Interim Results 2008

6th August 2008

London & Johannesburg

Jim Sutcliffe

Good morning everybody and welcome to our presentation of Old Mutual's interim results for the first six months of 2008. I would first of all like to welcome those of you here in London as well as those of you joining us by satellite from Johannesburg where Paul Hanratty is hosting. And of course there are also people who have joined us on the webcast and a welcome to you as well.

With me here in London is Jonathan Nicholls our Chief Financial Officer and we also have with us Julian Roberts who runs our European businesses, Tom Turpin who is Chief Executive of our US Asset Management business and the interim CEO of Old Mutual US and Andrew Birrell our Chief Actuary and indeed Chris Collins our Chairman. And I hope when you get to the Q&A section of the presentation you will have a chance to hear from other members of the management team.

I will start as usual with an overview of the first half of the year and Jonathan will go through the numbers in more detail. I will then summarise and we will take questions.

Slide 5: Group Financial Headlines

I said that when we presented in February that Old Mutual was in good shape and that our business model and specifically the breadth of our product offerings and our geographic spread gave us resilience and provided a strong foundation on which we can continue to build value for our shareholders.

The group result for the six months has shown the truth of this despite the challenges that have arisen at our US Life business which I am going to deal with in some detail shortly.

During the period when most of our competitors have been suffering outflows we have continued to show positive net client cashflows. At £3.2bn this represents some 2% of opening FUM. That's on an annualised basis. Our investment performance, which is the heartland of what Old Mutual does, has continued to be strong. And whilst most global equity markets have fallen some 15%-20% during the first six months of this year, of course excluding the Johannesburg Stock Exchange, which is still better than that, we lost just 7% of FUM. And that achievement is not lost on our clients.

Pre-tax adjusted operating profits are marginally higher than last year. But with tax abnormally low last year and high this year EPS down 6% and ROE reduced to 11.2%.

The Board has declared a 6.5% increase in the interim dividend which reflects our confidence in the group's prospects. So the business has performed strongly overall. And you can see this in the numbers.

Slide 6: Strengthening Guarantee Reserve in US Life

But let me deal right up front with the issues that we are facing in our Bermuda book of business in US Life. I should say at the outset that I am deeply disappointed by the results of this business, and I have initiated a far reaching exercise which will take a long and hard look at it.

The US Life business is an important part of the group and I am determined that we will take all necessary steps - and I mean all - to restore it to a proper level of consistent profitability. We will not allow this business to erode shareholder value any longer.

So, let me deal first with the facts and then tell you what we are going to do about this.

As you know, last year we expanded our sales of offshore variable annuity product with much of the new premium coming from Asian clients and invested in some Asian unit trusts. The product had strong sales and one of its features - in the way that all US variable annuity product carries - was minimum return guarantees.

Our pricing team had modelled the markets and the correlations relating to these products and believed we could institute hedge programmes to cover the guarantees. But following the global market turmoil it now transpires that these hedge programmes have only provided on average about 60% protection against market falls.

In June we told you, we told the market, that while we were still in the process of reviewing the data, we would need to set up an investment guarantee reserve and we gave you a range of $60m-$70m of provisions to cover the anticipated guarantee shortfalls.

Further analysis has subsequently led us to conclude - and to strengthen the way in which we deal with this - that the total net impact of the reserve strengthening needed is $212m or £107m of which $125m has been taken through AOP as a guarantee reserve. And to cover this we are injecting some $300m of capital into the business.

Together with the effect of US credit markets on our bond portfolio these have impacted the EV of the business quite seriously. And Jonathan will talk more about this. The product lines in question have clearly exceeded our risk appetite. We withdrew our Hong Kong product line in May and we have withdrawn all our Bermudan equity-based guaranteed product since. We are maintaining all other lines under close scrutiny and we will close off others as necessary.

Longer term, GDP growth in Asian economies should drive a recovery in Asian markets and hence the prices of the Asian unit trusts which underpin this product. And under these circumstances the business has the potential to produce a decent return. But short term if unit prices remain static in the second half of the year we will strengthen the investment guarantee reserve by a further $20m-$30m.

Slide 7: Taking Actions in US Life

So what are we going to do about it? Let me get straight to what we are going to do about it. I have taken personal responsibility with the senior team for initiating a comprehensive series of actions that aims to end these value destroying one-offs.

Jonathan Nicholls and Rosie Harris, our Group Risk Director, are leading the team reporting to me that is focused on reviewing every aspect of this business, as you would expect with a very sharp focus on systems management and risk.

We have already made management changes. Bruce Parker, who you saw in June, was appointed CEO shortly before that. We have asked - in fact we asked, because it has already happened - the COO to leave. He left in June. Don Hope, our Group Treasurer, who is in the back of the room here in London, is moving across to become CEO of the Bermuda business. We have recruited an additional Vice President of Hedging to broaden out our capability in this area. And two of our senior London Finance Executives have joined the US Hedging Committee.

Further we are significantly re-engineering the oversight functions, with Jonathan running a bi-weekly session with Bruce Parker and the teams.

We have revised our systems that map our funds and products to the indices in order to improve the hedge performance and we are also implementing a deep review of all of our product lines covering their potential and their risks to introduce the most rigorous oversight of the future conduct of this business.

We have appointed Chris Chapman from outside the group to join this review team. Chris is an experienced US CEO who has managed a number of turnaround situations and his knowledge of the industry and his experience will bring a valuable external perspective to the project.

We will report back to you on progress with these actions in February with our results presentation.

Slide 8: Good Progress in Most Businesses

Now, while the challenges at US Life are serious, I would encourage you not to lose sight of the progress that we are making at the group overall. Because I do think that this is good. We have been operating in a difficult environment, much more difficult than I personally envisaged in February. And despite this, the underlying strength of our business has showed through and earnings have held up well.

Please allow me to pick out a few highlights, starting in Europe. The net client cashflow performance remained well above the long term averages. We have talked about in the past 5% as the average and you will see the number remains higher than that. And that is even in a year when most countries were

under economic stress.

The turnaround in Swedish sales has continued, with growth in this half being extremely strong. The second quarter of 2008 saw the highest sales from any quarter since 2003. And we have increased focus on broker relationships, and as a result Skandia was recently ranked first amongst its distributors. On top of this margins have also improved as the effect of higher sales has been felt by spreading the fixed costs further. And the continued strength of this business bodes well for the future.

Skandia UK, while reflecting the difficult market conditions in its sales figures, delivered strong positive net client cashflows and a 14% increase in IFRS Adjusted Operating Profits. An increasing number of IFAs are using our new open architecture platform that we introduced at the back end of last year which carries the best of the features of both Selestia and Skandia Multifunds.

During the period we created - as we have announced - a multi-manager business, Skandia Investment Group, based in Southampton. And that is transforming the development of our investment products across Europe. We have launched a number of new funds in the year, European Best Ideas, Spectrum, Swedish Stars and an alternative investment fund.

In South Africa our business remains a powerhouse. Sales advanced strongly, and as usual delivered excellent earnings and ROE. Paul Hanratty's investment team in particular produced an exceptional return on shareholders funds, in particular assisted by the disposal of a well placed investment in the resource sector that generated a substantial profit.

Nedbank completed its turnaround last year as you all know. And off that considerable achievement, and assisted partly by the proceeds of the sale of Visa shares, was still able to grow its earnings despite the impairment position weakening.

We were also pleased to see in the United States that in the asset management business the positive net client cashflow continued. A lower rate than last year, but achieving a positive net client cashflow is a feat that few of our competitors have been able to match. And earnings remained at a high level. Moreover we were pleased to see that our investment performance remains strong. That is always key both to gathering new clients and to the retention of existing clients.

On the expense side we have continued to control costs tightly in all of our businesses. And tight cost control remains a priority for our management wherever we operate.

Slide 9: Delivering the Strategy

I am also pleased to report some progress on the strategic objectives that drive the results that I have just reviewed.

Firstly, in Skandia, 30th June of course marked the measuring point for many of

the integration targets that we set out two or two and a half years ago. I am pleased to say that key targets have been met.

In particular the original £70m cost and tax synergy target has been met with something to spare, and indeed we expect a further £10m as the platform migration completes later in the year and perhaps the early part of next year. The cost of achieving these synergies has been less than planned.

The IFRS Adjusted Operating Profit, another key target, of course that will be measured at year end because we had a target of £300m for this year. We produced in the first half £148m with further synergies to be delivered in the second half. Jonathan will say more about the integration. But it's clear from the numbers that this acquisition has been a success.

In line with our strategy and as we said at the year end, we have also aimed to continually refresh and extend our talent bank of asset managers. And we have announced during the period a couple of bolt-on acquisitions of boutique investment managers, Futuregrowth in South Africa which has FUM of R36bn and ING Ghent in the United States which has FUM of $1.5bn and which has become part of our Rogge Global Partners affiliate. Both will close in the second half.

In Asia, our Asia Pacific headquarters has been set up. We have brought in people from around the business to bring our skill and experience and we have brought in new people from the Asian continent in order to give us knowledge of the area. And our Indian JV in particular continues to grow strongly and is adding value.

I will now hand over to Jonathan to take you through the numbers. Jonathan.

Jonathan Nicholls

Thanks Jim and good morning.

Slide 11: Agenda

As usual I am going to start with the group position and then move on to the regions. I will cover the IFRS results first and then give some details on EV. I will finish with some comments on cash and capital. Please remember that we are treating M&F as a discontinued operation and whenever I talk about Group I am referring to continuing operations only.

Slide 12: Overview

Starting with the group overview…..

Slide 13: Assets x Margin – Expenses = Profit

This slide summarises the way we look at the business. You can see the average assets by business unit together with the basis point profit margins for each of the business units in the first half of 2008 and in 2007. I have included

a further slide in the appendix which splits out revenues and costs. The numbers are from our IFRS accounts and therefore are inclusive of DAC amortisation where appropriate.

At the Group level the average assets in the half are £305bn or 8% higher than last year. The key increase here is in our US Asset Management business. The group net margin though is down to 49.3bps in the first half for our continuing business. Whilst margins have increased in OMSA and in Europe this has been offset by declines in our US businesses and in Nedbank.

Slide 14: Net Client Cash Flows Remain Positive

Net client cashflow is a key measure for us and the focus of our management teams. Although this has fallen from the levels we saw last year, it is extremely pleasing that it has remained positive despite the very challenging market conditions.

Analysing the net inflows by business, our performance across Europe has been particularly strong with net inflows of around 6% of opening FUM. OMSA cashflow is still negative due to lower non-Life sales growth and cash outflows from Galaxy our open architecture platform. Nonetheless this is still progress from last year. Both US businesses had positive cashflows.

Slide 15: FUM Down 7% - Market Declines and FX Outweigh Positive Inflows
Since the beginning of the year our FUM have fallen by £20bn to £259bn. Market declines of £18bn and negative FX impact of £4bn have outweighed the £3bn inflow from net client cashflows.

Slide 16: Life New Business Up 2%, Unit Trust Sales Down

Life sales grew by 2% in the half. Encouragingly, in South Africa sales were up by a respectable 6%. The 5% decline in Life sales in Europe is primarily due to a fall off in single premium sales in the UK in comparison to a very strong first half in 2007 which did see higher A-day sales. By contrast recurring premium sales are up 17% in the UK. And encouragingly both single and recurring premium sales are growing strongly in Nordic. Here sales are up by 39% which is an exceptional performance in current markets and reflects the management changes we have implemented over the last couple of years.

Unit trust sales are down by 18% with a strong performance in South Africa being offset by declines in the US, Europe and Asia Pacific, reflecting lower retail flows as the economic environment has deteriorated globally.

Slide 17: Adjusted Operating Profit

This next slide shows IFRS Adjusted Operating Profit by region and by business segment. Note that we have adjusted the AOP number here to take out the minority interest.

Profits were up by 2% in the half on this basis. We have seen good performances from our businesses in South Africa and Europe, reflecting our

strong franchises and focus on controlling expenses. In South Africa profits at Nedbank and OMSA grew strongly in local currency, up 19% and 13% respectively. And in Europe profit grew 14% to £147m. Jim has already discussed the impact of the changes we have made in US Life.

Looking at the business segments, Life has grown at 2%, Banking has grown at 16% which has balanced the decline in asset management.

Slide 18: Group P&L Analysis

Moving quickly down the rest of the profit and loss account, other shareholder income and expenses at £17m principally comprised head office costs. Financing costs of £71m were little changed from last year.

Our tax rate for the half increased from 23% to 29% this year. This relates to the higher South African SDC charge, the non-recognition of deferred tax assets arising from US Life and changes in the profit mix. There are a number of moving parts but I would expect the rate for the full year in '08 to be around 26%-27%.

Below the AOP line there have been some significant one-offs. In addition to the US Life charges which Jim has already outlined, OMSA had some good investment performance and realised some of this as a gain when it sold most of its holding in Assore and all of its holding in Oresteel, the unlisted Assore control vehicle for a total of R4.5bn realising a net gain of R2.2bn in the half.

The LTIR has risen in 2008 reflecting our methodology which is detailed in a slide in your packs. Over the last three reporting years actual returns exceed those reported above the line by £755m. We have included a schedule in the appendices.

Slide 19: Region performance

Moving on now to the regions….

Slide 20: Europe – Making Good Progress

…. and starting with Europe. I have combined our UK, Nordic and ELAM businesses together on this slide. You can see the figures for these units separately in the appendices.

Overall our performance in Europe has been strong in the half, against a backdrop of the market downturn, regulatory and capital gains tax changes and the very strong first half in '07.

Life sales are down 4% and unit trust sales down 13%. The picture here however is mixed. In Sweden the second quarter saw our highest new sales in any quarter since 2003. Our offshore international business also performed strongly. But the UK domestic market was tough. In the UK our business is focused on unit linked bonds and pensions. And we expect to maintain our market share in these sectors. The institutional portfolio bond market has

been particularly depressed following the UK capital gains tax changes. But the retail market remains positive.

Net cashflow for the half is below half on '07 levels but does still remain in positive territory. FUM is down by 6% reflecting market conditions. Despite this our AOP is up by 14% with strong performances across the region. In local currency obviously UK profits are up 14%, Nordic profits down 1% and ELAM profits up 10%.

Now that we have owned Skandia for a few years we have revised our EV assumptions for the UK, in particular in relation to investment rebates. As a consequence we are now recognising two thirds of the currently received rebates in our EV and in our APE margin, which still allows a fair buffer of conservatism.

Slide 21: Europe – Delivering the Skandia Acquisition Case

The Skandia integration is complete and the team have done a great job. When we bought Skandia we set out some targets for the business which are summarised on this chart. Good progress has been made.

The run rate of AOP is on track for our target of £300m for the full year in 2008. We are close to our 15% ROEV target.

We are delivering the synergy benefits. Back in 2006 we indicated that we would realise £70m of cost and tax synergies by mid 2008 and last year we highlighted a further £10m of revenue synergies. The run rate of synergies is currently £79m. So we are absolutely delivering the target here, despite the delay to the roll out of the final part of the UK platform business. The costs of achieving this are actually coming in below forecast this year. We have spent £62m against the plan of £80m. So that is more good news. There is a slide with more detail on the individual savings in the appendix.

In relation to the APE margin as I mentioned earlier we have now incorporated a more realistic level of rebates in the UK. Our margin targets are being achieved. Further work is needed to improve the margins for both Nordic and ELAM and the management teams are clearly focused on achieving this.

Finally and most importantly we are seeing positive cashflow generation from the Skandia units which is very encouraging.

Slide 22: Europe – Delivering the Skandia Acquisition Case

We have created a pan-European multi-manager business, Skandia Investment Group, which is transforming the development of our investment products across Europe.

We have also created a market leading open architecture platform from the best of Selestia and Skandia Multifunds. We will be migrating the Skandia policies to the new platform in the second half.

We have revitalised the Nordic business resulting in rising sales and market share and we are optimising ELAM. There is a project in place to leverage our infrastructure across Europe.

We had a significant agenda in terms of legacy and management issues when we acquired Skandia. We have addressed these. And we are continuing to deliver our acquisition model. We have built a solid foundation which we can leverage further growth and operational excellence from.

Finally the Skandia Liv arbitration has now been heard and the ruling is expected in September.

Slide 23: South Africa – Life & Asset Management (OMSA)

Moving on to South Africa where OMSA has also made a strong start to 2008.

Our Life sales are up 12% with both corporate and mass segments performing particularly well. Unit trust sales are up 26% on an underlying basis. The 44% shown on the chart here reflects some re-allocations that we have carried out. This sales growth is particularly encouraging in the current climate where available consumer spend is being reduced by higher oil and food prices and of course by rising interest rates.

Net client cashflows are improving and our performance in Q2 was better than Q1. Looking at investment performance, 51% of funds are now beating benchmark on a three year basis. FUM are down 4% since the start of the year reflecting lower asset values and volatile markets as well as the cash outflow.

Adjusted Operating Profit of R4.1bn was 13% up on the half last year. This was helped by a 23% increase in the LTIR where the rate applied has increased by 100bps to reflect the high actual investment returns achieved on shareholder funds over the last few years. Clearly as rates and underlying assets move this will have an impact on the LTIR going forward. We have included a methodology for this calculation in the appendices.

AOP from the Life business increased by 5% but this included benefits from several items such as the receipt of a prior insurance claim of R37m, interest received on an overpayment of tax of R64m and an IFRS2 credit on share incentives of R95m reflecting the lower share price. There was no change in the investment guarantee reserve in the half.

Slide 24: South Africa – Banking

Now to Nedbank. Just to remind you there is a schedule in the analyst pack that reconciles Nedbank's publicly issued numbers to our reported numbers at the group level.

Although the economic environment has proved tougher than we expected Nedbank has performed well. The wholesale business has remained resilient, but the retail business has suffered higher impairment charges due to

increased levels of consumer indebtedness. The impairments charge as a percentage of average advances increased to 0.96% in the period. This is outside our target range of 0.55% to 0.85%.

Net interest income grew by 21% mainly as a result in the growth in average interest earning banking assets. And as expected net interest margins were down slightly. The higher proportion of assets funded through the wholesale versus retail deposits has increased the cost of funding.

IFRS Adjusted Operating Profits rose 19% to R5.1bn in the half. This growth includes a gain on the disposal of Nedbank's share in Visa. Active management of expenses has enabled our cost:income ratio to improve to 51.5% for the half well below our long term target of 55%. We have benefited here from the disposal of a majority ownership in Bond Choice.

Nedbank remains well capitalised under Basel II with the Tier 1 capital adequacy ratio improving to 8.7% moving towards the top of our target range of 8%-9%. ROE for the half has fallen from 21.2% to 18.7% reflecting the reduction in gearing as Nedbank has increased its core Tier 1 capital adequacy and from a lower return on assets, mostly due to the higher retail impairments.

Slide 25: US Life – Guarantee Reserve Adjustment

Moving on to look at the United States and starting with US Life. Adjusted Operating Profit was $12m in the half. Jim has detailed the charges we have taken here in relation to Bermuda. In summary, there is a charge to IFRS AOP of $125m pre-tax which reflects the inefficiency of hedge mapping. Below the line there is a charge of $87m pre-tax to reflect market volatility in line with standard industry practice. This will be amortised though back above the line over the life of the contracts.

This slide provides full details of the IFRS and the EV accounting for the strengthening of the guarantee reserve. $125m AOP charge to reflect the hedge inefficiency is the same under both IFRS and EV. In addition, under EV there is a $24m charge for the reversal of DAC which is excluded obviously from EV and a $26m adjustment to VIF to allow for the fact that the increase in guarantee costs has reduced the future profitability of the book to give a total AOP adjustment of $175m. The short term fluctuation charge of $87m is the same under both IFRS and EV.

Slide 26: US Life – Increasing Reserves Impacts AOP

Whilst on the US, I will quickly touch on the other assumption changes we have put through on EV. Firstly, economic assumptions were strengthened. We increased the credit default rate by 67% from 6bps to 10bps. And the risk discount rate by 100bps to allow for non-modelled risks. The total effect of these changes was a reduction of $127m after tax.

The credit markets have remained under stress in the half. We have reviewed our asset portfolio and have impaired a further $149m. In accordance with our

accounting policy, impairments are amortised over 60 months through AOP. There is further detailed disclosure in your packs on the asset portfolio.

Total Life sales were $3bn on a gross basis. FUM are down 6% since December. Unfavourable market conditions have impacted asset values and this is more than offset for positive net client cashflow in the half.

Slide 27 – US Asset Management

Moving on to US Asset Management. Investment performance continues to be strong at our US affiliates, although it has been lower than the exceptional performance we have seen over the last three years. Latest figures show 65% of institutional assets outperforming relative to benchmarks on a three year basis.

FUM are down 5% since December as the net client cashflow was offset by negative market impact. Fixed income products represent 34% of our FUM and this has helped to minimise the impact on net client cashflow as in this climate these products are more attractive than equity investments to our customers. Our net client cashflows are still positive in this business and our cash generation here compares extremely well with our peers. Good NCCF was achieved by for example Acadian and Rogge.

IFRS Adjusted Operating Profits for the half were down by 7%, primarily as a result of lower performance fees which is also impacting the business margin.

Slide 28: Asia Pacific

Finally, moving to Asia Pacific. We have continued to develop our Asian operations in the half.

Our new regional head office in Hong Kong is now up and running. The team are focused on growing the current portfolio of businesses as well as ensuring continued geographical and distribution expansion. However the combination of stock market volatility and increased competition has resulted in tough business conditions in this region in the half.

Our sales and net fund flows have been disappointing largely due to lower equity markets particularly in China and Australia. We have been making significant investments in head count and infrastructure ahead of growth in Asia Pacific. This investment will continue in the second half.

Slide 29: Strengthening Enterprise Risk Management

I would like to give you some guidance on the initiatives that I am leading to improve the risk management process in Old Mutual.

Firstly, we are reviewing the establishment of a centralised risk transfer operation which will price guarantees in each of the business units and charge for them. This is in line with best practice in the industry.

Secondly we have developed and improved the formal review and sign off process at the centre for any new guaranteed product which ensures appropriate pricing, analysis of risk and economic capital requirements and also ensures consistency with risk appetite.

Thirdly we are developing further our group wide enterprise risk management. This encompasses the identification and management of risk appetite for the group within allocated risk appetite limits. It also encompasses a robust capital allocation process. This is gaining traction and improving our decision making. In addition, a revised governance process is being implemented reflecting the needs of a multinational organisation to ensure appropriate control and authorisation.

And fourthly we are implementing our Finance 2010 project which will enhance our financial control.

Whilst the individual business units have their own risk management systems and they operate under Board delegated authorities it was clear to Rosie Harris, my Group Risk Director and myself that we needed to make changes, reflecting the development of the group over the last few years.

My team and I will make the changes necessary to ensure we have the best in class processes at Old Mutual. We have the full support and commitment of the Board and the Executive Committee to do this.

Slide 30: Embedded Value

I am now going to go through a few slides on EV highlighting the key items. Obviously there is more detail behind this in the results statement.

Slide 31: Adjusted Group Embedded Value

EV AOP per share for the first half of 2008 was 10.8p compared to 8.7p for the same period in 2007. This reflects higher profits in the South African and European Life businesses. Tax rates were reduced in South Africa. We have increased the level of rebates assumed in the UK and recognised part of the earned currency spreads in Nordic. We have also seen positive experiences outside the US. In addition there is a reduction in the number of shares outstanding following the share buyback programme.

Against that, exchange rate movements, a lower new business contribution, and the negative operating assumptions in US Life impacted operating profits.

Slide 32: Adjusted Group Embedded Value

Adjusted EV reduced by 17% over the half year and EV per share reduced from 173.3p to 143.2p.

The positive net impact of profit flows was offset by negatives arising from adverse guarantee and market movements, the impact of the EV losses of US Life, reduction in the share prices of Nedbank and M&F over the period and

also of course the dividend payments paid to shareholders in May.

On the other hand, if the impact of marking all debt to market was included in Group adjusted EV it would increase by £241m or 4.6p per share.

Slide 33: Market Consistent Embedded Value

MCEV will be mandatory from year end 2009. Old Mutual intends to adopt MCEV for the first time in our 2008 report and accounts. We will advise on the timing of the release of the restated '07 in first half '08 results later in the year.

One of the key issues for annuity based business is that under MCEV the recognition of any liquidity or credit risk premiums in excess of swap rates is not permitted until such profits have been realised. As a result the timing of recognition of profits under MCEV is different. Therefore we are expecting a reduction in the EV for our US annuity business under MCEV. Against this our early calculation shows small increases for the rest of the group.

Our initial calculations indicate that at 31st December 2007 the MCEV valuation will be around 5p per share lower than under EEV. This is before the add back for the change in the value of debt. I would stress that this is an estimate at this stage. This figure has not been audited.

Slide 34: Cash and capital

Moving on now to cash and capital.

Slide 35: Cash Generation Remains Strong

Total net debt at the end of '07 was £2.4bn. A total of £597m of operational and capital receipts were received from the business units during the first half. These receipts were partially offset by £69m of operational expenses and £88m of organic investment in the half.

In October last year we launched our share buyback programme. The total spend in the first half of this year was £174m. We also spent £177m in 2007. So this programme is now complete.

Slide 36: Strong Group Capital Position

Our capital position remains strong. Total Net Debt at the half year was £2.4bn broadly unchanged from the beginning of the year.

Our total gearing was 24% which is in line with our target range. Our interest cover was 8.4 times. Our credit ratings are unchanged since the year end.

As Jim mentioned earlier we made a capital injection of around £150m into the US Life business in the second half of the year.

The group is well capitalised in terms of both economic and regulatory capital. And we had and FGD surplus after the contribution made to Bermuda at the

end of June of £1.5bn. We have also continued to implement our economic capital methodology and a surplus existed at 31st December within each of our South African, US and European regions. The group economic capital surplus at 31st December '07 was £3.3bn.

In view of the current market conditions and uncertainty affecting financial institutions worldwide we believe it is prudent for us to retain our capital in this environment.

Slide 37: Summary

And finally to summarise

Slide 38: Financial Summary

Overall we have made good progress in the half with our businesses in Europe and in South Africa in particular performing well. And our investment performance remains strong.

Despite the challenging market conditions we have delivered positive net client cashflows. Although FUM are down impacted by market declines and FX our business is delivering resilient underlying earnings.

Clearly the US Life performance in the half has been disappointing. However, as Jim has explained, we are aggressively managing the situation.

We have a robust capital position and have announced a 6.5% increase in the interim dividend.

Thank you very much. I will now hand you back to Jim.

Jim Sutcliffe

Thank you very much Jonathan.

Slide 40: Clear on our Priorities for the Remainder of the Year

Looking ahead, our priorities for the remainder of the year are twofold.

First of all, and make no mistake, I am absolutely determined to make sure that the problems at US Life are sorted out once and for all. This is a key priority for the next six months and I have put in place the necessary resources to identify and take the necessary actions. Indeed they are already underway. And we will report back to you on progress with our results in February.

Concurrent with that urgent priority we will of course remain focused on steadily driving the performance of the businesses around the world. We know, of course, what the key drivers are to do that. Good investment performance is always key and we have got a good track record there. We need to continue to develop the product range to meet our customers' evolving needs, providing them with a choice and transparency. And we do have the

lead in the open architecture world to do that. But that always has to be within the framework of an acceptable risk appetite and risk adjusted return on capital for our shareholders. We need to continue to develop our distribution channels, and we have had some good success in the first half in this area, and we expect more in the coming months, building on our strong IFA relationships. We will be seeking to further strengthen and broaden the quality of our asset management capability, adding teams and affiliates with strong investment performance records. And finally we will maintain a relentless focus on expense management and execution of the cost initiatives that are already underway around the business.

Slide 41: Conclusion

In summary, 7 out of our 8 businesses have produced good results in a difficult market.

In South Africa we have again steadily delivered high ROEs with growth in sales in both the Life and Savings businesses, as well as expansion at Nedbank.

In Europe we have hit key integration targets and we are producing a considerably better IFRS profits as well as a good net client cashflow.

We are building our Asian businesses for the long term future and our US asset management businesses which have done well over the past have continued to perform well in the first half of this year and will continue to do so in the second half.

And I hope as I say that I have left you in no doubt whatsoever, about my and my team's absolute determination to make sure that the US Life business is sorted out.

We have strong foundations and we have big brands. We have a leading open architecture business. And we have a track record of providing good investment returns to our clients. Our strategy is clear. We have a robust capital base. And this allows us to deliver well with good potential for further growth. And we do look forward to the future with confidence.

Ladies and gentlemen, that's the end of our presentation this morning and we will now open up to questions. As usual we will start in London and then we will go to Johannesburg. And if you wouldn't mind getting a microphone so the people in the other centre can hear you when you speak. We will go…Jon Hocking.

Jon Hocking, Morgan Stanley

Morning everyone, it's Jon Hocking from Morgan Stanley. Some questions on the US Life business. Can you just help us understand what has happened versus last year? Because I think we were all under the impression that there was a thorough review of the US business last year including the risk management framework, including the guarantee reserves. Was Bermuda

was excluded from that review? And what has changed, just in terms of the sort of culture, the risk management framework?

Secondly, on the US what has happened with Asian markets doesn't really seem like a sort of tail risk event. OK, markets are down…but sort of 10%...20% or so, there is not a huge dislocation. Can you give us a little bit more colour on exactly what was going on in the hedging programme, how the hedges were structured and what went wrong versus your expectations on how those hedges performed?

And then in terms of what you were saying about the options for the US Life business, are all options on the table including putting the business into run off or disposal. Is this a proper strategic review of this business now?

And, actually, finally on the rating agency point, do you expect any rating action from what has happened?

Jim Sutcliffe

OK, I will leave Jonathan to deal with the ratings question but let me try and deal with the first bits.

Certainly Bermuda was never excluded. The issues became very much more apparent in the middle of the year. And we were taking steps all the way through to make sure that we were responding to the information that we were getting. And you can see, for example, the change we made to the Hong Kong product range in May, just as an example of that. But there is no doubt that conditions this year have been significantly worse and that's led to where we are.

As far as the Asian market …it's not a tail risk it's a…whatever you want to call it risk…in between. And how did that all happen? I think, as Jonathan indicated, that the way in which we had mapped the underlying unit trusts to the hedge instruments clearly wasn't right. And that's why we put through the $125m through AOP. We have improved that now, and while that work has only very recently been completed and we are not in a position today to tell you exactly how that improvement has come through, obviously we have done the things that we think we need to do to get that through.

Jon Hocking

Were they hedged with Asian indexed futures or were they hedged with…..

Jim Sutcliffe

With an array of different futures. As far as the options on the table, you know, our priority right now is to fix this business. And that's what we are concentrating on. And Jonathan…ratings.

Jonathan Nicholls

The rating agencies…I mean, we have obviously briefed them and obviously

we are waiting for them to come to their own conclusions. So as of now, Jon, I have no further information at this point in time. What I would say though is obviously the ratings, the ratios and the capital is still very strong.

Jim Sutcliffe

So, Roger.

Roger Hill, UBS

Roger Hill, UBS. Just on the same line basically. But this is one in a line of repeat failures out of the US Life business and it seems to me it's a bit of a "me too" business that doesn't differentiate itself and I think you really ought to strongly be considering selling it. And I think also the failures here have echoed things around the group. Because we have had US Life, US Asset Management and Nedbank have all blown up in the last five or six years. Do you not think that we ought to be either strengthening corporate governance or probably more slimming the business down into more focused units?

Jim Sutcliffe

Yes, first of all it is a repeat problem. So let me just say I am - I say again - I am deeply disappointed by this thing. I think it is just something that really makes me feel very cross about it. I think the business is sufficiently differentiated. I am not sure I would agree with you about that. But we can come back to the detail of that if that is necessary.

I think the central point you are making is - is there something in this that gives a message because there have been other one-offs and Nedbank which you quoted from the past. You know, I think that we have certainly expanded the business and, as you have heard Jonathan say, that there is a strong process underway to make sure that we do strengthen our risk management systems. And we have done what we think we need to do with that.

You know, clearly the strategy has worked in the sense that 7 out of 8 businesses have done well. So, you know, one can look at the one negative or one can look at the seven positive. And I don't think one should ignore the one side for the other side. We absolutely believe that the strategy has delivered the numbers that, in the end, are fairly decent despite the problems at US Life. And we certainly do intend to strengthen the systems as you have heard from Jonathan. And I believe that will get us to the right point.

Raghu.

Raghu Hariharan, Fox Pitt Kelton

Morning all, Raghu Hariharan, Fox Pitt Kelton. Just three questions if I may please. Just on the US business, I am just wondering whether this is a process failure or a modelling failure and whether, you know, which area of the business do you think is the benchmark and where are the different businesses in terms of just risk management processes, sign offs and things like that? Can you give us a sense of where this is?

And the second question was just a clarification. On the US bond portfolio you have unrealised losses of almost $1bn, how does that work in terms of impairment rules and how does that work with respect to the regulator? And if you can remind us of your RBC ratio in the US business.

The last one was on Nedbank. Now Nedbank impairments obviously have gone up. Can you give us a sense of what the trends are, whether you are seeing a stabilisation or whether this is expected to get worse before it gets better? Thanks.

Jim Sutcliffe

Sure. Let me just deal first of all with the process v. modelling issue. And Raghu if I don't answer the question just ask me again, because I am not sure I understood exactly. I think the issue is basically a modelling problem. I think the right steps were taken to go through the checking at the product design stage. But the models that were used at the product design stage which (not in any way excusing what has happened, but did include taking advice from some significant outside advisers) but they were wrong. So that's what it was.

We have, in any event, strengthened the sign off processes to make sure that we have yet another pair of eyes looking at things. And as you have heard Jonathan say, one of the ideas underway at the moment is to look at the guarantee provision into these products from a central point, so we combine the best knowledge of the business from all over the world, which perhaps feeds back to Roger's governance point as well.

So we are changing some of the processes as well. But this is fundamentally a modelling problem.

Just let me deal with impairments and then Jonathan if you would deal with the bonds and the write off point that Raghu raised. Just the impairment ratio - impairment cost 96bps. Clearly it's on an upward trend. I think the number last year was 62 or thereabouts. The bulk of the increase comes from the retail book. And there is clearly a credit cycle underway. It is not outside the normal bounds of a credit cycle. The actual number, 96 is outside of what we consider our kind of median range of 55-85 that we have talked about before. But it's not excessively so. And we would expect it to be that in a credit cycle. So the issue is well under control. The collections people have been strengthened. The credit granting processes have been strengthened to make sure that we take the right steps as we go through the cycle. Jonathan

Jonathan Nicholls

Just in relation to impairment there are three or four slides 79-81 at the back of your pack with all of the details. But basically in the US for IFRS purposes unrealised gains and losses goes through equity, realised gains and losses are recognised in income. But for AOP we do spread it over 60 months. But the full detail is in the back of your pack. Hopefully that will answer all of the final detailed questions.

Jim Sutcliffe

James and…sorry, I can't see who it is in the light at the back…but James Pearce first.

James Pearce, Cazenove

James Pearce from Cazenove. A couple of questions. First of all, in light of the US experience can you give us reassurance on Skandia's pricing of guarantees. Clearly Skandia, or particularly American Skandia, which you don't own, had problems akin to what has been going on in Bermuda in the last bear market. How comfortable are you with the hedging of guarantees in that business? And second, the £77m of assumption changes and so on in the Skandia EV profit, I am afraid I couldn't understand the explanation on page 80. Could you put it in simple terms?

Jim Sutcliffe

Certainly. Julian, I mean as far as the Skandia issue, I think there are very few guarantees. But Julian, perhaps you can give James reassurance on that point.

Julian Roberts

Yes, there are very few guarantees in the Skandia products. The only area really where we have got some guaranteed products is in Germany. We have got a very robust process checking in Germany and - sorry there is a bit in France as well. But we have gone through a fairly robust process. And in actual fact there has been a double check of new products taking place in London where we have been issuing new guarantees and it has been running for a while.

Jim Sutcliffe

James we are just trying to find…you were referring to page 80 was it?

James Pearce

Page 80 – the embedded value statement…it says that you had £77m favourable assumption change in Skandia.

Jim Sutcliffe

Yes, OK, I see it…yes.

James Pearce

The verbiage is about currency swaps and God knows what.

Jim Sutcliffe

OK, the major piece is to do with the way in which rebates have been recognised in the UK. So when we purchased the business, the business had a record of rather volatile experience variances. And we have felt over time

that that has gradually been brought under control. And we have maintained a much more conservative position on the recognition of rebates than most of our peers. So we had only recognised something like 15% of the rebates in the assumptions.

We have increased that recognition factor and - I am going to get Andrew Birrell to add or subtract if I err here which I probably will - to about two thirds of the total. Is that right? Yes, OK. So I believe most of our peers use 100%. So it is still pretty conservative but it is clearly less conservative than it was. So that's the major part. And it is £53m I think out of the £77m is that issue. OK.

The second issue, which is the currency spread issue which you found difficult to read through is a Swedish issue and it relates to the charges that we make for exchanging currencies. We have never recognised those charges in the thing in the past. And that's £19m Jonathan is telling me. That probably doesn't quite add up but it is rats and mice after that James. Julian is there anything you would want to add?

Julian Roberts

That's fine.

Jim Sutcliffe

Andrew? Yes, OK. Sorry….I can't see who it is….

Christian Dinesen, Merrill Lynch

It's Christian Dinesen from Merrill Lynch. I understand, of course, you can't talk about what the rating agencies might do. But would it be possible to give us a brief overview, if your senior debt rating was taken from low A to high BBB, firstly what would if any impact be on your franchise in any of your businesses, and secondly potentially on your funding cost please.

Jim Sutcliffe

Jonathan, do you want to deal with the funding costs please first?

Jonathan Nicholls

Yes, I mean clearly if we end up with a lower rating we are going to have a broader spread in terms of funding costs. In the current market it is obviously unhelpful from that point of view. But you have got to believe there is going to be some fairly significant increase in basis points. So 50bps one would imagine something like that. The franchise…?

Jim Sutcliffe

Sure…well you go ahead.

Jonathan Nicholls

In terms of the franchise I mean the one area where the rating is significant is obviously onshore US Life in terms of the rating and the guaranteed product. So that would impact that if it fell below the current rating…correct.

Jim Sutcliffe

OK, thanks. Paul, can we come to Jo'burg and take some questions in Jo'burg please.

Paul Hanratty

OK, Jim. Does anybody here like to ask a question? Here….we have got a question here from the front.

Michael Christelis, UBS

Hi, it's Mike Christelis here from UBS. Just stepping away from the US issue, you know, we noticed in June that OMLACSA sold about R2.5bn worth of equity in a company called Assore out of its Life business NAV. And you know, if you work out the numbers that comes to about 10% of the total SA Life NAV. I am just wondering is there any risk of overexposure to single stocks like that sort of quantum in the rest of the South African business.

Jim Sutcliffe

Paul, why…why don't you answer that question from Jo'burg.

Paul Hanratty

Yes, absolutely, Mark. Look Assore was a long terms strategic holding in our shareholder funds. And that share price rose, I think I am right in saying six fold from January 2007 until we sold it out. And you know, what we became very concerned with was in fact concentration risk, and we do actually have a very balanced portfolio, you know, of shareholders funds for precisely the purpose of managing risk.

And we also have taken steps, over the last nine months we have been hedging, as I am sure you are aware, as well in that portfolio. So I am pretty confident that we don't have risks in it.

And as far as Nedbank and Mutual & Federal are concerned you are also aware that we only recognise a very small portion of that for again issues of concentration risk. So I don't believe that we have a problem in it. And the minute that this thing rose we sold out of the stock.

Jim Sutcliffe

Paul are there more questions in Jo'burg?

Paul Hanratty

Yes, we have got David Danilowitz with a question.

David Danilowitz, Merrill Lynch

Hi Jim, I have got a few questions. I will try and string them off quickly. Skandia Liv and the discussions that you have had, not in terms of acquisition but in terms of your - I think it was 3.3bn outstanding - sorry the fees. Do you believe that it in any way is affected by or would be affecting your potential transaction for Skandia Liv?

Jim Sutcliffe

OK, I mean Julian why don't you answer that. I think Dave is referring to the arbitration discussion on the old investment management fees.

Julian Roberts

Yes. The answer David is absolutely not. The working relationship with the Board of Skandia Liv has improved immeasurably over the last couple of years. The Skandia Liv business is now…the management team are working on a fully integrated basis with Bertil's main team. And now really both sides are just waiting for the finding of the arbitration court which we believe will happen in September. You know, our lawyers…the arbitration went well. Our lawyers still have a confident view of it. But we just wait to see what the outcome is. It is left in the hands of the court.

Jim Sutcliffe

OK. Dave did you have another question?

David Danilowitz

If I can come back to South Africa, and Mutual & Federal, obviously you have announced your plans on that. Just can you give clarity - do you have exchange control approval in terms of if you can extract that capital? Or would that be considered once the deal is completed?

Jim Sutcliffe

Dave, we don't have any advance exchange control approval. You know, we know what the practice has been in relation to buybacks and so on. But I think that's where we are. I don't know, Jonathan…

Jonathan Nicholls

That's right. That's exactly where we are.

Jim Sutcliffe

Yes.

Paul Hanratty

We have got another question here Jim. Brian Mushonga.

Brian Mushonga, Merrill Lynch

Hi Jim. Just a quick question on the proposed auction of Mutual & Federal. Is there a minimum price or a reserve price that Old Mutual will consider for the sale…..

Jim Sutcliffe

Well I think clearly….

Brian Mushonga

….away from Royal Bafokeng Holdings' previously higher offer.

Jim Sutcliffe

Yes, I mean clearly, Brian, the process is underway. And I am sure you wouldn't expect me to comment much on the process at this stage. Suffice it to say that we have had a number of expressions of interest and we believe this is the best way to maximise value on the asset.

Paul if it's alright, I am just going to take some questions that I believe are on the telephones next and then we will come back to London after that and then we will go to Paul again. So if there are some people on the telephones who have questions.

Marius Strydom, Barnard Jacobs Mellet

Hi there. It's Marius Strydom, Barnard Jacobs Mellett. I have questions on the US Life. My first question is seeing that you have already ceased sales of certain products in May this year how come we weren't flagged at the open day about the problems specifically in offshore variable annuity sales?

And then secondly, considering the fact that you ceased sales in May and are going to cease further sales in August what can we expect from variable annuity sales for the remainder of the year?

Jim Sutcliffe

Marius, I think clearly we did flag the issue on 25th June. I mean, although the number was different we made it very clear there was an investment guarantee reserve. So I am not quite sure what more we might have done. I mean clearly the fact that the number is different is a difficulty. But I mean, as I have said, that thing happened because the number actually got worse with difficult conditions in June and indeed then we increased the conservatism with which the calculation was being done.

As far as the VA sales are concerned, a rough way to look at this is that Bermuda sales are roughly half of US Life sales. And the products that have been pulled are roughly 70% of Bermuda sales. Now we will be trying to replace the product range and so we will see. And of course we have had some sales in July and we will have a little in August. But that should give you a framework to operate in.

Marius Strydom

And then just a follow up question, the remaining sales that will continue, can I assume that they are going to be at lower margins?

Jim Sutcliffe

Look, the margins that we have put through, and again I am going to look at Andrew Birrell and get him to confirm here is - I believe the margin on the product that was struck in these first half results was 15% on those products - correct? I don't see any reason that the margin on the remaining sales would be any different. Yes, OK.

Marius Strydom

Thank you.

Jim Sutcliffe

Thank you Marius. One more question on the telephone and then I am going to come back to the UK, because I know there is another place other people have to go to.

Andrew Hughes, JP Morgan

Hi, it's Andy Hughes from JP Morgan. Just a quick question and it's a very simple one really. Obviously it's a very diversified group in terms of geographical regions and we have had a number of obvious problems that have emerged in different regions over time. Do you think that Old Mutual would perform better if it was refocused -.as a more focused business? And as a result of what you have learned, would you consider refocusing the business towards several core markets rather than maintain a diversified business approach?

Jim Sutcliffe

Well Andrew, as I said when Roger asked a related question earlier, my point of view is that the diversity has produced a good set of numbers overall this time. And so I don't think that the thing hasn't worked. I mean what we have got is a problem in one business, and as somebody said, it's a persistent problem. And you know that's an issue for us. And I can assure you, as I said already, that we are very determined to make sure that that gets fixed. But I think overall the strategy has produced a good result and I think that the business is in a robust position to produce growth and earnings in the future.

Andrew Hughes

OK, thank you very much.

Jim Sutcliffe

OK. OK, just one more on the telephone Matt if I can and then…then we are going to come back to the UK.

Risto Ketola, Deutsche Bank

Hi Jim. It is actually Risto Ketola here from Deutsche Bank.

Jim Sutcliffe

Yes, hi Risto.

Risto Ketola

Yes, I just want to ask, on the US the way you skip between AOP reserve and the short term fluctuations. I mean can you give a little bit of clarity on exactly what goes below the line and above compared to the actual initial reserve set up.

Jim Sutcliffe

OK.

Risto Ketola

And then the second question is, you said the DAC of $24m in EV. You made it sound very simple but I am just trying to picture in my mind what is happening here.

Jim Sutcliffe

OK. Jonathan do you want to talk to this

Jonathan Nicholls

Yes, Risto, sorry the line wasn't very good, but I think you were asking for the split between above and below the line in relation to the charge for the guarantee strengthening. Effectively what we have done is that we have reflected above the line the inefficiency of the hedge and below the line is currently related to market volatility. But what I also said was, that the below the line will be amortised back above the line. But clearly as time goes by we will continue to review that. That's just in my view putting in more conservatism into the charging. Sorry the other question I think you were asking about the $24m about DAC on EV versus IFRS. Well clearly IFRS has DAC and EV doesn't. And so there is a difference in treatment between the two lines. I was just highlighting it so that you could see that.

Jim Sutcliffe

OK. Let's come back to the UK. There are more questions. Matt. Yes.

Matt Lilley, Lehman Brothers

It's Matt Lilley from Lehman. Just a few quick questions. First on the FGD or IGD solvency. Could you give us an idea of what the requirement is. You have given it as a surplus. On the US Asset Management it looked like there were small outflows in Q2 standalone. Is that from one of the boutiques or is it just a small bit everywhere? And then what was the impact of the change of assumptions on the UK new business margin as a percentage?

Jim Sutcliffe

FGD, Jonathan.

Jonathan Nicholls

OK, .I will pick up the first and the last.

Jim Sutcliffe

Yes.

Jonathan Nicholls

Matt, FGD, I mean we tend to run a minimum level buffer of £750m so we are running at £1.5bn after the Bermuda. So obviously still some considerable buffer there. In terms of the impact on the margin it was somewhere around 1.5%-2% so from that point of view went into the margin number. But we are still only recognising two thirds as I said earlier. So still some conservatism. Also in the experience variance as a consequence there was £12m of positive experience variance after that adjustment. And that will continue to run through obviously as long as we continue to maintain those rebates.

Jim Sutcliffe

Tom, do you want to just pick up the question on the US Asset Management net client cashflow position? Can we get Tom a microphone please? Tom Turpin.

Tom Turpin

In the second quarter there was a very small outflow in the Asset Management. So year to date, as has already been pointed out, it is net positive inflows and it's just - I think Dwight had a little bit more outflow than some of the other firms - but it was relatively minor.

Jim Sutcliffe

OK, more in the UK, Jon again.

Jon Hocking

A couple of questions. On the UK new business assumption change, was that actually baked into your acquisition targets or did you assume that you were going to make this change at the time of acquisition? And then secondly on the US Life business you mention you were using external advisors for the hedging and also that that has not worked particularly well. Is there any sort of come back against those advisors?

Jim Sutcliffe

Did we assume in the acquisition targets that we were going to make that, I mean I think, Julian, you might want to talk to this point. Why don't you go ahead.

Julian Roberts

We were very conscious that we had a very different treatment and we wanted to be conservative. There was an element that we thought we would end up improving. But I am not stopping at the margins that we have got now. I still believe that the margins for this business need to move up when we get back to a normalised UK market. So you know we have hit the target that we have got. We did anticipate a little bit of rebasing, but I have to say I think for all of the three groups of margins, my targets are still higher. And we will address that as the market comes back.

Jim Sutcliffe

And I think Jon we looked at those acquisition assumptions as a set and there was a bit more conservatism with some. And so I think this was always assumed. As far as the external advisors are concerned I don't really want to talk about that in public. I think that clearly we are disappointed with that, but I think, you know, that's obviously a matter that would have to stay inside for the moment. Sorry

I think that's Blair, I can't see you in the light ….again Blair forgive me.

Blair Stewart, Merrill Lynch

It's me. Just one question on credit. Jonathan, I am sure the details are in the pack. But could you just give us an idea of how credit impairments affected the numbers, what your experience was on actual defaults and how you expect that to move going forward? And I think you have said you have changed the long run assumption to 10bps, was that correct? It seems rather low in relation to what others do, unless I picked it up wrongly.

Jonathan Nicholls

We had, you are correct, in terms of the change on the credit impairments that were running for modelling in the US 6-10bps. In terms of the actual impairments it was $149m in the half. Last year if you remember it was $64m. So, obviously running at over $200m now in total.

The actual defaults in the half were $21m, which is included in the $149m obviously. And the $149m from the half will be amortised over 60 months going forward, obviously combined with the $64 in the prior year. So, sort of an increasing total.

Just in relation to the overall position, again it's in the pack, but the overall mark to market is $1.2bn off side. We have a very rigorous review process that is carried out by our asset managers on a continuous basis to look at the content of the asset portfolio, and obviously will continue to monitor that very closely as markets continue to remain challenging.

Blair Stewart

And does the mark to market go straight to the balance sheet but the

impairments go through the P&L?

Jonathan Nicholls

Yes, it does, correct.

Blair Stewart

Yes, thanks.

Jim Sutcliffe

OK. Oliver.

Oliver Steele, Deutsche Bank

Oliver Steele at Deutsche. First, as far as Bermuda is concerned, are you able to give us the EV or in force value, net asset value for the Bermudan business by itself? That's question one.

Second question is back to Matt's question on the FGD surplus. I guess, in spite of everything, I was actually quite surprised by how strong that was. I think Matt was asking for the denominator in the FGD surplus which I would like to have as well. And secondly, does that FGD surplus include the mark to market on bonds?

Jonathan Nicholls

The FGD, it doesn't include the mark to market on bonds. I am just trying to find ….it's about £4bn, I think, Don, is that right? Yes, thank you. Sorry in relation to the EV Bermuda, no, I am afraid we don't have that as a separate number.

Youssef Ziai, RBS

It's Youssef Ziai from RBS. In your US bond portfolio could you say to what extent you have invested in perhaps collateralised credit card receipts or infrastructure bonds because that seems to be an issue for others

Jim Sutcliffe

Jonathan, do you have some data on that, .collateralised credit card receipts and….

Jonathan Nicholls

No, I haven't got that down. I mean, I have got it, but I haven't got it summarised. There is information in relation to CDOs and mortgage backed securities in the back which is about $4.4bn but I haven't got the public information on that.

Youssef Ziai

Thank you.

Jim Sutcliffe

Is there is more in the UK? OK. I am just conscious of the time. We have got one on the phone, if we can.

Marius Strydom, Barnard Jacobs Mellett

Hi, thank you very much. My question, once again I am back on the US Life investment. You have obviously taken some action too on the hedging side to avoid further widening of that. But my question is does that limit any recovery potential for guarantee reserve if market conditions improve. And a quick second question, the cessation of sales in May what proportion of sales did that make up?

Jim Sutcliffe

OK, on the sales Marius, just as I said, it's 70% of Bermuda sales, and Bermuda sales are about half of US Life. So, you know, you can go back and work that through. Obviously with…

Marius Strydom

But sorry, there are two cessations. There was a cessation in May and then there is a further in August

Jim Sutcliffe

Sorry, the sum of those two is the 70%. OK? So, that's the total amount. I have now forgotten your first question, just ask me again.

Marius Strydom

I want to know if the corrective action you have taken as far as the hedging and the investment guarantee reserve goes, if that limits the recovery potential if markets improve?

Jim Sutcliffe

No. Because that's about what the base guarantee number is, rather than about the hedging. So it does not.

Marius Strydom

So in other words if we see a rise, a strong rise in equity markets over the next twelve months we should a release from this guarantee reserve?

Jim Sutcliffe

Yes. Look, I think we are going to take a conservative position on this. But you will certainly see the $87m below the line reduce.

Marius Strydom

Thank you.

Jim Sutcliffe

OK. I am just conscious that everyone is rushing away and I can see coats being put on in London. Is there any last question in London? We can stay on the line in Jo'burg for a minute longer, Paul but I think the UK guys have got another presentation to go to. So if that's it, thank you very much for coming and we look forward to talking to you more over the coming weeks. But if there are more questions in Jo'burg, Paul give us one minute and let everybody file out here.

Francois du Toit, JP Morgan

….in terms of VIF sensitivity to very weak markets in the UK and all across Europe really I think your FUM and your net client cashflows imply that your investment performance on average was about -20% in Skandia which is in line with markets there. But nonetheless was have seen the VIF negative investment experience being only -9%. So half of this, it implies a VIF of only 50% and this is an asset management business. So clearly you must have taken some management actions into account in your EV determination. Can you give us some colour on those management actions and how we can see those come to fruition in future? And…second question related to that as well, when there is a move to market consistent embedded values, will the sensitivity to markets increase?

Jim Sutcliffe

OK, Jonathan or should I get Andrew to….

Jonathan Nicholls

He can have a go.

Jim Sutcliffe

Yes, Andrew can you have a go at that please? There is a microphone behind you.

Andrew Birrell, Group Chief Actuary

Thanks Jim. I am not sure that I quite caught the first question. It came in as people were leaving.

Jim Sutcliffe

I think what he was asking, and sorry correct me if I have misunderstood the question, was that the VIF has changed by 10% whereas the assets have changed by 20%. And why is it, you know, what bridges the gap?

Andrew Birrell

Yes, I think from our side, from what we saw, we didn't see the assets change by quite as much. So the reduction in the VIF was driven by the fact that markets are lower so we will earn lower fees in future.

Jim Sutcliffe

I think it's true also, Andrew, that in the UK business it's about 60% of the fees are driven by asset values and 40% are driven by fixed charges. So that I think you should expect to see that. I don't think it's a management action thing. If you don't mind my correcting you. I think it's more to do that there are non-asset related fees, revenues in the business.

Andrew Birrell

Correct. That's correct. There was a second part to the question as well, if you could remind me please.

Francois du Toit

The second part is when we move to a market consistent EV can we expect to see increased sensitivity to equity markets in the EV numbers, especially in Skandia? Certainly when Skandia was trading it had a very, very high VIF reflecting its high proportion of fees earned on equity markets.

Andrew Birrell

I think that Skandia already is in a very similar basis to market consistent basis. So I don't see substantial differences in the sensitivities in future.

Jim Sutcliffe

OK, thank you. Paul, are there more questions in Jo'burg?

Paul Hanratty

Are there more questions? One last question from David Danilowitz here, Jim, if it's alright with you.

Jim Sutcliffe

Of course.

David Danilowitz

Sorry, Jim, maybe just a final on US credit and not what we have seen, but moving forward for your US Life business. Just a feeling to your policy of impairment, I notice you have indicated some fair value to book value ratios within sub-prime and other related assets. And a lot of them are below 80% which often is used as an impairment point. Are you impairing those in any way or there is still possibly to flow through?

Jim Sutcliffe

Jonathan, impairment policy.

Jonathan Nicholls

You are right. I mean in terms of our impairment policy. You are quite right.

We do have a trigger of 80%, when they go on to the list. And then we need an actual event in order to trigger an impairment. So clearly that's exactly how the process works. Going forward if markets continue like this and they continue to decline then obviously more of those assets will go into that impairment list. So it's a very rigorous process. And up to now, as I said earlier, the actual defaults are $21m and we have now got $149m additional impairment for this year.

Jim Sutcliffe

Is that OK, Dave?

Paul Hanratty

OK.

Jim Sutcliffe

Anything more, Paul?

Paul Hanratty

Is there any last questions here? No, Jim, I think we are done here in Johannesburg.

Jim Sutcliffe

OK, alright. Well thank you very much and much appreciate everyone coming along. There are lots of people around to answer any more questions you have.

And as I said at the beginning 7 out of 8 businesses did well and we look forward to the next period with confidence.

And we look forward to talking to you all some more. Thank you.

END.