

# NEWS RELEASE

08 May 2008

## Old Mutual plc Interim Management Statement for the three months to 31 March 2008

### Strength in diversity

- Net client cash inflows of £2.1 billion, 3% of opening funds under management (FUM) on an annualised basis despite volatile market conditions
- Funds under management down 6.5% to £260.8 billion
- Growth in Life APE sales of 2%\* to £426 million
  - UK down 18%\*: single premiums affected by market
  - Nordic up 36%\*: positive sales momentum continues
  - SA up 12%\*: management focus on sales force growth and productivity
  - US up 37%\*: variable annuity sales levels sustained
- Mutual fund sales of £1,699 million: strong Nordic (up 103%\*) and SA growth offset by market declines in UK and US
- Value of new business solid at £55 million
- Capital position remains strong; £1.5 billion pro-forma FGD surplus

### Jim Sutcliffe, Chief Executive, commented:

“Old Mutual’s diversified business model and international portfolio enabled us to achieve a resilient performance in the first quarter against a background of challenging market conditions. Achieving net client cash flows of £2.1 billion in this context is very pleasing although falling markets impacted our level of funds under management.

Looking forward, we are tightening our grip on expenses as markets reduce our revenue, and optimising our capital allocation. Retirement savings remains a growth industry for those with good investment performance and we are well placed to outpace our competitors.”

*\* For the three months to 31 March 2008, with comparisons to the three months to 31 March 2007*

# Business Update

## Enquiries

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## Notes to Editors:

A conference call for analysts and investors will take place at 9.00 a.m. (UK time), 10.00 a.m. (Central European and South African time) today. Analysts and investors who wish to participate in the call should dial the following toll-free numbers quoting conference ID 45908827:

UK	0800 694 0257
UK (local)	0844 493 3800
Sweden	0200 890 171
South Africa	0800 980 759
North America	+1 866 966 9439
International participants	+44 (0) 1452 555 566

Playback (available until midnight on 16 May 2008), access code: 45908827#:

UK toll-free	0800 953 1533
North America toll-free	+1 866 247 4222
Standard international	+44 (0) 1452 55 00 00

Copies of this update together with high-resolution images (at <http://www.oldmutual.com>) and biographical details of the Executive Directors of Old Mutual plc, are available in electronic format to download from the Company's website.

This Interim Management Statement has been prepared in accordance with section 4.3 of the Disclosure and Transparency Rules (DTR) and covers the period 1 January 2008 to 7 May 2008. The first quarter business update is included in this Interim Management Statement.

A Financial Disclosure Supplement relating to the Company's three month business update can be found on the website. This contains a summary of sales and other financial data for the first three months of 2008 and 2007.

Photographs of management are available at the Visual Media website [www.vismedia.co.uk](http://www.vismedia.co.uk)

## Forward-looking statements

This announcement contains 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. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond Old Mutual plc's control, including, among other things, UK domestic and global economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties or of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in territories where Old Mutual plc or its affiliates operate.

As a result, Old Mutual plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual plc's forward-looking statements. Old Mutual plc undertakes no obligation to update any forward-looking statements contained in this announcement or any other forward-looking statements that it may make.

# Business Update

## GROUP RESULTS

Group Highlights (£m)	Q1 2008	Q1 2007	% Change
Life assurance sales (APE)	<b>426</b>	418	2%
Europe	<b>259</b>	278	(7%)
South Africa	<b>80</b>	75	7%
US	<b>87</b>	65	34%
Unit trust / mutual fund sales	<b>1,699</b>	1,935	(12%)
Europe	<b>1,017</b>	1,009	1%
South Africa	<b>324</b>	272	19%
US	<b>289</b>	540	(46%)
Asia Pacific	<b>69</b>	114	(39%)
Value of new business	<b>55</b>	58	(5%)
Europe	<b>27</b>	36	(25%)
South Africa	<b>9</b>	10	(10%)
US	<b>19</b>	12	58%
Group Highlights (£bn)	Q1 2008	FY 2007	% Change
Funds under management	<b>260.8</b>	278.9	(7%)
Europe	<b>58.0</b>	60.6	(4%)
South Africa	<b>34.9</b>	41.7	(16%)
US	<b>161.6</b>	170.1	(5%)
Asia Pacific	<b>6.3</b>	6.5	(3%)
	Q1 2008	Q1 2007	Annualised % of opening FUM
Net Client Cash Flows	<b>2.1</b>	4.5	3%
Europe	<b>0.8</b>	1.5	5%
South Africa	<b>(0.3)</b>	(0.1)	(3%)
US	<b>1.6</b>	3.0	4%
Asia Pacific	<b>-</b>	0.1	-

### Net client cash flows delivered during period of market volatility

During the three months to 31 March 2008 ("the period"), Old Mutual delivered solid investment performance compared with the three months to 31 March 2007 ("the comparative period") in challenging market conditions. Continued momentum in net client cash flows of £2.1 billion represented 3.0% of opening funds under management on an annualised basis. Delivering on absolute investment performance proves challenging in such volatile markets, however our US businesses produced inflows of £1.6 billion, while the Skandia businesses achieved £0.8 billion of net inflows. Net client cash flows remained a challenge for OMSA as we go through the transition to establish our boutique managers.

## Business Update

### Breadth of sales product offering in diverse geographic markets

Life sales on an APE basis were solid overall. In Nordic, we continued to see the benefits of our investment in the sales channel with strong life APE sales. In the US we delivered excellent sales (up 37% in US dollar terms) driven particularly by Bermuda variable annuities. South African life sales were up 12% in Rand terms. However UK single premium sales for the period suffered as a result of market conditions and tax changes and therefore were below the level of the comparative period.

Whilst unit trust sales in Europe, especially Nordic, and South Africa were pleasing, lower sales in the US and UK more than offset this result, with weaker Old Mutual Capital mutual fund sales and OMAM UK unit trust sales directly impacted by the more difficult selling environment.

### Value of new business

The value of new business (VNB) remained steady at £55 million, driven by excellent volumes in US Life and strong sales in Nordic. The APE profit margin decreased slightly overall from 14% to 13%. This was 21% for the US Life business, compared with 19% in 2007. The UK APE margin of 9% was down slightly during the period due to the change in business mix. In Nordic, the APE margin was sustained at the 2007 year end level of 13%, while in ELAM after exceeding the margin target in 2007, it fell to 11% due to lower new business volumes. In OMSA, the margin declined to 10% largely due to lower volumes being written in a period which included the earlier Easter holiday period and we invested in distribution.

### Nedbank and Mutual & Federal

Nedbank delivered a solid result overall with strong net interest income and an improved cost to income ratio, despite an increasingly challenging environment while gross written premiums were up 6% over the comparative period at Mutual & Federal.

### Other

The Group is in compliance with the Financial Groups Directive capital requirements, which apply to all EU-based financial conglomerates. Our pro-forma FGD surplus was £1.5 billion at 31 March 2008, including current year profits.

Our £350 million share buyback programme was announced at the beginning of October 2007 and we have so far repurchased approximately 235 million shares through the London and Johannesburg markets at a total sterling equivalent cost of £343 million.

### Outlook

Looking forward, we are tightening our grip on expenses as markets reduce our revenue, and optimising our capital allocation. Retirement savings remains a growth industry for those with good investment performance and we are well placed to outpace our competitors.

# Business Update

## UNITED KINGDOM AND OFFSHORE

### A resilient quarter from Skandia UK

Skandia UK attracted positive net client cash flows of £546 million for the period, representing 5% of opening funds under management on an annualised basis. Despite the positive net client cash flows, adverse market movements during the period resulted in a 6% decrease in funds under management since the beginning of the year to £39.5 billion.

Life sales on an APE basis for the quarter were £158 million, down 18% over the comparative period, when the business benefited from strong offshore portfolio bond sales through UK institutions. These were not repeated in 2008 following a tax change implemented in the 2007 budget. In addition the 2008 budget has confirmed the new flat-rate of CGT of 18% without any corresponding change to the treatment of onshore life bonds (which are subject to income tax). For some clients, advisors are therefore more hesitant to recommend a bond when a direct investment in funds may be more tax-efficient. With its platform approach and a full set of product wrappers, Skandia is better-placed than many competitors to benefit from this change. However, the shift away from life bonds gave rise to a lower value of new business of £14.5 million, the new business margin was 9.1%. Persistency experience remains in line with expectations as customers wishing to switch to more defensive investments are taking advantage of the broad choice available through Skandia's "open-architecture" approach. Skandia's platform market share has remained stable in a declining market.

Unit trust sales (excluding institutional investment business) of £415 million were down 27% against the comparative period as the volatile markets led to a weak ISA season for the whole industry. Offsetting this, institutional mutual fund business of £107 million was significantly up in the period.

Skandia Investment Management Limited's (SIML) range had a good quarter during a very difficult period for markets. The level of volatility has resulted in good relative performance from the risk controlled range of funds as the more defensive oriented managers have had the opportunity to deliver after such a long bull market. 75% of the SIML Blend funds are now delivering risk adjusted returns ahead of sector since launch. *UK Strategic Best Ideas* has continued to prosper despite the current market volatility, as it is designed to do. This has resulted in excellent relative performance, with funds demonstrating significantly lower volatility than the market.

In most aspects, Skandia UK supports the FSA's revised proposals on the Retail Distribution Review, to have a clear separation between advice and sales, ensure alignment with the potential Money Guidance service and to pursue the aim of raising professional standards. The proposal for "guided advice" within the sales channel is still being considered. Skandia UK believes this will confuse the consumer and hence will be lobbying against this proposal.

## NORDIC

### Strong start to the year with very positive sales performance and strengthened relations with distributors

Net client cash flows for the first quarter were a pleasing SEK1.5 billion, up 114% on the SEK0.7 billion achieved in the comparative period. The positive performance was driven by strong net inflows in the life business, benefiting from a very good sales performance and reduced outflows. However, a volatile equity market during the beginning of 2008 impacted negatively on asset growth during the period, with funds under management at the end of the quarter down 11% on 31 December 2007 to SEK103.7 billion. Continued market leading investment performance characterised the first quarter in our Nordic business. Skandia's Swedish unit-linked business also achieved the best investment return of all unit-linked companies in Sweden in a three-year timeframe (according to a Risk & Försäkring survey).

Nordic delivered excellent growth in sales during the period. Life sales on an APE basis of SEK652 million were up 36% on the comparative period continuing the positive trend from the last quarter of 2007. The internal sales force continues to perform very well with a focus on unit-linked products. We have particularly benefited from a more positive attitude towards Skandia among brokers in Sweden mainly driven by expanding the fund range and new product launches. Skandia returned to the number one position among distributors according to a distributor satisfaction survey in Sweden (2007: third). Being ranked number one in 15 out of 18 areas, Skandia scored highly in areas such as attractive fund platform, best commission model and most interesting insurance company for a customer to place their savings. Excellent growth was experienced in mutual fund sales of SEK1,004 million, up 103% on the comparative period. The increase was mainly due to deposits in Skandia's interest based funds and a newly launched hedge fund, both of which are popular in times of volatile equity markets.

## Business Update

The value of new business of SEK85 million for the period was down 2% on the comparative period, improved life sales on an APE basis having been offset by a change in business mix and the assumption changes made in 2007. We would expect margins to improve during the year. New lending at SkandiaBanken developed positively, up 3% since 31 December 2007, mainly as a result of growth in the Norwegian mortgage loans and in the middle of March a campaign launching a one month interest free offering saw the start of an increase of mortgage loans in Sweden. The deposit book at SkandiaBanken closed at approximately the same level at 31 March 2008 as it was at 31 December 2007.

On 24 April 2008 Old Mutual announced that Skandia and Skandia Liv, its Swedish life assurance company which is run on a mutual basis, are reviewing the potential benefits to both Old Mutual and to Skandia Liv policyholders of demutualising the Skandia Liv business. The review is at a very preliminary stage and a conclusion is not likely before late 2009. Demutualisation would also require approval from the Swedish Financial Supervisory Authority.

## EUROPE AND LATIN AMERICA (ELAM)

### Difficult start to the year, regular premium business holding up

In ELAM, the challenging market environment placed pressure on business development particularly with regard to the single premium business lines, while regular premium business was less affected. Net client cash flows of €287 million were a healthy 9% of opening funds under management on an annualised basis. Funds under management of €12.2 billion were 6% lower than at 31 December 2007 impacted by lower net inflows and by negative equity market movements.

Life sales on an APE basis of €64 million were 15% lower than the comparative period. Product developments in the latter parts of 2007 continued to create strong demand for our regular premium business in Austria and Switzerland, while an overhang effect of year-end sales provided support in Germany, where the market has been occupied with the implementation of the Insurance Contract Law. Our single premium businesses in Italy and France were most impacted by weakened demand as a result of the negative market conditions. The lower sales volume and change in geographic mix impacted on the post-tax new business margin of 11% for the quarter.

The value of new business of €7 million was 53% lower than the comparative period as a result of changes to business mix arising largely from lower single premium sales. Also, in the comparative period we benefited from exceptional sales in Poland as a result of a strong market. These sales were at comparatively higher profit margins, booked prior to us reducing tariffs in favour of clients. We are expecting that the implementation of the Insurance Contract Law in Germany will have a dampening effect on profit margins throughout the German market as the year progresses.

Mutual fund sales were virtually unchanged on the comparative period at €546 million, a solid result in the current market environment. Long-term business showed a solid performance while institutional business was more volatile.

## LONG-TERM BUSINESS & ASSET MANAGEMENT - OLD MUTUAL SOUTH AFRICA (OMSA)

### Solid sales growth despite tightening economic conditions

Funds under management were R433 billion, down 3% on 31 December 2007, as a result of volatile markets and net client outflows of R3.6 billion. Net client cash flows continue to be a challenge for OMSA, particularly in the current economic environment, with higher outflows affected by higher bonus declarations during 2007 and early 2008 which increased the level of normal benefit payments and termination values. For OMIGSA, the negative outcome in net client cash flows was due to restructuring in some client funds, heavy exposure to traditional mandates in two of our boutiques, weak short-term performance and market conditions proving unfavourable for our Property and Income Specialist boutiques. We are addressing this through strong sales force growth, innovative and competitive product offerings and an intense focus on investment performance after completing the move to asset management boutiques last year.

Sales have continued to show moderate growth supported by our extensive retail distribution channels and niche boutique offerings. Significant focus has been given to driving sales force growth and productivity in both our Retail Affluent and Mass Market businesses. This resulted in total life sales of R1,121 million growing at 10% on an APE basis over the comparative period. We continue to successfully penetrate the mass market where we see further opportunity and where the sales run rate improved through the quarter and is expected to continue through the year. This was pleasing considering the current economic climate where the effect of higher oil and food prices and increasing interest rates has had a negative effect on available consumer spend.

## Business Update

Life recurring premium sales growth of 5% was moderate. Retail Affluent sales were driven by continued good sales of investment business, as well as good credit life sales due to the acquisition of a book of credit life business and the extension of a savings offering into a new market, which countered the negative impact of the introduction of the National Credit Act (NCA) and the higher interest rate environment. The shift from life wrapped business to other wrappers continues. This is evident from the performance of the combined recurring premium *Max Investment* savings business (both life and non-life wrappers), which performed well with significant growth of the non-life recurring option but off a lower base. New business growth in the recurring premium area is under increasing pressure as the tougher economic environment impacts on our customers. Volumes on our credit life business will remain under pressure due to the impact on new credit by the NCA and higher interest rates. However, unit trust sales of R4,372 million were 19% higher than the comparative period and there was strong growth in life single premiums, which were 22% up on the comparative period.

The value of new business of R110 million was 10% down on the comparative period. The new business margin declined from 11% to 10%. The first quarter of 2008 had an abnormally high number of public holidays (Easter falling earlier than normal) and additional training of the retail sales forces resulting in lost production during this period. We also invested heavily in growing the salaried sales force in this quarter, which increased initial expenses in the period. We anticipate that the investments in new advisors and training will bear fruit later in the year, with the effect on margin of higher investment in distribution likely to be offset by higher sales volumes.

### BANKING - NEDBANK GROUP (NEDBANK)

#### Delivering earnings growth in tough macro-economic environment

The full text of Nedbank's business update for the three months ended 31 March 2008, released on 7 May 2008, can be accessed on Nedbank's website <http://www.nedbankgroup.co.za>

The results for the first quarter were broadly in line with expectations for headline earnings. Underlying growth in assets and net interest income (NII) remained solid, but impairment levels have now risen above Nedbank's through-the-cycle expectations.

Nedbank Corporate recorded good earnings growth. Earnings growth in both Nedbank Retail and Imperial Bank slowed as impairment charges continued to increase. Nedbank Capital experienced a slowdown in certain business lines and, as expected, lower private-equity earnings.

Net interest income (NII) grew by 21.9% to R3,871 million, although the net interest margin reduced as expected to 3.85% for the period from 3.89% for the comparative period. Average interest-earning banking assets grew by 22.5% over the comparative period. Advances grew by 24.7% on an annualised basis to R396.9 billion since 31 December 2007. Total assets at 31 March 2008 amounted to R534.5 billion, an annualised increase of 37.5% in the quarter. The higher growth in total assets was largely due to higher derivatives balances and increased holdings of government stock as Nedbank increased its liquidity buffers.

Increased consumer credit stress and the higher cyclical retail impairments always experienced in the first quarter, resulted in the credit loss ratio continuing to increase. Retail credit loss ratios are now above those expected for through-the-cycle levels, while wholesale credit loss ratios remain below expected through-the-cycle levels, aided by further recoveries. Following the 50 basis point increase in interest rates in April 2008, we currently anticipate that Nedbank's credit loss ratio for the year is likely to move above our medium- to long- term target range of between 0.55% and 0.85%.

Non-interest revenue (NIR) for the period increased by 0.7% over the comparative period to R2,289 million. Within NIR, commission and fee income continued to grow and trading income improved from the low level reported in the first quarter in 2007, remaining, however, below original expectations. In total no material fair-value gains were recorded on the private equity books as property valuations in Nedbank Corporate reduced in line with market benchmarks, offsetting small gains in the Nedbank Capital portfolio. No commission income was recorded in NIR from *Bond Choice* as the company ceased to be a subsidiary of the Nedbank Group from 1 January 2008. Excluding *Bond Choice's* commission and sundry income, NIR grew by 6.1% on a like-for-like basis.

Expenses continue to be well-managed and were contained below budgeted levels in response to the more challenging macro environment. Nedbank's efficiency ratio improved further on that reported at 31 December 2007 as expenses grew more slowly than income.

## Business Update

During the period Nedbank recorded a profit from non-trading and capital items, mostly attributable to the profit on sale of Visa shares from the Visa initial public offering (IPO). The profit from non-trading and capital items, together with headline earnings, increased Nedbank's Tier 1 capital ratios. Although earnings growth has slowed in 2008, this was not unexpected. Nedbank still expects to show positive earnings growth for the first half of 2008, but growth is expected to be at lower levels than originally anticipated.

### GENERAL INSURANCE – MUTUAL & FEDERAL

#### Challenging trading conditions

The full text of Mutual & Federal's business update for the three months ended 31 March 2008, released on 8 May 2008, can be accessed on Mutual & Federal's website <http://www.mf.co.za>

Gross premiums of R2.6 billion were up 6% over the comparative period reflecting increases in rates and sums insured in most portfolios, partly offset by the cancellation of certain uneconomical blocks of business where there was no prospect of a return to profitability.

The underwriting account was negatively impacted during the quarter by a significant increase in the frequency and severity of fire losses on the commercial property account and substantial weather-related claims in the personal portfolio. The annualised investment return for the quarter was 8.1% which was satisfactory in light of the highly volatile investment environment and the solvency margin at 31 March 2008 was 42% which was unchanged from the figure at 31 December 2007.

Old Mutual's discussions with community-based investment group, Royal Bafokeng Holdings, regarding a potential sale of its controlling interest in Mutual & Federal were terminated during the quarter, as the parties were unable to agree mutually acceptable terms in the current economic environment. Old Mutual is therefore continuing to evaluate various options with regard to its investment in Mutual & Federal.

As the payment of a final dividend in respect of 2007 was deferred in view of the above discussions, a 'late' 2007 final capitalisation award with a cash dividend alternative of R1.35 (2006: R1.35) has now been declared.

### US LIFE

#### Excellent sales in international variable annuity business continues

Net client cash flows were \$0.4 billion for the period and were primarily driven by OM Bermuda variable annuity sales. Funds under management of \$23.5 billion at 31 March 2008, were down from the beginning of the year due to a decline in fair value of invested assets mainly as a result of unfavourable fixed income and equity market conditions.

Total life sales were \$1.6 billion on a gross basis, up 40% over the comparative period. Total life sales on an APE basis were \$172 million, a 37% increase over the comparative period. Sales by Old Mutual Bermuda were the largest contributor to the increase. Old Mutual Bermuda increased sales on an APE basis by 127% to \$109 million over the comparative period, representing 63% of APE sales in the US Life business. Universal Life sales represent 48% of total life sales as we shifted from term-life focused distribution to a more balanced life portfolio. The launch of a variable annuity in the first quarter for Registered Investment Advisor (RIA) distribution is expected to create traction in US onshore variable annuity sales. We have an attractive and diverse mix of product offerings including variable annuities, fixed indexed annuities, term life and universal life.

The value of new business of \$37 million was up 54% over the comparative period due to the higher volume of Bermuda variable annuity business. The new business margin of 21% was above our expectations. Overall, the business continues to benefit from good investment performance and enhanced distribution. Our coordinated retail distribution strategy continues to make good progress.

The investment portfolio's aggregate credit experience is slightly under expectations but still in line with long-term assumptions. 3.7% of US Life's general account portfolio of \$20 billion has direct exposure to sub-prime debt. Approximately 2.8% of US Life's general account portfolio has exposure to monoline insurers. The business was not fully immune to the unfavourable credit conditions and recorded impairment provisions during the first quarter with two securities written down by \$21 million. These write-downs reflect market value deterioration and fundamental business



## Business Update

changes linked to sub-prime. As market conditions develop, there may be additional write-downs during the second quarter including sub-prime and mortgage related securities in common with other US financial institutions.

Old Mutual's US brand advertising awareness campaign continued to deliver to expectations. With the first round of consumer research tracking complete just 10 weeks into the consumer campaign, significant progress was made toward Old Mutual US's awareness goals. 24.2% of consumers now recognise the Old Mutual name among a list of financial services competitors, an impressive 70% increase since the campaign was launched.

## US ASSET MANAGEMENT

### Investment performance continues to be strong, positive net client cash flows despite depressed conditions

Our member firms continue to deliver strong long-term investment performance. At 31 March 2008, 63% of assets had outperformed their benchmarks and 58% of assets were ranked above the median of their peer group over the trailing three year period.

Net client cash flows for the first quarter of \$2.6 billion were 3.1% of opening funds under management during a very turbulent period for global equity markets. Given these conditions the year to date result was encouraging, driven by positive flows at Heitman, Dwight, Acadian, Analytic and Rogge, partially offset by outflows at OMAM UK. Our track record of superior investment performance positioned us well to continue to attract net inflows despite the current climate.

Funds under management decreased \$16 billion (5%) during the first quarter of 2008, \$18 billion of which was due to negative market returns. Our diversified asset mix helped to lessen the impact with fixed income products, which comprise 34% of total funds under management at the end of the quarter, being more attractive in periods of market instability.

Old Mutual Capital mutual fund sales and OMAM UK unit trust sales for the quarter were \$193 million and \$380 million respectively, down a combined \$482 million (46%) on the comparative period as a result of the dampened selling environment. However, Old Mutual Capital's underlying sales proposition continues to strengthen, with 15 funds carrying 4 or 5 star Morningstar ratings at the end of the period.

The first quarter of 2008 saw the launch of the Old Mutual *Target Date Plus Portfolios*. The products are the first *Target Date* funds to combine retirement date horizons with individual risk tolerance. Three risk-specific glide paths are offered for each *Target Date* range — aggressive, moderate and conservative — allowing plan sponsors and investors to select the *Target Date* fund most suitable for their plan and individual risk tolerance.

We continue to encourage new product development in the institutional space via an extensive seeding program. With pension plans becoming increasingly under funded or frozen, an area of growing interest for US defined benefit plan sponsors is Liability Driven Investing (LDI). Recognising this, we have recently seeded fixed income products targeted at the LDI space with two of our larger bond managers - Dwight and Barrow Hanley.

On 18 April 2008, Rogge announced that it has agreed to purchase high-yield manager ING Ghent from ING Investment Management Americas, a unit of ING Group.

## ASIA PACIFIC

We continue to focus on growing our businesses in the Asia Pacific region. Steffen Gilbert is now in place as Regional Head of Asia Pacific operating out of our recently opened regional office in Hong Kong.

Throughout the region, cash flows have been impacted by recent market turbulence. This has particularly been the case in China's immature investment market where stock markets have fallen by between 20% and 30%.

### Australia

At 31 March 2008 funds under management were AUD12.8 billion (£5.9 billion), 12% down from AUD14.5 billion (£6.4 billion) at 31 December 2007. This was made up of institutional funds of AUD7.7 billion and retail funds of AUD5.1 billion. The downturn reflects sales reductions in line with the rest of the industry and lower market levels.

## Business Update

### China

In China we are experiencing increasing competition in the unit-linked market. The impact of reduced market sentiment, reduced funds under management from RMB2.9 billion (£200.4 million) at 31 December 2007 to RMB2.4 billion (£172.3 million) at 31 March 2008. We continue to look to expand geographically and build our distribution capability by widening our base of distributors and intermediaries.

### India

Kotak Mahindra Old Mutual Life Insurance Ltd (KMOM), our joint venture with the Kotak Mahindra Group, in which we have a 26% stake, continues to show steady progress. The business now operates in 109 cities and has reached its target of 150 branches across India. Gross premiums for the quarter at INR8.1 billion (£102.9 million) were approximately 73% higher than the comparative period.