Old Mutual Plc
2008 Quarter 1 Interim Management Statement
8th May 2008

Analyst & Investor Conference Call

Presenter
Jonathan Nicholls, Group Finance Director

In attendance
Jim Sutcliffe, Group Chief Executive
Julian Roberts, Chief Executive, Skandia

Jonathan Nicholls: Good morning ladies and gentlemen and welcome to the conference call for Old Mutual's business update for the three months to 31st March 2008. I'm joined here at our office in London by Jim Sutcliffe, Julian Roberts and other members of the management team. As usual, I'll start by giving you an overview of the Group's progress, after which we'll open the call to Q&A.

Just to remind you that the statement we released this morning is an update on sales and, as I flagged last November, in common with our UK peers we are not giving either profit or EV numbers in our Q1 and Q3 updates.

The first quarter saw a continuation of global economic uncertainty and much volatility in equity markets. Against this background, I am pleased to say that Old Mutual performed well. We benefited from our geographic and product reach. Whilst sales were down in some markets and on some product lines, in others we continued to make good progress.

It was very satisfying that, despite the market conditions, we maintained positive net client cash flows at £2.1 billion which represents 3% of opening funds under management on an annualised basis. Funds under management were £261 billion, down 6.5% as a result of market movements and currency which offset the positive flows.

Life APE sales were up 2%. Strong contributions from Nordic and the US and South African retail were offset by a weaker quarter in the UK. It was however a difficult market for Unit Trust sales. In our UK and US businesses sales were down on what had been a very strong comparative period.

Our capital position remains robust.

During the quarter we continued to repurchase shares under the programme that we initiated last October. To date we've repurchased approximately 235 million shares through the London and Johannesburg markets at a total cost of around £343 million.

So looking at some details of the business units starting with the United Kingdom.

Skandia UK had a challenging first quarter, a consequence of the turbulent investment markets and uncertainty created by changes to the UK Capital Gains Tax regime. Despite this we were able to maintain positive net client cash flows at £0.5 billion, representing a healthy 5% of opening funds under management on an annualised basis. Market movements offset this gain and overall funds under management fell by 6%.

In the Life business recurring-premium sales held up well, though were offset by reduced single-premium business, and overall Life APE sales were down 18% at £158 million. Life bond sales in particular were down against a strong comparative period, largely due to the tax changes which make bonds relatively less attractive than they were to some client groups. And note that Skandia's bond sales were solely unit-linked; we continue to stay away from with-profits offerings which we believe is the right strategy.

On Unit Trusts the industry as a whole suffered from a weak ISA season as a result of poor investor sentiment and short-term pressure on cash available for savings. Our retail sales were down on the prior year, but this was, to some extent, mitigated by a large increase in institutional business. Other people also suffered in the retail market and pleasingly we maintained our platform market share.

To address the challenge of difficult markets we're further developing our investment proposition. For example: at the end of April we launched the Skandia Spectrum fund range – an innovative product which will appeal to a wide range of investors by matching an appropriate portfolio to individuals' appetite for risk. And our open architecture platform continues to position us well to respond to changing client requirements and sentiment.

Delivering the Skandia integration synergies remains a key objective for UK management. The second phase of the supermarket integration will be delivered in 2008, phased through the year to de-risk what is naturally a complex migration.

Turning now to **Nordic.** It was a very strong quarter for the region, demonstrating both the value of our brand as well as the investments we've made in the business to improve performance and realise its potential.

Net client cash flows of SEK1.5 billion were more than double the level achieved in Q1 2007 and equivalent to 5% of opening funds under management. This partially offset the impact of equity market movements, and funds under management were down 11% in the quarter.

The sales momentum that we generated in the second half of 2007 has continued into this year. Both Life and Unit Trust sales were up significantly on the comparative period. Skandia has been working hard to strengthen relationships with distributors and this positions the Nordic region well for continuing strong sales in the balance of the year.

Life new business margin remained steady during the quarter at 13%. We expect this to start to increase during the year as synergy benefits come through and from the leverage effect of higher sales. As we've said before, improving margins is a key focus for Management.

Moving onto **Europe and Latin America**: net client cash flows were strongly positive at €287 million, equivalent to 9% of opening funds under management on an annualised basis. Funds under management fell by 6% with the impact of market movements.

Life sales were down 15% to €64 million. Recurring-premium business was up largely due to strong demand in Austria and Switzerland for products developed in late 2007, but this was offset by lower single-premium business, particularly in Italy and France where investor demand was weak. More pleasingly mutual fund sales were virtually unchanged on the comparative period.

APE margin was 11% compared with 19% for the same period of last year. This is partly because of last year's result being flattened by an exceptional level of high margin business in Poland, which hasn't repeated this year but the main driver is lower sales volumes against which we spread fixed costs.

Now looking at **South Africa**. In **OMSA** sales force growth and productivity has been a particular focus in the year-to-date. This has generated positive results with Life sales on an APE basis up by 10% on the comparative period. Single- premium sales were up by 22%, with recurring-premium sales growth more modest but still good at 5%. Margins have reduced from 11% to 10% as a result of our investment in the sales force, although we should see margins recover during the year due to the leverage effect on higher sales volumes.

Unit trust sales at R4.4 billion were up 19% on the comparative period.

Despite the positive sales results net client cash flows continued to be a challenge for OMSA. One of the reasons is that good investment performance pushed up bonus levels. This increased outflows and that contributed to a negative net client cash flow of R3.6 billion. Funds under management were down 3% in the quarter.

Moving onto **Nedbank**, as flagged in February, the economic environment has created a difficult market for banking during the first quarter. Despite this challenge Nedbank's Q1 results were broadly in line with expectations for headline earnings. However impairment

charges continued to increase in both Nedbank Retail and Imperial Bank, resulting in a slowing of earnings growth. Nedbank now expects its full year credit loss ratio to exceed the medium to long-term target range.

Net interest income grew by 22% to R3.9 billion although, as expected, the net interest margin reduced to 3.85% from 3.89%. Non-interest revenue was marginally above the comparative period, due mainly to continued growth in commission and fee income.

Expenses continue to be managed tightly and grew more slowly than income resulting in a further improvement in the cost to income ratio.

In relation to **Mutual & Federal**, gross premiums were up 6% on the comparative period but, as we flagged in February, claim levels were boosted by increased fire losses and weather-related claims and this impacted the underwriting result in the quarter.

You will have seen in March that we announced that our sale discussions with Royal Bafokeng Holdings had come to an end. We are continuing to evaluate options for our future investment in M&F, but in the meantime we're driving the business hard for value.

The declaration of a final 2007 dividend for M&F was deferred while sale discussions were continuing, but a dividend of R1.35 per share has now been declared. This is an addition to the special dividend of R2 per share paid in December '07.

Moving across the Atlantic to the **United States**. In **US Life** net client cash flows remained positive at $0.4 billion, but funds under management closed down 2.5% as a result of market effects.

APE Sales were up 37% at $172 million. This was largely due to sustained high VA sales by Old Mutual Bermuda, which more than doubled on the comparative period and represented 63% of US Life APE sales in the quarter. Reflecting these strong sales, the value of new business was up by 54% and APE margins held up strongly at 22%.

On credit issues, once again we've provided more detailed information in our financial disclosure supplement. In line with the rest of the industry our mark-to-market position has been impacted as credit spreads have widened. We continue to monitor closely the performance of the portfolio.

Our **US Asset Management** business continued to deliver good long-term investment performance. Overall net client cash flows remained positive at $2.6 billion, just over 3% of opening funds under management with net inflows at a number of our affiliates partially offset by outflows at OMAM UK. Funds under management closed down 5% at $317 billion.

Mutual fund sales of $573 million were disappointing, down by 46% on a very strong comparative period.

New products have been launched. For example the Target Date Plus portfolios, which offer clients the chance to select the fund which is most appropriate for their target retirement date and their appetite for risk. An attractive product range and track record of investment performance positions our US business well to increase sales, particularly once investor sentiment improves.

Finally on **Asia Pacific.** Equity markets in China performed particularly badly over the period and, combined with increasing competition in the unit-linked market, this created a difficult environment for our joint venture operation. The dramatic sales growth that we delivered in 2007 has not been repeated in the year-to-date, but we are continuing to expand our distribution capability.

The expansion of our distribution network in India has continued, and we've now reached our target of 150 branches. This contributed to a significant increase in gross premiums, which were up 73% compared to the same period of last year.

In Australia funds under management closed down 12% at AU$12.8 million, reflecting reductions in line with the rest of the industry.

That's been a quick tour around the business units. So, in **conclusion,** our businesses performed well and we maintained positive net client cash flows; a great result in a difficult market. In absolute terms our investment performance in the quarter was impacted by the markets, but we continue to perform relatively better than equity markets overall, demonstrating the underlying strength of our business model.

Life sales held up on an APE basis but mutual fund sales were reduced as a result of market conditions and investor sentiment.

Margins were a little lower than previously despite a very strong US performance, but we do expect these to improve over the balance of the year.

Our capital position remains strong and we continue to manage this prudently with an eye towards rating agency requirements.

Management is tasked with increasing internal efficiencies and we're making progress across the Group on the extraction of synergies, alignment of practices and tighter control of costs.

Clearly the markets remain tough. At this early stage we can't predict where they will go during the balance of the year. It's a fair conclusion that achieving our target of £300 billion funds

under management by the end of 2008 will prove difficult. This will of course impact on this year's earnings; we've said it many times before but remember that in our "assets times margins" model each additional £15 billion of funds under management adds a penny to EPS.

Our business is sound. The retirement savings market is still attractive and is a growth industry. Our strategy remains robust and the breadth of our portfolio gives us the opportunity to capitalise quickly on the available opportunities.

Thank you very much. At this point I will stop talking and let's open it up to Q&A.

Jon Hocking, Morgan Stanley

In terms of the UK business could you break out a little bit in terms of the single-premium sales what was seen between the onshore business and the offshore business, and the trends you're seeing there?

Julian Roberts

I think the analysis that I would give, rather than breaking it down into each segment of our performance, shows exactly how well it's done compared with other people. I think what you've seen in the general analysis is the impact on pensions; the impact of 'A Day' has gone. We believe with those sales that we have gone through that we are performing better in the pension area than our competition.

The offshore business as well is very much in line with the previous quarter, and again our performance is pretty solid - not as good as some others who are very aggressive in the market.

The area where we have struggled is in the bonds area, on the onshore bonds area which has slowed down and I think probably more so than some of the competition from the analysis that we've done. Others have had some one-off bulk amounts coming through. Some others as well seem to have been selling with-profit bonds, again which is not something that we have done. So, overall I think we are pretty well in line and I think in some areas performing better than the competition.

Raghu Hariharan, FPK

The first question was on the South African business. I notice your institutional business is very strong, single premiums are up 46% in Rand terms year on year. I was wondering if you could give us some colour on whether there were any bulk deals that you actually managed to grab in the first quarter.

The second question was just a follow up on what Jon was asking. In terms of the UK strategy itself do you see bond sales normalising or do you see yourself having to replace lost bond

sales with say pensions or any other guaranteed products. What is your UK strategy to manage the challenges of CGT?

Julian Roberts

One of the key things that we have in our strategy that most of the competition don't have, as you know, is the leading edge platform. And the capabilities that we have got through the platform - and we did have a number of problems as you know with the implementation of the upgraded platform at the end of last year, which is now coming back very strongly - is for some people who, where it is not tax efficient to be in the bond market because of CGT, and that is not for everybody, we believe that the platform with the Mutual Fund area is the area where people should invest. We do believe that we are continuing to enhance the platform capability. As I say the pick-up of IFAs who were on the old Skandia system and now moving on to the Selestia system is picking up quite dramatically. And therefore we are very confident that if people don't want a Life wrapper for the bonds that they will move into the Mutual Fund sales that we have on the platform. So, we carry on with our strategy of growing the capability and the product range that we have on the platform.

Jonathan Nicholls

In terms of the institutional, a couple of points to make. Obviously a quarter is a relatively short period of time and it is inevitably going to get a certain amount of lumpiness particularly in the single-premium market but we did see some good deals flow in the first quarter. In regular-premium we have been focusing on the broker market with our sales force over the last six to nine months and that is a specific effort that we have been making and obviously we are seeing the benefits of that coming through.

Michael Christelis, UBS

On the US Fund Management side, the big story when the Bear Stearns share price collapse happened was that you guys were the largest shareholders through Barrow Hanley. Can you give us some colour as to what the sort of size was of that loss there within those funds? Also, the US Fund Management net flows; can you give me an indication - those were down quite heavily on last year - is that a result of more outflows or was it a result of less inflows or a combination of both?

Then in South Africa, I see you are enhancing your sales force, your tied sale force; I mean how many more agents are you looking to add to that and is that aimed at the new commission regulations or what is the strategy there?

The third question is I know you mentioned that the persistency in the UK has been largely on track; can you give me some colour on the persistency experience particularly in South Africa and the US in quarter one?

Jonathan Nicholls

In terms of US Fund Management and Barrow Hanley, yes, you will be aware that we operate a boutique model of our fund managers throughout our US operations. And whilst on the one hand Barrow Hanley were long of Bear Stearns we did have other of our fund managers who had actually taken short positions so, from our point of view, I think that is tangible evidence that the boutique model absolutely works. In terms of overall returns, by the time the position was finally closed out it was significantly smaller than some of the headlines and from our point of view it will be, whilst undoubtedly affecting performance at the margin for the Barrow Hanley fund it would only be a small impact. I think in particular that operation has over the years been extremely successful with taking significant value calls from time to time in certain institutions. So, overall that performance is still very, very good indeed.

In relation to persistency. In the UK - still in line with expectations which we're encouraged with and likewise in South Africa. We clearly monitor it.

In relation to net client cash flows in the US, primarily I think it is a combination of a slowing of inflows into the funds. We do believe that our excellent performance in those funds over a three year timeframe continues to set us apart from our competition and as a result net client cash flows continue to be strong even though markets are difficult. The main impact there of course as I said in the announcement, was that retail flows have been affected. We have found pretty universally throughout the world that retail investors have been less confident with the market volatility and we are obviously seeing the impact of that but clearly if markets stabilise, which they are showing a little bit of sign of doing, then hopefully we will be well placed to recover flows as investor confidence returns.

Jim Sutcliffe

The target, actually no difference South African outflows, retail forces, to try and get it up about 10% a year but in the, what used to be called Group Schemes, in the mass market about a 10% increase. I think it might be 9 actually at the moment, something like that. But if you think 10 that's the kind of ballpark we aim at. On the PFA, the middle market sales force, we've found it much more difficult to get the numbers up and we're nearer flat, but the comment referred to the mass market sales force rather than the middle market sales force.

And just to add to what Jonathan said on Bear Stearns. The main portfolio that is affected here is a 40-fund portfolio. So, what to understand is what impact it has on returns if one stock in a 40-fund portfolio that is evenly spread amongst the 40 goes from whatever it was to zero. The maximum impact on the investment returns for a year is 2.5%. That tells you why – yes it is obviously a negative but it is not a really huge bit anyway.

Michael Christelis, UBS

In light of the comments made about retail sales in the US, can you just give me some colour as to how much it is costing you to launch these onshore variable annuity sales distribution force and whether you still consider that to be the right strategy given the current environment?

Jonathan Nicholls

I can't give you specific numbers on that. The project is still on the books and is still on the launch pad as it were.

Jim Sutcliffe

You won't see a deviation in the result because of it. It is not an order of magnitude that is like that.

Blair Stewart, Merrill Lynch

Firstly, when do you think we will see the volume impact on margins coming through the Nordic region? Clearly we have seen the opposite effect in ELAM and I just wondered how long that will take to pick up the margins in Nordic?

Secondly, you make a comment in the statement about optimising capital allocation. Now with the share buy back almost completed I wonder when you think you will be in a position to make any further statement on the share buy back in the future.

Thirdly, the 15 billion of assets equals one pence on earnings; I just wondered if that still holds given the drop that we have seen in asset levels and the depreciation of the Rand. Thank you.

Jonathan Nicholls

In terms of Nordic margins, our medium term objective of having them up in the high teens at the end of three years, which was what we announced in the end of March, still holds - so absolutely no change. We are very confident that the margins will improve through the balance of this year. Sales volumes are very good. The brand is working well. New product launches are coming through. So, all of that is extremely positive in our view for margins over the medium terms. So, absolutely no change to that target whatever.

In relation to capital allocation, buy backs. As you rightly pointed out we are approaching the end of the programme we launched last October. We are also at the same time at the start of our annual planning cycle and, in the context of the current markets we are waiting to run through that planning cycle before we conclude exactly what to do with our capital going forward. We are well capitalised. The rating agencies of course will have an opinion on this; although our FGD surplus is above our £1 billion buffer that we require, the results mean the rating agencies, as well as obviously our own views on the outlook for the businesses, that drive our views going forward. So at this stage I'm afraid I can't give you any indication one

way or the other as to whether or not we will make an announcement but clearly as we consider that over the next few months we will come back.

In relation to the "assets times margins" mix, yes clearly that does require the mix to remain broadly the same, and that will vary from time-to-time. In essence, you will be able to sort of extrapolate sales experience from the first quarter and make your own judgement on that model based off the slide that we had in the pack at the full year. But fundamentally we continue to drive that and we continue to drive this organisation towards a 50-55 basis point margin, so it remains a target for us.

Blair Stewart

Just on the last point, it was more related to the fact that assets have fallen and the possibility of fixed cost issues starting to creep in; how confident are you that you can get costs down as assets fall.

Jonathan Nicholls

All of our businesses have, as you'd expect, as we've driven into 2008 – it's been a volatile, difficult market - all of our business units are looking closely at cost and have come up with plans for maximising the value of the organisation either from improving revenues wherever possible but also of course minimising cost growth or absorbing inflation wherever possible. So there are plenty of initiatives throughout our business units aimed at reducing the leverage impact of lower volumes.

Jim Sutcliffe

The model still works, in other words.

Youssef Ziai, ABN Amro

I just wondered if you could perhaps expand on Old Mutual Bermuda. Good performance. Could you just tell me what the nature of the distribution relationships of this outfit is, and the geographical spread of its client base? Just trying to see what kind of further opportunities there may be in it.

Jonathan Nicholls

I think just following on from an answer to a similar question I had at the Full Year Results; the growth of distribution is a key driver of the sales volumes growth. That is stating the obvious. But we were starting from a low base a year ago and clearly the 50-odd percent increase in sales versus Q1 also reflects the fact that we were starting from a low base. And as I said at the end of February at the Results presentation, we do anticipate that growth rate starting to slow as that business matures. Distribution is with large banks around the world but in terms of sales in particular, we do see significant demand from Asia where Asian investors see it as a good opportunity to invest in a Dollar-denominated security. So, from that point of view we

continue to make efforts to broaden that distribution footprint, but also to launch the products in other jurisdictions around the world as well, so not just limited to Asia and offshore markets.

Greig Patterson, KBW

The first question is US margins ahead of target. Does that mean we have to pencil in lower margins for the full year or do we have to pencil them in for '09?

Second is the UK margin came down quite dramatically. You said due to mix effect. Is it the mix between products, i.e. between bonds and pensions, etc; or is it the mix within a product, in other words more of your money is being received in cash which is of lower margin. Or do you do sort of the Standard Life where you just ignore that effect and just assume away the problem.

Third question is you made an interesting comment that you didn't like this 'guided advice' story in the Retail Distribution Review. I got the impression you viewed it as some kind of threat. I was just wondering if you would talk around why that is a threat to volumes.

Jonathan Nicholls

US margins: The comment there is that they are higher than we anticipated. I think from our point of view they are slightly ahead of our medium term target and we do anticipate, as ever, increasing competition in specific product lines. So whilst obviously we were very pleased to have reported those margins I think going forward our view is that we would expect them to revert more to our target margin in the medium term.

Julian Roberts

It is both of the things you were saying on UK margins. And of course there is a difference in the mix of products that we sold with the degree of bonds coming down. But also there is an element that we are seeing more people paying cash and as you know we get much lower returns out of cash than we do from the equity portfolios. So there is no smoothing going on in our calculations there. And that is why you see the reduction in the margin as it is now.

The second one, yes, we have come out and made the statement again on guided sales. It is quite straightforward: We are very much in favour of advice and sound, clear advice. And therefore either you go one extreme or the other; you either have detailed advice up to the nose, it is clear, and there has no bias; or you go to selling. To have something in the middle is just not clear.

Jim Sutcliffe

What I said supports exactly what Julian says; that when you start to call something 'guided advice' and you go around this phone call and you ask what that means just in common ordinary English, nobody knows what the hell it means. I just think it is a recipe for a mess.

Greg Patterson

Just as a last point. You mentioned every country except you didn't talk about US Life persistency. I wonder if you could just clarify the answer you had to the other question. What is the US lapse experience currently?

Jim Sutcliffe

US lapse experience is fine, the only issue if you remember was at the tag end of the MYGA five year thing. It was in the first quarter of this year. It is finished now, but in the first quarter there were still some MYGA five year points being hit. So, you had a slightly higher run rate because of that but that is just specifically. But otherwise the persistency numbers are pretty much where we think it should be.

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I think Mike also asked about South Africa. I have to say that we have seen some concern in South Africa but it is nothing wildly out of the ordinary.

James Pearce, Cazenove

First could you just give us a bit more detail about the volume and margin problems that you have seen in the ELAM division; and how much conviction you have in your outlook comments for improvement later in the year.

Then second, I think it is fair to say that you have sort of got a few teething problems with Skandia since you bought it. And just in that context I'm interested in you're putting more capital into Skandia through acquiring Skandia Liv. Just if you could reconcile those two facts; the performance versus additional capital, please?

Julian Roberts

On the volume and margins in ELAM; as you know the big countries where we are in, in Continental Europe has slowed quite significantly, you have seen that from the other of our competition. Particularly Italy and France, the single-premium market has slowed quite significantly. Interestingly, we believe that we are still picking up market share in France even during this period of time. And secondly, as well you have got the issue of the new legislation changes coming through in Germany and that has stalled the market at the moment. Now because of the change of all three items that had that drop in margins. We are optimistic that the volumes will start picking up again. Not going back to levels that we had last year, but we would expect to see the volumes picking up a bit and therefore with that the margins also increasing.

Jim Sutcliffe

On the second one, we wouldn't agree with your characterisation of teething problems at all. Just to give you a sort of a sense of it. If you think about funds under management, just to take the Nordic position for a moment, we started when we were doing the acquisition at about SEK90 odd billion under management. Today after what was a difficult first point on the selling

and a difficult market that's here today, we're at SEK105 billion I think it is, or SEK106 billion. So we're up quite significantly from the point two years ago. So actually the way the acquisition has proceeded and – sorry - just to emphasise the point even more, I think something like 85% of the revenues in the Swedish business are a percentage of the assets under management. So it's a very "A times M minus E" business if I can put it that way. So the thing has grown well ahead of what we assumed at acquisition. And even in the UK after a pull-back in sales in this period, obviously in this quarter, the assets under management are way ahead of our expectations, and so the revenue is way ahead of our expectations.

So we are looking at, I think when we started the assets under management was something like £31 or 32 billion, it was only just over 30, and we're still just about 40. So the thing has gone up a third. Now that's quite substantial rates of growth and well ahead of what we assumed in the acquisition pricing. We have certainly seen some things that we wanted to improve. We've seen some things that we thought they weren't doing well enough in the past, and there are some difficult market conditions at the moment, and so on, and tax changes. But I think that the value of that business is well ahead of what we paid for it and I think there's every expectation that it will continue to grow in the future.

Risto Ketola, Deutsche Bank

Swedish sales are up quite nicely; I'm just wondering whether you have reverted back to a more front-end loaded commission model?

The second question has got to do with the transfer rights which are going to be re-implemented in Sweden. What impact has that got on funds under management?

The last one is on South Africa. You mentioned that you acquired a credit Life book of business. Now I just want to know what book of business is that and how big was the impact on the published South African sales number?

Julian Roberts

I think going through on commission model, if I turned around and told you that of the recent broker survey, they had 18 categories and our Swedish business was top-rated by all of the brokers in 15 of that 18. The increase of sales is largely the action and the refocus we took at the beginning of last year. We've rolled out some new products and we've gone back on the front foot with our customer service. The large brokers have had no change whatsoever in the remuneration structure and I was checking with my colleagues just recently to make sure that that wasn't the case. So we've done no changes on the large and medium size brokers. We had given an alternative to the small brokers which, as you know, was addressing the problem they had on cash flow. Actually the drive of the new business that has come through has largely come through our own sales force and again, no change in the remuneration structures there. So I'm just really pleased that we've got the focus, we've got the new products, we've got our act together and we've seen that with markets share coming through.

On transfer rights; yes transfer rights came back in again on the 1st May. We believe that this is an opportunity for us that's not particularly addressed. What we're seeing in the market – again, I think this may be helping our sales – is where there is uncertainty, people are coming back to strong companies with strong brands. And as you know the capital adequacy we have got in our Swedish business is stronger than others. So we are pretty aggressive. We think there's quite a bit of business that we can win, but we're waiting to see what the real impacts are in the markets.

Jonathan Nicholls

Just on the credit Life book, it was the transfer of American Express from Region and it was, in relation to APE, it was only R35 million, so not huge.

David Danilowitz, Merrill Lynch

Two strategic questions; the first one coming back to the ELAM point from earlier. Are you still comfortable with ELAM strategically going forward? Just seems like every period there seems to be a new region that has some new regulatory change etc, or not regulatory but some change that does affect sales there. So just your thoughts on that long term and strategically.

And then second; in the US Life business and assets that are managed there. Quite high Triple B corporate exposure and, clearly, entering a period of likely recession in the US. Have you had any strategic asset allocation changes there that take account of those?

Julian Roberts

The issue of ELAM; we have been focusing very much on trying to take out the expense base across the various countries and therefore to leverage the capability that we've got from the larger businesses from the smaller businesses. So what you will see over a period of time is that we will have some countries processing on behalf of others. We will therefore be able to leverage and allow some of the smaller countries to be, if you like, moving more to the sales and sales support. You see that very much in France where France is running the processing for Spain and Portugal. And in that way we believe that we get the economies of scale, we get a simpler business and we leverage the capabilities that we've got. And that's the route that we're going down to take away the complexity and to build this business. I really am confident that the business that we've got in Continental Europe and in Latin America are businesses that we can grow quite significantly and I do believe we will grow them. The performance, 8% net client cash flow as a proportion of assets under management, in this market, given what I've said earlier, is pretty good performance. So I'm confident we can grow this business.

Jonathan Nicholls

In relation to your question on the bond portfolio in the US. I think over the last three or four years we have anyway been moving up the credit curve as an objective. Ironically as part of that we went into mortgage backed securities but you'll see from the schedules that of our

holdings in mortgage backed securities, they are very highly rated indeed. And although clearly credit spreads have widened that is in line with the market. So in terms of allocation, I suppose at the margin we'll continue to improve the credit quality as we look forward, but it is being well managed and we do feel comfortable with the current position.

David Danilowitz

Just a follow on question back to Bermuda and the VA sales there – and obviously a lot are sold through large private banks. How do you protect the fact that you don't see any of those banks going into the lines themselves, given that your margins you're showing are very good margins? I think you have spoken to that in the past but I think I'd just like to hear you say again you're very confident that those will be continuing, those relationships?

Jim Sutcliffe

I think there are some interactions between the way capital works in banks and capital works for us that make it more attractive for them to do it via us. And with the key bank distributors in this pack, we have a very close working relationship where we know each other's risk approaches and so on. What we would say from those discussions is that there isn't any desire on the part of those people to enter this particular market. I think that what we have also seen is the capacity to produce the underlying investment vehicles, is something that is hard for them to do. They have their own asset managers to fit these products, which you will see if you pick up any of the product literature. But we can provide a much wider and deeper range of asset managers through our regular activities, in the US certainly because we've got our own asset managers, but through the open architecture approaches that we operate generally, and through Julian's Skandia Investment Group businesses and so on, just provide them with a much wider range of asset managers than they can get themselves because many of those asset managers don't really want to deal with those big banks. So it is certainly a market where we have got dependency on a few big distributors, but I think the opportunity for us to expand and distribute a list remains pretty big.

Risto Ketola, Deutsche Bank

Just following up on what David asked. Are you prepared to name the three largest distributors and what percentage of sales they make up?

Jim Sutcliffe

No I'm not prepared to do that. That is a highly sensitive commercial issue. There are other people trying to enter this market and I am not going to tell them how we do our business, so you will forgive me not talking about that.

I think perhaps what I should say to the second part of your question is, and just repeating what Jonathan said earlier - and I know this irritates some people - but what we are trying to do with this business is to drive it on a net client cash flow basis. So what Jonathan was saying

was that we had a low base in the first quarter of last year and we finished the year – again forgive me if I am not exactly right – but at about $6 billion of premium last year.

As we come into 2008, we've got a better net client cash flow outlook because we haven't got the MYGAs maturing that we had last year after the first quarter. We have had it in the first quarter as I said, but we haven't got it for the balance of the year. So really our kind of instinct here is that we should try and look for another $6 billion, maybe a little bit more or less, but about $6 billion through the year. So the rate of growth of those sales will probably decline, which is what Jonathan said, over the year because that is how we manage it. The ability for us to get $6 billion – linking it back to the point you were asking – this gives us lots of scope to deal with any individual bank relationship becoming a problem because we could probably write quite a lot more than $6 billion if we really wanted.

Michael Christelis, UBS

On the UK sales, can you give me some colour on what you've seen for April and whether it has been sort of continuing the trend that you saw for quarter one?

Julian Roberts

Yes, it is carrying on the same trend.

Jonathan Nicholls

I think that sounds like we've reached the end of the questions. Thanks very much indeed everyone for your input and contribution, we appreciate it. As I said, we are delighted with our net client cash flows in a difficult market. We still believe that the retirement savings market is attractive and is a growth industry. Our strategy remains unchanged and robust and the breadth of our portfolio we believe gives us the opportunity to capitalise quickly on the available opportunities that we anticipate in the balance of this year and looking forward.

Thanks very much indeed for your time.