

Impala Old Mutual

5.20% Fixed-to-Floating Rate Notes 2021

14 May 2014

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Issuer Series	IMP OLD MUT 5.2%/FLTG RTE NTS 03/06/21
ISIN / SEDOL	XS1066346294 / BMP36S7
Format	Senior Secured, Dated, Unsubordinated
Security	Old Mutual plc 8% 2021 Subordinated Debt
Security Rating	Baa3 / BB
Maturity Date	03 June 2021
Coupon (paid quarterly)	5.20% p.a. from and including Issue Date to but excluding 05 June 2017 3-month Libor + 2.15%, p.a. from and including 05 June 2017 to but excluding the Maturity Date
Issue Price	100.00
Minimum Denominations	£1,000 plus increments of £100
Listing & Trading	London Stock Exchange
Pricing	Committed on LSE, Bloomberg
Issue Date	28 May 2014

The Impala Old Mutual 5.2% Fixed-to-Floating Rate Note 2021 are issued by Investec Bank plc.

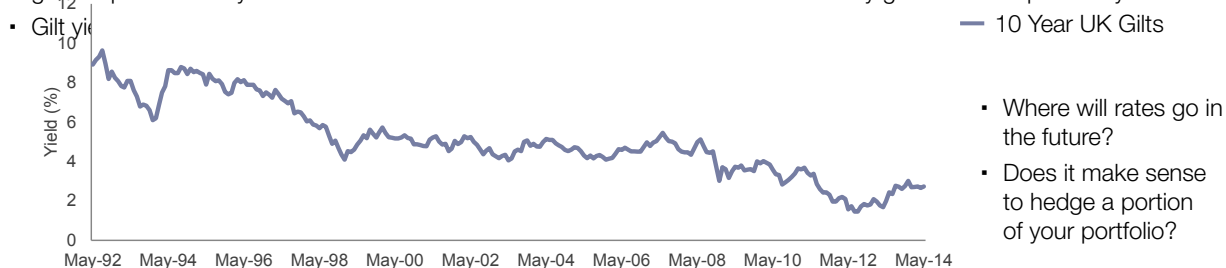
Why Old Mutual plc?

- As part of the FTSE 100 index, Old Mutual is a sizeable (c. £10bn market capitalisation) and well diversified (wide product range) corporate with strong franchise in core markets.
- Long term investment grade ratings of 'Baa2' and 'BBB', which are constrained by South Africa's sovereign ratings of 'Baa1' and 'BBB'
- Strong franchise as South Africa's largest insurer and fund manager, and large presence in retail and wholesale banking in the UK and via Nedbank Group Ltd in South Africa complemented by a US asset management business. Good capital position with a statutory liquidity coverage ratio of 169%
- Old Mutual's financial leverage at the beginning of 2013 at 22% is low relative to its rating level, according to Fitch, and significantly below peer average (Standard Life at 28%, Aviva at 30% and Legal & General at 29%)
- Old Mutual's fixed-charge coverage is strong at 14.4x for its rating level, and with a hard interest cover of 4.2x (excluding African profits)
- Old Mutual has a strong liquidity position, with 98% of liquid assets to policyholders' liabilities

Continued overleaf

Why is the Impala note being offered as a Fixed-to-Floating Rate Note?

- The initial fixed rate for 3 years enables investors to lock-in an attractive fixed coupon (5.20% p.a.) in the earlier years of their investment
- The floating rate coupon offered for the final 4 years of the investment addresses the market expectations of rising interest rates over the medium term (3-month Libor + 2.15% p.a.)
- The new Impala note reduces the duration of the Old Mutual bond from 5.3 to 2.7 years
- Bond investors are concerned about the impact of Gilt yields increasing, especially over the medium-to-long term, resulting in greater price volatility in fixed rate bonds. These concerns have intensified recently given the sharp rise in yields



- One solution which mitigates the negative mark-to-market exposure to interest rates is to invest in bonds which have floating rate income, which reduces interest rate exposure whilst ensuring income reflects changes to interest rates
- The Investec Impala solution bridges the gap between investor demand for floating rate income bonds and the limited availability and liquidity of them currently available in the market, whilst also offering the benefit of an attractive fixed rate for the first 3 years

Risk and considerations

- Investors will retain credit exposure to the underlying credit, Old Mutual plc Subordinated debt, until they sell or redeem the Impala Old Mutual notes. The price of the Impala Old Mutual note will therefore be affected by changes in the underlying credit
- In the event that Investec or the underlying credit becomes insolvent, investors will have exposure to the underlying fixed coupon bond (Old Mutual plc 8% 2021), in addition to the mark-to-market of the swap put in place by Investec
- The Impala notes, although listed on the Official List of the UKLA and admitted to trading on the LSE, can only ever be as liquid as the underlying fixed coupon bond
- Investec undertake, under normal market conditions, to make a live daily market on the Impala notes





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