

# NEWS RELEASE

05 November 2009

## Old Mutual plc Interim Management Statement

### Third quarter sales momentum in improved investment market

- Long-Term Savings (Q3 2009 against Q3 2008) life APE sales down 4% to £326m and unit trust sales up 47% to £1.7bn
  - UK life APE sales up 6% to £72m and unit trust sales up 53% to £536m
  - Europe life APE sales down 3% to £208m and unit trust sales up 63% to £945m
  - Emerging Markets life APE sales up 6% to £104m and unit trust sales up 30% to £754m
- US Asset Management funds under management at 30 September 2009 up 8% to \$260bn (31 December 2008: \$240bn)
- Nedbank third quarter net interest income flat at R4.1bn and like-for-like non-interest revenue up 38% to R3.0bn in tough market conditions, with impairments tightly managed
- Group funds under management up 6% to £281bn (31 December 2008: £265bn)

### Further progress in delivering on strategic priorities

- FGD surplus increased to £1.4bn (30 June 2009: £1.0bn)
- £500m bond issued in October
- Improvement in US Life net unrealised investment loss position to \$614m (31 December 2008: \$2.3bn)
- Sale of Skandia Chile and Bankhall, and acquisition of ACSIS completed
- Proposed acquisition of remaining minority shareholding in Mutual & Federal

**Julian Roberts, Group Chief Executive, commented:**

***“The Group has delivered a good sales performance during the third quarter, a marked improvement on the first half of the year, as the pick-up in the investment market has led to increased equity allocation by our clients. This trend has continued into the fourth quarter, although consumers and asset allocators remain cautious. We expect market conditions to remain volatile.*”**

***“We have made further strategic progress. We have resolved our capital and liquidity issues, we are successfully managing the risks in US Life, and we continue to simplify the portfolio. As recently announced, we have made an offer to acquire the remaining ordinary shares in Mutual & Federal, which we expect to complete before the end of the year.*”**

***“We remain focused on managing risk and capital tightly and on driving further underlying operating efficiencies in order to capitalise on further recovery in our markets.”*”**

# Business Update

## GROUP RESULTS

Group Highlights for the 3 months to 30 September 2009 (£m)	Q3 2009	Q3 2008	% Change
Long-Term Savings life assurance sales (APE)	326	341	(4%)
<i>Emerging Markets</i> <sup>1</sup>	104	98	6%
<i>Europe</i> <sup>2</sup>	208	214	(3%)
US	14	29	(52%)
Long-Term Savings unit trust / mutual fund sales	1,699	1,158	47%
<i>Emerging Markets</i> <sup>1</sup>	754	580	30%
<i>Europe</i> <sup>2</sup>	945	578	63%
US Asset Management	308	216	43%
<b>Group Highlights at 30 September 2009 (£bn)</b>	<b>Q3 2009</b>	<b>FY 2008</b>	<b>% Change</b>
Funds under management	280.9	264.8	6%
			Annualised % of opening FUM
Net Client Cash Flow (NCCF)	(0.5)	(3.2)	(1%)

1. Nedlife sales are excluded from current and prior year totals. Including Nedlife sales, Emerging Market sales were £104m in Q3 2009 and Long-Term Savings total sales were £347m in Q3 2008.

2. The Europe total is an aggregation of Wealth Management, European Retail and Nordic sales.

Group Highlights for the 9 months to 30 September 2009 (£m)	Q3 2009 YTD	Q3 2008 YTD	% Change
Long-Term Savings life assurance sales (APE)	960	1,083	(11%)
<i>Emerging Markets</i> <sup>1</sup>	269	252	7%
<i>Europe</i> <sup>2</sup>	639	739	(14%)
US	52	92	(43%)
Long-Term Savings unit trust / mutual fund sales	4,449	3,981	12%
<i>Emerging Markets</i> <sup>1</sup>	2,072	1,828	13%
<i>Europe</i> <sup>2</sup>	2,377	2,153	10%
US Asset Management	750	814	(8%)
			Annualised % of opening FUM
<b>Group Highlights at 30 September 2009 (£bn)</b>	<b>Q3 2009 YTD</b>	<b>Q3 2008 YTD</b>	<b>% Change</b>
Net Client Cash Flow (NCCF)	(0.3)	0.0	0%

1. Nedlife sales are excluded from current and prior year totals. Including Nedlife sales, Emerging Market sales were £271m for Q3 2009 YTD and Long-Term Savings total sales were £1,102m for Q3 2009 YTD.

2. The Europe total is an aggregation of Wealth Management, European Retail and Nordic sales.

## Overview

The Long-Term Savings division delivered a good sales performance for the third quarter. Life sales were down 4% to £326 million compared to Q3 2008. Excluding the US business, where the sales decline was in line with our strategic plan, sales were broadly flat. Emerging Markets life sales were steady, with OMSA life sales flat for the quarter, an encouraging result given South Africa's later entry into recession. In the UK, life sales were at their highest level since the second quarter of 2008. Unit trust sales were very strong during the quarter, up 47% to £1.7bn. In Emerging Markets, these were particularly buoyant, up 30% on the third quarter of 2008, and in Europe overall up 63% to £945 million in the quarter. In Europe, the recovery in equity markets generally helped drive renewed sales of equity-based products and positive client cash flow, notably in Wealth Management. Conditions for the Retail business in continental Europe remain tough. Overall, LTS had a positive net client cash flow of £0.6 billion, compared to an outflow of £1.2 billion in the same quarter last year.

The issues in US Life have largely been addressed, with operational and product risks having been brought in line with the strategic plan for this business. Continuing improvement in the credit markets has meant that the unrealised loss

## Business Update

position in aggregate at the end of the quarter was \$664 million, being \$614 million for US Life and \$50 million for Bermuda. This is a significant improvement on the aggregate unrealised loss position at the end of December last year of \$2.6 billion.

US Asset Management funds under management increased to over \$260 billion as at 30 September, up 5% during the quarter and up 8% from 31 December 2008 as equity and fixed income markets improved. At Nedbank, net interest income grew by 1.1% to R12,198 million for the nine months to 30 September 2009 and remained flat at R4,063 million for the third quarter. Non-interest revenue grew by 19.6% to R8,542 million year-to-date and by 45% to R3,168 million for the quarter. The business and impairments are being tightly managed in difficult market conditions. Net interest margins are stable. Interest rates across all the regions in which we operate are at much lower levels than in the comparative period last year.

Total funds under management at 30 September 2009 were £281 billion, an increase of 6% since 31 December 2008, and of 10% compared to 30 September 2008. On a constant currency basis, funds under management have increased by 10% since 31 December 2008. Overall, average funds under management levels for the 2009 year-to-date are still some 1% below average 2008 levels. In the year-to-date, the economic realities faced by our corporate customers and private individuals in a number of our markets resulted in an increase in surrenders of policies to fund redundancies and their cash needs. We believe that this increase in surrenders is temporary. In aggregate across all of our businesses, the effect of this has been a small net client cash outflow of £0.5 billion in the quarter, and £0.3 billion in the year-to-date.

We have continued to simplify the structure and portfolio of businesses in the Group in line with our five strategic priorities. We sold Skandia's Chilean business, and, since the end of the quarter, have announced the completion of the sale of Bankhall. On 14 October 2009, we announced our firm intention to make an offer to acquire the balance of the ordinary shares in Mutual & Federal. On 19 October 2009, the Board of Mutual & Federal confirmed their intention to vote in favour of the offer in respect of directors' own shareholdings in Mutual & Federal and their recommendation that Mutual & Federal shareholders should do likewise. Subject to approval by Mutual & Federal shareholders on 23 November 2009, we expect the transaction to complete before the end of the year. Full ownership of Mutual & Federal will allow us to leverage additional capabilities across the Group's African operations.

## Capital and Liquidity

Our capital position has further improved, with a pro-forma Financial Groups Directive ("FGD") surplus at 30 September 2009 of £1.4 billion, compared to £1.0 billion at 30 June 2009. The increase is attributable to the improvements of equity markets in the period, the strengthening of the rand and the earnings achieved in the quarter. All our individual businesses remain well capitalised.

We remain committed to supporting the US Life Risk Based Capital ("RBC") ratio at around 300%. Although the unrealised loss position has improved during the quarter, statutory capital is affected by impairments and credit rating migration. To maintain the target RBC ratio, we expect to make a cash injection into the business in early 2010, as we did at the beginning of this year. The amount of the injection will depend on a wide range of factors, including possible changes to NAIC accounting rules that are under consideration. Our expectation currently is that this injection will be at the lower end of the range of \$200 million to \$300 million previously indicated.

Since the end of the quarter, we have successfully placed a £500 million seven-year 7.125% fixed rate senior bond. This debt issue will provide increased financial flexibility, meet the maturing Euro note facility of €100 million due at the end of 2009, enable partial repayment of the revolving credit facility and provide greater liquidity at the holding company level. At the end of October, after the proceeds of the debt issue were received, the Group had cash and access to committed facilities of £1.3 billion.

## LONG-TERM SAVINGS: Emerging Markets (South Africa, Rest of Africa, Asia, Latin America)

### Q3 sales maintained despite slowing economy

#### Sales

Emerging Markets life sales for the quarter increased by 6% relative to the third quarter of 2008, to £104 million from £98 million. On a rand basis, they showed a decline of 5% (excluding Nedlife from the 2008 balances), principally made up of an increase in single premium sales of 1%, offset by a decline in life recurring premiums of 9% for the third quarter 2009 compared to the third quarter of 2008.

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Recurring premium protection product sales increased by 15% in both the Retail Mass and Corporate segments for the quarter. In Retail Mass this was attributable to its enlarged sales force, and in Corporate this was driven by improved Group Assurance product sales. In the savings market, sales of recurring premium products in the quarter are 30% and 10% below the comparable period in 2008 in OMSA's Retail Affluent and Retail Mass segments respectively. Clients are still reluctant to commit to long-term products in the current economic environment, and intermediaries are still adjusting to the new commission regulations introduced at the beginning of the year.

In the single premium market, there was an increase in Retail Affluent of 6%, where sales have started to pick up in the second half of the year following a price enhancement of certain products and the continued equity market recovery. The effects of the Nedlife transactions completed in the first half have been removed from the year-to-date and comparative data.

The excellent growth in Emerging Markets unit trust sales, up 30%, was driven by strong money market inflows, as well as the inclusion of Futuregrowth unit trusts in the OMIGSA range during the year. OMSA money market rates were also very competitive for most of the period.

Our joint ventures in China (Skandia:BSAM) and India (Kotak Mahindra Old Mutual Life Insurance) delivered strong performance in the quarter. Gross written premiums in India of £75 million were 19% higher than the comparative period, although year-to-date premiums of £193 million were 9% lower than prior year. Gross written premiums in China of £23 million for the quarter were also substantially higher than prior year and year-to-date premiums of £46 million were twice the volume of the prior year. The business in India is benefiting from its focus on enhancing efficiencies, and changes in distribution channel management in China are starting to show positive results.

### Client cash flow

During the quarter there was a net outflow due to higher benefit payments in the corporate segment despite the recovery in equity markets. OMIGSA net flows were also lower than the prior year due to a net outflow from Futuregrowth and higher benefit payments. We see this as an industry-wide trend as corporates withdraw benefits as a result of job losses in the corporate sector. There were higher net inflows in Latin America due to strong unit trust sales, higher net flows in the Retail Affluent segment and a greater focus on business retention and continuing growth in the Retail Mass segment. Net client cash flow for the year-to-date in South Africa, excluding the previously announced net outflow of R16.2 billion of funds formerly managed for the Public Investment Corporation of South Africa, is slightly below that of the same period in 2008.

### Funds under Management and Investment Management

Funds under management in Emerging Markets were R462 billion, up R27 billion in the quarter, the negative net client cash flow being offset by the recovery in equity markets and the acquisition of ACSIS.

The OMIGSA boutique structure has been fully bedded down and the merger of the OMIGSA Fixed Income and Futuregrowth teams has been completed. We have set strong foundations in place over the past two years and are seeing improving levels of acceptance and confidence in individual boutique investment philosophies and processes. A number of the OMIGSA boutiques are well positioned to benefit from the equity market recovery, which has been driven primarily in the more cyclical, less defensive sectors. As a result, investment performance over the last six months has improved.

### Outlook

While there are signs of economic recovery, as evidenced by the slowdown in the contraction of the economy, we expect restoration of consumer confidence to lag behind technical economic recovery by a few months. Despite the challenging trading environment, the South African business has continued to invest in its distribution capability and is well positioned to benefit from a recovery in consumer confidence. Economic conditions in Latin America improved during the quarter and our priority is to enhance the efficiency of our financial planner sales force while selectively exploring third party channels, including cross-sale opportunities into the corporate base. During the third quarter we sold Skandia Chile, but retained distribution agreements for our investment products in the country.

## Business Update

### LONG-TERM SAVINGS: Wealth Management (UK, Italy, France, Spain, International)

#### Improving market conditions supporting sales

##### Sales

The continued recovery in the markets saw a movement back into equities, which helped drive sales growth during the period, notably in the UK where quarterly sales of covered and non-covered business were at their highest level since the second quarter of 2008. Our businesses in the UK and Italy achieved strong sales despite the traditional slowdown during the summer holiday season. UK APE sales and mutual funds gross premiums for the quarter were up 6% and 53% respectively on the third quarter of 2008 as a result of strengthened distributor relationships. In the UK, platform sales increased further on the back of improved equity markets and our enhanced promotional activity in the quarter. We have announced a reorganisation of our UK sales effort designed to further enhance the service we provide to IFAs, and improve efficiency. Italian covered business APE sales were 116% higher than Q3 last year. The International business continued to find the markets challenging, particularly in single premiums. In France, sales were at a similar level to the previous quarter.

##### Client cash flow

The increase in sales, a large proportion of them single premiums, coupled with stabilising persistency, has supported net client cash flow growth in the quarter, which was equivalent to 7% of opening funds under management on an annualised basis. Net client cash flow has been particularly strong in our UK and Continental European businesses.

Surrender activity was below the levels seen during the equivalent period in 2008. Surrender rates show a stabilising trend, reflecting the impact of our persistency programmes, coupled with improving market sentiment.

#### Funds under management and Investment Management

Funds under management, 15% above December 2008 levels and 16% above the half-year position, benefited from net client inflows as well as sustained growth in equity markets. We have started to see a gradual return to equities from cash and fixed interest funds as investors adjust their risk appetites. At the quarter-end, 8% of Wealth Management's total funds under management were invested in Skandia Investment Group funds (Q3 2008: 9%).

##### Outlook

Our outlook is cautiously optimistic on the basis of improving sentiment and continued equity market recoveries. If current trends continue, we expect to see further improvements in sales and persistency. We believe that the work we have done to provide innovative products to meet market needs has positioned us well for a recovery in our markets. We also expect to benefit from changing competitor landscapes in France and Italy, while there are a number of business development activities underway aimed at further sales growth.

Improved rebate negotiations, a shift away from cash towards other asset classes and higher funds under management are expected to improve income in due course. At the same time, we continue to focus on reducing expense levels in all our businesses as we migrate our business model towards the less capital-intensive platform business.

### LONG-TERM SAVINGS: Nordic

#### Continued strong net client cash flow and strengthened relations with distributors

##### Sales

During the third quarter, the positive trend in new sales continued, up 5% compared to the same period last year, and for the year-to-date this was up 18%. The main driver was the successful Skandia Depå product sold through SkandiaBanken direct sales, the internal advisory channel and brokers. However, during the period there was a softening in growth in the Swedish corporate sector, caused by redundancies as a consequence of the economic downturn.

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### Client cash flow

Net client cash flow was strong during the first nine months of the year at SEK8.3 billion, equivalent to 12% of opening funds under management on an annualised basis. This was up 80% year-to-date and up 67% for the quarter compared to the equivalent periods in 2008. The positive performance was largely driven by a combination of strong Life sales, lower outflows related to maturities and surrenders as well as positive flows in mutual funds.

### Funds under management and Investment Management

Funds under management at 30 September 2009 were SEK116 billion (£10.4 billion), up 26% from the level at 31 December 2008, and up 9% from 30 June 2009. The increase was mainly due to strong net client cash flow and improved equity markets.

### SkandiaBanken

Lending growth in SkandiaBanken continued in the quarter, with generally higher market activity in Sweden, although in Norway it declined as a result of management applying more cautious liquidity limits. Deposits have increased compared to the end of 2008 mainly due to new high interest accounts and SkandiaBanken Norway enjoying higher guarantees as it is now included in the Norwegian Bank Guarantee Fund. Reduced spreads continued to affect the net interest margin.

### Outlook

The focus over the balance of this year and into early 2010 will be to address changes in commission structure, stopping the sale of unprofitable products, improving underwriting conditions and pricing of our healthcare products, and continued cost control. We expect all of these to have a positive impact on margins for 2010.

## LONG-TERM SAVINGS: European Retail (Poland, Germany, Austria and Switzerland)

### Strong net client cash flow while sales conditions remain subdued

#### Sales

APE sales on covered business were €16 million for the quarter (€23 million for Q3 2008), while mutual fund sales reached €9 million for the quarter (€13 million for Q3 2008). Consumer confidence in our European retail markets continues to be impacted by the economic conditions of the preceding quarters. Sales levels for the period continued to be well below those of the comparable period in 2008, although Germany saw a small uplift, most notably in regular premium products.

#### Client cash flow

Persistency remained strong, owing to proactive and reactive retention programmes. The stability of our regular premium businesses resulted in good net client cash flow of nearly €0.2 billion in Q3 despite market conditions, the same as in Q3 2008, reaching over €0.4 billion for the year-to-date. Annualised net client cash flow were above the 10% mark of opening funds under management.

### Funds under management and Investment Management

Funds under management nearly reached €4.5 billion, which represents an increase of 21% compared to 31 December 2008 and growth of 8% compared to the end of the third quarter last year, reflecting good investment performance of our equity-weighted portfolios.

### Outlook

We expect sales growth in our European Retail businesses in the fourth quarter as business development measures take effect, although external market conditions are still difficult to predict.

The European Retail business now operates under a new management structure, and is working to achieve the planned benefits of the Long-Term Savings model. We are aligning our products and structure in order to drive growth, efficiencies and scale gains, and in addition improve capital management.

# Business Update

## LONG-TERM SAVINGS: US Life

### Continued progress in profitability and risk management

Management has made significant strides in addressing the three core risks in this business – operational efficiency and cost control; product and assumption risk; and the ongoing effort to de-risk the company's fixed income investment portfolio. Specifically, a near 50% operational efficiency gain has been achieved, including a \$5 million saving per annum from a new outsourcing agreement. Unrealised losses in the US Life business were \$0.6 billion at 30 September 2009, a \$1.7 billion reduction in the portfolio's unrealised loss position from \$2.3 billion at 31 December 2008.

### Sales

Total gross sales for the third quarter were \$203 million and \$623 million for the year-to-date. Fixed indexed annuity sales with attractive margins, a key product line, were \$146 million for the quarter and \$421 million year-to-date, contributing 52% of total APE for the first nine months of 2009. This product line meets the needs of customers who seek fixed interest guarantees during times of market volatility and economic instability. Immediate annuity sales (which do not include any life-contingent products) remain an important offering as they contribute to capital in the year of sale, and were \$49 million for the quarter and \$138 million for the first nine months of 2009. Controlling sales volume and capital usage via our product offering, we have maintained our core distribution relationships and the value of the reshaped business.

### Client cash flow

As expected, there was a small negative client cash flow in the quarter of \$0.4 billion. Together with the improving US economy, our conservation initiatives have reduced policyholder termination activity. In the third quarter, surrender experience was markedly down from average first-half levels, and was in line with long-term assumptions. Index Annuity policyholders are expected to benefit in the near term from participation in recent equity market performance and this should assist in maintaining persistency.

### Funds under management and Investment Management

Funds under management ended the period at \$16.9 billion, up 7% from the end of H1 2009, primarily due to a \$1.0 billion increase in the market value (approximately 6%) of the investment portfolio in the third quarter.

Potential higher risk-based capital charges, from credit rating migration of the portfolio due to investment downgrades, have been extensively modelled. Migration risk is closely monitored and requires a case-by-case analysis rather than a broad sector-based approach. As expected, credit rating migration in the quarter mainly took place within the corporate bond and structured security portfolio. Impairments for the third quarter were \$41 million<sup>1</sup>, included in this there was a default of \$8 million, the first default this year. Overall, net unrealised losses decreased by \$1,031 million for the quarter.

Assets and liabilities remain within our duration-matching tolerances and our cash flow projections demonstrate our ability to meet future obligations under expected scenarios without the need for early sales of assets. Given the improvement in the bond market and our surrender experience, we have now commenced selective and carefully monitored investment of our cash balances. This is spread across highly liquid and highly rated credit classes. General account cash and short term investments at the end of the third quarter were \$841 million.

### Outlook

During 2009, we have tightly managed overall sales volumes on a capital utilisation basis, with the full year expected to be in the region of \$800 million. We expect 2010 sales levels to show an increase on 2009 levels, but within the parameters we have set down for the business. We remain on target to achieve our expense goals for 2009, which should also lower the expense base for future years.

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<sup>1</sup> Impairments for the four previous quarters were as follows: Q3 2008: \$367 million; Q4 2008: \$209 million; Q1 2009: \$12 million; Q2 2009: \$187 million.

# Business Update

## Nedbank Group (Nedbank)

### Tightly managed in tough markets

The full text of Nedbank's business update for the nine months ended 30 September 2009, released today, can be accessed on Nedbank's website: <http://www.nedbankgroup.co.za>

The South African domestic recovery is expected to lag international economies and global markets, with consumer spending remaining slow and confidence weak. Uncertainty about potential job losses and property prices, as well as the effect of increases in domestic utility costs, continue to restrict consumer spending. As local conditions stabilise and confidence builds, the lower interest rate environment and improved consumer debt-servicing ability should see a slow improvement in household credit demand. Local banking institutions have also started to ease lending criteria where appropriate.

Similarly, with businesses remaining cautious, corporate credit demand and private sector capital investment have continued to contract, albeit at a slower rate. The level of planned public sector infrastructure spending remains encouraging and should provide support for modest GDP growth in 2010, although the main impetus is likely to be from the recovery in the global economic environment.

Net interest income grew by 1.1% to R12,198 million for the nine months ended September 2009 (Q3 2008: R12,069 million), and remained flat at R4,063 million for Q3, compared to the third quarter of 2008. The net interest margin reduced from 3.44% for the six months ended June 2009 to 3.40% for the Q3 2009 period (Q3 2008: 3.75%). This reduction can be attributed mainly to non-repricing current and savings accounts as average interest rates for the period have been lower than the comparative period, as well as the effect of lower endowment on capital. These were partially offset by ongoing advances in pricing initiatives which will take some time to filter through to the net interest margin.

Nedbank's credit loss ratio improved from 1.57% for the six months to June 2009 to 1.48% for the Q3 2009 period (Q3 2008: 1.02%), driven largely by improvements in the wholesale banking areas. Although no large corporate defaults were experienced in the quarter, we remain vigilant to credit risk in the wholesale banking businesses while recessionary operating conditions persist. Caution remains appropriate given the propensity for further insolvencies which may follow the recession. Trends in retail impairments remain volatile.

Non-interest revenue (NIR) grew by 19.6% to R8,542 million for the year-to-date (Q3 2008: R7,141 million), and by 45% to R3,168 million for Q3, compared to the third quarter of 2008. This growth includes the consolidation of the Bancassurance & Wealth joint ventures with Old Mutual with effect from June 2009. Like-for-like NIR growth for the nine months was 14.4%, and 38% for the quarter, driven by trading income, private equity income, electronic banking fees, cash handling volumes and increases in commission and fee income.

Expenses remain tightly controlled, despite Nedbank continuing to invest for the future. Underlying inflation in the South African economy is currently at 6.4% and the Nedlife acquisition has brought in higher cost/income business.

Nedbank remains focused on the South African domestic market and 91% of its assets are based there. Total assets at 30 September 2009 decreased by 0.4% (annualised) from December 2008 to R565 billion. The 11.7% increase in average interest-earning banking assets for the quarter (Q3 2008: 23.1%) was offset by a decrease in trading assets. Advances in the quarter grew by 2.8% (annualised) to R443 billion and growth is expected to remain modest across most of the banking asset classes.

The bank's funding and liquidity remain strong. During September 2009, Nedbank successfully placed R5.4 billion of JSE-listed unsecured notes, thereby further diversifying and lengthening its funding maturity profile.

The economic environment is likely to remain weak for the balance of the year. In this tough climate consumers and corporates are likely to remain under pressure, which is expected to impact on transaction volumes and asset growth. The credit loss ratio is expected to continue to improve slowly, as affordability improves and impairments slow.

Earnings forecasts remain within the ranges communicated at the interim stage, but being closer to the financial year end Nedbank has narrowed these ranges. Nedbank diluted headline earnings per share and diluted earnings per share for 2009 are currently expected to be between 25% and 35% lower than the 1,401 cents per share and 1,558 cents per share respectively reported for the comparative period to December 2008.



## Business Update

Nedbank continues to be cautious about prospects and its forecasts for the rest of the year.

Following the completion of the Nedlife, BoE and Fairbairn Private Bank transactions the Group's shareholding in Nedbank at 30 September 2009 was 55%.

### Mutual & Federal

#### Difficult trading conditions

Mutual & Federal's trading update for the nine months ended 30 September 2009, released today, can be accessed on Mutual & Federal's website: <http://www.mf.co.za>

Trading conditions in the third quarter of 2009 continued to reflect the difficult economic conditions in South Africa, which have resulted in subdued levels of consumer expenditure.

As a result of these pressures, there was a marginal 2% decline in premiums, both for the third quarter 2009 compared to the third quarter 2008, and for 2009 year-to-date compared to 2008 year-to-date, in the corporate, commercial and conventional personal portfolios. Premiums within the personal group schemes portfolio declined by approximately 40% for the year-to-date due to the cancellation of a number of unprofitable schemes during 2008.

Investment returns for the nine months have been most satisfactory following the adverse experience of 2008. Although interest rates have fallen to low levels, returns on equity shares have been highly positive in line with improvements in international equity markets and this has positively impacted both profitability and solvency.

### US Asset Management

#### Recovery in funds under management

At 30 September 2009 funds under management were \$260.3 billion, up 5% from 30 June 2009, and 8% from 31 December 2008, as equity and fixed income markets continued to rally. Net client cash outflow for the quarter was \$1.2 billion. Negative outflows at Acadian, Dwight and Rogge were offset by positive flows generated by Barrow Hanley, Heitman and Campbell.

Despite the difficult economic environment of the last 12 months, long-term investment performance of our member firms remains strong. At 30 September 2009, 58% of assets had outperformed their benchmarks over the trailing three-year period and 53% of assets were ranked above the median of their peer group over the trailing three-year period. Our bottom-up stock-picking member firms, regardless of style, either quantitative or fundamental, have been more challenged in this rally which has been particularly pronounced in certain sectors and stocks.

Management fees for the quarter reflected lower average funds under management for this period compared to the equivalent quarter in 2008. Transaction and performance fees for the period were broadly in line with the comparative period last year.

With capital markets having stabilised and investor confidence being restored, improving investment performance and positioning the business to capitalise on the market recovery continue to be key areas of focus for management. Work continues on streamlining our retail operation, and we remain on track to meet or exceed the annual run-rate costs savings targets set out in the interims results announcement.

### Bermuda

#### Run-off continues

The business is in run-off, and, as all written policies have passed their first anniversary date, no policyholder is permitted to pay in additional premiums. Hedge effectiveness (in respect of hedged components) stabilised at 95% as at 30 September 2009.

Management is focused on de-risking and simplifying the business, and has already delivered significant planned reductions in the business expense base. Overall, surrender activity remains in line with expectations. Ultimately, surrender activity will determine the speed of run-off and the extent and timing of any associated capital or cash release. Within the Bermuda bond portfolio, the net unrealised loss position further improved to \$50 million as at 30 September

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2009 (\$118 million at 30 June 2009) as spreads continued to narrow across key sectors. No impairments or defaults were reported during the quarter. During the quarter the market value of the fixed income portfolio increased by 5.5%.

Given the improvement in the capital position of the Group and the stabilisation of the hedge effectiveness, combined with management's improved understanding and management systems for tracking the underlying risks, a process of selective and progressive release of the hedge position has commenced since the period end. This process is being conducted under strict oversight and within risk parameters agreed with the Group Risk and Capital Committee. The control systems in place mean that the reinstatement of effective hedges could be made in very short order if required by the Committee.

## **Material Events and Transactions**

Other than as disclosed in this Interim Management Statement, there have been no material events and transactions since 30 September 2009.

# Interim Management Statement

## Enquiries

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## Notes to Editors:

A conference call for analysts and investors will take place at 09.30am (UK time), 10.30am (Central European) and 11.30am (South African time) today. Analysts and investors who wish to participate in the call should dial the following toll-free numbers quoting conference ID 6042876:

UK (free call)	0800 028 1243
South Africa (free call)	0800 982 479
Sweden (free call)	020 795 893
US (free call)	1888 935 4575
International	+44 (0)20 7806 1953

Playback (available until midnight on 18 November 2009), access code: 6042876#:

UK / Standard International	+44 (0)20 7111 1244
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Copies of this update, together with high-resolution images and biographical details of the Executive Directors of Old Mutual plc, are available in electronic format to download from the Company's website at <http://www.oldmutual.com>.

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 to 4 November 2009. The business update is included in this Interim Management Statement.

A Disclosure Supplement relating to the Company's business update can be found on our website. This contains key financial data for the first nine months of 2009 and 2008.

## Cautionary statement

This announcement has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose.

This announcement contains forward-looking statements with respect to certain of Old Mutual plc's and its subsidiaries' 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 subsidiaries 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.