Old Mutual

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Presenters

- Jonathan Nicholls

Operator: Thank you for standing by and welcome to the analyst conference call. At this time all participants are in a listen only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press *1 on your telephone. I must advise you that this conference is being recorded today, Thursday, 8th November 2007. I would now like to hand the conference over to your speaker today, Jonathan Nicholls. Please go ahead sir.

Jonathan Nicholls: Yes, good morning ladies and gentlemen. I'm joined here by the IR team from London and I've also got Jim Sutcliffe with me as well and at the end of my piece we will take questions and answers. Welcome to the conference call for Old Mutual's sales update for the nine months to 30th September 2007. The statement we have issued is an update on sales not profits. We have given you an estimated EEV per share figure in the statement, but just to flag that we don't intend to give this in the future in our Q1 and Q3 updates which is in line with our peers. I'm going to start by giving an overview of the Group's progress after which we will have time for Q&A.

Overall it was a strong period for Old Mutual. Good investment performance continued to attract assets. Funds under management increased 14% from the 2006 year end position to £270 billion. And we are well on track to reach our £300 billion target by the end of 2008. Net client cash flows were £17 billion. This represents 9.6% of opening funds under management on an annualised basis, roughly twice the industry average. We are particularly pleased with this performance given that it was achieved during a period of market volatility as a result of the tightening of credit conditions during August. APE sales were up 13%, with strong contributions from the US, the UK and South African retail.

We have continued to invest to deliver our targeted synergies from Skandia. We have a launched Selestia Investment Solutions, our integrated investment platform and we have invested in IT in Sweden. We have also announced the launch of Skandia Investment Group. This will manage around £60 billion of funds and be one of the largest MultiManager investment businesses in the world. Since acquiring Skandia, net client cash flows have been over £10 billion and funds under management have grown from £44 billion to £59 billion.

Our £350 million shared buyback program was announced at the beginning of October. To date we have re-purchased approximately 28.5 million shares through the London and Johannesburg markets at a total cost of around £49 million. As you will have seen this morning, Mutual & Federal, of which Old Mutual has a 75% controlling interest, has released a cautionary announcement stating that we are in discussions with a community-based investment group, Royal Bafokeng Holdings. This may result in a change of control for the Company and an offer to be made to all shareholders. Details of a full offer are expected in mid-December.

So, now moving into the business units to give you some detail. Starting with the UK - Skandia UK has continued to deliver good results. Our leading open architecture model continues to generate good new business growth and net client cash flows. The volatility in the third quarter has impacted flows at the margin. However, our net client cash flow number at £3.2 billion represents 12% of opening funds under management on an annualised basis and compares extremely favourably with our UK peers. Overall life sales are strong with APE up 20% to £569 million. Unit trust sales are 23% down, partly as a result of the uncertainty in markets since the end of the first quarter and also because some low-margin institutional pension business hasn't repeated this year. Funds under management at the end of the period were £42 billion.

Turning now to Nordic: We still have a very strong franchise in the Nordic region and we are investing in the business to realise its full potential. Growing sales has been a challenge in the competitive Nordic environment not helped by the overnight elimination of the Swedish *Kapitalpension* product on 1st February and of course changes in our commission structures. However, investment performance has been excellent and we're seeing the beginnings of a turnaround in sales with the third quarter up 12% on the third quarter in 2006. Denmark has had its best quarter ever. But in spite of this overall life sales were 5% behind last years comparative. Life new business margin was down from 27% to 14%. As discussed before, this was due to a combination of factors including the change in arrangements between Skandia and Skandia Liv and the leverage effect of lower sales. Clearly our stated target margin range of 22 to 25% is a big challenge. We now believe that high teens is a more realistic target for this business and we will be driving hard towards that. Net client cash flows of SEK1.5 billion continued the positive trend and closing funds under management was SEK118 billion, an increase of 10%.

In October we announced the sale of our Scandinavian vehicle financing business. This transaction not only represents good value for shareholders but also clearly demonstrates our focus on our core business of asset gathering and asset management. And during the quarter we also sold our Danish banking operations.

In ELAM, these businesses produce life sales growth of 12%. We saw Poland performing particularly well, but Italy producing lower net client cash flows due to higher surrender levels. This relates to products sold five years ago that are now approaching the end of their surrender penalty period. Mutual fund sales are up 26% again mainly due to Poland where our positioning continues to be strong in a fast growing market. Funds under management grew to €12.5 billion driven by net inflows of €1.2 billion. ELAM is well placed to achieve further growth on the back of growing market shares in most of the countries in which we operate. We are continuing to develop our products, ensuring that we remain innovative and attract good net client cash flows.

Turning now to South Africa where sales performance continues to be strong. On the life side, OMSA sales and our APE basis grew by 15%. This was driven mainly by strong growth and recurring premium sales and relatively moderate single premium sales performance. Overall the business continued to produce good margins. Corporate sales were up slightly. This was driven by strong risk sales, particularly in the third quarter. Single premium sales were lower and reflected by the timing of deals. Unit trust sales at R11 billion were 6% behind. As we have said before, this is coming off the peak achieved last year. Net client cash flows were negative at R11.5 billion and partially offset the good investment performance. We have seen significant net outflows in

OMIGSA in particular for multi-managers. Despite this, overall funds under management have risen by 5% to R476 billion.

Moving on the Nedbank. Nedbank shows sustained positive momentum with a 31% increase in head line earnings in Rand terms. It exceeded its 2007 return on equity target of 20%. The ‘jaws’ ratio remained positive with total revenue growth of 22% being 6% above expense growth which results in the cost to income ratio improving from 57.4% to 54.6%. For the full year we still expect the ratio to be affected by Nedbank’s continuing investment in its retail programme. Net interest income benefited from the endowment effect and grew by 30% to over R10 billion. The net interest margin was broadly flat at 3.94%. Higher impairment levels were experienced in Nedbank Retail and Imperial Bank. Credit loss ratios in Nedbank Capital and Nedbank Corporate were below normalised levels and have continued to benefit from further recoveries which are unlikely to be sustained. Non-interest revenue grew by 13% to R7.5 billion, mainly due to commission and fee income.

Turning to Mutual & Federal where Keith Kennedy took over as Managing Director in August. Positive results were maintained despite ongoing high levels of competition. As previously highlighted, the underwriting results of the period were impacted by increases in motor and fire claims. The combined ratio decreased to 94.9% after benefiting from a release of R72 million from tactical reserves. Gross premiums grew by 9% benefiting from rate increases, underwriting interventions and the cancellation of unprofitable blocks of business.

Now moving over to the USA. In US Life, sales were up 43% to $470 million on an APE basis. The main driver was Bermuda VA sales which represented 50% of total APE sales in the US life business. Reflecting the Bermuda sales, new business margins were excellent at 22%. Funds under management closed up 5% at $23 billion. Profits from the life business are in line with our expectations, with better than expected sales and margins being offset by increased heading costs reflecting increased market volatility. With regards to sub-prime, we can confirm that we have not suffered any defaults or dispose of any holdings that are lost since 30th June. However as you would expect with spread widening we will experience mark to market losses in some holdings. If necessary we will be able to hold these until maturity.

Our US Asset Management delivered another excellent period of growth. It had strong cash flows and leading investment performance, with 87% of assets outperforming their benchmarks over three years. Net inflows were $26 billion to the period, and annualised rate of some 13% of opening funds. That's well above the industry norm of 5%. Funds under management closed at $330 billion. Our mutual funds sales for the period were up 42% and already exceed sales for the whole of 2006. OMAM has led the market for 130/30 offerings and similar strategies. This is a fast growing area for investors and these products generally attract higher fees.

Our Asian operations continue to develop rapidly. We are now in our third full year of operation in China. Sales growth has been dramatic with premiums up 329% over the prior period. In India we now operate in 55 cities and 85 locations and sales were up strongly in the period.

Our Australian business continues to be profitable. After breaking even for the first time in 2006 and funds under management closed 6% up at AUS$15 billion.

That's been a quick tour around the highlights of the business units. So in conclusion, Old Mutual continued to grow assets under management, reflecting excellent investment performance and strong net client cash flows despite the turbulence in world financial markets. Sales have been buoyant overall, particularly in the UK and Bermuda. Investment in the retail structure in South Africa is delivering positive growth. And while the change in business mix is impacting margins in the Nordic business, pricing management is generating encouraging sales growth. We continue to make progress across the group to extract synergies and align practices and we remain confident in achieving our targets for the year.

At this point I'll stop talking and Jim and I will be able to take any of your questions. Thank you very much.

Operator: We will now begin the question and answer session. If you wish to ask a question please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the # key. Your first question comes from Matt Lilley of Lehman Brothers. Please ask your question.

Matt Lilley: Good morning. A couple of questions. Firstly, the obvious question – you've announced that you are considering a sale of M&F, what would you do with the money? And then a second question on Bermuda. This is obviously the sales and new business profits in Bermuda have sort of sprung up out of nowhere in the last year and a half and taken people by surprise a bit. Could you give us some indication of what you think the outlet is there? Is this spiking sales a one-off to do with the launch of a new product that will settle down to a lower level or are you still building out distribution outlets there?

Jonathan Nicholls: Okay Matt, thanks for that. In terms of M&F, I mean obviously it is very early in the process having only made the announcement today. But in terms of clearance and in terms of exchange control that will come later on in the process but I think from our point view is, as you'll have seen in the past, when we've had surplus funds and we've got nothing specific to do with those funds then our recent share buyback for example have given a pretty clear indication that our intention would be to give it back. But give us more time to progress with the transaction and then we'll be able to come back to you on that when we've made more progress.

Matt Lilley: Thanks.

Jonathan Nicholls: I think in relation to Bermuda, I mean, yes absolutely, I mean the sales growth is encouraging and very welcome. We have been working very hard over the last twelve months or so broadening and deepening our distribution in various parts of the world with banks and we are clearly beginning to see the impact of that on sales going forward. It is a product that works well in the offshore markets and going forward from our point of view and then whilst we are obviously keen to see that growth it is something that we monitor and watch in the context of the overall returns on capital that we can get from our businesses around the world. So, quite happy with the growth of the sales at the moment and quite happy with the way that we are deepening that distribution.

Matt Lilley: But are your distribution outlets now all fully up to speed or are there new ones to open or are some of them just beginning?

Jim Sutcliffe: No the situation is that the number of banks who sell the product is increasing. And that is partly what you are seeing. The root of the growth is really that the clients in this business are mainly in Asia. So, this Bermuda business, although it's part of our US business, the source of the growth is actually Asian growth, it is just coming into US product. So you know, the outlook from our point of view is certainly that we would expect to be able to grow this. This isn't just a one quarter spike if that's what you were thinking about. It does depend on relatively few distributors so it's a bit more volatile than you're having in South Africa or India or whatever having a large sale force that actually goes out every day and does selling. But you know, we certainly expect this level of sales to be continued.

Matt Lilley: Thanks.

Operator: Your next question comes from Jon Hocking of Morgan Stanley. Please ask your question.

Jon Hocking: Morning everyone. I've got three questions if I may, two on the US and one general question. Starting with the general question; does the M&F move signal a change in attitude to African business generally, obviously thinking significantly about Nedbank here. Yes, how are you thinking about Nedbank and the strategic logic for retaining that stake. And then on the US business, can you give us some insight please into what's happening with the onshore variable annuity sales? And secondly, just a sort of reminder of where we are in terms of the US business in terms of growth outlook. Over the last twelve months or so, you have been talking about making sure that the US business fits together and making it generate cash etc. Are we now back into a sort of more aggressive growth phase for the US life business? Thank you.

Jonathan Nicholls: Morning Jon. Thanks for that. I'll start with your questions two and three and I'll let Jim handle the M&F South Africa Nedbank question. Onshore VA sales pretty slow to be honest. We've sold a few hundreds of thousands but at the moment it's not that material. US growth I'm going to think in terms of the announcement, you can see that we are still online for returning capital out of this business. In terms of the business as a whole in the US the asset management clearly is doing very well but as is all of our businesses return on capital is key. And our allocation of capital to our businesses will clearly be dependent upon that. So as before, if the business units can demonstrate that they will be achieving that then we will support them. If not, we will have to move the capital elsewhere to where we can achieve our targets, so clearly from that point of view the Bermuda sales and the VA sales from that are meeting those targets and we are happy to support that.

Jim Sutcliffe: And Jon on the question about does the M&F thing say something else about South Africa. You know, we have previously said that M&F isn't core to our South African business and it certainly is a fringe player in the asset management oriented strategy that we've been adopting. So I don't think you can read across from M&F into Nedbank. And certainly, just to be absolutely clear, our commitment to South Africa hasn't changed. And you know, our South African businesses are very high performing businesses in terms of ROE and in terms of growth as you've seen from these results and we certainly won't give that up.

Jon Hocking: In terms of Nedbank though …, you are not a seller at any price ?

Jim Sutcliffe: Give me R300 a share I'll sell you Nedbank in the morning, just send a cheque.

Jon Hocking: Okay, thanks very much.

Jim Sutcliffe: Okay.

Operator: Your next question comes from Greig Patterson of KBW. Please ask your question.

Greig Paterson: Hello, good morning gentlemen. I have three questions. One is, I wonder if you can give us some insight into the agreement you have with the Reserve Bank in South Africa about repatriation of proceeds because if you get a half a billion quid from Mutual & Federal will you be able to repatriate it to the UK and do a buyback and to give us some insight into what sort of agreements you have there? That's question one, question two is can I just confirm that you have today downgraded your Nordic margin targets significantly from what your original ones were? I just wanted to confirm that is a downgrade. And the third one is in terms of the US, just looking through your sub-prime and your previous commentary there, I see you have 1% of your portfolio in credit default swaps. I wondered if you can give us some kind of… Because obviously that's a derivative, it could balloon open. I wonder if you could give us some feel for whether you're long or short and what is the sensitivity? And also, you make a comment about that you're going to have some mark to market losses on your portfolio and I lost track of how you calculated earlier in your embedded value in the US now, will that mean that will have a reduction? Will that come through as a negative variance or are you just holding your assets at book these days, or what're the prices? How does that affect the accounts?

Jonathan Nicholls: Thanks very much for that Greig. In relation to dealing with the Reserve Bank, for us it's just regular business as usual. As you know, we have to get approval whether it's a dividend or a share buyback, and we have a well-established dialogue and don't anticipate any issues with that. The Nordic margin, yes, you are right. The previous target was 22% to 25% and at the half year we indicated that clearly in the short term that would be a challenge and sitting here today as we look at the plans looking forward, the team now are going to be targeted with high teens in terms of their margin target going forward. In your words yes, that is a downgrade.

Greig Paterson: Just once again, sorry, are you saying that you won't have any problems repatriating the money from South Africa if you get whatever, half a billion quid from Mutual & Federal in the short term?

Jonathan Nicholls: Until we actually enter into the dialogue I can't answer that question, all I would refer you to is our previous dividend flows and special dividends that we've had over the years, some from Mutual & Federal. As of today's date, we haven't had an issue with it, but clearly that's something specifically we'll have to agree with the Reserve Bank once we get to that stage.

Greig Paterson: All right, you mean just…?

Jonathan Nicholls: In relation to that, in the US in terms of the portfolio, in terms of the mark to market losses they will come through in terms of an investment variance on EEV. On IFRS we answered the question at the half-year as to our accounting treatment of that that and we amortised those mark to market losses through the P&L. And then in relation to your first question, in relation to whether we're long or short, we're not that long. They're longs in terms of our holdings, if that answers your question.

Greig Paterson: Yes, sure. And then there's some kind of sensitivity, can that balloon in the wrong way? I mean, that's a derivative and it's 1% of your portfolio that could potentially result in the loss of 5% of the portfolio.

Jim Sutcliffe: Greig I think that just to be clear this is on page 16 of 18, I think, you're referring to.

Greig Paterson: Yes.

Jim Sutcliffe: And it's 0.7% of the portfolio is in CDOs and credit deposit swaps. What you should read that as is this is mainly CDOs.

Greig Paterson: All right, thanks. So, the CDOs are actually immaterial?

Jim Sutcliffe: Yes.

Greig Paterson: Right, excellent. Thank you.

Jim Sutcliffe: Thanks.

Operator: Your next question comes from James Pearce of Cazenove, please ask your question.

James Pearce: Morning, apology, I've only actually got one question, instead of the statutory three; it's really about the outlook. You've been pretty silent on the outlook for life, except your comments on margins in the Nordic region, you normally muster some positive comments about the various markets, does that reflect a lack of optimism about the outlook, or is there just a change in style in the statement?

Jim Sutcliffe: James, it's Jim and no, I think it doesn't clearly reflect anything negative in our outlook. We're clearly in uncertain times and you don't need us to tell you that. But the businesses are – In our view of the world, I mean you're obviously here to make your own judgements but our view is that things have gone well and we don't see things changing. I think the basic structure of our business that if we produce good investment performance, the other things tend to follow shorter along the lag thereafter and we've continued to produce good investment performance. So, we're still looking forward with some confidence. And clearly there are some bits like the Swedish turnaround in sales where one doesn't want to yell too loud off the back of one quarter, but it's nicer to be here telling you about an increase in sales and the quarter rather than a decrease which we were on the last phone call. And I can add that October was even better than September. So, things are all pointing in the right direction. So, there are things and I think you can see things like the UK bond sales, you will know what the government is doing and that may be a negative at that one product line level, but overall we would expect to continue on the path that we're on.

James Pearce: Okay, thanks very much.

Operator: Your next question comes from Roger Hill of UBS. Please ask your question.

Roger Hill: Morning, Greig I think covered in part my question. I just wondered if you could give a bit more colour about the size of your mark to market losses in the States at the moment and just make it clear to what extent you have marked to market the embedded value in your calculation. Have you just rolled forward numbers or is it a proper work through in terms of the underlying positions? And secondly, is there anything that you can add at this stage about annuitive mortality in terms of the US, is there any developments there? Thank you.

Jonathan Nicholls: Yes, thanks for those two. In terms of the mark to market losses, again if I can refer you to page 16 and there's a statement in there that current market value to put value ratios for the sub-prime is 97.2%. If you convert that back into the absolute holdings, it's about a $25 million loss on a mark to market basis. So, clearly that's sitting there. In terms of the EEV estimate that we gave you on 31/10, that is basically a roll forward for profitability, FX adjustment and market values of our subsidiaries. We haven't as yet built in any assumption changes or the detailed work that you would expect us to do as we run into the full year, and that's why we put in the press release that it is an estimate. In terms of annuitant mortality in the US is running along expectations as we set in the summer. So, no positives or negatives to report there.

Roger Hill: Okay, thank you.

Operator: Your next question comes from Blair Stewart of Merrill Lynch, please ask your question.

Blair Stewart: Hi, good morning everyone, two questions. Firstly in the US, if you look at the fixed index annuity, sales are flat to down, we've seen very good sales in most products from some of your competitors. Is that a consequence of the very strong growth feed that you've seen in FIAs and perhaps just a word on the outlook there in that product segment? And secondly, on the UK, you've already mentioned the potential impact on investment bonds and I guess that could lead to a shift for investment bond business through unit trusts, I'm just wondering what impact that would have on profitability?

Jonathan Nicholls: In terms of the UK, your analysis there does concur with ours, and then in terms of profitability we don't, at this point, believe it will be material but clearly that's the sort of thing that we need to see a bit more visibility on the actual shift to see what happens on that there. In relation to FIAs in the US, I think that's just a reflection of the nature of customer demand at this point in time, but I don't think there's any particular aspect from our point of view to push that up. In terms of pricing, we had obviously been adjusting the pricing there in from our point of view in relation to underlying hedging. I guess that's probably having an effect as we see that impact coming through in the sales numbers.

Blair Stewart: And you wouldn't expect a dramatic change in the growth outlook there?

Jonathan Nicholls: No, I think the numbers actually are slightly up, they're flat to down. I think that they are slightly up and we would expect that to continue. But what we have taken the view, as Jonathan says, is that we're going to price up in that market. Clearly the world around us is volatile and it's a market where there's a lot of hedging required and there are inflexibilities in hedging vehicles. We'd rather get the price up and the volume can come through on the VA side.

Blair Stewart: Right, thanks.

Operator: Your next question comes from Johny Lambridis. Please ask your question.

Johny Lambridis: Morning, gentlemen. Jim, I'm just trying to get a bit more background, the rationale, behind the proposed M&F disposal. I understand that it's not core from an asset gathering point of view, but from a South African point of view, I guess we always saw it as core particularly given the recent moves of OMSA executives to Johannesburg. The more recent move to merge the Mutual & Federal and Nedbank medical schemes, it just seems a bit of an about turn. It's quite a high ROE business, on the nine months to date, 33.5% ROE, albeit in a weaker currency, surely there are lower ROE businesses elsewhere in the businesses that could be sold. And lastly, at 27.50, it doesn't look like you're getting a bumper price either for what has traditionally been a very good asset over the cycle.

Jim Sutcliffe: Johny thanks. I think that we've clearly stated that our strategy is built around asset management and M&F has been an outlier in that. It is a long standing and it's part of the company and it's good business, as you say. We're not desperate sellers of it or something like that, but on the other hand it was clearly starting to fall outside the ring in which our focus sits. And the kind of things we worried about is that is if something were to go wrong in M&F, we don't have any other property casualty businesses in the stead. So, you don't want to get exposed to that very much. As far as the integration into the other businesses, we will continue to have an operating association with M&F, so many of the synergies will still be available. And the price, I know, is contentious for some people. Maybe it's the grey hair on my head, but I've been through quite a lot of property and casualty cycles in my life and my own property casualty business has been there at the bottom of the cycle. And we've had a long top to this cycle, particularly in South Africa, and if the current volatility in the share and bond and credit markets tells us anything, it tells us that cycles haven't gone away. So, when we're looking at price and net asset value, and M&F it's 2.1 times NAV, as recently as 2004 we were able to buy the RSA stake in M&F at 1.2 times NAV. It says to us, sure, the price isn't much ahead of the market, it's 5% ahead of the viewer, but on a cycle basis it's pretty decently priced.

Johny Lambridis: Okay.

Operator: Your next question comes from Michael Christelis of UBS. Please ask your question.

Michael Christelis**:** Morning, guys. Small questions, hopefully relatively quick ones. Firstly, the Nordic region targets of the upper teens, can you give me an indication of when you'd expect to start achieving those targets, especially given that the quarter three number, by my calculations, actually works out to about 12%. Second question on the US fund management business, I see you don't mention how many of your funds are in the top quartile anymore or is that indicative that some of the funds perhaps have dropped out of that top quartile of peer surveys. Third question on M&F, given that M&F is sitting effectively within OMSA, does that imply that the sale and given that you would, based on your numbers, it looks like you're going to keep about 20% of them and then does that imply that the total proceeds are basically going to be free cap at all, or does some of that still need to be retained within OMSA? And then just lastly on the SA corporate side, what's the pipeline looking like?

Jonathan Nicholls: Okay, Michael, let me pick up those. In terms of Nordic target, I think actually given, I mean you're right the Q3 margin was down. In terms of our planning, we are looking within our planning cycle of three years which is our current planning cycle. We are looking at high teens at the end of that period, so hopefully that gives you some indication as to when we're hoping to achieve that. Relative to your question on fund management, we've got a slightly different disclosure, but in terms of funds in the quartiles, there's nothing materially different from previous disclosures. Obviously, from time to time some of them will be positive, some of them will be negative in terms of top quartile, but overall the performance has been excellent and that has been reflected with the net cash flows. In relation to M&F, I think it's a bit early sitting here today when we've only just announced the transaction to be specific as to exactly where the funds will always go. Clearly, we will update you as we get nearer towards completion, but as I indicated earlier, generally as a principle, if we have surplus funds they will be brought up and returned to shareholders. In relation to South African corporate, I mean in terms of sales, they are reasonably encouraging at the moment and from that point of view I don't think we've got any particular concerns there.

Jim Sutcliffe: Mike, just a point of detail I think under the transaction we retain between 4 and 14%, I'm not quite sure where the 20 you mentioned came from.

Michael Christelis**:** You mentioned selling 70% of 75%, which would imply 30% of 75 works out to 20 in my mind, maybe I'm wrong.

Jim Sutcliffe: Okay well, I haven't got the announcement just in front of me but I'll go get it and …

Michael Christelis**:** Would I be right in saying though that a large portion of your current holding in M&F wouldn't be credited as capital under the South African…?

Jim Sutcliffe: No, that is correct and certainly in our calculation internally we only give limited credit to the subsidiaries, to Nedbank and M&F in our internal calculation, not the statutory calculation.

Michael Christelis**:** Great, thanks for that.

Jim Sutcliffe: Yes. So Mike, sorry just the point is the 60 or 70% is not multiplied by 75, it's 75 minus 70 or 75 minus 60. Does that make sense to you?

Michael Christelis**:** Yes, now that make sense it's not how I read though. Perhaps I misread it. Thanks guys.

Jim Sutcliffe: Well apologies for lack of clarity but it's…I think we own 74.83 which has been rounded to 75 or 74.8 something it's just slightly below 75 so we've been talking about it as between 4 and 14 but its 4.8, 14.8.

Michael Christelis**:** Great, thanks guys.

Jim Sutcliffe: Okay.

Operator: Your next question comes from Raghu Hariharan of FPK. Please ask your question.

Raghu Hariharan**:** Good morning gentlemen, just two questions. The first thing is on the South African asset managing business. Obviously, you are going through a transformation where you are promoting this boutique structure. I was wondering whether you could give us an outlook of by when do you think you will civilise the structure and you know, plug staff loses and what is the competitive environment like and where are you in terms of where your major competitors are? The second question was just on US VA. On some of the US companies have reported VA hedging loses. I was just wondering given the spot in sales in VA how is your basis risk on VA hedging and whether it's in line with your assumptions? Thanks.

Jonathan Nicholls : Let me pick those up thanks. In relation to that, South African asset management outside if Jim wants to add to it, I'm sure he will. I mean, in our viewpoint we are still very confident about the business model. Yes we have had some defections earlier in the year but they have stabilised and we have replaced those people with good replacements so from that point of view, yes it is a transitional phase and we always knew it would be. And in terms of the outlook for that business we are confident in the performances improving and going forward we absolutely believe it's the right model. Clearly it's a competitive environment and you would expect that but going forward as I say we are confident with the structure we put in place there.

In terms of VA, in terms of the offshore we have actually been running over the last quarter a profit on our hedging on that particular product. What I would say though is just bare in mind thought that the offshore VA product is comparatively simple when you compare it to the onshore VA. It has comparatively fewer of the options and the optionality that typically you will find on an onshore product. So it is much simpler to hedge. So hopefully that answers your question.

Raghu Hariharan**:** Yes, thank you.

Operator: Your next question comes from Bob Gullett of Newton. Please ask your question.

Bob Gullett: It's already been answered. Thank you.

Operator: Your next question comes from Risto Ketola of Deutsche Bank. Please ask your question.

Risto Ketola**:** Yes, hi. Just two quick ones. Italy, the surrender issues – I mean can you give, just a rough indication of what sort of a number we are talking about in terms of EEV? You know is it a couple of million Sterling or is it maybe a couple of tens of millions? And then the second part is, Nedbank – what is their contribution to South African APE? And I'm particularly interested in how much of the growth and protection business is coming from Ned Life which the credit life JV you guys have.

Jonathan Nicholls: Risto, so let me just… we are just digging out the Nedbank contribution to SA APE, I'm not sure I've got it with me but if we haven't got it we will get back to you on that.

Risto Ketola**:** Okay.

Jonathan Nicholls: In relation to surrender issues in Italy, we are still working through that I'm afraid and obviously we will update you when we come to the full year results. We could then have that, but whilst we continue to search for that APE number maybe we can move to the next question and come back Risto.

Risto Ketola**:** Yes, maybe re-phrase it another way… I mean roughly what percentage of your European VIF would be Italy?

Jim Sutcliffe: Risto, sorry. I think if you think 10 to 20 okay, Euros million Euros…that sort of number, just... forgive us if it's a little bit one way or the other. Because as Jonathan said it's still something that's being worked on okay?

Risto Ketola**:** Alright no that's fine, yes. Thanks.

Operator: Your next question comes from David Danilowitz of JP Morgan. Please ask your question.

David Danilowitz**:** Morning, three questions. First of all, just following on from Risto's question on Italy – clearly you are losing on the surrender side but you're not gaining on the new business front either. Is there a structural problem that you can give us more information on there? Clearly you have hinted to these in the past but maybe just to dig a bit further…would continued problems in Italy change your strategy with regards to Europe and maybe consolidating some of the entities there? That's the first question. Second question, Jonathan did kind of hint to the fact that your ROE's in the US generally occur on the VA side but clearly we know that the F&G is not. If you were to come to a decision that you wanted to get rid of the business, and clearly you are not saying that and I'm not thinking that you are saying that…but did you think this kind of cycle is the time one could sell that business? And then third of all, in a recent presentation you showed on the South African retail business, you showed the ROE's on the new generation products are below your 20% target. Do you have a feel for when you could achieve the 20% target on that and is the reason for that just a cost related issue? Those are basically the three; I might have some follow up on your answers, thanks.

Jim Sutcliffe: Dave, Jonathan will pick up the surrender thing but just to go in reverse order if you like, the…I think you are referring to Paul's presentation in June when the ROE on the new era products were showing I think at 16 if I remember the number exactly and it is just a cost and economy's scale issue and as that grows we'd expect that to get back in line. So there's nothing there that is worrying us, it's simply that we've got a big business, we've set up the new era thing on a big scale and it needs to grow into its clothes. So… and I think Paul actually did give you the time frame for getting into line as well. So, do you remember the three columns he gave you in that presentation?

David Danilowitz**:** Yes, I think back then in June it was kind of below 20% but in a recent presentation that was given in South Africa I think the number of 16% was shown. I just kind of want a feel for the time, but I can …

Jim Sutcliffe: I mean if you think again if you just get back to Jonathan's words from a bit earlier. If you think in the planning time frame it will get in there.

David Danilowitz**:** Great, thank you.

Jim Sutcliffe: I think your middle question was – we're not planning to sell US Life which is correct, but its ROE on the onshore business is below what we think of is reasonable which is also correct. And you know, at what point in the cycle should one sell these businesses, I think essentially you were asking…should you ever, will one ever to come to that conclusion. And I suppose given though we haven't really thought about the first bit, we haven't really thought about the second bit. You know, but I think for sure with that business the thing that's going to make most shareholders over the next year or two is to nail everything down and produce a couple of years without one-offs right? I mean that's what I think… I think its common cause between you and us about what we need to do with that. So what should Jonathan and his crew and Richard Hoskins and Barry Ward and other people you may not have met over in the US are doing is just nailing things down and making sure that we've got control over them and that we only have the normal market volatilities which you know, come with things like the hedging to deal with.

I think as far as the Italian business is concerned, certainly it is a business that we are fighting a bit with at the moment but you know, you just kind of remember its one of several in Europe. It doesn't change our mind about Europe generally. It's a bit like, if I take a South African context, that the Pietermaritzburg Branch is having a trouble. You know for sure you got to fix it but it's not, don't get it out of context. So what we are doing is trying to pull together those ELAM businesses in two hubs broadly around Paris and Berlin. Now, there are six on their part, but what we are trying to do is to have the IT that underpins countries whose similar tax regimes be centralised in one place, so the product design comes off one central spring, and that may be what you're referring to. That's certainly the path we would go down and I think there's quite a lot of overlap between Italy and France in particular. So, Dave, does that get into the points you were asking about?

Dave Danilowitz**:** Yes, I guess my question would just be would you consolidate those operations, or rather maybe another bill appraising it, focus on the core regions where you thought you'd make the best returns and ignore some of the rest of them where they break from the margins?

Jim Sutcliffe: No, I don't think that's our idea, Dave. What the idea is that you consolidate the sense that you have one operating hub, and then you have a lot of distribution centres, and they can be in different countries and there's no real difference to being in the hub country. Because the difference between the product that you might need in Spain and in France is not dissimilar in concept, the difference is within the French product range. So, it then becomes possible to consolidate us into one business that is in Paris in a sense, but you've got different products which work for different countries.

Dave Danilowitz**:** Right, that's excellent. If I could maybe just have one follow-up question very briefly, historically you mentioned to us that your valued enforced sensitivity; you have been doing quite a bit of work to work out the sensitivity to market levels. Clearly there's been a lot of volatility in market levels. I can't imagine at this stage you'd be able to give us some disclosure to those sensitivities?

Jim Sutcliffe: No, not for the Q3 numbers, no.

Dave Danilowitz**:** Okay, right. Good, thanks very much.

Jim Sutcliffe: Thanks.

Operator: Your next question comes from Greig Paterson of KBW. Please ask your question.

Greig Paterson: Yes, just some clarification on a question I asked earlier on when you were talking about mark to market losses on your fixed interest securities coming through in the US. I was specifically referring to corporate spreads that have widened, will those mark to market losses come through or were you just talking about mark to market losses as in your expectations for defaults? Because my understanding is that they wouldn't have come through if you have a widening of corporate spreads which has a lot better. That's question one, second one is I wonder if you can just give us an update, you've launched the Selestia Skandia platform in middle August and touted it as the be all and end all of everything else. I was wondering how progress has gone there and if you can give us some outlook. Does that mean that we're going to have a major kicker coming through in volumes in '08 and from the UK business?

Jonathan Nicholls: Greig, thanks for those. Your first question on mark to market on the book as a whole, and yes, as national disposal, you're right, it doesn't come through.

Greig Paterson: I mean on the EEV, I'm just specifically interested in corporate spreads have doubled, whether that would come through as a variance?

Jonathan Nicholls: It will come through as a variance.

Jim Sutcliffe: As a variance, it will come through.

Greig Paterson: It will come through as a variance?

Jonathan Nicholls: Yes, but it comes through below the operating profit line. I don't know if that's what you're really asking.

Greig Paterson: No, I could think of someone like Jackson National or the Pru that doesn't push those ventures through, you are pushing those ventures through.

Jonathan Nicholls: We keep pushing through so that the embedded value as we stated is always done on the market values of the asset. And the consequence to that is everything that is a variance has to come through as a variance. But it's a question of whether it comes…we put the short term fluctuations line in our accounts, as you know, and it comes through that line, and as a variance in that line. In relation to the new platform, you're quite right, it was launched in August. The launch has gone okay, as you can imagine with any launch of a new software system, there have been initial short term teething problems which we're working on. We've got a clear plan to ensure that our customers are well looked after and we're very comfortable with the way that's going. In relation to a big kicker in terms of 2008, I think it's a bit early to say that the initial reaction is that the package is very good and does provide good service functionality for our IFA network. The next stage of that will be the migration of the Skandia base onto this platform. But that will happen at some stage in 2008, so early days but initial indications are that it's going okay and the team are working hard to make sure that it works as efficiently as possible for customers.

Greig Paterson: Sorry, there's one last question. Last year's earnings, we've spoken about this before, you had a 10% contribution to the live profit from the positive risk margin adjustment, this is in the operating line. I wondered if you can give us some kind of guidance whether we're going to have a neutral positive or negative risk margin adjustment where bond yields are now today at the end of the year?

Jonathan Nicholls: Greig, I'm afraid we haven't done that work yet, but obviously we'll let you know when we get to the February announcement.

Greig Paterson: All right, thanks.

Jonathan Nicholls: Thanks.

Operator: Your next question comes from Colin Hundermark of Credit Suisse. Please ask your question.

Colin Hundermark: Good morning, I'm wondering if you can just clarify your position on Old Mutual Healthcare please.

Jonathan Nicholls: Thanks Colin, the business has obviously not been something we've been greatly happy with for the last while and we have said for some time that if we could find some corporate solution to that we'd love to. I'm not sure that there's one in the immediate future, but in the meanwhile we are attending to the business and its operating needs. It doesn't make a lot of difference one way or the other from a profit point of view, and the sales numbers you can see, obviously. But it's not a business that we would regard as corporate, if that's a helpful way to put it.

Colin Hundermark: Right, thanks.

Jonathan Nicholls: And it does need care. We do regard the product as being important in the salesman's bag. So, whatever we would do, we would actually keep the right to sell our product range even if the business itself came into a different ownership.

Colin Hundermark: Right, okay, that's helpful. Thanks.

Operator: Once again, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press #.

Jonathan Nicholls: Well, it appears there are no more questions. Thank you very much indeed for dialling into this call. We look forward to catching up with you to run through the year end results. Thanks very much.

END OF AUDIO