NORDIC SALE CONFERENCE CALL 2011
TRANSCRIPT

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15 DECEMBER 2011

Operator Thank you for standing by and welcome to the Old Mutual plc conference call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session, at which time, if you wish to ask a question, you need to press * and 1 on your telephone. I must advise you, this conference is being recorded today, Thursday, 15th December, 2011. I would now like to turn the conference over to your speaker today, Julian Roberts, Group Chief Executive of Old Mutual plc. Please go ahead, sir.

Julian Roberts Thank you very much indeed. Good morning, everybody. Welcome to the call. Thank you for joining us at short notice, particularly those in South Africa who are probably packing up, getting ready for the Christmas holidays. I hope you've seen the announcement we've made this morning regarding our Nordic business. I appreciate that you won't have had the chance to fully absorb the details, so let me summarise briefly the points of the transaction, and then, of course, give you a chance to ask questions. As normal, Philip Broadley is sitting with me here on the call.

So, let me give you a summary. We've agreed to sell to Skandia Liv our businesses in Sweden, Denmark, and Norway. Those are the three businesses which collectively we have always called Nordic. We're selling for a gross cash consideration of £2.1 billion, SEK 22.5 billion. This is a transaction which creates value for both Old Mutual shareholders, and also Skandia Liv's policyholders.

Let me just set the Nordic business into context. Pro forma net assets at 30th June were £1.7 billion, and the MCEV was £1.9 billion. For the six months to 30th June, the business recorded an Adjusted Operating Profit before tax of just over £60 million.

It's probably also worth my explaining what Skandia Liv is and does. It's the second largest life assurance company in Sweden, with customers in Sweden and Denmark, and policyholder assets of around 300 billion Swedish krona. Although it is a wholly-owned subsidiary of our Skandia business, it is operated on a mutual basis, with any and all profit accruing to Liv's policyholders. It is not, therefore, consolidated into our results.

As part of the transaction, Skandia Liv will be established as a stand-alone entity, so it will be separated from Old Mutual, and on completion, the Nordic business will be transferred into that entity. Following the sale, the combined business will be able to unlock synergies which were not available to Old Mutual to the same extent, due to the restrictions that arise from Liv's particular corporate and legal structure.

The transaction was initiated not by ourselves, but by the independent board members of Skandia Liv, who approached us a short time ago. Liv has now completed its due diligence, and therefore, we have this binding agreement. The consideration is payable on completion, and the transaction is not expected to give rise to a tax liability.

As you'd expect, the transaction is subject to regulatory approvals. It is not subject to a policyholder vote. In addition, because of its size and nature, it also requires approval from Old Mutual shareholders. It's a Class 1 transaction, and our current intention is that we'll issue a circular to shareholders in February of 2012.

We intend to use the proceeds to accelerate the repayment of group debt and to return surplus capital to shareholders. Clearly, we need to reassess our debt repayment plans in the light of this transaction, and therefore, the quantum, timing and mechanic for the return of funds is still being finalised. You'll have to wait, I'm afraid, until the shareholder circular for more information.

Following the sale, Old Mutual will retain ownership of, and will continue to use, the Skandia brand in markets outside Sweden, Denmark, and Norway. In those markets, the brand will be owned and used by Skandia Liv. So, there is no impact from this transaction on any of our Skandia-branded business, apart from, as I say, Sweden, Denmark, and Norway.

The Old Mutual board believes the transaction represents very good value for Old Mutual shareholders, and is in their best interest. Accordingly, the board is recommending the offer.

So, you may ask, what does the divestment do to Old Mutual's strategy? Well, in March 2010, we set out a three-year strategy to enhance value for shareholders and customers. I said that our aim was to build a long-term savings, protection and investment business by leveraging the strength of our capabilities in South Africa and around the world

Today's transaction does not change that strategy. We have made and continue to make significant improvements to operational efficiency across all of our businesses. We've streamlined and simplified our group, and have been clear that we will continue to do that where appropriate and where we can create value by doing so. This transaction is consistent with our strategy. It creates value for shareholders. It is another step in the reduction of complexity, and it enables us to focus our efforts more intensely on those parts of the long-term savings business where the greatest opportunities and the greatest synergies are available. We think the deal represents very good value for shareholders and illustrates clearly the huge value inherent in the Old Mutual group.

Ladies and gentlemen, that concludes my summary. Philip and I, as usual, are happy to take any questions. Over to you, operator.

Operator

We will now begin the question-and-answer session. If you wish to ask a question, please press * and 1 on your telephone and wait for your name to be announced. If you wish to cancel that request, please press the # key. Once again, to ask a question, that's * and 1 on your telephone. Please stand by while we compile a list. Your first question comes from Jon Hocking of Morgan Stanley. Please go ahead.

Jon Hocking

Morning, everyone. Philip, could you just remind us, please, of where we are on the debt restructuring target, and I think you mentioned sort of 0.3 billion at the first half. Can you just remind us what was said at the third quarter? Thank you.

Philip Broadley

Well, actually, I'll give you an update following a separate announcement we made on Monday. We have repaid debt, or given notice of our intention to recall outstanding debt now totalling £600 million. We have about £300 million of available cash today. So, between debt repaid, intention to repay given to the market, and cash available, it's somewhere between 850, 900 million against the target of 1.5. A number of initiatives I outlined at the half year, including the various transfers of our Emerging Markets businesses from their present ownership within the group to Emerging Markets, those continue. So, I think that gives the context against which we make the comment today that we will use proceeds to reduce group debt, and then to return surplus capital arising from the transaction to shareholders in due course.

Jon Hocking Can I ask you a quick follow-up? What are the considerations in terms of the form and quantum of the capital return? Is there any requirement to retain any cash at the group over and above the debt reduction target?

Philip Broadley I think we will need to look at the debt reduction target again in the context, again, as I've always set it out, that it was not an end in itself, but a means to an end of improving hard interest cover. Clearly, we are losing the value of Nordic's earnings - say, about 100 million a year, just keeping it simple - and cash dividends of, obviously, a smaller amount than that. So, it may be that we will factor that into account. Clearly, also, markets remain uncertain, and this gives a context also to think about our capital in continued uncertain times. Finally, in terms of mechanisms, whatever we do should be, in my view, very definitely equitable to all shareholders, and we do have, as you'll know, a very large share register in South Africa of relatively small shareholders. Together, they're probably somewhere around 6%, 7% of the register, and anything we do by way of return of capital is something that they should be able to participate, as along with everyone else.

Jon Hocking Okay. So, one last question. So, are you, is it possible that you increase the debt reduction target, given the loss of earnings and the environment? Is that effectively what you're hinting at?

Philip Broadley If you certainly… I mean, yes, at the very least, we should reassess the debt reduction target for the loss of Nordic earnings to ensure that we retain a hard interest cover of at least three times, which has always been our goal.

Jon Hocking Excellent. Thank you very much.

Philip Broadley Thanks.

Operator Your next question comes from Blair Stewart from Bank of America, Merrill Lynch.

Blair Stewart Thank you very much, and good morning, guys. Just one question from me, and I'm not sure to what extent you'll be able to comment on this. But, to what extent have you looked at the buyer's ability to finance this transaction, and could you comment on how you see the risks of them not being able to finance the transaction? Thank you.

Julian Roberts Yes, Blair, we very much went through those issues to make sure that we could have certainty of the transaction. We have gone through the details, and we know what plans Skandia Liv has to produce the cash on completion, and we're very comfortable that there is no issue.

Philip Broadley In their own press release, which they have been put out this morning, and I'll quote from the English version, you'll be pleased to know.

Blair Stewart Thank you.

Philip Broadley It accounts for approximately 8% of Liv's total investment portfolio of just under SEK 300 billion, and their current solvency and debt coverage ratios significantly exceed the requirements of the Swedish Financial Supervisory Authority. The transaction's well-balanced from a risk perspective, and will only have a marginal impact on those key metrics.

Julian Roberts And let me add, Blair, just for clarification. So, what they're doing is, this will become part of their investment portfolio, and because of that route, that's why they don't need a policyholder vote, because it's coming as part of their assets. So, the key thing for us was to understand how they would realise part of their investment portfolio to be able to pay for that, and those plans are fairly straightforward.

Blair Stewart Okay. Very good. Thank you very much.

Operator Your next question comes from Risto Ketola of Standard Bank. Please go ahead.

Risto Ketola Yes, morning. Trying to follow up. Is Old Mutual providing any warranties in terms of performance of this asset, or is the whole 2.1 billion basically, you know, free to use by plc shareholders immediately?

Philip Broadley It is free to use.

Risto Ketola Okay. And then I can, I might have misheard you earlier, but you said something about the nature of the shareholder pattern, having South African shareholders will affect the way you redeploy excess capital? Can you maybe just say that again, or maybe explain to me what you mean by that?

Philip Broadley What I think I said, and you can listen to the playback later and see if I can do it exactly right twice consecutively.

Risto Ketola Word for word.

Philip Broadley What I think I said was that anything we do, we want to be equitable across all of our shareholders. We have about 6% or 7% of the register held by small and, indeed, loyal shareholders in South Africa, and anything we do by way of a return of capital should be accessible by all. So, to elaborate further, shareholders who, let us say, have 500 or fewer shares will find it difficult and expensive to participate in a share buyback, and we would take that into account in deciding what we might do. Does that answer your question?

Risto Ketola It does, very clearly.

Julian Roberts And just to clarify, they are very important to us because they're nearly all customers, and so, therefore, we want to make sure we look after our customers.

Operator Your next question comes from Colin Simpson of Goldman Sachs. Please go ahead.

Colin Simpson Hi. Good morning. Does this transaction have any implication on your corporate centre costs, excluding interest?

Philip Broadley There is already a cost reduction target for the head office, and clearly, we will need to look again at that once the transaction is completed.

Colin Simpson Would you go as far as on commenting on how much the Scandinavian business sort of takes up of the head office function?

Philip Broadley No, and we don't really operate in that way. The various functions, you know, are the opposite of geographic; i.e., there is a risk function, there is a finance function. We don't manage in the way that I think the question implies.

Colin Simpson I thought as much. Thanks very much.

Philip Broadley Okay.

Operator Your next question comes from Marcus Rivaldi of Morgan Stanley. Please go ahead.

Marcus Rivaldi Good morning. A couple of questions, please. I'm just trying to think about what this means for wider strategy and where you're looking to be operating longer-term geographically. I appreciate this proposal did not come from you.

Julian Roberts We've lost you, I'm afraid.

Marcus Rivaldi Hello?

Julian Roberts Ah, right, you're back again.

Marcus Rivaldi Okay, great. Sorry. I'll start again. So, I appreciate, obviously, this transaction was not initiated by yourselves, but just thinking, what does this mean for wider group strategy going forward, particularly geographically where you'll be operating? Should we, are there question marks about other jurisdictions where you operate, particularly the UK? And then, secondly, I appreciate you do have some operations globally in Lat Am and Asia. Do you feel you need to maybe use some of these sale proceeds to invest and grow those businesses going forward? Thank you.

Julian Roberts Yes, the first thing I'd say is, if you look at the nature of the group, you know, we are definitely not changing the strategy that we've laid out as focusing on long-term investment and protection. So, there is absolutely no change to the strategy. What is interesting, and the observation, I think many of you know this already, there were very few synergies from the Nordic area into the rest of the Old Mutual group. Whereas, you know, you take Europe where we're processing things in South Africa, we've got product exchange across much of the group into

Latin America. You know, the UK business is taking product from South Africa, the IT systems. So, very much what we have got is integrated and works together as a unit. Sweden didn't. The value uplift in Sweden, moving forward, was more about getting the different businesses in Sweden operating more efficiently. So, absolutely, there is no change, and you shouldn't read into any change in the strategy. Skandia UK is an absolute key part of, you know, our group moving forward, and is not affected one iota. I think part of the reason of turning around and saying, we want to accelerate the debt is, it is quite clear the debt target is taking up all of our resources. You know, we have turned around and said we would like to have a progressive dividend policy, we'd like to look at opportunities to improve our businesses. But as we're fixated on repaying the debt, that is in our sight. So, there is flexibility, I think, moving forward in due course to, you know, to look for ways to improve our businesses. But I think you all know, I much prefer organic growth than any other route, and you can rest assured that this is not going to be used to suddenly go on a mega acquisition trail. Absolutely far from it. I think we've made this very clear statement that money is going to be returned to shareholders. So, we will keep looking to improve businesses, but we'd like to get the debt reduction target down. We'd like to restructure the balance sheet first.

Marcus Rivaldi Thank you very much.

Operator Your next question comes from Gordon Aitken from Bank of Canada. Please go ahead.

Gordon Aitken Yes, morning. I have three questions. Firstly, an issue you've had is, a great, I mean the greater proportion, of the cash generation comes from South Africa, but the debt sits outside of South Africa. Now, post this transaction, please comment on the ability for the South African and the non-South African businesses to stand alone. So, that's the first question. So, secondly, you talk about both debt reduction and returning surplus capital to shareholders. What do you see as the optimum gearing ratio? And finally, you've talked before about a desire to reduce your exposure to banking. Does this deal change that?

Julian Roberts Let me do the third one, and then I'll let Philip comment on the other two. As I said, there is absolutely no change in our strategy, and therefore, there is no change in our strategy in respect to banking.

Philip Broadley So far as the first question is concerned, the existing debt reduction target was designed - is designed - to bring the debt servicing capability of our businesses outside of Emerging Markets, if you like, into balance with the outstanding debt. So, I suppose the implication from that to your question is that that structure would permit the businesses to stand alone, in the sense only of managing their cash flows. Nothing else is implied, which I think perhaps your question intended. And to the second one - an optimal gearing ratio - my honest answer to that question today is, I don't know. As indicated in the release, and in Julian's remarks, this is a transaction that has been considered in a relatively short period of time, and we do need to work through the implications for the group going forward, and we will communicate more about our intentions in terms of use of proceeds and, clearly, the justification for that in terms of gearing and other measures, in the circular. So, I'm afraid you'll have to wait for that.

Gordon Aitken Thank you.

Operator The next question comes from James Pearce of UBS. Please go ahead.

James Pearce Morning everybody.

Julian Roberts Good morning.

Philip Broadley Morning.

James Pearce Couple of things. First of all, it looks like your dividend cover is around three times a couple years out. Does it need to be so high now that you've de-risked the balance sheet, is the first question. And second question, it feels like you're guiding us to a billion of special dividend. I mean, how does that look in terms of IGD surplus? What would the IGD surplus be after this deal and the debt repayment, and what target surplus are you looking to carry going forward? You used to have a target on this of, I think it was 750 million or something. Thanks.

Philip Broadley Okay. On FGD, the target that we have spoken about before was to have a minimum of £1 billion. That was a target that we set and communicated some time ago when we had the US Life business, and of course, the shareholder carried the risk of the investment portfolio. So, a £1 billion target in absolute terms remains something that I'm comfortable with. Clearly, the transaction will have some impact on both our capital requirement and on our available resources. So, if you think in terms of us having coverage, of a coverage ratio, let's say, of somewhere between 135%, 140% at the moment, after the transaction has happened, that will drop, because we'll no longer have the net surplus from the Nordic business. So, it would probably be more like 130%. One would still be comfortable with that, because, as you say, an element of risk, albeit a relatively modest one, is removed with the transaction. So far as dividend cover is concerned, does it need to be so high? I think it is important to recognise that, in setting that cover guidance some time ago, the board has taken into account, still, the volatile markets in which we operate. You know, we are, as a group, our earnings are sensitive both to equity market levels in the UK, Europe, South Africa, Asia. We are sensitive also to currency movement, particularly the Rand in terms of our ability to pay the dividend. So, the ratio is deliberately conservative, perhaps, having regard to all those factors.

James Pearce So, the 130 solvency cover, is that where you think it's going to land once you've both received the proceeds, repaid the debt, and done any capital return?

Philip Broadley Yes.

James Pearce Okay, great. Thanks.

Philip Broadley Any more?

Operator Your next question comes from David Danilowitz of Nedbank Capital. Please go ahead.

David Danilowitz Morning, all. Thanks very much. Actually, a few of my questions have already been asked and answered, but just one question to get a bit of clarity in terms of, tax, you already said it, isn't expected to be any tax payments due from this. When you, so maybe just a reminder of tax legislation, or how you set this up initially. When you first did the transaction, did you have to identify the value of each of the individual businesses, or from a tax perspective, you saw those as one? And again, because if I back out the numbers, it looks like you'd have to be… sorry, I was actually just doing the calcs now, but it looks like you'd actually have to have said that Nordic was a significant portion of it not to be a tax consequence.

Philip Broadley I think you're making it overly complicated. There are rules, both in Sweden and the UK, regarding substantial shareholdings within a group, so effectively you can almost regard it as an intergroup exemption, in addition to which, separately and further, in making the comment we do about expecting it to be tax-free, there are capital losses also available to be relieved. So, you don't need to go down the route that you were suggesting about allocating value or, in the sort of construct that you seem to be suggesting.

David Danilowitz And those tax losses are within the transaction itself, rather than necessarily Nordic *per se*.

Philip Broadley I'm not sure I understand that. There are tax losses available to the group.

David Danilowitz To the group as a whole. Okay. Thank you.

Operator Your next question comes from Francois Du Toit of JP Morgan. Please go ahead.

Francois Du Toit Hi, Julian. Francois here. Sorry, I've just come from the airport, so I might have missed some of the information you've given. But, by my rough back of the envelope quick calculations, this boils down very close to embedded value you're paying. Is there any part of the business as valued in embedded value that's material, that isn't included in the transaction? I think it's Nordic Bank that you valued about £300 million, and then 200 million of NAV that was allocated to that business, and the rest was value of in-force. Are there, the Nordic Bank is fully included in the transaction as well, right?

Philip Broadley Yes is the answer. We are selling all of the businesses that the shareholder owns in the three countries. That includes Skandiabanken in both Norway and

Sweden, and that's set out in the release, the pro forma MCEV from Nordic as at 30th June 2011 was £1.9 billion.

Francois Du Toit Okay, but where the, where the Pound, that's, I think, or the Swedish krona has strengthened about 10% against the Pound. We are at about just slightly more than £2 billion now.

Philip Broadley Whatever you say, Francois. The number I'm quoting is the consideration and the MCEV at 30th June.

Francois Du Toit Okay. And no material movements that you'd like to guide for in the EV, or in the valuation of these businesses, anything…

Philip Broadley Nothing further that I would wish to guide you on, other than the numbers set out in Appendix 2 of the release.

Francois Du Toit Thank you.

Operator Your next question comes from Larissa Van Deventer. Please go ahead.

Larissa Van Deventer Good morning. A quick question about the net asset value and the MCEV value. They seem, the net asset value seems quite high at 1.7 billion relative to the MCV of 1.9, particularly with the sense of what is included in that NAV. Is there a lot of unit-linked business? Or why are the two so close, considering that we have seen growth and profits come through in the Nordic region for the last couple of years?

Philip Broadley There is a, the Skandia business is unit-linked. That is the nature of the shareholder business. It's the nature of the arrangement that has always existed between Liv, which has written traditional business, and Link, which is, which has, been as its name suggests, unit-linked. So, the net asset value contains both goodwill and in-force value. So, not sure there's much else I can guide you on.

Larissa Van Deventer Okay, so, it's the good will included in there that would compensate for the VIF - is that a reasonable assumption?

Philip Broadley I think that's probably right, yes.

Larissa Van Deventer Thank you.

Philip Broadley You know, if you were later to look at page 64 of the interim results pack, you'd see the segmental reporting for Nordic that gets you to net assets, and getting on to half of that is goodwill and intangibles.

Larissa Van Deventer Perfect. Thank you very much.

Operator Your next question comes from Johny Lambridis. Please… from Element Investment. Please go ahead.

Johny Lambridis Morning, Julian. Morning Philip. Just a quick one. Presumably now there is no rush to IPO the US Asset Management business, given that the debt reduction targets will be comfortably met. Is that something you've given some thought to now, or is it still too early?

Philip Broadley There was never any rush, your word, to IPO the US Asset Management business. We always said we would do it at an appropriate time.

Johny Lambridis Okay. Thank you.

Operator Your next question comes from Andy Hughes from Exane BNP Paribas. Please go ahead.

Andy Hughes Hi, guys. A couple of questions, if I could. The first one is, I don't think there was probably anyone who nearly fell off their chair when they saw the price, so congratulations. I guess, could you talk a bit about the synergies from the other party's perspective, because obviously, particularly with it not going to a vote from policyholders, as to why the kind of price is where it is, because it seems certainly, relative to where the sector's trading, a relatively high price. And the second question was about, other business that aren't included in the transaction, which may now become non-core. So, I think you mentioned the Finnish business is excluded. Is that also now non-core, and therefore going to be disposed of pretty soon? How big is that? And also, perhaps Germany, maybe some of the other European businesses. Thank you very much.

Julian Roberts Let me draw your attention on synergies. Again, if you can get hold of their release, they turn round in there and say they expect to generate additional value for customers as Skandia Liv's true cost synergies, which are estimated by Liv to amount to approximately 350 million SEK, as well as through revenue synergies through enhanced growth potential and cross-selling opportunities within the new Skandia group, which over time are estimated to be approximately 500 million SEK. They, you know, they are their own forecast served what those synergies are. We haven't gone into a great deal of detail. That's why they were willing to offer the price that they were willing to make. So, there's no real further clarification. But, you know, t is quite clear that, you know, they already share the same building. They share certain infrastructure. And now, really, they're at liberty to make that work more efficiently. We also believe that more joint marketing of the traditional assurer with the linked business, and also driving the use of Skandiabanken would offer synergies, and I think that's what our own thoughts were, and clearly, they feel the same in there. But I can't go into any more detail, apart from refer you to what they said in their statement. I think, as far as the rest of the group, you shouldn't read anything into this at all in the rest of the group. We're today just focusing on the businesses run from Stockholm, which are the Swedish business, the Nordic Bank, and the Danish business. All other businesses are run, in effect, from London, and therefore outside the deal.

Andy Hughes Okay. Thank you very much.

Operator Your next question comes from Asanda Notshe of Mazi Capital. Please go ahead.

Asanda Notshe Good morning. Thank you very much. Just a quick one. I just wanted to ask, at this stage, are you able to let us, or to tell us, whether the 300 million payment that would come from the sale of the other Emerging Market businesses into OMSA, if that's still going to go ahead in light of this transaction. Thank you.

Julian Roberts Yes it is. I discussed that back at the start of the call. The specific transactions that I discussed in August, Colombia, Mexico, China, India, those continue as planned. And since the last update, further progress has been made on those transactions in terms of submission of regulatory filings and so on and so forth. And indeed, you will find, within our release, specific mention of the transaction involving the Chinese joint venture, as that, through historic reasons, has been owned by the Nordic business, and we set out there that we remain and continue to be in the process of transferring that stake, subject to regulatory approval from the Chinese authorities.

Asanda Notshe Is that, does that mean at this stage that the South African, the OMLACSA board, has approved the transaction, or is that still an ongoing process?

Julian Roberts Clearly, the transactions would not have been announced had they not been considered by the OMLACSA board. Final decisions will be made in accordance with normal governance processes when the regulatory approval has been obtained.

Asanda Notshe Thank you very much.

Operator Your next question comes from Francis Daniels of Anibok Investments. Please go ahead.

Francis Daniels Thank you. In light of the revised debt repayment plan, is it possible that there might be early redemption of the perpetual subordinated debt instrument, especially when you consider the requirements of Solvency II?

Philip Broadley It is too early to make any comment about the balance sheet structure once the transaction has been completed. As I've already indicated, we will work through the implications of the transaction and comment more to shareholders in the circular, and we will make decisions about debt repayment and the precise mechanisms we use at an appropriate time when we have the cash to enable us to execute those decisions.

Francis Daniels Thank you.

Operator Your next question comes from Lionel Trigalou of Insight Investment. Please go ahead.

Lionel Trigalou Hi. Good morning. Just wanted to know the £100 million or just under that, that would be lost in terms of earnings, how much does it equate in terms of, if that would be lost, in order for you to reduce the debt, by how much would it have to, would you have to reduce it in order to, you know, keep the cover over three times?

Philip Broadley I can't give you any more detail. As I've already indicated, we will work through exactly what the targets should be and communicate those in due course. In the meantime, I think you can, you know, you can bear in mind what you can, you can work out what £100 million in earnings, what, you know, what the denominator ought to be to keep a ratio the same, but I'm not giving any more guidance today.

Lionel Trigalou Okay. Fair enough. Thank you.

Operator Your next question comes from Marius Strydom of Bank of America Merrill Lynch. Please go ahead.

Marius Strydom Hi there. I think one issue that hasn't been coming through in the questions relative to the purchase price for the business is that part of the transaction is Old Mutual ceding control of Skandia Liv to a new foundation that will be set up. In the due diligence process, and in the negotiation process, was any premium put on the loss of control as part of this transaction, over Skandia Liv, that is?

Julian Roberts The structure they set up and the price that we have got is an all-inclusive price taking everything into account, Marius, so there is nothing separate. This is the all-in price.

Marius Strydom Thank you.

Operator Your next question comes from William Hawkins of KBW. Please go ahead.

William Hawkins Hi. Thank you very much. Two questions, please. The first one. This has already been asked, but I want to ask it again. Could you give us any more up-to-date indication of what the MCEV is of this block of business? I appreciate what you said. I appreciate 1.9 billion at the end of June. But the world has moved on quite a lot since then, so this must have been a core part of the due diligence. Could you give us an indication of what the book value is that compares with the consideration you're getting? And then, secondly, I just wondered if you guys have got a judgement on what your return on investment has been in this block of business. It was a relatively clean acquisition five, six years ago. This is a relatively clean exit now. I guess, again, you must have thought about it. So, directionally, what do you think has been your return on investment?

Philip Broadley On the first question, I am not giving any more guidance on MCV other than that which was provided at 30th June. Our internal considerations of price and value are exactly that, internal. You will see the year-end valuation in due course.

William Hawkins So you can't even give us a September update.

Philip Broadley No.

William Hawkins Hmm.

Philip Broadley You can judge the transaction on its own merits, and I think those are clear.

Julian Roberts And I think, when it comes to the second, you know, it's clear, you can go back to five years ago, that the value that we have, we've placed on buying the business, I think, since then, you can see, we have actually quite substantially improved the Nordic business, and particularly the Skandia UK business, turning it into the leading platform. We've had good dividends out of the Swedish business, and I think, if you go back to the purchase price and look at the imputed value that is left on the rest of the Skandia businesses, you will come to the conclusion the Skandia deal has been a good deal, and this exit price confirms it.

William Hawkins Great. Thank you, Julian.

Operator Your next question comes from Neill Young of Coronation Fund. Please go ahead.

Neill Young Hi, good morning. Just to clarify, I see in the statement you say this doesn't require policyholder approval, but does this require some sort of special regulatory approval, given that it is effectively a transaction between related parties?

Julian Roberts It needs the regulator, the Swedish FSA, to agree, and as you can assume, there have been conversations before the thing goes ahead, but it does have to go through a formal Swedish regulatory process. I think it has to go through a competition authority, and then the only other piece that has to go through is, of course, it's a class 1 transaction. So there's no more further work to be done. They are just the approval's needed.

Neill Young Okay, so we, is that a standard regulatory approval that any transaction would need to go through, in other words?

Julian Roberts Correct.

Neill Young Okay. Thank you.

Operator Your next question comes from James Pearce of UBS. Please go ahead.

James Pearce Hi. Could you give us your best estimate of the timing of completion, when you'll get the cash from the buyer, and what the possible timetable for the capital return could be, please?

Julian Roberts Well, what we're, I think we've already said we anticipate, with the way these processes go for a Class 1 transaction, that we're aiming for the documents to go out at some stage in February, and then completion will take place in, you know, in, during March, after the requisite number of days after posting and everything going through. So, we're looking for completion during March. We still have work to do on the mechanism for returning capital and that process, so I can't comment right now on when the return of capital would come to shareholders. That will have to wait until the circular comes out.

Philip Broadley And we will give you an update on the mechanism no later than 9th March, when you join us in the presentation suite as usual for our results.

Julian Roberts Ladies and gentlemen, I think that's all the calls that I'm told we've got on the line, so let me sum up. So, the sale of our Swedish, Danish, and Norwegian businesses to Skandia Liv, we believe, is a win-win situation. It's good for our shareholders, and it's good for policyholders in Sweden. It creates one of the largest customer and bank and insurance groups in Sweden. We intend to use the proceeds to accelerate the repayment of debt, and we'll return surplus funds to shareholders. Our strategy is unchanged. We are committed to building a long-term savings, protection and investment business. Philip and I look forward to talking to you again in 2012, but can I wish you all a good and relaxing Christmas. Thanks very much indeed.

Operator Let us conclude our conference for today. Thank you for participating. You may all disconnect.