INTERIM RESULTS 2016

11 August 2016

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PRESENTATION AGENDA

Strategy update & H1 overview	Bruce Hemphill, Group CEO
Business reviews	Ralph Mupita, CEO Old Mutual Emerging Markets Paul Feeney, CEO Old Mutual Wealth
Financial review	Ingrid Johnson, Group Finance Director
Summary & outlook	Bruce Hemphill, Group CEO
Q&A	

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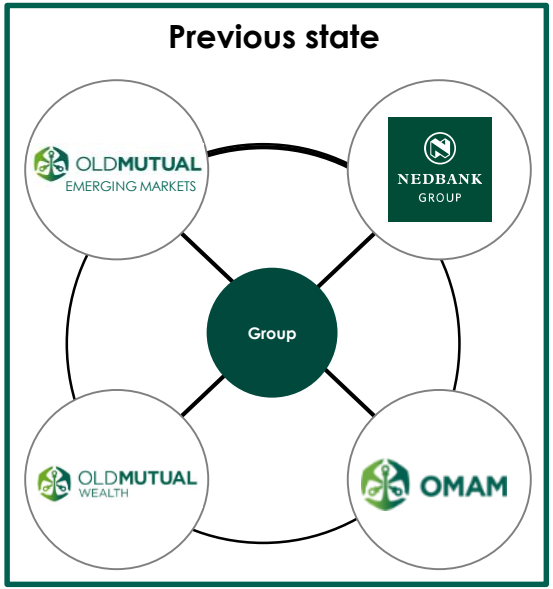
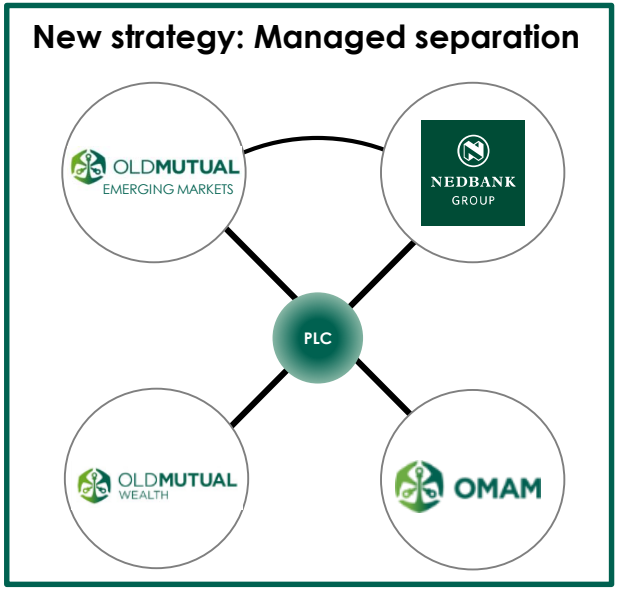
STRATEGIC PATH





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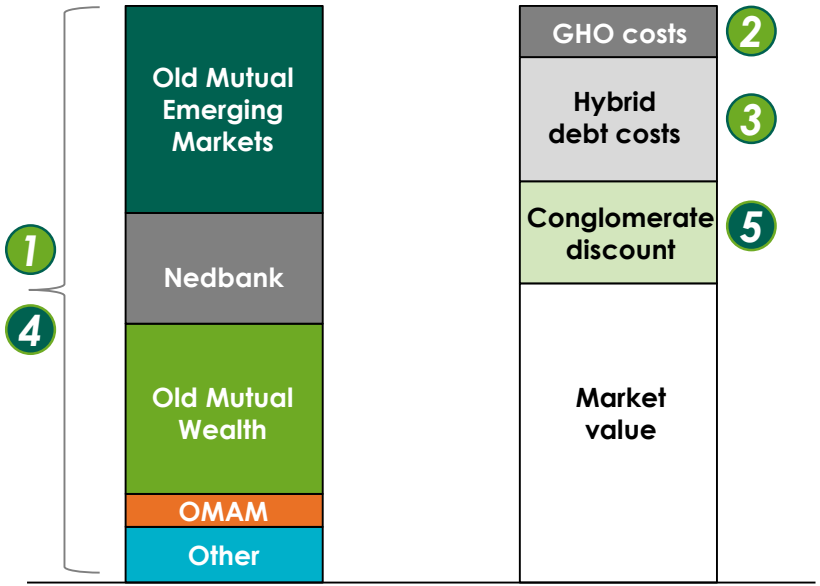
UNLOCKING VALUE



(Illustrative)

Actions:

1. Deliver enhanced business performance
2. Reduce cost of central activities
3. Manage down Group debt

Outcomes:

4. Valuation re-rating of the businesses
5. Removal of conglomerate discount

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2016-2018 AGENDA

Ensure business readiness for separation	**Balancing time, risk, value and cost**
Execute transactions	
Wind-down plc head office	

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BUSINESS READINESS

Progress to date	Ongoing
• Established business readiness project teams • Reviewed board structures • Effected management change • Identified activities to be transitioned from head office • Begun detailed transition planning • Agreed sale of Old Mutual Wealth Italy for €278m cash	• Ensuring capital strength & resilience • Dealing with business-specific issues • Enhancing operational delivery • Identifying key value drivers & metrics • Setting stretching targets • Engaging with stakeholder consent processes

Different businesses are at different stages of readiness and will progress at different speeds

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CURRENT VIEW OF REQUIRED TRANSACTIONS

Phased reduction of **OMAM** 66% stake	OMAM
Creation of two separate entities listed in London and Johannesburg • **Old Mutual Wealth** operations • **Old Mutual Emerging Markets** operations: creation of new South African holding company	OLDMUTUAL WEALTH OLDMUTUAL EMERGING MARKETS
Distribution of significant proportion of current stake in **Nedbank** • SA holding company will retain appropriate strategic minority stake	NEDBANK GROUP
Material reduction in **holding company debt**	

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PLC HEAD OFFICE

From **Integrated Financial Services** support to **Holding Company** support

- Advanced in process of **restructuring** to deliver redefined roles:-
  - Execution of Managed Separation
  - Fulfilment of ongoing obligations & responsibilities
- Strengthened specialist **capabilities**
- Commenced **wind-down** of head office
  - 15% reduction in headcount to date;
  - c. 50% reduction in headcount by end-2016
- Agreed accelerated repayment of DTA & seed capital agreement with OMAM

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2016-2018 AGENDA

Ensure business readiness for separation	**Balancing time, risk, value and cost**
Execute transactions	
Wind-down plc head office	

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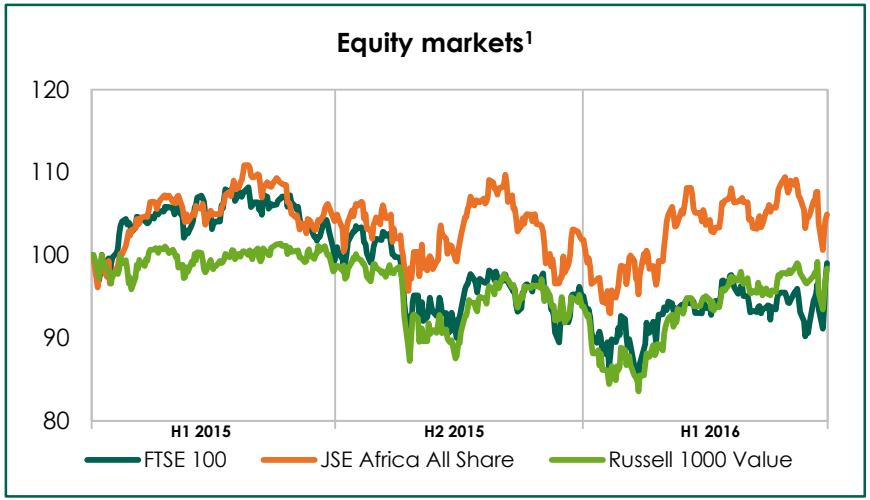
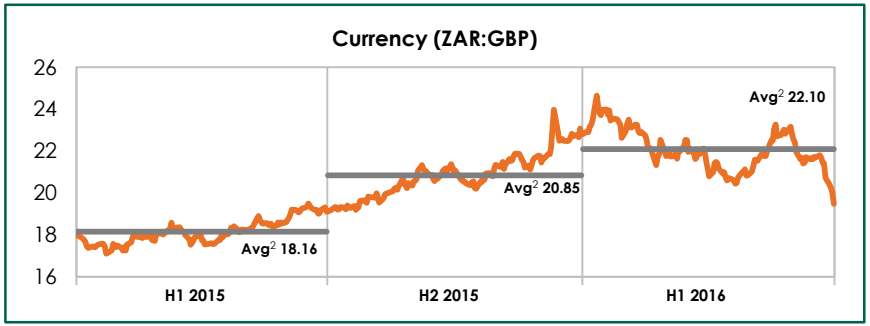
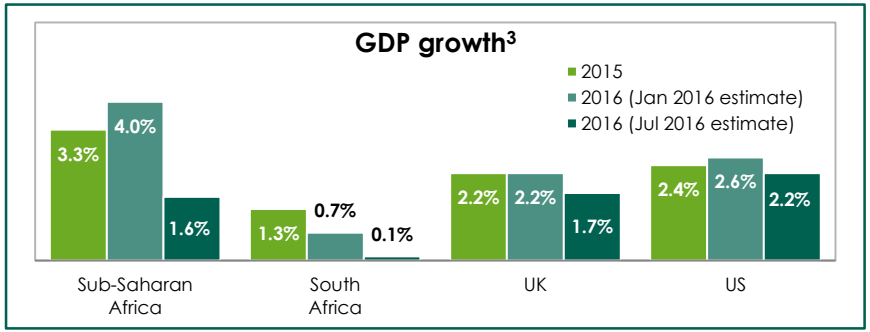
H1 OVERVIEW: MACRO BACKGROUND



Average[2] value of indices	H1 2015	H1 2016	Δ
FTSE 100	6,853	6,098	(11%)
JSE Africa All Share	52,270	51,163	(2%)
Russell 1000 Value	1,024	957	(7%)





1. Rebased to 1January 2015 = 100.
2. Daily average for each period.
3. Source: IMF World Economic Outlook.

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H1 OVERVIEW: OPERATIONAL PERFORMANCE

Top-line momentum

- Gross sales £16.0bn, up 10%[1]; NCCF[2] £3.5bn (H1 2015: £4.2bn): FUM[2] up 4%[1] to £342.7bn

Profit impacted by difficult macro and specific business-related items

- AOP[3] £708m, down 9%[1]
- IFRS profit pre-tax £608m (H1 2015: £683m)

AOP EPS 8.0 pence, down 11%[1]; IFRS EPS 5.7 pence (H1 2015: 5.4 pence)

2016 first interim dividend 2.67 pence per share, defined by capital management policy

1. Changes in constant currency.
2. Core business only and excluding Rogge. FUM comparator is 31st December 2015.
3. AOP, pre-tax and NCI, based on core business only.

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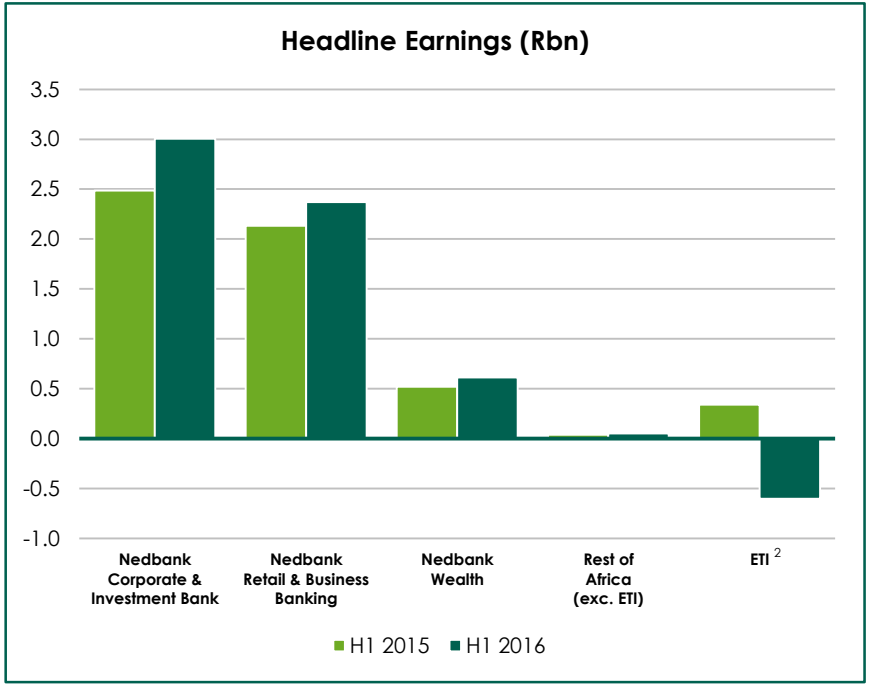
NEDBANK

Rm	H1 2015	**H1 2016**
Headline earnings[1]	5,323	**5,427**
AOP (pre-tax)	7,339	**7,628**
Net interest income	11,675	**13,028**
Non-interest revenue	10,450	**11,357**
Impairments	(2,307)	**(2,211)**
Credit loss ratio	0.77%	**0.67%**
Common-equity tier 1 ratio	11.4%	**11.6%**
ROE (exc. goodwill)	17.3%	**15.7%**

Diversified financial services provider offering a wide range of wholesale and retail banking services as well as insurance, asset management and wealth management solutions.



1. Headline earnings are stated post-tax.
2. ETI accounted for a quarter in arrears.

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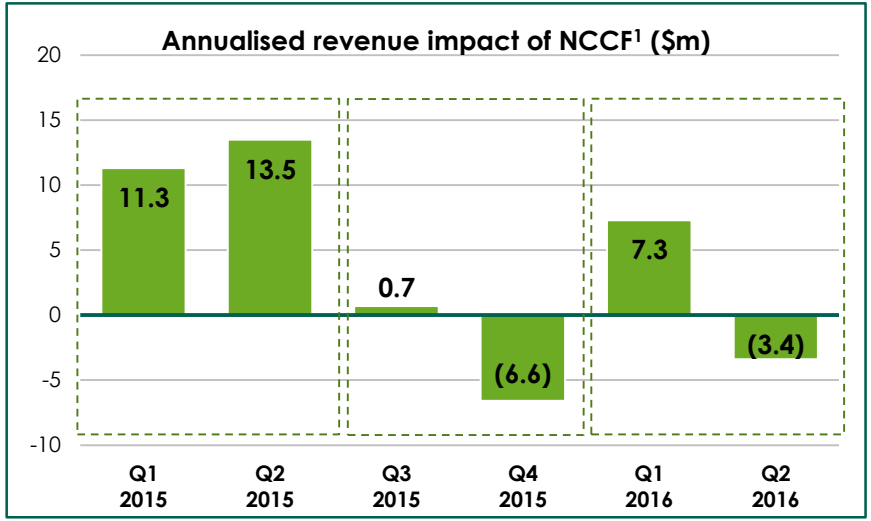
OM ASSET MANAGEMENT

$bn	H1 2015	H1 2016
NCCF	0.6	**(0.5)**
Annualised revenue impact of net flows[1] ($m)	24.8	**3.9**
Average AuM	225	**214**
AOP[2] (pre-tax) ($m)	128	**91**
AOP Operating margin[3]	34%	**29%**
ENI[4] (post-tax) ($m)	75	**68**



An institutionally driven, active investment management business delivered through a diversified multi-boutique framework that seeks to generate consistent, sustainable alpha for clients around the globe.

	H1 2015	H1 2016
Bps on inflows	46	40
Bps on outflows	30	36

1. Annualised revenue is calculated by multiplying the annual gross fee rate for the relevant account by the net assets gained/lost in the account.
2. AOP is after affiliate key employee distributions and after interest expense. H1 2015 includes exceptional performance fees of $19m earned in an alternative strategy, not repeated in H1 2016.
3. Operating margin is after affiliate key employee distributions and before interest expense.
4. Economic net income (ENI) is the key measure management uses to evaluate the financial performance of, and make operational decisions for, the business. H1 2015 is stated after exclusion of the exceptional performance fees earned in the period.

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OLD MUTUAL EMERGING MARKETS

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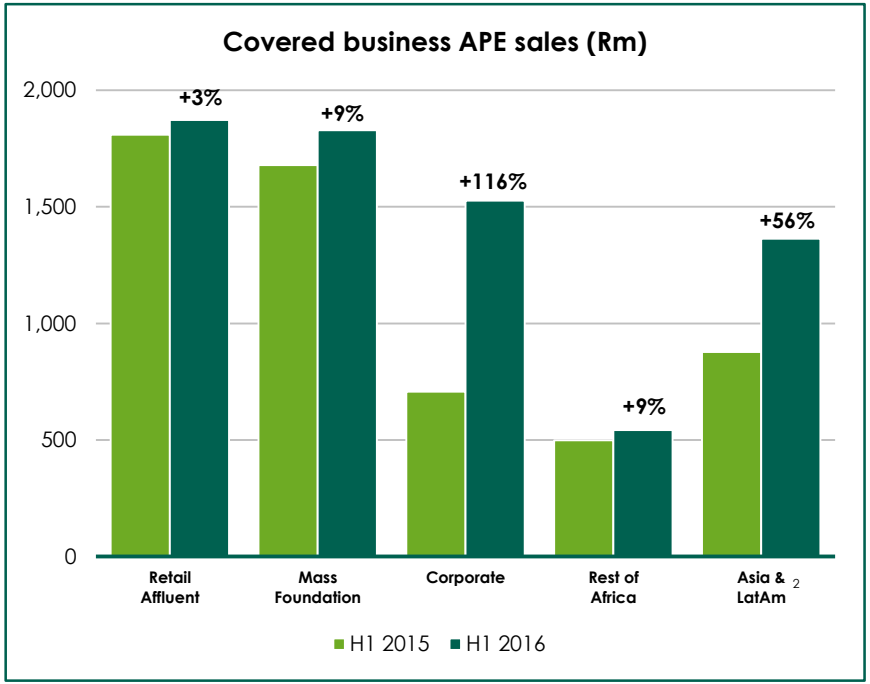
OPERATIONAL PERFORMANCE

Rm	H1 2015	**H1 2016**	Δ
Covered sales (APE)	5,474	**6,841**	25%
Non-covered sales	82,032	**71,556**	(13%)
Gross sales (Rbn)	105.7	**103.7**	(2%)
Gross written premium	6,308	**8,218**	30%
NCCF (Rbn)	14.8	**8.0**	(46%)
FuM[1] (Rbn)	990	**1,025**	4%



Diversified financial services provider, offering life insurance, property & casualty, asset management, and banking & lending solutions, predominantly in sub-Saharan Africa.

1. FuM is on an end-manager basis and the comparator is 31 Dec 2015.
2. Latin America includes Colombia from Q4 2015 only (previously included in non-life sales). Comparative not restated.

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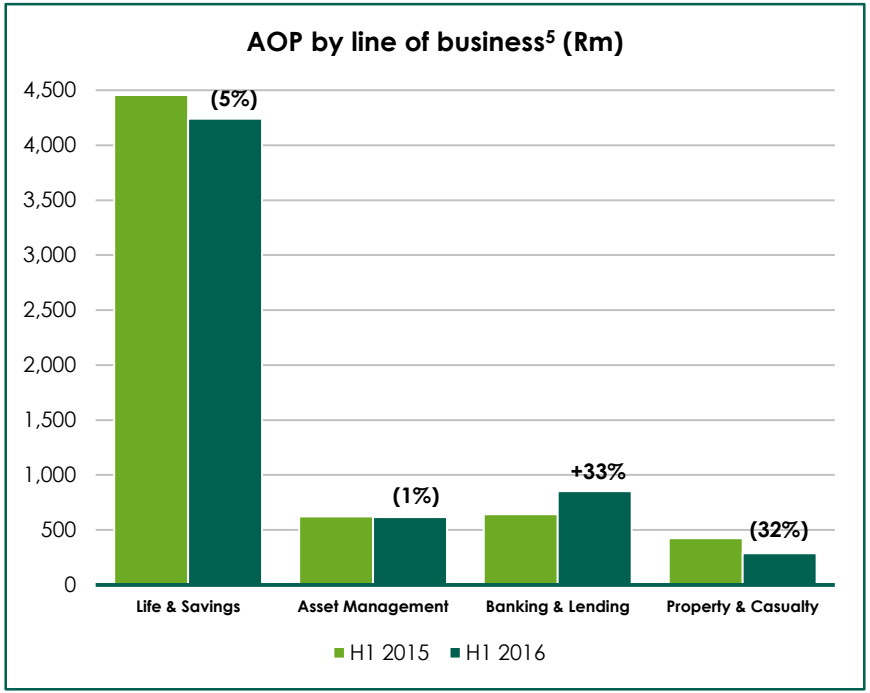
PROFIT, CASH & RETURNS

	H1 2015	**H1 2016**
AOP (Rm, pre-tax)	6,044	**5,735**
Underwriting margin (P&C)	3.5%	**(1.0%)**
AOP conversion to free surplus[1]	82%	**74%**
Cash remitted to the plc (Rbn)[2]	2.2	**2.7**
ROE[3]	23.2%	**20.8%**

- Higher debt costs[4]
- Underwriting margin impacted by claims severity
- Investing in IT
- Disability and mortality variances



1. Free surplus as percentage of AOP post-tax and NCI.
2. Excludes dividends of R1.5bn paid in respect of Nedbank shareholding.
3. Annualised basis.
4. R259m (H1 2015: R101m).
5. AOP by line of business excludes debt costs.

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EMERGING MARKETS MCEV RESULTS

Rm	H1 2015	H1 2016	Δ
MCEV Operating Earnings[1]	3,455	**4,182**	21%
VNB	907	**1,162**	28%
PVNBP Sales	28,785	**35,679**	24%
PVNBP Margin	3.2%	**3.3%**	10 bps
MCEV[2]	56,311[3]	**57,766**	3%

Earnings supported by higher expected returns (higher reference rate used from start of year) and new business growth

PVNBP margin increased due to favourable 2015 assumption changes, partially offset by less favourable mix of business.

Expected return[4]	7.9%	**9.8%**	190 bps
New business[4]	3.2%	**4.1%**	90 bps
Other variances[4,5]	1.2%	**0.9%**	(30 bps)
RoEV	12.3%	**14.8%**	250 bps

Experience variances less favourable due to risk experience, partially offset by improved expense variances & lower development costs

1. Post-tax.
2. Includes South Africa, Namibia, Zimbabwe, Colombia, Mexico and AIVA at MCEV; Rest of Africa at IFRS NAV and excludes India & China.
3. MCEV as at 31 December 2015.
4. As a % of opening EV (annualised).
5. Includes expense variances, development costs and other operating variances. All items apart from other operating variances have been annualised.

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RECENT DEVELOPMENTS OUTSIDE SOUTH AFRICA

EAST AFRICA	WEST AFRICA

• Combined UAP-OM a scaled platform for EA
• Supports our integrated financial services strategy
• Softer macro since acquisition
  • Lower investment returns
  • Increased P&C claims
  • Political unrest in South Sudan
• Finalising merger transactions & integration
• Strategy to achieve target ROE within 5-7 years
	• Challenging macro environment
	  • Low commodity prices
	  • Naira devaluation
	• Enhanced co-operation agreement with ETI
	• Optimizing capital whilst driving premium growth and NIR
	• Core growth markets – Ghana, Nigeria
	• Focus on building distribution and product innovation

Significant opportunity to drive scale through alternative asset management capabilities

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OMEM: SUMMARY

Life business delivered satisfactory results in all our markets
Underwriting outcome impacted by unusual losses in P&C and disability in SA Corporate segment
Consumer pressure and sovereign downgrade risk remain key challenges
Socio-political headwinds and regulatory developments
Business is well-diversified and resilient
Building capabilities and business readiness for separation

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OLD MUTUAL WEALTH

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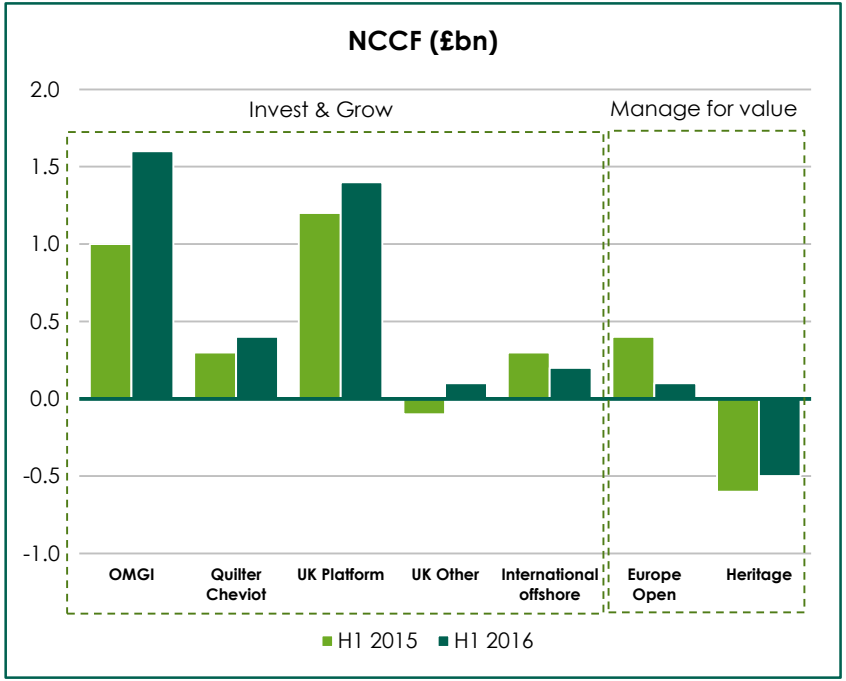
OPERATIONAL PERFORMANCE

£bn	H1 2015	**H1 2016**	Δ
Gross sales	9.8	**11.3**	16%
NCCF	2.3	**3.2**	39%
FuM[1]	104.4	**111.2**	7%
Revenue margin (bps)	66	**64**	(2 bps)
Platform assets managed by OMGI	13%	**14%**	
Platform gross flows into OMGI	1.2	**1.5**	25%
Vertical integration gross flows into OMGI	1.9	**2.4**	26%
% of Cirilium NCCF via UK platform	56%	**68%**	

Leading UK and cross-border wealth management business, providing advice-driven investment solutions to financial advisers and customers via a vertically integrated, multi-channel, business model.



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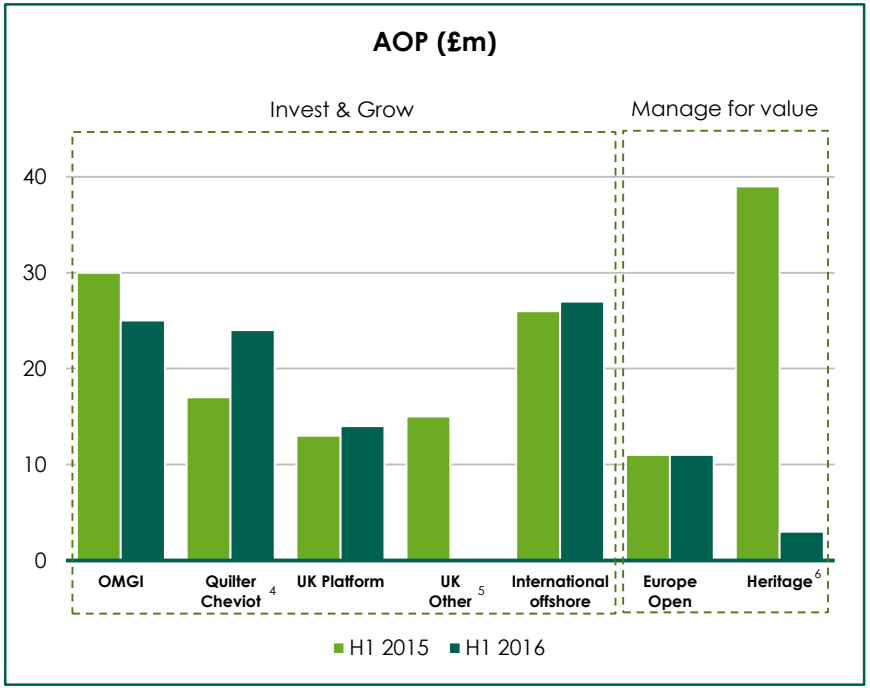
1. FuM comparator is 31 Dec 2015.

PROFIT, CASH & RETURNS

£m	H1 2015	**H1 2016**
AOP (pre-tax)	151	**104**
Invest & Grow AOP	101	**90**
Manage for Value AOP	50	**14**
Pre-tax operating margin[1]	42%	**28%**
AOP conversion to free surplus[2]	87%	**93%**
Cash remitted to the plc (£m)	57	**30**
ROE[3]	17.0%	**10.4%**



1. Pre-tax AOP divided by net revenue.
2. Free surplus as percentage of AOP post-tax and NCI.
3. Annualised basis.
4. Quilter Cheviot acquired with effect from 25 February 2015. H1 2015 includes 4 months contribution.
5. Includes Protection, Series 6 pensions, UK Institutional business and Intrinsic.
6. Includes UK Heritage and Switzerland (sold in September 2015).

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UK PLATFORM TRANSFORMATION UPDATE

- Building core back-end administration system
- Planning testing processes
- Continuing assurance by KPMG
- IFDS and DST assurance process underway
- Accenture on board as programme delivery partner
- Enhanced risk management & oversight
- Contractual negotiations ongoing
- New Chief Operating Officer appointed
- Further update at October Capital Markets event

Objectives

- Market-leading, flexible & scalable system
- Able to add additional products & functionality
- Modern front-end
- Integrated service for customers & advisers
- Improved operational leverage

Enhanced returns
Better customer outcomes

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OLD MUTUAL WEALTH: SUMMARY

Strong momentum: good flows against market trends
H1 profits reflect Heritage charges, operational challenges and adverse markets
Focus on operational execution of the strategy
Building capabilities and business readiness for separation
Our vertically integrated, multi-channel model is working

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FINANCIAL REVIEW

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AGENDA

Profit

Cash

Capital

Financial summary

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OPERATING PROFIT ANALYSIS (AOP)

£m	H1 2015	H1 2016	Δ (reported)	Δ (const. curr)
Old Mutual Emerging Markets	333	**260**	(22%)	(5%)
Nedbank	404	**345**	(15%)	4%
Old Mutual Wealth	151	**104**	(31%)	(31%)
Institutional Asset Management[1]	83	**58**	(30%)	(34%)
AOP from the businesses[2]	971	**767**	(21%)	(9%)
Finance costs	(42)	**(45)**		
LTIR on excess assets	11	**10**		
Other central activities[3]	(36)	**(24)**		
AOP pre-tax and NCI	904	**708**	(22%)	(9%)
Taxation	(235)	**(181)**		
Non-controlling interests	(167)	**(145)**		
AOP post-tax and NCI	502	**382**	(24%)	(12%)
AOP earnings per share	10.3p	**8.0p**	(2.3p)	(1.0p)
IFRS profit after tax[4]	260	**284**	9%	

1. OMAM plus Rogge (sold with effect from June 2016).
2. Pre-tax and NCI.
3. Includes corporate costs & other net shareholder income/(expenses).
4. Profit after tax attributable to equity holders of the parent.

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COST OF CENTRAL ACTIVITIES

£m	H1 2015	H1 2016
Other central activities	**(36)**	**(24)**
Corporate costs		
Gross plc costs	(35)	**(42)**
Recharges	11	**12**
Reported plc corporate costs	**(24)**	**(30)**
Other shareholder income/(expenses)		
Managed Separation costs	-	**(3)**
Brand building	(4)	**(1)**
Solvency II	-	**(1)**
Treasury gains/(losses)	-	**18**
Share based payments	(4)	**(4)**
Other	(4)	**(3)**
Total other shareholder income/(expenses)	**(12)**	**6**

£2m transaction advisory
£1m restructuring (staff related)

Including restructuring costs to be incurred in H2, estimated run-rate savings of £10m pa. realisable from 2017.

Unrealised FX and seed gains.

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CONVERSION OF BUSINESS AOP TO PLC CASH[1]

H1 2016 (£m)	AOP (post-tax & NCI)	Free surplus generated	Cash deployed / retained by businesses	Remittance from businesses[2]	H1 2016 % of AOP remitted	H1 2015 % of AOP remitted
OM Emerging Markets	181	134	-	134	**74%**	53%
Nedbank	134	134	64	70	**52%**	51%
Old Mutual Wealth[3]	88	82	52	30	**34%**	43%
Institutional AM	25	25	3	22	**88%**	61%
H1 2016 before interest & central activities	**428[4]**	**375**	**119**	**256**	**60%**	51%

88% conversion of AOP to free surplus (H1 2015: £508m, 90%)

H1 2015: £220m

68% of free surplus (H1 2015: £288m, 57%)

Includes UK platform transformation costs of £39m after tax

1. Core continuing operations only.
2. Operational cash which was remitted to the PLC, excluding proceeds from disposals.
3. Free surplus generation is on a local statutory basis.
4. £428m is AOP of the businesses (post-tax and NCI) and is before central activities of £(46)m.

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SOURCES AND USES OF PLC CASH

£m	H1 2015	**H1 2016**
PLC opening balance	1,003	750
Operational remittances from businesses		
- Rand (OMEM & Nedbank)	203	204
- Hard currency (OMW & OMAM)	85	52
	288	256
Central costs & dividend		
- Ordinary cash dividends	(297)	(315)
- Interest paid[1]	(33)	(53)
- Corporate costs & other operational flows[2]	(86)	(89)
	(416)	(457)
Total PLC capital inflows / (outflows)	(325)	26
PLC closing balance	**550**	**575**

Net corporate activity[3]: £27m
Net funding: (£1m)

Of which £112m will be used to repay the Old Mutual plc senior debt which matures in October 2016.

1. Includes dividends on preference shares
2. Includes corporate costs, payments related to the funding of employee share plans and other plc operational inflows and outflows.
3. Includes proceeds from the sale of Rogge.

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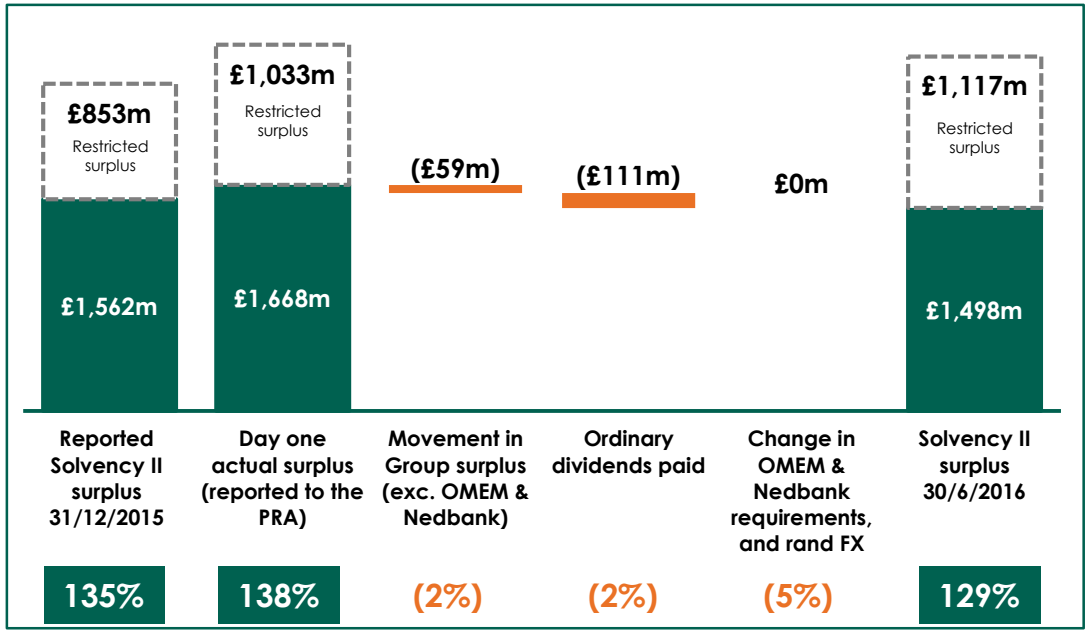
SOLVENCY II



Restricted surplus is principally the loss-absorbing surplus from South Africa which we are not allowed to recognise due to strict Solvency II fungibility and transferability restrictions.

plc Solvency II ratio is **resilient** to market and non-market stress events but is sensitive to rand movements.

Impact of **Landmark** acquisition:
- (3 ppts) on completion
- a further (3 ppts) on the second tranche in 2018

Impact of sale of Old Mutual Wealth Italy :
- 2 ppts on completion

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LOCAL CAPITAL

Local regulatory capital (30 June 2016)	**OMLAC(SA)** (Rbn)[1]	**M&F** (Rbn)[2]	**Nedbank** (Rbn)[3]	**OM Wealth** (£m)[4,5]
Capital resources	42.7	3.4	67.4	1,747
Capital resource requirement	13.6	2.1	52.7	932
Surplus	29.1	1.3	14.7	815
Coverage	**3.1x**	**1.6x**	**1.3x**	**1.9x**

1 Jan 2016	3.2x	1.4x	1.3x	1.9x

Businesses retain **strong** and **resilient** local statutory capital cover which is a determinant of their **dividend paying capacity**.

1. South Africa Statutory Valuation Methods (SVM) in accordance with the FSB requirements.
2. Capital Adequacy Requirement (CAR) in accordance with the FSB requirements.
3. Basel III valuation method and excluding unappropriated profits. The cover ratio including unappropriated profits is 1.4x (1 Jan 2016: 1.4x).
4. Solvency II basis.
5. Note that for Solvency II reporting we are not required to report to the PRA separately for Old Mutual Wealth.

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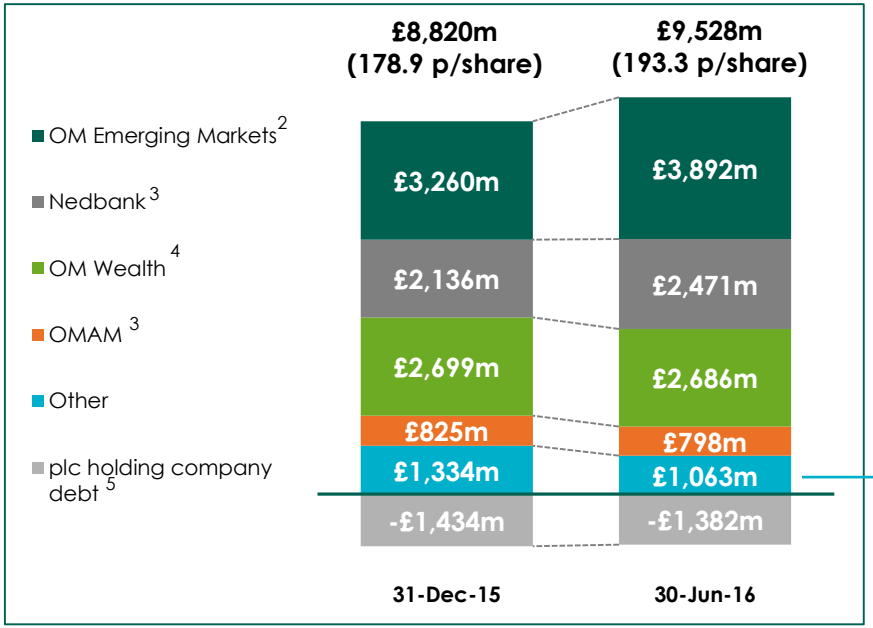
ADJUSTED PLC NAV[1]



Currency translation added £1bn of value, partially offset by adverse movement in Nedbank and OMAM share prices (£148m) and payment of plc ordinary cash dividends (£315m).

£m	31 Dec 2015	30 Jun 2016
OM Bermuda	220	211
BEE & ESOP scheme adjustment	118	116
plc cash	750	575
Net other business excl. plc cash[6]	246	161
Other	**1,334**	**1,063**

1. IFRS basis other than where stated.
2. Life business is included on an MCEV basis, subject to departures from MCEV Principles (Copyright © Stichting CFO Forum Foundation 2008) due to the use of the government bond yield curve in the majority of OMEM. Other business is included on an IFRS basis.
3. OM plc share of OMAM and Nedbank at market value and exchange rates (31 December 2015 and 30 June 2016 respectively).
4. UK Heritage is included on an MCEV basis. Other business is included on IFRS basis.
5. External debt held at plc head office and valued at market value.
6. Mostly plc head office IFRS NAV net of group adjustments and excluding external debt. Includes Rogge.

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CAPITAL MANAGEMENT

Capital management policy during Managed Separation:

Provides appropriate flexibility for the period of the Managed Separation, the costs of the process, as well as providing for the significant investment required in each of the businesses.

Intend to pursue a dividend policy which reflects the operational cash generation, investment and liquidity needs of the plc as well as the capital requirements of the underlying businesses.

Targeting dividend cover equivalent to 2.5 to 3.5 times AOP earnings. First interim dividends1 will be based on cover of 3.0 times AOP earnings in that interim period.

On completion of the debt reduction process, will consider whether there is scope for additional returns to shareholders.

First interim dividend for 2016:

- 2.67pence per share (1% increase)
- Cover ratio 3 times AOP earnings
- Formulaic in line with capital management policy

Conservative outlook for 2016 second interim dividend:

- Mid to upper end of cover range
- Maintain flexibility in volatile markets
- Funding business readiness, continued investment and maintaining capital strength

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1. Following implementation of Solvency II, interim dividend renamed as "first interim dividend", final dividend renamed as "second interim dividend".

FINANCIAL SUMMARY

AOP down on a strong comparator

- Top-line growth
- Profits reflect FX and equity market volatility and specific business-related items

Strong and resilient balance sheet

- Appropriate levels of capital, liquidity & gearing
- plc Solvency II cover ratio of 129%: resilient to stress scenarios but sensitive to rand movements
- Local capital: focus on quality & level to support competitive strategies, dividends & withstand stress scenarios

Capital management policy aligned to strategy

- Maintaining flexibility for returns to shareholders whilst executing the Managed Separation
- Conservative outlook for 2016 full year dividend

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SUMMARY & OUTLOOK

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SUMMARY & OUTLOOK

Good momentum across the businesses, though profits reflect difficult macro
Underlying franchises are strong
Market volatility may impact business performance and reported earnings in H2
Capital management policy affords flexibility
Making good progress on execution of Managed Separation strategy: clear on our agenda

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Q&A

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INTERIM RESULTS 2016

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