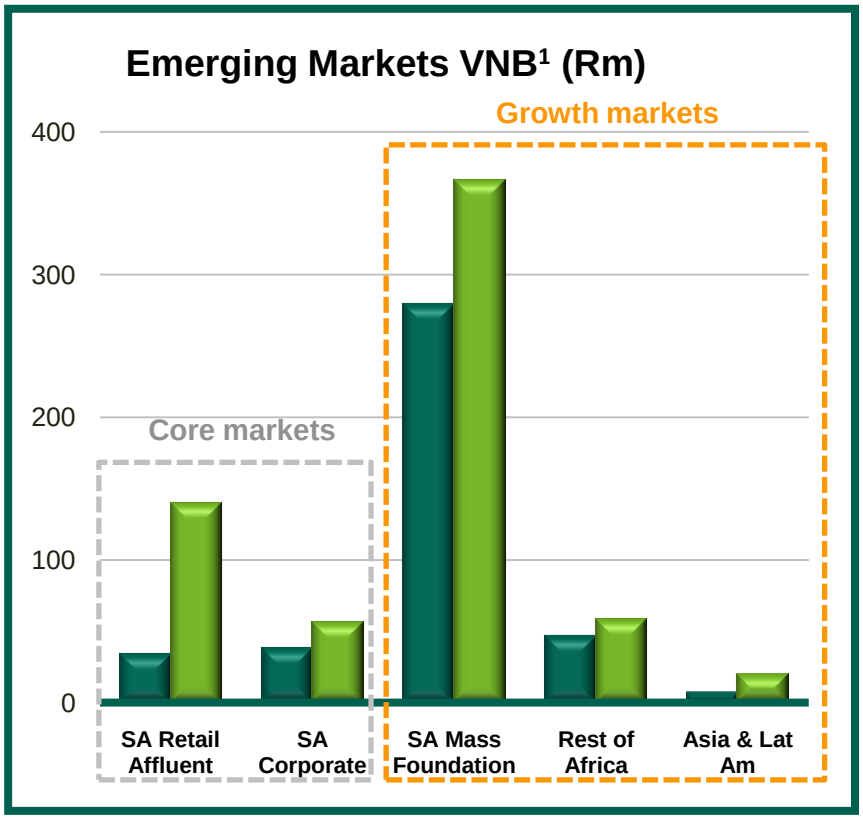
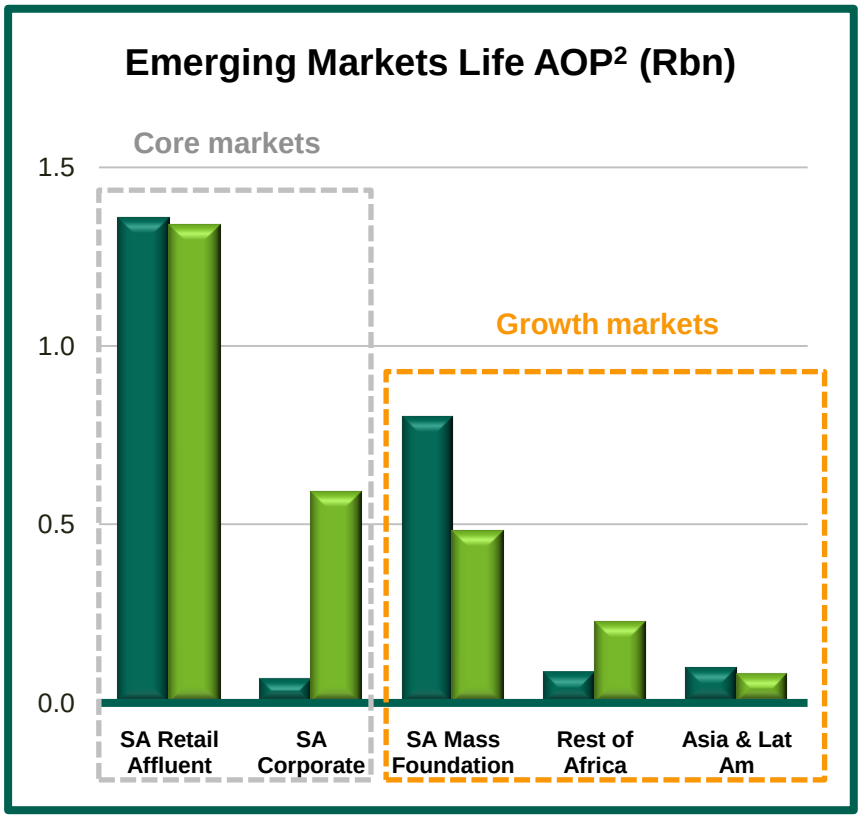
Old Mutual Emerging Markets: Core and growth markets





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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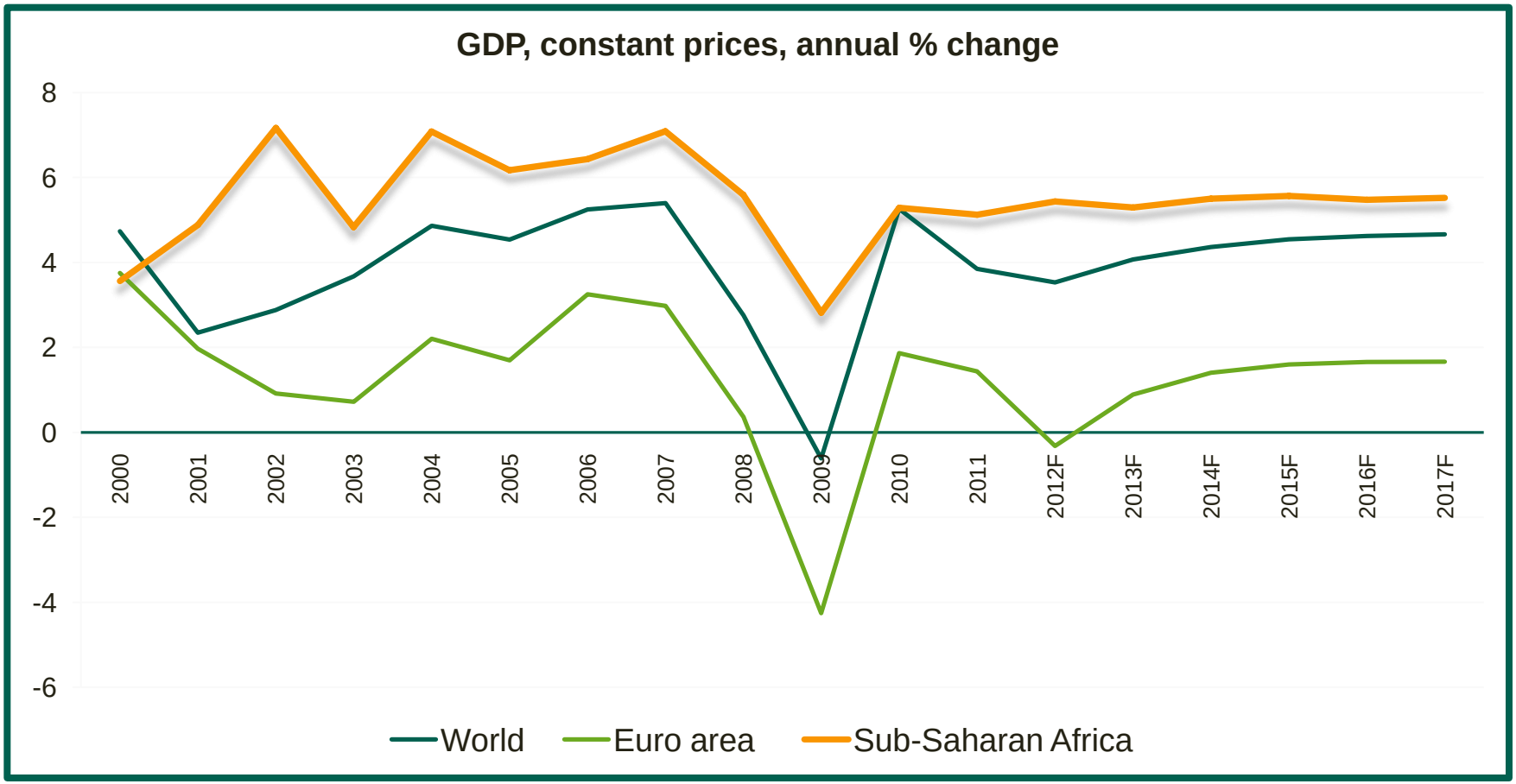
The case for accelerating growth in Africa

Positive economic context	▪ Long-run real GDP growth, outstripping “advanced” economies ▪ Increasing urbanisation ▪ Improving regional integration & transportation
Positive demographic trends	▪ Large & growing population ▪ Rising incomes; growing middle class ▪ Fast-growing consumer markets
Positive insurance market drivers	▪ Insurance penetration low in most countries ▪ Low levels of welfare provision, including pensions ▪ Accidental death rates higher than in advanced economies ▪ Low levels of international competition

Long-run positive GDP growth in Sub-Saharan Africa



Source: IMF World Economic Outlook, April 2012

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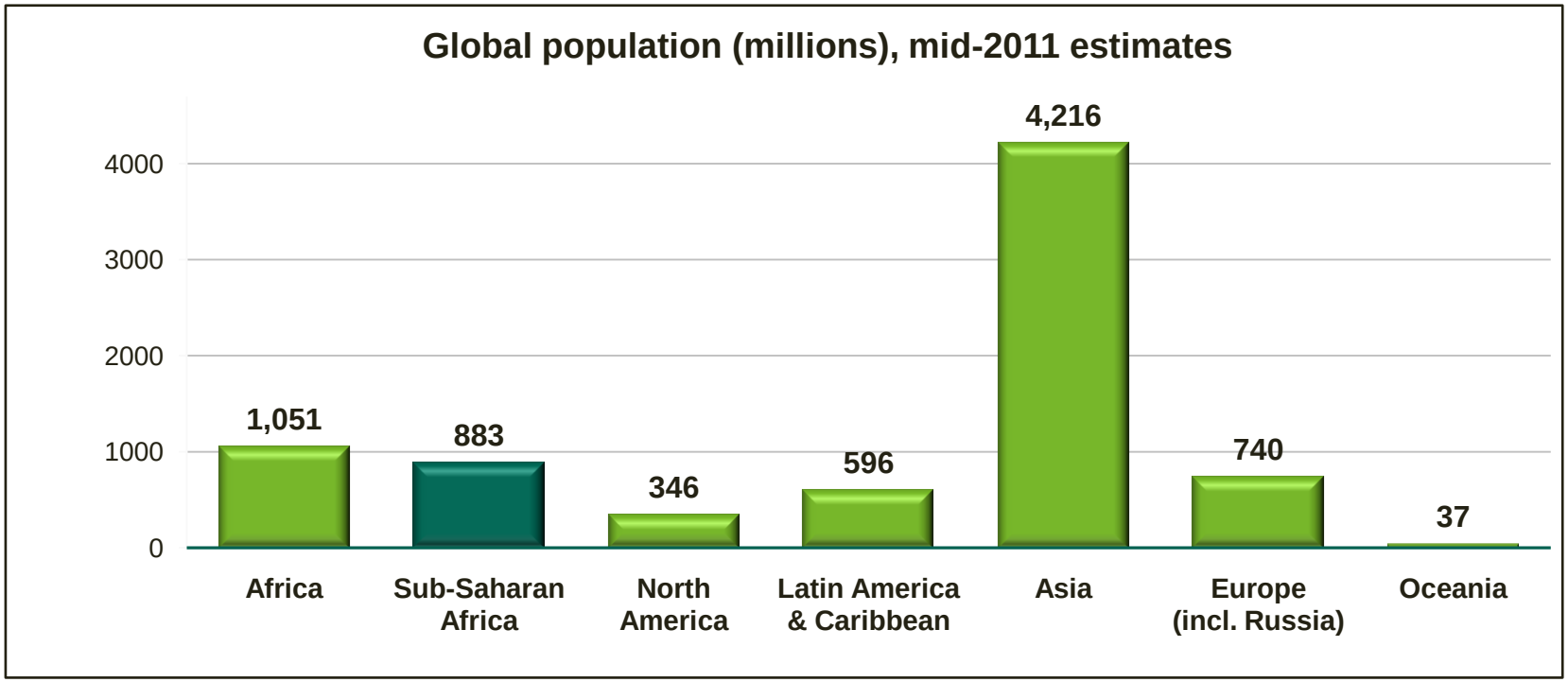
Large and growing population underpinned by good GDP growth



2025 est.	1,444	**1,245**	391	676	4,780	746	46
Growth	37%	**41%**	13%	13%	13%	1%	24%

Source: Population Reference Bureau, 2011 World Population Data Sheet

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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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Together with partnerships and strategic alliances

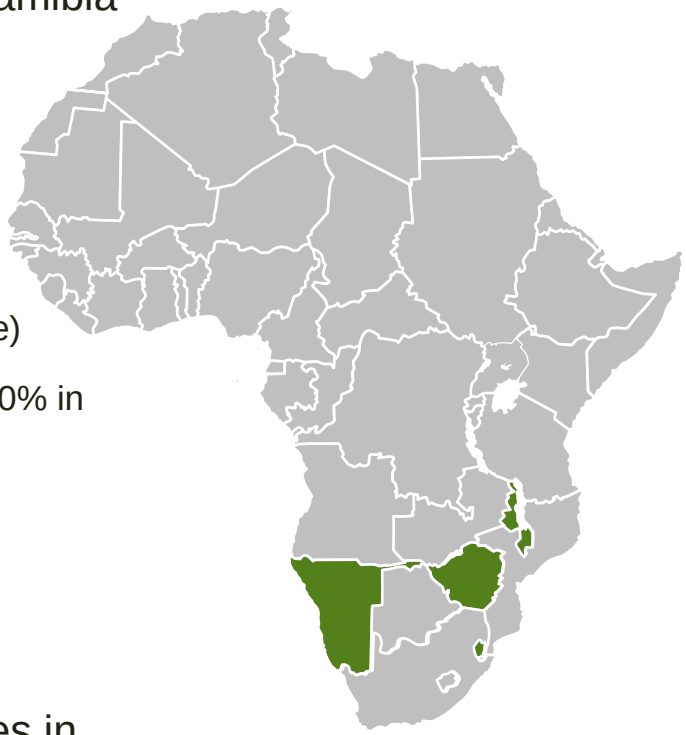
Ecobank
The Pan African Bank

Strategy to create value and build a leading franchise in Africa

- Have a regional approach
  - Defend and grow our dominant position in Southern Africa
  - East and West Africa as growth nodes of the future
- Strategic alliances and partnerships
- Implementing “business in a box”
  - Common products, IT and processes to improve speed-to-market, create economies of scale and de-risk operations
- Acquisitions to accelerate growth in selected regions
- Good governance and risk management

Growth Options: Southern Africa

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

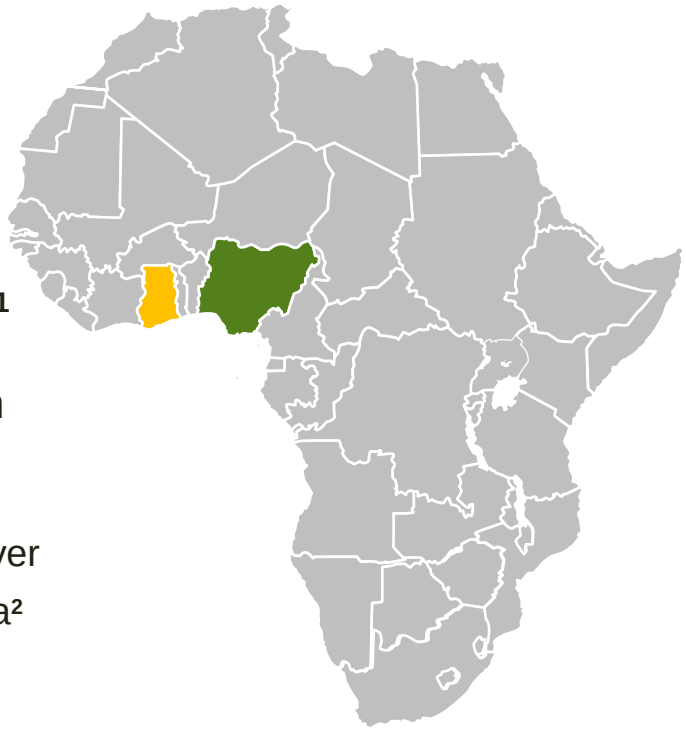


Growth Options: East Africa

- We currently have a presence in Kenya
- The operation is small in size
- Market position
  - Life: #8
  - Asset management: #1
- Sub-optimal positioning given our aspiration to be #1 or #2 in the African markets in which we operate
- Organic growth and inorganic growth options being explored
- Kenya is a hub for potential expansion into the rest of East Africa

Growth Options: West Africa

- Our initial focus will be on Nigeria and Ghana
  - Nigeria and Ghana account for c.180m of the c.300m population in the region
  - Nigeria's GDP is expected to exceed SA by 2025
- Insurance penetration in Nigeria is around 0.5% of GDP[1]
- Leverage strategic alliance with Ecobank to drive growth and value creation in Nigeria
  - Ecobank Nigeria post merger with Oceanic Bank has over 600 branches and 7m customers – top 2 bank in Nigeria[2]
  - Ecobank will retain a 30% stake in the insurance joint venture



1. Insurance penetration 2010 (Swiss Re Sigma report) – includes Life and Non-Life business
2. Top 2 by branch network , Top 5 bank by assets, Top 4 by deposits (Ecobank Proposed Acquisition of Oceanic Bank: Press release - September 2011)

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

We have unique skills & positioning in Africa supported by existing brand strength

Successful companies put the customer first

- Understand the circumstances & needs of mass and middle income markets
- Skilled at building & using distribution methods appropriate to the customers
- Supporting customers through financial education programmes

Successful companies innovate

- Transfer products between geographies with limited local customisation
- Using new world distribution to complement conventional distribution models

Successful companies focus on profitable growth

- Disciplined in the markets we target, supported by detailed understanding of the economic, demographic and market trends
- Scale advantage facilitates low unit-cost service
- “Business in a box”

Value Creation in Africa: 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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