BANK OF AMERICA MERRILL LYNCH BANKING AND INSURANCE CONFERENCE

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OLD MUTUAL

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Lessons from the crisis – some context

	1951		2011e		2011 BRICS Economies		
Debt to GDP	**175%**	80%	**60%**	98%	39%	52%	32%
Nominal GDP per capita (Multiple from 1951)	$1,469	$2,184	**$39, 728** (27x)	$47,961 (22x)	$12,696 (38x)	$1,636 (12x)	$8,506 (11x)
GDP	**$41bn**	$339bn	**$2,341bn**	$13,284bn	$1,132bn	$1,346bn	$298bn
Gold price/ounce		$35		$1,575			
Oil/barrel		$2.57		$103.20			

- Volatility high but things have been a lot worse
- New sources of economic wealth generated from the BRICS economies – now include South Africa

Lessons from the crisis

MSCI World Insurance Index[1]

31%

MSCI World Index[2]

86%

IMF world economic growth

2011(f): **4%** 2012(f): **4%**

US growth

2011(f): **1.5%** 2012(f): **1.8%**

SA Government CDS[3]: 149bps

French Government CDS[3]: 163bps

US Government CDS[3]: 52bps

UK Government CDS[3]: 76bps

1. Index data only available from 1995 onwards. Growth measured as 1995 to present
2. Index data available from 1959 onwards. Growth measured as 1995 to present.
3. Source: Bloomberg, September 2011

Business imperatives in the crisis

1. Find and show the market the cash
2. Decide what to cut and how to preserve business value
3. Manage and anticipate the regulatory strain and uncertainty of “black swan” scenarios
4. Think about customers and what they actually want

Business imperatives for Old Mutual in the crisis

1. Find and show the market the cash
2. Decide what to cut and how to preserve business value
3. Manage and anticipate the regulatory strain and uncertainty of "black swan" scenarios
4. Think about customers and what they actually want

- Surplus generation from the in-force book
  - At least £1 billon by the end of 2012 and approximately £3bn by the end of 2015
  - Repaid debt of £482m, £1bn to go
  - Resumed dividend payments with prudent base
- £100m cost reductions without damaging value
- SII, Basle 3, SAM, RDR readiness
- FGD 50% above Stat minimum H1 2011 vs 20% in 2008
  - Economic capital and market consistent balance sheet

Changes in Old Mutual's corporate DNA

Exited/shut non-core businesses

- 5 businesses sold (Australia, Chile, Palladyne, Skandiabanken Bilfinans, US Life)[1]
- Bermuda and Switzerland in run off
- Scaled back ambitions in Asia (withdrawal from AATEDA investment contract & Hong Kong office closure)

Strengthened management, improved governance at plc and BU

Developed new operating model

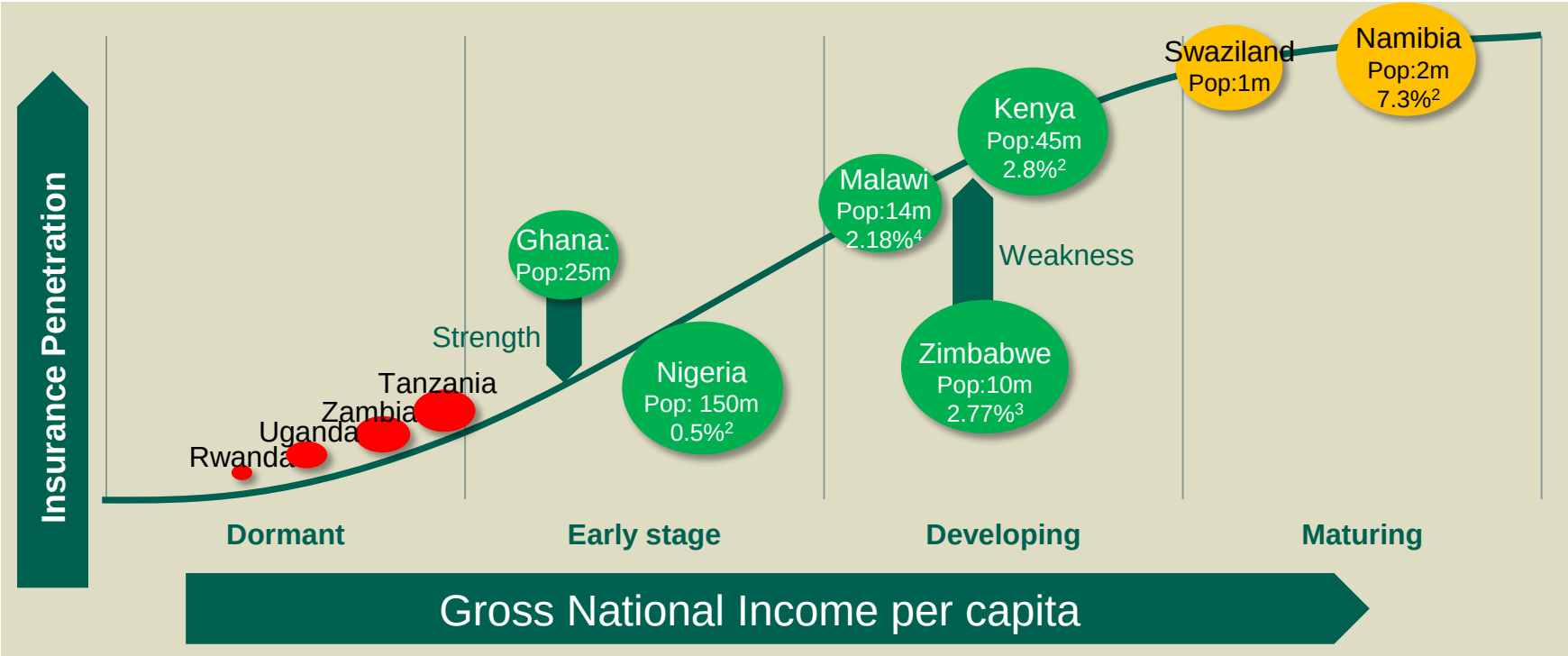
Overhauled our culture and structure

1. Excludes the exit from Portugal

Old Mutual's future

- Good exposure to emerging markets
- Modern, unit-linked European business
- Operational delivery and strategic progress

African financial markets are at different stages in the lifecycle



Nom GDP/capita (USD) [1]**:** South Africa: $8,506, Namibia: $5,783, Swaziland: $3,544, Nigeria: $1,630, Kenya: $769

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

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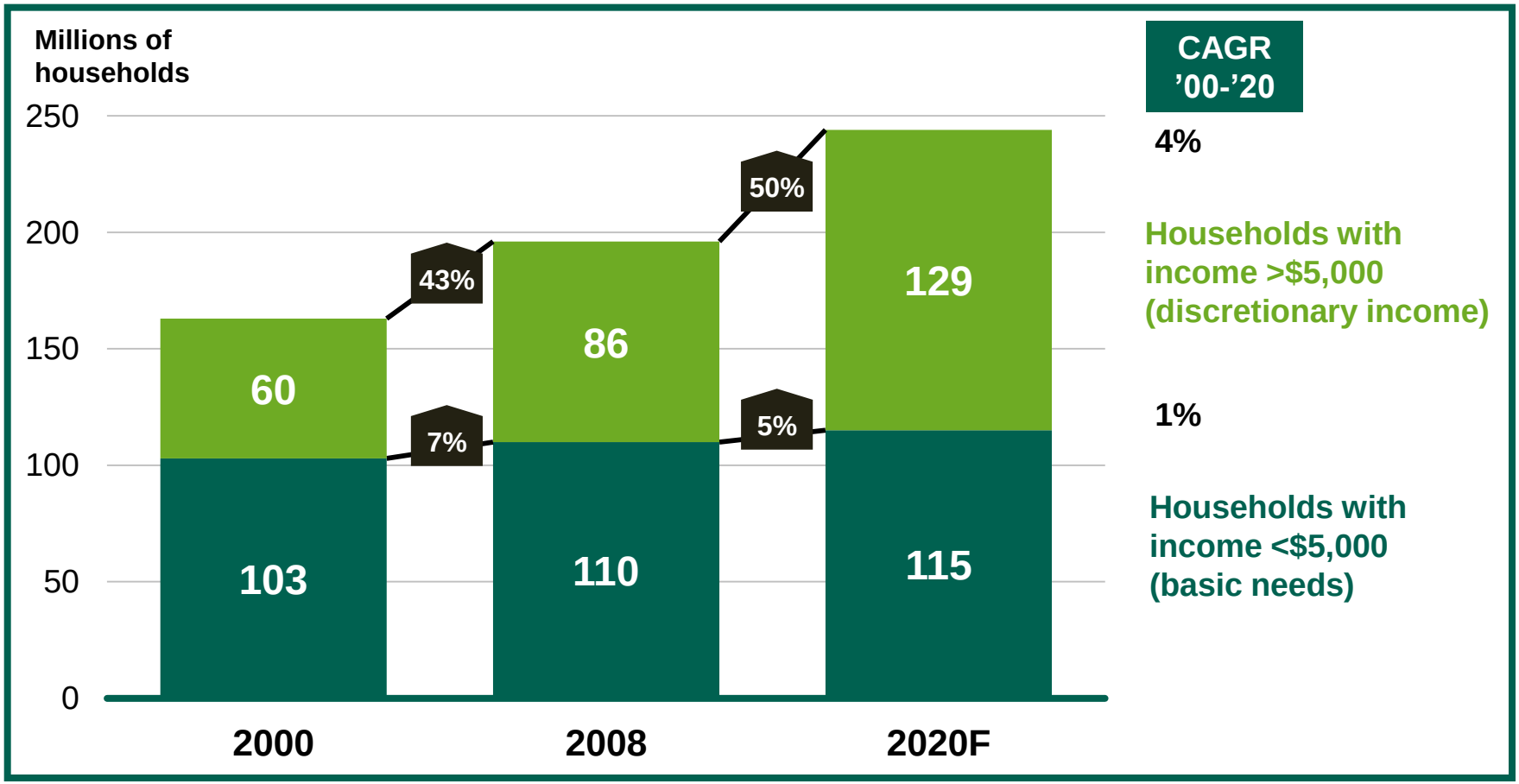
African households with discretionary spending power

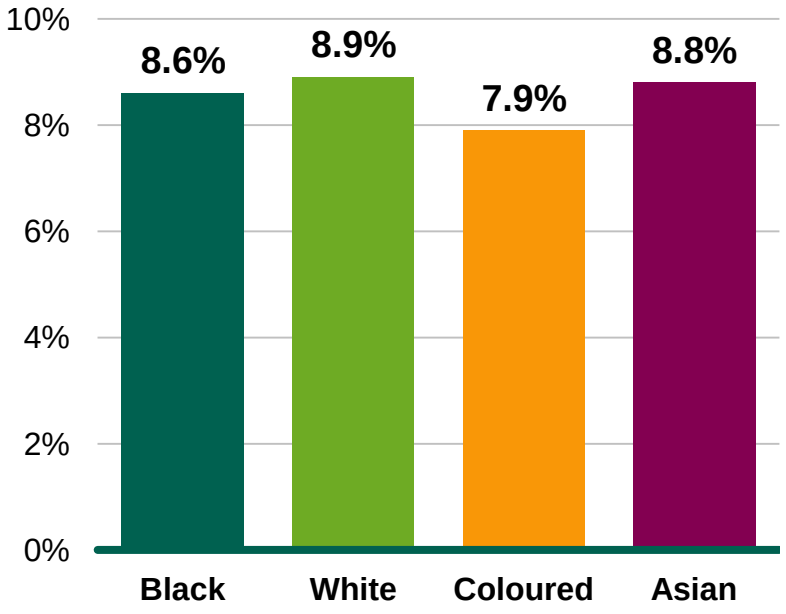


Source: McKinsey

Profile of SA higher income earners is changing

Income growth has normalised across the demographic groups over the past 3 years[1]

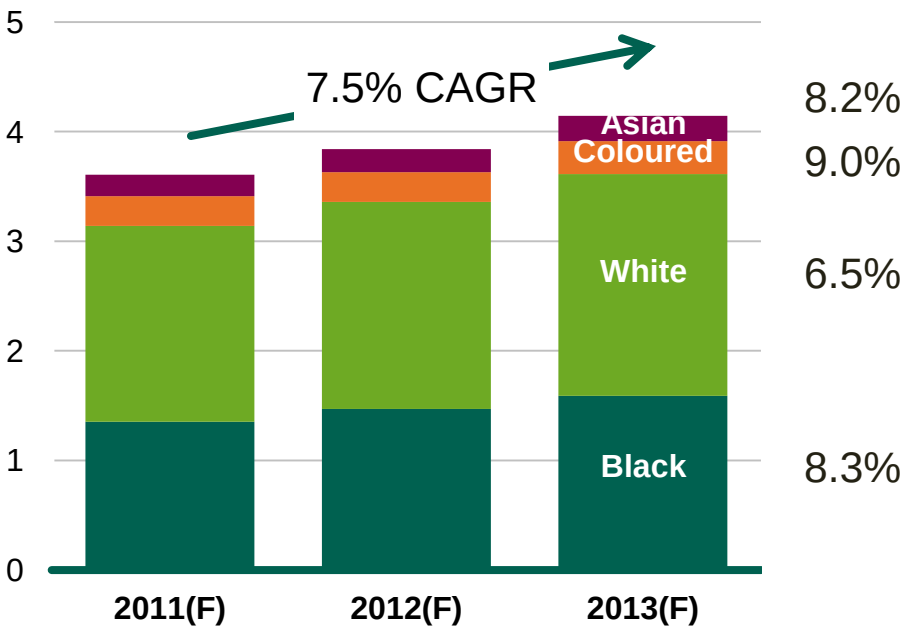
Income growth across demographic groups (CAGR '07- '10)



Total number of middle and high income earners, especially non-whites, is forecast to increase[1]

CAGR '11-'13

Number of people earning above R12,000/month (millions)



1. Source: Bureau for Market Research (BMR)

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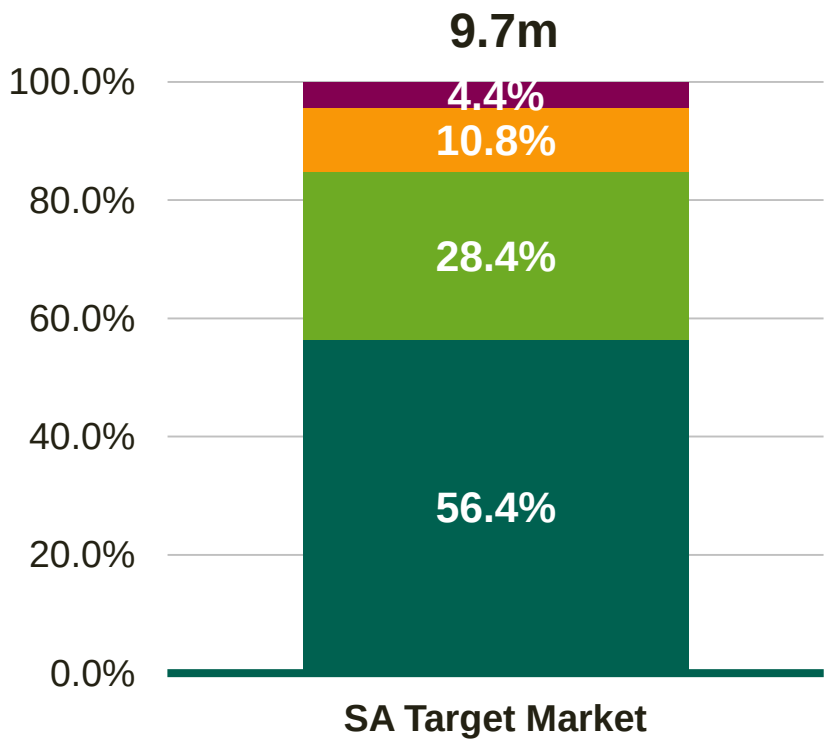
OM's 3.3m SA customer base aligning with the SA demographics*

OM target market (2010)



	OM penetration % (2010)	OM customer growth p.a. % ('09-'11)
Asian	**43.5**	(0.3)
Coloured	18.6	**6.0**
White	**41.5**	(2.2)
Black	**31.2**	**6.1**
OM retail share of target market		**34%**

*OM internal estimates

Old Mutual Africa in context

Namibia	Pop: 2m	Market position: Life: #1, AM: #1, 142,000 customers
Zimbabwe	Pop: 10m	Market position: Life: #1, AM: #1, 114,000 customers
Kenya	Pop: 45m	Market position: Life: #8, AM: #1, 29,000 customers
Swaziland	Pop: 1.2m	Market position: Life: #1, 11,000 customers
Malawi	Pop: 14m	Market position: Life: #1, AM: #1, 11,700 customers
Botswana	Pop: 2m	

OM's competency based business model

"Business in a box"

- **Single admin base**
- **Single product suite**
- **Regular premium compounding effect on FUM and IFRS profits**
- **Tied Agent distribution**
- **Work site marketing**
- **Premium deduction from salary**

- MFC admin costs per policy £12 p.a.
- MFC sales productivity of 5 Lives per week

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Scorecard for OM targets

		2011 H1	Target 2012
RoE LTS		18.8%	16-18%
Cost Reduction LTS		£67m*	£75m
Nedbank RoE		12.2%	5% above monthly weighted CoE
USAM NCCF	Long Term	$(4.1)bn	Positive
	Short Term Flows	$(6.3)bn	Neutral
USAM Margin		20%	25-30%
M&F RoE		15.8%	Peer Group
Debt Reduction		£0.5bn	£1.5bn

OML CDS spreads: May 2009 – 1,214bps
Sep 2011 – 210bps

*cumulative run rate from December 2009

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Shareholder Value metrics

	H1 2011 (£)	(p/share)
IFRS book value ex intangibles	£3.5bn	63.5
IFRS book value[1]	£8.3bn	150.8
AOP pre tax	£845m	9.3
Adjusted Group MCEV excl GW and MTM adjustments	£8.9bn	161.8
Adjusted Group MCEV/Share	£11.6bn	209.9
Adjusted Group ROEV	11.0%	

1. Net of perpetual preferred callable securities

Outlook & Summary

Old Mutual transformation well underway

Low balance risk post sale of US Life – less than £5m of PIIGS

Sweet spot for business model – unit linked, low capital intensity

Well positioned in core activities despite market impacts

APPENDIX

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Impact of market movements[1]

	5% fall in Rand £m	5% decrease in Equities £m	1% rise in interest rates £m
FGD (£2bn as of 31 June 2011)	(85)	(25)	-
IFRS book value @ H1 2011	(235)	-	-
Bermuda GMAB/Gross GMDB reserve	-	(25)	62
AOP IFRS earnings (based on 2010 business mix)	(35)	(11)	20 [2]
MCEV per share (p)[3]	-	(3.3)	(4.6)
Solvency ratio %	(1)%	(1)%	-

1. The calculations below are proforma from the 2010 audited results- they do not constitute a forecast
2. Nedbank only
3. Sensitivity based on total covered business only

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Selected CDS data

	May 2009 (bps)	September 2011 (bps)
AXA	182	279
Allianz	120	92
Prudential	475	160
Aegon	380	244
Old Mutual	1,214	210

Largest operating countries for OM's Emerging Markets

	Population size	2011 Population growth rate (%)	Forecast Real GDP growth (%)		
			2012	2013	2014
Colombia	47m	1.4	4.2	4.7	4.4
Mexico	115m	1.2	2.5	3.6	4.6
Kenya	45m	2.5	5.4	6.0	5.8
South Africa	50m	0.6	3.4	4.0	4.1
Namibia	2m	1.8	4.1	4.5	4.0

1. Source: Global Insights, September 2011

Investment commentary on SA

- Few FTSE100 UK companies have significant non mining business in Africa but some do
  - Barclays /ABSA
  - Investec
  - SAB Miller
- Recent large foreign investment includes Walmart's $2bn takeover of Massmart
- Per WB 2nd best regulatory regime for financial services after Canada
- Employment and service delivery key govt deliverables