OLD MUTUAL

INTERIM MANAGEMENT STATEMENT

13 May 2010

Operator: Good day and welcome to the Old Mutual Interim Management Statement Analyst Call. Today's conference is being recorded. At this time I would like to turn the conference over to Julian Roberts, Group Chief Executive. Please go ahead sir.

Julian Roberts: Thank you very much, good morning everybody. Welcome to the Old Mutual Conference Call. As usual Philip Broadley is here with me.

So let's get going, starting with our quarter one sales. We saw a significant improvement in sales compared with the first quarter of last year continuing the momentum of the second half of 2009. We're showing the sales on a constant currency basis and on that basis Group Life APE sales for the period were up 21% at £397 million. Premiums in South Africa which includes Namibia were up 7% and sales in the UK were particularly strong up 72%. The UK platform experienced its strongest quarter to date with net inflows of almost £1 billion. In Nordic our sales declined by 23% in line with our expectations as last year as you know we stopped writing an unprofitable product.

The momentum we saw in unit trust sales during quarter four 2009 continued into quarter one. Total group unit trust sales were up 39% to £2.2 billion on a constant currency basis. Sales of £1.1 billion at Wealth Management were almost double that of quarter one 2009 owing to good contributions from the UK and comparative Nordic sales nearly tripled. This is a significant improvement and demonstrates that we are well positioned as markets recover.

Group funds under management were up 8% from 31st December and ended the quarter at £309 billion. Again given that markets were up only 5% over the equivalent period and interest rates were at much lower levels across our regions than in the comparative period last year we are pleased with the result. Indeed if we cast back to quarter one 2007 we have seen compound annual growth in funds under management of 7% compared to a decline of 3% in the FTSE 100 and growth of 2% in the JSE Africa All Share Index.

The recovery in equity markets experienced in the first three months continued to help drive renewed sales of equity based products and improved net client cash flows particularly in Wealth Management as I've said. Net client cash flows in Long-Term Savings were a positive £1.4 billion but this was offset by outflows in our US asset management business. This resulted in a small net client cash outflow for the group during the quarter.

So let's dig down into a little bit more detail. The long term savings division delivered good sales as I said with APE at £397 million and unit trust sales of nearly £2 billion. Half of the APE was in Wealth Management with another one quarter from Emerging Markets. Within Emerging Markets, OMSA including Namibia sales were up 7%. Single premium sales of investment frontier's fixed bond sales grew well together with retail immediate annuity sales. Unit trust sales declined by 13% as a consequence of lower market interest rates and there were fewer flows into international funds because of the stronger rand.

Sales in the Nordic business continued along at Q4 levels. You will recall that we closed down an unprofitable unit linked product in September last year. This had the effect of reduced quarter one recurring premiums. Mutual fund sales were up 260% on the same period last year. This was due to particularly strong investment performance with increased customer activity as equity markets continued to rise. Private healthcare in Denmark and Sweden benefited from re-pricing initiatives.

Retail conditions in Continental Europe remain tough but they are improving. Good retention was maintained in Retail Europe and with regular premium business remaining stable we had positive net client cash flows. Progress on moving parts of our customer service and IT functions to South Africa is going well.

The recovery in markets generally helped drive sales of equity based products and positive client cash flows particularly in our wealth management business which is comprised of the UK, International (the offshore business), Italy and France. In the UK quarterly sales were at levels not seen since 2007. Sales were up 72% on an APE basis and mutual fund sales were up 116% with a significant increase in new business sales of pension and ISA products. This reinforces our confidence that we are in the right segment of the market and that assets will move out of traditional products onto a platform such as ours. Sales in the International business held up well with an increase in single premiums offset by a decline in recurring premiums over the equivalent period last year. A legislative change in Finland at the end of last year had a negative impact on premiums, but elsewhere in the Middle East and Latin America our relationships continued to serve us well.

I'm pleased with the stable sales momentum at US Life as well as developments in the bond portfolio. Continuing improvement in the credit markets has resulted in an unrealised loss position in aggregate at the end of the quarter of $167 million. If you recall this is a very different position from the one a year ago when the unrealised loss position stood at $2.8 billion. The position just for your memory at 31st of December was $500 million.

Surrenders in the Long-Term Savings division have stabilised during the quarter consistent with the final quarter of last year. Surrender management programmes are in place across all our businesses and in particular there is continued improvement in US Life.

Turning to Nedbank you will have already seen and studied their results reported on the 4th of May. The net interest margin narrowed slightly to 3.38% and the credit loss ratio continued to improve to 1.46%. This was an improvement over the last quarter of 2009 when it stood at 1.47% and reflects improved economic conditions and risk management practices. Like for like non-interest revenue increased 10% compared to Q1 2009.

Mutual & Federal experienced better operating conditions in the quarter than last year. Underwriting results were still disappointing although the claims were lower both in number and severity but the performance was a lot better than 2009 first quarter. Funds under management increased in our US asset management business. The positive markets resulted in fund increases for all our boutiques contributing to our 1% increase in funds under management to $263 billion, however reallocations of continuing clients and variable investment performance led to net client cash outflows at a number of our affiliates. In aggregate we saw net outflows during the quarter of $3.3 billion. This includes $900 million from the realisation of a strongly performing property fund. The quarterly progression in funds under management in the last four quarters to the first quarter is however welcome.

Let's now touch on some of the other group financials starting with capital. Our FGD surplus is £1.7 billion at 31st of March compared with £1.5 billion at the end of December. The increase is due to strengthening of the rand, the improvement in equity markets and our earnings achieved in the quarter. All of our businesses remain well capitalised. At the 31st of March the holding company had available cash and had committed facilities of £1.1 billion.

In Bermuda the process of selective and progressive management of the hedge position continues. During the first quarter we restored hedging on the European and UK equity indices. Hedging of the yen and sterling is complete and we have partial hedge cover across all other equity and FX indices. As we said in March we continue our work on rationalising the portfolio. Our sale process in the US is in progress. We have appointed JP Morgan to advise us on this.

You will also have seen that we announced a new joint venture partner for our Chinese business Goudian. They bring a substantial national presence for the business being one of the five largest power generation groups with over 110,000 employees. We look forward to working with them and they are keen and committed to see our business grow. We have announced head count reductions in Wealth Management and consultation on this is in progress. The LTS team are working together on product cross-fertilisation around the group.

Yesterday some of you may have seen press reports concerning Nedbank. Since we provided our strategic update in March there has been a range of speculation of about what might or might not be for sale and we have been consistent in saying we will not comment.

So in summary the group delivered an excellent underlying sales performance during the first quarter showing a marked improvement on the equivalent period last year and continuing the good recovery of the second half of 2009. The UK's performance in our Skandia business is particularly pleasing reinforcing our confidence in the position of our Skandia platform model and its prospects for capturing funds. We continue to maintain liquidity and strengthen capital positions. We remain focused on managing risks tightly and on driving operational efficiencies so we can capitalise on further recovery in our markets.

We have created a firm foundation upon which our long term savings businesses are beginning to deliver the strategic targets of £100 million cost savings by 2010 [correction: cost savings by 2012] and return on equity of between 12-15% over the next three years. Our next scheduled communication on this matter is on the 6th of August at the interim results.

At this point operator I am happy to turn the call over to questions.

Operator: Thank you very much Mr. Roberts. If you would like to ask a question at this time please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question. We will now pause for a moment to allow everyone to signal.

Once again as a reminder ladies and gentlemen if you would like to ask a question over the phone at this time, please press *1. Our first question will come from Colin Simpson from Goldman Sachs. Please go ahead.

Colin Simpson: Hi, good morning there. Just two questions please. My first is on the US asset manager where flows were a bit weak I thought. I was just wondering whether you had issues retaining top performing individual fund managers. I am guessing morale must be a bit low, you are cutting expenses and Clay Finlay has already been closed. Then just a second one, on the Bermuda business -have you tightened or relaxed your equity hedges over the quarter please?

Julian Roberts: The first one, I had the joy of being with all our asset managers in the USA the week that the volcanic dust trapped me in New York so I spent a lot of time with them. I have to say they are all very upbeat and very bullish. They are very committed. They do believe that the various strategies they have are right and will move forward and we have little pressure on the staff issues. We do have a number of strategies particularly some of the quant strategies that struggled through 2009. We've seen an improvement in the first quarter but it is clear in those strategies performance has been fairly volatile.

Colin Simpson: Ok, great.

Philip Broadley: On Bermuda Colin, good morning, it's Philip. On Bermuda we took a decision in mid-February shortly after the first period of volatility, I think driven by Greece, to put back in place full equity hedging on European indices including the FTSE. We also put in place partial equity hedging for the other equity risks, the Asian markets at that point. We've also hedged out our yen and sterling currency exposures. That we did in mid-February and you will recall we mentioned that at the time of results and that position has broadly been in place since so we continue to review the situation genuinely on a daily basis but we haven't felt the need to change that strategy since and really it reflects our view that over the medium term, i.e. over the remaining period that the guaranteed minimum accumulation benefit is in place on the portfolio that the equity markets in Asia which is where the greater part of the funds are invested, that the outlook for those markets we continue to believe is positive.

Colin Simpson: Just a quick follow-up on that please. Philip, on the Asian markets that has been particularly weak this year. Is that cause for concern?

Philip Broadley: Overall the hedging strategy and you'll recall we took the hedges off originally in September, overall the unrealised position since that date continues to show a reasonable profit. The position actually since the end of the year i.e. in 2010 year to date is broadly positive, so no, it doesn't cause us concern in the context of managing the combination of capital liquidity and earnings for the Bermuda business and as I say we review the position daily. We can change the strategy at any point in time as indeed what we did in February shows.

Colin Simpson: Excellent. Great, thank you very much.

Operator: Our next question comes from Brian Mushonga from Credit Suisse Standard Securities. Please go ahead.

Brian Mushonga: Good morning guys. The book value of your MBS portfolio at FY 2009 was roughly $2.5 billion with an average market to book value of 81%. Could you give us an update of where that 81% is at the moment and whether you've been able to sell off some of this exposure in the interim period?

Philip Broadley: I missed the very first words in the question, you were talking about the US Life general accounts were you?

Brian Mushonga: The MBS portfolio, have you been able to sell that down since the end of 2009?

Philip Broadley: We have done some and continue to do some small trades in the portfolio. We do actually have the situation now again with some of the securities in the portfolio that the market value is higher than the levels at which we'd written them down and the overall position of the portfolio as you see we've quoted today is an unrealised loss position of $167 million on the portfolio as a whole. We're not providing a detailed breakdown of the individual elements of the portfolio today given that value and the performance of the portfolio as a whole in what is primarily a quarterly statement around sales, breaking the portfolio down further, we haven't done today.

Brian Mushonga: Ok, thanks. Just another question I guess, could you give an update on when you would expect to list the US asset management business partially listed? You gave a broad outline in March. Is there any further clarity on the timelines?

Julian Roberts: No, I haven't got any further clarity on that at the moment. We're still aiming for some time around mid-2011 but we've still got quite a lot of work to do before we home in that.

Brian Mushonga: Ok, thank you.

Operator: Our next question comes from Risto Ketola from Ketola Research. Please go ahead.

Risto Ketola: Yes, good morning. Two questions, the first one is on the holding company liquidity. That came down marginally, not a major thing but I'm just struggling to understand why the liquidity has dropped from 1.2 to 1.1. Related to that I'm assuming that in the second quarter you're going to be early redeeming some of the bonds where you've changed the terms lately. That's the first question, maybe I'll just stop there for now.

Philip Broadley: The reduction in liquidity over the quarter includes the redemption of some small private placement bonds and that's really the principal exchange, and of course interest paid on the hybrid during the quarter. In the first quarter of the year we tend not to receive any dividends from our operating businesses. It's entirely in line with what I would have expected to have happened in the first quarter.

Risto Ketola: That's great, but I would have assumed that you accrued the dividend from operations.

Philip Broadley: But you're talking about accrual, not cash flow. So there is no cash flow from the operating companies in the first quarter.

Risto Ketola: Ok. The second question is the UK sales are fantastic but last year it still looked like the platform business if you want to call it that was loss-making, in other words you were making money on the older products but all the new, exciting stuff was running at a loss. Is that still the case? How much size do you need on this platform to actually start making money?

Julian Roberts: Risto, that's the work that we announced as part of the strategic plan that we need the profitability of the platform to go forward and that's why we've mapped the cost savings and the changes that we're making in that model moving forward. What I will say and I will repeat that our aim is to get this business and we believe we will to that

12-15% RoE by 2012, so the platform is making money but we need to make changes to it in order to make sure that it gets into the proper returns that we want.

Risto Ketola: Ok, thank you.

Operator: Our next question comes from Larissa van Deventer from Deutsche Bank. Please go ahead.

Larissa van Deventer: Thank you. Two quick questions please, the first one, you mentioned that surrender has stabilised consistent with the Q4 experience. Does this mean that it will be covered by your revised long term assumptions or is there still potential for small experience variances to come through to the negative? Then the second question, if you can just give a little bit more colour around the sales in OMSA specifically and the play between affluent and mass market products especially in the recurring space?

Philip Broadley: On the first one, the surrender experience is in line with the assumptions as we set them but clearly as you'd expect with blocks of in-force business of the size that we have, there are always likely to be small variances notwithstanding the fact we're comfortable with our current assumptions.

Julian Roberts: Let's trawl through the sales in OMSA. The single premium sales were up considerably, that was good sales of the investment frontiers fixed bond product. On the recurring premium side we had high risk product sales. The green light protection range did well through the retail affluent. Retail mass did reasonably well. In savings products they're up 12% mainly in single and retail mass and institutional. The area that you can see that we had our normal fluctuations was in the single premium annuity in the corporate side. We've got a good flow of business there but it's always lumpy. So overall if you like, the star performer was the investment fixed bond product but apart from the lower lumpy sales of the annuity side, overall we're quite happy with the flow of sales through.

Larissa van Deventer: Could you just quickly comment on the mass risk product sales please specifically the funeral policies?

Julian Roberts: Have I got anything at my fingertips? Let me just make sure I'm going to say the right thing so let's go on to the next question and then I'll come back and make a comment on that.

Larissa van Deventer: Thank you very much.

Julian Roberts: Sure.

Operator: Our next question comes from Blair Stewart from Merrill Lynch. Please go ahead.

Blair Stewart: Thanks very much, good morning. At the risk of being parochial, two questions on the UK, one broad and one specific. The broad question is really just to get an idea of what's driving the growth there. Are you seeing IFA's consolidating existing client assets and do you expect that trend to continue, maybe a general comment on how trading has been since the end of the quarter. The specific question is whether there's any chance of a breakdown between products either now or later and in Long Term Savings what's the split between pensions and non-pensions and on the retail savings side how significant is the ISA's within the overall category? That would be pretty useful if you can give that. Thank you.

Julian Roberts: Let me talk about the product split. I think as we were going through this we realised that we don't give the same analysis on the UK sales that others do, so we will start doing a bit more analysis on that. What has happened in this quarter and last quarter as well is we have been signing up new IFA's onto the platform and also getting a larger share of their assets, so we haven't seen a huge amount of yet and I think it will come of consolidation of IFA's but the more people are looking at our platform the more they're liking it and therefore we do believe that we will continue to gain more IFA's onto our platform and as I said are hopeful that we will get more of their customers' assets.

Blair Stewart: It was more a consolidation of customers' assets rather than a consolidation of IFAs themselves which is a separate issue.

Julian Roberts: Right, ok, sorry. No great sign that there was a huge consolidation of customers' assets although this particular customer did consolidate his assets onto the Skandia platform during the quarter but I haven't heard and got a sense from my colleagues that that has been a main driver.

Philip Broadley: So far as the mix of sales is concerned and continuation of trends Blair, the first quarter sales did contain an element of seasonality in the sense of a particularly strong margin for ISAs but actually the sales for the last five or six months have contained a significant ISA element too and we are comfortable with what we've seen in April in terms of a continuation of that trend.

Blair Stewart: How significant is ISA for you?

Philip Broadley: It represents…

Julian Roberts: It was a good lift. If you go back we had a good ISA season and a good part of the growth did come through ISA's.

Philip Broadley: As we've commented the ISA volumes were up 180% so nearly twice the level of a year ago.

Blair Stewart: It would be good to be able to quantify that and also if you had any idea what your market share on ISAs is at the moment because that's going to be an increasingly significant part of the market going forward, but that doesn't have to be now. Thanks very much.

Julian Roberts: Can I go back to Larissa's question? Larissa, sorry, I was brain dead on retail mass. We know the sales were flat year on year. It's not that the growth engine has stalled. We had two things going on. We put in a new system in retail mass in the first quarter that had a few minor teething problems. We're back on to the normal run rate in quarter two and secondly we had some sales that were booked in the fourth quarter of 2009 that were cancelled and so therefore we reflected them in the first quarter 2010. So there were some one-off specifics that just were due to the growth in retail mass.

Operator: Our next question comes from Greig Paterson from KBW. Please go ahead.

Greig Paterson: Good morning lads, three questions. One is I saw that the sales were in line with expectations but we were well ahead on wealth management and well below on your South African bulks. Is it fair to say that there will be quite a significant margin hit and I wondered if you could try and quantify that? The second question was Julian, you mentioned that you felt it was just the quant funds in the US causing your outflows but I see you provide a statistic that the percentage of your funds beating the median has dropped from 50 to 32. I would suggest to you that that means across the board there has been a problem in league table performance. I was wondering are you comfortable with that or is there some kind of strategy that gives us some comfort that you can sort this out, in other words before you do a listing? The third thing, I know you said you weren't going to comment on Nedbank but I'm a little confused. Last year you were saying in March you were going to give us the final details of whether you were going to keep Nedbank or not and when it came in March it was just a no comment. I just want to know if the status that existed last year i.e. you were still analysing whether you were going to sell or increase your stakes still exist? I assume by definition it does because you haven't changed your commentary since the beginning of the year?

Julian Roberts: The first thing, there is no change to the status on Nedbank. I am just not going to comment on speculation. What I've said before, I am working through with Mike Brown, now he's taken over and got off to a really good start how we're going to take Nedbank forward and Nedbank is a significant contributor to the group. I'm just not going to respond on speculation that keeps on happening. I think in the last three days there's been speculation on three of our businesses and therefore you can see why I take that line. Secondly on the asset management side, look, it is the quant engines that causes the most concern. You're right and we put that stat in there about the investment performance is lower. We are going through that in quite a considerable way with the various businesses to understand what has occurred in the strategies that are struggling and we are proactive with it. I am not unduly concerned. I think in what we've got in the businesses and in this market you are going to have some pressure in certain of our strategies in investment performance, so we are working through those issues but I'm not unduly concerned. Philip, can you remember the first question?

Philip Broadley: I can but I'm not going to estimate margins for the half year which will depend on the mix of sales in the second quarter.

Greig Paterson: Just a point of clarification, so the status that existed re Old Mutual and Nedbank and your approach to that is unchanged since last year?

Julian Roberts: Absolutely. We work extremely closely with Nedbank, working through, there is absolutely no change to the way that we operate with Nedbank and what we're doing with Nedbank.

Greig Paterson: Another question, I saw there was a thing that's just come up on the ticker that Old Mutual was looking at Fideuram Vita, a 30% stake. I know that potentially would not be that material but I was just…well, I don't know if it would be material or not, I'm just wondering if there's been a point of inflection in terms of strategy and you're now looking at…

Julian Roberts: Greig, that's why I commented and I'll give you the third one, that came through today. There was something about Sweden the day before yesterday and there was something about Nedbank yesterday. That's why I'm just not going to make any comments at all about speculation.

Greig Paterson: I missed the Swedish one. Alright thank you.

Julian Roberts: That's because you've forgotten your Swedish

Greig Paterson: No I'm focussing on the Pru.

Operator: Our next question comes from Andrew Da Costa from Investec. Please go ahead.

Andrew De Costa: Hello guys, it doesn't matter. It has already been answered, thanks.

Julian Roberts: Ok, thanks.

Operator: Our next question comes from Mark Benstead from AXA. Please go ahead.

Mark Benstead: Thank you. I just had a quick question on the debt and by implication the capital side. You have a £300 million 5% lower Tier 2 sterling bond callable on January 11 and as I understand it you would need to seek regulatory approval to call that six months ahead of the call date which would mean mid-June. I just wondered if you would be able or willing to confirm that you would be seeking that permission from the regulator to call that bond?

Julian Roberts: I'm afraid I will not give any comment on whether or not we intend to call any particular debt issue until the date when it's called.

Mark Benstead: Thank you.

Operator: Our next question comes from Andrew McNulty from ABSA Capital. Please go ahead.

Andrew McNulty: Good morning there. I've just got a question, on what is the group's strategy and targets and objectives for Nedbank?

Julian Roberts: The targets, objectives and strategies for Nedbank are the ones that Nedbank have released and have updated just recently. The main strategic challenge they're putting out is to grow their NIR. There is a targeted amount there. They have also got a set target for the RoE that they're moving forward, so Andrew, if you go back to the statements that Mike made on the 4th of May and particularly the preliminaries, they set out in detail what those targets were and they are in line with our agreement with Nedbank.

Andrew McNulty: Ok, thanks.

Operator: As a reminder ladies and gentlemen if you would like to ask a question over the phone at this time please press *1 on your telephone. As we have no further questions in the queue I would like to hand the call back to our host today, Mr. Julian Roberts for any additional or closing remarks.

Julian Roberts: Thanks very much. Just to recap we are pleased with the sales momentum that carried on from quarter four into quarter one especially so in wealth management. As you know a key part of our strategy is not only to grow the assets under this platform but also to increase the returns we get. I believe we are making good progress on both, so we have a new government here in the UK. There are troubles in Europe but I think we believe that what we are doing strategically in this business is right and we're quite comfortable that we have got good businesses that will continue to grow in the environments moving forward. So thanks very much indeed everyone.

Operator: That will conclude today's conference call. Thank you for your participation ladies and gentlemen, you may now disconnect.