CREATING FRANCHISE VALUE IN AN UNCERTAIN WORLD

Bank of America Merrill Lynch, Banking & Insurance conference

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Creating franchise value in an uncertain world

Imperatives for success

Africa: a new frontier of financial services

Old Mutual: creating value

Imperatives for success

Successful companies …

Are **well run**

Understand the importance of **people**

Put the **customer** first

Excel at execution

Innovate

Focus on profitable **growth**

Committed to creating shareholder value

Turning round **US Asset Management**

Growing **Wealth Management**

14 affiliate firms

>$200 billion AuM

$107m AOP (2011)

UK Platform market c. £190bn (Q2 2012)

Potential market size >£300bn (2016)

Expanding our footprint in **Africa**

Building on South African strength:

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A positive climate for doing business in Africa

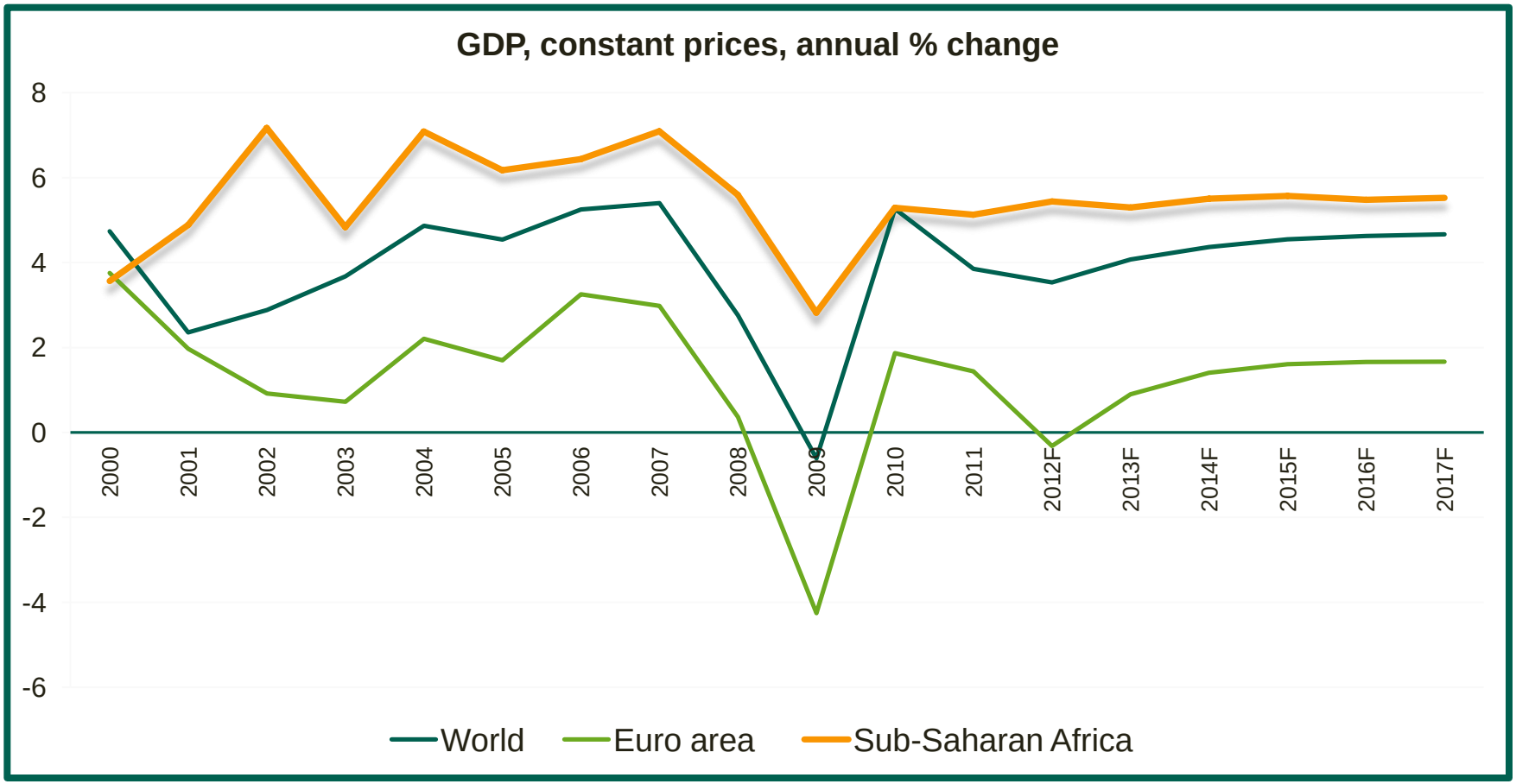
Positive economic context

- Long-run real GDP growth, outstripping “advanced” economies
- Growth supported by government actions, a growing internal market within Africa and continued global demand for natural resources
- Increasing urbanisation
- Improving regional integration in both East Africa and West Africa

Positive demographic trends

- Large & growing population
- Expanding labour force
- Rising incomes: rapid increase in the economically active population
- Growing middle-class entering the formal economy
- Fast-growing consumer markets

Long-run positive GDP growth



Source: IMF World Economic Outlook, April 2012

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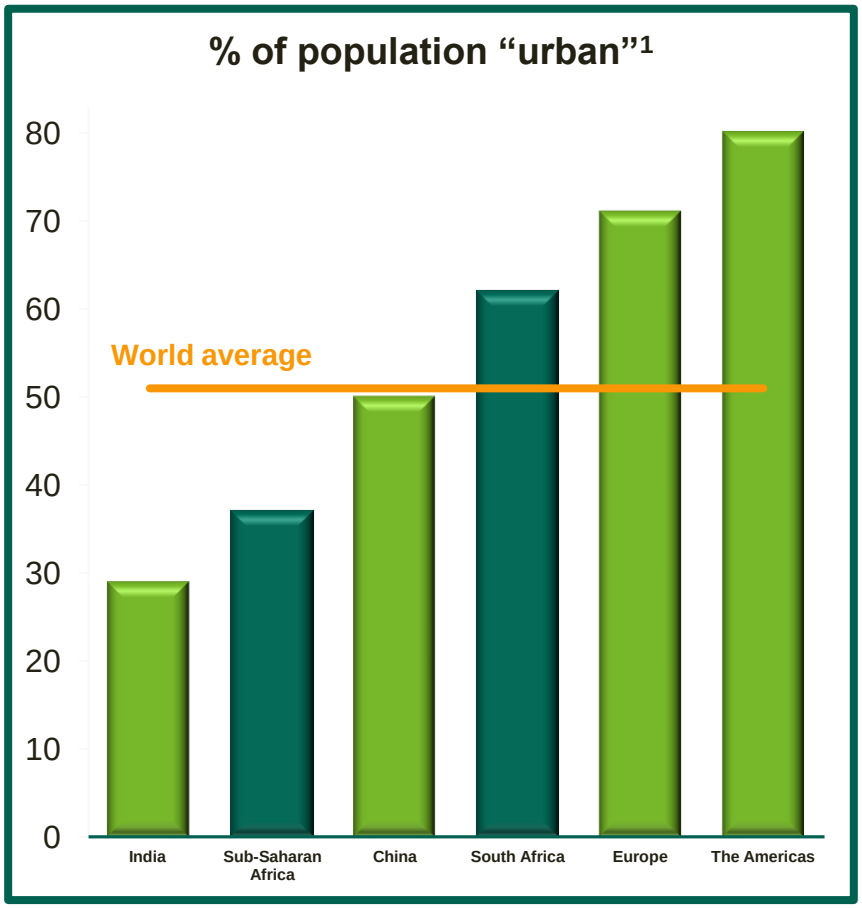
Increasing urbanisation



- Africa has more cities with 1 million+ population than North America
- By 2030,half of all Africans will live in cities
- By 2030 Africa's top 18 cities will have combined consumer spending power of $1.3 trillion
- 62% of South Africans live in cities

1. Source: Population Reference Bureau, 2011 World Population Data Sheet

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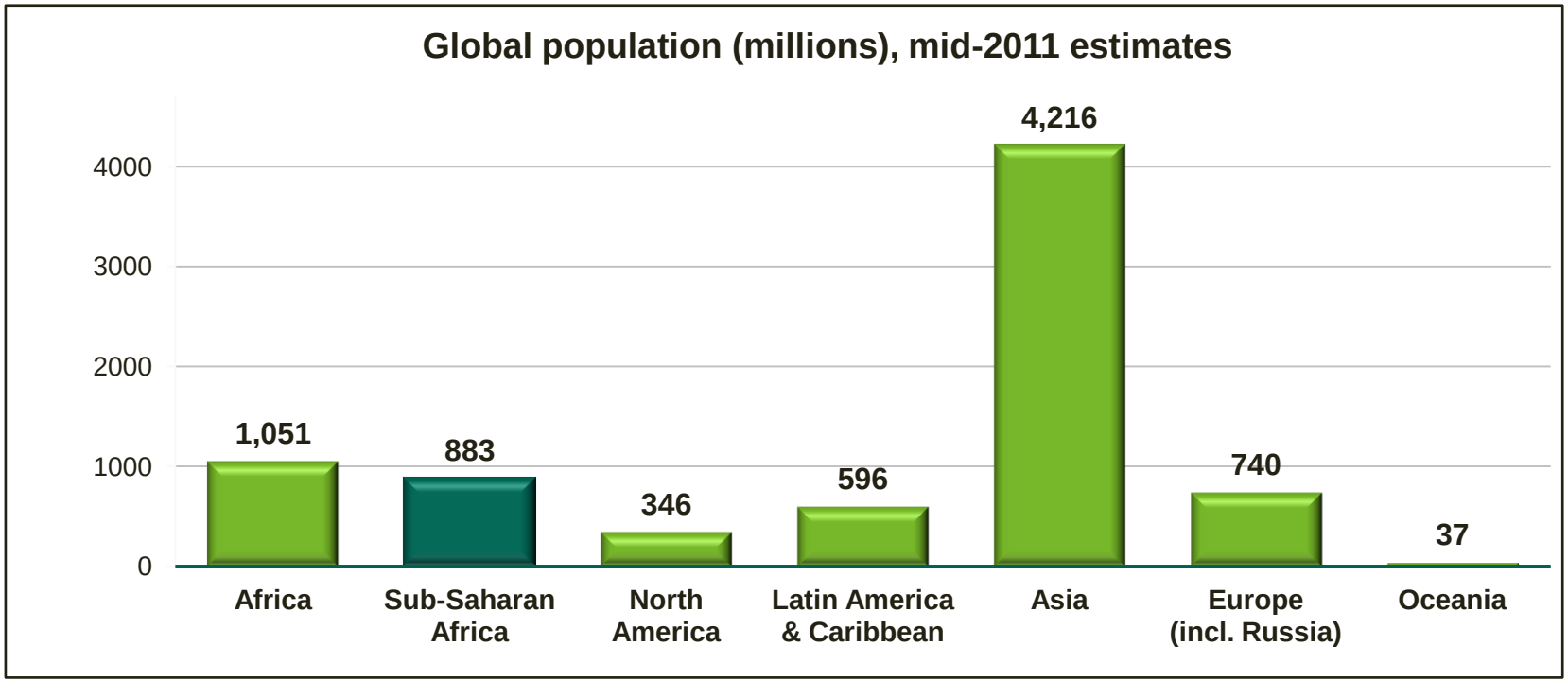
Large and growing population



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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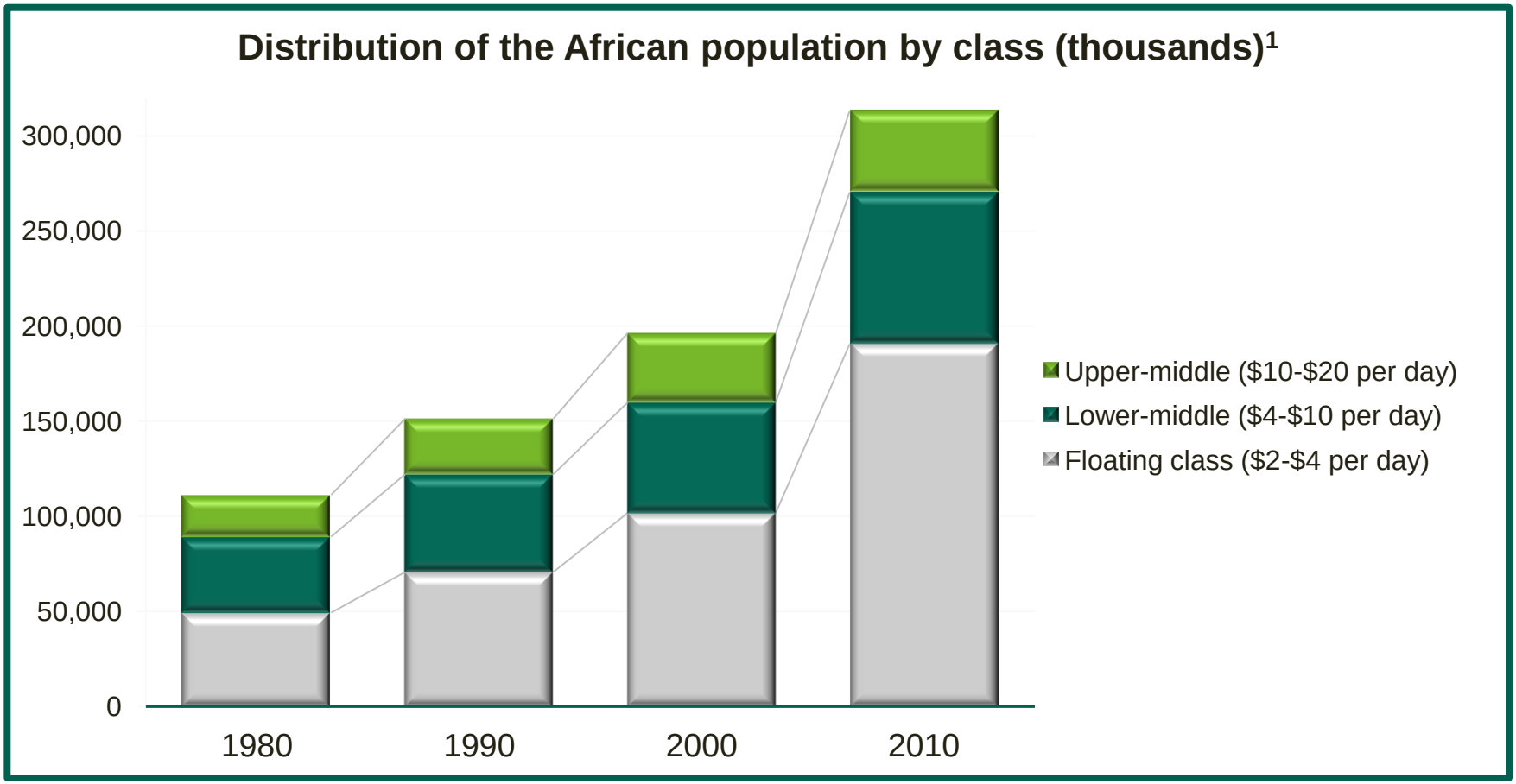
Growing middle class



Source: African Development Bank, April 2011

1. Classes defined by per capita daily consumption

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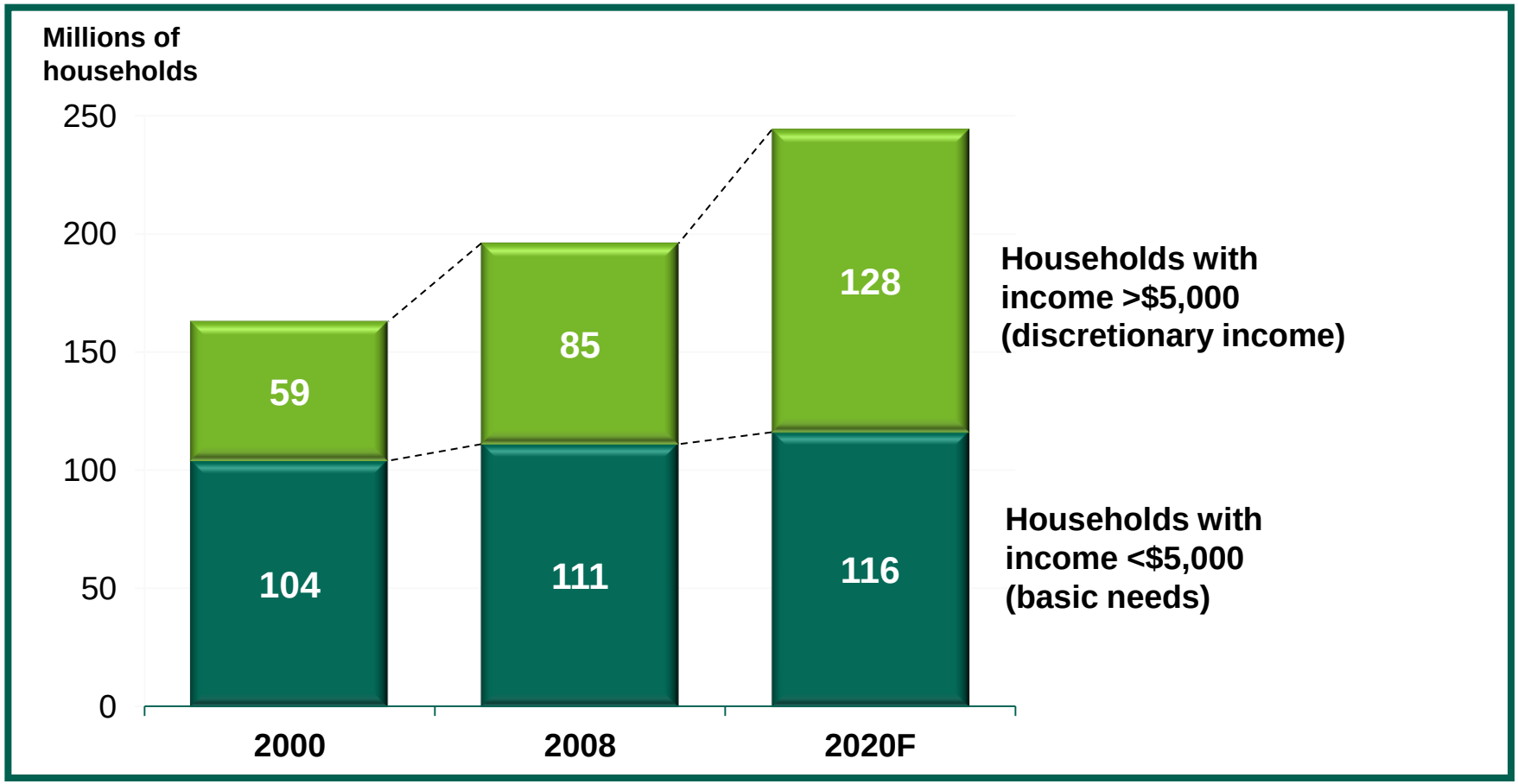
Rise in discretionary spending power



Source: McKinsey, “Lions on the move”, June 2010

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Growing consumer markets attract investment

DIAGEO

- Sell products in 40 countries in Africa
- 14% of net sales; 25% of global workforce
- Invested >£1bn in capex and acquisitions over past 5 years

Walmart
Save money. Live better.

- $2.4bn acquisition of Massmart in South Africa
- Stores in 12 African countries
- Planning 140 new stores in South Africa within 3 years

Nestlé

- Sales growth in Africa outpacing Europe and N.America
- Looking to invest $1.4bn by 2015
- Expects Nigerian operations to double in 3 years

MTN

- 16 African operations
- 55% of revenue, 63% of profits come from Africa (ex. South Africa)
- Investing £1bn in improving the mobile phone network in Nigeria

Africa: a new frontier of financial services

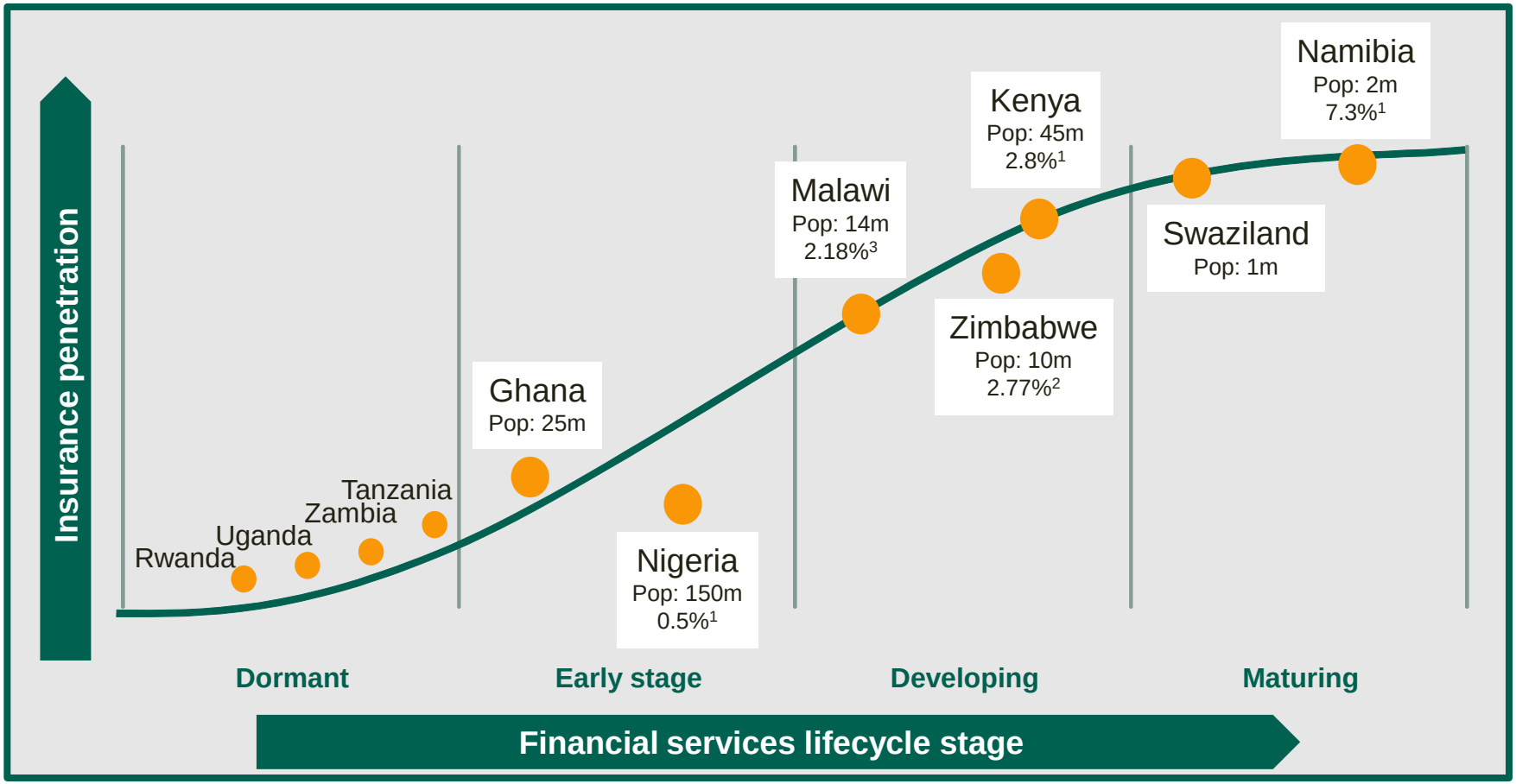
Positive economic context

Positive demographic trends

Positive insurance market trends

- Insurance penetration low in most countries
- Low levels of welfare provision, including pensions
- Little international competition
- Ability to save is increasing
- Financial education & awareness will help drive the decision to save

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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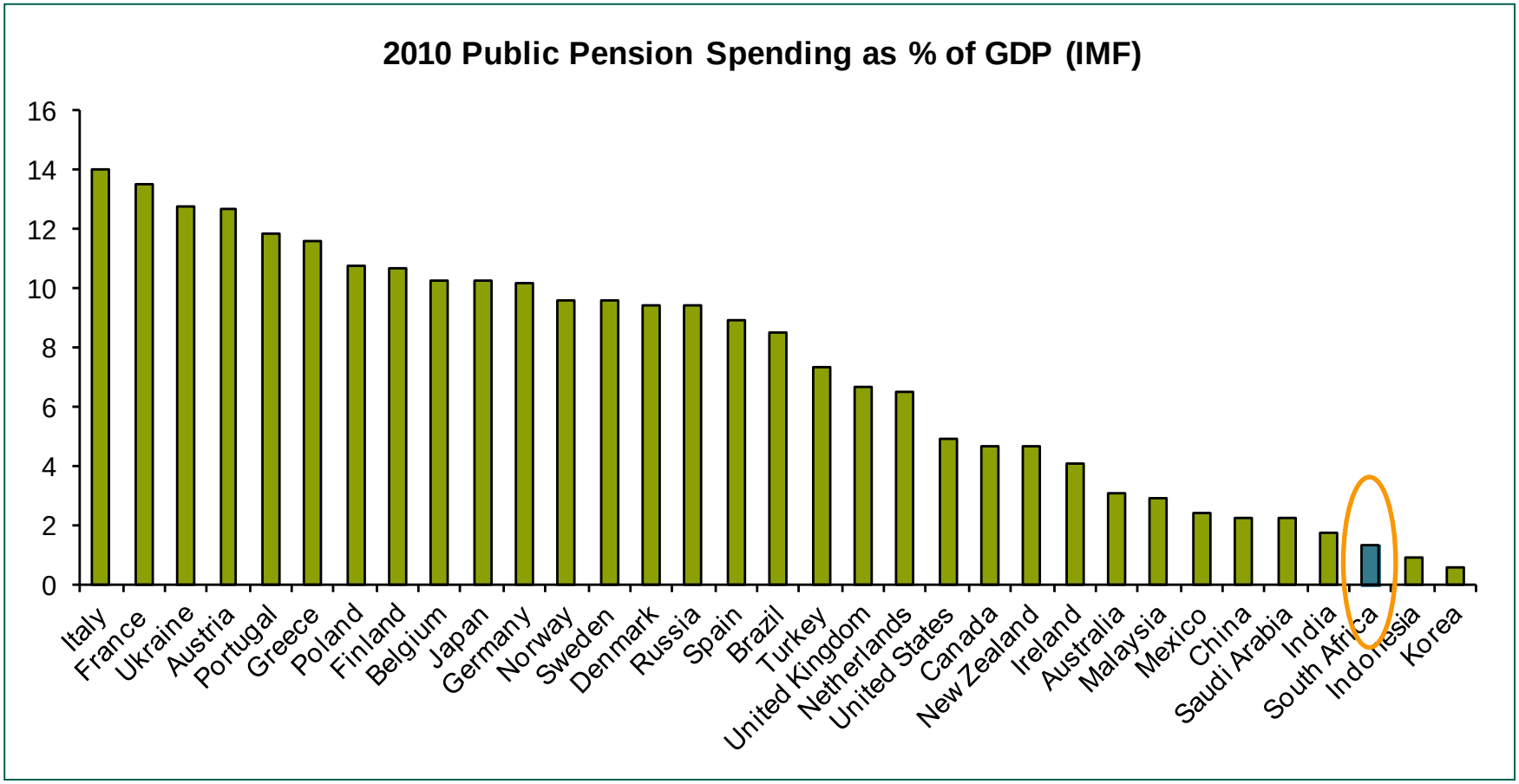
South Africa has one of the lowest levels of public pension spending …



Source: IMF; Bernstein Research

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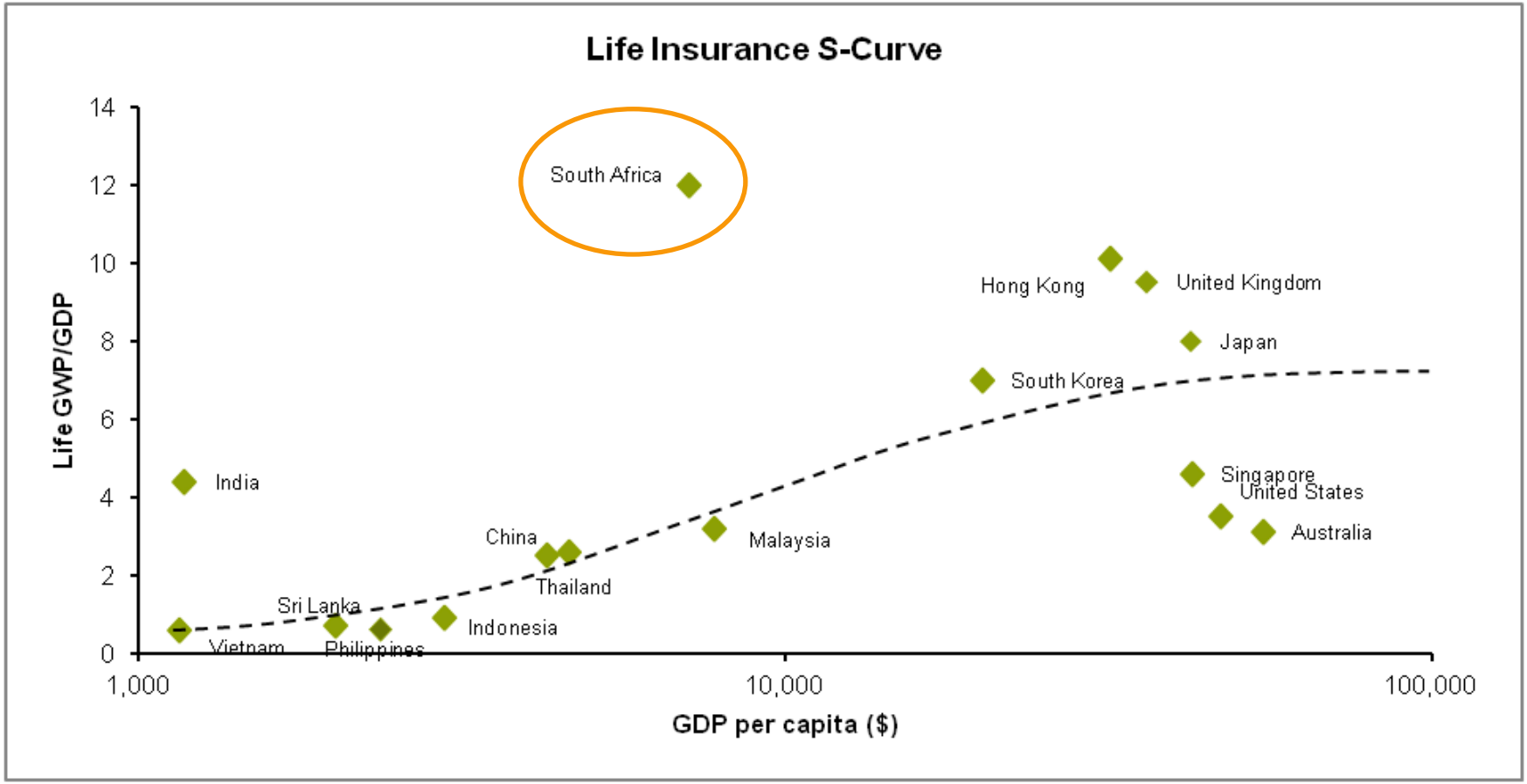
… and consequently one of the highest life insurance penetration ratios



Source: Swiss Re (2010); Bernstein Research

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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”

Now is the time to back Africa

- Strong long-term economic prospects
- Fast-growing consumer markets
- Foreign investment increasing
- Risks greater in perception than reality
- Opportunities for first-mover advantage

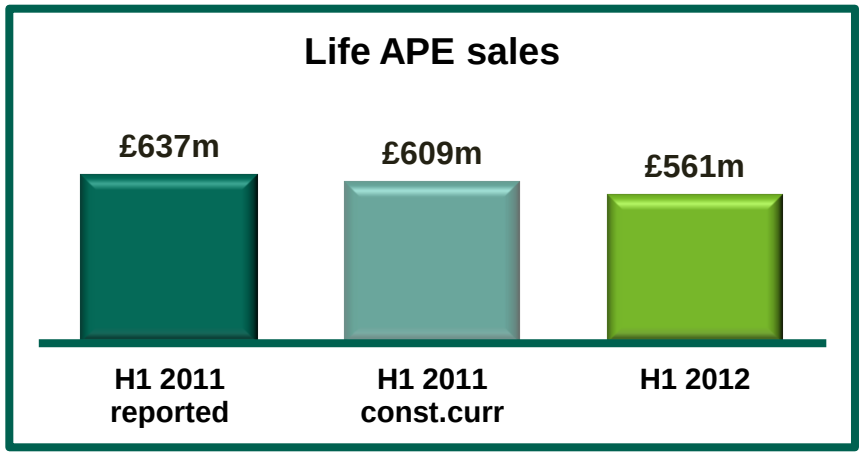
➢ Global companies & investors cannot afford to ignore the potential

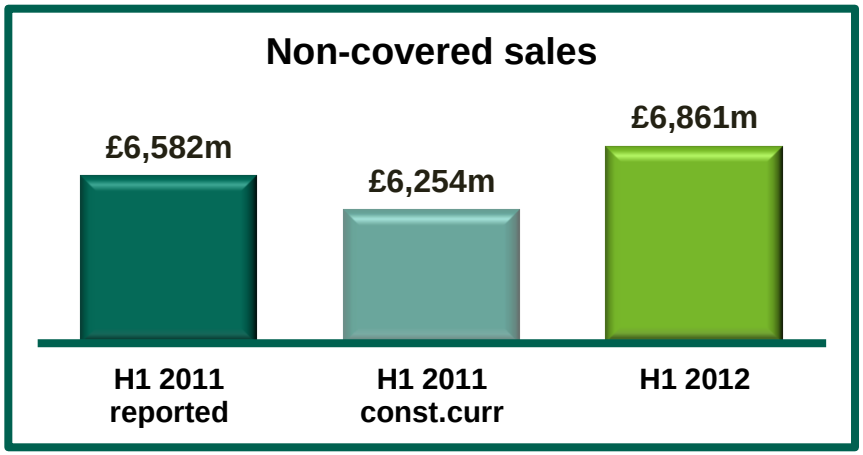
Old Mutual: In conclusion

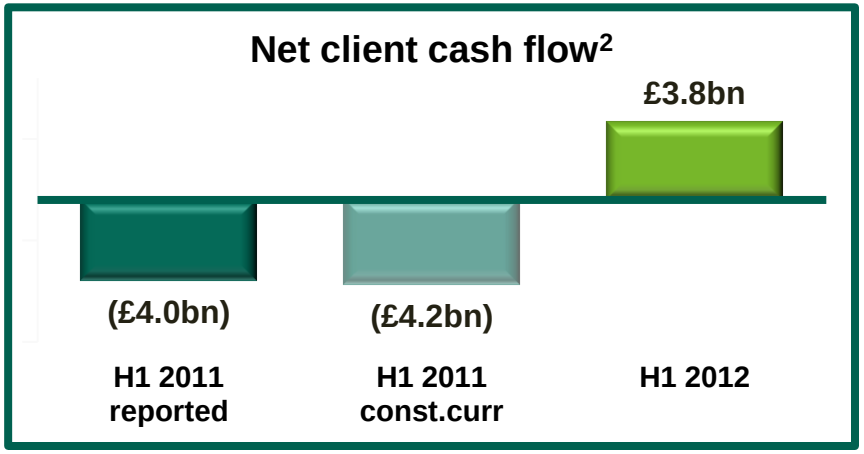
- Good exposure to emerging and developed markets
- Exciting and realistic opportunities for profitable growth
- Committed to shareholder value and returns

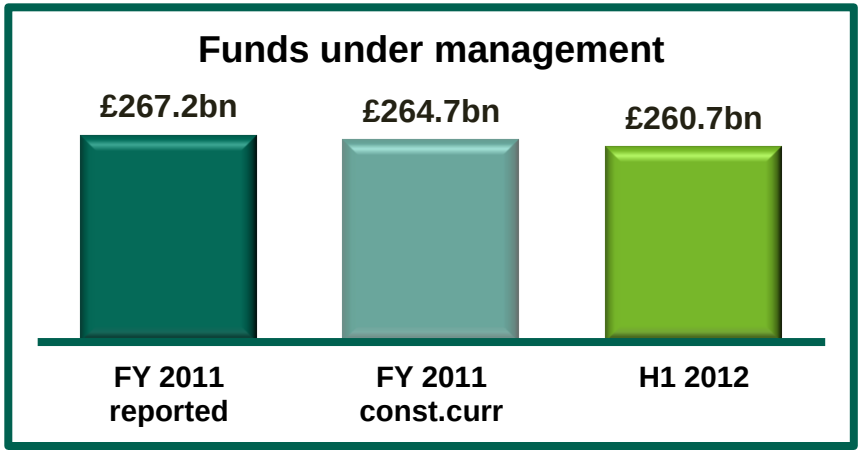
APPENDIX

H1 2012: good operational performance[1]









1. Core operations; comparatives restated to exclude Nordic
2. NCCF excluding USAM affiliates disposed of/held for sale is £4.4bn (H1 2011: £0.4bn, £0.3bn constant currency)

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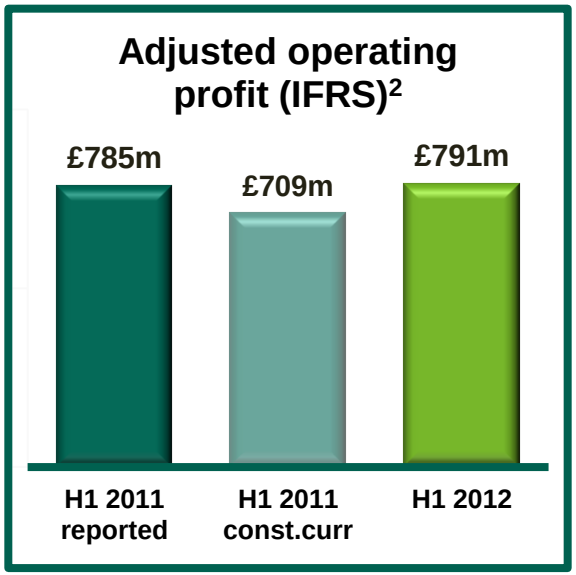
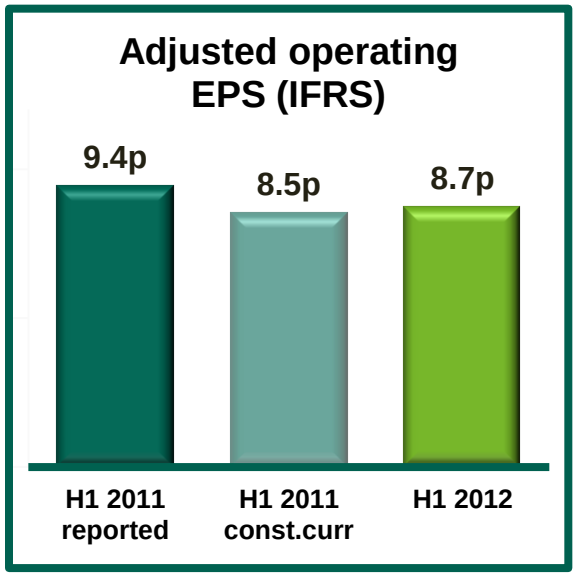
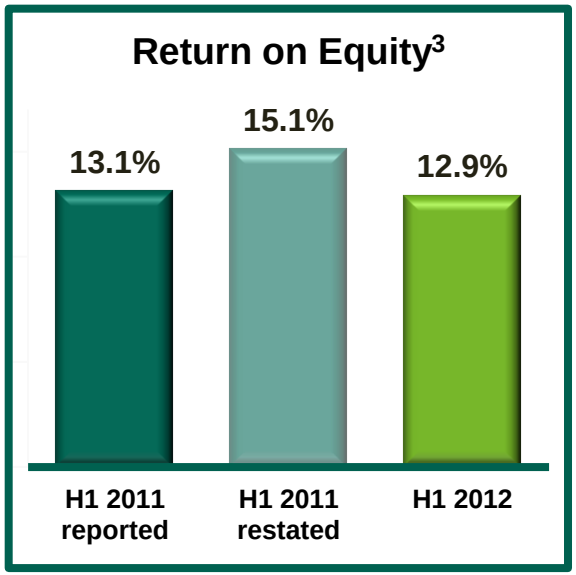
H1 2012: strong financial results[1]







Targets	Cost reduction target achieved: £113m run rate (target £90m) LTS return on equity 19% (target 16-18%) USAM operating margin: 20% reported, 22% continuing[4] (target 25-30%)
Interim Dividend	1.75 pence per share
Special Dividend	18 pence per share (paid June 2012)

1. Core operations, excluding Bermuda and Nordic
2. Pre-tax and NCI
3. H1 2011 restated for disposal of Nordic
4. Excludes affiliates disposed of/held for sale, pre-tax, post NCI, excluding seed capital gains/losses

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H1 2012: continued strategic progress

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

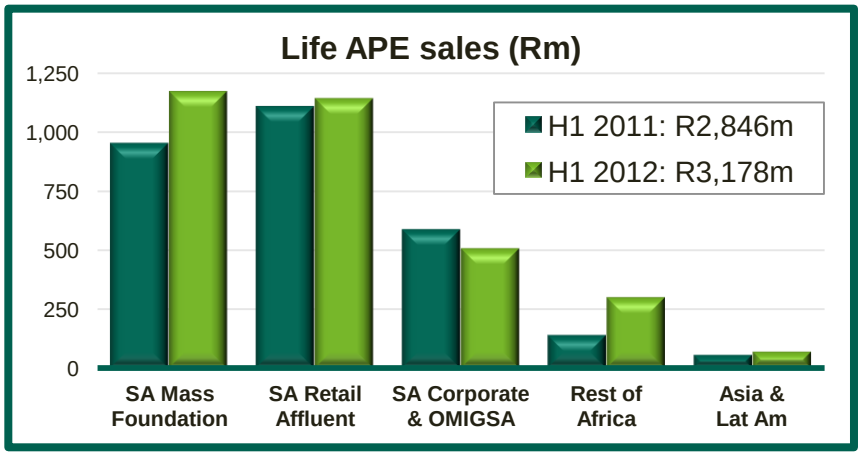
Growing Wealth Management

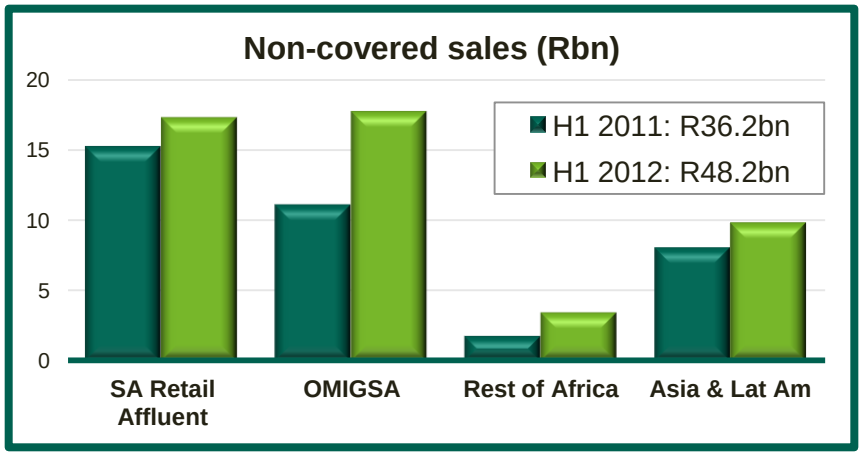
- Advanced preparations for RDR in the UK
- New platform pricing structure announced
- Restructuring to create asset management engine to power Wealth Management

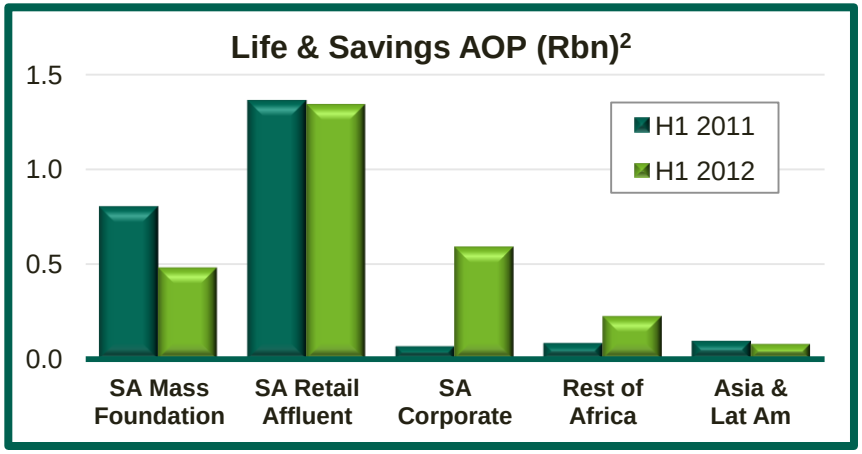
Turning round US Asset Management

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

H1 2012: Emerging Markets[1]







AOP (Rm)	H1 2011	H1 2012
Life & Savings	2,408	**2,716**
LTIR	575	**784**
OMIGSA	682	**508**
Expenses & Admin	(318)	**(388)**
Total AOP (pre-tax)	3,347	**3,620**

1. Rest of Africa: H1 2012 includes Namibia, Zimbabwe, Kenya, Malawi, Swaziland and Nigeria: H1 2011 includes Namibia only
2. Pre-tax, excluding LTIR and central expenses and administration

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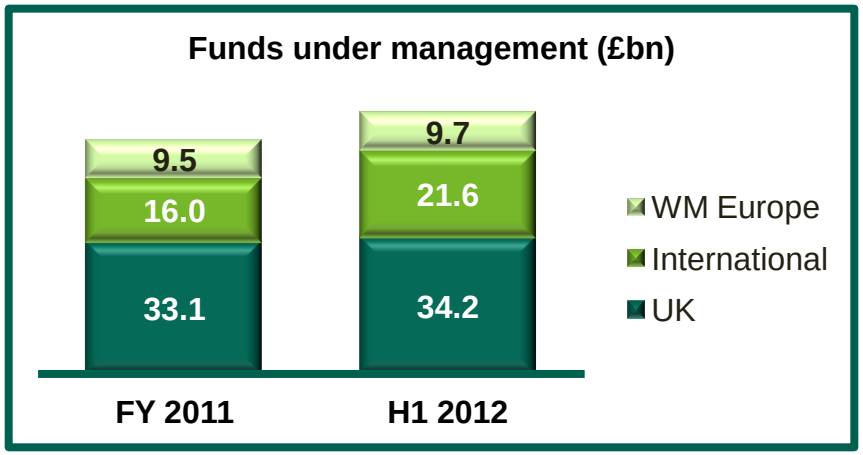
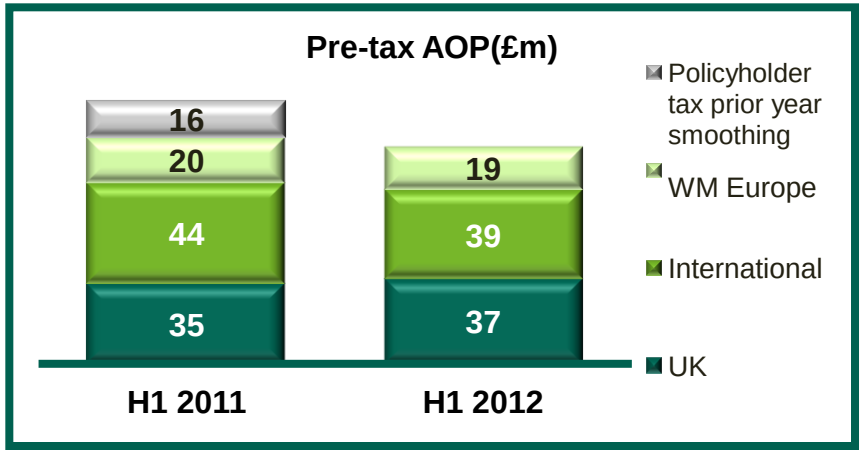
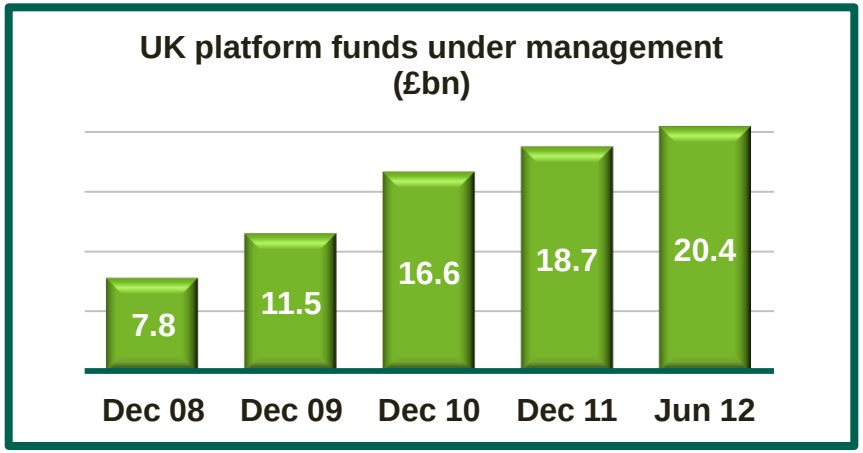
H1 2012: Wealth Management[1]

Sales (£m)	Life APE		Non-covered	
	H1 11	H1 12	H1 11	H1 12
UK	183	147	1,845	1,460
International	107	84	601	1,187
WM Europe	92	76	19	19
Total WM	382	307	2,465	2,666







1. From 1 April 2012 OMAM (UK) has been reported within Wealth Management (within International). Comparatives have not been restated.

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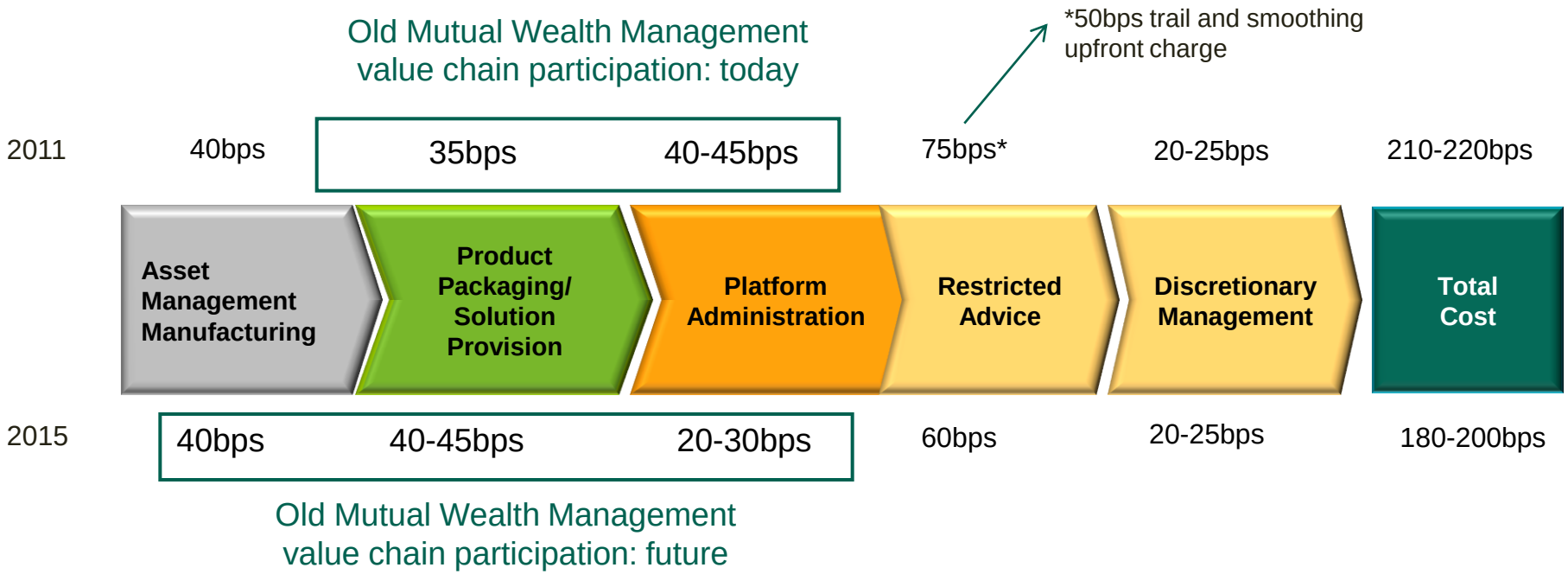
A strong asset management capability enables additional margin capture

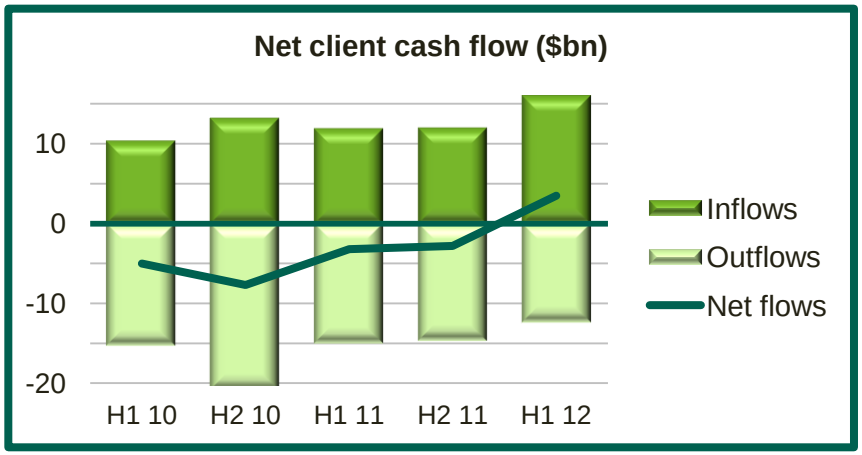
Illustrative industry margins across the value chain[1]: Active management



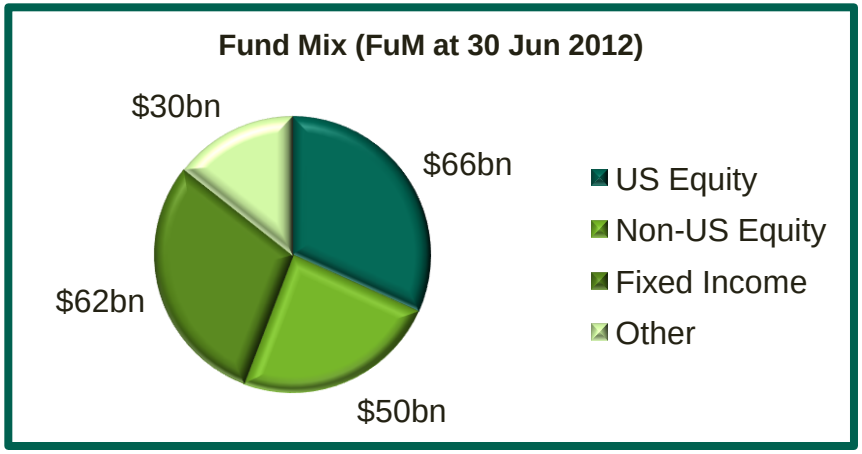
Our future: A wealth management business powered by asset management

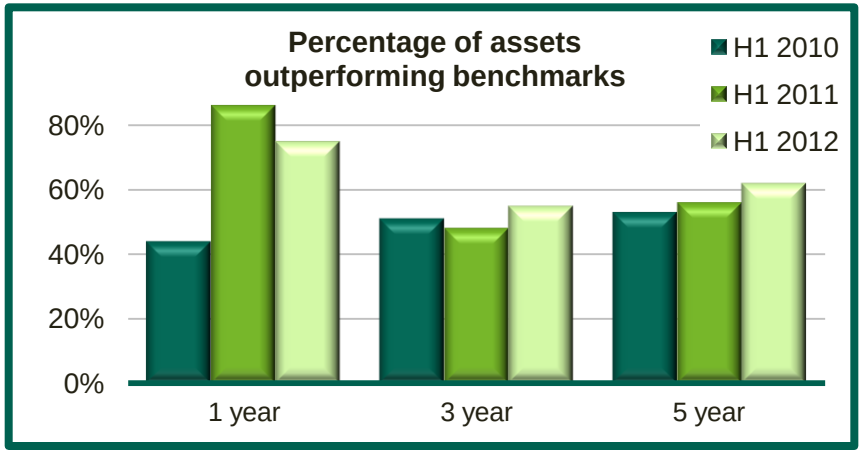
1. Internal estimates

H1 2012: US Asset Management[1]



	H1 2011	H1 2012
FuM ($bn)	194.1[2]	**208.1**
Pre-tax IFRS AOP ($m)	71	**70**
Operating margin pre-NCI	25%	**26%**
Operating margin post-NCI	22%	**22%**





1. Continuing business; excludes affiliates disposed of and OMAM (UK) which has been transferred to SIG in Wealth Management
2. 2011 FuM is at 31st December 2011
3. "Other" includes alternatives, real estate and cash collateral

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Debt, liquidity & dividend

	31 Dec 2011	30 June 2012	1 August 2012[1]
Cumulative debt repaid (net of issuance)	£449m	**£593m**	£1,052m
Gross debt (IFRS basis)	£2.5bn	**£2.4bn**	£2.0bn
FGD surplus	£2.0bn	**£2.3bn**	£2.3bn
Coverage ratio	154%	**168%**	169%
Holding company liquidity	£1.5bn	**£2.4bn**	£1.9bn

Pence per share paid	2010	2011	2012
Ordinary dividend			
Interim	1.1	1.5	**1.75**
Final	2.9	3.5	**-**
Total	4.0	5.0	**-**
Special dividend	-	-	**18.0**

- Progressive dividend policy
- Targeting 2.5 times cover over time
- Interim dividend now set routinely as c. 30% of prior year total dividend

1. Pro-forma for results of July debt tender

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Progress against 2012 targets

	Return on Equity		Cost reductions	
	H1 2012	2012 Target	H1 2012[1]	2012 Target
Long-Term Savings				
- Emerging Markets[2]	22%	20%-25%	£20m	£5m
- Wealth Management[3]	14%	12%-15%	£64m	£60m
LTS Total	19%	16%-18%	£84m	£65m
USAM				
- Operating Margin[4]	20%	25%-30%	-	-
- Cost reductions	-	-	£15m	£10m
Group-wide corporate costs	-	-	£14m	£15m
Total Group[5]	13%	-	£113m	£90m

1. Run-rate savings delivered to date (2009, 2010. 2011, H1 2012)
2. Within Emerging Markets, OMSA, RoA and Asia calculated as return on allocated capital
3. IFRS AOP (post-tax) divided by average shareholders' equity, exc. Goodwill, PVIF & other acquired intangibles
4. Post-NCI, excluding seed capital gains/losses
5. Core business IFRS AOP (post-tax) divided by average shareholders' equity)

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

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Ecobank
The Pan African Bank

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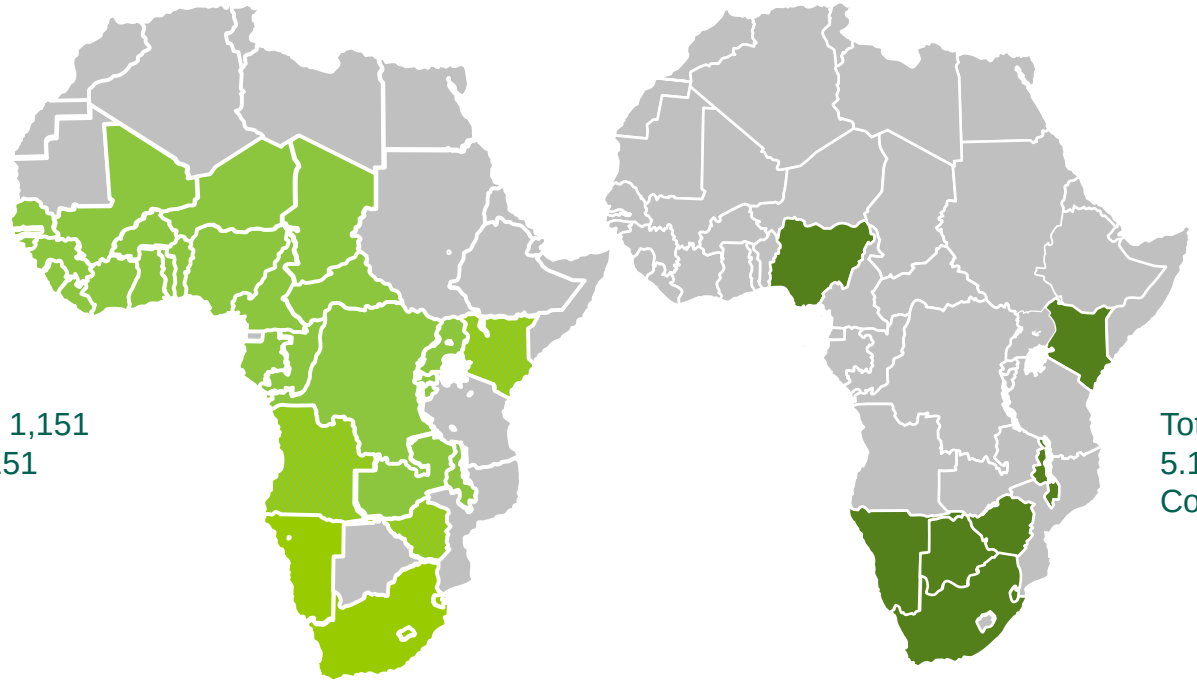

Total branches: 1,151
Total ATMs: 2,151
Countries: 35

Total customers:
5.1 million
Countries: 8

Our growth plans in Africa: Growth options in Southern Africa

- We have leading positions in **Zimbabwe** and **Namibia**.
- These two markets currently drive the bulk of the Rest of Africa operations
- Market position
  - Life: #1 (market share 65% in Namibia, 70% in Zimbabwe)
  - Asset management: #1 (market share 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

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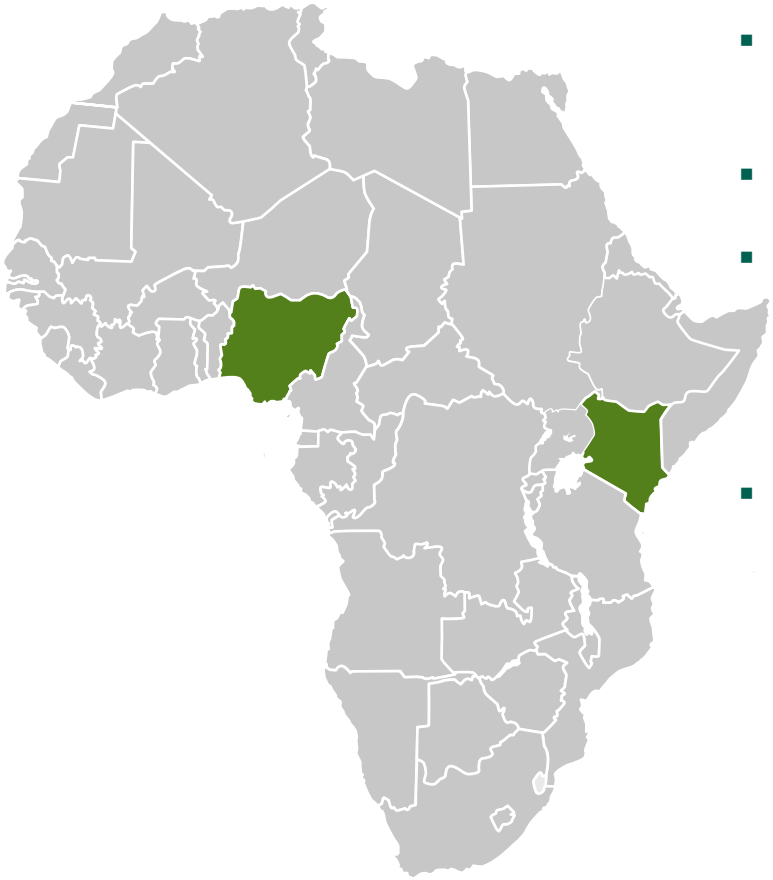
Our growth plans in Africa: Growth options in East and West Africa

- **Nigeria** is the 2nd largest economy in sub-Saharan Africa - 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 (4% market share)
  - Asset management: #1 (30% market share)
- Kenya is a hub for potential expansion into the rest of East Africa (Uganda and Tanzania)

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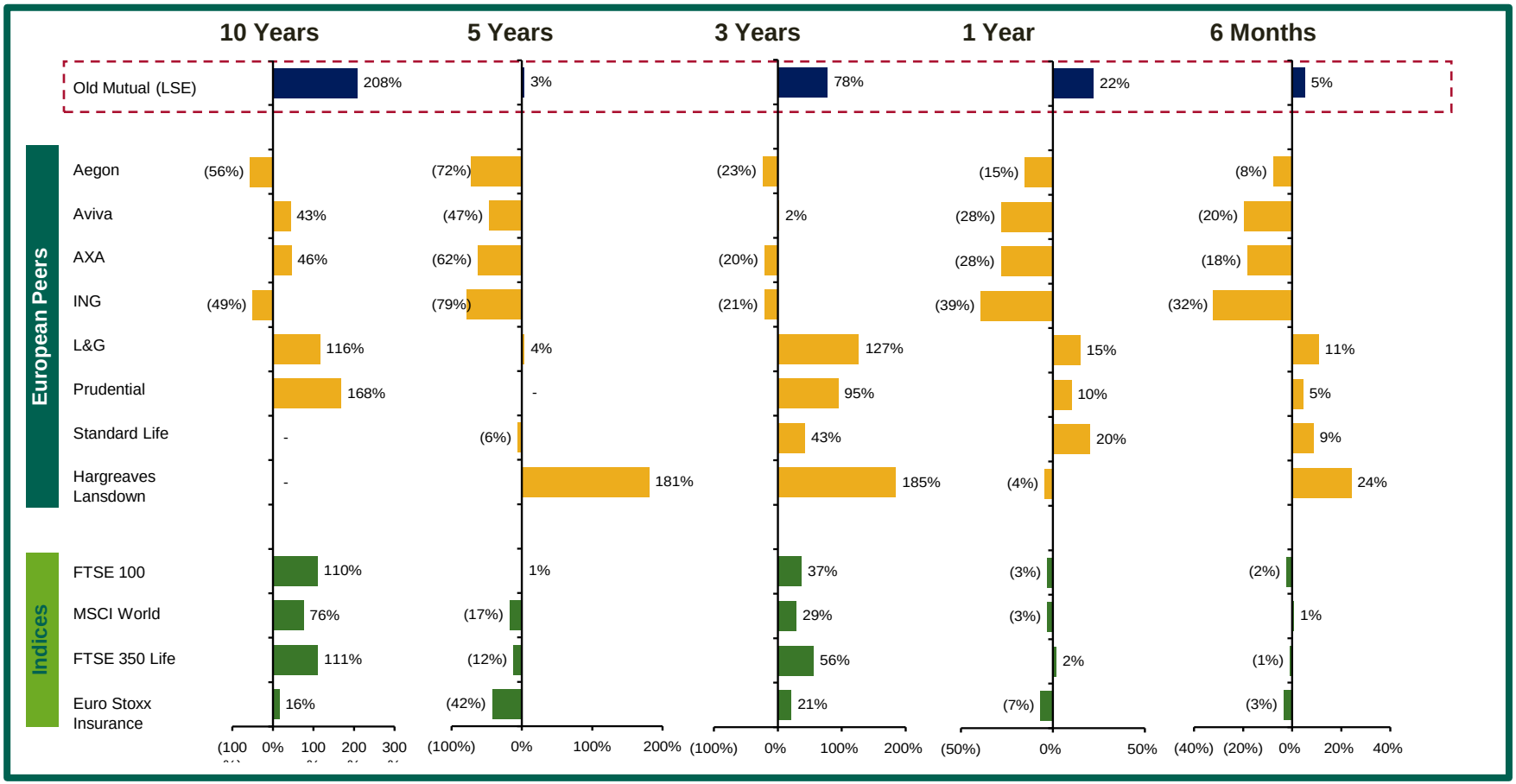
TSR performance: European peers



Source: Bank of America Merrill Lynch, data to end-July 2012

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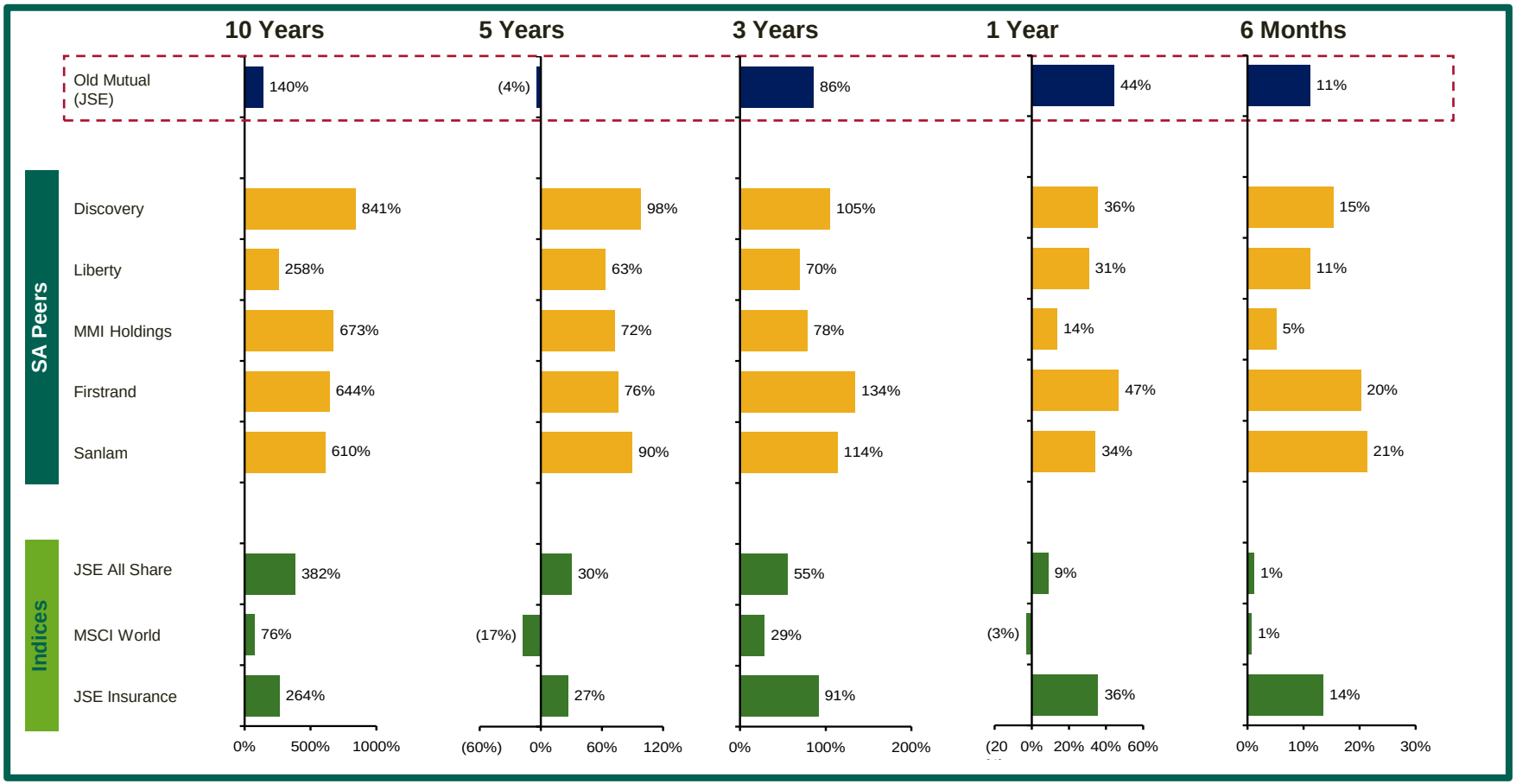
TSR performance: SA peers



Source: Bank of America Merrill Lynch, data to end-July 2012

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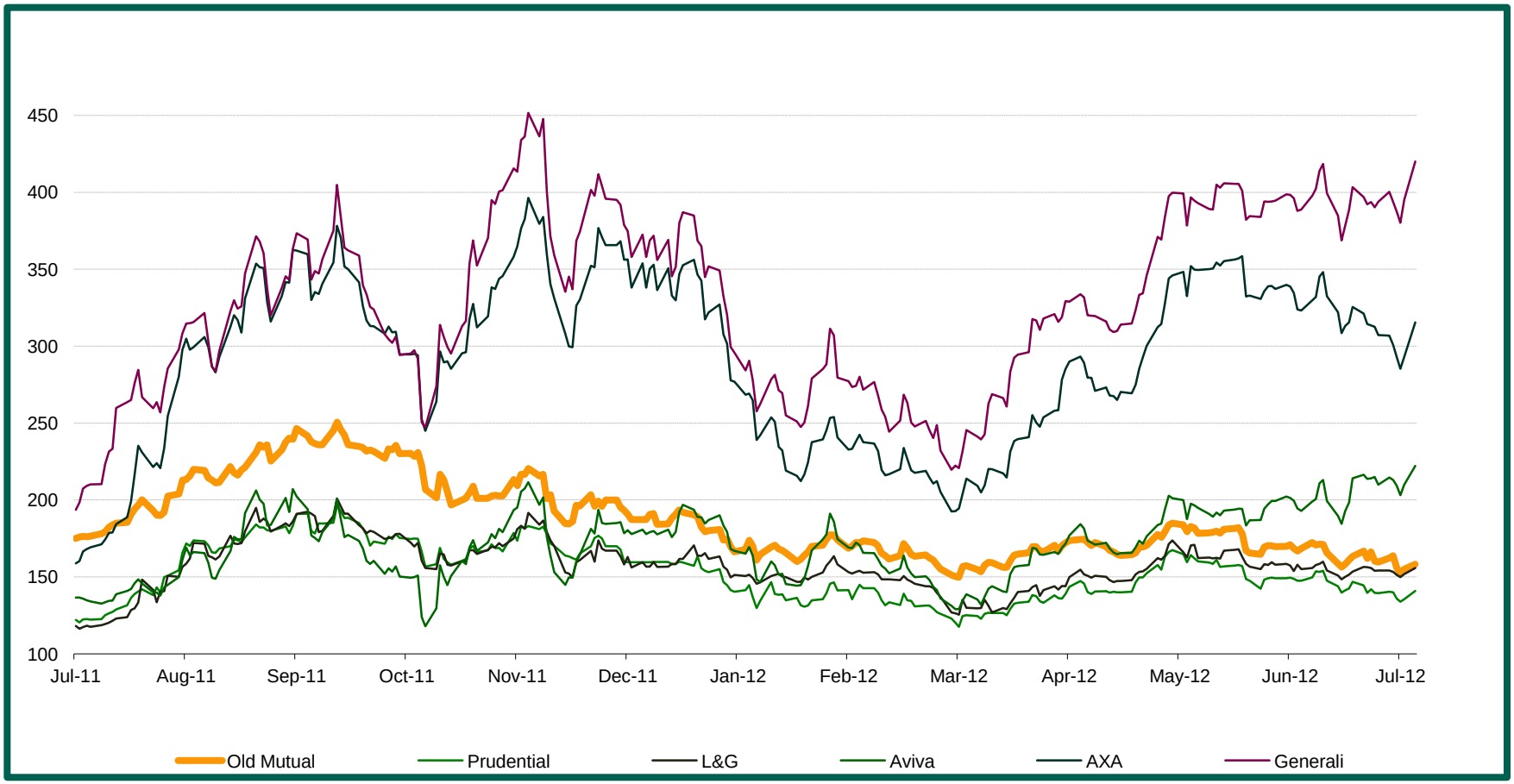
Senior CDS Spreads



Source: Bank of America Merrill Lynch

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