

OLD MUTUAL EMBEDDED VALUE ECONOMIC VARIANCES UPDATE

18 September 2014

INVESTMENT | SAVINGS | INSURANCE | BANKING



OLDMUTUAL

DISCLAIMER

This presentation may contain certain forward-looking statements with respect to certain of Old Mutual plc's plans and its current goals and expectations relating to its future financial condition, performance and results.

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Old Mutual plc undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements it may make.

OM Asset Management Limited (OMAM), a newly formed holding company for the Group's US-based institutional asset management business, has filed an S-1 registration statement with the US Securities and Exchange Commission (SEC) in preparation for the proposed Initial Public Offering of a minority of the ordinary shares of OMAM beneficially owned by the Group. A registration statement relating to these securities has been filed with the SEC but has not yet become effective. The securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. Nothing in this presentation shall constitute an offer to sell or the solicitation of an offer to buy securities, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that state or jurisdiction.

OLD MUTUAL EMERGING MARKETS MCEV ECONOMIC VARIANCES (1/2)

Rm	Six months ended 30 June 2014			Six months ended 30 June 2013			Year ended 31 December 2013		
	Adjusted Net Worth	Value of in-force business	Total	Adjusted Net Worth	Value of in-force business	Total	Adjusted Net Worth	Value of in-force business	Total
Opening MCEV	28,262	23,210	51,472	25,305	20,367	45,672	25,305	20,367	45,672
Expected existing business contribution ¹	787	1,052	1,839	664	849	1,513	1,245	1,760	3,005
Other operating earnings and transfers ²	1,323	(691)	632	1,080	(582)	498	2,181	(221)	1,960
Operating MCEV earnings	2,110	361	2,471	1,744	267	2,011	3,426	1,539	4,965
Investment variance of in-force business ³	441	650	1,091	420	314	734	1,147	1,562	2,709
Investment variance on ANW ³	159	-	159	574	-	574	1,032	-	1,032
Effect of economic assumption changes ³	(13)	(107)	(120)	19	(216)	(197)	127	(246)	(119)
Other non-operating variance	-	-	-	(18)	-	(18)	13	(137)	(124)
Total MCEV earnings	2,697	904	3,601	2,739	365	3,104	5,745	2,718	8,463
Closing adjustments	(2,493)	26	(2,467)	125	44	169	(2,411)	110	(2,301)
Inclusion of Rest of Africa ⁴	-	-	-	-	-	-	(377)	15	(362)
Closing MCEV	28,466	24,140	52,606	28,169	20,776	48,945	28,262	23,210	51,472
ROEV% p.a.			10.2%			9.1%			11.0%

1. Consists of 'reference rate' and 'in excess of reference rate' expected existing business contribution.
2. Consists of new business value, transfers from VIF to ANW, experience variances, assumption changes, and other operating variances.
3. Reported together as 'economic variances' in MCEV supplementary report.
4. Included as 'closing adjustments – other' in MCEV supplementary report.

OLD MUTUAL EMERGING MARKETS

MCEV ECONOMIC VARIANCES (2/2)

- **Expected existing contribution:**

The impact of projecting forward MCEV from the start of the reporting period to the end of the reporting period using expected real-world rates of return, where appropriate allowance is made for market risk premiums in addition to the risk-free rate of return (9.4% p.a. total expected return has been used for South African equities in the six months to 30 June 2014).

- **Investment variance on in-force business:**

Mainly consists of the impact of higher than expected returns on policyholder funds for the six months to 30 June 2014, including

- The resulting increase in the value of future asset-related fee income included in the VIF, and
- The yield pick-up on credit assets in the annuity portfolio not included in expected returns.

- **Investment variance on ANW:**

Shareholder fund investment performance higher than expected in the six months to 30 June 2014.

- **Effect of economic assumption changes:**

Mainly due to the effect of changes in yields contributing to

- Changes in the projected investment performance and the discounting of profits included in the VIF, as well as
- The impact of yield changes on regulatory reserves included in ANW (investment guarantee reserves and product reserves net of hedging effects).

Note that the categorisation of economic variances reported in this presentation may change in future reporting periods as we refine our approach to separating out the impact of investment returns from other economic and market effects.