

# NEWS RELEASE

10 May 2012

## Old Mutual plc Interim Management Statement

For the three months ended 31 March 2012

### Business improvement continues

- Funds under management in core operations up 6% to £284.2 billion
- NCCF of £3.7 billion, USAM NCCF £2.5 billion
- Sale of Nordic completed for £2.1 billion

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

*“With growth in funds under management and further strategic progress, overall this has been another good quarter for Old Mutual. We have seen positive net client cash flows throughout the Group including at USAM where investment performance is improving.*

*“Sales continued to be strong in Emerging Markets, with another excellent performance in the South African mass foundation cluster. The prolonged turmoil in the eurozone has continued to undermine investor confidence creating a subdued retail investment market in Europe as a whole.*

*“Nedbank maintained the momentum it established last year by delivering positive margins, strong growth in non-interest revenue and continued reductions in credit losses.*

*“Our strong franchises and significant exposure to higher growth emerging markets underpin prospects for the year as a whole.”*

### Enquiries

#### External communications

Patrick Bowes UK +44 (0)20 7002 7440

#### Investor relations

Kelly de Kock SA +27 (0)21 509 8709

#### Media

William Baldwin-Charles +44 (0)20 7002 7133  
+44 (0)7834 524 833

# Interim Management Statement

## GROUP RESULTS

<b>Group highlights for the three months to 31 March 2012 (£bn)</b>	<b>Q1 2012</b>	<b>Q1 2011 (constant currency basis)</b>	<b>% of opening FUM<sup>1</sup></b>	<b>Q1 2011 (as reported)</b>	
<b>Net client cash flow</b>					
Long-Term Savings	<b>0.8</b>	0.7	3%	0.7	
Nedbank	<b>0.4</b>	0.2	16%	0.2	
US Asset Management - Continuing operations <sup>2</sup>	<b>2.6</b>	(0.6)	8%	(0.6)	
- Held for sale or disposed <sup>2</sup>	<b>(0.1)</b>	(3.2)	(2)%	(3.1)	
<b>NCCF from core operations</b>	<b>3.7</b>	<b>(2.9)</b>	<b>6%</b>	<b>(2.8)</b>	
<b>Group highlights at 31 March 2012 (£bn)</b>	<b>31 March 2012</b>	<b>31 December 2011 (constant currency basis)</b>	<b>% change</b>	<b>31 December 2011 (as reported)</b>	<b>% change</b>
<b>Funds under management</b>					
Long-Term Savings	<b>116.1</b>	109.8	6%	108.5	7%
Nedbank	<b>10.6</b>	9.9	7%	9.7	9%
Mutual & Federal	<b>0.2</b>	0.2	-	0.2	-
US Asset Management - Continuing operations <sup>2</sup>	<b>138.3</b>	125.3	10%	128.8	7%
- Held for sale or disposed <sup>2</sup>	<b>19.0</b>	19.5	(3)%	20.0	(5)%
<b>FUM from core operations</b>	<b>284.2</b>	<b>264.7</b>	<b>7%</b>	<b>267.2</b>	<b>6%</b>
<b>Group highlights for the three months to 31 March 2012 (£m)</b>	<b>Q1 2012</b>	<b>Q1 2011 (constant currency basis)</b>	<b>% change</b>	<b>Q1 2011 (as reported)</b>	<b>% change</b>
<b>Life assurance sales (APE)</b>					
<i>Emerging Markets</i>	<b>116</b>	106	10%	115	1%
<i>Wealth Management</i>	<b>153</b>	193	(21)%	193	(21)%
<b>Total life assurance sales (APE)</b>	<b>269</b>	<b>299</b>	<b>(10)%</b>	<b>308</b>	<b>(13)%</b>
<b>Non-covered sales<sup>3</sup></b>					
<i>Emerging Markets</i>	<b>1,941</b>	1,403	38%	1,527	27%
<i>Wealth Management</i>	<b>1,117</b>	1,168	(4)%	1,168	(4)%
Long-Term Savings	<b>3,058</b>	2,571	19%	2,695	13%
US Asset Management - Continuing operations <sup>2</sup>	<b>271</b>	383	(29)%	375	(28)%
- Held for sale or disposed <sup>2</sup>	<b>73</b>	173	(58)%	170	(57)%
<b>Total non-covered sales</b>	<b>3,402</b>	<b>3,127</b>	<b>9%</b>	<b>3,240</b>	<b>5%</b>
Note percentage movements on reported figures in the above table are based on rounded sterling numbers.					

<sup>1</sup> Annualised NCCF

<sup>2</sup> Continuing operations exclude the results of OMCAP, Lincluden and Dwight, which were held for sale or disposed at 31 March 2012

<sup>3</sup> 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 31 March 2012 (the period) and comparative figures are for the same period in 2011 (the comparative period). Comparative figures presented in GBP are on a constant currency basis.

### Group funds under management

Funds under management (FUM) increased by £19.5 billion (7%) from 31 December 2011 to £284.2 billion at 31 March 2012. Equity markets contributed £16.9 billion of the £19.5 billion increase, with the S&P 500 up 12%, the FTSE 100 up 4% and the JSE ALSI up 5%.

In our Long-Term Savings division (LTS) FUM increased 6% to £116.1 billion. Emerging Markets increased by 3% to £52.7 billion, due to increased net client cash flows (NCCF) supported by strong non-covered sales and a general improvement in markets. Wealth Management FUM increased 8% from £58.6 billion at 31 December 2011 to £63.4 billion at 31 March 2012, also driven by positive market movements and net client cash inflows. UK FUM increased 6% over the period to £35.6 billion, with UK Platform FUM of £20.4 billion up 15% from 31 March 2011 and up 8% from 31 December 2011.

FUM from continuing operations<sup>1</sup> at USAM increased 10% to £138.3 billion, of which 8% was due to positive market movements and 2% was due to improvements in NCCF.

### Long-Term Savings

#### *Net client cash flow*

LTS achieved positive NCCF of £0.8 billion (Q1 2011: £0.7 billion), driven by strong inflows in Latin America and large deals secured into Emerging Markets' OMIGSA boutiques.

Wealth Management NCCF was £0.5 billion (Q1 2011: £1.0 billion), with gross inflows of £2.6 billion (Q1 2011: £2.9 billion). NCCF for the UK Platform fell to £0.5 billion from £1.0 billion, as continued market volatility weakened investor confidence.

#### *Sales*

LTS sales on an annual premium equivalent (APE) basis decreased by 10% to £269 million, with weak UK and European sales partially offset by strong regular premium sales in Emerging Markets. LTS non-covered sales, including unit trust and mutual fund sales, increased by 19% to £3,058 million.

APE sales in Emerging Markets increased by 10% to £116 million, driven by growth of 17% in the Mass Foundation Cluster (MFC). Non-covered sales increased by 38% to £1,941 million, with strong unit trust and mutual fund sales in South Africa and Latin America. Other non-life sales were boosted by the inclusion of the other African countries (Kenya, Malawi, Zimbabwe and Swaziland) in Q1 2012 but not in the comparative period and significant inflows into OMIGSA's Dibanisa boutique.

Wealth Management APE sales decreased by 21% to £153 million, reflecting continued market volatility and weakening investor confidence. This has particularly impacted the single premium dominated propositions that we offer in most of our markets. Wealth Management sales were up 13% on Q4 2011. The UK Platform gross sales were £1.1 billion (Q1 2011: £1.4 billion). Wealth Management mutual fund and unit trust sales were down 4% to £1,117 million. We continue to make good progress on our preparations for the Retail Distribution Review (RDR), while waiting for the definitive rules to be finalised. In April we announced that we will be combining Old Mutual Asset Managers UK (OMAM UK) and Skandia Investment Group (SIG).

### US Asset Management

Net client cash inflow from continuing business<sup>1</sup> was £2.6 billion, with strong investment performance and reduced volatility in global markets. There was £0.1 billion of net outflows from USAM's affiliates held for sale at 31 March 2012.

Gross inflows<sup>1</sup> were £6.4 billion (Q1 2011: £4.2 billion), driven predominantly by sales from long-term fixed income products, while international value equities, global value equities, and emerging market equities also experienced strong sales. The fees on fixed income AUM tend to be lower than USAM's overall average, though flows in this key asset class help further diversify our sources of earnings. Gross outflows<sup>1</sup> were £3.8 billion (Q1 2011: £4.8 billion), largely in US equities.

<sup>1</sup> Excludes results of OMCAP, Lincluden, and Dwight Asset Management, which were held for sale or disposed at 31 March 2012.

## Interim Management Statement

US and international equity strategies outperformed benchmarks contributing to enhanced investment performance. For the one-year period ended 31 March 2012, 80% of assets in continuing business outperformed benchmarks (Q1 2011: 47%). Over the three- and five-year periods, 70% (Q1 2011: 48%) and 65% (Q1 2011: 57%) of assets outperformed benchmarks.

The sale of USAM's domestic retail business, OMCAP, to Touchstone Investments closed on 13 April 2012. USAM will retain assets through its role as sub-advisor to 13 of the 17 mutual funds reorganised into Touchstone Funds as part of the strategic transaction to exit the US mutual fund business. The previously announced sale of USAM's fixed income affiliate, Dwight Asset Management Company LLC, to Goldman Sachs Asset Management is progressing as planned and is expected to close in Q2 2012.

### Nedbank

Nedbank maintained the momentum established in 2011. Net interest income grew by 11% to R4.8 billion and non-interest revenue increased 15% to R4.1 billion. The credit loss ratio from impairments improved from 1.15% in the comparative period to 1.09%. Nedbank's capital ratios remained well above current regulatory minima and expected Basel III regulatory minima, with a Core Tier 1 ratio of 10.7% (31 December 2011: 11.0%).

The full text of Nedbank's Q1 2012 trading update, released on 4 May 2012 and also announced by Old Mutual plc on the same day, can be accessed on Nedbank's website at: <http://www.nedbankgroup.co.za/financialQuarterlyResults.asp>

### Mutual & Federal

At Mutual & Federal gross written premiums for the period increased by 7% to R2.4 billion. The trading environment continued to be highly competitive.

### Capital and liquidity

The pro-forma Financial Groups Directive (FGD) surplus was £2.7 billion at 31 March 2012 (31 December 2011: £2.0 billion). The profit on the sale of Nordic increased the FGD surplus by £1.6 billion, but this was partially offset by £1.2 billion committed by the Group to pay special and ordinary dividends on 7 June 2012. The remaining £0.3 billion increase in the FGD surplus was primarily due to improved surpluses in Bermuda, Emerging Markets and Wealth Management during the period, and the strengthening of the Rand from the year-end closing-rate. This was partially offset by increased capital requirements at Nedbank. All our businesses remained well capitalised throughout the period.

At 31 March 2012, the holding company had total liquidity headroom of £3.4 billion (31 December 2011: £1.5 billion). From these resources the Group will pay £1.0 billion of special dividend and £0.1 billion in ordinary dividends on 7 June 2012. As part of the dividend payment process, the Group settled its intercompany loan with its South African holding company.

The Group repaid the remaining €200 million of the €750 million euro bond during the period. We do not intend to repay further debt until after the payment of the special dividend.

The Group has no exposure to the sovereign debt of Portugal, Italy, Ireland, Greece and Spain. The Group's exposure to French sovereign debt is £2 million.

### Material events and transactions

During the quarter, the Group completed the sale of its Nordic businesses for £2.1 billion. The Group also announced the combination of its Retail Europe businesses into Wealth Management.

### Share consolidation and share count

A share consolidation was completed, in the period between close of business on Friday 20 April 2012 and opening of business on Monday 23 April 2012, reducing the number of shares in issue from 5,567 million to 4,871 million, with 7 new shares being issued in exchange for 8 existing shares. As a consequence the share consolidation reduces the weighted average number of shares (WANS) used to determine the Group's per share calculations.

The WANS for the market consistent embedded value (MCEV) and basic earnings per share (EPS) calculations reflects the share consolidation from the date it occurred. The WANS used for the adjusted operating EPS calculation will treat the share consolidation as having taken place at 1 January 2012 and is 4,756 million. The comparative period will be restated for adjusted operating EPS only.

Dividends per share will be declared and calculated on the actual share count. As previously announced, we expect to set the 2012 interim dividend as 30% of the 2011 full-year dividend.

## Interim Management Statement

The long-term rate for the long-term investment return (LTIR) for Emerging Markets will remain at 9% for 2012. The long-term rate for 2012 for Mutual & Federal and Wealth Management was reduced to 8.6% (2011: 9.0%) and 1.5% (2011: 2.0%) respectively. The reduction in nominal yields on fixed income and cash, and lower equity appreciation in recent years is likely to reduce the long-term rate in the future.

### Bermuda

At 31 March 2012, the estimated gross cash cost of meeting fifth anniversary guarantees to Guaranteed Minimum Accumulation Benefit (GMAB) policyholders over the next two years reduced to approximately \$463 million (31 December 2011: \$689 million; 30 September 2011: \$738 million) due to higher equity markets. In March 2012 Bermuda enhanced its hedging strategy by implementing an option-based hedging arrangement to protect the cost of meeting fifth anniversary payments.

# Interim Management Statement

## Notes to Editors:

A conference call for analysts and investors will take place at 09.00 (UK time), 10.00 (Central European time) and 10.00 (South African time) today. Analysts and investors who wish to participate in the call should dial the following numbers quoting conference ID 311209#:

UK and International (outside South Africa and US)	+44 (0)20 3140 0668
South Africa	+27 (0)11 019 7051
US	+1 631 510 7490

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 24 May 2012 on the following numbers, quoting access code 384194#:

UK / standard international	+44 (0)20 3140 0698
-----------------------------	---------------------

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 2012 to 9 May 2012. 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 31 March 2012.

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.

### Foreign exchange rates used for constant currency calculations

		Q1 2012	Q1 2011	Appreciation / (depreciation) of local currency	FY 2011	Appreciation / (depreciation) of local currency
Rand	Average Rate	12.19	11.20	(9)%	11.64	(5)%
	Closing Rate	12.23	10.87	(13)%	12.56	3%
USD	Average Rate	1.57	1.60	2%	1.60	2%
	Closing Rate	1.60	1.61	1%	1.56	(3)%

### **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 out 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.

# Interim Management Statement - Appendix

## Financial History

Year	Adjusted WANS (m)	Reported adjusted operating EPS (p) <sup>1</sup>	Year-end shares in issue less treasury shares (m)	Adjusted Group MCEV per share (p) <sup>2</sup>	Dividend per share (p) <sup>2</sup>
2011 - after share consolidation <sup>3</sup>	4,756	18.0	4,866	207.8 <sup>4</sup>	5.71
2011	5,435	15.7	5,562	194.1	5.00
2010	5,359	14.3	5,456	202.2	4.00
2009	5,229	11.6	5,279	171.0	1.50
2008	5,230	14.9	5,277	117.6	2.45
2007	5,411	16.9	5,405	166.3	6.85

<sup>1</sup> Latest reported figure

<sup>2</sup> Dividends were paid on ordinary shares in issue (excluding treasury shares) at the Record Date. Adjusted Group MCEV per share is calculated on shares in issue (excluding treasury shares) at 31 December 2011

<sup>3</sup> Figures were not reported for 2011 and have been included here for illustrative purposes only

<sup>4</sup> Including proceeds from disposal of Nordic and payments of £1.0 billion special dividend

## Long-term Savings – Emerging Markets

### APE Sales

Rm

By Cluster:	Gross single premiums			Gross regular premiums			Total APE		
	Q1 '12	Q1 '11	%	Q1 '12	Q1 '11	%	Q1 '12	Q1 '11	%
<b>South Africa</b>									
Mass Foundation Cluster	8	7	14%	494	423	17%	495	424	17%
Retail Affluent	2,054	2,412	(15)%	340	312	9%	545	553	(1)%
Corporate	656	1,081	(39)%	88	35	151%	154	143	8%
OMIGSA	333	700	(52)%	-	-	n/a	33	70	(53)%
<b>Total South Africa</b>	<b>3,051</b>	<b>4,200</b>	<b>(27)%</b>	<b>922</b>	<b>770</b>	<b>20%</b>	<b>1,227</b>	<b>1,190</b>	<b>3%</b>
<b>Rest of Africa</b>	<b>397</b>	<b>194</b>	<b>105%</b>	<b>109</b>	<b>48</b>	<b>127%</b>	<b>149</b>	<b>67</b>	<b>122%</b>
<b>Asia &amp; Latin America*</b>	<b>64</b>	<b>58</b>	<b>10%</b>	<b>33</b>	<b>24</b>	<b>38%</b>	<b>39</b>	<b>30</b>	<b>30%</b>
<b>Total Emerging Markets</b>	<b>3,512</b>	<b>4,452</b>	<b>(21)%</b>	<b>1,064</b>	<b>842</b>	<b>26%</b>	<b>1,415</b>	<b>1,287</b>	<b>10%</b>

Rm

By Product:	Gross single premiums			Gross regular premiums			Total APE		
	Q1 '12	Q1 '11	%	Q1 '12	Q1 '11	%	Q1 '12	Q1 '11	%
<b>South Africa</b>									
Savings	2,484	3,666	(32)%	427	382	12%	675	749	(10)%
Protection	-	-	n/a	495	388	28%	495	388	28%
Annuity	567	534	6%	-	-	n/a	57	53	8%
<b>Total South Africa</b>	<b>3,051</b>	<b>4,200</b>	<b>(27)%</b>	<b>922</b>	<b>770</b>	<b>20%</b>	<b>1,227</b>	<b>1,190</b>	<b>3%</b>

\* Includes Mexico only

### Non-covered sales\* including unit trust / mutual fund sales

Rm

	Unit trust/ mutual fund sales			Other non-covered sales			Total non-covered sales		
	Q1 '12	Q1 '11	%	Q1 '12	Q1 '11	%	Q1 '12	Q1 '11	%
South Africa	6,189	4,609	34%	10,846	7,513	44%	17,035	12,122	41%
Rest of Africa	932	1,143	(18)%	575	66	>100%	1,507	1,209	25%
Asia & Latin America	4,727	3,242	46%	386	531	(27)%	5,113	3,773	36%
<b>Emerging markets</b>	<b>11,848</b>	<b>8,994</b>	<b>32%</b>	<b>11,807</b>	<b>8,110</b>	<b>46%</b>	<b>23,655</b>	<b>17,104</b>	<b>38%</b>

\* Non-covered sales exclude Zimbabwe CABS deposits

## Interim Management Statement - Appendix

### Long-term Savings – Wealth Management

#### APE Sales

£m

	Gross single premiums			Annualised regular premiums			Total APE		
	Q1 '12	Q1 '11	%	Q1 '12	Q1 '11	%	Q1 '12	Q1 '11	%
<b>Life new business</b>									
<b>UK market</b>									
Pensions	475	569	(17)%	14	18	(22)%	62	75	(18)%
Bonds	90	126	(29)%	-	-	n/a	9	13	(31)%
Protection	-	-	n/a	2	2	-	2	2	-
Savings	-	-	n/a	1	2	(50)%	1	2	(50)%
<b>Total UK</b>	<b>565</b>	<b>695</b>	<b>(19)%</b>	<b>17</b>	<b>22</b>	<b>(23)%</b>	<b>74</b>	<b>92</b>	<b>(19)%</b>
Of which UK Platform	506	611	(17)%	8	9	(11)%	59	70	(16)%
Of which UK Legacy	59	84	(30)%	9	13	(31)%	15	22	(29)%
<b>International</b>									
Unit-linked	29	70	(59)%	3	9	(67)%	6	16	(63)%
Bonds	282	314	(10)%	7	6	17%	35	37	(5)%
<b>Total International</b>	<b>311</b>	<b>384</b>	<b>(19)%</b>	<b>10</b>	<b>15</b>	<b>(33)%</b>	<b>41</b>	<b>53</b>	<b>(23)%</b>
<b>Wealth Management Europe</b>									
Unit-linked	245	306	(20)%	14	18	(22)%	38	48	(21)%
<b>Total Wealth Management</b>	<b>1,121</b>	<b>1,385</b>	<b>(19)%</b>	<b>41</b>	<b>55</b>	<b>(25)%</b>	<b>153</b>	<b>193</b>	<b>(21)%</b>

#### Unit trust / mutual fund sales

£m

<b>Mutual fund new business</b>	Q1 '12	Q1 '11	%
Institutional	230	56	>100%
Mutual funds	316	470	(33)%
ISA	245	324	(24)%
<b>Total UK market</b>	<b>791</b>	<b>850</b>	<b>(7)%</b>
Of which UK Platform	561	766	(27)%
Of which UK Legacy	230	84	>100%
International	317	309	3%
Wealth Management Europe	9	9	-
<b>Total Wealth Management</b>	<b>1,117</b>	<b>1,168</b>	<b>(4)%</b>

#### Bermuda reserve development

The sensitivity to capital markets on GMABs with UGO is highlighted in the table below, showing quarterly GMAB reserves and estimated fifth-anniversary guarantees over the past 21 months:

\$m

Period	UGO GMAB reserve	Estimated UGO fifth-anniversary top-up
30 June 2010	996	775
30 September 2010	824	458
31 December 2010	660	334
31 March 2011	573	303
30 June 2011	620	346
30 September 2011	1,144	738
31 December 2011	1,035	689
31 March 2012	<b>794</b>	<b>463</b>