CAPITAL MARKETS DAY
TRANSCRIPT – OLD MUTUAL EMERGING MARKETS

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.