# LTS Showcase 13 October 2010 – Transcript

PATRICK BOWES: Good morning everyone.  To those of you in London and those on the web, good morning and welcome to the Old Mutual 2010 Long Term Savings Showcase.  I'm Patrick Bowes, Director of External Communications and we hope you are going to enjoy today.  Could I please do some housekeeping; turn off your phones, BlackBerry's and any other electronic devices you may have brought with you.  Washroom facilities and emergency exists are outside.  If everyone is settled, we have a short video for you and then I'm going to ask Paul Hanratty to come up and open the event.  Thank you.

INTRODUCTORY VIDEO

*Title Slide: Overview of Long Term Savings and Rationale*

PAUL HANRATTY: Good morning everybody and a very warm welcome to this Showcase of the Long Term Savings Businesses within the Old Mutual Group.

We've decided to follow an approach today of trying to highlight some of the things that are common across our business and we also know that many of you would like insight in to some of the particular businesses; so we do have some focus on individual businesses.  We think that those two things, together with the business fair, where we invite you to spend time with the management from each of our individual businesses, informally, asking them about their market and their business, will give you greater insight in to what we do.

Old Mutual's long term savings businesses consist of the original, South African Life and Asset Management businesses, combined with what were the Skandia businesses.  Under Julian Robert's leadership, as I said last night, to those of you who were at the dinner, we have been moving away from being a geographically organised company in to a much more integrated one; one that really puts the customer, as you heard in the video, at the heart of everything we do because we do believe that long-term competitive advantage comes in our industry from putting the customer first.

*Slide: Title slide Paul Hanratty-CEO Long Term Savings*

At the same time, we're driving very hard to create shareholder value by focusing on driving earnings up in each of our operating units to get above the risk-adjusted cost of capital.

*Slide: Themes for today*

We are on a journey, working together as a Group; it's a long journey and we're really only at the beginning but we want to share with you some of the progress that we've made today and we've set our six themes for today, that we hope we'll be able to give you some insight in to over the course of the day.

*Slide: Team that will create a successful business*

Before I begin, I would like to introduce you to the team that works within our long term savings business portfolio.  Kuseni Dlamini, Bob Head, Mårten Andersson and Jonas Jonsson are the Chief Executives of the South African and Emerging Markets business, our Wealth Management business, our Nordic business and the European Retail business and they are responsible for driving the performance of each of their businesses and serving the local market and customers.  But we've also tasked them with working together as a team to leverage the best of what their businesses offer other people.

At the same time, we've created some new roles which are meant to span across this portfolio of businesses; so Richard Boynett joined us about four months ago to be the Global Chief Information Officer and he's been tasked with trying to pull together the various silos of IT in to one IT organisation that is both flexible, adaptable and responsive to the needs of the businesses at the front end in serving markets and customers, but at the same time, gives us the quality and cost that we would get from a more centralised organisation.  Steven Levin who headed up product development in South Africa, has been given a role of driving product innovation and development across all of our businesses, making sure that we share the best ideas right across the board and you'll hear from him and some of his colleagues a little bit later.  Rose Keanly retains her role of running the service and administration in South Africa and emerging markets but has actually set up a centre of excellence to take the LEAN methodology that you'll hear a little bit about later, that we've used so successfully in our South African business to drive up quality and drive down cost and to embrace that methodology in our other businesses.  Mike Harper retains his role in South Africa but also has set up a centre of excellence, so that we can share the work we are doing in our different distribution businesses and learn from it in other markets.

I should also emphasise that we haven't created any new organisation to support this grouping of businesses, so we leverage off the Group Head Office here in London, for risk management, finance, HR and things of that nature because we haven't wanted to create another cost base.

We have many of our local market executives here today and at the fairs, you'll have an opportunity to meet them and I think you'll get a great insight into the passion and the quality of the people we have there.

I know many of you might have come here today to find out about the Nedbank transaction but today is not about the Nedbank transaction and I'd ask you to leave your questions to a more appropriate occasion.

*Slide: LTS Showcase Day Agenda*

There is a detailed agenda in your packs or on your chair and I'll just give you a very high level idea of what we're doing today.  So after I've given you an overview of the businesses, Andrew Birrell is going to talk about where we are in preparing ourselves for Solvency II and how we're developing risk and capital management across the Group because I think that is one of the significant areas in which we're strengthening the Group from days of old.  We will then have a panel discussion to give you some better insight in to how we're driving out costs in each of our individual businesses and then we've got a section after tea where we'll ask people in the

South African and UK retail businesses to give you some information and some insight into how those businesses work and what makes them tick.

At lunch we will have an opportunity to explore the fairs; that will be organised and Patrick will take you through the logistics of that

*Slide: LTS Showcase Day Agenda (cont.)*

and then after lunch we're going to talk about effectively distribution and product – how are we approaching distribution across the emerging markets, how we are driving it in the Nordic retail area and what are the product synergies that we see and what are some of the quick wins that we've already had.  There will be an opportunity for questions and answers at the end of the day and if we have time at the end of each section this morning, we may allow one or two questions if it's appropriate.

*Slide: LTS strategy*

The long term savings business portfolio that we have and that we've developed a strategy for, we started at the point of saying, 'where are our strengths?'  Now we know that in South Africa we have a very strong franchise, we have a strong market position and we have a business that generates high ROE's and produces plenty of strong cash flow.  But we also know from experience that it is a business that can be leveraged in to other high growth areas and the one that I'm personally very familiar with is our Indian business, where we started ten years ago to leverage South African skills and not just senior skills, but skills at all levels of the organisation, particularly in building the distribution force and we've created a business and an enterprise there which I think is very valuable.  So we've taken the step of moving all of our Latin American, Asian and African businesses to report into the South African Executive, so that we're able to leverage off it.

Our approach in these countries is to leverage the product knowledge, the people skills, the processes and the distribution knowledge that we have in South Africa.  We've got a large, professional skill base in South Africa, so we have for example, more than two hundred and fifty actuarial staff.  We've got wonderful systems and processes with scale, which have driven exceptional levels of quality, straight-through processing and low unit costs.  We're very used to developing products for the sophisticated market but also simple products for the middle-income market and we're used to pricing heterogeneous risks, as I believe you'll find in very few other markets.  We also run multiple distribution channels and you'll get some insight into that later; so we do have an understanding of what it takes to manage different kinds of distribution.

At the same time, through Skandia, we've got some fantastic market positions in Europe and in the UK, in capital light businesses and we think that these businesses have a history of innovation and that they're very well positioned because of the customer value that they deliver, to exploit opportunities to win market share away from the more traditional, perhaps less customer-orientated businesses, so we think that the revenue line of these businesses can grow very quickly because of how they're positioned and at the same time, we see within these businesses, opportunities by adopting a LEAN approach to how we run them, to flush out cost and drive up operating performance.

Whilst we're focused on leveraging South Africa in to emerging markets and improving the operational performance of our European businesses, there are also direct opportunities for synergies between them.  On the capital front, I think Andrew Birrell is going to give you some fantastic insight into how our businesses connect at a capital level and why there are synergies and why we believe we're actually very well-positioned going forward.  But at the same time, there are revenue and cost synergies.  The cost synergies lie primarily in the IT area and in the opportunity to outsource some work to South Africa. The revenue opportunities lie in sharing product knowledge and ideas – you'll get some sense of that today, as well as leveraging what we know about building distribution channels.

*Slide: The LTS portfolio provides high returns combined with high growth*

If we look at the portfolio of long-term savings businesses we have in this Group, there are really, in my view, three buckets of different kinds of companies.  We've got those businesses like the South African one that produce high ROE's and lots of cash.  Then we've got the European businesses in the UK and in the Nordic region and in continental Europe, which because of how they've structured their proposition to the market and the segment that they focus on, have the potential for high revenue growth.  But they also are not efficient at this stage, from an operational point of view; so there is the opportunity to take out cost and that means we have a great prospect of driving rapid profit growth in those businesses.  These businesses, fortunately, because of their product design and structure are very capital light and the new business is self-financing.

In the emerging markets and some of the other markets we have, we have the opportunity to grow the business very quickly, but these are businesses that are going to need funding for many years to come and we believe in the long run, will produce fantastic growth and value for shareholders.  Fortunately, the funding needs of these businesses is modest in relation to the rest of the portfolio, so we believe that when you put these three different kinds of businesses together, you get a good mixture of high ROE and good growth potential, both in the medium and longer term.

*Slide: H1 2010 LTS financial summary*

The numbers on this slide really underpin in a numeric sense, what I've been saying.  So you can see here that while South African produces the lion's share of the profits, it's much more modest in terms of embedded value and sales, and it's the non-South African businesses that will fuel the growth and the creation of value in the longer term.

*Slide: Industry growth*

We do know that the growth in the long-term savings industry is inextricably linked to underlying economic growth and also to the penetration and success of the industry in each market.  Now we've got an interesting mix of businesses, so we have businesses that are positioned in the developed countries, which have high levels of penetration and then we have some interesting businesses getting built and developed in emerging markets.  We do believe very strongly that although the developed countries have relatively modest outlook for economic growth, if you're positioned in financial services, in the mass affluent segment and particularly if you're a product innovator and a company focused on delivering customer value to people who haven't necessarily received much value from traditional players in the past, you can actually grow your business very quickly in those markets.  So we think we've taken particular segment and customer-focused positions in those markets that will allow us to generate growth.  At the same time, in the emerging markets, we do believe there's long-term growth potential, both from the perspective that economic growth will take those countries forward over time and make them wealthier and at the same time penetration levels are low, so there's an opportunity for penetration of our industry to rise and so we're trying to build businesses there. You'll notice that South Africa is in a somewhat unique position here because effectively it straddles both markets and that comes back a lot to our strategy for leverage.

Julian spoke in March about how we've been through a process of evaluating each of our businesses against a set of criteria to ask whether it fitted or not and I'd like to say that the four portfolios or businesses within the portfolio that you'll see today are businesses that have ticked the box in terms of the criteria that we have. We will of course continue to review the performance of these businesses and we can always amend the portfolio but at this point, we believe these are businesses that we want to invest in both in terms of product and distribution.

*Slide: Putting the customer at the centre*

I spoke earlier about our belief that putting the customer at the centre of everything we do is how we're going to create long term, sustainable, competitive advantage for ourselves. As I said, we work in two different kinds of markets; we work in the developed countries and we also work in the emerging markets. In the developed countries, we're focused very much on the mass affluent segment and our proposition there has to be built around that segment and what they need. So both products, distribution systems and processes are orientated around customer needs. We believe the flexibility of our products, the transparency of our products and the value that we deliver, put us in a really good position in those markets. So our UK, French, Italian, Nordic and International businesses, play very much in that space. But as many of you will know, South African too has a very vibrant, wealth management industry so it too has a very similar offering in that part of the market and I think many of you will know in fact that the platform business in the UK runs off a version of the technology developed in South Africa for the South African market.

In the emerging markets, we've developed a wider product set. This applies also to our business in Germany, Austria and Poland. We have a wider product set, we focus on regular premiums but again, we are very much focused on delivering product value to customers, to making sure that our products are transparent, that fees are clear and that the customer gets what's in their own best interests, not just what's in our best interest or in the distributor's interests.

*Slide: Shareholder value model*

We've adopted an approach across our business to creating shareholder value that we're rolling out slowly but surely across all our business units. So we're focusing on the creation of economic profit. In other words, the generation of profits in excess of the cost of capital on a risk adjusted basis applied to the capital that these businesses absorb and this is a journey for us and Andrew will give you some more insight into where we are on that journey. But we do believe that ultimately, it's that focus that will create shareholder value. At the same time, we recognise that for many of our investors, they focus on embedded value as a measure of the value of the enterprise. So we measure very tightly, the value-add from management, both through the sale of profitable new business and the control of experience relative to assumptions, in the generation of addition to embedded value returns. I think it's very important to note that we've got a very large and growing part of our non-life or non-covered business and we apply these measures equally to both. The economic profit framework is beginning to drive all of our decision making capital allocation and it's the framework that we're rolling out to apply to the measurement of business performance and the reward of management.

*Slide: Achieving our targets*

We've really got four big areas that we're focused on driving to create shareholder value; so the first one is driving revenue growth. I believe very firmly that in the long run it's essential for us to create revenue growth in the business. We can't save our way to greatness. So we're doing two things: we're putting a focus, as I said on leveraging the South African operation into fast growing, emerging markets and we're focusing on positioning some of our European, Skandia businesses onto a part of the market that can grow very quickly. We have a number of measures that we apply to see how well we're doing. We have the traditional simple measures of APE and net client cash flow to funds under management but the heart of the measure by which we are judging how well we're doing is to take that ratio of the value of new business plus any experience variances and expressing it as a ratio of embedded value because that tells us what value-add the management is adding to the return on embedded value and as I said earlier, we are applying this methodology, both to our covered and uncovered business.

The second area we're focused on, at least for the next few years, is reducing cost. We do have some panel discussion on it but I think it's important to note that we are not focused on the cost savings out of savings programmes, we're focused on the bottom line cost, because that's the thing that will drive the bottom line profits. Then synergies and you'll hear quite a lot today about synergies, we're driving synergies really in three areas; we're trying to adopt the LEAN methodology that you'll hear about across our businesses because we think that's a very fundamental way of thinking about your business and running it culturally. We're going to work a lot on IT synergies and Richard Boynett will talk a little bit about where we see those later and then we believe that there are quite a lot of opportunities to extend product lines, so you'll see in Steven Levin's talk that we're quite well-positioned in certain markets with full product sets but there are a lot of gaps in our product range that we can lift and drop products from other areas into. And then capital efficiency, which clearly drives both economic profit and ROE, we're trying to push the development of capital light products wherever we can but we're also looking in our product strategy to create products that will give us capital diversification benefits.

*Slide: Efficiency programs at business unit level*

I think many of you know that we have set cost targets and given these as guidance to the market and by definition we have a number of efficiency programmes which run at a business unit level however I think it's helpful to think about them in four basic categories; so within each of our businesses we're trying to create shared services. We've trying to move away from having four Finance Directors and four HR Heads in a business to having one of each of those. This not only drives out cost, by taking out expensive layers of overhead and management but it does produce a simplification of information and it allows us to run the businesses better. We're also seeking to outsource to lower costs geographies, where we have process efficiencies and scale wherever we can. Then as I mentioned, we're driving the LEAN thinking and you'll get some more on that from Rose later. And then in the IT area, we think there are three big areas that will come through in different timeframes that we can out cost on.

One is the area of outsourcing; we have multiple outsource partners across the globe which sub-optimises the deals that we have. We think there's an opportunity for shared computing and ultimately for the sharing of applications so even our Wealth Management business here in the UK, although it uses technology built in South Africa, it's a different version of the one that we're running there so we incur effectively twice the cost of development and maintenance that we need to.

*Slide: Progress against 2012 cost reduction targets*

You will have seen in March that Julian and Philip put up the progress we've made against expense targets and you can see that given that we had a three year timeframe, we've made good headway and I think you'll get a sense later today that we're making good progress on this front.

In terms of ROE's, these have definitely moved in the direction that we wanted, however, I think it's very important to remind you that in both 2009 and 2010, in both the Nordic and the Wealth Management areas, we had positive, one-off items of profit that came through and made a substantial difference to the ROE's of those two businesses, so the Nordic business in the first half of 2010, the ROE, if you strip out the one-off was more like 9% and the wealth management business, 11%. So we're not yet operating consistently in the range, in the target range that we have. We do of course believe that we can move the businesses into those target ranges because that's the lens with which we judged whether these businesses fitted in to our portfolio or not, but we have a long way to go to move these businesses sustainably and comfortably to the top-end of the range and to make sure that we can still grow these businesses, while generating those ROE's.

I think it's also important to remind you that in the emerging markets business, which has a very high ROE, as and when we deploy the proceeds from the Nedbank transaction, it's natural to assume that that will earn less than 27%, at least for some period of time. So you will have some dampening of that return.

*Slide: Tracking progress*

If one looks back at the historic pattern of the ratio of net client cash flow to funds under management and at the value-add from management to the return on embedded value, 2008 and 2009 were very bad years. They were hit by market levels, poor persistency and poor sales. We saw the first half of 2010 bring these ratios back and I think the two ratios very much under-pin the growth potential that we believe is inherent in this portfolio of businesses and also the value-add from management action that's inherent in this portfolio and if we can sustain these two ratios at the levels that we saw in the first half of 2010, it bodes very well for the creation of shareholder value going forward.

*Slide: Delivery of targets – illustrative scenario*

This slide is not a financial projection, or forecast, it's a very simple piece of arithmetic that sets out under different market growth scenarios and different rates of inflation of base expenses on the left, what happens to ROE. And if you pick one point on it and I've picked a market growth of 6% per annum and an inflation of core expenses of 3% per annum and you look at what happens to revenue and the cost line and the impact of the seventy five million pounds that we're taking out, you can see that would lift our ROE from 13.2% in 2009, that's after stripping off these one-off items in Nordic and Wealth Management and it lifts it up into the mid 17%, so well into our long-term target range. So you can make your own determination of what you think market levels are likely to be and what expense inflation is reasonably going to be.

I think it's very important to draw your attention to the fact that we have built in zero organic growth, so this assumes that net client cash flow to assets under management ratio is zero. And as I've hopefully convinced you, we believe that there is sustainable potential for growth in that area in our business.

*Slide: Closing remarks*

In closing, I believe we've got a portfolio of businesses here that delivers high ROE and high growth. Our focus on the customer is what's helping to grow the top line and I think that's very important in our industry. There are many of our competitors that I don't believe are going to grow the top line consistently. We have many synergies that we know we can exploit and we're only at the beginning of mining out that ore. We have a strong risk capital management and performance management framework now that is getting applied within the business and I think Andrew will give you a lot of insight in to that. That's absolutely crucial in this kind of business. And finally but you'll have to judge for yourself; we've got very strong local management teams in each of our businesses and in each of our markets to drive the business forward.

I'm going to hand over to Andrew Birrell now to give you an update on where we are in the capital management and risk management framework and I hope you really enjoy the day. Thanks very much.

## PRESENTATION: iCRaFT and Solvency II

*Title Slide: Andrew Birrell Group Risk and Actuarial Director*

ANDREW BIRRELL: Thank you Paul. Good morning everyone. My name is Andrew Birrell and as the Group Chief Risk Officer and Group Chief Actuary, I have the opportunity to provide some context to the rest of the day, through the lens of risk capital and the future demands from Solvency II.

Now there's a lot that can be covered in a presentation on Risk and Capital Management and I believe that we will have a number of opportunities to focus on this area in future. So in this section of the agenda today, I'd like to sketch out our risk framework, how to integrate Insolvency II via our iCRaFT programme and how we apply it in a practical manner in order to improve returns and optimise capital to drive better outcomes for shareholders. I'm sure that you will hear many echoes of this during the course of the day as my colleagues present to you their businesses and their ambitions for future delivery.

Risk cannot be considered in isolation from capital and value. One needs to take risk in order to earn return and one requires capital in order to assume this risk. If we select the right combinations of risk, price them correctly, manage them well, then we'll demonstrate that we're good stewards of shareholder capital in the value that we create and this is our ambition.

Any risk management framework in the industry today needs to be aligned with the requirements of Solvency II or its equivalent, for instance the SAM programme in South Africa, as a minimum. This means that one needs to take a risk-based approach to understanding capital and value. For example, one can earn potentially high returns from investing shareholder portfolios in equities, but this comes at the price of higher capital requirements, if the shareholder assets are held to cover one's statutory capital requirements.

*Slide: The new risk framework*

So whilst considering risk and capital in conjunction with each other, may seem to be a simple concept, the practical demonstration of this is that one has to reconsider all processes, governance and modelling elements of how one runs a business from the front line activities through to Board decision making and regulatory reporting. Hence the Solvency II remit in this project covers: - at the very least, pricing valuation and modelling processes, risk assessment reporting and mitigation, risk and capital strategy in the context of how the organisation is structured and managed in order to achieve these objectives and this would include remuneration design impacts on achieving desired outcomes, validation of models, assumptions and data and all the governance processes attached thereto, to ensure that what you think is happening is in fact what is actually happening - stress and scenario modelling and ensuring that the necessary data and reports are available, not just to drive the business internally but to meet the requirements of regulators and reporting to the public.

Old Mutual kicked off its precursor to the integrated capital risk and finance transformation, otherwise known as iCRaFT programme, in January 2008. We started with the programme on risk and a separate programme on capital. It soon became clear that we had to integrate these programmes because we were asking the same people across the business to do the same amounts of work and so things needed to be lined up properly. We've been working with the plc and Business Unit Boards and Exco since 2008 through a programme structure that has a central core and business unit counterparts and we've achieved admission to the UK FSA's internal model approval process at our target date, in August 2010. I believe this is a major delivery and a major milestone that we achieved. There are many people out there that are hoping to get to this point and we're part of a small group that are there. Now we're not at the end point yet, we have a lot of work to do which we're doing with the FSA, but this is something we're taking very seriously. So while all of our large business units will use the Group internal model, some of the smaller business units will use the standard formula, and hence on an aggregate basis we will have a partial, internal model.

As you're aware, the requirement for approval of a partial internal model is that at least 90% of a business must be covered by the internal model and I believe that most large groups have this ambition.

The responsibility of sign-off of this internal model, of which the capital model is only a part, lies with the UK FSA, which is the Group's lead regulator. At the present time, as I've said, I understand that there's a large number of insurers that are engaging with the UK FSA and I further understand that there are twelve groups that have been admitted into this internal model approval process and so given that the Solvency II kick-off date is January 2013, we think that it's something that one needs to be busy on right now. Time is of the essence, since regulators also have limited resource and capacity to approve models and if one is not in the early wave of approvals, you may be forced to use a standard model for all of your business in the early years of Solvency II. Of course the additional capital requirements that this would bring are substantial.

The issue of equivalent regimes will be very important for our South African businesses. Simply put, if the South African regime was deemed not to be equivalent to Solvency II then we'd have to re-calculate the results on a Solvency II approved model when submitting consolidated group data to the FSA. Since OMSA will already be on our internal model when Solvency II kicks off, this is not a concern for us. Furthermore, the South African FSB has initiated the Solvency Assessment & Management Programme, otherwise known as SAM, to ensure that their regime applying to all insurers, is equivalent from 2014. The BMA in Bermuda is also consulting on a revised risk and capital solvency regime although the Bermudan business is not part of LTS it's something that we have to consider because it will be a revolutionary change from the current solvency standard. Fortunately we already use an FSA equivalent standard model at present and market consistency when we determine the results in that business.

So our iCRaFT programme has moved from design-and-build mode to pilot-and-implement mode and that's the focus of our efforts for the next nine months. We believe that we will commence with the use-test demonstration in mid-2011.

*Slide: Solvency II brings opportunities*

Many commentators have to date viewed Solvency II as a regulatory burden, however we think that it's going to be a game changer, particularly as the capital intensity of products becomes more transparent. So, for instance and in accordance with some recent papers published by firms such as Deutsche Bank and Morgan Stanley, we believe that Solvency II will lead to a demonstration of the link between risk assumed and capital required, although we could also see more volatility in capital ratios as a consequence and I've got some slides later on that will go into some more detail on this, in the context of our current strategy and our announced divestments. We think that there will be a greater acknowledgement of the value of diversification both geographically and by product line and this will tie in with what you'll hear during the course of today. We think that insurers that operate in a number of diverse geographies and I would personally say that if you operate in one region, that's not really much diversification; you have to have diversification between regions and across a number of product lines, then one will benefit from more stable economic risk requirements than if you are concentrated.

We know that there will be broad-based changes and incentive arrangements, asset allocation and capital management. We think that there will be a clear change in product preferences from traditional products to with-profit participation to unit linked designs with capital light features, a shift our Group is well positioned to capitalise on, particularly in the current low yield environment and given our product range that we've had in place for some time. We think that there will be explicit and transparent capital charges to cover the costs of any guarantees offered. We do believe that customers want guarantees, we believe that you can offer them in certain structures, providing you price for them appropriately.

When I came in to the role of Group Chief Actuary in July 2008, Old Mutual had a history of surprising the market. The new Exco team was determined to demonstrate that the future would be different and this has given us added impetus to see Solvency II as an opportunity to position the business for the future. We believe that organisations that do not position well for Solvency II will have inadequate integration between their business strategy, their capital strategy and their risk strategy and hence they'll have limited means of steering themselves and not just satisfying regulators, but actually satisfying their own objectives. Such firms will either incur substantial expenditure to rectify this and the cost only goes up as the Solvency II deadlines come closer, will find that their future strategic options are dictated to them and I note in a recent industry publication, Allianz was saying that they believe that there's going to be considerable consolidation. This is in fact aligned with the conversation that I've had with the Chairman of CEIOPS where it's quite clear to me that regulators expect to see consolidation of firms operating on the standard formula, since they won't be able to compete effectively in a capital restricted world.

*Slide: Risk strategy*

So what does this mean for Old Mutual? We've set a Group Risk Strategy and that's an explicit strategy that we use to benchmark our business plans and business units against. This is in accordance with the new regulatory standards which require organisations to explicitly adopt their risk frameworks and strategies and then demonstrate that their business plans and activities are conducted in accordance with these. Our risk strategy considers which risks we wish to assume, how we need to consequently deploy capital and how we will create value by optimising risk return and the capital trade-off. It's not a simple loss minimisation approach. In fact if one adopted that you'd probably decide to do nothing at all, sell everything off and just sit in cash.

*Slide: Enhancing Return on Capital*

Now underlying all of this work is the commercial imperative to demonstrate that improved risk capital and return optimisation adds tangible value and is not an abstract idea, dreamt up by actuaries, regulators and financial modellers. We also need to ensure that we take into account the increase in volume of capital light business that we write outside life wrappers and which is hence not covered by the embedded value methodology, in terms of our financial publications. Since return on equities is distorted by historic goodwill at the Group level, we can more directly influence return on capital by thinking about the capital consumed by different products and activities and thus we focus on activities that will allow us to enhance the amount of 'R' and also reduce the volatility of earning that **'**R**'** and reduce the 'C' at the Group level. This can be affected in a number of ways and I'll demonstrate that shortly.

*Slide: Current vs target profile*

If we look at our current versus our target risk profile on this chart, on these three pie charts, we see that our current Group risk profile firstly including the risks embedded in Nedbank and US Life is on the far left. We have the current Group risk profile, excluding Nedbank and US Life, to benchmark what the Group would look like if these businesses were not in the Group and that's the one in the middle and then we have the target Group risk profile, which excludes Nedbank and US Life but covers LTS, the asset management operation, Bermuda and Mutual & Federal.

I'd like to make a few observations on our current position. We have a very high level of credit risk as a proportion of our total which reflects the embedded credit risk in the US Life business, due to its spread based nature and also the credit risk inherent in owning a major bank in South Africa. The US Life credit risk is in fact the largest single risk that we hold economic capital against at the moment in the Group, followed by the Nedbank credit risk as the second largest single area where we have to hold economic capital.

In terms of risk categories, our largest risk category is ALM, which relates to market risks on policyholder assets and arises from two primary sources. Firstly, the fact that a large component of our revenues, particularly in the unit linked and asset management companies are based on asset market levels and hence rise and fall with markets. Of course we can't amend our expenses as easily so you end up having to hold capital against that. Secondly, the fact that the risk in investment products with guarantees offered in South Africa and Bermuda, means that there are times that assets don't move entirely in line with liabilities when market conditions change.

Now due to product features and good ALM management, this not a big concern in the South African business and has always been well managed there. You will recall that due to product designers gave us some difficulties in the second half of 2008 in Bermuda, prior to the mitigating actions that we were able to implement, which allowed us to improve our management of the ALM and hedging risk and I'll touch on that a bit later as well, in terms of how we go forward with our new policies and governance.

Our next biggest category of risk is credit risk which I've already discussed, followed by business risk which arises primarily due to lapse and expense risk which is inherent in undertaking our business. Now again, one can do certain elements of product design to mitigate those risks but those are pretty much embedded in the business, followed then by operational risk which arises from the cost impacts of when processes and procedures go wrong and it costs you money to put them right and to also make sure that you redress customers if required, followed then by liability or insurance risk which is inherent in underwriting activities, then foreign exchange risk which arises due to relative movements between the currencies we operate in, versus a sterling which we report in and finally market risk which we define as the risk of movements in shareholder assets. So that's our current position and when you consider our target state, actually our level of liability risk is low and we'd like to increase this and I'll explain to you in a moment why. We are actively planning to reduce our level of operational risk and the credit risk will reduce substantially, once we've concluded the current transactions in respect of US Life and Nedbank.

Now I've included some information in the appendix for your interest which shows our current stand-alone Group risk exposures before allowing for diversification, our group post-diversification risk profile and then some comparatives that we could find for companies based on public information, split between financial conglomerates, insurers and banks and asset management groups. Not all the data is current, it's the best data that we could find and our Group's data is based on our Group's current configuration. The market data also please note that in some instances the comparators show market and ALM risk together and also business and liability risk together so it's not that easy to compare directly to the numbers that we provide for Old Mutual.

*Slide: Risk preferences*

In terms of risk preferences, this table shows us where we really believe that the risks are, what our risk preference is for each of those risks are, what the additional marginal economic capital requirement at the Group level is, as a proportion of the capital requirement that you have to hold against that risk at a business unit, so this gives you a sense of the value of diversification of this risk versus other risks and then finally, the expected return relative to our target returns on the basis that the risk is appropriately priced for.

I'd like to make a few more observations on this table and the first one is that because we currently have a low level of liability risk, the incremental Group economic capital requirement from underwriting more risk business is very low. Also, given that this business is profitable when written at the correct risk premium, the return on capital impact of writing liability risk business at the Group level is very favourable. Secondly, we believe that ALM risk is a good risk to take on. In the case of unit-linked business, fees vary based on assets and in the case of products with guarantees, if one charges the correct price for the guarantees and the resultant capital that you're required to hold for those guarantees, one can earn a good return. However, we do not earn a lot of diversification benefit at the present time because of our already large portion of ALM risk in the total. We are neutral towards business risk because it's an embedded element of how the business operates and needs to be assumed to be in this business. We believe that we can earn good returns from offering more of our products and that there are opportunities to mitigate the impacts of lapse and experience risk via our product design. We're neutral to credit risk, obviously excluding the US Life, we've been quite negative about credit risk there.

But we will not seek it out since under most of our contract structures, we will not benefit from taking on this risk, nor will we earn much return from it.

We are not keen to take market risk with shareholder assets but more interested in ensuring that the assets backing required solvency capital are invested in a manner which is neutral to the change in solvency surplus when markets move. For example we changed the capital adequacy requirement asset allocation in OMSA to 25% equities and 75% cash, since this is an allocation that immunises solvency surplus to movements in markets, so effectively, just about no matter what markets do, the surplus will remain relatively constant as a proportion of the capital adequacy requirement.

We're against business units treating currencies as a speculative asset class. We cannot be sure that we can earn acceptable profits at low volatility from taking on FX risk and of course we have embedded FX risk in the Group due to the broad range of countries that we conduct business in, but we accept this is a fundamental component of the Group and do not actively seek to manage or hedge this.

And finally, we're against operational risk. When this arises the outcome is always money out of the door, grumpy customers and probably grumpy regulators too and so we are pressurising business units to tighten up on operational processes, systems and competencies in order to actively reduce this risk.

*Slide: LTS discretionary risk preferences*

With respect to the LTS business specifically because that was a Group picture I was showing you earlier, this slide gives more granularity of specific LTS risks and where our appetite lies and you can see that we strongly tend to seek disability and mortality risk. We have no appetite for catastrophe risk on life business and we've got some appetite for longevity and also the fact that under insurance you have a liquidity arbitrage and you can make money from that. In terms of market risk, we do not wish to take shareholder equity risk but we do seek equity risk for policyholders through our structures. We are not keen on inflation or shareholder interest rate risk, but again, we're prepared to take hedgeable policy interest rate risk in to account. And in terms of property, most of our businesses don't invest there because of the fact that it's a fairly illiquid asset class.

Finally, in respect of credit and counterparty risk we have a preference against corporate bond spreads widening, defaults and migration risk, counterparty default in terms of reinsurance and also concentration risk; so again we don't seek to take those risks but we would mitigate them actively.

*Slide: Product drives risk & return*

Now risk assumption and capital utilisation starts when you sell a product and in order to sell a product, you design the product and Steven will go through some specific considerations with you later today so I'll restrict my comments to how our risk and capital strategy feeds in to product strategy and the product approval process. As discussed earlier, the change from the current to the target risk profile requires us to take more liability risk where we are well-rewarded and less operational risk, where we can only lose. There are a number of business strategies in place to achieve this.

In respect of other risk categories, we can enhance the 'R' we earn and reduce the 'C' we have to hold from a number of management actions and we are working with the business unit teams to implement these actions.

The effect of implementing these actions is to shift the distribution of returns to the right, in other words increase potential profits, ensure fewer outcomes where we can make returns lower than our targets and increase the number of outcomes where we can earn more, for example by getting economies of scale and volume effects to work in our favour and the graph illustrates that ambition.

*Slide: Product drives risk & return*

Some of the management actions that we can take to enhance ROC are shown on this slide. So for instance by increasing the proportion of liability business we earn additional 'R' when it's properly priced and we get the benefit of diversification in terms of 'C'. Selling US Life to reduce credit risk reduces the 'C' by a very large amount, although it does remove some potential 'R', particularly once credit markets recover.

Offering higher margin investment products in the form of products with explicit charges for hedgeable guarantees, where our role is not to take on disproportionate risk but, rather, to give retail clients access to capital markets that they are unable to otherwise access because they are too small. Now that of course gives us good 'R' and limited additional 'C'. And then finally, implementing appropriate statutory capital allocations, which target lower volatility assets and hence require lower capital and that will reduce 'R' but also tend to reduce 'C' by a proportionately larger amount. So these are couple of examples of the kinds of things that we're working on with business units. Of course the impact of any one of these actions in one BU will be different to the impacts in another BU depending on the specific nature of what sits in that BU.

*Slide: Robust process in place*

Now all of those are sensible things to do but of course we need robust implementation and process to ensure that they are embedded and honoured and in 2008 we amended our product sign-off and initiation process which starts at the business unit and LTS level to prevent a repeat of our past experience. Steven will add further flavour to this in his presentation but just to say initially products start at the BU and LTS level; they have to go through a number of steps. They need to consider whether these products are going to meet the risk appetite and the risk strategy and then they have to be signed off at the LTS level. Once the sign off at the LTS level has happened and these products are demonstrated to be within risk appetite, they come through to my team and I for sign off in terms of the Board mandate that was implemented in 2008.

Now there are a number of areas where my team and I are interested to understand how these products operate and whether the risks being assumed are properly identified and whether the capital implications have been correctly considered, particularly in times of market or customer stress. We try and follow a can-do approach aimed at supporting innovation, although we have had occasions where we've not been able to approve new products because we couldn't structure them to meet our criteria, even after trying many different ways to see if we couldn't make changes to those product structures. And in those instances we agree with the business units that those products can't be launched.

Once the process of going through products has been agreed, which is iterative with the BU's and is complete, my team and I are then able to sign off on the products and we can then implement them via the business units. Now although this process may seem simple, it's a major change from how the Group used to operate previously in the de-centralised model and I think one of the things that we learnt in the past is that we can never again allow our business unit to operate in a fashion which could prejudice other parts of the Group if things go wrong.

Hence the need for this more disciplined and robust process and it's all about increasing the likelihood of achieving the desired outcomes or even a better outcome.

I report back to the Board Risk Committee, which is chaired by Mike Arnold, a very experienced actuary who recently retired as a principal consultant actuary in Milliman's UK practice and so Mike and I discuss these types of issues on quite a regular basis.

*Slide: Strong monitoring cycle*

Of course it's important that we can monitor products that have been implemented by our business units to confirm that they're delivering the desired results. Hence we have a robust monitoring cycle, where business units report to us on performance and we jointly review with them, we update and we revise the assumptions as appropriate. So my team and I are engaged on an on-going basis with our business unit colleagues. We have had very good engagement with them, very good co-operation and I think the process is working, in fact I'd like to believe that if you ask any of my business unit colleagues, they'll say to you that the process has added value, hasn't just been bureaucratic because in many cases, we've been able to maybe bring some learnings from other parts of the organisation to specific products.

So this process aligns very well with the production of our financial disclosures and market consistent embedded value results and I think that in a post Solvency II world, with the requirement for market value balance sheets and market consistency in the determination of technical provisions, companies that have produced and built businesses on EEV outcomes may be disadvantaged and may have to change their business models.

So today I've shown you how we integrate risk and capital with iCRaFT to achieve better outcomes in a post Solvency II world. I'm sure that this provides important context for you in the presentations that follow and I see that it's time now for me to hand over to Paul for the panel discussion on simplifying and unlocking value.

Thank you very much.

## PRESENTATION: (Panel Discussion) Cost efficiency

*Title Slide: Panel Discussion - Cost efficiency*

PAUL HANRATTY: I wonder if I can ask my colleagues to come up and join me here.

*Slide: Panel Discussion*

As I said at the beginning, we've been embarking on a programme to drive out cost in our different business units and these programmes have been somewhat tailored to individual business units and of course we have reported on progress against the targets.

In our different business units we've had different imperatives driving us, so the South African business by and large has, as you know, driven itself to very efficient cost levels over a number of years; so we haven't had a huge focus in that area. But within our Wealth Management business, we're transitioning very strongly from relatively high margin products to very thin margin products and it's absolutely essential that we right size our cost base and so I've asked Bob to join us and take us through that and Bob actually shares the bulk – or he's got the responsibility for delivering the bulk of the £75million external target that we've published.

Within our Nordic operations we know that we have some competitive challenges and operational performance challenges within certain segments. It's a business that's spread across quite a number of different markets and also segments and product lines. So Marek Rydén, who is the CFO for the Nordic business is on the panel to give you some insight in to some of the thinking and what we're doing in that area. Our European Retail business is very competitive in the niche in which it operates but it's a business that lacks scale, it's been somewhat fragmented and therefore it's a challenge for us to deliver the kind of returns that we've wanted and so that management team has been embarked on a set of programmes to try and deliver enhancements to its business. So these are all business unit specific initiatives.

Then, as I spoke about earlier, we're trying to drive the LEAN methodology across the business so Rose Keanly is here on the panel and then finally Richard Boynett is trying to drive for us the IT quality service culture and of course cost reductions ultimately, so Richard is here as well.

*Slide: Progress against 2012 cost reduction targets*

Those are the targets and you can see here, the people sitting at the front, what they have to produce. What Rose can help with and Richard can help with of course will be the cherries and the cream on top.

*Slide: Efficiency programs at business unit level*

I'll just remind you that we can think about our programmes and as you listen to the people up front here, I'm sure you will get a sense under these headings of how it is that we're tackling things.

*Title Slide: Panel Discussion - Cost efficiency*

So Bob, maybe I can begin with you, seeing that you've got the biggest task. This is an interesting and profound journey, would you mind sharing with us what you've been doing to take out costs, make the business more efficient and also how you arrived at benchmarking the kinds of targets that we've put out there into the market.

*Slide: The Wealth Management approach*

BOB HEAD: Okay, thank you very much Paul. I was involved in the Nedbank turnaround and we've adopted pretty much the same approach as we adopted then. The first thing was recognising the need for change. In 2004, Nedbank was on fire. It wasn't quite so apparent in our business that we were on fire. The results were flattered by accounting, the spreading of the policyholder tax issue, which was disclosed in 2009 and in addition a very profitable legacy book and so we've done some amount of work within the business and now the business recognises there is a need to change.

The second big issue was actually identifying what we were actually going to do to actually get the savings; so we questioned absolutely everything. As Paul referred earlier on, we had four HR Directors, four Finance Directors, four sets of HR policies, four sets of finance policies and we brought all of that together and actually just brought it in to one, to actually bring expense savings. In addition we looked at spans of control, so we were quite heavily stacked with the narrowest bands of control sometimes as few as two. And we have broadened that out to five, six, seven, eight and have continued to do so. That's also enabled us to actually do some amount of delayering. And perhaps the most important thing is to actually identify the things we are going to do and even more importantly the things that we are actually not going to do. So there's been quite a lot of detailed analysis and just working out what the hell are we going to give up doing.

The next thing was actually getting a team together and so we're going to have to take out a significant amount of expenses; so we are aiming to double the size of the business we are writing on the UK platform for example, but we're actually looking for an absolute reduction in expenses so that means not only have we got to find the savings but we've also got to work out how to actually get the savings and ignore inflation. That team has to actually do good analysis, good diagnosis and then has to make tough decisions and then implement them so it's essential to actually have a keen and committed team and you'll meet some of those in the fair and you'll hear Peter Mann, who has been instrumental in helping with a lot of those savings, later.

Then the whole accountability issue, and management information. So we have upgraded our management information and improved our accountability processes so we have monthly meetings in every part of the business, reviewing our plans, reviewing our targets, making sure we're actually on track.

Culture is a big thing in all of this as well, so we've had to change our culture. We have employed the Barrett Survey, which actually gives us a good diagnostic and a measurement tool to actually identify where our problems were. The biggest limiting behaviour in our business was bureaucracy which is perhaps not surprising, given the amount of layers and the narrow spans of control. We've also focused on the absolute level of expenses, so we've not allowed ourselves to fall into the trap of actually just focusing on the expense savings, it's a bit like squeezing the air in a balloon, so we're focusing on the absolute level of expenses and how we're actually taking those down and those have actually been allocated out.

The last is really quick wins and I'm going to mention you again Peter. Peter Mann implemented very fast, the sales review in the UK which delayered and stripped out expenses. It has taken out £13 million, annual run rate expenses and he has at the same time grown our sales most impressively within the business.

*Title Slide: Panel Discussion - Cost efficiency*

PAUL HANRATTY: Bob, thanks very much. I'm sure there may be some questions for you just now but I'm going to turn now to Marek. As I said in my introduction, the Nordic business faces the challenge of a huge variety of product lines, the complexity of operating again in a number of different geographies. Where do you see the big opportunities and how are you tackling them going forward and where do you think the real wins are in terms of improving operational performance?

*Slide: Nordic*

MAREK RYDEN: Thanks Paul. Yeah, as you point out we operate in three markets in the Nordics. We have a number of customer segments where we're active and we have a number of distribution channels that we service and in the past, this has allowed us to diversify, to balance the business in different times but it's also been a challenge for us. As Bob described the transformation process in his part of the company, we've seen a transformation process in the Nordic region as well, really since 2005 when we made the first big change to the organisation. We came from a silo organisation of product companies, we changed that into a shared service organisation and by that actually realised quite significant cost savings.

In 2008 we took the next step because we continued to work too much as a set of product companies; so we took the next step into becoming a customer centric organisation. That means that we created a new vision which is to have the most satisfied customers on the savings market and we still operate that vision and we built the organisation to really service the client and not the product companies. At the same time we have started to work more pan-Nordic. We brought in our Danish and Norwegian colleagues into the Nordic Exco as well, to find the synergies of actually being a Nordic organisation. However there are still synergies to realise, there are processes that we need to re-engineer, we know that the price pressure on the Nordic market is fierce, especially in Sweden where we're biggest. We also have the new legislation, some of the new regulations coming in, so we need to be extremely competitive going forward.

We know that our cost base is still too high and we need to do something about that. We have carried out a fairly deep analysis, earlier this year to understand our costs, what's driving them and we've benchmarked them and we now have quite a lot of information on how to proceed with this work.

Earlier this year we set up our own LEAN centre of excellence which we think is going to help us over the coming years. We're working together with Rose to build on the success that we have had in South Africa and learn from that experience. At the same time LEAN is a long term process and we have set out goals in the short and mid-term, to actually cut costs by £10 million in 2012 and actually, the long term goal is to reduce costs by 10 to 15% and some of the cost KPIs even more than that. At the same time we need to reinvest in the business into distribution, into client facing activities.

As I said, LEAN is working over the long term. In the short term we've already moved our Nordic head office from the absolute centre of Stockholm to a slightly less central area of Stockholm and that has cut a quite substantial, £4 million annually. We also have become much more efficient in office services. We're working to cut down our consultancy costs. We're looking at the customer centres and the distribution sales offices where we are looking at the process of switching administration time to actually client facing and distribution time. So a lot of things going on.

We have an IT server outsourcing process that we're looking at and as for IT we also see Richard coming into the organisation and of course we hope to see great things from him and his organisation. We're also working the legal structure and the operating structure to become as efficient as possible and to become also efficient from a Solvency II and Risk Management perspective. This is going to be a process both in the short term and in the long term, one of the design principles in all of this is never to risk our ambition and our vision, to have the most satisfied clients but we are confident that we're going to deliver the efficiency goals that we have set.

*Title Slide: Panel Discussion - Cost efficiency*

PAUL HANRATTY: Marek thank you. Jonas, can we ask you now. You've been through again a similar journey, four different countries, relatively small numbers of policies under administration in each of them, each with their own infrastructure and you've also been doing some interesting work with Rose in South Africa, in the outsourcing arena. Would you mind sharing with us what you've been doing and what the results have been?

*Slide: Retail Europe: From 4 to ONE*

JONAS JONSSON: Yes, you're right Paul. In 2009 we decided to join four independent country businesses really into one business unit. To become even more competitive in to the future and you're right, we started our journey here. We put one management team in place instead of four. We saw also, quite early in 2009 that we could use and we had opportunities to use the South African competence when it came to administration and IT and for us that was important, to become even more efficient. So we decided to sort a project, already then to outsource parts of IT and customer service to OMSA, which is the shared service organisation in Cape Town.

The above is not going to be enough for us, it's even more important that we become more competitive on the market side and therefore we have agreed within our business unit on a new common market approach where customer centricity, a wider product set and also accessibility to us are key components. Local was really the key to our past success; we were really good locally, but in the future we need to be more global and we really need to use the Group skills that we have in order to be more competitive; so when we are talking about our operating model in the future and today, it's really about being "global".

*Slide: Retail Europe's strategic vision 2015*

You'll see 'what would we like to feel like when we come in to 2015'. What we need to have there, which is important is that we need to offer smart solutions, we need to be able to be easy to access, which we are not really today. We need to be able to feel modern as well and for the customer, to be able to be simple to use; so it's very much like this apple, as you see here, it's fresh, it's juicy and it's really sustainable, that's the way that we would like to be in 2015 and we are right now, on a journey to get there.

*Slide: Building a platform for future growth*

Take the next slide because this is really back to the questions that you had as well Paul. ' What have we been able to achieve so far'? And it's repeating a little bit what Bob and Marek said because we've gone through the same journey. We've taken away a layer of management and we've also been able to take over some functions at a more efficient way and that has enabled us to reduce our cost base by £6 million. We also have been able to build this one functional organisation as well with one Financial Director, one Head of HR, etc. and that is important for us in order to drive this change and drive this organisation as one and in to the future. And what about the customer service and IT to South Africa? Well that is a complex project, but we are advancing on it. So far, we have been focusing quite a lot on harmonising the processes to prepare for the move. We've worked with the regulators and we have had very favourable reactions from the regulators in our countries. We've been able to set up a legal service branches within the OMSA organisation in South Africa and we have hired the first native speaking employees, in German and Polish, down in South Africa that will work for us. So overall, as I said from the beginning, it is a journey but it's a journey that we're progressing nicely on and this is where we stand today.

*Title Slide: Panel Discussion - Cost efficiency*

PAUL HANRATTY: Thank you Jonas. Rose, I wonder if we can ask you. Clearly the South African business has focused on this LEAN programme for quite a number of years now and I know that it took a long time to get traction initially. Would you mind sharing with us what LEAN means for those of us who don't come out of manufacturing plants and could you talk about the opportunities that you see for adopting this approach across our different businesses.

*Slide: In OMSA, with LEAN, we are driving down unit costs and improving service*

ROSE KEANLY: Sure Paul. You know, we've been on this journey for about four years and LEAN as we understand it and the way we've used it is it's really about building an organisation culture that starts with focusing on the customer, identifies where you've got waste across your processes and then embarks down the road of streamlining those processes, continuous improvement and extensive standardisation and simplification and if you do that sustainably and continually, then you can actually deliver results by way of unit costs and the service quality and processes. So we've been on this journey for four years and you can see from the slide here that across our retail and corporate products, we've driven down the unit costs year-on-year and will continue that journey and we also know that when we compare our unit costs to South African competitors that they compare very favourably and due to the scale we have in South Africa, plus the extent to which we've used LEAN, plus the labour arbitrage that we have, we know that our unit costs compare – are significantly lower than in the rest of LTS and in there is some of the opportunity that we see. But alongside this driving down unit costs, all of our research, our customer research and our intermediary research shows us that we have incrementally improved our service year-on-year and that's evidenced by the fact that we have just been awarded for the third year running, the national award of the Best Provider of Customer Service in our industry; so that combination – what LEAN is allowing us to do is get the combination of low unit cost plus improved service.

In the work that I've started doing with the businesses that we've talked about earlier, I think there are some really good opportunities and if I can just share with you some of what they are.

The first is the kind of opportunity that Jonas is looking at where there are opportunities with a capability and the scale we've got in South Africa, to move administration and pieces of IT, run them out of South Africa, to leverage that capability and those unit costs and so we're moving, you know, Germany, Poland and Austria, their processes and IT and we're in the process of doing that right now.

The second opportunity is where it doesn't make sense to actually do any moving, then one can apply the principles of LEAN into those organisations to steam-line customer processes, reduce the unit costs, improve the service and give those businesses a very strong foundation for rapid growth.

The third arena is we found that LEAN is applicable much beyond just the pure servicing and operations area and so we've seen the opportunity in reducing overheads in businesses, in streamlining IT and even in improving sales processes, so that's really the arena that we think we can apply LEAN in. We are at the start of the journey, but I think there's real value to be unlocked.

*Title Slide: Panel Discussion - Cost efficiency*

PAUL HANRATTY: Right Rose, thanks very much. Richard, I know it's very unfair because you've only been here for four months and you haven't worked in financial services before. We haven't put any cost targets out on IT and we know that IT is always a big, hungry beast that wants to have huge investment in it. But would you like to share with us your initial impressions of the IT landscape that you've inherited, the challenges that you face and where you see the opportunities for us to try to manage what we have a lot better.

RICHARD BOYNETT: Thank you Paul. Yes, as you said, I've only been in Old Mutual for four months now but I am really impressed with the leadership, the focus and drive of the team. I have worked in other, different industry sectors. I have worked in automotive, chemicals, utilities, high tech and electronics distribution and when you look across those sectors, there's many synergy opportunities that are exactly the same as what we're facing here in Old Mutual, as well as a number of 'common' challenges, shall I say; usually federated IT organisations with different levels of infrastructure, with systems, processes and governance, all different around the world and usually results in higher costs for IT as well as sometimes a strained IT business relationship. But each company I've worked at we've transformed that relationship and delivered significant value back into the businesses. At GM for instance, we looked at the whole procurement process and in the first year after implementing some changes we reduced their cost by $500 million. At Vantica we delivered £300 million of additional shareholder value, which was about 30% of what the company was worth at that point in time. More recently at Electro Components, we put in a common, global infrastructure that allowed the business, for the first time, to actually operate as one global company. As well as looking at the way that products went to market and by changing some of our back end applications, we reduced time to market from eighteen months to less than three weeks, so all of those opportunities are things and experience that we can bring in to Old Mutual and start looking at how we can and how we will deliver business value and enable innovation across the LTS organisation.

*Slide: Transforming LTS IT – simple, but not easy*

So transforming LTS IT in my mind, it's simple but it certainly isn't easy. There's a number of key areas that we need to focus on and a few steps that I want to follow; so first of all we need to clearly understand the business and the market drivers and that's not at a high level, the IT organisation needs to clearly integrate and understand what the business is doing. We want to create a compelling vision of the future for our organisation, based on their values, create road maps for people, processes and technology, that take us from where we are today to where we want to be in the future and then create or build an IT landscape that supports the future business and then finally, we need to execute on those plans together with the LTS leadership. At the moment we're in the early stages of this process but is going very well indeed.

*Slide: Drive synergies, support the business strategy and drive innovation*

In the few months I've been here, I've had a chance to visit almost every area of the business and found there's a number of opportunities where IT can help drive synergies, support the business strategy and drive innovation. These opportunities fall in to three categories. First of all there's a lot of the IT stack that can be looked at. Each business or geography has its own set of data centres, networks, which we can consolidate, reduce cost but also improve disaster recovery, business continuity and also enable significant business change. We have world-class platforms in some areas of the business that we should, working together with Steven Levin be able to share with other parts of the globe. We need to create a consistent governance that will ensure correct management of IT finances, project control and risk, security and audit. If we can do that in one place, we're going to be much more effective and efficient. And we need to use our scale and our willingness to partner with the best companies in the industry to create a lower, total cost of IT.

Second, as Rose has hinted, there's a massive opportunity if we partner internally. When Rose and I worked together to get value from LEAN processes, we can reduce errors as well as reduce complexity and support cost for the IT, as we go forward.

Finally, what I see is the real prize and Paul indicated in his opening speech, we're looking at how we can create a hybrid IT organisation where in the back office we've got economies of scale and we can improve delivery through a commonised IT organisation and mutually beneficial external partnerships. But more importantly, partner with the business at the front end of the business, use technology and centres of competence to help drive innovation in the business unit strategies. This means that IT resources are embedded in the business, creating solutions and capability that enable new business and innovative business strategies.

Finally, just to finish on the IT mission statement, which is we're enabling business efficiency and innovation for local and global competitive advantage, through one passionate world-class IT partnership.

*Slide: Panel members*

PAUL HANRATTY: Richard, thank you very much. We're running a little bit ahead of schedule and I wondered whether there were any questions that anybody would like to pose to the panel around expense, approach and targets and so on. Greig, so here come three questions.

GREIG PATTERSON: Greig Patterson from KBW. I noticed in one of the bullets, you said something about expanding distribution in the retail, European space and there was some press article about you guys bidding for one of the Italian distribution deals. I was wondering what your appetite, in terms of a sterling amount would be, to get involved in non-organic distribution increase?

PAUL HANRATTY: Okay. I think if we can hold questions that are not related to expenses it would be great, but seeing as you've asked it, we'll answer it.

I think what we've said is that we will have, you know we are keen to invest in the product lines and distribution in the business areas, in the markets that we're in. I think the question is, you know, how will we do that and our preference always is for organic growth rather than for inorganic growth and of course we would have to pass the hurdles that we set internally for any target. So I think it's a somewhat hypothetical question but at a conceptual level, we are happy to look at investments into distribution in the markets we're in.

PAUL HANRATTY: Michael.

MICHAEL CHRISTELIS, UBS: Hi, Mike Christelis from UBS. I'm just intrigued with your chart a couple of slides back on the maintenance cost per policies in South Africa. Firstly, can you confirm that this index is in real terms or not?

PAUL HANRATTY: It's in real terms yeah.

MICHAEL CHRISTELIS, UBS: So that basically, if I recall correctly, is in line with the targets you set out four years ago.

PAUL HANRATTY: It is. Yes.

MICHAEL CHRISTELIS, UBS: I'm just intrigued that you're looking at effectively another 20% reduction in those maintenance costs per policy, yet your management targets for cost synergies in South Africa are only £5 million. Can you just elaborate on that?

PAUL HANRATTY: Yes, that's a simple one to answer Michael. If you listen to Bob, Bob's holding his absolute cost level constant and he's trying to grow his volume. In South Africa, we are busy spending money, growing our business. So the absolute cost line will continue to rise. So those targets that we've set around the £75 million is in terms of dropping kind of base costs. In South Africa, we want to drop the maintenance costs but we're still investing in new product and distribution and growing the business. We obviously want the efficiency of the unit cost level to keep coming down and Rose is pretty confident that – I'm not quite sure how she's going to do it but I can see that there's a momentum built up in to this thing but we do want to keep investing in the business.

RISTO KETOLA, KETOLA RESEARCH**:** I've got a question for Bob on the economics of his business. Now your covered business profits are always somewhat positive and your non-covered somewhat negative and I assume it links to your point about the back book being very profitable but the platform being probably loss making. Now, if the platform is really your future, can you maybe just give a little bit of economics for that business alone. We know what the assets are roughly, but what are the revenues versus costs in that operation and how they are developing going forward?

PAUL HANRATTY: Bob will cover this in some detail but maybe you want to focus on the cost side.

BOB HEAD: Yeah, I think you're absolutely right Risto, the costs are a challenge within that business and the legacy business which we are essentially stopping writing before we actually get to 2013, will actually then go in to run-off, so the focus is very much upon harvesting the legacy business, getting the costs out of the business and there's two big areas to actually focus on in the cost. One is just taking out the massive overheads and the other one is actually being far slicker in terms of our development going forward. But we do need to drive out the costs and as I'll say later, the business on the Wealth Management platform is about half as profitable as the legacy business, so it does require both scale and reduced expenses.

PAUL HANRATTY: Okay, Bob thanks. Risto, Bob is going to cover in some detail the economics of the business straight after tea. So he'll expand – I don't know about absolute numbers. I'm not sure our goal is to absolutely satisfy you, it's to relatively satisfy you. Let's take it up after the tea break. Thanks very much guys.

END OF EARLY MORNING SESSION

Thank you very much.

PRESENTATION: Retail Markets in SA and Emerging Markets

*Title Slide: Retail Markets in SA and Emerging Markets*

PAUL HANRATTY: We're going to ask Ralph Mupita to give you an update on what's happening in the South African Retail businesses. Ralph looks after the retail affluent business and he's also part timing, helping out in the strategy area at the moment. But he will cover the retail mass market as well. So Ralph, thanks very much and over to you.

*Slide: Ralph Mupita – Strategy Director: Emerging Markets, CEO Retail Affluent: South Africa*

RALPH MUPITA: Thanks Paul and a very good morning to you ladies and gentlemen, my name is Ralph Mupita and as Paul has said, I look after both the strategy portfolio for emerging markets and the retail affluent business in South Africa. I'm going to talk to you about our retail businesses and part of what I say is actually on behalf of Marshall Rapiya, who is sitting somewhere in the audience who manages and runs the retail mass business and I'm sure you'll spend a lot of time with Marshall at the fair, later today.

The South African businesses have their strength rooted in the retail market. 50% of assets under management in the South African business and 81% of South African 2009 adjusted operating profits, 77% of emerging markets 2009 adjusted opening profits, were all generated by the retail business; so an important lens for you to assess the ability of the emerging market businesses to meet their 2012 ROE and cost reduction targets, is to have a good understanding of the SA retail businesses.

*Slide: The structure of the South African retail market*

Before we look at the structure and prospects of the SA retail businesses, let's begin with a view of the South African retail market. In South Africa, we have 48 million people, of which 13 million make up our target market, consisting of individuals, aged between 18 and 64 earning incomes in excess of 1,000 Rand per month. This includes the formal and informal employment sectors. GDP per capita in South Africa is at about $5,800 and has grown just over 4% over the last five years and the expectation is that over the next five years, it will also grow just shy of 5% and we believe that such increase will be supportive of long-term savings in our market.

*Slide: Macro-economic fundamentals are supportive of long-term saving markets*

Let me comment a little bit about the macro-economic fundamentals as we see them in the South African market and I guess all of you have done your own analysis but these are some of the headlines that we see. The first is that the South African economy is in recovery post the 2008 and 2009 recession that resulted in employment levels dropping by over 2% but we believe that employment prospects going forward, should improve, given GDP growth and the national priority on job and skills creation in South Africa. We see inflation staying pretty much in the target range, in the three to six target range and we believe that household balance sheets will start to improve post the recession, driven by two factors. Firstly the deleveraging that's taking place, as people take on less debt or financial institutions extend less debt and nominal disposable income is increasing, we believe by about 8% over the next three years. So we believe that all these should be supportive again of long term savings in our market.

*Slide: …where demographic shifts are driving demand for financial services…*

As you will appreciate from South Africa's history, income and wealth are still driven by race and as you understand the demographic shifts take time to flow through and some say it takes thirty years, it will take a generation to get demography to kind of work through. So whilst customer segmentation along racial lines may be unfamiliar to most of you, I trust that you'll appreciate that within the South African context it does provide meaningful insights into the customer base that we try and serve.

South Africa is experiencing a transition in income and wealth patterns, driven largely by the mass and middle income markets. We've seen rising disposable income and this will be a key driver for growth going forward. As you can see from the chart, black households have had the most significant real increase in disposable incomes and we believe that this will continue for some time to come. According to the Bureau of Market Research in South Africa, over the last three years, 690,000 individuals have joined the mass and middle income markets and we expect that 8% of black households will move in to the greater than 100,000 Rand per month income cohort between the next three years and growth in the mass and middle income will support recurring premium demand and we think that the investments that we're making in distribution, position us well to capture some of that growth.

The white market in South Africa, is in our view, still core and critical and as you can see from the graph on the right, they make up the bulk of individuals earning over 12,000 Rand per month. This will continue, as I said, into the medium term but over a five to seven year view, we believe that that picture will change and the black market will start dominating growth in the high income categories. And as I said, again, our investments and distribution and the product lines that we take to customers, position us well to capture some of that growth.

*Slide: We have strong franchises in both the mass and affluent markets*

We have very strong franchises across our retail businesses and in the retail mass business, we estimate that our market share is approximately 35% of long term savings market. That's way ahead of any of our competitors and I would encourage you in the fair and inbetween lunch, to talk to Marshall Rapiya, who runs that business and who has been in that business since its inception in the mid '70s.

Of the thirty million target customer base we have a penetration level of about 25% and although in the slides that follow, I'm going to focus on the product distribution and financial characteristics of the businesses, I think it's important up front to be clear that in the way we go to market, we see value being generated by focusing quite deeply on the customers, getting to understand them very deeply and their financial circumstances and secondly and equally importantly, putting a business model that's able to deliver value to the customers as well as generate returns for shareholders.

In terms of how we see the affluent market, we see two nodes of growth. The first is the baby boomers who are largely white, in wealth preservation and decumulation and there's a growing black middle and high income customer base, often referred to as 'buppies' who are busy accumulating assets. They're largely engineers, accountants and professions of that nature and again, they're growing and benefiting from the growth of South Africa. On the other hand, the mass market is characterised by a fast growing, black middle income customer base, of public and private sector workers and our core customers in this market are teachers, nurses, policemen and soldiers who are busy trying to acquire assets, save for the education of loved ones and looking to protect their families.

*Slide: The black market is the underpin of growth*

Although we've not seen growth in our white client base over the last three years, as you'll see from the chart, we believe we have a very strong penetration in this market. We estimate our share of wallets, in the white market to be somewhere between 15 and 20% and we see appreciable growth prospects, particularly in wealth management in the white market.

We have grown our black client base by over 8% in the last two years but as you can see, we have a much lower penetration in this market. In the black market, we believe that we've got scope to both acquire brand new customers and get a deeper share of wallet through extending our distribution and products, as to existing customers.

*Slide: In real terms, savings stock grew at GDP +3% from H1'05 to H1'10*

The South African industry in South Africa has seen decent growth over the last five years. Stock of savings grew from ZAR2.5 trillion in the first half of 2005 to ZAR4.3 trillion in the first half of 2010 and if you look at the savings level in South Africa, they're lower than we would like them to be. Savings as a per cent of GDP is around 14% - we should be somewhere closer to about 20-25% and so a lot of the NCCF that we've seen in the industry in South Africa, has been driven by market levels and a competitor churn. There's been a strong shift, as in developed markets to a non life and off balance sheet products and you can see unit trusts have grown quite rapidly during this period, up to 20%. It's interesting to note however in the first half of 2010 that we've seen in South Africa, a shift back to life products with guarantees, as customers and intermediaries look for more certainty under current market conditions. Our guaranteed products are signed off, in terms of the Group risk process and governance process that Andrew spoke of earlier on.

*Slide: Retail Affluent product range*

In the retail affluent market we offer a waterfront range of what we believe are our leading products, covering the full spectrum of long term savings, protection, investments, health and banking, into our customer base. We believe that that comprehensive product offering is required to meet the needs of all our customers. Details and brochures around our products, both the retail mass product sets as well as the retail affluent product sets, will be available at the fair and we can talk some of that detail with you at that time.

Our core recurring premium products in South Africa are our Max savings, our Max investments for savings and Greenlight for protection. We also have a very broad wealth management offering with Fairbairn Capital as our key offering in the market and I'll talk to our wealth management offering in some detail a little later.

*Slide: Retail Mass product range*

In the mass market, we've historically offered two products, basically a savings plan which is a with-profits solution and our risk products, which are predominantly funeral plans, with benefits which range from simple to comprehensive. Given increase in customer demand for a broader product range, we've started to extend the range and have launched two new lending products and a short-term insurance product over the last two years. Since the second half of 2008, we have opened one hundred new Old Mutual retail branches, where we've integrated sales of insurance solutions and customer servicing with lending products and we believe quite deeply that this results in improved services for customers. Current and new Old Mutual customers may be offered personal loans, subject to meeting obviously credit scoring criteria and existing Old Mutual customers who have flexi and conventional products, our legacy book products may be offered policy secured loans.

Lastly, the branches also assist in financial management, in particular debt management where for example, we give debt consolidation offerings with loan amounts of between 10,000 Rand to 100,000 Rand, with a maximum term of five years. Our short term insurance product iWYZE is a joint venture with Mutual & Federal and we launched this in April 2010 and since launch, our sales have been ahead of plan but it's early days yet.

We also provide financial products to the bottom of the pyramid of the South African market, which we call the foundation market and as you will have seen from the absolute numbers of our target market, we also targeted the informal market which we believe is about 5.1 million customers there. We believe that this market will in time prove to be as viable and as profitable as the mass market which we started thirty years ago with the same operational excellence framework that has made the mass market business successful today. We currently have three offering to the foundation market. The first one is a burial society plan, which provides low premium funeral cover to collective groups, such as savings clubs, in South Africa we call them stokvel, as well as churches and associations of that nature.

The second offering that we have in the market is the pay-when-you-can product, a bit like pay-when-you-can in terms of our people have their mobile telephony and what we do there is we provide family funeral and accidental cover and it's sold through retailers and we sell it through one of South Africa's largest retailers, Shop Rite. Our domestic worker plan provides funeral cover and retirement savings for domestic workers and we distribute this through the employers of domestic workers. South Africa has about 1.1 million domestic workers and we see that as an important market going forward.

*Slide: Retail Affluent distribution channels*

Our retail affluent distribution is arguably the largest and most extensive in terms of reach in South Africa. We have a multi-channel distribution network that covers both urban and rural areas. The corner stone of that distribution is our tied agency business, which in 2009 delivered 45% of sales on an APE basis. We have over 2,400 agents with 52% of these agents being black. We have a very deliberate strategy of growing our black advisor base to drive the acquisition of the fast growth we see in the black market. We manage our tied agency business to a very simple formula, where we focus on manpower, productivity, persistency and case sizes. With regards to productivity, we managed the agents to minimum performance standards at different experience cohorts. So whilst productivity of five lives per month may be acceptable for a new recruit, we expect productivity of fifteen lives per month for a top two fifty advisor with more than three years worth of sales experience.

We've invested a lot in financial and technological and human resource to integrate our customer management and analytics into our sales force system because we really believe that the lever we need to pull much more radically in that sales formula is productivity and over the next three years, we believe that we'll have developed our customer management capabilities to the extent that we can export them to other parts of the long term savings division.

Our sales efforts in the retail affluent business, through the IFA market are supported by Masthead, for those unfamiliar to what Masthead is, it's the largest broker network in South Africa with over 2,200 members. We are the shareholder of reference of Masthead where we have a 75% equity stake and 40% of our sales in the IFA market comes through Masthead**.**

On the bancassurance side, our sales are underpinned by Nedbank Financial Planners, which contribute 60% of all our bancassurance sales in 2009 and in South Africa, we've been experiencing regulatory changes in terms of advisor conflict of interest, that we believe will give us marginally more sales out of the non aligned banks, such as ABSA and FNB.

Our franchise business is five years old and already contributes 3% to sales on an APE basis. The model is very cost effective because the franchise principal picks up the recruiting and operational costs of a typical and tied agency model and the franchise is very closely managed, where we watch in particular regulatory compliance as well as adherence to new business standards.  We expect the contribution of the franchise operation in the next three years to be closer to 10%.

The direct channel is currently small but we do expect it to grow in the medium term on the back of increased customer preferences for self-directed investments.

*Slide: Retail Mass distribution channels*

The retail mass distribution structure is driven by the tied agency channel, which contributed 77% of total sales in 2009.  Unlike the retail affluent distribution model, the retail mass one is underpinned by a salary and production bonus structure as opposed to a commission based structure.  The roots of the distribution are in the union and government sectors where over thirty years, we've built relationships at branch level, at area level, at regional level and ultimately at national levels.  Advisors are recruited from the communities that we serve.  They are allocated to specific work sites, with specific potentials and the sales approach that they follow is framed around financial education, delivered to the Union and employer.  Sales management provides the training and performance management to drive value for customers and to shareholders.  Over the last five years the tied agency model in the retail mass business has grown by 65% from 1,621 advisors to close on to 2,700 advisors year to date.  Productivity levels in this channel are very high where the average productivity level is about twenty lives per month and this is achieved through the customer scale of the work site model as well as the performance management system, delivered by our sales management.

Our view is that given the long running nature of building the relationships and with stakeholders, that it takes to build this kind of model, there are very high barriers to entry and some of our competitors have tried to copy the model by either thinking that they can take bits and pieces off that model and replicate them and they fail spectacularly.

Although our retail mass distribution is underpinned by the tied agency model, we began to develop alternative roots to channel and in 2009, 14% of our sales came through the broker channel and we will see that growing going forward as well.

*Slide: We have a broad wealth management offering to market*

Wealth management in South Africa is very well developed and probably tracks just behind Australia in terms of innovation.  We have a very broad wealth management offering in South Africa with over R164 billion worth of assets under management / in administration and over half a million client relationships, as at the end of 2009. We report our wealth management business within the retail affluent accounts but let me cover some of the detail of a few of these wealth offerings.

Acsis is a business that we aquired in 2009 as a means of bolstering our position towards the private client top end of the market.  For those more familiar with the UK and Australian markets, acsis is a business model that is similar to that of Blue Fin, and IPAC in Australia, with the proposition framed and based around lifestyle financial planning, delivered through the IFAs.  The Acsis business model advisor remuneration structures reporting and disclosure to customers are all at levels that we believe are ahead of requirements for RDR in the UK. Fairbairn Capital is our flagship offering and offers a range of pre and post retirement solutions that are either life wrapped or non life wrapped on an open architecture basis. 69% of all the assets under management in Fairbairn Capital are actually managed by our boutiques in OMIGSA.

Old Mutual International presents our off-shore offering in to the South African market and we've been leveraging the skill and scale of Skandia International and Skandia Investment Group to drive innovation and lower unit costs. On the innovation side, we've had a successful launch in South Africa of the Life Account 2 product and we plan to introduce a variant of the successful Portfolio Balance into South Africa in the near term.

*Slide: Financial characteristics of Retail – South Africa*

The retail businesses have some financial characteristics that are similar and obviously others that are different. The key similarity points, as Paul said in the introductory presentation, is that these businesses are both high RoC and strongly cash generative. The differences are that the sales growth is fast in the mass market and this stands to reason given the size and under penetration of that market. The other major difference is that the retail affluent business is a legacy book that's in run-off and new the new era book that's in build up. The legacy book, obviously is high margin, high capital business but the new era book has a composite of capital structure, where some of the products are high margin and high capital like our risk product, Greenlight, as well as our single premium fixed bond. But other products are low margin and low capital like our unit linked business, so on a blended basis, we see the new era book generating as high RoC as the legacy book and we expect that continue going forward.

To improve RoC and profit growth we have implemented in the retail affluent business an expense management framework where we try and manage expenses under inflation growth and this for us is not only to drive RoC and profit growth but also to drive innovation. On the innovation side, we've begun to deploy the LEAN concept that Rose spoke about earlier in to our sales management system, as we seek to continuously reduce waste and improve customer intermediary experience, so for example, we are focusing on our new business process, looking quite critically for end-to-end where the areas of inefficiencies are and working those out. We are also looking at our claims process, trying to understand how we can automate aspects of underwriting and again, where there's a wasteful process, continuously to reduce those and that is all driven by that framework of managing expenses at an aggregate level under inflation.

*Slide: Retail Affluent key measures*

Let us look at the key financial performance of the two businesses over the last four years. The retail affluent customer base, grew by 9% over the period 2005 to 2009. The sales mix of that business has reflected the shift from life to non-life that you'll have seen in developed markets and we've seen our non life sales grow by 12% over that period and life sales were flat. But as you can see on the graph, for 2009 and 2008, obviously was the time of the recession. The retail affluent VNB margins looked like those of developed markets and part of the drag on the VNB margins is investment we make into building our distribution and that comes through as an initial expense loss.



OLD MUTUAL

To the half year of 2010, we've seen some of those margins boosted by the shift from non-life to life products over that period. Return on capital in this business is high, as I said and the efficiency of our maintenance costs, as Rose has explained, are well ahead of our South African peers.

*Slide: Retail Mass key measures*

In the retail mass business, we've seen the customer base growing quite strongly, off the back of our investments we've made in distribution as well as the demographic shifts that we've seen in the market. Sales APE grew by 18% over the period and all of our key financial metrics, VNB margin, net client cash flow and return on capital was trended strongly positive. We believe that you'll again be hard pressed to find peers with maintenance numbers as one will find in the retail mass business.

*Slide: Conclusion*

So in conclusion, our South African retail franchises are very strong and from this position of strength we're able to utilise common processes, products and IT platforms across our businesses. Our business has started to leverage and export product distribution and administration capabilities, into other emerging markets. The leverage we create provides us with scale and also de-risks operations. In the rest of Africa, we're taking the South African retail mass model as a blueprint of how we operate and we plan to introduce the retail affluent risk product Greenlight or a variant of it, in to the Mexican market in 2011. As you have seen from the financial characteristics of the businesses, the businesses are well positioned to deliver our 2012 ROE and cost reduction targets. Marshall Rapiya, and myself will be available at the fair to take any of your questions and I trust that you've got some insight into our business in South Africa. I'll hand you over to Bob.

PAUL HANRATTY: Before you hand over to anyone because you are quick and efficient we have time for one or two questions and if we can restrict to asking about the South African retail market. Greig.

*Title Slide: LTS Showcase*

GREIG PATTERSON: It's Greig Patterson from KBW. When you look at the cost of financing the stock of retail debt over gross disposable income in South Africa, it's the worst statistic in the world I think, much higher than the UK; so I mean the South African population is heavily indebted. Is not the savings increase we see in merely them paying down a debt, obviously that's a component of saving rates, you know you've got these – you see savings rates, I mean the way I look at it, effectively there's an over-debted population which needs to pay down the debt.

RALPH MUPITA: Greig, so I mean I'll try and answer your question then and maybe Marshall can add to it. But I think if you see consumer debt levels in South Africa, relative to developed markets is you know, we are not anywhere near … (interjection)

GREIG PATTERSON: The cost of debt, not the stock of debt because it's three times higher the cost of debt than say developed markets. It's the cost of debt per GDP, it's much, much higher than everywhere else.

RALPH MUPITA: I mean I think what we'll find and Marshall will explain to you a bit later about – and the reason of the logic, part of the logic that we have set up our lending operations is we do understand the dynamic that the SA consumer base, particularly in the mass market are always juggling their finances but they also have their interests of protecting their loved ones and their families and one of the reasons that we've provided policy backed loans in the past was you know, clients would come to us and say, well, actually I want to surrender my policy. If you have a policy backed loan you'd say, listen, we'll see you through the extension of the policy backed loan but keep your loans going, keep your policy going and at the same instance in the mass market, we've seen them being financially extended but we're providing you know, personal loans into that market, with an understanding that they are juggling their finances. So I mean I think Greig, you're right that the cost of debt might be very high but I think we've seen and we've priced for some of that risk in terms of both our loan products as well as our insurance products and I know Marshall, if you wanted to say anything specific to the mass market bit.

MARSHALL RAPIYA**:** Yeah, I think some of the questions I'll handle them later but in terms of the actual payment of the debt, I mean we've got a very strong book, where the collection is excess of 92%, in terms of that debt, so we're so far, the way we actually are able to deal with that for us is – whilst the debt is there but in terms of the payments, they're actually doing very well so far in the Old Mutual Finance part of the lending business.

PAUL HANRATTY: Any other questions? Larissa.

LARISSA VAN DEVENTER, DEUTSCHE BANK: Question on the margins that you have in one of your slides. You show that the retail affluent tend to be in the low to mid teens and then, sorry, the mass market very appealing above twenty. With a mass market as attractive as it is and a lot of the local insurers gunning for that space, how maintainable do you believe those margins are and for how long and where do you see pressure coming. Is it more on the risk for funeral product side or do you see the dynamics changing on the saving side as well?

RALPH MUPITA: Marshall are you going to pick it up or shall I? So VNB margins.

MARSHALL RAPIYA**:** I knew that the question of margins would come. The issue of the mass market of course - the margins are always – I mean we actually courted to the market very early and were able to actually hold those margins. We do believe that going forward there will be a slight reduction of those margins as we deal with the competition going forward but so far we actually have given the way we do that business and also the product that we sell and the extent to which the customers are actually attune to the products that we sell them, they – those margins are still holding for us.

PAUL HANRATTY: Great. We are now back on time. Thank you very much. Bob, I wonder if you come up and talk about the Wealth Management business.

| PRESENTATION: Platform opportunity for Wealth Management |
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*Title Slide: Platform opportunity for Wealth Management*

*Title Slide: Bob Head – CEO Wealth Management*

BOB HEAD: Thank you Paul, good morning everybody. I'm Bob Head, Chief Executive of the Wealth Management business and the Wealth Management business covers the UK, France, Italy and selected offshore markets. What I'm going to talk about is why we are well positioned to take advantage of the changing markets, how we will leverage our strong relationships with advisors, how we'll leverage our reputation for innovation and our investment in technology. I might just touch on profitability just for Risto and I'm very conscious that I'm going to be followed by Peter Mann and he'll talk about some of the regulatory changes and the issues there in the UK and how we're winning market share at the moment.

*Slide: Wealth Management – H1'10 LTS context*

I think the thing about this slide is that Wealth Management is actually becoming very significant to the LTS division and also to Old Mutual and the thing that's pleasing about it is we've got strong sales in tough markets. Certainly, the UK legacy and the Skandia International businesses have supported our profitability and the real issue for us is of course profitability. I'll be showing a 15% ROE on this particular slide but if we strip out the tax smoothing, as Paul mentioned earlier on, the ROE declines to 11% and it will be around about £52 million this year for the full year. In 2011 that will reduce to £21 million and thereafter it disappears altogether. So there are several issues to focus on.

The first thing is the UK legacy part of the business continues to contribute a large amount of the IFRS profits and we need to replace those assets in the UK in a ratio of about 2:1, that is the difference in the profitability between the legacy business and our new business. Secondly, we need to develop our continental European businesses, which have a small market share and going forward we need to grow those. The third thing we need to do is actually maximise the value of our legacy book, so as you'd expect, we're working hard on surrenders. And the fourth thing is really to think about the margins, so the margins disclosed here are low compared to historic norms and I think the thing that we actually need to move away from is actually the annual premium margin and actually look at the ROE and the internal rates of returns of the products we're selling. The key to success will be the continued development of the proposition, widening the product set that's actually available and tight cost control which we'll come back to.

*Slide: Why we will win*

So, why do we think we will win? As I've said, it's thin margin business but it's essentially low capital so one of the keys to success is actually getting scale and getting scale in all of our markets. But what makes us successful in our markets? I think this splits into two things; there's barriers to entry and secondly, our competitive advantages. So the first barrier to entry is strong relationships with advisors, so we are totally focused on advisors at the moment. We have strong relationships that go back over a large number of years. We have innovated, which they've found exciting, so we've had the multi-manager concept in the UK and we are liked. And when you hear Peter, you'll understand why.

Skandia International has a few good competitors and again we have strong distribution relationships across the world there and in France and Italy, where banks have historically dominated, advisors are actually starting to emerge as an increasing proportion of the market particularly for the affluent and the high net worth. The second barrier to entry is around scale. First to actually develop our infrastructure and what we actually offer, which is expensive to do and complex and the second key element in terms of scale is the ability to negotiate rebates from fund managers and those rebates actually go to, well effectively are passed on to, the customer, so they effectively have a better deal.

Then there are our competitive advantages, so we're in the sweet spot of the market. We have transparent pricing, we have huge choice and we have flexibility within that so it's easy to switch as your circumstances actually change. Second, we have a great reputation for innovation and that stretches back over the thirty years that Skandia UK has existed, the twenty five years that Skandia International has existed and around about the ten years that Italy and France have existed. The technology works and is reliable and is also scaleable and not everyone's technology is reliable and not everyone's technology is scaleable, they haven't invested in that. We've been looking to increase the proportion of SIG funds that we actually offer. So we have done the Spectrum fund launch which has been immensely successful. We have just launched the Signature funds and we're about to launch a protected product called Shield, I think that's happening in November and I think SIG has the potential to become a real competitive advantage. In the old days, advisors used to advise on the selection of the fund. I think going forward, they're going to advise far more on the needs that the customer actually needs to actually satisfy and of course selling SIG products also helps our profitability.

We're looking to increase the functionality of our system, so, so far as IFAs are concerned, we are looking to do really three things under three broad headings. First of all to make them look good in front of client. Secondly to actually make it easy so that the administration time is reduced and the sales time available is actually increased and the third thing is to provide the audit trail, so all of that is actually done compliantly. So far as customers are concerned, over the next few years we're actually going to be developing a self-service capability. At the moment our systems enable switching and enable evaluations but there's very limited functionality beyond that. And we're also looking to broaden our product range as well, so cash accounts, ETFs, but also looking at other products as well, perhaps in the guaranteed area as we'll hear later when Steven speaks. I think the last key point is stable ownership as well. Some of our competitors are not quite so stable in terms of ownership and certainly don't have the Groups that we have behind us, to actually back our development.

*Slide: Wealth Management positioning*

In terms of customers, we're just shy of one million customers across the Wealth Management Division and of course they've all been introduced by advisors. In the UK, half of our customers are on the legacy platform and half of our customers are on the new platform and we're continuing to increase the number of IFAs that are actually supporting us and are on the platform. There's currently around about 8,000 IFAs on the platform. In our offshore market, Skandia International uses a combination of traditional IFAs, institutions, global key accounts, banks and also a few agents. Increasingly we are using distribution through other Skandia and Old Mutual companies, so South Africa is an important market to us. Sweden has been an important market to us and the UK is also an important market to us and we're also looking at doing more with the private banks in a proven partnership model and we're getting an increasing proportion of business from that.

In France, there's around about four thousand advisors in the country, not that many although we do expect more. A thousand of them are registered with Skandia, about 600 are active and out of those 600, 200 supply 90% of our business and I think it demonstrates that if we can actually increase the penetration of the advisor market, with the Skandia proposition in France, we do have a big opportunity there.

In Italy we work with financial advisors that are tied to distribution networks, generally speaking a subsidiary of banks and although they're normally affiliated to banks and are required to actually sell their own products, where there are gaps in the product range, they are allowed to sell other company's products and that's the place where Skandia Italy actually plays at the moment.  Skandia Italy has been successful in attracting business from twenty three different networks.  We have around about 4,000 active advisors, but again we've actually got quite a distribution concentration because 90% of the business comes from four networks.  But in total, there are 30,000 financial advisors in Italy and things are going very well there, as we'll see.

*Slide: Target market and proposition*

Our proposition is focused on the affluent market and we define that as people with investable assets of between a $100,000 up to $4 million.  In the markets we operate, this accounts for around about a third of all households and depending on market, it's between 60 to 80% of the revenue pools available.  These clients want tax efficient and investment solutions that provide a high degree of flexibility over time.  Investments tend to be lump sum and we get top ups, sometimes we get annual versions of the products and clients will normally seek advice and I think the important thing about this particular segment is that the size of the investable assets and the size of the premiums, supports the cost of advice and makes the economics viable.  In our research with clients, we've found that they basically, particularly after the 2008 crash, actually want to control their wealth and that's got two fundamental but rather simple issues, which is they need to understand what is actually happening and they want to feel understood and quite a lot of what we're actually doing in our customer experience is actually rooted in those two things.

*Slide: UK market*

The UK market, the platform market is expected to grow, taking an increasing share of market churn.  The overall market is not really growing that fast but the churn is where we actually pick up an increasing market share.  We're seeing good growth in funds with a migration from the traditional products, the old bond style with-profits type products to our proposition.  For our own part, we actually intend to close and have closed the products actually from our UK legacy business.  We don't believe these are going to be compliant in the post 2012 RDR regime, where commission won't be payable and in addition, we also believe in the run up to RDR we're likely to experience quite a lot of churn, so therefore we don't want to sell those products and therefore we're focusing essentially on the new platform.

At the moment the total platform funds under management still account for a fraction of the medium long term savings market but that is actually increasing rapidly and we believe that the platform market will be dominated in three or four years time by three or four key players and we believe we are well positioned to actually be one of those three or four players.

*Slide: French and Italian markets*

France and Italy are relatively small in terms of market share as are noted the advisor market is very different from those two markets, both in terms of size and type and therefore we have adapted our models to build on what we have in order to build a presence in those markets.  Our belief in our offering is actually borne out particularly by the penetration into the Italian market which has actually been growing massively and continues to do so.  We haven't had the same traction yet in the French market although the sales figures for the last month have actually given us some hope that actually we're seeing traction in the French market as well.

*Slide: International off-shore market*

The off-shore market served by Skandia also exhibits strong growth.  The expected capitalised annual growth rate is expected to be good going forward.  With our current footprint, which is essentially in the Far East, the Middle East, Latin America, South Africa and the UK, we are seeing good growth and we believe that growth will continue and there are opportunities for us, particularly in continental Europe where we haven't actually achieved significant volumes in the past.  The Skandia International business model allows us to generate strong revenues and also healthy margins and I think this makes the business model obviously attractive from a profitability and ROE point of view.  We are seeing though increased margin pressure, consumerism is a global phenomena.  There is increasing disclosure actually happening but in terms of the profitability, the profitability of this business is actually higher than some of our other businesses.

*Slide: One Wealth Management business*

So, one Wealth Management business, this is what we have been focusing on.  Research shows, both with customers and advisors they want the same sort of things across our markets and they want the same sort of market offering that we're actually offering.  They want to do it through similar channels and they want similar products.  So the philosophy, very much, is actually to bring together the four businesses and actually focus on what we're actually going to develop, develop it once and use many times.  The product development, actually has the same sort of features so the Spectrum range is actually being exported from the UK and at the moment is being put into Sweden for example.  We've delayered and cut out duplication as we talked about in the panel session, sharing skills and experiences and that's not only amongst the Wealth Management division, but that's also across the businesses, so Rose earlier on mentioned that she was actually looking at LEAN to see how that could be applied across the rest of the Group.  Her first visit, by invitation was to actually come and look at our LEAN processes and advise on how we could actually improve that and we got huge benefit out of that.  And then common systems approaches and development.  So we have four different systems as Richard was talking about.  How can we actually put it all together, do the development once, think about how to actually make our systems mass customisable so that we actually do multi-currency, multi-language, move to twenty four by seven processing and all of those things, because basically in the Wealth Management world, largely because of the International division, the sun never sets on it.

*Slide:  Economics of Wealth Management*

Risto, this slide is for you so please concentrate.  So in the first column of the slide, what we've actually done is taken the annual blended basis points, generated by the Wealth Management operations for the six months to June 2010.  We've then adjusted it for the smoothing effects which appears in both the revenue line and the tax line, the tax smoothing that I think we disclosed to you in 2009.  And then in the final column, we've actually estimated the 2012 position, using some basic assumptions.  So some comments.

First of all, the net contribution.  I mentioned earlier on that the margin that we actually earn on the UK platform business for example, is around about half what we've actually earned in the past on our UK legacy business and we do expect pressure to actually keep coming at us from all businesses everywhere.  So we expect that margin to actually decline. Secondly the expenses, so we have talked about the £45 million expense saving. We expect that to bring our expenses down below £300 million and based on funds under management that would bring us to around about fifty basis points in terms of the expense levels. Tax is just a work through but I think the key thing after deducting tax we end up somewhere in the 25 to 30 basis points range. And this simple math will equate to around about a £180 million of post tax earnings. This is ahead of our half one numbers times two. It doesn't have the benefits of the tax smoothing and also the key thing I think within that is that we are successfully managing the transition from the old legacy to the new business and we're also doing that within the same capital numbers, so we shall be producing cash through that period as well.

*Slide: What is being done*

So what is being done, so create one business, I've talked about that. We're taking out £45 million of expense savings. We've got to double the new platform funds under management in three years and we are tracking ahead of that at the moment. We will consider alternative distribution channels in time. We're just actually taking on what we can take on but we do need to think about whether we need to diversify our distribution channels, particularly in continental Europe where the advisor market is not so dominant. We look to expand our continental European operations as well, to actually get scale and actually be meaningful in those markets. We want to develop the SIG fund range further, so we are getting increasing traction there and of course it is more profitable to us. We've got to keep on adding tools, products and functionality to the open architecture offering and we want to actually move the business from being a platform business to a wealth management business and that will take time as well. We've got to protect the existing business so a lot of hard work is going into actually looking at persistency of the legacy business. It's a lot more profitable to actually keep the business you actually have than to write new business. And we will be looking at additional product lines going forward, so cash accounts, ETFs, but going beyond that as well.

*Slide: What is being done*

Connecting the operations, so one of the things we found in our research is that basically people around the world want the same sort of thing. So we want one business proposition that we'll focus on and develop to a high standard and re-use across the Group. We want to develop the one platform which will take a – it's about a three year journey but the one platform that we can actually use across the world and actually deal with all the different variations within the markets, so we need a mass customisable platform and the great thing about the UK platform, it is reusable in that sense. We actually want to look at where people are actually investing their assets. I think there's a great opportunity with SIG, that gives us a higher margin. At the moment SIG funds only account for about 11% of our funds under management in the UK and in our other markets, it's actually a lower percentage than that.

*Slide: Summary*

So finally and I think I've probably gone far too fast Paul, so Risto probably has a lot of questions for me. I suddenly regret actually not talking a little bit more slowly, yes. I shall play for time now.

So, in summary. Yes, it is really the sweet spot of the market and one of the lovely things about Skandia is that you can actually go out there and talk to customers and actually be proud of the product you're actually offering. It's working well and it's actually taking share. We do recognise we need to diversify away from what we're actually doing.  I think the danger is if you just play in the pure platform market, you will get commoditised. So we do need to build out what we're actually doing. We do need to build relationships with customers which historically we haven't done and in fact one of the important things I think in the Old Mutual strategy document, it was very much focused on being passionate about customers and one of the transitions that we're having to manage obviously in Wealth Management is that historically, we've focused on the advisors and going forward in time we need to focus on both the advisors and the customers, which is a good thing to do.

We're focused on delivering the cost reductions, so we've bagged about half of the reductions that we actually need to do.  We're around about £23 million in terms of the run rate savings.  We have clear plans for actually delivering the rest with the who, what's and when's.  In the product suite, as I've said, we need to move from being a platform to a wealth management business and we're working on exactly what that actually means in practice and don't have anything to report on just at the moment.  We have proven technology and one of the things that Peter often says when he's actually out and about selling, he says, it just works.  I don't like the word just there because it sort of sounds like we're right on the margin of whether it works, but the platform actually works so it is a big selling proposition, it just works.  It's available, it's functional and IFAs like it.

We need to keep on focusing on getting better value for money out of expenses, so that is going to be an ongoing activity going forward.  We are optimistic about growth so we think the market will actually grow in time, the segments we're actually playing in and we're taking share so we're optimistic about the growth that will actually come to Wealth Management.  So I'm very bullish about this business and I think there are some difficult things to do.  I'm very pleased that I have my colleagues to actually help me and you'll be hearing from Peter Mann in a second.  And I think things are good going forward, tough but good.

*Title Slide: LTS Showcase*

PAUL HANRATTY:  Bob, thanks very much and I regret we won't hear from Peter Mann in a second but in a couple of minutes.  Are there some questions for Bob?

TREVOR MOSS, BERENBERG: Hello.  It's Trevor Moss at Berenberg.   I may be being a little harsh on this – I haven't asked the question yet, but your legacy business is effectively unit linked business where customers are effectively being stung by excessive management charges which is why it's more profitable, at a time of low investment returns.  And so I'd like to know exactly what you are doing to prevent those surrenders that you suggested is a lot of work going into that area?  Thank you.

BOB HEAD:  Okay, I think I'm going to ask Peter to talk about the action plans about saving the surrenders.  I think the first thing is to actually say the products that were actually sold at that particular moment in time were no different to the other products that are actually happening in the market.  It was a different moment in time and I don't think we actually need to be embarrassed about that and commissions were coming out of it which is why you actually have to pay them off.  But Peter, do you want to talk about saving the legacy bit?

PETER MANN:  Yeah.  If you look at the split of the transition of the legacy business it's roughly, very roughly a third, a third and a third, so it's a third doing what we're in business for, which is paying maturities, paying claims and paying things like that.  About a third goes from the legacy book to the platform where brokers are moving from one environment to another and that's largely driven by their own economics actually, their desire to take a different form of commission, ie. to substitute transactional commission for on-going, to build the value in their books and then about a third probably goes to other companies, so that's the area that we're focusing on. One of the features of our legacy book is the further back you go, we actually built it to go, in that it doesn't, unusually for products in those areas, Bob said they were relatively competitive, they did have one or two features which were uncommon, which was no surrender penalties. So quite a lot of our back book doesn't have surrender penalties. So as IFAs see they have no 2013 our back book is more susceptible than other peoples. It's interesting listening to Ralph earlier on because what we're doing is skilling our people to be able to delve more deeply into the reasons why people are surrendering policies, so we're actually increasing the capability in our customer services centre, such that when an IFA or a customer rings up and says, I want to surrender that policy, previously we would have provided them with the documentation, now we ask more questions and we try and see if there are things that we can do to help preserve the policy, rather than immediately surrender it. We've only recently been doing that but it's having some results already.

PAUL HANRATTY: Okay, are there any other questions for Bob?

BLAIR STEWART, BoAML: Thanks very much. The slide where you showed the economics of the Wealth Management business, is that after the IFA's revenue share? Does that come through, do you just net that off the basis points revenue or does it come off the expenses one?

BOB HEAD: They're knocked off the income line.

BLAIR STEWART, BoAML: Knocked off the income line, okay. And what would you expect in the UK market by way of competitive pressures, post RDR, where the companies that have been competing on commission payments can no longer do that. Do they start competing on cost? Cost of the product?

BOB HEAD: Well, I mean there's proposition and there's price and so they can compete on both. In terms of the more traditional players, at the moment, we don't actually see that they've got that much in the way of proposition or capability, necessarily to actually develop it. In terms of the other people who are playing in the same space as us, then there is the big land grab, so I suspect you'll see some of them had a pricing pressure there. Peter, do you have view?

PETER MANN: Yeah, I think the land grab is more between now and 2012, rather than post 2012 and I think what you'll see in post 2012 is more rationalisation, less price competition because the IFAs who see a future for themselves post RDR, need to make a decision before the RDR of their operating model and if their operating model is platform centric and for many it will be, then they'll make the choice prior to 2012. So I think what you'll see is a lot of pressure on price and a lot of intensity around product proposition between now and the end of 2012 and thereafter, I think once you're centric in an IFA's business, you can work together and understand more clearly each other's need for margin.

PAUL HANRATTY: Right Blair. I think Peter will cover some of this actually, your point, right up next. I'm going to take one more question just to torture Bob. Greig.

GREIG PATTERSON, KBW: What about the impact do you think in the short term on sales from having to disclose the rebates from the asset managers? I believe it's imminent the decision.

PAUL HANRATTY: Why don't we defer that because Peter covers all of that in his talk.

BOB HEAD: Although personally, I think it's great Paul.

PAUL HANRATTY: Yeah, I know, you like the idea of disclosure and so do we all.

BOB HEAD: Absolutely, we'll be like a co-op.

PAUL HANRATTY: Is there one last question for Bob? Colin – my eye sight is so bad.

COLIN SIMPSON, GOLDMAN SACHS: Yes, it's Colin Simpson from Goldman's. Just on getting to know your customer better. Isn't that proving a bit tricky given that the IFA actually sourced the customer and you're probably going to irritate the IFA by doing so?

BOB HEAD: Absolutely right. So you do actually have to work with the IFA actually in mind but the customer is being put far more in the driving seat, post RDR than they have done hitherto. I mean the bizarre thing is in our industry that the remuneration of the IFA was paid for by the third party rather than the principal. And there are models where the IFA and Peter can talk about this, will support self service, things like buying ISAs or something like that where the paperwork and advice is huge and it's developing that model in partnership with them.

PAUL HANRATTY: Great. Okay, Bob thanks very much. Peter, over to you. I think Peter will in some senses answer a lot of the UK orientated questions that follow on.

PRESENTATION: Distribution and regulation in the UK

*Title Slide: Distribution and regulation in the UK*

*Title Slide: Peter Mann – CEO Skandia UK*

PETER MANN: Okay thanks. Before I start can I just encourage you. Those of you who want to understand more about how the platform itself operates and what it does, in the fair, over lunch, we've got some very capable platform demonstrators and I would encourage you to go and look at and get a feel of it because it is quite, well it is unique in the way that it operates and I think it helps if you can see it. So, it is just morning, still got a little bit of the morning left, so good morning. Welcome ladies and gentlemen. My name is Peter Mann. In May of this year I acquired the privilege of becoming the Chief Executive for Skandia's UK business and what I'd like to do in the next fifteen or twenty minutes is to drill down a little bit to two specific things that are front of mind for many people at the moment but are also driving some of the decisions that we're making in the UK business.

*Slide: Key drivers of change*

So it's quite a specific session because Bob himself has already given you a good overview of how the context in which the Wealth Management business and UK business fit together. So the things I'd like to talk to you about are these two things; the retail distribution review, change of name, but I'll come on to that later on and also the platform discussion paper.

I'm not going to spend very much time talking about what they say because my working assumption is that many of the people if not most of the people in the room will understand both the aspirations and the content of those papers.

*Slide: Context*

What I want to is I want to examine some of the key drivers for change, what they are, also the market context that they're set against but principally what I want to do is I want to look at how they're going to affect certain subsets of the communities that we seek to serve currently and as Bob says, will increasingly focus on in the future. So I'm going to look at what they mean, those papers mean to customers, to intermediaries and how they are currently informing and will continue to inform the Skandia UK strategy going forward.

*Slide: Retail Distribution Review*

So may I begin by looking at the Retail Distribution Review.  It seems such a long time ago, over four years ago now, when Callum McCarthy the then Chief Executive of the FSA stood up at that conference, that famous conference in Gleneagles and kind of shocked people by beginning to postulate that certain elements of the value chain, in fact most of the elements in the value chain in the UK business were sub-optimal.  So the result for the customer, for the intermediary and for many cases, the product manufacturer or platform operator, were sub-optimal and that kind of kicked off the retail distribution review and we've gone through a long process and a very changing process to arrive at where we are now and the clue is in the title, the name has now changed to the Retail Development Implementation Programme.  So we're now I guess in implementation stage and the debate is largely over and as many people have referred to today and as is commonly known, we will see implementation in, well on the first day of 2013, the last day of 2012.

What I want to focus on is three key areas of change to examine how they affect the constituent elements that I talked about in the introductory section of this talk.  The first thing I want to talk about is advisor qualifications then I'd like to move on to advisor charging and services and finally, the changing relationship that the platform operators will enjoy with the IFAs of the future or the intermediaries of the future.

So advisor qualifications is the given, it's the very thing that's been consistent, largely since 2006 and it's based on the premise that there is a direct co-relation between the qualifications of advisors and the quality and the consistency of advice they give.  One can debate that point and one can come up with different conclusions, but the reality is that for the advisor community, they are now faced with a very clear challenge by a clearly defined point in time.  They have to sit, what's called QCF 4, a specific standard of examination which is broadly first year degree standard, qualifications by 2012 otherwise they will be unable to give advice.  Well that's a challenge and undoubtedly one of the consequences of that is that we will see the advisor population reduce because there are simply some people who do not have the appetite or in some cases the expertise to pass those examinations.  I sit on the Board of the PFS, which is one of the examining bodies – well, part of one of the examining bodies in the UK and we see a very great clamour to pass those examinations but it's not exclusive, not everybody is going to do it.  And we shouldn't kid ourselves that the Retail Distribution Review was anything other than the catalyst for this because that questioned the advice in the community for better qualifications started long before the imperatives of the Retail Distribution Review. However, we do recognise, it may reduce the accessible potential of companies like Skandia if one only looks at accessible percentages numerically.

The second two elements I'd like to take together because I also think they're co-related. It is eminently sensible that if one believes that commission is an incentive and to a degree some of the sales in the past, and we've touched on it in the questioning, have been driven by commission, that one would want to de-couple the link between remuneration and advice, such that one effectively bans commission. If that is the case and it very much is the case, then of necessity it changes the relationship between the platform operators such as ourselves and the IFA of the future because we can no longer influence the sales that we get by the remuneration that we offer. We have to be much more circumspect, we have to be much more aggressive and we have to be much more challenging around the quality of the product and the services that we offer because the advisor in the future will agree the price for his services directly with the consumer and we will merely facilitate the payment of whatever has been agreed. So our role will change quite fundamentally, in fact fundamentally. We welcome this development, generally speaking but it does require significant change.

*Slide: Platform Discussion Paper*

So let's look now at a paper which is concurrent with, it started later than, but is currently running to approximately the same time scales as the retail distribution review and that is the platform discussion paper. And you can understand from Bob's talk about how the emphasis in Skandia UK's new business going forward will be platform orientated, that this is a very important paper from our perspective. But I also think it's an important paper from an industry perspective. If one sees evidence and I shall look at this later on, that a greater number of IFAs are focusing their business offering to their clients around a platform, it's perfectly understandable that the UK Regulator should seek to understand more about how that platform operates and how the interaction between the various components works. So I think it was a discussion paper. I think the intention was to discuss and I think the debate has been good and fulsome. We can expect the consultative paper in the middle of November which will perhaps set out a more clearly defined route where we can go through to a main set of rules in 2011 and an implementation concurrent with the Retail Distribution Review in the back end of 2012.

The actual outcome is as yet undefinitive but what I want to do is focus on the three key areas and again to examine what they mean to the constituent elements. One of the focuses of attention and perhaps arguably the main focus of attention in the paper are rebates ie. the rebates that pass from fund management groups typically to platform operators. As I'm sure you're aware, Skandia in the UK operates exclusively through the intermediated community currently and derives most but not all of its income from those rebates passing back. That is not an uncommon model in the marketplace today, in fact many of the market leaders opt for a very similar model. The FSA are looking to look at how rebates could be altered and in the paper that first came out, said they were looking to ban rebates. Whether that will be the final outcome or not, is as yet undecided, what I want to do is to demonstrate that even if that is the final outcome, then it doesn't affect Skandia's market position in the way that some people may think it would.

One of the things that we're very keen on is that the end consumer should pay no more than they currently pay. So one of the things that we're keen on is having the rebate or considering having the rebate pass, rather than to the platform operator, like us, as it currently does, perhaps to the consumer so that we can continue to apply commercial leverage to the fund management groups so that they can give good deals to recognise the volume that we submit and also the fact that we have some administrative functions done on their behalf. It is key to us in the rebate debate that the end consumer has still a continuing good deal.

One of the things that the FSA are also interested in and is informing the IFA community quite a lot now is the advice of platform choice. I talked in answering the question that was posed earlier on about the way that adopting a platform changes an advisors approach to the business that he does, he or she does, and so it's critically important that when they're making their choice for what will probably become a business partner for a long period of time, they go through an appropriate due diligence process and it's appropriate the regulator should be interested in that. So there is a clear set of guidelines of going through the due diligence process both in terms of your selection of your initial platform operator or operators because most, if not all IFAs will have more than one and also the way that you use that platform, once you have made your choice and again, quite clear guidelines are coming out in terms of how both of those decisions should be made by the sentient IFA.

The third area of regulatory introspection is re-registration. Re-registration is a kind of "in-specie" transfer. It's where assets can move from one platform operator to another in an efficient and appropriate manner without incurring unnecessary charges. It can happen to a degree now, but the FSA are very keen that by 2012 it should be a formalised and properly mechanised process. We support that view and we're working together with most other platform operators to ensure that that aspiration becomes deliverable by 2012. It primarily will affect the funds level and also the ISA level because it's quite difficult in some tax wrappers to actually make platform to platform changes without prejudicing some of the tax elements. But it should see a freer flow of funds between platform operators post 2012.

*Slide: IFA channel for savings will remain dominant*

So, if that's the case in terms of what it's looking at. How are we as a company looking at it and how do we think that these changes will affect distribution? Well, Skandia currently distributes exclusively through IFAs. And this rather surprising chart, surprising in terms of the fact that it's flat, shows that Data Monitor, when they did their survey in 2009 thought that the percentage of market share enjoyed by the intermediated community would remain consistent between now and 2013, even though the number of people, ie the number of IFAs may drop. We share that view. That view we share because if the customer still wants the services of the IFA as much as the current indication shows that he or she does, then those who remain will enjoy and prosper I think from being fewer, servicing the same number and the same needs. So we think there will be a strong advisory community in the future and we certainly want to focus as Bob says, on that distribution channel between now and 2012 although we will clearly explore other distribution channels, either post that period or during that period with a view to focusing after that period on launching something.

*Slide: Consolidation will be prevalent*

So, if the same number of customers want the same thing, but they're serviced by fewer people, then I think our opportunity is as it was, post 2013 in the implementation of the retail distribution review, but some things do need to change. The IFA community itself needs to change, it is clearly changing now and as you can see, the largest growing sector of the IFA community is that sector which has an infrastructure and a life beyond the principals. ie those businesses with turnovers of more than five hundred thousand. It's becoming increasingly difficult to be the cottage industry person that the financial services business in the UK was often tinged with, into the future.

So we do expect to see consolidation and that consolidation has changed the focus of Skandia strategy quite significantly in the market place. I'll come back to that in a moment.

*Slide: Significant shift towards platforms (1 of 2)*

But what I want to demonstrate now is not only is the community itself shifting in the way that it's made up, but it's also shifting quite considerably in the products that it offers during the advice cycle. So if you look at the quite stark statistic at the top there, 22% of IFAs do more than 75% of their business with either the platform or the platforms of choice. What you can see there is two things. Platforms are becoming more a part of the operating model adopted by more independent financial advisors and when they become part of that platform, then you tend to get a higher market share than you would traditionally have done in the more transactional models that persisted, pre RDR.

*Slide: Significant shift towards platforms (2 of 2)*

The shift towards platforms is quite significant and our market share, as Bob alluded to, is quite high. A number of people have postulated what the market accessible potential may be in the future and I just want to draw on a piece of quite old research but I think it's still current. In 2008, Navigant said that five years from 2008, there would be possible in new funds, £300 billion of accessible potential, from new money only and when they did the review in 2008, the market place was at £90 billion and in July of this year, it crossed the £100 billion barrier and it now sits at about a £110 billion of assets. So you can see that in a relatively short period of time there are still significant assets to gather in the new money market, assuming that Navigant's figures are broadly correct, which I think they are. However, that's only part of the story. The real prize, the big money is on the left hand side of that chart. If you believe Axa's numbers right then, the size of the monies that are locked up with-profit funds and older style unit-linked funds is circa two trillion of money and as time goes on, I'm convinced that we will see the intermediated community seek to unlock some of the value from those more outdated policies or policies with structures that no longer find favour either with the customer or the intermediary.

*Slide: Future for advice looks to be…*

So, I contend and we contend in Skandia UK that the future for advice looks to be thriving, it looks to be in demand and for those customers who clearly are able to differentiate and understand what they want and those advisors who are able to differentiate what they offer, we think it can be a profitable source of business for all parties to the distribution chain.

*Slide: And for customers…*

The other thing I said I'd look at is what changes can we expect for the customer? The customer has been on an interesting journey over the recent years. If we look back no more than three or four years, then we would have seen a customer who was confused, largely because of the opaqueness of the cost of the advice that they were getting. Okay, we had commission disclosure, but some of the products themselves were quite opaque and some of the disclosures within those products were quite opaque and they moved from a position of being confused to a position of being concerned. As for the first time in a long time they began to experience turbulent markets where the price of their assets went down as well as the historical experience they've had, which was when they went up. So the confused customer moved through to the concerned customer. I think where now we've landed up is we now have a cognisant customer.  We have a customer who very clearly understands what they want and what they're prepared to pay for it and where they need to go to get the sort of advice that they want.  And if that's the case then the transparency of the Retail Distribution Review will play in to the hands of that new cognisant customer.

*Slide: Structured to maximise opportunity*

May I conclude by saying what we at Skandia are doing to maximiae the opportunity.  Strange, when I came to Skandia, Skandia - actually operated in inverse proportions to the way that you would think a successful product provider in the marketplace would offer their products.  A couple of years ago, or even as little as eighteen months ago, we were strong where the market is perceived to be weak and we were weak where the marketplace perceived to be strong.  The heartland of Skandia and its tradition was among the small to medium sized IFA, where we had tremendously good relationships and a very high market share.  But we needed to change that and Bob has talked about the sales review that we conducted last year and what that did was take the central segment there, our advisor sales community of about a hundred, high quality IFA relationship people in the marketplace, reduce their number but focus them more on the correct advisor set, rather than the geographical location.  So many insurance companies in the UK focus on organising themselves geographically, advisors don't; they organise themselves by customers and customer sub-sets.  So we took that and we organised ourselves and the core of our business around the opportunities that existed with that core of IFAs, but we very clearly and very deliberately focused on the right hand side of that slide by establishing corporate partners division which specifically focuses on those IFAs who will become stronger in the future.  So if the consolidation continues at the rate that it currently is, then we're very well positioned to focus on those large customers who will make very important decisions around which a great deal of funds under management will depend for Skandia between now and 2012.

To complement those two channels, we have built for the first  time in Skandia, although not uncommon in the marketplace, an advisor direct business, based in our Head Office in Southampton, which seeks to access by telephone, those IFAs for whom it is simply not profitable for us to access by people in motor cars and face to face.  That's a relatively small outlet now but it will grow.

*Slide: Evolving in line with needs of IFAs and customers*

So may I conclude by offering my contention that as we evolve our product suite, we need to do that.  We will become clear, fair and not misleading.  I said that we would not be phased should rebates not pass back to the customer base because in the future our product offering, which we are now building in conjunction with our colleagues in South Africa, will clearly be divided into three elements, as will most successful ones in the marketplace.  There will be an advice charge which we will be agnostic about because that will be determined by the advisor and the client. There will be an investment charge, which again we will be agnostic about although we will continue we hope to have the opportunity to drive down the price and there will be a flat, platform charge.  So for the first time in a long time we'll have a consistent measurable level of income in a post RDR environment and we're very positive about that.

*Slide: Today and future growth*

The effect so far of the changes that we've made are that we have seen our sales grow, quarter on quarter since we began to implement those changes in quarter one, 2009. I'd like to conclude by saying, I'm very confident that that will continue to be the case. Thank you.

*Title Slide: LTS Showcase*

PAUL HANRATTY: Peter, thank you very much and before you run away are there any questions for Peter that anyone would like to raise? Greig and Brian, why don't we give it to Brian first.

BRIAN MUSHONGA, CREDIT SUISSE: Two related questions I guess Peter. Seeing as you expect the IFA market to consolidate, what's your assessment of the risk of either the larger IFAs squeezing your charge, so that the scale, well the economies of the business continue to be poor or because they're bigger and perhaps they've got enough capital offering their own platform solutions to clients.

PETER MANN: Yeah, can I take the second one first because I don't think that's a reality. I think that the barriers to entry of developing your own platform with all of the operating environment and the technology that you need is beyond even the biggest IFA businesses in the UK, so I don't think we'll see a build. What I do think we'll see is a bespoke partnership between some of the bigger distributors and some of the bigger platform operators and we'll certainly be in that space. The pressure on margin, I think, surprisingly, there will be pressure on margin, no doubts, because they are significant distributors but actually, in terms of the proposition, they're quite demanding in their bespoking, so you can leverage your ability to bespoke against actually the reduction in the margin that you would ordinarily be asked to provide by them. So I think we'll be pushed but I don't think we will need to capitulate in to unprofitable margins, well we certainly won't.

BRIAN MUSHONGA, CREDIT SUISSE: So you see IFAs as sort of white labelling platform offerings?

PETER MANN: Yeah, white labelling to the degree that the, when the IFA opens the laptop, it will be, if he's in a network, it will be the network's branding but it really is only branding. The operating model that sits behind it will be a platform operator's, they just haven't got the expertise to get to where we already are.

PAUL HANRATTY: Yes, can we take the question from Greig.

GREIG PATTERSON, KBW: You mentioned that you know a few years back you were focused on the SME & I face space and you've moved over to the corporate. I wonder if you can just for 1H1O, give us an idea of what percentage of your sales are from the SME & I space and what's from the corporate space.

PETER MANN: It's a difficult one Greig because some of the SMEs are in the corporate space. So if you take Sesame and Tenet and Threesixty as the largest network businesses in the UK, they probably control about 60% of the market, so we try and have relationships with those at the corporate level but of course the corporate entity is made up of the individual IFA firms that follow those networks. So in terms of new business, we will probably be about 60% of our new business from the corporate entity, but there will be a degree of double counting because they would also be the people who are in the small to medium sized SMEs.

PAUL HANRATTY: Great. Blair.

BLAIR STEWART, BoAML: Thanks very much. Could you explain that rebates points again please. Why the rebate passing directly to the customer is not a risk for you, given at the moment you keep some of that. And the second question I had is what percentage of the IFAs that you use at the moment are already RDR compliant.

PETER MANN: The rebate point is that currently, we have two charges, we have a single charge that we charge each client for the use of the platform but mostly we live off the rebates for the fund management groups. That relationship, that needs to stop in a post RDR environment. So in order to replace the revenue that we currently enjoy from the fund management groups we will simply build what's called an unbundled offering and we will levy a discreet platform charge so our income in the future will be a discreet basis points charge for the use of the platform rather than the fluctuating and different amounts that we currently enjoy from the fund management groups and in many ways that's a good thing because it delivers a constant income rather than a fluctuating income, so we are not troubled by it. What we want to see is the rebate passing back to the customer because it continues to allow us to leverage against the fund management groups and get a better price to the end consumer. With regard to the second part of your question, remind me again was the number of, the percentage of IFAs.

PAUL HANRATTY: That are already RDR compliant I think.

PETER MANN: The IFA community is an interesting community because if you give them a deadline, they like to take maximum advantage of the time available to them so it's a relatively small percentage now. My assessment is, clearly a 100% will have to be compliant by 2012, my personal view it's about 15% of the population will leave ie. will not make it but I don't think that will change the volumes for us or any of the other providers. It is clear that those who are serious about it are taking the appropriate steps in structuring their business and taking the exams.

PAUL HANRATTY: Great. I'm going to take one last question. Michael.

MICHAEL CHRISTELIS, UBS: Hi. It's a quick one I think. I'm just struggling to reconcile - you claim in slide seven to have 33% of market share yet on slide ten it says total market is about £110 billion, so that would imply that you've got close to £40 billion on the platform, which you've only got £12 or £13 billion. So I'm just trying to understand.

PETER MANN: No, the 31% market share is across - because our legacy business is also on the platform, the old Skandia platform so that's the Skandia life business and the platform business, the Skandia Investment Services business combined.

MICHAEL CHRISTELIS, UBS: So on a combined basis what would that be in AUM.

PETER MANN: 33.6%, something like that.

MICHAEL CHRISTELIS, UBS: Yeah, okay. Great. Thanks.

PAUL HANRATTY: Peter, thank you very much I wondered, we didn't have a chance this morning Andrew and I to take questions. I don't want any questions but Andrew is chomping at the bit and I think there were some really interesting insights there if you can recall, I hope. And I wondered if there were any quick questions about risk and capital management that you'd like to – Colin, see if you can catch Andrew out. Make my day.

COLIN SIMPSON, GOLDMAN SACHS: What's the difference in capital requirement from your internal model, versus a standard model for the Group as a whole?

ANDREW BIRRELL: Okay, so the question as I understand it is what's the difference between having an internal model versus having a standard model for the Group's capital requirements, is that correct?

COLIN SIMPSON, GOLDMAN SACHS: Absolutely.

ANDREW BIRRELL: Okay, well we've done some already obviously on QIS 5, we've done interim QIS 5 or QIS 4B which gives us an idea of what we would look like as at the end of '08. We're currently doing QIS 5 at the moment, which will be a regulatory submission we make later this year. And that would give us a figure, as at the end of '09. So I'm not going to be disclosing those figures to you, that's on the standard model but what I will say is that we've looked at it both on the standard model and also on our current economic capital framework and at this stage we believe there is a good benefit from being on an internal capital model. In fact I think the project and I know Julian in March has spoken about Solvency II costing us up to a £100 million across the Group and I think the difference in the capital requirements is still such that you get a really good pay back on doing the project.

PAUL HANRATTY: So Colin, I'm sure you can work backwards from that to work it out. Are there any other questions for Andrew? Brian.

BRIAN MUSHONGA, CREDIT SUISSE: Yeah, just regarding your earlier assessments of your capital requirements in the South African business, would you say that they've gone up, gone down or stayed the same under Solvency II, in broad terms.

ANDREW BIRRELL: Looking at it from an economic capital point of view, our capital requirements for our current South African business are pretty much the same as what they've been before because South Africa is on a risk based capital type of approach. And I think the more important issue for us is how we get credit for the diversification benefit that we have at a Group level from our different parts of our organisation because bear in mind, Solvency I doesn't really give you explicit diversification benefit and I know that this is a conversation we'll be having with regulators etc. around our internal model but you can demonstrate diversification benefit, if you consider all the different regions we operate in and the fact that they aren't all economically linked. It goes back to my earlier point you know, I think if you operate only in one region, it's very hard to argue for diversification because for instance if you have one European country that's having economic difficulties, there's a chance that there's a spill over across many of the others but if you look at diversification between regions, there's a very real benefit there.

PAUL HANRATTY: I'll take one last question on risk and capital from Greig.

GREIG PATTERSON, KBW: One is a request and I mentioned it to you earlier but I'll make it public. If you could – there's a lot of noise here and it's hard to reconcile it down to a Group level but you know, could you tell us what the three year, if everything is achieved, what the cash flow implications coming out of the Group to the Head Office would be, I know you said you're not going to disclose it but let's – if you can go away and think about that. Because that's the key important statistic at the end of the day. The second one is Solvency II and Skandia Liv demutualisation, does the Solvency II programme mean there's very little chance you will attempt to do that until it's settled down, post 2012.  Or are you still thinking hard about the benefits, the cost benefits of that in the nearer term.

ANDREW BIRRELL: Okay, yeah on the first point, Greig has asked for figures about cash flow and cash flow that we produce.  These are things that we look at quite carefully and we actually manage the business internally, but we haven't given any targets and I'm not sure that we will at this stage either, so thanks for asking but you don't mind if we don't comply with your request.  In respect of Solvency II and Skandia Liv, Skandia Liv do have a programme as well which we've linked up with our programme but they remain responsible for their own Solvency II implementation.  I think the only answer at this stage is that we will look at the overall benefits of where we get diversification and what the best mix for the Group will be, post Solvency II and I think that we'll look at all the options, as part of the strategy work that we do, going forward. So at this stage you know, they are doing their programme and that's important, we're aware of what they're doing but I don't believe that we would specifically want to do anything with Skandia Liv because of Solvency II or not.  You know there are more important business drivers that will come through.

GREIG PATTERSON, KBW: because it's all up in the air what Solvency II implies.  Are you not going to announce tomorrow that you're going to demutualise.

ANDREW BIRRELL:  No, I don't believe we intend to do that.

PAUL HANRATTY: Andrew, thanks very much and I can say we are not going to demutualise Liv  in the next week or so, so.   I'm going to ask Patrick, sorry Blair you'll have to take it up at lunch because we're hitting time now.  Patrick, do you want to take us through the logistics.

PATRICK BOWES: Okay, thank you Paul.  So now we're going to break for lunch and the fair is about to start.  If you just look on your lapels, some of you will have a red dot on your lapels, you're the lucky people who are coming with me to go to the emerging markets fair first.  If you don't have a dot, then you're going with Deward to the European fair first.  These fairs will take place, they will be about forty five minutes long.  There will be an opportunity for you to meet and interact with the local management for each of those individual geographies and then after forty five minutes, we'll swap over so the team that's going to the emerging market fair first, will then come across to the European side and vice versa.

The locations are as follows.  The Emerging Market fair is actually in the atrium which is just at the entrance to the OMAM UK, you just passed it as you came through to down here and then the European fair is immediately behind us here, behind the picture of the rowing team as you saw as you walked past.  So it's forty five minutes and we'll switch over.  There's plenty of time for you to get the interaction and there will be lunch provided as you go round each of the fairs.  Okay, so if we break now and we'll join you in literally two minutes in the individual fair, so red team come with me to the OMAM atrium.

INTO LUNCH AND FAIR

PRESENTATION: Distribution and regulation in Emerging Markets

PAUL HANRATTY:  Just take your seats again and I know that it will have been a bit rushed trying to have lunch and go to the fairs and everything.  Just in deference to modern technology, what you see up here is a group of our colleagues from South Africa who summitted Kilimanjaro at just after nine thirty this morning, took a picture of themselves with their cell phone. This is an annual trip. I know it caused shock and horror last year because they sent back messages every day about what they're up to and some people felt that it wasn't good risk policy. We had quite a few senior people on the trip, but Andrew endorsed it so – it's about twenty thousand feet.

*Title Slide: Distribution and regulation in Emerging Markets*

We're going to now get in to the distribution part of the afternoon and the product part. I'm going to ask Mike Harper to start by taking us through what's happening in the distribution arena in the various emerging markets.

*Title Slide: Mike Harper – Managing Director Customer Solutions, OMSA Long Term Savings*

MIKE HARPER: Thanks Paul and good afternoon ladies and gentlemen. I'm pleased to kick off the afternoon session and hopefully talk to you about a very exciting part of the business, distribution and sales and across the emerging markets. My theme is actually going to be strategic. I want to focus on getting and hence getting across, an insight on what and how we are thinking on organic growth opportunities and leveraging them to achieve growth in the different markets and in particular what we've achieved in South Africa and Namibia and Columbia in particular and the consumer growth opportunities in the markets within which we currently operate.

*Slide: Agenda*

Now you would have heard some of the distribution stories and the strategies at the fair and particularly around the emerging market story and I want to try and create some context for you. So I'm going to talk about market context, the features affecting distribution, the channels, the regulation and growth in the different markets, the effectiveness of channels, regional competencies and synergies across the different regions and then lastly, the strategic options in our regional distribution.

*Slide: GDP per capita forecast to continue improving*

If one looks at, and you've seen this slide before, I'm sure many times, really the emerging markets, there are only a couple of points I want to make on it; they're all fast growth, low average GDP countries and we've included Germany, the UK and Sweden here as reference points, it's in your pack. The current size and projected growth of the emerging market countries where we operate suggest that in those countries, there are good growth opportunities.

The improving demographics of those emerging economies, support economic growth, they create better pools of labour, bigger pools of labour and increasingly as they're geared to manufacturing for export purposes, the shape of those consumer segments, also changes. So for example in China, if you go back thirty years to where we are today, in China, you've got a growing middle and high income consumer market. This is in contrast to the developed markets where the working populations have stagnated or are in decline. We can also see that in spite of the population growth, the GDP per capita is forecast to continue to improve for our markets, so South Africa, Columbia are likely to be close to achieving a GDP of some USD10,000 by 2014, Mexico slightly above that.

You've seen from Ralph's presentation, the way we think about the retail consumer in the different markets within which we operate and we still need to do much more detailed work in the other emerging markets to understand the customer segmentation of those new retail markets that we're targeting. We also need to understand and do more work on the framework within which customers buy or get access to financial services. So just our recent experiences in China, there's wealth concentration in Shanghai, not every big Chinese city has the same concentration or pattern of wealth and we have the same in West Africa in Accra. Whereas in South Africa, we have a broad based approach to the different South African retail consumer segments. So we do have debates on whether one should employ city strategies, versus country or regional strategies. If one looks at existing large competitors in China and India, they employ vast and under productive agency forces and the new entrants into those markets struggle either to define the segments, within which they want to operate or to grow their distribution fast enough to compete. They're also faced with licensing constraints or they face difficulty securing bancassurance partners. That said, agency forces, we believe in emerging markets, should remain a key focus area for us and a key channel and I'll get in to the reasons for that later.

*Slide: Some features of emerging markets affecting distribution*

Some of the features which we've looked at which affect distribution in emerging markets, there's some financial drivers and some non-financial drivers, this list is not exhaustive or exclusive, but it shows some of the considerations or features that we consider when we look at our approach to channel design, so in terms of the financial area we see three broad clusters: relative wealth, money transmission mechanisms and state social support or rather the lack thereof. So for example in China the state owned enterprises, they're addressing how to provide additional employee funded top-up benefits – accident, sickness, medical and that opportunity is something suggested to us by our Chinese partner. The non financial drivers are self-evident, they are factors that affect pricing, product complexity, communication techniques and content. Countries with lower customer incomes, require simpler, cost effective products where the educational aspect to the sell are critical and Marshall touched on some of that in his presentation at the break, so that's a key feature of our SA mass market model. Advisors building those close community relationships at the employees' workplace and that's well suited to such economies as Mexico and to China, because it's framed around consumer education.

If you look at India, the agency force structures that have been widely used are under pressure from regulators. They neglect education and they don't support retention of the customer base.

*Slide: Summary: Distribution channels by country*

This is a summary of the distribution channels by country. There's quite a lot of confusion around the terminology we use. Broadly, agency forces or tied agents come in a variety of different patterns. I've clustered this so the header here, tied agency refers to contractually tied distribution channels to the product provider or employed agents, or work site marketing. IFAs, again is a broader term, not a legal definition as per the UK, of independent brokers or independent insurance advisors. The slide shows how the channels are currently organised, we have direct sales forces in all of our African operations, Columbia, Mexico and India. The model of tied agency gives more control and can be targeted more accurately at the relevant consumer segments. The advisors are often full time employees, not always. They have full time sales managers and they have specific incentivised structures or salaries and bonuses. Where the markets are maturing we have access to and can use independent advisors or brokers whilst the status of retail banking in the market, allows bancassurance, such as in parts of Africa, Latin America and in Asia.

Our corporate businesses all use direct sales forces as well as consultants, independent consultants and independent brokers.  The other insight is whilst we operate a multi channel approach in the different markets, we've not yet entered the tied agency market in China, as we've been able to utilise bank advisor forces there. And we haven't entered bancassurance in Columbia and Mexico because we currently see the banks there as competitors with sales forces pushing products, versus being investment advisors, which is the nature of the solution we take to that market.

I'll comment later on the relative efficiency but the essential difference is not so much the relative cost of the channel, but the extent to which you can exercise control over the channel and speed to market. So starting an agency channel from scratch can take you about five to ten years to become effective.  Whilst the actual presence obviously of an IFA or bank market, a retail bank market is a necessary condition for those successes. So we believe that our experience of starting and managing diverse channels will enable us to build successful equivalents in the different geographies.  So for example, the retail mass market in Mexico or China where the work site marketing conditions and our product development pipeline give us an underpin for success.

*Slide: Summary: Regulatory themes*

The other dynamic is the regulatory framework and environment so I want to turn to those themes in each market.  You'll be aware that there are some common patterns emerging.  Well just to give you a sense of them there's increasing congruence between the regulators across emerging markets and the mature markets. So looking at themes by country, in our emerging market cluster we stay abreast of what's happening elsewhere in the world.  We use our local market experts and our risk committees but there's no question we need to be aware of these themes – solvency and capital related issues, consumer protection laws, laws related to advice given and the qualification of advisors, pension fund reform.  Each country in fact is at its own stage of dealing with social security and pension fund reform, given their local circumstances we need to be attuned to that. Pricing regulation around the product and things like minimum surrender penalties and then commission regulation, which is a feature of virtually every market that we operate in.  These are all trends in the established, mature markets in Europe, the UK and US but are being followed in almost all the emerging countries and with some speed in India and China.  For example our impression of the Chinese regulator has been of controlled and managed implementation.  They've got a well developed pipeline of solvency and abuse avoidance consumer regulation, but the way they roll that pipeline out and the way they impose it, is dependant on what they perceive as the needs of that market.

This distribution of regulatory issues is fairly consistent amongst the emerging countries and it tends to be applied most on their stage of development, in the long term savings business in particular.  We've also seen regulators in markets such as India and China, being much more aggressive in dealing with market abuse and tightening up the approach.  In India, it's likely that the current, part-time agent model will disappear and the industry will see as much as a 90% reduction in what is currently called the tied footprint.  That could be good for players with strong bancassurance, it will be excellent for consumers and it creates opportunities to build better, more mature, high quality sales forces face to face advisory businesses.

In China, the regulator polices direct selling behaviour by requiring internal and independent call-backs to customers by the market players to test their understanding of the purchase by the client.  This is the subject of quarterly returns to the regulator, CIRC and it's a concerted attempt to rid the market of bad practices.

*Slide: Summary: Distribution growth by channels in selected major country*

This gives you some indication of where we're looking at investing and where we believe there are opportunities. We have significant scale in the three major channels in South Africa – we have some real opportunities for growth in the newer markets that we've entered. As I said earlier, we believe agency forces will continue to play a significant role in emerging market and the mass market model, the consumer education component of that is a key reason for that.

I've only dealt with the dominant channels, I haven't covered all the channels and there are obviously some others that one could explore but these are the major themes. Our large tied advisor forces in South Africa and Africa, will grow moderately in line with the economy, whilst in Columbia and Mexico, we believe we can build better internal scale to counter competitors and the banks. And in Mexico, we can access the large, 20,000 strong insurance broker market there. As I said earlier, India's over 36,000 tied agents is not comparable, they're effectively part-timers. The regulatory framework is changing and ultimately that model will be re-shaped by the management team there. And as we speak, they're busy on the ground addressing those issues.

Bancassurance remains a strong channel of distribution within South Africa, Namibia, India and China. There is also scope to further develop this channel within Africa and other existing markets. Better tailored products and strong relationship agreements are essential to the success of those channels.

In essence we have large scale in tied agents and bancassurance in most countries. In several countries, again Mexico and China, we need to develop better access and a better proposition for the insurance broker or IFA market as well as strengthen existing links with insurance brokers in places such as South Africa. Then finally, working with our new partner, Guodian in China, they become an obvious candidate for building a worksite force.

*Slide: Distribution effectiveness*

Touching on effectiveness. These give you an indication of some of the levers we use to understand distribution effectiveness. It does sound a bit trite to say this but the channels are at their most effective when they're directed at the appropriate consumer segment and when you have more control over those channels. The bank partner model enables a more effective bancassurance channel, when you're fighting for that non-proprietary share of business within the bank, the so-called share of the free float and that's most evident in South Africa. In China and India, with our partners being Nedbank, ICBC and Kotak Mahindra respectively, our relative success in our start up JV in China is a function of good bancassurance partnership with ICBC, coupled with a great niche customer value proposition. The channels become a problem when they're less controllable as well as when productivity metrics are lacking or they're not enforced, so the major detractors from channel performance are poor persistency and poor agent productivity. But these are often in conflict with each other so forced higher productivity can often lead and often does lead to lower persistency and poor client selection.

The key drivers we use to track efficiency are therefore total footprint, scale and agent retention are key drivers, new policies, the right mix and case size. Activity based on policies per advisor or overall channel APE. Persistency and the total expense ratio including commissions. The Indian market I referred to earlier in terms of the number of advisors, across that market there's a great example of poor productivity, the average, the market average cases per agent is five per annum. In stark contrast, in our SA retail business model, our average advisor does some five cases per week and with simple needs and affordability being analysed as well. So based on the work we've done in South Africa, we use case count activity and persistency for tied agents and that gives you a very sensible insight into the channel although they do much more detailed analyses internally and for third party channels, such as bancassurance and IFAs the percentage of total expenses including commission against APE produced is the most effective comparator. There's no question that tied agents are more expensive but the dividends are felt over long durations and especially as we've just experienced over the last couple of years, market downturns, which in their closeness to customer enables more loyalty and better retention of that customer base.

I've spoken a lot about the different metrics, the work we're currently doing across the emerging markets is to address the MIS issues in the different geographies and the different channels. We're trying to get to a point where we have standardised reporting, to get better insights and drive efficiency. We're not using standardised metrics as we speak across all the different markets. That will enable us to assess if there are differences between markets and customer segments, which we can exploit to drive better execution or better tailored distribution to improve our services to our clients.

*Slide: Summary: Core competencies and synergies*

So let me talk a little bit about core competencies in distribution and the block in the middle really is the most relevant piece of this. Old Mutual, as you know, has a long history in Southern Africa of establishing and growing new channels. We've established independent insurance brokers or IFAs in the late seventies, mass market work sites shortly thereafter – bancassurance, broker and IFA networks and more recently franchise agents. In our experience, bancassurance and independent advisors are at their most effective when used to reach affluent customers with the mix of traditional whole life and investment products, pre and post retirement solutions. They're not as effective in reaching the mass market. The case size in that market and persistency challenges prove too much of a challenge for them. Tied agency and work site marketing is very effective in reaching the mass market and middle market consumers but it also offers a means of qualifying the client for affordability and the selection of risk, they are just much closer to their customer and their communities. So our focus areas for the emerging market businesses, based on what we believe our client needs to be, will be built on multi channel models. Our agency work site model, bancassurance and local partners, such as in India and China. Our business in Africa will leverage South Africa in the main, using the model we've also implemented in Namibia, relying on tied agents and bancassurance. But using a more standardised approach to a set of products and channels than on the other continents. Our business in Mexico will leverage investment expertise for fund development of Columbia and the retail mass model in South Africa, to reach two distinct customer segments – the mass retail customer and the retail affluent customer, the latter via growing our tied advisors and leveraging insurance broker channels. Our business in Columbia will focus on growing our employed agents as well as doubling our exclusive tied agency business and our business in Asia will develop further their bancassurance and direct tele-sales models as well as build a retail mass model in China with our JV partner Guodian. And initially it will be using their 100,000 strong employee base.

*Slide: Summary: Strategic options*

I hope you've been able to get some sense, from this review, of the way we're thinking about these different strategic options. There are four broad themes; growing advisors organically and there we believe our tied agency forces are critical. Strengthen efficiencies, there's a big overhead to an inefficient sales force. As I mentioned it's not just the productivity, it's the poor quality of the client you acquire and clearly the advice to those customers.  Strengthening bancassurance, several retail markets in which we operate have dominant, large, retail banks.  They're both an opportunity and a threat and then add channels selectively in relevant markets, hence the retail mass model in Mexico and in China.  In Asia, it's virtually self-evident, we should make the India tied channel much more efficient and in China start a tied agency force but using that efficient, retail mass, holistic business model to at least reach the employees of our JV partner and likewise in Mexico, we should further explore the retail mass model as well as expand our tied advisor force and develop the IFA offering.

*Slide: Concluding remarks*

So just some concluding remarks.  If one thinks about how do we get to the consumer then managing a successful long-term savings business requires very efficient ways of acquiring and retaining customers over decades.  There needs to be a clear alignment of client needs and the products that we offer with how we interface with a client.  The products need proper alignment with the channels and the channels need the right products to remain viable.  Financial advisors and advice has to modernise and become more relevant to consumer needs, but there's no doubt in my mind that tied agents in the emerging markets remain a relevant and not a dying breed, although they do have to adapt more quickly to client needs and maintain efficiency.

I recently remarked, we had a visit from one of the big Chinese insurers in South Africa recently and I remarked to him – he asked me, what is the one piece of advice that I'd give him?  And they have about 250,000 tied advisors.  I said, never lose your tied agency force.  Make it efficient and make it client-centric but don't lose it, it's really expensive, if not impossible to re-build.

Thank you.

*Title slide: LTS Showcase*

PAUL HANRATTY: Thanks very much.  I wonder, before we move on, we can maybe take one or two questions.

MICHAEL CHRISTELIS, UBS:  Just your comment on bancassurance and I think there was a comment made earlier about how certain regulatory changes may actually benefit you from a bancassurance channel point of view.  Is there no risk that the conflict of interest regulation, which I assume what's being discussed is going to result in the banks launching fully fledged life offerings with their own tied agents rather becoming fully independent third party brokers, in which case you know, potentially the bancassurance channel falls away completely.

MIKE HARPER: Yes, so there are two specific issues around bancassurance.  One is the opportunity in India is around bancassurance which doesn't have the same conflict of interest impact and they're a more effective channel.  In the South African market, the banks are struggling with conflict of interest and they haven't decided which way to go.  It is much more likely that it will become open architecture than closed.  Conflict of interest requires them to disclose whose products they are selling and if they're biased towards a particular product, they need to make an up-front disclosure to the client and so banks are trying to make choices around that.  So for example, we have a strong relationship with Nedbank, at this stage, we do not believe that relationship is likely to change because the fund platform is open and the platform itself is not inherently a bias, it creates open architecture choice.  At a risk product level, by and large the risk selection of product is likely to keep the channel open and we think it's more of an opportunity for us than a threat in South Africa. We think the banks are likely to take more product on to their platform and force their advisors to sell only their manufactured product. So at the moment, I mean Ralph may comment further but I think in essence, we think it's an opportunity.

RALPH MUPITA: Michael, I think I'd just like to build on Mike's explanation. I think the first thing, back to Mike's point about the kind of client that the banks acquire, there are more affluent clients and so they want more choice. So the moment you start telling them that they can only take either FNB or ABSA product, I think you will push them away. And the reality is, I think that banks would struggle to put forward insurance operations and we've seen actually in South Africa, you know the conflict of interest date actually starts on the 19th October and we're having calls from banks to you know, previously we didn't't' have access in to those banks, we only had our international off-shore offering and they're saying, you know, come and talk to us about Fairbairn Capital and it's already happening. So in some banks they haven't made choices. Some of the bigger ones, they've already made choice where they want to go.

PAUL HANRATTY: Is there one more question? Greig.

GREIG PATTERSON, KBW: I'll make a quick two one. In China, are you selling two pay five, three pay six product, that's just an explicit question. The other one is you mentioned ICBC as an opportunity or source, does it not concern you that a big player like AIA just come up, just tied up with ICBC, will not sort of crowd you out of that space completely?

MIKE HARPER: So I'm going to bounce that straight at our CEO. Ok so Lingde Hong, who gets a chance to talk from the floor.

LINGDE HONG**:** In China, the bank model, operated by banks are open architecture so there are indeed many insurance companies competing for distribution space in banks. However and we are actually playing in the high-end of the market and so we have a special product offering, so that's a lot different from other players.

MIKE HARPER: I think the other embellishment to that is that there's a very tight relationship with the key distributors and the fund performance and the product performance has been very positive. So they get a lot of support and we find that plays out in South Africa as well. Do you want to comment on the first question?

GREIG PATTERSON, KBW: two pay five, three pay six, are you selling that stuff?

LINGDE HONG: No, we're not.

PAUL HANRATTY: Doesn't sound like something I'd want to buy. Sounds like a complicated bet at the races. Okay, thanks Mike very much indeed. We're going to move on, I suppose in a sense to the other end of the spectrum. Mårten Andersson, two week old CEO of the Nordic business. Looks a bit older than two weeks old though. Mårten will cover what we're doing in the retail distribution space in particular, in that market and it's a very different distribution model, so Mårten, over to you.

PRESENTATION: Building the Nordic Retail business and distribution

*Slide: Building the Nordic Retail business and distribution*

*Slide: Mårten Anderson – CEO Nordic*

MÅRTEN ANDERSSON: Thank you very much Paul and I will not go in to the detail of why I look older than I actually am but it's been a long and hard road.

I'm new to the job as CEO at Skandia Nordic, however I've spent the last fifteen years with the Group where among other things I've run the business in Mexico and I've also run the business in Italy, prior to arriving in Stockholm this June.

When I go through this presentation, I would like you basically to take with you three core messages. Basically, when we talk about the Nordic retail market, it's a retail market that is in change and it's a growing and attractive market and I would also like you to try to take you through why I think we are uniquely positioned to take advantage of those changes and that growth over the next ten years and that is basically related to our very large and attractive customer base, our modern and quite unique distribution approach and the solid product offerings that we have to bring to the market.

*Slide: Agenda*

Before I move on to that, I think we need some type of geography lesson here. We are called Nordics, but we're actually Scandinavia. We operate in three markets, Sweden, Norway and Denmark and for those of you that are not familiar to this part of the world, Sweden is the larger country with nine million people, Norway and Denmark, somewhat smaller around five million inhabitants. Skandia has been active in these markets since 1855, so we have a very long history in this region and over those years we have accumulated some 2.2 million clients. 1.7 million of those clients are actually based in Sweden. In the Swedish market we are a full range provider, we do everything from occupational pensions, private pensions, through unit linked and traditional life. We do risk and private health business, we do some retail banking that I referred to and we have our own asset management business. In Norway we have quite a unique internet banking offer or platform that's been extraordinary successful over the last ten years and I've referred to that. And in Denmark we are focused since the last ten years on the occupational pension space.

*Slide: Retail with significant growth expectations*

So let's talk about the market and I think here are some core messages that are important for you to take with you. The occupational pension market in the Swedish market is somewhat stagnating and changing. Historically it's been a market with quite complex products and a lot of financial advice involved. But we see now it's a tendency, where the corporate markets are actually "retailising" and what does that mean? That you look at the actual individual employee starting to get larger and larger choice and the market has then changed to more of a product, price and brand competition. We also are quite optimistic of how the private health insurance will develop into that market and we that we're going to have some quite interesting opportunities going forward. However, the big, important point on the slide here is the sort of dark green and the lighter green there, that's called savings. The retail space in the Swedish market has been very credit driven over the last decade, so the tremendous growth has come from credit. We believe that that type of credit growth will stagnate. It's significant that we reach some type of levelling out of the possibility of households to keep credit but these economies do quite well so we expect a significant growth in the retail savings market.

*Slide: Strong position and outstanding customer base*

Coming back to ourselves, I will go quite briefly through this slide but I think it's important to bear in mind that when we look at our database of clients and our relationship that we have, it's a unique database in the sense that we are very much geared towards the upper and upper middle class. So we have the wealthier part of the population in our client base. Today, we do some 15% of the life premium in the market and have only 8% of the retail savings assets, so we see that it's a clear opportunity for us to grow in this space and take a stronger position.

*Slide: Retail savings is concentrated in 55+ market and we are building a strong proposition*

Whilst it's important – this slide shows what we believe is going to be the distribution of wealth, ten years down the road and I think there's a few key lessons from this. It's a large concentration in the sort of middle and upper market but there's also very significant age concentration, where people basically above fifty hold most of the assets in the market. I don't think this is particularly strange or very revealing, but for us, it's extraordinarily important because this is our core, client data base. This is where we have our strongest relationship that we've built up over the years. So what we are focusing a lot on at the moment is how do we redevelop the correct product offering, the correct distribution channels, to actually prolong these client relationships, as people move in, in just pre-retirement and post retirement.

*Slide: Competitive distribution mix – internet platform and F2F sales force to upper segment*

One of the core challenges I guess for a lot of our industry is how do you reach clients? And I think we have a unique position to build out of in the Swedish market, where we have our tied financial advisors, our independent financial advisors and a very modern internet based banking platform. When we look at the tied financial advisor firm we believe that this is going to be an important component to serve the 55+ market going forward. When we talk about advice, I don't foresee that this type of face to face and rather expensive advice is going to be suitable for the traditional investment advice where we have to pick a fund and should you invest in China or in France etc. I think what is important for us is when people get closer to retirement, they have to make some quite challenging choices. They worked for different employers, they have pension plans with different providers, they have accumulated assets with different companies and how they actually plan their financial future, will require some very, very qualified advice and I think we are uniquely positioned to actually bring that to them.

In terms of independent financial advice, there's a lot of discussion around how their business model will change and so on. I think this is historically one of our stronger relationships and I look forward to developing that relationship. I think we have the relationships, the capacities to actually work very strongly together with this distribution channel to continue to add value to their clients.

The third part is our internet based banking platform. I will go in to some detail on this because I think it's quite unique to our region and I think it's something that we hopefully can at least draw some learnings from for the rest of the Group.

*Slide: Nordics at the top in retail e-technology – Skandiabanken at a top position*

If you look at the Nordic region and also I see there are some people from Sweden here but for the rest of you, I think there's some unique data that will be quite interesting to have. 86% of the Swedish population uses the internet once a week. 71% do their banking services over the internet, so the penetration – and only 7% of the population has never used the internet - so the penetration and usage of this type of technology is extraordinary in this part of the region. And I think one of the key messages that we, that we have a unique capacity in one of the most developed markets and I think that's an important learning and a capacity that we have within the Group.

*Slide: Skandiabanken: Highest rated brand in Norway*

When we talk about the internet and so on, we always say this technology, drive down costs, self serve and so on. What we've actually done and I want to try and make the link here that we have our Skandia banking platform in Norway that was started in 1999, actually as a development out of Sweden, it was launched in Sweden in 1994 but the Norwegian businesses continued that focused approach and we got this award this spring where we actually were the most reputed and respected brand in the Norwegian market out of all brands. So second to us is Toyota and third is Ikea. I think that's quite an extraordinary achievement in ten years and it shows actually the capacity that you have if you use these tools in this way of communicating, you can build some really, really strong client relationships. What we are looking to do is actually to try to do the reverse. We're trying to take some of that Norwegian experience and sort of bring that back to Skandiabanken in Sweden, where it actually exists and to sort of crystallise the value of that capacity that we have there.

I think we have a strong platform there to build out of Sweden. If you ask our clients, 50% of our clients in the Skandia banking platform, actively recommends us to their friends and family so we have a strong base. We're not really where the Norwegians are yet but I think this is a strong message. And in a step to that we actually appointed Øyvind Thomassen the CEO of Skandiabanken for both Norway and Sweden, where we've tried to bring them together in a stronger way.

*Slide: Highly rated banking concept and excellent life business*

Another component that we have of course our distribution channels but we have also, over the years an extraordinary product breadth and quality in product. And I'm just listing here some of the awards that we have been winning. Best Life Company of the Year 2010. Best Unit Linked Company 2009. Best Customer Service 2009. So we have an extraordinarily strong distribution capacity and different interface where the client can meet us as they want and we also have a strong product platform to build out of.

*Slide: Higher distribution efficiency by using new standardised advisory model and investment framework*

What will be one of my challenges or one of the challenges for me and my team is actually how do we bring this together to unleash the value of the Skandia franchise in the Nordic region and one of the things that we're quite proud of and they're now in the piloting phase in launching, is how do we combine this product knowledge, together with this and still bringing real advice and strengthening the relationship to our client base. And we have launched something that we call the seven step model, which is basically a standardised advice model, where we can assure the high quality of advice and the client can choose how to meet us. It can meet us through the internet, through the internet combination with over the phone advice or face to face combined with the internet. So the client can actually choose on how to reach us and I think this would give us a unique opportunity to really bring financial advice in an efficient way to the vast client base that we have. So we're in quite a unique position.

I'll perhaps not talk too much about the competition but if you look at the competition that we have, we have some large banks that distribute through their branch networks. Those branch networks they're converting into basically to advice outlets. On the other side there's on-line driven business. I think we have the combination and the strength of those two so I'm looking forward to driving that forward.

Of course, when we are in this Group and as we work for Old Mutual, I would like to point out when we talk about banking, we really like the distribution and the relationship capabilities that the bank has. I think it's extraordinarily strong in building a relationship with our clients. We basically get into the pocket of the client. We see the flows and we build that interaction with him.

*Slide: We are dedicated to improve operational and capital efficiency*

However, we do not want to build a very large banking balance sheet, so we're actively working with different solutions on how we can scale up the distribution relationship capabilities, while managing effectively our balance sheet on that side. Our target is 12 to 15% return equity on the bank, as for the Group. We have struggled a little bit in Sweden over the last couple of years because the interest rates market has been extraordinary small in that region.

*Slide: Taking position*

Okay. So some type of conclusion on this. I think we have, as I said, a changing market with interesting revenue growth and that we are uniquely positioned to take advantage of that through our customer base, our distribution approach and our product offering. And actually, as a new CEO, this is not my initial speech, I think I've been two weeks at the job, so you need to give me some more time but what I'm looking at is to deliver on what Paul has said is our 'to do', which is basically growing that revenue line and taking advantage of the opportunities while extracting real efficiencies of the organisation and I hope this will start to give you a feeling of the opportunities and our way of thinking and how we will take this business forward. So I'm happy to take some questions if you have any.

*Title slide: LTS Showcase*

PAUL HANRATTY: Great. So, do we have some questions? Colin, you kick off.

COLIN SIMPSON, GOLDMAN SACHS: Just on Skandiabanken please. I understand it's entirely deposit funded. That obviously constricts its growth and constrains its growth and it's got such a great brand. Could you just expand on why you don't want to enlarge the balance sheet and maybe grow it a bit more aggressively?

MÅRTEN ANDERSSON: I think for the most, Old Mutual and Skandia is primarily an investment, savings and pension provider, that's our core business, that's what we do well. I think that we need to figure out ways to use the banking platform in a more efficient way than what we do and currently, it's very hard for me to answer exactly what that path is going to be but as I said before it's going to be use the relationship capability better, use the transactional platform well, whilst sort of efficiently managing our balance sheet and actually what the conclusions out of that work is going to be it's a little bit too earlier for me to present.

PAUL HANRATTY: Okay, are there any other questions? Risto. You are going to demand that Finland is also part of … (interjection)?

RISTO KETOLA, KETOLA RESEARCH: No I'm glad to leave the Swedes alone. You speak about de-accumulation products. Now, are you planning on doing unitised annuities or are you going to actually do traditional annuity products where you take longevity risk?

MÅRTEN ANDERSSON: In terms – okay, the pay out part. I think today and I think Marek can probably answer that better but today we are not in the shareholder owned company, thinking about taking longevity risk, it's not in our immediate plan but it's something that we will be investigating … (interjection)

PAUL HANRATTY: It's actually a good question because I think in most of the Skandia businesses there is some reluctance to assume mortality and longevity risk but you'll have seen from Andrew's work that actually, we believe that actually desirable to take that risk, obviously, provided it's properly managed and priced correctly because it has some attractive attributes.

RISTO KETOLA, KETOLA RESEARCH: Would the Liv Link agreement also make it a bit more complicated to decide where you write the business?

PAUL HANRATTY: Yeah, possibly. Yeah. Shall we take one last question on the Nordic market. Has anyone got a question? Brian.

BRIAN MUSHONGA, CREDIT SUISSE: You seem comfortable to have Skandiabanken as a, some sort of distribution channel. A greater level of comfort than you had with Nedbank within the Group. Could we assume that this would be a viable distribution model with Skandiabanken, that you could export to Africa, South Africa … (interjection)

MÅRTEN ANDERSSON: I think we're working on that. I think as I said, I think the distribution interface and how you work in that sort of business model, particularly how we've done it in Norway is extraordinary and potentially could be applicable to other markets, whether the banking platform as such.

PAUL HANRATTY: Well I think maybe we should answer it. It's unfair to ask you. Myself or Andrew. Andrew, do you want to?

ANDREW BIRRELL: Yeah I think Brian, if you recall, earlier today when I spoke about credit risk, you know the second, the biggest risk in the Group that we hold capital against is credit risk in US Life and we're divesting of that business. The second biggest risk that we hold credit against is the credit risk in Nedbank and so, as a consequence of that, you know and that's because we've got this very big retail credit book in Nedbank. I think what we've said is, our objective is not to take on credit risk or excessive credit risk and that's why we've actually, quite consciously asked the guys in the bank not to have a fast growth in advances, even though they are very well funded by deposits and rather to use the Skandia banking platform and model as a distribution, client acquisition and transaction platform. It's a great way to get into people's money flows. We offer a great platform and so customers want to work with us and as a consequence we can stay much closer to the customer and you've seen the consequence in terms of brand, that we've built in Norway, so that is a model that we think has got application else in the Group but I think at this stage, you know, that will be a natural evolution over time.

PAUL HANRATTY: I think you've got to say Andrew, it's fundamentally different from Nedbank because firstly it's retail only, it's a 100% retail deposit funded. The loan to value on the mortgage book is 40%. The impairments, you need a microscope to find the decimal points in the impairment line. But what is actually interesting, somebody asked the question about the internal capital model. Andrew was saying that actually the internal capital model for that business, out of his iCRaFT programme is a quarter of the standard capital that we're required to hold because of the particular attributes of the business. So that will tell you that actually, relatively, it's a much more – you know, and I think the point Andrew made this morning, we're not running away from credit risk completely. It's just how much and where and is it priced correctly. So I think we've got some appetite and I think Skandiabanken is a good model for us in other markets, potentially to roll out. We first need to get this integration of Sweden and Norway sorted out.

Right. Mårten, thanks very much. I suggest we move on. It's our last session before we have Q&A and Steven Levin is going to talk to you about some of the product work we're doing and illustrated with two of our colleagues, Lingde Hong, who you met briefly just now and David Buenfil from ColMex.

PRESENTATION: Exploiting product synergies across boundaries

*Title Slide: Exploiting product synergies across boundaries*

*Slide: Steven Levin – Product Director Long Term Savings*

STEVEN LEVIN: Good afternoon ladies and gentlemen.

*Slide: Agenda*

Today I'm going to be focusing on the case for exploiting product synergies across our LTS businesses. I'm going to start out by sharing the global perspective on products as I see it and what I've seen from travelling around our businesses and then spend some time going through our current product portfolio and our current fund manufacturing capabilities. And then I'm going to talk to you about what the opportunities are, where we think there are key gaps where we can plug over time. And then I'm going to spend some time explaining how we actually we can drive these synergies across the business and then as Paul has already mentioned, we're going to give some case studies, talk about some of the successes we can already demonstrate and then Lingde Hong from China and David Buenfil from Columbia will give us some of the detail that's happening in their markets.

*Slide: Global perspective on products*

Now I've travelled around to all the markets where we have a presence and some others as well and I've looked at the products that we have and that different clients, different players have in these markets and what I've found is that products are actually very similar. Now this may be – some people may be surprised by this but actually, if you think about it, it shouldn't really surprise one because customers the world over are the same. We all have to save for our retirement and when we reach retirement age we need to get appropriate decumulation products to draw down incomes over time.  We need to protect our incomes against death and disability, we need transactional products that we've been speaking about for the last while and lending products and things like that.  So that's one of the key drivers.  Mike has spent some time talking about distribution and we've seen how distribution models around the world are actually very similar and the same forces and trends and issues are relevant in the distribution marketplace.

Then on the regulatory side, we've again, Mike touched on some of this but we see a lot of alignment in the way regulators are thinking.  They talk a lot more to each other, more so than they've ever done before and there's a strong convergence in the themes that regulators are pushing.  And then as Andrew has spoken about, you know, we are seeing risk based capital and a drive to capital efficiency as pushing everyone's product design and structuring of their businesses.  So all of these forces tend to lead to a stronger convergence of financial products.  What is different across markets sometimes is terminology, but one needs to spend a little bit of time figuring out the glossary, the international glossary, but once you've done that, you figure out that, a fund platform, a supermarket, a wrap, a lisp, a unit linked product, they're all the same thing.  But once you get to that level of understanding you start seeing more and more of the commonalities.  Just while we're on the subject of terminology, it's just worth pointing out that some markets use the word product and proposition to mean quite different things.  In some markets, product is a very broad holistic meaning, in others it's sort of generally just refers to a very specific, legal or tax wrapper.  We actually generally are talking about the holistic thing which would be everything the customer and intermediary would experience and I'll use the words interchangeably, but I thought it's just useful to put that in to context.

Coming back to how products differ across the world, there obviously are some local market differences and this comes about from tax differences that do exist across countries and there are still remaining regulatory differences.  Also in some places, there are cultural differences in societal norms but in my experience products are about 80% the same and 20% market specific and it's that sort of ballpark and that's an important thing for us because it really does mean that we can look to take what we've learnt in one market and deploy it in another and I'm going to talk a little bit more about that, how we do it and some examples.

Another thing that's quite interesting is that some markets are ahead of others or behind others in dealing with certain trends and issues.  So for example, we've spoken a little bit today about the Retail Distribution Review in the UK, where the UK market is in time going to have to deal with the unbundling of fees, rebates and commissions on platforms.  In South Africa, in the platform market we've operated in an environment of unbundled fees, fully disclosed commissions and fee based advice on our platforms for at least the last seven years.  So now, when you have things like this with the leads and lags in markets, in different parts of the regulatory environment, you find that you can learn from successes and failures in certain markets and you can take those learnings and deploy them in other markets, doing them quicker, using technology, using the IP and that's an important thing that we find is helpful in leveraging synergies.

*Slide: World class products*

Turning to our product set more globally, we have a very strong product set across many markets.  We are generally regarded as 'best in class' by IFAs and competitors in many of the markets we operate in.  We've shared a little bit of the details already about some of our market shares and I think the market shares in many of our markets bear testament to this fact.  If I look at the South African market as a whole, the South African market is a really interesting one.  It's one of the most innovative markets in the world.  Some specific examples, critical illness or dread disease products and more recently, severity based payouts in these products, that was a concept that was invented in South Africa and it's been exported the world over.  Another thing on the platform side, the South African platform market is probably the second most advanced platform market in the world, only behind Australia, so there's lots of issues that one can take out of a market like that and use in other places. Then turning to our specific companies, both Old Mutual and Skandia, in our core businesses have a track record of very good innovation, at many stages in product development.  And then we've regularly won awards, Mårten was just up here presenting some of them and I'm not going to go and run through a shopping list of awards but you know, we're rated very highly by intermediaries and by our competitors and this is across products, across tools, mostly in independent surveys.  Last month, Skandia in Sweden was also rated by an independent survey of brokers as having the best product range and the best fund range in Sweden, so that just bears testament to what we have across our businesses.

*Slide: Product development structure decisions*

Now, I just want to look a little bit at how one can structure product development within organisations.  On this chart I've got a simple matrix which shows global control on the vertical axis and the degree of capability that one leverages across the horizontal axis.  Andrew started talking about this earlier but Old Mutual really started in a very federal place.  We had very little synergies and leverage across our businesses and control was weak.  And we've done a lot of good things to improve control in our business.  We needed to do this after our Bermuda and US Life experiences but we've really pushed governance within our Group much stronger and we believe now that we're operating in a very well risk-controlled environment.  But my role in an LTS wide product function is actually to move us across the horizontal axis, to leverage our capabilities globally and get the benefits of sharing these ideas and capabilities across our product businesses and I think we can do it in a way that gives us all the benefits, but we don't want to – we're going to be careful about how we do it because we don't want to lose focus with the local markets.  There are obviously important differences.  We have people on the ground in every market.  We're not centralising product or anything like that, we're leveraging our product capabilities.

*Slide: Typical product roadmap*

Now there's no one specific road map as to how one should roll our product across different markets but I think this is a useful way to look at it and what we find that typically works for us is that we like to build a dominant position or a strong position in the savings and pension space.  I think that is the core of probably what a long term savings business will always do and we've got that in many of our markets, as I'll show you.  But then the next step tends to be to expand into a protection offering and Andrew has spoken about that, that it makes good sense from a risk diversification perspective, I'll talk a little bit more about why it makes good sense from a customer and we all know that it's generally a higher margin product than some of the savings and investments products, so it also makes good sense from a profitability perspective.  And then in some markets, once we've built up the dominant position in these two, it may be appropriate for us to expand into transactional and health care related products and we've spoken quite a lot about transactional product and we actually like to think at the Skandiabanken and model and others like that, as a transactional offering, as opposed to a banking offering and I think there's a lot of value in looking at it in a transactional way and as a way of getting to our customers, building relationships with them and creating that stickiness.

*Slide: Current product portfolio*

On this chart, I've taken the typical customer needs and I've put them along the top there and I'm just going to go through all our businesses and look at an assessment of what our products are, what our product capabilities are and then talk through where the opportunities are and how we're looking to leverage those. I'm going to talk to the Nordic and South African businesses at about the same time you'll see in those two businesses we have a really strong product capabilities across pretty much all the customer needs and it's more than just we cover those product needs, we actually do I think almost everything that you would expect a product set in that space to be able to do. So these are very comprehensive products that we have. In the – we've spoken a little bit about Skandiabanken, in the transactional and lending space, Ralph touched on the fact that we have got a small lending business in Old Mutual Finance and we're looking to expand that and enhance that with some transactional capability and our team there is actually learning a hell of a lot from the teams in Skandiabanken and how to do that and how to leverage the customer synergies in that way. The one thing probably in the Nordic business which Mårten has spoken about is that we do need to improve our decumulation offering there and that's something that we'll be looking to do over time.

On the emerging market side, I think we've got solid products in the savings and accumulation pension space. We've got some level of protection products. But what we need to be doing in these markets is we need to be expanding our downside protection offerings within our savings and investment products, so that will be either guaranteed funds or other forms of downside protection, investment options within those products and then we're looking to drive protection as a business, life insurance, in these markets. And in time, I think decumulation is the natural gap that we will look to fill.

Turning to our UK Wealth Management business. Here we've got a really strong platform capability and I think we are investing in that platform, we're continuing to develop it to make sure that our platform remains best of breed in the market. One of the things that we are looking to plug and why we don't think it's a fully fledged solution as yet, is we want to do a bit more work on the downside protected offerings that are available in that platform and that's something that we're working on now. Decumulation is a product in the UK Wealth Management space that in time we do want to add and we're working on ideas as to how we can do that and protection, as we've spoken about before is something that we think is appropriate to add to this product set in time.

Looking at the Wealth Management businesses outside the UK, again we have a very similarly strong position in the platform market but again, we need to look to protection and decumulation and enhancing our downside protected or fund offerings within that product set.

And then finally, in our Retail Europe business, we've got a pretty strong product set in the recurring premium heartland of our retail Europe business. But we again need to add the downside protector, the guaranteed fund offerings and things like that in this market, it's very important in the markets like Germany and Austria and Poland and then decumulation, you can see is a key gap there that we would look to fill and protection again, there's an opportunity that we really believe that we can push in the Retail Europe market.

*Slide: Fund manufacture capabilities*

Now turning to the fund manufacturing capabilities. If we look at our South African businesses, I think we've got pretty much every type of fund manufacturing capability that one could ever need and what's particularly interesting about this market, maybe just to focus on, is that we're experts both in building guaranteed, traditional life, with-profits - whatever you want to call it - solutions in this market and we've done them very, very well and we haven't any operational or loss issues. We delivered very good ROE's out of those businesses. But we also have a strong skill set in what I would broadly call 'other downside protective product', which would be things like CPPI solutions, ALM solutions, hedged things, structured products and all of those capabilities and so with those two product sets and I've spoken a little bit on the previous slide about how there's a big need to enhance our downside protected offerings, we've got both those levels of experience in our South African business and we can look to deploy that in different markets where it makes sense, where customer needs meet better with one of those two.

Speaking more generally about our investment capabilities, we are very good at building risk profile solutions, some of them have been mentioned, we've got Spectrum in the UK, Skala in Nordic and we've got a comprehensive range of risk profile solutions in South Africa as well. We're also very good at selecting managers through robust 4P processes and then blending those together in to multi management solutions. So I think we're pretty well covered in our fund manufacturing capabilities.

*Slide: Driving product synergies across LTS*

To summarise I think that I've shown that we've got some really good products, constructs and capabilities in some of our core markets and then there's some amazing opportunities to take those and leverage them further, in some of the markets where we are quite narrow in what we do at the moment. And as we broaden that out, we think that we'll be able to deliver a lot of value. And we believe that we can do this with a strong focus on group collaboration, by giving us quicker times to market, lower implementation costs. We can avoid the mistakes that we and other players have made in other markets. We can design better solutions, we think we can do it with higher margins. So that's actually the driver of the strategy that we're looking to exploit here.

Now obviously adding new product brings you extra sales and VNB and that's great, but there's more to it than that. What we find is that as you expand your product range, make your broader product offering, you get the benefits of cross selling to customers. You improve customer and advisor retention. You get to leverage your distribution. Distribution is an expensive commodity to build up and what we do is by leveraging distribution more fully, we get much better economics in our business. So that's a really important thing for us and one of the reasons why we need to broaden our product set.

Now we're not naïve in how we're going to do this. We realise that there are going to be lots of challenges. There is significant IT complexity, there are legacy systems involved. There are cultural and regulatory differences in all these markets. What we're doing is we're assessing each opportunity on its merits. Our solutions can range from providing expert consulting, peer review, just passing intellectual property from one business to another, through to exporting parts of products, parts of IT systems or constructs from one market to another, right through to a full scale deployment of an end to end proposition that we've got in one market in to another and David is actually going to talk to us a little bit more about something that we're doing in that space at the end to end proposition, which is actually very interesting and exciting. But I think it's important to know that one has to be pragmatic and look at the right opportunities for the conditions in the markets.

Lastly, I just want to touch a little bit more on the product IT platforms. Product IT platforms are obviously a critical part of this and it is something that we are working on and looking at closely but I just want caution that we're not blindly trying to build one product IT platform for Wealth Management across the world and we're going to do it in the next three years or anything like that because we've seen some of our competitors try this and generally they've failed in style doing it. It's a very difficult thing to execute and there's a lot of risk involved but Richard and I are working really closely to see where it makes sense to leverage our product IT capabilities and where we need to leverage our synergies, more from the intellectual property side and there are stages and sections in these things. And what we realise is it's a journey.

*Slide: Some recent successes*

I think it's now just appropriate to share some of our successes and it is early days in what we've done but one example is in December last year we redesigned our Mexican savings product with some of the expertise that we have and design expertise from our South African business. You will have seen in the first half of this year, we delivered a 40% increase in sales in Mexico in the first six months. In China, one of our best product development actuaries from South Africa is on secondment in China and he has been working with the business in China and he's been very instrumental in building some really good products in a short space of time. And I've been very impressed with what our Chinese business has been able to take to market.

Then we've already spoken about our Skandia UK platform business being run off South African IT, in our South African IT systems. This gives us a lot of flexibility instead of using off the shelf systems, which some of our UK competitors use. On the ALM side, we've got very strong ALM and risk management boutiques in South Africa and we've leveraged some of these already and I think there's a lot more we can be doing to leverage those capabilities into some of our businesses in Europe.

And then SIG in particular has been strong at sharing some of the fund and guided architecture capabilities across our platform businesses, so mostly around Europe and you'll see some of those in the appendix at the end. And then as I think has already been mentioned by Bob, we are about to launch a really innovative new down-side protected fund offering in the UK, which we think is going to be a market first and I look forward to that being launched in the next few weeks.

At this point I'm going to hand over to Lingde who is going to take us through some of the developments in the Chinese market.

*Slide: Lingde Hong CEO Old Mutual–Guodian Emerging Markets, LTS*

LINGDE HONG: Thank you Steven. Good afternoon. My name is Lingde Hong, CEO of our business in China, now branded as Old Mutual-Guodian. Let me tell you a little bit about myself, I am a qualified actuary in North America with more than ten years of life insurance experience in the Western market. I'm also a qualified actuary in China, with more than ten years of experience in the Chinese market and our business in China is a very exciting story. I'm sure there are a lot of interest among all of us based on the corporate activities, generated by Prudential and AIA. The life insurance market in China is growing rapidly and in 2009, we wrote USD100 million worth of revenue and this year, based on our projection year to date, we'll be growing 50% more than last year. We are also growing faster than our joint venture cohort, so that's a very exciting story and at this moment our business is mostly single premium business and we distribute through banks and brokers to our high end customers. We are well on our way to achieving fast growth and we are - our achievement of profitability will depend on our speed of growing skill as well as our additional offerings. So to this end, I'm very happy to share with you our vision, some specific product offerings that are leveraging through the works of

Steven and I would like also to tell you a little bit about our joint venture partner and opportunities the partner brings to us.

*Slide: Presence*

So our joint venture was established in 2004. Then it was the first life insurance joint venture headquartered in Beijing. It was between Skandia and the Beijing State Asset Management Company. So earlier this year Guodian Corporation purchased the Beijing State Asset Management Company's share, we'll call it BSAM share, so they are our new shareholder now. Right now we are operating in Beijing but also in Shanghai, Guangdong, Jiangsu and Zhejiang region. This is the east coast of China where people are much more wealthy and the population is fairly dense, so that's the market we're in. We believe that the chunk of area we operate in, covers about a half of the wealth in China and this year, we'll also be opening a branch in Chongqing. And we mainly offer insurance wealth management solutions to high end customers, mostly high net worth customers and the products are unit-linked products in single premium format.

We also started offering regular premium protection products through our tele-marketing channel and our competitors are local companies such as China Life and Ping An but there are also joint ventures such as Aviva, Axa and Generali. Based on our number as of July, the premium based market share for the JV market is 1.5% and we rank about 17th out of 28th in the joint venture. And I would like to emphasise that our strength is in the high end market, with our average policy size is about five times of the market.

*Slide: New partner*

Earlier this year we have completed a transaction by Guodian, that is China Guodian Corporation, they purchased the BSAM share and I'd like to tell you a little bit about them. Guodian is one of the five largest power generation Groups in China and has got more than 100,000 employees throughout China. It is mainly electric power generation company. Guodian stands for state electricity and our joint venture is held through its financial arm, its financial platform called Guodian Capital Holding Company. Our partner brings three key advantages to the joint venture. Number one, it's got an excellent government relationship that will help us in operating business in China. Number two, it has influences on our major distribution channel, that's the banks because Guodian is an important bank customer. Number three, it's got a large employee base as we see, will be an excellent starting point for us to launch their work site marketing distribution channel as referred to by Mike Harper earlier on.

*Slide: Vision: to be the choice of high-end customers*

A little bit about our vision. Our vision in China is to be the long-term insurance provider of choice for the high end market. As of now, we are the only company focused in this market and so that's why we're different from all the other companies and this also allows us, you know, to play from our strengths which is established through our unit linked products and which also give us a very good professional image in the channels, so the banks are comfortable, referring their high-end customers to us.

A little bit more about the high end market. Basically, as we say in China, where there's obviously a huge population and you can see that we segment the market in a way you can see we have basically divided the market into high net worth. We estimate there is about 50 million of high net worth individuals. They are defined as individuals with a liquid asset of about USD 30,000 in each bank account.  But we don't know how many bank accounts they have.  I'm sure the average is much higher. And this is the way the banks tailor them.  So we reach these type of customers through our banks VIP distribution relationships.  And also we estimate there will be another 100 million of high net income customers which have healthy, disposable income and they are the potential future, high net worth individuals and we reach them through credit card data base of the banks and we distribute our protection products through telemarketing channels to these customers.

In addition, we are also focused on the high end corporations, such as Guodian our partner and they have very strong market positioning and good profitability and their employees tend to have healthy income and that group of employees will be an excellent target market for us to start our work site marketing distribution.

Our goal is to capture the potential of this high end market by leveraging our professional image established by our earlier works and unit linked products.  We would like to sell a high VNB products and serve customers specific needs and also we would like to emphasise that our distribution will be focusing on a efficient distribution, that is through needs generation, through our referrals, utilising the affinity bond between our distribution partners and their customers.

*Slide: Product collaboration*

As I mentioned before we are in the process of making more product offerings and also trying to offer our product through additional distribution channels, so I would like to give two examples.  One of them is earlier in this year, we have offered a traditional life insurance product through telemarketing channel, basically it's a return of premium products with a critical illness rider and we leveraged this design of this product from OMSA's Greenlight severe illness product design.  So this allowed us to be able to launch this product much faster and get it quicker to the market and we were able to launch this product successfully along with a new telemarketing channel, so that's a very good story to share.  Another example is in 2011, we plan to launch our worksite marketing initiative with Guodian's employee base and in that initiative we will be offering individual savings and protection products which once again, we'll be leveraging off of the designs currently offered in the OMSA product suites.

*Slide: Leveraging Old Mutual experience*

As you can see now, we have two good examples of how we leverage from our product streams, as discussed by Steven and also our distribution techniques, discussed by Mike and as a whole, our product design utilised a robust, you know, product review and Old Mutual approval process which is currently being adopted throughout LTS business and I am very excited about the synergies formed from Old Mutual's extensive life insurance expertise, long term savings product expertise, as well as Guodian's strong local presence and I believe that Old Mutual-Guodian is well positioned to be the provider of choice for China's high end market.  Thank you.

Now let me hand the podium to David.

*Slide: David Buenfil CEO Colombia/Mexico Emerging Markets, LTS*

DAVID BUENFIL:  Good afternoon.  My name is David Buenfil.  I am responsible for the operations in Columbia and Mexico, which over the last year we consolidated in to one single operating unit.  We used to have two separate country specific management teams, now we have one single management team for both countries, aside from the sales side which still has independent sales directives in each country. We did this specifically to achieve synergies, mainly on the revenue side because we'll see we have two different segments that we attend in these two markets.

Okay, so what we call this unit, we called it COLMEX, so we got really creative and said: Columbia, Mexico is called COLMEX.

*Slide: COLMEX: developing markets have significant potential*

So in COLMEX what we're trying to do is to extract the most value from the markets, where we do see there is a large un-tapped potential. Today, we're positioned in the second and third largest countries in Latin America and in these markets people are consistently experiencing wealth creation. After many years of really stable market economies and we learned from all the past crises of the '90s and we came out pretty nicely out of this financial crisis because of a lot of implementations by the regulators and the governance.

We do see some nice growth rates and we think those growth rates are going to continue over the future at above 5% and these markets today are really bank dominated, particularly by in Mexico, multi-national banks, particularly the Spanish and CitiGroup and in Columbia, we actually have local banking conglomerates, leading the market with very poor products towards customers. So they really push products, as Mike had mentioned earlier.

This gives place for a good opportunity for long term savings. The long term savings market in these two countries combined, it's about USD800 billion. If we take specifically the businesses we're in and the market segments we're attending, we're really talking about USD150 billion. Now we're fairly new in these segments so we really only have less than 3.5% market share today, but we're growing very rapidly, so this allows us to be in a very nice position for the future and at the same time the financial system is pretty sound, which makes us feel more comfortable on how to proceed.

*Slide: Current position*

Okay, so what's our current position. So in COLMEX, as Paul mentioned earlier we have a nice balance between generating cash and also having excellent potential to grow. So the cash is generated in Columbia, which is a much more mature market for many years of being there and then we're growing a lot faster in Mexico, and that's particular because we didn't really have any products sold in Mexico until 2003, so we really are very new into that segment and you heard from Mårten who actually was there at the start, and I was partly working him there. So we've had a long history of working together. So the nice thing about working together with Old Mutual and taking the abilities that we have in these markets is that we've been able to grow a very nice, leading reputation in the market, as one of the most innovative product producers for the market and we're really focusing on two sides of the market. One is the retail side, which really does retirement solutions, savings products, insurance with savings, so far, and mutual fund investments and then we have the corporate side of solutions, where we're doing asset management mandates, we're doing defined contribution and defined benefit administration and on the distribution front, we've had a very nice history of building our own distribution and particularly because there are really no third party IFAs because the banks dominate the markets and they tend to not let other people's products into their shops because it's still a very push oriented market and the regulator doesn't have a problem having the bank selling their own products.

So we've been able to invest in the training so we have what we call the Skandia University for Latin American, which trains our advisors and we're positioned as the best advisors in the market, which obviously is the envy for a lot of these large multi nationals. So what we've done is we've been able to grow it but at the same time as you grow organically, our reach is quite limited. So today we're selling to less than 6% of the targeted population in Columbia and less than 1% of the population in our segment in Mexico.

So our competitors as I mentioned are these banking groups which have specific business units to attend the insurance market, the pension market and what we've been doing is cherry picking which segments we want to participate and now working with Old Mutual, we're trying to look at exactly what products can best serve those parts of the market.

It is however a challenge to make sure that we keep our employees motivated because we're getting a lot of our competitors seeing us as a threat, sort of trying to poach a lot of the employees, so that's one of the big challenges that we have at this time.

*Slide: Proven advantages of working together within LTS*

Okay, so what are some of the proven advantages and some of the examples of working together with LTS. We've been able to learn from past experiences in the Group, which minimises our risk of making mistakes but also we really become much faster at introducing products because we are reusing the actuarial knowledge that Old Mutual already has, the existing IT and operating platforms and we're basically trying to let the Group help us with those opportunities and taking our time to focus on getting the regulator to approve our products, so it's at 80%:20% that Steven was mentioning earlier.

In addition to that, because we have this sort of central view of the products, we're able to make sure that the profitability of the product fits the ROE requirements that the Group is asking and it makes us feel more comfortable about whether a product can be successful or not for the long term.

*Slide: What have we done already?*

Okay, so so far some of the examples of what we've done in the last six months. So, we've been able to integrate our corporate businesses in Columbia and in Mexico. We took the same platform that was running in Mexico and we actually installed it in Columbia and we're running both businesses out of one single platform, based in Columbia, but the development is being done in Mexico because that's where we had most of the expertise for the corporate business. This has allowed us to save costs and also become more efficient as we grow. This past month we actually, two weeks ago, just launched our first own managed funds in Mexico, before we used to only distribute third party funds and now with the support from Columbia, which is a very highly reputable asset manager, we were able to launch our own funds in Mexico, which are much more customer friendly but also, and very importantly have given us higher margins as we operate.

We also, with the support from OMSA, were able to launch in three months a lower premium regular product for affinity groups. This enabled our distribution to really increase their productivity and get us higher up on where we want to be and this is what the support for example of the mass retail business that Marshall heads and he sent someone directly into Mexico to work with us for a the launch of this with the Mexican military. So this is a very nice story that we hope to start cultivating even more business very soon. If you want to know more about this come and talk to us at the fair.

*Slide: Pipeline*

Okay. What's still to come? We have, as we try to capture more share of wallet from our customers, we're really kind of busy working on how to launch new products and the following are some of the initiatives that we have with the support from long term savings. So we're going to, for the first time ever introduce a risk only product, we typically only had savings with insurance, now we're going to have pure risk product and this is expected for July 2011 and this is going to be based on the Greenlight product and it's going to be run out of South Africa, so we're really going to focus on the sales and we'll let South African do a lot of the administration. We're also taking our experience in Mexico, where we'll be introducing into Columbia, a regular premium product for the pre-affluent segment. This is a market segment for which we lacked product in the past. We also started the design of a smoothed bonus investment offer, with the support from OMSA and this has been extremely successful in South Africa so we're really convinced it will also work great for COLMEX. And we also have a Royal Skandia offshore offering for our Columbian clients on its way and it should be introduced by January.

*Slide: Well positioned for the future*

Right, so as you see I'm excited about this business. I think COLMEX has a great future. The integration with emerging markets has been very successful and very smooth and I'm very proud to say I think that Columbia and Mexico are two very successful stories for Old Mutual and this has a lot of the reason behind it is some of the innovation on product, the customer focus, the entrepreneurial culture that we have as a team and the passion to really get things done in Columbia.

So thank you very much and Paul will come up and lead the Q&A session.

*Title Slide: LTS Showcase*

PAUL HANRATTY: Great. Thank you very much David. Are there any questions for our product teams? Michael. Let's give you a couple of questions.

MICHAEL CHRISTELIS, UBS: I do actually have two. The first question Steve, you made a comment that you know, that collaboration allows you to come to market faster with new products. Surely that contradicts what you said earlier about the fact that you've now got this group wide approval process, which I would imagine must delay the launch of a product rather than speed it up. So surely one of those two don't seem to add up.

STEVEN LEVIN: I think the Group wide approval process is actually a fairly quick process. You know, Andrew does comment about sometimes how he gets these things in the afternoon and he has to approve them that night, by the next morning, which is probably a bit unfair on him. And I also have to give approvals of the products before they get to Andrew but we really do try turning things around within a week or so. So you know, what we expect is, the business units themselves have to go through the local approval process, which typically means that the Chief Actuary in our local business needs to have approved something and it would then come up to the next level and we'll go through it and it really doesn't take that long.  Specifically also, in my role, what I'm looking to do, I'm not like a check point at the end that approves products, that is part of my role but I'm working with the businesses all the way along.  So if there are issues that are problems or things we're not happy with or if the risk profile doesn't fit with what we actually want to be doing, we surface these things very early and so we actually shouldn't get to points where we've spent months working on something and then we've got to spend another couple of months debating on whether we do want to launch it or don't, that we don't let that happen in our Group.  Andrew wants to comment a little bit further.

ANDREW BIRRELL:  I think just to reiterate, you know we've taken an approach that says we want to be can-do people, so we want to find ways that people can actually bring out product.  If there are new innovations and we think that they're possibly going a bit too far on the risk spectrum, we try and find ways to restructure that product with Steven and the BU teams and we work very closely with the businesses, so there's a parallel process happening.  As Steven is working on product with the BU teams, they're telling us about what they're doing so we can raise our concerns along the way and that's a fast track for how we get there.  We've had a couple of products where we've just said no. There's no way we can get this thing to work.  We just don't understand how we can manage it.  Let's not go any further down the line.  But most of the products we've been able to find ways to make them work.

PAUL HANRATTY: Brian...  I offered you two?

MICHAEL CHRISTELIS, UBS: It's a holistic view I guess.  Everything that was said in this last presentation and most of the day actually has spoken a lot about what South Africa has to offer the rest of the Group but I don't see that much that the rest of the Group has to offer to the South African business, is that a fair representation.  I mean is there very little that can actually be exported into South Africa from the rest of the Group or am I missing something.

STEVEN LEVIN: I think what I want to get across is that we do have a really strong business in our South African market and maybe because I come from there, maybe I was slightly biased but I really do believe that is an important part of it.  But to answer your question specifically, we don't think this is one way traffic at all.  I mean some of the stuff that Mårten as got in Skandiabanken, as we look to build a transactional business in South Africa, we're taking the Skandiabanken model, we've had our people over in Norway, in Bergen which is in Norway, for some time on the ground and in other parts and in Stockholm, working on what's being done there. Spending a lot of time on the customer metrics and things like that, so we're taking that knowledge back and there's some stuff, there's a product that's being launched, that I mentioned, which we're about to launch in the UK market which is a downside protected product which is really innovative and we would look to take that product to the other markets in Europe and probably to the market in South Africa. So there are several examples, we certainly don't think it's one way traffic.

PAUL HANRATTY: Right Brian.

BRIAN MUSHONGA, CREDIT SUISSE: Two questions.  Just in terms of product development in the different business units can you give us an idea of which business units have had the most push back in terms of this new product development framework.

STEVEN LEVIN: I don't think we've really had push back. I think different business units are at different levels of maturity in their product development processes. Some business units are, they're actually forming a queue, when can you come, when can you help me, things like that so it's more a case of, actually I could tell you who's been even more enthusiastic than the next one. So some, in many of our businesses and it's no criticism of our businesses, we've started out – you know our Nordic business and our South African business have 150 plus years of history. That means you have a mature product set. You've got enough resource to have built the stuff. In some of our other markets, we've only been in those markets for twenty years or thirty years, sometimes even only ten years, so those businesses are really keen. Jonas sitting in the front here, in Retail Europe he's really keen for us to come in and help with expertise in his business. David and Lingde both are very accommodating to get the expertise and synergies out of the other parts of the Group. We're not having, look it still is early days, I've been in this role for a couple of months but I'm not having any problems or pushback where no one wants to play or follow the strategy.

BRIAN MUSHONGA, CREDIT SUISSE: Your business in China, the JV, why the change in JV partner? Who initiated that and what can we expect that's different in the next six years compared to the last six years?

PAUL HANRATTY: Okay, may I can answer that question and Lingde if you want to add. I mean although our previous partner was called Beijing State Asset Manager which led you maybe to believe that they were asset managers. Actually their job was to manage the Bird's Nest, the Olympic stadium and their brief as a state owned enterprise was to play in the sport and environment and they got told very politely by the government in China that they were in the wrong business, financial services wasn't their game. Now you can say, what has the power company got to do with it but these things are not driven by us. So we've effectively been through a process and we have a new partner who does have a financial services business and is keen to grow and expand it and I mean they made their own deal on their own terms, in terms of price and so on. So it's not.. (interrupted)

MIKE HARPER: the other thing is we have an established investment programme. (off mic)

PAUL HANRATTY: But we, we obviously need to invest in this business to grow it and we now have a partner who also has the ability and is allowed to co-invest. I'm going to bring this to an end now because we need to get in to the final Q&A, so guys thank you very much. I wonder if I could ask Bob, Jonas, Mårten and Kuseni to come and join us at the front please and maybe Andrew as well. We may as well get our money out of the £100 million iCRaFT programme.

*Slide: Q&A*

So I think we're now in to the final straight. We have obviously asked some questions along the way, but I think this is for the next maybe ten minutes or so if there are general questions about the day, anything else you'd like to cover. Once we finish here, you will have the opportunity again, if you still have the appetite after a long day to meet our people at the fairs or just outside. Do we have any takers? Right.

GREIG PATTERSON, KBW: Sorry one is the product development. I've just been in China and I went and saw all those competitors you mentioned and one of the biggest, the local players were having I would define laughing at the JVs saying that the average payback was eight years and that once their partners found that out they generally put on the brakes in terms of capital. I wonder if you can give us a feeling in terms of your budget, what the payback in terms of years, and the expectation is that. The second question is with regard to taking on downside protection. Obviously vols have spiked quite materially now, so I mean I assume if you passed full downside protection onto the client it would be an unpalatable product so is it true to say that you'll be taking on some of this risk and can you give us a feel for how much downside equity protection risk to shareholders or the increase that shareholders will be taking on in the next sort of coming period.

PAUL HANRATTY: Kuseni, do you want to deal with the China issue or do you want to ask one of your?

KUSENI DLAMINI: I'll try and deal with it and ask Mike to add a bit of flavour to it. I just want to deal with your question in terms of how we see the breakeven time for our business in China. We're looking at a period around 2014 as a breakeven period, going forward and think Mike can be able to add a bit of flavour to that.

MIKE HARPER: (off mic) from the perspective of being squeezed out by the state owned insurers, that said, the proposition we have, the markets we want to operate in, the segments of that market that we want to operate in and the way we want to invest in it, does create an opportunity to drive value. Guodian themselves are very interested in a reasonably quick payback from an investment perspective. The debate that we're still having with them is if you go and invest heavily in tied distribution, inevitably your payback period is going to be longer and I'll touch on that aspect later. But the business that we're writing at the moment and if we continue just to evolve the current single premium investment business that Lingde spoke to you about, then 2013 looks plausible, 2013, 2014, from a breakeven in terms of the business. Clearly, if we invest more heavily into building distribution in different markets, that's going to change.

PAUL HANRATTY: Okay and the second question is probably Andrew. Do you want to talk about downside protection?

BOB HEAD: Shall I start? So in the UK, we are doing a protected product rather than full down-side protection and that basically guarantees 80% of the highest price the mutual fund would actually reach. And basically, there's quite room for massive asset allocation, so we have about sixteen different indices we can invest in and as long as the twenty day volatility is more than 8%, sorry for all the technical stuff, then the product is protected. The risk is actually carried by a bank, not ourselves. You've got settlement for differences and all those things, but if the bank actually goes down, the customer actually carries the risk so the product is actually, the risk elements aren't actually carried on our balance sheet at all. So that's that particular new product and by the way, I'd just like to make one comment about the product development process. It's actually quicker than what they actually said. They're the central guys, we have to actually go through them. It's actually quicker than what they actually said and actually it adds value as well. Just so you know.

PAUL HANRATTY: Ok, we're going to go to the lines now.

OPERATOR: I have a question on the phone from David Danilowitz from Nedbank. Please ask your question now.

DAVID DANILOWITZ, NEDBANK CAPITAL: Paul, Dave here. Can you hear me?

PAUL HANRATTY: Yeah Dave, we can hear you fine.

DAVID DANILOWITZ, NEDBANK CAPITAL: Great, thanks very much for taking questions. I have two questions. One, first of all for Mårten. If you could just give us the sense or a bit of an up to date on the regulatory changes going on in the Swedish and in the Nordic markets, specifically with respect to the occupational pension side and what his views are that could affect margins going down the line. That's the first question. And then second of all, to Bob or Peter. Just in terms of the UK, certainly you propose various product enhancements down the line. You talk about protection, decumulation products etc. Is there a view internally, the speed to market, why we take a long time. Do you have a sense of any desire to buy. Clearly the market would have questions on that and do you know what type of entities would be a focus? Is it more on distribution or is it more on manufacturing?

PAUL HANRATTY: David thanks. Mårten, do you want to kick off with the answer to the first one.

MÅRTEN ANDERSSON: Yeah, we talk about regulation in general in the Swedish market and bear in mind that I'm reasonably new so I hope that I'm not stating something incorrectly, is that you will see that between different product lines, different type of tax incentive and so on, will be more and more equalized. So the difference between a life wrapped or a different type of account would be more and more similar and I think in the retail space, I think we are very well equipped to deal with those type of regulatory changes and actually it presents quite an opportunity for us going forward. So I think that fits quite well. When it comes to the sort of occupational pension market, as I said before, we see a clear tendency towards more of a employee choice, almost a migration over to retail type of relationship, where of course brand and price will become more of an issue than it has been historically, which has been more sort of product and advice. We are going through how we are going to play in that market. We see it as a very gradual change and I think we can look to maintain very healthy margins for the foreseeable future so we're not, I think in a very bad space, I think we are in quite a good space and I think we're looking at how to develop the relationships that we have so I don't foresee an immediate drop in margins in the corporate space.

PAUL HANRATTY: And David's second question. You remember it. Fantastic Bob. Are you going to repeat the question for all of us who've forgotten it?

BOB HEAD: Basically, are we going to do acquisitions to actually improve speed to market and diversify and all those things. So, the focus at the moment has been really about getting the business into health, so we've talked about expense savings, we haven't really talked about what we've done to the systems, improving robustness, resilience and all of those things and we are commencing our work to actually think about how we actually get out of just being a pure commodity play. So we are looking at different distribution models. We've spent a lot of time with our South African business acsis, which has got an interesting business model and we're looking to see how transportable that is for example. Thinking about other particular models. We're thinking about what we're actually going to do down towards the fund management end and develop SIG further without necessarily moving into fund management per se, but just thinking about how we actually develop that business and very much the debate we've been just hearing about in terms of product width. We are also talking about what we can actually do there and so it's all internal, not looking for an external acquisition at the moment, that would just be too much to bear in terms of just what we actually have to do, particularly in the UK.

And I think the other thing is there are functional enhancements that we can actually do within the product set we've actually got. So if I think about decumulation and those sort of things, we can stick enhanced functionality to actually make sure that we actually retain that business and manage it off over time.

PAUL HANRATTY: Bob, thanks very much. David, I hope that answered your questions.

DAVID DANILOWITZ, NEDBANK CAPITAL: Paul, that's great. Thanks.

PAUL HANRATTY: Andrea, have we got any other questions on the line or from the web? No. Okay, we'll come back here. Are there any more? Blair.

BLAIR STEWART, BoAML: Thanks very much. Just following up on a question I asked earlier, I asked you what proportion of your IFAs are RDR compliant and you said at the moment, very few. What proportion of your new business in the UK is done on a ol commission basis and how does that affect the payback profile, relative to the business that was done on a commission basis? That's the first question. I've got a follow up as well.

PAUL HANRATTY: Where is Peter.

BOB HEAD: Peter has gone to Southampton to carry on working. I'm just about to follow him, to actually go and find out the answer to the question. I've got absolutely no idea.

PAUL HANRATTY: Blair, if I had to guess, I think the answer is zero but I might be wrong.

BOB HEAD: Well actually, when we actually say RDR compliant I think the IFA community is on a journey between actually selling products to actually managing people's wealth or helping the customer to actually manage their wealth. So I don't think Peter is actually quite right in actually saying nobody is RDR compliant and people are moving much more to a trail basis going forward, rather than upfront commissions and all those sort of things.

PAUL HANRATTY: I think Peter was referring to how many people have written the exam.

BOB HEAD: Oh ok.

PAUL HANRATTY: Factually he's right, it's zero.

BLAIR STEWART, BoAML: I don't care about the exams, I was talking about how much you pay them?

BOB HEAD: In terms of how much we are paying them?

BLAIR STEWART, BoAML: Yeah, are you still paying up front commission?

BOB HEAD: On the platform we don't pay the commission. That comes out of the money before we actually put it onto the platform.

BLAIR STEWART, BoAML: So it's nil commission.

BOB HEAD: Yeah.

BLAIR STEWART, BoAML: And the move from paying commission to nil commission, what did that do to your pay back periods?

BOB HEAD:  Ooh.  I'm looking at Mark Satchel at the back there, whether he actually knows the answer?

PAUL HANRATTY:  The payback periods, maybe I should answer because I've seen your pay back periods and your pay back periods are pretty reasonable I think and the IRRs are pretty decent on the new business on the platform.

BLAIR STEWART, BoAML: Pretty reasonable, pretty decent, I'll try and contextualise that.

BOTH TOGETHER

PAUL HANRATTY: Well we could help

BOB HEAD: I mean are you talking about capital repayment periods as well or are you just – I mean on an IFRS basis the thing in the first year just about washes its face and doesn't really make a big dent to IFRS earnings and then it produces earnings going forward.  And on a capital basis, what we're actually looking at is around about, I'm looking at Mark again, about 12% IRR in terms of cash flows.

PAUL HANRATTY:  It's more than that.

MARK SATCHEL: (off mic) where it is now the payback period is sort of less than five years, easily on it – including the internal acquisition cost.

PAUL HANRATTY: Does that help you Blair?  It's surprisingly short the payback period I think by UK standards and I think the IRRs are also good.  Any other questions?  Larissa.

BLAIR STEWART, BAML: Sorry, I did have a follow up.  The other question was you've got twice the level of platform assets compared to anyone else in the market and yet you're still not profitable.  Have you had a look at the cost base in terms of benchmarking it with others or are you structurally, subpar in terms of your expense base?

BOB HEAD: So just to correct what you're saying, which is dangerous I know.  The asset base is both the old platform legacy business as well as the new platform.  So it has got a mixture of the two of them, actually within that and the legacy stuff is hugely profitable and the new business is on the edges of profitability.  So it does actually make money.  In terms of benchmarking, there has been a whole load of benchmarking done, sort of on a micro level to actually look at unit costs, amounts of control and all those sort of things, when we're actually throwing out the numbers and clearly, we actually look at people like Co Funds, Hargreaves Lansdowne at their cost base as well.  We're not absolutely identical, it's not easy to see some of the things that are actually happening in some of the numbers and we struggle to see how one or two of our competitors actually make quite so much money out of the platform business and any help you can give us would be gratefully received Blair.

PAUL HANRATTY: Right. Larissa, you've got a question.

LARISSA VAN DEVENTER, DEUTSCHE BANK:  Actually regarding your comments on the payback period and IRRs for the UK Wealth business.  Can you comment to what it's looking like in the South African business and over the next three years?

PAUL HANRATTY: We don't publish IRRs and pay back periods, which is kind of the hole we're going to go down now if we let this conversation continue but clearly, it is something we're looking at very closely in our businesses, as to get decent payback periods and IRRs. So I think it's something we can look forward to in the future, that may be the sort of information that we have to disclose.

LARISSA VAN DEVENTER, DEUTSCHE BANK: From the comments that you made earlier about the lack of surrender penalties in the Skandia book and the volatility you expect in the market until the RDRs are coming into effect, should we take that to mean that the more predictable growth is going to be out of the South African region, or which regions are we you really looking to show a strong output trajectory in the next two to three years.

PAUL HANRATTY: Well we still believe that we will grow the profits strongly out of Bob's business and maybe Bob, you want to talk about the outlook for profits in your business. But I don't think, I mean clearly the legacy book is running off quickly and that's what you have alluded to, but Bob, we're still very optimistic about what we can do because I mean we're driving the top line fast and the expenses down.

BOB HEAD: Sure. I mean I think it was slide twelve, the Risto slide, I mean effectively was what we actually went through and how we expect the business to actually develop over time. In terms of growth, then I'm optimistic there, just because of the way our offering actually competes against some of the more traditional offerings, so I think we've got a good prospect for growth. The only thing that worries me – so strong proposition, strong model, the thing that worries me is just investor sentiment is the thing that concerns me.

PAUL HANRATTY: Maybe the thing that can help you is if you look at the targets that we gave on ROEs, you should be able to work off those. But we're not going to sit here and give you profit projections for the different businesses.

BOB HEAD: We did actually Paul.

PAUL HANRATTY: You did.

BOB HEAD: I did, sorry.

PAUL HANRATTY: Greig. I think we'll make this the last question and then we'll wrap up.

GREIG PATTERSON, KBW: I'll put on my bull hat for a moment. Just these tax changes that are coming up, here on Thursday, the simplification of tax. Do you see that boosting UK sales into let's say next year? The other one is just a clarification, sorry to be so anal about this but you know, you used the terminology, the new businesses on the edges of profitability and then in the previous breath, we had spoken about 12% IRR, payback of less than five years and excluding the cap requirement – effectively zero on new business strain. Those two statements don't tie up. What am I missing there, if you could just explain?

BOB HEAD: So, on the first point, are you talking about 'I' minus 'E'?

GREIG PATTERSON, KBW: I'm talking about simplifying the cap on the pension contributions £40k, this Labour Party hybrid charge to pension legislation. (unintelligible)



OLD MUTUAL

BOB HEAD: Sure, I can't answer that one specifically, I'll need Peter here for that one, although I do recall that we are generally optimistic about just simplification in general because it's just going to be easier to actually do business. On answer to the IRR, when we look at the IRRs, we're actually looking at the product loadings, rather than the actual expenses, so there is – that's how we construct the product profile and so we in our own internal accounts, we actually show ourselves as an expense over-run, which is the thing we're actually managing down to.

GREIG PATTERSON, KBW: So the IRRs are not really IRRs.

BOB HEAD: No.

GREIG PATTERSON, KBW: (off mic)

PAUL HANRATTY: But you've also got one-off restructuring costs and you've got development costs at the moment that are coming through.

BOB HEAD: Well you have all of those things but I mean basically the platform is not at scale so basically by the 2012 number the platform should be actually generating those numbers.

GREIG PATTERSON, KBW: (off mic) … 2012 …

BOB HEAD: Yes

PAUL HANRATTY: Right. I'm going to wrap up now and thank you all very much for coming long. I hope it was a worthwhile day. We tried to do something that would give you some quick insight in to all the businesses. We really appreciate you coming and as I say, if you would like to outside, you'd be very, very welcome to grab people and have a chat and I'd really like to thank everybody here for their participation and Andrea, to you and your team as well for helping do all the arrangements. Thanks very much and good luck.

APPLAUSE

END OF RECORDING