# NEWS RELEASE

**3 November 2011**

## Old Mutual plc Interim Management Statement

### For the three months ended 30 September 2011

**Strong operational performance**

(Core operations only. Unless otherwise stated all percentage movements are quoted in constant currency versus Q3 2010, except Nedbank which are quoted in constant currency on a Q3 2011 year to date versus Q3 2010 year to date basis.)

- LTS Net Client Cash Flow £1.4 billion, up £0.2 billion
- LTS APE growth of 8%
    - Emerging Markets Mass Foundation up 30%
    - Wealth Management Platform gross sales up 7%
- LTS unit trust sales up 1%
- Strong performance from Nedbank – non-interest revenues up 16%
- USAM: continuing outflows but improving investment performance
- Funds under management at 30 September 2011 were £272.6 billion

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

***"Despite very turbulent market conditions, this has been another quarter of strong operational performance by Old Mutual, with sales growth driven primarily by our Emerging Markets business.***

***"This is a continuation of the same trend that we have seen over the past three years - the need for our customers to protect and grow their wealth remains unchanged despite continuing market volatility and uncertainty over macro-economic events.***

***"During this period we have maintained our focus on providing our customers with the products they need to meet their financial goals. In the three years to 30 September 2011 we have sold more than 2 million policies to our mass foundation customers in South Africa and more than doubled the assets under management on our platform in the UK.***

***"We are confident that as we continue to meet our customers' needs we will be well placed to create sustainable, long-term shareholder value."***

## GROUP RESULTS

| Group highlights for the three months to 30 September 2011 (£bn) | | Q3 2011 | Q3 2010 (constant currency basis) | % of opening FUM[1] | Q3 2010 (as reported) | |
|---|---|---|---|---|---|---|
| **Net client cash flow (NCCF)** | | | | | | |
| Long-Term Savings | | **1.4** | 1.2 | 1% | 1.2 | |
| Nedbank | | **0.2** | 0.2 | 1% | 0.2 | |
| US Asset Management | - Long-term[2] | **(2.2)** | (2.1) | (2%) | (2.2) | |
| | - Short-term[2] | **(4.7)** | (0.1) | (18%) | (0.1) | |

| Group highlights at 30 September 2011 (£bn) | 30-Sept-11 | 30-Jun-2011 (constant currency basis) | %[1] change | 30-Jun-2011 (as reported) | % change |
|---|---|---|---|---|---|
| **Funds under management (FUM)** | | | | | |
| Long-Term Savings | **116.1** | 122.2 | *(5%)* | 130.5 | *(11%)* |
| Nedbank | **9.1** | 9.1 | - | 10.5 | *(13%)* |
| Mutual & Federal | **0.2** | 0.2 | - | 0.2 | - |
| US Asset Management | **145.0** | 165.9 | *(13%)* | 161.6 | *(10%)* |
| FUM | **270.4** | 297.4 | *(9%)* | 302.8 | *(11%)* |
| Bermuda - non core operations | **2.2** | 2.6 | *(15%)* | 2.5 | *(12%)* |
| **Total FUM[3]** | **272.6** | **300.0** | **(9%)** | **305.3** | **(11%)** |

| Group highlights for the three months to 30 September 2011 (£m) | Q3 2011 | Q3 2010 (constant currency basis) | %[1] change | Q3 2010 (as reported) | % change |
|---|---|---|---|---|---|
| **LTS life assurance sales (APE)** | | | | | |
| *Emerging Markets* | ***142*** | *122* | *18%* | *121* | *17%* |
| *Nordic* | ***50*** | *43* | *20%* | *40* | *25%* |
| *Retail Europe* | ***18*** | *16* | *17%* | *15* | *20%* |
| *Wealth Management* | ***148*** | *150* | *(1%)* | *150* | *(1%)* |
| **LTS life assurance sales (APE)** | **358** | **331** | **8%** | **326** | **10%** |
| **Non-covered sales [4]** | | | | | |
| *Emerging Markets* | ***2,224*** | *2,001* | *13%* | *1,971* | *13%* |
| *Nordic* | ***168*** | *101* | *68%* | *92* | *83%* |
| *Retail Europe* | ***5*** | *4* | *20%* | *5* | *-* |
| *Wealth Management* | ***1,043*** | *1,287* | *(19%)* | *1,287* | *(19%)* |
| Long-Term Savings | **3,440** | 3,393 | 1% | 3,355 | 3% |
| US Asset Management | **362** | 408 | (12%) | 426 | (15%) |
| **Non-covered sales** | **3,802** | **3,801** | **-** | **3,781** | **1%** |

Note percentage movements on reported figures in the above table are based on rounded sterling numbers.

[1] Business units' percentages are calculated on a local currency basis.
[2] Short-term consists of stable value and cash funds, long term consists of all other funds.
[3] During October the positive impact of investment market movements on FUM was estimated to be £12bn.
[4] Non-covered sales includes mutual funds, unit trust and other sales.

# Interim Management Statement

## Overview

Unless otherwise stated, the figures given throughout this document are for the three months to 30 September 2011 (the "period") and comparative figures are for the same period in 2010 (the "comparative period"). Comparative figures presented in GBP are on a constant currency basis.

More detailed discussion by Business Unit is included in the Appendix.

### Long-term savings

*Funds under management and net client cash flow*

Funds under management ("FUM") decreased by 5% from 30 June 2011 to £116.1 billion at 30 September 2011. Equity markets ended the period down over 15% and were volatile due to continued concerns over European sovereign debt and European bank capital levels.

Our Long-Term Savings division ("LTS") achieved positive net client cash flow ("NCCF") of £1.4 billion, driven by strong retail flows and flows in our non-South African Emerging Markets businesses.

*Sales*

Group sales on an Annual Premium Equivalent ("APE") basis increased by 8% to £358 million. Unit trust sales increased by 1% to £3,440 million.

APE sales in Emerging Markets increased by 18% to £142 million driven by growth of 30% in the Mass Foundation Cluster ("MFC"). Non-covered sales in Emerging Markets were up 13% driven by improved Colombian sales.

In Nordic APE sales were up 20%, driven by the successful development of our tied agency force in Denmark and strong Swedish retail sales.

Wealth Management APE sales decreased by 1% to £148 million, reflecting the curtailment of UK legacy products offset by improved International offshore sales. The UK Platform continued to grow, with gross sales of £1,176 million, up 7% on the comparative period.

### US Asset Management

NCCF of long-term funds was an outflow of £2.2 billion. NCCF of short-term funds was an outflow of £4.7 billion. The short-term outflows were largely of low margin funds, which have an immaterial impact on revenues. FUM was 13% down to £145.0 billion. Investment performance has continued to be good. During the period we entered into an agreement to sell parts of our OMCAP retail distribution business and our Canadian affiliate, Lincluden, as they did not fit into our strategy for the business. The new management team is now complete and is focused on achieving positive net flows in the future as a key driver of USAM's ability to improve operating margins and grow operating profits.

### Nedbank

Nedbank maintained the momentum established in the first half of 2011. Net interest income grew by 9% to R13.3 billion and non-interest revenue increased 16% to R10.9 billion for the nine months ended 30 September 2011. The credit loss ratio from impairments improved from 1.36% in the comparative period to 1.13%. Nedbank's capital ratios remained well above current and expected Basel III regulatory minima and continued to increase, reaching a Core Tier 1 ratio of 10.8% at 30 September 2011.

### Mutual & Federal

At Mutual & Federal gross written premiums for the period increased by 5% to R2.3 billion. Underwriting conditions were stable, but the trading environment was highly competitive.

### Capital and liquidity

The pro-forma Financial Groups Directive ("FGD") surplus was £1.9 billion at 30 September 2011 compared to £2.0 billion at 30 June 2011. The movement was primarily due to the decline in the Rand against Sterling in the period. Due to the nature of our insurance business the FGD surplus has little sensitivity to movements in interest rates. All our businesses remained well capitalised throughout the period.

At 30 September 2011, the holding company had total liquidity headroom of £1.3 billion (30 June 2011: £1.7 billion). At the end of October 2011 the Group's liquidity headroom increased to £1.5 billion, including £0.4 billion of cash.

Harbinger announced in August 2011 that it had entered into a reinsurance agreement with Wilton Re that would result in the replacement of the third party $535 million XXX and AXXX redundant reserve financing that Old Mutual stood behind. This agreement was executed in October, resulting in the removal of Old Mutual's residual exposure in respect of this financing and a release of £70 million of cash. At 31 October 2011, the remaining CARVM reserve financing had decreased to $240 million and is expected to reduce further over time as the book to which it relates runs off. Further releases of cash from OM Re of £60 million were also made meaning that the final £130 million of cashflow, following the sale of US Life, anticipated at the interim results has been achieved.

As previously reported, the Group repaid €550 million of a €750 million tier 2 debt in July. A further $50 million of senior debt was repaid in September, continuing the progress toward the Group debt reduction target.

Our shareholder exposure to debt of the Euro peripheral sovereign nations - collectively known as "PIIGS" – is less than £5 million. We have £7 million exposure to French Government debt.

We have managed the allocation of holding company cash prudently, spreading the deposits over our banking relationships with a minimum A rating and highly rated money market funds.

### Material events and transactions

Progress has continued to be made on the proposed transfers of the non-South African Emerging Markets' businesses and on other cash-generating initiatives that form part of our £1.5 billion debt reduction programme.

### Run-off businesses

Our Bermuda business, Old Mutual Bermuda ("OMB"), continued to deliver against its run-off strategy, reducing risk and managing for value.

OMB maintained adequate investment portfolio assets and capital in the business notwithstanding the lower equity market levels and lower interest rates.

At 26 October 2011, the gross cash cost of meeting fifth anniversary guarantees to policyholders over the next two years was estimated at approximately $620 million (30 September 2011: $700 million; 30 June 2011: $300 million). The actual cash cost will be affected by any changes in policyholders' account values until the fifth anniversary date of each policy, offset by related hedge asset movements. Fifth anniversary payments are expected to peak between 1 October 2012 and 31 January 2013 and are expected to be met from OMB's own resources, which include the fixed income general account portfolio, in addition to OMB reserves held and hedging gains. Current hedged levels at 31 October 2011 are 63% over equities, 54% over foreign exchange and nil on interest rates. At the current level of hedging, a 1% fall in equity market levels increases the net cash cost of meeting policyholder guarantees by approximately $8 million. The business continues to monitor daily liability positions and adjust hedge positions to manage risk, liquidity and capital.

The run-off of the Retail Europe business in Switzerland has now commenced, with cash flows anticipated in 2012.

## Enquiries


| | | |
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## Notes to Editors:

A conference call for analysts and investors will take place at 08.30 (UK time), 09.30 (Central European time) and 10.30 (South African time) today. Analysts and investors who wish to participate in the call should dial the following numbers quoting conference ID 610147:

| | |
|---|---|
| UK | +44 (0)20 3140 0668 |
| South Africa | +27 (0)11 019 7051 |
| Sweden | +46 (0) 8 5661 9353 |
| US | +1 631 510 7490 |
| International participants (outside the above regions) | +44 (0) 20 3140 0668 |

Please dial in 10 minutes before the scheduled start time of the call to avoid excess holding.

A replay facility will be available until midnight on 17 November 2011 on the following numbers, quoting access code 380223#:

| | |
|---|---|
| UK / standard international | +44 (0)20 3140 0698 |
| US | +1 877 846 3918 |

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 July 2011 to 3 November 2011. 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 three months ended 30 September 2011.

Life assurance APE sales are calculated as the sum of (annualised) new regular premiums and 10% of the new single premiums written in an annual reporting period. Our joint ventures in India and China are not consolidated for APE purposes. The Rest of Africa currently represents Namibia only; Zimbabwe, Kenya, Malawi and Swaziland are not consolidated.

Foreign exchange rates used for constant currency calculations

| | | Q3 2011 | Q3 2010 | Appreciation / (depreciation) of local currency | FY 2010 | Appreciation / (depreciation) of local currency |
|---|---|---|---|---|---|---|
| Rand | Average Rate | 11.27 | 11.44 | 1% | 11.31 | - |
| | Closing Rate | 12.58 | 10.98 | (15%) | 10.28 | (22%) |
| USD | Average Rate | 1.61 | 1.53 | (5%) | 1.55 | (4%) |
| | Closing Rate | 1.56 | 1.57 | 1% | 1.55 | (1%) |
| SEK | Average Rate | 10.35 | 11.27 | 8% | 11.14 | 7% |
| | Closing Rate | 10.67 | 10.61 | (1%) | 10.42 | (2%) |
| Euro | Average Rate | 1.15 | 1.17 | 2% | 1.16 | 1% |
| | Closing Rate | 1.16 | 1.15 | (1%) | 1.16 | - |

As announced with the Company's interim results, an interim dividend of 1.5p (or its equivalent in other applicable currencies) for the six months ended 30 June 2011 will be paid on 30 November 2011. The record date for this dividend payment was the close of business on 14 October 2011 for all the exchanges where the Company's shares are listed, and the shares are now trading ex-dividend on all exchanges. Further information about the interim dividend was included in the Company's announcements, Ref 76/11 and 142/11, dated 5 August 2011 and 30 September 2011. The scrip dividend election price was set at 106.72p and R13.193. The deadline for election for the scrip dividend was 12 noon on 1 November 2011 for shareholders on the principal UK share register and 12 noon on 14 October 2011 for eligible shareholders on the South African and other registers.

**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.

## LONG-TERM SAVINGS: Emerging Markets

### Strong growth momentum in regular premium sales and excellent turn-around in net client cash flows

### Net client cash flow

NCCF for the third quarter improved significantly by R4.1 billion to R5.7 billion.

In South Africa, the Retail businesses continued to deliver positive NCCF as a result of higher sales volumes and new deals won by acsis, our asset consulting and financial planning business. Corporate net client cash outflows were R1.2 billion higher due to a single pension scheme withdrawal. OMIGSA had NCCF of R1.7 billion (Q3 2010: R0.6 billion net outflow), due to improved flows at its index tracking and private equity boutiques.

NCCF in Namibia declined by R0.3 billion mainly due to strong institutional non-life sales in the comparative period which were not repeated.

Asia & Latin America produced NCCF of R5.3 billion, an improvement of R3.6 billion relative to the comparative period, due to substantially improved Colombian unit trust sales.

### Funds under management

Funds under management at 30 September 2011 of R585 billion were marginally above the level at 30 June 2011 of R582 billion, with good net client cash flow being largely offset by negative market movements experienced during the period.

### Life APE sales

Life APE sales improved by 18% to R1.6 billion, with Mass Foundation Cluster (“MFC”) sales up 30% and Retail Affluent sales up 6%. Excellent growth in regular premium sales continued across the Emerging Markets businesses, in particular MFC, while single premium sales were only marginally higher than prior year levels largely due to less attractive savings conditions.

*South Africa - Regular premium sales*

Regular premium sales increased by 25% to R1.1 billion. An increased number of advisers and focused initiatives for *Greenlight* resulted in an overall increase in protection product sales of 43%.

MFC continued to achieve strong growth benefiting from an increased number of advisors, improved advisor productivity and lower cancellation rates resulting from improved debit order premium collection.

Corporate produced excellent risk sales and secured new schemes, which resulted in an increase in sales of 68%.

*South Africa - Single premium sales*

Single premium sales for the third quarter fell by 2% to R369 million following substantially lower traditional annuity sales.

Retail Affluent sales increased by 4% reversing the trend of H1 2011. This was offset by a 35% decrease in Corporate sales, driven by lower annuity sales, with clients seeking alternative investment options in the low interest rate environment.

*Other Emerging Markets*

Regular premium sales in Namibia increased by 26% for the third quarter to R73 million, due to strong sales by the Mass traditional channel and broker distribution in the Affluent market. Single premium sales of R29 million were boosted by the successful implementation of a Corporate growth strategy and new Corporate deals being secured.

Third quarter sales in Mexico grew 17% to R28 million with strong regular premium flows driven by increased third party and new product sales such as *Skandia Vive*.

### Non-covered sales

Total unit trust sales in the third quarter of R14.2 billion are 12% ahead of the comparative period driven primarily by a large transaction concluded in Colombia. New clients, higher platform sales, reinvested distributions and increased marketing activity provided a further boost to sales.

In South Africa, unit trust sales declined by 27% mainly due to large one-off money market flows in 2010 that did not recur in 2011. Namibian unit trust sales decreased by 27% over the same period due to an increasingly competitive market.

Other non-covered sales (other than unit trust / mutual fund sales) increased by 14% to R11.2 billion, largely driven by strong growth in acsis sales.

### OMIGSA investment performance

The third quarter was marked by significant volatility, with the FTSE/JSE Shareholder Weighted All Share Index (SWIX) down by 4.3%, as risk aversion dominated the market and investors favoured defensive stocks. This resulted in both the 12-month and 3-year positioning of OMIGSA's funds giving up some of the recent gains relative to peers and performance targets. Within the fast-growing multi-asset class retail space our funds continue to perform well, with both Macro Strategy's OM Real Income and the Symmetry Balanced unit trust funds in the first quartile for the 12 months and three years to September 2011, with most retail balanced offerings remaining ahead of the median over three years. *Futuregrowth* continued to perform strongly relative to both peers and benchmarks over 12 months and 3 years on their range of money market, income and bond funds. Notably amongst OMIGSA's affiliates, Marriott's Dividend Growth and Global Income Fund were in the first quartile over three years and the Value Equity's High Yield Opportunity Fund remained in the first quartile over three years.

### Outlook

Old Mutual received the 2011 Ask Afrika award for the best customer service organisation in the long-term insurance sector in South Africa for the fourth consecutive year, and improved to 11th position in all service industries.

We continue our focus on promoting a savings culture in the emerging markets in which we operate supported by a broadening product portfolio. We believe that we can maintain the strong sales performance for the remainder of 2011 in anticipation that the full potential impacts of the FAIS regulatory exams in South Africa will only emerge in 2012 due to the extension of the regulatory deadline to 30 June 2012. However, we remain focused on managing the impact of these regulatory exams on our South African sales force. Despite facing tough economic conditions, we continue to seek growth opportunities by leveraging the core competencies of the wider Group.

OMIGSA's Electus boutique launched the Global Emerging Markets ("GEM") Fund in September that invests predominantly in shares of companies listed on emerging market stock exchanges.

The results for Rest of Africa currently represent Namibia only, but we intend to consolidate the other African countries (Zimbabwe, Kenya, Malawi, and Swaziland) into our results for the calendar year 2011. Year to date Life APE sales for the other African countries were R122 million and FUM was R17.5 billion at 30 September 2011.

## LONG-TERM SAVINGS: Wealth Management

### Another quarter of progress in the UK and International off-shore markets

### Net client cash flow

NCCF for Wealth Management remained positive at £0.7 billion, reflecting strong platform sales partially offset by the withdrawal of non-RDR-compliant bond products in the UK. The market turmoil in the period, coupled with the European holiday season, resulted in reduced NCCF compared to the first two quarters of 2011. Throughout Wealth Management, client centric retention activities across our markets have resulted in surrender rates continuing at the lower end of our expectations.

UK platform inflows have continued at approximately the same levels as the prior year despite the market turmoil. The UK platform has now recorded eight sequential quarters of NCCF over £0.7 billion and we believe we have strengthened our market position in capturing NCCF in the quarter. We expect IFA-sourced corporate business to replace much of the £0.7 billion of institutional funds which we expect to leave our Legacy business in Q4 2011.

In the International off-shore markets we have recorded our highest net client inflows for four quarters.

### Funds under management

FUM was £52.9 billion at 30 September 2011, a fall of 8% from the end of Q2 2011 driven by significant equity market falls partially offset by NCCF. Market surveys and our own data indicate a move by retail customers towards more defensive positioning of portfolios and fund choices, but critically the funds are generally still retained on our platforms. FUM for the UK platform was £17.6 billion at 30 September 2011 (30 June 2011: £18.7 billion).

# Interim Management Statement - Appendix

### Sales

Gross sales for the period were £2,410 million (Q3 2010: £2,659 million), of which mutual fund and unit trust sales were £1,043 million (Q3 2010: £1,287 million). UK platform gross sales of £1,176 million were 7% higher than Q3 2010 reflecting continued good pension sales. Platform mutual fund sales were £673 million, up 4% on Q3 2010. Total mutual fund sales for Wealth Management have declined as a consequence of reduced gross sales of funds within Skandia Investment Group (“SIG”) and a reduction in UK Legacy sales. The decrease in SIG sales was due to market volatility, coupled with certain funds in the Far East reaching capacity and being ‘soft’ closed to new business.

As previously announced, during the latter part of 2010 we closed a significant proportion of non-RDR-compliant product lines in the UK. Sales of such products have consequently reduced when compared to the prior year period. This management action allows us to focus on capturing assets through those IFAs who are already moving towards a fee-based relationship with their customers.

Life APE sales were £148 million (Q3 2010: £150 million). APE sales of International offshore products were £59 million, 20% higher than Q3 2010, driven by ongoing momentum from Europe and Asia. APE sales in our onshore Continental European business were 27% lower at £16 million (Q3 2010: £22 million) due to volatility in the markets and the residual impact of the 2010 Italian tax shield.

### Outlook

We continue to monitor sales patterns, given the continued volatility in equity markets and the possibility of moderating sales growth. It is still too early to determine how long the defensive asset allocations will be maintained and we expect that more certainty over the implementation of the EU’s proposals to resolve the European Bank and Government debt crises will be required before any pronounced improvement in inflows occurs.

## LONG-TERM SAVINGS: Nordic

### Sales increase driven by strong performance in Denmark

### Net client cash flow

NCCF during the period was SEK1.2 billion, an increase of 9% against the comparative period. This was driven by strong sales in Denmark and the Swedish retail market, partially offset by customer transfers to Skandiabanken’s retail deposits from mutual funds as a consequence of a more defensive asset positioning in the current market conditions.

### Funds under management

FUM was SEK128.1 billion at 30 September 2011, a 10% decline compared to that of 30 June 2011, despite the positive NCCF in the period. The bulk of the reduction was due to the sharp decline in markets, with the Swedish equity markets down 20% in the quarter compared to 30 June 2011 and 23% down compared to 31 December 2010.

Investment performance in the Swedish unit-linked portfolio was weak during the period. Clients have reduced their risk exposure and have increased their portfolio allocation to fixed income or mixed funds to 54% in September 2011 from 47% at 30 June 2011 and 35% at 31 December 2010.

### Sales

APE sales at SEK531 million were up 20% compared to Q3 2010, driven by continuing strong sales performance in Denmark and single premium growth in the Swedish retail market. The Skandia endowment insurance product (*Depå*) accounted for the majority of the sales increase. This product offers clients a broad range of investment alternatives and is particularly well suited to volatile market conditions.

Single premium retail sales in Sweden were higher, driven by strong sales of the *Depå*-product. Corporate business sales were flat in advance of new product development and a continued shift towards commoditised group scheme business, as the pensions business for this market continued to contract. Corporate single premium sales grew strongly on high levels of top-ups on existing policies.

Danish distribution by tied agents has become more significant in 2011. Denmark provided 31% of Nordic sales YTD (2010 YTD: 22%).

Mutual fund sales of SEK1,749 million were up 68% on the comparative period. Skandia Fonder saw switches out of equities and towards fixed income funds as well as strong growth in new sales, reflecting an improved product suite and weak sales in the comparative period. Skandiabanken had lower growth as a result of changes in client asset allocation towards safer investment alternatives, such as savings accounts in Skandiabanken, which saw a significant increase during the period.

#### Outlook

In 2011, the business has improved its customer proposition with a number of innovative products that have captured market share. We will continue to introduce further products in the remainder of 2011 and 2012. Cost reduction activity is continuing and we now estimate restructuring costs of approximately SEK170 million (£17 million) in the year. During Q3 clients decreased their risk exposure in equity funds and shifted towards fixed income funds and cash, however, the range of our products has proven effective in maintaining client assets. We expect continued market volatility to affect our clients' asset allocations. In the meantime, poor equity returns have had an impact on the capital strength of certain competitors and this provides us with potentially attractive profitable opportunities to build distribution strength and market share.

## LONG-TERM SAVINGS: Retail Europe

### Increasing sales driven by sales growth in Poland

#### Net client cash flow

NCCF was €0.1 billion in the period. Higher outflows were experienced mainly due to an increase in the value of surrenders, resulting from fund growth in prior periods, and a moderate increase in maturities in the period.

#### Funds under management

Total FUM closed at €5.5 billion, a decrease of 4% compared to that of 30 June 2011, driven by market movements in the period partially offset by the positive NCCF. Funds under management were slightly down on 2010 year-end levels and slightly up compared to the end of the comparative period. Polish funds under management showed the largest reduction as the local equity market declines were more pronounced than other Retail Europe equity markets.

#### Sales

APE sales in the period increased by 17% to €21 million, driven by a 75% increase in sales in Poland.

#### Outlook

We have commenced several additional organic strategic growth initiatives to leverage further our Skandia administrative branch in South Africa, while maintaining rigorous cost and capital management controls. In Poland, ongoing discussions regarding changes in the retirement system and government plans to support retirement savings represent a significant future opportunity. Various marketing and other initiatives are in place to continue to manage surrender levels and widen distribution channels in Germany and Austria.

## Nedbank Group (Nedbank)

The full text of Nedbank's third quarter 2011 trading update, released on 2 November 2011 and also announced by Old Mutual plc on the same day, can be accessed on Nedbank's website at:

http://www.nedbankgroup.co.za/financialQuaterlyResults.asp

## Mutual & Federal

### Consistent profitable premium growth

Gross written premiums increased by 5% to R2.3 billion.

The business has focused on marketing and service delivery and this has led to increases in policy numbers on a number of portfolios. The joint iWyze product initiative with the Emerging Markets Mass Foundation distribution team continues to exceed growth expectations. Ongoing competition for market share is expected during the final quarter following an extended period of stable underwriting results for the industry.

A lower risk investment portfolio and risk-based capital allocation model continued to be applied in the period. The business is now being managed at an international solvency ratio of between 50% and 60%.

# Interim Management Statement - Appendix

## US Asset Management

### Investment performance remains solid despite Q3 market weakness

### Funds under management and net client cash flow[1]

FUM was $226.8 billion at 30 September 2011, representing a 12.6% or $32.8 billion decrease from 30 June 2011. $21.7 billion of the reduction was due to market movements during the quarter.

Net client cash outflows for the quarter were $11.1 billion, with net cash outflows from long-term strategies totalling $3.5 billion (Q3 2010: $3.3 billion outflow). Net cash outflows from short-term products totalled $7.6 billion for the quarter (2010: $0.2 billion outflow), largely low margin funds with an immaterial impact on revenue.

Gross inflows from long-term strategies during the quarter totalled $5.7 billion (2010: $7.1 billion), while gross outflows totalled $9.2 billion (2010: $10.4 billion). Gross inflows from short-term products totalled $0.9 billion (2010: $1.1 billion), with gross outflows totalling $8.5 billion for the quarter (2010: $1.3 billion), primarily relating to low fee stable value funds. $0.5 billion of total gross inflows came from new client accounts during the quarter.

### Investment performance

Investment performance across long-term products remained solid despite market volatility during the quarter. Three-year and five-year long-term investment performance showed continued improvement over the comparative period. For the one-, three-, and five-year periods ended 30 September 2011, 65%, 59% and 58% of long-term assets outperformed benchmarks, compared to 73%, 41% and 47% at 30 September 2010.

### Corporate developments

USAM announced during the quarter it would be transferring ownership of its Canadian-based affiliate and institutional manager, Lincluden Management Limited to the firm's management team. The transaction is expected to close later this year.

In October 2011, Julian Ide was appointed as Head of Global Distribution. Julian will lead our distribution efforts in Europe, Asia and the Middle East and will also oversee Old Mutual Asset Managers (UK)'s investment teams, product offerings and retail and institutional distribution efforts. This appointment completes the new executive team at USAM and supports an ongoing initiative to refine and focus our global distribution strategy, particularly with respect to non-U.S. markets.

We also recently announced that Touchstone Advisors, Inc. had entered into a definitive agreement to acquire selected assets of our US mutual fund business, owned by our affiliate Old Mutual Capital, Inc. (OMCAP). The transaction is subject to certain conditions and approvals but is expected to be completed early in the second quarter of 2012. Upon completion, 17 Old Mutual Funds will be reorganised into Touchstone Funds, with OMAM's affiliated investment managers continuing as sub-advisors to a majority of those funds. As a result of this transaction, we expect operating profit to improve by $8-10 million per year on a run-rate basis.

### Outlook

The performance of USAM's long-term assets is an important indicator of future positive net client cash flows. USAM continues to face the challenge of net outflows which tend to lag improvements in investment performance. USAM continues to focus on institutionally-sourced long-term assets where active investment management can deliver positive alpha to clients. We are encouraged by the interest and level of funded new business in "managed volatilities" and fixed income strategies. Achievement of net inflows as well as market appreciation are key drivers of USAM's ability to improve operating margins and grow operating profits.

## Bermuda

### Reserve development

In accordance with the Group's accounting policies and its use of market consistent valuation methodologies for both actuarial and accounting reserves, movements in interest rates as well as foreign exchange and equities are reflected in the reserves periodically reported. Given that the business is recorded as non-core, the profit and loss impact of changes

[1] *Funds under management and net cash flow are depicted on an end-manager basis for USAM.*

are excluded from AOP except for intercompany interest payable to Bermuda by the core businesses, which is charged to AOP. The reserve with respect to Guaranteed Minimum Accumulation Benefits (“GMAB”) liabilities increased by $323 million during the period to 31 October 2011 to $959 million (30 June 2011: $636 million). As of 30 September 2011 the reserve was $1,177 million. While the reserve increase was mostly attributable to poor equity market performance over the quarter, lower interest rates caused the reserve valuation to increase by almost $77 million during the three month period to 30 September 2011. US swap rates are used to value the reserve by discounting future expected cash flows even though the underlying assets supporting reserves earn a higher yield (30 September 2011: 4%)

### Surrender development

Total surrender activity was higher than the comparative period, amounting to 4% and bringing total surrenders to 13% for the year to date measured against the 2010 year-end book. Future surrender behaviour is expected to be influenced by the extent to which the underlying fund values of the policy holders are close to the level of the guarantee. Supported by de-risking initiatives, almost 500 guaranteed policies (Universal Guarantee Option (“UGO”) contracts) were surrendered over the quarter (compared to 253 in Q3 2010) totalling around 2,500 on a year-to-date basis. The year-to-date figures represent about 9% in terms of count of the total UGO book. UGO account values were approximately $2.4 billion at the end of September 2011 (30 June 2011: $2.9 billion).

### Risk management and investment portfolio update

There have been no investment losses in the quarter and no impairments or credit defaults. The portfolio has a current average rating of A3 (Moody’s rating scale). The $591 million bond portfolio (market value $615 million at 30 September 2011) which forms part of shareholder assets is invested to match the duration of obligations to policyholders and has a running yield of 6%, higher than the interest credited to certain policyholders of 4%. At 30 September 2011 the portfolio had unrealised gains of $24 million.

At 30 September 2011, the gross cash cost of meeting fifth anniversary guarantees to policyholders over the next two years was estimated at approximately $700 million (30 June 2011: $300 million). The actual cash cost will be affected by any changes in policy holders account values up until the fifth anniversary offset by related hedge asset movements. At 26 October 2011, the gross cash cost had reduced to $620 million. The bulk of these anniversary payments will be made between 1 October 2012 and 31 January 2013 and are expected to be met from Old Mutual Bermuda’s (“OMB”) own resources, which include the fixed income general account portfolio, in addition to OMB reserves held and hedging gains. No further capital injection is anticipated other than in extremely adverse scenarios.

The hedge asset portfolio was actively managed over the Q3 2011 period and at 30 September 2011 hedge coverage over equities was 60% (31 December 2010: 58%; 30 June 2011: 55%), 55% over foreign exchange (31 December 2010: 39%; 30 June 2011: 22%) and nil on interest rates (31 December 2010: nil; 30 June 2011: nil). Current hedged levels at 31 October 2011 are 63% over equities, 54% over foreign exchange and nil on interest rates. At the current level of hedging, a 1% fall in equity market levels increases the net cash cost of meeting policyholder guarantees by approximately $8 million. The business continues to monitor daily liability positions and adjust hedge positions to manage risk, liquidity and capital.

Notwithstanding the hedging programme, given current market conditions the business continues to expect volatility in earnings in the medium term.

# Interim Management Statement - Appendix

## Group data – year to date

| Group highlights for the nine months to 30 September 2011 (£bn) | YTD | YTD 2010 (constant currency basis) | Annualised % of opening FUM[1] | YTD 2010 (as reported) |
|---|---|---|---|---|
| **Net client cash flow (NCCF)** | | | | |
| Long-Term Savings | **3.8** | 4.1 | 4% | 3.9 |
| Nedbank | **0.6** | 0.7 | 6% | 0.7 |
| US Asset Management | **(13.3)** | (7.1) | (11%) | (7.5) |

| Group highlights for the nine months to 30 September 2011 (£m) | YTD | YTD 2010 (constant currency basis) | % change[1] | YTD 2010 (as reported) | % change |
|---|---|---|---|---|---|
| **LTS life assurance sales (APE)** | | | | | |
| *Emerging Markets* | ***397*** | *349* | *14%* | *344* | *15%* |
| *Nordic* | ***176*** | *154* | *14%* | *142* | *24%* |
| *Retail Europe* | ***54*** | *48* | *13%* | *47* | *15%* |
| *Wealth Management* | ***494*** | *562* | *(12%)* | *562* | *(12%)* |
| **LTS life assurance sales (APE)** | **1,121** | **1,113** | **1%** | **1,095** | **2%** |
| **Non-covered sales[2]** | | | | | |
| *Emerging Markets* | ***5,382*** | *4,783* | *13%* | *4,700* | *15%* |
| *Nordic* | ***473*** | *453* | *4%* | *416* | *14%* |
| *Retail Europe* | ***16*** | *16* | *-* | *17* | *(6%)* |
| *Wealth Management* | ***3,497*** | *3,494* | *-* | *3,494* | *-* |
| Long-Term Savings | **9,368** | 8,746 | 7% | 8,627 | 9% |
| US Asset Management | **1,240** | 970 | 28% | 1,019 | 22% |
| **Non-covered sales** | **10,608** | **9,716** | **9%** | **9,646** | **10%** |

Note percentage movements on reported figures in the above table are based on rounded sterling numbers.

[1] Business units' percentages are calculated on a local currency basis.
[2] Non-covered sales includes mutual funds, unit trust and other sales.

# Interim Management Statement - Appendix

## LONG-TERM SAVINGS – Emerging Markets

Rm

| | *Q3 2011* | *Q3 2010* | % |
|---|---|---|---|
| NCCF (Rbn) | **5.7** | 1.6 | 256% |
| Unit Trust Sales | **14,236** | 12,660 | 12% |
| Other non-life sales | **11,230** | 9,886 | 14% |
| **Life APE sales** | **1,624** | **1,372** | **18%** |
| *Recurring premium* | **1,219** | 980 | 24% |
| *Single premium* | **405** | 392 | 3% |

### APE Sales

Rm

| By Cluster: | Single premium APE | | | Gross regular premiums | | | Total APE | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Q3** | Q3 | % | **Q3** | Q3 | % | **Q3** | Q3 | % |
| **South Africa** | | | | | | | | | |
| Mass Foundation Cluster | **1** | - | - | **561** | 433 | 30% | **562** | 433 | 30% |
| Retail Affluent | **216** | 207 | 4% | **396** | 370 | 7% | **612** | 577 | 6% |
| Corporate | **75** | 116 | (35%) | **168** | 100 | 68% | **243** | 216 | 13% |
| OMIGSA | **77** | 54 | 43% | **-** | - | - | **77** | 54 | 43% |
| **Total South Africa** | **369** | **377** | (2%) | **1,125** | **903** | 25% | **1,494** | **1,280** | 17% |
| **Rest of Africa** | **29** | 10 | 190% | **73** | 58 | 26% | **102** | 68 | 50% |
| **Asia & Latin America** | **7** | 5 | 40% | **21** | 19 | 11% | **28** | 24 | 17% |
| **Total Emerging Markets** | **405** | **392** | 3% | **1,219** | **980** | 24% | **1,624** | **1,372** | 18% |

Rm

| By Product: | Single premium APE | | | Gross regular premiums | | | Total APE | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Q3** | Q3 | % | **Q3** | Q3 | % | **Q3** | Q3 | % |
| **South Africa** | | | | | | | | | |
| Savings | **320** | 299 | 7% | **472** | 445 | 6% | **792** | 744 | 6% |
| Protection | **-** | - | n/a | **653** | 458 | 43% | **653** | 458 | 43% |
| Annuity | **49** | 78 | (37%) | **-** | - | n/a | **49** | 78 | (37%) |
| **Total South Africa** | **369** | **377** | (2%) | **1,125** | **903** | 25% | **1,494** | **1,280** | 17% |
| **Rest of Africa** | **29** | 10 | 190% | **73** | 58 | 26% | **102** | 68 | 50% |
| **Asia & Latin America** | **7** | 5 | 40% | **21** | 19 | 11% | **28** | 24 | 17% |
| **Total Emerging Markets** | **405** | **392** | 3% | **1,219** | **980** | 24% | **1,624** | **1,372** | 18% |

### Unit trust / mutual fund sales and other non-covered sales

Rm

| | Unit trust/ mutual fund sales | | | Other non-life sales | | | Non-life sales | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Q3** | Q3 | **%** | **Q3** | Q3 | **%** | **Q3** | Q3 | **%** |
| South Africa | **5,031** | 6,924 | (27%) | **11,177** | 9,678 | 15% | **16,208** | 16,602 | (2%) |
| Rest of Africa | **1,219** | 1,662 | (27%) | **53** | 208 | (75%) | **1,272** | 1,870 | (32%) |
| Asia & Latin America | **7,986** | 4,074 | 96% | **-** | - | n/a | **7,986** | 4,074 | 96% |
| **Emerging markets** | **14,236** | **12,660** | **12%** | **11,230** | **9,886** | **14%** | **25,466** | **22,546** | **13%** |

# Interim Management Statement - Appendix

## LONG TERM SAVINGS – Wealth Management

### APE Sales

£m

| Life new business | Gross single premiums Q3 2011 | Q3 2010 | % | Gross regular premiums Q3 2011 | Q3 2010 | % | Total APE Q3 2011 | Q3 2010 | % |
|---|---|---|---|---|---|---|---|---|---|
| **UK market** | | | | | | | | | |
| Pensions | **427** | 416 | 3% | **15** | 17 | (12%) | **60** | 58 | 4% |
| Bonds | **110** | 163 | (33%) | **-** | - | - | **10** | 16 | (38%) |
| Protection | **-** | - | - | **3** | 3 | - | **2** | 3 | (33%) |
| Savings | **-** | - | - | **1** | 1 | - | **1** | 2 | (50%) |
| **Total UK** | **537** | 579 | (7%) | **19** | 21 | (10%) | **73** | 79 | (8%) |
| Of which UK platform | **483** | 438 | 10% | **9** | 8 | 13% | **57** | 52 | 10% |
| **International markets** | | | | | | | | | |
| Unit-linked | **42** | 82 | (49%) | **7** | 9 | (22%) | **12** | 17 | (29%) |
| Bonds | **425** | 274 | 55% | **6** | 5 | 20% | **47** | 32 | 47% |
| **Total International** | **467** | 356 | 31% | **13** | 14 | (7%) | **59** | 49 | 20% |
| **Continental Europe markets** | | | | | | | | | |
| Unit-linked | **150** | 214 | (30%) | **1** | 2 | (50%) | **16** | 22 | (27%) |
| **Total Wealth Management** | **1,154** | 1,149 | - | **33** | 37 | (11%) | **148** | 150 | (1%) |

### Unit trust / mutual fund sales

£m

| Mutual fund new business | Q3 2011 | Q3 2010 | % |
|---|---|---|---|
| UK market | **769** | 856 | (10%) |
| International markets | **263** | 427 | (38%) |
| Continental Europe markets | **11** | 4 | 175% |
| **Total Wealth Management** | **1,043** | 1,287 | (19%) |
| Of which UK platform | **673** | 645 | 4% |

## LONG TERM SAVINGS – Nordic

### APE Sales

SEKm

| New business | Gross single premiums Q3 2011 | Q3 2010 | % | Gross regular premiums Q3 2011 | Q3 2010 | % | Total APE Q3 2011 | Q3 2010 | % |
|---|---|---|---|---|---|---|---|---|---|
| **Sweden** | | | | | | | | | |
| Corporate | **525** | 396 | 33% | **178** | 193 | (8%) | **231** | 233 | (1%) |
| Retail | **509** | 425 | 20% | **39** | 36 | 8% | **90** | 78 | 15% |
| **Total Sweden** | **1,034** | 821 | 26% | **217** | 229 | (5%) | **321** | 311 | 3% |
| **Denmark** | | | | | | | | | |
| **Total Denmark** | **663** | 323 | 105% | **144** | 97 | 48% | **210** | 130 | 62% |
| **Total Nordic** | **1,697** | 1,144 | 48% | **361** | 326 | 11% | **531** | 441 | 20% |

### Unit trust / mutual fund sales

SEKm

| New business | Q3 2011 | Q3 2010 | % |
|---|---|---|---|
| Skandia fonder | **911** | 296 | 207% |
| Skandiabanken | **838** | 743 | 13% |
| **Total Nordic** | **1,749** | 1,040 | 68% |