CAPITAL MARKETS DAY
TRANSCRIPT

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OLDMUTUAL

Bruce Hemphill: Good afternoon everybody. Pay attention please, Rob, Peter? Good afternoon everyone. I hope the air conditioning is going to be working here this afternoon because it's a packed house which is great.

So welcome to you all and welcome to our Capital Markets Day. A particular welcome to those who have travelled from far away and also to those of you joining us via the webcast and on the phones.

I'd like to emphasise at the start of day, as I did at the AGM, that the managed separation of the group is a very complex undertaking and is subject to a number of conditions, and we're going to cover this in more detail later on.

Now, we've got a lot to get through so let me start by taking you through the running order. I'm going to start with a reminder of why we embarked on our strategy of managed separation, a strategy which I believe provides a huge opportunity to put our four businesses on a path from good to great. I'll then give a brief overview of our key markets and why I believe each of our businesses is well positioned, and I'll then hand over to the four chief executives to talk in more detail about their businesses.

Before we conclude, Rob Leith, our Director of Managed Separation, will talk about our approach to executing the managed separation.

Now we aim to finish by 5.30pm and for those of you who want to stay, there will be some beverages and some light entertainment provided upstairs. The presenters will be there - and that's not the entertainment to which I'm referring – as well as some of their senior management and I would encourage you to use that time to press them on issues or questions that you have.

Now, I believe that we start from a position in which we have four strong businesses. However, these businesses sit within a structure, a group structure, that traps value with the PLC structure that is costly to run, where there are limited synergies between the businesses, and very little alignment of the investor base. Our end state is one in which those businesses are independent and owned directly by the shareholders who best understand them and who are best able to value them. So we are putting the businesses on an accelerated path to long-term sustainable earnings and striving to deliver faster growth. And we're going to do this by building the required capabilities and changing the operating models if necessary. This would involve change to people and boards. And I think we have a unique opportunity now to speed this process up. And I'm hoping and I'm confident that each business will come out of this process with the right operating model, the right footprint, the right cost base, in order to succeed in their chosen markets.

Obviously in the cases of OMAM and Nedbank which are essentially independent already, most of that is in place, so I'm mainly talking about Old Mutual Wealth and OMEM. I think this is an opportunity for all of these businesses to focus on what they are doing, and I would like to think that they will all come out of the MS process in better shape than they went in.

So I see the PLC, my team, as your and the stakeholder representatives in this process. We're a bit like private equity owners securing long-term growth, driving out costs and getting the businesses in shape to stand alone. And we believe our strategy of managed separation is the optimal route for the creation of value for our stakeholders over the longer term.

Now we have five building blocks of positive value: four businesses and central assets, as shown on the left hand side of this chart. We want to increase the size of those blocks which we believe will come from delivery of enhanced business performance and businesses delivering great standalone ratings, and then on the right hand side of the chart there are the blocks of negative value, and we want to decrease the size of those blocks, so we are taking out head office costs, materially reducing holding company debt, and outside the group structure our businesses will lose the drag of a conglomerate discount.

As I've already said, our four businesses are strong. I believe they have great prospects and I believe that they are well positioned in attractive markets. OMEM has a leading position in the South African savings and protection market with an integrated model that can be exported to other African countries. The business serves a very broad spectrum of customers. Nedbank has commercial and corporate strength and offers strong risk adjusted returns. South Africa faces cyclical headwinds in the short term but over the longer term there are structural growth opportunities. As we know, such as Swiss Re have explained before, the rest of Sub-Saharan Africa has a significantly lower level of financial services penetration, particularly in our core growth markets within East and West Africa. In the UK, the wealth management market is vast and it's growing rapidly. Old Mutual Wealth is really well positioned. It has a unique collection of assets across each element of the value chain, and there are opportunities to further integrate these assets. The business announced NCCF for Q3 this year of £900 million and funds under management up to £119 billion. This is a credible outcome in the period of volatility following the BREXIT vote in the UK, in the seasonally low quarter with a very tough comparator last year. OMAM is a focus institutional asset manager with a unique model offering a broad range of actively managed investment strategies with opportunities to further expand into the alternative space. And, as we know, the US asset management market is the largest in the world.

Now before we hear from management, I would like to first provide some context for the markets in which we operate. Starting with Africa, specifically Sub-Saharan Africa. Over the last decade Sub-Saharan Africa has been the world's fastest growing region. Clearly from 2015, we've seen some economic and political headwinds. However, the outlook is improving and there are long term structural shifts that will continue to support GDP growth. Trends remain favourable for growth and financial services, and the opportunity for our businesses is significant. A growing middle class continues to become urbanised, technology provides opportunities for financial inclusion and education, banking and insurance remain underpenetrated. But let me focus on South Africa where the vast majority of the earnings for Nedbank and OMEM are generated.

The South African economy is one of the largest and most developed in Africa and has, by far, the most mature financial sector on the continent. The institutional environment and governance structures have always been strong. GDP growth has been under pressure but it was good to see strong growth in the second quarter of 3.3% following the 1.2% contraction in the first quarter. And the country faces significant political and economic head winds including the threat of a sovereign downgrade at the end of the year. In addition, consumers remain under financial pressure.

But these are cyclical rather than structural issues and there is no doubt in my mind that the prospects for growth over the longer term are good. I recently attended the SA Tomorrow conference in New York with members of the South African government and was pleased at the level of progress and collaboration between the private sector and government. In my experience this is on a far greater level than we've seen in the past, so a really concerted effort is being made to boost growth, drive employment, contain inflation and reduce the budget deficit. So notwithstanding the uncertain outlook over the short term, one thing remains constant: our South African businesses are fundamentally resilient. They have good franchises in attractive markets and they are in strong positions to participate in growth as these markets develop. The opportunities over the longer term I believe are compelling.

The outlook in the UK is uncertain following the result of the EU referendum but there have been recent signs that the economy is stabilising. The pound as you know, however, remains weak. The retail wealth management market in the UK is large and, as I said, is growing rapidly. So we believe that the opportunity is substantial, the market is experiencing a structural shift of assets towards leading investment platforms, and platform assets are expected to double over the next ten years. The regulatory environment around conduct remains focussed on the fair treatment of customers and, at the same time, regulation has increased in complexity. This, alongside the reduction in the number of financial advisors, has resulted in a significant advice gap and there is also a large savings gap in the UK. So there is a great opportunity for Old Mutual Wealth to address these gaps and take advantage of this imbalance between demand and supply and wealth management services in a market which is fragmented.

Our third market is the US and no doubt the outcome of the presidential election next month has the potential to trump anything I might say today. Notwithstanding that, it appears that the economy is robust and there appear to be good prospects for growth. And despite the US investment management industry facing structural challenges, asset managers with multi-boutique models are best placed to deliver consistent alpha generation and we believe especially those with increased exposure to alternative strategies. And although passive strategies are gaining popularity in the retail space, there is still very strong demand for active asset management within the institutional space.

So now I'm going to hand over to the four chief executives. We've got Paul Feeney, there, we've got Ralph Mupita, he is there, we've got Mike Brown and we've got Peter Bain in the front. So, as I said at the beginning, I think it's really important that you hear directly from the chief executives. You need to hear how they see the strengths of their franchises, what they see as the growth prospects for those franchises, and it's important that you use this as an opportunity to gain a better understanding of the businesses and the markets in which they operate, and their strategic positions as these management teams and businesses seek to strengthen their respective sustainable competitive advantage. They will also tell you about the steps that they are taking to ensure they evolve to become independent businesses, and there will be a Q&A session at the end of each presentation. And Paddy Bowes will call the Q&A sessions to a halt, and after some of them there are breaks and he will basically manage the process. So with that introduction, I would now like to hand over to Paul Feeney to kick off the afternoon. Thank you.

Paul Feeney: Thank you, Bruce. And good afternoon everybody. I'm Paul Feeney, as Bruce says, the Chief Executive of Old Mutual Wealth. Today I'll be providing an overview of Old Mutual Wealth, the strengths of our business and why we're excited about the future. I'll be joined by Steve Braudo, our new Chief Operating Officer. He will give you an update on our UK platform transformation project a little later on. And we'll have time for some questions at the end. And Mark Satchel, over there, our CFO, is with us to answer questions too.

So from day one, our objective has been to build the leading wealth manager in the UK market. And we are doing that with a clear purpose of helping to create wealth and prosperity for our customers and their families. But this begs the question: what is wealth management? How do you create wealth? Well, if you ask an asset manager, he will say it is investment performance, alpha and beta. If you ask a discretionary investment manager, they'll say it's all about portfolio construction, asset allocation. If you ask an investment platform manager, and what is an investment platform except a modern day investment company, they will say it's all about being in the right product wrappers, ISAs or pensions, and ease of investing. And if you ask a financial advisor, they'll say it's all about having a plan. Well, actually, it's about all four of those things. And all of it needs to be delivered seamlessly and with excellent customer service. And each of these capabilities needs to be peer leading in their own right. And that is Old Mutual Wealth today: a full service wealth manager. It's the combination of these four activities that makes us different. We are unique amongst our peers in offering multi-channel access. It's how we intend to become the leading wealth manager in the UK market, and it's a vision that my team and I are really excited about.

As a company, we share common values and a deep understanding of our customers through the strength of our relationships. We blend our peer leading capabilities to build solutions that deliver better customer outcomes. Now, that may sound a little corporate but it's really important so I'm going to say it again. We blend our peer leading capabilities to build solutions that deliver better customer outcomes. That's what we do. Our vision, purpose and strategy are all underpinned by our core beliefs. Let's take our purpose and look at how we create prosperity for our customers by digging into the four elements, those four elements I've just spoken about, in a bit more detail.

Firstly, people need financial advice to develop a plan. The savings world is increasingly complex and a need for advice has never been greater, particularly in the affluent and mass affluent sectors in the UK. There are now less than 24,000 financial advisors in the UK. The number has shrunk considerably post RDR. With Intrinsic, we've already got over 3,000 financial advisors across the UK. But in order to do their job properly, an advisor needs to be able to provide suitable products, products suitable to their clients' needs.

And this is the second pillar, a modern investment platform. It provides a broad range of investment options and suitable wrappers, enabling the advisor to offer clients investment solutions quickly and transparently. Our award winning platform is one of the largest in the UK. It supports our Intrinsic advisors and also a further 9,000 independent financial advisors. We also have one of the largest international platforms. We refer to these two areas – advice and platforms – as wealth solutions. But critically the solutions that underpin the financial plan held on the platform need to be managed by expert money managers. This is the third element, money management. That's why we've built a best in class retail asset manager, Old Mutual Global Investors, or OMGI. It has had outstanding investment performance over the last three years and offers a wide range of funds. And for those who don't want to manage their wealth on their own, people who want somebody else to do it for them, we've got Quilter Cheviot, our discretionary wealth manager. Together, we refer to these two elements as our wealth and asset management offering. Finally, we package this offering with excellent customer service and support.

But getting here has been a journey. Back in 2012, our business was essentially a sub-scale platform with some closed life books predominantly across Europe. Over the last four years, we have reshaped ourselves into a modern wealth manager. We focussed on the UK and our international customer base. At the same time as this, we've also sold less relevant European businesses and instead we've reinvested for growth. We acquired distribution through Intrinsic. We are investing in our core platform with technology. And we've expanded our investment offering by acquiring Quilter Cheviot. In addition, we have also developed our in-house asset management business, growing it from what was a fledgling business back in 2012 to over £27 billion today. Lastly, the sale of our Italian business is progressing well. This is the last part of the tidy up of our old business.

So, as we look to the future, we believe the businesses we have today are very well positioned to take advantage of the attractive growth opportunities which we see in the market. You will see, and as Bruce mentioned, we released our Q3 results today and our funds under management increased to £119 billion, from £111 billion at the half year. An £8 billion delta over one quarter. NCCF for the quarter has been lower than in recent periods but it's held up strongly in the context of a market that has seen net outflows. Don't forget, in the first half of this year there was a constant net outflow across the entire retail fund management industry in the UK.

But supporting this, we are also highly focussed on continuing to integrate our businesses further, to drive efficiency and operational leverage, and it's a big part of our focus going forward. I'll come back to this later because this is part of the big opportunity for us going forward.

So let's turn now to the market itself. We are working in a tough macro-economic climate where the structural factors that Bruce mentioned a moment ago mean that UK wealth management is experiencing a significant increase in demand at a time when there is a reduction in supply. Why? Well, the number of financial advisors has fallen by around 12% since 2009, so investment advice is in shorter supply. The more complex regulatory environment, and quite frankly the higher standards that our regulators imposed as a result of RDR, has driven some advisors and banks from the market and acted as a barrier to entry. But, an ageing population, a large savings and protection gap and new pension freedoms means that the demand for wealth solutions has never been greater. Cash savings rates are close to zero so investors need to look elsewhere for yield. Furthermore, new technology means that customers are demanding innovative solutions and convenience. The gap between supply and demand is a huge opportunity in the three trillion pound UK wealth market. We've built our business, Old Mutual Wealth, to take advantage of this opportunity. Our markets are large. Each has grown significantly over the last five years, and we've got leading positions across all of them. We are a leading UK retail asset manager and a leading discretionary wealth manager in markets which are growing between 5-10% per annum. We've got a leading UK advisor platform with 10% of the funds under management in a market that has doubled in size from 2011 to 2015. We're also a leading UK cross-border player in the wealth solutions market. We consider that the growth outlook for each of these markets is attractive.

You can see the growth in the last four years on the two charts on the right. The pyramid in green shows the attractive segments that we are targeting. 89% of our assets in Old Mutual Wealth are in the top three segments of the triangle: mass affluent, affluent and high network segments, rather than the mass market which is at the bottom which is subject to margin pressure from robo-advice models. We differentiate ourselves through the quality of our customer experience. Only last week, for instance, we were announced as one of the top quartile performers in the Bright Index survey of customer service across Europe. Now this isn't just across financial services, it's across all industries. Today, we are well represented at the affluent level but a bit under represented at the moment in high net worth. However, over time Quilter Cheviot should help us to address this. We can now service customers across the entire wealth management spectrum and provide the range of solutions they need, whether they are a graduate accountant or dentist looking to build their first financial plan, or a captain of industry looking for discretionary wealth management services.

Let's now take a look at our two operating divisions in turn, starting with wealth and asset management. Here, we've got one of the largest and most experienced investment capabilities in the UK. It has two key businesses. Firstly, our asset management business, which is at the core of everything we do. Old Mutual Global Investors manages over £27 billion of assets and is focussed on retail active asset management. We strongly believe in talent-based conviction investing. It drives our culture. And Richard Buxton, who leads OMGI, and his team are amongst the best active money managers in the UK. Around 74% of their funds have beaten their benchmarks over a three year period. We manage funds in major asset classes including UK equities, Asian equities, global equities, pan-European small companies and fixed income, plus absolute return and multi-asset offerings. Increasingly, we are seeing flows into our outcome orientated multi-asset funds such as Cirilium. Cirilium provides risk-based model portfolios aligned with Intrinsic's financial planning approach and customers risk profiles. Cirilium is a great example of how the wealth solutions and wealth and asset management parts of our business are integrated and working together. We capture flows through our own wealth solutions offering, but also third party assets are important to us. These may come in from private wealth managers, other discretionary wealth managers, financial institutions and other institutions such as pension funds.

Secondly, our wealth management business provides predominantly discretionary investment management via Quilter Cheviot, one of the top discretionary managers in the UK. Its clients hand over the day-to-day management of their portfolio to an investment manager who monitors that portfolio and makes investment decisions on their behalf. It's a bespoke service and therefore attracts premium fees. Quilter Cheviot has over 37,000 clients and has funds under management of around £19 billion, actually it's more than that now, I'd say it's just over £20 billion now. Its investment managers have been with the business for ten years on average and have longstanding relationships with clients. These clients are typically high net worth customers who come to us either directly or through a financial advisor. The business is complementary to our wealth solutions offering and is another example of where our model is differentiated to our peers. We have multi-channel access to wealth management, direct or through financial advisors, like our peers such as Rathbones or Brewin Dolphin. But what differentiates us here is that a small proportion of Quilter Cheviot's flows are introduced through our own restricted advisors, and we expect that proportion to grow over time. Furthermore, a proportion of the funds managed by Quilter Cheviot are managed by an in-house asset manager. This level of integration is low at the moment. And whilst we would never force any of our investment managers to purchase OMGI funds, we do expect more integration over time as we continue to tailor our offering to our wealth customers and as the teams themselves get to know each other better.

Overall, we are proud to say that the wealth and asset management division has shown strong performance over the period since 2012. Funds under management have grown from £14 billion in 2012 to £46 billion today. This is mainly driven by strong NCCF and, of course, our strategic acquisition of Quilter Cheviot. In terms of NCCF, you'll see we have increased our net client cash flow from £700 million in 2013 to £4.5 billion in 2015. That's the chart just to the right hand corner there. We are confident that this business will continue to grow.

Now, turning to our wealth solutions division, this is an advice-led distribution and product engine. The business has the four sub-segments that you see here on the left. Firstly, we provide financial planning and advice. Second, we have one of the top platforms in the UK for advisors and affluent individuals. Thirdly, we have an international platform. It serves high net worth and affluent investors, mainly in Asia, the Middle East, Latin America and, of course, South Africa. And finally we have a closed unit linked book known as Heritage. So as you can see, our wealth solutions division has a very broad offering. The key to this offering is the multi-channel sourcing of assets from our own advisory force as well as from IFAs. This approach gives us a very wide net from which to capture new asset flows. Currently about a third of new net flows onto the platform come from our own restricted advisors. The remainder come from over 9,000 third party IFAs who use our platform. Nevertheless, our own distribution has become an increasingly critical component of our wealth solutions offering. The regulatory changes from RDR that I mentioned encouraged a number of financial advisors to switch from independent to restricted advice. To capitalise on this opportunity, we acquired Intrinsic, one of the UK's largest distribution networks. Intrinsic now has more than 1,300 restricted financial planners, 375 independent advisors and 1,600 mortgage and protection advisors. We are actively seeking to grow the number of restricted advisors but continue to welcome the contribution that the other advisors make. For instance, the mortgage advisors are lead generators for the financial planning business. Continuing to grow this multi-channel distribution model is an important part of our strategy. In the future, we expect to have a greater number of restricted advisors and a new private client advisory force designed specifically for higher net worth clients.

Our international business is essentially a platform based in the Isle of Man servicing internationally mobile customers, either non-UK citizens in the UK or UK citizens abroad. It's a large business with funds under management of around £17 billion and pre-tax operating profits at the half year of £27 million. We have licenses in the Isle of Man, Ireland, Hong Kong and Singapore, and offices in South Africa, Miami and Dubai. Our international products are predominantly distributed by IFAs but we've started the process of replicating the UK model of owned distribution through our acquisition of AAM in Singapore. And we are building our restricted advisor capability. Our international platform provides a similar set of savings wrappers to that of the onshore UK platform. And it has strong synergies with our wealth and asset management business. And we believe it's a very attractive growth opportunity.

Lastly, let me just touch briefly on Heritage. This is an old world pension's book that is predominantly closed to new business. In the main, those customers that can be transferred to new world platform products have been. As with our open book, our goal here is to ensure that these customers are getting a good customer experience and a good customer outcome. The book is cash generative and profitable and the slow run-off profile is expected to be economical from a cash and capital perspective.

So, overall, the businesses that combine to form the wealth solutions division continue to perform strongly. Funds under management have grown from about £50 billion in 2012 to over £68 billion today, driven by strong NCCF. What you can see here is the power of collaboration in how our wealth solutions and wealth and asset management come together. We believe that it is a key differentiator versus our monoline peers. As you've seen, we are able to create great wealth solutions and so capture new assets from a mix of our own and third party distributors as well as customers coming direct to certain parts of our business. Our integrated businesses allow us to retain assets across the entire value chain by providing value-added advice and wealth management services.

Now while assets in both channels generate revenue, the wealth and asset management channels typically experience higher margins. Typically. And as we build out our advisor base, it should be an increasing source of flows and client management fees, and help to retain assets in the wealth and asset management division. We believe this model benefits our customers, our advisors and our shareholders. Customers have flexibility of products while being provided a leading customer experience and better investments. Advisors can access products at various entry points and can provide holistic solutions, and shareholders should benefit from Old Mutual Wealth's strong asset gathering capabilities.

Furthermore, and this is an important point, as we develop our operating model, we intend to drive cost efficiencies and achieve scale benefits. Having had a period of considerable investment, we are now focussing our attention on evolving and simplifying our business. If you like, for the last few years we've been actively building, re-shaping, transforming our business. Now we have to make our business model hum.

We see further opportunities to integrate functions and remove duplication and cost, while keeping what has made each business unique and differentiated. To date, this has meant changes to our internal structures and processes. As we prepare for a listing as a stand-alone company, we have brought in a new chief operating officer, here he is, and a new chief risk officer, and we need to set up the capabilities and functions that were previously provided by PLC, functions like investor relations and treasury. And as you will have seen, we have appointed Glyn Jones as our independent non-executive chairman and we are working to ensure that we have PLC level governance processes in place. We are clear that it's a big step up from being a subsidiary of a PLC to a PLC in our own right. There's lots to do. And we are making very good progress. Right, let me hand now over to Steve who will explain to you how we will use our investment in technology to underpin the Old Mutual Wealth proposition to our customers. And I will then come back with some final thoughts. Okay, Steve.

Steve Braudo: Thanks, Paul. And good afternoon everybody. I'm going to talk about Old Mutual Wealth's UK platform transformation and explain why our platform is so important to us, what we are building, where we are at the moment. And I will also explain what we've done to overcome some of the challenges that we have had.

So why is the platform so important to us? As you've heard from Paul, Old Mutual Wealth has a unique business model. We offer customers choice across an end-to-end wealth management offering. Our UK platform is a key part of that offering. Our platform receives flows from Intrinsic's restricted financial advisors as well as from third party IFAs. It provides retirement, investment and savings products, and generates assets into OMGI, our asset management function where we retain higher margins. Approximately 44% of Old Mutual Wealth's net client cash flow is written via the platform and at half year approximately £1.5 billion of gross inflows into OMGI came in via the platform. So, as you can tell, it is an important part to our integrated strategy.

Our focussed approach to customer service remains a differentiator for us to drive growth. Our platform has won many awards for service. Given competition in the space, very few advisor platforms make a profit. At year-end 2015, we disclosed operating profits of £33 million and we want this to grow. Achieving scale and improving operating leverage are important to succeed. This platform transformation is required to get us there.

In 2013, we began a journey to transform our UK platform for the three main reasons which I've highlighted on this slide. Firstly, support for the existing software and operating system ends in 2020. Our ongoing development and maintenance costs were increasing and the system's product capability is limited. We want to ensure that our award winning portals retain their leading edge features and ability to adapt in a rapidly changing technological environment. Advisors place the majority of business onto their platform of choice which Old Mutual Wealth is today.

At the end of Q2 2016, approximately £530 billion of the total retail fund market was estimated to be on platforms. Of this amount, around £378 billion is on advisor platforms. We currently have £37 billion of assets on our platform making us a leading player. Third party research suggests that over £1 trillion of assets will move onto platforms over the next ten years. This is a big market and an excellent opportunity, so this build is a necessity.

The capabilities of our new platform will help improve the sales of new business and the retention of existing customer assets. So a future-ready, digital wealth platform is important to our strategy. Furthermore, we do expect some industry consolidation as other platform based businesses struggle to survive in the low margin environment that we're in. Successful business models will be low cost platforms that are integrated and make profit from other parts of the value chain too.

So, I've explained where we are trying to get to, but where are we today? We have partnered with international outsourcing specialists IFDS for the outsource of this transformation programme. They will take on the back office client administration office activity at the appropriate time and appropriate stage of the project. All the platform software development work has been outsourced to software specialists DST. DST owns IFDS. These two parties aim to be a leading third party administrator in the UK platform market and we will benefit from their scale. We are the second largest client that they are partnering with in the UK market.

So far, the majority of the core back end administration system, which is called Blue Door, is built and is undergoing testing. This covers work flow, customer administration, product rules, regulatory requirements and links into 25 external systems required to verify details such as bank accounts and fund valuations. All here is on track. The majority of the coding is complete and the links are being tested.

The majority of the specification of the front end of the administration system, which is called Open Door, is done and coding has commenced. This includes the customer and advisor portals as well as the customer contact centre. Overall integration between Blue Door and Open Door is currently being planned with these two teams working very closely together. The business case for this programme is based on us outsourcing areas of our business that rely on receptiveness and scale to IFDS such as the back office of customer administration. This includes gathering documentation for customer take on, keeping the system up to date from a regulatory perspective, and producing customer statements. Our plan for Open Door is very different. We will keep the customer and advisor portals and the customer contact centre in-house as customer experience is our differentiator. We believe retaining this activity is important to protecting value. It means that we can improve our customer and our advisor experience in ways that are unique to us.

So what has changed? In 2013, we originally set out to enhance our platform's technology and outsource the Heritage and wealth administration. Given that our existing platform is so rich functionally, this was always going to be a difficult project and we have had some big challenges along the way. There have been momentous changes in the market and regulatory environment during the project which meant that we have had to redirect project resources to meet these challenges and revise our specifications. Earlier this year, we therefore decided to pause and consider our position fully. We want to ensure that we implement the programme with minimum impact for advisors, customers and our business. As a result, we have made changes to the programme, some of which have already been announced.

Firstly, we have brought in Accenture which has enhanced and strengthened the capabilities of a project management team. We have paused our Heritage build until the wealth platform is delivered. This simplifies the overall solution and focusses our resources on the wealth build. We are currently considering technology options on the Heritage book of business. We have reprioritised and re-scoped so we are focussed on delivering what we have today alongside some important new functionality for which there has been high demand, such as new investment and trading flexibilities including cash accounts.

We have got a clear delivery plan including a lower risk, four-phased migration to advisors. The current plan has this roll-out starting in late 2017 and completing towards the end of 2018. We have also enhanced risk management oversight and reporting across the entire programme. This has given management significantly higher confidence that the programme is running to the new plan. Our risk and internal audit functions will continue to oversee the key activities and they will review and challenge the programme as the plan progresses. Independent assurance will also continue throughout the duration of the programme and will present recommendations too.

As part of the re-scope activities, we also reviewed alternative options available to us. However, none offered us a better cost, time and risk profile than our current plan. In August, we reported that the programme had cost us £225 million to the end of June 2016, and of this amount £110 million relates to Heritage. We estimate that the current plan will cost a further £200-225 million, and that excludes any further build on Heritage. It also excludes any benefit from the investment already made in Heritage.

So how does this affect our return on investment? Taking the costs and the future revenue that this business transformation is likely to deliver, we continue to expect a positive net present value of the total investment and the payback period of eight years compared to remaining on our current systems. A modern platform will help retain advisors, attract additional business and deliver capacity for the expected future growth. These three components are built into our business case. The fundamental operating changes we are making will create greater operating leverage via operational savings and enable scalable growth. We anticipate that future development spend will be more efficient due to the new technology as well as other users sharing in such costs.

So, what does this all mean for our customers, advisors, our business and our shareholders? When I joined a few months ago, one of the areas that stood out was the complexity of this business transformation. It was always going to be a difficult project. The recent changes to our programme, including how we work with our partners, has helped to ensure greater cohesion. Significant progress is now being made. We have increased oversight and obtained independent assurance which gives us significantly higher confidence that the programme will follow the new plan. We remain committed to delivery. The programme is not just about IT and operations. It's also about ensuring we continue to operate a strong, sustainable and successful organisation, developing Old Mutual Wealth as an end-to-end wealth management business. It will improve customer and advisor experience and generate operating leverage for us. It will also enable us to solidify our competitive advantage and drive value for our shareholders in the long run.

Thank you so much for your time. I trust that you found this session helpful to understand the current position and our next steps. And with that I'll hand you back to Paul who will conclude our presentation.

Paul Feeney: Thanks, Steve. Before we close, I want to reiterate that we see strong growth opportunities ahead. Let me focus on three key areas. We have spent significant time and resource on building diversified distribution capabilities, including a large network of advisors. Our restricted advisor head count is growing and we will continue to focus and grow our distribution here. This strategy coupled with our emphasis on raising the productivity of our advisors represents a valuable opportunity for Old Mutual Wealth and our shareholders.

As I said earlier, delivering modern propositions to meet desired customer outcomes through talent-based conviction investing is central to what we do. We now have the peer leading capabilities needed to create wealth solutions that really can deliver better customer outcomes.

Finally, we aim to further realise scale benefits and drive further efficiencies across our business. All of these factors are expected to drive returns and financial performance. With this in mind, I would like to end by summarising the key elements of our investor proposition.

We have leading positions in large and growing markets. We have got a modern proposition that delivers on customer needs. We have got a business model that is unique and differentiated. We have recruited a highly capable team who are excited about capturing the opportunities we see in the UK wealth management market. And pulling it all together, this differentiated approach should allow us to better serve customers, attract greater flows, deliver greater operating leverage and therefore enhance shareholder value.

Ladies and gentlemen, this brings me to the end of my presentation. Thank you. And, on that note, we'll take any questions. Mark will now join us on the stage to take some questions with us. Mark.

Greig Paterson: Morning everyone. Greig Paterson, KBW. Three quick questions. One is can you just update us where the FCI investigation is in the integration debate. Second point is I note you said you were going to build up a new private client advisor or something. If you could expand on that statement. That seems to be new to me. And the third thing is, I mean, you've basically added another £70 million to the cost of the project today. That's half a billion to move circa £100 billion across. This is a continuous saga. I appreciate that you've put in some controls etc. but could you maybe enlighten us what you see as the key risks that could cause this cost to go up again in terms of the integration project because it keeps going up and up and up? It's gone up £70 million today effectively. And what are the key risks there? What should we be concerned about?

Paul Feeney: Thanks, Greig. Great questions. On the first one, I'm afraid I can't say too much because we're bound by confidentiality with our regulator. All I can say is that is that we're working openly, cooperatively and fully with the FCA and that is progressing. On the second one, on the private client adviser force, this is Old Mutual Wealth private client advisors. It's fairly nascent at the moment; we've got about 50-odd financial advisors we've hired in that area. However, it is totally focussed on the high net worth segment. It doesn't need to be thousands of advisors in that segment but we need to be no more than a couple of hundred or so in that segment. But we are committed to building that out and, of course, that will work quite a lot with Quilter Cheviot and their client base. And then on the final one, I think, Steve…

Steve Braudo: Greig, thanks a lot. The key risks I think first in any IT project there's never ever a guarantee, so we have put those controls around so we make the probability of success within the time and budgetary constraints as high as possible. The key risks to focus on is scope creep. One should never expand a project that it becomes bigger and bigger and bigger, so we focussed it, we are very, very clear on the focus and what the delivery is by 2018. And the next key risk always occurs in testing, as we start testing the integration of the various components of the system, got to make sure everything works together. And, once again, that's why we are using the likes of Accenture, we've got independent oversight by KPMG as well as a professional team in place, we are watching this like absolute hawks to ensure delivery.

Jacques Conradie: Hi, Steven, Paul, Jacques Conradie here from Peregrine Capital. Just a follow up on the system spend. It sounds like the Heritage spend has been paused for now. Maybe just give us some overview as to what your plan is for that business. It's obviously still making small profits for now but it sounds like it might be a lot of IT work, so can you dispose of it or what's the IT work or IT expenses versus, I guess, profit that could still come from that book?

Paul Feeney: Okay, thank you, and again another good question. I'll kick off and then ask Steve to finish. The Heritage business is part of our business, it's part of our perimeter, we'll be going to market with the Heritage business. It's on more stable IT systems at the moment than the wealth platform is. As we say, we've paused it mainly for risk management reasons. The opportunity we have in the wealth space is enormous and we have to get our platform in. And simply adding this in to the mix right now. And Steve came along to have a look at this, and this is also his decision, but adding that in to the mix right now just increases risk of delivery of the wealth platform. Steve.

Steve Braudo: Yeah. Jacques building the platform - I showed the push factors which are ageing technology, increasing costs as well as the pull factor which is the trillion pounds that's going to move on to the platform, that's why we need to be there. The Heritage book hasn't got as many push factors because the end of system support in 2020 is only for the open book, the UK wealth business. The Heritage platform is stable, it's solid, it works well and the issue on that book is that it runs down and it's on a fixed cost base, your unit cost is going up. So we are looking at a couple of options on technology around that, and once we've got a firm plan we'll come and let everybody know.

Andy Sinclair: Andrew Sinclair from Bank of America, Merrill Lynch. Firstly on Quilter Cheviot, apologies if I missed this, but could you give us a proportion of how many of Quilters – of what proportion of Quilter's funds are currently managed by OMGI and where you think this could feasibly go? Secondly, you talked about driving cost efficiencies and scale benefits. I just wondered how you planned to measure this? Are you able to tell us where the cost/income ratio would be going over time? And thirdly, you said that – this possibly is just a point of clarification – Steve, you mentioned that changes for the IT programme, some had been announced already and some had not been. Do you mean that some had not been even beyond what's today or do you mean that today was clearing up what was yet to be announced?

Paul Feeney: Okay. Thank you, Andrew. Do you want to take that last one first and then we'll share…?

Steve Braudo: Yes, the latter, today was clearing up what was yet to be announced.

Paul Feeney: Right, I'll take the… So, look, Quilters has several hundred million pounds invested in OMGI's funds. Most of that has happened over the last few months. Now we don't have an actual target for that and, as I said, we would never target the investment managers in Quilter Cheviot to give them a number as to how much they should invest. What we are saying is our wealth solutions are getting more tailored for that client base, and as the teams get to know each other better I anticipate that will increase. We've already gathered quite a few synergies from the acquisition of Quilter Cheviot, particularly on the cost side. Mark, do you want to…

Mark Satchel: Well we have. I mean, in the original business case when we acquired Quilter Cheviot, we were hoping to achieve £5 or £6 million of cost synergies. We have exceeded that. We have achieved in excess of £7 million since the acquisition. And, as Paul says, in terms of integration of that business from a funds under management perspective we don't have any specific targets. We need to have funds from within the house that have been managed there on merit. And we believe that more can and could be managed within Quilter Cheviot but it's something that clearly the discretionary investment managers need to decide to do.

Paul Feeney: Sorry, I missed – did you have another question?

Andy Sinclair: Sorry, the other question was on measure of scale .

Paul Feeney: Of course. Is there a piece of paper I can write on? So, basically, as I mentioned, we've spent four years, we've been building this business over the last four and a bit years, and that has been about setting out the strategy and the vision. We've been buying businesses, we've been selling businesses, we've been building businesses pretty much from scratch, and we've been re-platforming businesses. So that's kept us busy. Now, the goal is to take this and make the model hum, as I said, to make sure that we're operating on an efficient basis so that we're not duplicating functions, so that we're not duplicating effort, so that when we do see things like an £8 billion rise in our assets under management in one quarter we also can gauge very effectively what that does to our overall revenue and cost income or operating margins. So it's a bit early yet in terms to give you an exact operating margin figure, Andrew, simply because we're taking some costs to stand alone as a PLC and we're also taking – we're also ensuring that we can operate efficiently, as I said, bringing these businesses together. Rest assured we'll have our KPIs and we'll in time let you know exactly what they are.

Eser Torun: Eser from Barclays. Thank you very much, Paul, Steve, great presentation. And I had a question regarding your strategy definition "blending peer leading capabilities". What is peer group for you? Who is the competition considering you have a unique model? And another one around "leading". How to maintain that leading position considering competition always comes from unexpected places in this environment of change and digital disruption.

Paul Feeney: Okay. Well we thought very carefully, my team and I, about that term, "peer leading", because everyone talks about market leading and I find market leading can be a bit more obtuse, obscure. So "peer leading", in some ways it's easier to look at the individual four components of our business and determine who their competitors are. It's very easy to see who OMGI's competitors are, who the competitors are to Quilter Cheviot, who the competitors are to our UK investment platform, who the competitors are to Intrinsic. It's very simple. We know who they are and we monitor and monitor against them every day, every week. So when we talk about "blending peer leading capabilities", to do this on a national and international scale, to make a difference to our nation, we have to ensure that those four individual business areas are competing at the highest level with their own peer groups. Therefore, we know when we blend the capabilities of those business lines and those businesses together; we are blending truly competitive, market competitive, components to build our wealth solutions, to meet our customers' needs. That's what I really mean by that.

Eser Torun: And the second point?

Paul Feeney: Yes, I must start writing these down.

Mark Satchel: Leading position.

Paul Feeney: I think a leading position certainly in the market when we say we want to be the leading wealth management business, we really mean it. We mean the leading wealth manager by AUM, by revenues, by profits, by the quality of our performance and outcomes for our customers. So, again, it's a high bar but it's a bar that – that's what we set out from day one to do and it's what we're all here to do.

Gordon Aitken: Thanks. It's Gordon Aitken from RBC. Three questions please. One on margins: you mentioned that the wealth solutions business is a lower margin business and asset management somewhere in the middle and Quilter Cheviot is high margins. Can you just give us the revenue BPS on those at the moment and where you see that heading? Second point on UK pensions regulation, just wondered what you expect in this area. Is the removal of high rate tax relief inevitable and how would that impact your business? And just final thoughts on debt: have you had thoughts on level of gearing that wealth business could list with?

Paul Feeney: Okay. I'm going to ask Mark, our CFO, to take the first of those. So I mentioned to Mark lower margin overall in wealth solutions and wealth management.

Mark Satchel: We've made all of these disclosures in the supplementary data pack that go out at the half and full year with the results. But generally speaking, I think wealth solutions, if you look at our current construct of businesses, it's about 52 basis points on average. That does include Italy; If you strip out Italy it's about 48 basis points. Within OMGI, we are at 66 in terms of revenue basis points, and Quilter Cheviot, 80, which gives you a blended of in the low to mid-70s. All the different – and within wealth solutions there are obviously quite high degrees of variation depending on whether it's on the platform side of the business which is at the bottom end, or in international part of the business or in the other parts of the business that is a higher revenue basis point margin on that part of the business. I could probably talk a whole lot more about margins but I'll probably end it at that.

Paul Feeney: Okay, so maybe I can just take the next two parts of your question. UK pension regulation, where is it going? Well I know where I'd like it to go. I'd like it to become more simple. Andy Holdane, the Chief Economist at the Bank of England, got a bit of a drubbing lately for saying that pensions are complicated. He is right, they are complicated. One of the issues that people haven't really remarked on with the new pensions regulation (which we applaud), is that the government has left the ring and taken the ropes with them, and that people left in the ring, the rest of us, better understand the rules of the game. And those rules are complicated. They are overly complicated. Which is why you need financial advice. So firstly, my first wish would be can you just leave things alone for a while? Can we leave things alone for a while? Because it's adding complexity onto complexity. If not, then simplify it. Do it quickly. Simplify it in terms that people can understand pension's regulations. So I've got my own views as to how we do that but I'm working with treasury and our regulator to provide views on that. Secondly, higher rate tax relief for pensions, will it remain? Clearly I don't know. I suspect it's going to continue to be an attractive pot to dip into for governments. I think at some point in time though it's got to settle down, it's really got to settle down, because the biggest thing for the retirement markets in any country is trust, and people have to trust that their pension monies, pension savings, are safe.

Mark Satchel: And the final question was around debt. Look, we are highly cash generative business with relatively modest capital requirements but clearly any questions on debt is something that our board would need to discuss and consider in line with our risk appetite, and at the moment as part of managed separation it's not something that we have done to date, and until we do it it would be premature for me to probably comment further on it.

Paul Feeney: Okay, Michael, sorry, you've got a question on the phone?

Michael Christelis: Can you hear me?

Paul Feeney: Yes, hi, Michael, we can hear you.

Michael Christelis: Michael Christelis from UBS. Just to focus again on the Heritage book, as per your announcement today it certainly looks like you're basically saying that £200 million excluding Heritage as an additional cost. Now is it safe to assume that if you were to include the completion of the Heritage project there would be another £200 million given the historic costs have been 50/50? The second question relates to the rationale, originally to do the Heritage book was to move to a variable cost base, and can you give any indication of what sort of run off of this book is looking like in terms of the number of policies, and how can you expect pausing this is going to impact the Heritage earnings?

Paul Feeney: Okay. Thank you, Michael. I'll ask Steve to take the first part of that question and Mark to take the second part of the question.

Steve Braudo: Mike, hi. So, going forward we certainly – if we had continued with Heritage it wouldn't have been a 50/50 split. Most of the back office administration for Heritage has actually been built, it's a system called Percana, it's built – the front-end portion of it has not been built so it wouldn't have been – the costs wouldn't have been the same. It would have been far less for Heritage. But, as I mentioned earlier, we want to focus on an open book. This is where the greatest urgency lies. The book is running off at about 15% per annum and I'll ask Mark, as Paul said, to answer the rest of your question.

Mark Satchel: I think it probably was much of the answer. The book is actually running off at quite a bit less than 15% per annum at the moment on the pension and life policies which are the predominant parts, they are running off at just over 10%. Three or four years ago they were running off at 14% or 15%. But actually we've seen a reduction in the surrender profile and we've seen that over the last few years; last year it averaged just over 12%. So the persistency on it is getting better compared to historic experience.

Patrick Bowes: Thank you. We'll have a break now until 2 o'clock and we've got Mike Brown to take on from then. So get some fresh air and have a drink and join us outside. Ten minute break, 2 o'clock, thank you.

Patrick Bowes: Okay, Mike Brown from Nedbank, thank you.

Mike Brown: Right, good afternoon everyone. I'm not sure whether you needed the drink after Paul's presentation or before mine but… Right. On the agenda this afternoon we've got around thirty minutes to get through quite a few slides before there's some Q&A at the end.

So I'm only really going to talk to the key issues on each slide with this overall agenda slide here providing a roadmap for the rest of the presentation today. I'm going to start with a quick overview of the Nedbank group and the context within which we operate conscious that as a listed company many of you will already know this.

Then I'm going to move on to highlight how in a volatile, uncertain and generally slow economic environment we've built a strong and sustainable Nedbank business that continues to deliver value for our shareholders through the cycle. I then intend to talk about how we continued, how we intend to grow and sustain value creation, and to delivery to shareholders into the future through what we call our five key strategic focus areas. And lastly I'll give you some thoughts on why we believe that Nedbank is a sound and attractive equity investment.

Nedbank is one of the leading financial services providers on the African continent with a vision to be Africa's most admired bank by all our stakeholders. We are currently 54% held by the Old Mutual Group and more specifically these shares are held by the Old Mutual companies in South Africa. The Old Mutual managed separation process will not have any impact on the strategy or the operations of the Nedbank group.

Whilst our origins date back to the early 1800s, the Nedbank group share has been separately listed on the Johannesburg stock exchange since 1961 and we are governed by an independent board of directors. At the 30 September this year, our market capitalisation was around 110 billion rand making us one of the top 40 companies on the JSE. For the full year ending 31 December, we produced headline earnings which, is the JSE definition of profit, of almost 11 billion rand. Compounding growth in assets on our balance sheets since 2010 has been at 9.7% and we have deliberately been growing our wholesale assets or advances faster than our retail assets.

Our unique best of breed asset management business has produced market leading investment returns for our customers, and as a consequence assets under management has grown at a compound rate of 16.5% since 2010 to just a touch over 250 billion rand. Just to give you another sense of scale at Nedbank, across the group we service more than 7.7 million clients and together with our alliance partner, Ecobank, in whom we have just over a 20% strategic investment, we provide our clients with access to the largest banking network in Africa across some 39 countries. Lastly, we service our clients and customers through around 32,000 employees, over 4,000 ATMs and 789 staffed outlets.

Our operating model at Nedbank consists of 4 client facing clusters and a largely shared back office environment. On the left, Nedbank Corporate and Investment Bank or CIB is a top two SA corporate and investment bank. We have got leading market share positions in commercial property finance and in industry segments such as renewable energy, where our share in both of these is above 30%. CIB is also the largest contributor to group profits and advances at over 50% as you can see on the pie charts, and has consistently delivered return on equities in excess of 20%. This positioning along with our strong business banking franchise makes Nedbank somewhat unique amongst the big four South African banks as we are more biased to wholesale banking than any of our competitors.

Nedbank Retail and Business Banking or RBB as we refer to it services more than 7.4 million retail and business banking customers. We have been investing in RBB to boost growth and this cluster has seen its return on equity consistently improve over the last few years to now above 18%. As I said, we have invested significantly in the retail franchise and are now starting to see the benefits of this coming through in improved returns.

Nedbank Wealth is a combination of our high net worth client private business, our best of breed asset management business and our integrated simple insurance activities. It is a high ROE generator with ongoing growth potential. In our financial planning business, which is part of Nedbank Wealth, about 90% of all of the flows that come through our advisory force are received into products that are either Nedbank products or Old Mutual products.

Lastly, in the rest of Africa, our focus is to own and manage operations in Southern and East Africa, and in Central and West Africa we have chosen a partnership approach and have a strategic relationship with Ecobank as that partner. These are currently all relatively small contributors to the group but do position us well to participate in the longer term African financial services growth opportunity.

I'm sure that many of you are familiar with our results to the 30 June and we show you here our results including and excluding ETI. A quick look at some of the highlights shows that our Nedbank managed businesses, which is the bottom row here, excluding both the funding and related associated income from our 21.8% shareholding in ETI and including our share of the fourth quarter 2015 loss, we account for ETI one quarter in arrears, so we accounted for that in our first quarter in 2016. On that basis, headline earnings grew very strongly by 20% for the six months. Similarly, excluding ETI, our return on equity increased to just over 18% and our efficiency ratio improved to just below 56%. The top row shows you all of those ratios including the impact of ETI.

Turning now to a quick overview of the context in which Nedbank group operates. South Africa's five largest banks are also the largest banks on the African continent. Financial services markets in West, Central and East Africa are not as developed as South Africa but are expected to show stronger growth of this low base into the future, and we do see significant potential from our participation in these markets. In this context, South African banks operate in a well-developed and regulated market but also provide investors with exposure to other African growth markets via the form of the more liquid Johannesburg stock exchange.

In South Africa, we have a concentrated banking market with more than 80% of the almost 5 trillion rand of banking assets held by the so-called big four banks, where Nedbank is ranked as South Africa's fourth largest bank. We are fortunate to operate in one of the most sound banking systems in the world, ranked recently number two in the latest world economic forum global competitor index on the metric of soundness of banks. I will leave some of the other proof points on the right hand side for you to read but want to highlight aspects that underpin this stability and ranking, including the closed loop rand funding system, world class regulation, highly rated management teams, good governance and disclosure levels, and strong institutions that protect the interests of investors and depositors in South Africa.

In the context of a sound financial services environment, South African banks compare favourably to our emerging market peers as we deliver attractive returns as shown in the ROE graph on the left hand side. In addition, South African banks are also well capitalised, all on a Basel III fully phased basis, a very good position to be in during these volatile economic times. It's also interesting to note from this graph that South African banks' return on equity and capital levels have both increased or improved since 2010 while the emerging market averages for these have both reduced since 2010.

Nedbank has built a strong and sustainable business over time, and the next few slides will show that we are well prepared to deal with ongoing economic and market volatility and, in particular, any consequences should there be a downgrade of the South African sovereign below investment grade. As shown on the graph on the left, we have grown headline earnings or the Johannesburg stock exchange definition of profit strongly since the global financial crisis in 2009 to finish last year at a touch under 11 billion rand. Even during high stress events such as the global financial crisis, earnings or profits in Nedbank remained positive and South African banks were not required to be bailed out or guaranteed in any way by taxpayers. You can see on the slide that peak to trough there was just under a 30% drop in the overall profit level of Nedbank through the global financial crisis. However, importantly today Nedbank is a materially stronger franchise than prior to the global financial crisis. Our much more selective credit extension over the past three years – and you can see that in the top right – as well as greater levels of endowment benefit from higher capital levels and current account and savings balances provide us with protection in the event of a sudden interest rate raise that a sovereign downgrade could trigger.

Our stress testing models at Nedbank also suggest that we would be able to manage well through such a potential stress event, and the following slide shows some of the reasons why.

Since prior to the global financial crisis, we now have 83% more clients that have chosen to bank with us, a much stronger franchise. We have a much greater contribution to revenue from less volatile non-interest revenue and our defaulted advances have declined to multi-year lows now at 2.6% of total advances. Our common equity tier one capital ratio at 11.6% on a Basel III basis is strong and above the midpoint of our target range for this which is 10.5 to 12.5. If you look at the duration of our funding, you can see we have a much higher mix of long-term funding and our impairment coverage is also significantly higher, supported by an additional 701 million rand of overlays on top of our retail IFRS models and a 350 million rand central provision.

This slide highlights what we believe to be the key drivers of shareholder value creation in banks. Over this period, we have increased our net asset value by a compound rate of 9%. We focussed on delivering economic profit by making sure that we deliver returns above our cost of equity and we have paid dividends in a progressive manner, compounding at 13.8% over the period.

Having looked now at the context of our historic performance as well as our ability to be resilient in times of economic uncertainty, I'm now going to highlight how our strategic focus areas that are designed to drive future growth and ongoing shareholder value creation.

We focussed all of our businesses on the five strategic focus areas that you see here, and I'm going to unpack each of these on the following slides, starting with client centred innovation. This underpins everything that we do to ensure that our client value propositions remain compelling in a rapidly evolving and increasingly digital financial services landscape. At Nedbank, we have launched more innovations in the last three years than we did in the preceding ten, as we focussed much more of our efforts on being externally competitive. For example, innovations such as our smaller and more digital branch of the future have not only positively impacted client experience and our sales volumes but have also saved costs as we've been able to reduce branch space by almost 16,000 square metres to date. Our focus on digital innovation has also seen very strong growth in our digitally enabled customers to 3.4 million. Many of our innovations are also seen as being market leading and have been independently acknowledged as such. These include products such as "Market Edge" which uses Big Data to benefit our card acquiring customers and "Approve It" which uses security features that give our clients best in class mobile security which we've done in partnership with a local phone tech.

Growing our transactional banking franchise remains the number one priority of the management team at Nedbank to continually improve our return on equity, to reduce earnings volatility and also to grow the brand value of the bank. We believe we have done well over the past few years with the financial outcome of this being seen in growing commission and fees which constitutes around about 70% of the overall non-interest revenue base of the bank. You can see on the right our 11% compound growth in non-interest revenue has been the fastest of our peer group, notwithstanding on the left hand side our deliberate strategic decisions to keep our banking fees flat and, in fact, reduce some fees in 2014 in expectation of greater volume growth later on in the cycle. We think that we are well positioned to continue this performance going forward given our strong customer growth, competitive pricing and increase in transactional volumes.

Unpacking this growth a little bit further at a divisional level, retail non-interest revenue growth has been supported by growing our main banked or primary customers by a compound 6% per annum since 2010, while also improving our cross-sell ratios. As a result, transactional non-interest revenue on the right hand side has increased by more than 9% per annum since 2010. Our share of main banked or primary clients in our retail business is at approximately 11%, and at that level is well below our retail advances and deposits market share of around 17%, and this is an ongoing and sizeable opportunity for Nedbank to focus on closing that market share gap relative to our peers. This will be achieved through a focus on five key levers: loyalty and rewards, digital innovation, process enhancement, our integrated channels, and winning client value propositions.

Moving on now to our CIB or Corporate Investment Banking cluster, here you can see that we have grown non-interest revenue by more than 11% per annum. This has more recently been supported by the integration of our previous corporate banking and investment banking franchise into CIB. We did that at the start of 2015 and this has significantly improved our client value management and cross-sell. And recent transactional banking wins of two large Metros in South Africa and one new large corporate in the last couple of weeks are proof points of exactly this. So while historically at Nedbank we have always had a very strong lending and deposits bank, transactional banking across RBB, and CIB is an important growth opportunity for us.

In an environment of slower economic growth and rising regulatory and compliance costs, a focus on efficiencies is encapsulated in our strategic focus area that we call optimise and invest. We continue to run various efficiency programmes and initiatives that in turn enable us to fund the ongoing investment in our franchise that is required to sustain future growth. Some examples of these will include: the integration of our corporate and capital businesses into CIB, the integration of the back offices in retail and business banking, and the integration of aspects of our insurance businesses which have collectively delivered benefits at a run-rate of just around about 400 million rand per annum. We also continue to optimise our footprints, both in the branch space and have consolidated all of our regional offices around the country. We are also on a deliberate process of reducing and replacing our banking systems over time in a deliberate and controlled manner, while at the same time digitising and simplifying our IT landscape, and we refer to this as the managed evolution of our IT environment. We certainly believe that this managed evolution process minimises the cost impact of large scale IT transformations but also significantly reduces the risk. To date, we have reduced the number of systems by almost 90 – you can see that on the right hand side – and in doing so we have both saved money but, very importantly, the simplification of our IT landscape enables us to be faster, more agile and more client centred.

Lastly, we continue to extract synergies by working very closely with our sister companies in Old Mutual Emerging Markets in South Africa and, notwithstanding the managed separation, we remain on target for our joint one billion rand 2017 savings, all of which are down on an arm's length basis and ensuring that the standalone nature of the respective entities is never compromised.

As the name suggests, we are using some of the savings that we are able to generate to continue to invest in our franchise to underpin growth into the future. Executing on the strategies discussed in the previous slides to drive top line growth combined with further efficiency initiatives, we are planning to deliver scale benefits, particularly in retail and business banking and in the rest of Africa clusters where we extent to see these benefits come through over the next few years in the reduction in cost to income ratios and you can see from these slides that the cost to income ratio in our RBB and rest of Africa businesses remain too high. This is one of the key drivers in shifting the group's cost to income ratio closer to our group target of 50% to 53% and in turn supporting higher ROE generation at a group level.

Under the strategic focus area called, "Strategic Portfolio Tilt," we deliberately try and shift asset growth rates in our business at points in the cycle to maximise long-term profitability given our economic outlook. Consciously slowing growth and losing market share in some areas and trying to gain market share and grow faster in others.

More recently you would have seen that we have reduced our growth rates in both home loans and personal loans over the last few years given the pressures that we foresaw in the consumer finances in South Africa while growing faster in our areas of strength being wholesale credit and retail vehicle finance where the MFC business, or Motor Finance Corporation, has a market leading position in the more defensive second-hand market via our relationship with the Imperial Group, who are the largest seller of cars in South Africa. These actions not only ensure that we continue to deliver top line growth, but they have also reduced our credit risk profile. We would therefore expect as a consequence of our selective origination and deliberate portfolio tilts, all other things being equal, to outperform our peers on impairments or credit losses over the cycle.

The result of portfolio tilt can already be seen in our credit loss ratio which you see here on the left-hand side was the lowest across the big banks in South Africa in June this year. But this has been done while increasing our level of conservatism or overlays in our central provision and portfolio coverage at the same time, and you can see that on the right-hand side.

Lastly, in terms of strategic focus areas, we continue to focus on the longer term opportunity in the rest of Africa as we build a regional champion as Nedbank in Southern and East Africa, with access to a Pan-African banking network focused in Central and West Africa via our investment in ETI or Ecobank. In Southern and East Africa, I said we want to own, manage and control banks because this is a geography where we believe we have competitive advantage. We have a presence in six countries and recently concluded a top-up deal to take us to a majority stake in Banco Único in Mozambique.

In West and Central Africa, countries that are further away from South Africa, and countries where we are less familiar with local issues, we have deliberately followed a partnership approach. Our chosen partner in which we have a 21.8% shareholding is ETI or Ecobank. They are present in 36 countries with Ghana and Nigeria being their largest businesses. We have a board seat at ETI and our investment is underpinned by a strategic and technical banking alliance. We now have more than 70 of our wholesale clients in South Africa banking with Ecobank in Central and West Africa and during 2015 we concluded three joint lending deals as a consequence of the relationship.

Currently, many economies in Africa have seen pressure on the back of the decline in commodity prices, particularly oil, and this has been combined with currency volatility and dollar shortages right across the continent. As a result, banks exposed to West Africa and Nigeria in particular have been negatively impacted. This, together with a portfolio review performed by the new Chief Executive who took over in ETI during 2015, resulted in Ecobank making a loss in their fourth quarter of 2015 – I said earlier we at Nedbank account for our share one-quarter in arrears, so we would account for that in our first quarter in 2016, and you can see that 676 million rand loss that we accounted for in Q1 16. ETI has since returned to profitability as you can see from that graph in their Q1 and Q2.

Bank share prices have also been under pressure and at 30th June the book value of ETI in Nedbank's books was 36% above the market value, albeit in a thinly traded market. We have not impaired our investment as the underlying value in use calculation which you are required to perform exceeded the book value as at 30th June, but clearly we revisit this at each reporting period. Despite the current pressures in many African economies, we still believe that the long-term prospects for financial services in the rest of Africa remain attractive.

Lastly, a few reflections on why we believe Nedbank is an attractive equity investment. Our track record of delivering value through NAV growth, ROEs above our cost of equity, and sustained dividend growth, ranks at or above the midpoint of South African peer group. These are important measures of value for investors and will remain our focus in the years to come. In the context of emerging markets, South African banks produce sustained and strong return on equity metrics on the back of high levels of capitalisation, and in turn are priced at a premium reflecting a stable, well-regulated and growing banking sector consistently producing returns well in excess of the cost of equity. Nedbank's valuation metrics in this context remain attractive amongst peers in South Africa, where the high valuation of Firstrand skews the average, as well as being attractive relative to others in emerging markets.

Lastly, to provide investors with a high level roadmap we have a number of historically published medium to long-term financial targets that we set out here, and we continue to measure our progress towards attaining all of these over the medium to longer term, and you can see the efficiency ratio target of 50% to 53% that I outlined earlier set out here.

Finally, in summary – I hope that I've been able to highlight that Nedbank Group operates in a well-regulated and stable banking system in South Africa.

Our balance sheet has a bias to wholesale exposures with growth opportunities in retail and also provides investors with liquid exposure into the growth opportunity in the rest of Africa.

Nedbank Group has a strong balance sheet. We are conservatively provided, we are liquid, and we are well capitalised. A strong foundation.

Our relative valuation to peers is attractive, underpinned by our focus on sustainable earnings growth and return on equity increases over the medium to long-term. In our CIB franchise we aim to deliver the benefits of the integrated CIB model to leverage our strong lending position to grow our transactional non-interest revenue and to sustain an efficient business model and a high quality loan book.

In retail and business banking we aim to grow our transactional banking franchise faster than the markets.

We are accelerating the digital journey to drive both operational efficiencies and to outperform, and we expect to outperform the peers on the cost of risk with continue ROE improvements as a consequence of that.

In our wealth business we are focused on new product innovation and further penetration into the Nedbank client base and we need to leverage our top quartile asset management investment performance to grow our assets under management and market share.

In the rest of Africa our businesses in Southern and East Africa need to scale and in Central and West Africa we need to support ETI and their management team to ensure that that business produces a return on equity in excess of its cost of equity but also to leverage our investment by ensuring that it in enables us to access increased deal flow in the region using ETI's local knowledge of Central and West Africa.

And finally, we continue to believe that there is scope to extract ongoing efficiencies across all of our businesses, particularly considering the environment that we operate in and importantly the impact of digitisation. This will be used to both fund future investment and to enable improvements in efficiency ratios and return on equity to enable us to continue to deliver value to shareholders and meet our medium to long-term financial targets and indeed achieve our vision, which is to become Africa's most admired bank. Thank you.

I'm now going to ask Raisibe to come and join me on the stage. She's our Finance Director and will take any questions.

Greig Paterson: Greig Paterson, KBW – three quick questions. One is I know for a while on the credit loss ratio on your corporate side has been below long-term trend, and there was some indications of that ticking up. I was wondering what the risks are that it will tick up again. And also, I mean, if you look at, you effectively lost market share in the retail to protect your credit loss ratio on the retail side. I mean, what's the risk that will rise as you try and regain some share in that space? And the third one, and excuse my cryptic working, but I think you might get the drift, there was a comment by the industry – the banking industry – that they were going to stop lending to certain parties and then there was a threat – or there was a comment – that the regulation of the banks would be moved under the President's office. I wonder if you could just tell us where we are with that now please.

Mike Brown: Okay. Raisibe, perhaps you want to do the credit loss ones and I'll deal with the last one.

Raisibe Morathi: So the credit loss ratio we have benefited from the portfolio tilt as Mike indicated earlier on but in the retail segment we also observed, you know, the kind of trend that is pretty much in line with the economy that is maybe a little bit under pressure where, you know, different product lines showed a tick up in credit loss ratio in each one, but the overall credit loss ratio was flat because personal loans which had been a negative growth in the last two years has actually come down and that is really just as a result of the book having not been growing, but overall our outlook is that our credit loss ratio has probably bottomed out and, you know, in line with the industry we expect that our retail portfolios will probably tick up a little bit but because our book is more biased towards wholesale we'll probably still have a relatively lower credit loss ratio experience for 2016 and probably also in outlook to '17.

Mike Brown: Yes, so I think retail we've reached a cyclical low and it's likely to trend upwards. On the wholesale side of the business I think what's quite interesting is that actually most of the pressure in the wholesale credit exposure environment arose in Q3, Q4 last year, and into the first quarter of this year off the back of the very strong drop that we saw in commodity prices. We've now seen commodity prices begin to tick back up again. Many of those companies have actually either raised equity or restructured debt, so certainly as I stand here today we're a lot less concerned around commodity exposures that we would have been at that back end of last year. Then on the state owned enterprises issue and regulation of banks, I think two comments. Firstly, I mean as Nedbank we certainly haven't taken any blanket decision around do we or don't we lend to state owned enterprises. Each one we assess on their merits from a credit point of view, so we have no blanket decision around any of those. And, you know, I think that the environment in South Africa has for a long time been a very well-regulated and sensible banking environment and I certainly can't see that changing, you know, global precedent around where banks are regulated and where banking supervision rolls up. I'm pretty certain that there's lots of noise out there but that we will remain a very sound and well-regulated banking system and that the focus of regulation won't shift outside of the reserve bank.

Mike Brown: Oh? Lending to private families?

Mike Brown: So a couple of things. I mean there's rhetoric out there that says banking community decided to – that's completely false. Every bank made their own individual decisions and, you know, banks anywhere in the world can choose who they do or don't want to do business with. And that's really just a consequence of banks' individual risk appetites.

Male voice: Okay, thank you. Can you comment on any changes in your business, if any, as a result of Old Mutual and Nedbank, you know, separate?

Mike Brown: I think quite simply there will be no change in Nedbank's strategy. The strategy of Nedbank has always been set by the Nedbank board. Old Mutual is an active participant in setting that strategy at an Old Mutual board level but by the time all is said and done that is the appropriate strategy for the group, not unduly influenced in any way by Old Mutual, and from an operational point of view there are no operational linkages between the two businesses – we don't share systems in any way, so the simple answer is that strategically, operationally and for our clients there should be no impact. However, we clearly want to continue to cooperate and collaborate with our sister companies in Old Mutual because that is a win/win for both of us, and we do that in a way that is arm's length and doesn't what we say scramble the egg between the businesses. So it's quite a different separation I think to the Barclays ABSA separation where there's a lot of integration between the businesses. Any other questions?

I'm going to get let off early and easily.

Patrick Bowes: Okay, thank you, so we've finished five minutes early so that allows us I think a slightly longer break. Let's say 15 minutes and have you back here at 2.55pm if that's okay. Thank you very much.

Patrick Bowes: Okay, thank you, you've got Ralph Mupita now to take us forward. Thank you.

Ralph Mupita: Good afternoon everyone and thank you for taking the time to join me today. Although I see some familiar faces in the room, it's good to also see some new ones. For people who may not know me, I'm Ralph Mupita, the Chief Executive of the Old Mutual Emerging Markets business. Iain Williamson, my Finance Director, is in the room, sitting right there in front. And he'll join me on the stage when we get to the question and answer session at the end of my presentation.

I'll start with outlining the key issues that I intend to cover about the Old Mutual Emerging Markets business for the next 30 to 35 minutes.

First, how the business is positioned currently and the financial performance delivered over the last few years. Second, the six priorities that I'm driving with my management team to get this business ready for a standalone and independent future. And then third, the strategy we're executing to create value.

This is a business that is uniquely positioned to deliver growth and cash for investors and I'll cover how we plan to do that going forward. I'll then provide some summary and concluding remarks before taking up any questions that you might have. So let's begin.

The chart on the screen provides a view of the Old Mutual Emerging Markets business as at the end of 2015. The root of our business is South African. South Africa generates 84% of adjusted operated profits and 78% of funds under management. Across the insurance industry South Africa as a country generates around 70% of insurance premiums in Africa and 80% in Sub-Saharan Africa. Although South Africa remains highly penetrated, if you look at insurance premiums as a percentage of GDP, the market still offers high returns and good growth prospects.

Our rest of Africa business generates 12% of adjusted operating profits compared to 6% in 2009. In the rest of the emerging markets, the profit contribution is small at 4% of the total, but the funds under management represent 15% of the overall group customer assets. Our staff complement at 36,000 strong includes arguably the largest tied agency force relative to our South African and African peers. And this is a very key competitive advantage that we have.

Turning to the next slide. We have good market positions in our established businesses. We have further entrenched our leading positions in a number of segments that span the entire South African market including our retail businesses, specifically the Mass Foundation business and also in the corporate segment.

We also see an exciting opportunity to consolidate our strengths in South Africa to deliver value in our other markets in the rest of Africa. We are now looking to expand these as we grow our relevance to these markets. Our South African franchise dominates the domestic life markets writing almost a third of industry new business and nearly 40% by value.

The business leads the retail and corporate segments and in many cases has reshaped the landscape. Looking at asset management we are one of the largest institutional players. Although we've lost some share in the segment overall, we have gained share in the higher margin retail sector in the recent times.

In the rest of Africa our earnings have historically been driven predominantly by our Zimbabwean and Namibian operations. These businesses offer life, property and casualty, asset management and banking products. We also have market shares that exceed 50% in some product lines, despite challenging operating environments in these markets.

In Latin America we have a very strong position in the Colombian voluntary pensions markets with a respectable high net worth presence. In Mexico we've been investing in the retail market opportunity. We've also leveraged the master general agency distribution relationships from the Aiva acquisition we made four years ago. These relationships have driven the APE growth in this market in recent times. In Asia we've seen particularly strong gains in India through our partnership with Kotak Bank. The merger of ING Vysya in 2015 has driven recent high APE growth and market share gains. And we expect that to continue in the Indian market.

Next we look at profit contributions across our business from both geographic and product line points of view. This diverse portfolio of businesses provides a resilient earnings base. From a geographical point of view it's clear that South Africa dominates, but over the last few years we've seen profit contribution from outside South Africa increasing as you can see from the graphic. The rest of Africa contribution is growing which adds earnings and risk diversification to the overall Old Mutual Emerging Markets base. They are important markets for us with high returns and cash generation. East and West Africa contributions were small in 2015 but we expect these markets to be strong drivers of earnings uplift over time as we unlock value from our recent transactions. We've diversified lines of business driving earnings growth. Although property and casualty growth has disappointed recently, we have seen good growth in banking and lending activities as we've grown the Old Mutual finance business in South Africa and CABS in Zimbabwe.

Looking at our financial performance over the last few years. We have delivered a solid performance across the range of key value metrics comparing favourably to our peers in South Africa. Key to this delivery has been a strong and experienced management team that has the skills to operate in the various markets that we're in. We have a predictable revenue base supporting strong earnings growth as is seen in the top left chart. We are also generating solid returns both on equity as well as embedded value basis as you can see on the two charts on the right. Finally, if you look at the bottom left chart you can also see that our dividend paying capacity is well positioned relative to the South African peer group.

So we have covered the current profile of the business, where we are and the good track record of financial delivery. But if we are going to continue this into the future as a standalone entity, there are some critical actions we need to consider as we prepare the business for the future.

There are six priorities that I and my management team are focused on driving as we progress towards a listing. Frist, we must ensure that our businesses perform and I will spend some time on that a little later. Briefly it means we need to maintain the momentum in the businesses that currently performing well. But we must also address some of the underperforming parts of the business. We must also ensure that our cost base is appropriate particularly in the current economic environment. It is imperative that all of our businesses are well positioned given regulatory developments in the various markets. The most significant regulatory developments are in South Africa where retail distribution review, retirement fund reforms, twin peak regulation, preparation for Solvency II known in South Africa as "SAM" and TCF developments – and these will materially impact the insurance and the banking sectors. We are also going through a strategic review of our businesses, reviewing the mix of businesses, business lines and markets that we are operating in. Ultimately we need the optimal portfolio of high return cash generating businesses with strong growth potential from which maximum value can be created. Furthermore, we are confident that we'll maintain a strong capital position given our risk profile and growth plans. In this regard we are further strengthened in our enterprise risk management ahead of our separation from the group.

A review of the target operating model is also underway. This review will focus on ensuring that we have an optimal structure for executing our strategy and that the cost base is appropriate. A key part of the outcome we're working towards is that the overall cost base does not increase even as we take on work previously done by the PLC.

Finally, we're also reviewing the governance frameworks within the business and the readiness of the board and executive management for a listed environment.

Our strategy to create value. We'll continue to build leading value propositions across our customer segments and product lines. We understand how to leverage our scale, product expertise, IT infrastructure and build efficient multi-channel distribution. We would look to replicate these as appropriate in each of the markets to drive efficiency and de-risk operations. In markets and segments where we do not have the full breadth of expertise we look to utilise strategic alliances and partnerships to improve speed to market and execution of our strategy.

Our governance, risk and capital allocation framework strongly influence how we manage all of these businesses. Our risk management approach ensures that our risk exposures are aligned to our appetite.

Lastly, in emerging markets we expect volatility and challenges from time to time. However, these need to be matched both by higher cost of equity and expected return. And the key part of managing these challenges for us is having strong management teams who are proactive and empowered to address these challenges. Our customer centric culture and belief that we play an essential role in making the world a better place and key underpins to how we execute on our strategy and when.

This slide provides an overview of the return and growth signature of each of our businesses in relation to the capital we've allocated to them. We believe we can improve returns by getting some basic but fundamental things right.

Firstly, we must maintain that performance of the South African life and savings business. Secondly, despite the returns from our South African asset management business being high, the profit growth has been disappointing. I will highlight later where I see an opportunity for profit growth within this particular business.

In the rest of Africa and LATAM and Asia, profit growth has been good, but we need to see improved returns going forward.

Mutual & Federal's performance and returns have been disappointing and we're implementing management actions to improve operational and financial delivery, which I will touch on a little bit later. The key to our success is a strong South African base in all areas of financial services. We are South Africa's leading life insurer. The business has an incredible brand, distribution footprint, backed up by fine people, a strong management team and excellent products.

In asset management we have the largest firm in South Africa and have a unique structure that enables us to offer a wide range of different asset classes from top investment professionals.

In the property and casualty area we have lost ground in recent years. However, we still have a good brand and reputation, particularly in the commercial and corporate and niche markets. There remains an opportunity in the retail markets to improve the performance of the property and casualty business as well as in the overall retail segment. For instance, our penetration of P&C products into our overall six million life and savings customers in South Africa is very small at less than 5%. There is a huge potential to drive increased cross sale and retention and is an execution priority for us.

We continue to work well with Nedbank in generating synergies. We have a joint target of delivering one billion rand of synergies by 2017 and of which around two-thirds will accrue to Old Mutual Emerging Markets. As we've communicated before, going forward we'll have a strategic but minority shareholding in Nedbank that will underpin the ongoing commercial relationship that exists between the two businesses. At the appropriate time, and before listing, we'll communicate what the minority shareholding will be and any relationship agreements that will underpin such a shareholding.

On this slide we look at how we can accentuate the strength of the South African business. There are five specific areas that will drive growth and enhance value. The Mass Foundation business is the leading entry level market franchise in South Africa. This business provides us with a platform to drive further growth through our integrated financial services model. In the integrated financial services model, we look to leverage the branch network of our Old Mutual finance business to provide lending, insurance and customer services seamlessly. There are significant cost efficiencies and agent productivity benefits we generate through this delivery model which we aim to extend into the middle market.

In the retail affluent business, we're uniquely positioned to capture the growing black middle class customers in the large metropolitan areas of South Africa, such as Johannesburg and Pretoria. I'd like to give you some context for why we believe in this opportunity for Old Mutual for that customer base. One of the key demographic and income trends we are observing is that of mass market customers migrating into the middle market, particularly those who are employed in the public sector. Given the strength of our brand, broad product offerings and distribution we're well positioned to take advantage of this trend and monetise it. We are also looking to flex our scale and advantage further in the corporate market in bulk pensions and umbrella funds. There are also opportunities to drive retailisation of our corporate member base by leveraging the large tied agency force we have in the mass and retail affluent markets.

Our alternative asset management business is the leading private sector manager on the African continent with over 60 billion rand invested to date, including third party funds. It provides growth opportunities in areas such as infrastructure, renewable energy, agriculture, housing and education. These specific areas will be key drivers of growth for African economies. The opportunity to export these capabilities as the African continent develops place us at a huge advantage to capture high margin and profitable growth in the future.

And lastly, through our investment in technology in driving our direct and digital offerings, we can drive product innovations that are also cost effective. Within our retail segment we're the leading insurance provider of the recently launched tax-free savings account of which 14% of volumes came in through digital channels, and 53% were new customers to the Old Mutual Group. This is an exciting development for us as digitalisation of financial services evolves in South Africa.

We can see how these advantages have resulted in strong top line metrics which we believe will continue going forward as we leverage our competitive advantages further. We have seen strong life growth metrics from market leading new business sales and values as shown on the chart on the left. Top tier new business margins were supported by optimal market position, high distribution productivity, scale advantage and a focused sales mix. We've also seen strong savings and asset management growth as highlighted on our solid net client cash flow as shown in the right-hand side of the chart.

As we look to the future, my management team and I cannot afford to rest on our laurels. There are some areas within the business that need to improve performance if we are to deliver enhanced value.

Firstly, at Mutual & Federal we are seeing an underwriting margin shortfall against our peers, and our own targets. We have a target to deliver on our underwriting margin of 4 to 6% and an ROE in the 15 to 20% range. We were behind the curve on direct and we remain too dependent on brokers and commercial lines historically. We are taking a number of steps to ensure we succeed. Firstly, through the remediation of our commercial book, transforming of the claims value chain, and reviewing our reinsurance arrangements. We are also focused on managing expenses very tightly. We have renewed our focus on the direct market through a partnership approach where we brought in significant skills into the business and these are showing good early signs.

There are also other opportunities arising from the realigned corporate and specialist business post the CGIC acquisition which offer good growth potential. As you may be aware we've partnered with Atradius, a leading global credit player. This is a very positive development for CGIC as Atradius will bring in global expertise which will further support the growth of this business.

If you look at our asset management franchise, we continue to focus on our listed asset management portfolio boutiques to improve contribution to earnings. Investment performance has been strong in many of our boutiques. Our fixed income and domestic equity capabilities have had strong performance but our multi asset franchise in South Africa has recently underperformed relative to our own expectation. The multi asset category drives funds under management and net client cash flow growth in South Africa. This is because over two-thirds of retail flows comes into this asset class. So improving the profit contributions and margins of our listed asset management boutiques will largely be driven by a turnaround in the investment performance of this particular boutique.

We also see a material opportunity from product expansion, specifically in emerging markets and global equity capabilities which we have recently bolstered. This build out of the wealth business in South Africa is also as key component of our growth to drive our asset management business further.

In East Africa we are focused on bedding down our recent acquisition of UAP. We're looking to optimise the balance sheet and the property portfolio. There's also some work to do in streamlining the claims process in the property and casualty business. In West Africa, we'll continue to drive growth by leveraging the partnership that we have with ETI. Lastly, we see various opportunities to improve cost efficiencies throughout our business, and our IT investments will enable cost efficiencies to be realised once complete. I'm confident that delivering these business improvements will result in value uplift.

Now, on to what excites me about the opportunity we see in the West of Africa. Our business is well positioned to capture the structural growth opportunities that will emerge from low insurance penetration, demographic shifts, urbanisation and regulatory developments. In the rest of Sub-Saharan Africa, markets are nascent and underpenetrated with insurance penetration less than 1% of GDP. This needs to be contrasted with 13% of GDP for South Africa. There are clear demographic shifts and dividends that emerging markets have that afford growth and we are well positioned in the rest of Africa to profit from these.

In many cases, financial services entry is credit led then followed by property and casualty, health and then life and asset management. And what we have seen is that scale is a critical success factor as large players tend to win market shares whilst stand alone, small players struggle, sometimes indefinitely. We believe the significant flow of emerging consumers into cities remains a key structural trend to support growth but must be worked through appropriate distribution models and positioning. Finally, in many markets where we operate, we see regulation as a great opportunity enabling us to predictably build out our customer base and profits over time.

Earlier I mentioned that we are currently conducting a strategic review of our portfolio. This is really about how we are thinking about the optimal strategic positioning for our stand alone future. For us to sustain our competitive advantage requires an optimal portfolio of high return, cash generating businesses with strong growth potential. This requires that all of our businesses deliver top tier performance in our respective markets and achieving meaningful scale. So using the above criteria, we are actively looking at which parts of our business had the capacity to deliver these outcomes in the medium to longer term. Given my earlier comments about our confidence in terms of the potential for Africa, we remain absolutely committed to building out an African financial services champion business. This is after all our home. We will communicate the outcomes of this review in due course and ahead of listing.

Looking at our balance sheet, our capital coverage is incredibly resilient on an economic basis to withstand various stresses. As you can see at the bottom right of the chart, the reverse stress indicates that it would take an incredibly severe scenario to deplete our capital to the regulatory minimum levels. As we migrate to a SAM world our coverage reduces and this is consistent to what we have seen in most markets under solvency II. However, our surplus position remains very strong.

Risk management is at the heart of what we do and we are further strengthening our risk frameworks ahead of listing. The pie charts on the slide shows our economic capital at risk on the left hand side as well as earnings at risk view, all at the end of 2015. We are well diversified across both measures and these risks and exposures are all within board approved appetite levels. We focus on ensuring an appropriate risk adjusted return and within our risk strategy. We have a high preference for risks that we can manage, price and get paid for. Insurance risks such as mortality and disability and longevity are primary risks and we are also happy to grow exposures to lapse and expense risks being natural consequences of our business.

We have strengthened our risk management capacity and credit risk which, as you can see, has been growing exposure over the last few years. This has tracked the build out of our banking and lending cluster and our increased appetite for investment credit risk within our OMSFIN business.

Turning now to value creation. The following chart shows how we have generated free surplus, invested it and delivered returns over the last three years. We have a highly cash generative business with attractive growth prospects and a solid track record of financial delivery which aims to maximise returns for investors. We will continue to drive free surplus generation with the allocation of this to support business growth and investment which is subject to the appropriate risk adjusted hurdles, whilst still funding appropriate dividends.

The slide illustrates where the free surplus or available capital is generated within Old Mutual Emerging Markets, where we spend it and the returns we get. At present, the free surplus comes predominantly from South Africa with nominal amounts generated in Latin America, Asia and the rest of Africa. So, as you can see from the slide, most available capital is invested in South Africa – approximately 25% - this funds new business as well as organic and inorganic initiatives. Rest of Africa and Latin America consumer next 25% of capital.

While returns are currently low, given the investment required in these businesses, I have mentioned earlier how we will drive improved performance and lift the ROEs to reach our target range. And finally, about 50% of our generated capital has been paid to the PLC to support dividends for shareholders. Bringing all of this together, our focus is on capital allocation aligned to the strategic opportunities that we see to create value in the longer term.

Now to summarise and conclude. Over the last three years, the business has had a strong track record of delivering value to investors. This has been supported by a strong management team as well as a strong and resilient balance sheet. South Africa remains the core market for our business and will drive the bulk of cash generation for the medium term.

We are well positioned to build an African financial services champion business with a five to seven year time frame, as investments in East and West Africa deliver growth and ROEs of greater than 20%. My team and I have clear priorities that are focused on executing to get the business ready for a standalone and listed future. We have some great businesses that are well placed to continue growing and we are investing in these to make them future fit. There are opportunities to improve operational delivery of some of our businesses to further enhance returns and value creation. And finally, we are uniquely positioned to deliver a combination of growth and cash for investors. Thank you for listening. I'll be happy to take any questions you have and I'll now ask Iain Williamson to join me on the stage. Open for questions you may have.

Greig Paterson: Greg Paterson, KBW again. Just three quick questions. One is on an update. Where trading is in terms of persistency in the retail mass area. There was some pricing pressure on the protection side and on the life side in the affluent area, can you tell me what's happening there? And then Old Mutual finance credit experience. And it's all in the context obviously with the economic cycle slowing. Can you just update the third quarter?

Ralph Mupita: I think we've updated the half year, where we were on all those three aspects and we don't provide a trading update in Q3. So unless Ingrid said I can say anything further, I think Ingrid is shaking her head and said I can't give you a Q3 trading update there, Greig.

Andy Sinclair: That was unusually quick. It's Andy Sinclair from Bank of America, Merrill Lynch. Three questions as well. Firstly, a similar question to what I asked to Paul and Mark earlier. Just how do you expect to monitor costs within OMEM, cost efficiency within OMEM, and can you give us an idea of how you'd like the cost/income ratio to be evolving over time? Secondly, I just wonder, do you have an ideal split in mind for underwriting fees and spread profits within your profit mix and can you give us an idea of exactly where that mix sits just now between those three different types of profit – underwriting, spread and fees? And thirdly, just wondered, Latin America and Asia, how committed you are to those businesses. India in particular has had some pretty chunky valuations touted around recently and whether you would be willing and able to realise any such valuations. Thanks.

Ralph Mupita: So I'll take the question number three first and I'll ask Iain to talk about the split on revenues and I'll also cover cost efficiency and Iain can top and tail. I mean, as I mentioned, Andrew, we are going through a strategic review of our portfolio. Annually we do so as an executive team and a board review of our portfolio, but I think managed separation creates an opportunity to look at that in a lot more depth. And so we are looking in all our geographies. I mean, the commitment to Africa, as I mentioned, is unequivocal. We think we have a particular competitive advantage and we understand operating conditions there. But, as I mentioned, we have a strategic review underway and depending on the conclusions of that we will communicate where are we in some of these markets, so whether it's in LATAM or Asia. We've got good businesses there but we will be in a position probably in the early parts of next year to communicate where we've ended up with our strategic portfolio. In terms of cost efficiencies, I'll ask Iain to talk specifically about where we are from a cost and income ratio. I always guide that I think to look at cost income is not necessarily a helpful view because they are, for example, we have a large, tied agency force and a tied agency force comes with some inherent larger costs than if you had a purely IFA model. So we are focussed on costs and making sure that those are optimal and competitive, but I think one has got to also look at what are you generating for the cost base you have in terms of margins and then ROE. And just an example of that is we believe tied agency which is costly can generate you better margin overall and you should see that being reflected in your ROE. And we see that we get more protection business out of our tied agency than our IFA business, so it provides with a lot more control. It's expensive but you've got to get the productivity up to get the margin and ROE benefit. And Iain you can talk a little bit about where we are in the various businesses in terms of our cost efficiencies.

Iain Williamson: So against our peer group in South Africa, we're not the cheapest in the market from our cost income point of view but we are second to third in the middle of the pack. I don't think the cost income ratio for the life insurance part of the business is very helpful. You derive it by adding back the profits to the cost to derive a revenue line effectively. It's not a particularly helpful metric. But having said that, we do look at that. And Ralph's points about the business model are absolutely right. The more relevant metric which we track internally for the life business particularly is the unit cost, so similar sort of comment that Mark Satchel made earlier in the wealth business, we look at the maintenance unit costs of running the various books of business, those that have been tracking at below inflation increases for quite a few years in a row now, and then we would track the acquisition cost per policy on the life side, so that's how we think about it on the life side. Now the business is like the lending businesses and what have you, it's more typical to look at a cost income ratio.

Looking at your other question around the mixture of revenue, we don't particularly target mix of revenue between an underwriting or fee. We very much look at what sort of margin adjusted return we can make on an incremental amount of capital, how do we allocate that capital and how do we manage the mix of business so as to optimise return that can be generated, and that's where the advantage of the tied agency force comes in is you're able to direct the mix of business a lot more strongly and, in particular in our case, for example, I'll just give one example, in the retail mass market in South Africa we monitor like a hawk the mix of business between the risk and protection business and the savings business, and we like to keep that mix within tolerance levels, slightly favouring risk business above 50% and savings slightly below. It varies a lot over time but we manage that quite tightly and that's to keep the economics of running that tied agency force intact and keep the margins intact etc. But that's how we think about it rather than explicitly between underwriting fees etc.

Ravi Tanna: Thanks. It's Ravi Tanna from Goldman Sachs. I had a couple of questions please. The first one was on your portfolio review. You referenced earlier on the fact that there are a lot of regulatory changes going on in the South African market – RDR and TCF, Sam. I was just wondering to what extent they are shaping your choices around products and business mix and business line that you might end up in, and maybe you can give us some sense of how that's likely to evolve. And then the second question was just in relation to slide 18 where you'd laid out very helpfully the free surplus generation and its uses between the different geographies as well as group dividend. I was just wondering should we expect that mix in terms of use of capital to remain similar once you're a separate entity compared with how it is now or are there likely to be changes in the way you are thinking about growth versus capital returns once you are a separately listed company?

Ralph Mupita: I'll get Iain to answer the second question and I'll pick up the first. There are a bunch of regulatory developments, I guess as in a developed market like here in the UK. So, as I said, the most significant that we're dealing with are retail distribution review, and we think that there is an outcome of retail distribution review that favours our position having a large tied agency force. We are able to manage the tied agency force, get the productivity levels, manage the market conduct risk, so there's a way that see retail distribution review actually favouring and actually working with our tied agency business. So obviously that is playing itself out and we'll see but we look at it favourably from our position. Retirement fund reforms, I mean, the key thing for us, and it's a challenge in the South African macro space in terms of how certain sides of society might see the opportunity for annuitisation in terms of the retirement fund reforms, keeping a lot more of the stock of savings, in the net and obviously supporting our net client cash flow. And there are also developments that we think and we are talking to the authorities around in terms of the positioning of our alternative assets business because what funds our alternative assets business is actually the ability for us to have smooth bonus portfolios as acceptable default options for savings. That's quite a big material development for us and the way that these default regulations pan out. But, I mean, in the main we've seen regulation often as a positive, as I said earlier on. The tax free savings accounts came into South Africa, others saw it as a tax, we went out and launched and in the first twelve months we had a pretty strong market share and it's actually helping us evolve and drive our businesses. So net net, I think there are challenges and costs that come with the regulatory developments, but we are taking a very positive attitude and saying what's the opportunity and then to continue to build out our franchise. We can't sit back and just get hit by the changes; there's always opportunity in some of these changes. Iain, free surplus?

Iain Williamson: Yes, so we haven't concluded with our board anything definitive around the capital management strategy for the future. I think we will come up with something appropriate that balances the growth and the cash for us as an entity going forward but it's a work in progress.

Ravi Tanna: Thank you.

Male: We have Michael Christelis on the phone. Mike, go ahead.

Michael Christelis: Just three questions, if I can. Firstly P&C turnaround, we talked about good traction last year and fell back heavily in half one this year. To what extent do you think the half one performance is reflective of just, I guess, the randomness of the underwriting rather than a deterioration of that turnaround, and how does your target of 4% to 6% get derived compared to some of your peers, more closer to 4 to 8%? That's the first question. And the second question, still around India specifically, I understand you've got the strategic review underway but you had previously committed to taking up your stake in the India joint venture. Am I to read from your comments that that potential is no longer on the table or is India excluded from the strategic review, particularly given some of the favourable GDP and macro factors there? And the last point, you make valid comments around the migration of the entry level market in South Africa, I think it's something we don't focus enough on in South Africa itself, but it's a comment from past capital market days over the last ten years, can you give me any evidence or any signs that you've seen that this migration is actually taking place? Can you quote me anything that covers or gives you confidence that the migration is actually happening?

Ralph Mupita: Okay. Michael, maybe I'll start at the P&C question. Look, as you said, we're disappointed with our half year performance and I think as you look at all our peers that have reported in the half year, the underwriting cycle was a tough one, and particularly the companies that were exposed particularly in the agricultural sector, they saw their underwriting margins quite impacted even the market leader in the South African market. So, as we see it at the half year, we saw large claims, the incident of large claims was impacted, it was the severity of it that was unusual in the commercial and specialist and niche areas. Previously when we've spoken about a turnaround, P&C actually has been more around the direct business and the personal lines business and, as I said earlier, we brought in a team, we've had a team lift out from one of our competitors, they've come in and we've seen good traction on the personal line side in the direct space where – the underwriting margins and profits are. And so in the half year, I think certainly we were disappointed and, as I said, it's the severity issues in the corporate and specialist areas that we're starting to see our direct business actually improve.

And in terms of our targets, these targets were set at a capital markets day in 2012 for around we want to see GWP growth at 8%, we want to see the margin the 4 to 6% and ROEs in the 15-20% range and we are still pursuing those because we've got to hit them before we move on to maybe broader underwriting targets of 4 to 8%, Michael.

And then India, look, the fact that we're doing a strategic review doesn't mean we are saying any business is in or out yet. We are still midway through that. We continue to be engaged with our partner in India, Kotak Bank, and the business has been building out. So I won't stand here on this podium and say it means India is on or out. We are working through a holistic process looking at the portfolio of businesses and then we'll determine and make a decision at the right time.

I mean, your point around the migration of mass customers into the middle market, an evidence point, Michael, is on Old Mutual finance business. So Old Mutual finance business which is driving quite a lot of our growth in the mass market, actually we're finding that there's an increasing number of our customers who are coming in attracted to that proposition who are middle income customers, and actually we've started building out our branches into much more middle income markets as we've seen these customers come to us anywhere for a full set of financial services solutions, not just on the lending side. And it's a step that we've never mentioned and I'm sure I can mention it here but we've got well in excess of probably about 40% of the customers that are now coming in through those Old Mutual finance branches would be typically noted as much more middle income than mass. So I don't want you, Michael, to think that mass is like 100% mass market customers. We are seeing these guys coming through and actually we're using the distribution footprint, and that's why I made the earlier comment that for us to be on the attack and protect our franchise in South Africa, we're going to have to take the Old Mutual finance business a little bit further up into the middle market, so we're seeing definitely that as an example of the opportunity in the middle market. Iain anything I've missed out?

Iain Williamson: I can unpack a bit more detail on the P&C side if you like. So just to give some concrete evidence. There was a lot of short term fluctuation noise in the first half result. The claim severity in terms of number of claims for large claims is very much in pattern with what we've seen on a 15 year average. But the sizes of those claims, so the severity refers to, much more significantly higher than average. And that cost us around 200 million rand in aggregate in the half. That was in the core mutual and federal book, mostly in commercial lines and in corporate and niche, and generally speaking those were property related claims either related to weather catastrophe situations or fire. The other half of the story was that CGIC which is our trade credit subsidiary has a five year track record of underwriting margins consistently in the 20-25% range, and in the first half of this year they suffered a loss. That loss was driven by three large claims from trade credit claims, cross border in Africa, two of the three out of the steel industry, and just to give you a sense of no change in underwriting standards or anything but one of those claims from a client of 30 year standing who has never claimed before. So there's a certain amount of fluctuation that comes with P&C. Having said all that, the remediation work that's required in the business is ongoing and there's still a lot of work to do in what we refer to as the group scheme or off-platform commercial lines book which isn't yet performing where it needs to from an underwriting point of view.

Patrick Bowes: World record, we're actually running early. So I think we'll take another break there for fifteen minutes. So for the guys on the web, we'll be back at 3.50pm. We'll re-start at 3.50pm for the final couple of sessions which will be led by Peter Bain. Thank you.

Patrick Bowes: Can we have you all sitting down please for Peter Bain? Can we have you coming in for Peter Bain please? Right, over to Peter Bain and he'll do a Q&A and then we've got Rob and Bruce and there will be another Q&A session after Rob's. I know there are some burning questions that people felt that they didn't have quite the full time that they thought they wanted at the beginning. Thank you.

Peter Bain: Thank all of you for being here today. Certainly appreciate your attention and energy. I'm the last of the four presenters so I will try and keep us engaged by trying to cover about four and a half hours of material in about 28 minutes, so I think that will be fun for all of us. And then I will look forward to the Q&A. I actually always learn a lot from Q&A in these conversations so I hope you will find it useful as I do.

I would like to get at about five core components of the discussion today. The first is to give you all the best understanding I can of what we stand for as a business enterprise and then the actions that we've taken to date to implement this business model with some rigour and some consistency, how we've been able to develop a growth strategy that capitalises on what we think are the competitive advantages of this business model and what we stand for, and the result that we've been able to generate as a result of the disciplined execution of that strategy, leading us to where we're positioned today to take this business forward and continue to grow and deliver value to our shareholders.

So starting point really is just that very first slide which is what OMAM is today is a market leading asset management business rooted in the fact that it's a diversified multi-boutique model. We'll talk about all of these things as I work through the conversation with you today but it's rooted in the multi-boutique asset management model which has some very particular characteristics to it which we think are particularly well suited to an increasingly competitive institutional active management industry.

It's grounded on the fact that it consists of eight leading affiliates each of which has its own discipline and its own identity and its own reputation in that institutional market. We've run the business through the disciplined execution of what we believe is a uniquely differentiated and aligned business model where we at the centre and the affiliates are aligned on as many conceivable levels as possible to enable us to move this business forward together.

The management team has come together over the last half decade plus we work together collaboratively, collegiately. As a bonus we happen to like each other which is always encouraging.

The strategy that we've developed we think creates more opportunities to generate growth than might otherwise be available to a monoline or a command and control sort of asset management business that you see more in the retail side.

We've delivered pretty strong financial results on a consistent basis and we think the business is positioned to generate ongoing inorganic growth in addition to the organic capabilities as a result of our ability to execute acquisitions of new affiliates to bring them into the structure because it's uniquely well-suited to undertake acquisition activity.

So let's get into what we stand for which is really the next slide, and we challenge ourselves. We would have gotten this to one sentence, I promise, except the multi-boutique requires two, because you have to talk about what the overall franchise is, but then you also have to be very clear as to what the role the centre plays in this business model. And we challenge ourselves every day and, actually, you should share in that challenge with me today. We should be able to answer virtually any question you have about this business by referencing one of these two sentences. So what we are, what we stand for, is an institutionally driven active investment management business delivered in a diversified multi-boutique framework seeking to generate sustainable alpha for our clients around the globe. And we at the centre of that model are committed to delivering genuinely strategic capabilities to our affiliates so that they can concentrate on doing the three critical things they need to do to create value for their clients and thus our shareholders, which is to deliver superior investment performance over a full market cycle, be on the leading edge of innovative product development given the always evolving standards in the institutional arena, and taking really good care of their clients. That's what this business stands for.

And the next page takes you to what we've done rooted in that commitment over the last half decade plus what we've been through together. We came together as a management team, I joined in February of 2011, and really almost from a narrative arc framework from there we really spent the bulk of 2011 sorting through how we were going to take what was a not particularly well managed or clearly strategized business and turning it into one.

That involved designing what we wanted to stand for, developing those two sentences, putting together the management team and then beginning to execute on pursuing the mission. That led us to the bulk of 2012 where we fundamentally restructured the existing business model which we'll talk about. That enabled us over the course of that work to position the business for growth and yet while we positioned the business for growth we managed it at the centre in a very disciplined way, so in fact when you look at our apples to apples operating expenses in 2015, they're actually $4 million less than they were in 2011. And when you look at our headcount at the centre in 2015, it's actually down 10% from 2011. And yet while we were doing those efficiency reductions and disciplined execution moves, we were positioning this business to grow. That enabled us to develop the strategy that we began to implement in 2013 which involves working collaboratively with the affiliates to diversify them in ways that we'll go through together. Structuring and beginning to execute on a central led global distribution capability which led the business to the position in 2014 so that we were able to successfully take it public. In 2015, we had a very successful secondary offering. That enabled us, with the proof points of the business model now well established and understood in the market, to execute on a first acquisition as a team which we announced in June of this year. We then funded that acquisition with an investment grade debt offering where we broke it into two different tranches, 10 and 15 year, which we'll talk about, culminating in our actually closing the acquisition of Landmark Partners in August.

So that's what we've been doing and the chart on the left takes that narrative strategic management exercise and turns it into hard numbers. So what we started with when we came together as a team was a multi-boutique business that had 17 different affiliates in it. We took that down by more than half. There are eight today. And yet while we were doing that, having reduced the number of affiliates by more than half, we manage virtually the same level of client assets today as we did when we came together. We took a business that was bleeding AUM at a net rate of about $25 billion in 2011 and are basically break even in 2016, and importantly we took that net AUM flow which translated into $41 million of revenue attrition in 2011. And actually when you annualise our first six months this year, we've generated $8 million on an annualised basis of organic revenue growth in the face of a very challenging, volatile, active asset management market.

Our ENI which is our measurement of earnings in the States, we report economic net income. Our economic net income over that period is up over 70% on a post minority interest but pre-tax basis which is what's available to our shareholders, which is why we report it that way, and we've effectively doubled the operating margin of the enterprise. While we've done that, the affiliate's investment performance has actually improved over that period as well.

So if you looked at the revenues generated by strategies beating benchmark, and this is an important measure that we'll come back to this as well, the market tends to think generally about AUM flow, AUM beating benchmark. We take this an important step further when we meet with our shareholders and constituencies. We talk about how it translates into revenue because revenue is one big step closer to free cash flow generation which is our goal for our shareholders, number one. And number two, it also reinforces in the market our understanding of the fact that not all assets under management are created equal. They have very different revenue generating characteristics and that matters to us in managing the business.

So if you looked at our investment performance in 2011 on those key institutional three and five year bases, 60% of our revenue was being generated by strategies beating benchmark on a three year basis, 56% on a five year. June 30 this year, that's 63% and 72% respectively.

So the business is well positioned to go forward and I think the next slide gives us a sense to share with you how we're looking at the overall industry, where we view the opportunities and risks involved. And this takes the overall asset management world globally and comprehensively. So this involves all geographies and retail as well as institutional asset classes. This is work that Casey Quirk does every year. And this takes a forward looking view of their sense of what's going to be happening in the market between this year and 2020. This is a very important chart. It imbues some of our strategic thinking and I think it will help provide you with a context of where we're taking the business and why we're taking the actions we're taking.

There are some things on here that I think everyone would expect to see. When you look at the percentage growth of AUM, that's that first column and it references the different asset class categories across the industry, you see some things that I think are generally written and talked about widely in the press which is the asset classes that are deemed to be likely to have the greatest AUM flow fall into the low fee, other cash management, passive equity, fixed income categories, as well as solutions. Solutions is multi asset class and we'll come back to that. And then alternatives – and we'll walk through this together, it's important – alternatives, while it says only expecting it to generate 3% AUM net flow over the next five years, that's a critically interesting number for us because that 3% is a net number. What it reflects is a substantial outflow from the traditional single strategy hedge fund managers who have failed to deliver the promised returns over the last decade. Out of that class, but moving into other alternative asset classes, which we believe have much more durable characteristics at alpha generation like private equity, like secondary private equity, like alternative credit, and we'll talk about that.

But what matters to us on this chart again is something that people don't write about because they don't really have access to the data. But I'm going to take you to the far right column because what matters to us isn't so much whether we think there's going to be net AUM flow in and out, what matters to us is the revenue opportunity. This is something that drives the way we think about building an active alpha generating institutional business. And if you look at this chart, the single greatest revenue opportunity is in the alternative space. It's over $91 billion. The other piece that I think is critically important to understand about this revenue opportunity analysis is people think about flow, 'Oh my gosh, assets are going passive, what does that mean?' If you look at the actual revenue opportunity attached to the net flow number, that's the little green part of that far right bar, the vast majority of actual revenue in play over the next half decade, and this is the same – you can look over any time period in the institutional space – the actual amount of revenue that's going to be generated is a function of what we call replacement activity. These are active searches for clients and institutional consultants who are replacing managers who failed to deliver on the mandate they were awarded. If you are able to deliver disciplined, rigorous investment processes that withstand the increasingly sophisticated diligence analysis in the institutional arena to win a mandate that that client is giving you for a very specific reason, you have the opportunity to hold that mandate over a full market cycle, deliver the promised alpha, and participate increasingly in building your business because of the revenue replacement opportunity.

That's how we look at this. And so when you really look at this chart, with all the noise in the market about people going passive and people indexing and people going to cash, if you're really running an asset management business what you want to build is a business that's very strong in the alternative space, and then in the bottom five categories which are projected to suffer net AUM outflow. But when you add the other domestic emerging markets global, international and US equity categories it's $132 billion of revenue opportunity. So that's how we think about this business going forward, it really drills down a little deeper than I think most people generally are aware of day to day.

So the next slide tells you how we take that view of the market and the industry and turn it in to a growth strategy. It's rooted in the bottom, that sort of concrete coloured rectangle that we present as the foundation of the business. That's where the business model that we've implemented with consistency and discipline matters, I think, to us, to our affiliates, to the clients, and to the consultant community. We are implementing an operating model that combines two, what we believe are necessary but not sufficient, characteristics that no one else in the industry is implementing in the way we are today. And we think that it empowers the growth strategy in the pyramid that has four components to it, which we do not believe our competitors can implement because of their business models versus ours. Those two components are, first, all of our affiliates own real equity in themselves, not in OMAM. Acadian owns equity in Acadian, Barrow Hanley owns equity in Barrow Hanley. The consultant community and their clients want Acadian focused on Acadian, that creates an environment that's entrepreneurial in nature, and it attracts the kind of investing DNA that wants to compound value and grow it over time.

That equity ownership at the affiliate level by the affiliate talent base combines with our economic operating model, which is profit sharing not revenue share. And I think revenue share is something that's talked about a little bit in this industry, it's very simply what it sounds like, taking a slice off the top. The holding company's earnings are effectively a slice of the gross revenue with the affiliates. We don't do that. Our participation is in the earnings of the affiliate, that aligns us in being able to invest alongside the affiliates to build, diversify, expand and strengthen their businesses in a way that a revenue sharing partner cannot do. That enables the four components of this growth, which is, one, if you've got a really well aligned business model where you're not constantly at odds with your affiliates because you're arguing about who bears what cost and who bears what revenue, but you're aligned. We believe you're going to own good affiliates, and we do. And those good affiliates are going to generate core growth going forward.

But we also believe that the aligned model, the combination of profit sharing and equity at the affiliate level, enables us to grow organically with our affiliates by strategically engaging. We also believe it empowers us to put in place incremental, non-overlapping, non-redundant distribution to enhance their ability to grow. And then that top pyramid on that growth strategy is if we implement this model with discipline and success, we believe we'll be a very attractive acquirer for other leading asset management business. And the multi-boutique is uniquely positioned as a business model to add through acquisition.

The next slide gives you a sense, we'll start then at the top of that pyramid, which is new partnerships. We acquired and closed the acquisition in August of Landmark Partners. I was talking with Ian, earlier in the session today, who understands this business well, it was nice. Landmark is a world class leading secondary private equity, real estate and real asset management business. It takes us from our dominant position in the long only equity classes and diversifies us in to the alternative asset class segment in a way that we've been very straight with the market about wanting to pursue. This business is well-established, well-known, it's got a true franchising brand in the industry. Its economic structure and the way we structure the transaction results in a very accretive event for us and our shareholders. And the way we structured it aligns them going forward to want to build the business with us in the sense that, like the other affiliates, we did not acquire 100% of the business, we acquired 60% of the equity of Landmark. Management continues to own the remaining 40%.

In addition, we paid $240 million, but we put in place a second tranche of potential value for management that's purely a function of their success in their next round fundraising, which they're engaged in right now. And the way that transaction is structured, frankly, the higher the earn out payment that we make to management, the greater the accretion to our shareholders. So we've put in place a highly aligned acquisition with a strategic asset class, with a leading firm within its space in the asset management industry that ought to develop meaningful economic benefit to us going forward. That's the acquisition piece.

I want to switch to the next slide, and now start again with that bottom of that pyramid, the core affiliate growth component of the business franchise, to give you a feel for what the franchise looks like today. This gives you a view of the eight affiliates who make up OMAM today, each of them has a very distinct investment discipline, each of them has a very distinct place in the institutional arena, each of them is an extremely well run business on its own with good executive management in addition to investment talent. And each of them plays a very particular role in what consolidates up in to a well-diversified overall franchise.

The next slide takes those businesses and shows how you can have specialised capability and still build a well-diversified company. And again, this is one of the unique benefits of running a multi-boutique, because as you can see we're very well-diversified across asset class, we're very well-diversified across type of client. But this is not a business where we're seeking to be all things to all clients because that, from our perspective, is a recipe for mediocrity. The multi-boutique enables each affiliate to be a specialist, and therefore by each affiliate doing what it does well for its clients we create a franchise that rolls up in to this level of diversification without compromising Alpha generation.

Next slide takes us in to investment performance. We look at investment performance three different ways. And again, this sets us apart in the industry because the traditional way asset management businesses report their performance to the market is this far right graph, the asset weighted graph. This is, in essence, what percentage of a firm's AUM are beating benchmark on a one, three and five year basis. So we report that every quarter because the market expects it, and that's fine. But what we care about, to be perfectly frank, are the two left graphs, and I'll jump all the way to the left side now. The left one is where we take that AUM weighting and turn it to revenue, again taking that one step closer, like we talked about earlier, in to how are we going to generate free cash flow for our clients, and are we likely to continue to generate free cash flow? The left graph says what percentage of our revenue is being generated by strategies that are beating their benchmarks on a one, three and five year basis? And here we're in a very solid position going forward.

The middle one is also important, and we're not aware of anyone in the industry who reports this to the market, but we think it's, again, valuable because we think it gives our clients and our shareholders an insight in to how likely is it that we're going to be successful in continuing to grow going forward. The equal weighted graph takes all of our investment strategies that we believe are a critical mass, that should be marketable, and we've defined critical mass as more than $100 million under management in that strategy. We think a strategy that's got north of $100 million AUM in it ought to be marketable. And then it simply takes of those at scale strategies, how many of them are beating benchmark? And what you see here is a substantial number of our "at scale" strategies are beating benchmark, and therefore our view is we have a greater likelihood of having the vehicles in the marketplace that can generate ongoing growth and sustain that going forward. We're not a franchise that's dependent upon a couple of big winning products.

Next slide takes that analysis of the overall business and turns it in to the flows that we've generated over time. And again, this is an important one to understand how we think about the business. The left hand graph on this page, that AUM net flow, a very traditional graph, that's what any firm you would look at in the marketplace would show you. It essentially says on a quarterly basis what is our AUM client cash flow?

But the right one is important because we take that net AUM flow but we translate it in to what we actually generated for our shareholders in terms of net revenue growth. And the proof point about my comment earlier about not all assets are created equal, rests in the two line items on the bottom of that right hand graph. And I can see it, because I know it really well anyway, I hope you guys can see it on the chart, it's tough to tell because I was out there watching some of these slides. But there's a line item here that says basis point inflows and basis point outflows. What we're essentially saying is, look, net AUM, it's not some magic number, it's a function of what assets did you bring in and what assets went out. And more critically, what were the revenues on the assets you brought in, and what were the revenues on the assets that went out. And what you can see is consistently we're building a business model where the assets we're bringing in are the higher fee, more in demand, more competitive in terms of performance where you can set yourself apart, and therefore not be at risk of commoditisation assets. And the assets that have flowed out are the ones that are lower fee, more commoditised assets. So in fact you have quarters in our business, like Q1, Q3 2015 where we reported net AUM outflow, but in fact in those quarters we generated organic revenue growth. And that's something we pay a great deal of attention to.

The next slide then takes us in to the collaborative components of the business model where we're able to work with our affiliates to find ways to expand, strengthen and diversify their businesses because of our alignment with them through profit sharing and they're owning real equity. They're incentivised and motivated to invest in building the business, not just milk it like an annuity, because they own equity in it. So they will participate in the compound value they create as owners of the business, so they're rewarded for engaging in long term investing, not just short term annual bonus maximisation. The second piece about profit sharing is the annual incentive compensation plans of all of our affiliates is a mathematical function of their operating profit before bonus. So they are economically incentivised to manage good businesses and deliver good margins because their annual incentive comp is a function of that as well.

And so we're positioned to work with our affiliates the way it's described on the right side of this page, to invest in their businesses. Because, again, investing in an asset management business to grow it, it's not like Proctor & Gamble wants to make more soap so they build a factory, they put it on the balance sheet, and they write it off the balance sheet over its useful life. When you invest in an asset management to diversify and grow it you're hiring a new team, or you're seeding a new product that's got to create a track record for three to five years before it's commercially marketable. Or you're accessing a new distribution channel where you've got to build up access to it over time. These are all legitimate capexes, if you will, but they run through the P&L. Because we're a profit share, not taking a slice off the top, the affiliates will engage in those initiatives with us because we're participating alongside them. And so that's what the strategic engagement enables us to do with our affiliates, to launch new products, to diversify them in to new asset classes, which protects them in downmarket, and makes them less vulnerable or less dependent upon a single product strategy. So we're aligned with them again, not just to generate economic growth and value, but to build more resilient, better positioned businesses for volatile markets.

The next slide provides an overview of what we've done on distribution. And again, the distribution piece here is you need to understand the affiliate model and the institutional market. We've carved up the global distribution world into three basic component parts. The first is what I'll call just traditional institutional separate account, sales, client, service and consultant relations, in the United States. That business is so well disintermediated and so well developed, our view is the affiliates themselves must own that, it's their responsibility, it's their deliverable. The clients and consultants expect to meet directly with them, they expect to meet directly with the clients and consultants, and we agree.

But there are two aspects of the distribution world that we can add value from centre. The first is in the very large defined contribution platform business in the United States, that's a business where the war has to some large degree been fought and won. And you have a handful of very large platform businesses, those platforms are all open architecture, they're all multi-product, the vast majority of the products themselves are multi-sleeve. We, from the centre, can know those business platforms very well and come to them with specific ideas about where one of our affiliates can be slotted into one of their offerings, to be the Alpha generator. That creates an institutional relationship for our business where the end user is a retail investor, it's a very efficient way for us to engage in that business. So we built that at the centre in Boston.

And the second piece we've built is what's reflected on the map, which is looking at those markets globally that are sufficiently well-developed, sufficiently well-regulated and advanced, and large enough that there's the kind of demand for the sophisticated strategies that our affiliates deliver, that's it worthwhile for us to build the capability to go in to those markets. And that's what we've done. We've got people on the ground in Toronto, London, Hong Kong, and they're accessing Canada, UK, Nordics, Benelux which we think is distinct from the European market, the Middle East and Asia, ex Japan. And that's the distribution piece I mentioned earlier that we really launched at the beginning of 2013.

The next slide takes you to what this strategy translates into in terms of hard deliverable. And what this shows you is, we start with 2012 which was when we really finished the restructuring of the business and got the strategy clearly defined and in a position to execute. So 2013, 2014, and 2015, reflect our execution of this strategy in the marketplace. And what this shows is between the work we've done collaboratively with the affiliates through the aligned model, seed capital, co-investment capital, new initiatives, combined what we've built from a standing start in distribution, our efforts at the centre have delivered between a quarter and third of the gross sales into the franchise. It's important for a couple of reasons, one, it creates real economic value because the marginal profitability of those sorts of AUM flow is very high. But, two, it strengthens our relationship with the affiliates because they acknowledge that the centre is in fact doing something of value to them. And the multi-boutique model it can't be emphasised enough that the quality of the relationships between the centre and affiliate is fundamental to the ongoing stability of the business. And I think that's an area where I think a number of multi-boutiques struggled in the past.

So that would be, I think, my framework for sharing with you how we think about structuring, strategising and executing. We also pay a great deal of attention to cost structure, and this next slide provides you an overview of that. Again, the alignment in the model is such that it also therefore includes a very high degree of variable cost discipline. I mentioned earlier that the annual incentive compensation framework for every affiliate is a function of the profitability they generate. And so what we do is stress test the business model, what the left side of this page shows you is if we had an immediate global 10% drop in the equity markets, given the diversification of our revenue base, particularly reflecting the strength of revenue our alternative managers, buttressed by our acquisition of Landmark, our gross revenue would drop about 8%. And our variable cost structure would immediately mathematically adjust such as the actual impact on our bottom line of a global 10% equity collapse would be 11% on our ENI. That's just structural of the model, that's before we've taken any active steps. So the business is disciplined structurally, in addition to enabling growth.

And then the right side just shares with you the metrics that we generally share with our shareholders and the market about the way we monitor and evaluate the business. These are the key operating ratios that we track and report on a consistent basis.

The next slide gives you a sense of how we look at the balance sheet, the balance sheet is pretty well structured currently. We did a very successful $400 million debt offering in July, we broke it in to a 10 and 15 year tranche, they're both investment grade rated by S&P and Moody's. And our debt to EBITDA ratio, I mean our debt to equity ratio is about 1.5 currently, so we've got some room to move in terms of taking on incremental leverage if we felt it would help the business.

Our capital management approach is on the right side, from the day we went public we have paid a dividend, we intend to continue to pay a dividend. And we base our dividend on about 25% pay-out ratio target. We intend to sustain that for the foreseeable future, we don't see any reason to change. When we engage in the kind of collaborative investment in our affiliates to grow them that we talked about, we've got a very clear and rigorously enforced IRR, fully loaded after tax hurdle rate that we use to evaluate the quality and likelihood of success of an investment in building an affiliate. We've got very clear metrics that must be met if we're going to undertake an acquisition transaction. We're very comfortable buying shares back, we've got a little bit of a real world challenge which our shareholders certainly know, which is our public float isn't what I think they would like it to be. Therefore we're thoughtful about reducing the public float through buy backs. But we've been very straight with the market that we're very comfortable and have capacity to do a meaningful buy back with PLC. And what we've said publically on that is in the $150 million range.

Last piece in that sort of capital management puzzle is as a part of the managed separation process we have taken some agreements we have with PLC dealing with the repatriation of seed capital, as well as the deferred tax asset realisation schedule, which we embodied as a part of our going public and have now adjusted the timeframe on those agreements to be more in line with the managed separation process.

That really, I think, would be the best overview I probably have for you of the business. The last slide therefore, kind of, gives you a view of how we think this all ties together. You start in the north-west quadrant of this, it's a multi-boutique business built on the strength of a very strong group of existing investment management affiliates who are the value creators, who are diversified, who are growing, and who are in the right asset classes at the right time. Moving clockwise, we're able to take that foundation and implement a highly aligned business model that we've talked about. We think the combination of the strength of the affiliates, coupled with the aligned business model, had generated, continuing to move around the clock, very strong financial results that are sustainable. And the final proof point in the business model is our successful acquisition of Landmark Partners, proving out that in fact a world class firm that really could have sold to anyone, electing to partner with us. I would welcome all of your participation in our earnings call on 2nd November to discuss our third quarter results, to save you the trouble of asking me anything about the third quarter in this session. And with that, I would love to invite Steve Belgrade, my chief financial officer, up to the dais, and I'd welcome Q&A about the business.

Greig Paterson: Cheers. A quick question on the outcome for the stock, so we'll let Lee ask the difficult question.

Peter Bain: We hope today will change that.

Greig Paterson: Yeah, I was pondering though, you know, with the Department of Labour and guidelines that are coming and this best interest, and how some people are arguing that absolute returns funds speak to the best interest, and that's a competitive advantage. How will DoL play out with you guys?

Peter Bain: Actually that's a very good question. For those of you who may or may not be aware, but the Department of Labour in the States have issued a whole new set of regulations dealing with fiduciary duty for asset managers for their clients. As an institutional business we're already fiduciaries, and so the implementation and the impact of the new DoL regulations hits the retail firms, and they're going to have a lot of work to do to address that. So when we talk about why we try and approach institutional relationships and try and implement access to retail and use our investors through institutional quality relationships, it insulates us from that. So in fact those DoL regs will have no impact on us, and enable us in fact to provide more solutions to those retail businesses who are going to have to figure out ways to meet the new regs. One of the ways they're going to be able to meet the new regs is engage in a lot more sub-advisor relationships with firms like ours. So from our perspective, net-net, we probably are a winner in that one. Yes, sir.

Male: Thank you. How do you deal with the potential of one of your affiliates wanting to compete with another one of your affiliates, launching new products or geographies, etc?

Peter Bain: Yeah, it's a combination of things. One, we do pay attention to asset classes, but more importantly investment process within those asset classes. Our view is it's more valuable to our shareholders if we're going to make an acquisition to acquire a business that's not doing what one of our existing affiliates is already doing. So strategically we're very thoughtful about that.

And the second piece in this puzzle is the eight that we have, remember we started with 17, we worked through that as a part of the rationalisation and restructuring of the business to come down to the eight that we have. They really don't compete with each other. And to the extent you may have Barrow Hanley viewed as a value equity manager and Acadian viewed as a value equity manager, and they may end up in a search. Acadian's investment process is so distinguishable in terms of its actual application, it uses quantitative analytics differently. Barrow Hanley tends to be very fundamental, very concentrated bottom up. That sometimes a consultant might bring both firms in, but it's provided its potential client with a real choice. And so if our guys end up bumping in to each other in a final, they're actually not competing with each other because the reality is the ultimate decision is going to be made on the basis of the investment process itself. So we don't really have the problem, we're going to continue to be mindful of the problem. And in the real world if we end up in that situation, you know, it's going to be a good problem to have because it means we've grown so much that we've brought on capabilities that do end up occasionally bumping in to each other. And on that level it's just the real world of being a large investment management firm. And we remind our children that there are many other people in the market who are trying to kill them besides their siblings, and that they have bigger things to worry about. And that just does seem to resonate, but you have to be very aware of it and thoughtful about it.

Steve Belgrade: And the point of what we're trying to do is almost look at the portfolio of overall and there are certain asset classes that are capacity constrained, like small cap. So in a situation like that you actually want to have a number of affiliates in small cap because you need to be able to increase your ability to grow, and yet keep capacity at a level at each one where investors want it to be small. Same thing with emerging markets, you know, one of our affiliates, Acadian, was beginning to approach capacity on their emerging markets product. And we thought there was a potential at Barrow Hanley to actually grow emerging markets there. A different investment style, as Peter said, but still you want to make sure when there's an important asset class that you always have the capacity and the products open with good track records so you can slot in and take advantage of it.

Peter Bain: And my understanding is that we have someone on the phone. Michael.

Michael Christe;is: Yeah, hi guys.

Peter Bain: Hi. Yeah, it's good.

Michael Christelis: Okay. I'm just wondering, a quick question if I can Peter, when you listed the business 2 years ago we had an in depth discussion around, you know, you had quite a long list of potential acquisitions that you were targeting, and you almost were able to name them by name at the table. And yet I look at the business 2 years later, there's been one deal. Is there a specific reason why you haven't been able to perhaps execute on some of the deals you were hoping to at that stage?

Peter Bain: Yeah, I think, Michael, on every single one there's been a very specific reason. You know, we're going to be really disciplined about it and I think that that's a challenge. But our view is the ones upon which we actually execute will be more sustainable, more successful, and generate greater value. And that just takes some good discipline. But there are a couple of other components that I think just real world are true, one is we probably did put a little extra emphasis on getting the first one right, on trying to execute on a first M&A deal that hit as many strategic criteria as possible that we had enumerated. And Landmark really does do that. We had the opportunity to execute on a couple of narrower or niche manager situations, or ones where there wasn't a particularly appealing opportunity for our global distribution team to distribute them further. Then we were just tough on those transactions. So I think that's relevant. And look, in fairness, you know, we're in conversations now and I think in the real world there are number of firms that have said, "Well, PLC has announced a managed separation, let's wait and see how the end game plays out. And once we know what your new ownership is going forward then we'll be able to judge the situation more realistically." And that's fine. So I think it's a combination of just being really tough and not overpaying, and not settling, and being prepared to be disciplined.

Patrick Bowes: Okay, that's it. Thank you very much, Peter and Steve. Now we're going to move on, 20 minutes early, to Rob, and then Bruce will come up and we'll do a Q&A after that. Thanks very much.

Rob Leith: Well, thank you, Peter. And as he intimated at the start, that was the end of the business unit presentations. Good afternoon to everyone still with us, with the stamina still to be with us in the room, on the phone, and on the webcast.

As you may have deduced from my job title, my role is to manage the various elements of the managed separation. I'll talk to you today about the approach we are taking, in the next few slides, give you some sense of the potential transactions that we foresee, and of the timeline under which we are undertaking it, and then some views on the costs involved. After that I will hand back to Bruce for a round up and a Q&A session, and some closing remarks.

Bruce has already shown you the slide, the four businesses you've heard from today are currently operating as the part of a group, and will continue to be a group until we separate. The managed separation however is focused on creating four great independent businesses. This managed separation is complex, and of course subject to ongoing discussions with the stakeholders and legal advisors. And it's all subject to change as the process unfolds as a result of the inputs from these stakeholders, the stakeholder consents we require, the regulatory conditions we might get, and of course the readiness of the underlying businesses. At this point there can be no certainty as to the nature of the final outcome.

With this in mind, in embarking on the strategy it was essential that the process we designed is both flexible and had the ability to be iterative, and is based on a few key principles. Firstly, that we should focus on distributing the assets to our shareholders whilst materially reducing the holding company debt. Secondly, that we should limit the market and third party dependencies of the process. Thirdly, that we need to balance the at times conflicting criteria of value, time, risk, and cost. And finally, that throughout the process we should maintain a strong operational focus on the subsidiary businesses.

Now, clearly before we announced the MS we had to ensure that technically a base case route existed which could deliver the desired end result in accordance with these principles. Together with our advisors we have designed such a route and are confident that we can deliver the desired outcome. But I think it's important to emphasise at this point that we're not bound by any one route, and it's management's ongoing role to evaluate alternatives to the overall route, to the preferred individual transactions for the businesses, and for the timing and the sequencing of such transactions.

In a process such as this there are inevitably a significant number of stakeholders in various geographies with differing agendas, whose support we require to achieve the managed separation. We have been and will continue to interact with these stakeholders to ensure that we are fully cognisant of their requirements, and in turn they of ours. At the same time interested third parties have already and they continue to make proposals to us regarding specific assets. And again, it is our job to evaluate the merits of these relative to the base case at the appropriate time.

You will appreciate that all this requires that this process is iterative, is flexible and is dynamic. And I can assure that it is and has been. With this in mind, the ultimate nature and timing of the transactions that we are talking about will depend on a number of factors, most critically the business readiness, the stakeholder consent processes, and any preferable management alternatives that we identify. But for now this is the base view of the potential transactions.

Firstly, in the current base case we intend to continue the phased reduction of our 66% stake in OMAM, at the appropriate time, considering the overall MS process and timelines and the market conditions prevailing. Secondly, we envisage creating two separate entities which are listed on both the London and Johannesburg stock exchanges. One will comprise principally the operations of Old Mutual Wealth, and the likely mechanism for achieving this is a demerger with the possibility of a small IPO element. The second entity will consist primarily of the operations of OMAM, and this is likely to be achieved through the creation of a new South African holding company.

We then, after a period, anticipate the distribution by this new South African holding company to its shareholders a significant proportion of the current Nedbank shareholding, whilst retaining an appropriate minority stake. We also need to reduce the head office and its activities, and intend to make a material reduction in the holding company debt. There are of course various routes of action available to us to effect that reduction, and they will be dependent on the route we ultimately take.

Turning now to the timing of the managed separation, when we refer to the process as being materially complete, we see this covering the reduction in the stake in OMAM and the creation of the two separate listed entities. We're already announced a target date for material completion by the end of 2018. Ideally this would include the distribution of the Nedbank stake but, if circumstances dictated otherwise, the distribution could occur after that date.

As we have said before, the key determinant of the timing of the managed separation is the readiness of the underlying businesses for independence. Let me give you some overall colour to what you've already heard from Paul, Ralph, Mike and Peter in this regard. As you have heard from them, the businesses are at different stages of readiness, unsurprisingly the unlisted subsidiaries of OMEM and Wealth have more work to do than Nedbank and OMAM. So teams from the PLC have been working hard with their colleagues from the underlying businesses on joint projects to prepare the execution of the anticipated transactions, and to drive the readiness of these businesses.

Specifically preparing for transaction execution has a number of elements including: establishing the overall mechanics that we intend to follow and the interdependency of these transactions at a group level. We are refining the equity story and investment case for each business, and as then establishing the requirements for the individual transactions required, including seeking and obtaining all the necessary approvals from our stakeholders.

From a business readiness perspective, as you've already heard from the business unit CEOs earlier, there are again a number of aspects that we are looking at. In the first instance, challenging and reassessing the existing operating models to ensure that they are fit for the future with sustainable competitive cost structures. Strengthening the governance and board structures to ensure they support a standalone listed entity. Assessing the management structures, and where necessary strengthening the management teams within the businesses to enhance their ability to deliver the investment case.

Another standalone consideration we need to address is the resolution of the inter-group arrangements, including, as you've heard from Mike and Ralph, the ongoing shareholding and commercial relationship between OMEM and Nedbank. For each business we are performing a thorough assessment of their strategy including, as you've heard, the portfolio perimeter that best supports that strategy and the targeted business mix, and the allocation of capital to their businesses. In the light of the conclusions that are reached to this review, we will then need to agree with the various stakeholders the appropriate capital and liquidity structures for each business, as precondition for any separation.

All of these areas we expect to be completed or, if appropriate, in execution at the time of the separation. I can say to you we have made good progress to date and are comfortable with our current timeline.

Turning to costs, we're obviously very focused on minimising the cost involved in the managed separation, and I will try and give you a conceptual overview of how we are approaching this. For the purposes of this illustration we've used a very narrow definition of managed separation costs. That definition only includes those costs that arise as a direct result of the fact that we are separating the group. It will not be used to house the change in the cost basis of the underlying businesses as they undertake the process of going from good to great.

Now, in terms of specific managed separation costs, in the first instance they are transaction costs. These transaction costs will be materially driven by the ultimate route that we take, and so we are not looking to quantify those today. But you all have an idea of the value of those businesses, and I'm sure you have an appreciation of the not insubstantial fees from investment bankers and advisors for such transactions. So you should be able to make some sort of reasonable assessment. Rest assured, we as a management team are highly focused on containing these.

The second cost category relates to the creation of the two listed entities, which of course will incur specific costs as a result of being listed, including things like the share register costs, the costs of reporting, and shareholder communications. These will be recurring costs and we estimate they will be of the order of £5 million to £10 million per business, per annum.

Now, in terms of the head office, and using financial year 2015 as a starting point. We will eliminate the £57 million of annual central costs not currently allocated to the businesses. But to do so there will of course be some one-off costs we estimate of the order of £50 million to £65 million in order to cut back the head office activities. This includes, for example, the cost of redundancies, the cost of retention packages for those staff that we need to keep with us until the end of the process, and the contract terminations for the various service providers.

Turning to the operating costs, this graph tries to illustrate the evolution of the total operating cost base as the managed separation unfolds. As we've already mentioned, starting from our 2015 cost base, we will eliminate the unallocated head office costs, although some minor costs will inevitably remain for a period. At the same time we will be incurring incremental costs within the businesses in order that they can function as fully independent businesses, in order that they can strengthen their capabilities and their infrastructure and, where appropriate, in order to transition the necessary functions from PLC to the underlying businesses. These will be both recurring costs and one-off costs.

Now, a challenge though to the businesses, and perhaps you heard this from the various presentations, is to capture efficiencies through their revision of their target operating models to minimise any increase in the cost base. I know you would have loved me to quantify these by business today, but we are still in the process of refining the equity stories and the related operating models, and connecting this in to the 2017 business planning cycle.

So in conclusion, and we are well aware that at times to the outside world it might seem that not much is going on, I'm hoping from the presentations you've had from the CEOs and from this sense that I've given you here that there is a lot of work going on. And we are committed to creating value by delivering you four great businesses, and in doing so you must appreciate we need to balance the differing interests of the various stakeholders against our stated criteria. Thank you. And over to Bruce.

Bruce Hemphill: Thanks very much, Rob. That's been a long day, but we're nearing the end. As I said at the outset, we have four strong businesses which I believe have the potential for greatness. And as the businesses prepare for their independent futures there are some key areas which need to be addressed. For OMEM, looking at their perimeter, a more efficient cost base, and turnaround strategies for East Africa and P&C are critical. For Nedbank, increasing market share in retail banking, creating value through the ETI relationship, and reducing the cost to income ratio must be the focus areas. For Old Mutual Wealth, a more efficient cost base, progress on the IT system and the FCA investigation, and optimising margins through further integration of the value chain, as you heard from Paul Feeney, is going to be the focus. And OMAM needs to focus on the integration of Landmark and further opportunities for diversification, whilst optimising its cost base.

Now, before I open the floor again for any remaining questions, I'd like to reiterate how we are going to create value through the managed separation process. We said it at the beginning, and I'll say it again, increasing the size of the blocks on the left hand side of this chart through enhanced performance and a valuation re-rating of the businesses. And then on the right hand side, reducing the PLC costs and holding company debt, and removing the structural cause for the conglomerate discount.

So thank you very much for your attention and for your not inconsiderable stamina. If there are further questions now is the opportunity to ask them, and I see Greig's hand is up. And once we've done that I'll finish with some closing remarks. Ingrid's going to join me on the stage, join Rob and I on the stage. Then we'll go and have a drink and get on with the entertainment that I promised. Right.

Greig Paterson: Thank you. Greig Paterson, KBW.

Bruce Hemphill: Hello Greig.

Greig Paterson: Just three questions, one is in terms of the flow back when you distribute Nedbank and OMEM group shares to FTSE mandated investors, have you come up with a solution to the challenge of how to reduce that flow back? And I suppose that leads in to my second question is I see there was a throwaway comment about there might be a small IPO element at Old Mutual Wealth, I wonder what that's all about and whether it relates to my first question. And then, just did I hear you right, did you say the break up could go beyond 2018? I think you made that comment, did I hear you correctly in that regard?

Bruce Hemphill: Well, there are three questions there. So Rob, why don't you deal with the flow back and the IPO question? I'll deal with the 2018 question.

Rob Leith: Yes, of course. In designing the MS base case flow back has been a significant issue that we've thought about and addressed and contemplated with our advisors. I think at the heart of the flow back question is the issue of supply of shares on to the market, versus demand for those shares. We are comfortable that in the natural switch that will occur that there is sufficient demand to meet the supply, and it's our job, together with our advisors, to manage the flow between the supply and the demand for them. In the South African context we see, in the case of Nedbank and OMEM, I guess the potential for an increased shareholding from the South African shareholders and also the introduction of the South African shares to the emerging market investors. And I think an important element which I didn't perhaps specifically mention is that we are looking for these shares to be listed, both in Johannesburg in South Africa, also to minimise the friction costs and the process for shareholders. So perhaps that addresses the flow back issue.

Bruce Hemphill: And I think, Greig, another fundamental reason for doing this is that you've got a misalignment of shareholders with the assets that they want to be in. And we would expect that, you know, as we proceed with the separation, we are obviously going to be talking to potential investors all the way through this process. And we would expect that there would be a much more significant number of developed market shareholders wanting to gain access to the developed market assets, and vice versa. So I would anticipate that you would see some disruption for a short period of time but, you know, the market will find its natural balance, and we will obviously be working hard to ensure that we are able to accelerate that balancing.

Rob Leith: And then, Greig, that takes you on to your second question about potentially a small IPO element in the demerger of Wealth. You'll recall I'd said specifically that there's a possibility of a small IPO element, and that will very much be determined by where we are in the process at that time. There are a number of things to consider, one is to what extent could an IPO element help us stabilise the share price at the time we come to the market, to generate interest in the stock, etc, etc. It's not at the moment being driven by a need to raise cash per se. So it remains a possibility and we will determine nearer the time what is appropriate.

Bruce Hemphill: And then, Greig, your third question, we're not contemplating a slippage in the timeframe, all we're doing, I think, in Rob's slides was highlighting what we mean by material completion. Which, as we see it, is the split, the subsequent demerger of the Nedbank stock, it's kind of a function, it's a process, if you like, as opposed to something linked to the separation itself.

Rob Leith: And, Greig, you'll see the language I used is consistent with the shareholder circular that went out at the time of the AGM. So, no, we're not changing timelines.

Bruce Hemphill: Right, have we got any questions from the telephones. It sounds like everybody needs to go and enjoy the refreshment that was promised. And Paddy's telling me something. Oh, no, he's telling me to thank the CEOs, I'm saying it's just in their job. So, no, Paddy, thank you very much. And the one thing Paddy did want to me to mention, I'm not quite sure why, was the significance of Wayne Rooney being dropped and whether or not it had anything to do with what happened today in the markets, I'm not sure. So Paddy, I've done that.

And, yeah, to all the participants, to all the CEOs, all the CFOs, everybody who made the day possible, and to all of you for attending and taking the time, I really appreciate it. No doubt there will be questions, so before I, kind of, finish I just wanted to take stock of what you've heard today. You've obviously had updates from all of the CEOs on their businesses, their market positions, and how they want their businesses to thrive independently. Now, we must deliver businesses which have sustainable competitive advantage so as to outperform their peers, and you have heard we're intensely focused on this with each of the management teams. And this means that the businesses, to varying degrees, need to go through change in their operations, change in their capital structure and allocation decisions, and change in their people. Rob then went through the things that he and his team are doing to execute the separation process, he gave you some insights on the transactions involved, and the interrelationships with readiness, timing, and then he gave you some early indication of costs.

Now, I know it's been a long day, and I really hope that you've found it useful. It's great that we've had you here. And to those of you who we won't be seeing us for a drink and entertainment, we'll see you at the prelims in March. Thank you very much indeed.